Technology Ireland Budget 2024 Submission

Making Ireland a Global Technology Powerhouse

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Technology Ireland is the representative body for the technology sector in Ireland representing the ICT, Digital and Software industry. The Association is a proactive membership organisation with over 270 member companies located throughout Ireland. We advocate on behalf of Ireland's indigenous and foreign direct investment (FDI) technology companies to Government and policymakers.

Foreword
Una Fitzpatrick, Director, Technology Ireland

As predicted in the Technology Ireland 2023 Budget submission, the past twelve months within the tech sector have been a period of challenge and while the tech sector continues to grow in Ireland and what we have seen over the past year is a reset to more normal and predictable growth rates.

However, the global economy is on the edge of material changes brought about by the once-again rapid advancement in technology. We will have to alter our business model to adapt to changes to the basis of competition for mobile investment and subsequent economic activity and prepare for changes impacting the workforce and broader society. These include advances in areas such as digitalisation, automation, robotics, additive manufacturing, artificial intelligence, augmented reality, advances in battery technology, genomics and quantum computing. These, along with the significant decarbonisation now required of our businesses and broader society will create significant challenges but also enormous opportunities for the Irish economy.

Whilst not all the above will prove to be the next 'general purpose technology' which drives global productivity growth, we must invest in our capacity to both generate ideas and absorb then throughout the business economy. This requires ongoing investment in horizontal policy drivers – like skills, research and development, export orientation and innovation.

Ireland is increasingly competing in an intangible economy. This means competing more intensely for creating and embedding internationally mobile talent, knowledge and capital in the economy. This therefore requires an intense focus on key policy areas such as education, skills, taxation, intellectual property, and migration policy. However, a 'talent-centric policy goes further and focuses on making Ireland a desirable place to live. This requires ambitious investment not just in 'hard' infrastructure like transport, broadband, and housing but also in 'soft' infrastructure like community amenities, childcare, openness, the Experience Economy, and the environment.

It is certain that the global battle for labour, talent and innovation will be more intense in the decade ahead. A high quality, flexible, engaging and dynamic third level education system is the cornerstone of social and economic progress. We can only compete successfully for investment if we have a talent and innovation base that measures up with the best in the world. To deliver this critical need Ireland must prioritise investment in universities, further education, apprenticeship, and lifelong learning so that a wide diversity of talent and people can participate in an evolving labour market.

“ Ireland remains the heart of the technology industry in Europe, but we cannot be complacent and must continue to focus on increasing our attractiveness and outpace our competitors.”

Budget 2024 must be a statement of intent that Ireland wishes to be a digital leader within the European Union, with Ireland striving to be in the top three of the Digital Economy and Society Index (DESI). Ireland has a means to do this via ‘Harnessing Digital – The Digital Ireland Framework’, the Irish Government’s National Digital Strategy (NDS). In order to achieve the ‘top three’ ambition Ireland needs to accelerate the delivery of the ambitions contained within the NDS with a new multiannual ‘**National Digital Agenda Accelerator Fund**’. To date Ireland has not committed a specific budgetary figure over the lifetime of the National Digital Strategy and Technology Ireland calls for an ambitious investment roadmap for the NDS. The estimated cost of a new multiannual ‘National Digital Agenda Accelerator Fund’ to intensify trust and investment in deepening national digital capacities and embracing our enhanced regulatory role in digital is €500 million over the period 2024-2030.

Ireland remains the heart of the technology industry in Europe, but we cannot be complacent and must continue to focus on increasing our attractiveness and outpace our competitors. As regulatory decisions which will define the future of digital in Europe are designed, impacting businesses and citizens throughout the region, Ireland should ensure it is central in shaping the rules. Consistent implementation and coherent oversight of the sector is a competitiveness factor as it provides certainty to businesses. Ireland needs to ensure regulation of the technology industry at home does not fall out of step with Europe and that we are playing our part in ensuring a true Digital Single Market and building our governance capacities towards becoming a world-leading regulatory hub.

Budget 2024 must rise to infrastructure challenges, inflation pressures and address our global competitiveness, while paving the way to future growth, creating diverse talent pipelines, prioritising an ecosystem that embraces innovation and invests in skills and supporting entrepreneurship.

