Phase Two Review - Immigrant Investor Programme

Final Report

Not for distribution

13 November 2020

Building a better working world

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13 November 2020

Dear Mick,

We have completed our Phase Two review of the Immigrant Investor Programme (IIP). Our procedures were performed in accordance with the Services Contract, dated 26 June 2019, and were limited to the procedures described therein. Our Phase Two report was drafted and finalised between June and October 2020 and builds upon the Phase One review, which we finalised and reported to you, on 24 April 2020.

Basis of our Work

The information provided is intended to assist you in reviewing the IIP and identifying options for the future of the Programme. The information contained in this report has been based on information provided to us and the interviews we conducted with a range of stakeholders at a specific point in time.

Use and Disclosure of this Report

Our report is provided on the basis that it is for your information only and that it will not be quoted or referred to, in whole or in part, without our prior written consent.

This report has been prepared solely for the purpose of our engagement to provide information to Immigration Service Delivery (ISD), formerly INIS, and to the Secretary General of the Department of Justice and Equality (the Department). Only the Department may rely on any facts stated or opinions expressed in this report.

The report should therefore not be regarded as suitable for use by any other person or for any other purpose. Should any other persons choose to rely on this report, that person does so at their own risk. Ernst & Young will accordingly accept no responsibility or liability in respect of it to any such person.

We value the opportunity to work with you and sincerely appreciate the co-operation and assistance provided to us during the course of the review.

Yours sincerely,

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1. Executive Summary

1.1 Summary of Phase One Review

Following discussion with Management, we issued a report on 24 April 2020 which set out findings from Phase One of our review of the Immigrant Investor Programme (IIP). Phase One provided a Social and Economic Analysis of the IIP, with the following objectives that had been agreed with management in June 2019:

- Review the current objectives of the Programme and how the Scheme has to date met these objectives in terms of employment and economic value added and overall economic impact, considering the value of immigration permissions to the recipient; and
- In this regard, the approach adopted by European and other countries should be taken into consideration and bring forward options for the programme in line with overall policies and objectives.

The report highlighted six key findings and made recommendations for improving the effectiveness of the IIP. The findings are summarised as follows:

- A lack of mechanisms, such as available and useful data, hinders effective ‘tracking’ and monitoring of the economic benefits of the IIP within Ireland, and in relation to the Europe 2020 Strategy;
- There is significant reputational and economic risk associated with rescinding the IIP, as Ireland brands itself as an open economy and is heavily reliant upon international investment;
- There is an overreliance on Chinese applicants to the IIP, which creates a reliance upon China’s economic performance as an important influence on future uptake of the Scheme;
- Within the context of Brexit and the potential economic consequences for Ireland, the IIP could be more effectively used as a basis upon which to relieve infrastructure pressures in Dublin and encourage more balanced regional growth;
- No formal criteria or preferences have been defined in relation to investment categories, in order to maximise the socioeconomic benefit by directing funds towards the most beneficial sectors; and
- The IIP does not have a formalised strategy or purpose, and the current scheme objectives are too high level to support the effective operation of the scheme.

1.2 Phase Two Scope and Approach

Following discussion with management, it was agreed that Phase Two of the review would focus on the wider governance, risk and control matters in relation to the operation of the Programme, to include consideration of the following:

- Governance and oversight arrangements for the programme;
- The associated resource options and implications including taking into account the structure and membership of the Evaluation Committee, the appropriate distribution of responsibilities matched with the core responsibilities and areas of expertise of Departments and Agencies; and
- The identified risks and appropriate measures to mitigate against these risks.

In order to further inform our review, we conducted meetings with the following key stakeholders:

- Charities Regulator;
- Members of the Evaluation Committee;
- Deputy Secretary General of the Department of Justice and Equality; and
- Irish Ambassador to China.

In addition, we issued questionnaires to a number of IIP stakeholder group representatives and carried out an analysis of responses received. We have provided a summary of key points in the table below, however, this does not represent all responses received and we have not substantiated any of the statements made by stakeholders.

Stakeholder Group	Questionnaires Issued	Responses Received	Key Points Raised by Stakeholders
Charities *(in relation to the Endowment Option)*	3	2	► Potential risk for charities in relation to public perception of this programme, particularly in relation to the potential for negative publicity for charities as the beneficiaries of the Programme, due to limited understanding and awareness.
Solicitors *(in relation to their inputs to the application process)*	5	1	► Transfer of funds from China is subject to increasingly tight restrictions, which may present a barrier to growth of the IIP are becoming tighter. ► Investors and agents may have a tendency to directly compare the IIP to the UK scheme, as opposed to with other EU countries. ► The IIP is favourable to the UK scheme due to the smaller investment requirement and the absence of a residency requirement.
Project Owners	5	3	► Nursing Homes, Social Housing and Tourism industries may suffer if the IIP was to be discontinued.

			► Unanticipated changes in guidelines during the course of application processes have created challenges and delays, and previous changes to the substance of the guidelines have created uncertainties that may deter applicants. ► Uncertain and lengthy processing times and challenges in engaging with ISD have created difficulties with securing new investment, and in some cases have caused investors to divert investment to other jurisdictions where the respective authorities are more responsive. ► The Apostille process was communicated as having a two-day turnaround time, but in practice can take up to six weeks and therefore creates further delays in processing times.
Investment Funds	3	1	► One fund has taken a strategic decision not to focus on the Chinese market due to the market practice of agents/intermediaries charging high commissions. ► Regulated funds are required to conduct significant due diligence and AML checks on all of their investors, from any jurisdiction. ► Extended delay in approvals being received from ISD have bene challenged, and this lack of certainty on approval timeframes is a barrier to the growth of the programme. ► Difficulty in being able to engage with ISD undermines the reputation and attractiveness of the IIP.
Non-Industry Stakeholders	2	0	No responses received

Consideration of the governance, risk and control matters was undertaken at the time of our Phase One review (report finalised in April 2020). However, we subsequently held further discussions with management during June 2020 in order to understand the extent of any developments that had taken place in the interim period.

Observations and recommendations arising from our review of governance, risk and control matters are set out in Section 2 of this report.

In light of recent events, it was also agreed that the scope of Phase Two of the review would be widened to include the following:

- Reflections on the extent to which COVID-19 might impact the IIP in both the short and long term.

This work includes updated high-level commentary on the recommendations made in our Phase One report, to take account of the potential impacts of Covid-19 on the IIP. This is set out in Section 3 of this report.

2. Governance Matters

This section sets out findings arising from our review of the governance, risk and control matters in relation to the operation of the IIP. During the course of our review, we considered a number of key matters in relation to the overall governance of the Programme and the processes for managing key risks, including:

- Staffing and allocation of resources for the administration of the IIP;
- Governance arrangements, including composition and operation of the Evaluation Committee;
- Identification and management of risk;
- Application process, including due diligence and anti-money laundering checks; and
- Ongoing monitoring of investors, investments and associated projects.

2.1 Summary of Observations

We have made eleven observations, which have been grouped into four distinct categories as outlined in the table below:

Category	Summary of Observations	Report Section
Governance and Management of the IIP	► Staffing / Operational Governance ► Role and Composition of the Evaluation Committee ► Risk Management Framework ► Data Management and Analysis ► Processing Times and Communication with Stakeholders	**2.2**
Managing Risk of Financial Crime	► Due Diligence Checks ► Anti-Money Laundering, Counter Terrorism Financing and Sanction List Procedures	**2.3**
Management of Specific Investment Options	► Investment Fund Option ► Endowment Option	**2.4**
Ongoing Monitoring of Investors and Projects	► Monitoring of Investors ► Monitoring of Investments	**2.5**

Our initial observations were made following work performed during Phase One of the review. We have also included recommendations in relation to each observation, which are intended as suggestions for enhancing the governance and control frameworks supporting the management and administration of the IIP. Our detailed observations and associated recommendations are set out in the following sections.

