An Roinn Gnó,
Fiontar agus Nuálaíochta
Department of Business,
Enterprise and Innovation

Focused Policy Assessment of Start Up and Entrepreneurship Expenditure

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Key messages from Analysis

- EI support programmes are widely regarded as making a positive contribution to the enterprises they support in several areas:
    - It was noted in the review of the Seed and Venture Capital Scheme that while the venture capital sector in Ireland has grown significantly since the introduction of the SVC programme particularly at the development capital stage, state support in the area is still needed for sustained growth, particularly in early stage and seed investments;
    - The 2007, 2011 and 2015 cohorts of HPSU client companies showed sustained growth in employment, turnover and exports in the years after being classed as HPSU client companies. In recent years, there has been a substantial increase in the proportion of female-led HPSUs and start-ups;
    - There has been an increase in the number of female-led HPSUs that have been developed in the period and female led HPSU's represented 16 percent of total HPSUs developed in the 2012 to 2016 period and have experienced increased survival rates over time.

- Data gaps exist in both Enterprise Ireland and Local Enterprise offices data:
    - Local Enterprise Offices "Mentoring and Capability Supports" are categorised per an in-house classification and not split up by programme. This means that the supports given by the Local Enterprise Offices are not categorised by "Start your own business" and the "LEOs mentoring programme". As a result, it is difficult to attribute expenditure to a specific programme within the theme of Capability supports from the LEOs and evaluate the effectiveness of these programmes;
    - While analysing Enterprise Ireland input data it has been noted that the input level data has programmes that begin in one year and are subsequently discontinued. While rebranding of programmes is undertaken to ensure that supports are dynamic and keep up to date with changing market requirements over time, it is necessary that the programmes can be evaluated relative to their objectives at either a thematic level or a programme level.

- Other key considerations:
    - It is important that start-ups and entrepreneurs have and continue to seek adequate information and assistance necessary prior to the scaling and internationalisation phase to mitigate the possible negative impacts of Brexit;
    - It is recommended that a new cycle of the suite of the evaluations that were undertaken by Forfás is commenced over the coming years by the Department of Business, Enterprise and Innovation;
    - It is recommended that an analysis is undertaken of the factors that drive the gap between payment and drawdown. This would be useful in assessing whether there are reasons or factors that affect a company's ability to meet targets set out for the project

Executive Summary

DBEI expenditure on start-up and entrepreneurship operates as a market facilitator

This paper presents the Focused Policy Assessment of Capital Expenditure by the Department of Business, Enterprise & Innovation (DBEI) on supports for Start-up and Entrepreneurship. The objectives of this FPA are to take a top down analysis of total DBEI funding of Start-up and Entrepreneurship expenditure and to trace that investment through its main activities, outputs and impacts across the main themes of investment. This Focused Policy Assessment concentrates on the financial supports given by Local Enterprise Offices and Enterprise Ireland to entrepreneurs and start-up businesses in Ireland. The FPA adopts a programme logic model (PLM) to structure the analysis and it continues the thematic approach to DBEI's input to the Spending Review, having reviewed supports for Research, Development and Innovation in 2017.

Enterprise Ireland is the government agency responsible for the development and growth of Irish-owned enterprises in world markets. EI takes a developmental approach to company development that is based on extensive experience of sectors, markets and technologies and of how SMEs start, grow and scale. In 2014, the 35 County and City Enterprise Boards (CEBs) were dissolved by legislation and 31 Local Enterprise Offices were established under the local authority structure.

DBEI expenditure on start-up and entrepreneurship operates as a market facilitator. Internationally the development of Enterprise policy has moved toward a systems approach and the Irish government has adopted this approach by positioning the state as a market facilitator, coordinator, market creator and an investor rather than simply providing grants. DBEI funding supports a range of programmes aimed at developing various aspects of the Entrepreneurial system.

Policy objectives have changed over time and expenditure on start-up and entrepreneurship supports address market failures

Enterprise development and an active entrepreneurial ecosystem is central to enterprise policy. Enterprise 2025 outlines that through exchequer returns, enterprises contribute to the provision of essential public services including infrastructures, healthcare and education. Enterprises can also contribute to enhanced quality of life and the attractiveness of towns and cities by providing many services in the regions. In addition, innovative enterprises can contribute to realising national policy priorities in areas such as smart infrastructures, healthy ageing, food security and a sustainable environment to deliver better outcomes for citizens.

DBEI has also developed a "National Policy Statement on entrepreneurship in Ireland". The Statement addresses each of the elements that make up the framework for entrepreneurs and are specifically designed to help them grow and creates targets surrounding entrepreneurship. These targets have also been carried forward into Enterprise 2025

Renewed as the key measures in which Ireland expands the pipeline of start-ups and develops dynamic and best in class hubs in which the regions stimulate innovation, collaboration and sustainable growth.

There are several market failures in the area that government funding in start-up and equity in the area aims to address. These are; Financial/Cost gaps, Information asymmetry, Capability gaps, Spill-over effects and Risk aversion market failures. Policy objectives have evolved over time to enable Enterprise Ireland and the Local Enterprise Offices address policy failures and market failures.

Funding Growth and Scale Phase accounted for the majority of expenditure in Start-up and Equity Supports

Much of the expenditure is in the "Funding – Growth & Scale" Phase which accounted for 80 percent of total expenditure in 2017 while "Funding at the Validation phase" accounts for 14 percent and Capability supports account for the lowest percentage at 6 percent.

There is a difference between approval and payments. The occurrence of a lag effect would suggest that payments and approvals should converge over time but they do not. Many approvals are not drawdown after they have been approved and understanding why this is the case could be a useful exercise for future budget allocations. To ensure accurate budgeting, Enterprise Ireland undertake a detailed analysis which forecasts the potential gap between approval and payment every year, reducing the risk of having to pay out more than approved in any given year.

The overall level of outputs are falling while the average size of outputs are rising

The total number of supports given by the LEOs and Enterprise Ireland reduces considerably from "Capability" supports to more targeted supports in the "Validation & Getting Investor Ready Phase" and further again in the "Funding –Growth & Scale Phase". The average level of supports also became higher as companies move toward the "Funding –Growth & Scale Phase" from Capability supports.

Average expenditure per output is increasing in the Funding – Validation phase, this is due to an overall reduction in the number of grants given rather than the amount spent on each individual grant. Expenditure and funding at the "Growth and Scale Phase" continued to rise throughout the recovery period. This is due to the increased importance of equity funding and human capital expenditure within Enterprise Ireland and the LEOs throughout the recovery period

Enterprise Ireland and LEO clients showed strong levels of growth throughout the period analysed

The Enterprise Ireland HPSU data showed that companies that were classed as HPSUs maintained continuous growth regardless of the year they were classed as HPSUs. Companies classed as HPSUs in 2007, 2011 and 2015 have all experienced strong growth in employment, turnover, exports and greater survivability over time. Companies classed as HPSUs in 2007, showed a consistent upward trend in employment, turnover and exports throughout the recession and experienced high growth from 2012 onwards (throughout the recovery period).

The Seed and Venture Capital scheme (S&VC) is driven by cost gap market failures in the market. The analysis of the 2018 S&VC programmes suggests that the recent programme period may potentially yield a positive financial return for the State, although many investments are still currently taking place.

It was noted in the review of the Seed and Venture Capital Scheme that while the venture capital sector in Ireland has grown significantly since the introduction of the SVC programme particularly at the development capital stage, the sector has not reached a self-sustainable level for early stage and seed investments. Enterprise Ireland investments via the SVC programme are an important investment for many funds seeking to raise capital in Ireland.

In recent years, there has been a substantial increase in the proportion of female-led HPSUs and start-ups. Many female-led HPSUs have been developed in the period and represent 16 percent of total HPSUs developed in the 2012 to 2016 period. For female-led HPSUs, the success rate is 23 percent which is slightly behind 28 percent for non-female HPSUs. Continued work is being undertaken by the department, Enterprise Ireland and the Local Enterprise Offices to ensure the continued growth of female entrepreneurship.

Challenges and Policy Considerations

LEO Enterprise Ireland Data Considerations

It has been found within this review that the Local Enterprise Offices data on expenditure on “Mentoring and Capability Supports” are categorised per an in-house classification and not split up by programme. This means that the supports given by the Local Enterprise Offices are not categorised by “Start your own business” and the “LEOs mentoring programme”. As a result, it is difficult to attribute expenditure to a specific programme within the theme of Capability supports from the LEOs and evaluate the effectiveness of these programmes.

While analysing Enterprise Ireland input data it has been noted that the input level data has programmes that begin in one year and are subsequently discontinued. While rebranding of programmes is undertaken to ensure that supports are dynamic and keep changing market requirements over time, it is necessary that the programmes can be evaluated relative to their objectives at either a thematic level or a programme level.

The Local Enterprise Offices and Enterprise Ireland need to liaise with the department on an ongoing basis regarding data gaps and address gaps in data to allow for robust evaluations over time. It is recommended that ex-ante evaluation frameworks are designed for all programmes including those that undergo a rebranding. This would allow for robust ex-post evaluations at a programme level by DBEI and Enterprise Ireland.

The Seed and Venture Capital Scheme is an important leveraging factor in the market

It was noted in the review of the Seed and Venture Capital Scheme that while the venture capital sector in Ireland has grown significantly since the introduction of the SVC programme particularly at the development capital stage, the sector has not reached a self-sustainable level for early stage and seed investments.

It was also noted that while there is justification for continued investment greater weight should be given to the objectives and targets on enterprise development metrics such as exports, employment, innovation and the scale of assisted companies. This is the only justification for government intervention via enterprise agencies. It was recommended that policy should be redirected to reflect a focus on economic impacts rather than simply the financial sustainability of the venture sector.

EI and the LEOs play an important role in aiding companies mitigate Brexit and other global political threats

DBEI play a key role in the implementation of Government policies and strategies that stimulate the productive capacity of the economy. Brexit impacts upon many areas within and outside of the Department’s remit. The Department and the Enterprise agencies, including the 31 Local Enterprise Offices have committed to the implementation of several mitigation measures.

It is important that start-ups and entrepreneurs have adequate information and assistance necessary prior to the scaling and internationalisation phase to ensure they can begin taking the appropriate measures to mitigate the possible negative impacts of Brexit. Brexit challenges and opportunities underscore the need to ensure that the funding instruments are fine-tuned to address these challenges and take advantage of the opportunities that may develop as a result of the UK’s exit from the EU.

The factors underpinning the gap between approvals and drawdowns exists and should be better understood

It was noted in the DPER review of EI Target Supports in 2017 that payments in any given year do not always match the approvals in the same year. This is reflective of the fact that when a company is approved for funding, it is required to undertake the project / investment first in addition to the multiannual and conditional nature of approvals. This may be reflective of a lag period between drawdown and payment, however, payments and approvals do not converge over time.

It is recommended that an analysis is undertaken of the factors that drive the gap between payment and drawdown. This would be useful in assessing whether there are reasons or factors that affect a company's ability to meet targets set out for the project.

An update of the suite of evaluations undertaken previously should be initiated in the coming years

It has been noted in the review that many evaluations of programmes via the thematic approach are outdated. The most recent full review of Start-up and Equity supports was undertaken by Forfás in 2014. There have been macro-economic, structural and operational changes in Ireland since this review was completed.

It is recommended that a new cycle of the suite of the evaluations that were undertaken by Forfás is commenced over the coming years by the Department of Business, Enterprise and Innovation. Doing this over a rolling 10-year period (i.e. completing a full review of Start-up and Equity supports by 2024) would ensure that evaluations, findings and policy objectives remain up to date.

The OECD SME and Entrepreneurship Policy review should consider the range of supports available to entrepreneurs and consider their role within the policy mix.

1. Introduction

1.1 Background

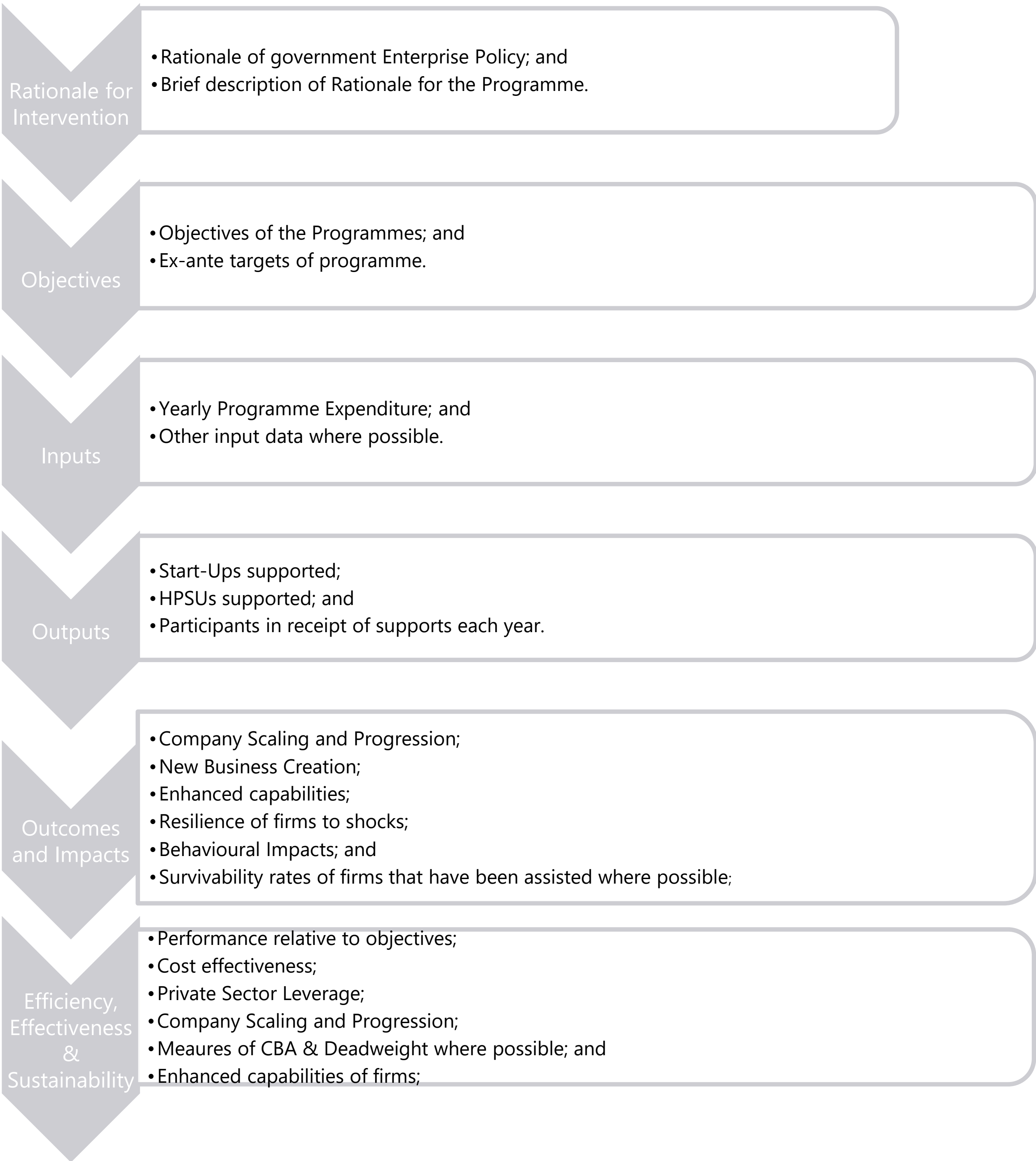
This paper presents the FPA of Capital Expenditure by the Department of Business, Enterprise & Innovation (DBEI) on supports for Start-up, Entrepreneurship and Equity supports. The FPA was requested by the DBEI Vote Section of Department of Public Expenditure & Reform (DPER) as an input to the “Comprehensive Review of Expenditure 2018” (“the Spending Review”) by Government. The structure and approach is informed by guidance on public expenditure analysis provided by the Irish Government Economic and Evaluation Service (IGEES) which has outlined key evaluation questions for Government Departments in the Spending Review.

Last year DBEI undertook an evaluation of expenditure on RDI supports which amounted to circa €322m of DBEI’s circa €550m capital allocation in the year. This year the Enterprise Programmes & Policies Evaluation Unit is undertaking the Focused Policy Assessment (FPA) of expenditure on Start-up and Entrepreneurship supports amounting to circa €137m of DBEI’s capital allocation as estimated by the Enterprise Programmes & Policies Evaluation Team.

1.2. Objectives and Scope

The objective of this FPA is to take a top down analysis of total DBEI funding of Start-up, Entrepreneurship and Equity expenditure and to trace that investment through its main activities, outputs and impacts across the main themes of investment. It also assesses the rationale for investment, process for prioritisation of resources, measures for assessing performance and effectiveness and justification for continued investment. The FPA adopts a programme logic model (PLM) to structure the analysis, outlined in figure 1 below.

Figure 1.0 Programme Logic Model for the review period



This Focused Policy Assessment (FPA herein) concentrates on the financial supports given by Local Enterprise Offices (LEOs) and Enterprise Ireland (EI) to entrepreneurs and start-up businesses in Ireland. It continues the thematic approach taken in DBEI's input to the Spending Review, having reviewed supports for Research, Development and Innovation in 2017.

Enterprise Ireland is the government agency responsible for the development and growth of Irish-owned enterprises in world markets. EI takes a developmental approach to company development that is based on extensive experience of sectors, markets and technologies and of how SMEs start, grow and scale. Working in partnership with clients, all aspects of business development are supported in a holistic way, including business development, sales and marketing capabilities, design, innovation and R&D, new product & process development, continuous competitiveness and productivity improvements, leadership and management development, and access to finance. In this way, they help maintain sustainable growth, regional development and secure employment.

The Local Enterprise Offices (The LEOs): In 2014, the 35 County and City Enterprise Boards (CEBs) were dissolved by legislation and 31 LEOs were established under the local authority structure. Enterprise Ireland (EI) and the local authorities (LAs) have signed up to a framework Service Level Agreement (SLA) (now knows as the Oversight and Performance delivery agreement, OPDA) which provides for the operation of LEOs, by the County / City Councils[1].

The LEO was established for people interested in starting up a new business or already in business including; entrepreneurs, early stage promoters, start-ups and small businesses looking to expand. The LEOs promote entrepreneurship and are the "first-stop-shop" for those beginning a new business as well as those wishing to expand their existing one. The LEOs provide direct financial supports to micro businesses[2] in addition to providing advisory services, mentoring and training programmes. They aim to promote entrepreneurship, foster business start-ups and develop existing micro and small businesses to drive job creation and to provide supports for business ideas. The LEOs provide services under four headings:

- Business Information and Advisory Services;
- Enterprise Support Services;
- Entrepreneurship Support Services, and
- Local Enterprise Development Services.

