

**Committee of Public Accounts - Briefing Statement**

**12<sup>th</sup> February 2015 - Enterprise Ireland Annual Report and Accounts 2013**

**Introduction**

Our vision is that Irish enterprise will be a powerhouse of economic growth and job creation. The manufacturing and internationally traded services 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.

We help companies throughout Ireland to start and scale, innovate and remain competitive on international markets, now and in the future.

In order to help our clients achieve this, Enterprise Ireland uses a developmental approach across all aspects of clients' needs, including business development, sales and marketing capabilities, innovation and R&D activity, technology development, continuous competitiveness and lean improvements, leadership and management development, and access to finance.

Recognising the diversity of the Enterprise Ireland client base, our supports are tailored to reflect companies' stage of development. This ensures that all of our clients, from Entrepreneurs and Start-Ups, to exporting SMEs and scaling companies, can access the appropriate supports to help them to create and sustain jobs.

The active support of the Department of Jobs, Enterprise and Innovation is vital to our ability to execute our strategy with Irish companies. EI works with a range of Government Departments such as Foreign Affairs and Trade, and Agriculture Food and Marine, to deliver supports for the internationalisation and growth of Ireland's enterprise sectors, particularly in the context of the Action Plan for Jobs. Similarly, the collaboration of agencies, including IDA Ireland, Bord Bia and Science Foundation Ireland is critical to supporting growth in the Irish economy.

While it is understood that the focus of the Committee's session is on the Enterprise Ireland Annual Report and Accounts 2013, it is appreciated that Members will have

an interest in developments during 2014 and updates have been provided throughout this document. Enterprise Ireland's Annual Report for 2014 is scheduled to be published during Quarter 2 of this year.

### **Job Creation**

Enterprise Ireland reported that Enterprise Ireland supported companies created 18,033 new jobs in 2013. This resulted in a net increase of 5,442 in the number of people employed by Enterprise Ireland supported companies, the highest net gain for Irish companies in the preceding decade and this was primarily due to the strong export performance of Enterprise Ireland client companies.

**Update for 2014:** In January we reported that Enterprise Ireland client companies created 19,705 new jobs in 2014.

These companies continue to see year-on-year jobs growth in 2014 they created 8,476 net new jobs - the highest net gain in the history of the agency. This employment growth demonstrates the direct impact that increasing exports has on jobs in Ireland. Enterprise Ireland supported companies now directly provide employment for 180,072 people, comprising 156,202 full-time and 23,870 part-time workers.

In terms of their overall contribution to the economy, Enterprise Ireland clients account for over €20 billion in expenditure in the Irish economy and support more than 300,000 jobs (direct and indirect) in Ireland – this is equivalent to approximately 16% of the total workforce.

Enterprise Ireland through its Centre of Excellence, also provides backup support, training and guidance to the 31 Local Enterprise Offices formally launched in April 2014, supporting start-ups and small business across Ireland. The LEO network works with in the region of 1,000 job creation projects each year, and has a client base employing more than 20,000 people.

The outlook for new job creation in 2015 is positive and Enterprise Ireland's focus will remain on ensuring that our clients have access to all of the necessary supports required to build on this momentum. This focus, coupled with our priority to support entrepreneurship across the regions, and develop strong, export focussed, ambitious Irish companies that can win new business, will mean more jobs for Ireland over the next 12 months.

## **Enterprise Ireland's Main Areas of Activity**

### **1. Driving Export Growth in Client Companies**

Above all else, Enterprise Ireland's objective is to start and grow world-class Irish enterprises, targeting global markets. For companies to create and sustain jobs, they need to grow their sales – and for a small economy like ours, growth in export sales is crucial.

With total exports exceeding €17.1bn in 2013, Enterprise Ireland's clients exported more than at any time in the history of the State. The Department of Foreign Affairs and Trade, the Department of Jobs, Enterprise and Innovation, and the Export Trade Council on which Enterprise Ireland is represented, are key stakeholders in the national drive to increase trade.

The Food and Drinks Sector was a key contributor to the growth of Irish exports during 2013, with growth of 9.6% 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.

Growth however, was strong across all of Enterprise Ireland's key sectors including Software and Services, Lifesciences, Engineering, Electronics and Cleantech, with growth for the total client base reaching 8% in 2013.

