

2018 SBA Fact Sheet

Ireland



Key points

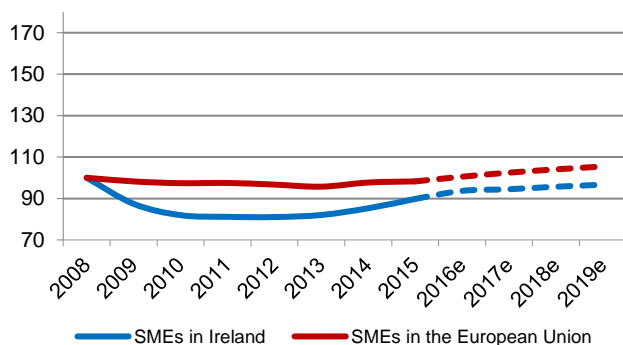
Past & future SME performance¹: SMEs play a particularly important role in Ireland's 'non-financial business economy' in terms of employment. They account for 70.5 % of employment against the EU average of 66.4 %. SME value added increased by a considerable 11.9 % in 2016-2017, while SME employment grew by a modest 0.8 %. Looking ahead, SME value added is forecast to increase by 10.9 % in the period 2017-2019, while the estimated growth in SME employment is more subdued, at 2.3 %, which would result in around 22 700 new jobs.

Implementing the Small Business Act for Europe (SBA): Though Ireland's SBA profile continues to be competitive overall, the number of SBA areas in which it is above or well above the EU average has almost halved since last year's fact sheet. The country performs above or well above the EU average in five SBA areas — entrepreneurship, 'second chance', 'responsive administration', single market and skills & innovation — and is in line or broadly in line with the EU average in four others — state aid & public procurement, access to finance, environment and internationalisation. In 2017, Ireland focused its efforts on internationalisation, adopting numerous measures to prepare Irish businesses for the consequences of Brexit. It also made substantial efforts in entrepreneurship, access to finance and skills & innovation. Progress was also made in 'Think Small First', where the Irish 'SME test' has been drafted and is expected to be piloted in 2018.

SME policy priorities: Internationalisation has recently become a priority area for the Irish government. The United Kingdom is Ireland's largest single export market — especially for Irish-owned companies — and with the upcoming redefinition of trade relations between the EU and the UK, it is imperative that Irish SMEs are given the support they need to remain competitive, diversify and grow both in existing and new markets. Trade facilitation measures could also be helpful in this respect. Despite the overall improvement in access to finance, the cost of credit and high interest rates, particularly for small loans, continue to affect SMEs' access to bank lending. This is aggravated by the rise in the number of companies being rejected for loans. As highlighted in the recent European Semester country-specific recommendations, Ireland needs to further improve ICT infrastructure, digital technologies and the ICT skills of workers. On R&D, incentives could be better adapted to SME needs. In addition, access to skills — beyond digital ones — is increasingly seen as a barrier to investment by many SMEs. Finally, efforts are needed to bring down the cost of legal services for smaller companies.

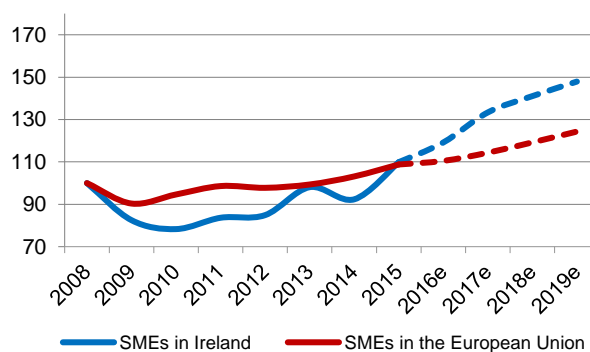
Number of persons employed in SMEs

(Index: 2008=100, estimates as from 2016 onwards)



Value added of SMEs

(Index: 2008=100, estimates as from 2016 onwards)



About the SBA fact sheets

The Small Business Act for Europe (SBA) is the EU's flagship policy initiative to support small and medium-sized enterprises (SMEs). It comprises a set of policy measures organised around 10 principles ranging from entrepreneurship and 'responsive administration' to internationalisation. To improve the governance of the SBA, the 2011 review of it called for better monitoring. The SBA fact sheets, published annually, aim to improve the understanding of recent trends and national policies affecting SMEs. Since 2011, each EU Member State has appointed a high-ranking government official as its national SME envoy. SME envoys spearhead the implementation of the SBA agenda in their countries.

Table of Contents

Key points	1
1. SMEs — basic figures.....	2
2. SBA profile	4
3. SBA principles.....	6
3.0 'Think Small First'	6
3.1 Entrepreneurship.....	7
3.2 'Second chance'.....	8
3.3 'Responsive administration'.....	9
3.4 State aid & public procurement	10
3.5 Access to finance.....	11
3.6 Single market	13
3.7 Skills & innovation	14
3.8 Environment.....	16
3.9 Internationalisation	17
4. Interesting initiative.....	19

1. SMEs — basic figures

Class size	Number of enterprises			Number of persons employed			Value added		
	Ireland		EU-28	Ireland		EU-28	Ireland		EU-28
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	235 427	92.2 %	93.1 %	395 469	28.3 %	29.4 %	50.3	25.4 %	20.7 %
Small	16 573	6.5 %	5.8 %	312 604	22.4 %	20.0 %	17.0	8.6 %	17.8 %
Medium-sized	2 929	1.1 %	0.9 %	276 689	19.8 %	17.0 %	15.3	7.7 %	18.3 %
SMEs	254 929	99.8 %	99.8 %	984 762	70.5 %	66.4 %	82.6	41.7 %	56.8 %
Large	546	0.2 %	0.2 %	411 949	29.5 %	33.6 %	115.3	58.3 %	43.2 %
Total	255 475	100.0 %	100.0 %	1 396 711	100.0 %	100.0 %	197.9	100.0 %	100.0 %

These are estimates for 2017 produced by DIW Econ, based on 2008-2015 figures from the Structural Business Statistics Database (Eurostat). The data cover the 'non-financial business economy', which includes industry, construction, trade and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. The following size-class definitions are applied: micro firms (0-9 persons employed), small firms (10-49 persons employed), medium-sized firms (50-249 persons employed), and large firms (250+ persons employed). The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.

SMEs play a particularly important role in Ireland's 'non-financial business economy' in terms of employment. SMEs account for 70.5 % of total employment, exceeding the EU average by 4 percentage points. In sharp contrast, their share of 41.7 % of value added is 15 percentage points lower than the EU average. This gap hints at large differences in productivity between SMEs and large firms, which are mainly due to the high value added of multinational companies operating in Ireland (1.5 % of all companies accounting for over 52 % of gross value added²). The annual productivity of Irish SMEs, expressed as a ratio of SME value added to SME employment, is around EUR 83 900 per person, which is roughly one third of the productivity in large firms. However, it is almost double the average productivity of SMEs in the EU as a whole, which is around EUR 43 900 per person.

Ireland accounts for roughly 1 % of the total number of SMEs and 1 % of SME employment in the EU, but 2 % of the SME value added. The hourly labour cost is in line with the average for the euro area³, but the share of compensation of employees in total value added is particularly low⁴. In 2017, non-wage labour costs such as employers' social contributions were estimated to be one of the lowest in the euro area (13.7 % against 25.9 % for the 19 countries in the euro area⁵). Labour cost growth has remained modest in recent years and below the growth experienced in the EU average⁶. Among SMEs, productivity is highest in micro firms, at roughly three and a half times the EU average. However, care should be taken in interpreting this performance as micro firms include companies with no official employees but — in some cases — a significant economic value⁷. In contrast, average productivity in small and

medium-sized firms is only one tenth above the EU average. According to 2015 data, Irish-owned businesses are less productive than the overall average for the 'non-financial business economy', which includes non-Irish owned multinationals. This is the case for all SME size classes, with the difference between Irish and non-Irish owned companies being high for medium-sized companies and particularly high for large companies⁸. The average number of people employed by Irish SMEs is in line with the EU average (3.9).

SMEs in the Irish 'non-financial business economy' have grown strongly in recent years. In the period 2013-2017, SME value added rose by 36 % and SME employment by 15.2 %⁹. At 11.9 %, value added growth has been particularly high in the most recent period (2016-2017), although employment growth has been modest, at 0.8 %. Growing skills shortages have been identified as one of the barriers to SME growth¹⁰.

SMEs in the *construction* sector have grown significantly in recent years (2013-2017) both in value added and in employment, which increased by 121.1 % and 19.2 % respectively. On value added, SMEs have recovered from the major post-crisis downturn, growing steadily since 2011. In 2017, SME value added was 25.4 % higher than in 2008, but employment was still 41.8 % lower than in 2008. The strong growth in value added was mainly driven by demand but has also been sustained by strategic government initiatives to support housing and infrastructure activities, such as the 'Housing Strategy 2020', launched in 2014, the 'Rebuilding Ireland' action plan launched in 2016, and the recently launched national development plan^{11,12}. Thanks to this supportive environment, the number of start-ups in this sector increased by 18.3 % in 2017 against the previous year¹³.

SMEs in Ireland's *information and communication* sector performed particularly well. In 2013-2017, SME value added grew by 79.8 % and SME employment by 24 %. A number of other factors have helped this sector thrive. These include a variety of SME start-up funding schemes¹⁴ and government investment in the Centre for Applied Data Analytics — a technology centre that supports the development, deployment and adoption of big data analytics technology in the industry¹⁵. In addition, in 2015 the government launched the public service ICT strategy, which aims to increase the sharing and integration of technology across public services so as to improve efficiency and provide better services¹⁶. A skilled workforce and competitive corporation tax have also continued to attract foreign investment, particularly multinational ICT companies¹⁷. However, this has also increased the competition in hiring skilled employees, which is a particular challenge for smaller companies^{18,19}.

SME wholesale and retail trade is another sector which has performed well. In 2013-2017, SME value added and SME employment rose by 26.6 % and 7.6 % respectively. However, in

contrast to the value added growth in SMEs, value added in large firms fell by 8.5 %. The solid growth in SME value added can be partly explained by the increasing use of ICT, which reduces transaction costs and optimises the flow of goods from producers to consumers²⁰. The rise of online sales has also driven growth in this sector. For example, in June 2017, debit card e-commerce was 25 % higher than in the previous year²¹ which has created new business opportunities for SMEs²². In addition, consumers' disposable incomes are increasing and hence also their spending power, although people remain somewhat cautious, partly due to the continued uncertainties around Brexit²³. Brexit is also likely to particularly affect Irish retailers with close supply chains to the UK²⁴.

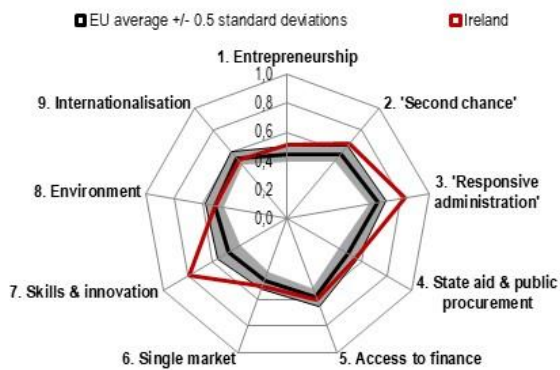
The number of company registrations in Ireland has been increasing every year since 2012, totalling 22 354 in 2017²⁵. This is a record high, surpassing the previous record of 21 145 in 1998²⁶. There were 10 791 company deregistrations in 2017, a decrease of 14.4 % on the previous year. For the past 5 years, registrations have consistently exceeded deregistrations. In 2017 there were 11 500 more registrations than deregistrations, resulting in a net increase in new companies of around 5 %²⁷.

