1. Deputy Secretary O'Sullivan
2. Deputy Secretary O'Callaghan
3. Secretary General

Elevated Risk Profile – Immigrant Investor Programme (IIP)

1. The nature and volume of the IIP applicant and project profile [redacted]

Background

2. The Immigrant Investor Programme (IIP) was introduced by Government Decision in 2012 to encourage inward investment for the creation of business and employment opportunities in the State with a view, in particular, to draw upon resources of the Irish Diaspora. The IIP is focussed on encouraging investors and business professionals from outside the European Economic Area (EEA) to avail of opportunities of investing and locating their business interests in Ireland and acquire a secure residency status for themselves (and certain categories of family members) in the State. Key requirements for the programme are that the investments are beneficial to the State in terms of pursuit of key strategic development objectives, generate or sustain employment and demonstrate clear public benefit.

3. When the programme was introduced by Government it was during a time of unprecedented crisis. The programme contributed in terms of attracting inward investment and particularly with job creation. The programme has generally been perceived to have delivered on those objectives; however, though difficult to evidence, concerns have been expressed that the IIP may have may had more of a displacement effect on other funding streams, particularly as the financial situation of the State has improved.

Changes in Project and Applicant Profile

4. The programme currently allows for four different types of investments to be made by applicants each with a minimum investment thresholds, including Enterprise investments (€1m), Fund Investments (€1m), Real Estate Investment Trust (REIT) (€2m) and Endowments (€500K). Since inception in 2012, over 1600 applications for over 265 projects have been approved with a value of over €1.17 billion.

5. In recent years, there has been a notable shift in the mix of approved applications, with endowment accounting for over half of all approved investments over the past three years.

	2012-2018		2019-2022 (end June)	
	Count	**%**	**Count**	**%**
Enterprise	609	71%	219	36%
Endowment	99	12%	337	55%
Other	149	17%	60	10%

6. This shift to Endowment has involved a move away from job creating investment of tangible economic value to significant passive charitable endowments to a large number of charities, sports clubs and academic institutions that play an important part in Irish civil society. Such organisation, their members and supporters are influential within this State.

[redacted] Alongside this shift to predominantly Endowment, the profile of applicants has in recent years remained concentrated at over 90% from a single State (China) rather than a mix of States as was envisaged at the start. These individuals have, in almost all cases, no identifiable link to this State other than through the Scheme; their knowledge of the Scheme arising from the activities of intermediary agents who advertise the Scheme in that State. [redacted]

8. Finally, the volume of applications (both project and applicant) has accelerated, and continues to accelerate. To date in 2022 there have been c.1200 applications as opposed to 258 in 2021, 339 in 2020 and 443 in 2019. The Table in the Appendix shows the distribution of funds for applications approved 2012 – 2020 between investors from China and those from the rest of the world. It shows that the since the start of the scheme in 2012, investment from China as a percentage of total investment has been rising year on year from 37% in 2012 to over 90% currently. This pattern accelerated in 2016 notwithstanding that changes announced to the scheme at the time closed off bond and mixed investment options. The Table also shows that the percentage increase is reflected in real volume investment growth (matched by increasing numbers of individual investors) year on year.

[redacted]

9. [redacted]

[redacted]

Concerns at International Level

10. Immigrant investor and similar programmes have been subject to significant international scrutiny.

11. The European Commission published, in 2019, a report on such schemes[1] and identified a number of areas of concern:

   a. Security
   b. Practices regarding investor citizenship and residence schemes can undermine border security efforts.

12. Money laundering
   a. The report found that, across Europe, there were variable practices among member states running such programmes.

13. Circumvention of EU rules
   a. The report referenced the possibility that such schemes may offer a way around, for instance, citizenship requirements for certain businesses.

14. Tax evasion
   a. There may be room for abuse based on the misuse of the benefits and documentation obtained through the schemes, which varies from scheme to scheme, i.e. some may facilitate and be used as an instrument in aggressive tax planning and evasion.

15. *The Financial Action Task Group (FATF)* is an inter-governmental body focusing on global money laundering and terrorist financing. In recent weeks, they have established a joint FATF/OECD project focusing on the misuse of citizenship by investment and residency by investment programmes (OECD's particular interest is in related policy issues, including governance, corruption, tax and migration). FATF acknowledge that residency-by-investment programmes offer less *"immediate flexibility to criminal actors in terms of changing or manipulating identities or obtaining wider visa free mobility to third countries"*, but point out

[1] https://commission.europa.eu/system/files/2019-01/com_2019_12_final_report.pdf

that these programmes remain attractive as a means of accessing the issuing country to place, access and use illicitly obtained wealth and assets such as property, and to ensure their family can access high value services such as private schooling, as well as offering a potential path to settlement and citizenship. Ireland is represented on the project working group.

