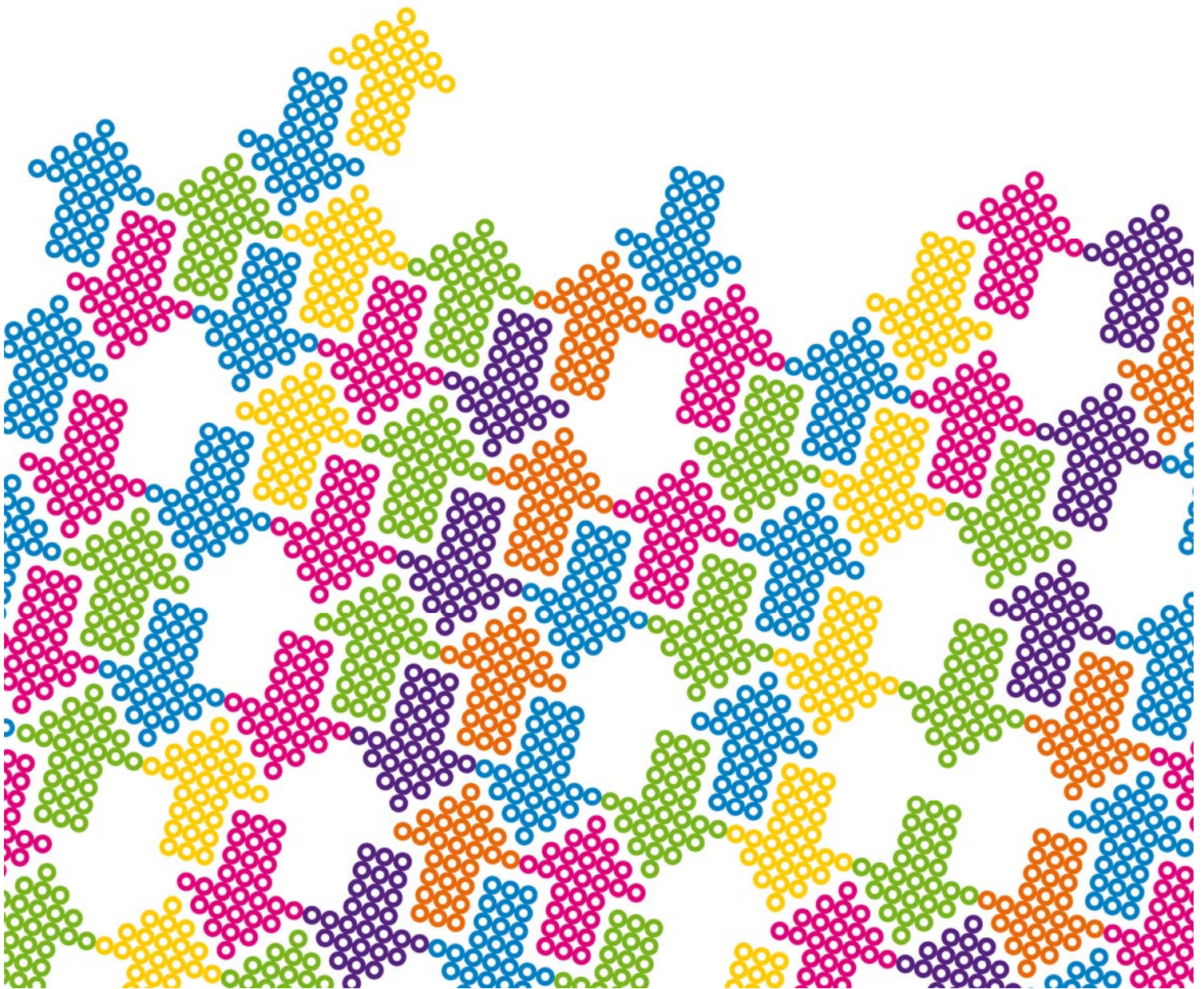




# Submission to the Action Plan for Jobs 2018

December 2017



## Introduction to the National Competitiveness Council

The National Competitiveness Council (NCC) reports to the Taoiseach and the Government, through the Minister for Business, Enterprise and Innovation on key competitiveness issues facing the Irish economy and offers recommendations on policy actions required to enhance Ireland's competitive position. Each year the NCC publishes two annual reports:

- Ireland's Competitiveness Scorecard provides a comprehensive statistical assessment of Ireland's competitiveness performance; and
- Ireland's Competitiveness Challenge uses this information along with the latest research to outline the main challenges to Ireland's competitiveness and the policy responses required to meet them.

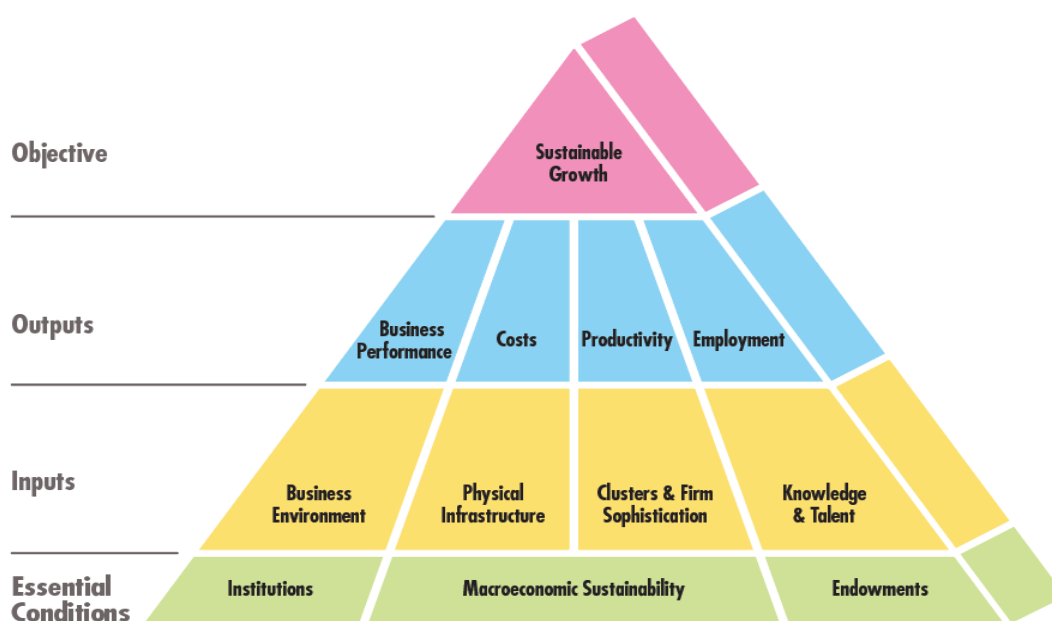
As part of its work, the NCC also:

- Publishes the Costs of Doing Business where key business costs in Ireland are benchmarked against costs in competitor countries; and
- Provides an annual Submission to the Action Plan for Jobs and other papers on specific competitiveness issues.

## The NCC's Competitiveness Framework

The Council defines national competitiveness as the ability of enterprises to compete successfully in international markets. National competitiveness is a broad concept that encompasses the diverse range of factors which result in firms in Ireland achieving success in international markets. For the Council, the goal of national competitiveness is to provide Ireland's people with the opportunity to improve their living standards and quality of life. The Council uses a "competitiveness pyramid" to illustrate the various factors (essential conditions, policy inputs and outputs), which combine to determine overall competitiveness and sustainable growth. Under this framework, competitiveness is not viewed as an end but as a means of achieving sustainable improvements in living standards and quality of life.

### The NCC Competitiveness Framework



## Introduction

The Action Plan for Jobs (APJ) recognises the fundamental link between competitiveness and job creation, and is a key mechanism to drive competitiveness in all areas of economic activity. Previous Action Plans have provided a sharp focus on specific aspects of the competitiveness agenda, particularly in relation to costs and in actions towards achieving a top-five international competitiveness ranking. The development of APJ 2018 provides further opportunity to maintain this focus on competitiveness and the Council welcomes the opportunity to input into the process.

The 2017 Action Plan for Job set an ambitious target to achieve a top 5 global competitiveness ranking based on the IMD Competitiveness Scorecard by 2020. For the Council, the focus is welcome and this emphasis on improving competitiveness as a means of foster quality employment should be maintained and renewed in 2018. To facilitate sustainable employment growth, Government must continue to ensure that the diverse range of factors and policy inputs that influence national competitiveness including education and training, entrepreneurship and innovation, Ireland's economic and technological infrastructure and the taxation and regulatory framework operate at optimum levels.

The Council considers the APJ process has been valuable from a competitiveness perspective and has been successful in driving coordinated actions to improve job creation, broaden the export and enterprise base, and enhance competitiveness. The APJ process should continue to evolve. The move towards a robust assessment framework with targets linked to specific actions and outcome-based performance indicators, as recommended by the OECD, should continue. The focus on a whole-of-Government approach to employment and quarterly monitoring and reporting framework should also be maintained.

## A Renewed Focus on Competitiveness

As a small open economy, generating sustainable broad based export-led growth is essential. To deliver growth, Ireland's international competitiveness needs to continue to improve. Ireland's move up the international competitiveness rankings (we are ranked 6th in the latest IMD World Competitiveness Yearbook) is welcome. However, our strong improvements in macroeconomic metrics have driven the improvement in Ireland's relative competitiveness score. This may suggest that our current performance, which is relatively strong, is overstating our overall competitiveness position and masking weakness in the underlying drivers of future competitiveness performance and sector specific challenges, particularly related to costs and productivity.

While the overall economic outlook for Ireland is positive, the economy faces significant downside threats, including Brexit, a potential shift in trade and taxation policy in the US and the uncertain trajectory of global growth. The competitiveness and consistency of our tax system, legal, regulatory and administrative environment, ease of starting and running a business, cost base, the availability of talent, technology and property solutions will remain vital to Ireland's ability to withstand the ebb and flow of global economic developments and external economic shocks. The Council considers the key challenge now in terms of employment growth is the quality and sustainability of job creation. In this regard a key focus must be in will be ensuring that enterprises are resilient and competitive.

As set out in the Council's report Ireland's Competitiveness Scorecard 2017, many of Ireland's relative strengths (highly skilled young workforce, and supportive environment in which to do business) remain relatively competitive. Since the recession, much has been done to improve the environment for enterprise in Ireland. This is to be commended. However, we can, and must do more to deliver further improvements across a range of policy areas to secure stable foundations for future growth. Improving the relative competitiveness of our tax offering, legal, regulatory and administrative environment, particularly as they

impact on SMEs remains vital to facilitating enterprise and job creation and to ensure we are well positioned to withstand the ebb and flow of global economic developments. It is imperative particularly in the context of Brexit that Ireland's strengths in these areas are consolidated and improved and relative deficiencies addressed.

The economy and labour market is at a critical juncture. Driven by domestic demand sources, economic growth is forecast for 2017 and 2018 with continued strong employment growth and a further decline in unemployment. Employment grew in 11 of the 14 economic sectors during 2016 with the largest annual increases recorded in industry, construction and accommodation and food services. A rapidly improving labour market and positive inflation may pose challenges for competitiveness in terms of skills gaps, increasing consumer prices and business costs. The Council is concerned that as economic growth continues, there are clear threats that could undermine the sustainability of Irish employment growth. As shown in Ireland's Competitiveness Scorecard, the trajectory of Ireland's international competitiveness performance has been generally positive over recent years. The Council considers it more important than ever action is taken to improve Ireland's competitiveness performance in areas that can be influenced by domestic policy through the Action Plan for Jobs process.

