

# DÁIL ÉIREANN

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## AN COMHCHOISTE UM FHORBAIRT TUAITHE AGUS POBAIL

## JOINT COMMITTEE ON RURAL AND COMMUNITY DEVELOPMENT

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*Dé Céadaoin, 3 Deireadh Fómhair 2018*

*Wednesday, 3 October 2018*

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The Joint Committee met at 10 a.m.

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### MEMBERS PRESENT:

Deputy Seán Canney,	Senator Paudie Coffey,
Deputy Michael Collins,	Senator Maura Hopkins,
Deputy Martin Kenny,	Senator Grace O'Sullivan.
Deputy Éamon Ó Cuív,	
Deputy Niamh Smyth,	

In attendance: Senator Frances Black. .

DEPUTY JOE CAREY IN THE CHAIR.

*The joint committee met in private session until 10.55 a.m.*

**Pobal: Chairperson Designate**

**Chairman:** I remind members, staff, witnesses and those in the Visitors Gallery to turn off their mobile phones which, as they are aware, interfere with the sound system. For the information of witnesses, it is important that there is nothing lying on top of the microphones. The submissions, opening statements and any other document supplied by the witnesses to the committee in advance will be published on its website after the meeting.

By virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to the joint committee. However, if they are directed by it to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person or entity by name or in such a way as to make him, her or it identifiable.

Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the Houses or an official, either by name or in such a way as to make him or her identifiable.

First, we will engage with the chairman designate of Pobal. In accordance with the guidelines in place for the appointment of chairpersons to State boards and bodies, the joint committee welcomes the opportunity to meet the chairperson designate to hear his views on the approach he will take to his role as chairman, the future contribution of Pobal and his strategic priorities for the role. Later in the meeting we will hear from the chief executive office of Pobal.

On behalf of the committee I welcome Dr. Deiric Ó Broin and invite him to make his opening statement.

**Dr. Deiric Ó Broin:** Good morning Chairman. I thank the Chairman for his invitation to address the joint committee today.

Let me begin by telling the Chairman and members about myself. I was raised in the 1970s in the then small rural village of Dunboyne, County Meath. I went to local schools and like many, was among the first generation of my family to access third level education. The community I come from is part not just of who I am, as community is a large part of my life's work professionally, as a volunteer and as an activist. For me Pobal is not simply a professional interest, though I promise to bring the highest standards to my new role.

Pobal is the continuity of community activism I believe in. I am privileged to be asked to lead it forward as Chairman, having served on the board since 2013.

For more than 25 years, I have worked professionally in local economic and community development. I have worked with local communities, with local development agencies including Leader, the Social Inclusion and Community Activation Programme, SICAP, and with local authorities. I teach at the Dublin Institute of Technology and I am an academic engaged in research. I am the chairperson of the All-Ireland branch of the Institute of Economic Devel-

opment, a member of the executive committee of the Irish branch of the international Regional Studies Association, and an adviser to the Irish Social Enterprise Network. Community development is my work, it is my world and it is my passion.

Community is about inclusion. It is about enabling activism. I am chairman of the Ballymun Town Civic Alliance and secretary of the north Dublin chamber of commerce. I am a member of Dublin's local community development committee and its social enterprise committee. I volunteer my time and for me, Pobal is a catalyst; community is its purpose. In 26 years, Pobal has developed in response to Government priorities. It adapted its skills to respond to changes and challenges. As chairman, my approach will be to provide leadership and oversight of the future strategy and policies, in particular on implementing Government policy on social inclusion and early years. Central to this is ensuring that internal controls and implementation are effective and that the CEO and Pobal management team have the direction and support required, while ensuring Pobal is lean, fit for purpose and responsive to the future needs of communities and stakeholders.

Looking to the future contribution of Pobal, I am very conscious we are responsible for managing significant amounts of taxpayers' money allocated by Government. A key strategic priority for me as chairman will be ensuring that Pobal continues to provide a highly effective service for managing Government grants and payments to communities. This must be underpinned by high standards in accountability, in financial management, and in the support we provide to all those with whom we work. Pobal manages a wide range of programmes and as a result it has built up specialist skills and systems to support its work. In recent years, the ranges of skills required has increased, with ICT, procurement, governance, accountability and more, becoming increasingly important. I am committed to Pobal continuing to develop and deepen its skills so that Ireland has a vehicle through which Government can confidently allocate funds to communities with the knowledge that the funds will be properly managed and the programmes delivered effectively.

Another key priority area for me is bureaucracy. I am acutely aware of changes in the regulatory environment for the organisations that Pobal supports. Personal experience of serving on many small boards means that I understand the need to ensure procedures are fair, proportionate and appropriate to the scale of funds allocated. This is not easy in a world where there is an expectation for increased governance, oversight and financial prudence. It is Pobal's policy to identify the minimum data requirements needed for effective administration, acknowledging that issues such as European level data requirements must be reckoned with. Pobal has made real inroads in this area in the last year, increasingly using online platforms to reduce red tape. The strategic plan for 2018 to 2021, to be launched shortly, identifies reducing bureaucracy for community organisations as a clear objective and the board and I will ensure this objective is met.

The policy changes I referred to earlier have seen a growth in early years services and Government investment has been particularly important in recent years. Pobal is working hard to support this growth. Further development of these services and especially the development and implementation of the affordable childcare scheme, will be a significant challenge for Pobal over the next two years. It is change we are committed to meeting and managing effectively.

I am proud to say that every day, in towns and villages across Ireland, there are Pobal staff on the ground working with communities delivering services locally to combat social exclusion. Pobal's commitment to social inclusion and to community development through working with local groups, agencies and childcare providers is what we do and what we are. As

chairman designate, I want to acknowledge the leadership and commitment to Pobal of every member of the board and in particular our outgoing chairman, Mr. Séamus Boland who has contributed enormously over the last seven years. I want to take this opportunity to thank him for his contribution and service. I also want to commend the work of the staff of Pobal, working alongside local and national community organisations to build stronger communities, support families, assist individuals and to nurture children every day. I am deeply honoured to have been nominated by the Minister for Rural and Community Development, Deputy Michael Ring, as chairman designate for Pobal. I am conscious of the responsibility I have undertaken and I come here today to present my credentials to the committee, to begin my work and to answer any questions members may have.

**Chairman:** I thank Dr. Ó Broin. Senator Coffey is first.

**Senator Paudie Coffey:** I welcome all the witnesses, especially Dr. Ó Broin, to this meeting. I have no doubt, having listened to the details of his curriculum vitae, that he has the vast experience that is required to lead Pobal over the next few years. Politicians may end up as policy makers and legislators but fundamentally, like Dr. Ó Broin, we come from our communities where we were activists. We were grounded in our communities and were working with those in most need. I acknowledge Dr. Ó Broin's attributes and look forward to him leading Pobal in the time ahead. It is not only his voluntary and community activism that I want to acknowledge but also his professional experience, his involvement at various levels with chambers of commerce, in academia and in social enterprise. I am impressed by his curriculum vitae and wish him well as he leads Pobal in the years ahead.

As chairman of Pobal, Dr. Ó Broin will have enormous responsibility. In 2017, Pobal allocated approximately €615 million to various development programmes and community projects around the country. I am delighted to hear that Dr. Ó Broin intends to have strong oversight and accountability in relation to how Pobal does its business. I have only one question for Dr. Ó Broin before wishing him well in his new role. In terms of the allocation process, as with so many governmental organisations and institutions, there is an historic way of doing business. Does Dr. Ó Broin have any plans to evaluate previous Pobal allocations to determine their impact on communities and to make any changes or reforms necessary on foot of that to maximise the impact of funding allocations across the various headings, including social inclusion, equality, assisting families and young people and so on? I look forward to Dr. Ó Broin's response and wish him well.

**Dr. Deiric Ó Broin:** I thank Senator Coffey. There are two distinct components to my answer. The first is that each individual programme will be evaluated on a regular basis to assess its impact. That is an ongoing process. The second element is more relevant to today's discussion. We recently carried out a feedback and engagement process with beneficiaries, communities and stakeholders on funds managed by Pobal. A number of issues were highlighted in terms of impact and we are actually working on implementing those at the moment. The board has taken a very strong role in taking on board the lessons from that feedback and engagement process. Bureaucracy is one of the issues that came up. We have to strike a balance between accountability for the allocation of public funds and the capacity of the organisations, groups and communities with which we work. We must try, to the best of our ability, to limit the bureaucratic overhead or burden. We are using technology to help in that regard and we are also redesigning some of our processes. The senior alert scheme is a useful example in this regard. That scheme is rolled out across the country and has been managed by Pobal for a number of years. It is a good example of a technical solution being delivered by Pobal and the Department

to reduce administration and delays in getting personal monitored alarms to the homes of vulnerable older people across Ireland. We can turn around requests for personal monitored alarms within 24 hours or less. Previously, depending on the individual's location, such requests could have taken a number of weeks to process.

The board serves on a voluntary basis and its members all come from local organisations. We bring that very particular experience to our work. The board is very strong and very keen to make sure that our experience informs the work of Pobal.

**Senator Paudie Coffey:** I am glad that Pobal is looking at this because as times get busier, it gets harder and harder to find volunteers in communities who can commit the time required to stay with projects. We need a certain resilience. We get a lot of people presenting with nice ideas and nice projects but to actually deliver such projects on the ground, we need people to commit and stay with them through their development and into their achievement and delivery. I have been involved in both local and national politics for almost 20 years. Like Dr. Ó Broin, I grew up in the 1970s and have seen the ups and downs in various communities. I represent a rural constituency and know that local volunteers are finding it harder to deal with high levels of bureaucracy. Some people call it bureaucracy while others may call it accountability and there is a balance to be struck here. Of course we all want good governance but we can overdo the bureaucracy to such an extent that it becomes a barrier for local communities. They get frustrated and scared by it and do not have the time to commit to it but Dr. Ó Broin seems to recognise that, which I acknowledge and welcome. We must ensure the programmes that are available through Pobal are accessible, especially to more vulnerable, isolated and disadvantaged communities. We must support such communities in accessing supports, grants, funding and professional expertise. I am delighted to hear Pobal is examining and evaluating ways to lessen the bureaucracy or accountability involved for community projects, and that is not to take from the need for proper governance. We all have to learn from the mistakes of the past. We must acknowledge mistakes were made. Where public funds are being expended, they must have as positive an impact as possible. We must strike the right balance, make such funds accessible and allow communities know that there is support available without scaring them away with over-burdensome bureaucracy, form filling and all the rest of it.