The overarching research objectives of the FPA are:

- To determine the rationale and relevance of DBEI supports for start-up and entrepreneurs provided through the LEOs and Enterprise Ireland;
- Analyse the trends and composition of the funding to start-up and High Potential Start Up (HPSU) companies by Enterprise Ireland and the LEOs;
- Evaluate outputs, efficiency, effectiveness outcomes and impacts of funding where possible; and

[1] See Appendix 1 for more information on the LEOs role within the Entrepreneurial ecosystem

[2] Micro Enterprises are businesses with 10 or less employees.

- To form conclusions around data gaps, future evaluation requirements and possible prioritisation of future expenditure at a strategic level.

DBEI funding supports a range of programmes aimed at developing different aspects of the Entrepreneurial system. To simplify the approach for the purposes of the FPA requirements, the expenditure and programmes have been grouped into three major themes which broadly reflect the major activities of DBEI expenditure in the area. The thematic approach aims to classify the supports by their broad objectives and role within enterprise policy to allow the analysis of a complex support system. These themes are:

- Capability Building - Supports that develop human capital such as skills, management capabilities that give companies the skills base to they need to scale;
- Funding – Validation Phase – Supports that aid in the development of enterprise in its early formative stage where the company is focused on the strategic direction of the company.
- Funding – Growth & Scale phase – Supports that aid companies in the early development stages, when companies need large levels of capital or advisory support to promote internationalisation and further scaling. This theme includes both direct funding e.g. EI equity or grant supports to companies and indirect funding by EI of seed and venture capital funds via the Seed & Venture Capital scheme.

DBEI has chosen to evaluate the years 2007-2017 as the investment period in the year adequately covers the recession period and the subsequent recovery in the economy.

1.3 Mapping the Start-up & Entrepreneurship System

The FPA provides a high-level evaluation of DBEI investment in start-ups and entrepreneurship and will allow for an initial assessment of the impact on the macro economic environment and the impact on the local economy. The level of depth of the FPA does not allow for a full counterfactual impact analysis at a program level but the paper assess the possibility of future counterfactual impact analysis being undertaken.

Internationally the development of Enterprise policy has moved toward a systems approach and the Irish government has adopted this approach by positioning the state as a market facilitator, coordinator, market creator and an investor rather than simply providing grants[3]. A systems approach recognises that enterprise policy can have positive externalities for the economy, particularly in addressing regional disparities and can promote innovation and partnership.

[3] See Enterprise 2025 for more information on system available at: https://dbei.gov.ie/en/Publications/Publication-files/Enterprise-2025-Background-Report.pdf

While there are a wide range of supports available for enterprises this FPA will primarily focus on funding to funds, direct supports and equity supports. In addition, it is important to note that the entrepreneurship and start-up supports that the LEOs and EI provide are just a part of a large ecosystem of state supports for start-ups and small businesses (approximately 170 in total, including training, sector specific direct financial supports and tax incentives), most of which are outside the scope of this FPA[4].

[4] See https://www.localenterprise.ie/Discover-Business-Supports/Supporting-SMEs-Online-Tool/

1.4 FPA Structure

The report is structured in the following sections:

- Section 2 assesses the rationale for public investment in start-up supports, including the evolution of policy and a brief review of the literature on why State intervention occurs;
- Sections 3, 4, and 5 examines the objectives, inputs, outputs and activities from the investment by DBEI, primarily across the themes of Capability; Funding – Validation phase; and Funding –Growth & Scale Phase;
- Section 6 identifies the main impacts/outcomes related to the investment and outputs;
- Section 7 provides an assessment of how the effectiveness of the investment is monitored and Section 8 assess the continued relevance of the expenditure in the area; and
- Section 9 makes some conclusions and policy considerations.

The FPA draws on existing data sources within DBEI and the Agencies in addition to secondary evidence sources such as empirical research and literature.

2. Rationale

Questions:

- Assess why public policy intervention is necessary and issues around market failure?
- How does the programme fit with other programmes of the department or other departments?
- Assess the validity of objectives.

2.1. Introduction

This section sets out the various market failures and rationales for policy intervention by the State in start-up and entrepreneurship.

2.2. Policy Rationale

Enterprise 2025 sets the strategic framework for coherence across Government departments to focus resources to develop a better future and to deliver sustainable enterprise growth and jobs. Enterprise development and an active entrepreneurial ecosystem is central to enterprise policy. Enterprise 2025 outlines key Government policy directions for enterprise development in Ireland, these strategies include:

- *The transformation and change in the performance of new companies in Ireland to help embed a culture of innovation and continuous change;*
- *Strong locally trading and employment intensive enterprises to improve competitiveness; and*
- *Stimulate job creation throughout Ireland so that unemployment in each region is within one percent of the State average.*

Enterprise 2025 outlines the benefits of developing a competitive enterprise base noting that it aids in driving productivity growth, further investment and creates jobs which delivers higher standards of living, making Ireland a more attractive place to invest. Through exchequer returns, enterprises contribute to the provision of essential public services including infrastructure, healthcare and education. Enterprises can also contribute to enhanced quality of life and the attractiveness of towns and cities by providing quality retail outlets, restaurants, professional and personal services and by engaging in collaborative regionally based initiatives. In addition, innovative enterprises can contribute to realising national policy priorities in areas such as smart infrastructures, healthy ageing, food security and a sustainable environment to deliver better outcomes for citizens.

Start-ups are by nature small companies, but they play a very important role in economic growth. They create jobs, which directly contribute to the economic prosperity of the country and also inject innovation in terms of products, technology and business models that spurs competition leading to greater economic prosperity. For example, research published by the Central Bank of Ireland in 2013 concludes that 67 percent of new job creation comes from companies within their first five years[5].

DBEI has also developed a "National Policy Statement on entrepreneurship in Ireland"[6]. This Entrepreneurship Policy Statement sets out several strategic objectives that are based on an assessment of Ireland's existing position and an assessment of international practice. The Statement addresses each of the elements that make up the framework for entrepreneurs and are specifically designed to help them grow and flourish.

The National Policy Statement on Entrepreneurship in Ireland aims to;

- *Increase the number of start-ups by 25% (3,000 more start-ups per annum);*
- *Improve the capacity of start-ups to grow to scale by 25%; and*
- *Increase the survival rate in the first five years by 25% (1,800 more survivors per annum).*

These targets have also been carried forward into national enterprise policy (Enterprise 2025 renewed[7]) as the keys measures in which Ireland expands the pipeline of start-ups and develops dynamic and best in class hubs in which the regions stimulate innovation, collaboration and sustainable growth. These include;

- *Increase no. of start-ups measured by the number of enterprise births per annum to 18,848 by 2020, (18,100 in 2015); and*
- *Survival rate of start-ups (5 years) economy -wide measured by the increase in number of enterprises surviving to 5 years by 25% to 12,495 by 2020 (9,331 in 2015*); and
- *Increase in scaling activity measured by Enterprise Ireland Firms with greater than €3m sales out of Ireland to 1,100 by 2020 (1,003 in 2015).*

[5] See Enterprise 2025 & Central Bank (2013), Determinants of Growth; age or size?, available: https://www.centralbank.ie/docs/default-source/publications/research-technical-papers/research-technical-paper-02rt13.pdf?sfvrsn=8

[6] National Policy Statement on Entrepreneurship (2014) available at: https://dbei.gov.ie/en/Publications/National-Policy-Statement-on-Entrepreneurship-in-Ireland-2014.html

[7] See Enterprise 2025 Renewed available: https://dbei.gov.ie/en/publications/publication-files/enterprise-2025-renewed.pdf

2.3. Market Failure Rationale

The start-up supports from EI and the LEOs play a role in the development of start-up and entrepreneurial activity in Ireland. There are several market failures in the area that government funding in Start-up and equity in the area aims to address.

- Financial/Cost gaps: These can act as a barrier to the development of new firms as some firms may be unable to bridge the initial cost gaps associated with large capital investments. Government can play a role in addressing the initial up-front cost gaps with state supports in areas with growth and scaling potential[8]. This particularly pertinent with High Potential Start-ups that are looking for seed and venture capital and equity funding and is a key market failure that is addressed under the Seed and Venture Capital Scheme.
- Information asymmetry: the new "systems" approach to industrial policy has placed increased emphasis on the role of the state as a coordinator/networker that develops entrepreneurial strategies in partnership with industry[9]. Potential entrepreneurs may not have the information necessary for the enterprise to reach their potential thus state plays a role in bridging the information gap that may exist.
- Capability gaps: Gaps in the knowledge of the potential entrepreneur can act as a barrier to entry to the market and gaps in capabilities for potential entrepreneurs can lead to entrepreneurs not reaching their full potential and these gaps can be bridged by undertaking training, mentoring and management programmes prior to start-ups and entrepreneurship taking place. Capability gaps can lead to entrepreneurs and companies falling behind in a volatile market environment and so the government plays a role in bridging this gap.
- Spill-over effects: Spill over effects are possible as innovative small firms may produce technological or other improvements that spill over to the rest of the economy. A high potential start-up (HPSU) company can have large spill over benefits due to their innovative nature and this is particularly true for companies in the regions as entrepreneurship can bolster regional growth.
- Risk aversion: Despite the importance of start-ups, financial institutions may be unwilling to lend to small firms or the potential entrepreneur resulting in sub-optimal investment in start-ups due to risk aversion[10]. Also, some company owners may be

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[8] See Colombo, Cumming & Vismara (2014), available at: https://www.researchgate.net/profile/Massimo_Colombo/publication/269290468_Governmental_Venture_Capital_for_Innovative_Young_Firms/links/54a460da0cf256bf8bb3261a/Governmental-Venture-Capital-for-Innovative-Young-Firms.pdf

[9] See OECD Warwick, K., (2013), Beyond Industrial Policy; Emerging issues and new trends. *OECD Science, Technology and Industry Policy Papers*, No. 2, OECD Publishing. http://dx.doi.org/10.1787/5k4869clw0xp-en ; See also Lenihan, H. (2011). Enterprise policy evaluation: Is there a 'new'way of doing it?. *Evaluation and Program Planning*, *34*(4), 323-332

[10] See the evaluation of Start-up supports, available at; https://dbei.gov.ie/en/Publications/Publication-files/Forf%C3%A1s/Evaluation-of-Enterprise-Supports-for-Start-Ups-and-Entrepreneurship.pdf

unwilling to take risks to scale. There is therefore a case for the State to co-invest or to become a risk sharer to address sub-optimal investment as spill-overs have benefits to the economy beyond the firm.

2.4 Section Conclusions

- Enterprise development and an active entrepreneurial ecosystem is central to Government economic policy. Enterprise 2025 outlines key Government policy directions for enterprise development in Ireland.
- The National Policy Statement on entrepreneurship in Ireland sets out several strategic objectives that are based on an assessment of Ireland's existing position and an assessment of international practice.
- There are several market failures that Enterprise Supports aim to address these are:
    - Financial/Cost gaps;
    - Information asymmetry;
    - Capability gaps;
    - Spill-over effects; and
    - Risk aversion.

3. Objectives and Evolution of Entrepreneurship Policy

Review questions

- Assess the validity of objectives.
- Has anything happened during the implementation of the programme to make the programme more, or less, relevant?

3.1 Introduction

This section sets out the core objectives for DBEI investment in Entrepreneurship activity and a review of how policy objectives have evolved throughout the period (2007 to 2017).

3.2 Policy & High-Level Objectives

The Department of Business, Enterprise and Innovation produced several policy documents that have informed strategic decision making in entrepreneurship policy throughout the FPA period, see Figure 1 below.

Figure 3.1 Overarching objectives and Entrepreneur specific objectives of Enterprise Policy in Ireland

Ahead of the curve (2004)

- **Broad Policy Objectives**
  - Shift from expertise in manufacturing/operations to promoting capability in R&D;
  - Developing more innovative entrepreneurs and a more innovative entreprenurial culture.
- **Entrepreneurship was recognised as an "Essential Condition" for ensuring Ireland's competitivness, objectives include;**
  - Providing relevant entrepreneurial training at third level, including a focus on commercialisation of academic innovations.
  - Developing Public-Private Seed and Venture Capital schemes, supported by Enterprise Ireland.

Making it happen (2010)

- **Broad Policy Objectives**
  - Enterprise Policy began moving toward a whole of enterprise approach; and
  - Focus on promoting innovative enterprises that have the potential to scale, internationalise and diversify.
- **Creating a supportive environment for entrepreneurship and innovative start-ups was identified as an objective for Enterprise Policy, within this, minor objectives included;**
  - Maintaining entrepreneursip skills development throughout third level education and beyond;
  - Create a stronger enterprise mix by Building on Ireland's strengths in sectors to capitalise on emerging opportunities.

National Policy Statement on Entrepreneurship (2014)

- **Policy Objectives**
  - The policy statement identifies six areas that contribute to a positive entrepreneurial environment;
  - These include the development of; 6 key areas.

Enterprise 2025 (2015)

- **Broad Policy Objectives**
  - Transforming the current enterprise base to promote resilience of the enterprise base; and
  - Building on strengths to promote scaling and internationalisation within the enterprise base.
- **Enterpreneurship objectives include;**
  - Implement the National Entrepreneurship Strategy to achieve a 25 percent increase in the rate of start-up, survival and scaling of new businesses in Ireland;
  - Continue to stimulate equity investments for entreprenuers to ensure early stage finance.

Enterprise 2025 renewed (2018)

- **Broad Policy Objectives**
  - Increasing the emphasis on developing Irish owned enterprises and embedding resilience in the enterprise base particularly to exogenous shocks stemming from global political circumstances;
  - Realising the full potential of the regions through developing systems that help entrepreneurs develop within all regions;
- **A strong entrepreneurial base was noted as a factor that effects economic resilience to economic shock;**
  - Creating awareness among SMEs and increasing the level of preparedness across the economy for potential exogenous shock;
  - Increasing the number of female entrepreneurs in the enterprise base is an important enterprise objective;
  - Increasing the capability of entrepreneurs
  - Ensuring continued finance for high potential start ups in the form of equity and VC.

Enterprise policy objectives have moved from the development of expertise in manufacturing/operations and the promotion of capability in R&D and a move up the global value chain to the development of a systems approach enterprise policy with a greater focus on the development of SMEs and further embedding MNCs in the economy.

There is a comprehensive review of Ireland's SME policy being undertaken by the OECD that is due for completion in 2019. This will be a seminal 18-month project which will see a comprehensive review of the entrepreneurial and SME ecosystem and policies, using OECD expertise in a structured and defined process. A workshop and a twenty-page policy roadmap will be prepared following the final report to translate the assessment into a roadmap for policy action.

This will inform an SME policy statement of strategy that will ensure a coherent and collective approach to a supportive business environment for indigenous start-ups and businesses into the future.

3.3 Programme Level objectives

Agencies support programmes are developed with the aim of achieving the enterprise policy high-level objectives. This section outlines the objectives of supports that are bundled dependant on their objectives and role within Enterprise Ireland support system. The Enterprise Ireland and LEOs programme objectives are outlined in Figure 3.2 (below).

While this evaluation is focused primarily on expenditure by agencies in terms of grants and equity, the non-financial supports provided play a significant role in ensuring start-up survivability, internationalisation and a promotion of a culture of enterprise and entrepreneurship at local, regional and national levels.

It is important to note that over the review period, there have been significant changes to the development supports which Enterprise Ireland provides to start-ups which receive equity investments. Based on internal analysis of programme effectiveness which are outlined later, changes have been made to the financial and non-financial supports provided to companies which receive Competitive Start Fund and High Potential Start-up equity investments.

EI introduced a two-stage approach to help HPSUs to access the supports most relevant to their business and stage of development – HPSU Start and HPSU Accelerate.

- **HPSU Start** was developed to support pre-investment clients that have the potential to become investor ready within a 12-18-month timeframe. A client can move from HPSU Start at any stage once they are deemed investor-ready, at which point they begin working with the HPSU Accelerate team, with a view to further scaling their business.

- **HPSU Accelerate** has been developed to support post-investment clients to achieve €1m turnover in sales and 10 employees within three years. HPSU Accelerate focuses on building international sales faster. When a client is investor ready, the HPSU Accelerate team will work with them to secure Enterprise Ireland investment (and matching funding from private investors). Once approved, the client engages on a new two-year post-investment engagement model – HPSU Accelerate. HPSU

Accelerate is a deep engagement model consisting of regular business plan update meetings, overseas market reviews and interaction and a focussed development programme.

Figure 3.2 Enterprise Ireland and Local Enterprise Offices Programme Level Objectives

Capability building

- **EI Mentoring - Competitive Feasibility Fund**
  - Used to support the cost of a Mentor Assignment. EI matches clients with an experienced business mentor to assist in the start-up phase or to advise on specific areas of business plans.
- **EI New Frontiers Programme**
  - This is a development programme for early-stage startups. It is based in 16 campus incubation centres across the country. It is funded and managed by Enterprise Ireland, and delivered at a local level by the Institutes of Technology. New Frontiers is not an academic programme and is delivered by seasoned business practitioners and entrepreneurs.
- **LEOs Mentoring Support**
  - Used to support the cost of a Mentor Assignment. LEOs match clients with a business mentor to assist in the start-up phase or to advise on specific areas of business plans.
- **LEOs Start Your Own Business**
  - Aims to assist the small business community in meeting the challenges of the business world, LEOs provide a wide range of high-quality training supports which are tailored to meet specific business requirements.

Funding - Validation phase

- **EI Competitive Feasibility fund**
  - Assist new start-up companies or entrepreneurs, to assess the viability of a new growth-orientated business proposition which has the potential to become a HPSU. Another objective includes increasing the number of female Entrepreneurs in the entrepreneurial base to circa 20 percent.
- **EI Competitive Start Fund**
  - Offers companies a €50k equity investment designed to accelerate the development of HPSUs companies by supporting them to achieve commercial and technical milestones such as evaluating international market opportunities or building a prototype.
- **EI HPSU Feasibility Grant**
  - The objective of the prorgamme is to provide the necessary information to enable the promoter (and Enterprise Ireland) to reach conclusions regarding the project's viability and set out investor ready plans and financials associated with developing and commercialising your innovative product or service on international markets.
- **LEO Feasibility Grants**
  - Feasibility Study Grants are designed to assist the promoter with researching market demand for a product or service and examining its sustainability. It includes assistance with innovation including specific consultancy requirements, hiring of expertise from third level colleges private specialists, design and prototype development.
- **LEO Priming Grants**
  - A Priming Grant is a business start-up grant, available to micro enterprises within the first 18 months of start-up. Priming grants may be available for sole traders, partnerships or limited companies providing they fulfil a number of criteria.
- **LEO Technical Assistance for Micro Exporters Grant**
  - The Technical Assistance for Micro Exporters' Grants were introduced in 2017. They part-fund the costs incurred investigating and researching export markets. The objective of these grants is to increase the numbers of LEO clients developing new export opportunities.

