An Chomhairle Náisiúnta Eacnamaíoch agus Shóisialta
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The Transition to a Low-Carbon and More Digital Future: Supporting the Needs of Vulnerable Workers and Enterprises

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The Transition to a Low-Carbon and More Digital Future: Supporting the Needs of Vulnerable Workers and Enterprises

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Abbreviations

AECM
European Association of Guarantee Institutions

BnM
Bord na Móna

CAP
Climate Action Plan

CEP
Community Enhancement Programme

DAFM
Department of Agriculture, Food & the Marine

DBEI
Department of Business, Enterprise & Innovation

DEASP
Department of Employment Affairs & Social Protection

DES
Department of Education and Skills

DTTAS
Department of Transport, Tourism & Sport

EBITDA
Earnings before interest, tax, depreciation and amortisation

EGDIP
European Green Deal Investment Fund

EGF
European Globalisation Adjustment Fund

EGFSN
Expert Group on Future Skills Needs

EI
Enterprise Ireland

EIB
European Investment Bank

EIF
European Investment Fund

ELTI
European Long-term Investors Association

ERP
Enterprise Resource Planning

ESF
Enterprise Stabilisation Fund

ETBs
Education and Training Boards

FIT
FastTrack to Information Technology

GDA
Grangegorman Development Agency

GLLF
Grangegorman Labour and Learning Forum

HBAN
Halo Business Angel Network

HEA
Higher Education Authority

HPSUs
High-potential start ups

IoTs
Institutes of Technology

ISIF
Irish Strategic Investment Fund

JB
Jobseeker's Benefit

JRP
Joint Research Programme

LAGs
Local Action Groups

LEOs
Local Enterprise Offices

LIHAF
Local Infrastructure and Housing Activation Fund

MDC
Management Development Council

MEND
Mid-East North Dublin

MFI
Microfinance Ireland

NACEC
National Association of Community Enterprise Centres

NDP
National Development Plan

NEFI
Network of European Financial Institutions for SMEs

NESTA
National Endowment for Science, Technology and Arts

NFQ
National Framework of Qualifications

NSOs
National Strategic Objectives

RESS
Renewable Electricity Support Scheme

SBCI
Strategic Banking Corporation of Ireland

SOLAS SLMRU
SOLAS Skills & Labour Market Research Unit

START
Secretariat's Technical Assistance to Regions in Transition

STWSS
Short-Time Work Support Scheme

SYOB
Start your Own Business

TAME
Technical Assistance for Micro-Exporters (Grant)

TFEU
Treaty for the European Union

URDF
Urban Regeneration and Development Fund

WDC
Western Development Commission

WIF
Western Investment Fund

WRAP
Western Regional Audio-Visual Producers

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Introduction

The Irish Government asked the National Economic and Social Council (NESC) to examine the specific issue of the vulnerability for workers, firms and sectors caused by the transition to a low-carbon and more digital, automated future, and to provide recommendations. The Council has done so and sets out its findings and suggestions in its Report No.149 *Addressing Employment Vulnerability as Part of a Just Transition in Ireland*. In that report, the Council *inter alia* sets out the drivers of the Government's response to the employment vulnerability created by transitions. This is in the context of a broader vision and a commitment to a high-quality jobs economy. The three key drivers are:

- continuous, pre-emptive workforce development;
- building resilient enterprises; and
- delivering high-impact targeted funding to support transition.

The Council believes that lifelong learning, training and education, effective support for viable but vulnerable companies, and ensuring that funding has the greatest possible local impact must be the priority for government as part of making sure the transition to a low-carbon and digital Ireland is just.

Thus the Council has recommended 12 strategic recommendations – from increasing Ireland's ambition for workforce development, to extending appropriate enterprise supports to viable but vulnerable firms, to examining the inclusion of social clauses in relevant state transition funding, to enhanced communications. Each one is accompanied by supporting steps. Of the Council's 12 recommendations, three relate to implementation and communications, while nine relate to policy.

VISION

A resilient, sustainable, thriving net zero economy, environment and society using innovation and collective preparedness to shape the future we want to achieve.

This background report is intended to be read alongside the Council's main report on the topic. It outlines the research and rationale underpinning the conclusions and nine policy recommendations made by NESC in Report No.149.

This background report is structured as follows:

- Chapter 1 sets out the rationale behind the Council's four recommendations related to continuous, pre-emptive workforce development.
- Chapter 2 outlines the underpinnings of the two NESC recommendations to help build resilient enterprises; and
- Chapter 3 presents the research findings behind the Council's three suggestions to help ensure the delivery of high-impact targeted funding to support transition.

Chapter 1:
Ensuring Continuous, Pre-emptive Workforce Development

As was indicated in the Introduction, the continuous and pre-emptive development of skills among the workforce has been identified as one of the three drivers of sustainable jobs in the context of the transition to a low-carbon and more digital, automated future. In its Report No. 149, *Addressing Employment Vulnerability as Part of a Just Transition in Ireland*, the Council makes four recommendations related to continuous, pre-emptive workforce development. This chapter aims to set out the rationale behind these policy recommendations through a focus on six interrelated thematic areas:

- the existing architecture for training and upskilling;
- the existing policy goals for workforce development;
- the value of skill audits and tacit knowledge;
- meta-skills for transition: self-management, social intelligence and innovation;
- resilience in transition: lifelong learning, information-sharing, and career advice services; and
- improving the worker development offering.

1.1 Training, Upskilling, and Existing Architecture

The digital and low-carbon transitions will have a substantial impact on the labour market over the coming decades. There is growing consensus that upskilling and reskilling employees is the best way to prepare for and address the complex, dynamic and uncertain labour-market changes associated with climate action and digitisation (ILO, 2018; OECD 2019; Pochet, 2015; World Economic Forum, 2018). In particular, affording vulnerable workers the opportunity to acquire the skills that will enable them to remain with their current employer or access new employment opportunities is essential if these transitions are to be considered just, inclusive and successful.

> The availability of workers and enterprises with the right skills for emerging jobs plays not only a critical role in initiating the transition to the digital and low carbon economies, but also in enabling a just

> transition. Without a suitably trained workforce the transition will be challenging. Clear options must be available for workers in vulnerable sectors to upskill or retrain (Government of Ireland, 2019d, p.50).

Therefore, the ability of workers to move between sectors in response to adverse events is an important consideration. A key element of a more successful transition to lower carbon use and greater use of technology is the extent to which workers in the most impacted sectors can find alternative, quality employment in other (growing) sectors of the economy. Research by O'Clery, Flaherty, and Kinsella (2019) examines the concept of economic resilience, in terms of the ability to adapt to a shock, and looks at Ireland's labour mobility and inter-industry worker flows. The work presents evidence that certain sectors (finance, computing, and the public sector) are 'skill-isolated' in that workers in these sectors rarely transition into/from the wider economy. The research suggests the need to 'strengthen links between sectors such as finance and computing, key growing sectors, and the extended economy. This may include measures such as work-placement schemes, subsidised skills training, and institutional efforts to increase inter-sector skill discovery and mobility'.

Across a range of national development strategies, there is now a more concerted focus on workforce skills development, given its potential to both drive improvements in productivity and innovation and to foster a more inclusive and dynamic labour market.[1] This increased focus on worker development in national skills policy has fostered the development of a new policy and institutional architecture across what the Secretariat has identified as three interrelated policy strands: identifying skill needs, designing programmes, and programme delivery.

The evolving network of organisations involved in identifying skills needs provides a stronger foundation for improving the quality and robustness of labour-market intelligence on the skill needs of enterprises and individuals. It includes a more concerted focus on harnessing the knowledge of enterprises as part of the process of identifying and addressing future skill needs. The network of nine Regional Skills Fora are considered to be key institutions in this regard, as they provide a structured opportunity for education/training providers and employers to collaborate closely in highlighting skill gaps and developing ways to meet the emerging skills needs in their regions.

The Regional Skills Fora, each of which is headed by a regional skills manager, are involved in designing new training interventions, directly engaging with SMEs, linking skills needs to training provision, and promoting the advantages, to both employers and employees, of participating in upskilling and reskilling opportunities.

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[1] E.g. The National Skills Strategy 2025; the Further Education and Training (FET) Strategy 2014-2019; the Action Plan for Education 2016-2019; Enterprise Strategy 2025; Skills to Advance (2019); the Inter-Departmental Report on Fuller Working Lives and the 2017 Action Plan for Jobs.

They are also centrally involved in implementing the Regional Enterprise Plans in their respective regions.

Given the increased demand for their services and the growing recognition of the importance of harnessing 'local labour market' intelligence and using it to develop tailored training interventions that address labour-market needs, it will be vital to ensure that these key labour-market institutions are adequately resourced.

Table 1.1: Institutional Landscape for Employee Skills Development

Identifying Skills Needs	Designing & Developing Programmes	Programme Delivery
The National Skills Council	Explore	ETBs
The Skills Planning and Enterprise Engagement Unit	Skills to Advance	Skillnet Ireland
Skillnet Ireland	Skills for Work	Higher education institutions (public and independent)
Regional Skills Fora	Springboard+ 2019	Professional bodies
Skills for Growth	Skillnet Ireland	
Expert Group on Future Skills Needs	Part-Time FET provision	
SOLAS SLMRU		

1.2 The Ambition for Worker Development

The Government's policy framework for workforce development, *Skills to Advance*, anticipates increasing the number of learners by 25,500 and the number of employers supported to upskill their workforce by approx. 4,000 over a four-year period. As indicated in Table 1.1, a range of organisations are involved in delivering programmes for workforce skill development.

The *Skills to Advance* policy framework has identified the Education and Training Boards (ETBs) as the key institutions for delivering the expected step-up in training provision for employees and employers. The regional spread of the ETBs ensures that they are ideally positioned to provide local access to learning and training opportunities. The *Skills to Advance* initiative is also committed to increasing the flexibility of the ETB's delivery options through greater emphasis on modularisation, part-time provision, blended learning, distance learning, flexible scheduling and learning enhanced by technology. This focus on flexible delivery is already an integral feature of Springboard+ and Skillnet Ireland. Flexible and innovative modes of delivery can facilitate increased participation by individuals who may, due to low educational attainment, be reluctant to engage with more formal class-based learning. This can also serve to alleviate some of the time constraints associated with work-related training for employees.

The ETBs will also have to build their capacity to provide education and training interventions tailored to the changing needs of a more dynamic and complex labour market. In particular, the transition to a low-carbon, digital future clearly has the potential to dramatically change individual employer and employee skills needs.

This is a challenging agenda that has been set for the ETBs. Ireland, however, is not alone in having to rise to this challenge. The World Economic Forum has articulated the need for states to develop and adopt a more ambitious and comprehensive skills strategy in order to provide future job opportunities for all workers.

> For policy-makers, reskilling and retraining the existing workforce are essential levers to fuel future economic growth, enhance societal resilience in the face of technological change and pave the way for future-ready education systems for the next generation of workers (World Economic Forum 2018:1).

Given the importance of workforce development in the context of the transitions, there may be merit in adopting new and even more ambitious four-year targets in relation to the number of employees engaging in training/learning and the number of employers being supported to upskill their workforce. This will require ETB's having the appropriate resources and capabilities to both accommodate a higher number of participants and also deliver a wider range of customised and tailored courses in a more flexible, learner-centred manner. The Secretariat recognises that moving to this more ambitious policy goal will be subject to the availability of adequate resources.

As indicated in Table 1.1, there is now a stronger network of institutions involved in gathering labour-market intelligence and identifying labour-market needs. Although improving the policy system's capacity to generate, analyse and disseminate labour-market intelligence is important, the key is how this knowledge is used to inform the design and development of appropriate programmes capable of meeting the skills needs of individual workers and employers.

It would appear that the type of labour-market intelligence generated by the various institutions outlined above is influencing positively the design and development of appropriate training provision within the Explore, Springboard+ and Skillnet Ireland programmes. For example, Springboard+ 2019 and Skillnet Ireland are industry-focused and demand-led programmes. In both, enterprises are directly involved in designing programmes to address specific labour-market skills gaps.

Furthermore, upskilling courses are being developed in both of these programmes to address identified skill needs associated with both digitisation and the low-carbon economy respectively. It will be important to continue to develop and design relevant employee training programmes, including those that are industry-led.

Interestingly, engagement with skills policy experts in Ireland reveals that the transitions are likely to give rise to a spectrum of skills activity: from upskilling, to delivering new skills and role training, to developing metaskills (self-management, social intelligence, innovation and imagination). In the construction sector for example, it is envisaged that the future spectrum of skills needs will incorporate four main skillsets; traditional skills and crafts; discipline-specific skills; digital skills, and soft skills.[2] Indeed, workers may need a combination of such skills to enhance their employability in the context of dynamic changes in the labour market and the nature of work. This issue of a spectrum of skills is explored in more detail in the final report.

The policy framework for employee development, *Skills to Advance*, clearly articulates the need to increase the level of further education and training provision for employees, particularly for low-skilled and older employees**.**

The example of Explore, which was designed by the regional skills managers in close collaboration with the ETBs and manufacturing industry representatives, highlights how a flexible, targeted and customised training programme can stimulate engagement by individuals with low levels of formal skills or educational attainment.

It also reveals how this type of initiative can serve as a bridge to participation by such individuals in further training opportunities. The success of Explore in encouraging participation in training by manufacturing workers with limited degrees of digital skills and a low level of formal educational attainment, in conjunction with the feedback from employers that their businesses are also benefiting from this investment, suggests that there are benefits to be gained from adapting and promoting the Explore scheme to other sectors.

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2 Dr Roisin Murphy (TUD), 'Project 2040: Modernising Construction Skills' presentation to the Infrastructure Investment in an Era of Uncertainty Conference, 31 January 2020, Dublin.

1.3 The Value of Skills Audits and Tacit Knowledge

The emergence of a more dynamic and complex labour market reinforces the importance of gathering robust local labour-market intelligence that can be used to inform the responses of the education and training providers in seeking to address local/regional labour-market needs. The experience of transition to date, for example, in the Midlands also reveals how valuable skills audits are in preparing and responding to change (see Box 1.1).

Skills for Growth is a new initiative that was developed by the Department of Education and Skills in partnership with the Regional Skills Fora managers, SOLAS, AIRO – All-Island Research Observatory, Enterprise Ireland, the higher education institutions that are part of the Mid-East North Dublin (MEND) cluster, and the HEA. The aim of this programme is to increase the quality and quantity of data on skills needs both within individual enterprises and at the regional level. Participating companies are provided with a new employee skills audit tool and one-to-one assistance from a Regional Skills Forum manager on how to use it to plan for future workforce development. This tool enables the collection and analysis of more granular data on the skills profile and needs of individual enterprises.

Once particular skill needs have been identified, the Regional Skills Forum manager will link the company with the most appropriate education and training programme to address any skills deficits that were identified. The data from these individual audits can also be aggregated to identify skills needs at the regional level. This provides a foundation for exploring how the education and training system can respond flexibly and effectively to any emerging skills demand in individual regional labour markets. It is planned that, as the project is extended, Further Education and Training providers will also become more involved in the initiative. Enterprise Ireland has developed 'Spotlight on Skills' as part of the Skills for Growth initiative, to assist Enterprise Ireland, Local Enterprise Offices and Údarás na Gaeltachta client companies to identify the skills needed to support the growth of their business. Through a series of focused workshops, Enterprise Ireland aims to deepen its understanding of the specific skills needs of client companies. Following the workshops, Enterprise Ireland, in partnership with regional skills managers and the DES, facilitate participating client companies in engaging with higher education, further education and other training providers in order to assist in meeting their skills requirements.

Box 1.1: Lessons to Date from the Midlands Experience

As part of this research, the Council has looked at the experience of the transition in the Midlands to date. Following engagement with key stakeholders in the region, the following high-level lessons emerged and have informed the Council's recommendations throughout this report:

- Support better employee engagement arrangements that facilitate collaboration, joint problem-solving and conflict avoidance/resolution to identify strategies in response to the transition challenge and to resolve issues between employers and employees at local level.
- Develop arrangements that encourage and facilitate interaction at local level between companies, agencies and other stakeholders, overseen and mandated if necessary by a nominated member of the Transition Team.
- View skills audits as a vital tool and data source for individuals, companies, agencies, communities and regions regardless of whether or not they are vulnerable. Must recognise tacit knowledge/prior learning, and skills beyond 'job titles'.
- Facilitate the sharing of skills demand/availability information in a timely fashion between employers and employees, companies and agencies so that people can make the right choices for themselves and receive the supports that they need.
- Incentivise employers to facilitate vulnerable employees to avail of and attend training, upskilling and development opportunities that may or may not be relevant to their current work with the company.
- Provide 'seed funding' designed to support small companies/groups of workers who wish to avail of the funding that is being made available by government and the EU (e.g. the Climate Action Fund) and who do not necessarily have the time, resources and expertise required for a successful application.
- Fund the preparation of 'non-commercial' proposals and plans by and for vulnerable communities.
- Reward companies that undertake transition strategies early/on a voluntary basis.
- Ensure maximum, targeted impact of transition funding (e.g. social clauses).
- Avoid a one-size-fits-all approach in the design of responses and supports at local level. There will always be local issues to be resolved which will require direct customised responses and supports tailored to meet the needs of individuals, companies, communities and regions.

These various examples suggest that quality skills audits, focused on the needs of workers as well as the needs of firms and sectors, should play an increasingly important part in the State's preparation for and response to the ongoing transitions. The digital and low-carbon transitions are contributing to changes in the jobs and skills landscape and increasing the level of uncertainty and complexity across the labour market. This creates a context whereby making informed choices on reskilling or upskilling opportunities can become more difficult for all workers and for vulnerable employees in particular. Skills audits, as shown above, can serve as effective labour-market intelligence instruments. For employers, they help in identifying skill needs and in planning a workforce development strategy. For service providers, they provides the quality 'intelligence' that can help them develop appropriate national and regional responses to labour-market needs.

Quality skill audits or profiles can also be beneficial for employees who are facing potential job losses. Importantly, quality skills audits can be used to not only identify formal skills gaps but also to recognise and validate an individual's full range of knowledge, skills and competencies, including those acquired through informal learning and work-based experience. Having in place an effective and agreed system of recognising and certifying prior learning can serve to reinforce the robustness of such employee skills audits. By developing a more comprehensive picture of an individual's skillset, service providers are better placed to both identify viable job opportunities and/or propose appropriate upskilling or reskilling interventions.

1.4 Meta-Skills for Transition: Self-management, Social Intelligence, and Innovation

The Education and Training Boards (ETBs) have been identified by the Government as being key to the delivery of its workforce development strategy. As outlined above, the ETBs are just one actor in the broad range of actors involved in delivering programmes for employee skills development. Higher education institutes (HEIs) also have an important role to play in the context of transitions, not just in developing the skills for specific occupations but also in conveying the meta-skills of self-management, social intelligence and innovation that individuals need to be prepared for the changing world of work.

The role of education in Ireland's consideration of transition issues to date has been centred on retraining, upskilling and provision of career advice, when workers find themselves facing changed roles, tasks, location, or even redundancy. Supports and awareness in this area must continue and be enhanced, but there is also an opportunity to consider how the education and training system in Ireland more broadly might play a more proactive role in supporting transition in the decades ahead.

This requires actively engaging the HEIs, both public and private, in identifying and providing mechanisms for delivery of critical skills for transition. A paper prepared for the Scottish Just Transition Commission highlights the need to look beyond upskilling in preparing society for transition. It points to the growing need and demand for meta-skills in particular, in preparing for an increasingly digitised economy. These meta-skills include three broad types of skills: self-management, social intelligence, and innovation. The National Endowment for Science, Technology and Arts (NESTA) argues that there will be an increasing demand for:

- interpersonal skills: social perceptiveness and coordination, and negotiation skills;
- higher-order cognitive skills: originality, fluency of ideas and active learning; and
- systems skills: judgement and decision-making, systems analysis and evaluation.

These skills, previously identified in other reports as soft skills, are increasingly emphasised across many education offerings. In considering these skills more deeply, the Scottish Just Transition Commission notes the challenges in creating the mechanisms to effectively generate these skillsets. It suggests that the optimum mechanism is likely to be a blend of work-based and academic learning. Its report recognises that creating effective mechanisms for delivery poses major challenges for the education and skills system, given the likely scale of demand.

Discussion about the place of these skills in the Irish education and training system has been ongoing. Recent developments in the lower secondary phase and current debates about primary education and senior cycle reflect, to differing degrees, an emphasis on at least some of these kinds of skills. Ireland is committed to such skills development but the approach can appear piecemeal at present. In this context, there appears to be an opportunity for the policy system to more directly engage with the higher education sector to identify how it can further develop its role in skillset development linked to the low-carbon and digital transitions. This could include:

- inviting relevant departments and agencies with responsibilities in the area of skills development (e.g. the National Council for Curriculum and Assessment, SOLAS, and the HEA) to report on developments in relation to supporting Ireland's transition to a low-carbon and digital future;
- mapping how meta-skills (self-management, social intelligence and innovation) have been reflected in and supported by recent developments across the higher education system; and
- collecting case studies of evidence of impact, where learners of any age in HEIs have been taught and been required to demonstrate competence in any of these meta-skills.

1.5 Resilience in Transition: Lifelong Learning, Information-Sharing and Career Advice Services

The pace, scale and nature of changes in the labour market suggests that participating in upskilling and/or reskilling will not simply be a one-off endeavour for a specific cohort of affected workers. There will be an imperative to make lifelong learning a reality for all workers over the course of their careers (OECD, 2019d). Indeed, the World Economic Forum has calculated that workers, on average, will need an extra 101 days' training to meet the demands of the changing labour market.

