

From the Office of the Minister



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Patsy McGlone MLA
Chair
Enterprise, Trade and Investment Committee
Room 375
Northern Ireland Assembly
Parliament Buildings
BELFAST
BT4 3XX

17th September 2012

Dear Patsy,

ETI Committee Report on its Inquiry into Developing the Northern Ireland Economy through Innovation and Research & Development

I welcome the Committee's report into its Inquiry on developing the economy through Innovation and R&D. As you are aware in order to grow our private sector and deliver economic growth, the Executive's Economic Strategy has identified the need to stimulate Innovation, R&D and Creativity as a key priority.

To take this forward my Department is therefore in the process of developing a new Innovation Strategy for Northern Ireland. This Strategy will build on the commitments in the Economic Strategy and outline in greater detail the actions required over the short, medium and longer term that are required to support more Northern Ireland companies to invest in innovation and in R&D. The Committee's Inquiry has therefore been very timely, as it provides some very helpful recommendations and supporting evidence which can be used in the production of that Strategy.

I have attached my Department's response to the Committee recommendations and am happy for officials to engage further with the Committee on this.

I look forward to continuing to work positively with the Committee on the development of the new Innovation Strategy.

*Sincerely,
Arlene Foster*

ARLENE FOSTER MLA

Minister of Enterprise, Trade and Investment

DEPARTMENT OF ENTERPRISE TRADE AND INVESTMENT

RESPONSE TO RECOMMENDATIONS

JULY 2012

Report on Inquiry into Developing the Northern Ireland Economy through
Innovation, Research & Development

Recommendation 1

A clear vision for innovation and R&D must be developed and implemented, including policies, strategies, structures, systems and processes which are custom-designed specifically to meet the long-term challenge of maximising the potential for Northern Ireland businesses and academia at all levels to take advantage of the existing and future opportunities for innovation, research and development.

Response

The Department accepts this recommendation.

Investment in Innovation and R&D has been identified in the Northern Ireland Executive's Economic Strategy as key to rebalancing the Northern Ireland economy to one that is export focussed and has, at its core, high value added knowledge intensive businesses. To achieve this we need to increase the innovative capacity of our companies and support an increase in investment in R&D, particularly in those sectors where Northern Ireland companies have global competitive advantage (and which are outlined in the Economic Strategy). This will require an integrated approach of academia and industry working in partnership, combined with a sustained commitment from the Executive.

The Cross Departmental Innovation Strategy, which the Department is currently leading on, will set a vision for the future and detail the necessary actions required to deliver that.

Recommendation 2

A high-level steering group should be established comprising Government, business and academia to advise on policy and oversee the integration and coordination of all R&D activity across all three sectors at all levels.

Response

One of the actions in the Economic Strategy which DETI has been tasked to take forward is to consider the need for the establishment of an Innovation Council (this is also outlined in the associated comprehensive implementation plan which underpins the Economic Strategy). It is envisaged such a Council would ensure that, at the highest level, the Executive, Academia and Business work together to further embed innovation across the economy.

In its consideration of this issue the Department has already examined best practice from other high performing regions which have created such groups. A key issue for consideration is the role of such a group and any powers it should have. In addition, careful consideration is required on how this group would engage with existing organisations, most notably the Executive sub Committee on the Economy. If a group is to be established it must clearly add value to existing structures.

Recommendation 3

A completely new structure is required in the form of a single unit to integrate and coordinate all innovation and R&D activity. It should have four key responsibilities:

i.Improving Government knowledge and information on innovation and R&D by gathering knowledge and information through, research, networking and collaboration to identify and learn from good practices; and to identify the contribution that can be made at all levels by Government, business and academia.

ii.Developing programmes systems and processes to meet the needs of

business and academia by providing programmes of assistance for innovation and R&D; providing support to understand and navigate programmes; and providing support for administering programmes from application to evaluation.

iii. Implementing support for innovation and R&D through promotion of opportunities, educating and mentoring, practical support through projects, awareness programmes for support available and for specific programmes (such as Horizon 2020 and the Small Business Research Initiative).

iv. Developing and supporting a culture of innovation and R&D across Government, business and academia at all levels in Northern Ireland.

Response

This is a wide ranging recommendation covering both policy and operational responsibilities. At its core is the need to ensure that the policies and subsequent delivery programmes that are put in place, across the Executive, actually support companies to be more innovative. Increasing the number of companies who are innovating not just through investment in R&D but investment in skills, training, leadership etc is critical to growing the economy. While DETI, along with Invest NI, will continue to lead on both policy and business support in the area of business support for innovation and R&D, it is recognised successful delivery of the various programmes requires the input from a number of different organisations, in both the public and private sector. It is not the responsibility of one single organisation. It is for that reason that the Executive Sub-Committee on the Economy will continue to play a key role in the development and implementation of the Innovation Strategy

Recommendation 4

A mechanism should be put in place and resource allocated to undertake the following functions:

- i. To identify and learn from good practices in innovation and R&D in other countries and regions.***
- ii. To engage regularly with other sources of support such as EU institutions, venture capital firms and the Technology Strategy Board to gain a***

comprehensive understanding of and influence the initiatives and support programmes that are available for R&D.

