

**Committee of Public Accounts - Briefing Statement****Enterprise Ireland Annual Report and Accounts 2011****Introduction**

Enterprise Ireland's mission is to partner with entrepreneurs, Irish businesses, and the research and investment communities to develop Ireland's international trade, innovation, leadership, and competitiveness. The ultimate objective is increased employment and prosperity in Ireland. The companies that Enterprise Ireland works with are a vital source of employment in every county in Ireland and are spread across a wide range of sectors.

In order to help our clients achieve growth, Enterprise Ireland uses a holistic, developmental approach and engages client companies across all aspects of the value chain. We work with clients on business development, sales and marketing capabilities, innovation and R&D activity, technology development, continuous competitiveness and lean improvements, on-going leadership and management development, and access to finance.

The active support of the Department of Jobs, Enterprise and Innovation is vital to our ability to execute our strategy with Irish companies. Similarly, the collaboration of sister agencies Forfás, IDA Ireland and SFI is critical.

While it is understood that the focus of the Committee's session is on the Enterprise Ireland Annual Report and Accounts 2011, it is appreciated that Members will also be keenly interested in developments during 2012 – to this end, summary updates have been provided throughout this document. Additionally, Enterprise Ireland's Annual Report for 2012 is scheduled to be published during Quarter 2 of this year.

Job Creation

Despite operating in a very challenging domestic market and in highly competitive international markets, Enterprise Ireland client companies put in an exceptionally resilient performance in 2011 following three consecutive years of decline. At the end of that year, full-time employment in Enterprise Ireland clients stood at 141,228.

Update for 2012: Last year, Enterprise Ireland's client companies saw full-time employment increasing by 3,338. Our client companies now employ 145,460 people on a full-time basis, in addition to 23,991 part-time positions. Total employment in Enterprise Ireland client companies therefore stood at 169,451. Further information is available in Enterprise Ireland's update to its End of Year Statement, which is available on our website. This positive performance by Irish companies was achieved notwithstanding the continuing economic challenges at home and abroad. The total direct and indirect employment impact associated with Enterprise Ireland client companies is estimated to total more than 300,000 jobs.

Also during 2012, the Action Plan for Jobs was launched, and contained over 270 individual actions to be delivered, spanning all Government Departments and 36 State agencies. Enterprise Ireland had responsibility for more than 100 of these representing a third of the action programme. The fourth progress report on the Action Plan for Jobs 2012 is due to be published shortly, and will highlight the Enterprise Ireland actions which concluded last year.

These included the launch of the second call of Innovation Fund Ireland and the Development Capital Funds, support for a record number of High Potential Start-Ups, the establishment of Technology Centres such as that in Cloud Computing, and support for more than 200 significant company projects involving €500k or more in investment. Enterprise Ireland delivered in full and on time, the bulk of the more than 100 actions assigned to it by the Action Plan for Jobs 2012.

Enterprise Ireland's Main Areas of Activity

Driving Export Growth in Client Companies

In Enterprise Ireland we understand that in a small economy, exports sustain and create jobs. The stabilisation of employment in our client companies in 2011 was supported by buoyant international sales which saw Enterprise Ireland client

companies achieving record levels of exports. With total exports reaching €15.2bn, our clients exported more in 2011 than at any time in the history of the State.

The Food and Drinks Sector was a key contributor to the growth of Irish exports during 2011, with growth of 10% in this sector. In this context, it is important to recognise the strong working relationship Enterprise Ireland enjoys with the Department of Agriculture, Food, and the Marine, and agencies including Bord Bia, Bord Iascaigh Mhara and Teagasc.

New export sales exceeded €2.14bn in 2011 - this is the highest ever annual export gain achieved by our client companies. Clients achieved export growth in all overseas territories and continued to diversify beyond the UK in 2011. Looking back 10 years to 2003, Enterprise Ireland client exports to the UK accounted for 50% of exports. Today Enterprise Ireland client exports to the UK, despite having grown by three quarters of a billion euro in real terms over the period, now account for approximately 38% of indigenous exports. The implication is that while managing to sustain and grow exports to the UK in the midst of challenges such as recession and exchange rate fluctuations, Irish companies have significantly broadened and diversified their export markets.