Brexit represents the foremost downside economic risk for Ireland. The immediate impact of Brexit has been uncertainty, reduced growth prospects and a shift in exchange rates. The depreciation of Sterling relative to the Euro and dealing with the permanency of the exchange rate shift an important structural consideration. Brexit has far reaching implications for Ireland across a range of policy areas – including the labour market, as well as many sector specific competitiveness impacts – particularly on the agri-food, traditional manufacturing, tourism and sectors vulnerable to cross-border trade, and e-commerce. While the UK is, and will, remain a key trading partner for Ireland, it is also a country with which we compete in terms of mobile investment and export market share. In the run-up to, and post-, Brexit we should be ready for the UK to intensify its investment in infrastructure, enhance and develop its tax and non-tax offering for enterprise, develop its skills and innovation base and plan to diversify trade into new markets.

Ireland's Competitiveness Challenge 2017 outlines the main challenges to Ireland's competitiveness and the policy responses required to meet them. Whereas the bulk of the Challenge focuses on medium term actions, this submission to the Action Plan for Jobs focuses primarily on shorter-term, tangible actions (i.e. actions that can commence, or be delivered upon, over the next 12 months). The two overarching themes and issues considered in the Competitiveness Challenge and elaborated on in this submission are summarised below.

#### **Theme 1 Ensuring growth is sustainable:**

- The theme of ensuring growth is sustainable throughout four chapters.
- Delivering Macroeconomic Sustainability
- Delivering Productivity Enhancing Infrastructure
- Environmental Sustainability and transitioning to a low carbon economy
- Building and Sustaining Talent

#### **Theme 2 Generating uplift in enterprise competitiveness:**

- The theme of generating uplift in enterprise competitiveness is addressed in four chapters.
- Maintaining Cost Competitiveness
- Fostering Productivity Growth
- Building Innovation Capacity
- Enhancing and Diversifying Ireland's Export Base

# Ensuring growth is sustainable

## 1.1 Macroeconomic Sustainability

While the exact cyclical position of the economy is difficult to precisely estimate, the Council considers it imperative that an appropriate fiscal and budgetary position consistent with the EU budgetary framework is adopted to ensure Ireland is best positioned to withstand shocks, and ensure that the economy does not overheat. Careful management of the public finances will remain a challenge, particularly considering the need to address growing infrastructure deficits and funding pressures across a range of public services. To ensure debt is sustainable for future generations and to reduce revenue foregone on interest payments action should continue to reduce our debt levels. To ensure capacity to absorb and respond to economic shocks we should avoid any narrowing of the tax base. Brexit makes it essential that tax rates are internationally competitive and provide certainty in a manner that supports and rewards employment, investment, innovation and entrepreneurship.

Ensuring that the State's finances are prudently managed is a crucial element in providing a stable business environment in which enterprise can thrive. From competitiveness perspective Ireland's approach to fiscal sustainability should involve:

- Attaining sound budgetary positions (i.e. conducting sustainable fiscal policy by avoiding high deficits and/or increasing debt ratios);
- Reducing the cyclical nature of fiscal policy making; and
- Maximising the effectiveness of public expenditure.

### Attaining sound budgetary positions

Stable and sustainable public finances are a prerequisite for competitiveness. Careful management of the public finances within the EU budgetary guidelines will remain a challenge. This requires an appropriate balancing of the need to meet our obligations under the Stability and Growth Pact and put in place a sustainable, counter-cyclical, medium-term fiscal planning process with the need to increase capital investment to enhance competitiveness. Economic growth has contributed to improvements in the debt to GDP ratio. However, it remains high, exposing Ireland to external shocks and particularly to a potentially 'Hard Brexit' scenario. It is important that the downward trajectory of the net debt burden continues.

Complying with the provisions of the fiscal rules, including the Expenditure Benchmark, and the development of a Rainy-Day Fund would serve as a buffer against adverse shocks.

A continuation of prudent fiscal policy is still a necessity – in particular, to continue to reduce our stock of debt. Ireland will need to carefully manage the public finances, prioritising expenditure and investment to support competitiveness and maintain essential services, whilst simultaneously maintaining a growth-friendly taxation system. The Council considers expenditure and investment to support competitiveness should be prioritised and implemented in a manner that does not overload the capacity of the economy to absorb the additional funding at each point in time. In this regard, there may be a need to consider further countercyclical measures such as broadening the tax base should the economy show signs of overheating. Continued vigilance is required to ensure that the Exchequer does not become over reliant on any single or temporary sources of revenue which may be a result of cyclical fluctuations, rather than a sustainable, permanent increase in revenue.

---

Recommendation: Continue to implement a growth-friendly fiscal stance to further lower the government debt and deficit, reduce the risk of the economy overheating and to build buffers and enhance resilience to external shocks.

Responsibility: Department of Finance

---

Recommendation: Provide a clear statement on the scope and operational guidelines of the Rainy-Day Fund to serve as a counter-cyclical buffer to adverse shocks.

Responsibility: Department of Finance

---

Recommendation: Continue developing the suite of national account measures that reflect actual real economic activity in terms of output and expenditure measures. Continue the analysis to better understand the factors driving the national accounts results.

Responsibility: Central Statistics Office

---

### **Reducing the cyclical nature of fiscal policy making and Tax Competitiveness**

The Government's short-term objective is to achieve a balanced budget in 2018 which is in line with the fiscal rules. The Government's 'Counter-cyclical' fiscal stance is welcome – this equates to reducing both Ireland's debt and deficit when the economy is growing, and particularly when the economy is growing strongly which it is at present. Strong economic growth coupled with expansion in public investment may necessitate reassessment of the fiscal stance to ensure that fiscal stimuli do not contribute to any overheating should the economy grow at a faster pace than expected. Compared to our OECD peers, Ireland's tax system has a higher reliance on more distortionary direct taxes and is less reliant on property and wealth taxes; indirect taxes in Ireland are around the EU average. Personal income taxation has a relatively narrow base (about 35 per cent of households are exempted) and a relatively rapid progressivity (i.e. the top marginal rates are among the highest in the OECD). To ensure the sustainability of the public finances, it is important that the principle of maintaining a broad tax base is applied.

Tax reforms have also contributed to Ireland's recent fiscal adjustment, but there is further scope to improve the efficiency of the tax system. From a competitiveness perspective, it is crucial that the taxation system is balanced in a way that supports both indigenous and multinational enterprises. The tax system should support and reward employment, investment and entrepreneurship. The piecemeal reform of taxes has resulted in increased complexity and is likely to continue to generate anomalies. A medium-to-long term perspective on taxation would contribute to clearly defining the objectives being pursued through our tax system, and should consider whether current structures are fit for purpose. This could be achieved by a comprehensive review of the system of tax expenditure considering the interaction and impact of the full range of direct and indirect taxes on individuals and companies.

Brexit means Ireland's tax competitiveness relative to the UK is crucial. From an enterprise perspective, it is important that the taxation system supports and rewards employment, investment, innovation and entrepreneurship and makes Ireland an attractive location in which to do business relative to the UK. In this regard, conducting a review of the Irish Tax System as it applies to SMEs and Small Mid-Caps to consider how its competitiveness could be enhanced in the context of Brexit is recommended.

---

**Recommendation:** Conduct a review of the Irish Tax System as it applies to SMEs and Small Mid-Caps to consider how its competitiveness could be enhanced in the context of Brexit.

**Responsibility:** Department of Finance

---

**Recommendation:** Continue to reform and simplify the current regime of taxes and charges on employment, specifically to further encourage the take-up of employment, recruitment and retention of talent, whilst simultaneously maintaining a broad personal tax base. In the context of progressing Budget 2018, remove anomalies in relation to PAYE and the USC should support labour market participation and entrepreneurship.

**Responsibility:** Department of Finance

---

**Recommendation:** Review income taxes (e.g., credits, thresholds and rates) to support improvements in after-tax income, enhancing the incentive to work while simultaneously protecting labour cost competitiveness. Building on the changes in recent Budgets, the entry point to the top marginal income tax rate should be increased and maximum marginal rates for all employees should be below 50 per cent.

**Responsibility:** Department of Finance

---

**Recommendation:** Review VAT exemptions and outline the case for current reduced rates and exemptions. Consider the merits of further standardisation of rates to allow for reductions in more distortionary taxes such as those on labour.

**Responsibility:** Department of Finance

---

**Recommendation:** Conduct an updated cost benefit analysis on the impact of the reduced VAT rate on the tourism and hospitality sector.

**Responsibility:** Department of Finance

---

**Recommendation:** Maintain the 12.5 per cent of corporation tax. Continue to develop our suite of tax offerings for ensure it is internationally competitive to enterprise and relevant to evolving sectors and activities in the context of collaborating with OECD on the Base Erosion and Profit Shifting project.

**Responsibility:** Department of Finance, Tax Strategy Group

---

**Recommendation:** Reduce Capital Gains Tax for start-ups to 10 per cent (held for 5 years and subject to a €10 million cap on gains).

**Responsibility:** Department of Finance

---

**Recommendation:** Consider extending the scope of the Foreign Earnings Deduction Scheme to all non-EEA countries.

**Responsibility:** Department of Finance

---

---

**Recommendation:** Establish the Key Employee Engagement Programme (KEEP) scheme. Monitor the level of uptake and effectiveness of the scheme to ensure that it delivers on its objectives, particularly regarding enabling smaller companies attract and retain key employees.

**Responsibility:** Department of Finance

---

### Maximising the effectiveness of public expenditure

Developing our infrastructure base, while complying with the EU's fiscal rules, is a fundamental challenge to enhancing competitiveness. Public investment is essential to maintain and expand Ireland's capital stock; it is also a significant driver of long term productivity growth and plays a crucial role in driving competitiveness – after all, the gains from public investment accrue not just to those undertaking the investment, but to a wide range of people and enterprises. The Council welcomes the commitment set out in the Summer Statement that the Government is prioritising investment – in order to address the infrastructural gaps that have emerged in areas such as housing – this year and over the coming years. The Council welcomes the continued development of Ireland's overall economic and fiscal governance framework.

---

**Recommendation:** Ensure the Parliamentary Budget Office is resourced appropriately to fulfil its mandate to provide strategic vision and leadership to enable the Houses of the Oireachtas and its Committees become central players in the scrutiny and examination of public expenditure and taxation.

**Responsibility:** Department of Public Expenditure and Reform

---

---

**Recommendation:** Publish the review of the Public Spending Code. Use the Review to harmonise and update appraisal methodologies to make the Code more accessible to users and to incorporate complementary guidance.

**Responsibility:** Department of Public Expenditure and Reform

---



## 1.2 Delivering Productivity Enhancing Infrastructure

The quality of Ireland's economic infrastructure and related networks have a strong bearing on the competitiveness of indigenous enterprises and as a driver of inward investment. A range of international benchmarks, mostly qualitative in nature is available comparing the stock and quality of infrastructure in Ireland with our competitors. Ireland's diminished investment is evident in declining and low scores in relation to the perception of overall infrastructure quality. Developing our infrastructure base, while complying with the EU's fiscal rules, is a fundamental challenge to enhancing competitiveness relative to countries such as the UK. Boosting investment would help address competitiveness bottlenecks, and would increase potential growth in the medium term, while also increasing aggregate demand in the short term. Investment can also contribute towards unlocking the potential of the regions to grow. Ireland's likely demographic profile also necessitates an increase in investment.

The National Planning Framework (NPF), in conjunction with the new National Investment Plan can build on the Regional Action Plans for Jobs to provide an effective forward planning framework for Ireland over the longer term. It needs to explicitly set out an urban and regional investment policy for Ireland with progressive urban design and place-making investment priorities to facilitate both business and lifestyle opportunities.

