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Spending Review 2021

Capital Expenditure Review 2006-2020

EVALUATION UNIT

DEPARTMENT OF ENTERPRISE, TRADE AND EMPLOYMENT

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This paper has been prepared by IGEEES staff in the Department of Enterprise, Trade and Employment. The views presented in this paper do not represent the official views of the Department or Minister for Enterprise, Trade and Employment.

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Irish Government Economic and Evaluation Service

Executive Summary

This paper thematically analyses the Department of Enterprise, Trade and Employment's (DETE) capital expenditure over the period 2006 to 2020. Each programme is categorised into one of seven distinct themes and 21 sub-themes. These themes reflect the policy context in which the DETE has operated over the study period. Programme level data including annual expenditure, the associated agency making the expenditure, policy instrument type, annual award count, eligibility criteria including type of beneficiaries and target firm size are also used to assess changes in the profile of DETE's expenditure.

The Department's capital expenditure has been relatively stable over the period 2006 to 2019 – varying between €320m and €470m, before spiking in 2020 to over €1.2b due to capital supports introduced to support firms through the Covid-19 pandemic.

Over the study period the Department's capital expenditure has been focused on areas which are at the centre of its policy remit including: Innovation, Entrepreneurship and Scaling, Trade and Investment and Regional Development. There have been gradual shifts in the Department's expenditure - Entrepreneurship and Scaling has grown as a share of the Department's capital expenditure and consistently makes up over 35% of the Department's annual expenditure, while Regional Development focused expenditure has been more varied over the period, falling to 7% in 2016 before rising to 17% in 2019. The review establishes that there has been a consistently low share of the Department's funding invested into the digital transformation and green transition.

There has also been a gradual change in the policy instruments employed by the Department and the beneficiaries of its expenditure. Through the study period there has been increased use of equity and loan instruments – growing from 2% of total expenditure in 2006 to an average of 12% over the period 2018-2020. These instruments are now a key part of how the Department engages with the enterprise base, along with the continued use of grant, infrastructural supports and cluster and collaboration supports. This mix of policy instruments is important for facilitating engagement and support of the enterprise base through a number of different ways. While support to Enterprise Ireland and IDA clients continues to be the main focus of capital expenditure for DETE, there has been an increase in support to those firms beyond EI and IDA's traditional client base – to firms availing of supports through LEOs, SBCI, Microfinance Ireland and ITI. Supports to these firms are an important part of encouraging Entrepreneurship and Scaling more widely across the enterprise base – particularly given the wide reach achieved by LEOs through high individual award counts across a number of programmes.

The review also examined the profile of own-resource income which is being generated by the Department's agencies. This income represents a growing share of Enterprise Ireland's capital expenditure – accounting for €108m of its total €280m in expenditure in 2020. Own-resource income has been highly variable for the IDA over the study period and stood at €17m in 2020, down from an average of €63m over the period 2006-2010. The variability of this income for both agencies can present challenges for budgetary planning.

As the range of supports which the Department offers continues to broaden and is availed of by a wider group of firms it is important that DETE continues to ensure that its expenditure is impactful, that programmes remain relevant and aligned with policy, and that it is achieving value for money.

Key Findings

Changing Profile of Expenditure across Themes

- Entrepreneurship and Scaling has increased from 17% of expenditure in 2006 to consistently over 33% of expenditure and has become the main focus for DETE in terms of expenditure.
- Innovation remains a core part of the Department's expenditure and has consistently made up over 33% of expenditure.
- Expenditure specifically focused on Regional Development has fallen from 30% in 2006 to 6-11% over the period 2016-2017. Regional Development spend jumped to 18% of expenditure in 2019 – demonstrating the variable nature of this investment.
 - It is important to note the distinction between expenditure on programmes focused on regional development and total DETE expenditure in regional areas. The regional distribution of enterprise supports is analysed to a greater extent in the DPER 2021 Spending Review paper 'An analysis of the distribution of enterprise supports'.

Funding Dispersal over time

- The number of programmes under the Department has risen from 76 in 2006 to 112 in 2020.
- The share of funding allocated to the top-10 programmes is lower post-2013 than previously, falling from 78% in 2006 to 67% of total capital expenditure in 2019.

Policy Alignment

- DETE's capital expenditure appears to be well aligned with its policy remit. Expenditure has focused on the Growth of SMEs, innovation in the enterprise base, and continued development of the regions – particularly through the attraction and retention of FDI investment.
- There are a number of themes with a consistent low share of funding: Digital Transformation and Green transition, productivity, and sectoral investment.

Policy Instruments

- Grants, infrastructural supports, and clusters and collaboration supports are the instruments which represent the majority of the Department's capital expenditure.
- Loans and equity have grown considerably. These were cumulatively under 2.5% of Departmental expenditure in 2006. Equity grew to 9% by 2019 (€41m) and loans to 5% (across 2017-2019).

Beneficiary Types

- 86% of capital expenditure since 2006 has gone directly to firms.
- Of the capital expenditure that goes directly to firms (grants direct to firms, equity and loans), programmes delivered by EI and IDA account for 95% of total expenditure, with programmes aimed at the broader enterprise base making up 5% of total expenditure since 2006.
- Nonetheless the proportion of funds going to non-agency clients has risen to 17% in 2018 (declined to 9% in 2019 due to 'lumpy' expenditure).

Own Resource Income

- ORI appears to be very unpredictable in its behaviour across the economic cycle. EI and IDA have seen divergent trends in their source of funding.
- EI is generating significant levels of ORI - €108m in 2020. This ORI is making up an increasing part of its expenditure - ORI in EI has grown from just over 10% in 2006 to almost 40% in 2020.
- IDA generated €17m of own-resource income in 2020. ORI declined from 49% of the IDAs total expenditure in 2006 to 5% by 2017 but has since risen to 15% across 2018-2019.

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List of Abbreviations

EI	Enterprise Ireland
IDA	IDA Ireland
DETE	Department of Enterprise, Trade and Employment
DFHERIS	Department of Further and Higher Education, Research Innovation and Science
DPER	Department of Public Expenditure and Reform
FDI	Foreign Direct Investment
HEIs	Higher Educations Institutes
LEOs	Local Enterprise Offices
ITI	InterTradeIreland
NSAI	National Standards Authority of Ireland
SBCI	Strategic Banking Corporation of Ireland
SFI	Science Foundation Ireland
SME	Small and medium-sized enterprises
REDF	Regional Enterprise Development Fund
RD&I	Research, Development, and Innovation
RPOs	Research Performing Organisations

Introduction

The purpose of this review is to support the Department of Enterprise, Trade and Employment (DETE) in its decisions on the evolution of its capital expenditure allocation in the medium to longer-term, in order to best meet the emerging economic challenges and the strategic objectives of the Department. This is achieved by providing a comprehensive profile of capital expenditure over the period 2006-2020 which will inform discussions on the alignment between Departmental enterprise policy and expenditure.

This paper looks at the evolution of the Department's capital expenditure over the period 2006-2020. It takes a thematic approach to classifying expenditure at the programme level. This allows for an examination of the Department's priorities in terms of expenditure and how they have evolved over time, and to examine the extent to which this support has changed to reflect new Departmental strategy and policy – which is particularly relevant given the Department functions in 2020 from Department of Business, Enterprise and Innovation to the Department of Enterprise, Trade and Employment.

Objectives

This review aims to undertake a strategic assessment of whether the system of capital supports for enterprise, and the capital expenditure allocation across programmes, align with the new emerging economic challenges and strategic objectives of the Department. More specifically the paper aims to:

- Examine the evolution of DETE capital expenditure at a programme level over the period 2006-2020.
- Assess how well the programmes supported under DETE's capital budget align to policy priorities.
- Identify whether there are specific areas that should be prioritised for additional capital expenditure or opportunities to reallocate existing expenditure.
- To identify areas for future programme reviews and evaluations in the medium-term.

In progressing with the above it is hoped to enhance alignment between policymaking and the DETE capital allocation process.

Methodology and Data

This paper examines the Department's capital expenditure over the period 2006 to 2020. This is done on a thematic basis, where each programme is assigned to a single thematic area that aligns with the primary objective of that programme. While it is acknowledged that programmes can have more than one objective, this provides a useful lens in establishing the primary intent of expenditure across a large number of capital expenditure programmes over a 15-year period. This allows for expenditure to be examined thematically at the programme level and in combination with other details such as the associated agency, the type of policy instrument, and the beneficiary of the funding.

Themes have been formed through a review of the policy context in which the Department operates via its policy documents, statements, and strategies, which the Department has published over time. The formation of themes has also been guided by a cross-divisional steering group within the Department.

A preliminary list of all capital programmes of the Department from 2006-2018 has been created using previous evaluations, the revised budgetary assessments and the various catalogues of the agencies. This list is used to categorise programmes by their eligibility criteria and vote numbers. It is also used to assemble a database of these programmes. Where available, programme expenditure in a given year and the number of distinct awards has also been added. The database notes programme eligibility criteria such as: organisation type, where applicable – eligible firm size, sector specific funding, State Aid type. There was also a preliminary mapping to thematic areas.

This database has been sent to the Department's agencies in order to validate the data and supply any information that had not been yet obtained. The agencies have also been asked to validate the thematic mapping undertaken and to provide a set of objectives and rationale for each programme, in order to ascertain whether programmes are good fits for the overall objectives and targets of the Department.

This paper is an update of an internal Departmental paper produced in 2019/2020. There have been two significant changes which have motivated the update of this paper to include two additional years of data. The first motivation is a change in the functions of the Department. As the Department is now implementing its first Statement of Strategy, it is important that capital expenditure is assessed in line with the Department's objectives – especially with a large amount of Innovation expenditure transferring Departments. A distinction in this analysis is that it focuses only on those capital programmes which have remained with the Department of Enterprise, Trade and Employment after the change in functions. Capital programmes which fell under Science Foundation Ireland have transferred over to the Department of Further, Higher Education, Research and Science and are not included in this review. This allows for a more consistent look at the level (and share) of funding targeted at certain key policy areas which remain with this Department.

A second motivation for an update to this paper is the significant level of expenditure associated with Covid-19 in 2020 which should be reflected in any comprehensive exercise looking at the Department's capital expenditure.

Policy Context for Capital Expenditure

In order to examine the policy context within which Departmental expenditure is made, a wide range of policy documents and strategies are drawn on. This policy context exercise was largely complete when the Department included a higher level of Innovation expenditure as DBEI, but still contains all areas of relevance for DETE in policy terms and has been updated to reflect this.

Enterprise 2025 Renewed and **Future Jobs Ireland** are used as the baseline for the exercise. These strategies aim to develop an innovative, resilient and globally connected enterprise base and set out the medium-term policy priorities to meet the challenges and opportunities facing Ireland. This includes the impact of new technologies, the transition to a low carbon and circular economy, improving productivity and developing the workforce for the future.

A number of other documents have also been drawn upon including Innovation 2020, DBEI and DETE Statements of Strategy, National Development Plans and EI and IDA strategy Documents.

This has led to the creation of seven high level themes and a number of associated sub-themes. These are:

1. Innovation

- 1.1 Human Capital Development and Knowledge Development
- 1.2 Knowledge Exchange
- 1.3 Support for In-House RD&I
- 1.4 Research Internationalisation

2. Productivity

- 2.1 Framework Conditions for Productivity
- 2.2 Management Skills
- 2.3 Firm Specific Productivity
- 2.4 Linkages and Productivity Spillovers
- 2.5 In-Company Training

3. Regional Development

- 3.1 Regional Development

4. Trade and Investment

- 4.1 New Export Markets for Indigenous Firms
- 4.2 Increased Level of Exports
- 4.3 Attracting and Retaining FDI Investment
- 4.4 Brexit Preparation

5. Transforming Enterprise

- 5.1 Digital Transformation
- 5.2 Green Transformation
- 5.3 Developing Specific Sectors and New Opportunities

6. Entrepreneurship and Scaling

- 6.2 Growth of SMEs
- 6.2 Entrepreneurship
- 7.3 Survival and Growth of Start-Ups

7. Stabilising Enterprise

- 7.1 Stabilising Enterprise

The above themes and sub-themes broadly reflect the Department's policy priorities and the areas of capital expenditure for the Department over the period of 2006-2018. The policy context which drove the formation of these themes is now expanded on.

National enterprise policy goals have remained broadly consistent although the emphasis may have changed and include: the delivery of quality jobs and growth; promoting a dynamic exporting sector; and increasing competitiveness and productivity, particularly through innovation. Several policy documents and strategies over the timeframe articulate the case for enterprise supports. These are summarised below.

Innovation

The Government's funding of Research, Development and Innovation (RD&I) includes funding going to both Research Performing Organisations (RPOs) as well as firms. For the majority of this study period this Department delivered significant funding for innovation through Science Foundation Ireland, and as such, the more enterprise focused RD&I activity cannot be examined independently of investment in the research base – as the two are strongly connected. With SFI funding now directed through DFHERIS – DETE is primarily focused on funding the enterprise-oriented side of research and innovation within the enterprise base.

There has been a significant transformation in Ireland's RD&I policy since the late 1990s. The Foresight exercise (1998) concluded that for Ireland to remain competitive and provide well paid employment, it needed a transformation of the RD&I performance of the enterprise base and an upgrading of the scientific and research skills of the public research system. At the same time, the EU Structural Funds provided co-financing opportunities for Member States to additionally target and accelerate the development of the R&D base. The Lisbon Agenda (2000-2010) placed investment in R&D at the heart of its strategy and set a target to increase R&D investment in the EU to 3 percent of GDP by 2010. The overarching *Strategy for Science, Technology and Innovation* (SSTI) set out specific actions aimed at achieving the target of growing BERD over the period to 2013, at strengthening commercialisation and at sustaining State investment in developing Ireland's RD&I infrastructures and capabilities. The Report of the Research Prioritisation Steering Group (2012) set out priority areas to inform Ireland's ongoing investments in building and strengthening capacity and capabilities in R&D. These research priority areas were subsequently refreshed in 2018.¹

Over the whole time period there has been a shift to supports given directly to firms; for instance, in 2004 the R&D tax credit was created shifting emphasis in innovation policy towards assisting innovation within firms. The establishment of the Knowledge Development Box through the Finance Act 2015 was another step in supporting innovative activity among firms through a deduction on taxation of income which arises from patents, copyrighted software and other qualifying intellectual property.

Within the overall national innovation strategy developed across Government, DBEI's (and now DFHERIS/DETE) primary objective over the years has been to use various levers such as investment in human capital, supports for commercialisation and collaboration and direct firm supports to increase enterprise-oriented research activity and investment within both the enterprise base and the public research base. Leverage between supports within the system have also been emphasised in the policy design, for example, Enterprise Ireland's Commercialisation Fund and Innovation Partnerships promote mobility of researchers to industry.