Enterprise Ireland's overseas office network is a vital resource for our clients who are competing to win sales in international markets. Our network of 28 international offices connects thousands of Irish companies to customers worldwide. Relevant and timely market information; introductions to buyers and local industry experts; help with itinerary planning for trade missions and individual company visits, virtual office, hot-desk, and in some markets, incubation facilities are among the core services offered by the overseas network. An important support to Enterprise Ireland is the embassy network across the globe. Our overseas network has been realigned to maximise impact in key markets, and this included the opening of our first office in South Africa in 2011. The Department of Foreign Affairs and Trade and the Export Trade Council on which Enterprise Ireland is represented, are key stakeholders in the national drive to increase trade.

Update for 2012: Company responses for the completion of the Forfás Annual Business Survey are currently being collected and collated and will tell us the export performance of our client companies for 2012. During the year our overseas and Irish high growth markets teams continued to work intensively with our clients.

International Markets Week provides a forum for Enterprise Ireland's clients to meet our overseas marketing specialists to discuss how Enterprise Ireland can assist them to grow their sales abroad. During the week held last September, 1,975 meetings took place between our clients and our overseas teams. A newly established Potential Exporters Division also engaged with 520 companies looking to export for the first time in 2012.

In addition, 16 Ministerial-led trade missions were organised by Enterprise Ireland, with considerable assistance from the Department of Foreign Affairs and Trade, to assist clients in identifying new international sales opportunities. Finally, 786 inward buyer visits were organised by our overseas and Irish high growth markets teams to facilitate introductions between potential international purchasers of Irish goods and services, and Enterprise Ireland clients.

Start-Up Companies

Stimulating the flow of new high potential start-ups and supporting their growth is one of the fundamental building blocks in Enterprise Ireland's overall strategy for indigenous industry. In 2011 Enterprise Ireland supported 93 new high potential start-ups, approving €20.4m; while a further 19 follow-on investments were committed totalling €3m.

A €10m International Start-Up Fund was launched in October 2011 aimed at encouraging internationally mobile entrepreneurs to locate start-up businesses in Ireland. This fund is targeted particularly at the Irish diaspora, international expatriates, as well as serial entrepreneurs.

2011 also saw the launch of the Competitive Start Fund which supports very early stage entrepreneurs providing finance and support to assist these companies to reach key commercial and technical milestones, involving reduced matching funding requirements for the promoter.

Update for 2012: The level of start-up activity remained very encouraging during 2012, with 97 High Potential Start-Ups (HPSUs) supported during the year – the highest ever - as well as a further 25 follow-on investments and 60 Competitive Start Fund approvals. Enterprise Ireland provided HPSU support to 12 internationally mobile entrepreneurs as well as 14 spin-outs from third level research during the year.

Management Development

Enterprise Ireland provides tailored management development programmes targeted at the level of the CEO and the senior management team. The strength of a company's senior management team is a key differentiator of success. As the needs of our companies have evolved and become more diverse, we have responded, finding new ways of building management capability in our companies.

In 2011 we ran a pilot Accelerated Growth Programme in conjunction with Judge Business School at Cambridge University and the Irish Management Institute. The programme was aimed at recent High Potential Start Ups with the ability to grow quickly. The programme focuses on developing critical skills in international sales, raising finance and building teams in participant companies to ensure that they can pursue effective growth strategies.

In 2011, recognising the unique role of the food and drinks sector as a force in creating jobs and generating export revenue, we created a tailored Leadership 4 Growth programme specifically to meet the needs of CEOs in this sector. The programme benefited from the input and support of key stakeholders including the Department of Agriculture, Food and the Marine, and was delivered by the IMD Business School in conjunction with the Irish Management Institute.

Update for 2012: Enterprise Ireland launched the Management 4 Growth programme which supports the management teams in established SMEs to develop their leadership capability. This programme helps participants to further develop their strategy, operations and people management practices to drive sales and export growth. A further Accelerated Growth Programme was also launched in 2012, following the success of the initial pilot.

Competitiveness

Enterprise Ireland recognises that our clients must be competitive in order to succeed in international markets. We work closely with our clients to assist in adopting lean practices and world class manufacturing standards which is essential to their ability to compete internationally.

