

APPENDIX 1



**Independent
Review of
Economic Policy**
(DETI and Invest NI)

Independent Review of Economic Policy

(DETI and Invest NI)

Chairman: Professor Richard Barnett

September 2009

Foreword

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Dear Minister

Thank you for the invitation to undertake the Independent Review into Economic Policy (DETI / Invest NI). The report is published at an important time for the local economy, particularly as you and other colleagues in the Northern Ireland Executive continue to work toward placing the economy on a recovery path to address the ongoing impact of the global recession. As you indicated in your Ministerial statement that launched the Review, the aim of the exercise was to provide recommendations to help position the local economy for the medium to longer term. It is in that context that the report and its recommendations are submitted.

As indicated in the report, the recent achievements in the Northern Ireland economy provide some cause for optimism. For example, the region has achieved a rapid rate of economic growth relative to other parts of the UK, both in terms of output and employment. There are welcome increases in the level of R&D undertaken by SMEs and, within the UK, NI continues to have a strong value proposition to attract investors to the region. Nevertheless, significant challenges lie ahead, some of which are outside the control of the Executive. For example, throughout the report it is recognised that reductions in public expenditure growth and state aid ceilings will inevitably change the way businesses are supported in Northern Ireland. However, as outlined later in the introduction, such challenges are often found to be the necessary catalysts for improving economic performance.

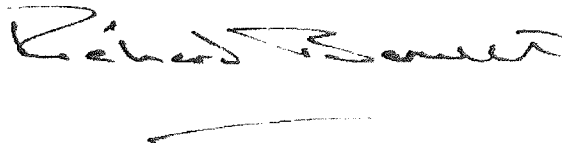
The Executive has already taken the important step of making the economy the top priority in its Programme for Government (PfG), with productivity improvements an overarching policy goal. This has also been reflected in both DETI and Invest NI's Corporate Plans. This is welcomed, although the recession will inevitably raise the importance of creating and maintaining employment in the region. The correct balance will not be easy to achieve and I recognise it will involve a number of hard choices to be made by you and other Executive colleagues. However, it is important not to lose sight of the need for further development of the economy and improvements in productivity. Ultimately it is living standards that matter and it is through productivity improvements that higher wages can be paid and higher living standards can be achieved. Therefore, if Northern Ireland is to make the convergence in productivity and living standards with other parts of the UK (as outlined in the PfG), then there needs to be a much greater emphasis on value added investments, both for indigenous businesses and also as a means of attracting and retaining foreign investors. That is why the report places such a particular emphasis on prioritising Innovation and R&D.

In the report, recommendations are made with regard to both policy development and changes to governance structures. I recognise that the latter can be time consuming and it is because of this that we have kept our recommendations in this regard to a minimum. Also it is important that I recognise that the recommendations for structural change should not be taken as a criticism of individuals who operate within those structures. It is simply that aspects of the current governance structures are serving to inhibit performance.

I am grateful to other members of the Review Panel who have each brought their own areas of expertise to the discussions and analysis that have been invaluable in the production of the report. Further details on the Review Panel are outlined in the introduction. As might be expected, discussions have, at times, been robust, but I am pleased that we have produced a unanimous report. I am also grateful to Dr Graeme Hutchinson, Secretary to the Panel, who has greatly assisted us throughout the Review. I also wish to thank other members of the Secretariat team including Tony Simpson, Thomas Byrne, Karen Wilson, Karen Hastings and Neil McCullough. I am indebted to them all.

I trust that the report and its recommendations will make an effective contribution to the future direction of the Northern Ireland economy.

Yours

A handwritten signature in black ink, appearing to read 'Richard Barnett', with a horizontal line underneath it.

