

Evaluation of Invest NI Funding Support to Craft NI

September 2014

Executive Summary

Background

Craft Northern Ireland (Craft NI) is the sector-lead body with responsibility for promoting and developing the design-led contemporary craft industry in Northern Ireland (NI). The craft industry encompasses a broad and diverse group of small scale businesses/entrepreneurs active in a wide variety of disciplines including jewellery, art, ceramics, decorative pottery, textiles, and glass. There are an estimated 1,050 businesses active in the craft industry in NI.

Since 2007, Invest NI has provided funding to Craft NI to support the economic development of the craft industry in the region, in line with Invest NI's broader policy goals of increasing the size, competitiveness and value of the private sector economy.

Overview of Invest NI funding of Craft NI

Over the 2007 – 2014 period Invest NI has provided Craft NI with funding support totalling £301,575, approximating to an annual average level of funding of £37,700.

Invest NI's funding support to Craft NI is provided by way of Programme Partner Agreements (PPAs)/Programme Delivery Agreements (PDAs), for defined programme periods¹, which *inter alia* set out agreed:

- budgets
- programme areas of work
- output activities
- monitoring data that will be provided to Invest NI at defined intervals

As part of the most recent 2012 – 2014 Programme Partnership Agreement, a total of £94,354 was provided by Invest NI to support three broad programme activity areas (business development, export development, and marketing) as follows:

• A Business Development Programme (BDP)	£24,800
• An Export Programme (EP)	£8,250
• Business Development Officers (to manage BDP and EP)	£18,984
• A Marketing Programme	£15,200
• Web & E Comms Co-ordinator	£27,120

Craft NI Activity and Outputs

Detailed monitoring data is provided at agreed intervals by Craft NI to Invest NI. The monitoring data provided to April 2014 confirm that Craft NI are broadly on target to deliver in relation to the measurable agreed 2012 – 2014 targeted outputs, including:

- 8 craft makers/designers are participating in the 2013 Making It Business Development Programme;

¹ As part of a PPA an Invest NI programme partner operate a programme and disperse funds on behalf of Invest NI; as part of a PDA an Invest NI programme deliverer delivers an Invest NI programme.

- 14 makers/designers have been supported in attending trade events outside NI;
- development of the Craft NI Directory of craft businesses/designers/makers on the Craft NI website - details of circa 90 makers/designers available in the directory;
- the maintenance of the Craft NI website - circa 24,000 unique visits on a quarterly basis to Craft NI website;
- the continued development of Craft NI's online and communication presence through various media platforms;
- the circulation of a fortnightly e-bulletin to circa 4,000 recipients;
- the promotion of the annual August Craft Month and other seasonal sales promotions (Winter and Valentine Campaigns); and
- the provision of still photography and video support for designers/makers, including the Making It business development programme participants.

Value for Money

Strategic Fit: Invest NI's programme of support to Craft NI at an aggregate level is aimed at increasing the size and scale of businesses active in the craft sector in NI; on this basis, the programme aligns well with the strategic objectives set out in Invest NI's Corporate Plan and the Economic Strategy for NI.

Need: the need for the programme is related to the concept of market failures – i.e. do the activities supported represent areas of activity that the market will not take for itself, or will take to only a limited extent. Given the profile of agents active in the sector (small micro craft maker/designer businesses that are predominately sole traders), it is considered that there is a genuine market failure within the sector with respect to the development of business skills/acumen. It is also considered that there is a market failure within the sector with respect to the development of exporting capabilities. Marketing, or the development of awareness of the sector, in NI in particular, is not as directly relevant to the market failures identifiable in the sector.

Efficiency: On the basis of the scale of budget expended by Invest NI both over the 2007 – 2014 period (an average annual level of funding totalling £37,700), and more specifically over the 2012 – 2014 PPA, and on the basis of the significant level of output activities achieved by Craft NI, it is considered reasonable to conclude that the programme of support is being delivered by Craft NI in an efficient manner.

Effectiveness: A measurement of the extent to which the programme impacts and objectives are being achieved is made difficult by virtue of:

- the limited number of impact indicators agreed as part of the PPA/PDAs;
- the numerous and varied nature of the objectives set in the PPA/PDA;
- nature of the craft sector where:
 - there is a lack of clarity over what constitutes the craft sector, and

- there is a dearth of comprehensive national statistics to allow the size and scale of the sector over time to be identified.

Notwithstanding the above, on the basis of information made available through a survey of Making It participants, it is considered that the business development programme has been broadly successful in terms of delivery on the overall objectives associated with this aspect of Craft NI's programme of activity. A similar assessment is not possible with respect to the export and marketing programme areas, owing to a lack of outcome and impact data.

Additionality: An estimate of the level of the additionality associated with the programme of support as a whole is difficult, owing to the varied nature of activities funded. Additionality information was sought as part of a survey of the business development (Making It) programme participants. All survey respondents identified partial additionality associated with their participation in the programme i.e. they would not have achieved the same business growth at the same speed or at the same scale in the absence of the programme. An equivalent level of additionality information is not available for the other elements of the programme. However, given the nature of operators in the sector, in terms of their micro/sole trader nature, it is considered reasonable to assume a very high level of additionality associated with the export development programme; that is to say the availability of export development support is likely to be instrumental in terms of supporting craft maker/designers first steps at exporting through attendance at trade shows/events.

Displacement: the level of displacement associated with the programme of support reflects the extent to which the programme is funding activities that are replacing other NI economic activities. To the extent that the development of the programme is aligned with the overriding goals of export expansion, increasing tourism spending, and replacing imports there will be no displacement associated with the programme. Within the constraints of the evaluation study, and level of information available, it was not possible to determine if any displacement of activity is taking place.

Overall Value for Money: On the basis of the above, and taking account of the modest scale of budget expended by Invest NI, and on the basis of the output activities achieved to date by Craft NI, it is considered that value for money is being achieved.

Recommendations

On the basis of the value of money being achieved through expenditure on the programme it is considered that there should be a continuation of Invest NI funding of Craft NI.

In general terms however, the aims and objectives associated with each PPA area of activity would benefit in the long term from greater focus on Invest NI's core focus of increasing the size, competitiveness and ultimately the value of the private sector economy in NI, and the overriding goals of export expansion, increasing tourism spending, and replacing imports.

At current funding levels (circa £37,700 per annum) however, it is difficult to foresee a scenario where significant lasting economic impacts are likely to be achieved through Invest NI's support to Craft NI at the scale currently being provided. On this basis, it is recommended that consideration be given in the longer term to an expansion of the level of support provided to Craft NI, so as to increase the scale of businesses in the sector over and above their current sole-trader/micro-enterprise status, and/or increase the reach of support provided to the sector. In the context of a more significant budget, the identification of the correct mix of Craft

NI activities so to achieve Invest NI's long term economic goals for the sector will be required. As part of a review of the appropriate mix of Craft NI activities, the issue of market failure is of relevance, i.e. what if any market failures are preventing the development of sustainable competitive businesses within the craft sector in NI.

