

Independent Review of Economic Policy (DETI and Invest NI)

Observation by

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October 2009

The Independent Review of Economic Policy represents a welcome and informed discussion of the Northern Ireland economy at a time of considerable uncertainty and distress. Whilst the Independent Review of Economic Policy points to some evidence of a relative improvement in the Northern Ireland economy in relation to output, employment and R&D it is clear that the sheer scale and complexity of the economic recession will continue to exert deflationary pressures for some time to come. This will be compounded by the anticipated reductions in public sector expenditure which will create considerable additional endogenous contractions in a regional economy which is relatively over-dependent on the public sector. These further deflationary processes will impact on the Northern Ireland economy in different structural, spatial and temporal ways. Of course, Northern Ireland does not have, and will not have, a monopoly on these emergent conditions and pressures but its particular structural and locational characteristics will likely create a number of specific issues. In essence, Northern Ireland's economy is changing in terms of sector performance, it has a particular geography and it is relatively isolated with the broader EU and UK canvas. Moreover, it has embarked on significant processes of change – with respect to public administration and local governance, land use planning, regional strategic thinking and the introduction of community planning. These factors will likely combine in very complex ways.

Linked to this is the psychology and capacity of Northern Ireland to be able to respond to the various economic contractions and impacts on the structure of the regional economy. Research conducted into ‘localities’ in the 1980s, for example, pointed to the importance of understanding the nature of the reciprocity of exogenous change and the associated endogenous response. ¹ The important point here is that the nature of the response to the external change will likely vary according to the viability and vitality of institutional capacity, political leadership, corporate and business experience, and the history of local and regional economic management. Whilst this is a brutal reduction of the relationships involved, it suggests that critical attention needs to be paid to the emergent psychology of economic adaptation as national and regional economic conditions get relatively more constrained. Here the Independent Review of Economic Policy offers some important insights into mobilising and enhancing such a responsive and flexible institutional capacity. The emphasis on the co-ordination of economic policy is paramount in this respect. ² There can be no room for institutional fragmentation and silos inhibiting Northern Ireland’s economic renaissance. Efficient and effective public administration is essential to the economic well-being of Northern Ireland.

Here there is a very useful cross-reference to the circumstances in Scotland where its prevailing economic strategy seeks to provide an overarching (and operational) framework for the design and execution of economic policy. ³ In practical terms, the Economic Strategy is concerned to focus the work of the Scottish Government and public services to secure its principal ambition of attaining sustainable economic growth. Within the strategic objectives are strategic priorities; and finally national targets for achievement – which include specific benchmarks for action. The Economic Strategy is then a very deliberate

¹ Cooke P (1989) *Localities*, London, Unwin Hyman.

² Pemberton S & Lloyd MG (2008) Devolution, community planning and institutional de-congestion? *Local Government Studies* 34(4), pp. 437 – 451.

³ Scottish Government (2007) *The Government Economic Strategy*. Edinburgh, November.

assertion of the business focus of the Scottish Government and the clear statement of its intentions for the public sector at large. There is evidence to suggest that the Strategy was put into place to address perceived problems in addressing the relatively congested arrangements for Scotland's economic development, the size of its public sector and the lack of operational co-ordination in implementing economic policy. ⁴ The Economic Strategy advocates an integrated approach across the government machine and facilitating greater collaboration between the key cities, promoting a more responsive housing system, and seeking to deliver better value arrangements for the financing of public infrastructure investments.

In tandem, the Scottish Government's appointed Council of Economic Advisers provides independent critical 'friendship' to sustain a logical line of economic deliberation. This challenging attitude is evident in its First Annual Report. ⁵ This addressed ways of facilitating sustainable development projects; raising the overall level of infrastructure spending in Scotland; and discussing with the UK Government revisions to the current fiscal arrangements to meet Scotland's overall infrastructure needs. Indeed, in order to respond to the deteriorating economic position the Scottish Government put in place a Scottish Economic Recovery Programme. ⁶ This has six principal elements which are designed to maintain investment and development in the economy while targeting support at households and businesses. These are reshaping capital spending plans in transport, affordable housing, education and health; ensuring all government activity, including planning and regulation, supports economic development, such as the on-going reform of land use planning; intensifying activity and support for tourism through sport and food; intensifying work around energy efficiency and fuel poverty, particularly through renewable energies; increasing

⁴ Ashcroft B & Bell D (2007) *The Key to Economic Success in Scotland*. Edinburgh, The Policy Institute, June.