Richard Barnett

Vice Chancellor of the University of Ulster and Chairman of the Review Panel

Executive Summary

BACKGROUND

- E.1 The Independent Review of Economic Policy (IREP) was commissioned by the Minister of Enterprise, Trade and Investment, Arlene Foster MLA, in December 2008. The Review reflects her desire to achieve the Executive's priorities for the economy and the Panel were asked to advise on the need to realign existing policies, or to devise new policies, in order to meet the Executive's goal of halving the private sector productivity gap between Northern Ireland (NI) and the UK excluding the Greater South East of England by 2015.
- E.2 Given NI's favourable record in job creation, the widening productivity gap had been identified by DETI as NI's main economic challenge. It was recognised that up to 2008 existing policies did not appear to be leading to convergence in productivity. On the contrary, the gap had been widening for a number of years. The aim of the Review has thus been to consider the extent to which DETI / Invest NI policy should change in order to stimulate convergence in productivity and ultimately living standards between NI and the rest of the UK. In addition, the Review was asked to identify issues falling to other departments that might compromise delivery of the productivity goal. A more detailed outline of the Terms of Reference can be accessed in Chapter 1 and on the dedicated IREP website (www.irep.org.uk).
- E.3 We recognise that the NI Executive has made a significant step in making the economy the top priority in the Programme for Government (PfG). The Review Panel welcomes this move and our recommendations are designed at enabling the Executive to make more rapid progress in meeting their economic goals. However, we need to note three important caveats. The first is that achieving the productivity target would require productivity gains in a wide range of sectors, including those outside of DETI's remit. Productivity is, for instance, relatively low in areas such as agriculture, transport, construction and distribution (among other sectors). This Review focuses primarily on the main export sectors within DETI / Invest NI's remit, and must therefore be considered only as a start in addressing the wider productivity gap. Many other important issues remain to be addressed in other sectors. However, an emphasis on exporting sectors is the logical place to begin a process of reforming economic policy in NI.
- E.4 The second caveat is that the economic context has deteriorated sharply in the period since the Review was commissioned. The global recession has led to the loss of thousands of jobs and a doubling in the number of unemployed people. The issue of job creation will undoubtedly raise its importance in the economic policy agenda. Although the Review has been tasked with addressing the productivity gap, and not job creation, we believe that many of our recommendations for increasing economic competitiveness will assist job creation in the longer term. In particular, we consider measures that might be adopted to continue attracting inward investment, as well as growing indigenous firms. We have not, however, addressed the short-term issues of preventing job losses in the recession, or of assisting the rising number of unemployed. These are pressing concerns but are outside the scope of this Review and its Terms of Reference. In addition, we recognise that the NI Executive has already taken steps to address the recession.

- E.5 Finally, it is important to acknowledge that a number of external factors will influence the degree to which businesses can be supported in NI. For example, public finances will be much more constrained than in the past, and we anticipate that there will be very limited cash terms growth in public expenditure and a decline in capital budgets. While this will be a feature throughout the UK, it is our view that the impact may be disproportionately larger on the NI economy given its over-reliance on public expenditure as a driver of growth. It is therefore inevitable that DETI and Invest NI will face increasing competition from other important public services. The other factor is the changing nature of EU state aid rules which determine the scope to provide financial assistance to industry. As we outline later in the report, the limits for regional aid will be significantly reduced from as early as January 2011. Furthermore, the enlargement of the EU – which has brought in much less prosperous regions than NI – could see these limits reduce further (potentially to zero) when the existing arrangements come to an end in 2013. The recommendations in this report have therefore been framed with these significant challenges in mind.

TERMS OF REFERENCE

- E.6 The IREP was commissioned in December 2008 and the Panel were asked to make evidence-based recommendations to strengthen the NI economy. The Terms of Reference focus on DETI and Invest NI and the effectiveness of their policies / programmes to deliver on the overarching productivity goal in the Programme for Government (PFG).
- E.7 The Panel have endeavoured to address the detailed Terms of Reference for the Review, however, given the nature of the exercise some areas have received more treatment than others. It is therefore important that the report and the recommendations are considered in their entirety, rather than individual sections / chapters in isolation.
- E.8 As we outline in the introduction, the department advised the Panel that Tourism should be considered but only as part of Invest NI's engagement in the sector. This direction was expected, particularly as other parts of DETI have operational responsibility for this area outside of Invest NI. However, in accepting this direction from the department, we would stress our belief that increased prosperity for NI, particularly its rural areas, could be significantly addressed by building a more vibrant tourism sector, given the region is endowed with large areas of scenic and natural beauty. We anticipate that this will be recognised and outlined in the forthcoming tourism strategy for NI.