Given the profile of agents active in the sector (small micro craft maker/designer businesses that are predominately sole traders), it is considered that there is a genuine market failure within the sector with respect to the development of business skills/acumen and a corresponding legitimate need for a development of such skills among those active in the sector. In this regard, Craft NI's business development programme is considered to be addressing an identified market failure. At the current scale of support however, which is facilitating the development of 6 – 8 businesses every two/three years, the question arises whether this level of support is sufficient in terms of having a real impact on the sector. If market failures in this area are significant, which they are considered to be, and if the business development programme is a successful model, consideration should be given to increasing the scale of support provided. In this regard it is of note that suggested areas for improvement to the programme identified as part of a survey of the business development programme participants included shortening/condensing the length of the programme; and providing additional levels of 1:1 business mentor support.

The profile of the sector (small micro craft maker/designer businesses that are predominately sole traders) also lends itself to the view that the development of export activity is likely to be an area where there is a legitimate profound market failure in the sector. In light of this, the types of activity that will yield the greatest exporting impact, at the most appropriate scale, should be explored as part of a future review of the mix of Craft NI activities. It would also be useful going forward, to further explore any opportunities to link this area of Craft NI's activities with Invest NI's trade team and/or other relevant bodies such as InterTradeIreland.

Finally, marketing, or the development of awareness of the sector in NI in particular, is not considered as directly relevant to the focus of Invest NI's core objectives of building sustainable competitive businesses generating employment and value added in the Northern Ireland economy. Rather, the development of awareness and ultimately a market for products produced by the sector will contribute indirectly to the achievement of Invest NI's objectives for the sector, to the extent that the replacing of imports, increasing tourism spending, and/or increasing exports is taking place. In the long term, consideration should be given as to whether a stronger focus on the development of business acumen and exporting skills would best serve Invest NI's long term objectives of generating sustainable businesses that are competitive in local as well as export markets. Notwithstanding this, given the modest scale of funding provided by Invest NI to Craft NI, it is not recommended that there would be a cessation of Invest NI's support of this area of Craft NI's activity in the short term. Rather, over the longer term, a re-focusing of support to the areas most aligned with Invest NI's core objectives should be considered.

1. Introduction

1.1 Overview

Since 2007 Invest Northern Ireland (Invest NI) has provided funding to Craft NI to support the economic development of the craft industry in Northern Ireland. The funding support provided has taken the form of successive Programme Partner Agreements (PPA) and Programme Delivery Agreements (PDAs).

This report is an evaluation of the programme of support provided by Invest NI to Craft NI since 2007, with a focus on the most recent PPA agreement, namely November 2012 – October 2014. The evaluation has been completed by the Invest NI Economics team. A previous evaluation of the 2007 – 2012 programme of support to Craft NI was completed by KPMG in 2012.

1.2 Background

Craft NI is the sector-lead body whose remit is to promote and develop the design-led contemporary craft industry in Northern Ireland. Craft NI was established in 2005 by the Arts Council Northern Ireland (ACNI) to support creative entrepreneurs in NI to develop businesses beyond micro status and to improve their wealth creation potential, following a recommendation set out in the 2004 '*Unlocking Creativity – A Creative Region*' inter-departmental strategy².

Since its inception, Craft NI has received the majority of its funding from the Arts Council. In addition, since 2007 Invest NI has provided funding to Craft NI to support various business development initiatives aimed at assisting craft makers/designers to establish full time businesses, as well as assisting established businesses in the sector to grow and compete effectively in internal and export markets. Invest NI support to Craft NI has also supported marketing activities aimed at developing a growing awareness of (and ultimately market for) the craft industry both inside and outside Northern Ireland.

Invest NI has provided £301,577 in funding to Craft NI as part of successive PPAs/PDAs over the 2007 – 2014 period, approximating to an annual average level of Invest NI funding totalling £37,700. As part of the most recent 2012 – 2014 Programme Partner Agreement, Craft NI received £94,352 in funding support from Invest NI. The delivery of the 2012 – 2014 PPA is undertaken directly by Craft NI together with external consultants who are appointed by Craft NI to deliver aspects of the PPA, as necessary.

1.3 Layout of the Report

The evaluation is organised as follows. Section 2 outlines the overall objectives associated with Invest NI's support to Craft NI. Section 3 overviews the available information regarding the size and scale of the craft sector in NI. Section 4 outlines the programme inputs, before giving a detailed breakdown of its outputs. Section 5 outlines the results and impacts. A value for money assessment is set out in section 6. Finally, a summary of conclusions and recommendations are presented in Section 7.

² Published in 2004 jointly by DCAL, DETI, DE, DEL, and Invest NI

2. Craft NI Objectives

2.1 Introduction

An evaluation of Invest NI's support to Craft NI should be set against the agreed objectives, as set out in the Programme Partnership Agreement.

2.2 Craft NI PPA Objectives

Since 2007, Invest NI has provided funding support to Craft NI to deliver on three key areas of activity, namely:

- Business Development Programme
- Marketing Support
- Export Development Programme

The objectives set out in the 2012 – 2014 PPA in relation to each of these three areas of activity are as follows:

Programme Area	Aims / Objectives
Business Development	<ul style="list-style-type: none">• To develop quality craft practice• To establish sustainable craft businesses• To develop networks of expertise for supporting craft practice• To develop audiences and markets for contemporary craft
Marketing Support	<ul style="list-style-type: none">• To develop new audiences and markets for NI craft sector, through enhanced signposting, profiling and promotional opportunities• To further increase the growing contribution of the sector to regional and cultural life through enhancing opportunities for NI designers/makers, businesses, and organisations• To strengthen and improve Craft NI's performance as Champion for Craft in NI• To consolidate the improved marketing focus that Craft NI brings to the promotion of the sector through appropriate and targeted research• To consolidate Craft NI's new facilities and opportunities for marketing, communicating and advocating the sector to craft practitioners, businesses and partners• To ensure that Craft NI's programmes and opportunities are accessed throughout Northern Ireland, and establish partnerships and involvement with pinnacle events• To further market and communicate the quality of the contemporary craft sector in NI as a product that is high in value and expertise
Export Development	<ul style="list-style-type: none">• To develop new export sales markets for NI craft sector• To identify and support the practicalities of accessing exporting opportunities and to establish these new markets for the long term• To further increase the growing contribution of the craft sector to regional economic and cultural life through enhancing business development opportunities and the commercial skills of designers/makers• To strengthen and improve the national and international reputation of the contemporary craft sector in NI• To bring greater awareness of east-west / national opportunities for supporting business growth within the contemporary craft sector in NI• To consolidate the existing work already begun by Craft NI in developing export sales and to reinforce and develop the progress made through Making It in developing export markets• To further market and communicate the quality of the contemporary craft sector

- To strengthen Craft NI's role as a focal point and signposting facility

These objectives should be viewed against Invest NI's core focus of increasing the size, competitiveness and ultimate the value of the private sector economy in NI as set out in the current Invest NI Corporate Plan and the NI Economy Strategy.

