



**Rialtas na hÉireann**  
Government of Ireland

## **Spending Review 2019**

# **Focused Policy Assessment of Capital, Employment, and Training Supports: 2005/2006 – 2018**

**DEPARTMENT OF BUSINESS, ENTERPRISE AND INNOVATION**

**AUGUST 2019**

This paper has been prepared by IGEES staff in the Department of Business Enterprise and Innovation. The views presented in this paper do not represent the official views of the Minister for Business Enterprise and Innovation.

# **IGEES**

Irish Government Economic and Evaluation Service



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## Executive Summary

This Focused Policy Assessment (FPA) reviews the direct financial capital, employment and training (CET) supports to industry delivered through Enterprise Ireland (EI) and the IDA. From 2006-2018 EI has approved €780 million of CET supports, while from 2005-2018 IDA has approved €1.07 billion of such supports. For EI and IDA separately the FPA sets out the rationale for Government direct financial CET supports. It focuses on the level of demand for these supports and the associated expenditure. Finally, the efficiency, effectiveness and appropriateness of EI and IDA CET supports is examined based on a review of the existing evaluation evidence base.

### **Enterprise Ireland Direct Financial CET Supports**

1. The FPA finds that Enterprise Ireland's CET supports have been significant in scale across the enterprise base with almost 13,000 approvals valued at €727 million across nearly 6,000 unique firms over the 2006-2018 timeframe. This is made up of:

- Capital: €287 million for 847 approvals to 640 unique firms.
- Employment: €277 million for 3,679 approvals to 1,995 unique firms.
- Training: €164 million for 4,984 approvals to 4,984 unique firms.

In addition, €52 million of CET approvals were approved to 39 unique not-for-profit entities through 77 awards.

2. The review finds that while EI CET supports have been channelled through 120 client offers over the 2006-2018 time frame, the majority of CET supports have been channelled through a small number of key client offers.

3. Available evaluations for key client offers through which CET supports are/were channelled suggests that these client offers are operating efficiently (within the timeframe of the evaluation) and the majority of investment in company and job expansion projects were found to have been funded through assisted firms' own resources. Detailed econometric modelling suggests that the client offers that were associated with company expansion supported incremental sales, with the results indicating that firms increased overall sales of up to approximately 12% and export sales of up to approximately 11% in net terms in comparison to non-assisted firms. Furthermore, a benefit-to-cost ratio (BCR) of 2.8 to 1 was estimated for company expansion client offers. The review finds that the key client offers through which CET supports are channelled have been appropriate to the national economic and enterprise policy context and additional client offers address policy agendas as they arise.

However, it is acknowledged that the evaluations evidence base had a number of limitations: in terms of the coverage of the suite of client offers; in terms of the time periods for which the available evaluations were focused; and the evaluations were undertaken based on evaluation of individual client offers that did not take into consideration the context of firms receiving multiple support types that are channelled through single or multiple client offers to firms over time. Thus, these evaluations cannot definitively identify the causal relationships between support type or client offer and the impact measured. However, developing a better understanding of the causal relationships between enterprise support types/individual client offers and the impacts measured would help in informing DBEI and EI on future direction of funding.

In this regard one new approach that could be explored to examine the causal relationships between support types/client offers and impacts measured is through utilising the data being generated through the new EI Client Engagement Model (CEM).

4. While drawdowns lag the date of approval due to the grant nature of many of the supports, 90% of outstanding committed expenditure was found to stem from approvals made after 2013. This points to EI's active management of approvals, and the role that the 3 year sunset clause included in grant contracts plays in helping to maintain a more accurate reflection of the financial liabilities that are likely to fall due for payment.

5. The review also indicates, however, that there is a lack of clarity as to why some firms do not draw down any of an approved capital, employment or training support.

### **IDA Direct Financial CET Supports**

1. For IDA direct financial CET supports, there have been more than 1,250 approvals, with an associated value of almost €1.1 billion, to more than 650 unique firms over the 2005-2018 timeframe. This comprises:

- Capital: €434 million for 342 approvals to 204 unique firms.
- Employment: €458 million for 436 approvals to 357 unique firms.
- Training: €177 million for 491 approvals to 265 unique firms.

2. For supports that have been drawn down, the available evaluations of IDA CET supports point to positive outcomes, in terms of employment, sales and value added in FDI firms. For example, for firms in receipt of employment supports, the average employment for the group 3 years post the grant approval was 33% higher than in the three years pre-grant approval and for a similar set of IDA clients not in receipt of supports it was 0.1% lower. A positive benefit-to-cost ratio (BCR) of 1.45 to 1 was estimated for capital and employment supports when a deadweight of 70% was applied in the estimation. Additionally, companies considered that IDA capital and employment supports were vital or very important to their investment decisions and overall, the mix of incentives, of which CET supports are part, were seen as being a key element to retain Ireland's attractiveness for FDI.

Again, it is acknowledged that the evaluations evidence base had a number of limitations: in terms of the time periods for which the available evaluations were focused; and a data availability issue arising from the small cohort of firms available for analysis in the evaluations made it more difficult to identify definitively the causal relationships between supports and the impacts measured. Developing a better understanding of the causal relationships between enterprise supports types and the impacts measured would help in informing DBEI and IDA on future direction of funding.

3. There is a growing uncertainty in relation to the financial liability to the State arising from the approval of IDA CET supports as a result of the long lead times between approval and drawdown of supports. However, it is acknowledged that the approval of a project can help local and new to Ireland FDI firms in building a case for new investment. There is thus a rationale for allowing long lead times to firms to draw down payments.

### **Areas for Further Action**

A number of areas were identified in the FPA that warrant further consideration and DBEI will take action to address them. This includes:

- Developing a schedule of evaluations for CET supports from 2020 onwards, with a particular focus on the gaps identified in this FPA.
- As part of those evaluations, explore why some firms do not draw down CET supports for which they have been approved, and why there is considerable delay (> 5 years) for some firms between being approved for a support and starting the related project.
- As part of the Department's evaluation work programme, undertake an ex-ante evaluation of the new EI CEM.

## 1. Introduction

This paper presents a Focused Policy Assessment (FPA) of the expenditure by Enterprise Ireland (EI) and IDA on Capital, Employment and Training (CET) direct financial supports. The paper is set out as follows:

- **Section 1:**
  - Context for the selection of CET direct financial supports as the topic for this FPA.
  - Objectives of the FPA.
  - Methodology and scope of the FPA.
- **Section 2:** Rationale for public supports for CET.
- **Section 3:** Economic climate and the enterprise policy context in Ireland 2005-2018
- **Section 4:** Review of expenditure by Enterprise Ireland (EI) on CET direct financial supports.
- **Section 5:** Review of expenditure by IDA on CET direct financial supports.

### 1.1 Context for the Selection of Capital, Employment and Training Direct Financial Supports to Firms as a Topic for Focused Policy Assessment

The Department of Business Enterprise and Innovation (DBEI) has engaged in a rolling three-year Spending Review as part of a process established by the Department of Public Expenditure and Reform which is designed to improve how Government spending is allocated and maintained.

DBEI channels the vast majority (approximately 94% between 2005-2018) of its voted capital allocation across the enterprise agencies (EI, IDA Ireland, Science Foundation Ireland, National Standards Authority of Ireland and Local Enterprise Offices). These agencies in turn allocate these funds to a range of programmes (and in the case of EI and IDA add to the voted DBEI capital allocation with income from other sources<sup>1</sup>), to deliver on national enterprise policy objectives.

DBEI's voted capital allocation, as reported in the Estimates for Public Services, is split across two broad categories:

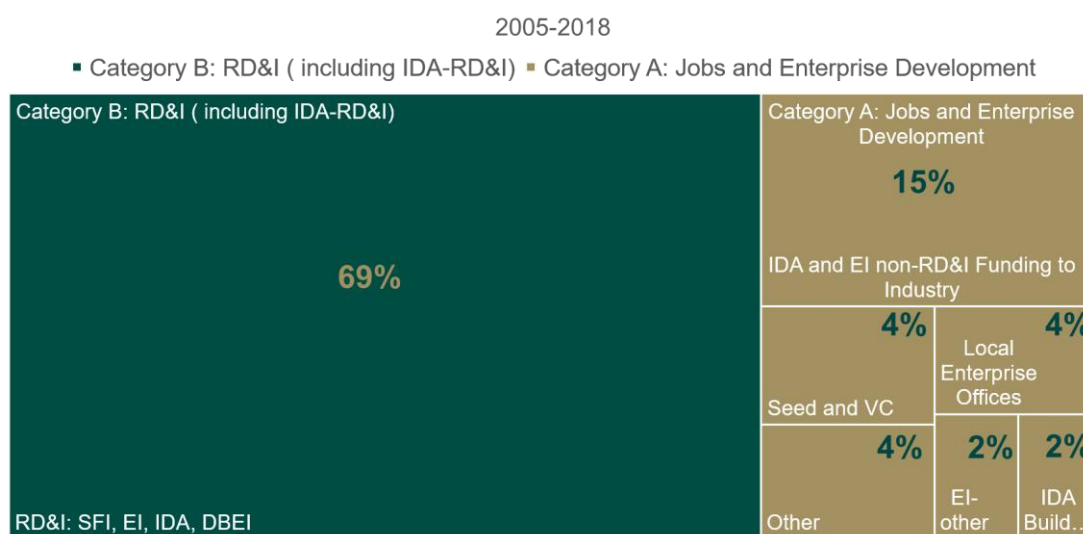
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<sup>1</sup> This can include exchequer monies from other Government Departments and non-exchequer income based on repayment of grants, sale of investments, dividends, project income, rents, fees.etc

**A. Jobs and Enterprise Development**

**B. Innovation**

Figure 1 shows the proportion of the cumulative value of DBEI’s voted capital allocation over the period 2005-2018 across the two categories A\* and B\*<sup>2</sup>. A\* is further divided into a number of subcategories, and details of these subcategories are set out in Appendix 1.



**Figure 1.** Estimated proportion of DBEI capital allocation across Categories A\* and B\* and subcategories of A\*.

The total DBEI voted capital allocation over the 2005-2018 timeframe was €6.8 bn.

To date the DBEI voted capital allocation associated with category B\*, and part of category A\* have been subject to spending reviews as follows:

- In 2017 DBEI undertook a review of the capital expenditure on ‘innovation’ (category B\*) for the period 2005-2018. This category accounts for 69% of the total DBEI capital allocation between 2005 and 2018.
- In 2018, DBEI undertook an FPA which focused on capital spending on ‘start-ups and entrepreneurs’. This FPA addressed a portion of the DBEI voted capital allocation for ‘innovation’ (category B\*) and a portion of the DBEI voted capital allocation for ‘jobs and enterprise development’ (category A\*): this includes the voted capital allocation for the sub-category ‘Local Enterprise Offices’ and the voted capital allocation for the sub-

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<sup>2</sup> The renaming of categories A and B to categories A\* and B\* reflect an adjustment to categories A and B. The RD&I capital allocation for IDA is recorded within category A in the Estimates for Public Services. A\* reflects that the capital allocation for IDA RD&I has been removed from category A, and B\* reflects that the capital allocation for IDA RD&I has been included in Category B. Further details of the capital allocations within A\* and B\* are provided in Appendix 1.



category 'Seed and Venture Capital', which combined account for 8% of the DBEI voted capital allocation between 2005 and 2018.

Thus, areas covering 77% of the DBEI voted capital allocation between 2005-2018 have been reviewed to date.

At 15% (€1 bn) of the cumulative DBEI capital allocation between 2005 and 2018, 'EI and IDA non-RD&I Funding to Industry' is the sub-category that accounts for the largest proportion of capital allocation that has not yet been subject to review. Therefore, this is the area which has been selected for the third of the DBEI reviews on capital spending.

Following this third review, it is estimated that areas covering approximately 90% of the DBEI voted capital allocation between 2005 and 2018 will have been reviewed across the three-year cycle of reviews.

Furthermore, non-RD&I supports to industry is further categorized by EI and IDA as funding for: Capital; Employment; Training (CET).

For the 2005-2018 period, the DBEI allocation for CET supports to EI is estimated as €430 million<sup>3</sup> and for IDA is estimated as €572 million.

Thus, the DBEI FPA 2019 will focus on CET supports and specifically on direct financial supports.

It is assumed that the majority of this additional income is distributed proportionally across the classifications set out in Figure 1 (This applies when resource income of the agencies is not tied to a specific objective from another Government Department<sup>4</sup>). Based on this assumption, the proportion of DBEI allocation across the categories and sub-categories in Figure 1 can also be viewed as a reasonable estimate of the expected proportions of capital expenditure across the categories and sub-categories shown in Figure 1.

## 1.2 Objectives of the FPA

The research objectives of this FPA are:

- To set out the rationale for public spending on CET direct financial supports.
- To set out the objectives for EI and IDA CET direct financial supports.

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<sup>3</sup> For the 2006-2018 period the estimate of DBEI allocation to EI CET is estimated as €404 million.

<sup>4</sup> This funding relates to specific schemes that EI administers on behalf of other Government Departments, including the Beef and Sheep Meat Investment Fund, Food Competitiveness Fund (DAFM), The National Training Fund (DES) and funding for the International Energy Research Centre and LEO Online Trading Voucher Scheme (DCCAIE)

- To determine the expenditure on CET direct financial supports by IDA and EI over the 2005/6-2018 timeframe.
- To determine the uptake of CET supports according to support type, agency client offer/programme, firm size and industrial sector.
- To review the efficiency and effectiveness of the CET supports where possible and the appropriateness of CET supports in terms of alignment with past, current and emerging national policies and Government strategies.
- To draw conclusions emerging from the analysis.

### 1.3 Methodology and Scope of the FPA

The methodological approach is as follows:

- Analysis of existing background documentation related to EI and IDA CET supports.
- Primary analysis of expenditure on CET direct financial supports to firms via interrogation of EI and IDA databases on supports.
- Review of existing evaluation reports.
- Review of existing economic and policy documents.
- Consultation with EI and IDA.

The scope of the FPA is as follows:

- The focus is on direct financial CET supports, and will not include broader indirect supports to firms available through other IDA or EI schemes for CET.
- It is not be an evaluation of CET direct financial supports to firms –relevant evaluations where available will be drawn on.
- Analysis of agency data for direct financial supports includes grant and equity financial support.
- The period covered is 2005-2018 for IDA and 2006-2018 for EI.
- Sectoral analysis is at the level of Manufacturing and Services categories.
- Firm size is considered in accordance with persons employed<sup>5</sup>.

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<sup>5</sup> Firm size will be according to number of employees as follows: micro < 10, small 10 – 49, medium 50 – 250, large 250+.

## 2. Rationale for Public Supports for Capital, Employment and Training

There is an ongoing rationale for government intervention to support enterprise development. The rationale for government intervention is informed by market and capability failures arising from the presence of positive externalities or spillovers and information asymmetries. For example, positive externalities arise from investment in training (in particular for general as opposed to firm-specific training) as an employer may be reluctant to invest in training for their employees as they may not be able to appropriate the entire benefit of the training if the employee moves on, particularly if the training is transferable. Similarly, information asymmetries may also lead firms to under-invest as they may not know what the return on the investment would be nor factor in wider societal benefits. The rationale for State supports for enterprise has been set out by DBEI in the report “Evaluations of State Supports for Enterprise (2015)”.

The current range of activity undertaken by the enterprise agencies reflects evolved thinking in enterprise policy about the role for the State as a co-ordinator, networker, promoter and informer, in addition to investor. Direct financial supports to firms however remain a central pillar of support for addressing market and capability failures. For both indigenous and foreign-owned firms, CET supports reflect three of the four key funding types for providing direct supports to firms (RD&I is the fourth funding type).

For EI, CET and RD&I direct financial supports are instruments used to provide financial support through a series of client offers. Depending on the client offer applied for, a single support type or a combination of the support types are channelled to applicants to deliver on the specific objectives of the client offers. The rationale for the provision of EI direct financial supports to firms is embedded in the broader rationale for enterprise supports as already outlined above. EI takes a developmental approach to company growth. Working in partnership with clients, a strategic approach is taken to consider all aspects of business development and appropriate supports (including CET direct financial supports) are delivered for all stages of company development, from Start-up entrepreneurs to exporting SMEs and scaling companies<sup>6</sup>. Capability built ‘at home’ is considered key to successful exporting and internationalisation.

The rationale for the provision of direct financial capital and employment supports by IDA to FDI companies is also embedded in the broader rationale for enterprise supports outlined above as well as to promote regional economic development, to embed existing IDA companies and to attract high productivity firms that represent a better use of skilled labour

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<sup>6</sup> The EI client relationship involves engagement in, and supports for: business development, sales and marketing capabilities, design, innovation and R&D, new product & process development, competitiveness and productivity improvements, leadership and management development, and access to finance.

resources in the economy. At an operational level the rationale is reflected in the IDA's emphasis on any grant support having a discernible "incentive effect".

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## **3. Economic Climate and the Enterprise Policy Context in Ireland 2005-2018**

### **3.1 Economic Climate in Ireland 2005-2018**

The economic context in Ireland changed significantly over the period covered in this FPA. Between 1994 and 2002 the Irish economy enjoyed a sustained period of export-led growth. However, Ireland then entered a period of overreliance on credit-financed domestic consumption and residential property construction which led to unsustainable levels of growth. The global economic recession exposed Ireland's vulnerabilities and this led to a deep and prolonged recession with the GDP growth rate declining sharply in 2008 and 2009. The unemployment crisis that followed, culminating in an unemployment rate of 16% in 2012, led to a whole-of-Government effort to restructure the economy towards a more sustainable economic model. The Action Plan for Jobs, launched in 2012, focused on private sector-led, export oriented job creation by getting the framework conditions right and improving the business environment. DBEI and the enterprise development agencies played a critical role in the development and delivery of the Action Plans between 2012 and 2018.