¹ <https://www.knowledgetransferireland.com/Reports-Publications/Ireland-s-Research-Priority-Areas-2018-2023.pdf>

A recent evaluation of the EI RD&I Programme demonstrated the impact which investment in this space can make for firms. Econometric analysis found that, when compared with similar firms not participating in the Programme, awardees demonstrated an increase in R&D expenditure (158.9%), employment (18.9%), turnover (19.5%), total value added (35.2%), export sales (69.3%) and export intensity (49.6%) 5 years post the award of a grant².

Productivity

In recent years, Ireland's overall high productivity level masks a large disparity between some very productive sectors and frontier firms (predominantly multi-national firms in the ICT and pharmaceutical sectors) and less productive SMEs in the rest of the economy. This gap has gradually widened since the recession. CSO data cited by the National Competitiveness Council in the *Productivity Statement 2019* show that the manufacturing sector made by far the largest contribution to overall labour productivity growth over the period 2000-2017. This was followed by Information and Communication; Professional, scientific, administration and support services; and Financial and insurance activities. Other sectors had smaller or negative productivity growth.

In light of this, productivity goals have become entwined with digital policy and management skills in recent years. *Enterprise 2025 Renewed* stated that key goal of enterprise policy is to develop a clear vision and strategy for Ireland's digital economy and drive the coordinated implementation of cross Government action across all relevant elements at the international, national and enterprise levels. Building capability within firms is a core objective of enterprise policy and supports productivity and was a core part of the *National Skills Strategy* published in 2016. The 2020 report *Leading the Way: Investing in Management Development for SME Productivity and Growth* by the Expert Group for Future Skills Needs continues to identify management development as a priority for investment for SMEs.³

Regional Development

There has been a renewed focus on regional development in recent years within enterprise policy, although regional policy in general has a long history in an Irish governmental context. Regional policy has been of importance since the 1968 *Buchanan Report*. This initiative aimed at creating balanced regional development with a focus on creating large population centres. However, it was never implemented in practice. A second initiative, titled the *Government Statement on Regional Policy*, was released in 1972. This initiative centred on the attraction of foreign direct investment, particularly in low-skilled manufacturing areas to locations around the country. However, the economy experienced a period of rapid economic growth with increased wage costs rendering Ireland less attractive as a location for these types of activities. Considering these new challenges, the *National Spatial Strategy* (NSS) was unveiled in 2002, although it was largely unimplemented. The *National Planning Framework: Ireland 2040* (NPF) is Ireland's current high-level strategic plan for future development and articulates an updated spatial policy where enterprise goals and infrastructure projects were framed around developing high quality and sustainable jobs in Ireland's regions. This area has also been cited in multiple previous DBEI Statements of Strategy 2015-2017 and 2018-2021 and in the new DETE Statement of Strategy 2021-2023 as one of the new pillars of DETE's enterprise policy as DETE moves from the broad

² <https://enterprise.gov.ie/en/Publications/Publication-files/Evaluation-of-Enterprise-Ireland-Research-Development-and-Innovation-Programme.pdf>

³ This was updated in October 2020 with the publication of *Leading the Way: Investing in Management Development for SME Productivity and Growth*, by the Expert Group for Future Skills Needs

goal of simply creating jobs towards creating high quality jobs that capitalise on Ireland's strengths.

Trade and Investment

FDI has been a core element in Irish economic policy, including enterprise policy, employment policy, and regional policy since the late 1950s up to the present day. More recently it has also featured strongly in Research, Development and Innovation (RDI) policy. Formal policy statements, including successive NDPs, Departmental Strategy Statements, and the Action Plan for Jobs all acknowledge the continued role of FDI as a source of economic activity generally, including exports and employment.

Ireland's performance overseas in winning exports and investments will continue to be driven by a range of national and sector specific strategies that sit within the overarching framework of *Ireland Connected*.

Winning: Foreign Direct Investment 2015-2019, the IDA's strategy for FDI, highlighted attracting new investments from outside traditional markets and creating a regional spread of investments which would further improve the resilience of the Irish economy. The need for both new types of FDI investment while sustaining Ireland's existing FDI markets is also a key outcome aimed for under DETE's *Statement of Strategy 2021-2023*.

A particularly important area for trade is the exit of the UK from the EU. The priority of the Irish government has been to negotiate a favourable outcome while minimising the risk to Irish enterprises. A variety of different supports have been created since the UK's vote to leave the EU to assist enterprises, aimed at aiding further exports and expansion into European markets.

Transforming Enterprise

Irish economic policy has in recent years focused on transforming Ireland's enterprise base. This has taken the form of supports for specific sectors and more recently has included funding to encourage the digital transformation and a green transition.

Ireland has recognised the need for the change in policy direction for the digital agenda and the Government's *Enterprise 2025 Renewed* sets out a strategy for Ireland to realise the vision of becoming the best place to succeed in business, delivering sustainable employment and higher living standards. 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 resilience so that enterprise can anticipate and respond to external shocks such as those associated with Brexit as well as developments in international trade and taxation.

Building on this, *Future Jobs Ireland* signals Ireland's intent to place a priority on quality and sustainability of jobs and raising productivity levels across the economy, particularly in the small and medium enterprise (SME) sector. Implementation of these actions will be bolstered through investments outlined in priority 5 of the *Project Ireland 2040 National Development Plan*. Both *Enterprise 2025 Renewed* and *Future Jobs Ireland* in 2019 highlight that digital technologies are becoming increasingly disruptive and pervasive. Indeed, digitalisation of enterprise is increasingly recognised as a significant opportunity for driving productivity and growth in economies internationally.

The Green transition has also been increasingly supported by policy initiatives. While it was highlighted in the DBEI Statement of Strategy 2008-2010 there has been a renewed governmental

push on climate issues since the Paris agreement in 2016. The Climate Action Plan was published in 2019 and includes strong commitments from enterprise for a reduction in emissions by embedding fuel efficiency and careful management of materials, while also embracing new opportunities for growth as this area expands. This action was further progressed in the Climate Action and Low Carbon Development Bill 2021 which places on a statutory basis a 'national climate objective'.

Opportunities to develop new emerging green economy sector were identified in the DBEI *Statement of Strategy 2015-2017* and most recently in the DETE Statement of Strategy 2021-2023 where Goal 5 aims to advance the green transition in enterprise, honouring the Department's climate action commitments.

Entrepreneurship and Scaling

The Irish government role in regard to supporting Entrepreneurship and Scaling has primarily focused on facilitating an environment in which entrepreneurship can take place and is encouraged. The Entrepreneurship Forum has noted that the Government has a key role to play in facilitating a supportive policy framework conducive to entrepreneurial success.⁴ A wide range of public support programmes are already available to entrepreneurs and start-ups in Ireland. The Entrepreneurship Forum has suggested that what is needed is an overall vision of how the State can best support the start-up community which is an area addressed as a key policy priority in both *Future Jobs Ireland* and *Enterprise 2025*.

Assisting companies to grow and scale has been a key goal of EI and is a key component of their strategic approach for companies. EI's approach for this includes improving competitiveness, placing innovation centre stage, enhancing leadership development and fostering and developing entrepreneurship. This goal is not new and has been consistently identified in previous statements of strategy from both EI and DETE.

Future Jobs Ireland also addresses the need for scaling, highlighting both the traditional grants provided by agencies along with newer equity and loan supports. These areas were also highlighted as priorities for improving Ireland's business environment in *Enterprise 2025* and *Enterprise 2025 Renewed*.

Stabilising Enterprise

Over time major economic events may occur that are outside the existing policy space. These are acute events, examples of which includes the 2009 recession and COVID-19. The Department provides support to the enterprise base at such times with programmes that are centred around the needs of vulnerable, but viable, firms at the time. The level of support offered often goes beyond the traditional clients of the enterprise agencies and to the wider enterprise base, including the non-traded sector. As these events are unforeseen, they are not explicitly planned for in policy documents but do affect the future direction of policy and capital expenditure.

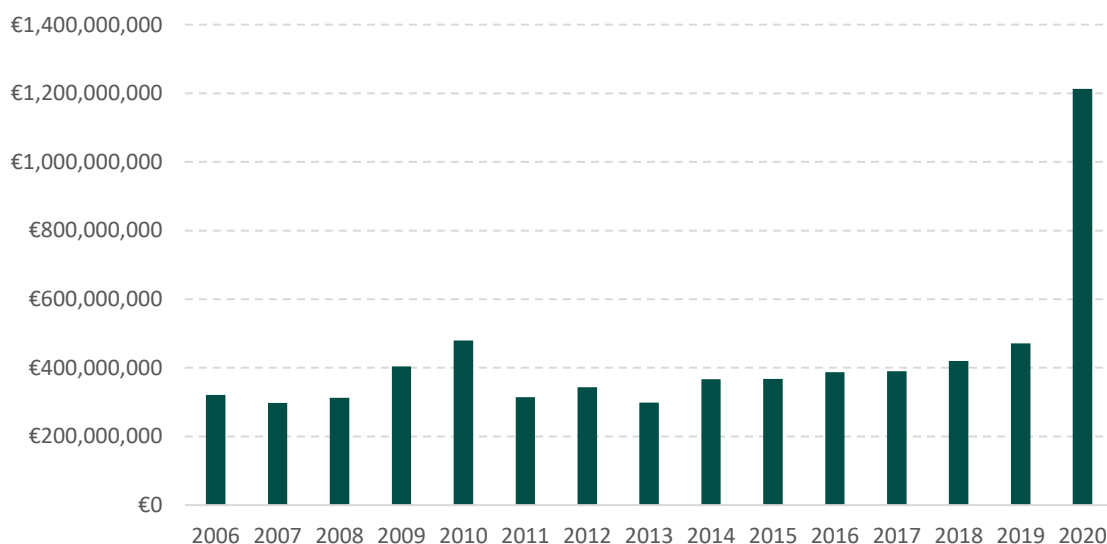
⁴ <https://enterprise.gov.ie/en/Publications/Report-of-the-Entrepreneurship-Forum-.html>

Overview and Analysis of Expenditure

1. DETE Capital Expenditure 2006-2020

Figure 1 below sets out the funding allocated to DETE capital programmes over the period 2006 to 2020.

Figure 1: DETE Capital Allocation 2006-2020



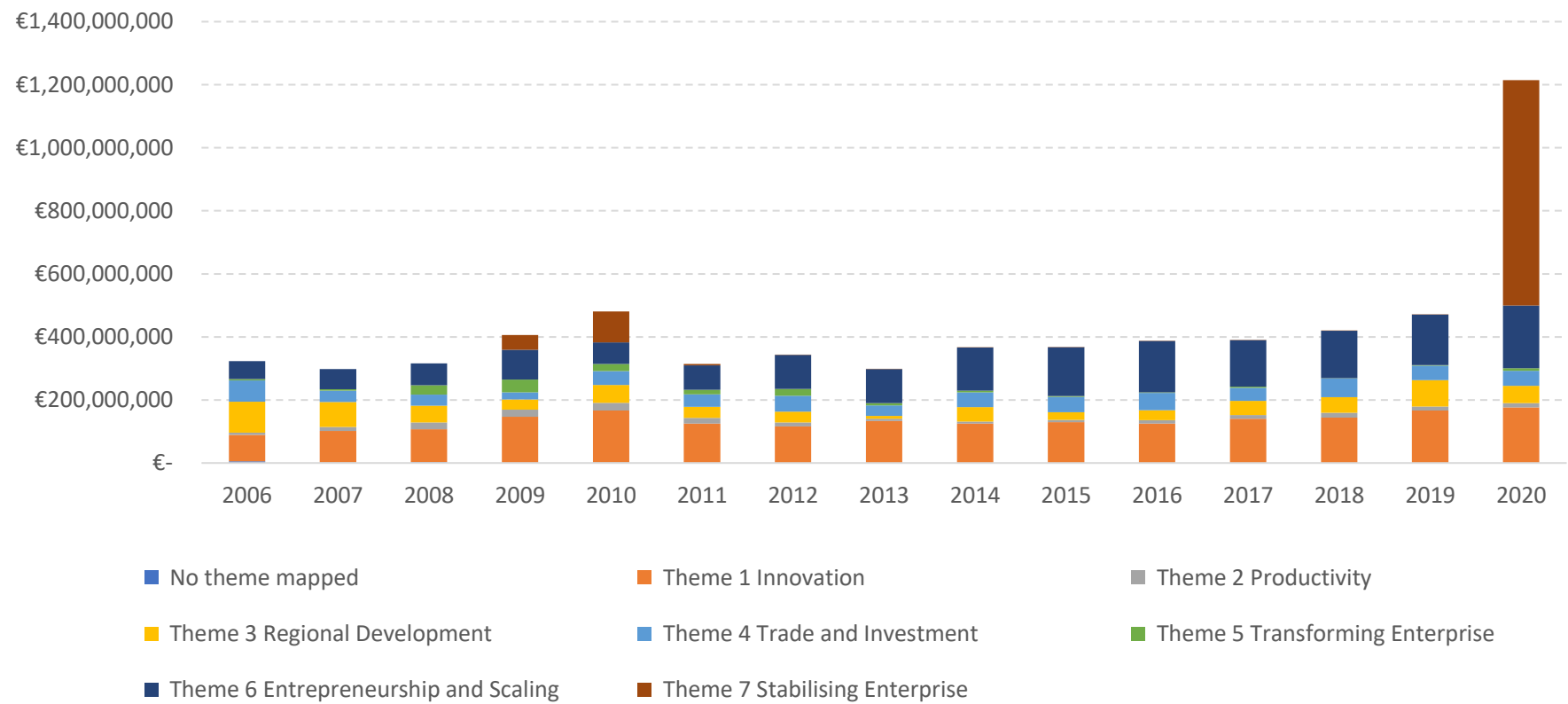
The Department's capital allocation has been relatively steady in the context of wider variations in Government capital expenditure. Capital expenditure stood at €321 million in 2006 and rose to a pre Covid-19 peak of €480m in 2010 – reflecting instruments introduced to support enterprise through the post-2008 economic downturn. Expenditure on DETE programmes has been growing year-on-year from €298m in 2013 to €471m in 2019. In 2020 there was an unprecedented increase in the level of capital expenditure made through DETE in order to support enterprise through the Covid-19 pandemic, with total capital expenditure of €1.2 billion in 2020.

2. Funding by Thematic Area

2.1 Main Themes

Figure 2 sets out the level of capital expenditure by theme over the study period.

Figure 2: Annual Expenditure by Main Theme



Over the study period there has been several shifts in the Department's priorities in terms of expenditure analysed thematically.

Innovation expenditure has consistently made up a significant share of the Department's capital expenditure and has been the second highest expenditure area for most of the study period with expenditure going from €84m in 2006 to €176m in 2020, making up 31% of total capital expenditure over the period. Key programmes defined under Innovation in 2020 include the IDA's RD&I Support programme (€64m), membership of the European Space Agency (€20m), Enterprise Ireland's R&D fund (€16m) and expenditure on Technology Centres (€11m). A major new capital programme in this area is the Disruptive Technologies Innovation Fund with expenditure of €19.3m in 2020. Even with the change of functions innovation remains a core part of DETE's remit – through its expenditure on driving innovation in the enterprise base. The focus of this Innovation expenditure will be discussed in greater detail below at the sub-theme level.

