



**An Roinn Caiteachais
Phoiblí agus Athchóirithe**
Department of Public
Expenditure and Reform

Spending Review 2018

Trend Analysis of IDA Ireland Expenditure

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The logo for the Irish Government Economic & Evaluation Service (IGEES), consisting of the letters 'IGEES' in a bold, white, sans-serif font inside a blue rectangular box with a white border.

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Key Messages:

IDA Ireland Income and Expenditure 2006-2017:

- IDA Ireland expenditure has been increasing year-on-year since 2015, primarily due to the Regional Property Programme. €213 million was allocated for expenditure in 2018.
- During 2006-2017, IDA Ireland became increasingly reliant on the Exchequer for funding, following the completion of the Asset Disposal Programme and due to lower grant refunds confirming that IDA companies are delivering on job commitments. 91 percent of IDA Ireland's income was from the Exchequer in 2017.

Sunset clause:

- There are no sunset clauses in IDA grants, though there is active management of grant files. The introduction of a standard sunset clause in all grant agreements would reduce uncertainty around the drawdown of outstanding grant approvals.

Grant approvals and grant payments 2006-2017:

- Grant approvals were €2 billion during the period 2006-2017.
- Grant approvals by value increased by 80 percent between 2012 and 2016, with a fall of 19 percent in 2017.
- Total grant payments were €1.1 billion during the period 2006-2017.

Grant purpose of the grant support 2006-2017:

- Grant approvals: a concentration of 55 percent related to R&D, with the balance Employment grants (20%), Capital grants (17%), and Training grants (8%).
- Grant payments: mirrored the distribution of the purpose of grant approvals.
- R&D grant approvals 2015-2017 were over double the R&D grant approvals 2012-2014.

Sectoral distribution of grant support 2006-2017:

- There was a concentration of 76 percent of grant approvals in three sectors: Technology (28%); Medical Technologies (24%); and Pharmaceuticals (24%).

Regional distribution of grant support 2006-2017:

- The regional distribution of grant support from 2006 to 2017 was influenced considerably by changes to the Regional Aid map.
- By value, the regional distribution of grant approvals was: Dublin (21%); Southwest (20%); West (17%); Midwest (15%); Southeast (11%); Border (8%); East (4%); and Midlands (4%).
- While there was a general decline in the value of grant approvals to the West during 2010-2017, in recent years there has been an upturn in the volume of grant approvals to the West.

Trend in IDA commitments:

Likely future grant payments have increased 46 percent between year-end 2014 and 2017.

1. Introduction

1.1 Overview

The State provides significant support to the Enterprise Agencies in Ireland. The Government is committed to ensuring a “supportive environment for enterprise and employment”¹. This support aims to promote job creation, innovation, productivity growth, a sustainable economy, balanced regional development, and competitiveness. Enterprise 2025 also outlines the rationale for enterprise support, including promoting job creation (particularly high productivity jobs), innovation, competitiveness, productivity and export growth, a resilient and sustainable economy, higher living standards, diversification, regional development, clustering, amongst other reasons². IDA Ireland, one of the largest Enterprise Agencies in the State, and their enterprise supports are the focus of this paper.

This paper focuses on IDA Ireland’s expenditure dynamics at a high level, with an emphasis on the scale, composition, and trend of the enterprise supports. This paper presents some key messages and flags future areas of interest informed by:

- The high level analysis of IDA Ireland’s income and expenditure.
- The analysis of the overall level and composition of IDA Ireland grant supports by purpose, sector, and region.

1.2 Overview of enterprise supports

Enterprise supports accounted for approximately 2 percent of total gross voted expenditure in 2016, remaining relatively constant over the last decade³. In 2016⁴, just over €1bn⁵ was allocated to twelve key Agencies across a number of Government Departments, with the Department of Business, Enterprise and Innovation (D/BEI) Agencies receiving over 60 percent. While the total allocation in Budget 2017 was 10 percent lower than the 2009 peak, the allocation in enterprise supports increased to a five-year high of nearly €1.1bn (Figure 1).

¹ Irish Government (2016). *[‘A Programme for a Partnership Government’](#)*, page 4.

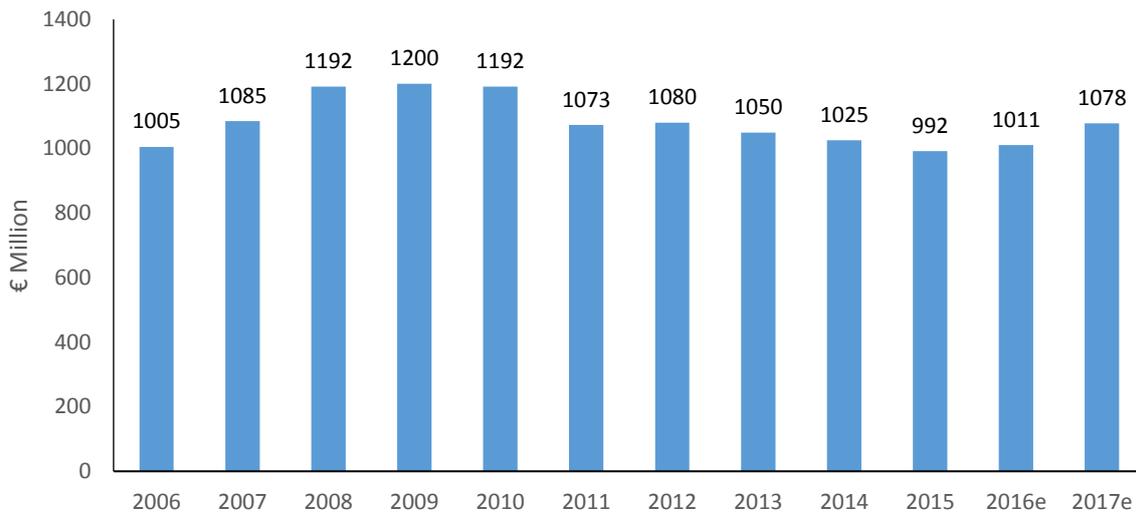
² Department of Business, Enterprise and Innovation (2018). *[‘Enterprise 2025 Renewed’](#)*.

³ Department of Public Expenditure and Reform (2017), *[‘An Assessment of the Rationale, Efficiency and Targeting of Supports in Enterprise Ireland’](#)*. Spending Review paper, 2017 series.

⁴ At time of writing, not all of the 2017 Annual Reports were available.

⁵ A number of Agencies (including Enterprise Ireland) generate own resource income, however, this section deals exclusively with Exchequer allocations.

Figure 1: Exchequer funding⁶ to Agencies supporting enterprise, 2006-2017

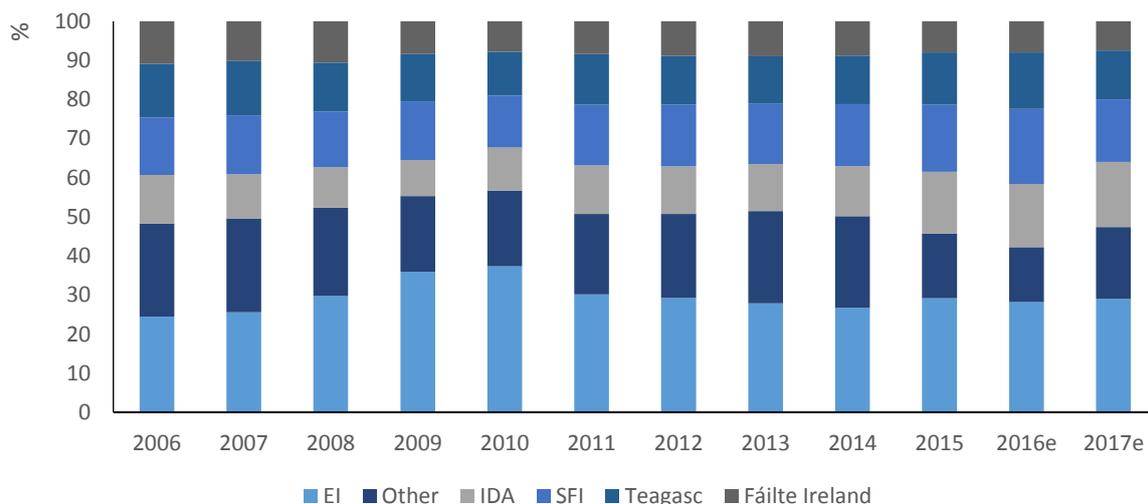


Source: Agency Annual Reports (updated October 2017) with 2017 estimates.

The majority of the expenditure is by Enterprise Ireland (including the Local Enterprise Offices (LEOs)) (EI); IDA Ireland; Science Foundation Ireland (SFI); Teagasc; and Fáilte Ireland. The ‘other’ category in Figure 2 includes InterTrade Ireland; Údarás Na Gaeltachta; the Western Development Commission (WDC); LEADER programme; Tourism Ireland; Bord Bia; and Bord Iascaigh Mhara (BIM).

The Exchequer allocation across Agencies has remained relatively stable over time. In 2016, EI received 30 percent, IDA Ireland and SFI received approximately 16 percent each, while Teagasc and Fáilte Ireland’s allocation amounted to 12.5 percent and 7.5 percent of the total respectively.

Figure 2: Exchequer funding to Agencies supporting enterprise (% of total), 2006-2017



Source: Agency Annual Reports (updated October 2017) with 2017 estimates.

⁶ IDA Ireland Annual Report refers to its funding as Oireachtas Grant, it does not include tax expenditures, such as the R&D Tax Credit.

IDA Ireland is one of the Agencies under the aegis of D/BEI tasked with implementing national industrial policy, specifically to encourage investment into Ireland by foreign owned companies by providing consultancy and support services.

