As a country, Ireland has all the ingredients to be the best place in Europe to build and grow a startup. We are one of the most entrepreneurial nations in Europe, and we’re seeing high-growth firms emerging as global players right across the country, from Skibbereen to Strandhill; and across sectors, from digital tech to life sciences. However, these success stories are the exceptions to the rule. While starting up a company is relatively easy, it is increasingly difficult to scale. Ireland doesn’t have a start-up problem; it has a scale-up problem.

Ireland has been and will hopefully continue to be a world leader in attracting top multinationals to locate on these shores. Scale Ireland is calling on Ireland’s political leaders to have a similar level of ambition for our indigenous economy.

The unbounded, agile nature of innovation-driven startups can bring high-value economic activity to every part of Ireland. These companies are typically IP-driven, often don’t require physical shipping of products, can usually facilitate remote working and typically can be located anywhere. Startups stimulate employment, and according to MIT researcher Enrico Moretti, for every high-tech job, five additional skilled and unskilled jobs are created.

The new geography of jobs: Spreading high-value growth to the regions

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Ireland’s opportunity

Why startups

A ‘startup’ is different to a traditional SME in that it has innovation at the core of its business model. Startups typically face negative cash flows in the early stages of business due to heavy investment in innovation followed by either failure or exponential growth, as they service a global need. They share unique characteristics and face unique challenges and therefore require targeted policy solutions.

What’s the impact

By focusing on the needs of these companies, Ireland can unlock the potential for high-value economic activity throughout the country, tap into a source of future jobs growth, strengthen its innovation capacity and entrepreneurial ecosystem, boost productivity within indigenous enterprise, position itself as a competitive startup location and hub, and anchor existing and future FDI.
A modern Industrial and Enterprise Policy for Ireland: building A Diversified Economy

Ireland has a clear policy framework in place for FDI, and will have for SMEs in 2020. However, when it comes to startups we have a critical gap in both political and policy terms. Meanwhile other countries, including some of our nearest neighbours, are forging ahead.

There is a clear opportunity to create the policy environment that would allow Irish-based innovation-driven startups to flourish.

**Examples of ambitious startup policies**

- **France**
  - France has a startup champion in President Macron who recently announced that the government had mobilised €5bn in growth capital from institutional investors to target the emergence of French unicorns. The French Tech Correspondents Network has been established within the government to support startups. France has a simplified, fast-track French Tech Visa scheme for startup employees, founders and investors. Recent changes introduced to its attractive BSPCE share options scheme will enhance it further.
  - This level of political leadership combined with real policy change is positioning France as a startup leader in the EU, whereas Ireland is rapidly falling behind as a location to scale a high-growth startup.

- **UK**
  - Over the last decade the UK has transformed its industrial policy, including its policy environment for startups. It has been successful in mobilising private capital into startups through its attractive SEIS and EIS schemes. In terms of attracting talent, it has a highly advantageous share options scheme (EMI) scheme in place. The UK also has an attractive CGT regime. Post Brexit the UK is likely to reinforce its offering.
  - Depending on the terms of a future EU-UK Trade Agreement, Ireland could lose out to the UK both as a location for our own startup entrepreneurs as well as internationalising scaleups.

- **Portugal**
  - To our south, StartupPortugal+ is Portugal’s rebooted National Startup Entrepreneurship Strategy. Portugal appointed a former startup champion as Secretary for Industry in 2016. Virtual share option plans are used in Portugal and have been taxed as capital gain at sale. At last year’s Web Summit in Lisbon the government announced plans to apply a 0% CGT rate on the disposal of share options.
  - These policies reflect a clear understanding within the Portuguese government of how to support home-grown support home-grown startups while attracting internationalising scaleups.

