

**INDEPENDENT REVIEW OF  
ECONOMIC POLICY  
(DETI / INVEST NI)**

**ANALYSIS OF RESPONSES TO  
CONSULTATION EXERCISE**

**January 2010**

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## 1. Introduction

1.1 In December 2008, the Minister of Enterprise, Trade and Investment, Arlene Foster MLA, commissioned an Independent Review of Economic Policy (IREP). The main objective of the Review was to advise on the extent to which existing strategies, policies, programmes and resource allocations may need to be better aligned to help deliver the productivity goal contained in the Programme for Government (PfG)<sup>1</sup>.

1.2 An Independent Panel was established to conduct the Review, comprising:

- **Professor Richard Barnett**, Chair of the Panel and Vice Chancellor of the University of Ulster;
- **Professor Brian Ashcroft**, University of Strathclyde Business School and board member of the Economic Research Institute of Northern Ireland (ERINI);
- **Dr Graham Gudgin**, Centre for Business Research, University of Cambridge;
- **Professor Michael Moore**, Queen's University Belfast; and
- **John Wright**, former international banking director and current Chairman and non-executive director of a number of companies in the UK and overseas.

1.3 The final report and recommendations of the Independent Panel were published on 29 September 2009. The Minister then launched a short six-week period of public consultation on 5 October 2009 inviting views on the IREP report and the associated recommendations. The consultation period ended on the 16 November 2009.

1.4 The purpose of this report is to provide an overview of the consultation responses and it contains a number of sections (outlined below).

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<sup>1</sup> The productivity goal contained in the PfG aims to halve the private sector productivity gap with the GB average (excluding the Greater South East of England) by 2015.

- **Section 2** outlines the consultation process and the number of responses received;
- **Section 3** provides an overview of the responses to the IREP recommendations as they relate to DETI and Invest NI policies and programmes;
- **Section 4** provides an overview of the responses to the IREP recommendations as they relate to the co-ordination of economic policy, organisational structure, governance and advisory bodies; and
- **Section 5** provides an overview of responses to the IREP recommendations as they relate to the facilitators of economic growth.

1.5 The summary contained in this report is purely factual in nature, and no comment is made on the validity of the points articulated in the various responses. Furthermore, with regard to interpreting the level of support / opposition to the recommendations contained in the IREP report, it should be noted that not all of the respondents offered views on each of the individual recommendations. As expected, the majority of respondents only commented on the individual areas of most relevance to their organisation or sector.

## 2. Overview of Consultation Process

### Call for Responses

2.1 A Ministerial statement announcing the consultation process was made on 5 October 2009. This statement was extensively covered by the media throughout the consultation process, both by newspapers and television news. In addition, a letter inviting responses was issued by the Department to the following areas:

- Representative business bodies;
- Government Departments, Agencies and Local Government;
- Political parties;
- Community and voluntary organisations;
- Education and local research institutions; and
- Others who previously contributed to the Review Panel's call for evidence<sup>2</sup>;

2.2 Details of the public consultation exercise were also listed on the websites of both DETI ([www.detini.gov.uk](http://www.detini.gov.uk)) and the Independent Review ([www.irep.org.uk](http://www.irep.org.uk)). The IREP final report was also available to download from both websites.

### Consultation Document

2.3 In order to help facilitate a detailed and informed response to the recommendations, the consultation invite contained details on where the report could be downloaded. Furthermore, hard copies of the report were made available upon request (and in Braille, large print, audio cassette or minority ethnic language). Specifically, DETI invited views on the 58 recommendations proposed by the Independent Review Panel.

### Responses

2.4 The Department received a total of 69 responses to the consultation, and a full list of respondents is attached at **Annex A**.

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<sup>2</sup> A full list of the respondents to the IREP call for evidence can be accessed on the dedicated website ([www.irep.org.uk](http://www.irep.org.uk)).

2.5 Responses were received across a wide range of sectors throughout Northern Ireland (NI), including:

- 22 from local / city councils and organisations representing local business interests;
- 14 from business representative organisations;
- 6 from agencies / bodies with a role in economic development;
- 3 from education institutions;
- 4 from venture capital / private equity funds;
- 2 from political parties; and
- 18 from other bodies / individuals such as research institutions, local economic commentators, government departments, charities, and private individuals.

2.6 The IREP report made recommendations on a range of issues under three broad themes:

- a) DETI and Invest NI policies and programmes;
- b) Co-ordination of economic policy, organisational structure, governance and advisory bodies; and
- c) Facilitators of growth.

2.7 This report provides a summary of the consultation responses received in relation to the recommendations made under each of the three themes outlined above. It is therefore important to read this report in conjunction with the IREP Executive Summary.

2.8 The 69 consultation responses are varied in nature. For example, as indicated previously, the majority of respondents commented on the individual areas of most relevance to their organisation or sector. Furthermore, while many of the responses commented specifically on certain IREP recommendations, several decided to comment more broadly on the issues raised without specifically expressing a view on the individual recommendations.

2.9 Table 1 outlines the proportion of respondents who commented on at least one of the IREP recommendations by broad theme and specific issue.

**Table 1: Summary of Respondents Commenting by IREP Key Area**

<b>Key areas of recommendation</b>	<b>No of Rec's</b>	<b>% Commenting</b>
<b>Policies and programmes (DETI / Invest NI)</b>	<b>28</b>	<b>84%</b>
Policy development	2	28%
Policy delivery (Invest NI)	7	68%
Portfolio of innovation policies	6	49%
Policy delivery (DETI)	3	38%
Policy performance	5	28%
Finance	1	38%
Project appraisal	1	19%
Further research	3	41%
<b>Co-ordination of economic policy, organisational structure, governance and advisory bodies</b>	<b>22</b>	<b>84%</b>
Co-ordination of economic policy	5	77%
Governance arrangements	15	64%
Advisory bodies	2	32%
<b>Facilitators of growth</b>	<b>8</b>	<b>51%</b>
Skills	3	41%
Planning	1	29%
Infrastructure	4	33%

**Note:** Percentages will not sum as many respondents commented on more than one area.

2.10 A fuller analysis of those responses expressing a view on specific IREP recommendations – in terms of the proportions stating either support, need for further detail, or opposition – is included at **Annex B**. In addition, each of the individual responses have been made available on the DETI website at [www.detini.gov.uk](http://www.detini.gov.uk).

2.11 The remainder of this report provides a summary of the responses to the IREP report / recommendations. For ease of reference they have been divided into

the three areas outlined in para 2.7, with the next section reviewing the responses to the recommendations made under the theme of DETI / Invest NI policies and programmes.

### **3. Policies and Programmes (DETI / Invest NI)**

#### **Overview**

3.1 This section provides a summary of the key issues and points raised in relation to the 28 IREP recommendations relating to DETI and Invest NI policies and programmes.

3.2 Respondents who expressed a specific view on the recommendations in this area were in broad agreement with many of them, in particular those relating to:

- Increasing assistance for innovation and R&D;
- Providing more dedicated and professional support;
- Simplifying and streamlining Invest NI programmes;
- Ensuring a stronger policy focus in DETI; and
- Allowing DETI to report on Invest NI's performance.

3.3 While there was a general consensus around many of the recommendations, there were also a number of concerns raised about:

- Phasing out of support for business expansions not involving support for Innovation and R&D;
- Redirecting support away from Selective Financial Assistance;
- Reducing support for company training;
- Invest NI disengaging in venture capital funds; and
- Supporting business expansions through co-investment.

3.4 The remainder of this section provides a more detailed overview of the comments made in this area of the IREP report and the associated recommendations.

## Policy Delivery (Invest NI)

### Relevant IREP Recommendations:

- 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

3.5 A significant proportion of the responses commenting on these recommendations were from business organisations, the majority of which agreed that Invest NI should work with a much wider range of companies. While supportive, the Federation of Small Businesses did, however, highlight that there was some merit in allowing Invest NI to focus on export-led firms, with a number of other respondents also proposing that the organisation still needs to retain a focus on assisting those companies with the greatest growth potential. The Invest NI Board, while agreeing with this recommendation, did question how businesses requesting assistance should be assessed in the absence of the current client criteria. Some respondents, including the Business Alliance, suggested that it should be 'softer', more advisory forms of assistance, such as mentoring and seminars, which should mainly be extended.

3.6 Other respondents, mainly those from local councils, were more uncertain about this recommendation. They stressed that Invest NI would need to work with councils to clarify respective roles, particularly as they have a remit to provide support to smaller businesses that would not typically be eligible for Invest NI support.

3.7 While some responses acknowledged the extent to which Invest NI has already made progress in rationalising its programmes, there was widespread agreement that Invest NI should reduce the number of its support programmes further. This was particularly evident in responses from business organisations

that have received assistance from Invest NI. A common issue was the need to address the needs of companies in a more flexible manner.