Una Fitzpatrick
Director, Technology Ireland

Technology Ireland Recommendations for Budget 2024

The technology sector in Ireland has powered the Irish economy through an era of global challenges, with a skilled talent pool, an adaptive and resilience workforce and strong growth. Technology Ireland is calling on the Government to use Budget 2024 to evidence Ireland as a thriving hub for digitally intensive industry with the following recommendations:

01
Introduce a new multiannual 'National Digital Agenda Accelerator Fund'

02
Resource our talent pipeline by investing in skills and education to ensure Ireland remains an attractive technology hub in the future

03
Respond to changes in global tax regimes by deepening Ireland's attractiveness as a place to do business

04
Provide a supportive ecosystem for SMEs and entrepreneurship

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Empower Ireland to lead on digital policy at EU level by developing strong, coherent regulatory capacities at home

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Procurement, state capacity and reform to help us deliver our investment goals

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01
Introduce a new multiannual 'National Digital Agenda Accelerator Fund'

Ireland needs to maximise its planned NRRP/NDP (National Resilience and Recovery Plan/ National Development Plan) investment in digital but needs to double down on its investment and reforms in future proofing secure digital innovation, skills, adoption, and services across upcoming Budgets and the latter half of this decade. Government should resource this necessary strategic investment in our future through a new multiannual 'National Digital Agenda Accelerator Fund' and leveraging the NTF (National Training Fund). This fund would help enhance our competitiveness, resilience, public services, regional development, and well-being, and to achieve our national and EU digital transition targets in the period 2024-2030 and beyond.

The estimated cost of a new multiannual 'National Digital Agenda Accelerator Fund' to intensify trust and investment in deepening national digital capacities and embracing our enhanced regulatory role in digital is €500 million over the period 2024-2030.

Ireland has an opportunity to vastly improve our relative performance when it comes to enhancing our innovation, digital and AI capabilities. This is not just about being the home to scientific innovation but ensuring companies and individuals have the capability to adapt to new technologies – increasing our absorptive capacity. These areas include skills for all ages, support for research and development, infrastructure, regulatory coherence and resourcing and a host of other areas. It also means promoting Ireland outbound, ensuring the discipline brought by being exposed to export markets is available to more companies earlier. A focus on these drivers can help not just to drive leading-edge technological work in Ireland but as importantly a focus on adoption, as well as creation, will be crucial in embedding broad-based growth and future-proofing our competitiveness.

02
Resource our talent pipeline by investing in skills and education to ensure Ireland remains an attractive technology hub in the future

If Ireland is to achieve a 'top three' position as a digital leader in the European context, a digital upgrade of every primary and secondary school in Ireland is required. This will enable teachers to drive a progressive Science, Technology, Engineering, the Arts and Mathematics (STEAM) curriculum which has basic digital skills, safety and literacy embedded from an early age. Research and experience have shown that investment in early digital skills and infrastructure in schools enhances educational outcomes and provides wider societal spin-off effects as a result. Digital teaching and learning cannot be achieved without appropriate access to broadband. We call for continued investment of €13m annually in the Schools Broadband Programme to guarantee appropriate connectivity for all schools. With this year designated European Year of Skills, Ireland must place significant capital funding behind the digitalisation of its schools if it is to achieve its own targets and those under Europe's Digital Decade.

In addition to the digitalisation of the Irish school system, digital skills development across all age groups is crucial in fostering digital inclusion and furthering social advancement. To maintain Ireland's competitiveness, and foster enhanced economic agility, particularly given the changing international environment, there is a need to enhance digital skills across society. A greater emphasis on digital skills is needed to overcome the generational, geographic and urban-rural divides across Ireland and Europe more broadly.

The rollout of basic digital skills provisions across society, particularly with younger and older age cohorts, can enhance digital inclusivity and reduce the digital divide. Greater investment into professional-level digital skills enhances the competitiveness of Ireland's workforce and supports economic growth. High-level digital skills adoption should be driven to foster innovation and ensure that Ireland becomes a digital leader in line with the National Digital Strategy. The demand for digital skills has never been greater, which is why Ireland must seek to maintain its highly skilled workforce through greater adoption of digital technologies. This must be done in tandem with efforts to ensure digital exclusion does not occur.

Accompanying our ask for skills development and investment, Technology Ireland are calling on Government to invest significantly in research equipment and infrastructure in Higher and Further Education. This is crucial in ensuring that the sector has the physical capacity to meet student numbers and is providing a materially improved experience in terms of necessary equipment and the built environment. A €200m strategic capital investment programme for cutting-edge technology, equipment and infrastructure would link technology adoption, innovation and specialist skills development in a practical manner and ensure it remains focused on next-generation industry requirements and practice.