Funding - Growth and Scale Phase

- **EI High Potential Start-Ups Equity**
  - Allows EI to offer equity investment to HPSU clients, on a co-funded basis to support the implementation of a company's business plan. First time and follow-on equity investments in HPSUs are supported under this offer.
- **Seed and Venture Capital Scheme**
  - The overarching stated goal of the SVC scheme is "to increase the availability of risk capital for SMEs to support economic growth through the continued development of the Seed and Venture Capital Sector in Ireland to achieve a more robust, commercially viable and sustainable sector".
- **LEO Business Expansion Grant**
  - Allows the LEOs to offer support to companies looking to expand operations.

3.4 Section Conclusions

- Enterprise Policy has developed over time moving from expertise in manufacturing and low-level operations to capability building and the promotion of research, development and innovation with a view to increasing the emphasis on developing Irish owned enterprises and embedding resilience in the enterprise base particularly to exogenous shocks.
- Enterprise Policy moved in line with international practice in the adoption of a systems approach to enterprise development and became more of a market supporter and coordinator rather than a direct funder.
- Programme level supports aim to underpin the overarching enterprise policy objectives that have evolved over time with enterprise policy.
- The programme level objectives are designed in such a way that the aim is a progression from the LEOs through to Enterprise Ireland from Micro-Enterprise and early stage development with the LEOs to scaling and internationalisation with Enterprise Ireland.
- Over time there have been several supports given by the Local Enterprise Offices and Enterprise Ireland that support the overall objectives. Some programmes have undergone significant operational changes and/or rebranding and have changed name while the policy objectives have remained somewhat similar over time. While this is to ensure that supports keep up to date with market needs it can make data collection and evaluation difficult over a prolonged period.
- Over the review period, there have been adjustments made to the development supports which Enterprise Ireland provides to start-ups which receive equity investments, building upon experience, with the aim of increasing the impact of the supports.
- The LEOs are less programme driven than Enterprise Ireland, offering supports to local entrepreneurs and businesses to meet local demands.

4. Inputs

Review questions

- How does the programme fit with other programmes of the department or other departments?
- Provide a detailed analysis of spend for specific area of interest – trend and composition.

4.1. Introduction

This section presents an analysis of DBEI expenditure on Start-ups and Equity supports from the perspective of DBEI's total capital spend; relative spend of the agencies (LEOs & EI) and major programmes and expenditure by the broad theme associated with their main objectives (Capability Building, Funding – Validation phase, Funding – Growth and Scale phase).

4.2 Context – DBEI investment in Capital Expenditure

In 2018 DBEI's Capital Allocation equalled €555m[11]. Of this, roughly €227m was allocated to Job and Enterprise Development. Of the €227m, circa €54m was allocated for Enterprise Ireland "funding to industry" and €49m was allocated to the Seed and Venture Capital Fund with €22.5m for Local Enterprise Development[12] (Table 4.1 below).

Table 4.1 outlines total DBEI and Government capital allocation for 2007-2017, total government allocation ranged between €3.4 billion and €9.1 billion while DBEI total allocation ranged between €442 million and €555 million. Expectedly government allocation fell by 63 percent from its peak in 2008 to €3.4 billion in 2014 due to the financial crisis. DBEI capital allocation fell less severely from a pre-2017 peak of €514 million in 2012 to €442 million in 2014 (14 percent). The total allocation to "Innovation" Supports and "Jobs & Enterprise Development" has followed a similar trend to DBEI total allocation and has increased from 2007 to 2017.

[11] All expenditure according to Revised Estimates for Public Expenditure found at http://www.per.gov.ie/en/rev/

[12] While EI and LEOs were allocated circa €63m and €22.5m, not all the allocation would be expenditure on start-up and equity supports.

Table 4.1 Total Government and DBEI Capital Allocation, 2007-2017, millions €

Year	Total Government Allocation	Total DBEI Capital Allocation	DBEI Innovation Allocation	Jobs & Enterprise Development
2007	€7,660	€470	€262	€161
2008	€9,053	€494	€298	€153
2009	€7,332	€488	€289	€175
2010	€6,429	€471	€274	€169
2011	€4,690	€508	€295	€175
2012	€3,961	€514	€318	€183
2013	€3,431	€454	€291	€162
2014	€3,339	€442	€274	€167
2015	€3,618	€489	€320	€189
2016	€3,967	€503	€307	€191
2017	€4,644	€555	€322	€232

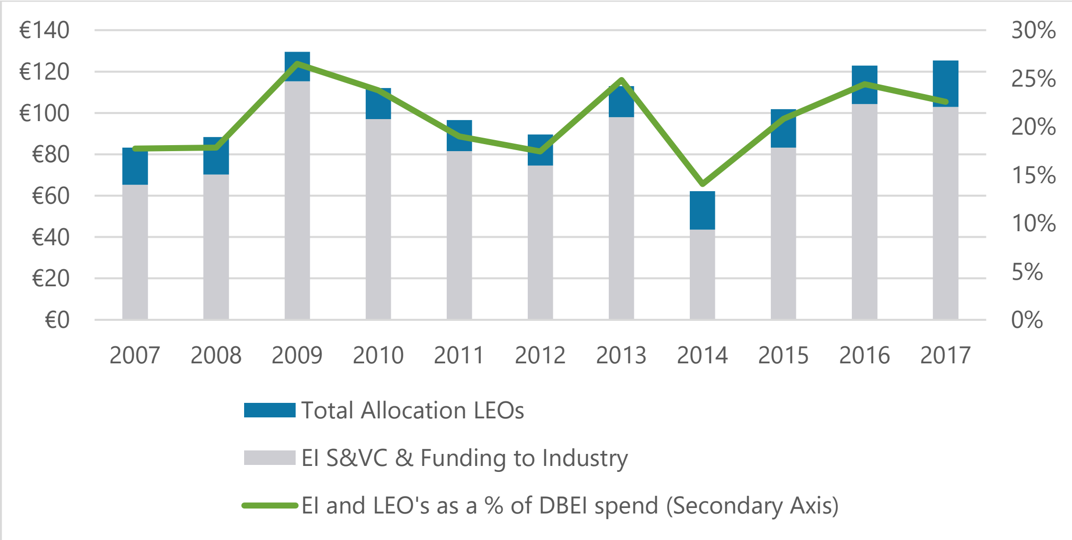
Source Revised Estimates DPER 2007-2017

Figure 4.1 (below) depicts EI and LEO allocations as a percentage of DBEI capital allocation. The agencies allocation ranged between €60 million in 2014 and €120 million in 2017 and overall trend of capital allocations of the LEOs and Enterprise Ireland has broadly followed the total allocation of DBEI. LEO and Enterprise Ireland allocations as a percentage of total DBEI allocation (indicated by the green line in figure 4.1) took an expected fall from a peak in 2009 (26 percent of DBEI capital allocation) and troughed in 2014 at 14 percent of total DBEI capital allocation before rebounding in 2018 to 23 percent of total DBEI capital allocation.

Fluctuations in Enterprise Irelands allocations can be largely attributed to the generation of own resource income. Enterprise Ireland are obligated to spend own resource income prior to receiving a government allocation. Own resource income represented 20% of total income in 2005, this category narrowed to just 5% in 2010. Having experienced growth since then, non-Exchequer income once again accounts for a fifth of total as of 2016[13].

[13] See Reidy 2017 (IGEES), Spending review paper, "An Assessment of the Rationale, Efficiency and Targeting of Supports in Enterprise Ireland", available online.

Figure 4.1 Enterprise Ireland[14], LEOs as a percentage of DBEI Capital Allocation, millions €



Source Revised Estimates DPER, 2007-2017

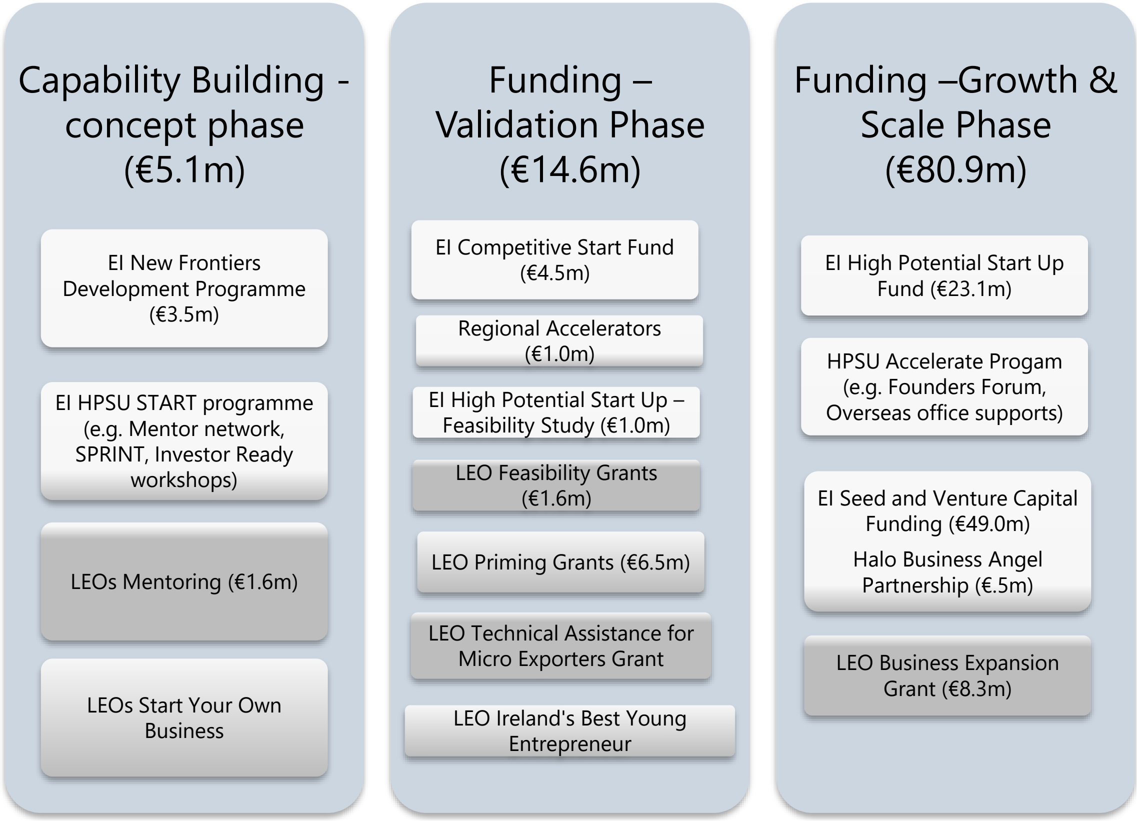
4.3 Expenditure by Theme

As presented in the introduction, to simplify the approach for the purposes of this analysis, the expenditure and programmes have been grouped into three major funding categories that reflect policy objectives. This allows for expenditure tracking through the logic model from inputs to outputs and outcomes with an associated analysis of the efficiency and effectiveness of said expenditure. The programmes and their levels of expenditure are outlined in figure 4.3 below. These themes are:

- Capability Building - Supports that develop human capital such as skills, management capabilities that give companies the skills base to they need to scale;
- Funding – Validation Phase; and
- Funding – Growth and Scale Phase.

[14] EI Allocation as it is reported in the capital allocations only includes allocation for "Funding to Industry" (excludes RD&I and Seed and Venture funding). Seed and Venture capital scheme allocations are reported separately to EI funding to industry.

Figure 4.3 Programmes and Approvals by theme for 2017[15][16].



Source LEOs and Enterprise Ireland data

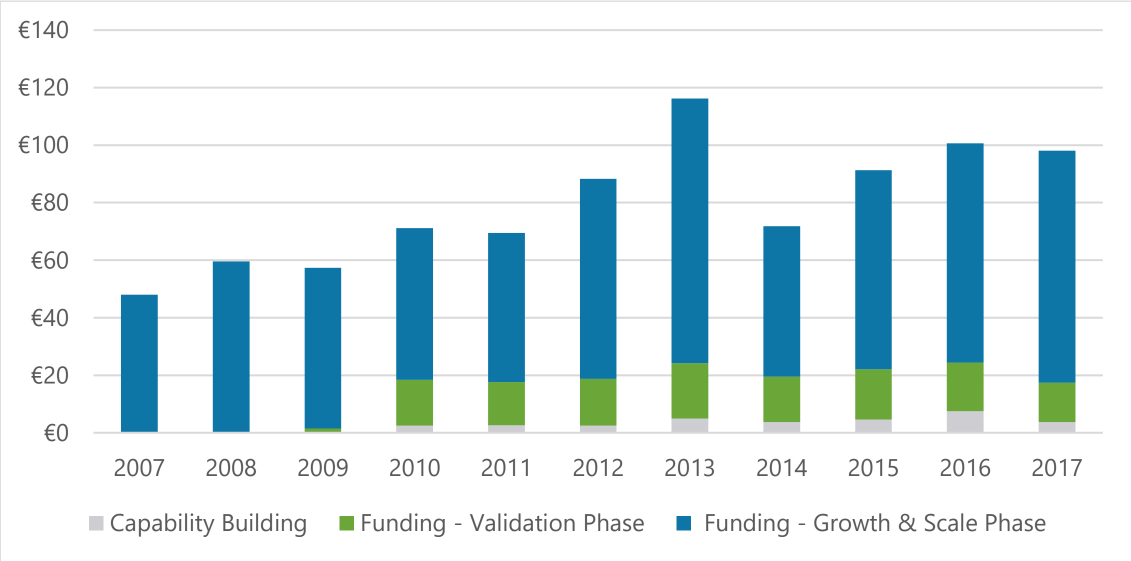
Figure 4.3 breaks expenditure down by theme for 2017. Much of the expenditure is in the "Funding – Growth & Scale" Phase at €80.9m in the period accounting for circa 80 percent of total expenditure in 2017, while "Funding at the Validation phase" accounted for roughly 14 percent of total expenditure (€14.6m) in 2017. Capability supports account for the lowest percentage at circa 6 percent in 2017 (€5.1m) [17].

[15] Approval Amount greater than payment amount.

[16] Programmes without unspecified expenditure levels are programmes where current expenditure in the form of employee time is a more appropriate measure of input.

[17] LEO Start Your Own Business Supports figure for 2017 not available due to data availability. LEO Start Your Own Business data also includes other programme data and cannot be attributed to a specific programme due to in-house classification.

Figure 4.4 Sum of Approvals by theme 2007-2017, millions €



Source LEO and EI data

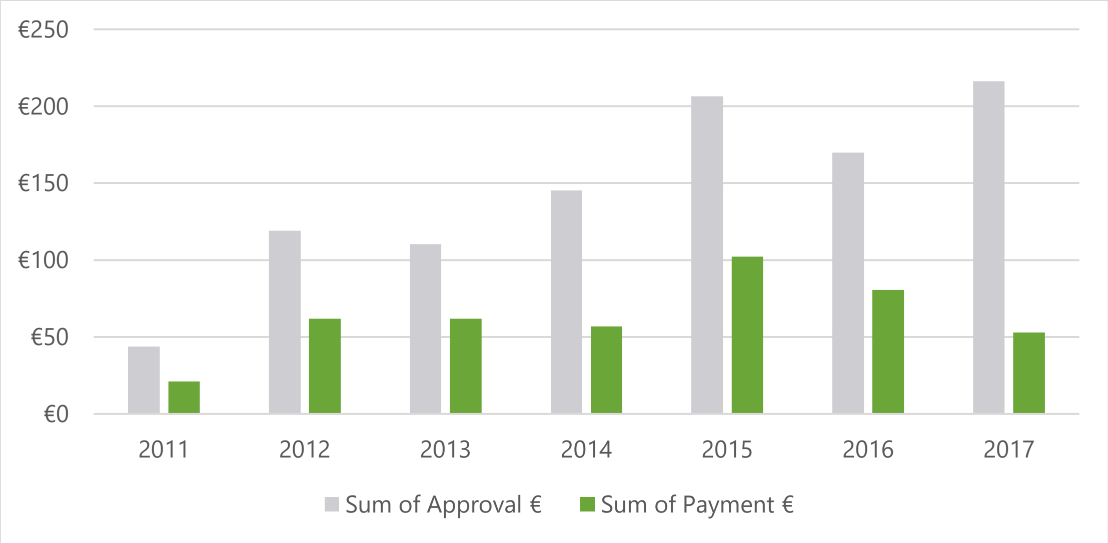
Figures 4.5 to 4.7 outline the trends in expenditure by each specific theme over time for the years that are available. The Local Enterprise Offices could not be included in the analysis of Capability support expenditure as they do not break down their expenditure by the programmes listed such as “Start Your Own Business” but by the type of expenditure “Training”, “Management Development” etc. The current situation makes the analysis of expenditure at a programme level very difficult over prolonged periods of time.

Figure 4.5 (below) shows Capability payments and approval (P&A) sums for Enterprise Ireland (i.e. mentor grants for Competitive Feasibility and Competitive Start Fund). While this expenditure accounts for a very small share of overall EI financial supports to start-ups, Capability building Payments and Approvals has increased steadily over the period analysed. There is a notable difference between the total approval amount and the total amount paid which can be largely attributed to a lag in the drawdown of the amount approved over time.

It is worth noting that a lag period between approval and payments would suggest that payments should converge with the total approval amount over time but they do not. Many approvals are not drawdown and an assessment of why that is so could prove useful to understanding the factors that drive approvals and subsequent drawdowns by the companies. Further to this, it was noted by the Department of Public Expenditure and Reform (DPER) in last year’s spending review paper that EI undertake a detailed budgetary analysis with forecasting based on historical trends on drawdown rates and ensure that no more than 85 percent of the current budget is committed to avoid overspend18.

