

Review of the  
Role of  
County and  
City Enterprise  
Boards in the  
Development  
of Micro-  
Enterprises

November 2003

# Executive Summary

## 1. County and City Enterprise Boards

Established in 1993, the network of County and City Enterprise Boards (CEBs) operates around the country with one in each city and county council area.<sup>1</sup> They are established as separate companies limited by guarantee. Their boards are made up of private sector, local authority, state agency and community representatives (typically 14 in all) and are serviced by a Chief Executive Officer and usually 3-4 other staff. Total CEB staff number about 140.

The Boards provide grants, repayable loans and other assistance to 'micro-enterprises' (i.e. firms with 10 or less employees) in their areas. International practice suggests that most developed countries also provide comparable state support to promoting micro-enterprises, but that the Irish model of a dedicated support structure exclusively for micro-enterprise firms is unusual.

CEB funding is provided by the Exchequer through the Department of Enterprise, Trade and Employment (DETE). The DETE is the Boards' parent Department and has policy, financial and administrative responsibility for them. Under the 2000-06 National Development Plan about €190 mn in CEB funding is provided over the seven-year period, of which €52 mn is co-financed from the European Regional Development Fund. It is likely that the latter will largely end in 2006.

This is the report of an independent review of the CEBs. It was carried out for Forfás and the DETE by Fitzpatrick Associates, Economic Consultants, during the period July-October 2003. The consultants were assisted by an Advisory Committee with representatives of the DETE, Forfás, the CEBs and the private sector – with an independent Chairperson. The members, listed at the end of this summary, acted in an advisory, guidance and facilitative capacity. The review and its conclusions and recommendations are solely the responsibility of the consultants.

---

<sup>1</sup> Exceptions are Galway City and County which share a single CEB, and Cork County which has three separate Boards.

## 2. Enterprise Board Activities

The Boards' annual average budget for the 2000-06 period of €27 mn, or €777,000 per Board. It has been ahead of this in the 2000-03 period. Of this, about 70% is devoted to direct enterprise supports – divided about equally between financial supports and to other supports to enterprise. The balance of 30% is for staff, overheads and promotional activity.

Annually, the Boards assist about 1,200 micro-enterprises financially, with average assistance per project of €11,000. Each CEB's projects are appraised by an independent Evaluation Committee of state agency, bank and other private sector personnel, and they are formally approved by the Board. About 12,000 people participate annually in CEB-organised training and other programmes.

Financial assistance is provided only to micro-enterprises, and is subject to specified criteria including, inter alia, avoidance of displacement and deadweight. Criteria regarding sectoral eligibility are not very clearly specified. In relation to soft supports CEBs take a more flexible view of the firm size limitation. While this approach has not been formally endorsed by DETE, it has also not objected to it.

To date financial assistance has been mainly in the form of grant aid, but many Boards have now successfully introduced alternatives in the form of repayable loans and, in some cases, preference shares. We regard this as a welcome development.

Reflecting the Boards' mandate, client firms typically have about five employees and a turnover of €500,000 or less. They are divided fairly evenly between new start-ups and existing firms, and they generally sell on the local (county) market. Apart from CEBs, they are financed by promoters themselves and by bank borrowings.

The CEBs exist alongside a number of other nationally and locally delivered supports for micro-enterprises. The principal ones are Enterprise Ireland (EI), which supports High Potential Start-Ups (HPSUs) including firms with 10 employees or less, and local LEADER Groups which support small enterprise outside the main cities.

By way of comparison, and focusing on annual direct financial support (i.e. excluding overheads), expenditure on micro-enterprise by the three systems would be<sup>2</sup>:

CEBs	€21 mn actual 2002 (finance and soft supports);
Enterprise Ireland	€11 mn (actual 2002 direct financial support only);
LEADER	€13 mn (estimated 2002-06 annual figure finance and soft support).

As shown, this gives a typical annual total of about €45mn, excluding regional agencies such as Shannon Development, Údarás na Gaeltachta, and the Western Development Commission, and sectoral agencies such as BIM and the Crafts Council. Arrangements developed over recent years are designed to avoid any double-funding of projects, and local level co-operation between the main micro-enterprise funders is generally good, e.g. EI is on CEB Boards and Evaluation Committees, while CEBs and LEADER Groups have mutual board membership. However, lingering issues about precise boundaries remain as does the question of the optimality of the administrative structures involved.

In making generalisations regarding the CEBs, an important point is that at local level individual Boards are not homogenous. Within the national framework, there is some diversity in terms of priorities, practices and performance. This tends to reflect local circumstances, e.g. urban and rural areas, the vibrancy or otherwise of the local enterprise base and entrepreneurial culture, and priorities of Boards, executives and Evaluation Committees.

Much of this diversity is welcome and appropriate to a locally based system. However, there is scope for a more systematic approach to aspects of CEB practice, for raising standards everywhere to the level displayed by better-managed Boards, and for a stronger central co-ordination and technical support system.

