



Ireland - The Smart Economy

Linking Sustainable Development and Growth An Irish Perspective

Sharon Finegan

Economic and Social Policy Division

Department of the Taoiseach (Office of the Irish Prime Minister)



Ireland - The Smart Economy

Outline of Presentation

- **Back drop to the Smart Economy Framework**
 - Overview on current economic picture in Ireland
 - Major factors which caused our economic contraction
 - Steps taken by the Irish Government in response to the economic crisis
- **Broad overview of the Smart Economy Framework**
 - How Sustainable Development features
 - Irish understanding of Capital Accumulation
 - Enhancing the Environment and Securing Energy Supplies
- **Building a Green Economy in Ireland**
 - Examples and strategies to date



Background to the Strategy

Economic Crisis

The fallout of the international crisis, combined with unfavourable currency movements and an over-extended construction sector, has resulted in an economic contraction of more than 10% and increased unemployment.

It was essential that Ireland developed a plan to successfully map its way through the economic storm and began a process of restructuring the economy to allow us to be well positioned for the global recovery and for emerging growth areas.



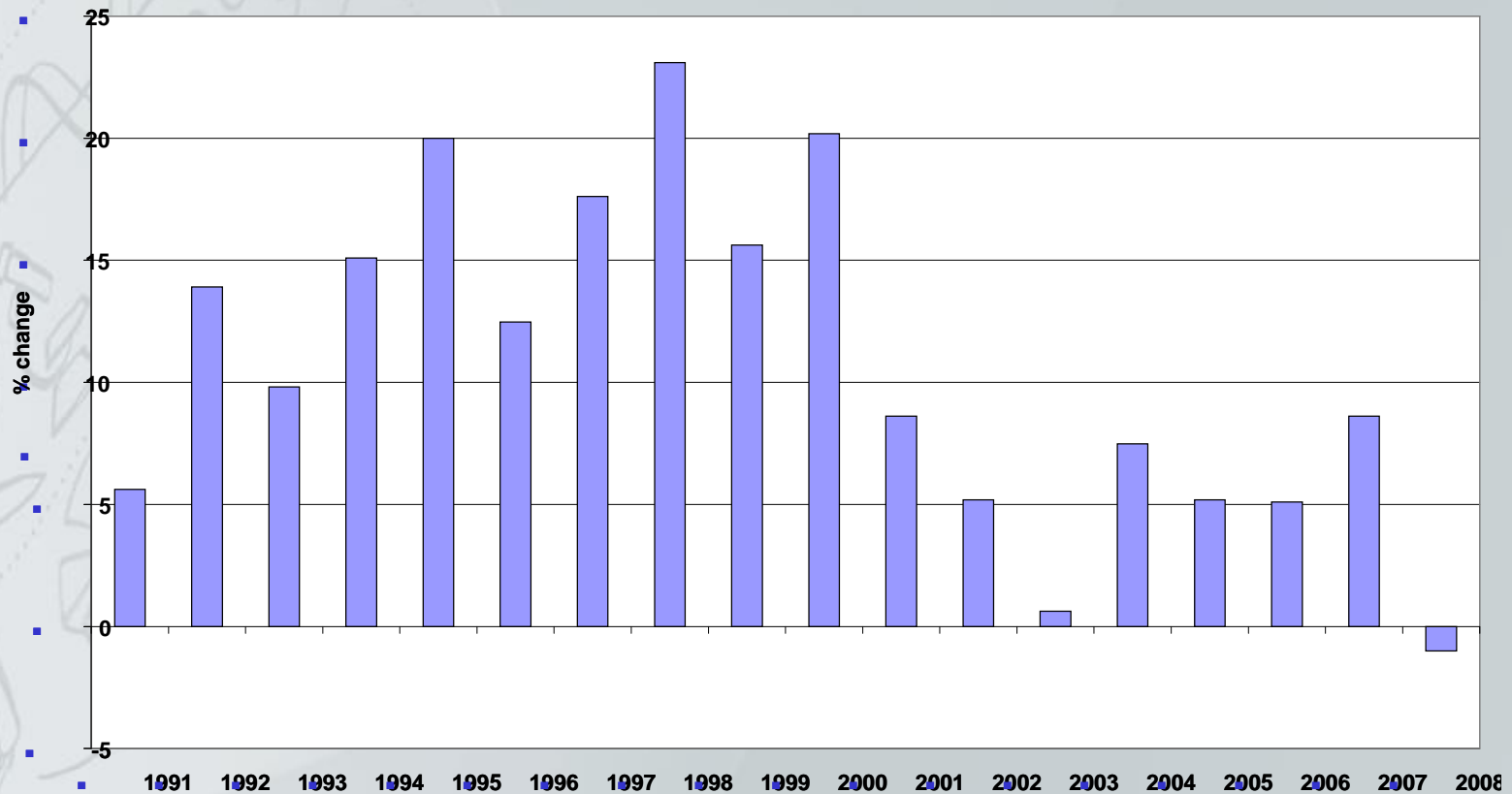
The background features a light green and white color scheme with a faint, stylized graphic on the left side. This graphic includes a globe, a wind turbine, a pie chart, and various arrows, suggesting themes of global economics, renewable energy, and data analysis. The main text is centered in a bold, dark green font.