[18] See Spending review papers available: http://www.per.gov.ie/en/spending-review/

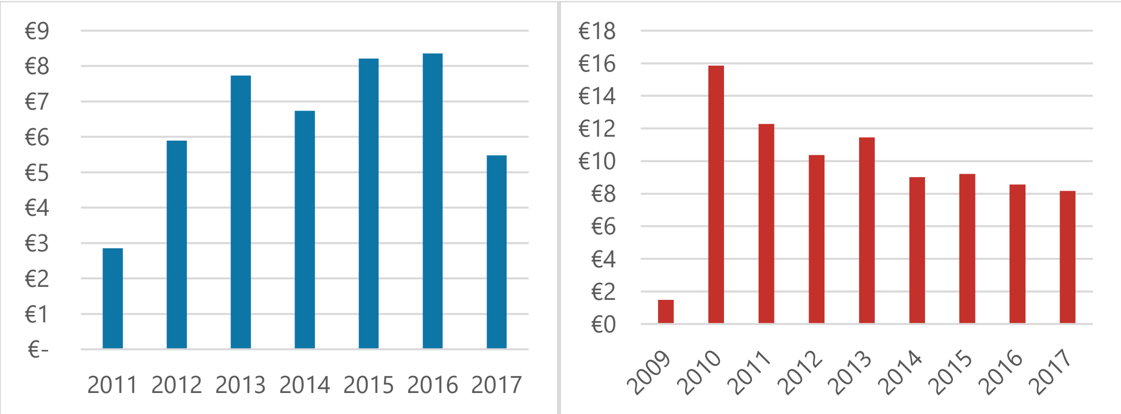
Figure 4.5 Total EI "Payments Made" and "Approvals made" by "Capability Supports" 2011-2017, thousands €[19]



Source Enterprise Ireland data

Figures 4.6 and 4.7 (below) depict approvals made for supports in the "Funding- Validation Phase" and "Funding- Growth and Scale phase". Funding at the validation phase for Enterprise Ireland, once established, has remained constant over the period analysed and has fallen toward the later end of the period analysed. This may be reflective an overall change in objectives by Enterprise Ireland with increased emphasis on filling gaps at the pre-investment stage with a view to ensuring companies have adequately assessed the feasibility of ideas and expenditure prior to commercialisation. According to Enterprise Ireland, it also may be reflective of economic cyclicality as companies may be less likely to apply for funding or grants in a period of high economic growth relative to a period of low economic growth.

Figure 4.6 Total of EI (left) and LEOs (right) "Approvals made" by "Funding – Validation Phase" for 2009-2017, millions €



Source Enterprise Ireland and Local Enterprise Offices data

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[19] This is EI mentoring grants for the Competitive Start Fun & Competitive Feasibility Fund.

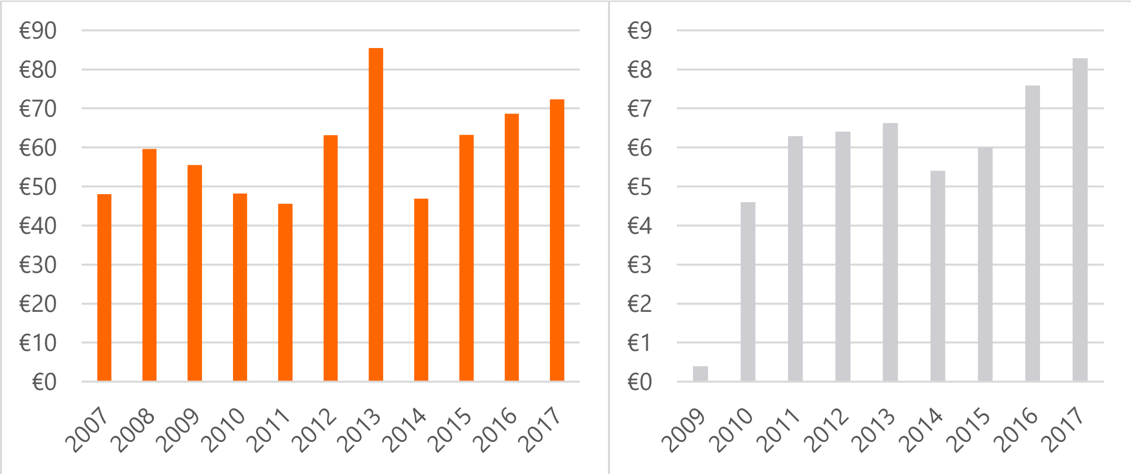
Enterprise Ireland approvals refers to Competitive Start Fund, Competitive Feasibility Fund and HPSU Feasibility grants. LEO approvals refer to Priming Grants and Feasibility grants. “Payments Made” by Funding – Growth and Scale Phase is graphed in figure 4.7 (below). Funding in the “Investor Ready/ Growth Phase” is on an upward trend since 2007 through to 2017. Approval amounts in the Investor Ready/Growth Phase took a downward dip in 2014 in line with the fluctuations with the Seed and Venture capital own resource income noted earlier. It is worth noting that the main generators of own resource income are on the capital side – Seed and Venture capital investments and the sale / redemption of shares. Together, these accounted for 92% of own resource capital income in 2016 and 88% of *all* own resource income (current and capital). Both categories have increased in each year since 2013[20].

Expenditure at the “Growth and Scale phase” continued to rise throughout the period as there has been increased importance equity funding and human capital, furthering the development of capacity and capability building, within Enterprise Ireland and the LEOs throughout the recovery period.

There is a significant difference between the proportion of funding from the LEOs and EI in the “Validation Phase/ Getting Investor ready phase” and the “Investor Ready/Growth Phase”. This can be attributed to the differences in the objectives of the agencies, the LEOs are more focused on Micro-enterprises and scaling these enterprises to a point where they are ready to internationalise and begin working with Enterprise Ireland. As noted earlier companies that are considered High Potential Start-Ups work with Enterprise Ireland and will naturally be closer to the “Investor Ready/Growth Phase” than companies that work with the LEOs. HPSUs are also more likely to have higher upfront capital costs upon establishment of the company given they are start-ups which aim to expand internationally quickly, higher support expenditure is expected as a result.

[20] See Reidy 2017 (IGEES), Spending review paper, “An Assessment of the Rationale, Efficiency and Targeting of Supports in Enterprise Ireland“, available online.

Figure 4.7 Total of EI (left) and LEOs (right) "Approvals made" by Funding – Growth & Scale Phase 2007 – 2017, millions €



Source Enterprise Ireland and LEOs data

Expenditure by the agencies at the start-up and entrepreneurial stage is focused on addressing capability and capacity gaps in enterprises to ensure that companies have the capability requirements to improve the capacity of the enterprise overall. There is a constant cycle of capability and capacity building.

4.4 Section Conclusions

- This section presents an analysis of DBEI expenditure on Start-ups and Equity supports from the perspective of DBEI's total capital spend; relative spend of the agencies (LEOs & EI) and major programmes and expenditure by the broad theme.
- While the overall trend of capital allocations to the LEOs and Enterprise Ireland has broadly followed the total allocation to DBEI, the agencies experienced higher volatility in allocations during the recession period.
- Much of the expenditure is in the "Funding – Growth & Scale" Phase in 2017, accounting for 80 percent of total expenditure, while "Funding at the Validation phase" accounts for 14 percent and "Capability" supports account for the lowest percentage at 6 percent.
- Approvals and Payments in the "Funding at the Validation Phase" have reduced overtime relative to the other themes, reflective of a change in overall Enterprise Ireland and Local Enterprise Offices objectives to become more of a market facilitator.
- There is a consistent difference between approval and drawdowns and this could be assessed with a view to understanding the factors that affect a company's ability to complete a drawdown of an approved support.

- Local Enterprise Offices data on expenditure on "Mentoring and capability supports" are categorised per an in-house classification and not split up by programme. This makes it difficult to attribute expenditure to a specific programme within the theme of capability supports from the LEOs. These are designed broadly to deliver capability building across the three phases of enterprise development. A reclassification of expenditure data within the capability theme to ensure future analysis at a programme level is recommended. There is a wide range of programs given by the LEOs, which are tailored to local needs & procured through County procurement process. While there may be policy rationale for taking this approach, a programme-based breakdown would be more amenable to evaluation using the current methodology.
- There is need for the clarification of data classification across the Local Enterprise Offices, particularly on the classification of capability supports. It is recommended that this is further reviewed to ensure that future evaluations of the Local Enterprise Offices expenditure on capability supports can be completed robustly. The Centre of Excellence, working with the LEO network is devising a new Customer Management Relationship System to capture and analyse LEO activity and performance data. This was necessary to introduce a consistent method of capturing data countrywide and to capture activities such as the provision of information, advice and guidance which was a new function established on creation of the LEOs. It would be useful if the new CMRS captured expenditure in a more programmatic form to aid evaluation. The department would need to be kept up to date on an ongoing basis via the liaison unit or the evaluations unit.

5.0 Outputs

- What are the outputs? How many are produced? Are output targets met?
- How long does it take to produce an output? Are time targets met?
- How complete and accurate are outputs?
- What are the key indicators for measuring the operational efficiency of the programme?
- To what extent have output and result indicators been specified for the programme?

5.1. Introduction

This section provides indicators of the outputs from DBEI investment in start-up and equity supports. Outputs have been collected from 2007 to 2017 where possible but due to data availability among certain supports given output figures may be unavailable. Outputs have been separated into the main investment themes:

- Capability Building - Concept phase
- Funding – Validation Phase
- Funding – Growth & Scale Phase

5.2 Snapshot of Outputs

Outputs from the supports from the enterprise agencies are outlined per their themes below.

Figure 5.1 Outputs from Enterprise Ireland and LEO supports

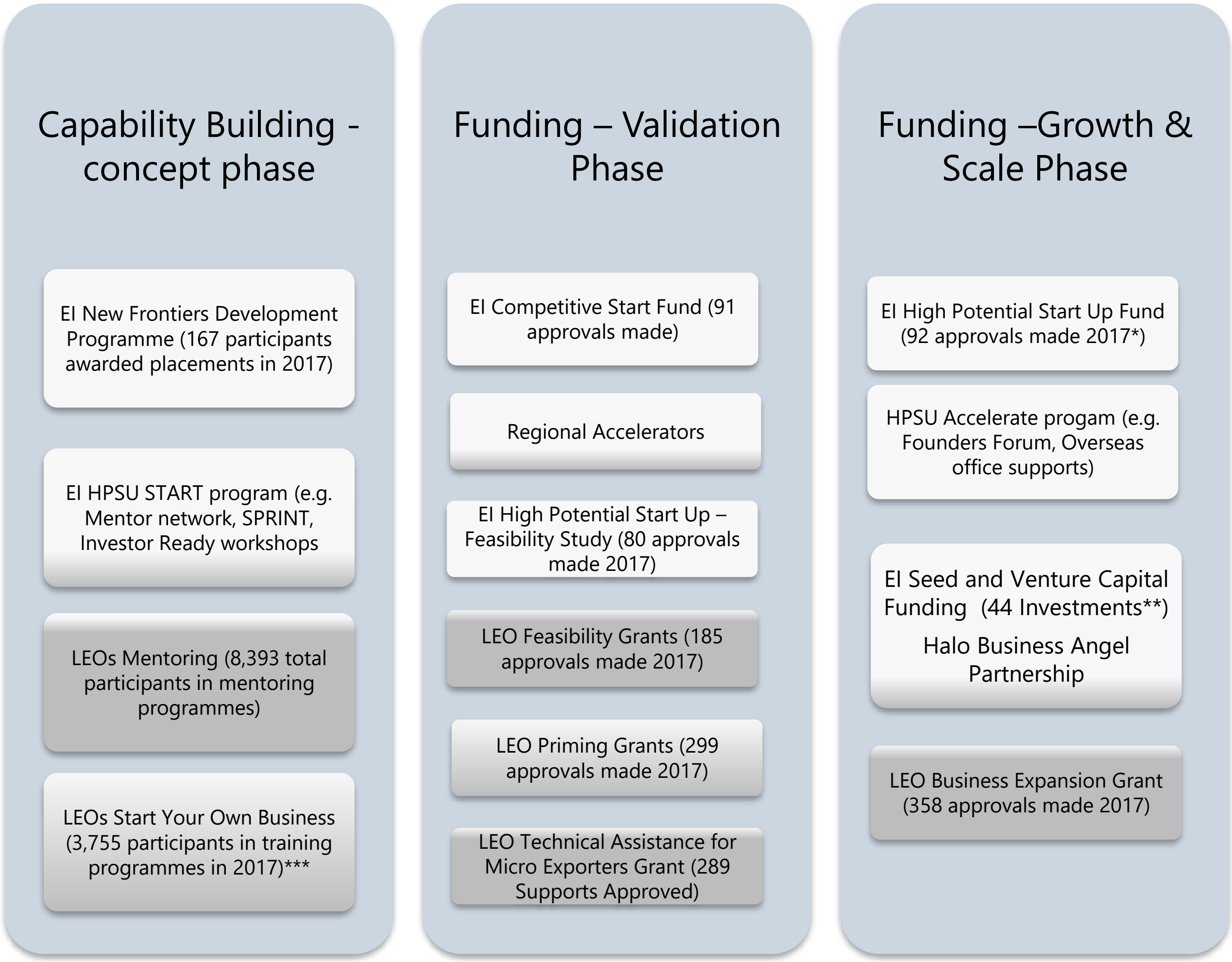
Capability Building - concept phase	Funding – Validation Phase	Funding–Growth & Scale Phase
• Participants in receipt of supports each year; • Start Up Companies in receipt of mentoring supports • HPSUs and other start-ups in receipt of Support	• Start-Ups supported; • HPSUs supported;	• HPSUs and other start-ups in receipt of equity support • Start-Ups supported; and • Commercially Viable Partner Funds Developed.

Source Enterprise Ireland and LEO data sources

Figure 5.2 shows the number of outputs by programme and theme for 2017. Outputs vary dependant on the objectives of the support given, e.g. EI New Frontiers awarded 167 participants awarded placements on the National Entrepreneurship Development

Programme. The EI High Potential Start-Up Feasibility Study aided 77 companies with 80 financial supports given to aid the company reach conclusions regarding the project's viability and set out investor ready plans. Whereas mentoring & training programmes, predominantly provided by LEOs, have larger absolute outputs, as measures of outputs, include total participants in training/mentoring programmes. This is expected as capability supports are by their nature high volume, low intensity supports that act as a gateway to the more targeted supports in the Growth and Scale phase. Growth and Scale phase supports are more heavily targeted, higher risk higher reward supports that require larger amounts of investment.

Figure 5.2 Number of Outputs by programme and theme, 2017



Source Enterprise Ireland and LEO data

*HPSU approvals excludes non-financial HPSUs but includes investments by EI in follow-on funding rounds.

** Refers to investments made by VC funds supported by EI Seed & Venture Capital Scheme into Enterprise Ireland client companies.

***LEO Training programs other than SYOB also provide capability building through the Investor ready and Growth phases.

5.3 Agency and Thematic outputs

As presented in the introduction and inputs, to simplify the approach for the purposes of this analysis, the outputs and programmes have been grouped into three major funding categories that reflect policy objectives. A caveat within this section lies in the merging of two programmes that have different outputs within the same theme, as this may not fully show the specific programme level outputs in detail[21]. However, due to the scale of the analysis, the thematic approach is used as it allows for programmes that have broadly similar objectives within the enterprise policy environment to be analysed as a whole for simplicity[22].

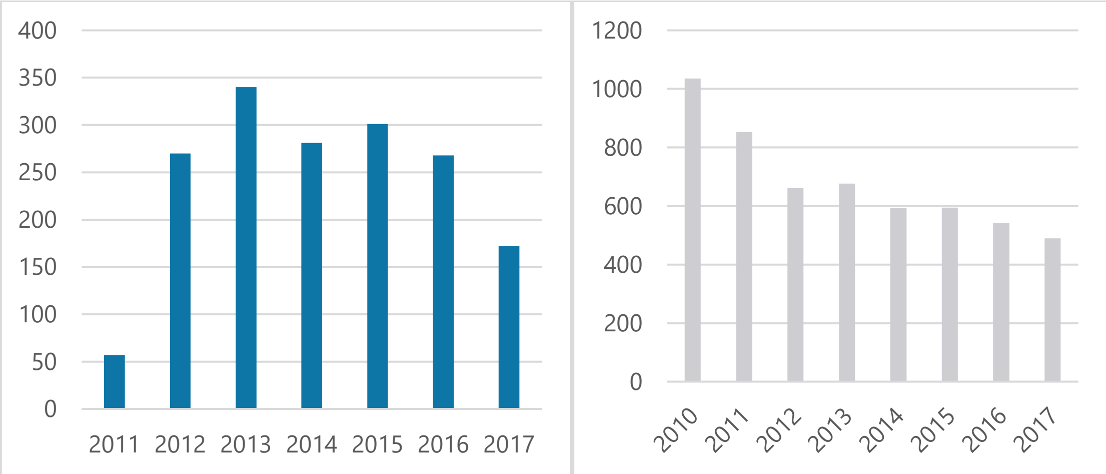
There is a low level of data available in previous years for Enterprise Ireland programmes, for example the EI New Frontiers programme is a new programme. As noted early the Local Enterprise Offices data is not classified by programme and data is not available over time for these supports as per the LEO in house classification. As a result, there is very limited data available on Capability support outputs at a programme level over time that would add value to the analysis and therefore are not analysed in this section.

Figure 5.3 (below) shows the total outputs for Enterprise Ireland and the Local Enterprise Offices in the "Funding – Validation Phase". This phase has the greatest number of outputs over time of the two remaining themes.