**Deputy Martin Kenny:** I thank all the witnesses, particularly Dr. Ó Broin, for attending this morning. I echo Senator Coffey's comments on the bureaucracy and difficulties community projects find in meeting the very high bar that has been set around accountability for many of them. That point is regularly raised with us. The issue seems to have become more burdensome in recent years. I have dealt with many community projects during the years and I know Paul Skinnader quite well from the past. The issue that seems to have come more into focus now is that it is all about ticking boxes and checking. Many people involved in community projects find that when they apply for a relatively small grant the level of accountability around it is not proportionate to the amount of money they receive. A person working in a community project said to me recently that all the people working in the community trying to get things done are just an excuse for other people to have good jobs, to go around checking on them, rather than delivering for them. I am not saying that is the case but that is an experience people have and they reflect that back to us.

Pobal carries out the role it has been given by the Department. I refer to the article 48 checks that are carried out around the country. The Department advises it that they must be done in a certain way. How does Dr. Ó Broin find the Department to deal with in that respect? I understand responsibility for those checks will be moved from Pobal to the local authorities

soon. There are 28 local authorities covering rural areas around the country. How will they be trained to do that work which is now being done by one single body nationally, namely, Pobal? I live in Leitrim and the local authority there is under stress and pressure to do the work it does every day and now it will have the additional role of carrying out these checks. What level of training and capacity building will there be in the local authorities to carry out these checks?

Is the reason for that transfer of such responsibility that Pobal recognises the risk involved in such checks? For example, if Pobal says a project in south Kilkenny is doing very well and that everything is above board and then an inspection service of the Department of Agriculture, Food and the Marine does another check and finds something wrong, is Pobal concerned it will be held responsible because it passed the check on the project? Is that the reason Pobal is passing the responsibility for these checks to the local authorities, or is it considered that role is more appropriate to the local authorities? If the latter is the case, why did the local authorities not have that role from the start?

Another area is the childcare sector. I visited a childcare facility in recent weeks and the issue of the financial checks they have to go through was raised with me. It is appropriate that childcare facilities are checked to see what way they are running their businesses. However, people can call to a childcare facility without notice at 9.30 a.m. and say they want to carry out a financial check. The difficulty with such a check is that the people running the facility must also comply with the regulations on the other side and ensure they have the appropriate number of staff in place for the number of children for whom they are caring. A member of staff may have to spend a day with an officer from Pobal checking through the books when that staff member should be looking after children. If, on the same day, an official from the other side of the regulations were to arrive to check on that aspect, the childcare facility would be found to be out of kilter in terms of its responsibilities. I have checked the position north of the Border where the same regulations are in place and a childcare facility is given three to five days notice of the carrying out of such a check. That means they can organise to have staff in place to ensure they have the necessary cover.

What has been the cost to date for Pobal to carry out the article 48 checks? It has been doing those checks for three years. How will that cost be borne by the local authorities? How much training on the carrying out of those checks will local authorities get?

Another issue is the level of wages paid to people who work in community projects. I know that is not directly the responsibility of Pobal. For example, people who are highly qualified in the childcare sector have very poor wages. That same applies to workers in all the community projects around the country. The maximum they can be paid is €8.65 an hour but if they need to be paid a living wage, from where will they get the balance to make that up? I would like Dr. Ó Broin to comment on what message that sends to the voluntary sector, which I acknowledge he clearly committed to, where workers are underpaid and under-resourced to such an extent?

**Dr. Deiric Ó Broin:** Regarding the article 48 checks, responsibility for that is moving from Pobal to the local authorities on a phased basis, if my memory serves me right. The first four will go in January 2019 and that process will roll on again and that will continue over the year. That was a decision for the Department. To take up Deputy Kenny's point on whether the local authorities are the appropriate place for this, my understanding is the local authorities were always the appropriate place for the article 48 checks to be carried out. Pobal, historically, had an involvement through its involvement with LEADER but the article 48 checks were to go to the local authorities. The Deputy asked a related question about building capacity and training for the local authorities. That is an ongoing process and Pobal has been involved in that. I

have seen that from my own involvement through local community development committees, LCDCs.

On the Deputy's query about supervision or inspection visits of childcare facilities, that issue was raised in the feedback and engagement process. We would have a number of people on the board who come from a community childcare space and it is an issue they have flagged also. It is in the process of being addressed. We will see a more flexible regime in place. I would refer to my statement. We identify what we consider the minimum requirements. We are not trying to create a burden for organisations. This feeds back to one of Senator Coffey's points. We come from the community sector and most of us have a significant involvement in it. We are not trying to create extra work or difficulties for organisations and individuals in the sector. We have a role to balance the burdens we place on organisations because of the funds that are going to them. We believe they are appropriate and proportionate but it is a constant evolution. Even during the past year, if we consider the European level data requirements, our local organisations had not even thought about that issue three years ago. I know from organisations in which I have been involved on a day-to-day basis, that two to three months was spent earlier in 2017, as well as some time spent later in that year, completely reorganising the communications system to deal with the general data protection regulation, GDPR. Many of the burdens in organisations arise on a regular basis. We, as a board and an organisation, strive to reduce to the best of our ability the burden of administration on organisations, and that is definitely one of my priorities.

The Deputy's final question was on the cost. That is a matter of administrative detail on which I would ask him to engage with the chief executive officer. If it is okay, we will go through the costs and come back with that.

**Deputy Martin Kenny:** On the inspections, is Dr. Ó Broin saying it has been identified that walk-in inspections are a problem and that Pobal intends to change that? Is Pobal being directed to do it that?

**Dr. Deiric Ó Broin:** No-----

**Deputy Martin Kenny:** Is that coming from the Department or from Pobal?

**Dr. Deiric Ó Broin:** If the Deputy does not mind, I will ask Mr. Denis Leamy to deal with that.

**Chairman:** This is the opening session, and it is with the chairperson designate. The next session will be with the chief executive officer, CEO, of Pobal. It would probably be more appropriate for him to answer that question. We will try to conclude this session with the chairperson designate, send him off and then move on to the next session. Is that okay?

**Dr. Deiric Ó Broin:** That is fine.

**Chairman:** Is Deputy Kenny happy with the response?

**Deputy Martin Kenny:** Yes.

**Chairman:** On behalf of the committee, I thank Dr. Ó Broin for this very positive engagement. His curriculum vitae is very impressive. He is well-grounded, coming from the community and voluntary sector, and I wish him well in the time ahead. I thank him for engaging with the members today and congratulate him on his nomination as chairperson designate of Pobal.

**Dr. Deiric Ó Broin:** I thank the Chairman.

**Chairman:** I propose to send the Official Report of today's engagement to the Minister for Rural and Community Development, Deputy Ring. We will suspend briefly to allow Dr. Ó Broin to leave and the next witnesses to come in.

*Sitting suspended at 11.22 a.m. and resumed at 11.23 a.m.*

### **Sustaining Small Rural Businesses: Discussion (Resumed)**

**Chairman:** This is the second in our series of meetings on the topic of sustaining small rural businesses. On behalf of the committee, I welcome the following witnesses: Mr. Garrett Stokes, chief executive officer, Microfinance Ireland; Mr. Darragh Walshe, secretary, rural business committee, Irish Co-operative Organisation Society; Ms Paula Fitzsimons, director, ACORNS; and Mr. Denis Leamy, CEO, Pobal.

As the committee has agreed to publish the witnesses' opening statements, where supplied, they might focus on the salient points in their contributions, which should be for five to ten minutes. I call on Mr. Garrett Stokes, CEO of Microfinance Ireland, to make his opening statement.

**Mr. Garrett Stokes:** I am Garrett Stokes, CEO of Microfinance Ireland, MFI, and I am joined here today by my colleague, Deirdre Parkinson, who is marketing and channels manager in Microfinance Ireland. We thank the committee for the invitation to attend today.

Microfinance Ireland was established in late 2012 to manage the microenterprise loan fund scheme, set up by the Government under the Action Plan for Jobs. It is a not-for-profit lender and a registered charity.

The objective of the scheme, as outlined in the Act, is to promote economic development and to increase employment and enterprise by providing loans to newly established or growing microenterprises across all business sectors, with commercially viable proposals that do not meet the conventional risk appetite applied by commercial banks. We fill the gap in lending supply but are not intended to replace any current bank lending.

The purpose of the fund is to provide loans of €2,000 to €25,000 to microenterprises, be they sole traders, limited companies or partnerships, that cannot obtain funding from traditional sources. Each borrower must be creating or sustaining a minimum of one full-time job.

Essentially, MFI is mandated to underwrite loans at a risk beyond that of commercial lenders. The loans are unsecured, at an affordable fixed interest rate, and not priced for risk. This overall proposition is unique in the marketplace. All applicants are given a full and fair credit assessment and, where appropriate, applications are approved. Our objective is that applicants do not take on unsustainable levels of debt.

Recognising the market we aim to serve, our loan offering is simple and transparent. We provide loans for up to five years at fixed interest rates for working capital or investment purposes. Repayments are generally fixed throughout the period to provide certainty for the borrowers. There are no fees or charges. Applicants may request interest-only periods or seasonal repayments where the circumstances of their business require.

In addition to lending, MFI provides mentoring services to its borrowers. This is an impor-

tant support in helping our borrowers develop their business acumen and supports the sustainability of the business. The mentoring services are delivered through the local enterprise office network.

Ireland's economy is built on a foundation of entrepreneurship and microenterprises. There are approximately 220,000 microenterprises in Ireland, representing 90% of all small and medium-sized enterprises, SMEs, in Ireland. These small businesses are the lifeblood of the economy and, without these businesses, many local communities would not survive. These micro businesses tend to be small indigenous businesses, with little or no export potential, but they are essential to their local community and economy. They bring services to local communities, create jobs and play a major role in rural sustainment and renewal.

Unfortunately, many of these businesses struggle to meet the normal credit criteria of banks as they are financially weak or are burdened with legacy debt, poor credit history, lack security and financial history or have other social or demographical issues impacting their loan assessment. This is particularly true for start-ups. Without State supports, many of these businesses would not exist and their communities would decline.

The rationale for the Government's investment in the microenterprise loan fund has always been that of job creation and sustainment across all areas of the country and across all industry types. MFI continues to fill this mandate, lending to all industry types, across every county, with a particular emphasis on more vulnerable groups including migrants, females, youth, unemployed and more mature entrepreneurs.

Some 79% of all loan approvals by Microfinance Ireland are outside of Dublin. We have a strong focus on supporting new and existing rural businesses.

