

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

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# 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.

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<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

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

areas. The latter commitment is mirrored in Board and Evaluation Committee members, over 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.



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# List of Main Acronyms Used

ADM	Area Development Management Limited
ALMI	Swedish Public Support Body for Small Firms
BIC	Business Innovation Centre
BMW	Border, Midlands and Western Region
CDB	County/City Development Board
CEB	City/County Enterprise Board
CEO	Chief Executive Officer
CNAG	Comptroller and Auditor General
CRO	Companies Registration Office
CSO	Central Statistics Office
DCRAGA	Department of Cultural, Rural and Gaeltacht Affairs
DETE	Department of Enterprise, Trade and Employment
DOEHLG	Department of the Environment, Heritage and Local Government
EI	Enterprise Ireland
ERDF	European Regional Development Fund
EU	European Union
FETAC	Further Education and Training Awards Council
GEM	Global Entrepreneurship Monitor
HIE	Highlands and Islands Enterprise (Scotland)
HPSU	High Potential Start-Ups
IEU	Industry Evaluation Unit
INTERREG	EU Community Initiative for Cross-border Regions
ISME	Irish Small and Medium Enterprise Association
LEAs	Local Enterprise Agencies (Northern Ireland)
LEADER	Liaisons Entre Actions de Development de L'économie Rurale - EU Community Initiative for Supporting Rural Development
LECs	Local Enterprise Companies (UK)
LEDU	Former Local Enterprise Development Unit (Northern Ireland)
NDP	National Development Plan
OP	Operational Programme
OPLURD	Operational Programme for Local, Urban and Rural Development (1994-99)
PMS	Performance Monitoring System
S&E	Southern and Eastern Region
SFA	Small Firms Association
SIPs	Social Inclusion Partnerships
SME	Small and Medium Enterprise
SMIE	Support Measures and Initiatives for Enterprise, an EU Enterprise Support Database
VFM	Value for Money
WDC	Western Development Commission

# Chapter 1 Background

## 1.1 The County and City Enterprise Boards

The County and City Enterprise Boards (CEBs) were established in 1993 to provide support to micro-enterprises, defined as firms with 10 or fewer employees. There are a total of 35 Boards, with typically one operating in each city or county area, including the four individual local authority areas within Dublin).<sup>3</sup> Exceptions are Cork and Galway, with Cork County having three Boards (North, South and West), while Galway City and County share a single Board.

**TABLE 1.1: COUNTY AND CITY ENTERPRISE BOARDS**

Carlow	Mayo
Cavan	Meath
Clare	Monaghan
Cork City	North Cork
Donegal	Offaly
Dublin City	Roscommon
Dun Laoghaire/Rathdown	Sligo
Fingal	South Cork
Galway City and County	South Dublin
Kerry	North Tipperary
Kildare	South Tipperary
Kilkenny	Waterford City
Laois	Waterford County
Leitrim	West Cork
Limerick City	Westmeath
Limerick County	Wexford
Longford	Wicklow
Louth	

The Boards are each separate companies limited by guarantee, with an operating agreement with the Minister for Enterprise, Trade and Employment. The Boards, which typically have 14 members, are appointed by the Minister and are generally representative of the local authority, the social partners and the industrial development agencies. They are frequently chaired by the County Manager. CEBs typically have a full-time staff of a Chief Executive, Assistant Chief Executive and support staff, about 150 people in all around the country. CEBs also have a voluntary Project Evaluation Committees of 6-8 persons, representative of the State agencies and business in the area.

Boards are funded by the Department of Enterprise, Trade and Employment (DETE), including EU Structural Funds co-financing.

DETE funding is provided within the framework of the National Development Plan. For 2000-06, this is provided through the two Regional Operational Programmes – Border Midlands and Western, and Southern and Eastern. In the previous NDP (1994-99), funding was provided under the Operational Programme for Local, Urban and Rural Development (OPLURD). Total public funding, including administration costs, for the 2000-06 period is projected at €190 mn, 27% of which is provided by the ERDF and the balance by the Exchequer. This is equivalent to annual average public expenditure of €27 mn.

**TABLE 1.2: PLANNED CEB PUBLIC FUNDING 2000-06**

Regional Operational Programme	Total (€mn)	Of Which ERDF (%)
Border, Midland and Western	68.3	28.4
Southern and Eastern	122.1	26.7
Total	190.4	27.3

**SOURCE: BMW AND S&E OPERATIONAL PROGRAMMES 2000-06**

The Regional Operational Programme structure is essentially a funding channel mechanism. Its principal practical implication is that CEB grant ceilings for projects are somewhat higher in the BMW Region (still an EU Objective 1 Region) than in the South and East (which is in transition). The Regional Programme structure does not, however, alter the core policy, administrative and financing relationship between the CEB network and DETE as the parent Department.

## 1.2 Terms of Reference and Study Issues

### 1.2.1 Terms of Reference

In 2003 Forfás and the Department of Enterprise, Trade and Employment decided to commission this consultancy study 'to review the operational impact of the County and City Enterprise Boards with a view to making recommendations to the Tánaiste and the DETE on the direction, programmes and appropriate institutional structure to support, develop, co-ordinate and deliver micro-enterprise policy'.

The Terms of Reference set out three basic requirements for the study as follows:

1. *to provide an assessment of the effectiveness and impact of the CEBs on local enterprise through a review of the range of supports offered through their programmes and to make recommendations regarding what programmes should be provided and the structures for*

<sup>3</sup> Ireland has a total of 34 city and county areas. This includes the four Dublin authorities, the city councils of Waterford, Limerick and Galway, and the separate North and South Tipperary Councils.

*delivery, particularly in the post-2006 period. The assessment should take into account areas such as deadweight and displacement. Experience of policy and delivery mechanisms in other countries should be taken into account in this assessment and in recommending appropriate structures.*

2. *to make recommendations on a future appropriate institutional structure:*
  - a) *to develop policy;*
  - b) *to support and oversee the delivery mechanisms; and*
  - c) *to improve the monitoring, measurement and evaluation of programmes and performance;*
3. *to make recommendations to improve the co-ordination of the activities of State support to micro-enterprises so as to disseminate best practice, utilise shared information and advisory materials and co-ordinate programmes in a manner which will utilise scarce resources to best advantage’.*

The study was commissioned by Forfás and guided by an Advisory Committee. The Advisory Committee had membership drawn from the private sector, financial institutions, the CEBs, DETE and Forfás, and had an independent Chair (members are listed at the beginning of this report). The role of the Committee was to guide and advise the consultants. Committee members were not, however, asked to necessarily agree with or achieve a consensus on the report contents. The report, including its conclusions and recommendations, therefore remain the sole responsibility of the consultants.

## **1.2.2 Key Questions**

Based on these Terms of Reference, the study was operationalised in terms of four key questions:

- *Question 1: Should the State support micro-enterprise in Ireland, and if so why?*
- *Question 2: If the answer to Question 1 is ‘yes’, what should policy be towards micro-enterprise?*
- *Question 3: Reflecting both the rationale and policy, what instruments should be used to support micro-enterprise?*
- *Question 4: What should the institutional arrangements governing micro-enterprise be, and how do CEBs fit within this?*

As can be seen, Question 1 raises the fundamental issue of whether or not the State should be involved in providing direct financial and other assistance to micro-enterprise. This is akin to asking whether or not there is a market failure, and if so what it is. The answer to this question is important in two ways. Firstly, it helps determine whether there should be any assistance to micro-enterprise – through CEBs or other organisations. Secondly, the nature of the answer to the question, i.e. the

reason why assistance might be provided, is an important factor in determining the response to the three subsequent questions.

If the answer to Question 1 is 'yes', Question 2 asks what the nature of policy should be, i.e. what is the strategy towards micro-enterprise, and what kind of goals and targets should be set?

Question 3 addresses the issue of instruments. 'Instruments' here refers to the current instruments being used in terms of financial assistance, provision of advice and advisory services, as well as possible other instruments that are not used at present.

Finally, Question 4 raises the issue of institutional arrangements. This question is deliberately placed last in the series for two reasons. Firstly, if one starts with the institutional question it frequently dominates all debate and analysis of entities such as the CEBs. Secondly, if Questions 1-3 are addressed in a systematic fashion, the matter of institutional arrangements may emerge as somewhat more focused and less potentially contentious than might otherwise appear to be the case.

Throughout the report, and particularly in the Conclusions and Recommendations in Chapter 6, we try to keep a distinction between micro-enterprise policy and instruments on the one hand and the institutional arrangements through which these are delivered on the other. This is done on the basis that we hope it helps to disentangle some of the issues surrounding CEBs, and to place purely institutional issues in their proper context.

The four questions above form the core of our subsequent approach and methodology, which are essentially designed to address them. This breakdown is also used in the conclusions and recommendations.

## **1.3 Study Work Programme and Challenges**

### ***1.3.1 Core Requirements***

The core requirements of the work programme were largely specified in the Terms of Reference. We adopted these, with some adjustments made in consultation with Forfás and our Advisory Committee. The principal elements of the work programme are set out below.

***Analysis of Existing Information:*** This involved utilising existing information available from various sources including the Performance Monitoring System (PMS) database of the Department of Enterprise, Trade and Employment, the Annual Reports of individual CEBs and CEB websites.

**Case Studies:** The Terms of Reference set out a requirement for a series of seven case studies. The case study counties were selected by the consultants and were: Dublin South, Wexford, Limerick City, Mayo, Offaly, West Cork and Cavan. These were selected as providing a broad regional, geographic, urban/rural and size mix.

The case studies involved a combination of meetings with Boards and Evaluation Committees (or their Chairpersons) and CEB staff, assembly and analysis of more detailed locally available information, and consultations with other local stakeholders.

**Client Survey:** In parallel with the case studies, we carried out a postal survey of a sample of CEB clients in the seven case study CEB areas. For each Board, this involved surveying all clients in receipt of financial assistance during the 1999-02 period, (up to 150 each) and a random sample of recipients of non-financial assistance (also up to 150 each). The survey used a postal questionnaire, with follow-up, to approximately 1,900 companies. Some 222 companies returned the questionnaire. The full survey results are presented in Annex 1.

**Key Informant Consultations:** We also consulted a variety of informants at national level, representing key stakeholders in the CEB process. As well as Forfás and DETE, these included the Department of Finance, the Department of the Environment, Heritage and Local Government, the Department of Community, Rural and Gaeltacht Affairs, the Small Firms Association, ISME, Chambers of Commerce of Ireland, Enterprise Ireland, Shannon Development, Údarás na Gaeltachta, the Western Development Commission, the Border, Midlands and Western and Southern and Eastern Regional Assemblies,<sup>4</sup> PLATO and the major banks.

**Examination of Relevant Literature:** We reviewed a variety of literature relevant to the CEBs. This has included official documentation on the origin and evolution of the CEBs, CEB evaluations, and wider literature on micro and small enterprises.

**Review of Overseas Experience:** We have reviewed overseas practice regarding supports to micro-enterprise, largely using desk research, with particular reference to the EU. This has relied heavily on a number of published reviews of micro-enterprise supports.

**Workshop:** A half-day workshop, to which all CEBs were invited was held in Roscommon on September 17<sup>th</sup> 2003. A total of 27 participants from 23 CEBs attended.

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<sup>4</sup> As referred to in Section 1.1q, the two Regional Assemblies are the formal managing authorities for CEB funding under the 2000-06 National Development Plan.

### **1.3.2 Project Challenges**

Reviewing the role of the CEBs in micro-enterprise supports has faced a series of challenges. Reference will be made to a number of these later in the report. They are as follows:

- in accordance with the Terms of Reference, the focus of the report is exclusively on micro-enterprise, i.e. enterprises with 10 employees or less. While this is a recognised international classification, it is difficult to entirely divorce policy towards micro-enterprise from that towards small business as a whole. Therefore some aspects of the study outcomes do depend on what, if any, developments might occur in relation to Irish policy towards SMEs and small business more generally;
- as described further in Chapter 2, the CEBs as a network straddle the ‘enterprise development’ and the ‘local development’ systems. There are therefore two contexts rather than just one to be considered, and there are (at least) two distinct perspectives on the place and purpose of CEBs;
- while a great deal has been written in documents describing the CEBs and their objectives, there is arguably an absence of a recent clear statement of overall public policy towards micro-enterprise generally, and towards CEBs’ place in national enterprise policy. This policy gap in relation to micro-enterprise makes it more challenging to define what is the appropriate role of CEBs in this regard.
- the CEBs are arguably somewhat burdened with multiple objectives, e.g. the Programme Complements for the two Regional Operational Programmes (BMW and S+E) list six specific objectives for financial support to micro-enterprise as well as three ‘horizontal principles’ to which they must contribute. This creates some ambiguity about the appropriate benchmarks against which CEBs are to be judged;;
- while County and City Enterprise Boards are part of a single network, there is quite considerable diversity at local level, reflecting local situations and relatively broad and arguably loose national guidelines. Generalisations about activities and operations of CEBs need to be made against this background and therefore treated with some caution;
- in common with both enterprise and local development-type supports, aspects of the role and impacts of CEBs are intangible. They are therefore inherently difficult to measure quantitatively, and attributing causal relationship between inputs and outputs can be especially problematic;
- this review is taking place against a background of other reviews regarding important related areas. These include the review of overall National Enterprise Strategy being undertaken for the Tánaiste and Minister for Enterprise, Trade and Employment, a review of local development support structures being undertaken by the Department of Community, Rural and Gaeltacht Affairs, and a long-standing but to a degree still unresolved debate about the appropriate relationship between all local development and local government structures in Ireland. This leaves some aspects of the CEBs’ wider policy and institutional setting somewhat unclear.



None of these challenges constitute reasons for not making assessments or drawing conclusions about CEBs, and they are not used in this way in the study. Nevertheless, they emphasise the fact that in many ways conclusions regarding interventions such as CEBs are complex, are dependent on policy objectives which may not themselves be absolutely clear, are based on a variety of evidence of varying quality, and are open to different interpretations depending on the perspective taken. A considerable element of judgement cannot be avoided.

## **1.4 Report Structure**

The remainder of the report is structured around the four key questions being addressed. The chapters are as follows:

- Chapter 2 sets out the background, objectives and structures of the County and City Enterprise Boards;
- Chapter 3 reviews the role and activities in practice of the Boards;
- Chapter 4 reviews overseas practice in relation to micro-enterprise supports;
- Chapter 5 examines the effectiveness, efficiency and impact of CEBs;
- finally, Chapter 6 represents the conclusions and recommendations of the review.

# Chapter 2 Background, Objectives and Structures

## 2.1 Introduction

This chapter describes the background, objectives and structures of the CEBs. The purpose is to lay out the factual basis for the subsequent description and analysis of CEB operations, and for our eventual conclusions and recommendations. The chapter examines:

- the origin of CEBs;
- CEB structures;
- CEB expenditure;
- other parallel State supports to micro-enterprise;
- major developments in the CEBs' external environment.

## 2.2 Origin of CEBs

### 2.2.1 *In the Beginning*

Financial and other support to micro-enterprise in Ireland did not commence with CEBs. Two principal antecedents which have had an impact on the origin and subsequent evolution of the Boards:

- the Industrial Development Authority Small Industry Programme, which operated from the mid-1970s to the late 1980s, provided supports to small enterprise, latterly through IDA regional offices. This system dealt in principle with small start-ups down to the micro-enterprise level. The focus was principally on manufacturing, and a limited number of internationally traded services. In the case of manufacturing, import substitution was regarded as valid activity and therefore many small manufacturing enterprises akin to what would more recently be supported by CEBs were involved;
- in 12 western 'designated' counties there was a network of County Development Teams and County Development Officers which had access to a central fund under the Department of Finance, 'The Western Development Fund'. This, inter alia, could be used to support small enterprises that were not eligible for assistance from other sources<sup>5</sup>. There was no parallel fund in the other non-designated counties.

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<sup>5</sup>The 12 western counties were Donegal, Sligo, Leitrim, Mayo, Galway, Cavan, Monaghan, Roscommon, Longford, Clare, Kerry and West Cork.

Both of these systems have had impacts on the CEBs as they subsequently evolved. In the case of the then IDA, a decision to withdraw from support to smaller enterprises – driven in part by concerns about the prevalence of deadweight and displacement – created an institutional gap regarding support for micro-enterprise, and which was in turn part of the rationale for creating the CEBs.

This gap also has interesting resonances today. With the concentration of Enterprise Ireland (EI) on larger firms and higher potential start-ups, there is arguably now a new ‘gap’ in the 10+ employee category. Whether and how this might be filled is outside the present Terms of Reference, but is referred to briefly again in Chapter 6.

In the case of the County Development Teams, these were formally amalgamated into the CEB structure when this came on stream, and some CEB Chief Executives were (and still are) former County Development Officers<sup>6</sup>. Interestingly, the concept of regionally differentiated treatment for micro-enterprise was resurrected in the form of the BMW and S&E split in the NDP (involving differential CEB grant rates).

## ***2.2.2 Establishment of the CEBs***

The CEBs were established on an interim basis in 1993, and this was formalised in 1996. Their establishment occurred at a time of considerable wider institutional change in Ireland. This included other developments on the industrial policy front, e.g. the establishment of Forfás and Forbairt. It also involved developments in relation to local structures, including the establishment of both the Partnership Companies and LEADER Groups. These are described more fully in Section 2.4.

An implication of these various developments in the early 1990s is that the potential for overlap and duplication among the new local development agencies was therefore present, and to a degree in-built, from the start. This also means that this potential is not a new phenomenon.

## ***2.2.3 Features of the CEBs***

The CEBs involved two significant innovations:

- (a) formalisation of supports to micro-enterprise, i.e. enterprise of below 10 employees, with Forbairt (now EI) continuing to support enterprises above 10 employees. This in turn involved two things: firstly, a specific and dedicated focus on enterprises of 10 persons and below; and secondly, a relaxation of the previous mainstream industrial policy emphasis on manufacturing and internationally-traded services;

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<sup>6</sup> This includes retaining their civil servant status.

(b) local delivery and decision-making in the form of the 35 locally based Boards.

From the outset, therefore, the Boards have combined the twin strands of ‘micro-enterprise’ on the one hand and ‘local’ on the other. These twin strands continue to be key themes of our analysis of the operations and role of CEBs in later chapters, and of our conclusions and proposals.

**TABLE 2.1: SOME KEY MILESTONES IN DEVELOPMENT OF THE CEBs**

- 1993: 35 County and City Enterprise Boards first established on an interim basis.
- 1994: first full year of operation of CEBs as seed capital/grant giving agencies.
- 1994: Task Force on Small Business report published.
- 1994-99: Operational Programme for Local Urban and Rural Development provided funding and framework for CEBs. Extended the role of CEBs to include training, mentoring etc.
- 1995: Industrial Development Act provided a statutory framework for the CEBs, ending the interim status of the Boards.
- 1996: Report of County and City Enterprise Board Activities 1993-95 published by the Department of Enterprise Trade and Employment.
- 1998: Industrial Development (Enterprise Ireland) Act created Enterprise Ireland.
- 2000-06: National Development Plan changed the emphasis of the CEBs, as outlined in Section 2.3.1 below. In addition, repayability of grants was introduced, with 35% being refundable in the BMW Region and 40% being refundable in the S&E Region.
- 2003: Towards an Entrepreneurial Society: Ireland’s Response to the Green Paper on Entrepreneurship in Europe published.

## 2.3 CEB Structures

### 2.3.1 Objectives and Rationale

Under the Operational Programme for Local Urban and Rural Development 1994-99, the objectives of the Local Enterprise Sub-Programme which then funded the Boards were set out as follows:

*‘In order to fill a gap which has been identified in the range of support services for local enterprise, the County Enterprise Boards have been established to develop indigenous potential and stimulate economic activity at local level, primarily through the provision of financial and technical support for development of small enterprises’.*

Under the National Development Plan 2000-06, the Micro-enterprise Measure through which funding is now provided for the CEBs is included in the BMW and S+E Regional Operational Programmes. These OPs state that

*‘... The Micro-enterprise Measure is designed to support the development and competitiveness of local enterprise and support the move of such enterprise up the value chain. The funding for the Measure will include support from the ERDF. Community Assistance under the Micro-enterprise Measure will be targeted at projects where there is market failure’.*

Under each of the two Regional OPs, assistance under Sub-measure 1 – Selective Financial Intervention – is said to be provided selectively towards the establishment and development of micro-enterprises:

*‘... in areas or sectors of greatest need or potential, in particular more remote and peripheral areas of the Region where rural decline is most pressing’.*

Sub-measure 2 – Entrepreneurial and Capability Development – provides funding for:

*‘increasing entrepreneurial managerial capability of individuals and firms through training and development initiatives targeted at students in second-level schools and colleges, mentoring programmes for entrepreneurs, and development and delivery of dedicated training modules in core management skills for managers/promoters of micro-enterprises. In particular, the benefits of information technology and e-commerce as an essential tool for business development and capacity enhancement will be strongly promoted, as will the Women in Business Initiative’.*

The specific objectives of the Sub-measures are set out in the more detailed Programme Complements and are identical for both Regions and both Sub-measures:

- provide employment opportunities in less developed and remote areas so as to achieve more enduring and value-added balanced regional development;
- support greater participation of the unemployed and women in the promotion and development of enterprises;
- broaden and strengthen the base of micro-enterprises across the Region;
- reduce dependence on traditional or declining economic sectors;
- maximise the employment and value-added potential of micro-enterprises;
- contribute to national competitiveness.

The stated objectives of the CEBs under the 2000-06 OPs are therefore somewhat different than under the 1994-99 OP, reflecting the changed economic and labour market environment, with the addition of objectives including: assistance for remote and peripheral areas; training aimed at schools, colleges, managers/promoters; mentoring; and promoting IT, e-commerce and Women in Business. It is notable, however, that these OP objectives are not identical to the specific objectives listed in the Programme Complements. The official rationale for the support of micro-enterprise through the CEBs appears to have changed from a general brief of supporting micro-enterprise to a more specific and selective brief of assisting micro-enterprise in remote/peripheral areas, training of specified groups, mentoring, and promoting IT and the involvement of women in micro-enterprise. EU support is also to be targeted on market failure. While there are differential grant aid rates between the BMW and S+E Regions, the same levels of assistance are available in practice in all

areas within each Region. This means, for example, that a start-up or existing micro-enterprise in Dublin City can get the same level of assistance as a similar enterprise in rural West Cork.

<b>TABLE 2.2: SELECTED STATEMENTS OF CEB AND MICRO-ENTERPRISE OBJECTIVES</b>	
<b>Statement</b>	<b>Source</b>
<p>'The County Enterprise Boards will facilitate and support enterprise activity undertaken by individuals, firms and community groups and the creation of an enterprise partnership at local level between the social partners, financial institutions and local communities'.</p>	Operational Programme for Local Urban and Rural Development 1994-99.
<p>'The Company agrees to implement the Measure in the Enterprise Plan viz (i) the promotion of an enterprise culture, (ii) business information and advice, counselling and mentoring support, (iii) financial assistance and (iv) management development activities. It will develop and review the County Enterprise Plan and the promotion of enterprise attitudes among business, education and community interest through encouraging increases in enterprise-related activities on a partnership basis. The availability of good information and advice are key factors in the provision of the enterprise support services. The company may support innovative measures to address deficiencies in the skills base of small business managers and entrepreneurs and potential entrepreneurs in their area. The company may make a grant or payment to an eligible project'.</p>	CEB Operating Agreement 1995.
<p>'The company agrees to implement the Measures in the Enterprise Plan, which in 2000-06 includes the Micro-Enterprise Measure of the Local Enterprise Development Priority of the BMW OP and the S&amp;E OP for the period 2000-06. The company may undertake a range of activity designed to promote an enterprise culture in its area, including the provision for business information and counselling to individuals, companies, community groups and other relevant interests. The company has been identified as the frontline access point for information on the range of public and private initiatives, services and products relating to enterprise developments. The company may support innovative measures to address deficiencies in the skills base of small business managers and entrepreneurs and potential entrepreneurs in their area. The company may make a grant or payment to an eligible project'.</p>	CEB Draft Operating Agreement 2003.
<p>'The Micro-Enterprise Measure is designed to support the development and competitiveness of local enterprise and support the move of such enterprise up the value chain. Under Measure 1, financial assistance will be provided towards the establishment and development of micro-enterprises participating in capability development programmes in areas of sectors of greatest need or potential, in particular more remote and peripheral areas of the Region where rural decline is pressing. Under Measure 2, funding will be provided for programmes aimed at increasing entrepreneurial managerial capability of individuals and firms through training and development initiatives'.</p>	Regional Operational Programmes 2000-06.
<p>'The Board's role was to develop indigenous potential and stimulate economic activity at local level, primarily through the provision of financial assistance and technical support for the development of small enterprises'.</p>	Final Report: OP for Local Urban and Rural Development 1994-99 (2003).
<p>'With their dual focus on enterprise and local development, the CEBs have a particularly important part to play in helping to bring about more balanced regional development'.</p> <p>'The Boards will continue to encourage and support the establishment of new enterprise, and the expansion of existing ones, particularly in less developed areas within their boundaries. This involves the provision of information, advice, training, and in appropriate cases financial support, in order to help these business sustain themselves'.</p>	Review of Industrial Performance and Policy 2003.

There is also considerable variation in how CEB objectives are described in various other sources (see Table 2.2). To us this suggests that CEB objectives have evolved, though this has not been always in the direction of greater clarity. There is a need to get back to a set of basic, simple core objectives that are clearly stated and understood. We return to this issue in Chapter 6.

### ***2.3.2 Key Legal and Administrative Features***

The Industrial Development Act 1995 provided a statutory framework for the 35 CEBs. They are companies limited by guarantee under the Companies Act 1963. They are funded by money voted by the Oireachtas, but may also receive grants, donations, contributions and subscriptions. The Boards may make loans, grants, and/or take equity.

Each CEB operates under an individual but standardised CEB Operating Agreement with the Minister for Enterprise, Trade and Employment. The current agreements were signed in 1995, covering the period of the previous OP (1994-99). While this period has expired, the 1995 agreements remain in place and a new agreement is still in draft form. The draft agreement is substantially the same as previously, with changes to reflect the new Structural Fund requirements and accounting procedures. However, one substantive change (in Annex B) will restrict the capacity of the Board to overrule the Evaluation Committee.

Under the Operating Agreement, the Boards may provide financial support, business information, and counselling to individuals and companies as well as to community groups and others. The Board is also required to:

- prepare and review County Enterprise Plans;
- promote an enterprise culture;
- provide business information, advice and counselling.

It may also provide mentoring and support management development. Details of CEB financial assistance are shown in Table 2.3.

**TABLE 2.3: SUMMARY OF CEB ASSISTANCE TO MICRO-ENTERPRISE**

	Type of Assistance	S+E Region	BMW Region
<b>Selective Financial Intervention</b>	Capital grants:	Maximum 50% of eligible fixed assets or €63,500 (subject to any portion in excess of 35% being refundable).	Maximum 50% of eligible fixed assets or €63,500 (subject to any portion in excess of 40% being refundable).
	Employment grants:	€6,350 per job subject to a limit of 10 jobs.	€6,350 per job subject to a limit of 10 jobs.
	Feasibility study grants:	50% of the cost subject to a maximum of €5,000.	60% of the cost subject to a maximum of €6,350.
<b>Entrepreneurial and Capability Development</b>		Entrepreneurial development including training, mentoring and advice via programmes developed by each CEB.	Entrepreneurial development including training, mentoring and advice via programmes developed by each CEB.

**SOURCE: BMW AND S+E REGIONAL OPERATIONAL PROGRAMMES**

A large number of circulars dealing with various aspects of the operations of the CEBs have been issued by DETE to the Boards. A Manual of Accounting Procedures prepared by O'Reilly Consultants has also been circulated. In addition, a standard Procedures Manual incorporating all of the statutory, EU, Departmental and Accounting requirements has been prepared by a sub-committee of CEBs and agreed with the Department. This manual includes a Code of Best Practice for Governance, EU Regulations and General Control Procedures. In its introduction, it identifies the key focus of the CEBs as being to maximise opportunities for job creation and retention, and includes a list of core activities. This list of core activities differs somewhat from the objectives of the CEBs as set out in the OPs and Programme Complements, e.g. the list of core activities contains no activities related to objectives such as participation of the unemployed or women, and it includes activities such as promoting the general economic development of the CEB area and providing a single/first point of contact to the business community.

The fact that, four years into the 2000-2006 NDP, the new agreements have not been formally finalised, and this manual is still a draft, is unsatisfactory. Combined with other deficiencies such as rather unclear and multiple statements of objectives, and lack of formal guidance on various issues, it is symptomatic of a weakness in the level of overall leadership and direction by DETE at central level.



The legislation and regulations that apply to the 35 individual CEBs are broadly the same as apply to much larger State bodies with much greater resources and budgets. These include:

- Industrial Development Act 1995;
- Memorandum and Articles of Association of each CEB;
- CEB Operating Agreement;
- Manual of Accounting Procedures for CEBs (O'Reilly Manual);
- Code of Practice for Governance of State Bodies;
- Ethics in Public Office Act 1995 (applies to CEOs);
- Managing Authority requirements for OPs.

The legislation and regulations, together with EU funding requirements, put a heavy administrative load on the CEBs, and in addition the CEBS are subject to internal and external (Comptroller and Auditor General) audits and to EU audits.

### **2.3.3 Board Membership**

The standard size of a CEB Board is 14 members, or 490 people across all 35 CEBs. Additional members may be added subject to agreement of DETE (one Board has 17 members). The membership of the Boards is set out in their Articles of Association (see Table 2.4).

**TABLE 2.4: MEMBERSHIP OF COUNTY ENTERPRISE BOARDS**

<b>Members</b>	<b>Organisation</b>
1	County/City Manager or representative
1	Enterprise Ireland, Shannon Development or Údarás Na Gaeltachta
1	FÁS
1	IBEC or CIF
1	ICTU
1	Farmer's organisation representative
4	Local authority elected representatives
4	Persons involved in small business, community organisations or local economic development

**SOURCE: CEB ARTICLES OF ASSOCIATION**

The Board elects a Chairman (in many cases, the County Manager). Initially, the Boards were Interim Boards and members were appointed for three years. When the Boards were formalised, however, the issue of the term of Board members became unclear, and practice now varies from Board to Board. In practice, membership of Boards is ongoing, with local authority elected members being nominated following local elections and other members being replaced from time to time on an 'ex officio' basis, e.g. when a member transfers to another job. Initially, a minimum of two women members was sought on each Board.

Boards meet either monthly (10 excluding August and December) or bi-monthly. The quorum for the Board is six members. Attendance is reported to be reasonable, and achieving a quorum is not generally a problem. Board members receive no remuneration or expenses from the CEBs, although they may from their own organisations.

Under the 1995 Operating Agreement, the Board must consider the advice of the Evaluation Committee when considering grant applications. Where the Board departs from that advice, the reasons must be set down in the minutes (the Minister may request copies of minutes). As indicated in Section 2.3.2, however, the ability of the Board to depart from the advice of the Evaluation Committee is restricted under the new draft Operating Agreement. The Board can decide not to approve a recommendation, can approve a lower level of assistance or can attach more onerous conditions. It may not approve a higher grant or attach less onerous conditions.

From our own research we are informed that Boards rarely seek to alter recommendations of the Evaluation Committees and that on these occasions the approach taken is to refer the application back to the Evaluation Committee for reconsideration. Decisions on projects are normally taken by consensus, and votes are rare. Evaluation Committees take an independent line in these cases and do not always accede to the wishes of the Board.

### ***2.3.4 Evaluation Committees***

The Articles of Association specify that each CEB will have an Evaluation Committee made up of a banker, an accountant, a representative of a State agency, a business person and such others as the Board may appoint. In general Evaluation Committees are made up of 6-8 members, including representatives of the local authority, Enterprise Ireland, Chambers of Commerce, banks/building societies/credit unions, accountants and other business people. Nationally, this means that about 245 people sit on CEB Evaluation Committees. Evaluation Committee members receive no remuneration or expenses from the CEBs (although they may do so from their own organisations). Elected local authority members are precluded from membership of Evaluation Committees.