**How the next Government can support Ireland’s innovation-driven entrepreneurs: A Three-Point Plan**

Below are Scale Ireland’s General Election 2020 “asks” for political action on Startup Policy that we wish to see included in the next Programme for Government:

<table>
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<th>Timeframe</th>
<th>Action</th>
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| 1. **Political Commitment (Q1 2020)** | 1.1 **Startup Minister**: appoint a Minister (of State) for Startups, SMEs and Digital Development, empowered with a cross-departmental mandate to champion Ireland’s startups within government and act as an ambassador for Ireland’s startup ecosystem abroad.  
 1.2 **National Startup Strategy**: begin development of a national strategy to include specific policy actions to support innovation-driven startups to succeed and scale. |
| 2. **Budget 2021 & Finance Bill 2020 (Q4 2020)**: | Build on the welcome, but limited, measures in Budget 2020 to support startups including KEEP Scheme, EII Scheme, R&D Tax Credit and CGT Entrepreneurs Relief. |
## General Election 2020: Startup Policy Priorities

### Talent

**Share options**
- **Employee Share Ownership**: help startups to attract key talent by improving the KEEP scheme.
- **EU Single Market**: support EU level action on share options to make schemes operable across borders.

**Visas**
- **Fast-track Talent**: encourage awareness and take-up of the Trusted Partner Initiative.
- **Visas**: benchmark applicants’ experience of visa application and processing against experience globally.
- **Startup Visas**: benchmark STEP visa programme against Startup Visas globally, effectively market STEP overseas.

**Education**
- **Increase Funding for Higher Education**: introduce an appropriate funding model (as recommended by the Expert Group on Future Funding for Higher Education report).
- **STEM**: consult startup sector on implementation plan for the period 2020-2022 under the STEM Education Policy Statement 2017-2026.

**Skills**
- **Target Current Scaling Skill Gaps**: introduce tailored programmes to help startups access skills critical for scaling e.g. communication skills, financial literacy.

### Funding

**Private investment**
- **Early-stage Private Risk Capital**: expand indigenous angel investment by enhancing EII scheme and introduction of targeted new incentives.
- **Angel Networks**: champion European Investment Fund’s angel program, introduce global best-practice in Angel Networks.
- **Early-stage Public Capital**: review EI’s early-stage investing program to ensure it aligns with current funding needs of startups.

**Venture capital**
- **Idea Stage Startup Accelerator**: support creation of a world-class accelerator program for idea-stage startups, with focus and resources to attract global investors, mentors and founders.
- **Fund of Funds**: mandate ISIF to establish a Fund of Funds to encourage more indigenous capital sources to participate in early-stage ventures.
- **International VC**: identify mechanisms to encourage investment by world-class VC firms in Ireland, increasing investment and helping raise follow on capital from foreign sources.

**Diversifying Funding Sources**
- **Awareness**: enhance awareness of the value and availability of diverse multiple funding sources for startups.
- **Institutional Investment**: leverage public institutions (ISIF, SBCI, EI, EIF & EIB etc.) to provide additional sources of funding to all types of startups at different phases of their growth.
- **Alternative Investment**: review alternative lenders, crowdfunding and revenue based funding models as additional novel sources of capital in Ireland.

### Entrepreneurship

**Entrepreneurship education**
- **Schools**: embed entrepreneurship in both primary and secondary curriculum.
- **Third Level**: integrate entrepreneurship modules across programmes.

**Entrepreneurship training**
- **Entrepreneurship Training for Startups**: review and enhance skills training for scaling startups to target critical gaps e.g. communication skills; provide world-class training tailored to business growth stage and sector.

**Capital gains**
- **Allow risk-taking to flourish**: introduce a reduced CGT rate for entrepreneurial gains that applies to both angel investment in high-risk early stage ventures as well as founder gains.

**Hubs**
- **National Innovation Hub Policy**: develop a national policy on innovation hubs to support clustering and stimulate regional startup ecosystems.

**Self-employed**
- **Support Entrepreneurship**: equalise tax and social welfare treatment of the self-employed.

### Business Environment

**Innovation**
- **Stimulate indigenous R&D**: streamline the R&D Tax Credit for startups, provide greater guidance and support to encourage take-up by indigenous startups.

