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An analysis of the distribution of enterprise supports

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IGEES

Irish Government Economic and Evaluation Service

Executive Summary

Context

- This paper carries out a descriptive analysis on the distribution of enterprise supports from the enterprise agencies under the aegis of the Department of Enterprise, Trade and Employment for the years 2015-2020.
- The distribution of supports are analysed at a firm, regional and sectoral level.
- The paper primarily focuses on Enterprise Ireland, IDA Ireland, and Local Enterprise Offices.

Key Findings

- Over the period 2015-2020 approximately €2.4bn was approved by the selected enterprise agencies for client support. A total of €1.6bn of actual payments were made during this period.
- The value of annual approvals and payments that Enterprise Ireland and IDA Ireland make are significantly larger than the Local Enterprise Offices.
- The main supports provided by Enterprise Ireland are the Seed and Venture Capital Fund and the Company Development support. For IDA Ireland it is RD&I support and it's Property Programme. Local Enterprise Offices focus on the Priming Grant and the Business Expansion Grant.

Firm level distribution

- A higher number of approvals and payments are made to smaller firms compared to larger firms. For example, 43% of firms who receive a payment are micro versus 6% who are large.
- In contrast, in value terms the percentage allocated across firms increases with firm size. For example, 32% of all payments in value terms went to large enterprises versus 12% going to micro.
- 92% of firms who receive a payment are Irish owned. However, non-Irish owned firms receive a higher allocation in value terms on a proportionate basis. The average payment made to an Irish owned firm is €35,406 and the average payment made to a non-Irish owned firm is €240,651.
- IDA Ireland are more likely to support medium and large non-Irish owned firms. Enterprise Ireland have a spread across micro, small and medium firms which are Irish owned and Local Enterprise Offices focus only on Irish owned micro businesses. This is aligned to the agencies mandates.

Regional level distribution

- The combined regional distribution of enterprise supports for most counties is similar to how the overall enterprise base is distributed and how the overall agency client base is distributed. Dublin (32%), Cork (13%) and Galway (8%) are the counties which receive the greatest level of support.
- Although Dublin has 55% of IDA Ireland clients, it receives 21% of the support provided. In contrast, Cork, Galway, Limerick, Tipperary, and Waterford all receive a greater share of support in value terms from IDA Ireland relative to the proportion of clients located in the county.
- For Enterprise Ireland 9% of payments go to overseas clients although they make up only 1% of the client base. These mainly go to overseas funds who then distribute the money to Irish firms.
- The distribution of supports for the Local Enterprise Offices is similar to its client base.

Sectoral level distribution

- The sectoral level analysis includes clients of Enterprise Ireland and IDA Ireland as data is not available on this from the Local Enterprise Offices.
- Manufacturing is the sector which receives most payments across the agencies (47%). Next is information and communication (21%) and then finance and insurance (21%).
- Within manufacturing the targeting of support differs across the agencies. Enterprise Ireland has a strong focus on food products and beverages. IDA Ireland focuses support on medical devices and pharmaceuticals.

Policy considerations

- The findings of this paper raise a number of considerations for the Department of Enterprise and the selected enterprise agencies. These include aligning support provision with the goals of balanced development, ensuring the appropriate budgetary management procedures are in place when it comes to approvals, and having sufficient data monitoring systems in place.

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1. Introduction

This paper analyses the distribution of enterprise supports from the enterprise agencies under the aegis of the Department of Enterprise, Trade and Employment¹ for the years 2015-2020. The paper primarily focuses on Enterprise Ireland, IDA Ireland, and Local Enterprise Offices². The distribution of supports is analysed at a firm, regional and sectoral level. For comparison purposes this distribution of supports will be measured against the distribution of the private enterprise base in Ireland and the distribution of the agency client base.

The Department of Enterprise received €1.7 billion in expenditure in 2020. In the years 2015-2019 they received an average €857 million per annum. Given the level of expenditure the department receives and the importance of the department to the economic development of the country, it is of policy importance to have a clear understanding where this expenditure goes in the economy when it leaves the department via the selected enterprise agencies³.

It is important to highlight that enterprise supports are only one element of overall Government policy in the area of economic development and enterprise policy. Other areas such as taxation, skills development, labour market policy, competitiveness, spatial development and infrastructure are also important (Kane and O’Callaghan, 2018). In addition, agencies in departments other than Enterprise (e.g. Fáilte Ireland and Údarás na Gaeltachta) also provide supports that are important for the economic development of the country and they are not included in this paper.

This paper adds to previous Spending Review papers by giving an account of where supports go in the economy when they leave the selected enterprise agencies. At a firm level it finds, the number of firms receiving support decreases with firm size. However, in value terms the larger the firm is the greater the level of support they receive. Irish owned firms account for a significant percentage of firms receiving support, but the average payment per firm is much greater for non-Irish owned firms.

This paper further shows how Dublin (32%), Cork (13%) and Galway (8%) are the counties which receive the greatest level of support across all agencies combined. While these counties account for the greatest share of support across all agencies, the level of distribution varies. Manufacturing is the sector which receives most payments across Enterprise Ireland and IDA Ireland (47%). Next is information and communication (21%) and then finance and insurance (21%). Within manufacturing,

¹ Throughout the paper the Department of Enterprise, Trade and Employment will be referred to as the Department of Enterprise as its official name has changed throughout the timeframe being analysed.

² Intertrade Ireland were not in a position to provide data for this analysis.

³ DETE (2021) looks at the distribution of enterprise expenditure across its various programmes.

Enterprise Ireland has a strong focus on food products and beverages. IDA Ireland focuses support on medical devices and pharmaceuticals.

The results of the paper bring about a number of policy considerations for the Department of Enterprise and its agencies. These include the need to reflect on the alignment of support provision and balanced development, ensuring the appropriate budgetary management procedures are in place when it comes to approvals, and having sufficient data monitoring systems in place.

The rest of the paper is organised in the following way. Section 2 is a summary of previous spending review papers, section 3 looks at the methodology and data sources, section 4 details who the selected enterprise agencies are and the supports they offer, section 5 outlines how the enterprise base is distributed in Ireland, section 6 focuses on how these supports are distributed, and section 7 has a set of policy considerations.

2. Summary of previous enterprise and labour market Spending Review papers

2.1 What do we know about the Irish enterprise environment?

The Irish economy is found to be highly concentrated at a firm (Papa, 2019) and regional level (Barrett, 2018). At the firm level a small percentage of firms are responsible for a significant portion of productivity growth, corporation tax receipts, export activity, value added and employment. At a regional level Dublin is much larger relative to the country as a whole in comparison to similar countries.

2.2 Why does government get involved in enterprise policy?

Previous literature has covered both external⁴ and internal rationales for why governments get involved in enterprise policy. The external rationale states that the main reason a government would get involved is to enable growth enhancing structural change that would not have occurred without intervention (Reidy, 2017). The internal rationale for such involvement includes addressing market failures⁵, delivering on policy objectives such as regional development and stimulating additional economic activity (Kane and O'Callaghan, 2018).

2.3 How does government get involved in enterprise policy?

Government gets involved in the enterprise sector through various mechanisms⁶. Enterprise expenditure supports are provided through agencies such as IDA Ireland⁷ (Keogh and Brassil, 2018) and Enterprise Ireland⁸ (Reidy, 2017). The area of research, development and innovation is a key focus for the Department with 42.9% of its budget being allocated here in 2019 (DETE, 2021). Agencies such as Enterprise Ireland and Local Enterprise Offices also provide supports targeted towards entrepreneurship and start-ups (Moloney, 2018). Another avenue used by the government is state supported loan schemes, where usage has been increasing in recent years (Keogh et al., 2020).

2.4 What do we know about the effectiveness of supports?

The literature published to date give us an indication of the positive impact agency supported firms have on the Irish economy in terms of employment, resilience, productivity, exports and R&D expenditure (DBEI, 2019; Kane and O'Callaghan, 2018; Keogh and Brassil, 2018; Reidy, 2017). However, it has been clearly highlighted that the ability to evaluate the impact of specific supports is

⁴ External to Irish government or departmental rationale.

⁵ These market failures include adjusting relative costs; acting as an incentive effect; sharing the burden of risk (particularly related to R&D); and overcoming information asymmetry, coordination failures and capability failures.

⁶ These include supports through enterprise agencies, taxation, education and infrastructure expenditure.

⁷ Focus grants on R&D, employment, capital and training.

⁸ Largest category spend was in the area of R&D, with the largest growth area being in venture capital.

constrained by certain limitations such as data availability (DBEI, 2019; DJEI, 2017). When it comes to loan schemes, the literature has provided us with a clear rationale for their existence and the market failures they are designed to address (Kirby, 2018; Keogh et al. 2020). Specific policy evaluations have also been carried out in areas such as the RDI programme (Technopolis and ESRI, 2020; DJEI, 2017), Seed and Venture Capital Scheme (Moloney, 2018), and the Disruptive Technology Innovation Fund (DBEI, 2020).

2.5 Who is availing of enterprise supports?

The sectors targeted by agency supports tend to be technology, medical technology, financial services and pharmaceutical (Keogh and Brassil, 2018; Reidy, 2017). However, when it comes to Irish enterprises these tend to be in sectors such as food and business services (Kane and O’Callaghan, 2018). The loan schemes are generally targeted towards agriculture and manufacturing (Keogh et al. 2020)⁹. On a regional basis, Dublin is the region which avails of the supports most, whilst the Midlands region receives least support (Keogh and Brassil, 2018; Reidy, 2017). There is evidence of demand for these supports across firms of all sizes, with the average financial support increasing with firm size (DBEI, 2019). The vast majority of lending under loan schemes has been to micro-enterprises and small enterprises (Keogh et al. 2020). This spending review paper aims to provide greater clarity in relation to who is availing of the enterprise supports and this is discussed in Section 6.

2.6 What do we know about the composition of enterprises and employment?

The services sector has a dominance when it comes to firms and employment (Kane and O’Callaghan, 2019), and micro firms make up a significant number of overall enterprises in Ireland. However, there is heterogeneity across sectors and ownership status¹⁰ when it comes to firm size (Keogh et al. 2020). There has also been a shift in occupations towards employment which have higher incomes (O’Callaghan et al. 2019) and is focused in larger firms and in sectors which feature foreign owned firms (Keogh et al. 2020).

⁹ Data in the Department of Enterprise shows that the loans schemes are used across many different sectors. This will be further analysed in an upcoming Spending Review paper by Reidy (2021).

¹⁰ Irish owned vs Multinational.

3. Methodology and data sources

This paper uses the descriptive analysis technique to gain an understanding into where enterprise supports are going in the economy when they leave the selected enterprise agencies. Descriptive Analysis is the type of analysis of data that helps describe, show or summarize data points in a constructive way.

This paper focuses on the years 2015-2020 and analyses the support recipients at a firm, regional and sectoral level. For comparison purposes this distribution of supports will be measured against the distribution of the private enterprise base in Ireland and the distribution of the agency client base. The inclusion of this comparison is to provide a high-level context to the distribution of support and is not included as a means of evaluation.

An anonymised list of agency clients (Enterprise Ireland, IDA Ireland, Local Enterprise Offices) for each of the years 2015-2020 was obtained. That was a list of all firms that were classified as an agency client during any of these years. This had information on the firm size, firm sector, county location and whether the client was Irish or non-Irish. The Local Enterprise Offices were not in a position to provide sectoral level data.

In addition, a data set was received from each of the agencies with the list of clients who received an approval for each of the years 2015-2020. This had information on the year of approval, name of the agency, scheme they were approved for, objective of the scheme, client firm size, regional location, sector they were in, Irish or non-Irish firm, and the amount approved.

Finally, data on the actual payments made during this period was received. This had the same level of information as the approvals above. For both of these, the Local Enterprise Offices were not in a position to provide sectoral level data.

Business demography data from the CSO was used to get an understanding of the distribution of the private enterprise base at a firm, regional and sectoral level. Data for the years 2015 to 2018 was used. 2018 was the most recent time period available. For each of the indicators analysed the average was used for the years 2015-2018.

