



Northern Ireland
Assembly

Committee for Enterprise, Trade and
Investment

OFFICIAL REPORT (Hansard)

EU Programme for the Competitiveness of Enterprises and
Small and Medium-sized Enterprises (COSME):
DETI and Invest NI

3 April 2014

NORTHERN IRELAND ASSEMBLY

Committee for Enterprise, Trade and Investment

EU Programme for the Competitiveness of Enterprises and Small and Medium-sized
Enterprises (COSME):
Department of Enterprise, Trade and Investment and Invest NI

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Members present for all or part of the proceedings:

Mr Patsy McGlone (Chairperson)
Mr Phil Flanagan (Deputy Chairperson)
Mr Sammy Douglas
Mr Gordon Dunne
Ms Megan Fearon
Mr Fearghal McKinney
Mr Mitchel McLaughlin
Mrs Sandra Overend

Witnesses:

Mr Paul Brush	Department of Enterprise, Trade and Investment
Mr Stephen Moore	Department of Enterprise, Trade and Investment
Dr Joanne Coyle	Invest NI
Mr William McCulla	Invest NI

The Chairperson: With us today are, from DETI, Mr Paul Brush, head of the European support unit, and Mr Stephen Moore, deputy principal of the European support unit, and, from Invest NI, Mr William McCulla and Dr Joanne Coyle. You are all very welcome; thanks for coming along and seeing us today. You will be aware of the format for how we do things. You are allowed up to 10 minutes to make a presentation. We will then have a Q&A session for members. I am not sure who is fronting on this; is it yourself?

Mr Paul Brush (Department of Enterprise, Trade and Investment): It is: Paul Brush.

The Chairperson: Right, Mr Brush. I cannot see your nameplate; it is OK as long as I know who you are. You will have up to 10 minutes to make a presentation on the programme. By way of a wee bit of background, as you are aware, some of your colleagues have found out that we have taken a bit of an interest in European matters around research and development, innovation and support for business. The Committee is very engaged with matters European and, in particular, opportunities that come from European funding sources. As you will also be aware, we have been down to Dublin and have seen Enterprise Ireland. I know that, likewise, some of you have been down to Dublin to see how they do things and how they have been very successful in drawing down EU moneys. Mr Brush, the floor is yours; please continue.

Mr Brush: Thank you very much, Chair, and thanks for the opportunity to provide an update on the competitiveness of enterprises and small and medium-sized enterprises (COSME) programme. Let me first introduce the team and explain why there are so many of us here. To my left is William McCulla, director of corporate finance in Invest Northern Ireland. We also have Joanne Coyle, head of R&D services in Invest Northern Ireland, and Stephen Moore from my team in DETI, the European support unit. I am Paul Brush from the European support unit. My role is primarily responsible for structural funds, so it tends not to be a responsibility for elective funds. However, in the case of COSME, my team has the lead on exploring what the opportunities could be. We are really keen to ensure that we do not miss out on anything here. That is what we have been doing for the past 18 months since we first heard about it.

I know that the Committee, when it was out in Brussels about a year ago, received a briefing in which this was mentioned as an opportunity and, since then, has been very keen to get updates when things happen. We provided an update last June. To be honest, not an awful lot had happened in the last six months of last year, because the Commission was a bit slower than even it anticipated in trying to get the detail in place. However, a couple of things have crystallised in the last month or so, and we felt that this was a worthwhile opportunity to update the Committee.

We still do not know some of the key detail of how some of these elements of COSME will work, who will administer them, and what the rules will be. However, we are keen to ensure that we are ready and able to capitalise on those details when they come out. We have been exploring with the Commission all that we can, even informally. We have also been having discussions with our counterparts in the Republic of Ireland, Scotland, Wales and England to see whether they know anything more than we know about what it is going to look like and to get a sense of how they are gearing up for it.

You have been given a quite detailed submission. I want to summarise what I consider to be the current state of play and what we know. COSME will have a budget of about £2.3 billion. That is compared to about £80 billion in Horizon 2020, but it is still a significant budget and something that we want to look at seriously. It will run for the seven years from 2014 to 2020 and will have four distinct strands. The fact that it has four distinct strands is almost the reason why we have four people around the table who deal with different areas of SMEs support. We have had the people in Invest NI and DETI who look at those areas of SME support to assess the extent to which COSME might be useful to them, hence the people we have here.

Those areas are SME finance through loan guarantees and equity; helping SMEs to access markets primarily through information; and giving them a one-stop shop to which they can go to get an idea of what their opportunities are for exporting in other European countries, what the barriers would be, what the issues are and all that sort of information, and even what opportunities there are for getting finance and support from European sources. The other two areas are around the sort of wider framework conditions and promoting entrepreneurship. They are more about helping regions across Europe to develop good policy. There is no money in those two directly for SMEs; it is more about helping government agencies to network with counterparts and find out what works elsewhere. Perhaps there are also opportunities for entrepreneurs to shadow an entrepreneur in another country to see how they do it. There are those sorts of interventions.

As I said, we do not know all the detail. We do not know, for example, what the eligibility rules will be yet. We are not sure when the calls will come out, but we are keeping a very close eye on all that. I will say where I think each of them will go and our assessment of where things are likely to end up, based on informal discussions with the Commission and, as I said, counterparts in other jurisdictions. It looks as though the European Investment Fund will run the financial instruments for the Commission. The European Investment Fund is currently in negotiation with the Commission on that whole contract. We have been keen to speak to the European Investment Fund to find out how it plans to do that, how it will issue the calls, whether there is anything we can do to influence, and how that happens. It does not really want to talk to anyone yet because it is in those negotiations, but it is likely to open its doors in the next couple of months once it has finalised those discussions. We will certainly follow up on that.

The European Investment Fund will then issue calls. The people who need to respond to those calls will be financial intermediaries in a country. There will not be direct responses by SMEs. We will need a bank, a venture capital fund or some sort of institution like that to apply to the European Investment Fund to get an allocation of the funding to then deploy in or beyond its region, because there is an incentive in all this that funds do not operate in just the one region. We have been looking at this with

colleagues in England and Ireland to see whether we could benefit from things that they might set up beyond our borders.

