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Assembly

**Committee for Enterprise, Trade and
Investment**

**OFFICIAL REPORT
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**Inquiry into Developing the Northern
Ireland Economy through Innovation,
Research and Development**

23 February 2012

NORTHERN IRELAND ASSEMBLY

Committee for Enterprise, Trade and Investment

Inquiry into Developing the Northern Ireland Economy through Innovation, Research and Development

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Members present for all or part of the proceedings:

Mr Alban Maginness (Chairperson)

Mr Daithí McKay (Deputy Chairperson)

Mr Steven Agnew

Mr Gordon Dunne

Mr Phil Flanagan

Mr Paul Frew

Ms Jennifer McCann

Mrs Sandra Overend

Witnesses:

Dr Paul Beaney

Cherry Pipes Ltd

Ms Kirsty McManus

Confederation of British Industry

Mr Stephen Sloan

Momentum

The Chairperson: Briefing the Committee are Ms Kirsty McManus, Mr Stephen Sloan and Dr Paul Beaney. You are all very welcome. Dr Beaney is technical director of Cherry Pipes Ltd. Mr Stephen Sloan is project manager of Momentum. Ms Kirsty McManus is the assistant regional director of the Confederation of British Industry (CBI). We look forward to hearing what you have to say. I thank you for the paper that you provided to the Committee. It was very worthwhile. Thank you very much indeed for that.

Ms Kirsty McManus (Confederation of British Industry): Thank you for the opportunity to present today. Stephen and Paul will give first-hand experiences of the challenges for businesses engaged not only in the framework programme but more widely in the Innova and Fusion programmes and R&D tax credit.

If I may, I will start by providing the Committee with some context to our written submission. In response to the political and economic pressures regarding participation in the framework programme, a steering group was drawn together. It is chaired by the Department of Enterprise, Trade and Investment (DETI). The group includes representation from the Department of the Environment (DOE), the Department of Agriculture and Rural Development (DARD), the Department for Employment and Learning (DEL), Queen's University, the University of Ulster, Invest NI, InterTradelreland, the Science Park and the CBI. The steering group's focus was to look at Northern Ireland's framework programme

participation to explore how the region can adapt and position itself to improve its current drawdown from framework programme 7 and, more importantly, how to best position itself for Horizon 2020.

The steering group needed to have an appreciation of the current perception of framework funding among the business community and to assess support mechanisms that are currently in place. A sample that offered a variety of large businesses and small and medium-sized enterprises (SMEs) — some with and some without previous experience of framework funding — were invited to attend an open and interactive workshop to glean first-hand evidence from industry on framework funding. The workshops were held over two days and hosted by an independent facilitator in order to offer an unbiased account of the voice of industry. The workshops enabled us to gather information on the key issues and barriers for SMEs in Northern Ireland to engage in the framework programme and, more importantly, potential components to resolve those issues and ways to increase the funding that Northern Ireland obtains from Europe.

Our written submission formulated the feedback from those industry consultations. More importantly, both Stephen and Paul participated in those workshops. They are here today to provide first-hand industry experience. I will hand over to Stephen, who will discuss his experiences of framework funding.

Mr Stephen Sloan (Momentum): I will give you a bit of context. My role is to look at collaborations, partnerships and expertise sharing between companies in both the North and the South and in GB. We became aware of framework programme 7 in 2009, and we started to look at it. People told us how difficult it was. The way that we decided to address it was to get involved in one of the projects. To summarise framework programme 7: you need partners from three European states, and you need to have research technology developers (RTD), which are normally third-level institutions but can be large corporates if more than 10% or 15% of their business is focused on R&D.

The first project that we got involved with was an SME associations call. We looked at its duration. You had three months to get an application in when the call opened. The process then was that you waited for a further three months for it to be assessed and to be told whether it was successful. You would then go into another two or three months of negotiation, and the project would start approximately nine to 12 months after you had initially engaged. When we went to talk to some of the member companies — the SME information and communication technology (ICT) member companies — we learned that the time frame, even for application, was far too long for them. The projects normally ran for two years, so if they had an issue that was very relevant to them at the beginning, it would be three years down the line before they could get an answer to it. As ICT is quite a fast-moving industry, you would find that it was almost obsolete at that point. Those were the main issues that we came across.