[21] For example matching a Feasibility Study grant with an Enterprise Ireland Competitive Start Fund grant

[22] In depth evaluations at a future date will

Figure 5.3 Number of Companies supported by EI (left) and the LEOs (right) under "Funding – Validation Phase", 2009-2017[23]



Source Enterprise Ireland and LEO data

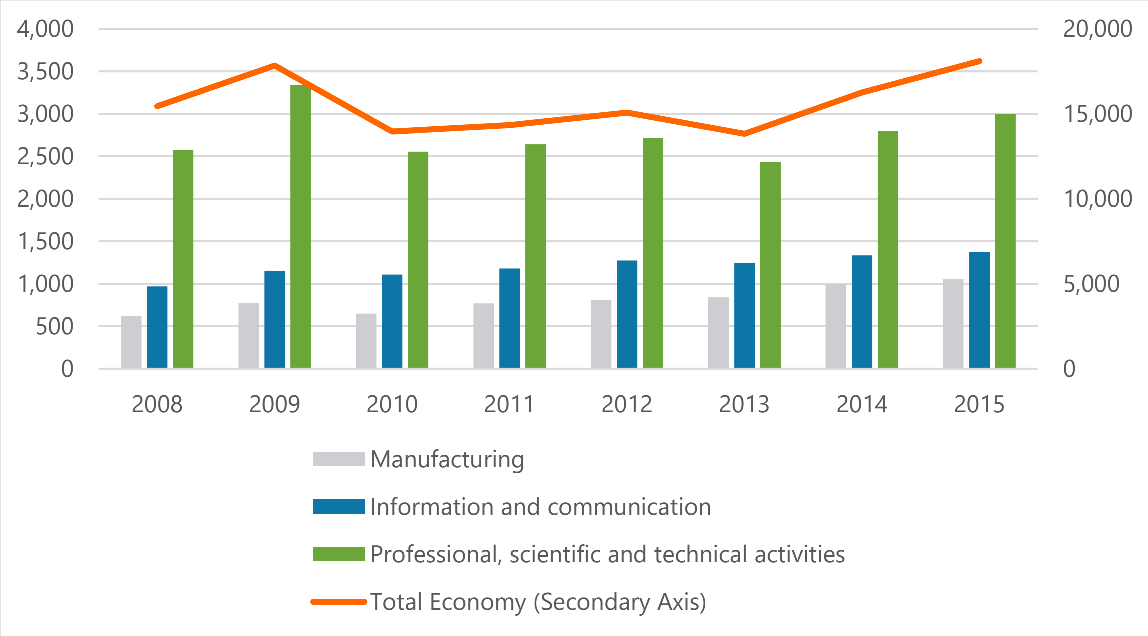
LEO and Enterprise Ireland total outputs follow a similar trend to the total inputs (figure 4.6) in the thematic area. The total outputs for both agencies in this theme have reduced over time in line with expenditure. Enterprise Ireland total outputs in the area have reduced by circa 50 percent to 172 total outputs from a peak in 2013 of 340 total outputs. A reduction in the Funding – Validation Phase outputs may be attributable to cyclicality in the economy, as in periods of recession or slow economic growth there are more start-ups formed in which the market failure rationale is at its greatest. It may be a useful exercise to test this over time to analyse the effects of a recession on demand for supports.

It is worth noting that business demographics (births, deaths, total population of businesses) changed significantly in the years following the recession while total number of businesses has remained relatively stable over time. The total number of businesses in Ireland was 244,195 in 2008 and increased 1.9 percent to 248,843 in 2015. With this, total business births in the economy increased by 17 percent between 2008 and 2015 and by 11 percent year on year between 2014 and 2015[24]. In addition, there were strong relative gains in high skilled sectors (sectors that Enterprise Ireland and the Local Enterprise Offices would be most active in) such as Professional, scientific and technical activities, ICT and manufacturing sectors with the largest decreases in Construction and Transport and Storage (figure 5.4 below).

[23] *Enterprise Ireland refers to Competitive Start Fund, Competitive Feasibility Fund and HPSU Feasibility grants. LEO refers to Priming Supports and Feasibility Fund Supports.*

[24] CSO Business Demographics Ireland

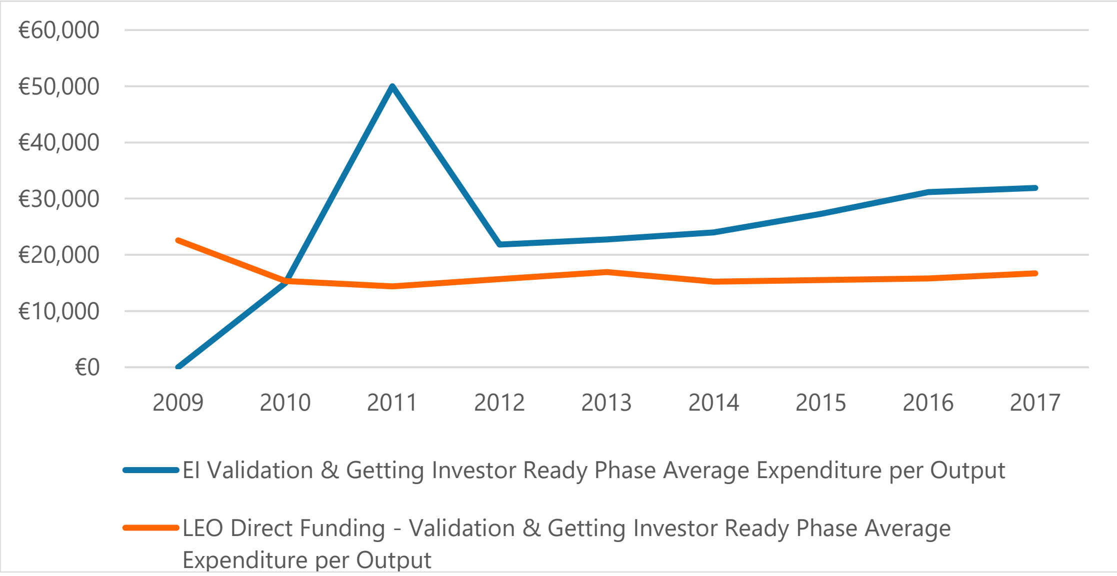
Figure 5.4 Total Enterprise Births over time



Source CSO Business Demographics Data

As noted above the Validation Phase has a lower total expenditure amount than the Growth & Scale phase. Figure 5.5 (below) shows the average input per output amount (average output expenditure) for both agencies in this theme. As noted earlier, expenditure in the area and the total output amounts are falling in absolute terms, however, the average amount of each approval (output) for Enterprise Ireland has increased over time while the LEOs average approval amount has remained constant over time.

Figure 5.5 EI and LEO Validation & Getting Investor Ready Phase average output expenditure

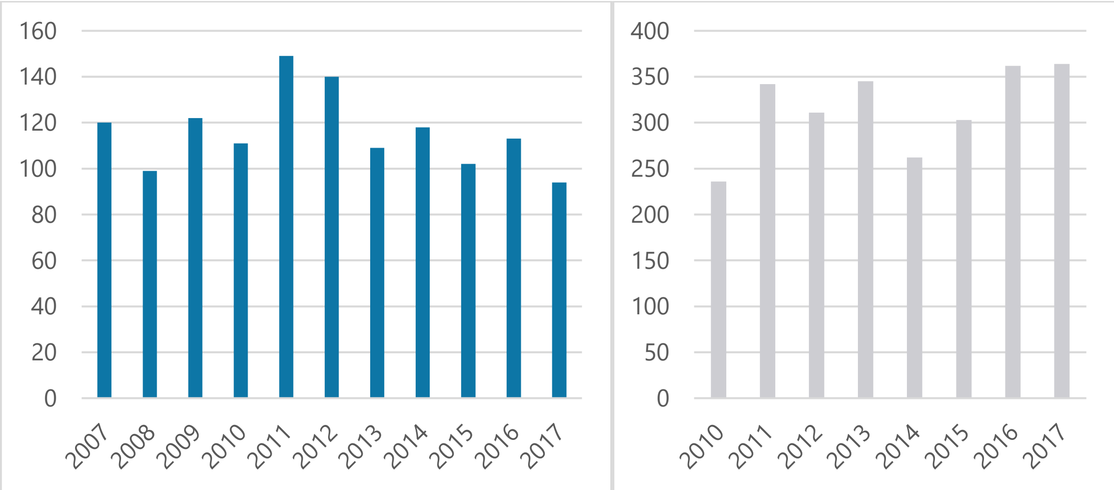


Source Enterprise Ireland and LEO data

Figure 5.6 (below) outlines the total outputs for Enterprise Ireland and LEOs for the "Funding –Growth & Scale Phase"[25]. The Growth & Scale Phase represents approval amounts for both Enterprise Ireland and the Local Enterprise Offices, overall these have remained constant over time with minor fluctuation year on year. LEO total approval amount is much lower in absolute terms relative to Enterprise Ireland total approval amount. The average amount of each output amount has increased over time for Enterprise Ireland while the LEOs approval amount has remained constant. The increase in the average size of the Enterprise Ireland outputs is attributable to a reduction in the overall amount of supports given while the total expenditure has reduced over time.

[25] Does not include Halo Business Angel Network total investments or Seed and Venture Capital fund total investments.

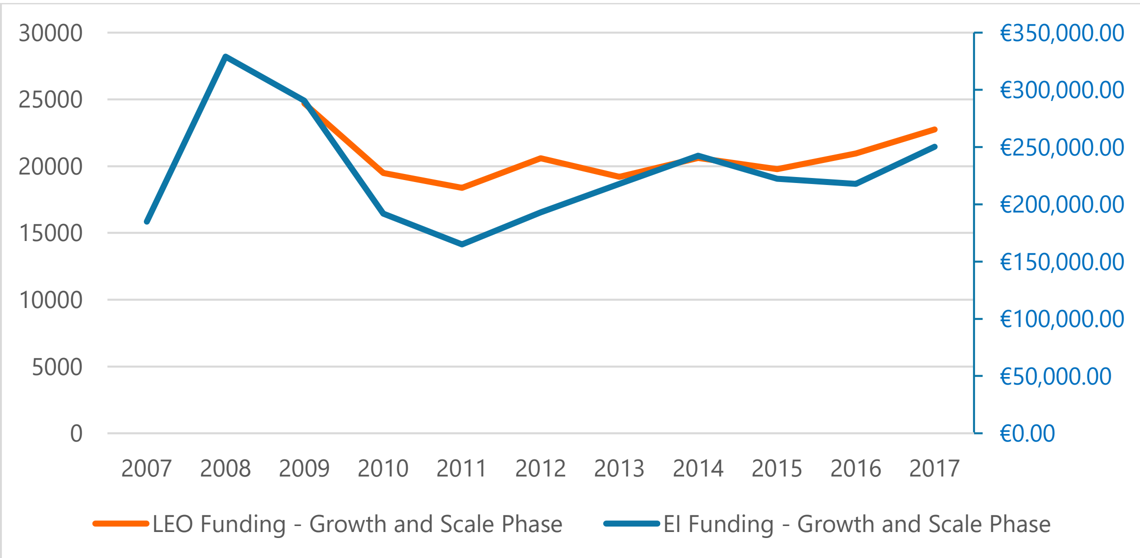
Figure 5.6 Number of companies supported by EI (left) and LEOs (right) at the "Funding –Growth & Scale Phase", 2007-2017



Source Enterprise Ireland and LEO data

When viewed in conjunction with the average size of the outputs over time in figure 5.7 (below) Enterprise Ireland average expenditure per output has increased over time from €162,000 in 2011 to €244,000 in 2017. Expenditure and funding at the "Growth and Scale Phase" continued to rise throughout the recovery period. This is due to the increased importance of equity funding and human capital expenditure within Enterprise Ireland and the LEOs throughout the recovery period. Enterprise Ireland review their investment position in each HPSU after 5 years with a view to determining whether to maintain its preference shares or seek a repayment schedule.

Figure 5.7 EI and LEO Growth & Scale Phase average output size



Source Enterprise Ireland and LEO data

5.4 Seed and Venture Capital Scheme Outputs (Enterprise Ireland Only)

The section below outlines the outputs from the Seed and Venture Capital Scheme, it is broken down into two sections based on time periods of the S&VC scheme. Outputs are analysed in the periods 2007-2012 and 2013-2016. The overall objective of the Government Seed and Venture Capital scheme (delivered through Enterprise Ireland) is to increase the availability of risk capital for SMEs to support economic growth through the continued development of the Seed and Venture Capital sector in Ireland.

5.4.1 Seed and Venture Capital Scheme 2007-2012

The Seed and Capital scheme objective is to support the development of high-growth Irish companies with the potential to grow jobs and generate large amounts of additional exports[26]. Under the 2007–2012 Programme, Enterprise Ireland committed €175 million to the seed and venture capital market in Ireland. A difference between venture capital and seed capital is the total amount of funding invested. Venture capital investments often range into millions and come at a later stage than Seed capital investments which often range in the hundreds of thousands.

Table 5.3 (below) outlines the Seed and Venture Capital Scheme (2007-2012) investments by the stage of development of the companies. The difference between Seed and Venture capital investments is illustrated below. The total Seed capital investment is 84 million whereas the total Venture capital amounts to circa €372 million. Of the 438 total investments by "Seed Funds", 124 were in Start-Up companies while 314 were in early stage companies. Venture funds displayed a similar composition of investments where 196 of the 571 total "Venture Fund" investments were in start-up and a further 252 were in Early stage. Of the overall Seed and Venture Fund Investments Start-Up and Early Stage investments accounted for 87 percent of the total investments and 77 percent of the total value of investments made in the period.

[26] Source: S&VC scheme annual report, available: https://www.enterprise-ireland.com/en/Publications/Reports-Published-Strategies/Seed-and-Venture-Capital-Reports/2016-Seed-and-Venture-Capital-Report.pdf

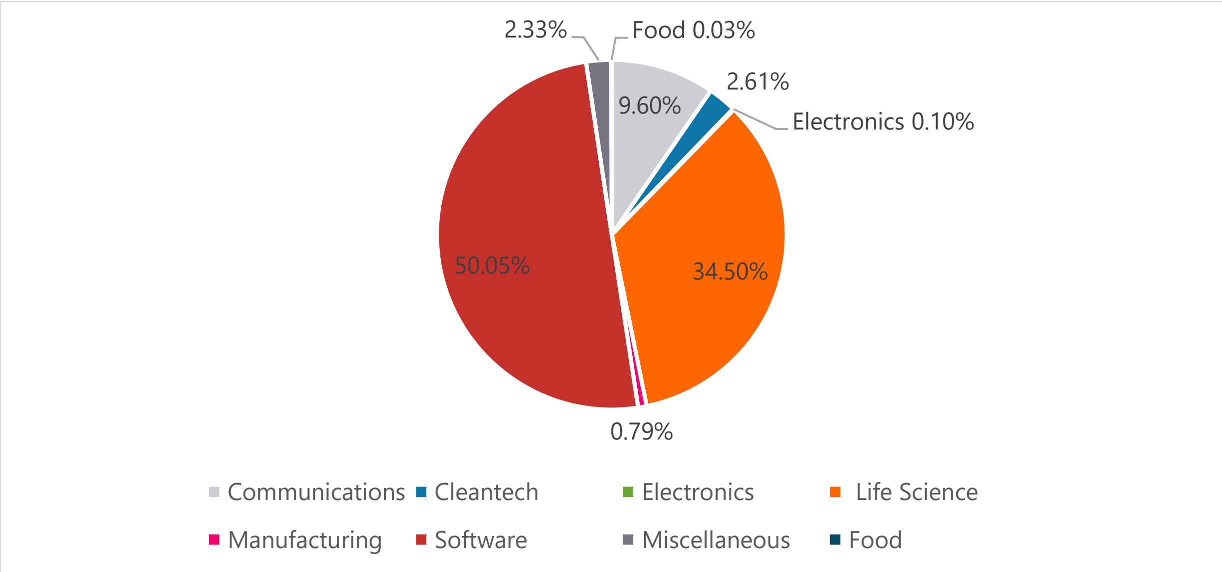
Table 5.3 Investments by Stage of Development, 2007-2012

Type	Number of Investments	Total Invested Value €'000s	Average Investment €'000s	Percentage
Seed Capital Funds				
Start Up	124	€24,936	€201	29.47%
Early Stage	314	€59,685	€190	70.53%
Development	-	€ -	€ -	0%
Total	**438**	**€84,621**	**€195**	**100%**
Venture Capital Funds				
Start Up	196	€97,154	€496	26.11%
Early Stage	252	€160,888	€683	43.23%
Development	123	€114,092	€927	30.66%
Total	**571**	**€372,134**	**€702**	**100%**

Source Seed and Venture Capital Report 2007-2012

Figure 5.8 below shows the investments made by sector across both Seed and Venture capital funds. Of the total investment amount in the period circa 50 percent was in the "Software" sector while the second largest amount of investments went to the "Life Science" sector, circa 35 percent. The rest of the expenditure was spread throughout the rest of the sectors outlined below.

Figure 5.8 Sectoral Breakdown of Investments, 2007-2012



Source Enterprise Ireland and LEO data 2007-2012

5.4.2 Seed and Venture Capital Scheme 2013-2018

Table 5.5 (below) outlines the total Investments by Stage of Development for Venture capital funds between 2013-2016[27]. There have been 146 investments by private funds to date, 49 in Start-Up development, 26 in early stage and 71 in the development stage of a company's life cycle. Start-up and Early Stage expenditure accounted for 40 percent of total amount invested by the Venture funds to date[28].

Table 5.5 Investments by Stage of Development, 2013-2017

Type	Number of Investments	Total Invested Value €'000s	Average Investment €'000s	% of Total Amount invested
		VENTURE CAPITAL FUNDS		
Start Up	49	€ 36,205	€739	17.74%
Early Stage	26	€ 48,591	€1,868	23.81%
Development	71	€ 119,305	€1,680	58.45%
Total	**146**	**€ 204,101.00**	**€1,429**	**100%**

Source Seed and Venture Capital Report 2013-2018

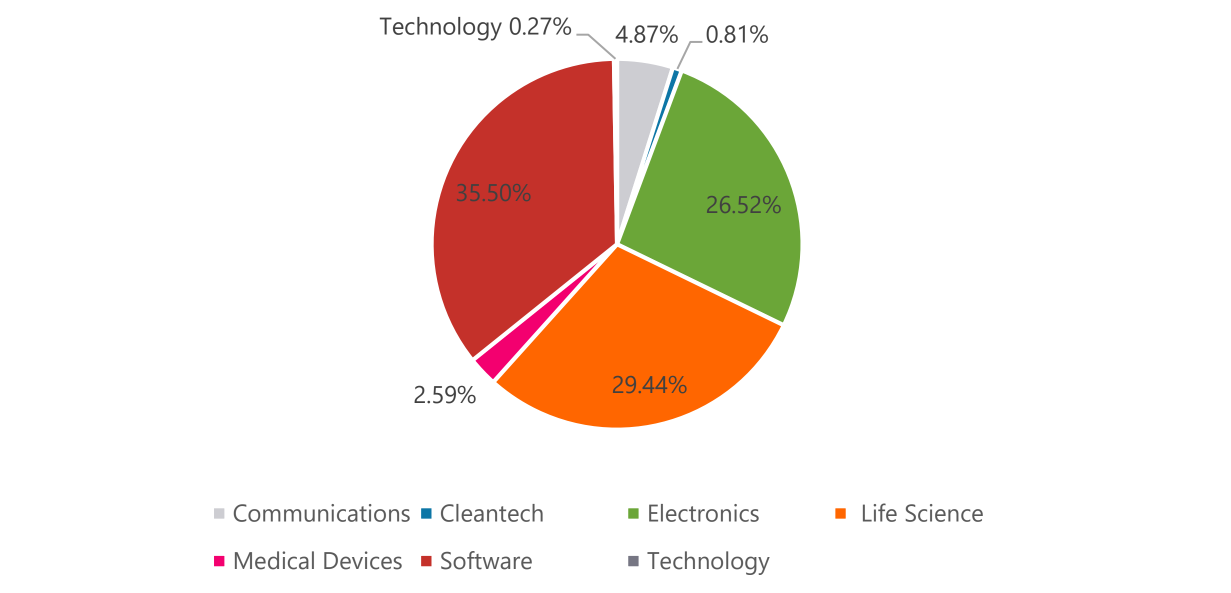
Figure 5.9 shows the pie chart for the sectoral breakdown of investments for the 2013-2016 period to the year 2016. Software and Life Science remain the largest sectors for the total amount of investments, the "Electronics" sector is the third largest receiver of investments in the current iteration of the scheme with 26 percent of total investments29.