One of the targets in the *National Skill Strategy 2025* is to increase to 10 per cent the number of people aged 25-64 engaged in lifelong learning by 2020, and to 15 per cent by 2025. As a result of increased investment in education and training, Ireland had achieved a rate of 13 per cent by Q4 2018. Individuals with low levels of formal qualification are the least likely to participate in lifelong learning, while engagement also decreases with age (Solas, 2019a). In contrast, more than two-thirds (69 per cent) of lifelong learning participants held third-level qualifications. These trends on less participation in training and lifelong learning activities by older workers and those with lower educational attainment reflect international trends (CEDEFOP, 2015).

The potential impact of automation will be disproportionately felt by those with the lowest level of educational attainment. Solas (2019b) has also suggested that older workers (50-59) are the group that are potentially most in need of upskilling in order to adapt to the changing world of work. This primarily reflects the comparatively low level of educational attainment in this cohort of the workforce, as 42 per cent of such employees – equivalent to 176,000 individuals – have a highest educational attainment of upper secondary or less. In terms of occupations, lifelong learning rates are highest for those working in high-skilled occupations (professionals and associated professionals) or high-skilled sectors. In contrast, sales, operative and elementary occupations accounted for only 14 per cent of employed participants in lifelong learning (Solas, 2019a). These occupations are, however, among the most at risk to job loss or substantial changes in skills needs arising from automation (Doyle & Jacobs, 2018). These trends highlight the need to explore ways of increasing participation in lifelong learning by those cohorts of workers who are currently under-represented in such activity.

A final consideration in relation to resilience and lifelong learning is the role of a 'shared response'. This is an interesting characteristic of the Swedish Job Security Councils, which have a long-standing focus on smoothing economic restructuring (Box 1.2). The approach provides supports and advice to all the stakeholders in a redundancy situation: employees, employers and trade unions. The prospect of multiple redundancies is viewed as a shared problem that requires a 'shared response' based on openness and transparency, and a willingness to work together. Although much of the attention tends to focus on the capacity of Job Security Councils to secure alternative employment for workers, the continued involvement of employers in this process indicates that they too find it beneficial.

Box 1.2: Swedish Job Security Councils

Swedish Job Security Councils are social partner-led market institutions that aim to facilitate relatively smooth economic restructuring while fostering a more dynamic, resilient and inclusive labour market. Established by a negotiated collective agreement, the councils operate as legally constituted foundations. In 2006, it was estimated that approx. two million employees were covered by 10 job security agreements. The TRR foundation (TRR Trygghetsradet) is the oldest and best-known council, having been involved in managing economic restructuring since the mid-1970s.

Based on collective agreement between the Confederation of Swedish Enterprise and the PTK,[3] TRR offers services to employers, trade unions and employees. Employers are provided with advice on how to handle proposed restructuring while trade union officials receive training on how to deal with dismissals and associated industrial relations issues.

The most important role of the TRR, however, is to provide labour-market services to employees, in particular those whose job is vulnerable to economic transition. If an employee fulfils certain qualification criteria, the TRR provides a compensatory payment that tops up the voluntary state unemployment insurance. The TRR also has a large team of professional advisors and counsellors who work with vulnerable employees. This usually involves assessing the individual's skills and experience, providing one-to-one guidance counselling, and developing a tailored plan of action to enable the individual secure new employment.

The TRR guidance counsellors often use their network of connected companies in their sector to secure employment for dismissed workers. Individuals who wish to start their own business can also avail of entrepreneurial advice, training and financial supports.

[3] PTK is a joint organisation comprising 26 trade union federations representing private-sector white-collar employees.

The TRR estimates that, within eight to ten months, 90 per cent of their clients will have secured alternative employment of equivalent or improved status. The capacity of professional guidance counsellors to provide labour-market supports that are tailored to individual employee needs is considered a key strength of the Job Security Councils.

This is further reinforced by the fact that councils such as TRR intervene very early in the restructuring process so that individuals are availing of individualised guidance and supports before they actually lose their job. Indeed, the TRR provides an anticipatory labour-market service for all employees in companies facing potential future redundancies.

Job Security Councils are an integral feature of the labour-market landscape rather than just emerging in response to a crisis. This affords them the opportunity to invest in developing their professional capabilities, foster strong sectoral networks and deepen their level of labour-market intelligence. The councils' ongoing activities are underpinned by a robust and sustainable funding model based on an employer membership fee. It is important to recognise that the evolution and effectiveness of the Job Security Councils has been influenced by the particular character of Swedish industrial relations and employment legislation.

The need to incentivise employers to facilitate vulnerable employees to avail of and attend training, upskilling and development opportunities, which may or may not be relevant to their current work with the company, also emerged as a lesson from the Council's examination of the Midlands (see Box 1.1). A further lesson was the need to facilitate the sharing of skills demand and availability information in a timely fashion between employers and employees, companies and agencies so that people can make the right choices for themselves and receive the supports they need.

While Ireland performs above the EU average in high-level digital skills, the average digital skills of people are low: only 48 per cent have at least basic digital skills, well below the EU average of 57 per cent (European Commission, 2019a). Ireland's performance in digital skills is also well behind the better-performing states – 85 per cent in Luxembourg and 75 per cent in the Netherlands have at least basic digital skills (*ibid.*). In this context, it is also not surprising that the proportion of internet users is also below the EU average (*ibid.*) Addressing this 'digital gap' will not be easy and will require structured engagement with industry, the trade unions and other stakeholders in seeking to identify how best to respond to this policy challenge as part of our wider National Digital Strategy.

Work by the OECD also notes the importance of providing one-to-one advice and tailored supports that reflect an individual's skills, circumstances and employment ambitions (OECD, 2019a, 2019d). Providing vulnerable employees with quality and customised guidance would assist them in making more informed choices about potential upskilling and/or reskilling opportunities. It would also enhance their lifelong learning and capacity to navigate an increasingly complex labour market (Government of Ireland, 2019a). Personalised guidance and counselling can also address the motivational or behavioural issues that can prevent low-skilled employees from engaging in sponsored training opportunities (World Economic Forum, 2018). The example of the Swedish Job Security Councils also highlights how early intervention in the restructuring process and the provision of high-quality guidance and supports tailored to individual needs can be key to enhancing the future employability of workers vulnerable to economic transition.

Further, the need for better employee engagement arrangements that facilitate collaboration, joint problem-solving, mediation, and conflict avoidance/resolution to identify strategies in response to the transition challenge and to resolve issues between employers and employees at local level, was also a key lessons emerging from the Council's examination of experience in the Midlands.

1.6 Steps to Further Improve the Worker Development Offering

The provision of individual guidance and advice is an integral part of the activation supports that Intreo offices provide to unemployed jobseekers. Unemployed jobseekers may also avail of advice, support and guidance from other organisations such as the Local Employment Service, JobPath, Job Clubs and ETBs. At present vulnerable employees cannot avail of these types of services until they actually lose their job.

This highlights the importance, in the first instance, of implementing the commitment in the *Future Jobs Ireland* strategy to extend the career advice service provided through the Public Employment Service to those currently in employment who may be vulnerable due to technological and other changes.

Although this is a welcome development, the increased complexity and uncertainty in the labour market suggests that there is merit in exploring how to build up a flexible network of labour-market intermediaries that would provide quality guidance and counselling to vulnerable enterprises and workers. It is interesting to note that both the LEOs and Enterprise Ireland have invested in developing panels of experienced business mentors who can provide one-to-one or group-based advice and expertise to firms at different stages of their life cycle. The Council believes that similar panels of labour-market/employment mentors should be available to employees facing unemployment as a result of the transition to a low-carbon, digital future.

There already exists in the labour market a strong network of business groups, professional representative bodies and trade unions. This suggests there may be an opportunity to tap into the collective knowledge of such groups in providing additional expertise and guidance that can enhance the employability of vulnerable employees.

The combination of extending the full range of state-supported guidance and advice services to vulnerable workers in the low-carbon or digital transitions and establishing regional networks of labour-market intermediaries to provide quality one-to-one coaching and mentoring would improve the current level of services to those who may be vulnerable to unemployment in the near future. These types of actions highlight the potential, particularly in the context of near-full employment, of reconfiguring the focus of the Public Employment Service by expanding its reach and associated suite of supports so that it can meet the challenges associated with a changing economy and a more dynamic and uncertain labour market. The increased collaboration with other state agencies, as well as the types of labour-market interventions that it is undertaking in locations such as the Midlands, indicate the potential benefits that can be gained from investing in and developing a robust public employment service that supports the wider workforce and not just those who are registered as unemployed.

In addition, the OECD (OECD, 2019d, 2019a) highlights that training needs vary according to the previous experience of workers and the sector where they are seeking employment. This difference, they contend, points to the need to carefully identify potential 'destination' sectors in designing training programmes. In the Midlands, the ETBs and the Intreo Office have been jointly undertaking on-the-site skills audits in two locations where employees are facing transition-related redundancies. A key aim of this activity is to develop bespoke training courses for destination employment sectors in the low-carbon economy. Drawing on this work, the ETBs are currently developing bespoke courses for the nearly zero-energy building standard and the deep-retrofit programme. The Secretariat considers that a concerted focus on identifying potential destination routes should be a central element of the design of interventions and training programmes for vulnerable workers.

Finally, despite the increased focus on, and investment in, workforce development, there is a sense that there is still a lack of awareness among employers and employees of the level and range of support that is available from the State. It is interesting to note that a national promotional campaign was undertaken in 2019 to create a national identity around *Skills to Advance* and to raise awareness of this new strategy. Individual HEIs also actively promote their Springboard+ courses across various media formats, as does Skillnet Ireland in relation to their upskilling and reskilling courses. Despite this, the feedback from key actors is that many SME managers and their workforces have a relatively limited awareness of the types of training supports they can access. A fund to raise awareness of lifelong learning opportunities was a part of the recent Danish Tripartite Agreement on adult and continuing training. In this context, there appears to be merit in establishing a multi-stakeholder working group to explore and develop ways to enhance awareness of the upskilling and reskilling opportunities available and help to address current information gaps.

In closing, the Secretariat contends that taking action to improve the quality, accessibility and appropriateness of the workforce training and development is pivotal in seeking to prepare for and address, in an inclusive manner, the complex and uncertain labour-market changes associated with the low-carbon and digital transitions. It is important, however, that individuals see participation in upskilling and reskilling initiatives as a tangible and viable pathway to future employment in a good job.

A lack of alternative good-quality employment opportunities will undermine an individual's willingness to undertake training. It will also reduce the potential economic return from the State's considerable investment in upskilling and reskilling activities. This highlights the need for government policy to continue to focus on achieving balanced and sustainable regional economic development as part of the broader transition process.

Chapter 2
Building Resilient Enterprises: Viable but Vulnerable

2.1 Introduction

The second driver identified by the Secretariat is the building of more resilient enterprises. This 'driver' focuses on the supports for enterprises and sectors faced with challenges arising from the move to a low-carbon economy, sustainable business models and new technologies.

The Government has recently published a comprehensive SME and Entrepreneurship Policy Review that was undertaken by the OECD over an 18-month period (OECD, 2019e). The focus of this review was to identify policies and strategies to improve Irish SME productivity levels, resilience and the potential for growth and internationalisation. The Secretariat's analysis, as outlined in this section, therefore seeks to build on this international review by seeking to identify practical enterprise development supports and actions that would assist vulnerable enterprises and sectors to both address the challenges and embrace the opportunities associated with the transition to a low-carbon digital future.

The concept of resilience has been central to national enterprise policy since the publication of *Enterprise 2025 Renewed* (Government of Ireland, 2018d). Ireland has a well-established architecture for supporting enterprise and management development, including support for research, innovation and adoption of new technology. These enterprise supports are, with good reason, focused on growth potential and job creation. This has delivered considerable benefits for the State and its citizens. The challenge in the context of the transition to a low-carbon digital future is how to provide effective support for viable but vulnerable enterprises; for example, how to support vulnerable firms to maintain employment in a context where job roles and associated task content are changing.

The Secretariat argues that a key element of the State's response to transition should be the extension of enterprise supports beyond high-potential, scaling or exporting firms to vulnerable but viable firms, to support market and job retention. These issues are expanded further in the following six sections:

- The institutional set-up for supporting vulnerable enterprises
- Providing enterprise development supports to vulnerable firms
- Lessons from Brexit preparations

- Building on the OECD review of SME policy
- Ensuring an increased focus on the transition to a low-carbon economy
- Supporting early movers

2.2 The Institutional Set-up for Supporting Vulnerable Enterprises

The recently completed review by the OECD of SME and Entrepreneurship policy in Ireland concluded that there is a well-established policy and institutional architecture for supporting enterprise development, including support for research, innovation and the adoption of new technology. The National Development Plan (Government of Ireland, 2018a) makes provision for the funding of a wide range of business enterprise and innovation programmes by Enterprise Ireland, IDA Ireland, Science Foundation Ireland, the Local Enterprise Offices and InterTradeIreland. For the five-year period to 2022, the NDP sets out an indicative allocation of €3.16bn of capital investment by the Department of Business, Enterprise and Innovation.

It is estimated that there are currently approx. 170 government business and advisory supports available for indigenous enterprises in Ireland (Government of Ireland, 2019c). This includes information-sharing and awareness-raising; advisory and mentoring services; financial support; training; research activity, and regional development initiatives. These supports are administered and delivered by a network of 37 state bodies, comprised of enterprise development agencies, government departments, local authorities, sector-specific state/national bodies; local development companies; state-sponsored financial institutions, a cross-border trade agency, and business innovation centres and accelerator programmes.[4]

The range of organisations involved in delivering enterprise development supports confirms the strong cross-governmental approach to enterprise policy (OECD, 2019c). In this network, the two main actors with regard to developing the indigenous business sector — micro-enterprises, small and medium enterprises, and larger companies — are the Local Enterprise Offices (LEOs) and Enterprise Ireland (EI). The activities and associated enterprise supports delivered by these two enterprise development agencies are also potentially the most relevant to the topic under consideration in this report, namely supporting enterprises and sectors that are vulnerable to the low-carbon and digital transitions.

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[4] In this number, local authorities and local development companies are categorised as single groupings.

For these reasons, this report focuses on the enterprise supports provided by both of these state agencies, though reference is made where appropriate to supports provided by other bodies. (See Appendix 2 for more on the operation of these two agencies.)

2.3 Providing Enterprise Development Supports to Vulnerable Firms

Ireland has been shown to have a well-established and comprehensive suite of business development supports. The activities and market interventions of EI and the LEOs are very much focused on companies with growth potential and the capacity to generate additional employment, primarily by building their export capacity. There is a clear strategic focus on supporting export-orientated enterprises in the international services and manufacturing sectors. The suite of activities and interventions designed to support the building of firm-level organisational capabilities and capacities are very much associated with (potentially) dynamic, competitive and innovative firms. This concerted focus on export-orientated, high-growth-potential or scaling firms is also evident in the investment profile of EI's various risk and development capital schemes.

As a small open economy, it is vital that Ireland continue to develop a robust export-orientated indigenous SME sector as this is a key driver of sustainable economic and employment growth. The importance of this approach is highlighted by the fact that in 2018 the number of people employed by Enterprise Ireland-supported companies increased by 4.4 per cent to 215,207, the highest ever-recorded figure in the 20-year history of this agency. Approx. 64 per cent of this total employment figure was in companies located in regions outside of Dublin. It should be noted that this record figure, although substantial, accounted for just 9.5 per cent of total employment in Ireland at the end of Q4 2018. The OECD (2019) noted that, although there is a comprehensive and solid set of programmes for SMEs and entrepreneurs, there is a danger of some traditional SMEs falling between the LEOs' focus on micro-enterprises and EI's targeting of firms with export and growth potential.

More specifically, a continued focus solely on high-potential, scaling or exporting firms will probably ensure that the State's development agencies will not be best placed to support those firms that are viable but vulnerable to the challenges associated with the low-carbon and digital transitions. This could include firms that operate in the domestic market and are not intending to export and/or enterprises that need support in order to maintain their market presence and employment levels rather than necessarily growing either.

To an extent, this will require the State's network of agencies moving from an emphasis on identifying and championing winners, to a situation whereby, in the context of the difficult transition to a low-carbon, digital future, they are also able to provide enterprise developmental supports to viable but vulnerable firms across the whole SME sector.

Interestingly, there are examples of state schemes that have been used to assist viable but vulnerable firms, and in particular support the maintenance of their employment levels. The Enterprise Stabilisation Fund (ESF) was introduced in 2009 to assist vulnerable but viable internationally trading companies to survive the economic downturn. The overarching objective of the ESF, which was managed by Enterprise Ireland, was to retain jobs and ensure the continued survival and growth of companies. By the time of its closure in 2015, the fund had supported 9,500 jobs, and the majority of the companies that were assisted are still trading. The establishment of the ESF meant an additional focus for EI – albeit a temporary one – in terms of supporting job growth and directly investing in protecting viable but vulnerable firms.

A second example of a scheme designed to support employment retention in viable but 'temporarily' vulnerable firms is the DEASP's Short-Time Work Support Scheme (STWSS). Generally, one of the primary conditions for accessing Jobseeker's Benefit (JB) is that an individual must be unemployed. However, in instances where an employer has temporarily reduced the working hours of an employee who normally works full-time, it may be possible for the employee to access JB under the STWSS provided they meet the other conditions that apply to JB; for example, they cannot work more than three days per week. The STWSS is a temporary support; if the reduction of working hours persists for an extended period, the DEASP will reassess an individual's claim to see if a return to full-time work is likely or if the individual should be reassessed as a part-time worker. This scheme was widely used during the deep-seated recession post-2008. With the return to strong economic and employment growth, there has been less recourse to the STWSS. Indeed, it appears that, in general, employers, trade unions and State agencies lack awareness of how the STWSS can be an effective tool for job retention by proving financial support to workers facing reduced working arrangements.

As noted above, the management of the ESF involved EI adding a focus on job retention or protection to job growth for a particular cohort of firms, albeit during a period of unprecedented economic malaise. Interestingly, in EI's *Strategy 2017-20* (Enterprise Ireland, 2017) there was a recognition of the need in the context of Brexit to assist client firms to maintain and embed their market position in the UK. The EI Brexit Unit was charged with leading a coordinated cross-agency response to Brexit, including the development of targeted client supports. This structured response combined both the further development and expansion of existing supports such as the LEAN programmes with new initiatives such as a new UK Market Development Plan, a new UK Communications Programme and the implementation of an innovation toolkit. There was also recognition of the need to introduce tailored sector-by-sector and one-to-one firm engagements. This range of activities demonstrated EI's capacity to customise and tailor its services in response to a potential external shock. The transitions to a low-carbon and digital economy are also structural shocks that may have a substantial impact on the SME sector.

This suggests that the enterprise agencies should consider developing a tailored and structured response to address the potential impact of the transition to a low-carbon, digital future. Enterprise Ireland will be developing its Corporate Strategy for 2021-2025 during 2020. It is the Secretariat's view that this should be informed by the challenges for enterprise to transition to a low-carbon and digital future, consistent with the policy priorities identified in *Future Jobs Ireland,* the OECD SME review and the *Climate Action Plan* 2019.

Further, the Local Enterprise Offices are committed to supporting the implementation of initiatives that will deliver on government policy priorities as outlined in *Future Jobs Ireland*, *Project Ireland 2040* and *Enterprise 2025 Renewed*. It is recognised that achieving this objective will require an enhanced focus on developing programmes that will support businesses to become more competitive and productive through embracing digitalisation and transitioning to a low-carbon and climate-resilient society. The LEO programmes to date have had a rather limited focus on the low-carbon agenda. There is also, clearly, scope for them to enhance their digital offering.

The recently introduced pilot 'Productivity Challenge' initiative for domestically focused firms appears to offer a number of learnings for the future development of programmes designed to address the low-carbon and digital transitions. First, the decision by the LEOs to extend the eligibility for this particular financial support to domestically focused small businesses – rather than just micro-enterprises with growth and export potential – has enabled the LEOs to engage with a broader cohort of indigenous enterprises.

Secondly, the targeted nature of this programme has highlighted the practical benefits to small businesses of investing in productivity improvements. Thirdly, although some firms will not secure a 'productivity' voucher, as the number of applications already exceeds the number available, there is a commitment to engage with this cohort of applicants to see what other services or supports the LEOs can provide to them. This is an opportunity for the LEO network to raise awareness in the small business sector about the range of enterprise supports and services that are available to businesses beyond this particular scheme, including those provided by other state bodies. The level of the response to this initiative highlights the demand for enterprise development supports, particularly when they are designed to address a tangible and practical challenge in firms – in this case, improving productivity and operational efficiencies. Finally, there is scope to examine if the competitive funding model that was used for this scheme could be replicated in the future to support SMEs to address other productivity/competitiveness challenges.

2.4 Lessons from Brexit Preparations

The potential impact of Brexit on economic activity and future trading relationships with the UK is a major issue for the indigenous SME sector. In response to this challenge, the LEOs, EI, InterTrade Ireland and DEASP have developed a range of supports designed to increase business resilience and to assist SMEs in taking action to more effectively mitigate the risks and avail of the opportunities that Brexit poses.

In September 2018, the Government launched its *Getting Ireland Brexit Ready* public information and outreach campaign. As part of this campaign, events hosted throughout the country brought together a range of agencies and their parent departments – Department of Business, Enterprise & Innovation (DBEI), Department of Agriculture, Food & the Marine (DAFM), Department of Transport, Tourism & Sport (DTTAS) – to provide information and advice to both businesses and individuals. Additionally, DBEI published a *Quick Brexit Guide for Business: Customs, tariffs and duties, currency, imports, certification, working capital and financing*, which was distributed to the LEOs network, EI's regional offices and Udarás na Gaeltachta.