The following segment presents data that has been collected for the EU Startup Monitor and refers mainly to the population of online and technology based start-ups²⁸. The Irish start-up ecosystem has developed steadily over the past decade. The typical Irish company founder is male (77.4 %) with a university degree (88.7 %). The proportion of Irish start-ups is above the EU average in many sectors, including fintech (7.3 % vs 4.5 %) and IT and software (25.2 %, vs 16.1 %). With regard to entrepreneurial culture, the Irish company founders are typically found in teams (on average 2.1 founders per start-up). In addition, many people responding to a survey completely agree with sharing critical information with their staff (44.9 %) and seeking their advice for strategic decisions (47.46 % compared to the EU average of 30.1 %). Irish start-ups currently employ an average of 14.5 people and are planning to create an average 8.2 more jobs within the next 12 months. While most Irish start-ups generate their revenues mainly or completely through business-to-business (79.2 %), a noticeable portion also serves the end customer directly (12.9 % vs an EU average of 8.4 %). The geographic start-up hub for Ireland is Dublin, with Cork and Galway being growing spots for bio- and med-tech industries.

In 2015, the share of high growth firms in the Irish business economy with at least 10 employees²⁹ was 14.9 %, totalling 2 806 firms³⁰. This is 2.3 percentage points higher than the previous year and substantially above the EU average of 9.9 %.

The outlook for SME value added in the 'non-financial business economy' is positive. In 2017-2019, SME value added is forecast to increase by 10.9 %, while estimated growth in employment is expected to be more subdued at 2.3 %, which would result in around 22 700 new jobs.

2. SBA profile³¹



Ireland performs above or well above the EU average in five SBA areas — entrepreneurship, 'second chance', 'responsive administration', single market and skills & innovation. It is in line or broadly in line with the EU average in four other SBA areas — state aid & public procurement, access to finance, environment and internationalisation.

Ireland's SBA profile continues to be competitive overall, although the number of SBA areas in which it is above or well above the EU average fell from 8 in 2016 to 5 in 2017.

In 2017 and the first quarter of 2018, which is the reference period for policy measures in this year's fact sheets, Ireland introduced 19 policy measures and announced two others. These 21 measures address 7 out of the 10 SBA policy areas. Stakeholders generally acknowledge the substantial progress made in implementing the SBA.

In 2017, efforts were concentrated on internationalisation, with seven measures introduced in this SBA area. Most are a direct response to the UK's decision to leave the EU, as Irish businesses — particularly SMEs — need support with staying competitive and being able to diversify into new markets.

Three of these measures involve funding assistance to help small businesses prepare themselves for Brexit and overcome the potential challenges. A further four measures provide business support services and tools to help Irish SMEs to prepare for Brexit.

Substantial efforts have also been made in entrepreneurship, access to finance and skills & innovation, with three measures implemented in each SBA area. A further two measures have been formally announced for 2018 and 2019.

In 2017, good progress was also made in 'Think Small First', 'responsive administration' and state aid and public procurement, even though only one measure was introduced in each area.

In 2017, no new measures were implemented in three SBA areas — 'second chance', 'single market' and 'environment'.

Since 2008, Ireland has made substantial progress in implementing the SBA. Numerous policy measures have been introduced to improve business conditions for Irish SMEs. Access to finance and promoting entrepreneurship continue to be the government's key priorities. Finance measures are typically introduced through the annual budget³² and the annual action plan for jobs³³. Entrepreneurship measures are mainly introduced through the jobs plan and the more recent 'National Policy Statement on Entrepreneurship'³⁴. Supporting Irish businesses following the United Kingdom's decision to leave the EU has also become a key government priority in the past 12 months, as evident by the many policy measures that addressed internationalisation during 2017. This area is expected to remain a priority for Irish policy-making in the coming years.

All SBA criteria for state aid & public procurement, access to finance, single market, skills & innovation, environment and internationalisation are well established in Ireland. However, there is room for further improvement in each of these areas.

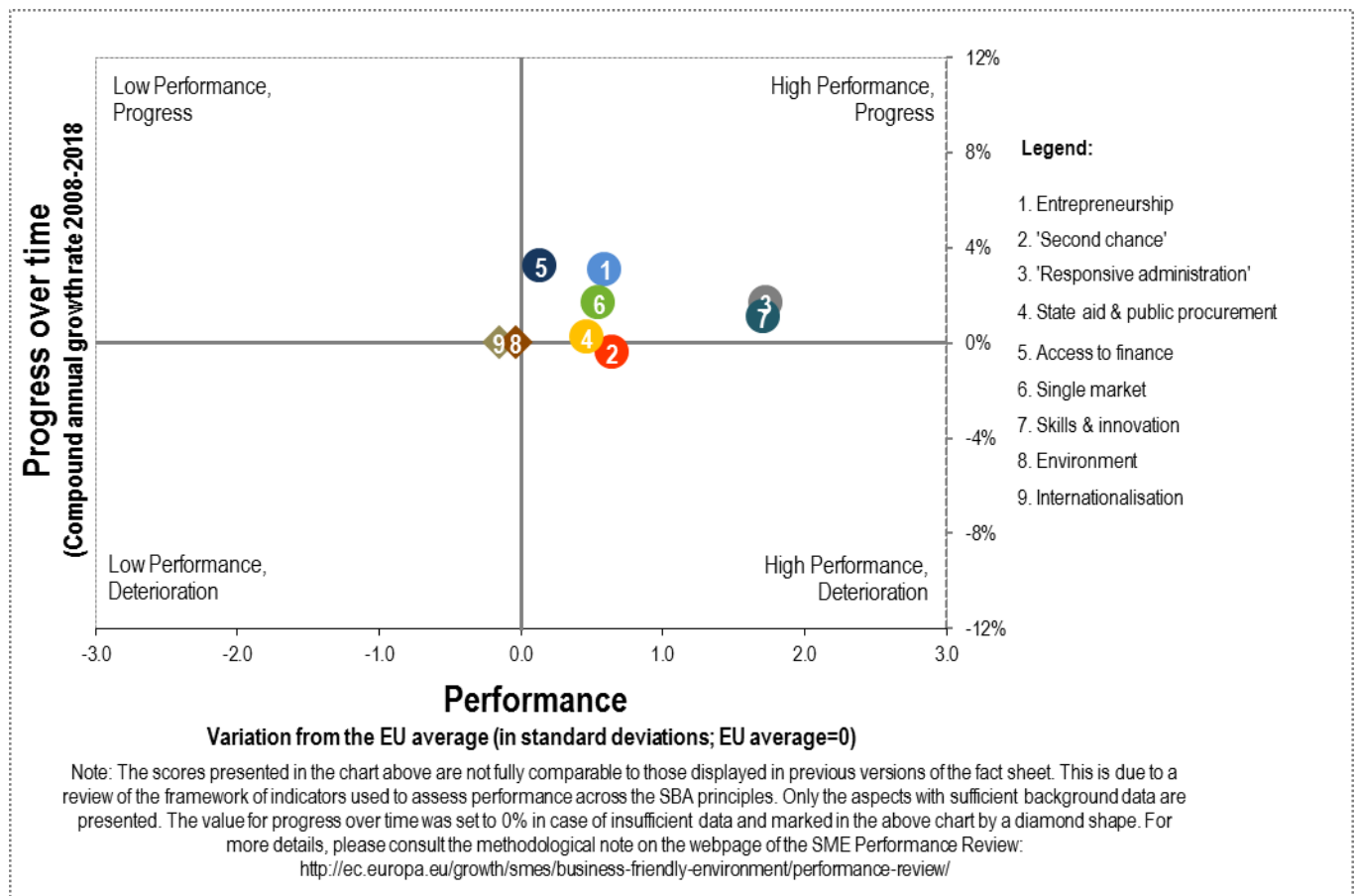
All but one SBA criteria in each of the entrepreneurship, 'second chance', 'Think Small First' and 'responsive administration' areas are in place.

The Irish government appointed an SME envoy in 2011 to help simplify communication channels between small business and the government.

Irish SME-related policy making is very much in line with the SBA and the SME action programme³⁵, including a strong focus on the digital economy. The government does not implement SBA measures through a specific strategy. These are typically introduced as part of broader national strategies to improve businesses (e.g. Enterprise 2025), R&D and innovation (e.g. Innovation 2020) and skills and education (e.g. the national skills strategy 2025 and the education action plan for 2018).

In March 2018, the OECD and the Irish government announced an 18-month project to review policies for small and medium-sized enterprises in Ireland. It will study issues such as how to increase the productivity of local firms, strengthen links with foreign multinationals in Ireland and rebalance activity between Dublin and the regions³⁶.

SBA performance of Ireland: state of play and development from 2008 to 2018³⁷



SBA principles³⁸

3.0 ‘Think Small First’

The ‘Think Small First’ principle is meant to be a guiding principle for all policy- and law-making activities. It requires policymakers to take SME interests into account at the early stages of the policy-making process. The principle also calls for newly designed legislation, administrative rules and procedures to be made simple and easy to apply.

Ireland has implemented all but one ‘Think Small First’ recommendation, namely the introduction of common commencement dates for new legislation. The Advisory Group for Small Business has been pushing for this³⁹ since 2011 and has published a series of recommendations in its action plan⁴⁰. For example, it recommended to make the Department for Public Expenditure and Reform responsible for quickly introducing common commencement dates. However, there is still no evidence of government action in this area.

