



An Roinn Fiontar,  
Turasóireachta agus Fostaíochta  
Department of Enterprise,  
Tourism and Employment

# Expenditure Appraisal Framework:

## Business Case and Economic Appraisal Guidelines



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# Business Case Guidelines

## Foreward

The purpose of this Department of Enterprise, Tourism and Employment Expenditure Appraisal Framework is to support a culture of robust appraisal and evaluation practices across the Department and its agencies in respect of expenditure on initiatives or schemes.

The framework sets out guidelines for the development of business cases for expenditure based on the requirements set out under the Public Spending Code [Infrastructure Guidelines](#) and adapted for initiatives and schemes such as grants, loans and equity schemes. The guidelines were developed by the Department and informed by international practice for the evaluation of such initiatives and schemes.

Robust ex-ante appraisal sets the standard for monitoring and future evaluation of expenditure on initiatives and schemes and provides a basis for ex-post assessments and evaluations. The framework and guidelines provide a proportionate and effective basis for appraisal of expenditure that is designed to be practical and understandable. It will assist policy makers and developers of initiatives and schemes in achieving continued improvements and innovation in their design and implementation.

The guidelines will be instrumental in demonstrating how the Department ensures best value for money and alignment of expenditure with policy priorities set out in our [Statement of Strategy 2025-2028](#).

I want to thank all involved in the development of the framework in the Department, led by Gary Tobin, Orla O'Brien, Shannen Enright and Kate Newman and our agencies.

**December 2025**

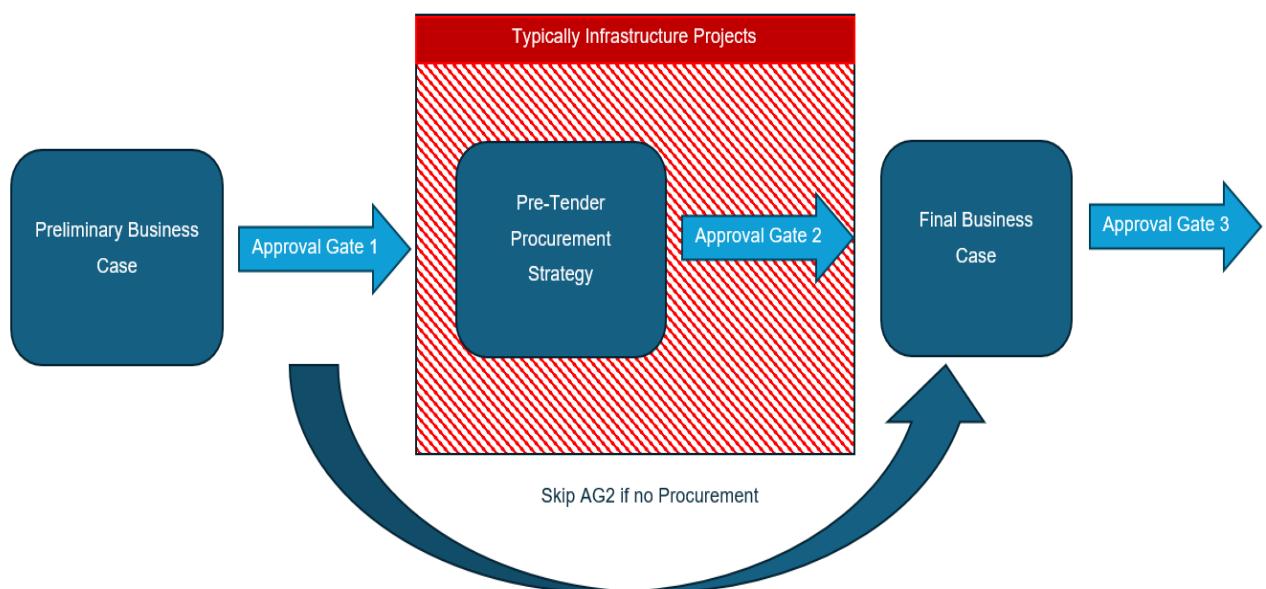
# 1. Introduction

These guidelines provide a detailed overview of the components of ex-ante expenditure appraisals for DETE initiatives or schemes. They encompass detailed guidance for DETE business units and Agencies in the preparation of the preliminary business case and final business cases (Sections 1-3). Furthermore, they provide detailed guidance on the economic appraisal methodologies that should be included as part of the business case (Sections 4-7).

The guidance is based on the requirements set out under the Public Spending Code [Infrastructure Guidelines](#) and has been adapted for the enterprise sector as set out in Figure 1.1 below. This guidance primarily focuses on Approval Gate 1 and 3.

Approval Gate 2 which includes Project Design, Planning and Procurement Strategy is not examined in this guidance as it is typically not applicable to the type of initiatives and schemes used by DETE. Approval Gate 2 applies to capital infrastructure projects that do not typically fall under the Departments expenditure. Units planning to undertake capital infrastructure projects should consult the Infrastructure Guidelines.

**Figure 1.1 Business Case Stages**



## 1.1 When to Use this Document

Requests for sanction for the funding of initiatives or schemes should be accompanied by a business case.

This document relates to funding for non-Infrastructure programmes, schemes and projects. Units seeking funding for Infrastructure should follow the guidance set out under the Infrastructure Guidelines.

The National Investment Office (NIO) in the Department of Public Expenditure, Infrastructure, Public Service Reform and Digitalisation (DPER) oversees and reports on Government wide infrastructure investment under the National Development Plan (NDP) and Project Ireland 2040. The NIO is responsible for maintaining the national frameworks to ensure appropriate accounting for and value for money in public capital expenditure such as the Infrastructure Guidelines<sup>1</sup>. Key responsibilities for the NIO include:

- Updating capital appraisal guidelines
- Promoting Infrastructure Guidelines compliance by providing guidance to Departments
- Supporting the Major Projects Advisory Group in their consideration of major projects.

Further Guidance and templates are available on the DETE Data and Evaluation BoB Page:

- DETE CBA Tool Spreadsheet
- DETE CBA Tool Guidance

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<sup>1</sup> Any queries relating to the Infrastructure Guidelines should be directed to the National Investment Office ([NIO@per.gov.ie](mailto:NIO@per.gov.ie)). Queries relating to DETEs appraisal guidelines should be directed to the Data and Evaluation Unit.

## 1.2 Proportionality: Expenditure Thresholds by Appraisal Type

- When completing a business case, the principle of *proportionality* applies.
- The level of detail and type of economic appraisal required depends on the level of expenditure, as set out in Table 1.1.

**Table 1.1. Expenditure Thresholds for Business Cases and Economic Appraisal Type**

Level of Spend	Type of Economic Appraisal	Requirement	Indicative time for Appraisal	Review
<b>0 to €5,000,000<sup>2</sup></b>	Simple Financial/ Economic Appraisal	List of Options assessed against the potential impact	Weeks	Internal Only
<b>€5,000,000 to €20,000,000</b>	Multi-Criteria Analysis	Establishes preferences between project options by reference to an explicit set of criteria and objectives	Weeks/Months	Internal and DPER
<b>€20,000,000 to €100,000,000</b>	Cost Benefit Analysis/ Market Failure Analysis	CBA: Assess the ratio of societal benefits to the cost of implementation/ MFA: Analyses the market failure present and the value added by the initiative or scheme	Months	Internal and DPER
<b>Over €100,000,000</b>	Cost Benefit Analysis/ Market Failure Analysis	As Above	Months/Year	Internal and DPER
<b>Over €200,000,000</b>	Cost Benefit Analysis/ Market Failure Analysis	As Above	Months/Year	Internal, DPER, and Government

<sup>2</sup> Units should note that sanction is still required by DPER for these initiatives or schemes however, the associated business case can be approved internally.

## 1.3 Major Initiatives or Schemes (>€200 million)

Under the [Infrastructure Guidelines](#) infrastructure projects **in excess of €200m are considered Major Projects** and are subject to the following:

- External Assurance Process (EAP)
- Review by the Major Projects Advisory Group (MPAG)
- Consideration by Government

Non-infrastructure enterprise support schemes, >€200 million, require a model of oversight and assurance that reflects their distinct risks, delivery methods, and strategic goals.

Recognising this, DETE requires such initiatives or schemes be subject to an **Assurance Steering Group** as an alternative to the EAP and MPAG process outlined in the Infrastructure Guidelines.

### What is the Assurance Steering Group?

The Assurance Steering Group<sup>3</sup> (ASG) is an independent, cross-functional advisory body convened to provide external challenge, expert input, and assurance oversight during the planning, development, and evaluation of major enterprise support schemes. It acts as a strategic checkpoint for ensuring that proposed interventions are grounded in robust evidence, aligned with policy objectives, and designed for effective delivery and measurable impact.

Rather than focusing on physical infrastructure or construction risk the ASG is tailored to the unique characteristics of enterprise policy: market responsiveness, economic impact, financial risk, innovation, and SME support.

### Membership and Structure

The Assurance Steering Group may include a mix of:

- External experts in enterprise policy, economics, finance, and evaluation.
- Senior officials from across DETE divisions (e.g., policy, finance, innovation).
- Representatives from delivery agencies such as Enterprise Ireland, IDA Ireland, or Local Enterprise Offices.

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<sup>3</sup> Units should contact DEU for advice and assistance on the composition of the ASG.