MFI, as a not-for-profit lender, is highly dependent on a range of financial supports and partners to fulfil its objectives. To date, the business has spent €8.3 million of State funds, provided through the Department of Business, Enterprise and Innovation, in running the business and absorbing bad debts. The commercial banks have committed €15 million of funding for on-lending to our applicants, all of which will be drawn down before the end of 2018. The European Investment Fund has provided risk sharing guarantees for up to €50 million in lending, of which approximately half has been utilised to date.

While we are a small team based in Dublin, through our business model we have a presence in all areas of the country. We have a team of more than 30 external assessors located across Ireland who meet with our potential loan applicants. We also have very strong partnerships with the 31 local enterprise offices, the 49 local development companies, LDCs, or area partnerships, which assists businesses apply to us. We also have created a referral programme with the main commercial banks for bank loan applicants who are declined or deemed unsuitable to apply for bank finance.

Our marketing strategy is around promoting our offering and increasing brand awareness across the country. The majority of our marketing and public relations, PR, is local, utilising local radio through advertising campaigns, interviews and sponsorships, local press, local marketing campaigns and attending and speaking at events across the country. In addition, digital marketing and social media have proved very successful in getting our message out among our target market.

We accept loan applications via our website or directly to our office in Dublin. Loan ap-

plicants can also work with the local enterprise office or the LDCs to submit an application to us, and our loan pricing reflects this by offering a 1% interest rate discount for loan applicants coming through these channels.

It is important to emphasise that Microfinance Ireland is a loan provider, not a grant agency. Our application process is comprehensive to ensure we safeguard as much as possible both the State funding provided to Microfinance Ireland and the loan applicant. We have to recognise that microenterprises, and particularly start-ups, are inherently risky. That said, it is our policy to work with borrowers if they struggle to make loan repayments. Our first priority is to maintain the borrowers' business and we offer a range of additional concessions in such circumstances. To date, our loan approval rate is 45%. The level of loans actually written off is 16% but the underlying rate is higher. MFI has recently been approved to grant further borrowings to previously successful borrowers that are still too financially weak to borrow from banks. This is proving very beneficial to our customer base.

Over six years we have built strong capability, brand awareness and in-depth knowledge of how to lend to micro-enterprises. Microfinance Ireland is the only Government initiative directly lending to the "unbankable" micro-enterprise sector. Following modest beginnings in 2013, the business has grown year on year and at this stage of the fund, MFI is currently ahead of the original job numbers objective and by the end of the fund is forecasting to significantly beat it. It is doing so at a cost of less than €2,000 per job, the lowest cost of job support of any current Government initiative.

MFI will be in business for six years in October 2018 and since inception it has approved loans totalling €26 million to 1,830 businesses. Through these it has helped to support the creation or sustainment of 4,375 jobs. To give some headline figures, some 82% of businesses supported have one to three employees, 79% of loan recipients are located outside Dublin, 57% are sole traders and 56% of loans are to start-ups. At this point, MFI is attracting 1,000 applications per year. It is supporting in excess of the target of 770 jobs per annum. It is working collaboratively with the local enterprise offices, LEOs, the local development companies, LDCs, and banks. We are financially supported through the Government grant and bank borrowings and we are in receipt of a European Investment Fund EaSI Guarantee credit commitment out to 2022. MFI is certified by the EU under the European code of good conduct for microcredit provision. It was one of the first four microfinance organisations in Europe to receive this award, which is seen as the quality benchmark in Europe for the provision of microcredit. By the end of 2022, the business is forecasting to have approved €58 million in lending to in excess of 4,000 businesses, supporting the creation or sustainment of more than 9,000 jobs.

MFI is currently experiencing record numbers of applications. This is being achieved against the backdrop of recent positive trends in the Irish economy - low unemployment and increasing optimism in consumer confidence coupled with a very strong culture of entrepreneurship in Ireland. Ireland, however, still suffers from unemployment black spots in many areas of the country and in certain demographic sectors which are not achieving the same level of improvement in employment. MFI's continued growth highlights the ongoing need for microfinance support for unbankable promoters and propositions, particularly start-ups, irrespective of the economic cycle. While MFI's model is unique in Ireland, across Europe and globally microfinance is a well established business model and is seen as a key element of the funding ecosystem. When benchmarked against similar institutions in Europe, MFI is performing well.

**Chairman:** Thank you. I invite Mr. Walsh, secretary of the rural business committee, to make his presentation.

**Mr. Darragh Walshe:** I thank the committee for the opportunity for me and my colleague, Mr. James O'Donnell, chairman of the Irish Co-operative Organisation Society, ICOS, rural business committee, to discuss sustaining rural business.

By way of introduction, ICOS serves and promotes commercial co-operative businesses and enterprises across multiple sections of the Irish economy, making ICOS the leading organisation for registering new co-operatives and for reliable, experienced advisers on co-operative rules and governance in Ireland. Our core business is to provide leadership to the co-operative movement in Ireland. We use our collective voice to put the needs of the co-operative movement and our member co-operatives to the forefront of what we do. We draw upon the pioneering and innovative spirit of our founding members to help strengthen our co-operatives operating in today's ever changing and competitive world.

Starting from the agricultural co-operative path set by our founding president, Sir Horace Plunkett, in 1894, ICOS today has evolved to serve the co-operative sector in seven core categories, namely, multi-purpose dairy co-operatives; livestock co-operatives; store, trade and wholesale co-operatives; service-related co-operatives; community-oriented, culture and leisure co-operatives; food, fishing and beverage co-operatives; advisory and education-related co-operatives. ICOS member co-operatives, their subsidiaries and associated companies collectively have more than 150,000 individual members owning shares in them, employ more than 14,000 people in Ireland and a further 24,000 abroad and have a combined turnover of almost €15 billion. A significant proportion of this turnover is spent in rural Ireland through employee wages, payments to suppliers such as farmers and other small rural businesses and payments or dividends paid to the 150,000 co-operative members. On top of the economic benefits, ICOS co-operatives place great emphasis on enhancing the skills of co-operative staff and management through ICOS Skillnet structured training. This allows co-operatives of all sizes to avail of a wide variety of training resources.

It is important to recognise that one of the most common small rural businesses in Ireland is the family farm, and co-operative ownership in the dairy sector and the livestock mart sector in particular has sustained these businesses throughout rural Ireland for more than a century. The benefits of the co-operative model in agriculture can be seen clearly when compared with the volatility experienced in the sectors of the industry that do not have a significant co-operative presence, such as the meat processing industry in recent years. As a result of this sustainable growth Irish family farms engage in a significant level of regular commerce with thousands of small rural businesses from a broad range of sectors and have therefore contributed to their success and sustainable growth.

Rural Ireland is facing a number of unprecedented challenges. These include: centralisation and rural depopulation; lack of access to broadband and other services; the next EU Common Agricultural Policy reform; the growing regulatory compliance burden across a number of sectors; the consequences of Brexit and the obvious and severe ramifications of a hard border with Northern Ireland. ICOS sees rural depopulation and centralisation as significant challenges for rural Ireland, manifested recently in the closure of post offices, the difficulties in providing broadband coverage in rural areas and the more long-term trend of concentration of the majority of employment and economic opportunities in a few centralised areas in the east of the country. ICOS believes this trend must be arrested and reversed through implementing and promoting innovative development strategies and policies. For example, rural Ireland has the potential to offer unique opportunities to those establishing businesses and those availing of flexible and remote working arrangements, each of which could play a notable role in arresting rural

depopulation. With that in mind, ICOS urges the Government to facilitate and promote such commercial and workplace innovations by getting the national broadband plan back on track as a matter of urgency. The availability of reliable broadband is essential for sustaining businesses of every size and location in the 21st century. If small rural businesses do not get broadband access, they will almost certainly be left behind.

To give an example of the opportunities rural Ireland is well placed to take advantage of, ICOS believes that sensible financial tools are required to stimulate widespread uptake of community-based renewable energy projects, including biogas from anaerobic digestion and energy and electricity from solar panels. With this in mind, ICOS welcomes the Department of Communications, Climate Action and Environment's recently announced renewable energy support scheme and with it the proposal to offer favourable status to community-owned energy generation schemes. ICOS urges the Government to follow through on prioritising the establishment of community-led and co-operative projects in the area of renewable energy and micro-generation.

Throughout the last number of months, ICOS has noticed increasing requests for assistance from our small to medium-sized affiliates with their growing compliance burden. While we recognise the key role a robust regulatory framework plays in providing stability and fairness in the economy, small businesses are struggling under this burden and, frankly, are living in fear of the consequences of a minor slip-up under the numerous regulations to which they are subject. ICOS encourages the Government to provide more information and resources aimed at small rural businesses to assist with the aforementioned regulatory duties and to consider the small businessperson in the drafting of such legislation and regulations.

On a separate but no less important matter, it is the view of ICOS that continuation of a well resourced and strong CAP budget post 2020 is absolutely essential to sustaining small rural businesses. Expenditure cuts to the CAP budget will have a detrimental impact on the numerous small businesses that depend on a vibrant agribusiness sector. The strength of the co-operative is that the members own and oversee the business. Co-operatives are answerable to our members and to future generations of members. It is essential that this strategic involvement is not overlooked as the Government supports rural Ireland in dealing with the challenges it faces.

**Chairman:** Thank you. I invite Ms Fitzsimons, director of ACORNS, to make her opening statement.

**Ms Paula Fitzsimons:** It is my pleasure to talk to the members of the committee today about ACORNS, accelerating the creation of rural nascent start-ups, "nascent" being early stage. I will outline the background of how it was set up. A report by the Commission for the Economic Development of Rural Areas, CEDRA, recommended that a rural innovation and development fund be developed to support innovative small-scale pilot initiatives that explored the diverse range of potential identified through the CEDRA process. The Minister for Agriculture, Food and the Marine provided for the setting up of that fund out of his budgets for 2015 and 2016.

A request for tenders was made through a public procurement competition for the provision of a service for the development and delivery of a tailored pilot programme to address the skills, enterprise and capability gaps of nascent female entrepreneurs living in rural Ireland. The focus was on female entrepreneurs because research by the Global Entrepreneurship Monitor, GEM, in which I am involved, had shown that there were approximately 2.5 male early stage entrepreneurs setting up businesses to every one woman. There is a gap. Entrepreneurship in Ireland is also more focused in urban areas than rural ones. Hence, there was a focus on female

entrepreneurs in rural areas. Rural areas were defined in the CEDRA report as those outside the administrative city boundaries of Dublin, Waterford, Cork, Limerick and Galway. We applied for and, I am delighted to say, won the tender. We then developed ACORNS, which, as already stated, involves accelerating the creation of rural nascent start-ups. The initiative focused on women with businesses with fewer than two years of sales. One could be at an advanced stage with a clear understanding of what one wanted to start a new business around or one could already be trading in that new business.

