

# Enterprise Northern Ireland response to the Independent Review of Economic Policy (IREP)

13th November 2009



## Summary

Enterprise Northern Ireland (ENI) delivers two major contracts on behalf of Invest NI, namely, the Entrepreneurship Development Programme (a suite of three programmes for pre-start, start-up and growth businesses) and the Social Entrepreneurship Programme.

ENI concurs with the majority of the recommendations contained in the IREP published in September 2009. In particular ENI believes that if Northern Ireland is to achieve a step change in economic performance, the economy should remain the top priority of the Executive for many years to come.



ENI in particular supports the following recommendations which it believes will support the establishment and growth of indigenous businesses and assist with the Enterprise Framework which is currently being developed by DETI.

- The concept of Invest NI 'clients' should be removed to allow Invest NI to work throughout the entire business base to raise awareness and provide support for businesses undertaking Innovation, R&D and exports
- Invest NI should work to significantly reduce the number of its support programmes
- Relevant policies and accompanying resources should be updated annually to quantifiably demonstrate how individual policies/organisations contribute to the PfG productivity goal
- DETI and other relevant departments should undertake a study to establish how the social economy might be further helped to reduce deprivation and increase labour force participation in disadvantaged areas within NI
- As part of the review of strand one institutions, the core economic functions (covering existing DETI and DEL areas of responsibility) should be brought together under a single 'Department of the Economy'
- The FM / dFM and the Executive should establish a permanent sub-committee to prioritise action on the economy, to be chaired by the Minister for the Economy (in the interim, the Enterprise, Trade and Investment (ETI) Minister)
- Invest NI should consider an internal reorganisation that reflects the differing skill sets required to support FDI, exports, Innovation / R&D and small business support



## Enterprise Northern Ireland response to the Independent Review of Economic Policy (IREP)

- A small business unit should be created within Invest NI, with responsibility for the development and co-ordination of relevant support to SMEs throughout NI
- Invest NI should be allowed more freedom to operate, with DETI having less involvement in operational matters, to enable the organisation to be more entrepreneurial and responsive to business needs
- Invest NI should be given greater autonomy and flexibility in managing its budgets, including End Year Flexibility (EYF) where required
- The ETI Minister should stand down the Economic Development Forum and establish a small advisory body, comprising expertise on regional economic development (drawn from business and economics) to provide independent advice on the economy

ENI requests that the following recommendation contained in the IREP is subjected to further scrutiny as it believes it could be counter-productive to stimulating enterprise and entrepreneurship activity in Northern Ireland (particularly important as the economy attempts to break out of recession.)

- Grants for business expansions should be phased out towards 2013.

ENI will be supportive of the new Chief Executive of Invest NI, Alastair Hamilton, and his top team of directors, as they engage with stakeholders to implement the agreed suite of recommendations contained in the IREP.



## Further explanation of the ENI response to the recommendations in the IREP.

### **The concept of Invest NI 'clients' should be removed to allow Invest NI to work throughout the entire business base to raise awareness and provide support for businesses undertaking Innovation, R&D and exports**

ENI agrees that Invest NI support should **not** be limited to a specified "client" base. The benefits of working outside a defined "client" base were evident in 2009 when Invest NI partnered with ENI to deliver a series of Credit Crunch seminars to a range of small businesses throughout Northern Ireland.

ENI supports extending the availability of a range of support interventions (for example, recession proofing assistance, training and advisory support and business clinics) to all indigenous businesses in Northern Ireland that have growth potential. Furthermore ENI proposes that a mapping exercise is carried out to ensure that any such support is clearly and unambiguously signposted to small businesses.

To achieve this Invest NI needs to work in partnership with the key organisations involved in small business support, namely, Local Enterprise Agencies, Local Councils, FE Colleges and the Social Economy Network. This will require a co-ordinated approach with specific areas of responsibility clearly defined.

### **Invest NI should work to significantly reduce the number of its support programmes**

ENI endorses this recommendation. The focus should be on addressing client needs and therefore the implementation of bespoke / rapid response assistance rather than "off the shelf" branded interventions. This will require a more flexible, less bureaucratic approach.

Co-ordination of available support is of paramount importance and it needs to be communicated in a clear, unambiguous way.

### **Grants for business expansions should be phased out towards 2013, after which such grants are unlikely to be available under EU state aid rules**

ENI cannot support this recommendation. ENI accepts that grant support will come under pressure as a result of the inevitable public sector spending cuts from 2010 onwards, however, the charge that grants will be prohibited under EU state aid rules remains to be challenged.

ENI believes that Invest NI must continue to broker competitive support packages for indigenous businesses by leveraging in other forms of support (apart from financial) by buying services in the form of coaching, loan finance and training from other key business support stakeholders.



