

Written evidence submitted by the Northern Ireland, Department for the Economy (Arm's length body – Invest NI), relating to the Investment in Northern Ireland inquiry INI0017

1. Steps the UK Government can take to encourage investment in Northern Ireland, including through the Shared Prosperity Fund, Levelling UP Fund and Internal Market Act.

INVEST NI

The UK Community Renewal Fund (UKCRF), with £220m of pilot funding for the UK, allocated £11m for NI for 2021/22 with bids from all eligible organisations being submitted directly to the Ministry of Housing, Communities and Local Government (MHCLG).

Invest NI formally submitted two applications in June under the call totalling £850k and in November was formally notified that it was unsuccessful in the two applications with feedback for both these projects stating that the applications did not meet the requirement to pass the initial criteria as *'The project appears to duplicate an existing live project which the applicant currently operates.'*

Invest NI recently provided input to the updated NI Future Funding Priorities - Shared Prosperity Fund Paper. This paper will be used to help DfE and DoF to continue to make representation to Department for Levelling Up, Housing and Communities, highlighting how the NI Executive operates and proposing that any funding would need to be delivered in a similar way to the Structural Funds and to address the Executive's priorities which include increasing productivity, increasing innovation and addressing skills.

The Future Funding Priorities paper highlighted the view that the best delivery mechanism for the UK Shared Prosperity Fund in NI is via existing structures, respecting the devolved settlement. That the NI Executive is best placed to ensure that Shared Prosperity Fund spending is in line with the NI Programme for Government and that there is no dilution of impact caused by overlapping areas of responsibility. Further, considering the aim of reducing administrative complexity, and in line with devolved responsibilities there is no benefit in introducing any reporting mechanisms to any central unit in either Ministry of Housing, Communities and Local Government or Department of Business, Energy and Industrial Strategy beyond those already in place for HM Treasury oversight of NI spending.

2. Steps the UK Government can take to ensure investment, including foreign direct investment, is economically effective.

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As businesses in NI and the other UK nations plan and implement investment for future growth it is important that the UK Government implements an international migration policy that enable UK businesses to access the required human skills to support their capital investment programmes. This is not a homogeneous picture across the UK and will constantly evolve as different regions look to realign business operations following EU Exit and the impact of Covid-19. For a period, it will be important that flexibility exists within the migration system to sustain and support growth of differing industry clusters across the range of UK nations.

In parallel, as businesses seek to develop new and emerging export opportunities from the UK's expanding suite of Free Trade Agreements it is important that companies, particularly Small to Medium Size Enterprises are supported in terms of export financing and risk mitigation products. Support mechanisms such as the export credit guarantee scheme and other supporting export financing programmes are essential to enable Small to Medium Size Enterprises to both explore and ultimately realise growth opportunities in new and emerging markets.

3. The economic effectiveness of investment under the New Deal for Northern Ireland and New Decade, New Approach funding.

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The lack of support for staff within major technology centres will greatly reduce the effectiveness of Centres. They may have the latest / greatest equipment, but if they do not have the necessary people skilled in the use of that equipment and who can engage with and support industry, the huge investment in facilities will be greatly hampered in its impact.

4. The potential effect of City Deals on economic growth in Northern Ireland.

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Invest NI is very supportive of the City & Growth Deals, which will accelerate economic growth across the region and will help support the Levelling-Up agenda.

While the economic impact of some Deals is still being quantified, the Belfast Region City Deal and the Derry & Strabane City Deals jointly have an ambition to create 27,000 new and better jobs.

Invest NI welcomes their multi-faceted coverage. These link industrial, academic, governmental, societal, and regional challenges in a comprehensive, inclusive way and will ensure that regional growth takes place across the whole of NI.

The four Deals are seeking to develop common areas of specialism and interest, and Invest NI welcomes the openness the Deal Promoters have to working collaboratively to take advantage of these opportunities and to address particular challenges.

In addition, the Deals will support projects across the broader innovation and digital areas and will be a key contributor to helping NI achieve its 10X ambitions, by seeing the development of a number of leading edge research facilities e.g. advanced manufacturing; artificial intelligence; Life & Health Sciences.