Initially, we did not know whether there would be an appetite for ACORNS, but there clearly was, which is good. The team that I work with has experience in supporting female entrepreneurs. We have developed Going for Growth, which has been recognised by the OECD and the EU and has won many awards. We learned from that. We knew that peer support worked. We took the idea of placing voluntary lead entrepreneurs - people who had experience of doing this in rural Ireland - with a group of earlier stage entrepreneurs in rural Ireland. There was not just the normal role model effect, the strength of which we know from research, but also the role model effect of women who had already started businesses in rural Ireland.

We developed a structured methodology that would run over a six-month cycle with a start, middle and end and in which we would measure everything. We measured where people were when they came in and where they were at the end of the cycle. In addition, the Department was clear that it wanted all entrepreneurs to be aware of what supports were available to them, so we developed a booklet of supports, which we have on our website. We renew it every year. We have won the tender to run ACORNS three times.

It is my strong experience that entrepreneurs learn best from one another. Therefore, those who facilitate the round-table sessions are not consultants, academics or professional trainers, but entrepreneurs. They give of their time freely, so they are all volunteers. They have experienced the benefits of peer learning because they were all participants in Going for Growth. They have seen the benefits, and this is now their way of giving back. They are the backbone of the initiative. Besides being an effective initiative to run, it becomes quite efficient because they are volunteers.

We are leveraging their impact by undertaking group as opposed to one-to-one mentoring. The benefit of the group has all sorts of serendipities. It reduces the psychological isolation of the individual who is setting up, as she is meeting others like herself who are encountering the same challenges as her. Participants have the benefit of being mentored by someone who has already done it all successfully. The ACORNS lead entrepreneurs are all based in rural Ireland and drawn from all over the country. They are in Donegal, the Gaeltacht in Galway, Kerry, Wexford, the midlands, etc.

From the very beginning, we set out for participants that this was based on confidentiality, collaboration and mutual respect. Those are the hallmarks. Anything that is discussed around the table stays there. That would be a challenge for any group in some respects, but especially for a group of people who feel that their business could become public. Therefore, everything has to be confidential. The programme reduces isolation, which is not only psychological, but also locational. We set out to form participants into a strong network. They meet twice at the beginning and end of their cycles in a residential forum. I am thankful to the Department, as the way in which we have been able to structure this initiative means there is no cost to anyone involved and the residential elements are paid for. It allows participants to form tighter bonds than they might otherwise.

The initiative's outcomes are strong. We measure everything. The results are evident qualitatively and quantitatively. I could provide the committee with the results from the beginning, but it does not have all day. Instead, I will focus on the cycle that just concluded, ACORNS 3. It had positive outcomes. Some 50 people completed the cycle, or 88% overall, and all who completed it felt closer to achieving their growth goals. These figures support our belief that we are doing the right thing and people feel good about it, but we also want to know whether the programme has been effective in terms of increases in turnover, employment and exports. For example, the difficulties encountered in having rural businesses focus on export markets were mentioned.

I can provide the detailed figures, but I will show the committee the salient points now. Of the 50 who completed ACORNS 3, their combined turnover at the start of the cycle was €888,000. At the end of the cycle six months later, they had annualised sales of €1.75 million, representing a significant increase. There were eight exporters at the start of the cycle and nine new exporters by the end, representing a 112% increase. At the beginning, 77 people were employed, including those involved in the initiative. By the end, there were an extra 13 full-time jobs and 19 part-time ones. These are positive outcomes. Of the participants, 96% said that their participation brought about practical change and 100% felt nearer to achieving their ambitions, would recommend it to others and wanted a way of staying in contact with ACORNS.

With the Department's support, we have been able to offer those who go through an ACORNS cycle an opportunity for further development. They can stay, meet twice per year with a lead entrepreneur and continue to move their businesses forward. We track all of that, so we can show various increases. Participants in ACORNS 2 initially had €731,000 in turnover between them. Two years after undertaking the further development cycle with us, their turnover amounted to €1.8 million and the number of jobs involved increased from 38 to 63.

As we moved from pilot to ACORNS 2 to ACORNS 3, we wanted a means to help those who wanted to focus on the further development of their businesses. We created a community and, more than that, a new set of round-table sessions called ACORNS Plus, which are facilitated by two of my Going for Growth leads. The outcomes are stunning. The seven involved in the first ACORNS Plus round-table session, which was a pilot, came into it with a turnover of €355,000 between them. By June 2018, they had €1.5 million in turnover. They plan to grow and stay connected.

We have just launched ACORNS 4. There was very strong interest in applying for it. The selection process has just been completed. We have offered further development to those who completed ACORNS 3 and over 80% have said they would like this. Owing to the demand to participate in ACORNS Plus round-table initiatives, which are for the community, we put two in place. It is widely recognised that it is a grassroots movement. What is happening is that people are telling one another about it. More than that, while we talk about the role models as being those who facilitate the round-table initiative, each of those who becomes a participant is in effect a role model in her family and community. The media has been very supportive and there is great interest in this.

We will represent Ireland, I am delighted to say, at the European Enterprise Awards in November. We just got word last week that, in our category, which is investing in entrepreneurial skills, we have reached the final three. We are up against initiatives from Austria and Lithuania. That is ACORNS.

**Chairman:** I call on Mr. Denis Leamy, CEO of Pobal, to make his opening statement.

**Mr. Denis Leamy:** I am thankful for the opportunity to present. I am joined by Ms Michelle Tritschler, head of corporate services, and Mr. Paul Skinnader, director of community supports and services in Pobal.

Our vision is one in which Pobal, government and communities work effectively together to create a cohesive and inclusive society. We work to ensure resources and supports are targeted to meet community needs, including those of rural communities. Our core role in delivering this vision is through providing an effective programme and grant management service for the Government. Over 26 years, we have worked to deliver programmes in rural and urban areas alike. Those programmes have been astonishingly varied in their purpose and application but all stem from a single public purpose. That purpose is to realise a vision for our country whereby, regardless of one's postcode, be it urban or rural, one's community has the opportunity to be strong and sustainable. That vision is much wider than any one issue, and no single aspect is a cure-all or a quick fix for the multifaceted challenges. Clearly, however, rural communities need indigenous local business. They need it to deliver jobs, provide services and show, one successful example at a time, how positive change can foster a positive attitude.

Major challenges exist for rural communities. The continued flow of young people to cities, the depopulation of some rural areas, difficulty in accessing local employment and key resources such as broadband feature high among these. The major setbacks faced by businesses and families during the recent crisis have added to these pressures, as has the threat of Brexit.

Earlier this morning, members heard our chairman designate explain that Pobal's work includes the delivery of a very wide range of programmes across rural and urban Ireland. We have been in the field doing the job for 26 years. We have seen a sustained attempt to address rural and development issues, through mechanisms such as the Action Plan for Rural Development and the setting up of local and community development committees in each county. Old challenges persist in some respects but they have also changed substantially. The challenge for public policy and for Pobal, which is charged with delivering on elements of policy, is to adapt, keep pace and move ahead of the changes.

Social inclusion and communities are core for Pobal. The impact our work and the Government funding we manage have on communities motivates us. Our support for businesses is embedded in programmes that aim to improve the quality of life in the community. Pobal is not focused specifically on business as a primary aim but we know business is an essential part of the response of delivering for communities, which is our objective. Within that wider context of supporting communities, we value the supports we can offer to businesses. Thriving communities need thriving businesses.

Our work is shaped both by knowledge of the challenges communities face and the strategies set in place by the Government to meet them. The range and scale of Pobal's work mean we can offer assistance to communities across many service areas, including through community enterprises, education and training, employment support and childcare. The examples I wish to highlight are components of wider programmes that Pobal manages rather than stand-alone business support programmes. These programmes offer support to help business development, assist in training and upskilling rural workforces, provide the staff that businesses need, and offer services that help sustain rural businesses.

Let me give some relevant examples of our work that are relevant to today's discussion. The social inclusion community activation programme, SICAP, addresses high and persistent levels of deprivation through targeted and innovative locally led approaches. It offers, among

a range of services, direct help to individuals who want to set up their own businesses. During the three-year period from 2015 to 2017, over 7,000 individuals in rural areas were supported by SICAP to go into employment. An additional 17,000 availed of other SICAP employment development supports in the areas of self-employment start-up, career advice, labour market training, work experience and mentoring. Some 257 social enterprises were supported in rural areas. Each of these figures represents an individual, a family and a business whose lives have been changed as a result of the supports they have received. Together, every individual and family is part of a stronger more sustainable community.

The community services programme, which we manage on behalf of the Department of Rural and Community Development, offers direct support to set up and to fund the ongoing work of community enterprises. The programme promotes social enterprise as an approach to alleviating disadvantage and addressing local social, economic and environmental needs that are not being met through either public or private funding, or other resources. It creates sustainable jobs for those most distant from the labour market and targets those who are long-term unemployed and from particular target groups. It promotes sustainable social and economic development. In 2017, 400 enterprises were funded through the community services programme, and 46% of individuals working in these enterprises lived in rural areas. For example, the Arigna Mining Experience, a community tourism initiative based on Arigna's 400 year old mining story, is an example of a community services programme project that builds upon a local opportunity to develop a business and provide employment at the same time.

In 2017-2018 academic year, Pobal provided supports to 4,543 early-years service providers, of which 1,538, or 34%, were located in rural areas. The childcare capital funding scheme helps these businesses to increase capacity and the quality of their facilities. In addition to providing supports to early-years service providers, we are also involved in managing targeted childcare initiatives that reduce the cost of childcare for parents, enabling many to return to the workforce. These are not just economic initiatives. Childcare is an essential building block for stronger communities.

Pobal does not work alone in these areas. The programmes we deliver are directed and funded by the Government, in each case through a lead Department. Our funding and support flow through to local groups such as local development companies, which made a presentation to the committee last week through their representative organisation, the Irish Local Development Network. We support the local community development committees in each county in terms of the delivery of programmes. We support county childcare committees in their work. In our work with partners, we attempt to bring consistency, co-ordination and high-quality standards to bear. The information-gathering tools we have, including the deprivation index, are good examples of the practical assistance and knowledge we bring to the table. As our chairman stated this morning, our commitment to minimising bureaucracy, within a context of increasing regulatory demands, is also central to our work.