- Stakeholders or observers from other Departments.
- Independent evaluation or assurance professionals, where appropriate.

The Group will meet at key decision points in the programme development lifecycle such as at the Preliminary and Final Business Case stages, or during major evaluation reviews.

### Why is the Assurance Steering Group Useful?

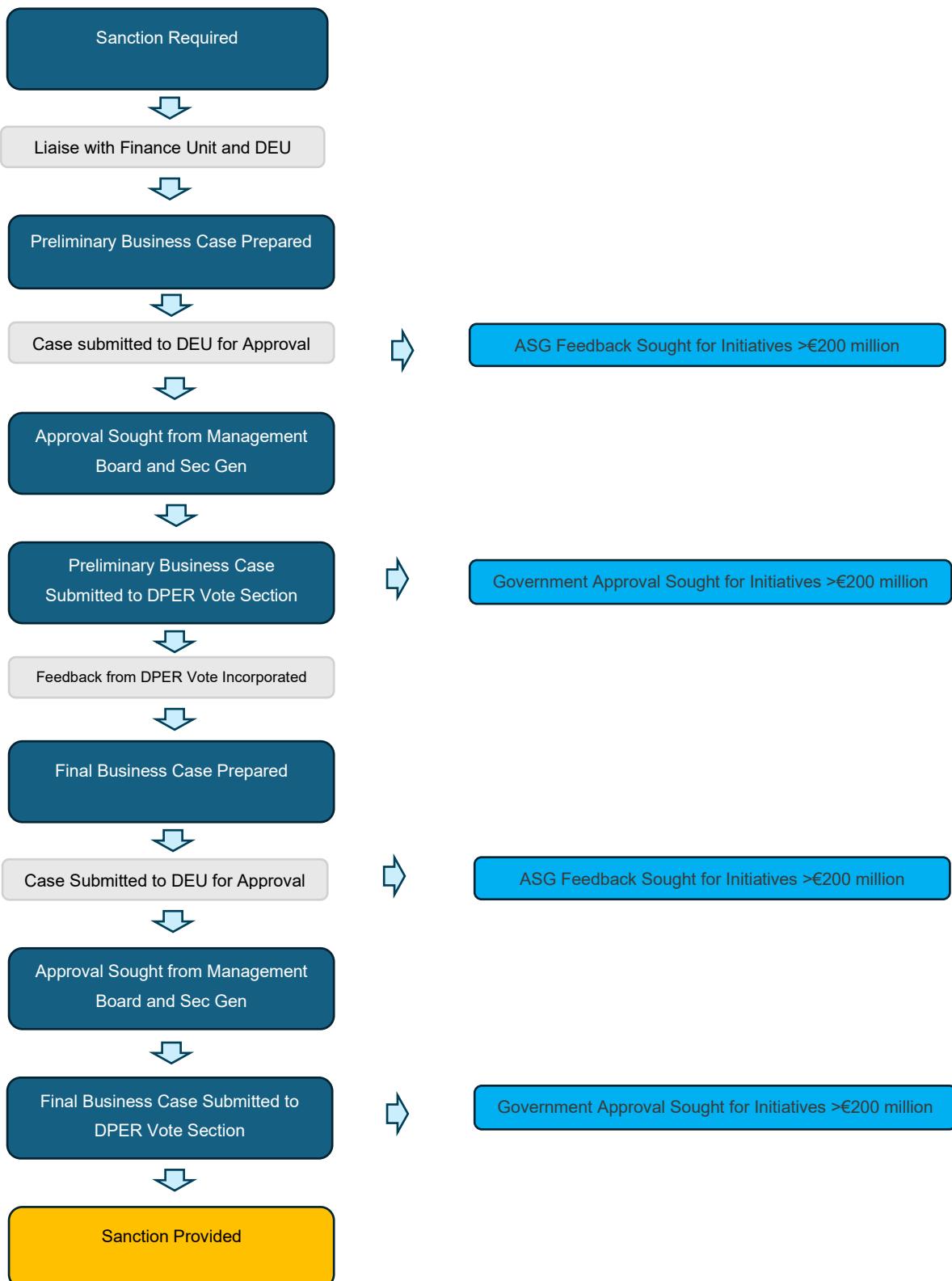
1. **Tailored Assurance**- It recognises that enterprise schemes require a different kind of scrutiny than physical infrastructure projects. The ASG offers assurance that is proportionate and relevant to the specific financial, policy, and economic dimensions of enterprise innovations.
2. **External Challenge**- By bringing in independent or cross-sector perspectives, the group helps to identify blind spots, test assumptions, and improve the robustness of business cases and delivery models.
3. **Cross-Agency Coordination**- Many enterprise schemes involve multiple agencies and delivery partners. The ASG can serve as a central forum to align expectations, identify potential overlaps, and support coherent governance structures.
4. **Risk Management and Accountability**- The Group helps DETE identify and mitigate strategic, operational, and reputational risks early in the lifecycle of a scheme, strengthening accountability and the case for public investment.
5. **Evaluation and Learning**- The ASG supports a culture of continuous improvement by reviewing interim findings, shaping evaluation plans, and ensuring that lessons learned feed into future policy and scheme design.

### Consideration by Government

In addition to the ASG, Major Schemes must seek consideration by Government at the Preliminary and Final Business Case stage. Government consent must be sought through a Memorandum for Decision.

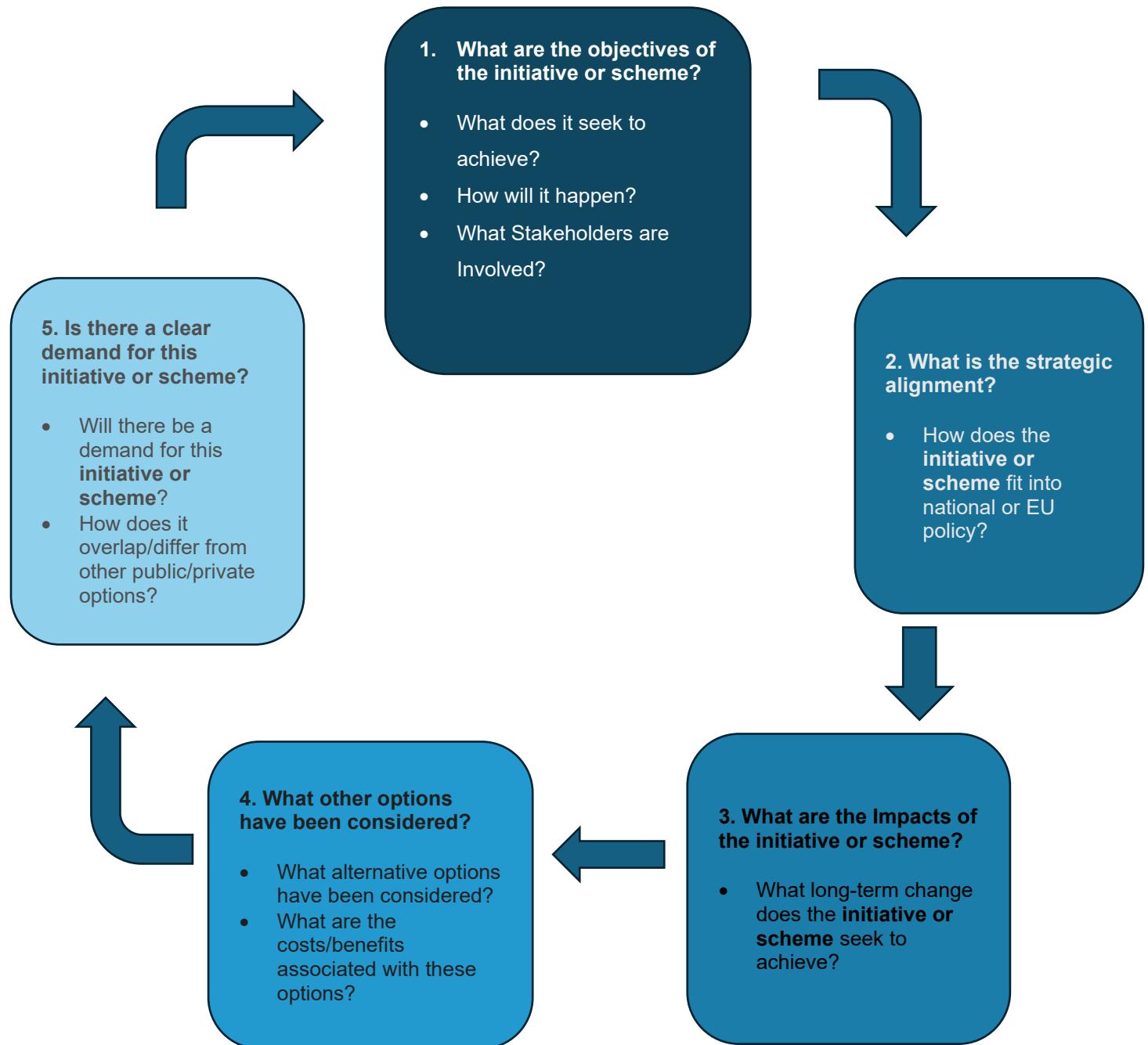
## 1.4 DETE Sanction Stages

Figure 1.2 Sanction Stages



## 1.5 Questions to Consider Before Carrying Out a Business Case

Figure 1.3.