The LEOs, working in partnership with EI, the local authorities and other state agencies, have developed a range of supports, including mentoring, workshops, diagnostic tools and financial incentives to assist micro-enterprises and small businesses in preparing for the potential impacts of Brexit. As part of this activity, they have tailored their mentoring service to address Brexit-specific business challenges – the Brexit Mentor Programme – and sought to deliver more targeted training. The LEOs have also used Brexit as an opportunity to expand their footprint beyond their normal client base. The new Customs Workshops, which cover issues such as import and export procedures, how tariffs work and how to correctly classify goods, are accessible to businesses from all sectors.

Additionally, the LEOs have identified a number of their existing programmes, in particular the TAME Grant and the Trading Online Voucher, as ways in which firms can better respond to the changes in the trading relationship with the UK, given their focus on enhancing export capacity and online presence, respectively. The Technical Assistance for Micro-Exporters (TAME) Grant, which provides an incentive for LEO clients to explore and develop new export market opportunities, was actively promoted among clients with high exposure to the risk of Brexit.

Enterprise Ireland, as part of its Strategy 2017-20, put in a place a structured programme of measures in response to the Brexit crisis and, importantly, has continued to build on an initial coordinated programme. For example, it has sought to improve business's awareness and understanding of the challenges associated with Brexit by establishing the *Prepare for Brexit* online portal and communications campaign, as well as the online *Brexit SME Scorecard* to help indigenous enterprises self-assess their exposure to Brexit. In addition, it developed an online *Customs*

Insight course to provide advice to business on the actions they can take and the various supports available to them.

Further, as part of its focus on encouraging enterprises to be proactive in preparing for Brexit, Enterprise Ireland initiated a series of *Brexit Advisory Clinics*. The purpose of these events was to encourage companies to develop their capabilities in three operational areas: strategic sourcing, financial and currency management, and customs, transport and logistics. Recognising that the impacts of an external shock can have differential impacts on individual companies, Enterprise Ireland has sought to deliver an increased number of company-specific interventions that can include one-to-one consultancy engagements for Brexit contingency planning, training, innovation, competitiveness and diversification of financial supports. EI has also put in place the following Brexit-related financial support schemes:

- the Act-On Initiative: a programme focused on financial and currency management, strategic sourcing, customs and logistics; and

- the Be-Prepared Grant, to support firms in accessing research and external expertise to examine their exposure to Brexit and explore ways of addressing this risk.

In addition, EI has used the engagement with companies on the issue of Brexit to raise awareness of its overall suite of business support offerings and to highlight how improvements in innovation, export capacity, managerial capacity and productivity could assist firms to build their resilience in the face of future changes in trading relationships. In particular, new schemes such as the Operational Excellence Package, the Agile Innovation Fund, the Online Retail Scheme and the Market Discovery Fund – all of which have application beyond the issue of the Brexit – were promoted as financial supports that could assist firms in planning for future changes associated with the UK leaving the European Union. Over the course of 2018, Enterprise Ireland approved funding of €74m for 535 of its most Brexit-exposed clients.[5]

Finally, the cross-border trade and business development body InterTrade Ireland, jointly funded by the Department of Business, Enterprise and Innovation (DBEI) and the Department for the Economy in Northern Ireland, launched its Brexit Advisory Service in 2017. In 2019 DBEI provided an additional €1m to support this Brexit Advisory Service, which now incorporates financial supports, online learning tools and resources, information and awareness-raising events and a focused research programme.[6]

5 https://dbei.gov.ie/en/News-And-Events/Department-News/2019/January/09012019.html

6 https://intertradeireland.com/brexit/

Preparing for Brexit has involved activity by institutions beyond the enterprise development agencies. Building on the ongoing work of the Brexit Liaison Group, a series of Brexit-focused inter-agency collaboration and scenario-planning events were organised by DEASP with the objective of clarifying the role of each agency in the event of a localised 'employment shock' post-Brexit. These events were attended by relevant government departments, state agencies and enterprise development bodies. On each occasion, an inter-agency meeting was followed by a scenario-planning session in which a number of scenarios were discussed in order to test the response to localised employment shocks of the Public Employment Service, enterprise agencies and associated ETBs.

The modelling of different scenarios enabled the development of a roadmap that could be followed by the various agencies if a similar event occurs due to Brexit. The key learnings and planned outcomes from these inter-agency Brexit planning events to date are:

- Early intervention is key. A strong flow of timely, quality information and communication between government departments and state agencies will be crucial to enhancing the State's preparedness for a no-deal exit.

- An inter-agency group in each region is to be established and will meet weekly, once it becomes clear that employers are making staff redundant or are laying off staff temporarily.

- There is a need to increase awareness of the in-work supports that may be available to firms and workers affected by Brexit, particularly the Short-Time Work Support Scheme (STWSS) provided by DEASP.

- The Government is planning to lead a communications campaign to create awareness among vulnerable firms and workers of the state-sponsored in-work income and training support measures that may be available to them.

Importantly, participation in these various inter-agency collaboration and planning events has served to deepen the working relationship between the relevant state actors.

Skillnet Ireland has also developed a Clear Customs initiative, which offers immediate and free customs training to customs intermediaries and to firms that frequently trade with or through the UK. Participating companies can avail of a payment of up to €6,000 per employee who completes the training to invest in staffing and other eligible customs compliance costs (to a maximum of 10 employees per business).

Collectively, EI, the LEOs, DEASP, InterTrade Ireland and Skillnet Ireland have put in place a range of developmental supports designed to assist the SME sector to address the potential impact of Brexit. Although Brexit continues to be characterised by considerable complexity and uncertainty, there has been a clear emphasis on encouraging firms to adopt a more proactive approach and to plan and take action that will enhance their resilience and organisational capabilities.

Providing information, awareness-raising, financial assistance and direct engagement with firms have been a key feature of this response, including reaching out to enterprises that would not normally be on the radar of the development agencies. A number of Brexit-specific development supports have been introduced, while certain existing supports have been tailored to make them more Brexit-relevant.

Interestingly, both EI and the LEOs have also used engagement around Brexit to highlight to firms that their existing ranges of schemes, designed to build innovation and exporting capacity, increase productivity and improve managerial capabilities, can assist firms to increase their business resilience and support them in taking action to more effectively mitigate the risks that Brexit poses. Indeed, arguably Brexit has made taking action in these key business development areas even more relevant for many SMEs.

State bodies – be they departments or agencies – have also had to invest in building their own organisational capabilities and skills. A final characteristic of this focus on preparing for Brexit has been the increased interagency collaboration and cooperation in seeking to provide a flexible, effective and efficient response to the multi-faceted challenges of this major external structural shock.

The experience of preparing for Brexit indicates there is potential benefit in examining how the policy architecture, the associated suite of supports and the increased level of inter-agency collaboration that were established to address this issue could be adapted to assist firms in engaging with the challenges and opportunities associated with low-carbon and digital transitions.

In seeking to encourage enterprises to proactively engage with and plan for Brexit, state agencies had to concretise the potential impact of Brexit into a set of tangible issues that made sense for businesses. Since the UK voted to leave the EU in June 2016, Brexit has been a ‘moving target’, and at times it can be hard to identify the actual implications of this decision for trading relationships, never mind day-to-day firm operations, amidst the intensive, protracted and highly politicised discussions on what type of Brexit will emerge and what will it mean for future economic activity and trade. By setting out a concrete set of issues and exploring how changes to these will potentially affect businesses, the various state bodies were able to engage more directly with companies on issues that were relevant and important to them. DBEI’s publication *The Firm-Level Impact of Brexit on Most Exposed Sectors*, and the 20 impact assessment factors therein, provide an instructive example (Government of Ireland, 2018b: 7).

One of the challenges in encouraging firms to engage with the low-carbon and digital transitions is that they can be perceived as somewhat abstract, uncertain and distant issues that are not necessarily associated with their current business operations and challenges.

This highlights the need to concretise the likely impact of these transitions in terms of how they might affect a firm's business strategy, business model, trading relationships and operational processes.

2.5 Building on the OECD Review of SME Policy

As highlighted earlier in this report, the OECD has recently completed a comprehensive review of SME and entrepreneurship policy in Ireland. The OECD conclusions were generally favourable in terms of recognising the whole-of-government approach to enterprise strategy, the emphasis on evaluation and monitoring, and the existence of a well-established policy and institutional architecture for supporting enterprise development, including support for research, innovation and the adoption of new technology.

At the same time, the report identified a number of challenges for policy, including increasing productivity growth, scaling up micro-enterprises and generating more medium-sized firms, increasing SME internationalisation and increasing the business start-up rate and business dynamism. This report also sets out a broad range of detailed policy recommendations designed to strengthen the SME and entrepreneurship policy framework. Building on this review and also drawing on discussions with key Irish stakeholders, the OECD has also published *'A Road Map for SME and Entrepreneurship Policy in Ireland'* (OECD, 2019c). The aim of this road map is to highlight and further develop priority recommendations, as identified by the OECD's country review, focusing on those recommendations that are expected to have the most scope for actionable policy and the greatest potential benefits. The breadth of the OECD's overall recommendations and those that they prioritised in the road map go beyond the remit of this report. However, the Secretariat considers that some of the recommendations, with some modifications, could enhance how enterprise policy supports firms that are vulnerable to the low-carbon or digital transitions. The remainder of this section outlines these recommendations and the suggested amendments to them.

2.5.1 A Unified National SME and Entrepreneurship Strategy

Ireland's national enterprise policy framework covering all sectors of the economy and all enterprises (indigenous and foreign-owned) is contained in *Enterprise 2025 Renewed* (Government of Ireland, 2018d). *Project Ireland 2040*, which incorporates the *National Planning Framework* (Government of Ireland, 2018c) and the *National Development Plan* 2018-27 (Government of Ireland, 2018a), emphasises the need to develop a strong local enterprise economy. Other policy documents that include policy commitments with regard to SMEs and entrepreneurship include the *Future Jobs Ireland* strategy; *Innovation 2020*; the *National Skills Strategy 2025*, and the *National Policy Statement on Entrepreneurship in Ireland*.

Although the OECD recognises that Ireland has in place effective arrangements for co-ordinating SME and entrepreneurship policies across government, it argues that the lack of a unified SME and entrepreneurship policy document is a potential weakness. It contends that the advantage of developing such a unified strategy is that it would clearly highlight in one place the full range of supports provided to SMEs and entrepreneurs, in addition to the related policy objectives, budgets, activities and targets.

A single overarching policy framework for SMEs and entrepreneurs would also serve as a guide for future policy development, implementation and monitoring, and help build a greater evidence-base of effectiveness.

Realising the potential benefits of such a unified policy document would in our opinion require that it clearly articulate the need to provide appropriate support to enterprises dealing with the challenges of the low-carbon and digital transitions. These are two of the major structural challenges facing the SME sector over the coming decade. Therefore, it is essential that these be clearly reflected in the objectives, activities, targets and budgetary commitments contained in any unified policy document. A strong articulation in the overarching strategy of the need to support enterprises dealing with the transition to a low-carbon, digital future could more effectively embed these issues in the broader range of national strategies and policies for the SME sector.

As highlighted earlier, there is in Irish enterprise policy a concerted emphasis on increasing the number of SMEs involved in exporting, scaling up exporting firms and encouraging market internationalisation. It is important that this focus be maintained, particularly in the context of Brexit.

Although there are in place a range of export development and internationalisation programmes to assist SMEs to overcome market barriers, the OECD's review argues that there is a need to scale up existing initiatives, including the Trading Online Voucher Programme, Enterprise Ireland's Exporter Development Department, and InterTrade Ireland's grant schemes.

As indicated earlier, both EI and the LEOs have used the increased engagement with firms around Brexit to highlight how increasing their export capabilities, including internationalising, is an appropriate and viable response to the challenges posed by this external shock. Similarly, there is a strong rationale for investing in building a firm's export capability as a strategy for addressing potential future vulnerabilities associated with the low-carbon and digital transitions. Increasing the level of SME involvement in exporting will require not only scaling up initiatives but also developing tailored and targeted support for potentially vulnerable firms. There also appears to be merit in initiating a comprehensive communications campaign designed to highlight both the range of supports available and the benefits of strengthening firm-level capabilities for exporting. This latter action is particularly relevant if the network of development agencies are seeking to expand their footprint in the broader SME sector, as this will require engaging with firms that are not normally on their radar.

2.5.2 Supporting Digitisation in SMEs

Given the expected increase in the digitisation of the economy, the comparatively low rates of digital technology adoption among indigenous SMEs is problematic. For example, in 2015 Ireland ranked only 22nd among 30 mainly OECD countries in terms of using Enterprise Resource Planning (ERP) and had the second lowest density of industrial robots in the EU-15 (excluding Luxembourg) in 2017 (OECD, 2018). There is also a lack of awareness among SME managers of digital opportunities and their benefits, as well as barriers to accessing traditional bank finance for technological projects.[7] These trends suggest that a considerable section of the indigenous sector could be vulnerable to the impacts of digitisation. Although there is at present a strong package of support for research-driven innovation, the OECD suggests that there may actually be insufficient support for basic management and organisational innovation in low-productivity SMEs, including basic technological upgrading such as the digitisation of production.

Currently both the LEOs and EI offer a range of supports designed to enhance micro-enterprises and SMEs' digital usage.

- Under the Lean for Micro initiative offered by the LEOs, small businesses are supported to develop continuous improvement projects that can include implementation of digitisation projects.

- The LEOs administer the Trading Online Voucher Scheme, which assists companies to develop their online presence or digital marketing strategy.

- The LEOs have introduced a number of training courses linked to digital technologies (e.g. digital marketing and social media boot camps) in addition to an online learning platform for the food sector.

LEO client companies are also eligible to apply for certain EI-administered funds such as the Innovation Vouchers and the Agile Innovation Fund. Under EI's Operational Excellence offer, eligible companies can access funding for a digital

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[7] See European Investment Bank (2018), 'Investigation into Development of Financial Models for the Digitalisation of SMEs', Luxembourg (forthcoming), cited in OECD (2019e).

transformation project/strategy, including support for investment in new equipment, software development and training of management and staff. EI's Business Process Improvement Grant can provide support to clients to plan and implement strategic e-marketing projects, strengthening their capacity to undertake business online.

EI's Internet Marketing Unit provides strategic guidance, training events and funding support to assist client companies to exploit the potential of the internet. Finally, EI manages the Online Retail Scheme through which eligible SMEs can secure funding of up to €25,000 to develop a more competitive online offer.[8]

All these examples demonstrate that the development agencies are actively engaging with indigenous enterprises with a view to increasing their usage of digital technologies and processes. At the same time, the scale and reach of these various initiatives is somewhat limited:

- There were 1,107 approvals under the Trading Online Voucher Scheme (2018).
- 558 Innovation Vouchers were redeemed (2018).
- 221 companies participated in the Lean for Micro Programme (2018).
- 128 companies benefited from the Digital School of Food Platform.

The numbers participating in these initiatives, allied to the fact that Enterprise Ireland's 'digital' supports are targeted at a specific cohort of growing export-orientated firms from within their existing client base, affirms the OECD's general conclusion that the development agencies need to engage with a wider range of SMEs beyond their core and well-established target bases.

For example, to qualify for the Operational Excellence Grant, enterprises have to have been trading for at least five years, have sustainable annual revenues of at least €500,000 and be positive in terms of 'earnings before interest, tax, depreciation and amortisation' (EBITDA). The minimum level of project expenditure, moreover, is €100,000. This ensures that this grant is aimed at robust, scaling and viable, rather than vulnerable, entities. More specifically, it highlights that effectively addressing the low level of digitisation across the SME sector will necessitate a new approach. The OECD argues that addressing this issue requires ramping up support for the digitisation of SME processes. In this context, it recommends introducing, under strict eligibility criteria, a programme to provide co-financing of investment in digitisation projects. In addition, it proposes

8 The total fund size for this scheme is €1.25m. It operates on the basis of EI issuing calls for proposals.

embedding and strengthening the business advice and support offered through the LEO network for SMEs to digitise and adopt Industry 4.0 applications.

There appears to be merit in the development agencies reviewing, adapting and expand their current digital offering. Building in-house capability and awareness of digital needs and opportunities is critically important to increasing the rate of uptake by enterprises of relevant state-sponsored initiatives. This suggests the need for the relevant agencies to actively engage with stakeholders and explore how best to increase the take-up of state-sponsored financing programmes to support increased investment in new technology and digital processes.

2.5.3 SME Innovation and Collaboration to Manage Transition

SMEs seeking to undertake innovation face barriers in terms of knowledge gaps, availability of specialised staff and access to financial resources. Increased collaboration between enterprises and between enterprises and research institutions can be an effective mechanism for overcoming these market constraints. The State has invested substantially in collaborative innovation, through, in particular, the establishment of 15 EI Technology Gateways, the network of industry-led Technology Centres and 16 SFI Research Centres.

While welcoming this level of investment, the OECD argues that there is scope to more fully harness the potential of these investments to stimulate increased levels of SME engagement. This, it contends, could be achieved through providing incentives directly targeted at financing innovation collaborations between SMEs and research institutions and also between large firms, SMEs and research institutions.

It is interesting to note that, in relation to two of the policy instruments for supporting R&D and innovation – the R&D tax credit and the collaborative innovation infrastructures – the OECD review concludes that there is scope to adapt these measures to incentivise increased participation by SMEs.

In part, addressing the challenges of the low-carbon and digital transitions will require Irish SMEs to increase their engagement in innovative activity designed to improve their products, services and/or operational processes. The OECD (OECD, 2019b) indicates that, while the R&D tax credit is one of the Government’s key policy instruments to increase R&D and innovation in the economy, its take-up is heavily skewed towards large enterprises. The OECD contends that actions to reduce the administrative costs of the scheme and the adoption of a pre-approvals process would reduce uncertainty and encourage more take-up of R&D credits by SMEs. This suggests there may be merit in undertaking a review of the relevant incentives and supports in this area to see if there is a need for specific changes or alterations to maximise their impact on the behaviour of SMEs.

It is recognised that, compared to large enterprises, SMEs often have limited resources at their disposal for undertaking development projects in areas that can build resilience and improve competitiveness, such as innovation, skills development and internationalisation. In a series of reports since 1996, NESC has expressed the view that a network approach should play a stronger role in enterprise policy (NESC, 1996, 1999, 2002, 2005).

The OECD argues that there is an opportunity to address these deficits by fostering more local enterprise-led network organisations. Engagement in such networks provides an opportunity for SMES to participate in developmental projects that they would normally not have undertaken. Enterprise-led networks can also facilitate peer learning, organisational synergies and knowledge exchanges.

As the OECD notes, it can be difficult for such networks to emerge spontaneously. A lack of trust, information asymmetries and limited awareness of the benefits of participation can all constrain the unprompted emergence of collaborative networks.

The success of Skillnet Ireland in increasing enterprise participation in employee training demonstrates the potential of adopting an enterprise-led networked approach to addressing a developmental challenge. It also highlights the importance of having in place a formal institutional support structure, in this case a dedicated state agency, with the capacity and resources to drive the formation and growth of effective enterprise-led training networks.

A number of the collaborative projects that have been funded under the most recent round of the LEO Competitive Fund are focused on supporting 'local clusters' in the areas of engineering and e-commerce. For example, a project in North Cork East/West Limerick has been designed to support a cluster of 40 engineering firms in the locality working together to support best-practice sharing, develop linkages, improve productivity, and develop international markets.

Similarly, an E-Commerce Cluster project in three counties – Monaghan, Cavan and Louth – will bring online retailers together to share experience and best practice, access online expertise and support members to develop and grow their online business domestically and internationally.

The OECD recommends establishing a national support framework for local enterprise-led networks that would include the following actions:

- Funding the creation and operation of local enterprise-led networks involving SMEs and other stakeholders. These networks would provide local intelligence to LEOs and broker collaborative activities among network members.

- Creating a national communications platform for such networks aimed at providing information on available business supports and promoting the opportunities associated with participating in local enterprise networks.

- Establishing a programme to support the professional development of managers of local enterprise-led networks.

A strong case has been made for the need to invest in enterprise-led networks. As has been argued in this report, the transition to a low-carbon, digital future will pose challenges and opportunities for the SME sector. In seeking to address transitional challenges – for example, in the areas of skills development or technological innovation – SMES will face familiar developmental constraints in their capacity to access sufficient financial resources, high-qualified staff and specialist knowledge. Indeed, the complex and uncertain nature of the transition to a low-carbon, digital future reinforces these constraints. This appears to be a policy area in which it would be beneficial to encourage more extensive and structured SME collaboration designed to develop innovative solutions to shared problems related to these transitions. The Secretariat thus contends that any additional support for establishing enterprise-led networks should include a concerted focus on meeting the challenges of the low-carbon and digital transitions.

2.5.4 Multi-Stakeholder Dialogue and Digital Policy

The Government's forthcoming National Digital Strategy will be important in setting out how Ireland can embrace digital technology advances for the benefit of society and the economy. This new strategy will seek to support and shape the impact of digitisation to ensure it delivers maximum benefits. It will also aim to manage the digital transformation in an inclusive and action-centred manner. The relatively low rate of digital technology adoption by SMEs, the existence of a digital skills deficit, and a lack of awareness of digital technology among SME managers are some of the critical challenges that national policy will have to address. It is also expected that the impacts of the digital transition will vary across employees, firms, sectors and communities.

Although the Government undertook a formal public consultation on the National Digital Strategy, the range of economic and social issues incorporated in it, allied to the emphasis on ensuring an inclusive transition, suggests that there is merit in establishing a more structured process of multi-stakeholder deliberation to address interrelated issues, in particular changes in skill needs, technology and the labour market.

Denmark, which is often cited as an example of a 'digital frontrunner', has demonstrated a strong commitment to using stakeholder deliberation to inform and shape policies in this critical area.