Evaluation Committees consider papers prepared by CEB staff, which are circulated in advance of Committee meetings and which contain descriptions of projects with recommendations for approval/refusal and level of support. These papers are based on applications and other supporting material supplied by applicants. Original applications and support material including accounts etc are also available for inspection by Committee members if required. During the case studies carried out for this report, Evaluation Committees/Chairpersons of Evaluation Committees stated that they are satisfied with the quality of information brought to their Committees by CEB staff.

### 2.3.5 Staffing and Facilities

In most cases CEBs have four staff – a Chief Executive Officer (CEO), an Assistant CEO, a Business Advisor and an Office Administrator/Secretary. One CEB has three staff and a number have five. A total of about 150 staff are employed by the 35 Boards. The tasks carried out by these staff are described in Section 3.3.

**TABLE 2.5: STAFFING OF THE CEBs**

Staff Member	Number per Board		% of Total Staff	
	1999	2003	1999	2003
CEO	35	35	26%	24%
Assistant CEO	27	33	20%	22%
Business Advisor	26	23	19%	16%
Information Officer	11	0	8%	0%
Administrative/ Staff	56	56	26%	38%
Total	155	147	100%	100%

Note: The role of the Information Officer was incorporated into the role of the administrative staff in 2003.

**SOURCE: INDUSTRY EVALUATION UNIT, EVALUATION OF MICRO-ENTERPRISE SUPPORTS ACROSS NATIONAL AND LOCAL DEVELOPMENT AGENCIES (1999) AND THE DEPARTMENT OF ENTERPRISE, TRADE AND EMPLOYMENT**

The career background of the CEOs is varied. Ten were recruited from the private sector, five were civil servants formerly employed by County Development Teams in the western counties, two were seconded from the Department of Enterprise, Trade and Employment, 14 were seconded from local authorities and four were from other local development groups. In the case studies, the majority of other executive staff in CEBs had been recruited from the private sector, though administrative staff are generally seconded from local authorities.

**TABLE 2.6: CEO BACKGROUND**

Previous Background Before Joining CEBs	Number of CEOs
County Development Team	5
DETE	2
Local Authority	14
Other Local Development Group	3
Shannon Development	1
Private	10
Total	35

**SOURCE: DEPARTMENT OF ENTERPRISE, TRADE AND EMPLOYMENT**

Office facilities in the case study CEBs visited are located in off-main street locations in county towns. The offices are generous without generally being extravagant. In most cases, offices have been taken on short leases linked to the period of the Operational Programmes. In some cases,

some office furniture has been provided by local authorities, and in other cases offices are leased from local authorities. Standard modern facilities such as PCs, e-mail, internet and fax are available.

Offices provide varying degrees of direct information services to the public. In the case study areas some had small walk-in information services with business Internet access, copies of small business-related reports, reference material and application forms. In discussions with CEOs, they expressed doubts about the relevance of paper-based information services in their offices as this quickly goes out of date. Some were working with local libraries throughout their areas to encourage and assist the libraries to provide some relevant information in paper form, but to put emphasis on Internet sources for clients.

### ***2.3.6 Role of the Department***

The Department of Enterprise, Trade and Employment is the parent Department for the CEBs. A unit of about 10 Staff headed by a Principal Officer is responsible for the CEBs, of whom four staff work almost exclusively on the EU aspects of the CEBs.

The unit is principally involved in day-to-day operational matters such as allocating and managing budgets, HR for the CEBs, data collection (using the Intranet-based Performance Monitoring System, see Chapter 3), responding to administrative issues and regulation of CEB activity.

As has previously been stated, strategic or policy issues have received relatively little attention.

The Unit has not been sufficiently proactive in the provision of central technical support for the CEBs, e.g. common literature, a shared website, central promotion of enterprise culture, staff training. It would have been helpful if the unit had supported CEBs in such areas as provision of common literature, development and sharing of best practice etc. The interpretation and implementation of difficult issues such as deadweight and displacement provisions has also been left largely to individual CEBs with only limited guidance from the Unit. The need for a more comprehensive central support structure is accepted by the Department.

Representatives of CEBs have also recognised this weakness in the existing structure and have made a case for strengthening the existing structure or for the provision of an additional support layer. This topic features prominently in our conclusions and recommendations in Chapter 6.

### **2.3.7 EU Dimension**

There are a number of EU dimensions to the CEBs:

- the origin of the CEBs was partially driven by the presence of EU Structural Funds during the 1994-99 period, and by the European Commission's emphasis at the time on the desirability for more locally-delivered developmental services in Ireland;
- the CEBs were, and continue to be, co-financed by EU Structural Funds. This has had implications for the level of resources available, and brings the organisational and administrative 'super structure' of EU co-financing to the CEB system. The latter involves the presence of the CEBs currently in the two Regional Operational Programmes, the role of the two Regional Assemblies as the formal Managing Authorities (with the Department of Enterprise, Trade and Employment as the implementing agency), and associated reporting, auditing and evaluation requirements. The ending of the current Structural Funds round in 2006 will be significant, in that EU co-financing is very likely to cease. After this it will be a matter for the national authorities to provide the full level of public resources devoted to the CEBs;
- EU State Aids rules have implications for CEBs. This is, of course, irrespective of whether CEBs are EU co-financed or not. Essentially, the CEBs are treated under State Aid rules as being below the minimum ('de minimis') requirements, i.e. they are perceived as too small to have any affect on overall competition within the EU. This status involves placing a ceiling on the financial support they can provide to any enterprise. Whether there will be any developments post-2006 in this regard is not yet clear. A possibility might be some increase in the size of the 'de minimis' requirements, which are currently €100,000 to an enterprise over three years. There is also a requirement for monitoring compliance with 'de minimis' requirements (which are cumulative where multiple local agencies might be involved). This role is essentially devolved to the recipient enterprises;
- as described in Chapter 4, the EU has a formal policy in relation to entrepreneurship, SMEs and micro-enterprise, and the CEBs are generally seen as part of Ireland's response to this wider EU policy emphasis. To date, this has not had major practical implications for the CEB system and this is not likely to change into the future.

## **2.4 Parallel State Supports to Micro-enterprise**

### **2.4.1 Introduction**

This section reviews State supports relevant to micro-enterprise from sources other than CEBs. It describes the series of other enterprise and local development agencies that are relevant.

### **2.4.2 Enterprise Ireland**

Enterprise Ireland supports the start-up and expansion of indigenous Irish-owned businesses in manufacturing and internationally traded services. In contrast to CEBs, EI support for start-ups is restricted to manufacturing and internationally traded services. Policy is that it also focus on High Potential Start-Ups (HPSUs), which are based on technological innovation or a rapidly developing market niche, which are likely to achieve sales of €€1.3 mn and employ at least 10 people within three years, and which are export-oriented.

Until recently, funding for HPSUs has been up to 50/50 grant/equity, with EI taking up to a maximum of 10% of a company's ordinary share capital. In exceptional start-ups, all support has been in equity form. The total amount of funding for HPSUs is determined by a number of factors including financial need, export and employment potential and regional location. Existing companies can also be assisted to expand, under a single preference share contract. Since May 2003 EI revised its funding approach for existing and new clients. Investment and job creation funding is now fully repayable and there are no capital or employment grants.

In 2003, EI also advertised the first round of funding under a new Competitiveness Fund, which could award grants of 25% and 45% of eligible expenditure up to a maximum grant of €225,000. This is for existing companies in manufacturing and internationally traded services employing 10-249 people (i.e. above the CEB threshold) and trading for at least five years. The closing date for the first round of funding was 25 July 2003.

EI and the CEBs are therefore, in principle, focusing on different client groups, with the CEBs supporting smaller projects (under 10 jobs) in a broader range of sectors and not limited to export growth or technological development. To avoid any duplication and to ensure a consistent approach, a formal working agreement has been drawn up between EI and the CEBs. In addition, EI (or Shannon Development) is represented on all Evaluation Committees and Boards.

Formal procedures are also in place for transfer of clients between EI and the CEBs when projects expand beyond 10 jobs. These procedures are not followed in all cases, however. In particular, an

increasingly selective EI may have no interest in a former CEB client just because they now have more than 10 employees. Also, as stated above, EI will support firms below 10 employees if they are otherwise eligible for support, e.g. a HPSU.

The county case studies for this review have identified examples where EI is including companies in its Employment Survey which have been assisted only by CEBs, while CEBs continue to count jobs in companies that were initially supported by CEBs but later supported by EI. This does not appear to be a major issue, but rather one that should be ‘tidied up’. (While the absolute number of CEB clients above 10 is small, because of their size they affect CEB job numbers significantly. In some counties as much as half of employment on the CEB client database is in companies with more than 10 employees.)

Combining both previous clients and HPSUs, EI reports that it has about 300 active clients in the micro-enterprise category (including HPSUs and potential HPSUs) or about 10% of its total active client base. EI payments to this group of ‘under 10s’ in 2002 was about €10 mn to 318 firms. Total payments were in this €8-€11 mn range over the last four years, so that EI is in practice nearly as big a direct financial micro-enterprise supporter as are the CEBs, see Table 2.7).

A reasonably clear delineation appears to operate, however, with EU ‘under 10’ clients being HPSUs or potential HPSUs. They also involve a lot of feasibility studies to individuals and a lot of IT projects, and are concentrated in urban areas. On the other hand, our survey of CEB clients suggests that about 16% of them do receive some support from EI also at some point.

<b>TABLE 2.7: EI AND CEB DIRECT FINANCIAL SUPPORT TO MICRO-ENTERPRISE, 2002</b>		
<b>Agency</b>	<b>No. Companies</b>	<b>Direct Financial Assistance, 2002</b>
EI	318	9.8
CEB <sup>1</sup> – grants etc	1,200	11.8
1 Excludes CEB soft supports and administration costs		
<b>SOURCE: EI AND DETE</b>		

Overall, EI and CEBs appear to be working reasonably well together. However, allocating staff time to 35 Boards and 35 Evaluation Committees, in addition to many other local bodies, e.g. County Development Boards and Regional Authorities, has cost and resource implications for EI.

The main issues that emerge here are firstly that, given an increasingly focused EI approach, there appears to be a gap in relation to both non-HPSU clients of CEBs who grow above 10 employees and indeed all other existing indigenous firms beyond the micro-enterprise size barrier. The new Competitiveness Fund does, of course, partially address the latter. This issue in turn reflects something of a dichotomy in overall enterprise policy, and is ultimately a policy matter for DETE rather than just an operational one. Secondly, there is also a question as to whether the boundary between EI micro-enterprise clients and CEB clients is as clear in practice as in principle.

## **2.4.3 LEADER**

### ***The Leader Programme***

Alongside EI, the LEADER Programme (or Programmes to be correct) is the other key programme that must be taken into account when considering the CEBs. By origin, LEADER is an EU-wide 'Community Initiative' for rural development. As a Community Initiative under the Structural Funds, it is implemented throughout the EU, with national programmes based on common quite specific guidelines issued centrally by the European Commission.<sup>7</sup>

The objective of LEADER is to foster the development of rural areas throughout the EU through the implementation of innovative, locally-based, bottom-up development strategies designed by local groups/bodies made up of a range of local actors (statutory and non-statutory). Such groups typically operate in small towns and rural areas with a population of up to 100,000, which are seen to represent a natural rural 'region' in socio-economic and geographic terms.

The first LEADER Programme (LEADER I) ran from 1991-93. In Ireland, 17 local areas participated (not all rural areas in the country), and their activities typically revolved around building the developmental 'capacity' of the areas through the formation of groups, development of local strategies, and support for training and employment, rural tourism, and small craft enterprises.

The second such programme (LEADER II), ran from 1994-99, in keeping with the EU Structural Funds programming period. Its funding in Ireland increased significantly compared to LEADER I (as did all Irish funding under the EU Structural Funds). The programme was also extended to all rural areas in the country (defined as all of the country outside of Dublin, Cork, Limerick, Galway and Waterford cities). Some 34 rural areas were awarded funding under LEADER II. Unlike CEBs, there was never a requirement that the areas to be chosen should follow county boundaries, and the overall map of LEADER areas in Ireland which evolved did not identically match the map of counties (although it followed it quite closely). Differences were due to:

- LEADER areas which were part of a county only;
- LEADER areas which extended across county boundaries;
- LEADER areas which had coverage within several counties (e.g. the offshore islands, and Gaeltacht areas).

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<sup>7</sup>This contrasts with the generality of Structural Funds, which can be expended largely at the Member States' discretion within broad regulations.



This obviously further complicates local level co-ordination. Under the current EU programme for 2000-06 ('LEADER+'), Ireland's financial envelope was significantly reduced. As a result, the National Development Plan provided for an additional nationally funded 'LEADER-style' Rural Development Programme, which operates alongside LEADER+ (specifically, in the areas which were not selected to run LEADER+, for which only 22 areas were selected). Through this national programme all rural areas in the country have thus continued to operate LEADER-type programmes under the current programming period, either as 'LEADER+' or 'National LEADER' Groups. The latter is financed under the two Regional Operational Programmes of the National Development Plan, as are the CEBs.

As a Community Initiative, LEADER is designed and overseen by the European Commission. It centrally sets guidelines and budgets for Member States to implement national programmes. These guidelines establish the overall framework for the programmes, including the types of areas, the types of supports, Priorities and Measures, eligibility rules, grant rates etc.

National Governments set out their intentions for implementing the LEADER Programmes through Operational Programmes. These set out the regional context, the objectives and Measures chosen, the selection of areas and groups, ex-ante assessment, management/implementation issues, and national budgetary breakdowns (as with typical Operational Programmes under the mainstream Structural Funds). In Ireland, the Department of Agriculture and Rural Development had responsibility for implementing both LEADER I and II. Following the most recent Departmental restructuring, however, the Rural Development Division has switched to the Department of Community, Rural and Gaeltacht Affairs, which now has responsibility for both LEADER+ and the National LEADER.

While there is some funding allocated to national elements, the bulk of funding in both programmes is channelled through Central Government directly to the local groups selected, who spend and invest according to their own local plans, and who themselves select projects for support within overall eligibility requirements.

Local LEADER Groups in Ireland are made up of a Board, sub-committees and staff. They typically operate from one central premises, but with significant outreach work throughout their areas. In many areas the groups operate the LEADER programme exclusively. In other areas the same group implements both LEADER and the parallel Partnership Programme overseen by Area Development Management (ADM), which focuses on the implementation of local initiatives to address social exclusion (see Section 2.4.4 below). There was one attempt in the 1994-99 period to also effectively amalgamate LEADER and the CEB at local level (in Offaly), but the European Commission disapproved of this on the basis that, as Government created and appointed entities, CEBs are not sufficiently independent and 'bottom-up' to constitute LEADER Groups.

### ***LEADER and Micro-Enterprise***

In total, the 1994-99 LEADER II Programme allocated approximately €17 mn to the Small Firms, Craft Enterprises and Local Services Measure, an annual average public expenditure of €2.8 mn in direct supports spread across all rural areas. According to the performance indicators which were recorded over the 1994-99 period, the Programme performed as follows:

- approximately 1,200 supports to SMEs (defined as small firms, craft enterprises and local services) were provided, at an average public cost of approximately €14,200;
- approximately 47% of these awards went to existing businesses, 38% went to new businesses, and the remaining 15% were in the form of marketing grants (not specified to any single business);
- while there is no precise sectoral breakdown, it would appear that the majority of supports (perhaps 75%) went to local service enterprises. The remainder went into small manufacturing, particularly craft enterprises such as timber/furniture, textiles and clothing, glassware etc.

For the 2000-06 period, as noted two programmes operate in Ireland – LEADER+ and the National LEADER. Both are based very much on the LEADER II model – broadly the same groups and areas are covered and the types of supports offered are similar, regardless of whether the area is funded under LEADER+ or the National Programme. Bottom-up development strategies have also been completed for each area and were the basis upon which areas and groups were selected.

Under LEADER+, total planned direct Programme expenditure between 2000 and 2006 is approximately €74 mn, while under the National Programme the figure is almost €77 mn, giving a total of €151 mn. Under both LEADER+ and National LEADER, groups are permitted to provide supports of up to €65,000 to ‘innovative small firms, craft enterprises and local services’, subject to general eligibility and the ‘de minimis’ rules. No further sectoral requirements are in place, however the following guidelines are set out in the guidelines issued to Groups:

- ‘support, guidance, and the provision of an advisory service;
- provision of a range of assistance types for start-up enterprises;
- expansion of existing enterprises including the adoption of new technologies;
- development of innovative products and local services;
- provision of a range of assistance types for adding value to local products including support for business networks, collective marketing, local branding initiatives, improved quality and development of processing facilities’.

### ***Levels of LEADER and CEB Support for Micro-enterprise***

This section compares the relative size of LEADER and CEB resources from a micro-enterprise perspective. CEBs have a total public funding budget of €190.4 mn for the 2000-06 period. Out of

this, an estimated €59mn (31%) will be spent on CEB administration. All of the remaining €131.4 mn budget is available for assisting micro-enterprise, meaning an average of nearly €3.8 mn per Board for 35 Boards. Over seven years, the estimated annual average CEB budget per Board for micro-enterprise is therefore about €536,000.

**TABLE 2.8: ESTIMATE OF CEB AND LEADER FUNDING FOR MICRO-ENTERPRISE, 2000-06**

	<b>CEB Funding (€)</b>	<b>LEADER Funding (€)</b>
Total public budget	190,400,000	151,000,000
Administration (i.e. non-grants to private sector)	59,000,000 (31%)	39,000,000 (26%)
Total grants/supports budget	131,400,000	112,000,000
Funds for micro-enterprise	131,400,000 (69%)	65,000,000 (est) (43%)
Funds per CEB Board/LEADER Group 2000-06	3,754,286	1,857,143 (est)
Funds per CEB Board/LEADER Group per annum		
- 7 years (2000-06)	536,327	265,306 (est)
- 5 years (2002-06)*	n/a	371,429

Note: There are 35 CEBs operating across Ireland. There are also 35 Local Action Groups (LAGs) operating LEADER-type programmes – 22 groups are operating the LEADER+ Programme and another 13 groups are operating the National Mainstream Rural Development Programme (NMRDP).

\* LEADER-type funds are shown over five years because the two programmes only really began to operate in late 2001/early 2002.

**SOURCE: DCRAGA AND DETE PLUS CONSULTANTS ESTIMATES**

The two LEADER programmes (LEADER+ and National LEADER) have a combined public budget of €151 mn for 2000-06. About €39 mn (26%) is allocated for administration, leaving €112 mn available for aiding projects of all types, including micro-enterprise.

Out of this latter budget, an estimated €65 mn is likely to be available to micro-enterprise, meaning an average of nearly €1.9 mn per LEADER for 35 Groups. Over seven years, the estimated annual average LEADER budget for micro-enterprise is therefore about €265,000. As the current LEADER round has only really been operating since 2002, however, a more appropriate estimate of the annual average LAG budget would be €371,000.

The average LEADER-funded LAG therefore has a budget for assisting micro-enterprise that is about 70% of the average CEB budget for assisting micro-enterprise. It could be closer to the CEBs in some individual rural areas, and LEADER also operates in less populous areas than CEBs since it excludes the five main cities. These comparative LEADER figures are based purely on consultants' estimates, however, and should be treated with caution as most potential LEADER funding for micro-enterprise is not fully ring-fenced, given LEADER's wider remit.

**Co-ordination of LEADER and CEB Activity**

There have been ongoing efforts to address the co-ordination of (potentially duplicative) local development initiatives on the ground. The following arrangements are in place to minimise the potential for duplication between and/or competition among locally-delivered development supports (particularly in the current context, CEBs):

- (a) LEADER groups are required to seek cross-representation of respective Board and Committee membership with the CEB(s) operating in its area;
- (b) LEADER groups are required to enter into sectoral agreements with CEBs to define their respective 'target' groups in the area of micro-enterprise;
- (c) LEADER Groups cannot co-finance the same projects with other public bodies such as CEBs (they can finance different projects with the same promoter);
- (d) LEADER groups participate in the City/County Development Boards, designed to facilitate local co-ordination of all developmental supports.

The most significant ongoing issues regarding the relationships between CEBs and LEADER groups and their co-existence in implementing their programmes, from a public policy perspective, include:

- the ongoing potential for overlap and/or duplication in direct supports for micro-enterprises – this is largely potential – our survey indicates that only about 6% of CEB clients also received support from LEADER (see Annex 1, Question D.1);
- related to this, the potential for competition between both for the most attractive local projects;
- the effectiveness of the existing sectoral agreements to ensure co-ordination;
- the constraints imposed by 'de minimis' rules, whereby under the current period, cumulative public grants to any one (private) entity over any given three-year period must not exceed €100,000;
- alongside LEADER (and Partnerships, see 2.4.4 below) the need for CEBs to focus strongly on their core micro-enterprise mission.

We return to these issues in Chapter 6. Meanwhile, our survey of CEB clients constitutes some reassurance that overlap is largely avoided in practice. Only 3% of survey respondents reported that they had also received assistance from LEADER. The CEB/LEADER overlap issue is therefore more one of administrative inefficiency than actual double or co-funding of projects.

#### **2.4.4 Partnership Companies**

Alongside CEBs and LEADER, the third set of bodies in the local development 'family' are the Partnership Companies. In 1991, under the Programme for Economic and Social Progress, area-based responses to combat long-term unemployment were piloted in 12 areas around Ireland. This included efforts at local level 'to generate jobs through sustainable enterprises'.

Following a review of these pilot actions, the programme was extended on a nationwide basis as part of the 1994-99 Operational Programme for Local, Urban and Rural Development. This Programme included two Sub-programmes: Sub-programme 1 was entitled 'Local Enterprise' and was delivered on the ground by the new CEBs; Sub-programme 2 was entitled 'Integrated Development of Designated Disadvantaged and Other Areas' and was delivered by 38 Local Area Partnerships and 33 Community Groups.

Sub-programme 2 was focused on disadvantaged groups and areas, and one of its objectives was 'to provide a range of support measures for the creation and development of local enterprise and employment'. A 2001 report<sup>8</sup> found (p. 12) that '... Partnerships and Community Groups created some 17,000 jobs through enterprise support measures over the 1994-99 period, in line with the targets set. New start-ups peaked in 1998 with 5,144 jobs ... '.

The fact that both the CEBs and the Partnerships/Community Groups were supporting the creation and development of local enterprise created a potential for overlap. However, a 1999 report by the Comptroller and Auditor General<sup>9</sup> found (p. 18) that CEBs deal with business ideas from any individual or group and do not specifically target disadvantaged groups, which are the focus of Partnerships.

Under the 2000-06 National Development Plan, the Partnerships/Community Groups are also funded through the two Regional Operational Programmes (i.e. BMW and S+E Regions). The Partnerships/Community Groups fall under the Local Development and Social Inclusion Programme<sup>10</sup>, which is now overseen by the Department of Community, Rural and Gaeltacht Affairs. As in the 1994-99 period, an intermediary body (ADM Ltd) agrees action plans with the Partnerships and Community Groups, and develops guidelines as regards the activities to be undertaken and methods to be used. This model is interesting in the present context as it involves a central technical support element absent in the CEB system.

The 2000-06 Local Development and Social Inclusion Programme has three Measures, of which Measure A is called 'Services for the Unemployed'. This is the largest of the three Measures and ADM recommends that Partnerships and Community Groups should spend between 40% and 65% of their local budgets on this Measure (excluding local administration costs).

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<sup>8</sup> Goodbody Economic Consultants (2001), *Drawing Out the Lessons from the Operational Programme for Local, Urban and Rural Development 1994-99*, February.

<sup>9</sup> Comptroller and Auditor General (1999), *Local Development Initiatives*, Report No. 31, October.

<sup>10</sup> The Programme also funds four Territorial Employment Pacts.

Guidelines prepared by ADM to accompany the 2000-06 programme<sup>11</sup> state that the Services for the Unemployed Measure 'will be specifically targeted at the significantly disadvantaged in society and include pro-active targeting and outreach to marginalised groups who require intensive support and interventions'. It has a broader remit than just enterprise creation, but two of the Measure's four objectives relate to this issue:

- 'to identify, nurture and support individuals, groups and communities in accessing suitable gainful and sustained employment, and self-employment, through education, training, work experience, job placement, enterprise and the social economy; and
- to support an enterprise culture and development, including community enterprise and the development of the social economy'.

The guidelines then mention ten specific eligible target groups for funding under the Services for the Unemployed Measure, all of which would fall into the category of 'the significantly disadvantaged in society'.

In relation to activities that can be funded by Partnerships and Community Groups under self-employment and business development, the guidelines list 18 such activities, under four headings, as shown in Table 2.7. While the table contains activities that directly overlap with CEB activities, ADM believes that the distinct target groups of the Local Development and Social Inclusion Programme means that there is, in fact, a very low level of on-the-ground overlap. This tends to be borne out on the ground, and by our survey of CEB clients.

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<sup>11</sup> ADM, Local Development Social Inclusion Programme Guidelines 2000-06.

**TABLE 2.9: POSSIBLE SUPPORTS TO ENTERPRISE OFFERED BY PARTNERSHIPS AND COMMUNITY GROUPS UNDER THE LOCAL DEVELOPMENT AND SOCIAL INCLUSION PROGRAMME 2000-06**

**Self Employment Supports:**

- financial aid, including grants, revolving loans, loan guarantees and secured investment, equity, franchising, interest subsidies etc;
- feasibility, marketing and business plan development supports;
- mentoring and individual support after set-up;
- legal advice;
- bookkeeping, secretarial and other business support services.

**Development of an Enterprise Culture:**

- provision of incubator (start-up) space for individuals and groups;
- supporting the development of the social economy sector and enterprises;
- tailor-made training packages and/or ongoing mentoring to support those engaged in social economy activities and meet their identified needs;
- supporting the increased viability of low income farm families, and other self-employed individuals dependent on seasonal contracts;
- developing self-employment/social economy initiatives which are focused on and related to Travellers and other marginalised groups;
- exploring/developing social economy projects.

**Networks:**

- support for Framework Agreements to facilitate working groups in the field;
- support to community organisations to promote services for the unemployed;
- studies of local labour market opportunities, skill levels etc;
- participation in and support to Task Forces in addressing particular employment-related crises, e.g. industrial closures, people leaving agriculture etc.

**General:**

- action research based on specific needs and responses;
- studies – feasibility, marketing, transportation etc;
- training of trainers.

**SOURCE: ADM, LOCAL DEVELOPMENT SOCIAL INCLUSION PROGRAMME GUIDELINES 2000-06**

ADM's Annual Report for 2001 states that 3,083 people have been supported into self-employment in the first full year of implementing Partnership and Community Group strategic plans.

### **2.4.5 Shannon Development**

Shannon Development is the regional development company for the Shannon (Mid-West) Region. From an enterprise viewpoint, its main role is to perform the EI function in the Region. It also has a number of other functions, notably in the areas of industrial premises and tourism, which go beyond the national EI role. In the past, Shannon Development provided support to micro-enterprise in the area, but this is no longer the case. Any issues surrounding Shannon Development and CEBs are therefore the regional equivalent of those between EI and CEBs (see Section 2.4.2 above).

Shannon Development sits on the Boards and Evaluation Committees of CEBs in the Region, however.

Shannon Development has been mentioned as a candidate to provide a national co-ordination function for CEBs. We refer to this issue in the final chapter.

### **2.4.6 Údarás na Gaeltachta**

Údarás na Gaeltachta is the development agency for the Gaeltacht areas. Its remit includes the economic, linguistic and cultural development of the Gaeltacht. It has a role similar to both IDA Ireland and Enterprise Ireland in carrying out the economic development part of its mandate. This includes support to SMEs in Gaeltacht areas.

It provides a range of incentives similar to those of the IDA/EI, including R&D and marketing grants, and as a rule the other development agencies do not operate in Gaeltacht areas.

As Údarás provides a more comprehensive aid package than the CEBs and covers a wide range of size and type of enterprises, there had not generally been a significant role for the CEBs in the Gaeltacht and, inter alia, in an effort to ensure that duplication does not arise there is an Údarás representative on CEBs in those counties where a Gaeltacht area exists. Practices do, however, seem to vary between CEBs which have Gaeltacht areas with some staying away from Gaeltacht areas completely, others referring projects to Údarás, and others being willing to assist some projects that Údarás would not assist. Some greater consistency of policy and practice seems desirable.

### **2.4.7 Western Development Commission**

The Western Development Commission (WDC) was established in 1999 to promote the economic and social development of the seven western counties of Donegal, Sligo, Leitrim, Roscommon, Mayo, Clare and Galway. Its functions are to review and develop relevant policy, undertake strategic sectoral initiatives and manage the Western Investment Fund. The latter is the most relevant here.

The Western Investment Fund (WIF) is financed under the BMW Regional Operational Programme and has a budget of €32 mn for the 2000-06 period. The WIF supports enterprise and social projects in the form of loans and equity, but is prohibited from awarding grants. The WIF consists of three sub-funds as follows:

- **Business Investment Fund:** targeted at small and medium-sized enterprises of 'high potential';



- **Local Investment Fund:** supports community projects that improve the overall attractiveness of the Region;
- **Public/Private Projects Investment Fund:** funds major strategic initiatives offering social and economic benefits for the Region on a joint venture basis with public, private or community partners.

The Business Investment Fund is available to all 'high potential' enterprises in the Region, irrespective of their size. Investment is focused on a small number of projects across different sectors in the Region that are regarded as 'international standard'. Investment, in the form of venture capital and/or loans, ranges from €63,000 to €320,000. Successful projects are likely to have 'a strong management team with a proven track record' and should provide the WDC with a return on investment that reflects the level of risk involved.

Over the 2000-02 period, a total of 30 projects were approved for funding through the WIF, totalling over €8 mn. Some €1.4 mn of this has been allocated to 'enterprise projects', while an additional €1.1 mn has been allocated to 'manufacturing projects'. It is estimated that about €14 mn in WIF funding will be allocated to SMEs over the 2000-06 period.

### ***2.4.8 Other Enterprise Agencies***

There are other mostly specialist smaller national agencies which operate across all or relevant parts of the country as a whole. While not targeted specifically at micro-enterprise, in some cases these can be quite relevant to individual micro-enterprises or start-ups subject to the nature of the sector concerned. A number of the principal agencies are listed here, but this list is not exhaustive:

- Fáilte Ireland (which has replaced Bord Fáilte and CERT) provides financial assistance to tourism enterprises. These will generally have to be oriented towards overseas tourists;
- the Central Fisheries Board operates a Tourism Angling Measure, which can provide product development and marketing assistance to tourism enterprises relevant to angling. Much of this assistance goes to bodies such as Regional Fisheries Boards, angling clubs, etc rather than to pure enterprises, but pure enterprises are entirely eligible and this could be relevant, e.g. a B&B providing specialist accommodation for anglers;
- the Department of Communications, Marine and Natural Resources directly operates a Marine Tourism Measure, which can provide financial assistance for smaller marine tourism projects around the coast. In practice, relatively little funding has been made available for this;
- the Craft Council of Ireland, the State body responsible for the crafts sector, assists craft enterprises with such activities as skills in business training, product and marketing development, and promotional exhibitions and e-business;

- Bord Iascaigh Mhara (BIM) assists the seafood industry, from primary catching to processing and marketing. This includes assistance to the aquaculture industry. BIM has 150 clients with less than 10 employees.
- Business Innovation Centres (BICs) operate in four cities – Dublin, Galway, Cork and Waterford. In Limerick, the Innovation Centre, which is part of Shannon Development, provides a similar service. The BICs offer guidance, support and hand-holding services to selected new business start-ups. This involves advice, counselling etc and access to venture capital funds. The BICs do not provide any support from their own resources.

