

August 2021

Evaluation of Invest NI International Business Group

Final Report



SQW

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Disclaimer

This is the final version of the evaluation report which includes changes and additional clarification to respond to comments provided by the evaluation steering group.

i. Executive Summary

Introduction

1. This report presents the findings of a strategic evaluation of the Invest NI International Business Group. The evaluation covers all trade and investment support provided by Invest NI between 2014/15 and 2019/20. Trade support is activity to help companies increase external sales (GB and international export sales). Invest NI's investment activity helps to attract investment from GB and Foreign Direct Investment (FDI).
2. The evaluation took place against a backdrop of the COVID 19 pandemic and the implementation of Brexit. Both have enormous consequences for the future of Northern Irish trade and investment, and at the time of reporting there remain considerable uncertainties around both. There are also wider global influences, with the possibility of increasing trade protectionism, reshoring of investment and more focus on the resilience of supply chains. While these factors will influence how trade and investment support is taken forward, this evaluation is able to draw lessons from the earlier period, April 2014 to March 2020 and draw conclusions which will be valuable regardless of how these uncertainties play out.
3. As a small open economy Northern Ireland depends on international trade and attracting investment. This in turn defines the economy's ability to create jobs and wealth. International trade not only increases the scale of potential markets; it exposes businesses to new ideas, driving innovation and productivity. International links attract new, innovative firms, investment and enable businesses to translate their innovation into the sales that are critical for Northern Ireland's long-term prosperity.
4. Facilitating international trade and investment is therefore a fundamental role for government and Invest NI. The recent Trade and Investment for a 10X Economy¹ was produced in June 2021 as one of a series of '10X' papers. It provides an overarching direction for investors, businesses and support building on NI's strengths, capabilities and technological advantages. Perhaps most importantly the vision provides the platform for a more holistic view of trade and investment within the wider economy.

Overview

5. Our evaluation concludes that the trade and investment support delivered over the period covered by the evaluation has been effective and been improving over the past few years. The findings from each of the strands of the evaluation are remarkably consistent. While performance has been reasonably good, there is an opportunity, as the economy recovers, to raise the bar further.

¹ <https://www.economy-ni.gov.uk/sites/default/files/publications/economy/trade-investment-10x-economy.pdf>

6. Among consultees, there was almost unanimous support to tighten the focus of support, to make this more strategic and build on a growing international network. E-commerce support is becoming increasingly relevant, while it is important to consider more effective use of IT in the delivery and monitoring of services. For FDI, skills and labour costs have been critical to its success and looking forward it will be important that Invest NI works closely with partners on future demand and supply.
7. Despite the uncertainties, the recovery brings new opportunities for Northern Ireland's businesses, and Invest NI's support and guidance will be more important than ever. A series of changes are already helping to reshape support and our proposals continue to move delivery from a more traditional, reactive service, focused on a broad range of interventions, to a more focused, smarter, and more strategic service.

The evaluation

8. The study was started in early 2020 but delayed by the uncertainties around the COVID-19 pandemic, with the survey work taking place in late 2020 and early 2021. The evaluation included the following areas of research:
 - Review of the policy and strategy context, NI's trade and investment performance
 - Review of Invest NI's trade and investment support and the types of businesses supported
 - Review of international comparator activity
 - Survey of 219 businesses receiving trade support
 - Five focus groups with 34 business receiving trade support
 - Survey of 36 foreign-owned businesses receiving Invest NI support
 - Consultations with 40 internal and external stakeholders.
9. The process of setting up the surveys required a considerable amount of time for the evaluators and Invest NI. Specifically, there were a large number of businesses that were excluded because Invest NI were not able to make contact details available.
10. There are lessons in ensuring that the CRM system and contacts are kept up to date and, secondly, that businesses that receive support are required to agree to participate in future evaluation work.

Invest NI's International Business Group

11. Invest NI's International Business Group has primary responsibility for overseas activities. This includes attracting foreign direct investment to NI and supporting NI companies to access and sell to markets outside of NI with a focus on maximising opportunities aligned to Northern Ireland's sectors of strength and export growth potential (advanced manufacturing & engineering, life & health sciences, digital & creative technologies, financial & professional

services, construction & agri-food, and emerging sectors including the green economy). The Group includes the Invest NI network of international offices, organised around four distinct geographic areas: North & South America (“Americas”), Great Britain & Europe, India, Middle East & Africa (“IMEA”) and Asia Pacific, the Trade & Investment Division and a Group Services function.

12. Based in Invest NI’s Belfast HQ, the Trade and Investment Division is an integral part of the International Business Group. Led by the Executive Director of Trade and Investment, it comprises the Trade Team, International Investment Team and Northern Irish Connections.

The Trade Team

13. Invest NI’s Trade Team offers support services and solutions for Northern Ireland businesses at different stages of their export journey including those currently exporting or planning to export. The key objectives of the Trade team are to increase the number of NI businesses exporting for the first time and developing new overseas markets. Working with Invest NI’s client relationship managers and overseas colleagues across 24 global locations, the Trade team delivers advice, guidance and export capability development programmes to help NI businesses to assess their export-readiness, devise export strategies, find new business opportunities and make the necessary preparations to explore and maximise opportunities in new overseas markets. The Trade Team is made up of three allied teams; Early Exporters & Capability Development, Market Promotion and Trade Advisory Sectors.

The International Investment Team

14. The International Investment division has specific responsibility for attracting and negotiating new Foreign Direct Investment for Northern Ireland. The team works with the overseas office network to secure and organise visits to NI by potential investors and to convert leads into actual investments. The Invest NI Investment team is organised around sector priorities – Tech, LHS, AME & Financial Professional & Business Services, pulling projects through from each global territory and provides FDI support to the regional offices within Northern Ireland. The Investment team and indeed the Trade Division, has additional responsibility for providing (i) market research enquiries and proposition reports to the overseas offices and other internal teams; (ii) delivering ministerial and other submissions; (iii) liaising with DIT on FDI matters including managing the NI ‘tagged’ projects pipeline and reporting NI successes; and (iv) providing support to the overseas territories on customer reporting and activity monitoring matters.

Trade

15. Across all the strategies developed over the period of the evaluation, the NI Executive, DfE and Invest NI have aimed to increase the level of external sales and exports, the number of NI exporters, and the value/quality of inward investment coming to NI.

16. Despite the challenging economic context over the last 5-6 years, there has been good progress against most of the strategy targets set both for the economy as a whole and for Invest NI. The exception has been the value of sales to GB which fell sharply between 2014 and 2019 from £13.1bn to £11.3bn, driven by a 49% decrease in manufacturing sales which was heavily affected by significant business closures. Excluding the manufacturing sector sales to GB, total external sales over this period grew by 31%².
17. The number of firms selling to GB increased between 2014 and 2019 by 62% and the number of firms selling outside NI grew by 36% to 15,742 in 2019 – well ahead of the Export Matters target of 14,000 by 2020.³
18. Over the six years of the evaluation, Invest NI supported over 2,200 businesses. Among their client-managed businesses, there has been significant growth. External sales grew by 31% and GB sales grew by 27%. International exports increased by £2.2bn (34%) to £8.6bn, while Invest NI has supported 700 firms to generate external sales for the first time, well above the target of 300-400 set in the Export Matters strategy⁴.
19. Overall, the feedback from the stakeholder consultations and from businesses indicates that trade support has improved markedly over the period of the evaluation. Feedback from the survey and business workgroups was very positive.
- **Businesses rated the quality of trade support highly** (90% scored support 4 or 5 out of 5) and compared it favourably with other organisations.
 - **The support was also effective in delivering new customers** (65%) (often in Europe and North America), staff training (42%), developing or adapting products (37%) and hiring new staff (35%).
 - **Two thirds of firms reported that the support has had a major or moderate effect on international and/or GB sales**, and a further 21% expected positive effects in the future.
 - **The additionality of the business outcomes was reasonable.** There were only 12% of cases in which businesses felt they would have achieved the same outcomes over the same time period. In most cases the support accelerated or increased the scale of activity (54%) and the outcomes would not have occurred at all in 29% of cases. It suggests that the support is helping businesses take forward their plans.

² Source: SQW analysis of export data for Northern Ireland: Broad Economy Sales and Exports Statistics (BESES) produced by NISRA (2019)

³ Northern Ireland: Broad Economy Sales and Exports Statistics (BESES) produced by NISRA (2019)

⁴ SQW analysis of Invest NI monitoring data

- **The analysis provides confidence that the support has delivered a reasonable return on investment** generating sales of between £11.20 and £15.80 and GVA of between £3.70 and £5.20 per £1 invested⁵.
- 95% of the businesses that reported a major or moderate impact on international sales thought these sales would continue into the future.
- Stakeholder feedback was also positive on trade support. There was a common view that support was improving but needed to be tighter, more strategic, and more pro-active.

Issues from the evaluation

- 20.** There were a number of issues raised in both the consultations and from the survey feedback that reflect the challenges trade support has faced over the past six years. Some of these have been addressed by recent changes:
- In the past, there was a view that trade support had been too “transactional”, more ad-hoc and short-term rather than strategic. This was reflected in the frequent comments about a culture of grant dependency. It is also supported by the relatively small number of supported businesses who stated they had a written international plan (20%)
 - There are too many interventions. This is confusing and leads to a business perception that there is funding that they don’t know about and a culture that focuses on applying for programmes, rather than supporting the identified needs of businesses
 - The previous structures and relationships meant that there was less input from overseas teams. Instead of contributing their knowledge and expertise they tended to be reactive to requests and this was a missed opportunity
 - There was a frequently expressed view that the “jam was spread too thinly” and that it should be targeted more effectively, either by the sector or size of the business, or its propensity to scale. It was felt that Client Executives should be more challenging in targeting resources
 - Trade support was considered to be too reactive, and not sufficiently proactive. There should be the expertise and experience to provide leads, ideas and opportunities. This is backed up in the survey which shows that the support tends to accelerate activity rather than introduce new activity.
- 21.** Some of these issues stem from a need for greater credibility. Without this, support becomes too general and adds less value. The feedback from consultees and from the business workshops suggests that reorganising support by sector has enhanced credibility and the value that advisers have been able to offer. The changes that have been introduced, and those

⁵ For comparison, an SQW evaluation of Scottish Development International (SDI) trade support in 2017 found a ratio of costs to GVA of between 1:4 and 1:6 (although there are differences in how the business survey was segmented and in the attribution of costs).

that are underway, address many of the issues that have been raised. We fully support the direction that this will take Invest NI's international activities. The main changes are:

- **Growing overseas presence** - throughout the consultations and in the business feedback, the importance of building and using Invest NI's networks in-market was a central theme. This was incorporated in views about more "boots on the ground", importance of local networks, support for fulfilment in-market, building knowledge of international opportunities, and providing leads to partners. This is certainly one of the biggest challenges for active exporters, and there was a great deal of support for this.
- **More strategic support should be addressed through the introduction of the Trade Accelerator Grant (TAG).** This should use Export Health Checks and Export Development Plans to drive more strategic interventions. It allows more relevant support to be drawn down where it is needed. It will ensure more coherence and follow up for businesses. An interim evaluation of the TAG scheme is currently underway and will be used to refine its operation and relationship with other programmes.
- **The expansion and integration of the International Trade Advisors (ITAs)** - has also helped provide a trade perspective alongside business support, for example in contributing to GAP market development projects. The evidence from business workshop highlighted the importance of ITAs providing a route into Invest NI's international network. The consultations also stressed the added value that the ITAs are increasingly making by sense-checking plans and helping to tighten up how resources are used.

22. Based on the findings, we make some suggestions that further build on the direction that Invest NI is moving, as well as the new 10x vision and the Recovery Plan.

- **There are several suggestions for ensuring future monitoring and evaluation is improved:**
 - Ensuring that the CRM system and contacts are kept up to date. A large number of businesses were excluded from the survey because Invest NI were not able to make contact details available
 - The terms and conditions of providing support should be changed to require businesses to participate in future evaluation work
- **Targeting support - sharpening the pencil** -10x Economy: A decade of Innovation – sets out a high-level vision for an NI economy built on innovation. In particular, it focusses on building on strengths and identifies five clusters: Digital, ICT and Creative Industries, Agri-Tech, Fintech/ Financial Services, Advanced Manufacturing and Engineering, and Life and Health Sciences. The 10x paper on Trade and Investment sets out the case for trade and investment as a driver of innovation and the broad approach. As well as reinforcing the findings of the evaluation around the need for a tighter focus, it provides a link back to the specific strengths, capabilities and technological advantages identified in the main 10x vision, which will help Invest NI prioritise "*outward looking and growth-orientated*" activities.

- **In terms of a geographic focus, Invest NI is undertaking an exercise to map NI's export sectors of strength with overseas markets** as part of the process of identifying overseas office locations. Generally, consultees tended to emphasise the importance of GB and RoI markets, where there was considered to be more accessible potential.
- **“Better focus” can also apply to identifying the businesses that should be supported** and in what way.
 - The new TAG programme provides a more strategic approach to working with companies. This should ensure that all client managed companies have an agreed trade plan with key actions for the next 18 months. The current interim evaluation of TAG will provide evidence on how well this is working
 - To be effective, the investment in overseas locations also needs stronger links into businesses in NI. This requires an expansion of the team of Belfast ITAs around Invest NI key sectors.
- **Joined-up delivery** - the consultations also highlighted the connection between international trade and investment, skills and innovation. Through its client management model, Invest NI is in a position to understand and support these links – a more strategic, sector-led approach across trade, investment & client management provides a platform for integration.
- **Status of trade support and promoting trade as a priority for NI** - trade support is often seen as being about providing grants to go on overseas visits. It should instead be seen as offering access to a team of international sector experts, bringing opportunities, supporting strategies and providing advice drawn from its network and experience. The introduction of ITAs, more sector experience and a stronger international network all raise the status and profile of trade support. It should be seen as an exciting route to driving innovation, wealth and jobs across Northern Ireland. It will be important to:
 - Ensure that the systems and communications across Invest NI enable it to integrate the growing international network effectively for the benefit of businesses
 - Build individual skills within Invest NI and strengthen the international outlook of business support, alongside the sector expertise. For example, by encouraging more international travel for client executives and ITAs as part of their CPD. Understanding sectors *in an international context* is where ITAs can add real value. This helps businesses make better decisions and helps Invest NI target resources more efficiently.
- **Targets and KPIs** - International sales drive business performance through innovation and productivity (and vice versa). The evidence from the survey suggested that 70% of Invest NI clients had seen a positive impact on productivity. This is hard to measure but a proxy could be estimated as a change in the ratio between sales and employment.

- There should be a clear set of trade objectives and targets that are agreed across the sector and trade teams
- Ensure company level export performance can be accessed by all internal partners.
- **More pro-active approach** - there were views that with a strong brand Invest NI has a platform to be more assertive. This comes from building credibility and having good, experienced staff that can bring a wider vision to businesses. There were many examples in the survey and business feedback where Invest NI's networks and expertise have been critical in opening new opportunities for businesses. This should be encouraged – even at the risk of sometimes getting it wrong.
- **Range of support interventions** - All the stakeholders agreed that there were too many interventions, that this complicates the process for everyone and led businesses to think that there was support that they were not hearing about. This is being reorganised through TAG and should continue to be simplified.
 - Raise the profile of funding for graduate placements as part of TAG process with opportunities to link this to digital marketing
 - For trade shows, there should be clearer guidance to companies explaining expectations for attending trade shows and vary intervention rates based on the firm's export experience in that market
 - Lead or encourage partners to relaunch the export forum (as referenced in Export Matters⁶) to map, coordinate and promote a joined-up trade support service to NI companies.
- **Early exporters** - Invest NI has delivered a number of successful programmes, such as Go Dutch, and some of the principles of this could be built on to provide the basic tools for entering easy access markets. This would be a combination of workshops, advice, and market visits.
 - Invest NI could enable an early-stage exporters network with online meetups that builds on the bonding experience of the overseas trips.
- **Data and digital delivery** - The pandemic has provided an opportunity to look at how digital technology is used. Invest NI should be a beacon, setting a lead and showcasing innovative approaches.
 - As part of, or alongside Get Fit, review how IT is used and investigate best practice elsewhere in the world
 - As part of their agreement, businesses that have had investment should be required to participate in future programme evaluations.

⁶ The previous export forum set up in 2016 brought together a range of partners involved in export support incl. Invest NI, local councils, InterTrade Ireland and chambers of commerce

- **Use of Challenge Funding** – the 10x vision highlights the importance of using challenge funding. In this context it would encourage a greater sense of exclusivity and strategic thinking in specific areas of support. For example, a new overseas office could invite proposals to build or explore a market. This would offer funding for several visits, help with preparation and tailored in-country support. This could focus on the sectors identified in the 10x vision Digital, ICT and Creative Industries, Agri-Tech, Fintech/ Financial Services, Advanced Manufacturing and Engineering, and Life and Health Sciences.
- **E-commerce marketing support** - supporting businesses to develop their online presence is becoming a core part of international trade support around the world. Invest NI does provide this, but there were some issues around the definitions of “marketing” and what is eligible for support. The main support available from Invest NI currently for E-Business development is the MIS grant which focuses on setting up the IT infrastructure and online platform rather than enabling support to fully leverage the business’ online presence
 - E-commerce and online marketing are now vital for international sales. Invest NI should review how support is offered and look specifically at the offers made by comparator countries.
 - Invest NI should consider appointing a specialist Digital Sales International Trade Advisor to provide advice and link businesses with other support, including GAP.
- **Building networks** - perhaps the biggest message from export businesses was the importance of Invest NI’s networks overseas and how these are used to identify and create opportunities. The expansion of the overseas networks will strengthen this, but it is also important that these are used effectively.
 - Sharing the experience of those that are most effective across the network will help teams focus on building relationships within markets (not just on short term targets)
 - Globally there is also more emphasis on the role of global ambassador networks. Our consultations suggest that more could be done to support NI Connections and build it up alongside the growing office presence.
- **Partnerships** - while partnerships were generally seen as working well, there were areas where there could be further improvement. The 10x vision papers now provide a broad framework for NI organisations (for example Invest NI, NI Executive, Chamber of Commerce, Local Authorities) to work together and develop a trade and investment strategy with a common focus and targets. While much is done on trust and personal connections, it may be appropriate to consider how Memorandums of Understanding and other more formal agreements might help clarify the responsibilities of partners.
- **Sector support** – several key sectors felt that greater support was needed:

- Sector consultees considered that the scale of investment in support of food and drink businesses had been higher in Scotland and the Republic of Ireland than in Northern Ireland, despite its value to the Northern Irish economy and the opportunities it offers. A new sector marketing forum could be set up to help support international trade.
- The aerospace sector has been particularly hard hit through the COVID-19 crisis and will face a longer recovery. While there is some supply chain development support and ongoing lead generation work, the sector felt that Invest NI could do more to use its networks to find opportunities with customers.

Inward investment

- 23.** Northern Ireland has been successful in attracting inward investment over the past six years, described by consultees as “punching above its weight”. Based on the latest EY Attractiveness Survey and the number of FDI projects per capita between 2014 and 2019, NI (with 9.1 projects per 100,000 people) has performed better than all the English regions except London (30) and Scotland (11.6). Using 2019 figures, NI is ranked sixth out of all European countries.
- 24.** Using DIT’s figures, NI together with Scotland and the North West were the only parts of the UK to see an increase in FDI projects during this five-year period. Through its inward investment activity, Invest NI has supported important clusters of activity in several technology areas, most notably cybersecurity, fintech and professional services.
- 25.** Feedback from consultees was very positive, although, like trade, the frequent themes were around improving focus and more specific targeting.
 - The quality of the support is highly rated, particularly by new investors to NI
 - The support had delivered significant benefits: more than three quarters (77%) of businesses in the survey have increased workforce training, more than half of the businesses reported having invested more in R&D, half of the cases had also developed new collaborations, almost half the businesses brought new products and technologies to Northern Ireland
 - Over two thirds (70%) of businesses reported a major or moderate impact on turnover and productivity, as a result of the support. A fifth reported that the support has had no effect to date
 - The additionality of the support was reasonably strong. Although it differed between those making their first investment and existing investors expanding. Just over half of the new FDI investors (post 2014) would not be trading in Northern Ireland without the support, and 31% would be trading with fewer employees.

Key issues raised in the evaluation

- The success of attracting investment has impacted on businesses already based here. There were concerns that this has increased wages and reduced the pool of skilled people for other businesses. Given that local skills and wages are important selling points for NI, this is an area that needs to be continually reviewed.
 - There were some views that attracting more “footloose” technology businesses, rather than for example manufacturing or engineering, created a greater risk that businesses could leave.. However, the evidence of re-investment in the technology sector suggests that this has not been an issue to date.
 - Another perception was that much of the FDI support is focussed on jobs and that more consideration should be given to targeting technologies and the potential spillovers. This might be particularly relevant in attracting green technologies.
 - Related to this, there were issues raised about how effectively these businesses were being integrated into the NI economy. The survey suggests that while there were many collaborations, there were fewer traditional supplier links.
 - Historically, moving companies from the investment team, which had the initial relationship to client executives, has been challenging. The survey also suggests that new investors rated the support more highly than existing investors. As a result, Invest NI may be missing opportunities to further develop the relationship and identify new opportunities to support further investment and international trade. **This could merit refresher training to help manage investor relationships.**
- 26.** Looking forward, like trade, restructuring of the teams, in January 2021, has greatly helped in inward investment and the sectoral focus has increased expertise in key sectors in specific locations. There are changes underway which should further help improve performance and encourage better connections between the in-market teams and Belfast.
- Given the success of Invest NI in attracting FDI, it is becoming increasingly important to **join this up with the wider economy** and particularly the labour market. This will be driven by the new DfE 10x economic vision and its focus on key sectors over the medium term. The international comparator work highlights how other countries are becoming more focused on specific themes – particularly green technologies.
 - **Skills are the single biggest factor** in attracting much of this investment. FDI teams, government, HE/ FE institutions and others should work together in matching potential supply and demand in the future. The 10x vision makes a commitment to deliver the necessary skills and it will require all these parties to work together.
 - Skills and labour costs have been key, and NI needs to keep ahead of the game – so raising skills further – and building momentum around specific sectors. There are three

important aspects to this. In leading the delivery of FDI, Invest NI should ensure that these are in place:

- **Building market intelligence** through survey data and consultations with investors. Is the data to assess skills supply and demand available? This is not about new entry skills but the ability to attract and retain experienced workers.
- **Sharing and co-ordination of activity.** FDI depends on a number of parts of the economy working together. How effectively is intelligence shared, interpreted and discussed between partners in skills and in FDI planning? This requires working closely with skills providers to ensure there is the volume and quality of skills required for local and externally owned firms. As above, this is being done around entry skills but more could be done to retain and attract experienced workers.
- **Leadership** – because FDI and skills cut across organisations and departments, this needs leadership to bring it together. **It may be beneficial to have a cross-departmental individual or team responsible for driving skills development, particularly in specific sectors that are attractive to prospective FDI companies.**
- **Handover process** - the change in business advisers for inward investors from the Investment team to the sector team CEs, was raised as a challenge within Invest NI, but also echoed to some extent in the business survey which found that new investors rated the support more highly than existing investors. At some point inward investor must move into client managed business support with less time to dedicate to them.
- This integration has caused challenges, possibly exacerbated by the structure of targets in the different teams. The experience of these investors in NI is critical attracting further investment, embedding the company and in reputation (future testimonials). Inward investors are often exporters and innovators, with strong international links and access to resources that could be attracted in the future.
 - These companies offer some of the best opportunities for further growth. Invest NI is building a stronger customer success ethos and we think this will help maximise the company's investment in NI and build on the relationships that have already been developed. There may also be scope for further training for client executives in managing these relationships.
- **Strengthening links with trade** - The survey found that many of the inward investors are substantial exporters (75% of the FDI businesses responding in the survey reported sales outside the UK and RoI). NI is a good base for selling to GB and, for goods, into the EU. For some inward investors there will be scope to influence the scale of international sales and the markets. Some already receive trade support interventions. However, the survey found that very few cases reported that Invest NI usually approached them. It suggests that there is an opportunity to work with them on trade development.

- Invest NI could be more pro-active in approaching FDI companies and discussing trade growth opportunities – perhaps initially through the development of the customer success teams.
- **One voice** - Stakeholders and some of the interviews with inward investors highlight the importance of NI's commitment to their business, as much as any financial incentive. The feedback frequently mentioned importance of the Invest NI team, and in some cases government or ministerial involvement.
- **NI is a small economy and that the economic development support agencies can work together more effectively than in larger regions.** Demonstrating this partnership across Invest NI, government and other agencies, and that these partners will work together to solve problems for your business, is a very powerful message. It requires a common focus and ambitions that 10x starts to set out and which a trade and investment strategy will build on.
- **Flexible, smart support** - The evidence from the survey interviews and from the stakeholders provided some mixed views on the use of financial incentives. While there was some criticism of some of the thresholds and the process, there are considerable advantages in its flexibility, particularly with SFA. Together the combination of tools was thought to work well.
 - With the new 10x vision and future trade and investment strategy, the use of incentives, may require to be changed to reflect new priorities. It may need to reflect changes in the labour market, key sectors, or social or environmental objectives, particularly as the economy recovers from the Covid pandemic
 - Our view is that the flexible use of SFA and other tools should be maintained, but that how incentives are varied across different types of project should be reviewed as part of the new trade and investment strategy. This should include the incentives to support innovation/R&D by new inward investors, in line with the focus of 10x.

1. Introduction and approach

- 1.1** This report presents the findings of a strategic evaluation of the Invest NI International Business Group. The evaluation covers all trade and investment support provided by Invest NI between 2014/15 and 2019/20. Trade support covers activity to help companies increase external sales (GB and international export sales). Invest NI's investment activity helps to attract investment from GB and Foreign Direct Investment (FDI).
- 1.2** For a small open economy like Northern Ireland external trading and investment are critical for economic growth, generating jobs and raising levels of income for its residents. International trade not only increases the potential size of the market but offers diversification, enables scale efficiencies. Exposure to international competition also drives productivity, encourages innovation and spreads ideas and good practice. Despite these benefits there are barriers or disincentives that businesses face, and which Invest NI interventions can help overcome.

The study

- 1.3** The study was started in early 2020 but delayed by the uncertainties around the COVID-19 pandemic, with the survey work taking place in late 2020 and early 2021. Stakeholder consultations took place in February and March 2021. The evaluation included the following areas of research.
- **Review of relevant strategies and data on NI's trade and investment performance** over the last six years. Key datasets included Broad Economy Sales and Exports Statistics (BESES) produced by NISRA; Regional Trade Statistics (RTS) published by ONS, and inward investment data produced by EY and Department for International Trade.
 - **Review of trade and investment monitoring data** provided by Invest NI, with details of different interventions and businesses supported during the evaluation period.
 - **Review of comparator country activities** to identify the main types of trade and investment activities being delivered across 17 comparator countries, including examples of good practice and their responses to the COVID-19 pandemic. This desk-based review was undertaken in June 2020 and the findings are presented as a separate annex.
 - **Survey of 219 businesses receiving trade support** between 2014/15 and 2019/20. This was based on a population of 1,184 businesses that had received more than one intervention and took place during November and December 2020.
 - **Survey of 36 inward investors receiving support.** This focused on new, first time investment, expansion or job creation projects between 2014/15 and 2019/20. The interviews and took place during December 2020 and January 2021.

- **Consultations with 39 stakeholders** including the Invest NI staff, NI Department for Economy (DfE), UK Government Department for International Trade (DIT), NI Chamber of Commerce, Intertrade Ireland, Belfast City Council, trade bodies, Invest NI trade and investment service providers and representatives of the Invest NI Board.
- **An additional set of workshops** was requested by Invest NI, with businesses that had received international trade support. 34 businesses participated and these were held in March 2021 and lasted 90 minutes each.

The evaluation objectives

1.4 The main purpose of the evaluation was to assess whether Invest NI's approach to internationalisation is optimal and to identify what changes could be implemented in order to enhance the impact and effectiveness of its operations. The aims of the evaluation were to assess:

- the extent to which Invest NI's internationalisation activities fit with policy and strategic priorities, the evidence of market failure and how this has changed
- the need and demand for Invest NI's internationalisation activities, the extent to which the interventions are market-led, the mix of support available and the extent to which support is being tailored and targeted effectively.
- the appropriateness and effectiveness of the current delivery model
- the approach to increasing the number and capability of first-time exporters and assisting existing exporters to overcome barriers and the approach to increasing export sales and intensity
- the arrangements for identifying, securing and embedding new inward investors and the role of partners
- overall engagement across the International Business Group including between Headquarters and overseas offices
- the extent to which the interventions are contributing to increased productivity and competitiveness amongst participating businesses and the overall net economic impact of Invest NI's trade development activities over the evaluation period
- the extent to which Invest NI's internationalisation activity is delivering against the targets and objectives in the relevant strategies and plans
- Determine the extent to which Invest NI's internationalisation activities have achieved value for money over the evaluation period
- Identify the lessons which will inform what Invest NI should do differently and/or focus on in order to maximise the impact of its internationalisation activities in the future.

Challenges and timing of work

- 1.5** The evaluation took place during a year dominated by the COVID 19 pandemic. Other than the inception meeting and a day of scoping consultations in February 2020, all other meetings and interviews were carried out online. While the on-line consultations and workshops worked well, it is difficult to know whether these conditions affected businesses willingness to participate in the surveys.
- 1.6** The second effect was that Covid dominated the thoughts and feedback of businesses who were often primarily concerned with survival rather than thinking about international plans. At the time of the interviews, exporting activity was badly affected, although some businesses were still trading internationally. A positive finding was that most businesses in the trade survey were pausing or adapting their international plans, rather than abandoning them.
- 1.7** The interviews also took place in the run up to the Brexit deal at the end of 2020. The uncertainty about what this would mean was also a major challenge for businesses and their international trade plans. There was considerable concern in late 2020 about what the failure to reach a deal would mean, and since then, the uncertainties around Brexit have continued, becoming further complicated by the implications of the Northern Ireland Protocol.
- 1.8** This uncertainty has impacted on the effectiveness of some of the more recent support, where businesses have not yet been unable to benefit. However, because the evaluation is primarily backward looking and assess what has been achieved over a six-year period, the results still provide a fair reflection of effectiveness.

Report structure

- 1.9** The study draws from a large number of elements, each of which contributes to the overall evaluation. The findings from each are set out in separate chapters, with short summaries at the start. These are pulled together in the final conclusions chapter. The rest of the report is organised under the following sections:
- Review of the policy and strategy context
 - NI's trade and investment performance
 - Invest NI's trade and investment support
 - Trade support: business survey analysis
 - Business focus group analysis
 - Inward investment support: business survey analysis
 - Economic impact of Trade support
 - Trade and investment consultations
 - Conclusions and recommendations.

2. Policy and strategy context

- 2.1** This section of the report considers the strategic context during the evaluation period (2014/15 to 2019/20). Before discussing the objectives and targets set out in the various strategy documents, it is important to highlight two major events which have shaped and are still shaping the policy approach to trade and investment in Northern Ireland.

COVID-19 pandemic and lockdown

- 2.2** The COVID-19 pandemic and the measures put in place to slow the spread of the virus have had a major impact on the performance of all economies in 2020 which will continue for some time. The virus which spread from China to all global markets during the first half of 2020, resulted in major travel restrictions and the temporary shutdown of many sectors. Over the last 15 months many UK businesses have stopped or limited production because staff are unable to work under public health measures, and/or supply chains have been disrupted. As a result, output has fallen sharply. On the demand side, global public health measures have restricted demand internationally.
- 2.3** UK GDP declined by 9.9% in 2020, the largest fall amongst G7 countries. It was also the sharpest drop in output in over three hundred years. GDP is expected to bounce back and increase by 4% in 2021 and then return to pre-pandemic level in the second quarter of 2022⁷. UK unemployment is expected to peak at 6.5% at the end of 2021.
- 2.4** The IMF estimates that during 2020 global GDP output fell by 3.3% with significant reductions in output across all the advanced economies⁸. GDP is forecast to recover with 6.0% growth in 2021 and 4.4% growth in 2022.
- 2.5** In terms of the impact of the pandemic on the NI economy, commentators suggest that NI GDP during 2020 fell by between 10-12%⁹. There remains significant uncertainty on the economic outlook and much depends on the progress of vaccine rollout and effectiveness of vaccines in combatting new strains of the virus.
- 2.6** The economic policy response to the pandemic in NI has, up until recently, been focused on short term support for businesses, communities and individuals. However, a longer-term strategy to rebuild and reshape the NI economy was announced by the NI Executive in February 2021 and is summarised later in this section.