⁵ Scottish Council of Economic Advisers (2008) *First Annual report of the Scottish Council of Economic Advisers*, Edinburgh, December

⁶ <http://www.scotland.gov.uk/Topics/Economy/economic-situation>

advice to businesses and individuals and improving financial advice to vulnerable individuals. Such active deliberation which melds administrative efficiencies with economic priorities can serve as an useful model for Northern Ireland.

The Independent Review of Economic Policy notes the importance of economic governance structures. Whilst this aspect of its deliberations and recommendations are played down there is a case to be made for a radical review of Northern Ireland's governance arrangements. The nature of government in Northern Ireland is fragmented between highly individualised departments. The associated processes of governance are also dysfunctional with what appears to be a marked reluctance to engage in joined up working or in securing vertical and horizontal integration to address key strategic issues. The divide between the centralised departments and local authorities is an instance of this. This schism, which comprises the inexperience and limited capacity on the part of local government, and the limited experience in Northern Ireland of central-local working arrangements, will likely be further compounded by the intended Review of Public Administration. Searching questions must be asked then about the overall capacity of Northern Ireland to deal with a worsening economic climate. The relationships between the Departments of Regional Development, Environment, and Social Development are a case in point when a specific issue is involved – such as regeneration – which demands an integrated and holistic response. It is difficult, for example, to find a Northern Ireland perspective on regeneration.

The Independent Review of Economic Policy points correctly to the importance of productivity in the future economic wellbeing of Northern Ireland. Here the importance of identity must be considered in asserting the competitive advantage of Northern Ireland in a changing global economic context. This is more than marketing the Northern Ireland brand, and is reliant on the active psychology of networking industrial and other sectors. The key here is the emphasis on innovation and asserting that innovation to the outside world. one

way forward is for Northern Ireland to re-cast itself as an exemplar of competitive best practice in reconciling the twin objectives of economic recovery and stability with that of the environmental agenda and its constituent climate change and carbon roofing challenges. In this respect, Northern Ireland could become a laboratory for such an integrated economic – environmental approach where (in effect) what is being described elsewhere as a ‘green new deal’ could be articulated.⁷ Here Northern Ireland could lead the field in what is an emerging area of interest.

The creation of a ‘green collar’ economy in Northern Ireland would reflect the merging calls for action by leading mainstream economists to address the economic realities of climate change.⁸ The Stern Review, for example, posed a number of fundamental questions (or what could be re-constructed as exciting opportunities) for the nature of state market and civil relations relating to the new climate change agenda. In essence, this line of reasoning advocates a more positive and assertive role for government in general in a number of potentially key economic policy domains. These could involve, for example, promoting appropriate technologies in new property and infrastructure development schemes; simplifying planning regulations relating to the installation of micro-generation technologies; promoting efficiencies through strategic coordination and integrated land-use planning and infrastructure development in order to reduce long-run transport demand; and imposing appropriate explicit carbon prices on development. Northern Ireland could innovate around these niches for economic recovery and establish an identity and an export sector appropriate to current and anticipated conditions. It would require, however, a dramatic overhaul of its economic governance arrangements at first base.

This approach would also be a positive response to the ideas of integrating thinking around the design of a new green fiscal arrangement through carbon

⁷ New Economics Foundation (2009) *A Green New Deal: Joined-up policies to solve the triple crunch of the credit crisis, climate change and high oil prices*. London New Economics Foundation.