From an economic viewpoint, the objectives set out in the PPA make sense in terms of the key goals of:

- Export expansion – increasing the level of NI's exports;
- Tourist spending – increasing the level of tourist expenditure in NI;
- Substituting imports – replacing the level of NI expenditure on imports with expenditure on NI produced craft products.

That is, the priorities set in the PPA should be seen as means of delivering on these overall goals. Efforts to increase the domestic consumption of craft produce would not necessarily benefit the NI economy, unless they impact on at least one of these three overriding goals.

In general terms, the aims and objectives associated with each PPA area of activity would benefit from greater focus on Invest NI's core focus, and the overriding goals of export expansion, tourism spending, and import substitution.

From an economic viewpoint, it is also important that the areas of activity undertaken with Invest NI support are those that the market will not take for itself, or will take to only a limited extent. That is, that there is a market failure that Invest NI is addressing through its provision of support to Craft NI. In the environment in which Craft NI is operating, market failure arises principally from one main source, namely:

- Small and medium enterprise (SME) capacities and capabilities.

Given the profile of makers/designers active in the craft sector (predominately small micro businesses operating as sole traders), it is considered that there is a genuine market failure within the sector with respect to the development of business skills/acumen and a corresponding legitimate need for the development of such skills among operators active in the sector. In this regard, Craft NI's business development programme is considered to be addressing an identified market failure.

The profile of the sector also lends itself to the view that the development of exporting capabilities is likely to be an area where a legitimate profound market failure exists within in the sector, in terms of providing operators within the sector with information and support to engage in exporting activities.

Marketing, or the development of an awareness of the craft sector in NI and abroad, is not considered as directly relevant to the market failures in the sector (see Appendix A1, where as part of the Making It survey it was identified that all but one maker/designer has a business website). Also, the support of marketing activity is not as directly relevant to the core focus of Invest NI's core objectives of building competitive sustainable businesses generating employment and value added within the Northern Ireland economy. Notwithstanding this, the development of awareness, and ultimately a market for products produced by the sector, will contribute indirectly to the achievement of Invest NI's objectives for the sector, to the extent that import substitution, increasing tourist spending and export development is occurring.

Viewed against this background, the areas of activity set out in the PPA, in particular the business development and export development areas of activity, are well focussed on relevant

market failures and delivering on Invest NI's Corporate Plan and the region's Economic Strategy objectives.

3. Overview of the Craft Sector in Northern Ireland

There is a lack of a clear definition of what constitutes the craft sector, both in Northern Ireland and abroad. There is also dearth of comprehensive statistical data surrounding the scale and scope of the craft industry in NI. The lack of comprehensive data is in many respects symptomatic of the hard-to-define nature of the sector, which encompasses a broad and diverse group of small scale operators active in a wide variety of activity areas. Indeed, there is no one single agreed approach to defining activity within the craft industry. One identified possible approach is based on a classification of the craft operator's discipline. Using this approach activity in the sector could be grouped under the headings including: ceramics, glass, metal, paper, synthetics, textiles, wood etc. An alternative approach is to segment activity in the sector on the basis of outputs/product type, namely: furniture, jewellery, lighting, sculptural work, soft furnishings, accessories, stationery, tableware and so forth.

In 2011, the Craft Council UK, together with Creative Scotland, the Arts Council of Wales and Craft Northern Ireland, commissioned a study aimed at mapping and estimating the economic impact of the sector across the UK, including Northern Ireland. The resulting report '*Craft in an Age of Change 2012*' focused on makers, but also encompassed wider operators within the sector including curators, gallery owners, retailers, academics, educators and writers.

It was acknowledged within the 2012 Craft Council Study that the figures generated represented a minimum for the craft sector in the absence of further work to more accurately represent the contribution of sole traders and microenterprises working below the VAT threshold i.e. it was not possible to comprehensively account for such operators owing to the inherent difficulties associated with identifying this group through standard industrial and occupational classifications³.

As part of the 2012 Study, it was estimated that: there were approximately 1,050 businesses active in the sector in NI, earning a total income of £20m⁴. See Table 1.

The Study confirmed that the sector is dominated by small businesses and that net profits (for many makers/designers profits and wages are the same) of less than £5,000 was common for half of participants in the sector. The Study estimated that 70% of craft makers/designers in NI were not exporting their products.

Table 1: Participation and Output in Craft Sector

	No. businesses	Craft related Income (£m)
England	17,150	339
Scotland	3,350	70
Wales	1,500	28
Northern Ireland	1,050	20
Total UK	23,050	457

Source: Craft in an Age of Change, 2012, BOP Consulting

Notwithstanding the limitations associated with the underlying Study data, by way of comparison, the findings from the Craft Council UK Study by region are set out in Table 2. As

³ The 2012 Craft Council Study relied to a large extent on established craft databases to identify operators in the sector, which are largely based on the voluntary self-identification of persons as makers/designers/crafts persons

⁴ Craft related income for the purpose of the study included craft sales, as well as income from other craft related activities including for example teaching.

set out in the Table, the number of craft businesses per head of population in NI exceeds the equivalent number in both Wales and England. It is also of note that the income from craft related activities per head of population in NI at £11.1 exceeds the equivalent level in both England and Wales.

Table 2: Comparison of Craft Sector across UK, 2012

	Population 2012 (million)	No. Businesses per 10,000 population	Craft related Income (£) per head of population
England	53.5	3.2	6.3
Scotland	5.3	6.3	13.2
Wales	3.1	4.8	9.0
Northern Ireland	1.8	5.8	11.1
Total UK	63.7	3.6	7.2

Source: Craft in an Age of Change, 2012, BOP Consulting; and Office for National Statistics Population Estimates 2012

4. Craft NI PPA Inputs and Outputs

4.1 Craft NI PPA Inputs

In its capacity as Northern Ireland's economic development agency tasked with delivering the Government's economic development strategies through the provision of support for business development, export development, entrepreneurship and innovation development, Invest NI have, since 2007, provided funding to Craft NI to support the development of the craft industry in the region.