A modest recovery in economic activity began in 2011 led initially by the exporting sectors but in 2014 it became more broadly based and Ireland emerged as the fastest growing economy in the euro area. While some of this growth was cyclical, reflecting the strong rebound from the crisis, it was also driven by strong net exports. Ireland has continued to enjoy balanced and sustained growth and the unemployment rate now stands at below 4 ½ per cent, the lowest rate since early 2005. The Department of Finance's Summer Economic Statement (June 2019) notes that all available evidence points to an economy that is now operating at full capacity.

This represents another inflection point in enterprise development policy and the Government's response has been set out in Future Jobs Ireland 2019, in which the policy focus has shifted to ensure quality jobs that will be resilient into the future instead of just more jobs. This emphasis is reflected in the Summer Economic Statement which highlights the role that productivity improvements will play in boosting living standards. However, it also notes the significant challenges ahead that must be addressed including Brexit, the possibility of a prolonged slowdown in global growth, and the increasing likelihood of over-heating on the domestic front.

It is against this economic context that DBEI and its agencies have adapted CET supports to adapt to the changing circumstances of the enterprise base in Ireland.

## 3.2 Enterprise Policy Context in Ireland 2005-2018

During the 2005 to 2008 period, policy emphasis was on addressing deficiencies in the existing industrial base in Ireland. It was accepted that Ireland's future enterprise sustainability and growth would depend on competing on the basis of knowledge and high-skills with an enterprise base characterised by high-productivity, innovation-intensive activities.

While this remains the overall trajectory of travel for enterprise policy, there has been a number of developments over the past decade that have added additional layers to the enterprise policy context.

The onset of the recession in Ireland in 2008 focused policy attention in the following years towards a focus on job creation and retention. The importance of an export-led growth agenda to achieve this was highlighted in 'Making it Happen - Growing Enterprise for Ireland' (2010). The Report of the Innovation Task Force (2010) also put a greater emphasis on the birth of new innovation-led indigenous companies. The policy focus for FDI companies was redirected towards engagement of existing firms in higher value activities and the attraction of new high-value FDI activities to Ireland.

RD&I remained a central plank of policy, with Ireland's first 'Science Technology and Innovation Strategy 2007-2013' launched in 2008. However, other factors such as access to finance, developing firm-level capability, management and skills development in firms, and exploring and entering new markets also received considerable policy attention during this timeframe.

As indicated earlier, in response to the unemployment crisis, the Government launched the Action Plan for Jobs in 2012 which was a whole of Government effort to restructure the economy. As the economy recovered, a more medium-term enterprise policy strategy 'Enterprise 2025: Innovative, Agile, Connected' was developed which highlighted a continued focus on employment, re-emphasised the focus on export-led growth, entrepreneurial culture, embedding innovation in enterprise, and building enterprise connections regionally, nationally and internationally. This strategy also placed a regional dimension on enterprise policy, with regional action plans subsequently being developed. 'Innovation 2020' was published in 2015 and set out Ireland's strategy to become a global innovation leader, thereby ensuring sustainable economic growth.

As Ireland approaches full employment the policy focus has shifted to improving productivity performance and this shift in policy priorities is set out in 'Enterprise 2025 Renewed'. The strategy is aimed at continued targeting of export-led growth, underpinned by innovation and talent, to deliver increased competitiveness and productivity. It also aims to deepen our resilience so that we can anticipate and respond to external shocks such as those associated with Brexit as well as developments in international trade and taxation.

'Future Jobs Ireland', launched in 2019, signals Ireland's intent to place a priority on quality and sustainability of jobs and raising productivity levels across the economy. The five pillars set out in Future Jobs Ireland (innovation and technology change; SME productivity; enhancing skills and developing and attracting talent; increasing labour force participation; transitioning to a low carbon economy) support these objectives. In particular, both Future Jobs Ireland and Enterprise 2025 Renewed acknowledge the pace of technological change and the impact of digital technologies as becoming increasingly disruptive and pervasive. It is recognised that firms will need their employees to upskill their technical, leadership and management skills to keep abreast of these changes and a number of strategies are currently in development in relation to how the State will support this rising agenda, including strategies on: Industry 4.0, Artificial Intelligence, and the National Digital Strategy. The recently launched 'Climate Change Action 2019: To Tackle Climate Breakdown' will also have future implications for enterprise.

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## 4. Enterprise Ireland Capital, Employment and Training Direct Financial Supports to Firms

### 4.1 EI Direct Financial CET Supports: Background, Target Population, Thematic Areas, EI Client Offers and Objectives

Enterprise Ireland (EI) is the organisation responsible for the development and growth of Irish enterprises in world markets. EI works in partnership with Irish enterprises to help them start, grow, innovate and win export sales in global markets thus supporting sustainable economic growth, regional development and secure employment. Enterprise Ireland works with<sup>7</sup>:

- High Potential Start-Up companies with the capability to start a business and sell in export markets.
- Established manufacturing and internationally trading services businesses that are Small or Medium sized Enterprises (SMEs).
- Large companies (employing more than 250).
- Irish-based food and natural resource companies, that are overseas-owned or controlled.

EI provides for direct financial support to these firms (and in some limited cases not-for profit entities) through two distinguishable mechanisms:

- EI grants: which are payable on the conditional basis of milestones being reached, it represents a partial cost<sup>8</sup> of the overall project cost and payments are made by EI after expenditure has been incurred.
- EI equity: which relates to provision of upfront financial supports by EI in return for firm shares being issued to EI.

EI provides for direct financial support in accordance with State Aid rules across four categories of supports namely: CET and RD&I. However, EI does not directly promote financial supports according to the support type, but rather promotes a series of client offers (including competitive calls) which have corresponding defined sets of objectives. The specific criteria, and eligibility for direct financial CET and RD&I support types varies in accordance with the series of client offers that EI operates. Dependent on the client offer, EI

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<sup>7</sup> EI does not work with locally traded service companies or with micro-enterprises such as sole traders. Support for these companies or individuals is available from the Local Enterprise Offices.

<sup>8</sup> Up to a maximum proportion based on State-aid rules.



may stream one support type (standalone support) or some combination of the 4 support types (packages of supports) to an applicant approved for support under the client offer.

It is noted that EI CET supports have typically only been accessible to firms<sup>9</sup>. More recently, EI also administers support through the Regional Enterprise Development Fund (REDF). This support is designed to support the objectives of 'Regional Action Plans for Jobs' and is provided to not-for-profit entities such as industry clusters/local development bodies and as such are not EI company clients. The objectives of the REDF are focused on supporting major new collaborative and innovative initiatives that can make a significant impact on enterprise development in or across regions or nationally to build unique capabilities to grow the regions. The REDF also seeks to support regional industry clusters and support the development of initiatives that help strengthen the regional ability to adjust and cope with the potential effects of international economic changes that may impact on regions or sectors performance nationally.

The EI client offers that have operated over the 2006-2018 timeframe, and across which CET supports have been channelled, have been mapped to a series of Thematic Areas which are based on an EI categorisation of its client offers. This map is shown in Appendix 2. The map also indicates the timeframe over which approvals have been made to date under these EI client offers. It is noted that EI client offers for which there has been no CET supports are not included. Additionally, it is noted that the REDF Fund while not technically a client offer has been included in the map. It is also noted that in some cases RD&I supports may have been channelled through the client offers indicated in Appendix 2. Furthermore, there are additional client offers available that are not included in Appendix 2 as they relate to client offers through which only the RD&I support type has been/is channelled. Objectives for the specific EI client offers under which CET supports have been approved over the 2006-2018 timeframe are set out in Appendix 3.

The Thematic Areas can subsequently be mapped to the cohort which are being targeted by the client offers, and this is shown in Table 1.

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<sup>9</sup> Typically to EI client firms, but some supports are also accessible to other firms, for example EI also administers Mentor training supports for LEO, IDA, and Udarás clients.

**Table 1** Thematic Areas (under which client offers are mapped) mapped to the targeted cohort.

Target Cohort	Thematic Areas
High Potential Start-Ups (HPSUs)	HPSU Feasibility
	HPSU Capability
	HPSU Growth
Established SMEs, and large companies in manufacturing and internationally trading services	Market Research and Internationalisation
	Product, Process or Services Development
	Supports to Enhance and Develop the Management Team
	Productivity and Business Process Improvement
	Tailored Company Expansion
Regional Enterprise (firms and not for profit entities)	Regional Development
Others – no specific targeted cohort and includes non-EI-client firms	Other- including support for Brexit, Trade Fairs.
	Supports to Enhance and Develop the Management Team

EI does not have a set of formal objectives for CET support types per se, rather it takes a strategic approach, considering all aspects of business development and appropriate supports (including CET direct financial supports).

However, based on the objectives of the EI client offers through which CET support types are channelled, a summary of overall objectives for CET direct financial supports has been developed here as follows:

- Direct financial capital supports are aimed at supporting firms to invest in or to leverage infrastructure or technology with a view to building capacity aimed at expanding firm size, type of activity, or to increase productivity.
- Direct financial employment supports are aimed at supporting firms to build capability through: support for identification and recruitment of key employees, support for employing new expertise; support for growing employment as part of an expansion based on existing or new activities.

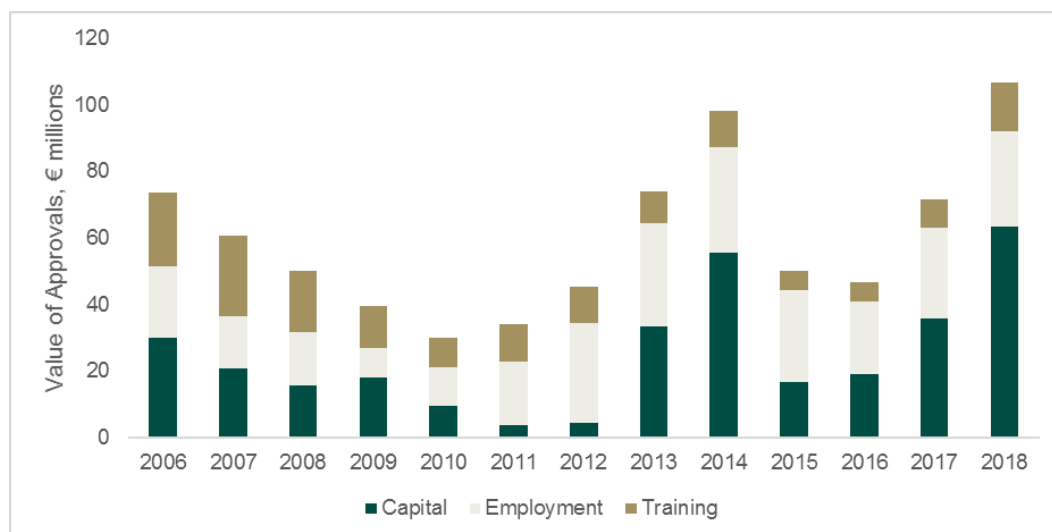
- Direct financial training supports are aimed at: training of management to implement growth plans based on new or existing activities; training to support firms in maximizing opportunities arising from technology, such as internet and e-marketing; training in how to evaluate new markets; training to help optimise performance across the entire business from procurement through to distribution and changing market needs.

## 4.2 Inputs for EI Direct Financial CET Supports

In reviewing EI expenditure on CET direct financial supports to firms, there are a number of options for the analysis. It was decided that the approvals measure would be the measure on which the financial data analysis presented in this paper would be primarily based and that separate analysis on reduction/cancellation of projects and payment drawdowns would also be undertaken as appropriate. The rationale for this approach is set out in Appendix 4.

The total value of approved EI direct financial supports to firms for the period 2006-2018 and to not for profit entities (in 2017 and 2018) amounted to €1.9 billion over this period and CET direct financial supports have contributed 41% (€780 million) of this overall figure.

Figure 2 shows the value of approvals for CET supports (to firms and not-for-profit entities through the REDF) over the 2006-2018 time period. As can be seen, the value of CET approvals has not been consistent over the timeframe. The data points to evidence of firm reactions to the economic recession, such as the reduction in firm investment in CET activity (proxied by a reduction in the value of approvals). Further analysis points to a slightly higher level of reductions/cancellations related to projects approved just prior to and during the recession. The reduced levels of firms seeking approvals and the increased value of project reductions/cancellations were likely associated with firms becoming more limited in terms of cash flow, and/or becoming more risk adverse towards engaging in new projects as the economic recession deepened. While the value of approvals for capital and employment supports has subsequently grown and outstripped pre-recession levels, the value of approvals for training supports has remained at pre-recession levels, though an increase in the value of training supports approved was recorded in 2018.



**Figure 2** Value of direct financial supports approved for firms for EI CET supports.

Based on the value of approvals, reductions/cancellations of approvals and drawdown of payments, a number of salient points were identified for EI CET supports separately:

1. For capital supports €326<sup>10</sup> million worth of approvals were approved between 2006-2018. Of these approvals 50% were made in payments, 8% were reduced in size or cancelled and 42% remain in committed expenditure.
2. For employment supports €291<sup>11</sup> million worth of approvals were approved between 2006-2018. Of these approvals 49% were made in payments, 18% were reduced in size or cancelled and 32% remain in committed expenditure.
3. For training supports €163 million worth of approvals were approved between 2006-2018. Of these approvals 56% were made in payments, 22% were reduced in size or cancelled and 23% remain in committed expenditure.

The total outstanding expenditure remaining to be paid in the future by EI based on CET supports approved between 2006-2018 is €266.5 (though it is expected that this will be reduced through project reductions/cancellations related to more recent approvals).

Based on a time-based analysis of outstanding expenditure, it was found that outstanding payments arising from approvals prior to 2014 are small, representing less than 12% of the total value of the €266.5 million outstanding committed expenditure estimated in 2018. The low level of outstanding committed expenditure related to approvals made prior to 2014 indicates that EI actively manage the approved projects. Based on a 3 year sunset clause for drawdown of the supports, EI determine if the project size is to be reduced or if the project is

<sup>10</sup> €288 million has been approved between 2006-2018 for direct financial capital supports to firms and €38 million to not-for profit entities through the REDF.

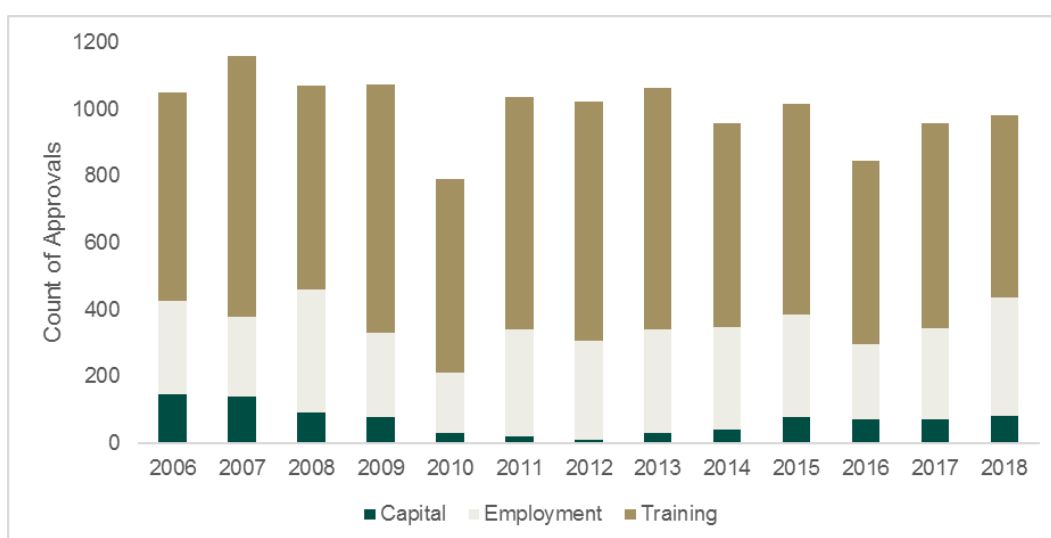
<sup>11</sup> €277 million has been approved between 2006-2018 for direct financial capital supports to firms and €14 million to not-for profit entities through the REDF.

to be classed as completely cancelled: timeframes for drawing down supports are specified in the contract. In exceptional circumstances time extensions for drawdown may be granted by the EI Management Approvals committee<sup>12</sup> and there is a structured process and formalised steps in place around applying for an extension for drawdown<sup>13</sup>.

## 4.3 Outputs for EI Direct Financial CET Supports

### 4.3.1 NUMBERS OF APPROVALS AND REDUCTIONS/CANCELLATIONS

The total number of approvals per year over the timeframe is shown in Figure 3 according to CET supports. Across much of the time period there were approximately 1,000 approvals per year, with the exception of 2010 and 2016, when the number of approvals was somewhat lower. The proportional contribution to the number of approvals from each support type varied from year to year, though in a given year training supports was found to be the most dominant in terms of number of approvals, followed by employment supports and then capital supports.



**Figure 3** Number of direct financial EI CET supports approved.

<sup>12</sup> Extensions are of the order of 3-6 months but are determined on a case by case basis.

<sup>13</sup> The development advisor in EI must indicate the reasons why the company is unable to complete the project within the original timeframe and comment on the likelihood of the company completing the project within the new timeframe.

**Table 2** Value of approvals, number of approvals and number of unique firms and not for profit entities for CET direct financial supports over the period 2006-2018.

2006-2018	Value of approvals to firms (million)	Number of approvals to firms	Number of unique firms	Value of approvals to not for profit entities (2017-2018) (million)	Number of approvals to not for profit entities (2017-2018)	Number of unique not for profit entities (2017-2018)
Capital	€287	847	640	€38	38	31
Employment	€277	3,679	1,995	€14	39	39
Training	€163.5	8,424	4,984			
Total	€727.5	12,950	5,865	€52	77	39

Across the 2006-2018 period, approval for CET supports have been significant across the enterprise base. As highlighted in Table 2 there have been 12,950 approvals to 5,865 unique firms and 77 approvals to 39 unique not-for profit entities (through REDF) over the timeframe. For firms, training supports have been most in demand (4,984 unique firms) followed by employment supports (1,995 unique firms) and then capital supports (640 unique firms).