City Deals provide a great opportunity to stimulate economic growth in NI. However, as currently constructed, there is a significant deficiency in terms of resource funding to secure the necessary people to make many of the centres operate effectively. Without this supporting investment there is a very significant risk that the centres will fail to realise their potential economic impact; indeed it will materially increase the risk of individual project failure.

5. Steps that business can take to invest effectively in Northern Ireland.

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Businesses must be encouraged to engage not only in their own individual operations but also in their wider cluster/sector ecosystem. Whether in terms of skills development, engagement with collaborative research into common technical challenges, or the sharing of key knowledge collaboration is vital. In order to thrive in NI businesses must be prepared to work together and engage with the available and evolving University (& City Deal funded), Further Education and specialist research capability resources that are publically supported to enable the maximisation of future economic growth. This is also true for new international investors who must be encouraged to not only utilise existing human and technical resources but also to become part of developing the collective knowledge resources for the future.

6. Steps the UK Government can take to encourage investment that addresses the skills gap and increases employment opportunities for people with few or no qualifications.

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Invest NI does not have a direct role in supporting the upskilling of individual citizens, but rather works with businesses to ensure that their employees (current and future) have the necessary skills to improve productivity, while relieving recruitment pressures. This subsequently generates wider benefits for the region as a whole, in line with the NI Government's economic strategy. We work with a number of partners – including those in Further and Higher Education, local Councils and industry - to ensure that any interventions provided are timely, relevant and tailored to areas of specific need;

NI businesses are currently experiencing the impact of both the EU Exit and the ongoing pandemic on skills availability; we therefore welcome any steps that enable government to support the creation of the right skills mix to allow companies to recover, rebuild and take advantage of new opportunities, including (but not limited to) those with a focus on:

- ensuring that the future skills pipeline takes account of changing needs within industry – in particular the need for new and updated skills in relation to Industry 4.0 and innovative supply chain management
- utilising a collaborative approach to ensure that that public sector resources and opportunities are maximised, while facilitating engagement between industry and academia to help future-proof the skills pipeline
- positioning NI (and the wider UK) as an attractive destination for returning diaspora and new foreign talent – thus ensuring that our economy benefits from access to diverse global experience and skills.

There is a need to invest in leadership development in manufacturing and service businesses to enhance vision and capability of leaders with their sectors. This could be done through the funding of top quality and in depth leadership development programmes for key leaders and leadership teams to raise their overall ambition and help create the leadership skills necessary to deliver that ambition.

7. The potential impact on investment of GB regulatory divergence from NI.

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Following EU Exit and the implementation of the NI Protocol (NIP), NI is now in a unique position with dual access to the world's largest markets EU and GB. Medical Device & Diagnostics manufacturers located in NI enjoy full unfettered access to both the UK and EU market, while only being required to achieve EU regulatory approval.

This provides NI with a real opportunity to boost new life sciences trade & investment. The existing strong export focused industry base, supported by a high-quality research base, combined with significant planned investment in Life Sciences infrastructure through Regional Growth City Deals, offers an immediate opportunity for NI to explore benefits from EU Exit and the NI Protocol.

Recent research undertaken by Invest NI in consultation with the local industry and stakeholders has highlighted that the absence of clarity and significant ambiguity regarding the unique NI regulatory position. Evidence to date show that changes are already negatively impacting innovation, health outcomes and the future economic prosperity of the region.

A recent Invest NI workshop demonstrated that NI stakeholders (Medical Devices (MD) and in vitro diagnostic devices (IVD)) were concerned about current support and communication from the medical & Healthcare products Regulatory Agency (MHRA) as it has become increasingly focused on GB issues. In fact, a survey at this workshop showed that 65% of the NI stakeholders felt that communication and guidance for NI from the MHRA was poor or irrelevant.

This means that much needed regulatory advice for MD and IVD NI based businesses and other stakeholders is severely limited, just at a time of high need. These companies need a clearly defined regulatory approach to follow as this is fundamental to core business functions and company survival. Some immediate perceived challenges / risks include:

- Trade opportunities for NI businesses
- Foreign Direct Investment opportunities for NI
- Clinical trial investments in NI
- Patients' health through access to new medicines, health monitoring and medical devices
- Engagement in innovation activities such as co-design and R&D
- The general uplift to health outcomes of clinical trial engagement
- Practical guidance on regulatory rules for companies who are either deemed to be manufacturers / distributors to the EU market.