UK Scheme Closure

16. The UK Government closed their analogous Scheme in February of this year, stating:

> *"It has been under constant review and some cases had given rise to security concerns, including people acquiring their wealth illegitimately and being associated with wider corruption."*

17. The UK decision to close their Scheme proceeded notwithstanding that the UK had, like this jurisdiction, made efforts in recent years to mitigate the risks associated with the Scheme.

18. While it is too early to evidence any link between the UK closure and the increase in applications for the IIP, it is not considered unreasonable to suggest that a link will likely emerge.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

Factors Contributing to Significant Risk Elevation

24. [redacted] Originally envisaged as a mechanism to encourage the Irish Diaspora to execute investment strategies involving genuine job creation and other tangible economic impacts, the Scheme now is predominated by significant passive endowment in civil society from individuals with little or no links to Ireland involving no investment strategy and little job creation.

[redacted]

26. There are also underlying and strategic reputational risk for the State associated with Ireland's use of residency as a tool in which to raise funds, these include:
    - International perception that such a Scheme is necessary or appropriate,
    - Within Government, that the department's management of the Scheme is taken to be a confirmation of project or individual's bona fides, and
    - Within the State, that that initiatives funded by the programme are taken to have received a level of official approval.

[redacted]

[redacted] Ireland is a small open economy in a globalised world. We are a member of the EU and maintain excellent bilateral relations economically, politically and on security issues with the US. We share a Common Travel Area with the UK and cooperate extremely closely with them on border and security issues. [redacted]

[redacted]

Oifig an Aire Dlí agus Cirt

Draft Memorandum for the Government

[redacted]

2. Background/Reason for Memorandum

The Immigrant Investor Programme (IIP) was introduced by Government Decision in 2012 to encourage inward investment for the creation of business and employment opportunities in the State with a view, in particular, to draw upon resources of the Irish Diaspora. The IIP is focussed on encouraging investors and business professionals from outside the European Economic Area (EEA) to avail of opportunities of investing and locating their business interests in Ireland and acquire a secure residency status for themselves (and certain categories of family members) in the State. Key requirements for the programme are that the investments are beneficial to the State in terms of pursuit of key strategic development objectives, generate or sustain employment and demonstrate clear public benefit.

When the programme was introduced by Government it was during a time of unprecedented crisis. The programme contributed in terms of attracting inward investment and particularly with job creation. The programme has generally been perceived to have delivered on those objectives; however, though difficult to evidence, concerns have been expressed that the IIP may have may had more of a displacement effect on other funding streams, particularly as the financial situation of the State has improved.

The programme currently allows for four different types of investments to be made by applicants each with a minimum investment thresholds, including Enterprise investments (€1m), Fund Investments (€1m), Real Estate Investment Trust (REIT)

(€2m) and Endowments (€500K). Since inception in 2012, over 1600 applications for over 265 projects have been approved with a value of over €1.17 billion.

In recent years, there has been a notable shift in the mix of approved applications, with endowment accounting for over half of all approved investments over the past three years.

	2012-2018		**2019-2022 (end June)**	
	Count	**%**	**Count**	**%**
Enterprise	609	71%	219	36%
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Other	149	17%	60	10%

This shift to Endowment has involved a move away from job creating investment of tangible economic value to significant passive charitable endowments to a large number of charities, sports clubs and academic institutions that play an important part in Irish civil society. Originally envisaged as a mechanism to encourage the Irish Diaspora to execute investment strategies involving genuine job creation and other tangible economic impacts, the Scheme now is predominated by significant passive endowment in civil society from individuals with little or no links to Ireland involving no investment strategy and little job creation.

Alongside this shift to predominantly Endowment, the profile of applicants has in recent years remained concentrated at over 90% from a single State rather than a mix of States as was envisaged at the start. Since the start of the scheme in 2012, investment from the most common State as a percentage of total investment has been rising year on year from 37% in 2012 to over 90% currently. These individuals have, in almost all cases, no significant links to this State other than through the Scheme; their knowledge of the Scheme arising from the activities of intermediary agents who advertise the Scheme in that State. Due diligence on this cohort is extremely difficult for a range of reasons. The volume of applications (both project and applicant) has accelerated, and continues to accelerate. In 2022 there were 1316 applications as opposed to 258 in 2021, 339 in 2020 and 443 in 2019.

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> [redacted]

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