

# Evaluation Enterprise Ireland Company Expansion Supports 2005-2010

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**Department of Jobs, Enterprise and Innovation**  
**An Roinn Post, Fiontar agus Nuálaíochta**

*Strategic Policy Division*

## 2. Enterprise Ireland Company Expansion Supports 2005-2010

### Programme logic model

#### Objectives

- Improving company competitiveness
- Increasing Gross Output
- Increasing Value Added
- Increasing Exports
- Providing New Employment
- Maintaining Existing Employment
- Increasing Productivity
- Supporting R&D



#### Inputs

- Enterprise Ireland Financial Support
- Non Grant inputs such as Enterprise Ireland Staff Inputs and Other Enterprise Ireland Resources
- Private sector/Assisted Company Investment



#### Activities

- Grant supports assigned to clients is dependent on specific needs as determined by EI and client company
- EI assessor appointed to evaluate proposal and expenditure. Typical support to clients is in form of preference shares or direct grant payments.
- Commercial and financial assessment, market analysis and clarification on legal issues.



#### Outputs

- No. of client companies assisted
- Financial support approved and paid



#### Outcomes and Impacts

- Increase no. of business with capability to sell to international markets
- Growth of export sales and turnover
- Employment creation
- Productivity improvements
- Enhanced management capabilities
- Increased firm survival

## Evaluation aim

The aim of this evaluation of Enterprise Ireland's Company Expansion Supports (CES) is to assess their appropriateness, efficiency and effectiveness. The evaluation timeframe covers approvals over the period 2005 to 2010 and outcomes and impacts up to 2012. Indecon consultants were commissioned by Forfás to undertake research and analysis for this evaluation in line with Forfás Evaluation Framework.

## Programme background, objectives and target population

The CES comprises a suite of programmes that support firms that are undertaking or planning an ambitious expansion with the objective of creating employment and growing exports. The supports are aimed at established firms involved in manufacturing or eligible internationally traded services activities. Typically CES-assisted firms are existing Enterprise Ireland clients, though this is not a prerequisite. Over the period of this evaluation CES were delivered by Enterprise Ireland via two channels:

- as tailored and structured company expansion packages, primarily to existing client firms, on the basis of decisions made by Enterprise Ireland's investment committee; or
- as stand-alone grants or funds geared towards a specific purpose (e.g. to support productivity improvements), with funding often allocated on the basis of competitive calls.

An important feature is that CES utilise a holistic approach, drawing on a range of individual measures to deliver tailored support packages to client companies depending on their specific requirements (see table 2.1). It should be noted that client firms perceive Enterprise Ireland's offering as 'Tailored Company Expansion Packages' and they are not familiar with the specific instruments applied by Enterprise Ireland under this heading.

**Table 2.1 Company expansion supports by client offer/constituent support - 2005-2010**

Tailored Company Expansion Packages approved by Investment Committee
Company Expansions (pre April 2008) and including and excluding R&D (April 2008 - January 2009)
Scaling (including and excluding R&D) (January 2009 - June 2012)
Commercial Terms
Investment De Minimis Established
<b>Specific and Stand-alone Complementary Funding Instruments</b>
Productivity Improvement Fund (2005-2008)
Growth Fund (2008-2010)
Key Manager Grants
Strategic Consultancy

Source: Enterprise Ireland

### Tailored company expansion packages

The objective of the tailored packages is to support companies with ambitious plans to grow employment and exports. Tailored expansion packages are designed to support new or incremental investment in:

- Capital assets and job creation;
- R&D;
- Training;
- Management Development; and/or
- Consultancy.

In considering the application an appropriate level of due diligence is carried out, typically including a commercial and financial assessment, market analysis, clarification on any equity or legal issues (where relevant) and third party validations. Following a successful approval by the appropriate decision-making committee, a formal letter of offer is issued to the client company detailing the associated terms and conditions and outlining how payment will be made.

### Investment de minimis established

De Minimis aid involves small amounts of assistance not exceeding €200,000 over any three fiscal years, and provided usually in the form of equity, to a company.

## Growth fund

The Growth Fund operated from 2008, when it replaced its precursor, the Productivity Improvement Fund (see below). This fund operated on the basis of a competitive call - and was therefore geared more toward attracting potential new clients. The Growth Fund provided a range of supports to help companies grow and innovate and develop export sales through:

- a) Developing capacity - investment in capital and technology acquisition;
- b) Developing capability within the company - investment in people skills and recruiting key managers; and
- c) Implementation of the growth plan - developing the right processes, culture and structures to implement the growth plan through investment in workplace innovation and consultancy.

A maximum funding of up to €200,000 was available for capacity building projects which had to have a minimum scale of €150,000 (€50,000 for technology acquisition), and up to €150,000 for training-related projects (of minimum size of €25,000). These funding envelopes were subject to regional grant rate maxima of between 27.5 percent and 70 percent depending on the region, company size, size of grant and nature of the project. Companies applying for grants were required to demonstrate how the investments would lead to improvements in terms of productivity, competitiveness etc., as relevant. Applications were considered at the Enterprise Ireland Growth Fund Committee.

## Productivity improvement fund

The Productivity Improvement Fund (PIF) was the precursor to the Growth Fund. The objective of the PIF was to support client SMEs to improve their competitiveness by increasing the company's gross output, value added and/or exports, while providing new employment or maintaining existing employment. It was intended that through this support a sustainable improvement in productivity would be embedded in the recipient companies, thereby establishing a base from which they could develop their exports. In order to meet the objectives of the PIF, project applications submitted by client companies had to demonstrate how they would:

- Help the company meet specific measurable productivity improvements;
- Build the existing export capability in the company or have the potential to generate new export opportunities for the company in the future;
- Be an integral part of the strategic development plan of the company;
- Be additional to the current level of activities, improve the company's productivity and develop export capability;
- Increase gross output while maintaining and/or increasing employment in the company in the longer term; and
- Demonstrate how the company plans to undertake the project, particularly in relation to the resources required to develop the project.

The PIF operated on a similar basis to the Growth Fund, with funding allocated following competitive calls.

### Key manager grant

The Key Manager Grant is a non-competitive, specific grant-based support. Examples of key manager positions include Chief Financial Officer (CFO), Chief Technical Officer (CTO), R&D Manager, Production Manager, and Business Development Manager.<sup>1</sup> Key Manager Grants are not intended to be a mechanism to subsidise general recruitment and it must be demonstrated that the individual will contribute to significant and measurable improvements in company productivity and/or changes in its output to meet defined market requirements. The maximum grant available at the time was equivalent to one year's salary cost to a maximum salary of €80,000.

### Strategic consultancy grant

The Strategic Consultancy grant is a non-competitive, specific support which may be provided as part of a package of supports approved by the investment committee, or approved independently by Enterprise Ireland line management. The objective of the grant is to improve the strategic capability of established SME clients by encouraging them to engage outside consultants to assist in the development and implementation of strategic initiatives within the company. The support is designed to facilitate business growth insofar as consultants can act as coaches, mentors, counsellors, facilitators, analysts and/or negotiators for the company.<sup>2</sup>

## Programme rationale

Considered as a whole, the constituent measures within the CES suite of supports share the same overall objectives, namely to create employment and increase exports. According to Enterprise Ireland, they represent a holistic approach to supporting expansion of established client firms, with funding packages being tailored to companies' specific needs, and drawn from the individual instruments. It is not appropriate, or indeed feasible, to attempt to evaluate the impacts and effectiveness of the individual instruments applied by Enterprise Ireland in delivering CES, and this evaluation therefore assesses CES as a bundle of supports that share the same overall objectives.

In relation to the description, rationale and objectives of the CES an issue concerns the extent of available documentation and detailed information. Greater detail is available on individual stand-alone supports, such as the Productivity Improvement Fund and its successor the Growth Fund, Key Manager and Strategic Consultancy grants, although there remains an absence of information on rationale in terms of how these supports are addressing specific market failures. However, the available documentation on tailored company expansion packages, which represent the main channel through which expansion supports have been delivered by Enterprise Ireland over the evaluation period, is limited to what is provided on Enterprise Ireland's corporate website and summary material provided for the purposes of this evaluation. This does not, however, provide sufficient detail in terms of addressing specific market failures, objectives and targets. This is an important area where future programme design and monitoring systems would benefit from enhanced detail to facilitate ongoing evaluation.

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<sup>1</sup> It is explicitly stated that sales/sales management roles are ineligible for support

<sup>2</sup> Routine or ongoing outsourced consultancy costs such as PR; marketing, legal, financial costs are not eligible for support

Acknowledging the gaps in documentation, this evaluation concludes that the programmes were addressing market failures particularly in respect of information asymmetries and addressing capability deficits. Irish owned firms face considerable barriers to internationalisation including, for example, language, culture, regulatory frameworks and legal systems that are distinctive to geographic markets. Companies may not always invest optimally in training given the inherent risks in not realising the benefits of investment through staff turnover. The state has a role to play in stimulating such investments, given that the benefits accrue to the economy and society beyond the individual and firm level.