## 2. Preliminary Business Case

The Preliminary Business Case<sup>4</sup> is critical for developing the strategic case for the initiative or scheme. It evaluates the benefits, costs and risk of alternative options and provides a rationale for the preferred solution. Units should note that economic appraisal is a core element of a Business Case and the most time intensive. Units should engage with the Data and Evaluation Unit as soon as possible in developing Business Cases and on the economic appraisal.

Units must submit the Preliminary Business Case for approval to the Data and Evaluation Unit followed by the Management Board and Secretary General before submitting to the DPER DETE Vote section for sanction.

The Preliminary Business Case must contain following information:

### 2.1 Rationale

#### 2.1.1 What is the proposed initiative or scheme?

Provide a brief description of the proposed initiative or scheme and the amount of funding requested. This section should also state whether there is any co-financing mechanisms involved e.g., EU funding.

#### 2.1.2 What problem is the initiative or scheme seeking to address?

Why is the initiative or scheme being proposed? Describe what impact it will have if implemented. How will it improve the sector/ region? What changes will happen if it is implemented? Units should engage with the relevant policy units, agencies and external stakeholders to determine the impact of the initiative or scheme.

#### 2.1.3 Outline what relevant market failure is involved?

Market failure is an economic situation where goods and services are not distributed effectively due to factors disrupting the balance of supply and demand, leading to negative consequences for society, the environment, or individuals, and often requiring intervention for resolution.

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<sup>4</sup> Any major new measure from Government must be assessed for its impact on small business through an SME Test. When developing new policies, legislation (primary or secondary), or regulatory measures, officials are reminded to apply the Test. Information on the SME Test can be found [here](#). For support or advice contact [esbpu@enterprise.gov.ie](mailto:esbpu@enterprise.gov.ie).

#### 2.1.4 What are the causes of the market failure?

The table below outlines some common causes of market failure. There may be more than one cause.

**Table 2.1. Types of Market Failure**

Market Failure	Description
<b>Public Goods</b>	Public goods are non-excludable in that others cannot be prevented from using them, and non-rivalrous meaning that one person's use of the good does not reduce its availability to others. For example, renewable energy provides environmental benefits that are available to the entire public. Businesses often underinvest in renewable energy due its expense and because they cannot capture the full benefits leading to underproduction.
<b>Information Asymmetry</b>	Information asymmetry refers to situations where there is unequal information between parties, affecting decision-making. For example, start-ups often struggle to secure funding due to investors' lack of familiarity with their business model or technology.
<b>Externalities</b>	Externalities are the positive or negative impacts on third parties that are not reflected in costs or benefits. Grants that address externalities are designed to correct situations where a business' actions impose costs or benefits on others without those effects being reflected in market prices. For example, R&D investment by firms generates positive spillovers in terms of new knowledge, skills, and technologies that can be used or built upon by others in the industry or even in unrelated fields.
<b>Split Incentives</b>	Split incentives occur when two parties involved in a transaction have misaligned interests, often resulting in underinvestment in beneficial activities. Government funding for businesses can address these market failures by aligning incentives and encouraging actions that general societal or long-term benefits. For example, employers may hesitate to invest in training employees if there is a risk they will leave for competitors, benefitting the broader labour market instead of the investing business.
<b>Merit Goods</b>	Merit goods are products that are beneficial for society, but the free market does not provide enough of them. Consumers under-consume merit goods as they do not fully recognise the private or external benefits. Governments often must subsidise these goods to lower the price and/or increase the quantity demanded. Renewable energy is often underconsumed because of high upfront costs or lack of awareness about its important benefits.

## 2.1.5 Why is a public policy intervention (vs private market) considered the optimal approach?

Why should the public sector intervene?

Why is the private sector not the correct approach to addressing the market failure?

Is this a joint public/private intervention and if so, why is this more effective than a solely public or private intervention?

## 2.2 Objectives

### 2.2.1 What are the objectives?

What does this initiative or scheme want to achieve and when?

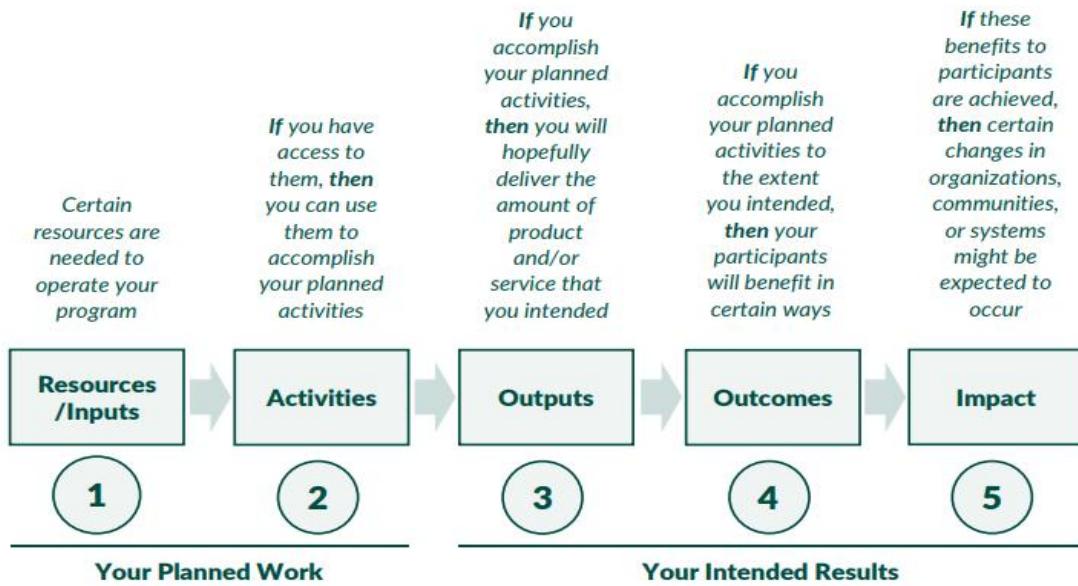
### 2.2.2 Are objectives **S**pecific **M**easurable **A**ttributable **R**ealistic **T**ime-bound (SMART)?

- Specific: What outcomes are we looking for? What are we going to do for whom with what?
- Measurable: How will we know there has been a change? How can it be measured?
- Attributable: Who has responsibility for what? What actions should be taken?
- Realistic: Have you considered all potential obstacles? It is possible to achieve the objectives.
- Time Bound: How long will it take to achieve objectives?

### 2.2.3 Are objectives outcome focused (**impact**) rather than output (**activity**) focused?

Outputs are short term immediate effects of the initiative or scheme. Impacts are the long-term change which occurs from these outputs. **Focus on the long-term goals of the initiative or scheme.** How will it change the landscape? Is this impact realistic? How soon can the impact be seen? Will further elements be needed to see the long-term impact. **The logic model** below should be used to differentiate between outcomes and impact.

**Figure 2.1 Logic Model**



## 2.3 Strategic Alignment

### 2.3.1 Outline how the initiative or scheme aligns with relevant Government policies

Alignment with the Programme for Government, White Paper on Enterprise, Departmental Statement of Strategy is an essential requirement. Other strategies may be important and should be included where relevant.

Examples of other such strategies include:

- National Development Plan
- National Planning Framework
- Climate Action Plan

### 2.3.2 Outline alignment with any relevant EU strategies and targets.

Examples include EU Cohesion Policy, Net Zero targets etc.

### 2.3.3 How does the initiative or scheme align with the Division and Unit's business plan?

Describe how the initiative or scheme aligns with the Unit's business plan or the relevant agency's business plan and priorities if relevant.

## 2.4 Supply & Demand Analysis

### 2.4.1 Set out current demand and forecast future demand for the initiative or scheme.

What is the volume of financing needed to achieve the desired objective? What was the take-up of previous or comparator initiatives? Is there evidence from evaluations of similar initiatives nationally or internationally?

If access to finance is an issue, units should examine rejected applications and lack of applications for existing initiatives or schemes.

Units should ensure that the evidence base is clearly expressed quantitatively, and subject to independent, expert validation where necessary. Data on demand should be based on existing sources.

Where possible, a sensitivity analysis should be included. Sensitivity analysis involves evaluating proposals over a range of assumptions about key factors. In the case of the demand analysis, the effect of low, medium and high demand of a scheme should be identified and the economic value of each if feasible to do so.

### 2.4.2 Outline what is available on the market now?

What options are available from the State or private sector and are on the market now which target the problem presented? Why are the current options not sufficient to correct the identified market failure? The supply presented should include both public and private providers.

### 2.4.3 Outline how the proposed initiative or scheme overlaps with/ differs from what is currently on the market.

What are the differences/similarities between what is currently being offered vs what is proposed in the initiative or scheme? How will these differences address the identified market failure? Units should engage with the relevant agencies, departments and stakeholders to examine how the initiative overlap or differ from those that are currently on the market

## 2.5 Options Analysis

### 2.5.1 Present the long list of options which may be employed to achieve your objectives to varying degrees:

- a. Are the options an accurate reflection of all feasible solutions?

- b. What are the costs of these options?
- c. Have stakeholders been consulted in formulating options?
- d. Where a **programme approach** is planned under the initiative or scheme, Units should appraise a range of options which examine different prioritisations and combinations of constituent components. For example, Units would include what the **programme approach** would look like with: all the constituent components, only some of the components, on a reduced scale, and what would happen if we did nothing.