⁷ Office for Budget Responsibility (2021), Economic and Fiscal Outlook

⁸ <https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021>

⁹ <https://www.economicsobservatory.com/update-what-has-been-the-impact-of-COVID-19-on-northern-irelands-economy>

Brexit uncertainty

- 2.7** In June 2016, the UK voted to leave the EU. Following the referendum result, the UK Government invoked Article 50 which specified that the UK would leave the EU by March 2019. The Brexit deadline was subsequently extended to October 2019. However, with the UK Parliament refusing to ratify the Withdrawal Agreement, a General Election was held in December 2019 and the new Government then was able to secure a majority to ratify the agreement. The UK formally left the EU at the end of January 2020, but the Withdrawal Agreement allowed for a transition period to the end of 2020 for the UK and EU to agree future trade and security relationships.
- 2.8** The Withdrawal Agreement also contained the Northern Ireland Protocol which stated that after the end of the transition period there would be no new checks on goods crossing the border between NI and the Republic of Ireland (ROI) meaning that NI remained in the EU's single market for goods. Specifically, the NI Protocol aimed to:
- avoid a hard border between NI and the ROI
 - make sure of the integrity of the EU's single market for goods
 - facilitate unfettered access for NI goods to the GB market, and the inclusion of NI goods in free trade agreements between the UK and third countries.
- 2.9** Although there have been some delays resulting from the new trade border in the Irish Sea, Invest NI has started to promote the opportunities of NI's new status post Brexit. It is seeking to use NI's dual market access position become a gateway for the sale of goods to two of the world's largest markets and promote the region as the only place where businesses can operate free from customs declarations, rules of origin certificates and non-tariff barriers on the sale of goods to both GB and the EU¹⁰.
- 2.10** It is widely recognised that the uncertainty around Brexit contributed to a decline in inward investment to the UK and to Northern Ireland over the past four years. For example, analysis by the Department for the Economy¹¹ estimated that an additional 1,000 FDI-related new jobs could have been created in Northern Ireland between 2016 and 2018 if the Brexit vote had not taken place. It is unclear how much the uncertainty around Brexit has impacted on exports to date, but research by the Fraser of Allander Institute¹² suggested that every post-Brexit scenario would have a negative impact on the Northern Ireland economy. Specifically, the research predicted that exports will be 11.8% lower on aggregate in the long-term (i.e. after 15 years) in the case of a "hard Brexit" and 3.4% lower with a "soft Brexit".

¹⁰ <https://www.investni.com/media-centre/features/northern-ireland-market-access-great-britain-and-european-union>

¹¹ Department for the Economy (2019), The Impact of Brexit Uncertainty on FDI-related New Jobs in Northern Ireland

¹² Fraser of Allander Institute (2019), The Direct Long-term Trade Impacts of EU Exit Scenarios on Northern Ireland

Overview of key strategies

2.11 The main strategies in relation to trade and investment in NI covering the period of the evaluation are summarised in the following sections and set out in chronological order.

Export Matters Action Plan (2016)

2.12 In early 2016, the NI Executive worked with Invest NI and Intertrade Ireland to produce an action plan to increase exports. The vision of 'Export Matters' was "A NI economy characterised by a sustainable and growing private sector, where a greater number of companies compete in more global markets, creating growing prosperity and employment for all". The Plan acknowledged that NI did not meet its export targets as set out in the 2012 Economic Strategy, in terms of increase the value of manufacturing exports by 20% and the value of exports to the emerging economies by 60% by 2014/15.

Export Matters – headline export targets

- Grow the value of sales by local businesses made outside NI
 - Using 2014 as the baseline the target for 2020 was to increase external sales by 33%
 - The target for 2025 was increase the value by 80%
- Encourage more local businesses to engage in sales outside NI
 - In 2014 there were 11,348 businesses selling outside of NI – the targets were to increase this figure to 14,000 by 2020, and to 16,000 by 2025.
- Ensure that local businesses maximise sales in a wide and diverse range of global markets
 - In 2014, 7.4% of external sales were to non-traditional markets (outside GB, RoI, Western Europe and North America) – although no target was set, the Plan aimed to increase the level of sales to different markets.

2.13 In order to achieve these targets, the Action Plan called on all relevant support organisations (e.g. Invest NI, Intertrade Ireland, Enterprise NI, local councils, chambers of commerce, UKTI) to become closer aligned and better integrated so that there is better understanding of the export pathway and a clearer offer in terms of the support escalator.

Trade Accelerator Plan (2016)

2.14 The development of a Trade Accelerator Plan was announced by the Economy Minister in a speech in September 2016. The aim of the Plan was to boost exports by locally based

businesses and to expand the number of companies trading outside of NI. It included a range of enhanced support for existing and first-time exporters, as set out below.

Trade Accelerator Plan – key elements

- a new Trade Advisory Board drawing together some of our best business leaders to provide assistance to the Minister and Invest NI as they look to the world for new trade links
- the appointment of Northern Ireland Trade Ambassadors, utilising the untapped power of our diaspora to assist us in our efforts to open up new opportunities, especially in emerging markets
- the expansion of Invest NI's international presence in up to 10 more locations around the world by the end of next year
- the creation of new trade, investment and innovation hubs in key global markets.

Economy 2030 - Draft Industrial Strategy (2017)

2.15 At the start of 2017, the NI Executive published a Draft Industrial Strategy to 2030. The Strategy set out a framework for growth across five priority pillars: Accelerating Innovation and Research; Enhancing Education, Skills and Employability; Driving Inclusive, Sustainable Growth; Succeeding in Global Markets; and Building the Best Economic Infrastructure. Under the Global Markets pillar there is a recognition that NI must embrace an outward facing approach given that it is a small economy. It will do so through three key aspects of engagement:

- Competing globally through trade will allow NI to achieve the required business scale, specialisation and growth
- Competing globally for investment will mean FDI can contribute significantly to raising NI's productivity and innovation activity
- Competing globally as a destination will attract focus to NI's key areas of economic potential, and actively promote it as a good place with to interact with economically, commercially and academically

2.16 To progress with each of these, the Industrial Strategy sets out the following actions.

NI Draft Industrial Strategy – key actions

- Develop a new International Trade Plan for Northern Ireland to capitalise on recent export success and encourage more first-time exporters
- Enhance international awareness of Northern Ireland as a place to do business with
- Lower corporation tax and promote Northern Ireland internationally as a top destination for inward investment within a strong United Kingdom proposition
- Target new export-intensive and “profit centred” inward investment opportunities, building upon existing strengths within sectors and clusters
- Prepare our skills pipeline for the needs of inward investors of the future
- Increase support for export market diversification and additional support to target Great Britain and Republic of Ireland as first destination markets for our businesses
- Work closely with the Department for International Trade to capitalise on emerging trading opportunities
- Engage with emerging markets to secure market access for our agri-food products
- Within a new Tourism Strategy, deliver events of scale that can enhance our international reputation
- Develop our international position as a destination for learning, attracting the best academic staff and collaborating on research
- Identify opportunities for exploiting education services as an export and a means to enhance our international reputation.

2.17 Six broad sectors were identified as the key drivers for the new strategy: Financial, Business and Professional Services; Digital and Creative Technologies; Advanced Manufacturing, Materials and Engineering; Life and Health Sciences; Agri-Food; and Construction and Materials Handling.

2.18 The 2016 Programme for Government and 2017 Industrial Strategy were not finalised due to the collapse of the NI Assembly and Executive in January 2017, the Northern Ireland Assembly following a disagreement between the DUP and Sinn Féin about the management of the Renewable Heat Incentive scheme.

Invest NI International Strategy (2017)

- 2.19** The Strategy set out three key aims to: increase the overall level of sales outside NI; increase the total number of businesses selling outside NI; increase the level and quality of new inward investment. It highlighted that NI's international competitiveness was integral to creating a more prosperous and sustainable economy, especially given the small, regional nature of the economy.
- 2.20** The first aim will be delivered partly by assisting firms in their transition to becoming a first-time exporter, and also by working on a one-to-one basis with selected high growth customers to design a tailored export development plan to grow their export sales.
- 2.21** The second aim will be achieved through a three-stage approach:
- Building awareness through a campaign to highlight the benefits of exporting
 - Assist companies in becoming export ready through, for example, expanding trade and export workshops to include a range of practical and export orientated topics
 - Support of new exporters e.g. by increasing the resources and capability of first-time exporters through a new Graduate into Exports programme
- 2.22** To achieve the third aim, Invest NI will build on:
- Attracting new first-time investors to NI through participation in key lead generation events in target markets, direct sales prospecting, focused market and sector visits and organising inward visits to NI for prospective investors
 - Working as a Trusted Business Partner with existing international investors to encourage them to expand, further develop and add new functions to their operations in NI.
- 2.23** The Strategy highlighted the development of strong collaborative partnerships as being a critical factor in delivering targets for trade, FDI and international growth. This included re-focusing diaspora engagement through NI Connections, engaging on specific FDI and trade projects across DIT locations (e.g. Sydney, Toronto, Los Angeles, Madrid), working more closely with local councils and NI trade bodies to promote NI's sector strengths, and deepening relationships with global professional services firms. The Strategy also highlighted that Invest NI was opening 10 new international offices to drive more exports and inward investment.

Invest NI International Strategy – key targets for 2017-21

- Support Invest NI customers to achieve an increase in total sales from £3.2bn to £4.2bn
 - with £2.4bn to £3.1bn from sales outside NI
 - of which £0.8bn to £1.2bn will be new exports.
- Expand the global footprint of NI exports with
 - 600-800 companies entering new markets
 - of which 300-400 selling outside Northern Ireland for the first time.
- 7,200-10,600 assisted jobs from externally owned companies
- 5,340-7,700 assisted jobs from first time inward investment.

New Decade New Approach

2.24 After various attempts to restore devolution to Northern Ireland, the two power sharing parties accepted a new deal put forward by the UK and Irish Governments and the Assembly reopened in January 2020. The deal was set out in the New Decade New Approach document. It highlighted that one of the immediate priorities for the restored NI Executive was “investing for the future to ensure NI is equipped to harness opportunities and drive sustainable productivity, including opportunities for future trade as we leave the EU”.

2.25 The main commitments relating to trade and investment are set out in the following box.

New Decade New Approach – trade and investment proposals

- Promote Northern Ireland as a global cyber security hub, building on its blend of world-class talent, leading forensic science expertise and tech research excellence to achieve 5,000 cyber security professionals in Northern Ireland by 2030
- Scope the establishment of a Northern Ireland hub in London - complementing the Invest Northern Ireland London Hub - to provide an increased opportunity for Northern Ireland stakeholder engagement in London
- Committed to ensuring that there is a New Deal for Northern Ireland as we leave the European Union, maximising trade opportunities and investment
 - A fund will be made available to promote the competitiveness of Northern Ireland’s economy, including through trade missions and the GREAT campaign.

NI Economic Recovery Plan

2.26 In February 2021, DfE produced an Economic Recovery Plan and with key actions for 2021-22 to help rebuild and reshape the NI economy following the economic shocks caused by the COVID-19 pandemic. These actions are in four areas of R&D and Innovation; Highly Skilled and Agile Workforce; Greener Economy; and Investment, Trade and Exports. The Department highlights that an additional £290m of Government investment will be required this year with £200m in extra funding for trade and investment support. DfE's main actions in this area will involve the following:

- Push for a permanent and complete solution to end frictions brought about by the protocol
- Securing clarity on long term trading arrangements and the regulatory environment arising from EU exit
- Building on the success of Invest NI's International Strategy, and the continued promotion of NI's sectoral strengths across its global network, to maximise trade and investment opportunities
- Providing investment and employment support to business to help them rebuild
- Stimulating demand for local businesses including retail, restaurants and hotels
- Assisting businesses to explore and increase cross border and GB market trade and develop new markets
- Working with businesses to help them adapt to new trading conditions
- Ensuring SMEs in Northern Ireland are provided with support and guidance to fully benefit from opportunities for cross-border growth.

10x Economy – Economic Vision for a Decade of Innovation

2.27 DfE published its new economic vision for NI in May 2021. The '10X Economy' identifies 10 guiding principles which underpin the vision. They include supporting a greener economy, inspiring the future generation to thrive, delivering improved outcomes for all and increasing innovation. The vision reaffirms the priority clusters which are expected to drive innovation and export led economic growth over the next decade.

- **Digital, ICT and Creative Industries** – including Cyber Security; AI & Data Analytics; Telecom, Mobile & Data, Networks; Healthcare IT; Smart Cities; Sports Tech; Digital and Entertainment Media
- **Agri-Tech** – including genomics, traceability of food, advanced packaging, plant and animal health specialisms, and the application of AI to new agricultural methods

- **Fintech/ Financial Services** – tech solutions to the international financial services industry including banks, insurance companies, and asset management companies
- **Advanced Manufacturing and Engineering** – including Aerospace & Defence, Automotive, Construction, Materials Handling, Electronics, Energy, Water and Consumer Products.
- **Life and Health Sciences** – including Pharmaceutical, Diagnostics, Connected Health, Medical Devices and Biotechnology.

2.28 The 10x Trade and Investment paper highlights five key ambitions:

- Become a magnet for regionally balanced inward investment from high quality new Foreign Direct Investment and follow-on expansions
- Increase the number of businesses of all sizes selling goods and services, outside of NI – to GB, RoI, rest of EU and rest of world customers – for the first time
- Increase the value of goods and services sold outside of Northern Ireland – as exports to RoI, rest of EU and rest of world customers
- Strengthen our presence in established markets and diversify into new overseas markets with high growth potential, aligned with our areas of competitive strength
- Maintain the level of goods market access with our main trading partner, Great Britain, and increase external sales in that key market.

Summary

2.29 Across all these strategies, the NI Executive, DfE and Invest NI have aimed to increase the level of external sales and exports, the number of NI exporters, and the value/ quality of inward investment coming to NI. The strategies were consistent in terms of the priority sectors for increasing trade and investment, and these have been: Financial, Business and Professional Services; Digital and Creative Technologies; Advanced Manufacturing, Materials and Engineering; Life and Health Sciences; Agri-Food; and Construction and Materials Handling. As discussed in the following section, despite the challenging economic context over the last 5-6 years, there has been good progress against most of the strategy targets set.

3. NI's trade and investment performance

Trade

- NI's trade performance over recent years provides a mixed picture. Based on the latest BESES figures there was a 1% increase in external sales from £22.7bn in 2014 to £23.0bn in 2019. The target set out in Export Matters in 2016 was to increase external sales in NI by 33% between 2014 and 2020¹³
- While sales to GB fell sharply between 2014 and 2019 from £13.1bn to £11.3bn (-14%), international export sales increased from £9.6bn to £11.7bn (+22%)
- The change in GB sales has been driven by a 49% decrease in manufacturing sales from £8.4bn to £4.3bn. **Excluding the manufacturing sector sales to GB, total external sales over this period have grown by 31%**
- Based on the RTS data published by ONS, the sales of exported *goods* from NI grew by 35% surpassed only by London (43%) and the East Midlands (39%)
- Around 40% of the growth in NI's exports between 2014 and 2019 was in Machinery and Transport and most of the growth has been generated in NI's two main export markets, the EU (£1.4bn in new sales) and North America (£642m growth in sales).
- The number of firms selling to GB has increased between 2014 and 2019 by 62% to 10,487 businesses while the number of businesses selling outside NI rose to 15,742 well ahead of the Export Matters target of 14,000 by 2020.
- RTS data indicates that growth in the number of exporters from NI (13%) was exceeded only by London (17%) and the SE of England (15%).
- In 2019 NI had the highest number of exporters as a proportion of all businesses, with 1,197 exporters per 10,000 businesses, significantly higher than other parts of the UK.

FDI

- Based on the latest EY Attractiveness Survey and the number of FDI projects per capita between 2014 and 2019, NI (with 9.1 projects per 100,000 people) has performed better than all the English regions except London (30) and is slightly

¹³ <https://www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/BESES-internet-tables-2011-2019.xlsx> - Table 1.10
<https://www.economy-ni.gov.uk/sites/default/files/publications/deti/Export%20Matters.pdf> – targets set out on pg. 26

behind Scotland (11.6). Using 2019 figures, NI is ranked sixth out of all European countries.

- The EY data suggest that the number of FDI projects coming to NI has decreased from 39 in 2014 to 28 in 2019, but the figures fluctuate year on year.
- The DIT data, calculated in a different way to the EY figures, show a more positive picture in terms of the number of FDI projects during the evaluation period. According to DIT there were 33 FDI projects coming to NI in 2015/16 (data not available for the previous year) and this increased by 21% to 40 projects in 2019/20.
- Using DIT's figures, NI together with Scotland and the North West were the only parts of the UK to see an increase in FDI projects during this five-year period.
- GB investment into NI is not captured in the EY or DIT reports, but is an important part of Invest NI's inward investment activities.
- Since 2014/15 there have been 63 projects with £152m investment, generating 2,730 jobs. This is just less than a third of all the FDI supported by Invest NI over that period.

Trade

- 3.1** There are two main sources of export data for Northern Ireland: Broad Economy Sales and Exports Statistics (BESES) produced by NISRA; and Regional Trade Statistics (RTS) published by ONS and based on HMRC data. BESES data covers sales of both goods and services and are collected from the NI Annual Business Inquiry. The dataset is an experimental annual measure of local businesses and is not comparable to other parts of the UK. Although the RTS provides data for all parts of the UK, they only relate to the sales of goods. In line with Invest NI's focus on helping businesses sell to GB and international markets, the section on trade performance discusses both external sales and export sales¹⁴.

BESES

- 3.2** Based on the latest BESES figures, the total value of sales by NI businesses in 2019 was £71.9bn. Internal sales (i.e. within Northern Ireland) accounted for just over two thirds (£48.9bn). In 2019, external sales totalled £23.0bn including £11.3bn in GB sales and £11.7bn in international sales. Figure 3-1 shows **external sales increased by 1% between 2014 and 2019, from £22.7bn to £23.0bn.**

¹⁴ External sales are all sales outside Northern Ireland, including GB. Exports are sales outside the UK.

Figure 3-1: Total sales and exports from NI by broad destination 2014 – 2019

Source: SQW analysis of BESES

- 3.3** Table 3-1 provides a more detailed breakdown of the changes in external and export sales over the five-year period broken down by broad markets. These figures show that **between 2014 and 2019 there has been a drop in GB sales from £13.1bn to £11.3bn (-14%) but this has been offset by an increase in international export sales from £9.6bn to £11.7bn (+22%)**. During this period, sales to Ireland increased by 28% to £4.5bn and account for 38% of all exports.
- 3.4** Although data are not yet available on the breakdown between goods and service sales for 2019, it is clear from the previous year's data that over the last few years there has been a significant shift from the sales of goods to more services.

Table 3-1: Change in external and export sales 2014 - 2019

	2019	Change 2014-19	% change
Turnover	71,924	5,682	9%
NI Sales	48,938	5,359	12%
GB Sales	11,279	-1,796	-14%
IE Exports	4,501	981	28%
REU Exports	2,408	318	15%
ROW Exports	4,799	820	21%
External	22,987	323	1%
Exports	11,708	2,119	22%

Source: SQW analysis of BESES

- 3.5** As shown in Table 3-2, the drop in GB sales has been driven by a 49% decrease in manufacturing sales from £8.4bn to £4.3bn. In contrast the growth in export sales has been supported by an increase in manufacturing exports from £5.7bn to £7.0bn. There have been

major changes in the sector over recent years, including recent closures/job losses at JTI Gallahers, Michelin and Caterpillar in Mid and East Antrim. Other sectors with notable increases in exports include construction (£224m), wholesale and retail (£192m) and ICT (£142m).

Table 3-2: Change in external and export sales by sectors 2014 - 2019

Sector ¹⁵	GB Sales (£m)	Change 2014-19 (£m)	%	Exports (£m)	Change 2014-19 (£m)	%
Agriculture, Forestry and Fishing	7	-1	-0.13	40	16	67%
Mining and Quarrying	62	-5	-7%	37	0	0%
Manufacturing	4,333	-4,125	-49%	6,981	1,267	22%
Water Supply; Sewerage	118	35	42%	141	5	4%
Construction	1,862	599	47%	534	224	72%
Wholesale and Retail Trade; Repair of Motor Vehicles etc	2,050	421	26%	2,167	192	10%
Transportation and Storage	1,199	647	117%	380	74	24%
Information and Communication	519	219	73%	592	142	32%
Real Estate Activities	56	-16	-22%	8	-9	-53%
Professional, Scientific and Technical Activities	488	145	42%	421	107	34%
Admin and Support Service Activities	485	250	106%	324	101	45%
Others	59	20	51%	41	0	0%
Total	11,279	-1,796	-14%	11,708	2,119	22%

Source: SQW analysis of BESES

- 3.6** The 1% increase in external sales between 2014 and 2019 is significantly lower than the target of 33% set out in Export Matters 2020. However, it is important to note the effect of the large fall in manufacturing sales to GB. Excluding this, external sales have grown by 31%, including growth in international exports of 22% over the last five years.
- 3.7** The number of businesses selling outside of NI has increased by more than a third (36%) from 11,534 in 2014 to 15,742 in 2019 (Table 3-3). **There has been strong growth in the number**

¹⁵ Figures for Electricity/ Gas/ Steam/ Air Con supply and Accommodation/ Food Service sectors not available as data are disclosive

of firms selling to GB (an increase of 62%) and also in terms of the number of exporting firms which has increased by 44% to 12,622.

Table 3-3: Change in number of businesses selling outside NI 2014 - 2019

	No. companies	Change 2014-19	% change
GB Seller	10,487	3,999	62%
IE Seller	11,239	3,481	45%
REU Seller	4,133	2,099	103%
ROW Seller	3,695	1,842	99%
External Seller	15,742	4,207	36%
Exporter	12,622	3,873	44%

Source: SQW analysis of BESES

Regional Trade Statistics

- 3.8** The RTS data published by ONS allows us to compare NI with other parts of the UK **but this data only looks at the exporting of goods**. Table 3-4 includes figures for 2020 but due to the exceptional circumstance of the COVID-19 pandemic and travel restrictions, it is more important to focus on overall export performance up to 2019.
- 3.9** **The value of NI exported goods increased from £6.8bn in 2014 to £9.2bn in 2019. This 35% increase compares favourably with other parts of the UK.** Only London (43%) and the East Midlands (39%) saw a larger increase over this period. There was an increase of 23% in the value of exports in the UK and England, a 26% increase in Wales and 11% growth in Scotland.

Table 3-4: Value of exports by UK nations and regions (£m) 2014 - 2020

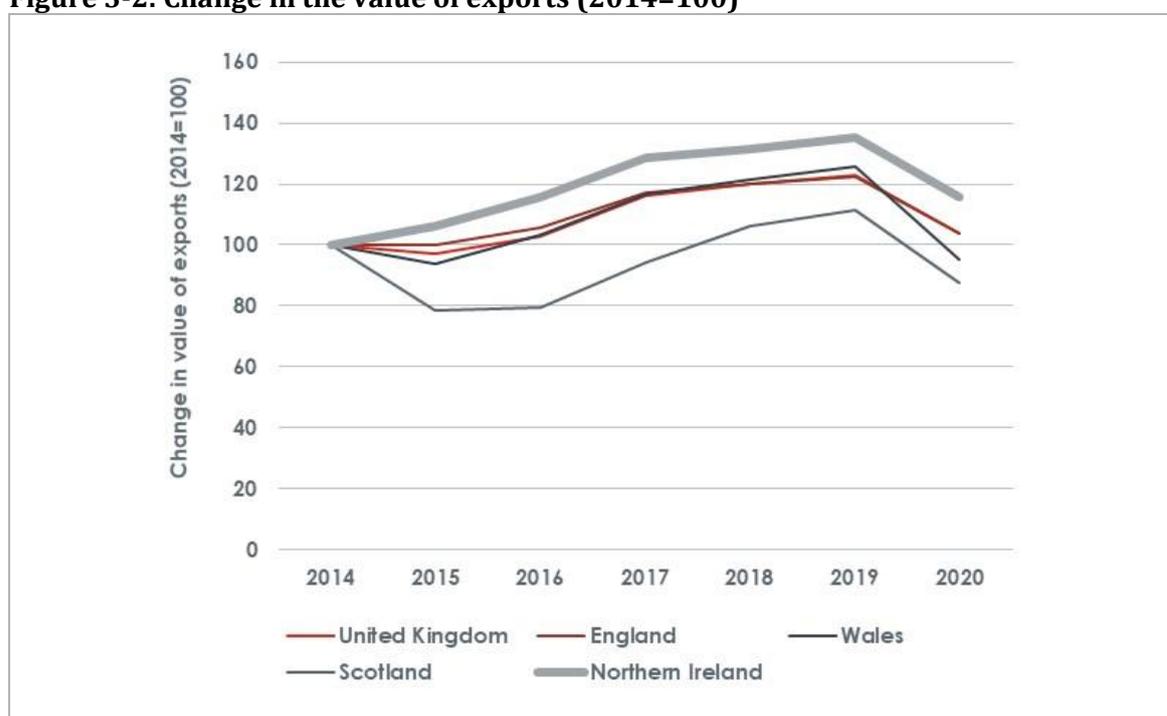
	2014	2019	2020	% change 14-19	% change 14-20
London	30,762	43,873	37,908	43%	20%
East Midlands	17,546	24,412	20,771	39%	16%
Northern Ireland	6,760	9,154	7,838	35%	12%
South West	16,499	21,280	17,939	29%	7%
South East	36,952	46,666	37,226	26%	1%
Wales	14,135	17,773	13,433	26%	-4%
United Kingdom	283,060	347,831	293,589	23%	3%
England	207,796	254,736	215,573	23%	3%
East	24,233	29,052	26,774	20%	9%
West Midlands	26,584	31,706	24,470	19%	-6%
Yorkshire and The Humber	15,359	17,126	14,604	12%	-4%
Scotland	30,363	33,850	26,643	11%	-13%

	2014	2019	2020	% change 14-19	% change 14-20
North East	12,502	13,274	11,623	6%	-7%
North West	27,359	27,345	24,257	0%	-11%

Source: SQW analysis of RTS data

3.10 Figure 3-2 shows the change in the value of exported goods between 2014 and 2020 for NI compared to the UK, England, Scotland and Wales. **The indexed graph shows that NI has seen steady growth each year in contrast to Wales and Scotland which saw a drop in the value of exports in 2015.** For obvious reasons there has been a dramatic fall in exports across the board in 2020 due to the COVID-19 pandemic.

Figure 3-2: Change in the value of exports (2014=100)



Source: SQW analysis of RTS data

3.11 Around 40% of the growth in NI's exports between 2014 and 2019 was in Machinery and Transport, increasing by £963m from £2.4bn to £3.4bn (Table 3-5). There was also an increase of £522m in Miscellaneous Manufacturing. Based on 2019 data, most NI exports were in the machinery and transport sector with sales of £3.4bn, 37% of all exports. This was also the largest sector for UK exports accounting for 39% of total exports. The main difference between NI and the UK profile of exports was the food and live animals sector. This accounted for 16% of NI exports but only 5% of UK exports.

Table 3-5: Change in export sales by sector 2014 - 2020

	2014	2019	2020	Change 2014- 20	% change 2014-19	Change 2014- 19	% change 2014-19
Food and Live Animals	1,203	1,480	1,388	185	15%	277	23%
Beverages and Tobacco	328	393	353	25	8%	65	20%
Crude Materials	255	237	211	-44	-17%	-18	-7%
Mineral Fuels	90	244	202	112	124%	154	171%
Animal and Vegetable Oils	32	26	36	4	13%	-6	-19%
Chemicals	819	1,144	972	153	19%	325	40%
Manufactured Goods	706	809	896	190	27%	103	15%
Machinery and Transport	2,416	3,379	2,640	224	9%	963	40%
Miscellaneous Manufactures	898	1,420	1,121	223	25%	522	58%
Other commodities	12	24	18	6	50%	12	100%
Total Exports	6,760	9,154	7,838	1,078	16%	2394	35%

Source: SQW analysis of RTS data

3.12 Focusing on the change between 2014 and 2019, the largest growth in NI export sales was to the EU. Sales grew by nearly £1.4bn (34%) from £4.0bn to £5.4bn (Table 3-6). There was also an additional £642m in sales to North America, increasing exports to £1.8bn in 2019. The EU and North America are NI's biggest export markets.

Table 3-6: Change in export sales by destination 2014 - 2020

	2014	2019	2020	Change 2014-20	% change 2014-20	% change 2014-19
European Union	4,025	5,397	4,842	817	20%	34%
North America	1,200	1,842	1,459	259	22%	54%
Asia & Oceania	678	1,012	815	137	20%	49%
Middle East and North Africa (excl EU)	317	366	236	-81	-26%	15%
Latin America and Caribbean	95	121	104	9	9%	27%
Western Europe (excl. EU)	143	166	158	15	10%	16%
Eastern Europe (excl EU)	77	97	93	16	21%	26%
Sub-Saharan Africa	225	152	130	-95	-42%	-32%
Total Exports	6,760	9,154	7,838	1078	16%	35%

Source: SQW analysis of RTS data

3.13 Between 2014 and 2019 the number of NI exporters (goods only) in Northern Ireland grew by 13% to 8,938 (Table 3-7). This change was only bettered by London (17%) and the SE of England (15%). The number of exporting firms has dropped across all parts of the country during 2020 due to the impact of the COVID-19 pandemic.

Table 3-7: No. of exporting firms by UK nations and regions (goods only) 2014 - 2020

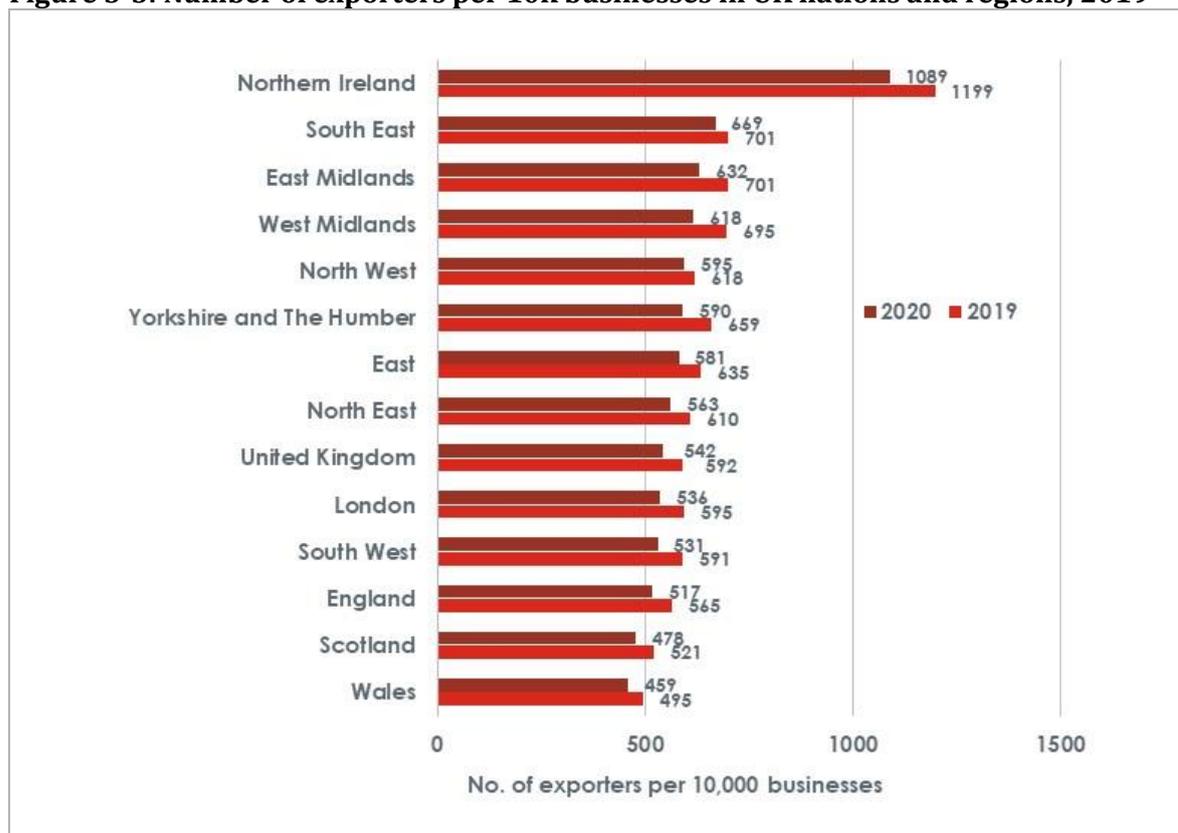
Number of exporters (goods only)	2014	2019	2020	% change 2014-20	% change 2014-19
London	26,488	31,066	28,489	8%	17%
South East	25,376	29,103	27,986	10%	15%
North West	14,595	16,502	15,894	9%	13%
Northern Ireland	7,923	8,938	8,184	3%	13%
England	118,322	133,452	123,696	5%	13%
South West	12,568	13,851	12,531	0%	10%
Scotland	8,379	9,219	8,495	1%	10%
Yorkshire and The Humber	11,226	12,237	11,170	0%	9%
East	16,092	17,254	15,778	-2%	7%
North East	4,015	4,295	4,022	0%	7%
East Midlands	11,844	12,656	11,621	-2%	7%
Wales	4,944	5,243	4,855	-2%	6%
West Midlands	14,024	14,867	13,706	-2%	6%

Source: SQW analysis of RTS data

3.14 In 2019, Northern Ireland had the highest number of exporters as a proportion of all businesses, with 1,199 exporters for every 10,000 businesses (Figure 3-3). The high number of exporters reflects the land border with RoI. The number of NI exporters as a proportion of all businesses dropped back slightly in 2020 but again shows a significantly higher level of exporting than all other parts of the UK.