In 2016, IDA Ireland received 16 percent (€159 million) of total Exchequer funding to Agencies supporting enterprise, a share that has been increasing over the past five years.

1.3 IDA Ireland's role in Irish Enterprise Policy

As a small open economy, Ireland's enterprise policy is very cognisant of the global context, the ongoing increasing competition for foreign direct investment (FDI), the transformation of the industrial base in recent decades, the EU policy focus on enhancing RD&I capabilities, and the evolving EU State aid framework. Ireland, led by IDA Ireland, competes for global FDI; this sector has been and continues to be an important contributor to the Irish economy. Currently, the global context presents both opportunities and risks for Ireland given political, economic, technological, and social changes including the impact of Brexit, the rise of protectionism, and post-Brexit EU.

Ireland's enterprise policy is a multi-faceted system approach outlined in Enterprise 2025, which culminates in *"Ireland – the best place to succeed in business delivering sustainable employment and higher standards of living for all"*⁷. Other national strategies and action plans align and support this objective; e.g. the Policy Statement on Foreign Direct Investment, the Action Plan for Jobs, the Regional Action Plan for Jobs, and commitments set out in the Programme for Partnership Government.

IDA Ireland is primarily a marketing and business development organisation. IDA Ireland's current strategy 'Winning: Foreign Direct Investment 2015-2019' seeks to attract investors who are seeking locations for High Value Manufacturing or internationally traded services activities which depend on highly skilled labour or are involved in high value added activities e.g. ICT, knowledge-based industries, Financial Services, Engineering, and Life Sciences. It has a stated ambition to create 80,000 new jobs; 900 new investments; a 30-40 percent increase in investments into regional locations; and €3 billion in R&D expenditure⁸.

⁷ Department of Jobs, Enterprise and Innovation (2015), '[Enterprise 2025 - Ireland's National Enterprise Policy 2015-2025](#)'.

⁸ IDA Ireland (2017), '[IDA Ireland Annual Report & Accounts 2016](#)'.

The IDA Ireland Annual Report 2017⁹ highlights the contribution of IDA companies across Ireland in 2017 including: direct employment of 210,443¹⁰ (12.6 percent of total private sector employment¹¹) with a payroll of €10.9 billion; direct spend in Ireland of €17.9 billion (of which €7 billion is on Irish goods and services); approximately two-thirds of total exports (worth €172 billion); and in 2017 foreign owned multinational companies accounted for an estimated 80 percent of the total corporation tax receipts¹². In terms of R&D, IDA companies spent €1.64 billion in 2016 (approximately 70 percent of total business expenditure on R&D¹³) and have over 15,000 employees working on R&D¹⁴.

⁹ IDA Ireland (2018), [‘IDA Ireland Annual Report & Accounts 2017’](#). Some of these figures from the Annual Report are for 2016, as this is the most recent year for which data is available, the source of which is the Annual Business Survey of Economic Impact 2016.

¹⁰ Department of Business, Enterprise and Innovation, *Annual Employment Survey 2017*.

¹¹ Private sector excludes public dominated sectors i.e. NACE Sectors O to Q, equivalent sectors also excludes sectors dominated by domestically focused business including: NACE Sectors A, F- I. CSO LFS Q3 2017.

¹² Revenue (2018), [‘Corporation Tax 2017 Payments and 2016 Returns’](#), page 2.

¹³ Central Statistics Office (2017), [‘Business Expenditure on Research and Development 2015-2016’](#). Total BERD in 2016 is €2.3 billion.

¹⁴ Figure provided by IDA Ireland.

2. Trend analysis

This section provides an overview of IDA Ireland’s income and expenditure.

2.1 Annual Exchequer allocation

Key message:

- During 2006-2017, IDA Ireland became increasingly reliant on the Exchequer for funding, primarily due to the completion of the Asset Disposal Programme.

IDA Ireland is a non-commercial, semi-state body which recognises the Oireachtas Grant on a cash receipts basis in its Annual Report (Table 1). IDA Ireland is captured in the Oireachtas Grant via Vote 32, subhead 5. IDA Ireland rely on both Exchequer and non-Exchequer income streams for funding (refer to Table 2). IDA Ireland’s funding model has evolved in recent years to being primarily funded by the annual Exchequer grant, which provided 91 percent of income in 2017 (Table 1). The total amount of Exchequer funding committed to IDA Ireland during 2006-2017 was €1.7 billion.

The level of Exchequer funding of IDA Ireland as a percentage of its income has had three distinct phases during 2006-2017: between 40-52 percent between 2006 and 2010; increasing to between 70-82 percent between 2011 and 2014; and rising to 91 percent in 2015, 2016, and 2017. Therefore, IDA Ireland has become increasingly reliant on the Exchequer for funding in recent years, due to the completion of the Asset Disposal Programme and lower grant refunds, the latter evidence that IDA companies are delivering on job commitments.

Table 1: IDA Ireland Income, Expenditure, and Exchequer Allocation, 2006-2017

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
IDA Income¹⁵	330	280	258	226	257	194	174	158	181	175	175	197
IDA Expenditure	239	213	188	156	230	168	158	138	180	168	171	184
Surplus	91	67	70	70	27	26	16	20	1	7	4	13
Annual Exchequer Allocation	132	126	125	113	134	136	135	129	134	160	159	179
Annual Exchequer Allocation as % of IDA income	40%	45%	48%	50%	52%	70%	78%	82%	74%	91%	91%	91%

Source: IDA Ireland. € Million unless otherwise stated. Grant refunds not included.

¹⁵ This is Exchequer and non-Exchequer income, refer to Table 2.

Total IDA Ireland income and expenditure peaked in 2006 then reduced considerably, fluctuating at lower levels since 2010 than those levels observed between 2006 and 2010. The agency has maintained a surplus in all years. The level of surplus generated has declined from the high levels recorded prior to 2009. The dynamics and drivers of these trends are analysed in the subsequent sections.

2.2 Analysis of IDA Ireland income

Key messages:

- IDA Ireland’s income has increased since 2013, though it is still much lower than the level observed during 2006-2010.
- In recent years there were lower levels of non-Exchequer income, compared to the levels before 2011, primarily due to the completion of the Asset Disposal Programme, as well as lower grant refunds, confirming that IDA Ireland companies are delivering on job commitments.

The majority of IDA Ireland’s income is funded by the Exchequer, but the agency also receives non-Exchequer funding as detailed below:

Table 2: IDA Ireland income

Income Stream	Description	% of Income (average 2006-2017)
Exchequer Income (Administration):	Funding from the Exchequer for the administration and running costs of IDA Ireland (pay and non-pay).	19%
Exchequer Income (Capital):	Funding from the Exchequer for capital expenditure such as industrial property and enterprise support.	44%
Non-Exchequer Income:	Funding from sources including the sale of fixed assets, factory rents, investment incomes, and grant refunds.	21%
Carryover:	Funding allocated to IDA Ireland from the general capital expenditure carryover by D/BEI ¹⁶ .	16%

¹⁶ Department of Business, Enterprise and Innovation, formerly Department of Jobs, Enterprise and Innovation.

The overview analysis of IDA Ireland’s income (Table 2 and Figure 3) highlights the following trends:

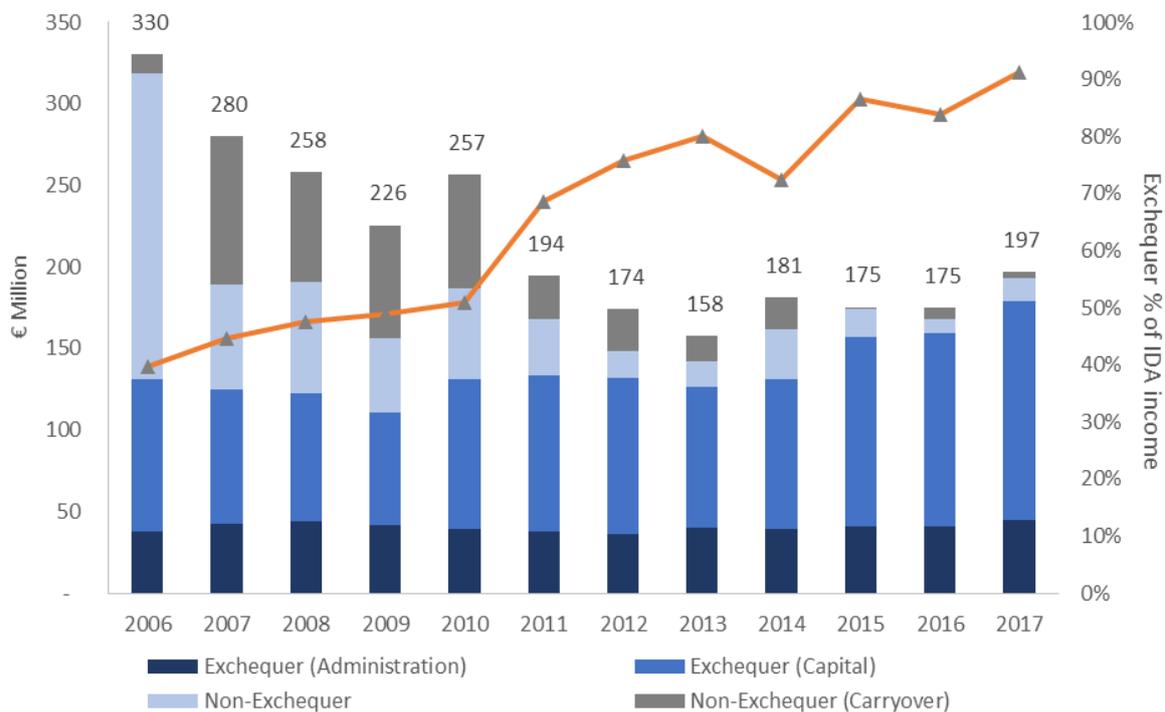
- **The Exchequer is the primary source of funding and has increased substantially in recent years.**

Exchequer funding represents 63 percent of IDA Ireland’s income on average between 2006 and 2017 (Table 2), growing from 40 percent of income in 2006 to 91 percent of income in 2017. Since 2013, annual Exchequer funding has increased by 41 percent.

