

National Digital & AI Strategy Submission

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ScaleIreland



INTRODUCTION

Scale Ireland is Ireland's leading independent not-for-profit, representative organisation for Irish tech start-up and scaling companies. We are the biggest representative organisation for the Irish tech sector with 800 members. Our mission is to support, promote and advocate on behalf of indigenous tech start-up and scaling companies of all stages, sizes and sectors and to create the most favourable conditions for them to succeed. Our vision is to make Ireland a leading global location for innovation and entrepreneurship.

This submission sets out Scale Ireland's key recommendations for Ireland's forthcoming National Digital and AI Strategy, with a particular focus on ensuring that start-ups and scaling companies can thrive in an era defined by artificial intelligence and digital transformation. We highlight the immense potential of AI to drive economic growth, competitiveness and societal progress, provided that Ireland invests in education, research, funding, infrastructure, and regulatory supports that are accessible to SMEs. Our proposals emphasise the need for Irish tech companies to access private capital to scale their operations globally, and also the need to foster entrepreneurship at third level, future-proofing the tech talent pipeline, and adopting SME-friendly digital regulation that encourages innovation while safeguarding the public interest. By taking these proactive steps, Ireland can position itself as a global leader in digital innovation, create high-quality jobs, and build a more inclusive, resilient economy.

Access to Finance for our innovative tech companies

Funding in Ireland is a big issue - 80% of our members have found it difficult or very difficult to raise funding according to Scale Ireland's 2025 State of Start-up Survey for the fourth consecutive year. The Draghi report also highlighted this issue and the implications of scaling companies not accessing finance. It notes that around 30% of unicorns founded in Europe between 2008-2021 relocated their headquarters abroad with most moving to the US.

More recently, the Department of Enterprise published a report by SQW which estimates the scaling finance gap in Ireland will be approximately €1.1 billion over the next three to five years. It says this is broadly in line with the views of several fund managers and could be 'perhaps on the conservative side given the growing uncertainty in the supply of capital'. In addition, in 2023, a further report by SQW consultants showed that growth in VC investment in Ireland and Europe were broadly matched from the early 2010s to 2016. However, since then the gap in total investment between Ireland and the European average has widened. Most worryingly, this gap is occurring across seed, early and later stages.

The report also found that deal size is an issue here even when compared to other small economies. To put this in context, in 2022 Ireland had the lowest average VC deal size compared to Finland, Denmark, Sweden and Scotland.

Looking at the big picture over the last decade to 2024, in terms of GDP, Ireland's investment in venture capital at just 0.2% of GDP lags behind 12 European neighbours including Estonia, Sweden, the UK, Finland, France and Denmark. This is according to Atomico's State of European Tech report. Looking to the US which invested 0.53% of GDP in venture capital, if we increased our investment to 0.5%, as much as €1.5 billion in additional funding would be provided for Irish start-ups.

While acknowledging that Ireland has only become a thriving wealthy nation in the last 30 years, we must recognise that this has created a long standing structural private funding gap in the Irish economy. This creates a ceiling on how far Irish tech companies can scale before they seek capital abroad. Funding is also a pressing issue for scaling companies in Ireland and across Europe. The European Investment Fund visited Ireland this year and they emphasised this is one of their main priorities - to look at ways to provide more funding for tech scaling companies. We also met with a delegation from the European Commission on Capital Markets and increasing funding for scaling companies across Europe is top of their agenda. If we want to keep our Irish tech companies in Europe, we need to address this urgently.

Access to Finance for our innovative tech companies

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Pension Fund Investments

We must expand the scope of pension fund investments to include private markets, this has the potential to better support Ireland's domestic economy across multiple sectors, including venture capital and indigenous companies and infrastructure. Many European countries are mobilising a small proportion of pension savings to fund innovation in Europe, rather than having European pension savers funding companies in the US. France, Germany, the Netherlands and Denmark have introduced policies to incentivise asset allocation to their domestic funds. The UK has the most ambitious initiative with policymakers aiming to have 10% of pension fund assets allocated to indigenous companies via private funds by 2030.