**Relevant IREP Recommendations:**

- Most assistance delivered via SFA should be redirected between now and 2013 to provide greater levels of support to Innovation and R&D
- Grants for business expansions should be phased out towards 2013, after which such grants are unlikely to be available under EU state aid rules
- Business expansions not involving Innovation and R&D should, where necessary, be supported in the form of co-investment in companies that have already been successful in securing funding from the private sector. Invest NI assistance should be in the form of sub-ordinate debt or equity

3.8 Around one-third of respondents directly commented on these three recommendations, with the majority stemming from the business community. Almost all responses, including MATRIX (the Northern Ireland Science Industry Panel), were strongly supportive of the need to move more support towards Innovation and R&D. Some responses, including from the Economic Research Institute of Northern Ireland (ERINI), went further to suggest that such a shift towards increased R&D&I was not only desirable but vital. Indeed, ERINI described the existing model of support – with the continued emphasis on Selective Financial Assistance (SFA) – as approaching the end of its useful life. It highlighted the need to move more towards increasing competitiveness by improving productivity, rather than continuing to concentrate resources to support employment and/or lower business costs.

3.9 However, concerns were raised (principally from business organisations) about increasing R&D&I support at the expense of SFA. It was felt that it was important to continue to use SFA as a tool, for as long as possible, and that removing this support would place Northern Ireland at a competitive

disadvantage for mobile inward investment when compared with competitors who continue to offer SFA (or its equivalent).

- 3.10 Some business organisations, while accepting that SFA would decline, did not believe that Northern Ireland would fully lose its ability to use SFA post-2013. Furthermore, both the Business Alliance and the Economic Development Forum (EDF) questioned whether EU definitions for supporting R&D&I would be as open and wide-ranging as that suggested by the Review Panel.
- 3.11 The issue of whether business expansions not involving Innovation and R&D should be supported was mostly directly commented on by organisations representing the local business community. The Business Alliance agreed that the same project should not be supported more than once, while a local economic commentator felt that the amount of assistance directed towards expansions was high. Similarly, the Chartered Accountants Ulster Society accepted that there were issues around repeat assistance, deadweight and grant dependency, expressing the view that companies needed to move away from grants where Innovation and R&D was not present.
- 3.12 Despite this, there were a large number of concerns raised in relation to the phasing out of support for business expansions (not involving Innovation and R&D). It was argued that this would place Northern Ireland at a competitive disadvantage in terms of attracting inward investment and would have a detrimental effect on economic growth. Certain respondents highlighted that many inward investors make small initial investments to ‘test’ the local market before making larger subsequent investments, and that these investments would be lost if general support for expansions could not be supported.
- 3.13 A number of responses did see potential for Invest NI to co-finance some expansions using debt or equity, but cautioned that the private finance market in Northern Ireland might not be sufficiently developed at present to accommodate this and that Invest NI would need to develop the necessary skills to manage these investments. Responses from business organisations,

**Relevant IREP Recommendation:**

- Invest NI should further reduce its support for company training, and concentrate support mainly to small firms and to projects with a high Innovative content, where retraining is necessary to realise a substantial rise in productivity

3.14 Many responses highlighted the importance of skills and training for developing an innovative economy and improving productivity. While responses from councils were broadly supportive of this recommendation, business organisations believed that Invest NI should not reduce support in this area. However, respondents also generally agreed that Invest NI should be focusing support for training on new or high value added skills, which are linked to innovative outputs and that would not otherwise be provided by companies themselves.

**Relevant IREP Recommendation:**

- Invest NI should transfer its budgets relating to tourism accommodation back to DETI to be redistributed to a more appropriate body

3.15 In relation to tourism, it was generally agreed that Invest NI are not best placed to support the tourism sector and should transfer their budget in this area. However, there was no consensus over what body should be responsible for this budget. Many of the local councils responded that they would be best placed to take this forward, while a number of responses also suggested the Northern Ireland Tourism Board (NITB).

## Portfolio of Innovation Policies

### Relevant IREP Recommendations:

- A portfolio of new Innovation policies should be developed over time, but should initially include four elements:
  - A new institution for commercially-oriented research should be explored in NI, along the lines pioneered by the successful VTT institute in Finland. The institution should be outside the University system and not subject to the constraints of the Research Excellence Framework (REF). It is envisaged that this would incorporate a number of existing near market research organisations in NI and would be charged with reviewing and taking forward the MATRIX agenda
  - Additional research in Universities and public sector bodies should be aligned closely with the needs of industry in NI and potential inward investors to NI. Furthermore, the development of specific new research capabilities should be used as an incentive to attract potential investors
  - Industry-led Innovation communities, as suggested in the MATRIX report, should be developed as a pilot to bring together business, academia and Government and exploit available market opportunities
  - More should be done to support Innovation in service sector firms beyond software, which we believe is well served. The concept of Innovation in the service sector should include the broad range of areas outlined in the definition of Innovation

3.16 Almost half of respondents expressed a view on the recommendations regarding innovation policy. A key theme among these responses was the support for an increased shift towards Innovation and R&D. The recommendations were therefore broadly supported, with many responses recognising the importance of taking forward the MATRIX agenda as a matter of urgency (and therefore supporting the industry-led innovation communities).

3.17 Amongst many other respondents, MATRIX did see benefit in considering a new commercially oriented research institute, but questioned whether VTT – in isolation – was the most appropriate model and it was agreed that further work was needed to explore this proposal further.

3.18 In terms of research meeting industry needs, the Invest NI Board highlighted that research should be aligned with the needs of both existing and potential companies, while the Business Alliance felt this should make use of both existing and additional research.

**Relevant IREP Recommendation:**

- Invest NI's export assistance should become more dedicated and professional, adopting a similar model to the fee-charging export agencies identified in the review of best practice, with two tiers of charges depending on whether the company is an SME or large firm

3.19 The responses received acknowledged the importance of exports and welcomed the recommendation to ensure that Invest NI support in this area was more dedicated and professional. Those most impacted by the fee charging proposal – businesses – were broadly supportive of this and highlighted that they already contribute towards the costs of this form of assistance to some extent. It was local councils that were most uncertain about the proposal, highlighting that while the fee-charging proposal was seen as a positive move to demonstrate the value / need for the support, the cost should not be prohibitive for firms. In this respect, the distinction between charges for small and large firms was to be encouraged.

**Relevant IREP Recommendation:**

- Additional support for Innovation and R&D should not involve new public expenditure but instead be financed from savings in grant support for investment by existing firms and in property development

3.20 This recommendation was mainly commented on by business bodies, who expressed the view that this support would need additional resources and should not be funded through savings in support for existing firms. It was suggested by some respondents that the Executive should demonstrate their commitment to the economy, as the top priority in the Programme for Government, by devoting additional resources to economic development. A

number of respondents did, however, see the potential for savings from property development.

## Finance

### Relevant IREP Recommendation:

- Aside from those funds designed to support seed stage projects, Invest NI should disengage its direct involvement with venture capital (VC) funds. Rather than direct participation in the market, Invest NI should act as a facilitator between companies and VCs. In the case of seed stage VC funds, Invest NI should avoid placing restrictions on the market

3.21 This recommendation was commented on by around one-third of respondents, but particularly by VC companies and local business organisations who raised significant concerns. It was felt that Invest NI disengaging from the VC market would have significant negative implications as there was insufficient private sector activity to support the local market. The Northern Ireland Science Park, for example, believed that private VC funds would not fill the gap if government were to withdraw. Furthermore, it was suggested that external funds would only finance larger firms, thus creating a funding gap for early stage / smaller companies. However, this recommendation was supported by many local councils, although they did stress that it would need to be carefully managed.

3.22 Many responses highlighted an ongoing market failure which justified Invest NI intervention, and pointed to similar support provided by other regions. While InterTradeIreland welcomed the recognition of the importance of seed corn funding, the majority of respondents suggested that Invest NI intervention should extend beyond this to early stage businesses. Some responses did recognise that Invest NI needs to work to facilitate the market to grow and attract more private finance to Northern Ireland.

## Policy Development

### Relevant IREP Recommendations:

- As part of the review of structures within DETI, the department should ensure that more resources are dedicated to policy development and monitoring
- DETI should appoint an independent economic advisor (with extensive experience as an economist) to strengthen capacity in economic policy making

3.23 There was general consensus that DETI should provide strong policy guidance to Invest NI and the majority of responses agreed with this recommendation. However, it was suggested that the emphasis should be on policy development rather than monitoring, which could interfere with the autonomy of Invest NI.

3.24 There was broad agreement that an independent economic advisor would be beneficial. However, business bodies stressed that the advisor should have relevant business experience and should not come from a purely academic background.

## Policy Performance

### Relevant IREP Recommendations:

- DETI, as the funding department, should report on the strategic performance of Invest NI, with the co-operation of Invest NI statistical staff
- Relevant policies and accompanying resources should be updated annually to quantifiably demonstrate how individual policies/organisations contribute to the PfG productivity goal
- Wherever data availability / quality allows, 'impact' targets for economic development should be expressed in relative terms (to the UK average or appropriate subsection of UK regions) rather than in absolute terms
- When reporting on performance, DETI / Invest NI should include targets specifically for investments new to NI (expressed as a share of equivalent jobs coming into the UK)
- The Invest NI data collection system needs to be developed as a single database, to be maintained by DETI. The IREP database, constructed specifically for the Review, will be transferred to DETI to help facilitate this process

3.25 There was widespread agreement with the recommendations intended to improve the systems in place to monitor Invest NI performance. However, an important caveat was made that none of these should increase the level of bureaucracy. The Invest NI Board raised some practical issues in terms of collecting consistent data on inward investment and they also highlighted the difficulty with quantifiably linking targets to performance. Also, it was suggested that relative targets are more appropriate for overall policy goals than operational activities.