STRUCTURE OF THE REPORT

- E.9 The report has been structured into three sections. In **Section I** the Panel outline the key challenges facing the NI economy, in particular its comparatively low standard of living compared with the UK average. As we outline in Chapter 2, this is mostly due to the region's poor performance in terms of raising relative productivity levels and employment rates. This sets the context for DETI and Invest NI which, on behalf of the NI Executive, lead on the policy initiatives aimed at halving the private sector productivity gap with the UK excluding the Greater South East of England by 2015 (as outlined in the PFG). This section therefore reviews the mission of DETI and Invest NI and the various policies and programmes aimed at improving manufacturing and tradable services productivity. The section concludes with our assessment of Invest

NI's performance in delivering, on behalf of DETI and the NI Executive, the value added investments and productivity growth in the NI private sector.

- E.10 In recognition of the challenges to improve productivity growth in the NI economy, **Section II** provides recommendations on how a new economic policy for NI could be developed and delivered by DETI / Invest NI. We believe that a reduced rate of Corporation Tax would improve NI's value proposition, but the Terms of Reference asked for recommendations that are consistent with the existing legislative powers of the NI Executive. Therefore, the Panel have considered alternative policies to increase growth and productivity. The central thrust of the report is the need to prioritise Innovation and R&D investments more aggressively, both for existing businesses in NI and also as a means of attracting potential new investors to the region. We provide definitions on our interpretation of Innovation and R&D, stressing the importance of encouraging Innovation via imitations, adaptations and improvements to existing products and processes, as well as the more traditional forms of R&D. As outlined in Section II of the report, the recommendations have been influenced by a thorough review of the drivers of regional economic growth, and what we consider to be the important elements of global best practice in economic development. This is an important aspect of the Review and one that we believe has received less attention in previous reports on the NI economy.
- E.11 In light of the proposed emphasis on Innovation and R&D, which typically represent riskier investments, **Section III** of the report outlines how the right balance can be made between accountability, risk taking and speed in decision making. Aside from presenting some proposals on strengthening the formulation of economic policy in the NI Civil Service, the Panel consider how the autonomy of Invest NI could be improved to increase the entrepreneurship of the organisation. In addition, given the importance attached to the economy, we consider how the Minister can receive advice from as wide a range of stakeholders as possible. This section concludes with views on those issues falling to other departments that might compromise delivery of the PfG productivity goal.

KEY FINDINGS & RECOMMENDATIONS

- E.12 The aim of this Review is to realign existing policies and propose alternative approaches to improve productivity and living standards in the NI economy. To this end, the Panel make recommendations to improve productivity, both for indigenous businesses and also to attract new investors to the region. We recognise that Foreign Direct Investment (FDI) is important if the Executive is to realise its ambition of building a more dynamic and innovative private sector, and one which helps address its wider spatial and social challenges. We also outline recommendations to support local businesses, which will remain the bed-rock of the NI economy. Furthermore, we emphasise the importance of integrating local SMEs into the supply chain of larger companies. In our view, this represents a win-win for the economy: it helps attract larger / value added companies to the region, which typically offer higher wages and productivity levels, but it also makes them more embedded in the region as they locate for access to support and resources that are aligned to the needs of their business, which will include not only assistance for Innovation / R&D, but also access to appropriate facilities, skilled labour and other companies.
- E.13 The paragraphs that follow outline, in summary format, the key findings and recommendations from the individual sections / chapters of the report (a full list of the recommendations is included at the end of the Executive Summary). As many of the

proposals are budget neutral, with some even offering potential for savings, we believe they also reflect the reality of the current fiscal environment, which, as we indicate later, is going to be much more constrained than in recent years.

SECTION I: ANALYSIS OF EXISTING POLICIES

E.14 In our review of the economic challenges facing the NI economy (Chapter 2), we highlight the following:

- The economy has achieved a rapid rate of economic growth relative to other parts of the UK, in both output and employment terms. However, NI has been unable to make progress on a convergence of living standards towards the UK average, with relatively poor labour productivity the main factor behind this;
- Invest NI has a relatively attractive value proposition for investors, particularly given the competitive wages, skilled labour and generous incentives on offer;
- Competitive wage levels mean that NI is particularly attractive to labour intensive service sectors. However, the type of firm which chooses locations based on cost tend to be in lower value sectors, vulnerable to cost pressures, and are mobile to relocate internationally; and
- A stronger emphasis needs to be placed on developing Innovation and R&D in NI to attract, develop and retain high value investments, both indigenous and foreign-owned. There also needs to be much greater integration between indigenous SMEs and the supply chains of larger companies.