2.2 Governance and Management of the IIP

A robust governance structure is imperative to the effective management of risk associated with the IIP, and to ensure the efficient and effective management and administration of the Programme. The table below sets out our observations arising from our review of the current governance and management arrangements:

Key Risks and Observations as at April 2020	Recommendations as at April 2020	IIP Management Update as at November 2020
1. Staffing / Operational Governance		
► Resources allocated to the administration of the IIP have been historically limited. Management consider this to have been a key driver behind legacy control deficiencies, particularly since 2015 when applications to the IIP increased significantly. At the time of our initial review, the ISD IIP team consisted of four Clerical Officers (CO), two Executive Officers (EO) and one Higher Executive Officer (HEO), overseen by an Assistant Principal (AP). ► There are no formal arrangements for training IIP staff. ► Other than routine reporting to the Evaluation Committee, there are no formal reporting or escalation mechanism in place. We understand that the IIP team have considered establishing monthly management meetings which would act as a forum for discussion of key matters such as new project applications, projects nearing full investment capacity, and key risks. However, at the time of our fieldwork, these meetings have not yet taken place.	► The staffing model for management and administration of the IIP should be reviewed as part of the wider review of the strategic purpose of the Programme (as recommended in the Phase One report). This should include consideration of the resources required to effectively manage the risks associated with the IIP, whilst ensuring that the Programme is managed in an efficient manner so as not to discourage take-up from investors through lengthy processing times. ► Management should keep the IIP team resourcing under ongoing review to ensure that resource allocation is adequate to manage Programme administration and risk management on an ongoing basis. ► Management should also develop a formal training protocol, to ensure that both new and existing members of the IIP team are equipped with adequate technical knowledge to fulfil their roles. Furthermore, formal reporting and escalation protocols should be established to ensure that relevant Divisional and Departmental	The IIP team has now been restructured into three distinct functions: ► **Processing and Reporting:** Assessment of new applications and liaison with relevant line Departments where required. This includes pre-application engagement with Project Sponsors to encourage more consistency and quality of applications received, and engagement with other programme stakeholders. This unit also oversees STEP applications. ► **Communications and Governance:** Programme governance including supporting Committee meetings and third parties and drafting the Code of Conduct. In addition, monitoring of email inboxes, Freedom of Information requests, Parliamentary Questions, press queries and leaders' topical debates ► **Compliance and Renewals:** Administration of Renewals and ongoing Compliance with the terms of the immigration approval (applicant and project), from year 2 onwards. The "lengthy processing times" are an outworking of (1) volume of applications; (2) complexity of the business proposals; and (3) staffing. Where the business model is family,ar to the IIP unit and Evaluation Committee (EC) the timeline is generally under nine months. The unit currently has a full-time

	personnel are kept informed of key matters in an appropriate and timely manner.	staffing of 1.5 HEOs, 3 EOs and 5 COs with management oversight at APO and PO level. Over the past 18 months, the volume of applications has increased and encompasses greater diversity. In addition, the enhanced control environment has resulted in significant additional workload, including enhanced due diligence, cross checking with other information sources, engagement with relevant line Departments and pre-submission meetings with project sponsors. Management consider training to be of key importance. [redacted] have provided some training on the relevant areas with further training to follow. Other training options are also being examined. The staffing numbers and profile will need to be reassessed, in light of the EY report and the additional work that arises.
2. Role and Composition of the Evaluation Committee		
► The current composition of the Evaluation Committee is not fully representative of all relevant Government organisations and industries relevant to the IIP. Furthermore, the effectiveness of the Committee would be enhanced through the appointment of members with relevant expertise in the sectors to which investment is routinely being made. This would allow for more robust challenge of key areas such as the overall feasibility of the project and the costing models set out in the submitted Business Plans. ► The remit of the Evaluation Committee has been largely restricted to assessment of applications, as opposed to a wider consideration of Programme governance and administration.	► Management should consider the current composition of the Evaluation Committee with a view to identifying areas where greater expertise may be required. This may include those sectors to which investment is frequently made, economic matters and financial management and risk. In addition, the benefit of appointing independent members to the Committee should be explored. ► Whilst there may be challenges associated with identifying and appointing appropriate new members to the Committee, management may wish to consider an alternative means of harnessing expertise from other relevant	The current composition of the EC is in line with the Government decision to establish the IIP. That said, the EC receives project specific briefing from a range of Departments, in particular Department of Housing, Planning and Local Government and the HSE. The information received is invaluable to the EC. The raison d'etre of the EC is the evaluation of business proposals and ensuring alignment with overall policy; the composition of the Committee is reflective as to that core responsibility. In light of a previous Internal Audit report, the Committee has taken on additional responsibilities, pending the finalisation of the EY review. Both the Internal Audit and the EY review have placed an emphasis on addressing Governance matters and in particular the oversight of the programme.

► The role and responsibilities of the Committee have not been documented in a formal Terms of Reference, nor have key protocols for matters such as meeting quorum or voting been established. ► Whilst conflicts of interest are a standing agenda item at meetings of the Evaluation Committee and are recorded in minutes should they arise, Evaluation Committee members are not required to submit formal declarations of conflicts of interest (such as on an annual basis), and there is no process in place to facilitate ongoing monitoring of actual or perceived conflicts. ► Induction training is not provided to new Committee members, and there are no arrangements in place for provision of ongoing training or knowledge sharing for existing members.	organisations, including Regulators, such as establishing a network of advisory partners, either on a formal or informal basis. ► The ongoing role of the Evaluation Committee should also be reviewed, within the context of Programme governance, in order to enhance the current level of oversight. ► Upon completion of the above, the draft Terms of Reference should be updated as required, formally approved and implemented. The Terms of Reference should set out the role and responsibilities of the Committee, details of meeting frequency and protocols such as meeting quorum, voting arrangements, and administrative matters such as the process for recording key areas of discussion and decisions taking during meetings. ► A formal process for declaration of conflicts of interest should also be established, which may include submission of annual declarations by Committee members and a procedure for ongoing tracking and monitoring of conflicts. A secretariat function may be of benefit in this regard. Management should also assess the need for both induction and ongoing training for Committee members. This may include knowledge-sharing around technical aspects of the Programme, such as changes in process or relevant policy matters.	Each Department or Agency appoints the EC members due to their expertise in the given area. Considerable work has been undertaken with regards to strengthening the Governance structure – updating the terms of reference, Code of Conduct etc. All of which will be further reviewed in light of the recommendations within this report. In addition, the Phase One report identified the need to set out more clearly the strategic role of the IIP. The EC met twice during late Q4 2019 and early Q1 2020 to specifically consider a suite of proposals relating to governance and management of the IIP. The EC approved a number of these proposals and work is underway to progress same. Additionally, during H1 2020, the EC approved a number of additional proposals on a pilot basis. If the proposed changes are broadly aligned with the Phase 2 recommendations and the pilot proves successful, these will be presented to the Department's Management Board and the Minister for consideration.