We addressed some of the members and asked them how they would engage. It became clear that we are more of a micro-SME region when compared with other regions in Europe. The definition of an SME in Europe is a business that has fewer than 250 employees and a turnover of under €50 million a year. So, the real issue was that, with the size of companies we have, we do not have the capacity to do a lot of R&D.

The process that we are investigating with members is whether we can take their requirements, do the heavy lifting for them, help with the application, help to work it through, find and identify partners, sign the partners up and keep them dipping into the process. That would mean that they can make sure that the outcome will still meet their requirements and ensure that, at the end, although the funding varies quite a bit, they will get something out of the project that they will then be subsidised through the programme to implement or test. Those are the kinds of things that we are currently looking at.

We are currently involved in a project that has been running for over a year and is expected to run for another year. One of the issues is signing up partners; you have to go down the route of engagement. The project was a recent one that we submitted in conjunction with Invest NI and with Queen's University in our region. It also involves the South West Regional Assembly in Cork and an IT association down there, as well as the same grouping of organisations in France and Cyprus. Therefore, it involves a lot of networking and discussion. If you are looking for SMEs to be involved,

you find that they do not have the time for that. Their agenda is to generate their revenues. That is all they are interested in. If you can bring them something that is going to be of benefit, they will bite your arm off for it. However, they cannot waste their time; they do not have the capacity.

That is a synopsis of my experience. I will hand over to Paul, who has operated an SME inside one such project.

The Chairperson: That was a very useful insight into the practical aspects of the process. Thank you.

Dr Paul Beaney (Cherry Pipes Ltd): I am the technical manager at Cherry Plastics Group. We are plastics recyclers and processors, so our company goes right from the collection of waste, through all the various separation processes, and then processes the recycled plastic into pipes. We are a recycling company and a manufacturing company, so we cover both sides. We carry out a lot of research internally, and most of that research is focused on overcoming the different technical hurdles that we come across in recycling.

We have carried out a range of projects from framework programme 7, knowledge transfer partnership (KTP) projects, grant for R&D schemes and the innovation vouchers programme, so we have been through all the different processes. There are quite a lot of challenges for SMEs engaging in framework programme 7, and I suspect that that is why we have such a low uptake. I suppose that the first challenge is the awareness factor. I would say that only a very small percentage of SMEs are aware of what the framework programme 7 is and how they can get involved in it. The second barrier they will come across is probably the timescales involved in the programmes. If we were to come up with an idea for a framework programme 7 project today, you would be doing well to turn that into revenue in four years' time. In our business, we are thinking about how we are going to ensure profitability next month. As market forces become more challenging, companies are becoming more tactical and less strategic, unfortunately. The end outcome of that is that the economy as a whole is going to be less competitive on a global scale.

Once you have sorted out your timescales and things like that, the next big challenge is writing the proposal itself. It is typically a 120-page document that is very technically complex. I cannot think of any SMEs in Northern Ireland that would have the resources to write that unassisted. They tend to partner up with academic institutes or other research and technology providers in Europe or consultants who specialise in that to actually write the proposal. That is a big undertaking in itself. We paid around £35,000 to get the proposal written for us, and it tends to be no win, no fee, so there is a big risk there. Are you going to outlay that money in the hope of something in four years?

Once you have done that, you submit the proposal, and then you have to get funding. The average success rate is about 20%, so you have put in a phenomenal effort at the front end for a 20% chance of a reward in four years' time. If the funding is granted, there are some other challenges that you come up against, one being the very large in-kind contribution required from the SME. Typically, the grant will be something between £1 million and £3 million over a two-year period. That is 70% funded, and the SME usually gets 10% of that funding. My budget was about £100,000 over two years, so I had to make that up with an in-kind contribution. That was my time. It is a full-time job for somebody fairly senior in any SME. That in-kind aspect should not be underestimated. I do not think that a lot of SMEs realise exactly what is involved once they kick off on the process.

Once you have got over that, the co-ordination can be quite a challenge. You tend to have maybe seven organisations across Europe that have been pulled together by someone. It can be difficult enough to co-ordinate seven people inside your own organisation, never mind that very large pan-European grouping. There tends to be a drift towards the technical and academic side of things rather than the commercial side, because at least three quarters of that resource will be going to academic institutions. Sitting around the table, there may be three or four people from the commercial business side and perhaps 10 or 12 people from the academic side, so it is very easy to end up with a project that is technically good but commercially useless if you are not very careful.

