



Northern Ireland  
Assembly

Committee for Employment and Learning

# OFFICIAL REPORT (Hansard)

FP7/Horizon 2020: Invest NI Briefing

12 September 2012

# NORTHERN IRELAND ASSEMBLY

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**Members present for all or part of the proceedings:**

Mr Basil McCrea (Chairperson)  
Mr Thomas Buchanan (Deputy Chairperson)  
Mr Jim Allister  
Mr Sammy Douglas  
Mr Chris Lyttle  
Mr Fra McCann  
Mr Barry McElduff

**Witnesses:**

Dr Robert Bunn	Invest NI
Dr Joanne Coyle	Invest NI
Dr Lisa O'Reilly	Invest NI

**The Chairperson:** This briefing is from Invest NI on framework programme 7 (FP7) and Horizon 2020 and will be covered by Hansard. You are very welcome. I apologise for keeping you waiting; the problem with the first day back is that we have to go through all sorts of things and get it off our chest, particularly as the Minister was here. We are very interested to hear what you have to say. Perhaps you could introduce yourself and the team.

**Dr Joanne Coyle (Invest NI):** Thank you for the opportunity to present today. I am the collaborative R&D support manager in Invest NI. I am in the R&D division, and part of our remit is to support participation in the framework programme. I have brought my two colleagues who are part of the team: Dr Robert Bunn, who is probably Northern Ireland's foremost expert on FP7 and the framework programme since it started; and Dr Lisa O'Reilly, who comes from an R&D background and has participated in framework programmes. We have a broad range of experience on this topic, and if you give me a few minutes, I will talk through Invest NI's role in promoting R&D and how that leads us into the framework programme.

I will start by outlining Invest NI's remit. Invest NI operates, as you know, as a non-departmental public body. We are, in effect, the operating arm of the Department of Enterprise, Trade and Investment (DETI), and we provide comprehensive support for businesses by effectively delivering the Government's economic development strategies and making the most efficient use of the available resources. We principally support businesses in the manufacturing and tradable services sector.

In the context of the Northern Ireland Executive's Programme for Government and associated economic strategy, our corporate plan sets out how we will contribute to rebalancing and rebuilding the economy. A key objective of Invest NI is to enhance the levels of R&D because that will bring us a source of new technologies, products, processes and is a key driver of the productivity growth.

Through the range of interventions at our disposal, we are committed to driving market-led innovation in the NI business base and are committed to increasing the scale, quality and speed of R&D from the initial idea right through to commercialisation.

The key indicator of R&D activity is business expenditure on R&D (BERD). Despite recent record levels of growth in business expenditure on R&D, through which it rose by 95% between 2005 and 2010, there is still market failure in R&D and, therefore, a strong rationale for government to intervene. That rationale is linked to the consistently small numbers of companies that invest in R&D. There were about 424 in 2010, and, unfortunately, the concentration of business expenditure in the 10 biggest spending companies accounted for 59% of the total spend in Northern Ireland in 2010. Those are the most recent statistics. In addition, externally owned companies accounted for 68% of BERD, and that also has a knock-on effect on FP7.

**The Chairperson:** Because they cannot draw it down?

**Dr Coyle:** They might access it from another country. They do not just have the option of doing the work in Northern Ireland and will make the decision strategically because of the member state rules that come with FP7. That is part of some of the issues that arise with FP7, and it is important to understand the impact that those have on our ability to access FP7. Because Invest NI has recognised R&D as a key driver, we have allocated a growing proportion of our funding to it. From 2008 to 2011, the budget available to support R&D increased from £19 million per annum to £46 million, which is 28% of the total Invest NI budget.

**The Chairperson:** What does "the budget available" mean? Does it mean that if available projects are brought forward, you can support them?

**Dr Coyle:** Yes, if they meet our criteria, which includes innovation, additionality —

**The Chairperson:** The challenge for Invest NI is always that you make funds available, not just your sector, but then the projects are not available, so you end up handing money back, which, of course, has a negative connotation even though it may be the right thing to do. So, what are the chances of you meeting the drawdown targets that your budget suggests?