**Let's look at some of the reasons why
Ireland has been particularly badly hit
by the Global Economic Crisis**



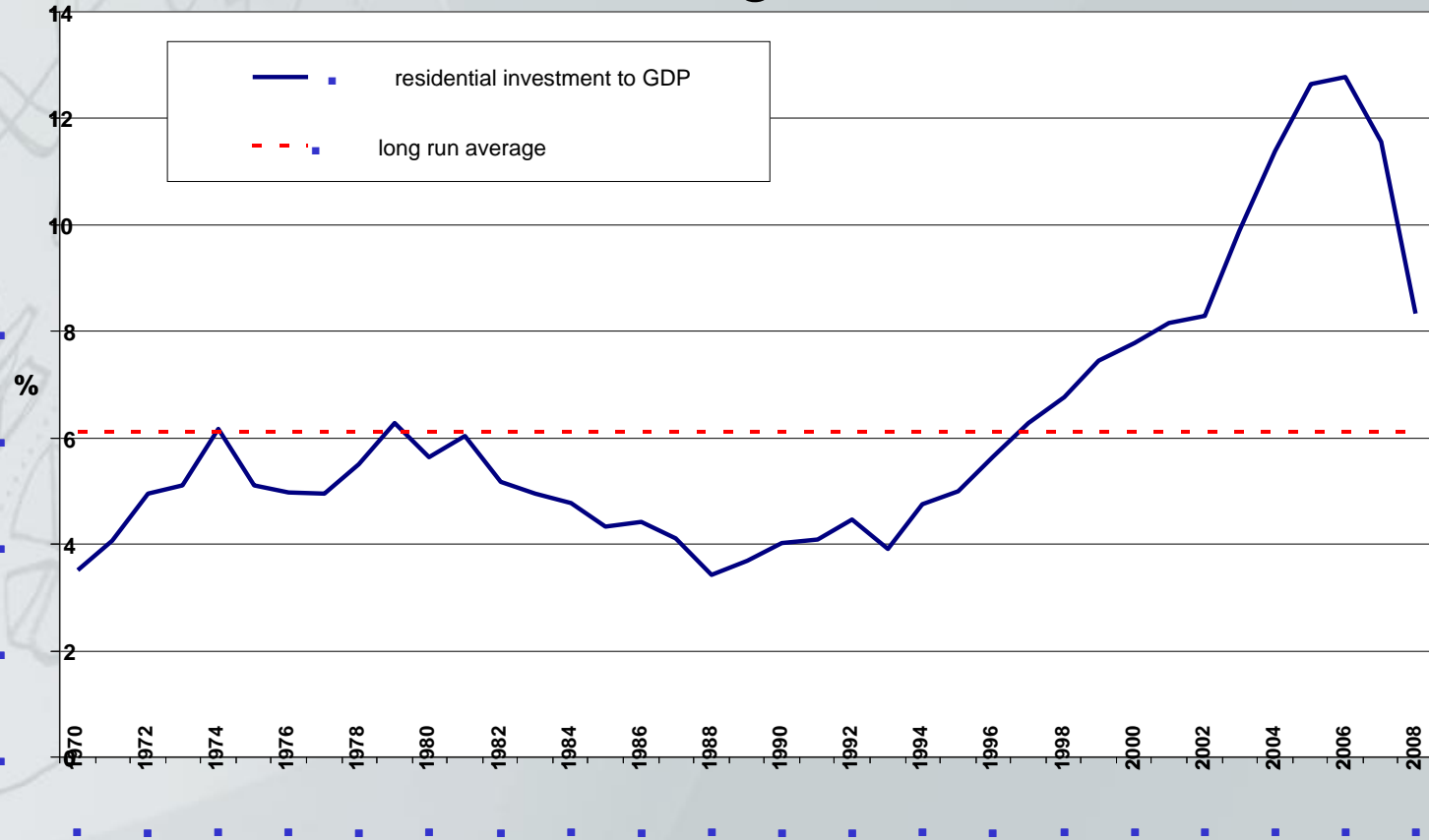
Export-led growth in 1990s gave way...

Growth in exports (annual, %)



... to an overdependence on house building

New homebuilding, share of GDP





How has Ireland reacted to this Crisis?