### **2.4.9 CEBs and Local Authorities**

The main thrust of the present Section 2.4 has been to describe parallel structures to CEBs which also support micro-enterprise in Ireland. While local authorities do not provide assistance to enterprise akin to either the national enterprise or local development agencies, they are an important part of the CEB institutional context.

From the outset, CEBs have been reasonably closely associated with local authorities from various perspectives:

- in their start-up phase in the early 1990s, CEBs were frequently located in local authority offices and their running costs were contributed to by local authorities;
- unlike the other local development structures (Partnerships and LEADER Groups) CEBs as their name implies are based in city and county local authority areas;
- there are local authority elected members on CEB Boards (but not on Evaluation Committees);
- County Managers are CEB members, and in many cases have been or still are the Chairpersons;
- from the beginning, a number of CEB Chief Executives were seconded local government officials, and that has continued to the present day.

More recently, an additional local authority dimension has been establishment countrywide of the County and City Development Boards (CDBs). These are locally based co-ordinating bodies on which all local public service deliverers, including CEBs, are represented. They are serviced by the local authority system in the form of a senior-level Director of Community and Enterprise and a number of additional staff.

The CDBs are designed to address the issues of potential overlap and duplication of service delivery at local level among the various agencies, including those that have been described earlier

in this section, while leaving the broad architecture of these organisations in place. This is to be done via preparation of agreed cross-sectoral CDB Strategies (now published).<sup>12</sup>

In relation to the specific question of the possibility amalgamating CEBs into local authorities, raised with us by a number of key informants, we treat this as one of the future institutional options in Chapter 6 and we set out our position on the matter in that context.

## 2.5 The Wider External Environment

### 2.5.1 Socio-Economic Environment

This report is being written 10 years since the CEBs were established. This period, particularly the latter part of it, was one of unprecedented socio-economic change in Ireland. This is illustrated in Table 2.9, which compares various socio-economic indicators in 2002 with those in 1992, the year before CEBs were established.

By 2002 output per head in the Irish economy had grown by about 50%, the number of persons unemployed had fallen to about 37% of its 1992 level, and the unemployment rate had fallen to 4.2% (from a 1992 level of 15%). Numbers of long-term unemployed had dropped to under 20% of their 1992 level, and stood at 21,600.

By any standards this must be regarded as an economic transformation, and provides a key backdrop for any review of the CEBs. An obvious interpretation of the economic transformation is to conclude that any employment creation rationale for CEBs has disappeared in a low unemployment environment. This is overall a valid conclusion. However, there is some evidence from the survey of clients that CEB-assisted employment may still be frequently taken up by people who were previously unemployed (see Annex 1, Question 4). This could reflect the relatively low skill and local nature of many CEB projects, and the fact that they could be in areas, e.g. smaller towns and villages, where unemployment is above the (low) national average.

**TABLE 2.10: SOCIO ECONOMIC ENVIRONMENT 1992-2002**

Indicators	1992	1999	2002
GDP per capita (based on 1995 prices)	€12,412	€20,405	€24,381
GNP per capita (based on 1995 prices)	€11,035	€17,338	€18,986
Employed (000s)	1,165.2	1591.1	1749.9
Employed in the private sector (000's)	704	1,107	1,246
Unemployed (000s)	206.6	96.9	77.2
Unemployment rate (%)	15.1	5.7	4.2

<sup>12</sup> For synthesis see Fitzpatrick Associates and ERM Ireland, *Review of County/City Development Board Strategies for Economic, Social and Cultural Development*, Dublin, Department of the Environment and Local Government, 2003.

**REVIEW OF THE ROLE OF CITY AND COUNTY ENTERPRISE BOARDS IN THE DEVELOPMENT OF MICRO-ENTERPRISES**

Long-term unemployed (000s)	116.5	41.6	21.6
LTU rate (%)	8.5	2.5	1.2
Annual inflation	3.0	1.6	4.6
Interest Rates for Standard Business Loans	11.0 <sup>1</sup>	9.5	9.7
Number of employers with 0-9 employees	-	140,746	153,412 <sup>2</sup>
Number of employees in companies with 0-9 staff	-	270,186 <sup>3</sup>	327,502 <sup>2</sup>

Note: (1) data refers to 1995,,(2) data refers to 2003 and 3 refers to 1998.

**SOURCE: CSO, QUARTERLY NATIONAL HOUSEHOLD SURVEY (Q2); LABOUR FORCE SURVEY 1992; CSO NATIONAL ACCOUNTS; CSO CONSUMER PRICE INDEX; REVENUE COMMISSIONERS**

### **2.5.2 The Environment for Enterprise**

There is a wide consensus that the environment for enterprise and entrepreneurship in Ireland has also been transformed. The macro-economic figures themselves in Table 2.10 support this. Turning specifically to data on micro-enterprise and entrepreneurship over this period, figures of registered employers suggest that there are about 153,000 firms employing 0-9 persons, up from 140,746 in 1999. Employment in such firms appears to have grown at a similar rate (data in this area is, however, not entirely satisfactory).

Turning to new firm formation, the Revenue Commissioners currently report about 25,000 new VAT registrations annually, and about 15,000 new company formations. New company formations appear to have declined since 2000, however.

**TABLE 2.11: COMPANY FORMATION ACTIVITY**

	<b>2000</b>	<b>2001</b>	<b>2002</b>
Number of new VAT registrations	19,061	25,472	25,014
Number of company formations (CRO)	18,840	14,186	13,732
Number of new employers	22,612	19,938	18,610
Number of CEB approvals	1,369	967	1,291

Note: The Companies Registration Office (CRO) is the statutory authority for registering new companies in the Republic of Ireland

**SOURCE: COMPANIES ANNUAL REPORT, DETE, REVENUE COMMISSIONERS**

The recent Global Entrepreneurship Monitor (GEM) Report on Ireland found that Ireland has a very high level of entrepreneurship in 2002. The study found that 208,000 Irish adults were either actively engaged in the process of starting a business or own a small business (partly or fully) that was started since 1999. This represents 9% of the adult population, and makes Ireland the twelfth most 'entrepreneurially active' country out of 37 surveyed (well ahead of that in most other European countries and, among the more developed economies, one of the highest in the world). While the level of entrepreneurship appears to have fallen compared to 2001, this has also been the case in other countries and Ireland's relative ranking has therefore remained unchanged.

The GEM report did, however, point to several weaknesses in Ireland, including both the quality of new enterprises and their growth potential.

### ***2.5.3 Policy and Institutional Changes***

As described earlier in this report, the CEBs 'straddle' two strands of national policy and institutional structures, namely 'enterprise' and 'local development'. Changes in both of these areas therefore have potential implications for CEBs.

#### ***Enterprise Policy:***

In relation to enterprise policy, the major developments since CEBs were established have involved the structure of the main industrial development agencies, with establishment initially of Forbairt and subsequently of EI, together with an increasingly selective mainstream policy approach towards the development of indigenous enterprise. This latter development has meant that the 10+ employee hand-over point between CEBs and the mainstream agencies has become increasingly notional, while at the same time the mainstream agencies will deal with firms of 10 employees and below if they constitute HPSUs (or potential HPSUs). There is now in effect no one to whom the CEBs can 'hand over' their 10+ employee clients. We return to this issue in the final chapter.

#### ***Local Development Policy:***

In relation to local development structures, more complex changes have occurred:

- the general approach of more devolved decision-taking and local participation and partnership, to some extent pioneered by CEBs, has become common and mainstream. Indeed, there is now concern about the multiplicity of separate agencies operating at the local development level, including but not confined to micro-enterprise supports;
- at national level, establishment of the Department of Community, Rural and Gaeltacht Affairs is a significant development. This Department has responsibility for local development structures other than CEBs, most notably the Partnership companies and LEADER – together with some of the previous community development functions of the former Department of Social, Community and Family Affairs. This in turn has led to a review by that Department of its local development structures, which is currently ongoing;
- there has also been ongoing policy debate, pre-dating the establishment of the Department of Community, Rural and Gaeltacht Affairs, in relation to the relationship between local development structures and local government. At national level, the principal focus for this was the Task Force on the Integration of Local Government and Local Development Systems. This oversees the CDBs (see below), and is designed to achieve both greater links with local authorities and greater coherence among local development structures. This is chaired by the Minister of the Environment, Heritage and Local Government.

***County/City Development Boards:***

The main outcome of this latter initiative was the establishment of the County/City Development Boards (CDBs). These Boards are designed to be a forum for dialogue and co-ordination among the various stakeholders at county and city level, i.e. Departments, agencies, social partners, and local government and local development structures. They are serviced by the local authority, principally in the form of new senior level 'Directors of Community and Enterprise', who operate at Assistant County Manager level. The evolution of the CDB process remains to be seen, but at present it is the main concrete government initiative to better co-ordinate local development bodies with each other and with local government. However, it is clear that many of the issues with regard to inter-agency co-ordination derive from central decisions and therefore cannot be fully resolved at local level.

The Task Force on the Integration of the Local Government and Local Development Systems also encouraged efforts to agree centrally the boundaries between CEBs and LEADER at the start of the current NDP. This involved:

- an agreement that CEBs are the primary local micro-enterprise agency at local level;
- establishment of a 'National Forum On Micro-Enterprise Support' to meet twice annually – but in practice these meetings have taken place less regularly;
- a framework agreement, to be signed at county level, assigning specific sectors to each of the two bodies. This gave LEADER 'rural/agri-tourism, community-owned enterprises, social economy enterprises, and non-profit sector enterprises', shared crafts between the two, and left all other eligible projects to CEBs. The agreement can be adjusted at local level. There tends also to be an understanding that, as rural development bodies, other natural resources or agri-based projects may be appropriate to LEADER, but this is not formally agreed. Another difference, of course, is that LEADER is not restricted to micro-enterprise only.

# Chapter 3      CEB Role and Activities

## 3.1 Introduction

This chapter describes the nature of the role and activities of CEBs in practice. This has been drawn from various information sources including the central PMS system operated by the Department of Enterprise, Trade and Employment, our survey of CEB clients, visits to seven individual CEBs, and other sources such as CEB annual reports and websites.

Section 3.2 describes CEB expenditure, distinguishing between the two NDP periods of 1994-99 and 2000-06. This section also looks at levels of CEB expenditure per capita. Section 3.3 presents the information available from the PMS on job approvals, job creations and number of training participants, together with associated expenditure. Section 3.4 describes the CEB client profile, drawing principally on the survey of clients. Finally, Section 3.5 describes CEB operations and activities on the ground, drawing mainly on the visits to the case study CEBs.

A word of caution mentioned already in Chapter 1 should be repeated here. This is that CEBs differ. Therefore both aggregate national information and visits to seven out of the 35 Boards have limitations and cannot comprehensively capture the full details of all the activities of all CEBs.

## 3.2 CEB Expenditure

### 3.2.1 *Total Expenditure*

The CEBs are supported through an annual allocation from the Department of Enterprise, Trade and Employment. The Department decides both the overall budget for CEBs as part of the normal annual budgetary process, together with the allocation across cities and counties. While the projected allocations in the National Development Plan provide a framework for these allocations, the annual budgetary process can over-ride this, particularly in the current climate.

Within the overall expenditure, actual amounts are paid to CEBs when these are due for payment to actual clients. Actual expenditure therefore differs from approvals, and can obviously relate to approvals in previous years.

Actual annual expenditure by CEBs is heavily dependent on Departmental allocation and is not really an objective indicator of relative demand for CEB support in any county. They also cannot therefore be taken as an indicator of relative performance or effectiveness by individual CEBs, since essentially the Board cannot spend money which is not allocated to it.

Some reallocations between Boards is possible in the latter half of the year if individual Boards have an element of under-spend. However, these are not large in the overall scheme of things.

Table 3.1 below shows actual expenditure on the Local Enterprise Sub-programme under the OP for Local Urban and Rural Development 1994-99, which was in effect the Sub-programme for the CEBs. This Sub-programme consisted of four Measures: Measure 1 – Promoting an Enterprise Culture; Measure 2 – Performance against Targets; Measure 3 – Financial Assistance; and Measure 4 – Management Development. Overall expenditure on the Sub-Programme amounted to €168.6 mn.

Projected expenditure on Micro-Enterprise under the Local Development Priority of the two Regional Operational Programmes for 2000-06 is also shown in Table 3.1. Total forecast public expenditure is €190.4 mn for the two Micro-Enterprise Sub-measures: Sub-measure 1 (Selective Financial Intervention) and Sub-measure 2 (Entrepreneurial and Capability Development), equivalent to annual expenditure of €27 mn. Including associated private expenditure, overall forecast expenditure amounts to €353 mn over the period.

<b>TABLE 3.1: ACTUAL PUBLIC EXPENDITURE ON MICRO ENTERPRISE UNDER THE LOCAL URBAN AND RURAL DEVELOPMENT OPERATIONAL PROGRAMME 1994-99, AND PROJECTED PUBLIC EXPENDITURE UNDER THE REGIONAL OPERATIONAL PROGRAMMES 2000-06</b>		
	<b>1994-99 Actual (€mn)</b>	<b>2000-06 Projected (€mn)</b>
Measure/Sub-measure 1	5.016	99.783
Measure/Sub-measure 2	21.645	90.634
Measure 3	125.429	-
Measure 4	16.499	-
<b>Total</b>	<b>168.589</b>	<b>190.417</b>
Note: Excludes private expenditure. Also, Measures are not directly comparable between the different time periods, i.e. Measures 1 and 2 in 1994-99 are not the same as Sub-measures 1 and 2 in 2000-06.		
<b>SOURCE: OPERATIONAL PROGRAMME FOR LOCAL URBAN AND RURAL DEVELOPMENT 1994-99, FINAL REPORT. BMW AND S&amp;E REGIONAL OPERATIONAL PROGRAMMES 2000-06, PROGRAMME COMPLEMENTS.</b>		

Of the projected public expenditure for the period 2000-06, 64% is allocated to the S&E Region and the remainder (36%) to the BMW Region. Overall, the Micro-enterprise Measure was broadly on target at the end of 2002 in expenditure terms.



Table 3.2 shows actual expenditure on the two Micro-enterprise Sub-measures for the years 2000 to 2003. Private investment is excluded from the figures in the table.

<b>TABLE 3.2: PUBLIC EXPENDITURE ON MICRO-ENTERPRISE UNDER THE 2000-06 REGIONAL OPERATIONAL PROGRAMMES (2000-03)</b>					
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003* (est.)</b>	<b>Total</b>
<b>Actual Expenditure</b>					
Measure 1	14.770	13.145	11.828	11.614	51.357
Measure 2	5.022	7.823	9.225	7.103	29.173
Administration	8.159	8.899	10.537	9.890	37.485
Total	27.952	29.867	31.590	28.607	118.015
Note: 2003 is based on estimates. Expenditure excludes private expenditure.					
<b>SOURCE: DEPARTMENT OF ENTERPRISE AND EMPLOYMENT. S&amp;E AND BMW REGIONAL OPERATIONAL PROGRAMMES 2000-2006</b>					

As shown above, overall expenditure increased between 2000 and 2002 by 13.0%. However, there is a projected decrease in expenditure is expected in 2003 – of approximately 9.4%. Expenditure on Measure 1 amounts to approximately 40%-50% of overall actual expenditure, Measure 2 amounts to approximately 18%-30% of expenditure, and ‘administration’ (which includes all staff costs) amounts to about 30%-35% of total public expenditure.

Apart from income from the Department of Enterprise and Employment, CEBs can also receive income from other sources, such as the Empower Initiative and through childcare grants. Other sources amount to approximately 5.2% of overall income, an average of €50,000 per Board per annum<sup>13</sup>.

Some Boards also administer separate local programmes which are not included in their own budgets. The principal example is IFI-financed Enterprise Funds in a number of the border counties. These provide repayable finance to micro-enterprise alongside the CEBs’ own funds.

### **3.2.2 CEB Expenditure Per Capita**

Looked at in per capita terms, CEB expenditure was equivalent to €8 per person nationally in 2002. As shown in Table 3.3, it varied from €32 per capita in Leitrim to €3 in Dublin. There does not appear to be a very clear pattern, except that it is heavily based on historical patterns. For example, while higher per capita allocations in rural areas might be anticipated this is not universally so, e.g. Waterford City had the second highest per capita allocation in 2002, but North Cork had one of the lowest.

We understand that at the outset a model was developed as a basis for the initial allocations. If so, this certainly now needs to be re-visited.

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<sup>13</sup> This assumption is based on an analyses of 26 CEB annual reports for 2001.

**TABLE 3.3: EXPENDITURE PER CAPITA PER CEB**

Rank	County	1996 €	County	2002 €
1.	Leitrim	33.5	Leitrim	32.1
2.	Longford	25.1	Longford	23.9
3.	Monaghan	16.1	Waterford City	20.2
4.	Waterford City	16.1	Roscommon	16.7
5.	Limerick City	16.0	Sligo	14.8
6.	Carlow	15.2	Offaly	14.8
7.	Waterford County	15.1	Limerick City	14.5
8.	Cavan	14.0	Carlow	14.2
9.	Laois	13.9	Tipperary North	14.0
10.	Offaly	13.3	Westmeath	13.5
11.	Roscommon	13.1	Cavan	13.3
12.	Kilkenny	11.2	Laois	13.2
13.	West Cork	10.2	Monaghan	12.6
14.	Westmeath	10.1	Waterford County	12.5
15.	Sligo	9.7	West Cork	11.7
16.	Wicklow	9.1	Tipperary South	11.2
17.	Limerick County	9.1	Kilkenny	10.5
18.	Tipperary South	9.0	Wexford	8.8
19.	Louth	9.0	Donegal	8.8
20.	Mayo	8.8	Clare	8.7
21.	Wexford	8.6	Wicklow	8.6
22.	Tipperary North	8.6	Mayo	8.2
23.	Donegal	7.9	Cork City	7.9
24.	Clare	7.8	Limerick County	7.7
25.	North Cork	7.7	Kerry	7.5
26.	Kerry	5.9	Meath	7.0
27.	Meath	5.7	North Cork	6.7
28.	Kildare	5.5	Louth	6.6
29.	Cork City	5.3	Fingal	5.8
30.	Fingal	5.1	Kildare	5.6
			Dun	
31.	South Cork	4.3	Laoghaire/Rathdown	5.0
32.	Dun Laoghaire/Rathdown	4.2	South Cork	4.8
33.	Galway	4.1	Galway	4.4
34.	South Dublin	4.0	South Dublin	4.4
35.	Dublin City	1.7	Dublin City	3.0
	Total	5.9	Total	8.1

**SOURCE: DEPARTMENT OF ENTERPRISE AND EMPLOYMENT, CSO CENSUS OF POPULATION**

In statistical terms, the rank order correlation co-efficient between the two Euro columns in Table 3.3 is 0.77 showing a very high correlation between the relative per capita allocations in the two years. This also confirms the primacy of the annual allocation as an expenditure driver and suggests that any reallocations to reflect relative demand in particular year's levels are small in the overall scheme of things.

The correlation between the 2002 per capita allocations and 'rurality' (i.e. the percentage share of the city/county population living in rural areas) was 0.25, however, showing only a low correlation. There is a need to put the allocations of CEB funding to individual counties on a somewhat more rational basis.

### **3.3 CEB Performance Indicators**

#### ***3.3.1 The Performance Monitoring System***

The Department of Enterprise, Trade and Employment Performance Monitoring System, based on CEB returns, records the number of net jobs created in CEB client companies since the company first got CEB assistance. This captures the change in total employment in the firm over any time period.

As shown in Table 3.4, measured in this way 20,000 net jobs were reported as created between 1994 and 1999, with 8,500 reported between 2000 and 2002. The figures for 2000-02 are likely to be more robust than the earlier ones, however, as changes were made to the methods for data collection. Between 1994 and 1999, 3,728 of all jobs created (17.1%) were part-time, while in 2000 and 2001 some 1,514 (27.8%) of all jobs created were part-time<sup>14</sup>. This would be consistent with growth in part-time employment in the economy as a whole. The average annual number of jobs created was 3,341 between 1994 and 1999 and 2,855 between 2000 and 2002.

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<sup>14</sup> Data is not available on full-time and part-time for 2002.

<b>TABLE 3.4: CEB PROJECTS APPROVED, JOBS CREATED AND TRAINING PARTICIPANTS</b>						
<b>Year</b>	<b>Number of Projects Approved</b>	<b>Number of Jobs Created</b>	<b>Expenditure per Projects Approved (€)</b>	<b>Expenditure per Job Created (€)</b>	<b>Number of Training Participants</b>	<b>Expenditure per Training Participant (€)</b>
1994-1999	11,568	20,046	€€7,979	€ 4,605	29,607	€667.9
2000-2002	3,627	8,565	€10,961	€4,641	38,186	€578.0
<p>Note: Expenditure per project approved, job created and participants involved are based on estimates. The expenditure per job and project approved relates to Measure 1 (Selective Financial Intervention) expenditure and excludes administration expenditure, and similarly the expenditure per training participant refers to expenditure on Measure 2 (Entrepreneurial and Capability Development), and excludes administration expenditure.</p>						
<b>SOURCE: DEPARTMENT OF ENTERPRISE, TRADE AND EMPLOYMENT</b>						

Table 3.4 also shows the number of projects approved for financial assistance, again between 1994-99 and 2000-02. On average, there were approximately 1,928 projects approved per annum between 1994 and 1999, or 55 projects annually per Board. The average number of projects approved per annum between 2000-02 was 1,209, or 35 per Board.

CEB expenditure for projects approved for these two periods varies – expenditure per project between 1994 and 1999 was approximately €8,000 and between 2000-2002 was approximately €11,000.

The overall number of training participants involved in Measures, 1, 2 and 4 in the OP for Local Urban and Rural Development 1994-99 amounts to 29,607, an average of 4,930 per year. The number of participants involved in training between 2000-02, under Sub-measure 2 of the Regional OPs, was 38,186, an average of 12,730 per year.

There was a slightly higher percentage of men than women involved in training between 1994-99 (55% compared to 45%). Between 2000 and 2002, the reverse is evident, with a slightly higher percentage of women involved in training (54% compared to 46%).

### **3.3.2 Other Reported Information**

In addition to information provided from DETE, various types of information can be gathered from the CEBs' individual annual reports. Varying coverage and content limits the scope for aggregation. Information was gathered on the following:

- from analysing selected CEB annual reports, nine of the reports show that the average number of applications for financial assistance is 51, and that the success rate of applications is 64%. However, many Boards do not formally classify or record 'applications' or 'rejections';
- some of the annual reports give an indication of what type of sectors their clients are in, and these are broadly manufacturing, craft, services, IT, food, engineering, and tourism;
- several annual reports give an overview of activities that take place under Sub-measure 2 of the 2000-06 Regional OPs (Entrepreneurial and Capability Development). These are mainly one-to-one business advice, enterprise exhibitions, enterprise promotional activity, school enterprise programmes, the Women in Business Initiative and various training programmes in crafts, IT, accounting, etc.

### 3.4 CEB Client Profile

The results of our survey of CEB clients, which is reported in full in Annex 1, also provides information on a number of features of CEB clients' profile and their relationship with the Boards:

- a majority of clients (about 55%) report that they are limited companies, with most of the balance (36%) being sole traders (Question A4);
- about 56% of clients report that they were start-ups, when they first approached their CEB, with 44% being existing enterprises (Question A5);
- two-thirds of promoters of start-ups are men, a quarter women, with the balance involving joint promoters (Question A6);
- company turnover is typically less than €500,000 (Question A7);
- the vast majority of clients (over 90%) employ 10 people or less full-time, and a large majority (70%) employ 5 people or less (Question A8);
- annual average salary per employee was reported as below €20,000 for 36% of companies, between €20,000 and €25,000 for 29% of companies, and between €25,000 and €50,000 for 24% of companies (Question A10);
- client markets are predominantly local, with nearly 60% of clients reporting that they sell within the county. Most other clients sell elsewhere in the domestic Irish market (Question A11);
- apart from the CEBs, the other main external source of finance is the banks. External investors are rare;
- the main sectors in which clients are involved are manufacturing (18%), wholesale, retail and distribution (10%), computers and IT (9%) and professional services (12%). Omitting CEB clients who received non-financial assistance lowers the wholesale/retail share but not the professional services share;
- about 60% of clients had received CEB financial support once, and an additional 30% had received support twice, indicating a significant level of repeat business. Repeat business for

non-financial support was greater, with about half of clients having been involved in more than one element of soft support (Questions B1(a) and (b));

- cumulative CEB financial assistance received was most frequently in the range of €1,000-€15,000, but a sizeable number of clients (33%) received in excess of €15,000, while 10% received in excess of €50,000. (Question B24);
- of CEB clients surveyed, about half had also received support from other agencies, but generally not for the same projects (Question D3). This assistance involved a mix of advisory, training and financial support. A wide spread of individual agencies was involved. The main agencies involved, and the share of respondents saying they received support from the, are FÁS (19%), Enterprise Ireland (16%), and LEADER (6%) (Question D2).

## **3.5 CEB Operations and Activities**

### ***3.5.1 General Enterprise Culture, Promotion and Information***

The CEB Operating Agreement with the Department of Enterprise, Trade and Employment states, inter alia, that the CEB may 'undertake a range of activities designed to promote an enterprise culture in its area, including the provision of business information and counselling to individuals, companies, community groups and other relevant interests ...'. The Agreement goes on to give an indicative list of activities that might be undertaken:

- collecting and analysing data relating to local labour market, small firms and local services to assist business planning;
- advertising and publicity to raise awareness of enterprise and sources of assistance;
- seminars and information meetings for potential entrepreneurs;
- encouragement of networking among small businesses;
- development of contacts between education and enterprise at county level, including seminars for school students, school industry visits and school enterprise programmes;
- exchange of information between community and enterprise development groups;
- community meetings to raise enterprise awareness;
- consultation with national agencies to promote the area as a location for economic activity and enterprise.

In practice, CEBs are involved in a wide range of activities that promote an enterprise culture. Activities reported during the case studies included:

- provision of walk-in information centres in CEB offices and in public libraries, with access to business Internet sites, business information and brochures;
- involvement in the organisation of local, county and national Student Enterprise Awards;

- conferences, courses and exhibitions for the Women in Business Initiative;
- introducing 'Enterprise Encounter' course material on enterprise for senior cycle school students. Material was developed with the support of CEBs;
- introducing the 'Bí Gnóthach' course material to primary schools. This material was developed with CEB support by Mary Immaculate College, Limerick;
- addressing school students and community groups on enterprise;
- running 'Start Your Own Business' courses;
- assisting small companies to participate in shows and craft fairs;
- advertising and participation in discussions on local radio;
- arranging enterprise supplements in local newspapers;
- arranging publication of profiles of local small entrepreneurs in local newspapers ('local heroes');
- facilitating local networks of small business;
- supporting the PLATO Programme, which assists networking of small business;
- publication of local enterprise newsletters, both paper and e-mail;
- preparation and publication of county directories of products and services;
- arranging 'business breakfasts' to promote investment in the county;
- establishing websites to assist enterprise and county-level business 'infonet' for all agencies;
- courses on business idea generation;
- working with third-level institutions in the county and Region;
- running County Enterprise Awards.

### ***3.5.2 Training and Other Soft Supports***

The financial provision for the Entrepreneurial and Capability Development Sub-measure under the 2000-06 Regional OPs is €90.6 mn. The average provision for each CEB under the Sub-measure for 2003 is €203,000. Provision for training and other soft supports is therefore a key activity for CEBs. Boards make the case that it is the combination of hard and soft supports that is the key to developing sustainable projects. In most cases, the training is provided by private trainers who are engaged by CEBs. In other cases, it is provided in association with other training bodies such as FÁS (who may part-fund courses), Institutes of Technology and VECs. Courses are tailored to meet local needs and to fill gaps in training at local level. In addition to 'Start Your Own Business' and 'Women in Business' courses referred to above, other courses include:

- Owner-manager, Management Training;
- Management Development;
- Sales and Communications;
- Time Management;
- Developing a Business Plan;
- SAGE Accounting;



- Operations Management;
- Human Resources Development Payroll;
- Human Resources Management Training;
- Idea Generation Workshop;
- Food Focus;
- Front Office Skills;
- Bookkeeping and Finance;
- Information Technology;
- Pre-export Workshop;
- Customer Care;
- Finance for Non-financial Managers;
- Health and Safety Programme;
- Debt Management/Credit Control;
- E-business;
- Employment Law;
- Personal Development;
- Web Design;
- Practical Techniques in Marketing;
- Craft Product Development;
- Work-life Balance.

These courses appear relevant to the development of enterprises in the counties. A fee equivalent to 10-20% of cost is charged for all courses, which are generally well supported. Courses are not exclusively for CEB eligible clients (i.e. less than 10 employees), but priority is given to such clients. The numbers participating in these courses is high, e.g. in Mayo, 336 attended courses in 2000, 204 in 2001 and 385 in 2002. Courses are advertised on local media, and in addition clients are notified directly of relevant courses.

A number of issues have arisen in relation to CEB training. One issue is the extent of certification, which was raised in previous evaluations. Our case studies found only one Management Development Programme that was accredited through an Institute of Technology with FETAC. A second issue is the extent to which there is always a market failure, or the extent to which CEB activity might be displacing that of either private sector trainers or courses organised by organisations such as Chambers of Commerce. This does not appear to be an issue, certainly not outside the larger centres, however. In more rural counties, for example, possible alternative sources of training do not exist. Even so, although the intent to avoid such displacement is clear, there may be a need for greater vigilance to ensure that this is indeed happening.

In addition to training courses, one-to-one mentoring is provided for clients, and in some counties a charge is made for each session while in others there is no charge. In some cases, clients in receipt of grants are advised to avail of selected courses or mentoring, but this is not mandatory. In the course of our case studies, the importance of mentoring was emphasised by CEOs and Board and Evaluation Committee members.

An important feature of delivery of a;; soft supports is the heavy reliance on external trainers and other specialists. We regard this as correct. Aside from fairly basic information and advice, Boards should not aim to have their own in-house specialists. The model of a small, tight core team using external expertise as appropriate is therefore the correct one.

### ***3.5.3 Project Selection and Appraisal for Financial Assistance***

CEBs generally publish details of broad eligibility criteria together with application forms in paper form and on their websites. Table 3.5 contains a good-quality example of what is indicated in relation to eligibility in practice, using the case of Cavan CEB. This information attracts some 'cold' applications, where clients have not previously discussed their business ideas with CEB staff. The more normal route, however, is for clients to first approach the CEB to discuss their idea and to seek advice on how to present their proposal. In these cases the client may be advised:

- that the project is ineligible;
- that the project is not viable, though this 'negative' advice can benefit the client;
- to attend a course such as 'Start You Own Business' before proceeding with an application;
- to prepare a business plan (clients may be allocated a mentor to assist with this);
- to refer to another agency if appropriate;
- to carry out a feasibility study before proceeding with an application.

In some counties, where the level of enterprise is low, the CEB staff may work with local small businesses to develop expansion/diversification plans. In these counties the CEB staff tend to be closely involved in the preparation of the applications.

Some CEBs have formal Procedures Manuals, describing the steps to be taken in dealing with applications. These set out all the steps involved from initial meeting with client through to payment of cheque and recording on the Performance Monitoring System. While there is some variation from Board to Board, the main steps are broadly similar.

**TABLE 3.5: A TYPICAL STATEMENT OF CEB PROJECT ELIGIBILITY**

**WHO CAN BE ASSISTED?**

The Board can assist the establishment and/or development of eligible new and existing enterprises (from individuals/sole traders, companies and community groups) in County Cavan in the traded services, manufacturing and tourism sectors.

Companies seeking financial support must:

- be in the commercial sphere;
- demonstrate a market for the product/service and most importantly have a capacity for growth and new job creation.