**Dr Coyle:** We have had difficulty with that but that is a knock-on effect from people's cash flow and companies slowing down on expenditure where we have committed funding to R&D projects. We have seen a big increase again this year in the number of applications for R&D support, but those projects will probably not start until later on in the year. Our problem with providing money is that it has to be spent within a financial year otherwise we have to give it back. It is still committed to that company to complete that project.

We have a team of innovation advisers in Invest NI who are out there actively teaching and mentoring companies around R&D projects. It is really important to help companies to generate ideas to bring forward but also help them to plan a project so that it is de-risked, in effect.

**The Chairperson:** I do not want to interrupt your flow but I will just put a proposition to you. If 59% of your R&D expenditure is with the top 10, presumably they know what they are doing. Did you wave at me?

**Mr McElduff:** No, I was just thinking.

**The Chairperson:** I will make a note of that, and just for the record, Mr McElduff was thinking.

If I talked to some big companies such as BMC Software, which is in data warehousing, and it said that what drives its investment is core competency in internet security protocols, for example, where do we get the innovative step? Which comes first, the chicken or the egg? That company will not come to invest here unless we have a resource and expertise, yet I suppose if they came along and said, "Give us this", you would find the money. I am interested in how that proactive approach works.

**Dr Coyle:** There are many facets to that. You just have to look at the different divisions in Invest NI. Our inward investment team are actively working with the universities to understand how many graduates are coming out in certain sectors. Will there be enough to meet the need that we feel is there to bring the jobs in? That is part of the process as well. Even understanding the emerging

technologies and Northern Ireland's strengths in that area means that we can sell those strengths rather than just selling the grant support rate. There is that part of the process and our international team has to be well versed in that. We all come from technology backgrounds in our division.

**The Chairperson:** Coming in front of a Committee is an opportunity to put certain things that need to be talked about out in the domain, so it is an opportunity for you to tell us about frustrations or things we may need to look at, whatever way you want to phrase it. So, if you just want to conclude.

**Dr Coyle:** Fine. About 80% of our budget will go directly to businesses. The remainder will go to higher levels of research commercialisation, which is part of the problem that you outlined. So, we recognise the need for knowledge exchange and transfer of knowledge from the research base into businesses. That will fuel projects coming forward as well, so that is part of the step.

We also have to recognise that some of the money that we use for R&D is coming from our European regional development fund (ERDF). We are using the money coming from Europe to help companies to develop their capabilities and capacities to engage in higher level research. As a result of this increase in the budget, we have experienced the second largest percentage increase of UK regions in R&D spending. BERD grew from 0.6% of GVA in 2008 to 1.2% in 2010, placing us sixth of the 12 UK regions. That was quite a significant upturn.

**The Chairperson:** Is that sixth in growth or in absolute output?

**Dr Coyle:** Sixth in percentage of R&D spend and percentage of GDP. If you looked at it in monetary spend, you would see that we would be at the bottom, because we are the smallest region. However, it is always measured in percentage of GDP, so we are ahead of Scotland, Wales and other regions.

We recognise that, even at 1.2%, which is close to the UK average, we are still well behind what Europe is expecting, which is 3%. That is well recognised.

There is a challenge — there is no doubt about it, as you said yourself — particularly for small and medium enterprises. The fact that there are so many microbusinesses in Northern Ireland means that we have to work with them to increase their capacity and capability to innovate, either on their own, or through collaboration, which is where my team comes in. It is specifically encouraging greater levels of collaboration.

**The Chairperson:** Collaboration between whom?

**Dr Coyle:** Primarily collaboration between companies and the research base, but also with other businesses in other countries, so that the microbusinesses can access greater knowledge and market opportunities. My team does that by promoting the R&D base, and we are also hosts of the Enterprise Europe Network.