## Policy Delivery (DETI)

### Relevant IREP Recommendations:

- As soon as practicable, DETI and other relevant departments should commence work on preparing a case for retaining state aid limits that support the changes outlined in this Review
- Promoting greater energy efficiency / conservation in the private sector should be accorded a higher priority in the 2009 Strategic Energy Framework (reflecting, where appropriate, the current and ongoing work of the Green New Deal for NI)
- DETI and Invest NI should undertake an immediate and focused review of its overall strategic and sectoral approach to capitalise on the benefits of new telecommunications connectivity in NI

3.26 The respondents who commented agreed that Northern Ireland does need to make a strong case for retaining state aid limits in line with other regions. However, some respondents expressed confusion over whether the recommendation applied to solely to R&D&I limits or also included SFA. There was less support, particularly within business organisations, for the recommendation if it related only to thresholds for Innovation and R&D. It was felt that Northern Ireland needs to be able to support companies carrying out Innovation and R&D, but also retain the ability to use SFA, and therefore the case should be made to keep current limits for both forms of assistance.

3.27 In relation to energy, the responses were broadly supportive of the need to promote greater energy efficiency so long as it does not have cost implications for businesses. However, both businesses and Trade Unions disagreed with the Panel's view that high energy costs had been addressed and suggested that more work needs to be done to bring down relative energy prices in Northern Ireland. Respondents also highlighted the need to capitalise on benefits of telecoms connectivity in Northern Ireland.

## Project Appraisal

### Relevant IREP Recommendation:

- Project appraisal rules should be re-assessed to ensure that projects involving investment in Innovation and R&D, which generally present uncertain and wider outcomes, are not placed at an unreasonable disadvantage

3.28 One-fifth of respondents saw this as an important recommendation to support the increased focus on Innovation and R&D, and to allow Invest NI to assist risk-based projects with a higher return. The Invest NI Board highlighted that further work needs to be undertaken in this area in order to fully capture both the direct and spillover benefits of projects.

## Further Research

### Relevant IREP Recommendations:

- A study should be undertaken to determine how NI can more rapidly shift the pattern of inward investment towards higher value sectors
- A study of industrial land provision should be commissioned to determine why there is a perceived need for Invest NI to purchase large amounts of land over the next few years
- 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

3.29 Of the three proposed research areas, the review of Invest NI's land policy was subject to the most comment. Generally, respondents agreed that Invest NI should be spending less on acquiring property. Many local councils expressed their concern that Invest NI had purchased property in prime locations to hold for clients, which has then remained vacant and prevented other businesses from using the land. Despite this, a couple of councils indicated that they would like Invest NI to purchase more land as a means of attracting investment to their area. The Invest NI Board highlighted that having a portfolio of available

land is part of its sales proposition to inward investors, and to remove this would impact on the agency's ability to attract FDI.

3.30 Many respondents, particularly business bodies and charitable groups, acknowledged the potential of the social economy sector and supported this research. Local councils agreed with this, but rather than commenting specifically on the proposed research, highlighted the existing work they carry out in this area and the increased responsibilities post the Review of Public Administration (RPA). A number of additional partners, including DEL, DSD and local councils, were suggested as being able to contribute to the social economy research. Numerous consultation responses also supported the move towards higher value added sectors and agreed with this research.

## **4. Co-ordination of Economic Policy, Organisational Structure, Governance and Advisory Bodies**

### **Overview**

4.1 This section provides a summary of the key issues and points raised in relation to the 22 IREP recommendations on the co-ordination of economic policy, organisational structure, governance and advisory bodies.

4.2 The consultation responses generally agreed with the majority of recommendations made, particularly those relating to:

- The economy remaining top priority of the Executive;
- FM/dFM establishing a sub-committee on the economy;
- Improved communication between Departments;
- Giving Invest NI more autonomy and flexibility; and
- Evaluating projects on a portfolio basis.

4.3 There were generally very few key concerns raised, although there were a number of recommendations that respondents were either uncertain and / or agreed with but felt more consideration was required. They include the following recommendations:

- Creating a single Department of the Economy;
- Establishing a small business unit within Invest NI; and
- Standing down EDF and replacing with a small advisory unit.

4.4 The rest of this section provides a more detailed summary of the comments by respondents to these recommendations.

## Co-ordination of Economic Policy

### Relevant IREP Recommendations:

- 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
- 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)
- The Executive sub-committee should agree an economic strategy, building on the findings of the IREP, as a matter of urgency

4.5 Almost all respondents were supportive of the economy remaining the Executive's top priority, and felt that the First Minister and deputy First Minister should provide strong leadership for the economy alongside the ETI Minister. Indeed, the responses of the Invest NI Board and the Business Alliance, amongst others, suggested that this needed to go further with more resources being directed towards economic development to reflect its top priority. Some responses also highlighted the need for politicians to focus on long term economic goals and acknowledged that meeting these aims would require tough decisions – many of which might be unpopular in the short term.

4.6 Establishing a sub-committee on the economy was viewed as a positive step in terms of the Executive demonstrating its commitment to the economy. Respondents also agreed with the need to have an overarching economic strategy in place as a matter of urgency.

### Relevant IREP Recommendations:

- DETI, DEL and Invest NI should work together to more effectively implement their existing liaison arrangements
- 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'

- 4.7 There was strong support for DETI and DEL improving their existing liaison arrangement, and some respondents indicated that they believed that some improvements had already taken place in this regard. Respondents also highlighted there are a much broader range of economic development partners than DETI, DEL and Invest NI – such as other departments and local development bodies – and all these need to work more closely together.
- 4.8 The creation of a single Department of the Economy was broadly supported, particularly by business organisations who felt it would provide a more streamlined approach to economic development. While very few specific concerns were raised about the proposal, a number of councils felt that solely merging DETI and DEL, as suggested, did not go far enough. It was suggested that other areas of economically relevant policy / programmes, currently within departments such as DARD, DCAL, DSD, DRD and DE, should be part of a Department of the Economy. Trade Unions were not supportive of this recommendation, highlighting that this had existed in the form of DED before being deemed to be unsuitable.

## **Governance Arrangements**

### **Relevant IREP Recommendations:**

- DETI should undertake an internal review of its structures to ensure that the allocation of staff is more fully aligned with its policy objectives
- The core functions of strategic policy development and performance monitoring should be brought together within any revised DETI structures. The department should also provide the necessary support, professional and otherwise, to the Executive sub-committee on the economy

- 4.9 Of those who commented in this area, there was strong support for a review of DETI's structures. Comments were mostly directed towards ensuring resources were targeted at policy development rather than monitoring, with one respondent commenting that the Department's structure should more closely reflect that of Invest NI.

### **Relevant IREP Recommendations:**

- 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
- 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
- World class training in sales and marketing should be provided for relevant Invest NI staff (particularly those working in international offices). In addition, staff should be recruited with relevant experience to meet the demands on investment decisions that are increasingly based on Innovation and R&D

4.10 Respondents supported the proposed review of Invest NI's structure. The view was expressed, particularly by business organisations, that more staff needed to be focused on providing front line services, with support given for training and other relevant professional skills.

4.11 In relation to the proposed small business unit, the responses were broadly supportive of small businesses receiving a greater focus within Invest NI, although it was stressed that the unit should not simply replicate LEDU.

4.12 Enterprise NI, along with other responses, noted that the report suggests two distinct functions for the unit. Firstly, in the context of the RPA, it was seen by respondents as important that an overarching body was responsible for co-ordinating support and ensuring that a consistently high standard was provided across Northern Ireland. It was noted that the unit would have to work closely with local government to clearly define responsibilities when powers are devolved. Secondly, it was interpreted that the unit would be providing some form of assistance to small businesses itself. Local councils expressed concern around this as they already provide support in this area and could not see the value in the unit over and above the support provide by the existing entrepreneurship team. It was stressed that clarification was needed to establish the role of the unit in this regard. However, businesses did see a role for the unit to develop supply chains with larger firms, although it was

suggested that this should be embedded throughout Invest NI and not confined to a single unit. Another suggested role was to 'fast track' small firms with high growth potential to other forms of Invest NI assistance

**Relevant IREP Recommendations:**

- 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
- To help achieve greater autonomy for Invest NI, their delegated authority limits should be both simplified and increased significantly. The current DFP delegated limits for mobile SFA (currently £10m) should also apply to Innovation and R&D projects
- An NI version of the Central Project Review Group (CPRG) should be established, incorporating Invest NI, DETI and DFP, in order to speed up the decision making process for major industrial assistance cases

4.13 The responses were strongly supportive of Invest NI being allowed more autonomy, although the Invest NI Board suggested that 'ground rules' for interaction need to be clarified. This proposal was widely seen by a range of respondents as vital for the organisation to become more flexible and responsive to the needs of business. Similarly, the recommendation to increase delegated limits was also viewed positively as a way to reduce bureaucracy and speed up the process of assisting companies. It was felt that the proposed CPRG would also help in this regard, although it was stressed that this should not add another layer of bureaucracy to the decision making process.

