RIO Country Report 2017: Ireland

Research and Innovation Observatory country report series

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Executive Summary

The Irish economy continued its strong growth (4-5%) in 2015-16. Growth prospects are robust for 2017-18 (3.3-3.4%). Government deficit and debt are expected to continue falling in 2017-18. Unemployment continued to fall in 2015-16 and is expected to reach its lowest level in a decade of 6.7% in 2018. Foreign-owned MNCs that dominate highly productive sectors increased their share in the economy. GVA from indigenous firms also grew significantly but there is still a large gap between productivity growth in indigenous firms and MNCs (DG ECFIN 2017 Autumn Forecast). The country's performance in competitiveness and innovation indicators is mixed (worsening: World Bank Doing Business, Global Innovation Index; improving: World Economic Forum Global Competitiveness Index, Digital Economy and Society Index, Small Business Act, European Innovation Scoreboard). As a proportion of GDP, GBAORD (2015: 0.29%), government funded GERD (2014: 0.41%), BERD (2014: 1.09%) and GERD intensity (1.51%) are slightly decreasing.

Main R&I policy challenges

1. Enhancing collaboration between enterprise and academic research. In 2017 this is addressed by SFI establishing four further research centres in order to support leading basic and applied research with strong industry engagement, economic, and societal impact. Funding for a fifth research centre (which will bring the total to 17) was also approved.

2. Developing a sustainable funding model for the higher education sector. The decade long decline in state funding of HEIs, coupled with increasing staff-student ratios, threatens to compromise quality. A consultation between the Parliamentary Committee on Education and Skills and various stakeholders started in 2017 based on the Cassels report. However, a new funding model will not be completed by 2018.

3. Improving the level and performance of R&D by indigenous enterprises. BERD is dominated by foreign-owned MNCs. Enterprise Ireland’s Strategy for 2017-2020 seeks to support SMEs increasing R&D investment by 50% to €1.25 billion by 2020 and to increase the level of innovation and entrepreneurship across Irish regions. The recent review of capital expenditure on RD&I from 2000 to 2016 points also to the importance of whole-of-government approaches to supporting RD&I in indigenous businesses. Further engagement in RD&I is being facilitated though supports such as the Agile Innovation Fund and the online Find R&D Funding Tool.

4. Increasing R&D and embeddedness of multinationals in the research system. The focus of policymakers is to strengthen collaboration between Irish operations of foreign-owned MNCs and the research system. The most significant recent development in this respect is the establishment of a further four SFI research centres in 2017 and approval for funding another – see also challenge 1, above.

Smart specialisation implementation

The national research prioritisation exercise (RPE) undertaken in 2012 is Ireland’s Smart Specialisation Strategy, according to the partnership agreement with the European Commission in November 2014. It identified 14 priority areas following a process of consultation with stakeholders, including industry, the
Higher Education Sector, and government agencies. **Innovation 2020** launched by the Irish government in 2015 is a whole-of-government strategy for innovation. It positions the 14 priority areas within 6 broad enterprise themes: ICT, health and medical, food, energy, manufacturing and materials as well as services and business processes.

The Second Progress Report on Innovation 2020 was published in December 2017 (DBEI, 2017a). An action in the progress report was to put in place a new cycle of Research Prioritisation (DBEI 2017a: page 7). Revised research priority areas for 2018 to 2023 were published in March 2018 (DBEI, 2018a).

The RPE has been instrumental in focusing Irish public funding for RD&I and there is evidence that a critical mass in the priority areas has emerged or is emerging. The SFI Research Centres are closely aligned with the RPE and have established close links with industry. However, to date there is no published evaluation of the RPE, setting out, for example, the relative success of each priority area and the additionality and impact of funding in each area.

In 2015/2016 the Irish government published **Regional Action Plans for Jobs**, based on NUTS 3 regional categories, aimed at building on sectoral strengths and enterprise potential within each region in collaboration with regional stakeholders from the public and private sectors (DBEI, 2017b). In addition, the **National Planning Framework** will develop regional spatial and economic strategies at NUTS2 level, in alignment with national enterprise policy, national infrastructure investment planning and the national specialisation strategy. RD&I policy in Ireland is a national competence. Regional innovation performance will be conditioned by regional competences based on relative strengths of HEIs and businesses in different locations.
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