First, in 2016, the Danish Government set up a Digital Growth Panel with the aim of raising awareness of the opportunities provided by the digital transformation of the economy and to provide expert advice on developing a national digital strategy (OECD, 2019e). The Digital Growth Panel was comprised of 16 enterprise and business CEOs and experts, led by the CEO of Danfoss. The panel's 2017 report, 'Denmark as a Digital Frontrunner', set out a comprehensive set of policy recommendations designed to help unleash Denmark's digital potential. These recommendations directly influenced the 'Strategy for Denmark's Digital Growth' that was published by the government the following year.

Next, in 2017, the Danish Disruption Council was established by the government to analyse, debate and present proposals on how Denmark should address the opportunities and challenges associated with the digital transformation. The national digital strategy mentioned above was also debated within the Disruption Council before it was finalised. Chaired by the prime minister, the membership of this council included senior ministers, social partners, business leaders and experts.

The Disruption Council discussed a wide range of issues relating to the digital transformation, including security, education and training, the labour market, social welfare, productivity and international trade. Importantly, the output from the Disruption Council's deliberations has had a discernible influence on subsequent policy developments; for example, in relation to training and technology. The Danish government has also committed to formally monitoring and reviewing progress in relation to the thematic areas that the Disruption Council identified as requiring concerted action. The Danish Government has characterised the Disruption Council as a good example of the long-standing national commitment to finding solutions to major societal challenges through dialogue and close cooperation between elected representatives, social partners, companies, civil society, experts and citizens.

The OECD (OECD, 2019c) has suggested that setting up a similar Digital Growth Panel would be a way of recognising the importance of digitalisation in Ireland, formulating a strategy for investing in future challenges of SME digitalisation, and being attentive to the requirements of industry regarding areas such as investment, infrastructure and skills gaps.

The examples of the Digital Growth Panel and the Disruption Council highlight the potential benefits of establishing a process of structured, intensive and informed multi-stakeholder deliberation, particularly when the outputs from this process influence subsequent policy dialogue and design. NESC believes that such processes could also foster a broader societal consensus around the challenges of digitisation and appropriate policy responses, including how to address potential vulnerabilities for employees and firms resulting from changes in skills needs and technology.

2.5.5 Management Development among SMEs

There is strong evidence that improving management capability in SMEs through management development can lead to increases in gross value added, increased employment, better business survival rates, enhanced productivity and a more skilled workforce (Management Development Council, 2010; McKinsey & Company, 2009; OECD, 2002). The skills of managers in SMEs are a critical factor for Ireland's economic success (EGFSN, 2006). Management skills are particularly crucial to firms adapting their business offerings, moving into new markets or striving to innovate. This suggests that improving managerial capability and skills should be viewed as an integral part of any enterprise's response to the types of challenges associated with the transition to a low-carbon digital future.

Between 2005 and 2010, the Irish Government undertook a number of studies which revealed that Irish small firms perform substantially below best practice, and actually below the European average in terms of management development.[9] A Management Development Council (MDC) was established in 2007 to provide advice to government on the adequacy, relevance and awareness of management development provision.

The MDC's final report in 2010 outlined a number of recommendations, including the development of a national system for management development, incorporating reform of both supply and demand, in order to boost productivity, innovation and competitiveness (Management Development Council, 2010).

Despite the long-standing recognition of the importance of improving management development in SMEs and the increase in state-subsidised supports, Irish managerial skills remain weak when compared to other high-income countries such as Germany, Sweden and the UK (World Management Survey, cited in OECD, 2019e). The OECD has highlighted the need to upgrade managerial skills and practices, and suggests that this is a factor in the low productivity levels among indigenous SMEs (*ibid*). The low level of participation by SMEs in management development programmes remains particularly problematic (NCC, 2018; OECD, 2019e). In 2017, for example, SMEs accounted for less than 2 per cent of the learners on the Skillnets Management Works Programme (OECD, 2019e).

It is argued that addressing this challenge will necessitate developing mechanisms for tailoring and extending management development programme modules to cohorts of SMEs that are not currently engaging in the schemes offered by the LEOs, EI and Skillnet Ireland (NCC, 2018) (OECD, 2019e). The National Competitiveness Council also suggested that the National Training Fund could be used to provide additional funding support for management development training to increase enterprise participation. In the context of enhancing managerial skills in general, the recent OECD review of SME policy highlighted specifically the need to improve the financial skills of small business owners and managers. This echoes previous recommendations in the *Action Plan for Jobs* 2013 and 2014 on the need to improve financial literacy and capabilities in the SME sector. The OECD suggests developing a national action plan for financial education to strengthen the financial skills of small

[9] See for example McKinsey & Co. (2009).

business owners and managers. It also highlights the need to strengthen the evidence base on their managerial and financial skills.

Importantly, the Expert Group on Future Skills Needs (EGFSN) is currently undertaking a study focused on '*Understanding, Examining and Improving Management Development Standards in SMEs in Ireland*'. Improving managerial capabilities and skills could play a key role in building SME resilience in the face of the challenges posed by the low-carbon and digital transitions. It seems important, therefore, to act on the recommendations emerging from this research.

2.6 Ensuring an Increased Focus on Transition to a Low-carbon Economy

The Secretariat maintains that, in the policy and institutional infrastructure for enterprise development, a more concerted and explicit focus is needed on addressing the enterprise challenges and opportunities associated with the transition to a low-carbon economy.

The OECD's comprehensive policy review was relatively silent on the issue of a low-carbon transition. There are also no specific recommendations in its review, or the associated road map for policy, relating to the issue of SMEs and the potential impact of the transition to a low-carbon economy.

Enterprise Ireland has, as part of its Green Offer, developed a number of initiatives linked to sustainable business practices and improved environmental performance. Client companies can also use other EI supports; for example, financial support for innovation or the provision of access to external expertise to support activities related to climate action. These other measures, however, are not overtly marketed as part of the Green Offer.

Similarly, the LEOs' Competitive Fund has financed collaborative projects related to encouraging the adoption of sustainable business practices and assisting SMEs to deal with the transition to a low-carbon economy. Further, the National Association of Community Enterprise Centres (NACEC) has recently launched a strategic plan for 2019-2021 which, *inter alia*, will see the organisation improve the environmental performance of its enterprise centres, in addition to skills-provision mapping to help address the issue of a shortage of skilled personnel for SMEs, increasing the digital competencies of small firms, and rolling out more digital hubs around the country.

Overall, it appears that the 'green' or 'low-carbon' offering to SMEs remains somewhat limited and *ad hoc* compared to the supports available for other developmental activities. As outlined above, there is recognition that LEOs will have to develop programmes that will support businesses to become more competitive and productive through the transition to a low-carbon and climate-resilient society.

Equally, Enterprise Ireland should strive to ensure that, just as there is a package of supports for innovation, management development, productivity and R&D and innovation, there will be a similar suite of services – information, advice and mentoring, training and financial assistance – designed to assist SMEs in dealing with the ongoing challenges associated with transition to a low-carbon, climate-resilient economy.

2.7 Supporting Early Movers

The low-carbon and digital transitions involve considerable complexity and uncertainty, which compound other constraints that firms face in undertaking developmental projects. This creates a context in which it can be very difficult for a business to take anticipatory action with regard to either of these transitions. The various financial supports provided by Enterprise Ireland in areas such as market research, innovation, product/service development, productivity improvements, management development, etc, are all designed to assist export-orientated firms to overcome market barriers or constraints. In seeking to encourage firms to be similarly proactive in planning for and taking action to address the low-carbon and digital transitions, there may be merit in considering if and how to increase supports for companies that are early movers in anticipating these structural changes. In addition, the experience of Bord na Móna and the Midlands more broadly points to the challenges faced by a business, its suppliers, and other firms dependent on its activities, especially when the firms and region are an early and acute example of vulnerability in transition (see Appendix 3). This also highlights the necessity of taking early action.

A feature of EI's response to Brexit has been the provision of advice, guidance and financial support that is designed to encourage firms to be proactive in both planning and taking action. This suggests that similar supports could be provided to firms that are prepared to be early movers in dealing with either the low-carbon or digital transition. There may be a need to examine if the competitive model used for both the LEO Competitive Fund and the pilot Productivity Voucher could incentivise SMEs to be early movers. There is also scope to consider if enterprise-led networks, which the OECD has championed, could also be a mechanism for encouraging a greater willingness by SMEs to take anticipatory action.

The emphasis in such networks and clusters on peer learning, knowledge exchange, collaboration and awareness-raising suggests that they could, with additional financial assistance, help overcome some of the barriers that prevent SMEs from investing in early action to address the two transitions.

Chapter 3
Delivering High-Impact, Targeted Funding

3.1 Introduction

The third and final driver of sustainable jobs and an inclusive transformation is high-impact and targeted funding. Under Action 1.7 in *Future Jobs Ireland*, the Government asked NESC to review potential national and EU sources of financial assistance for programmes designed to support vulnerable enterprises, workers and/or communities. The focus was on ways to fund a programme of action and/or supports to assist enterprises, workers and communities that are, or may be, vulnerable to the impacts associated with both the low-carbon and digital transitions. There is of course the broader issue of how to fund and finance Ireland's transition to a low-carbon digital future. This is a strategic, longer-term issue that is beyond the scope of this study, and, in the *Climate Action Plan* 2019 for example, there is a suite of policy actions that incorporate various funding and financing commitments designed to reduce carbon emissions and address climate change.

There is also in the plan a policy action on examining national and international sources of funding that could be used to support the transition to a low-carbon economy and society.[10] Consideration of ways to finance Ireland's digital transformation is similarly beyond the scope of the action afforded to NESC under the *Future Jobs Ireland* strategy. Therefore, the focus of this chapter is the funding of action to support vulnerable workers, firms and/or communities. It focuses on the following areas:

- The Role of the Commercial Banks
- The Strategic Banking Corporation of Ireland
- Microfinance Ireland
- Project Ireland Priority Funds and Carbon Tax Revenue

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[10] Action 163: Examine national and international sources of funding that could be used to support the transition to a low-carbon economy and society (Government of Ireland, 2019b: 79). DPER, DCCAE, DRCD and the SEAI have all been given a lead role in progressing measures necessary to deliver this action.

- Social Clauses to Maximise the Impact of Transition Funding
- Place-based Funding for Transition
- EU Financial Support for a Programme of Action

3.2 The Role of the Commercial Banks

For many enterprises, the first recourse in seeking finance for working capital or development projects is the commercial banks. Before the onset of the global financial crisis, Irish SMEs were among the most reliant in the EU on traditional bank lending (Lawless *et al.*, 2013). The collapse of the Irish banking sector post-2009 led to strong cyclical constraints in SMEs' access to finance. This crisis, moreover, reaffirmed broader structural weaknesses in the SME financing market. In response, the State developed a series of policy initiatives designed to improve access to credit in the SME sector, including the establishment of the SBCI and the introduction of a Credit Guarantee Loan Scheme. The subsequent return to economic growth, the success of initiatives such as the SBCI (see section 3.3) and the restoration of the main Irish banks to profitability has created a more favourable context for financing investment in the indigenous SME sector. However, as the recent OECD review of Irish SME and entrepreneurship policy (OECD, 2019e) highlights, a number of factors ensure that SME access to credit remains somewhat problematic, including:

- The Irish banking sector remains highly concentrated and competition is limited.
- SMEs' experience high interest rates compared to the EU average.
- The spread between the interest rates for SMEs and larger firms is widening.

Despite the improved economic environment, the demand for bank credit from the SME sector remains low compared to previous years, and a large majority of micro, small and medium firms are financing investment from internal funds (Central Bank, 2019). However, the EU and ECB 'Survey of the Access to Finance of Enterprises 2018' indicates that 'access to finance' had become less of an issue for Irish SMEs, with 8.5 per cent reporting financing as a significant issue. However, this reported level of concern was still one of the higher scores recorded across the EU for this issue, and vulnerability in transition might lead to more unease. There is also greater willingness to explore alternative forms of funding, although the OECD (2019e) suggests that limited financial skills are constraining the take-up of potential funding opportunities.

In addition, SMEs face barriers in accessing traditional bank finance for technological projects. It is likely that the risk appetite of the commercial banks for financing low-carbon development projects in the SME sector is also rather subdued. Furthermore, as commercial entities, the banks are not focused on funding firms that are or are likely to become vulnerable in the ongoing transitions. In responding to this situation, the OECD (*ibid.*) recommends expanding the current access to credit initiatives for SMEs, particularly to segments of the enterprise population with the greatest challenges in access to financing. The Secretariat are of the view that this proposal should be considered further.

Before looking at new state funding that might be deployed to assist vulnerable workers, firms and sectors, there is merit in examining two funding initiatives previously established by government to improve the SME financing market, and which may also assist vulnerable cohorts: the Strategic Banking Corporation of Ireland and Microfinance Ireland.

3.3 The Strategic Banking Corporation of Ireland

Established in 2014, the Strategic Banking Corporation of Ireland (SBCI) is a state-owned financial institution that provides Irish SMEs with access to stable, lower-cost, long-term funding options. The SBCI operates as an on-lender, providing funds to SMEs through both banks and non-bank finance providers. It is funded by the Irish Strategic Investment Fund (ISIF), the European Investment Bank (EIB), the European Investment Fund, the NTMA, and the Council of European Investment Bank. Currently the SBCI operates and manages three main lines of business:

- **Lending**: The lending business model of the SBCI is to serve as a wholesale on-lending financial institution providing lower-cost, long-term finance through banks and non-bank finance providers.

- **Risk Sharing**: This involves providing partial credit guarantee to finance providers to facilitate the advancement of credit to SMEs where access to credit is constrained by specific sectoral or economic-cycle market failures.

- **Service Provision**: Since 2016, the SBCI has been the operator and manager of the state-backed Credit Guarantee Scheme (risk-sharing product). A revised version of this scheme (with enhanced features) was launched in 2018.

Over €1bn of SBCI supported lending has been provided to approx. 26,000 SMEs. In terms of loans, as of Q4 2018, €900m had been committed to 22,000 SMEs in a broad range of sectors. Investment in growing the business was the primary use of this funding (83 per cent) while 13 per cent and 4 per cent of the funding was used for working capital and refinancing loans owed to banks exiting the Irish market, respectively.

The SBCI also operates a number of schemes designed to provide a partial credit guarantee to finance providers to facilitate the advancement of credit to SMEs where access to credit is constrained by specific sectoral or economic-cycle market failures. At the end of 2018, the SBCI had provided €152m in loans through its Risk Sharing Schemes, in particular the Agri Cashflow Support Loan Scheme (now closed) and the Brexit Loan Scheme. A new €300m Future Growth Loan Scheme was launched in Q2 2019 to support long-term investment in SMEs (i.e. 8-10-year term loans and lower finance costs).

The SBCI is relevant to transitions because it was established to address both structural and cyclical constraints in the financing market for SMEs. It provides, via on-lenders, lower-cost, longer-term and tailored funding. By operating as a source of patient, intelligent capital, the SBCI seeks to support sustainable business and employment growth in the SME sector. By increasing the provision of long-term lower-cost finance, developing new tailored products and schemes, and increasing the range of finance providers, the SBCI has contributed to the emergence of a more effective, growth-orientated and sustainable market for SME finance.

However, in relation to funding firms that are vulnerable as a result of either the low-carbon or digital transitions, it is worth noting that, across a range of their finance products, lending to businesses in financial difficulty is an excluded activity. Although the SBCI is seeking to mitigate structural and cyclical financing constraints in the SME market, the firms availing of these loans must be commercially viable. The various products the SBCI has introduced are more customised and tailored to the SMEs' needs, but the firm still has to display the capacity to repay the loan.

That said, the development and operation of various credit guarantee schemes demonstrates the SBCI's mandate and capacity to develop tailored financial supports to address particular economic or cyclical shocks that affect one or more sectors.

One example is the SBCI's Agriculture Cashflow Support Loan Scheme, operated between January 2017 and September 2017, to support farmers experiencing short-term financial pressure due to price and income volatility. Similarly, the SBCI has also introduced a €300m Brexit Loan Scheme that is available to SMEs and small mid-caps that meet the relevant Brexit and innovation criteria. This scheme, operating between April 2018 and March 2020, is essentially a demand-driven scheme. As of 21 June 2019, the total value of sanctioned loans from the banks was €31.73m across 144 eligible applications. The relatively low take-up of lending under this scheme is indicative of a general decline in demand for finance across the SME sector, as increased economic uncertainty, driven primarily by Brexit, has reduced SMEs' willingness to take on additional debt. Interestingly, the more recent Future Growth Loan Scheme has seen a much more rapid and extensive take-up, indicating desire among businesses to borrow and invest for the longer term.

As part of its ongoing work with regard to designing new products and identifying potential new funding streams, the SBCI has developed a strong working relationship with the EIB, the EIF and other multilateral financial institutions. The SBCI is also a member of a number of key financial networks: the Network of European Financial Institutions for SMEs (NEFI); the European Association of Guarantee Institutions (AECM) and the European Long-Term Investors Association (ELTI). Engagement in these networks provides the SBCI with an opportunity to build relationships, gather market intelligence and influence policy developments at the EU level.

Since its establishment, the SBCI has displayed an ability to assist viable but constrained enterprises to access the lower-cost, longer-term finance they require to continue to grow. As a key institution in the SME finance market, it is evident that the SBCI, working with both national and international institutions, has the capacity to play a role in any future state support for SMEs facing the challenges and opportunities associated with the two transitions. Such support would of course have to comply with EU state aid rules. As part of this, the SBCI continues to work closely with the EIB, EIF, national development banks and other multilateral financial institutions. It will be important that the SBCI continue to develop innovative and tailored financial products that support sustainable and viable businesses operations, albeit ones that may be facing cyclical or structural constraints that impede their capacity to access finance from purely commercial financial institutions. Furthermore, as part of its forthcoming new strategy, there may be scope for the SBCI to strengthen its role in relation to supporting innovation in the SME sector and activities related to climate action.

3.4 Microfinance Ireland

Microfinance Ireland (MFI) is a not-for-profit lender, established to deliver the Government's Microenterprise Loan Fund, providing small loans (€2,000-€25,000) to new start-ups and/or newly established or growing micro-enterprises (fewer than 10 employees and turnover below £2m). The fund is targeted at micro-enterprises that are commercially viable but may for various reasons have difficulty accessing finance from banks or other commercial lenders. This includes a particular focus on financially vulnerable cohorts such as the unemployed, females, older adults, youths and migrants.

MFI works closely with the LEOs, Local Development Companies and the banks to support commercially viable businesses. The loan term is typically for three years' working capital. Applicants who apply through any of the three aforementioned partner institutions can avail of a one per cent reduction in the fixed interest rate charged.

In 2018, the LEOs provided advice and support to over 1,000 firms applying for MFI loans. Approx. 32 per cent of these companies secured loan approval, supporting the creation of 294 jobs. Businesses that successfully apply for an MFI loan through their LEO can also access the support of a business mentor from the LEO Mentor

Panel. Following a rather sluggish start, demand for microfinance loans has increased since the end of 2014, with a virtual doubling in applications per annum. This increase in demand has helped the fund to exceed its annual job-creation target of 770 jobs in each of the years since 2014.

The latest figures indicate that, between 2012 and Q3 2019, MFI approved just over 2,000 loans totalling €31m. This funding has helped to sustain or create over 5,200 jobs in 2,200 micro-enterprises. Although demand for this financial product continues to increase and it has been an important support for over 2,000 enterprises, it remains a comparatively small programme in the context of the micro-enterprise sector, comprising nearly 250,000 active enterprises. This suggests there is scope for further engagement and dialogue between Microfinance Ireland and the enterprise development agencies to determine if and how MFI's operations can be tailored and/or marketed to assist firms in the context of the transition to a low-carbon and digital future.

3.5 Project Ireland 2040 Priority Funds and Carbon Tax Revenue

The National Development Plan (NDP) is a 10-year investment plan, for 2018 to 2027, designed to support the achievement of the vision set out in the National Planning Framework (Government of Ireland, 2018c). The total planned level of public investment for this 10-year period is €116bn, of which €91bn is to be funded by the Exchequer. This planned level of investment has been allocated to a series of projects across 10 National Strategic Objectives (NSOs) (see Appendix 3).

Some €3.16bn of indicative funding has been allocated under the NDP to DBEI for its business, enterprise and innovation programmes (2018-2022). This is a key part of achieving 'NSO 5: A Strong Economy, supported by Enterprise, Innovation and Skills'. Several of the other NSOs will also have a key role to play with regard to Ireland's transition to a low-carbon, digital future:

- **NSO 1: Compact Growth:** €14.5bn has been allocated to this objective, composed primarily of investment in social housing (€11.6bn) and the operation of the Urban Regeneration and Development Fund.

- **NSO 3: Strengthened Rural Economies and Communities:** A total of €8.8bn in capital spending is allocated for this objective: Of this Exchequer investment, the largest allocation is for regional and local roads (€4.5bn). The next largest allocation is for the Rural Regeneration and Development Fund (€1bn).

- **NSO 4: Sustainable Mobility:** €8.6bn has been allocated to DTTAS for investment in more sustainable modes of transport, in particular public transport infrastructure.

- **NSO 8: Transition to a Low-Carbon and Climate-Resilient Society:** The total projected capital investment for this NSO is €21.8bn; the largest element of this figure is for €13.7bn investment by the commercial state companies in the energy sector (ESB, EirGrid, Bord na Móna and Coillte).

3.5.1 NDP Priority Funds

An important innovation in the NDP is the creation of four funds to promote the core priorities of the NPF through the collective allocation of €4bn of investment:

- the Rural Regeneration and Development Fund;
- the Urban Regeneration and Development Fund;
- the Disruptive Innovation Technologies Fund; and
- the Climate Action Fund.

