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*Nuálaíocht Próiseas Digiteach*

**Digital Process Innovation**

*Cáipéis Tagartha* - Reference Document

29/01/2024

Introduction

Overview

The aim of the Digital Process Innovation offer is to incentivise and support companies to invest in the implementation of new or significantly improved digital production methods, digital service delivery or organisational methods that will increase their operational effectiveness, leading to greater productivity and competitiveness.

As international competition increases, successful firms need to take account of fundamental changes in the technologies available for use as well as increased expectations among both consumers and business users. We expect a need for digital business model innovation as consumers seek more personalised ‘no hassle’ services as well as a requirement to change production and delivery methods to use new technologies such as robotics and automation, Internet of Things, Industry 4.0/sensors and Artificial/Augmented Intelligence.

Legal Basis

The Digital Process Innovation grant is administered in accordance with the following Irish legislation.

* Industrial Development Act, 1986, Section 29
* Industrial Development Act, 1998, Section 7

State Aid Basis

The EU State Aid basis for the scheme is:

* COMMISSION REGULATION (EU) 2023/1315 of 23rd June 2023 [amendments]
* COMMISSION REGULATION (EU) 2014/651 of 17 June 2014 [Article 29]

## Document Revision History

|  |  |
| --- | --- |
| **January 2024** | New GBER changes (costs, de minimis) / Separation from R&D offers / Clarification of evaluation criteria |
| **June 2022** | Initial version - based on Business Innovation Offer |

Eligibility Criteria

Eligible Companies

To be eligible to apply, the company must

* be registered in Ireland,
* be in business for 2 years or more,
* be engaged in manufacturing or an eligible services industry[[1]](#footnote-1),
* be internationally trading or have the potential to do so in the short term.
* be a client of Enterprise Ireland with an assigned Development Advisor.
* employ 10 or more full time staff at the time of application. This requirement may be reduced to 5 or more in certain cases such as for Enterprise Ireland high potential start-up clients.
* Be able to show adequate cash resources to implement the proposed project.

Approval will be based on such criteria as Enterprise Ireland may deem to be appropriate such as the company need and value for money for the state. As such, there is no automatic entitlement to funding for valid applications, but rather a strategic decision by Enterprise Ireland to support a project based on the goals of the organisation.

Eligible Activities

Activities that can be supported relate to the implementation of the new production, delivery or organisational method and may involve technical as well as non-technical staff. Projects must conform to one or both of the following.

*‘****Process innovation****’ means the implementation of a new or significantly improved production or delivery method, including significant changes in techniques, equipment or software, at the level of the undertaking (at group level in the given industry sector in the EEA), including for instance by making use of novel or innovative digital technologies or solutions. Excluded from this definition are minor changes or improvements, increases in production or service capabilities through the addition of manufacturing or logistical systems which are very similar to those already in use, ceasing to use a process, simple capital replacement or extension, changes resulting purely from changes in factor prices, customisation, localisation, regular, seasonal and other cyclical changes and trading of new or significantly improved products;”;*

*‘****Organisational innovation****’ means the implementation of a new organisational method at the level of the undertaking (at group level in the given industry sector in the EEA), workplace organisation or external relations, including for instance by making use of novel or innovative digital technologies. Excluded from this definition are changes that are based on organisational methods already in use in the undertaking, changes in management strategy, mergers and acquisitions, ceasing to use a process, simple capital replacement or extension, changes resulting purely from changes in factor prices, customisation, localisation, regular, seasonal and other cyclical changes and trading of new or significantly improved products;*

An eligible Digital Process Innovation project will involve implementing a new way of working for the company that leads to an increase in quality, speed, dependability or flexibility of the company’s operations. This includes significant changes in techniques, equipment and/or software.

The project must involve some level of innovation or risk of failure and must not be focused on routine operational changes or responding to changes in regulation.

Projects should include:

* the introduction of new or significantly enhanced digital or automation technology platforms for company operations and/or,
* the introduction of new or significantly enhanced digital experience for customers, including new digital services or business models and/or,
* the implementation of new production methods for enhanced sustainability including significantly reduced waste, emissions or increased materials reuse in terms of circular economy practices.

The level of innovation is considered relative to the current state of the company rather than the state of the art in the industry. The aim is to support a step-change in the company capability and operational effectiveness.

Eligible Costs

Funding can be provided towards the costs of carrying out approved projects under the following headings:

* **Salaries** – personnel costs for company staff working directly on the project, who are based in Ireland. For best effect, projects should be based around a core team of 5-10 people spending a significant portion of their time on the project over a period ranging from 2-3 months to up to 12-18 months.
* **Consultancy** – costs to the company of availing of consultancy support or contract development directly related to the project. Only work carried out in Ireland is eligible.
* **Materials** – costs to the company of materials incurred directly as a result of the project.
* Additional **Overheads** incurred directly as a result of the project. This is not a flat rate calculation but all costs must be documented in the application and in subsequent claims. Any costs here are limited to 20% of the salary costs. Normal business expenses such as rent, insurance, fees or utility costs as well as taxes and charges are excluded.

*If the amount of eligible expenditure for subcontracted/consultancy work on the project exceeds 60% of the total costs, the project is deemed ineligible. The requirement is that at least 40% of the expenditure on the project (related to salaries) must be carried out in house in order to build internal capability. However, it is important to recognise that this is a guidance on the maximum allowable, not a target – ideally the amount of in-house work should be far higher than the amount of consultancy costs.*

Funding is only applicable for expenditure incurred within the approved project period, and exclusive and essential to the approved project. The costs set out in the project application will be assessed by Enterprise Ireland and only those costs that are considered to be reasonable and required for the project will be approved. Additional guidelines on eligible costs are provided in the application documents.