**Relevant policies and accompanying resources should be updated annually to quantifiably demonstrate how individual policies/organisations contribute to the PfG productivity goal**

This makes sense. Again, communication is vital. Annual business plans from Invest NI should be circulated to key stakeholders for comments.

**DETI and other relevant departments should undertake a study to establish how the social economy might be further helped to reduce deprivation and increase labour force participation in disadvantaged areas within NI**

The social economy enterprise strategy 2009-2011 (taking into account responses received from key stakeholders during the consultation process) sets the context into which further support in this sector should be delivered. ENI understands that responsibility for the social economy will remain with DETI after RPA – ENI welcomes this and also suggests that the social economy should be firmly rooted in the new “Community Planning” responsibilities for local councils.

ENI is encouraged that the PfG recognised that part of developing the Northern Ireland economy also includes developing the social economy. ENI endorses any future study but believes that without financial investment to support the development of the social economy sector any vision and commitments will remain rhetoric and Northern Ireland will continue to lag behind the progress that has been made in Scotland and England in particular.

**As part of the review of strand one institutions, the core economic functions (covering existing DETI and DEL areas of responsibility) should be brought together under a single ‘Department of the Economy’**

ENI agrees with this recommendation. The proposed merger between DEL and DETI into a single “Department of the Economy” would negate the apparent situation where management/leadership development and SME growth/development are treated as two separate functions by two departments. A single Department of the Economy should bring a more streamlined approach to developing the potential of the small business sector in Northern Ireland.

**The FM / dFM and the Executive should establish a permanent sub-committee to prioritise action on the economy, to be chaired by the Minister for the Economy (in the interim, the Enterprise, Trade and Investment (ETI) Minister)**

ENI agrees with this recommendation which reflects the aspirations on the economy contained in the PfG.



### **Invest NI should consider an internal reorganisation that reflects the differing skill sets required to support FDI, exports, Innovation / R&D and small business support**

This seems a sensible step and therefore ENI agrees with this recommendation. ENI also believes there needs to be a focus on increasing the number of 'client-facing' staff (where appropriate.) Any internal reorganisation of skill sets needs to take account of the practical and timely needs of micro enterprises.

### **A small business unit should be created within Invest NI, with responsibility for the development and co-ordination of relevant support to SMEs throughout NI**

ENI believes this is a key recommendation and one which deserves careful consideration.

The Review suggests two primary functions for this proposed unit, namely, supply chain development for SMEs with multinationals, and co-ordinating small business development activity of local councils – two very different roles. ENI wishes to comment on the latter point.

With regards co-ordination with local councils ENI accepts the need for some form of unit to help co-ordinate activity and as a means of ensuring complimentary of small business support across Northern Ireland. Whether the unit should be created within Invest NI is open to debate. ENI believes that following the creation of Invest NI the small business function (formerly undertaken by LEDU) was downgraded within the new Invest NI structures at that time.

A small business unit (sitting inside or outside Invest NI) and linked closely to DETI in terms of policy guidance seems very sensible. Any such unit should have a clear remit to (i) undertake benchmarking activity into small business interventions, (ii) provide research into small business trends, (iii) draw up ToR for future contracting activities with the new eleven council model and (iv) provide a quality assurance and a continuing professional development challenge function to small business intervention contract holders.

ENI also believes that business incubation should play a key role in any co-ordination of support to SMEs. ENI therefore calls for the implementation of a Business Incubation Strategy, either under the ownership of Invest NI in its current form or under the tutelage of this proposed new small business unit.

ENI believes there is merit in amalgamating the current Invest NI regional network into a new small business support structure involving Local Enterprise Agencies, FE Colleges, Councils, Advantage NI and Princes Trust.



**Invest NI should be allowed more freedom to operate, with DETI having less involvement in operational matters, to enable the organisation to be more entrepreneurial and responsive to business needs**

ENI supports this recommendation. Invest NI needs to be allowed to develop rapid response solutions and spend less time on accountability issues with DETI. Risk taking and less bureaucracy should be the modus operandi.

**Invest NI should be given greater autonomy and flexibility in managing its budgets, including End Year Flexibility (EYF) where required**

ENI supports this recommendation. Invest NI needs greater budgetary flexibility to respond to changing business circumstances. Year end flexibility in particular is crucial so that monies earmarked for small business assistance is not subject to clawback by the Department in the event of slippage in delivery timescales.

**The ETI Minister should stand down the Economic Development Forum and establish a small advisory body, comprising expertise on regional economic development (drawn from business and economics) to provide independent advice on the economy**

ENI accepts the need for a small advisory body as recommended. The make-up of the advisory body should include representatives from the small business sector and the social economy.

Any queries arising from the ENI response to IREP should be addressed to:

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