I will return to addressing the weaknesses that we spoke about. Northern Ireland was one of the first regions to embrace the new EU R&D state aid guidelines. That allowed us more flexibility through the support that we were able to give to companies, and it allowed us to introduce a single grant, which we call the grant for R&D. That helps us to respond better to the needs of businesses. I think that it had a knock-on effect in the increase in business expenditure.

We have a lot of other support mechanisms. The progression of businesses is not necessarily linear. In my paper, I presented the idea of an innovation escalator, where you have a range of businesses, from those which have not done any R&D right through to sophisticated larger industries which are capable of participating in FP7, or perhaps in the hi-tech spinouts. We look at that idea of an escalator and try to help companies manage their movements on it, because we think that they will ultimately be of more value to the Northern Ireland economy if they are participating in collaborative long-term strategic R&D projects.

One of our initiatives to encourage greater collaboration is our competence centre programme. That brings together groups of businesses to work on a long-term strategic project with the research base. It is a formalised project, looking at the market opportunities that arise through a foresight exercise. We expect companies involved in that, including small and medium-sized enterprises (SMEs), to access funding from Europe as part of their sustainability.

We recognise that there is information lacking in companies. They do not have time to go and source it, and that is why in Invest NI we have 16 specialist advisers across a range of subjects. Some are advisers in pure R&D, others in information and communication technology (ICT) and still others in manufacturing. They go into businesses and help them with the first part of the problem-solving. They help businesses identify projects that could be brought forward for funding. We also provide information through the NI business portal. That is for companies that are not yet client companies of Invest NI but are looking for information and considering becoming client companies and accessing our funding.

We also have a number of initiatives with the university. One is the Proof of Concept project, which is to try to take some of the good research that is happening and help the researchers thin out the hi-tech companies that can participate in FP7. We are also one of the best regions in the knowledge transfer programmes (KTPs). Last year, Queen's won the best KTP project in the UK. KTP is an excellent scheme because it gives the graduate an opportunity to be —

**The Chairperson:** Joanne, just hold on a wee tick. Fra?

**Mr F McCann:** That is all very interesting. Did you see the last presentation? At the very end, it showed which areas had the highest unemployment, and the constituency that I represent, West Belfast, has had the highest unemployment continually. How does what you do impact on a constituency like that?

**Dr Coyle:** We have a lot of schemes, and all companies have the potential to access support for R&D. One of the very simple schemes involves an innovation voucher, where companies fill out a simple form, apply and say, "I have an idea, but I don't have the capability to develop it." The innovation voucher allows you to simplify the process. Therefore, any company —

**Mr F McCann:** How do you encourage people to take part in that? Quite a number of what you call micro-companies or SMEs exist in West Belfast. How does Invest NI encourage them?

**The Chairperson:** Just remember, Fra, that this is the R&D section of Invest NI.

**Dr Coyle:** You are right, and our client executives are well versed on the support mechanisms that we have for R&D. Moreover, our innovation advisers are out there talking to them. We connect very well with the Federation of Small Businesses and the CBI, and we are trying to get more allocations.

Recently, my team was at an event at the new e3 centre, where Belfast Metropolitan College was having an event. We try to network as much as possible and get to events to share the message and share case studies, etc. Queen's is having an event tomorrow to showcase how it has commercialised some of its research. Such events are open to everybody, and all we can do is encourage companies to attend to see their potential. Everybody has good ideas; the issue is taking them forward.

There is quite a lot needed when it comes to people spreading the message, and we try to do that. As I said, the NI business portal is a really easy-to-access online service that helps to bring you right back to basics. "I have an idea, but how do I turn it into money?" That is essentially the bottom line for many people.

**Mr F McCann:** I understand what you are saying, but the result of the money that is provided for research and development is jobs. How do areas such as West or North Belfast —

**The Chairperson:** I agree with you, Fra. The important thing is having an initial presentation so that you at least know who to talk to and who to discuss the right way of doing things with. That is useful, and we should build on e3.