3.15 Based on 2019 data, the SE and East Midlands were in joint second place with 701 exporters per 10,000 businesses. In 2019 NI had far more exporters in its business base compared to the UK (592), England (565), Scotland (521) and Wales (495). From Table 3-3 we can see the importance of the land border with the RoI, particularly for smaller businesses. The number of NI businesses exporting to the RoI is actually higher than the number trading with GB, although the value of trade to RoI is less than half the GB value. It also provides valuable experience for these smaller businesses, with the potential to export more widely into the EU.

3.16 Even from this higher base, it should be noted that **between 2014 and 2019, NI was the only part of the UK to increase the numbers of exporting firms as a proportion of all firms.** Figure 3-3 also shows the slightly lower levels of exporting firms in 2020 across all areas.

Figure 3-3: Number of exporters per 10k businesses in UK nations and regions, 2019

Source: SQW analysis of RTS and UK Business Count data

Inward investment

3.17 There are two main sources of data on NI's inward investment performance. The EY Attractiveness Survey and the UK Department for International Trade's inward investment data. The EY survey collects data on new investment and expansion FDI projects over the calendar year, reporting on both publicly announced projects and projects sourced from external databases (note that acquisitions are included in FDI data only if the foreign investor acquires more than 10% of the company's equity and takes a role in its management). DIT reports on new investment, expansion, and mergers and acquisition FDI projects into the UK over the financial year. Projects that have been publicly announced and those that have not both feature in the data set.

EY Attractiveness Survey

3.18 According to the latest EY Attractiveness Survey, there were 28 FDI projects in NI during 2019. NI is performing well based on its population with 1.48 projects per 100,000 people in 2019 (Table 3-8) and 9.1 between 2014 and 2019.

3.19 Over this period, NI has performed better than all the English regions, except London (which has attracted 30 projects per 100,000 people between 2014 and 2019 and is slightly behind Scotland (11.6)).

Table 3-8: Number of FDI projects per capita by UK nations and regions, 2019

2019	No. of FDI projects	FDI projects per 100k population (2019)	FDI projects per 100k population (2014-2019)
Greater London	538	6.00	30.0
Scotland	101	1.85	11.6
Northern Ireland	28	1.48	9.1
NE England	30	1.12	7.6
West Mids	64	1.08	8.6
Yorkshire & Humber	59	1.07	7.6
NW England	73	0.99	6.6
SE England	83	0.90	5.1
East Mids	39	0.81	4.8
Wales	24	0.76	6.1
East of England	40	0.64	3.8
SW England	30	0.53	3.7
UK	1,109	1.66	9.7

Source: SQW analysis of EY and ONS 2019 mid yr pop data

3.20 NI also compares well internationally. Table 3-9 shows the top 20 European countries for FDI projects in 2019. **Based on the number of FDI projects per 100,000 population NI is sixth highest in a European context ahead of the Netherlands, Germany and Spain.** Based on this measure, Ireland was top of the list with 191 FDI projects and 3.87 projects per 100,000 population.

Table 3-9: NI compared to the top 20 European countries for FDI projects, 2019

Country	No. of FDI projects	Projects/ 100k pop
Ireland	191	3.87
Belgium	267	2.32
France	1197	1.78
UK	1109	1.66
Portugal	158	1.54
Northern Ireland	28	1.48
Serbia	103	1.48
Netherlands	255	1.47
Finland	75	1.36
Slovakia	65	1.19
Germany	971	1.17
Hungary	105	1.07

Country	No. of FDI projects	Projects/ 100k pop
Spain	486	1.03
Switzerland	73	0.85
Austria	69	0.78
Sweden	63	0.61
Poland	200	0.53
Romania	78	0.40
Turkey	176	0.21
Italy	108	0.18
Russia	191	0.13

SQW analysis of EY and World Bank 2019 pop data

3.21 Using EY figures, between 2014 and 2019 the number of FDI projects in Northern Ireland decreased from 39 to 28, but as can be seen in Table 3-10, the number of projects has fluctuated year on year. A simple comparison between 2014 (which evidently was a particularly strong year) and 2019 is perhaps misleading when looking at a relatively small number of FDI projects. We understand from discussions with Invest NI that 2014 was a particularly strong year due to imminent changes to Selective Financial Assistance (one of the main financial incentives used to attract investors to NI). In 2019, Greater London was by far the most popular location with 538 projects followed by Scotland (101) and the South East (83).

Table 3-10: Number of FDI projects in UK nations and regions, 2014 - 2019

	2014	2015	2016	2017	2018	2019
UK	887	1060	1143	1205	1054	1109
Northern Ireland	39	15	39	19	33	28
Wales	42	41	23	33	31	24
England	727	885	959	1037	896	956
Greater London	381	405	451	459	458	538
Scotland	79	119	122	116	94	101
SE England	73	61	72	91	89	83
NW England	46	101	90	105	70	73
West Mids	63	92	111	97	83	64
Yorkshire & Humber	50	83	98	82	49	59
East of England	34	28	39	59	36	40
East Mids	29	37	44	43	40	39
NE England	23	41	26	48	36	30
SW England	28	37	28	53	35	30

Source: SQW analysis of EY Attractiveness Survey

DIT inward investment data

3.22 Using the Department for International Trade's inward investment data, Table 3-11 shows the number of FDI projects in each UK nation and region from 2015 to 2019 (comparable UKTI data from 2014/15 is unfortunately not available). As highlighted earlier, these data tend to be higher than the EY data as they include mergers and acquisitions, and include a broader range of sectors. They also cover financial rather than calendar years.

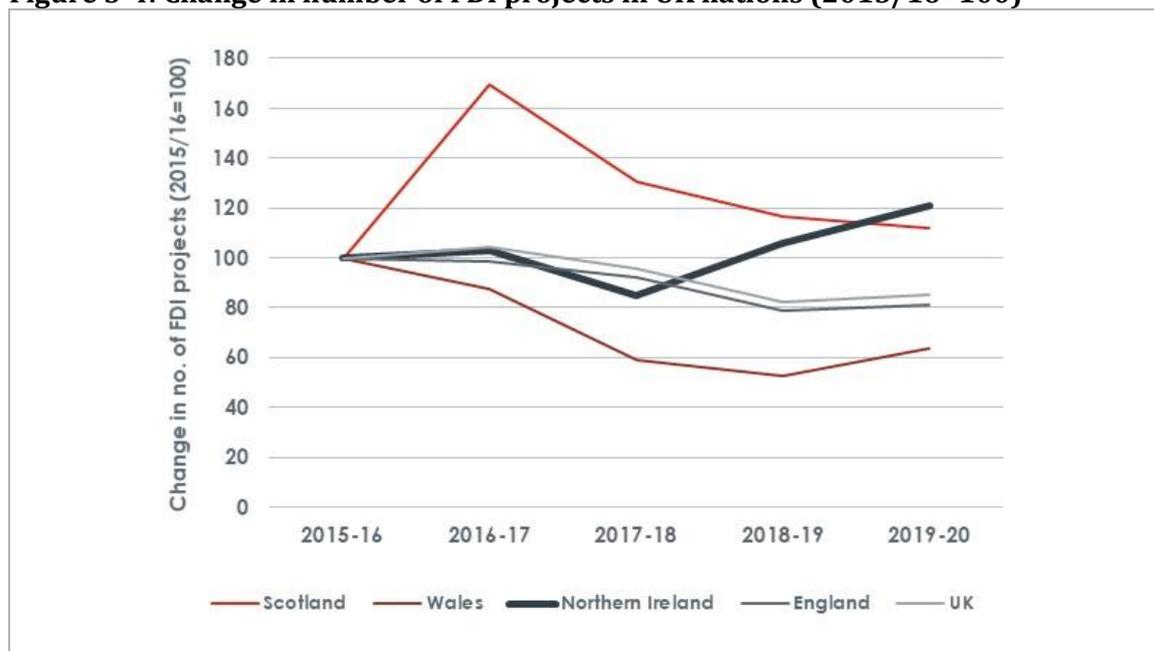
3.23 Based on the DIT data, there were 40 FDI projects in NI in 2019/20 (slightly higher than the EY estimates 2019) and this represented a 21% increase on the 2015/16 figure. NI together with Scotland and the North West were the only parts of the UK to see an increase in FDI projects during this five-year period. There was a decrease of 14% in the number of UK FDI projects from 2170 in 2015/16 to 1852 in 2019/20.

Table 3-11: Number of FDI projects by UK nation and region, 2015/16 - 2019/20

	2015-16	2016-17	2017-18	2018-19	2019-20	% change
Northern Ireland	33	34	28	35	40	21%
Scotland	108	183	141	126	121	7%
North West	151	147	139	142	154	2%
Yorkshire and The Humber	104	132	107	98	104	0%
East Midlands	85	74	72	69	85	0%
North East	77	69	69	59	73	-6%
West Midlands	168	151	171	155	157	-7%
UK	2170	2265	2072	1782	1852	-14%
South West	89	101	99	79	70	-19%
England	1932	1907	1785	1518	1571	-19%
South East	253	217	294	202	211	-19%
London	889	891	740	627	638	-28%
East of England	116	125	94	87	79	-30%
Wales	97	85	57	51	62	-41%

SQW analysis of DIT inward investment data

3.24 Figure 3-4 below shows the change in the number of FDI projects over the same period, using 2015/16 as reference year. **NI has increased the number of projects over the last two years at the same time that Scotland, England and the UK as a whole have seen a decrease in the number of projects.**

Figure 3-4: Change in number of FDI projects in UK nations (2015/16=100)

Source: SQW analysis of DIT inward investment data

3.25 Another source of more qualitative evidence on how NI compares in terms of inward investment is FDI Intelligence. Their European Cities and Regions of the Future research provides annual rankings of cities based on survey feedback from over 500 locations across Europe. Some of the main categories are presented in Table 3-12 below and show that Belfast has a strong profile in terms of FDI opportunities and potential.

Table 3-12: European FDI rankings

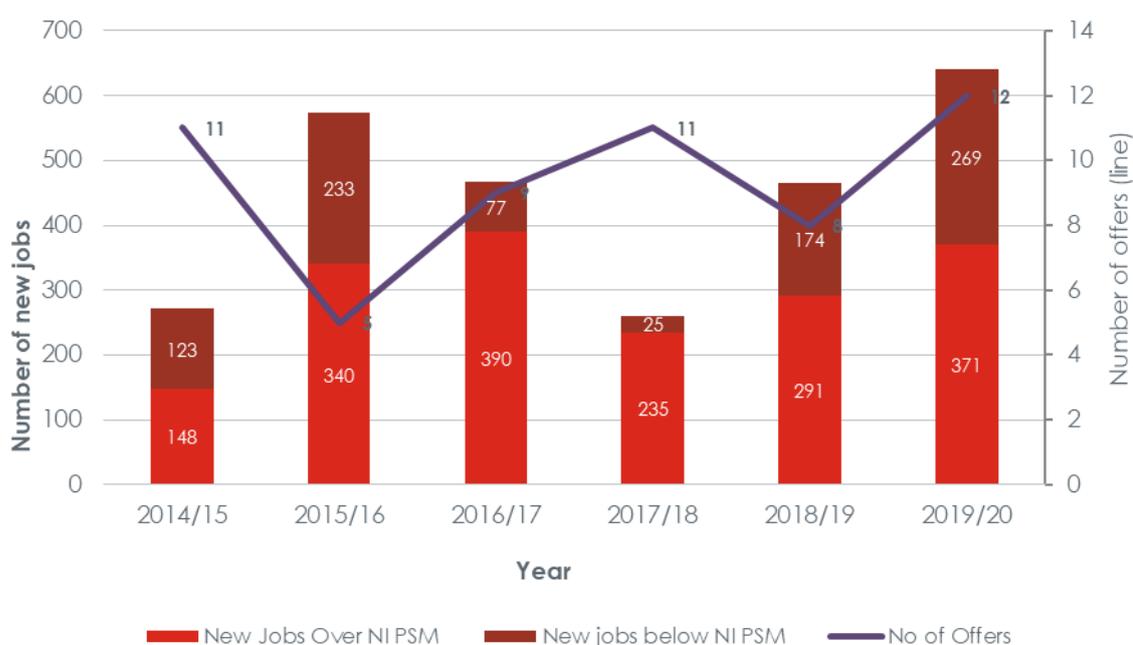
Top 10 Mid-Sized European Cities of the Future 2020/21	Top 10 Mid-Sized European Cities of the Future - Economic Potential	Top 10 Mid-Sized European Cities of the Future - Business Friendliness	Top 10 Mid-Sized European Cities of the Future - FDI Strategy
1 Zurich Switzerland	1 Zurich Switzerland	1 Zurich Switzerland	1 Vilnius, Lithuania
2 Edinburgh UK	2 Edinburgh UK	2 Tallinn Estonia	2 Belfast, UK
3 Bratislava Slovakia	3 Belfast UK	3 Coventry UK	3 Bilbao, Spain
4 Vilnius Lithuania	4 Vilnius Lithuania	4 Bristol UK	4 Wrocław, Poland
5 Belfast UK	5 Mannheim Germany	5 Wrocław Poland	5 Porto, Portugal
6 Utrecht Netherlands	6 Wrocław Poland	6 Edinburgh UK	6 Edinburgh, UK
7 Bristol UK	7 Bratislava Slovakia	7 Nottingham UK	7 Nottingham, UK
8 Tallinn Estonia	8 Bristol UK	8 Belfast UK	8 Poznań, Poland
9 Wrocław Poland	9 Karlsruhe Germany	9 Poznań Poland	9 Newcastle, UK
10 The Hague Netherlands	10 Bonn Germany	10 Cardiff UK	10 Szczecin, Poland

Source: FDI Intelligence – European Cities and Regions of the Future 2020/21

GB investment into NI

- 3.26** GB investment into NI is not captured in the EY or DIT reports, but it is an important part of Invest NI's inward investment activities. Separate data has been provided by Invest NI to show the number of offers and jobs created over the past seven years. This is shown in Figure 3-5.
- 3.27** The number of jobs is shown in the bar chart (the number of jobs above the Private Sector Median (PSM) are shown in the lower part of each bar and the number below the PSM in the top of the bar). The number of offers is shown by the line, against the axis on the right. The number of offers has varied from five in 2015-16 to 12 in 2019-20.
- 3.28** Between 2014/15 and 2019/20 there have been 56 projects with £150m investment, generating 2,676 jobs. This is just less than a third of all the FDI supported by Invest NI over that period.

Figure 3-5: GB investment into Northern Ireland



Source: Invest NI data

Overview of wider performance

- 3.29** There is a mixed picture in terms of NI's trade and investment performance over the last 5-6 years. This has been an extremely challenging period due to the changing trading arrangements resulting from Brexit and then the economic fall-out of the COVID-19 pandemic which is starting to come through in the trade data for 2020.

- 3.30** On the trade side, there was a substantial fall in GB sales driven by the decrease in manufacturing sales and recent closures. These changes, largely down to macro-economic factors, have meant that the external sales target in Export Matters has not been reached. However, there have been increases in the value of export sales, the number of exporters and proportion of exporters in the wider business base. There has been good progress in these areas in a UK context.
- 3.31** In terms of FDI performance, there are some notable differences between the sources over the last 5-6 years. DIT figures show an increase of 21% from 33 projects in 2015/16 up to 40 projects in 2020. EY estimates use a different calculation and are slightly lower, showing a drop from a particularly strong year in 2014. It is therefore difficult to say whether the performance has genuinely improved over the period. However, maintaining its position would arguably be a measure of success for NI given that it punches well above its weight in terms of the number of FDI projects per head of population, particularly compared with the English Regions.

4. Invest NI's trade and investment support

Trade support Summary

- Over the six-year evaluation period, Invest NI provided trade support to over 2,200 businesses of which just over half (55%) were client managed
- The main interventions delivered were the Growth Accelerator Programme, Trade Events, Export Market Visits, Solex and Trade Advisory Service
- Over the six years, Invest NI has provided £41.7m in funding which has levered £134.9m in planned investment from businesses (a leverage ratio of 1:3.24)
- Based on Invest NI KPI data for client managed firms, there has been significant growth in the value of external sales which increased by 31% from £13.0bn in 2014 to £17.0bn in 2019. Within this figure, GB sales grew by £1.8bn (27%) up to £8.4bn and international exports increased by £2.2bn (34%) to £8.6bn
- Over 700 firms generated external sales for the first time between 2016 and 2019
- The analysis of Invest NI KPI data demonstrates good progress against the targets set out in the Invest NI International Business Strategy

Inward investment support

- Invest NI has provided support to 415 inward investors, with 30% of these new investors to NI
- Invest NI have typically supported between 14 – 30 new investors each year. The earlier FDI data for NI *as a whole* indicated around 20-30 new FDI projects coming to NI each year
- 37% of businesses supported have parent companies in Great Britain, 28% of businesses are American owned and 19% are Irish owned.
- The Invest NI support has helped to create 15,195 jobs and safeguard 356 jobs in the NI economy over the six-year period. Invest NI is on track to exceed the FDI jobs target in the Invest NI International Strategy of supporting between 7,200-10,600 jobs between 2017-21.
- Total Invest NI funding was £222.7m which helped to leverage £1,682.8m in planned investment from the businesses (a leverage ratio of 1:7.56).

Trade support

- 4.1 Over the six-year evaluation period, Invest NI provided trade support to 2,217 businesses.** As shown in Table 4-1, just under a third (30%) of businesses were in the Advanced Engineering and Manufacturing sector. The other main sectors receiving the support were Digital and Creative Technologies (17%), Financial, Professional and Business Services (15%), Agri-Food (14%) and Construction (14%). The economic development organisation category included colleges, councils and other organisations such as the Digital Catapult.

Table 4-1: No. of businesses with trade support by sector 2014/15 - 2019/20

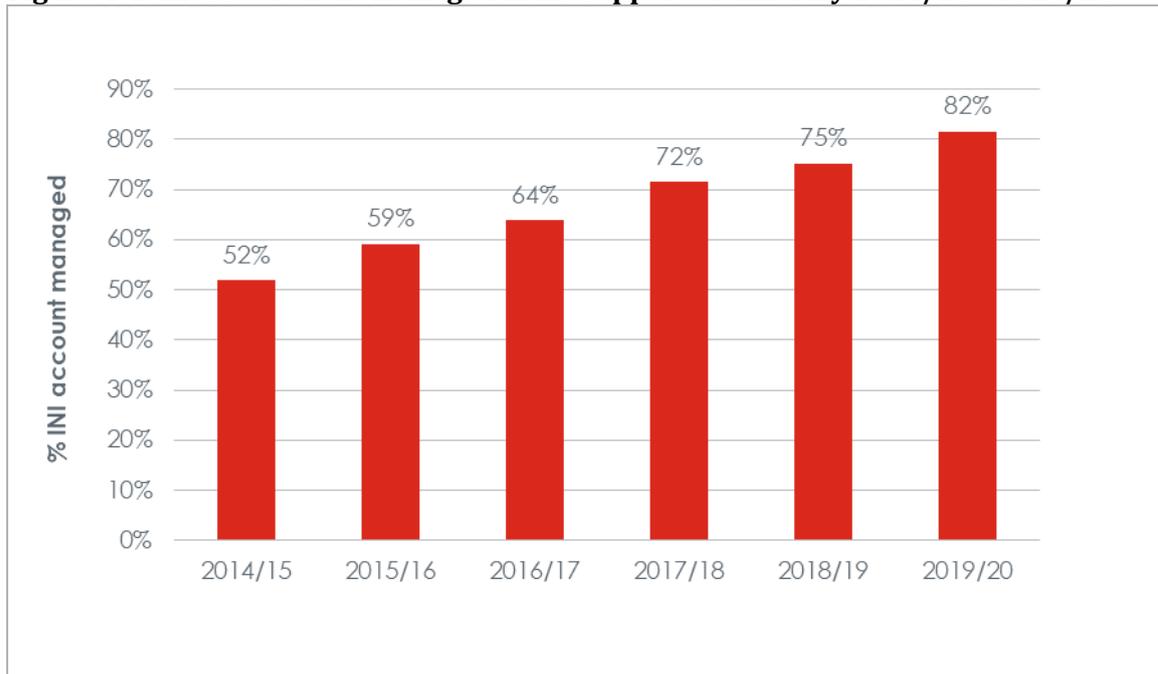
Sector	Total	% of all trade businesses
Advanced Engineering & Manufacturing	663	30%
Digital & Creative Technologies	372	17%
Financial, Professional & Business Services	326	15%
Construction	305	14%
Agri-Food	304	14%
Life & Health Sciences	142	6%
Leisure & Tourism	59	3%
Education Development Organisation (EDO)	24	1%
Unknown	17	1%
University/colleges	5	0%
Total	2,217	100%

Source: SQW analysis of Invest NI monitoring data

- 4.2** Most (80%) of the businesses supported during the evaluation period were either small or micro businesses. A further 11% were medium sized businesses, 8% large and the remaining 1% were the other non-business beneficiaries.
- 4.3** Given that around 2% of the wider NI business base are either medium sized or large businesses¹⁶, the support has increasingly been focusing on larger businesses with more capacity/capability to export. This is backed up by the fact that an increasing proportion of the businesses receiving support were account managed by Invest NI.

¹⁶ NISRA (2020), Facts and Figures from the IDBR

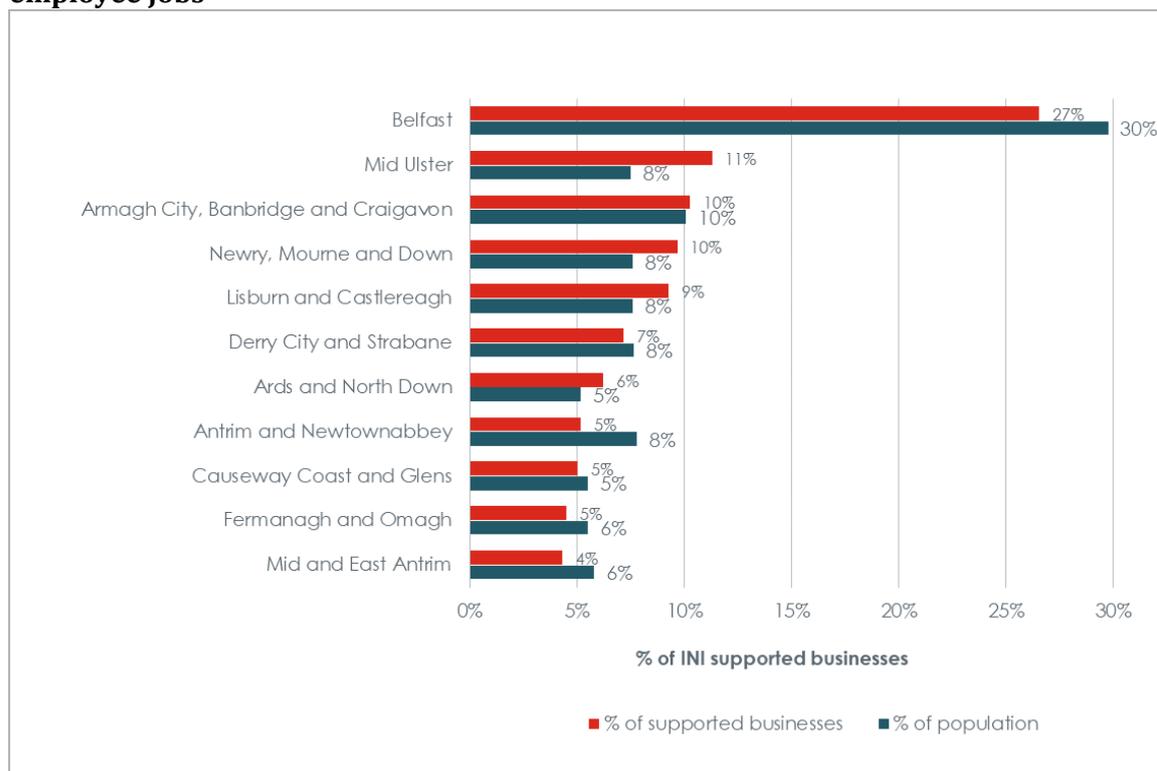
Figure 4-1: Invest NI client managed firms supported annually 2014/15 - 2019/20



Source: SQW analysis of Invest NI monitoring data

- 4.4** In terms of the geographic reach, just over a quarter (27%) were located in Belfast City (Figure 4-2). The rest of the businesses were located across all other 10 council areas, but with slightly more in Mid Ulster (11%), Armagh, Banbridge and Craigavon (10%) and Newry, Mourne and Down (10%).

Figure 4-2: Profile of trade support across council areas 2014/15 - 2019/20 and employee jobs¹⁷



Source: SQW analysis of Invest NI monitoring data

4.5 Table 4-2 shows the main interventions delivered through the Trade support programme. There were 605 businesses supported to participate in Export Market Visits 1,752 times. 422 businesses participated in Solex and 380 businesses used the Trade Advisory services. These figures exclude the Growth Accelerator Programme (GAP) which is included in the evaluation but delivered separately. There were 1,053 companies that have used GAP 1,270 times.

¹⁷ Employee jobs is taken from Invest NI 2019 Briefings. These are shown as a benchmark for the level of economic activity in each Council area. Alternatives such as population do not reflect where activity takes place, while business numbers do not account for scale of business.

Table 4-2: No. of assists and businesses receiving different types of support¹⁸ 2014/15 - 2019/20

Trade Division Programme	No. of times Trade support provided	No. of companies participating in Trade Programme
Financial Support		
Export Market Visit	1,752	605
Solex	779	422
Follow up Market Visit	236	129
Advisory Support		
Trade Advisory Service	735	380
OMIS	136	73
Subsidised Intervention		
Translation Consultancy Service	73	48
Export Legal Advice Service	14	13
Inward Visits	61	12
Programme (Inc. Workshops)		
Grow Beyond	8	8
Going Dutch	46	45
Graduate to Export	11	10
Programmes no longer available		
Food Promotion - Press Releases	330	139
Export Development Service	160	132
Food Promotion - Buy NI Food	114	114
Trade Show Access Programme	41	32
IMS - Czech it Out	16	13
Go Canada	15	15
GB Market Entry Programme	12	12
Global Games Export Tender Support	4	4
E2	2	2
Total	4,779	2,420

Source: SQW analysis of Invest NI monitoring data

¹⁸ It is important to note that from mid-2020 these transactional interventions have largely been replaced by more strategic / export development plan driven TAG grants. This is similar to GAP but capped at £10,000 compared with £50,000 for GAP.

- 4.6** The level of funding provided to businesses has decreased from £9.2m in 2014/15 to £5.9m in 2019/20 (Table 4-3). Primarily as the amount of GAP funding has reduced. Including GAP, over the six years Invest NI has provided £41.7m in funding which has helped to leverage £134.9m in planned investment from the businesses (a leverage ratio of 1:3.24).

Table 4-3: Trade support funding and planned business investment (£m)

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Total
Revenue funding	9.20	6.86	7.67	5.66	6.37	5.87	41.64
Capital funding	-	-	0.00	0.00	-	-	0.01
Planned investment	27.32	24.50	25.71	17.82	20.14	19.46	134.94
Leverage ratio	2.97	3.57	3.35	3.15	3.16	3.31	3.24

Source: SQW analysis of Invest NI monitoring data

Invest NI KPI trade data analysis

- 4.7** The number of client-managed businesses increased from 1,655 in 2015 to 1,716 in 2019. Even taking into account the additional companies being supported, **there has been a significant growth in the value of external sales generated by these companies. This has increased by 31% from £13.0bn in 2014 to £17.0bn in 2019** (Table 4-4). Within this figure, GB sales grew by £1.8bn (27%) up to £8.4bn and international exports increased by £2.2bn (34%) to £8.6bn.
- 4.8** The growth in GB sales for Invest NI client managed firms contrasts with the drop in GB sales for the NI economy as a whole. **The figures would indicate Invest NI is on track to meet the targets for increasing external and export sales as set out in the International Business Strategy 2017-2021.**

Table 4-4: Sales growth in Invest NI client managed firms by markets 2014 - 19 (£m)

	2015	2019	Change	%
NI sales	4,563.94	4,794.10	230.16	5%
External sales	13,039.18	17,024.42	3,985.24	31%
GB sales	6,643.37	8,434.90	1,791.54	27%
Export sales	6,395.82	8,589.52	2,193.70	34%

Source: Invest NI KPI data

- 4.9** The top three sectors driving the increase in external sales during this period were Construction (increasing sales by £1.14bn), Advanced Engineering and Manufacturing (+£1.12bn), and Agri Food (£+0.71bn). In terms of exports, by far the largest increase was in Advanced Engineering and Manufacturing which saw growth of £1.10bn between 2014 and 2019.

4.10 As shown in Table 4-5, the value of international exports to Ireland increased by 38% to nearly £2.1bn, representing nearly a quarter (24%) of all international sales. The next largest market is the US where sales increased by 57% to £1.6bn. Other markets such as China and Belgium have seen faster growth but from a lower base.

Table 4-5: Top 10 export markets for Invest NI client managed firms 2015-19 (£m)

	2015	2019	Change	%
Irish Republic	1,499	2,073	574	38%
United States	1,048	1,646	599	57%
Germany	469	529	60	13%
Canada	370	525	155	42%
Netherlands	362	426	64	18%
France	311	317	6	2%
China	110	299	189	172%
Belgium	78	215	137	177%
Thailand	89	156	66	74%
Australia	64	154	90	139%

Source: Invest NI KPI data

4.11 As shown Table 4-6 over 700 firms generated external sales for the first time between 2016 and 2019. This greatly exceeds the target of 300-400 selling outside Northern Ireland for the first time, set out in the Invest NI International Business Strategy.

Table 4-6: First time external sellers by Invest NI key sectors 2016 - 2019

	2016	2017	2018	2019	Total
Advanced Engineering & Manufacturing	60	33	63	60	216
Agri-Food	27	17	17	16	77
Construction	30	21	34	38	123
Digital & Creative Technologies	25	20	27	36	108
Financial, Professional & Business Services	46	28	46	46	166
Life & Health Sciences	8	5	10	5	28
Total	196	124	197	201	718

Source: Invest NI KPI data

Investment support

4.12 During the evaluation period Invest NI has provided support to 415 inward investors. This included 170 externally owned businesses that were also provided with trade support (i.e. included in the earlier analysis of trade support). The monitoring data shows that 30% of the businesses supported were new investors to NI (Table 4-7). Invest NI has supported

between 14-30 new investors each year. The earlier FDI data for NI as a whole indicated around 20-30 new FDI projects coming to NI each year.