**2.5.2 Ensure the do-nothing/do-minimum option has been considered and (usually three) do-something options are considered as possible policy options to achieve the objectives.**

It should be noted that do-nothing scenarios may be unrealistic, hence do-minimum options are generally a better benchmark.

**2.5.3 A high-level Multi-Criteria Analysis should be conducted to provide an overview of the options presented.**

- a. Devise performance criteria for assessing the initiative or scheme such as impact, cost, policy alignment, environmental impact etc.
- b. Devise a simple scoring mechanism for evaluating the options. This can be a simple traffic colour scheme with red indicating negative impacts and green indicating positive impacts.
- c. A table should be presented which outlines the various options that were explored, the criteria, and an overview of their scores. The below is a basic sample table. Units should include text in the colour-coded cells justifying the scores.

**Table 2.2 Sample Multi-Criteria Analysis Table**

	<i>Do-Minimum</i>	<i>Option 1</i>	<i>Option 2</i>	<i>Option 3</i>
<i>Impact on GVA</i>	Yellow	Yellow	Green	Yellow
<i>Environmental Impact</i>	Yellow	Green	Green	Red
<i>Alignment with White Paper Goal</i>	Yellow	Yellow	Green	Green

## 2.6 Climate and Environmental Performance

### 2.6.1 Include an assessment of the impact of the initiative or scheme on greenhouse gas emissions and the resilience of the initiative or scheme to the impacts of climate change.

How will the initiative or scheme positively or negatively impact the environment?

Quantitative measures should be used where possible however, qualitative measures can be utilised where it is not feasible to quantify the impact. If measures cannot be quantified, please explain why.

### 2.6.2 Link to high priority policy outcomes such as reducing greenhouse gas emissions or increasing the use of renewable energy etc.

How does the proposed initiative or scheme fit into key commitments, e.g., Climate Action Plan.

## 2.7 Financial Appraisal

All initiatives or schemes – irrespective of scale or cost – are subject to financial appraisal. Units should consider both value for money and affordability. In the case of some initiatives or schemes, the economic appraisal may show a strong case for change on account of positive wider economic and social benefits. Such analysis is accompanied by a clear exposition of the financial impacts of the proposed initiative or scheme.

A financial analysis and the assumptions, parameters, inputs, and contingency costs that underpin it should also be informed by past similar projects (domestically and/or internationally). It is important to note that most initiatives and schemes are not truly unique in all elements and so should be informed by the past successes or mistakes of others.

The objectives of the financial analysis include:

- Identifying, estimating, and comparing the financial cashflows for different options against a counterfactual or base case.
- Assessing the funding sources (public, private, and EU) for the different options being considered.
- Calculate performance indicators such as the Financial Net Present Value (FNPV) and Financial Internal Rate of Return (FIRR) where applicable.

Financial and Economic analysis are two types of analysis which complement each other in the business case to inform the options analysis. While financial analyses are prepared

using many of the same principles which apply to economic analysis techniques such as CBA, the two are different.

A financial analysis is used to assess affordability and determine financial impact while an economic analysis typically considers all the social and economic impacts on society. An economic analysis considers costs and benefits for which market values are not readily available whereas a financial analysis focuses only on cashflows. As an economic analysis considers both cashflows and wider societal impacts, a financial analysis is a necessary starting point on which the economic analysis builds.

**Table 2.3. Differences Between a Financial and Economic Analysis**

Financial Analysis	Economic Analysis
<ul style="list-style-type: none"><li>• Considers only financial cashflows</li><li>• Used by the public and private sectors</li><li>• Focuses on financial flows directly affecting project sponsor and/or Exchequer</li></ul>	<ul style="list-style-type: none"><li>• Considers economic costs and benefits</li><li>• Used mainly by the public sector due to the focus on net benefit for society</li><li>• Focuses on economic and financial flows affecting society</li><li>• Uses parameters such as shadow price of carbon, public funds, labour and an economic discount rate</li></ul>

### 2.7.1 Identify and measure cashflows

Financial analysis should incorporate a cashflow analysis of the short-listed project options. The analysis should include cashflows from the exchequer, private investment and subsidies such as EU funds. The analysis should include a table with a yearly breakdown of approval and drawdown projections.

Care should be taken to ensure the accuracy of cost estimates. DETE's typical exchequer expenditure is unique in that the envelope of investment for initiatives and schemes, once set, are fixed i.e. they cannot be increased without conducting another business case for a further call of the same initiative or scheme. However, the private level of investment associated with the scheme can vary. Units should take care to estimate the private investment involved as accurately as possible. For example, for grants the private level of investment can be calculated via the grant rate being offered through the agency. In cases where grant rates vary, units should obtain a distribution of possible grant rates in a range of scenarios e.g. low, medium and high. These ranges will form the basis for the sensitivity analysis surrounding private costs.

### **2.7.2 Inflation**

The financial analysis of proposals should be completed in nominal terms. As such inflation should be accounted for. Units should use the General inflation measure (HICP) when adjusting costs.

### **2.7.3 Calculate the Financial Net Present Value for each option**

The results of the financial analysis should be presented through the Financial Net Present Value (FNPV). This is calculated by summing together the discounted project cashflows. FNPVs will be negative for most initiatives and schemes offered by DETE such as grants as there will be no cash inflow associated with the measure, and the financial analysis does not take account of the wider societal benefits of the scheme.

### **2.7.4 Sensitivity Tests**

Sensitivity tests determine how different values of particular variables affect the variability of a project. They can be described as 'what if' analyses. The sensitivity analysis should consider the outturn costs and benefits of similar schemes and use that to inform sensitivity tests.

The analysis should use scenario analysis combining a number of changes to assess the impact on project costs. For example, for grant schemes this could involve multiple scenarios around the grant rate ranges to estimate variations in private investment. The inputs chosen and the extent of the change tested in the scenario analysis should be informed by the most likely increases and decreases in input factors.

### **2.7.5 Is this initiative or scheme affordable within the financial resources available?**

## **2.8 Economic Appraisal**

The economic appraisal assesses the desirability of a proposal from a societal perspective. This differs from financial appraisal which is generally done from the perspective of a particular stakeholder, e.g., DETE or the Exchequer. Economic appraisal takes a wider view and considers nonmarket impacts.

There are three main appraisal techniques which can be used for the economic appraisal: Cost-Benefit Analysis, Multi-Criteria Analysis and Market Failure Analysis. Wherever possible, Cost-Benefit Analysis should be used. There may be cases where this is not

appropriate due to the nature of the scheme being evaluated.<sup>5</sup> It should be noted that all appraisal types require units to quantify the costs and benefits associated with the proposed initiative or scheme but the underlying analysis of these differ based on the chosen methodology.

Units should consult Table 1.1 and the Economic Appraisal Guidelines in Sections 4-7 of this document to aid in the application of the appropriate economic appraisal method. Units should also engage with the Data and Evaluation Unit as soon as possible regarding their chosen appraisal method for oversight and guidance.

## **2.9 Risk Assessment and Uncertainty Appraisal**

Appraisal, either on an individual initiative or scheme basis or programme approach involves forecasting the value of costs and benefits using the best information available. However, these forecasted values may not materialise as expected due to uncertainty and risk. This uncertainty should be factored into the decision-making process. In all cases, unit and Agencies should seek an 'outside view' of proposals. This can help anticipate the likely risks and uncertainties that may arise. This will be most useful if informed by experience with a selection of similar projects already completed.

### **2.9.1 Complete a Strengths Weakness Opportunities Threats (SWOT) analysis to identify potential risks.**

Strengths and Weaknesses consider the inherent or internal strengths and weaknesses of the initiative or scheme. Opportunities and Threats consider the opportunity and threat to the initiative or scheme which may come from the external environment.

### **2.9.2 Outline a risk register.**

List potential operational and financial risks to the initiative or scheme and what will be done to mitigate. For example, is there a resource risk with the agency responsible for the initiative or scheme or uncertainty around how long it will take to see the impact of individual projects within the initiative or scheme. Outline if the initiative or scheme has a high-risk element and, if so, state why the state should have appetite for this particular risk i.e. what rewards are associated with this investment.

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<sup>5</sup> For example, for some loan or high-risk strategic R&D schemes, CBA may not be the most appropriate tool for evaluation.

### **2.9.3 Carry out a Sensitivity Analysis for Identified Risks.**

The business case should include detailed sensitivity analysis. Scenarios are useful in considering how options may be affected by future uncertainty and are developed to illustrate the impact of changes in combination of inputs. In particular, it shows negative swings in combinations of outputs which could impact of the initiative or scheme delivery. The inputs chosen and the extent of change tested in scenario analysis should be informed by the most likely increases or decreases in input factors.

### **2.9.4 Consider inserting a “Sunset Clause” date.**

The sunset clause is the specification of a fixed date by which spending on the initiative or scheme will terminate unless the value for money can be demonstrated on foot of a review. Even for initiatives or schemes where spending is expected to continue for a significant period, a sunset clause may still be applied to facilitate a review of the merits of the scheme.

## **2.10 Governance**

The Business case should outline a governance plan, identifying the Sponsoring Agency, Accounting Officer, and Approving Authority. The outlined governance plan should give detailed consideration to roles and responsibilities and how these would operate for different delivery options.