**PROJECT SELECTION**

Priority will be given to:

- projects in manufacturing or internationally traded services which over time can develop into strong export entities and graduate to Enterprise Ireland Portfolio;
- tourism projects aimed predominantly at overseas visitors;
- locally provided services promoted by the unemployed, those recently made redundant, and women re-entering the workforce, which will contribute to both national competitiveness and local development but will avoid deadweight or displacement (see below).

**ARE THERE ANY RESTRICTIONS? YES**

The following are ineligible for grant aid:

- retrospectation (i.e. expenditure incurred or jobs created prior to the date of grant approval);
- non viable projects;
- projects involving primary agricultural production;
- businesses employing more than 10 people;
- retailing;
- most professional services/trades;
- projects contrary to EU or national policy;
- where potential for job displacement exists;
- existing clients of Enterprise Ireland/IDA Ireland or projects qualifying for other State agency or EU supports;
- mobile assets/means of transport e.g. cars, vans, etc;
- projects deemed to be capable of proceeding in any event without Board support (i.e. deadweight)

**SOURCE: CAVAN CEB, INFORMATION PACK FOR APPLICANTS**

The application is assessed and a summary with recommendation is then prepared for the Evaluation Committee following checking with relevant agencies if required. The full application and support material, e.g. accounts etc, are available at the Evaluation Committee but are not circulated. Typical information provided in the summary is – applicant name, date received, status (individual or company, start-up or expansion), number of application, description of project, location, background experience of promoters, market information, potential employment, financial requirements, financial plan (sources of funds), other information (e.g. previous aid), financial projections and recommendation. The summary application, together with the Evaluation Committee decision, is then circulated to the Board. In most cases, the Board approves the recommendation of the Evaluation Committee. In a small minority of cases, the project is referred back by the Board to the Evaluation Committee. When the project is fully approved, the client is notified and the project proceeds subject to checking that all necessary permissions/certificates have been obtained and that the investment has been made or the employment has been generated.

The total number of projects approved for financial assistance by the CEBs in 2002 was 1,291, or an average of 37 per Board.

### ***3.5.4 Project Approval Levels***

There appears to be considerable variation in the levels of assistance approved from county to county. Examples of these variations encountered during the case studies are as follows:

- some counties apply repayability to employment grants and capital grants, others apply repayability only to the latter;
- practice on repayability varies widely in other respects, e.g. some counties give a moratorium on repayments, some charge interest (3%);
- some counties always apply the maximum capital and employment grants (see Table 2.3 earlier), others never apply the maximum;
- some counties apply 100% repayability in some cases;
- some counties are more generous at the start of the year and cut back grants later as funds become scarce;
- one county (reportedly) does not make grants and will only pay interest on loans;
- some counties are more liberal with loans in outlying rural areas than in the principal towns.

It is arguable that this type of variation is beneficial and indicates real local decision-making. However, a client could feel aggrieved that they are treated less favourably in one county than in another. There is also the issue of funding levels available. As discussed earlier, allocations appear to be largely historically based, so that resources may 'de facto' be more generously available to one CEB than another.

### ***3.5.5 Auditing and Monitoring of CEBs***

CEBs are closely monitored from a financial viewpoint. Each CEB has an Internal Auditor or Audit Committee, and the Comptroller and Auditor General acts as auditor for each CEB. The accounts of each CEB are fully audited by the C&AG, lodged with the Companies Registration Office and placed in the Dáil Library. This is a slow and expensive procedure, and other similar groups, e.g. LEADER, are not subject to this process. In addition, the CEBs are subject to EU audit to ensure that ERDF spending is in order. As well as examining the books of the CEBs, the EU auditors visit CEB clients and seek evidence of investment and employment related to EU expenditure. These multiple audits therefore place a significant administrative cost on CEBs as small organisations.

Each CEB carries out an annual Employment Survey of all the clients that it has ever assisted. The results of this are recorded on the PMS and returned to the Department of Enterprise, Trade and Employment (see Section 3.3.1). During the case studies, the method of compilation of these data

was examined and it was found to be broadly robust. However, there are issues in relation to definition and inclusion of clients, e.g. the treatment of projects which were first assisted by CEBs and later assisted by EI. With regard to the former, the system continues to collect information on the employment in these firms and to record it in the PMS. While the number of such cases is relatively small, they tend to be the largest projects (and employers) and can therefore drive the results. In addition, some Boards include soft support recipients on the database and others do not. However, we understand that only data on financially-assisted clients is reported centrally. A further issue, not related to the actual operation of the system per se, is its interpretation. As discussed again in Chapter 5, net employment numbers are a useful way to monitor the performance of CEB clients. However, any assumption of a direct causal link with CEB involvement is “over-interpretation” which should be avoided.

### ***3.5.6 Enterprise Work Space***

Most CEBs assist provision of work space/enterprise centres/incubator space. These are generally community enterprise centres and are funded jointly by a number of agencies or bodies including EI, CEBs, local authorities and LEADER. Initially, a special fund was provided by DETE to enable CEBs to assist workspace. In view of the large sums involved and the time lags in negotiating, planning and building centres, however, and faced with reduced overall budgets, CEBs are now mainly required to fund workspace from their capital budget subject to the normal project assistance limits (special provision may be made in exceptional cases). Some CEBs have now decided not to support provision of workspace any further.

The case studies showed that workspace had been provided in a wide number of locations and that the take-up of this space had been good. However, in some locations workspace had been occupied by other community-based projects and organisations, and not by enterprises.

### ***3.5.7 Other CEB Activities***

In addition to their mainstream activities, the CEBs are empowered to combine with other companies, corporations and agencies in the provision of grants and other aid. The 1995 Industrial Development Act enables CEBs to ‘receive grants, donations, contributions, subscriptions and generally manage, invest and expend all properties and moneys belonging to the Board’. In this area the CEBs are involved in a wide range of activities that are not directly funded from the budgets provided by DETE. These activities can be of significant benefit to enterprise in the counties. Examples from the case studies include:

- the Empower Initiative to encourage micro-enterprises to get involved in e-business and e-commerce. This operated across all CEBs and was funded by a €3.63 mn grant from the Information Society Commission in 2000. These funds were allocated to small businesses in small technical and website grants (mainly under €1,000 each);

- the Finestra Project in the South-East Region, which designed an innovative Business Development Model working with Institutes of Technology in the area;
- Celtic Enterprises – school enterprise project involving schools in Co. Wexford and Wales, funded by INTERREG;
- County Enterprise Funds in border counties and in Co Offaly.

The CEBs provide financial support the PLATO Network in their counties, which assists networking of small and large business.

They were also used by the Department of Justice, Equality and Law Reform as a vehicle to evaluate and allocate resources for providing private childcare facilities. An additional budget allocation was made to CEBs for a period for this purpose, e.g. in 2001 Offaly CEB paid six childcare employment grants totalling €36,000.

### ***3.5.8 CEBs and Sectoral Eligibility***

A recurring theme in discussions of CEBs is that of eligibility of sectors for CEB assistance. The issue is important for a number of reasons:

- (a) part of the original rationale for CEBs was a loosening of the traditional sectoral eligibility criteria in favour of manufacturing and internationally traded services. So it is important to consider how this is happening in practice;
- (b) sectoral eligibility is closely aligned with the topic of displacement, since the general reason for eliminating firms on grounds of sector (as opposed to size) is that these sectors may involve high levels of inherent displacement;
- (c) efforts to avoid overlap and duplication, particularly through bilateral agreements between CEBs and LEADER groups, involve an attempt to ‘divide up the cake’ on sectoral grounds.

From the outset, the CEBs’ brief was seen as wider than the traditional sectoral eligibility criteria, i.e. it was seen as assisting certain services other than the defined manufacturing and internationally traded services, together with tourism. The Draft 2003 DETE Procedures for CEBs reiterate this and state that the CEBs are ‘empowered to support, not just traditional manufacturing, but also tradable services and tourism. This multi-sectoral approach represents a departure from conventional industrial and enterprise policy’.

The CEB Operating Agreement with the DETE contains an Annex on financial support for eligible projects (see Table 3.6. As can be seen the Agreement emphasises the principle of avoiding displacement. However, the only sector named as explicitly excluded as a matter of principle is primary agricultural production.

**TABLE 3.6: CEBS AND ELIGIBILITY – OFFICIAL GUIDELINES**

<p>Para 6.</p> <p>Para 7.</p>	<p>The Company shall not provide financial support to projects which are contrary to public policy and, in particular, shall not support projects which would be likely to promote displacement of existing businesses or employment, or in which the provision of financial support would not result in an increase in the level of employment which would have obtained if such assistance had not been provided. Nor shall it duplicate support for projects which would properly be eligible for comparable assistance from any existing sectoral or other grant structure. The views of relevant State agencies on these points shall be canvassed in advance and in writing by the Company for the information of the Evaluation Committee, where appropriate. Agreements on complementary spheres of activity should be worked out with other local development initiatives under the aegis of the relevant County Development Board and implemented by the Company. Projects involving primary agricultural production shall be ineligible for assistance. The provision of support to or for projects shall also be subject to the provisions of Paragraphs 13 to 16 of this Agreement.</p> <p>The Company may provide direct financial assistance to eligible small business projects in the commercial sphere provided such projects are capable of attaining economic viability without ongoing Exchequer or European Union assistance. For the purposes of this Annex an 'eligible project' is a project promoted by a company, firm, association, local community or enterprise support body or person (including a body or person located in an area within the Company's area covered by a local development plan) which meets the following conditions:</p> <ul style="list-style-type: none"> <li>- it can demonstrate that there is a market for its proposed product or service and that it is capable of attaining commercial viability;</li> <li>- it has the capacity to create new direct employment either full or part-time, or seasonal, or as a minimum to contribute directly to the maintenance of employment in existing small enterprises;</li> <li>- adequate finance will be available to fund its start-up and operating costs;</li> <li>- its promoters possess sufficient management and technical capacity to implement the proposed project.</li> </ul> <p>A project which could proceed without assistance or only by taking market share from existing business to survive shall not be assisted financially by the Company.</p>
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**SOURCE: CEB OPERATING AGREEMENT, DRAFT 2003, ANNEX B**

In general, there appears to be a broad understanding that a number of local service sectors such as retailing and hairdressers should be excluded, as a matter of principle, from CEB financial assistance, as these contain great potential for displacement. "This may have been specified at some early stage in the CEB process, but we have not been able to find documentation for it. It is, however, frequently cited in various versions on CEB websites or in their information packs for applicants. However, it is not consistently cited, and where cited the descriptions of sectors are not always exactly the same. For example, some Boards talk about 'private' services being excluded, others talk about 'personal' services and yet others of 'professional' services. There would also appear to be a common understanding that the construction sector is by and large excluded, but this is seldom stated explicitly, although 'trades' tend to be.

A further sectoral dimension of the eligibility issue is that of whether or not it applies to hard, i.e. financial, supports only or also to soft supports. The general view of Boards is that a more flexible

position can be taken in relation to soft supports, although there is nothing explicit in the Operating Agreement that confirms this.

A further dimension is the operating agreements with LEADER groups. Here the national template for this says that the sectors should be divided up as follows:

- County Enterprise Boards will have responsibility for grant assistance and soft supports in the manufacturing and services sectors;
- LEADER groups will have primary responsibility for projects in the rural enterprise/agri-tourism sector, community-owned enterprise, social economy enterprises and non-profit enterprises;
- either agency, following consultation, can provide micro-enterprise funding in the craft sector.

The Operational Programmes for the BMW and S+E Regions – through which funding for CEBs is channelled – emphasise again the dangers of displacement, but are not explicit in sectoral terms. They do, rather surprisingly in the context of the agreement with LEADER, state that CEBs will contribute to rural development ‘particularly through support of viable on-farm enterprises’.

Our survey (see Section 3.4.1 earlier) suggests that many CEB clients see themselves as belonging to sectors that in principle would be regarded as having high levels of deadweight, and as thus potentially excluded on these grounds (notably wholesale, retail and distribution, and ‘professional services’). These results, discussions with the CEBs in the case studies, and the nature of the guidance available, all point to a need for much greater clarification at national policy level in relation to this issue.

This clarification should include the issue of whether or not flexibility should be allowed at local level or whether the treatment of sectors should be uniform on a national basis. At present, the central signals emitted on this and other aspects of sectoral eligibility are not very clear.



# Chapter 4 Overseas Practice

## 4.1 Introduction

This chapter reviews selected overseas practice regarding public financial and other supports for micro-enterprise. It considers the extent to which other countries support micro-enterprises, their rationale for so doing, the types of instruments they use in the process, and the administrative structures through which support is delivered.

## 4.2 Overview

The research has focused on other European countries and on the US, Canada and Australia. A specific challenge has been the variety of definitions that apply to the generic term 'micro-enterprise'. Almost every country defines micro-enterprise as those small businesses which employ 10 people or less. However, Australia and at least some parts of the US seem to use five as the upper limit for employees. When maintaining statistics, few countries actually record central systematic information that specifically refers to all micro-enterprise. For example, the European Commission (which has produced numerous reports on micro-enterprise) does not use the term in its central database of business support interventions. Instead, interventions are listed as targeting groups such as:

- all enterprises starting up or in the first stage of development;
- single person enterprises;
- craft enterprises or artisans;
- exporting enterprises;
- innovative/technology enterprises;
- co-operatives;
- women-owned or women-operated enterprises;
- enterprises started by unemployed people;
- enterprises started by young people;
- enterprises started by disabled people;
- enterprises started by ethnic minorities;
- SME enterprises.

It is clear that almost all of the above groupings could include micro-enterprises within the above definition.

There are two main conclusions from this research. Firstly, every country examined for this report supports micro-enterprise, though the supports are invariably included among those that are available to all other start-ups and developing businesses. Secondly, Ireland appears to be the only country that has a dedicated micro-enterprise support system.

### 4.3 Micro-enterprise Internationally

It is generally accepted in Ireland that about 90% of businesses are micro-enterprises, i.e. they employ 10 people or less. Tables 4.1 and 4.2 below give details of the numbers of micro-enterprises and the numbers they employ in a selection of other EU countries. This suggests that the Irish share of micro-enterprise is comparable to that in many other countries (countries have only been included here when there is certainty that the definition of micro-enterprise is consistent).

**TABLE 4.1: NUMBER OF MICRO-ENTERPRISES IN SOME EU COUNTRIES**

Country	Number of Businesses	Number of Micro-enterprises	% of Micro-enterprises
Belgium	450,000	382,000	85%
Denmark	284,166	259,774	91%
Finland	224,847	208,849	93%
<b>IRELAND</b>	<b>194,343</b>	<b>169,561</b>	<b>87%</b>
Netherlands	496,000	446,000	90%
Sweden	810,000	779,000	96%
United Kingdom	3,708,000	3,519,000	95%

**SOURCE: EU REPORT ON SUPPORT FOR MICRO, SMALL AND SOLE PROPRIETOR'S BUSINESSES**

**TABLE 4.2: LEVELS OF EMPLOYMENT IN MICRO-ENTERPRISES IN SOME EU COUNTRIES**

Country	Total Employment Including Public Sector	Employment in Micro-enterprises	% of Total Employment in Micro-enterprises
Austria	2,044,827	593,000	29%
Finland	2,626,000	682,760	26%
<b>IRELAND</b>	<b>1,772,000</b>	<b>327,502</b>	<b>18%</b>
Portugal	5,133,000	556,000	11%
Sweden	3,483,945	465,624	13%
United Kingdom	21,073,000	6,368,000	30%

**SOURCE: EU REPORT ON SUPPORT FOR MICRO, SMALL AND SOLE PROPRIETOR'S BUSINESSES**

## 4.4 Support by Other Countries for Micro-enterprise

### 4.4.1 *Within the EU*
















The European Charter for Small Businesses emerged from the Portuguese Presidency of the EU in 2000. While not directly aimed at micro-enterprises, they are included under the normal EU definition of small firms, i.e. firms with less than 49 employees. The Charter stresses the importance of entrepreneurship and recognises the capacity of small businesses to provide new services, create jobs and foster social and regional development. The Heads of State and Government and the European Commission have decided to work on 10 lines of action to stimulate enterprise and improve the business environment for small enterprises. These 10 lines are as follows:

- education and training for entrepreneurship;
- cheaper and faster start-up;
- better legislation and regulation;
- availability of skills;
- improving on-line access to supports;
- getting more out of the Single Market;
- taxation and financial matters;
- strengthening the technological capacity of small enterprises;
- successful e-business models and top class small business support;
- developing stronger, more effective representation of small business interests at EU and national level.

Within Europe, every member state offers some support for micro-enterprise. The depth and range of support varies, however. Almost all micro-enterprise support is part of a wider range of support measures, though there are examples of dedicated support measures for micro-enterprises.

An analysis of the EU support measures for businesses generally, by target sector, is set out below. Isolating groups 2, 3, 8, 9, 10 and 11 as broadly equivalent to micro-enterprises, the table indicates that Italy has by far the highest number of support measures targeted at micro-enterprises. The next closest are France and Ireland, while Denmark and Luxembourg are the countries with the lowest number of measures.

**TABLE 4.3: EU DATABASE OF SUPPORT MEASURES BY TARGET SECTOR**

Target Populations EU countries															
	A	B	DK	FIN	F	D	EL	IRL	I	L	NL	P	E	S	UK
1. All enterprises starting up or in first phase of development	26	19	7	20	31	46	2	13	9	9	21	6	13	15	39
2. Single person enterprises	4	2			1	3	1		24	1		2	7	1	
3. Craft enterprises and artisans	3			1	3	3			27	9		1	3		2
4. Exporting enterprises	4	5	5	10	5	4	1	3	4	1	4		2	2	12
5. Innovative/technology enterprises	12	12	18	31	16	30	11	12	6	8	14	12	16	14	22
6. Co-operatives	1		2		1			1	42	1	1	1	7		3
7. Women-owned or women-operated enterprises	1			2	3	9	2		13	1	1		5	3	1
8. Enterprises started by unemployed people	1	3		2	7	12	6	2	10	2	1		2	2	4
9. Enterprises started by young people	3	4	1	2	7	6	5	2	17	2		4	2	1	7
10. Enterprises started by disabled people	2	1		1	2	1	1		2	1			1	2	3
11. Enterprises started by ethnic minorities	1		1	1	1	1	1		2	1	1			3	3
12. SME enterprises (generic)	70	80	41	41	72	93	51	41	86	28	57	58	110	37	76
TOTAL	128	126	75	111	149	208	81	74	242	64	100	84	168	80	172

**SOURCE: SUPPORT MEASURES AND INITIATIVES FOR ENTERPRISE PROJECT**

Because no country appears to maintain separate records for expenditure on micro-enterprise, it is not possible to provide direct comparative figures for expenditure. Some general figures are set out below:

- Scottish Enterprise allocated Stg£272.1 mn to its twelve Local Enterprise Companies in 2003 (LECs are local business support agencies offering a range of business start and business development assistance to any new or growing business). Of this amount, Stg£63.4 mn was given for 'growing businesses';
- LEDU, the former Small Firms Agency in Northern Ireland, invested Stg£23.5 mn in expenditure related to job creation in 2001. This led to the creation of 1,300 new businesses and of 27,000 new jobs. Figures are not broken down by size of business;

**REVIEW OF THE ROLE OF CITY AND COUNTY ENTERPRISE BOARDS IN THE DEVELOPMENT OF MICRO-ENTERPRISES**

- Enterprise Northern Ireland, the new network for Local Enterprise Agencies in Northern Ireland, has a loan fund of Stg£4.2 mn made up of contributions from member Local Enterprise Agencies, other member organisations, the EU Special Support Programme for Peace and Reconciliation, the International Fund for Ireland and Invest Northern Ireland. It has so far assisted 326 businesses, with the vast majority of the loans being under Stg£5,000.

A recent EU report, 'Support Services for Micro, Small and Sole Proprietor Businesses in Europe' produced the following main findings around support services:

- participation rates in support services by small businesses are quite low;
- women, highly educated and growth-oriented entrepreneurs make the most use of support services;
- an external identification of the needs of small businesses is required;
- small businesses lack awareness of support services;
- small businesses prefer direct contact with support service providers;
- small enterprises prefer locally available services;
- more tailor-made and more targeted services are needed;
- there is a lack of satisfaction with the services provided.

The same study researched the level of participation by these businesses through a survey of 1,214 businesses spread across the EU and Norway. Of these, 368 were sole traders and 446 were micro-enterprises. Around 75 businesses in each state were interviewed. The results are set out in Table 4.4 below.

**TABLE 4.4: PARTICIPATION RATE BY MICRO-ENTERPRISES IN SUPPORT MEASURES BY COUNTRY**

REVIEW OF THE ROLE OF CITY AND COUNTY ENTERPRISE BOARDS IN THE DEVELOPMENT OF MICRO-ENTERPRISES

Country	Participation Rate
Netherlands	34%
<b>Ireland</b>	<b>32%</b>
Denmark	28%
United Kingdom	27%
Finland	25%
France	22%
EU (15) and Norway	20%
Germany	20%
Portugal	20%
Belgium	20%
Spain	19%
Austria	16%
Italy	16%
Sweden	10%
Greece	6%
Norway	3%

**SOURCE: EU REPORT ON SUPPORT FOR MICRO, SMALL AND SOLE PROPRIETOR'S BUSINESSES**

The country with the highest participation rate (i.e. use by micro-enterprises of supports) is the Netherlands, followed by Ireland. The lowest participation rates are found in Greece and Sweden.

The same report provides data on the percentage of enterprises that are informed about the availability of support measures, and this is set out in Table 4.5 below.

<b>TABLE 4.5: LEVEL OF KNOWLEDGE OF SUPPORT MEASURES AMONG MICRO-ENTERPRISES</b>	
Country	Information Rate
Belgium	45%
Netherlands	43%
Austria	36%
Sweden	36%
Finland	34%
Italy	31%
Denmark	30%
Spain	29%
Norway	27%
<b>Ireland</b>	<b>25%</b>
EU (15) and Norway	24%
Germany	22%
United Kingdom	18%
France	15%
Portugal	11%
Greece	6%

**SOURCE: EU REPORT ON SUPPORT FOR MICRO, SMALL AND SOLE PROPRIETOR'S BUSINESSES**

Here, Ireland ranks less highly, with 25% of enterprises claiming knowledge. This is average; the highest level of knowledge is found in Belgium with 45%, and the lowest is found in Greece with 6%.

Finally, the EU report looks at satisfaction levels among users of the support services. This information is presented in Table 4.6.

Ireland again ranks highly, with 90% of enterprises indicating satisfaction. This represents the highest recorded level of satisfaction, along with Portugal. This high satisfaction rating is broadly consistent with our own survey of CEB clients (see Annex 1).

**TABLE 4.6: LEVELS OF SATISFACTION AMONG ENTERPRISES WITH SUPPORT MEASURES**

Country	Satisfaction Rate
<b>Ireland</b>	<b>90%</b>
Portugal	90%
Spain	85%
Belgium	82%
Italy	82%
United Kingdom	81%
Finland	80%
EU (15) and Norway	80%
France	79%
Netherlands	76%
Germany	76%
Luxembourg	69%
Greece	68%
Denmark	67%
Norway	64%
Austria	51%
Sweden	22%

**SOURCE: EU REPORT ON SUPPORT FOR MICRO, SMALL AND SOLE PROPRIETOR'S BUSINESSES**

#### **4.4.2 Other Countries**

The US is renowned for its Small Business Administration, but this does not itself offer dedicated supports to micro-enterprises. Instead it provides support to intermediary organisations. Typical of this would be the Oregon Micro-enterprise Network. This is funded by the SBA, local government and a National Fund for Enterprise Development. It defines micro-enterprise as employing less than five people. This Network is part of a micro-enterprise strategy which originated in President Clinton's first term. Under this strategy, most micro-enterprise support comes through micro-enterprise support programmes. These are comparatively new in America and vary considerably in structure and ownership. Their common features are that they offer low cost loans and business training. A 1996 Directory of US Micro-enterprise Programmes listed 328 such programmes, but these are only the numbers which responded to a survey. The actual numbers of micro-enterprise

support programmes is therefore much higher, and research indicates the number of programmes and the levels of activity within these programmes expanded considerably in the mid- to late-1990s. A research report on micro-enterprise support programmes by the Rutgers University, for the Economic Development Administration of the Department of Commerce in the US, found the following:

- programmes are extremely diverse in terms of size, mission, type of lending and target population;
- funding comes from a mix of public and private sources;
- most programmes do some form of targeting and/or directed outreach;
- the transaction cost of loans is high but cost per client served is low;
- programmes have little trouble raising loan capital but have difficulty covering their operating costs;
- almost all programmes provide training as well as loans;
- scale and sustainability are two big problems facing programmes.

The report concluded that micro-enterprise development is a valuable tool in economic development and fills a niche that no other strategy or programme fills. It also found that micro-enterprise programmes in the US have a cost per job comparable to more traditional forms of economic development.

The situation in Canada appears to be very similar to that in the US. There are dedicated micro-enterprise support programmes, but these tend to be part of a wider blend of services. For example, a socio-economic impact study was conducted on micro-credit programmes in Atlantic Canada. This concluded that the programmes had economic and developmental benefits for their participants, their enterprises and their communities. The diversity of approaches and methods was found to be particularly effective in meeting a diverse set of support needs among micro-entrepreneurs in the Region.

All Canadian provinces have support programmes for businesses. One example is the province of Saskatchewan. Its website details a long list of support measures, ranging from entrepreneurship and business services to exporting and loans.

In Australia, there is a Small and Micro Business Council, which is primarily an interface agency with Central Government. There do not appear to be dedicated support measures for micro-enterprises in Australia, but there is a very extensive Micro-business Network, which is a not-for-profit organisation.



## 4.5 Objectives for Supporting Micro-enterprise

It appears that the main stated objectives of developing and delivering micro-enterprise supports are to:
















- promote entrepreneurship;
- promote economic growth;
- improve competitiveness;
- foster innovation and new technology;
- increase access to finance for micro-enterprises.

Very few states mention tackling unemployment. One, Austria, wants to challenge traditional risk aversion attitudes.
















In the US, support for micro-enterprise appears to have much more of a poverty relief objective and many micro-credit programmes target poor districts.

## 4.6 Types of Supports Offered
















The EU SMIE database referred to in Section 4.4.1 above provides an overview of the supports offered by all member states and these are detailed in Table 4.7. (Ireland is shaded in the Table)

															
EU countries	A	B	DK	FIN	F	D	EL	IRL	I	L	NL	P	E	S	UK
<b>1. Reception, Facilities and Basic Information, Referral</b>	6	6	2	17	23	11	13	6	6	7	6	4	5	5	2
1.1 First-Stop-Shop	3	2	1	4	3	1	3	4	4		1	4	4	1	
1.2 Official registration and documentation	1	1		3	1	1		1	13	4	1	1	2		1
1.3 Distribution of publications, information packages	4			4	3	1			7	3	1	1	2	5	2
1.4 Initial diagnosis	3	1		1	5	1		1	14	1	1		2	1	2
1.5 Signposting	2										1				2
<b>2.</b>	12	2	7	11	13	13	15	7	5	10	7	9	7	11	16

**TABLE 4.7: SCHEDULE OF SUPPORT MEASURES BY EU STATE**

															
EU countries	A	B	DK	FIN	F	D	EL	IRL	I	L	NL	P	E	S	UK
<b>Professional Information Services</b>															
2.1 Legislation	6			1	1	1			1	2				5	2
2.2 Market information (including export markets and public procurement)	1	2	6	1	1	1	1		3	2	2		2	1	10
2.3 Technical	3	1			1		1		2	3	1		1	1	4
2.3.1 Standards & Certification							1		2		1		1		1
2.3.2 Patent & Copyright	2	1	1	1	2	2	1	2	13	1	1	1		1	1
2.3.3 Specific areas (e.g. environmental)									4	1					2
<b>3. Advice &amp; Direct Support</b>	15	14	10	29	28	19	11	24	10	9	11	17	18	21	41
3.1 Business planning and strategy	7	2	4	15	3	1			34	3	4		9		5
3.2 Advice on functional areas of business activity	6	4	3	4	2	3			11	2	3	1	7	1	5
3.2.1 General advice		1	2	6			1		6	2	6			2	
3.2.2 Marketing			3	3	1				1	1					2
3.2.3 Design		1		1	2			1							
3.2.4 Finance	4		1	1	1				17	1	1	2	2		1
3.2.5 Production	1			1	1		2		12						1
3.2.6 Other					1				25				2		1
3.3 Mentoring	4	9	3	7	7	7	2	6	5	2	9	1	4	8	9
<b>4. SME-specific Training and Education</b>	4	17	5	11	9	7	19	10	12	7	6	10	6	10	9
4.1 Start-up	2	5	2	3	1	5	1		12	1				1	2
4.2 General	2	4	1	2	2	1	1	1	14	1	3	1	3	3	

**TABLE 4.7: SCHEDULE OF SUPPORT MEASURES BY EU STATE**

															
EU countries	A	B	DK	FIN	F	D	EL	IRL	I	L	NL	P	E	S	UK
training and education facilities (employees, entrepreneurs etc.)															
4.3 Growth and development		14			2		1		17	1	1	1	2	3	1
4.4 Conversion courses				1			1		1					1	2
4.5 Targeted training (women entrepreneurs, ethnic minorities etc.)	2	1	1	5	1		2		4		2	1		1	1
<b>5. Finance</b>	53	27	21	11	14	7	12	31	7	11	11	43	60	10	12
5.1 Equity finance	7	12	6	4	10	32	2	4	2	4	10	4	3	4	14
5.2 Loans	14	10	8	9	14	50	1	2	34	5	20	2	30	7	14
5.3 Guarantees	10	4	7	3	8	12	2	1	6	6	8	1	4	3	2
5.3.1 Direct guarantees		1		2					12		1				1
5.3.2 Mutual guarantees		1		1	3	1			2	1	3		1		
5.4 Grants & Subsidies	45	37	20	18	32	85	23	7	51	7	35	4	89	24	52
5.5 Tax incentives		8			12	1	4		3	2	7	2	8		1
<b>6. Premises &amp; Environment</b>	1	1	1	13	4	1	1	6	2	1	2	8	1	3	1
6.1 Incubation units	2	1	1	3	2	2	3	2	2	1	2	2	2	1	3
6.2 Business units/factory space				1			1		8			1		1	1
6.3 Location support				1					5			1		1	1
<b>7. Strategic services</b>	4	5	6	4	5	4	6	3	2	3	4	5	2	6	12
<b>TOTAL</b>	<b>226</b>	<b>195</b>	<b>122</b>	<b>202</b>	<b>218</b>	<b>270</b>	<b>131</b>	<b>115</b>	<b>391</b>	<b>109</b>	<b>171</b>	<b>124</b>	<b>279</b>	<b>145</b>	<b>240</b>

**SOURCE:**

## 4.7 Delivery Mechanisms

There are a small number of delivery options, which vary in accordance with the nature of the support provided. Traditionally across Europe, support services have been provided by the public or semi-public sectors. However, even when services are provided by the private sector they almost invariably receive financial assistance from the public sector. The EU report on support services concludes that some two-thirds of all services are delivered by the public and semi-public sectors. It also concludes that of an identified number of 335 services, 50 are delivered centrally on a national level, 220 are delivered at a regional level and 65 are delivered at the local level.

The actual delivery mechanisms vary considerably. A number of examples are given below by way of illustration.

### **Northern Ireland:**

In Northern Ireland the main agency responsible for business development is Invest Northern Ireland. This is a new body, which subsumed LEDU, the former small business development agency. Invest NI tends to support only those businesses that are high growth and technology-based. Supports for other businesses, including micro-enterprises, is delivered by a network of Local Enterprise Agencies. These started in the early 1970s in Newry and Derry as community responses to unemployment, and concentrated initially on the provision of start-up business premises. They were resisted strongly by Central Government, but grew to a point where they had to be recognised. Today there are almost 40 such agencies, with at least one located in every local authority area. Some have remained at the level of workspace provision and delivery of local start-up training, others have become very sophisticated economic development agencies with over 10 staff, turnovers in the region of Stg£700,000-£800,000 and asset bases in excess of Stg£2-3 mn. These 'super agencies' engage in a very wide range of programmes, which go well beyond standard business development. All agencies offer core services such as workspace, information and advice, office services and basic start-up training.