## Alignment with national policy

### Earlier enterprise strategy and policy context

Ireland's National Development Plan 2007-2013 states that Enterprise Ireland "is acutely aware of the significant challenges and indeed opportunities that indigenous companies face in this new economy. Their lack of scale is a key issue, as is their need for improved management skills, their need to develop international marketing and sales capabilities, their need to exploit state-of-the-art technology and business processes, and their need to forge strategic alliances and partnerships. The focus of Enterprise Ireland's overall strategy for the period of this Plan will be to maximise export sales through the utilisation of applied research, technology and innovation while wishing to promote regionally balanced economic development."

The earlier enterprise policy context within which Enterprise Ireland's company expansion supports were being developed is best described by reference to the report of the Enterprise Strategy Group (ESG) in 2004, entitled '*Ahead of the Curve, Ireland's Place in the Global Economy*'.<sup>3</sup> The ESG report highlighted the changing context of global trade and economic development, noting that future economic growth would be strongly influenced by the following factors:

- The shift toward services as a major driver of GDP growth; and
- The increasing role of knowledge providers as a driver of economic development and an influencer of new products.

The report identified sources of future competitive advantage for Ireland, and set out recommendations to develop and exploit these sources, which included:

- Expertise in markets;
- Expertise in Technology and Product and Service Development; and
- World-class skills, education and training.

The ESG report also identified essential overarching conditions for business development including cost competitiveness, infrastructure, innovation and management capability.

The ESG report represented a key policy context for the development and application of business development programmes and Enterprise Ireland's CES. In particular, the aims and objectives of the CES were consistent with the need for indigenous firms to enhance management capability, innovate, internationalise/develop export markets and increase productivity.

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<sup>3</sup> Enterprise Strategy Group - *Ahead of the Curve, Ireland's Place in the Global Economy*, 2004

A number of other subsequent policy documents and strategies also reinforced these requirements. These included the ‘*Report of the High Level Group on Manufacturing*’ (2008), which also highlighted the need for innovation and enhanced management capabilities in Irish owned firms.<sup>4</sup> ‘*Catching the Wave - A Service Strategy for Ireland*’ (2008) highlighted the need to diversify Irish service exports across a broader range of sectors and activities.<sup>5</sup> The ‘*National Skills Strategy*’ (2007) provided an important policy framework for enhancing capability and in-employment education and training, which, *inter alia*, highlights the importance of R&D and innovation, and the development of marketing and management skills.<sup>6</sup>

### Impact of economic cycle and enterprise policy during the recession

The evaluation period for the CES spans the period between the economic boom which Ireland experienced between the mid-1990s and mid-2000s, and the deep recession which has unfolded since 2008/2009. This economic cycle has shaped a number of aspects of enterprise policy and strategy. During the boom period, enterprise strategy focussed on the need regain competitiveness through a combination of reducing costs nationally and helping firms to increase productivity. A range of business development measures were introduced to drive productivity improvements, including management development, training, R&D, innovation and technological supports. The Productivity Improvement Fund, Growth Fund, and Key Manager Grant supports within the CES are examples of such measures.

When economic recession unfolded in 2008, the Government was presented with a new set of challenges and priorities and economic policy had to refocus on recovery and, in particular, employment creation and retention. It was also clear that recovery would have to be predicated on an export-led growth model. The importance of developing new export markets to support job creation was emphasised in a number of subsequent policy documents, including:

- ‘*Building Ireland’s Smart Economy*’ (2008) set out the Government’s medium-term economic recovery strategy, based around the concept of the ‘smart economy’;<sup>7</sup>
- ‘*Making it Happen - Growing Enterprise for Ireland*’ (2010) highlighted exports as being the key driver of sustainable growth for Ireland and the need for enterprises to internationalise, to grow to scale and to achieve growth through exports.<sup>8</sup>

The importance of job creation is also clear in the Government’s *Action Plan for Jobs*, which was first launched in February 2012 and in the years following 2013 and 2014.<sup>9</sup> The annual plans stress the importance of Irish owned companies and of supporting companies to establish, to grow and to build competitive advantage. The plans also focus on the need to address issues facing micro firms and SMEs in terms of access to finance.

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<sup>4</sup> Report of the High Level Group on Manufacturing, Forfás, 2008

<sup>5</sup> *Catching the Wave - A Service Strategy for Ireland*, Forfás, 2008

<sup>6</sup> National Skills Strategy, Expert Group for Future Skills Needs, 2007

<sup>7</sup> *Building Ireland’s Smart Economy*, Department of An Taoiseach, December 2008.

<sup>8</sup> *Making it Happen - Growing Enterprise for Ireland*, Forfás, 2010

<sup>9</sup> Department of Jobs, Enterprise and Innovation - *Action Plan for Jobs*, 2012, and 2013



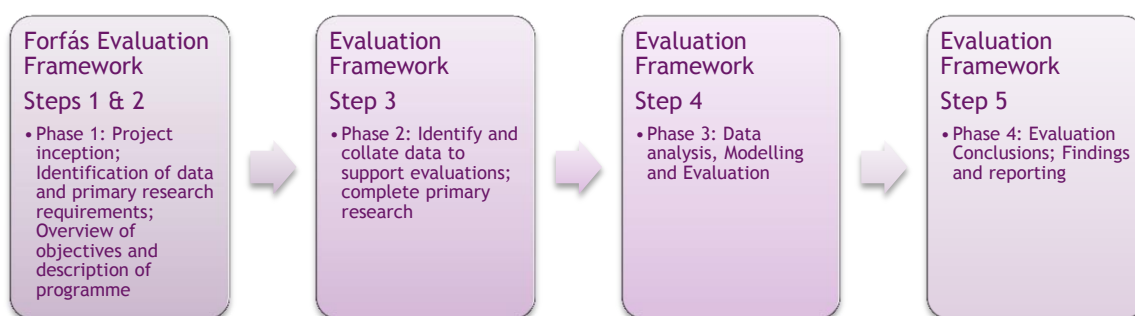
## Conclusions re policy context

Taking into account the rapidly evolving economic and policy context over the period relevant to this evaluation, it is reasonable to conclude that Enterprise Ireland's Company Expansion Supports are broadly aligned with, and remain appropriate in the context of, national economic and enterprise policy. However, while there is a broad consistency in terms of high-level objectives, there may be an absence of a sufficiently clear connection between individual measures, Enterprise Ireland's corporate strategy and national policy. This partly reflects the definition of Enterprise Ireland's mandate, but also the high-level nature of descriptive documentation available which does not explicitly relate individual measures to corporate strategy or wider policy goals, or provide sufficient specificity around objectives and rationale. This is an issue requiring consideration in future programme design and monitoring if effective ongoing evaluation is to be facilitated.

## Evaluation methodology

The methodological approach applied in undertaking the evaluations in this report reflects and is consistent with the Forfás Evaluation Framework and, in particular, the Business Development Template within this framework.

Figure 2.1: Schematic summary of methodological approach to evaluations



## Data sources

Data was anonymised and confidentiality was assured at all stages of analysis. Data sources included:

- Enterprise Ireland client company grants database - firm-level dataset covering period 2003 to 2012;
- Forfás Annual Employment Survey (AES) - detailed firm-level data for Enterprise Ireland client companies covering the period 1972 to 2012;
- Forfás Annual Business Survey of Economic Impact (ABSEI) - detailed firm-level dataset covering period 2000-2012 and including data in relation to sales, export sales, inputs/purchases, payroll, profits and other relevant economic dimensions; and
- Data/information gathered through new primary/survey research undertaken by the appointed consultants.

A linked database was developed to support the detailed analysis and modelling undertaken.

### Primary research

The following surveys were undertaken as part of the primary research:

- Confidential survey of Enterprise Ireland companies in receipt of CES between 2005 and 2010 (with variant for High Potential Start-Up (HPSU) firms); and
- Confidential survey of Enterprise Ireland companies in receipt of both CES and Job Expansion Fund.<sup>10</sup>

The survey questionnaires were designed to complement the existing data sources and enable rigorous examination of a range of dimensions. Firms were able to complete the surveys online via a secure encrypted link to an electronic version of the relevant questionnaire.<sup>11</sup> A high level of response was achieved on each of the survey streams set out in the table below.