**State Agencies**
- **Government supports**: benchmark the Irish enterprise agencies against global best-practice for supporting both innovation-driven startups & traditional SMEs.

**Procurement**
- **Target increased public procurement from startups**: expand the SBIR programme.
- **GovTech**: accelerate the development and implementation of a GovTech strategy.

**Regulation**
- **EU Regulation**: engage with EU institutions to ensure new EU regulatory proposals (e.g. on digital tech policy, FinTech regulation, MedTech etc.) avoid introducing barriers to growth and scaling for innovation-driven startups.

### Other Key Areas

**Housing**: maintain focus on resolving the housing crisis which is impacting on the ability of indigenous startups to attract and retain talent, and the attractiveness of Ireland as a location for internationalising scaleups and their teams.

**Climate Action**: address the climate crisis which is the biggest long-term threat to the economy; support the creation of a specific climate-action startup investment fund.

**Quality of life**: implement targeted measures to ensure people have good living and working conditions, lower cost of living.

**Supporting diversity in the workplace**: continue to roll out measures to support participation by under-represented minorities in the workplace e.g. support for early childcare, supporting flexible, remote and part-time work.

**Personal Taxation**: review and reduce high personal income tax rates which discourage talent (including founders themselves) from relocating to Ireland.
We use the term innovation-driven enterprise or “IDE” to mean startups and scaleups that have innovation at the core of their business model, from ICT and FinTech to MedTech and biopharma.

MIT developed the term to distinguish these businesses from traditional SMEs. They are different in that they typically face negative cash-flows in the early stages of business due to heavy investment in innovation, followed by either failure or exponential growth, as they service a global need. These companies are an important element within a rapidly evolving, open knowledge economy. They share unique characteristics and face unique challenges. They therefore require political attention and a targeted policy response from Government.

**About Scale Ireland**

Creating a globally competitive environment for indigenous innovation-driven startups and scaleups to grow and succeed is essential to securing Ireland’s future economic wellbeing and to help drive balanced regional development.

Scale Ireland’s mission is to inform government policy to empower Ireland’s ambitious innovation-driven startups to succeed and scale. During 2019 we have developed Scale Ireland as an independent non-profit organisation positioned to provide a unified voice for this unique cohort of businesses.

Scale Ireland is the Irish member of Allied for Startups, a worldwide network of over 40 advocacy organisations focused on improving the policy environment for startups and scaleups, which is based in Brussels.

**Who we are**

The initiative was incubated within startup hub Dogpatch Labs throughout 2019 before spinning out as an independent organisation. The founding team leading the initiative are Brian Caulfield, Draper Esprit (Chairperson); Liz McCarthy (Executive Director); and Conor Gouldsbury (Policy & Public Affairs).

Scale Ireland’s Interim Steering Group is made up of leaders from across the startup ecosystem who share ambition for innovation-driven entrepreneurship in Ireland. The members of the interim Steering Group are listed below:

**Founding Steering Group**

- Brian Caulfield
  - Draper Esprit
- Mark Cummins
  - Pointy
- Peter Coppinger
  - Teamwork
- Parsa Ghaffari
  - Aylien
- Patrick Walsh
  - Dogpatch Labs
- Claire McHugh
  - Axonista
- Bobby Healy
  - Manna
- Elaine Coughlan
  - Atlantic Bridge
- Gráinne Dwyer
  - Stori Creative
- Anna Scally
  - KPMG
- John O’dea
  - TechIreland
- DC Cahalane
  - Republic of Work
- John Breslin
  - Portershed & NUI Galway
- Rhona Togher
  - Restored Hearing
- Colm Rafferty
  - Maples & Calder
- Conor Hanley
  - Fire Foundry
- Shay Garvey
  - Frontline Ventures

**Get in touch**

If you would like to discuss further please contact

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