The data in Table 3 presents the value and number of CET approvals (and the associated proportion of approvals), over the 2006-2018 period, that have to date been reduced in size or cancelled. It is noted that there have been no reductions in size or cancellations to date relating to approvals to not-for-profit entities (i.e. none of the approvals through the REDF in 2017 and 2018 have yet been recorded as reduced/cancelled). Table 3 also presents the number and proportion of unique firms approved for CET supports that have to date reduced in size or cancelled approvals.

The data indicates that there is a high proportion of unique firms that reduce/cancel approvals and a corresponding high proportion of the number of approvals that are reduced/cancelled. However, the proportion of the value of approvals being reduced/cancelled is much lower for each of CET supports.

**Table 3** For CET direct financial supports approved over the period 2006-2018, the data in the table represents: the value of approvals to date that have been reduced/cancelled and the proportion of the value of approvals that these reductions/cancellations represent; the number of reduced/cancelled approvals to date and the proportion of the number of approvals that these reductions/cancellations represent; and the number of unique firms that have to date reduced/cancelled approvals and the proportion of unique firms that have reduced/cancel approvals.

2006-2018	Value of cancellations /reductions by firms(millions)	Number of cancellations/reductions by firms	Number of unique firms cancelling /reduction
<b>Capital</b>	€26 (9%)	365 (43%)	335 (52%)
<b>Employment</b>	€53 (19%)	1,707 (46%)	1,209 (61%)
<b>Training</b>	€36 (22%)	4,508 (54%)	2,986 (60%)
<b>Total</b>	€115 (16%)	6,580 (51%)	

There are a number of reasons why approved supports might be reduced in terms of value, for example:

1. Changes in project scope, which are common due to the long drawdown periods on EI grants approved.
2. Projects may be completed under budget.
3. The balance on existing approval may be partially cancelled to free up De Minimis<sup>14</sup> balance for other subsequent approvals.
4. Firms may, due to issues such as cash flow, changes in the firm's performance, or through economic factors arising during the time of implementation decide to reduce the ambition of the project.

Further analysis indicates that the number of complete cancellations<sup>15</sup> accounted for to date, based on approvals between 2006-2018, is as follows: 9% of capital supports approved have been completely cancelled (accounting for 4% of the value of capital approvals); 16% of employment supports approved have been completely cancelled (accounting for 11% of the

<sup>14</sup> De Minimis Aid is small amounts of State Aid given to an enterprise which cannot exceed €200,000 over any three fiscal years to any company irrespective of size or location. Such amounts of De Minimis Aid are regarded as falling outside the category of State aid that is banned by the EC Treaty and can be awarded to an enterprise without notification to or clearance from the European Commission.

<sup>15</sup> Defined as 90%-100% reduction in the value of the award drawn down and classified as cancelled by EI.

value of approvals); 15.5% of training supports approved have been completely cancelled (accounting for 9% of the value of training approvals). CET support types are classified as a complete cancellation:

1. If a client doesn't accept the offer within the 60 day timeframe from the date of offer.
2. A firm that has accepts the offer and then decides not to go ahead with the project.
3. If the project drawdown period expires prior to any of the award being drawn down.

However, it is not well documented as to the reasons why some firms do not utilise supports for which they have been approved and further work would be required to elucidate this.

#### 4.3.2 OUTPUTS BY CLIENT OFFER

As indicated earlier, EI does not promote CET supports directly per se, but rather promotes client offers which have defined sets of objectives and through which CET and RD&I supports are channelled to firms. Dependent on the client offer, EI may stream one support type (this is considered a standalone support) or some combination of the 4 support types (indicating a packages of supports) to an approved client offer applicant.

Often considered as a complex suite of supports, there were 120 EI client offers available over the 2006-2018 timeframe that have included CET supports to firms<sup>16</sup>. On average CET supports were channelled through 39<sup>17</sup> client offers per year. However, it is noted that the bulk of funding is channelled through a small number of client offers, and there are several client offers that have evolved in name only<sup>18</sup> and reasons for this are:

1. Re-branding of the client offer, eg company expansion to company development.
2. Changes in the capital budget<sup>19</sup> (this is likely why the different time periods are labelled in the case of company expansions).
3. Changes in State-aid rules.

Appendix 2 sets out the list of client offers through which CET supports have been channelled by EI to firms over the 2006-2018 time period (and in the case of REDF, not-for-profit entities). Appendix 2 also identifies the time span for which these client offers were/have been in operation as identified by the first and last years for which approvals have been made. Some client offers have been limited in their life span as they are introduced to react to specific policy issues (for example, the *Growth Fund* and the *Regional Enterprise Development Fund*) while other client offers have been evolved to adjust to other influences such as State-aid rules, and the company expansion client offers are an example of this. Appendix 2 is not an exhaustive

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<sup>16</sup> When mentor client offers were categorised as one client offer.

<sup>17</sup> When mentors was considered as one client offer.

<sup>18</sup> Including where the time period is re-labelled after the offer name.

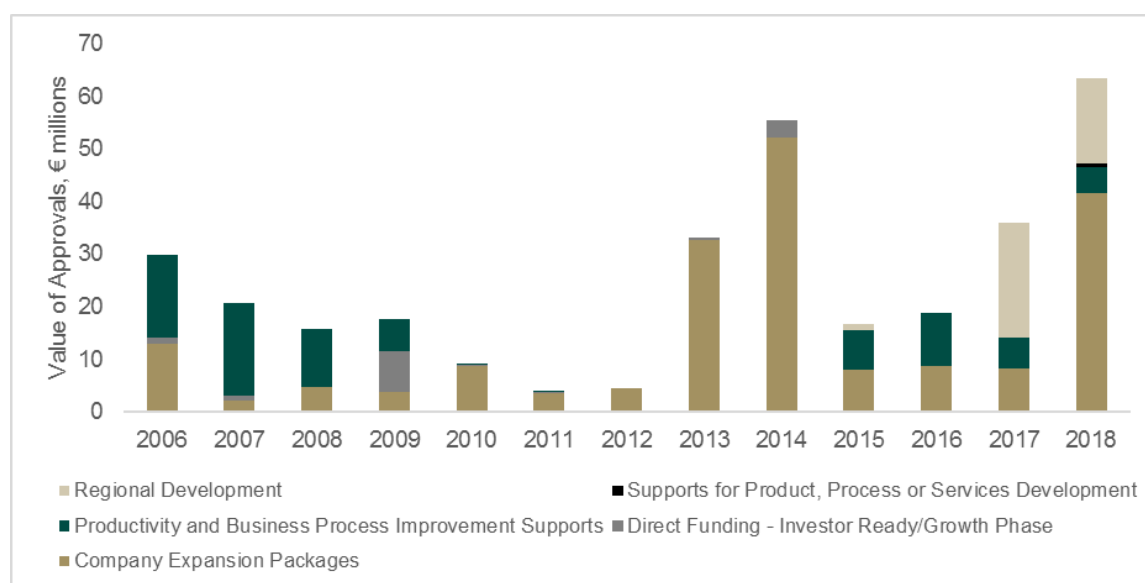
<sup>19</sup> Name changes in response to changes in the capital budget are essentially an IT solution to allow distinction between approvals granted before and after the changes.



list of EI client offers for the period, as client offers for which RD&I support is the only support type channelled to the client offer are not included in the list in Appendix 2.

It is noted that the Financial Products Committee in EI meets on a monthly basis and has responsibility for reviewing and approving product outline and terms of reference for all new offers, including ex-ante evaluation of the client offers. The committee also reviews existing offers to ensure that they are still relevant and meet client needs. In 2016 a full review of EI client offers was carried out by the committee which led to the discontinuation of some offers. The committee also reviews client offers based on client feedback and data such as application numbers to ensure they are relevant and meet clients needs. The committee may then propose that offers are amended, consolidated or discontinued.

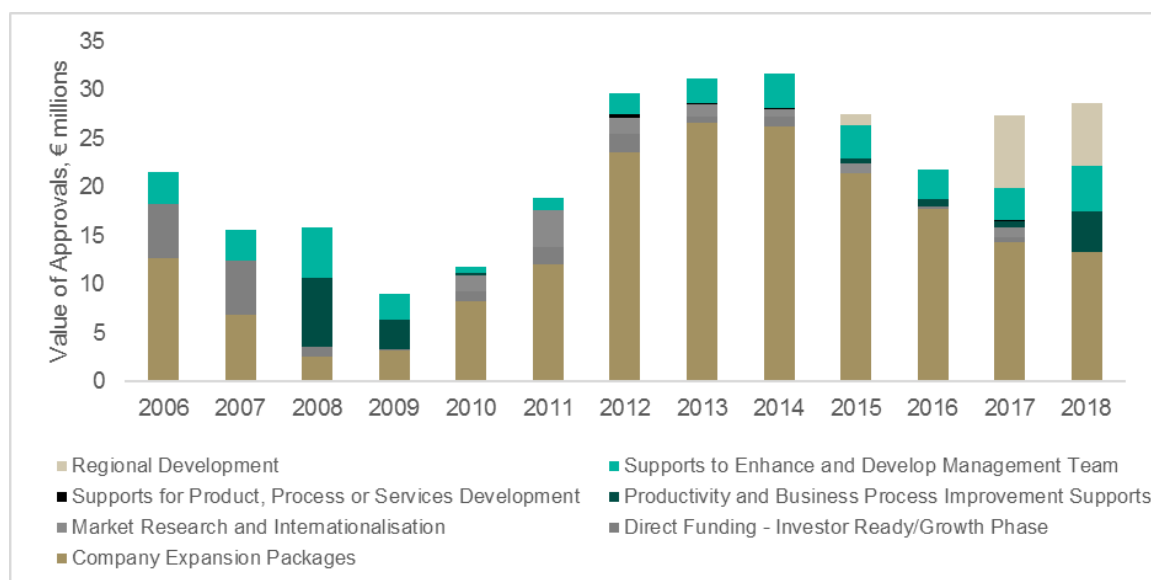
Using a thematic lens to categorise the client offers simplifies the narrative related to client offers through which CET supports are channelled. Table 1 above shows the targeted cohorts and Thematic Areas under which the client offers are mapped and the mapping of client offers under these Thematic Areas and targeted cohorts is shown in the tables in Appendix 2.



**Figure 4** Value of capital supports approved according to Thematic Area.

As can be seen in Figure 4, capital supports have been awarded in the Thematic Areas of **Tailored Company Expansion, Productivity and Business Process Improvement, High Potential StartUp Growth** and in more recent years **Regional Development**, thus addressing key enterprise challenges over the timeframe. Client offers under the **Tailored Company Expansion** Thematic Area accounted for 60% of the value of capital approvals for the time period, while client offers under the **Productivity and Business Process Improvement** theme accounted for 25% and included the *Productivity Improvement Fund* (2006-2007) competitive funding call, the *Growth Fund* 2008-2009 competitive funding call

and the *Capital Investment Initiative* client which was launched in 2015. From 2017 onwards the **Regional Development** Thematic Area has become more significant due to the *Regional Enterprise Development Fund* client offer.

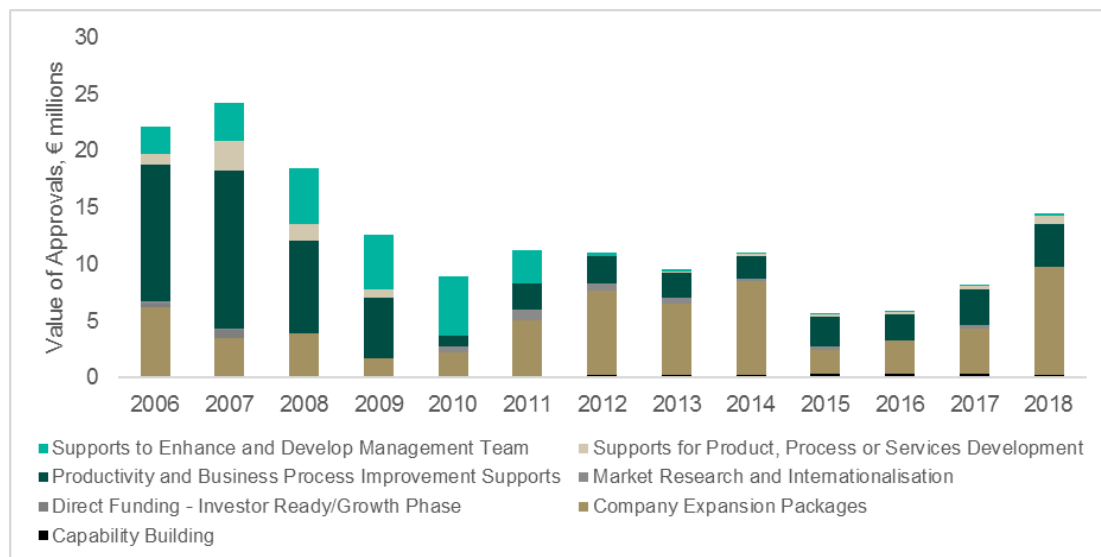


**Figure 5** Value of employment supports approved according to Thematic Area.

Figure 5 shows the Thematic Areas in which employment supports have been awarded. Employment supports have been awarded through client offers in the same Thematic Areas as for capital supports and also through client offers under the Thematic Areas of **Support to Enhance and Develop the Management Team** as well as **Market Research and Internationalization**. Client offers under the **Tailored Company Expansion** Thematic Area accounted for 66% of the value of employment approvals for the time period while client offers under the **Supports to Enhance and Develop the Management Team** theme accounted for 14% of the value of employment supports.

In 2006 and 2007, the **HPSU Direct Funding Investor Ready/Growth** theme was significant due to approvals in the *HPSU Package (pre 2008)* client offer, and in 2008 and 2009 the **Productivity and Business Process Improvements** theme was significant due to the

*Growth Fund* client offer. From 2017 onwards **the Regional Development** theme has become more significant due to approvals in the *Regional Enterprise Development Fund* client offer.



**Figure 6** Value of training supports approved according to Thematic Area.

As can be seen in Figure 6, apart from the **Regional Development** Thematic Area, training supports were approved across the same themes as for employment supports, with training supports also being approved in the **HPSU Capability** and **Product, Process and Services Development** themes.

For training supports, the majority of supports have been through client offers in the **Tailored Company Expansion** theme. The proportion of the value of training approvals accounted for by this theme increased from 13% in 2009 to 66% in 2018. While client offers under the **HPSU Capability** Thematic Area accounted for only 1.5% of the value of approvals across the period, they accounted for 25% of the number of approvals awarded. The client offers under the **Supports to Enhance and Develop the Management Team** accounted for 35% of the number approvals awarded over the period and this was through the *Mentor* client offer, though this client offer only accounted for 15% of the value of approved awards over the period.

#### 4.3.3 OUTPUTS BY FIRM SIZE

Firm size was determined by the employment in the firm in the year for which a support was approved, or, if this was not available, based on the first two years for which records were available for employment for the firm<sup>20</sup>.

<sup>20</sup> Based on the Annual Employment Survey (AES), DBEI.

The data indicates that there is demand for EI CET supports across firms of all size<sup>21</sup>, but it is small firms which have been the most active in seeking client offers through which capital and employment supports are provided. The situation is less clear for training supports due to a higher proportion of firms with unknown firm size and which is at least in part a consequence of the methodology employed for determining firm size<sup>22</sup>.

As can be seen from Table 4, for all firm sizes, capital supports were the largest financial support per approval, followed by employment supports, with training approvals relating to the lowest average financial support. The average financial support increased with firm size for each of CET supports which is consistent with an increasing scale of ambition and capability as firms increase in size.

**Table 4.** Average value of approval for CET according to firm size.

<b>2006-2018</b>	<b>Capital: average value of approval</b>	<b>Employment: average value of approval</b>	<b>Training: average value of approval</b>
<b>Large</b>	€1,378,444	€157,315	€111,292
<b>Medium</b>	€405,566	€95,062	€40,947
<b>Small</b>	€183,264	€65,250	€19,896
<b>Micro</b>	€161,313	€40,305	€4,589

#### **4.3.4 OUTPUTS BY SECTOR**

As can be seen in Table 5, and consistent with the more capital-intensive nature of the manufacturing sector, the majority of the value of capital supports has been to firms in this sector. Employment supports were provided at similar numbers and monetary values of approvals across the manufacturing and internationally trading services sectors. While there were similar numbers of training supports to the firms in the manufacturing and services sector, there was a higher average value of training supports in the manufacturing sector.

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<sup>21</sup> Firm size is classified according to number of employees as follows: micro < 10, small 10 – 49, medium 50 – 250, large 250+.

<sup>22</sup> EI administers Mentor training supports for LEO, IDA, and Udarás clients as well as to EI clients and the firm size for these non-EI clients could not be determined through the methodology applied for assigning firm size in this exercise.

**Table 5** Number and value of approvals for EI CET supports to firms in the manufacturing and internationally traded services sector over the 2006-2018 period.

2006-2018	Support Type	Number of Approvals	Value of Approvals
<b>Manufacturing</b>	Capital	764	€278,925,881
	Employment	1813	€138,845,719
	Training	3893	€106,429,183
<b>Internationally Trading Services</b>	Capital	74	€7,731,985
	Employment	1850	€137,331,002
	Training	4451	€55,361,970

## 4.4 Efficiency Effectiveness, and Appropriateness of EI Direct Financial Supports for CET

### 4.4.1 EI DIRECT FINANCIAL CET SUPPORTS: EFFICIENCY, AND EFFECTIVENESS

Determining efficiency and effectiveness of the CET supports is not straight forward, as the grant types themselves are not evaluated, but rather it is the client offers through which the CET supports are channelled that are evaluated. Furthermore, within the evaluations it is not feasible to extract the role of the CET supports separately from any RD&I supports that might be channelled through the client offer.