There are two types of instrument: the loan guarantee and the equity instrument. Our assessment of each differs to some extent. From all that we have looked at, we are not sure that there will be a huge appetite for the loan guarantee scheme in Northern Ireland among financial intermediaries. There is already a very similar scheme: the UK enterprise finance guarantee scheme. That offers probably better terms than what will be available. We also know that, in the old competitiveness and innovation programme, which is the predecessor of COSME, a guarantee scheme was offered. There was no uptake of it at all right across the UK. There was minimal uptake even in the Republic of Ireland. It seems that some of these schemes suit some member states that are maybe not as well developed as other in offering some of these instruments in their own jurisdictions. We do not have all the detail yet, but it looks as though the guarantee bit may not be particularly attractive to some of our institutions, but we are not pre-judging that. When the details come out, which will probably be around June, we have plans to meet all the financial intermediaries to put to them the opportunity here to see what they might be prepared to do.

On the equity front, there may be a bit more potential. The difficulty might be around the scale of projects that the Commission is leading us to believe it will be looking for. We have some indication that it will want to operate with funds around £100 million. That would be very big from a Northern Ireland perspective. However, as I said, those funds do not need to operate in just one jurisdiction; they can operate across jurisdictions. If we were to find a fund manager interested in setting something up to operate more widely across Northern and Southern Ireland or possibly beyond, that might be an option.

They are interested in an average deal of €4 to €11 million, which would be a big deal in a Northern Ireland context. There are probably not enough of them to justify a solely Northern Ireland fund doing just those types of deals. The best opportunity on the equity side may come from promoting Northern Ireland SMEs that might be interested in that deal size to bigger funds that might be set up in ROI, GB or even beyond. There are no border restrictions.

That is the finance bit, and it is the big bit. It is the guarantee and the loan bit and is worth probably 60% of the budget. We do not know all the detail. We will get that in about two to three months, we hope, should the Commission complete on its current timetable. The plan at that stage is to engage intensively with the detail and bring together all the potential financial intermediaries that might bid for some of that money to deploy to SMEs in Northern Ireland.

I will say, as an aside, that that is not the only area of European funding that we are accessing to provide these types of financial instruments for SMEs. A raft of financial instruments are planned in the next round of structural funds. The Committee will consider a paper later this morning on the investment for growth and jobs fund. The plan is to use a significant proportion of our European regional development funding for that purpose. It is not as though SMEs will be left with no support through loan or equity investment if these things are not ultimately delivered in the Northern Ireland context. Other funds will do similar things.

The second big area is entrepreneurship or the Enterprise Europe Network. We are much more confident in this area that we will benefit and get support for Northern Ireland. We have a track record in this area. Invest Northern Ireland is already preparing a bid for this aspect of the COSME programme and we are hopeful that that will be successful. It will provide a one-stop shop for SMEs to access information on how to grow, expand and export. That is well-advanced and Joanne can give more detail if you wish.

The final area is the framework conditions on entrepreneurial culture. Those are more about sharing best practice. They are still worth exploring. We looked at some of the detail and, if anything, they are even less-well developed or defined than the other areas. They are still to be worked through but there are interesting areas. There is one on female entrepreneurship, where we might share best practice. There is one on entrepreneurship education and we had discussions with colleagues in the Department of Education on how they might be interested in tapping into that. There is one on ERASMUS for entrepreneurs, where young entrepreneurs can be twinned, if you like, with an entrepreneur somewhere else in Europe and connect into that process.

We do not have all the detail yet, but we have a sense of how it is shaping up. We are keeping close to our colleagues in other jurisdictions and in the Commission. When the detail is determined, we want to be ready to engage with the intermediaries, who will be the applicants. I have spoken to

councils on how we could partner them in promoting the aspects of this that would be worth promoting and where we might have success. The Northern Ireland European regional forum is a good means to do that because it has membership across Northern Ireland.

Some bits look promising and some less so, but we do not want to pre-judge the outcome until we have the final position.

The Chairperson: Ok, thanks. In your briefing document, have you not pre-judged the outcome? You state at paragraph 31 that the:

"overall conclusion on COSME is that the programme is likely to be of limited value to NI SMEs."

Then paragraph 32 states that it is:

"unlikely to be of interest to the banks".

Have you had formal engagement with the banks and lending institutions?

Mr Brush: We have had some engagement with the banks. As part of our work on developing financial instruments on the structural funds, we had to do a whole study to assess what the needs and opportunities were in Northern Ireland for SME financing and complementarity with existing provision. That had some engagement with the banks. One of the things that they looked at was the guarantee scheme. The banks' perception — again, without all of the detail — was that it was unlikely to be something that would operate successfully for them. However, until we have all of the detail, we are not in a position to finally conclude on that.

In terms of us pre-judging, I suppose the big money is in the equity and guarantee side of it. We are very positive about the other bits, but the big money area is one that — for the reasons I have outlined, whether it is the scale that the Commission is likely to be looking for, or the size of funds that it is going to want to invest — just does not fit as well as it might have done, but we do not want to preclude the potential of SMEs in Northern Ireland benefiting from funds that are set up elsewhere. I think that is our focus.

The Chairperson: Before I come to my other questions, you mentioned a one-stop-shop concept. Is that facility not already there? Sorry, I would expect that it should be there. Therefore, what is there at the moment that is not working and needs enhancement?

Mr Brush: Well, the one-stop shop, the Enterprise Europe Network, is already there through a current programme, but those things do not carry on without having to be reapplied for. So that element, which we have been able to do under CIP in the past, has now been brought into the COSME programme. I know that there are plans to enhance and improve it. Perhaps Joanne could give you a bit of detail —

The Chairperson: Sorry, you mentioned there that it was funded previously under —

Mr Brush: The competitiveness and innovation programme (CIP).

The Chairperson: It was an EU funding stream?

Mr Brush: It was, yes.

The Chairperson: OK. That explains that for me. So it is up for renewal now. Do you want to expand further on that, Dr Coyle?

Dr Joanne Coyle (Invest NI): Yes. It is a competitive process that we bid into. The contract runs for six years at a time, but it is broken down into two-year work programmes. We are coming to the end. This is our last year of that programme. They extended the programme to allow them to take on board the changes that were necessary to run it through COSME and to look at what worked well in the current Enterprise Europe Network. It itself underwent a lot of change, because it brought together two major networks. One was the Innovation Relay Centre and the other was the European Business Network. Those were two quite different networks that were brought together under one umbrella, so a lot of lessons were learned in the first two years.