The role of these four new NDP funds is discussed briefly below, with additional information provided in Appendix 3.

The purpose of the €1bn Rural Regeneration and Development Fund is to promote sustainable economic and social development in rural areas. Its priorities include regenerating towns and villages, encouraging job creation and entrepreneurship, and developing key economic growth sectors. So far the fund has provided €148m for 110 projects across Ireland. The most recent call for applications included a focus on assisting the transition to a competitive low-carbon, climate-resilient and environmentally sustainable economy, as one of the key policy priorities for funding. A total of €62m in funding for 26 projects across the country was recently announced under this second call.

The aim of the €1bn Urban Regeneration and Development Fund (URDF) is to stimulate new residential and commercial development in Ireland's larger cities and towns by putting in place a centrally managed mechanism to drive collaborative, co-ordinated and complementary packages of investment between Departments, agencies, local authorities and other public bodies (Government of Ireland, 2018a).

Managed by the Department of Housing, Planning and Local Government, the URDF, which replaced the Local Infrastructure and Housing Activation Fund (LIHAF), is a key part of delivering the Project Ireland 2040 goal of 'compact growth'. Areas for investment and eligible projects under the URDF include: active land management; infrastructure that enables improved accessibility, and the transition to a low-carbon and climate-resilient society. A total of €100m was allocated to 84 projects under the first call, with the bulk of the funding going to local authority-led projects. This included the allocation of €1m to a project to make Portlaoise a low-carbon town through a range of initiatives and technologies.[11]

Enterprise Ireland is responsible for administering the delivery of the €1bn Disruptive Innovation Technologies Fund on behalf of DBEI. The objectives of this fund are to:

- support enterprises in Ireland to exploit the enterprise opportunities associated with 'disruptive technologies' by de-risking projects;
- support enterprises in Ireland to collaborate together and with the public research system on disruptive technologies innovation;
- build on research in Ireland and leverage that research for commercial impact;
- foster deeper and wider RD&I collaborations between the public and private sectors in key technology areas; and
- prepare Irish enterprises and public bodies to engage in European and global partnerships around the development and deployment of disruptive technologies.

Twenty-seven projects out of 300 applications, involving more than 900 partners, were chosen under the first call, and are to receive €70m in funding over a three-year period. Although successful applicants included multinationals such as Intel and IBM, many of the winning collaborations were led by start-ups and SMEs. The main sectors that attracted funding were health, ICT and advanced manufacturing. One successful project, 'Cooperative Energy Trading System', is seeking to develop a technology platform for the electricity sector to provide consumers and communities with the infrastructure required to generate their own electricity, earn from the excess electricity generation, and finally be an integral part of decarbonising their homes and communities for sustainable living.

The objective of the €1bn competitive-based Climate Action Fund is to support initiatives that contribute to the achievement of Ireland's climate and energy targets in a cost-effective manner or offer the potential for innovative interventions in these sectors and that, in the absence of support from the fund, would not otherwise be developed.

[11] Laois County Council is the lead partner in this project, which also involves the SEAI, the ESB, Transport Infrastructure Ireland and the Midlands Energy Agency.

The types of projects that the fund may support include renewable energy projects; energy efficiency projects; district heating projects; local infrastructure projects – including electric vehicle charging networks; and projects that enhance the standards for environmental protection. Seven projects were approved for funding of €77m (subject to further validation) under the first call for proposals, including

- ESB Electric Vehicle High Power Charging Infrastructure Development Project (€10m);
- Dublin District Heating System (€20m);
- Local Authority Public Lighting Energy Efficiency Project (€17.47m).

3.5.2 Carbon Tax, Climate Action and the Just Transition

The Climate Action Plan (CAP) states that the carbon tax is to be increased to at least €80 per tonne by 2030. The Taoiseach has committed to using the extra revenue generated for climate action, including the Just Transition:

> From next year, all new revenues raised from carbon tax will be ring-fenced to fund climate action and just transition. Just transition to protect those most exposed to higher fuel and energy costs and for whom new jobs must be found. Climate action to fund the transformation of our transport, electricity, buildings and food production systems. This will provide billions to make change possible (Taoiseach Leo Varadkar, 2019).[12]

The increase in the carbon tax in the 2020 budget of €6 per tonne is projected to generate an additional €90m in 2020 and €130m in revenue on a full-year basis.[13] This indicates that the eventual figure of €80 per tonne could generate substantial sums, although eventually revenue will decline when the fall in emissions exceeds increases in carbon tax.

In 2020 the additional €90m revenue generated by the increased carbon tax is being allocated to three main areas: protecting the vulnerable, the Just Transition and climate action (see Table 3.1). This figure has since been increased by €5m following the ESB's decision to allocate €5m to the (Midlands) Just Transition Fund.

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[12] https://www.gov.ie/en/speech/178ba7-statement-by-an-taoiseach-at-the-united-nations-climate-action-summi/

[13] The difference between the 2019 yield and the full-year yield is due to delayed commencement of the tax in 2020.

Table 3.1: Allocation of Additional Carbon Tax Receipts 2020 & ESB Contribution

	Expenditure (€m)
Protecting the Vulnerable (€34m)	
Fuel Allowance	21
Energy Poverty Efficiency Upgrades	13
Just Transition (€36m)	
Aggregated Housing Upgrade Scheme	20
Peatlands Rehabilitation (non-Bord na Móna)	5
Just Transition Fund	11[14]
Investing in the Low-carbon Transition (Climate Action €25m)	
Greenways/Urban Cycling	9
Continuation of Electric Vehicle Grants	8
Further Investment in EV Charging Infrastructure	3
Official Development Aid – Green Climate Fund	2
Green Agricultural Pilots	3
Total Expenditure	**95**

Source: Department of Public Expenditure and Reform (2019).

[14] 6m from Carbon Tax increases and 5m from the ESB

As indicated in Table 3.1, €36m is to be allocated to support the Just Transition Fund.

- **New Aggregated Housing Upgrade Scheme (€20m)**: This scheme will upgrade the energy efficiency of the social housing stock in the Midlands. It will focus on upgrading large batches of homes in distinct, compact geographical areas and allow private homeowners to opt in. It is estimated that this will create 400 jobs in the region.

- **Peatlands Rehabilitation (€5m)**: This funding will triple the budget allocated for peatland rehabilitation, and will support an estimated 100 new full-time environmentally sustainable jobs in these areas.

- **Just Transition Fund (€11m)**: The newly appointed Just Transition Commissioner will engage with local stakeholders in the Midlands to determine the priorities for using this fund. Projects for funding could include supports for local enterprise, training courses for employment opportunities linked to the low-carbon transition, and investment in greenways and urban cycling.

The planned €36m investment under Just Transition is substantial when concentrated in one region, namely the Midlands. The energy efficiency investment represents a new model to achieve economies of scale, and the ability of private homeowners to opt in to a publicly organised scheme makes it a less risky proposition compared to individuals acting independently.

The retrofitting and peatland rehabilitation have the capacity to create 500 new jobs. The long-term sustainability of these jobs will depend, however, on securing additional funding as the allocated amounts are only sufficient to cover one year (€50,000 per job). There is a large allocation for housing retrofit in the NDP (€3bn over 10 years) so one can expect continued funding for this activity. In addition, if the model for energy efficiency being adopted works, it should leverage greater private expenditure on retrofitting. However, maintaining the jobs in peatland restoration will be heavily dependent on continued public funding.

The third part of the carbon tax revenue for 2020 is to be allocated across a mix of nationwide climate action measures, as shown in Table 3.1 (€25m). Finally, the Midlands is to be supported by drawing down other government funds that can assist in the transition to a low-carbon economy.[15]

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[15] https://www.dccae.gov.ie/en-ie/news-and-media/press-releases/Pages/-Budget-2020,-Giving-Ireland-a-Sustainable-Future.aspx

3.5.2 Conclusions on NDP and Carbon Tax Funding for Transition

The establishment of the four NDP Funds with potential to provide an additional €4bn in collective investment, in conjunction with the decision to target the 'extra' carbon tax revenue for climate action and just transition, are positive policy developments. The new investment funds could contribute to improvements in sustainable economic, social and environmental development both nationally and in targeted urban and rural locations. The scale and focus of these 'funds' also ensures that they will have a key role to play in supporting the low-carbon and digital transitions. Both the URDG and the RRDF have identified projects relating to the transition to a low-carbon and climate-resilient economy as priority areas for funding. As discussed above, one of the projects funded under the Disruptive Technologies Innovation Fund is relevant to both the digital and climate transitions. The Climate Action Fund also specifically aims to fund initiatives that contribute to achieving Ireland's climate and energy targets.

Nevertheless, although the new Climate Action Fund and the Disruptive Technologies Innovation Fund are supportive of the low-carbon and digital transitions, they appear to have limited direct relevance to vulnerable workers or communities adversely affected by either transition. In both cases, substantial co-funding is required by those making funding proposals. There was a very strong demand for both these funds and putting together a winning proposal requires access to both considerable financial resources and a high level of expertise. The applications process can be relatively complex, as shown by the fact that most applications to the Climate Action Fund's first call were ruled out as ineligible.

Further, the minimum size of the projects under the four NDP funds ranges from €500,000 to €2m, meaning they are relatively substantial in scale. These characteristics suggest that it would be very difficult for, say, micro-enterprises, social enterprises, community groups and/or vulnerable firms to be actively engaged in and 'winning' funding under these competitive funds.

The emphasis on participation in the applications process provides an opportunity for SMEs to be involved; indeed, their participation is a mandatory requirement under the Disruptive Technologies Innovation Fund. As noted, a number of the winning consortia for this fund were led by start-ups and SMEs. These, however, would have to be 'innovation' front-runners to be successful in this highly competitive and specialised process, rather than enterprises struggling with the implications of digitalisation.

This suggests that there is more scope for the Just Transition Fund to be invested in a manner that can directly support those employees, firms and communities that have been directly affected by actions designed to transition towards a low-carbon, climate-resilient economy. Approx. €11m has been allocated to this fund, and the intention is that the Just Transition Commissioner in consultation with relevant local stakeholders will determine the priorities for investment. It is anticipated that projects to support local enterprise and to provide training courses linked to employment opportunities in the low-carbon/green economy will be among the priority investments. If this transpires, there is potential for the Just Transition Fund to function as a vehicle for directly assisting those employees and firms that are vulnerable, or may be vulnerable, to the low-carbon transition.

It is also important that all affected groups have an equal opportunity to apply for investment not just from this location-specific programme but also from other relevant national and EU funding programmes. There is a concern that 'community' or social enterprise groupings may – as a result of limited access to skilled individuals, specialist knowledge and financial resources – be at a disadvantage in seeking funding, especially in competitive processes. Interestingly, to assist local groups to develop quality proposals for EI's Regional Enterprise Development Scheme, a feasibility fund was launched in 2019 which provides up to €15,000 per eligible project. Given the scale of potential state funding that may be allocated to address the transitions, there is merit in examining the potential to provide 'seed funding' that would support applications for large national/EU funding, and support 'non-commercial' policy and plan development in vulnerable areas.

3.6 Social Clauses to Maximise Impact of Transition Funding

Given the direct and indirect job losses in the Midlands region associated with Bord na Móna's decision to cease peat extraction, the planned investment to generate 500 new jobs (400 retrofitting and 100 peat rehabilitation) under the Just Transition Fund is a positive development. Ensuring that these jobs continue beyond a year in duration depends on securing additional public and private investment in these activities. More specifically, there is no guarantee that those employees who lose employment as a result of the low-carbon transition will be in a position to avail of these particular jobs or indeed others that are generated by investments provided by the Just Transition Fund. For example, employees who lose their jobs at Bord na Móna may not readily have the requisite skills or competencies to take up new opportunities in retrofitting.

This reaffirms one of the principal arguments in this report – that a step-up in the scale and scope of upskilling and reskilling are of critical importance in seeking to achieve an inclusive and just transition in the Midlands specifically and across the State in general. This in part will require greater emphasis on early intervention and the provision of quality and tailored guidance to vulnerable employees. It also serves to highlight the value of accessible, quality and relevant upskilling and/or reskilling courses that will enable vulnerable workers to compete (on a level playing field) for any new employment opportunities, especially those generated by public investment.

Furthermore, the Secretariat contends that helping to ensure that certain cohorts of employees or particular localities do not suffer a disproportionate share of the burdens associated with the transitions, may necessitate not only investment but also additional policy instruments designed to assist vulnerable groups to capture some of the benefits of publicly funded action. In particular, there is a strong rationale for examining the potential to include social clauses in relevant state transition funding. This examination should include consideration of EU procurement rules, the concept of social clauses in an Irish context, and lessons from experience here. These points are summarised in the sections below.

3.6.1 EU Public Procurement Rules

The State's planned Just Transition investment will, even with the addition of social clauses, have to comply with both state aid and EU procurement rules. Public procurement is an important Single Market issue and an area of substantial EU legislation.

The European legal framework for public procurements consists of certain provisions of the Treaty for the European Union (TFEU) and the EU procurement directives that regulate award procedures for contracts above a certain value: EU Directive 2014/24/EU, EU Directive 2014/25/EU, and EU Directive 2014/23/EU. This policy framework is designed to open up the public procurement market to competition, outlaw 'buy national' policies and promote the free movement of goods and services (Brammer & Walker, 2007). There is a particularly strong emphasis on transparency and achieving value for money. Despite this, a number of studies have indicated that this EU legal framework is actually supportive of procurement being used to achieve wider social and environmental requirements, provided it complies with EU procurement rules and general EU law (European Commission, 2008a, 2008b; McCrudden, 2007; OGP, 2018).

In 2011, the EU produced its 'Buying Social: Guide to Taking Account of Social Considerations in Public Procurement', which signalled that not only was taking social objectives into account in the public procurement process permissible but also that it was potentially beneficial to do so (European Commission, 2011). A further EU study was published in 2015 that suggested that the public procurement process could aim to include some of the following Socially Responsible Public Procurement (SRPP) practices:

- promoting employment opportunities especially for youths, long-term unemployed, disabled and older workers;
- promoting decent work;
- supporting social inclusion and promoting social economy organisations;
- the provision of vocational training; and

- promoting SMEs.[16]

Across the EU, the use of such social clauses has varied, although a number of national and devolved governments – in particular Denmark, France, Spain and Scotland – have adopted them in an attempt to address unemployment, particularly for marginalised groups in the labour market. The actual outcomes of such experiments have been somewhat mixed. One study found, for example, that the overall levels of employment and training opportunities generated by targeted social clauses in individual contracts or projects was fairly modest.[17]

Interestingly, case-study research from Scotland and Northern Ireland suggests that the inclusion of targeted recruitment and training requirements did not necessarily generate additional budgetary costs, undermine value-for-money considerations, impose additional costs on suppliers, or increase the workload for the contracting authority (Erridge *et al.*, 2005; European Commission, 2008a; Scottish Government, 2008).

The potential for social clauses to generate additional costs is in part dependent on the scale of employment and training requirements that are included in individual contract performance clauses. Experience suggests that social clauses, when used appropriately, can break, interrupt or prevent unemployment for an individual. Case-study research from other EU states suggests a number of key policy lessons should guide the adoption of such clauses in public procurement projects:

- First, there is a need for strong political support and leadership, in particular to promote a change of culture and overcome policy inertia in the public and private-sector 'procurement' community (European Commission, 2011; Pidgeon, 2009; Scottish Government, 2008).

- Secondly, there is a need to ensure the full involvement, in all aspects of the process, of public bodies with relevant expertise in activation and training (European Commission, 2011).

- Thirdly, project promoters must clearly align any employment and training requirements with the existing network of state-supported employment and training services (Erridge *et al.*, 2005).

- Fourthly, to ensure deliverability and manage costs, clear, realistic and measurable requirements should be set.

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16 See EU Commission, 2015.

17 See for example Erridge *et al*., 2005; Scottish Government, 2008.

- Finally, there is a need to establish effective procedures for monitoring compliance and evaluating outcomes (Pidgeon, 2009).

3.6.2 Social Clauses and Public Procurement in Ireland

In 2018, the Office of Government Procurement (OGP) published an information note titled '*Incorporating social considerations into public procurement*' (Government of Ireland, 2018e). The purpose of this guidance note is to assist policy-makers and practitioners in understanding how public procurement can be used to facilitate the advancement of social policy objectives. The note affirmed that EU regulation rules provide contracting authorities with a vehicle to achieve social goals where they are linked to the subject matter. These policy objectives can be achieved by the inclusion of 'social considerations' as requirements throughout the public procurement process, from setting the specifications and award criteria, through to the management of the contract.

The OGP has highlighted that 'social considerations' can encapsulate a broad range of policy objectives, including employment, training, support for SMEs, the promotion of innovation, and environmental benefits. This guidance note also sets out the manner in which EU and national public procurement rules determine what and how such social considerations can be successfully incorporated in national public procurement processes.

The OGP has established a cross-departmental Social Considerations Advisory Group to promote and facilitate their incorporation (including environmental considerations) in the public procurement projects. The functions of this group include:

- identifying social policy objectives that could be enhanced through public procurement;

- matching some of those identified social objectives with suitable procurement opportunities, to be trialled on a pilot basis; and

- advising on the appropriate method for incorporating social considerations in frameworks and contracts.

Building on these developments, the Department of Public Expenditure and Reform (DPER) published in October 2019 a new circular 'Circular 20/2019: Promoting the use of Environmental and Social Considerations in Public Procurement.'[18] In this

[18] See https://www.gov.ie/en/circular/Circular-20-2019/

circular, DPER instructs Departments to consider green criteria in their public procurement processes in the following circumstances where:

- clearly defined quantifiable, verifiable and measurable criteria have been developed by DCCAE and are relevant to the specific procurement process; and

- the cost can be met within a Department's existing budget without affecting service delivery.

The circular stipulates that procurement of goods and services by the State, in line with government policies, will underpin the credibility of national environmental policy objectives and enhance Ireland's image as a green economy. DCCAE and the OGP are to develop proposals on green procurement and to support its mainstreaming in the public procurement process. Importantly, the circular also highlights the possibilities to deliver social aims as well as environmental objectives through public procurement. It also notes the key role of the Social Considerations Advisory Group.

These developments indicate that there is growing recognition in the policy system of the potential to use public procurement to achieve social goals such as the provision of targeted employment and/or training opportunities. The publication of the circular in conjunction with the role of the Social Considerations Advisory Group suggests the arrival of a supportive framework for facilitating the wider usage of such clauses in publicly funded contracts. In seeking to harness the maximum potential of 'social clauses' or 'social consideration' in public investment programmes, it will be important to draw on the lessons and experience from not only other jurisdictions but also from Ireland. In this regard, the Grangegorman Development Agency's use of a voluntary employment charter demonstrates the potential of such targeted policy instruments.

The Grangegorman Development Authority

The Grangegorman project is a nationally important urban regeneration project that aims to create a new City Quarter in a part of north inner city Dublin traditionally characterised by a spatial concentration of economic and social deprivation. From the outset, the Grangegorman Development Agency (GDA), the statutory public body established in 2006 to design, manage and deliver this national initiative,[19] has clearly articulated that this public project aims to achieve three interrelated and strategic objectives:

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[19] The Grangegorman Development Agency (GDA) was established in 2006 as a statutory agency under the Grangegorman Development Agency Act 2005.

i. the creation of a new single city-campus for Dublin Institute of Technology/ Technological University Dublin;[20]

ii. the delivery of new health facilities and other social infrastructure; and

iii. the provision of local community benefits, access and use.

It is estimated that this multi-million-euro project will deliver many employment opportunities, including 4,500 cumulative construction jobs, 160 long-term jobs from retail, sports, childcare and student residences, and 1,000 jobs with a strong emphasis on science and technology, in the mixed-use development that will be created at Broadstone.

As part of the aforementioned emphasis on delivering for the community, the Grangegorman Labour and Learning Forum (GLLF) was established in 2010. The objective of the GLFF is to ensure that the local community benefits from the employment, education/training and business opportunities generated by major investment in this area. The GLLF is comprised of representatives from key local stakeholders including community groups, business, local government, the education and training sectors, the HSE and local employment services. To support the workings of this group, the GDA appointed a full-time dedicated Employment and Training Coordinator in 2011.

In 2012 the GDA in collaboration with the GLFF developed the Grangegorman Employment Charter to support local communities in accessing new employment opportunities (see Box 3.1). This charter effectively imposes a voluntary 'social employment' clause in public contracts awarded by the GDA.

In 2015, of the 201 employees involved in construction on site, 39 (19 per cent) were from the local area. Importantly, contractors have demonstrated strong support for the charter. The GLLF also seeks to encourage contractors to use local businesses as suppliers and sub-contractors where this is feasible. The combination of a dedicated employment and training coordinator and a focused collaborative forum, along with the positive working relationships forged with employment support agencies, has been key to the comparative success of the Voluntary Employment Charter.

Overall, seeking to ensure that certain vulnerable workers or communities do not suffer an undue burden in the transition may necessitate additional policy

[20] On 1 January 2019, the Technological University Dublin (TUD) was formally established as a result of the amalgamation of Dublin Institute of Technology (DIT), Blanchardstown Institute of Technology and the Institute of Technology, Tallaght. The GDA project involves the relocation of approx. forty DIT locations into a single city campus, which is now part of TUD.

instruments designed to assist them to capture some of the gains of state-funded action.

Box 3.1: The Grangegorman Voluntary Employment Charter

The purpose of the Grangegorman Employment Charter is to ensure as far as practicable that local communities in the surrounding areas will benefit from the employment opportunities generated by this multi-million-euro investment. In practice, the charter is a voluntary 'social clause' that applies to all contracts awarded by the GDA. All contractors and sub-contractors who are awarded contracts are briefed on the charter to ensure that they have a clear understanding of their requirements and how it works. The GDA's Employment and Training Coordinator also regularly engages with contractors on site to support and ensure charter compliance.