E.15 In our review of the current policies and programmes operated by DETI / Invest NI (Chapter 3), we outline the following:

- Despite the recent rationalisation of programmes, Invest NI continues to offer a very large and complex number of programmes to businesses in NI;
- Selective Financial Assistance (SFA) is the most significant single programme Invest NI uses to support businesses. However, changes to EU regional aid rules from as early as January 2011 mean that NI will have considerably less scope to support firms using SFA, with aid ceilings expected to reduce further, potentially to zero, post 2013;
- Taken together, the total value of offers to companies for enterprise, Innovation / R&D and trade promotion (the stated aims in Invest NI Corporate Plans) amounted to only one quarter of all offers of financial support over the Review period (2002/03 - 2007/08). In addition, the assistance to attract companies new to NI added a further 10%; and
- Just over 40% of the budget was allocated to business expansion projects already operating in NI, with only 15% directed toward the support of new jobs.

E.16 In our review of the impact of the current policies and programmes (Chapter 4), we observe the following:

- Invest NI has contributed significantly to NI's economic performance in terms of employment growth. Offers of assistance through SFA were associated with 28,000 new jobs, 15,000 safeguarded jobs and £2.4bn of investment over the period 2002/03 - 2007/08;

- When compared to other UK regions, NI has attracted a higher number of new foreign-owned investment projects and promoted a higher number of jobs per head of population. However, many of these jobs, particularly those in the service sector, offered wages below the private sector average (e.g. contact centres). Furthermore, a significant proportion of support was associated with safeguarding jobs in the manufacturing sector;
- Invest NI has been particularly successful in promoting higher value investments in ICT, although most of these were in expansion projects in firms already located in NI rather than in new firms;
- The projects assisted by Invest NI have been successful in job creation, however, their impact on productivity has been limited;
- The additionality¹ of Invest NI assistance varies by the nature of support offered. Whereas the additionality of SFA supported projects is estimated to be 50% (similar to other UK regions), additionality in projects involving Innovation and R&D is generally higher. Furthermore, the Panel believe that the additionality of SFA supported projects is lowest in those that are associated with the expansion of existing firms (aside from those that involve increased Innovation or R&D); and
- The cost of additional jobs created is high.

SECTION II: TOWARDS A NEW ECONOMIC POLICY

E.17 In our proposals to realign economic policy in NI, we base our recommendations following an in-depth assessment of what drives economic growth in a region such as NI, and also what the key elements are in terms of global best practice in economic development. With regard to the drivers of regional economic growth (Chapter 5), we note:

- HM Treasury's drivers of productivity are a necessary, but insufficient, framework for regional economic growth. They fail to sufficiently prioritise exports and inward investment as the key drivers at the regional level to grow the economy;
- The promotion of Innovation and R&D – including business sophistication and, at the regional level, technology transfer – is the most important long term driver of productivity. This is essential for NI to move up the value chain; and
- Competitiveness varies between places in a region, with cities often offering higher growth and productivity. It is therefore important to allow companies the scope to locate where they can operate most profitably.

E.18 In terms of global best practice in economic development (Chapter 6), we observe the following:

- Leadership comes from the top to promote a shared vision and drive alignment in economic policy;
- Productivity transformation for the economy is recognised as a long term commitment;
- Successful regions place intense focus on attracting, retaining and embedding anchor institutions;

¹ This refers to how much of the reported benefits from Invest NI support occurred directly as a result of the assistance and how much would have happened regardless.

- High performing investment agencies have cultures that are responsive, fast-moving and work to overcome bureaucracy. They are outcome, rather than process focused, and they recruit staff that are proactive, solutions-based and are themselves entrepreneurial in outlook; and
- Improved economic performance often has an economic crisis as its catalyst. This is particularly relevant to NI which faces its own 'crisis' in terms of tightening public finances and reducing state aid limits.