Our staff work intensively with client companies to help them to identify and measure competitiveness issues in their businesses, and where necessary, introduce them to best practices in their industry and provide access to a range of competitiveness building tools. A range of supports are available, including a Company

Competitiveness Health Check which involves Enterprise Ireland staff members working with companies to benchmark them against a database of European companies, to our Lean Transform offer which provides financial support towards a large scale, extensive and holistic company transformation programme. During 2011, 153 companies were approved funding for Lean projects.

Update for 2012: Reflecting an increased emphasis on companies undertaking significant programmes of lean process improvement, the number of Lean 'Transform' projects (i.e. the most comprehensive category of Lean support) increased in 2012 to 17 (from a base of 12).

Access to Finance

As well as providing direct funding to companies by means of grants and equity investments against business plans, Enterprise Ireland has worked to build strong relationships with the banks and venture capital community to ensure that our clients have continued access to finance to fund strategic business plans. An example of this can be seen in the €22m AIB Start-up Accelerator Fund which was launched in 2011 with a €2m investment from Enterprise Ireland. This brought the total value under management of seed and venture capital funds open for new applicants at the end of 2011 to €645m (of which seed funding was €124m).

Update for 2012: Building on the range of growth finance options available in the Irish market, the Development Capital Fund was launched in April 2012 with the aim of increasing the availability of risk capital. The Development Capital Fund aim is to help establish funds with a minimum of €75m under management. The target investee companies are medium sized established companies that require development capital to drive their growth with a particular focus on manufacturing, food processing, technology, and high growth trading services companies in Ireland.

Innovation

Innovation is at the heart of all entrepreneurship, be it in a high growth potential start-up company turning knowledge into solutions or in established companies that are constantly improving their products and processes. Companies innovate, creating new products, services, and processes that directly impact on society, solve problems and improve people's lives. The Office of Science, Technology and Innovation in DJEI plays a central role, co-ordinating the RD&I supports provided by the State, and on whose behalf Enterprise Ireland works.

We support companies, not just in the area of R&D, although this is a central focus of the agency, but also on process innovation such as new business model development. In 2011 Enterprise Ireland provided support of €100,000 or more for 80 companies to develop new technologies and processes that will lead to job creation and increased exports. In 2011 743 client companies were engaged in significant R&D in 2011 (€100k+ p.a.), with over 54 companies were involved in substantial R&D (€2m+ p.a.).

Update for 2012: A total of 81 R&D projects were supported with funding greater than €100,000 during 2012, and a number of information and awareness sessions were also held (jointly with IDA Ireland) for development agency clients on the availability of R&D tax credits, which was an Action Plan for Jobs deliverable.

Research Collaboration

The Technology Centre programme, which Enterprise Ireland runs jointly with IDA Ireland, was expanded in 2011 with the launch of manufacturing and energy efficiency technology centres, and plans were put in train for new financial services, cloud computing and e-learning technology centres which went on to be launched in 2012. These industry-led centres undertake market focussed strategic research and development and are resourced by highly qualified researchers associated with research institutions. In 2011, a total of 137 Irish based companies worked with the Technology Centres which represents the building of a critical mass of advanced capability in key sectors, positioning Ireland as a recognised centre for applied research, and underpinning the attractiveness of the State as a location for foreign direct investment and the growth of Irish industry.

In addition to the Technology Centre Programme, we support companies to work with the research community on individual research projects. This includes initial, small scale collaborations which are supported by means of €5,000 Innovation Vouchers, of which 518 were redeemed between academia and industry that year.

In 2011, Enterprise Ireland continued to act as the designated agency in Ireland for companies and the research community to access information and support on many international research and innovation programmes. The European Union's flagship Seventh Framework Programme for Research and Technology Development (FP7), is a €50bn, seven-year programme, running from 2007 to 2013. Our staff work with potential applicants from all Irish based organisations, both companies and researchers, providing information, advice, and, in some cases, financial support to

help improve the quality of proposals and win increased funding. From the programme's launch in 2007 to the end of 2011, Irish-based organisations had secured €384m from of this important source of non-exchequer funding.

Update for 2012: New Technology Centres in Cloud Computing, Learning Technologies and Financial Services were established in 2012. A total of 525 Innovation Vouchers were redeemed by small companies in 2012.