**Mr F McCann:** It would be remiss of me not to raise the issue.

**The Chairperson:** Absolutely.

**Mr McElduff:** Can you be specific and name a business that has come before our Committee? I am talking about an innovative rural tourism provider that employs 70 people. Would that business have any relevance to R&D?

**The Chairperson:** Is it Todd's Leap you are talking about?

**Mr McElduff:** Yes. *[Laughter.]* Benny would make it happen. What relevance would R&D have to a rural tourism project?

**Dr Coyle:** I will give you a good example. I am not sure whether any of the Committee members are aware of the small business research initiative (SBRi), which is primarily administered through the Technology Strategy Board. It is seeking Departments to allocate funding to help to solve problems. DETI was one of the first Departments from the devolved Administration to be involved, and it put money on the table for the development of a tourism app. It said that there was a need in Northern Ireland to promote tourism, and that if somebody could develop a tourism app, it would help.

As the idea originated in Northern Ireland, companies here had the head start to get involved, because nobody knows the lie of the land here better than companies here. That was one of the SBRi competitions in which we had the most success from a Northern Ireland perspective. That was an opportunity for them to develop an app so that people would come to them.

That is one example, so there are plenty of ICT solutions for tourism as well. It could be linked to the food industry as well, because Northern Ireland is well known for the quality of the food in certain areas, and we support many food companies.

**The Chairperson:** The key thing is —

**Mr McElduff:** Demystify R&D so that it becomes relevant to people.

**The Chairperson:** There are two issues. First, I want to talk to you about what I consider "big R&D". However, people also ask whether innovation is the right thing for them. R&D is sometimes a bit scary for people who say, "Is that folks in white coats?" and, "I don't know enough." So, we are interested to know whether it is appropriate for us or our colleagues to talk to your part of the organisation. What we are interested in might be more innovation than R&D.

**Dr Coyle:** It is very interesting that you say that, Chairperson, because there are so many ways of becoming innovative, of which R&D is only one. Investment in people and in training and skills is another, as is investment in infrastructure and ICT, and partnerships so that you can have technology transfer and learning.

Invest NI has several divisions, including an innovation division. Our division is R&D, which, by definition, will hopefully lead to greater innovation. You are right: it covers a broad base of what Invest NI does. When we were invited here, it was specifically to discuss FP7. We wanted to say that FP7 is the pinnacle.

**The Chairperson:** That is exactly what I want to talk about but I have great trouble in controlling the Committee.

**Dr Coyle:** I appreciate that. *[Laughter.]*

**The Chairperson:** They just talk on about everything. Nevertheless —

**Mr Lyttle:** We behave very well. Do not tar us all with the same brush. *[Laughter.]*

**Mr Allister:** We are very biddable. *[Laughter.]*

**Mr Douglas:** I thank Joanne and the team for their presentation. I am sorry for being a little late; I had to nip out.

How does someone who has an idea get involved in research and development? I know that one of my constituents has had dealings with you, but can you outline the process? He is setting up a whiskey distillery in the former Crumlin Road jail. It has nothing to do with me. *[Laughter.]* He told me that he wanted to establish a visitors' centre. How would he go about looking at similar initiatives,

perhaps in eastern Europe, where jails have been converted into businesses? What is the first step? Does he ring you?

**Dr Coyle:** He would ring Invest NI and he would be put in contact with an innovation adviser on the R&D side as a first step. Our innovation advisers on the R&D side cover three main sector areas, with ICT and services innovation; we also cover construction, food and life sciences and manufacturing.

If we felt that the crux of the problem related to an R&D issue, they would be the first point of call, but it could be, as we said before, an ICT issue. There are many different issues. In the case that you are talking about, because it is to do with whiskey production, I would involve our food innovation adviser.

**Mr Douglas:** Are you an expert on whiskey, Joanne? *[Laughter.]*

**Dr Coyle:** The adviser brings with him a wealth of experience of similar initiatives where companies have tried to develop new products. We would ask ourselves whether we would classify the proposal as a near-market R&D proposal, and, when it comes to planning, how long we would expect the project to take and how much funding it would require.