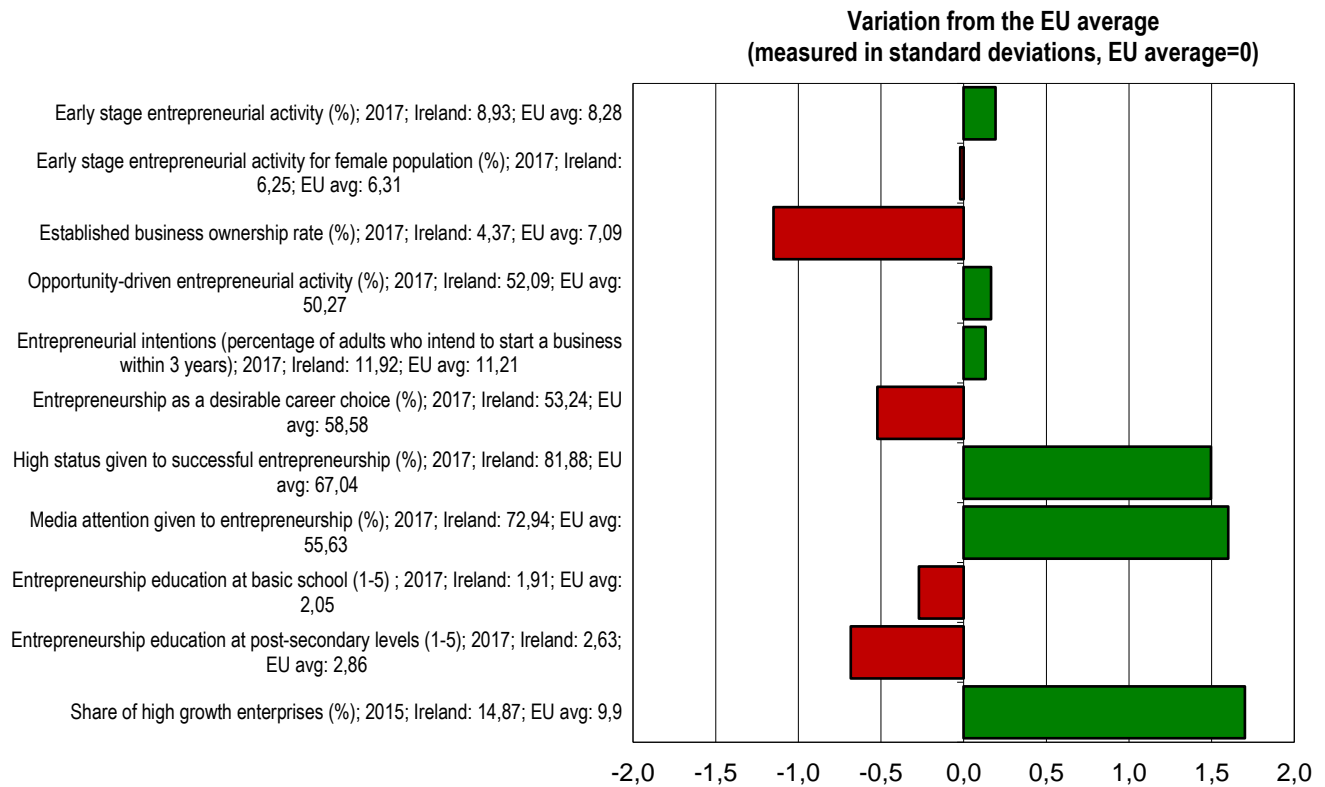
According to the 17th Survey on the Access to Finance of Enterprises (SAFE), ‘regulation’ is the most important problem for only 12 % of firms surveyed. This has been stable for the last 3 years and is in line with the EU average.

In 2017 and the first quarter of 2018, one significant measure was adopted:

- The Irish SME test, drafted by the DBEI, aims to ensure that the effects of new legislation on SMEs are considered and that appropriate measures are put in place to mitigate any negative impact. The DBEI is currently seeking feedback on the draft SME test from small businesses, their representative bodies and other stakeholders. Following consultation, it is intended for the SME test to be piloted within the DBEI during 2018, with the option for a further review prior to full introduction.

The SME test has the potential to significantly benefit the small business community in Ireland. However, two improvements can be made to maximise its potential. The first is to apply the SME test to existing legislation as well as new legislation. The second is to use the SME test to ensure that all proposed legislation is subject to a regulatory impact assessment. This would address the common concern of small businesses that the government is selective in choosing to conduct such assessments.

3.1 Entrepreneurship



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Ireland continues to be above the EU average in entrepreneurship and has seen continued improvement since 2008. However, its score in this area has decreased slightly and is closer to the EU average than last year. The country has the EU's highest score for three entrepreneurship indicators. At 73 %, entrepreneurship receives the most media attention of all EU countries (EU average 55.6 %). At 81.9 %, Ireland has the second highest score for the high status given to successful entrepreneurship (EU average 67.0 %). In addition, its score for entrepreneurial intentions has nearly doubled, from 6.4 % in 2008 to 11.9 % in 2017, although there has been a steady decrease since its peak in 2015 (14.6 %). There has also been a rise in early-stage female entrepreneurial activity in the last decade, from 4 % in 2008 to 6.3 % in 2017, bringing Ireland broadly in line with the EU average.

At 14.9 %, Ireland had the highest share of high-growth firms in the EU in 2015 (EU average 9.9 %). It also had the highest level of employment in high-growth firms (21.7 % against the EU average of 14 %). Ireland is also among the countries with the fewest business start-up procedures and with no requirement for paid-in minimum capital as a percentage of income per capita.

Less positively, Ireland has a low established business ownership rate (4.4 % compared to an EU average of 7.1 %). Despite a

peak of 9.9 % in 2014, Ireland's score has more than halved from 9.0 % in 2008 to 4.4 % in 2017. In parallel, the proportion of foreign-owned firms in Ireland's economic activity has been steadily growing. The turnover of all foreign-owned affiliates increased from 41.6 % in 2008 to 52.7 % in 2014, thanks to affiliation by non-EU multinationals^{41,42}.

In contrast, there has been a 56 % rise in female entrepreneurs in the same period. This is noteworthy given that there are fewer women in employment (59.5 %) than men (69.9 %)⁴³, despite women tending to be higher achievers in education than men⁴⁴.

Since 2008, Ireland has introduced a wide range of measures to ensure that almost all SBA entrepreneurship recommendations are implemented. The only one missing is the introduction of business matching schemes or a marketplace for business transfers. This is because these services are provided by private-sector sales and acquisitions companies, rather than through public sector initiatives.

Recent measures for entrepreneurs and micro and small businesses include a wide range of funding schemes and tax incentives, mentoring services and the creation of one-stop shops to make local SMEs aware of the government schemes that they can apply for.

In 2017 and the first quarter of 2018, three significant measures were introduced:

- The National Digital Research Centre (NDRC), an early-stage investor in tech companies, launched a regional accelerator programme at the co-working space in the Portershed building in Galway to improve the high potential start-up ecosystem and develop start-up capability, infrastructure and capital investment in the west of Ireland. The accelerator programme is part of Enterprise Ireland's overall strategy to increase the number and quality of start-ups with the potential to employ more than 10 people and reach EUR 1 million in export sales within 3 years.
- Entrepreneurship summer camps for second level students were organised in 20 higher education institutes in Ireland during the summer of 2017. These aimed to give 1 000 students access to higher education spaces that stimulate creativity, innovation and invention. They included a programme of activities to encourage entrepreneurial thinking and improve design skills. The summer camps help students get hands-on experience in innovative problem solving and in creating new products and services.
- A competitive start fund was made available to early-stage start-ups that have been founded by experienced business professionals active in the manufacturing & internationally traded services sectors. This aims to accelerate the growth of start-up companies that are able to succeed in global markets. The fund, run by Enterprise Ireland, provides

successful applicants with high-level business development support and an investment of up to EUR 50 000.

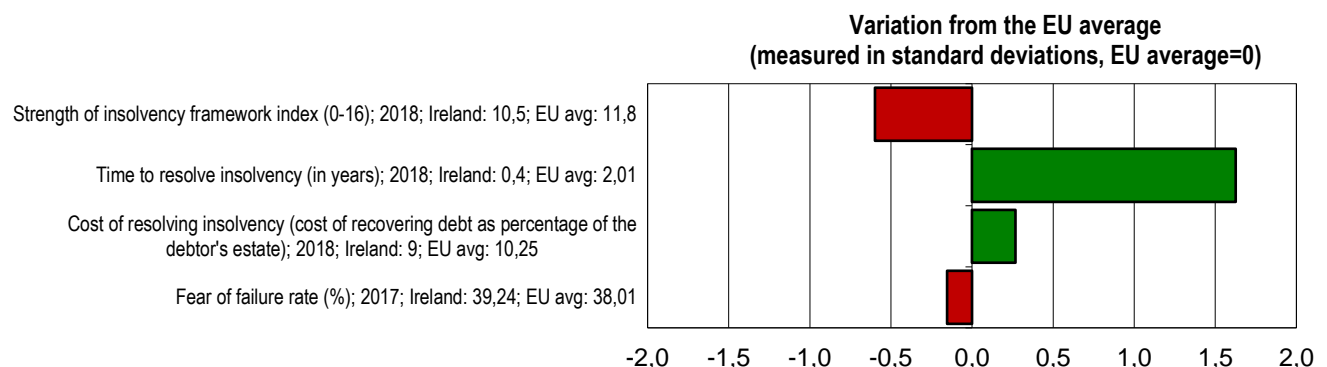
In 2017 and the first quarter of 2018, one significant measure was formally announced:

- A 12-week accelerator programme for tech start-ups in the South-East region of Ireland, due to begin in April 2018, aims to help budding entrepreneurs understand how their company can benefit customers. It also advises them on their growth strategy and on how they can prepare to meet the demands of investors and of the marketplace.

Ireland provides a climate for high-growth companies to quickly set up operation. Irish companies can also benefit from the availability of quality employees, a streamlined visa process for non-European citizens and a supportive business environment. Funding and grants are available to Irish start-ups, high-growth companies and to those considering foreign direct investment in Ireland to scale up. All funding is negotiated on a case-by-case basis.

The lack of entrepreneurial education for students of all ages continues to be Ireland's main weakness in this SBA area. Initiatives are under way to connect employers and higher education institutes so that they can jointly create entrepreneurial and vocational pathways, set up support infrastructures and develop skills. However, there is still insufficient focus on entrepreneurship in primary and secondary education.

3.2 'Second chance'



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

'Second chance' refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. Although there has been little or no movement in any of the 'second chance' indicators over recent years, Ireland continues to perform above the EU average overall in this area. The only noticeable change in the last year is that the fear-of-failure rate fell by just 0.4 percentage points compared to the average EU drop of 2 percentage points.

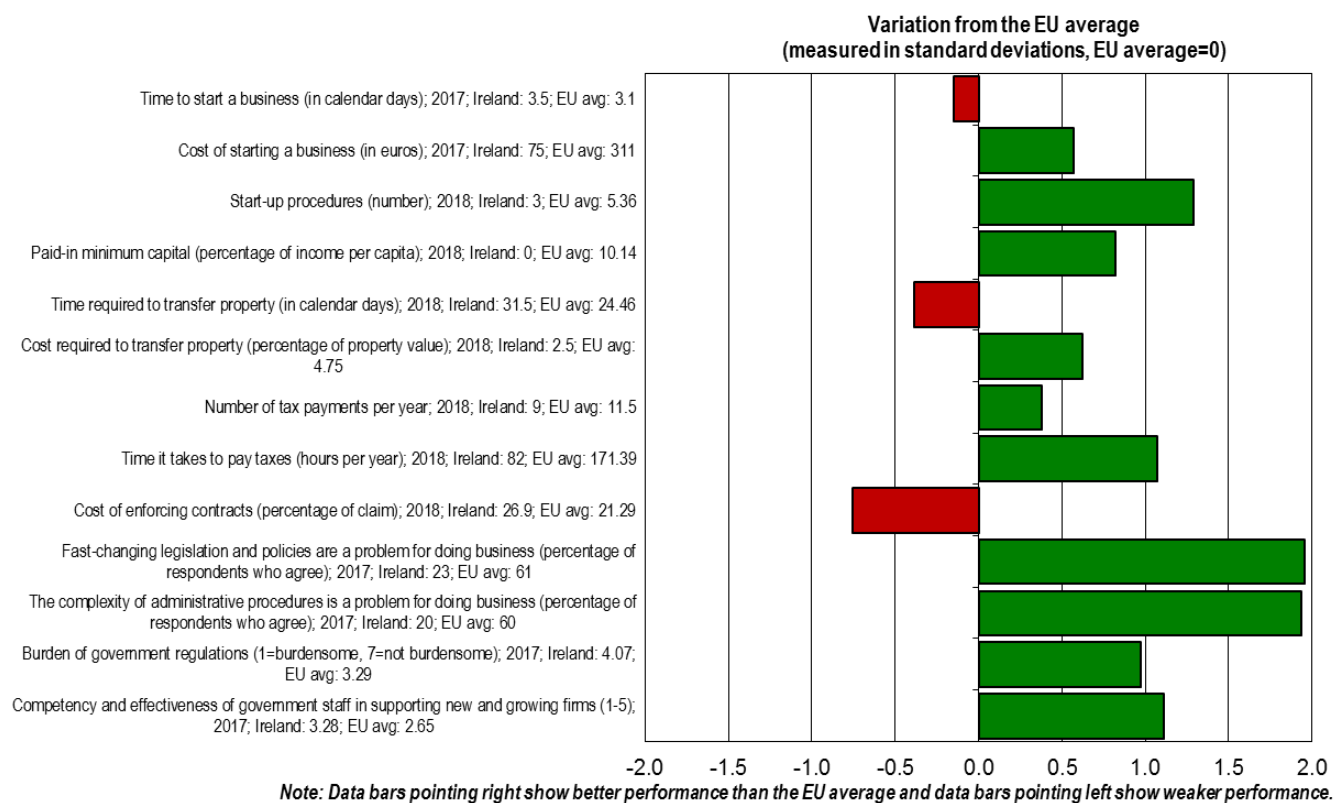
Ireland's key strength in this SBA area is the speed of its insolvency resolution process, which at 0.4 years is the fastest in the EU (EU average 2 years). Ireland's insolvency framework, on the other hand, is still below the EU average, remaining the country's main weakness in this SBA area. Strengthening the insolvency framework would entail: (a) increasing the creditor participation rate in the insolvency process; and (b) making it possible to avoid undervaluing transactions when managing a debtor's assets⁴⁵.