**Table 2.2: Summary of response rates to surveys**

Survey Group - Firms Approved for Assistance through:	No. of Survey Distributed / Firms Contacted	No. of Responses	Response Rate
(1) Company Expansion Supports (CES) (incl. HPSUs)	895	221	24.7%
(2) Company Expansion Supports and Job Expansion Fund	46	32	69.6%
(4) Total CES-assisted Firms from (1) and (2) above	941	253	26.9%

Source: Indecon

### Consultations and engagement with assisted firms

In addition to the above survey research, further insights were gathered through a series of focussed interviews with a sample of firms. In total, ten telephone-based interviews were undertaken based on a sample of firms selected from among those who responded to the survey and who agreed to participate in a follow-on interview. The discussions with firms focussed on understanding the background and experience with applying for, and drawing down, CES and JEF supports, the quality of interaction with and ongoing supports and guidance provided by Enterprise Ireland, the evidence in relation to actual or anticipated impacts/outcomes, and their views on any aspects of the design and delivery of the supports that could be improved.

The evaluations also benefited from detailed inputs provided by Enterprise Ireland throughout the evaluation process. This included detailed discussions with Enterprise Ireland officials at the

<sup>10</sup> Refer to separate evaluation of the Job Expansion Fund

<sup>11</sup> The fieldwork for each survey stream was conducted during July 2013

outset of the evaluation, in addition to ongoing interaction and provision of inputs on both programmes.

### **Counterfactual analysis of programme impact using control groups**

A robust programme evaluation requires the examination of programme impacts compared to an appropriate counterfactual reference group. A control group of non-assisted Enterprise Ireland client firms is utilised as well as applying econometric modelling using a range of statistically selected control groups.

For further detail on methodology please see the [Technical Annex](#).

## **Inputs**

### **Expenditure by constituent company expansion support client offer - 2005 - 2010**

Between 2005 and 2010, a total of €311.5 million in CES was approved by Enterprise Ireland to support 1,589 different firms (Table 2.3). The direct costs are broken down by category. The largest of these is Company Expansions pre-2008 which accounts for 32.4 percent of approvals and 36.8 percent of payments. Combining this category with the Productivity Improvement Fund, the Growth Fund and Company Expansions including R&D, these represent over 80 percent of approvals and 79.5 percent of payments from 2005 - 2010.

**Table 2.3: Value of grants approved (€) and grants paid (€) by company expansion support client offer/constituent part 2005 - 2010**

Client Offer/Constituent CES Part	Amount Approved (€)	% of Total Approved	Amount Paid (€)	% of Total Paid
Company Expansions pre 2008	100,977,150	32.4%	75,330,739	36.8%
Productivity Improvement Fund	66,211,163	21.3%	41,269,585	20.1%
Growth Fund	41,520,914	13.3%	23,647,500	11.5%
Company Expansions including R&D	41,741,964	13.4%	22,773,270	11.1%
Company Expansions (April 2008 - Jan 2009)	21,875,314	7.0%	16,192,089	7.9%
Recruitment of Key Manager Employment Grant for SMEs	16,668,940	5.4%	10,575,353	5.2%
Strategic Consultancy	9,072,874	2.9%	6,509,597	3.2%
Company Expansions excluding R&D	6,243,659	2.0%	3,739,860	1.8%
Scaling including R&D (January 2009 - June 2012)	3,440,566	1.1%	1,950,964	1.0%
Job Expansion Fund (May 2010 - Jun 2011)	1,622,478	0.5%	874,402	0.4%
Commercial Terms	1,000,000	0.3%	1,000,000	0.5%
Investment De Minimis Established	721,000	0.2%	721,000	0.4%
Pre-Productivity Fund Consultancy	241,363	0.1%	149,829	0.1%
Scaling excluding R&D (January 2009 - June 2012)	201,986	0.1%	201,986	0.1%
<b>Total</b>	<b>311,539,370</b>	<b>100.0%</b>	<b>204,936,174</b>	<b>100.0%</b>

Source: Enterprise Ireland grant approvals data

It is important to stress from the outset that in most cases firms can only draw down supports after they undertake expenditure on supported projects. This means that assisted firms must access their own cash flows initially. Issues may arise if a firm's cash flows are constrained (e.g., because of the impact of the recession) and they may be forced to postpone projects - therefore funding payments are impacted. It may also be the case that the recession impacts on the initial grant level sought and approved, as firms may not apply to Enterprise Ireland for funding if they think that they are unlikely to be in a position to draw down this funding within the stipulated time periods. However, where the funding to the client is provided in the form of equity, this funding is available upfront to assisted firms, thereby helping to ease cash flow constraints on expansion.

It is also important to note that the implications arising from Enterprise Ireland’s funding process mean that the behavioural effect occurs at the approvals stage rather than the payment stage. In practice, when a firm is approved for a grant by Enterprise Ireland, it is at this approvals stage that the firm undertakes its expenditure on a project. After the firm’s own expenditure has been incurred, Enterprise Ireland can then release funding to the firm.

On an annual basis, CES approvals and payments increased substantially in the early part of the period under evaluation (Table 2.4). In 2006 and 2007 alone, nearly 50 percent of CES approvals and payments were made. Approvals and payments have declined year on year and in 2010 only €31,648,962 in grants were approved with €15,548,968 in payments made. The period in question has also witnessed a steady decline in grants paid as a percentage of grants approved from 80 percent in 2005 to only 49 percent in 2010. This decline may have reflected the impact of the recession on both the level of application for funding and the extent of drawdown of approved funding.

**Table 2.4: Value of grants approved and grants paid by year (€) - firms in receipt of company expansion supports**

Year	Amount Approved	% of Total Approved	Amount Paid	% of Total Paid	Grants Paid as a % of Grants Approved
2005	31,744,651	10.2%	25,503,090	12.4%	80%
2006	87,680,472	28.1%	61,113,360	29.8%	70%
2007	60,333,558	19.4%	38,467,054	18.8%	64%
2008	57,911,015	18.6%	36,018,383	17.6%	62%
2009	42,220,713	13.6%	28,285,319	13.8%	67%
2010	31,648,962	10.2%	15,548,968	7.6%	49%
<b>Total</b>	<b>311,539,370</b>	<b>100%</b>	<b>204,936,174</b>	<b>100%</b>	<b>66%</b>

Source: Enterprise Ireland grant approvals data

The year of grant approvals and payments has implications for the evaluation of such grants. For example, for a company that has been approved for funding in 2005, sufficient time will have elapsed so that the impact of this grant will be measurable in terms of changes to exports and employment in later years. However, this may not be the case (or may be less so) for a company approved in 2010. For such firms there is a smaller evaluation window.

### Programme indirect costs

In addition to programme direct costs, there are also indirect costs associated with the operation of Enterprise Ireland’s CES. These costs relate to the human resource inputs provided by Enterprise Ireland staff members who are engaged in the process of project screening and approval (including development managers, development advisers, market advisers, technical assessors, and

human resource development advisers), as well as Enterprise Ireland overhead costs. The estimates for indirect costs are presented in the table below for each year over the funding period 2005 to 2010. In total over this period, estimated indirect costs amounted to €17.6 million, representing 5.6 percent of the overall value of CES funding approved.

**Table 2.5 Enterprise Ireland indirect costs associated with approval of company expansion supports - 2005-2010 - € million**

	2005	2006	2007	2008	2009	2010	Total
Estimated overall EI Indirect Costs*	€2.71	€3.95	€4.13	€3.37	€2.70	€0.69	€17.56

Source: Estimates derived based on data provided by Enterprise Ireland and Forfás. Estimated overall indirect costs include costs related to staff time as well as overhead costs

### Impact of recession on funding approaches

Before the recession, Enterprise Ireland's CES offer related only to established companies seeking to expand. However, since the recession, the criterion was changed with Enterprise Ireland also considering applications from companies who were vulnerable but viable and supported them on projects which helped sustain their business. This was a shift in strategy highlighted by Enterprise Ireland. An increased focus and value is being placed on projects which create additional employment as the recession has unfolded.

Enterprise Ireland also increased the amount of funding provided through equity funding (upfront payment) versus grant funding (payment after expenditure has been incurred), with the objective of easing cash flow constraints. The proportion of overall CES funding which was paid out via equity increased from 18.3 percent in 2008 to 34.3 percent in 2010.

### Status of company expansion projects

As part of the survey undertaken for this evaluation, firms were asked about the status of the projects for which they have been approved. In almost 70 percent of cases, companies indicate that their projects are fully completed. A further 26 percent of companies have started their projects but, as yet, have not completed them. 3.1 percent have been cancelled with the remaining 1.8 percent yet to start.

Among the most commonly cited factors that companies did not draw down funding included that the anticipated level of business activity did not materialise; the economic downturn had delayed the planned expansion; or the project was completed below the anticipated budget.

### Private funding and funding leverage

An important factor impacting on overall funding efficiency is the extent to which supports can leverage private funding through assisted firms' own resources. Firms were asked to indicate the proportion of the overall investment in company expansion projects that was funded by Enterprise Ireland. While there is significant variation across firms, on average, the proportionate

contribution from CES funding was in the range of 24 percent-29 percent. This indicates that the majority of investment in company expansion projects is funded through assisted firms' own resources and this suggests that CES is likely to have resulted in leveraging of private sources of funding.