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 international offices connects thousands of Irish companies to customers worldwide. Responding to evolving market opportunities identified for our clients, in August 2013, Government approved our recruitment of 20 additional staff in high-growth markets. In September of that year, we announced the opening of new offices in Istanbul, Turkey, and Austin, Texas, USA. In tandem with the development of our network, the number of ministerial-led trade missions coordinated by Enterprise Ireland went up from eight in 2011, to 16 in 2012, and 18 in 2013, with an extensive programme designed to build on export growth in markets where Irish companies are strong and to open doors in new, high-growth markets.

**Update for 2014:** 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 2014. During the year our overseas and Irish high growth markets teams continued to work intensively with our clients.

Following a weaker global environment than expected in 2014, global growth is expected to strengthen moderately (3.8%) in 2015 (Source: IMF). Enterprise Ireland clients' two biggest markets, the UK and US, are expected to continue to grow strongly. However, increasing downside risks, including the ongoing weakness in the Euro area, could impact on global growth. Special efforts are being targeted at developing client exports in High Growth Markets (HGMs). Taking all of this into account we expect our survey of clients to confirm later this year that exports exceeded €18bn in 2014.

Supporting this, Enterprise Ireland assisted clients secured more than 1,300 new customers and significant contracts (40% of new customers in HGMs), and our clients established 455 new presences in international markets (45% in HGMs). In addition we worked with early stage HPSU companies to help them secure 131 new international reference customers. We brought 907 international buyers into Ireland to encourage them to source from Irish companies. The agency also further expanded its footprint in 2014, in growing markets such as Abu Dhabi and Western Australia.

Lastly, more than 1,000 client companies took part in the 18 minister-led missions and a further 67 international events in major target markets in North America, Europe, Asia, the Middle East, and Latin America. The role of Trade Missions in opening doors for our clients in challenging markets, and ensuring that the right business introductions are made, is critical to the success of Irish companies overseas.

Scaling companies through exports is a key pillar of Enterprise Ireland's Strategy out to 2016 and will be essential to maximising the job creation potential of our clients.

## 2. Start-Up Companies

Starting and growing world-class businesses is at the core of our strategy and a significant amount of our supports are geared towards preparing and helping entrepreneurs all over the country set up global start-ups. In 2013, Enterprise Ireland invested in 103 new High Potential Start Up companies and also provided critical funding to 85 early stage entrepreneurs under its Competitive Start Funds. These companies come from a wide range of sectors including key areas that the Government has targeted for growth, including financial services, ICT, games, pharmaceuticals and medical devices.

The momentum of new initiatives and supports for entrepreneurship and business continued throughout 2013.

- €250,000 Competitive Feasibility Fund for Female Entrepreneurs aimed at continuing to significantly boost the number of high potential female-led business start-ups.
- Access Silicon Valley - an initiative designed to fast-track early-stage Irish tech companies who are targeting Silicon Valley and San Francisco.
- SPRINT - an initiative designed to help the founders of start-up companies in the digital content sector to shorten the timescale from product development to paying customers.
- €375K Competitive Feasibility Fund aimed at stimulating new start-ups or expansion of existing business activity in the Aviation sector.

**Update for 2014:** Enterprise Ireland committed to investment in 102 new High Potential Start Up companies. Our Competitive Start Funds which provide critical very early stage funding were awarded to a further 81 companies.

The start-ups we invested in came from a wide range of sectors including key areas that the Government has targeted for growth: Financial Services, ICT, Games, Software, Cloud-based Technologies, Agritech, Travel, e-tailing, Healthcare and Wellness, Food, Medtech and Pharma. Of particular note were the number of graduate entrepreneurs applying for competitive funds and graduate entrepreneur competitions.

A record number of food HPSUs (eight) were supported in 2014 and, in addition, the Food Works 3 (start-up) programme was launched with the highest number of applicants at 125. A level of 10% of high potential start-ups which Enterprise Ireland

invested in during 2014 originated from State-funded research carried out in Higher Education Institutes.

Since 2012, Enterprise Ireland has developed an integrated strategy to encourage more women to start innovative businesses with high growth potential. Our work in this area is greatly encouraged by the increased policy focus on ensuring that the under representation of women in the start-up ecosystem and across the Irish business community is addressed. We provide tailored supports aimed at increasing the level of female entrepreneurship, these include highlighting the many female role models leading successful businesses, competitive funds such as a Competitive Start Fund for female entrepreneurs, networking supports which recently saw the development of a web based networking programme for female c-level executives and the development of Female specific development programmes including Going for Growth. We are already seeing the positive impact of these measures - in total, 43 of the 183 start-ups supported were led by female entrepreneurs, which is an increase of female led start-ups supported by Enterprise Ireland of 250% over 2011. While this is great progress, we need to build on this momentum and continue to focus on this important issue.