4. Enterprise Agencies and Supports

4.1 The enterprise agencies

It is important to get an understanding of who the selected enterprise agencies are and what were the priorities of the agencies during the period 2015-2020. To do so key published documents around this time period are used to identify these priorities. Table 1 details the main priorities for the enterprise agencies selected in this study.

Table 1: Key priorities for selected enterprise agencies 2015-2020

Agency	Key Priorities as outlined in agency publications 2015-2020
IDA ¹¹	<ul style="list-style-type: none">• 900 new investments• Minimum increase in investment of 30-40% in each region outside Dublin• Look towards new sectoral sources of FDI• Continued strong focus on traditional key sectors of FDI• Delivering property solutions
Enterprise Ireland¹²	<ul style="list-style-type: none">• 60,000 new jobs• Grow annual exports by €5bn• Increase level of spend in Irish economy by €4bn• Increase the scale of Irish enterprises• Driving innovation and R&D expenditure• Improving competitiveness and productivity• Diversifying exports into new markets, focus on Eurozone• Supporting start-up and entrepreneurs to have global ambition• Increase leadership capabilities of management teams
Local Enterprise Office¹³	<ul style="list-style-type: none">• Enterprise focussed training and development• Mentoring and advice services• Networking and sign posting services• Financial assistance programmes• Drive entrepreneurship and grow enterprise culture• Address Brexit concerns• Innovation and competitiveness focus• Focus on supporting youth entrepreneurship

The mission of IDA Ireland is to partner with multinational companies to win and develop foreign direct investment, providing jobs for the economic and social benefit of Ireland. The main focus of the agency around this time was to increase investments with a specific minimum target for regions outside Dublin. In addition, the agency wanted to build on traditional FDI sectors, whilst expanding into new growth sectors.

¹¹ The IDA 2015-2019 strategy is used to identify priorities.

¹² Enterprise Ireland 2017-2020 strategy is used to identify priorities.

¹³ The Local Enterprise Office 2017, 2018 and 2019 Impact Reports are used to identify priorities.

Enterprise Ireland's mission is to deliver a major improvement in the international strength of Irish enterprise across all regions by transforming the innovation and competitive capabilities of Irish companies. They seek to achieve this by inspiring and supporting ambitious business leaders to increase the scale of their businesses and expand their reach into new export markets. During this time period Enterprise Ireland were focused on increasing employment and both increasing and diversifying exports. Further attention was given to areas such as competitiveness, productivity and innovation.

Local Enterprise Offices are the 'first stop shop' for anyone seeking information and support on starting or growing a business in Ireland. The main focus for this agency during 2015-2020 was to provide support and advice aimed at driving entrepreneurship across the country. Supports targeted at Brexit were also mentioned.

4.2 The scale of enterprise agencies

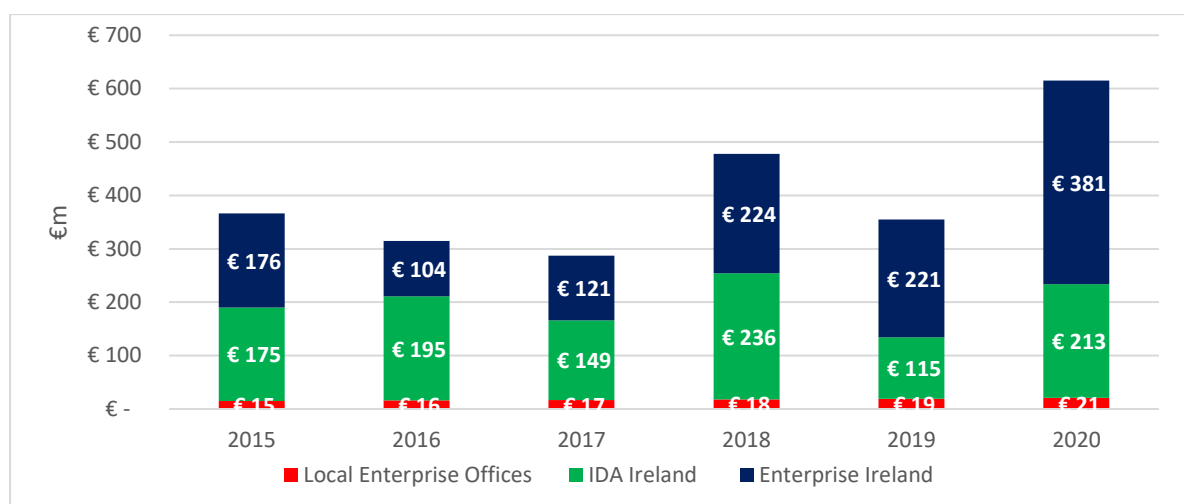
To get an understanding of the scale of each of the selected enterprise agencies, one can look at the value of approvals and payments that each made during the period 2015-2020. Approvals relate to a commitment by an agency to support a firm through one of its schemes. A payment is the actual drawdown of capital for a scheme provided by the agency. It is important to note that not all approvals translate into payments in the same year and some approvals may never materialise into a payment¹⁴. Therefore, comparing approvals with payments over the same time period is not appropriate and each should be analysed separately.

Diagram 1 highlights the total value of approvals each of the selected enterprise agencies made during the years 2015-2020. What is evident is that the scale of approvals being made by both Enterprise Ireland and IDA Ireland is significantly larger than that of the Local Enterprise Office. Enterprise Ireland made the largest number of approvals in value terms in the years 2015-2020, which was driven by the significant increase in approvals during 2020. The large increase in approvals in 2020 can be attributed to the Covid-19 pandemic and the corresponding increase in enterprise supports. The average annual value of approvals across the time period for each of the agencies was: Enterprise Ireland (€205m), IDA (€181m), and Local Enterprise Office (€18m)¹⁵.

¹⁴ For example an agency may approve funding for a potential project that one of their clients intend to pursue but this project might not materialise and therefore the payment will not be made.

¹⁵ The average annual value of approvals has been inflated for Enterprise Ireland in the year 2020, due to Covid. This is not the case for the other agencies. The average value for Enterprise Ireland for the years 2015-2019 was €169m.

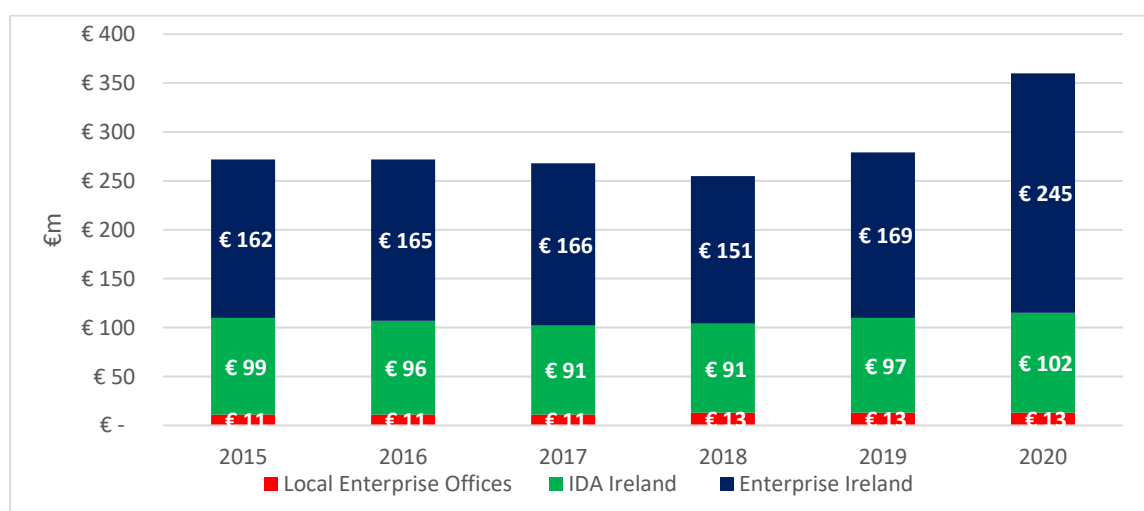
Diagram 1 – Total value of approvals by enterprise agencies in the years 2015-2020



Source: Enterprise Ireland, IDA Ireland and Local Enterprise Offices.

Diagram 2 gives us an indication of the value of actual payments made by the selected enterprise agencies throughout 2015-2020. The first noticeable takeaway is that actual payments fluctuates less than the approvals. Enterprise Ireland (yearly average = €176m) make the greatest quantity of payments in value terms across all the years. This is followed by IDA Ireland (yearly average = €96m) and then the Local Enterprise Offices (yearly average = €12m). The spike in payments in 2020 can be attributed to the increase in agency supports in response to Covid-19. However, unlike approvals this does not distort the level of activity significantly for any of the agencies.

Diagram 2 – Total value of payments by enterprise agencies in the years 2015-2020¹⁶



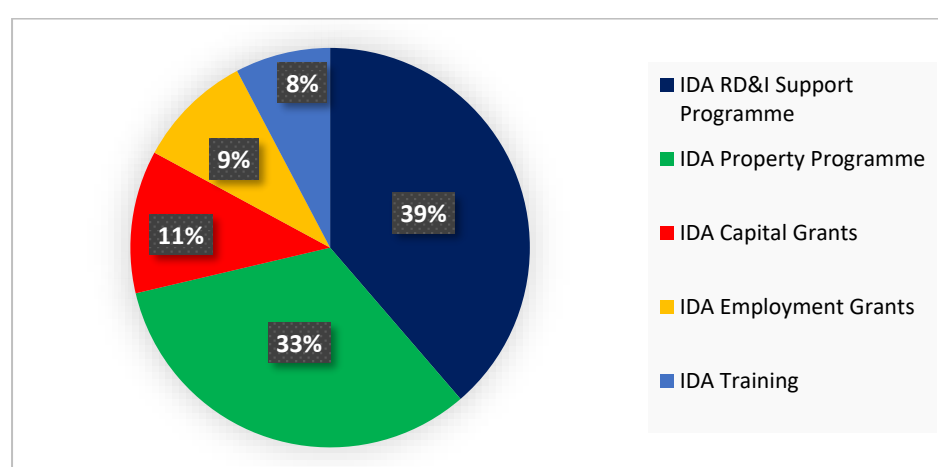
Source: Enterprise Ireland, IDA Ireland and Local Enterprise Offices.

¹⁶ These payments generally relate to direct supports to clients and do not include indirect supports such as the IDA Ireland's Property Programme or Enterprise Ireland's Technology Centres.

4.3 Overview of supports provided by enterprise agencies

Diagrams 3-5 highlight the main supports provided by the selected enterprise agencies. For the IDA (Diagram 3) the main support is the RD&I Support Programme which made up 39% of payments for the years 2015-2020. This was followed by the Property Programme (33%). The RD&I Support Programme is a grant which is focused on sharing the risk associated with investment in R&D and therefore it aims to help minimise the underinvestment by companies in this area. The Property Programme encourages and facilitates regional investment by ensuring there are suitable properties in place to meet the needs of multinational firms.