We would work with the client to identify markets, look at who has done it before and identify the lessons that can be learned from that. We would bring all the knowledge together to plan the project. The better you plan a project at the start, the more likely it is to succeed. It also helps us to make the funding decision. One of the criteria is that the client has to agree to work alongside us, because we are bringing advice and guidance. We also look at the company's ability to fund a proportion of the project, because we cannot provide 100% funding. We work within set guidelines. Once we have an approval in process, we send out a letter of offer and begin some monitoring of the project.

There is also scope for the company to work alongside us at any stage of the project when they need advice and guidance. Once the client has spoken to the innovation adviser, the appraisal is taken forward by a technology executive to allow a degree of independence. The technology executive acts as the monitor of the project. We are, essentially, a partner in the project, working alongside the client.

As the project moves closer to the market, we bring the client executives in to determine what other support will be needed.

**Mr Douglas:** You are like a one-stop shop in that sense.

**Dr Coyle:** We are. As the host of the Enterprise Europe Network, we have access to other regions throughout Europe and even outside it. We have access to experts in those regions who can show us, for example, that someone did the same thing in a small region in Germany and can tell us whether there were any problems. We try to provide a whole package.

**The Chairperson:** So, I said that it was useful for people to bring up individual things. All I can suggest is that you go through the process and see whether it does what it says on the tin.

**Mr Douglas:** On the bottle.

**The Chairperson:** On the bottle, in this case.

Jim, I know that you have been in, but I want to bring it back to FP7 and Horizon 2020. Can you wait a moment, or is it specifically on the issue.

**Mr Allister:** It is on FP7.

**The Chairperson:** Ok. Given that I have now got the various constituency issues out of the way, how close are you to finishing what you have to say.

**Dr Coyle:** Another couple of minutes.

**The Chairperson:** I want to ask you some firm questions on FP7 and Horizon 2020.

**Dr Coyle:** We provide hands-on support to businesses and the universities to access EU and national funds for R&D. One way we do that is through the Enterprise Europe Network that helps us to access partners. The Enterprise Europe Network provides about £400,000 per annum to Invest NI for that service, and it helps to part-fund Robert and Lisa's positions. In support of the enhanced drawdown, we have appointed an executive in Brussels. We believe that access to the European Commission and the project officers has been very important, and we have seen substantial benefits coming to us from that.

The initial target for FP7 in Northern Ireland was set at €50 million. At the last count at the end of June 2012, we have committed €6 million. We are hopeful that we might get €60 million by the end of FP7. Because it takes a long time to prepare your application for FP7 — it is competitive to transnationals — we provide support to prepare the applications. We have supplied almost £200,000 to companies and researchers to prepare applications.

With regard to the drawdown of £46 million, about £9.5 million has gone to industry. The UK average going to industry is about 17%, and the Northern Ireland average is about 20%, although it changes each time the results come out. Nevertheless, it lies in and around 20%. Of the industry participation, SMEs have drawn down about 4-6%, which leaves it about 48%. We would have expected to see a decline in SME participation because we have seen a decline in their accessing local funds, which is easier. That does not seem to have happened yet, but the results usually come out a year after the applications, so we could see it in the next round of results.

With regard to moving into Horizon 2020, a great deal of ground work has gone on. Invest NI provided input to the Green Paper, which is a commission where we explain to them what Northern Ireland would need out of a new programme. We said similar things to many other regions: simplification was necessary. The process is far too bureaucratic, the time to grant is far too long — almost a year — and simplification was an absolute must to encourage more industry to participate.

We also said that we need more support and that it should not just be for research and development but for commercialisation. We are pleased to see that Horizon 2020 promotes more innovative activities, more support for demonstrators and more support for service innovation.

