

*The Transformation of the Irish
Economy*

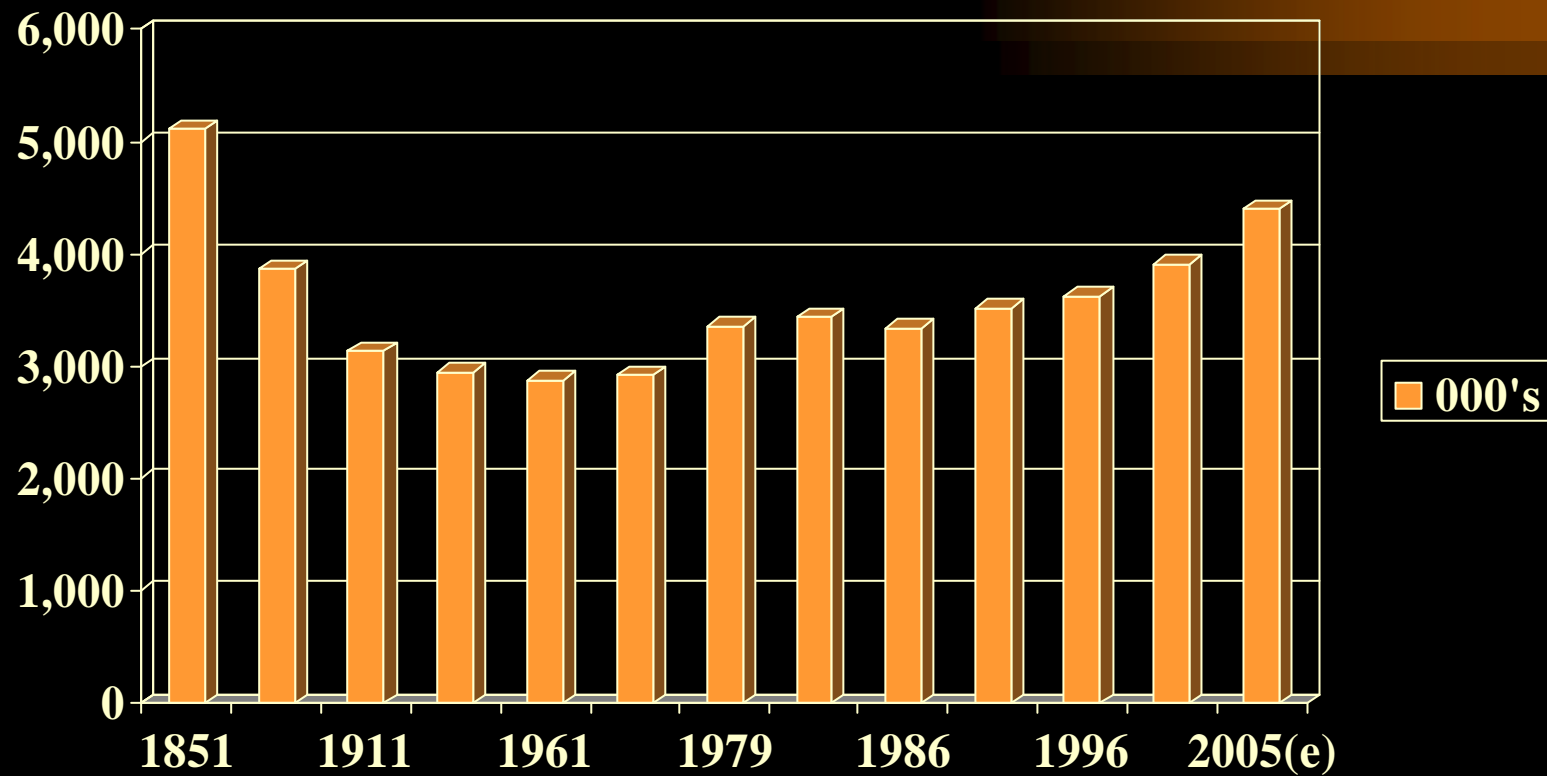


EFG Eurobank Conference

Athens, Oct 2005

Population Trend in Ireland

1851-2005



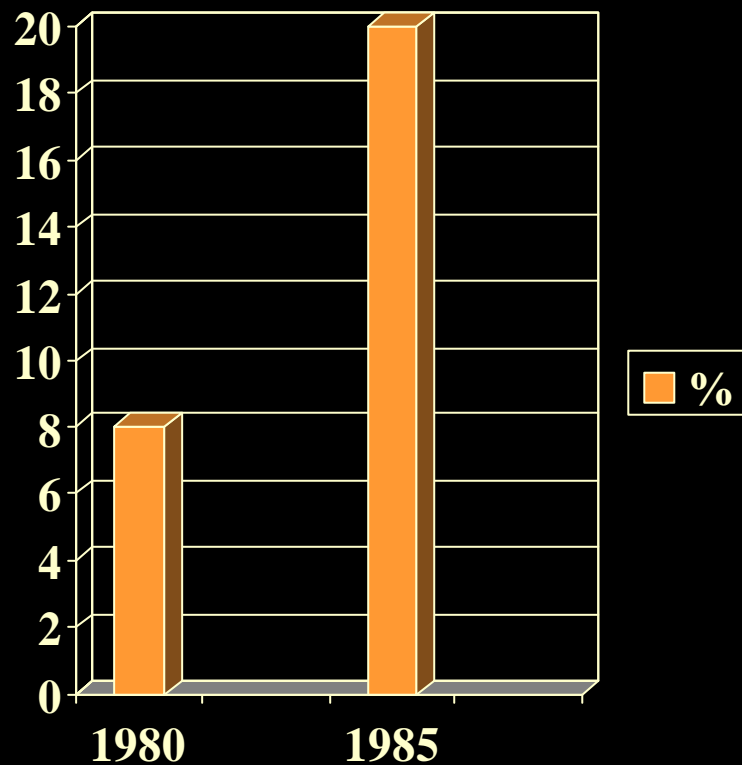
Overview of Presentation

- Where were we in 1986
- Taxation policy
- Social partnership
- FDI
- Education
- Local business

How big was the crisis in 1986 ?

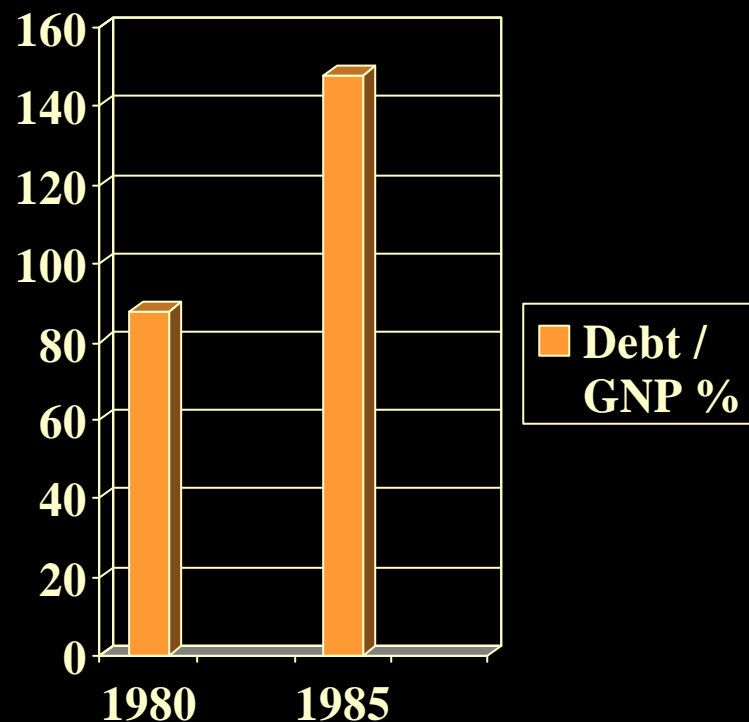


Unemployment surged...



- By 1985 one in five of the labour force was unemployed
- Long term unemployment grew more rapidly

Government debt all time high...



- Income tax receipts consumed by debt service costs
- Scale of debt unsustainable
- No growth in national output between 1980-85

National Economic and Social Council

- Advisory Forum to Government on Economic Policy
- Comprised-industry, trade unions, agriculture and Government nominees
- “existing policies were inadequate and a radical change in strategy needed”

Five Key Elements

- Reduce Debt/GNP ratio
- Restore order to public finances
- Improve competitiveness
- Tax reform
- Aggressive industrial development policy