Entrepreneurship and Scaling represents a growing share of DETE's capital expenditure rising from €56m (17.5%) at the start of the study period in 2006 to a peak expenditure of €199m in 2020 (34% expenditure share in 2019). Annual expenditure under this theme averaged €117m across the study period. The importance of this area to DETE is clear as it is the largest thematic area over the years 2014-2018. Expenditure in this area is focused on facilitating growth in young businesses and start-ups. Enterprise Ireland are the agency with the largest share of expenditure focused on Entrepreneurship and Scaling over the period with key schemes including the Seed and Venture Capital Scheme (€34m, 2020), Company Development grants (€34m, 2020) and High Performing Start-up packages (€20m, 2020). LEOs also offer key supports in this area including business expansion grants and priming grants. DETE has recently focused expenditure on this area through the Future Growth Loan Scheme delivered through SBCI – with €69m in expenditure across the three years to 2020.

Regional Development is another area which DETE has invested in over the study period – accounting for 11.5% of total capital expenditure since 2006. The data above shows that investment in programmes specifically focused on regional development fell over the year 2008-2018 when compared to the start of the study period (pre-2008). In 2006 €97m was categorised as Regional Development expenditure at a programme level, representing the largest share of expenditure (30%). This fell to €9m in 2013 before rising to €83m in 2019. The major driver of trends under this theme is expenditure under the IDA Regional Property Programme. Investment in this programme can vary significantly over the economic cycle. Recent renewed investment in the IDA Regional Property Programme combined with the beginning of payments under the Regional Enterprise Development Fund (REDF) has resulted in a renewed increase in the Departmental spend categorised under Regional Development.

In the above analysis of themes, only those programmes which have regional development as their core aim are included. However, there are several programmes which have a strong regional component which isn't reflected in the thematic allocation as their principal objective was more strongly aligned to another area. More generally, programme expenditure across enterprise agency programmes is dispersed through the country, something which is further facilitated by

European State Aid rules which allow for greater aid intensity in regional areas.⁵ For example, in 2020, 52% of IDA investments went to regional locations, while Enterprise Ireland have a number of programmes with high levels of regional expenditure.⁶ A comprehensive analysis of DETE supports at a regional level is currently being carried out as part of the Spending Review process and will provide further insight into the regional and sectoral breakdown of supports. However, there remains an important distinction between schemes which have a high level of regional expenditure and those specifically designed for developing regions.

Expenditure on 'Trade and Investment' has been a consistent feature of the Department's capital expenditure over the study period and makes up 10.6% of total expenditure over this time. Funding categorised as focused on Trade and Investment has varied from a high of €67m in 2006 to low of €32m in 2013. In 2020 there was €48m of capital expenditure made under Trade and Investment. This thematic area includes several IDA programmes such as IDA Capital Grants and IDA Employment Grants, as well as EI programmes aimed at encouraging export activity among client companies.

The themes set out above; Innovation, Entrepreneurship and Scaling, Regional Development and Trade and Investment account for the large share of DETE expenditure in most years over the period 2006-2020. Expenditure categorised under the themes Productivity and Transforming Enterprise make up a smaller amount of the Department's capital allocation, while expenditure categorised as Stabilising Enterprise varies significantly depending on economic conditions.

Productivity accounts for between 6% and 1% of the Department's expenditure on an annual basis over the study period. Productivity expenditure as a share of the Department's capital allocation peaked in 2011 as a share of expenditure. Programmes under this theme include EI's Capital Investment Initiative, Key Manager, Lean Plus Assignment – programmes aimed at enabling firms to improve management practice and efficiency of expenditure by firms. A caveat to add on expenditure productivity is that programmes categorised under Innovation would be expected to have longer term productivity impacts, and so the share of expenditure set out above underestimates the investment by DETE in productivity improving programmes.

Expenditure categorised as Transforming Enterprise centres around Digital Transformation and Green Transition as well as developing new sectors and opportunities for the enterprise base. This theme accounts for 2.5% of the capital allocation over the study period. This reflects a higher level of expenditure allocated to this theme between 2008-2012 where expenditure was made on developing opportunities in the Dairy industry under the Dairy Process Investment Initiative. Over the period 2015-2019 there have been lower levels of expenditure under this theme compared with other thematic areas with only between €2.5m and €1.5m allocated on an annual basis. However, in 2020 there was renewed focus on programmes in this area with expenditure rising to €7.5 million, driven by the establishment of the Trading Online Voucher Scheme aimed at helping micro-enterprises to develop their e-commerce capability.

⁵ https://ec.europa.eu/competition-policy/state-aid/legislation/modernisation/regional-aid_en

⁶ <https://www.idaireland.com/newsroom/regional-investment-grew-as-foreign-direct-investm>

Stabilising Enterprise is the final theme – and it is one which is highly related to the prevailing economic conditions. Programmes under this theme are those which aim to provide support to programmes during times of macroeconomic difficulty. When expenditure rises under this theme it can dominate the Department’s capital allocation as a whole – this was the case during the post-2008 economic downturn as well as in 2020 due to Covid-19 where the Department delivered a range of supports to stabilise the enterprise base. Between 2009 and 2011 there was significant expenditure on the Enterprise Stabilisation Fund and the Enterprise Subsidy Scheme peaking at €97m in 2010, in this year expenditure focused on stabilising enterprise made up 20% of the Department’s capital allocation. This is dwarfed by recent expenditure to support enterprise impacted by the Covid-19 pandemic. DETE was responsible for the delivery of a number of supports aimed at providing stability to businesses impacted by the pandemic including: Restart Grant, Restart Grant Plus delivered through Enterprise Ireland and then through the Local Authorities; the Covid-19 Working Capital Scheme, Covid-19 Credit Guarantee Scheme delivered through SBCI; Emergency Business Solutions through InterTradeIreland; and the Lean Continuity Scheme and Micro Enterprise Assistance Scheme delivered through LEOs. This only includes schemes which made actual payments in 2020 and not those which had their first drawdowns in 2021. In total DETE delivered over €700m in direct financial support categorised under ‘Stabilising Enterprise’ to the enterprise base through 2020. This represents 59% of the Department’s (revised) capital allocation for the year.

The breakdown of the Department’s expenditure in 2020 by main theme is set out below. A table setting out main theme expenditure by year 2006-2020 is set out in the appendix.

Table 1: 2020 Capital Expenditure, by Main Theme

Main Theme	2020 Expenditure	2006-2020 Expenditure
Theme 1 Innovation	€176,682,000	€14,441,000
Theme 2 Productivity	€13,005,000	€1,980,230,000
Theme 3 Regional Development	€55,431,000	€202,037,000
Theme 4 Trade and Investment	€47,486,000	€733,750,000
Theme 5 Transforming Enterprise	€7,669,000	€673,982,000
Theme 6 Entrepreneurship and Scaling	€199,443,000	€168,578,000
Theme 7 Stabilising Enterprise	€714,480,000	€1,756,248,000
Grand Total	€1,215,000,000	€866,817,000

2.1 Sub Themes

Each of the main themes are comprised of directly related sub-themes. It is sometimes the case that a large level of expenditure at a main-theme level is being driven by a single sub-theme. Specifically looking at expenditure at the sub-theme level can provide further insight into the purpose of that expenditure.

Figure 3: Annual expenditure by (larger) sub-theme

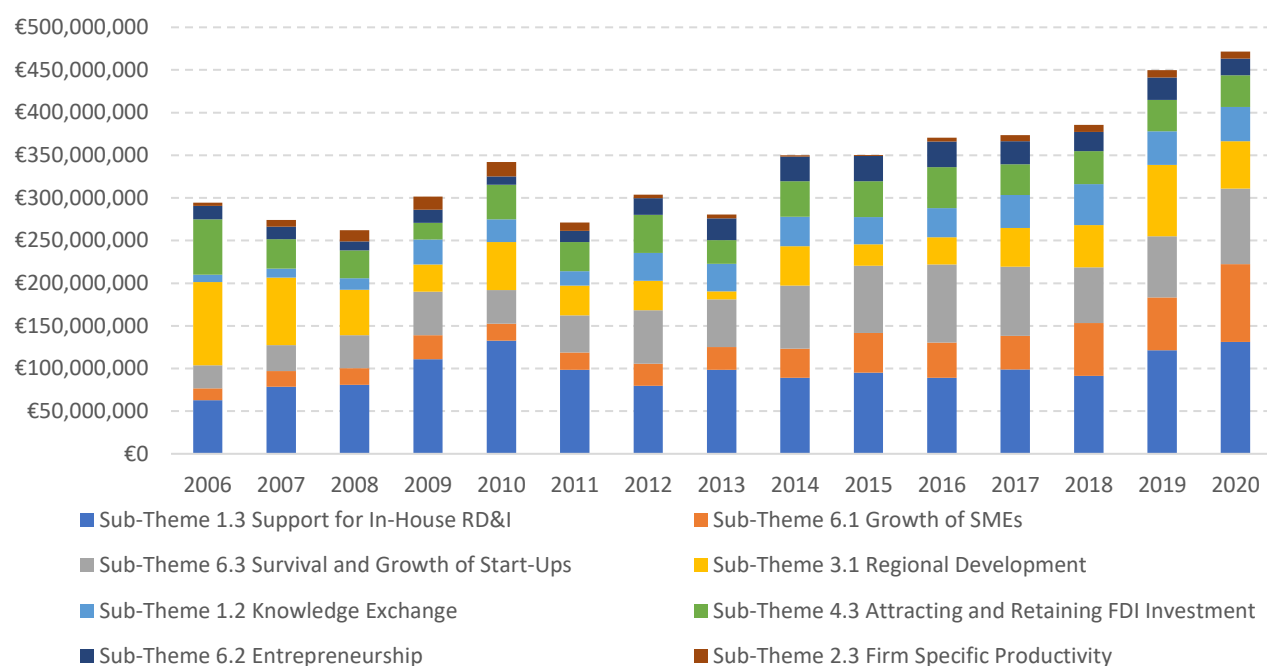


Figure 3 sets out the share of expenditure on each of the larger sub-themes by year from 2006-2020. Regional Development (30%, €97m), Support for In-House RD&I (20%, €63m) and Attracting and Retaining FDI Investment (20%, €65m) are the three largest sub themes at the start of the study period – accounting for 70% of expenditure.

Sub-theme 4.3 Attracting and Retaining FDI accounts for the large share of ‘Trade and Investment’ expenditure as opposed to Brexit Preparation, Seeking New Export Markets, or Increased Level of Exports.

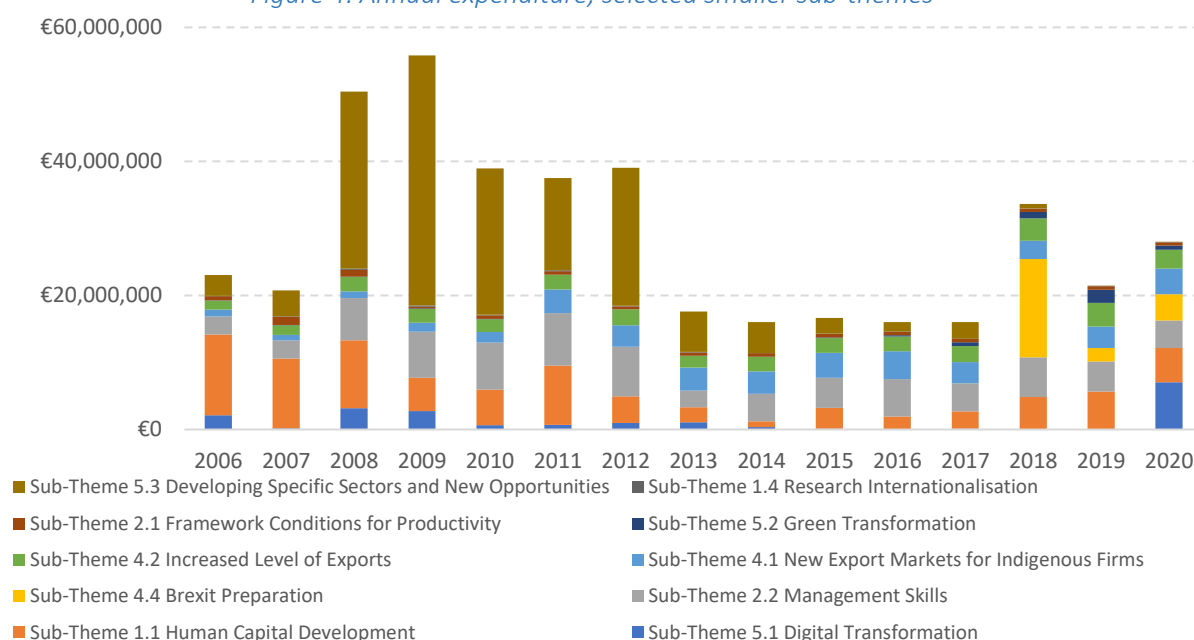
Sub-theme 1.2 Knowledge Exchange is another Innovation sub-theme which accounts for a large expenditure share over the study period accounting for 7% of total capital expenditure. Sub-theme 1.2 Knowledge Exchange and Sub-theme 1.3 In-House RD&I are comprised of programmes which target increased innovation in firms, through direct support for research within the firm or through promoting greater exchange of knowledge between firms and Research Performing Organisations. With Science Foundation Ireland programmes no longer included in this analysis, there is a lower allocation to ‘Human Capital Development and Knowledge Generation’ which has transferred to DFHERIS.

Funding targeting the survival and growth of start-ups has been a growing part of the Department’s expenditure over time, rising from 10% in 2006 and peaking at 24% in 2016. In combination with funding targeted at Growth of SMEs and Entrepreneurship (peak at combined 21% of annual expenditure).

Sub-theme 2.3 Firm-Specific Productivity has made up 1.8% of the total capital allocation to the Department over the past 15 years. Programmes in this area include programmes targeting ‘Lean’ practice in firms, as well as the EI Productivity Improvement Fund and the Growth Fund.

As in the main-theme discussion Stabilising Enterprise's share of the total capital allocation can vary significantly depending on economic circumstance – however its rapid growth in certain areas demonstrates flexibility in the capital allocation process in responding in times of need.

Figure 4: Annual expenditure, selected smaller sub-themes



Looking at the sub-themes which have received smaller allocations of capital through the years we see there are a number which have received little to no capital allocation over the study period.