[27] Data not available for 2017/2018.

[28] EI will be publishing an update of the Seed and Venture Capital scheme progress report on the 20th of June 2018

[29] For sector definitions see the SVC annual report; https://www.enterprise-ireland.com/en/Publications/Reports-Published-Strategies/Seed-and-Venture-Capital-Reports/2016-Seed-and-Venture-Capital-Report.pdf

Figure 5.9 Sectoral Breakdown of Investments, 2013-2018



Source Seed and Venture Capital Report 2013-2018

The sectors that have received the largest amount of funding have been the sectors that require large upfront capital costs and are largely technology intensive innovative firms. As noted by (Zhu et al. 2012) technology intensive innovative SMEs that are typically characterised by strong growth can experience difficulty in acquiring external sources (such as capital) that are necessary to their growth. Large upfront capital costs add to the overall cost burden at the early stage of development and creates a cost gap. A gap that can be bridged by State involvement in the area, rationalizing government intervention.

5.6 Section Conclusions

- The total number of supports given by the LEOs and Enterprise Ireland fall considerably from early stage softer supports in the “Capability development phase” to the later “Funding – Growth and Scale phase”. The supports also become more high cost as companies move toward the later phases of the themes identified.
- The introduction of the Competitive Start Fund by Enterprise Ireland in 2011 was reflective of a greater emphasis by Enterprise Ireland to fill a gap at the pre-investment stage to ensure companies have undertaken adequate pre-investment analysis prior to commercialisation and internationalisation.
- Average expenditure per output is increasing in the Funding – Validation phase, this is due to an overall reduction in the number of grants given rather than the amount spent on each individual grant. An assessment of the factors that drive the demand for supports by companies may be a useful analysis to aid in understanding fluctuations in the demand for supports.
- Seed capital funding investments were naturally in early stage and start-up companies showing the importance of funding for capital at initial stages of

enterprise development. A large level in terms of private sector expenditure was also in the development stages within the venture capital area. Investment throughout the pipeline is important as companies progress in their development and at the later stages of development more capital investment is required to progress. Investment was highest in capital intensive sectors such as Medical Devices, IT and Electronics. This is largely related to the fact that there is a market failure cost gap in sectors that require large levels of investment at the seed stage of equity funding.

6.0 Outcomes and Impacts

Review Questions

- What are the medium to long term impacts on the targeted beneficiaries?
- What are the wider socio-economic effects of the programme?
- Is it possible to isolate the programme contribution to wider impact?
- Are there impact indicators to measure the socio-economic effects?
- Can impact indicators, or proxy indicators, be specified for this?

6.1 Introduction

This section presents the main indicators of impacts from DBEI investment in start-up and equity supports in the LEO and Enterprise Ireland supported firms.

Firstly, this section uses data that was made available to the Evaluations Unit from Enterprise Ireland to assess the turnover, exports and employment impacts of EI clients. Secondly, the section concludes by outlining the Behavioural impacts of DBEI expenditure in Start-Up and Equity Supports using academic paper and previous evaluations. Finally, the section outlines the outcomes and impacts of themes and the programmes they are composed of using previous DBEI evaluations of start-up and equity supports that have dealt with the challenges around determining causality, deadweight and additionality of supports.

Some programmes outlined below have been established too recently or evaluations data is out of date and will not be outlined in the first part of this section. These programmes are:

- Enterprise Ireland Competitive Start Fund;
- Local Enterprise Offices Feasibility Grants;
- Local Enterprise Offices Priming Grants;
- Local Enterprise Offices Start Your Own Business Grant;
- Local Enterprise Offices Technical Assistance Grant; and
- Local Enterprise Offices Business Expansion Grant.[30]

6.2 Outcomes and Impact Data analysis

6.2.1 HPSU data analysis

This section outlines the high-level employment, export and turnover trends of companies that received a support and became HPSUs in three different years. A counterfactual

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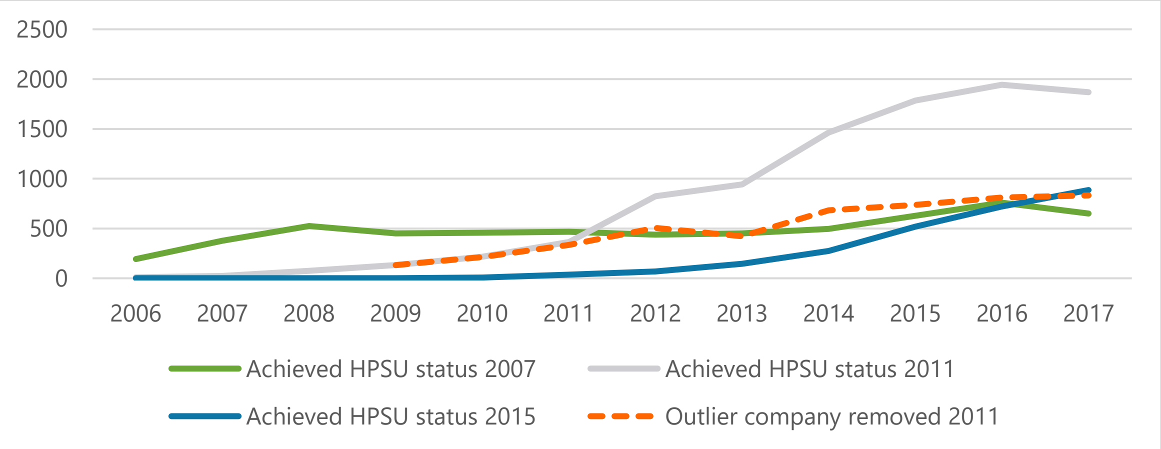
impact analysis is not possible as there is no control group data available[31]. This section outlines the trends of companies that were classed as HPSUs in 2007, the companies that were classed as HPSUs in 2011 and 2015. These times allow for an analysis of companies during different times of the macro-economic cycle[32].

Figure 6.1 (below) shows the levels of “total employment” for companies that were classed as HPSUs in 2007, 2011 and 2015. For companies that were classed as HPSUs in 2007 employment marginally rose between 2007-2017. Initially employment fell marginally among the 2007 cohort and remained stable throughout the financial crisis and subsequent recessionary period and began to increase in 2014. The 2007 cohort employment levels have been surpassed and remain lower than the 2011 and 2015 cohorts. Companies that achieved HPSU status 2011 have experienced high growth in employment in the subsequent years after gaining HPSU status moving from a total of 301 employees to 1868. This is due to a large outlier in the data set rather than an absolute increase in among all companies within the data set. This is evident in the below figure when the outlier company is removed, the remaining companies experienced similar growth to the 2007 and 2015 cohorts. This echoes the findings the Seed and Venture Capital scheme review in that the that the venture capital sector is often driven by significant outliers in terms of both well performing funds and individual investments that may skew the perceptions of the performance of the asset class or portfolio. Total employment for the 2015 cohort increased in the years following being classed as HPSUs by Enterprise Ireland.

Figure 6.1 Employment by year achieved HPSU, 2006-2017



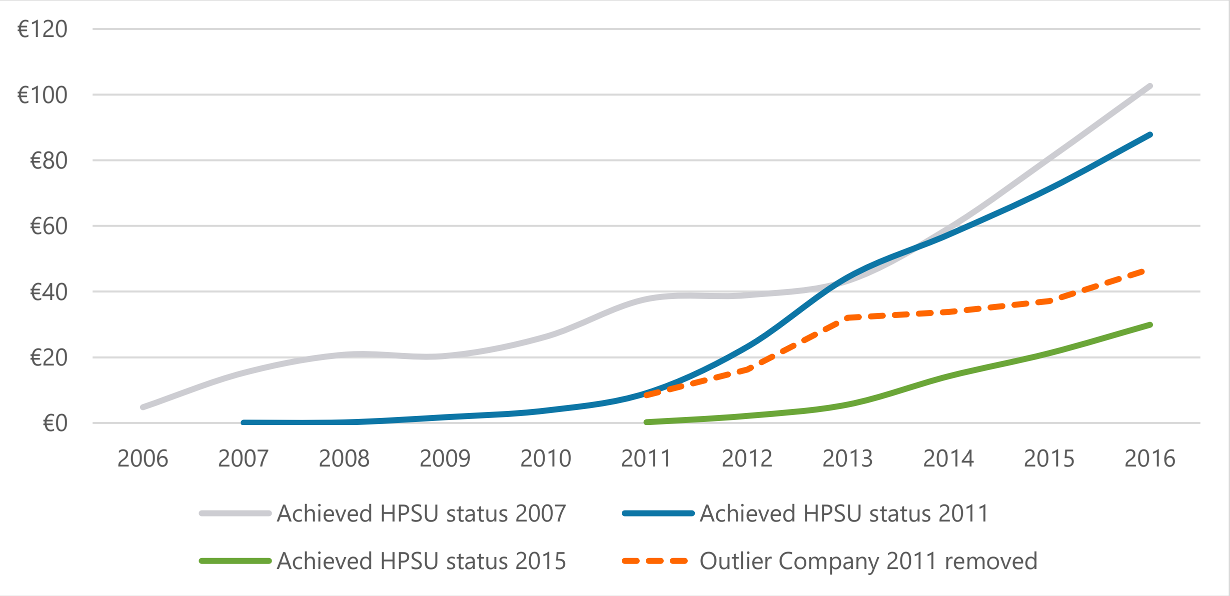
Source Enterprise Ireland company data

[31] An adequate control group for the analysis would be data from companies that did not receive a support with similar characteristics (sector, employment, turnover, etc.) to the companies that received supports. Trend analysis does not explain causality and only allows for inferences to be made.

[32] It is important to note that the three years selected are not reflective of the overall population of Enterprise Ireland HPSU clients.

Figure 6.2 (below) outlines the annual turnover of the companies that were classed as HPSUs in 2007, 2011 and 2015. Annual turnover for the 2007 cohort rose steadily throughout the recession period and increased substantially from 2014 onwards. This is composed of all companies experiencing increased turnover. The 2011 cohort turnover is heavily inflated by the one outlier company and has lower turnover with the outlier removed than the 2007 cohort. The 2015 cohort's turnover has increased steadily since the companies were classed as HPSUs. Each of the cohorts showed strong growth in the initial stages after being classed as HPSUs.

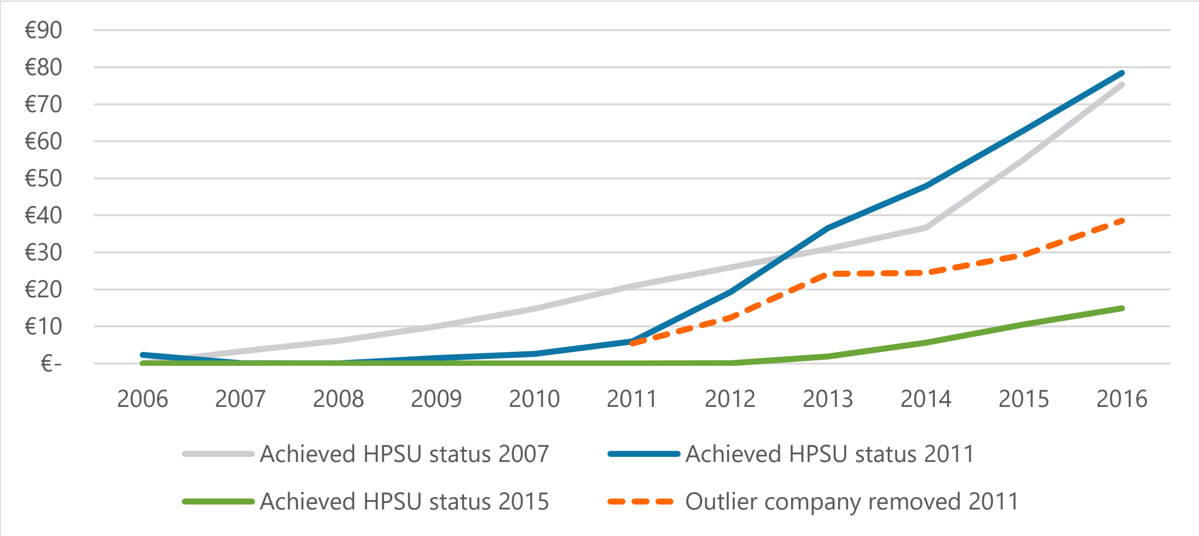
Figure 6.2 Annual Turnover by year achieved 2007-2016, millions €



Source Enterprise Ireland data

Figure 6.3 (below) shows the total exports for each cohort of HPSU class. Total exports among each of the cohorts rose steadily over the period analysed. The 2007 cohort's exports continued to rise throughout the recession and increased sharply from 2014 onwards while total exports among the 2011 cohort surpassed that of the other cohorts in absolute terms but like the turnover and employment, growth was made up of the one company, the removal of the company is outlined by the dashed lines. The 2015 cohort also experienced sturdy growth from 2015 onwards, however it is too soon to tell if this will be sustained growth.

Figure 6.3 Annual Exports by year achieved, 2006-2016, millions €



Source Enterprise Ireland data

6.3 Behavioural Impacts

Evaluations of Enterprise Agency start up and equity programmes also indicate a range of behavioural additionality arising from DBEI supports. Behavioural additionality is about assessing, and where possible, quantifying the behavioural impact of a programme on a firm, for example, in relation to capability building, leadership, increased collaboration, ambition, resilience, improved working environments etc. Improvement of entrepreneurial competency is expected to have an impact on society and economy, other than higher employability. Improvement of entrepreneurship and start-up supports will have an impact on society through the behaviour of individuals and firms[33]. This is important to understand from the perspective of how and why the supports generate impact for the firms. Behavioural impacts include:

- Respondents to an Indecon survey in the SVC review believe that the receipt of VC funding was either important or very important in introducing new products/services, developing new export markets and increasing the scale of the business.
- Participants who took part in Enterprise Ireland HPSU Accelerate programmes benefited from an increased awareness of networking as part of the business development process. In addition, they gain a greater knowledge and understanding of supports for enterprise development and commercialisation of research.

[33] See Effects and impact of entrepreneurship programmes in higher education, available; http://www.google.ie/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=2ahUKEwimvs_y45vbAhWNKVAKHR_2AhwQFjAAegQIARAz&url=http%3A%2F%2Fec.europa.eu%2FDocsRoom%2Fdocuments%2F375%2Fattachments%2F1%2Ftranslations%2Fen%2Frenditions%2Fnative&usg=AOvVaw079g9WsalTiMMAzlfJC5b9

- Participants who took part in Enterprise Ireland HPSU Accelerate programmes gained an increased awareness of the value of collaboration and a greater knowledge of who they can seek to progress such collaborations with. In addition, participants gain a greater knowledge and understanding of available supports for enterprise development and commercialisation of research.

6.4 Capability Support Outcomes and Impacts

A number of analysis have been undertaken by the Department, the enterprise agencies and Forfás in the period analysed. Mentoring and Capability reviews and analysis include:

- Enterprise Ireland's Mentor Network (2008 – 2012)
- Business Mentoring Services in Ireland (2014)
- New Frontiers Programme (2015)

An analysis was undertaken by Forfás in 2013 on Enterprise Ireland's Mentoring Network[34]. The Enterprise Ireland (EI) Mentor Network sits within EI's Capability and Mentoring Development Department, which was formed as a result of the implementation of EI's 2008 – 2010 Strategy "Lead – Innovate – Grow".

Overall, clients felt that mentoring and capability development supports had made an overall difference to their business. Clients felt it helped their business grow faster and also better prepared them for challenges. A synopsis of the outcomes and impacts identified in each programme review undertaken in the period can be seen in Appendix 3.

6.5. Funding - Validation Phase

This section outlines various impacts and outcomes from supports in HPSUs. It outlines the outcomes that have been identified in previous evaluations that have been undertaken at a more in-depth level.

6.5.1 Review of High Potential Start-up Classes of 2011-2016

Enterprise Ireland has conducted regular reviews of the performance of HPSU clients over the period.

The latest review, conducted in February 2018, examined the performance of HPSUs supported by Enterprise Ireland for the period 2012-2016. It is based upon an analysis of the 507 companies, which were supported by EI in that period. The report assessed the overall performance of HPSU companies, and further investigated the performance of different sub-categories of HPSU (e.g. female-led, academic spin-outs, Overseas-led) and the performance of HPSUs at a sectoral and regional level. Based on the performance of

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[34] Enterprise Ireland's Mentor Network available at https://dbei.gov.ie/en/Publications/Review-of-Business-Mentoring-Services-in-Ireland.html

the HPSU Class of 2012-2016, the current internal EI target for 30% of HPSUs in a given class to reach 1 million euro in sales within 3 years remains valid and challenging. This was achieved by the Class of 2013 (30%) but was not achieved by the Class of 2012 (24%).

Table 6.1 Outcomes as of June 2015 for the Class of 2011 HPSUs

Status of Class of 2011	Number of Companies	Companies Trading	Failures/ Acquisitions	Total 2014 Employment
Revenue > €0 < €500K within 3 years	29	26 Trading	3 Failed	
				138
Revenue > €500K < €1M within 3 years	11	10 Trading	1 Failed	
				99
Revenue > €1 million within 3 years	21	19 Trading	2 Acquired	
				1,213
Pre Revenue/No ABR Data	33	16 Trading	16 Failed	
			1 Acquired	79
Total	93	70 Trading	20 Failed	
			3 Acquired	1,529

Source Enterprise Ireland review of HPSU class 2011

Central Statistics Office data indicates that survival rates for all start-ups in Ireland are 85 percent after 1 year and 67 percent after 5 years. A total of 97 companies were classed as a HPSU in 2012 and 103 companies were classed as a HPSU in 2013. Of the classes of 2012 – 2016 61 HPSUs have ceased trading by 2016. For the classes of 2012 and 2013, roughly 19 percent of companies have ceased trading, suggesting that 81 percent have survived longer than 3 to 4 years. This failure rate compares favourably with the historical average of 30% recorded over the 2004-2011 HPSU classes.