### **3. CEB Effectiveness, Efficiency and Impact**

Based on survey evidence, CEB clients rate the Boards' services and supports highly. This is consistent with comparative international surveys, which indicate that Irish micro-enterprise firms' level of satisfaction with state supports is generally high.

This positive assessment of their operation is borne out by the experience of visiting selected CEB offices as part of this review. These create an impression of small, tightly run organisations, of capable and knowledgeable staff, and of a strong commitment to their local areas. The latter commitment is mirrored in Board and Evaluation Committee members, over

---

<sup>2</sup> Figures refer to direct financial support excluding organisation overheads.

700 of whom nationwide give of their time to attend regular meetings and support their Boards in other ways and on a voluntary basis.

As acknowledged in recent mid-term reviews of the National Development Plan, CEBs are effective in meeting agreed targets. They meet expenditure targets, and job creation in client companies is close to targets set for the 2000-06 period.

Between 2000 and 2002, net employment in CEB financially-assisted clients grew by over 8,500. This is measured through an annual survey of clients by CEBs and is calculated as the difference in total employment in each CEB client enterprise between 2000 and 2002. This growth occurred at a time when employment in the mainstream agency client base dropped.

Comparing this net employment change with CEB costs gives a figure of about €4,640 when compared to direct CEB financial assistance, or €10,400 if compared to the total costs of CEBs to the Exchequer. While fully valid benchmarks for comparing like with like are problematic, these CEB 'cost-per-job' figures are broadly in line with expectations.

Some perennial concerns about the net impact of supports for micro-enterprise remain. These include 'deadweight', i.e. the possibility that projects might have proceeded anyway, and 'displacement', i.e. that an assisted project might merely displace turnover or employment in a competitor firm somewhere else. CEBs take steps to minimise these difficulties, although they are never completely unavoidable in any enterprise support system. There is nevertheless scope for further improvement. In particular, there are concerns that in the area of displacement most Boards consider only the possibility of this within their own cities or counties, and the published project lists of some Boards give rise to a priori concerns about the efficacy of support to local service projects even at that level. On the positive side, the shift to repayable finance and more soft supports is very welcome in this context, and both of these greatly diminish traditional concerns about deadweight and displacement. Repayability, if successful, also directly reduces the ultimate net cost to the exchequer.

Survival rates of CEB-assisted projects are high. When pre-existing firms are removed, however, the survival rate of new start-ups appears to be broadly in line with the economy average rather than above it. CEB clients also include a small but significant number of firms that have successfully grown to levels of well over 10 employees. About one-third of employment in their client base is in firms that have more than 10 employees.

## 4. Main Conclusions and Recommendations

The review concludes that on balance, and notwithstanding major economic changes that have occurred in Ireland over the last decade, there is justification for continued state support to micro-enterprise. The CEB network is, and can continue to be, a useful part of overall national enterprise development policy.

With regard to CEB activities our principal recommendations are:

- a renewed focus on the CEBs' core enterprise and enterprise culture mission, and minimisation of any useful but wider local economic development activities in their areas;
- greater emphasis on business information, advice, training and capability enhancement, and relatively less on provision of financial support;
- within financial support, continuation of the current move to use of repayable funding and a gradual exit from grant assistance, especially employment grants;
- a tightening of both criteria and their implementation regarding provision of financial support, especially in the areas of potential deadweight and displacement;
- a flexible and user-led approach to soft-supports, accompanied by a gradual increase in client contributions to service costs;
- a gradual move to greater financial self-sufficiency among CEBs based on both repayable finance and client contributions.

With regard to CEB structures our principal recommendations are:

- DETE as the enterprise Department should remain as the CEBs' lead Department with primary policy and funding responsibility reflecting mainly our view that their focus and niche is and should remain an enterprise one;
- a small new central CEB Co-ordination Unit should be established to provide leadership, direction, technical support shared services information exchange and quality assurance, so as to enhance the effectiveness, efficiency and impact of the CEBs and contribute to a greater level of desirable consistency and good practice across the network as a whole;
- this Unit should be established in Enterprise Ireland and the premier national indigenous enterprise development agency, acting as an agent of the DETE, drawing on the most appropriate skills available, and facilitating much greater synergy between the CEBs and the mainstream enterprise development system.

A more detailed set of recommendations is contained in Chapter 6 of the main report.

# Study Advisory Committee

**Donal de Buitléir** (Chair)  
General Manager  
Office of the Chief Executive  
AIB Group

**Denise Brophy**  
Chairperson  
Dublin City Enterprise Board

**Jane Williams**  
Managing Director  
The Sia Group

**Michael Tunney**  
Chairperson  
Association of CEB CEOs  
CEO Donegal County Enterprise Board

**Michael Gannon**  
Manager  
Enterprise Support Unit  
Bank of Ireland

**John Fallon**  
Assistant Principal  
Local Enterprise Section  
Department of Enterprise, Trade and  
Employment

**Tony Nordon**  
Managing Director  
Anord Control Systems Ltd

**Marie Bourke**  
Department Manager  
Enterprise Division  
Forfás