The Chairperson: Will you just expand, for me and others listening, on the benefits of those networks and how you see the potential arising from them? In other words, what have you learned from the previous programme and what change will be incorporated into the new programme that will be advantageous to the people we are talking to?

Dr Coyle: Because it is not finished yet, our current provision is undergoing evaluation, so I do not have all of the outcomes of it yet. However, I will mention the idea of having a one-stop shop that people can phone up, ask any type of question and be signposted to the right provider. Those services are often already within Invest NI. We have a team of six full-time equivalents, but it is roughly about 10 people split across different divisions, who can provide expert advice. It can sometimes be on information relating to regulations and EU legislation. It can be about helping to find partners. Those partners can be for a commercial basis but they could also be to do an R&D project in the future.

Through the funding that we have got, we have also been able to take companies on technology missions. One recent technology mission that we took them to was in Sweden towards the end of last year. We took a group of four companies there to learn more about printed electronics, which is a really new area. They certainly benefited from seeing an expert research centre in Sweden, how they have been doing it and how they could potentially benefit from partnership opportunities in the future.

The Chairperson: Tell me how that is embraced within the concept of a one-stop shop.

Dr Coyle: There is a continuing theme in that you are connected to all the enterprise networks throughout Europe. There are about 70 consortia, with about 600 partners.

The Chairperson: Is this the ERRIN one?

Dr Coyle: No. The European Regions Research and Innovation Network (ERRIN) is another network that is a bit smaller. It is the European regional one that we use a lot to help us get access to FP7, so it is more around that theme. The Enterprise Europe Network is the biggest network in the world. It is pan-European, but it has outreach into China, America and Chile as well.

The Chairperson: Is this the one that you access through the Commission website?

Dr Coyle: No, we have our own website; we have the Enterprise Europe Network Northern Ireland website. Every Enterprise Europe Network is expected to have a website, and there is similar branding for that as well. The Commission is intent on making sure that the brand of the Enterprise Europe Network is very visible, so a lot of the events that we have are branded. The staff members in Invest NI who are funded through the Enterprise Europe Network have business cards that are dual branded, with the Invest NI and Enterprise Europe Network logos.

The Chairperson: Can you just explain to me the range of stuff that is anticipated for the average business person? I know that you are at the embryonic stage; well, I hope that you are more advanced than the embryonic stage. So, what is anticipated for the average person who comes through the door and says, "Right, Miss Coyle, I've a project here. Tell me what you can do for me".

Dr Coyle: OK. Again, it depends on the project idea, but we would say, "Absolutely. Let's hear your idea". Because we have different sector teams and different solutions in Invest NI, we often look at what we can provide as well. So, we are a brokerage service in that we identify the best route for them to take in order to get their idea to market and to make more money essentially. If you are an average business person, that is what it comes down to.

The Chairperson: Will you provide a breakdown of the services available?

Dr Coyle: The area that I am most familiar with is the R&D side. Somebody could ring up and say, "I've seen what you put out on your website about a certain company." For instance, the Agri-Food and Biosciences Institute (AFBI) has technologies for high-pressure processing, and we would put that out there. We would advertise that as an expertise that it has on the network.

The Chairperson: I am trying to anticipate the comprehensive range of services right across, without getting too specific, whether it is signposting, mentoring, access to finance or looking at other funds,

whatever those might be. We are coming down to you to hear about this, so I am giving you some forewarning about what we are anticipating.

When someone comes in and says, "Right, I have a project here. Tell me where I can get money for it. Where can I get support? Where I can get mentoring or, indeed, marketing expertise?" I would expect the one-stop shop to be able to do all that. I would hope that this is being done in conjunction with financial institutions and banks as well, because there is a void in the private sector too.

Dr Coyle: Absolutely. What we would do is listen to the company and what its needs are at that point. It could be that they are looking for partners or finance, so will direct them to the particular person who can provide those supports. We do not just leave them or pass them on; we keep engaging with them.

What we are trying to do to prove the value of the network is sign a partnership agreement, eventually, that shows that, when this person came along, we helped to align them to the right person in order to turn the opportunity into money. However, the partnership agreements are only one element of it.

It could be that somebody knows that new EU regulations coming in or the quality framework will affect how they produce something. So, we will send them to the right people in Invest NI or throughout other organisations. Sometimes, we might direct them to a university, a college or whoever we think is ready to service those needs.

First of all, we look at the services provided locally, but, because it is a transnational network, we often look at who could provide the best opportunity. That could mean setting them up with partners in other areas. We contact the European networks in these countries and say, "We have a company here, and we think that they would be a perfect match for that person in your area who advertised as having a specific strength. So, can we get them together?".

We also do brokerage events, some of which are on an all-island basis to start with. We work with our counterparts in the Enterprise Europe Network in the South, and we bring them together just to say, "You do not know what your partners are doing, so let us get together, so that you can give us an indication of what your business is about, and we will match you with somebody on the same island, because you are more likely to do business with somebody who is closer by". So, there are lots of different aspects to it, and that is why it is a one-stop shop.

The Chairperson: OK. Thanks for that.

Mr Brush: The Commission uses a concept called "no wrong door". That means that you should not ever go with any issue and be told, "You have come to the wrong place". That is the ethos that this network adopts, and everything that you describe, Chair, about the different stages of the needs of a business are things that the network would be able either to help with or point them in the right direction for.

The Chairperson: You said, "would be". To me, that means that it is not being done at the moment.

Mr Brush: I mean "is". It is being done and will continue to be done.

The Chairperson: Thanks very much for that. We will hear more when we come down to see you, including about the practical stuff because we cannot go into it all today.

We are meeting officials from the Ulster Bank this day week, and we will be putting some of these issues directly to them. I want to ask about the level of your engagement with, in this instance, the Ulster Bank, although we will be meeting representatives from other banks too. Have you met the Ulster Bank at an official level to ask, "What are the opportunities that we can deal with here?" You referred to that briefly.

Mr Brush: We have not met them about this particular scheme yet. Our consultants, who were doing the ex ante assessment, have spoken to a range of banks. The Department has met the banks and a whole range of financial institutions.

The Chairperson: I know that. You state in your paper:

"it seems they are unlikely to be of interest".

How do you draw that conclusion?