Since 2007, Invest NI has provided £301,577 in funding to Craft NI as part of successive PPAs/PDAs, approximating to an annual average level of Invest NI funding totalling £37,700. In total 45.5% of Invest NI support to Craft NI has been expended directly on business development activities (namely supporting Craft NI's 'Making It' Programme) and export development activities. In total 52.7% of Invest NI funding has supported marketing activities aimed at promoting an awareness and ultimately a market for the craft sector in NI and abroad.

Table 3: Overview of Invest NI funding of Craft NI, 2007 - 2014

	Total Funding £	Total Funding %	Average Annual Funding £
Marketing / communications officer	158,946	52.7	19,868
Export Development	23,530	7.8	2,941
Business development	94,617	31.4	11,827
Business development officer*	18,984	6.3	2,373
Other⁵	5,500	1.8	688
Total	301,577	100.0	37,697

*the Business Development Officer manages the business development and export programmes

As part of the most recent 2012 – 2014 Programme Partner Agreement, Craft NI received £94,354 in funding support from Invest NI, the majority share of which was used to support business development and export activities (55.1%). The remainder of the funding was used to support the marketing programme as well as the marketing and communication officer role.

Table 4: Profile of Invest NI funding of Craft NI, 2012 - 2014

	£	%
Marketing	15,200	16.1
Marketing and Communications Officer⁶	27,120	28.7
Export Development	8,250	8.7
Business development	24,800	26.3
Business development officers⁷	18,984	20.1
Total	94,354	100.0

⁵ Small scale funding to support a Business Development Officer role, a Collect It craft initiative, and a graduate craft award initiative.

⁶ The Marketing and Communications Officer role is a part time role, wholly funded by NI, and is responsible for the agreed marketing programme.

⁷ The Business Development Officers, which are part time positions wholly funded by Invest NI are responsible for coordinating the Business Development and Export Programmes.

Additional Invest NI costs associated with the delivery of the PDAs/PPAs include staff costs associated with the management of the PPA agreement, ongoing monitoring/audit related costs, and evaluation and appraisal costs⁸. These estimated costs, which are set out in Table 5, account for approximately 17% of total programme costs.

Table 5: Total Cost of Invest NI funding of Craft NI, 2007 - 2014

	2012 – 2014 £	2007 – 2014 £
Direct Support to Craft NI		
Invest NI Staff Costs (including evaluation and appraisal)	94,354	301,577
Total Programme Costs	19,040	61,220
	113,394	362,797

4.2 Craft NI PPA Activity and Outputs

As set out in earlier sections, since 2007 Invest NI funding to Craft NI has for the main supported three main areas of activity, namely:

- Business Development – ('Making It' Programme)
- Marketing Support
- Export Development

4.2.1 Business Development Programme Activity and Outputs

As part of its Business Development Programme, Craft NI supports a two-year Making It business incubation/development programme. The programme comprises the development of start-up designers/makers and/or established designers/makers identified as having significant potential, and who meet the criteria for the programme.

The business development programme involves the placement of programme participants in host organisations, where they are provided with support in the development of their individual businesses. In parallel, participants attend business development modules which provide participants with information in areas including identifying customers; developing a creative business; marketing/promotion; financial management and planning; selling skills and pricing; and business management and planning. The business development modules are open to the wider industry in addition to the Making It participants.

The output targets and SMART objectives associated with this element of Invest NI's 2012 – 2014 funding support to Craft NI, as set out in the agreed PPA, were as follows:

⁸ These costs do not include the costs associated with External Delivery Organisation audits

Output Targets
<ul style="list-style-type: none"> • 6 new craft businesses established • 80-90% business viability rate over 5 years • Turnover on first year of leaving scheme >£22k • Creation of businesses proactively seeking export and growth opportunities • Graduate retention within NI • A developed peer support network • A bespoke business development programme developed • A network of organisations supporting craft businesses • Integrated regional strategic development • A modern profile for contemporary craft in NI, ROI, GB and further afield
Smart Targets
<ul style="list-style-type: none"> • Survival rate of 60% at three year stage after leaving Making It • Makers achieve 80% of industry average turnover in last 6 months of programme • Referrals to Invest NI for consideration for further support

Eight makers/designers are currently participating in the 2013 Making It Programme, which commenced in November 2013. As part of previous PPA/PDAS, between 2007 and 2012 a total of 15 makers/designers completed the Making It Programme. Anecdotally Craft NI have confirmed that all Making It participants since 2007 are still trading, with just one trading outside of NI.

Demand for places on the Making It programme has increased over time. There were 24 applications for the eight current places on the programme.

Currently, Making It participants are required to provide six-monthly economic indicator data to Craft NI, including: turnover levels, exporting activity, sales channels, and employment levels. Pre 2012, Making It Programme participants were not required to provide economic indicator data to Craft NI. As a result, there is limited quantified evidence of outcomes and impacts of previous phases of Invest NI support.

4.2.2 Marketing Programme Activity and Outputs

Craft NI focused 44.9% of its Invest NI 2012 – 2014 funding support on its Marketing Programme. \

The most recent 2012 – 2014 Marketing Programme has incorporated marketing and publicity activities, including the promotional activities associated with August Craft Month. The Marketing Programme has also supported activities in the areas of information technology, photography and video support, as well as funding the attendance of guest speakers as part of the Craft Development Programme and August Craft Month events.

Specific activities undertaken by Craft NI over the 2012 – 2014 period under its Marketing Programme include:

- the ongoing promotion of the Craft NI Directory of craft businesses/designers/makers on the Craft NI website - details of circa 90 makers/designers are available in the directory;

- the maintenance of the Craft NI website, which includes provision of up to date information on programmes, resources, news, opportunities, craft related events locally and abroad - there are circa 24,000 unique visits on a quarterly basis to Craft NI website;
- the ongoing development of a toolkit of resources for the sector (e.g. product pricing model etc.) which will be made available through the Craft NI website;
- the continued development of Craft NI's online and communication presence through various media platforms including Twitter, Facebook, Instagram, Pinterest, Paper Li and Google Plus;
- the circulation of a fortnightly e-bulletin to registered stakeholders with up to date information on events/information of interest to designers/makers as well as wider stakeholders - circulated to a database of 4,000 recipients;
- the promotion of the annual August Craft Month and other seasonal sales promotions (Winter and Valentine Campaigns);
- the provision of still photography and video support for designers/makers joining the Craft NI online directory and online craft map (circa 20 makers/designers supported to date), as well as designers/makers being promoted by Craft NI in other print/online media;
- collaboration with other publications to profile exemplary craft practice (e.g. BBC Arts Show; BBC Newline; Good Morning Ulster Business Section; Show Review UK Magazine);
- the funding of guest speakers at marketing/promotion seminars; and
- the development and regular update of display cases in Craft NI's office space.