Under the charter, the GDA seeks to ensure that 20 per cent of all new jobs created by projects will be on offer to residents of the Grangegorman neighbourhood in the first instance and then to the surrounding areas. Contractors also agree to use all reasonable steps to fill at least 10 per cent of new jobs created by a project with new labour-market entrants and/or the long-term unemployed. In actively encouraging compliance with the charter, the GDA recognises that its implementation should not lessen the efficiency of the contractor's contract with the GDA nor cause any current employees of contractors and subcontractors to become unemployed. The implementation of the charter is supported by the local Intreo office which, on being informed of vacancies in GDA-related projects, will seek to match them to suitably qualified jobseekers. The Employment and Training Coordinator also sends details of new vacancies directly to individuals who have registered with the GDA. Ultimately it is contractors and/or subcontractors who will make the final decision on filling a new vacancy.

To date, the feedback from contractors on the charter has been positive and there is no sense that it is viewed as an overly burdensome imposition on them. Indeed, in practice it has come to be viewed as an effective and efficient way of recruiting suitable individuals for employment in their companies.

3.7 Place-Based Funding for Transition

The Secretariat's work on approaches to Just Transition has highlighted the potential of developing place-based responses to the challenges and opportunities associated with transition to a low-carbon, digital future. One example of a 'regionally' focused state-sponsored investment platform for SMEs is the Western Investment Fund (WIF) operated by the Western Development Commission (WDC). The WDC is the statutory body responsible for promoting social and economic development in seven counties comprising the Western region. It operates the €32m WIF, an 'evergreen' (ongoing) risk capital fund, which provides equity and debt finance to micro-enterprises, SMEs and local communities through a number of bespoke sub-funds:

- The WDC Business Investment Fund provides equity investment and loan finance to SMEs with investments ranging from €100,000 to €1m.

- The Western Regional Audio-Visual Producers (WRAP) fund is a €2m regional fund for the audio-visual sector.

- The WDC Micro-Loan Fund for Creative Industries provides loans of up to €25,000 on an unsecured basis to micro-enterprises in the creative sector.

- The WDC Community Loan Fund provides both low-interest loans to community and social enterprises and bridging finance to facilitate such organisations in drawing down approved grant aid.

The WIF is managed on a commercial basis. Investment funding is only provided to businesses, community groups and creative industries on the basis of a robust business plan that demonstrates a return on investment commensurate with the investment risk being taken.

With the Business Investment Fund, there is strong emphasis on firms with a record of commercial success, high-growth potential, and innovative products or services. Similarly, a fundamental aim of the WRAP is to generate a return on investments in order to replenish its resources for future investment and contribute to the fund's financial sustainability.

Regarding the latter two sub-funds, a key criterion for approval for the micro-enterprises, social enterprises or community groups is repayment capacity. At one level the WIF is similar to the various risk capital funds that EI is involved in (albeit on a smaller scale) in that they are managed on a commercial basis and there is a strong focus on enterprises with growth potential (see Appendix 2). In addition, the WIF does not provide grants or loans for feasibility studies. This suggests that is not necessarily a platform for vulnerable firms as such. The WIF, however, has a number of characteristics that are interesting from the perspective of the transition to a low-carbon, digital future. It is a place-based risk capital fund, as all of its investment occurs in the seven counties under the remit of the WDC. It also operates as an ‘evergreen’ fund so that all the profits are reinvested in other enterprises in the region. Although it is not funding vulnerable firms *per se*, it is providing funding to enterprises and community groups in what is considered a vulnerable region, in terms of economic and social development.

Both the Micro-Fund for Creative Enterprises and the WRAP fund were developed following policy research undertaken by the WDC, which identified the creative sector as being potentially key for economic development in the Western region. This highlights the potential of gathering and using local knowledge and evidence to design appropriate financing platforms that can build on local competitive advantage to create further job opportunities. The WIF is open to enterprise of all sizes; this broad portfolio has enabled it to have had a positive impact on economic and social development in a vulnerable region while at the same time generating sufficient profits to ensure the continued sustainability of the fund. Since its establishment the WIF has invested €48m in the region and supported 134 enterprises. It is estimated that it has directly supported 2,500 jobs in enterprise projects and that this has had a multiplier effect of at least 2,500 additional downstream jobs in the region. Over €208m in additional investment has been leveraged by enterprises that received financial support from the WIF.

Finally, it is notable that the WIF is operated by a bespoke public agency that is focused on economic and social development in the region, and that the WDC’s policy research influenced the design of specific funds. The Council believes that this enables the fund to be aligned with, and support, a wider strategy for place-based economic and social development.

3.8 EU Financial Support for a Programme of Action

As outlined in Section 3.1, as part of the request from government NESC was asked to review potential EU sources of financial assistance for programmes designed to support vulnerable enterprises, workers and/or communities. In undertaking this task the Secretariat focused on five potential EU sources of programme financing:

- the EU Platform for Coal and Other Carbon Intensive Regions;
- the European Global Adjustment Fund;
- the European Green Deal;
- the European Investment Bank; and
- the InvestEU Programme (2021–2027)

3.8.1 The EU Platform for Coal and other Carbon Intensive Regions in Transition

The Platform for Coal and other Carbon Intensive Regions in Transition is an EU initiative that is designed to assist member states and regions in tackling the challenge of maintaining growth and jobs in communities affected by:

- planned and ongoing closures of coal mines or other carbon-intensive activities; and
- commitments made by member states to phase out coal use for power generation and transition to a low-carbon economy.

In July 2019 the Commission, following a request from the Irish Government, agreed to include the Midlands region in the platform.[21] This enables the Midlands region to avail of tailored needs-orientated assistance and capacity-building support provided by a dedicated country team composed of experts drawn from five EU Directorates.[22]

The Platform's secretariat will provide expert technical assistance to member regions through the transition (START) programme. This assistance will aim to strengthen, refine and/ or expand the Midlands Transition Team's existing strategies and projects for addressing the employment challenges faced by workers affected by decarbonisation. The country-specific team will also assist regional actors in identifying appropriate EU funding opportunities for the strategies and projects in the Midlands. The DCCAE and Midlands Transition Team representatives also attend Platform Working Group meetings designed to encourage policy learning and knowledge exchange between practitioners from regions directly affected by the transition away from carbon-intensive activities. The platform does not operate as a mechanism for the direct funding of either the development of transition strategies or the implementation of specific transition projects.

3.8.2 European Globalisation Adjustment Fund[23]

The European Globalisation Adjustment Fund (EGF) was established in 2007 to assist EU member states to provide a package of active labour-market supports to workers made redundant (or self-employed people whose activity has ceased) as a

[21] Before the inclusion of the Midlands, this initiative was known as the EU Platform for Coal Regions in Transition.

[22] DG Energy (ENER), DG Environment (ENV), DG Climate (CLIMA), DG Competition (COMP) and the DG Regional and Urban Policy (DG Regio).

[23] Section based in part on material provided by the Department of Education and Skills.

result of major structural changes in world trade due to globalisation or global economic crisis.

The EGF has a maximum annual budget of €150m, with the EU providing 60 per cent of the funds and the balance met by the applying member state. EGF programmes are approved for two years. The Department of Education and Skills (DES) is the managing authority for the EGF in Ireland and is responsible for preparing and submitting Ireland's applications. Between 2009 and 2015, Ireland submitted 10 applications, all of which were approved. Of these programmes, seven were company-specific (see Box 3.2), while three were concurrent programmes dealing with redundancies in the construction sector.[24]

Box 3.2: Company-Specific EGF Programmes

- **Dell, computer manufacturing, Limerick, 2010**
- **Waterford Crystal, 2010**
- **SR Technics, aviation engineering, Dublin, 2010**
- **Talk Talk, call centre, Waterford, 2011**
- **Andersen Ireland, cosmetic jewellery manufacturing, Limerick, 2014**
- **Lufthansa Technik, aircraft maintenance and repair, Dublin, 2014**
- **Pratt Whitney, aircraft maintenance and repair, Dublin, 2015**

All 10 EGF programmes related to Ireland are now closed. Over 10,000 workers (of a total affected population of over 13,000) received support. The total allocation to these programmes was €106m while total expenditure was €65m, €41.5m of which came from the EGF. The programmes were implemented by both public and private service providers. SOLAS had the overall responsibility for coordinating services and liaising with participating workers.

[24] NACE 41–construction buildings; NACE 43–specialised construction; NACE 71–architectural services.

Since 2018, the EGF Regulation requirement that 500 redundancies had to be in the same sector in order to quality for support was relaxed where the redundancies are in SMEs and the member state demonstrates that SMEs are the main or only types of business in the particular region.

An EU Commission proposal to replace the eligibility criteria in the current EGF Regulation to specifically include job losses as a result of the withdrawal of the UK from the European Union without a withdrawal agreement is currently under discussion.

Additionally, the EU Commission has published proposed changes for the EGF Regulation for the period 2021-2027. The changes include a widening of the scope of the EGF to include all unexpected major restructuring events, in particular those caused by globalisation-related challenges, such as changes in world trade patterns, trade disputes, financial or economic crises, the transition to a low-carbon economy and increased digitisation or automation. The proposal is currently the subject of discussions between the European Parliament, Council and Commission, and if adopted would only apply from 2021 onwards.

To date no application has been made to the EGF in respect of workers at Bord na Móna. It is understood that, when the redundancies were announced, the EU Commission confirmed that the job losses arising from the decision to transition from peat-based activities as part of a process of decarbonisation were not within the scope of the existing EGF regulations.

3.8.3 The European Green Deal

On 11 December 2019, the EU Commission published the European Green Deal (European Commission, 2019b). It provides a road map and associated policy measures designed to transform the EU into a fair and prosperous society, with a modern resource-efficient and competitive economy where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use.

It is recognised that achieving the ambition set by the European Green Deal will require stepping up the scale of investment in technology, innovation, infrastructure and economic restructuring. The Commission has estimated that achieving the current 2030 climate and energy targets will require €260bn of additional annual investment, representing about 1.5 per cent of GDP.[25] The

[25] The EU Green Deal accepts that these estimates are conservative, as they do not consider either the investment needs for climate adaptation and other environmental challenges or the public investment needed to address the social costs of transition and the costs of inaction.

magnitude of this investment will necessitate the sustained mobilisation of financial resources from both the public and private sectors.

In January, the EU announced its European Green Deal Investment Plan (EGDIP), the investment pillar of the Green Deal.[26] It aims to achieve the goals of the Green Deal by mobilising at least €1 trillion in sustainable investments over the next decade through a combination of dedicated financing to support sustainable investments and proposals for an improved enabling framework that is conducive to green investment.

Complementing other initiatives announced under the Green Deal, the European Green Deal Investment Plan has three main strands:

- **Financing**: This involves mobilising at least €1trn of sustainable investments over the next decade. This will involve a greater share of spending on climate and environmental action from the EU budget. It will be designed to crowd in private funding, with a key role being played by the European Investment Bank (EIB).

- **Enabling**: The plan will create an enabling framework for private investors and the public sector to facilitate sustainable investments. The EU will provide tools for investors in the financial system and will facilitate sustainable investment by public authorities by encouraging green budgeting and procurement and by designing ways to facilitate procedures to approve state aid for just transition regions.

- **Support:** The Commission will provide support to public administrations and project promoters in identifying, structuring and executing sustainable projects.

Importantly, Frans Timmerman, Climate Action Commissioner and Executive Vice-President for the Green Deal, has articulated the need to ensure that the transformation of Europe's economic model is both just and inclusive.

> The European Green Deal is an opportunity to improve the health and well-being of our people by transforming our economic model... Moreover it is our responsibility to make sure that this transition is a just transition and that nobody is left behind as we deliver the European Green Deal.[27]

The Commission recognises that the green transition must put people first and pay particular attention to the regions, industries and workers that will face the greatest

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[26] See https://ec.europa.eu/commission/presscorner/detail/en/qanda_20_24. This is also referred to as the Sustainable Europe Investment Plan (SEIP).

[27] https://ec.europa.eu/commission/presscorner/detail/en/ip_19_6691

challenges as a result of the shift towards climate neutrality. The Commission has thus committed to establishing, as part of the Green Deal Investment Plan, a Just Transition Mechanism that is specifically targeted at those regions that will be most affected by the transition.[28] The Just Transition Mechanism is structured around three pillars of financing:

- **The Just Transition Fund:** This is a new fund, with a proposed budget of €7.5bn. Member states seeking to avail of this fund will have to match funding from the Just Transition Fund with money from the European Regional Development Fund and the European Social Fund Plus. These resources from the EU budget will be further complemented by national co-financing according to cohesion policy rules. The fund will primarily provide grants to targeted regions and will, for example, support workers to upskill and reskill, assist SMEs and start-ups to create new economic opportunities, and support investment in clean energy transition.

- **A dedicated just transition scheme under InvestEU**: With a provisional budget of €1.8bn, this scheme aims to mobilise up to €45bn of private-sector investment to benefit affected regions and assist their economies find new sources of growth. Eligible projects could include investment in decarbonisation, economic diversification and social, transport or energy infrastructure.

- **A public-sector loan facility with the EIB backed by the EU budget**. This measure will provide concessional loans to the public sector with the aim of mobilising between €25bn and €30bn of investment in areas such as energy and transport infrastructure, district heating networks and renovation or insulation of buildings. The loan facility will rely on a contribution of €1.5bn from the EU budget and an EIB lending of €10bn at its own risk.

The Just Transition Mechanism will also have a platform that will provide technical assistance and policy guidance to member states, regions and investors, and will also seek to involve communities, social partners, NGOS and local government. The Commission has also signalled its intention to make it easier to invest in the transition by ensuring that the regulatory framework provides the right incentives.

[28] The Commission's explanatory memo on the Just Transition Mechanism refers in particular to the regions where jobs depend on fossil fuels, including coal, lignite, peat and oil shale or carbon-intensive industrial processes emitting greenhouse gases. See https://ec.europa.eu/commission/presscorner/detail/en/qanda_20_24

3.8.4 The European Investment Bank (EIB)

Since 2012, the EIB has provided €150bn of finance, supporting €550bn of investment in projects designed to reduce emissions and assist countries to adapt to the impacts of climate change. This includes more than €65bn of financing for renewable energy, energy efficiency and energy distribution. The EIB has signalled its intentions to build on this strong foundation by adopting both an ambitious new strategy for climate action and environmental sustainability, and a new Energy Lending Policy.[29] The key elements of these new policy initiatives are:

- The EIB will end financing for fossil-fuel energy projects from the end of 2021.

- Future financing will accelerate clean energy innovation, energy efficiency and renewables.

- EIB Group financing will aim to unlock €1tn of climate action and environmentally sustainable investment in the decade 2021 to 2030.

- The EIB will gradually increase the share of its financing dedicated to climate action and environmental sustainability to reach 50 per cent of its operations by 2025, thus becoming Europe's Climate Bank.

- The EIB Group will align all of its financing activities with the principles and goals of the Paris Agreement by the end of 2020. In the near future, this will be complemented by measures to ensure EIB financing contributes to a just transition for those regions or countries more affected so that none is left behind.

The EIB has committed to establishing an Energy Transition Package as part of its broader climate strategy to provide additional financial, technical and advisory support to those member states facing a more challenging transition path. At the level of national energy systems, this new package will focus existing Bank assistance, on energy projects that support the transition in the ten member states supported by the EU Modernisation Fund.[30]

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29 https://www.eib.org/en/press/all/2019-313-eu-bank-launches-ambitious-new-climate-strategy-and-energy-lending-policy.htm

30 The EU Modernisation Fund, which was established as part of the reform of the EU's ETS, enables investments in small-scale energy projects, improvements in energy efficiency, and the modernisation of energy systems in lower-income member states with a GDP per capita of less than 60 per cent of the EU average. The 10 member states covered by the EU Modernisation Fund are Bulgaria, Czech Republic, Estonia, Croatia, Latvia, Lithuania, Hungary, Poland, Romania and Slovakia (Catuti & Elkerbout, 2019).

As indicated above, the Commission has signalled that the EIB has a key role to play in the mobilising of at least 1 trillion of sustainable investments over the next decade.

The EIB is the main financing partner, with a 75 per cent share of the guarantee, providing backing to InvestEU, which is integral to the European Green Deal Investment Plan. The EIB has also been given a central role in the Just Transition Mechanism in terms both of its involvement as a privileged partner in the Just Transition Scheme under InvestEU and its contribution to the public-sector loan facility to support national and regional authorities with low-interest loans. It is estimated that the EIB's contribution to the European Green Deal Investment Plan will collectively amount to €250bn of mobilised investments under EU mandates.

The level of project funding that Ireland has received from the EIB has grown substantially over the last five years, exceeding €1bn in both 2017 and 2018. This has included investment in projects related to climate change, including wind energy and sustainable forestation funds. The EIB also recently announced a €40m investment to support An Post's digital, retail and green transformation.[31]

The establishment of an EIB regional office in Dublin in 2016, the setting-up of the Ireland-EIB Financing Group, chaired by the Minister of Finance, and the creation of three associated working groups focused on Connectivity, Social Infrastructure and Enterprise, has further reinforced the positive working relationship between the EIB and the Irish state. This positive relationship combined with EIB's new investment priorities suggests that the latter has the potential to play a pivotal role in supporting Ireland's transition to a low-carbon economy.

It is important to recognise that the EIB is a Triple-A financial institution that only invests in quality, bankable projects, and that EIB funding is not a grant but a loan that has to be repaid. With regard to climate action and energy, its strategy is focused very much on investment in energy systems and sustainable infrastructure; thus 'attracting' increased funding requires a pipeline of viable projects of appropriate scale. The example of An Post highlights how EIB investment can assist an enterprise in building its capacity to meet the challenges and harness the opportunities associated with the transition to a low-carbon digital future. However, this was a commercial transaction negotiated between the EIB and An Post and not a government-sponsored programme of action for a vulnerable firm or vulnerable workers.

The central role given to the EIB in the Just Transition Mechanism highlights that it will be a potentially pivotal player in the future financing of EU support for vulnerable workers, sectors and regions. This reaffirms the importance of national

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[31] https://www.eib.org/en/press/all/2019-284-eur-40m-eib-backing-for-an-post-transformation

policy actors in Ireland engaging in sustained and intensive dialogue with the EIB that is designed to explore how they can work together to support investment that contributes to the achievement of a just and inclusive transition. This type of engagement, which should begin at the early stages of the policy design process, provides an opportunity not only to attract additional levels of funding but also to tap into the expertise and knowledge of the EIB Group in ways that will improve the quality and effectiveness of policy interventions.

3.8.5 InvestEU Programme

Proposed in 2018, the InvestEU Programme (2021-2017) aims to build on the model of the Investment Plan for Europe, the Juncker Plan.[32] InvestEU will bring together, under one roof, the European Fund for Strategic Investments and 13 EU financial instruments currently available. InvestEU has been designed to trigger at least €650bn in additional funding to support investment, innovation and job creation in Europe. By using an EU budget guarantee to crowd in other investors, the InvestEU Fund will give a substantial boost to investment across four main policy areas between 2021 and 2027. The four main policy areas under this programme are:

- sustainable infrastructure;
- research, innovation and digitisation;
- small and medium businesses; and,
- social investment and skills.

The activities of the InvestEU programme will be part of and complementary to the European Green Deal Investment Plan. Under the Green Deal, InvestEU has been mandated to dedicate at least 30 per cent of mobilised investment to climate and environmental-related projects. Secondly, a dedicated Just Transition Scheme is to be established as part of the InvestEU with the aim of providing €45bn of sustainable investments in regions most affected by the transition challenges. InvestEU also has a role to play in promoting sustainability practices among public and private financiers and project promoters by setting standards for tracking climate-related investments and assessing the environmental and social impact of projects. Finally, the InvestEU Advisory Hub will provide technical assistance and advisory support to assist public and private project promoters to identify, develop and implement green investment projects. Although the EIB is the main partner of the InvestEU fund, national promotional banks and international financial

[32] https://ec.europa.eu/commission/priorities/jobs-growth-and-investment/investment-plan-europe-juncker-plan/whats-next-investeu-programme-2021-2027_en

institutions can be involved. The Strategic Banking Corporation of Ireland is in the process of becoming an implementing partner for the InvestEU programme (2021–2027).

3.8.6 Conclusion on EU Funding Streams

The announcement of the European Green Deal and the associated European Green Deal Investment Plan are important policy developments with regard to the transition towards a climate-neutral EU by 2050. Importantly, the EU has articulated the need to make this transition just and inclusive for all. As part of this commitment, the Commission is to establish a Just Transition Mechanism that will target investment at those regions which will be most affected by the transition.

The central role given to the EIB in the Just Transition Mechanism highlights that it will be a potentially pivotal player in the future financing of EU support for vulnerable workers, sectors and regions. This reaffirms the importance of national policy actors in Ireland engaging in sustained and intensive dialogue with the EIB to explore how they can work together to support investment that contributes to the achievement of a just and inclusive transition. This type of collaborative working, which should be initiated as early as possible in the policy design process, provides an opportunity to tap into the considerable technical and policy expertise in the EIB Group. This can improve the quality and effectiveness of the proposed policy interventions as well as potentially increase their capacity to attract relevant funding

Chapter 4
Conclusions

The purpose of this background report is to outline the research and rationale underpinning the conclusions and nine policy recommendations made by NESC in Report No.149 *Addressing Employment Vulnerability as Part of a Just Transition in Ireland*. As was highlighted in the introduction, the Council has, in the context of a broader vision and a commitment to a high-quality jobs economy, identified three key drivers of the Government's response to employment vulnerability created by transitions:

- continuous, pre-emptive workforce development;
- building resilient enterprises; and
- delivering high-impact targeted funding to support transition.