**Relevant IREP Recommendations:**

- Given the non-executive composition of the Invest NI board, it should cease to perform executive functions and focus on providing strategic direction and oversight
- A senior member of the DETI Departmental Board should be represented on the Invest NI board
- High level experience in international business and expertise in economic development should be sought when the Invest NI board is reconstituted

4.14 Respondents were generally supportive of the recommendations relating to the Invest NI Board and highlighted the importance of attracting the best people to sit on the Board. The Invest NI Board suggested they were happy to set criteria to maintain the current high level of expertise. Councils did highlight that, while seeking international expertise, the Board still needs to ensure local representation. Whilst agreeing with the recommendation that the Board should no longer perform executive functions, it was suggested that it perhaps should be involved with some larger cases. Certain respondents highlighted the potential merits in appointing a DETI representative to the Board, although it was indicated that this was contrary to current governance best practice.

#### **Relevant IREP Recommendations:**

- Invest NI should be given greater autonomy and flexibility in managing its budgets, including End Year Flexibility (EYF) where required
- For projects involving financial assistance to industry, ex-post assessments of value for money should be taken on a portfolio basis
- The DETI / Invest NI Accounting Officer Memorandum should be reviewed in light of the revised governance arrangements implemented as part of the IREP
- The Management Statement and Financial Memorandum (MSFM) should be reviewed and revised, where appropriate, in light of the recommendations contained in this report

4.15 Greater budget flexibility was seen as consistent with the proposals to give increased autonomy to Invest NI and this was strongly supported in the responses received. Similarly, the portfolio approach of evaluating projects was viewed positively as a way to reduce risk aversion within Invest NI, and ensure the focus was placed on long term outcomes rather than individual decisions. The amendments to the memorandums were also considered to be important if Invest NI was to be given greater autonomy.

#### **Advisory Bodies**

#### **Relevant IREP Recommendations:**

- 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
- Stakeholders involved in economic development should continue to engage with the ETI Minister on a bilateral basis

4.16 There was general agreement among the one-third of respondents commenting that EDF should be stood down, although many responses, particularly those of

business organisations, acknowledged the important role that EDF has played since its creation. There was some concern raised that while bilateral meetings are useful, they are not sufficient to fully reflect the views of stakeholders and an advisory body was needed to replace EDF. A concern was raised by Trade Unions around the independence of a new advisory body given the small size of Northern Ireland and the multiple interests of potential members.

## 5. Facilitators of Growth

### Overview

- 5.1 This section provides a summary of the key issues and points made on the 8 IREP recommendations relating to the facilitators of growth.
- 5.2 There was general agreement around the recommendations relating to skills and infrastructure. Planning recommendations were also broadly supported, although there was greater uncertainty around some of these, particularly the proposal for the Strategic Projects Team to deal with all new FDI. The remainder of this section outlines these comments in greater detail.

### Skills

#### Relevant IREP Recommendations:

- The local education system should prepare now to meet the anticipated increased demand for higher level skills in STEM and other Innovation relevant subjects arising from the increased prioritisation of Innovation and R&D
- The current focus on technical and professional qualifications, including apprenticeships and vocational training, should be extended to emphasise higher level qualifications at levels 4 and 5
- DEL, DETI and Invest NI should work to significantly develop management and leadership skills in NI and support the proposal for government to sponsor a 'Management Masterclass' to identify and develop the best managers from local industry and the public sector

- 5.3 Over 40 per cent of respondents commented specifically on the skills recommendations and a large number noted the importance of skills and knowledge for future economic development. In its response to the consultation exercise, the Department for Employment and Learning (DEL) highlighted much of the work currently being undertaken in this area. It was also recognised by other respondents that, if Northern Ireland is to make the shift towards Innovation and R&D, the education system should align itself to reflect the increasing importance of STEM subjects.

- 5.4 The responses received were also generally in favour of developing the numbers studying for Level 4 and 5 vocational qualifications. However, some respondents noted that while these recommendations were focused at the higher end of the skills spectrum, lower end skills development was also essential for providing opportunities to the unemployed, economically inactive and for promoting equality.
- 5.5 Although respondents highlighted the importance of developing management skills in the private sector and were supportive of the rationale for a 'Management Masterclass', several queried whether DETI / INI / DEL were best placed to facilitate this. Other respondents also flagged the wider issues of retaining graduates and attracting skilled people back to NI.

## Planning

### Relevant IREP Recommendations:

- In the context of reform, the Planning Service should be given processing time targets which are comparable and competitive with those countries and regions against which NI is competing for mobile international investment
- Planning Service should work to ensure that the legislative timetable for reform is met
- The Strategic Projects Team should deal with all applications relating to investment new to NI. In addition, in terms of what constitutes a 'regionally significant development', a clear definition and qualifying criteria should be developed and agreed between DoE, DRD, DETI and Invest NI
- The Pre-Application Discussion (PAD) process must be as efficient as possible and the time allocated for PAD should be included when reporting on timings for all applications

- 5.6 A number of respondents commented on the performance of the planning system, especially relative to the rest of the UK, and expressed the view that the current system may have hindered Northern Ireland's economic development. However, as noted in the IREP report, it was highlighted by

Planning Service that the statistics for the countries of the UK were not directly comparable.

- 5.7 The majority of responses strongly supported establishing stretching targets for processing of applications. Some cautioned that targets could only be achieved if the planning system was sufficiently resourced and if the framework it operated within was fit for purpose. The location of the planning function within government, and the devolution of some planning powers to local authorities under the RPA process, were identified as key issues in this regard. It was also noted that the current reform programme for the planning system could result in improvements in performance, and respondents were in favour of ensuring this reform is achieved within the timescales set.
- 5.8 Respondents were generally in favour of major investments new to Northern Ireland being dealt with by the Strategic Projects Team. However, it was stated that this should not relate to small foreign investments but rather on larger projects. Local councils suggested this should take into account the transfer of functions under RPA, and also believed that geographical location of the applicant was not an appropriate criterion to determine processing priority and that the economic impact of the application should take precedence. Indeed, it was suggested that economic benefits in general should be afforded a high priority in determining an application. In addition, respondents agreed that planning should be more co-ordinated and that a definition of a regionally significant application should be further developed.
- 5.9 Those who commented on the recommendation relating to the Pre-Application Discussion (PAD) process were broadly in favour of this being subject to performance monitoring.

## Infrastructure

### Relevant IREP Recommendations:

- The Executive should ensure that the third ISNI plan takes a much greater economic focus by committing more investment into projects that will maximise NI's future economic performance

5.10 The majority of respondents that commented on infrastructure issues were supportive of the recommendation that the next Investment Strategy for Northern Ireland should take a greater economic focus. Some respondents in this area also suggested that it should be reconsidered whether the Strategic Investment Board still has a role to play, and that any new Investment Strategy should be linked into the Regional Development Strategy and Sustainable Development Strategy. The importance of spatial and rural issues to any investment strategy was also stressed.

## Annex A: Full List of Respondents

<ul style="list-style-type: none"> <li>• Alliance Party</li> <li>• Association of Northern Ireland Colleges</li> <li>• Antrim Borough Council</li> <li>• Ards Borough Council</li> <li>• Armagh District Council</li> <li>• Ballymoney Borough Council</li> <li>• Banbridge Borough Council</li> <li>• Belfast City Council</li> <li>• Belfast Healthy Cities</li> <li>• Bombardier</li> <li>• Business Alliance</li> <li>• Castlereagh Borough Council</li> <li>• Chartered Accountants Ulster Society</li> <li>• Clarendon Fund Managers Ltd</li> <li>• Coleraine Borough Council</li> <li>• Coleraine Borough Chamber of Commerce</li> <li>• Consumer Council</li> <li>• Craigavon Borough Council</li> <li>• Crescent Capital</li> <li>• Department of Employment and Learning</li> <li>• Digital Circle Steering Group</li> <li>• Disability Action</li> <li>• Dungannon &amp; South Tyrone Borough Council</li> <li>• Economic Development Forum</li> <li>• Economic Research Institute of Northern Ireland</li> <li>• Elkin, Tom</li> <li>• Enterprise Northern Ireland</li> <li>• Enterprise Equity Fund Management Ltd</li> <li>• E-synergy</li> <li>• Food and Drink Sector Skills</li> <li>• Federation Small Businesses</li> <li>• Fermanagh District Council</li> <li>• Industry Advisory Panel</li> <li>• Irish Congress of Trade Unions</li> <li>• InnoTech Centre, South West College</li> </ul>	<ul style="list-style-type: none"> <li>• InterTradeIreland</li> <li>• Invest NI Board</li> <li>• Leslie Morrison</li> <li>• Limavady Borough Council</li> <li>• Lisburn City Council</li> <li>• Livestock and Meat Commission</li> <li>• Londonderry Chamber of Commerce</li> <li>• McGarry Consulting</li> <li>• MATRIX</li> <li>• Moyle District Council</li> <li>• Newry and Mourne District Council</li> <li>• NI Advisor on Employment and Skills</li> <li>• NI Manufacturing</li> <li>• NI Poultry Federation</li> <li>• Northern Ireland Food and Drink Association</li> <li>• Northern Ireland Local Government Association</li> <li>• Northern Ireland Science Park</li> <li>• North Down Borough Council</li> <li>• Northern Ireland Environment Link</li> <li>• Omagh Enterprise Company Limited</li> <li>• Omagh District Council</li> <li>• Participation and the Practice of Rights Project</li> <li>• Pauley, Alberta</li> <li>• Planning Service</li> <li>• Queens University Belfast</li> <li>• Ramsey, Richard – Ulster Bank Economist</li> <li>• Royal Institution of Chartered Surveyors</li> <li>• Rural Community Network</li> <li>• SDLP</li> <li>• Sector Skills Councils Alliance</li> <li>• Training for Women Network</li> <li>• University of Ulster</li> <li>• West Belfast &amp; Greater Shankill Enterprise Council</li> <li>• West Belfast Partnership</li> </ul>
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## Annex B: Analysis of Responses by Recommendation