I thank the Chairman again for the opportunity to present to members this morning. I am happy to take any questions members may wish to pose. As I said at the outset, the supports I outlined are embedded within the programmes. Their aim is to improve life quality for communities as a whole. That includes the part they play in supporting rural businesses. When Government funding achieves more than one goal, it brings added value without increasing expenditure. We believe helping to develop and sustain businesses while achieving our primary aim of increasing community development and inclusion is a good example of this.

**Chairman:** I invite members to ask questions and make observations. They should be lim-

ited to five minutes. Members should note that Mr. Stokes is under pressure for time because he has travel arrangements made.

**Deputy Seán Canney:** I thank all of our guests for coming here to make presentations. Their statements were very informative. A few issues arise. With regard to Microfinance Ireland, it is very good to hear that so many jobs are being created and that employment is being provided in rural areas. My concern, which probably relates to every topic we are considering, is that money is being lent to people who cannot get money. Microfinance Ireland is a lender of last resort. The approval figure of 45% seems a bit low. I realise the organisation has to be prudent and protect the money but where there is any glimmer of hope, it should be given to people who want to start up. Sometimes we fail before we succeed. We are probably better people if we do fail, provided we pick ourselves up and go again. If somebody has an idea, we should not be afraid to support it because even if it does fail, it is worth trying.

Perhaps Pobal is not selling its service to the public well enough. It should be done in a more open way to advertise the availability of the fund. The biggest issue for people who have an idea is that they do not know where to go. I want to address this issue with everybody present. If I was the chairman of a community council, as I was in Galway for a long time, and either I or the community group had an idea, I or it would be confused about where to go, as many people would say they could do this, that and the other. A person who goes to the local development company or Pobal is sent somewhere else. This might be an issue at which Pobal could look. People who volunteer within their communities and want to do something within them usually run out of steam very fast if their ideas do not gain traction and there is confusion about how things are done. There does not seem to be a definitive line on how someone can be sent to the right place such as a one-stop-shop to get the information he or she needs. There seem to be too many organisations that are trying to do the same thing or at least using the same language about what they provide. For me as a public representative, this is confusing and it creates frustration for representatives in communities who just throw their hands up in the air and forget about it. It is a pity there is not a streamlined approach.

The other thing that really kills communities is the bureaucratic nature of everything that must be done in form filling. Everybody has mentioned broadband, but people living in rural communities are expected to do everything online. We know that is not possible, but we still insist that people will receive a better service if they do it online. Until broadband is provided, this is unfair on communities that do not have access to it.

On the Leader programme, not a lot of money has been spent, particularly in County Galway, for reasons to do with tendering. There were disputes and court cases. The people who have suffered - the process has been badly managed - are those in communities that are only beginning to draw down funding. This should not be allowed to happen under any other programme. Disputes can take place, but the delivery of funding cannot be held up. There is a need for a better structure to deal with issues that arise in order that we can get on with the business of funding communities. The provision of funding in County Galway under the Leader programme has been held up for about 18 months because of a dispute which should have been dealt with differently. Even if court cases are ongoing, communities still need to be serviced.

The representatives from ICOS highlighted a number of issues in rural Ireland. I am from north Galway which has a number of co-operative livestock marts that also provide other services and that are at the heart of the farming and rural community. They are all located in towns that gain great benefit from the business being done. Some of them may have ambitions to develop, grow or modernise, but they find it hard to obtain funding. Are sources of funding avail-

able for co-operative livestock marts that have the vision to try to create facilities for a modern society and are willing to do so but find it hard to gain access to funds? One mart with which I have dealt is finding it difficult and coming up against a stone wall. Are loans and/or grants available to help such marts? The real benefit of a mart in any town stems from the fact that it serves the community by bringing people into the town from surrounding rural areas. What used to happen on what used to be the old fair day can now take place on one or two days a week. It happens in Tuam on a Monday or a Tuesday and on a Saturday in Headford. People know that if the mart is open, the town will be busy. Is there any way the delegates can support them?

The Atlantic economic corridor is mentioned in the programme for Government. How do the delegates view it in rejuvenating and reinventing rural Ireland in order that we create a counter-balance to the east coast which is overdeveloped?

I thank the delegates for their concise and interesting presentations.

**Deputy Martin Kenny:** I thank the delegates for their presentations. One thing that strikes me immediately about Microfinance Ireland is the fact that sums of between €2,000 and €25,000 are available. A figure of €25,000 seems very small and to be a very low threshold because many people in starting a business would need three times that figure to get it off the ground. As three times the sum of €25,000 is about twice the average industrial wage, it is not an awful lot of money. Why has the threshold been set so low? Is there a solid reason for it?

It is clear that the cost of creating a job has proved to be very low in the model with which Microfinance Ireland is working. It is not the case that people are receiving grants. They are actually getting loans that they will pay back. Forty-five per cent is the level at which Microfinance Ireland supports loans. A total of 55% of applicants do not receive a loan. Even if the figure was twice that percentage, it is my experience that people do not fail, rather it is businesses that fail. When a business fails, the person concerned learns a lesson from it. He or she often comes back a second or third time and the business may fail a second or third time, but eventually the person who perseveres will succeed. On the level of funding about which Microfinance Ireland is talking, we are all conscious of IDA Ireland, foreign direct investment and the huge amounts of money the State has put into creating 20 or 1,000 jobs somewhere. A few years ago we heard that the cost per job created through foreign direct investment was €1 million, yet in this instance we have a tiny amount to create one job in rural areas in businesses that have the most potential to do well and trade. A total of 82% of businesses are in the sector in which companies have between one and three employees. As they are usually flexible and will work with the community around them, they have greater potential to sustain employment into the future.

On the amount of money in Microfinance Ireland's fund, the total value of loans approved in a six year period comes to €26 million. There was also mention of 1% being the rate. Is that the standard rate, or does it vary much? On the amount of money in the fund being higher, the rate being kept at that level and Microfinance Ireland having the ability to offer higher loans, even if the failure rate was higher, the cost per job created would still be low. Why has the model not been expanded?

I welcome the contribution of ICOS. On the issue raised by its representatives, with particular reference to the farming sector, we see the dairy sector doing so well and many others basically been run by co-operatives compared to the meat processing sector which during the years has moved into private hands. Is there a need for a new round of co-operatives to deliver for the farmer? The delegates might also comment on the training provided for community

groups that want to set up co-operatives.

The ACORNS story is magnificent. I congratulate Ms Fitzsimons on the work she has done. Can the six-month model be expanded? What three actions or measures would enable the outcome to be multiplied?

Some of the questions I asked in our earlier session are more appropriate to the delegates before us. I thank them for their contributions. On the issue of checks on childcare providers, are there plans to change the current system? It has been proposed that the local authorities take over responsibility for the checks on community groups, about which people are concerned. They may be experiencing problems, but they know that under Pobal they will all be subject to the same level of scrutiny. How will the process be scrutinised when responsibility is devolved to the local authorities? Also, what will be the cost of that scrutiny? People are concerned that the cost will be equal to the level of funding delivered. It is akin to a model of management developed in America some time in the 1980s and abandoned very quickly thereafter, whereby for every person working there were four measuring what he or she was doing. We must be careful not to end up with this scenario. In all cases, there has to be a sense of proportionality. I could give examples of cases where I felt the level of scrutiny was totally out of proportion with the funding being sought, but I do not propose to go into them in such a public forum. Where a community project receives funding to purchase equipment, it is purchased and an official from the local development company visits to check the invoice to check that the equipment has been paid for, including by viewing bank payment details and so on. In the past the word of the applicant was accepted. In my experience, it is no longer being accepted and everything is being rechecked over and over again. There is no trust. Trust needs to be re-established as community organisations are doing their best for communities. They are not trying to pull the wool over anyone's eyes. If there is a little slip here and there, it is not intentional. Trust must be extended to people who are, by and large, working voluntarily. I understand we are speaking about public money and accept that there is a need for accountability, but at the same time there has to be a sense of proportionality.

**Chairman:** I ask a delegate from each of the organisations to respond to this round of questions.

**Mr. Garrett Stokes:** I thank members for their questions and input.

On the 45% approval rate, it is not a target. Each application is considered on its merits. The reality is that every one of our applicants is a non-bankable deal; therefore, the starting level is very low. Not providing funding so as not to waste money and not providing funding to help somebody to waste his or her own money while also trying to create jobs is a very difficult balancing act. It is not an exact science by any means. The overall default rate is less than 30%, which means that there is a 70% success rate. This is a very positive message. Any time the approval rate has gone beyond the 45% mark, the default rate has risen dramatically. As I said, it is a difficult balancing act. I hear what members are saying, but we need to strike a balance between achieving best value for money and using the fund appropriately and not helping people to do something which, on examination of a deal, we believe they should not do.

The €25,000 limit is provided for in the statutory instrument. I was not in my current position at the time, but I think it was based on a perceived need in the economy and also on the fact that the European guarantee in place at that stage for micro-finance was for a maximum fund of €25,000. On a point of clarification, the 1% rate mentioned was a discount on our normal rate for people coming to us through the local enterprise offices, LEOs, and the local development

companies, LDCs. We do this to encourage people to use the services of the LEOs and LDCs because many of our clients desperately need the additional services and training. It is an incentive to encourage them to go for that rate.

It is true that with a larger fund we would be able to do more. We would also be able to increase our presence in the marketplace. As things stand, we are working with a fund that has a lifespan of approximately ten years and trying to manage our way through the process.

I ask my colleague Ms Parkinson to respond to the question about the landscape and the marketing side.

**Ms Deirdre Parkinson:** As Deputy Seán Canney said, it is a very confusing landscape for small business owners. There are multiple agencies, which leaves people unsure of where to go. The LEOs, as one-stop-shops for businesses in their local areas, do the job of signposting. Microfinance Ireland is a core component of their offering when dealing with small business owners. I take the point that there is some work to be done, but there is a lot more to be done in getting the message out. Two years ago the supporting SMEs online tool was introduced. It lists the 170 State supports available and the bodies that support small business owners. People are encouraged to register their requirements online to access the relevant support. When Microfinance Ireland was set up in 2012, it was envisaged that all referrals would be through bank declines and the LEOs, but we learned quickly that we needed to have a much stronger brand presence. We are working hard on it and have seen it grow in the last couple of years. I take the point that there some work has been done, but there is a lot more to be done.