3. **Risk Management Framework**		
There is an absence of formal or structured processes in place to manage risk associated with the IIP. Whilst an ISD-wide Risk Register is in operation, it does not contain any IIP-specific risks. There is currently no risk management strategy or framework, or defined risk appetite in relation to the IIP. Whilst an organisation-wide Risk Management Framework is commonplace, the level of inherent risk associated with the IIP and the unique nature of many of the key risk areas necessitate a more targeted risk management approach.	► A documented risk management framework should be developed, to facilitate a structured process for the identification and ongoing management of risks associated with the IIP. This should include: ► Definition of Risk Appetite levels for key categories of risk ► Development of an IIP-specific Risk Register to capture the risks, mitigating controls and actions ► Assigning responsibility for maintaining the Risk Register ► Design of operating processes in relation to the ongoing consideration and reporting of risks ► Setting protocols for escalation of risks.	A risk management framework will be developed taking the recommendations of this report into account. Risk management has been a key focus, with an emphasis on de-risking the IIP, by ensuring that the key risk themes including reputational, financial and operational risks are addressed. Examples of the work undertaken to date include; 1. Addressing the need for enhanced internal controls to prevent internal fraud, a key reputational risk encountered by a number of EU Member States schemes. Accordingly, a considerable focus has been placed on the dedicated Compliance and Renewals team, ensuring better segregation within the unit. 2. Transforming the business control environment within which the IIP operates, with an array of new controls introduced, including: ► Mandatory provision of Due Diligence reports from applicants and third part suppliers of same; ► A focus on AML, CTF, sanctions lists, and PEPs; and ► Mandatory sharing of Investors details under the OECD's Common report standard. 3. Proactive engagement with other arms of the state has been prioritised including: [redacted] All of the above are important sources of information as part of the continuous assessment of the risk environment.

4. Data Management and Analysis		
► There are continued concerns around the accuracy of some of the information held within the AISIP system in respect of legacy applications and projects. We understand that efforts have been made to 'clean up' the data held in relation to both investors and projects, including inputting details of investors' family members which had previously been omitted. ► There is an inherent risk associated with manual input, which may lead to inaccurate tracking of project investments. There is a need for improved system capabilities in AISIP to mitigate this risk. Limitations in the system create a need for tracking of certain project-related information in Excel.	Management should re-assess if AISIP is fit for purpose within the context of the IIP. In order to effectively manage applications and facilitate ongoing monitoring, a robust data collection / case management system is required. Implementation of an appropriate system would allow for streamlining of Programme administration through automated tasks and reduced manual processes. Consideration of system needs will require a cost benefit analysis and may benefit from benchmarking with other jurisdictions to establish the options available.	A new ICT strategy has been developed for the Department of which Immigration Service Delivery constitutes a significant part. From discussions with a number of countries, the uniqueness of the IIP is evident. In the bulk of EU member states, the primary investment asset is residential property which is a relatively simple transaction. The IIP excludes the purchase of residential properties (except by an Approved Housing Board). The IIP allows investments in a variety of asset classes, there is no single homogeneous class, and this brings additional complexity and administrative challenges. Over the past 18 months, considerable progress has been made regarding data capture. During 2019, a project was undertaken to address AISIP data gaps, such that ASIP is the primary reporting tool. Hard copy files are stored in a secured location with controlled access. Following the completion of the data gap project, a number of in-depth reconciliations were undertaken with the larger project sponsors. New applications are only progressed when the IIP unit was satisfied with the outcome of these reconciliations, this has incentivised project sponsor into compliance. As of Q3 2020, the bulk of large project sponsors accounts are reconciled. A similar approach regarding funds is about to commence. The establishment of the Compliance and Renewals Unit has supported a systematic approach to addressing renewals. The opportunity of the applicant review affords a timely opportunity to address data gaps as applicants come due for renewals.

5. Processing Times and Communication with Stakeholders		
During the course of our review, a number of stakeholders from the Project Owner and Investment Fund groups expressed concerns around significant delays in the IIP application review and approval process. In addition, stakeholders indicated a lack of transparency in the process, particularly in relation to communications around process delays. We understand that delays may also have been created by issues with the quality of applications being submitted and complexities in the nature of the information being considered, as well as by other external forces. Some stakeholders suggested that they had sometimes experienced difficulties with getting a timely response to queries raised with ISD in relation to the programme. The lack of certainty on approval timeframes and deficiencies in communications may represent a barrier to the growth of the Programme and may undermine the reputation and attractiveness of the IIP in comparison to similar schemes in other jurisdictions.	Management should review the current processing times and put in place a process for communicating these to key stakeholders, such as applicants, project owners and investment recipients, in a transparent manner. There is a need to improve the level of efficiency in the process (without compromising the internal control framework and management of programme risks), and this may be brought about by actions suggested in other recommendations within this report, including: ► Ensuring adequate resourcing for the IIP team ► Considering a more effective system solution for administering and managing the process.	As previously noted, some EU member states offer a single investment channel e.g. residential purchase. In such instances, quicker turnaround is likely to be a feature of the programme. As the IIP supports a wider array of asset classes, it can take additional time to understand the entirety of the project, which often involves engagement with the sponsor seeking clarification of aspects of the particular project and additional information. To assist sponsors during 2019 the IIP unit began offering prospective project sponsors an opportunity to discuss with members of the IIP Unit their proposals prior to submission. During the COVID-19 period, such pre-submissions have taken place on-line. The provision of pre-submission meetings has been well received. Processing times are a function of (1) volume of applications; (2) complexity of the business proposals; and (3) staffing. Where the business model is familiar to the IIP Unit and EC the timelines are generally under nine months and this compares favourably with other states' processing times. The IIP is demand-led, and resource allocation remains under regular review.

2.3 Managing Risk of Financial Crime

We understand that ISD have experienced some challenges in establishing appropriate controls to mitigate the risk of financial crime, partly due to the technically complex nature of the risk and barriers to information created by investors and funds originating in other jurisdictions. Our observations relate to the current processes in relation to due diligence and Anti-Money Laundering checks:

Key Risks and Observations as at April 2020	Recommendations as at April 2020	IIP Management Update as at September 2020
6. Due Diligence Checks		
For applications received from 2019 onwards, applicants are required to provide a due diligence report from a *"reputable international risk management and security screening organisation"*. These are typically provided by professional services organisations, including [redacted]. We understand that concerns have been expressed to ISD in relation to the assurance that the professional services firms are being asked to provide. Furthermore, the reports vary considerably in terms of content and level of detail, primarily because firms offer different tiers of checks and the IIP guidance does not provide any specific requirements. We also note that there is no formal protocol in place to set out the appropriate action required in the event of adverse results being identified in the due diligence reports.	Management should progress the review of the due diligence check process with a view to establishing a suitable way forward. This should include an assessment of how to best manage risks associated with financial crime and national security whilst ensuring that checks are carried out in an independent manner. Consideration of whether or not to bring the function in-house should include an assessment of the expertise and resource required, to ensure that the IIP team possess the required capability and capacity to carry out the required checks. The IIP guidance should also be updated to include more prescriptive guidance around the required due diligence report outputs and the source of the information provided to facilitate the checks. An internal protocol should also be developed to set out the process to be followed in the event of an adverse result being discovered, including definition of what constitutes an adverse result.	The IIP team have recently liaised with professional services firms to better understand their current due diligence offerings, particularly in relation to the specific tiers of reporting. The outputs from this exercise will be reviewed and a decision taken around appropriate next steps. A key concern is that due diligence providers may come under pressure to provide favourable reports and initial analysis has indicated that there is cost-cutting in the marketplace. There are a number of options available to the IIP unit, including moving the payment of this service to the Department and incorporating the fees involved into the administration fee levied on applicants. This would remove the direct relationship between the applicant as funder of the service and the service providers. Management have reviewed the contents of the UK's Intelligence and Security report that issued in late July and the finding that a "more robust approach to the approval process of such Visas". Furthermore, it noted a number of Member states have brought the management of Due Diligence relationship process in-house. This is under active review.