When making a claim, the eligible costs must be supported by documentary evidence which shall be clear, specific and contemporary.

In order to be eligible for project support, the beneficiary MUST submit an application to Enterprise Ireland for support BEFORE any work on the project starts. Only expenditure incurred AFTER a valid application is submitted can be considered for funding support.

Application and Assessment Processes

Application Process

Application forms for Digital Process Innovation are published on the Enterprise Ireland web site.

Applications should always be discussed with an agency advisor in advance of submission.

Completed applications are emailed to the Grant Applications unit in Enterprise Ireland (GA@enterprise-ireland.com

Assessment of Applications

Application evaluation will consist of a commercial assessment and a technical assessment.

The approving committee/authority will be presented with an assessment of the application, which incorporates comments on the following criteria:

* Value for money for the State taking into account the performance against targets set in previous investments,
* The overall amount of State funding received by the company in the last seven years,
* How the plan is an integral part of the strategic development plan of the company,
* The financial track record of the company,
* The development needs of the company,
* Previous track record in implementing any previously State funded RD&I projects,
* That the costs to be approved are reasonable and required for the project(s).

Approval

Approval Committee

The approval of Digital Process Innovation projects will be done through the Enterprise Ireland Investment Committee or delegated to the Management Approvals Committee.

Apart from standard evaluation criteria for project support, the specific criteria for Digital Process Innovation include the following.

## Impact on Operational Effectiveness

The project must lead to a meaningful increase in the ‘operational effectiveness’ of the business, which in simple terms means delivering ‘the right product, at the right time, at the right price’ consistently and reliably. Projects should normally show an expected measurable impact on at least two of the following key performance indicators.

|  |  |  |
| --- | --- | --- |
| **Performance indicator** | **Typical interventions** | **Typical expected outcome** |
| **Quality** – of product or service delivered | New processes, inspection systems, automation, enhanced user experience | Reduction in customer complaints, reduced rework & waste, increase in orders, expand customer base |
| **Delivery** – Speed, dependability, flexibility of delivery of the product or service | Automation of processes / new equipment / robotics / flow of information from sales pipeline through to production to supply chain. Could include new business models. | Faster throughput leading to shorter delivery time. Reliable equipment & processes leading to dependable delivery. Improved agility to support changes in customer needs |
| **Cost** – of delivery of product or service | New systems, processes or business practices to reduce costs. New techniques, equipment or software, business process re-engineering to simplify operations | Improved margin for business (and/or lower cost for customer) |

*The committee may reject projects that will not have a measurable impact on Operational Effectiveness.*

## Enhanced company capability

Under legislation[[2]](#footnote-2), the functions of Enterprise Ireland include the development of industry and enterprise in the State, the development of the technological base and the capacity of enterprises to innovate and undertake research, development and design, as well as strengthening the skills base in industry.

In order to fulfil those obligations, projects approved are expected to lead to increased company capability. This means that the committee should be satisfied that the balance between company staff and any external consultants is appropriate in terms of the project implementation. There shall be adequate input from company staff in terms of the process innovation and/or the appropriate level of senior staff involved. The project should not be effectively ‘outsourced’ to a third party to implement without sufficient capability development in-house.

*The committee may reject projects that are unlikely to lead to an increase in company capability.*

## State Aid Rules – Eligibility of Activities

The basis for this support is for the implementation of a new or substantially improved production, delivery or organisation method that is different to systems already in use. The technical assessment will have confirmed that the project is compliant with the state aid rules. The committee must be satisfied that the assessment presented has addressed this.

In terms of innovation, the project must create new value for the company rather than compared to the state of the art in the industry. DPI is not concerned with the resolution of technical uncertainty in the way that R&D is.

Note that while there is an expectation that there is a ‘digital’ element to the project in terms of the introduction of new techniques, equipment or software, it is not a requirement and not a reason to reject a project. The exclusions listed in the definitions for process and organisational innovation relate specifically to ‘routine’ projects as being ineligible.

The committee shall reject routine or ‘business as usual’ projects.

Maximum Funding levels

The **maximum** grant rates are given in the table below.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Small Enterprise | Medium Enterprise | Large Enterprise |
| Maximum grant rate | 50% | 50% | 50%\* |

The Committee may offer grant at a lower rate than the maxima above. Considerations for setting a grant rate could include value for money for the state and the nature of the project.

\*For Large companies, a Digital Process Innovation grant is classified as De Minimis funding and any grant awarded will be subject to the limit on De Minimis funding of €300,000 over a rolling 3-year period.

Applications for eligible grant support of less than €20,000 will not be accepted.

Form of Aid

Funding will normally be in the form of a grant but may be offered in the form of equity at the discretion of Enterprise Ireland based on the financial position of the company.

Definitions

Company Size

The full definition of a Small of Medium-sized Enterprise (SME) is given in ANNEX 1 of COMMISSION REGULATION (EU) No 651/2014 of 17 June 2014 and that should be consulted if there is any doubt in a particular case.

The key considerations relate to staff headcount and financial thresholds which are given in Article 2 of that ANNEX as:

*1. The category of micro, small and medium-sized enterprises (‘SMEs’) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.*

*2. Within the SME category, a small enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million.*

A company that exceeds the upper limits of the Medium Enterprise is automatically classed as a Large Enterprise.

1. https://www.irishstatutebook.ie/eli/2010/si/81/made/en/print [↑](#footnote-ref-1)
2. https://www.irishstatutebook.ie/eli/1998/act/34/enacted/en/html# [↑](#footnote-ref-2)