The fact that 32.5 percent of survey respondents indicated that they have received assistance in the form of other grants during this period raises a number of issues in terms of programme evaluation. An immediate concern relates to the added complexity that is evident if a company is in receipt of a number of grant types and the resulting difficulty in identifying the effect (if any) of one or other or both grants.

## Outputs and activities

Programme activities describe the processes and tasks supported by Enterprise Ireland in delivering the CES programme. These can be summarised as:

- Support for firms in identifying suitable assistance measures;
- Support for firms through grant application process;
- Thorough review and decision making process by company expansion supports approving committee;
- Support for developing capacity in firms through investment in capital and technology acquisition;
- Support for developing capability within the firm through investment in people skills and recruiting key staff; and
- Support for implementation of growth plans including development of appropriate structures and processes.

### Programme outputs

#### Firms supported

Overall, a total of 1,589 different companies have been assisted by Enterprise Ireland through the CES from 2005 to 2010. However, this masks the fact that firms can receive a number of CES grants in the same year, as well as in multiple years, therefore Table 2.6 also highlights the number of individual CES firms that are supported each year.

In summary, over the six-year period from 2005 to 2010, a total of €311.5 million in direct funding was approved by Enterprise Ireland to support a total of 1,589 different firms. Further detail by sector and company size is provided in Appendix I. Of the approved amounts, a total of €204.9 million was drawn down by assisted firms by 2012.

**Table 2.6: Number of firms assisted through company expansion supports - 2005 - 2010**

Year	Individual Company Expansion Firms Supported in Each Year	New Company Expansion Firms Supported in Each Year*	Cumulative Total Unique Company Expansion Firms Supported
2005	267	267	267
2006	448	376	643
2007	430	303	946
2008	448	305	1,251
2009	377	229	1,480
2010	177	109	1,589

Source: Enterprise Ireland grant approvals data. Notes: The new company expansion firms supported in each year column does not include any firms that were also supported in previous years.

The economic recession has impacted significantly on both the volume of approvals and the rate of drawdown by companies from 2009 onwards. Companies have cited declining business activity and cash flow constraints as factors explaining this decline. In total Enterprise Ireland staff time and overhead-related indirect costs associated with funding approval amounted to €17.6 million, representing 5.6 percent of the overall value of CES funding approved over this period.

The majority of investment in company expansion projects has been funded through assisted firms' own resources, and this suggests that CES is likely to have resulted in leveraging private sources of funding. Further analysis shows that, on average, 81 percent of firms in receipt of CES employ fewer than 50 persons. Funding has also been approved across a diversified sectoral profile of companies.

## Impacts and outcomes

The impact of CES is undertaken using a range of methodologies, including:

- Counterfactual analysis;
- Assessment based on primary research surveys; and
- Econometric modelling to estimate the net impact of supports.

Combining these strands of analyses enables conclusions to be drawn as to the impact and effectiveness of the CES over the period 2005 to 2010.



## Econometric analysis

### Control groups

A range of possible control groups were considered, with the objective of understanding the counterfactual, i.e., what would likely have occurred in the absence of the provision of supports to assisted firms. Three different control groups were selected:

- Propensity score matching (PSM) (Control Group 1) using various firm characteristics to produce a range of results including, for example age, R&D spend, average wages, export intensity, region etc.;
- Based on the PSM analysis comparing the CES firms with companies that are almost exactly matched based on a number of selection characteristics. This method essentially reduces the size of the sample to only include observations that have clear matching observations based on the chosen selection variables. (Control Group 2); and
- Firms who were approved for the CES support but chose not to draw down any funding (Control Group 3).

Through this analysis a range of results are produced. Each of the above methodologies has strengths and weaknesses. On balance, the PSM methodology (Control Group 1) is considered the most appropriate in the context of the firm population under evaluation, as it seeks to control for selection bias effects.<sup>12</sup> The baseline econometric results are summarised in Table 2.7.

**Table 2.7: Summary of baseline results from econometric modelling of CES net impacts**

% premium	Employment	Sales/Turnover	Export Sales
Control Group 1	8.2%	12.0%	11.3%
Control Group 2	5.0%	2.4%	5.1%
Control Group 3	4.4%	5.1%	3.4%

Source: Indecon analysis

### Employment

The results of applying the various estimated employment premiums due to the CES are shown in Table 2.8. These are based on taking the average employment level of 'treated' firms (i.e. companies that received company expansion supports) in pre-treatment period of 2002-2004. The results indicate that between three and five incremental jobs are associated with firms who received the treatment in the year of grant approval.

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<sup>12</sup> Selection effects may occur if the design of the scheme is specifically tailored to a certain type of firm who are likely to perform better in terms of outcomes regardless

These results can be converted into an estimated grant cost per job by dividing by the average grant amount in the sample. Again, these estimates range from €14,329 - €26,704.<sup>13</sup>

**Table 2.8: Interpretation of outcomes from econometric modelling - employment impacts**

Variable	Control Group 1	Control Group 2	Control Group 3
Average Employment (2002-2004)	65.55	65.55	65.55
Premium (due to CES support)	8.20%	5%	4.40%
No. of Jobs (due to support) per supported firm	5.4	3.3	2.9
Average Grant (€s)	77,018	77,018	77,018
Spend per Job (created or saved) (€s)	14,329	23,499	26,704

Source: Indecon analysis. Note: The estimated percentage premium is based on a midpoint calculation of the results of the econometric modelling. Also, the average employment is based on firms who are included in the econometric estimation.

### Sales

The same approach can be applied to overall sales turnover. The overall sales levels of treated firms in the pre-treatment period were significantly lower than non-supported firms. Also, there is a wider range of estimates of sales premiums from the econometric modelling. This creates a much wider variability in the estimates of the monetary increase in the level of sales for treated firms. The estimates for sales indicate that treated firms were associated with incremental sales of between €270,000 and €1.35 million compared with untreated firms. As these untreated firms have been matched in terms of characteristics to the treated firms, these sales premiums are considered as being directly associated with the provision of CES (Table 2.9)

<sup>13</sup> The enterprise agencies also report a cost per job sustained in their annual report. The cost per job sustained is calculated on a consistent basis across the agencies and takes into account all agency expenditure on all firms in the period. Only jobs created during, and sustained at the end of each seven year period are credited in the calculations

**Table 2.9: Interpretation of outcomes from econometric modelling - sales turnover impacts**

Variable	Control Group 1	Control Group 2	Control Group 3
Average Sales (€000s)	11,229	11,229	11,229
Premium (due to CES support)	12.0%	2.4%	5.1%
Increase in Sales (due to support) per supported firm per year (€000s)	1,347.5	269.5	572.7

Source: Indecon analysis. Note: The estimated percentage premium is based on a midpoint calculation of the results of the econometric modelling.

### Export Sales

The final outcome variables examined are the impact of the treatment on export sales. As noted previously, not all of treated firms will be exporters. The higher level of export sales for the treated firms lies between €200,000 and €750,000 in the year of treatment (Table 2.10).

**Table 2.10: Interpretation of outcomes from econometric modelling - export sales impacts**

Variable	Control Group 1	Control Group 2	Control Group 3
Average Export Sales (€000s)*	6,568	6,568	6,568
Premium (due to CES support)	11.3%	5.1%	3.4%
Average Increase in export sales (due to support) per supported firm per year (€000s)	742.2	334.9	223.3

Source: Indecon analysis. Note: the percentage premium is based on a midpoint calculation of the results from the econometric modelling. \*Note only include firms who indicated some level of export sales between 2002 and 2004. Also, note that the exports are based on mean exports.

### Estimated implied levels of deadweight

Using the econometric analysis of premiums associated with firms that received a CES support, it has been possible to derive an estimate for deadweight. The total impacts are based on taking the average percentage premium in the year of support (Table 2.11).

Table 2.11: Estimates of Deadweight based on PSM model (Control Group 1) (2005-2010)

Outcome variable	Additionality	Total Impact	% Additionality	% DWL
	A	B	A divided by B *100	
Employment	8.2%	28%	29.3%	70.7%
Sales/Turnover	12.0%	39%	30.8%	69.2%
Export Sales	11.3%	47%	24.0%	76.0%

Source: Indecon analysis.

### Summary of findings from econometric modelling

The key findings from the modelling undertaken include:

- Overall, it was found that the CES has had a positive impact on the outcomes for the firms that it has supported.
- Analysis of the preferred PSM model (control group 1) indicates an employment premium of approximately 8.2 percent for CES-assisted firms. This indicates that for every incremental job that was created, the associated average cost in grant payments was around €14,000.
- The fundamental aims of the CES are to increase sales and stimulate employment growth within assisted firms. The results of the detailed econometric modelling suggest that the CES supports incremental sales, indicating that firms increased overall sales by about 12 percent in net terms (i.e., in terms of additionality after adjusting for deadweight) and export sales by approximately 11 percent in comparison to non-assisted firms.

