

THE STATE AND INDUSTRY

When you enter the IDA's smart headquarters in Dublin 2, you immediately spot an area segregated off, with its own stairs and reception area. There, in a place apart, work the 18 staff of one of Ireland's newest State bodies, the National Development Corporation. They are dwarfed by the surrounding might of the IDA with its 600 staff, an IDA that was given £13.3 million for running costs this year, by the last Budget, as against £0.7 million for NADCORP. The nature of NADCORP's brief, however, leads one to hope it may prove to be a cuckoo in the nest and, one day, outgrow even the IDA.

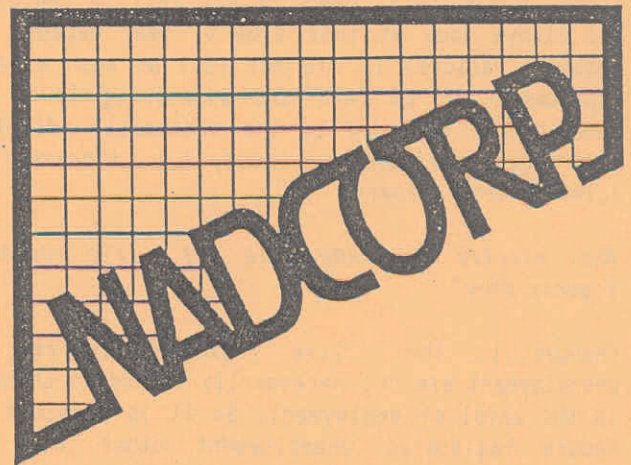
NADCORP is an addition to the State's armoury for implementing industrial policy. The Labour party and the trade union movement in particular fought for its establishment. It is a State-owned VENTURE CAPITAL company. "Venture capital" means it does not give grants (that is for the IDA) nor fixed interest loans (that is for the ICC) but risks buying a stake in a project which could be money lost if the project fails but may also be a source of dividends, and a stake-holding which could be sold on to someone else later, if the project prospers.

There are, of course, private venture capital companies. The need for a STATE-OWNED venture capital company, however, is that the State can take a wider and a longer view of a particular industrial project than can the market. A wider view means that NADCORP will be influenced by the fact that a project may have identifiable spin-off benefits going to the wider productive economy that are not capable of being counted as part of the profits of the project itself. This implies, for example, that NADCORP has a particular interest in projects building on Irish natural resources, or which feature Irish people doing something that is technologically advanced. A longer view means that the market might find the delay in a particular project coming to profitability too long whereas the State can be prepared to live with a lower rate of return than could be got immediately somewhere else because the project in question is really developing something new for the national economy.

The first general duty, therefore, of NADCORP* is "to assist in the creation of the maximum amount of viable employment in the State." Its second general duty, however, financial self-sufficiency in the medium term, more clearly sets it apart from the IDA and other State agencies serving industry than anything else. Within 5 years, it is expected to be able to cover its own operational costs, i.e. it must be earning enough by then from fees, dividend and interest income to pay its own staff, etc. Over a longer time period, it is expected to be able to contribute to its own investment needs, i.e. in 8 or ten years time it should be able to sell some of the stake-

holdings it has now acquired, realising good money which can then be invested in totally new projects. This means it will be managing a "Revolving Investment Fund for Employment."

NADCORP was born in June, 1986, (when it also took over the activity of the short-lived National Enterprise Agency). Its annual report covers the period June '86 to May '87. How has it been doing? By May '87, it had decided on investing £6.2m in 21 projects (of which £5.6m had actually gone ahead). The projects are listed at the back of the report. Interestingly, 7 of them have to do with salmon and 5 with computer software so natural resources and advanced technology are immediately in evidence. However, traditional industries that are aiming at high quality products also figure, e.g. Dubarry shoes and Irish bog oak artifacts. A further interesting type of project has to do with the export of services; two companies specialising in staffing overseas hospitals with Irish medical personnel received backing. The 21 projects in total are only the tip of an iceberg, however. Some 347 projects came before NADCORP and were rejected during the year. At the time they wrote the annual report, a further 101 were still under examination. This is evidence of a lot of activity, entrepreneurial spirit on the part of people submitting projects to NADCORP and hard decision-making on the part of NADCORP's small staff. The hope must surely be that, as people become more aware of what NADCORP is there to do and as the resources of NADCORP grow to allow it to broaden what it can consider "commercial", that a lot more than 12 per cent of the projects coming before it will get beyond the initial screening stage.



It is worth noting that, when projects are being evaluated, NADCORP regard the track record and competence of the managerial team as of first importance. "NADCORP regards evidence of managerial capability and commitment, combined with entrepreneurial drive and enthusiasm, as of critical importance", they say. This needs to be explained more by NADCORP and the application of the principle monitored if a type of culture-blinkeredness is not to take over which regards "managerial capability" as requiring a good

middle-class background, and a "track record" as meaning involvement in profit-oriented business only. In areas of high unemployment and among community-based groups, there can be potential entrepreneurs which it could be difficult for investment executives from totally different social backgrounds to recognise.

Thanks, in a significant way to Congress and the

political left, a National Development Corporation now exists. Its business plan commits it to a supportive and pro-active role in developing industrial projects in such areas as advanced engineering, aquaculture, food processing, traded services, tourism, commercial forestry and biotechnology. Even greater effort should now be brought to bear in ensuring that NADCORP realises its full potential. ●