Enterprise Ireland Scaling Fund

The Government, via Enterprise Ireland, has increased its commitment to early-stage capital. Our submission welcomes the rise in the Enterprise Seed and Venture Capital Scheme from €175 million to €250 million. This step signals a policy intention to bridge the scale-up gap but needs sustained implementation to move the dial. We also support Enterprise Ireland's plans in their new five year strategy for a new scaling fund.

The €3-10 million Funding Gap

We have also highlighted the difficulty Irish start-ups face in accessing funding rounds in the €3 million to €10 million range. We support continued focus by the **Ireland Strategic Investment Fund** (ISIF) on deploying a full suite of investment structures to improve the funding options for scaling companies from seed, through to venture capital and on to growth investment. We also would welcome a further expansion of the **Strategic Banking Corporation of Ireland**'s risk sharing programme to facilitate it supporting lending in this range (€3-10m), with a particular focus on providing debt to scaling companies. Finally, we would support **Euronext**'s plans to introduce a new Euronext Access market in Ireland to support small-cap companies seeking to list and raise capital at a lower cost.

SME-Friendly AI Regulation and Digital system

In responding to new EU AI rules, Scale Ireland advocates for a regulatory approach that protects the public without stifling start-ups. We compiled a thoroughly researched response to the consultation on the AI Act. The focus is on smart oversight, guidance, and keeping compliance practical for SMEs.

Hybrid Oversight Model

Rather than a single monolithic AI regulator, our submission suggests a hybrid model for the AI Act. This would combine a central AI authority with a network of existing sectoral regulators for different industries. A central agency would coordinate EU engagement and set common standards, while sector-specific bodies (e.g. the Central Bank for fintech AI, health regulators for medtech AI, etc.) handle domain-specific enforcement. This approach leverages expert knowledge in each field but still ensures consistent, joined-up enforcement across all areas of AI.

Dedicated SME Support Team

To help small tech companies navigate the new AI rules, we propose a special SME-focused unit within the national AI authority. The role of this team would be to guide start-ups and scaling companies on compliance (e.g. offering clear “roadmaps” or checklists for the AI Act) and to provide an accessible point of contact for questions. By making regulation more user-friendly, this would prevent undue burdens on start-ups and encourage a culture of open, non-adversarial dialogue between regulators and innovators.

Coordinated Regulation

We also emphasise that Ireland’s implementation of the AI Act should align with other EU digital regulations (like GDPR, the Digital Services Act, etc.) to streamline compliance. Wherever possible, overlapping requirements should be handled together so that SMEs aren’t answering to multiple regulators with conflicting demands.

We note a growing “regulation fatigue” among tech SMEs juggling various new rules. Ensuring coordination between authorities – for example, the Data Protection Commission working in tandem with the AI regulator – can reduce duplicate oversight and lighten the load on smaller businesses.

Risk-Based & Proportionate Enforcement

We endorse the AI Act’s risk-based approach, which focuses efforts on high-risk AI systems and not on benign uses. Our submission urges that enforcement in Ireland be flexible for SMEs – for instance, giving start-ups a chance to correct compliance issues within a reasonable grace period, rather than immediately resorting to penalties. The key is to protect safety and rights without overburdening low-risk innovative projects, so that start-ups can experiment and grow in emerging AI areas.

SME-Friendly AI Regulation and Digital system

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Regulatory Sandboxes

We recommend establishing AI “regulatory sandboxes” – controlled environments where companies can test AI solutions with oversight but without fear of breaking rules. This would let Irish SMEs and researchers trial new AI-driven products (for example in health or finance) under the guidance of regulators, accelerating innovation while ensuring compliance. Our submission notes that such sandboxes should be at least on par with those in other leading countries, so Ireland remains an attractive place for AI development. Sandboxes encourage a two-way learning: companies learn how rules apply in practice, and regulators learn about cutting-edge AI tech – a win-win for regulatory excellence.