Since 2008, Ireland has introduced measures to ensure that almost all 'second chance' SBA recommendations are in place. The only one that remains to be implemented is ensuring that re-starters are on an equal footing with new start-ups. Recently adopted legislation sets out measures to: (i) reform and modernise Irish insolvency law; (ii) reduce the automatic discharge-from-bankruptcy time period to 12 months; (iii) increase the debt relief ceiling; and (iv) introduce new principles

for debt settlement. Ireland has also set up a national service to oversee the personal insolvency system.

In 2017 and the first quarter of 2018, 'second chance' was not a priority area for the government and no significant measures were adopted.

3.3 'Responsive administration'



'Responsive administration' refers to public administration being responsive to the needs of SMEs. In 2017, Ireland was second in the EU in this SBA area and its overall performance has continuously improved since 2008.

Ireland has the EU's lowest rate of businesses that are concerned about the impact of fast changing legislation and policies on their business (23 % vs the EU average of 61 %). The complexity of administrative procedures when doing business is a problem for only 20 % of Irish businesses (EU average 60 %). Ireland also continues to be among the countries with the lowest requirements for paid-in minimum capital as a percentage of income per capita (0 %) and with the fewest business start-up procedures. At 82 hours, the time it takes to pay taxes in Ireland is the third lowest in the EU (EU average: 171.4 hours). In addition, Ireland has an almost perfect score in providing digital public services for businesses: 99 out of 100 (EU average 83/100) (Digital Economy and Society Index DESI 2018⁴⁶).

Ireland's performance in all 'responsive administration' indicators has remained virtually unchanged in recent years, with the exception of a 13.7 % reduction in the time required to transfer property (from 36.5 days to 31.5 days) in 2014. At 26.9 %, the cost of enforcing contracts as a percentage of claims has not changed since 2008 (EU average 21.29 %). According to a World Bank report, attorney fees account for 18.8 % of the cost of a claim, enforcement fees for 5.8 % and court fees for 2.3 %. The time it takes to resolve a dispute, counted from the moment the plaintiff files the lawsuit in court until the payment is made, is also high compared to OECD high income countries (650 days against an average of 578)⁴⁷. This has consequences for instance in public procurement, where high legal costs may prevent small companies from challenging procurement decisions.

Since 2008, Ireland has introduced a wide range of measures to address almost all 'responsive administration' SBA recommendations. The only exception is the use of

interconnected databases across levels of government so that SMEs need to provide information 'only once'. However, the government intends to implement the 'only once' principle as part of the 2017-2020 eGovernment strategy⁴⁸.

Recent measures include: (i) a more supportive legal framework that makes the procedures less burdensome for companies; and (ii) eGovernment services including a one-stop shop in the form of an online business licensing portal ('licences.ie') that groups together licence applications for businesses across government departments, agencies and licensing authorities.

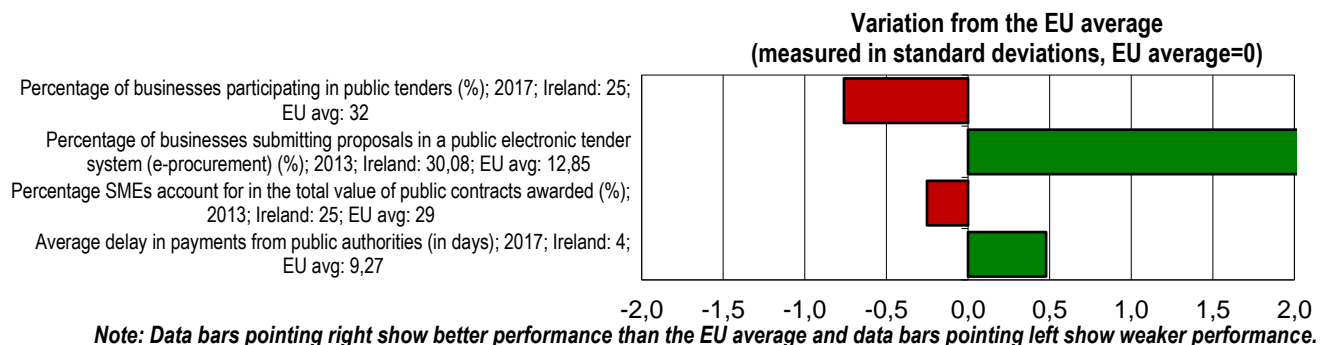
On the cost of enforcing contracts, the Legal Services Regulatory Authority, established in October 2016, published a 2018-2020 strategic plan in April 2018 which aims to inform the public about the legal services available and their cost. The authority

will also keep the Minister for Justice and Equality informed on all related developments.

In 2017 and the first quarter of 2018, one significant measure was adopted:

- The 2017 Companies (Accounting) Act⁴⁹ which transposed EU Accounting Directive 2013/34/EU into Irish law. The size thresholds for qualification of a company or group as small or medium have been increased. Consequently, more companies can take advantage of the reduced financial reporting requirements of the 'small company regime', including the audit exemption. A new category of 'micro company' with greatly reduced financial reporting requirements has also been introduced.

3.4 State aid & public procurement



Ireland's performance in state aid & public procurement is broadly in line with the EU average. The delay in payments by public authorities is less than half the EU average (4 days vs 9.3 days). Furthermore, the total aid earmarked for SMEs (8.4 %) is above the EU average of 5.8 %.

Ireland continues to score below the EU average in the proportion of businesses that have participated in public procurement procedures (25 % against an EU average of 32 %).

In 2017, for tenders above the EU thresholds, 70 % of bids received by the contracting authorities were from SMEs and SMEs were awarded 63 % of contracts. Both of these figures are in line with the EU average. Less positively, in 2017 only 19.4 % of contracts published in Tenders Electronic Daily by Irish contracting authorities were split into lots, against an EU average of 28.1 %⁵⁰.

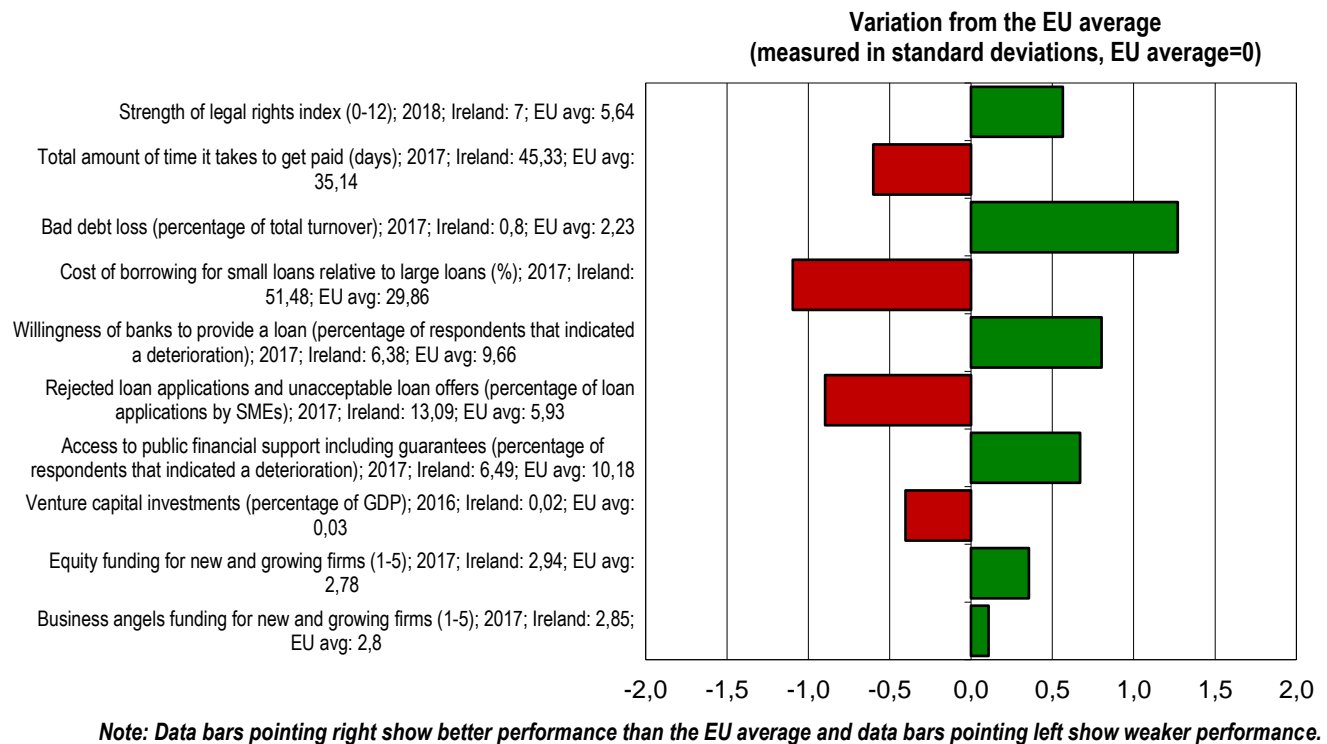
Measures are needed to support SMEs' participation in procurement procedures. These could address: (i) the high cost of legal proceedings, which can prevent SMEs from challenging procurement decisions; and (ii) the length of procurement procedures. In addition, contracting authorities could be encouraged to split contracts into lots.

Since 2008, Ireland has introduced a range of measures to address all state aid & public procurement SBA recommendations. Examples include: (i) improvements in the efficiency of the procurement system through e-procurement and e-tendering; (ii) better payment conditions for SMEs; (iii) guidance to encourage SMEs to compete for procurement contracts; and (iv) a procurement support and advisory service to help SMEs to win public-sector contracts. The Office of Government Procurement (OGP) has also been set up to introduce a common approach to procurement across all levels of government.