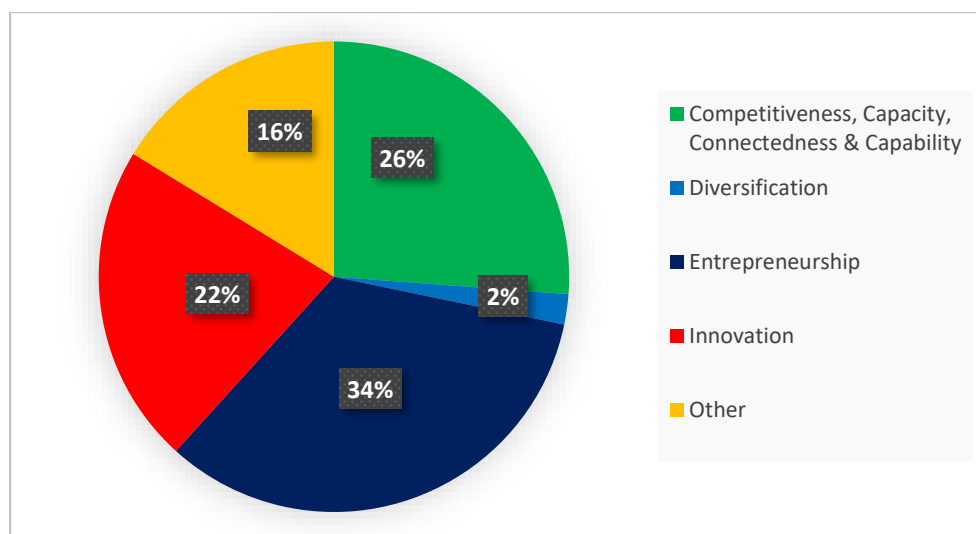
Diagram 3: Main enterprise supports provided by IDA Ireland 2015-2020



Source: IDA Ireland

Relative to the other agencies, Enterprise Ireland have a large quantity of schemes. Diagram 4 shows the breakdown of supports under themes assigned by the agency. Supports targeted at entrepreneurship were attributable to the highest spend during this period. This was followed by competitiveness, capacity, connectedness & capability, and then innovation. At an individual support level, the Seed and Venture Capital Fund and the Company Development support are amongst the most utilised during this period. The Seed and Venture Capital Fund is aimed at stimulating job creation and support the funding requirements of early-stage innovative Irish companies with global ambitions. The Company Development support provides tailored support for companies undertaking ambitious expansion strategy.

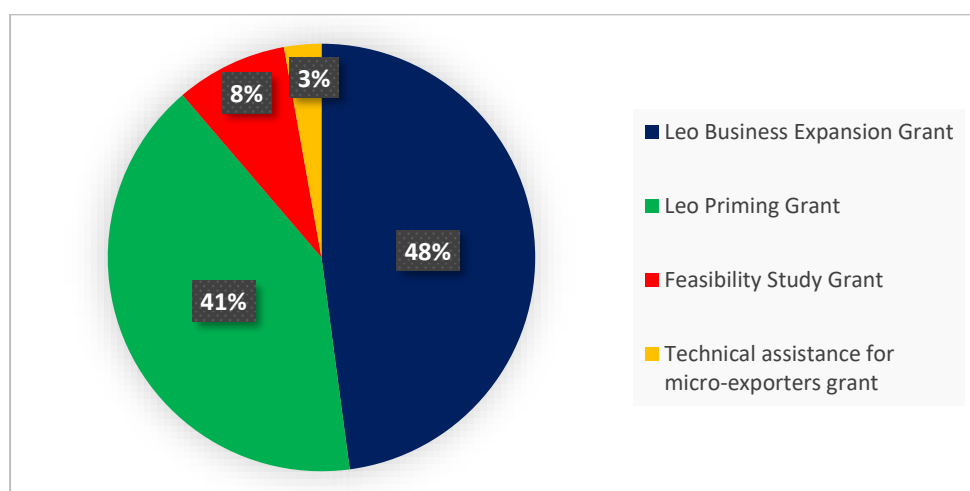
Diagram 4: Main enterprise supports provided by Enterprise Ireland 2015-2020



Source: Enterprise Ireland

For the Local Enterprise Offices (Diagram 5) the Business Expansion Grant and Priming Grant make up 89% of payments made during this period. The Business Expansion grant is designed to assist a business in its growth phase after the initial 18 month start-up period. A Priming Grant is a business start-up grant, available to micro enterprises within the first 18 months of start-up.

Diagram 5: Main enterprise supports provided by Local Enterprise Offices 2015-2020



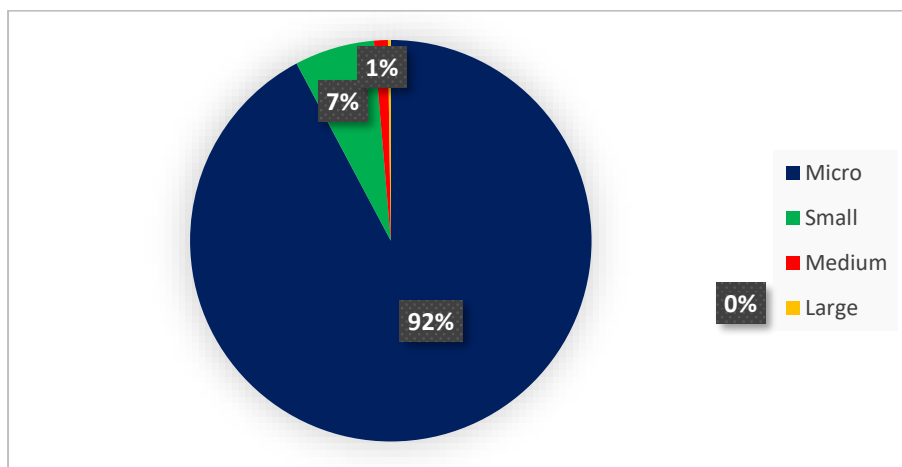
Source: IDA Ireland

5. Distribution of the enterprise base

5.1 The distribution of the private enterprise base

This section will look at how the overall private enterprise base is distributed in Ireland at a firm, regional and sectoral level. Diagram 6 displays the distribution of private enterprises across the Irish economy at a firm size level. To measure this the average number of firms in each size category between 2015-2018¹⁷ is used. The key insight from this is that at a national level 92% of private enterprises in Ireland are micro, 6% are small, 1% are medium, and less than 1% are large.

Diagram 6: The firm size distribution of the private enterprise base



Source: CSO

Diagram 7 displays the distribution of private enterprises across the Irish economy at a regional level. The average number of enterprises in each county between the years 2015-2018 is used. For comparison purposes the distribution of enterprises across the country is compared to the distribution of the population. For the majority of counties the distribution of the population is similar to the distribution of the total enterprise base. Dublin is found to be an outlier in terms of variance between the two metrics - 28% of the population is located in Dublin, yet 32% of private enterprises are situated there.

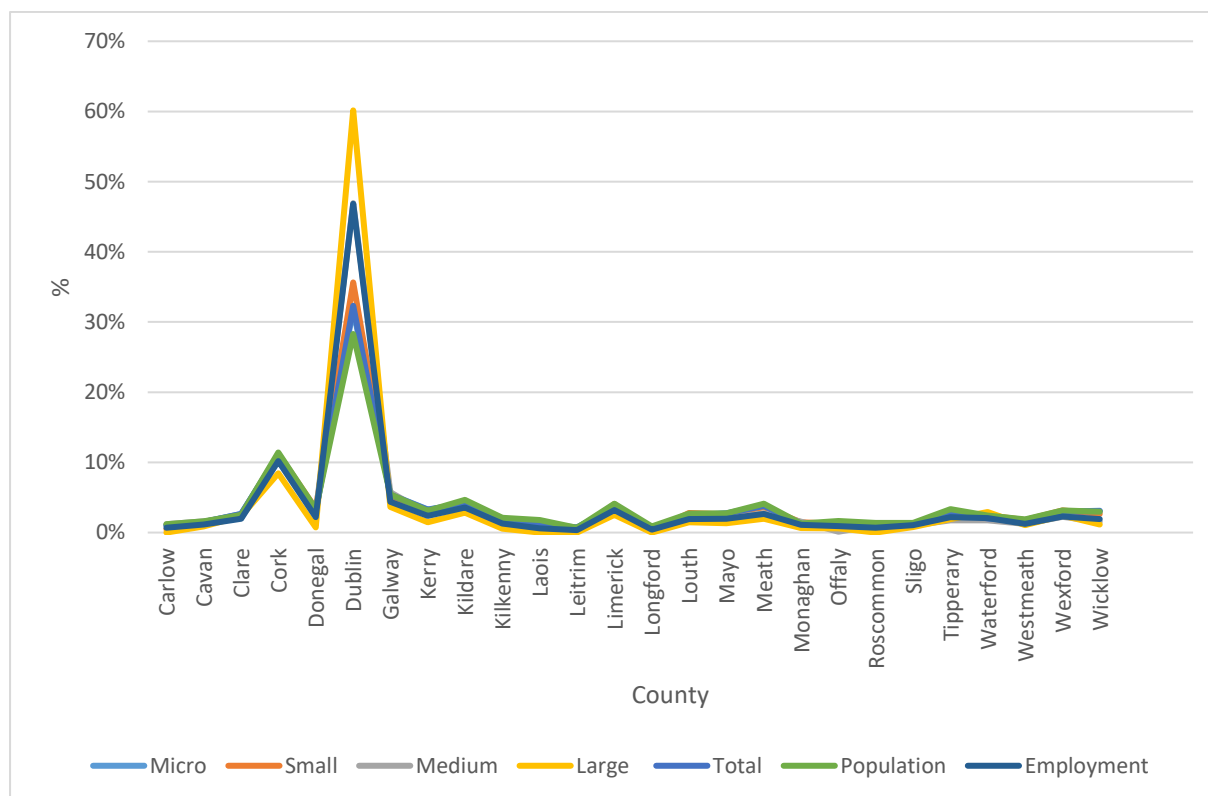
The concentration in Dublin increases with firm size, which results in 60% of large enterprises being located in the county. This relationship does not occur for the other Irish cities.

The diagram also shows the distribution of employment across the economy. Again for the majority of counties the distribution of employment is similar to the distribution of the population. However,

¹⁷ 2018 is the most recent data available on the CSO.

Dublin has 47% of employment in comparison to 28% of the population and 32% of the private enterprise base.

Diagram 7: The regional distribution of the private enterprise base



Source: CSO

Previous research helps one to understand the possible reasoning behind this distribution. Morgenroth (2018) finds that the uneven distribution of economic activity can be explained by physical geography (20%), with the remainder being due either to man-made agglomeration economies¹⁸ or to the interaction between man-made agglomeration economies and geography.

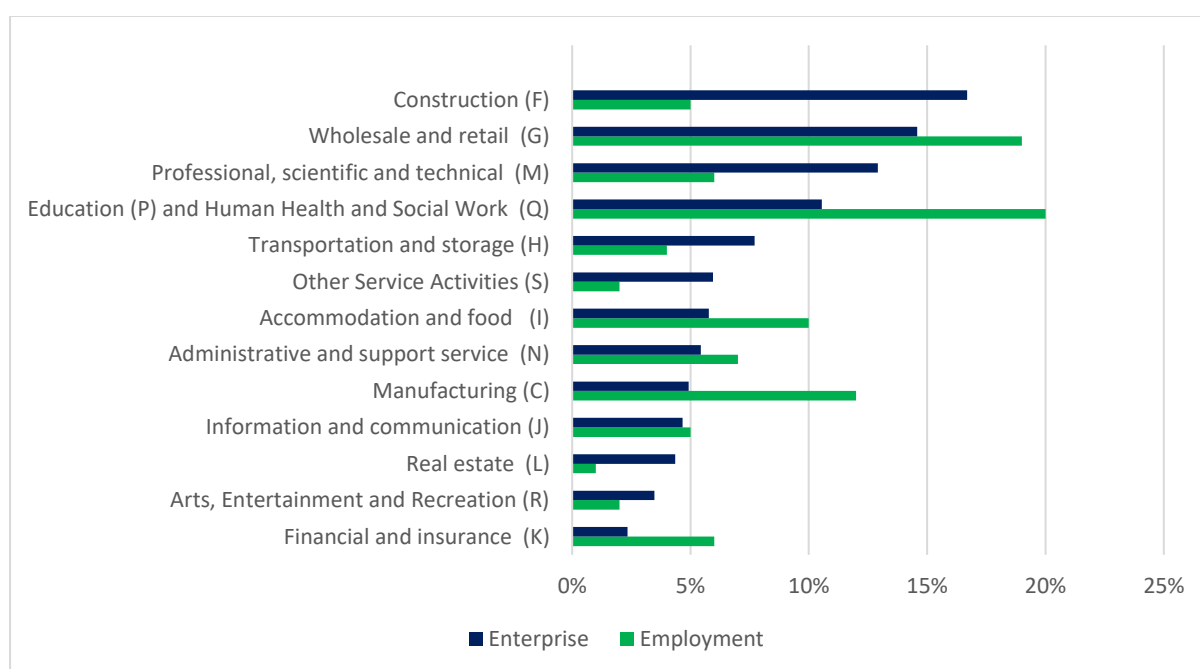
Whilst agglomeration economies can bring benefits such as increased productivity, innovation, entrepreneurship, spillovers, higher incomes and more efficient infrastructure provision, excessive concentration known as primacy can cause congestion costs such as public services pressure, urban sprawl, increased commuting time, increases in costs such as housing, and can reduce national productivity. Barrett (2018) finds that Dublin is much larger in population relative to the country as a whole in comparison to similar countries.