### National Planning Framework (Ireland 2040)

The Council welcomes the publication of the Ireland 2040, the Draft National Planning Framework (NPF) for public consultation. Ireland 2040, once adopted, will be a Framework that will be delivered in line with the policies, programmes and day to day activities of government departments and agencies, state bodies, the regional assemblies, local authorities, and infrastructure providers, working in conjunction with communities. The NPF, in seeking to influence more sustainable patterns of settlement and employment and related infrastructure over the medium-long term, has the potential to help Ireland meet a range of efficiency, emissions and renewables targets. Implementation of the NPF, therefore, is fundamentally linked to the climate change agenda. The NPF must also be viewed in the context of ongoing reviews of Ireland's approaches to overall co-ordination and strategic appraisal of capital investment proposals. It should be informed by the Public Investment Management Assessment (PIMA) undertaken by the IMF in July 2017 which emphasises the need for rigorous project appraisal. While Ireland has a very highly developed set of sectoral plans, mechanisms should be put in place to co-ordinate these plans, including in a spatial context, now helpfully shaped by the NPF.

---

**Recommendation:** Adopt the National Planning Framework and prioritise the recommendations and actions arising. Devise a time bound plan for implementation and set out how the Framework will be progressed, monitored and evaluated.

**Responsibility:** Department of Housing, Planning & Local Government, Department of Public Expenditure and all relevant Departments

---

**Recommendation:** Establish the independent Office of the Planning Regulator staffed with the requisite expertise to deliver upon its mandate to monitor the implementation of Ireland 2040.

**Responsibility:** Government

---

---

**Recommendation:** Complete the preparation of the Regional Spatial and Economic Strategies in line with Ireland 2040 by the end of 2018.

**Responsibility:** Local authorities, Department of Housing, Planning and Local Government

---

**Recommendation:** Advance the review of the management of strategically located state and publicly controlled lands by mid-2018. Recommend an optimum model for their management and strategic development in support of Ireland 2040.

**Responsibility:** Department of Public Expenditure and Reform, Department of Finance, Department of Housing, Planning & Local Government

---

### National Investment Plan

Identifying and prioritising capital investment is a complex process involving short, medium and long term considerations. In ascertaining the scale and configuration of infrastructural requirements, a wide range of factors such as the existing level and composition of capital stock; the social and economic returns from investment; demographic and economic growth projections and the scale of the deficit need to be assessed. The forthcoming NPF represents a key opportunity to demonstrate an effective alignment in territorial planning and capital investment terms and to encourage a joined-up approach across sectoral budget lines. The Council endorses the NPF outline proposals for a “Smart Growth” investment measure that would incentivise national and local arms of Government to work together in implementing Ireland 2040 and especially as regards measures to consolidate and regenerate key parts of our urban fabric in cities and towns. Deficiencies in co-ordination and fragmented planning can contribute to cost overruns and delays, duplication of resources and weaken the ability to prioritise projects and locations for capital investment. Ensuring an effective, integrated and coherent approach to State led infrastructure planning and delivery could facilitate improved efficiency and enhance the effectiveness of capital investment at minimum cost.

---

**Recommendation:** Prioritise the commitments and requirements in the National Investment Plan. Ensure the Plan and Ireland 2040 mutually reinforce each other. Put in place measures such as Smart Growth Initiatives to sponsor and encourage the implementation of Ireland 2040 outcomes in specific locations.

**Responsibility:** Department of Public Expenditure and Reform, Department of Housing Planning and Local Government, all relevant Departments

---

**Recommendation:** Ensure that coherent and clear linkages exist between the National Investment Plan, the National Planning Framework and the National Mitigation Plan.

**Responsibility:** Department of Public Expenditure and Reform, Department of Housing, Planning and Local Government, Department of Communications, Climate Action and Environment

---

**Recommendation:** Publish the International Monetary Fund’s Public Investment Management Assessment and implement the recommendations therein pertaining to budgetary decision making and investment project selection, monitoring, appraisal and evaluation to achieve greater value for money in public capital investment.

---

---

**Responsibility:** Department of Public Expenditure and Reform, Department of Finance, Department of Transport, Tourism and Sport, Department of Housing, Planning and Local Government, Irish Government Economic and Evaluation Service, State Agencies

---

**Recommendation:** Review how other advanced economies coordinate and deliver capital investment. Identify best practice in terms of the institutional framework for managing capital infrastructure investment.

**Responsibility:** Department of Public Expenditure and Reform, Irish Government Economic and Evaluation Service

---

**Recommendation:** Continue to develop and source non-exchequer investment to support the delivery of economic infrastructure. Options include (i) Public-private partnerships; (ii) funding channels such as the European Strategic Investment Fund; and (iii) special purpose vehicles.

**Responsibility:** Department of Public Expenditure and Reform, European Investment Bank and various public and private sector bodies

---

**Recommendation:** Prioritise the recommendations and actions arising from the review of Public Private Partnerships. Devise a time bound plan for implementation.

**Responsibility:** Department of Public Expenditure and Reform

---

**Recommendation:** Avail of the provisions within the expenditure benchmark pillar of the EU fiscal rules to fund capital investment. Use of these provisions should be in a manner compatible with and in adherence to the rules of the Stability and Growth Pact.

**Responsibility:** Department of Finance

---

## Land Transport

An efficient and integrated national transport system with adequate capacity and levels of service is vital to move goods and people efficiently, safely and in environmentally sustainable ways by land. In the years preceding the crisis significant investment in Ireland's road network was undertaken: over the period 2007-2010, Ireland's motorway network increased from 269km to 600km and has remained at this level since. Because of the deterioration in Ireland's public finances, the Exchequer funding available for roads expenditure has declined significantly. The Council considers planned investment in the road network should be cost-efficient, address safety concerns, relieve existing bottlenecks and congestion and compliment public transport. Infrastructure which supports the productive economy and is informed by enterprise needs should be prioritised. Continued, focused investment in transport is required to maintain and improve Ireland's internal connectivity, social progress and enable the effective and efficient movement of people and goods in and out of the country.

---

**Recommendation:** Continue to invest in ongoing maintenance of the motorway and national road network to facilitate access to major urban areas, and to optimise the substantial investment already made while reducing the need for significant remedial work in the future. Examine the adequacy of the allocation for road infrastructure (in terms of the balance between expenditure on maintenance and upgrading, and new works) in the context of the National Investment Plan.

**Responsibility:** Department of Transport, Tourism, and Sport, Department of Public Expenditure and Reform

---

---

**Recommendation:** Progress without delay the four identified priority projects in the Capital Plan (the M7 Naas-Newbridge widening project, the Sallins Bypass, the N59 Moycullen bypass outside Galway, and the Grange Castle Business Park works in west Dublin). Prioritise those projects referenced as essential by the Development Agencies (N21 Limerick-Tralee upgrade, sections of the N25 Cork-Waterford road and completing the Galway city Outer Bypass).

**Responsibility:** Department of Transport, Tourism and Sport, Transport Infrastructure Ireland

---

**Recommendation:** Identify key priority actions and timeframes for delivery under the National Transport Authority's Transport Strategy and Implementation Plan for the Greater Dublin Area 2016 – 2035.

**Responsibility:** National Transport Authority

---

**Recommendation:** Ensure that the public transport component of the forthcoming 10-year National Investment Plan, and the development of the new National Planning Framework prioritises investment in a manner that is evidence-based and responds to strategic challenges and opportunities for all regions.

**Responsibility:** Department of Transport, Tourism and Sport, National Transport Authority

---

## Energy

Energy competitiveness is of critical importance for enterprise development and can directly affect the ability of enterprise to retain and grow output and employment, particularly in energy intensive sectors. A reliable and competitively priced supply of energy is vital for business and its ability to compete successfully in international markets. From a competitiveness perspective, the primary challenge facing Ireland is to reduce energy costs while delivering on our security of supply and environmental sustainability objectives. The energy implications for Ireland of Brexit could be significant given our dependence on energy imports from the UK. The availability of competitively priced world-class energy infrastructure (including energy generation, supply, transmission, distribution, and interconnection) and related services is critical to support competitiveness. The Council has consistently advocated that Ireland's energy policy should emphasise the importance of cost competitiveness alongside the other pillars of security of supply and sustainability. The publication of the Energy White Paper: Ireland's Transition to a Low Carbon Energy Future 2015-2030, addresses three core objectives– the 'three energy pillars' – of sustainability, security of supply and price competitiveness and it is vital that its recommendations are prioritised and progressed.

---

**Recommendation:** Develop a target led, time bound implementation plan around the priorities identified in the Energy White Paper.

**Responsibility:** Department of Communications, Climate Action and Environment

---

**Recommendation:** Complete the construction of the north-south interconnector to bolster security of supply and reduce energy costs.

**Responsibility:** Eirgrid

---

---

**Recommendation:** Undertake economic and technical research on the merits of further interconnection for Ireland as outlined in the National Mitigation Plan.

**Responsibility:** Department of Communications, Climate Action and Environment

---

### Telecommunications

The widespread provision of high speed broadband services is critically important to support regional economic growth and job creation. Enhancing Ireland's international and national connectivity is critically important to support the future needs of existing and new companies in ICT, digital media and other data intensive sectors across all regions. Ireland has improved its telecommunications infrastructure and broadband is now an integral resource for enterprise. Continued investment by the commercial sector and the State through the National Broadband Plan will be required to ensure that Ireland's connectivity continues to improve.

---

**Recommendation:** Remove specific barriers identified in the Mobile Phone and Broadband Taskforce Report thereby alleviating telecommunications deficits in Ireland and assisting the rollout of the National Broadband Plan.

**Responsibility:** Department of Communications, Climate Action and Environment, Local Authorities, Comreg, State Agencies

---

---

**Recommendation:** Award the National Broadband Plan intervention to a contractor(s) and confirm the revised deployment schedule to ensure the timely rollout of the Plan. Ensure that the network is scalable and proofed to meet future demand for significantly higher download speeds (in excess of 100 Mbps) and higher upload speeds.

**Responsibility:** Department of Communications, Climate Action and Environment

---

### Ports

Ireland's port and shipping services play an important role as enablers of economic growth. Irish ports are critical infrastructure for international trade, with a significant share of goods trade moving by sea. Brexit may have a significant impact on the demands placed on Irish ports in the future. The Department of Transport, Tourism and Sport, has also initiated a study, in conjunction with the Irish Maritime Development Office (IMDO), into the use of the UK Landbridge by Irish importers and exporters. Ports continue to monitor developments to plan and respond to changing circumstances as they impact on the Port's operations. The Draft NPF recognises that Ireland must be capable of delivering additional port capacity in a timely and predictable manner. National Ports Policy requires Tier 1 and Tier 2 ports of national significance, to lead the response in meeting Ireland's future port capacity requirements.

---

**Recommendation:** Consider and address the strategic development requirements and capacity needs of Tier 1 and Tier 2 ports as part of the Regional Spatial and Economic Strategies (RSES).