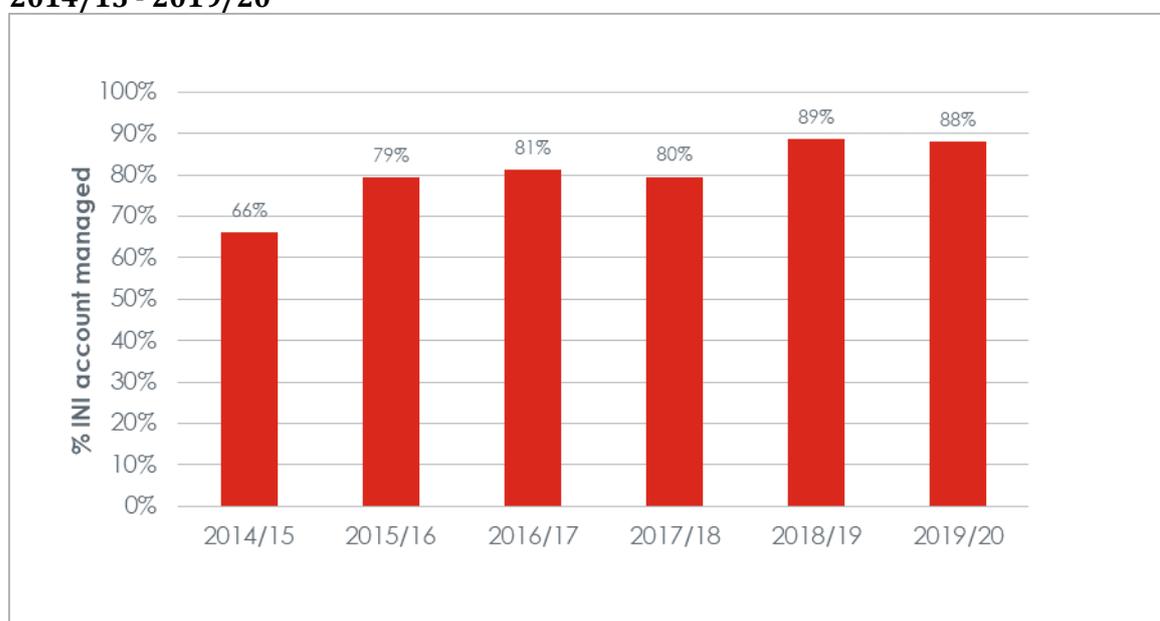
Table 4-7: Profile of new and existing inward investors 2014/15 to 2019/20

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Total	%
New	22	14	17	23	17	30	123	30%
Existing	143	107	100	99	97	95	292	70%
Total	165	121	117	122	114	125	415	

Source: SQW analysis of Invest NI monitoring data

- 4.13** The percentage of account managed inward investors per year has increased from 66% of supported businesses in 2014/15 to 88% of supported businesses in 2019/20.

Figure 4-3: Invest NI account managed businesses as % of supported investors 2014/15 - 2019/20



Source: SQW analysis of Invest NI monitoring data:

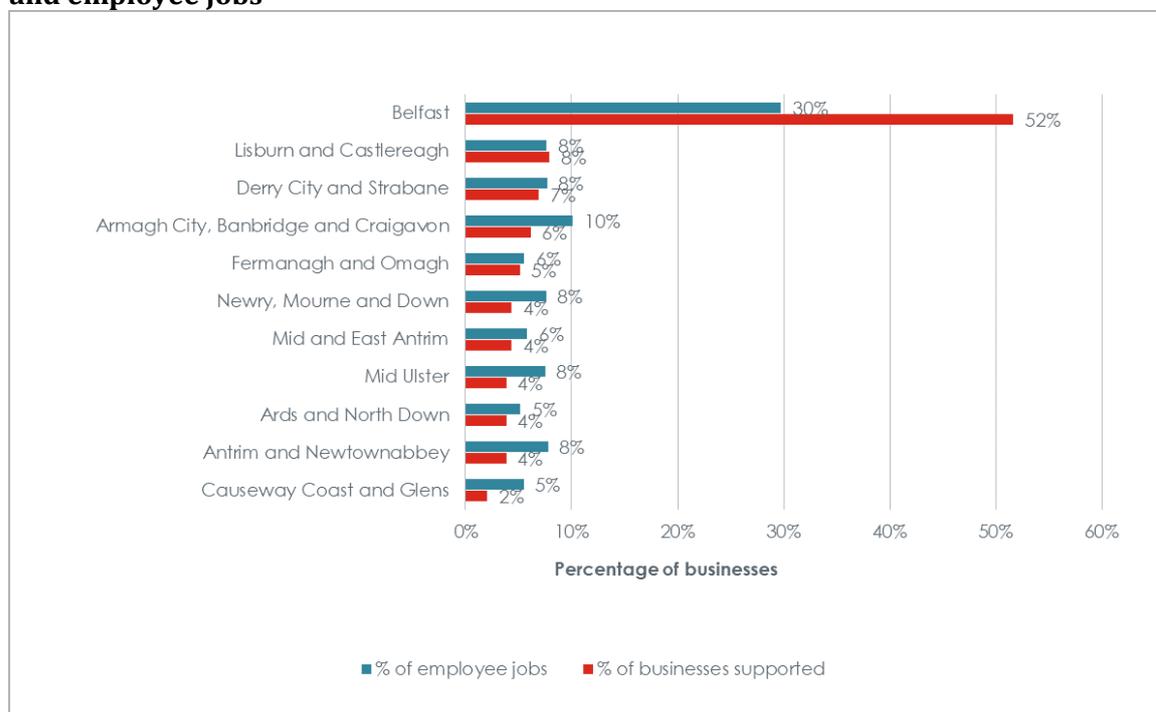
- 4.14** Just under one third (29%) of the supported businesses have been in the advanced engineering and manufacturing sector, 27% in digital and creative technologies, and 22% in financial, professional and business services (Table 4-8).

Table 4-8: No. of businesses with investment support by sector 2014/15 - 2019/20

	No. of businesses	% of externally owned businesses
Advanced Engineering & Manufacturing	120	29%
Digital & Creative Technologies	112	27%
Financial, Professional & Business Services	93	22%
Life & Health Sciences	30	7%
Agri-Food	28	7%
Construction	22	5%
Leisure & Tourism	4	1%
Education	4	1%
Unknown	2	0%
Total	415	100%

Source: SQW analysis of Invest NI monitoring data

4.15 Of those that specified a location, just over half (52%) of inward investors that received support are located in Belfast (Figure 4-4). The remaining businesses are located across the 10 other council areas.

Figure 4-4: Location of inward investors across council areas 2014/15 to 2019/20 and employee jobs¹⁹

¹⁹ Employee jobs are shown as a benchmark for the level of economic activity in each Council area. Alternatives such as population do not reflect where activity takes place, while business numbers do not account for scale of business.

Source: SQW analysis of Invest NI monitoring data Invest NI Belfast Briefing 2020

4.16 In terms of the main FDI markets, 37% of businesses supported have parent companies in Great Britain (Table 4-9). Over a quarter (28%) of businesses are USA owned and 19% are Irish owned.

Table 4-9: Nationality of inward investors

Country of ownership	No. of businesses	% of externally owned businesses
Great Britain	154	37%
USA	116	28%
Republic of Ireland	77	19%
Other EU	28	7%
Rest of World	25	6%
France	9	2%

Source: SQW analysis of Invest NI monitoring data

4.17 The level of funding provided by Invest NI to inward investors has fluctuated over the six-year period with support ranging from £69.0m (totalling all grants, loans and equity) in 2014/15 to £18.3m in 2015/16. As shown in Table 4-10, **over the six years the total funding was £222.7m which helped to leverage £1,682.8m in planned investment from the businesses (a leverage ratio of 1:7.56).**

Table 4-10: Financial support to inward investors and planned investment (£m)

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Total
Revenue funding	53.40	17.86	21.55	28.32	54.51	18.51	194.16
Capital funding	14.30	0.04	-	0.70	0.11	0.31	15.47
Loans	1.03	0.20	0.29	1.71	0.73	0.11	4.07
Equity	0.31	0.23	6.65	0.10	0.52	1.19	9.00
Planned investment	619.47	138.98	161.62	184.46	402.58	175.75	1,682.87
Leverage ratio	8.97	7.58	5.67	5.98	7.21	8.74	7.56

Source: SQW analysis of Invest NI monitoring data

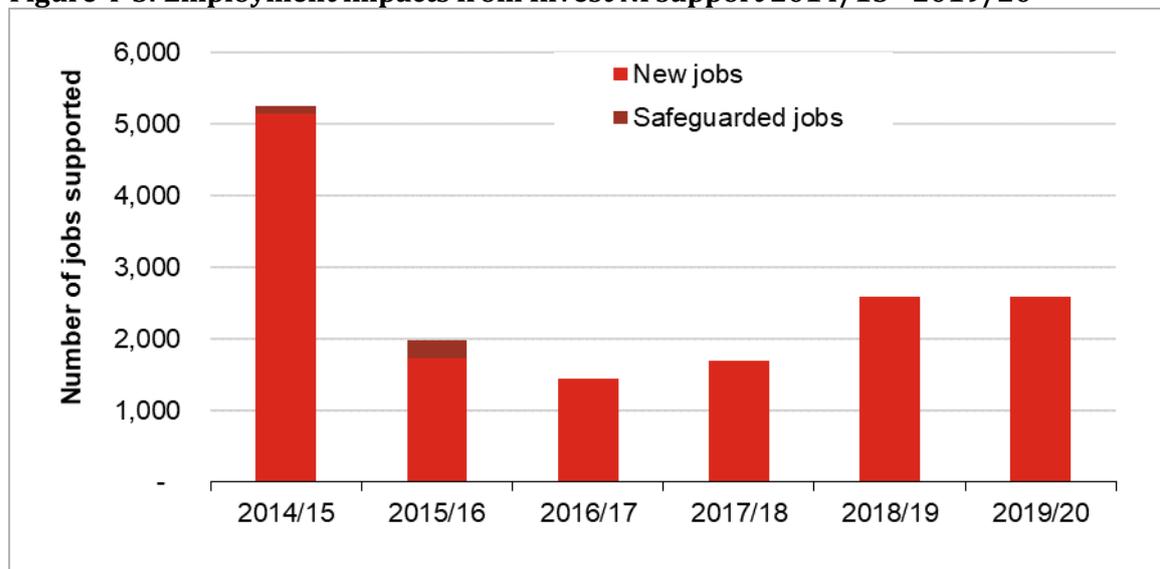
4.18 The Invest NI monitoring data indicates that the support provided to inward investors over the six-year evaluation period has helped to create 15,195 jobs and safeguard 356 jobs in the NI economy²⁰. In line with earlier data on interventions, the highest job numbers relate to the support provided in 2014/15. It should be noted that these are the jobs figures

²⁰ The focus is on job creation rather than safeguarding which was only recorded in 2014 to 2016

announced at the time of investment but actually take a few years to come through. Analysis produced by Invest NI demonstrates that around 70-75% of FDI jobs are created within five years of the initial announcement.

4.19 The job figures from the monitoring data suggest that Invest NI is on track to deliver against the FDI jobs target in the Invest NI International Strategy of supporting between 7,200-10,600 jobs between 2017-21.

Figure 4-5: Employment impacts from Invest NI support 2014/15 - 2019/20



Source: SQW analysis of Invest NI monitoring data

5. Trade support: business survey analysis

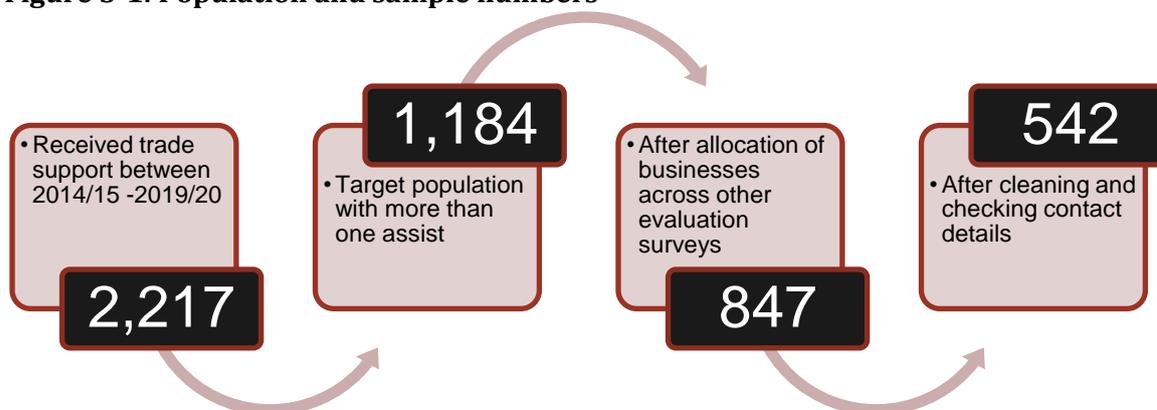
Summary

- SQW/PIMR conducted a telephone survey of 219 NI businesses that had received trade support from Invest NI over the six years between 2014/15 and 2019/20.
- Within the sample 93% of the businesses sold goods and/or services outside the UK (44% of all their sales) and 63% sold outside UK and RoI (34% of the value of all sales).
- Micro and large businesses made a higher proportion of sales outside UK and RoI than small businesses.
- Only 20% of the businesses had an international trade plan. This was 50% among the large companies, 25% for small companies and 11% for micro businesses.
- Almost 60% of those interviewed rated support from the International Trade Advisers as 5 out of 5 and 30% 4 out of 5. The support compared well with scores given to other trade support providers.
- A quarter of the businesses had engaged with an overseas office: Dubai, Boston, Toronto and London were the most frequently mentioned and support highly rated.
- 65% of businesses had found new customers as a result of Invest NI support and a further 17% expected to in the next year.
- 42% had undertaken new staff training related to international trade, 37% had developed new, or adapted, products for international markets and 35% had hired new staff to take forward international trade.
- **In 54% of cases, the Invest NI support had accelerated, increased scale, or improved the quality of their trade activity.** In 29% of cases, they would not have undertaken any of the activities all.
- To date, 65% of the businesses reported that the support has had a major or moderate effect on international and/or GB sales, and a further 21% expected an effect in the future.
- Feedback from businesses on future support focused on developing **better strategies, overseas support and networking, a tighter focus on the right types of businesses, being more proactive, focussing on digital support, offering better research and a lighter administrative burden.**

Introduction

- 5.1** From 2014/15 to 2019/20 trade support was provided to 2,217 individual companies involving 8,059 “assists” or interventions and investing £42 million. Trade support is defined as participation in the interventions in Table 4-2.
- 5.2** The profile of the support shows that many of these businesses had received one assist, often very modest, for example attending one workshop. This could also have been up to six years ago. It was likely that businesses would find recalling this difficult and any possible impact would be small. For these reasons, the survey population was adjusted to focus on businesses with more than one assist over the six years. There were 1,184 businesses that had received more than one trade assist (53% of the total).
- 5.3** Many of the businesses had also received SFA, FDI assistance, Grants for R&D support (GR&D). Surveys for these other interventions took place over the same period and Invest NI requested that the same businesses should not be contacted more than once. To ensure that there was a sufficient sample across each of the surveys, 337 were allocated randomly to these other surveys. This left an allocation of 847 businesses with more than one assist. These were submitted to Invest NI to check contact details and that the businesses were trading. The process left 542 businesses available for the survey to sample.

Figure 5-1: Population and sample numbers



Survey process

- 5.4** The sample of 542 was divided between interview teams at PIMR and SQW. To carry out 30 more in depth interviews, SQW identified 50 of the businesses that had most contact with Invest NI or were identified as key businesses. These were also used as the basis for invitations to the workshops described in Chapter six.
- 5.5** Emails were sent by Invest NI Client Executives to the sample of 542 businesses to introduce the survey. PIMR and SQW attempted to contact each of these businesses, from which 219 interviews were completed. This is an overall response rate of 41%, reasonably high for a telephone survey and reflecting the contact cleaning that was done at the earlier stage.

Profile of the sample

- 5.6** The sample of 219 is highly representative of the population of 1,184 businesses that have received more than one trade assist (Table 5-1).

Table 5-1: Sample and population profiles

	Survey sample	% of population	Population with >1 assist
Number of cases	219	18%	1,184
Number of assists	1,169	17%	7,015
Average number of assists	5.4	-	5.9
Value of support	£6.2 million	19%	£32.2 million
Average value of support	£28,490	-	£27,200

Source: SQW/PIMR survey 220 cases

- 5.7** The sample also closely mirrors the population by business size and sector, although it slightly over-represents micro businesses and under-represents large ones (Table 5-2).

Table 5-2: Sample and population by size and sector

	Sample	Population of 2+assists
Large	8%	9%
Medium	13%	14%
Micro	47%	44%
Small	32%	32%
By sector		
Advanced Engineering & Manufacturing	32%	33%
Agri-Food	14%	15%
Construction	16%	12%
Digital & Creative Technologies	18%	18%
Financial, Professional & Business Services	13%	12%
Leisure & Tourism	1%	2%
Life & Health Sciences	5%	7%

Source: SQW/PIMR survey 219 cases

- 5.8** There is some variation in the proportion of the sample that are account managed (79% of the sample compared with 68% in the population). This may reflect the willingness to respond to the survey, but account management cases also change over time. Some businesses that were account managed at the time of support may not be now.
- 5.9** Across the 219 businesses, 179 provided turnover figures. The average turnover reported was £11.1 million and the median value was £2 million.

5.10 All the businesses provided employment figures. **The total number of jobs covered by the businesses in the sample was 9,941 in March 2020 before the pandemic. By November 2020 this had fallen to 9,515.** There was an average of 45 jobs per business in March 2020 and the median value was 14 (meaning that half of the sample had more than/fewer than 14 employees).

Support received

5.11 The survey was complicated by the range of support provided and the elements of the support that interviewees were likely to be able to recall over a six-year period. Data from Invest NI provided details of all the support recorded for each company, and this was described to the business at the start of the interview. Businesses were asked to indicate whether they could provide feedback on all of it, or just some of it. Table 5-3 sets out what was identified from the database and what companies recalled. This should be treated as indicative, given some confusion around the product names, changes in the staff dealing with them and their recall over six years.

Table 5-3: Details of support provided and support that was recalled

	Companies that received support	Companies that recalled support
Growth Accelerator Programme (GAP)	124	89
Trade Event	114	64
Export Market Visit	95	92
Solex	58	44
Trade Advisory Service	55	32
ACUMEN	28	20
Export Development Service	13	7
Follow Up Market Visit	12	10
OMIS	8	4
Export Legal Advice Service	6	6
Going Dutch	6	4
Graduate to Export	4	4
First Time Exporters Programme	4	4
GB Market Entry Programme	3	3
Go Canada	2	1
Inward Visits	2	1
Translation Consultancy Service	2	1
Grow Beyond	1	1
Czech it Out	1	1

Source: SQW/PIMR survey 219 cases

5.12 The pattern of support was broadly similar across sectors and sizes of business, however, micro and smaller businesses (less than 50 employees) tended to make more use of the export market visit and trade event support, while the larger businesses were more likely to use the graduate to export programme. Growth Accelerator Programme (GAP) supported was evenly distributed across the small businesses (up to 100 employees).

Profile of exporting in sample

5.13 Businesses were asked to provide a rough indication of the proportion of sales made across their markets in the year up to March 2020 (before the pandemic). Across the sample, 85% sold good or services in Northern Ireland, 83% in GB, 73% in RoI and 63% outside the UK and RoI. Almost half (44%) sold in Europe and 52% in the rest of the world. By value, 56% is within the UK and 34% of sales are made outside the UK and RoI.

Table 5-4: Markets by number of businesses and proportion of sales in the sample

	% of businesses	% of sales
NI	85%	18%
GB	83%	38%
ROI	73%	10%
EU	44%	13%
RoW	52%	22%
Outside UK	93%	44%
Outside UK and RoI	63%	34%

Source: SQW/PIMR survey 187 cases provided sales by geography (excludes pre-trade)

5.14 As expected, larger businesses sell more outside GB, the proportion of sales outside GB made by micro businesses, was also surprisingly high. Although the value of these sales will be much lower, international markets are proportionately more important for these companies than among those with between 10 and 49 employees.

Table 5-5: Pattern of sales by size of business

	Average % of sales made					
	No.	In NI (%)	In GB (%)	In ROI (%)	In rest of EU (%)	In rest of world (%)
Large (250+)	7	2%	42%	5%	17%	34%
Med (50 – 249)	28	30%	38%	17%	9%	6%
Small (10-49)	61	41%	30%	12%	4%	13%
Micro (0-9)	58	18%	19%	11%	25%	26%
Total	154	18%	38%	10%	13%	22%

Source: SQW/PIMR survey 154 cases provided turnover and sales data (excludes pre-trade)

International business plan

- 5.15** Having a written international business plan demonstrates a commitment to international expansion and to developing a more strategic approach. **The survey found that larger businesses were far more likely to have plans and the micro businesses the least likely. Taken alongside the relatively high proportion of sales that smaller businesses are making internationally, makes the development of a plan even more important.**
- 5.16** While micro businesses are selling more than 50% outside GB and ROI, only 11% have a written international plan in place. While small and micro export sales have a high rate of additionality, the volume of companies is **not significant enough to justify greater support.**

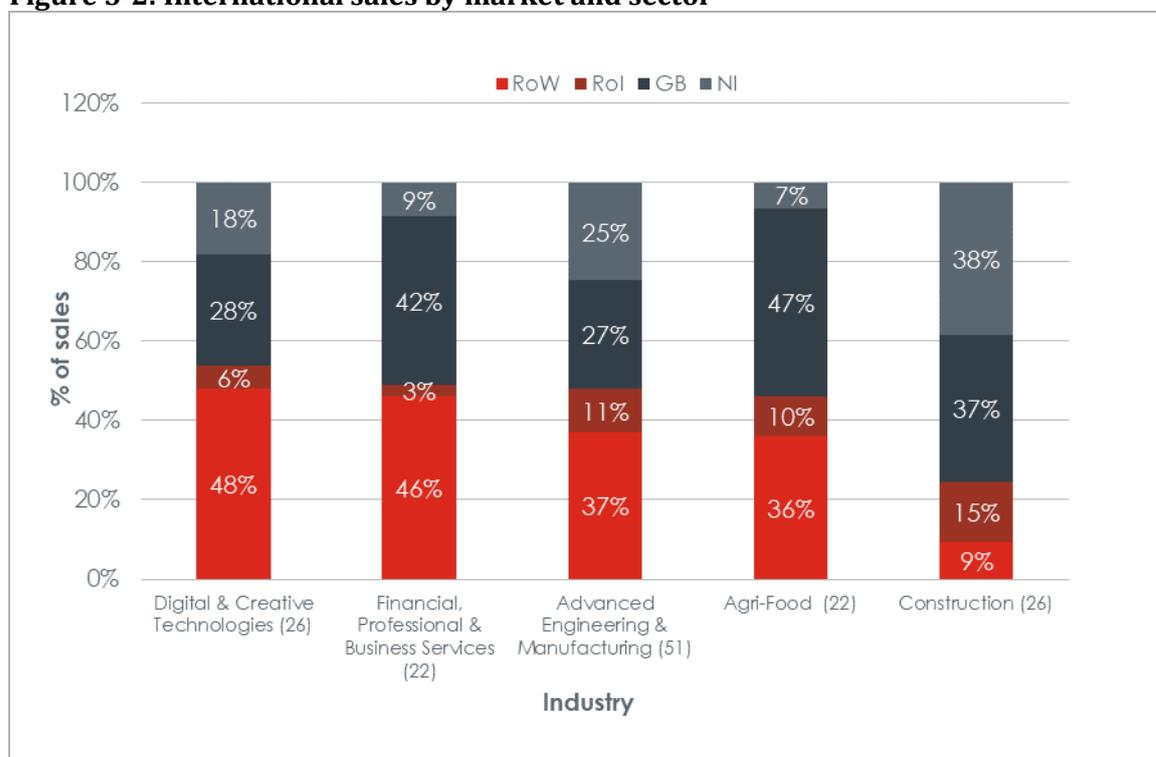
Table 5-6: Proportion of businesses that have a written international plan

Row Labels	Don't know	No	Yes	Grand Total
Large (250+)	0%	50%	50%	100%
Med (50 - 249)	0%	73%	27%	100%
Small (10-49)	3%	72%	25%	100%
Micro (0-9)	1%	88%	11%	100%

Source: SQW/PIMR survey n=219

- 5.17** The survey found that the service sector businesses in **Digital & Creative Technologies and Financial, Professional & Business Services** tended to sell a higher proportion outside GB and RoI. Construction firms, for example, sell more within NI and GB (Figure 5-2).

Figure 5-2: International sales by market and sector



Source: SQW/PIMR survey n=147 – the number of cases in each sector is shown in brackets)

5.18 Businesses were asked when they first started exporting. Almost a third had started selling internationally over the period covered by the evaluation, while the rest were already exporters.

Table 5-7: When did the business start exporting

	Number	%
Before 2000	41	23%
From 2000 to 2014	80	46%
From 2015 to 2020	54	31%
All responses	175	100%

Source: SQW/PIMR survey n=175

Quality of support

5.19 Businesses gave high scores for almost all the elements of support (Table 5-8). In most categories more than 80% awarded the support 4 or 5 out of 5. This included the high numbers attending events and receiving market research. More technical support such as developing online presence or legal, IP and trade regulations scored highly. Even though support for international strategy and plans was slightly lower, more than three-quarters of the businesses receiving the support rated it as 4 or 5 out of 5.

Table 5-8: Support received and score out of 5

	Scores out of 5		Number of cases
	Scored 1,2, or 3	Scored 4 or 5	
Help to develop our online presence	4%	96%	67
Help with legal, IP, trade regulations	9%	91%	44
Support to attend trade exhibitions or market visits	11%	89%	183
Identification of in-market agents/ distributors	15%	85%	65
Sales lead generation	16%	84%	95
Help to gather market research	19%	81%	111
One-to-One clinics providing market advice & guidance	19%	81%	58
Workshops, seminars or learning events	19%	81%	99
Help to develop an international strategy or plan	24%	76%	68
Other	33%	67%	12

Source: SQW/PIMR survey n=219

- 5.20** Businesses primarily considered the availability of finance to be its biggest strength, but also the quality of the advice and information, leads and contacts and the quality of the consultant support.
- 5.21** The support provided by the International Trade Advisers (ITAs) was also highly rated. Overall, 60% of the businesses have had contact with an ITA. On a scale of 1 to 5 around 90% of these businesses rated the support as either 4 or 5 out of 5 (Table 5-9).
- 5.22** The main reasons for this were the quality of advice/information, networking, the market research and their communication. In the cases where businesses were less satisfied it was where advice and information had been poor, support had not been relevant or where they were not considered to be sufficiently pro-active.

Table 5-9: Feedback on support provided by ITAs

	4 or 5	1,2 or 3
Quality of advice or support	88%	12%
Communication and responsiveness	90%	10%
Understanding your business	88%	12%

Source: SQW/PIMR survey n=131 that had contact with an ITA

Overseas offices

- 5.23** The SQW interviews showed a high level of awareness about the range of help and support available from Invest NI and awareness of the overseas office network. 58 (26%) recalled support from an overseas office with the most frequently cited offices being Dubai, Boston, Toronto and London.
- 5.24** Table 5-10 shows the number receiving support from each office and the average score (out of 5). The sample sizes are small, but even so, the scores are relatively high. New York and Dusseldorf received the highest scores.
- 5.25** The main strengths of these offices that businesses reported were networking, local knowledge, communication and being proactive. In the small number of cases where businesses were less satisfied this was because of weak networking, poor information, or a lack of response. What stands out from the feedback is the importance of their networks and local knowledge.

Table 5-10: Which Invest NI overseas teams have you received direct support from and how would you rate the overall quality of support

Most frequently mentioned offices	Number of businesses	Average score
Dubai	11	4.1
Boston	10	4.1
Toronto	8	4.2
London	8	4.1

Most frequently mentioned offices	Number of businesses	Average score
New York	7	4.7
Dusseldorf	5	4.7
Sydney	5	3.7
Madrid	4	4.3
Santiago	4	4.3

Source: SQW/PIMR survey n=58 cases

Other organisations

5.26 The Invest NI support is considered to be more effective than support provided by many of the other agencies. Most commonly, businesses had worked with Intertrade Ireland or with local authorities. The score for Intertrade Ireland is relatively high (79% gave it 4 or 5 out of 5), but lower for other organisations. To some extent this will depend on the type or support available. Organisations that provide funding will score more highly than those that do not (Table 5-11).

Table 5-11: How would you rate the effectiveness of different types of support you have received from these other organisations

Organisations/agencies	Cases	Scored 4 or 5	Scored 1, 2 or 3
Intertrade Ireland	68	79%	15%
Local Councils	35	63%	29%
UK Government – DIT	14	57%	36%
Chamber of Commerce	14	21%	86%
UK Government – Foreign Office/ Embassies	7	14%	43%
Institute of Exports	4	50%	50%
Overseas Chambers of Commerce	3	67%	33%

Source: SQW/PIMR n=219 cases

Additionality of events

5.27 Given the number of businesses supported to travel to attend events, the survey asked whether they would have travelled to some or all of these if the funding had not been available. In 62% of cases, businesses reported that they would not have travelled to any of them. More than a third stated they would have travelled to at least some of these without the funding (Table 5-12).

5.28 The question highlights the important non-financial benefits of participating in these trips. For example, that it encourages visits to new rather than existing markets, they value being part of the Invest NI stand, and the initial visits allow them to assess future participation.

Without the available support, the company would have prioritised markets where we have existing sales (US, Japan, India) – and not have gone to some of the new markets e.g. the Chile visit

At a London lunch we were at the Invest NI stand which we couldn't have afforded otherwise

Likely that we would have attended this event, but our delivery at that event wouldn't have been as effective, and thus we wouldn't have generated as many leads.

Might have attended but Invest NI support was a big factor in deciding to go – it was definitely worthwhile looking back – especially the first trip to the Munich trade fair, which was longer ago, so financial help was important. Might have attended the second event anyway.

We have shared space with Invest NI to keep costs down, but it has allowed us to assess whether it's worth funding our own booth in future

We would have been more selective about which ones we went too. we went to one in Berlin and went back in following years without support.

Table 5-12: What would you have done if the funding support had not been available?

	Number	%
We would not have travelled to any of these	104	62%
We would still have travelled to some of these events/exhibitions or markets	44	26%
We would still have travelled to all these events/exhibitions or markets	18	11%
Don't know	2	1%
Total	168	

Source: SQW/PIMR survey businesses that had been supported to funding support to attend exhibitions, other events or market visits

Outcomes

5.29 This section considers the benefits that businesses attribute to the support they have received. Interviewees were asked initially whether the Invest NI support had contributed to their broad understanding of various aspects of international trade (Table 5-13). The support is more likely to have helped in understanding the benefits and opportunities from international trade, but the effect on knowledge about reaching specific markets and understanding how to develop products is significantly lower. It reflects feedback that while the support is good at raising awareness, it is harder to provide more practical support in overseas markets.