Major initiatives during the year included:

- Four regional Competitive Feasibility Funds to help entrepreneurs in Louth, Monaghan, Cavan, Cork, Waterford, Wexford, Kilkenny and Carlow, and the Agri-Business sector to explore the feasibility of their innovative start-up ideas. To date we have received in excess of 100 applications.
- Two new Competitive Start Funds targeted at stimulating new start-up business activity for graduate entrepreneurs and the Aviation and Manufacturing sectors.
- A new competition to find Ireland's Best Young Entrepreneur was launched in association with the LEOs, with a total fund of €2million available to invest in winning businesses and entrepreneurs across every county in the country.

### **3. Capability and Skills**

The mix of dynamic growing Irish companies and leading MNCs in Ireland is creating an exciting pool of highly skilled people working in innovative areas. However, a key challenge facing many of the companies who have ambition to scale is the availability of skills. It is our role to understand our clients' skills needs and to work with the

higher and further education sector and other Departments and Agencies to develop an appropriate response that will work to fill any gaps.

Enterprise Ireland, through partners, 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 2013, 248 executives from client companies participated in significant management development programmes.

Furthermore, particularly in the short-medium term, programmes attracting critical skills to Ireland are central to ensuring the continued growth of Irish companies in tech and related sectors. IT's Happening Here, an industry initiative that is supported by Enterprise Ireland, is an example of a programme that has been successful in attracting talent to Ireland with clients successfully recruiting through an online portal and events. In terms of more long-term solutions, it is important to acknowledge the considerable efforts to increase the supply of skills such as Springboard, ICT conversion courses, JobBridge and Momentum. Our dedicated Client Skills Unit works closely with Government Departments and Agencies to raise awareness of these programmes and to share information of the specific skills gaps our clients are faced with. Areas where our clients are experiencing particular shortages include ICT, engineering and selling skills.

**Update for 2014:** In addition to the work we do on the wider skills agenda, Enterprise Ireland continues to run a number of flagship programmes focused on supporting leadership and management capabilities in Irish companies. In 2014 246 managers participated in these programmes. Key programmes include Leadership 4 Growth, International Selling Programme and Access Silicon Valley and in 2014 two new programmes were launched;

- Innovation 4 Growth was developed to meet the needs of ambitious and entrepreneurial Irish companies seeking to use innovation as a way to unlock opportunities in the marketplace.
- A pilot programme, Platform 4 Growth was launched which uses an innovative blended delivery model combining online and face-to-face delivery. Participants enjoy the traditional benefits of peer networking while also having greater

flexibility to custom design a learning package by mixing and matching modules that are best suited to their specific needs.

#### **4. 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 2013, a total of 143 lean projects were supported over the course of the year, including 20 significant Lean Transform projects, which focused on large-scale, extensive and holistic company transformations.

Under the auspices of the Presidency of the Council of the European Union, Enterprise Ireland hosted a “Driving Competitiveness” Conference in May of 2013. This conference saw over 360 delegates from Ireland, Europe and Japan come together and share their practical experiences of what does and does not work in the drive to achieve competitiveness in global markets. Clients of all sizes engage with the Lean programme at a level that meets their individual needs and aspirations.

**Update for 2014:** The Lean Business offer has become a core Enterprise Ireland support to help client companies address their competitiveness challenges in a practical and positive way. In 2014 Enterprise Ireland supported 30 clients to attend the Toyota Benchmarking event in IBEC in February. In addition, 49 clients attended the Toyota Lean Programme in Wales in February, April and May. By year end, 66 companies had been approved for Lean Start Projects, 37 had begun Lean Plus assignments, and 21 companies committed to significant projects targeting business transformation under the Lean Transform support initiative.



## **5. 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 their growth.

A commercially driven and dynamic Irish venture capital sector is an essential part of the ecosystem required for the growth of high-tech and innovation focused companies in Ireland. It is also an increasingly important source of funding for established mid-size companies looking to expand and grow the business. Consequently, the State has invested, through Enterprise Ireland, in the venture capital sector over the past 20 years, creating the conditions for the range and depth of Funds we have in Ireland today.