**Responsibility:** Department of Transport, Tourism and Sport, Department of Housing, Planning and Local Government

---

---

**Recommendation:** Implement in full the ports services regulation by 2019.

**Responsibility:** Department of Transport, Tourism and Sport

---

**Recommendation:** Publish and prioritise the recommendations arising from the Landbridge study.

**Responsibility:** Department of Transport, Tourism and Sport

---

### 1.3 Environmental Sustainability and Transitioning to a low carbon economy

Climate change presents very significant challenges for Ireland, both in terms of mitigating our greenhouse gas emissions and achieving national and international binding targets, as well as adapting to the effects of a changing climate which we are already starting to witness. Ireland has made progress in decoupling its emission levels from economic growth. At the very least, accelerated effort is required, above and beyond that which has occurred to date. Meeting our current and future internationally binding renewable energy and greenhouse gas emissions targets is a significant challenge for Ireland. Of importance is the allocation of “fair and achievable” targets for Ireland as part of the EU’s increasingly ambitious 2030 climate targets. The publication of the National Mitigation Plan (NMP) is a milestone as it represents the first stage in what will be a series of stages towards a deeply decarbonised Ireland in which all sectors will demonstrate a close-to-zero carbon footprint by 2050. There is therefore an urgent need to identify the funding required to address the mitigation initiatives identified with most impact that will deliver the required level of decarbonisation across the economy. In addition, cost benefit / Least cost analyses and comparisons should underpin decision making in relation to the NMP. The need for the National Investment Plan to reflect investment required based on meeting our targets and initiatives in the NMP is more critical than ever. Policy measures to facilitate the transition to a low carbon economy should be carefully examined given the already high costs of doing business in Ireland. This needs to be done carefully to avoid adverse competitiveness impacts on enterprise (especially those exposed to Brexit impacts) and fuel poverty/ distributional impacts on low-income households.

#### Meeting Climate Change commitments

Climate change represents an urgent and potentially irreversible threat to society and requires the widest possible cooperation by all countries with a view to accelerating the reduction of global greenhouse gas emissions. Under the 2009 EU Effort Sharing Decision (ESD), which applies to the non-ETS sector, Ireland has a series of particularly challenging commitments. Between 2013 and 2020, Ireland has a target to reduce GHG emissions to 20 per cent below 2005 levels. This target is partially calculated based on GDP per capita and is one of the most demanding 2020 reduction target allocated under the ESD - one shared only by Denmark and Luxembourg<sup>1</sup>. This is of relevance to Ireland because of the very high proportion of these emissions arising from agriculture. Ireland has also committed to increasing the share of renewables in final energy consumption to 16 per cent by 2020 and to move towards a 20 per cent increase in energy efficiency.

---

<sup>1</sup> Department of the Environment, Community and Local Government, Invitation to Submit Views on the Development of Ireland’s First National Low Carbon Transition and Mitigation Plan, 2015

---

**Recommendation:** Ensure that Ireland's 2030 Effort Sharing Decision emissions target is based on the optimal baseline. Ensure that Ireland retains other one-off flexibilities granted.

**Responsibility:** Department of Communications, Climate Action and Environment and Department of Agriculture, Food and the Marine

---

**Recommendation:** Take account of the environmental impact of individual projects specifically on greenhouse gas emissions when prioritising investment as part of the National Investment Plan. Recognition should be accorded to investments which simultaneously support competitiveness and contribute to Ireland meeting its greenhouse gas reduction targets.

**Responsibility:** Department of Public Expenditure and Reform, Department of Communications, Climate Action and Environment

---

**Recommendation:** Assess whether Ireland's current energy infrastructure is fit for purpose in the context of the climate and renewable energy targets and what further needs to be done.

**Responsibility:** Department of Communications, Climate Action and Environment

---

**Recommendation:** Outline a pathway for the transport sector to contribute to the 2030 and 2050 national mitigation objectives.

**Responsibility:** Department of Transport, Tourism and Sport,

---

**Recommendation:** Outline a pathway for carbon neutrality to enable the agriculture sector to contribute to the 2030 and 2050 national mitigation objectives.

**Responsibility:** Department of Agriculture, Food and the Marine

---

**Recommendation:** Publish a policy statement on public transport considering policy drivers such as climate change targets (from the Paris Agreement and the EU's Effort-Sharing Decision on 2030 emissions targets), and the improving domestic economic context and associated pressure this places on transport-related emissions.

**Responsibility:** Department of Transport, Tourism and Sport

---

**Recommendation:** Undertake an assessment from an enterprise perspective of the National Mitigation Plan to evaluate green economy opportunities as well as potential negative impacts on the enterprise sector, particularly potential costs implications for enterprise.

**Responsibility:** Department of Business, Enterprise and Innovation

---

**Recommendation:** In reviewing the carbon tax consider the impact of changes to the tax on business costs and enterprise competitiveness in addition to the contribution of the tax to the decarbonisation of the Irish economy.

**Responsibility:** Department of Finance

---

## 1.4 Building and Sustaining Talent

The availability of well-educated, skilled talent is a fundamental driver of national competitiveness and employment. Ireland already has a strong base on which to grow. The attainment profile of those exiting the formal Irish education and training system has been improving steadily. Nonetheless, despite our strong attainment levels and ambitions to go further, it is recognised that there are considerable challenges across the education and training system which will take time to address. A demographic bulge is working its way through the education and training system. Failure to tackle the under-resourcing of higher education will place Ireland at a considerable disadvantage internationally.

Ireland must ensure that skills needs and labour market gaps do not emerge which damage competitiveness. Ongoing efforts to align education and training output with labour market needs remain critical to competitiveness. In addition to formal qualifications, transversal skills are increasingly seen as important to enterprise competitiveness digital skills, languages and entrepreneurial ability. It is vital that skills gaps do not become pronounced. The Council considers continued emphasis on developing ICT skills, foreign languages competency is appropriate. Lifelong learning facilitates structural adjustment, productivity growth, innovation and effective career progression. Ireland's workforce lags several EU countries to the extent to which it engages in Eurostat's measure of engagement in lifelong learning activities. In addition, the levels and distribution of digital skills among the Irish working-age population are relatively low compared with competitor countries. Upskilling the workforce, especially low skilled workers to improve productivity, digital literacy and those at risk of displacement by changing technology is vital from a competitiveness perspective.

Realising the potential of those excluded from the Labour Market also remains a challenge. The fall in unemployment should facilitate a shift in activation policy away from 'activation in a time of recession' dealing with mass unemployment, to 'activation in a time of recovery and growth', more focused on the needs of vulnerable groups or cohorts more distant from the labour market. Despite the significant upturn in the labour market, addressing labour market needs and reducing involuntary unemployment will require continued evolution and innovation in labour market policies.

### Ensuring funding in the education and training sector is sustainable

While educational quality and talent outcomes are not simply a function of the level of expenditure, national expenditure levels are core components in international measures of talent competitiveness. Demographic trends mean Ireland will require additional investment in schools, staff and related facilities. Expenditure per student at all levels should at least mirror levels in competitor countries that are at a similar stage of economic development. While appreciating that in the context of annual Budgets and the Capital Plan, limited funds are available to meet a wide range of competing needs across all areas of Government, the Council considers investment in educating and developing talent is vital to underpin Ireland's long term competitiveness.

---

**Recommendation:** Ensure support to the education system increases so that public expenditure per student at all levels is at the same level as EU competitor countries. This is against the backdrop of increasing student numbers and the ambition to have the best education and training system in Europe by 2026.

**Responsibility:** Department of Education and Skills, Department of Public Expenditure and Reform

---



---

**Recommendation:** Develop and implement a long-term funding model that allows for increased participation and quality in higher education. The funding model should reflect the principles outlined by the Expert Group on Future Funding for Higher Education in relation to certainty and consistency; meeting national ambitions; supporting an increase in quality; enhancing access and participation; and ensuring fairness and balance.

**Responsibility:** Department of Education and Skills

---

**Recommendation:** Review the current model of student support to ensure that it is appropriately targeted to assist those most in need, taking account of higher education fee structures, living costs and other maintenance costs, particularly accommodation costs.

**Responsibility:** Department of Education and Skills, Higher Education Authority

---

**Recommendation:** Reform the funding model for Higher Education to support long term growth ambitions and the capacity to meet specific targets on identified skill gaps in areas such as ICT, data analytics, sales and foreign language skills, in the context of the Higher Education System Performance Framework 2017-2019.

**Responsibility:** Higher Education Authority

---

**Recommendation:** Evaluate the use of and assess the effectiveness of the National Training Fund (NTF) in achieving the Fund's objectives. Ensure the NTF has a clear mandate and objectives regarding in-company training. Consider reorienting the expenditure profile of the NTF to provide greater support to effective in-employment training programmes.

**Responsibility:** Department of Education and Skills

---

**Recommendation:** Facilitate greater alignment between the NTF and enterprise skills needs, particularly SMEs. Ensure that the governance framework for the NTF facilitates improved partnership between education and enterprise, and ensures enterprise has a direct input to decisions on training and skills priorities.

**Responsibility:** Department of Education and Skills

---

### Meeting Labour Market Skills Needs

For enterprise competitiveness, the ability of those coming out of the education and training system to meet the needs of a competitive economy is critical. Ireland must ensure that skills and labour market mismatches do not increase, and so, ongoing efforts to align education and training output with labour market needs remain critical to competitiveness. Ireland has set itself the ambitious target of having the best education and training service in Europe within a decade. Tightening labour market conditions have the potential to lead to skills gaps which could stymy growth and feed wage inflation which would undermine competitiveness. In Q1 2017, the professional, scientific and technical activities sector is notable in that it recorded a vacancy rate of 2.5 per cent. The European Commission's CEDFOP Skills Panorama reports occupational skills gaps in ICT, Engineering, Financial, Healthcare, and Science professionals. Other shortages in Ireland identified by national stakeholders such as the Expert Group on Future Skills Needs include Multi-lingual occupations,

skilled tradespersons particularly in construction, Sales and Transport Operatives. As set out in the National Skills Strategy, the active participation of employers in the development of skills is also a prerequisite for success.

The skills supply agenda is an especially broad topic. From a competitiveness perspective, several important pressure points need to be addressed, notably the need to:

- Ensure an ongoing supply and monitoring of skills in major employment sectors and occupations of high demand due to high replacement and/or expansion demand or economic recovery, for example, in sectors such as construction, freight transport, distribution & logistics, retail & wholesale and hospitality and ICT;
- Address skills gaps across a range of occupations and sectors (e.g. ICT, engineering, sales, logistics, finance, and agri-food) and the forecasted skills demand in the Biopharma sector;
- Boost the supply of ICT professional skills;
- Augment domestic skills resources with talent from abroad (Irish diaspora and foreign nationals) in areas where global demand is intense;
- Ensure skills development is attuned to meet the challenges of Brexit and trading internationally – international business, customs and logistics, supply chain management, marketing and foreign languages;
- Continue to improve the level of mathematical proficiency at all levels and increase the supply of deep analytical skills talent (i.e. maths, statistics, analytical skills);
- Increase the STEM skills pipeline at all educational levels, with a focus on increasing uptake by females, and raising awareness around STEM;
- Continue to improve participation in continuing training and lifelong learning especially the alignment of provision between FET and Higher education to provide progression pathways for individuals at successive NFQ levels; engage enterprise in shaping the delivery of education and training skills provision; and ensure the continuing professional development of teaching staff in schools to ensure what is taught is up-to-date and remains relevant.

---

**Recommendation:** Continue to prioritise STEM education. Identify priority goals and actions in relation to STEM, and progress a STEM Education Policy Statement and Implementation Plan.

**Responsibility:** Department of Education and Skills

---

**Recommendation:** Continue to progress the actions set out in the 2014-2018 ICT Action Plan. Work with enterprise and the education sector to introduce an updated ICT Action Plan with a range of targeted actions over the next five years related to the development of Ireland's ICT skills supply, particularly specialist and high level ICT skills deficits at occupational level. Ensure that implementation of the new Action Plan reflects the updated occupational forecasts by the EGFSN.