Programmes classified under Green Transition and Digital Transformation have consistently made up a very small share of the DETE's funding. Between 2006 and 2017, expenditure across these two areas average 0.35% of total Departmental expenditure. Since 2018 there looks to be increased prioritisation of these areas. €2 million was allocated to the Green Transition in 2019 – largely due to the IDA's Green Offer, however expenditure on this theme fell back again in 2020. The Digital Transformation saw an increase in expenditure in 2020 due to a significant level of funding aimed at helping enterprise increase their online capability in the face of the Covid-19 pandemic.

DETE has demonstrated flexibility to respond to other specific challenges facing enterprise when required. Similar to the rapid allocation of expenditure to sub-theme 7.1 Stabilising Enterprise there was a spike in expenditure on Brexit Preparation from 2018-2020, with a number of schemes active under this theme including: Brexit Loan Scheme, Brexit Planning/Implementation Voucher, Be Prepared scheme, Ready for Customs, and the Clear Customs grant.

Linkages and Productivity Spillovers has had very few programmes which fit under this theme with only 'Industry Led Networks' allocated under this sub-theme, although expenditure on the policy instrument 'Cluster and Collaboration' would suggest there is higher expenditure on linkages through other themes explored in more detail below.

Programmes which focus specifically on opening up new export markets for Irish firms have also made up a relatively small share of expenditure over the course of the study period – making up 1.2% of total capital expenditure. Programmes in this area include InterTradelreland’s Acumen programme, LEO’s assistance for micro-enterprises grant and EI’s Market Discovery Fund. One reason for low levels of expenditure here is possibly the nature of the grants. Grants in these two thematic areas are primarily LEOs and InterTradelreland grants – both of which typically deal with smaller firms. This is reflected in the award count of grants (6,924) compared against the total expenditure (€74 million) meaning there is an average award of €10,500 in this area (compared against an average award of €124,000 in the case of sub-theme 1.3 In-House RDI). This suggests that expenditure on export focused themes may have a greater reach than the total expenditure alone might suggest.

The full range of sub-themes across the study period as a share of each year’s capital expenditure is set out in the Appendix. Table 2 below sets out the level of capital expenditure by sub-theme in 2020.

Table 2: 2020 Capital Expenditure, by sub-theme

Sub-Theme	2020 Expenditure	2006-2020 Expenditure
No theme Mapped	€0	€14,441,000
Sub-Theme 1.1 Human Capital Development and Knowledge Generation	€5,092,000	€81,881,000
Sub-Theme 1.2 Knowledge Exchange	€40,333,000	€437,688,000
Sub-Theme 1.3 Support for In-House RD&I	€131,218,000	€1,459,484,000
Sub-Theme 1.4 Research Internationalisation	€38,000	€1,177,000
Sub-Theme 2.1 Framework Conditions for Productivity	€500,000	€8,499,000
Sub-Theme 2.2 Management Skills	€4,102,000	€76,142,000
Sub-Theme 2.3 Firm Specific Productivity	€8,403,000	€115,105,000
Sub-Theme 2.4 Linkages and Productivity Spillovers	€0	€623,000
Sub-Theme 2.5 In-Company Training	€0	€1,668,000
Sub-Theme 3.1 Regional Development	€55,431,000	€733,750,000
Sub-Theme 4.1 New Export Markets for Indigenous Firms	€3,830,000	€40,140,000
Sub-Theme 4.2 Increased Level of Exports	€2,853,000	€33,852,000
Sub-Theme 4.3 Attracting and Retaining FDI Investment	€36,906,000	€579,360,000

Sub-Theme 4.4 Brexit Preparation	€3,895,000	€20,630,000
Sub-Theme 5.1 Digital Transformation	€7,068,000	€19,394,000
Sub-Theme 5.2 Green Transformation	€592,000	€4,751,000
Sub-Theme 5.3 Developing Specific Sectors	€8,000	€144,433,000
Sub-Theme 6.1 Growth of SMEs	€90,984,000	€548,217,000
Sub-Theme 6.2 Entrepreneurship	€19,692,000	€308,094,000
Sub-Theme 6.3 Survival and Growth of Start-Ups	€88,767,000	€899,937,000
Sub-Theme 7.1 Stabilising Enterprise	€714,480,000	€866,817,000
Grand Total	€1,215,000,000	€6,396,084,000

Stabilising Enterprise dominated expenditure in 2020 with almost €715m invested in this sub-theme (also see Table 1).

The Department continues to invest strongly in developing capacity for In-House Research and Development in the enterprise base with €131m invested directly in programmes in this area in 2020. Key programmes in this area in 2020 include the IDA RD&I Support Programme, the Disruptive Technologies Innovation Fund, Membership of the European Space Agency and EI's R&D Fund.

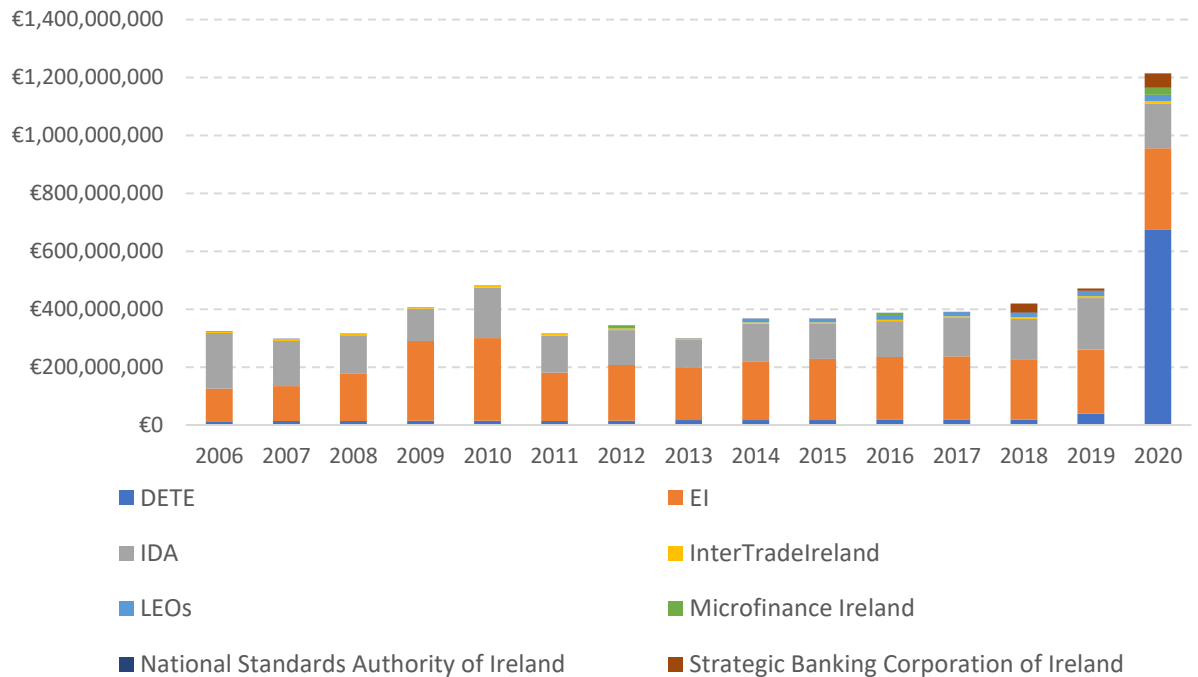
Other important sub-themes include 6.1 Growth of SMEs, core programmes in this area are EI's Company Development grants and the Future Growth Loan Scheme. Sub-theme 6.3 Survival and Growth of Start-Ups also saw strong funding in 2020, with key programmes including funding to Microfinance Ireland, EI's HPSU Package and the Seed and Venture Capital Scheme.

3. Funding by Agency

3.1 Expenditure by Agency

Figure 6 below sets out the allocation of funding to each of DETE's agencies over the period 2006-2020. Note that SBCI is not an agency of DETE.

Figure 6: Expenditure by Agency, by Year



Over the study period capital expenditure made through Enterprise Ireland and the IDA has dominated the Department's allocation. In the years 2006-2019 the two main enterprise agencies made up 90% of the Department's capital expenditure. Programmes under DE TE itself made up 5% of capital expenditure (Disruptive Technologies Innovation Fund and European Space Agency membership in the main), while allocations to InterTradeIreland, LEOs, Microfinance Ireland, National Standards Authority of Ireland and the Strategic Banking Corporation of Ireland make up the remaining 5% of capital expenditure.

This balance was somewhat changed in 2020 due to payments made under the Restart Grant and Restart Grant Plus, which is classified as DE TE expenditure here, leading to DE TE spend of €673m in 2020. Funding for the Restart Grant is paid to Enterprise Ireland who in turn pass funding on to individual Local Authorities for onwards disbursement.

Enterprise Ireland represents the largest agency on an expenditure basis, over the study period it made annual payments of €204m. EI now makes up a larger share of the Department's budget than at the start of the study period. In 2006 it had a capital allocation of €112m, this grew to €221m in 2019 and €282m in 2020.

The IDA is the second largest agency in terms of expenditure over the study period, with an annual average spend of €139m. IDA was the largest agency of the Department prior to the post-2008 recession, with expenditure of €192m in 2006 – since the recession its expenditure has been relatively steady between €130m in 2014 and growing to €178m in 2019. It made payments totalling €154m in 2020.

A growing area of spend for the Department has been expenditure made through SBCI (not an agency of the DETE). Since 2018 DETE has made payments of €87m to SBCI to support several loan schemes aimed at enterprise. In 2020 there was also a further allocation made to MicroFinance Ireland (€25m) due to new expenditure under the Covid-19 Credit Guarantee Scheme.

LEOs have also accounted for a small but growing area of expenditure for DETE since 2014, with payments growing from €11.5m in 2014 to €17.5m in 2019. Like other agencies, their expenditure rose in 2020, in part due to payments made to support the enterprise base through the Covid-19 pandemic.

The payments at an agency level in 2020 and across the period 2006-2020 are set out below.

Table 3: Capital Expenditure by Agency 2020 and 2006-2020

Agency	2020 Expenditure	2006-2020 Expenditure
DETE	€673,316,000	€920,985,000
EI	€282,169,000	€3,047,272,000
IDA	€154,251,000	€2,091,936,000
InterTradelreland	€7,919,000	€76,085,000
LEOs	€22,963,000	€109,883,000
Microfinance Ireland	€24,790,000	€44,790,000
National Standards Authority of Ireland	€500,000	€8,499,000
Strategic Banking Corporation of Ireland	€48,292,000	€87,292,000

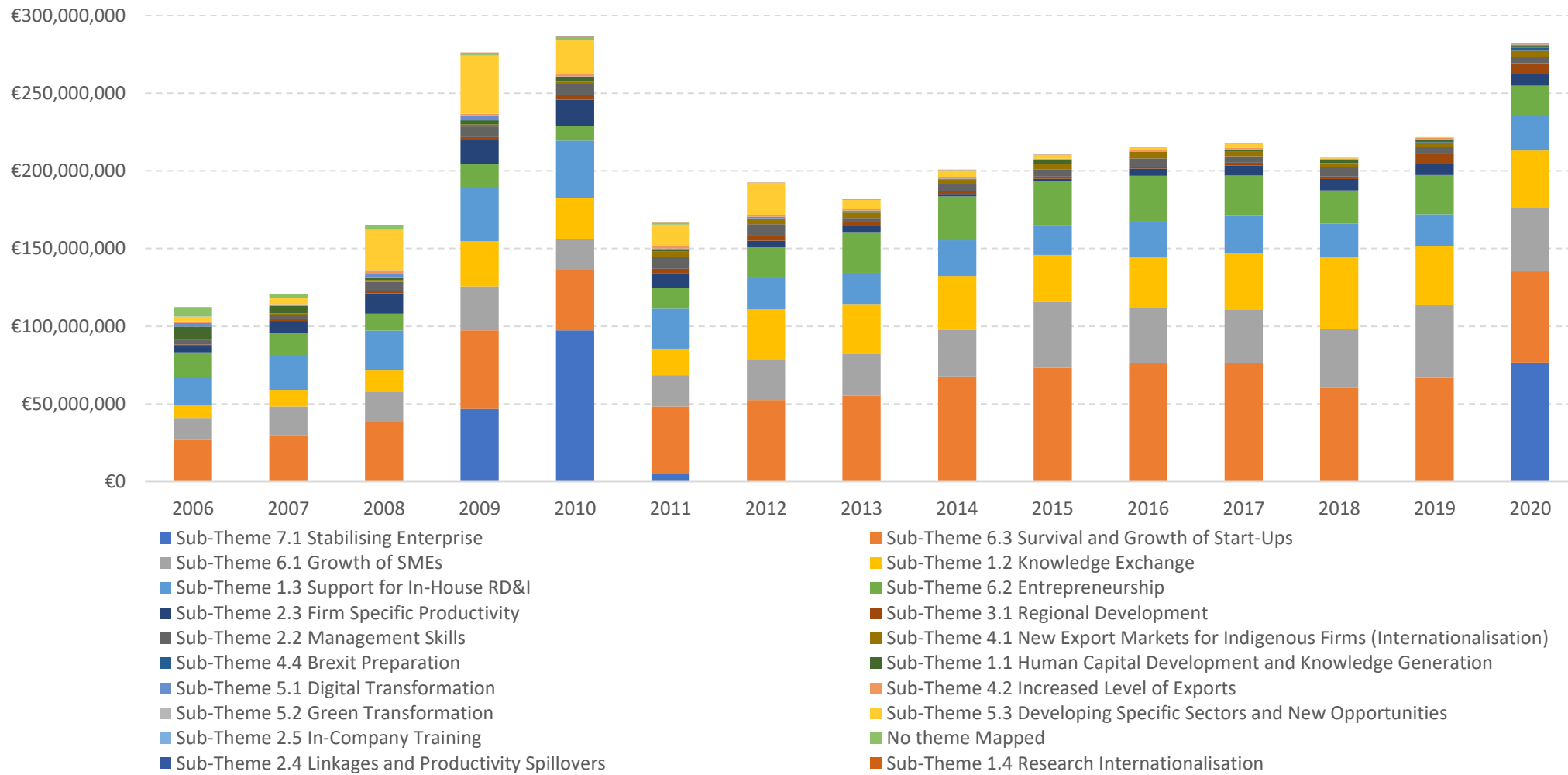
3.2 Policy Alignment by agency

Breaking down the expenditure of the agencies thematically allows for a better understanding of the intent of their expenditure, and how this aligns with Departmental policy.

Enterprise Ireland's expenditure share by sub-theme is set out below in Figure 7. It shows that Enterprise Ireland's expenditure is quite dispersed across a wide number of sub-themes, particularly at the beginning of the study period. This reflects its broad mandate in developing indigenous enterprise. Another driver of this is the large number of distinct programmes delivered by EI. Since 2013 four sub-themes have made up a large and growing share of EI's expenditure. These are: Survival and Growth of Start-ups, Entrepreneurship, Growth of SMEs and Knowledge Exchange. These four thematic areas made up €155m (55%) of EI's €282m total expenditure in 2020.