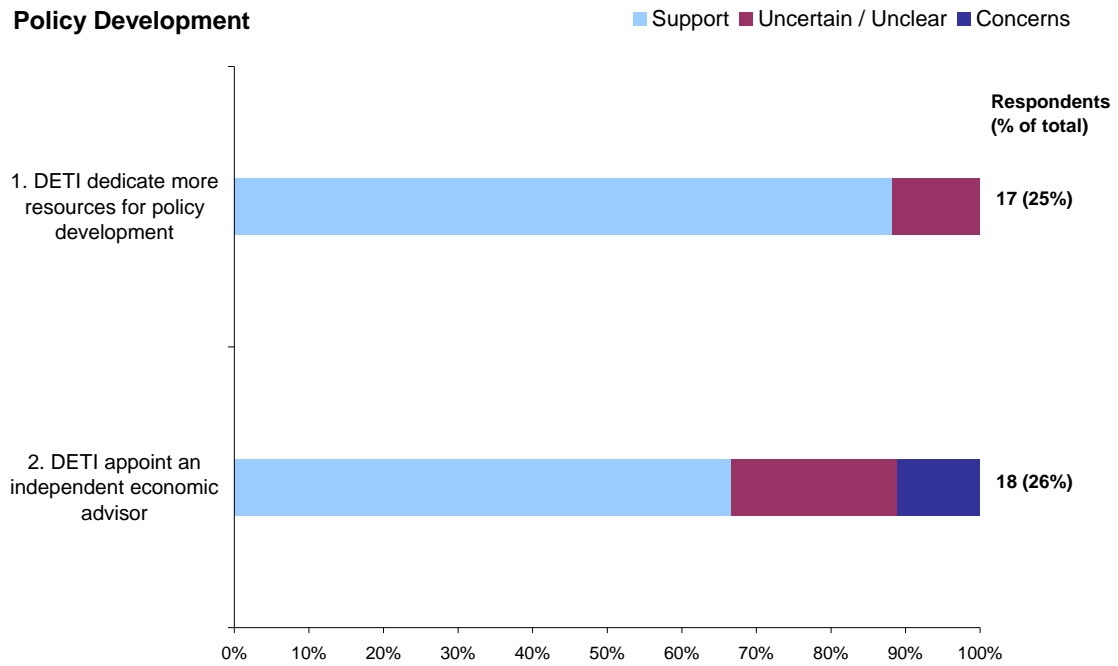
B.1 This annex provides an overview of the consultation responses for each recommendation. Where respondents commented on specific issues or recommendations, they have been categorised into either:

- **Support** – where respondents were either fully supportive of the recommendation or were supportive on the basis of certain implementation issues being addressed;
- **Uncertain or unclear** – where respondents either discussed an issue and did not make their position clear or were supportive of part of the recommendation but expressed uncertainty / concern at a different element; and
- **Concerns** – where respondents either disagreed with the aim of the recommendation or had significant concerns with how the Panel proposed to implement it.

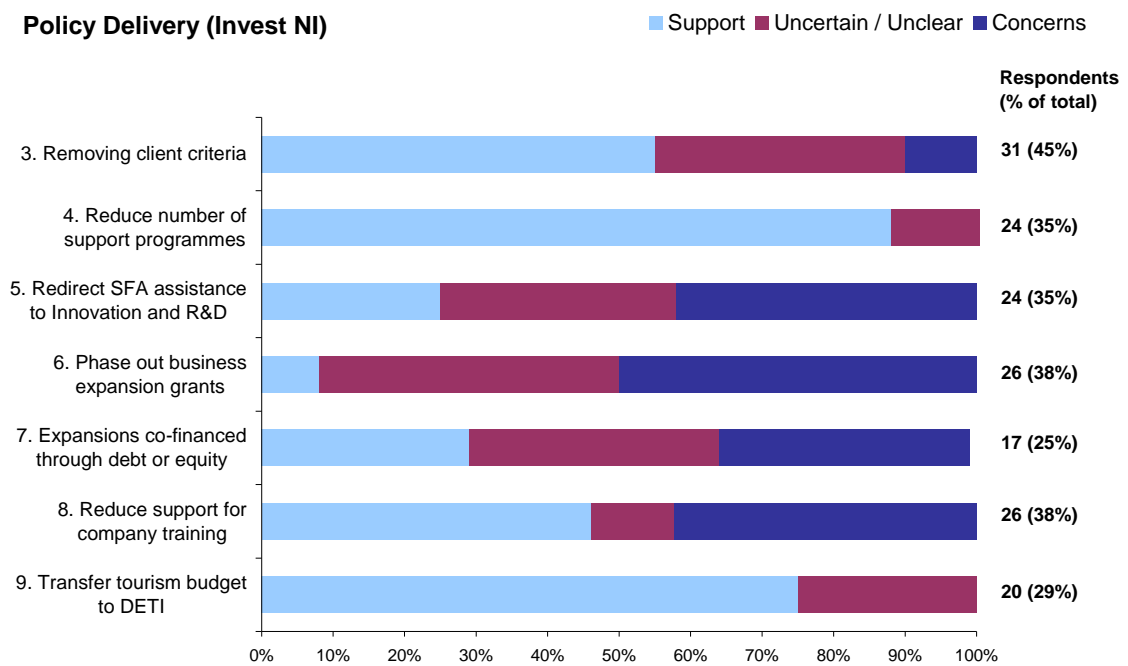
B.2 Where respondents expressed opinion about a broader issue, such as Innovation and R&D, but did not refer to a specific recommendation, this has not been included in this analysis. It has, however, been included in the table showing responses by key area in section two of the main report.

B.3 Responses are analysed in the remainder of this Annex under the same headings used in the IREP report and in the same order. Charts also include the total number of respondents commenting on each specific recommendation.