- **Non-Exchequer income has reduced substantially from the high before 2011.**

A once-off sale of fixed assets in 2006 brought non-Exchequer funding to a particularly high level, at €187 million or 57 percent of total income. Between 2011 and 2017, income from these non-Exchequer sources decreased substantially, with a reversion to Exchequer funding as the primary income stream for IDA Ireland. Lower levels of grant refunds (evidencing that IDA companies are delivering on job commitments) and lower rental income also contributed to this reduction in non-Exchequer income.

Figure 3: Breakdown of IDA Ireland Income, 2006-2017



Source: IDA Ireland and author’s calculations

2.3 Analysis of IDA Ireland expenditure

Key messages:

- IDA Ireland's expenditure has increased year-on-year since 2015, driven primarily by the Regional Property Programme.
- Expenditure on grant support has increased during 2006-2017.
- Spending on industrial property has increased in recent years.

Expenditure by IDA Ireland is classified into four categories as detailed below:

Table 3: IDA Ireland expenditure

Expenditure Stream	Description	% of Expenditure (Average 2006-2017)
Administration	Expenditure on the running costs of IDA Ireland (pay and non-pay - e.g. direct marketing, communications).	24%
Refund to the Exchequer	Funding that is not spent in a particular year is returned to DBEI/Exchequer.	2%
Industrial Property	Expenditure on the purchase/maintenance of industrial property used as part of the package for investment.	24%
Support Measures	Expenditure on programmes such as R&D Grants, Employment Grants, Capital Grants, and Training Grants.	50%

Total IDA Ireland expenditure over the period 2006-2017 was €2.2 billion. The overview analysis of IDA Ireland's expenditure (Table 3 and Figure 4) highlights the following trends:

- **Expenditure has upward trajectory in recent years**

IDA Ireland expenditure has been increasing year-on-year since 2015, with an allocated expenditure of €213 million in 2018, which is primarily due to the IDA Ireland Regional Property Programme launched in 2015.

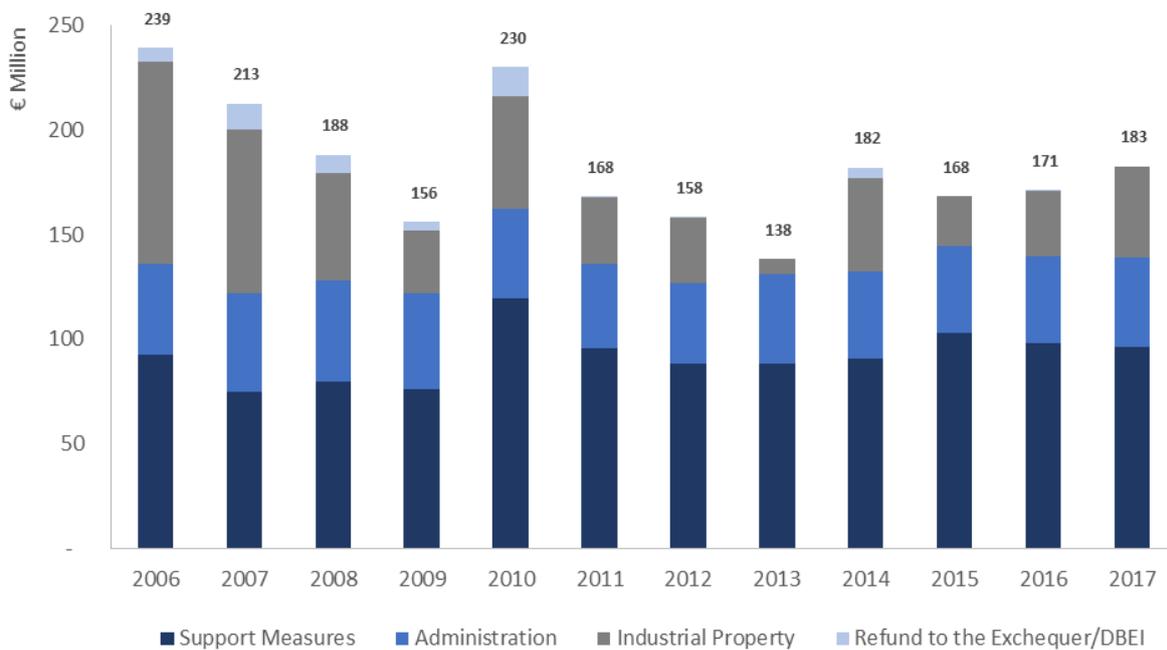
- **Expenditure on support measures has increased in recent years**

Expenditure on enterprise support measures fluctuates mirroring the availability of funding and the economic cycle between 2006 and 2017. The annual average enterprise support expenditure during that period was €92 million, ranging from a low of €75 million in 2007 to a peak of €120 million in 2010, to €96 million in 2017.

- **Industrial property expenditure increasing since 2015**

The National Development Plan 2018-2027¹⁷ has an indicative Exchequer cost of €150 million for the IDA Ireland Regional Property Programme (launched in February 2015). Between 2015 and 2018 (estimate), over €150 million is expected to have been spent on industrial property (refer to Appendix 1). €90 million has been allocated by year-end 2017.

Figure 4: Breakdown of IDA Ireland Expenditure, 2006-2017



Source: IDA Ireland

¹⁷ Department of Public Expenditure and Reform (2018), [‘National Development Plan 2018-2027 – Project Ireland 2040’](#), page 60.

3. Rationale and objectives of IDA Ireland grant expenditure

This paper focuses on the expenditure dynamics of IDA Ireland’s Enterprise Support Programme during 2006-2017. The programme includes R&D, Employment, Training, and Capital grants that are part of the overall package for attracting and retaining FDI.

The rationale for the use of direct grants to support FDI companies is as a mechanism to incentivise regional investment in Ireland (often in competition with regions in other jurisdictions); to incentivise RD&I activity by FDI companies in Ireland; and to incentivise upskilling and training of employees of FDI companies in Ireland. The specific grant objectives are outlined in Table 4.

Table 4: Objectives of Enterprise Support Programme

(Sub)Programme	Objectives
Overall Enterprise Support Programme	To support existing companies to develop higher skills, higher value output, and increase competitiveness. To incentivise and retain the competitiveness of Irish offering to attract FDI. To promote regional economic development.
R&D Grants	To increase the R&D capability and capacity of the MNE sector in Ireland. To transition Ireland to a knowledge economy, meet the targets set out in Innovation 2020, and ensure the competitiveness of Irish offering in incentivising R&D. To increase the number of R&D investments from FDI companies in Ireland. To embed FDI subsidiaries in Ireland. To enhance the technical capabilities of FDI subsidiaries in Ireland. To increase the proportion of employees engaged in high value research activity. To develop clusters for R&D in key sectors.
Capital & Employment Grants	To secure new activity, additional activity, and/or to promote regional economic development. Support existing IDA Ireland companies to move up the value chain into higher value products and services and into higher order functions. Pursue high quality new FDI that is in keeping with the competitive characteristics of the evolving Irish economy. Promote regional economic development in line with Government strategy. Incentivise new FDI to the regions.
Training Grants	To improve long term competitiveness and transformation for existing companies located in Ireland. To raise company value added. To allow the production of more sophisticated products. To facilitate the setting up of new ‘higher order’ functions. To put in place major new management processes; e.g. lean manufacturing; Six Sigma etc. To alleviate skills deficits by supporting strategic upskilling.

Source: D/BEI input and evaluations

It is important to note that EU State aid rules dictate certain design features which impact the outcomes. There has also been regional variation in the maximum grants allowable since 2006 which may be influencing regional concentrations.

4. Brief overview of the grant process

IDA Ireland offers enterprise supports in the form of grants to existing and potential IDA companies to incentivise and promote regional economic development, and to embed existing IDA companies by supporting the development of higher skills, higher value output, and increased competitiveness. An IDA Ireland grant is the subject of a legally binding contract which is payable after the project milestones have been implemented and expenditure incurred. Therefore, significant time lags can exist between grant approval and drawdown. There is generally a time lag of between 2-3 years between a grant approval and actual payment of the first instalment of that grant (refer to Figure 17, section 5.2.5). Total drawdown can take up to eight years depending on the grant type. Grants are usually paid over a number of years when various criteria have been met by the company.

5. Compositional analysis of IDA Ireland grant approvals, payments, and commitments

This compositional analysis section will deal with the following:

- Total grant approvals 2006-2017; grant purpose, sectoral, and regional analysis.
- Total grant payments 2006-2017 and payments on grants approved since 2006; grant purpose, sectoral, and regional analysis.