Mr Brush: From the ex ante assessment that we have done on our other schemes, which have looked at this.

The Chairperson: Sorry, which other schemes?

Mr Brush: Those that relate to the structural funds. There are schemes that I was referring to earlier, such as the growth fund and the development fund.

The Chairperson: So, on this, you have not had specific departmental engagement with the bank?

Mr Brush: Not yet. It would be premature to do so, because we do not know what the financing arrangement will be.

The Chairperson: I will be putting that question in reverse to the bank.

Mr Stephen Moore (Department of Enterprise, Trade and Investment): We would welcome you raising that with them. Paul referred to the ex ante assessment, which was undertaken for the structural funds programmes. The people who did that assessment spoke to a range of banks. We do not know which banks they spoke to; we can find out, but we did not get that detail from them in the report. We also know that they spoke to the European Commission, which said that the guarantee instrument was designed for specific needs in other member states — not the UK — and for specific types of specialist banks. The equity facility is, again, designed for fairly large equity investments in SMEs, which complement what we are doing with structural funds.

On awareness-raising with the banks, we have looked at how we can do that. We have basically said that there is no point in engaging with the banks until we have the details on how the programmes will operate and what the terms and conditions the EIF will require from anybody who bids in those programmes. At that stage, we want to have a targeted workshop with the banks.

One of the things we have been thinking of trying to do is similar to what has happened in the South: Microfinance Ireland was involved in the previous CIP. We would very much like to have its representatives present at a workshop so that they can share their experience of the previous programme with financial intermediaries, the banks and any other possible body that could apply to those funds. However, until we have the detail from EIF — we cannot get the detail because it will not give us any — it is a bit premature to be trying to engage with them.

The Chairperson: I appreciate that, but you have already flagged up concerns, and I am sure that the Commission would be deeply concerned if one of its projects, with €1.4 billion for SMEs, is not receiving the warmth of reception or the adaptability in member states that it should be.

Mr Moore: The Commission's line on that is that the COSME initiatives complement other European initiatives. The guarantee instrument is specifically designed for microbusinesses and small SMEs, guaranteeing loans of up to €150,000. It identifies a gap in the European market that the Commission feels needs to be filled. In the UK context, we already have the enterprise finance guarantee scheme, which covers us for that. That explains why nobody in the UK applied for the guarantee instrument last time around. We have been talking to DJEI, and its experience has been very similar.

The Chairperson: Explain to me who that is.

Mr Moore: That is the Department of Jobs, Enterprise and Innovation in Dublin.

The Chairperson: I was going to ask whether you had engaged with it to see what representations it would be making.

Mr Moore: Yes, absolutely. We have, obviously, been trying to find out how the programmes worked last time around, who benefited from them and why. The only institution down South to apply for a guarantee scheme last time around was an organisation called First Step, which later became

Microfinance Ireland. We have been told that First Step did that off its own bat; it was ahead of the game, knew what was coming and applied for what was a pilot scheme. First Step was successful and, subsequently, it rolled out the wider Microfinance Ireland scheme, which is quite good.

The other company was on the venture capital side, and that was Fountain Healthcare Partners, which was a spin-out with an American venture capital company. It is a specialist in the healthcare sector and in taking spin-outs from universities. Again, it was ahead of the game, had good connections into Europe and did it almost entirely off its own bat. That is the sort of company that we would like to get to come to Northern Ireland to sell the concept to fund managers here. We are absolutely not saying that there is no opportunity; we are just saying that we are starting here from quite a low base and that a lot of work remains to be done.

Mr Dunne: Thank you very much, folks, for coming and giving us the presentation. The Committee looked extensively at access to European funding and how difficult it was for various firms. You have seen a report and I am sure you been involved in that. Accessing partners was one of the big issues that were identified, as has been mentioned. Do you see this working in support of that? Will this work in support of bids if someone wants to draw down funding on a larger scale for framework 7 or Horizon 2020, as it will become?

Dr Coyle: Yes. As currently set up, the Enterprise Europe Network already does that, but it will be enhanced through COSME because of the need to bring people together. One of the ways that we do that when we talk to a researcher and find out more about their needs — researchers from academia or from a company — is to put out their profiles and circulate them to other European Enterprise networks, basically to say, "This is their expertise, and they are looking to be part of a programme". One of the Horizon 2020 advantages that was not in FP7 is that it has two-year work programmes, which allows more time to prepare in advance. Partner searching takes time because you are trying to develop trust.

Mr Dunne: We found that to be a major deterrent, particularly for SMEs that are busy doing their day job and do not have the resources or expertise. They can buy in those but, in many cases, do not know where to go and find it confusing. I am really asking whether this programme be used to supplement bids for larger funding.

Dr Coyle: The SME instrument in Horizon 2020 has a planning phase that was not there previously. We in Invest NI have two ways of funding companies that may be interested in the opportunity. We give them project definition assistance, which gives them funding for travel to meet partners, funding for the time put into making an application, and there is also some allocation to use a consultant. For a company that has never applied before, that could be for a week of a consultant's time. However, for firms with some expertise, it could be just to review the application. We are trying to do that and, on the back of it, encourage them to make the formal application. That is because we believe that, even if not successful, you will learn a lot of lessons and further develop the partnership through the preparatory process.

We also recognise that an awful lot of SMEs out there will struggle with what this is about and whether it is really for them. We have extended our innovation voucher scheme to help them work with experts in academia who have been through the process and can help SMEs understand it more. We are not expecting them to make an application or decide to do so until they are a bit better informed about the process.

Mr Dunne: Through our investigation, we visited a number of reasonably large organisations. They had not gone down the route of getting framework 7 funding. One of the things that we found is that they can get money through Invest NI much more easily. Is that fair to say?

Dr Coyle: Some companies might say that, but our additionality criteria are the difference in the scheme, so our process of providing funding for R&D does not come down to a competitive process. It was based on the technology and the ability to have an impact on the European citizen. Ours is about growing the local economy as well. In that respect, we are looking at the direct benefit to them, rather than the benefits across the whole of Europe. That is quite different and it appeals to our companies more, because they are saying that they are not sure. At the minute, it is about their bottom line and looking at sales, perhaps export sales to the South or to the UK first, because there is a lot of risk involved. There are various reasons why they might come to us but we certainly would encourage them, particularly those that have some expertise. We take a step-wise approach in that

we try to get them involved with the Technology Strategy Board programmes, because the duration of their decision-making process is a bit shorter.