¹⁸ What matters here is the interaction between economic agents among themselves rather than the interaction between agents and nature. Agglomeration advantages might arise because of knowledge and information spillovers, economies of intra-industry specialization, labor market economies or market size effects.

Diagram 8 looks at the sectoral distribution across the economy as a whole. Again the average in each category between 2015-2018 is used. At a national level one can see that construction (17%) is the sector with the greatest amount of private enterprises, this is followed by wholesale & retail (15%), and professional, scientific & technical (13%).

However, if one is to look at the distribution at an employment level then this does differ. In terms of employment the sectors which have the most are education & health (20%), wholesale & retail (19%) and then manufacturing (12%).

Diagram 8: The sectoral distribution of the Irish economy



Source: CSO

For the majority of counties the sectoral distribution and the overall private enterprise distribution is similar¹⁹. Dublin however stands out as a significant outlier (appendix 2). Relative to its overall private enterprise distribution, Dublin has an over representation in sectors such as transportation & storage, information & communication, financial & insurance, and professional, scientific & Technical. In contrast, it is underrepresented in sectors such as manufacturing, construction, and accommodation & food.

Using insights from Papa (2018) one can see how the sectors in which Dublin has an over representation relative to its private enterprise distribution are in sectors which has a labour

¹⁹ For example, 2% of private enterprises are located in Waterford, when one looks at how many enterprises are located in that county across the different sectors, this also generally equates to 2%. Table 2 highlights the instances where the variation is greater than 2%.

productivity that is relatively more productive than the industry average and is underrepresented in some sectors which have a labour productivity that is less productive than the industry average. This can be explained by the agglomeration theory mentioned previously. In fact, certain service activities tend to have a particular preference for larger conurbations (Morgenroth, 2018).

Other counties with a variance between their private enterprise distribution and their sectoral distribution that is greater than 2% are Cork and Kerry (appendix 2). Cork have an under representation of enterprises in the information and communication sector and financial and insurance sector, relative to its overall enterprise base. For Kerry, they have a higher proportion of enterprises in the accommodation and food sector relative to their overall enterprise base.

4.2 The distribution of Agency clients

This section looks at the distribution of agency clients at a firm, regional and sectoral level. Included in the analysis are any firms who were a client of the agency across any of the years 2015-2020. Firstly, enterprises which are clients of the selected enterprise agencies are bigger in size relative to the overall enterprise base. Table 3 shows that 14% of agency clients are either a medium or large firm in comparison to 1% of the private enterprise base. For the IDA, 48% of their clients are either a medium or large enterprise. Supports provided by the Local Enterprise Offices are specifically for micro enterprises and therefore, 100% of their clients are micro.

Table 3: The firm size distribution of agency clients

Agency	Micro	Small	Medium	Large	Other
Private Enterprise Base	92%	6%	1%	0%	0%
Enterprise Ireland	36%	38%	14%	5%	7%
IDA Ireland	18%	33%	33%	15%	1%
Local Enterprise Offices	100%	0%	0%	0%	0%
Total	62%	21%	10%	4%	3%

Source: Enterprise Ireland, IDA Ireland and Local Enterprise Offices.

Diagrams 9-12 show the percentage distribution of agency clients across the country. For the majority of counties when you look at the distribution of all the agency clients (Diagram 12) it mirrors the distribution of the overall private enterprise base discussed in the previous section²⁰. However, when you look at the distribution across agencies individually you will notice that Dublin stands out as an outlier relative to their private enterprise base.

²⁰ Dublin has a total agency distribution which is 2% higher than its private enterprise base distribution (34% vs 32%). All other counties have either the same distribution or a 1% difference.

In the two biggest enterprise agencies in this study, IDA Ireland (Diagram 10) and Enterprise Ireland (Diagram 9), Dublin has 55% and 40% of their clients respectively. When it comes to Local Enterprise Offices (Diagram 11), Dublin is underrepresented relative to its private enterprise base by 11%²¹. The other counties with variances greater than 2% include Galway which is underrepresented with Local Enterprise Office clients relative to its private enterprise base by 3%, and Meath which is underrepresented with IDA Ireland clients by 3%. All other counties have a distribution of agency clients which is similar to its overall private enterprise base.

²¹ Dublin has 32% of private enterprises while 21% of LEO clients are located there.

Diagram 9: The regional distribution of Enterprise Ireland clients (%)

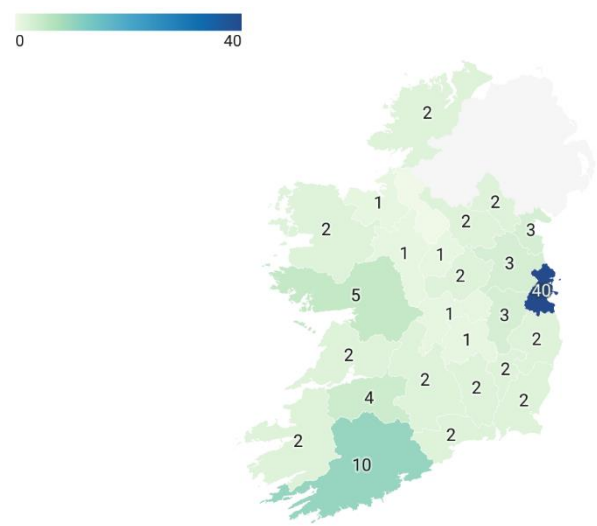


Diagram 10: The regional distribution of IDA Ireland clients (%)

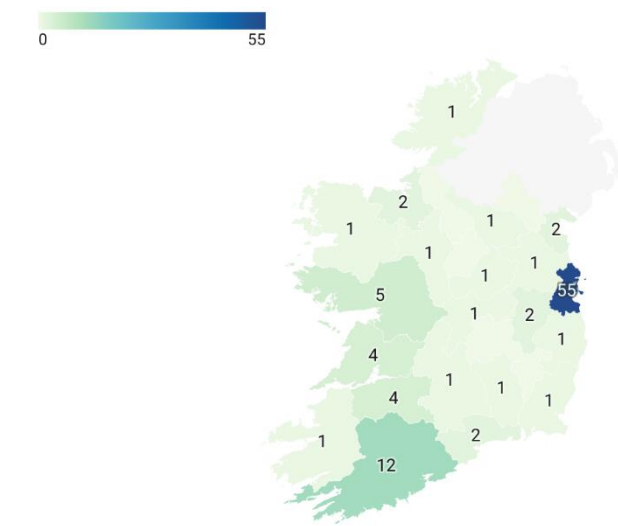


Diagram 11: The regional distribution of LEO clients (%)

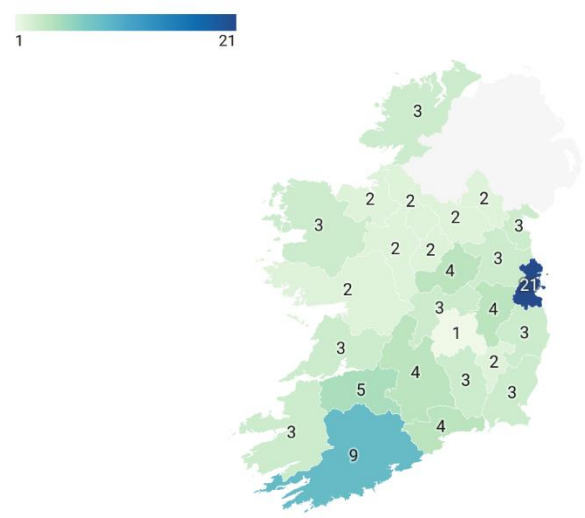


Diagram 12: The regional distribution of all agency clients (%)

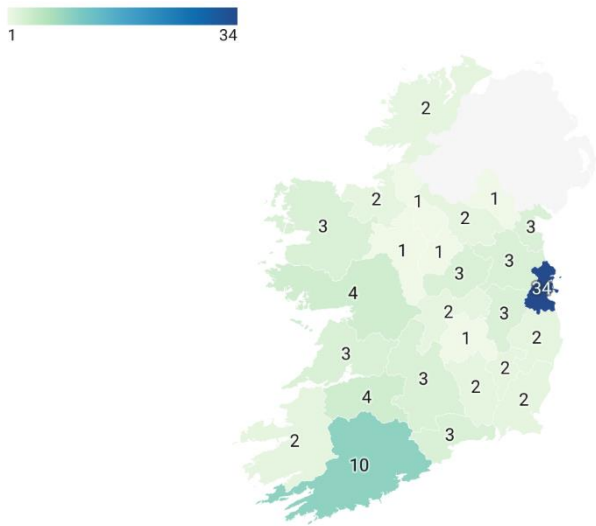
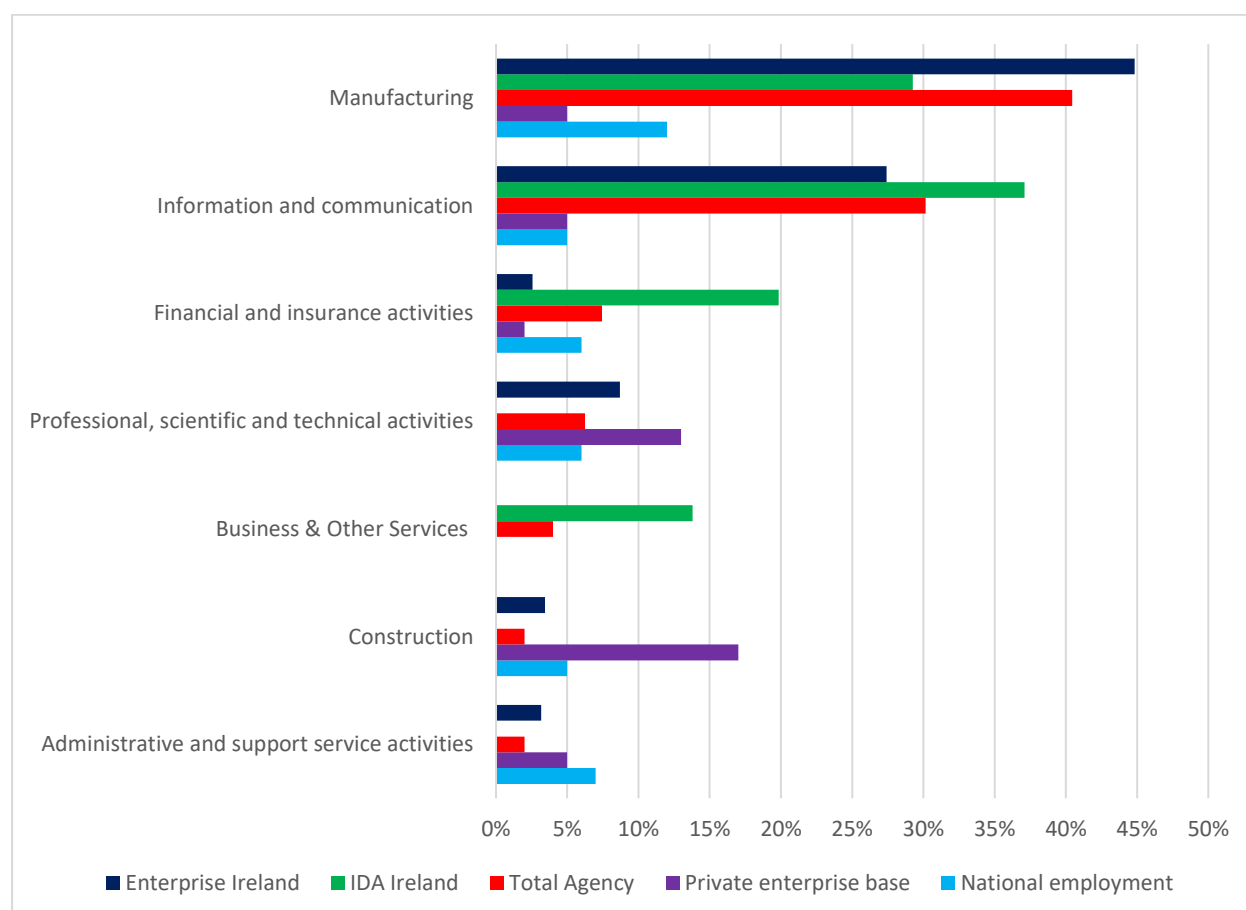


Diagram 13 shows the sectoral distribution of agency clients. This only includes clients of Enterprise Ireland and IDA Ireland as data is not available on this from the Local Enterprise Offices. Manufacturing is the main sector when you look at the agencies combined (40% of clients). This is followed by information and communications (30%), financial and insurance activities (7%), and then professional, scientific and technical (6%). Manufacturing is also the most common sector for Enterprise Ireland clients, whilst information and communications is for IDA Ireland.