Where a programmatic approach is implemented, there is a need for increased emphasis on the governance plan within the Business Case. Where multiple public bodies are likely to have inputs or contribute to a programme, the Governance arrangement clearly identifies a Sponsoring Agency who is responsible for overseeing the programme. This is based on financial or strategic considerations, and the Governance structure allows for the creation of a specialised governance arrangement to include the relevant stakeholders.

### **2.10.1 The Sponsoring Agency**

The Sponsoring Agency (e.g., Enterprise Ireland, IDA Ireland, Fáilte Ireland, Strategic Banking Corporation of Ireland) is the body responsible for developing the proposal, coordinating input and preparing the Business Case in conjunction with the relevant policy unit within DETE. It takes overall responsibility for progressing the intervention through the project lifecycle.

Responsibilities include:

- Leading the development of the business case in conjunction with the relevant policy unit within DETE
- Ensuring alignment with government policy and DETE strategic priorities
- Coordinating across Departments, Agencies, and Stakeholders
- Supporting the Approving Authority with decision-making through evidence provision
- Overseeing delivery agents (where applicable and managing risks)

#### **2.10.2 The Approving Authority**

The Approving Authority is the body empowered to make decisions on progressing the scheme, including final approval for implementation. For DETE schemes, this is DETE itself, represented by senior officials such as the Management Board.

Responsibilities include:

- Reviewing and approving the business case at key decision points (e.g., after the Preliminary and Final Business Case Stages)
- Ensuring the proposals meet the standards set out in the Public Spending Code
- Authorising funding and instructing the Sponsoring Agency to proceed
- Holding the Sponsoring Agency to account for delivery performance and governance

#### **2.10.3 The Accounting Officer**

The Accounting Officer is responsible for ensuring that the project is delivered in accordance with standards of regularity, propriety, and value for money. In the case of DETE schemes, this is typically the Secretary General.

Responsibilities include:

- Certifying that public funds are used efficiently and transparently
- Overseeing the financial management of the scheme
- Providing evidence to Oireachtas and Comptroller and Auditor General if required
- Ensuring that the roles of the Sponsoring Agency and any delivery partners are properly monitored and documented

#### **2.10.4 Programme Delivery Body (if distinct from Sponsoring Agency)**

Where a separate body is engaged to deliver the scheme (e.g. Local Enterprise Offices. Microfinance Ireland etc), its governance role must be specified.

Responsibilities typically include:

- Administering applications, assessments and disbursements in line with scheme rules
- Reporting on key performance indicators and financial progress
- Escalating issues or risks to the Sponsoring Agency promptly
- Ensuring compliance with procurement, State Aid, or other regulatory frameworks

#### **2.10.5 Steering Group or Programme Board**

For more complex programmatic schemes, a Steering Group or Programme Board may be established to guide implementation and ensure coordinated input from multiple public bodies.

Responsibilities include:

- Providing strategic oversight and high-level decision support
- Reviewing progress reports and evaluation findings
- Ensuring compliance across Departments or Agencies
- Supporting escalation of risks or cross-cutting issues

### **2.11 Monitoring and Evaluation**

#### **2.11.1 Responsibility for monitoring and evaluation**

The Business Case should identify who is responsible for monitoring and evaluating the schemes performance. This may be house within the Sponsoring Agency, a DETE internal unit, or commissioned externally.

Responsibilities include:

- Designing interim and ex-post evaluations
- Reporting on outcomes
- Recommending improvements for future rounds or similar schemes

**2.11.2 Identify the appropriate measurable key performance indicators data that will be used to evaluate the merits of the programme upon review. The Logic Path Model on page 9 should be used to assist with the development of KPIs.**

These KPIs should be used in both ex-post and interim evaluations.

**2.11.3 List the KPI data variables in tabular format.**

Should include the indicator, unit, baseline, target and source. Please differentiate between KPIs which are at individual/grant level vs overall programme level.

**2.11.4 What date will the review be conducted by?**

Should include timeframe for both interim and ex-post evaluation.

**2.11.5 What evaluation method will be used to evaluate the success of the policy?**

Will a specific survey be conducted for the purposes of the evaluation or will units utilise an existing survey (e.g. DETE Annual Business Survey of Economic Impact, CSO Household Travel Survey etc.)? Will control groups be used to ascertain the success of the initiative or scheme? Will interviews be conducted with recipients of the initiative or scheme?

## **2.12 What's next?**

After completing the above headings, Units should consult with the Data and Evaluation Unit before submitting their preliminary business case to the Management Board and Secretary General for approval. The preliminary business case should then be submitted to DPER (DETE Vote Section) via the Finance Unit for feedback.

### **Additional Requirements for Initiatives or Schemes Over €200 Million**

For initiatives or schemes over €200 million, Units must submit their Business Cases to the Assurance Steering Group (referred to in section 1.3) for review following DEU approval. Government consent must be sought for approval of the investment proposal in principle. This consent should be sought once the business case has been sent to the Vote section for feedback.

### **3. Final Business Case**

Once feedback has been received on the preliminary business case from the DETE Vote Section in DPER the final business case must be prepared.

The final business case incorporates the completed preliminary business case, and all feedback received both internally and from DPER. It sets out the detailed appraisal of available options. It leads to the clear articulation of a preferred option for the proposed initiative or scheme. It enumerates associated risks and sets out a proposed implementation strategy for the investment initiative or scheme.

Once the final business case has been completed it should be submitted to the Data and Evaluation Unit followed by Management Board and the Secretary General for approval. The final business case should then be submitted to DPER DETE Vote Section via the Finance Unit for final sanction.

#### **Additional Requirements for Initiatives or Schemes Over €200 Million**

For initiatives or schemes over €200 million, Units must submit their Business Cases to the Assurance Steering Group for review following DEU approval. Government consent must be sought for approval of the investment proposal in principle. This consent should be sought once the business case has been sent to the Vote section for sanction.

## 4. Economic Appraisal Guidelines

### 4.1 Introduction

This section outlines the main appraisal methods and techniques which should be used as part of the development of an initiative or scheme and the associated business case which accompanies it. The economic appraisal assesses the desirability of an initiative or scheme from a societal perspective and forms an important element of the Business Case.

Depending on the type of initiative or scheme and its associated objectives a suitable economic analysis should be carried out. Units should engage with the evaluation team in the choice of the appropriate appraisal methodology as part of the appraisal discussion during the Strategic Assessment before meeting with the Department of Public Expenditure, Infrastructure, Public Service Reform and Digitalisation.

For initiatives or schemes over €20 million, Cost-Benefit Analysis should be used wherever possible. However, CBAs may not always be the most suitable appraisal method. This guidance is based on the requirements set out under the Infrastructure Guidelines and has been adapted for the Enterprise sector. The below table acts as guide for choosing the appropriate appraisal tool however the type of initiative or scheme being appraised, and its overall objective should be the ultimate deciding factor.

**Table 4.1 Expenditure Thresholds by Appraisal Type**

Level of Spend	Type of Appraisal	Requirement
€5,000,000 to €20,000,000	Multi-Criteria Analysis	Establishes preferences between project options by reference to an explicit set of criteria and objectives
€20,000,000 to €100,000,000	Cost Benefit Analysis/ Market Failure Analysis	CBA: Assess the ratio of societal benefits to the cost of implementation.
Over €100,000,000	Cost Benefit Analysis/ Market Failure Analysis	MFA: Analyses the market failure present and the value added by the s

## 5. Multi-Criteria Analysis (MCA)

### 5.1 What is a Multi-Criteria Analysis?

Multi-Criteria Analysis (MCA) establishes preferences between initiative or scheme options by reference to an explicit set of criteria and objectives. These should reflect policy/programme objectives and other considerations as appropriate, such as value for money, costs, social impacts, environmental impacts, equality considerations etc. MCA is often used because it can consider a wide range of impacts and does not focus solely on monetary values.

**Units should note that all costs and benefits must be quantified where possible.**

### 5.2 When should a Multi-Criteria Analysis be carried out?

There are three common uses for MCAs in the appraisal process for initiatives or schemes:

- MCAs are the primary tool used to sift the longlist of options to a short-list of options which will be subject to detailed appraisal.
- In initiative or schemes where none of the shortlisted options is estimated to cost more than €20 million, MCAs should be used as the primary tool for the economic appraisal.
- As a last resort for initiatives or schemes greater than €20 million where a Cost-Benefit Analysis or Market Failure/Shaping Analysis cannot be performed due to issues surrounding data availability or intangible benefits. In these cases, the MCA should aim to quantify benefits as much as possible and be informed by a detailed literature review.

### 5.3 How to conduct a Multi-Criteria Analysis

#### 5.3.1. Identify the performance criteria for assessing the initiative or scheme.

- The performance criteria should be agreed in conjunction with the sponsoring agency. Examples of common criteria include impact, policy alignment, environmental impact, cost, regional impact etc.
- It is important when designing the criteria to avoid double counting through the specific impacts being captured by multiple criteria.

### 5.3.2 Devise a scoring scheme for marking a project under each criterion heading

- Below is an example of a simple MCA scoring scale.