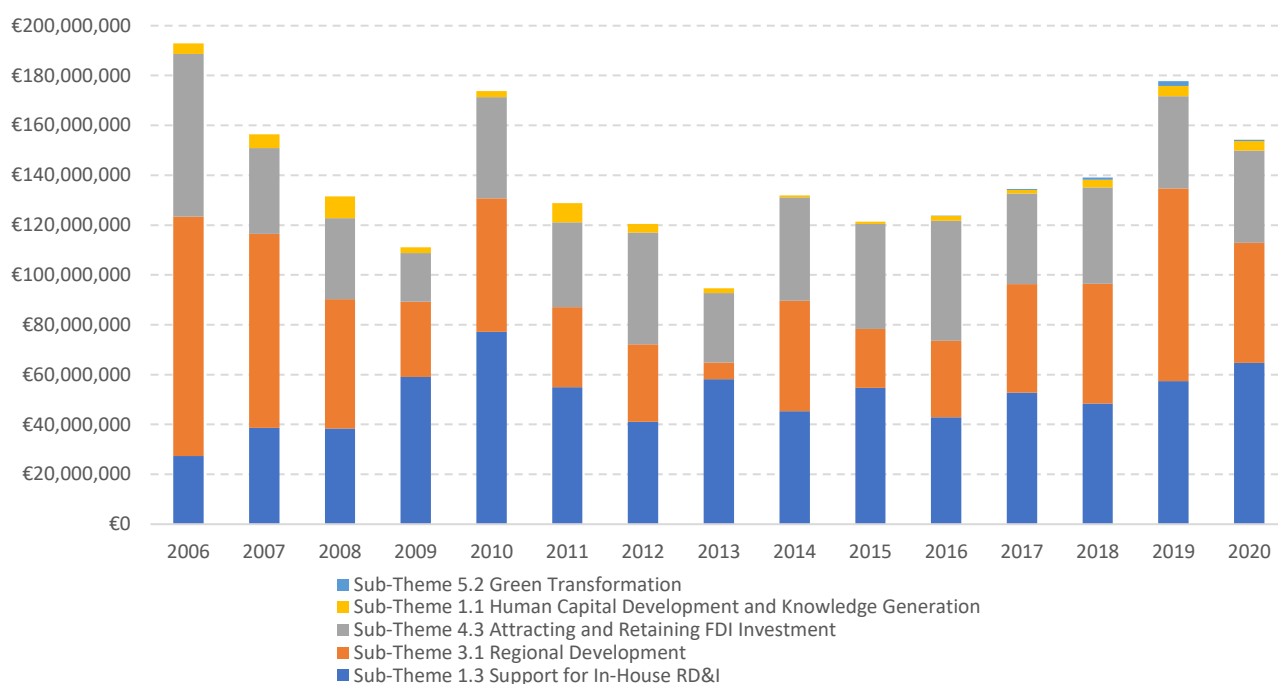
Enterprise Ireland continues to invest across a wide range of subthemes including Regional Development, Support for In-House RD&I, Management Skills, Firm Specific Productivity, and New Export Markets for Indigenous Firms.

Figure 7: Enterprise Ireland Annual Expenditure, by Theme



Looking at the IDA's expenditure, shows that its spend has been more thematically focused than Enterprise Ireland as it only makes expenditure across five sub-themes over the study period, with the vast majority of expenditure in three sub-themes: Support for In-House RD&I, Regional Development and Attracting and Retaining FDI. The smaller number of programmes under the IDA are a key driver of this trend.

Figure 8: IDA Expenditure Share, by sub-theme



The IDA's expenditure has varied between €192m in 2006 and €95m in 2013. IDA's expenditure has been relatively steady in how it has been allocated across the 3 main sub-themes. The most variable of these three sub-themes is expenditure on Regional Development which is comprised of expenditure made through the IDA's Regional Property Programme. The expenditure on this programme can vary depending on the investments made in any one year in combination with the sale of assets through the programmes – both of these activities can vary through the economic cycle which can make predicting spend in this area difficult. Expenditure on the IDA Regional Property Programme averages at €46m over the study period and has varied from a high of €96m in 2006 to a low of €6.7m in 2013.

While the IDA Regional Property Programme is the only IDA programme formally classified within sub-theme 3.1 Regional Development, other programmes across other sub-themes which contribute to regional development (as specified by the IDA) include the IDA Capital Grants and Employment Grants programmes. Combined these programmes represent 55% of total IDA expenditure over the period.

Sub-theme Attracting and Retaining FDI represents a consistent area of focus for the IDA. Expenditure in this area peaked in 2006 at €65m and was at its lowest in 2009 at €32.3m. Over the period expenditure has averaged €38.6m annually. This theme best aligns with IDA main

objective – to encourage investment into Ireland by foreign-owned companies. Objectives aligned to this theme are present in all of IDA’s expenditure including its regional development spend and its spend on In-House RD&I. While expenditure on In-House RD&I (representing 36% of total IDA expenditure 2006-2020) has benefits for the types of employment it creates and the externalities which arise from this specific type of investment, a key element of this support is that Ireland is able to compete on a global level in attracting FDI.

Turning to the rest of the agencies, LEOs have been primarily focused on sub-theme 6.1 Growth of SMEs and sub-theme 6.3 Survival and Growth of Start-ups – making up 76% of LEOs expenditure since their first payments under the DETE budget in 2015. Since 2015 LEOs capital expenditure has risen from €11.5m to €23m in 2020 (€17.5m in 2019). This expenditure and the thematic allocation reflect the Local Enterprise Offices remit in driving the development of local, micro enterprise.

InterTradeIreland’s expenditure has been relatively steady over the study period, varying from €3.9m in 2009 to €7.9m in 2020. ITI has been tightly focused on support for In-House RD&I and support for increased level of exports. Recently it has also seen specific expenditure on Brexit preparation and supporting firms enhance their digital capabilities (sub-theme 5.1 Digital Transformation).

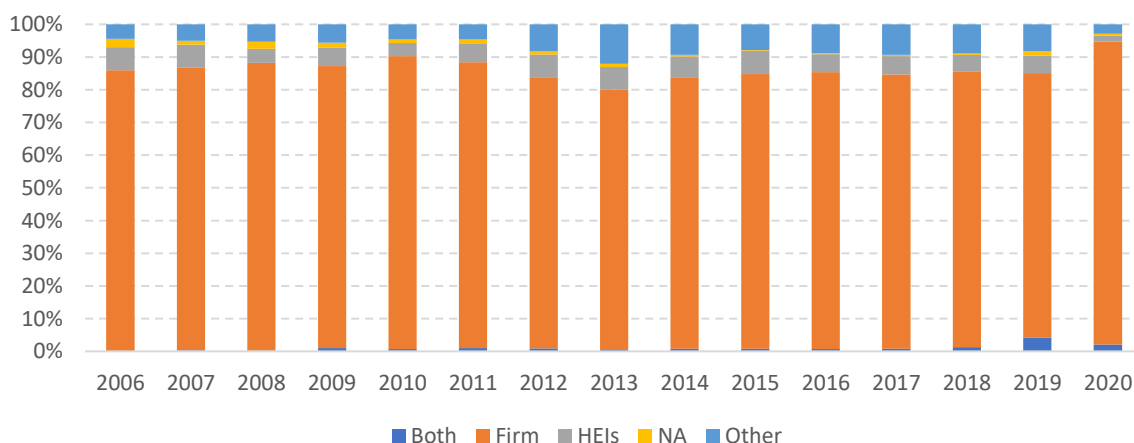
Expenditure through SBCI and Microfinance Ireland is entirely focused on either Stabilising Enterprise or targeted, the Growth of SMEs or Survival and Growth of Start-ups.

4. Recipient Type

4.1 Funding by Recipient type

Since the change of functions in 2020 DETE’s expenditure has been tightly focused on firms, previously this expenditure had been split more broadly between firms and Higher Education Institutes. DETE expenditure by recipient type is set out in figure 9 below for the years 2006-2020 (focusing on those programmes which have remained with the agencies remaining under DETE’s remit).

Figure 9: Capital Expenditure by Recipient Type



Expenditure which goes directly to firms makes up 86% of DETE's expenditure over the period 2006-2020. This figure stood at 81% in 2019.

5% of expenditure has gone to HEI's – a share that has been steady over the study period. This includes expenditure on Incubation Centres, the Commercialisation Fund, and Technology Transfer Offices. The investment DETE is making in HEIs is therefore broadly investment with an aim of better commercialising the research emerging from HEI's, or to encourage the transfer of that research over to the enterprise base – this is funding which will indirectly benefit the enterprise base.

A small share of expenditure (1.5% since 2006) is targeted at both firms and HEIs including expenditure on International Collaboration by Enterprise Ireland, Ireland's membership of Eureka and most recently expenditure on the Disruptive Technologies Innovation Fund where collaborative applications are accepted from both firms and Research Performing Organisations.

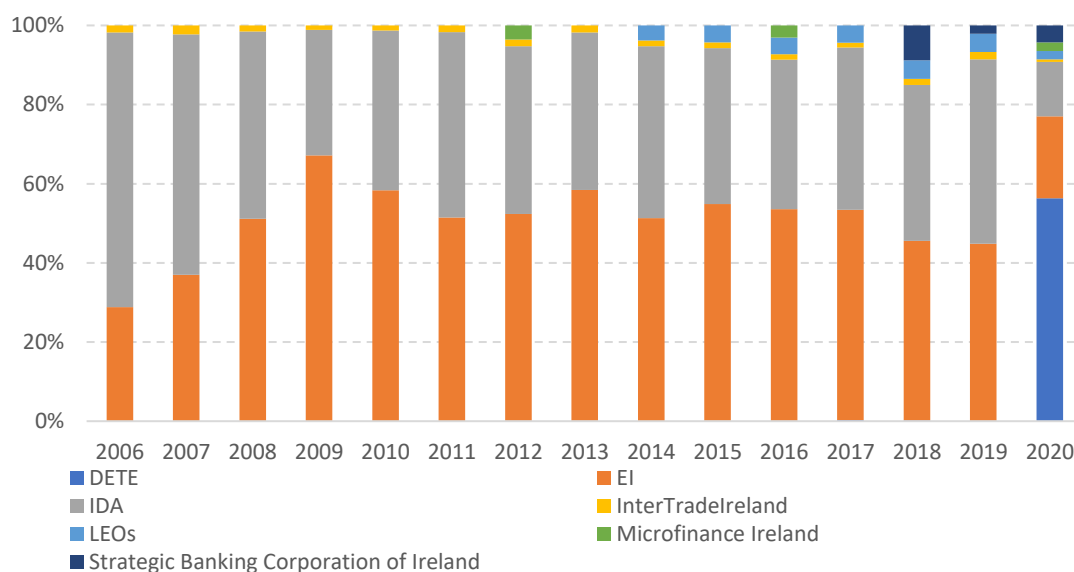
Recipient types categorised as 'other' received 6.5% of DETE's capital expenditure since 2006. This expenditure (as well as that classified NA) is typically expenditure which may benefit multiple types of organisations including both firms and RPOs, but which were not strictly defined as HEI's. This includes EI's Technology Centres and expenditure on Enterprise Centres, the Enterprise Innovation Network, and membership of the European Space Agency.

In summary the expenditure by recipient type shows that DETEs capital expenditure is highly focused on either supporting enterprise directly, or indirectly through expenditure on encouraging collaboration and commercialisation activity with RPOs.

4.2 Funding to agency clients

Of the capital expenditure that goes directly to firms (grants direct to firms, equity and loans), programmes delivered by EI and IDA accounted for 95% of total expenditure between 2006 to 2019, with programmes aimed at the broader enterprise base receiving 5% of total expenditure since 2006. This analysis assumes that all EI and IDA programmes are restricted to agency clients, which is not strictly the case, but this provides a rough estimate of the levels of funding that goes to traditional agency clients compared to those firms receiving funding through LEOs, SBIC, Microfinance Ireland and InterTradeIreland.

Figure 10: Annual capital expenditure to firms, by agency share



As can be seen in Figure 10, the proportion of funds going to non-agency clients – including all LEO, ITI, SBCI, and Microfinance Ireland expenditure has risen substantially since 2006, and particularly since the 2009-2011 period. During this time almost all DETE capital funding to firms was awarded solely to agency clients. In 2018 the share going to the non-agency clients had risen to 16% of total funding going to firms – although it fell back 9% in 2019. This has been largely driven by an increase in loan schemes and particularly increases in funding to schemes operated by SBCI, as well as rising expenditure through LEOs.

COVID-19 related expenditure, including loans and grants to stabilise enterprise resulted in a significant increase in support to the wider enterprise base (non-agency clients) in 2020 – with the share of funding rising to 66%. 4.3% of this expenditure was made through the SBCI, while 56.4% represents payments made under the Restart Grant and Restart Grant Plus.

4.3 Programme Funding by Firm Size

Examining programme expenditure through eligibility criteria on firm size (of total expenditure going directly to firms) shows that the majority of programmes in expenditure terms are open to 'All' firms.

The breakdown of funding awarded by firm size eligibility criteria at a programme level, is set out in Table 4 below. Micro enterprise includes those firms with less than 10 employees, small firms are defined as those employing less than 50, while medium sized firms employ between 50 and 249 employees. A trend of this expenditure is included in Appendix Figure A2.

Table 4: Programme Expenditure on Firms, by Firm Size Eligibility Criteria

Firm Size Criteria	Expenditure Share 2006-2020
All	58.4%
All excl. Large	0.1%
Micro	15.8%
N/A	1.3%
Small	0.02%
SMEs	19.7%
SMEs & Large	4.8%
Grand Total	100.0%

Almost 60% of expenditure on firms is categorised 'All' in terms of firm size eligibility criteria. This broadly includes all direct expenditure towards firms by the IDA as well as a number of EI programmes such as the R&D Fund and Company Development and Expansion grants. ITI expenditure has also been classified as open to 'All' firms.

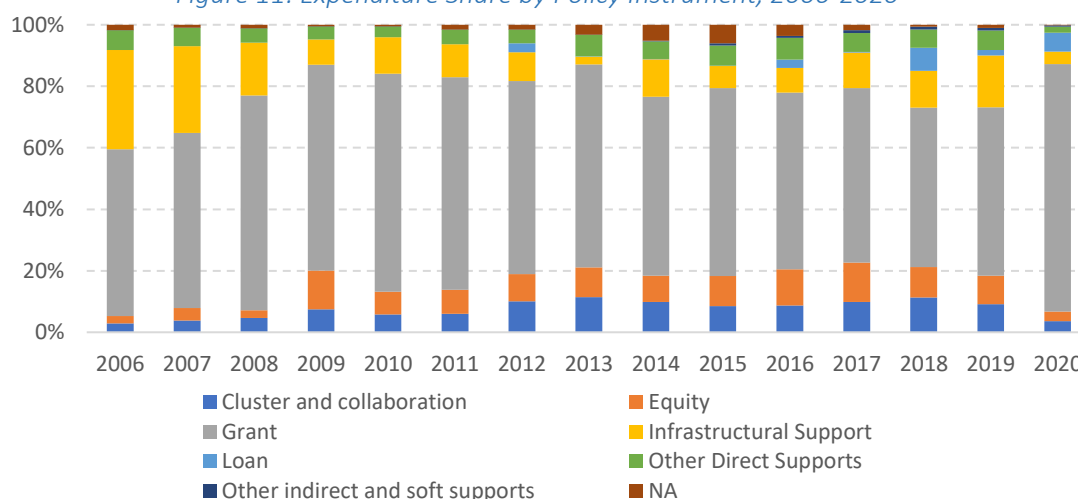
Expenditure on micro-enterprise includes all of the LEOs and Microfinance Ireland expenditure, but also some specific higher spend programmes through EI such as HPSU Funding and Seed and Venture Capital Scheme funding.