The negotiations are ongoing between the Commission and the European Parliament on Horizon 2020. We are part of the Department for Business, Innovation and Skills group in those negotiations. A lot of negotiations at the moment are centred on the reimbursement rates and negotiations based on overhead rates of support, which are very contentious. However, support is also given to some of the newer accession states in funding for salaries for researchers. We are involved in those negotiations, and it is helpful for us as we plan our way ahead. We will also be working with our colleagues in InterTradeIreland and Enterprise Ireland to help them when Ireland has the European presidency. We also work very closely with our other Departments through the Barosso task force, and we are engaged with Brussels and the four desk officers, which is specifically to help us to access greater funding in Horizon 2020.

**The Chairperson:** I have a couple of things to throw at you. You put forward a very nice case, and everyone thinks that this is wonderful and that you are doing good things. The bottom line is that I do not get any sense of a strategic direction for R&D investment in Northern Ireland. I understand that there is a section of it where you have to be company-led. If you have big companies, you want to help and support them, and they know what they are doing. Where is the innovative vision for what Northern Ireland should be creating, and is there any way that the Invest NI role will encompass that? I understand that it may not be in your terms of reference, but I just get the feeling that no one is doing it and that someone should.

**Dr Coyle:** Meetings are going on to develop the regional innovation strategy, and that involves all the Departments, Invest NI and all the key stakeholders. That is ongoing, and that will provide the vision.

**The Chairperson:** Are you the senior R&D specialist in Invest NI?

**Dr Coyle:** No, I am not.

**The Chairperson:** Who is that?

**Dr Coyle:** Carol Keery is the director of research and development, and Tracy Meharg is our managing director who oversees the various divisions that cover the scope of R&D and innovation.

**The Chairperson:** I did not mean to suggest that you are not important; you are very important. I am just trying to get a handle on it.

**Mr McElduff:** Chairman, are you the leader of your party? *[Laughter.]*

**The Chairperson:** In my own mind. *[Laughter.]*

**Mr Allister:** Are you the leader of this Committee? *[Laughter.]*

**The Chairperson:** That is more challenging, Jim.

Getting to the crux of the matter, I am interested to hear what Jim has to say on this. FP7 was a disaster; it is far too complicated. No one could ever draw down, and there were cross-country requirements. Even now, with one year to go, about 30% of the fund is still unspent. What are we doing to grab that money? Secondly, I know that the budget for Horizon 2020 has not yet been agreed and that discussions are to go on with that. Everyone says that the great proposition for Northern Ireland is that we turn out really talented people at the top end. However, we cannot find them jobs, so they go elsewhere. Why can we not have someone who says that they will knock a few heads together and do internet security? We have had a grant of £25 million through the university. Why are we always responsive and not innovative?

**Dr Coyle:** Strategies have been put in place, and MATRIX is part of the solution. Many stakeholders meet regularly to discuss the issues. FP7 is a different issue, and you are right that it is very bureaucratic and difficult to access. Nevertheless, it is a very good opportunity, and that is why Invest NI has increased the resources that we have put into it. As I mentioned, we have Farha Brahmi in our Brussels office to help us to tap into the networks that we need to get involved in. We have also increased our participation in the Enterprise Europe Network, which is all about finding partners with whom to engage. There has been a recognition that we could do more, and DETI has put together a steering group that looks specifically at the opportunity from Europe. That includes the stakeholders and has representation from the two universities to look at what we can do with what is coming from the remainder of FP7 and from Horizon 2020. Every year in Europe there are open days —

**The Chairperson:** Hold on. I want to ask the Committee Clerk to do something. Can we find, through the appropriate channels — DETI perhaps — the steering committee report on what we can do with FP7 and innovation? Does the Committee agree to that?

*Members indicated assent.*

**Dr Coyle:** The report contains several recommendations, one of which is to have a Horizon 2020 co-ordinator in Northern Ireland. That person is now in post. The steering group is also looking at thematic leads, which will be pseudo —

**The Chairperson:** Joanne, the problem for me is not of co-ordination or of having someone to manage a process; it is of having someone to vision where we ought to be. It is of having someone who has the drive and determination to say that you can do anything but you cannot do everything. So pick something — or several things — that Northern Ireland will become an expert at.