**Table 5.1 Sample MCA Scoring Table**

	<b>7- Highly Positive Impact</b>
	<b>6- Positive Impact</b>
	<b>5- Slight Positive Impact</b>
	<b>4- Neutral Impact</b>
	<b>3- Slight Negative Impact</b>
	<b>2- Negative Impact</b>
	<b>1- Highly Negative Impact</b>

- Scores should be assigned to options based on their respective impacts on addressing identified issues or opportunities, meeting SMART objectives and probability of impacts occurring. The table below sets out some guidance for assigning scores for impacts and options:

**Table 5.2 MCA Scoring Guidance**

7- Highly Positive Impact	The option is likely to significantly improve conditions in the relevant criteria.
6- Positive Impact	The option is likely to improve conditions in the relevant criteria.
5- Slight Positive Impact	The option is likely to somewhat improve conditions in the relevant criteria.
4- Neutral Impact	The option will result in no changes to conditions in the relevant criteria.

3- Slight Negative Impact	The option is likely to somewhat worsen conditions in the relevant criteria.
2- Negative Impact	The option is likely to worsen conditions in the relevant criteria.
1- Highly Negative Impact	The option is likely to significantly worsen conditions in the relevant criteria.

### **5.3.3 Devise a weighting mechanism to reflect the relative importance of each criterion.**

- In some cases, it may be necessary to devise a weighting mechanism for criteria, to reflect where certain objectives are identified as particularly fundamental to the initiative or scheme. If a weighting scheme is used, it must be explained and justified in detail, in order to ensure that the MCA is objective. It will also be important to test the impact of weighting through sensitivity analysis.
- N.B. In constructing an MCA scorecard and determining the weightings given to criteria, the aim should be to achieve an objective appraisal of project options and consistency in decision making. Judgements regarding the scoring of investment options should be based on objective, factual information. The justification for scoring and weighting decisions must be documented in detail. In this regard, the system should be capable of producing similar results if the selection criteria were applied by different decision makers.

### **5.3.4 Allocate scores to each investment option for each of the criteria.**

- Although MCA scoring is qualitative by nature, quantitative evidence should be used to inform MCA scoring where possible. For example, an MCA score on environmental impact should attempt to include estimates on the projected emissions associated with the initiative or scheme.

### **5.3.5 Document the rationale for the scoring results for each option.**

- Even when good use is made of data and evidence, appraisals using MCA are still, by their nature, subjective to some degree. As such, those preparing and reviewing the analysis must consider at all stages issues such as optimism bias and default choices influencing the results of the analysis. All scores provided in an MCA along with the

supporting notes on rationales for the scores must be submitted to be comprehensively reviewed by the Data and Evaluation Unit. The rationale for assigning different scores to different options should be clear.

#### **5.3.6 Calculate overall results and test for robustness.**

- Once the weights and scores have been assigned, the scores should be combined to get an aggregated result.
- As MCA scoring and weighting is qualitative in nature, Units should test the robustness of their scores. This involves moderately changing some of the key parameters such as the weightings and scores to test:
  - The impact of these changes on overall performance.
  - Whether the final ranking of options varies significantly.
  - The parameters whose variation has the largest result on the analysis.

#### **5.3.7 Report and interpret the findings.**

- A large table should be produced which outlines the various options being explored, the criteria as well as an overview of their scores. See Table 5.3 for a sample MCA table.
- The table should be accompanied by a detailed interpretation of the findings.

**Where MCA is being used for initiatives or schemes over €20 million a more detailed analysis should be conducted which is used to underpin the rationale behind the scoring mechanisms. This should be informed by quantitative impacts (this does not mean monetizable impacts as these would be better captured using a Cost-Benefit Analysis).**

**Table 5.3: Sample MCA Table**

Option	Cost	Speed	Policy Alignment	Environment	Jobs	Digitalisation	Innovation	Total Score
<b>Do-Minimum</b>	• Insert Bullet Points	<b>28</b>						
<b>Option 1</b>	• Insert Bullet Points	<b>43</b>						
<b>Option 2</b>	• Insert Bullet Points	<b>45</b>						
<b>Option 3</b>	• Insert Bullet Points	<b>36</b>						

Highly Negative	Negative	Slight Negative	Neutral	Slight Positive	Positive	Highly Positive
1	2	3	4	5	6	7

## 6. Cost-Benefit Analysis (CBA)

This guidance has been issued considering comparator countries best practices and the [Cost Benefit Analysis Guidance](#) provided under the Public Spending Code Infrastructure Guidelines. The guidance in this section focuses on preparing to conduct a CBA using the DETE CBA Tool. Detailed information on how the DETE CBA Tool was developed including its underlying assumptions can be found in the DETE CBA Tool Guidance document.

### 6.1 What is Cost-Benefit Analysis?

Cost-Benefit Analysis (CBA) is a framework and economic evaluation for analysing the Cost and Benefits of various options. The aim of CBA is to assess whether the social and economic benefits associated with an initiative or scheme are greater than its social and economic costs. An initiative or scheme is seen as desirable where the overall benefits exceed the costs associated with its implementation. However, it should be noted that even if a CBA shows that the benefits outweigh the costs, this does not imply that the initiative or scheme will automatically receive funding. There may be affordability constraints which may prevent the initiative or scheme proceeding.

### 6.2 When should a CBA be carried out?

For initiatives or schemes over €20 million, Cost-Benefit Analysis should be used wherever possible. However, CBAs may not always be the most suitable appraisal method. The choice of appraisal method should be based on the type of initiative or scheme being appraised and its associated objectives. For initiatives or schemes where the main benefits cannot adequately be quantified an alternative analytical method should be chosen.

### 6.3 What is the DETE CBA Tool?

The DETE CBA tool is an econometric model that helps Units to do in-Unit CBA analysis for business cases. Units responsible for the business case should liaise with the Data and

Evaluation Unit who will oversee model use and results before the business case can be finalized. Queries relating to use of the model and requests to add additional variables should also be submitted to the Data and Evaluation Unit. DEU welcome suggestions of values, data or information to be included in the tool. This may include information that is available and can be shared, or it may be requests for values that people would find helpful to have included in the tool.

The CBA tool helps Units to:

- Take a consistent approach across the Department to Cost Benefit Analysis, including common values and assumptions
- Take a long-term and broad view of societal impacts, costs and benefits
- Rigorously assess these by monetising and discounting impacts, where possible

There are limitations to the DETE CBA tool. Units need to be able to quantify the impacts of the initiative or scheme such as projections surrounding the number of jobs created yearly reduction in CO2, increases in productivity etc as a result of the initiative or scheme based on the best available data and evidence around the relevant impacts of the initiative or scheme. For new initiatives or schemes which do not have similarities to existing initiatives or schemes in Ireland or internationally, there will be gaps in the evidence for how effective the initiative or scheme might be. Public projects also often have broad or complex objectives and there may be difficulty in distinguishing outputs from outcomes and effects or linking outcomes to objectives. Therefore, CBA may not be the most appropriate analytical methodology for all initiatives or schemes.

The tool is preprogrammed to assess the costs and benefits within the appraisal parameters outlined under the Infrastructure Guidelines<sup>6</sup>. The Social Discount Rate provided by the Infrastructure Guidelines is 4% declining after a long-time horizon if applicable.

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<sup>6</sup> See [Infrastructure Guidelines Central Technical References and Economic Appraisal Parameters](#) for more details on the appraisal parameters.

## **6.4 Steps to conduct a CBA before using the DETE CBA Tool**

### **6.4.1 Define the Initiative or scheme**

The importance of defining the scope and objectives of the initiative or scheme cannot be overstated. Sometimes an initiative or scheme may consist of separable and independent components. In this case each component should be appraised on their own terms but also in combination.

### **6.4.2 Define the benchmark**

A CBA should clearly identify and examine a benchmark or counterfactual for comparative purposes. The counterfactual involves an assumption about the future state of the world in the absence of the project. Comparisons can be made between competing initiatives or schemes including the status quo. Commonly used counterfactuals include 'do nothing' or 'do the minimum' options. However, it should be noted that counterfactuals based on the do nothing are often unrealistic. The do-minimum option is therefore a better benchmark for analysis. Units should consider questions such as what are the impacts of 'business as usual', what other factors already affect the impacts, are there other things that might influence the situation, if the initiative or scheme did not receive the funding would the problem remain the same, decline over time or even get better?

It is important that several realistic options are analysed against the benchmark so that the most effective option can be identified. These other options should be pulled from the options appraisal outlined in the business case.

### **6.4.3 Identify the costs associated with the initiative or scheme.**

The costs associated with DETE business cases are more straightforward than typical capital infrastructure projects as the costs for the Exchequer are fixed i.e., they cannot be increased without conducting another business case for a further call of the same initiative or scheme.

In addition, the associated level of private investment must also be included as a cost. For grants, Units can calculate the level of private investment using the projected grant rates associated with the initiative or scheme. These costs are not fixed, units should utilise multiple scenarios to estimate the private costs associated with the initiative or scheme.

### **6.4.4 Identify the benefits associated with the initiative or scheme.**

- Make a list of all the benefits that will accrue from the initiative or scheme. The benefits of a project can be more difficult to identify as these are not obvious cashflows but are outcomes relating to the objectives of the initiative or scheme. It is therefore imperative that when completing the business case, Units have identified the initiative or scheme's projected impacts.
- Units should consider evaluations of similar projects both in Ireland and abroad to make estimations surrounding the proposed initiative or scheme's impacts.
- Market prices should be used where available.
- Where market prices are unavailable other techniques can be used e.g. (scenic benefits, value of life, value of time). However, these techniques are not as applicable for the types of benefits commonly seen in DETE initiatives or schemes.<sup>7</sup>
- Benefits can be tangible (measurable data) or intangible (hard to measure). For initiatives or schemes where the main benefits are intangible it is better to use an alternative analysis as the CBA may not capture the main impacts of the initiative or scheme.
- In the event where benefits appear to be unquantifiable, please consult with the Data and Evaluation Unit.
- Units should note that benefits will be required to be projected on a yearly basis and the timeline should be informed by the projected length of the projects associated with the initiative or scheme.