One thing that we will say to companies now is that there is no other scheme where they are going to get 100% for their direct costs, and that is available in Horizon 2020 if you are doing industrial research. We cannot offer that, so we are saying that, if money is the issue, Horizon 2020 is a great opportunity and large companies in particular should be using it more.

Mr Dunne: A lot of the regional development fund has gone into R&D, has it not?

Dr Coyle: Yes, it has.

Mr Dunne: The other thing that comes to mind from our travels was the Northern Ireland Bureau. How do you engage with it?

Mr Brush: In Brussels?

Mr Dunne: Sorry, yes. We have been there and we were impressed with the whole set-up. It is good; it has a local input that is very good, but we came away somewhat worried that it is very much underutilised. It is a great facility.

Mr Brush: We have very good contact with the Office of the Northern Ireland Executive. The individuals in there that my team has primary contact with are the people who used to be called the Barroso desk officers. The Barroso task force, as you know, appointed a few people who are now going to be called liaison points instead of desk officers. We have one of those allocated to the economy remit within the Barroso task force, Una Downey, and that individual is really our source of sussing out early intelligence on these sorts of things. For example, a significant contribution to the paper that we have, which we have amassed over the past year or so, has been gleaned from those desk officers based in Brussels. There is nothing to beat someone being there and being able to go and talk to an individual who is perhaps at the early stages of looking at these sorts of things. They may not give you a formal meeting but you might be able to get something from them on the fringes of something else. We have good contacts with them.

The Chairperson: On the back of that, I know some of the individuals and have great confidence in them, but the difficulty is that I do not know where the information goes. It may reach you guys, but we certainly do not hear it and that is a big problem. That is a void. In fact, in trying to determine stuff and trying to establish contact, first, there is a convoluted process. Secondly, whenever we are dealing with businesspeople, those who I deal with who are successful want stuff now. They expect efficiency, and that efficiency and flow of information is not happening. It is certainly not coming to us. I do not know whether it stops with you and does not get any further, but, believe it or not, we are elected politicians, warts and all, and we are out there in the community dealing with people every day. In fact, I met two of your senior officials yesterday about some other stuff, but we want to have those opportunities identified. It is not just accountants or business consultants or whatever who are trying to help people with opportunities. We are not well enough informed because the information stops. That is a void that has to be dealt with.

Mr Brush: We can certainly look, Chair, at how the information flowing from the desk officers is brought across to your desk.

The Chairperson: I would suggest that you do more than look at it.

Mr Brush: Indeed. The information that we get from them is often in response to a specific request that we have made. For example, in this case, we will have said to them, "We want you to really explore what the opportunities under COSME are. Try to find out what the Commission's plans are, etc." We get that information flowing to us as they find it out. As I say, not a lot changed in the past six months. However, the desk officers also come across things proactively and send them out.

The Chairperson: I am not doubting that. It just does not get to us.

Mr Brush: Exactly. I take your point, and we will make sure that it does.

The Chairperson: As you know, communication is a key aspect of identifying opportunities.

Mr Brush: Absolutely.

The Chairperson: If that is not happening correctly, and it is not, it is an issue that must be addressed.

Mr Douglas: Thank you for your presentation. Just on that last point, we have had discussions with some of your officials about the website, and the whole issue of communication. I know that you are in the process of developing the website. The other thing is that, from the point of view of social media, I see various tweets from you and they are very positive. I have re-tweeted them. Maybe you need to look at that again?

Mr Moore: Yes. That is a fair point.

Mr Douglas: A lot of others re-tweet as well.

Mr Moore: Is this on Horizon 2020?

Mr Douglas: It is across the whole range.

The Chairperson: There is a lot of innovation stuff on the Invest NI website. That might well be a solution to part of the problem that I have identified, namely that the stuff is not getting out there as completely or as comprehensively as it should.

Mr Brush: I accept that.

Mr Douglas: I will make a couple of points about objective 1. This also refers to objective 2. Could you explain the levels of funding from the previous programme?

Mr Moore: Under the previous CIP programme, as I said before, the guarantee element of it is very similar to what is offered now. It basically guaranteed a portion of a loan that was being made by a bank or some other financial institution. Unfortunately, the agreements between the EIF and the banks are commercial and made in confidence. We know that they did not guarantee all the defaulting loans, but a portion. It may have been between 50% and 80% in a lot of cases. We do not know the detail of that, and we do not know the detail in the next programme, but we expect that it will be the same. Depending on the risk profile of the loans that it makes, the EIF will guarantee a certain amount or proportion of those loans if they default.

Similarly, in the equity facility, we have seen the EIF invest in funds set up specifically under CIP. It also invested in established funds. It would top them up, or there were follow-ons into those funds and the EIF put some money into those. Again, this time around, we think it will work exactly the same way. All that we know is that the Commission has said that it wants the EIF to invest such that the investments are between €4 million and €11 million. That is the sort of investment. That is where there is a gap in the European market for venture capital. That complements us in social funds.

Mr Douglas: Will Northern Ireland SMEs be able to access the facility through the Irish financial intermediaries?

Mr Moore: Possibly. It depends on the funds that are set up. The one that was set up in Ireland last time round was a healthcare fund, and it invested in spin-out companies from Trinity College Dublin and Galway University. It also invested in three American firms. We do not know whether that fund looked north of the border, but it would seem, from the way the fund was set up, that it could have invested anywhere in Europe. It could have invested in some of the companies spinning out of Queen's University. Obviously, there are tremendous opportunities there. I think that it is about timing. Once the fund was established in 2008, it was very quick to make investments in companies, so it obviously had candidates lined up that it was ready to invest in.

If you look at the other funds that have been established, you see that there tends to be a bit of pattern. There are lots of ICT funds, some general funds and some healthcare funds. Our opportunity is probably where some of the companies coming forward have funding requirements of €4 million to

€11 million, and they cannot be supported through the structural funds — William's programmes. That is where, with William, we will be looking at how we can help such companies to get the funding that they actually need. William, would you like to add to that?

Mr Douglas: Just before William comes in, Paul, you mentioned the UK finance scheme and said that it was probably the best model. Where does that fit with the new programme in the future?