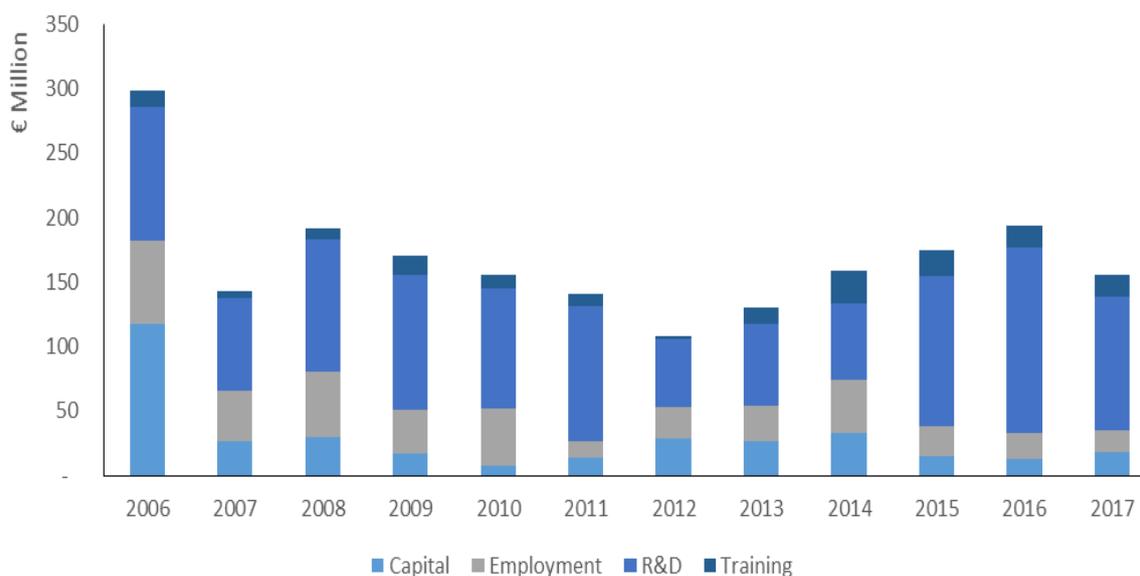
5.1 Grant approvals 2006-2017 - total amount, range, and trend

Key message:

- Grant approvals tend to be pro-cyclical; between 2012 and 2016, grant approvals increased by 80 percent, with a reduction of 19 percent in 2017.

During the period 2006-2017, there were €2 billion of grant approvals. Grant approvals during the period averaged €168 million per annum, ranging from a peak of €298 million in 2006, to €108 million in 2012. Grant approvals tend to be pro-cyclical, with a decline during the years following the economic downturn, and a rise during the recovery. As shown in Figure 7, during the period 2012-2016, grant approvals increased by 80 percent, to a nine-year peak of €193 million in 2016, with a decline to €156 million (-19%) in 2017. IDA Ireland have indicated that the anticipated change in EU State aid rules in 2007 is understood to have influenced the high level of grant applications and approvals in 2006.

Figure 7: IDA Ireland grant approvals, 2006-2017, by grant purpose



Source: IDA Ireland grants data (unpublished)

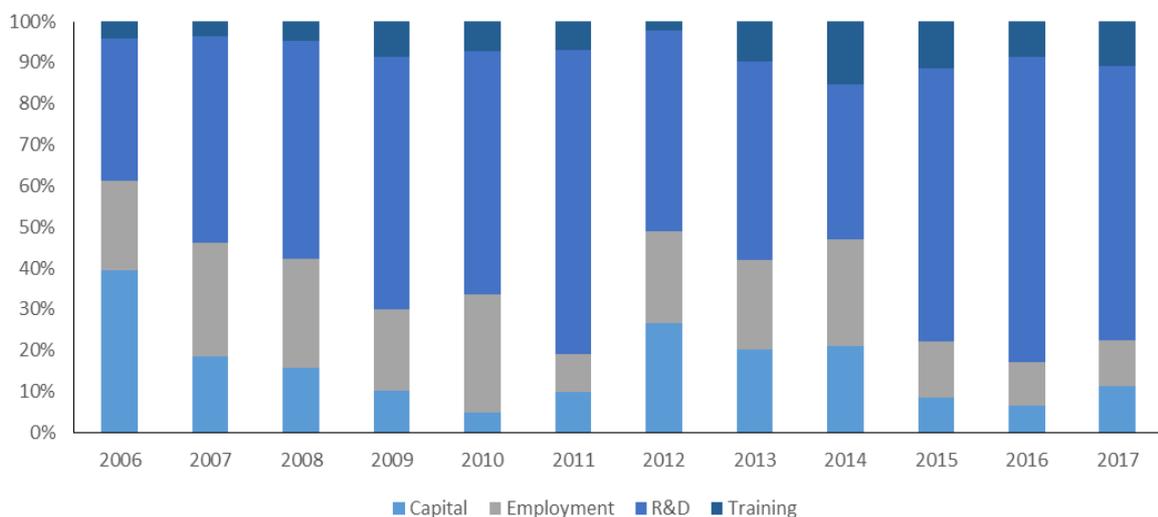
5.1.2 Composition of grant approvals, 2006-2017, by grant purpose

Key messages:

- R&D grants accounted for 55 percent of the value of grant approvals during 2006-2017.
- The value of R&D grant approvals 2015-2017 was over double the value of R&D grant approvals 2012-2014.

This section presents the analysis of grant approvals 2006-2017 by grant purpose. R&D grant approvals accounted for 55 percent (€1.1 billion) of the value of grant approvals during the period 2006-2017. On average, R&D grant approvals were €93 million per year, ranging from €53 million in 2012, to a peak of €144 million in 2016. Figure 8 shows that the relative composition of grant approvals by grant purpose fluctuated between 2006 and 2017, though R&D is always a major portion of annual grant approvals (never less than 35 percent of grant approvals in any given year). R&D grant approvals have increased considerably in recent years, almost doubling in 2015 year-on-year (95% increase), with a further increase of 24 percent to a peak in 2016. Overall, the value of R&D grant approvals in 2015-2017 was over double (108%) R&D grant approvals in 2012-2014. The balance of grant approvals 2006-2017 was for Employment grants (20%); Capital grants (17%); and Training grants (8%).

Figure 8: Relative composition of IDA Ireland grant approvals, 2006-2017, by grant purpose



Source: IDA Ireland grants data (unpublished)

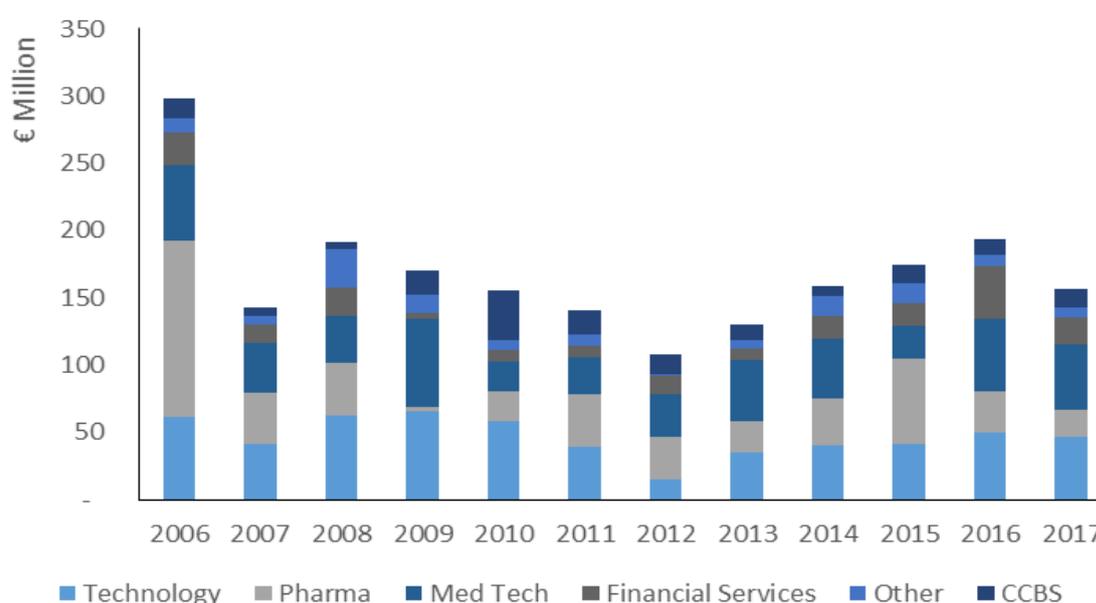
5.1.3 Composition of grant approvals, 2006-2017, by sector¹⁸

Key message

- There was a concentration of 76 percent of grant approvals in three sectors: Technology (28%), Medical Technologies (24%), and Pharmaceuticals (24%).

This section presents the analysis of the composition of grant approvals by sector. Figure 9 shows that during 2006-2017 there was a concentration of 76 percent of grant approvals in the Technology (28%, €556 million); Medical Technologies (24%, €494 million); and Pharmaceuticals (24%, €476 million) sectors.