**Mr. Denis Leamy:** On Deputy Seán Canney's point about the one-stop-shop, the need for people to be signposted to where they need to go and people being confused by the multiple agencies in this space, we have received feedback in the last couple of years, in particular through our feedback and engagement mechanisms. We meet groups regularly to seek feedback from them on our services and how we might do things better. We held a number of regional seminars and workshops in the past year, at which we engaged with all of the people with whom we worked. The issue raised by the Deputy is one that continually comes up in our engagements. To address it, we have dedicated central help desks in Pobal and client service desks where people can make a telephone call or deal with any issue that they need to have resolved. In the past year we received over 5,000 telephone calls and 75% of the issues raised were resolved within one day, while 95% were resolved within three days.

We are endeavouring to improve our communications. We have developed a new website which is more user-friendly in assisting people to access information on local services. We are also working closely with local community development committees and local development companies to support them more. I accept the point that this is an area in which we continuously need to improve. We are not there yet and people do get confused by the range of entities. There is a requirement for all of us to work more collaboratively on that. We are increasingly using online systems and are trying to make things as efficient as possible for groups accessing them. We are conscious of people in rural areas where there is not effective broadband. In those instances we have services whereby people can talk to us on the phone and forms can be filled out over the phone. People are encouraged to access the county childcare committees, which have facilities to use this or their local libraries, or to link in with the local community development committees. We are considering a variety of ways that people can access the services. On the other side, we are trying to make our systems as efficient as possible to do the work and online is the way we will proceed. We are very mindful of that.

On the Atlantic economic corridor, it is fair to say that in all the programmes we have managed on behalf of Government, a significant percentage are allocated to the west coast because it is a question of focusing on the areas that need it most based on the data we have. We are endeavouring to do that. The local economic community development plans in each county are prioritising different areas.

On childcare compliance, a good percentage of the visits are unannounced. That arose when a few years ago significant issues about the quality of childcare intervention were raised in the public domain. The response from the Government and the Department was that there should be a percentage of unannounced visits. I know it creates stress for childcare providers, especially if Pobal comes in to do a compliance visit and Tusla inspects them. We are working with Tusla and the Department of Children and Youth Affairs to try to integrate them more and to achieve clearer communication with the childcare facilities. We have fed back people's concerns on that to the Department but it is a policy issue.

It was not initially envisaged that Pobal would carry out the Article 48 checks. It was always envisaged that local authorities would take them on for LEADER. The Department asked us to take it on because it was felt that the local community development committees were not well established and needed more time before taking it on and having local autonomy. We and the Department have been anxious to ensure that there is a transfer of that service to the local areas. There is and will be significant training provided to each of the local authority areas over the next few months on the Article 48 checks to ensure consistency. We are still involved with them for oversight or in the areas where a local authority is not carrying it out. I have asked my colleagues to search for the costs of the Article 48 checks. We will give the committee the absolute detail on that by next week.

The point that there are many regulatory requirements is well made and we are always considering that from the board and executive perspectives. Volunteers involved in these services are overburdened in taking responsibility for those. Our chairperson designate gave an example of how we have tried, through the senior alert scheme for example, to take the administration off local groups in order that they can focus on visits to people in their homes as opposed to filling out forms. That is the direction we are going, to take as much as we can for most of the programmes. If a community or voluntary organisation has charitable status it must meet all the regulatory requirements and there probably is more work we can do to support them. We will be launching toolkits fairly soon to help groups with that. We will be running regional workshops with groups to support them and we are looking to expand our helpdesk to respond to people on that.

**Ms Paula Fitzsimons:** I very much appreciated Deputy Martin Kenny's comment about ACORNS because I truly believe in it and think it is a great initiative. The Deputy asked whether it is just six months and the initial pilot was developed over six months. It is good to have a beginning, middle and end because the outputs can be measured but it has grown like a snowball. There were 48 participants on the pilot and now 160 people are actively engaged with ACORNS. The Department has allowed us to develop this community. Once one has been through a cycle, one can be held to do further development, go into the community, go to topic-based workshops or find other round tables to get involved in. It is ongoing but we always measure over six months.

Our bureaucracy is limited because we are small. People can post in applications, email or fill them in over the phone. We judge people on a few pieces of paper and that works very well. I would say we get it right 98% of the time. We ask where the people are now, where they

would like to be, what are their barriers, how they think we can help them and what for them, not for anybody else, constitutes success.

As for the supports available, Microfinance Ireland is here and I compliment it because from the beginning we felt it would be important for people to be helped navigate the quagmire of what is available. We developed a booklet of available supports highlighting the information, advice, mentoring and networks provided by local enterprise offices, LEOs, LEADER and Enterprise Ireland, among others. We then decided that it is much better to have people come and talk to us besides having information available online or in a booklet. For each ACORNS cohort that comes in we invite the LEOs, Enterprise Ireland, Microfinance Ireland and the Credit Review Office and they explain to people what they can do individually. Those attending have the opportunity to talk to them afterwards. Then they feel that they have a personal connection and if they have a problem they can talk, for example, to Ms Deirdre Parkinson who has come to us. We find that works particularly well.

Our ethos is built on volunteerism. The Deputy asked what are the three things we would like. We would like to be allowed to do what we do in spades because it is making a difference. The individuals going through ACORNS have become advocates, role models, ambassadors and they are making a difference on the ground. When we ask them what stops them setting up they mention issues that affect all entrepreneurs, male and female, such as marketing, how to identify customers and how best to finance the business. These are the types of issue we see all the time. If we can continue with grassroots initiatives they will make a real difference. The Austrians and the Scots have been on to us to know if this is transferable and whether they can do it in other countries. Certainly they can. It is terrific for Ireland that we are leading from the front by being innovative and our initiative is making a real difference to those in rural Ireland.

**Mr. Darragh Walshe:** Deputy Canney raised a good point about broadband and not being in too much of a rush to get everything digitised. We are quite conscious of that because many of our affiliates run their co-ops from their kitchen tables. My only contact with one not too far from the Deputy's home is the landline and we manage with that. As to whether we can help them or should be the first place to go, we provide a business plan in our first interaction for the prospective co-op to fill out. From that 15-minute exercise they will know pretty quickly whether we are the right organisation for them or whether the co-operative is right for them.

We cannot comment on the specifics of the mart query but the marts have shown themselves to be pretty agile and good at raising those funds. We are on hand and happy to help in whatever way we can if they are ICOS affiliates or co-operative marts.

Deputy Martin Kenny asked about meat processing and why co-operatives do not have a major presence there any more. It is a long story and, at the minute, there are a couple of barriers to that second round occurring, since necessary hygiene regulations, which are quite difficult to adhere to for a small, start-up level site, would have to come in on quite a large scale. To be profitable in general, meat processing has to happen on a large scale. That is a barrier to it happening now. Recent headlines and economic and weather conditions have made it all the more pertinent. There is also new EU support of producer groups, which may accelerate things.

Our chairman, Mr. James O'Donnell, will answer the question on education.

**Mr. James O'Donnell:** In response to Deputy Martin Kenny's question on how ICOS can help small and large co-operatives with training and education, in 2017 ICOS provided training through, and part-funded by, Skillnet Ireland to all co-operatives. We provide training includ-

ing mart drovers' courses in marts, training for directors in large multinational co-operatives and for production supervisors on the ground. In total, we provided 1,350 people with training in the co-operative sector, which was funded through Skillnet Ireland, at a cost of €550,000 with matching funding coming from the co-operative sector, which cost the sector more than €325,000. ICOS helps and this year we intend to develop it further with regard to health and safety in the marts and with the director of training at the Plunkett Institute, in conjunction with University College Cork.

**Senator Paudie Coffey:** I will try to be brief because much ground has been covered by various speakers. We are discussing sustaining small rural businesses. We often hear through media and even in debates in this House that rural Ireland is dying. Depopulation is a challenge, as is supporting rural businesses. I am heartened to hear that there are substantial supports for rural dwellers. We have heard of some of these supports through the various agencies that are presenting here this morning. Maybe we are not communicating these supports enough. Listening to discussions this morning, I believe many of us can be caught up in our own environment and work and we forget about communicating to the wider populace. Perhaps this committee can assist with co-ordinating communication of various supports from the agencies we have heard about this morning to the wider rural populace. There is work to be done in that regard. One hears confusion about one stop shop services or access to supports. Whatever it is, there is a lack of communication. That is not a negative. I am trying to be constructive in how we co-ordinate and communicate the supports for rural Ireland. I ask each agency to take that away and, when devising their strategies for next year, with their five-year and ten-year plans, consider how we can penetrate into rural Ireland in order that there is a better understanding of the supports they provide. We would be doing a good day's work with that. We would be creating awareness and educating the people that need the agencies' supports, and then they will not come to politicians, Citizens Information and other places. They will know exactly where to go to get the required support.

In my experience, it is often the same people who go back for supports because they understand how it works and where the grants are. In each county, one will find pockets of villages or towns that are very good at drawing down grants because they have that understanding and capacity. Multitudes of other rural towns and villages do not have the capacity and probably need the support more than anybody. The challenge for all of us is penetrating into those areas. It is great to hear about the positive work that has been done to support rural Ireland because we often hear that nothing has been done. We are hearing quite the opposite here this morning. I want to emphasise that fact.

I gave my views on Pobal and, while I do not want to call it bureaucracy, how we can break down accessibility to funding and awareness, as I emphasised already.

I acknowledge the work of ICOS and the co-operative movement. I remember learning about the co-operative movement in Ireland in my history books. We should never forget about its power, about how it works from the ground up and about how it can build on our natural assets and strengths. I encourage the witnesses to continue in that work. It integrates well with rural living. It is a proven model of working.

I acknowledge new initiatives such as accelerating the creation of rural nascent start-ups, ACORNS.

I am open to correction but I understand Microfinance Ireland came into being because our banking system was broken and people did not have access to credit. Microfinance Ireland

stepped into the breach to provide credit lines where they were not being given through the traditional method. I have a couple of questions to Microfinance Ireland with regard to that. The witnesses gave us some percentages relating to the number of loans being allocated outside of Dublin. What is the regional loan allocation? Will the witnesses be more specific on that in order that the joint committee can hear exactly where those loans are going? Are they going to larger towns or to smaller towns and villages? I am not sure if the witnesses have that level of detail to hand today. If they do not, perhaps they could forward it to us. Are the loans for rural enterprises or both urban and rural enterprises? Is there a specific loan category for rural enterprises? Whether rural tourism, food production or other rural initiatives, since that is this committee's focus, is there such a category of loans in the microfinance structures and, if not, will they consider distilling their loan book in order that we have a better understanding of where the loans are going and whether they are having an impact in rural Ireland? The witnesses mentioned the quantity of loans and that they are lending some millions of euro per year. Have they risen or fallen each year since Microfinance Ireland was established? Are the banks getting back into their traditional market? If they are, while I do not mean this disrespectfully, the function of Microfinance Ireland should be diminishing since it was set up to step into the breach for struggling areas.