FP7 is concluding at the end of 2013. Significant planning and efforts were underway during 2012 and into 2013, preparing for the launch of the new Horizon 2020 Framework Research and Innovation Programme, which will represent a key source of research funding over the next seven year period. Horizon 2020 will tackle societal challenges by helping to bridge the gap between research and the market by, for example, helping innovative enterprise to develop their technological breakthroughs into viable products with real commercial potential.

Commercialisation

Enterprise Ireland continually drives the commercial return on the State's research investment by providing direct funding to researchers to commercialise their work. Enterprise Ireland has taken the lead in driving the commercial return from research by building the Technology Transfer infrastructure within the Universities, where dedicated Technology Transfer Offices have been established to drive the commercialisation of research and bring commercialisation opportunities to Irish companies. Commercially relevant research centres have also been established in Institutes of Technology, and Campus Incubation facilities have been put in place to support new technology companies in their formative years.

These supports and systems facilitated the transfer of over 100 pieces of commercially valuable technology to industry in 2011 and the creation of 31 new companies. This is an increase of over 200% since Enterprise Ireland first started supporting the system in 2007. Spin-outs from state funded research are an important and growing contributor to the flow of high potential start-ups.

Update for 2012: More than 80 technologies were licensed to companies during the year through Enterprise Ireland's support of the technology transfer offices in higher education institutions while Enterprise Ireland also approved a total of 113 projects under its Commercialisation Fund in 2012. In 2012 14 spin-out High Potential Start Ups were supported, an increase of 40% over 2011.

Entrepreneurship and regional development

When it comes to promoting prosperity through job creation, the role of new enterprises, small business and micro-enterprise is centrally important. Entrepreneurship is the engine that drives economic growth sustaining and creating employment and driving technological change and increases in productivity.

One aspect of Enterprise Ireland support which has enabled entrepreneurship throughout the country has been a number of successive Community Enterprise Centre (CEC) Schemes. Since the CEC Scheme was established in 1989, 110 centres have been set up across the country. Approximately 800 companies and 5,000 jobs are supported by these Centres around the country. A total of €1.963m was paid in 2011 in respect of the completion of centres.

Update for 2012: a new Competitive Feasibility Fund was launched during 2012, and piloted on a regional basis. This fund, which can provide up to €25,000 per project, is aimed at boosting start ups and creating jobs and growth, and was opened initially in counties Galway, Mayo and Roscommon before covering all regions in turn over 2012/2013. Enterprise Ireland also approved support to 37 Community Enterprise Centres for Business Development Managers as part of a €2million programme aimed at protecting and growing businesses in the community.

Following on from the Government's decision to restructure the micro enterprise and small business support system, the dissolution of the 35 County and City Enterprise Boards and the establishment of Local Enterprise Offices (LEOs) within the Local Authorities will take place during 2013. Enterprise Ireland worked closely during 2012 with the Department of Jobs, Enterprise and Innovation, the Department of the Environment, Community and Local Government, the County and City Enterprise Boards, and the Local Authority system on the implementation of this decision. Enterprise Ireland will be developing a new Centre of Excellence for Entrepreneurs to support the LEOs and micro and small business across Ireland in the coming year.

2011 Annual Accounts

Enterprise Ireland's Annual Accounts for 2011 were signed off by the Comptroller and Auditor General on the 7th June 2012. Enterprise Ireland supports companies both directly through the provision of financial supports and non-financial support through our office network, and indirectly by helping to build the wider enterprise infrastructure through our work with the Seed and Venture Capital Community and the Banks and our work with the Research Community. The total budget available to Enterprise Ireland in 2011 was €336m and which can be broken down as set out in Table 1 (comparisons for 2010, and 2012 estimates are also provided).