**Responsibility:** Department of Education and Skills

---

**Recommendation:** Identify and quantify how the increased demand for digital skills in the labour market will affect different sectors and job roles.

**Responsibility:** Expert Group on Future Skills Needs

---

---

**Recommendation:** Prioritise the recommendations and actions arising from the Foreign Languages Strategy and devise a time bound plan for implementation.

**Responsibility:** Department of Education and Skills

---

---

**Recommendation:** Establish a languages advisory group to oversee implementation and promotion of the Foreign Languages Strategy. Membership should include representatives from the enterprise sector.

**Responsibility:** Department of Education and Skills

---

---

**Recommendation:** Continue to implement a range of actions to strengthen the apprenticeship system, particularly through enhancing the range of courses and increasing intake.

**Responsibility:** Department of Education and Skills, Solas, Apprenticeship Council

---

---

**Recommendation:** Continue to identify, and work to address, barriers to participation in apprenticeships and particularly, SME engagement. Review barriers to female participation in apprenticeships as set out in the National Skills Strategy.

**Responsibility:** Department of Education and Skills, Solas, Apprenticeship Council

---

---

**Recommendation:** Continue to implement and sustain a targeted and tailored information and awareness campaign to highlight the value of participation in apprenticeships to participants and employers.

**Responsibility:** Solas

---

---

**Recommendation:** Ensure that the design of each new apprenticeship examines progression pathways for apprentices into higher education.

**Responsibility:** HEA, Solas, Apprenticeship Council

---

---

**Recommendation:** Identify and address the barriers to participation in lifelong learning (formal and informal) to meet the targets for an uplift in lifelong learning as set out in the National Skills Strategy. Continue to work with stakeholders in this regard.

**Responsibility:** Department of Education and Skills

---

---

**Recommendation:** Develop a policy for the Recognition of Prior Learning,

**Responsibility:** Department of Education and Skills, Quality and Qualifications Ireland

---

---

**Recommendation:** Improve accessibility in the modes and methods of education and training programme design and delivery and provide greater flexibility in delivery modes.

**Responsibility:** Department of Education and Skills

---

---

**Recommendation:** Continue to deliver enterprise-led training and develop effective diagnostic and measurement tools to measure the impact of participation in terms of productivity, sales, and employment.

**Responsibility:** Skillnets

---

### Realising the potential of those excluded from the Labour Market

Irish labour market indicators provide clear evidence of well-established labour market growth. However, it is notable that the QNHS shows a relative deceleration in employment growth in 2017 compared to 2016. Given that the economy is approaching full capacity, measures to increase labour market participation remain of crucial importance for increasing labour supply.

---

**Recommendation:** Conduct an annual review of Pathways to Work to track progress and evaluate the impact of the strategy.

**Responsibility:** Department of Employment Affairs and Social Protection

---

---

**Recommendation:** Continue to develop and implement an integrated and consistent approach to engagement with employers to position the Department as a partner of choice regarding recruitment services.

**Responsibility:** Department of Employment Affairs and Social Protection

---

---

**Recommendation:** Introduce a new work experience programme targeted at young jobseekers who face barriers to entry into the labour market and provide them with the opportunity to acquire skills in a supportive environment.

**Responsibility:** Department of Employment Affairs and Social Protection

---

---

**Recommendation:** Continue to evaluate labour market activation programmes and to use the findings from such evaluations to reform and align programmes to better match the needs of participants and employers.

**Responsibility:** Department of Employment Affairs and Social Protection

---

---

**Recommendation:** Conduct a full evaluation of JobPath to ensure that the service is fully aligned with the needs of the unemployed and employers.

**Responsibility:** Department of Employment Affairs and Social Protection

---

---

**Recommendation:** Adjust JobPlus to the needs of the long-term unemployed and particularly the category of older people who are long-term unemployed, while considering the impact of other job activation policies.

**Responsibility:** Department of Employment Affairs and Social Protection

---

## Attracting Talent from Abroad

To meet skills and foreign language needs, particularly in highly specialised areas such as ICT, Ireland will continue to have a requirement to attract talent from abroad.

---

**Recommendation:** Raise awareness with employers of the benefits of using EURES for sourcing candidates from within EU/EEA countries. Utilise the Co-Sponsored Placement Programme to upskill jobseekers so they meet sector specific skills requirements of employers in Ireland.

**Responsibility:** Department of Employment Affairs and Social Protection

---

---

**Recommendation:** Continue to optimise the employment permits system by making further use of ICT in employment permits processes and review the effectiveness of online permits and the Trusted Partners initiative.

**Responsibility:** Department of Business, Enterprise and Innovation

---

---

**Recommendation:** Consider making better use of international students as a channel for high-skill immigration by reviewing post-graduation job search periods and exempting graduates from employment permit fees in highly demanded areas where there are significant skills gaps.

**Responsibility:** Department of Justice and Equality/ Department of Business, Enterprise and Innovation

---

---

**Recommendation:** Evaluate the effectiveness of SARP to ensure the scheme is meeting objectives and remains internationally competitive and accessible to enterprises based in Ireland including SMEs

**Responsibility:** Department of Finance / Department of Business, Enterprise and Innovation

---

---

**Recommendation:** Review the effectiveness of the TechLife Portal.

**Responsibility:** Department of Business, Enterprise and Innovation, Enterprise Ireland

---

## Theme 2: Generating uplift in enterprise competitiveness

### 2.1 Maintaining Cost Competitiveness

Relative cost competitiveness makes Ireland a more attractive location in which foreign investors can base and develop their operations, and allows Irish firms to compete more effectively in foreign and domestically traded markets. The improved cost competitiveness of Ireland's exporting sector has been one of Ireland's greatest strengths in recent years and has been key to economic growth and job creation. It has been critical to the success of Irish based exporters, allowing them to maximise the opportunities arising from increases in global demand. The Council is concerned that recent price falls in Ireland are driven by a combination of a cyclical response to the Irish and international recessions (i.e. reduced demand, spare capacity), and a range of external factors beyond the influence of domestic policy makers (exchange rates, fuel prices), rather than a response to structural changes in the economy.

The Council's 2017 Costs of Doing Business in Ireland report highlighted that Ireland remains a relatively expensive location in which to do business and warned that the return to economic growth has resulted in a series of upward cost pressures which undermine enterprise cost competitiveness. Specifically, in terms of business costs, the return to sustained levels of growth has resulted in upward cost pressures at sectoral level and in property costs. The Euro's appreciation relative to sterling poses significant concerns for parts of the exporting sector reliant on trade with the UK. The Council welcomes the elements in Budget 2018 focussing on improving the competitiveness of Irish companies but considers that further fiscal measures are needed to strengthen the competitiveness of Irish SMEs and that it is vital that policy makers continue to monitor the landscape for enterprise finance so that viable businesses are not constrained by an inability to access finance. The Council is concerned that upward pressure in relation to labour costs has the potential to undermine enterprise competitiveness and fuel inflation. Government, enterprise and trade unions have a role in ensuring that Irish wage levels do not move in a manner that outstrips growth in productivity and labour cost growth in competitor economies. Notwithstanding the vital social dimension, a relentless focus on addressing the supply and affordability of housing is required from a competitiveness perspective.

While the general inflationary environment in Ireland at present is low, service price inflation, however, is currently running significantly higher than the CPI. Services prices in Quarter 1 2017, as measured by the experimental SPPI, were on average 2.5 per cent higher in the year when compared with the same period last year. Since 2010 services prices have risen by 25.5 per cent. The magnitude of these increases in business service costs has been higher than the Euro area 19 average during this period also which places Irish service users at a competitive disadvantage.

#### Property

The stability of the housing market is vital from an economic and social perspective and is not solely a matter of cost competitiveness. The availability and affordability of residential property represents a significant threat to sustained competitiveness – specifically the rapid growth in residential rents and house prices. From a competitiveness perspective, the affordability of residential housing and rent levels impact upon the attractiveness of Ireland as a location for investment and indirectly impacts on enterprise costs. Rental costs can affect decisions around labour mobility and the attractiveness of entering employment. The cost of rent is also an important determinant of the level of consumer price inflation. Housing and rental costs also affect labour mobility within an economy. In addition to being an important element of Ireland's cost base, the affordability and availability of housing also has a bearing on productivity. A sustainable housing market enhances the competitive performance of our cities and towns, improves quality of life, maximises land use

potential, attracts more overseas talent and reduces negative environmental and congestion costs caused by commuting. Poor planning decisions and a failure to properly coordinate private development with public infrastructure and service needs have affected the quality of life and competitiveness of our cities. This has also previously resulted in high house price inflation particularly in urban areas, severe traffic congestion, long commuting times, and increased pressure on local authority services such as water and waste. These issues have intensified as the labour market returned to growth in 2012.

The availability and affordability of commercial property solutions is a key requirement for the operation and expansion of enterprises based in Ireland and winning and maintaining mobile investment. Concerns persist about the availability of prime office space for rent in large urban centres in the short term as the market tightens and vacancy rates decline. This could result in future rent increases and any shortage of supply in new commercial space could adversely impact our competitiveness. The Central Bank noted in its most recent Macro-Financial Review that a shortage of suitable units in well-situated locations continues to limit activity in the prime Dublin industrial commercial property sector.

---

**Recommendation:** Continue the periodic review of *Rebuilding Ireland: Action Plan for Housing and Homelessness*, focussing in more detail on various elements of the Plan's five constituent pillars.

**Responsibility:** Department of Housing, Planning and Local Government is warranted.

---

---

**Recommendation:** Introduce the Vacant Site Levy and regularly update the register to which the Levy applies.

**Responsibility:** Department of Housing, Planning and Local Government

---

---

**Recommendation:** Continue to evaluate the costs and benefits of demand inducing interventions in the residential property market.

**Responsibility:** Department of Finance, Irish Government Economic and Evaluation Service

---

---

**Recommendation:** Consider the mandate of the Residential Tenancies Board regarding regulation of the rental sector and allow it to refine Rent Pressure Zone's where necessary. Undertake detailed analyses of rental data to assist in evidence based policy making.

**Responsibility:** Department of Housing, Planning and Local Government, Residential Tenancies Board

---

---

**Recommendation:** Publish the Report of the Expert Group on Cost Rental and grow the capacity for delivering cost rental options.

**Responsibility:** Department of Housing, Planning and Local Government, Local Authorities, Residential Tenancies Board, Housing Agency, National Economic and Social Council, Irish Council for Social Housing

---

---

**Recommendation:** Expedite the development of a commercial property price register encompassing data on commercial sales and leases.

**Responsibility:** Department of Finance

---

---

**Recommendation:** Improve compliance by tenants with Sections 87 and 88 of the Property Services (Regulation) Act 2011 to improve the completeness and statistical potential of the commercial property lease register.

**Responsibility:** Property Services Regulatory Authority

---

**Recommendation:** Continue work on the development of a Commercial Property Statistical System once administrative data sources on commercial property have been developed by public bodies.

**Responsibility:** Central Statistics Office

---

**Recommendation:** Continue to monitor the demand for and utilisation of State supported commercial space for enterprise.

**Responsibility:** Enterprise Ireland

---

**Recommendation:** Publish and prioritise the recommendations of the Working Group on Construction Costs to inform policy decisions in relation to the development of both multi-storey apartment schemes in urban areas and traditional housing/duplex homes in suburban locations.