As for recommendations, it is very important to measure the bottom line impact and economic impact of anything that we are going to do. Do not think about how much money we have brought into the economy through funding. It is about the end product, not about getting the funding. Getting the funding is only a very small part of it. We need to take a holistic approach, not just focusing on how many millions of European funding we pull in. Also, we need to be careful that any project we get involved in has very clear commercial goals, not just technical goals. You can hit all the technical goals — though it is not easy to do so — and then end up with something that is not commercial.

There is a big challenge around reviewing intellectual property (IP) agreements. Most SMEs know almost nothing about intellectual property agreements and so on. The agreement that we have come up with is very complex. Even our patent attorneys do not fully understand the implications of the agreement that we have signed up to. So, some help around IP agreements would be very valuable.

Thank you, that is all that I wanted to say.

The Chairperson: Thank you very much, Dr Beaney. We will move on to questions.

Reflecting on what you have said today and on what is contained in your written answers to our questions, I have a general question to put to you. Clearly, the process is complex and expensive in terms of time, money and effort. There does not seem to be much by way of an impact by local industry into framework programme 7. The question is, I suppose, how to improve the process so that it becomes attractive to Dr Beaney's firm or the firms that Mr Sloan is dealing with. I know that there are attempts to improve the system with Horizon 2020. How would you reshape and improve the system?

Ms McManus: In recommendation 11 in our response paper, we point out that, in framework programme 5, funding was received by a full partner and the services were contracted out. That model would make it easier to engage more SMEs. Unfortunately, the framework process will be engaged at a European level, which means that all member states will engage in the process, and it is difficult for us to have influence. However, I would not underestimate the influence that the Barroso task force would have on that.

We have to recognise that not all companies can or will engage in the framework funding. It is a matter of engaging more companies and getting them on an R&D escalator. Stephen can talk about some of the research programmes that are available on an all-island basis, such as Fusion and Innova. We would encourage companies to get on that ladder through such programmes.

The Chairperson: They are not part of framework programme 7, are they?

Ms McManus: No, they are not.

The Chairperson: They come under the aegis of InterTradelreland.

Ms McManus: Yes.

Mr Sloan: I want to come back on a couple of points. As Kirsty said, there are a number of issues about trying to simplify the arrangements. That will probably take a long time, so the easiest thing that we can do is to take the pain out of the process. Our role in that has worked. We have taken the pain away from companies and have encouraged them to become involved. The paperwork and all the running around has still to be done, but the companies do not have to suffer that pain. All they are seeing is the benefit. They can look at the situation cleanly, from a commercial point of view, and ask

what will come out of the project and whether that will be useful to them. They can make the decision to be involved in that.

The point about the duration of the projects and the involvement of SMEs has been recognised. They did try, in framework programme 7, to pilot a number of options. Having received a project application, they would split it. They would get validation of the project from the SMEs, but they would not necessarily ask them to engage. Once the research had been completed, they would advertise the results to see whether any other SMEs — not necessarily the original ones — wanted to commercialise it. That process has not been all that successful either.

The Chairperson: If you were one of a number of firms engaged in the process, I am not sure that you would like the final product to be commercialised by other people, would you?

Mr Sloan: That would happen if the SMEs that were originally interested were no longer interested. If they have moved on or changed direction, there is an opportunity to bring in new SME partners. If a company is no longer interested or has changed direction, the research can be advertised and made available.

Mrs Overend: Thank you for talking to the Committee today; we appreciate it. You explained the time-to-grant process, which was very informative. As I understand it, Horizon 2020 has cut that time frame by 100 days. How will that affect your ability to respond to market development and feed into your business again?

Mr Sloan: It will come down to how easy it is to sell the process to the SMEs and whether it reduces the pain and the duration of the engagement.

Another point to be aware of is that different calls come out and the funding arrangements are different for each call. That is something else that the SMEs do not really want to know about. We are currently involved in two projects. In one of those, the breakdown of finances is agreed upfront. If that project is approved, the finance will come through, and you know what your grant will be. There is a different call, however. What happens with it is that, if the project is approved, everybody sits around a table, and then, to use a colloquialism, the bunfight starts. It is about carving things up to see who gets what. So, there are different issues, different calls and different programmes.