Irish Government Response to the International Economic Crisis

- **A stabilisation plan for the public finances**
- **Stabilising the banking system**
- **A competitiveness adjustment in prices and wages**
- **Detailed plans in the areas of job supports and re-skilling**
- **Retained a capital investment plan which we believe is an appropriate stimulus in a small open economy where multipliers from current spending are low.**





**Behind these initiatives has been Ireland's
overall Framework for Economic Renewal:**

Building Ireland's Smart Economy

Produced in December 2008



Building Ireland's Smart Economy...

Developed with the primary objective of outlining a pathway forward which acknowledges the severe short-term economic challenge while focussing on how we can return to sustainable growth in the medium term.

Making the most of available resources, combining them in new ways, and creating new sources of value.



Building Ireland's Smart Economy Contd

The Smart Economy combines the successful elements of the enterprise economy and the innovation or 'ideas' economy, while promoting a high-quality environment, improving energy security and promoting social cohesion.

The Smart Economy is a 'Green Economy' in that it recognises the inter-related challenges of climate change and energy security: Transition to a low carbon economy, move away from fossil fuel dependency, and development of jobs in clean industry.





**Lets look at some of the core
principals which are at the heart of
the Strategy**



Key Understanding of Growth and its Relationship to Sustainable Development

The sustainable approach to economic development outlined in the Smart Economy compliments the core strength of the Irish economy in the use of natural resources in the following sectors:

- ❖ Agriculture
- ❖ Forestry
- ❖ Fisheries
- ❖ Tourism
- ❖ Energy Sectors



Report identifies the Four Forms of Capital Accumulation that Drive Society and the Economy

Human or Knowledge Capital- the skills, knowledge, ingenuity and creativity of people (e.g. using Ireland's Diaspora)

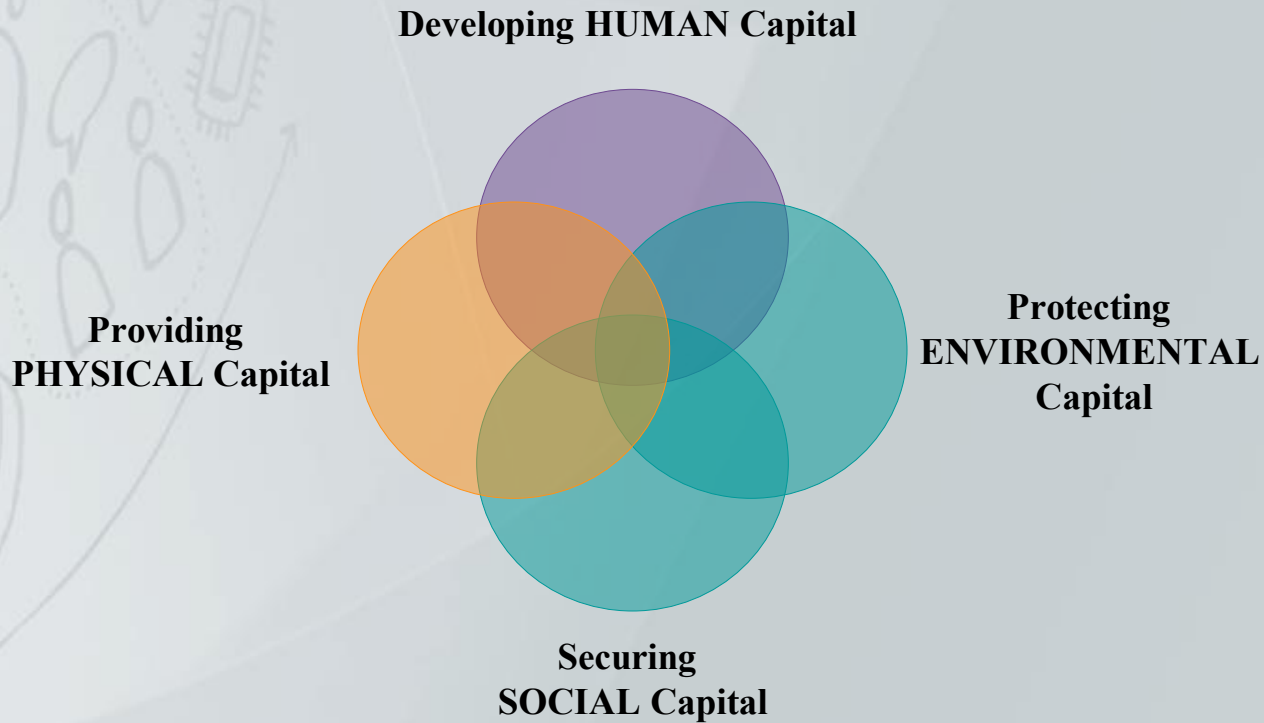
Physical Capital- the stock of infrastructure that is used to produce goods and services. E.g. machinery, buildings, transport etc.