For the purpose of this exercise, previous evaluations of client offers were drawn on. Collectively, it was estimated that this suite of evaluations covered client offers with a total value of approvals that related to:

1. 25% of the value of capital approvals over the 2006-2018 timeframe.
2. 28% of the value of employment approvals over the 2006-2018 timeframe.
3. 45% of the value of training approvals over the 2006-2018 timeframe.

While it cannot definitively be determined which of the CET (or where relevant RD&I support) supports are responsible for which impact, the findings from an evaluation that incorporated a

number of client offers under the **Tailored Company Expansion** theme<sup>23</sup> coupled with findings from a separate evaluation of the *Job Expansion Fund*<sup>24</sup> (JEF) client offer and an evaluation related to the HPSU thematic areas<sup>25,26</sup> suggest that:

- The key client offers through which CET supports are/were channelled were operating efficiently (within the timeframe of the evaluation) and the majority of investment in company expansion and job expansion (JEF) projects had been funded through assisted firms' own resources.
- The key client offers through which CET supports are/were channelled, indicate that the client offers were operating effectively:
  - Detailed econometric modelling suggests client offers in the **Tailored Company Expansion** theme supported incremental sales, with the results indicating that firms increased overall sales of up to approximately 12% and export sales of up to approximately 11% in net terms in comparison to non-assisted firms.
  - Comparative performance, based on a counterfactual relating to a control group of non-assisted EI client companies was also completed for the JEF, and the results suggested that JEF-assisted firms significantly outperformed in terms of export and employment growth, while they also appear to have weathered the recession better than non-assisted firms.
  - The impact of supports through the HPSU client offers suggests that the programme is indeed effective, with the development of viable HPSUs achieved that show excellent performance in terms of survival, sales, exports and employment in a high number of cases. As a percentage of sales, exports for all HPSUs increased from 32.6 per cent in 2004 to 79.8 per cent in 2010. The comparator group, all Irish-owned firms surveyed annually through the ABSEI, saw fluctuations within the range 35.6 per cent and 38.9 per cent and between 2004 and 2009 (below). HPSUs (2004-2006 entrants) appeared to be more resilient in employment terms during the period of the recession than the comparator group.
  - Dead weight measures of between 69% and 76% were found for client offers in the **Tailored Company Expansion** theme and 70% for the JEF client offer. This is consistent with the assumed levels of deadweight assumed in the existing appraisal

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<sup>23</sup> It is noted that:

- this evaluation included client offers named as: Company Expansion (and derivatives of this) client offers, Scaling (including and excluding R&D) (January 2009 - June 2012), Investment De Minimis Established, Productivity Improvement Fund (2005-2008), Growth Fund (2008-2010), Key Manager Grants and Strategic Consultancy client offers.
- in the classification of client offers according to thematic area as set out in Appendix 2, the Productivity Improvement Fund and Growth Fund are classified within the Productivity and Business Process Improvements theme, while the Key Manager Grant client offer is classified in the Supports to Enhance and Develop Management Team theme.

<sup>24</sup> Enterprise Ireland Job Expansion Fund 2010-2012 (Interim Evaluation), Department of Jobs, Enterprise and Innovation, 2015

<sup>25</sup> Evaluation of Enterprise Supports for Start-Ups and Entrepreneurship, Forfás, 2012.

<sup>26</sup> It is noted that this evaluation covered firms in receipt of HPSU supports between 2004-2006.

system applied by the development agencies in ex-ante appraisal of projects of between 60% and 80% for expansion projects.

- Analysis suggested a low level of displacement arising from the provision of supports through company expansion client offers and the JEF.
- A cost-benefit ratio of 2.8:1 for client offers for client offers in the **Tailored Company Expansion** theme indicated that these client offers had delivered a positive net economic return, and similarly a positive cost-benefit ratio of between 2.7 and 4.0 was estimated as arising from the HPSU-package client offer.
- The research showed that client offers in the **Tailored Company Expansion** theme and the JEF assisted firms across a range of areas, including in relation to increasing the strategic ambitions of the company; contributing to the overall viability of the company; and assisting in entering new (export) markets and in developing new products.

In addition, the findings from the evaluation of the specific training related client offers indicate that:

- The training specific client offers were operating efficiently (within the timeframe of the evaluation) and the majority of investment in training projects had been funded through assisted firms' own resources.
- The training supports specific client offers have been mostly operating effectively for Mentoring and the Lean Business Offer. More mixed results were recorded for the e-business initiative (which was discontinued in 2013), and was the predecessor of the e-Marketing client offer fund:
  - For the Lean Business client offer the evaluation used a mix of survey methodologies and counter-factual analysis, focusing on productivity as the key outcome variable. On average, every year after the approval of a support that was drawn down, client companies supported through the Lean client offer had an annual productivity value that was of the order of €37,000 per employee higher than companies in the matched control group: an increase of 20 percent. The econometric analysis also revealed that the increase in productivity was not at the expense of jobs. Companies also reported positive effects arising from application of the lean principles: in terms of their competitiveness; on delivery schedule adherence; on product/service quality and customer relationships; and in terms of reduced unit costs of their products and services.
  - For the Mentoring client offer a qualitative research approach was used in the evaluation for the 2008-2012. The research pointed to a service which, overall, demonstrated positive impacts in the view of its the clients firms. Firms considered that the Mentoring client offer: had made a difference to their business; had supported quicker growth; had helped firms prepare to face challenges. Within the context of business development, it was acknowledged that it can be difficult to attribute an impact on or change to a client's business to the mentoring intervention as often

mentoring is part of a broader support package to a client firms and it can be difficult to isolate the contribution of mentoring from other interventions. However, through the use of focus groups and interviews, firms reported that quantifiable benefits in terms of turnover, employment, exports, cost savings and time savings had been achieved. Thus, the Mentor client offer was reported effective by clients and had a low cost per user of approximately €2,000.

- The e-business initiative client offer was evaluated using a mix of survey methodologies and counterfactual analysis. e-business was classified as a productivity support and it was found that firms supported through this client offer had every year after the support an average annual productivity value that was higher (in the order of €11,700 per employee) in comparison with a control group. However, the econometric analysis also revealed that the increase in productivity may have been at the expense of jobs. The analysis shows that the e-business client offer had a positive effect on sales (of the order of 26 percent) but a negative impact on employment (10 percent decrease).

It is noted that while the evaluations positively report on the efficiency and effectiveness of the client offers, it is acknowledged that the evaluations evidence base had a number of limitations. This includes that: the evaluation period related only to the earlier period of the overall review time frame; and evaluations were undertaken based on evaluation of individual client offers that did not take into consideration the context of firms receiving multiple support types that are channelled through single or multiple client offers to firms over time. Thus, these evaluations cannot definitively identify the causal relationships between support type/client offer and any impact measured.

However, there are opportunities arising for new data generation through the new EI Client Engagement Model (CEM) which was initiated by EI in 2017. The CEM uses a diagnosis approach to examine the organisational capabilities of companies across 6 key business pillars. Priority areas in these business pillars for the client are identified and agreed on with a clear plan put in place in addition to carrying out a review. This opens up possibilities for new firm level data generation which could prove useful in helping to identify causal relationships between the EI support types/client offers and impact measures.

#### **4.4.2 EI DIRECT FINANCIAL CET SUPPORTS: APPROPRIATENESS**

As outlined in section 3 of this paper, during the 2005 to 2008 period the policy emphasis was on addressing deficiencies in the existing industrial base in Ireland, including in relation to the high cost base and decreasing international competitiveness, promoting R&D, innovation, marketing and management capabilities and skills, and continuing to develop new export market opportunities.

A review of the objectives of the key client offers for CET during 2005-2008 indicate that these client offers were appropriate within this earlier context. Within this pre-recessionary context,



enterprise strategy focused on the need to regain competitiveness through a combination of reducing costs nationally and helping firms to increase productivity. A range of business development measures were introduced to drive productivity improvements, including management development, training, R&D, innovation and technological supports. The *Productivity Improvement Fund*, *Growth Fund*, and *Key Manager Grant* supports are examples of such measures.

With the onset of the recession, there was an increased focus on employment creation and retention and the objectives of the *Company Expansion* client offer were reoriented towards objectives based on an export-led agenda for growth and job creation. In this context, the rationale for targeted and tailored supports through the company expansion client offer was to enhance the capabilities of indigenous SMEs planning significant expansions through export market development and associated employment creation. A further rationale for **Tailored Company Expansion** client offers post 2008 was that these supports enabled SMEs to access funding in an environment where traditional commercial funding markets had become dysfunctional due to the problems facing the Irish banking sector. Furthermore, the *Job Expansion Fund* was introduced as a new client offer to specifically focus on the policy agenda of job creation through providing grant support to recruit new employees, and the *Graduates 4 International Growth* client offer was introduced to support firms with export-led growth agendas, with the support aimed at matching graduates with companies to develop and execute plans to grow in key markets.

From 2010 onwards, supports for training continued to be approved through client offers such as the *Company Expansion* and the *Graduates 4 International Growth* client offers<sup>27</sup>. However, a number of specific standalone training schemes were also introduced at this time. These standalone training support client offers are aimed at developing in-firm capability of employees and management through training for: improving productivity (through the *Lean Programme* client offer); maximising opportunities for new business development channels as presented through the internet (*E-Marketing* client offer); realising opportunities related to environmental considerations (*Environmental* client offer); supporting knowledge transfer leading to increased competences in building Information modelling (*Building Information Modelling* client offer).

*Mentor* supports have been a key training client offer across the whole time period with firms being matched to an experience business mentor whom can assist them in areas of weakness.

Throughout the period, EI client offers have supported HPSUs through the vehicle of training supports to assist HPSUs in the start-up phase. Up to 2008/2009, capital and employment supports were available through HPSU client offers with the objective of accelerating the development of high potential start-up companies by supporting them to achieve commercial and technical milestones. In 2007, EI carried out a review of start-up supports on a risk reward

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<sup>27</sup> The programme matches graduates with companies to develop and execute plans to grow in key markets.

basis and a decision was made to stop providing capital and employment grants as part of HPSU packages. The *HPSU* client offer was evolved to providing equity investment to HPSUs on a co-funded basis to support them to implement their business plans, and first time and follow on equity investments are available under this offer. This evolution of the client offer reflects the increased policy focus in supporting the development of innovative start-ups as a source of job creation and growth.

As Ireland started to emerge from the recession the *Graduate Business Growth Initiative* client offer was also introduced and was aimed at helping SMEs to hire graduates in a competitive market.

In more recent years, new policy emphases have come to the fore, in particular the focus on regional enterprise development and the return to a focus on productivity which is due to the growing disparity in productivity levels between high and lower productivity enterprise performers leading to competitiveness challenges (and which is a global phenomenon)<sup>28</sup>. The *Regional Enterprise Development Fund* administered by EI represents a key support for employment and training supports and is aimed at supporting collaborative initiatives that can make a significant impact on enterprise development in the regions/across regions or nationally to build unique capabilities to grow the regions - though as such it is not a client firm support but rather it is a support for not-for-profit entities such as local development bodies and industry clusters on a competitive basis. The *Capital Investment Initiative* client offer has been established to assist EI clients to improve productivity and competitiveness through the acquisition of new capital equipment and technology, and thus support them to take advantage of the new opportunities for productivity improvements that are arising from the wave of new technological advancements.

Overall, taking into account the rapidly evolving economic and policy context over the 2005-2018 period, it is reasonable to conclude that EI's key client offers through which direct financial CET support are channelled have been evolved, and new client offers have been introduced, to be aligned with, and have been and continue to be appropriate to national economic and enterprise policy.

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<sup>28</sup> It is noted that challenges exist in measuring productivity due to the presence of highly productive foreign multinational companies, with limited value in comparing Irish SME productivity with that of multinational companies.

## 4.5 Conclusions from a Review of EI Direct Financial CET Supports

**Conclusion 1: EI CET supports have been significant in scale across the enterprise base with approvals to nearly 6,000 unique firms over the 2006-2018 timeframe.**

Over the 2006-2018 timeframe €326 million has been approved for capital supports, €291 million for employment supports and €193 million for training supports. This has been predominantly been to firms, with €38 million and €14 million to not-for-profit entities for capital and employment supports respectively between 2017 and 2018.

Time series analysis of CET supports points to evidence of firm reactions to the economic recession, such as the reduction in firm investment in CET related activity (proxied by a reduction in the value of approvals), and a slightly higher level of reductions/cancellations related to projects approved just prior to and during the recession. While the value of approvals for capital and employment supports has subsequently grown and outstripped pre-recession levels, the value of approvals for training supports has remained at pre-recession levels up until 2018.

The approval data indicates that EI CET supports are accessed by firms of all size but it is small firms which have been the most active in seeking client offers through which capital and employment supports are provided (the data for training supports is less conclusive given a higher proportion of firms to which firm size could not be assigned).

Consistent with the more capital-intensive nature of the manufacturing sector, the majority of the value of capital supports has been to firms in this sector. Employment supports were at similar numbers and values of approvals across the manufacturing and services sectors. While there were similar numbers of training supports to the firms in the manufacturing and services sector, there was a higher average value of training supports in the manufacturing sector.

**Conclusion 2: While EI CET supports have been channelled through 120 client offers over the 2006-2018 timeframe, the majority of CET supports have been channelled through a small number of client offers, and additional client offers address key policy agendas as they arise.**

Over the 2006-2018 timeframe EI channelled CET supports through 120 client offers to firms and not-for-profit entities. On average CET supports were channelled through 39 client offers per year. However, over this timeframe there some client offers that reflect an evolution of a previous client offer, some of the client offers have been sunsetted over the period, some of the client offers were available for a predefined period, and new client offers were introduced.

There is thus a dynamism in the suite of client offers available to firms that reflects a response to changing economic and policy context and to changing firm circumstances. Furthermore, there is a range of companies within the EI client base with very different scale, strategic

ambition and lifecycle stage. In this regard, having a suite of supports available to companies depending on size and stage of development is necessary as EI is looking to invest in a company's development, rather than programmes per se. In reality, EI has a relatively small number of core client offers which it has overlaid with various competitive call programmes such as the *Growth Fund* and *Regional Enterprise Development Fund* and specific client offers such as the *Job Expansion Fund* to address key policy objectives as they arise. There is also a number of client offers related to very specific agendas, in particular related to training, and these typically relate to smaller levels of funding. Analysis of the approval levels across the client offers does highlight low levels of demand for CET supports across a number of client offers, however, RD&I supports may be the main funding type channelled through these client offers.

Over the 2006-2018 timeframe, the majority of the value of the direct financial CET supports have been channelled towards client offers associated with the **Tailored Company Expansion** theme as well as the **Productivity and Business Improvement** theme and the theme for **Supports to Enhance and Develop Management Team**. This reflects EI's focus on supporting firms to invest in growth, and the more significant levels of funding required for this activity.

**Conclusion 3: Based on the available evaluation evidence the review points to the CET supports being efficient, effective and aligned with, and appropriate to the evolving national economic and enterprise policy context over the timeframe though limitations in the evidence base were identified.**

EI takes a strategic approach to enterprise development and so considers all aspects of business development and appropriate supports (including CET direct financial supports). As such, there is no defined set of objectives for EI CET supports specifically but objectives are defined for the client offers through which CET supports are channelled. Consequently, evaluations have focused on EI client offers, rather than the CET support type.

It is recognised that there were limitations related to the available evaluations of client offers: in terms of the coverage of the suite of client offers, in terms of the time periods for which the available evaluations were focused, and in terms of identifying causal relationships between support types/client offers and the impacts measured. Evaluations of a number of key client offers through which a large proportion of CET supports are channelled, do suggest that collectively these client offers have been efficient and effective, in that the funding provided has been found to have delivered strong performance among assisted firms in terms of sales, exports and employment. However, developing a better understanding of the causal relationships between enterprise supports types/client offers and the impacts measured would help in better informing DBEI and EI on future direction of funding. The new Client Engagement Model (CEM) initiated by EI opens up possibilities for new firm level data generation which could prove useful in helping to identify causal relationships between EI CET supports/client offers and impact measures, and this avenue will be explored in the future.

Mapping the evolving policy context with the objectives of the evolving suite of EI client offers also indicates that EI's key client offers, through which direct financial CET supports have been channelled, aligned with, and have been appropriate to evolving national economic and enterprise policy.

To address the limitations identified in the evaluations, DBEI will develop a schedule of evaluations for CET supports from 2020 onwards, with a particular focus on the gaps identified in this FPA, including an ex-ante evaluation of the EI CEM.

**Conclusion 4: For EI grant-type CET supports, the time lag between approval and drawdown of payments means that financial liabilities to the State stemming from approvals in earlier years remain. However, EI's active management of approved awards helps to maintain a more accurate reflection of the financial liabilities that are likely to fall due for payment.**

EI actively manage approved projects, cancelling/reducing them if funding is not drawn down within a 3 year period. This should have the effect of minimising the value of approvals that remain recorded as outstanding liabilities to the State arising from approvals in previous years. Analysis of the data confirms that this is the case, with outstanding liabilities related to approvals made between 2006-2013 accounting for less than 12% of the €266.5 million of liabilities to the State in 2018 that relate to approved EI CET supports (€32 million).

**Conclusion 5: The full value of EI CET supports approved are often not fully drawn down and the reasons for this are understood. However, it is less clear as to why some firms do not draw down any of an approved capital, employment or training support and further research would be required to elucidate this.**

Between 50-60% of unique firms approved across the support types have subsequently reduced/cancelled an approved support – though the proportion of the total approval values for the 2006-2018 timeframe which relates to reduced/cancelled projects by firms is significantly lower at: 9% for capital, 19% for employment and 22% for training. While there are a range of reasons why firms may reduce the value of the projects relative to the approval value, it is less clear as to why some firms that have applied for, and have been approved for supports, do not go on to drawdown any of the funding.