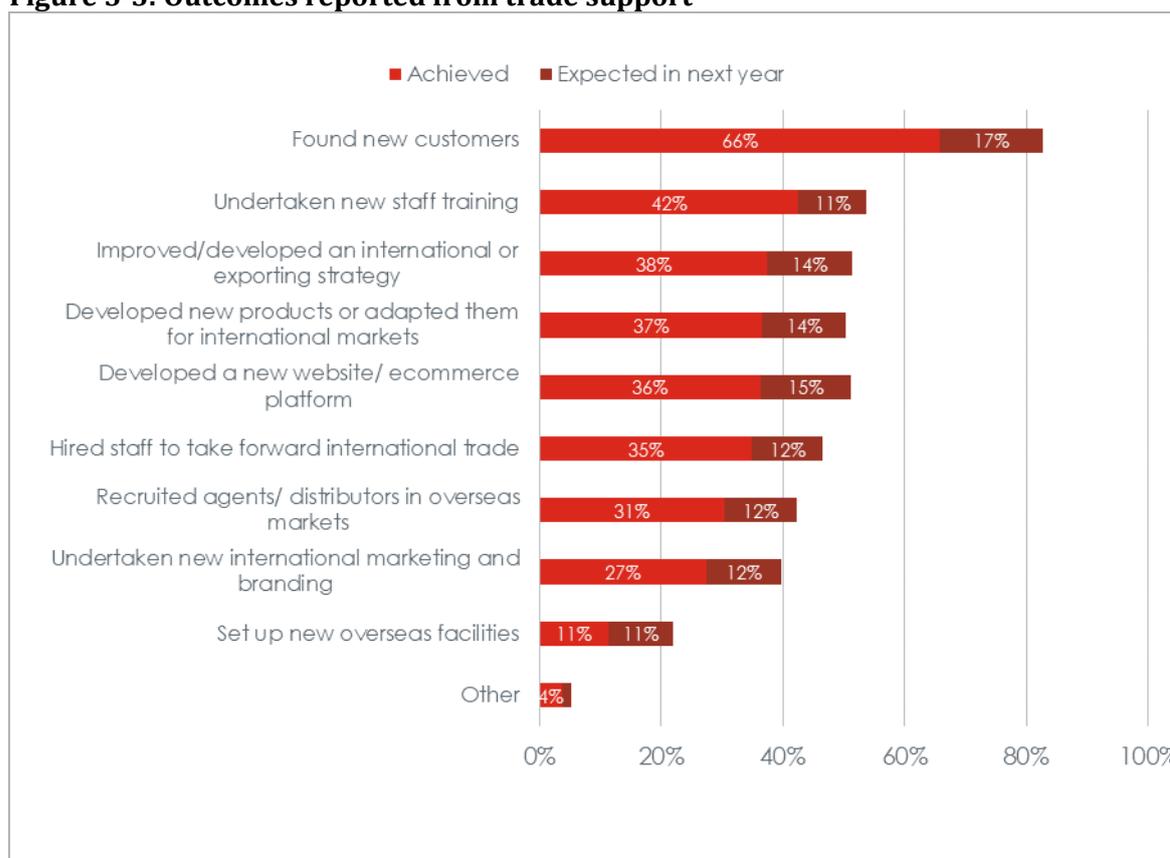
Table 5-13: Has the Invest NI support helped in any of the following

	Yes	% Yes	No	Don't know
Understanding the benefits and opportunities from international trade	148	67%	68	4
Strengthening the firm's international ambitions	134	61%	84	2
Knowing what needs to be done to reach target markets overseas	116	53%	98	6
Understanding how to develop products for overseas markets	90	41%	123	7

Source: SQW/PIMR survey n=219

5.30 Figure 5-3 shows the outcomes reported by the businesses as a result of the support:

- Two thirds of the businesses had found new customers and a further 17% expected to
- Half of the supported businesses had undertaken, or planned staff training related to international trade and nearly 40% had improved/developed an international or exporting strategy
- Similarly, almost 40% had hired staff to take forward international trade, developed a new website/ecommerce platform or developed or adapted products for international markets.

Figure 5-3: Outcomes reported from trade support

Source: SQW/PIMR survey n=219

Additionality

- 5.31** To understand the difference that the support has made, businesses were asked whether they would have achieved these outputs if they had not received the Invest NI support. This applies to all outcomes reported above.
- 5.32** **The level of additionality is reasonably good.** While only 12% of cases reported that the support had made no difference, for most (54%) it had accelerated or enhanced their international trade activity, and in a further 29% of cases the outcomes would definitely (or probably) not have occurred at all. The results are set out in Table 5-14.
- 5.33** Typically, we would expect the support to be less additional for larger businesses, and this is broadly what the table shows. It is interesting that additionality among the medium sized businesses is slightly higher than for the small ones, but similar to the micro businesses. Overall, it suggests that even among businesses with more than 50 employees, the support has made a difference. Where businesses reported that the support had accelerated their activity, the average length of time was 24 months. Where it had increased the scale, this was by around 60%.

Table 5-14: To what extent would you have achieved these outcomes if you had not received the Invest NI Trade support

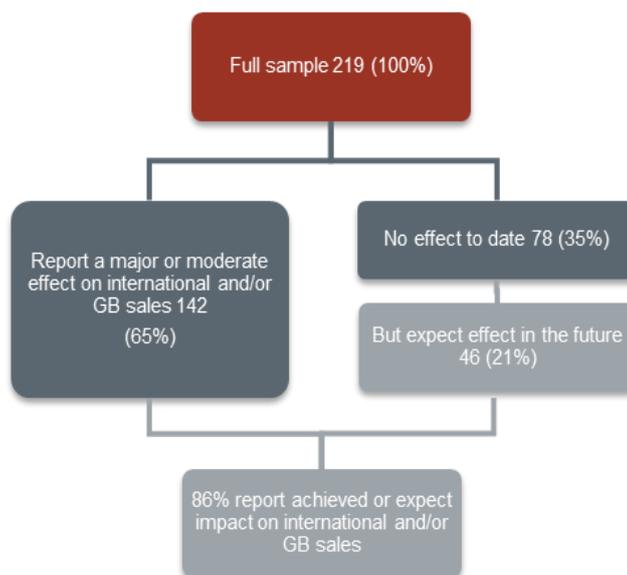
	Large 250+	Medium 50-249	Small 10-49	Micro <0-9	Grand Total
Full/Probably full additionality	13%	32%	24%	35%	29%
Definitely would not have occurred at all	13%	24%	11%	20%	17%
Probably would not have occurred at all	0%	8%	13%	15%	12%
Time/scale/quality additionality	63%	53%	59%	49%	54%
Would have occurred but at a slower rate	50%	51%	52%	39%	46%
Would have occurred but not the same quality	0%	3%	5%	5%	5%
Would have occurred but at a lower scale	13%	16%	16%	8%	13%
No additionality	25%	8%	16%	8%	12%
Don't know	0%	5%	1%	7%	5%

Source: SQW/PIMR survey 219 cases – totals add to more than 100% as some respondents indicated more than one type of additionality

Impact on sales

- 5.34** An important part of the evaluation is assessing the extent to which the activities and outcomes have led to increases in sales, whether to GB or internationally. To determine this, businesses were asked to indicate whether the support they received has had a major, moderate, no effect or negative effect on international and GB sales.
- 5.35** Figure 5-4 shows the breakdown of the responses. **Of the 219 businesses, 86% of the businesses that have been supported have seen or expect to see an impact on their sales, while 14% do not expect to see any impact.** 142 (65%) reported a major or moderate impact on their sales outside Northern Ireland, and of the 78 that reported no impact to date, 48 (21%) expected to see an effect in the future.

Figure 5-4: Analysis of the influence of support on international and GB sales.



Source: SQW/PIMR survey, n= 219

5.36 The results can also be shown by size and sector. By size, the larger businesses are more likely to report an increase in international and/or GB sales.

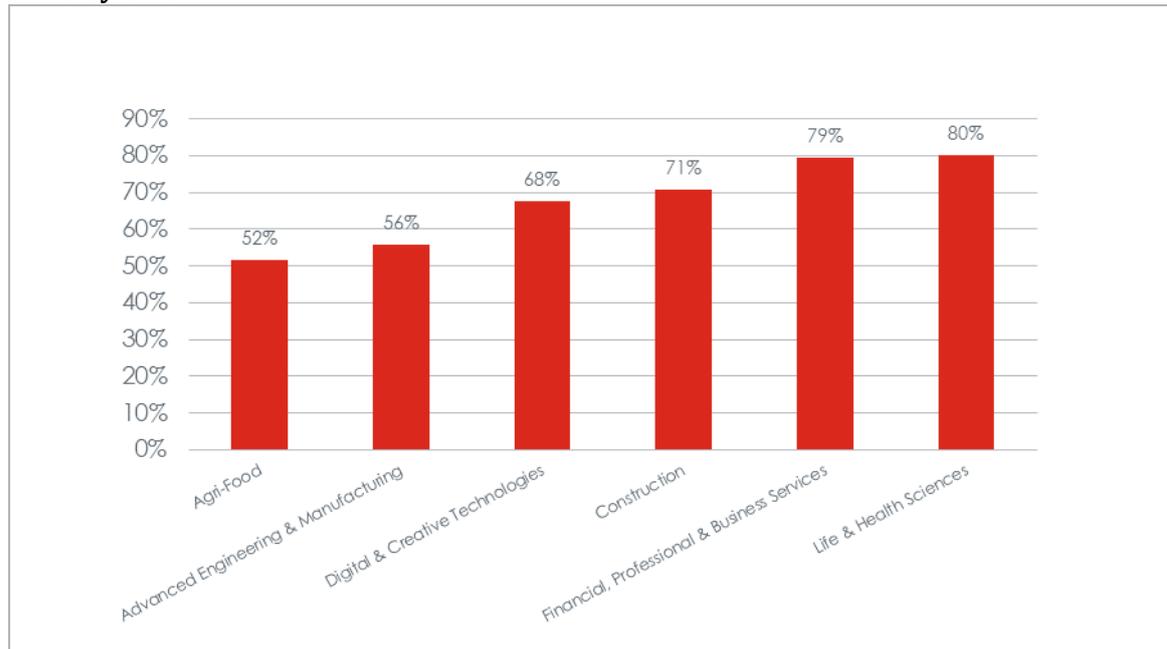
Table 5-15: % reporting a major or moderate increase in international and/or GB sales by size

Business size	%
Large 250+	75%
Medium 50-249	73%
Small 10-49	65%
Micro <0-9	59%

Source: SQW/PIMR survey n=142

5.37 By sector, life sciences and financial, professional & business services had the highest proportion of businesses reporting an increase in sales (Figure 5-5).

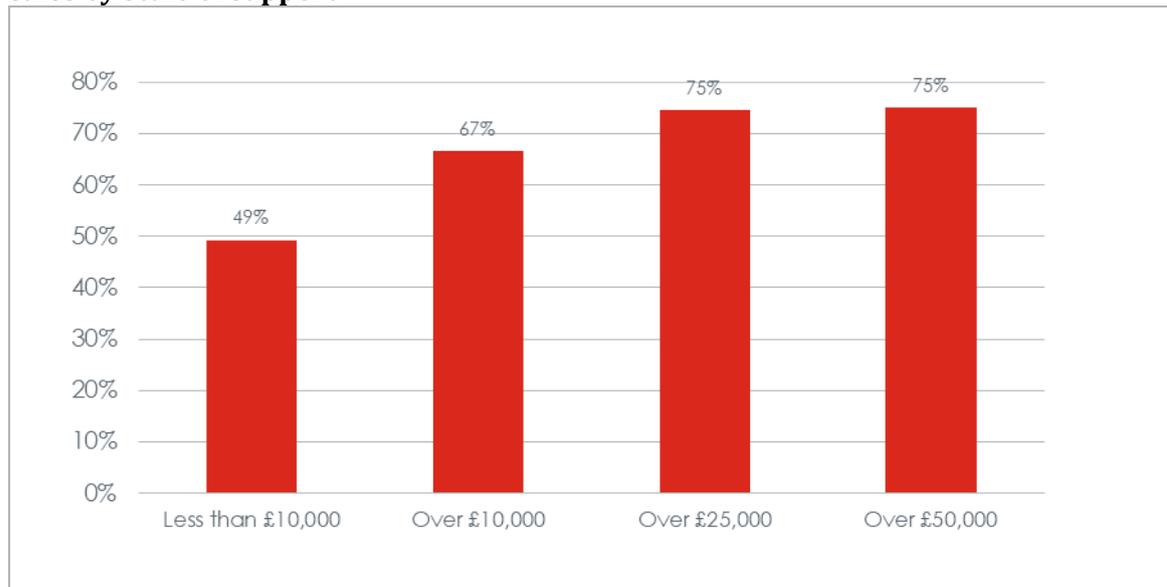
Figure 5-5: % reporting a major or moderate increase in international and/or GB sales by sector



Source: SQW/PIMR survey n=142

5.38 Finally, the impact on these sales can be shown relative to the value of the trade support they received. Figure 5-6 shows the proportion of businesses reporting an impact on sales based on the four levels of support. **Those receiving more support tend to be more likely to report an impact, although it does suggest that this may stop increasing in the highest group.**

Figure 5-6: % reporting a major or moderate increase in international and/or GB sales by scale of support

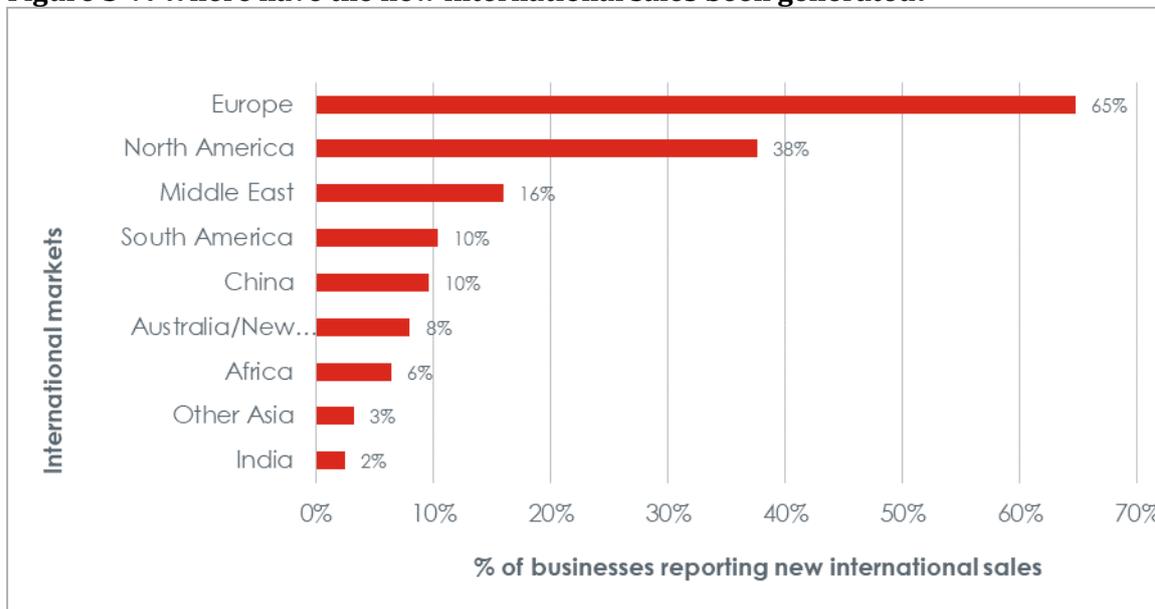


Source: SQW/PIMR survey n=142

New markets

5.39 The survey also examined where these new markets were. The results are shown in Figure 5-7. Europe and North America have certainly been the most attractive markets, although there are a significant proportion of businesses that have been able to generate new sales in the Middle East, South America, China and Australasia.

Figure 5-7: Where have the new international sales been generated?

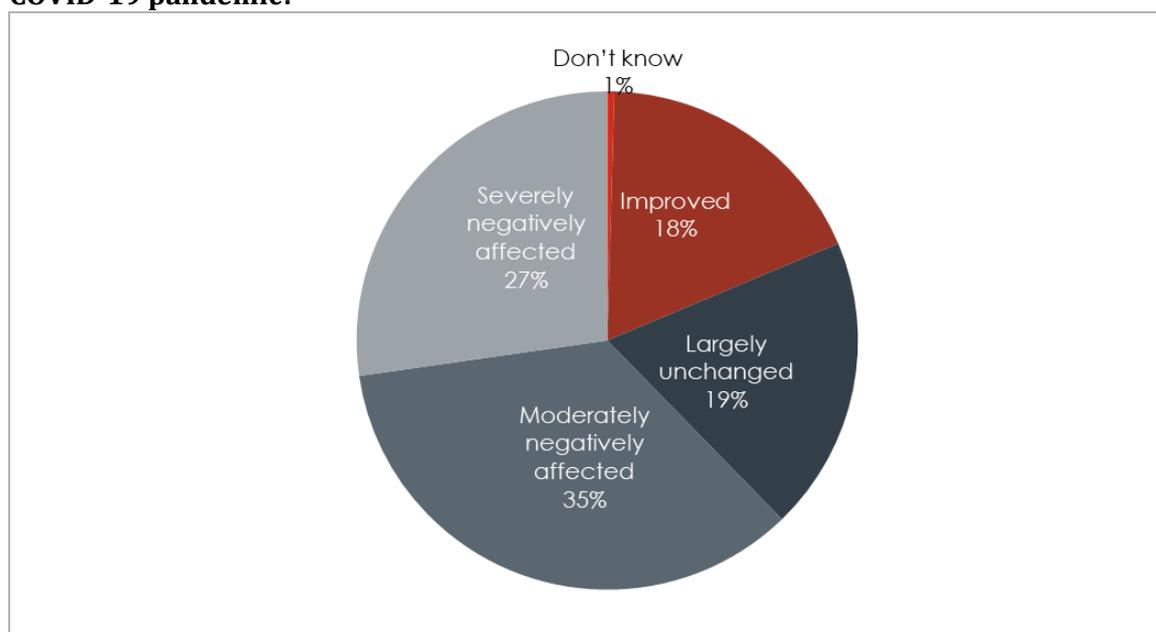


Source: SQW/PIMR survey n=142

Trading through COVID

5.40 The survey took place when many of the businesses interviewed were facing considerable uncertainties. Many of the businesses were working at home and had furloughed staff, and there was huge disruption to markets. At the same time there was not yet a deal on Brexit. The survey asked specifically about the impact of the COVID 19 pandemic on business performance (Figure 5-8). The results show that 63% were negatively affected, a fifth improved performance and a fifth were largely unchanged. While the leisure and hospitality businesses in the survey were most affected, there was little other difference by size or sector.

Figure 5-8: Which of the following best describes your business's trading through the COVID-19 pandemic?



Source: SQW/PIMR survey n=219

5.41 Only 5% of businesses were abandoning their international plans. More than half (53%) were either putting them on hold temporarily or adapting them. A third of the businesses said that COVID had made no difference to their plans (Table 5-16). There was relatively little difference between the sizes of business.

Table 5-16: Has the COVID-19 pandemic affected your plans for future international and GB trade?

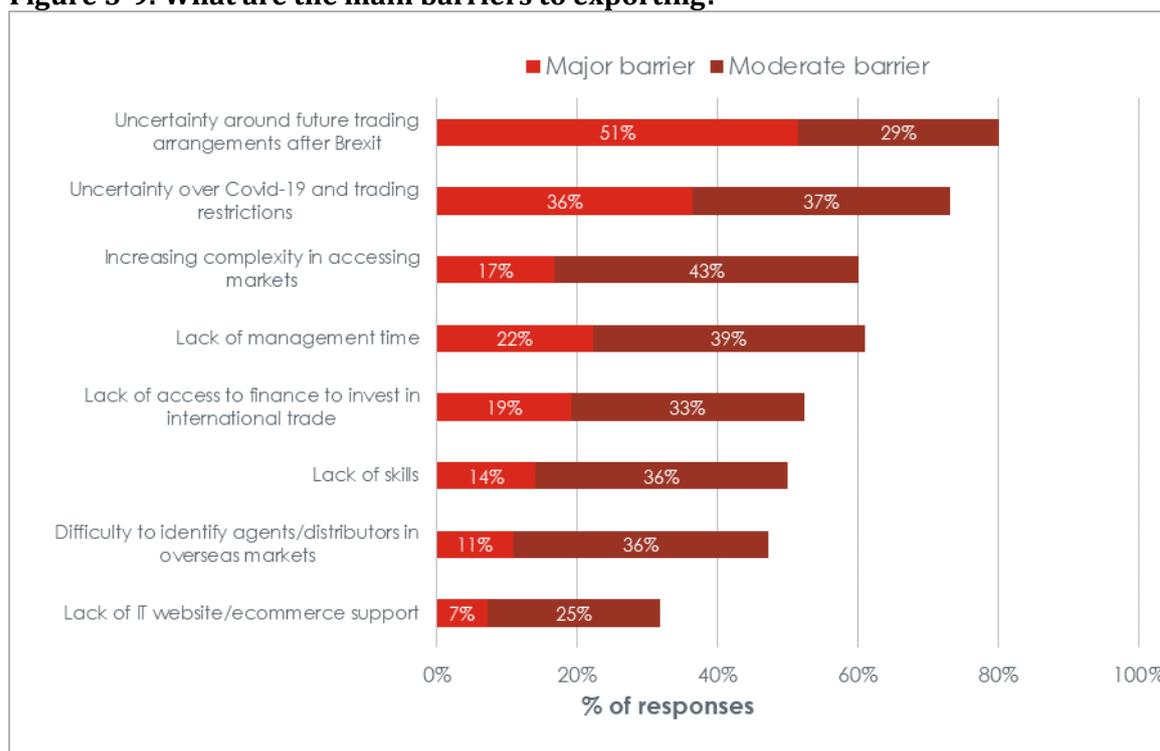
	Large 250+	Medium 50-249	Small 10-49	Micro <0-9	Total
Made no difference to our international plans	25%	30%	39%	30%	33%
Will adapt/revisit our international trade plans	50%	24%	25%	19%	23%
Plans have been put on hold and still intend to follow them	25%	30%	22%	36%	30%
Accelerating plans	0%	5%	6%	7%	6%
Abandoning our international plans for just now	0%	3%	6%	6%	5%
Don't know	0%	3%	1%	1%	1%
(blank)	0%	5%	0%	0%	1%
Grand Total	100%	100%	100%	100%	100%

Source: SQW/PIMR survey n=219

Future Challenges

5.42 Despite the interviews taking place over a period of lockdown, the biggest challenge was still considered to be Brexit. At the time, November and December 2020, a Brexit deal had not been agreed and there was considerable uncertainty around the terms. Subsequently, there continue to be challenges around the NI Protocol and uncertainty around how it will play out. Other barriers include the impact of the global pandemic, complexity of accessing markets and management time (Figure 5-9).

Figure 5-9: What are the main barriers to exporting?



Source: SQW/PIMR survey n=219

5.43 The more in-depth interviews carried out by SQW provided further qualitative evidence of the issues and views on support. Table 5-17 sets out suggestions grouped under some of the main headings.

Table 5-17: Suggestions from businesses (SQW sample)

Themes	Business feedback
More strategic	Invest NI could provide support in creating better strategies to aid availability of finance – allow firms to use funding to buy in relevant expertise Understanding new markets and which to focus on – need to develop strategy and then invest in it. Second issue is that this is family owned and need to convince board that this is worth the risk
Overseas	Funding for overseas agents/employees – on-the-ground presence is crucial for generating sales. Need to grow overseas offices with good people that know the businesses (this may mean using more consultants)

Themes	Business feedback
	<p>The Trade Advisory Support is mostly aimed at Europe – however, it would be really helpful if it provided robust advice for England as this is a big market</p> <p>The biggest risk is not getting trade right with GB/ROI or not taking advantage of NI’s unique relationships with the EU and GB. These are the two biggest markets for companies in NI, Invest NI may need to repivot its focus in the short to medium term – minimise risks and maximise opportunities across these markets.</p>
More focus	<p>Where these Invest NI funds exist, it’s important to make them available to the right type of companies, who are willing to invest in themselves too. Focus on audited businesses that have the money to follow up and build on potential exports – better value for money for Invest NI</p> <p>Support more sector specific advice and leads</p> <p>Desperately need support for the aerospace industry. They’ve lost jobs already and more should be done for the sector</p>
More proactive	<p>Need more proactive engagement with Invest NI – through client exec and trade advisors. They need to be more proactive support in new markets to kickstart recovery - everyone is too passive in NI – businesses don’t know what they don’t know. Rather than just react to business demand Invest NI should lead</p>
More digital	<p>More focus on digital support, current awards are too small to allow significant digital investment. More focus on digital marketing to support international trade rather than events, which can seem a bit lethargic. Better and more use of social media to build some momentum.</p> <p><i>We moved our business online and there’s a benefit to this and consumers have better direct access through our site.</i></p>
Strengthen research	<p>Strengthen market reports – bring in more sector expertise. Better market research helps make the case to company boards – Invest NI support de-risks this, even if it isn’t successful immediately – Use case studies to show others what can be done.</p> <p>Need to improve poor trade support from research and Invest NI workshops a waste of time – stop doing them</p>
More promotion	<p>More promotion of what the overseas networks can do to help exporters in new markets – identify leads, set up meetings</p>
Skills	<p>More training and financial support in specific areas, pooling it as a centre of excellence, focussed on issues for NI. Help with recruiting sales teams in key markets in Europe, Asia Pacific and Africa</p>
Processes	<p>Approval/claims processes are burdensome. Make long term Invest NI clients “trusted traders” – lighter touch approval processes required. For some of the smaller grants, the work requires outweighs the financial benefit.</p> <p>Company size thresholds – businesses that are part of a larger group may not get support because they are treated as a larger entity</p>
Delivery of support	<p>Invest NI should review the thresholds for support finance for marketing excludes digital brand development – it is too narrow</p> <p>Importance of maintaining market visits and events – 40-50% subsidies really encourage companies to visit overseas markets</p> <p>Capital support grant scheme could help the business access the required finance to meet increased in volumes to export</p>

Themes	Business feedback
	<p>Need to provide better incentives for larger companies, who are growing (diminishing support provides a disincentive to grow)</p> <p>Look at joint projects with other small businesses within clusters. There could be support for these companies to find new products and markets – financially supported project</p> <p>Collaborative groups have worked well is there more that Invest NI can do here</p> <p>Look at supply chain as part of international support – one of the barriers to exporting, is being able to import important goods and materials from overseas.</p>

6. Business focus group analysis

Summary of focus group feedback

- A series of five focus groups were held with Northern Irish businesses engaged in international trade and supported by Invest NI. Thirty-six people from 34 businesses participated between the 9th and 15th March 2021
- **Building networks in key sectors in overseas markets is probably the single biggest challenge for these businesses.** It underpins knowledge of the market, customers, culture, technical support and ability to fulfil orders. Businesses want to see more support in overseas markets, specifically based on sector expertise
- **Invest NI support should be part of a company's international trade plans.** Client Executives should be more proactive in understanding trade plans and increasing the engagement of the ITAs in Belfast
- **There is an opportunity to develop knowledge groups to share information/ experience amongst NI exporters.** This would be an exporters network where firms could learn from each other, share opportunities and connections
- **Businesses want better communication and promotion** of the range of support available. This could be through the website or knowledge group
- **Trade shows, exhibitions and missions** remain a popular element of the support although these should be more focussed on the key sectors, used as part of a company's strategy and followed up.

Introduction

- 6.1** This chapter summarises the feedback from five focus groups held with Northern Irish businesses that are engaged in international trade and have received support from Invest NI. Thirty-six people from 34 businesses participated across five focus groups conducted online.
- 6.2** Focus groups were held from 9th to the 15th March and lasted 90 minutes each. The groups covered three questions:
- What are the **main barriers** faced by your business (and others) in starting or increasing export sales? e.g. management capacity/ skills issues/ information/other factors
 - **How effective is the current support** offered by Invest NI? What is most important/less important

- How can Invest NI **improve or develop** the support it offers? Different types of support, the way it is communicated and delivered and how best to use Invest NI overseas offices?

6.3 The businesses were identified by Invest NI as companies that have had significant support or interaction, and therefore would be in a good position to discuss the support they had received and the types of assistance they would like to see in the future. The groups captured feedback from a wide range of businesses across the following sectors:

- Advanced engineering
- Aerospace
- Food and drink
- Construction
- Textiles
- Financial services
- Manufacturing
- ICT
- Materials handling
- Process and packaging.

6.4 There was also a wide range of size from micro start-ups to large corporations. 8 of the businesses were micros (less than 10 employees), 18 were SMEs with between 10 and 250 employees and 8 represented larger businesses.

Barriers to starting or growing exporting

6.5 Perhaps the single biggest theme was around **identifying and building relationships with new customers in international markets**. It highlights the importance of having local advice and/or consultants, in-market, with strong networks – or “boots on the ground”. Ideally businesses would like to have their own sales staff based in these markets, but given the costs of this, particularly for small businesses, NI support in-market is very valuable. This helps to:

- identify the right contacts and partners in new markets (using Invest NI and DIT contacts)
- develop those contacts and build relationships in-market
- support delivery and management of orders.

6.6 **The amount of management time and resources needed to develop new international markets is also a major barrier**. This activity often takes longer than expected to become profitable. In contrast, support is often short term and tactical, rather than longer term and

strategic. The discussion highlighted the difference in effort and investment required to develop sales in different markets. It takes time to develop export markets and the pay back periods are even greater than domestic ones. The availability of finance and investment more generally was discussed as a barrier to international trade, and this was highlighted in particular for the large number of family-owned businesses in Northern Ireland.

- 6.7 Selling into new markets requires the right skills in terms of sales and marketing and sector knowledge**, but recruitment is difficult, particularly in key markets such as London or in US cities. For small businesses international sales is not a full-time role, and so they cannot have dedicated staff with the right experience. There was a lot of discussion about skills and the merits of recruiting staff overseas or from NI.
- 6.8 Accessing detailed market research and understanding local business culture and regulation were raised as initial barriers**, specifically in markets outside GB, EU and North America. Understanding local laws, visas, labour laws, payment systems, regulations, certification, export documentation, translation requirements for product packaging can be costly and time-consuming. Finding agents, local professional services and local partners is crucial and requires in-market knowledge and research.
- 6.9 Businesses have different export models depending on the sector and type of business (e.g. where it sits in the supply chain)**. Some businesses have a few big clients while others have a large number of customers, making smaller orders. Some are in sectors that require flexibility or ad-hoc approaches such as responding to tenders or following clients. Others have more time to plan and target markets. Each business faced different challenges in adapting goods for different clients, with some facing additional costs related to holding more stock.
- 6.10 The COVID-19 pandemic has caused considerable disruption** to international trade. Businesses have been unable to travel on trade missions and attend major trade events to meet new partners and clients. Some partners and distributors will inevitably have gone out of business due to the economic fall-out. As the travel restrictions begin to ease, one of the challenges for exporters will be to rebuild international networks.

Effectiveness of support

- 6.11 The overall view from these groups was that the support from Invest NI has been very valuable**. Each company provided feedback on how it has been used and particularly where it had worked.

Trade shows, exhibitions and missions

- 6.12 Attendance at trade shows, exhibitions and missions was frequently mentioned as an effective source of making contacts**, particularly for sectors such as food and drink and aerospace. Getting back to the key sector trade shows following the pandemic was considered vital. However, there was also feedback that suggests there is not always much follow up from

Invest NI – businesses returning with a pile of contacts, but unsure of next steps. It suggests that while they are effective in generating leads, they may not be very strategic.

- 6.13** There was also feedback about the **value of being on NI stands with Invest NI and other firms**. Trade shows are good opportunities to highlight the close partnership in NI between trade body/ Government and a strong industry cluster – this is a USP for NI and should be leveraged more effectively.
- 6.14** There was a perception that Invest NI was spreading its support for trade events and missions too thinly, trying to support too many businesses across too many sectors. There was also mixed feedback on the effectiveness virtual trade missions that have been delivered during the pandemic.

Range of support

- 6.15** There was a strong view that companies were not always aware of all the support that was available to them. The level of awareness often depended on the relationship with their Invest NI client executive. Several businesses felt there should be a better way of promoting the range of support products and some felt they were “missing out”. According to one business *“It is sometimes difficult to be aware of all the support programmes on offer – they should possibly look at how the information on support programmes is communicated to clients”*.
- 6.16** Generally, the range of Invest NI trade support was highly regarded and there was some specific feedback on several elements:
- Funding for overseas consultants was highly valued as it allowed firms to use more specialist resources, assuming they could identify the right contractors.
 - Feedback on market research was more mixed and depends on the company’s expectations and the type of sector.
 - Several companies valued the graduates for exporting scheme and pushed for more support to bring in people to focus on developing international trade.
 - There is a credibility in being associated with the Invest NI brand at events and also with DIT and the embassies.

Client executives and overseas teams

- 6.17** Overall, there was a perception that support from Invest NI has improved over the last five years. It had moved from “getting the numbers” to providing more added value services. There were also comments that the increase in the engagement of ITAs had helped to link companies with overseas teams more effectively.
- 6.18** The **role of the Client Executives is critical** in the process. There was generally positive feedback on the CEs role, but a frustration that they change too frequently and that they can appear to be too reactive.

- 6.19** Several companies highlighted that they rarely have strategic discussions with client executives about export markets. It suggests that there could be a more proactive role for Client Executives and ITAs in understanding international trade plans.
- 6.20** Feedback on the overseas teams was also very positive with a number of named examples. There was seen to be **real added value in having sector experts based internationally**. However, the level of support was not always consistent, and support can be less proactive in some markets. There were also views that **more that could be done (by Invest NI and the companies) to leverage the overseas teams**.
- 6.21** A frequent comment was that the **paperwork associated with Invest NI support was often too onerous** (although not just in relation to international trade) and that this should be proportionate. There was a common view that Invest NI should have the ability to be more flexible.