Mr William McCulla (Invest NI): The enterprise finance guarantee scheme?

Mr Douglas: Yes.

Mr McCulla: Until we see the details of what is proposed, it will be difficult to determine whether the European scheme will be better than the enterprise finance guarantee scheme. If it does not provide a higher level of guarantee than exists through the enterprise finance guarantee scheme, the banks will have no interest in it. Stephen talked about the guarantees, and the enterprise finance guarantee scheme works on the basis of a 75% guarantee against the individual loans, but they then set a cap across a portfolio. Therefore, you get only around 15% across the whole portfolio. All the loans could not fall over because they limit it. That limits the benefits, and that is probably part of the reason why the enterprise finance guarantee scheme has not been taken up as much as people would think. People hear the headline that there is a 75% guarantee but, underlying that, there is a much lower level across the whole portfolio. So, if the scheme comes out and it is better than the enterprise finance guarantee scheme, that will be something very positive to speak to our local banks about. If it is not better, it will not really serve any purpose. From a COSME point of view, there are a number of countries that do not have the equivalent of an enterprise finance guarantee scheme at all. So, this is the only guarantee in town. That is why it is more beneficial in some countries than others.

Mr Douglas: I have a very quick final question, Chair. Can social enterprises access the COSME programme?

Mr Brush: Yes, there is no bar at all. Any aspects that are operational will be operational for everybody.

Mr Moore: If the social enterprises are engaged in economic activities like a normal SME, yes, absolutely. In fact, in looking at the opportunities for SMEs to get finance from this, the guarantee scheme and how it will all work, our Minister has been clear that we need to support the growth of the social enterprise sector. We are very keen to work with that sector to try to help it grow.

Mrs Overend: I will follow on from that. If, for that reason, COSME is not beneficial for SMEs here and the UK enterprise finance guarantee scheme will work better for them, will there be enough capacity to help as many SMEs as necessary or will SMEs in Northern Ireland lose out in the end?

Mr McCulla: Because the guarantee is not as good?

Mrs Overend: I am thinking of both aspects. If the guarantee is not as good, they will obviously want to go for the UK scheme. However, is there enough capacity in the UK scheme?

Mr McCulla: The capacity of the UK scheme is, I think, significantly larger than what is available under COSME but one of the issues is that, in Northern Ireland, Ulster Bank has used the enterprise finance guarantee scheme quite extensively. Some of the smaller players, although they are big in the UK, such as Barclays and Santander, do, but we found that Danske, First Trust and Bank of Ireland use it very sparingly. Those banks claim that they assess the risk in businesses that come to them and, therefore, do not need to use the scheme. They use it very sparingly indeed.

Mrs Overend: At this stage, you seem to be ruling out that it will be beneficial for Northern Ireland SMEs.

Mr Brush: Some parts of it clearly are, such as the Enterprise Europe Network stuff that Joanne talked about, and there might be some opportunities through the other bits such as the framework conditions and entrepreneurship, education and exchange. The finance bits that William talked about are almost unknown at this point.

Mr McCulla: There may be some opportunities on the equity side. I do not think that there will be any £100 million funds set up in Northern Ireland to invest on a transnational basis. Venture capital companies do not tend to do that from a base in Northern Ireland because our scale is too small, to be perfectly honest. When they get set up, we would be keen to encourage those fund managers with whom we already engage and to whom we provide funding to set up funds and to support SMEs, to look to syndicate larger deals outside Northern Ireland. That could be through funds that are set up under COSME or, indeed, other funds in the UK or wherever. So, it is another opportunity and funding source that might be available for those larger deals that Stephen is talking about where, say, £5 million to £10 million is involved. There is already the business growth fund, which the large banks set up a couple of years or so ago in the UK. In theory, they will invest in businesses with, say, £2 million to £10 million. They have not made any investments in Northern Ireland yet. They have been looking and have been outbid in some, so other private equity firms have come here and invested instead.

When it comes to larger deals, which COSME seems to deal with, there are more opportunities to get that funding from private sources. I suppose that we in Invest NI have concentrated on the smaller deals, where it is much more difficult. That is done through funds that we already have under management.

Mrs Overend: OK. Thank you. Perhaps this is a silly question, but if it has not been finalised yet, what is being done to try to influence its final outcome?

Mr Brush: To be honest, there is very little that we can do. As I say, we were trying to meet the European Investment Fund to get some influence over the calls that it might put out. It may still meet us when it has finished negotiating its contract, so to speak, with the European Commission. The Commission very much has its own timeline that it will work towards. Obviously, we are keeping a very close eye on how that evolves. We think that it will all come to fruition really over the next two to three months, and they are saying that May or June is their deadline to get all that confirmed.

Mr Mitchel McLaughlin: I have a feeling that most of this briefing is probably a bit premature in the context of the development and evolution of the process. We are going to have to talk again. My sense of it is that we are behind the curve. We almost have a cultural issue with our engagement with Europe, whereby we rely on other people to make up the ground for us. If that is the reality of where it is, that is fair enough, and we will work with that. However, we need to address those kinds of issues.

There is also a particular difficulty in matching our SME sector's capacity with those external supports, vital though they are. My experience of most SMEs is that we are actually talking about people who run their businesses during the day. They might grab a bite of dinner and then sit down to fill in application forms, tender documents or whatever. Perhaps that is really the most benefit that we could offer in addressing a programme like that, which is in evolution. A lot of the negotiation is going on either between the Commission and the various directorates or with sovereign governments. We are outside that loop by some considerable distance. Even with the bureau doing the best work that it can, I do not think that we match what Dublin does, for instance. They have a far bigger operation, and they chase around. Sometimes, I think that the valiant work that is done on the ground and on the spot is perhaps also subject to unfair criticisms and comparisons.

Could we not actually develop an approach to that kind of technical assistance era here? You have given us some examples of the help that you give. However, we are signposting people. It is really up to them, if they have the time in their lives. They may come in from running a small business, which may be a family business. We all know the main characteristics of the SME sector. It is really in their own downtime from the business — it is not really downtime; it is after they get the weans to bed — that they sit down and start to try to catch up with paperwork. Can we not actually develop an interface that works for those people?

Dr Coyle: There are a number of ways on the technical side. You are absolutely right: businesses are time poor. There are a number of ways that we can locally fund schemes to help them to develop their capacity. A really good scheme is the knowledge transfer partnerships (KTP), which basically gives funding to put a graduate into a company. That would free up some of the time.