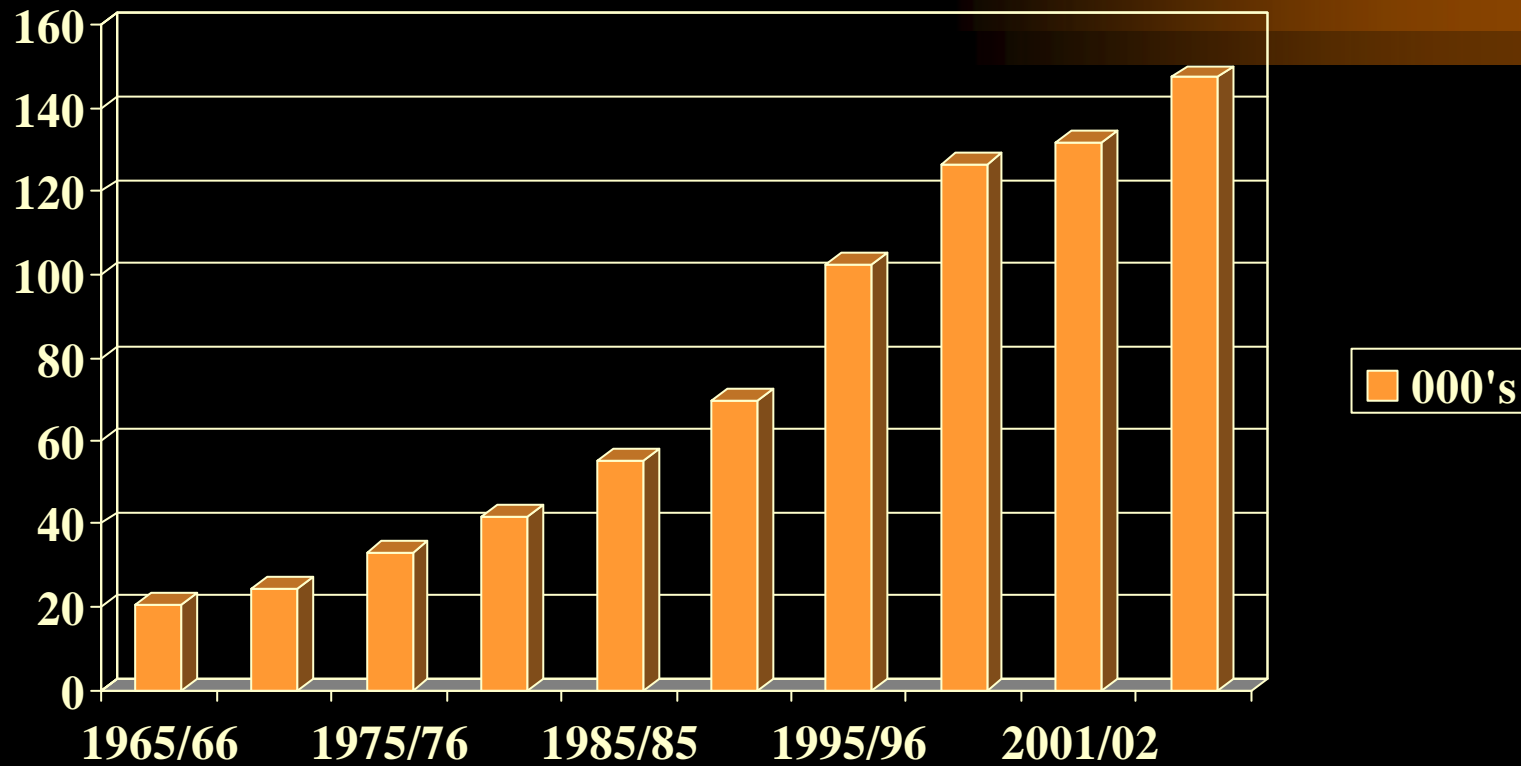
Radical Change in Policy Requires.....

- Widespread support
- Intellectual framework
- Trust and confidence
- Provided context for wage cost negotiations