Becoming a Digital Leader

Overall, our submission underlines that smart national implementation of the AI Act can bolster Ireland’s goal to be a digital economy leader and a hub of regulatory excellence. By adopting best practices (and even looking at successful models in other domains, such as the Irish Aviation Authority’s pro-innovation stance in drone regulation), Ireland can attract AI investment and talent. The message is that good regulation can be a competitive advantage – if we get it right, it will build trust in AI made in Ireland while helping our start-ups scale up in the EU single market.

Leveraging AI for Economic and Societal Benefit

The potential economic and societal benefits of AI are immense, and Ireland can leverage AI to drive innovation and competitiveness. By creating a supportive environment for AI businesses, including startups and scale-ups, Ireland can stimulate job creation and economic growth. This involves providing incentives for research and development, facilitating access to finance, and offering a stable and predictable regulatory environment that encourages investment and innovation in AI.

Ireland can promote the use of AI in critical sectors such as healthcare, agriculture, and energy to address societal challenges. By supporting the development and deployment of AI solutions that improve efficiency and outcomes in these areas, Ireland can enhance the quality of life for its citizens and contribute to sustainable development.

Scale Ireland is positive about the potential economic and societal benefits that AI offers, and that Ireland can leverage AI to drive innovation and competitiveness. By creating a strong AI environment for start-ups and scaling companies, Ireland can encourage increased employment and economic growth.

This involves providing incentives for research and development, supporting access to finance, investing in infrastructure and offering a balanced regulatory system that also encourages investment and innovation in AI. It is also very clear that the overwhelming majority of our members (almost 90%) believe it will have a positive impact on their businesses. Innovative tech businesses are also major drivers of innovation and play a crucial role in the early adoption of new technologies, which was highlighted in an upcoming report commissioned by Google. This ultimately leads to increased competitiveness and provides greater diversity in our economy, which is important.

To enable the full potential of AI, Ireland can invest in key areas such as education, funding and infrastructure.

Digital and AI Literacy in the Education system

The education of young people and upskilling of the existing workforce through our education system is vital to optimise the considerable tech and AI opportunities and deal with some challenges.

Integrating AI literacy

By integrating AI literacy into the education system, Ireland can equip its workforce with the skills necessary to engage with AI technologies effectively. This includes not only technical skills but also an understanding of the ethical and social implications of AI. This should be done from as early as primary schools through to third level such as introducing changes to the curriculum to include AI.

A talented workforce

The government needs to give consideration to how best we can have a talented workforce ready for this moment as it continues to arrive in waves. Looking across the Irish education system, what are we offering from a technical, legal and policy perspective when it comes to further education around AI? A comparative review of the approach taken in other countries to all levels of education may help to inform potential developments within Ireland including what can be done with the Department of Further and Higher Education, Research, Innovation and Science to incentivise further upskilling initiatives with a specific AI lens around three specific silos of technical, legal and policy.

Re-education of over 40s

We have seen in other jurisdictions programmes for the re-education of over 40s on tech literacy. Investing in education and research will strip away the uncertainty surrounding this area. The department should also show the public how AI can be used to solve issues in society.

Long-term investment in research and in the training of researchers

The Government also needs to ensure that there is long-term investment in research and in the training of researchers in order to provide Ireland with the talent base needed to capitalise on the opportunities arising in connection with AI in a safe way. The need for start-ups and scale-ups to be aware of the implications of and having regulatory compliance with the AI Act will necessitate new skills but also the adaptation of existing systems in use by these companies to accommodate the provisions. Ways to get our start-ups and scaling companies ready include executive education options from a business/technical standpoint, full courses at diploma or master's level, training offered through the European Digital Innovation Hubs along with services/proof of concept development for companies that are AI Act-compliant. Science Foundation Ireland ("SFI") and Enterprise Ireland funded researchers, cognisant of responsible and transparent use.

Fostering Entrepreneurship and Innovation at Third Level

Scale Ireland has in the past outlined and published initiatives to nurture entrepreneurship among students and researchers in Irish universities, building a pipeline of future innovators.