Mr Mitchel McLaughlin: Yes, I know about that.

Dr Coyle: I think that that is a great scheme, because a graduate working as an intermediate between the company and university can bring skills from university by writing research applications or applications for funding for innovation with —

Mr Mitchel McLaughlin: What is the reach of that? That is the type of practical initiative that I am talking about. I looked at it, and my information is that it is quite a narrow interface with the SME sector in general.

Dr Coyle: In many respects, it is usually doing a technical project, but some have been projects that are more about marketing. It is about engagement. That scheme is a Technology Strategy Board programme that we part fund to make sure that enough applications are coming from Northern Ireland. Queen's University usually comes out top. It won the UK award for the best technology transfer project. It says a lot that we are one of the smaller regions, yet we bring forward high-quality projects and businesses get a lot of benefit from us.

We have annual targets to drive projects in that area. As I say, it is an area that both universities are focusing on. The other complementary scheme with a cross-border aspect is the Fusion programme, which is similar in the way that it places graduates. So, I think that those are excellent ways to get a company to free up time.

Mr Mitchel McLaughlin: They are, but if we analysed the percentage of the SME sector that benefits, which is not to cast aspersions on the quality of the service, I think that that would point us to what I regard as a structural flaw.

Dr Coyle: A lot of our SMEs are microbusinesses, which is an issue. We bombard them with a lot of different initiatives, which could involve a design programme or innovation vouchers.

Mr Mitchel McLaughlin: They do not have time to read them, because they are busy filling in forms.

Dr Coyle: The innovation vouchers scheme is excellent, because you are getting the college or university — the research provider — doing the work for you. That is a great way to get it done, and you are paying only the VAT on that, so you do not have to do any work towards that.

Mr Mitchel McLaughlin: It is a good scheme, but I think that less than 5% of the sector is involved.

Dr Coyle: It is available through application. Any SME in Northern Ireland is free to apply; it is open and is advertised. I know that the latest call that went out —

Mr Mitchel McLaughlin: There is 95% that do not know that it is there or cannot access it.

Dr Coyle: We try our best to reach a lot of companies. We use our local regional office network to talk to companies. We use our website —

Mr Mitchel McLaughlin: OK. I am hoping you hear me, and maybe we will get something planned.

Dr Coyle: No, I do hear you.

Mr Brush: I think that it is a fair point, so I can say that one way that we do this is through councils. A programme in the current European regional development fund — the local economic development measure — explicitly focused on SMEs and was administered through the 26 councils. There was £25 million ERDF allocated to that, almost all of which will be spent. There will be a similar programme in the next round of structural funds.

Councils have that connection, I suppose, with the needs in and requirements of their own areas. They do exactly what you described. It involves a bit of mentoring, with someone coming in, sitting with the person, identifying what they need to do, perhaps in their IT system, or helping them with a website. They are involved in that end of the thing. To be honest, although COSME sounds as though it is for all SMEs, it is actually more at the higher end of that SME. Those types of people who you describe probably are not going to want an equity investment or a loan guarantee. They want someone to assess their business, tell them the next steps that they need to take and how they can start to sell in the Republic of Ireland. They also need someone to tell them what they could do with their IT systems that could help them to sell online. There other interventions, but I take your point that maybe they are not all packaged as holistically as they could be.

Mr Mitchel McLaughlin: Some will stay micro-organisations because of that lack of support. The UK investment fund has a limited shelf life. Through the 2020 programme, which we are discussing today, will we have a broader interface in technical expertise and capacity that will directly benefit our SME sector? At the end of the day, that is one of the objectives that we have to build in to this approach.

Mr McKinney: I share the view that we may be talking a bit prematurely about some of the aspects. The programme talks about reigniting the entrepreneurial spirit in Europe. I do not see any fire or bonfire. Is that because the programme —

Mr Mitchel McLaughlin: Just wait.

Mr McKinney: Wait until July.

Mr Dunne: Early days.

Mr McKinney: Is that because the programme is not fitting, or are we not combustible in some quarters?

Mr Brush: That is very much the Commission's policy framework. Its view is that it cannot do everything in the one programme, so it is targeting it at higher-end SMEs that really just cannot get that £5 million to £10 million injection of cash. In some countries, that may be what the need is, and that may ignite the sort of entrepreneurial spirit in those areas. Some of the other commitments, even under strands 3 and 4, around entrepreneurship education are perfectly laudable and need to be looked at. It is around how we start to infuse education, even at an early stage, with that entrepreneur ethos. We do a lot of that already in Northern Ireland with Young Enterprise Northern Ireland and similar organisations. However, there are countries that do not do any of that. I know from a previous life, when I was working on entrepreneurship strategies, that Northern Ireland probably has a more advanced emphasis on women's entrepreneurship, youth entrepreneurship and education than some other places. To some extent, you always have to look at the Commission's initiatives by looking at that huge range of countries. Its objective is always to bring up the weaker ones. There has always been the argument that Europe is less entrepreneurial, particularly than the US. That is partly what this is aimed at addressing. We are not ruling it out; we will try to access those elements, too.

Mr McKinney: What is our needs profile consistent with the programme in that higher end that you are talking about? Have we assessed the number of companies and the money needed so that, if it is going to be targeted there, you know those companies —

Mr Brush: How many we need?

Mr McKinney: Do we have an assessment?

Mr Brush: Higher-end equity investment.

Mr McCulla: Yes, higher-end equity investment. We design investment funds at the moment that go up to £2 million.

Mr McKinney: Do we know how many companies need this type of programme?

Mr McCulla: Right across all the elements of it, or —

Mr Brush: The financial elements, primarily.

Mr McKinney: Have we done any assessment of the loan or equity needs? Do we know that, so that when something like that floats in, we can say, "That'll fit this company, that company or this range of companies"?

Mr McCulla: Given the equity and the deal sizes being talked about here, I would expect no more than one or two companies per annum in Northern Ireland.

Mr McKinney: That is the take-up. Do we know the need out there? Are we doing an assessment of need?

Mr McCulla: We do assessments of need for debt and equity. That is what has driven the funds that we put in place in the market in the first place. The seed funds, the co-investment fund, the development funds, the growth loan fund and the small business loan fund are all to address specific needs.