A recent development has been the creation of Enterprise Northern Ireland. Enterprise Northern Ireland is the association for local enterprise agencies, and is constituted as a company limited by guarantee. It brings all the agencies together in a framework that allows them to pool resources, develop specialisms, reduce costs and tender for work that individually they could not consider. Examples of collaborative working include:

- delivery of a province-wide business start programme;
- organisation of the Personal Enterprise Roadshow;
- creation and management of a loan fund;
- delivery of an e-commerce programme;
- delivery of a business growth programme;

- organisation of cross-border activity;
- delivery of an 'Exploring Enterprise' Programme.

Also in Northern Ireland local authorities, i.e. District Councils, have an economic development remit. Each Council produces an economic development strategy, usually for a three year period, and the strategy is funded in the following ways:

- direct council funding, where each council can raise funds for local economic development by levying a maximum of Stg£0.05 in the pound from household rate charges;
- Government funding from the Department of Trade and Enterprise;
- EU funds such as Peace II, LEADER and INTERREG III.

Every strategy varies from council to council, but each does fund the 'Business Start' Programme, which is aimed at new businesses; these are almost exclusively, but not totally, micro-enterprises. The Business Start Programme is that delivered by Enterprise Northern Ireland. Council strategies may include other micro-enterprise activities such as targeted start-up programmes.

**Scotland:**

Scotland has recently experienced significant change in the way that business development assistance is delivered at local levels. The publication of a Framework for Economic Development in Scotland by the Scottish Executive in June 2000 highlighted confusion among businesses and individuals, with multiple agencies and associated programmes offering development assistance.

The establishment of the Framework triggered the commissioning of a subsequent Review of Enterprise Networks in Scotland, focusing specifically on support offered to new and small businesses around the country. The Review further emphasised the confusion over delivery of economic development assistance, with local authorities, Scottish Enterprise, Local Enterprise Companies (LECs), Business Shops, Enterprise Trusts, and Social Inclusion Partnerships (SIPs) among those operating with significant autonomy in delivering their own specific development services. With the Business Birth Rate Strategy failing to meet its initial targets, it was decided that particular focus was needed in the area of developing new and small businesses.

As a consequence the idea of a single source 'one stop shop' was proposed for potential, new and existing SMEs that would remove the multi-layer approach found to discourage business and individual participation. The Enterprise Trusts were dissolved, the economic development remit of local authorities was refined to reflect their roles with regard to planning and property issues, and Scottish Enterprise was streamlined to ensure that it remained focused on areas of greatest need. The LECs that operated under the Scottish Enterprise banner lost a degree of autonomy, and business development programmes were largely centralised. The result was twelve LECs acting as regional delivery agencies for Scottish Enterprise, and sharing four common objectives:

- helping business start-ups and existing businesses to grow;
- promoting and encouraging exporting;
- attracting inward investment;
- developing skills.

The first of these objectives is the most relevant with regard to micro-enterprise. Scottish Enterprise have established the 'Business Gateway' Initiative to develop a 'one-stop shop' providing a range of business supports and aiming to direct small businesses to the most appropriate packages of support available. The Business Gateway can be accessed on-line via the Scottish Enterprise website and by a free phone number, but also operates via a physical branch network throughout

Scotland, with local offices serving specific catchment areas for those that prefer one-to-one contact initially.

The Business Gateway offers support to anyone starting any kind of business or involved in an existing enterprise, and the actual nature of support varies depending on the nature of the business, especially where funding is concerned. However, all business start-ups and existing businesses can access information, advice and learning opportunities, and some will be given financial support.

The northern more rural part of Scotland is served by a different economic development delivery mechanism driven by a long established agency called Highlands and Islands Enterprise (HIE). It oversees ten LECs serving specific rural catchment areas. These LECs are the sole delivery arm of business development assistance to micro-enterprises, via one of two HIE programmes, 'HIE Starts' and 'HIE Growing Businesses'. These are similar in nature to the Business Gateway services available in Southern Scotland, but offer more scope for tailor-made support to tackle the unique problems of certain rural areas.

It appears that three general trends have been apparent in establishing the most appropriate delivery mechanisms in Scotland. Firstly, there should be some form of local delivery outlet where individuals can go to an easily accessible physical location for advice and support. Secondly, physical delivery mechanisms should be complemented by an on-line resource that can satisfy the initial information needs of entrepreneurs and business. Thirdly, a 'one-stop shop' for assistance is paramount in the delivery of support to avoid confusion between the packages of assistance available from different agencies.

**Austria:**

In Austria there is a system of nine regional economic chambers, which are the main contact points for micro- and small enterprises. A specific issue in Austria is the need for many small business owners to transfer ownership of their businesses and so there is special support for such owners.

**Denmark:**

The Danish Agency for Trade and Industry is the main support organisation in Denmark. A specific micro-enterprise support service is provided by the Danish Commerce and Company Agency, which supports micro-enterprises that offer domestic services by subsidising domestic households when they use professional service companies. Denmark has an extensive programme for promoting entrepreneurship in the education system. This is offered at all levels, from primary school to university, and has a wide range of materials including CD-ROMs, guidelines for teachers etc.

**Finland:**

Finland is committed to improving the operating environment for enterprise and entrepreneurship, ensuring market access for new businesses and promoting new start-ups. While there does not appear to be a dedicated micro-enterprise support measure, there is a specific 'Entrepreneurship Policy Programme', which brings together nine ministries and other interest groups, and this concentrates on five themes:

- education and training of entrepreneurs and business consultancy;
- start-up, growth and internationalisation of businesses;
- taxes and payments affecting entrepreneurial activity;
- entrepreneurship in the Regions;
- corporate legislation and functioning in the market.

This programme is implemented in co-operation with the private sector. In Finland, business supports are delivered through a mix of Employment and Economic Development Centres and Local Enterprise Agencies. There are 15 EEDCs spread across the country, and they not only focus on business development but also deal with regional labour policies, adult training, farming, rural development and fisheries. There are 28 LEAs, a Rural Enterprise Programme, a Female Enterprise Programme and also 19 science parks in university towns which also support new start-ups.

A specific notable initiative in Finland is Finnvera plc, which is a specialised financing company owned entirely by the State. It offers risk finance and guarantees. It also offers micro-loans with low interest rates to micro-enterprises and has been identified as an example of good practice by the EU.

#### **France:**

In France the framework for business start support is set by the Council for Business Creation. The main national organisation that supports business start-ups is the Agence Nationale d'Entreprise, which does not have direct contact with entrepreneurs but which offers general advice and information through a series of publications, a Minitel facility and a website. It also provides training to intermediaries and support bodies. Other support bodies include what are called 'Boutiques de Gestion', which literally means 'management bureaux'. These are spread all over France and closely resemble Local Enterprise Agencies. There are 269 Boutiques, and in 2002 they helped to start 43,875 new businesses. Another source is 'Entreprendre en France (Enterprise in France)', which is a network that offers basic and professional information services and access to external advice and training. It has over 230 contact points throughout the country and offers an 'entrepreneur pass', which guarantees the support of the network for three years. It also provides loan guarantees and offers business start-up training. Research indicates that 80% of the enterprises, which access either of the two latter organisations are still in business after three years.



**Sweden:**

The integrated public support body for the growth and development of the small firms sector is ALMI. Most of ALMI's clients have less than 20 employees. It operates through a network of 23 subsidiary organisations, which are owned 51% by ALMI and 49% by the local authority in the relevant district. ALMI provides loan finance to a maximum of 30% of the capital requirements of a start-up, and the entrepreneur must contribute at least 10%. Maximum loan size is around €100,000. ALMI's loans are intended to generate additional borrowing from traditional banking sources, and it is claimed that €1 from ALMI generates a further €4. There are special loan schemes for micro-enterprises, young people and women. The loan fund base is around €450 mn, and in 2001 ALMI gave credit to 4,500 companies. In addition to loan finance, ALMI provides business information, business development programmes and consultancy services. ALMI staff meet with 100,000 businesses per annum, and of these 24,000 become involved in development programmes.

## 4.8 Trends and Implications

Based on this summary of overseas practice, some patterns and trends which appear to be emerging in micro-enterprise support services are:

- more out-sourcing, with State agencies increasingly using intermediaries and private sector organisations to deliver services;
- the growth of on-line access to supports. The examples of Scotland and France have already been quoted. Similar services are also offered in places such as Australia and Canada;
- increasing use of guarantees. Mainland Europe has a much stronger tradition of using guarantees and there are many examples of small firms establishing what are called 'mutual guarantee schemes', whereby they cross-guarantee each other's borrowings;
- increasing use of 'business 'angel' networks to allow individuals to invest in business starts;
- at least the first access point to business support services will increasingly be offered online as people become more familiar with the use of online services. This trend will grow;
- there is a trend internationally for separate support providers to come together more and share resources. Areas that lend themselves to such co-operation include publicity, information materials, insurance, purchasing and administration systems;
- most countries appear to be keen to support enterprise in all forms, but with little differentiation on the basis of size, as is evident in Ireland;
- there is a trend in some support agencies, notably in Northern Ireland and France, of increasing percentages of operating costs that they have to source themselves, e.g. through charges to clients;

- while local authorities and local government are frequently involved in supports to small enterprise, this is generally as part of some type of partnership or co-operative structure, rather than the provision of such supports being a core local government function;
- support to micro-enterprise internationally is generally provided as part of a wider enterprise support system and rather than as a dedicated system as in Ireland.

## **Chapter 5      Effectiveness,      Efficiency and                      Impact**

### **5.1 Introduction**

This chapter examines the effectiveness, efficiency and impact of the CEBs. The terms, as used in this chapter, refer to the following:

- *effectiveness* refers to the success of the CEBs in carrying out their designated activities, delivering the specific measures outlined in the relevant Operational Programmes, and achieving targets set;
- *efficiency* refers to the cost at which outputs are delivered. Cost can be measured in a number of ways; in particular the inclusion or exclusion of the administrative costs of delivering the functions of the CEBs is considered and examined;
- *impact* refers to the ultimate change to the socio-economic situation brought about by the activities of the CEBs.

The information for the chapter is drawn from a variety of study sources – the PMS database, other official data sources, material generated from the seven CEB case studies, the results of the questionnaire survey of CEB client companies, and wider consultations.

Reflecting the study challenges previously outlined in Chapter 1, two caveats in particular are relevant here. Firstly, and in common with most enterprise and local development interventions, assessment of efficiency, effectiveness and impact are more difficult in practice than in principle. Second, CEBs differ significantly from each other so any statements of overall performance will involve an average of higher, medium and lower performances by individual Boards.

## 5.2 Effectiveness

### 5.2.1 Expenditure

A basic pre-condition of effectiveness is the ability to deliver on spending commitments, i.e. this is a necessary but not sufficient condition for effectiveness and impact. As has previously been described, the CEBs have been funded under the two National Development Plans, 1994-99 and 2000-06, with some significant differences in funding mechanisms and measurement systems. The two periods are therefore considered separately.

Table 5.1 below shows expenditure against planned expenditure for the 1994-99 period. The CEBs were allocated a total of €103 mn. They spent a total of €168.6 mn, or 164% of the original allocation – obviously with the agreement of DETE.

<b>TABLE 5.1: ACTUAL PUBLIC EXPENDITURE BY MEASURE IN 1994-99 COMPARED TO PLANNED PUBLIC EXPENDITURE PER MEASURE 1994-99</b>			
	<b>Expenditure (€mn)</b>	<b>Planned (€mn)</b>	<b>% of Planned</b>
M1	5.016	3.313	151.4%
M2	21.645	15.674	138.1%
M3	125.429	72.802	172.3%
M4	16.499	11.173	147.7%
Total	168.589	102.963	163.7%

**SOURCE: FINAL REPORT OF THE OPLURD 1994-99, DEPARTMENT OF ARTS, SPORTS AND TOURISM (2003)**

In the current 2000-06 period, the CEBs have been allocated €190.4 mn in public expenditure under the two Regional OPs. Almost two-thirds of this (64.1%) or €122 mn was allocated to the S&E Region and the remaining €68 mn (35.9%) was allocated to the BMW Region. Between 2000 and 2002, €31.2 mn was spent in the BMW Region, while €58.2 mn was spent in the S&E Region. The total spend under the Micro-Enterprise Measure, at 93.3%, was close to target for the end of 2002.

<b>TABLE 5.2: TOTAL PUBLIC EXPENDITURE 2000-02</b>			
	<b>S&amp;E</b>	<b>BMW</b>	<b>Total</b>
Planned Expenditure	€61.32m	€34.49 m	€95.82 m
Actual expenditure	€58.19m	€31.20m	€89.43m
Expenditure as % of OP	94.9%	90.6%	93.3%
Forecast			

**SOURCE: BMW AND S&E REGIONAL ASSEMBLY**

Spending in 2003 is expected to reach target, so that by end 2003 almost 62% of the total projected spend for the 2000-06 will already been spent. This indicates the continuing effectiveness of the

CEBs in spending against agreed targets, and contrasts favourably with some other parts of the 2000-06 NDP in this regard. This performance has been acknowledged in the recent mid-term evaluation of the Regional Operational Programme<sup>15</sup> and of the NDP as a whole.<sup>16</sup>

### **5.2.2 Achievement of Physical Targets**

Spending alone is not of course an achievement in itself. Table 5.3 shows the performance of the CEBs against physical targets set for the 1994-99 period. Most but not all targets were surpassed. Generally, performance appears better in relation to 'harder' than 'softer' interventions.

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<sup>15</sup> Fitzpatrick Associates, *Mid-term Evaluation of the Border, Midland and Western Regional Operational Programme*, BMW Regional Assembly, September. 2003.

<sup>16</sup> Fitzgerald, j. et al, eds. *The Mid-Term Evaluation of the National Development Plan and Community Support Framework for Ireland 2000 to 2006*, ESRI Policy Research Series No. 50, October 2003.

**TABLE 5.3: ACHIEVEMENT OF CEB TARGETS 1994-1999**

	Indicator	Final Target (Revised)	Actual Out-turn 1994-99	Out-turn as % of Final Term Target
<b>M1</b>	Number of Customer contacts (1996-99)	190,000	53,400	28.1%
	Number of participants in school and college programmes. (1996-99)	59,573	62,000	96.1%
<b>M2</b>	Number of Enterprises that received business advice (1996-99)	17,940	10,900	164.6%
	% Of grant aided enterprises that received other supports (i.e. mentoring) (1996-99)	83%	50%	60%
<b>M3</b>	Number of Jobs that were approved for grant aid support (1995-99)	15,000	17,400	116.0%
	Number of Jobs that were created in enterprises supported by the boards (1995-99)	17,175	18,087	105.3%
	Total Grant allocations (1995-99)	€€71.1	€€96.3	135.4%
	Number of Enterprises that received grant support (1995-1999)	9,800	9,313	95.0%
	Number of Infrastructural and Environmental projects funded (1995-99)	98	87	88.8%
	<b>M4</b>	Number of Enterprises in Management Development programmes (1996-99)	6,000	7,099
	Number of Participants in Management Development programmes (1996-99)	10,000	7,764	77.6%
	% of participants in Management Development programmes (1996-99)	79%	35%	44%

**SOURCE: OPLURD FINAL REPORT 2003**

Table 5.4 compares actual results in the 2000-06 period to date with the current targets (in the Regional OP Programme Complements). Most targets for the CEBs' Micro-enterprise Measure as reported are close to or ahead of targets – at between 70% and 140% – indicating good progress to end 2002.

Overall this is a good performance, with six of the ten targets across the two regions achieved. The areas where targets were not met are however important ones – training certification (in the BMW)

and net new jobs created (in both Regions). The under-achievement is broadly in line with reported underspend in Table 5.2 (all at about 10% below target). Therefore, any underachievement of targets does not reflect a rise in unit costs.

**TABLE 5.4: ACHIEVEMENT OF TARGETS 2000-02**

	Indicator	Region	Mid-2003 Target	Actual Out-turn 2000-02	Out-turn as % of Mid-term Target
<b>M1</b>	<b>Output:</b> Enterprises supported/created	BMW	1,000	1,353	135.3%
		S&E	2,000	2,229	111.4%
		Total	3,000	3,582	119.4%
	<b>Result:</b> Private investment generated (mn)	BMW	25.65	32.975	128.6%
		S&E	51.73	60.17	116.3%
		Total	77.38	93.15	120.4%
	<b>Impact:</b> Net new jobs created	BMW	4,000	3,637	90.9%
		S&E	6,000	4,515	75.3%
		Total	10,000	8,152	81.5%
	<b>M2</b>	<b>Output:</b> Recipients of training	BMW	8,000	9,686
S&E			3,000	16,758	558.6%
Total			11,000	26,444	240.4%
<b>Result:</b> Participants on courses achieving recognised certification		BMW	2,000	1,326	66.3%
		S&E	2,250	2,464	109.5%
		Total	4,250	3,790	89.28%

**SOURCE: BMW and S&E REGIONAL ASSEMBLY**

### 5.2.3 Clients' View of CEB Effectiveness

As part of the research we carried out a survey of CEB client firms across seven case-study counties. Details of the methodology and the response are set out in the Annex 1. Some of the key results in relation to the effectiveness of the CEBs are given below.

#### **Client Assessment of CEB Support**

About 70% of companies rated the financial assistance received from the CEB as 'good' or 'very good' (Annex 1, question B5). This suggests a high level of satisfaction among clients with the CEBs' effectiveness in directing financial aid to projects.

#### **Types of Soft Supports**

In relation to soft supports, about half of companies received general advice and help, with many firms receiving multiple supports. Given the perceived access to information difficulties that exist for start-up companies, the prominence of general advice suggests that the CEB are filling an important gap in the range of services delivered to micro-enterprise. Over 80% of respondents rated the

quality of soft supports as 'good' or 'very good', and of these nearly half rated them as very good (Annex 1, Question B9).

### ***Relative Usefulness of CEB Supports***

The survey examined the relative rating of the usefulness of CEB supports against other agencies. On balance the results suggest that the CEBs are seen as either better or as good as other service providers (Annex 1, Question D4(a)).

### ***Rating of Quality of CEB Service***

The same question looked at the general quality of the CEB service relative to the other agencies. The results suggest that the CEBs generally perform similarly to other agencies (Annex 1, Question D4(b)).

### ***Client Views on Future Micro-enterprise Supports***

The survey asked clients three questions in relation to this. Firstly, they were asked about the most important future needs of micro-enterprise. The most frequently cited needs were access to start-up capital (60% of respondents), specialist advice (52%), other finance and general advice (each 37%), and new markets (32%), (see Annex 1, Question E1).

Asked if they would agree or disagree if state support to micro-enterprise ceased, 88% of respondents disagreed, with 9% indifferent and only 3% agreeing (Annex 1, Question E6).

Finally, asked if they see CEBs as 'the best way to develop micro-enterprise in Ireland' a resounding 92% responded that they are, with only the balance of 8% disagreeing (Annex 1, Question E7).

## **5.2.4 CEB 'Market Share'**

An interesting barometer of CEB effectiveness is their share of both all micro-enterprise and of start-ups, although it must be treated with some caution as is outlined later.

Table 5.5 shows the number of grant-aided clients for each CEB from 1994 to 2002 and compares this to the total 'stock' of micro-enterprises in each county. The total micro-enterprise stock is taken from Revenue Commissioner data on the number of firms in each county employing 1-9 people. On average, CEB grant-aided clients constitute about 10% of all micro-enterprise thus defined, i.e. 15,000 out of 150,000. This share varies by county, from as low as 3.5% in Dublin City to as high as 44% in Leitrim. For the majority of areas, however, the figure is nearer 10%.

**TABLE 5.5: CEB GRANT-AIDED CLIENTS AS A PROPORTION OF ALL MICRO-ENTERPRISE**

<b>County</b>	<b>Firms with 1-9 Employees</b>	<b>Total CEB Clients 1994-2002</b>	<b>CEB % of Total Micro-enterprise Employer Base</b>
Carlow	2,047	385	18.8%
Cavan	2,487	345	13.9%
Clare	3,840	490	12.8%
Donegal	4,988	367	7.4%
Galway	8,167	879	10.8%
Kerry	5,503	527	9.6%
Kildare	6,309	376	6.0%
Kilkenny	3,119	455	14.6%
Laois	2,142	399	18.6%
Leitrim	979	431	44.0%
Limerick	6,444	859	13.3%
Longford	1,249	437	35.0%
Louth	3,971	365	9.2%
Mayo	4,384	448	10.2%
Meath	5,678	419	7.4%
Monaghan	2,306	292	12.7%
Offaly	2,466	475	19.3%
Roscommon	1,968	386	19.6%
Sligo	2,009	438	21.8%
Tipperary	5,827	685	11.8%
Waterford	3,782	872	23.1%
Westmeath	3,178	415	13.1%
Wexford	5,484	562	10.2%
Wicklowl	4,756	338	7.1%
Dublin City	22,725	796	3.5%
Dublin County	16,956	1,468	8.7%
Cork City	5,851	417	7.1%
Cork County	13,231	869	6.6%
Other/Foreign	1,566	-	-
<b>TOTAL</b>	<b>153,412</b>	<b>15,195</b>	<b>9.9%</b>

Note: Only aggregate figures are available for comparison for Cork County, Dublin and Tipperary North and South.

**SOURCE: PMS, REVENUE COMMISSIONERS**



Turning from the client stock to the flow of new enterprises, Table 5.6 compares CEB new-firm grant approval in 2002 with all business start-ups in the same year with the latter defined as new company registrations. This gives a CEB share of about 5%.

**TABLE 5.6: CEB SHARE OF COMPANY START-UPS 2002 (INDICATIVE)**

Total number of CEB approvals in 2002	1,291
Indicative number of start-ups (50% approvals)	646
Number of company formations in 2002	13,732
CEB approvals as % of all company formations <sup>1</sup>	4.7%

<sup>1</sup> Our company survey shows 35% of CEB clients are not registered as companies.

**SOURCE: DERIVED FROM PMS, COMPANIES REGISTRATION OFFICE**

While both Tables 5.5 and 5.6 are interesting, their interpretation is more tricky. Firstly, the data being used are all imperfect. Some micro-enterprises might not be registered employers. For example, many CEB clients are sole traders (36% according to our survey (Annex 1, Question A4)), and so are not registered as companies, and the CEB category is '10 or less' while the Revenue is '9 or less'. CEBs also assist firms without grant-aiding them, and some CEB clients now employ more than 10 people (although not many).

Secondly, there is no clear ex ante hypothesis as to what would constitute appropriate CEB market shares in either instance, i.e. are 10% of all micro-enterprises and 5% of all start-ups too high, too low, or about right? (Research without an hypothesis is strictly speaking bad practice.) On the one hand, some degree of significant CEB 'footprint' would be expected if the system is to have any impact at all. Against that, the existence of generally agreed ineligible sectors (e.g. local services such as shops), the presence of other agencies and the need for selectivity suggests the CEB share of micro-enterprise or start-up should not be too high either.

One issue is that the apparent CEB client share in some counties seems very high. These are smaller counties and counties receiving high levels of CEB funding relative to their size. This is consistent with earlier concerns about the system for allocating CEB funding, and raises the question of whether some counties might be 'over-funded' by DETE, leading in turn to a less selective appraisal and approval system.

## 5.3 Efficiency

### 5.3.1 Cost per Job

Measuring the efficiency or value for money of interventions such as CEBs is very difficult. Grant cost per job has been used as a measure of efficiency in relation to Irish industrial, enterprise and employment policy for many years. It is recognised that it suffers from many limitations and is no

longer a main indicator measure used by the State agencies. However, it has the benefit of being in concept at least, easily understood and capable to some extent of comparison across agencies although such comparisons are still difficult in practice. Cost-per-job is also a convenient measure of both efficiency and ultimate value-for-money since jobs are both an immediate output and a proxy for wider economic benefits. Also, no very widely accepted alternative has been identified.

Grant cost per job involves dividing the number of jobs (associated with the financial assistance) into the amount of public money required to create that job. Both the numerator and denominator in this calculation require careful definition.

In relation to jobs created, the main choice is between gross and net employment change attributable to the financial assistance. The analysis here focuses on the net employment change due to data availability, i.e. that is what is collected by the PMS system.

Net employment change measures the number of sustained jobs over a period of time out of the cohort of jobs 'created' with CEB assistance. The use of net change creates difficulties at a county level. If the net change was negative, the measured grant cost per job is meaningless. The measure of grant cost per job used by EI focuses on jobs created and sustained at the end of each rolling seven year period.

The choice is wider in relation to the numerator, with the possibility of limiting the analysis to the funding given directly (i.e. Measure 1) to a company, the inclusion of expenditure on various soft support programmes that contribute to the overall service (i.e. Measure 2) and finally including the administration cost of running the agencies. The analysis here presents the results for all three i.e.

- (i) direct financial aid;
- (ii) above + soft supports;
- (iii) above + administration expenditure.

It should be recognised that the validity of including soft support expenditure could be questioned, given that these are not always expected to generate jobs directly, but rather to contribute to the wider policy objective of building up an enterprise culture and capability (which in the longer term may result in job creation with or without direct financial assistance from the CEB).

**TABLE 5.7: CEB SUMMARY OF GRANT COST PER JOB 2000-02 (€)**

<b>Expenditure Included</b>	
Financial support only	4,641
Financial plus soft support	7,217
Financial plus soft support plus administration	10,439

Note: Jobs are measured by net change in FTE employment.

**SOURCE: DERIVED FROM PMS**

Table 5.7 shows that the average direct cost per net job created, in the period 2000-02 is just over €4,600. Adding the soft support spending increases this to €7,217. The figure using grants only is broadly consistent with the estimate of €4,635 up the end of 1999, derived by Frank Fullard, CEO of Mayo County Enterprise Board.<sup>17</sup>

The company survey suggests that about 40% of new employees taken on by CEBs were either unemployed or seeking a first job prior to taking up employment (see Annex 1, Question C4). Assuming this is true, combined with the estimated grant cost per job, this suggests a very short repayment period for the State.

Apart from the precise calculation method, a number of wider factors can also impact on the measured grant cost per job and its interpretation. These are: the use and success of repayable finance; the extent of deadweight; the extent of economic displacement elsewhere following CEB assistance. Each of these is discussed below.

In recent years, many CEBs have introduced repayable grants as an alternative mechanism for funding projects. The case studies undertaken suggest that this has been a successful innovation. It has met with little opposition from recipients and to date has a high repayment experience. In relation to grant cost per job, it serves to reduce the ultimate cost to the State, and so as calculated above the grant cost per job is overstated to the extent that this type of funding is successfully used and recovered.

In a CEB context, repayable grants have not been used long enough for an estimate of the likely repayment experience to be made.

**Deadweight and Displacement:** The grant cost per job, as presented above, is underestimated to the extent that either or both of these effects are present in funded projects, since they essentially

<sup>17</sup> Frank Fullard, CEO Mayo CEB, *The Future of County and City Enterprise Boards*, a presentation on behalf of the CEOs Association, Forfás, 4<sup>th</sup> September 2003.

reduce the ultimate net benefit, measured here by jobs, i.e. the denominator in the grant cost per job calculation is overstated and therefore the resultant cost per job is understated.

In summary, therefore, the impact of each of these factors on grant cost per job is as follows:

<u>Factor:</u>	<u>Impact on Grant Cost/Job:</u>
Deadweight	Increase
Displacement	Increase
Repayability	Decrease

The following sections (5.3.2 and 5.3.3) deal with estimates for deadweight and displacement, respectively.

### **5.3.2 Deadweight Funding**

Deadweight funding may be described as public funding provided to a private sector project that is actually unnecessary in order for that project to proceed, i.e. if a project would fully go ahead without State assistance then, any assistance given can be regarded as deadweight. There has been much attention given to this in the academic and policy literature. The issue has also been highlighted regarding CEBs by various evaluations such as those by the Economic and Social Research Institute<sup>18</sup> and the NDP/CSF Evaluation Unit<sup>19</sup>. While all the studies mentioned below indicate that deadweight does exist, however, they differ in its estimated extent.

#### ***Irish Studies Estimating Deadweight:***

*Evaluation of a Regional Agency's Grants in Terms of Deadweight and Displacement.*<sup>20</sup> A study of recipients of grants from Shannon Development in the year 1995, undertaken by Helena Lenihan of the University of Limerick, identified a number of different aspects of deadweight. It found that deadweight can be considered in relation to scale; location; timing of projects.

The methodology used in the study was to ask respondents to answer a hypothetical question in relation to the issue of deadweight. The results of the study suggest the following:

- in 53% of cases, there was pure deadweight, i.e. no funding should have been necessary;
- in 36% of cases, there was partial deadweight, i.e. some funding was necessary but too much was provided;

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<sup>18</sup> Patrick Honohan, Edit, *EU Structural Funds in Ireland, a Mid-term Evaluation of the CSF, 1994-1999*, ESRI, 1996.

<sup>19</sup> CSF Evaluation Unit, *Ex Ante Evaluation of the National Development Plan, 2000-2006*, November 1999.

<sup>20</sup> Helena Lenihan, *An Evaluation of a Regional Agency's Grants in Terms of Deadweight and Displacement*, 1999.

- in 10% of cases, there was zero deadweight, i.e. all the funding was necessary.

*Commencements Survey of CEB Clients*<sup>21</sup>

A survey of CEB clients undertaken by Commencements in 1996 found that deadweight funding amounted to almost 50% for the whole sample, but it was approximately 44%, when projects promoted by community groups and co-ops are excluded. The survey did not distinguish between pure and partial deadweight.

*Evaluation of Micro-enterprise Supports across National/Local Development Agencies.*<sup>22</sup>

This evaluation examined the issue of deadweight through a questionnaire survey of over 500 clients of CEBs, EI, Shannon Development, Údarás na Gaeltachta and LEADER . The study estimates pure deadweight at about 45%, made up of 26% who indicated that they would have carried on if they had received no funding and 19% who indicated that they would have sourced the necessary funds elsewhere (roughly evenly divided between public and private sources). A further 37% indicated some element of partial deadweight, i.e. they would have carried on but at reduced efficiency levels. Only 12% indicated that they would have abandoned trading. Leaving out the 9% who would have found alternative public sources, this suggests a pure deadweight of about 36% and a partial deadweight of 37%

**Results of CEB client survey:**

In the survey of CEB clients, two specific questions dealt with the deadweight issue. The first question asked what would have happened if their project did not receive CEB funding (mirroring the question previously used by Lenihan), and attempted to estimate the different elements of deadweight. The outcome is shown in Table 5.8 (see also Annex 1, Question B6). The results for zero deadweight are reasonably consistent with Lenihan and the Industry Evaluation Unit surveys. Some 30% can be regarded as pure deadweight, while almost 60% can be regarded as partial deadweight, i.e. something would have occurred, but at a reduced scale or time-frame. The results suggest that only about one in ten projects would have done nothing without grant aid. In about 70% of cases the CEB assistance therefore had an impact.

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<sup>21</sup> Commencements, *A Survey of CEB Clients*, 1996

<sup>22</sup>The Industry Evaluation Unit, *Evaluation of Micro-enterprise Supports across National and Local Development Agencies*, Industry Evaluation Unit, Department of Enterprise, Trade and Employment, 1999.