## Cost benefit analysis

### Modelling approach and assumptions

The approach applied in the cost benefit analysis (CBA) model involved utilising data on CES funding costs over the period 2005 to 2010, together with estimates of the indirect costs associated with provision of these supports.<sup>14</sup> Economic benefit metrics cover the period 2005-2012 inclusive and measures the following benefit components:<sup>15</sup>

- Direct expenditure on wages and salaries/payroll;
- Indirect expenditure on wages and salaries/payroll (utilising multiplier impacts);
- Irish profits;
- Taxes on direct and indirect payroll;<sup>16</sup> and

<sup>14</sup> Sourced from the Enterprise Ireland grants database

<sup>15</sup> See Murphy, Anthony; Walsh, Brendan M.; and Frank Barry, *The economic appraisal system for projects seeking support from the industrial development agencies*, Forfás, 2003

<sup>16</sup> The net contribution to overall benefits arising from payroll and taxes is adjusted to avoid double-counting of payroll and related tax receipts

- Reduction in deadweight burden of taxation via payroll taxes.

A number of assumptions governing key parameters have been applied, which are consistent with the latest guidance from the Department of Public Expenditure and Reform (see Appendix II for further detail on CBA assumptions).

### Application of econometric results

The Benefit-Cost Ratio (BCR) has been set out based on three alternative scenarios on net impact informed by the econometric modelling (Table 2.12)

- Central Scenario (6.6 percent): takes the average of the central estimates from the PSM model and the ‘matched’ panel data model;
- High-Impact Scenario (8.2 percent): based on central estimates from the PSM model; and
- Low-Impact Scenario (4.4 percent): based on the central estimates from the ‘selected’ control group analysis of companies who were approved for CES support but did not drawdown any funds as a control group.

**Table 2.12: Cost-benefit analysis of Enterprise Ireland company expansion supports (2005-2010) - summary**

CES-assisted Firm Cohort/Year	Benefit-Cost Ratio (BCR) (X : 1)		
	Impact Scenarios		
	Central	Low Impact	High Impact
2005	2.09	1.84	2.26
2006	4.22	3.94	4.41
2007	1.24	1.02	1.39
2008	2.99	2.68	3.20
2009	2.02	1.63	2.30
2010	1.39	1.11	1.59
<i>2005-2010 - Weighted Average</i>	<i>2.81</i>	<i>2.55</i>	<i>3.00</i>
<b>Scenario - net impact on employment - econometric modelling</b>	<b>6.6%</b>	<b>8.2%</b>	<b>4.4%</b>

Weighted average BCRs based on applying share of overall CES funding approved (2005-2010) in each year.

The results show positive BCRs for each cohort of firms assisted and across each of the central, high-impact and low-impact scenarios, indicating that CES provided during the period 2005-2010 have delivered a net economic return. The low-impact scenario also indicates that the outcomes remain robust in the face of a lower assumption on net payroll-related impacts. An average BCR is

calculated, which is weighted according to the share of overall CES funding approved in each year. This indicates an overall BCR of 2.81:1 over 2005-2010 under the central scenario.

### Firm survival

In addition examining impacts in terms of cost-benefit, an important issue concerns the extent to which firms are surviving or ceasing to trade, particularly given the context of recession in the Irish economy since 2008/09.

Analysis indicates that of the total of 1,589 firms assisted by CES between 2005 and 2010, 303 have ceased trading, implying an exit rate of 19.1 percent or a survival rate of 80.9 percent.<sup>17</sup> Of the exits, it is notable that 82.8 percent of these occurred between 2009 and 2012, most likely reflecting the impact of the recession on trading conditions. By comparison, the analysis of the non-assisted cohort of Enterprise Ireland client firms indicates that a total of 1,575 exits occurred out of an overall total of 4,322 firms, implying an exit rate among this cohort of 36.4 percent or an implied survival rate of 63.6 percent.

### Findings from primary research among firms

In addition to the detailed analyses and modelling presented previously, primary research among assisted firms was undertaken with the objective of complementing the data sources and capturing firms' views on a range of aspects. This section sets out the findings in relation to the impact of the supports, deadweight and displacement, and the extent of satisfaction among firms in relation to the processes surrounding delivery of the supports.

### Programme impact

The impacts of supports were examined through the following measures, based on firms' views:

- the significance or otherwise of CES in contributing to increased Export Sales;
- the levels of Export Sales which firms believed they would likely have sustained relative to current levels in the absence of CES;
- the significance or otherwise of CES in contributing to increased Employment;
- the levels of Employment which firms believed they would likely have sustained relative to current levels in the absence of CES; and
- the wider impacts and benefits of CES supports.

### Export sales impacts

Almost two-thirds (65.8 percent) of firms responding to the survey indicated that CES played a significant or very significant role in contributing to increased export sales. Only 7.7 percent of firms stated that CES had no impact on export sales.

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<sup>17</sup> The figures include firms that have been acquired or merged with other entities, as these have not ceased trading

In terms of quantifying the impacts on assisted firm performance, the table below summarises the findings from the survey research in relation to the levels of Export Sales which firms believed they would likely have sustained relative to current levels in the absence of CES. A range of impacts are evident from the responses, with 75 percent of respondents overall indicating that their export sales would have been lower than their current level in the absence of funding. However, it is estimated that on a weighted average basis, export sales among assisted firms would on average have been approximately 18.3 percent below their current levels in the absence of CES.

**Table 2.13: Estimated export sales that would have been sustained without CES funding**

In the absence of Company Expansion Support funding, what level of export sales do you believe your business would have sustained relative to current levels?	% of Respondents
Same as Current Level	25.0%
Lower than Current Level	75.0%
<i>Of which:</i>	
5-10% Lower	12.7%
11-20% Lower	22.6%
21-30% Lower	20.3%
31-50% Lower	17.0%
50-100% Lower	2.4%
Total	100%
<b>Weighted Average % Lower Export Sales*</b>	<b>18.3%</b>

Source: Company Survey. Note: Estimated on basis of assuming the midpoints in each of the ranges indicated multiplied by the percentage response in each range.

### Employment impacts

Table 2.14 summarises the results in relation to firms' views on the significance or otherwise of CES in contributing to increased workforce/employment levels. The research indicates that 79.3 percent of firms considered that CES has had a significant or very significant impact on employment levels in their firm. Less than 5 percent indicated that CES had no impact on employment levels.

As in the case of export sales, firms have reported a range of estimates, with 79.5 percent of firms overall indicating that their workforce levels would have been lower in the absence of the supports. Indecon estimates that on a weighted average basis employment levels would have been approximately 18 percent below current levels if firms had not received CES.

**Table 2.14: Views of firms on estimated workforce/employment levels that would have been sustained in the absence of CES funding**

In the absence of Company Expansion Support funding, what level of workforce/employment do you believe your business would have sustained relative to current levels?	% of Respondents
Same as Current Level	20.5%
Lower than Current Level	79.5%
<i>Of which:</i>	
5-10% Lower	15.5%
11-20% Lower	25.1%
21-30% Lower	18.7%
31-50% Lower	19.6%
50-100% Lower	0.5%
<b>Total</b>	<b>100%</b>
<b>Weighted Average % Lower Employment*</b>	<b>18.1%</b>

Source: Company survey. \* Estimated on basis of assuming the midpoints in each of the ranges indicated multiplied by the % response in each range.