**Responsibility:** Department of Housing, Planning and Local Government is warranted.

---

**Recommendation:** Urgently commence the competition to champion best practice and cost effective design of residential property and publish findings regarding efficiencies and innovative processes. Analyse the cost savings and disseminate the learnings from the competition to housing stakeholders.

**Responsibility:** Department of Housing, Planning and Local Government

---

### Access to and affordability of finance

The supply and demand for credit has improved significantly since the height of the crisis. However, the cost of credit while falling continues to remain relatively high. Ireland had the 4th highest SME interest rates on bank overdrafts and credit lines in the Euro area in 2016

In January 2017, the interest rate in Ireland on loans of up to and including €1 million was almost double the Euro area average rate for new business. Furthermore, Irish interest rates for loans both under- and over the €1m threshold have been noticeably more volatile than Euro area rates. Irish and Euro area interest rates diverged further in 2014 and 2015. Given the pressures on enterprise which have intensified because of Brexit, it is vital that cost competitiveness in this area does not weaken further.

Central Bank analysis shows the Irish SME lending market is highly concentrated with the three main lenders accounting for approximately 90 per cent of market share. The CSO's Access to Finance Survey, March 2016, indicates that there is a correlation between size and sector and growth trajectory in successfully accessing finance. It also highlights how relatively few SMEs (particularly, non-exporting SMEs) seek funding from non-bank sources: for example, only 4.7 per cent of medium sized enterprises looked for equity finance compared to 39.8 per cent of similar sized enterprises who looked for bank finance. Further diversifying the lending market in Ireland and in turn increasing levels of private equity, crowdfunding and venture capital funding remains a challenge.



---

**Recommendation:** Continue to monitor the landscape for enterprise finance so that viable businesses are not constrained by an inability to access finance. Where gaps are identified, develop proposals to increase the use of non-bank finance by SMEs.

**Responsibility:** Department of Finance, Department of Business, Enterprise and Innovation, SME State Bodies Group, Central Bank

---

**Recommendation:** Consider devising competition indicators showcasing the degree of concentration in the business lending market to benchmark and track the level of competition in the sector.

**Responsibility:** Department of Finance, Central Bank

---

**Recommendation:** Consider the development of an appropriate regulatory framework for the crowdfunding market (including peer-to-peer lending) to enhance consumer confidence and encourage increased lending activity.

**Responsibility:** Department of Finance, SME State Bodies Group

---

**Recommendation:** Clarify the eligibility criteria for the Brexit Working Capital Scheme and engage with industry stakeholders accordingly to optimally develop the Scheme.

**Responsibility:** Department of Business, Enterprise and Innovation, Department of Agriculture, Food and the Marine

---

**Recommendation:** Develop a long-term Business Development Loan Scheme to support SMEs affected by Brexit.

**Responsibility:** Department of Business, Enterprise and Innovation

---

**Recommendation:** Broaden the distribution capability and market coverage of the SBCI by adding new on-lenders and working to develop innovative products, thereby serving to drive competition in the SME finance market.

**Responsibility:** Department of Finance, SBCI

---

**Recommendation:** Continue to facilitate partnerships between SBCI and international lenders, especially in non-bank finance, to increase competition and provide alternative sources of finance for SMEs.

**Responsibility:** Department of Finance, SBCI

---

## Water

Within Ireland, water costs vary significantly by local authority. The average cost of water for business in Ireland in 2017 is €2.38 per m<sup>3</sup> – ranging from €1.59 in Kildare to €3.04 in Wicklow. Failure to put in place adequate water and waste water infrastructure throughout the country damages the competitiveness of all our regions as places to live and work, and places the viability of a range of companies and sectors highly dependent on water supply at risk. The consequences of inadequate planning, low levels of investment in water infrastructure, and inadequate wastewater treatment facilities have been well documented in previous Council reports and elsewhere. Ensuring an adequate revenue stream to maintain water and wastewater services, to upgrade the public water and wastewater systems, and to fulfil our EU commitments is critical to delivering the required investment.

---

**Recommendation:** Progress and enact the provisions of the Water services Bill 2017 about the future funding of public water and wastewater services in Ireland.

**Responsibility:** Department of Housing, Planning and Local Government

---

**Recommendation:** Commence the consultative process to inform the harmonisation of non-domestic water tariffs to develop a framework to ensure non-domestic customers are charged fairly for usage of water and wastewater services.

**Responsibility:** Commission for Regulation of Utilities, Irish Water, Department of Housing, Planning and Local Government

---

## Energy

Energy competitiveness is of critical importance for enterprise development and can directly affect the ability of enterprise to retain and grow output and employment, particularly in energy intensive sectors. A reliable and competitively priced supply of energy is vital for business and its ability to compete successfully in international markets. From a competitiveness perspective, the primary challenge facing Ireland is to reduce energy costs while delivering on our security of supply and environmental sustainability objectives. While factors outside of our control exert a significant influence on energy prices in Ireland, policy and regulatory decisions here also matter. Tackling the cost components within our control must be prioritised in energy policy. The Council considers policy should focus on:

- ensuring the optimal functioning of the integrated all island energy market;
- improving electricity supply/demand matching by location;
- reviewing supports for electricity generation;
- delivering infrastructure at least cost; and
- reviewing the regulatory framework and market structure

Given the significant changes envisaged in the Energy White Paper, the Council previously noted how vitally important the legal and institutional framework for the electricity and natural gas markets and the regulator's mandate were reviewed to ensure that the Commission for Regulation of Utilities (CRU) is best placed to support the implementation of energy policy and to deliver a competitive, secure and sustainable energy supply. The OECD is currently reviewing utilities regulation in Ireland. It is a peer-review of the CRU with a view to providing guidance on best practice in regulatory governance. This will enable the CRU to continue to be at the leading edge of regulatory practice in the regulation of electricity and gas markets. The review will inform the regulatory overhaul of utilities promised in the White Paper.

---

**Recommendation:** Prioritise the recommendations and actions arising from the OECD Review of utilities regulation in Ireland and set out an implementation plan for action. Alter the mandate of the CER accordingly to allow for best practice in the regulation of both electricity and gas.

**Responsibility:** Department of Communications, Climate Action and Environment

---

### Legal Services

As noted in the introduction, Ireland is currently experiencing a low inflation environment. However, the CPI since 2014 has witnessed strong growth in its business services component. Legal services are an important input to all sectors of the economy and their cost has a bearing on Ireland's overall competitiveness.

---

**Recommendation:** Continue to develop a more comprehensive and representative data set on legal services.

**Responsibility:** Central Statistics Office, Legal Profession, Department of Justice & Equality

---

---

**Recommendation:** Commence as quickly as possible the implementation of the regulatory functions of the Legal Services Regulatory Authority and thereby introduce measures to reduce legal costs.

**Responsibility:** Department of Justice and Equality

---

---

**Recommendation:** Establish the Office of the Legal Costs Adjudicator. Publish and maintain a public register of allowable legal costs.

**Responsibility:** Department of Justice and Equality

---

### Insurance

An adequately-reserved, cost-competitive insurance sector is a vital component of economic activity and financial stability. Insurance costs are relevant to businesses of all sizes and in all sectors of the economy. In general insurance costs account for a relatively low proportion of the overall enterprise cost base. Ultimately, the issue of greatest concern to businesses is the cost they pay for the cover they receive. While insurance costs represent a minor component of enterprise operating costs, premium increases can have an impact on costs.

---

**Recommendation:** Expedite the establishment of both the national claims information database and the Master Licence Record Project as set out in the Report on the Cost of Motor Insurance.

**Responsibility:** Central Bank of Ireland

---

---

**Recommendation:** Recommend best international practice to enhance the claim process in Ireland and benchmark personal injury awards internationally.

**Responsibility:** Department of Business, Enterprise and Innovation, Personal Injuries Commission

---

---

**Recommendation:** Broaden the focus of the industry-led forum for consumer and business issues as recommended in the Cost of Insurance Working Group Report.

**Responsibility:** Department of Finance, Department of Business, Business Representative Bodies

---

**Recommendation:** Prioritise the recommendations and actions arising from the second phase of the Cost of Insurance Working Group in relation to the Employer Liability and Public Liability insurance sectors. Devise a clear implementation plan for addressing issues identified. The plan should have specific timelines, reporting mechanisms and assigned responsibility.

**Responsibility:** Department of Finance

---

### Childcare

The European Commission recently noted that the limited availability and the high costs of childcare represents a significant barrier to increasing female labour market participation (and hinders efforts to reduce child poverty)<sup>2</sup>.

---

**Recommendation:** Evaluate the impact of the Single Affordable Childcare Scheme on childcare costs and labour market participation. Conduct a review of the cost of providing quality childcare.

**Responsibility:** Department of Children and Youth Affairs

---

---

<sup>2</sup> European Commission, Commission Staff Working Document, Country Report Ireland 20116, SWD (2016) 77, February 2016

## 2.2 Fostering Productivity Growth

Productivity growth enables Irish firms to compete successfully in international markets by facilitating output to be produced in a more efficient and effective manner. Irish productivity growth rates and levels have been above the OECD average since the recession. However, Ireland's performance has been greatly affected by shifts in the composition of employment and by the influence of a few high value added sectors on output. The narrow base of enterprises in high value added sectors (particularly in Pharma and ICT) disguises, to a degree, underperforming sectors and skews Ireland's productivity level.

The productivity challenge for Ireland is to broaden the enterprise productivity base and ensure that economic and employment growth is accompanied by productivity growth. Supporting an uplift in productivity performance at firm level across all sectors remains a significant challenge across a range of policy spheres. This year's Competitiveness Challenge considers the challenge to increase productivity in Ireland in respect of three specific policy areas to facilitate:

- Effective investment in Knowledge Based Capital;
- Support for entrepreneurship and start-ups and;
- Enhancing management practices as three drivers of enhanced productivity performance at firm and sectoral level.

---

**Recommendation:** Ensure the work of the NCC has a greater emphasis on productivity analysis. Examine the Council's Terms of Reference reflect the European Council recommendation and ensure the NCC is adequately resourced to fulfil its mandate. The NCC should engage with the European Commission, OECD and Productivity and Competitiveness Boards to ensure its work in this area is in accordance with emerging trends and international best practice.

**Responsibility:** National Competitiveness Council, /Department of Business, Enterprise and Innovation

---

**Recommendation:** Publish estimates of national productivity data at aggregate and sectoral level.

**Responsibility:** Central Statistics Office

---

### Supports for Knowledge Based Capital

There is a wide portfolio of instruments and supports in place administered primarily by Enterprise Ireland, Science Foundation Ireland and IDA Ireland that aim to address market failures and contribute towards increased productivity and competitiveness by supporting KBC investment and activity at firm level. A mix of policies to enhance the framework conditions (human capital, business environment and access to finance and support) that facilitate investment in KBC would have a positive impact on firm's propensity to invest in KBC and generate an uplift in enterprise competitiveness and productivity. It also suggests that policy approaches to incentivise investment in KBC supports should be tailored to specific groups of firms with similar characteristics including ownership, size and sector. Finally, at a national innovation systems level, it is important to address any coordination and information failures that can arise between enterprise and the various players in the innovation system, in terms of information and awareness, risk sharing, capability and financing supports that might hold back enterprise innovation activity. Enhancing exports from indigenous firms, increasing linkages and supporting greater linkages across the FDI and indigenous enterprise offers potential to deepen indigenous firms' links in GVCs and increase productivity

---

**Recommendation:** Identify the obstacles and enablers to increasing investment in knowledge based capital and innovation activity at firm level amongst EI and IDA client companies.