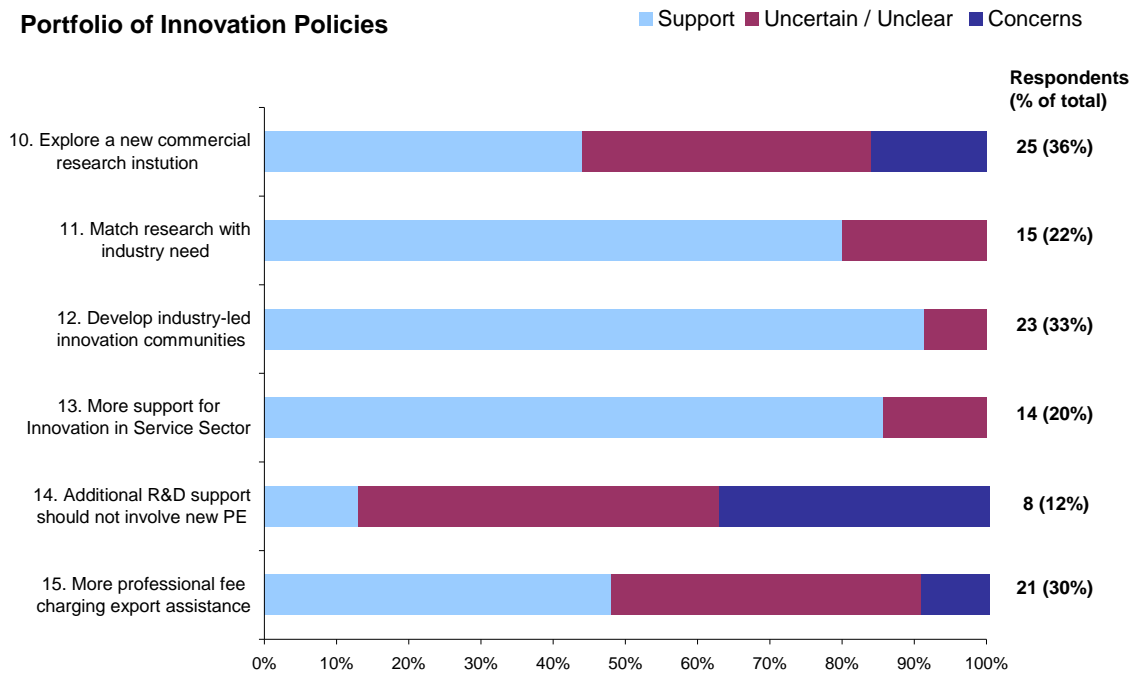
## Policy Development



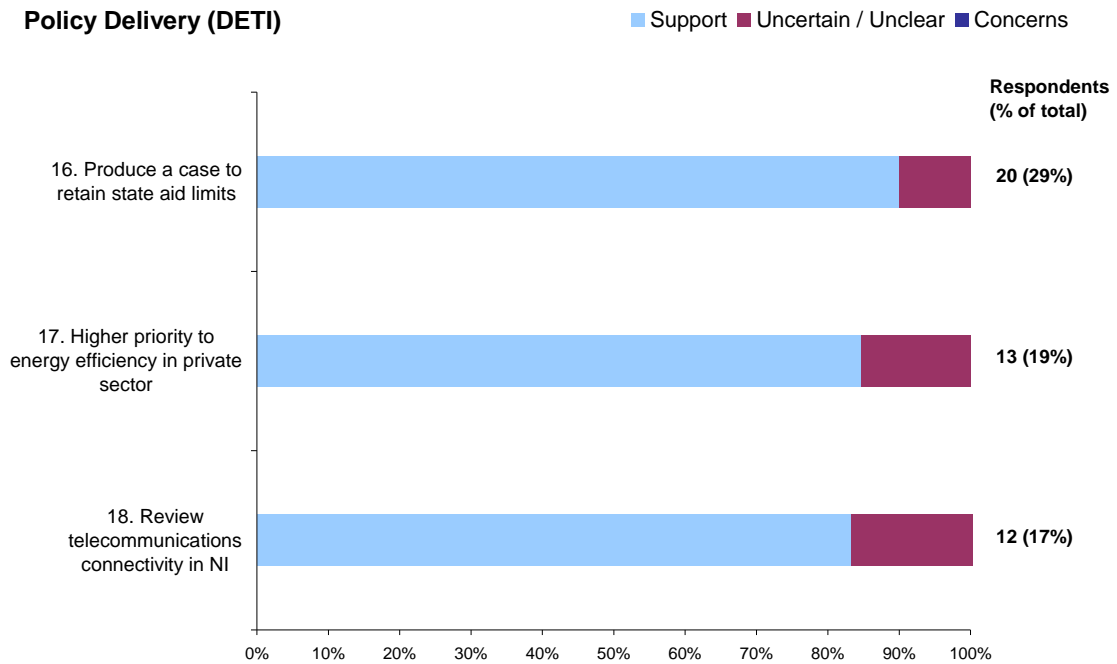
## Policy Delivery (Invest NI)



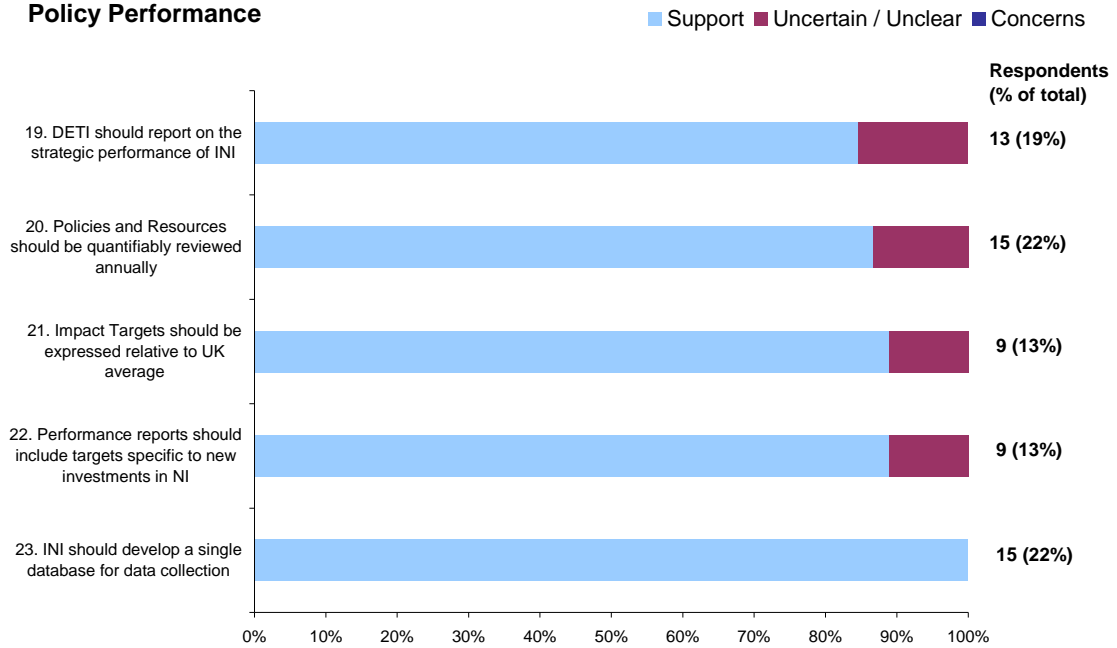
## Portfolio of Innovation Policies



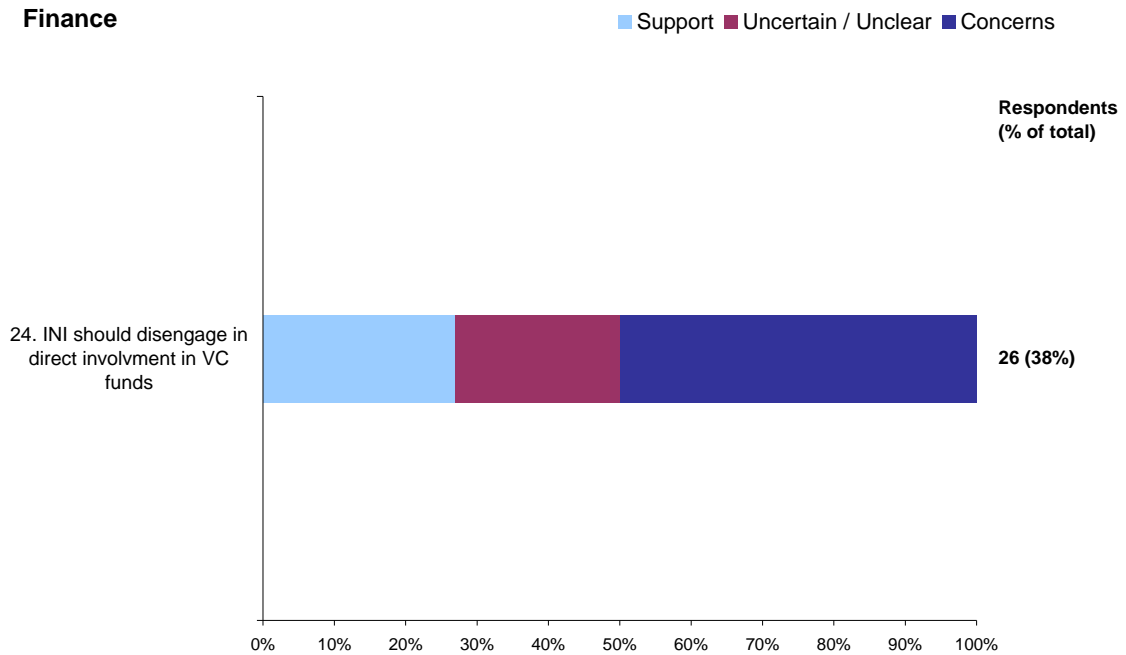
## Policy Delivery (DETI)