Diagram 13: The sectoral distribution of agency clients²²



Source: Enterprise Ireland, IDA Ireland and CSO.

Within manufacturing the area of focus differs across the agencies (appendix 1). IDA Ireland clients have a strong presence in the other manufacturing (40%) industry. This relates to medical devices. Other prominent industries include pharmaceuticals (25%) and Computer, electronic, optical and electrical equipment (19%). For Enterprise Ireland, 27% of their clients are in the food products and

²² Business and Other Services is an IDA sectoral categorisation. It is a split between professional, scientific and technical activities, admin & support services and a small number of transport and storage, wholesale and retail trade and other services.

beverages industry. The next prominent industry for them is Basic metals and fabricated metal products (13%).

The sectors which are aligned to the selected enterprise agencies are not the sectors which are most prominent in the Irish economy in terms of the overall private enterprise base and employment composition. However, using previous research from Kane and O'Callaghan (2019) one can see that the sectors which are prominent within the selected enterprise agencies are the ones associated with high earnings (information and communication, and finance and insurance), and high gross value added (manufacturing).

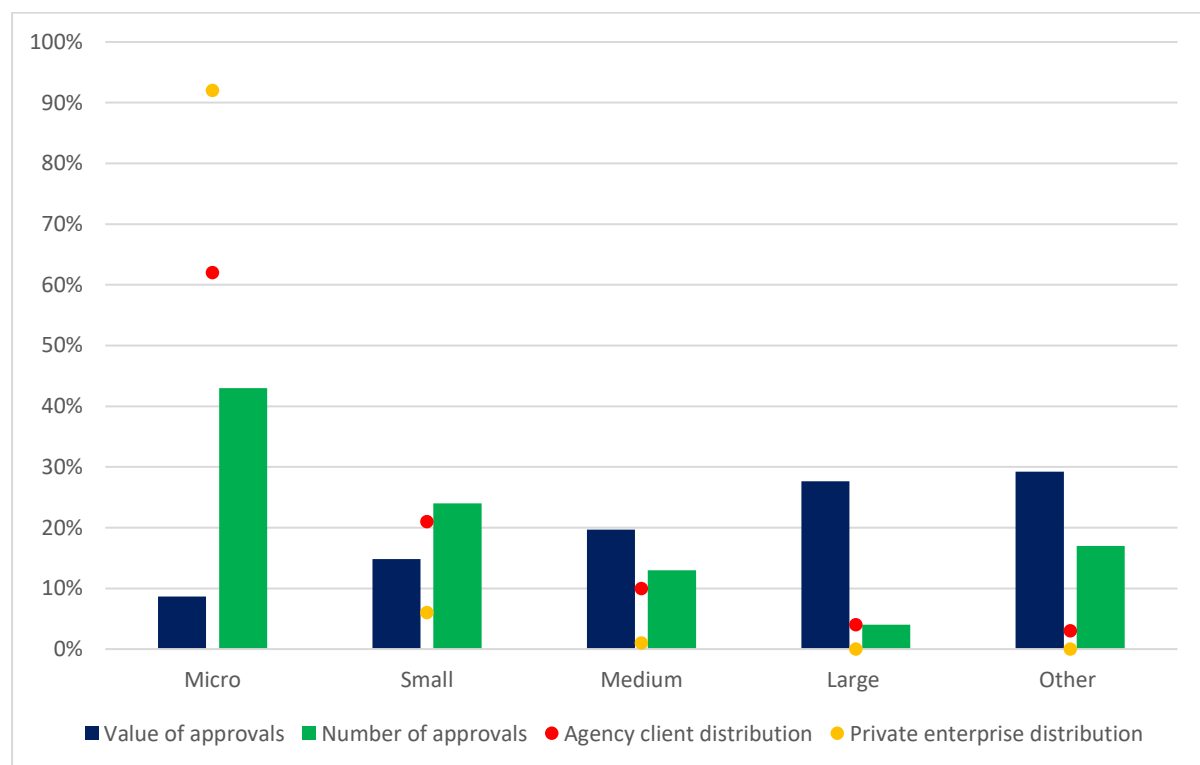
6. Distribution of enterprise supports

6.1 Firm level distribution

The paper analyses the distribution of supports at the firm level using two metrics – size and ownership nationality. Diagram 14 shows the distribution of approvals across the various firm sizes²³ for the period 2015-2020. It does this looking in terms of both the value of approvals and the number of approvals. It also includes the firm size distribution for agency clients and the private enterprise base for comparison purposes.

The total value of approvals increases with firm size, with large firms accounting for 28% of approvals in comparison to 9% for micro enterprises. In total over €2.4bn was approved across approximately 26,000 firms/projects by the agencies over the period 2015-2020. In contrast to the value of approvals, micro enterprises account for the greatest number of firms who received an approval at 43% and large firms account for the least number of firms who received an approval at 4%.

Diagram 14: The firm size distribution of enterprise approvals



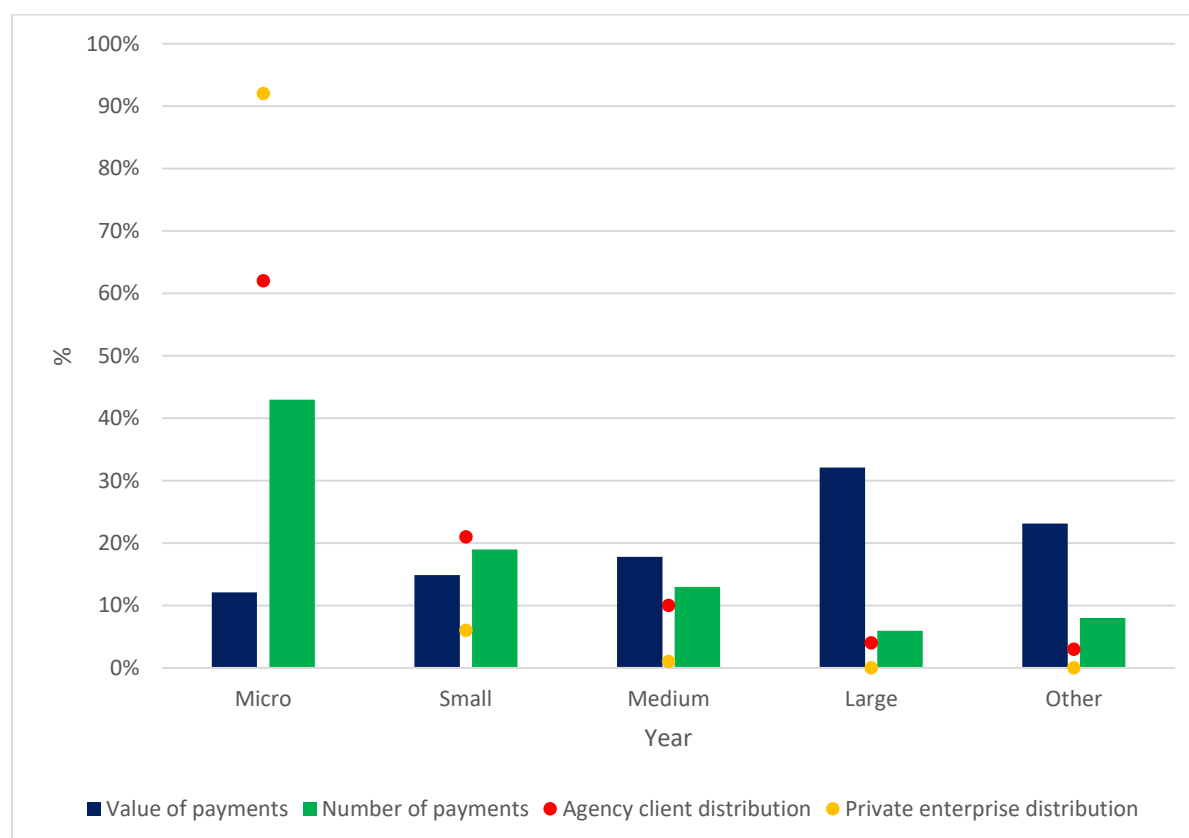
Source: Enterprise Ireland, IDA Ireland, Local Enterprise Offices and CSO.

Relative to the overall agency distribution discussed above, what we see across agencies is that IDA Ireland are more likely to approve funding for medium and large firms, Enterprise Ireland have a

²³ The “Other” category includes projects such as infrastructural projects and firms who received support but whose size is unknown.

spread across micro, small and medium, whilst Local Enterprise Offices focus only on micro businesses. Enterprise Ireland account for the majority of clients referred to as other and this is due to the firm size of some recipients being unknown. It is important to note that the recipient of some Enterprise Ireland supports may not be a client company²⁴.

Diagram 15: The firm size distribution of enterprise payments



Source: Enterprise Ireland, IDA Ireland, Local Enterprise Offices and CSO.