In 2017 and the first quarter of 2018, one significant measure was introduced:

- An initiative by the OGP to help SMEs to access public contracts worth EUR 12 billion. It responds to feedback from industry on the need to demystify the procurement process for SMEs so that they can take advantage of bidding opportunities. The measures include breakfast briefings organised by InterTradeIreland, and videos that explain the procurement process.

3.5 Access to finance



Ireland's performance in this area is broadly in line with the EU average. The country has improved substantially since 2008, although its performance in 2017 is weaker than the previous year.

On cash flow, at only 0.8 %, Ireland had the joint second best score for bad debt loss as a percentage of turnover (EU average: 2.2 %), building on the significant reduction achieved between 2015 (7 %) and 2016 (1.8 %). Unfortunately, Irish companies later reported their average level of bad debt loss to be 3.1 % of total annual revenue, which is almost twice the EU average (1.7 % in 2018) and the highest in the EU. On the other hand, the time it takes to get paid by customers has increased to 45.3 days in 2017, up from 35.3 days in 2016 and 24.3 days in 2015. However, in 2018, it went down again to 25 days, thanks to the average time taken by customers and businesses to pay, which have both more than halved. In parallel, Irish companies are the most familiar with the European Late Payment Directive (61 % vs 28 % EU average⁵¹).

On access to finance, in 2017 only 8 % of SMEs considered it to be their biggest problem (for micro firms the figure was modestly higher), which is in line with the EU average. The proportion has decreased steadily since its peak of 24 % in the second half of 2011. Foreign-owned firms are considerably less likely than Irish-owned firms to report financial constraints. While access to finance is no longer perceived as a particular concern, there is uncertainty on the demand for credit by Irish-owned SMEs.

The percentage of SMEs that consider banks to be unwilling to provide loans has decreased every year since its 57 % peak in 2010, falling most recently from 10.7 % to 6.4 % between 2016 and 2017. Similarly, the proportion of Irish SMEs that report a lack of access to public financial support, including guarantees, has decreased to 6.5 % (EU average 10.2 %). Less positively, Ireland still has the joint second highest interest rate for small loans. This was 4.4 % in 2017 — a very modest 0.3 % improvement on 2016. The cost of borrowing for small loans relative to large loans (51.5 % in 2017) is also still significantly above the EU average (29.9 %), although it has decreased for the first time since 2013. Rejected SME loan applications also rose sharply from 3.5 % in 2016 to 13.1 % in 2017, after having fallen significantly since 2014 (28.3 %). In 2017, 32 % of Irish SMEs did not get the full bank loan they had planned for (EU average 17 %), compared to 10 % in 2016⁵². Furthermore, most Irish SMEs identified high interest rates / price too high as the biggest barrier to getting the financing they need. In addition, guarantees for loans are considered the biggest barrier to future financing for firms.

In the 6 months up to September 2017, trade credit and credit lines were the most widespread sources of financing among Irish companies (both were used by 50 % of respondents to the SAFE survey, against the respective EU averages of 19 % and 35 %). Irish SMEs paid 2.5 % in interest on bank overdrafts and credit lines (EU average 2 %). They also had the EU's biggest net increase in leasing or hire-purchasing needs.⁵³

Since 2008, the Irish government has introduced nearly 40 financial support measures to deliver more SME credit to viable businesses. These include lending targets for banks, the promotion of new SME credit providers, and a credit guarantee scheme. The government has also introduced a range of non-financial or 'soft' support measures such as initiatives to inform SMEs of the full range of business support available to them and help them increase their financial capability.

The European Investment Fund⁵⁴ also provides support to Irish SMEs. As of March 2018, Irish SMEs accessed more than 4 245⁵⁵ debt-type financing possibilities worth more than EUR 143 million, thanks to the 'Loan Guarantee Facility' under the EU's COSME programme for SMEs.

The standout measure in recent years was the establishment of the Strategic Banking Corporation of Ireland (SBCI) by the Irish Ministry of Finance. The SBCI is a strategic SME funding company whose goal is to ensure access to flexible and lower cost borrowing for Irish SMEs and to support market access for SMEs entering the lending market.

In 2017 and the first quarter of 2018, two significant measures were introduced:

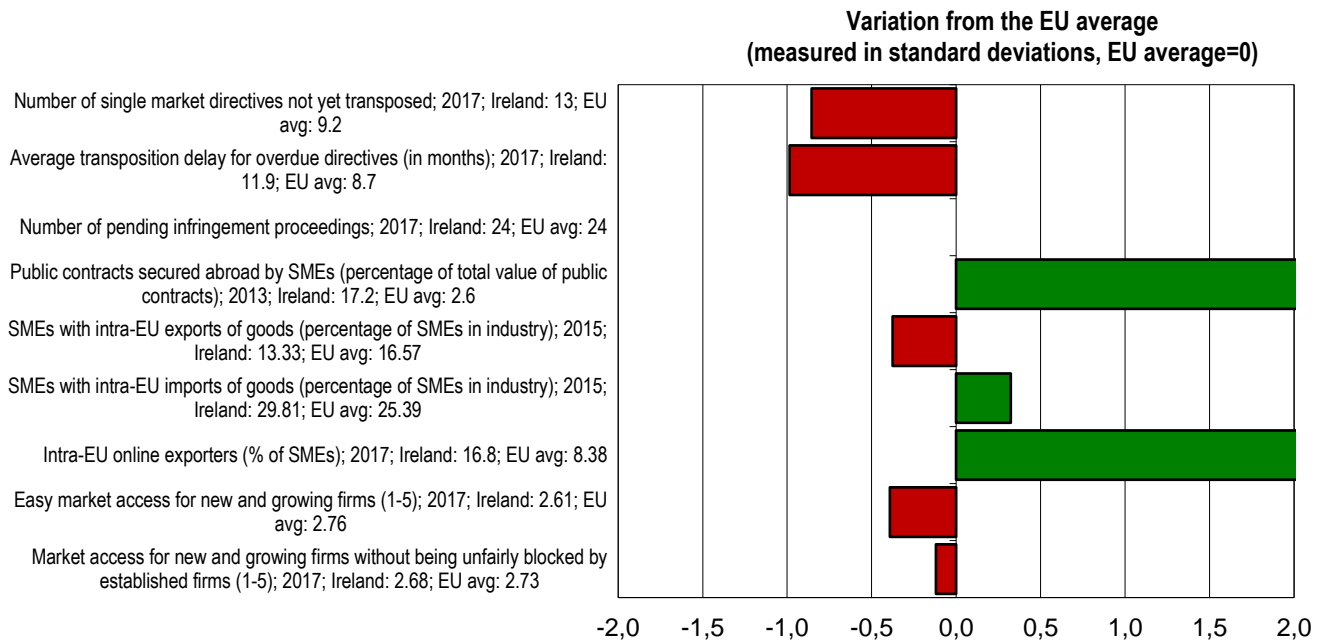
- The 2017-2020 Regional Enterprise Development Fund was set up to provide EUR 60 million in grants to support job creation initiatives and projects (see Interesting Initiative for further details).

- The 'be prepared' grant provides Energy Ireland's clients with up to EUR 5 000 towards the costs of developing a strategy for Brexit. The scheme aims to help SMEs that need to conduct further research and gather external expertise to prepare their action plan. This might involve investigating the feasibility of diversifying into new markets and market segments, investment in innovation, improving operational competitiveness, and/or increasing their strategic financial capability. The grant can also help cover the related consultancy and travel expenses.

In 2017 and the first quarter of 2018, one significant measure has been formally announced:

- The Department of Business, Enterprise and Innovation (DBEI) will develop and launch a business finance advisory (online) hub for SMEs in the first half of 2019. The new measure has been announced as part of the 2018 action plan for jobs. The digital hub will provide standardised information and tools to support SMEs' financial planning and general financing needs. It will also direct users to the relevant government support tools and resources.

3.6 Single market



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Ireland continues to perform broadly above the EU average in single market. The number of pending infringement proceedings is in line with the EU average (24 cases). Although the number of cases has increased since last year, it is a considerable improvement on the 67 infringement proceedings in 2009.

The number of single market directives not yet transposed into Irish law decreased to 13 in 2017, after increasing from 4 to 19 between 2015 and 2016.

On market access, Ireland continues to have the EU's highest proportion of SMEs that export online within the EU (16.8 %). In 2015 the figure was third highest for SMEs importing online within the EU (29.7 %). There has also been a modest improvement in recent years in the ease and cost of new market access for SMEs.

In terms of EU trade integration, the last available data (2015) showed that Ireland's level of EU trade integration fell by more than 10 % for both goods and services between 2014 and 2015.

However, it still had the third highest level of EU integration in services⁵⁶.

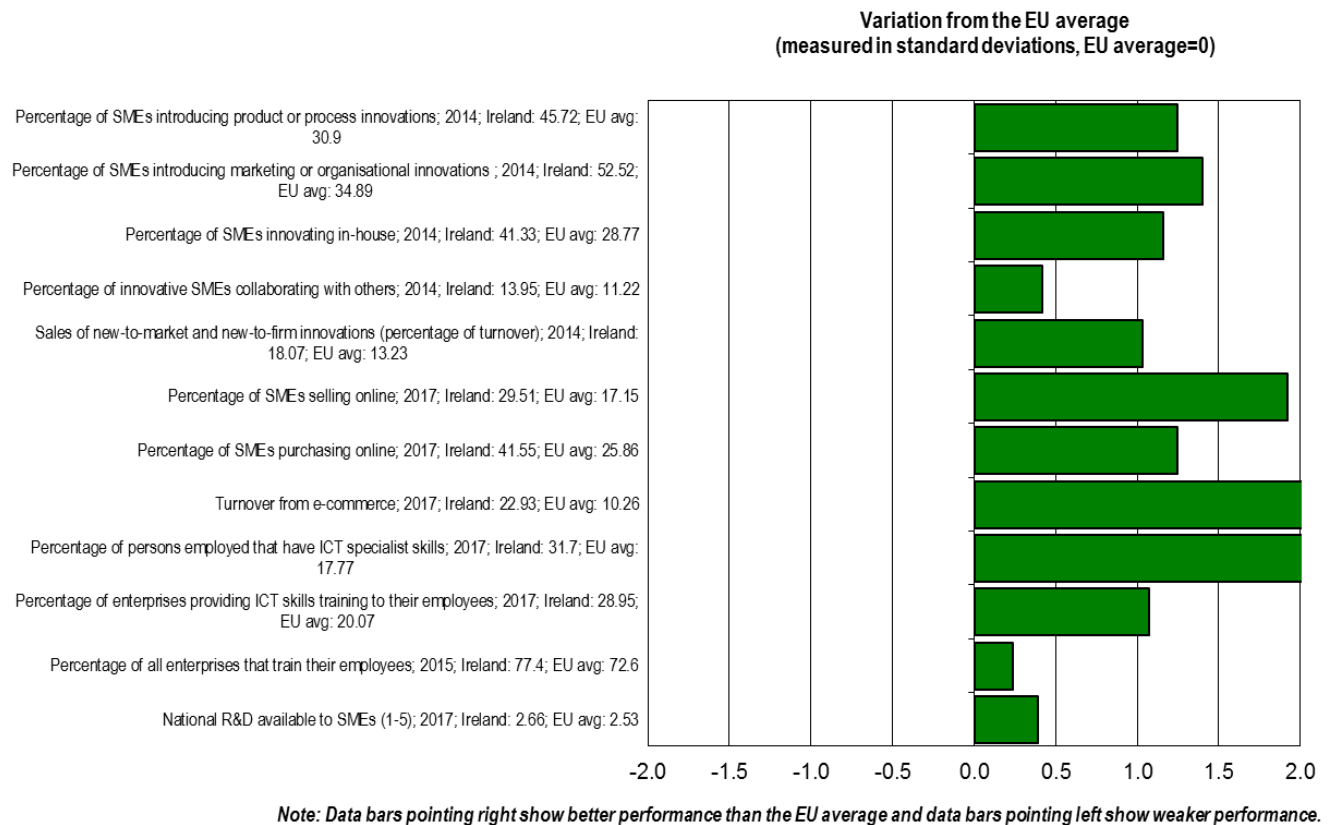
Since 2008, Ireland has introduced measures to address all single market SBA recommendations. Examples include the trading-online voucher scheme to help SMEs transform themselves into digital businesses and an online resource to inform SMEs about their need to comply with relevant standards.