In 2013 the Government launched the 4th Seed and Venture Capital Scheme (2013-2018) valued at €175m. This scheme is aimed at providing additional funding for high-growth Irish companies with the potential to generate large amounts of additional export sales and grow jobs. This new scheme will continue to attract significant funding from the private sector, which will mean a multiple of the State's funding being available for investment over the lifetime of the scheme. We are seeing a continued upward trend in the level and value of activity in venture capital funds supported under Enterprise Ireland Seed and Venture Capital Programmes. In 2013 these Funds made investments with a value of €59 million in 94 Irish-based companies, representing a significant increase on the €54million invested in 84 Irish companies in 2012 under the scheme.

These investments are supported by the Department of Jobs, Enterprise and Innovation through Enterprise Ireland. The capital under management through Enterprise Ireland's Seed and Venture Capital Programme 2007-2012 has now reached close to €700 million. Cumulatively over the lifetime of this scheme 50% has been invested in the software sector and 35% in the life sciences sector.

This work builds on the earlier programmes of Seed and Venture Capital Investment, and the introduction of Innovation Fund Ireland and Development Capital Funds targeting different parts of the growth financing spectrum for Irish companies.

Business angels have a role to play in the start-up ecosystem, providing both a source of capital and expertise to investees. To improve the access to this source of finance for SMEs, Enterprise Ireland part funds the Halo Business Angel Partnership (HBAP) for business angels and the Halo Business Angel Network for angel syndicates. The HBAP network matches pre-screed investment opportunities in start-up enterprises with registered investors and is managed by the four Business Innovation Centres on a regional basis. In 2013 a total of €4.5m was invested through 29 deals.

**Update for 2014:** The first fund under the Seed and Venture Capital Scheme 2013-2018 to close and launch has recently been announced - Fountain Healthcare Partners Fund II is an €85m fund that will target the Life sciences sector. The balance of the funding under the 2013-2018 Scheme will be committed under future competitive calls for expressions of interest and will be targeted at those sectors needing venture capital financing and are crucial to the delivery of Enterprise Ireland's strategy for the growth and scaling of Irish companies. Under the Action Plan for Jobs 2014, Enterprise Ireland launched an industry consultation to help identify target sectors and gaps still to be addressed through new VC Funds.

The remaining fund managers are currently fundraising and Enterprise Ireland will announce the names of the funds when fundraising is complete, and it is expected that the remainder of the funds committed to, will reach closes in 2015.

On the banking side, important developments are underway and expected in relation to working capital for exporters. There is a need for the system to continually assess international developments and the needs of Irish Enterprise to ensure our SMEs remain internationally competitive. Different profiles of companies across different sectors need different solutions. The Department of Finance and the Department of Jobs, Enterprise and Innovation, as part of Budget 2015, are rolling-out an integrated export finance strategy in 2015 with financing products and platforms being developed by the Strategic Banking Corporation of Ireland and the Ireland Strategic Investment Fund in conjunction with Enterprise Ireland. This is to be welcomed and this joint approach reflects the ongoing cooperation between both Departments and their respective agencies in the context of the State Bodies Group.

## 6. 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 2013 Enterprise Ireland provided support of €100,000 or more for 107 companies to develop new technologies and processes that will lead to job creation and increased exports. In 2013 858 client companies were engaged in significant R&D in 2013 (€100k+ p.a.), with 139 companies undertaking R&D projects with an associated spend of €1m+ p.a.

**Update for 2014:** A total of 97 R&D projects were supported with funding greater than €100,000 during 2014. 2014 also saw more than 2,000 entrepreneurs, industry representatives, researchers and potential investors attending the first national Innovation Showcase organised by Enterprise Ireland on behalf of the Department of Jobs, Enterprise & Innovation in close co-operation with IDA Ireland and Science Foundation Ireland.

### **Research Collaboration**

In addition to in-company support, a major aspect of Enterprise Ireland's work is to extract maximum value from Ireland's research system – the objective is to secure commercial purpose, leading to jobs and sales, for technologies and ideas developed in Irish research institutions. Enterprise Ireland provides a range of supports to help companies to engage with third level researchers to undertake collaborative research and development for the benefit of the company. In this way Enterprise Ireland helps to unlock the skills and expertise of higher level research so that companies can access solutions to their challenges and thus improve their competitiveness.