Improvements and recommendations

Delivery

- 6.22** One point made in the discussion groups, building on the feedback on effectiveness, is the importance of ensuring that **Invest NI understand the company's trade priorities**. This should include a **short summary on an annual basis to help tailor trade support**. **This would be where Invest NI is working more intensively with a company**. Other, related improvements suggested were that **the client executives should be more proactive in promoting trade support and increasing the engagement of the ITAs in Belfast**.
- 6.23** This feedback fits well with Invest NI's plans to introduce Export Health Checks and Export Development Plans which will help businesses, particularly smaller ones with no export strategies, to think through approaches to international trade.
- 6.24** A second important area that businesses commented on is the **promotion of Invest NI support** and a feeling that companies were not aware of everything available. There were various suggestions as to how this could be done; regular emails or accessible databases. However, this would reinforce the perception of a set of separate tools, rather than a joined-up service. These comments relate to the list of interventions described in Table 4-2. Finally, there were suggestions that Invest NI support should **focus more on key strengths and alignment to the 10X strategy**, through attracting conferences and in-bound visits engaging small companies. This is happening through Northern Ireland Connections and Visit Belfast. Similarly, there was feedback that trade missions should be more tailored to the sectors where NI has some genuine strengths. This builds on the comments on effectiveness earlier about not being spread too thinly, and the advantages of working together at key sector events. In practice, Invest NI no longer run multi-sector trade missions – only sector focussed ones.

- 6.25** There were also suggestions on Invest NI's support more generally. One view was that they should **concentrate more on a facilitation/ brokerage role**, rather than trying to deliver specialist services themselves.
- 6.26** There were many comments on what is seen as too much **bureaucracy in applying for support**. Invest NI should ensure that the information collected is proportionate to the support.
- 6.27** Across the groups there was a sense that **Invest NI is a strong and generally well-regarded brand**, which could be bolder in backing its vision and focussing its resources. For example, it was suggested that it could be a bit bolder in funding companies overseas and in influencing government to support key sectors. Another suggestion was that it should do more to **leverage NI's unique position created by the Northern Ireland Protocol**. For example, it was suggested that there could be more, bespoke, customer-driven support to companies exporting to the EU.

In-market support

- 6.28** Feedback on overseas support was very clear. **Businesses want to see more support in overseas markets, specifically based on sector expertise**. Much of the feedback on barriers and effectiveness was driven by the need to have access to people and networks that understand their sector within potential new markets. They want **more in-market support to access local knowledge and expertise**.
- 6.29** Related to this there were suggestions that overseas support could include more mentoring, possibly through NI Connections, soft-landing facilities in-market and support to develop social media presence in new and existing markets. Invest NI are in the process of developing strategic diaspora sector advisory panels in key markets and plan to create sector Trade ambassadors from the diaspora pool.
- 6.30** It was suggested that Invest NI should ensure that all its overseas teams were proactive and that they were able to leverage their knowledge and expertise. There was also feedback that some would like to have direct access to ITAs and overseas offices. While we can understand this, in practice it would make the overall process more disjointed.

Products

- 6.31** The discussions raised a number of suggestions for products. One idea, raised several times, was to develop one or more **knowledge groups to share information/ experience amongst NI exporters**. There could be an exporters network where firms could learn from each other, share opportunities and connections. These could be organised as video calls or an online channel. This might be more useful for smaller businesses new to exporting.

- 6.32** Another suggestion was to offer **more to help businesses recruit expertise in overseas markets** directly and in recruiting graduates to go overseas and to identify opportunities. This is supported through the Graduate to Export programme.
- 6.33** A final idea was to make **better use of technology to promote products overseas**. The example was of using Smart Stage technology, which allows the presentation of complex products using virtual reality. A facility could be supported by Invest NI that would allow small businesses to use VR technologies to promote products to prospective customers internationally. This would save the resources needed to travel to markets but could also allow products to be shown in operation.

7. Inward investment support: business survey analysis

Summary

- The survey interviewed 36 foreign-owned businesses that had invested in new job creation or expansion projects since 2014/15, from a target population of 93
- These businesses employed 8,397 people at the time of the interview, 424 less than in March 2020, the start of the pandemic
- Around 60% of the total turnover reported by these businesses was generated outside the UK and RoI, demonstrating their importance to international trade
- Their main reasons for investing in Northern Ireland were skills, followed by labour costs, and technology expertise. Other important factors were culture, language and the time zone
- These businesses considered the engagement and commitment of Invest NI (and from the rest of the public sector) to be the most important part of the support, while financial incentives were considered less critical
- **The quality of the support was highly rated, and newer investors scored the support more highly than existing ones**
- As a result of the support:
 - More than three quarters (77%) of the businesses have increased workforce training
 - More than half of the businesses reported having invested more in R&D
 - Half of the cases had also developed new collaborations
 - Almost half the businesses brought new products and technologies to Northern Ireland
- **Just over half of the FDI investors (post 2014) would not be trading in Northern Ireland without the support, and 31% would be trading with fewer employees.**
- 70% of the businesses that reported a major or moderate impact on turnover and productivity as a result of the support.
- The main feedback for Invest NI was around supporting networks, being more proactive in working with businesses (only two reported that Invest NI usually approached them about support) and focussing on strengthening skills to meet FDI demand.

Introduction

- 7.1 The survey of Invest NI support to FDI focuses on businesses that were new investors, or existing foreign owned businesses that received support for expansion on job creation.**
- 7.2** Invest NI's database has 415 foreign-owned companies that received some kind of support. This covers all the support received by these companies between 2014/15 and 2019/20 and includes SFA, Trade or Grants for R&D support, they were also in the populations for the other three surveys.
- 7.3** FDI is traditionally thought of as investment made by new, first-time, foreign investors, but in practice it is also important to continue to attract investment into existing foreign-owned businesses. Without the businesses continued investment, they will eventually cease to be competitive. However, this does not mean that Invest NI will be either expected or required to provide continued support as the market failure argument may not remain valid after the initial investment. Support to attract investment for expansion from companies that already operate in Northern Ireland can be a more effective approach than focussing on attracting entirely new investors. It is important to note that changes in EU State Aid rules in June 2014 prevented support for existing large company expansions.
- 7.4** Analysing the effect of the support is complicated because the status of a company changes from new to existing after its first investment. A company that was *new* in 2014, may receive support subsequently as an *existing* investor. The survey of FDI businesses therefore covers questions about what initially attracted them to Northern Ireland as well as the effects of any further support they may have received.
- 7.5** It is difficult to separate out the contribution of each of the support elements to businesses' investment decisions, although the survey does provide evidence of what is most valued. The elements clearly work together, and **the survey considers the outcomes and satisfaction with the overall package of support.**
- 7.6** Finally, the population of businesses included a large number that had received fairly modest support (for example support to attend an overseas event, or environmental advice), but were included as FDI because they are foreign-owned. To maximise the value of the survey we agreed that the survey should focus on cases that aimed to create jobs through new investment or expansion.
- 7.7** This means the sample is less representative of all foreign-owned business and is intended to provide a more qualitative assessment of the package of support and its effectiveness in bringing investment, employment and raising skills in Northern Ireland.
- 7.8** From 2014/15 to 2019/20, Invest NI delivered:
- support for 415 individual companies – 123 were investors new to NI and 292 were existing foreign-owned businesses

- they received 1,511 “assists” or interventions.

7.9 The funding provided totalled £222.7m over the six-year period (including expenditure on SFA, Trade support and/or Grants for R&D).

Preparing the sample

7.10 Invest NI provided a database with 415 companies that had support recorded as FDI. These were businesses that are foreign-owned and benefited from Invest NI support of some form. Of these 318 had also received SFA, trade support and/or Grants for R&D. Together these made up almost £200 million of the expenditure on FDI companies over the six years (Table 7-1).

Table 7-1: Number of awards and value of support for FDI businesses 2014/15 - 2019/20

Support	Number of awards	Value of support (£ m)
SFA	162	83.9
Grant For Research and Development	129	71.4
Skills Growth Programme	118	26.1
Collaborative Grant for Research and Development	9	15.8
Total	418	197.2

Source: Invest NI data – note the number of awards is not the same as the number of companies receiving them as companies can have several awards

7.11 The survey of FDI companies took place at the same time as surveys of SFA, Grants for R&D and trade support. To avoid the same companies being contacted more than once, a proportion of the 415 FDI companies were allocated randomly across the four surveys, with the aim of ensuring that each survey had sufficient sample to meet its targets. The allocation of the companies is shown in Table 7-2. This gave an effective population of 190 for the FDI survey.

Table 7-2: Allocation of FDI companies across the four Invest NI surveys

	Number
All companies that received FDI support	415
Allocated to FDI survey	190
Allocated to Grants for R&D survey	69
Allocated to SFA survey	92
Allocated to Trade survey	64

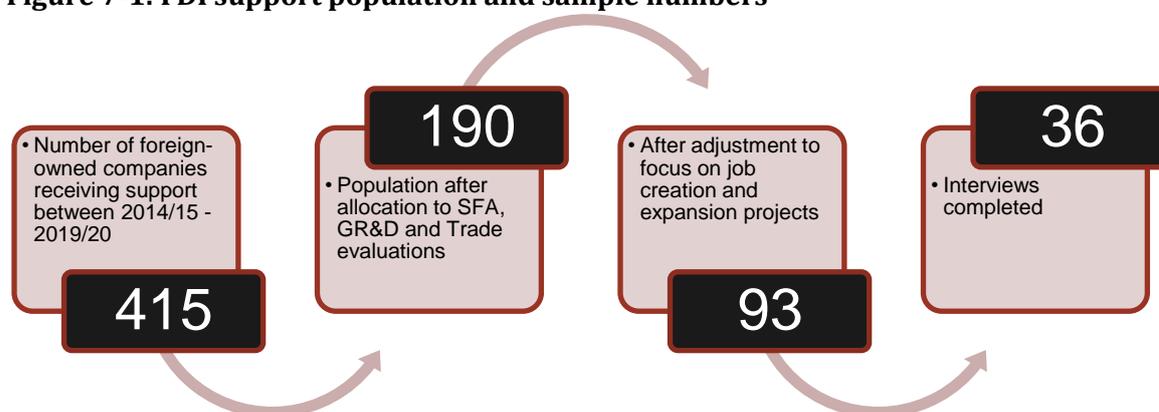
Source: SQW analysis

7.12 Following the allocation, the sample of 190 was reviewed by Invest NI and it was agreed that the survey should focus on cases that received support specifically for expansion or job

creation, rather than, for example, environmental review, trade events, or market research. This reduced the final number of eligible companies to 93.

7.13 Introductory emails were sent to these companies by client executives, and a further, small number opted out. From these, 36 interviews were completed by PIMR and SQW.

Figure 7-1: FDI support population and sample numbers



Sample profile

7.14 There were 36 completed interviews from the cleared sample of 93 cases. This was 9% of the total FDI cases but represented 17% of all funding to FDI businesses. This high proportion is almost entirely due to one very large case. If this is removed, the proportion of funding covered by the interviews is also 9% of the total. However, the sample does have a higher average value of support per case, than in the cleared sample of 93 cases identified by Invest NI.

Table 7-3: Sample profile support and value

	Sample	Population identified by Invest NI	All foreign-owned businesses
Number of cases	36	93	415
% of cases	9%	22%	
Value of support (£ million)	19.8	34.2	222.7
% of support by value	9%	15%	

Source: SQW/PIMR FDI survey and Invest NI data (excludes one large outlier)

7.15 By sector, the sample provides good coverage, although it over-represents digital and creative businesses and financial and professional services in comparison with all foreign-owned businesses and under-represents engineering and manufacturing cases.

Table 7-4: Sample and population by sector

	Sample	Population identified by Invest NI	Percentage of all foreign owned
Advanced Engineering & Manuf	16%	19%	29%
Agri-Food	7%	6%	7%
Construction	7%	3%	5%
Digital & Creative Technologies	36%	36%	27%
Financial, Prof & Bus Services	28%	33%	22%
Leisure & Tourism	0%	0%	1%
Life & Health Sciences	5%	3%	7%

Source: SQW/PIMR FDI survey and Invest NI data

7.16 In terms of ownership, the sample of 36 cases has fewer businesses with parent companies in the RoI and more from the USA, than was identified in the Invest NI sample.

Table 7-5: Country of ownership profile

	Sample	Population identified by Invest NI
Great Britain	36%	34%
Irish Republic	11%	19%
United States of America	25%	15%
France	3%	3%
Australia	3%	2%
Finland	6%	2%
Germany	0%	2%
Spain	3%	2%

Source: SQW/PIMR FDI survey and Invest NI data

Survey results

Employment

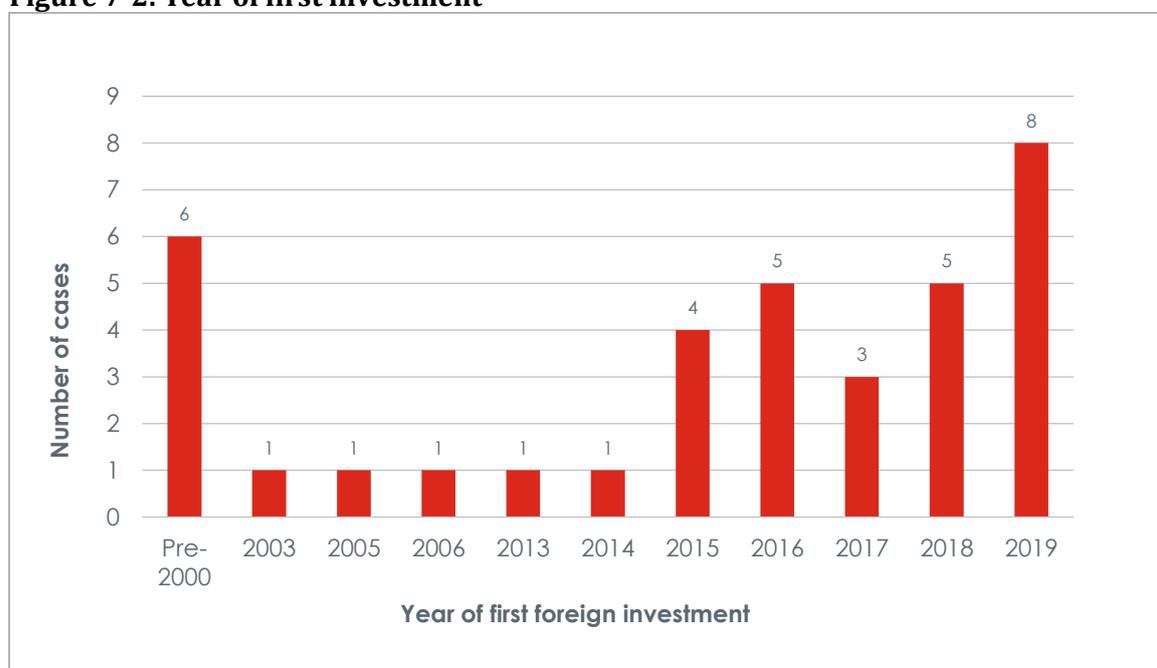
7.17 The sample of 36 businesses employed 8,397 people at the time of the interview, 424 less than in March 2020 at the start of the pandemic. There is a very wide range in the scale of businesses interviewed. Four employed more than 1,000 people, although the median value was 43 (half of the businesses interviewed employed fewer than 43 people).

Year of first investment

7.18 The majority of the businesses made their first investment after 2015, although there is also a group of existing investors that were supported to create jobs or expand.

7.19 Twenty-five of the cases are invested in Northern Ireland for the first time during the evaluation period and 11 have involved subsequent Invest NI support for expansion or job creation. The sample provides a good balance between older and newer investors in gathering feedback. Of these 11 invested for the first time in the last three years (Figure 7-2).

Figure 7-2: Year of first investment



Source: SQW/PIMR FDI survey (n=36)

Contribution to international sales

7.20 Only a small proportion of these businesses were able to provide turnover figures for their sites. Often turnover is not calculated separately from other parts of their Groups. Most of the businesses in the sample operate globally, although a small number focus on services back to the US or into Europe. Just four of the businesses are limited to working in the rest of the UK and RoI.

7.21 However, where they did provide data, the majority of sales are international. **Within the sample around 60% of the total turnover reported was generated outside the UK and RoI. This is considerably higher than the proportion of sales generated in international markets by the companies receiving trade support.** FDI and international trade are closely linked. FDI businesses tend to be bigger and have stronger international links than NI firms and are therefore a very important part of exporting as well as creating employment.

Invest NI support

7.22 Table 7-6 shows the pattern of support for new (post 2014) investors and existing investors. Existing investors were more likely to report investment in R&D and skills development, while new investors (96%) were more likely to be investing in job creation. Intuitively new, first time, investors will create jobs, while existing ones are more likely to combine job

creation and skills development. It is also more difficult to negotiate R&D support for new FDI entrants who have less track record and may be a riskier investment. This may also be affected by the availability of follow-on SFA assistance.

Table 7-6: Type of support received by new and existing foreign investors

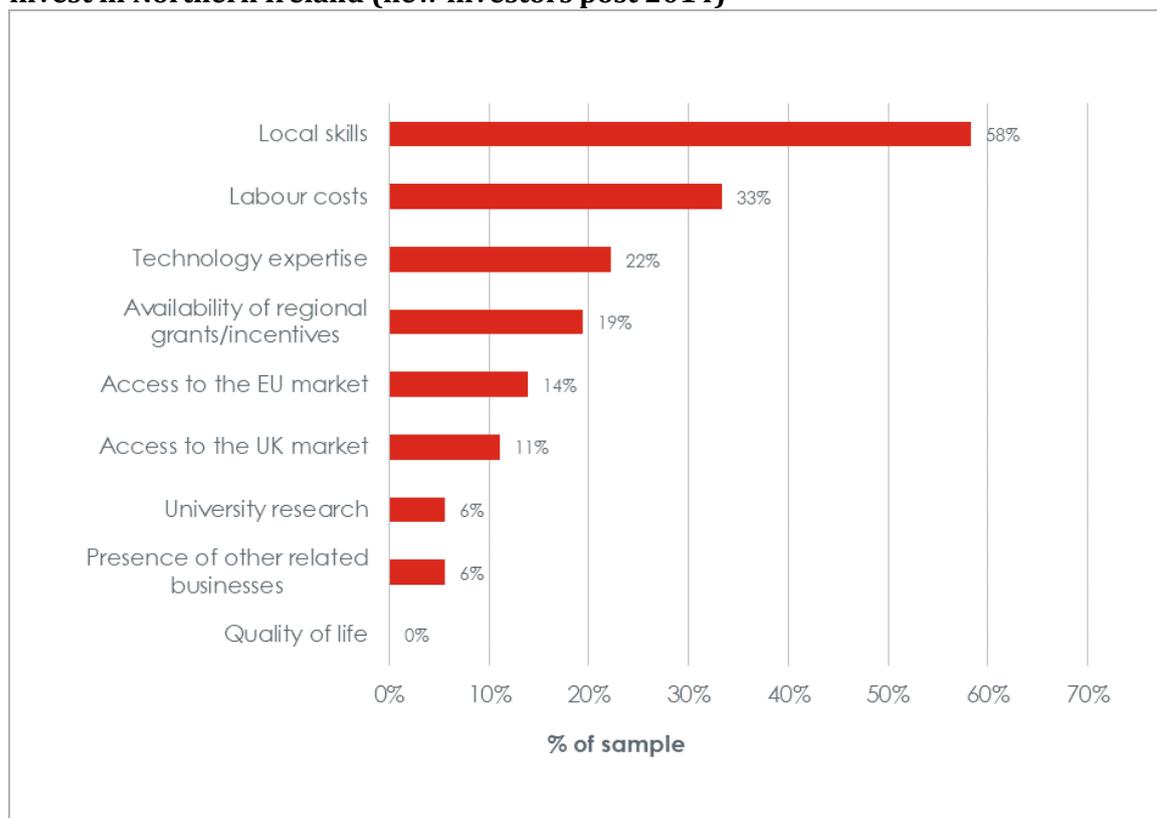
Type of investment supported	% new investment	% existing investors
Job creation	96%	64%
Skills development	36%	73%
New building or site development	16%	18%
Plant and machinery	12%	18%
New R&D investment	12%	27%
Research or university links	12%	18%
International market development	8%	9%
Other	4%	18%
Number of cases	25	11

Source: SQW/PIMR FDI survey (n=36)

Reasons for investing in Northern Ireland

- 7.23 The main reason for investing in Northern Ireland was skills, followed by labour costs, and technology expertise** (Figure 7-3). Other important factors such as culture, language and time zone were all motivations mentioned particularly by investors from GB or from North America. For GB investors, there are big advantages in locating within the UK, with access to a stronger labour pool, but with lower costs. In several cases the Invest NI support itself was given as the single most important reason.
- 7.24** There were also cases where access to raw materials or property costs were particularly important. In one case, the investment was driven by Invest NI's *earlier* support for a plant, which had then attracted foreign investment (and further expansion).
- 7.25 While the availability of incentives was often played down it was still seen as an important part of the package.** From the interviews, we know that these incentives are seen as a signal of Invest NI's and government's commitment to the company.

Figure 7-3: What were the top three factors when the company owners decided to invest in Northern Ireland (new investors post 2014)



Source: SQW/PIMR FDI survey (n=36)

7.26 In 10 cases, the investors had been in contact with other national or regional economic development agencies or government departments when they were considering their investment. This was not only first-time investors, but also companies with major expansion plans (three cases). Of these, seven were aware of offers but declined them. The reasons were because of the stronger labour market in Northern Ireland, the onerous conditions of other offers, or their preference for the location, costs or culture. Some specific examples of the reasons behind the decisions are given below.

We also considered Dublin, London, Edinburgh, Singapore, and Kuala Lumpur. The last two options were ruled out because of time zone and language. Belfast has a good presence in the sector, local skills, and cheaper than London.

The other option for the parent company would have been to invest in India. Although India would be cheaper, the advantages of NI for the parent company is the better time-zone and the cultural similarities (including language).

NI team were fully invested in the success of the business which overruled financial aspects ultimately

We preferred Invest NI support/team to the Scottish alternative

There is a sense of community in Belfast of government/academia/industry that wanted us to succeed. There is more of a network

They only talked about money in Wales and Latvia - lacked the rounded offer and joined up approach which we got in NI

7.27 FDI businesses were also asked how important some specific elements of the support had been in investment decisions at the site. **It is clear that these businesses consider the engagement and commitment of Invest NI (and, from later comments, the rest of the public sector) to be a core part of the support while financial support was considered to be less critical (Table 7-7).** Although for some businesses the availability of funding is considered to be a reflection of “commitment”.

Table 7-7: How important have the following elements of Invest NI support been in investment decisions at this site - where 1 is not relevant to 5 which is critical.

	Rated as 4 or 5 out of 6	Rated as 1,2 or 3 out of 5
The engagement/commitment of Invest NI to the business	71%	29%
The advice, links and information they were able to provide	61%	39%
The financial incentives offered	58%	42%
Links into other programmes (for example to skills support, Grants for R&D or innovation)	42%	58%

Source: SQW/PIMR FDI survey (n=36)

7.28 In half the cases, Invest NI has had contact with the parent company. This was generally considered to have been successful, particularly in relation to agreeing financial support. Examples given include presentations by Invest NI staff in London and tours around other NI companies. In another case, a parent company had sought more information about NI, and Invest NI had followed up, developing a relationship, which led to the creation of the site. In several other examples, businesses said the catalyst had been a parent company employee with connections to Northern Ireland, who had been able to put forward the case for investment. In these cases, Invest NI still had to follow up and support their cases.

7.29 Overall, businesses tended to focus on the quality of the opportunity and the softer support rather than the financial incentives. They argue that the financial incentive is more a demonstration of the commitment to their business, rather than having a direct impact on their bottom-line.

Support received

7.30 The types of support received are summarised in Table 7-8. This shows the most common forms are SFA awards and the Skills Growth Programme. Several businesses had also participated in trade events and export visits.

Table 7-8: Types of support received

	Number of firms
SFA award	23
Skills Growth Programme	10
Trade Events	5
Grant for Research and Development	4
Export Market Visit	3
Small Business Loan Fund II	3
Brexit Preparation Grant (BPG)	2
Growth Accelerator Programme (GAP)	2
Implementation Framework (Environmental/energy efficiency support)	2
Innovation Vouchers	2
Technical Development Incentive	2

Source: SQW/PIMR FDI survey (n=36)

7.31 Table 7-9 sets out responses to a question about whether they usually approach Invest NI for support or vice-versa. In most cases, businesses had examples of both. However, **almost a third felt that they usually had to approach Invest NI first**. It supports views from the consultations, and later in the survey, that Invest NI could be more pro-active in their contact with FDI businesses, and particularly with existing investors. Approaching them with ideas, rather than waiting for companies to contact them.

Table 7-9: Do you usually approach them to ask about support, or did they approach you?

	Number of cases
Both	21
Don't know	3
Invest NI approached us	2
We approached Invest NI first	10

Source: SQW/PIMR FDI survey (n=36)

Quality of support

7.32 The quality of the support is highly rated with around 70% to 80% awarding 4 or 5 out of 5. Understanding the business and the experience and skills of advisors were the most highly rated and the package of financial support slightly less.

7.33 There is also an interesting contrast in the scores given by the existing businesses and newer investors. **Generally, the newer investors in NI rate the quality of the support they received more highly. This may reflect an initial closer relationship with Invest NI, and possibly the challenges of handing cases on from the investment team.**

Table 7-10: How would you rate the following elements of support you received from Invest NI (uses a scale of 1 to 5, where 1 is very dissatisfied, and 5 is very satisfied)

	Rated as 4 or 5 out of 5	Existing FDI (Pre 2014)	New FDI (Post 2014)
Quality and relevance of support	77%	60%	81%
Experience / skills of advisors	79%	50%	81%
Package of financial support	71%	50%	73%
Understanding your business	83%	70%	85%

Source: SQW/PIMR FDI survey (n=36)

Outcomes

7.34 Figure 7-4 shows the outcomes reported as a result of the package support to FDI businesses. Much of this relates to increases in workforce skills and management training.

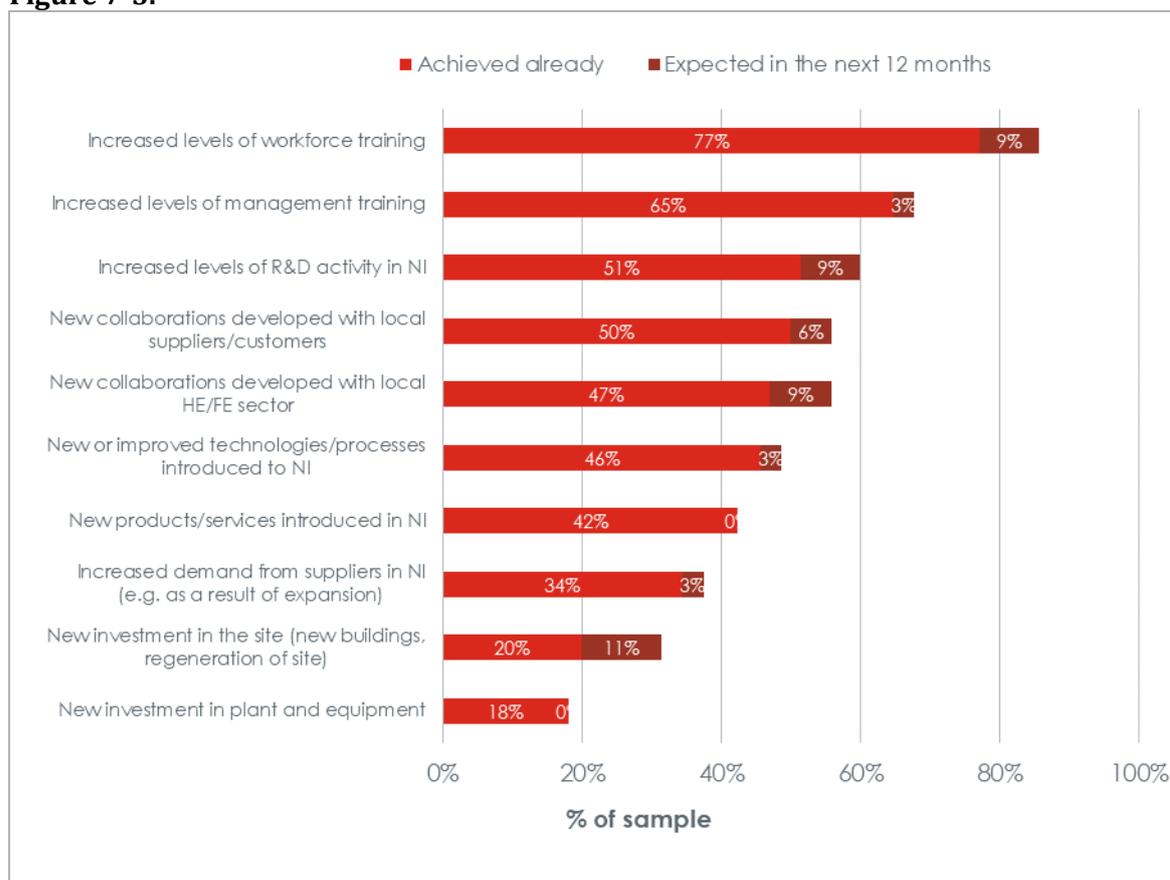
- **More than three quarters (77%) of the businesses have increased workforce training** and two thirds (65%) have increased management training.
- **More than half of the businesses reported having invested more in R&D.** Although only a small number provided estimates of the value these were very large (two reported values of over £70 million and four others invested more than a £1 million).
- **Half of the cases had also developed new collaborations** with local suppliers/customers. These included:
 - **Introductions and networking support** – an advantage of investing in Northern Ireland is the relatively close-knit nature of the support structures. There are examples of collaborations with the Institute of Directors, Chamber of Commerce, education boards and government bodies, economic development agencies and businesses across sectors.
 - **Skills support** – in a number of cases investors were working with HEI/FEs, training providers and recruitment agencies to develop the skills they need. This includes skills initiatives with CSIT with Queens University on, for example, security research and development, projects to support insurance software skills and in developing new higher education learning and pre-employment programmes via Academy-style training.
 - **R&D links** – there are examples of R&D projects that helped build relationships with Queens University and Ulster University. It also offered benefits for the universities. In one case a collaboration used a building 3d image scanner, and another was linked to robotics development.
- **Almost half the businesses brought new products and technologies to Northern Ireland.** There were examples of development and operation of machine learning and AI systems, robotics, health tech, analytics and digital capabilities. There are examples of the

development of new software tools in several industries, digital printing, food technology and a world-leading manufacturing process.

7.35 There were fewer benefits identified for local suppliers. For most of these sectors the main suppliers are in IT equipment, broadband connectivity and office space. There were several examples of more substantial relationships. One with a major supply partner and another in supporting a cluster of mechanical engineering firms, installing equipment and providing ongoing maintenance.

Figure 7-4: Outcomes from support to FDI businesses

Figure 7-5:



Source: SQW/PIMR FDI survey (n=36)

Additionality of outcomes

7.36 To determine the difference that the Invest NI support has made, businesses were asked *whether they would have achieved the outputs described above, without it.*

7.37 The results show that in **86% of the cases, the same outcomes would not have been achieved without the support.** In 39% of cases the outcomes would not (or probably would not) have been achieved at all, and in 47% of cases, businesses felt that even though the outcomes may have been achieved, this would have taken longer or would have been on a smaller scale. **In 14% of cases the support made no difference.**

7.38 This is a similar pattern to the responses in the trade support survey. Businesses often think that they would, eventually, achieve similar outcomes, but the support provided more focus and speeded up implementation. The average time accelerated by was just over 20 months.

Table 7-11: To what extent they would have achieved the outputs described above, without the Invest NI support

Types of additionality	Number of cases	%
Full (or probable) additionality	14	39%
Definitely would not have occurred at all	10	
Probably would not have occurred at all	4	
Partial additionality (accelerated or increased scale)	17	47%
Would have occurred but at a slower rate	16	
Would have occurred but at a lower scale	6	
Would have happened anyway	5	14%

Source: SQW/PIMR FDI survey (n=36)

7.39 To test this, a further question was asked about, whether the business would still have been trading in Northern Ireland in some form without the Invest NI support. **Just over half of the new FDI investors (post 2014) would not be trading in Northern Ireland without the support, and 31% would be trading but with fewer employees.** For existing investors, the biggest impact was not whether they would still be there (only 10% would not) but on the scale of activity (80%). Similar to the results in Table 7-11, the number of cases where the support has made no difference is 14%.