Figure 9: Grant approvals by sector, 2006-2017¹⁹



Source: IDA Ireland grants data (unpublished)

Grant approvals by sector have fluctuated considerably over the period 2006-2017 (Figure 9). Grant approvals for Financial Services ranged from €4 million in 2009 to €39 million in 2016, with an average of €16 million per year. Financial Services have seen a generally increasing trend in grant approvals from €9 million in 2010 to €17 million in 2014, €39 million in 2016, and €20 million in 2017. Medical Technologies has also seen a generally increasing trend in recent years, despite some variation, with grant approvals rising yearly from €22 million in 2010 to €46 million in 2013, increasing to €54 million in 2016 and falling to €49 million in 2017. Grant approvals for the Technology sector ranged from €15 million in 2012 to €66 million in 2009, with an average of €46 million per year. Grant approvals for the

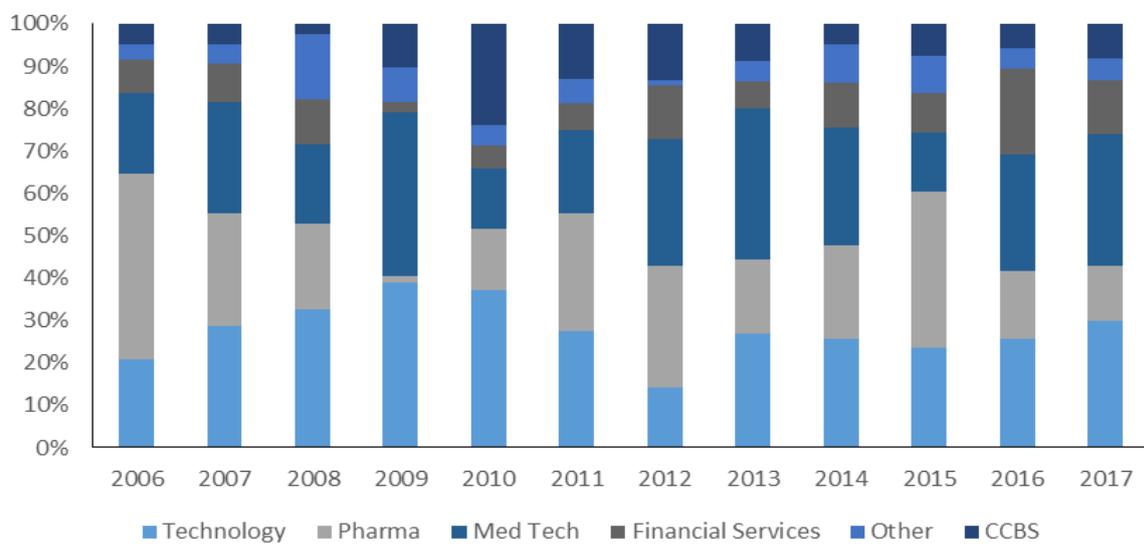
¹⁸ Refer to Table 7 in Appendix 2 for a list of company types that are included in each sector.

¹⁹ Other includes Engineering, Food and Drink, and the NIBRT.

Technology sector fell from €58 million in 2010 to €15 million in 2012, followed by an increase year-on-year to €50 million in 2016, and a minor decrease to €47 million in 2017.

Figure 10 demonstrates the relative distribution of grant approvals by sector and how they vary over time. The share of grant approvals for the Technology sector has been increasing in recent years, mirroring Figure 9. Between 2012 and 2017, the Technology sector’s share of total grant approvals increased from 14 percent to 30 percent. There was also an increase in the share of the Medical Technologies sector in grant approvals in 2016 and 2017 which mirrors Figure 9, from 14 percent in 2015 to 31 percent in 2017.

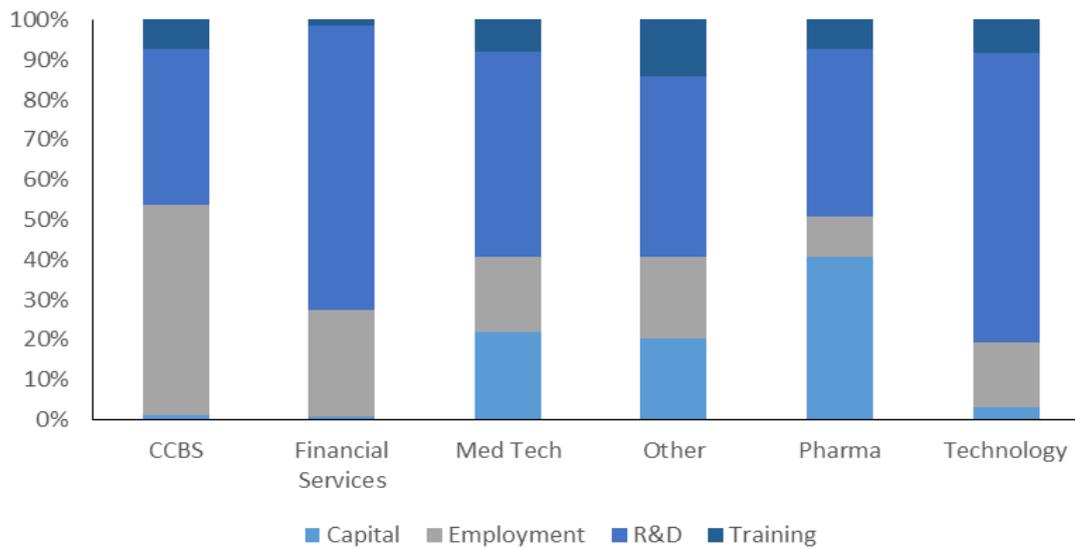
Figure 10: Relative distribution of grant approvals by sector, 2006-2017



Source: IDA Ireland grants data (unpublished)

The R&D concentration in grant approvals is reflected in Figure 11 at a sectoral level with R&D grant approvals dominant in Technology (72%), Financial Services (71%), and Medical Technologies (51%) sectors. The Pharmaceuticals sector has the largest share of Capital grant approvals, at 41 percent of that sector’s grant approvals.

Figure 11: Relative distribution of grant purpose by sector, 2006-2017



Source: IDA Ireland grants data (unpublished)

5.1.4. Composition of grant approvals, 2006-2017, by region

Key messages:

- The regional distribution of grant support from 2006 to 2017 was influenced considerably by changes to the Regional Aid map.
- The regional distribution of grant approvals by value during the period 2006-2017 was as follows: Dublin (21%); Southwest (20%); West (17%); Midwest (15%); Southeast (11%); Border (8%); East (4%); and Midlands (4%).
- While there was a general decline in the value of grant approvals to the West during 2010-2017, there has been an increase in the volume of grant approvals to the West in recent years.

Table 5: Regions by county

Border	Cavan, Donegal, Leitrim, Louth, Monaghan, and Sligo
Dublin	Dublin
East	Kildare, Meath, and Wicklow
Midlands	Laois, Longford, Offaly, and Westmeath
Midwest	Clare, Limerick, and Tipperary North
Southeast	Carlow, Kilkenny, Tipperary South, Waterford, and Wexford
Southwest	Cork and Kerry
West	Galway, Mayo, and Roscommon

A regional distribution of grant approvals during the period 2006-2017 is provided in Figure 12. Overall, by volume, 75 percent of grant approvals were for regions outside Dublin (Table 6). The regional distribution of grant approvals by value during the period 2006-2017 was as follows: Dublin (21%); Southwest (20%); West (17%); Midwest (15%); Southeast (11%); Border (8%); East (4%); and Midlands (4%). There are likely a number of drivers of this distribution including regional characteristics; constituent firm; and sectoral characteristics. For example, it is worth noting that there is a growing global trend of FDI locating in larger urban areas, which poses a challenge to regional development goals²⁰.

Table 6: Total Number (Volume) of Grant Approvals by Region 2006-2017

Border	Dublin	East	Midlands	Midwest	Southeast	Southwest	West	Total
205	644	99	127	322	233	552	426	2,608

Source: IDA Ireland grants data (unpublished)

The level of EU regional aid available and the areas which qualified for it have gradually reduced since 2006, which had a key influence on the share of grant approvals by region and the level of grant support which IDA Ireland can provide to companies.

For example, in the BMW (comprising the Border, Midlands and West), the rate fell consistently from 40 percent in 2006 to 10 percent by 2014. In Cork, the regional aid available was 20 percent in 2006,

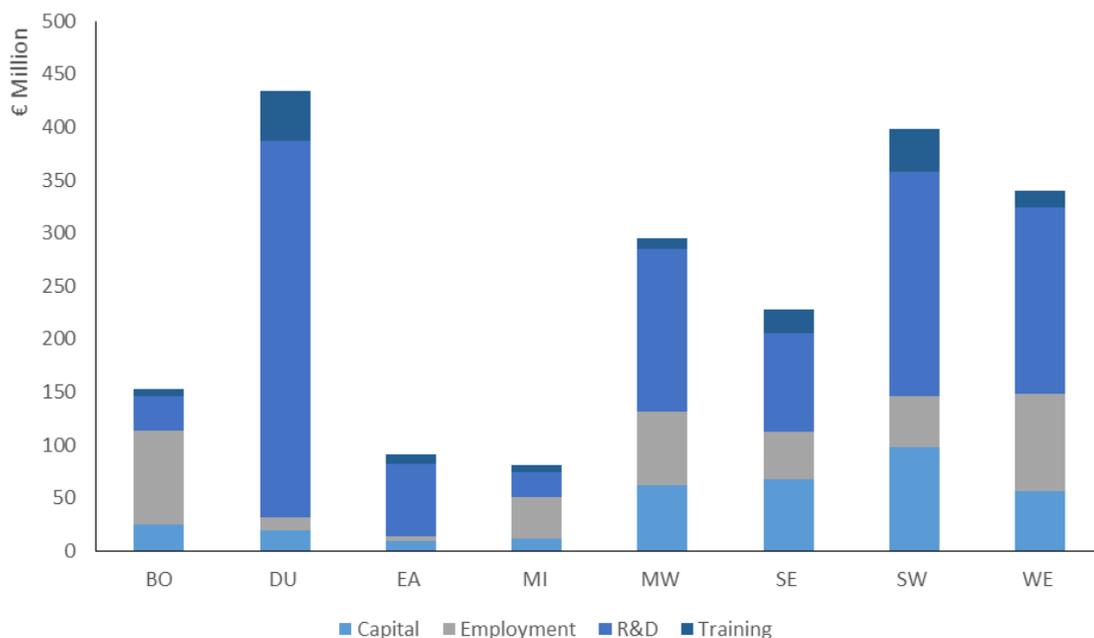
²⁰ IDA Ireland (2015). '[Winning: Foreign Direct Investment 2015-2019](#)', page 33.

but was unavailable from 2009 onwards. In the Midwest, the regional aid was 20 percent in 2006, to being unavailable in 2009, but was reinstated in 2010 at 10 percent. In the Southeast, the regional rate fell from 20 percent in 2006 to 10 percent in 2007.