- iii. ***To gain a comprehensive understanding of the strengths, weaknesses, and potential that exists in Government, business and academia in Northern Ireland to contribute to innovation and R&D.***

Response

The Department agrees with the Committee on the importance and value of drawing upon best practice from high performing innovative countries and regions. This is a key function of the Innovation Policy Unit within the Department. It is leading in the development of the new cross departmental Innovation Strategy and, as part of that, will draw upon the lessons learned from a number of research studies which the Department has commissioned in recent years. These studies have benchmarked best practice from high performing innovative countries and regions and helped inform the Independent Review of Economic Policy and more recently the Executive's Economic Strategy.

In tandem with ongoing benchmarking exercises, DETI continues to engage with UK and EU policy makers. This has included the Technology Strategy Board where formal bi-lateral arrangements, which facilitate policy engagement at the highest level of the organisation, are now in place. This has helped position Northern Ireland at the forefront for the roll out of new TSB policy initiatives and Northern Ireland was the first devolved administration to run a TSB SBRI procurement competition.

Recommendation 5

Government, business and academia should work together to review and, where necessary, improve programmes developed within Northern Ireland and influence programmes being developed elsewhere, so as to balance the needs of business and academia with those of the Executive.

Response

The Department fully agrees with the need for the Executive, business and academia to work in collaboration to improve the support provided to companies who wish to innovate and grow. That was one of the primary reasons that the Department established MATRIX, the Northern Ireland Science Industry Panel. As a business led expert panel, it provides advice to the Executive, as well as to academia and business, on the commercial exploitation of R&D, science and technology in Northern Ireland.

The work of MATRIX is also a primary influence on the upcoming Innovation Strategy for Northern Ireland. The MATRIX priority areas will inform the development of Innovation and R&D policy on an ongoing basis and will be used to prioritise funding across the related research, skills and investment communities.

The Department has also recently established a Foresight Unit which will work with business, academia and the Executive to identify emerging market & technology opportunities for our economy over the next decade and more, and develop a strategic approach to exploiting these. Its first study will be into the sustainable energy sector and will be published in late 2012/early 2013. The unit is also fully linked into BIS' UK Foresight Programme and is involved in the "UK Future of Manufacturing Foresight Study" (March 2012 – September 2013).

The Department recognises the importance of improved coordination of activity designed to support companies. Central to that support is ensuring that companies access the right information, at the right time, in the right format so they can innovate. As part of this, the Department is continuing to consider how the Northern Ireland Science Park might further evolve into an Open Innovation Centre. Such a Centre would need to complement the work that Invest NI and others play in supporting increased collaboration between industry and the further and higher education sectors.

Recommendation 6

Government, business and academia should work together to review and improve existing support processes and, where appropriate, develop new practical measures of support for all innovation and R&D programmes.

Response

The Department agrees that the Executive, business and academia must work in collaboration in order to improve the support provided to companies who wish to innovate. The Department and Invest NI have already undertaken a significant amount of work to identify best practice in Innovation and R&D and are continually looking to improve the suite of programmes in place to support business growth.

Invest NI has also recently completed a report into the Commercialisation of publically funded research. One of the key recommendations of this report is to strengthen the contacts between Invest NI and the FE/HE sector along with other stakeholders in the Innovation Eco-System to ensure clarity and complementarity of action.

Recommendation 7

Government, business and academia should work together to review and, where necessary, improve the administrative processes for R&D programmes developed within Northern Ireland so as to balance the needs and capabilities of business and academia with the needs of the Executive.

Response

The Department agrees with this recommendation. It is imperative that the programmes in place to support investment by the private sector and academia in R&D reflect the needs and capabilities of those organisation and importantly the needs of the economy.

Recommendation 8

A long-term strategy and implementation plan should be developed with appropriate resources provided for promotion of opportunities for R&D, educating and mentoring, practical support through projects and awareness programmes for support available for specific schemes.

Response

The Department agrees with this recommendation. As indicated previously an Innovation strategy is currently being prepared which will outline the actions, in the short, medium and longer term which need to happen to encourage more firms to be innovative and to invest in R&D and thus transform our economy into one that is knowledge based and export focussed.

Recommendation 9

A clear and consistent message and approach must be continuously promoted by Government, business and academia across Northern Ireland to the effect that innovation, and R&D are key drivers for economic growth and will be supported at all levels.

Response

The Department agrees with this recommendation. Innovation, which includes R&D and creativity, drives economic growth and it is therefore the top priority in the Executive's Economic Strategy.

Recommendation 10

Invest NI should explore ways to open up innovation and R&D mentoring schemes to all businesses which need it. This should include consideration of the contribution that could be made by third parties such as local councils, FE colleges and Local Enterprise Agencies.