4.2.3 Export Programme Activity and Outputs

Export development has accounted the smallest share of Craft NI's PPA/PDA supported activities since 2007.

Through its 2012 – 2014 Export Programme, Craft NI aimed to facilitate and enable makers/designers to attend, and in some cases, exhibit at trade shows. The specific output targets and SMART objectives associated with this element of Craft NI's 2012-2014 activity were as follows:

Output Targets

- Up to 10 makers accessing support and exhibiting at fairs/shows/exhibitions in GB and Europe
- Up to 15 makers making preparatory visits to fairs/shows/exhibitions in GB and Europe
- Two training seminars held
- An increase in the capacity of designer/makers in the sector to compete internationally within 3 years
- An increase in export sales value per designer/maker resulting from access to international platforms over 2 years
- An increase in awareness and engagement with national/international audiences for contemporary craft through international media coverage
- An increase in designers/makers generating export business outside NI

SMART Objectives

- 60% of makers taking research trips to attend as exhibitors within a two year period
- Makers attending a trade show event to have 20% of sales represented by exports within 2 years
- Makers attending trade shows to attend at least one further evening within 2 years

Craft NI traditionally adopted a demand-led driven approach to the provision of export programme support to makers/designers. In line with this approach, between November 2012 and July 2013 five individual makers/designers were supported to attend individual trade events, as follows:

- British Craft Trade Fair, Harrogate x 1 maker/designer
- New Designers: One Year On, London x 2 makers/designers
- The Goldsmiths Fair, London, London x 1 maker/designer
- Pots in the Pens, Penrith x1 maker/designer

A review of the Export Development Programme in mid 2013 resulted in a move away from the individual designer/maker demand-led approach, to a more strategic proactive approach where small groups of designers/makers with similar export development needs were identified, grouped and provided with organisational support and (part) funding to support the costs associated with attending and/or exhibiting at major export events. This latter approach has allowed Craft NI to benefit from the economies of scale associated with group preparatory training and logistical planning. Attendance by small groups at two events was supported up to April 2014, namely:

- Handmade in Britain, London 2013 (5 makers/designers)
- Craft 2014, London (5 makers/designers)

In addition, two makers/designers were supported to attend two individual events:

- Handmade in Britain, 2014 (one maker/designer)
- Hallmark, Somerset House, 2014 (one maker/designer)

As set out above, the number of makers/designers availing of this element of Craft NI support while relatively small (17 between November 2012 and April 2014), is in line with targeted levels. Anecdotally, many export programme participants have gone on to exhibit (through self-financing) at other shows, having benefited from the experience gained through Craft NI support. Craft NI have built into the current Export Programme the requirement for beneficiaries of export support to provide follow-on export sales data.

To date there has not been any take up of Invest NI's trade support by Craft NI supported businesses. This undoubtedly reflects the size/scale of the businesses in the sector (i.e. predominately sole traders). It would be useful going forward, to further explore any opportunities to link this area of Craft NI's activities with Invest NI's trade team and/or other relevant bodies such as InterTradeIreland.

4.3 Summary and Conclusions

Since 2007 Invest NI funding to Craft NI has supported three main areas of activity, namely:

- Business Development – ('Making It' Programme)
- Marketing Support
- Export Development

As part of the current PPA agreement, Craft NI have identified a number of activity and output targets associated with each of these elements of activity.

Craft NI provide regular monitoring data to Invest NI, which confirms that where measurable, the organisation is broadly delivering in relation to the activity and output targets set.

Going forwards, the PPA would benefit from greater focus on:

- Measurable output and activity indicators
- Clearer demonstration as to how the activity and output indicators are aligned with agreed outcome indicators, which in turn should align with the overall strategic objectives.

To date there has not been any take up of Invest NI's trade-related support by Craft NI export-supported businesses. This undoubtedly reflects the scale of the businesses in the sector which unlikely to be of the scale required to become Invest NI client companies. It would be useful going forward, to further explore any opportunities to link this area of Craft NI's activities with Invest NI's trade team and/or other relevant bodies such as InterTradeIreland.

5. Craft NI PPA Results and Impacts

5.1 Introduction

This Section sets out the results and impacts achieved by Craft NI's programme of activity.

Results relate to the effects of programme outputs on the targeted beneficiaries in the immediate or shorter term. Impacts relate to the wider effects of the programme from a higher level perspective (e.g. sectoral or national), are generally medium to long term in nature, and should align with the programme objectives set at the outset.

As set out in previous sections, a series of agreed SMART activity and output indicators were identified as part of the 2012 – 2014 PPA. There is a lack of impact (also referred to as outcome) indicators evident in the PPA. This was highlighted as part of the 2012 evaluation of the programme of support which was completed by KPMG. It is of note that the capturing of result and impact data is made more difficult by virtue of the nature of the sector – where there is a lack of clarity over what constitutes the craft sector, and where there is a dearth of comprehensive national statistics to allow the scale of the sector over time to be identified and monitored.

Notwithstanding this, the section below uses available information to identify result and impacts associated with each area of activity, where this was possible.

5.2 Business Development Results and Impacts

Since 2007, 23 makers/designers have participated in the Making It Programme, with support from Invest NI. As part of the current evaluation a survey was completed of the 21 makers/designers for which contact telephone numbers were available, with a view to identifying their experiences of the business development programme and how the programme has impacted on their craft business. The survey findings are set out in detail in Appendix A1. After three attempts at contact, in total 10 survey responses were obtained, representing a response rate of 48%⁹ (see Table A1.1 for further details).

When questioned in relation to their satisfaction with the Making It programme, six survey respondents (n=10) stated they considered the Programme was good or very good in terms of meeting their individual businesses needs. When questioned specifically in relation to their satisfaction with the Business Development element of the programme, there was a marginally higher level of satisfaction reported by the participants, with 7 participants (n=10) stating this element of the Programme was either good or very good in terms of their meeting their individual business needs (See Table A1.9).

⁹ Owing to the small population size, and number of respondents in absolute terms, caution should be exercised before ascribing undue levels of accuracy to the survey results.

The survey respondents were also asked as part of an open ended question to identify other benefits they attributed to participation in the programme. The responses provided are set out in Table 6. Half of the survey respondents identified peer network support as a key benefit of the programme. Four makers made reference to the business and technical advice they received.

Table 6: Additional Benefits Associated with the Making It Programme

	Number
Business advice / technical advice	4
Support network / peer support group / networking opportunities	5
Studio space	2
Confidence building	2
Exposure / PR / brand development	2
Prevented business closing	1

The survey respondents were asked to provide details of their most recent annual sales/turnover value. Whilst there was significant disparity across the respondents (n=8) in terms of their reported annual turnover/sales values, ranging from less than £5,000 to £22,500 (see Table A1.5), the average turnover reported was circa £11,600.