7. Anti-Money Laundering, Counter Terrorism Financing and Sanction List Procedures		
We understand that ISD currently place reliance upon the Anti-Money Laundering (AML) procedures performed by organisations who receive the funds, such as solicitors or wealth managers. In some cases, the applicants open Irish bank accounts in order to deposit the funds, in which case it is expected that the banks would have carried out their own AML procedures. If the original source of funds is [redacted] ISD place a degree of reliance upon checks carried out at source due to recent enhancements to anti-money laundering and counter-terrorist financing requirements for non-financial institutions in [redacted] Regardless of the source of assurance, no tangible evidence of the procedures having been carried out are sought or received by ISD, and they have no assurance that Irish banks are not placing reliance upon procedures that may or may not have been performed in the country of origin. Furthermore, no protocol has been established for reviewing and escalating instances where adverse results are identified.	Management should consider the assurance being obtained from the current process and assess whether or not this provides adequate controls around the risk of money laundering. Consideration may be given to setting a requirement for funds to be deposited into a financial institution that is regulated by the Central Bank of Ireland to allow for more assurance over AML checks. This approach would require some liaison with the Central Bank to understand their approach to AML checks in relation to deposits that originate in other jurisdictions.	The Minister and the Department takes AML and CTF very seriously and is constantly seeking ways to improve processes in this area. The Criminal Justice (Money Laundering & Terrorist Financing) (Amendment) Act 2018 transposed the Fourth Anti-Money Laundering Directive and included a Schedule of factors which suggest when a customer might be potentially high risk. The general scheme adds a further risk factor to that schedule as follows: *“(h) customer is a third country national who applies for residence rights or citizenship in the State in exchange of capital transfers, purchase of property or government bonds, or investment in corporate entities in the State.”* The provision of AML and CTF for non-EEA nationals is challenging, and the use of external expertise is considered a valuable addition. As noted earlier, the current structure of the Due Diligence relationship is under active review. The IIP team have now developed a relationship with the An Garda Síochána [redacted]. In addition, IIP management engages with the [redacted] and comprises various regulated entities. A number of proposals to strengthen the AML processes are under active consideration. Finally, the Central Bank of Ireland updated their guidelines regarding AML in September 2019, a link to same is on the IIP home page.

2.5 Management of Specific Investment Options

Whilst we considered the operating procedures and controls in place to support all of the IIP investment options, and a number of our recommendations are relevant to all of the investment options, the observations contained within this section relate specifically to the Investment Fund and Endowment options:

Key Risks and Observations as at April 2020	Recommendations as at April 2020	IIP Management Update as at September 2020
8. Investment Fund Option		
Specific guidance for applicants to Investment Funds is available on the ISD website, but many aspects of the guidelines have not been enforced in practice. For example, the guidance states that "funds will not be pre-cleared as investment under the IIP and there is no process for funds to apply to the Evaluation Committee in isolation from actual applicants by investors." However, in practice, funds have previously been pre-cleared in recognition of the significant cost and administrative burden of setting up a fund, most of which were established solely for the purpose of obtaining funding through the IIP. In some instances, there is a significant time lag between the approval of the Fund through the IIP and the Fund reaching its target subscription amount to allow it to commence the activities that it had proposed in its application. The continued validity of the original application and its alignment with the objectives of the IIP are not reassessed irrespective of how much time has passed. In addition, applications to the Investment Fund option must be accompanied by a Prospectus rather than a business plan. A Prospectus should set out the objectives and strategies of the Fund, and we would expect that the objectives of a Fund affiliated with the IIP should align with the overall objectives and spirit of the programme. However, the Guidance for Applicants is not prescriptive in this area, stating only	Management should review the process for submission of Investment Fund applications to the Evaluation Committee in instances where the fund is not fully subscribed. This may include establishing an acceptable timeframe for subscription, after which reapplication is required. Management should also progress the review and update of the IIP guidance documents to ensure that application requirements are clearly articulated, and that the guidance is fit for purpose and reflective of the current approach. In respect of guidelines for the required content of the Prospectus and the requirement to demonstrate that the proposed investment aligns with the IIP objectives, this should be developed once the strategic direction and objectives of the IIP have been established.	Redrafting of the current IIP guidance has been progressed during H1 2020. Now that the EY phase two report has concluded, it's envisaged that these will issue over the coming period. After the Enterprise and Endowment options, Funds are the third most popular investment vehicle and this option has seen an increase during 2020. Funds are regulated by the Central Bank of Ireland. The prospectus is a legal document and carries with it certain legal obligations, which are set out in /prospectus-regulation. This provides an additional layer of oversight. As outlined earlier, reconciliation of funds is about to commence. In addition, a Code of Conduct has been drafted to supplement the IIP guidelines, which sets out standards of expected behaviour and will apply to all stakeholders.

that funds "must be invested in a manner consistent with the programme objectives."		
9. Endowment Option		
A discounting arrangement applies to the Endowment Option. In instances where a group of five or more investors wish to combine their philanthropic endowments in a syndicate arrangement to contribute to an appropriate project, a minimum investment of €400,000 per investor will qualify under the Programme as opposed to the €500,000 required from a sole investor. We understand that business plans do not always specify that the endowment will be made via a syndicate arrangement. However, where this has been disclosed, those applicants who have been approved will avail of the €100k discount whether or not all of the remaining investors materialise and are approved. This means that some investors technically do not meet the criteria for the scheme (due to the reduced investment) but are still granted immigration permission. There is currently no process in place to allow for the €100k shortfall to be recovered in these instances. At the point of renewal, there is no requirement for the investor to provide proof of continued investment because once the endowment has been made, there is no ongoing commercial relationship. It would be possible for ISD to approach the beneficiary to obtain information around how the endowment was spent, but this is not done routinely.	Management should either progress removal of the discounting option or implement a process whereby syndicate applications are subject to final approval only when all investors have been approved. Management should also consider developing checks to be undertaken at the point of first renewal, to ensure that the investment is still in place. This may take the form of confirmation from the beneficiary and ISD may wish to liaise with the Charities Regulator in development of this process.	Redrafting of the current IIP guidelines has been progressed during 2020. Now that the EY phase two report has concluded, it is envisaged that these will issue over the coming period. Enterprise and Endowment options are the preferred option for Investors. The proposal will address the discount (for endowments) and renewal processes. The IIP unit has engaged with both the Revenue Commissioners and the Charites Regulator to better understand the sector, and more recently the Social Enterprise Unit of the Department of Rural and Community Development. In addition, a Code of Conduct has been drafted to supplement the guidance, which sets out standards of expected behaviour and will apply to all stakeholders.