Ireland also has an opportunity to vastly improve our relative performance when it comes to enhancing our innovation, digital and AI capabilities. This is not just about being the home to scientific innovation, but ensuring companies and individuals have the capability to adapt to new technologies. These areas include skills for all ages, support for research and development, infrastructure, regulatory coherence and resourcing and a host of other areas. Including everyone in further digital opportunities to promote digital literacy, digital inclusion, cybersecurity and digital skills. It is therefore crucial to invest, promote and provide access to the necessary digital skills that enable organisations, educators and individuals to engage and succeed in a more digitalised Ireland.

This can be achieved by:

- **Unlocking the €1.5bn surplus of the National Training Fund (NTF):** This is crucial in launching an industry-led investment campaign that will deliver the key skills for the 21st century, including skills for a digital society, climate action, Industry 5.0 and for leadership capability and skills to support SMEs. Core to this NTF-funded campaign will be industry leadership to ensure that investment is demand-driven and builds a responsive and agile pathway to learning, infrastructure and expertise across the further and higher education system. In Budget 2024, the Government should spend €500 million on measures under the NTF including the implementation of a Lifelong Learning Strategy for Ireland, additional funding for the further education and training sector, the introduction of a National Training Voucher Scheme to help dismantle the cost and time barriers associated with workforce development and lifelong learning and incentivise more SMEs to engage in the apprenticeship programme by funding the full cost of off-the-job training for all employers.
- **Leveraging National Training Fund (NTF) to implement a Lifelong Learning Strategy for Ireland:** This is central in preparing individuals for the digital and green twin transition. While Ireland's lifelong learning participation rate stands above the EU average at 13%, Ireland continues to fall behind international counterparts such as Sweden (34.7%), Finland (30.5%) and the Netherlands (26.6%). The NTF is an opportunity to financially underpin a strategic approach to lifelong learning and to upskill Ireland's workforce in preparation for the twin transition across all sectors of the economy.
- **Introduce a National Training Voucher Scheme:** The OECD Skills Review recommends greater use of industry incentives to help dismantle the cost and time barriers associated with workforce development and lifelong learning. The introduction of a National Training Voucher scheme has the potential to boost in-company training and widen participation in upskilling and reskilling to include all businesses and employers. Based on the principle of cost reimbursement, businesses should be able to claim back expenses for training costs during the year undertaken with an accredited education and training provider. Alternatively, the voucher can be used to draw down funding to finance training leave to support businesses to engage with available skills development opportunities across further and higher education.
- **Supporting the development, management and scaling of apprenticeship programmes:** The limited resources provided for the management and development of consortia-led apprenticeships does not reflect the supports needed for the scaling of these programmes at a national level. Providing adequate resources will ensure the appropriate and necessary supports are in place to scale programmes across the island of Ireland, contributing to the development and support of our workforce and talent. Government must address the inconsistencies in funding between consortia and craft-led apprenticeships to support employer engagement and the continued development of apprenticeship programmes. This includes closing the funding gap between craft and consortia-led apprenticeships. While the €2,000 employer incentive is a welcome initiative, it does not go far enough to close the gap between craft and consortia-led apprenticeship in relation to off the job training costs. To encourage more businesses and in particular SMEs to participate in apprenticeships, the new funding model for apprenticeships should cover the cost of off-the-job training for all employers.

- **Ensuring adequate resourcing of visa and work permit applications:** Delays or impediments to bringing in key skilled staff from abroad must be eliminated. It is essential that there is no delay in processing permits and visas especially for trusted partner companies.

- **Invest in inclusion in digital opportunities:** This is necessary to promoting digital literacy, digital inclusion, and digital skills. Invest, promote, and provide access to the necessary digital skills that enable organisations, educators, and individuals to engage and succeed in a more digitalised Ireland.

- **Provide additional funding to Skillnet Ireland Networks:** Skillnet Ireland Networks are a crucial part of Ireland's training infrastructure, linking employees and employers. Additional funding can assist these Skillnets in providing critical support to organisations and individuals, looking to address skills shortages, upskill, retrain or re-enter the workforce, in addition to fostering support for Irish workforce and talent, reducing the need for companies to look outside the country to address major skill shortages.

- **Budget 2024 should introduce a funded graduate placement programme that supports SMEs to attract and retain high quality graduate and research talent:** This would help install innovation expertise directly into the SME operation to identify new product and process opportunities and enhance innovation capacity within the business. A critical feature of the programme will be that the internship provides supporting link to higher education consultancy services, business and legal schools, research programmes, spinout companies and statebacked innovation supports.

