

## **DBEI Presentation to Green Party 26/05/20 [GP]**

Attached

## **Brexit Enterprise Supports 03/03/20 [GP]**

### **Brexit and the Implications for Enterprise**

#### **Trade and Economic Impacts**

In February 2018 the Department of Business, Enterprise and Innovation (DBEI) published a Report undertaken by Copenhagen Economics that considered the impact of Brexit on the Irish economy. This study examined the implications and quantified the impact of possible new barriers to trade which might emerge as a result of Brexit. It considered a range of possible Brexit scenarios – an EEA type scenario, a customs union type arrangement, a Free Trade Agreement and a World Trade Organisations scenario.

Some key points that emerged from the Report 2018 in terms of economic impacts:

- The study found that an EEA scenario would be least damaging reducing GDP growth by 2.8% by 2030. The worst case, a WTO scenario would have the most impact reducing GDP growth by 7%.
- The study looked at the likely impact of the various Brexit scenarios across 24 sectors of the Irish economy. Five sectors account for 90% of the total economic impact. They are agri-food, pharma-chemicals, electrical machinery, wholesale and retail, and air transport.
- The agri-food, wholesale and retail, and air transport sectors are ranked amongst the 5 most impacted sectors due to the significant impact that Brexit will have at the firm level; pharma-chemicals and electrical machinery appear here due to their contribution to the overall economy – even a relatively small Brexit impact at the firm level in these sectors has adverse consequences for the wider economy.
- The rise of non-tariff barriers – specifically the risk of regulatory divergence - is the main factor driving the fall in economic output predicted across all scenarios although the impact of tariffs on the agri-food sector is also significant.
- While the report points to job churning of approximately 1 per cent of the Irish labour force, it also highlights the fact that, in the worst-case scenario, most of the approximately 20,000 jobs that will be reallocated between sectors will be lost in the agri-food sector (12,400), underlining concerns about the regional employment impact of Brexit.

More recent research published in January 2020 using the revised Political Declaration adopted with the Withdrawal Agreement in October 2019 as a basis found, in line with the earlier 2018 research, that Brexit will not cause Ireland's economy to shrink but it will reduce growth. A Free Trade Agreement will mean GDP will be 3.2% – 3.9% lower in 2030 than it would have been without Brexit, as opposed to 7% in a crash-out, WTO scenario.

The 2018 study was undertaken on the basis of no policy change but of course in the budgets over the last three years significant mitigating actions and Brexit specific measures have been put in place by the Department and its enterprise agencies.

### **Enterprise Preparedness**

The Department continually monitors the extent to which Brexit is impacting business in Ireland and monitors the levels of Brexit awareness and preparedness among firms. A business stakeholder group is convened every 6 weeks to assess levels of Brexit preparedness and ongoing issues and to support the coordination of the activities of its enterprise development and regulatory agencies in supporting firms (including through Enterprise Ireland, Local Enterprise Offices, IDA Ireland and InterTrade Ireland, NSAI and HSA). DBEI also convenes the Retail Consultation Forum and through the Forum is coordinating engagement with the grocery retail and distribution sector to ensure issues of concern for continuity of food supply are addressed across government. DBEI also commissions six-monthly Brexit surveys of the business sector and more in-depth economic studies of the potential impacts.

The most recent DBEI survey undertaken by B&A Market Research was published in December 2019. The B&A survey provides evidence that there has been a significant increase in the proportion of businesses planning for Brexit, with 77% of SMEs surveyed reporting that Brexit is on the agenda of their top management – up from 33% after the referendum in mid-2016. Furthermore, 60% of SMEs had engaged with at least one Brexit information source. Half of the businesses surveyed have experienced a Brexit-related impact in the past year, with 72% anticipating a Brexit-related impact even with an orderly withdrawal.

### **Enterprise Supports**

While the ultimate terms of the UK's future relationship with the EU are not yet clear, Brexit continues to represent a significant challenge for businesses in Ireland. DBEI and its agencies have put in place extensive supports, schemes and advisory resources to ensure that all businesses around the country, particularly those most vulnerable, are prepared for Brexit. Enterprise Ireland has since 2016, engaged in a direct way with its c.1,600 clients that are UK and Brexit exposed and supported firm level competitiveness, innovation and market diversification to secure the long-run viability of those businesses.

These comprehensive suites of supports are available through the LEOs, Enterprise Ireland, InterTradeIreland, the Strategic Banking Corporation of Ireland and Skillnet Ireland, to help businesses examine their Brexit exposure, seek advice, avail of customs training and make plans to protect their business. There are also a range of financial supports available, including the Brexit Loan Scheme and the Future Growth Loan Scheme.