**TABLE 5.8: ESTIMATED DEADWEIGHT FUNDING**

Without CEB assistance projects would have:	%
a. Gone ahead as now unchanged	30
b. Gone ahead at a different location	1
c. Gone ahead at a later date	13
d. Gone ahead but on a reduced scale	21
e. Combination of c. and d.	23
f. Abandoned the project	9
Note: Excludes those not answering.	
<b>SOURCE: ANNEX 1, QUESTION B6, SURVEY OF CEB CLIENTS</b>	

The second question examined the issue in a less direct way, asking companies how they think their business would have performed in the absence of CEB assistance. These answers suggest a pure deadweight factor of about 27% (fairly consistent with the earlier question) and a partial deadweight factor of about 41% (somewhat lower than in the previous question), although the presence of a large number of 'not sure' responses may distort the answer.

**TABLE 5.9: SUMMARY OF ESTIMATES OF DEADWEIGHT FUNDING**

Study (year)	Estimated Percentage Base	Estimated Percentage		
		Full	Partial	Zero
Lenihan (1999)	Shannon SME	53	36	10
Commencements (1996)	CEBs	44-50*		
IEU 12 (1999)	Various Agencies	36	37	
Fitzpatrick Assoc. (2003)	CEB	31	59	8
* No distinction made between pure and partial deadweight				
<b>SOURCE: VARIOUS</b>				

Table 5.9 summarises the result of the various surveys regarding deadweight. They generally point to it being a quite significant issue, with at least 30% of projects involving full deadweight, i.e. would have gone ahead anyway. However, only about 10% of projects would have gone ahead in exactly the same way, so the State is achieving a return on the balance of projects, i.e. something is happening which would not have happened anyway.

**CEBs Views of Deadweight:** The case studies indicate that on the ground the CEBs have no formal mechanism for quantifying the likely deadweight element of their proposed funding. However,

they are generally aware of it and have a range of protections in place to minimise its extent. The issue is dealt with at all stages, including the applications procedure, the Evaluation Committees and the Board. The specific methods used for dealing with the problem include:

- examination of company accounts if the proposal is from an existing company;
- financial analysis, including promoter's personal financial position;
- negotiating the level of support;
- maximum use of repayable grants, which mitigates the impact of this issue to an extent.

A number of CEBs deny that it exists at all, or see it as what one CEO described as 'an intellectual and not a real problem'. However, most would acknowledge that there is an element of deadweight. The point is also made that while projects may have gone ahead without funding, the failure rate would have been much higher. A somewhat similar view expressed was that deadweight, if it exists, ensures a better funding profile for the company and enhances the State's chance of getting its money back in the context of repayability.

A further view offered was that CEB financial assistance helps to lever out lending from banks and ensures that more projects go ahead and are properly funded.

One Board expressed a view that deadweight was lower in CEB projects than in other State agency supported projects due to greater local knowledge and better knowledge of individual promoters. Another, on the other hand, felt that deadweight in CEBs may be higher than in EI simply because EI is more selective in its targeting of clients. An EI study on deadweight in its client base is underway but results are not available to us at the time of this review.

### **5.3.3 Displacement**

Deadweight and displacement are often treated as 'twins' but they are quite different issues. Their shared feature is that they can each reduce the impact of public interventions in favour of the private, commercial sector. Displacement can be defined as the loss in output/employment/revenue experienced by an existing company following and due to the establishment of a new project or the expansion of another existing company. If the project is funded by a state body, such as a CEB, then the net impact of the new project is less than its gross impact, and so the benefit to the economy is overstated and value for money/efficiency indicators, such as grant cost per job, are understated. It too has been dealt with in a number of academic and other studies.

#### *An Evaluation of a Regional Agency's Grants in Terms of Deadweight and Displacement:*

The study concedes that estimates are very approximate. Lenihan refers to two earlier studies in the UK dealing with the impact of Regional Selective Assistance, by King and by PA Cambridge Economic Consultants Ltd. The King study estimated job displacement of 27%, while the PA study

estimated an output displacement of approximately 31%. Other studies referenced by Lenihan show displacement factors of less than 38%. A further study cited, by Hart and Scott of firms assisted by LEDU in Northern Ireland, found a jobs and output displacement level of 40%.

Lenihan's own study examined displacement of output within the Shannon region by Shannon Development assisted firms. The method used was to:

- establish the extent to which Shannon Development-assisted firms sell their products within the local/regional market. This was estimated by the question 'What percentage of total sales are sold to customers in the local, regional, national and international areas?';
- establish the extent to which sales by Shannon Development-assisted firms displaces output from other local/regional firms rather than national firms or importers. This is estimated by the question 'How many competitors do you have?'

The results showed that 29% of survey firms' sales were sold within the Shannon region. Some 14.5% of sales by survey firms compete mainly with other firms within the Shannon region. Putting these figures together, the estimate of displacement is 4.2% (i.e. 14.5% of 29%)

#### *Commencements Survey of CEB clients 1996*

This study asked respondents to indicate the main sources of business growth. Some 11% indicated that they had taken business from an existing competitor. This was subsequently used as an estimate of displacement by Goodbody Economic consultants, in the Mid-term Review of the 1994-99 OPLURD.

#### *CNAG Local Development Initiatives Report on Value for Money Examination*

This study uses an earlier study of the Area Allowance Enterprise Scheme, administered by the Partnership Companies, to estimate displacement. One estimate in that report suggested that about 64% of business was diverted from other Irish firms, and that 41% of employment was at the expense of other enterprises. The CNAG authors felt that this estimate was too high and, using different assumptions and a different method, estimated the employment displacement at 19%. The report of the C&AG states, without any clear evidence of source, a deadweight estimate of 20-40% for local development initiatives.



**TABLE 5.10: SUMMARY OF ESTIMATES OF DISPLACEMENT IN SMES – IRISH STUDIES**

Study	Coverage	Estimated Percentage
Lenihan (1999)	Regional	4.2
Commencements (1996)	National	11
CNAG (1999)	National	20-40

**SOURCE: VARIOUS**

**Results of the Client Survey:** Our CEB client survey (Question A11) dealt with the issue of geographical spread of CEB client markets. The responses indicate that 57% of turnover is from the home county of the promoter (local market), with a further 33% from the rest of Ireland (national market). This level of local sales is about twice as high as that estimated by Lenihan (29%), who was examining a different client base. While this data does not prove a high level of displacement, it could point towards a potentially higher level than that estimated by Lenihan.

Against that, it is possible that the level of displacement has fallen over time, as the degree of import penetration of domestic markets has increased. Since a very higher proportion of product sales in many even traditionally non-traded markets are now imported products, there is perhaps a greater chance that the business won by newly supported projects is at the expense of imports rather than other domestic competitors.

The case studies suggested that the CEBs were more satisfied with their own ability to avoid local displacement than with deadweight, basing this confidence on their knowledge of the local market. They claim that they control it by research of each project. They attempt to address the issue at the application stage, through their knowledge of existing businesses and at Evaluation Committee/Board level by requesting and examining the relevant information. CEBs also point to an absence of complaints about displacement. This is a valid point at local level where competitors would be likely to be aware of and sensitive about subsidised competition.

The focus of their attention, however, is almost uniformly on their own county or at most neighbouring counties. While from their individual perspectives, this is not appropriate to an essentially national programme in a small country, and it is a matter of surprise that no central guidance appears to have been given on this key interpretation of the issues. Given this concentration on the county, CEBs are ignoring the potential displacement effects elsewhere in the country as a whole.

Some CEBs would suggest that in practice they are less worried by this as a principle than by deadweight on the basis that new companies increase competition and consumer benefits. This is an interesting argument and has some validity, but its logical conclusion is that there should be

then no concern about displacement even within the county as a whole, and CEBs would not generally subscribe to that proposition.

***Displacement and Sectoral Eligibility:*** Displacement is of course closely related to the question of sectoral eligibility since a primary reason for excluding some sectors from eligibility is the danger that they might involve inherently large levels of displacement, most notably in the case of local services such as shops, hairdressers, etc. Section 3.5.8 in Chapter 3 has already described how sectoral eligibility is currently specified as far as CEBs are concerned. As was set out there, the area is one where there is some considerable ambiguity in terms of the overall policy and intention, and a considerable degree of variety of practice as between how individual CEBs set out their eligibility criteria.

Observation of what some CEBs are currently grant-aiding also raises concerns about the potential for displacement. This is evident in two ways: firstly, our company survey shows that many companies regard themselves as belonging in sectors which might be regarded as largely ineligible on the potential displacement grounds (see Section 3.4 earlier) where it is shown that wholesale, retail and distribution and professional services together account for over 20% of clients.

Examination of the annual reports of some CEBs also gives rise to concerns in this regard and to the fact that local services are in fact being grant-aided in some cases. For example, CEB Annual Reports list recipients of financial assistance as being in (among others) the photography, craft shop, jewellery, bakery, garage, dog grooming and environmental consultancy sectors. The appropriateness of a project for CEB assistance will, of course, depend on what precisely the project is. An enterprise in such locally-based services might become involved in some new or innovative product or service with a potentially wider market. This suggests that a brief but clear description of the actual project, as distinct from just the promoters sector, would be helpful in CEB annual reports and on websites.

### **5.3.4 CEB Administration Costs**

Another dimension of CEBs frequently cited in an efficiency context is that of spending on administration. In available data 'administration' spending includes all costs not directly attributable to the various measures/schemes in which the CEBs are involved. It is made up of all payroll and associated costs, normal office running costs etc. The cost of administration as a percentage of all expenditure across all counties is budgeted at just over 31%, with significant variation across counties. It ranges from a high of close to 50% to a low of under 20% (see Table 5.11).

Table 5.11 below outlines administration as a percentage of overall expenditure for each of the CEBs for the periods 1994-99, and 2000-02. These are ranked in order of total percentage spent

accounted for by administration. In both periods, North Cork CEB has the highest proportion of expenditure compared to the overall cost of the Board. Similarly, Dublin City CEB has the lowest proportion of administration expenditure compared to the overall expenditure of the Board. Between 1994-99, total administration costs as a percentage of overall costs nationally amounted to 24.3%, i.e. six percentage points lower than the proportion for the 2000-02 period.

**TABLE 5.11: ADMINISTRATION AS A % OF OVERALL EXPENDITURE**

<b>CEBs</b>	<b>1994-99 Adminstr ation % Of Total Expenditu re</b>	<b>CEBs</b>	<b>2000-06 Administration % Of Total Expenditure</b>
North Cork	32.2%	North Cork	49.3%
North Tipperary	30.4%	Limerick City	39.6%
Sligo	29.3%	Louth	38.8%
Monaghan	29.1%	Leitrim	37.2%
Meath	28.7%	Monaghan	37.0%
South Tipperary	28.3%	Carlow	35.4%
West Cork	27.9%	Westmeath	34.4%
Kerry	27.9%	North Tipperary	34.2%
Leitrim	26.4%	Longford	33.9%
Limerick City	26.3%	Wicklow	33.8%
Kildare	26.2%	Kildare	33.8%
Kilkenny	26.1%	Offaly	33.4%
Longford	26.1%	Meath	32.8%
Waterford County	25.6%	West Cork	32.3%
Roscommon	25.6%	South Cork	32.2%
Clare	25.5%	Sligo	32.1%
Donegal	25.4%	Laois	31.7%
Wicklow	24.9%	Roscommon	31.4%
Westmeath	24.5%	Fingal	30.5%
Mayo	24.4%	Kilkenny	30.5%
Cork City	24.4%	Galway	30.2%
Louth	24.2%	Kerry	29.9%
Cavan	23.9%	Mayo	29.2%
Laois	23.8%	Clare	29.2%
South Cork	23.7%	Waterford County	27.7%
Offaly	23.4%	Cork City	27.6%
Carlow	22.6%	South Tipperary	27.5%
Wexford	22.6%	Wexford	27.5%
Limerick County	22.2%	Limerick County	27.4%
Galway	22.0%	Cavan	26.9%
Fingal	21.8%	Dun Laoghaire/Rathdown	26.6%
Waterford City	21.5%	South Dublin	26.3%
Dun	20.5%	Donegal	25.7%
Laoghaire/Rathdown			
South Dublin	18.1%	Waterford City	21.8%
Dublin City	16.2%	Dublin City	19.3%

**SOURCE: PMS**

Administration expenditure increased by 8.6% between 2000-01 (from €8.2 mn in 2000 to €8.9 mn in 2001) and increased by a further 18%% between 2001 and 2002 (to €10.3 mn in 2002). The

budgets for 2003 show that administration expenditure is planned to decrease by 6.1%% to €9.9 mn, but will still be up on 2000 in percentage terms (see Table 3.2 earlier).

An important limitation of CEB administration costs as a barometer of efficiency is that it includes all staff costs, i.e. it includes those costs associated with a range of developmental activities undertaken by the CEBs but which are not included under the Micro-enterprise Measures. Exclusion of staff time and costs associated with these activities could reduce the calculated administration cost significantly. There is no systematic, up-to-date estimate available of the proportion of staff time which goes on these activities, however.

It is also arguable that even if the existing Regional OP Measure were discontinued and all of CEB time and cost still devoted to such non-Measure activity, pushing 'administrative' spending up to 100%, CEBs could still be fulfilling a valuable function. Additionally, if OP spending on Sub-measures 1 and 2 falls for budgetary reasons, the short-term 'administration' percentage share will automatically rise. Direct comparisons with other agencies are also not really valid given the diverse nature of the activities of each and different accounting procedures used. The percentage share of LEADER expenditure devoted to 'administration' is much lower. This reflects a cap placed on it and LEADER Groups would appear to charge some costs, e.g. contract staff, to programmes. The CEB administration as a percentage of total annual spend as reported is lower than the mainstream industrial development agencies, but again there is a major issue of whether like is being compared with like.

Overall, the need is for an accounting system that allocates staff time to functional areas within CEBs.

One measure of the efficiency of CEB activity is the number of projects approved per year per staff member. At 1,200 projects per 150 staff, this works out at eight projects per staff member. Again, however, this does not capture the range of non-OP activity undertaken by the CEBs.

### ***5.3.5 Observations on Effectiveness and Efficiency from Case Study Visits***

The visits to the seven case study counties involved visits to CEB offices and discussions with Boards, Evaluation Committees, Chief Executives and other staff. These visits did not constitute any type of a systematic management audit, and observations based on them are largely impressionistic. These impressions straddle the areas of both efficiency and effectiveness.

The general impression created by the visits were broadly positive. The experience was one of small, tightly run organisations, displaying a high degree of professionalism and commitment, particularly motivated by the fact that they were working for, and on behalf of, their own county area. Specific features would have included:

- high levels of dedication and commitment on behalf of the Chief Executives and staff, and a high quality of staff. A number of staff are educated to Masters degree level and are comparable as executives in any of the national industrial development agencies (indeed, there has been some exchange of staff in both directions with the national agencies);
- a high level of ongoing commitment, on a voluntary basis, by local representatives of the business community, the local authorities (elected membership and staff) and banking and other business and professions in the county on both Boards and Evaluation Committees;
- generally good operating relationships on the ground, even where there may be some tensions about responsibilities and 'territory' at national level. IDA and EI staff on Boards and Evaluation Committees generally appeared interested and regard the CEBs as a useful instrument in the overall enterprise policy firmament. In a few areas there are lingering tensions with LEADER in the area, often seemingly reflecting personality clashes as much as inherent institutional problems since in most areas no such problem seems to persist;
- genuine attempts are made to address serious and difficult issues including those of deadweight and displacement, as well as overlap and duplication, on a par with what might be reasonably expected – and it must be said frequently in the absence of any very clear national guidance or technical support.

In relation to staff numbers, it is likely that as they currently operate, most Boards are close to their minimum efficient size. To achieve major efficiency economies would be likely to require radical fundamental. Something at or close to the current level of staffing is probably the 'price' of a local delivery system. We return to this issue in the final chapter.

## **5.4 CEB Impact**

### ***5.4.1 Introduction***

This section considers the ultimate impact of CEB assistance to micro-enterprise. It first deals with job creation as currently the core impact indicator used. It then addresses a number of other issues where impact can be quantitatively assessed including survival and growth of CEB clients, and the CEB impact on women in business.

### 5.4.2 Overall Employment Creation

As has previously been described, the PMS records the number of net jobs added since a client company first received CEB assistance, i.e. it records total employment in the CEB grant-aided client base back to 1994 so that the net year-on-year change can be gauged.

As shown in Table 5.12, about 20,000 net jobs were created between 1994 and 1999, and a further 8,500 between 2000 and 2002. Of the jobs created between 1994 and 1999, 3,728 (17.1%) were part-time jobs and of the jobs created between 2000 and 2001, 1,514 (27.8%) were part-time jobs<sup>23</sup>. The average number of jobs created per annum between 1994 and 1999 is 3,341 compared to 2,855 between 2000-02. However, data may not be fully comparable.

Year	Number of Projects Approved	Number of Jobs Created	Number of Training Participants
1994-99	11,568	20,046	29,607
2000-02	3,627	8,565	38,186

NOTE: Expenditure per project approved, job created and participants involved are based on estimates.

SOURCE: PMS

### 5.4.3 CEB Client Views on Main Impacts

A number of questions in the client survey examined the impact of the CEBs as perceived by the companies:

- Question C1 asked about with the main impacts of CEB support. The results show that increased employment and increased turnover were the two most frequent impacts cited;
- Question C2 examined the expected growth performance of the company in the absence of CEB funding. It shows that about half of respondents felt that their company would have grown more slowly or even declined, with only a quarter estimating that it would have grown at the same rate;
- Question A7 examined the impact on company turnover of CEB support. Only 2.8% of companies had turnover in excess of €1 mn prior to CEB support. This had grown to 10 in 2002 and is expected to grow to 21 in 2005;
- Question A11 asked companies about sales outside their local (county) area. Some 32% of companies report having such sales prior to CEB assistance, this had risen to 41% by 2002, and is projected to rise to 46% by 2005.

<sup>23</sup> Data is not available on full-time and part-time for 2002.

Full survey results are presented in Annex 1.

### 5.4.4 Survival and Growth of CEB Clients

This section looks at survival and progression levels by CEB financially-assisted clients in the seven case study CEBs, with the survival and progression of both start-ups and existing enterprises each looked at separately.

#### Start-ups

Table 5.13 provides details on the number of start-up projects approved in the seven case study CEBs in the two years 1994 and 1997. It indicates the percentage of start-up projects funded in these years that reported continued employment at the end of 2002 (this is used as a proxy for project survival)<sup>24</sup>. In general, 40%-60% of projects that received grant aid were still providing employment in 2002. For some CEBs this figure is as high as 80%. Projects that were not providing employment at end 2002, on the other hand, are either enterprises that have ceased trading or (in the case of Cavan, Mayo, South Dublin and Wexford) feasibility study projects that did not lead to subsequent enterprise development.

**TABLE 5.13: SURVIVAL IN 2002 OF START-UP PROJECTS APPROVED BY CEBS IN 1994 AND 1997**

CEB	Total Number of Approvals	Reporting Employment in 2002 (%)
<b>1994</b>		
Cavan	30	47%
Mayo	51	86%
Offaly	7	86%
South Dublin	29	41%
West Cork	37	68%
Wexford	19	42%
<b>1997</b>		
Cavan	24	46%
Mayo	29	83%
Offaly	21	57%
South Dublin	77	55%
West Cork	25	80%
Wexford	27	52%

Note: Only includes projects that were paid grant monies. Figures for Offaly and West Cork also exclude payments for feasibility study grants (these were not separately identified in the information provided by other CEBs).

**SOURCE: CEBS**

<sup>24</sup> Boards report that there are no 'non-responses' to their Annual Employment Surveys.

These figures suggest that survival rates for CEB-assisted start-ups are about average, as it is generally assumed that survival rates for all business start-ups are 60-70% after five years, i.e. failure rates are 30-40%. The survival rate for the 1994 cohort is very similar to that for 1997, however, suggesting that firms that survive the first five years are likely to continue to survive.

Start-ups that receive higher levels of grant aid are also typically more likely to survive. For example, about 120 start-up projects in Cavan, Mayo, Offaly, South Dublin, West Cork and Wexford received grant aid of more than €10,000 following their approval in either 1994 or 1997. Of these, about 66% were still providing employment at end 2002 (compared to 40%-60% for all grant-aided start-ups).

In addition, clients' level of progression provides another barometer of the performance of CEB clients. Using employment levels as an indicator of progression, figures show that start-up projects approved for grant aid in Offaly in 1997 supported 29 full-time job equivalents at end 2002. Equivalent figures for other case study areas include 61 full-time job equivalents in Mayo, 73 in Wexford, 80 in West Cork, 98 in Cavan and 106 in South Dublin.

**Existing Enterprises**

Table 5.14 provides similar details for the number of existing micro-enterprises that were approved for expansion in the case study CEBs in 1994 and 1997. In general, the survival rate for existing enterprises is much better than that for new start-ups, as between 70% and 100% of such enterprises that were funded by the CEBs were still providing employment at end 2002 (though this again varies by CEB). This is probably not surprising, however, and it would be expected that survival rates for existing enterprises would be higher.

**TABLE 5.14: SURVIVAL IN 2002 OF EXISTING ENTERPRISES APPROVED BY CEBS IN 1994 AND 1997**

CEB	Total Number of Approvals	Reporting Employment in 2002 (%)
<b>1994</b>		
Cavan	28	79%
Mayo	5	100%
Offaly	5	100%
South Dublin	10	80%
West Cork	8	63%
Wexford	2	50%
<b>1997</b>		
Cavan	20	70%
Mayo	10	100%
Offaly	22	95%
South Dublin	13	54%
West Cork	14	79%
Wexford	27	81%



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Note: Only includes projects that were paid grant monies. Figures for Offaly and West Cork also exclude payments for feasibility study grants (these were not separately identified in the information provided by other CEBs).

**SOURCE: CEBs**

Existing firms also show high levels of progression (again using total net employment as an indicator of progression). For example, expanding enterprises funded by Wexford CEB in 1997 increased their total net employment from 41 full-time job equivalents to 177 full-time job equivalents at end 2002. Over the same period, expanding enterprises funded by Offaly CEB increased their full-time job equivalents from 71 to 147, while other comparable FTE increases were from 48 to 86 for West Cork CEB and from 26 to 62 for Mayo CEB<sup>25</sup>.

### **5.4.5 Women in Enterprise**

The CEBs have had some success in promoting the involvement of women in enterprise. The survey of CEB client companies indicated that 24% of companies had a female promoter with a further 9% involving a male/female team (see Annex 1, Question A6).

### **5.4.6 CEB Client Referrals**

When they were originally established, the significance of the CEBs' '10 employees and below' threshold was that this provided a clear division labour between CEBs and the then Forbairt. The theory was that when CEB clients grew above 10 in size they would be referred upwards to the main agency.

CEBs have had a number of notable successes with companies which have now grown well above the 10 size category. This can be seen in:

- significant numbers of clients that CEBs can cite as their 'star performers', and which now tend to be trading internationally and employing 10-50 employees or even more;
- the prominence, in job number terms, of firms with above 10 employees in the CEB client database. For example, half of all employment in some counties is now accounted for by firms who employ more than 10 people, and as few as 5-7 of the largest firms on the database can account for up to one-third of total employment (numbers are based on the case study counties).

Notwithstanding this, while there are some former CEB clients who have become active EI clients, numbers appear to be very small. This can not, however, be taken as a measure of the success or otherwise of CEBs. A predominant reason is changes in EI's approach which means two things:

- (a) if former CEB clients do not constitute high potential start-ups as defined by EI they may not be of interest to it;

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<sup>25</sup> These figures are consistent with the pattern of overall employment growth evident for the CEBs as a whole.

- (b) where micro-enterprises may constitute high potential start-ups EI picks these up directly (as evidenced in the fact that it provided financial assistance to nearly 300 firms of below 10 employees in 2002).

The situation calls for re-visiting the interface between CEBs and EI in relation to both firms above and below 10 employees. We raise this issue again in the final chapter.

# Chapter 6 Conclusions and Recommendations

## 6.1 Key Questions and Challenges

### 6.1.1 Key Review Questions

As set out in Chapter 1, this Review of the CEB network addressed four key questions:

- **Question 1: Should the State support micro-enterprise in Ireland and, if so, why?**
- **Question 2: If the answer to Question 1 is 'yes', what should policy be towards micro-enterprise?**
- **Question 3: Reflecting both the rationale and policy, what instruments should be used to support  
micro-enterprise?**
- **Question 4: What should the institutional arrangements governing micro-enterprise be, and how  
do CEBs fit within this?**

Question 1 raised the basic issue of whether or not the State should be involved in providing direct financial and other assistance to micro-enterprise. This is akin to asking whether or not there is a market failure and if so what it is. The answer to this question is important in two ways. Firstly, it helps determine whether or not there should be any assistance to micro-enterprise through the CEBs or other organisations. Secondly, the nature of the answer to the question (the reason why assistance should be provided) is an important determinant in the answer to questions 2-4.

Question 2 asks what should the nature of policy be, i.e. what should the overall national strategy towards micro-enterprise be, and what kind of goals and targets should be set.

Question 3 addresses the issue of instruments. Instruments refers to the current interventions being used, i.e. financial assistance, advice and advisory services, as well as possible other instruments that are not used at present.

Finally, Question 4 raises the issue of institutional arrangements. This question is deliberately placed last in the series for three reasons. Firstly, starting with institutional questions usually means these it dominate all subsequent debate and analysis of issues such as the CEBs to the detriment of others. Secondly, if the first three questions can be addressed in a systematic fashion, the answer to the institutional arrangements may emerge as less potentially contentious than might otherwise

appear to be the case. Thirdly and most crucially, while possibly the most interesting to many people the institutional question is not necessarily the most important one. The first three questions, individually and in combination, are more important, i.e. should there be CEBs at all, do they serve a useful purpose and if so what, and is what they do worth €25-30 mn annually in direct exchequer costs and the resulting income foregone by Irish citizens through taxation.

The approach of this Chapter is to address Questions 1-4 in turn. This is done in Sections 6.2 to 6.5. Section 6.6 then presents the recommendations, while 6.7 makes a number of observations in relation to both small enterprise and local development that go somewhat beyond the Terms of Reference.

### **6.1.2 Challenges in Drawing Conclusions**

As was acknowledged in Chapter 1, the study questions are and complex ones in relation to the CEBs. Particular challenges arise from:

- the absence of a recent specific national policy statement either in relation to micro-enterprise and small enterprise, or in relation to the link between these wider enterprise policy;
- the degree of diversity across the 35 individual CEBs, making generalisations difficult;
- the fact that a number of issues of perennial difficulty arise, in particular deadweight and displacement, which are problematic to analyse and where there is no wider national position on the extent to which their presence is acceptable or otherwise in enterprise policy interventions;
- the fact that the study takes place in an external policy context which is itself evolving, most notably in relation to national enterprise policy (which is about to be reviewed) and in relation to ongoing debate on the nature of local development structures generally (which include the CEBs).

These challenges mean that ultimately conclusions and recommendations necessitate assessing the various evidence and coming to balanced conclusions based on this.

## **6.2 Should the State Support Micro-enterprise, and Why?**

### **6.2.1 Introduction**

While many, particularly practitioners in the business of support to micro-enterprise, may find this question 'academic', it is important to consider the fundamentals of the micro-enterprise activity in which CEBs are engaged.

Our view is that it is particularly important to consider ‘why’ it is being done, rather than simply saying ‘yes’ or ‘no’ as to whether it should be done. If the assessment is positive, the basis for this is crucial in subsequently deciding what the focus of support to micro-enterprise should be, and how it should be delivered.

### ***6.2.2 The Case Against State Support to Micro-enterprise***

A series of arguments can be put forward as to why the State should not provide any significant support to micro-enterprise. These are listed here:

1. there is no ‘market failure’, i.e. that there is no fundamental need for the State to intervene in order to bring about outcomes that the market left to itself would not bring about. Evidence that can be cited in favour of this position at present is that the share of micro-enterprise in all enterprise in Ireland is quite high and in keeping with that in many other countries. Also, recent studies have shown that the level of business start-up and of overall entrepreneurship in Ireland is relatively high, in contrast to what would have been the situation when the CEBs were initially established;
2. more generally in relation to the external environment in Ireland, it can be argued that this has been transformed since the CEBs were established in the early 1990s. This transformation relates to overall levels of economic activity, to the general climate for business and entrepreneurship, e.g. access to finance, and the level of unemployment and long-term unemployment. Like many interventions, the CEBs were conceived against a background of high unemployment in which it could be argued that virtually any reasonable intervention that helped to address this constituted good value for money from an exchequer perspective – given the economic and social costs of the alternative of having large numbers of people on the dole;
3. national Irish enterprise policy as typically espoused is at best fairly neutral in relation to micro-enterprise, and at worst unsupportive given its emphasis on selectivity and firms of high growth potential. Alongside this policy, a system supporting a broad base of micro-enterprise seems in many ways out of place. This is particularly so when de facto there is no real policy in relation to SMEs above 10 employees, except for the minority who would be eligible as high potential start-ups;
4. whatever the intentions, support to micro-enterprise inevitably involves some level of deadweight and displacement and, that whatever about absolute levels of expenditure, value-for-money is in consequence always going to be lowered.

### ***6.2.3 The Case in Favour of Support to Micro-enterprise***

Arguments in favour of the principle of publicly-funded support to micro-enterprise are:

- while the overall level of start-ups in Ireland may be satisfactory, the quality and sustainability of many of these is questionable and could be improved;
- there are wider potential economic benefits from the establishment of start-ups in terms of innovation, entrepreneurship and general vibrancy of the economy;
- there is a good economic case for a general level of awareness and information provision in relation to both enterprise generally, and in relation to the interface between the State and enterprise in particular, and this is virtually of a public good or public service nature;
- supports to the generality of micro enterprise can and do produce occasional winners, a small number of whom will outweigh the overall costs involved;
- small and micro-enterprise, particularly in regional and rural areas, remains weak and has in many ways not been transformed by the Celtic Tiger period;
- by providing the services both to bigger internationally trading firms, and better and more competitive services to the public at large, micro-enterprise can assist national competitiveness which is now a key policy focus;
- while on average unemployment is very low, there will always be some unemployed pockets, new labour market entrants and people outside the labour force for whom local micro-enterprise offers a first step on the employment ladder;
- there is an accepted economic rationale for capacity-building interventions in favour of both businesses and individuals (i.e. soft support) mirrored in national support to in-company training and the current emphasis on life-long learning, and that this rationale relates to a wider client base than just EI-eligible manufacturing and traded services.

Alongside these arguments of principle, i.e. of possible market failure which is being addressed, a number of more pragmatic arguments can also be made:

- that the present uncertain post Celtic Tiger period would be an especially inappropriate time to consider a major withdrawal of support to micro-enterprise;
- most other EU and other developed countries provide assistance to micro-enterprise. While this is not an absolute 'killer argument' in its own right, it would be hard to argue that most other countries are actually wrong in this judgement;
- support to micro-enterprise is a useful complement to a more selective wider industrial policy in that it allows mainstream policy to focus in the high potential areas while still providing some modest level of support to micro-enterprise;
- some level of direct support to micro-enterprise is part of a wider effort to improve and retain a positive atmosphere towards enterprise and enterprise creation, and is tangible evidence of public policy support for the wider generality of enterprises, not just the most high potential ones.

In relation to deadweight and displacement, the issue is not whether these exist but whether their existence constitutes an overwhelming argument against support to micro-enterprise. We take the view that it is an important consideration, but not the only one. We are also unaware of any decisions in relation to indigenous enterprise support in Ireland more generally which state definitively that presence of some level of deadweight and displacement rules out all questions of provision of exchequer support. Rather, public policy in this area appears to be that some level of deadweight in particular may be the price of achieving wider benefits.

### ***6.2.4 Arguments for and Against the CEBs Specifically***

Sections 6.2.2 and 6.2.3 have considered the case for and against the principle of state support to micro-enterprise. Turning specifically to the network of CEBs, 'minuses' and 'pluses' can also be cited.

