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Our ref: NPS DETI 082/09

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**RESPONSE FROM THE ECONOMIC DEVELOPMENT FORUM TO THE REPORT OF
THE INDEPENDENT REVIEW OF ECONOMIC POLICY (IREP)**

Issue: EDF response to IREP report.

Timing: Routine

**Need for referral
to the Executive:** Not applicable

Presentational Issues: None

Freedom of Information: This submission is fully disclosable

**Programme for Government
/PSA Implications:** Not applicable

Financial Implications: Not applicable

Legislation Implications: Not applicable

**Statutory Equality
Obligations:** The content of this briefing is in compliance with
Section 75

Recommendation: It is recommended that you:



- Note the EDF response to the IREP report (**Annex A**), and in particular the comments relating to the Forum; and
- Note that this paper will be considered as part of the wider public consultation exercise on IREP.

BACKGROUND

1. The Economic Development Forum (EDF) held a special plenary meeting on 12 November 2009 to discuss the recommendations of the Independent Review of Economic Policy (IREP). The aim of the meeting was to debate and, where possible, to agree a collective response to, the IREP report.
2. Based on the discussion in the bilateral workshops, and at the Plenary, a collective EDF response has been prepared by the EDF Secretariat, attached at Annex A. These comments reflect the wide range of views expressed by EDF Members, and the paper has been cleared by Members (25 November).
3. In particular you may wish to note the comments on the proposal to stand down the EDF. As part of the wider position paper on IREP, we will be bringing forward recommendations on EDF
4. The EDF response paper will be submitted as part of the wider IREP public consultation exercise, for your consideration.

RECOMMENDATION

5. It is recommended you:
 - Note the EDF response to the IREP report, and in particular the comments relating to the Forum; and
 - Note that this paper will be considered as part of the wider public consultation exercise on IREP.



DAVID STERLING

ATTACHMENTS

ANNEX A - Response from EDF to IREP Report

**RESPONSE FROM THE ECONOMIC DEVELOPMENT FORUM
TO THE REPORT OF THE INDEPENDENT REVIEW OF ECONOMIC POLICY (IREP)**

Introduction

1. The Economic Development Forum (EDF) held a special plenary meeting on 12 November 2009 to discuss the recommendations of the Independent Review of Economic Policy (IREP). The aim of the meeting was to debate and, where possible, to agree a collective response to, the IREP report.
2. A series of bilateral workshops were held to discuss the IREP report. Key themes for discussion included:
 - Invest NI support for Innovation and R&D
 - Invest NI support for small business
 - The delivery of economic policy
 - Independent economic advice for the ETI Minister and the Executive.

EDF response to the IREP recommendations

3. The views expressed by EDF members are summarised as follows:

General

- Members have broadly welcomed the IREP report, and believe that it will stimulate the debate on the future of economic development in Northern Ireland. A number of Members have noted that the independent review presents an interesting approach to the review of policy in general.
- Productivity remains the right medium / long-term goal for the Executive, but it is acknowledged that employment is a key issue in the shorter term.
- Invest NI currently has a range of tools at its disposal, including Selective Financial Assistance, Company Training Support and Business Expansion. While it is recognised that there is always a need to ensure additionality, it is important for Invest NI to have a range of tools available if it is able to compete effectively with other regions. In terms of support for business expansions, if existing firms are creating new projects with high wage and high-skilled jobs then there should be no distinction from similar jobs created in new FDI firms.
- While it is recognised that some forms of regional aid are likely to be phased out post-2013, Northern Ireland should be campaigning for an extension to state aids, as has been done in a number of other UK regions.
- Skills have an important role to play in the long term success of the economy. Education and business need to work together to address issues around basic skills,

flexibility, risk aversion and entrepreneurship. Members have also stressed the need to acknowledge the importance of other factors that FDI firms take into account, such as telecoms, infrastructure and planning.

- While the potential of Venture Capital should be explored, it is wider than Invest NI's remit. However DETI has a key role to play, especially given the issues of market failure and the banking crisis in Northern Ireland. In this regard, the third Investment Strategy for Northern Ireland (ISNI 3) offers opportunities in terms of facilitating more partnerships, and should have a greater focus on economic development and on the skills of the unemployed, particularly construction employees.

Support for Innovation and R&D

- While the recommendation for a focus on Innovation and R&D is sound, there needs to be a wide definition of Innovation and R&D, as well as consistency in definitions across all funding providers.
- Local firms accept that investment in Innovation and R&D is necessary to compete in export markets and, as such the proposed shift in focus is welcomed.
- It is important, however, that in order to address the tension with employment, Innovation and R&D should not be looked at narrowly, but rather consideration should be given to the benefits of, and jobs created through, supply chains. This is particularly relevant as Northern Ireland starts to emerge from the recession.

Small Business support

- In terms of the recommendation for a Small Business Unit within Invest NI, clarification is needed on the respective role and remit of this Unit and that of the local authorities and all agencies involved with SMEs i.e. Local Enterprise Agencies and FE colleges, particularly in the light of the Review of Public Administration (RPA).
- It will be important that, post-RPA, there is considerable co-ordination between Invest NI and local authorities to ensure there is no duplication of support and to optimise the contribution of local government to economic progress.
- There will also be a need to ensure that local authorities have a consistent offering of support across Northern Ireland, rather than competing with one another and providing different assistance.
- While it is recognised that there are spatial issues such as the East / West divide in Northern Ireland, there is a need to look at NI as a region, rather than sub-regions competing with each other, so that an appropriate balance between East and West in Northern Ireland is achieved. Economic development at sub-regional level should be targeted to benefit the whole region.

Delivery of Economic Policy

- It is acknowledged that a joined-up approach in all areas of government is needed, particularly given that the economy is the key priority for the Executive.
- Members would support the proposed merger of DETI and DEL, within the context of a wider review of government structures and the aim of employment growth in the Programme for Government. The proposed Department for the Economy should have the lead role in developing economic strategy. Members would also support the recommendation to create a sub-group of the Executive Ministerial team focussing on the economy, and chaired, in the interim, by the Ministers for Enterprise Trade and Investment and Employment and Learning.
- Invest NI should have greater autonomy, within the context of a clear coherent strategy, and should be more flexible and business-like. There is also a need to drive down further the number of programmes delivered by Invest NI. In terms of the proposed client concept, it will be important to manage expectations if Invest NI support is to be opened up to all businesses.
- Attitudes to risk need to change, particularly regarding the Public Accounts Committee and the NI Audit Office. It is recognised that there is a need for accountability, but the focus should be on the future, rather on past failures, and on overall outcomes, rather than individual decisions and spending.

Provision of independent economic advice to the ETI Minister and NI Executive

- The effectiveness of the Economic Development Forum has increased in recent years, most notably in the work done through the EDF sub-groups. Furthermore, there is considerable value in the interaction between different stakeholders which EDF facilitates, and this would not be achievable with bilateral meetings with the ETI Minister.
- While Members note, and broadly agree with, the recommendation to stand down the Economic Development Forum, there was a broad consensus that some means should be found to ensure that the valuable exchange of views and information which takes place between the different sectors at EDF can continue in the future. It is recognised, however, that there is a need to avoid duplication with other forums/mechanisms for engagement.
- While the need for independent advice on the economy is recognised, it may be unrealistic to find individuals with no conflict of interest given the relatively small size of Northern Ireland.

Conclusion

4. These comments reflect the wide range of views expressed by EDF Members and are aimed at informing, as part of the wider public consultation exercise, the ETI Minister's consideration of the IREP recommendations.