**Responsibility:** Department of Business, Enterprise and Innovation, Enterprise Agencies

---

**Recommendation:** Consider how approaches and offerings to encourage participation in existing KBC supports should be tailored and communicated to specific groups of firms with similar characteristics including ownership, size and sector.

**Responsibility:** Enterprise Ireland

---

**Recommendation:** Role out Enterprise Ireland's new Competitiveness Approach to support Enterprise Ireland clients to become more competitive and increase productivity. Promote awareness of the benefits of participation in productivity enhancing programmes such as Lean.

**Responsibility:** Enterprise Ireland

---

**Recommendation:** To drive greater economic impact from public investment in research and development progress proposals for a Research and Technology Office model to complement/add value to the work of Research and Technology Centres.

**Responsibility:** Department of Business, Enterprise and Innovation, Enterprise Agencies

---

**Recommendation:** Address gaps in the provision of RDI support, particularly in product and process development, to enhance manufacturing competitiveness and to address innovation in services and business processes.

**Responsibility:** Department of Business, Enterprise and Innovation/Enterprise Agencies

---

**Recommendation:** Improve awareness of the range of existing supports to foster greater levels of industry-knowledge producer collaboration.

**Responsibility:** Knowledge Transfer Ireland with enterprise agencies

---

**Recommendation:** Strengthen and intensify linkages between indigenous and multinational enterprises. This includes active engagement by the enterprise agencies to assist suitable indigenous companies to optimise supply chain business opportunities. Review the impact of the Global Sourcing Initiative.

**Responsibility:** Department of Business, Enterprise and Innovation

---

### Supporting Entrepreneurship and Start-ups

New firms are especially relevant for expanding productivity and innovation performance. A continuous flow of new business start-ups that can survive and thrive in international markets strengthens the productivity base not only through the creation of new businesses, products and services but also by stimulating improved performance in existing businesses.

While no single policy intervention can be expected to generate critical impact on the environment for enterprise or increasing start up levels, various coordinated interventions taken together can combine to create an environment that facilitates the creation of start-ups. This requires institutional arrangements that

facilitate efficient firm entry, growth, and exit. In addition, improving the administrative and regulatory environment and well-developed capital markets for seed and early stage finance; bankruptcy laws that do not excessively penalise failure; and low entry barriers to entrepreneurship, are fundamental for enterprise growth.

---

**Recommendation:** Continue to monitor Ireland's performance in relation to entrepreneurship and administrative burdens and costs regarding starting a business. Actively pursue reform in areas of identified weakness.

**Responsibility:** Department of Business, Enterprise and Innovation

---

**Recommendation:** Prioritise the recommendations and actions arising from the Mid-term Review of the National Policy Statement on Entrepreneurship.

**Responsibility:** Department of Business, Enterprise and Innovation

---

**Recommendation:** To ensure the impact of any new legislation or regulation does not create a disproportionate burden on SME's, develop and implement the SME test.

**Responsibility:** Department of Business, Enterprise and Innovation, Government Departments

---

**Recommendation:** Work with stakeholders to develop a range of indicators to assess relative performance across the entrepreneurship ecosystem to inform entrepreneurship policy.

**Responsibility:** Department of Business, Enterprise and Innovation

---

**Recommendation:** Prioritise the recommendations and actions arising from the Entrepreneurship Education policy statement and develop new Entrepreneurship Education Guidelines for schools.

**Responsibility:** Department of Education and Skills

---

## Management Practices Development

Management practices are an essential element in driving improved productivity performance. Management practices may be considered as the approaches and techniques used to improve performance, focusing specifically on operations management, performance & target management and human resource deployment and development. The Council endorses the Enterprise 2025 ambition of delivering a demonstrable uplift in business leadership skills to drive innovation and internationalisation across a broader cohort of enterprises, and in management capability across the enterprise base, so that all firms have the potential to achieve a one-step-up to higher business performance and growth. Highly proficient leadership, with ambition, vision and strong management teams, is critical for establishing the environment that facilitates an innovative culture. The State working in partnership with enterprise and training providers plays an important role in supporting SME management development. Enterprise Ireland and the Local Enterprise Office Network already offers customised management development supports and programmes designed to equip enterprise with the tools and techniques to operate more effectively. To facilitate enterprise competitiveness generally and productivity performance there is a need to broaden the reach of the existing programmes catering to management development and increase the take up of management development.

---

**Recommendation:** Consider extending coverage of the Annual Business Survey of Economic Impact to benchmark the prevalence of management practices in Irish-owned and foreign-owned enterprise.

**Responsibility:** Department of Business, Enterprise and Innovation

---

**Recommendation:** Consider identifying and addressing management development needs of each region on an ongoing basis and develop a vehicle in which to facilitate an uplift in management practices.

**Responsibility:** Regional Skills Fora/Local Enterprise Offices/Skillnets

---

**Recommendation:** Consider mechanisms to facilitate the tailoring and extension of relevant management development programme modules to cohorts of firms currently not engaging in such programmes.

**Responsibility:** National Skills Council/Regional Skills Fora/Skillnets/Local Enterprise Offices

---

**Recommendation:** Increase the awareness and take up of management development initiatives by enterprise, particularly micro-enterprises and SMEs.

**Responsibility:** Local Enterprise Offices, Skillnets, Enterprise Ireland

---

**Recommendation:** Extend Skillnets Management Development programmes to generate an uplift in enterprise participation.

**Responsibility:** Skillnets

---

## 2.3 Building Innovation Capacity

The importance of innovation has been reinforced both by globalisation and by rapid advances in new technologies, with economies competing to move up the global value chain. At firm level, the returns from innovation are a major driver of productivity growth, growing FDI, creating competitive advantage in intellectual property, products and services and increases the survival probability of firms.

Having come from a low base, Ireland has made significant progress in building a research infrastructure that in some instances is amongst the best in Europe; in retaining and attracting top level researchers; and in achieving closer synchronisation between research endeavour in HEIs, Government agencies, and industry. Further developing our innovation infrastructure capacity and addressing our relative weaknesses is a key factor for futureproofing competitiveness. It is particularly vital to secure sustainable productivity growth and to successfully diversify and broaden the enterprise and exports base of SMEs, which is imperative considering the challenges posed by Brexit.

To remain globally competitive, Ireland requires continuous, sufficient and effective investment in R&D not only by the State but especially by the private sector; the presence of high-quality scientific research institutions; extensive collaboration in research between universities and industry; and sophisticated business practices and effective clusters.



## Support for Innovation

In terms of the public role for supporting innovation, OECD research suggests that the strongest evidence for private under-investment exists for R&D-related spending – suggesting a continued important role for public investment. Innovation 2020 is Ireland’s five-year strategy on research and development, science and technology. While overall levels of investment in research and development in Ireland have improved in recent years they remain below the best performing countries and behind Ireland’s targets for 2020. Government expenditure for R&D was €761 million in 2016. It is acknowledged that this represents the third consecutive year that funding has increased and represents a 3.2 percent increase on 2015. However, delivering on commitments in Innovation 2020 requires almost doubling public spending across all Departments in R&D. As well as maintaining and increasing the level of R&D activities by high productivity enterprises in the FDI and globally trading indigenous sectors, to affect a real step-change in innovation performance there is a need to increase innovation activity amongst firms in sectors where such activity is currently less intensive. The Council considers that there is therefore further scope to increase R&D activities in Irish enterprise, particularly in Irish-owned SMEs. The significant take-up by the enterprise sector of the R&D tax credit means that indirect public supports for R&D activities are now in financial terms larger than the direct measures to support in-company R&D provided by the State enterprise agencies. Accordingly, it is important that Ireland’s R&D tax credit and the new Knowledge Development Box achieve their objectives and remain internationally competitive and evolve to meet the needs of the enterprise sector – particularly emerging sectors and the needs of small and early stage firms as well as the needs of larger, established firms.

---

**Recommendation:** Address the commitments in Innovation 2020 to increase national R&D investment as part of the National Investment Plan.

**Responsibility:** Department of Public Expenditure and Reform, All Government Research Departments

---

**Recommendation:** Focus the next phase of research prioritisation on core strategic areas of commercial opportunity in global markets for Irish-based enterprises, particularly, exporting SMEs.

**Responsibility:** Department of Business, Enterprise and Innovation

---

**Recommendation:** Continue to develop the range of policies and supports to further embed R&D activity in Ireland and to incentivise increased business expenditure on R&D. Ensure that these incentives remain internationally competitive and relevant to evolving enterprise needs.

**Responsibility:** Department of Business, Enterprise and Innovation, Enterprise Agencies

---

**Recommendation:** Ensure the R&D tax credit and Knowledge Development Box incentives provide value for money and remain internationally competitive, accessible and relevant to evolving enterprise needs.

**Responsibility:** Department of Finance

---

**Recommendation:** Continue to work with SMEs and relevant stakeholders to ensure clarity and certainty regarding the qualification and claims criteria for participation in both the R&D Tax Credit and the Knowledge Development Box.

**Responsibility:** Office of the Revenue Commissioners, Department of Finance

---

---

**Recommendation:** Secure funding to increase the number of research masters and PhD enrolments particularly in areas of strategic importance to enterprise. Act to increase the number of trained researchers moving to enterprise.

**Responsibility:** Science Foundation Ireland, Irish Research Council, Department of Education and Skills

---

## 2.4 Enhancing and Diversifying Ireland's Export Base

Ireland's ability to achieve sustainable growth is dependent on our ability to trade internationally and maintain export competitiveness. Brexit has underlined how Ireland faces two significant and complex challenges that may over time undermine national competitiveness. Firstly, Irish export markets are geographically concentrated with exports particularly dependent on the EU, the US and UK markets. Secondly, our export base in terms of the range of products and services exported has become increasingly concentrated. Brexit means further company-led expansion into new markets and a deepening of trade links with the world's leading emerging economies is required. The Council's view is that enterprise policy needs to intensively support Irish based exporters, particularly SMEs to intensify their efforts to scale and diversify sustainably and strategically to reduce exposure to external economic shocks.

Inward investment will remain critical to Ireland's economic development and export base. In addition to direct and indirect job creation and tax revenues, Foreign Direct Investment (FDI) plays a key role in stimulating the development of 'new' sectors in Ireland, in enhancing research, development and innovation performance and in accelerating the achievement of critical mass within sectors. The Council considers deepening and broadening the Inward Investment base and maintaining Ireland's competitive advantage as a location for new and existing mobile investment must remain a cornerstone of enterprise policy.

Greater participation in the digital economy is vital. Policy must continue to support the improvement of the key architecture which underpins the digital economy. The adequacy and availability of digital skills and specialist ICT skills in enterprises and the capability of entrepreneurs and SMEs across all sectors of the economy to exploit digital technologies could be further exploited.

### Generating an Uplift in Exporting Companies, particularly amongst SMEs

Shifting global growth and trade dynamics create opportunities for SMEs in international markets and present challenges in terms of effective policies to facilitate sustainable internationalisation. Entering export markets presents Irish enterprises with challenges in terms of their institutional environment, language, and distance related overheads such as transport. Supporting the internationalisation and market diversification of Irish enterprise would contribute to making the economy more resilient to external market shocks such as Brexit. Enterprise Ireland's 2017-2020 strategy focuses on supporting client companies to both build scale and expand reach with a key objective being that at least a 50 per cent growth in exports would be outside the UK while continuing to sustain and grow UK exports. Given the different challenges and exposures faced by Irish exporters a one size fits all diversification policy is not likely to be appropriate. A strategy of segmentation market by market and sector by sector is likely to be necessary and this should be looked at on a company by company basis.