03 Respond to changes in global tax regimes by deepening Ireland's attractiveness as a place to do business

It is imperative that Ireland proactively responds to the evolving global tax regimes to maintain and even strengthen its status as an attractive destination for business. The global economic landscape is in a state of transformation, with substantial shifts in tax policies and international agreements directly influencing investment decisions.

To safeguard the nation's economic prosperity and job growth, it is crucial that Government commits to a strategic Budget 2024, deepening Ireland's allure as a hub for innovation, talent and sustainable growth. Budget 2024 should reflect Ireland's commitment to adapt, innovate, and remain a frontrunner in the global economic arena. We strongly recommend the Budget should focus on:

- **Developing Ireland's FDI growth model to attract and retain multinational technology companies:** As well as access to talent and skills, Ireland's corporate tax regime has played a key part in attracting Foreign Direct Investment (FDI). However, the underpinnings of our FDI model are likely to change in the coming years meaning that we will have to work harder as a country to ensure we remain attractive for outside investment.
- **Maximising our tax competitiveness within any new dispensation:** It is crucial, that while it may be too early to address these issues definitively there must be an urgent reassessment of Ireland tax attractiveness under any new OECD regime. This should include consideration of moving to a participation exemption for dividends/territorial tax regime, merging the 25% non-trading rate with the headline rate. This will allow firms to file as a single entity ('fiscal unity'), dealing with issues around interest deductibility, maximising potential investment and innovation supports and a broader review of the corporate tax regime to ensure simplicity, certainty, and neutrality following a period of significant change. A package of tax competitiveness measures could usefully be achieved as part of the new domestic stakeholder engagement process committed to under the Corporate Tax Roadmap or it could be put on a permanent footing in the long run under an independent office akin to the Office of Tax Simplification in the UK.

- **Making sure digital service tax (DST) proposals continue to be progressed through a multilateral framework:** Ireland must continue to support a multilateral framework and take a firm stance against any unilateral proposals from other EU countries. Unilateral DST proposals in Europe create uncertainty and confusion for businesses operating in a multinational environment. It is important that Ireland continues to use its voice in Europe to call for a coherent and uniform approach to DST across Europe.

- **The personal tax offering must allow us to compete for the most mobile talent:** Ireland's comparatively early entry to the higher income tax rate and relatively less attractive personal tax offerings for the most mobile talent undercut our ability to compete for key skills. Over the last decade income taxes for average workers have been increasing in real terms due to non-indexation of the standard rate band. As wages increased, ad-hoc budget increases to the tax bands failed to keep pace, leading to so-called 'bracket creep'. Full indexation of the income tax and USC system would cost close to €1.2 billion in 2024. Any tax package less than this, because of bracket creep, would represent a tax increase in real terms. In Budget 2024, the Government should Increase the entry point to the higher rate of tax to €43,000 and increase tax credits by €100 for single workers and €200 for married couples and civil partners. Along with this it should improve schemes aimed at retaining key workers in the country and wellbeing in the workplace – a total tax package of €1.5 billion.