NI remains aligned with a range of EU legalisation including that applicable to Medical Devices and IVDs. Guidance on Medical Devices and IVDs issued by the MHRA is largely focused on compliance for the GB market, and there is currently an absence of specific regulatory compliance guidance for NI manufacturers of medical devices or IVDs wishing to place their products on to the EU and GB markets.

Lack of specific guidance for NI companies from the MHRA and contradictions between MHRA and EMA is creating significant issues for industry and delaying decision-making. NI regulations for medical devices and IVD's has already begun to diverge from GB with the implementation of Medical Device Regulation (MDR) and incoming In Vitro Diagnostics Regulation (IVDR) over the next 12 months.

Prior to EU Exit the NI Life Sciences sector relied on the knowledge and resources of the MHRA with respect to understanding the EU (including UK) regulatory framework. Consequently, there has been no requirement to develop significant local regulatory knowledge in the region. However post-EU Exit, the MHRA is focused on adapting GB regulation, with limited focus being given to the how NI companies address regulatory adaptations needed to fully exploit trade, investment and research opportunities. Delays in clarification of the regulatory requirements applicable to medical device and in vitro diagnostic medical devices is hampering the ability of NI businesses to capitalise on their unique position and the potential for the region to attract foreign direct investment.

8. Steps the UK Government can take to support the decarbonisation of industry in Northern Ireland and stimulate investment in a sustainable economy.

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Invest NI delivers a suite of support, including specialist advice and investment capital, to help NI businesses to become more efficient and resilient, whilst boosting the development of a sustainable economy. This support helps businesses to optimise and futureproof their operations by implementing green efficiencies to achieve cost savings and carbon savings.

Invest NI is also committed to supporting the delivery of the New NI Energy Strategy and work has already commenced to help inform future support measures to enable businesses to implement greater energy efficiencies.

Invest NI recognises the need for more ambitious and broad ranging investment in infrastructure, technology and programmes to encourage the decarbonisation of industry in NI and to support the objectives of the 10X Vision and new NI Energy Strategy. Alignment of policy, regulation and infrastructure development is needed to stimulate investment and allow decarbonisation opportunities to be realised.

UK Government could help support exploration of opportunities for use of natural geological resources in Northern Ireland, such as underground thermal resources, which could be used for heating requirements.

UK Government could make support schemes in England for renewable energy, available in NI.

UK Government could commission R&D to speed up the integration of domestic renewables generation to electric vehicle and electric vehicle to grid technology. There is currently a weakness in the integration of this capability, resulting in inefficiencies.

9. Delivery of the prosperity agenda of the Good Friday Agreement.

N/A

10. Relationships between schools and local Universities.

N/A

11. Assessments of the understanding of the importance of education.

N/A

12. Status of technical, vocational education and apprenticeships.

N/A

13. Identifying sectors of investment and employment potential

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The Department for the Economy's new 10X Economic Vision sets out an ambition for innovation led future investment, economic and employment growth for NI, prioritising the following clusters:

- Advanced Manufacturing & Engineering
- Fintech & Financial Services
- Digital ICT & Creative Industries
- Life & Health Sciences
- Agri-tech

Invest NI's 2021-22 Business Plan recognises these cluster opportunities and outlines a series of actions aligned to the various 10X Economy themes that will facilitate economic growth and contribute positively to delivering the long-term 10X Vision.

Invest NI has developed strategic drivers of growth within its Business Plan and recently commenced work to identify new Strategic Opportunities aligned to the 10X Economy clusters and that will create potential for significant future investment and innovation led export growth for NI.

Invest NI will collaborate with DfE colleagues through new 10X Work-streams to validate the market opportunity for NI, develop policy, a roadmap and action plan for implementation that is capable of delivering transformational change and lead towards creating a more innovative, inclusive and sustainable economy as envisioned within 10X.

The UK government can play a key role through its Levelling-Up agenda and Community Renewal Fund for NI in directing additional investment and support to Northern Ireland to ensure we maximise the economic growth opportunities outlined within the UK's Plan for Growth and Build Back Better agendas.

December 2021