The Technology Centre programme, which Enterprise Ireland runs jointly with IDA Ireland, is Ireland's largest initiative to support industry-led research, development and innovation. These Centres focus on identifying new sources of industrial growth

and job creation and achieving competitive advantage for industry in Ireland by accessing and leveraging the innovative capacity of the Irish research community.

The programme was expanded in 2013 with the launch of the ARCH (Applied Connected Health Research) technology centre, and plans were put in train for new technology centres targeted at supporting the Pharmaceutical Manufacturing and Financial Services sectors. In 2013, a total of 326 Irish based companies were actively involved 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 527 were redeemed between academia and industry in 2013), as well as EI's Innovation Partnership programme.

In 2013, 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), was a €50bn, seven-year programme, which ran from 2007 to 2013. Our staff worked 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. By the end of 2013 over €600m of non-exchequer funding had been secured for Ireland from schemes such as Europe's Framework Programme since 2007.

**Update for 2014:** Two new Technology Centres were launched in 2014 for the benefit of Irish industry. Built jointly with 40 companies based in Ireland, these Centres will support the Pharmaceutical Manufacturing and Financial Services sectors. A third centre, the Dairy Processing Technology Centre (DPTC) was developed in 2014 and launched last week (2<sup>nd</sup> February 2015) to capitalise on this important economic area. A total of 525 Innovation Vouchers were redeemed by small companies in 2014.

FP7's successor programme, Horizon 2020, is the new instrument launched in 2014 which supports collaborative R&D in Europe and provides an important source of non-exchequer funding for companies and academics. Its budget of over €70B and Ireland's national target of €1.25B ensures that there is an even greater opportunity for Irish participants in the new scheme. Enterprise Ireland continues to lead the Horizon 2020 National Support Network in order to secure as much Irish engagement with this funding programme as possible.

### **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 building the Technology Transfer infrastructure within the Universities. This initiative, which commenced in 2007, supports a network of dedicated staff with a commercialisation-support remit within third-level institutions. Knowledge Transfer Ireland (KTI), a central Technology Transfer Office, was established in 2013 and now plays a key role in the Irish innovation system by providing a responsive interface between companies and the wealth of technology, skills and "know-how" available in the higher education system.

Commercially relevant research centres have also been established in Institutes of Technology, and Campus Incubation facilities which act to support new technology companies in their formative years, now exist on every University and Institute of Technology campus in the country.

These supports and systems facilitated the transfer of 119 pieces of commercially valuable technology to industry in 2013 and the creation of 34 new high technology spin-out companies.

**Update for 2014:** In 2014 a pilot initiative commenced with the signing of a collaboration agreement between Enterprise Ireland and the Mayo Clinic. This agreement will see the commercialisation of up to 20 novel medical technologies in Ireland over the next 5 years with the aim of creating several high value medical technology spin-out companies. Enterprise Ireland will support this pilot through the Commercialisation Fund.

More than 160 commercially relevant technologies transferred to industry 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 66 commercialisation projects under its Commercialisation Fund in 2014.

## **7. 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, 117 centres have been set up across the country. Approximately 1200 companies and 6,000 jobs are supported by these Centres around the country.

During 2013, Enterprise Ireland worked intensively with the Department of Jobs, Enterprise and Innovation on preparation for the launch of the Local Enterprise Office network of support.

**Update for 2014:** The launch of the thirty-one Local Enterprise Offices (LEOs) in April 2014 represented a major commitment by Government to support entrepreneurship, micro enterprise and small business throughout the country. Enterprise Ireland through its Centre of Excellence, provides support, training and guidance to the thirty-one LEOs to ensure a professional and consistent level of support is provided to all start-ups and small business. Significant progress was made during 2014, priorities for continuing the integration process in 2015 include gathering customer and client service feedback and finalising the development of local enterprise plans and metrics.

With two-thirds of EI clients' employment outside of Dublin, regional development is a key element of Enterprise Ireland's 2014-2016 Strategy. Our role in this space is to drive and nurture regional enterprise all the way from an originating idea at local level, to the high potential start-up companies taking-on global markets. Our regional development supports include the following: Prospecting for a pipeline of early stage start-ups and high potential start-ups; Working with established clients and potential exporters in the regions to maximise job creation potential and to support internationalisation; Working with the higher education sector to further strengthen

the innovative capability of companies based in Ireland and support the commercialisation of research; Working with the LEOs, Community Enterprise Centres, IDA Ireland and others to enhance the ecosystem supporting enterprise in the region.