The measures also aim to assist businesses in identifying and managing key risk areas and develop practical preparatory actions regardless of the outcome of talks during the transition period. The network of Local Enterprise Offices [LEOs] is a first-stop-shop for anyone seeking guidance and support on starting or growing their business. The LEOs have organised various events to enable businesses to learn about the potential impacts of Brexit. They also offer specific mentoring on Brexit-related issues, technical assistance grants for micro exporters, and interactive one-day Prepare your Business for Customs workshops.

InterTradeIreland [ITI] also plays a significant role as part of Ireland's Brexit response, and offers Brexit-related advisory services to eligible businesses. ITI also offers a Brexit Planning Voucher and a Brexit Implementation Voucher, which enable businesses to get professional advice on how best to plan, prepare and implement for Brexit. These supports help businesses obtain advice on specific areas, such as tariffs, currency management, regulatory and customs issues, and movement of labour, goods and services.

The Brexit Loan Scheme makes available a fund of up to €300 million of short-term working capital, for terms of 1-3 years, to eligible businesses to help them to innovate, change or adapt to mitigate their Brexit challenges. Businesses can confirm their eligibility with the Strategic Banking Corporation of Ireland and, if deemed eligible, can apply to one of the participating finance providers for a loan under the scheme. In order to qualify for a loan under the scheme, businesses must be demonstrably exposed to Brexit-related impacts.

The Future Growth Loan Scheme provides a longer-term facility, for terms of 8-10 years, of up to €300 million to support strategic capital investment for a post-Brexit environment. This scheme is available to eligible businesses in Ireland, including those in the primary agriculture and seafood sectors.

Enterprise Ireland [EI] has established a Prepare for Brexit online portal and communications campaign, as well as an online Brexit SME Scorecard to help Irish businesses self-assess their exposure to Brexit, and a Be Prepared grant to support SME clients in planning to mitigate risks arising from Brexit. EI has also held a series of Brexit Advisory Workshops around the country, and much of the material from these events is available through its Prepare for Brexit portal.

EI has also launched a Customs Insights online course. This is an online training support to help businesses understand how customs works, including the documentation and processes required to operate and succeed post-Brexit. The course explains in clear and simple terms the main customs rules and includes the key actions businesses can take to prepare for customs after Brexit, as well as the options from Revenue available to make the process more efficient.

The Department, in association with key industry partners, also introduced a new support measure to help customs agents, intermediaries and affected Irish businesses develop the capacity to deal with additional customs requirements after the UK's departure from the EU. This initiative is called Clear Customs and comprises a free customs training programme provided through Skillnet Ireland and a financial support from EI to assist with the costs of recruiting and assigning staff to customs roles in addition to necessary customs IT requirements.

For full information on the uptake of existing Brexit schemes, please see [Appendix 1](#).

More detailed information on the full range of supports for Indigenous Business are available on <https://dbei.gov.ie/en/Publications/Publication-files/Overview-of-Government-Supports-for-Indigenous-Business.pdf> Among these are specific supports for the Agri-food and tourism sectors:

### **Agri-Food**

Budget 2019 included a €78 million *Brexit Resilience Package* for farmers, fishermen and food SMEs to cover additional costs related to Brexit. This included €44million of direct aid for farmers, €27 million in Brexit related supports for the food industry, and €7 million for staff and IT costs arising from additional import controls. Furthermore, at least 40% of the €300 million Brexit Loan Scheme is available to food businesses, and 40% of the €300 million Future Growth Loan Scheme to the agri-food sector.

Bord Bia uses its *Brexit Barometer* to target supports to individual companies on supply chain, currency, customs issues and international market diversification opportunities in the agri-food sector. Bord Bia's *supply chain strategy guide* and the *logistics service provider* directory aim to support businesses to identify operations partners, establish more efficient distribution channels or routes and identify possible strategies for managing Brexit.

Bord Iascaigh Mhara has a range of supports for seafood businesses to prepare for Brexit. Companies can avail of specific mentoring and consultancy of up to two days to help develop their Brexit strategy to mitigate associated risks.

## **Tourism**

In 2019 the Government allocated almost €8 million in additional funding to the tourism agencies to respond to the impact of Brexit.

Fáilte Ireland has developed a customised suite of supports including a *Brexit Readiness Check* and workshops in Market Diversification, GB & NI Market Retention and Growth, and individual mentoring.