Even inside Europe, there are two-stage projects — major projects can be €10 million or €15 million — that are called integrated projects (IPs); there is a single-stage one, which is a specific targeted research project (STReP); and there are coordination and support actions (CSAs). Companies do not want to know about those or do not need to. We are hoping that Horizon 2020 will simplify that and will simplify the funding process. They are talking about doing that. They are saying that the SMEs will be funded at 100% plus 20% overheads. At the moment, in a lot of the projects, it costs an SME money to get involved. It varies depending on the different call that comes out, but, normally, it is around 75% funding with 20% overheads. OK, it is 95% funding effectively, or nearly that. However, it is difficult to say to somebody, "We would like you to be involved in this project, and, by the way, it will cost you money straight away and you do not know whether you will get anything out at the back end of it". So, we are hoping that those things will encourage SMEs to look at coming into Horizon 2020. The reduced time frame makes it more attractive, as does the fact that it does not cost them money.

Mr Frew: Thank you for your answers so far. Recommendation 8 is on the mentoring services and schemes and the cradle-to-grave approach throughout the life cycle of a project. Stephen, what you said about small businesses resonates with me; they just do not have the time or capacity to deal with this major funding tool. What type of mentoring support is required? I know that Invest NI has started with the research institutions. Is that the best model? How can that be adapted for the SMEs?

Ms McManus: I will comment on the mentoring programme. We had spoken with Enterprise Ireland and taken its model. The mentoring is from cradle to grave for the SMEs. It addresses some of the issues that have been raised previously about legal advice, so that you know what you are signing before it is signed. It also addresses issues with patents and with application writing, so that there is training in the company and that skill set is maintained within the company. It also helps with the negotiation process, because a lot of the budgets are not set until after the approval process when the budget is negotiated. So, there is a piece on negotiation skills.

The initial pilot, which cost £250,000, returned projects to the value of £3 million. That is from only the initial stage. Long term, there will be a number of successful applications further down the line from those applicants. It is a tailored programme for the SMEs, which not only gives legal advice but helps with the application process, how to engage with Europe and how to negotiate. So, it would be a bespoke programme for SMEs that, as we said before, takes the pain out of the process and helps to guide them through it.

Mr Frew: Who should provide that support?

Ms McManus: I think that it should be facilitated through Invest NI. The institutions have a lot of skill sets around application writing that could be utilised for SMEs. I see a natural fit through Invest NI.

Mr Sloan: We also find that there are great opportunities for mentoring through the projects that you become involved with. People with an awful lot of experience have co-ordinated and developed different projects. They can give you the information and are very good at helping you to network. The biggest problem that we had initially was that we had no visibility, but now, through the projects we have been involved in, we are getting visibility. I am now getting contacts from different regions in Europe asking if we are interested and if we have the companies. I am used to all the background information that comes with the request, but it then allows you to say, "Yes, there is a company that fits that or a couple that I can approach", or to say, "The answer is no".

That has been very beneficial. We have recently been approached by a consortium where one partner has dropped out and it is looking for a replacement. That project has already been approved and is worth €355,000 to the association. I am talking to a number of associations both North and South to see which one is the best fit. Those are the kinds of opportunities you get because of networking and the partnerships you develop.

Dr Beaney: Mentoring is important, because the typical SME, if it is doing well, may have two framework programme 7 (FP7) projects in its lifetime, but that does not give it much opportunity to learn. If they have a mentor who is embedded in the project from start to finish, they will quickly learn a lot more than anybody else, and there are not many projects in Northern Ireland. The experience that a mentor could provide in a short time would be really beneficial. They will have seen all the pitfalls at first hand and be able to give good advice. However, it has to be very hands on — not at just one particular stage or another but seeing it right through from idea to commercial project.

Mr Dunne: You are very welcome. We found your presentations interesting and informative. With regard to collaboration in R&D, your submission states that a lot of time is lost trying to find enough partners to satisfy the requirements. Do you think that collaboration with other states, the Republic and elsewhere, may help to meet those R&D requirements? Is that worth exploring?

Mr Sloan: Yes. That was one of the big selling points when we initially went to engage with European partners. Momentum is engaged with the Irish Software Association through the project that I run. It is a good selling point to be able to agree between ourselves beforehand and then walk in and say, "We have a project idea. We need you as a partner, and, by the way, here are the other two partners that you need for the consortium". That is a big help. It helps people to focus on you. They ask, "Who is

the other partner? Have you worked with them before?" You can answer, "Yes. We know them well. We are both agreed. We are bought in. Who is interested?" You can then normally find your third European state quite quickly.