Enterprise Ireland's regional enterprise strategies are currently in development and we are working closely with DJEI as they develop a whole of Government approach to regional enterprise development. A Regional Enterprise Forum with 120 people from the public and private sector was hosted in the Midlands in December as part of the development of this new approach. The Midlands strategy is now nearing completion and the process will be refined and rolled out in all remaining regions this year.

## 8. 2013 Annual Accounts

Enterprise Ireland's Annual Accounts for 2013 were signed off by the Comptroller and Auditor General on the 27<sup>th</sup> June 2014. This section provides a summary of the detail available in the accounts for 2013. Enterprise Ireland supports companies both directly through the provision of financial supports and non-financial services and support, and indirectly by helping to build the wider enterprise infrastructure through our work with the Seed and Venture Capital community and our work with the Research community. The total budget available to Enterprise Ireland in 2013 was €321m (€333m in 2012) and can be broken down as set out in Table 1, comparisons for 2012, and 2014 (provisional estimates only) are also provided.

<b>Table 1: Allocation of Funds</b>	<b>2012</b>	<b>2013</b>	<b>2014 (estimates)</b>
Direct Financial Support to Client Companies <sup>1</sup>	€118m (35.4%)	€107m (33.3%)	€108m (31.9%)
Seed and Venture Funds	€30m (9%)	€33m (10.3%)	€46m (13.6%)
Funding for 3 <sup>rd</sup> level R&D	€67m (20.1%)	€69m (21.5%)	€70m (20.7%)
Funding for external bodies	€37m (11.1%)	€36m (11.2%)	€40m (11.8%)
Costs relating to direct client engagement activity/services	€71m (21.3%)	€66m (20.6%)	€66m (19.5%)
Administrative support	€11m (3.3%)	€10m (3.1%)	€9m (2.7%)
<b>Total</b>	<b>€333m</b>	<b>€321m</b>	<b>€339m</b>

<sup>1</sup> 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.

- **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 3<sup>rd</sup> 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 (now Local Enterprise Offices), Design and Crafts Council of Ireland and Business Innovation Centres.
- **Provision of client services and direct client engagement activity** include
  - Our Overseas Office Network – providing assistance to Irish exporters in their push to secure new customers and develop new markets
  - Our Science and Innovation staff working with 3<sup>rd</sup> level research institutes and companies to help commercialise research and increase the innovation capability of Irish-based firms
  - Our Global Business Development teams working on programmes and services for clients and their growth plans
  - Our HPSU teams working with start-ups – to assist them to start, secure finance, scale and internationalise
  - Our Regional Network – working with local and regional economic stakeholders to support regional development
- **Administrative support** covers the cost of Enterprise Ireland’s corporate services such as finance, internal administration, IT, HR, supporting the work of colleagues in client services and direct client engagement activity.

<b>Table 2: EI Pay and Non-Pay Costs (€'000k)</b>	<b>2012</b>	<b>2013</b>	<b>2014 (est.)</b>
Payroll	59,436	56,157	55,494
Non Pay costs	26,770	24,889	22,971
<b>Total</b>	<b>86,206</b>	<b>81,046</b>	<b>78,465</b>
<b>EI Headcount (as of December, Yr on Yr)</b>	<b>742</b>	<b>730</b>	<b>722.5</b>



### **Looking at a number of key trends between 2012 and 2013:**

- Financial Supports to Industry (note 4 to the financial statements) decreased by €8.6m. Enterprise Ireland supports to Industry increased by €6.8m while Funds Administered by EI on behalf of Third Parties decreased by €15.4m. The main reasons for the increases/decrease are:
  - Direct grant payments to Companies ( Employment, Capital, Training, Feasibility and R&D grants) increased by €3.6m
  - Payments to 3rd level Institutes towards Collaborative / Commercialisation research increased by €1.9m
  - Marketing and Knowledge Transfer support increased by €1.3m
  - Payments to the County and City Enterprise Boards decreased by €0.7m
  - Payments under the Dairy Investment Fund decreased by €11.7m (the last payment was made in 2012)
  - Payments under the Beef and Sheep meat Investment Fund decreased by €3.0m
- Equity investments in shares accounted for €32m in 2013 (-€1.9m on 2012) – Enterprise Ireland invests in its client companies’ business plans, with a primary focus of supporting new high potential start-ups. These investments are often characterised by higher degrees of risk, given the early stage nature of the projects, but are set in the context of company starts, growth in jobs and exports in the Irish economy.
- Enterprise Ireland has made significant savings in operating costs over the past six years. Payroll costs have reduced from €70.3m in 2009 to €55.5m in 2014 (Provisional Outturn), a reduction of €14.8m or 21%.
- Similarly, non-pay costs have reduced from €30.7m in 2009 to €23m in 2014 (provisional outturn before year end accruals), a reduction of €7.7m or 25%. Savings were achieved across all expense headings.
- Headcount in the agency has fallen by 36% in net terms (net of additions e.g. Shannon Development), since 1998, or 21% since March 2009.