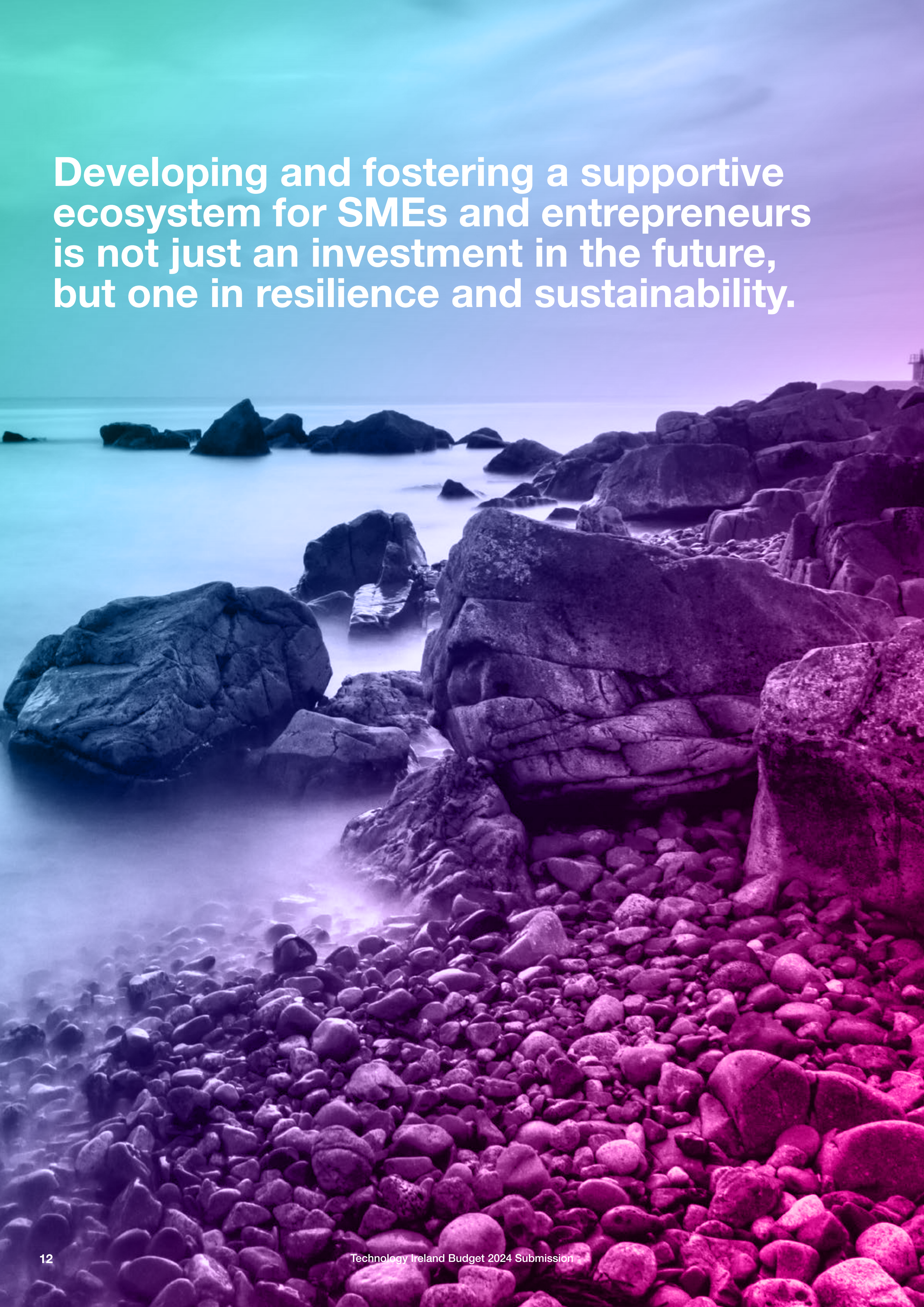
- **Scale public investment in research and innovation:** To support a pipeline of ideas and knowledge, technology development and exchange between industry and academia we must increase investment by 20% per annum to achieve €1.25bn by 2025. For mature economies, such as Ireland, innovation is the chief driver of sustainable economic growth. In addition to boosting productivity, it also attracts international business investment supporting thousands of high-quality jobs throughout the country. Ireland's next phase of economic development will need to be underpinned by a robust research and innovation system that develops talented graduates, embraces innovation and technological change; improves SME productivity; enhances skills and supports Ireland's transition to a low carbon economy. The current levels of public investment in R&D are not representative of a country that strives to be an innovation leader, and this is highlighted as a national weakness in the recent European Innovation Scorecard analysis for Ireland.

- **Improve the R&D tax credit administration:** The current credit would benefit from greater certainty around decision-making consistency and broader administration. This has been a particular issue around rental expenditures (with a significant impact on SMEs) and early-stage companies in R&D-intensive sectors. We should also accelerate the monetisation of the payable credit element against payroll in the first year to support cash flow in those companies, remove or significantly increase the €100,000 or 15% limit on qualifying outsourced expenditure to Third Level Institutions and the restrictions on outsourcing to related parties.

- **Introduce a pro-forma R&D tax credit:** This would help smaller firms overcome administrative costs and engage with the credit. The existing limit should be in line with UK's R&D tax relief for SMEs with more generous tax treatment, reduced additional recordkeeping requirements, cash repayments upfront, and 'advanced assurance' for the first three times it is claimed. This would be in line with the OECD "Road Map for SME and Entrepreneurship Policy in Ireland". There should also be an increase in the science test limit to €100,000.

- **Expand supports for IP use by enterprise:** Focusing on the framework conditions for enterprise-level IP activities will help boost competitiveness and innovation. New initiatives should be funded in pooling IP and strategic R&D funds to ensure scale and expertise. IDA Ireland's and Enterprise Ireland's resource and IP capabilities need to be expanded to provide direct support to client companies. Supports to grow IP use by indigenous enterprises should be expanded and should be connected to the broader innovation and business support landscape, not treated as a separate, specialist subject.

