

Response to the Consultation on the Northern Ireland draft Regional Economic Strategy launched 26 January 2007.

1.0 Introduction

- 1.1 The requirement to produce a Regional Economic Strategy (RES) is one set by the Chancellor for all UK regions in an attempt to raise productivity levels. In 2004 the Chief Secretary to the Treasury requested that Northern Ireland (NI) produce a RES.
- 1.2 The RES has been constructed within the parameters of national economic policy and centres on raising productivity via the four key drivers: infrastructure; enterprise; skills; and innovation. The RES also prioritises increasing the employment rate.
- 1.3 The previous DFP Minister issued the draft RES for public consultation on 26 January 2007. The consultation closed on 19 April 2007. This document provides a summary of the consultation responses to the NI draft RES. It also sets out the Finance Minister's position on these issues in light of the consultees views. There were 23 written responses from a range of local, regional and national organisations as set out below:

Respondent Types	No	%
Local Authorities	5	22%
Community and Voluntary Sector	3	13%
National and Regional Organisations	4	17%
Training and Education Bodies (including higher education sector)	1	4%
Business and Trade Unions	9	39%
Political Parties, MEPs	1	4%
TOTAL	23	100%
All Respondents came from Northern Ireland		

- 1.4 The Northern Ireland draft Regional Economic Strategy will be revised in light of the consultation responses and any recommendations that may

emerge from the ongoing Varney Review (due for completion in the autumn).

2.0 Responses to the consultation

2.1 Generally, consultees felt that the RES provided a comprehensive and sound analysis of the current challenges facing the NI economy. However, they stated that the RES was weak in terms of how progress is to be delivered and lacked measurable, time-scaled actions and objectives. Specific consultee comments are detailed below:

Taxation / Fiscal Measures

- An improvement in regional competitiveness would only come from a cut in corporation tax, a point which receives dismissive attention in the consultation document, but would be insufficient in itself to stimulate fully the local economy.
- Fiscal policy autonomy in the Republic of Ireland (RoI) has played a key role in the success of the RoI economy over the last decade, i.e. the ability to attract high levels of high value added investment creating skilled and well paid jobs. NI future success will depend on both increasing the quality and quantity of Foreign Direct Investment (FDI) and growing and developing NI indigenous businesses at a faster rate, which will in turn require fiscal incentives.

Targets / Economic Indicators

- Benchmarking targets are inadequate and unambitious e.g. increasing the NI/UK GVA per person ratio from 80% to 80.5% by 2015.
- More ambitious targets must be set if the NI economy is to become more dynamic, sustainable and prosperous relative to the rest of the UK and if NI wants to close the prosperity gap with the RoI. Otherwise the gap in productivity, skills and infrastructure will continue to widen.
- The strategy lacks inspiration in terms of setting dynamic targets.

- If the forecasts were designed to show what would happen if present policies continued, then it should be presented as a wake-up call to do better, where doing better is the outcome of a serious change of gear in the key economic drivers.

Skills

- There is insufficient emphasis on developing a strong pipeline of young people with expertise in science, technology, engineering and mathematics.
- Giving people the right skills and getting them into the right work must be a key part of the strategy.
- Needs to be a partnership approach between existing industries, targeted business sectors, enterprise agencies and our education and training system to address the personal and skill barriers of the economically inactive.

Enterprise

- The strategy does not show how an enterprise culture can be developed where private business drives the local economy in terms of economic output and employment.
- Support for prioritising enterprise, and a belief that all-island support programmes would have a particularly effective role.

Local Authorities

- Lack of recognition of the key role that local authorities have to play in delivering effective local economic development, and the enhanced role in economic development under the Review of Public Administration (RPA).
- Accountability to local people and businesses is absent.

Sub-regional level

- The NI RES can/should go further in terms of identifying specific actions and indicators under each of the four key drivers at a sub-regional / city level in line with the Government commitment “*to boosting productivity across all countries, regions and cities of the UK*”.
- Whilst not detracting from Belfast’s role in the NI economy, the role of other gateways and hubs, in the context of spatial planning and regional development in both jurisdictions needs greater acknowledgement in the RES.

Environment

- The strategy has not used Strategic Environmental Assessment (SEA); and there is little recognition of the importance of the environment for economic success.
- Strategy strong on promoting measures to achieve economic growth without considering how this will contribute to climate change and sustainable development.

Public Sector

- The strategy requires work to tailor public sector interventions to the needs and requirements of NI if the private sector is to build on its success.
- There is some dissatisfaction at references relating to the public sector regarding the size of the public sector, pay levels and drawing skilled workers away from the private sector.

North – South Cooperation

- The North/South economic cooperation being treated as a horizontal theme in the RES is welcomed.

Need for RES

- There is the suggestion that the strategy may be surplus to the present economic requirements of NI and that it seems to have been

developed merely to satisfy Treasury requirements rather than by any rational economic arguments.

3.0 Finance Minister's Response

- 3.1 The Finance Minister is pleased that most consultees felt that the RES provided a comprehensive and sound analysis of the challenges facing the NI economy. The Finance Minister acknowledges the concerns raised by the consultation respondents. It should be noted that Budget 2007 reduced the headline rate of corporation tax from 30% to 28%, and that a staged increase in the small companies' rate of corporation tax from 19% to 22% was introduced. The Finance Minister is obviously concerned about the potential negative impact the staged increase in the small business rate of corporation tax may have on the local business community, which consists mainly of small firms.
- 3.2 Two key issues raised by a large number of respondents were the need for unique fiscal measures and the lack of ambitious targets. These two issues have been addressed separately below.
- 3.3 The Chancellor has initiated the independent Varney Review into: *"how current and future tax policy, and including tax charges announced in the Budget, can support sustainable growth of business and long-term investment in Northern Ireland."* The outcome of this review, due in the autumn, will have a central impact on future economic development policy in NI and the recommendations of the Varney Review will therefore be incorporated into the final NI RES.
- 3.4 During the consultation period research work continued in the area of economic indicators. This research includes comparisons with other UK regions and the UK average. The findings of this research will be reflected in the final NI RES.

3.5 All the issues raised during the consultation will be carefully assessed and the RES will be amended accordingly.

DFP

July 2007