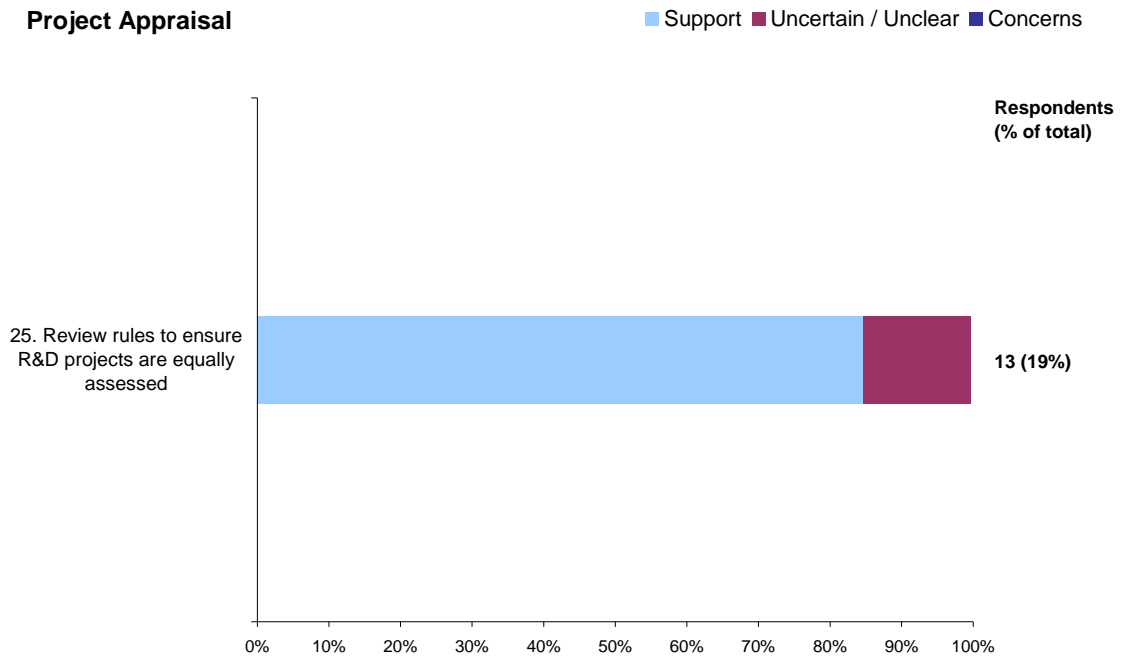
## Policy Performance



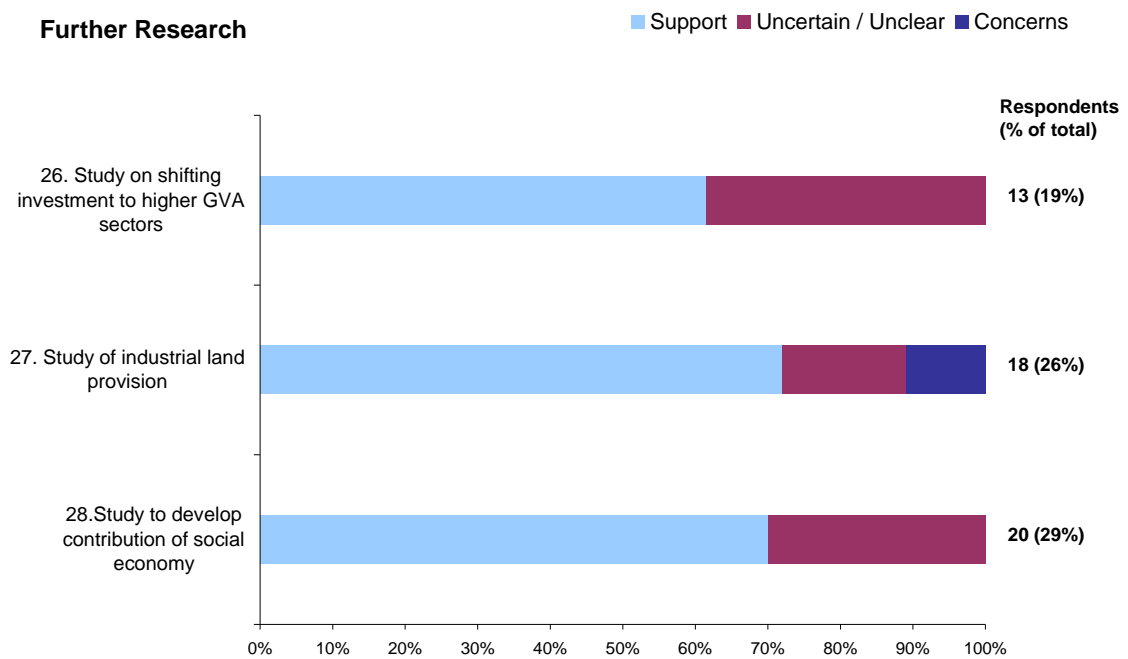
## Finance



## Project Appraisal

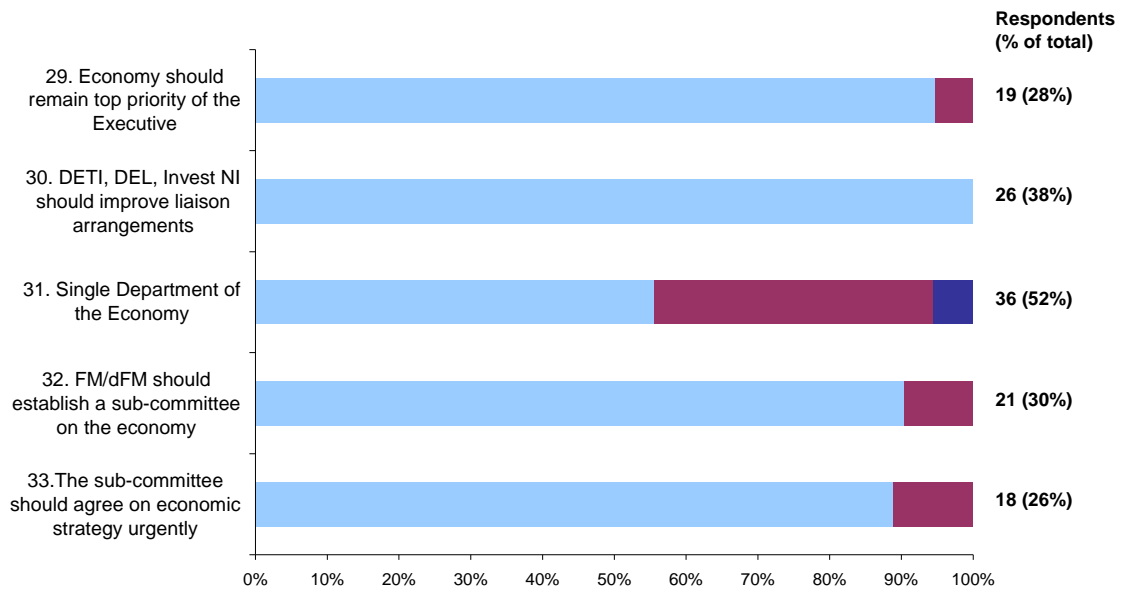


## Further Research



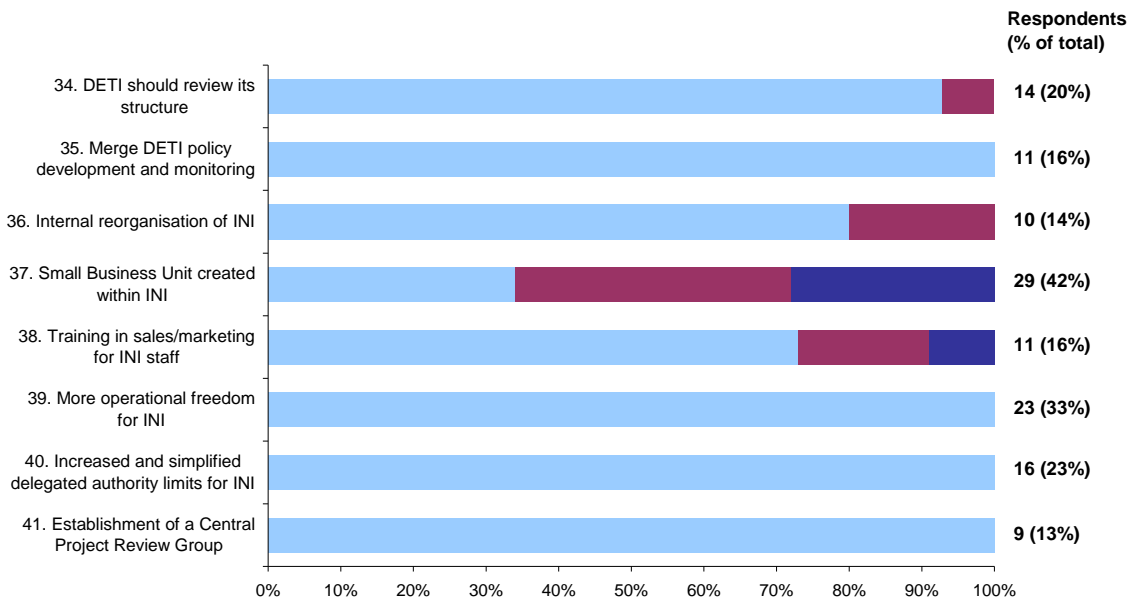
## Co-ordination of Economic Policy

Support Uncertain / Unclear Concerns