Mr Dunne: I suppose that the problem would be identifying partners. How do you go about doing that?

Mr Sloan: That depends on the project and where it is initiated. If it is initiated by an SME, it would be a case of looking at other SME associations, for example, and using their knowledge and core skills to find a logical company to approach. We have that access route due to the relationship we have. We have the same access route with regions in Paris in the digital media and ICT sectors. We are developing ones in Germany, and we have some in Cyprus. The key thing is to have a key contact who you can go to and say, "This is the kind of company we are looking for. Can you find it?"

If it was a project developed by an RTD performer, you would normally find that they would have their own contacts. They would use their own network to identify contacts, and you would find that contacts would flow down from them.

Mr Dunne: What about gap funding? The point was made about non-Invest NI clients. Is there an issue there?

Mr Sloan: I am not sure whether that is being looked at. You can get support funding for academic institutions to write the application. I believe that the funding is up to £12,000. That is available only to academic institutions. That is probably something else that would be a bit off-putting for SMEs that come up with an idea. Did you get any support, Paul?

Dr Beaney: No, not really. I gather that support was available, but we did not avail ourselves of it at that time. Financially, it cost the company an awful lot more than it would have gained with any funding. In my opinion, the SME really only benefits from the final product. The funding would be largely irrelevant relative to the costs.

Mr Sloan: Although academic institutions can apply for a grant, I do not believe that they are available to private companies.

Mr Dunne: On a general point, we were talking last week to a large company that is involved in a lot of R&D work. It came out in the evidence that it never got round to applying through framework programme 7. Do you agree that there is a reluctance and almost a fear? I suppose that, like a lot of things in Northern Ireland, people never get round to doing it. However, there are obviously barriers that people have to work their way through. A lot needs to be done to break those down.

Dr Beaney: I think that you are right. There are barriers at all stages. The question is whether you focus on the more strategic goal or the day-to-day running of the operation. You nearly need to have someone in the organisation who is responsible for that or someone like a mentor who is supported to do an awful lot of the heavy lifting at the proposal-writing stage and all that, where there is a massive barrier. You can partner up with a technology developer or a university to write the proposal for you, but the only thing is that they will write it with their best interests at heart, rather than yours, and it can be difficult for an SME to determine or know how to write those things. There are definitely barriers in that area, but they are there to be overcome. At the end of the day, if more companies in Northern Ireland were to do that in the long term, the economy would be more competitive on the global scale.

The Chairperson: Thank you very much, Mr Dunne. From what you said, Mr Sloan, throughout the years there seems to have been a build-up in knowledge of other companies that are available to partner, and that is done through networking, through associations or generally at large. We seem to have at least some advantage here, in so far as we have an opportunity to partner with a company in the Republic. It is almost like having a ready-made partner on the shelf, as it were, where you can just go along and get a partner and develop a project. However, do you not also need a third partner, at least?

Mr Sloan: You do. You need three European states for most of the European projects. As I said earlier, that is where networking becomes key. You have to get your backside on a plane and go out and meet those people, which is how we got the partners. Reputation has a lot to do with it. For example, in the Regions of Knowledge, which is one of the calls that we submitted recently, we went to Paris and met a partner whom we had dealt with before to talk through the idea and, basically, get them to say yes or no as to whether they wanted to partner. We had to do the same with an association in Cork. We had to travel down there. Therefore, there are opportunities. Also, as your reputation builds, more people will want to work with you. We approached a very experienced partner, but because we did not have the track record, they simply said that it was very interesting but the answer was no, and that was because we did not have a big enough profile. I am sure that you are all aware of how it works. When the projects go in, they all get ranked, and whether you get funded or not can be down to half a mark in the assessment. If they approve six projects and there is £4 million available, if the first project asks for £2 million and the second project asks for £2 million, that is it; the money is gone. That is one of the other issues.

Dr Beaney: One of the criteria is often the ability of the consortium to deliver the projects. Therefore, if you are partnered up with people who are not capable of doing it, that will count against you. Therefore, you have to be very careful who you choose.