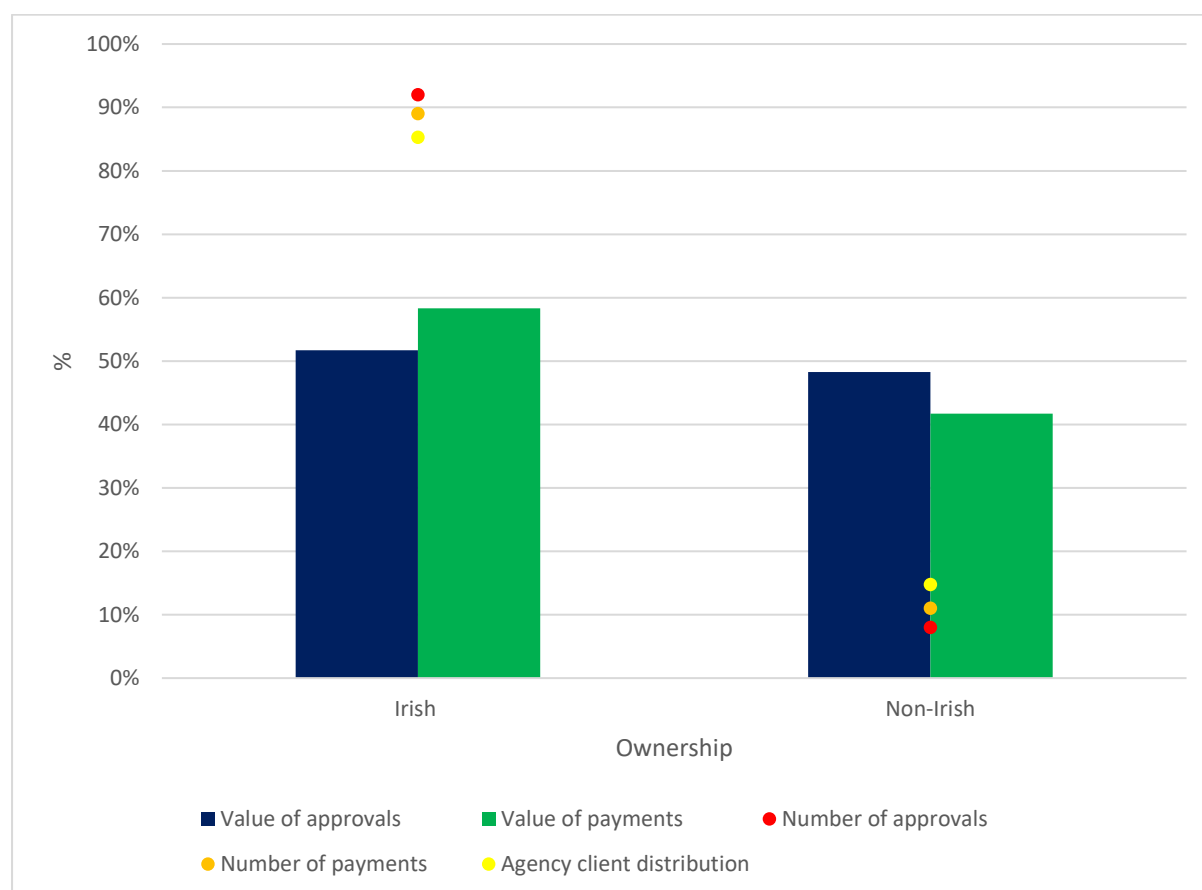
Diagram 15 looks at the same distribution across the payments made by the selected enterprise agencies during 2015-2020. Payments to the value of €1.6bn were made to approximately 23,000 firms or projects. In value terms the greatest percentage of this funding goes to large firms (32%). Although a greater number of micro enterprises (43%) avail of particular support payments. Similar to the approvals, at an agency level IDA Ireland make payments to mainly medium and large firms, whilst Enterprise Ireland have a spread across micro (32%), small (33%) and medium (16%).

Overall the number of firms getting approved or receiving a payment has a similar size distribution to the agency client size distribution. One noticeable variance is with micro firms where the number of firms receiving support (43% of payments) is less relative to the number of micro enterprises who are

²⁴ For example the recent Online Retail Scheme that Enterprise Ireland provided was not exclusive to their client base.

a client agency (62% of the agency client base). Also, larger firms have a larger proportional distribution in terms of the value of approvals and payments. This finding is in line with previous literature which found that financial support increases with firm size (DBEI, 2019).

Diagram 16: The ownership distribution of enterprise approvals and payments



Source: Enterprise Ireland, IDA Ireland and Local Enterprise Offices.

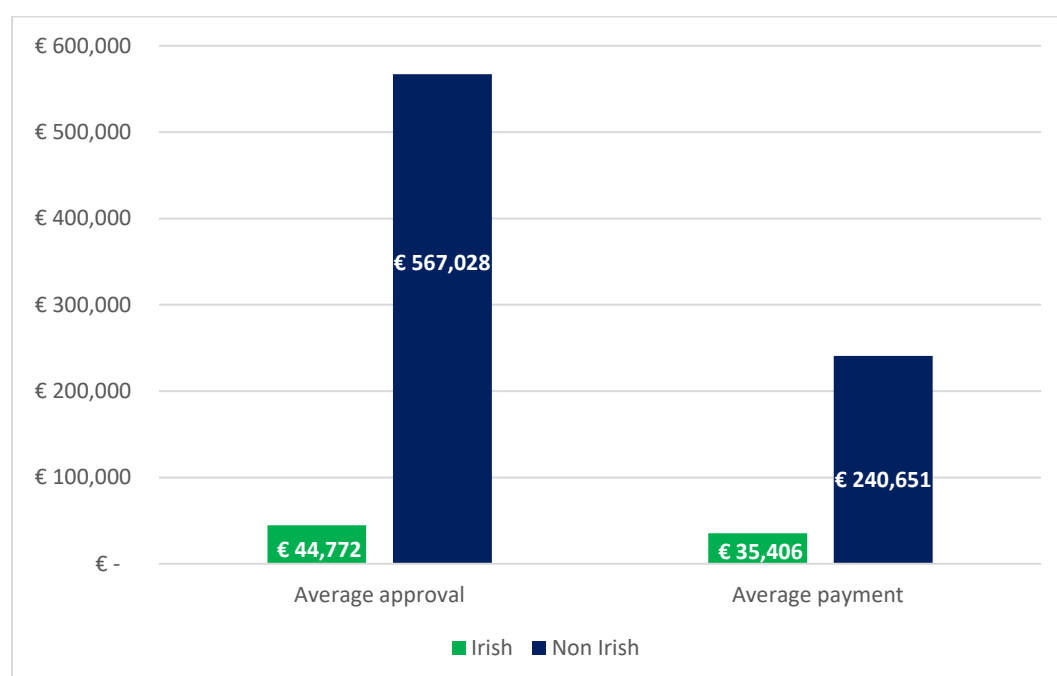
Diagram 16 shows how supports have been distributed across firm ownership. In terms of both approvals and payments, the number of firms availing of supports are mainly Irish owned firms (92% and 89% respectively). However, when it comes to the value of approvals or payments, the differential between Irish and non-Irish owned firms reduces significantly. Across agencies, we see that both Enterprise Ireland and Local Enterprise Offices target Irish owned firms (96% and 100% respectively), whilst IDA Ireland support non-Irish owned firms (100%). Overall, the level of approvals from the agencies combined in value terms is similar for both Irish and non-Irish owned firms, whilst Irish owned firms receive a greater value of payments relative to non-Irish owned firms (58% vs 42%).

Diagram 17 highlights why the differential between Irish and non-Irish owned firms closes when you look at the support distribution in value terms. The average payment going to a non-Irish owned firm (€240,651) is significantly greater than the average payment going to an Irish owned firm (€35,406).

This may be explained by the differing scale of the agencies discussed in section 3. So although there might be a significantly less amount of non-Irish owned firms getting support, the scale of funding each recipient receives from IDA Ireland is larger relative to the scale of funding an Irish owned firm would receive from Enterprise Ireland or Local Enterprise Offices²⁵.

One possible explanation on this, is that foreign owned firms tend to be larger in size relative to the overall enterprise base in Ireland (Keogh et al. 2020). Therefore, in line with the fact that financial support increases with firm size, one can explain why non-Irish owned firms tend to receive larger payments.

Diagram 17: Average value of approval and payment made in the years 2015-2020 by firm ownership



Source: Enterprise Ireland, IDA Ireland and Local Enterprise Offices.

6.2 Regional level distribution

Diagram 18-21 displays the level of payments in value terms made by the selected enterprise agencies across the counties for the period 2015-2020. For presentation purposes, only the distribution of payments is represented. However for the majority of counties the distribution of approvals is similar.²⁶

²⁵ The average payment a non-Irish owned firm receives from IDA Ireland is €292,568. The average payment an Irish owned firm receives from Enterprise Ireland is €50,291 and from Local Enterprise Offices is €7,423.

²⁶ Dublin has 5% less approvals relative to payments for Enterprise Ireland (33%) and it has 6% more approvals for IDA Ireland (27%). Galway has 3% more approvals relative to payments for Enterprise Ireland (8%). All other counties have an approvals distribution similar to payments (+2%).

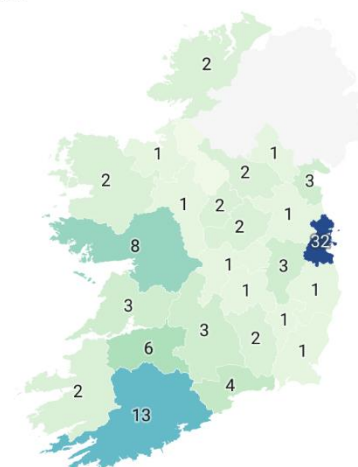
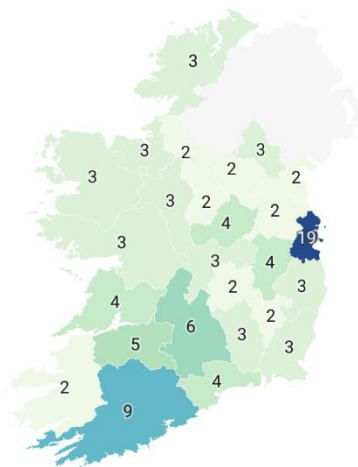
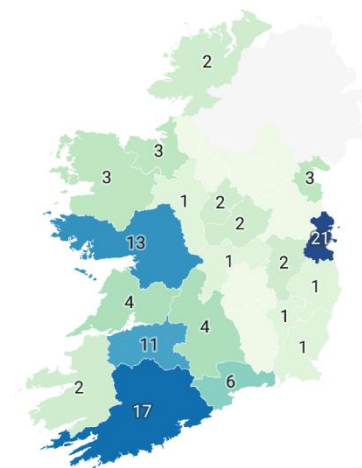
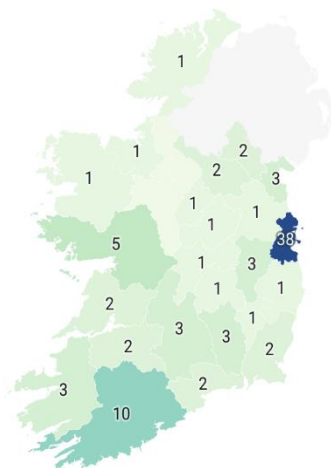
When you combine the agencies (Diagram 21), the distribution of payments is similar for the majority of counties to how the overall enterprise base and the agency client base is distributed. Dublin (32%), Cork (13%) and Galway (8%) are the counties which receive the greatest level of support in terms of payments.

Both Cork and Galway receive a greater proportion of payments relative to their agency and overall private enterprise distribution. In contrast, payments made to firms in Dublin are below the counties overall agency client base distribution and Dublin's private enterprise distribution. Meath is another example of a county who receives support which is lower relative to the number of agency and private enterprises located in the county.

However, across agencies variances occur between the distribution of supports and the distribution of the agency client base. For IDA Ireland (Diagram 19), there is a significant variance in terms of Dublin. Although Dublin has 55% of IDA Ireland clients located there, it receives 21% of the support provided by the agency. In contrast, Cork, Galway, Limerick, Tipperary, and Waterford all receive a greater share of support in value terms from IDA Ireland relative to the proportion of clients located in the county.

The main variance within Enterprise Ireland (Diagram 18) comes from its enterprises located overseas. Although they represent less than 1% of its client base, they receive 9% of its payments in value terms²⁷. The distribution of supports for the Local Enterprise Offices (Diagram 20) is similar to the distribution of its client base.

²⁷ The majority of this funding goes to overseas funds who then distribute this money back into Irish enterprises.