The Secretariat's work reaffirms the growing consensus that upskilling and reskilling employees represents the best way to prepare for, and address, the complex, dynamic and uncertain labour-market changes associated with climate action and digitisation. This will require a collective and concerted approach designed to build a quality system of employee development that is accessible, affordable and capable of equipping individuals with the relevant skills and competencies for the changing labour market. The Secretariat's work recognises the increased focus on this issue in national skills policy and the development of a new policy and institutional architecture for employee skills development. The importance of this policy area suggests that, in addition to ensuring that the various institutions and agencies are adequately resourced, we may also need to be more ambitious in our future offering and ambition for workforce development.

The Secretariat's research indicates that there is potential for enhanced policy intervention in a number of areas of workforce development, in particular the use of quality skill audits to generate labour-market intelligence; the recognition of tacit knowledge and informal learning, and recognising and meeting the growing demand for meta-skills such as self-management, social intelligence and innovation. The pace, scale and nature of changes in the labour market suggests that it will be imperative to make lifelong learning a reality for all workers over the course of their careers. While recognising the progress that has been made in increasing participation in lifelong learning in Ireland, it will be important to explore ways of increasing participation by those cohorts of workers who are currently under-represented in such activity.

International good practice also highlights how early intervention and the provision of high-quality guidance and supports tailored to individual needs can be key to enhancing the future employability of workers who are vulnerable to economic transition. The Public Employment Service has already indicated its commitment to extending its career advice service to those who may be vulnerable due to technological and other changes. The Secretariat suggests that there is now an opportunity to reconfigure the focus of the Public Employment Service by expanding its reach and associated suite of supports so that it can meet the challenges associated with a changing economy and a more dynamic and uncertain labour market.

It is accepted that Ireland has a well-established policy and institutional architecture for supporting enterprise development, including support for research, innovation and the adoption of new technology. However, it is the Secretariat's view that the current singular focus on high-potential, scaling or exporting firms will probably mean that the State's development agencies will not be best placed to support those firms that are viable but vulnerable to the challenges associated with the low-carbon and digital transitions. Rather, managing transitions will require the State's network of agencies moving to a situation whereby – in the context of any difficult transition to a low-carbon, digital future – they are also able to provide enterprise development supports to viable but vulnerable firms across the whole SME sector. Although this change in focus will not necessarily be easy, the manner in which these agencies responded to the challenge of Brexit suggests that there is scope to develop a similar structured and coordinated programme of action for companies preparing for and managing these other different but similar transitions. This could include exploring how the policy architecture, supports and increased interagency collaboration developed for Brexit could be kept in place and adapted where necessary.

The Secretariat considers that the recent OECD review of SME and Entrepreneurship policy in Ireland includes a number of recommendations that, with some modifications, could enhance how enterprise policy supports firms that are vulnerable to the low-carbon or digital transitions. These include actions in relation to developing a unified SME and entrepreneurial strategy; management development; supporting digitisation in SMEs; SME innovation and networking, and multi-stakeholder dialogue and digital policy. Indeed, building on these areas of action, the Secretariat maintains that, in general, there needs to be a more concerted and explicit focus in the policy and institutional infrastructure for enterprise development on addressing the enterprise challenges and opportunities associated with the transition to a low-carbon economy.

Finally, this report considered a number of potential ways to fund a programme of action and/or supports to assist enterprises, workers and communities that are, or may be, vulnerable to the impacts associated with the low-carbon and digital transitions. The decision to ring-fence the extra revenue generated by the increases in the carbon tax for climate action, including the establishment of a Just Transition Fund, is a welcome policy development. The planned €36m investment under the Just Transition Fund is substantial when concentrated in one region, namely the Midlands. The Secretariat contends, however, that maximising the impact of this type of investment and ensuring that it is targeted at the most vulnerable to transition will require additional policy instruments such as the use of social clauses and the provision of funding for local capacity-building. Given the importance of adopting a place-based response to transition, the Secretariat believes that, drawing on the experience of the Western Investment Fund, there is scope to develop further place-based investment platforms as a vehicle for investing in local enterprises as part of a broader concerted strategy for promoting economic and social development in communities vulnerable in the ongoing transitions. State-supported financial institutions, in particular the SBCI, will also have a key role to play in providing customised and tailored financial products that will enable enterprises to address the challenges and realise the opportunities associated with the transitions.

The announcement of the European Green Deal and the associated European Green Deal Investment Plan are important policy developments with regard to the transition towards a climate-neutral EU by 2050. The EU has articulated the need to make this transition just and inclusive for all. This reaffirms the importance of national policy actors in Ireland engaging in sustained and intensive dialogue with European institutions, in particular the EIB, to explore how they can work together to support investment that contributes to the achievement of a just and inclusive transition.

Chapter 5
Appendices

Appendix 1: Key Enterprise Institutions

The Local Enterprise Offices (LEOs)

The network of 31 Local Enterprise Offices (LEOs), established in 2014, function as a 'first stop shop' for anyone seeking information, advice and support on starting or growing a business in Ireland. The Department of Business, Enterprise and Innovation funds the LEOs, through Enterprise Ireland. In 2018 €38m was allocated to the network. The LEO Annual Employment Survey 2018 indicates that 8,007 new jobs (gross) and 3,566 jobs (net) were created by LEO-supported client companies.[33] At the end of 2018, there were 36,666 people employed by the 7,164 small businesses and start-ups that had received financial assistance from the LEOs.

The LEOs provide a range of developmental enterprise supports – information, advice, mentoring, training and financial supports – targeted at start-ups, micro-enterprises and individuals seeking to start a new enterprise within their individual administrative areas. At present, the suite of financial supports provided by the LEOs are only available to new and existing enterprises (limited company, individuals/sole traders, cooperatives and partnerships) provided that such enterprises are capable of attaining commercial viability, employ fewer than ten people and operate in the commercial sphere (see Table A1.1).[34]

Additionally, within the eligible cohort of micro-enterprises, priority is given to enterprises in the manufacturing or international traded services sectors, which over time can develop into strong export entities and graduate to the Enterprise Ireland portfolio. Businesses in sectors where there is a high risk of deadweight or displacement are not eligible for financial support; for example, retail, personal services and construction.

All businesses operating in the domestic market such as sole traders, micro-enterprises and small and medium-sized firms may, however, avail of the soft supports provided by the LEOs**.**

LEOs – Advice and Mentoring

Business advisors working in the individual LEOs offer a range of face-to-face advisory services, primarily to micro-enterprises, including Group Business Information Sessions and one-to-one Business Advice Clinics. Business advisors are also a key signpost to other state services that are most relevant to a particular firm. Under the LEO Mentoring Programme, small business owners have the opportunity to work one to one with experienced business practitioners who can provide them with tailored advice, guidance and support designed to accelerate enterprise

[33] https://www.localenterprise.ie/Portal/Documents-and-Publications/Impact-Report-2018-/LEO_Impact_Report_2018.pdf

[34] https://www.localenterprise.ie/Discover-Business-Supports/Financial-Supports/Eligibility-Criteria/Eligibility-Criteria.html

growth and build their managerial capacity. Enterprises that access a Microfinance Ireland Loan through the LEO network can also use this service. In 2018, 9,625 mentoring assignments were delivered by the LEOs network.[35]

LEOs – Financial Support

Between 2014 and 2018, LEOs approved €81.5m in direct financial assistance, in the form of grants, to 5,080 business projects. In 2018, €18.2m of direct financial assistance was sanctioned for 1,259 business projects (Table A 1.1). Priming Grants, which is a business start-up support, and the Business Expansion Grant, which is targeted at enterprises entering a growth phase, accounted for 85 per cent of this direct financial support from the LEO network (see also Table A 1.1).

Table A1.1: LEO Direct Financial Support Measures 2018

Measure	Description	Approval	Grant Aid Approved
Feasibility Study Grants .	This grant is designed to assist the promoter with researching market demand for a product or service and examining its sustainability.	165	€1.5m
Priming Grants	A business start-up grant available to micro-enterprises within the first 18 months of start-up.	272	€6.4m
Business Expansion Grants	This grant is designed to assist the business in its growth phase after the initial 18 month start-up period.	349	€9.2m
Technical Assistance for Micro Exporters	The TAME grant enables clients to explore and develop new market opportunities by part-funding the costs that can be occurred in investigating and researching export markets.	463	€0.8m
Total		**1,259**	**€18.2m**

Source: LEO 2018: p.7.

In seeking to support increased innovation among their micro-enterprise client group, LEOs are collaborating with Enterprise Ireland to facilitate access to a number of the latter's innovation schemes, including the Agile Innovation Fund and

35 https://www.localenterprise.ie/Portal/Documents-and-Publications/Impact-Report-2018-/LEO_Impact_Report_2018.pdf

Innovation Vouchers (see Table A1.5). The LEOS, in particular, have been promoting the new fast-track Agile Innovation Fund. This fund aims to provide small companies operating in sectors characterised by rapid design cycles with much quicker access to funding to develop new products, processes and/or services. The LEOs offer eligible client enterprises advice, support and guidance that is designed to assist them in accessing the Agile Innovation Fund. Similar supports are also provided to firms to assist them in applying for Brexit-related financial supports from InterTradeIreland.

Under Lean for Micro, small businesses are supported to develop continuous improvement projects, which can include implementation of digitisation projects. The LEOs are also responsible for delivering the Trading Online Voucher Scheme funded by the DCCAE as part of the National Digital Strategy. This scheme provides training, advice and matched financial assistance of up to €2,500 to micro companies that want to establish an online presence for the first time or are seeking to expand their online trading capacity. In 2018 1,107 approvals were secured by the LEOs under this scheme.

A total of €2.5m has recently been allocated to 16 projects under the new LEO Competitive Fund.[36] Individual LEOs, collaborative projects involving two or more LEOs and LEOs working with other local bodies were all eligible to apply, though the projects have to be aligned with the strategic objectives of the relevant Regional Enterprise Plans and Future Jobs Ireland Strategy. Projects relating to digital technologies, green and environmental activities, e-commerce and e-hubs and remote working were among the successful applicants in the latest current competitive round of funding announced in October 2019 (see Table A1.2).

In September, the LEOs introduced a new pilot national programme to support productivity improvements in small businesses operating in the domestic markets and employing fewer than 50 employees. Underpinned by €500,000 funding from government, the LEO network will provide 200 productivity vouchers, valued at €2,500 each, to successful applicants on a competitive basis. The successful firms can then use the voucher to purchase expert consultancy advice designed to enhance business efficiency, productivity and operational processes.

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[36] See https://dbei.gov.ie/en/News-And-Events/Department-News/2019/October/04102019.html

Table A1.2: Selection of Projects Funded by the LEO Competitive Fund

Project Summary	LEOs	Partners.	Funding
The project aims to encourage technology innovation and software-driven start-ups in the Mid-West, particularly with an emphasis on solutions that align to Industry 4.0.	Clare, Limerick	n/a	€195,000
The Green for Micro project aims to assist enterprises to incorporate sustainable practices to help them transition to a low-carbon economy focused on water, energy, waste, procurement and transport.	Carlow, Waterford, Wexford, Tipperary	3 Counties Energy Agency	€100,000
This project will establish a Mobile Fabrication Laboratory for SMEs, enterprise hubs and schools to access digital technologies and design methodologies to increase innovation, develop products and increase skills.	Longford, Roscommon, Cavan	Leitrim, Roscommon Longford and Cavan County Councils, Digital and Enterprise Hubs across the four counties, Manorhamilton FabLab	€141,340

This project will manage and promote in a collaborative and collective manner the existing network of Smart e-hubs across Limerick, Clare and Tipperary.	Clare, Kerry, Tipperary	Innovate Limerick, Mid-West Regional Enterprise plan, Kantoher Development Group, Croom Enterprise Centre, Clare County Council, Limerick City and County Council, Tipperary County Council, HQ Tralee	€184,467
The Going Green project aims to educate, advise and support small businesses in the Midlands region in their adoption of environmentally positive actions and demonstrate the commitment of small firms to sustainability. By becoming exemplar businesses, they can act as positive role models to other small firms and gain competitive advantage as the consumer becomes more discerning in relation to dealing with environmentally conscious firms.	Laois, Offaly, Westmeath	Local Authorities	€222,000
This project seeks to address the challenges of moving micro-enterprises to more sustainable and lower-carbon operations. It aims to intensively engage with micro-enterprises to develop a tailored Carbon Impact Assessment which will identify opportunities to both increase competitiveness and introduce new processes and technologies, thus driving an innovation agenda.	Sligo, Roscommon	IT Sligo	€210,466
The E-Commerce Cluster project will bring online retailers together, to share experience and best practice, access online expertise and support members to develop and grow their online business domestically and internationally.	Monaghan, Cavan, Louth and Meath		€56,640

LEOs – Training

Although the actual number and range of training programmes provided varies between individual LEOs overall across the network, training provision falls within the following categories: Business Skills Training; Lean for Micro; Start your own Business Programme; Management Development; Information Technology and Digital Economy/Social Media.

Since 2014, 144,830 individuals have participated in LEO-run training courses. A key programme for the LEOs is the Start your Own Business (SYOB) programme, which has attracted 17,500 participants since it was launched in 2014. The LEOs also promote entrepreneurship in local communities and schools.[37]

There has been a discernible increase in recent years in training related to digitisation, with programmes being developed and delivered in areas such Digital Business; Digital Marketing; Search Engine Optimisation Strategies and the use of Social Media (including Social Media Boot camps). The four Dublin LEOS, with support from Enterprise Ireland, Technological University Dublin and Bord Bia launched in 2018 the 'Digital School of Food'. This is an e-learning hub designed to support food producers in developing their food manufacturing businesses from the start-up to growth phase. In the first four months of its launch, 128 companies from across Ireland engaged with this online training hub. Companies that complete this online learning initiative are then encouraged to take up further LEO-sponsored supports such as the Food Starter Workshops and Food Academy programme. At present, compared to the level of training offered in the area of digitisation/social media, the offering in relation to climate resilience and environmental sustainability is rather limited and patchy across the network of LEOs.

Enterprise Ireland

Enterprise Ireland provides a broad range of enterprise development supports — information, advice, mentoring, finance and training — to both established SMEs and larger companies in manufacturing and internationally traded services and high-potential start-ups (HPSUs). Of the €3.16bn of indicative funding allocated under the National Development Plan (NDP) to DBEI for their business, enterprise and innovation programmes (2018-2022), nearly 33 per cent is accounted for by Enterprise Ireland expenditure. Reflecting the strong emphasis on R&D in the NDP, €619m has been allocated to expand Enterprise Ireland's R&D programme. This expenditure includes grants for in-company R&D; support for collaborative research between firms and the third-level sector; skills and capacity-building measures, and help with commercialising new ideas. There is a further indicative Exchequer allocation of €312m for the wide range of non-R&D enterprise development programmes that are provided by Enterprise Ireland. EI also invests in seed and

[37] For example, the LEOs organise both the Best Young Entrepreneur competition and the National Student Enterprise Awards.

venture capital funds in partnership with the private sector. In 2018, Enterprise Ireland provided €237m of funding to support enterprise development across four categories of expenditure: technology and scientific infrastructure (€106m); equity and venture capital funds (€71m); capability-building (€31m and capacity-building (€29m). The forecasted figure for funding in 2019 was €264m, an increase of €27m or 11.4 per cent.

The objective of this funding and other supports is to increase the potential employment and sales growth of client businesses, foster regional development, increase the productivity and innovation of indigenous businesses, and increase exports. There is a strong emphasis on increasing the scale and internationalisation of indigenous enterprises. In the period 2017 to 2020, Enterprise Ireland is seeking to increase the exports of its client companies by €5bn, to reach €26bn in 2025. This focus ensures that EI's client base consists of firms in the manufacturing and internationally traded services sectors that either have the potential to export or are already exporting and display the potential to grow and create additional employment.

Enterprise Ireland provides financial supports tailored to a company's stage of development – HPSUs, established SMEs (more than ten employees) and large companies (more than 250 employees). For SMEs and large firms, financial assistance is available to support market research and internationalisation; process, product and services development (including research & development and innovation funding); productivity and business improvement supports; management development and company expansion.

EI – High-Performance Start-Up (HPSU) Programme

The range of financial and associated supports that Enterprise Ireland provides to HPSU companies is outlined in Table A1.3. HPSUs are defined as businesses with the potential to develop an innovative product or service for sale on international markets and the potential to create ten jobs and €1m in sales within three years of starting up. These funding supports are closely aligned to a company's stage of development. They are aimed at providing either direct financial support (grant, equity investment or voucher) or assistance in accessing external expertise (consultancy costs) to enable a firm to start, develop and grow. These funding supports tend to be categorised according to one of the three stages in a HPSU's business lifecycle:

- **Feasibility Stage:** The focus here is to facilitate the development of a business idea to a point where it is investor-ready.

- **Investor Ready Supports:** This category of supports is targeted at businesses with a well-developed plan that requires investment; and

- **Post Investment Supports:** These supports are focused on exploring new international development opportunities and the continued development of the management team.

This collection of supports includes the delivery of Ireland's national entrepreneur programme, the New Frontiers Entrepreneurship Development Programme. It is run in partnership with the institutes of technology and participation is based on a competitive review process. Under this national initiative, HPSUs have access to a range of supports including mentoring, academic research, incubation space and a €15,000 scholarship, which collectively are designed to help accelerate the development of the business.

There is also a well-developed network of 30 incubators and start-up accelerators and four business innovation centres located in universities and institutes of technology. Enterprise Ireland provided the funding to establish these structures and continues to finance most of them. These centres provide incubation support – facilities, advice, mentoring, training and networking opportunities – to entrepreneurs and start-ups. As part of their continued involvement in these structures, there is a strong emphasis on encouraging high-growth potential firms to migrate to Enterprise Ireland programmes.

There are also four regionally based Business Innovation Centres funded by a combination of Enterprise Ireland and private-sector investment. These centres provide tailored, high-level support to entrepreneurs to assist them to convert their innovative ideas into a commercial reality and become investor-ready.

Table A1.3: Funding Supports for HPSUs

Feasibility Stage	
HPSU Feasibility Study Grant	The aim of this grant is to assist an early-stage company or individual entrepreneur to investigate the viability of a new export-orientated business or proposition. Typical elements involved in carrying out a feasibility study include market research, business plan development, technical research and prototyping. The maximum grant funding is 50 per cent of eligible expenditures up to a maximum of €15,000.
Innovation Voucher	Innovation Vouchers, worth €5,000, are available to assist early-stage companies to work with a registered college or knowledge provider to explore a business opportunity or solve a technical problem.
New Frontiers Entrepreneurship Development Programme	Ireland's national entrepreneur programme run in partnership with the IoTs. A range of supports including mentoring, incubation space and a €15,000 scholarship are provided to help accelerate the development of the business and to equip the promoter(s) with the skills and networks to start and grow their business.
Mentor Grant	Funds the assignment of an experienced business mentor to assist in the start-up phase of the project.
Investor-Ready Supports	
Competitive Start Fund	This is a competitive scheme, which enables a HPSU to secure €50k equity investment to accelerate its development. In this scheme, there are calls made for specific sectors such as digital media, and calls to support female-led HPSUs are run under the Female Entrepreneurship Initiative.
Innovative HPSU Fund (equity)	This fund enables EI to offer equity investments on a co-funded basis to support the implementation of a company's business plan.
Post-Investment Supports	
Market Discovery Fund	The aim of this fund is to incentivise companies to research viable and sustainable market entry strategies in new geographic markets, by providing a grant towards the internal and external costs incurred in undertaking this work. The maximum grant funding available is 50 per cent of eligible expenditure up to a maximum of €150,000.
Mentor Grant	Funds the assignment of an experienced business mentor to assist in strategy development.
Excel at Selling	This is a series of workshops aimed at rapidly embedding the proven tools of good international selling practice in sales teams or Irish companies across all industry sectors.
Innovation Voucher	Innovation Vouchers, worth €5,000, are available to assist early-stage companies to work with a registered college or knowledge provider to explore a business opportunity or solve a technical problem.

As indicated earlier, Enterprise Ireland's strategic mandate places a strong emphasis on increasing the scale and internationalisation of indigenous enterprises. In seeking to achieve this objective, Enterprise Ireland focuses in particular on building firm-level capabilities and capacities in four areas related to business development: exporting, R&D and innovation, productivity and management development.

EI – Building Export Capabilities

As an export-focused business development agency, EI places considerable emphasis on assisting companies to strengthen their export selling capabilities. As outlined in Table A1.4, this involves providing both customised sales training and access to experienced business practitioners. For example, under the Business Accelerators Programme, Enterprise Ireland assists companies to secure the services of a Business Accelerator. This is an industry expert in a specific market or sector with the requisite knowledge, experience and contacts to support a company's expansion and development into a particular export market.

EI – Research, Development and Innovation

Under the current NDP, €619m has been allocated to expand Enterprise Ireland's R&D programme over the period 2018-2022. In this extensive programme there are a range of funding measures designed to increase SME engagement in research, development and innovation as a means of improving their products, services or processes (see Table A1.5).

Enterprise Ireland has also developed the Innovation 4 Growth initiative, a customised training programme to support companies seeking to drive growth through innovation. This management programme, delivered by the Irish Management Institute in partnership with MIT, aims to fast-track companies through an end-to-end innovation learning and practice journey.

In addition to directly funding innovation-based projects in companies, Enterprise Ireland is also seeking to stimulate increased collaboration between enterprises and between enterprises and research bodies by investing in various research and technology infrastructures:

- **The Technology Gateway network:** This network operates across 15 institutes of technology to provide technology solutions to product, service or process issues that are close to the market needs of Irish firms. The gateways operate as open access points for industry of all sizes, and as local access points to the wider resources in the Irish research infrastructure.