### Wider impacts and benefits of Company Expansion Supports

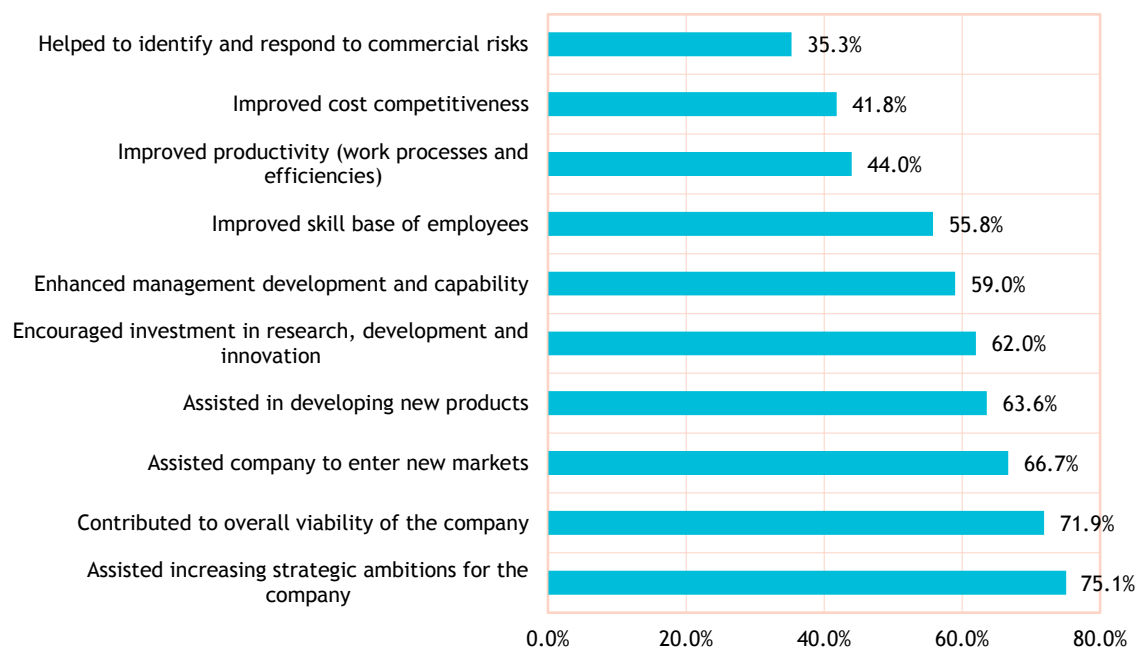
Figure 2.2 sets out reported wider benefits arising from CES supports. A high proportion of firms indicated that CES assisted them across a range of areas, including:

- Increasing the strategic ambitions of the company, with 75 percent reporting a significant or very significant impact;
- Contributing to the overall viability of the company, where 72 percent indicated that CES played a significant or very significant role;
- Assisting in entering new (export) markets, with 67 percent indicating that CES had a significant or very significant impact; and
- Developing new products - where 64 percent of firms stated that CES had a significant or very significant impact.

In addition, a majority of firms in each case indicated that CES had played a significant or very significant role on aspects such as encouraging investment in R&D and innovation, enhancing management capability, and improving the skills base of employees, while proportions also indicated significant impacts in relation to improving productivity and cost competitiveness, and helping to identify and respond to commercial risks.



**Figure 2.2: Significance of reported wider impacts of company expansion supports on firm performance**



Source: Company survey

Another important aspect in the context of the current external environment facing firms concerns the extent to which the provision of CES by Enterprise Ireland may have helped assisted firms to weather the economic downturn/recession. In this regard, it is notable that 71.4 percent of CES-assisted firms surveyed were in agreement that these supports have helped their businesses to weather the negative consequences of the recession.

### Survey estimation of deadweight and displacement

#### Deadweight

As presented earlier, deadweight was measured through econometric analysis. However, it is important to distinguish between ‘full/pure’ and ‘partial’ deadweight in order to understand in what way the project may have progressed in the absence of support.<sup>18</sup> This therefore complements the econometric measurement of deadweight by providing a deadweight range. Partial deadweight occurs through any one of the following possibilities, or a combination thereof:

- Where the firm would have proceeded with the project but at a later date;
- Where the firm would have proceeded with the project but at a different location; and
- Where the firm would have proceeded with the project but on a reduced scale.

<sup>18</sup> See, for example, Lenihan, H., and Mark Hart (2003), *Evaluating the impact of Enterprise Ireland assistance: methodological considerations when estimating deadweight and displacement*, University of Limerick (see: <http://hdl.handle.net/10344/3142>); and Lenihan, H. (2004), ‘Evaluating Irish industrial policy in terms of deadweight and displacement: a quantitative methodological approach’, *Applied Economics*, 36, 229 - 252

Firms were asked to provide an indication of their likely actions in the absence of Enterprise Ireland Company Expansion Supports (Table 2.15). The results indicate that 11.5 percent of firms would have undertaken the expansion project unchanged. Thus, it can be deduced that 11.5 percent represents an estimate of the extent of full deadweight attached to the provision of CES to firms during the period 2005-2010. It is also found that 17.3 percent of firms indicated that they would not have undertaken any expansion project without the assistance of Enterprise Ireland CES, which would imply zero deadweight among these firms. A substantial proportion of firms indicated various outcomes that would suggest varying degrees of partial deadweight, including:

- 22.1 percent of firms would have gone ahead with the expansion but at a reduced scale/size;
- 13.3 percent of firms would have gone ahead with the expansion but at a later date;
- 4.9 percent of firms would have gone ahead with the expansion but at a different location; and
- 31 percent of firms indicated that they would likely have pursued some combination of the above outcomes.

**Table 2.15: Views of firms on likely courses of action in absence of Company Expansion Supports**

In the absence of Company Expansion Support funding from Enterprise Ireland, which of the following courses of action do you believe your company would most likely have undertaken?	% of Respondents
a) Would have gone ahead with the expansion project unchanged, i.e., on the same scale, time and location	11.5%
b) Would have gone ahead with the expansion but at a different location (e.g. outside of Ireland)	4.9%
c) Would have gone ahead with the expansion but at a later date (i.e. delayed the expansion)	13.3%
d) Would have gone ahead with the expansion but at a reduced scale/size	22.1%
e) Combination of (c) and (d) above	31.0%
f) Would not have undertaken any expansion	17.3%
<b>Total</b>	<b>100%</b>
<b>Weighted Average Estimate of Deadweight</b>	<b>47.1% - 75.6%*</b>

Source: Company survey \* Weighted average estimates derived through assuming category (a) equates to 100 percent deadweight, category (f) denotes zero deadweight, while alternative scenarios relating to categories (b) to (e) were assumed, where these equate to 50 percent, 70 percent and 90 percent deadweight.

Given the timeframe of this evaluation (covering the period 2005-2010), many firms genuinely may not be in a position to accurately recollect the context prevailing at an earlier date or to provide a reasonable judgment on likely alternative courses of action.<sup>19</sup> Certain assumptions have been made regarding the likely levels of deadweight applying to the intermediate/partial deadweight categories. Applying this approach, the overall level of deadweight is estimated at between 47.1 percent and 75.6 percent. This compares with estimates of deadweight pertaining to employment and export sales developed from the econometric modelling presented earlier in this section of between 69 percent and 76 percent. It should also be noted that the existing appraisal system applied by the development agencies in ex ante appraisal of projects recommends utilising an assumption for grant deadweight of between 70 percent and 80 percent for expansion projects.<sup>20</sup>

## Displacement

Displacement refers to the possibility that provision of assistance to one firm could displace sales or employment in other firms in the national economy. This may occur even in a situation where there is judged to be zero deadweight, meaning that displacement could also reduce the overall level of additionality arising from the provision of supports.

The issue of displacement is assessed by seeking information from assisted firms on the following dimensions as part of the survey research:

- The proportion of business's main competitors that are based on Ireland;
- The extent to which CES contributed to the business increasing its market share; and
- The extent to which any increase in market share has been at the expense of (a) other Irish-based companies and (b) competitors based overseas.

On average firms indicated that between 10 percent and 31.6 percent of their competitors were based in Ireland. This suggests that for firms assisted by Enterprise Ireland's CES, the majority of their competitors are based overseas. This limits the extent to which an increase in sales of assisted firms is likely to be at the expense of domestic competitors.

## Extent of overlap with other supports

Another aspect of Enterprise Ireland's CES examined concerns the degree to which they are complementary to and/or interact with other business development supports on offer from Enterprise Ireland. This is important from the perspective of ensuring that each support type is correctly targeted and duplication is minimised, and also in order to assess whether there may be certain synergies that can be fostered or achieved in the future operation of the programme.

The survey findings show that the majority (62.2 percent) of responding firms are of the view that CES represent one component of a range of inter-related and integrated business supports provided by Enterprise Ireland. While 12.4 percent believe CES are independent initiatives with no relationship to other Enterprise Ireland supports, 21.7 percent consider that CES have some

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<sup>19</sup> For example, it would be necessary to reach judgment on complex dimensions such the extent of any delays on implementing expansion projects, the extent to which the scale of a project may have been reduced, or the nature of any alternative location (including whether in Ireland or in another jurisdiction)

<sup>20</sup> See Murphy *et al*, Op. Cit., page 54

synergies/ and/or complementarities with other Enterprise Ireland supports. It is notable that only 3.7 percent of firms were of the view that there is significant duplication/overlap between CES and other Enterprise Ireland business supports.

**Table 2.16: Views of firms on extent to which CES interact with and complement other business supports or grants provided by Enterprise Ireland**

Extent to which CES Interact with and Complement Other Business Supports or Grants Provided by Enterprise Ireland:	% of Respondents
CES are independent initiatives with no relationship to other EI business supports	12.4%
CES are one component of a range of inter-related and integrated business supports provided by EI	62.2%
CES have some synergies/complementarities with other EI business supports	21.7%
There is significant duplication/overlap between CES and other EI business supports	3.7%
Total	100%

Source: Company survey

#### Satisfaction levels among assisted firms

Levels of satisfaction or otherwise among firms with the quality and delivery of these supports were considered in terms of the following aspects:

- The quality of interaction with the Enterprise Ireland team involved in development of company investment proposals;
- The design of the support;
- The administrative process associated with applying for the support;
- The administrative processes associated with claiming payment following funding approval; and
- The quality of support available to firms in relation to ongoing queries etc.