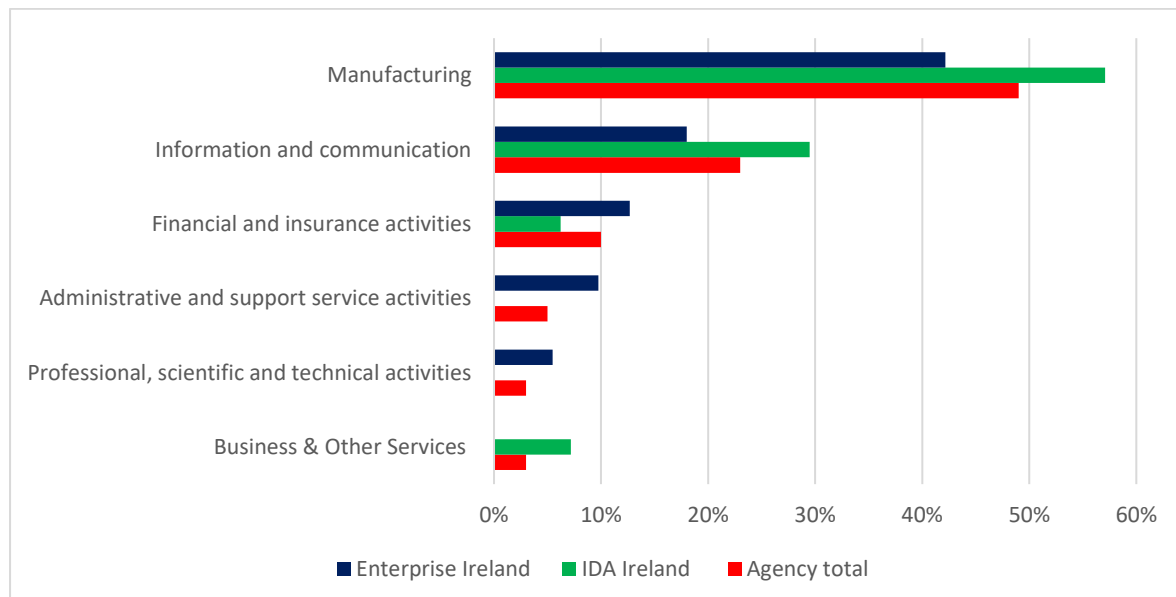
6.3 Sectoral level distribution

Diagram 22 highlights the sectoral distribution of approvals made during the years 2015-2020. This only includes clients of Enterprise Ireland and IDA Ireland as data is not available on this from the Local Enterprise Offices. Manufacturing is the sector which receives most approvals across the agencies with 49% of approvals going there in total. Next is information and communication (23%) and then finance and insurance (10%).

In comparison to the sectoral distribution of the agency client list discussed in section 5, one can see that manufacturing receives a greater level of approvals (49%) relative to the proportion of clients (40%) in that sector. This variance is much more significant for IDA Ireland, where manufacturing receives 57% of the value of approvals in comparison to 29% of agencies being in that sector. In contrast, information and communications receives a smaller share of approvals (23%) relative to its proportion of the client base (30%) across both agencies.

The combined approvals of the financial and insurance sector (10%) is larger relative to the proportion of firms (7%) in that sector. However, when you look at the agencies separately this differs. For Enterprise Ireland a higher proportion of approvals (13%) is attributed to this sector relative to the number of firms (3%) in that sector. In contrast, IDA Ireland has a lower number of approvals (6%) relative to proportion of clients (20%) in this sector.

Diagram 22: The sectoral distribution of approvals²⁸

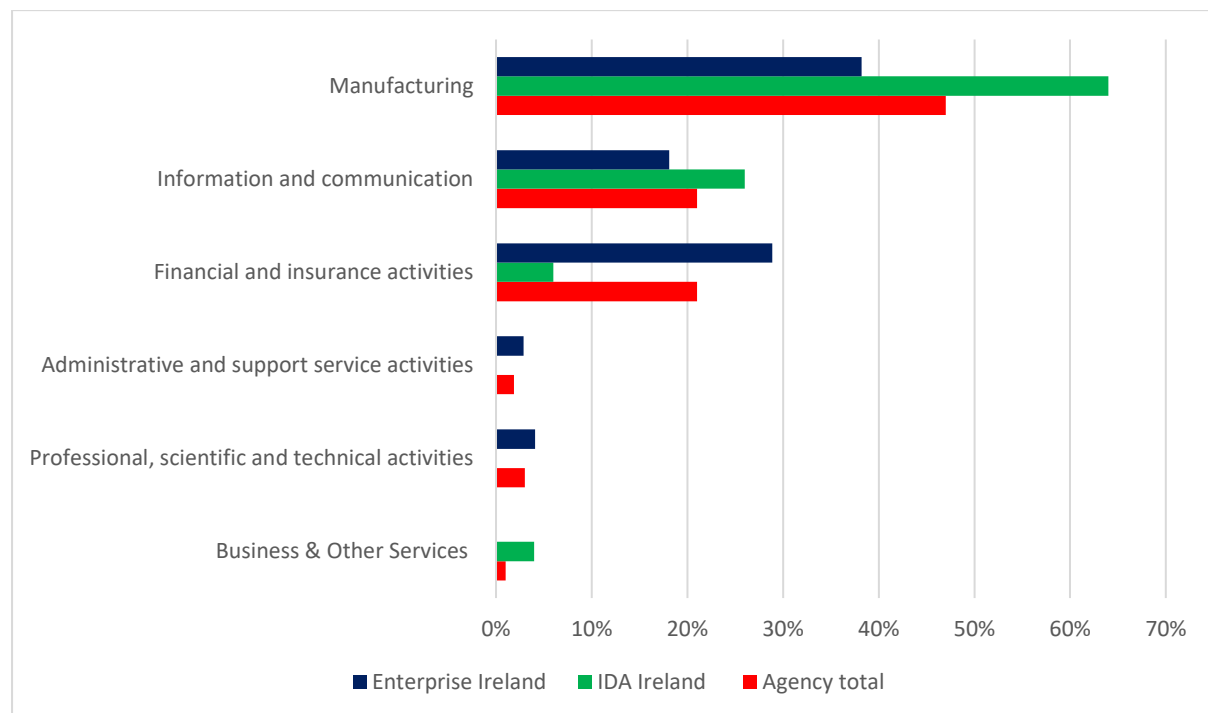


Source: Enterprise Ireland and IDA Ireland

²⁸ Business and Other Services is an IDA sectoral categorisation. It is a split between professional, scientific and technical activities, admin & support services and a small number of transport and storage, wholesale and retail trade and other services.

The distribution of approvals made by the agencies differs in some instances to the distribution of payments (Diagram 23). However it is mainly the magnitude that differs rather than the sectoral ordering. An instance where the sectoral ordering does change in comparison to approvals is for Enterprise Ireland where the value of payments is greater in the financial and insurance sector than in the information and communication.

Diagram 23: The sectoral distribution of payments

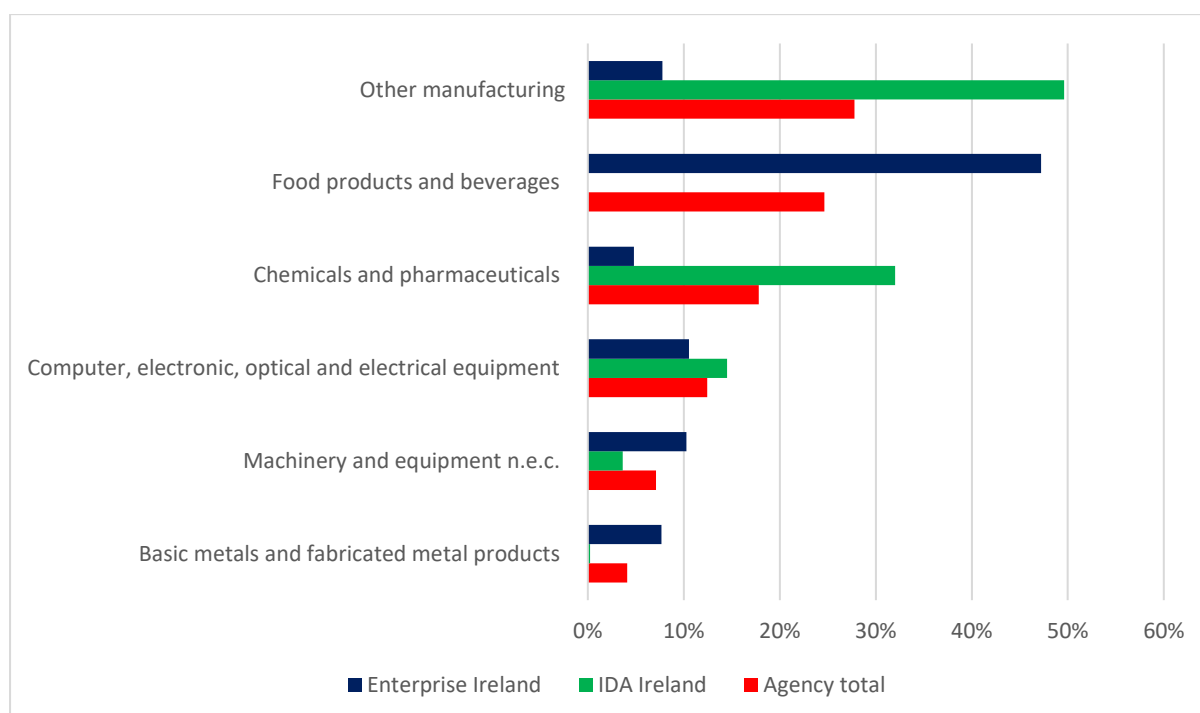


Source: Enterprise Ireland and IDA Ireland

Manufacturing is a sector which is a key focus for both Enterprise Ireland and IDA Ireland. Diagram 24 looks at which industries within manufacturing the selected enterprise agencies are supporting. For IDA Ireland the main industry is other manufacturing (which includes medical devices). This accounts for 50% of the payments made by IDA Ireland. This is followed by chemicals and pharmaceuticals which has 32% of payments.

For Enterprise Ireland, the food and beverages industry accounts for 47% of payments made during the years 2015-2020. This compares to 27% of clients being in this industry. Other industries to include payments include computer, electronic, optical and electrical equipment with 11% and then machinery and equipment with 10%.

Diagram 24: The sectoral distribution of manufacturing payments



Source: Enterprise Ireland and IDA Ireland

6.4 Other supports

The Restart Grant

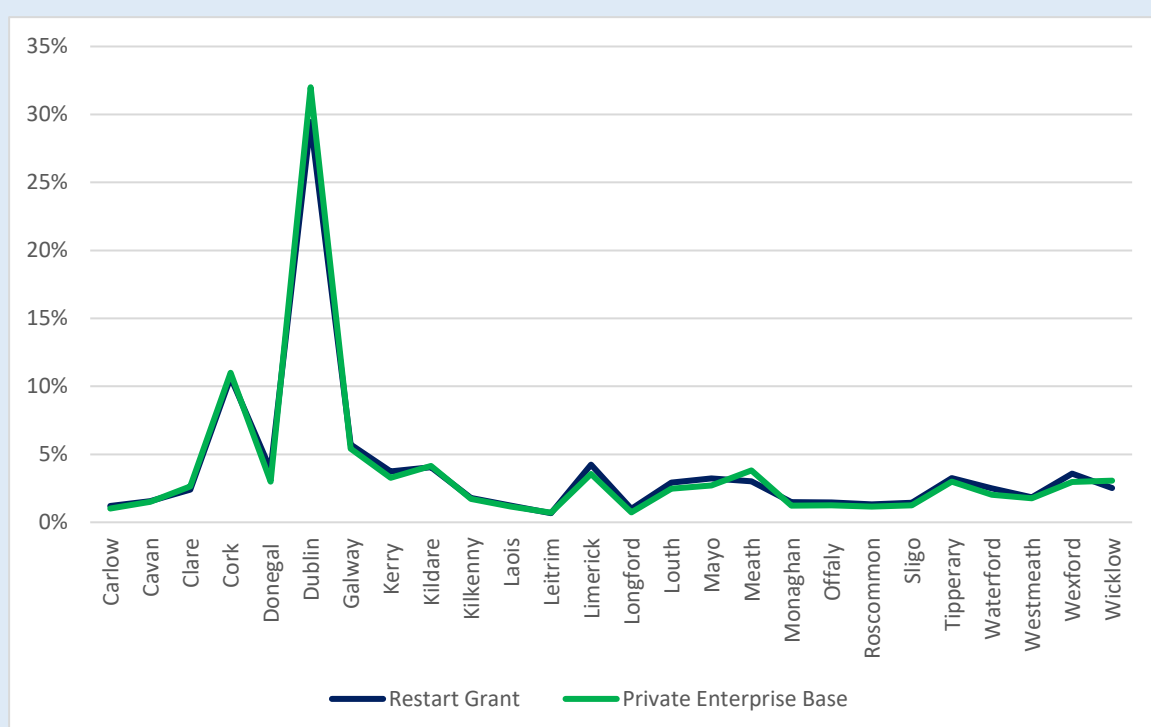
The Restart Grant²⁹ was a support to micro and small businesses to help with costs associated with reopening and reemploying workers following COVID-19 closures. The total value of applications for this support was just under €629m.