- **Technology Centres:** These are collaborative entities established and led by industry. This is a joint EI and IDA initiative designed to facilitate Irish companies and MNCs working together on research projects in collaboration with research institutions (see Box A2.1).

Table A1.4: Building Export Selling Capabilities

Feasibility Stage	
HPSU Feasibility Study Grant	The aim of this grant is to assist an early-stage company or individual entrepreneur to investigate the viability of a new export-orientated business or proposition. Typical elements involved in carrying out a feasibility study include market research, business plan development, technical research and prototyping. The maximum grant funding is 50 per cent of eligible expenditures up to a maximum of €15,000.
Innovation Voucher	Innovation Vouchers, worth €5,000, are available to assist early-stage companies to work with a registered college or knowledge provider to explore a business opportunity or solve a technical problem.
New Frontiers Entrepreneurship Development Programme	Ireland's national entrepreneur programme run in partnership with the IoTs. A range of supports including mentoring, incubation space and a €15,000 scholarship are provided to help accelerate the development of the business and to equip the promoter(s) with the skills and networks to start and grow their business.
Mentor Grant	Funds the assignment of an experienced business mentor to assist in the start-up phase of the project.
Investor-Ready Supports	
Competitive Start Fund	This is a competitive scheme, which enables a HPSU to secure €50k equity investment to accelerate its development. In this scheme, there are calls made for specific sectors such as digital media, and calls to support female-led HPSUs are run under the Female Entrepreneurship Initiative.
Innovative HPSU Fund (equity)	This fund enables EI to offer equity investments on a co-funded basis to support the implementation of a company's business plan.
Post-Investment Supports	
Market Discovery Fund	The aim of this fund is to incentivise companies to research viable and sustainable market entry strategies in new geographic markets, by providing a grant towards the internal and external costs incurred in undertaking this work. The maximum grant funding available is 50 per cent of eligible expenditure up to a maximum of €150,000.
Mentor Grant	Funds the assignment of an experienced business mentor to assist in strategy development.
Excel at Selling	This is a series of workshops aimed at rapidly embedding the proven tools of good international selling practice in sales teams or Irish companies across all industry sectors.
Innovation Voucher	Innovation Vouchers, worth €5,000, are available to assist early-stage companies to work with a registered college or knowledge provider to explore a business opportunity or solve a technical problem.

Table A1.5: Supporting R&D and Innovation in the SME Sector

Scheme	Description
Innovation Vouchers	Companies can avail of an innovation voucher worth €5,000 to assist them in exploring a business opportunity or addressing a problem with a registered knowledge provider.
Exploring Innovation Grant	A grant (50 per cent of eligible expenditures to a maximum grant of up to €35,000) to investigate the feasibility of developing a new product, process, technology or service offering.
The RD&I Fund	The RD&I fund supports the development of new or substantially improved products, services or processes to increase competitive advantage in a company's target market. To be eligible the development must involve the resolution of a technical challenge, or a business innovation project. The project must also be non-routine and represent a step-up in terms of RD&I capability. Grant support is provided for projects between €300,000 and €3m.
Agile Innovation Fund	This fund aims to provide small companies operating in sectors characterised by rapid design cycles with much quicker access to funding to develop new products, processes and/or services and maintain their technology position. The fund is managed via a fast-track approval procedure and streamlined online application process. Companies can access up to 50 per cent funding to support development projects with a total cost up to €300,000.
Innovation Partnership Grant Programme	This offers financial support to companies that engage in collaborative research projects with Irish universities and IoTs. The programme can provide up to 80 per cent of the cost of research work to develop new and improved products, processes or services, or generate new knowledge and knowhow. Funding from Enterprise Ireland will normally not exceed €200,000.
Business Innovation Offer	The aim of this fund is to incentivise and support companies to invest in business innovation projects that will implement new or improved production methods, service delivery or organisational methods in order to increase competitiveness on global markets. The maximum grant rate for Business Innovation is 50 per cent of the eligible costs, up to a maximum grant of €150,000.
Intellectual Property Strategy Support	The IP Strategy Support assists companies to develop a strategy to manage and exploit IP coming from an RD&I project. This could include patents, designs, copyright and brands. An IP Start Grant (max €2160) is available to cover part of the cost of employing an IP advisor for up to four months to address IP issues linked to EI-supported RD&I. An IP Plus grant (max €35,000) covers a portion of the cost of a medium-term (up to 18 months) consultancy and training assignment aimed at developing a detailed IP strategy linked to EI-supported RD&I.

Box A1.1: Enterprise Ireland's Technology Centres

An example of a technology centre is CeADAR, the Centre for Applied Data Analytics & Artificial Intelligence. This is a market-focused technology centre for innovation and applied research in artificial intelligence, machine learning and data analytics across all sectors. It has 80 company members ranging from multinationals to indigenous SMEs.

Another technology centre is the Irish Manufacturing Centre, which undertakes research on solutions to enhance productivity and efficiency in Irish manufacturing.

The emphasis in both of these initiatives, in particular the Gateway Network, is on stimulating collaborative research designed to address issues that are close to market needs. In contrast, SFI-funded research centres, which SMEs can also participate in, are more focused on applied and basic research combined.

A new initiative under the NDP is a multi-annual fund for Regional Technology Clustering. Enterprise Ireland is responsible for administering an initial budget of €2.75m on behalf of DBEI to support this scheme. Under this initiative, funds will be awarded on a competitive basis to institutes of technology and technological universities with the objectives of:

- increasing their engagement and connectivity with SMEs in particular, and industry generally; and
- supporting the development of enterprise clustering in identified sectors or thematic areas with a view to increasing SME productivity and internationalisation.

EI – Enhancing Productivity

In seeking to increase their client firm's productivity levels, Enterprise Ireland provides access to a number of 'best practice' competitiveness tools, in particular the Company Competitiveness Health Check, a series of Lean Programmes, and a Green Offer. In 2017, 170 EI client companies engaged with these business supports to improve productivity, profitability and environmental best practice.

EI provides three Lean Programmes – Lean Start, Lean Plus and Lean Transform – that are designed to encourage client companies to adopt lean business principles, tools and techniques in order to increase performance and competitiveness. There are also a number of financial supports available as part of EI's Green Offer (see Box A2.2). In these programmes the development of sustainable business practices and improved environmental performance are promoted in terms of their potential to improve resource efficiency, achieve cost savings and increase access to new customers and markets.

Box A1.2: Enterprise Ireland's Green Offer

- **Client companies can apply for funding under EI Business Improvement Grants to undertake a GreenPlus Assignment that is designed to assist managers to drive environmental efficiencies and achieve improved sustainability.**
- **It is possible to use the Exploring Innovation Grant to investigate the feasibility of developing a new product, process, technology or service offering linked to sustainability.**
- **Under the GreenStart Programme, EI will finance SMEs to engage with a consultant who will aim to improve environmental awareness relating to regulatory compliance, assist in the development of basic environmental management systems and provide training to key staff.**

In addition to these funding supports, EI has developed a Green Competitiveness Guidebook

EI – Management Advice, Strategy and Development

The package of supports that fall within the area of management advice, strategy and development are listed in Table A1.6. Many of them are linked to the three other developmental areas – innovation, exporting and productivity. In seeking to build managerial and organisational capabilities, Enterprise Ireland provides client firms with access to strategic advice and expertise through a combination of internal development advisors and an external network of experienced private-sector mentors drawn from Ireland and overseas. Secondly, there are a range of training programmes and workshops that aim to equip entrepreneurs and early-stage start-ups with the key skills necessary to start, develop and grow their business. As discussed in this report, Enterprise Ireland has developed a broad package of measures to strengthen export-selling capabilities. Finally, with regard to management development, the main flagship initiative is the Leadership 4 Growth programme, which is targeted at the CEOs and senior management teams of EI client companies.

Table A1.6: Management Advice, Strategy and Development

	Supports
Accessing Strategic Advice and Expertise	EI Development Advisors Mentor Assignments (EI Mentor Network) Mentor Panels Business Accelerator – Industry experts Innovation Vouchers
The Skills to Start and Advance your Business	HPSU Sprint Programme HPSU Founders Forum Enterprise START Programme Enterprise START 2 New Frontiers Entrepreneur Development Programme
Developing Export Selling Capability	See the supports Listed in Table A1.4
Leadership and Management Development	Leadership 4 Growth programme targeted at CEOs and senior management teams of EI client companies.

Fostering regional development is now one of the objectives of Enterprise Ireland. The EI Regional Enterprise Development Fund was established in 2017. Currently supported under the NDP, this fund provides funding for new collaborative and innovative initiatives that can make a significant impact on enterprise development in each region or across all regions. Funding is awarded on a competitive basis through a series of calls for applications. For the 2019 scheme, funding of €45m is available and applications were invited under three strands:

- Strategic Change Projects – to support major collaborative initiatives with a high impact on regional development, with funding of up to €5m per project.
- Regional Strengthening Projects – to support new local, county or regional initiatives with funding of up to €500k per project.
- Enterprise Clustering Projects – designed to support significant enterprise clustering with funding of up to €350k per project.

A feasibility fund was set up in 2019 to help groups develop quality proposals by providing up to €15,000 per eligible project. Projects funded under the 2019 call include a number of eHubs (providing office space for small businesses, start-ups and remote working along with advanced broadband) and other space for entrepreneurs.

Enterprise Ireland also recently introduced an *Operational Excellence* grant that will part-finance a company to address their competitive challenges and growth opportunities through a transformation project that can include investment in business innovation, capital equipment and capability-building. Eligibility for this programme is limited to clients of EI or Údarás na Gaeltachta who:

- employ more than ten people and have been trading for at least five years; and
- have sustainable annual revenues of at least €500k and are EBITDA-positive in the previous accounting period.[38]

In line with the goal of having a transformative effect on the applicant company, the minimum level of project expenditure expected is €100k, though it is envisaged that this will be typically higher. The project moreover must involve significant change and as such cannot be focused on routine operational changes.

Finally, in 2018 Enterprise Ireland launched a competitive-based Online Retail Scheme. The purpose of this fund was to enable retailers to increase their customer base and build a more resilient domestic and international market place both online and offline. To be eligible for this funding, the retail enterprises had to have the potential to create jobs, generate growth in sales and internationalise their business. The business also had to have an existing online presence. The most recent call for applications under this initiative was launched in June 2019 and is currently closed.

As discussed in the main report (Chapter 2), Enterprise Ireland has developed a comprehensive range of supports to assist enterprises plan for the effects of Brexit. Enterprise Ireland also administers the Disruptive Technologies Fund, one of the four new funds established under the National Development Plan 2018-2017 (see Appendix 3).

EI – Risk and Development Capital

Enterprise Ireland is also involved in providing risk and development capital, in the form of equity, seed and/or venture capital, to drive the establishment, growth and expansion of innovative export-orientated firms.

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[38] Companies that are EBIDTA-negative can still apply for funding on applications up to €150k expenditure but they must display sufficient financial resources to undertake the project and realise the commercial benefits.

Originally established in 1994 to increase the availability of early-stage risk capital and expertise to businesses with high-growth potential, Enterprise Ireland's *Seed and Venture Capital Scheme* is now on its fifth multi-annual programme following the Government's allocation through EI of a further €175m for the period 2019-2024. To date EI has committed more than €510m which, using a co-investment model, has raised €1.19bn in seed and venture capital funding (EI, 2018). During 2018, the Seed and Venture Capital Scheme supported over 80 Irish-based companies, with a total investment value of approx. €72m, which is an average investment of €900,000 per company.

The Development Capital Scheme was established to address a funding gap for mid-sized, high-growth, export-orientated indigenous firms. Enterprise Ireland co-invests on a *pari passu* basis and with the same commercial terms as privately managed funds. A total of €225m is available, with the typical investment being between €2m and €10m in the form of equity, quasi equity or debt.

Enterprise Ireland, in conjunction with the Ireland Strategic Investment Fund (ISIF), also manages *Innovation Fund Ireland*, which aims to attract global venture capital and experienced investment managers to invest in innovative SMEs. Both EI and ISIF have invested €125m in this platform and, to date, €80m has been committed to four investment funds.

All of the aforementioned schemes operate on the basis of a co-investment model involving private investors and are managed on a purely commercial basis. The average size of the investment allied to the expected commercial return ensures that these schemes are targeted at a relatively small cohort of very innovative firms with high-growth potential.

As part of their package of supports to entrepreneurs, Enterprise Ireland is also involved in providing financial support to early-stage companies through two Angel Investor Funds. The Halo Business Angel Network (HBAN) is a collaborative initiative involving Enterprise Ireland, InterTradeIreland and Invest Northern Ireland, which seeks to match investor-ready business propositions with angel investors. There are approx. 250 Angels registered with HBAN across five regional business angel networks and seven syndicate groups. In 2018, 42 Irish companies received over €9.3m in investment under this programme.

Enterprise Ireland has also invested in the European Angel Fund, a joint initiative with the European Investment Fund (EIF) that is designed to enhance the capacity of business angels to provide equity financing, in the form of co-investment. In addition to receiving funding businesses have the opportunity to benefit from the angel investor's own business expertise and experience.

Appendix 2: National Development Plan Funds

Table A2.1: Indicative Resource Allocations for Delivering NSOs, and for named Strategic Investment Priorities under each NSO, 2018-2027

€billion	Exchequer	Non-Exchequer	Total Allocation
Compact Growth (Lead Department: DHPLG: Related Departments, DTTAS, DRCD)			**14.5**
Of which: Social Housing Provision	11.6		
Urban Regeneration and Development Fund	2.0		
Enhanced Regional Accessibility (Lead Department: DTTAS)			**7.3**
Of which: M20 Cork to Limerick	0.9		
National Roads	5.7		
Strengthened Rural Economies and Communities (Lead Departments: DRCD, DAFM, Related Departments: DBEI, DTTAS, DCHG, DCCAE)			**8.8**
Of which: Regional and Local Roads	4.5		
Rural Regeneration and Development Fund	1.0		
National Broadband Plan	Confidential		
Agriculture	0.8		
Tourism	0.3		
State-Owned Enterprises (for example, Coillte, Bord na Móna)		0.8	
Sustainable Mobility (Lead Department: DTTAS)			**8.6**
Of which: Dart Expansion	2.0		
Metro Link	3.0		
BusConnects Programme	2.4		

A Strong Economy, supported by Enterprise, Innovation and Skills (Lead Departments: DBEI, DES)			**9.4**
Of which: Higher/Further Education	3.1		
University Investment		2.0	
BEI Programmes	3.0		
Challenge-Based Disruptive Innovation Fund	0.5		
Enterprise Agencies		0.8	
High-Quality International Connectivity (Lead Departments: commercial SOEs, DTTAS)			**4.8**
Of which: Airports		3.8	
Ports		1.0	
Enhanced Amenity and Heritage (Lead Departments: DCHG, DHPLG, DTTAS)			**1.4**
Of which: Cultural Infrastructure	0.7		
Heritage	0.3		
Sport	0.3		
Transition to a Low-Carbon and Climate-Resilient Society (Lead Departments: DCCAE, DDTAS, DAFM, OPW, commercial SOEs)			**21.8**
Of which: Energy Efficiency—housing retrofit	3.0		
Energy Efficiency in Public Buildings	0.8		
Boiler Replacement	0.7		
Support Scheme for Renewable Heating	0.5		
Climate Action Fund		0.5	
Electric Vehicles	0.2		
Flood Defences	1.0		
Energy Investment (renewables, interconnection, etc)		13.7	

Sustainable Management of Water and other Environmental Resources (Lead Departments: HPLG, DCCAE)			**8.8**
Of which: Irish Water	6.8	1.7	
Access to Quality Childcare, Education and Health Services (Lead Departments: DCYA, DES, DH)			**20.1**
Of which: Childcare	0.4		
Education (Schools)	8.8		
Health	10.9		
Other Sectors (including DD, DHE, DFAT, DFinance, DPER, etc)			**3.0**
Of which: Justice	1.3		
Defence	0.5		
Contingency/Reserve			**7.4**

Rural Regeneration and Development Fund

The purpose of this €1bn fund is to support projects that promote sustainable economic and social development in rural areas. The priorities for this fund are:

- the regeneration of towns and villages;
- the encouragement of job creation, entrepreneurship and innovation;
- the development of key economic growth sectors such as tourism;
- improved community development; and
- quality of life.

One of the priorities in the second call for applications was 'assisting in the transition to a competitive, low-carbon, climate-resilient and environmentally sustainable economy'.

Funding is provided for projects relating to towns with a population of less than 10,000 as well as villages and outlying areas. The lead partner must be a state-funded body (typically a local authority) but collaboration with the private sector is encouraged. The minimum funding that can be requested is €500,000, with no maximum. Up to 75 per cent of project costs are covered, with 80 per cent funding in a situation where a community is providing more than half of the matched funding. Projects must comply with the Public Spending Code and the rules of public procurement. Following initial screening, projects are assessed by an Independent Advisory Board that prepares a list of recommended projects for approval by the Minister for Rural and Community Development. To date, the fund has provided €148 million for 110 projects across Ireland. The average allocation per project under the first call was just over €1m. Most recently, the second call allocated funding of €62 million, with a further €33 million in matched funding being provided by state-funded bodies, philanthropic sources and rural communities. A number of other related rural development and regeneration funds are outlined in Box A3.1.

Box A2.1: An Overview of Rural Development Funds

The LEADER programme, initiated in 1991, supports economic and enterprise development, social inclusion and the rural environment. This €250m fund (2014-2020), is administered through Local Action Groups (LAGs) comprising representatives from the local community, and the public and private sector. The LAGs prepare local development strategies and receive funding to support their implementation.

The Town and Village Renewable Scheme supports developments in settlements with a population of under 10,000. Project funding of between €20,000 and €100k is available and in 2019 €15m was allocated across 156 rural towns and villages.

The Community Enhancement Programme (CEP) provides capital funding to improve facilities for disadvantaged communities and €13m was allocated in 2018.

CLÁR is a targeted investment programme for small-scale infrastructural projects in rural areas that have suffered greatest population decline.

Urban Regeneration and Development Fund (URDF)

The aim of this €2bn fund is to stimulate new residential and commercial development in Ireland’s larger cities and towns by putting in place a centrally managed mechanism to drive collaborative, co-ordinated and complementary packages of investment between Departments, agencies, local authorities and other public bodies (Government of Ireland, 2018c). The URDF, which replaced the Local Infrastructure and Housing Activation Fund (LIHAF), is a key part of delivering the Project Ireland 2040 goal of ‘compact growth’.

The new regional and local planning processes will identify the areas for investment and eligible projects under the URDF, including:

- active land management;
- the development of areas, sites and buildings and the strategic relocation of uses or activities;
- improving public amenities and the public realm;
- infrastructure related to housing, economic or skills development (including enterprise and tourism), transport and services infrastructure;
- infrastructure that enables improved accessibility, in particular sustainable modes such as walking and cycling, public transport and multi-modal interchange; and
- transition to a low-carbon and climate-resilient society.

Applications for funding must be public sector-led but may include private-sector and community partners. There is a requirement for 25 per cent matching funding and the minimum funding provided is €2m. Applications are assessed through a three-stage process:

- First, the Department of Housing, Planning and Local Government appraises all submissions.
- Secondly, preliminary recommendations are made to a project advisory board who then present preliminary proposals to a management committee; and
- Finally, this committee makes recommendations to the Minister for Housing, Planning and Local Government.

A total of €100m was allocated to 84 projects under the first call, with the bulk of the funding going to local authority-led projects. Of particular interest from a transition perspective was the allocation of €1m towards a project to make Portlaoise a low-carbon town through a range of initiatives and technologies. Laois County Council is the lead partner in this project, which also involves the Sustainable Energy Authority of Ireland (SEAI), the ESB, Transport Infrastructure Ireland and the Midland Energy Agency.

The Climate Action Fund

The objective of this competitive-based €1bn fund is to support initiatives that contribute to the achievement of Ireland's climate and energy targets in a cost-effective manner or offer the potential for innovative interventions in these sectors and which, in the absence of support from the fund, would not otherwise be developed. The types of projects that the fund may support include renewable energy projects; energy efficiency projects; district heating projects; local infrastructure projects – including electric vehicle charging networks – and projects that enhance the standards for environmental protection.

This fund is aimed at larger-scale projects, with a minimum grant level of €1m (there is no maximum). The maximum share of the cost that will be covered is 50 per cent. This fund will not support projects that have access to other funding under the NPD, are covered by other energy subsidies, or are eligible to apply for the Renewable Electricity Support Scheme (RESS).

An advisory board chaired by the Department of Communications, Climate Action and Environment assessed the applications to this fund, before making recommendations to the Minister for Communications, Climate Action and Environment for approval. Seven projects were approved for funding of €77m (subject to further validation) under the first call for proposals:

- ESB Electric Vehicle High Power Charging Infrastructure Development Project (€10m)
- GRAZE Gas – Green Renewable Agricultural Zero Emissions Gas (€8.47m)
- Hybrid Drive for Inter City Railcar (ICR 22000) fleet (€15m)
- Dublin District Heating System (€20m)
- The South Dublin County Council Tallaght District Heating Scheme (€4.4m)
- Local Authority Public Lighting Energy Efficiency Project (€17.47m)
- Driving HGV Efficiently into Brexit (€1.4m)

A notable feature of the process was the fact that 68 of the 97 proposals submitted did not meet the mandatory eligibility requirements, which suggests the need to improve communications around the fund. Several of these were renewable energy projects, which indicates the interest in investing in renewable energy.

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3.	The Economy in 1974 and Outlook for 1975	1974
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5.	Population and Employment Projections: 1971-86	1975
6.	Comments on the OECD Report on Manpower Policy in Ireland	1975
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