**Dr Coyle:** I was getting to the point that the innovation strategy has been delayed because of the recognition after Northern Ireland participated in open days and led a debate on smart specialisation. That is the new term for doing exactly what you say: pick your winners, pick the strengths in your region, and to a degree that is what MATRIX has been doing. However, now we are saying, "Build that into your regional innovation strategy; look at your key players and where you want to go." There is not enough money to let all regions continually duplicate what the others are doing, and that is what has happened. We are not the only region guilty of that. The UK has realised that it was duplicating support across the region, which is why the Technology Strategy Board is taking the lead in developing the technology innovation centres that have been branded as catapults. Tell us who your winners are and where your biggest market opportunity is and we will invest a lot of money to make it happen.

That is what our smart specialisation strategy in Northern Ireland should do. It is being written at the moment, so I cannot comment any further other than to say that the Department of Enterprise, Trade

and Investment's innovation policy unit recognises the need to do exactly what you said. The smart specialisation strategy, which will be part of the regional innovation strategy, will do that.

**The Chairperson:** I want to make a proposal to the Committee. I would like to copy the Hansard report of this meeting to the Committee for Enterprise, Trade and Investment and to the Office of the First Minister and deputy First Minister (OFMDFM), which has responsibility for Europe, and ask them for comment and to be kept up to date on the various strategies. Do I have your agreement?

*Members indicated assent.*

**Mr Allister:** FP7 has been a disappointment on a fairly widespread basis. One of the problems with Northern Ireland is that we essentially have an SME economy, and FP7 is not SME-friendly. That is where Invest NI comes into the picture. However, in how successful FP7 has been in reaching SMEs with R&D, you tell us in paragraph 5 of the document that the total drawdown to Northern Ireland industry was €7.6 million. I think in your oral presentation you said €9.5 million, so in or about that. That is of a total of €46 million. Where has the other approximately €40 million gone?

**Dr Coyle:** Much of it goes to universities, as in the other regions.

**Mr Allister:** Are they the preferred partner?

**Dr Coyle:** It is about research excellence, and they are undoubtedly the place where research excellence happens. In Scotland and Wales, 84% of drawdown goes to the universities; in England, the average is 68%; our average is 76%.

**Mr Allister:** Do you think that that is the right proportion?

**Dr Coyle:** We would like to see more industry participation.

**Mr Allister:** We cannot lament the fact we are not reaching SMEs and then champion the fact that most of the investment goes to universities.

**Dr Coyle:** The point of Horizon 2020 is to try to redress that balance. The figures for FP4, FP5 and FP6 show a gradual decrease going to industry. The Commissioner herself has come under pressure to increase the proportion of funding going to SMEs. Therefore, Europe reports that it wants 15% of the funding to go to SMEs and reports every six months on what that is. It is achieving the 15%, but the talk is that it wants it to go to 20% for Horizon 2020. Therefore, it is recognised that it is not SME-friendly. Hence one of the reasons —

**Mr Allister:** How much of it goes into administration?

**Dr Coyle:** Of the total budget, I do not know.

**Mr Allister:** How much of it goes into the coffers of Invest NI?

**Dr Coyle:** We do not get anything to administer the funding.

**Mr Allister:** Therefore, you do not get any administrative support?

**Dr Coyle:** No. We access some of the money from the Enterprise Europe Network, which is from DG Enterprise and Industry, to help. We can use it for a range of activities, but we chose to use some to promote participation in FP7. Therefore, part of the funding for Robert and Lisa comes from the Enterprise Europe Network and the other part comes from Invest NI. We have totally funded the person in Brussels as well. -

**Mr Allister:** Have you any encouragement for us on the read-over between the money that has gone to SMEs and, indeed, the universities, for R&D and job creation?

**Dr Coyle:** The state aid guidelines are that any of the R&D schemes are not for job creation; they are for productivity improvement. Therefore, we are looking to see whether the R&D brought new products and processes, better efficiencies, and so on.