Natural or Environmental Capital- Naturally- provided assets and the quality of the surrounding environment within which people live and work

Social Capital- the network, connections, mutual trust and shared values and behaviours of the populations



Smart Economy also recognises the interdependence these elements





What are the key elements of the Strategy?



Building Ireland's Smart Economy

Key Objectives and Targets

Centred on five key action areas:

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



Securing the Enterprise Economy and Restoring Competitiveness

- Achieving fiscal stability;
- Stabilising the banking sector;
- Reinvigorating financial services;
- Improving competitiveness.



Building the Ideas Economy – Creating ‘The Innovation Island’

- Fostering ingenuity entrepreneurship, skills;
- Stimulating innovation & commercialisation;
- Incentivising Business Expenditure R&D;
- Developing exported services;
- Multi National Corporation development
- Developing, scaling & supporting indigenous high value-added industry
- Strategic markets



Efficient and Effective Public Services and Smart Regulation

- Achieving greater efficiency in public services;
- Reducing costs and enhancing services;
- Improving citizen focus;
- Effective and efficient regulation.



Investing in Critical Infrastructure

- Investing in education;
- Focus on R&D
- Continued investment in broadband and communications.
- Commitment to environmental and energy infrastructure.
- Ongoing investment address the historic infrastructure deficit in transport in a sustainable way

In spite of the difficult fiscal situation Ireland continues to spend 5 per cent of GNP on Infrastructure, which is amongst the highest in Europe.



Enhancing the Environment and Securing Energy Supplies

- Mobilising the market to protect the environment;
- Developing the Green Enterprise sector;
- Viewing the public sector as a driver of environmental innovation;
- Improving energy security and reducing energy costs.



Some Detail on Enhancing the Environment and Securing Energy Supplies

- Climate Change Legislation setting national targets for emissions reductions
- Targets for renewable energy above those set by EU
- Significant Investment in new Energy Transmission Systems
- Development of an Electricity Interconnector with the UK to secure energy supplies
- Commitment to an Electric Vehicle fleet
- Biofuel obligation on other vehicles
- Smart Metering Pilot Scheme being introduced to encourage more efficient energy use in homes and businesses
- Introduction of a Carbon Tax
- Major retrofit home insulation scheme announced; using some funds from Carbon Tax (€50 million in 2010)
- Grants for energy efficient equipment increased and enhanced
- Agri Environmental Schemes being introduced to make the sector more efficient and more sustainable



Building a Green Economy in Ireland

“Green and Growth can go hand in hand”

OECD declaration on Green Growth

Building on International momentum to ‘tap into’ the green economy Government commissioned a Report to look specifically at detailed proposals for the creation of new jobs and businesses in the greentech area

The sub-sectors identified in the Report as having most potential for exports and job creation are Renewable Energy, Energy Efficiency, Waste Management and Water/ Wastewater treatment.



Tangible examples of Opportunities for the Green Economy in Ireland

- Ireland's GreenTech market in environmental goods and services is already estimated at around €2.8 billion for 2008
- Report identified further potential to add upwards of 80,000 greener, smarter jobs in the coming years.
- Suggests the development of green zones: Possible creation of a Green Financial Services Sector
- Development of Green Enterprise Parks
- Ensuring that our regulatory environment is appropriate to allow us to make the most of our natural resources



What processes are in place to ensure that these objectives become a reality?

At a Macro Level

- Implementation of the 'Smart Economy' overseen by the Central Government- Department of the Taoiseach
- Cabinet Sub-Committee Structures which bring Ministerial focus to key issues- 2 Committees relevant here
 - Cabinet Committee on Economic Renewal
 - Cabinet Committee on Climate Change and Energy Security
- Importance of involving stakeholder groups across the economy acknowledged
 - Fiscal incentives for business where appropriate
 - Involvement of Environmental NGOs- Social Partnership#

At a more Micro Level

- Price of Carbon to be included in Cost Benefit Analyses



Conclusion

A time of great challenge is a time of great opportunity

- Ireland has a clear pathway to sustainable economic renewal, based on real strengths and a clear strategy to re-structure and re-position its economy.
- Coherent delivery of these strategies and investments will ensure that Ireland is well-positioned to benefit as the global economy recovers, generating new enterprises and sustainable jobs.
- Must have clear implementation pathways



Further Details on Reports Mentioned

Building Ireland's Smart Economy, 2008 Report and 2010 Update*

www.taoiseach.ie

*Copies available today of shorter high level update

Developing the Green Economy in Ireland

www.forfas.ie

Report of the Taskforce on Innovation

www.innovationtaskforce.ie





Ireland - The Smart Economy