As part of the survey the respondents were asked to identify their turnover levels in the first year of participation in the Making It Programme, and the annual growth in turnover thereafter attributable to the programme.

Five of the six pre 2012 Making It participants¹⁰ surveyed were able to identify an element of annual turnover growth attributable to their participation in the Programme. On the basis of the level of information provided by the five respondents, an annual average growth in turnover of £9,000 was identified, totalling to a gross *actual* increase in turnover attributable to the 2007 – 2014 Programme of circa £103,000.

When account is taken for the time required to realise turnover benefits for the more recent Making It participants¹¹, and when grossed up to represent the total number of Making It participants (22)¹², the total gross turnover impacts are estimated to total £794,200. On the basis that 5 out of the six (83%) of the pre 2012 survey respondents identified turnover benefits, the turnover growth total is scaled back to total £661,800. It should be noted that some of these turnover effects will occur over the 2014 – 2018 period for the more recent Making It participants, in the same way that the older Making It participants realised turnover growth over the 2009 – 2013 period post their completion of the programme.

On the basis of an average cost of sales ratio of 55% (reported as part of the survey) the Gross Value Added (GVA) attributable to the programme is estimated to feasibly total £364,000 (See Table 7).

The turnover and GVA effects set out in Table 7 relate to gross effects, before accounting for additionality. Whilst additionality information was sought as part of the survey of Making It

¹⁰ The current cohort of Making It participants (2013 Making It participants) were not asked to provide this information, owing to the fact that they commenced their participation in the Programme in 2013, and as such, they have not had an opportunity to experience annual turnover growth that could be directly attributable to the Programme.

¹¹ The actual turnover growth experienced by older Making It participants as captured by the survey was used to estimate the level of future turnover growth that will be experienced by more recent Making It participants who have not yet had the opportunity to experience four years turnover growth. Four years turnover growth for each participant was accounted for.

¹² Excluding the Making It participant that has relocated abroad. Owing to the small population size and number of survey respondents, care should be taken before assigning a high level of accuracy to the grossing up exercise.

participants, owing to the small number of respondents, and on the basis of the types of additionality reported, where all but one respondent identified partial additionality levels, the analysis below sets out the estimated net effects on the basis of different levels of additionality.

Assuming additionality ranges between 45% - 65%, the total contribution of the programme to net GVA growth ranges between 163,800 and 236,600 (See Table 8).

Table 7: Assessment of Gross Turnover and GVA Effects attributable to 2007 – 2014 Making It Programme Participants

Number of Makers (pre 2012 providing turnover effect data)	5
% of firms with turnover effects	83%
Achieved gross turnover effects over evaluation period	103,000
Average Annual gross turnover effect	9,025
Total number of years across total survey cohort ¹³(n = 22)	88
Total gross turnover effects over evaluation period (n = 22)	794,200
Total gross turnover effects over evaluation period (83%)	661,800
Total gross GVA effects (55% ratio¹⁴)	364,000

Table 8: Assessment of Net Turnover and GVA Effects attributable to Making It Programme, Current Prices

	£
Total GVA	364,000
Assuming 45% additionality	163,800
Assuming 55% additionality	200,200
Assuming 65% additionality	236,600

The net GVA effects set out in Table 8 potentially include a level of displacement, to the extent to which the sales achieved do not represent increasing exports; increasing tourism spend; and/or the substituting of NI expenditure on imports with expenditure on NI produced craft products. It was not possible within the constraints of the evaluation exercise to determine the extent to which the Making It product sales are displacing other NI produced non-craft products.

The equivalent net employment effects assuming between 45 and 65% additionality levels, ranges between 9 and 13 jobs supported by the programme.

¹³ Four years of turnover growth is accounted for each maker/designer

¹⁴ Using self-reported cost of sales proportion as per survey responses

Table 9: Assessment of Employment effects attributable to Making It Programme

	No FTEs ¹⁵
Total FTE Employment (based on survey sample)	9.4
Number of makers providing data	10
Total employment effects (based on full Making It participant cohort)	20.7
Assuming 45% additionality	9.3
Assuming 55% additionality	11.4
Assuming 65% additionality	13.4

When asked if they would recommend the Making It Programme to other businesses, 9 respondents stated they would.

Finally, when questioned in relation to their growth plans over the next two to three years, half of the 10 makers stated their plan was to grow moderately; while half the businesses stated they planned to growth substantially over this period.

5.3 Export Development Programme Results and Impacts

As set out in Section 4, the level of expenditure and number of makers/designers availing of support through Craft NI's export development support programme has been modest.

Anecdotally, many beneficiaries of this element of Craft NI's programme over the 2007 – 2014 period have secured export sales orders and/or have gone on to exhibit at other trade show/events, having benefited from the experience gained through Craft NI support. This information was not formally captured.

Craft NI have built into the current 2012 – 2014 Export Programme the requirement for beneficiaries of export support to provide export sales data. An analysis of the export sales achieved by 2012 -2014 programme participants to date is estimated to total approximately £33,100 (gross). This equates to average export sales per participant totalling £2,206 (gross) to date. Equivalent data is not available for the entirety of the 2007 – 2014 programme period.

The additionality associated with this aspect of the programme of support is not captured, however, given the nature of the participants in the sector (small scale sole operators), it is considered reasonable to assume a high level of additionality; that is to say the availability of export development support is likely to be instrumental in terms of supporting craft maker/designers first steps at exporting through attendance at trade shows/events.

5.4 Marketing Programme Results and Impacts

The marketing programme area of activity represents the most problematic area of Craft NI's activity in terms of measuring results and impacts. This at least partly relates to the lack of craft sector definition, and the lack of comprehensive statistics which identify the scale of the craft industry in terms of its employment / value added contribution to the NI economy, i.e. it

¹⁵ Full time equivalent jobs

is difficult to measure the success of an awareness / market development campaign in the absence of baseline data.

It should also be noted that the successful contribution of the marketing programme (and indeed the business development and export development programmes) to the NI economy is directly related to the extent to which the growth in expenditure on craft products in NI is represented by replacing imports, increasing tourism spending and/or exports.

6. Value for Money Assessment

6.1 Introduction

In considering the overall value for money associated with Invest NI's funding support to Craft NI, a number of evaluation criteria are considered, namely:

- Strategic Fit
- Need
- Economy
- Efficiency
- Effectiveness
- Additionality
- Displacement

6.2 Strategic Fit

Invest NI's programme of support to Craft NI at an aggregate level is aimed at increasing the size and scale of businesses active in the craft sector in NI; on this basis, the programme aligns well with the strategic objectives set out in Invest NI's Corporate Plan and the Economic Strategy for NI.