Funding targeted specifically at SMEs makes up 20% of the funding which is classified as going to firms. While funding open to 'SMEs and Large' firms represents 5% of funding over the period.

5. Policy Instruments

Expenditure share by policy instrument type is set out below in Figure 11.

Figure 11: Expenditure Share by Policy Instrument, 2006-2020



Grants have been the primary instrument used by DETE to support enterprises over the study period – accounting for 64% of total capital expenditure. The level of grant funding has varied over time and can rise in times of economic difficulty when more direct supports to firms are introduced as in 2009/2010 and in 2020 due to direct supports introduced to support firms

through Covid-19. There has been a general trend which has seen a slight decline over 2013 to 2019 in the share of the Department's capital allocation from 65% in 2013 to 55% in 2019. This has been less due to an actual decline in the amount of grants paid (which grew from €197m in 2013 to €258m in 2019) but due to increased levels of investment in alternative instruments – in particular an increase of expenditure in the form of loan and equity instruments.

Infrastructural supports expenditure (which includes expenditure on the IDA Regional Property Programme and EI Incubation Centres) has been a consistent feature of expenditure since 2006 – making up 11.5% of total capital spend to 2020. Investment in this area reached a low of 7% of annual expenditure in 2015 but has shown increased investment since 2017 and it made up 17% of total Department expenditure in 2019 following €77m worth of investment by the IDA Regional Property Programme.

Similarly, investments supporting clusters and collaboration have been an increasingly important tool for DETE. This expenditure includes programmes such as Technology Centres, Community Enterprise Centres, Regional Enterprise Development Fund and Technology Gateways. This policy instrument was less used prior to 2012 but has since made up an average of 10% of DETE expenditure annually.

Equity instruments are another instrument which has seen increased use over the study period. This instrument made up 2.5% of expenditure in 2006 but has averaged 10% of total capital expenditure each year since 2012. Programmes include the Seed and Venture Capital Scheme, the Competitive Start Fund, and the Development Capital Fund

Loans were a rarely used policy instrument with no allocation in any year before 2012, and with the Temporary Partial Credit Guarantee Scheme only seeing low levels of uptake since its introduction in 2012. Since 2018 there has been expenditure on the Brexit Loan Scheme, the Future Growth Loan Scheme, the Covid-19 Working Capital Scheme (now combined with BLS) and the Covid-19 Credit Guarantee Scheme (operating under a renewed Temporary Partial Credit Guarantee Scheme). Microfinance Ireland has also seen active drawdown of expenditure through this period with payments of €10m in 2012 and 2016. This has meant that loans as a policy instrument have increasingly featured as a share of DETE's capital expenditure, averaging 5% in the years 2018-2020.

Overall, while grant funding remains the dominant way in which expenditure occurs there are an increasingly diverse number of policy instruments utilised by DETE and its agencies.

6. Funding Dispersal

6.1 Number of Active Programmes

This review of expenditure has included 235 distinct programmes with capital expenditure over the period 2006-2020. The number of active programmes (those with capital expenditure) has also varied over time – set out below in table 5.

Table 5: Number of Active Programmes, by year

Year	Number of Programmes
2006	76
2007	77
2008	82
2009	95
2010	99
2011	107
2012	112
2013	116
2014	118
2015	106
2016	91
2017	97
2018	97
2019	97
2020	112

The year with the lowest number of active programmes was 2006 with 76 programmes active in that year. The number of active programmes peaked to 118 in 2014 but has since reduced and held steady at 97 active programmes from 2017-2019. This increased to 112 in 2020, with a number of these relating to Covid-19 supports.

Enterprise Ireland make up the majority of active programmes underneath DETE over the study period – accounting for 194 of the 237 distinct programmes over the study period. EI had 62 active programmes in 2006, which rose to 71 in 2019. This reflects the wide remit of EI in supporting a range of enterprises in different manner (direct grant funding, support for clusters, competitive research grants, equity support). There are also a number of programmes which have a large number of technical sub-divisions, such as the Mentor programme which has 22 distinct versions. However, these programmes have existed since the start of the study period and therefore are not the sole reason for the rise in the number of programmes. Part of this trend is due to programmes which have seen their main drawdown finish, but due to multi-year drawdowns will continue to see expenditure for a period. While there are a large number of programme active under EI, the capital allocation they have received on an annual basis has doubled over the study period, while it has only added net 11 additional programmes – which points to efforts to control the number of programmes under its remit. A further example of this is seen when comparing EI's 2010 and 2019 capital allocation – both approximately €280m while this was delivered across 84 programmes in 2010 and across 71 in 2019.

The large number of programmes under EI's management contrasts with the IDA where expenditure is focused mainly across 9 expenditure programmes over the study period.

Looking at changes in the number of programmes compared to the changes in level of expenditure at the Departmental level, expenditure has increased 46% when comparing 2006 total allocations to 2019's, while the number of total active programmes has increased 22%. At times over the study period there has been a rise in the number of active programmes which has

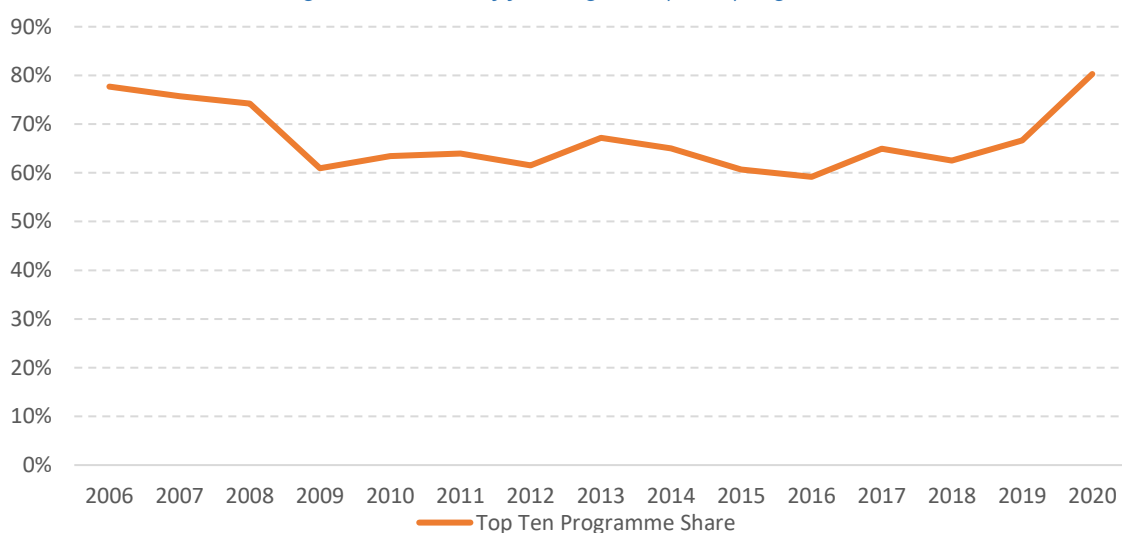
not been commensurate with expenditure increases, for example there were 118 active programmes in 2014 while expenditure was €110m lower than the 2019 allocation (with 97 active programmes). With the number of active programmes holding steady at 97 between 2017 and 2019 this points to active programmes ramping up in activity, combined with a similar level of opening of new programmes and closing of older ones.

The number of programmes increased to 112 in 2020, a net addition of 14 programmes compared with 2019. Ten of these directly relate to Covid-19 supports and so will be temporary in nature. While the number of new programmes over the study period has not increased beyond the change in expenditure, the number of active programmes should continue to be monitored as a large number of active programmes presents challenges for management of expenditure.

6.2 Share of Funding to Top Programmes

Figure 12 below sets out the share of funding going to the ten largest programmes in expenditure terms over the period.

Figure 12: Share of funding on top ten programmes



The share of funding going to the top ten programmes is higher in the period 2006-2007 where it stood at 77% of total funding allocated to the Department. This dropped to a low of 59% in 2016 as a result of a larger number of programmes with expenditure outside the top ten programmes. In 2019 the top ten programmes accounted for 66% of the Department's expenditure. Overall, this demonstrates a relatively stable trend since 2010 with the share of total expenditure accounted for by the top 10 programmes varying between 59% and 67%, with possibly an upward trend with the introduction of some larger programmes in 2019.

As expected, this proportion increased substantially in 2020 to 80.3% due to the introduction of Covid-19 supports which can distort the trend. One element which this emphasises is that the expenditure of DETE in 2020 is quite a bit more dispersed than it was in 2006 – it took the allocation of over €700m across a small number of programmes to bring the share of top ten programmes as a proportion of total expenditure back to a similar position as it was in 2006.

Set out below are the top ten programmes in 2020, including and excluding Covid-19 Supports.

Table 6: Top Ten Programmes by Expenditure, 2020

Top Ten Programmes (Incl. Covid Supports)	2020 Expenditure	Top Ten Programmes (Excl. Covid Supports)	2020 Expenditure
Restart Grant Plus	€445,270,000	IDA RD&I Support Programme	€64,742,000
Restart Grant	€187,920,000	IDA Property Programme	€48,168,000
Sustaining Enterprise Fund	€69,937,000	Future Growth Loan Scheme	€44,235,000
IDA RD&I Support Programme	€64,742,000	Seed and Venture Capital Scheme	€34,408,000
IDA Property Programme	€48,168,000	Company Development	€34,265,000
Future Growth Loan Scheme	€44,235,000	Microfinance Ireland	€24,790,000
Seed and Venture Capital Scheme	€34,408,000	Membership of European Space Agency	€19,813,000
Company Development	€34,265,000	HPSU Package	€19,799,000
Microfinance Ireland	€24,790,000	Disruptive Technologies Innovation Fund	€19,300,000
Membership of European Space Agency	€19,813,000	IDA Capital Grants	€16,921,000

Covid-19 supports dominate 2020 expenditure and account for the top three programmes in expenditure terms with the Restart Grant, Restart Grant Plus and the Sustaining Enterprise Fund. IDA supports feature strongly in the top ten programmes outside of Covid-19 supports – with the RD&I Support Programme making up the single largest allocation of capital from DETE in 2020, this is followed by the IDA Regional Property Programmes. Two of the newer schemes in the top ten programmes include the Future Growth Loan Scheme and the Disruptive Technologies Innovation Fund – which may partially account for the increase in the share of expenditure going to top ten programmes.

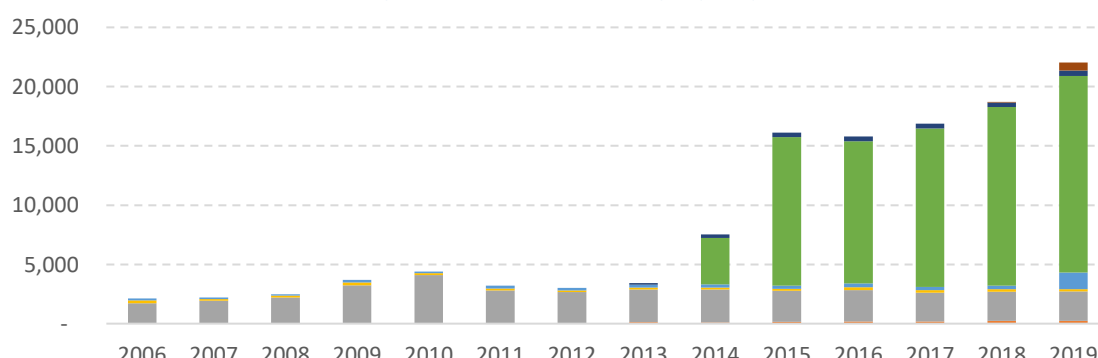
There is a mix of activity types in the Department's larger programmes. High Potential Start Ups are receiving significant support among the top programmes of the Department, with both the HPSU Package and Seed and Venture Capital Scheme aimed at young start-ups, these firms may also receive company development grants. There is strong investment aimed at attracting FDI through the IDA's programmes, while there is also a focus on innovation in expenditure made through DTIF.

7. Award Counts

The amount of expenditure is one way of looking at the level of investment in an area, however award counts can also offer information on the reach of a programme which may not come across in pure expenditure terms.

Figure 13 sets out the number of awards made on annual basis by each of the agencies.

Figure 13: Award Count by Agency



LEOs account for the large share of awards over the study period – this is due to the large reach of programmes such as Mentoring (10,000 annual average award count) and Start Your Own Business Programme (training programme with award count of 5,000).

Enterprise Ireland accounts for the second highest number of awards, with an average award count of 2,600 per annum over the last 15 years. Programmes delivered by EI with high award counts include its own Mentor programmes, Innovation Partnerships (174 awards in 2020), Innovation Vouchers (140 awards in 2020), and Key Manager programme (157 awards in 2020).

The IDA in contrast makes a smaller number of larger awards. It is important to note that award counts are not an applicable metric for a number of the IDA's instruments such as the Property Programme. 11 IDA programmes use award counts and the IDA makes 185 awards per annum on average through these programmes. The IDA programme with the highest award count through the period is IDA Training, which made 72 awards in 2020.

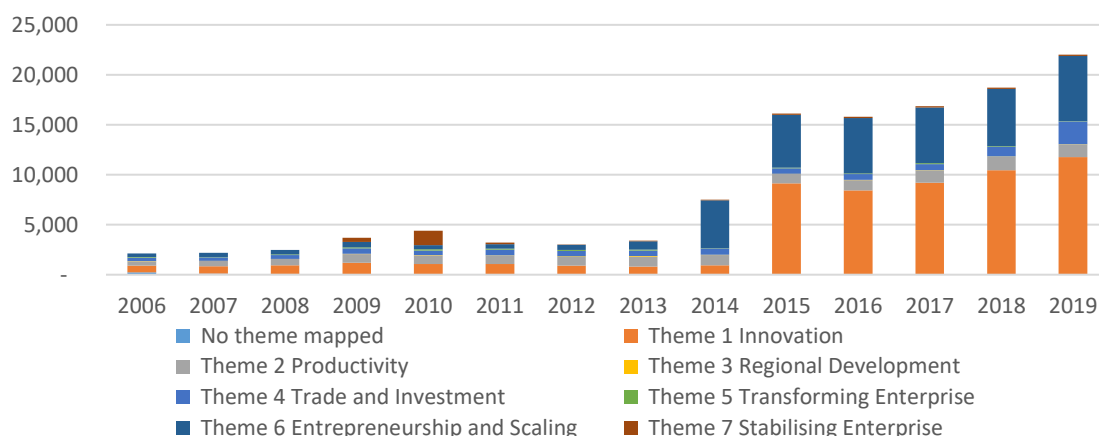
InterTradeIreland has achieved substantial reach with its Brexit Implementation Voucher which was awarded to 2,047 firms across 2019 and 2020. This represents a significant increase in award activity for this agency which has an average award count of 400 awards per annum over the last 15 years, and made 3,600 in total over the last two years.