⁸ Stern N (2007) *The Economics of Climate Change*, Cambridge, Cambridge University Press.

proofed infrastructure to support the development of the Northern Ireland economy.⁹ This thinking is gathering momentum elsewhere as is shown in the Republic of Ireland where green technology is being re-positioned in the government's 'smart economy' strategy to stimulate the economy. This is intended to involve deliberate investment in the provision of green infrastructure, energy networks, and renewable power to create opportunities for jobs and economic growth. Importantly this economic strategy seeks to build on innovation or the development of 'ideas' through the utilisation of the knowledge, skills and creativity of people, and their ability and effectiveness in translating ideas into valuable processes, products and service.¹⁰ In other words it offers a critically reflective view of the skills in that territory. This offers a model for Northern Ireland. Such a positive and deliberate programme of economic expansionism around the established resources, skills and expertise in Northern Ireland could build, for example, on the established skills and expertise in construction and could contribute to the wider social agenda for housing.

It is highly significant that these influences are becoming more evident in Westminster and are emerging from different sources such as energy, construction and building and climate change.^{11 12 13} These wide ranging arguments are beginning to converge into a powerful advocacy for change - and the clarion call is for enabling radical and innovative change. These points serve to support the Independent Review of Economic Policy in its support for local businesses in Northern Ireland. The scale of the regional economy would permit an ambitious dovetailing of skills enhancement and adaptability on the part of

⁹ Bowen A, Fankhauser S, Stern N & Zenghelis D (2009) *An outline of the case for a 'green' stimulus*. The Grantham Research Institute on Climate Change and the Environment, London.

¹⁰ Ireland puts Green Deal at Centre of Smart Economy Strategy ENDS/ETE, 2070 June 2009.

¹¹ Government Office for Science (2008) *Powering Our Lives: Sustainable energy and the built environment*. Final Project Report. London.

¹² House of Commons Business and Enterprise Committee (2008) *Construction matters* Ninth Report of Session 2007-08 *Volume I* HC 127-I. London, The Stationery Office Limited.

¹³ Committee on Climate Change (2009) *Meeting Carbon Budgets – the need for a step change*. Progress Report to Parliament. London, October.

business and the public sector to capture these opportunities. Given the emphasis placed on the established skill base in Northern Ireland, its level of educational attainment, and the nature of its natural environment then this would appear to be a very valid economic development option to consider.

The Independent Review of Economic Policy helpfully examines how other areas of Northern Ireland government could contribute to productivity gains and living standards in Northern Ireland. Reference has been made to skills and infrastructure above but the Review looks at the role of the land use planning system in Northern Ireland. This is important as the ongoing reform seeks to recast land use planning in a new light. Traditionally, land use planning has operated as a negative, regulatory measure – now it should be moving to a more positive, facilitative activity of government and governance. The debates around the role of land use planning in modern society re-positions it as a central delivery vehicle for public policy at large.¹⁴ Indeed, this is where the broad intention of the reforms are going – even the nomenclature suggests this – the change from development control, for example, to development management is important. Yet, it is important that the land use planning be positioned appropriately. The case of Scotland is instructive here. From 1999 – 2007, the land use planning system fell under the remit of the Scottish Parliament’s Communities Committee. In other words, land use planning was seen as a part of the broader social policy domain. Following the election in 2007 of the Scottish National Party to lead the Scottish Government, land use planning was transferred to the Finance Committee with responsibility for finance, investment and growth.¹⁵ This move clearly and very visibly re-positioned land use planning at the core of the economic policy apparatus for Scotland. It effectively asserted the importance of land use planning as a delivery vehicle for government at large. .

¹⁴ Lloyd MG & Peel D (2009) New Labour and planning in Scotland - an overview of a decade. *Planning Practice & Research* 24(1), pp. 103 – 118.

¹⁵ Lloyd MG & Peel D (2007) 'A Nationalist Wind of Change?' *Town & Country Planning* 76(6/7), pp. 199 - 202.