This review did not explore the reasons for complete cancellations of an approved capital, employment or training support type, but the data implies that complete cancellations are not limited to the recessionary period. Further investigation would be required to develop an understanding of the reasons why firms completely cancel an approved capital, employment or training support.

DBEI will address this finding by exploring in future evaluations of CET supports why some firms do not draw down CET supports for which they have been approved.

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## 5. IDA Capital, Employment and Training Direct Financial Supports to Firms

### 5.1. IDA Direct Financial CET Supports: Background Context and Objectives

IDA Ireland is the government organization responsible for the attraction and retention of inward foreign direct investment (FDI) into Ireland. It's current strategy<sup>29</sup> seeks to attract new FDI (new to Ireland or new to firm) for activities which depend on a highly skilled labour force or relate to high-value added activities. Targets set out in this strategy focus on jobs, investment and R&D across manufacturing and internationally trading services sectors, and also on regional development.

IDA provide direct financial support for FDI - in accordance with State-aid rules - through four different support types: Capital, Employment, Training and R&D. IDA offers direct financial supports to foreign-owned firms by way of grants: which are payable on the conditional basis of milestones being reached, and represents a partial cost of the overall project cost with payments made to firms after expenditure has been incurred<sup>30</sup>. Each of the four support types (Capital, Employment, Training and R&D) can be approved as a standalone support or a combination of two or more of the support types might be approved for a given application (considered a package of supports).

It is acknowledged that a previous spending review paper included an analysis of all four IDA direct financial four support types.<sup>31</sup> This FPA sets out a subset of the previous analysis in terms of expenditure across 3 of the support types, namely CET. It builds on the previous analysis to look at the demand by firms for such supports and the level of supports provided on average to firms of different sizes. It also expands on the previous work to review the efficiency, effectiveness, and appropriateness of IDA direct financial CET supports to firms.

Up to the last decade, capital and employment direct financial supports provided by the IDA were the core intervention for the attraction of FDI. Collectively the objective of these supports was to incentivise employment creation and expansion into new activities. A clearly defined set of collective objectives was developed by IDA for capital and employment direct financial supports to firms in 2016 and are set out in Box 1.

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<sup>29</sup> Winning: Foreign Direct Investment 2015-2019

<sup>30</sup> When the conditions of a grant agreement are breached by a client company the grant is recoverable. During the year 2017 the Agency recovered €5.031m (€346k in 2016) relating to grant refunds- this is not included in the grant database,

<sup>31</sup> Spending Review 2018, Trend Analysis of IDA Ireland Expenditure, ROBERT KEOGH AND CRÍONA BRASSILL, July 2018.

IDA has also provided training supports for many decades with the objective of assisting companies already located in Ireland to achieve a significant upgrading of their skills base. This has been in the context of improving the competitive capability of companies located in Ireland but excluding routine and operational training. A clearly defined set of objectives were developed for training supports in 2017 and are set out in Box 2. These objectives reflect the current objectives of training supports.

The evolved objectives for CET supports, as set out in Box 1 and Box 2, represent a shift towards supporting firms to expand into higher order and new business activities, encouraging firms to develop second sites in Ireland as well activities and an increased regional focus.

#### **Box 1 Objectives of IDA Capital and Employment Grants as of 2016**

##### **Objectives of IDA Capital and Employment Grants 2016**

- Attract companies to regional locations in Ireland.
- Support existing regionally based clients in winning mandates in higher order functions and new business activities.
- Create stronger relationships with client, both in Ireland and at corporate level.
- Growth in capital investment and fixed assets upgrade in regional locations.
- Support IDA's second site initiative.

#### **Box 2 Objectives of IDA Training Grants as of 2017**

##### **Objectives of IDA Training Grants 2017**

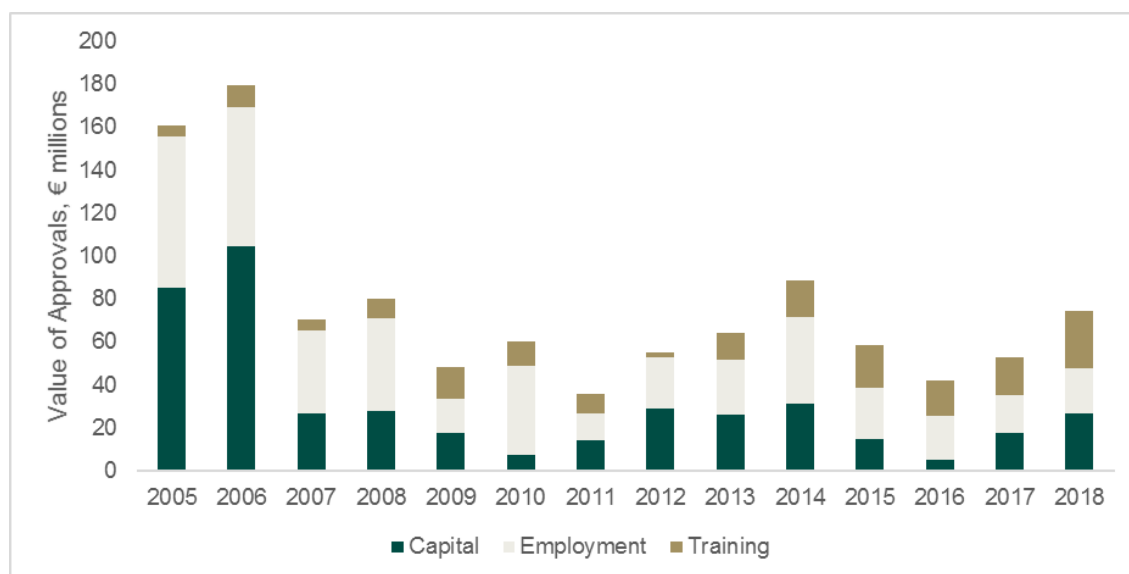
- Encourage continuous staff development and raise value add of company.
- Put in place major new management structure that will make the company more competitive, for instance, a world class manufacturing system.
- Help alleviate any major skill shortages that might threaten the development of the Irish operation.
- Support the absorption of new technologies.
- Allow the Irish operation to produce more sophisticated products and services and/or the introduction of new products.
- Facilitate the setting up of new 'higher order functions', such as marketing, and RD&I for instance, companies could use this programme as a first step in building up or augmenting their RD&I function by assisting the training of staff before the company is actually ready to submit an RD&I Programme.

## 5.2 Inputs for IDA Direct Financial CET Supports

In reviewing IDA expenditure on CET direct financial supports to firms, there are a number of options for the analysis. It was decided that the approvals measure would be the measure on which data analysis presented in this paper would be primarily based and that separate analysis on reduction/cancellations, approvals yet to start, and payment drawdowns would also be undertaken where appropriate. The rationale for this approach is set out in Appendix 5.

The total value of approved IDA direct financial supports to firms for the period 2005-2018 amounted to €2.3 billion and CET supports to firms accounted for 47% of this overall figure (€1.07 billion).

A time series of the value of approvals for CET direct financial supports over the 2005-2018 period is shown in Figure 7. The peak in approvals in 2006 is considered to have been a consequence of increased level of applications that was triggered by an anticipated change in EU State-aid rules in 2007<sup>32</sup>. IDA capital and employment supports can be seen to be the more dominant of the three support types in most years up to 2012, after which the value of approved training supports has become more significant.



**Figure 7** Direct financial supports approved to firms for Capital, Employment and Training.

<sup>32</sup> Spending Review 2018, Trend Analysis of IDA Ireland Expenditure, ROBERT KEOGH AND CRÍONA BRASSILL, July 2018.



Based on the value of approvals, value of reductions/cancellations of approvals, and drawdown of payments, a number of salient points were identified for IDA direct financial CET supports separately:

1. For capital supports, €434 million of approvals were approved between 2005-2018. Of these approvals 54% were made in payments, 7% were reduced in size or cancelled and 39% remain in committed expenditure. The value of capital supports approved between 2005-2014 but yet to start is €62 million, which accounts for 37% of the outstanding committed expenditure for capital as of 2018.
2. For employment supports, €458 million of approvals were approved between 2005-2018. Of these approvals 36% were made in payments, 11% were reduced in size or cancelled and 54% remain in committed expenditure. The value of employment supports approved between 2005-2014 but yet to start is €87 million, which accounts for 36% of the outstanding committed expenditure for employment as of 2018.
3. For training supports, €177 million of approvals were approved between 2005-2018. Of these approvals 40% were made in payments, 6% were reduced in size or cancelled and 54% remain in committed expenditure. The value of training supports approved between 2005-2014 but yet to start is €10.5 million, which accounts for 11% of the outstanding committed expenditure for training as of 2018.

The total outstanding expenditure remaining to be paid in the future by IDA based on CET supports approved between 2005-2018 is €508 million (though it is expected that this will be reduced through reductions/cancellations related to more recent approvals). Further analysis shows that outstanding commitments are still arising from very early years of approval in the time series. For capital supports 66% of outstanding committed expenditure stems from approvals prior to 2015, and this was 70% for employment supports and 37% for training supports.

There is a time lag between a grant approval and actual payment of the first instalment of a grant support. Such supports are usually paid over a number of years when milestones have been met by the company. Total drawdown can take up to eight years depending on the support type. IDA has to date managed approved supports in a number of ways: when a company applies for new supports from the IDA its outstanding supports are reviewed as part of the approval process; and in 2016 and 2017 it undertook a review of all outstanding projects approved and reduced/cancelled those that were not going to progress, and this related to reducing/ cancelling €160.9m in outstanding CET supports (though it is noted that such a review would have reached back beyond the 2005 approval date that defines the timeframe in this exercise). IDA also monitor whether firms have started the project associated with the approved supports. It has been indicated previously that there is generally a lag of 2-3 years between grant approval and actual first payment by IDA<sup>33</sup>.

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<sup>33</sup> Spending Review 2018, Trend Analysis of IDA Ireland Expenditure, ROBERT KEOGH AND CRÍONA BRASSILL, July 2018.

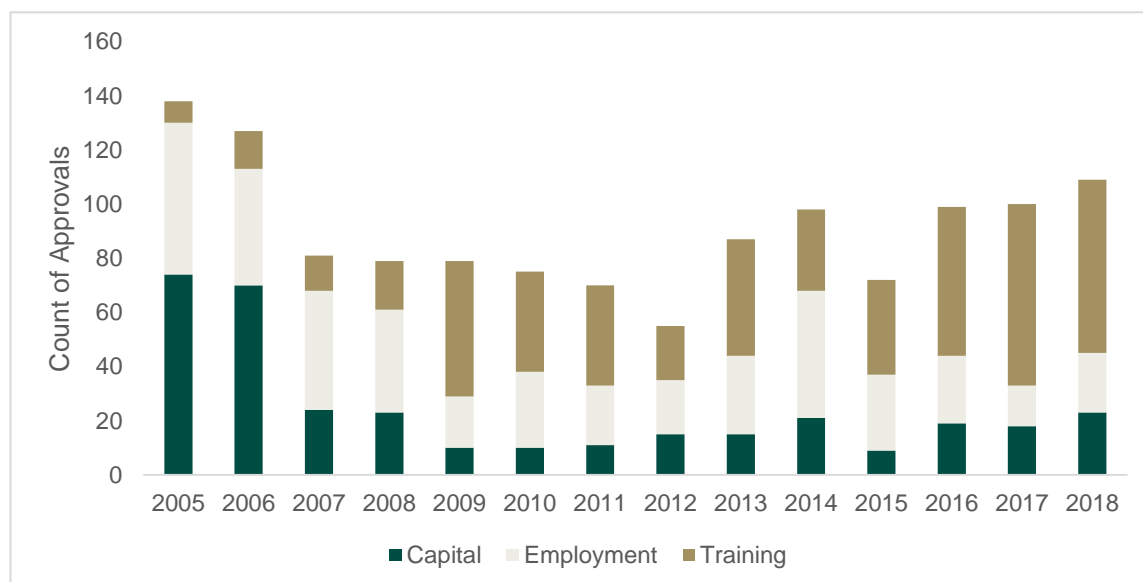
However, it was found that €172 million worth of CET supports have been approved between 2005-2018 but have yet to start, with some of these approvals dating back to over a decade ago (based on the 2005-2014 timeframe the value of approvals yet to start is €159.5 million). The approval amount remains a committed expenditure until such time that the project is formally cancelled.

However, it is acknowledged that the approval of a project can help local FDI firms to build a case for new investment from their parent firm. Furthermore, approvals for projects that have not yet started can relate to firms that are considering establishing a presence in Ireland but the investment in Ireland has not yet begun. There is thus a case for allowing long lead times to firms to draw down payments.

## 5.3 Outputs from IDA Direct Financial CET Supports

### 5.3.1 OUTPUTS FROM IDA DIRECT FINANCIAL CET SUPPORTS: NUMBER OF APPROVALS, REDUCTIONS/CANCELLATIONS, AND APPROVALS YET TO START

The total number of CET approvals per year over the timeframe is shown in Figure 8. The high number of approvals in 2005 and 2006 was followed by a decline in the number of approvals to 2012. Subsequently the number of approvals has increased to 2018. The contribution to the number of approvals from each support type varied from year to year, though training supports have emerged from being a minority contributor prior to 2009, to the majority contributor amongst CET supports from 2016 onwards.



**Figure 8** Number of approvals per year for IDA CET supports

As can be seen from Table 6, over the 2005-2018 timeframe, 1,269 IDA direct financial CET supports were approved with 651 unique firms receiving at least one of a CET support and amounting to a total of €1.07 bn in approvals.

Over the 2005-2018 period, employment supports ranked highest in terms of the number of unique firms accessing supports and training supports ranked highest in terms of the number of individual approvals. However, it was found that the average value per approved support was highest for capital supports at €1,270,582, followed by employment supports (€1,051,509) and then training supports (€359,978). For training supports it was found that the value of training supports approved was predominantly for general training over specific training, and the average value of approval for general training was €620,000 in comparison to €221,000 for specific training approvals.

**Table 6** Value of approvals, number of approvals, and number of unique firms approved for IDA CET supports, over the 2005-2018 timeframe.

2005-2018	Value of approvals (millions)	Number of approvals	Number of unique firms approved
Capital	€434	342	204
Employment	€458	436	357
Training	€177	491	265
Total	€1,070	1,269	651

Table 7 provides the number of approvals over the period 2005-2018 that have to date been reduced/cancelled and the corresponding number of unique firms that these reductions/cancellations relate to. Table 7 also shows the number of approvals for which the approved activity has yet to start and the corresponding number of unique firms that these approvals relate to.

The proportion of unique firms cancelling/reducing supports that have been approved to date is greatest for capital supports (45% of unique firms approved for capital supports subsequently reduced/cancelled). The proportion of unique firms reducing/cancelling approved awards was less for employment supports at 14% and training supports at 16.5%. Reasons why firms might not drawdown supports can include for example: targets for

drawdown not being met or underachieved; or replacement at a later date by another project; the project was delayed or cancelled<sup>34</sup>.

The number of unique firms that have been approved for supports for which the associated project has not yet started is greatest for employment supports (32% of unique firms approved) in comparison to capital (12%) and training supports (10%). Approximately half of the capital and employment approvals yet to start relate to approvals made between 2005 and 2008 and 22% of training approvals yet to start stem from this period.

In terms of the value of CET supports approved and not started it was found that approvals prior to 2015 account for 99% of the value all capital approvals yet to start and 93% of the value of all employment approvals yet to start. This was 14% of the value of capital supports approved between 2005-2018 and 19% of employment supports approved over the same timeframe. For training approvals made prior to 2015 account for 69% of the value of all training approvals yet to start and for 6% of training supports approved between 2005-2018.

The projects may not have started for a variety of reasons including the firm not yet being ready to start, and as discussed in the previous section, there is a good rationale for allowing long lead times to firms to drawdown payments.

**Table 7** Number of reductions/cancellations, approvals yet to start.

2006-2018	Number of approvals reduced/cancelled	Number of Unique firms reducing/cancelling	Number of approvals yet to start	Number of Unique firms approved and yet to start
Capital	136	92	31	24
Employment	58	50	118	115
Training	70	44	33	28
Total	264	163	182	159

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<sup>34</sup> Evaluation of IDA Capital and Employment Grants 2005-2010, Department of Jobs, Enterprise and Innovation, 2015.

### 5.3.2 OUTPUTS FROM IDA DIRECT FINANCIAL CET SUPPORTS: ACCORDING TO FIRM SIZE

Firm size was determined by the employment in the firm in the year for which a support was approved, or, if this was not available, based on the first two years for which records were available for employment for the firm<sup>35</sup>.

Based on the cohort of firms for which firm size was known<sup>36</sup>, it can be seen from Table 8, that for the 2005-2018 timeframe, the average value of the approval across the three support types was considerably higher for large firms. Given that IDA provide supports based on a percentage basis of the total project size being undertaken, this higher average value of approval is consistent with larger firms undertaking larger projects. The average approval value for capital and employment supports were found to be significantly higher than training supports for each firm size.

**Table 8** Average value of IDA CET support approvals according to firm size.

2005-2018	Capital: average value of approval	Employment: average value of approval	Training: average value of approval
<b>Large</b>	€1,984,321	€1,921,414	€671,833
<b>Medium</b>	€324,500	€889,667	€202,951
<b>Small &amp; Micro</b>	€578,619	€816,632	€119,661

### 5.3.3 OUTPUTS FROM IDA DIRECT FINANCIAL CET SUPPORTS: ACCORDING TO SECTOR

Over the 2005-2018 timeframe IDA CET direct financial supports have been geared towards manufacturing and the internationally trading services sectors<sup>37</sup>.