## **Specific Focus on Enterprises near the Border**

On 3<sup>rd</sup> January 2020, a new €28m Brexit Border Stimulus Initiative was launched to build resilience of firms and workers in the 6 Border counties. The package, which applies to counties Donegal, Sligo, Leitrim, Cavan, Monaghan and Louth, is designed to drive enterprise activity in the region and ensure that businesses have additional support in mitigating the impact of Brexit.

These Border counties have been identified as most exposed to Brexit impacts in terms of dependence on the UK market, traditional industrial structure as exemplified by the low earnings in the region relative to other regions, rural economies and absence of significant urban or city agglomerations.

The funding allocation is to focus on capacity and capability building in the Border counties. It is intended that the funding will serve to amplify and strengthen existing initiatives across the development agencies, LEOs and higher and further education sector in advancing enterprise and entrepreneurship, productivity, innovation and clustering to build connected enterprise ecosystems and initiate implementation of the recommendations of the recent OECD Review on Ireland's support system for SMEs and Entrepreneurship.

The Funding should leverage existing investments and those of the key agencies in the North West and North East regions including InterTrade Ireland, IDA, EI and the LEOs. It could also fund initiatives that could then be developed for other funding streams such as D/Education and Science's Human Capital Initiative, Peace Plus, ERDF etc.

The Border Economic Stimulus Package includes 4 Initiatives:

1. **€3 million for the six Local Enterprise Offices (LEOs)** in the border counties for capability development programmes for micro and small firms with ambition. This includes new initiatives

that can help to broaden the base of those starting and scaling businesses, and supporting productivity, green supports, management development and preparing to export initiatives.

**LEO €3m of Additional Initiatives to Support the Border Region**

LEOs	Key Focus	Target Audience	Timelines
<b>Financial Capability Programme</b>	Aimed at companies who wish to strengthen strategic financial capability within the management team.	Owner Managers and senior Executives with responsibility for Finance – open to all companies and sectors	Q2
<b>Scaling Programme</b>	A programme offering strategic solutions to unlock their potential to scale. Delivered through mentoring, workshops and business growth advice.	Open to businesses predominantly from Manufacturing and Traded Services sectors employing >10 employees with ambitions to grow and scale	Q1
<b>Exporting Programme</b>	Participants will be provided with tailored support and guidance to maximise opportunities to grow sales in export markets.	Open to businesses with ambitions to grow and scale outside the Irish market into export markets. Particular focus on sectors such as Food, Engineering, IT and FinTech.	Q2
<b>Green Programme</b>	Participants will be supported to drive an environment sustainability agenda within their business i.e. improving water management, implementation of energy management systems and reducing carbon footprint.	Competitive call open to all companies	Q2 – Q3
<b>Retail Programme</b>	Aimed at retailers to develop their retail offer across their stores and online, enhancing the overall customer experience with the objective of improving value-add, increasing footfall and driving sales.	Open to all Irish owned retailers across the Border Region	Q2 & Q3
<b>Innovation Audit</b>	Targeted for Companies who wish to assess current innovation capability and to identify opportunities to develop new innovative products and processes.	Open to `companies across all sectors	Ongoing Q1 – Q4

2. **An €8.5 million Brexit Transformation Fund administered by Enterprise Ireland (EI).** This Fund will support firms impacted by Brexit and other external challenges with capital investments, purchase of equipment etc. to enable productivity improvements, transformation of the business and diversification of product and markets and for transition to a low carbon economy. An example would be if a chilled foods producer needs to transform to frozen foods with a view to exporting further afield.

Eligible companies are:

- Established Irish enterprises (both SME and large), with employment of 10 or more, and HPSUs
  - Located in the Border region
  - Operating in the manufacturing and internationally traded services sectors.
3. **€1.5 million SFI Fellowship Programme for Industry Fellowships** targeted at businesses located in Border counties, administered by Science Foundation Ireland (SFI). This will enable researchers to take up placements in industry bringing new energy and specialist expertise to businesses in the Border region, to help ensure that businesses have additional support in mitigating the impact of Brexit.
4. **A €15 million competitive Border Enterprise Development Fund administered by Enterprise Ireland (EI)** for collaborative enterprise capability building projects. This is aimed at facilitating bottom-up collaborative projects that realise positive impacts in the areas of entrepreneurship and accelerated business growth; productivity; enterprise capability and skills development; applied innovation; and flexible work and enterprise space. DBEI will be seeking ready-to-go projects that can proceed in 2020. It will build on the Regional Enterprise Development Fund (REDF) Calls 1-3. The competitive Border Enterprise Development Fund is now open for applications with a closing date of 22<sup>nd</sup> April.