The findings indicate that overall a very high proportion of firms assisted through CES are satisfied or very satisfied with the level and quality of interaction with Enterprise Ireland. In relation to the extent to satisfaction with the process of applying for funding versus the process of drawing down funding, a minority of companies indicated that the overall cost of the claims process as a factor. However, as shown in Table 2.17, at an overall level, there is no evidence to suggest a statistically significant variation in satisfaction levels between the application process and subsequent process of drawdown of approved funding.

**Table 2.17: Extent of Satisfaction/Dissatisfaction of Firms with Level and Quality of Interaction with Enterprise Ireland with Regard to Company Expansion Supports**

Extent of Satisfaction/Dissatisfaction	% of Respondents				
	Very Satisfied	Satisfied	Neither Satisfied Nor Dissatisfied	Dissatisfied	Very Dissatisfied
Interaction with EI team involved in development of your company's Investment Proposal	60.2%	23.9%	11.1%	3.1%	1.8%
Design of the support	37.4%	43.2%	13.1%	4.1%	2.3%
Administrative process associated with applying for the support	33.5%	40.2%	15.6%	6.7%	4.0%
Administrative processes associated with claiming payment	38.1%	36.8%	13.9%	5.4%	5.8%
Support for queries etc.	41.0%	41.9%	14.4%	0.5%	2.3%

Source: Company survey

## Conclusions and findings

### Appropriateness

The policy context for this evaluation of Enterprise Ireland's Company Expansion Supports has been influenced strongly by the changing external economic environment. During the 2005 to 2008 period, the emphasis was on addressing deficiencies in the existing industrial base in Ireland (including for example the high cost base and decreasing international competitiveness) by promoting RD&I, marketing and management capabilities and skills, and continuing to develop new export market opportunities. The objectives of Enterprise Ireland's CES were appropriate within this earlier context.

In the context of the economic downturn post 2007, enterprise policy explicitly set out the need to return to a model of export-led growth. Targeted and tailored supports, such as Enterprise Ireland's CES, which are designed to enhance the capabilities of indigenous SMEs planning significant expansions through export market development and associated employment creation, are appropriate to realising this policy objective. A further rationale for state intervention through CES post-2008 is that these supports should enable SMEs to access funding in an environment where traditional commercial funding markets have become dysfunctional due to the problems facing the Irish banking sector.

Overall, taking into account the rapidly evolving economic and policy context over the period relevant to this evaluation, it is reasonable to conclude that Enterprise Ireland's CES have been, and continue to be, aligned with and appropriate to national economic and enterprise policy.

### Programme funding and efficiency

Over the six-year period from 2005 to 2010, a total of €311.5 million in company expansion support funding was approved by Enterprise Ireland to a total of 1,589 different firms. Of the funding approved, a total of €204.9 million was drawn down by assisted firms by 2012. CES funding has been spread across firms of different size, with on average 81 percent of participating firms employing fewer than 50 persons, while supports have also been approved across a diversified sectoral profile of companies. The economic recession appears to have impacted significantly on both the volume of approvals and the rate of drawdown by companies from 2009 onwards. These factors may have the effect of delaying anticipated impacts from supports provided in the latter years of the evaluation period.

An important factor impacting on overall funding efficiency is the extent to which supports can leverage private funding through assisted firms' own resources. It is notable in this respect the majority of investment in company expansion projects has been funded through assisted firms' own resources.

### Programme effectiveness

The assessment of programme net impacts suggests that Enterprise Ireland's CES have been effective, in that the funding provided has delivered strong performance among assisted firms in terms of sales, exports and employment.

The initial analysis of comparative performance, based on a counterfactual relating to a control group of non-assisted Enterprise Ireland client companies, suggests that CES-assisted firms significantly outperformed in terms of export and employment growth, while they also appear to have weathered the recession better than non-assisted firms. On average for firms assisted by CES between 2005 and 2010, the analysis suggests a positive employment growth differential in favour of supported companies, amounting to 8.1 percent.

The rigorous econometric modelling, using a range of statistically selected control groups, indicated that, overall, CES has had a positive net impact on the outcomes for the firms that it has supported. The results indicate that supported firms increased overall sales of up to approximately 12 percent and export sales of up to approximately 11 percent in net terms in comparison to non-assisted firms. In addition, the preferred model indicated an employment premium - or net additionality after deadweight - of up to approximately 8 percent for CES-assisted firms compared with the counterfactual, implying an average cost per job of around €14,000.

The analysis considered the extent to which firms are surviving or ceasing to trade, particularly given the context of the recession since end 2007. An overall survival rate of 80.9 percent is evident among firms assisted by CES over the period 2005-2010, which compares favourably with the survival rate of non-assisted Enterprise Ireland clients of 63.6 percent. Of those firms that ceased to operate, it is notable that 82.8 percent of these occurred between 2009 and 2012, most likely reflecting the impact of the recession on trading conditions.

Based on primary research among assisted firms, the estimated overall level of deadweight is at between 47.1 percent and 75.6 percent. This compares with higher estimates of deadweight

pertaining to employment and export sales developed from the econometric modelling of between 69 percent and 76 percent.

CES-assisted firms' competitors are primarily international rather than domestic. In addition, while firms indicated that CES has had a significant impact in terms of helping to increase market shares, they also stated that a low proportion of this has been at the expense of domestic/Irish competitors, suggesting that the extent of displacement arising from the provision of CES is likely to be low.

The CBA of the CES found a positive overall benefit-cost ratio for firms assisted in the period between 2005 and 2010 of 2.81:1 (based on a central impact scenario), indicating that the CES have delivered a positive net economic return.

In terms of wider impacts and benefits, the research showed that a high proportion of firms indicated that CES assisted them across a range of areas, including increasing the strategic ambitions of the company; contributing to the overall viability of the company; and assisting in entering new (export) markets and in developing new products.

High levels of satisfaction are also found among Enterprise Ireland client firms in relation to the operation and delivery of CES, in terms of the quality of interaction with the Enterprise Ireland team involved in development of company investment proposals; the design of the supports; the administrative process associated with applying for the supports; the administrative processes associated with claiming payment following funding approval; and the quality of support available to firms in relation to ongoing queries etc.

### Synergies/overlap

Research among assisted firms indicated that the majority of CES-assisted firms consider that CES represent one component of a range of inter-related and integrated business supports provided by Enterprise Ireland, while over one-fifth of companies indicate that CES have some synergies/complementarities with other Enterprise Ireland supports. Only 3.7 percent of firms were of the view that there is significant duplication/overlap between Company Expansion Supports and other Enterprise Ireland business supports.

An issue in relation to the objectives of the CES concerns the extent to which they are clearly and precisely specified. The overall rationale for the provision of expansion supports is clear, namely to create employment and support indigenous companies to grow their companies and increase their exports. However, the precise role played by each of the wide range of constituent measures, and how these are designed to interact within the tailored packages provided to client firms, may not be sufficiently clear.

It would be important that the setting of programme objectives is informed by the application of 'SMART' (Specific, Measurable, Achievable, Relevant and Time-bound) principles, to ensure clarity in relation to intended role and targeting of each measure, to minimise potential overlap with other supports, and to facilitate ongoing evaluation of outputs and outcomes against appropriate targets.

### Overall conclusion

Enterprise Ireland's suite of CES appears to be functioning effectively and delivering on objectives. The evaluation suggests that CES funding provided over the period 2005 to 2010 has resulted in positive outcomes and net impacts in terms of export sales and employment growth. Assisted

companies also report significant wider benefits, including that the supports have helped their businesses to weather the impact of the current recessionary environment, and generally high levels of satisfaction with the design and delivery of the supports.

### Recommendations

Notwithstanding the fact that the CES are delivering on objectives and have been found to be appropriate and effective, there are a number of recommendations aimed at enhancing the programme monitoring and processes.

#### Objectives and connection to EI strategy and national policy objectives

An aspect which this evaluation highlighted concerns the extent to which the objectives of the CES are clearly and precisely specified. The overall rationale for the provision of company expansion supports is clear, namely to create employment and support indigenous companies to grow their companies and increase their exports. However, that the precise role played by each of the wide range of constituent measures may not be sufficiently clear. This is most notable in the case of tailored company expansion packages, which represent the main channel through which expansion supports are delivered by Enterprise Ireland, where existing documentation is limited. This is an important area where future programme design and monitoring systems would benefit from enhanced detail to facilitate ongoing evaluation.