Table 9 sets out the value and number of approvals, and the average value of approvals for CET supports in accordance with the associated firm sector. The table indicates that over the 2005-2018 period:

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<sup>35</sup> Based on the Annual Employment Survey (AES), DBEI.

<sup>36</sup> Firm size was known for 75% of capital approvals, 60% of employment approvals and 78% of training approvals. It is noted that some proportion of the unknown firm size may relate to firms that were approved for support but did not proceed to setup operations in Ireland and hence would not have completed the AES.

<sup>37</sup> A small portion also assigned to agriculture and mining and other sectors through the time series, which accounts for reduction in count of approvals and total value in Table 14.

1. the majority of the number and value of capital supports was for the manufacturing sector.
2. the number and value of approvals for employment was higher in the internationally trading services sector.
3. the number and value of approvals for training supports was higher in the manufacturing sector.
4. the average value of approvals for the period was higher for each of CET supports in the manufacturing sector over the services sector.

**Table 9** Number, value and average value of approvals for IDA CET supports in manufacturing and internationally trading services sectors over the 2005-2018 period.

2005-2018	Support Type	Number of Approvals	Value of Approvals	Average value of approvals
<b>Manufacturing</b>	Capital	269	€403,174,078	€1,498,788
	Employment	152	€183,512,142	€1,207,317
	Training	343	€127,691,757	€372,279
<b>Internationally Trading Services</b>	Capital	72	€31,305,310	€434,796
	Employment	276	€271,180,650	€982,539
	Training	145	€49,034,399	€338,168

## 5.4 Efficiency, Effectiveness, and Appropriateness of IDA Direct Financial CET Supports to Firms

### 5.4.1 BACKGROUND CONTEXT ON EVALUATIONS RELATED TO IDA DIRECT FINANCIAL CET SUPPORTS

DBEI previously completed evaluations of IDA capital and employment supports<sup>38</sup> together and separately for IDA training supports<sup>39</sup>.

<sup>38</sup> Evaluation of IDA Capital and Employment Grants 2005-2010, Department of Jobs, Enterprise and Innovation, 2015.

<sup>39</sup> Evaluation of IDA Training Grants 2005-2010, Department of Jobs, Enterprise and Innovation, 2015.

It was estimated that the evaluations covered CET supports with a total value of approvals that related to:

1. 50% of the value of capital and employment approvals over the 2005-2018 timeframe.
2. 30% of the value of training approvals over the 2005-2018 timeframe.

It is noted that the evaluation analysis was carried out based on projects that had been approved and started over the 2005-2010 period.<sup>40</sup>

These evaluations are the primary source of information and data for this section, and any additional insights that are drawn from other sources are highlighted when used. These evaluations used a combination of surveys and econometric modelling to generate their findings.

#### **5.4.2 IDA DIRECT FINANCIAL CET SUPPORTS: EFFICIENCY**

The findings from the evaluations indicated that the IDA CET supports are for the most part operating efficiently.

For capital and employment supports efficiency was examined from a number of perspectives. Based on the 2005-2010 analysis in terms of cost per job, the expenditure in Ireland was found to have been falling. Irish cost per job figures also, while comparisons were problematic, looked competitive by international standards.

In terms of administrative and process efficiency, the 2005-2010 analysis findings suggested that there may be scope to review aspects of these including the awarding of multiple separate grants to some firms and the high level of firms that have been approved for capital and employment supports but had not started the associated projects. As discussed in section 5.2. of this document, over the period 2005-2014 this accounted for €62 million of capital supports and €87 million of employment supports and a considerable administrative effort must go into these approvals.

For training supports the estimate of unit costs in the evaluation suggested that the cost per training day in IDA resources was akin to the public costs on Skillnets programmes, though caution is needed here as average training costs in an area involving very different types of training can be of limited value and the associated benefits also need to be taken into account.

#### **5.4.3 IDA DIRECT FINANCIAL CET SUPPORTS: EFFECTIVENESS**

The findings from the evaluations indicated that the IDA CET supports are for the most part operating effectively.

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<sup>40</sup> This related to €285.3 million in projects approved and started for capital and employment supports and €41.6 million for training supports.

Employment supports were found to lead to increased employment in supported firms relative to firms not receiving support. In percentage terms, average annual employment in the sample (test group) was 33 percent higher in the three years post grant approval than in the three years pre-grant approval. In the similar set of IDA client companies (control group) it was 0.1 percent lower.

Furthermore, a positive benefit-to-cost ratio (BCR) of 3.09 to 1 was estimated for capital and employment supports approved and started, though this was based on a deadweight of 36% percent as estimated through firm surveys. The BCR remained positive but dropped to 1.45 when a higher, and probably more realistic, deadweight of 70% was applied.

Additionally, companies considered that IDA capital and employment supports were vital or very important to their investment decisions, albeit that they also declared that there was a relatively high level of deadweight involved. Companies interviewed emphasised that Ireland was now seen as a high cost location for many activities, particularly manufacturing, and capital and employment supports help to reduce investment costs thus making a significant difference in investment decisions.

There is an issue with causality inherent in an analysis of IDA supports. It could be that better performing firms are more likely to apply for and receive support. However, this issue is beyond the scope of this analysis.

Training supports were also found to be effective with employment, sales, value added and training expenditure metrics for the period 2000-12 showing a pattern whereby firms for which training supports were approved and started generally performed better during the period than similar IDA client companies with no training support.

Deadweight was estimated for training supports to be 27% based on firm surveys. However, it was considered that that deadweight has long been recognised as an issue in the case of in-company training given that such activity would be undertaken anyway as it is vital to company's existence and performance, and successive evaluations over the years have highlighted this challenge. As such, it was considered important to continually assess the level of additionality that the support is delivering.

Training supports were considered to be a consistent, albeit small, part of the IDA suite of interventions for FDI support and companies felt that the IDA was vital or very important in fulfilling their objectives, and in encouraging their investment decisions, albeit that they also declare that there is a relatively high level of deadweight involved. However, overall, the mix of incentives, of which training supports are part, were seen as being such as to retain Ireland's attractiveness for FDI.

It is acknowledged, however, that the evaluations evidence base had a number of limitations in terms of the time periods for which the available evaluations were focused, and a data availability issue arising from the small cohort of firms available for analysis in the evaluations



made it difficult to identify definitively the causal relationships between supports and the impacts measured.

#### **5.4.4 IDA DIRECT FINANCIAL CET SUPPORTS: APPROPRIATENESS**

FDI has been a long-standing feature of Irish enterprise policy. The economic rationale for supporting FDI by way of capital and employment direct financial supports has traditionally been seen in terms of reducing Irish costs for inward investors, and also to compete with incentives offered by other FDI locations. These supports have a long-standing rationale in terms of being an appropriate “corrective subsidy” to help address any disincentives towards investing or staying in Ireland. The rationale for public support to FDI is increasingly seen as being to overcome informational market failure, i.e. that companies internationally have sub-optimum awareness of the benefits of investing in other locations and that the provision of financial assistance helps to overcome this. Arising from the employment crisis that began in 2008/2009, job creation was also the key focus of enterprise policy through the Action Plan for Jobs process.

Within the EU, financial incentives for mobile FDI are the subject of ever more restrictive regional-aid-guidelines with which Ireland must comply. However, in the Irish context, the sheer importance of FDI as part of the economy generally, and of exports in particular, means that the attraction of new FDI, and retention of existing FDI remain a critical element in policy. Companies interviewed emphasised that Ireland is now seen as a high cost location for many activities, particularly manufacturing, and that even modest contributions to reducing investment costs can make a significant difference in investment decisions and their absence could alter decisions at the margin.

At the time of the evaluation (2015) companies approved (and started) for capital and employment supports reported a preference for capital and employment supports (and R&D grants) over and above alternatives such as training and environmental support. However, since the evaluation period (2005-2010), there has been further evolution of the focus of direct financial supports. Between 2011-2014, capital and employment supports remained key supports accessed by firms reflecting the policy focus of growing and sustaining employment in the economic crisis and its aftermath. However, between 2015-2018, there has been an increased proportion of the value of supports approved to RD&I and training. This reflects the policy focus and IDAs Strategy during this time period to support transformational change in the existing FDI base as well as attracting new to Ireland FDI based on higher value activities, and to support upskilling of firms in response to the fast pace of technological change and international context within these firms operate.

In terms of future policy, both Future Jobs Ireland 2019 and Ireland’s Enterprise 2025 Strategy acknowledge the pace of technological change and the impact of digital technologies as becoming increasingly disruptive and pervasive. It is recognised that firms will need their employees to upskill their technical, leadership and management skills to keep abreast of such changes, and so training supports will be a key incentive towards firms making such changes.

Indeed, the data presented in sections 5.2 and 5.3 of this paper indicate that the number and value of training approvals has been rising over the 2015-2018 period and training supports are being activated more promptly by FDI firms relative to capital and employment supports.

## 5.5 Conclusions from a Review of IDA Direct Financial CET Supports

**Conclusion 1: IDA CET supports have been approved to more than 650 unique firms over the 2005-2018 timeframe.**

Over the 2005-2018 timeframe, €434 million has been approved for capital supports, €458 million for employment supports and €177 million for training supports.

The number and value of approvals has not been consistent over the timeframe. Time series analysis points to capital and employment supports being more dominant in terms of value of supports up to 2012, after which training supports started to become more significant and training supports represented the highest proportion of the value of CET supports in 2018.

The approval data indicates that there is demand for CET supports across firms of all size, with large firms having higher average value of approvals. Furthermore, supports have been approved across both the manufacturing and internationally trading services sector, with capital and training supports more dominant within the manufacturing sector and employment supports more dominant in the services sector over the 2005-2018 period. Though higher average values of approvals across each of CET supports were made in the manufacturing sector.

**Conclusion 2: The review suggests the IDA CET supports are efficient, effective and aligned with, and appropriate to the national economic and enterprise policy context over the timeframe, though limitations in the evidence base were identified.**

The available evaluation of IDA CET supports points to: positive outcomes in terms of employment, sales and value added in FDI firms; positive benefit to cost ratios; efficiency in relation to cost per job; and effectiveness in supporting Ireland's attractiveness to FDI.

These evaluations, coupled with a review of the evolving policy context and evolving objectives of IDA CET also points to these supports being aligned with, and appropriate to the national economic and enterprise policy context over the timeframe.

However, it is acknowledged that the evaluations evidence base had a number of limitations in terms of the time periods for which the available evaluations were focused, and a data availability issue arising from the small cohort of firms available for analysis in the evaluations made it difficult to identify definitively the causal relationships between supports and the impacts measured. However, developing a better understanding of the causal relationships

between enterprise supports types and the impacts measured would help in informing DBEI and IDA on future direction of funding.

DBEI will respond to this finding through developing a schedule of evaluations for CET supports from 2020 onwards, with a particular focus on the gaps identified in this FPA.

**Conclusion 3: For IDA grant-type CET supports, the time lag between approval and drawdown of payments means that financial liabilities to the State stemming from approvals in earlier years remain. Further management of the IDA CET supports could help to reduce the uncertainty around the actual State liability accruing from approvals in previous years, though this would need to be balanced with the role that approved supports play in winning FDI investments.**

There is a growing financial liability to the State arising from the approval of IDA CET supports. This is a consequence of the long lead times between approval and the drawdown of the supports. Furthermore, there is an uncertainty as to the extent that such approved supports will actually be activated and for which payment will be required.

IDA has to date managed approved supports in a number of ways: when a company applies for new supports from the IDA its outstanding supports are reviewed as part of the approval process; and in 2016 and 2017 it undertook a review of all outstanding projects approved and reduced/cancelled those that were not going to progress. IDA also monitor whether firms have started the project associated with the approved supports.

However, it is acknowledged that holding an approved project can help local FDI firms to build a case for new investment from their parent firm. Furthermore, approvals for projects that have not yet started can relate to firms that are considering establishing a presence in Ireland but the investment in Ireland has not of yet begun. There is thus a case for allowing long lead times to firms to draw down payments before IDA seeks to cancel such supports.

Thus, while the uncertainty around the actual State liability arising from IDA CET supports will remain a feature of public finance budgeting, further active management of approvals could help reduce the uncertainty around the State liability. However, this would need to be undertaken in a manner that balances the limiting of the uncertainty around financial liabilities for the State to the role played by approved supports in winning FDI investments. DBEI why there is considerable delay (> 3 years) for some firms between being approved for a project and starting a project.

To address this issue, DBEI plan to explore further in future evaluations of CET supports why there is considerable delay (> 5 years) for some firms between being approved for a support and starting the related project.

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## Appendix 1. Methodology for Assigning Estimates for DBEI Voted Capital Allocation Across the Set of Subcategories of A\*

### Defining A\* and B\*

It is noted that within the yearly estimates for DBEI, the capital allocation for IDA R&D supports are included in the DBEI capital allocation for 'Jobs and Enterprise Development'. To provide a more accurate picture of the DBEI capital allocation for RD&I an estimate for IDA R&D capital allocation has been mapped into category B (to form an adjusted category B – labelled B\*) and correspondingly this amount has been removed from the DBEI voted capital allocation for category A (to form an adjusted category A – labelled A\*).

### Assigning estimates for DBEI across sub-categories of A\*

Category A\* has been further divided into a number of sub-categories. These are largely the sub-categories used in the DPER revised estimates and are used for estimated DBEI allocation for EI and IDA CET grants.

Over the 2006-2018 the estimated DBEI allocation for EI CET grants was €659 million. The following sets out the approach used for developing this estimate.

- The DBEI estimated allocation for the subcategories of A\* was based on the revised estimate as published in the Revised Estimates for Public Services Report for the year quoted (ie. 2018 data from Revised Estimates 2018).
- DBEI capital allocation data was available within the Revised Estimates for Public Services Report for the following subcategories of A\*: IDA Buildings and Local Enterprise Offices (LEOs).
- The value for the subcategory 'Others' is based on the sum of the following line items that are indicated under the DBEI voted capital allocation in the Revised Estimates for Public Services: InterTrade, NSAI, Interreg Enterprise Development Allocation, Shannon free Development, Future Growth Loan Scheme, Temporary Loan Guarantee, Temporary Partial Guarantee Scheme, Fás allocation.
- The EI-other category was estimated based on the total DBEI voted capital allocation for D3/A7 (which is EI buildings), plus estimates for Infrastructure and transfer to other bodies which were determined using the same approach for the estimate of the DBEI voted capital allocation for EI non-R&D supports- as outlined below.

### **Estimate of DBEI voted capital allocation for IDA R&D and non-R&D supports (CET supports)**

The IDA R&D supports were recategorised into Category B. The R&D expenditure figure from the agency statements Revised Estimates for Public Services Report were used as a proxy for voted capital allocation for IDA R&D funding to industry (except in 2010- see below).

#### **For 2010-2019**

- The line item from the Revised Estimates for Public Services Report for the DBEI voted capital allocation was used for IDA buildings.
- The DBEI voted capital allocation for IDA non-R&D supports were calculated as follows:
  - Total IDA DBEI voted capital allocation (less expenditure on R&D grants) minus DBEI voted capital allocation for IDA buildings.
  - It is noted that this is an estimate for IDA CET as expenditure data was for R&D grants even though some of this expenditure on for R&D could have come from IDA own income.

#### **For 2010**

1. For R&D grants in 2010: in this year the ratio of DBEI capital allocation for R&D grants to expenditure on all grants to industry was calculated. This ratio was then used to estimate the DBEI capital allocation to R&D – this was done as the spend on grants was greater than the allocation. A ratio of 85/98 was used and the R&D grant expenditure was multiplied by this ratio to estimate the DBEI capital allocation for R&D grants.
2. For non-R&D grants in 2010, IDA had significant own income. Thus for 2010, non R&D IDA grants (CET grants) are based on the expenditure listed in the agency statement for capital and employment grants. A ratio of 85/98 was used to multiply the expenditure on capital and employment grants in order to estimate the DBEI capital allocation for CET grants.

#### **For 2006-2010**

- For R&D grants 2006-2010: The figure used in the Revised Estimates for Public Services for these years was 'Expenditure on Science and Technology by IDA'
- Non-R&D grants (C, E,T grants) were estimated as for 2010-2019.

### **Estimate of DBEI voted capital allocation for EI non-R&D supports (CET supports)**

The following methodology was used to estimate the DBEI voted capital allocation for EI non-R&D supports (CET supports)<sup>41</sup>:

- The ratio of DBEI capital allocation for 'grants to Industry' (as set out in the Revised Estimates for Public Services) to total expenditure on 'grants to industry' (as set out in the Revised Estimates for Public Services) was estimated.
- The DBEI capital allocation was estimated for each category of expenditure within grants to industry- this included: funding to industry, seed and venture capital, infrastructure and transfer to other - by multiplying the actual expenditure with the ratio of total expenditure for 'grants to industry': total DBEI allocation for 'grants to industry'.
- Using this approach assumes that EI uses own income resources equally distributed across the grant to industry sub-categories.
- The DBEI capital allocation for D2.D3/ or A7 was estimated for subcategories of A\* not previously defined: non-R&D funding to industry (CET supports), Seed and VC, and Others (which is the combination of EI buildings, infrastructure and transfer to other).

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<sup>41</sup> Note 1. Capital for buildings The expenditure and DBEI capital allocation for Buildings indicating that no own resource income is spent on EI Buildings.

Note 2. The carry over capital was not included in the total DBEI capital allocation for the year, as this was already considered in the year it was allocated.