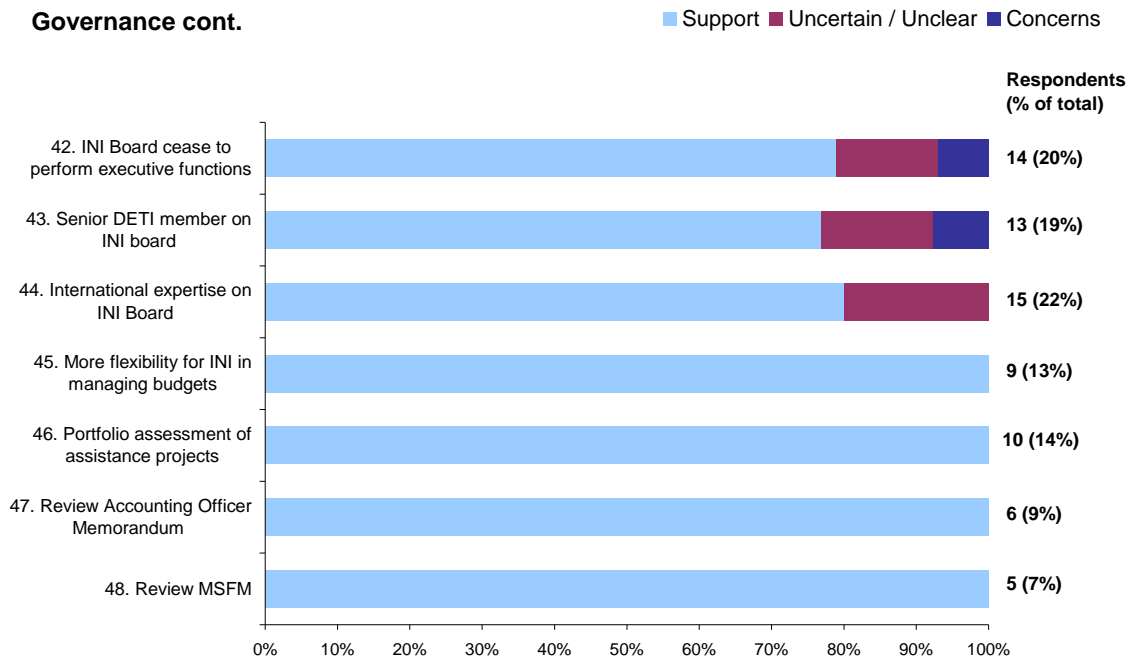


## Governance

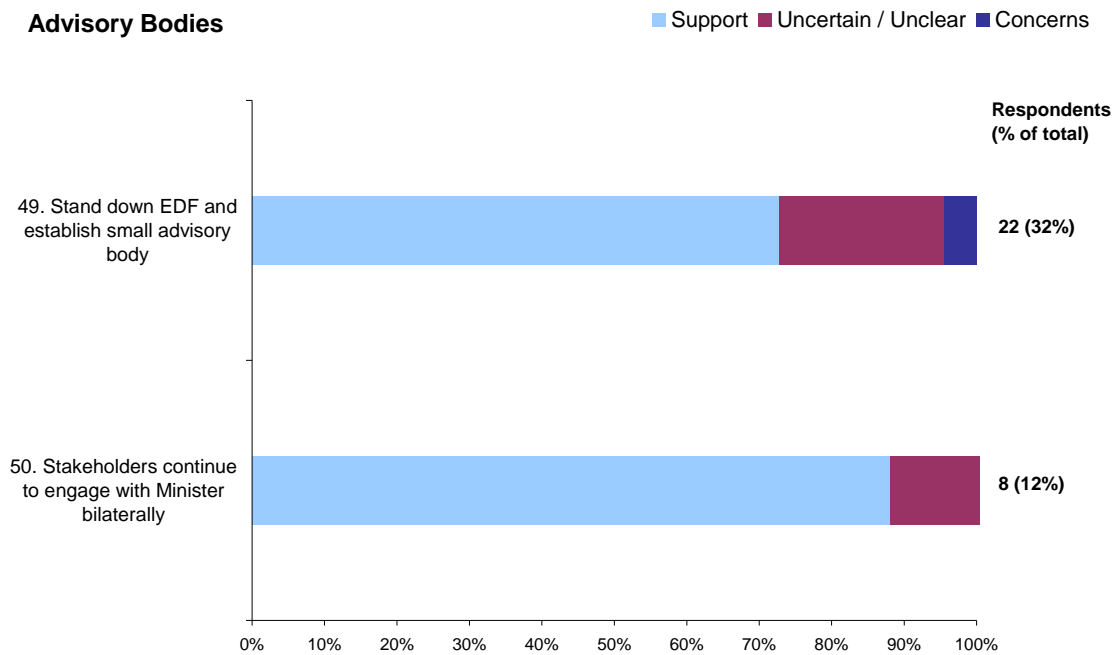
Support Uncertain / Unclear Concerns



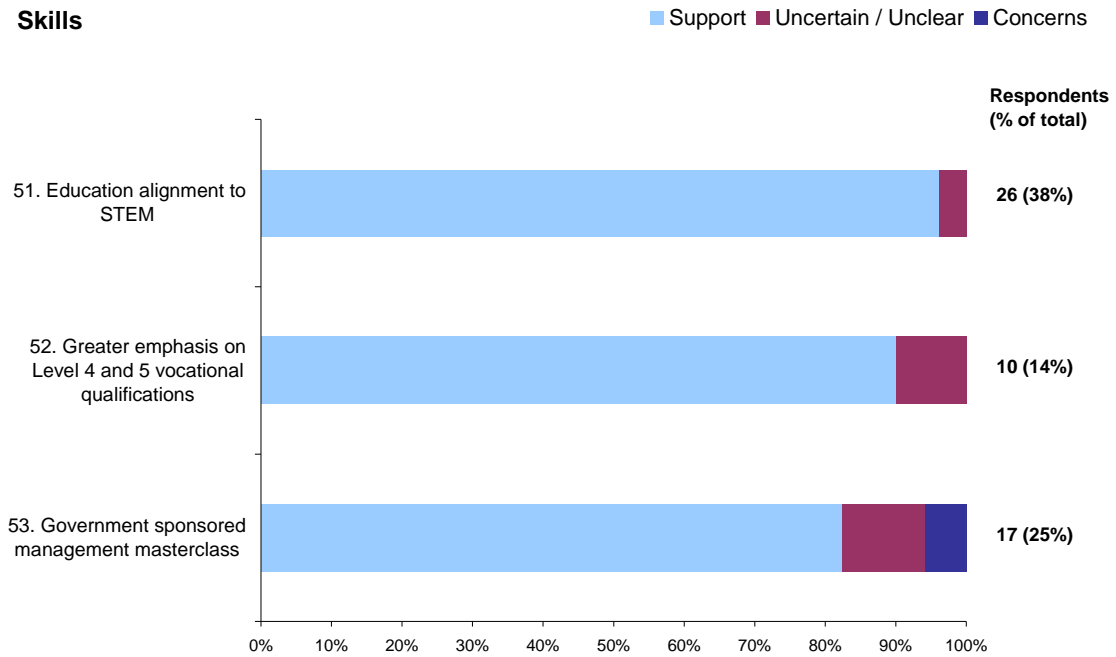
### Governance cont.



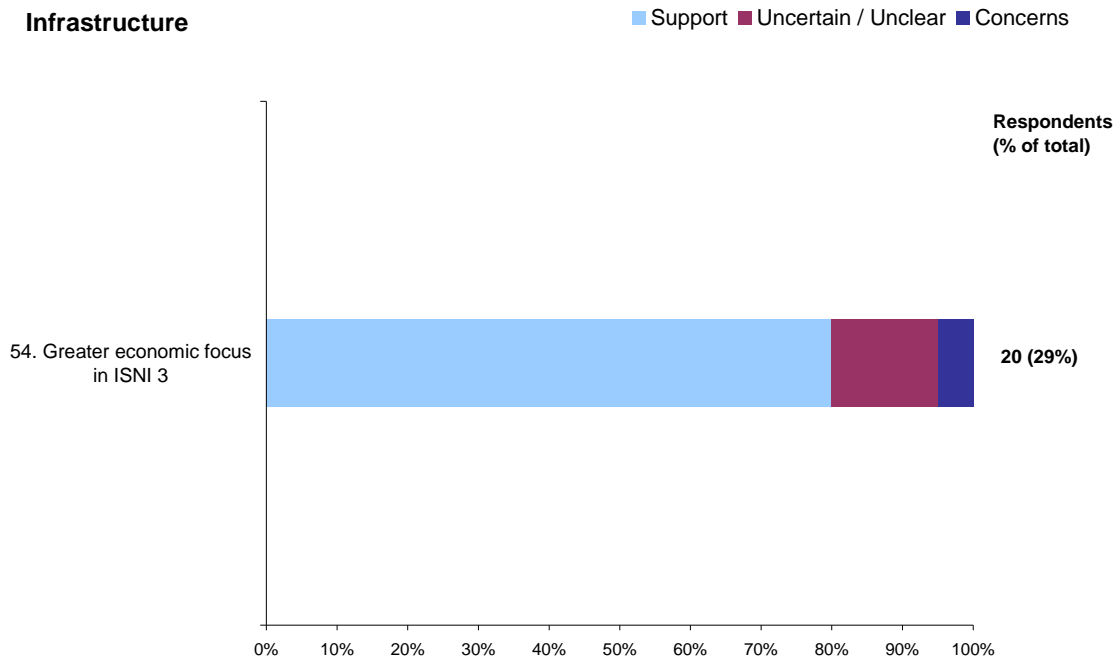
### Advisory Bodies



## Skills



## Infrastructure



## Planning