Table 7-12: Without the Invest NI support would the business have been trading in Northern Ireland in some form?

	Existing investors	New investors	Overall
No	10%	54%	42%
Yes, but with fewer employees	80%	31%	44%
Yes, on the same scale	10%	15%	14%
Grand Total	10	26	36

Source: SQW/PIMR FDI survey (n=36)

7.40 Our conclusion is that the support has had an impact on more than 80% of cases. In these cases, support is either wholly or partly responsible for achieving the outcomes described and they would not be trading in Northern Ireland on the same scale without it. **As a broad indicator of the impact, among the businesses that responded that they would not be trading in Northern Ireland without the support, there are around 1,700 people employed.**

7.41 There were some further comments on the additionality of the support that provide useful insights:

Additionality comments

We would have gone ahead with employing the staff, but the support helped speed up the process significantly

The training grant will allow us to elevate skills base which is good for the future of the business

Support has led to training on technologies in Belfast that wouldn't have been there

The support encourages employers to look at spending more on quality staff knowing it can be paid

Jobs have been created. The investment is a fraction of the cost and mainly covers recruitment, but a better trained workforce means a more stable business and job security

The support has helped in that if we have choice to hire in London or Belfast, we would hire in Belfast and this has made a difference

The support we hoped to get as follow-on didn't happen, this would have had a significant impact on our employment

We hope to expand employment but bringing investment to NI is creating demand and bumping up wages

The support accelerated our initiatives. We brought in employees from outside NI who wouldn't be working in the NI economy otherwise. However, financial aid to add employees is poor value for money. It is useful to get started, but doubt it significantly affects velocity of the company. The money should be invested in growing the number of people with appropriate skills. The problem with Invest NI is that they continue to attract companies but haven't done enough to address the skills shortages that have been created

The support has helped solve the skills gap. It has allowed the company to give job opportunities to those who wouldn't have normally had the chance

The support offered has swayed the board's decision on where things go, which is important for NI. Their focus is now on expanding customers and developing markets.

Ongoing support

- 7.42** Businesses were asked to comment on the quality of the ongoing support and specifically the role of the advisors. **All the companies have had further or ongoing contact with Invest NI since the support. In general feedback on support was very positive. In 20 cases, businesses were very satisfied, in a further 10 they were satisfied, while two were dissatisfied.** Some of the comments provide useful detail, particularly around the effects of changes in client execs. These are summarised below and organised by the level of satisfaction.
- 7.43** The quality of ongoing support is particularly relevant given the importance businesses attached to the wider supportive “ecosystem” which forms part of the attraction of locating in Northern Ireland. Secondly, these businesses provide opportunities to provide follow-on support that creates further jobs, raises skills and increases incomes.

Table 7-13: Rating and comments on ongoing support of FDI businesses

Quality of ongoing support	Comments
Very satisfied	<i>Our CE comes back quickly with whether support is available or not</i>
	<i>Been great although prior to the acquisition the relationship was more problematic - new management has improved things</i>
	<i>There have been a couple of changes, all been good. They keep in touch and we are now considering expanding what we do in NI</i>
	<i>Great for information. Advisors good for guidance</i>
	<i>Handed over to another team smoothly and effectively, genuinely willing to help and try to find extra ways they can do that.</i>
	<i>Have regular discussions with the Client Executive. When the company first set up in NI, Invest NI provided very valuable assistance in finding suitable properties.</i>
	<i>Contact changed 12 months ago, all good</i>
	<i>Meet weekly since investment, calibre maintained and feel very taken care of by Invest NI. they are a great support in thinking and linking aspects. The openness and engagement of Invest NI with their NI outlook is unbelievable.</i>
	<i>Quality of advisors has all been great - No problem in switch from investment team through to current CE</i>
	<i>Regional people on ground helping. They have been proactive in informing us of events</i>
	<i>Some changes, moved from initial entry to maintenance phase. We know there are several people we can call to deal with issues</i>
	<i>Invest NI team supportive e.g. on stats/ analysis of job market. team have intentions of helping business grow</i>
	<i>very comfortable with contacting, them. If they do not have answer, they pass to someone quickly who does. Good at setting up different financial services, very helpful</i>

Quality of ongoing support	Comments
	<i>We check in regularly to maintain contact. Overall was satisfied with the quality of support from Invest NI</i>
Satisfied	<i>Changed advisor several times, satisfied with them all</i>
	<i>Fine - seen advisor a few times and this has been OK</i>
	<i>First advisor didn't know the area very well and did not seem interested but much better now</i>
	<i>Happy with support and recent change in advisor</i>
	<i>Making support more practical would be of great benefit. Staff are very professional</i>
	<i>Changed at the start when trying to find the suitable advisor. Satisfied with support now</i>
	<i>Previous client exec brought knowledge of both NI and international contexts. It took time to visit in person and understand the business. We now have a new client exec, however, contact has been more sporadic since last year. Understand that EU issues cause more work</i>
	<i>Quarterly contact with advisor. Second skills growth meant change in advisor but both have been great</i>
	<i>Referred to the relevant teams in Invest NI to access different types of support e.g. skills, R&D. We have a pretty good relationship across the different Invest NI teams</i>
Neither satisfied or dissatisfied	<i>Change in advisor almost 2 months ago and still not received contact from them</i>
	<i>Engagement of staff very good but goes nowhere - that is a frustration, no follow through even at simple levels. Helen in Qatar great and helpful/willing to run things down</i>
	<i>Invest NI do not call, question whether there is ongoing support. Waiting months for documents. New advisor doesn't seem motivated. previous advisor was really nice but no experience of business made it hard for them to work out if further support was available</i>
Dissatisfied	<i>Lack of large-scale capital investment available</i>
	<i>Usually contacted to promote NI to other companies. Don't care how you're doing. The whole experience is about them and not about the companies.</i>

Source: SQW/PIMR FDI survey (n=36)

Impacts

7.44 The survey provides evidence on the impact that the support has had on sales, exports, profits and productivity. Although the sample is not representative of all the support provided to FDI businesses, it does illustrate the pattern and proportion of businesses that have seen effects on performance (Table 7-14).

7.45 There were 70% of the businesses that reported a major or moderate impact on turnover and productivity. With slightly fewer reporting impacts on International sales and profitability. Although it is a relatively small sample, the impact on productivity is interesting and is likely to reflect the investment in raising skills. We might also have expected to see a weaker productivity effect if SFA was encouraging recruitment to rise faster than output.

Table 7-14: Has the support from Invest NI had an effect on the performance of this business in Northern Ireland

	Turnover	International sales	Profitability	Productivity
Major positive effect	28%	17%	28%	39%
Moderate positive effect	42%	33%	33%	31%
No effect to date	22%	39%	25%	19%
Don't know	8%	11%	14%	11%
Number of cases	36	36	36	36

Source: SQW/PIMR FDI survey (n=36)

COVID effects

7.46 The impact of COVID 19 appears to have been less severe for these businesses than for those receiving trade support. While over 40% reported that performance was unchanged, broadly equal proportions saw positive and negative effects.

7.47 Table 7-15 shows around a third of businesses reported a negative impact on staff numbers (31%) compared to 25% who reported that it had been positive. The effects were more significantly negative for exporting and on the prices of raw materials or inputs.

7.48 For the majority of businesses, plans for expanding the business had remained unchanged (58%), while 28% considered the pandemic to have had a negative impact and 11% reported a positive effect.

Table 7-15: Has the COVID-19 pandemic affected any of the following aspects of the business?

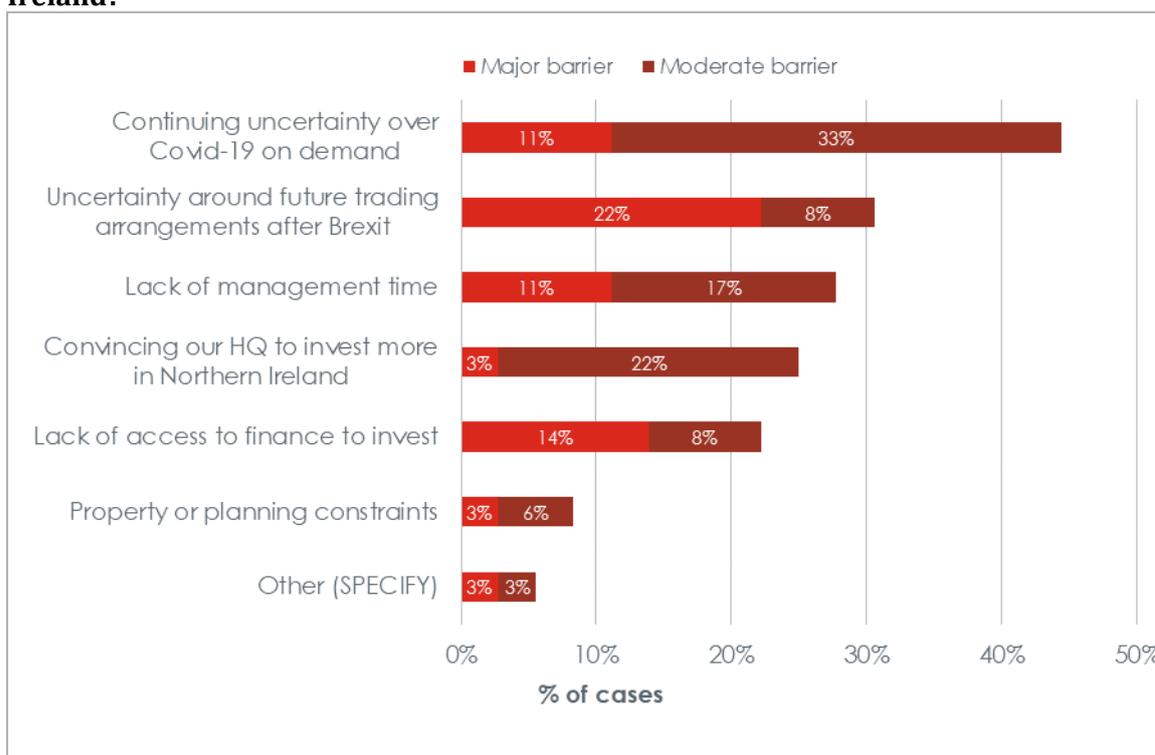
	Negative	No change	Positive	Don't know	Cases
Staff numbers	31%	42%	25%	3%	36
Exporting of goods or services	19%	69%	8%	3%	36
Importing of goods or services	14%	83%	0%	3%	36
Prices of materials, goods or services bought by your business	22%	78%	0%	0%	36
Your plans for expanding the business	28%	58%	11%	3%	36

Source: SQW/PIMR FDI survey (n=36)

Barriers to further investment

7.49 At the time of the interviews (late 2020) COVID and Brexit dominated businesses concerns and it is no surprise that they were given as the two biggest barriers to securing further investment. Brexit in particular was seen as a major barrier for almost a quarter of the sample. This was before the deal and subsequent issues with the Protocol. Beyond that management time was a barrier for 28% and access to finance an issue for 22%. Within the sample, only three cases identified property or planning constraints (Figure 7-6).

Figure 7-6: What are the main barriers to securing further investment into Northern Ireland?



Source: SQW/PIMR FDI survey (n=36)

FDI business feedback and recommendations

7.50 FDI businesses were asked to suggest ways in which support should be used to attract further investment. The responses centred around networking, types of support and its delivery, and skills. We've set out specific feedback in

Introductions and networks

- *Can Invest NI make more introductions to NI companies (in NI and abroad)*
- *Events and introductions are key and particularly with primes*
- *Help improve connections with local businesses – making these connections in NI is very challenging*

- *Over the next 3 years we will be expanding to different locations, it would be good if Invest NI can help and make introductions for these international expansions*
- *Invest NI tend to be poor matchmakers. There is a huge opportunity for small companies to collaborate with larger ones. The problem is large company directors do not have the time to go out and find them. There is an opportunity to broaden relationships and drive indigenous transformation. Skills shortage remains the biggest challenge*
- *Invest NI have become more helpful in different parts of the world in terms of supporting new markets and they should build on this*

Support delivery

- *Invest NI have been amazing and continue to be. They are receptive to ideas. Provide great introductions and understanding of NI. They need to keep being progressive with their supportive approach. We know that they will listen to ideas.*
- *We have not had contact in years. We were told the client exec was leaving and had no contact since*
- *They need to be more proactive in different ways. The metrics around support and jobs do not work well for businesses and should change. It should not be a set figure, which does not account for success and ability to succeed. It is not flexible and not based on any ability to meet standards.*
- *Invest NI can do more to sell Belfast as the ideal location. For example, marketing to suggest why invest in Belfast compared to other locations e.g. Liverpool. They could sell NI's comparative advantages better.*
- *Need more focus on dealing with red tape processes for foreign companies e.g. banks and payroll*
- *Financial support is time-constrained and we would like to see it extended*
- *Offer more financial support across a wider range and let businesses know about it.*

Types of support

- *The threshold for jobs should be lower. The current threshold is not attractive enough to increase staff, profitably. Invest NI is about creating employment in NI, business could be creating employment right now with support*
- *SFA is standard across the board. More money per employee would be nice but not critical in influencing decisions*
- *Make investment available to larger companies, further capital grants*

- *Access to finance and help with recruitment are the key issues*
- *Need to think about how they present to foreign-owned businesses. As part of a group of plants, we need support to bring more investment in*
- *If we want to invest more, any support Invest NI can provide will encourage us to focus more on NI rather than other parts of UK or EU.*
- *Main issue for expansion is land and buildings - hard to find and too expensive. They could attract more investment if this was available.*

Skills

- *Skills and DfE support for academies has been good. Greater use of diaspora in initially tracking down opportunities*
- *Need to have access to skills at competitive wage levels*
- *Provide access to courses for site leads to help businesses promote from within*
- *More support to grow the skills base*
- *More financial support for skills development*

8. Economic impact of Trade support

Summary

- The calculations are based on data reported by the businesses who were asked to provide estimates of the aggregate, additional sales they made as a result of the range of Invest NI trade support they received
- Given the long period of time covered by the evaluation and challenges in quantifying the impact of support on sales, any estimate should be treated as indicative
- Across the sample of 219 businesses, 125 reported a major or moderate increase in international sales to date as a result of the Invest NI support, while 113 reported an increase in sales to GB
- After adjusting for deadweight, displacement and outliers, the total value of the additional sales generated over six years, within the sample of 219 businesses is £102 million
- This is applied to a population 1,184 businesses that received more than one assist. After adjusting this to allow for closed/uncontactable businesses, the effective population is 906
- The average additional trade value in sample (ex outliers) is £356,414. The total value of additional sales for the population is estimated to be £348 million
- On this basis the trade support generated sales of £11.20 and GVA of £3.70 per £1 invested. Including the outliers increases these values to £15.80 and GVA of £5.20 per £1 invested
- Of the 125 cases that reported a major or moderate impact on international sales, all but six cases thought these sales would continue into the future. The median value was another 5 years
- This is based only on the support (and additional sales) that interviewees were aware of, and so may underestimate the overall impact. The inclusion of future sales would also improve the return on investment further, while including the other costs of delivering the services would reduce it
- **Our conclusion is that the responses and estimates of new international and GB sales provide confidence that the support has delivered a reasonable return on investment and value for money.**

Introduction

- 8.1** This chapter looks at the economic impact data gathered through the trade telephone survey. It provides a range of estimates of the value of *additional* export sales and GVA generated through the trade support in the last six years.
- 8.2** The calculations are based on data reported by the businesses who were asked to provide estimates of the aggregate, additional sales they made as a result of the range of Invest NI trade support they received. This was set up by asking them specifically about the support they recall and the actions they took as a result. Because the estimates are over a long period of time (six years), these should be treated as a broad indication of the scale of the effect rather than as precise values.

Estimating the impact

- 8.3** Across the sample of 219 businesses, **125 reported a major or moderate increase in international sales to date as a result of the Invest NI support**, while 113 reported an increase in sales to GB. Each business was asked to estimate the additional international and GB sales that it would attribute to the Invest NI support.
- 8.4** To validate this, and to confirm that these sales could be attributed to Invest NI, each business was asked to consider whether a proportion of these sales would have been made anyway, without the support. The estimates were adjusted to reflect these responses using the factors in Table 8-1, which shows the distribution of the responses.
- 8.5** For example, if a business reported an increase in sales (over the past six years) of £100,000, but that they think they would have achieved half of these sales anyway, this is adjusted to £50,000. Each case is calculated separately and the added together to provide the total for the sample. Where the sales would have taken longer, we have used 25%, to reflect the uncertainty of this actually happening as well as the time-preference benefit of bringing forward the sales.

Table 8-1: Testing the additionality of new sales

	% of cases reporting values	Factor applied
Definitely would not have achieved any of these	23%	100%
Probably would not have achieved any of these	16%	75%
Would have achieved a quarter of these anyway	11%	75%
Would have achieved half of these anyway	19%	50%
Would have achieved three quarters of these anyway	3%	25%
Would have achieved them all but taken longer	21%	25%
Don't know	4%	25%
Would have achieved all these additional sales anyway	2%	0%
Grand Total	100%	61%

Source: SQW/PIMR survey 219 cases

- 8.6** The overall figure of 61% reflects the overall additionality of the support. In practice the new sales reported are adjusted by each business's response, on a case-by-case basis, rather than using this average.

Displacement

- 8.7** It is possible that some of these sales may have displaced sales that would otherwise have been made by other Northern Irish companies. In trade support, displacement is usually assumed to be fairly low. Where Northern Irish businesses sell into new markets, or increase sales in their existing ones overseas, it is unlikely to be at the expense of their Northern Irish competitors unless it is in sectors that they dominate. Even so, it is important to allow for this and we have used an estimated displacement of 15%.²¹ This is applied, case by case, along with the additionality adjustments.

Outliers

- 8.8** Across the sample, there were two businesses that reported exceptionally high estimates of additional international sales that they attributed to the Invest NI support²². These have a very large effect on the estimates. Including these outliers increases the risk of errors because the results are so dependent on a small number of cases.

²¹ The evaluation of SDI trade support undertaken by SQW in 2014 estimated displacement of between 5% and 10% for international sales. Because the Northern Ireland figures include GB sales, where displacement is likely to be slightly higher, we have used a slightly more conservative estimate of 15%

²² These were cases where the net value of additional sales reported exceeded £10 million.

8.9 To allow for this, we have taken out these two cases when calculating average values for the sample and population, but they are added to the total separately. This process means that they are still included but treated as exceptional when extrapolating the results.

Impact estimates for the sample

8.10 The process calculates the average value of additional international sales in the cases that were prepared to provide an estimate and applies it to the 125 cases in the sample reporting an impact. A similar process is applied using the additional GB sales reported and shown in Table 8-2. Within the sample there were 63 businesses that reported an impact on both international and GB sales.

Table 8-2: Calculating the impact on sales in the sample

	Additional international sales in survey sample	Additional GB sales in survey sample	Total
Cases reporting an impact	125	113	
Cases giving values	78	58	
After additionality and displacement (£m)	35.1	12.4	
Average per case (£s)	450,631	213,385	
Value for the sample (£m)	54.7	22.6	77.3
Outliers (£m)	25.0	0	25.0
Total (£m)			102.3

Source: SQW/PIMR survey 219 cases

8.11 The total value of the additional sales generated over six years, within the sample of 219 businesses is £102 million.

8.12 Gross value added (broadly the value of the profit and wages generated) is 33% of the value of turnover in Northern Ireland²³. Applying this to the additional turnover estimate for the sample gives GVA of £34 million.

8.13 The value of the trade support provided by Invest NI to these 219 businesses was £6.2 million. This excludes any further costs associated with Client Executive time, overseas offices or the International Trade Advisors over the past six years. **On this basis, the trade support generated sales of £16.50 and GVA of £5.44 per £1 invested.**

²³ ONS Non-financial business economy UK regional results (released May 2020)
<https://www.ons.gov.uk/businessindustryandtrade/business/businessservices/datasets/uknonfinancialbusinesseconomyannualbusinesssurveyrevisionsandchangeonpreviousyear>

Scaling up the effects for the population

- 8.14** The sample is broadly representative of businesses that have received more than one trade assist. Over the period of the evaluation 2014/15 to 2019/20, there were 1,184 businesses supported that received more than one assist. The preparation of the sample highlighted a significant number of cases where contact details were not available or where businesses had closed, or could not be contacted, and the estimates should reflect this uncertainty.
- 8.15** Some of the businesses were excluded from the sample because they were being interviewed for other evaluations at the time. The available population was 847 businesses. Of these 93 had closed and a further 212 were excluded because contact details were not available. The lack of contact details does not necessarily mean that these businesses did not benefit from the trade support, although they are less likely to still be working with Invest NI. To reflect this, we have included half of these (106) within the population. This means that the available population fell from 847 to 648 (77%). Assuming a similar level of attrition in the population of 1,184 gives a value of 906 for scaling up the survey results.

Table 8-3: Calculating the impact on sales in the wider population

	Values
Number of cases with more than one assist	1,184
Factor to adjust for closed/uncontactable businesses (based on survey data)	77%
This leaves a relevant population for scaling up	906
Average additional trade value in sample (ex outliers)	£356,414
Additional trade value (ex outliers)	£323 million
Outliers value	£25 million
Total value	£348 million
Factor to adjust to GVA	33%
Additional GVA value	£115 million

Source: SQW calculations

- 8.16** Applying the average values from the survey (excluding the outliers) to the population gives £348 million in *additional sales outside Northern Ireland*. The value of the Invest NI trade support delivered across the 1,184 businesses was £31 million. On this basis the trade support generated additional sales of £11.20 and GVA of £3.70 per £1 invested. Including the outliers increases these results to £15.80 and GVA of £5.20 per £1 invested.

Future sales

- 8.17** The estimates above assume that all the benefits of the support have been realised. In practice, the survey shows that many of the new sales generated will continue for some time. Of the 125 cases that reported a major or moderate impact on international sales, all but six cases thought these sales would continue into the future. Although the duration of these sales

varied, the median value was another 5 years. This would increase the return on investment figures further.

Conclusions on Value for money

8.18 Given the long period of time covered by the evaluation and challenges in quantifying the impact of support on sales, any estimate should be treated as indicative. The results here demonstrate a reasonable return on investment that ranges from 3.5:1 to 5:1. This is based only on the support (and additional sales) that interviewees were aware of, and so may underestimate the overall impact. The inclusion of future sales would also improve the return on investment further, while including the other costs of delivering the services would reduce it. **Our conclusion is that the responses and estimates of new international and GB sales provide confidence that the support has delivered a reasonable return on investment and value for money.**

9. Trade and investment consultations

Summary of stakeholder feedback

Trade support

- Stakeholders generally agreed that there has been an improvement over the last six years in the approach taken to supporting exporters
- The consultations highlighted how the new sector approach was more effective than the previous structure based on geographic markets. There are now more sector experts, which has contributed to more credibility, better feedback and stronger results
- Having sector expertise has been key in raising awareness of the value of international trade and the relationship with other support; being seen as less “transactional”.
- There has been a tendency for Invest NI to provide ‘ad-hoc’ support to businesses and a perception that Invest NI should focus more tightly on key sectors.
- The ITA role is important, strengthening relationships with client executives and businesses. It can help focus support on international opportunities
- There was widespread support for further expansion of overseas activities, although the balance of growing existing offices and finding new ones was less clear cut. Analysis of trade flows and gaps is being undertaken by Invest NI.
- On balance, there was more support for bigger, closer-to home markets such as GB, RoI and EU.
- Overseas teams are working more closely with Belfast and ITAs, increasingly involved in contributing experience, rather than as service providers delivering grants
- There should be more opportunities for CE’s and ITAs to spend time in market and for overseas teams to spend more time in NI, creating more opportunities for overseas teams to be leveraged, but also concerns about the quality of responses on occasion.
- View from outside Invest NI that they should be more commercially aware in understanding business needs and not driven by specific programmes

- The Graduate to Export programme was frequently mentioned as an example of how to support skills development and bring new ideas – particularly around e-commerce and social media use.

Operation

- There should be a greater integration of the trade team and sector teams to deliver new targets – export targets are not just the responsibility of the International Business Group, while trade contributes to wider innovation and productivity performance
- Better use of new digital technology across Invest NI. Both for internal management and working with businesses. An audit would identify routes to more effective delivery
- Invest NI is now seen as more inclusive and collaborative with partners, but still need more clarity on export escalator
- There has been limited direction from DfE over the past few years

Investment

- Most stakeholders believed Invest NI performed well in terms of the number and value of inward investments projects attracted to Northern Ireland
- Stakeholders highlighted some concerns from existing firms about the limited supply of skills particularly in the technology related sectors. External partners highlighted that Invest NI needs to consider the impact of investment projects in relevant sectors.
- Consultees felt that some inward investment companies were disappointed or frustrated when they did not have the same type/intensity of relationship with Invest NI once they started being client-managed.
- There was a general point that support to inward investors remains too fragmented and as part of the mapping of the economic development ecosystem, there needs to be greater clarity on how different organisations, including the NI Executive, local authorities and DIT, can support Invest NI in attracting more inward investment to Northern Ireland in the future.

Introduction

- 9.1** As part of the evaluation, SQW consulted with 39 internal and external stakeholders to discuss their views on the performance of Invest NI trade and investment support over the last six years. Partner organisations consulted included the NI Chamber of Commerce, the NI

Department for Economy (DfE), UK Government Department for International Trade (DIT), Intertrade Ireland, Belfast City Council, trade bodies, Invest NI suppliers and representatives of the Invest NI Board. The sections below summarise the main areas of feedback on the effectiveness of support, how it has changed over the evaluation period and suggested areas for improvement.

Effectiveness of trade support

Sector/ market focus

- 9.2 Stakeholders generally agreed that there has been an improvement over the last six years in the approach taken by Invest NI to supporting exporters.** It was suggested that there is now a more strategic focus with more emphasis on helping businesses to identify their market priorities than providing them with a package of support in those markets. Many consultees stated that historically there was a tendency for Invest NI to provide ‘ad-hoc’ support to businesses, without sufficient clarity on the firm’s overall export ambitions.
- 9.3 The restructuring of the trade team in 2018/19 was seen as a key factor in the more strategic approach to trade support.** In particular, the expanded team of International Trade Advisors (ITAs) based in Belfast was well-regarded and seen to be playing an important role in bringing together the client executives and the overseas trade teams.
- 9.4** Consultees within Invest NI felt that over recent years there had been some tensions between the overseas teams trying to encourage NI firms to their markets and the client executives pushing back if they thought their companies were not ready or appropriate for those markets. Although progress has been made over the last couple of years, there remains more work to be done for the Belfast-based ITAs to help client executives and businesses understand the opportunities in certain markets. The new ITAs were also seen as important in helping the overseas teams identify the pipeline of export opportunities for their markets.
- 9.5** Prior to restructuring, the Invest NI trade support was structured around geographic markets. It was then reorganised around Invest NI key sectors and all of the internal feedback (from trade and sector teams) highlighted that the new sector approach was more effective and more logical (mapping directly on to the Invest NI sector teams). **With the sector-based focus, the Belfast-based ITAs now have a more proactive role in supporting companies to export.**
- 9.6** In several specific cases, food and drink, and in aerospace, consultees raised concerns about Invest NI’s support for their sectors – particularly through Covid and into the recovery. feedback from the food and drink sector was that they felt they received less support than was provided in Scotland or Ireland despite its value to the Northern Irish economy. **One suggestion was that a new sector marketing forum could be set up to support international trade.** For the aerospace sector support had been very good up until the Covid crisis, during which the response and assistance had been disappointing.

Overseas teams

- 9.7** Invest NI has a large overseas network of 24 offices with staff supporting both trade and inward investment activity (the balance of this activity varies by location and scale of opportunity) and during the evaluation period 10 new offices were opened. Most of these new offices have focused on promoting trade activity.
- 9.8** Consultees supported the expansion of overseas Invest NI staffing but some external stakeholders suggested it may have been more appropriate to focus on expanding existing teams in more established markets. However, there was a recognition of the political context following the Brexit vote in 2016 and that it may still be too early to judge the success of these new offices given how long it can take companies to generate new export sales.
- 9.9** Consultees highlighted that over the next year there will be a further expansion to Invest NI's overseas network with funding secured from the New Decade New Approach Deal agreed in early 2020. There is ongoing internal analysis of trade flows by geography/ market which will determine how this investment will be made, through expanding some offices and/or opening up new offices.
- 9.10** **Most consultees felt that there should be more trade support in closer-to-home markets such as the EU, including the Republic of Ireland, GB, and the US** (where most of the Invest NI activity currently focuses on inward investment). In order to encourage more exporters, some consultees suggested there should be more emphasis put on the 'low hanging fruit' in more accessible markets.

Quality of advisors

- 9.11** Over the last few years, the overseas teams have tried to recruit more sector experts, and this has helped provide more tailored in-market advice for companies. The feedback suggested that **having more sector expertise overseas has also helped to raise the profile and credibility of the overseas teams in Invest NI more generally**. Some consultees reinforced that the recruitment of sector experts in the overseas teams needs to be focused on a smaller number of Invest NI's key sectors and in markets where there are significant opportunities to grow.
- 9.12** There was a suggestion that historically the overseas teams have been seen as 'service providers' reacting to enquiries, organising meetings or pulling together lists of in-market contacts. This perception is beginning to change with the overseas teams now working more closely with the Belfast-based ITAs to identify a pipeline of potential exporters and to better understand the companies' specific support needs.
- 9.13** Most of the overseas teams have recruited their staff locally. Although the US-based Invest NI offices previously employed NI staff, the changes to immigration law made this more difficult in recent years. Overseas posts have been promoted internally in Invest NI and in some cases

NI-based employees have taken these jobs. However, it was highlighted that they tend to only stay for a relatively short period before returning home.

- 9.14** Even if they are not willing to take up a job in one of the overseas teams, many consultees highlighted the need for client executives and Belfast based ITAs to spend more time visiting the overseas teams, strengthening relationships with overseas colleagues and gaining a better understanding of the issues and opportunities in different markets.
- 9.15** Overseas teams meet with other ITAs and the sector teams at the annual week-long conference in Belfast. Although this event could not take place in 2020 due to COVID-19 travel restrictions this will be reintroduced as soon as possible. It was recommended that **there should be more opportunities to meet colleagues face to face in order to further integrate the overseas teams in the wider Invest NI organisation.**
- 9.16** In an attempt to develop closer relationships, one of the overseas teams recently invited a Belfast-based ITA to be on the interview panel when recruiting a new sector specialist. This proved to be very helpful and other overseas teams are taking this approach. **Encouraging more integration of the overseas teams and client executives will help to provide a more joined up service to exporters.**
- 9.17** Overall, stakeholders suggested that the quality of support provided by advisors was high, but that there can be variation in the skills and expertise of Invest NI staff supporting the businesses to export. This applies to client executives, domestic and overseas ITAs. From some of the overseas teams, there was a view that client executives were not fully leveraging their local knowledge and expertise to encourage companies into new markets. However, some feedback from the sector team highlighted frustrations with the quality of support and responsiveness from certain overseas teams.
- 9.18** It was felt that progress has been made in the last few years in encouraging a more commercial mind-set amongst client executives and ITAs. However, consultees stated more could still be done to ensure that companies are prioritising markets and that they have the capacity and realistic expectations about what is required to move into new markets.

Trade products

- 9.19** Support to first-time/early exporters has been delivered through well-established trade programmes such as Grow Beyond, Going Dutch, Czech it Out and other export capability workshops. Although consultees highlighted the benefits of these programmes, it was suggested that **some of these products could be refreshed and brought together to cover all the basic requirements for exporting in terms of market research, strategy development, logistics, marketing and product pricing.** Many of the existing programmes have common elements e.g. market research, that could be brought together under a single programme.