Arguments against the CEB system include:

- that its nature, involving 35 small individual Boards, is inefficient;
- that based on published information many projects assisted appear to involve likely levels of displacement even within their own local areas;
- that alongside EI, LEADER companies and to some extent Partnerships, there is no need for a separate dedicated CEB micro-enterprise structure;
- that the network of Boards involves varying levels of quality and performance;

Arguments in favour of the CEB structure are:

- that it largely delivers on targets set for it;
- that its overall cost and cost per job are relatively low;
- that overall its client base has expanded consistently and continues to do so, and has produced occasional significant 'winners';
- that it garners extensive local commitment from Boards and Evaluation Committees (both voluntary) and from quality and dedicated staff;
- that CEB services are rated very highly by users;
- that they have, and should retain, a primary focus on local enterprise, leaving wider local development roles to other bodies that exist for that purpose (i.e. CDBs, LEADER, Partnerships).



## **6.2.5 Our Overall Conclusions**

Our overall conclusion is that notwithstanding the considerable transformation of the economy, a case remains for provision of support to micro-enterprise in Ireland via the CEB network. This is based on the balance of the evidence. It is also conditional on:

- greater clarity and consistency of rationale and objectives than is currently the case;
- a clear and unambiguous focus on the 'E' in 'CEB', i.e. on the core enterprise agenda;
- a continuing trend in resource use away from grants to repayable finance as well as to soft supports and to the wider enterprise culture agenda;
- the issues of potential deadweight, displacement and duplication being addressed more systematically and rigorously;
- much stronger central co-ordination and support being put in place.

## **6.3 What Should Policy Towards Micro-enterprise Be?**

### **6.3.1 Introduction**

Section 6.2 has addressed the first of our four key questions in relation to CEBs, i.e. 'should the state support micro-enterprise', with a 'yes'. This positive answer is, however, conditional on enhanced attention being given to a number of aspects of CEB operations and activities. The next major question then to be addressed is what should overall national policy about CEB-assisted micro-enterprise be.

There are already multiple versions of policy towards CEBs in various documents. However, a problem is that there are arguably too many versions, that CEBs are being asked by government to deliver on multiple co-equal objectives, and that this risks a lack of focus and consistency in the direction provided from central level.

There is in particular a need to separate out overall high-level objectives on the one hand from other spin-off benefits on the other. In other words, CEBs can and do have multiple benefits, but many of these do not constitute the primary reason for the CEBs as an intervention.

We make our specific proposals in relation to these matters below. In making them we are not proposing radical changes, only greater clarity.

### **6.3.2 Overall CEB Mission – Recommendations**

In keeping with the title of **Enterprise** Boards, the overall mission of the CEBs should be unambiguously about developing small enterprise in the Irish economy and society, and about

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promoting entrepreneurship and an enterprise climate and culture through interventions directed at existing micro-enterprises at start-up micro-enterprises, and at those who might start micro-enterprises.

### ***6.3.3 Proposed Specific Objectives – Recommendations***

We feel that the core objectives of the CEB system should therefore be clearly enterprise focused and should be to:

- encourage quality micro-enterprise start-ups, with ‘quality’ referring to a degree of innovation, growth potential, and general local and national net economic contribution;
- encourage continuous improvements in micro-enterprise. There is a good case from a national competitiveness perspective to ensure that all small and micro-enterprise in Ireland uses good practice and engages in continual improvement, in production processes, in marketing, and in staff development;
- generate referrals ‘upwards’ to the main agencies, i.e. that out of the companies assisted by CEBs some will progress to the mainstream EI system;
- support viable micro-enterprise in areas where there are few employment alternatives. This would include deprived areas in cities, and more regional and rural areas outside the cities;
- promote a positive enterprise culture across key areas of society such as in the education system, in career guidance, and among people entering the labour force etc.

### ***6.3.4 Wider Benefits of Assisting Micro-enterprise***

In addition to the five objectives in Section 6.3.2, there are a series of other important benefits to which the CEBs can contribute but which do not per se constitute the core objective of the CEBs. Therefore we recommend that the CEBs should contribute to but not be primarily about:

- **increasing competition:** we feel that while this is a useful spin-off benefit in some cases, it is not a universal argument for supporting micro-enterprise. Promoting competition is the job of competition rather than of enterprise policy, and a pure focus on competition taken to its logical conclusion would mean that irrespective of displacement assistance should be provided in cases where shops, hairdressers, etc exist but might be inefficient. Providing assistance to some firms to compete with existing (unassisted) ones also constitutes unfair, subsidised competition;
- **employment creation:** we feel that CEBs should not be about employment creation per se. Notwithstanding the current dip in the economy, there is little prospect of the overall unemployment situation returning to what existed in the early 1990s and this change in economic circumstances allows for a sharper definition of CEB objectives. (This in turn has implications for how CEB performance is measured which we deal with in Section 6.6 below);
- **exclusion:** CEBs are not about addressing social exclusion per se. There is a separate mechanism for addressing this issue, namely the Partnership companies, even from an

enterprise perspective. While CEBs can contribute to this agenda, e.g. through their clients' recruitment of unemployed people, this need not be a primary focus.

## 6.4 What Instruments Should We Use?

Our conclusion here is that the broad range of instruments currently available to CEBs is quite comprehensive, and comparable with those available in other countries. The main exception may be in relation to the specific types of non-repayable finance and other financial instruments. There would appear to be more innovation in this regard in other jurisdictions than in Ireland, e.g. interest rate subsidies, loan guarantees, etc.

In relation to the balance of the instruments, we think a key determinant is the strength of the underlying economic rationale. The economic rationale for CEB interventions, i.e. the extent to which market failures are being addressed, are generally best in relation to information, awareness and enterprise culture activity – especially where these can be provided on a relatively broad non-discriminatory basis to micro-enterprise or others who wish to participate. The rationale gradually reduces as we move into the provision of finance, especially non-repayable finance, and this also has of necessity to be provided on a much more selective basis, given the costs involved.

Table 6.1 presents a hierarchy in this regard. This is based on our view of the extent to which there is a solid rationale. It produces a ranking of desirable CEB interventions. This means that there should be a gradual shift in resources and effort away from those with low or no 'stars', and towards the four and five 'star' category in the Table.

<u>Intervention</u>	<u>Extent of Market Failure</u>
▪ Basic business information, creating an enterprise culture.	** ***
▪ General business advice and counselling	****
▪ Training, skills on a group basis	***
▪ Repayable finance	**
▪ Non-repayable finance – Capital Grants	*
▪ Non-repayable finance – Employment Grants	

In relation to the shift away from non-repayable grants, this is desirable on a variety of grounds:

- as stated, the market failure in this regard has declined and finance for micro-enterprise, while far from perfect, is more readily available than was the case heretofore;
- a move from grants to repayable finance reduces the net cost to the exchequer and therefore improves the value for money dimension of CEBs;

- a reduction in the net cost to the exchequer also gives rise to comfort regarding the issues of deadweight and displacement, although it does not remove these issues altogether;
- a move from non-repayable to repayable finance provides a better discipline for the companies in terms of the quality of their planning and ensuring the viability of the project;
- a move away from non-repayable finance also involves a move away from the 'grant mentality' which has been frequently recognised as widespread in Ireland.

We also think a reduced focus on administering financial assistance more generally would allow an element of 'back to basics' on the part of the Boards, with more emphasis on basic information and advice to all businesses in their area, on more 'signposting' and referral of clients to other agencies where appropriate, and of generally being broadly-based and proactive champions of micro-enterprise in all its dimensions in their cities and counties.

This would in turn allow CEB to be less focused on and even protective of 'their' financially-assisted clients as opposed to clients of other bodies, and to see themselves more broadly as also a first point of contact for micro-enterprise in their area, and as a gateway to other appropriate service providers. The kudos associated with supporting successful micro-enterprises need not be a zero-sum game.

## **6.5 What Should the Institutional Arrangements Be?**

### ***6.5.1 Introduction***

Our approach to the institutional issue is to distinguish between two levels of the overall 'CEB' system, namely the 'local delivery' level on the one hand and the 'national policy and co-ordination' level on the other. The former therefore essentially refers to the structure of the CEBs themselves as these operate at local level. The latter refers to the role of DETE and of other national level players in relation to the CEBs.

We deal with each of these two levels in turn below. We start with the local level because our proposals in relation to that level informs the assessment of what is appropriate at national level.

### ***6.5.2 Local Level Structures – Overall***

As has been stated from the outset, there are two new elements to the CEB system when it was established, namely the assistance to micro-enterprises on the one hand, and the locally-based service delivery on the other.

It would in principle be quite possible to deliver financial and other supports to micro-enterprise at other levels, i.e. supports to micro-enterprise could be delivered by a national agency. Indeed, this was the case under the IDA Small Industry Programme in the 1980s. However, our view is that something significant would be lost in a return to this model. This includes:

- the willingness of hundreds of locally-based business and other people to participate on a voluntary basis in the work of CEB Boards and Evaluation Committees;
- the local knowledge that Boards, Evaluation Committees and CEB executives bring to the work, and the role this can play in better decision-making;
- the appropriateness of a local system assisting local enterprise, and micro CEB organisations assisting micro-enterprise. This also has symmetry with a larger national system assisting larger national-level enterprise, and is reflected in such a hierarchy of enterprise support structures in other countries.

### **6.5.3 Local Level Structures – Options and Conclusions**

As described in 6.5.2, the report is concluding that a local level structure for micro-enterprise delivery remain in place as an important part of the overall concept of providing assistance to micro-enterprise, and as a complement to the national system helping larger enterprise. The next issue is whether the specific existing CEB structure should remain or whether there are local alternatives to this which would be better.

The Section considers four local-level options to the present situation, it outlines the advantages and disadvantages of these as against the present situation, and then sets out our overall conclusion on the issue.

**Local Option A: Merge/Reduce the Number of CEBs:** an important aspect of the existing city/county-based CEB structure is that it results in 35 small separate organisations with their own Chief Executives, staff, audit requirements, etc. One option in principle would therefore be to reduce the number of individual Boards through mergers of Boards into some type of clusters of existing proximate Boards.

While this could potentially achieve administrative economies, we think the principle that there broadly be a Board for each city and county area has considerable merit, in terms of providing a basic uniform micro-enterprise network across the country. Also, there is arguably already a proliferation of differing regional boundaries for all types of purposes in Ireland and adding yet another one in terms of CEB groupings is not very desirable.

This conclusion does not, however, negate the possibility and desirability of greater co-operation between individual CEBs which is something we would strongly support.

**Local Option B: Regional Level Delivery:** this option would go somewhat beyond groupings of CEBs to the idea of delivering CEB services at regional rather than county level. Again, this would have the potential to achieve administrative economies. However, it also has a number of disadvantages. Firstly, moving to regional level effectively eliminates the county-based element which we think is important in terms of enthusiasm and commitment and interest at that level. It is in particular unlikely that much of the existing voluntary membership of Boards and Evaluation Committees would continue if the structure was regional rather than county.

Delivery of micro-enterprise services at regional level would also necessitate the creation of a regional structure that currently does not exist to replace the county-level one so that the net change in administrative and other costs might not be all that great, and the nature and service provided to the client-base would be reduced.

**Local Option C: Merger of CEBs with Other Local Development Bodies:** there has been much discussion in recent years of the option of some type of coming together of the main local relevant bodies, principally CEBs, LEADER Groups and Partnerships. This could in principle be envisaged as occurring either within, linked to, or outside the local government system. The principal arguments in favour of this model is as a way of overcoming issues of overlap and duplication, particularly at administrative level, and of creating local development bodies of greater scale than the separate ones have at present.

The main advantages and disadvantages of this model thus relate to local development structures more generally, and are not very micro-enterprise specific. We see this as an interesting option for future local development structures, but it is a much wider matter than micro-enterprise. It is not a model that can be argued for on purely micro-enterprise grounds.

If such an approach were to be taken in the future on a more broadly-based level, however, then the possibility of placing the CEBs within such an enlarged local structure would be an option to be considered at that time. However, even then the appropriateness of this as a local-level home for the CEBs would depend on the merger model being proposed at that time, on its focus, and on its range of functions. Anyway, at this time the matter is largely speculative and may not arise and it is well outside the present brief, and hence is not a basis for any recommendation here. We do allude to it again in the context of 'wider issues' in Section 6.7.

**Local Option D: Merge CEBs into Local Authorities:** this option was raised with a number of people with whom we discussed this present review. The basic rationale is that since the CEBs are local bodies, since they already conform to local government boundaries, and since there are

already considerable links between local government and the CEBs, why not simply merge them into local authorities altogether?

Despite the initial attractions of the option, it also has a number of down sides. Firstly, what benefit exactly does it achieve? Assuming that the broad micro-enterprise purpose and mission which CEBs perform is accepted, the question becomes whether a merger with local authorities would facilitate delivery on this mission in a better, more effective or more cost-effective manner.

Measured against this question, limitations to the local authority merger option become apparent. Indeed, our general conclusion is that the local authority option does not really directly address what we see as the key challenges facing CEBs – greater focus, unambiguous enterprise agenda, sharper attention to deadweight/displacement, and a need for stronger central co-ordination. Instead, in a situation where CEBs already have considerable interface with local authorities and mechanisms to enhance this exist, it would introduce a round of disruptive institutional change for limited identifiable gain.

Specific difficulties are five-fold. Firstly, the CEBs would need to retain some degree of separateness because the nature of their function requires activities and skills which are not necessarily present in the mainstream local authority. Secondly, there is considerable linkage already. Thirdly, there would most likely also be a loss of the current voluntary input which would be unlikely to be available to local authorities. Fourthly, there could be a loss by CEBs of focus on enterprise within the wider local government system, and this is the very basis for their existence in the first place. Fifthly, some degree of separation of functions would still be required since in many ways local authorities are also regulatory bodies vis-à-vis enterprise, including small enterprise.

We are on balance therefore not in favour of this 'local authority merger'. However, this option is related to that of merging local development bodies, i.e. Option C above. If a merger was to take place in the future on the basis of the combined local development bodies being combined with the local authorities then this would be a different 'ball game', and making CEBs part of this wider reform package might indeed be a more meaningful possibility.

Meanwhile, the need for existing close-co-operation at local level remains. The County and City Development Board structure, which is intended to provide a local authority-based co-ordination framework, is one in which CEBs are all already formally involved and to which they should all subscribe wholeheartedly.

In relation to the local structures, our view in conclusion is therefore that:

- in broad terms the status quo for local CEB structures should remain;



- this could be revisited again in the future if there is a question of wider local government and local development organisational reform;
- meanwhile all CEBs should participate fully in the CDB local co-ordination process in their city or county.

### **6.5.4 National Level Structures – Overall**

There is a widespread consensus among all participants in, and observers of, the CEB process that stronger national leadership, direction, co-ordination, and technical support is needed. This reflects the twin considerations that:

- the Department of Enterprise, Trade and Employment, while administering the system, has to date tended to be more focused on financial and administrative aspects and has not been proactive in the provision of the necessary overall policy direction or technical support on the many substantive and evolving issues surrounding the CEB;
- an improved policy development, leadership and technical support role will help address many of the potential and actual challenges in relation to making CEBs more effective, will bring a greater consistency of good practice across CEBs, and help achieve greater efficiency and impact.

The need therefore is for a central 'CEB Co-ordination Unit' to provide a range of functions:

- be an overall central point of focus;
- develop, exchange and share good practice;
- undertake joint staff training and development;
- provide a series of shared services which could be used by some or all individual CEBs in functions such as accounting, finance, payroll, IT, purchasing and publications;
- take over aspects of the administrative and financial functions currently performed by the Department (but not the overall policy responsibility);
- develop and organise possible new national micro-enterprise programmes which could be implemented locally by CEBs in areas such as Mentor, the Schools Programme, In-company Training, etc;
- operate and improve the Performance Monitoring System and CEB quality assurance generally.

Operational features of this Unit would be:

- it would carry out functions vis-à-vis CEBs as an agent of the Department of Enterprise, Trade and Employment which would retain overall policy responsibility;
- it would administer the CEB budget sub-head (G.1) on behalf of the Department;

- it would have a staff of perhaps 10-15 people, possibly seconded from a variety of sources including DETE, CEBs and a range of the enterprise agencies;
- it could be assisted by a small Advisory Committee;
- it would avoid developing its own existence or image separate from the CEBs as a group and from the organisation where it might be housed, i.e. it is not a new agency.

### **6.5.5 National Level Structures – Options and Conclusion**

We conclude in Section 6.5.4 above that a strengthened national CEB co-ordination structure is required, which we are referring to as the 'CEB Co-ordination Unit'. The issue addressed in this section is the location of that Unit within the national administrative architecture.

As we did in relation to possible structures at local level in Section 6.5.3, we set out below a number of options with their advantages and disadvantages, followed our overall conclusion. In reading these, it should be noted that again these are options in principle, by definition only one of these can be selected and we do so.

**National Option A: Locate the Unit in DETE:** this option suggests itself since this is where a degree of central co-ordination of CEB activity currently takes place, beyond that which CEBs do among themselves. The Department already has about 10 people dealing with CEBs, mainly on financial and HR matters. Location in the Department would also facilitate the link with policy making.

Arguments against an enhanced Unit being within the Department are:

- the type of function we have in mind, in which technical guidelines and support to CEBs on difficult issues (such as deadweight and displacement), features prominently, does not fit well with both the skill set and staff rotation pattern of a central department. A degree of semi-specialist knowledge of enterprise development, and a consistency of staff over time, are important and the Unit needs an organisational setting where this is more likely to occur than in DETE;
- the evidence of the Department's performance to date and the fact that any potential advantages of the Department as a location, including the link with policy, have not really materialised in practice. As has been previously stated, the Department has focused mainly on the financial and other administrative aspects. It has not been proactive in providing an overall policy focus, nor at translating policy into the type of practical written guidelines and technical supports that would aid CEBs to perform their function more effectively;
- an important dimension of what we envisage for the new Unit is not so much taking over tasks which the Department currently performs, but rather introducing new ones that are not performed centrally at all. In particular, the Department will need to retain both overall policy and policy-making responsibility, and an element of financial responsibility akin at least to that which

it has for any of the agencies under its remit. The Department will therefore continue to perform aspects of its existing functions in relation to CEBs;

**National Option B: Move Responsibility for CEBs to another Department:** if the responsibility for CEBs were to be moved to another department, the two candidates are the Department of the Environment, Heritage and Local Government, and the Department of Community, Rural and Gaeltacht Affairs. However, the former would really only be a candidate especially if we were recommending that CEBs be moved to local authorities, which of course we are not (see Section 6.5.3 Local Option D). The Department of Community, Rural and Gaeltacht Affairs is a candidate because of its responsibility for the other main local development bodies, namely LEADER Groups and Partnership companies.

Our assessment is that DETE remains the best overall institutional home for the CEB. This is based on the fact that:

- a transfer to another department does not in itself really present a major solution to very many of the issues that are being addressed, it merely transfers these issues elsewhere in the Departmental system;
- we are recommending that CEBs retain a clear distinct focus on enterprise and avoid getting sidetracked into too many other concurrent objectives. In that context, the lead enterprise department is the natural home;
- a loss of linkage with DETE could in turn weaken their wider linkage with the enterprise system as a whole, something that would lead to further difficulties of co-ordination rather than assisting this.

We are therefore concluding that the CEBs should stay with DETE.

**National Option C: Put the Co-ordination Function out to Tender:** putting the CEB co-ordination function out to tender has a number of attractions. Firstly, if there is any lack of enthusiasm on the part of state agencies to do it, this sidesteps that difficulty. Secondly, it opens up the possibilities of a wide variety of both public and private sector bodies coming forward who might bring interesting and innovative approaches to the matter.

The main downside would be likely to be cost, difficulties in specifying the tasks required in an evolving situation, and finding potential suppliers with the range of expertise required. We therefore don't recommend this in practice, although we find it has considerable attractions in principle.

**National Option D: CEBs themselves Create a Central Co-ordination Unit:** this model is used in Northern Ireland to co-ordinate the local enterprise agencies. Advantages of the model is strong

actual and perceived ownership by CEBs themselves, and the passing of the onus on to CEBs to engage in the necessary co-ordination between themselves.

A disadvantage is that a number of the existing and new tasks envisaged for a Central Co-ordination Unit, including aspects of financial allocation monitoring performance, would be difficult for a body which reported to CEBs themselves.. This structure might also lack the checks and balances.

We do not recommend this model, but do feel that any central unit should have input from CEBs to capture some of the benefits of this option.

***National Option E: Place the Unit in an Enterprise Development Agency:*** this involves placing the Unit in one of the existing enterprise development agencies. The disadvantages of the model is that the CEB and mainstream enterprise agency cultures may not dovetail, that however arranged the model may be seen as a ‘takeover’ of the CEBs by the agency involved, and that any such co-ordinating agency model will involve clearly addressing a series of potentially difficult reporting, accountability and corporate governance issues.

Advantages of the model are that:

- that this is consistent with our overall recommendation that CEB focus on their core enterprise and enterprise culture agenda, and avoid any drift into wider local economic development roles which can be performed by other locally-based bodies including the local authorities themselves, CDBs, LEADER and Partnerships;
- the CEBs are in effect the local level tier of the enterprise agency system, this is where they institutionally belong and the enterprise family is their natural home;
- the type of skills needed by the Unit are most likely to be found within the existing family of enterprise agencies;
- in other countries which we have examined, support to micro-enterprise is generally provided as part of the wider enterprise development agencies rather than as a fully stand alone dedicated system, i.e. the CEB system appears to be unique.

Our conclusion is that this option is the best option available, and that within the enterprise agency family Enterprise Ireland as the lead national indigenous enterprise development agency is the best choice of host. It has the skills and experience needed, it provides a home within which the EI/CEB relationship can be fine-tuned, it already administers other funding for DETE in some parallel situations, e.g. R&D, Crafts Council and BICs, it has the national coverage, and it is already on CEB Boards and Evaluation Committees. While other enterprise development agencies are in theory

also options, there are distinct disadvantages around each one which means that the choice really comes back to EI. Specifically, of the other enterprise agencies:

- Forfás is a policy research and advisory body, not an implementation agency;
- Shannon Development, while like EI having an appropriate skill base, is a regional agency and giving it a formal national role raises complexities that would be unhelpful for the CEB (as arguably already a fairly complex structure);
- FÁS, while sharing a common focus on skills with CEBs, would not have the breadth of activity to match what CEBs do;
- Údarás na Gaeltachta would share the same challenges as Shannon Development, with the additional dimension of not reporting to DETE.

Our overall conclusions in relation to national support structures therefore are that:

- the policy function and responsibility for CEBs remain with DETE;
- a new Central Co-ordination Unit be established;
- this be placed within EI, acting as an agent of the Department;
- the detailed arrangements for this be the subject of discussions between the Department of Enterprise, Trade and Employment, EI and the CEBs.

## **6.6 Recommendations**

### **6.6.1 Introduction**

This Section sets out our recommendations. These are grouped under a series of subheadings in the following sections. For ease of reference, the recommendations are also numbered consecutively as Rec. 1, Rec. 2, etc.

### **6.6.2 Overall Assistance to Micro-enterprise:**

Rec. 1. We recommend that assistance to micro-enterprise through the CEBs be continued, but that this continuation be accompanied by:

- greater clarity and consistency of rationale and objectives than is currently the case;
- renewed focus on the core enterprise mission;
- a continuing trend in resource use away from grants to repayable finance as well as to soft supports and to the wider enterprise culture agenda;
- the issues of potential deadweight, displacement and duplication being addressed more systematically and rigorously;
- stronger central co-ordination and support being put in place.

### **6.6.3 Overall Policy of CEBs:**

- Rec. 2. there should be a clearer distinction drawn between the overall mission and priority objectives of CEBs on the one hand, and ancillary benefits which flow from their existence on the other;
- Rec. 3. the overall mission of the CEBs should be an enterprise development one, focusing on micro-enterprise development and micro-enterprise start-ups, potential micro-enterprise creators, as well as on the wider enterprise culture;
- Rec. 4. CEBs should have five central objectives:
- encouraging quality micro-enterprise start-ups;
  - encouraging continuous improvements in all micro-enterprise;
  - referral of good projects upwards to the main development agencies;
  - supporting viable micro-enterprise in areas where there are few employment alternatives;
  - promoting a positive enterprise culture across all relevant areas of society.
- Rec. 5. the description of CEBs in the 'Programme Complements' of the two Regional Operational Programmes should be adjusted to reflect these proposals (the current Mid-term Evaluation provides a convenient window of opportunity to do this).

### **6.6.4 Policy Instruments**

- Rec. 6. CEBs should retain a mix of enterprise financial, advisory and promotional instruments;
- Rec. 7. there should be a shift away from financial and towards soft supports over time, with soft supports including training of enterprises on a group rather than individual basis, as well as promoting wider enterprise culture;
- Rec. 8. within financial assistance there should be continuation of the movement towards greater repayability, with grant assistance gradually becoming the exception rather than the rule;
- Rec. 9. employment grants should be phased out and replaced with an alternative means of providing assistance where capital grants are not appropriate. Clear alternative targets should be established in such cases.

### **6.6.5 Local Level Structures**

- Rec. 10. the existing structure of 35 County and City Enterprise Boards should remain in place;
- Rec. 11. were there eventually a wider government decision to merge existing local development bodies into a more broadly-based local body, into local authorities or into another structure, then the appropriateness of participation of CEBs in this institutional reform would be

examined at that time, i.e. the present recommendation is not intended to close off such options in the future were they to arise;

### **6.6.6 National Level Structures:**

- Rec. 12. the policy function and responsibility for CEBs should remain with DETE;
- Rec. 13. a new Central Co-ordination Unit should be established;
- Rec. 14. this should be placed within EI, operating as an agent of the Department with CEB retaining their existing separate budget line;
- Rec. 15. the detailed arrangements now be the subject of discussions between the Department, EI and CEBs, including detailed examination of such issues as accountability, reporting and corporate governance;
- Rec. 16. the Unit should be advised in its functions by a small Advisory Group.

### **6.6.7 Deadweight and Displacement**

- Rec. 17. new detailed national guidelines to CEBs on how to deal with deadweight and displacement in provision of financial assistance should be put in place, and then reviewed annually. This would include a clear list of ineligible sectors, and could also identify sensitive sectors where particular caution is needed;
- Rec. 18. in considering potential displacement, CEBs must consider regional and national-level displacement and not just displacement in their own city or county area;
- Rec. 19. increased reliance on repayable rather than non-repayable financial assistance, and more emphasis on non-financial assistance, should be adopted by all Boards inter alia to ease concerns about deadweight and displacement;
- Rec. 20. lists of CEB projects assisted should be published by all CEBs, and they should include a brief description of the project (not just of the sector in which the promoter is operating).

### **6.6.8 Web-based Services**

- Rec. 21. a key function of a new Central Co-Ordination Unit should be development of much better and more common CEB website;
- Rec. 22. web-based service national business, information and advisory, should also be developed, including facility for a level of self-screening by potential applicants.

### **6.6.9 Financing of CEBs**

- Rec. 23. the current financial arrangements for CEBs should continue up to the end of 2006, subject to the final outcome of the Mid-term Review of the NDP and of the annual budgetary process;
- Rec. 24. CEBs should gradually become more self-financing through use of repayability in financial instruments and through gradually increased charges for other services;
- Rec. 25. a new formula for the allocation of financial resources to CEBs should be developed, taking account in particular of the minimum necessary size and also the size of CEB areas and likely demand for CEB supports;
- Rec. 26. to respond to future policy developments, DETE should also consider financing new national enterprise development programmes and having CEBs compete with each other for this funding.

### **6.6.10 Monitoring and Evaluation**

- Rec. 27. the existing employment data collection, while generally good, needs cross-checking for consistency of practice, e.g. regarding definitions of a client, company closures, client non responses, and handling of clients above 10 persons;
- Rec. 28. the almost exclusive emphasis on employment in the central monitoring of CEBs is unbalanced and should be broadened;
- Rec. 29. the number of applications is an important indicator of interest in what CEBs have to offer, and a formal definition of 'applications' should be agreed and data on the number of these retained;
- Rec. 30. systematic data should also be compiled to track how applicants are handled – including such options as provision of basic information/advice, referral to another agency, provision of financial assistance, attendance on a training course etc;
- Rec. 31. CEB staff should retain timesheets to allow monitoring of how the staff resource is actually being utilised;
- Rec. 32. turnover and market destination of the output of CEB clients would also be a useful barometer of their progress;
- Rec. 33. a clearer split of the 'administration' budget as between pure administration and basic services to clients would also assist monitoring;
- Rec. 34. all CEBs should as a matter of course publish the names and details of all grant recipients in their annual reports and on their website, and agreement with this should be a pre-condition of CEB grant-assistance.



### **6.6.11 Co-ordination of All Micro-enterprise Supports**

- Rec. 35. in relation to LEADER, local agreements should exist in all cases, should be adhered to and should be subject to a degree of national monitoring;
- Rec. 36. The National Micro-enterprise Co-ordinating Committee which is already in place should operate fully and meet regularly, and should cover all agency and not just CEB and LEADER supports;
- Rec. 37. in relation to Enterprise Ireland, the housing of the CEB Co-ordination Unit within EI should facilitate greater co-operation between EI and CEBs in relation to support from micro-enterprise. This should include tighter definition of EI micro-enterprise clients. (this would also apply to Shannon Development);
- Rec. 38. a national database should be developed to record all grant assistance being provided to micro-enterprises by all agencies, and should be available on a shared basis across all relevant agencies in order to both improve co-ordination (and to also monitor the extent of compliance with EU de minimus state aid requirements);
- Rec. 39. a consistent approach to the relationship between Údarás na Gaeltachta and CEBs should be agreed for all counties with Gaeltacht areas;
- Rec. 40. CEBs in neighbouring counties (in particular in smaller counties and in cities and neighbouring counties) should co-operate closely in relation to information about clients and in relation to such areas as shared staff and facilities.

### **6.6.12 Co-ordination with Local Development Bodies**

- Rec. 41. all CEBs should participate fully and enthusiastically with the CDB co-ordination process in their respective counties and cities;
- Rec. 42. in view of the existence of CDBs and of Directors of Community and Enterprise within local authorities, use of CEB financial and staff resources on wider economic development functions should be reviewed where these functions are not part of the core CEB enterprise mission and focus.

## **6.7 Wider Issues**

### **6.7.1 Introduction**

This section comments upon two wider issues referred to on various occasions throughout this review, and which reflect the oft-mentioned twin status of the CEBs as structurally both 'enterprise development' and 'local development' bodies. The issues are ones which strictly speaking go beyond the Terms of Reference.

### **6.7.2 Wider Policy Towards SMEs**

The report, in keeping with its Terms of Reference, has focused exclusively on micro-enterprise and the role of CEBs in supporting such micro-enterprise, i.e. enterprise with 10 employees or less.

However, it emerges that this cut-off point is now somewhat artificial from various perspectives, and gives rise to anomalies. This is especially so in the context of EI's more selective approach to indigenous industry development which has emerged subsequent to the CEBs' establishment.

Particular anomalies in practice are that:

- financial support is in principle available from the DETE-financed enterprise system to certain types of enterprises, including existing enterprises, providing their employment is 10 or below, but is not available to them if they have in excess of 10 employees. However, it is quite arguable that small firms in the 10+ category, including firms which might not constitute EI high potential start-ups, could actually have greater developmental potential than some existing CEB clients;
- there is also now no natural progression path and CEB clients, if not actual or potential HPSUs, cannot be neatly referred to EI once they reach the 10 threshold (as was the concept at the time that this threshold was set);
- where high potential start-ups have less than 10 employees, EI deals directly with them and it reports about 300 currently active clients below 10 employees;
- many CEBs take a flexible attitude towards participation of firms above 10 in their soft support activities as distinct from grants, and this issue is treated somewhat ambiguously in the current centrally available guidelines.

Going forward, various options would be to:

- increase the CEB threshold to a higher number;
- define the boundary between CEBs and EI on a basis other than size, which is already partially the case;
- reconsider the degree of EI selectivity so as to give more flexibility in the 10+ category.