The regional distribution of grant approvals by grant purpose were as follows:

- R&D grant approvals by value 2006-2017 were secured by companies in the regions as follows: Dublin (32%) and the Southwest (19%); the Border region (3%) and the Midlands (2%).
- Employment grant approvals by value 2006-2017 were secured by companies in the regions as follows: the West (23%) and the Border (22%); Dublin (3%) and the East (1%).
- Capital grant approvals by value 2006-2017 were secured by companies in the regions as follows: the Southwest (28%) and the Southeast (19%); the Midlands (3%) and the East (3%).
- Training grant approvals by value 2006-2017 were secured by companies in the regions as follows: Dublin (31%) and the Southwest (25%); the Border (4%) and the Midlands (4%).

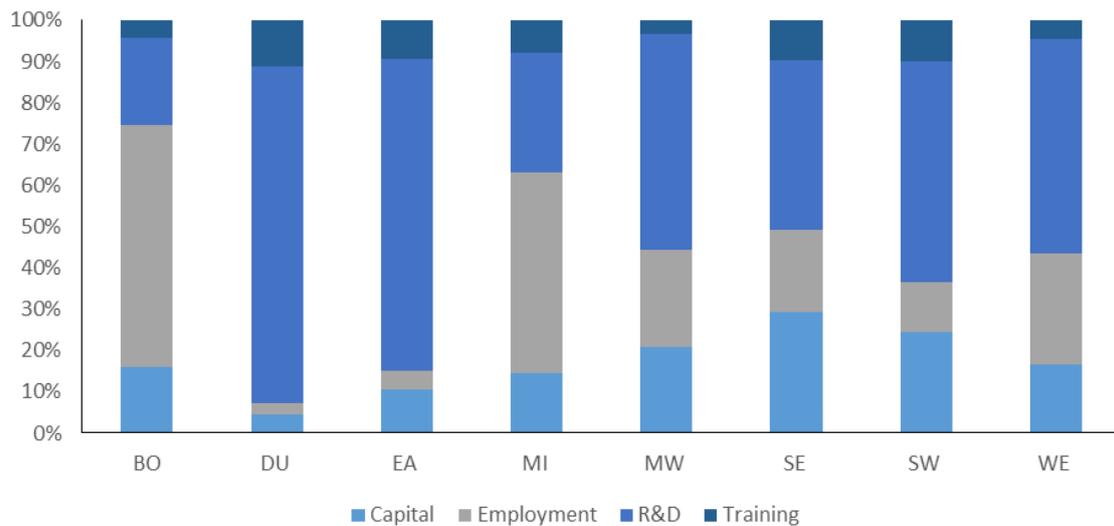
Figure 12: Regional distribution of grant approvals by grant purpose (€ value), 2006-2017



Source: IDA Ireland grants data (unpublished)

Figure 13 illustrates that during the period 2006-2017 there were concentrations of certain types of grants in different regions. Over the period 2006-2017, R&D grants accounted for the following percentages of grant approvals: 82 percent in the Dublin region; 76 percent in the East region; 53 percent in the Southwest; and 52 percent in the West. Employment grants dominated in the Border and Midlands regions, accounting for 58 percent and 49 percent of grant approvals respectively. The Southeast and Southwest had the largest concentrations of Capital grant approvals, with 29 percent and 24 percent respectively.

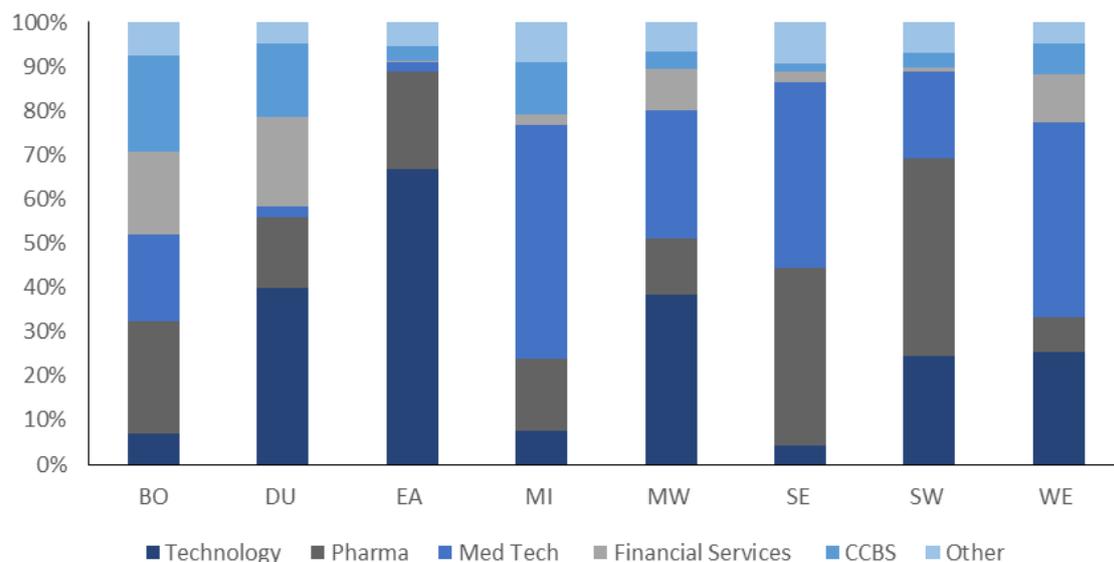
Figure 13: Regional distribution of grant approvals by grant purpose (% composition), 2006-2017



Source: IDA Ireland grants data (unpublished)

Figure 14 illustrates the sectoral composition of grant approvals over the period 2006-2017 by region. The Technology sector accounted for 67 percent of grant approvals in the East, 40 percent of grant approvals in Dublin, and 39 percent of grant approvals in the Midwest. The Medical Technologies sector accounted for 53 percent of grant approvals in the Midlands, 44 percent of approvals in the West, and 42 percent of grant approvals in the Southeast. The Pharmaceutical sector accounted for 45 percent of grant approvals in the Southwest region and 40 percent of grant approvals in the Southeast region.

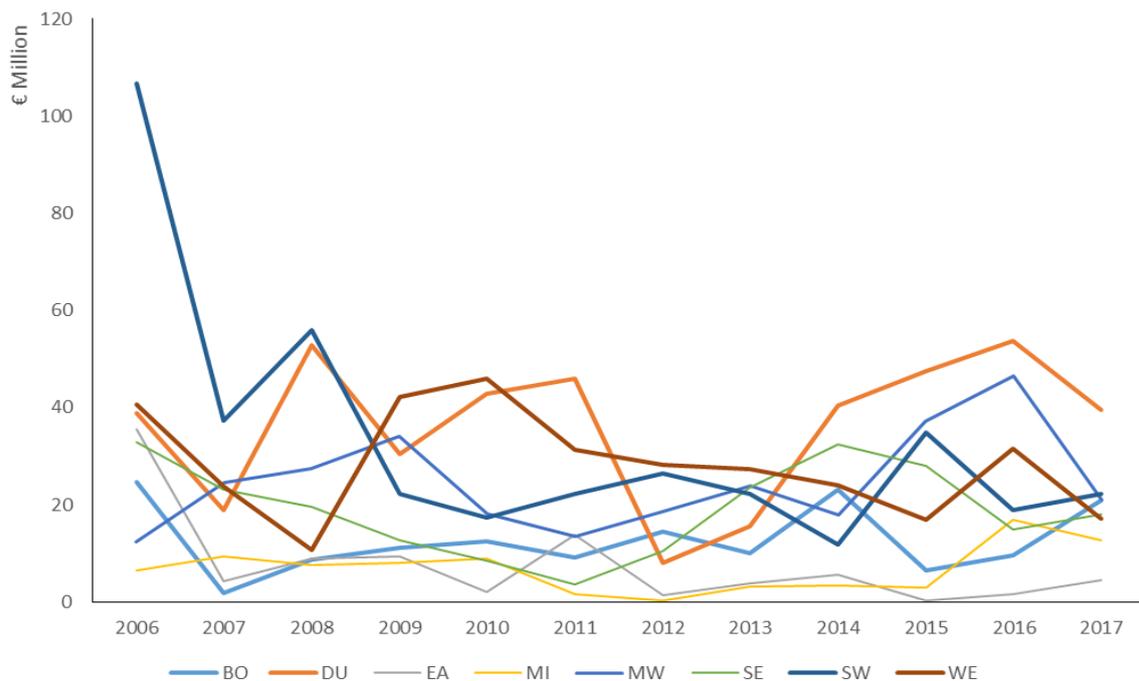
Figure 14: Regional distribution of grant approvals by sector (% composition), 2006-2017, by region



Source: IDA Ireland grants data (unpublished)

Grant approvals by region varied considerably during 2006-2017 (Figure 15). There are a number of notable trends in grant approvals to the regions over the period. Grant approvals by value to the Western region have been reducing between 2010 and 2017, with the exception of 2016; decreasing from 29 percent (€46 million) of overall grant approvals in 2010, to 15 percent (€24 million) in 2014, to 11 percent (€17 million) in 2017. Yet, the number of grants being approved for the West has increased in 2016 and 2017 compared to 2013-2015. Grant approvals by value to Dublin have fluctuated considerably during 2006-2017, although from 2012 to 2016 grant approvals rose from 7 percent (€8 million) to 28 percent (€54 million), falling to 25 percent (€40 million) in 2017. Grant approvals to the Southwest also declined during 2006-2017, influenced by the change in State aid rules, though there has been an increase in recent years. Cork's regional aid rate for large companies fell from 20 percent to 10 percent between 2006 and 2007, and was unavailable from 2009 onwards. Grant approvals by value to the Southwest region declined from 36 percent (€107 million) in 2006 to 11 percent (€17 million) in 2010, 8 percent (€12 million) in 2014, rising to 14 percent (€22 million) in 2017. Finally, the Border and Midlands have both seen considerable increases in grant approvals since 2015.