#### 6.4.5 Consider Deadweight Level

- Deadweight is a key concept for enterprise expenditure appraisal which refers to the amount of activity which would have taken place in the absence of the incentive or initiative or scheme. In practice, for appraisal purposes, benefits associated with the expenditure are regularly adjusted downwards to reflect the fact that a proportion of the benefits associated with an initiative or scheme would have occurred in any event. In terms of CBA, a larger deadweight results in a lower benefit-cost ratio.
- The DETE CBA tool has pre-programmed deadweight levels to choose from. The chosen level must be informed by research. Units should identify evaluations of similar initiatives or schemes to inform the projected deadweight level. Where no similar

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<sup>7</sup> More information on valuation techniques for benefits can be found at:  
[www.gov.ie/pdf/?file=https://assets.gov.ie/43557/617fc33b09834fe188a952973a304544.pdf#page=nu](http://www.gov.ie/pdf/?file=https://assets.gov.ie/43557/617fc33b09834fe188a952973a304544.pdf#page=nu)  
 II

initiative or scheme exists and the pre-programmed deadweight levels are not appropriate, Units can undertake survey research to identify the appropriate level.

- Units should engage with the Data and Evaluation Unit to discuss their proposed deadweight level and any related queries.

#### **6.4.6 Input Costs and Benefits into the DETE CBA Tool**

- Once the above steps have been completed. Units can now begin to input the costs and benefits into the DETE CBA tool.
- Units should consult the DETE CBA Tool user guidance when filling out the spreadsheet.
- Once the tool has been completed, Units should submit their spreadsheet to the Data and Evaluation Unit for approval.

## 7 Market Failure Analysis (MFA)

### 7.1 What is Market Failure Analysis?

Market failures serve as the foundational rationale for public funding initiatives. Market failure analysis is an adaption of the market failure test extracted from the European Investment Bank (EIB) Guidance for the Ex-Ante Assessment of Financial Instruments<sup>8</sup>. As noted in the Business Case Guidelines document, all initiatives or schemes are required to outline if their initiative or scheme addresses a market failure and why a public intervention or joint public/intervention is considered more suitable than a solely private intervention. Market failure analysis is an economic analysis tool which builds on the information set out by Units under the rationale section of the business case. The analysis relies on both quantitative and qualitative data to provide a strong economic and social rationale for the proposed initiative or scheme. In the case of a Public Private Partnership (PPP) the market failure resulting in the public sector intervention should be discussed and why a PPP is required.

### 7.2 When Should Market Failure Analysis be Conducted?

Market Failure Analysis can be used for a variety of initiatives or schemes that deal with market failure or shaping but is more applicable for loan schemes, certain types of SME financing and high-risk R&D.

### 7.3 How to conduct a Market Failure Analysis

- 7.3.1 Restate the market failure discussed in the rationale section of the business case giving a more detailed explanation.**
- 7.3.2 Outline the causes of the market failure. There may be more than one cause of the failure.**

See Table 2.1 on page 13 for more information on causes of market failure.

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<sup>8</sup> Further details on this methodology can be found here: [Ex-ante assessment methodology for financial instruments in the 2014-2020 programming period - General methodology covering all thematic objectives - Quick reference guide](http://ec.europa.eu/eib/ex-ante-assessment-methodology-financial-instruments-2014-2020-programming-period-general-methodology-covering-all-thematic-objectives-quick-reference-guide)

### **7.3.3 Demand Analysis**

Assessing the level of demand targeted by the envisaged initiative or scheme could imply analysing:

- The volume of financing needed for the envisaged objective
- The number of projects needed to achieve the envisaged objective

Unmet demand can be difficult by nature to capture, mainly due to data availability and quality issues. The following elements should be considered where access to finance appears to be an issue:

- Rejected transactions- the cases in which the public or private finance provider decided not to make an offer to the applicant as well as those in which the offer was rejected by the applicant for various reasons such as high costs
- Lack of applications- the cases in which the potential final recipient did not apply for financing because they considered the chances of obtaining it were too limited. As this component involves perceptions, a quantitative measurement is not always possible and qualitative information from companies may be more suitable.

Where possible, a sensitivity analysis should be included. Sensitivity analysis involves evaluating proposals over a range of assumptions about key factors. In the case of the demand analysis, the effect of low, medium and high demand of a scheme should be identified and the economic value of each if feasible to do so.

### **7.3.4 Supply Analysis**

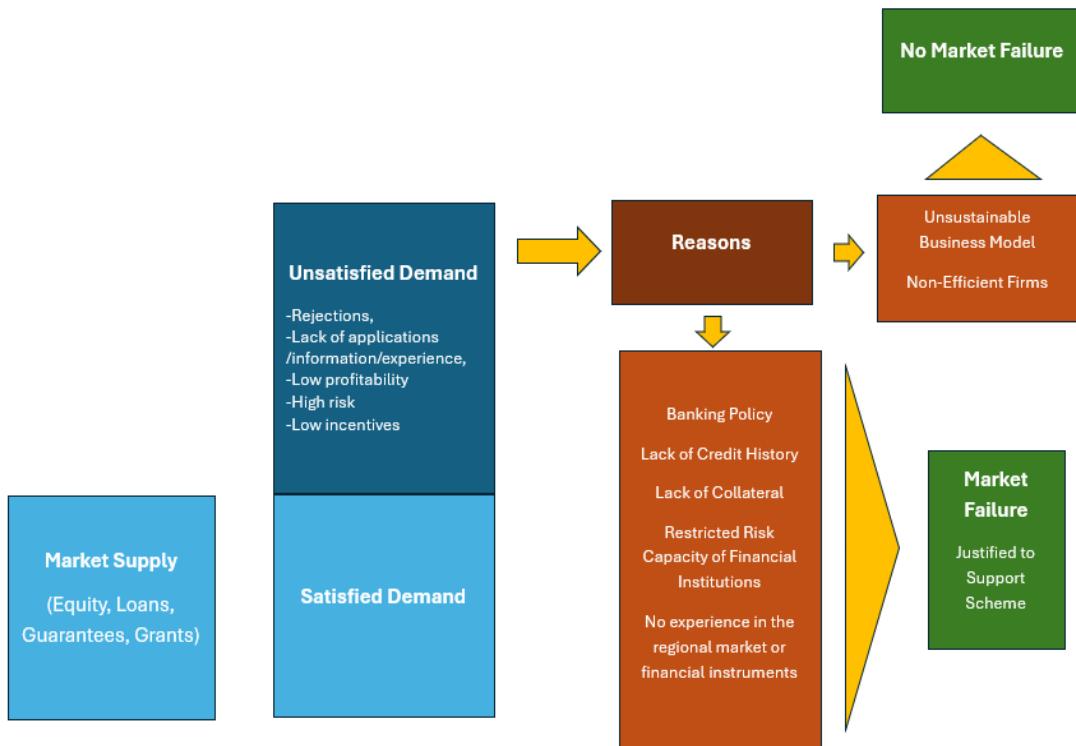
The demand analysis described above needs to be complemented by an inventory of the available supply of financing for the specific sector or market targeted by the initiative or scheme. This should include:

- A description of the public and private finance providers active on the market including grants targeting the same sector
- For financial instruments- the analysis should involve and evaluation of the possible re-use of future resources paid back. The possibility of reusing resources paid back should be reflected in the analysis of investment needs
- Targeted final recipients

### 7.3.5 Quantification of investment needs

Combining the results of the demand and supply analysis will facilitate the quantification of existing market failure and the investment gap to be covered by the envisaged initiative or scheme as shown in the figure below.

**Figure 7.1 Outline of Market Failure Justification**



This analysis permits the calculation of the size of the investment gap to be filled by the initiative or scheme. This can result from the following:

- *A Viability Gap*: the business plan of a project or group of projects demonstrates returns below market level. This may be because the projects are perceived as too risky.
- *A Financing Gap*: where a certain sector of the economy shows evidence of an unmet financing demand. A financing gap may be a gap for a certain financial product such an equity gap for risk finance or a general lack of access to finance. The financing gap occurs especially for SMEs and mid-caps<sup>9</sup>.

<sup>9</sup> Mid-cap are businesses which have between 250 and 3000 employees.

- *A combination of viability and financing gaps*

### **7.3.6 Identification and estimation of the quantitative dimensions of the value added by the initiative or scheme**

The business case should try to assess the quantitative dimension of the value added to society by the initiative or scheme. This can include amongst others:

- The ability of the initiative or scheme to leverage private level investment
- Estimations of the quantitative benefits in the initiative or scheme (the impacts outlined in the objectives section of the business case document)

### **7.3.7 Identification and estimation of the qualitative dimensions of the value added by the initiative or scheme**

- Supporting the building of a new sector/strengthening the capacity of a new sector.
- Giving preference to a revolving long-term support initiative or scheme (e.g. for objectives such as the seed and scaling support for SMEs this can be desirable as the future generation of SMEs should also have the opportunity to be supported).
- Developing a new support type through the form of this initiative or scheme which has not been provided previously.
- Projected impacts of the initiative or scheme outlined in the objectives section of the business case document which cannot adequately be quantified.