In 2017 and the first quarter of 2018, no significant measures in the single market area were implemented.

However, single market-related measures are expected to be introduced in the coming years as part of the government's 'Enterprise 2025' strategy, which aims to transform Ireland into a leading digital economy in Europe.

In addition, the Department of Business, Enterprise and Innovation (DBEI) has set up a Brexit unit⁵⁷ that assesses and addresses the impact of Brexit on many key policies and operational areas across the DBEI and its agencies in Ireland.

3.7 Skills & innovation



Ireland is still the EU's top performer in skills & innovation and has improved constantly since 2008. It is among the top three for several indicators and is above or well above the EU average in most others. Even though Irish-owned firms have performed better in recent years, a larger proportion of foreign-owned firms invest in innovation and innovate⁵⁸.

In 2017, Ireland was the EU's top performer for:

- SMEs selling online (29.5 % against the EU average of 17.2 %);
- turnover from e-commerce (22.9 % vs 10.3 %); and
- employees with ICT skills (31.7 % vs 17.8 %).

According to the latest available figures (2014), Ireland is second in the EU for several SME innovation indicators, including in-house-R&D and commercialisation, and third in SMEs purchasing online (41.6 % vs the EU average of 25.9 %).

Ireland is among the top three countries in the DESI integration of digital technologies strand, and is first for SMEs' use of online commerce and social media. Irish companies are in line with the EU average for their digital intensity index (DII), which measures the availability of 12 different digital technologies at firm level. Almost 80 % of companies have a low or very low DII and less

than 5 % have a very high DII⁵⁹, despite considerable investment in software, data, IT and website development (EIB, 2017⁶⁰). Irish companies surveyed, especially micro/small ones, identified ICT infrastructure as the biggest public investment priority for the next 3 years (EIB, 2017⁶¹).

The ability to secure skilled staff and experienced managers is a long-term barrier to investment for Irish SMEs, especially medium-sized and small firms that cannot offer the same wages as multinationals⁶². To address this issue, stakeholders have called for vocational training to be strengthened and a rebalancing between vocational and educational training in higher education.

In 2017, SMEs used 14 % of financing received for hiring and training employees compared to 11 % in 2016 (SAFE survey, 2017). Micro/small companies also invested more than medium-sized/large companies in the training of their employees (EIB, 2017⁶³).

With more than half of the adult population lacking basic digital skills, SMEs are at risk of not being able to hire enough skilled workers. This would slow down their innovation capacity.

In addition, Ireland continues to face ICT skills shortages. More than 50 % of businesses have had difficulty in recruiting ICT specialists every year since 2012. Following an in-depth analysis of the demand for such skills, new types of ICT apprenticeships are being developed under the comprehensive apprenticeship scheme⁶⁴.

Since 2008, Ireland has made substantial progress in skills & innovation. It has introduced a wide range of measures including: (i) schemes to develop ICT, innovation and management skills, with accompanying support tools; (ii) funding schemes for innovation projects; (iii) a cross-border project by the Regional Education and Employment Alliance to help universities produce graduates with the skills required for the labour market; and (iv) the SHIP programme (SMEs and higher education institutes in innovation partnerships), which has connected people working in industry and academia so that they can work together on helping SMEs become more profitable. Most recently, a construction workers skills register involving online training was launched for site operatives and craft workers in the construction industry. The register helps users store and publicly display their skills training and accreditation history, which can help reassure both employers and clients.

R&D tax incentives, such as the R&D Tax Credit, are a major part of government support, which accounts for 81 % of total public support for business R&D. A 2016 review by the Irish Government Economic and Evaluation Service⁶⁵ found that it was mainly older, larger and non-Irish firms that benefited financially from the R&D tax credit scheme. However, Irish firms often benefited from the repayable credit element of the scheme.

A number of government strategies address this SBA area. For example, the main national strategy for businesses, 'Enterprise 2025 Renewed' sets out a wide range of measures to support business growth, including ones to help companies build partnerships and conduct R&D and innovation. The 'Innovation 2020' strategy also aims to increase investment in R&D and support innovation in businesses.

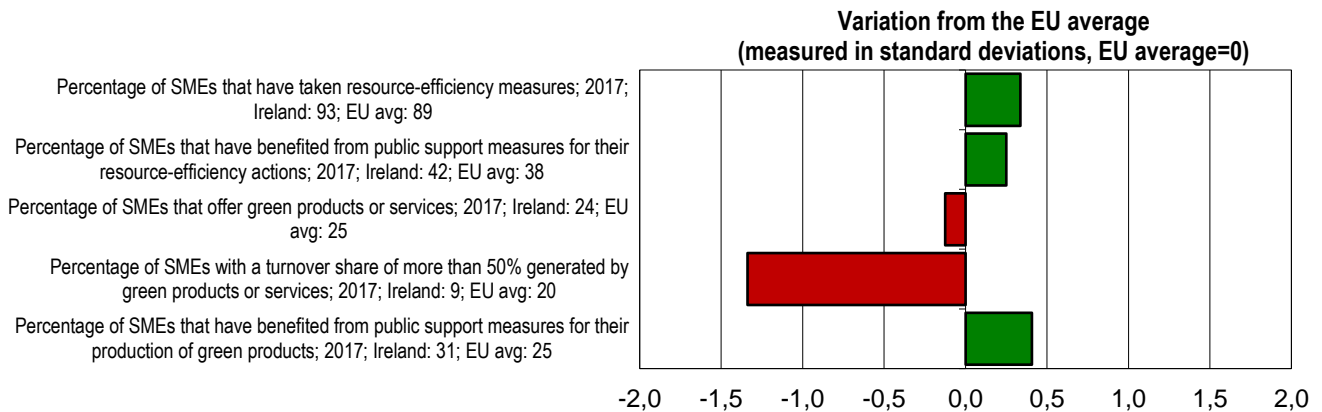
The 2015-2025 strategy for building partnerships between the higher education and business communities aims to solve the skills shortage challenge by focusing on infrastructure and pathways for skills development. In addition, the 2025 national skills strategy aims to increase the supply of skilled workers through higher quality education, skills development, life-long learning and a greater involvement of businesses in education and training. For example, the network of regional skills fora is an important skills development measure. The network is: (i) improving access to support; (ii) building stronger partnerships

between employers and education and training providers; (iii) influencing national funding decisions; and (iv) delivering skills programmes that match market needs. In addition to tackling funding challenges, there has been a call to urgently address the sharp fall of Irish universities in international ranking.

In 2017 and the first quarter of 2018, four skills & innovation measures were implemented:

- The 2017 Knowledge Development Box (Certification of Inventions) Act provides an incentive for innovation by applying a lower rate of corporation tax. Through this scheme, Irish SMEs can pay a tax of only 6.25 % on the profits of their inventions resulting from R&D activities, instead of 12.5 %. It is available to them through a certification process overseen by the Patents Office. To date, there has been less uptake of this tool than expected, mainly because the rules of the scheme are quite complex and place a considerable administrative burden on companies wishing to make a claim. Small businesses, in particular, are also worried that a claim would lead to heavy auditing⁶⁶.
- A fast-track agile innovation fund has been set up to give companies rapid access to up to 50 % in innovation grant funding support for product, process or service development projects up to a total of EUR 300 000. It aims to help companies respond faster to market opportunities and challenges — including ones related to Brexit — and to maximise exports. The grant's main benefits are the simple application process and the short time between application and approval.
- A new skills audit tool makes it easier for employers to identify their skills needs. The tool and accompanying assistance are part of a support package for employers that is being delivered through the skills for growth initiative. The aim is to increase the quality and quantity of data on skills needs in individual businesses and to improve collaboration between business, education and training providers and other relevant members of each of the regional skills fora.
- A series of 'spotlight on skills' workshops organised by Enterprise Ireland helps client companies to strategically assess the skills they need to develop their companies. These workshops are part of a support package under the skills for growth initiative delivered jointly by Enterprise Ireland and the Department of Education and Skills.

3.8 Environment



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Ireland's overall performance in the environment SBA area is in line with the EU average, despite the fact that it is failing to meet its 2020 environmental targets and has made limited progress in decarbonising its economy.

Compared to 2015, Ireland has made progress in a number of environment indicators. The percentage of SMEs that have benefited from public support for resource efficiency actions has risen from 29 % to 42 %, compared to the EU average rise of 30 % to 38 %. The proportion of Irish SMEs that have benefited from public support measures to produce green products has also risen from 23 % to 31 %. In parallel, there has been a sharp rise in state aid spending on environmental protection and energy saving (although not SME-specific). This increased from EUR 119 million in 2015 to EUR 185 million in 2016 (more than triple that of 2009⁶⁷).

Less positively, the proportion of Irish SMEs that have put resource efficiency measures in place decreased from 96 % in 2015 to 93 % in 2017. The percentage of SMEs with a green product/service turnover share of more than 50 % fell to 9 % in 2017 (third lowest in the EU), down from 16 % in 2015 and 28 % in 2012. The percentage of Irish SMEs that offer green products or services also dropped from 37 % to 24 % between 2015 and 2017, bringing it broadly in line with the EU average of 25 %. This is the first decrease in this indicator since 2008, following its peak of 29 % in 2012.