**Mr Allister:** Ultimately, more efficient business and new products produce new jobs.

**Dr Coyle:** Yes, potentially, but that is not a criterion for the scheme.

**Mr Allister:** You are not suggesting to us that FP7 is uninterested in job creation, are you?

**Dr Coyle:** It is about competitiveness, but it is not specified that each project has to have new jobs attached to it. FP7 is split into four themes, and the "people" theme is about developing people's skills and the movement of people.

**Mr Allister:** Whether job creation is or is not, or should or should not be, a designed part of FP7, is there any read-over between the money put into R&D through FP7 and job creation?

**Dr Coyle:** I believe that the impact shows that there is, but I do not have figures.

**Mr Allister:** Do you know what the read-over is?

**Dr Coyle:** I do not.

**Mr Allister:** It is all well and good to put money into R&D, but, for most of us, a key determinant of its value is the job outcome.

**Dr Coyle:** That is one way of looking at the benefits of an R&D project, but there are many others.

**Mr Allister:** Have we never audited that?

**Dr Coyle:** At the end of the day, the FP7 funding is a letter of offer between the Commission and the companies and partners involved.

**Mr Allister:** It is a surprise to me that Invest NI has overseen €46 million of FP7 funding.

**Dr Coyle:** We do not oversee that funding.

**Mr Allister:** You have been involved in MATRIX, where €46 million has been drawn down.

**Dr Coyle:** No, we are not involved in any part of that administration. We just help —

**Mr Allister:** Why are you talking to us then?

**Dr Coyle:** We are probably the people in Northern Ireland who know the most about how to help companies to access the funding.

**Mr Allister:** OK, you do not like the word "involved". Can you tell us why there is no audit between the spend of €46 million and the fundamental matter of job creation and job outcome?

**Dr Coyle:** You have to go back to what FP7 is about: increasing Europe's policies for competitiveness and productivity growth and skills. It sees the benefits of a project as being new products, new processes and giving new increased sales, which should, ultimately, lead to jobs.

**Mr Allister:** Invest NI tells us that it is certainly interested in job creation.

**Dr Coyle:** We are, yes.

**Mr Allister:** As an agency with that prime focus —

**The Chairperson:** Jim, I am going to stop you on this. You may be right about Invest NI, but this is the FP7/Horizon 2020 team, and they have correctly answered questions on their brief. I am happy for you to take up your points about Invest NI on a separate case.

**Mr Allister:** I can express surprise that there is no attempt to audit the impact of R&D schemes on job outcome.

**The Chairperson:** You are absolutely correct. This is being recorded by Hansard, and I am sending the report to DETI and OFMDFM. We will ask that question through them. That is perfectly OK. Anything else?

**Mr Allister:** No, thanks.

**The Chairperson:** Folks, we are coming to the end of our time. It is not that we are not interested. I apologise to Robert and Lisa that you have had to be here and not get to say too much. You should take on board the point that Jim and other colleagues were making. We are interested in R&D. This is going to create mayhem, but, for what it is worth, we think that R&D is our responsibility. The Committee for Employment and Learning covers universities and this, that and whatever it is, and, frankly, we would like to see more about what is going on. Admittedly, it is a few years ago, but, when I was looking for support for R&D, it was easier to take tax write-offs than to look for grants or support. It just was not worth the effort. I come back to the strategic vision. I passionately believe that innovation and R&D is where the future of Northern Ireland should be. There are funds available from Europe that we need to find a way of getting hold of. However, we are not doing a great job of it. Somebody has to take the lead, whether you, Invest NI in general, or some other organisation. Frankly, I am fed up with strategies, steering groups and this, that and the other. Somebody needs to do something.

Thank you very much for engaging with us in such a positive way. Some questions will come up. It might be appropriate for you to come back and talk to us when we have had a chance to reflect and will have a wee bit more focus as regards what we want to do. In the meantime, we will await the information that we have requested about what is going on so that we are informed. Thank you very much for your time. We look forward to talking to you again shortly.

**Dr Coyle:** Thank you.