Mr McKinney: Yes, but consistent with this programme, have we identified a specific need?

Mr McCulla: No, we have not done that yet because the information has only come out. Certainly, on the equity, knowing the number of companies that will be looking for money at below £2 million, we know that there are very few.

Mr McKinney: Mr Brush said that, if it worked, maybe you could light a fire in particular countries or whatever. If we were to identify the need and work it out, we could set off a fire in some of those areas, but you are telling me that we do not have that information.

Mr Brush: William is saying that the studies that have been done to look at where the gaps are have not, on the whole, as I understand, identified the gaps at the very high levels. That is because people can get the funding without government intervention, such as by going to the bank or whatever, or because there are capital markets already operating at that scale.

Mr McCulla: The gap really is much more acute at the lower levels. We are putting programmes in place that really support that. This is only a complementary thing. Our real thrust is on the funds we already have, because that is where we believe the real gap to be and where the entrepreneurial bit is going to come from.

Mr Brush: Let us say that four or five companies a year are, if you like, the need for this. We do not want them to miss out just because there are only three or four of them. So, as others have mentioned, there is a focus on finding a way that, even if nobody in Northern Ireland runs the funds, we can make sure that those SMEs have an awareness of and access to a fund somewhere in the vicinity. We think that that is likely to be the most effective way of ensuring that they benefit.

Mr McCulla: Yes. Normally if those companies are looking for, say, £5 million, they will have already raised £1 million or £2 million. They will have done that through an existing manager, and the best route for them to access that bigger fund is through those existing managers having the relationships and building those relationships.

Mr McKinney: You reflected a couple of times on how it might suit other places better because the infrastructure might be better here. Does the loan guarantee or some of the other instruments present any threat or competition to systems of funding here?

Mr McCulla: No, I do not think so.

Mr Brush: No, there is no threat because they are not as attractive possibly with the guarantee —

Mr McCulla: If they are not as attractive, they will not be a threat. If they are more attractive, then I would expect the financial intermediaries would take those up.

Mr McKinney: I am asking whether, if the European programme was more attractive, it would be a threat.

Mr Moore: No, that is an opportunity. That would allow us the opportunity of drawing that money directly from Europe, which is what we want to do if we can.

Mr Brush: And it is 100%. There is no matched funding required.

Mr Moore: No, there is no matched funding.

Mr McKinney: No, there is not a threat to the companies or whatever, but I am talking about those other income providers — those other loan providers.

Mr Moore: That would free up more money in the structural fund to spend in other areas. If we could draw down money from COSME, it would mean that we would have more money in the structural funds to spend on other things in Northern Ireland. There is no matched funding required from Northern Ireland. So if we —

Mr McKinney: If one of those higher-end companies needs to get money, where does it get the £2 million, £3 million or £5 million? Is it getting that on better or worse terms than it might through this programme when it matures?

Mr McCulla: The programme is supposed to be commercially run, so it should be exactly the same sort of terms, because the funds that are already there are commercial. So, it would not —

The Chairperson: So, it is two sixes.

Mr McCulla: It is really.

Mr Brush: Let us say a bank does or does not choose to apply to be, if you like, a broker for the guarantee. If that bank can get the money on better terms, it will not worry about the fact that it is not taking somebody else's money. I do not think that it is a competition in that sense. The market will suss out the best opportunity.

Mr McCulla: Yes, If COSME was better for a loan guarantee, then there would be less requirement for an enterprise finance guarantee scheme, which would have less of a draw on the UK Government and would help with the UK Government's funding. However, SMEs would be as well off under either.

The Chairperson: Thanks very much for that. When I have you here, I want to talk about the policy and the practice. Action pillar 2 of the Commission's 'Entrepreneurship 2020 Action Plan' refers to:

"Unleashing new business opportunities in the digital age".

You may be aware of correspondence that I have had with the Minister on that. That obviously involves a number of things, including the commercial environment. However, if the capacity of broadband is proving to have a retardant effect on the potential for businesses to expand, have you — I am looking particularly at Invest NI — picked up on those issues yet? I am certainly picking up on them. If we are on the cusp of coming back to recovery, particularly those ICT businesses that are involved in software development and, maybe, monitoring security for businesses elsewhere need an extra capacity in broadband bandwidth. I am not a technical person, but that is me trying to simply convey to you what that means. I will be meeting Dr Forsythe from the Department on site at the premises of one firm where that has become a significant problem. Have you done any scoping exercises on that? I know that BT is conducting work elsewhere on postcodes and the like, but has Invest NI done any scoping exercise on how that could prove to be an obstacle to the expansion of some firms?

Mr McCulla: I am not aware that Invest NI has. We are obviously aware of that issue and hear lots of stories about companies that are having difficulties with broadband. Maybe the guys from DETI can talk more about that, as DETI leads on it. Invest NI does not lead on it, but we know that it is a problem.

The Chairperson: It is a problem in two significant towns in my constituency. As I said, I am meeting Dr Forsythe and some of your representatives next week in one of the towns about it.

It really needs to be looked at. It is preventing microbusinesses from developing. Those companies maybe employ only 10 or a dozen people but are very specialist. If they cannot expand at a point when they are thinking of expanding because of bandwidth, that is a significant problem. You need to look at that, particularly when:

"Unleashing new business opportunities in the digital age"

is at the heart and core of what the Commission is trying to drive with whatever support it can provide.

I think that it refers to the "digital age" and the "industrial policy flagship initiatives". I do not know precisely what those were, but maybe you could advise what opportunities could be identified if there are sources or streams of funding available to do that. I am sure that Dr Forsythe will relay those concerns back to the Department anyway, but it is certainly something that you need to look at.

I met Des Gartland and Mary Gormley yesterday — they are your colleagues. I highlighted that to them and gave them a couple of locations. Des is aware of it anyway, as one of the companies is in his remit, and one of your officials will be attending along with Dr Forsythe that day. It is certainly something that you need to look at at a very practical level.

Thank you very much for being with us. As Mitchel very succinctly put it, we are looking at some of the "what ifs" here. However, it is important that we keep a brief on this and keep in touch. Thank you for your time and for being with us. I think that we are due to be back in Invest NI in June, and I am sure that we will see some of you and explore how the mechanisms for support of small and microbusinesses work. We will speak again.