Response

The Department agrees with this recommendation. To grow the Northern Ireland economy we need more companies innovating and investing in R&D. Therefore, as part of its approach to servicing the wider business base, Invest NI is currently considering how best it can identify and best meet the needs of those businesses which would benefit from support, including working with the local Councils to determine the contribution that they will make in this provision.

Mentoring will form a key element of support to assist businesses in terms of capacity and capability, and this is an area that is currently under appraisal as part of the development of a tailored approach to the needs of a range of businesses within the wider business base.

Recommendation11

The target time period for payment of grants, following receipt of an accurate record of expenditure should be reduced immediately to 30 days with consideration given to how this can be reduced further in the future.

Response

The Department recognises the cash flow issues that companies can face and agrees that payment timescales for grants should be reduced where possible. Invest NI continues to work at addressing internal processes, from first contact by businesses to receipt of Letter of Offer to payment of claims. In May 2012 it introduced a new Offers and Claims Management System which, combined with improvement to internal process, will result in a reduction in payment timescales following receipt of an accurate record of expenditure.

Recommendation 12

The Department of Finance & Personnel must take steps to introduce and promote the Small Business Research Initiative across Government departments, agencies and NDPBs.

Response

The Department agrees with this recommendation. The Northern Ireland public sector procures almost £3 billion of goods and services each year. Through the use of innovative forms of procurement, such as the SBRI scheme, we can accelerate the development of new products and services and at the same time deliver better value for money. The Economic Strategy therefore includes a commitment to increase the use of innovative forms of public procurement as a means of fostering innovation, product and service development and ultimately business growth.

To help drive this forward the Department, along with DFP's Central Procurement Directorate, has already undertaken a series of presentations on the SBRI scheme to a number of Departmental Boards. This is part of an ongoing engagement between Departments and CPD which involves the examination of departmental procurement plans to identify opportunities where the SBRI initiative could be used.

The Department, in partnership with the Technology Strategy Board and the NI Tourist Board, has led the way in this area and has already successfully run the first SBRI scheme in Northern Ireland.

Recommendation 13

The Department of Enterprise, Trade & Investment must work with others including the universities, NISP, AFBI and venture capital companies to develop a strategy and plan increase the level of venture capital available in Northern Ireland.

Response

The Department agrees that there is need to increase the level of venture capital available in Northern Ireland and, through Invest NI, has developed an "Access to Finance" strategy. This provides for a continuum of funds for businesses from start-up to development capital, and is expected to make over £100m available to SME's over the next six years.

The Department is also working closely with the Economic Advisory Group which is undertaking a review of Access to Finance for businesses within Northern Ireland. This review will include an examination of the venture capital market to identify what potential there is to increase the very low levels of venture capital in Northern Ireland and to determine if there is further demand among Northern Ireland businesses.

Recommendation 14

Preparation for Horizon 2020 should commence immediately, including an assessment of what Northern Ireland can offer, in business and academia, in relation to the funding opportunities available through Horizon 2020.

Response

Horizon 2020, which will commence in 2014, will offer opportunities for Northern Ireland firms and research organisations, not just in terms of research funding but also new business and academic partnerships. The Department has therefore already undertaken a significant amount of work to ensure that Northern Ireland companies and our higher and further education organisations are given the necessary support to help them increase their success in EU R&D funding programmes. This has included a detailed Review of existing support mechanisms, the recommendations of which are currently being implemented.

Underpinning the Review recommendations was the need for improved co-ordination of activity and communication on the opportunities that exist for local organisations. To take this forward the Department has very recently appointed a Horizon 2020 Manager.

In addition, the Department in partnership with DEL is currently developing a new EU Higher Education Support Fund. This fund would be made available to both Universities to enable them to appoint experts in a number of key research areas where NI has particular strengths. These experts, who will be known as Thematic Leads, will work alongside the existing EU support structures in Invest NI and Intertrade Ireland and will undertake a range of duties designed to lead to an increase in Northern Ireland's drawdown of EU R&D funding in their respective research areas. This fund is anticipated to be in place in Autumn 2012.

Through Commissioner Geoghegan-Quinn's office, DEL is also organising a study visit to the European Commission in September 2012 for university researchers new to the European Framework Programme. The visit will focus on areas of research

strength in Northern Ireland with the greatest potential for drawdown under Horizon 2020. It will also include presentations on the Marie Curie Programme and the European Research Council, both of which fall within the top 5 funding sources for Northern Ireland under FP7

Recommendation 15

The Executive should explore the benefits of establishing high level structures for science including the appointment of a Northern Ireland Chief Scientific Officer and a science steering committee.

Response

The Department agrees with this recommendation. The Department has already initiated discussions with the office of the UK Chief Scientific Advisor, Matrix and other Departments including DARD and DHSSPS regarding the appointment of a Chief Scientific Advisor for Northern Ireland. A decision on how this can best be achieved is anticipated by the end of the 2012.