---

**Recommendation:** Continue to ensure an uplift in the number of competitive and market-ready firms internationalising and work with targeted clients to enhance their competitiveness capability and potential to sustain and grow exports.

**Responsibility:** Enterprise Ireland

---

**Recommendation:** Continue to support clients through a client engagement model to sustain, grow and diversify their exports in the Euro area and beyond through the provision of financial and non-financial supports.

**Responsibility:** Enterprise Ireland

---

**Recommendation:** Ensure Market Diversification Supports are effective and responsive to client needs to support companies funding new market expansion programmes in key sectors/markets.

**Responsibility:** Enterprise Ireland

---

**Recommendation:** Scale the Irish Advantage campaign encompassing multiple sectors and a wider mix of markets.

**Responsibility:** Enterprise Ireland

---

### Cross Government Approach to Company Led Market Expansion

Increasing Ireland's export footprint goes beyond the work of any single agency. A cross Government approach is essential to building on established and new markets which present growth opportunities. The Council welcomes the recently published Ireland Connected Strategy<sup>3</sup> which represents a coherent global approach to maximising Ireland's trade potential. From a strategic policy perspective, a careful balance needs to be struck between prioritising resources on those export opportunities (product-country combinations) where Irish based exporters already have proven capabilities to sustain and grow exports and a sizeable market and targeting resources at alternative growth market opportunities that are relatively unexploited and may take time to yield results.

---

**Recommendation:** Prioritise and implement the key actions arising from the Ireland Connected Strategy. Implement a whole-of-Government regional strategy for new and emerging high growth potential markets such as Asia-Pacific and others as required.

**Responsibility:** Department of Foreign Affairs and Trade

---

**Recommendation:** Develop a plan for expanding Ireland's Global Enterprise Agency Footprint to 2025 in line with the needs and ambition of Irish companies to sustain, grow and diversify their exports.

**Responsibility:** Department of Business, Enterprise and Innovation, Enterprise Ireland, IDA Ireland

---

---

<sup>3</sup> Department of Foreign Affairs and Trade, Ireland Connected Strategy, 2017

---

**Recommendation:** Identify further market opportunities where exports need to be sustained and with the highest potential for growth. Where appropriate, increase enterprise agency resources in existing or new markets to strengthen efforts to sustain, grow and diversify their exports.

**Responsibility:** Department of Business, Enterprise and Innovation, Enterprise Ireland

---

**Recommendation:** Assess the economic impact of existing and forthcoming EU Free Trade Agreements, particularly regarding areas of opportunity for exporting SMEs.

**Responsibility:** Department of Business, Enterprise and Innovation

---

**Recommendation:** Support clients with Canadian export potential and promote and target market opportunities accordingly.

**Responsibility:** Enterprise Ireland/Bord Bia

---

### **The Export Challenge of Brexit**

Brexit means further company-led expansion into new markets and a deepening of trade links with the world's leading emerging economies is required. The Council supports initiatives and information and awareness campaigns such as Enterprise Ireland's "Prepare for Brexit" Scorecard to benchmark preparedness across all aspects of operations and strategy and to plan their response. Enterprise Ireland also offers clients a 'Be Prepared' grant of up to €5,000 towards the cost of preparing a Brexit Action Plan. The Scorecard is also available through the LEOs. The Council commends the policy response so far and considers it imperative that complacency or Brexit fatigue does not set in amongst the enterprise base. Enterprises must continue to be provided with mitigating supports through the enterprise agencies for market development and investment in international sales and marketing in the UK and other markets. This should include support for placement of marketing executives in international markets by food and drink businesses. The enterprise agencies must be provided with appropriate resources to raise awareness of the challenges of Brexit and they must effectively marshal those resources to maximise funding for competitiveness, innovation, market development and in market trade support. Budget 2018 commits to recruiting an additional Brexit-related 50 staff to help Irish exporters to grow their international sales and diversify their markets, and to secure new investments and help enterprises grow in international markets. To support companies under pressure from Brexit, it is important that this staffing resource is availed of in a timely and effective manner.

Enhanced instruments to promote Ireland as an export and investment location should be prioritised and accelerated where a demonstrable improvement in performance is achieved, such as for the 'Winning Abroad' disruptive reform as part of the Action Plan for Jobs

---

**Recommendation:** Identify potential sub-sector markets and new collaboration opportunities for food companies, both within and outside of the UK. Through competitiveness and innovation supports facilitate greater expansion by Irish food exporters to new third country markets for Irish food and drink products while maintaining access to existing markets.

**Responsibility:** Enterprise Ireland/Bord Bia

---

---

**Recommendation:** Ensure the enterprise agencies are adequately resourced to support Irish companies to scale internationally.

**Responsibility:** Department of Business, Enterprise and Innovation

---

**Recommendation:** Continue to develop targeted supports (financial and otherwise) for businesses impacted by Brexit.

**Responsibility:** Department of Business, Enterprise & Innovation/Enterprise agencies

---

**Recommendation:** Work with those companies most exposed to Brexit to develop growth and business stability plans to sustain and diversify their exports to other geographic markets, particularly in the Euro area, the US and Canada.

**Responsibility:** Enterprise Ireland, Bord Bia

---

**Recommendation:** Continue to develop UK in-market expertise and networks to respond to client needs.

**Responsibility:** Enterprise Ireland, Bord Bia

---

**Recommendation:** Introduce a systematic, approach to horizon scanning that will harness in-market sectoral knowledge and facilitate identification of emerging opportunity areas and/or disruptive trends, the early assessment of potential and whether there are specific implications that necessitate a policy response.

**Responsibility:** Enterprise Agencies, Department of Business, Enterprise and Innovation

---

**Recommendation:** Continue to promote innovation, research and innovation supports and programmes to support product, service and process development.

**Responsibility:** Enterprise Agencies

---

## **Inward Investment**

Ireland has an established and internationally recognised track record of attracting inward investment. New and established multinationals continue to invest and re-invest in Ireland in several locations with leading global companies in Life Sciences, ICT, Engineering, Services, Digital Media, and Consumer Brands. The contribution of inward investment, to employment, innovation activity, expenditure in the wider economy (on payroll, Irish goods and Irish services) and taxation revenue remains of key significance.

Continued success in this sphere cannot be taken for granted. As the global investment climate continues to evolve, and with an increasing share of FDI is originating outside Ireland's traditional markets of the US and Europe, Ireland must adapt to secure new FDI projects and the jobs that go with them.

Our capacity to continue winning and maintaining investment, despite challenges such as Brexit and intense competition for mobile investment should be aided by the underlying strengths of our FDI offering. These include our talented workforce, pro-enterprise business environment, first-rate education system and our proven track record as a home to global businesses. Competition for inward investment is increasingly intense with other jurisdictions continually developing their FDI offerings, particularly regarding incentives that reward talent, encourage innovation and investment and enhance tax competitiveness.

In terms of the factors which can be influenced by domestic policymakers, enhancing the long-term foundations underpinning Ireland's track record of attracting, maintaining and growing FDI will clearly remain vital. The competitiveness and consistency of our tax offerings, our legal, regulatory and administrative environment, cost base, the availability of talent, technology and property solutions are crucial to attracting and retaining inward investment, particularly considering Brexit. The foremost inward investment challenge for Ireland remains the enhancement of our relative competitiveness for mobile investment, particularly in the context of Brexit

---

#### Recommendations:

- Continue to sustain and enhance mobile investment from established investors, while at the same time diversify Ireland's FDI portfolio by tapping into new opportunities and investments from new markets and new sectors of opportunity;
- Continuously refresh Ireland's value proposition in relation to these priority areas of activity, leveraging the targeted State investment in related research, regulatory policies and other ecosystem strengths;
- Continue to enhance in-market presence to take advantage of emerging growth opportunities;
- Promote increased productivity, and stimulate innovation through linkages and collaboration with HEIs and Irish owned enterprises; and
- Continue to balance regional/ urban investment, partnering with Government Departments, sister agencies and, other National and Regional Stakeholders to stimulate regional economic activity.

#### Responsibility: IDA Ireland

---

### Digital Economy

The continuous digitalisation of the economy is altering the structure of long established business models, supply and value chains, and productivity, consumption and competition patterns. It is important that policy continues to facilitate the improvement of the key architecture which underpins the digital economy.

The development of a new National Digital Strategy should be progressed. This should have a specific focus on enhancing enterprise digital competitiveness and consider domestic and international developments since 2013 including the EU's Digital Single Market agenda, the Government's Data Forum and Ireland's Data Protection Roadmap. The new Strategy is likely to need a whole of Government commitment to deliver. A new strategy should be developed to enable pilot programmes to be rolled out and financed in 2017/2018 with a view to full rollout by 2020 to coincide with universal high speed broadband availability in 2020.

As noted in the Impacts of the Trading Online Voucher Scheme<sup>4</sup> "there is a two tier Irish digital economy: one dominated by multinational companies where productivity and product innovation are powered by digital, the other tier predominantly traditional indigenous Irish businesses which are slower in leveraging digital to reduce costs, drive innovation and expand markets". Irish SMEs and micro enterprises must therefore make greater use of the opportunities offered by online commerce, including cross-border trade.

Several significant cyber-attacks occurred globally in 2017. While the impact of these on Ireland was limited, the speed at which these developed and their impact across a wide range of organisations have given fresh emphasis to improving the resilience of critical infrastructure and business, and improving the capacity of society in general to respond to these issues.

---

<sup>4</sup> Local Enterprise Offices/DCCA Impacts of the Trading Online Voucher Scheme, 2016

---

**Recommendation:** Coordinate a whole-of-Government response to delivering the Digital Single Market as an enabler towards advancing Ireland as a leading global digital economy. Increase Government interaction and consultation with companies at the forefront of the digital agenda.

**Responsibility:** Government, Interdepartmental Committee on Digital Single Market

---

**Recommendation:** Commence work on the successor to the National Digital Strategy.

**Responsibility:** Government

---

**Recommendation:** Build on the Trading Online Voucher scheme and set ambitious targets to increase the number of enterprises, particularly off-line micro-enterprises trading online.

**Responsibility:** Department of Communications, Climate Action and Environment /Local Enterprise Offices

---

**Recommendation:** Continue to encourage SMEs and micro-enterprises engage in digital trading by further promoting the benefits of online sales.

**Responsibility:** Department of Communications, Climate Action and Environment /Local Enterprise Offices

---

**Recommendation:** Continue to raise awareness among enterprise of the General Data Protection Regulation.

**Responsibility:** The Data Protection Commissioner (DPC), Government, practitioners, and industry and professional representative bodies

---

**Recommendation:** Ensure Ireland's GDPR regulatory regime is robust and best in class internationally.

**Responsibility:** Department of Justice and Equality

---

**Recommendation:** Ensure the National Cyber Security Centre is adequately resourced. Continue to work with the Office of the Government Chief Information Officer and the Departments and Agencies that own these systems to mitigate and manage the risks from cyberattacks.

**Responsibility:** Department of Communications, Climate Action and Environment, National Cyber Security Centre

---

**Recommendation:** Continue to engage with enterprise regarding the implications of the transposition of Directive 2016/1148 concerning measures for a high common level of security of network and information systems.

**Responsibility:** Department of Communications, Climate Action and Environment

---

National Competitiveness Council  
c/o Department of Business, Enterprise and  
Innovation  
23 Kildare Street,  
Dublin 2, D02 TD30  
Tel: 01 6312121  
Email: [info@competitiveness.ie](mailto:info@competitiveness.ie)  
Web: [www.competitiveness.ie](http://www.competitiveness.ie)