6.3 Need

The need for the programme is related to the concept of market failures – i.e. do the activities supported represent areas of activity that the market will not take for itself, or will take to only a limited extent. Given the profile of agents active in the sector (small micro craft makers/designers that are predominately sole traders), it is considered that there is a genuine market failure within the sector with respect to the development of business skills/acumen. It is also considered that there is a market failure within the sector with respect to the development of exporting capabilities. Marketing, or the development of awareness of the sector in NI in particular, is not considered as directly relevant to the market failures identifiable in the sector.

6.3 Economy

Economy assess the extent to which programme activity has been delivered at a minimum cost to the public purse.

Over the 2007 – 2014 period Invest NI has provided Craft NI with funding support totalling £301,575, approximating to an annual average level of funding of £37,700. The funding support has supported the following activities and beneficiaries:

Business Development Programme (incorporating business development officer)	<ul style="list-style-type: none">• 23 makers/designer were supported (15 over the 2007 – 2012 period; and 8 as part of current 2012 – 2014 period).
Export Development (incorporating business development officer)	<ul style="list-style-type: none">• Circa 25 businesses supported to date (10 over the pre 2012 period; and 15 as part of the current 2012 – 2014 period to date).

Marketing Support (incorporating web and E comms co-ordinator)	<p>Include:</p> <ul style="list-style-type: none"> • development of the Craft NI Directory of craft businesses/designers/makers on the Craft NI website - details of circa 90 makers/designers available in the directory; • the maintenance of the Craft NI website - circa 24,000 unique visits on a quarterly basis to Craft NI website; • the continued development of Craft NI's online and communication presence through various media platforms including; • the circulation of a fortnightly e-bulletin to circa 4,000 recipients; • the promotion of the annual August Craft Month and other seasonal sales promotions (Winter and Valentine Campaigns); and • the provision of still photography and video support for designers/makers.
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As set out above, to date, 23 businesses have been supported as part of the business development programme. The survey of Making It participants revealed that 9 of the ten Making It participants surveyed were trading (one has yet to commence trading), and are forecast to contribute between £163,800 and £236,600 (allowing for four years turnover growth per participant) in value added to the NI economy. This compares favourably to a direct business development programme cost of £152,500 (assuming the Business Development Officer roles time is evenly split between the business development and export development programmes and Invest NI staff costs are evenly split across the programme elements).

A similar level of analysis is not possible for the other two programme areas, owing to a lack of outcome and impact data.

However, given the relatively modest sums of funding provided (an aggregate annual level of funding totalling £37,700), and the significant number of targets set, which extensive monitoring data confirms have broadly been met or are on target to be met, it is reasonable to conclude that activity is being delivered in on an economic basis.

6.5 Efficiency

A comparison of the inputs and outputs of a Programme provides a measure of the efficiency with which inputs are being converted to outputs. Such analysis when completed over a programme's duration can provide an indication as to whether a programme is being delivered more efficiently over time. Owing to the nature of the PPA/PDAs which have been put in place between Craft NI and Invest NI since 207, which have varied in content and focus over the PPA/PDA periods, it is not possible to complete the latter analysis.

On the basis of the scale of budget expended by Invest NI both over the 2007 – 2014 period, and more specifically over the 2012 – 2014 PPA, and on the basis of the significant level of output activities achieved to date by Craft NI, and the detailed monitoring undertaken, it is considered reasonable to conclude that the PPA is being delivered in an efficient manner.

6.6 Effectiveness

Effectiveness relates to the extent to which programme impacts and objectives are being achieved.

There is a lack of impact (also referred to as outcome) indicators evident in the PPA agreement. In this regard, it is of note that the capturing of result and impact data is made more difficult by virtue of the nature of the craft sector – where there is a lack of clarity over what exactly constitutes the craft sector, and where there is a dearth of comprehensive national statistics to allow the scale of the sector over time to be identified.

The programme objectives as set out in the PPAs are numerous, varied, and would benefit from greater focus on Invest NI's core focus, and the overriding goals of replacing imports, increasing tourism spending and/or promoting exports.

Notwithstanding the above, it is clear that the programme has been effective in terms of the delivery of the numerous output activity targets set. On the basis of the Making It survey results:

- 9 out of 10 the businesses contacted are trading, the tenth is a 2013 Making It participant who has yet to commence trading (compares favourably with the target of 80-90% business viability rate over 5 years)
- average turnover is estimated to total circa £11,600 (versus a turnover target on first year of leaving scheme of >£22k)
- 8 of the 10 makers/designers surveyed are exporting to some extent (a quantitative target was not set for this aspect of the PPA, rather a qualitative target of 'businesses proactively seeking export and growth opportunities' was set)

The Making It participants trading in NI are estimated to contribute between £163,800 and £236,600 (allowing for four years turnover growth per participant) in value added to the NI economy. This compares to a business development programme cost of £125,500 (assuming the Business Development Officer roles time is evenly split between the business development and export programmes, and Invest NI staff time is evenly spread across the programme elements).

It is also of note that the majority (70%) of Making It participants surveyed were satisfied with the business development element of the programme, and half of the Making It participants stated they had plans to grow their business substantially over the forthcoming two/three years, while the other half reported plans to grow moderately over the same period.

On the basis of the above, it is concluded that this element of the programme has been broadly effective, with room for improvement in relation to the attainment of annual turnover targets.

In terms of export development programme, the 2012 – 2014 beneficiaries have all achieved export sales to varying degrees. Whist the value of gross exports has been small (£33,100), it must be considered in the context of the overall level of expenditure on this aspect of the programme.

It is not possible to conclude the effectiveness associated with the marketing element of the programme, owing to the lack of statistical data identifying the size and scale of the sector (and the indirect impact that the marketing programme is having on increasing the size and scale of the sector).

6.7 Additionality

An estimate of the level of the additionality associated with the programme of support as a whole is difficult, owing to the varied nature of activities funded. Additionality information was sought as part of a survey of the business development (Making It) programme participants. All survey respondents identified partial additionality associated with their participation in the programme i.e. they would not have achieved the same business growth at the same speed or at the same scale in the absence of the programme. An equivalent level of additionality information is not available for the other elements of the programme. However, given the nature of operators in the sector, in terms of their micro/sole trader nature, it is considered reasonable to assume a very high level of additionality associated with the export development programme; that is to say the availability of export development support is likely to be instrumental in terms of supporting craft maker/designers first steps at exporting through attendance at trade shows/events.