There is, however, an important caveat associated with the potential role of land use planning as set out in the Independent Review. This refers to the capacity of the existing system, the step change required of government and the processes of governance as reform takes effect, the even larger step change required to expedite the Review of Public Administration, the links to the review of the regional economic strategy for Northern Ireland, and then the challenges of managing an economic recession. The capacity issue has been raised in England where it has been acknowledged that the potential of land use planning playing its full role is inhibited by inadequate resources, including the funding of the planning resource itself, and in terms of the numbers of staff and the skills required at a time of considerable expectation, change and uncertainty.¹⁶ This is an important consideration given the implications for development and investment arising from this institutional and skills deficit.¹⁷ This has been acknowledged by the Government¹⁸ although it is not clear that an additional resource is being hypothecated to address the deficit. The problem remains, however, as shown in more recent research.¹⁹ Capacity is an issue that has to be taken into account in any detailed discussion of recasting the arrangements for economic policy and land use planning in Northern Ireland.

The Independent Review recommends that the land use planning system should work to processing time targets. This is set in an international comparative context so that Northern Ireland can sustain a competitive regulatory environment for mobile international investment. This is an important recommendation yet it is in danger of making some heroic assumptions.

¹⁶ Communities and Local Government Committee (2008) *Planning Matters – labour shortages and skills gaps*. Eleventh Report of Session 2007-08. Volume 1, London, House of Commons, July.

¹⁷ Pretty D & Killian Review J (2008) *The Killian Pretty Review: Planning Applications: A faster and more responsive system*. Final Report, London, November.

¹⁸ Communities and Local Government (2009) *Taking forward the Government's response to the Killian Pretty Review*, London, July.

¹⁹ Royal Institution of Chartered Surveyors (2009) *Improving the capacity of the planning system in England and Wales: A view from the regions*. London, May.

Statutory land use planning is essentially a regulatory mechanism to ensure that land and property development is in the wider public interest. There is then a reason for land use planning – it is not there by accident. Decisions on individual land and property development proposals are considered in the context of the development plan, planning policy and other material considerations. On the one hand, this means that all the decision making variables must be up to date, comprehensible and understandable. On the other hand, the land and property development proposal must be appropriate, complete and meet all the legal requirements for the decision to be taken.

Evidence has shown, however, that this is not always the case.²⁰ Thus, there is a strong onus of responsibility on prospective developers to meet the pre-requisites of the statutory process. Once that is in place then the suggestion for time targets for processing land and property development applications would hold. Importantly, the recent Consultation paper discussing the reform of the land use planning in Northern Ireland stresses the importance of devising a proportionate decision making arrangement so that the appropriate planning resource can be dedicated to specific land and property development schemes.²¹ The arrangements in the Planning Service for managing and facilitating strategic projects would also be compatible with the objective of expediting time effective decisions. The review's recommendation relating to the management of strategic new inward investment is an interesting one – it would certainly inform the discussions as to what is regionally significant with respect to Northern Ireland's public interest. Here attention must be paid to the relationship between the Regional Economic Development Strategy and the proposed planning hierarchy.

The recommendation by the Independent Review that the timetable for reform be met is an important one. Yet this cannot be isolated from the governance structures and processes that prevail in Northern Ireland. Work on institutional

²⁰ Allmendinger P & Ball M (2006) *Rethinking the Planning Regulation of Land and Property Markets*. London, ODPM, April.

²¹ Department Of Environment Planning Service (2009) *Reform of the Planning System in Northern Ireland: Your Chance to Influence Change*. Consultation Paper, Belfast.

change and relative economic performance, for example, suggests that institutions vary considerably in terms of their implications for economic performance. ²² Here the earlier observations relating to fragmented institutional arrangements and joint working are relevant. Integrated government and governance working that offers potential efficiency and effectiveness gains are important in the economic agenda and the nature of relationships between government, business and civil society is also important. The Independent Review has raised issues which demand a full political and public debate. It also demands active and positive political leadership. In a review of the economics of climate change, Stern noted that the challenge of environmental vulnerability was so great and complex that the ‘do nothing’ option for policy makers did not now hold. ²³ The Independent Review of Economic Policy would suggest the same for Northern Ireland. The challenges of economic recession, community cohesion, environmental vulnerability demand deliberate governmental action. There can be no scope for ineffective and inefficient government actions and public policy interventions at this time.

²² North DC (1991) *Institutions, institutional change and economic performance*. Cambridge, Cambridge University Press.

²³ Stern N (2007) *The Economics of Climate Change*, Cambridge, Cambridge University Press.