Developing and fostering a supportive ecosystem for SMEs and entrepreneurs is not just an investment in the future, but one in resilience and sustainability.



04
Provide a supportive ecosystem for SMEs and entrepreneurship

The pivotal role of small and medium-sized enterprises (SMEs) and entrepreneurship in fostering growth, innovation and job creation in Ireland should not be underestimated by Government in Budget 2024. Developing and fostering a supportive ecosystem for SMEs and entrepreneurs is not just an investment in the future, but one in resilience and sustainability. By allocating appropriate resources to develop a supportive ecosystem, Government can catalyse innovation, facilitate access to capital, promote digitalisation, and fuel advancement across sectors. Investing in the development of an ecosystem which fosters the development, growth and sustainable future of SMEs and entrepreneurs, will enhance Ireland's competitiveness in the global arena and ensure long-term prosperity of citizens and the economy. We believe this can be achieved by:

- **Introducing targeted supports to enable SMEs to invest in innovation and productivity:** The SMEs targeted by the Enterprise Ireland Innovation Voucher Scheme has not been indexed in many years and should be increased in value to €10,000. This would encourage higher levels of research, development, and innovation activity within business, particularly to support initial SME engagement with the national innovation ecosystem.

- **Funding seed linkages between SMEs and large businesses:** Ireland would benefit significantly from enhanced mechanisms for small and medium-sized enterprise-multinational corporation (SME-MNC) collaborations. Such collaborations will enable the system to focus on new technologies at the earliest stages of the research, development and innovation (RDI) pipeline of MNCs to ensure that such innovation development occurs in Ireland and enables SMEs to engage in global value chains by developing supporting or competitor technologies. In addition, it encourages a "seeding effect", where ex-employees of MNCs, if supported properly, are the key drivers of local start-up development.

- **Ensuring the continued benefit of the research and development (R&D) tax credit:** This would entail actioning the R&D tax credit recommendations of the Commission on Taxation and Welfare to provide more guidance and supports. This would facilitate greater uptake by small firms more generally and for consideration to be given to a limited acceleration of the refundable element of the R&D tax credit from three years to one. This would further support early-stage research and development intensive businesses. Given the R&D tax credit has now become 'refundable' it will now be taxed for most multinational enterprises (MNEs) at the 15% rate (depending on substance levels), reducing the value of the credit to 21.25%.

- **Capital gains taxation should be reformed to provide greater benefit to investing in high potential companies:** International evidence shows that high CGT rates lower entrepreneurial risk-taking, disincentivise the growth of venture capital both on the demand and supply side, and damages high potential companies by locking entrepreneurs into their business for far longer than is optimal. High CGT rates on entrepreneurs also fundamentally alter the incentives for the investment of private capital in the economy. Our view is that this should take the form of a continuation of entrepreneurs' relief with improved scheme limits to €15 million and should be extended to passive investors such as Angel or Venture Capital investors.

- **Ensure repayments of tax are timely and efficient:** With a significantly more constrained funding environment ahead than start-ups have experienced in the recent past the tax system must not provide a barrier to firms extending their financial 'runway.' One cost-effective way to do this would be to ensure that schemes, such as the R&D tax credit, where repayments of tax are due to companies are paid in the shortest timelines possible rather than over multiple or delayed instalments.

- **Invest in trade promotion:** Introduce investment aids to support new or expanding exporters investing in enabling technology, management training and upskilling, plant renewal and expansion, refinancing, market development and innovation to grow their markets. Additional funding should also be put in place for direct grant supports for marketing and trade promotion for companies looking to build new markets in the EU and internationally.

- **Give firms access to a greater pool of equity investment:** Ireland has a limited market for equity in companies – and within this market, the EII is a major support to the ecosystem. It should be maintained and further improved by increasing annual investment limits and implementing the recommendations of the Indecon review to allow losses on EII investment for CGT purposes and any capital gains on the sale of shares taxed as capital gains rather than as income.

- **Put the KEEP scheme on a permanent footing to ensure share options are an attractive choice for start-ups and high-growth companies:** The KEEP scheme represents one component in the Irish offering to attract key talent as well as providing a mechanism by which SMEs can compete with larger competitors when recruiting staff. While significant improvements to the scheme were undertaken in Budget 2023, take-up has plateaued at a low level over recent years, with just 227 employees granted shares per the latest available figures. Improvements to the scheme need time to be reflected in its adoption and businesses require certainty to avail of it.