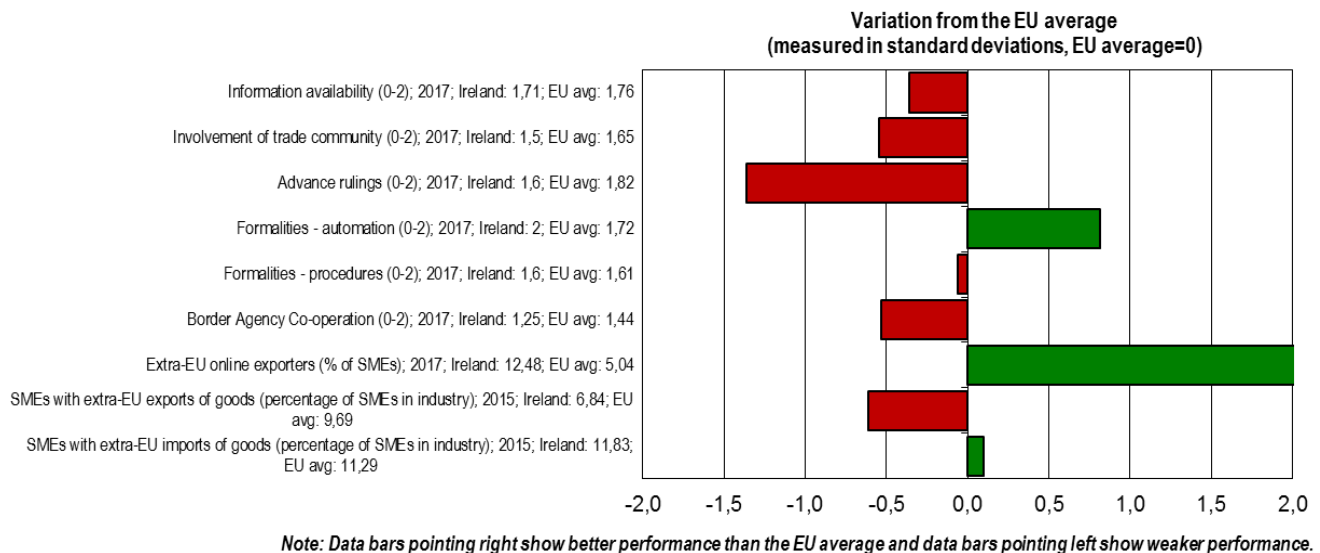
The rise in the number of SMEs receiving public support measures has been matched by the rising number of companies that have taken resource efficiency measures. The green business programme, which provides free support to SMEs, has identified a cost saving of EUR 10 million for 270 businesses in recent years, with an average of EUR 37 000 in savings per business, and an average cost of state intervention worth 1/10 of the savings identified.

However, despite more SMEs benefiting from measures that support green product development, the percentage that offer green products or services has decreased. A contributing factor could be the time it takes from the R&D phase to placing a product on the market.

Since 2008, Ireland has introduced a range of measures to ensure all environment SBA recommendations are implemented. These support sustainability, green business, innovation, renewable energy, green public procurement, green sector growth, resource management and the uptake of best practices. Recent actions include: (i) measures to help rural SMEs reduce waste and save costs; (ii) an online corporate social responsibility tool; and (iii) a green business resource efficiency tool⁶⁸ to help SMEs improve their corporate social responsibility and put in place responsible business practices.

As the environment SBA area was not a government priority in 2017 and the first quarter of 2018, no significant measures were implemented.

3.9 Internationalisation



Ireland's performance in internationalisation is broadly in line with the EU average. However, due to changes in the methodology used for the trade facilitation indicators in this area⁶⁹, a comparison with previous years is only partly possible.

Ireland has improved its score for 'formalities — procedures' and is now in line with the EU average. Its score on formalities — automation is unchanged since last year, though it is now closer to the EU average. There was also no change on border agency cooperation between 2015 and 2017, either in Ireland's score or its distance to the EU average.

However, Ireland needs to keep in step with the rising EU average for some trade facilitation indicators. For example, the country has fallen further below the rising EU average on the availability of information on internationalisation. This is also the case for the advance rulings indicator, despite an increase of 0.04 points. It is also below the EU average for its involvement of the trade community in 2017, having been slightly above the EU average in 2015.

On the trade performance indicators, at 12.5 %, Ireland continues to have the highest proportion of SMEs with extra-EU online exports (EU average 5 %) and has improved steadily on this indicator since 2009. The latest available SME trade figures (from 2015) show that, at 11.8 %, Ireland's share of SMEs with extra-EU imports of goods is slightly above the EU average (11.3 %). However, at 6.8 %, the proportion of Irish SMEs exporting goods outside the EU is below the EU average (9.7 %). In addition, trade by foreign-owned firms is 5 to 10 times higher than trade by Irish-owned firms. While foreign-owned firms are more active in extra-EEA trade, Irish-owned firms tend to trade predominantly with EEA countries (mainly the UK⁷⁰).

Since 2008, Ireland has introduced a wide range of measures to ensure that all internationalisation recommendations are implemented. These include a number of financial and business support schemes, tax incentives, sector-specific strategies and helping companies participate in trade missions and events.

In 2017 and the first quarter of 2018, seven measures were implemented, most of which are to help those companies that need to prepare for the UK's imminent departure from the EU:

- Enterprise Ireland is organising a series of nationwide Brexit advisory clinics to help Irish companies to prepare for Brexit. Along with a range of seminars, individual businesses can get personalised advice in one-to-one meetings of 40-minute meetings with independent experts across three business areas: financial and currency management, strategic sourcing, and customs, transport and logistics.
- Enterprise Ireland also launched a 'Brexit SME scorecard' to help SMEs diversify to EU and international markets. The scorecard takes the form of an interactive online tool. Irish companies, including small and micro businesses, can use it to assess their exposure to Brexit, as well as their level of preparedness, in six business areas: (i) business strategy; (ii) operations; (iii) innovation; (iv) sales and marketing; (v) finance; and (vi) people management. The tool is a starting point for SME management teams looking to develop an action plan to help mitigate risks and take advantage of opportunities which may arise from Brexit.

- A Brexit advisory service by InterTradeIreland provides SMEs with a range of support measures to navigate the challenges of Brexit. These include: (i) Brexit readiness vouchers that can be put towards tailored advice up to a value of EUR 2 250; (ii) free access to a tariff checker; (iii) an online guide to cross-border business to help companies prepare for Brexit, accompanied by free Brexit briefing events; (iv) information on currency hedging; and (v) a 'five-minute masterclass' to help companies get 'Brexit-savvy'⁷¹.
- A market discovery fund has been set up to help Enterprise Ireland's client companies diversify into new markets and promote their new products in existing markets. This is also a Brexit-response measure as it provides companies with an incentive to research viable and sustainable market entry strategies in new geographic markets. It helps support the costs of researching new markets for products and services. For example, it can help companies to appoint in-market accelerators, set up an in-market office, attend and exhibit at trade shows, conduct market research and develop collateral.
- The Brexit loan scheme is a EUR 300 million loan fund delivered by the SBCI through commercial lenders. It is supported by the InnovFin SME guarantee facility with EU financial backing under Horizon 2020. The scheme provides affordable financing to businesses that are currently affected by Brexit or will be in the future. It gives SMEs and small mid-caps access to short-term working capital so they can make the necessary changes to ensure that they can remain competitive and grow in a post-Brexit business environment. Eligible businesses with up to 499 employees can access loans ranging from EUR 25 000 to EUR 1.5 million at an interest rate of 4 % or less. However, under the scheme, loans of up to EUR 500 000 are unsecured.
- The 'Technical Assistance for Micro Exporters' Grant Funding' scheme has been set up to help businesses expand into new markets. The scheme funds part of the costs of investigating and researching new export markets, for example, costs related to trade fair exhibitions, marketing materials and websites that target overseas markets. The maximum grant available is EUR 2 500 and the maximum support level is 50 % of eligible costs.
- The Co-Innovate programme, supported by the EU's Interreg VA programme, has provided around EUR 14 million in support to over 1 400 SMEs and micro businesses in Northern Ireland, the border region of Ireland, and Western Scotland. It helps SMEs to innovate, differentiate and successfully compete in the current market and encourages cross-border collaboration and trade in these regions. Free workshops inform SMEs of the benefits of innovation, identify opportunities for growth and help businesses create a vision. Participating SMEs can also benefit from innovation audits, mentoring and funding to help cross-region collaboration.
- As shown by the above measures, the main challenge facing export-oriented Irish SMEs is how to prepare for the UK's departure from the EU and how to grow in a post-Brexit business environment. The UK is the second largest export market for Irish goods and the largest for services, accounting for around 17 % of total Irish exports and 34 % of Enterprise Ireland's client companies' exports. Additionally, 30 % of all employment is in sectors which are heavily related to UK exports⁷². Confronted with the uncertainties surrounding future trading arrangements, government agencies have adopted a proactive approach. However, it appears that Irish businesses have yet to take full advantage of the available resources. This may be due to companies' uncertainty about the impact of Brexit and the form of the future EU-UK relationship, as well as the fact that some of the support measures are relatively new. Additional measures are likely to be developed in the near future to improve support for SMEs facing the Brexit challenge.

3. Interesting initiative

Below is an example of an initiative from Ireland to show what governments can do to support SMEs:

Regional Enterprise Development Fund 2017-2020

The Regional Enterprise Development Fund (REDF) provides EUR 60 million in funding to support collaborative regional business and job creation initiatives and projects. To receive funding, projects must provide unique selling points and significantly improve business development and job creation in each of Ireland's regions, across regions or nationally.

REDF also supports industry clusters that encourage innovation through promotional activities, the sharing of facilities, exchanging knowledge and expertise and contributing effectively to knowledge transfer, networking, information dissemination and collaboration among the organisations in the cluster. The fund also supports initiatives that strengthen the ability of regions and sectors to adjust and cope with the potential effects of international economic changes.

REDF operates four funding streams:

- Stream one supports major regional, multi-regional or national sector-specific initiatives with grants ranging from EUR 2 million to EUR 5 million per project which can be put towards capital and current costs. These initiatives should focus on achieving pre-defined business development results and impacts;
- Stream two supports significant county, regional or multi-regional sector-specific and or business initiatives with grants ranging from EUR 250 000 to EUR 2 million per project which can be put towards capital and current costs. As with Stream one, these projects should focus on achieving pre-defined business development results and impacts;
- Stream three supports local and community business initiatives with grants ranging from EUR 50 000 to EUR 250 000 per project which can be put towards capital and current costs. These projects should focus on local, county or regional initiatives with specific targets for business development in the area;
- Stream four supports large industry clustering initiatives with grants ranging from EUR 50 000 to EUR 250 000 per project which can be put towards current costs. These projects should help industry-led groups organise collaborative activities which will have a clear, measurable impact on their business.

REDF is being applied through two calls for projects in 2017 and 2018, with EUR 30 million available for each of them. As a result of the 2017 call, 21 regional projects were awarded EUR 30.5 million in competitive funding by Enterprise Ireland. The second call runs from April to June 2018.

For more information:

<https://www.enterprise-ireland.com/en/Start-a-Business-in-Ireland/Information-Store-for-Start-ups/Regional-Enterprise-Development-Fund.html>

<https://www.enterprise-ireland.com/en/News/PressReleases/2017-Press-Releases/Regional-Enterprise-Development-Fund-Open-for-Applications.html>

Important remarks

The European Commission Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW) produces the SBA fact sheets as part of the SME Performance Review (SPR), its main vehicle for economic analysis of SME issues. They combine the latest available statistical and policy information. Produced annually, they help to organise the available information to facilitate SME policy assessments and monitor SBA implementation. They take stock and record progress. They are not an assessment of Member State policies. Rather, they should be regarded as an additional source of information to improve evidence-based policy-making. For example, they cite only policy measures national SME policy experts consider relevant. They do not and cannot reflect all measures the government has taken over the reference period. There is more policy information on a database accessible from the SPR website.

SME Performance Review:

<http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

grow-spr@ec.europa.eu

Small Business Act:

http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index_en.htm

Entrepreneurship and SMEs:

<https://ec.europa.eu/growth/smes>

Endnotes

¹ The two graphs below present the trend over time for the variables. They consist of index values for the years since 2008, with the base year 2008 set at a value of 100. As from 2016, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2015 figures from Eurostat's Structural Business Statistics Database. The data cover the 'non-financial business economy', which includes industry, construction, trade and services (NACE Rev. 2 sections B to J, L, M and N). They do not cover enterprises in agriculture, forestry and fisheries or largely non-market service sectors such as education and health. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

² Table 3.1, Background documents for the European Semester: Comparative performance of indigenous and multinational firms (ESRI, 2017).