SBCI and Microfinance Ireland have seen increasing numbers of loans awarded in the past few years. SBCI grew from 59 in 2018, to 678 in 2019 and 3,241 in 2020. Similarly, Microfinance Ireland's annual activity was in the range of 350 annual loans prior to 2020 but increased to 1,229 in 2020.

In 2020 there was a substantial number of awards made through the Restart Grant and Restart Grant Plus – with almost 110,000 applications from approximately 50,000 firms. The reach of these two programmes is considerably beyond the reach of any other programme reviewed over the study period.

Figure 14 sets out the number of awards made under each main theme over the period 2006-2019. Due to the high award counts in 2020, this data is excluded from the graph.

Figure 14: Award Count by Theme



Innovation has accounted for the large majority of awards over the period. The large portion of grants awarded through Innovation (and the reason for the jump post 2014) is due to the introduction of Mentoring grants under LEOs. These are small grants designed to match up the knowledge, skills, insights and entrepreneurial capability of experienced business practitioners with small business owner/ managers who need practical and strategic and guidance. LEOs have achieved significant reach with this programme with an average of 10,000 mentoring assignments in each year with a programme expenditure of €3.1m

Programmes under the theme of productivity also have a higher award count in comparison to programme costs. Programmes with high award counts here include LEAN for Micro with an award count of 397 in 2020. A number of Mentor Programmes delivered by EI have been classified under the theme of productivity and these saw 414 mentoring assignments in 2020.

Entrepreneurship and Scaling activity also accounts for many awards in each year since 2014. The 'Start Your Own Business' training programme makes up a large share of this, with an award count of 5,159 at a cost of €1m in 2020.

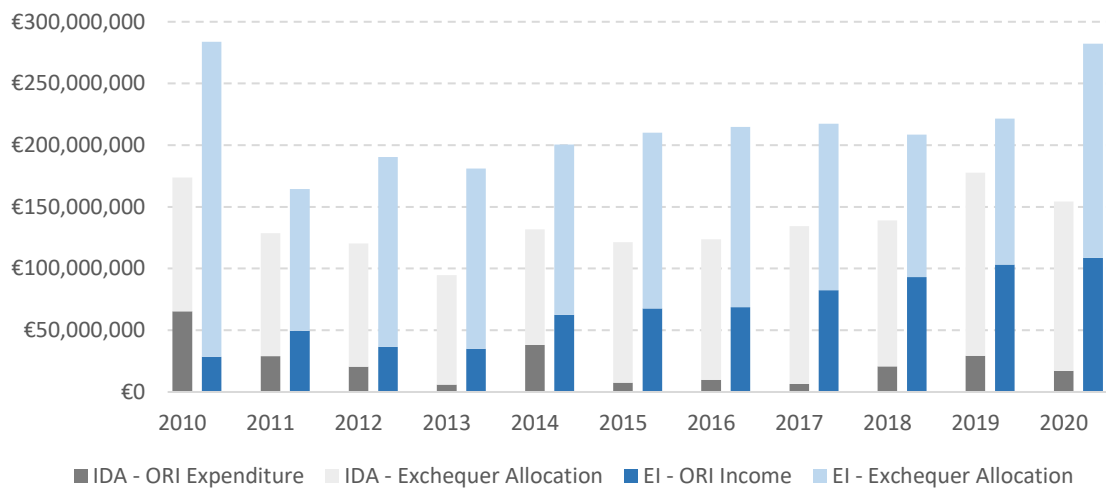
8. Own Resource Income

Own Resource Income (ORI) refers to income that is sourced by the agencies themselves, and not from exchequer funding. While a variety of agencies have sources of ORI, it is only significant in terms of the capital budget for EI and IDA. The levels of ORI are a key consideration for budget allocation to these agencies.

DETE seeks sanction from DPER each year for the use of an expected level of ORI to part-fund its capital programmes. If the level of ORI exceeds forecasts DETE can seek additional sanction from DPER to use these funds ahead of drawing down additional exchequer funds. The variability in ORI can lead to difficulties in forecasting the level of exchequer funding required to fund DETE capital programmes year to year.

Figure 15 below sets out the level of ORI for both EI and the IDA in terms of ORI over the period 2010 to 2020.

Figure 15: EI and IDA ORI and Exchequer Allocation, 2010 to 2020



The level of ORI generated by the IDA has varied over the period 2006-2020. The IDA generated significant ORI over the period 2006-2010, with ORI in this period averaging €63m per annum. The period 2015-2017 saw lower levels of ORI - between €5.6m and €10m since for the property programme, and between €1.2m and €3.1m generated through grant refunds. Since 2018 there has been a resurgence in ORI levels with between €17m and €29m generated in each of the years 2018-2020.

Table 7 below sets out the share of expenditure through the property programme and other programmes which is derived from ORI.

Table 7 - Share of total spending that derives from ORI, IDA

Year	Property Programme ORI Share	Other Programme ORI Share	Total ORI Share
2006	82.0%	15.7%	48.8%
2007	95.6%	0.0%	47.6%
2008	93.4%	2.6%	38.4%
2009	89.3%	5.3%	28.1%
2010	98.1%	10.7%	37.6%
2011	65.6%	8.3%	22.5%
2012	64.7%	0.4%	17.0%
2013	40.3%	3.6%	6.2%
2014	83.1%	1.4%	28.9%
2015	23.9%	1.8%	6.1%
2016	25.5%	2.3%	8.0%
2017	15.0%	0.0%	4.9%
2018	21.0%	11.8%	15.0%
2019	36.6%	1.0%	16.5%
2020	32.4%	1.5%	11.2%

Historically, the property programme has been mostly funded by ORI, while other programmes have mostly been funded by exchequer funding. However, the share of spending that derives from ORI for the property programme has, in general, been in decline since 2010, when almost the entire property programme was funded from ORI. This reached a low of 15% in 2017 before rising again over the years 2018-2020 due to increased ORI generated through the Property Programme. Budgeting ORI is difficult owing to the unpredictable nature of ORI receipts, which can vary substantially year on year and are also at least somewhat outside of the control of the IDA. An example of this is ORI rising from €6.5m in 2017 to €29m in 2019. This variance is due to the main sources of ORI being grant refunds and property sales, which are unpredictable in terms of when they will be realised and how sizable such returns will be.

8.2 EI ORI Income

Enterprise Ireland's ORI is generated from Direct Equity Investments in private and public companies and Indirect Venture Capital Investments in Seed and Venture Capital Funds. Enterprise Ireland have become increasingly reliant on ORI as a source of funding over the period of 2010-2020 to fund both current expenditure (pay and marketing costs) and to meet its Capital Grant / Investment commitments. Enterprise Ireland's ORI from Direct and Indirect Investments is inherently volatile and variable and is dependent of external market factors outside the control of Enterprise Ireland and on the level of M&A activity. While buoyancy in the capital markets has increased income for Enterprise Ireland in recent years, it has been accepted that it is not feasible to accurately predict future own resource income. Enterprise Ireland's ORI has increased from €29m in 2010 to over €108m in 2020, making up almost 40% of EI's total expenditure. EI's ORI has consistently been over €60m since 2014.

This income stream to ORI is largely determined by trade sales which are substantially outside the control of Enterprise Ireland and is unpredictable as the trade sales are determined by the market. While generally ORI generated in a year is spent in that year, there may be certain cases where

there is an excess of ORI at year end - DPER is informed, and sanction is requested to carry over the excess ORI into the following year.

Table 8 - Share of total spending that derives from ORI, EI

Year	EI – Exchequer Share	EI - ORI Share
2010	90.1%	9.9%
2011	70.3%	29.7%
2012	81.0%	19.0%
2013	80.7%	19.3%
2014	68.8%	31.2%
2015	67.8%	32.2%
2016	68.0%	32.0%
2017	62.1%	37.9%
2018	55.3%	44.7%
2019	53.5%	46.5%
2020	61.5%	38.5%

As all EI funding expenditure is from a central source it is impossible to discern the ratio of exchequer allocated funding and ORI for individual programmes. This is only possible as an aggregate for all EI programmes. Nonetheless it can be seen that an increasing share of EI's expenditure has been derived from ORI, which has risen from 10% in 2010 to over 45% by 2019. However, this does not necessarily predict future trends.

9. New Programmes

There have been a number of new programmes introduced or making their first payments over 2019 and 2020. These are set out below.

Table 9: New Expenditure Programmes – 2019 and 2020

New Expenditure Programmes	Agency	2019	2020	Theme
Business Financial Planning	EI		€1,640,000	7.1 Stabilising Enterprise
Clear Customs Financial Support Grant	EI	€145,000	€1,391,000	4.4 Brexit Preparation
Covid-19 Online Retail Scheme	EI		€212,000	5.1 Digital Transformation
Covid-19 Working Capital Scheme	SBCI		€2,841,000	7.1 Stabilising Enterprise
Disruptive Technologies Innovation Fund	DETE	€15,415,000	€19,300,000	1.3 Support for In-House RD&I
E-Merge	ITI		€1,407,000	5.1 Digital Transformation
Emergency Business Solutions	ITI		€741,000	7.1 Stabilising Enterprise
Enterprise Centre Scheme	EI		€2,273,000	1.2 Knowledge Exchange

Exploring Innovation	EI	€767,000	€1,331,000	1.3 Support for In-House RD&I
Finance in Focus	EI		€50,000	6.1 Growth of SMEs
Lean Business Continuity Voucher	EI		€512,000	7.1 Stabilising Enterprise
Micro Enterprise Assistance Fund	LEOs		€170,000	7.1 Stabilising Enterprise
Middle Management Training Grant	EI	€87,000	€2,500	2.2 Management Skills
Online Retail Scheme	EI	€25,000	€627,000	5.1 Digital Transformation
Operational Excellence	EI	€210,000	€1,259,000	2.3 Firm Specific Productivity
Ready for Customs	EI		€437,000	4.4 Brexit Preparation
REDF Feasibility	EI	€8,000	€164,000	3.1 Regional Development
Regional Development Feasibility Fund	EI		€19,000	3.1 Regional Development
Regional Technology Clustering Fund	EI		€1,234,000	1.2 Knowledge Exchange
Restart Grant	DETE		€187,920,000	7.1 Stabilising Enterprise
Restart Grant Plus	DETE		€445,270,000	7.1 Stabilising Enterprise
Sustaining Enterprise Fund	EI		€69,937,000	7.1 Stabilising Enterprise
Sustaining Enterprise Fund – HPSU	EI		€3,525,000	7.1 Stabilising Enterprise
Sustaining Enterprise Fund – Small Enterprise	EI		€950,000	7.1 Stabilising Enterprise
Trading Online Vouchers	LEOs		€4,800,000	5.1 Digital Transformation

In total there are 25 programmes with expenditure in 2019 and 2020 which had no prior drawdown in any previous year. Seven of these schemes had their first expenditure in 2019, while the remaining 18 had expenditure in 2020.

Ten of the programmes are categorised under theme 7.1 Stabilising Enterprise. This amounts to over €715m in payments with the intent to stabilise enterprise through the Covid-19 Pandemic. This mainly took the form of grant payments made through the Restart and Restart Grant Plus. Other programmes in this area include substantial support made available through EI's Sustaining Enterprise Fund and its Business Financial Planning, Emergency Business Solutions delivered by ITI, LEOs programmes including Lean Business Continuity Voucher and Micro-Enterprise Assistance Fund. The Covid-19 Working Capital Scheme also delivered support by unlocking lending through a loan guarantee.

Outside of Stabilising Enterprise there were new schemes across the sub-themes of Brexit Preparation, Growth of SMEs as well as continued support of Innovation through In-House RD&I support and Knowledge Exchange. Support for Digital Transformation increased significantly in 2020 – in part to assist quick business transition to online trading through Covid-19.

The Disruptive Technologies Innovation Fund represents the largest new programme over the 2019/2020 period in expenditure terms outside of the stabilising enterprise supports, with expenditure totalling almost €35 million across the two-year period.

Discussion

As set out above, the review of capital expenditure established a number of trends in the Department's expenditure. Below are some reflections on these trends for consideration of policy makers.

Number of Programmes

There has been growth in both the level of expenditure the Department is making as well as the number of programmes it is managing – both rising by approximately 50% over the study period. Enterprise Ireland accounts for the large share of programmes under the Department, larger growth in the level of expenditure through EI programmes compared to their number points to efforts to contain the growth in the number of programmes within EI. The general rise in the number of programmes therefore reflects both general increases in expenditure across all agencies (including EI) but also a widening of the Department's reach into broader areas through programmes administered by LEOs, SBCI and InterTradeIreland.

There is a question of whether rising expenditure should always be linked with a rising number of programmes or whether that expenditure can be facilitated through increased expenditure from programmes currently in place, or through reprioritisation of expenditure away from older programmes as new programmes are introduced.

A larger number of programmes possibly has implications in terms of reprioritisation of expenditure, as expenditure can be committed on a multi-year basis across a large number of programmes – leaving less room for changes in direction in policy within the same capital envelope. This may become increasingly challenging as the Department is now operating with an increasingly wider variety of policy instruments.

Policy instruments

A comprehensive review of the Department's expenditure provides an opportunity to reflect on what an appropriate mix of policy instruments for DETE looks like going forward. Grants remain the largest instrument, while the spend on infrastructural supports has generally declined compared to earlier in the study period – it has spiked in certain years. If this trend continues equity supports will surpass infrastructural supports as the secondary policy instrument of the Department.

Recent years has seen a rise in the level of expenditure taking the form of equity and loan instruments, rising from 2.5% of total expenditure in 2006 and averaging 15% over the last few years.

The degree to which these instruments and the specific programmes align with future enterprise policy will be important in deciding the appropriate share. Enterprise 2025 Renewed sets out several strategic actions including preparation for Brexit, increased emphasis on Irish owned enterprise including deepening resilience, promoting collaboration and clustering of enterprise, investment in RD&I and realising the full potential of Ireland's regions.