As this grant was not designed as a specific or long-term sectoral support but was more of a one-off or short-term measure due to the effects of the COVID-19 restrictions on business operations, the level of detail collected on recipients was not at the depth of normal support measures.

In terms of size, the criteria to qualify for support was limited to micro and small enterprises. However the breakdown across both firm sizes was not recorded. Diagram 24 shows the regional distribution of the grant. The distribution of the grant across the counties had a similar distribution to the private enterprise base. Sectoral level data was not recorded.

²⁹ This includes both the Restart Grant and the Restart Grant Plus.

Diagram 24: The regional distribution of the Restart Grant



Source: Department of Enterprise, Trade and Employment, and CSO

Liquidity Schemes

The use of state supported lending in Ireland has evolved considerably since 2012 (Reidy, 2021). The onset of the COVID-19 pandemic has seen the increased deployment of state supported lending in Ireland. There has been over €1bn in approved state guaranteed loans.

90% of firms who are approved for loans are micro or small enterprises (Reidy, 2021). Sectors that feature prominently in the utilisation of lending include Wholesale and Retail, Manufacturing, Accommodation and Food, and Construction. These sectors are reflective of the overall Irish enterprise base. The agricultural sector also features in certain lending schemes.

When looked at in totality lending from the guarantee schemes and Microfinance Ireland has a strong presence in Dublin, Galway and Cork. However the overall level of approvals going to Dublin (21%) from the combined guarantee schemes is less than the percentage of private enterprises located in the county as discussed in Section 5. Also the regional distribution differs across schemes with schemes such as the Future Growth Loan Scheme having a strong allocation in rural counties such as Tipperary.

7. Policy considerations

1. Delivering on the National Planning Framework

The National Planning Framework (NPF) sets the vision and strategy for the development of the country to 2040. Its aim is to ensure that as the population grows, that growth is sustainable in economic, social and environmental terms. The population is projected to grow by 1 million during this timeframe. Of this growth the NPF plans for 25% in Dublin, 25% across the other four cities combined, and 50% of growth to occur in key regional centres, towns, villages and rural areas.

The enterprise agencies have a role to play in achieving this balanced development through the creation of jobs across the counties. This paper outlines where the clients of agencies are currently located and where the supports they deliver are being distributed. This gives the Department and the agencies an opportunity to reflect on this distribution and consider if it is appropriate in the context of the Government's aim of balanced regional development.

In particular the distribution of supports by Enterprise Ireland shows that just under 50% of all payments is currently going to clients located in Dublin (38%) or overseas (9%)³⁰. This is also relevant in the context of the recently revised Regional Aid Guidelines. These guidelines will enter into force on 1 January 2022, and as part of this Member States must prepare their regional aid maps. Any changes to these maps may have implications on where monies can flow and this paper gives the Department and relevant agencies an overview of the current distribution.

2. Budgetary management of the enterprise agencies

This paper has found that the level of annual approvals each agency makes is greater than the level of payments it makes across the years 2015-2020. This is particularly the case for IDA Ireland, where the mean annual approval was €181 million in comparison to the mean annual payment of €96 million. This means that over the time period studied IDA Ireland were making close to double the level of approvals relative to the level of payments.

The Annual Exchequer Budget is undertaken on a cash accounting basis. Therefore it is important for the enterprise agencies to ensure that the appropriate budgetary management procedures are in place when it comes to approvals to avoid any build-up of future liabilities that may exceed the agencies annual budgetary allocation.

³⁰ The majority of this funding goes to overseas funds who then distribute this money back into Irish enterprises. Details on where the funding goes after it leaves the funds is not covered in this paper.

3. Appropriate data monitoring systems

Given the level of support that each of the agencies is providing to enterprises, it would be helpful for each of them to reflect on the level of data they are collecting on their clients. This would assist with evaluation. In particular, the Local Enterprise Offices were not in a position to provide sectoral level data for the recipients of their supports. Maloney (2018) found similar data challenges with the Local Enterprise Offices and reported that a new Customer Management Relationship System was to be developed.

8. Conclusion

This paper has looked at the distribution of enterprise supports from Enterprise Ireland, IDA Ireland and Local Enterprise Offices. It focused on how these supports were distributed at a firm, regional and sectoral level. Micro and Irish owned firms receive the greatest percentage of supports in terms of the number of firms who receive an approval or a payment from the combined selected enterprise agencies. However, when one looks at the approval and payments in value terms, medium and large firms receive a greater level of support on a proportionate basis, as do firms which are non-Irish.

IDA Ireland are more likely to support medium and large non-Irish owned firms. Enterprise Ireland have a spread across micro, small and medium firms which are Irish owned and Local Enterprise Offices focus solely on Irish owned micro businesses. This is aligned to the agency mandates.

At a regional level, the combined distribution of enterprise supports for most counties is similar to how the overall enterprise base is distributed and how the overall agency client base is distributed. Dublin, Cork and Galway are the counties which receive the greatest level of support in terms of approvals and payments. Both Cork and Galway receive a greater proportion of approvals and payments relative to their overall agency and private enterprise distribution.

Across agencies variances occur between the distribution of supports and the distribution of the agency client base. For IDA Ireland, there is a significant variance in terms of Dublin. Although Dublin has 55% of IDA Ireland clients, it receives 21% of the support provided by the agency. In contrast, Cork, Galway, Limerick, Tipperary, and Waterford all receive a greater share of support in value terms from IDA Ireland relative to the proportion of clients located in the county. The main variance within Enterprise Ireland comes from its enterprises located overseas. Although they represent less than 1% of its client base, they receive 9% of its payments in value terms. These payments mainly go to overseas funds who then distribute the money to Irish firms.

The manufacturing sector receives the greatest level of support. However, within manufacturing the targeting of support differs across the agencies. Enterprise Ireland has a strong focus on food products

and beverages. IDA Ireland focuses support on medical devices and pharmaceuticals. Other sectors which benefit from supports are information and communication, and financial and insurance activities.

The sectoral focus of Enterprise Ireland and IDA Ireland are not the sectors which are most prominent in the Irish economy in terms of the overall private enterprise base and employment composition. However, they are ones which are associated with high earnings and high gross value added.

The findings of this paper raise a number of considerations for the Department of Enterprise and the selected enterprise agencies. These include aligning support provision with the goals of balanced development, ensuring the appropriate budgetary management procedures are in place when it comes to approvals, and having sufficient data monitoring systems in place.

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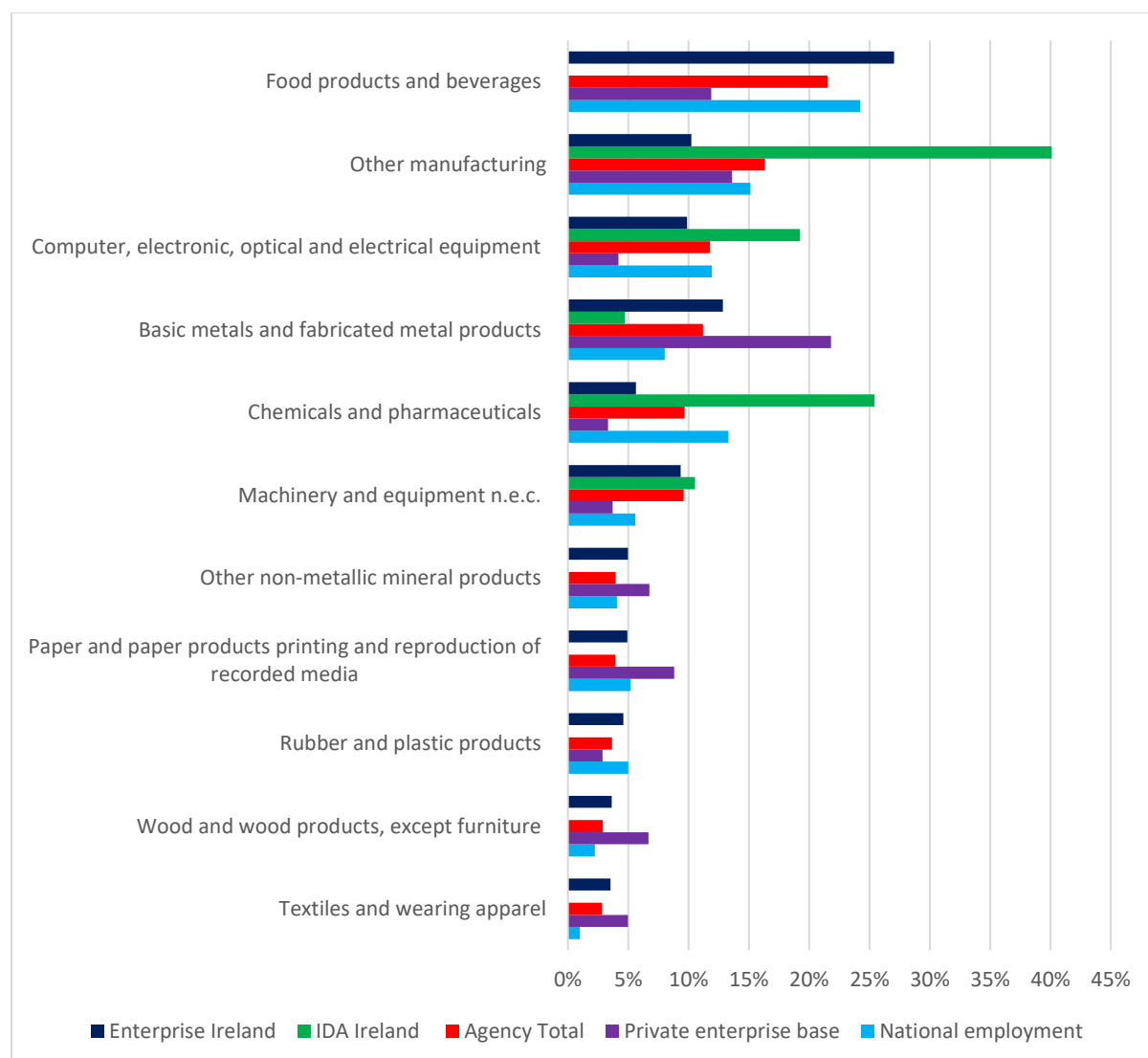
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Appendix

Appendix 1: The manufacturing distribution of agency clients



Source: Enterprise Ireland, IDA Ireland and CSO.

Appendix 2: Counties who have a variance between the private enterprise distribution and sectoral distribution of > 2% (Variances highlighted in yellow)

County	Private Enterprise Distribution	Manufacturing (C)	Construction (F)	Wholesale & retail (G)	Transportation & storage (H)	Accommodation & food (I)	Information & communication (J)	Financial & insurance (K)	Real estate (L)	Professional, scientific & technical (M)	Administrative & support (N)	Education (P) and Health / Social Work (Q)	Arts, Entertainment & Recreation (R)	Other (S)
National		5%	17%	15%	8%	6%	5%	2%	4%	13%	5%	11%	3%	6%
Cork	11%	11%	11%	12%	9%	11%	8%	7%	10%	13%	10%	12%	10%	11%
Dublin	32%	20%	21%	26%	44%	21%	53%	61%	35%	41%	36%	31%	34%	26%
Kerry	3%	3%	4%	3%	2%	6%	2%	1%	3%	2%	3%	3%	4%	4%

Quality Assurance process

To ensure accuracy and methodological rigour, the author engaged in the following quality assurance process.

- ☐ Internal/Departmental
 - ☒ Line management
 - ☒ Spending Review Steering group
 - ☐ Other divisions/sections
 - ☒ Peer review (IGEES network, seminars, conferences etc.)
- ☐ External
 - ☒ Other Government Department
 - ☐ Other Steering group
 - ☐ Quality Assurance Group (QAG)
 - ☒ Peer review (IGEES network, seminars, conferences etc.)
 - ☐ External expert(s)
- ☐ Other (relevant details)



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