I have a general question for all the agencies. Are they competing for the same public funding to allocate to the various people that they support? Are they competing for the same client base in rural areas? That could be healthy. That is not a disrespectful remark. If there is a certain number of rural entrepreneurs in County Waterford, where I am from, do the witnesses' organisations all compete for those customers to support them?

There is a huge amount of rural opportunities. The Waterford greenway is a perfect example of a rural initiative supported by a multitude of agencies, local authorities, Leader and State funding. That has been the catalyst for the development of rural enterprise along a 50 km route in Waterford, which we are amazed with. It shows that, when we exploit our natural assets and spin off a bit of initiative and momentum, it can work with the support of agencies such as those in attendance today. I am positive and hopeful for rural Ireland. The negatives that we often hear are challenges which have always been there. There are changes in life, including online challenges, changes in globalisation, and Brexit. There are always challenges but rural communities have always been resilient. They innovate and reinvent themselves. We will continue to live in rural Ireland but we need to innovate in how we assist it. We all mentioned broadband. It is a huge challenge for us. How can the agencies, whose representatives are attending at the committee today, collaborate to ensure we assist in delivering broadband to the people who need it in rural Ireland? We should not just leave it to one Government Department. How can we, as agents of the State and people with connections in all areas of rural Ireland, assist in collaborating to deliver rural broadband? The technology and the will is there. If we get together we can do it over the coming years.

**Deputy Éamon Ó Cuív:** I do not necessarily agree with what Senator Coffey has said about a number of things. Some of the agencies who have dealt with me in the past will know my view. Ultimately when one looks at sources of money there are two strands - European and Government. It is really only one source because normally what the Government does is disburse European money mixed with Government money. The Government does the mixing before it gets rid of it. Having multiple agencies funding the same project always reminds me of the Nile Delta. It starts with one river, breaks into a whole lot of bits and then joins at the end again as one river running into the sea. It does not seem to be efficient for the applicant group or as a way for the Government to be dispensing money because there are so many agen-

cies involved. Each agency has its costs and overheads and each one is an overhead for the applicant body.

The greenway to Dungarvan, which I had a bit of an association with in its earliest form, is an example. I cannot understand why one Government Department could not fund it from beginning to end. That leads to a point that relates to Pobal. There was a multitude of small partnerships and LEADER companies which overlapped. Poor customers on the ground in some areas often found they did not have access to SICAP but their next door neighbours did. In some areas one could go to a LEADER partnership company and get all one's services. In other areas one had to go through a LEADER company and a partnership company and it was a case of never the twain shall meet. We amalgamated all of that so there was a LEADER partnership company covering 100% of rural Ireland and partnership companies on their own covering all of urban Ireland. Everybody was covered. We put in the rural social scheme and the Tús scheme. The idea at the time was that in any one area one could go to a one-stop shop for a whole wide range of services. The idea was that if any new services were provided and if there were any gaps in the market, the services would be delivered through the one-stop shop which requires a Government agency locally. Is Pobal a more efficient model, particularly for the applicant, than a model in which there are all these different agencies and people come into their offices and given a big list of people to go to when in 90% of cases there is no money there for the applicant?

The other problem with the multi-agency model is not that they are all queuing up to compete to give but that they are queueing up to tell people why to go to the other guy, particularly if it is not a particularly good application. It is not the position that somebody evaluates the application and tells applicants what they need for a successful application. In that context I am a little surprised that the Department of Agriculture, Food and the Marine did not put the money into the ACORNS scheme through the LEADER partnership companies. I accept there is a total slack in the market and that there are more male entrepreneurs than female. That issue should have been dealt with. I have no problem with that. SICAP should have dealt with it. It was supposed to deal with its target groups. SICAP is about target groups. It was about one-parent families. It was about older people. It is about all the unemployed and so on. If it was an identified subset of what SICAP was doing, I cannot understand why a new agency was set up. That is just a particular hang-up of mine. It is not a new hang-up. Those who have dealt with me for well over ten or 15 years will know that as somebody who was involved in development on the ground as a manager of a community co-op, I could write a book on all of this.

My second question relates to forms and a fetish I have. More and more forms seem to require answers in essay format. An example of a question is "Please explain why your area is disadvantaged". If one is a good professor of disadvantage, one would write a whole lot of stuff. I will not use the term I would like to use to describe it in this respectable forum. It seems to me now that there are professionals who will write the stuff if they are paid enough money and who know exactly the buttons to press. It does not mean they have a better case than the person who just writes the truth. This has become a whole industry on every side. One needs to get an expert to fill in one's application for sports capital funding. One has to pay money to get the form for the sports capital funding filled in. There are other forms. Bidding wars go on for filling out forms. One night I got a form that was in the Department of Community, Rural and Gaeltacht Affairs, as it was at the time, and I stayed up late and I got the form and there were all these "Yes" or "No" questions such as "Are you in a deprived area?". I decided to get rid of all the questions that required essay responses and replaced them with questions about whether an applicant was in the RAPID area or CLÁR area. No matter what case the applicant made I

knew that RAPID areas had been scientifically defined as being urban areas with higher social deprivation and I knew the CLÁR areas were the ones with the biggest population decline. If I wanted a definition of disadvantage, it was all mapped to the square inch. Therefore, I came in the following day with a nice simplified form with questions that required a “Yes” or “No” answer to virtually every question. It did not rely on the ability of the person writing the form or judgment of the person reading it to determine how good the essay was. It just became an essay writing competition. I felt there was a more objective and fair way of giving out the money. We seem to have regressed to the essay form. The Department of Rural and Community Development has a lot of new forms that require a lot of essay answers. Has Pobal in particular looked at this issue and asked why essay replies are required for obvious questions? Does it favour the people who are strongest at writing over the most worthy groups? Are we pushing more vulnerable groups that could do great work on the ground away? They are people who just get the job done but are not big into the writing phenomenon that seems to be a modern thing.

Pobal had a decentralisation programme and 30 or 40 jobs in Clifden. I understand they operate very efficiently. Is it the intention to pursue that? We did it on the basis that all new jobs given to Pobal by the State would be located outside of Dublin and that Pobal would not move people who were settled in Holbrook House. Has Pobal pursued that? This city is full of civil servants trying to get out of the place. From what I hear the office in Clifden works perfectly and the wages get paid every week without fail. It has a very high level of performance with very little oversight from Dublin. One of the best ways of creating rural jobs is to bring all those services that we control ourselves to rural Ireland. We talk about the IDA going to rural Ireland but companies coming in will do whatever they want to do. There is an easy, soft way of doing it by basing all new jobs in Clifden.

The community services programme is a programme I really like but I was shocked to learn recently that the one-for-one payment covering the minimum wage to full-time equivalents, FTEs, has been eroded considerably in the past two or three years and it is putting huge pressure on things like meals on wheels and community centres with limited incomes. Was that recommended by Pobal or was it imposed by the Department against Pobal’s will? It might be an unfair question but it is valid.

I read Microfinance Ireland’s report with interest. I remember ten or 15 years ago talking to somebody in a county enterprise board who was boasting that jobs were being created for €500 or €1,000 a piece. I was cynical enough to say that if they could be created with that kind of money, the board’s money was probably not needed. As somebody who was involved in job creation for a long time, I always get a bit worried when I find out the cost of creating a job is less than €2,000. One might set up a hairdresser’s which, while it is a fantastic and necessary service, will require displacement. Every time I see a supermarket is opening with 500 jobs, I ask how many small shops are being pushed out. That is the nature of life, but it is not net 500 jobs. If one is talking about industry and so on, my experience is that €2,000 will not do anything. Most businesses, if they are to have any success, will be well over a €25,000 requirement after a year. When do they graduate to there?

I have travelled around for the past year and a half. There was a guy who employed eight people in a factory that closed. Enterprise Ireland, EI, suggested to me it would be reopened, and I managed to locate somebody to take it over. He is doing high-quality work, some of which in its previous existence was in this House. He needs the two buildings to be relocated into one, and he requires €1.5 million. In fairness the Minister came down to visit. We have scoured all the agencies, from the Western Development Commission, EI, IDA, the enterprise

board and so on. The businessman needs some assistance with the building because if he borrowed at commercial rates it would not be viable, but there are eight jobs that will be there. It is totally sustainable, but not if has to put €1.5 million on the table for a building. With all the plethora of agencies, it does not seem there is any that can help. Where does Pobal graduate to after it is finished with Microfinance Ireland? What interest rates are being charged? What rate of failure does Microfinance Ireland have? If it is a low rate of failure, Microfinance Ireland is a failure. If bodies are lending money and they never have a failure, they are a failure themselves. Microfinance Ireland is meant to be the borrower of last resort and, therefore, there will be winners and losers. I am curious to know of the 1,830 businesses since Microfinance Ireland started, how many failures have there been? Fair enough, you win some, you lose some, but how many have succeeded beyond Microfinance Ireland's wildest dreams?

When Microfinance Ireland is assessing, how much does it assess the person and the promoter, and how much does it do it on a desktop analysis? The desktop analysis must obviously be done, and if a business does not make common sense it should not be funded. I am blue in the face saying that. On the other hand, when I was involved with people who worked for me in my previous life, I would pick out the likely people and encourage them to set up in business, some of whom had successful business. There had to be something to do, but equally there had to be the person to do it. How does Microfinance Ireland balance those two? I have seen in many cases that if one got the right person, the sky was the limit, whereas if one got the wrong person, no matter how good the idea was, it failed. Is it just desktop or does Microfinance Ireland interview these people? Is it allowed to do what credit unions used to be allowed to do, and which they seem not to be allowed to do anymore, which is make a judgment on the person sitting before them of whether he or she has that X factor to make it happen? We recognise that with the big entrepreneurs and that not everyone is a Michael O'Leary. If someone else had got Ryanair at the time it was going bust rather than Michael O'Leary, we might not have cheap flights to Britain. Is Microfinance Ireland allowed to assess the person, or is it totally rigid?

**Senator Maura Hopkins:** I apologise for being late. I was in another meeting. My questions relate to Pobal's presentation. In supporting volunteers and committees, will Mr. Leamy elaborate on the toolkit to which he alluded?