Paid Start-up Internships

We propose the establishment of a funded internship scheme placing third-level students in paid roles at tech start-ups, with co-funding (e.g. a stipend two-thirds state-funded, one-third by the start-up). This would give students hands-on experience in young companies and help start-ups attract talent that they otherwise couldn't afford.

Entrepreneurship Training for Researchers

We would recommend a week-long entrepreneurship training programme for academic researchers and their supervisors, focused on how to commercialise research ideas. This includes mentorship from researchers who have founded spinouts, and making participation (at least two days) a normal requirement for funded researchers – similar to ethics training or open-access publishing mandates. The goal is to equip scientists with practical business skills to turn lab innovations into start-ups.

Regional University Accelerators

We would like to call for three new student accelerator programmes, one per region (North-West, South, East/Midlands). These would be structured like international models (e.g. MIT \$100K competition) to spur student-led start-ups. Each region would run pitch competitions and prototype-focused training, culminating in a national final where top teams compete for significant seed prizes (e.g. a €100,000 grand prize). This regional approach allows students and researchers from multiple colleges to team up and access mentorship, funding, and a path to scale their ideas. Academic credit for participating could also be explored.

Deep-Tech Accelerator

We advocate for creating a National Deep Tech Accelerator to support university spinouts and start-ups in areas like AI, semiconductors, quantum computing, and cybersecurity. This dedicated programme would provide seed capital, expert mentors, and an intensive 'deep tech' curriculum to tackle the special challenges these high-tech ventures face (long R&D timelines, complex IP, large capital needs). By investing in such an accelerator, Ireland can boost commercialisation of cutting-edge research and not lag behind other countries in growing deep-tech clusters.

Fostering Entrepreneurship and Innovation at Third Level

Continued

Women in Leadership Programmes

We would like to stress the importance of gender diversity in tech entrepreneurship. Our submission proposes new third-level leadership programmes for women in tech and deep-tech fields, and “co-founder” initiatives to pair women industry professionals with academics to launch new ventures. These measures aim to build a stronger pipeline of female founders and leaders in Ireland’s start-up ecosystem.

Boosting Female Participation

To close the gender gap in start-ups, the proposals include increasing the number of female interns placed in start-ups and even within venture capital firms, so women gain experience and networks in the tech sector. Additionally, we endorse adopting an “Investing in Women Code” – a public commitment by stakeholders to support and fund female entrepreneurship in Ireland. (Such a code has been used in the UK as a pledge to advance women-led businesses.) These steps are about making entrepreneurship more inclusive, tapping the talent of women to drive innovation.

Future-Proofing the Tech Talent Pipeline

A thriving start-up sector depends on a steady supply of skilled people. Scale Ireland has identified current gaps in Ireland's tech talent pipeline and put forward strategies to train, attract, and retain the talent that scaling SMEs need.

Ireland's Talent Snapshot

Ireland performs well in global talent rankings, ranking 17th in the 2024 IMD World Digital Competitiveness index and 12th in INSEAD's Global Talent Index. We excel at attracting talent (5th for ability to lure skilled people) and in openness to diversity. However, the country under invests in education and R&D (only 62nd globally for education spending), and it shows in domestic talent supply. The indigenous tech sector is growing fast but heavily reliant on foreign workers – about 40% of ICT employees are non-Irish – and remains male-dominated (roughly 25% of the tech workforce are women). These indicators highlight the need to train more people at home and broaden who pursues tech careers.

Acute Skills Shortages

There are critical skill gaps in areas like software development, AI/machine learning, cybersecurity, DevOps, and data analytics. Transversal skills (leadership, problem-solving, adaptability) are also in high demand but harder to find. Smaller firms struggle to hire and compete for tech talent against larger companies. And the demand is only going to increase – if current growth trends continue. This will far outstrip the talent output of our education system, signalling a looming talent crunch if not addressed.