E.19 The recommendations designed to realign economic policy in NI are outlined in **Chapter 7** and some of the key proposals are as follows:

- In light of the reducing regional aid ceilings, grants for business expansion – which tend to have low levels of additionality – should be phased out towards 2013. The resources should be redirected to provide greater levels of support to Innovation and R&D in indigenous and foreign owned companies, and also to attract companies new to NI;
- A new institution for commercially-orientated research should be explored in NI, along the lines pioneered by the successful VTT institute in Finland;
- Given the importance of exports to regional growth, Invest NI should establish a more dedicated and professional approach to supporting and stimulating exports, adopting a similar model to the fee-charging export agencies outlined in the review of global best practice;
- In terms of supporting value added business expansions not involving Innovation and R&D, Invest NI should, where necessary, provide co-financing in the form of equity and / or debt to those companies that have been successful in securing funding from the private sector; and
- DETI should ensure they have a better resourced unit which is dedicated to economic policy development and monitoring / reporting on Invest NI performance.

SECTION III: WIDER ISSUES

E.20 An important aspect of this Review has been to consider not only the nature of the policies and programmes designed to support businesses in NI, but also the governance structures that inevitably influence how they are delivered. This issue is explored in **Chapter 8** and some of the key recommendations are as follows:

- The core economic functions (covering existing DETI and DEL areas of responsibility) should be brought under a single 'Department of the Economy';
- The FM / dFM and the Executive should establish a permanent sub-committee, chaired by the ETI Minister and comprising Ministers from other relevant departments involved in economic development, to prioritise action on the economy;
- This committee should oversee the development and implementation of an economic strategy, building on the findings of the IREP, as a matter of urgency;

- 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 assist in this, their delegated authority limits should be simplified and increased; and
 - A small business unit should be created within Invest NI to develop supply chain capabilities throughout the NI business base and also co-ordinate policy when the agreed economic development functions are devolved to local authorities.
- E.21 In the final part of the Report (**Chapter 9**), the Panel outline what is required from other areas of government to raise productivity and living standards in NI. The recommendations relate to the important areas of skills, infrastructure and planning and key proposals are outlined below:
- 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 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; and
 - As part of the reform programme, Planning Service should have processing time targets which are competitive and comparable with those countries and regions against which NI is competing for mobile international investment.

CONCLUSIONS

- E.22 The current recession highlights the extent to which economic performance is determined by a range of factors which lie outside the control of the NI Executive. The recommendations contained in this report are therefore designed to maximise the competitiveness of the economy and help build a larger export base, and one that promotes and supports the importance of Innovation and R&D.
- E.23 The Review Panel believe that the recommendations, particularly the major areas identified previously, should help improve NI's living standards relative to other parts of the UK. In terms of the impact, it is difficult to be definitive on the overall outcome but we believe that the implementation of the IREP recommendations should lead to:
- Greater clarity on the roles and responsibilities of economic policy within the NI public sector, with DETI and Invest NI taking lead responsibility;
 - Better co-ordination in the delivery of the key factors influencing economic policy in NI, including more tailored support for businesses in NI;
 - Invest NI developing into a more responsive and less compliance-driven business development agency;
 - A much greater emphasis on supporting Innovation / R&D and exports for companies throughout NI (indigenous and foreign owned); and
 - A smaller and more focused mix of policies and programmes, to help attract and retain a greater level of value added inward investment, with increased integration of SMEs into relevant supply chains.

FULL LIST OF RECOMMENDATIONS

Policy Development

- As part of the review of structures within DETI (proposed in Chapter 8), 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

Policy Delivery (Invest NI)

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

Portfolio of Innovation policies

- 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

FULL LIST OF RECOMMENDATIONS (CONTINUED)

- 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 (presented in Chapter 5)
- 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
- Invest NI's export assistance should become more dedicated and professional, adopting a similar model to the fee-charging export agencies identified in Chapter 6, with two tiers of charges depending on whether the company is an SME or large firm

Policy Delivery (DETI)

- 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

Policy Performance

- 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

Finance

- 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

FULL LIST OF RECOMMENDATIONS (CONTINUED)

Project Appraisal

- 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

Further Research

- 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

Co-ordination of Economic Policy

- 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
- 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'
- 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

Governance Arrangements

- 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
- 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

FULL LIST OF RECOMMENDATIONS (CONTINUED)

- 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
- 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
- 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
- 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

Advisory Bodies

- 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

Skills

- 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

FULL LIST OF RECOMMENDATIONS (CONTINUED)

- 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

Infrastructure

- 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

Planning

- 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