2.6 Ongoing Monitoring of Investors and Investments

The observations in this section relate to the procedures currently in place to facilitate ongoing monitoring of both investments (in the form of projects) and individual investors. These are currently driven primarily by checks undertaken at the renewal stage of the individuals' residency permission, which occurs two years following the initial registration:

Key Risks and Observations as at April 2020	Recommendations as at April 2020	IIP Management Update as at September 2020
10. Monitoring of Investors		
At the point of renewal, investors are required to provide confirmation of good character. However, ISD have access to a very limited amount of information unless the investor has taken up residency in Ireland. There is currently no robust process in place for verifying evidence of good character. ISD cannot establish data on how many investors have taken up residency in Ireland without manually checking each individual on the Garda National Immigration Bureau (GNIB) system. The team are currently working through all pre-2019 applications to capture this information, in order to produce data on the amount of investment actually received. For applications from 2019 onwards, residency information is captured at the point of renewal. [redacted] The lack of appropriate and meaningful data has an impact in a number of respects and may present reputational and financial risks, as well as inhibiting assessment of the economic benefit of the investment.	Management should consider enhancing the disclosures required from investors in relation to residency, to include provision of evidence to support this. This may include details of any family members who have taken up residency, their employment status and whether or not they have availed of any benefits such as state education.	During Q1 2020, a dedicated team within the IIP Unit has been established to manage the Compliance and Renewals process. The remit extends to ensuring that the residence position of investors are reviewed. Reconciliations of the largest Project Sponsors has been completed and work is ongoing with mid- tier project sponsors. The IIP team is currently reviewing the confirmation requested from investors at the point of renewal, with a view to requesting disclosure of whether or not the investor has taken up residency in Ireland. One of the many changes introduced is a pre-approval process which means that the immigration permission will not issue until the investment has been received, and that the investment must take place within 90 days of provisional approval. This period can be extended where there are valid reasons to do so.

11. Monitoring of Investments		
At pre-approval stage, applicants are required to provide evidence that the investment has been deposited. However, there is currently no control in place to confirm that funds are not subsequently withdrawn until the point of renewal in year 2. Furthermore, there is currently no requirement for applicants or agents to provide evidence of what the investment is being used for. For example, many Enterprise Investments relate to social housing and there is currently no robust process for tracking the progress of the development on an ongoing basis. In addition, business plans appear to place reliance upon expressions of interest from County Councils who are willing to lease the developments at a later date. However, expressions of interest do not constitute legally binding agreements and there are no controls in place that prevent the project owners from selling the houses on as private housing. Ongoing monitoring of investments is inadequate due to the absence of a centralised systems. Investment in a new system would enable more accurate data capture, processing and reporting.	Management should carry out a full assessment of the checks in place to provide control over use of investments, including those checks that have been more recently implemented, and identify areas for further development. This exercise should be performed against the different investment options and typical types of investment within the Enterprise Investment option (such as social housing and nursing homes). Upon completion of this assessment management should carry out the following actions: Further refine the requirements in relation to provision of information by investors or project sponsors on an ongoing basis, to demonstrate continued investment and the use of the investment. This should be clearly articulated in IIP guidance. Establish a formal system of checks to be performed by the IIP team on an ongoing basis, both at renewal points and more frequently where required. These checks should be formally documented in an internal desktop procedure. As noted in Section 2.2, ISD should also consider a more effective system solution for administering and managing the process.	The concept of circular funds is an issue the Management is very conscious of. While not an issue with Funds and REIT Investments, updated guidelines that will issue over the coming period will put in place procedures aimed to reduce the possibility of same – however, as with all fraud, strong deterrents are key. This is one of the key tasks assigned to the newly established Compliance and Renewals team. One of the many changes introduced is that the immigration permission will not issue until the investments has been received, and that the investment must take place within 90 days of provisional approval. This has resulted in investments taking place quicker than heretofore. The Compliance and Renewals team remit extends to ensuring that investments have taken place in accordance with the terms of the grant. Project updates are also requested by the Processing team in the event of additional applications being submitted by Project Sponsors. Progress has been made in relation to tracking use of investments, including: ► Reconciliations of the largest project sponsors has been completed and work is ongoing with mid- tier project sponsors. ► ISD now have access to The Property Registration Authority, which enables visibility of property ownership etc. ► [redacted] for checking of company information, including listings of Directors and details of any adverse activity. ► For projects that relate to nursing homes, information such as registration with the Health Information and Quality Authority and the

		Companies Registration Office can be used to verify whether the business is operational. The IIP unit will liaise with the AISIP ICT team to identify opportunities for enhancing the capability of the system.

3. Update to EY's Economic Impact Assessment of the Immigrant Investor Programme in light of the COVID-19 Pandemic

3.1 Economic Impact of COVID-19

The economic impact of COVID-19 is unprecedented and could be felt until 2025 at least, with some specific sectors and regions more impacted than others. The economic impact of COVID-19 has been swift-acting, sizeable in magnitude and uncertain in its recovery trajectory. Sentiment research conducted by EY reveals that 73 percent of businesses expect the global economy to be severely negatively impacted[1] and as a relatively small and opened economy, Ireland will be hit hard by this. IBEC forecast a 13.8 percent reduction in consumer spending, a 39.1 percent reduction in investment and a 11.1 percent fall in GDP in Ireland in 2020. Although some growth is seen in 2021, these indicators are still set to be significantly lower than their pre-COVID-19 levels in 2019[2].

COVID-19 also impacted the global economy at a time when other headwinds were emerging, such as trade wars, geopolitical uncertainty and Brexit. In many ways, COVID-19 has accelerated, rather than created, emerging trends and behaviors. This is particularly true of the protectionist and anti-globalisation sentiment which has prevailed. Other economic trends, such as digitalisation and remote working, have also been accelerated.

We are currently living through the sharpest compression of economic activity in living memory. Whilst many of the collapsing economic figures... are the result of necessary public health decisions, their impacts on incomes and balance sheets are no less real.
- Gerard Brady, IBEC Chief Economist

Before COVID-19, globalisation was being challenged by trade wars, the regionalisation of trade agendas and consumer preferences to 'buy local' to reduce their environmental footprint and support local communities. This has been reinforced by COVID-19.
- EY, European Attractiveness Survey, 2020

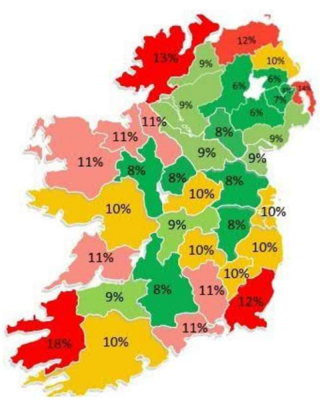
3.1.1 Impact of COVID-19 on Specific Sectors and Regions

COVID-19 has disproportionately affected certain sectors such as construction and tourism. These sectors are important for Irish economic growth and employment and face an extended road to recovery, compared with sectors that were well replaced to adapt, such as ICT and Life Sciences. They are also sectors which have benefitted from IIP funds historically; as such, directing additional IIP funds towards them may aid their recovery going forward.

[1] EY, *'How can Europe reset the investment agenda now to rebuild its future? EY Attractiveness Survey, Europe'* May 2020
[2] IBEC, *'Q2 2020 Quarterly Economic Outlook: A long road ahead'* June 2020
2021 levels vs 2019 levels (IBEC): consumer spending (-6.7%), investment (-17%), GDP (-5.4%)

Tourism and Leisure

The World Tourism Organisation estimates that global tourism activity could fall by between 60 and 80 percent in 2020, with around 120 million direct tourism jobs at risk. The International Air Transport Association also forecast a lengthy recovery for the tourism and hospitality sectors, stating that global air travel will not recover to its pre-COVID-19 (2019) levels until 2023 at the earliest.[3] Rural Ireland would be particularly affected by the impact of COVID-19 on the Tourism and leisure sector. For example, 18 percent of the jobs in County Kerry are dependent upon on this sector.