Mr Flanagan: Thank you for your presentation. I thank the CBI for its response and its 11 very useful recommendations. The first recommends that a Horizon 2020 contact point or champion should be appointed to co-ordinate the funding across the public and private sector. I would like to go into that in a bit more detail. How do you see that working? What kind of a person do you see filling that role, and what sort of an organisation would they sit inside? Would it be a government organisation or a private organisation? What would the roles and responsibilities of that entity be?

Ms McManus: That really combines recommendations 1 and 2. As a region, we need to focus on our core areas, such as agrifood, ICT and renewables. In my opinion, Stephen would be a great Horizon 2020 champion for the ICT sector, because he has the experience of networking; securing partners and making those links north and south so that you have two member states there naturally; helping with the application process; and perhaps taking on the mentoring role that we talked about earlier. He has the experience of framework funding and he has those contacts across Europe to make those partners, but also create clusters in Northern Ireland, so the ICT sector would have a Horizon 2020 champion bringing those SMEs together, finding partners in the South, encouraging more participation in calls and helping with the application process. So, on the technical and strategic sides, the champion would build on those connections for our various sectors across Northern Ireland.

A key piece is helping companies deal with the European Commission. The feedback that we have received from a lot of companies is that once they were successful they were left to deal with any issues that came up themselves. There were specific companies who had issues locally where their partners were not delivering what they were supposed to. We were thinking that the Horizon 2020 champion could help negotiate through the Commission and also leverage in the Barroso task force. That is my interpretation.

Mr Flanagan: The target for spend on R&D is 3% of GDP. What is your assessment of that target? Is it achievable, is it overambitious, or should we be aiming for something higher?

Ms McManus: At the moment, it is very difficult to say without having the specific champions. The universities are very engaged in the framework, and their involvement could easily secure that. There needs to be a more co-ordinated approach when we are setting goals so that the industry is involved in the process much more than it is today. That is my only comment on that. The target should not just be set from a Government perspective; it should work with the ICT sector or the agrifood sector and set a goal that is ambitious for both parties.

Dr Beaney: If the only goal is spend on R&D, it would have to relate to some sort of economic benefit. Otherwise, you could end up with an R&D salesman who goes around selling R&D whether or not it relates to any economic benefit. That is more difficult, but it is crucial.

Mr Flanagan: Is that measurable?

Dr Beaney: It is. You could look at how much of a company's profit was as a result of R&D carried out over the past few years. There is a lot of stuff available for that. The gathering of that data might be much more complex, but I do not know the infrastructure around that. Having a metric such as that is good to start with, but I urge everybody to be careful about whether that relates to any economic benefit.

Mr Flanagan: I completely agree with you.

Ms J McCann: Thank you for your presentation. It strikes me that we constantly hear about the need to develop the SME sector here, because it is crucial to growing the economy. I know that foreign direct investment (FDI) is important as well. *[Inaudible due to mobile phone interference.]* If we are really serious about creating jobs for people, we need to develop the SME sector so that it is able to export. That is where we need to put a particular focus. You have given some good recommendations on how we can do that. We heard in the last presentation about skilling people and how the FE colleges are working with business to take that initiative forward in R&D.

You mentioned the evaluators. In your paper, you say that there are relatively low numbers of evaluators from here who would probably understand the problem better than someone from Europe. How do we ensure that people who are sitting on these panels are looking at where funding is going? There is a lot of funding out there, but sometimes it is not going in the right direction. How do we ensure that there are people here who know the issues, are directing the themes of funding and are looking at the projects that are key to delivering what we need?

Ms McManus: That is where the Horizon 2020 champions come into play. We select the sectors that we want to play in across Europe; the agrifood sector, the ICT sector and so on. That role can help facilitate the selection of the programmes and projects which we will go ahead with. The evaluators are a key piece, and I can leave a copy of this document. We did a comparison of evaluators across the various calls in the UK, Ireland and Northern Ireland. The evaluators really make the decision as to which projects will be successful. We are missing a piece there; evaluators, when they come back to the region, are giving feedback to the projects that were not successful. *[Inaudible due to mobile phone interference.]* They are learning a lesson so that they are successful next time. We need to encourage more academics and people from industry who have been successful in frameworks and have that expertise to become evaluators so that, when a local project is being evaluated, there is someone from a local perspective to help increase our success rates. We can leave this analysis with the Committee. It shows clearly that in Northern Ireland there is a very low uptake of evaluators across all the calls in Europe.