### **7.3.8 Steps 6 and 7 should be repeated for the alternative options to the initiative or scheme which were presented in the options analysis section of the business case.**

After completing the market failure analysis. The Unit should be able to demonstrate the proposed initiative, or scheme is the best solution to the identified problem/failure and delivers the highest value added compared to other possible solutions.

Data which can be used for Market Failure Analysis include:

- Evaluations of the experience collected in the past.
- Statistical data published by official institutions, associations and stakeholders.
- Publications from scientific institutions, universities and think tanks.
- Research publications from banks, rating agencies, central banks and insurance companies.

- Interviews and surveys can also be conducted where necessary.

## 7.4 Market Shaping Analysis

The Market Failure Analysis methodology above can also apply, in a suitably modified way, to initiatives or schemes that deal with which aim to shape markets to drive innovation, economic transformation and societal goals. For example, investment in R&D such as renewable energy to shape green markets.



An Roinn Fiontar,  
Turasóireachta agus Fostaíochta  
Department of Enterprise,  
Tourism and Employment

**Business Case Template**

# Insert Initiative or Scheme Name

## Insert Policy Unit

*Note: All text in purple should be removed before submitting the business case for internal approval and DPER sanction*

## 1. Introduction

The introduction should include the initiative or scheme description and financial ask. It should also state whether there is any co-financing mechanisms involved.

## 2. Rationale

The rationale should include a description of:

- The problem the proposed initiative or scheme seeks to address
- The market failure involved
- Causes of the market failure
- Why a public intervention is considered the optimal approach
- If it is a joint public/private intervention, outline the details and why this is the optimal approach

## 3. Objectives

The objectives section should include:

- A list of the objectives associated with the initiative or scheme
- Outline if these are SMART objectives
- Consideration of whether the objectives are impact rather than output focused

## 4. Strategic Alignment

The strategic alignment section should:

- Outline how the proposed initiative or scheme aligns with Government policies
- Reference any relevant EU Strategies and targets

- Outline how the initiative or scheme aligns with the Unit's business plan or the relevant agency's business plan

## 5. Supply and Demand Analysis

The supply and demand analysis should:

- Set out current and forecast future demand for the service
- Outline what is available on the market now
- Outline how the initiative or scheme overlaps or differs from what is currently on the market

## 6. Options Analysis

The options analysis section should:

- Present the long list of options which may be employed to achieve your objectives
- Ensure the do-nothing/do-minimum options has been considered and present at least 3 options. The below table should be used to present the options

Option	Options Description	Estimated Option Costs €m
Do-Nothing	Details	€
Do Something A	Details	€
Do Something B	Details	€
Do Something C	Details	€

- Present a high-level multi-criteria Analysis in tabular format

## 7. Climate and Environmental Performance

The climate and environmental performance section should:

- Include an assessment of the impact of the initiative or scheme on emissions and the resilience of the initiative or scheme to the impacts of climate change
- Link to high policy priorities such as reducing emissions or increasing renewable energy

## 8. Financial Appraisal

The financial appraisal section should:

- Identify and measure cashflows
- Identify Inflation Rate and Discount Cash flows
- State the envelope of investment required
- State the timing of the costs
- Outline the Financial Net Present Value for Each Option
- Outline the effect of sensitivity analysis on the project.
- Outline the impact of the initiative or scheme on the general government balance
- Assess the affordability given the financial resources available

## 9. Economic Appraisal

The economic appraisal section should:

- Present the methodology, calculations and findings from the economic appraisal
- If a CBA was conducted, the findings should be presented as below

•

	Do-Minimum	Option 1	Option 2	Option 3
<b>Net Present Costs (€m)</b>	€	€	€	€
<b>Net Present Benefits (€m)</b>	€	€	€	€
<b>Benefit Cost Ratio</b>	0	0	0	0
<b>Net Present Value (€m)</b>	€	€	€	€

Central Technical Parameters	Infrastructure Guidelines	Used	Rationale
<b>Time Horizon</b>	10-15 years (15-25 years for climate)	Yes, or No?	
<b>Social Discount Rate</b>	4%		
<b>Shadow Price of Labour</b>	80%-100%		
<b>Shadow Price of Public Funds</b>	130%		
<b>Shadow Price of Carbon (<u>please see guidance</u>)</b>	€322 per tonne in 2024		

## 10. Risk Assessment and Uncertainty Appraisal

The risk assessment and uncertainty appraisal section should:

- Complete a SWOT Analysis. The table below should be used to present the findings

<b>Strengths</b>	<b>Weaknesses</b>
<b>Opportunities</b>	<b>Threats</b>

- Outline a risk register. The table below should be used to present the risk register

Risk Number	Description	Impact	Response	Risk Level High/Medium/Low	Information

- Outline the details of the sensitivity analysis for the identified risks.

## 11. Governance

- Outline who is The Sponsoring Agency
- Outline who is The Approving Authority
- Outline who is The Accounting Officer
- Outline the Programme Delivery Body (if distinct from Sponsoring Agency)
- Outline Steering Group or Programme Board and their responsibilities if required.

## 12. Monitoring and Evaluation

The monitoring, evaluation and governance section should:

- Identify who is responsible for monitoring and evaluation.
- Identify the appropriate key performance indicators. The table below should be used to present the KPIs

Indicator	Unit	Baseline	Target	Source

- Outline what data will be used to evaluate the KPIs.
- State a review and evaluation timeline
- Present a preliminary evaluation plan including evaluation methodology

## Checklist

**Checklist is for Internal Use Only.**

**Please delete the Checklist prior to submitting the Business Case.**

Business Case Checklist	Details
<b>Rationale</b>	<ul style="list-style-type: none"><li><input type="checkbox"/> I have identified a market failure which justifies the need for this initiative or scheme.</li><li><input type="checkbox"/> I have outlined the rationale for this initiative or scheme.</li><li><input type="checkbox"/> I have highlighted what is already available and why this is not sufficient.</li><li><input type="checkbox"/> I have engaged with the relevant policy units, agencies and external stakeholders to determine the impact of the initiative.</li></ul>
<b>Objectives</b>	<ul style="list-style-type: none"><li><input type="checkbox"/> I have identified what this initiative or scheme wants to achieve.</li><li><input type="checkbox"/> I understand how my objectives will be achieved.</li><li><input type="checkbox"/> I know what stakeholders are affected by the decision.</li><li><input type="checkbox"/> I know when objectives should be achieved.</li><li><input type="checkbox"/> I understand the impact this initiative or scheme will have on the sector/region.</li></ul>

Business Case Checklist	Details
<b>Strategic Alignment</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> I know where this initiative or scheme fits into the national targets. (Climate Action Plan etc.)</li> <li><input type="checkbox"/> I know where this initiative or scheme fits into the European Union targets.</li> <li><input type="checkbox"/> I know how this initiative or scheme fits into the Department's Strategic Goals.</li> </ul>
<b>Supply and Demand Analysis</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> I have set out current and forecast future demand.</li> <li><input type="checkbox"/> I have outlined what is currently available on the market</li> <li><input type="checkbox"/> I have highlighted where the proposed initiative or scheme overlaps/differs from what is currently on the market.</li> <li><input type="checkbox"/> I have engaged with the relevant policy units, agencies and external stakeholders to examine how the initiative overlaps/differs from what is currently on the market.</li> </ul>
<b>Options</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> I have identified at least 2 other options which could be used instead of this initiative or scheme.</li> <li><input type="checkbox"/> I have identified the cost of these options.</li> <li><input type="checkbox"/> I have identified a do-nothing scenario.</li> </ul>

Business Case Checklist	Details
<b>Climate and Environmental Performance</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> I have included all relevant climate and environmental performance related to the initiative or scheme.</li> </ul>
<b>Financial Appraisal</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> I have ensured that the initiative or scheme is affordable within the current resources available.</li> <li><input type="checkbox"/> I have outlined the total investment envelope and the timing of the costs.</li> <li><input type="checkbox"/> I have highlighted how this will impact the general government balance</li> </ul>
<b>Economic Appraisal</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> I have carried out the relevant economic appraisal to my initiative or scheme.</li> <li><input type="checkbox"/> I have contacted the Data and Evaluation Unit for guidance on my appraisal method.</li> <li><input type="checkbox"/> I have followed the appraisal method guidance.</li> <li><input type="checkbox"/> I have provided the output of the appraisal method in the above template.</li> <li><input type="checkbox"/> I have provided justification for my output results.</li> </ul>
<b>Risk Assessment and Uncertainty</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> I have completed a SWOT analysis.</li> <li><input type="checkbox"/> I have outlined a risk register.</li> </ul>

Business Case Checklist	Details
<b>Governance</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> I have outlined who is the Sponsoring Agency.</li> <li><input type="checkbox"/> I have outlined who is the Approving Authority.</li> <li><input type="checkbox"/> I have outlined who the Accounting Officer is.</li> <li><input type="checkbox"/> I have outlined the details of the Assurance Steering Group (if required.)</li> </ul>
<b>Monitoring and Evaluation</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> I have outlined a monitoring and evaluation plan.</li> <li><input type="checkbox"/> I have consulted with the Data and Evaluation Unit regarding this plan.</li> </ul>