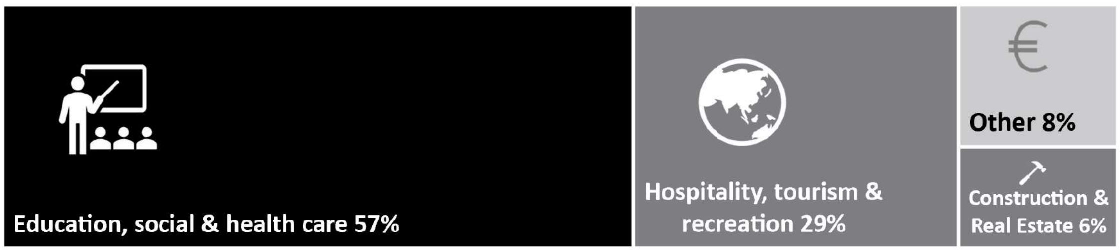


[3] IATA/Tourism Economics, *Air Passenger Forecasts*, April 2020

Construction

Irish construction is an employment-intensive sector which has shown buoyant growth in recent years, expanding by 12.1 percent in 2018.[4] Euroconstruct forecast that Irish construction output will decline by 37.7 percent in 2020, compared with an average decline in Europe of 11.5 percent. This reflects the extended closure of construction sites in Ireland, lasting for almost two months.

The IIP has a role to play in cushioning against the economic disruption caused by both Brexit and COVID-19, by directing funds towards the sectors and regions most in need. This could build on an already strong basis in this regard, as IIP investors have largely directed their investments towards socially beneficial sectors since monitoring began in 2012. Between 2012 and 2020, the two dominant sectors, comprising 86 percent of investment, were Education, Social and Healthcare, and Hospitality, Tourism and Recreation, as set out in the figure below:



Source: EY Analysis using ISD data, received July 2020

This could be tracked and monitored in light of the economic impact of COVID-19, so that policymakers could direct funds towards sectors and locations most affected.

3.2 FDI in Ireland Pre-COVID-19

Prior to the COVID-19 Pandemic, Ireland was an attractive place for FDI. FDI forms an important part of Ireland's economic landscape and will continue to do so, but COVID-19 and the economic turbulence it has heralded will inevitably weigh on the value and volume of FDI projects being realised this year (and for the coming years). It will also affect the type and direction of projects being purported.

From an FDI standpoint, Ireland entered the COVID-19 crisis in a strong position when compared with its European benchmarks. It is an established hub for high-tech software firms and services represent a disproportionately high proportion of the economy. The number of FDI projects in Ireland decreased slightly in 2019, recording a 7 percent decline year-on-year, which can be explained by the very strong levels of investment witnessed in the previous year. Sentiment research conducted by EY of companies who had expressed intention of undertaking FDI projects in 2020 anticipates a much higher level of realisation in

[4] Euroconstruct, '*89th Euroconstruct Summary Report*', June 2020

Ireland than across the rest of Europe (80 percent versus 65 percent, respectively).[5] While the decline may be less severe than in other nations, 20 percent is still a noteworthy reduction and could lead to a significant employment and output impact.

As discussed in our initial economic analysis of the IIP, the composition of the Programme is not directly comparable with general wider-scale FDI projects in Ireland. However, comparisons can nonetheless be drawn. The IIP is disproportionately dependent on demand from Chinese investors, who represented 97 percent of permits granted in 2018. General FDI has a much more varied demographic but is still vulnerable by way of its dependence on certain markets. For example, 40 percent of Ireland's private sector depends on US companies.[6] This dependence on international capital, rather than nearshore/European capital, makes Ireland somewhat more vulnerable to growing protectionism. This is reflected in the vulnerability of the IIP, as residency permits are only sought by non-EU investors. Compounding this is the universal nature of the pandemic-related economic fallout: emerging economies are not immune, as recessions will be witnessed in both developed economies and emerging markets for the first time since the Great Depression.

3.2.1 IIP Economic Impact Assessment at July 2020

Our previous assessment of the potential economic impact of funds invested through the IIP between 2012 and 2018 suggested that €331 million of investments had been made. Updated inputs from ISD, covering the period 2012-2020, shows a marked increase in potential investment made, now totalling €593 million (an additional €262 million in the latter two years). The potential economic impact of the scheme across the 2012-2020 period falls into the following range**,** on the basis of the results of the initial economic impact assessment conducted, and the multiplier given by updated figures:

- **Gross Value-Added impact:** €223 - €400 million
- **Exchequer revenue:** €61 - €109 million
- **FTE (full time employment):** 3,377 - 6,052

However, these figures are only estimates based on the potential impact generated by the IIP. There are currently no tracking mechanisms to facilitate verification of what has been spent or realised from tangible projects, such as through key performance indicators like environmental, social, and economic data to facilitate assessment of the economic impact of the IIP.

3.3 Global FDI Post-COVID-19

Post-COVID-19, the global competition to attract FDI will be reinforced and could accelerate anti-globalisation sentiment. The United Nations forecast that global FDI will decline between 29.9 and 40.3 percent in 2020,[7] but the desire of economies and firms around the world for capital to fund recovery will increase the demand and utility of FDI. Therefore, there will be fierce competition for the limited funds available. Ireland could leverage the IIP to put itself in a strong position to attract these funds. Supply of FDI in the wake of COVID-19 will decrease for three key reasons:

- **Economies and firms are in survival – rather than growth - mode**

[5] EY Flash Survey May 2020 (total respondents: 113)
[6] EY, *'How can Europe reset the investment agenda now to rebuild its future? EY Attractiveness Survey, Europe'* May 2020
[7] Les Echos, *'Avis de gros temps sur l'investissement international'*, June 2020

As economies contract and firms struggle to cope with the fallout, their resources will be centred on surviving in the first instance and protecting staff and assets in the second. Irish unemployment currently stands at 28 percent as at June 2020, and those with jobs may struggle to retain them.[8] Businesses and policymakers alike will be focussing predominantly on the domestic market at least in the short-term and when emerging from the crisis.

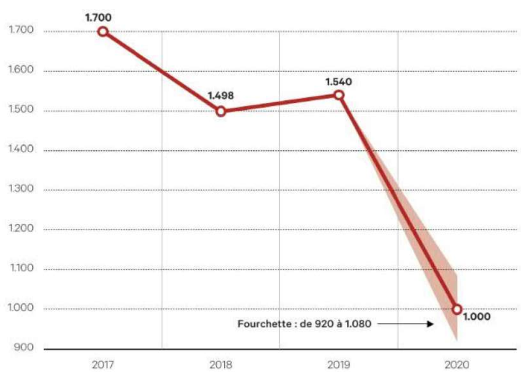
► **There is a growing focus on localising and/or diversifying supply chains**

COVID-19 has exposed the global dependence on China, whose share of world exports increased from four to 14 percent since the early 2000s.[9] Firms with localised or near-shore supply chains have proved much more resilient during this crisis. Moving forward, companies will no longer solely prioritise profit margins, but rather a balance between value, resiliency and security of supply. This presents both challenges for Irish companies (83 percent of firms surveyed are focussing on low-cost markets near Europe) and opportunities (37 percent of companies are seeking to increase their manufacturing base in Europe). On-shoring of production, with local continental bases (e.g. a European centre for supplying the European market) may be seen as the new best practice.