The Enterprise Ireland Female Entrepreneurship Unit was established in response to an under-representation of women entrepreneurs in Ireland. The purpose of the programme is to support ambitious women entrepreneurs to launch and grow High Potential Start-Ups, and to address the key challenges facing women in start-ups.

A number of female-led HPSUs have been developed in the period and represent 16 percent of total HPSUs developed in the 2012 to 2016 period. For female-led HPSUs, the success rate is 23 percent which is slightly behind 28 percent for non-female HPSUs. 5 female-led HPSUs from the classes of 2012 and 2013 reached this milestone, while during the entire 2012-2016 period a further 7 female-led HPSUs have reached this milestone[35]. The failure rate for female-led HPSUs is 18 percent compared to 19 percent for non-female HPSUs.

[35] Review of HPSU classes 2012-2016 undertaken by Enterprise Ireland

Of the 83 female-led HPSUs, 34 were identified as having the majority shareholder as a female, while a further 35 were identified as having a balanced shareholder split[36]. The survival rate of female led HPSUs is broadly similar to that of non-female led HPSUs. Over 2012-2016 period, the data shows a female-led failure rate of 11% (with 9 female-led entrepreneurs failing) compared to an overall failure rate of 12%.

6.5.2 Forfás evaluation of Enterprise Ireland – High Potential Start Up Supports for 2004-2006 HPSUs (undertaken in 2012)

The aim of this evaluation was to assess the appropriateness, efficiency and effectiveness of the Enterprise Ireland High Potential Start Up supports. This was an interim evaluation focusing in the period 2004-2006[37]. This evaluation is included in the analysis as it has many outcomes that are related to the period of evaluation.

Of the 199 companies who came into HPSU support between 2004 and 2006, 38 had ceased trading – suggesting a survival rate of roughly 80 percent. Of all the companies that started between 2004 and 2006, there is a survival rate of 64 percent, which was below the overall HPSU survival rate for each of the three years. Just under 40 percent of the closures of the HPSU companies occurred in 2009 alone, a likely reflection of external factors plating a significant role in the survival of the companies.

HPSUs (2004-2006 entrants) appeared to be more resilient in employment terms during the period of the recession than the comparator group (Enterprise Ireland firms started between 2000 and 2006 with 10 employees or over). Of the 2004 cohort of HPSUs there was an overall increase in employment of 50 percent between 2004 and 2010, the 2005 cohort experienced an increase of 145 percent in between 2004 and 2010 while the 2006 cohort experienced an 84 percent increase in employment between 2004-2010.

Total turnover for all HPSU clients over the period 2004-2006 (regardless of which year they entered the “programme”) increased from €51.1m in 2004 to €256m in 2010 – an increase of 401 percent. Between 2005 and 2010, the increase was 125.2 percent and between 2006 and 2010, the increase was 79 percent.

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[36] The remainder were led by a female, but with a shareholder participation greater than 25% but less than 50%.

[37] Review available at page 20 of: https://dbei.gov.ie/en/Publications/Publication-files/Forf%C3%A1s/Evaluation-of-Enterprise-Supports-for-Start-Ups-and-Entrepreneurship.pdf

6.5.3 Review of HPSU Accelerate Programmes (2012)

A number of programmes make up the HPSU accelerate programmes[38]. The HPSU Accelerate programme was largely seen to have a positive impact on the companies that took part in it. The programmes within the HPSU Accelerate brand aided a number of companies develop business plans and helped Enterprise Ireland identify a number of companies from the CEB's that had the characteristics of HPSU companies.

There was an overall increase in the number of High Potential Start-Up companies. Companies experienced higher sales and exports due to their participation in the Accelerate programmes. Companies also increased networks across and within industry and increased the number of innovative collaborations within industry. A more detailed synopsis of the reviews undertaken of the HPSU Accelerate programmes are available in Appendix 4.

6.6 Enterprise Ireland Seed and Venture Capital Scheme

This section outlines the findings of the impacts of the Enterprise Ireland S&VC scheme review that was undertaken by Indecon Economic Consultants[39]. There is considerable academic research internationally that Venture Capital (VC) finance has a positive impact on the supply of innovative, new technology-based businesses (Avnimelech and Teubal, 2005; Chemmanur et al, 2011; Helmann and Puri, 2000 and 2002; Lerner and Kortum, 2000). In addition, evidence from other countries has indicated that VC funded businesses are likely to grow faster than their non-VC funded peers and also that VC funded businesses are also more likely to fail faster. (Tingvall, 2017). Impact findings from the review include:

- Over half of assisted companies judged that, in the absence of Enterprise Ireland supported venture capital investment, they would have proceeded at a smaller scale or their business would not have succeeded. Interestingly however, more than a third stated that they would have obtained the investment from other sources suggesting some levels of deadweight.
- The econometric analysis finds that a variety of models suggest that there are benefits in terms of company growth and performance from government-backed VC funding. Caution however is needed in interpreting any such counterfactual modelling.

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[38] See Forfas Evaluation of Start-up and Entrepreneurship supports available: https://dbei.gov.ie/en/Publications/Publication-files/Forf%C3%A1s/Evaluation-of-Enterprise-Supports-for-Start-Ups-and-Entrepreneurship.pdf

[39] The Seed and Venture Capital Scheme review is a forthcoming review undertaken by Indecon on behalf of the Department of Business, Enterprise and Innovation.

- The 2007-2012 programme period is currently expected to provide a positive financial return;
- The analysis suggests that the 2013-2018 programme period may potentially yield a positive financial return for the State, although there remains uncertainty given that this estimate is based on valuations of ongoing investments. It should be noted however that the venture capital sector is often driven by significant outliers in terms of both well performing funds and individual investments that may skew the perceptions of the performance of the asset class or portfolio.

6.7 Section Conclusions

- Supports at the “Capability” phase showed significant impacts in prior evaluations with circa 70 percent of clients that received mentoring supports stating that their mentor challenged them and met their needs as a mentor. It was also noted that clients that received integrated supports and/or had 4 or more engagements with mentors were more likely to record increased turnover or jobs than those that met their mentor only once.
- Overall, mentoring supports were deemed to make a positive contribution to clients and their businesses, yet there were some programme level issues. A key issue to emerge from the data within the 2014 review is that there was a lack of data for the evaluation of impact of mentoring support.
- HPSU companies appeared to be more resilient in employment and turnover terms during the period of the recession relative to the comparator group, increasing employment and turnover in the recession period based on prior evaluations.
- Based on the analysis undertaken by Forfás and Enterprise Ireland in 2012 and 2018 respectively, the survivability rates of HPSU client companies over a 3 to 4-year period is roughly 80 percent, which when viewed relative to a regular start-up (roughly 60/-70 percent survival rate), HPSU companies perform significantly better over sustained periods of time.
- Based on Enterprise Ireland data, HPSU client companies classed as HPSUs in 2007 experienced increased turnover, employment and exports through the recession period. Companies also classed as HPSUs in 2011 and 2015 have experienced high growth in all years since. 2011 employment, turnover and exports increased exponentially, driven by one large HPSU, while all others gained moderate increases.
- Seed and Venture equity fund investment by the state is driven by cost gap market failures in the market. The analysis of the 2018 S&VC programmes suggests that the recent programme period may potentially yield a positive financial return for the State, although many investments are still currently taking place. Some companies

indicated that they may have gone ahead on a smaller scale, suggesting a level of deadweight[40].

- Government intervention can play a key role in incentivising behavioural change that can have a transformative effect on industry structure, productivity and growth potential. The incentive effect is evident when the aid changes the behaviour of a company to engage in additional activity which it would not have engaged in without the aid or would only have engaged in such activity in a restricted or different manner or in another location.
- In recent years, there has been a substantial increase in the proportion of female-led HPSUs (19% in 2016; 27% in 2017). While this progress is welcome, further efforts to raise awareness and support female entrepreneurs will be important to continue this progress.

[40] An indicative figure has not been given on the potential level of deadweight in the review.

7.0 Efficiency and Effectiveness

Research Questions

- What methods are used to assess effectiveness?
- Is the achievement measured against a valid baseline?
- Can the indicators relating to the assessment of effectiveness be improved?
- What is the performance gap? (i.e. the difference between actual and expected outputs and results)
- What are the contributing factors to the performance gap?

7.1 Introduction

This section provides an overview of main processes and measures in place within DBEI and Enterprise Ireland and the Local Enterprise Offices for monitoring performance and effectiveness of investment provided.

7.2 Measuring Deadweight

In determining net additionality, DBEI and the Agencies also seek to undertake analysis of programme deadweight where possible. DBEI try to undertake counterfactual impact analysis where possible, however, this has not been possible except in a small number of evaluations for the following reasons:

- Empirical analysis requires comprehensive data at firm level over a number of years – this is not always available due to varying response rates year to year in the DBEI Annual Business Survey of Economic Impact. This is a particular issue with smaller firms.
- Many agency companies are in receipt of more than one type of support, which also needs to be considered in interpreting the results and can hinder the evaluators ability to establish causality.

When these challenges arise in some evaluations, estimates of deadweight are undertaken via other methods, primarily through surveys, inviting companies to estimate what their turnover or employment levels would be in the absence of the support. This is supplemented where possible with international evaluation evidence from similar supports. Partial deadweight is also investigated where possible or appropriate through trying to establish if projects would have proceeded on smaller scale or a delayed basis. This is based on a best practice approach. Where good population sizes are available, control group analysis is undertaken to try and assess the difference between the reported deadweight and actual performance relative to companies with similar characteristics[41].

7.3 Cost benefit analysis

Through the evaluations, DBEI and the Agencies have undertaken Cost Benefit Analysis on its major programmes where possible. The results are net of estimated programme deadweight. Note, due to differences in methodologies applied because of variances in data availability, programme objectives, years in operation and programme size, CBA results are not directly comparable. CBA estimates include;

- A Cost Benefit Analysis (CBA) was conducted in 2014 for the HPSU programme entrants over a 7-year period for each of the 2005 and 2006 cohorts to establish the impact to the wider economy. The CBA includes associated indirect costs relating to advice and mentoring as well as administrative costs. The CBA shows a cost to benefit ratio of 2.67:1 for 2005 and 3.98:1 for 2006[42]. The difference between the two ratios is partially attributable to a heavy purchaser of domestically sourced materials in 2005 ceasing trade in its second year as a HPSU with a knock-on effect on the benefit to the wider economy.
- Comparing the annual benefits to the fully loaded costs indicates that even allowing for a high level of labour market displacement in the period 2004-2010, financial aid for start-ups is likely to have at least paid its way in terms of wages, profits and taxes created. This is apart from the productivity, cost saving and innovation benefits achieved. The least favourable scenario would mean that each firm supported would have had to deliver employment benefits for a period of approximately 3 years, if cost benefit breakeven were to be achieved, with the most favourable realising a pay-back period of less than one year.

7.3.1 Economic Appraisal Model

In 2017, DBEI commissioned a review of the Enterprise Agency Economic Appraisal Model. It is a cost benefit model that assesses the economic return from DBEI investments in firms. This is an ex-ante cost benefit analysis in which the projected net benefits of the project are compared to the current costs of the grant. The benefits and costs are adjusted for many parameters underpinned by economic evidence. The model serves an advisory role and is one aspect of an overall system of appraisal. Each project must achieve greater than a 1:1 ratio on the appraisal model and undergo a qualitative assessment to be deemed as a net benefit to the state prior to the support being given.

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[41] Appendix 5 outlines deadweight estimations undertaken by academic and outlines the caveats associated with measuring levels of deadweight.

[42] This includes the indirect costs of circa €3m to factor in the associated advisory services provided by the Development Advisors, as well as overheard costs.

The existing EAM includes high parameters for deadweight ranging between 65-80% for start-ups with 65% for HPSU in all regions. It is important to note that the model is conservative in its nature and that the existing model assumptions on deadweight are aligned with upper estimates of the main existing empirical research studies in Ireland and somewhat higher than estimated internationally.

7.4 Agency and Department Evaluations

Enterprise Ireland ensures that performance metrics are applied to its funding programmes. These are regularly reviewed with Enterprise Ireland's internal committees and Board to ensure that they are focused on impact. A new Management Information System for reporting has been tested that will facilitate more timely access to relevant management information for evaluations going forward.

Enterprise Ireland evaluations maintain independence using independent consultants in conjunction with staff that is independent of the management and operation of the significant programmes being evaluated. Enterprise Ireland also updates DBEI regularly through the liaison meeting mechanism which affords an opportunity to input into the Terms of Reference before being finalised ensuring DBEI are in consultation prior to evaluations.

7.5 DBEI continuously monitors Enterprise Ireland and Local Enterprise Office performance

7.5.1 Oversight and Performance Delivery Agreement

The Oversight and Performance Delivery Agreement (OPDA) relates to the relevant policies, operational guidelines, metrics and other provisions to which all Local Enterprise Offices are subject to. The Service Level Agreement outlines the services that are provided by the LEOs and outlines the metrics that are used in measuring the impact of the Local Enterprise Offices on their clients[43]. The OPDA is updated on an annual basis and requires that each Local Enterprise office provides an Enterprise Development Plan.

7.6 Section Conclusions

DBEI has several measures in place to monitor performance and effectiveness.

- Metrics for evaluation are developed by DBEI in Enterprise 2025 renewed and the Action Plan for Jobs and by Enterprise Ireland and the LEOs, which are tracked and reported regularly;

[43] The Service Level Agreement has since been rebranded to the Oversight and Performance Delivery Agreement in 2018.

- DBEI Evaluations Unit carries out evaluations on major areas of agency expenditure on a regular basis. These are overseen by steering groups with independent experts in the area appointed;
- Across all evaluations, DBEI attempts to quantify the cost-benefit, deadweight and additionality of the support. Where possible, counterfactual impact assessment with control groups are undertaken;
- Enterprise Ireland have developed ex-ante and ex-post evaluation processes internally for programmes. Ex-ante appraisal is made for all Enterprise Ireland investments and cost-benefit is undertaken where possible; and
- The key strategic impact and activity metrics are included in the annual OPDA covering both EI and LEOs.

8.0 Continued relevance of expenditure

8.1 The role of the State in Enterprise Development

This review has shown that the State supports companies in several ways in addition to providing a generally conducive business and regulatory environment for entrepreneurship and investment. The State plays a key role in addressing market failures for enterprise development. In Ireland, as in other countries, the rationale for State support for firms has broadened considerably beyond the market failure concept to also include a wider view of the State as operating via a system of coordinated support.

Evolving thinking in enterprise policy sees an enhanced role for the State as a co-ordinator, networker, promoter and informer, in addition to investment partner. Internationally, this has been termed as a “systems” approach to enterprise policy. Implied in the systems approach is that governments interact with firms in numerous ways and that an essential government role is to engage in dialogue with business to ensure the most efficient allocation of resources for enterprise support.

The success of State support is not only measured in terms of monetary benefit but also in wider economic impacts (e.g. multiplier effects such as indirect or induced employment or clustering impacts) and behavioural change. For example, behavioural effects such as increasing firm capabilities, collaboration or incentivising strategic change are now clear aims of state intervention beyond ensuring purely financial return. This “systems” thinking adds considerable complexity for evaluations.

The review has shown that DBEI investment leverages significant external sources of investment from enterprises and internationally. Ireland’s increasing ability to attract international funding depends foremost on quality of the enterprise base domestically. The impact is also circular – increased international engagement based on the quality of the enterprise base in turn improves the quality of start-ups in Ireland, which in turn enhances Ireland’s attractiveness as a location for researchers and investment.

9.0 Policy Considerations and Recommendations

Enterprise Ireland and the Local Enterprise Offices have developed their start-up and equity supports offerings based on experience in the area. There are some areas in which improvements can be made, particularly regarding data availability and to enhance effectiveness and the impact of expenditure in this area.

9.1 Data collection and clarification allowing for more robust evaluations and Ex-ante programme evaluations

9.1.1 Local Enterprise Office Data

It has been found within this review that the Local Enterprise Offices data on expenditure on “Mentoring and Capability Supports” are categorised per an in-house classification and not split up by programme. This means that the supports given by the Local Enterprise Offices are not categorised by “Start your own business” and the “LEOs mentoring programme”. As a result, it is difficult to attribute expenditure to a specific programme within the theme of Capability supports from the LEOs and evaluate the effectiveness of these programmes. It is worth noting that the LEOs are not as programme driven as is and there is a wide range of supports given by the LEOs, which are tailored to local needs and procured through County procurement processes. While there may be a policy rationale for allowing local flexibility in delivering programmes, this expenditure should be evaluable going forward by programme.

There is also a need for the clarification of data classification across the Local Enterprise Offices, particularly on the classification of capability supports. While the expenditure may be small in absolute terms relative to the total spend of the LEOs or Enterprise Ireland, having expenditure that evaluated and tracked over time in a consistent classification is important for developing an evaluation culture. It is recommended that this is further reviewed to ensure that future evaluations of the Local Enterprise Offices expenditure on capability supports can be completed robustly.

The LEO Centre of Excellence, working with the LEO network is devising a new Customer Management Relationship System to capture and analyse LEO activity and performance data. This was necessary to introduce a consistent method of capturing data countrywide and to capture activities such as the provision of information, advice and guidance which was a new function established on creation of the LEOs. It is recommended that the new CMRS captures expenditure in a more programmatic form to aid evaluation.

The Local Enterprise Offices and Enterprise Ireland need to keep DBEI updated on the progress made in this area.

9.2.1 Enterprise Ireland Data

While analysing Enterprise Ireland input data it has been noted that the input level data has data where programmes begin in one year and are subsequently discontinued.

While rebranding of programmes is undertaken to ensure that supports are dynamic and keep changing market requirements over time, it is necessary that the programmes can be evaluated relative to their objectives at either a thematic level or a programme level. Having many programmes that work toward similar objectives could make evaluations of specific programmes more difficult particularly due to the inconsistencies in data that may arise. Maintaining robust evaluations of expenditure at a programme level would require consistency in the classification of programmes and an aggregation of many programmes into a specific programme brand.

The Local Enterprise Offices and Enterprise Ireland need to liaise with DBEI on an ongoing basis regarding data gaps and address gaps in data to allow for robust evaluations over time. It is recommended that ex-ante evaluation frameworks are designed for all programmes including those that undergo a rebranding. This would allow for robust ex-post evaluations at a programme level by DBEI and Enterprise Ireland.