Table 1:

Allocation of Funds	2010	2011	2012 (estimates)
Direct Financial Support to Client Companies ¹	€239m ² (51.5%)	€122m (36.3%)	€118m (35.3%)
Seed and Venture Funds	€16m (3.5%)	€20m (6.0%)	€30m (9.0%)
Funding for 3 rd level R&D	€65m (14.0%)	€71m (21.1%)	€67m (20.0%)
Funding for external bodies	€55m (11.8%)	€40m (11.9%)	€37m (11.1%)
<i>Operating Costs</i>			
Costs relating to direct client engagement activity/services	€77m (16.6%)	€74m (22.0%)	€73m (21.9%)
Administrative support	€12m (2.6%)	€10m (2.9%)	€9m (2.7%)
Total	€464m	€336m	€334m

- **Direct financial support** to client companies includes grants and equity investments. This support provides critical risk capital to start up companies at an early stage and supports the development and expansion of more established companies.
- By allocating funding towards **Seed and Venture funds** Enterprise Ireland helps to increase the availability of seed capital for start ups and venture capital for established companies.
- **Funding provided for 3rd level R&D** helps the research community to turn academic research into commercial opportunities and thus helps to create jobs.
- **Funding for external bodies** that is allocated through Enterprise Ireland includes funding for the County and City Enterprise Boards, Crafts Council of Ireland and Business Innovation Centres.

¹ This category also includes funding administered by Enterprise Ireland on behalf of the Department of Agriculture, Food and the Marine, in respect of the Dairy Investment Fund, the Beef and Sheepmeat Investment Fund and the Food Competitiveness Fund.

² The 2010 figure in respect of Direct Financial Support includes significant expenditure made under two programmes, the Enterprise Stabilisation Fund, and the Employment Subsidy Scheme which was administered by EI on behalf of DJEI.

- **Provision of client services and direct client engagement activity** include
 - Our Overseas Office Network
 - Our Science and Innovation staff working with 3rd level research institutes and companies to help commercialise research and
 - Our Global Business Development teams working on programmes and services for clients
 - Our HPSU teams working with start-ups
 - Our Regional Network
- **Administrative support** covers the cost of Enterprise Ireland's corporate services such as finance, internal administration, IT, HR etc.

Table 2:

EI Pay and Non-Pay Costs	2010	2011	2012 (estimate)
Payroll	€65m	€63m	€60m
Non Pay costs	€29m	€27m	€26m
Total	€94m	€90m	€86m
EI Headcount (as of December, Yr on Yr)	828 (-9.4%)	797 (-3.75%)	742 (-6.9%)

Payroll and non-pay costs have decreased over the three period (2012 costs are estimated), which is also in line with the reducing head count of the organisation. The change in head count since the commencement of the public sector moratorium on recruitment has been a reduction of 18.8% - almost a fifth of the staffing of the agency.

Value for Money/Programme Evaluation

Enterprise Ireland is committed to ensuring that all of its key programmes are reviewed in terms of efficiency, effectiveness and impact, in conjunction with the Department of Jobs, Enterprise and Innovation, and Forfás. In 2011, Forfás carried out work to develop a framework to ensure consistency of approach and to inform enterprise evaluation methodologies. Following on from this work, Forfás was requested by DJEI to undertake an evaluation of the comprehensive suite of enterprise support programmes provided by the enterprise development agencies. In 2012, Forfás carried out a major evaluation study on the enterprise supports for start-ups and entrepreneurship, covering programmes such as Enterprise Ireland's HPSU programme and HPSU feeder programmes (Enterprise Start programmes) as well as the CEBs Start Your Own Business (SYOB) programme. Enterprise Ireland also commissioned a review of the Mentor programme.

Forfás are currently carrying out a second major study of the State's RD&I interventions, covering a number of Enterprise Ireland initiatives in R&D, such as the R&D Fund and Innovation Partnerships Programme. A similar review of Business Development programmes which are largely focused on established clients is also planned for 2013, while Enterprise Ireland will also commission a review of the Technology Centres initiative.

From a project appraisal perspective it is important to note that extensive due diligence is employed across all aspects of Enterprise Ireland investment projects (i.e. market, commercial, capability, technology assessments). Enterprise Ireland value for money measures include the use of cost-benefit modelling for significant projects.

Conclusion

Enterprise Ireland client companies, located in every county in Ireland, continue to make a substantial economic impact at a critical time in the State. Enterprise Ireland is keenly focused on its ongoing mission to support companies and support employment creation, and moves forward into 2013 with the objective of playing a central role in the implementation of the 2013 Action Plan for Jobs which will be published shortly.

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