Figure 15: IDA Ireland grant approvals to regions 2006-2017



Source: IDA Ireland grants data (unpublished)

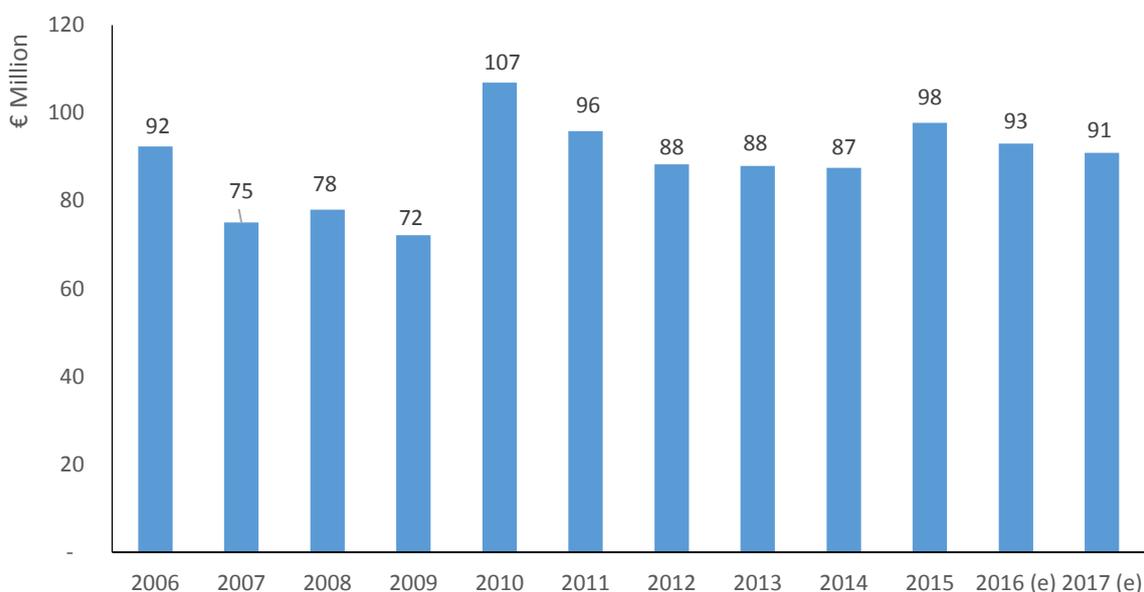
5.2.1 Grant payments 2006-2017 - total amount, range, and trend

Key messages:

- Total grant payments for the period 2006-2017 were €1.1 billion.
- Payments on grants approved since 2006 were €825 million, which represents 77 percent of the total grant payments. Thus €175 million of the total grant payments over the period were on grants approved before 2006.

Total grant payments were €1.1 billion on all grants irrespective of grant approval date²¹ for the period 2006-2017. Grant payments averaged €89 million per year, ranging from €72 million in 2009 to a peak of €107 million in 2010. Grant payments since 2010 have fluctuated at a higher level than they did 2006-2010.

Figure 16: IDA Ireland total grant payments 2006-2017



Source: IDA Ireland Finance Unit

Grant payments relating solely to grant approvals from 2006 onwards represent 77 percent of the total grant payments (€825 million), sourced from the extract of the IDA Ireland grant dataset²².

²¹ Total grant payments relate to payments made on grants approved both before and after 2006.

²² Note that the IDA Ireland dataset does not include data on grants approved prior to 2006, in line with the data request.

5.2.2 Purpose of grant payments, 2006-2017

As of year-end 2017, grant payments on grants approved since 2006 mirror grant approvals with 57 percent for R&D grants; 19 percent for Capital grants; 17 percent for Employment grants; and 7 percent for Training grants.

5.2.3 Sectoral distribution of grant payments, 2006-2017

The sectoral distribution in the grant payments on grants approved since 2006 mirrors that of the grant approvals; with the Technology sector (31%), Medical Technologies (25%), and Pharmaceuticals (20%).

5.2.4 Regional distribution of grant payments, 2006-2017

As of year-end 2017, the regional distribution in the grant payments on grants approved since 2006 broadly mirrors that of the regional distribution in grant approvals; with West (21%), Southwest (20%), and Dublin (20%).

5.2.5: Drawdown of grant payments, 2006-2017

Key message:

- Conversion from grant approval to grant payment (also called drawdown) has a considerable time lag; grants are often not drawn down for a number of years from date of grant approval and many have not been drawn down after more than eight years.

51 percent of the value of grants approved over the period 2006-2017 remained to be drawn down at year-end 2017. With time this percentage will reduce as outstanding grant approvals are drawn down, especially on grant approvals from recent years. Due to active grant management by IDA Ireland, a further 8 percent of grant approvals were confirmed to be no longer required and were cancelled. Hence, there is a considerable time delay between the grant approval and drawdown of the grant payment, in recognition that projects need to meet milestones before grant drawdown is claimed. To illustrate, Figure 17 shows the grant approvals in each year (whole column) with the drawdown of grant payments made from the year of approval until the end of 2017, the amount of the grant approvals that has been cancelled (as the grant file has been closed or the company never started), and the remaining balance on grant approvals at year-end 2017. For example, grant approvals in 2009 are shown with all the related grant payments until the end of 2017, the amount that has been cancelled, and the outstanding balance at year-end 2017 that could be claimed. Figure 17 graphically illustrates the generally expected time lag of between 2-3 years between grant approval and

drawdown of grant payment for the first instalment of that grant (section 4). Ultimately, as expected, few payments were made in 2017 on grants approved in that same year.

Figure 17: Grant Approvals and Payments 2006-2017²³



Source: IDA Ireland grants data (unpublished)

A key message (Figure 17) is that a substantial amount of grant approvals are not drawn down even after many years. This varies to an extent by grant purpose, sector, and region. It is acknowledged that the reason for the delay in grant drawdown is generally outside IDA Ireland's control²⁴. The grant payments (i.e. drawdown) on grant approvals in 2011, is only 54 percent by the end 2017. Despite the economic crisis, this compares favourably with the R&D Fund's approximately 40 percent drawdown during the period 2003-2009²⁵. There also appears to be a wide variation in the drawdown of grant payments as a percentage of grant approvals (Figure 17), particularly in the period 2006-2010.

5.2.6 Outstanding grant approvals 2006-2008

During 2006-2008 €633 million of grants were approved. As of year-end 2017, €315 million of these grants had not been drawn down for payment. But €95 million of these grant files have been closed through active management by IDA Ireland. A further €35 million of these grants are associated with companies that never started, and another €3 million are for projects that never started. Thus the

²³ These are grant payments related only to grants approved since 2006.

²⁴ Previous evaluation carried out by D/JEI suggested that projects may not start due to the company deciding not to proceed, employment targets not being met or being underachieved and/or the project being replaced.

²⁵ Department of Jobs, Enterprise and Innovation (2015), ['Evaluation of Enterprise Supports for Research Development and Innovation'](#), page 304.

more accurate outstanding grant approval 2006-2008 is €182 million²⁶. Given that nine years have elapsed since 2008, it is unlikely that many drawdown claims will come in for these grants, noting that in general grant claims come in up to eight years after year of grant approval (section 4). However, such open balances introduce an element of uncertainty around the timing of the drawdown of grant payment which is demand led by IDA companies.

2006-2008 was chosen as an appropriate period to highlight the proportion of outstanding grant approvals that had been cancelled, as 2006, and to a lesser extent 2008, represented the years where the impact of IDA Ireland’s active management was most evident. As time goes on it will be possible to extend the range of this analysis.

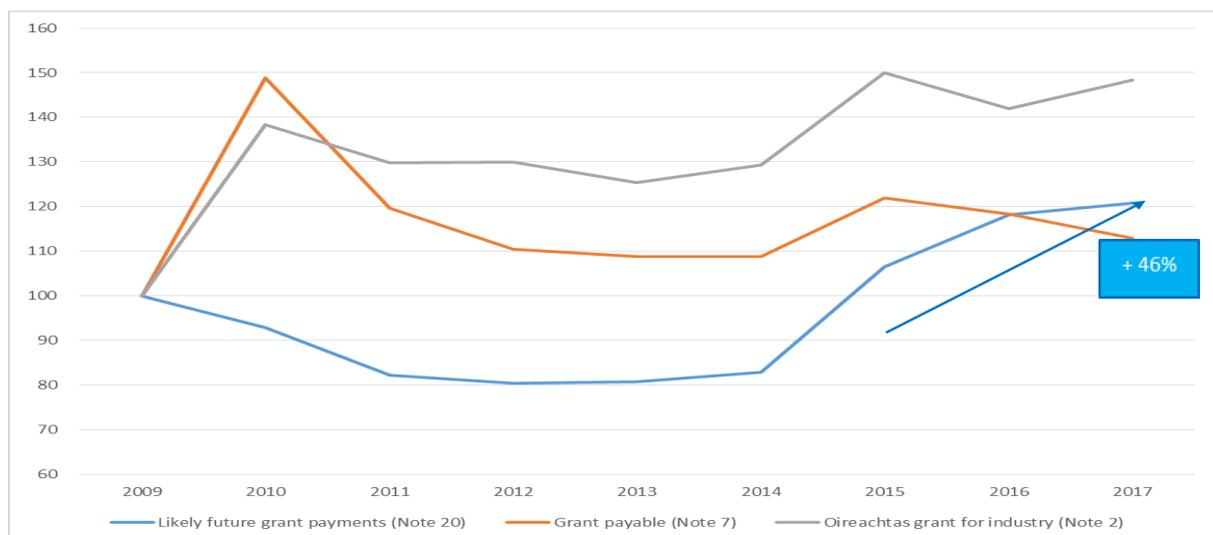
5.3 Analysis of commitments (i.e. likely future grant payments)

Key message:

- Commitments, known as ‘likely future grant payments’, increased 46 percent (€106 million) from 2014-2017.