Market research surveys by UBS forecast that up to 30 percent (or $750 billion) of China's exports could be relocated due to this changing sentiment. American firms are exercising particular scrutiny of their supply chains, with 82 percent of US firms surveyed stating that they were seeking to bring production home, with Canada (38 percent) a second option. [10]

► **There has been an acceleration of protectionist policies globally**

Capital controls implemented by the Bank of China was discussed in our Phase One report. The nation, being the centre of the COVID-19 outbreak and following recent clashes in Hong Kong, has been doubling down on these controls. Furthermore, the prevalence of capital controls may increase globally: in an era where all else has been subjected to restrictions of movement, capital may follow. The Financial Times foresees a greater probability of capital controls in emerging markets the longer the crisis ensues. The International Monetary Fund's new Integrated Policy Framework's flexibility allows for more tolerance of ad hoc exemptions to capital controls, whilst we may see restrictions on banks' abilities to sell dollars to international clients.[11]



Global Foreign Direct Investment, 2017-2020 ($ millions)
Source: CNUCED

Range:
$920m - $1.08 bn

[8] IBEC, *'Ibec Economic Outlook Q2 – A long road ahead'* June 2020
[9] Fox Business, *'Coronavirus speeds up American suppliers' exodus from China'* June 2020
[10] Fox Business, *'Coronavirus speeds up American suppliers' exodus from China'* June 2020
[11] Financial Times, *'Does coronavirus herald capital controls'*. March 2020

3.4 Update to Phase One Recommendations Made in April 2020

To maximise the socioeconomic benefits of the IIP, it will be more critical than ever to target the sectors and regions most heavily impacted by headwinds such as ongoing Brexit negotiations and COVID-19. The key priorities that should be taken into account to maximise the economic benefits of this program are:

- Tracking and monitoring the economic benefits of the programme;
- Marketing the IIP and the rights it confers to increase awareness and transparency;
- Diversifying the demand profile of the IIP to decrease its reliance on the Chinese market;
- Targetting funds towards the sectors and regions that could benefit the most;
- Collaborating with key stakeholders to set out a vision and direction for the programme; and
- Using the IIP to project Ireland's opening, welcoming image.

The following table sets out the observations and associated recommendations made in our Phase One report, and provides an updated analysis which reflects the recent developments in light of the COVID-19 pandemic. Two new opportunities have also been identified and included below:

Key Risks and Observations	Recommendations	EY Update in Light of COVID-19
There are a lack of mechanisms in place to effectively 'track' and monitor the economic benefits of IIP		
► A full assessment of the economic benefits generated by the programme is difficult because of the lack of tracking mechanisms in place to track how investments have been made within the economy. The above issue is closely linked to the lack of available and useful data to effectively inform or measure the economic benefit of IIP both within Ireland and in relation to the IIP's benefits to the Europe 2020 Strategy. ► We note that limited data is available on whether the IIP permit holders assume residency in Ireland or whether they bring dependents with them. Therefore, the costs	► Relevant key performance indicators, such as environmental, social, and economic data, should be identified and tracked more effectively in the future. Additional tracking mechanisms, such as spending analysis by sectors and regions, could further support the decisions of policymakers regarding the IIP. ► At a minimum, other key data points and information should be gathered and monitored in relation to the IIP permit holders, whether they assume physical residency in Ireland and/or	► Scrutiny of international funds, and in particular of European business and trade links with China, is increasing in the wake of COVID-19. Therefore, greater data availability and transparency will be critical in protecting the reputation of the IIP and providing stakeholders with strong evidence of its socioeconomic benefits.

Key Risks and Observations	Recommendations	EY Update in Light of COVID-19
to the state of the IIP may not be readily assessed. ► It was not possible to assess or conclude how all accrued income has been invested in Ireland to achieve an economic benefit for the economy.	whether their dependents assume residency. ► Improved reporting mechanisms should be put in place to analyse the type of applications and the type of projects financed to report on the efficiency of the ISD program to key stakeholders.	
Ireland should continue to appear a welcoming location for FDI and could foster better knowledge of the IIP to help achieve this		
► Risks will routinely accompany RBI Schemes such as the IIP, regardless of the macro-economic backdrop in which it operates. These include risks to Ireland Inc and to ISD. ► The reputational risk related to rescinding the RBI scheme is significant. Given that Ireland brands itself as an open economy, heavily reliant on international investment, any contradictory signal could damage this perception and long-term growth. This is especially relevant given the current backdrop of Brexit and the rise of protectionism. ► The relationships created with Chinese investors, which may not otherwise have arisen, is a key economic asset that could benefit not only the IIP but FDI as a whole.	► We recommend that consideration be given to the future approach to be taken in relation to the marketing and publicity of the Scheme. In particular, improved marketing of the actual rights conferred by the Scheme could aid progress towards the public being better informed. ► ISD should consider designing and implementing a robust risk management framework to support the IIP. This framework should seek to identify, assess and monitor the key risks affecting the delivery of the IIP, including broader reputational and stakeholder risks. The associated risk appetite levels should also be formally considered. ► A closer integration of the IIP with IDA Ireland International Attractiveness Strategy is needed to ensure its alignment and maximise its impact. A deeper involvement of IDA Ireland and economic stakeholders in the	► No specific updates to note

Key Risks and Observations	Recommendations	EY Update in Light of COVID-19
	governance and awareness of the IIP should be considered.	
The need to diversify: overreliance on Chinese applicants as the IIP's demand source		
► Demand for the IIP is dependent upon global economic conditions which effectively determines the availability of investor funds. However, this is particularly true of the Chinese economy, given the dominance of Chinese investors within the IIP. We consider that there is an urgent requirement to diversify the applicants to the IIP and to seek to attract, where possible, applicants from other suitable economies. ► China's economic performance is an important influence on the future uptake of the IIP, given that 97% of permits granted in 2018 were to Chinese applicants. ► The supply of funds to the IIP from China may decrease in the short-run, due to worsening domestic conditions such as rising inflation and weakening GDP growth, as well as the possibility of the tightening of capital controls.	► The Governance Model and key stakeholders supporting the IIP should be reassessed with further involvement from a range of government departments, such as the Department of Foreign Affairs and Trade and the Department of Business, Enterprise and Innovation. Ireland could also leverage the existence of the IIP to drive FDI, which is itself one of the main drivers of modern-day Irish economic growth. ► The Scheme should continue to leverage the current relationship with Chinese investors to drive Chinese FDI in Ireland. However, it should also seek to build relationships with other emerging economies, such as other Asian countries, to increase the benefits of the programme and, through diversification, mitigate economic risks related to a Chinese downturn.	► The dependence on, in the IIP's case the Chinese market, makes it very vulnerable to geopolitical developments, the performance of the Chinese economy and Chinese domestic policy such as capital controls. COVID-19 reinforces prior advice to diversify the demand base of the IIP and the benefits this could bring in terms of Ireland's international reputation and of the resilience of the IIP.
Potential impact of Brexit / Directing funds towards the most socioeconomically beneficial sectors		
► Dublin is the continued top choice for Brexit-related relocations of financial services firms from London. 30 percent of all business	► The potential for a sustainably-designed social housing investment fund to ease market conditions should be considered.	**Brexit is still a socioeconomic threat that the IIP could be used to mitigate.** ► Ireland is still facing a disproportionate negative economic impact from Brexit compared wth its