The Chairperson: That will be very helpful. Thank you very much indeed.

Ms J McCann: There seems to be a need for some sort of consortia for the small and medium-sized sector. That happened with some of the community organisations in drawing down European funds. It strikes me, from what you are saying, that you do not have the time to devote to what some of the larger companies might have or whatever.

You talk about a champion for this. As I have said, we hear, time and again, even in accessing public procurement contracts, that the SME sector, though central to our economy, does not seem to get the same type of focus from organisations such as Invest NI. Would a champion for that sector create jobs? I remember that, at a Finance Committee meeting, it was said — I cannot remember who said it — that if we could increase the capacity in exports and development of each small and medium-sized business here, and create one or two extra jobs, we would have full employment. It seems to me that the necessary energy or drive is not given to that. Maybe we could have a champion to try to develop all that? We need to look into the future to create employment opportunities for our young people.

Ms McManus: Nationally, we have just completed a report called 'Future Champions' which looks at medium-sized businesses, that is, anyone with revenue above £10 million. We have identified those businesses as a core area. Just as you said, they could contribute £20 billion to the growth of the economy by 2020. They will create the jobs, if they are promoted and fostered. I am happy to distribute that report to the Committee. Some of its key findings are about addressing key burdens, including access to finance. In Northern Ireland, there is a dependency on bank finance. We do not look at alternative sources of finance, such as venture capital (VC).

There is also a management and leadership issue. We need to encourage more of our indigenous companies to look at and export to foreign markets. How do we support that growth? The CBI is creating a programme for that this year, and it will be one of our key focuses for the year. How do we challenge and raise the level of ambition in those companies to look at all other markets, consider alternative finance models and look beyond Northern Ireland as a market?

Ms J McCann: Also, to encourage young people to come forward and create their own businesses.

Ms McManus: Absolutely. That is key.

Mr McKay: What about funding streams? You mentioned InterTradeIreland — [*Inaudible due to mobile phone interference.*] Do you find that some sectors, maybe the better established ones and those that are less fluid, are better at availing themselves of funds? Are they better prepared? They know the European market and who to go to. Certain sectors will be better than others.

Mr Sloan: Yes. The companies that are experienced in accessing funding use the likes of the Innova programme, because they have contacts. Innova encourages cross-border R&D projects between two companies. I work closely with some of the companies that are on the Innova programme, and we need to make people aware of what is involved and whether it is the right thing for them. It comes back to awareness and a little bit of hand-holding. I have approached a couple of companies that have talked to me about applications that they wanted to develop, and I worked it through with them. They had looked at Innova, but were a little bit scared of it. However, when they understood it, they moved forward and have been approved for a couple of project development grants. Therefore, the answer to your question is yes. The companies that are more solid and experienced understand exactly what they have to do.

Mr McKay: Is it not the case that the ICT sector is much better developed at doing that than the agrifood sector? Do certain sectors need to up their game?

Mr Sloan: From my knowledge of some of the applications, I would say that participation is quite widespread. There is quite a lot of participation from agriculture and a number of other sectors, including pharma.

Mr McKay: What about renewables?

Mr Sloan: I have not seen enough of that and cannot comment . However, from the ones that I have seen in passing, there seems to be a reasonable cross section.

Ms McManus: I have a report here from Enterprise Ireland. This is an all-island framework initiative, and the largest areas of success are seen in agrifoods, health, ICT, Marie Curie, energy security and transport.

Dr Beaney: On the SME side of things, we find that it very much depends on local universities and how interested the individual departments in those universities are in collaborating with industry. Some departments are not interested and just want to write academic papers, while others are very hands on. Often, SMEs are not necessarily thinking about this and the universities can show them that there is a whole world of funding that they did not know about. In our sector, the level of engagement that the companies have with their local universities is probably the biggest correlation with how much funding they will draw down. Some do almost nothing with the universities and get no funding. In my experience, that tends to be where that comes from.

Mr McKay: Is that changing? Do you find that colleges and universities are opening up more?

Dr Beaney: Not really. I know that that is what they are saying, but on the ground I am not so sure.