#### Recommendation

- Set programme specific objectives informed by the application of ‘SMART’ (Specific, Measurable, Achievable, Relevant and Time-bound) principles, to ensure clarity in relation to intended role and targeting of each measure, to minimise potential overlap with other supports, and to facilitate ongoing evaluation of outputs and outcomes against appropriate targets.

Also as part of the evaluation, a review was undertaken of the extent to which the CES programmes are aligned with national enterprise policy, and whether the objectives of the supports remain valid and appropriate given the present economic and policy context. It was concluded that taking into account the rapidly evolving economic and policy context, the programmes are broadly aligned with and remain appropriate in the context of national economic and enterprise policy. This is evidenced particularly in the increased focus given to employment creation and expansion of exports within the aims and objectives of the supports. However, while there is a broad consistency in terms of high-level objectives, there is an absence of a sufficiently clear connection between individual measures, Enterprise Ireland’s corporate strategy and national policy.

#### Recommendation

- At programme design stage (and subsequent modifications) explicitly document the connection between the programme and its objectives and national policy in order to facilitate effective ongoing evaluation.

#### Application and drawdown processes

As part of the engagement with firms assisted under the CES programmes, an issue that was highlighted in survey research and interviews by a number of firms concerns the processes around application for, and drawdown of, funding approved. In discussing these aspects with assisted



firms, the vast majority of firms acknowledge the need to rigorous systems to ensure proper governance around the operation of publicly funded supports. However, a number of firms also highlighted the extent of paperwork/documentation required and queried whether this could be streamlined. They also noted that the online/web-based application process could be difficult to navigate and complete. It was noted that while the approval process typically involved a two-to-three-month period, the overall process involved in accessing funds could take significantly longer. Where smaller levels of funding were involved, this was seen by some firms as being disproportionate and could impact on firms' incentive to apply for funding in the future while also impacting on cash flows.

Understandably, these are issues facing all companies but are more commonly raised among smaller companies, where the time and costs involved in preparing funding applications and subsequently in submitting documentation required to claim approved funding can appear disproportionate given their size, whereas larger firms and firms that have had a longer-term relationship with Enterprise Ireland tend to be more experienced in managing these processes. It is accepted that there is the need to ensure that appropriate procedures are applied in the approval and drawdown of publicly funded supports such as those provided under the CES.

#### **Recommendation**

- Examine the scope to further streamline the processes, particularly around the drawdown of approved funding, to help speed up access to funding and to minimise cash flow implications for companies.

#### **Additional advice during implementation phase**

A wider issue also highlighted concerns the 'softer', non-financial aspect of provision of CES. This was particularly the case among smaller firms and firms with no previous experience of working with Enterprise Ireland, where it was often felt that they lacked the knowledge and experience required to prepare funding applications and to maximise the successful implementation of projects. In many cases perceptions and levels of satisfaction among assisted firms was also influenced significantly by their relationship with their Enterprise Ireland DA.

#### **Recommendation**

- Consider providing appropriately targeted further support and guidance during funding application and implementation stages to address issues raised and enhance the overall prospects for successful implementation of projects. It is accepted, however, that any additional supports would be subject to resource constraints.

## Appendix I - CES firms by size and sector

### CES Firms by company size

The majority of firms assisted under CES, in all years, employ fewer than 100 people and over 75 percent of firms supported employ fewer than 50 people. Another potentially important feature is the growth in the proportion of the smallest firms' category, i.e., those employing one to nine people. In 2005, just over 30 percent of firms supported employed from one to nine staff. This has increased to over 40 percent in 2010. Overall, a trend can be seen towards smaller firms within this data.

### Number of Companies by Company Size - Firms in Receipt of Company Expansion Supports - 2005 - 2010

Company Size (Employment)	2005	2006	2007	2008	2009	2010	Average 2005 - 2010
1 to 9	30.6%	27.4%	34.7%	41.1%	37.4%	41.7%	35.5%
10 to 49	49.6%	49.1%	47.1%	44.6%	44.1%	37.5%	45.3%
50 to 99	14.5%	16.3%	13.8%	9.1%	12.3%	10.7%	12.8%
100 to 250	4.0%	5.2%	4.1%	3.5%	5.3%	7.7%	5.0%
250+	1.2%	1.9%	0.2%	1.6%	0.8%	2.4%	1.4%
Total	100%	100%	100%	100%	100%	100%	100%

Source: Enterprise Ireland grant approvals data and Annual Employment Survey data. Notes: Companies for which data is not available through the Annual Employment Survey are not included in the table. Data relates to the value of approvals.

### Assisted company sector

An analysis of the sectoral profile of firms assisted by CES is provided in the following table, showing the proportionate breakdown of the value of grants approved between 2005 and 2010. The analysis indicates a diversified sectoral profile of companies assisted by Enterprise Ireland's CES. Among the main sectors in which CES-assisted firms have been supported include food and drinks (21 percent of funding approved between 2005 and 2010), software and construction and engineering (each accounting for 18 percent of approvals), electronics, consumer products and internationally traded services (each representing 7 percent of approvals, and life sciences/cleantech (5 percent of approvals).

**Analysis of Characteristics of Grant Approvals - Share of Value of Grant Approvals by Company Sector - Firms in Receipt of Company Expansion Supports**

Sector	2005	2006	2007	2008	2009	2010	2005 - 2010
Food and Drinks	17%	35%	18%	31%	20%	6%	21%
Life Science / Cleantech	2%	3%	3%	3%	15%	2%	5%
Electronics	8%	8%	4%	6%	7%	8%	7%
Construction and Engineering	16%	18%	27%	24%	9%	14%	18%
Internationally Traded Services	7%	8%	4%	4%	7%	12%	7%
Software	25%	9%	22%	16%	22%	14%	18%
Consumer Products and Other Misc Manufacturing	10%	7%	10%	8%	4%	1%	7%
Other	4%	1%	1%	1%	3%	5%	3%
Sector Unknown*	10%	11%	11%	8%	14%	36%	15%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Enterprise Ireland grant approvals data and Annual Business Survey of Economic Impact Data\* 'Sector Unknown' relates to where data from the ABSEI does not identify the sector of the respondent firm.

## Appendix II CBA Assumptions

The CBA model includes assumptions in relation to parameters including the discount rate, shadow cost of public funds, shadow price of labour, tax rate on labour incomes, income multipliers, and deadweight. Multiplier impacts on payroll are calculated using NACE sector income multipliers derived by Indecon using input-output analysis.<sup>21</sup>

The approach applied was to complete a separate CBA on each cohort of firms assisted by CES in each of the years 2005 to 2010. The costs associated with each cohort included the value of grant approvals to assisted firms in the cohort year and any CES approvals in subsequent years up to 2010, in addition to the estimated Enterprise Ireland indirect costs associated with the provision of these supports. These costs are adjusted to reflect the shadow cost of public funds.

### Cost-Benefit Analysis

Variable	Level Assumed
Discount Rate	5%
Shadow Cost of Public Funds	130%
Shadow Price of Labour	80%
Tax Rate on Payroll/Labour	35%
Payroll Multiplier <sup>22</sup>	1.09 to 2.17, depending on sector
Deadweight - applied to Employment	Factored into Scenarios on Net Impacts
Deadweight - applied to Irish profits <sup>23</sup>	70%

Source: DPER guidance and Indecon sectoral data and econometric modelling

On the benefits side, the annual incremental increase in payroll relative to a counterfactual scenario is calculated by reference to the net impact (after deadweight) of CES supports on employment, estimated from Indecon's econometric modelling.<sup>24</sup> Alternative scenarios on payroll-related impacts are modelled, based on the range of econometric estimates developed.

<sup>21</sup> Indecon's sectoral data on the Irish economy includes Type I and II multipliers for output, GVA, incomes, and employment. These have been derived from the CSO's Supply and Use and Input-Output Tables for the Irish Economy

<sup>22</sup> In line with DPER guidance, multipliers applied relate to indirect impacts only and exclude induced impacts

<sup>23</sup> Deadweight related to payroll-related benefits is taken into account in the estimates of net impact derived from Indecon's econometric modelling

<sup>24</sup> It is assumed for the purposes of the CBA model that the estimated net impact of supports on payroll equates with the estimated net impact on employment

Payroll-related benefits are adjusted to reflect the shadow price of labour, while tax benefits are adjusted to take into account the shadow cost of public funds.<sup>25</sup> Irish profits are also included and these are subject to the shadow price of labour and deadweight, as recommended in the appraisal system for assessing projects used by the development agencies.<sup>26</sup> Benefits for each cohort were measured up to the year 2012.

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<sup>25</sup> The application of the shadow cost of public funds to the additional payroll-related taxation reflects the associated reduction in the deadweight burden of taxation that would otherwise have to be raised

<sup>26</sup> A deadweight assumption of 70% is applied to Irish profits, based on econometric modelling and primary research