To help stakeholders investigate the viability of potential projects and prepare final submissions for consideration for the €15m Border Enterprise Development Fund, Competitive Feasibility Funding is also available from Enterprise Ireland. This will be a grant of €15,000 or 50% of eligible costs, whichever is lesser, available to eligible applicants.

### **Budget 2020 Emergency Support Package in the event of ‘no deal’**

In addition to the supports already in place, Budget 2020 also provided for an emergency support package of €110 million. Under this emergency support package, four schemes and other initiatives would be activated to support vulnerable but viable businesses in the event of a “no deal” Brexit.

## **Appendix 1: Brexit Preparedness Supports – Uptake of Available Schemes**

<b>Scheme</b>	<b>Uptake at 14 February (except where otherwise noted)</b>
Brexit Loan Scheme	<p><b>988</b> applications received, <b>889</b> approved by SBCI, <b>236</b> loans progressed to sanction at bank level to a value of <b>€49.57</b> million.</p> <p>Of the approved applications to date, <b>173</b> were reapplications as eligibility expires after six months.</p> <p><b>(At 21 February)</b></p>
Future Growth Loan Scheme	<p><b>3,109</b> applications received, <b>2,980</b> approved by SBCI, <b>1,010</b> loans progressed to sanction at bank level. Total value of loans sanctioned was <b>€207.95</b> million.</p> <p><b>(At 21 February)</b></p>
Enterprise Ireland Brexit Scorecard - online platform for Irish companies to self-assess their exposure to Brexit	<p><b>7,084</b> Brexit Scorecards have been completed. <b>1,816</b> LEO clients have completed the scorecard.</p>
Enterprise Ireland Be Prepared Grant	<p><b>245</b> Be Prepared Grants have been approved</p>
Enterprise Ireland Market Discovery Fund - A support to EI clients to research new markets	<p><b>236</b> companies have been approved under this initiative</p>
Enterprise Ireland Prepare to Export Scorecard	<p><b>6,686</b> Prepare to Export Scorecards have been completed</p>
Enterprise Ireland Customs Insights Online Course	<p><b>1,985</b> Customs Insights Course participants</p>

<b>Scheme</b>	<b>Uptake at 14 February (except where otherwise noted)</b>
Enterprise Ireland Agile Innovation Fund - Gives rapid fast-track access to innovation funding	<b>97</b> Agile Innovation projects have been approved
Enterprise Ireland Brexit Advisory Clinics	<b>16</b> Brexit Advisory Clinics have been run with over <b>1,200</b> in attendance
Enterprise Ireland Brexit “Act On Programme” – A support funding the engagement of a consultant to devise report with recommendations to help clients address weaknesses and improve resilience	<b>359</b> “Act on” Plans have been completed
Enterprise Ireland Strategic Consultancy Grant – A grant to assist EI clients to hire a strategic consultant for a set period	<b>1,105</b> Strategic Consultancy Grants have been approved
Enterprise Ireland Clear Customs Grant	<b>250</b> applications have been made to access financial support through the scheme
Local Enterprise Office Technical Assistance Grant for Micro Export - an incentive for LEO clients to explore and develop new market opportunities	<b>937</b> clients were approved assistance under the Technical Assistance Grant
Local Enterprise Office LEAN for Micro - The LEO Lean4Micro offer was developed in collaboration between the EI Lean department and the LEOs to tailor the EI Lean offer for LEO micro enterprise clients	<b>499</b> LEO clients have participated in the programme



<b>Scheme</b>	<b>Uptake at 14 February (except where otherwise noted)</b>
Local Enterprise Office Mentoring	<b>1,381</b> mentoring participants solely focused on Brexit
Local Enterprise Office Brexit Seminars/Events	<b>7,040</b> participants at the Brexit Information events
Customs Training Participants	<b>1,720</b> participants attended Customs Training
InterTradeIreland Brexit Advisory Service	<b>179</b> SMEs have directly engaged with the Brexit Advisory Service in 2020. This is in addition to the 5,416 engagements in 2019 and 4,175 in 2018.
InterTradeIreland Brexit Planning Vouchers	There have been <b>2,131</b> applications, with <b>1,837</b> approved and <b>13</b> still pending assessment.
InterTradeIreland Brexit Implementation Vouchers	There have been <b>62</b> applications, with <b>44</b> approved.