Upskilling and Lifelong Learning

Continuous training of the existing workforce is a top priority. Worryingly, over half of SMEs (56%) have no formal talent development plan, and 21% offered no upskilling to staff in the past year. We highlight this as a risk – fast-changing technology means employees' skills can quickly become outdated. Our submission calls for sector-wide initiatives to support SME upskilling, leveraging groups like Skillnet Ireland and industry bodies. By making lifelong learning easier (and culturally expected), even small companies can keep their teams' skills sharp.

Broadening Pathways into Tech

With universities alone unlikely to supply enough graduates (Ireland produces roughly 8,000 ICT graduates per year, a number that is holding steady), alternative routes are crucial. One big opportunity is to expand apprenticeships and vocational training in tech. Currently Ireland has only a handful of tech apprenticeship schemes – an incredibly low number given the demand. Boosting “learn and earn” models can tap cohorts who might not follow a traditional degree path, while also improving diversity (e.g. programmes like FIT have developed apprenticeships targeting women returning to the workforce). In short, we need to create more avenues for people to enter ICT careers, beyond the CAO/university track.

Future-Proofing the Tech Talent Pipeline

Continued

Attracting Global Talent

Since foreign professionals have been critical to filling tech roles, maintaining Ireland's appeal to international talent is essential. Our submission recommends ensuring the work permit and visa system is as efficient and responsive as possible so that high-skilled candidates from abroad can be hired quickly. Recent dips in employment permit issuance are a concern, so proactive management of permit processing is needed. Furthermore, to draw top talent we must address external factors: Ireland's high personal tax rates, cost of living, housing shortages, and childcare and infrastructure challenges can deter overseas candidates. Tackling these issues will make Ireland a more attractive destination for the skilled workers our start-ups require.

Diversity as a Talent Expander

Growing the tech talent pool also means engaging more women and underrepresented groups. Female participation in ICT remains low – only about one-quarter in Ireland, and similarly low across Europe. Many other potential workers (“hidden” talent) feel left behind by the digital sector (e.g. people who lack access to upskilling opportunities, or those from different socioeconomic backgrounds). We point to the government's Pathways to Work strategy as a positive step, with measures like improving childcare access and supporting flexible work to enable more parents, carers, and others to join the workforce.

Encouraging STEM for girls and marginalised groups

We also underscore the importance of encouraging STEM for girls and marginalised groups from school onwards, and supporting mentorship and internship programmes that make tech careers visible and welcoming. Embracing inclusion is not just about fairness – it directly enlarges the talent pipeline for SMEs by bringing in fresh perspectives and skills.

Conclusion

It is vital to have access to open, flexible and secure digital infrastructure and investment in key infrastructure. While a report (commissioned by Google, 2025) notes that Ireland has strong digital infrastructure, ranking 6th on connectivity in Digital Economy and Society Index (2022) and 20th on AI infrastructure in the EU, Scale Ireland believes significant infrastructure investment is required. It is critical for start-ups to have access to open, flexible, and secure digital infrastructure which include cloud computing power to perform tasks and process data, and also data centres. It is also important that start-ups and scaling companies have access to top-performing AI and machine learning tools. We need to ensure that the right incentives for public and private entities to invest in AI infrastructure and compute capacity.

1. Mobilise Private investment into Irish tech companies and AI
2. Strong incentives for AI research and development
3. Integration of AI and tech in our education system
4. Grants for companies exploring deeptech AI, or looking to use AI in their products (applied AI)
5. A skilled workforce through education, upskilling and attracting and retaining staff
6. Long-term investment in research and in the training of researchers to ensure the talent base
7. A balanced regulatory system
8. Investment in key digital infrastructure

Scale Ireland believes Ireland can secure its future as a tech innovation leader by accessing scaling investment, investing in people and smart policies. That means mobilising private capital and investment, equipping students and researchers to start or work in tech start-ups and scaling companies, regulating emerging tech in a way that supports (not hinders) SMEs, and ensuring a skilled, diverse talent supply for the digital economy. For SMEs and policymakers alike, the priority is clear – we must work together so that Irish tech start-ups can grow, compete and succeed on the global stage with their innovative solutions.

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