³ https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Hourly_labour_costs_in_euro_CORR.png, last accessed 5.9.2018.

⁴ Compensation is intended as including wages and salaries of employees and other employers' social contributions. OECD, Entrepreneurship at a glance 2017. https://www.oecd-ilibrary.org/employment/entrepreneurship-at-a-glance-2017-entrepreneur_aag-2017-en

⁵ http://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Hourly_labour_costs_in_euro_CORR.png

⁶ Labour cost growth per business size-class in the first quarter of 2018 was as follows: the average hourly total labour cost increased by 2.4 % (from €21.19 to €21.70) for firms with less than 50 employees, by 4 % (from €24.02 to €24.99) for firms with 50 to 250 employees and by 2 % (€30.43 to €31.04) for firms with more than 250 employees. <https://dbei.gov.ie/en/Publications/Publication-Files/Costs-of-Doing-Business-in-Ireland-2018.pdf>

⁷ Care should be taken when looking at the results for micro sized enterprises. This size class covers businesses with less than 10 employees. It includes companies with no official employees, but in some cases with a significant economic value. Personnel costs relative to gross value added (GVA) are lower for micro businesses than for other SMEs. In 2015, personnel costs reached 29.9% of GVA across all businesses and for Irish-owned firms the figure was 59.1 %. Personnel costs as a proportion of GVA for large Irish-owned firms was 55% but when large foreign firms were included the figure fell to 15.9%. <https://www.cso.ie/en/releasesandpublications/ep/p-bii/bii2015/bpi/>

⁸ Figure 4.1. <https://www.cso.ie/en/releasesandpublications/ep/p-bii/bii2015/bpi/>

⁹ Growth of large firms as part of the total non-financial business economy was also strong, but heavily affected in 2014-2015 by the Irish Statistical Office's (CSO) major upward revision of Irish GDP for 2015 (to 26.3 %) (CSO, Press Statement, July 2016, <http://www.cso.ie/en/media/csoie/newsevents/documents/IrelandEconomicGrowthFigures.pdf>). Since 2015, capital goods transferred to Ireland, mainly by multinational companies, have been taken into account in official statistics and thus contribute to Irish GDP, which was not the case before 2015. According to the CSO, most of the increase in GDP can be attributed to only a few companies, particularly in the manufacturing sector, that transferred assets to Ireland. Irish SMEs are therefore not likely to have been affected by the GDP revision.

¹⁰ Resourcing for growth, SME Sector Recruitment Report, 2016, available at: <http://www.hays.ie/SME-recruitment/index.htm>, last accessed 12.6.2018.

¹¹ Construction 2020: A Strategy for a Renewed Construction Sector (May 2014), available at: <http://cif.ie/images/pdfs/Construction2020.pdf>, last accessed 11.5.2018.

¹² Construction Industry Federation (CIF), available at: <https://cif.ie/2018/05/08/construction-industry-recovery-masking-underlying-capacity-challenges-2/>, last accessed 11.5.2018.

¹³ Vision-net, Annual Review 2018 Business Barometer, available at: <https://www.vision-net.ie/news/the-2018-annual-review/>, last accessed 11.5.2018.

¹⁴ Enterprise Ireland, available at: <https://www.enterprise-ireland.com/en/Start-a-Business-in-Ireland/Startups-from-Outside-Ireland/Funding-and-Supports-for-Start-Ups-In-Ireland/Funding-and-Supports-for-Start-Ups-in-Ireland.html>, last accessed 11.05.2018.

¹⁵ Dublin Institute of Technology, available at: <http://www.dit.ie/newsandevents/news/archive2013/ditcollaborateswithucdanducconbigdataresearch/>, last accessed 11.5.2018.

¹⁶ Department of Public Expenditure and Reform, Public Service ICT Strategy (January 2015), available at: https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&ved=0ahUKewje84OntP3aAhXMZpoKHU_GD58QFggvMAE&url=http%3A%2F%2Fictstrategy.per.gov.ie%2Fictstrategy%2Ffiles%2Fpublic%2520Service%2520ICT%2520Strategy.pdf&usq=A0vVaw3WKL8e9H2LkPQjOLIBcq7, last accessed 11.5.2018.

¹⁷ Ireland's thriving ICT sector – Europe's Silicon Valley, available at: <https://www.sigmarrecruitment.com/blog/2017/12/irelands-thriving-it-sector-europes-silicon-valley>, last accessed 11.5.2018.

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²³ Ibid.

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²⁶ Ibid.

²⁷ Ibid.

²⁸ The data presented was collected by the EU Startup Monitor project. www.startupmonitor.eu

²⁹ Due to data availability on Eurostat, the data on high-growth firms refer to the 'business economy' only, which covers sections B-N including section K (financial activities, except activities of holding companies). The 'non-financial business economy' excludes section K.

³⁰ In line with the Commission Implementing Regulation (EU) No 439/2014, high-growth enterprises are defined as firms with at least 10 employees at the beginning of their growth and average annualised growth in number of employees greater than 10 % per annum, over a three-year period. The share of high-growth enterprises is the number of high growth enterprises divided by the number of active enterprises with at least 10 employees. The source of the data on high-growth enterprises is Eurostat (http://ec.europa.eu/eurostat/web/products-datasets/-/bd_9pm_r2, last accessed 13.04.2018).

³¹ The 2018 SBA fact sheets benefited substantially from input from the European Commission's Joint Research Centre (JRC) in Ispra, Italy. The JRC made major improvements to the methodological approach, statistical work on the dataset and the visual presentation of the data.

³² <http://www.budget.gov.ie/Budgets/2017/2017.aspx>

³³ <https://www.djei.ie/en/Publications/Action-Plan-for-Jobs-2017.html>

³⁴ <https://www.djei.ie/en/Publications/National-Policy-Statement-on-Entrepreneurship-in-Ireland-2014.html>

³⁵ <http://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupDetailDoc&id=32186&no=2>

³⁶ <http://www.oecd.org/ireland/ireland-recovering-strongly-but-weak-productivity-and-brexit-cloud-outlook.htm>

³⁷ The quadrant chart combines two sets of information. Firstly, it shows current performance based on data for the latest available years. This information is plotted along the X-axis, measured in standard deviations of the simple, non-weighted arithmetical average for the EU-28. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2018. These are measured against the individual indicators which make up the SBA area averages. Hence, the location of a particular SBA area average in any of the four quadrants provides information not only about where the country is located in this SBA area relative to the EU average at a given point in time, but also about the extent of progress made between 2008 and 2018. All SBA principles with the exception of the 'Think Small First' principle, for which there is not enough statistical data available, are calculated as composite indicators following the OECD/JRC Handbook guide. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

³⁸ The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2017 and the first quarter of 2018. The national SME policy expert contracted by PwC (DG GROW's lead contractor for the 2018 SBA fact sheets) contracted made the selection. The experts were asked to select only the measures they considered the most important, i.e. the ones expected to have the highest impact in the SBA area in question. The complete range of measures the experts compiled in producing this year's fact sheets will be published alongside the fact sheets in the form of a policy database on the DG GROW website.

³⁹ Common commencement dates mean setting a single day for all new regulations to come into effect to provide businesses with greater certainty.

⁴⁰ <https://dbei.gov.ie/en/Publications/Publication-files/For%20A1s/Report-of-the-Advisory-Group-for-Small-Business.pdf>

⁴¹ Background documents for the European Semester: Comparative performance of indigenous and multinational firms (ESRI, 2017).

⁴² In addition, replies to the SAFE survey suggest a 65% EU average of parent companies located in the same country. The EU average has been stable for the last 3 years, while in Ireland the proportion dropped from 54 % in 2015 to 42 % in 2017. The survey also suggests a notable increase in the number of parent companies located in a non-EU country (from 18 % in 2015 to 33 % in 2017).

⁴³ <https://www.cso.ie/en/releasesandpublications/ep/p-wamii/womenandmeninireland2016/employment/>

⁴⁴ For example, in the second quarter of 2017, women aged 20-24 years old were more likely than men to have attained at least a higher secondary level education (96 % vs 93 %).

<https://www.cso.ie/en/releasesandpublications/er/eda/educationalattainmentthematicreport2017/>

⁴⁵ This last point is missing according to the World Bank's 'Doing Business' report, Management of Debtor's Assets Index (0-6). http://www.doingbusiness.org/data/exploretopics/resolving-insolvency?dataPointCode=DB_ri_assetScore

⁴⁶ http://ec.europa.eu/information_society/newsroom/image/document/2018-20/ie-desi_2018-country-profile_eng_B4406C2F-97C3-AA9A-53C27B701589A4F3_52225.pdf

⁴⁷ <http://www.doingbusiness.org/data/exploreeconomies/ireland#enforcing-contracts>

- ⁴⁸ eGovernment strategy 2017-2020, page 7. <https://egovstrategy.gov.ie/wp-content/uploads/2017/07/eGovernment-Strategy-2017-2020.pdf>
- ⁴⁹ Companies (Accounting) Act 2017, signed into law on 17 May 2017. <http://www.irishstatutebook.ie/eli/2017/act/9/enacted/en/html>
- ⁵⁰ TED Tenders Electronic Daily. <https://data.europa.eu/euodp/data/dataset/ted-csv>
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- ⁵⁴ Data extracted from <https://www.eif4smes.com/> on 24 May 2018.
- ⁵⁵ http://www.eif.org/what_we_do/quarantees/single_eu_debt_instrument/cosme-loan-facility-growth/implementation_status.pdf
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- ⁵⁷ <https://dbei.gov.ie/en/What-We-Do/EU-Internal-Market/Brexit/>
- ⁵⁸ Background documents for the European Semester: Comparative performance of indigenous and multinational firms (ESRI, 2017), Chapter 4.
- ⁵⁹ DESI Report 2018 – Integration of Digital Technology, page 4. http://ec.europa.eu/information_society/newsroom/image/document/2018-20/4_desi_report_integration_of_digital_technology_B61BEB6B-F21D-9DD7-72F1FAA836E36515_52243.pdf
- ⁶⁰ http://www.eib.org/attachments/efs/eibis_2017_ireland_en.pdf
- ⁶¹ http://www.eib.org/attachments/efs/eibis_2017_ireland_en.pdf
- ⁶² Wages in multinationals of EU origin are 64 % higher than in domestic companies. For multinationals of non-EU origin they are 74 % higher. Under these circumstances, Irish SMEs have difficulties recruiting and retaining skilled workers, hindering their growth and exporting potential. (Country Report Ireland, 2018).
- ⁶³ http://www.eib.org/attachments/efs/eibis_2017_ireland_en.pdf
- ⁶⁴ [2018 Digital Economy and Society Index \(DESI\) – Ireland Country profile](#)
- ⁶⁵ 2018 European Semester country report – Ireland. https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-ireland-en_1.pdf
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- ⁶⁹ Moisé, E., T. Orliac and P. Minor (2011), 'Trade Facilitation Indicators: The Impact on Trade Costs', OECD Trade Policy Papers, No. 118, OECD Publishing, Paris. More information on the methodology applied to construct the indicators is available at: <http://www.oecd.org/trade/facilitation/indicators.htm>, last accessed 06/07/2017.
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