6.8 Displacement

The level of displacement associated with the programme of support reflects the extent to which the programme is funding activities that are replacing other NI economic activities. To the extent that the development of the programme is aligned with the overriding goals of export expansion, increasing tourism spending, and replacing imports there will be no displacement associated with the programme. Within the constraints of the evaluation study, and level of information available, it was not possible to determine if any displacement of activity is taking place.

6.9 Overall Value for Money Assessment

On the basis of the above, and in particular taking account of the modest scale of budget expended by Invest NI, and on the basis of the output activities achieved to date by Craft NI, it is considered that value for money is being achieved.

7. Conclusions and Recommendations

7.1 Conclusions

Craft Northern Ireland (Craft NI) is the sector-lead body with responsibility for promoting and developing the design-led contemporary craft industry in Northern Ireland (NI).

Over the 2007 – 2014 period, Invest NI have provided Craft NI with funding totalling £301,575, which approximates to an annual average level of funding of £37,700.

As part of the most recent 2012 – 2014 Programme Partnership Agreement (PPA), a total of £94,352 was provided by Invest NI to support three broad programme activity areas, as follows:

• A Business Development Programme (BDP)	£24,800
• An Export Programme (EP)	£8,250
• Business Development Officers (to manage BDP and EP)	£18,982
• A Marketing Programme	£15,200
• Web & E Comms Co-ordinator	£27,120

Detailed monitoring data is provided at agreed intervals by Craft NI to Invest NI. The monitoring data provided confirm that Craft NI are broadly on target to deliver in relation to agreed 2012 – 2014 targeted outputs, including:

- 8 designer/makers have participated in the 2013 Making It Business Development Programme;
- 15 designers/makers have to date been supported in attending trade events outside NI;
- the development of the Craft NI Directory of craft businesses/designers/makers on the Craft NI website - details of circa 90 makers/designers available in the directory;
- the maintenance of the Craft NI website - circa 24,000 unique visits on a quarterly basis to Craft NI website;
- the continued development of Craft NI's online and communication presence through various media platforms including;
- the circulation of a fortnightly e-bulletin to circa 4,000 recipients;
- the promotion of the annual August Craft Month and other seasonal sales promotions (Winter and Valentine Campaigns);
- the provision of still photography and video support for designers/makers

On the basis of the scale of budget expended by Invest NI both over the 2007 – 2014 period, and more specifically over the 2012 – 2014 PPA, and on the basis of the significant level of output activities achieved by Craft NI, it is considered reasonable to conclude that the programme of support is being delivered by Craft NI in an efficient manner.

A measurement of the extent to which the programme impacts and objectives are being achieved is made more difficult by virtue of:

- the limited number of impact indicators set out in the PPA
- the numerous and varied nature of the objectives set in the PPA
- nature of the craft sector where
 - there is a lack of clarity over what constitutes the craft sector, and
 - there is a dearth of comprehensive national statistics to allow the scale of the sector over time to be identified.

Notwithstanding the above, on the basis of information made available through a survey of Making It participants, it is considered that the business development programme has been broadly successful in terms of delivery on the overall objectives associated with this aspect of Craft NI's programme of activity.

In general terms, the aims and objectives associated with each programme area of activity would benefit from greater focus in terms of Invest NI's core focus of increasing the size, competitiveness and ultimately the value of the private sector NI economy, and the overriding goals of replacing imports, increasing tourism spending and/or promoting exports.

7.2 Recommendations

On the basis of the scale of budget expended by Invest NI as part of the 2012 – 2014 PPA, and on the basis of the output activities achieved to date by Craft NI, it is considered that value for money is being achieved and there should be a continuation of Invest NI funding of Craft NI.

In general terms however, the aims and objectives associated with each PPA area of activity would benefit in the long term from greater focus on Invest NI's core focus of increasing the size, competitiveness and ultimate the value of the private sector economy in NI, and the overriding goals of export expansion, increasing tourism spending, and replacing imports.

At current funding levels (circa £37,700 per annum) however, it is difficult to foresee a scenario where significant lasting economic impacts are likely to be achieved through Invest NI's support to Craft NI.

On this basis, it is recommended that consideration be given in the longer term to an expansion of the level of support provided to Craft NI, so as to increase the scale of businesses in the sector over and above their current sole-trader/micro-enterprise status, and/or increase the reach of support provided to the sector. In the context of a more significant budget, the identification of the correct mix of Craft NI activities so to achieve Invest NI's long term economic goals for the sector will be required. As part of a review of the appropriate mix of Craft NI activities, the issue of market failure is of relevance, i.e. what if any market failures are preventing the development of sustainable competitive businesses within the craft sector in NI.

Given the profile of agents active in the sector (small micro craft maker/designer businesses that are predominately sole traders), it is considered that there is a genuine market failure within the sector with respect to the development of business skills/acumen and a corresponding legitimate need for a development of such skills among those active in the

sector. In this regard, Craft NI's business development programme is considered to be addressing an identified market failure. At the current scale of support however, which is facilitating the development of 6 – 8 businesses every two/three years, the question arises whether this level of support is sufficient in terms of having a real impact on the sector. If market failures in this area are significant, which evidence would suggest they are, and if the business development programme is a successful model, consideration should be given to increasing the scale of support provided. In this regard it is of note that suggested areas for improvement to the programme identified as part of a survey of the business development programme participants included shortening/condensing the length of the programme; and providing additional 1:1 business mentor support.

The profile of the sector (small micro businesses/sole traders) also lends itself to the view that the development of export activity is an area where there is a recognised market failure. In light of this, the types of activity that will yield the greatest exporting impact, at the most appropriate scale, should be explored as part of a future review of the mix of Craft NI activities. It would also be useful going forward, to further explore any opportunities to link this area of Craft NI's activities with Invest NI's trade team and/or other relevant bodies such as InterTradeIreland.

Finally, marketing, or the development of awareness of the sector in NI in particular, is not considered as directly relevant to the focus of Invest NI's core objectives of building sustainable competitive businesses generating employment and value added in the Northern Ireland economy. Rather, the development of awareness and ultimately a market for products produced by the sector does contribute indirectly to the achievement of Invest NI's objectives for the sector, to the extent that the replacing of imports, increasing tourism spending, and/or increasing exports is taking place. In the long term, consideration should be given as to whether a stronger focus on the development of business acumen and exporting skills would best serve Invest NI's long term objectives of generating sustainable businesses that are competitive in local as well as export markets. Notwithstanding this, given the modest scale of funding provided by Invest NI to Craft NI, it is not recommended that there would be a cessation of Invest NI's support of this area of Craft NI's activity in the shorter term. Rather, over the longer term, a re-focusing of support to the areas most aligned with Invest NI's core objectives should be considered.