These are issues that go beyond the scope of the present report. However, we feel they are ones that could be addressed in the context of the current review of national enterprise policy as a whole.

### **6.7.3 Local Development Structures**

As well as being enterprise development bodies, the CEBs' are also seen as one of the three main components of the local organisation development family – along with LEADER Groups and

Partnership companies. (There are some others but they need not concern us here.) These three bodies were set up simultaneously at the beginning of the 1994-99 NDP.

Since the 1990s, there has been a level of ongoing debate at national policy level about whether the co-existence of these three parallel local development bodies is optimal, or whether a better structure could be found. Debate is perhaps less so at local level because frequently practical means of co-operation are worked out on the ground and the issue from that perspective appears less pressing. This also reflects the fact that a good deal has been done to iron out some of the potential extremities of overlap and duplication, most notably in relation to co-financing of the same projects which generally would appear to not take place. The issue is therefore now perhaps more about whether there is unnecessary and inefficient, overlap in the administrative structures, and whether their co-existence causes wasteful confusion and shopping around on the part of prospective clients, rather than duplication in what these bodies actually fund on the ground.

Ongoing debate about this topic, while understandable, has the disadvantage of giving rise to a degree of uncertainty, and indeed to nervousness and defensiveness on the part of some in the bodies. This creates its own inefficiencies, and is not always conducive to the kind of co-operation which is otherwise desirable. It would therefore be desirable that the issue of local development bodies' future be addressed and settled one way or another in the not too distant future. Doing so before the end of 2006 would make sense since the ending of the current 2000-06 NDP will be a natural watershed, with EU co-financing for all three bodies (CEBs, LEADER, Partnerships) likely to largely cease at that time. The principal exception may be LEADER+ which may continue as an EU Initiative, but this is not certain.

It is not the place of this study to make specific proposals in relation to what a future overall local development structure should be. Our proposal is instead that the matter should now be considered and resolved well in advance of 2006, and that this consideration should involve looking rationally at all the options. These options include the status quo, i.e. small specialist bodies, mergers of some or all of the entities with each other, merger of the entities with local authorities, continuation or enhancement of the existing CDB local co-ordination model or indeed other possible models.

We would therefore also endorse the Report of the Independent Estimates Review Committee (The Wise Men Report) earlier this year that this matter be considered on an inter-Departmental or 'whole of Government' basis<sup>26</sup> rather than on a more partial basis which tends to occur at present.

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<sup>26</sup> *Report of the Independent Estimates Review Committee* to the Minister for Finance, Department of Finance, December 2003



## Annexes

# Annex 1 CEB Survey Results

This Annex presents the results of the survey of CEB clients in the seven case study CEB areas – South Dublin, Limerick City, Wexford, West Cork, Offaly, Mayo and Cavan. For each Board, this involved surveying all clients in receipt of financial assistance during the 1999-02 period, (up to 150 each) and a random sample of recipients of soft supports over the same period (also up to 150 each). The survey involved a postal questionnaire, with follow-up, to approximately 1,900 companies. In total 222 companies returned the questionnaire.

The following tables cite the survey questions and then show the responses. These are shown separately for the two most urban CEBs surveyed (South Dublin and Limerick City) and then for the other four – for convenience the latter are described as rural but they obviously contain significant urban areas – and then for the total. The low number of responses for some questions means that some detailed results must be treated with caution.

The response rate of 12% was somewhat lower than anticipated. However, the absolute number is adequate for analysis. The profile for the respondents is also broadly consistent with the CEB clients as a whole. E.g. in terms of number of employees, split between new and existing enterprises, average financial assistance received, and the nature for sectors and markets.

## SECTION A: COMPANY PROFILE

Q A1 In what year was your company established?						
Year Established	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
Pre-1994	10	17.5	42	27.6	52	24.8
1994	3	5.3	4	2.6	7	3.3
1995	1	1.8	6	3.9	7	3.3
1996	3	5.3	9	5.9	12	5.7
1997	3	5.3	10	6.6	13	6.2
1998	7	12.3	17	11.2	24	11.4
1999	1	1.8	21	13.8	22	10.5
2000	9	15.8	20	13.2	29	13.8
2001	9	15.8	9	5.9	18	8.6
2002	11	19.3	12	7.9	23	11.0
2003	0	0.0	2	1.3	3	1.4
Total	57	100.0	152	100.0	210	100.0

Q A2 Which county is your company located in?						
County	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
South Dublin	31	53.4	0	0.0	31	14.5
Wexford	0	0.0	48	30.8	48	22.4
West Cork	0	0.0	26	16.7	26	12.1

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Limerick City	27	46.6	0	0.0	27	12.6
Mayo	0	0.0	30	19.2	30	14.0
Cavan	0	0.0	27	17.3	27	12.6
Offaly	0	0.0	25	16.0	25	11.7
Total Respondents	58	100.0	156	100.0	214	100.0

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**Q A3 In which of the following sectors does your company mainly operate?**

Sector	Urban		Rural		Total	
	Frequency	% of Total Respondents	Frequency	% of Total Respondents	Frequency	% of Total Respondents
Agriculture, fisheries and forestry	0	0	8	5.2	8	3.8
Manufacturing	6	10.3	37	23.9	43	20.2
Wholesale, retail and distribution	8	13.7	13	8.4	21	9.9
Transport and communications	1	1.7	1	0.6	2	0.9
Finance, insurance and real estate	1	1.7	1	0.6	2	0.9
Construction	2	3.4	9	5.8	11	5.2
Computer and information technology	10	17.2	9	5.8	19	8.9
Professional services	7	12.1	18	11.6	25	11.7
Other	21	36.2	47	30.3	68	31.9
Combination	2	3.4	12	7.7	14	6.6
Total	58	100.0	155	100.0	213	100.0

**Q A4 Which of the following best describes your company's legal status?**

Legal status	Urban		Rural		Total	
	Frequency	% of Total Respondents	Frequency	% of Total Respondents	Frequency	% of Total Respondents
Sole trader	26	44.8	52	33.3	78	36.3
Partnership	4	6.9	7	4.5	11	4.1
Limited company	270	46.6	91	58.3	119	55.3
Co-operative	0	0.0	1	0.6	1	0.45
Other	1	1.7	5	3.2	6	2.8
Total	58	100.0	156	100.0	215	100.0

**Q A5 Was your company (a) start-up or (b) an existing enterprise when you first received CEB support?**

Start-up or existing enterprise	Urban		Rural		Total	
	Frequency	% of Total Respondents	Frequency	% of Total Respondents	Frequency	% of Total Respondents
Start-up	35	61.4	84	54.9	119	56.4
Existing enterprise	22	38.6	69	45.1	92	43.6
Total Respondents	57	100.0	153	100.0	211	100.00

**Q A6 Is the promoter of your company male or female?**

Male or female promoter	Urban	Rural	Total
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	<b>Frequency</b>	<b>% of Total Respondents</b>	<b>Frequency</b>	<b>% of Total Respondents</b>	<b>Frequency</b>	<b>% of Total Respondents</b>
Male	36	62.1	104	67.5	141	66.2
Female	21	36.2	31	20.1	52	24.4
Both	1	1.7	19	12.3	20	9.4
<b>Total Respondents</b>	<b>58</b>	<b>100.0</b>	<b>154</b>	<b>100.0</b>	<b>213</b>	<b>100.00</b>

**Q A7 (a) Please give your company's approximate turnover before you first received CEB support**

Turnover pre-CEB	Urban		Rural		TOTAL	
	Frequency	% of Total Respondents	Frequency	% of Total Respondents	Frequency	% of Total Respondents
€Over 1 Million	0	0.0	4	3.6	4	2.8
€500,000-€€1,000,000	3	9.7	10	8.9	13	9.0
€€100,000-€€499,999	6	19.4	28	25.0	34	23.6
€€50,000-€€99,999	6	19.4	14	12.5	21	14.6
€€1-€€49,999	8	25.8	19	17.0	27	18.8
€0	8	25.8	37	33.0	45	31.3
Total Respondents	31	100.0	112	100.0	144	100.0

**Q A7(b) Please give your company's approximate turnover in 2002**

Turnover 2002	Urban		Rural		TOTAL	
	Frequency	% of Total Respondents	Frequency	% of Total Respondents	Frequency	% of Total Respondents
€Over 1 Million	0	0.0	16	13.0	16	10.1
€€500,000-€€1,000,000	6	16.2	14	11.6	20	12.6
€€100,000-€€499,999	13	35.1	43	35.8	56	35.2
€€50,000-€€99,999	5	13.5	11	9.1	17	10.7
€€1-€€49,999	8	21.6	29	24.0	37	23.3
€0	4	10.8	8	6.6	12	7.5
Loss	1	2.7	0	0.0	1	0.6
Total Respondents	37	100.0	21	100.0	159	100.0

**Q A7(c) Please give your company's approximate turnover in 2005 (projected)**

Turnover 2005	Urban		Rural		Total	
	Frequency	% of Total Respondents	Frequency	% of Total Respondents	Frequency	% of Total Respondents
€Over 1 Million	4	13.3	27	22.7	31	20.7
€€500,000-€€1,000,000	9	30.0	19	16.0	28	18.7
€€100,000-€€499,999	10	33.3	37	31.1	47	31.3
€€50,000-€€99,999	0	0.0	17	14.3	18	12.0
€€1-€€49,999	3	10.0	13	10.9	16	10.7
0	4	13.3	6	5.0	10	6.7
Total Respondents	30	100.0	119	100.00	150	100.0

**Q A8 (ai) Can you indicate the number of staff that your company employed at end 2002?**

Full-Time Staff	Urban		Rural		Total	
	Frequency	% of Total Respondents	Frequency	% of Total Respondents	Frequency	% of Total Respondents
0	3	5.6	4	2.9	7	3.6
1-5	41	75.9	95	67.9	136	69.0
6-10	7	13.0	29	20.7	36	18.3
11-15	2	3.7	5	3.6	7	3.6

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16-20	0	0	4	2.9	4	2.0
20+	4	2.9	3	2.1	7	3.6
Total Respondents	54	100.0	140	100.0	197	100.0

**Q A8 (a) Can you indicate the number of staff that your company employed at end 2002?**

Male full-time staff	Urban		Rural		Total	
	Frequency	% of Total Respondents	Frequency	% of Total Respondents	Frequency	% of Total Respondents
0	1	3.1	2	1.8	3	2.1
1-5	25	78.1	83	74.1	108	75.0
6-10	5	15.6	20	17.9	25	17.4
11-15	1	3.1	3	1.7	4	2.8
16-20	0	0.0	2	1.8	2	1.4
20+	0	0.0	2	1.8	2	1.4
Total Respondents	32	100.0	112	100.0	144	100.0

**Q A8 (a)iii Can you indicate the number of staff that your company employed at end 2002?**

Female full-time staff	Urban		Rural		Total	
	Frequency	% of Total Respondents	Frequency	% of Total Respondents	Frequency	% of Total Respondents
0	3	10.3	2	2.5	5	4.6
1-5	24	82.8	69	86.3	93	85.3
6-10	1	3.4	7	8.8	8	7.3
11-15	0	0.0	1	1.3	1	0.9
20+	1	3.4	1	1.3	2	1.8
Total Respondents	29	80	80	100.0	109	100.0

**Q A8 (b) Can you indicate the number of staff that your company employed at end 2002?**

Part-time staff	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
0	2	7.1	7	7.9	9	15.8
1-5	21	75	17	86.5	38	66.7
6-10	5	17.9	1	1.1	6	10.5
11-15	0	0.0	1	1.1	1	1.8
20+	0	0.0	3	3.4	3	5.3
Total Respondents	28	100.0	29	100	57	100.0

**Q A8 (b)ii Can you indicate the number of staff that your company employed at end 2002?**

Male part-time staff	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
0	3	25	12	25.0	15	25.0
1-5	8	66.7	33	68.8	41	68.3
11-15	1	8.3	0.0	0.0	1	1.7

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16-20	0	0.0	2	4.2	2	3.3
20+	0	0.0	1	2.1	1	1.7
Total Respondents	12	100.0	48	100.0	60	100.0

**Q A8 (biii) Can you indicate the number of staff that your company employed at end 2002?**

Female part-time staff	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
0	3	15.0	7	11.9	10	13.2
1-5	14	70.0	47	79.7	61	80.3
6-10	0	15.0	4	6.8	4	5.3
11-15	0	0.0	1	1.7	1	1.3
16-20	0	0.0	0	0.0	0	0.0
20+	0	0.0	0	0.0	0	0.0
Total Respondents	20	100.0	59	100.0	76	100.0

**Q A9 How many of your company's employees are third-level graduates?**

Third-level graduates	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
0	14	28%	53	40%	67	36.6
1-5	33	66%	76	57%	109	59.6
5-10	2	4%	2	2%	4	2.2
10 plus	1	2%	2	2%	3	1.6
Total Respondents	50	100%	133	100%	183	100.0

**Q A10 What is your company's average salary for full-time employees?**

Average full-time salary	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
Below €20,000	15	38.5	43	36.1	58	36.5
€20,000-€24,999	13	33.3	33	27.7	46	28.9
€25,000-€49,999	7	17.9	30	25.2	37	23.9
€50,000+	3	7.7	7	5.9	10	6.3
€0	1	2.6	6	5.0	7	4.4
Total Respondents	39	100.0	119	100.0	158	100.0

**Q A11 What percentage of turnover comes from the following markets?**

Total		Pre CEB	2002	2005 est
Local (County)		67.74	58.7	53.60
Rest of Ireland		23.62	31.62	33.64
UK		3.47	4.48	6.87
Other EU		1.60	3.37	2.91
Other Non-EU		1.98	2.44	2.48
Total		100.00	100.00	100.00
<i>This is based on the average of the responses</i>				

**Q A12 Approximately how many direct competitors do you think you have (i.e. businesses you compete with directly in your main markets)?**

Number of direct competitors	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
1-5	17	37.0	62	52.9	83	48.8
6-10	6	13.0	25	21.2	32	18.8
10-15	4	8.7	2	1.7	7	3.5
15-20	1	2.2	5	4.3	6	3.5
20+	9	19.6	14	11.86	23	13.5
None	9	19.6	9	7.6	19	11.2
Total Respondents	46	100.0	117	100.0	170	100.0

## SECTION B: CEB SUPPORTS

**Q B1 (a) How many times have you received financial support from your CEB?**

	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
None	2	4.5	1	0.8	3	1.8
One	27	61.4	72	59.5	99	60.0
Two	12	27.3	39	32.2	51	30.9
Three or more	3	6.8	9	7.4	12	7.3
Total Respondents	44	100.0	121	100.0	165	100.0

**Q B1 (b) How many times have you received non-financial support from your CEB?**

	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
None	2	6.7	1	1.0	3	2.3
One	17	56.7	28	28.9	46	35.9
Two	4	13.3	16	16.5	20	15.6
Three or more	7	23.3	2	53.6	59	46.1
Total Respondents	30	100.0	97	100.0	128	100.0

**Q B2 (ai) In what year did you first receive financial support from your CEB?**

	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
pre-1994	1	2.4	2	1.7	3	1.9
1994	0	0.0	1	0.9	1	0.6
1995	0	0.0	3	2.6	3	1.9
1996	1	2.4	4	3.4	5	3.2
1997	0	0.0	7	6.0	7	4.5
1998	4	9.8	16	13.8	20	12.7
1999	4	9.8	18	15.5	22	14.0
2000	7	17.1	28	24.1	35	22.3
2001	11	26.8	11	9.5	22	14.0
2002	8	19.5	19	16.4	27	17.2
2003	4	9.8	7	6.0	11	7.0
None Received	1	2.4	0	0.0	1	0.6
Total Respondents	41	100.0	116	100.0	157	100.0

**Q B2 (aii) In what year did you last receive financial support from your CEB?**

	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
pre-1994	1	4.3	1	1.4	2	2.2
1995	0	0.0	1	1.4	1	1.1
1996	0	0.0	1	1.4	1	1.1
1997	1	4.3	0	0.0	1	1.1
1998	0	0.0	2	2.9	2	2.2
1999	0	0.0	3	4.3	3	3.2
2000	4	17.4	13	18.6	17	18.3
2001	7	30.4	16	22.9	23	24.7
2002	2	8.7	17	24.3	19	20.4
2003	7	30.4	16	22.9	23	24.7
None Received	1	4.3	0	0.0	1	1.1
Total Respondents	23	100.0	70	100.0	93	100.0

**Q B2 (bi) In what year did you first receive non-financial support from your CEB?**

	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
pre-1994	0	0.0	1	1.1	1	0.9
1996	1	3.8	3	3.4	4	3.5
1997	0	0.0	6	6.8	6	5.3
1998	0	0.0	11	12.5	11	9.6
1999	2	7.7	21	23.9	23	20.2
2000	7	26.9	14	15.9	21	18.4
2001	4	15.4	17	19.3	21	18.4
2002	8	30.8	11	12.5	19	16.7
2003	4	15.4	4	4.5	8	7.0

**REVIEW OF THE ROLE OF CITY AND COUNTY ENTERPRISE BOARDS IN THE DEVELOPMENT OF MICRO-ENTERPRISES**

Total Respondents	26	100.0	88	100.0	114	100.0
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**Q B2 (bii) In what year did you last receive non-financial support from your CEB?**

	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
1999	1	5.9	3	4.1	4	4.4
2000	0	0.0	3	4.1	3	3.3
2001	3	17.6	12	16.2	15	16.5
2002	5	29.4	26	35.1	31	34.1
2003	8	47.1	30	40.5	38	41.8
Total Respondents	17	100.0	74	100.0	91	100.0

**Q B3 What Type of Financial Support have you received from the CEB?**

	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
Employment Grant	19	38.8	35	27.6	54	30.7
Capital Grant	8	16.3	51	40.2	59	33.5
Feasibility Study Grant	2	4.1	5	3.9	7	4.0
Training Grant	5	10.2	2	1.6	7	4.0
Combination	10	20.4	30	23.6	40	22.7
None	5	10.2	4	3.1	9	5.1
Total Respondents	49	100.0	127	100.0	176	100.0

**Q B4 How much financial support have you received from the CEB?**

	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
€0	4	9.5	9	7.9	13	8.3
Less than €1,000	4	9.5	1	0.9	5	3.2
€€1,000-€€4,999	4	9.5	19	16.7	23	14.7
€€5,000-€€9,999	17	40.5	26	22.8	43	27.6
€€10,000-€€14,999	5	11.9	16	14.0	21	13.5
€€15,000-€€19,999	2	4.8	5	4.4	7	4.5
€€20,000-€€29,999	2	4.8	11	9.6	13	8.3
€€30,000-€€39,999	3	7.1	12	10.5	15	9.6
€€40,000+	1	2.4	15	13.2	16	10.3
Total Respondents	42	100.0	114	100.0	156	100.0

**Q B5 How would you rate the level of the financial support provided by your CEB?**

Rate of Financial Support	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
Very Good	15	34.1	43	33.3	58	33.5
Good	16	36.1	49	38.0	65	37.6
Fair	9	20.5	27	20.9	36	20.8
Poor	2	4.5	6	4.7	8	4.6

<b>REVIEW OF THE ROLE OF CITY AND COUNTY ENTERPRISE BOARDS IN THE DEVELOPMENT OF MICRO-ENTERPRISES</b>						
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Very Poor	2	4.5	4	3.1	6	3.5
Total Respondents	44	100.0	129	100.0	173	100.0

**Q B6 In the absence of assistance from your CEB, which of the following would you have done with your most recent CEB grant-aided (i.e. financial support) project?**

In the Absence of assistance	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
Gone Ahead as unchanged	21	47.7	31	24.4	52	30.4
Gone ahead, different location	0	0.0	2	1.6	2	1.2
Gone ahead at a later date	5	11.4	18	14.2	23	13.5
Gone ahead on a reduced scale	7	15.9	29	22.8	36	21.1
Combination of c and d	7	15.9	33	26.0	40	23.4
Abandoned the project	4	9.1	12	9.4	16	9.4
Combination of answers	0	0.0	2	1.6	2	1.2
Total Respondents	44	100.0	127	100.0	171	100.0

**Q B7 If your project would have gone ahead, how would you have obtained the extra funds needed for the project if no grant assistance was provided by your CEB?**

	Urban		Rural		Total	
	FREQUENCY	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
Internal Funds	9	22.5	17	14.2	26	16.3
Bank	18	45.0	80	66.7	98	61.3
Alternative Funds	9	22.5	13	10.8	22	13.8
Combination	4	10.0	10	8.3	14	8.8
Total Respondents	40	100.0	120	100.0	160	100.0

**Q B8 What types of non-financial support have you received from your CEB?**

	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
General Advice and help	24	41.4	82	52.6	106	49.5
Specialised support	6	10.3	21	13.5	27	12.6
Provision of mentor support	28	48.3	55	35.3	83	38.8
Training	16	27.6	70	44.9	86	40.2
Management Development	10	17.2	58	37.2	68	31.8

**Q B9 If you have received training support, how many man-days training has your company received?**

	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
0	4	23.5	10	10.4	14	12.4
1-5	8	47.1	33	34.4	41	36.3
6-10	3	17.6	24	25.0	27	23.9
11-20	1	5.9	17	17.7	18	15.9
20+	1	5.9	12	12.5	13	11.5
Total Respondents	17	100.0	96	100.0	113	100.0



**REVIEW OF THE ROLE OF CITY AND COUNTY ENTERPRISE BOARDS IN THE DEVELOPMENT OF MICRO-ENTERPRISES**
**Q B10 How would you rate the quality of the non-financial support provided by your CEB?**

	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
Very Good	24	49.0	63	48.1	87	48.3
Good	17	34.7	44	33.6	61	33.9
Fair	8	16.3	21	16.0	29	16.1
Poor	0	0.0	2	1.5	2	1.1
Very Poor	0	0.0	1	0.8	1	0.6
Total Respondents	49	100.0	131	100.0	180	100.0

**Q B11 (i) How did you find out that CEB financial support was available?**

	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
Agency Contacted you	0	0.0	13	11.1	13	7.9
You Contacted the Agency directly	19	40.4	58	49.6	77	47.0
Public Advertisement	2	4.3	2	1.7	4	2.4
Referred by another agency	4	8.5	5	4.3	9	5.5
Word of Mouth	15	31.9	32	27.4	47	28.7
Other	1	2.1	2	1.7	3	1.8
Combination	6	12.8	5	4.3	11	6.7
Total Respondents	47	100.0	117	100.0	164	100.0

**Q B11 (ii) How did you find out that CEB non-financial support was available?**

	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
Agency Contacted you	7	21.2	43	40.2	50	35.7
You Contacted the Agency directly	13	39.4	22	20.6	35	25.0
Public Advertisement	1	3.0	8	7.5	9	6.4
Referred by another agency	2	6.1	4	3.7	6	4.3
Word of Mouth	7	21.2	22	20.6	29	20.7
Other	2	6.1	1	0.9	3	2.1
Combination	1	3.0	7	6.5	8	5.7
Total Respondents	33	100.0	107	100.0	140	100.0

## SECTION C: Impact of CEB Support

### Q C1 What have been the main impacts of the support you have received from your CEB?

	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
Increased employment	20	34.5	58	37.2	78	36.4
Increased turnover	18	31.0	59	37.8	77	36.0
Entered new market	9	15.5	30	19.2	39	18.2
Export development	2	3.4	4	2.6	6	2.8
Import substitution	2	3.4	3	1.9	5	2.3
New product/service development	11	19.0	38	24.4	49	22.9
Maintained existing position	10	17.2	20	12.8	30	14.0
Improved profitability	7	12.1	44	28.2	51	23.8
Ensured survival	16	27.6	40	25.6	56	26.2
Brought forward expansion	8	13.8	34	21.8	42	19.6
Improved skills	16	27.6	60	38.5	76	35.5
No impact	2	3.4	14	9.0	16	7.5
Other	5	8.6	6	3.8	11	5.1

### Q C2 In the absence of assistance from the CEB would your business have?

	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
Grown at the same rate	16	30.2	35	23.8	51	25.9
Grown more slowly	19	35.8	68	46.3	87	43.3
Declined	3	5.7	7	4.8	10	5.0
Not Sure	13	24.5	33	22.4	46	22.9
Combination	2	3.8	4	2.7	6	3.0
Total Respondents	53	100.0	147	100.0	201	100.0

### Q C3 How many new employees have you taken on as a direct result of CEB support?

	No of Clients
Total Number of Respondents	158
Total Number of jobs created	250
Total Number of Respondents who had no new employees taken on	70
Average number of new jobs created per respondents (excl those who had no jobs created)	2.8

**Q C4 Of these new employees, how many were:**

	No of new jobs created	% of new jobs created
In other jobs	90	36.0
Seeking their first job/ new entrants	51.5	20.6
Unemployed	96	38.4
Working abroad	7.5	3.0
Other	5	2.0
Total	250	100.0

## SECTION D: OTHER SUPPORT RECEIVED

**Q D1 From what other agency has your company sought and got most support?**

	Number/ %	Sought	RECEIVED
Enterprise Ireland	Number	41	36
	% of Total Responses	18%	16%
FÁS	Number	45	43
	% of Total Responses	20%	19%
BICs	Number	6	5
	% of Total Responses	3%	2%
LEADER	Number	23	14
	% of Total Responses	10%	6%
Shannon Development	Number	7	6
	% of Total Responses	3%	3%
Partnership Company	Number	12	7
	% of Total Responses	5%	3%
Údarás na Gaeltachta	Number	1	0
	% of Total Responses	0%	0%
Other	Number	24	29
	% of Total Responses	11%	13%
Any Sought or Received from the above Agencies	Number	157	136
	% of Total Responses	70.7%	61.2%

**NOTE:** All responses are shown, but due to the low number of responses, results should be treated with great caution.

**Q D2 What types of support have you received from these agencies?**

	Urban		Rural		Total	
	Frequency	% of Total Respondents	Frequency	% of Total Respondents	Frequency	% of Total Respondents
General Advice	11	19.0	18	11.5	29	13.6
Specialised Support	3	5.2	10	6.4	13	6.1
Provision of Mentor	5	8.6	6	3.8	11	5.1
Training	7	12.1	26	16.7	34	15.9
Management Development	3	5.2	9	5.8	12	5.6
Employment Grant	6	10.3	15	9.6	21	9.8
Capital Grant	5	8.6	23	14.7	30	14.0
Feasibility Grant	1	1.7	12	7.7	17	7.9
Training Grant	3	5.2	8	5.1	9	4.2
Other	7	12.1	7	4.5	10	4.7

**Q D3 Was any of this assistance provided for projects that were also CEB grant-aided?**

	Urban		Rural		Total	
	Frequency	% of Total Respondents	Frequency	% of Total Respondents	Frequency	% of Total Respondents
Yes	6	20.0	13	13.7	19	15.1
No	24	80.0	82	86.3	107	84.9
Total Respondents	30	100.0	95	100.0	126	100.0

**Q D4 (a) How would you rate the CEB against these other agencies?**

**Usefulness of Support**

	Number/ %	Total	Better	Similar	Poorer
Enterprise Ireland	No	56	26	22	8
	%	100.0%	46.4%	39.3%	14.3%
FÁS	No	49	16	26	7
	%	100%	33%	53%	14%
BIC	No	16	6	8	2
	%	100%	38%	50%	13%
LEADER	No	31	16	11	4
	%	100%	52%	35%	13%
Shannon Development	No	12	4	5	3
	%	100.0%	33.3%	41.7%	25.0%
Partnership Company	No	11	3	6	2
	%	100.0%	27.3%	54.5%	18.2%
Údarás na Gaeltachta	No	6	2	1	3
	%	100.0%	33.3%	16.7%	50.0%
Other	No	13	7	5	1
	%	100.0%	53.8%	38.5%	7.7%

**NOTE:** All responses are shown, but due to the low number of responses, results should be treated with great caution.

**Q D4 (b) How would you rate the CEB against these other agencies?**

General Quality of Service	Number/ %		Better	Similar	Poorer
Enterprise Ireland	No	49	27	16	6
	%	100.0%	55.1%	32.7%	12.2%
FÁS	No	44	15	25	4
	%	100.0%	34.1%	56.8%	9.1%
BIC	No	12	6	5	1
	%	100.0%	50.0%	41.7%	8.3%
LEADER	No	29	14	14	1
	%	100.0%	48.3%	48.3%	3.4%
Shannon Development	No	10	4	5	1
	%	100.0%	40.0%	50.0%	10.0%
Partnership Company	No	9	2	5	2
	%	100.0%	22.2%	55.6%	22.2%
Údarás na Gaeltachta	No	6	2	1	3
	%	100.0%	100.0%	100.0%	100.0%
Other	No	26	6	7	13
	%	100.0%	23.1%	26.9%	50.0%

**NOTE:** All responses are shown, but due to the low number of responses, results should be treated with great caution.



<b>Q D5 Has your company attracted any external private investment?</b>						
	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
Yes	18	31.6	41	29.7	59	30.1
No	39	68.4	97	70.3	137	69.9
Total Respondents	57	100.0	138	100.0	196	100.0

<b>Q D6 If Yes to the above, please indicate from which sources your company received funds from</b>						
	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
Bank Loan	10	52.6	36	78.3	46	70.8
Seed Capital	0	0.0	1	2.2	1	1.5
BES (business expansion scheme)	1	5.3	2	4.3	3	4.6
Business Angels	4	21.1	1	2.2	5	7.7
Other	3	15.8	1	2.2	4	6.2
Combination	1	5.3	5	10.9	6	9.2
Total Respondents	19	100.0	46	100.0	65	100.0

<b>Q D7 Did CEB funding act as leverage for private loans/investment?</b>						
	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
Yes	5	11.9	24	22.4	29	19.3
No	37	88.1	83	77.6	122	80.7
Total Respondents	42	100.0	107	100.0	149	100.0

## SECTION E: NEEDS OF MICRO-ENTERPRISE

<b>Q E1 What do you regard as the most important needs for micro-enterprise going forward?</b>						
	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
Access to start up capital	38	65.5	91	58.3	129	60.3
Access to other finance	25	43.1	55	35.3	80	37.4
Specialised advice on business development or marketing	37	63.8	75	48.1	112	52.3
General advice on business development or marketing	22	37.9	59	37.8	81	37.9
Availability of Staff	14	24.1	33	21.2	47	22.0
Staff skills training or updating	13	22.4	55	35.3	68	31.8

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Penetration of new markets	16	27.6	42	26.9	58	27.1
Insurance costs	26	44.8	61	39.1	87	40.7
Other	4	6.9	11	7.1	15	7.0

**REVIEW OF THE ROLE OF CITY AND COUNTY ENTERPRISE BOARDS IN THE DEVELOPMENT OF MICRO-ENTERPRISES**
**Q E2 What specifically would you like to see State agencies do to help micro-enterprise?**

	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
Provide access to finance	44	75.9	106	67.9	150	70.1
Provide access to training	25	43.1	81	51.9	166	77.6
Legislative reform	11	19.0	19	12.2	30	14.0
Taxation reform	18	31.0	54	34.6	72	33.6
Other	7	12.1	16	10.3	23	10.7

**Q E6 If State support for micro-enterprises ceased to exist, how would you regard this?**

	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
Agree	2	3.8	4	2.8	6	3.1
Indifferent	1	1.9	16	11.3	17	8.8
Disagree	49	94.2	121	85.8	171	88.1
Total Respondents	52	100.0	141	100.0	194	100.0

**Q E7 Do you see CEBs as the best way to develop micro-enterprise in Ireland?**

	Urban		Rural		Total	
	Frequency	% of Respondents	Frequency	% of Respondents	Frequency	% of Respondents
Yes	51	96.2	126	90.0	178	91.8
No	2	3.8	14	10.0	16	8.2
Total Respondents	53	100.0	140	100.0	194	100.0