05
Empower Ireland to lead on digital policy at EU level by developing strong, coherent regulatory capacities at home

Ireland is at the heart of the European Union's digital regulatory framework. As a nation, we have the potential to shape the future of international regulatory discussions and boost our status as a global digital hub by deepening our capacities as a regulatory hub. Ireland should ensure its capacities in the governance of data innovation are adequately resourced to match its role and provide for a robust and predictable regulatory environment. Additionally, Ireland's position as the EU headquarters of many multinational technology organisations means that the eyes of Europe are on us as a regulatory partner. It also gives Ireland the opportunity to become the EU's regulatory hub, meaning it is critical that EU digital rules are efficiently and consistently implemented. Moreover, national rules which set out to regulate digital technologies ought to be coherent with existing EU frameworks. This is critical not only to Ireland's status as a trusted regulatory partner within the EU but also to harmonisation in the governance of the EU Digital Single Market. We believe that this can be achieved through:

- **Embrace our enhanced role in digital regulation:** Ireland should ensure its capacities in the governance of secure, safe, and competitive digital and data innovation are adequately resourced and focused to match its role and provide for a robust and predictable regulatory environment. This should include adequately resourcing the new Coimisiún na Meán, the Data Protection Commission (DPC) and other actors in the digital landscape.

- **Ensure national cybersecurity capacities, institutions and infrastructure are adequately coordinated, resourced, focused and implemented:** We must co-ordinate and strengthen our cyber security ecosystem and encourage a pipeline of the relevant knowledge, skills, and talent in the State to enhance our national cyber security and resilience and support the positioning of Ireland as a lead player in the cyber security industry. In Budget 2024 the Government should provide the National Cyber Security Centre (NCSC) with further resources so that it can implement the recommendations of the NCSC Capacity Review, the additional activities proposed for the NCSC in the mid-term review of the National Cyber Security Strategy, fulfil the additional responsibilities allocated to the NCSC in response to new EU legislation (e.g., NIS2 Directive) and the Commission on the Defence Forces' recommendations accepted by

Government. We should also provide the capacity to investigate and prosecute cybercrime, including fraudulent calls and texts, by filling vacancies in the Garda National Economic Crime Bureau and publish the overdue resourcing plan for the Bureau.

- **Support the roll-out of digital infrastructure across the country:** Local authorities have an important role in bridging the digital divide. Each local authority should be provided with funding to support a dedicated telecoms unit to reduce barriers to, and enable, telecoms investment within each of the 31 local authority areas. Functions would include data collection/GIS mapping, development of a telecoms asset register, acquiring digital connectivity benchmarking and coverage data for each LA area, support intra-regional alignment with all public sector asset owners. These offices would connect with Dublin City Council's Dublin City Council Telecoms Unit, which was established to accelerate the rollout of digital infrastructure and 5G deployments, as well as meeting local commitments under the European Electronic Communication Code.

- **Leveraging Ireland's forthcoming role as Chair of the D9+ Group of Member States in the EU:** This will enable Ireland to advance and accelerate the EU's digital agenda, advocating for why going further as a digital leader matters. The D9+ Chair will enable Ireland to articulate its views on the direction which the incoming EU Commission should take as it develops its 2024-2029 work programme and will mark a critical phase in the implementation of the Digital Decade 2030 Policy Programme.

- **Invest in administrative modernisation:** Ongoing embrace of digital technologies and data interoperability can enhance operational efficiency and the quality of administrative procedures through increased automation of physical and digital tasks and embracing new tools. We must lead and invest in secure, accessible online Government services and the inclusive digitalisation of public service delivery for organisations and citizens. This should be in addition to leveraging the €210m provided for in the agreed National Recovery and Resilience Plan (NRRP) to drive further digital transformation in public sector projects.

06
Procurement, state capacity and reform to help us deliver our investment goals

The economy is continuing to grow at a rapid pace and the case for further private sector investment remains strong. Our major challenge is creating the capacity to continue to grow whilst maintaining social cohesion. We have failed to invest in absorptive capacity (eg, skills, housing, productivity, or infrastructure) for record private investment levels. This has led to systemic congestion in both access to physical assets like housing and to the ability of households to access services which reflect the dignity which should be afforded in a rich society. This congestion, in turn, has led to productivity being capitalised in rising asset prices rather than broad-based growth in quality of life, with significant distributional effects. This is now a material threat to economic advancement, generational solidarity and social cohesion.

For example, in 2021, the Department of Public Expenditure and Reform announced that by 2030, 90% of applicable public services should be delivered online. More recently, *Harnessing Digital: Digital Ireland Framework*, seen as Ireland's national digital strategy, and *Connecting Government 2030*, the new public sector ICT strategy, indicated that this goal would be reached by "taking a cloud-first approach to delivery of all services".