IDA Ireland Annual Reports highlight a 46 percent increase (€106 million) in commitments, known as likely future grant payments, in the three years between year-end 2014 (€232 million) and year-end 2017 (€338 million). This trend has, however, moderated between year-end 2016 and year-end 2017. The IDA Ireland Annual Report does not provide any forecast of when likely future grant payments may be drawn down.

Figure 18: Index of grant trends - Grant income; grant paid and likely future payments (LHS axis 2009 = 100)



Source: IDA Ireland Annual Reports, author’s own calculations.

Note: The temporary employment subsidy scheme (€12m) caused a spike in 2010 grant income.

²⁶ Author’s own calculations.

6 Findings

The findings of this high level analysis of IDA Ireland's expenditure, with an emphasis on the scale, composition, and trend of enterprise supports, are presented below:

6.1 Grant dynamics

- Grant approvals of €2 billion were made between 2006 and 2017.
- Grant approvals by value increased by 80 percent between 2012 and 2016, with a decrease of 19 percent in 2017.
- There was a concentration of R&D grants (55%) in grant approvals, with the remainder Employment grants (20%), Capital grants (17%), and Training grants (8%).
- There was a concentration in grant approvals of 76 percent in three sectors: Technology (28%), Medical Technologies (24%), and Pharmaceuticals (24%).
- The regional distribution of grant approvals was Dublin (21%); Southwest (20%); West (17%); Midwest (15%); Southeast (11%); Border (8%); East (4%); and Midlands (4%). There was a decline in the value of grant approvals in the West during 2010-2017, yet an upturn in the volume of approvals to the West in recent years. Changes in EU regional aid guidelines have influenced regional grant availability during this time period.
- Grant payments of €1.1 billion were made during 2006-2017 relating to grant approvals before and after 2006, of which €825 million related to grant approvals from 2006 onwards.

6.2 Commitments (Contingent Liabilities)

There was a 46 percent increase in likely future grant payments in the Annual Reports 2014-2017.

7. Proposal and Future Research:

7.1 Sunset Clause

The introduction of a standard sunset clause²⁷ (i.e. expiry date) in all grant agreements would reduce uncertainty around the drawdown of grant payments on outstanding grant approvals from previous years and reduce the operational burden on IDA Ireland. Of the grant approvals made during 2006-2008, €315 million had not been drawn down as of year-end 2017, but because of the active management of grants by IDA Ireland, it is known that only €182 million of these remain outstanding²⁸. The remainder were closed grant files, projects that never started, or companies that never started.

7.2 Future research

- **Grant Spending rates:** Future research could investigate the spendout rates of the various IDA Ireland grant programmes 2006-2017. This would provide insights into the drawdown of grant approvals, which may be informative in the Budget estimates process.
- **Compositional analysis of grant payments:** This paper has provided a compositional analysis of grant approvals that the available data has made possible. It would be possible after a certain number of years to conduct a comprehensive compositional analysis of all grant payments on these grant approvals 2006-2017 when these grants have either all been drawn down or cancelled. Sunset clauses in grant contracts would aid in such future analysis.
- **Advent of an official company identifier:** Research and evaluations by D/BEI, D/PER, and the Department of Finance (DoF) over recent years has been considering the cost of total State support of business R&D, irrespective of the policy tool used. If an official company identifier is introduced, matching the datasets of agency grant data, R&D tax credit data, and the Company Registration Office data may be possible.

²⁷ A sunset clause means a stated expiry date, but the inclusion of the option to extend by agreement for a fixed time period would balance ensured flexibility with the enhanced certainty on drawdown.

²⁸ Author's own calculations.

Appendix 1 – Overview of IDA Ireland’s Regional Property Programme

As IDA Ireland’s Regional Property Programme represents 23 percent of expenditure 2006-2017, a brief overview is provided below.

‘IDA Ireland property programme consists of the acquisition and disposal of land, the development and servicing of land, and the provision of building solutions. The availability of a suitable property solution is part of the location decision process undertaken by prospective investors²⁹. In the Department’s submission to the Capital Review³⁰ it outlines that ‘due to private sector market failure the IDA has to have property solutions right across the country if [Ireland] are to attract and drive FDI across the regions’. Over the period of the Capital Plan 2016-2021³¹ IDA Ireland’s Regional Property Programme (launched in February 2015) has an indicative Exchequer cost of €150 million. This programme will span circa 30 locations and will include new builds, investment/upgrades in Business Parks, and strategically important sites³². The following overview was provided in the IDA Ireland Annual Report 2016. In 2016 buildings in Sligo, Castlebar, and Tralee reached the completion stage. In 2017 the construction phase includes Galway, Dundalk, and Limerick. In 2018 the buildings scheduled to commence are Carlow, Athlone, and Waterford.

²⁹ Department of Enterprise, Trade and Employment (2004), ‘*Expenditure Review of IDA Ireland’s Property Programme*’, page 1-5.

³⁰ Department of Business, Enterprise and Innovation (2017), ‘[Mid-Term Capital Review 2018-2021](#)’ page 6.

³¹ Department of Public Expenditure and Reform (2017), ‘[Capital Plan Review 2016-2021 – Building on Recovery](#)’, page 43.

³² Department of Public Expenditure and Reform (2017), ‘[Capital Tracker](#)’, page 11.

Appendix 2

Table 7: Example of the types of activity in the various sectors

<p>Content, Consumer, and Business Services (CCBS)</p>	<p>Business Processing Outsourcing Business Services Consumer Products and General Services Content Industry Media Media Communication and Entertainment Professional Business Services</p>
<p>Engineering</p>	<p>Chemicals Construction and Material Handling Electrical and Precision Engineering Energy Efficiency Engineering Industrial Automation and Control Industrial Products and Services Paper, Print, Packaging, Plastics</p>
<p>Financial Services</p>	<p>Banking Banking (Non-Regulated) Financial Services Funds Insurance International Services Payments</p>
<p>Food & Drink</p>	<p>Food and Drink</p>
<p>Med Tech</p>	<p>Medical Technologies</p>

National Institute for Bioprocessing Research and Training (NIBRT)	Education Media Communications and Entertainment
Pharmaceuticals	Clean Tech Pharmaceuticals
Technology	Electronics Entertainment/Media and Publishing General Information Technology Internet and Telecommunications Online Software Transportation

Appendix 3 – EU State Aid Guidelines

The agency programmes operate within EU State aid guidelines which limit the maximum permitted grant-aid intensities. The support levels are determined by the rules in force at the time the aid is granted.

RD&I grants are not subject to geographical restrictions, but the maximum permitted grant-aid intensity is dependent on the type of research being undertaken and on the size of the company. The maximum amount of aid that can be granted to a project without the permission of the EU Commission is also set out in the guidelines.

EU State aid guidelines evolve over time. There has been a significant reduction in the regional aid support which can be provided since the 2000s. In 2007, there was a significant change in the regional aid rules, which had a geographical impact. There were further changes made to the rules in 2014. The current rules effectively limit the use of capital and employment grants for large companies³³ which is evident in the compositional analysis. In addition, under the current rules, to receive regional aid in the same NUTS III region in which they are already established, large companies can be supported only for new economic activities and/or diversification of existing enterprises into new products or new process innovation³⁴.

³³ Department of Jobs, Enterprise and Innovation (2014), '[Enterprise 2025 – Background](#)', page 185-186.

³⁴ Department of Business, Enterprise and Innovation (2014), '[Regional Aid Map for Ireland from 1st July 2014 to 31st December 2020](#)'.

Table 8: Regional aid guidelines for large and medium firms 2000-2006, 2007-2013, and 2014-2020

Border, Midlands and West Region				
	2000-2006	2007-2010	2011-2013	2014-2020
Large Firms	40%	30%	15%	10% restricted purpose
Medium Firms	55%	40%	25%	20% on eligible expenditure up to €50m
Southern and Eastern Region (Dublin region, Cork region & Mid East generally)				
	2000-2006	2007-2013		2014-2020
Large Firms	17.5%-20%	0%		0% Dublin, Cork & Mid-East
Medium Firms	27.5%-30%	20% on eligible expenditure up to €25m		20% on eligible expenditure up to €50m
South East Sub region		10% (Large) and 20% (Medium)		
Transitional coverage (Cork/Kerry)		2007-2008 10% (Large) 20% (Medium)		Kerry only 10% (Large) 20% (Medium)
Kells, Athy and Arklow				10% restricted purpose (Large) and 20% on eligible expenditure up to €50m (Medium)

Source: Department of Business, Enterprise, and Innovation (2015), '[Evaluation of IDA Capital and Employment Grants 2005-2010](#)' and [Regional Aid Map for Ireland 2014-2020](#).

Quality assurance process

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

- Internal/Departmental
 - Line management
 - Spending Review Sub-Group and Steering Group
 - Other divisions/sections – D/BEI Vote
 - Peer review (IGEES network, seminars, conferences etc.)

- External
 - Other Government Department – D/BEI
 - Advisory group
 - Quality Assurance Group (QAG)
 - Peer review (IGEES network, seminars, conferences etc.)
 - External expert(s)

- Other (relevant details) – IDA Executive