

## QUEEN'S UNIVERSITY BELFAST

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### Queen's University Response to the Independent Review of Economic Policy (IREP), November 2009

- 1.0 The IREP was commissioned to recommend actions to strengthen the Northern Ireland (NI) economy with particular focus on the effectiveness of the Department of Enterprise Trade and Investment (DETI) and Invest Northern Ireland. The report recognises that Innovation and Research & Development are essential if the NI economy is to thrive and highlights that best practice in economic development is characterised by leadership from the top, directing a shared vision that focuses on embedding anchor institutions. These findings are supported by the University though there are aspects of the 56 individual recommendations that need to be considered more closely if the Northern Ireland Executive is to implement changes based upon the IREP.
- 2.0 It should be recognised that the limited terms of reference of IREP precluded a consideration of all aspects of the impact of the universities on the NI economy that was clearly set out in the joint universities paper to the Economic Development Forum (EDF) that informed the decisions of the Executive's first Programme for Government (PfG). In that paper, the need for the Universities to be internationally competitive and globally recognised was accepted as a key driver for future economic prosperity in NI. Such internationally recognised, outward looking universities are better able to form research and training partnerships that can attract high quality foreign direct investment and bring new anchor institutions to NI.
- 3.0 We would wish to comment on a number of the recommendations in the IREP report and in this response highlight the following:
- 4.0 ***Policy Delivery***

**IREP recommendation 6: Grants for business expansions should be phased out towards 2013, after which such grants are unlikely to be available under EU state aid rules**

The University opposes this recommendation – it would reduce the likelihood of attracting anchor institutions to NI and would impact on the growth prospects of successful indigenous companies.

**IREP recommendation 7: Business expansion 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**

It is highly improbable that support directed solely towards Innovation and R&D would be sufficient to support the full range of activities required to develop a vibrant economy.

**IREP recommendation 8: 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**

Given the importance of quality management and business practices in creating successful businesses, the recommendation to reduce support for company training is not supported by the University.

## 5.0 ***Portfolio of Innovation policies***

IREP recommendation 10: **A portfolio of new Innovation policies should be developed over time, but should initially include four elements:**

- a) 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**

The ongoing development of a portfolio of innovation policies is important, however, the recommendations made by IREP are not consistent with the size of the NI economy. In the context of an economy dominated by the public sector the development of a new institution for commercially-oriented research is not supported. In the first place the scale of activity in Northern Ireland could not justify the additional administrative structures. Rather the University would have proposed greater emphasis on linking and aligning NI more closely with the support available via UK Technology Strategy Board (TSB) and the EU framework Programme. Such an emphasis would provide an environment that brought external funding to the innovation process in NI and encourage NI companies to form partnerships with other UK and EU companies working at the leading edge of product and process development. References to the Research Excellence Framework (REF) suffer from the publication of the IREP report prior to the publication of the REF consultation paper. The REF places increased emphasis on demonstrating the economic and social impact of university research to ensure that commercially oriented research is recognised and rewarded fully within the assessment process that replaces the RAE.

- b) 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**

Fundamental research is an essential component of all world-class universities and must be encouraged and supported for the benefit of the regional economy. It is, however, incumbent on universities to ensure that research activity that has commercial potential has viable routes to market and to ensure that the development of additional activity is focussed on the attraction and retention of anchor institutions. This requires a strengthened research infrastructure capable of securing external funding from organisations such as the TSB, the EU and Invest NI innovation programmes along the lines set out in the universities paper to the EDF and implemented through the DEL Programme to Strengthen the All Island Research Base as part of the PfG.

- c) 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**

The development of Industry Led Technology Hubs as described in the universities paper and subsequently referred to by MATRIX as Business Innovation Communities are now being implemented via the Invest NI programme to establish Competence Centres.

## 6.0 ***Finance***

**IREP recommendation 21: 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 as outlined in Chapter 3.**

There is a need to look more closely at the arrangements to support new ventures and the acceleration of the expansion of early stage companies. The IREP recommendations fail to recognise the ongoing need for sustained intervention by government to ensure the increased availability of early stage venture capital funding. The nature of such venture capital funding is that it is often high risk and, as a consequence, unavailable from the private sector on its own. The portfolio of early stage regional technology venture capital funds needs to be strengthened and supported by appropriate expansion grants from Invest NI.

## 7.0 ***Co-ordination of Economic Policy***

**IREP recommendation 26: 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**

This proposal is strongly endorsed by the University. Underlying policies urgently need to be aligned with this objective.

**IREP recommendation 28: 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 University supports the IREP emphasis on the need for better coordination of NI economic policies and programmes. We also support improved efficiency and rationalisation of government. However, we believe that this may be best achieved in some instances within existing Executive and Ministerial structures. A DEL and DETI merger should only be considered after a comprehensive review is undertaken with terms of reference extended beyond the more narrow focus of IREP.

## 8.0 ***Governance Arrangements***

**IREP recommendation 35: 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 of investment decisions that are increasingly based on Innovation and R&D**

Whilst recommending that Invest NI staff be trained in sales and marketing, the report omits the extent to which such skills are in short supply in NI companies. This problem was explored fully in the RoI report "Ahead of the Curve".

## 9.0 **Skills**

**IREP recommendation 48: 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 IREP recommendations relating to the importance of future skills are fully supported. The University would draw attention to its STEM bursary scheme specifically designed to encourage interest in the pursuit of STEM related degrees. The recently published STEM review provides further impetus in this respect.

**IREP recommendation 49: 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**

We support this recommendation.

**IREP recommendation 50: 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**

The University believes that a major initiative is required in this area and will, through its Postgraduate and Executive Management Education Centre, place increased emphasis on this key area together with the development of high level leadership skills. Programmes such as those proposed should be developed through the University's Management School.