In 2022 to support the government in its objective to put digital solutions underpinned by cloud at the forefront of innovation in public service provision, Technology Ireland commissioned Frontier Economics to examine in particular the barriers to cloud adoption and procurement in Ireland. The report produced titled *'The Sky is the Limit – How cloud computing is the key to better public services in Ireland'* found that a 10% increase in the adoption of cloud in the Irish public sector could generate economic benefits in the order of €473 million in the first year alone following adoption. In Budget 2024, Government should:

- **The State should set up a National Infrastructure Fund to expand the NDP from 2024 to 2030:** Ireland has not had a predictable stream of public capital investment and projects for any consistent period over the past three decades. The current National Development Plan (NDP) would need to be expanded by at least €20 billion between now and 2030, just to meet its initial ambitions in real terms. In Budget 2024, the Government should reflect growing demands for investment in areas such as carbon net zero, a more rapidly growing population, and continued deficits in infrastructure by setting up a National Infrastructure Fund with a targeted balance of close to €20bn by 2026, which would then target an additional €30 billion in Exchequer spending on infrastructure, over and above the current NDP, by 2030.

- **Simplify and standardise the public procurement process:** Simplification, cost reduction, and increased transparency are proven approaches to boosting the competition for contracts. We must redouble efforts to standardise T&Cs and investigate specific sets developed for each category. Public procurement must be open to small micro-enterprises, including start-ups, this means keeping administrative burdens to a minimum. We must also urgently complete the review of Circular 10/14 and financial and insurance requirements must be proportionate, so as not to be a barrier to bidding.

- **Ensure enhanced visibility of procurement opportunities:** Engagement with the market must be open. Each public buyer should have a "doing business with us" section on their website. It is also important that pre-commercial engagement should be actively promoted, with SMEs having the opportunity to meet with key decision-makers on innovative products and services. "Meet the Buyer" events should also be encouraged on a sectoral or category council-level; not a one-size-fits-all approach.

- **Promote the procurement of innovation:** We must differentiate between buying innovatively (i.e., using new processes, approaches etc) and buying new/ innovative products. Public bodies should take full advantage of the opportunities to promote innovation throughpre-commercial opportunities (e.g., Small Business Innovation Research scheme, Innovation Partnerships etc) and look to pre-commercial procurement opportunities funded by the European Commission (e.g., Horizon 2020 programme)

- **Adopt a clear top-down cloud-first policy that moves beyond a high-level vision:** Such a policy will act as a signalling mechanism to both public sector bodies and cloud providers of the intent to adopt cloud. It will outline (i) the strategic case why the transition to cloud is beneficial and (ii) how the transition should happen through a series of policies and procedures. These two fundamental elements should be presented in a revised Cloud First policy document, issued either by the Department of the Public Expenditure and Reform or by the Department of the Taoiseach.

- **Develop an agile and effective procurement framework fit for cloud services:** Based on the inputs gathered in our stakeholder engagement exercise, the current procurement environment in Ireland is a major impediment to cloud adoption. To address this problem, lessons should be learnt from other countries that have introduced successful procurement frameworks, thereby smoothing the process of cloud adoption and driving digitalisation of government services. There are a number of steps to this. Firstly, a digital marketplace where standardised cloud services and products can be procured should be launched. Secondly, the risk assessment and audit processes should be designed to reflect the nature of cloud infrastructure. Finally, funding needs to be shifted from capital budgets to operating budgets in sustainable ways in order to promote the optimisation of cloud resources.

- **Stimulate innovation to support the net zero transition:** Ireland will need a range of technologies and solutions to meet its ambitious climate targets. While the role of certain technologies like wind power, solar PV, battery storage, electric vehicles, district heating, and electric heat pumps is becoming clear, it remains unclear how these will work together in an efficient mutually positive way. Meanwhile, there remains great regulatory, investment and technology uncertainty in other areas of the transition particularly in the areas of industrial heat, heavy goods freight, large offroad vehicles, carbon capture, the use of renewable gases and liquid fuels including hydrogen, biomethane, and HVO. State investment is needed to help identify the optimum solutions for these hard to transition sectors. This could be achieved through the funding of industry pathfinder projects, aligned with third level research partners, to lead by example.

***‘The Sky is the Limit’* report found that a 10% increase in the adoption of cloud in the Irish public sector could generate economic benefits in the order of €473 million in the first year alone following adoption.**

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