9.2 Seed and Venture Capital Scheme Investment is an important leveraging factor in the Market

It was noted in the review of the Seed and Venture Capital Scheme that while the venture capital sector in Ireland has grown significantly since the introduction of the SVC programme particularly at the development capital stage, the sector has not reached a self-sustainable level for early stage and seed investments and will likely need continuous state involvement going forward. Enterprise Ireland investments via the SVC programme are an important investment for many funds seeking to raise capital in Ireland. This is particularly true for smaller funds targeting seed and earlier stage investments. The state withdrawing support would likely affect the level of investment leveraged by private investors. This would also likely impact on innovation activity and institutional investor confidence in Ireland.

It was also noted that while there is justification for continued investment greater weight should be given to the objectives and targets on enterprise development metrics such as exports, employment, innovation and the scale of assisted companies. This is the primary justification for government intervention via enterprise agencies. It was also suggested that policy should be redirected to reflect a focus on economic impacts rather than simply the financial sustainability of the venture sector.

9.3 Responding to Brexit and other global political threats

DBEI play a key role in the implementation of government policies and strategies that stimulate the productive capacity of the economy. Brexit impacts upon many areas within and outside of the departments remit. The department and the agencies including the 31 Local Enterprise Offices have committed to the implementation of several mitigation measures including:

- The launch of a new €300mn Brexit working capital loan scheme to help impacted firms mitigate the negative effects of Brexit;
- The furthering of research into the possible impacts of Brexit within the department;
- Providing advice through Enterprise Ireland and Local Enterprise Offices to businesses that are affected by Brexit;
- The continuation of support to start-ups and business expansions to businesses with export potential through the LEO network;
- Enterprise Ireland has also developed the Eurozone Market Strategy which aims to drive business development and scaling within the Eurozone area and grow exports by 50 percent;

The development of a strong enterprise base has become more important than ever. Enterprise Ireland data shows that export growth to the UK has slowed from 12 per cent in 2015 to 2 per cent in 2016 indicating Brexit is already impacting on companies exporting to that market[44]. The potential impacts of Brexit have been identified by various publications. These impacts include; Trade impacts on good and services, Labour movement and labour productivity impacts, restrictions on the movement of capital and regulatory differences between Ireland the UK.

With these impacts in mind, it is important that start-ups and entrepreneurs have adequate information and assistance necessary prior to the scaling and internationalisation phase to ensure they can begin taking the appropriate measures to mitigate the possible negative impacts of Brexit. Addressing this, Enterprise Ireland is rolling out Brexit Advisory Clinics across the country to help companies examine their exposure to Brexit and develop effective strategies to mitigate that exposure. It is important that these impacts are communicated at an early stage and that the Local Enterprise Offices and Enterprise Ireland share the task of getting new start-ups not only Brexit ready but ready for any exogenous economic shock.

Brexit challenges and opportunities underscore the need to ensure that the funding instruments are fine-tuned to address these challenges and take advantage of the opportunities that may develop as a result of the UK's exit from the EU.

9.4 Understanding the factors that drive drawdowns and approvals

It was noted in the DPER review of EI Target Supports in 2017 that payments in any given year do not always match the approvals in the same year. This is reflective of the fact that when a company is approved for funding, it is required to undertake the project / investment first in addition to the multiannual and conditional nature of approvals. This may not

[44] https://www.enterprise-ireland.com/en/News/PressReleases/2017-Press-Releases/Enterprise-Ireland-Client-company-exports-increase-by-6-globally-to-%E2%82%AC21-6bn.html

necessarily happen and there can be a lag period between payment and approval. This was also evident within the data in all three themes in this year's FPA.

It has been noted that EI carry out a detailed budgetary analysis in which it forecasts the potential payment and approval gap using historical data. EI have also noted that the approval and payment gap is circa 85 percent between the period 2007 and 2017, while there were some fluctuations in totals paid and approved over time.

As a useful exercise in informing future budgetary allocations, it is recommended that an analysis is undertaken of the factors that drive the gap between payment and drawdown. This would be useful in assessing whether there are reasons or factors that affect a company's ability to meet targets set out for the project (e.g. are targets set are too stringent and cannot be met), or if it is simply the case that there is natural fall off in the number of projects that are approved and then completed.

9.5 An update of the suite of evaluations undertaken previously

It has been noted in the review that many evaluations of programmes via the thematic approach are outdated. The most recent full review of Start-up and Equity supports was undertaken by Forfás in 2014. There have been macro-economic, structural and operational changes in Ireland since this review was completed.

With this, the County and City Enterprise Boards (CEBs) were dissolved in 2014 and the LEOs were established under the local authority structure. Since the establishment of the LEOs there has not been a full evaluation undertaken of the Start-up and Equity supports offered by Enterprise Ireland and the Local Enterprise offices.

It is recommended that a new cycle of the suite of the evaluations that were undertaken by Forfás is commenced over the coming years by the Department of Business, Enterprise and Innovation. Doing this over a rolling 10-year period would ensure that evaluations, findings and policy objectives remain up to date.

The OECD SME and Entrepreneurship Policy review should consider the range of supports available to entrepreneurs and consider their role within the policy mix.

Appendix 1 LEOs role within the Entrepreneurial system

1.3.1 The LEOs within the Enterprise system

A major proportion of LEO capital support to their clients can be broadly grouped into grant support and capability development. The standard LEO capital allocation of these supports provides for 70% of the available allocation to be dispersed equally to each LEO under both types of supports with the balance allocated based on their population.

The grant support allocation is for LEO grant aid namely:

- Priming grants for businesses within the first 18 months of start-up. The maximum grant level is €150,000 over any three-year period;
- Business Expansion grants for expansion projects designed to assist the business in its growth phase after the initial 18-month start-up period. The maximum Business Expansion Grant that can be paid is €150,000.
- Feasibility/Innovation grants to support the researching of market demand for a product or service and examining its sustainability;
- Technical Assistance Grants for Micro Export to support the investigation and research of new export markets.
- All projects over €50,000 are evaluated, and if endorsed by the LEO Evaluation Committee, recommended to Enterprise Ireland for final approval. Projects seeking approval more than a cumulative €100,000 over a three-year period will also be considered by Enterprise Ireland in the same manner.

Enterprise Ireland established a LEO Centre of Excellence to carry out functions agreed between the Department of Business, Enterprise and Innovation (DBEI) and EI. The role of this unit is to provide a range of supports to the LEOs which enhances the impact of the LEOs on the development of micro-enterprise and small business, enhancing their effectiveness and efficiency. The supports provided include strategic, administrative, staff training, website management, LEO Brand management, technical and financial support.

Local Authority LEOs are co-financed through the European Structural and Investment Funds (ESIF). The activities of Local Authority LEOs which are supported by EU Structural and Investment Funds and are set out in the text of the relevant Regional Ops.

The "Entrepreneurship in Micro-enterprise scheme" is delivered though the 31 Local Enterprise Offices. The LEOs are the first stop shop for enterprise development. The specific objective of this scheme is to increase employment levels in micro-enterprises by supporting business start-ups, business expansion and higher innovation levels in micro-enterprises.

An estimated expenditure figure of €91m is expected to be available for European Regional Development Fund co-funding over the life of the operational programme (between 2014-2020). The potential total refund value to the exchequer for the OP 2014-2020 is an estimated figure of €45.5m (50%).

Appendix 2 Enterprise Start Inputs

Enterprise Start 1

In 2009, out of 270 participants:

- 3 HPSUs established that year;
- 1 participant transferred to the County Enterprise Boards (CEBs); and
- 14 are still in progress.

In 2010, out of 241 participants;

- 16 are HPSUs/Pre HPSU clients of Enterprise-Ireland;
- 12 transferred to the CEBs;
- 1 was transferred to Udarás na Gaeltachta;
- 106 are still developing their business plans; and
- 106 have decided not to pursue their business plan to date but may do so in the future.

To date of evaluation in 2011, out of 156 participants:

- 25 are HPSUs/Pre HPSU clients of Enterprise-Ireland
- 4 transferred to the CEBs
- 55 are still developing their business plans
- 46 have decided not to pursue their business plan to date but may do so in the future
- 26 have not yet been tracked.

Appendix 3 Review of Capability Supports

Enterprise Ireland’s Mentor Network (2008 – 2012)

While, it is difficult to determine the overall impact of mentoring because of the other variables in such a calculation, including the variety of assignments carried out by the Mentor Network. However, the evaluation undertaken by Forfas generated qualitative and quantitative data which helped illuminate the impact of mentoring in this context. Some mentors felt it was very difficult to quantify the benefit of mentoring – as some companies are so weak in the first place.

64% of clients responding to the online survey felt mentoring had made a difference to their business and 46% said their business has grown quicker because of mentor help. 67% of clients responding said they felt better prepared to face challenges because of the mentor’s help.

From the EI perspective, 87% of DAs responding to the online survey felt mentoring was effective in enabling EI clients and their businesses to develop and in 66% of cases, DAs responding to the online survey felt their clients benefitted from their involvement in the Mentor Network.

Clients were asked to reflect on their overall impressions of the Mentor Network by stating the extent to which they agreed or disagreed with a range of statements. Those who answered, ‘don’t know’ have been excluded from the following results.

The statement receiving the highest level of support was ‘My mentor is/was helpful in achieving my objectives’ with 78% (207 clients) agreeing or strongly agreeing with this statement. This was closely followed by ‘My mentor challenges/challenged me’ with 77% (203 clients) agreeing or strongly agreeing. The statement with least support was ‘My business has grown because of the Mentor’s help’ where 47% (123 clients) agreed or strongly agreed with this statement.

Review of Business Mentoring Services in Ireland (2014)

The main publicly funded mentoring programmes (Enterprise Ireland’s Mentor Network, CEB mentoring and Skill Nets Management Works) had been evaluated and/or reviewed in 2014 by Forfás.

CEBs mentoring activities range from discrete mentoring support to integrated approaches including, for example, the CEB Accelerate Programme. In relation to the CEB evaluation, 409 CEB clients in receipt of mentoring support from CEBs responded to the survey out of an estimated client population of 15,000 (over the past 3 years). The CEB evaluation found that:

- 86 percent of respondents said that the mentoring support met its business needs;
- 82 per cent of respondents felt better prepared to face challenges because of mentor help;

- 79 percent felt that the support of a mentor was the most appropriate support for their business needs;
- 61 per cent felt their business had grown as a result of the mentor help; and
- 41 per cent cited other benefits including increased confidence, focus and direction and enhanced business/management capabilities.

In general, clients that received integrated supports and/or had 4 or more engagements with mentors were more likely to record increased turnover or jobs than those that met their mentor only once[45].

Overall, mentoring was considered to be making positive contribution to clients and their businesses, yet there were some programme level issues. A key issue to emerge from the data within the 2014 review is that there was a lack of data for the evaluation of impact of mentoring support. This finding largely remains as there is still a lack of data in the Capability theme among the LEOs to ensure a robust value for money evaluation of capability supports across the LEOs can be undertaken.

New Frontiers Programme

As part of an internal review of New Frontiers by Enterprise Ireland in 2015, a survey of New Frontiers participants was undertaken. 500 participants responded, and the following data summarises their performance.

- 400 businesses operating,
- Total employed = 1,300,
- Total turnover = €41 million,
- Companies' turnover could be further broken down into the following ranges 25% between 0 - €10k, 40% up to €50k, 25% up to €500k, 10% up to €2.3 m

These figures indicate that the programme is on target to deliver up to 20 candidates per annum to the HPSU team and to create 300 jobs that contribute to the regional economy.

[45] Depending on the specific measure, between a fifth and a quarter of survey respondents linked the mentoring support to increases in turnover, jobs safeguarded and/or created.

Appendix 4 Synopsis of HPSU Accelerate outcomes and Impacts

CORD Programme evaluation (2005 – 2010)

HPSU progression is an indication of a successful impact. Although not a defined objective of the programme, start-ups that are referred to and supported by the CEBs are also a positive impact. It is possible to look at what CORD recipients proceed to do based on follow-up consultation, as well as client responses via surveys conducted.

Of the 446 new HPSUs between 2005 and 2010, 92 (20.6 per cent) were CORD recipients. The proportion in a given year varied between 27.4 per cent at its highest in 2006, and 16.5 per cent at its lowest in 2007.

A survey was undertaken on behalf of Enterprise Ireland, gauging the opinion of CORD's parent programme (EPP) participants in late 2009 across all years of the programme's existence. Given that circa 98.9 per cent of the EPP survey population were at some point in receipt of CORD funding, this allows us to draw some findings on the CORD programme's impact and additionality, albeit indirectly. A total of 94 participants responded to the Enterprise Ireland survey. Of these, 33 (35.1 per cent) indicated that they were a HPSU client. Within this cohort, when asked if they would still be a HPSU client in the absence of the EPP, 12 (35.3 per cent) said yes, 16 (47.1 per cent) said no, and 6 (17.6 per cent) did not know.

Enterprise Start 1/Start 2 Programmes (2008 – 2011)

There were a number of outputs identified from the Enterprise Start 1 programme including having a number of HPSUs established in the year the support was given, a participant transferred to the County Enterprise Boards, the development of business plans and companies becoming clients of Enterprise Ireland. The full impacts and outcomes found in the evaluation are outlined in the Appendix 2.

A number of potential Entrepreneurs participated in the Enterprise Start 2 Programmes, from this a number of companies were formed. Roughly 31 percent of the companies were transferred to HPSUs while 20 percent where transferred to the County Enterprise Boards.

Enterprise Ireland Propel Programme

At the time, it was deemed too early to assess the full impact of the Propel programme although some early stage impacts were identified. Over the medium and long-term outcomes and impacts of the propel programme include:

- Increased numbers of innovative start-ups and companies;
- Increased sales, 41 percent of respondents to a survey had said they experienced some sales increases as a result of their participation in the programme;
- Increased employment, 18 percent of respondents experienced some employment growth which they attribute to their participation in the programme. 68 percent said

they experienced growth over the following twelve-month period and 5 percent experienced increased employment over the following thirty-six-month period.

- Increased exports, 25 percent of respondents experienced some export growth due to their participation in the programme. 65 percent experienced an increase over the following twelve-month period.
- Increased the numbers of innovative collaborations between companies, entrepreneurs and academics.

Enterprise Ireland Ideagen Programme

The longer-term outcome targets of the programme included;

- Increased numbers of innovative collaborations between companies, entrepreneurs and academics;
- Increased numbers of business/technology ideas successfully developed and commercialised; and
- Increased take-up of supports to promote research, development and innovation including the High Potential Start Up suite of supports.

Enterprise Ireland actively tracks the progress of the participants on the programme particularly in terms of business plan development and progression to become HPSU/Pre HPSU clients of Enterprise Ireland as a result of Ideagen.

Data on the progression of participants from the pilot phase to become HPSU/Pre-HPSU is not available. However, looking at the 225 participants that attended events over 2010 and 2011 it is evident that:

- 7 are HPSU/Pre HPSU clients of Enterprise Ireland; and
- A high proportion of other attendees are in the process of developing business plans and are still in contact with their Regional Executives in Enterprise Ireland.

Appendix 5 Estimating Deadweight and Undertaking Counterfactual Analysis

A number of caveats are important for analysing Deadweight and CBA figures including:

- Due to different parameters to what is actually being measured in terms of deadweight and additionality (e.g. turnover, employment, project decision), methodologies, population sizes and timeframes allocated to measuring impact, **there is no basis for comparing deadweight measures between programmes** i.e. comparing one programme to another on the basis of deadweight alone is not an accurate determinant of the effectiveness of the programme relative to another.
- The programme objectives are also relevant when assessing the level of deadweight. For example, qualitative measures rather than quantitative may be the more desired outcome for some programmes. Particularly for the mentoring supports and HPSU Accelerate programmes where behavioural impacts are more appropriate as measures of outcomes.

Due to these issues, DBEI attempts to ensure that its evaluations are accompanied with appropriate context and explanation regarding methodologies. Data quality and availability are the primary determinants in the methodologies employed and their associated advantages and limits. DBEI is continually seeking to improve the firm level data set available so more empirical techniques can be applied to measuring additionality and deadweight.

Lenihan found that in the case of deadweight factors such as grant type, size of firm and whether the firm was a first-time recipient of a grant all affected the level of deadweight. The authors estimated the range of deadweight spending to be between 40 percent and 55 percent and later revised this in 2006 to roughly 70 percent (Lenihan & Hart 2006). A more recent analysis by Tokila and Haapanen (2012) on Finnish enterprise supports reinforce the findings that 46 percent of grant deadweight is determined by the characteristics the authors analysed.

Numerous studies since then have assessed the deadweight effects of grants or subsidies. In a study undertaken by Caliendo et al. (2015) on German enterprise supports the authors performed a control group analysis in which one group were subsidized start-ups and another group were regular start-ups. The authors found that a level of deadweight exists in the case of a start-up going ahead regardless of retrieving a grant subsidy. The authors found a deadweight range between 20 percent and 40 percent however, that this level of Deadweight is lower than is normally assumed by many (Caliendo et al., 2015).

A study of Enterprise Ireland supported firms (Lenihan and Hart, 2004) suggested estimates of deadweight of around 50 percent[46]. Lenihan (1999) also provided estimates of

[46] See Lenihan & Hart (2004) available:
http://www.google.ie/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=2ahUKEwiCt43

deadweight for grant supports given by Shannon Development to indigenous Irish firms, which suggested potential deadweight of 78.4 percent[47]. Separately, Lenihan and Hart (2006) estimate a deadweight for foreign-owned companies in the Shannon region of 71.3 percent[48].

s-ZvbAhWGfFAKHUFeDNUQFjAAegQIARAy&url=http%3A%2F%2Fwww.nuigalway.ie%2Fcisc%2Fdocuments%2Fhelenalenihan_paper.doc&usg=AOvVaw2knEppPjztHkrzgVYVv9US

[47] Lenihan, H. (1999). An evaluation of a regional development agency's grants in terms of deadweight and displacement. *Environment and Planning C: Government and Policy*, 17.

[48] See Lenihan & Hart (2006) available: http://dx.doi.org/10.1080/01442870600637979

Quality assurance process

To ensure accuracy and methodological rigor, the author engaged in the following quality assurance process.

- ☑ Internal/Departmental
  - ☑ Line management
  - ☑ Spending Review Steering group
  - ☑ Other divisions/sections
  - ☑ Peer review (IGEES network, seminars, conferences etc.)

- ☑ External
  - ☑ Other Government Department
  - ☑ Steering group
  - ☑ Quality Assurance Group (QAG)
  - ☑ Peer review (IGEES network, seminars, conferences etc.)
  - ☑ External expert(s)

- ☑ Other (relevant details)

IGEES

Irish Government Economic & Evaluation Service