Each of these priorities can be pursued through a range of programmes and a variety of policy instruments. Some policy instruments may be better suited to some actions over others. For example, loan schemes have may have advantage in terms of the reach they can achieve across the enterprise base (beyond traditional agency clients), potentially at a lower cost to the Department. However, they may not suit scaling for all types of enterprise – such as high potential start-ups yet to bring in significant revenue, where an equity or grant support may be more appropriate. Similarly, if the Department is seeking to continue to support broad regional development, continued investment in cluster, collaboration and infrastructural supports will be required.

For this reason, it is important that DETE achieves an appropriate balance between grant, equity, loan supports, infrastructural and cluster and collaboration supports as a share of its capital allocation.

Beneficiaries

Linked to the appropriate mix of policy instruments is the beneficiaries of expenditure made through those instruments. The review of expenditure shows a growing share of expenditure is going beyond the traditional clients of EI and the IDA to the wider enterprise base, through payments made through LEOs, SBCI and Microfinance Ireland. This share had generally been below 5% of expenditure prior to 2015 but has tended towards and surpassed 10% of total expenditure in some of the years since.

Another question which is emerging, in terms of the alignment of enterprise policy and expenditure, is the degree to which support of the wider enterprise base (primarily through LEOs and SBCI) should be prioritised by the Department. The headline priorities of Enterprise policy have in the past primarily been achieved (from a capital expenditure perspective) through the investments in the enterprise agencies (EI and IDA) – expenditure and policy have generally aligned in terms of the priorities here. Continued growth in the Department's expenditure towards LEOs and SBCI in terms of their reach beyond the traditional agency clients (and cluster and collaboration supports) fits with strategic actions under Enterprise 2025 Renewed – to support to Irish-owned enterprise as a key pillar for growth and represents a distinct group of firms when compared to EI clients: LEOs having a focus on micro-enterprise and SBCI having broader eligibility criteria.

Own Resource income

Own Resource Income has been variable over time for the Department which can be challenging from a budgetary perspective. Own resource income has been a particularly significant feature over the study period for the IDA and EI – which have displayed differing trends in the growth of that income, with ORI making up a large part of EI's total expenditure.

If own-resource-income exceed expectations in a year it can lead to underspends in Exchequer funding, or indeed to changing levels of expenditure under programmes which were not initially planned. While there is considerable benefit associated with ORI there are also associated budgetary challenges in terms of planning such as reconciling this income with a multi-year investment envelope such as funding planned under the National Development Plan.

This also relates to the choice of policy instrument by the Department, infrastructural supports and equity supports can directly generate higher amounts of own resource income when compared against grants and cluster supports, with the rate of return on State investments being a growing part of the policy debate. Greater investment in these types of instruments will increase the need for continued close control of budgeting for DETE.

New Priorities

Innovation and Entrepreneurship and Scaling are two core policy areas for DETE as identified through the review of policy documents and strategies. This is confirmed in the large share of the Department's capital expenditure which these two areas consistently make up.

Two areas which have received increasing policy attention are the digital transformation and the green transition – with the green transition becoming an increasingly higher priority. 2020 showed there has been some increase in the level of capital expenditure targeting the digital transformation for enterprise – with expenditure increasing to €7m, up from an average of €60,000 in the previous 4 years, however this expenditure may be once-off in nature if specifically established to enable firms to transition online due to Covid.

Expenditure targeting the green transition likewise has made up a small part of the Department's total capital expenditure. Over the past 15 years programmes targeting the green transition have made up only 0.07% of total expenditure. In 2019 there were two schemes active in this space, the IDA's Green Offer and EI's Environmental Improvement Assignment – which translated to €2m in total expenditure. This declined to €600,000 in 2020.

It is important to restate that the methodology in the Capital Expenditure Review assigns a programme to one theme (and one theme only) based on that programmes' primary objective and intent. There may be some programmes with a secondary objective of achieving a change in the green and digital performance or behaviour of firms, but in terms of primary objectives there would appear to be a lack of expenditure in programmes which are making investments in these increasingly important areas, which the Department should consider going forward.

Conclusion

This paper has thematically analysed the Department of Enterprise, Trade and Employment's capital expenditure from 2006 to 2020. Over that period the Department's capital expenditure has been relatively stable and has varied between €320m and €470m, before spiking in 2020 due to capital supports introduced to support firms through the Covid-19 pandemic.

Over the study period Department's expenditure has been focused on areas which are within its policy remit including: Innovation, Entrepreneurship and Scaling, Trade and Investment and Regional Development. There have been gradual shifts in the Department's expenditure -

Entrepreneurship and Scaling, in particular, has grown as a share of the Department's capital expenditure. With policy priorities such as the green transition and digital transformation growing in importance the Department may wish to further examine expenditure in these areas.

As expenditure on themes has changed, there has also been a gradual change in the policy instruments employed by the Department and the beneficiaries of its expenditure with increased use of equity and loan instruments. These instruments are now a core part of how the Department engages with the enterprise base, along with the continued use of grant, infrastructural supports and cluster and collaboration supports. This mix of policy instruments is important for facilitating engagement and support of the enterprise base in a number of different ways. While support to EI and IDA clients continues to be the main focus of capital expenditure for DETE, there has been an increase in support to those firms beyond EI and IDA's traditional client base – to firms availing of supports through LEOs, SBCI, Microfinance Ireland and ITI. Supports to these firms are an important part of encouraging Entrepreneurship and Scaling more widely across the enterprise base.

As the range of supports which the Department offers continues to broaden and is availed of by a wider group of firms it is important that DETE continues to ensure that its expenditure is impactful, that programmes remain relevant and appropriate, and that it is achieving value for money.

Appendix

Table A1: Total Capital Expenditure, by Main Theme (€m)

Main Theme/Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
No theme mapped	€5.6	€2.3	€2.4	€1.3	€1.8	€1.0	€0.0	€0.0	€0.0	€0.0	€0.0	€0.0	€0.0	€0.0	€0.0
Innovation	€83.5	€99.8	€104.9	€145.2	€164.8	€124.6	€116.5	€133.1	€124.9	€130.1	€125.5	€140.1	€144.3	€166.2	€176.7
Productivity	€7.5	€12.2	€21.0	€23.1	€24.7	€18.0	€12.1	€7.4	€6.3	€6.3	€10.6	€11.7	€14.7	€13.3	€13.0
Regional Development	€97.5	€79.2	€53.1	€32.0	€56.5	€34.7	€34.5	€9.3	€46.2	€25.0	€31.8	€45.3	€49.6	€83.6	€55.4
Trade and Investment	€67.5	€36.6	€35.6	€22.9	€44.1	€39.8	€50.3	€33.0	€46.9	€48.1	€54.5	€41.9	€59.4	€45.8	€47.5
Transforming Enterprise	€5.3	€4.1	€29.6	€40.2	€22.5	€14.5	€21.5	€7.2	€5.0	€2.6	€1.7	€3.2	€1.6	€2.0	€7.7
Entrepreneurship and Scaling	€56.5	€63.5	€69.0	€94.3	€68.5	€77.3	€108.0	€108.1	€136.8	€155.1	€162.7	€147.4	€149.5	€160.1	€199.4
Stabilising Enterprise	€0.0	€0.0	€0.0	€46.8	€97.4	€4.8	€0.4	€0.3	€0.2	€0.2	€0.4	€0.9	€0.6	€0.3	€714.5
Grand Total	€323.4	€297.6	€315.7	€405.9	€480.4	€314.6	€343.3	€298.4	€366.4	€367.4	€387.1	€390.4	€419.8	€471.4	€1,214.2

Figure A1: Sub-theme share of total capital expenditure, by year

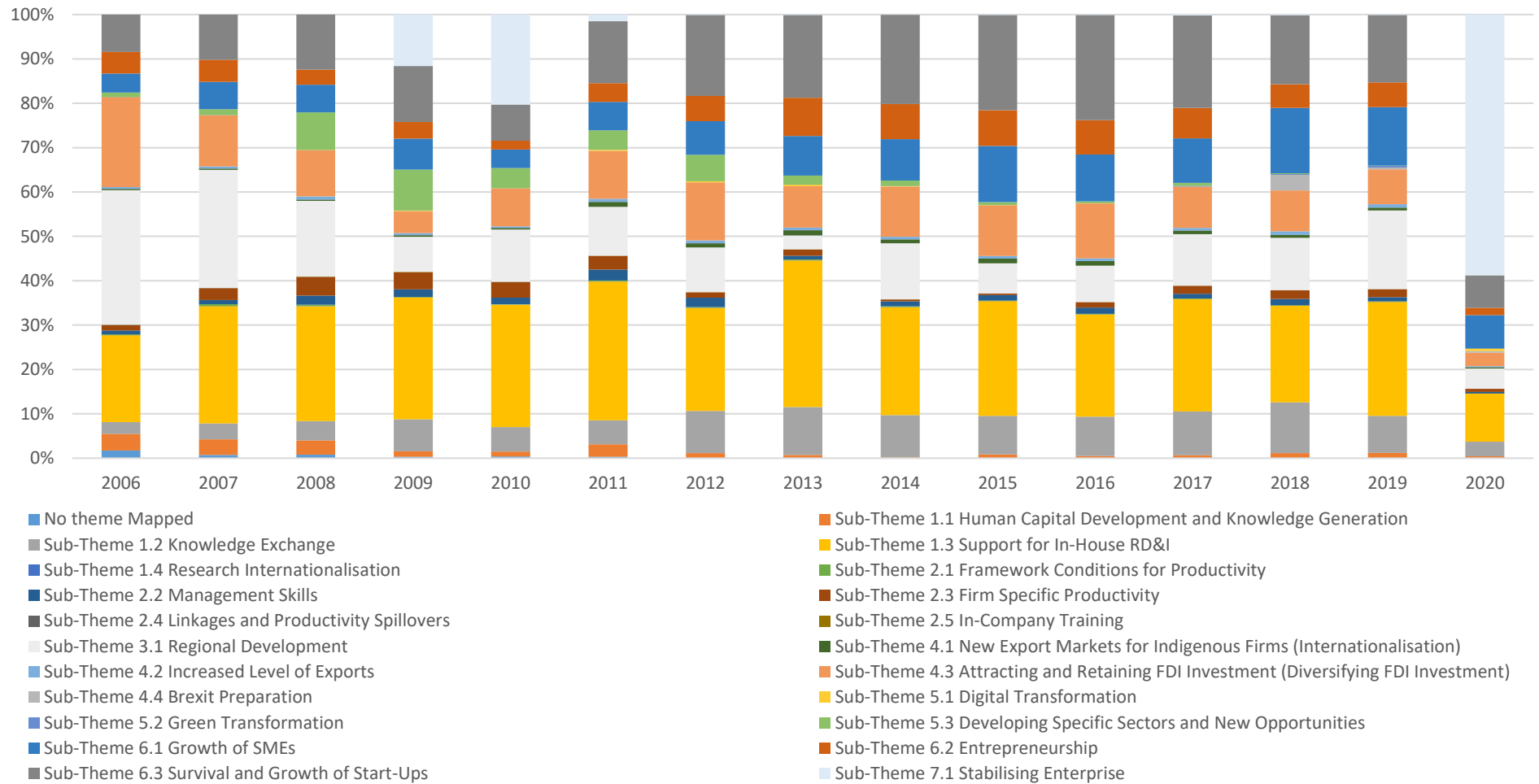
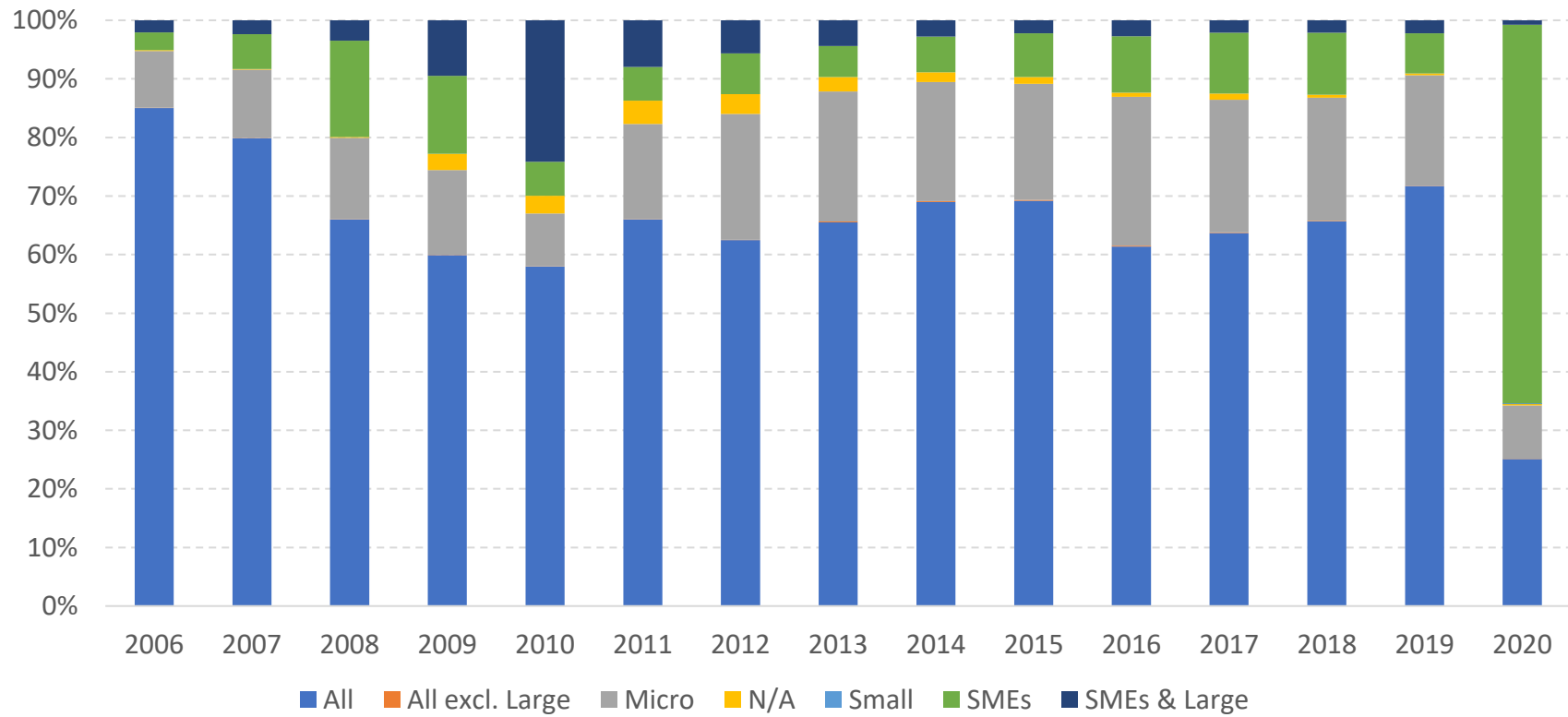


Figure A2: Programme Expenditure Share, by Firm Size Eligibility Criteria 2006-2020





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