### **Value for Money/Programme Evaluation**

Enterprise Ireland is committed to ensuring that all of its programmes are reviewed in terms of efficiency, effectiveness and impact – the agency is keenly aware of the responsibility it has to citizens and government to ensure the State’s investment in Irish enterprise is yielding the maximum economic return possible. This involves the

carrying out of major programmes of evaluation, both in conjunction with the Department of Jobs, Enterprise and Innovation Strategic Policy Division (formerly Forfás) and key liaison units, as well as commissioning independent evaluations.

The Strategic Policy Division, for example, is undertaking an evaluation of all enterprise agency programmes. These evaluations were undertaken in line with the Forfás evaluation framework, informed by international best practice;

- The evaluations assess the appropriateness, effectiveness and efficiency of each programme: in its own right; in relation to other programmes (as applicable); and in the policy/system context.
- The evaluations are being undertaken across three main thematic areas
- Start-ups and entrepreneurship
- RD&I supports – focused on those that have a touch point with companies (does not include all academic research/health research)
- Business development (capacity building, productivity, management development etc.).

Enterprise Ireland is focused on taking the lessons and recommendations from the broad programme of evaluations undertaken to improve our offer to client companies.

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**

I would like to express my appreciation to all the Government departments that supported Enterprise Ireland throughout 2013, 2014, and who continue to do so: our parent Department, the Department of Jobs, Enterprise and Innovation; the Department of the Taoiseach; the Department of Foreign Affairs and Trade; the Department of Finance; the Department of Agriculture, Food and the Marine; the Department of Education and Skills; the Department of Public Expenditure and Reform; the Department of Communications, Energy and Natural Resources, the Department of Social Protection and the Department of the Environment, Community and Local Government.

Gratitude is due to all the organisations that have worked in partnership with Enterprise Ireland, including IDA Ireland, the higher education institutes, the County and City Enterprise Boards (now the Local Enterprise Offices), Science Foundation Ireland, Bord Bia, Teagasc, Bord Iascaigh Mhara, Údarás na Gaeltachta, SOLAS, the Higher Education Authority, the Local Education and Training and Education Boards, Skillnets, and other state agencies and industry associations. I would also like to acknowledge the close working relationships between Enterprise Ireland, Invest Northern Ireland and InterTradeIreland.

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 2015 with the objective of playing a central role in the implementation of the Action Plan for Jobs.

The last two years have seen record employment gains and the highest level of exports ever achieved. All our key indicators are suggesting that employment and export growth is set to continue, and there is a strong pipeline of start-up and expansion projects coming through. It is for this reason, despite the potential for economic risks to encroach on our positive outlook, Enterprise Ireland has the most ambitious targets for any three year period in the history of the agency, in terms of jobs, exports and start-ups. A significant focus for the medium term is scaling our client companies – working with them to achieve international success which drives their growth in Ireland – so that we can even further help to address the unemployment challenge which persists, regrettably, in our country.

Working to achieve this over the next few years will require us to implement a strategy which involves changing how we work with our clients, implementing a new resourcing plan to deliver fully against Irish companies' growth needs, and continuing a drive for effectiveness and impact which reflects the importance of the investment we are responsible for on behalf of the Irish people. Our key focus areas for the coming term will be:

- Driving Entrepreneurship and Start-Ups
- Scaling Irish Enterprise across all sectors and stages of growth

- Developing Ireland's Market-Driven Research and Development Capabilities
- Accelerating Regional Enterprise Development

I and my colleagues look forward to assisting the committee in its work on the 12<sup>th</sup> February next.

Julie Sinnamon

Chief Executive Officer, Enterprise Ireland

**5<sup>th</sup> February 2015**

**END.**