Senator Coffey mentioned the supports that are available, but we need to try to communicate them to people. What is Pobal's view of how we do that? Is it with financing, information or support? I know the local enterprise offices, LEOs, have been mentioned, with which we are familiar, but it seems from our discussions here that something more is needed. Otherwise, the LEOs need to be better resourced and supported in order to be that vehicle. I am not sure, but I ask the witnesses, who are experts in the area, to try to find out how best we can create that point of information about all the issues that involve businesses in rural communities.

**Mr. Garrett Stokes:** I will begin in response to Senator Coffey, whom I thank for his words of support. I totally agree on the communications side of things. We need a greater alignment across all the agencies with a stronger focus on indigenous local businesses. We do not acknowledge or advertise that as much, but anything we can all do together is beneficial.

On the allocations, we mentioned 79% in our statement, and all the regional and county breakdowns are in the overall larger document which we sent the committee. To give a flavour of it, one statistic is that if Dublin, Cork, Galway and Limerick are removed, it leaves 60% of applications as "real rural", if one can call them that. We have a breakdown by region in the report which the committee has, which we can reshare if necessary.

**Senator Paudie Coffey:** The people listening in will not all have access to it, which is why I put it on the public record.

**Mr. Garrett Stokes:** I apologise. Dublin is 21%, Border counties are 13%, the west is 11%, the mid-west is 8%, the south west is 10%, the south east is 17%, the mid-east is 11%, while the midlands are 9%. It is right across virtually every town and village in the country.

On the quantity of loans, it is an interesting and good point. The business has gone in the opposite direction to what people probably assumed on day 1. People did not have a desire to borrow during the recent crisis, but as the economy has settled down more and more people are looking to do so. Our volumes are growing year on year. We are up at approximately 19% this year in applications. There is an ongoing demand but, despite the banks being back in the market, the area in which they do fewest approvals is the micro-enterprise space because it is a harder area for them to do. Credit supply has definitely improved, and demand has thankfully begun to pick up. While we are playing in a smaller pool, the combination of credit supply and demand means there is a market that we will always need to feed into.

I will turn quickly to the forms. Hopefully, nobody is paying somebody for a form. The form should be simple and we do our best to make it more so. Documents are required for a loan application but it is not a long process. On the cost for jobs, the cost per job is a measure of our effectiveness. It is all of our costs and bad debts divided by the number of jobs created or sustained. That includes all of our overheads and interest paid back on loans. The person has, of course, borrowed money on top of that. A business cannot be set up for €2,000. That is the cost per job of the process we are doing.

The €25,000 limit was also mentioned. That limit is set down in the statutory instrument. Where do people go after that? This year, thankfully, a change we have achieved is that a person can now come back to us a second time. Up to earlier this year, the logic was that if people got a loan from Microfinance Ireland, they should be bankable after that. As the loans have begun to mature, the reality is that they are not. They are sustaining themselves and employing people but they are still weak businesses. We have now been allowed to do repeat business with our existing customer base. On our loan rates, our standard rate is 7.8% fixed APR. For partner referrals through the banks, LEOs and LDCs there is a 1% discount, so it is 6.8%. Our default rate is 30% all in. We have only written off 16% so far but the default rate is 30%.

**Deputy Éamon Ó Cuív:** Yes, that is fine.

**Mr. Garrett Stokes:** That is the mandate we have been given and it is probably as aggressive as we might like it to be. That may be a debate for another day.

**Deputy Éamon Ó Cuív:** I am sorry. I said I was in favour of a reasonable failure rate.

**Mr. Garrett Stokes:** That is a reasonable level.

**Deputy Éamon Ó Cuív:** I accept that is reasonable.

**Mr. Garrett Stokes:** There was also an interesting question on the promoter, the proposer and the proposition. We have about 30 loan assessors around the country. They will meet the loan applicants. It is all about meeting the person and whether he or she has the wherewithal to create the business. If he or she does not have it, then the proposition will never work. This is all about the promoter.

**Deputy Éamon Ó Cuív:** Is a personal judgement allowed to be made?

**Mr. Garrett Stokes:** Yes, it is essential. We can assess the small stuff on paper. I am talking about €2,000 or €5,000. At the €20,000 to €25,000 level, or any figure above that, we need to eyeball the person and understand his or her proposition.

**Chairman:** I thank Mr. Stokes. We are under time pressure. I ask Deputy Ó Cuív to hold on a second. We have to be out of the room by 1.15 p.m.

**Deputy Éamon Ó Cuív:** That is fine.

**Chairman:** There are a number of questions-----

**Deputy Éamon Ó Cuív:** I have one quick question.

**Chairman:** I ask that questions be brief to give everyone an opportunity to come back in.

**Deputy Éamon Ó Cuív:** I have a question on the 6% and 7% rates. I was surprised when I had to change the car. A certain company, that I will not mention, was able to give a loan at a much lower rate than that for car finance because they were borrowing with EU money. They can be seen advertising.

**Senator Paudie Coffey:** What has this to do with the discussion?

**Deputy Éamon Ó Cuív:** The difference between 3% and 6%.

**Senator Paudie Coffey:** We will talk about the bailout of ten years ago and what caused all of this in the first place-----

**Deputy Éamon Ó Cuív:** No-----

**Senator Paudie Coffey:** There we go.

**Deputy Éamon Ó Cuív:** What I am saying is-----

**Chairman:** No, we need to get through this now.

**Deputy Éamon Ó Cuív:** The Senator should not be so sensitive.

**Chairman:** Mr. Stokes is answering the questions. We will move on to the other organisations given the time constraints. I thank Mr. Stokes. Will Mr. Walshe take the question on ICOS?

**Mr. Darragh Walshe:** I thank Senator Coffey. Competition for funding across the areas where we and our colleague organisations are is probably inevitable but we have not found it to be a major choke point or anything like that. It could even be outweighed by opportunities to dovetail, but I am at the risk of jumping to a conclusion or speaking for the other organisations.

**Chairman:** I thank Mr. Walshe. I call Mr. Leamy from Pobal.

**Mr. Denis Leamy:** In respect of the issue of communications, raised by Senators Coffey and Hopkins, we have put much effort over the past year or two into revising the website. We have many online tools and infographics. They are easy to see on each of the programmes. We have also engaged in a number of regional workshops. We were, for example, involved at the National Ploughing Championships, getting word out about the programmes where people

are engaging with them. I take the point that there is much more we can do. There are many programmes and many initiatives to support people in rural Ireland. It is about letting them know about them. One example is the senior arts scheme. There was an underspend in that about a year ago. A number of members of the committee raised it. Significant effort was put into communicating the scheme and engagement has significantly increased. There has been a massive increase in those numbers to the extent that we are now chasing to try to keep up with the demand. That is good and it shows what can be delivered when the communication is right.

Deputy Ó Cuív raised a number of points on form filling. We have had conversations in the past on the essay competitions and some of the forms that might have to be completed. We are constantly revising the forms. We are restricted, to some extent, because we have to collect certain data on the completed forms. I would also like to think that anybody that submits an application to us gets direct feedback. If someone is rejected, he or she gets direct feedback by letter or phone on the areas that could be improved in the future. Help and resources are available, through our help desk and client services desk, for people who wish to submit for a new round when it becomes available.

On regionalisation, as has been mentioned, we have a strong office in Clifden with up to 40 staff. Slightly less than 50% of all of our staff are based in the regions. We now have 12 offices throughout the country. The point was well made. We are expanding with new programmes, especially the early years programme. In our new strategic plan from 2018 to 2021, we have stated that if there is any further expansion, we are going to make every effort to do it regionally. That is because of costs in Dublin and also because technology makes it much easier now to do business on a regional basis. We have every intention of carrying that out over the next couple of years.

On the CSP and the minimum wage, that is, ultimately, a decision to be made by the Department. If some organisations are in particular straits, there is a support fund that organisations can apply for to have subvention to support them in paying the minimum wage. The committee will be aware that the Minister intends to have a review of the CSP and that will be one of the issues reviewed. I will hand over to my colleague Mr. Skinnader to give some detail on the toolkit for Senator Hopkins.

**Mr. Paul Skinnader:** The Managing Better series is one we have had for a number of years. It is a toolkit that seeks to provide information on human resources, corporate governance and financial management. We have revised that this year because of the changed landscape. It is now available to all our of organisations on our website. In addition, we are going to run workshops in the next number of weeks on the CSP and we will be making reference again to that toolkit.

**Ms Paula Fitzsimons:** I have a point of clarification. ACORNS is not an agency; it is a programme and the policy puts that spotlight on the gender issue. A tender was put out, which we won.

**Deputy Éamon Ó Cuív:** Is Ms Fitzsimons an organisation?

**Ms Paula Fitzsimons:** No. I am in the private sector and run a consultancy company.

**Deputy Éamon Ó Cuív:** That is the same.

**Ms Paula Fitzsimons:** I am not an organisation in the public sector.

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**Deputy Éamon Ó Cuív:** I know, but technically speaking, neither is Pobal.

**Ms Paula Fitzsimons:** I am not part of Pobal at all.

**Deputy Éamon Ó Cuív:** No, I am saying that Pobal is not a State agency.

**Ms Paula Fitzsimons:** I am sorry. I apologise.

**Deputy Éamon Ó Cuív:** It is an organisation in the private sector, technically. Ms Fitzsimons misunderstood my point.

**Ms Paula Fitzsimons:** I apologise if I misunderstood the Deputy. One of the things we sign in our terms and conditions is that we are never to put ourselves forward for any work we are employed to do.

**Deputy Éamon Ó Cuív:** That is fine.

**Ms Paula Fitzsimons:** That is the reason I wanted to clarify that. It is one of the reasons ACORNS has been successful in what it does. It is about entrepreneurs supporting entrepreneurs. It involves volunteers who want to give back their time. Having successfully developed their business, they want to help others to be successful.

**Chairman:** We are under time constraints so I will bring the meeting to a conclusion. I thank the witnesses. I wish ACORNS well in the competition in November. Hopefully, it will be number one and fly that flag. It has a very inspiring story. What it has done in engaging with entrepreneurs, particularly, women, to improve their chances of being successful in the business environment is wonderful. I wish Microfinance Ireland well. It is engaging throughout the country. I also wish ICOS, which is a wonderful organisation that operates throughout the country, well. I thank the witnesses from Pobal for their engagement. Pobal is always available to this committee and I wish it well.

The joint committee adjourned at 1.10 p.m. until 10.30 a.m. on Wednesday, 17 October 2018.