Mr Sloan: The innovation vouchers are helping. They almost force an initial engagement, and that can lead on to the likes of a KTP programme or a Fusion programme, through which a dedicated PhD student will work on a particular issue. In turn, that can lead to a R&D grant for a bigger research and development project through the Invest NI funding programme or Innova . There is a pathway, and the innovation vouchers are forcing that engagement, which was always an issue, to happen. Once people start to network those barriers are gradually broken down.

Mr McKay: You referred to different streams and programmes. Is there a danger in tinkering with those? Obviously you want as many funding streams — *[Inaudible.]*
Is what is there at the minute through the Innova programme adequate, or should we tweak — *[Inaudible.]*

Mr Sloan: I have not sat down and analysed the whole pathway, but good steps seem to be taking place. As I said, the innovation vouchers allow companies to see whether their ideas make any sense, KTP programmes allow companies to get further research done and, if a company is the right size, Invest NI can offer further support through a R&D grant to get the product to market. There seem to be good opportunities there. As regards generating ideas, there is Invest NI's collaborative networks programme. It helps to bring local companies together with this central idea. They identify gaps and niches. To answer an earlier question, they can identify gaps where there is an opportunity for a new business to be created and help fill that for the network. Does that answer it?

Mr McKay: Yes.

The Chairperson: Before I conclude, there are a couple of small points. As far as I am aware, the final thematic elements in Horizon 2020 have not been completely or exhaustively defined or determined. Are there any thematic elements that you think might be usefully added to the list? If you do not have an answer to that now, maybe you could have a think about it and forward an answer to us. That would be worthwhile — unless you have some ideas at this moment.

Ms McManus: Yes, OK.

The Chairperson: You talked about evaluators. That is a concept that I find hard to understand, and I am not sure where it has come from. However, you do need an evaluator to evaluate these projects. I am sure that evaluators do not grow on trees and that you have to get people who are competent in this area. How do you get to the point where you are considered to be an evaluator? Do you have to have some recognition from the European Union? What is the process?

Mr Frew: You have to evaluate them. *[Laughter.]*

Mr Sloan: Anybody can apply to be an evaluator. You sign up and, when certain themes come up, they will look at your past history, the skills that you have identified, your qualifications and your past track record. They will pick you from that. If you do not have the skills, you will just not get called.

The Chairperson: Right; it is as simple as that.

Mr Sloan: Also, through the networking, they build up an idea of who certain people are and who can do what. They will look for certain things. If there was one on cloud computing, they would put in a search for people who had experience of working with cloud computing. They would search for those words and pull those people out. They would then look at what level those people were at, whether they were in the private sector, third-level institutions, large companies or whatever, and select from those people. There is no harm in anybody. No one gets marked down or told, "No, you are not qualified to do this." People may have a specific skill.

The Chairperson: Yes, but what you are saying, Ms McManus, is that for the process to really work, we need more evaluators. I think that you are all in agreement with that.

Ms McManus: Yes, absolutely.

The Chairperson: One other point. How well do you think research and development tax credits work? Do you think that they would be useful here?

Dr Beaney: From my point of view, they do help. They help to take some of the risk out of the potential innovation. If I have a new material that I want to try — something like that, small basic research projects — they are quite useful. If it works, that is fine. If it does not work, at least it has not left you out of pocket. The whole process of how you claim the money seems to work fairly well as far as I am concerned. I am pretty happy with it.

The Chairperson: Are there specific tax credits already available?

Dr Beaney: Yes. The way that you claim it is that you submit annually, if you want to, all the R&D activities that you think are eligible. You then get a rebate for the corporation tax that you paid on it, or something like that. I am not from that side, but, generally speaking, it is a matter of keeping a log of what R&D you do so that you can recover some of the money. It rewards companies that —

The Chairperson: Is it specifically identified in your company's tax return that this is research and development, or is it just seen as another business expense that is used to reduce your tax bill?

Dr Beaney: I see what you mean. It depends on the company. It is open to both, really. The definition of R&D is quite broad, so it could be used for either.

The Chairperson: Therefore, a smart company — I do not mean that in a mischievous sense — would say, "If we put so much into R&D, we could claim that in tax relief."

Dr Beaney: Yes, sure. We get approached by people who say that they are specialists in that area and can maximise your claim.

The Chairperson: OK. I think that that is everything.

Thank you very much, everybody. That was a very interesting session. Once again, thanks for the written submission. If we have any further questions, perhaps we can send them to you in writing and you can respond to them along with any further information that you think might be useful. Thank you very much.