Key Risks and Observations	Recommendations	EY Update in Light of COVID-19
relocations from the UK are directed towards Dublin. ► As a result, there is increasing pressures on the existing infrastructure, particularly housing, from an already struggling base: rent-to-income ratios already exceed 40 percent in some Dublin locations. To date, only 30 percent of all IIP projects relate to construction with a focus on social housing. ► Brexit also presents headwinds to the Irish economy. A disorderly Brexit could mean economic consequences for Ireland. Brexit has been referred to as "a clear and present danger to domestic living standards", with levels of growth reduced to close to zero by 2020. ► On this basis, we consider there to be an under-utilisation of the IIP as a tool. We coonsider that it could be more effectively utilised as a basis upon which to relieve infrastructure pressures in Dublin and to better work towards balanced regional growth.	► The IIP could be used to better navigate any economic difficulties which may materialise in the wake of Brexit. A long-term strategy should be discussed with the relevant authorities and its quantitative and qualitative objectives clearly stated. It could focus on the following: o The sectors most impacted such as the agri-food sector o The sectors generating long-term socioeconomic benefits (e.g. environment, rural development, healthcare, and education) o Regional projects located outside of the Dublin area and especially the ones located in the border region that could suffer from a decrease in EU funding (e.g. PEACE, INTERREG) and a more challenging economic situation o Projects supporting SMEs which are more labour-intensive and aligned with the NDP and Government Priorities.	European counterparts. The number of UK FDI projects recording a 5% rise in 2019 compared with a 7% fall in Ireland may be illustrative of this. This may show that highly publicised relocations to Dublin may be largely of capital or intellectual property movements, rather than substantive employment-creating ones. The IIP still has an important role to play in aiding those sectors and regions set to be most impacted by Brexit. COVID-19 could lead to a relief in the pressure placed on cities such as Dublin as living and working preferences change. IIP funds could facilitate regional development and create employment opportunities in rural/town areas. **New opportunity: targeting funds at those sectors most affected by COVID-19** ► COVID-19 has changed societys' priorities, and policymakers' actions should reflect this. It has highlighted the economic vulnerability of certain segments of society and demonstrated that the vulnerability of some increases the vulnerability of all. Awareness of income inequality has grown, especially in relation to frontline health care workers. Charitable endowments, and funds targetted towards sectors such as health and social care (which the IIP has an evidenced track record in supporting) should be focussed on ► COVID-19 has enhanced citizens' and consumers' appreciation of, and demand for, sustainability. They enjoy the benefits of lower air pollution caused by the lockdowns. IIP funds could be targetted towards 'green' projects to harness this behavioural change.
► Currently, no formal criteria or preference is expressed for investment categories. We consider that the socioeconomic benefit should be maximised. ► It is promising that, in lieu of such stipulations labour-intensive sectors, such as construction and health & social work, are already the dominant recipients of IIP funds.	► Generating a strong economic return on investment is not the sole focus of investors under the IIP. Therefore, the Government should direct funding towards less financially profitable projects that may instead create a stronger added value for society. This approach could:	

Key Risks and Observations	Recommendations	EY Update in Light of COVID-19
This displays the potential of the IIP to both shelter Ireland's open economy from external shocks and also to contribute disproportionately to job creation. ► If the right 'tracking' mechanisms and data analysis processes are in place, funds could be formally directed towards the sectors which generating long-term socio-economic benefits.	o Give visibility to the long-term objectives pursued by the Government of Ireland, aligned with the NDP / Government Priorities o Be reassessed every two years to ensure that the programme is serving the key areas of the NDP, which specifically merit or require IIP funds o To oversee and follow up with the agents to ensure that the value-added projects to investors, including stakeholder engagement are in keeping with the NDP / Government Priorities. ► ISD should clearly state that, while IIP funding could act as a top-up to specific projects, it should not be used as an anchor funding to limit the reliance on potentially volatile flows of foreign investments for social projects, such as nursing homes. ► Regional projects located outside of the Dublin area should be targetted, particularly those in which projects may not appear as lucrative to standard FDI investors. ► Projects supporting SMEs which are more labour-intensive and aligned with the NDP and Government Priorities should be targetted, particularly those which have a clear employment link and answer gaps in the market.	► Some sectors have been particularly damaged by COVID-19. Among those disproportionately affected are Tourism & hospitality and Arts & entertainment. These sectors rely on social interactions, are public-facing, are highly seasonal and are dominated by SMEs, entrepreneurs and sole traders. These sectors could be highlighted in the strategic framework of the IIP as those most in need of funding to weather this crisis.

Key Risks and Observations	Recommendations	EY Update in Light of COVID-19
Limitation of a formalised strategy and purpose for the IIP impacting on guidance for ISD personnel and key stakeholders		
► The current objectives of the IIP are high level and lack any real vision or guidance to support ISD in discharging its duties with respect to the operation of the Scheme. ► Specifically, these objectives may lack any strategic insight into the particular sectors or regions which should be prioritised for investment and on that basis, the purpose of the IIP is not clearly understood. ► The objectives do not establish a target for the number of people to attract through the IIP, nor do they stipulate how this Scheme aligns with national and European strategic visions, such as Ireland 2040. Any future Scheme should have a forward look, particularly in relation to matters such as capping and value. We note that the Scheme does not formally identify the following: o those sectors most impacted by prevailing economic conditions such as the agri-food sector due to Brexit o those sectors generating long-term socio-economic benefits (e.g. environment, rural development, healthcare, and education) o regional projects located outside of the Dublin area and, in particular, the ones located in the Border regions which could suffer from a decrease in EU funding (e.g. PEACE, INTERREG) and a more challenging economic situation and	► ISD should undertake a review of the IIP, to reset the IIP with a clear strategic purpose. The overall strategy and objectives of the Programme should be clearly established and communicated, with all future investments being aligned to these objectives. This review should also consider the benefit of promoting the IIP to increase the level of foreign investment. ► Departments and Stakeholders who could be impacted directly and indirectly by the Programme (including the Department of Justice, the Department of Foreign Affairs and Trade, the Department of Business, Enterprise and Innovation) could form part of this consultation. ► The duration of residency granted could be reviewed, if it was felt that this minimised the administrative burden and allowed for more effective tracking of outcomes. This could allow for a more secure and transparent diligence process, for example a more detailed review of business cases.	► The economic crisis accompanying COVID-19 means that there is a greater role than ever for FDI programmes such as the IIP to play. Rather than ‘crowding out’ domestic funding in sectors such as construction, the IIP may be providing a source of otherwise unavailable funding to Irish companies and entrepreneurs. ► However, this is only possible if key sectors, business demographics and locations are targeted. This requires a formalised strategy and vision for the IIP. A unified, cross-departmental approach should be adopted, to fully leverage the potential of the IIP.

Key Risks and Observations	Recommendations	EY Update in Light of COVID-19
o projects supporting small and medium-sized companies which are more labour-intensive and aligned with the NDP and Government Priorities.		

New opportunity: the IIP as a signal against rising anti-globalisation sentiment

Ireland has thrived as a small, open economy dependent on FDI and exports. Against a backdrop of rising protectionism when borders are closing across the world, Ireland has an opportunity to act as a strong voice for international collaboration and coordination, starting with the IIP. This Programme has thrived thanks, in large part, to Chinese investors who have played an important role in creating a potential €223 - €400 million of economic benefit in Ireland. This alone is a positive news story worthy of attention in light of current rising tensions. Were Ireland to close or halt the IIP, it could act as a negative signal to foreign investors and businesses alike. The message that Ireland is open for business must be projected to support its economic recovery.

There is potential for the Department of Foreign Affairs and Trade to play an important role in raising awareness globally of Ireland's openness. This is reflective of the benefits of a co-constructed strategy, developed in collaboration with a range of Government departments.

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