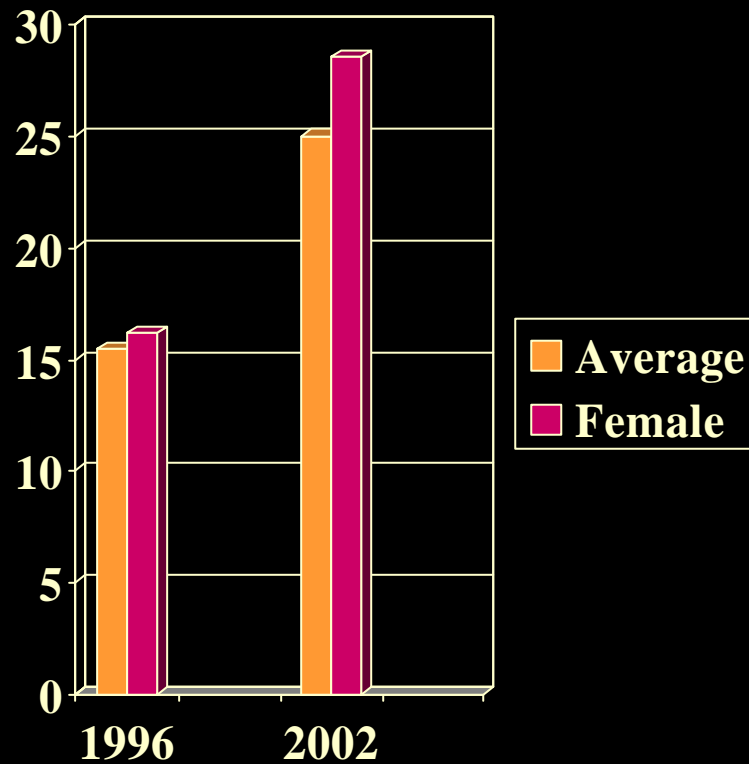
Long Term Investment in Education

- Universal access to second level in 1965
- Expansive access to third level from 1969
- Increased capacity in existing (4) institutions
- 11 new institutions established

Students in Third Level Education 1965/66 – 2002/03

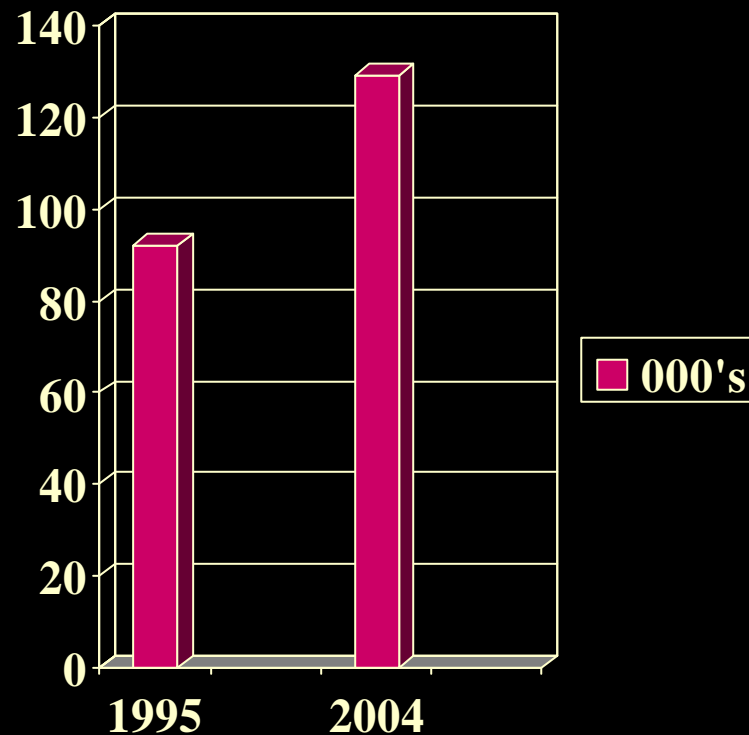


Educational attainment altered..



- In age cohort 25-29
15% had a primary degree in 1996, 25% had by 2002
- Females outperformed males
- By 2005 ,one in three females in this cohort had degrees

Foreign Direct Investment...Employment



- Exports by FDI sector amounted to €68b
- Technology sectors predominate

Attracting FDI..a Business Process

- Ireland a small player
- “must rewrite the rules of the game “
- First mover advantage
- Market research
- Build relationships and confidence

First Mover Advantage

- Early 1980's....Software
- Early 1990's...e-business
- Late 1980's....Call centers/shared services
- Late 1990's Biopharma

Internationalisation of Local Firms

- Slower Policy Development
- Programmes derived from FDI
- Not “fit for purpose”
- First Venture Capital initiative unsuccessful

Alternative Approach to VC

- Public /Private Partnership
- Shared investment in fund
- Risks /Rewards shared equally
- Target sectors broadly defined
- Funds managed by private sector partner

Impact1997-2004

- More active VC sector (more than 20 firms)
- €250m now invested in 150+ firms
- Mainly technology based companies

A black and white photograph of a woman with her hair in a ponytail, resting her chin on her hand in a thoughtful pose. The image is partially obscured by the text below.

Enterprise Solutions
for Banking and Insurance

Taxation Policy

- Low rates ..broad base
- Corporation Tax very relevant to FDI
- Reduction in Capital Gains Tax re-enforced the development of the VC market

Where to now?

- Sustain FDI
- Internationalise local firms
- Deepen investment in research infrastructure and collaboration
- New body SFI to commit €650m
- Physical infrastructure

Finally.....

- “it should be borne in mind that there is nothing more difficult to arrange ,more doubtful of success and more dangerous to carry through ,than initiating changes in the State’s arrangements.
- The inovator makes enemies of all those who prospered under the old order ,and only lukewarm support is forthcoming from those who would prosper under the new .”



Machievelli... The Prince