## Focused Policy Assessment of Capital, Employment and Training Supports

Employment			06	07	08	09	10	11	12	13	14	15	16	17	18
Target Cohort	Thematic Area	El Client Offer													
Regional Enterprise	Regional Development	Community Enterprise Initiative Scheme													
Established SMEs and Large Companies	Tailored Company Expansion	Company Development													
Established SMEs and Large Companies	Tailored Company Expansion	Company Expansions (April 2008 - Jan 2009)													
Established SMEs and Large Companies	Tailored Company Expansion	Company Expansions De Minimis													
Established SMEs and Large Companies	Tailored Company Expansion	Company Expansions excluding R&D													
Established SMEs and Large Companies	Tailored Company Expansion	Company Expansions including R&D													
Established SMEs and Large Companies	Tailored Company Expansion	Company Expansions including R&D (Jan 2009 - August 2009)													
Established SMEs and Large Companies	Tailored Company Expansion	Company Expansions pre 2008													
Established SMEs and Large Companies	Tailored Company Expansion	Enterprise Development Offer													
Established SMEs and Large Companies	Productivity and Business Process Improvement Supports	GradStart													
Established SMEs and Large Companies	Productivity and Business Process Improvement Supports	Graduate Business Growth Initiative													
Established SMEs and Large Companies	Market Research and Internationalisation	Graduates 4 International Growth													
Established SMEs and Large Companies	Productivity and Business Process Improvement Supports	Growth Fund													
HPSU	Direct Funding - Investor Ready/Growth Phase	HPSU Package													
HPSU	Direct Funding - Investor Ready/Growth Phase	HPSU Package (May 2008 - Jan 2009)													
HPSU	Direct Funding - Investor Ready/Growth Phase	HPSU Package (Pre 2008)													
HPSU	Direct Funding - Investor Ready/Growth Phase	iHPSU Grant													
HPSU	Direct Funding - Investor Ready/Growth Phase	Investment De Minimis HPSU													
Established SMEs and Large Companies	Tailored Company Expansion	Job Expansion Fund													
Established SMEs and Large Companies	Tailored Company Expansion	Job Expansion Fund (May 2010 - Jun 2011)													
Established SMEs and Large Companies	Supports to Enhance and Develop Management Team	Key Manager													
Established SMEs and Large Companies	Supports to Enhance and Develop Management Team	Level 3 Achieving Growth													
R&D and collaboration with HEIs	Supports for Product, Process or Services Development	R&D Fund													
Established SMEs and Large Companies	Supports to Enhance and Develop Management Team	Recruitment of Key Manager Employment Grant for SMEs													
Regional Enterprise	Regional Development	Regional Enterprise Development Fund 2017 – 2020													
Established SMEs and Large Companies	Tailored Company Expansion	Scaling excluding R&D													
Established SMEs and Large Companies	Tailored Company Expansion	Scaling including R&D (January 2009 - June 2012)													
Established SMEs and Large Companies	Others	Small Industry (Pre 2005) GSS													
Established SMEs and Large Companies	Tailored Company Expansion	Sustaining Jobs Equity Fund													
R&D and collaboration with HEIs	Supports for Product, Process or Services Development	Technovation													



# Focused Policy Assessment of Capital, Employment and Training Supports

Training			06	07	08	09	10	11	12	13	14	15	16	17	18
Target Cohort	Thematic Area	EI Client Offer													
Established SMEs and Large Companies	Productivity and Business Process Improvement Supports	BIM Implement													
Established SMEs and Large Companies	Tailored Company Expansion	Company Development													
Established SMEs and Large Companies	Tailored Company Expansion	Company Expansions (April 2008 - Jan 2009)													
Established SMEs and Large Companies	Tailored Company Expansion	Company Expansions excluding R&D													
Established SMEs and Large Companies	Tailored Company Expansion	Company Expansions including R&D													
Established SMEs and Large Companies	Tailored Company Expansion	Company Expansions including R&D (Jan 2009 - August 2009)													
Established SMEs and Large Companies	Tailored Company Expansion	Company Expansions pre 2008													
Established SMEs and Large Companies	Market Research and Internationalisation	Consumer Foods Graduate Programme													
Established SMEs and Large Companies	Productivity and Business Process Improvement Supports	E-Business Initiative													
Established SMEs and Large Companies	Supports to Enhance and Develop Management Team	EI Management Development Group Programmes													
Established SMEs and Large Companies	Productivity and Business Process Improvement Supports	eMarketing Improvement Assignment													
Established SMEs and Large Companies	Supports for Product, Process or Services Development	Environmental Improvement Assignment													
Established SMEs and Large Companies	Market Research and Internationalisation	Graduates 4 International Growth													
Established SMEs and Large Companies	Supports to Enhance and Develop Management Team	Group Management Development Support - De Minimis													
Established SMEs and Large Companies	Supports to Enhance and Develop Management Team	Group Management Development Support - Standard													
Established SMEs and Large Companies	Productivity and Business Process Improvement Supports	Growth Fund													
HPSU	Direct Funding - Investor Ready/Growth Phase	HPSU Package (Pre 2008)													
HPSU	Direct Funding - Investor Ready/Growth Phase	iHPSU Grant													
Established SMEs and Large Companies	Tailored Company Expansion	Job Expansion Fund (May 2010 - Jun 2011)													
Established SMEs and Large Companies	Productivity and Business Process Improvement Supports	Lean Plus Assignment													
Established SMEs and Large Companies	Productivity and Business Process Improvement Supports	Lean Plus Programme													
Others	Supports to Enhance and Develop Management Team	Mentor													
Others	Supports for Product, Process or Services Development	Mentor - Commercialisation of Research													
HPSU	Capability Building	Mentor - Competitive Feasibility Fund													
HPSU	Capability Building	Mentor - Competitive Start Fund													
Others	Supports to Enhance and Develop Management Team	Mentor - Crafts Council of Ireland													
Others	Supports to Enhance and Develop Management Team	Mentor - David Manley Awards													
HPSU	Capability Building	Mentor - Enterprise Start One-to-One													
HPSU	Capability Building	Mentor - Enterprise Start Programme													
Others	Market Research and Internationalisation	Mentor - Exploring Exporting													
Others	Supports to Enhance and Develop Management Team	Mentor - First Flight													
Others	Supports to Enhance and Develop Management Team	Mentor - First Flight Asia													
Others	Supports to Enhance and Develop Management Team	Mentor - First Flight CEB													
Others	Supports to Enhance and Develop Management Team	Mentor - Graduate Enterprise Programme Non EI													
Others	Supports to Enhance and Develop Management Team	Mentor - IDA Ireland													
HPSU	Capability Building	Mentor - New Frontiers													
Others	Supports to Enhance and Develop Management Team	Mentor - Overseas Entrepreneurs One-to-One													
Others	Supports to Enhance and Develop Management Team	Mentor - Public Procurement													
Others	Supports to Enhance and Develop Management Team	Mentor - Special EI													
Others	Supports to Enhance and Develop Management Team	Mentor - Standard CEB													
Others	Supports to Enhance and Develop Management Team	Mentor - Standard EI													
Others	Supports to Enhance and Develop Management Team	Mentor - Standard LEO													
Others	Supports to Enhance and Develop Management Team	Mentor - Standard LEO													
Others	Supports to Enhance and Develop Management Team	Mentor - Standard Non EI													
Established SMEs and Large Companies	Supports to Enhance and Develop Management Team	Middle Management Training Grant													
Established SMEs and Large Companies	Supports for Product, Process or Services Development	Operational Excellence													
Established SMEs and Large Companies	Productivity and Business Process Improvement Supports	Productivity Improvement Fund													
Established SMEs and Large Companies	Tailored Company Expansion	Scaling excluding R&D													
Established SMEs and Large Companies	Tailored Company Expansion	Scaling excluding R&D (January 2009 - June 2012)													
Established SMEs and Large Companies	Tailored Company Expansion	Scaling including R&D (January 2009 - June 2012)													
Established SMEs and Large Companies	Tailored Company Expansion	Scaling Projects													
Established SMEs and Large Companies	Productivity and Business Process Improvement Supports	Skills Voucher for Software Development													
Established SMEs and Large Companies	Others	Small Industry (Pre 2005) GSS													
Established SMEs and Large Companies	Productivity and Business Process Improvement Supports	Standalone Training													
Others	Supports to Enhance and Develop Management Team	Standard Mentor Assignment													
Established SMEs and Large Companies	Supports for Product, Process or Services Development	Supply Chain Management													
Established SMEs and Large Companies	Tailored Company Expansion	Sustaining Jobs Equity Fund													
R&D and collaboration with HEIs	Supports for Product, Process or Services Development	Workplace Innovation Fund													

## Appendix 3. Objectives for EI Client Offers for which CET supports have been approved between 2006-2018

Target Cohort	Thematic Area	EI Client Offer	Objective
Established SMEs and Large Companies	Productivity and Business Process Improvement Supports	BIM Implement	BIM-Implement represents the D36
Established SMEs and Large Companies	Productivity and Business Process Improvement Supports	Capital Investment Initiative	The aim of the Capital Investment Initiative (CI) is to assist Enterprise Ireland client companies improve productivity and competitiveness through the acquisition of new capital equipment and technology. The fund provides grant support up to a maximum of €250,000.
Regional Enterprise	Regional Development	Community Enterprise Initiative Scheme (2015-2017)	Through the utilisation of existing infrastructure and the leveraging of nationally available enterprise supports, the specific objectives of the scheme include: 1. Fostering an increased collaborative, networked and linked approach to regional and local enterprise development and job creation 2. Establishment of hubs, accelerators, networks and clusters or other partnerships based on regional strengths, opportunities and uniqueness. Within this is the establishment of partnership activities where innovative start-ups can be established in a supportive network before graduating to other support mechanisms or self-sufficiency 3. Proactively seeking out, encouraging and supporting applications from economically disadvantaged areas and areas facing potential economic shock to foster potential opportunities for job creation and supporting enterprise 4. Promotion of a progression pathway for companies as they start, develop and scale.
Established SMEs and Large Companies	Tailored Company Expansion	Company Development	Tailored package aimed at supporting companies with ambitious plans to grow exports and employment. Designed to support investment in: •Capital Assets and job creation •R&D •Training •Management Development •Consultancy Also referred to as Tailored Company Expansion Package.
Established SMEs and Large Companies	Tailored Company Expansion	Company Expansions excluding R&D	Tailored package aimed at supporting companies with ambitious plans to grow exports and employment. Designed to support investment in: •Capital Assets and job creation •R&D •Training •Management Development •Consultancy Also referred to as Tailored Company Expansion Package.
Established SMEs and Large Companies	Tailored Company Expansion	Company Expansions including R&D	Tailored package aimed at supporting companies with ambitious plans to grow exports and employment. Designed to support investment in: •Capital Assets and job creation •R&D •Training •Management Development •Consultancy Also referred to as Tailored Company Expansion Package.

## Focused Policy Assessment of Capital, Employment and Training Supports

Established SMEs and Large Companies	Tailored Company Expansion	Company Expansions pre 2008	
Established SMEs and Large Companies	Tailored Company Expansion	Company Expansions pre 2008	
Established SMEs and Large Companies	Tailored Company Expansion	Company Expansions (April 2008 - Jan 2009)	Tailored package aimed at supporting companies with ambitious plans to grow exports and employment. Designed to support investment in: •Capital Assets and job creation •R&D •Training •Management Development •Consultancy Also referred to as Tailored Company Expansion Package.
Established SMEs and Large Companies	Tailored Company Expansion	Company Expansions including R&D (Jan 2009 - August 2009)	Tailored package aimed at supporting companies with ambitious plans to grow exports and employment. Designed to support investment in: •Capital Assets and job creation •R&D •Training •Management Development •Consultancy Also referred to as Tailored Company Expansion Package.
Established SMEs and Large Companies	Tailored Company Expansion	Company Expansions (April 2008 - Jan 2009)	Tailored package aimed at supporting companies with ambitious plans to grow exports and employment. Designed to support investment in: •Capital Assets and job creation •R&D •Training •Management Development •Consultancy Also referred to as Tailored Company Expansion Package.
Established SMEs and Large Companies	Tailored Company Expansion	Company Expansions De Minimis	De Minimis aid involves small amounts of assistance not exceeding €200,000 over any three fiscal years, and provided usually in the form of equity, to a company.
Established SMEs and Large Companies	Market Research and Internationalisation	Consumer Foods Graduate Programme	
Established SMEs and Large Companies	Productivity and Business Process Improvement Supports	E-Business Initiative	To help companies improve their digital marketing tools, capabilities and strategies. To reach and engage more strongly with potential international customers and increase exports.
Established SMEs and Large Companies	Supports to Enhance and Develop Management Team	EI Management Development Group Programmes	
Established SMEs and Large Companies	Productivity and Business Process Improvement Supports	eMarketing Improvement Assignment	To help senior managers in companies to maximise the opportunities presented by the internet as a business development channel.
Established SMEs and Large Companies	Tailored Company Expansion	Enterprise Development Offer	
Established SMEs and Large Companies	Supports for Product, Process or Services Development	Environmental Improvement Assignment	
Established SMEs and Large Companies	Market Research and Internationalisation	GradStart	GradStart The GradStart initiative offers support to Enterprise Ireland client companies to hire up to three graduates at any one time, for a graduate contract duration of two years. It is a broad based graduate placement across all disciplines and sectors. Enterprise Ireland has designed and developed a dedicated website for its graduate offers and initiatives - <a href="http://www.gradhub.ie">www.gradhub.ie</a> . To support client companies to attract and recruit graduates, companies can advertise their opportunities via this website
Established SMEs and Large Companies	Productivity and Business Process Improvement Supports	Graduate Business Growth Initiative	The graduate business growth initiative is a broad based graduate placement across all disciplines and sectors. Enterprise Ireland will support SME's with ambitious growth plans to employ up to two graduates per year, with a Level 8 degree qualification.
Established SMEs and Large Companies	Market Research and Internationalisation	Graduates 4 International Growth	The programme matches graduates with companies to develop and execute plans to grow in key markets.
Established SMEs and Large Companies	Market Research and Internationalisation	Graduates 4 International Growth	The programme matches graduates with companies to develop and execute plans to grow in key markets.
Established SMEs and Large Companies	Supports to Enhance and Develop Management Team	Group Management Development Support De Minimis	Customised management development programmes, delivered in collaboration with leading international providers, to equip managers with the tools and techniques to operate more effectively, and to achieve real business results in international markets.
Established SMEs and Large Companies	Supports to Enhance and Develop Management Team	Group Management Development Support Standard	Customised management development programmes, delivered in collaboration with leading international providers, to equip managers with the tools and techniques to operate more effectively, and to achieve real business results in international markets.

## Focused Policy Assessment of Capital, Employment and Training Supports

Established SMEs and Large Companies	Productivity and Business Process Improvement Supports	Growth Fund	Replaced the Productivity Improvement Fund, also allocated via competitive call. Provided a range of supports to help companies grow and innovate and develop export sales through: •Developing capacity - investment in capital and technology acquisition; •Developing capability within the company – investment in people skills and recruiting key managers; and •Implementation of the growth plan – developing the right processes, culture and structures to implement the growth plan through investment in workplace innovation and consultancy.
HPSU	Direct Funding - Investor Ready/Growth Phase	HPSU Package	Competitive start fund??? A €50k equity investment designed to accelerate the development of high potential start-up companies by supporting them to achieve commercial and technical milestones such as evaluating international market opportunities or building a prototype
HPSU	Direct Funding - Investor Ready/Growth Phase	HPSU Package (May 2008 - Jan 2009)	Competitive start fund??? A €50k equity investment designed to accelerate the development of high potential start-up companies by supporting them to achieve commercial and technical milestones such as evaluating international market opportunities or building a prototype
HPSU	Direct Funding - Investor Ready/Growth Phase	HPSU Package (May 2008 - Jan 2009)	Competitive start fund??? A €50k equity investment designed to accelerate the development of high potential start-up companies by supporting them to achieve commercial and technical milestones such as evaluating international market opportunities or building a prototype
HPSU	Direct Funding - Investor Ready/Growth Phase	iHPSU Grant	The Innovative HPSU Fund allows Enterprise Ireland to offer equity investment to HPSU clients, on a co-funded basis to support the implementation of a company's business plans. First time and follow-on equity investments in HPSUs are supported under this offer.
Established SMEs and Large Companies	Tailored Company Expansion	Investment De Minimis Established	De Minimis aid involves small amounts of assistance not exceeding €200,000 over any three fiscal years, and provided usually in the form of equity, to a company.
HPSU	Direct Funding - Investor Ready/Growth Phase	Investment De Minimis HPSU	
Established SMEs and Large Companies	Tailored Company Expansion	Job Expansion Fund (May 2010 - Jun 2011)	Funding to support new employment. The fund provides grant support up to a maximum of €150,000 towards the recruitment of new employees. Applications for funding will be accepted on specific call close dates.
Established SMEs and Large Companies	Tailored Company Expansion	Job Expansion Fund	Funding to support new employment. The fund provides grant support up to a maximum of €150,000 towards the recruitment of new employees. Applications for funding will be accepted on specific call close dates.
Established SMEs and Large Companies	Supports to Enhance and Develop Management Team	Key Manager	Grant to support the cost of hiring a new Key Manager. Must be critical to the company's future development and introduce key skills and expertise to the company's senior management team.
Established SMEs and Large Companies	Productivity and Business Process Improvement Supports	Lean Plus Assignment	Companies looking to undertake a Lean project over a medium-term period can apply to Enterprise Ireland for a Business Process Improvement Grant to support the costs of the LeanPlus Assignment. A LeanPlus assignment is a medium-term business process improvement project which will result in sustained use of Lean techniques and related methodologies by the company, and will achieve significant measurable gains in capabilities and competitiveness. The LeanPlus assignment should; <ul style="list-style-type: none"> <li>▫ deliver significant productivity improvement and cost reductions,</li> <li>▫ embed a culture of business improvement and lean techniques to a cohort of trained staff, and</li> <li>▫ introduce a programme to pursue company-wide improvement.</li> </ul> Assignments may vary in size and scope but will typically be completed within six months and will not exceed a total project cost of €100,000.
Established SMEs and Large Companies	Productivity and Business Process Improvement Supports	Lean Plus Programme	
Established SMEs and Large Companies	Supports to Enhance and Develop Management Team	Level 3 Achieving Growth	
Others	Supports to Enhance and Develop Management Team	Mentor - Standard EI	Used to support the cost of a Mentor Assignment. Enterprise Ireland can match you with an experienced business mentor to assist you in your start-up phase or advise on specific areas of your plan.
Others	Supports to Enhance and Develop Management Team	Mentor - First Flight CEB	Used to support the cost of a Mentor Assignment. Enterprise Ireland can match you with an experienced business mentor to assist you in your start-up phase or advise on specific areas of your plan.
Others	Supports to Enhance and Develop Management Team	Mentor	Used to support the cost of a Mentor Assignment. Enterprise Ireland can match you with an experienced business mentor to assist you in your start-up phase or advise on specific areas of your plan.
Others	Supports to Enhance and Develop Management Team	Mentor - First Flight	Used to support the cost of a Mentor Assignment. Enterprise Ireland can match you with an experienced business mentor to assist you in your start-up phase or advise on specific areas of your plan.
Others	Supports to Enhance and Develop Management Team	Mentor - IDA Ireland	Used to support the cost of a Mentor Assignment. Enterprise Ireland can match you with an experienced business mentor to assist you in your start-up phase or advise on specific areas of your plan.

## Focused Policy Assessment of Capital, Employment and Training Supports

Others	Market Research and Internationalisation	Mentor - Exploring Exporting	Used to support the cost of a Mentor Assignment. Enterprise Ireland can match you with an experienced business mentor to assist you in your start-up phase or advise on specific areas of your plan.
Others	Supports to Enhance and Develop Management Team	Mentor - Public Procurement	Used to support the cost of a Mentor Assignment. Enterprise Ireland can match you with an experienced business mentor to assist you in your start-up phase or advise on specific areas of your plan.
Others	Supports to Enhance and Develop Management Team	Mentor - First Flight Asia	Used to support the cost of a Mentor Assignment. Enterprise Ireland can match you with an experienced business mentor to assist you in your start-up phase or advise on specific areas of your plan.
Others	Supports to Enhance and Develop Management Team	Mentor - Standard CEB	Used to support the cost of a Mentor Assignment. Enterprise Ireland can match you with an experienced business mentor to assist you in your start-up phase or advise on specific areas of your plan.
Others	Supports to Enhance and Develop Management Team	Mentor - Standard Non EI	Used to support the cost of a Mentor Assignment. Enterprise Ireland can match you with an experienced business mentor to assist you in your start-up phase or advise on specific areas of your plan.
HPSU	Capability Building	Mentor - New Frontiers	Used to support the cost of a Mentor Assignment. Enterprise Ireland can match you with an experienced business mentor to assist you in your start-up phase or advise on specific areas of your plan.
Others	Supports to Enhance and Develop Management Team	Mentor - Standard LEO	Used to support the cost of a Mentor Assignment. Enterprise Ireland can match you with an experienced business mentor to assist you in your start-up phase or advise on specific areas of your plan.
HPSU	Capability Building	Mentor - Enterprise Start One-to-One	Used to support the cost of a Mentor Assignment. Enterprise Ireland can match you with an experienced business mentor to assist you in your start-up phase or advise on specific areas of your plan.
Others	Supports to Enhance and Develop Management Team	Mentor - Special EI	Used to support the cost of a Mentor Assignment. Enterprise Ireland can match you with an experienced business mentor to assist you in your start-up phase or advise on specific areas of your plan.
Others	Supports to Enhance and Develop Management Team	Mentor - Graduate Enterprise Programme Non EI	Used to support the cost of a Mentor Assignment. Enterprise Ireland can match you with an experienced business mentor to assist you in your start-up phase or advise on specific areas of your plan.
HPSU	Capability Building	Mentor - Competitive Start Fund	Used to support the cost of a Mentor Assignment. Enterprise Ireland can match you with an experienced business mentor to assist you in your start-up phase or advise on specific areas of your plan.
Others	Supports to Enhance and Develop Management Team	Mentor - Overseas Entrepreneurs One-to-One	Used to support the cost of a Mentor Assignment. Enterprise Ireland can match you with an experienced business mentor to assist you in your start-up phase or advise on specific areas of your plan.
Others	Supports for Product, Process or Services Development	Mentor - Commercialisation of Research	Used to support the cost of a Mentor Assignment. Enterprise Ireland can match you with an experienced business mentor to assist you in your start-up phase or advise on specific areas of your plan.
HPSU	Capability Building	Mentor - Enterprise Start Programme	Used to support the cost of a Mentor Assignment. Enterprise Ireland can match you with an experienced business mentor to assist you in your start-up phase or advise on specific areas of your plan.
Others	Supports to Enhance and Develop Management Team	Mentor - Crafts Council of Ireland	Used to support the cost of a Mentor Assignment. Enterprise Ireland can match you with an experienced business mentor to assist you in your start-up phase or advise on specific areas of your plan.
Others	Supports to Enhance and Develop Management Team	Mentor - David Manley Awards	Used to support the cost of a Mentor Assignment. Enterprise Ireland can match you with an experienced business mentor to assist you in your start-up phase or advise on specific areas of your plan.
HPSU	Capability Building	Mentor - Competitive Feasibility Fund	Used to support the cost of a Mentor Assignment. Enterprise Ireland can match you with an experienced business mentor to assist you in your start-up phase or advise on specific areas of your plan.
Established SMEs and Large Companies	Supports to Enhance and Develop Management Team	Middle Management Training Grant	
Established SMEs and Large Companies	Tailored Company Expansion	Mobile Projects including R&D (Jan 2005 - Jan 2009)	
Established SMEs and Large Companies	Supports for Product, Process or Services Development	Operational Excellence	Operational Excellence offer Grant to support a company transformational project. Used to encompass Lean Transform, Business Innovation and the Capital Investment Initiative into a single project.
Established SMEs and Large Companies	Productivity and Business Process Improvement Supports	Productivity Improvement Fund	Precursor to the Growth Fund. Objective was to support client SMEs to improve competitiveness by increasing gross output, value added and/or exports, while creating/maintaining employment. Applications had to demonstrate that they would: •Help the company meet specific measurable productivity improvements; •Build the existing export capability in the company or have the potential to generate new export opportunities for the company in the future; •Be an integral part of the strategic development plan of the company; •Be additional to the current level of activities, improve the company's productivity and develop export capability; •Increase gross output while maintaining and/or increasing employment in the company in the longer term; and •Demonstrate how the company plans to undertake the project, particularly in relation to the resources required to develop the project. Funding was allocated via competitive calls.
R&D and collaboration with HEIs	Supports for Product, Process or Services Development	R&D Fund	
R&D and collaboration with HEIs	General R&D	R&D Fund (Jan 2009 - Feb 2013)	

## Focused Policy Assessment of Capital, Employment and Training Supports

Established SMEs and Large Companies	Supports to Enhance and Develop Management Team	Recruitment of Key Manager Employment Grant for SMEs	The aim of this initiative is to provide partial funding towards the cost of recruiting a Key Manager with skills that are critical to the future growth of the client. This individual must contribute to significant and measurable improvements in company productivity and/or changes in its output to meet defined market requirements.
Regional Enterprise	Regional Development	Regional Enterprise Development Fund 2017 – 2020	The Scheme will support major new collaborative and innovative initiatives that can make a significant impact on enterprise development in the region/across regions or nationally to build the unique USP capabilities to grow the regions.  This support is designed to support the objectives of Regional Action Plans for Jobs and is mainly provided to industry clusters/local development bodies that are not EI company clients. It should, therefore, be considered separate to EI client offers.
Established SMEs and Large Companies	Tailored Company Expansion	Scaling excluding R&D	
Established SMEs and Large Companies	Tailored Company Expansion	Scaling excluding R&D	
Established SMEs and Large Companies	Tailored Company Expansion	Scaling excluding R&D (January 2009 - June 2012)	
Established SMEs and Large Companies	Tailored Company Expansion	Scaling including R&D (January 2009 - June 2012)	
Established SMEs and Large Companies	Tailored Company Expansion	Scaling including R&D (January 2009 - June 2012)	
Established SMEs and Large Companies	Tailored Company Expansion	Scaling including R&D (January 2009 - June 2012)	
Established SMEs and Large Companies	Tailored Company Expansion	Scaling Projects	
Established SMEs and Large Companies	Productivity and Business Process Improvement Supports	Skills Voucher for Software Development	The core objective is to encourage continuous capability building in core software development skills in our client base.  This offer aims to address this issue by: <ul style="list-style-type: none"> <li>□ Helping to fund companies to free up some senior developers' time to up-skill less experienced people in the company.</li> <li>□ Focusing on how technology skills are best learned – using a combination of an in-house trainer/mentor, learning by doing and peer learning rather than traditional classroom based learning.</li> <li>□ The goal is to support skills update within the company, through internal training but the training time must focus on transferrable skills rather than internal systems (i.e. learning the technology, rather than the product).</li> <li>□ The time spent by the trainer can be covered, but the trainee's time is not eligible. The trainee can of course be working on the company product / service.</li> </ul> <p>Skills Voucher (Software Development) is not just for Software companies! Manufacturing, Food and internationally traded services companies with internal software development teams can avail of funding to implement a peer to peer software development training project.</p>
Others	Others	Small Industry (Pre 2005) GSS	
Established SMEs and Large Companies	Productivity and Business Process Improvement Supports	Standalone Training	
Others	Supports to Enhance and Develop Management Team	Standard Mentor Assignment	Used to support the cost of a Mentor Assignment. Enterprise Ireland can match you with an experienced business mentor to assist you in your start-up phase or advise on specific areas of your plan.
Established SMEs and Large Companies	Supports for Product, Process or Services Development	Supply Chain Management	The SCM initiative incorporating the World Class and Supplier Development programme was approved by the Business Committee in 2005. This initiative formed part of the corporate response for the need to support and improve productivity, operational performance and quality standards in indigenous companies.  The overall objective of the supply Chain management initiative was to provide advice, funding and support to client companies to help optimise performance across the entire business from procurement through to distribution and changing market needs.  The SCM initiative was to identify operational performance gaps against best practice. Provide a comprehensive approach to improving the operations and overall supply chain of the business and to achieve targeted and tailored improvement measures.
Established SMEs and Large Companies	Tailored Company Expansion	Sustaining Jobs Equity Fund	
Established SMEs and Large Companies	Tailored Company Expansion	Sustaining Jobs Equity Fund	
Established SMEs and Large Companies	Tailored Company Expansion	Sustaining Jobs Equity Fund	
R&D and collaboration with HEIs	Supports for Product, Process or Services Development	Technovation	
R&D and collaboration with HEIs	Supports for Product, Process or Services Development	Workplace Innovation Fund	Not an EI support – this was administered by EI on behalf of the National Centre for Partnership and Performance (NCPPI).

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## Appendix 4: Explanatory note for EI unit of analysis

In reviewing expenditure on CET direct financial supports to firms, there are a number of options for the monetary analysis.

Data is available for:

- the value of EI approved projects in a given year.
- the value of projects reduced in size/ cancelled based on the year of approval.
- the value of payments made based on the year of approval.

However, it is noted that:

- For grants, the date of payments can lag the approval of funding by several years. Thus, payments in a given year do not match to the monetary value of approvals in that year.
- While payments data more accurately reflects expenditure by EI, the payments data will be particularly under representative of the level of firm engagement with EI supports for more recent years.
- The monetary value of approved projects does not take account of projects that are supported by way of grant and that are subsequently reduced in size<sup>42</sup>/cancelled and so are an overestimation of future expenditure.
- Decisions to reduce in size/cancel approved supports also lag the approval date. Factoring in project reductions/ cancellations with the analysis of the approval data could help the development of a more accurate picture of committed future expenditure and actual firm engagement in earlier years. However, it would lead to a distortion of the data for more recent years in which sufficient time has not yet passed for firms to have made decisions with regards to reducing the size of projects/ cancelling the project.

Analysis based on approvals data supports an analysis of the intent of firms in a given year to invest in and undertake specific activities and as such is an indicator of behavioural changes in a firm. It is also the preferred unit of analysis for reviewing the demand and usage of supports within the economic and policy context of that time. ***It is concluded that while payments data is a more robust measure in terms of tracking expenditure, from a policy perspective the approvals measure is considered more useful and will***

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<sup>42</sup> For grants, firms can only draw down supports after they undertake expenditure on supported projects. Issues may arise if a firm's cash flows are constrained (e.g., because of the impact of the recession) and they may be forced to postpone, or reduce the size of or cancel o of the project thus impacting the level of payments to be made.

***be the primary measure on which primary data analysis presented in this paper is based.***

However, ***separate analysis of reduced/cancelled CET approved supports will also be undertaken to glean insights into the behavior of firms for earlier years.*** It is noted that EI grants for CET to firms can only be drawn down after they undertake expenditure on approved projects.

There are a number of reasons why firms may reduce the size of projects, including:

- Changes in project scope, which are common due to the long drawdown periods on EI supports approved.
- Projects may be completed under budget.
- The balance on existing approval may be partially cancelled to free up De Minimis balance for other subsequent approvals.
- Firms may, due to issues such as cash flow, changes in the firm's performance, or through economic factors arising during the time of implementation decide to reduce the ambition of the project.

Reduction or cancellation of projects will have an impact on the ultimate expenditure for CET supports by EI, but this information can lag the date of approval by years. Thus, analysis of reduced project size/cancellation is heavily caveated for more recent years, as the data does not represent a complete set of information for these years as of yet.



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## Appendix 5 Explanatory note for IDA unit of analysis

IDA offers direct financial supports to foreign-owned firms by way of grants: which are payable on the conditional basis of milestones being reached, it represents a partial cost of the overall project cost and payments are made after expenditure has been incurred<sup>43</sup>:

IDA operates 4 direct financial support schemes: R&D; Capital; Employment; Training.

In reviewing expenditure on CET direct financial supports to firms, there are a number of options for the monetary analysis. Data is available for<sup>44</sup>:

- the value of IDA approved supports in a given year. This is further differentiated by:
  - a. the value of supports approved and started<sup>45</sup>.
  - b. the value of supports approved and yet to start.
  - c. the value of supports that were approved but which were subsequently cancelled/reduce in size.
- the value of the reduced/cancelled supports<sup>46</sup>.
- the value of payments made based on the year of approval<sup>47</sup>.

However:

- **For grants**, the date of payments can lag the approval of funding by several years. Thus, payments in a given year do not match to the monetary value of approvals in that year.
- While payments data more accurately reflects expenditure by IDA, the payments data will be particularly under representative of the level of firm engagement with IDA supports for more recent years.
- The monetary value of approved projects does not take account of projects that are supported by way of grant and that are subsequently reduced in size/cancelled and so are an overestimation of future expenditure.

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<sup>43</sup> Note: When the conditions of a grant agreement are breached by a client company the grant is recoverable. During the year 2017 the Agency recovered €5.031m (€346k in 2016) relating to grant refunds.

<sup>44</sup> IDA data is provided as approved, approved and started, cancelled, and yet to start. Added together they total the full approvals list.

<sup>45</sup> It is noted that projects tagged as approved and started is based on IDAs knowledge of firm activity, it does not reflect that drawdowns have been made against all of these projects- though this will be the case of a portion of these projects.

<sup>46</sup> This is a calculated value based on: identifying the projects tagged as cancelled for a given approval year, and then calculating the payments made to date against these projects. The value of the reduction/cancellation is calculated as the approval amount for the project tagged as cancelled minus the payment amount against the project.

<sup>47</sup> This is a calculated value from the database.

- Decisions to reduce in size/cancel approved supports also lag the approval date. Factoring in project reductions/cancellations with the analysis of the approval data could help the development of a more accurate picture of committed future expenditure and actual firm engagement in earlier years. However, it would lead to a distortion of the data for more recent years in which sufficient time has not yet passed for firms to have made decisions with regards to reducing the size of projects/cancelling the project.

Analysis based on approvals data supports an analysis of the intent of firms in a given year to invest in and undertake specific activities and as such is an indicator of behavioural changes in a firm. It is also the preferred unit of analysis for reviewing the demand and usage of supports within the economic and policy context of that time. ***It is concluded that while payments data is a more robust measure in terms of tracking expenditure, from a policy perspective the approvals measure is considered more useful and will be the primary measure on which primary data analysis presented in this paper is based.***

However, ***separate analysis of reduced/cancelled CET approved supports and approved CET supports yet to start will also be undertaken to glean insights into the behavior of firms for earlier years.*** It is noted that IDA grants for CET to firms can only be drawn down after they undertake expenditure on approved projects. Issues may arise if a firm's cash flows are constrained (e.g., because of the impact of the recession) or if competing locations appear more competitive to the parent firm and firms may have had to take a decision to postpone, reduce the size of or cancel the project. Alternatively, firms may be able to deliver the project for less than initially anticipated in their application, or may reduce its ambition while undertaking the project, and thus may not require the full drawdown of the approved award. Reduction or cancellation of projects will have an impact on the ultimate expenditure for CET supports by IDA, but this information can lag the date of approval by years. Thus, analysis of reduced project size/cancellation is heavily caveated for more recent years, as the data does not represent a complete set of information for these years as of yet. While indication of project reduction/cancellation is definitive, the supports approved and yet to start represents a more unknown quantity as to whether projects will proceed and whether the associated approval value will require payment in the future.

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## Appendix 6. Quality Assurance

To ensure accuracy and methodological rigour, the following quality assurance processes were engaged in:

**Internal/Departmental:**

1. IDA and EI Liaison Units in DBEI
2. Line Management
3. DBEI Management Board

**External:**

4. Enterprise Ireland
5. IDA
6. Department of Expenditure and Reform Spending Review Sub-group and Steering Group
7. Peer review – IGEEES Spending Review Conference 2019