- 9.20** In terms of in-market support and support for more experienced exporters, the key trade products have been trade missions, trade events, and in-market consultancy support through the Trade Advisory Service programme. As well as organising missions and Invest NI stalls/pavilions at trade shows, the overseas teams offer a range of services including market scoping, opportunity mapping, lead generation, B2B scheduling and due diligence work on potential customers. **Most of the feedback indicated that sector-based trade missions have tended to be more effective** (but need to be managed to avoid bringing together direct competitors).
- 9.21** **Consultees were positive about the range of support for exporters and some who had worked with other similar agencies stated that NI compared well in term of the availability and quality of trade products.** However, there was a strong sense that there are too many products and would encourage attempts to pull together elements of support, for example through the Trade Accelerator Grant.
- 9.22** Consolidating some of the trade support will be beneficial in terms of reducing the administration for businesses and will also encourage firms to think more strategically about priority markets. **Some stakeholders suggested that due to the broad range of support (e.g. attending different events and trade missions) there was sometimes a risk of a company being pulled in too many directions.**
- 9.23** Stakeholders highlighted the need for the support around events and trade missions to help companies to get a 'foot in the door'. Companies then need support to follow up leads and research opportunities in-market.
- 9.24** **The flexibility of the consultancy support was seen as key part of the package and many consultees highlighted the importance of the Graduate to Export programme which was reintroduced in 2019.** Funding for graduates to carry out market research should be broadened out to helping companies take on marketing and sales graduates who could actually help to build awareness and relationships in new markets. Graduates are also likely to be more tech-savvy and could help firms develop e-commerce and social media channels.
- 9.25** **Several stakeholders highlighted the need to invest in an export sales and leadership academy,** suggesting this is an area that Northern Ireland needs to push in order to grow more global companies. This would help build individuals international capability as much as help support companies.
- 9.26** **There was also feedback that linked international trade with the need to encourage more scale ups generally.** This will only be possible if more firms are able to embrace overseas markets.
- 9.27** There were some questions raised regarding the additionality of supporting experienced exporters to attend major trade events. However, feedback from client executives indicated that this is taken into account when approving financial support for companies attending events. **Some external stakeholders suggested that Invest NI should have clearer outcomes agreed with each business attending these events.**

9.28 Since the start of the COVID-19 pandemic Invest NI has organised virtual events and trade missions but these have been mixed. There was a general view that Invest NI has tried its best to continue this type of support virtually over the last year but these events and meetings need to be carefully structured to ensure interaction, but ultimately can never be as effective as face-to-face meetings.

9.29 Stakeholders suggested that Invest NI supported companies, in particular those that are client managed, should have a Export Health Check and Export Development Plan that identifies priority markets and key actions. This plan would be developed by the company with support from their client executive and ITA and would then inform which Invest NI supports will be most appropriate. According to some consultees, there have been occasions where companies were encouraged to use certain products rather than focusing on the needs of the business and providing solutions to match.

9.30 We understand that Invest NI is planning to introduce a more systematic approach through the use of Export Health Checks which will involve online assessments and more detailed discussions with companies about their export ambitions. Based on the stakeholder feedback, this will be a welcome move to ensure a more strategic approach.

9.31 Other suggested areas for enhancing trade support included:

- Promoting the use of meeting rooms and hot-desk space in some of the larger overseas offices and new hubs in London, Dublin and Manchester
- Create export champions to raise awareness of global market opportunities
- Leverage export and business leadership skills from existing business network such as NI Connections and the Institute of Directors.

Management of trade support

9.32 The stakeholder feedback indicated that trade support has become more integrated with other parts of Invest NI and better understood over the last six years, particularly in terms of the relationship with the sector teams.

9.33 Consultees highlighted that the **trade support has had a reputation for being very transactional**, with their role seen as primarily providing grants to attend events and carry out market visits. The feedback suggested **this view is beginning to change (due to the structural changes in the trade team described earlier) and there is increasing awareness of the value of the overseas teams, although there is more to do.**

9.34 Currently Invest NI's export targets are measured in terms of new external sales/ exports, the number of new exporters and companies entering new markets. Overall, stakeholders thought that these export indicators were the right ones to focus on. However, the process of agreeing trade-related KPIs needs to be more inclusive and involve the overseas teams and

sector teams. Introducing KPIs for client executives and ITAs to deliver Export Health Checks will help to ensure a more joined up approach.

9.35 A new international strategy is currently being developed by Invest NI which is likely to have a target of growing external sales by £5bn over the next five years. In order to achieve this ambition, stakeholders set out two main areas for improvement.

- First, **achieving this target will require more integration of the trade team (domestic and overseas) with the work of sector team**, and this is already improving following the expansion of the ITAs based in Belfast. Consultees felt that this target should not only be the responsibility of the International Business Group; it needs to be the responsibility of the organisation as a whole. This is particularly important when the domestic (NI) market is so small.
- Secondly, consultees stated that there needs to be a **more effective approach to performance management across Invest NI**. The feedback indicated that some company data were not accessible to ITAs and therefore resulted in companies being asked for similar information more than once. Using one CRM system would allow the overseas teams to be able to track the export performance of the companies that they have supported.

Partnership-working

9.36 Invest NI provides trade and other business support on behalf of the NI Executive's Department for Economy. Stakeholders suggested that the relationships between the two organisations should be stronger. The collapse of the NI Executive in early 2017 coupled with the Department's involvement in discussions on the Brexit deal and NI Protocol, has made it difficult for Invest NI and DfE to work on new trade and investment strategy.

9.37 Although Invest NI is the lead organisation for trade support in Northern Ireland there are various other organisations also involved such the councils, the NI Chamber of Commerce and Intertrade Ireland. Examples of Invest NI's main delivery partnerships are listed below.

- Following local government reform six years ago, the councils have started organising their own trade missions and Invest NI's engagement officers have worked with them to coordinate activity particularly in terms of the support to new/early exporters
- Invest NI has also worked closely with the Chamber of Commerce which provides support around export documentation. The Chamber can also provide access to overseas chambers and this an area which consultees thought should be leveraged more effectively
- The Acumen business support programme is delivered jointly by Invest NI and Intertrade Ireland and is focused on capacity building in first time exporters selling across the Irish border.

- 9.38 Stakeholders believed that Invest NI has become more inclusive and collaborative over the last few years** in how they work with other organisations and trade bodies such as the Chamber of Commerce, ADS and Manufacturing NI. There has been more willingness to work with other business support organisations. Some of this was attributed to personnel changes in Invest NI and the other organisations but there has arguably also been more of a requirement given the major macro-economic changes caused by the Brexit process and more latterly the COVID-19 pandemic.
- 9.39** Although there were some attempts to map out trade support provided by Invest NI and all of its partners a few years ago, consultees suggested that there still needs to be better alignment and coordination between the different organisations. Invest NI is currently leading an exercise to map out the different organisations and roles in the wider economic development ecosystem.
- 9.40** There was broad agreement from stakeholders that businesses need to have a clearer picture of the 'export escalator' and where they go for different types of support. For example, some consultees suggested that the councils could be given a clearer remit in terms of the basic awareness-raising and export capacity building support. Consultees also mentioned the previous Export Forum which brought together all the relevant stakeholder organisations. It was disbanded after discussions became too political following the Brexit vote in 2016 but could potentially prove to be a helpful mechanism for increased collaboration.
- 9.41 In overseas markets the relationship between Invest NI and the Department for International Trade (DIT) has broadly worked well.** Stakeholders highlighted examples of the Invest NI teams having regular meetings with DIT, and there are some locations where Invest NI staff are co-located with DIT colleagues in British Embassy or High Commission offices. In certain markets, co-location with DIT and using the UK brand has been helpful for businesses; in other markets firms promote a more Northern Irish/Irish brand. **Domestically, it was suggested that there remain some challenges in making sure DIT staff fully understand NI firms' key strengths.** Stakeholders were also surprised by the announcement of the new DIT trade hub to be based in Belfast and questioned if this may further confuse the market in terms of where to access support.
- 9.42** Another area where consultees thought there could be some improvement was around export finance. Currently Invest NI does not provide funding for setting up overseas offices or sales team. In certain markets (e.g. Africa and Middle East) companies will have to invest significant time and resources to promote their products and create relationships with local distributors.
- 9.43** UK Export Finance (UKEF) provides finance and insurance to help exporters of all sizes and in all sectors to win, fulfil and get paid for export contracts. Although NI firms have benefitted from UKEF support (12 supported over the last year), consultees suggested there should be closer partnership working and cross-referrals between Invest NI and UKEF.

Investment support

Sector/ market focus

- 9.44 Most stakeholders believed Invest NI performed well in terms of the number and value of inward investments projects attracted to Northern Ireland.** The main sources of new foreign and direct investment (FDI) for Northern Ireland over the last 20 years have been the US, the Republic of Ireland and GB. Key sectors have been professional, financial and business services, fintech and other technology-related sectors.
- 9.45** Although Invest NI continues to support some existing large inward investors in the manufacturing sectors, the focus over recent years has been on tradeable services. The main sales pitch for attracting new projects NI has been focused on talent and the quality of local graduates, the competitive labour costs, cutting edge university research, supporting professional services, and quality of life. Consultees highlighted that the main competition for FDI tends to be the Republic of Ireland which has had huge success recently, but which has also benefited from being able to promote lower levels of corporation tax. This is an advantage for projects that are profit centres, but for cost centres, anecdotally, NI has a skills advantage. Since EU exit, NI has seen an upswing in Manufacturing project enquiries both from the Republic of Ireland and globally.
- 9.46** Although Invest NI has performed well in terms of the number of investment projects and jobs attracted to Northern Ireland (with the area comparing well to other parts of the UK per head of population), stakeholders highlighted **some concerns from existing firms about the limited supply of skills/experienced hires particularly in the technology related sectors.** External partners highlighted that Invest NI needs to consider the impact of investment projects in relevant sectors or supply chains. Some of the criticisms were around new inward investors attracting the best talent and pushing up staff costs for existing indigenous firms or indeed other existing inward investors. Albeit Invest NI's priority as an economic development agency is to attract high added value jobs. **One way to address this issue would be for Invest NI to work more collaboratively with skills partners (e.g. the regional colleges, universities and schools) to help create the pipeline required for the jobs of the future.**
- 9.47** Other consultees acknowledged these potential effects in a relatively small economy such as Northern Ireland but highlighted the importance of inward investment in creating employment, driving up productivity levels (highlighted by higher salaries) and generating more exports for Northern Ireland. The point was also made that **inward investment is becoming increasingly mobile, and to narrow the sector focus would make it even more difficult to attract new projects to Northern Ireland in the future.**
- 9.48** Some stakeholders commented on the fact that most investment projects have tended to go to the urban areas (mainly Belfast but sometimes also Derry/ Londonderry). This is not surprising as investors select areas with a larger supply of labour and good transport

connections. However, others indicated that as a result of the COVID-19 pandemic and increased home-working there could be more ‘virtual FDI’ projects where an investor sets up a small hub with other staff able to work from home. **This type of model could help spread the economic benefits to all parts of Northern Ireland, but there area also challenges in how it will work over time.**

9.49 Invest NI aims to attract investment in key sectors such as advanced manufacturing and life sciences and many consultees highlighted the potential opportunities from the Northern Ireland Protocol. Although Invest NI has been promoting these opportunities, there remains significant political uncertainty about the sustainability of the new status. In terms of sector focus for future FDI, it was recommended by consultees that Invest NI should align with those priority sectors identified in the recent DfE economic vision document (“A 10x Economy”).

Effectiveness of support

9.50 Invest NI’s offer to investors includes financial and non-financial support. The main products include Selective Financial Assistance (SFA) grants, Grants for R&D, and support to train up new recruits using the DfE-funded Assured Skills programmes. **The Assured Skills programme was highlighted as particularly helpful in allowing investors to develop bespoke skills academies and employability programmes.** The fact that around 80% of FDI companies invest more than once indicates that they appreciate the support they receive from Invest NI.

9.51 Consultees felt that Invest NI has been very successful in harnessing the diaspora network in the US to secure investment into Northern Ireland. The overseas teams in the US have benefited from having a strong group of experienced investment advisors. Stakeholders praised the proactive approach of staff in Invest NI’s US officers to generate a pipeline of new investment projects. Examples were highlighted where Invest NI advisors identified companies of a certain size that were looking to grow their workforce and had a personal link to Northern Ireland. These companies were seen as a priority market who may be attracted by NI’s offer of high skills and competitive costs.

9.52 The London Invest NI office has also performed well in securing new investment projects, promoting NI to professional, financial and business services firms looking to relocate cost centres. Up until 2020, the London office had been outsourced but given the importance of the location as a source of investment it has now been brought back in-house. There was also a slowdown in new projects from London due to the Brexit related uncertainty in the financial services sector. Feedback from some of the other overseas offices also indicated the challenges of securing new investment after the Brexit vote in 2016, although another considered the global coverage of Brexit to have raised the profile of Northern Ireland.

9.53 The prolonged uncertainty about future trading arrangements between the UK and the EU put off potential investors looking to use NI as a base of serving the UK and EU markets. Some consultees felt that there needs to be more proactive and tailored marketing of Northern Ireland in different markets with many comparing Invest NI with the campaigns organised by

its comparator agency in the Republic of Ireland, the IDA. However, there are clear cost implications, and the IDA has a significantly larger budget than Invest NI.

Management of investment support

- 9.54 Overall stakeholders believed that Invest NI had a robust and effective process for attracting new inward investment projects.** Leads generated by the overseas teams were followed up by an investment manager based in Belfast who tries to secure the investment project by arranging site visits and offering the various incentives available. Once the company has been in Northern Ireland for over 12 months, the client relationship transfers from the investment manager to a client executive based in the Invest NI sector teams.
- 9.55 Consultees felt that some inward investment companies were disappointed or frustrated when they did not have the same type/ intensity of relationship with Invest NI once they started being client managed.** Client executives do not have the same time to dedicate to one company and some consultees also mentioned the sales growth targets and how these might encourage client executives to prioritise their support towards other companies. In most cases, new inward investors being taken on by a client executive will still have two years to draw down the initial grant awarded when they came to Northern Ireland (usually SFA).
- 9.56** Invest NI is building a stronger customer success ethos and this will help maximise the company's investment in NI and build on the relationships that have already been developed. There may also be scope for further training for client executives in managing these relationships.
- 9.57** As highlighted earlier, the consultees were positive regarding the performance of Invest NI in terms of inward investment but there were some questions raised about the quality of the projects and whether there needs to be a higher target in terms of the number of jobs paying above the private sector average. It was suggested that **introducing KPIs with more emphasis on the quality rather than the quantity of inward investment jobs would potentially help Invest NI to address the concerns about displacement within the wider business base and help to raise the bar in terms of productivity in Northern Ireland.**

Partnership-working

- 9.58** As highlighted earlier, Invest NI generally has a good working relationship with DIT particular in the overseas markets where staff are co-located. It was suggested that most of collaboration has been on the trade side and there have been few examples in recent years where an inward investment project has been referred on to Invest NI. **Various consultees highlighted that cooperation between Invest NI and DIT is easier with export support compared to inward investment where there is such strong competition across the different parts of the UK.** It was suggested that DIT and Invest NI need to try to work more collaboratively on

inward investment and some suggested the DfE could help to ensure the NI proposition is more fully understood by UK colleagues in DIT.

- 9.59** The DfE's main role has been to provide ministerial support for inward investment projects and also to provide direct support through the Assured Skills programme. Some consultees suggested that the size of Northern Ireland and easy access to Ministers as a key advantage, which has helped to demonstrate political support for new investment projects.
- 9.60** Consultees also stated that Invest NI has worked well with a range of partners when **organising visits for investors and site visits**. Invest NI has agreements with the local councils to provide investors with 'soft landing' services in terms of information/ advice on housing, schools, office accommodation and wider infrastructure needs. Whilst this arrangement has generally worked well, there were some calls for a stronger partnership arrangement between Invest NI and councils to ensure a stronger tie-in between major projects planned as part of the City Deal investments in Belfast and Derry and Strabane City Regions and the pipeline of inward investment projects. It was felt there should be more collaboration on proposition development and working with schools, colleges and universities (which links back to the early points made around skills planning).
- 9.61** Some consultees highlighted that Invest NI should leverage the knowledge and **experience that exists in the private sector** through firms such as Wavteq, OCCO Global, HMC Global, FDI Intelligence, and the large accountancy firms. With global trade and investment still in a state of flux due to the ongoing impacts of the COVID-19 pandemic, consultees highlighted the need to draw on local expertise to develop new strategies and markets. **Similar to the feedback on trade support, there was a general point that support to inward investors remains too fragmented and as part of the mapping of the economic development ecosystem, there needs to be greater clarity on how different organisations (e.g. councils, skills providers) can support Invest NI in attracting more inward investment to Northern Ireland in the future.**

10. Conclusions and recommendations

Context

- 10.1** The evaluation took place against a backdrop of the COVID 19 pandemic and the implementation of Brexit. Both have enormous consequences for the future of Northern Ireland's trade and investment, but at the time of reporting there remain considerable uncertainties around both. There are also wider global influences with the possibility of increasing trade protectionism, reshoring of investment and more focus on the resilience of supply chains. While these factors will influence how trade and investment support is taken forward, this evaluation is able to draw lessons from the earlier period 2014 to March 2020 and draw conclusions which will be valuable regardless of how these uncertainties play out.
- 10.2** As a small open economy Northern Ireland depends on international trade and attracting investment. This in turn defines the economy's ability to create jobs and wealth. International trade not only increases the size of potential markets; it exposes businesses to new ideas, driving innovation and productivity. International links attract new, innovative firms, investment and enable businesses to translate their innovation into the sales that are critical for Northern Ireland's long-term prosperity.
- 10.3** Facilitating international trade and investment is therefore a fundamental role for government and Invest NI. The recent Trade and Investment for a 10X Economy²⁴ was produced in June 2021 as one of a series of '10X' papers. It provides an overarching direction for investors, businesses and supports building on NI's strengths, capabilities and technological advantages. Perhaps most importantly it enables a more holistic view of trade and investment within the wider economy.

Overview

- 10.4** Our evaluation concludes that the trade and investment support delivered over the period covered by the evaluation has been effective and been improving over the past few years. The findings from each of the strands of the evaluation are remarkably consistent. While performance has been reasonably good, there is an opportunity, as the economy recovers, to raise the bar further.
- 10.5** Among consultees, there was almost unanimous support to tighten the focus of support, to make this more strategic and build on a growing international network. E-commerce support is becoming increasingly relevant, while it is important to consider more effective use of IT in the delivery and monitoring of services. For FDI, skills and labour costs have been critical to

²⁴ <https://www.economy-ni.gov.uk/sites/default/files/publications/economy/trade-investment-10x-economy.pdf>

its success and looking forward it will be important that Invest NI works closely with partners on future demand and supply.

- 10.6** Despite the uncertainties, the recovery brings new opportunities for Northern Ireland's businesses, and Invest NI's support and guidance will be more important than ever. A series of changes are already helping to reshape support and our proposals continue to move delivery from a more traditional service, focused on a broad range of interventions, to a more focused, smarter, and more strategic service.
- 10.7** This concluding section summarises the evidence for trade and then investment support. Each section covers performance, the key issues raised in the evaluation, changes that are already planned or in place, and suggestions for further action.

Trade

Trade performance

- 10.8** Northern Ireland's trade performance over the past six years has been mixed. While international exports have grown significantly and compare favourably with other parts of the UK, sales to GB have fallen sharply driven by a 49% fall (over £4 billion) in manufacturing sales. As a result, external sales overall have only grown by 1% (excluding these manufacturing sales to GB, external sales have grown by 31% since 2014).
- 10.9** Despite this, the number of firms selling to GB increased between 2014 and 2019 by 62% to 10,487 businesses and the number of firms selling outside NI grew by 36% to 15,742 in 2019 – well ahead of the Export Matters target of 14,000 by 2020.
- 10.10** Invest NI supported over 2,200 businesses over the six years of the evaluation. Among their client-managed businesses, there has been significant growth. External sales grew by 31% from £13.0bn in 2014 to £17.0bn in 2019 and GB sales grew by £1.8bn (27%) up to £8.4bn and international exports increased by £2.2bn (34%) to £8.6bn. There have also been 700 firms generating external sales for the first time, well above the target of 300-400 set in the Export Matters strategy.

Trade support

- 10.11** Overall, the feedback from the consultations and from businesses indicates that trade support has improved markedly over the period of the evaluation. Feedback from the survey and business workgroups was very positive.
- Businesses rate the **quality of support** highly (90% scored support 4 or 5 out of 5) and compared it favourably with other organisations.
 - The support was also effective in **delivering new customers** (65%) (often in Europe and North America), staff training (42%), **developing or adapting products** (37%) and **hiring new staff** (35%).

- **Two thirds reported that the support has had a major or moderate effect on international and/or GB sales**, and a further 21% *expected* an effect in the future.
- **Additionality of the outcomes is reasonable** although mostly through accelerating or increasing the scale, rather than entirely new activities. It points towards the need to focus more tightly on where Invest NI can add value.
- **The analysis provides** confidence that the support has delivered a reasonable return on investment generating sales of between £11.20 and £15.80 and GVA of between £3.70 and £5.20 per £1 invested.
- Of the 125 cases that reported a major or moderate impact on international sales, all but six cases thought these sales would continue into the future.
- Consultation feedback was also generally positive on trade support. **A common view was support was improving but needed to be tighter, more strategic, and more proactive.**

Issues from the evaluation

10.12 There were a number of issues raised in both the consultations and from the survey feedback that reflect the challenges trade support has faced over the past six years. Some of these have been addressed by recent changes:

- The process of setting up the surveys required a considerable amount of time for the evaluators and Invest NI. Specifically, there were a large number of businesses that were excluded because Invest NI were not able to make contact details available
- There are lessons in ensuring that the CRM system and contacts are kept up to date and, secondly, that businesses that receive support are required to agree to participate in future evaluation work
- In the past, there was a view that trade support had been too “transactional”, more ad-hoc and short-term rather than strategic. This was reflected in the frequent comments about a culture of grant dependency. It is also supported by the relatively small number of supported businesses who stated they had international plans (20%).
- There are too many interventions. This is confusing and leads to a business perception that there is funding that they don’t know about and a culture that focuses on applying for programmes, rather than supporting the identified needs of businesses.
- The previous structures and relationships meant that there was less input from overseas teams. Instead of contributing their knowledge and expertise they tended to be reactive to requests and this was a missed opportunity.

- There was a frequently expressed view that the “jam was spread too thinly” and that support should be targeted more effectively, either by sector or size of business. It was felt that Client Executives should be more challenging in targeting resources.
- Trade support was considered to be too reactive, and not sufficiently proactive. There should be the expertise and experience to provide leads, ideas and opportunities. This is backed up in the survey which shows that the support tends to accelerate activity rather than introduce new activity.

10.13 Some of these issues stemmed from a need for greater credibility. Without this, support becomes too general and adds less value. Reorganising support by sector has enhanced credibility and the value that advisers have been able to offer.

10.14 The changes that have been introduced, and those are underway, address many of the issues that have been raised. We fully support the direction that this will take Invest NI’s international activities. The main ones are:

- **Growing overseas presence** - throughout the consultations and in the business feedback, the importance of building and using Invest NI’s networks in market was a central theme. This was incorporated in views about more “boots on the ground”, importance of local networks, support for fulfilment in market, building knowledge of international opportunities, providing leads to partners. This is certainly one of the biggest challenges for active exporters, and there was a great deal of support for this.
- **More strategic support** should be addressed through the introduction of Export Health Check and Export Development Plans. This will mean support is based around an international plan and can draw down relevant support where it is needed. It will ensure more coherence and follow up for businesses.
- **The expansion and integration of the International Trade Advisors (ITAs)** - has also helped provide a trade perspective alongside business support, for example in contributing to GAP market development projects. The evidence from business workshop highlighted the importance of ITAs providing a route into Invest NI’s international network. The consultations also stressed the added value that the ITAs are increasingly making by sense-checking plans and helping to tighten up how resources are used.

Future development and recommendations

10.15 These changes will move trade support in the right direction although implementing these changes consistently will be a big challenge. In this section we make some suggestions that build further on the direction that Invest NI is moving, but also on the new 10x vision and the Recovery Plan.

Monitoring and evaluation

10.16 There are several suggestions for ensuring future monitoring and evaluation is improved

Recommendations

- Ensure that the CRM system and contacts (and specifically in this context, the business development/export lead contacts) are kept up to date. A large number of businesses were excluded from the evaluation survey because Invest NI were not able to make contact details available
- The terms and conditions of providing support should require businesses to participate in future evaluation work.

Targeting support - sharpening the pencil

10.17 One of the common themes in the consultations was around the tightening or better targeting support, and usually by sector. Successful exporting countries specialise in goods and services where they have a competitive advantage. This was reinforced by consultees, the international comparator work and business feedback.

10.18 10x Economy: A decade of Innovation²⁵ – sets out a high-level vision for an NI economy built on innovation. In particular, it focusses on building on strengths and identifies five clusters: **Digital, ICT and Creative Industries, Agri-Tech, Fintech/ Financial Services, Advanced Manufacturing and Engineering, and Life and Health Sciences**. The 10x paper on Trade and Investment sets out the case for trade and investment as a driver of innovation and the broad approach: *“Our approach to trade and Investment therefore must be built around driving innovation in these core areas where we have significant capability and capacity.*

10.19 As well as reinforcing the views of consultees around the need for a tighter focus, it also provides a link back to the specific strengths, capabilities and technological advantages identified in the main 10x vision, which will help Invest NI prioritise *“outward looking and growth-orientated”* activities.

10.20 In terms of a geographic focus, Invest NI is undertaking an exercise to map NI’s strengths with overseas markets as part of the process of identifying overseas office locations. Generally, consultees tended to emphasise the importance of GB and RoI markets, where there was considered to be more accessible potential.

Recommendations

- Focussed support for companies to explore, develop and grow opportunities in the GB market should be developed in addition to the existing provision
- Given InterTradeIreland’s remit, Invest NI should engage with the Department for the Economy to clarify ITI’s role in supporting NI companies to develop their trade activity in the Republic of Ireland and establish scope for INI to augment this

²⁵ <https://www.economy-ni.gov.uk/articles/10x-economy-economic-vision>

provision with complimentary support. A Memorandum of Understanding defining roles and responsibilities should be considered.

10.21 “Better focus” can also apply to identifying the businesses that should be supported and in what way:

Recommendations

- Invest NI should review the TAG pilot programme since its launch in 2020
- Ensure that client managed companies have an agreed export development plan with key actions for the next 18 months
- TAG projects should be monitored to assess progress with implementation & outcomes
- To leverage the investment in the overseas network, opportunities to engage in-market teams with NI businesses should be maximised and the team of Belfast ITAs should be expanded around Invest NI key sectors.

10.22 The current model of connecting clients to ITAs is via referral by Client Executives which may be a contributory factor to the perception that Trade support is reactive.

Recommendation

- Invest NI should review its model of providing access to ITA expertise to provide greater access to this valuable resource to a greater number of companies e.g. by enabling ITAs to proactively build relationships with the Business Development leads in companies within a ‘client team’ approach.

Joined-up delivery

10.23 The consultations also highlight the connection between international trade and investment, skills and innovation. International sales are a key driver of innovative behaviour and the main route to converting innovation into income and jobs. Skills are a core part of attracting investors, but investors also help raise skills. In this context the 10x papers provide a valuable overarching framework that allows the elements of economic development to be seen holistically. **Through its client management, Invest NI is in a position to understand and support these links.**

Status of trade support and promoting trade as a priority for NI

10.24 Trade support in particular is often seen as being grants to go on overseas visits. It should instead be seen as offering access to a team of international sector experts, bringing

opportunities, supporting strategies and providing advice drawn from its network and experience.

10.25 Recommendation: Develop clear messaging about the full range of trade support services available to NI businesses in Northern Ireland and overseas with a particular focus on the expertise and non-financial (grant) support

10.26 The introduction of ITAs, more sector experience and a stronger international network all raise the status and profile of trade support. It should be seen as an exciting route to driving innovation, wealth and jobs across Northern Ireland. It will be important to:

Recommendations

- Develop clear messaging for NI businesses about the Invest NI overseas network and the services it provides. To do this, ensure that systems and communications improve awareness and understanding of the in-market teams and their support and added value to NI businesses. This is important both within Invest NI, and externally in the business community.
- Build individual skills within Invest NI and strengthen the international outlook of business support, alongside the sector expertise. For example, by encouraging more international travel for client executives and ITAs as part of their CPD. Understanding sectors in an international context is where ITAs can add real value. This helps businesses make better decisions and helps Invest NI target resources more efficiently.

Targets and KPIs

10.27 While most consultees felt that the targets and KPIs were broadly appropriate, it would be useful to consider some alternatives that would underpin a more integrated way of working. **International sales drive business performance through innovation and productivity (and vice versa).** The evidence from the survey suggested that 70% of Invest NI clients had seen a positive impact on productivity. This is hard to measure but a proxy could be estimated as a change in the ratio between sales and employment.

Recommendations

- There should be a clearly agreed trade strategy i.e. target markets per sector (between the ITAs, in-market teams & sector teams) including a set of trade objectives and targets
- Invest NI should review relevant IT systems/databases to ensure access to relevant data for all internal partners.

More pro-active approach

10.28 There were views that with a strong brand Invest NI has a platform to be more assertive. This comes from building credibility and having good, experienced staff that can bring a wider vision to businesses. There are many examples in the survey and business feedback where Invest NI's networks and expertise has been critical in opening new opportunities for businesses. This should be encouraged – even at the risk of sometimes getting it wrong. It needs the support teams (CE, ITAs and overseas teams) to work together as much as possible, pool knowledge and apply it with companies. Growing the external/export sales of NI businesses should not be considered the exclusive remit of the international group.

Recommendations

- Client Executives to be more commercially driven with a clear understanding of their role in delivering external/export sales targets and increased ownership of the sales performance of clients in their portfolios. CEs, ITAs and overseas sector specialists to collaborate in identifying new opportunities for NI businesses via the export development planning process and work together to deliver shared targets. Shared commitment to deliver collectively agreed targets to be enshrined in job plans for CEs, ITAs and in-market teams.
- External/export sales focussed GAP interventions should have the clear involvement of the ITA during their development and the endorsement of the ITA in the final case for support. Monitoring and evaluation of GAP projects should be shared with ITAs.

Range of support interventions

10.29 All the stakeholders agreed that there were too many interventions, that this complicates the process for everyone and led businesses to think that there as support that they were not hearing about.

10.30 The involvement of graduates to support international activity was raised several times by stakeholders. This had several benefits: it developed international sales skills for younger people and younger people tended to be more familiar with the importance of using online marketing and social media. There were only a few cases where a graduate has been supported over the past six years and businesses may not be aware of the offer, potentially as part of the TAG support.

Recommendations

- Financial Support is being rationalised through TAG and should continue to be simplified. Relevant financial and non-financial support to be identified via the Export Development planning process

- Raise the profile of funding for graduate programmes and consider increasing the digital marketing content of the GtE programme.

10.31 Trade shows and visits continue to be important and popular with businesses, and some are strategically important in NI's key sectors. However, it is not always clear that these are part of an international trade plan or strategy. Support for trade shows can be seen as a “default option”, and clearer guidance on expectations and variations in intervention rates would encourage more discipline.

Recommendation

- Provide guidance to companies explaining expectations for attending trade shows and vary intervention rates based on the firm's export experience in that market

10.32 There was agreement from stakeholders that businesses need to have a clearer picture of the ‘export escalator’ and where they go for different types of support.

Recommendation

- Lead or encourage partners to relaunch the export forum (as referenced in Export Matters) to map, coordinate and promote a joined-up trade support service to NI companies

Early exporters

10.33 Much of the feedback from businesses and consultees related to helping existing exporters to do more, rather than ways to encourage new exporters. Although in the short-term this delivers faster results, it is important that there is also support for new or early-stage exporters. Invest NI has delivered a number of successful programmes, such as Go Dutch, and some of the principles of this could be built on to provide the basic tools for entering easy access markets. This would be a combination of workshops, advice, and market visits.

Recommendation

- Invest NI should build on the strengths of the Going Dutch programme and develop new export capability programmes focussed on the fundamentals of exporting with a clear model established of taking forward learnings to a wider range of markets by leveraging provision such as TAS (Trade Advisory Service) and tapping into the expertise of in-market teams.
- Invest NI should evaluate its suite of export capability tools/including an exploration of how they are consumed by businesses to maximise access to the available development tools by companies.

- Enable an early-stage exporters network with online meetups that builds on the bonding experience of the overseas trips.

Data and digital delivery

10.34 Several of the consultees commented on the need to review the use of IT in managing and delivering support. The pandemic has provided an opportunity to look at how digital technology is gathered and used. Invest NI should be a beacon, setting a lead and showcasing innovative approaches to business support. This is big task and may overlap with the work on Get Fit, but an IT audit and investigation of best practice elsewhere in the world would be valuable.

Recommendation

- As part of, or alongside Get Fit, review how IT is used in managing data, delivery and monitoring trade and investment support, and investigate best practice elsewhere in the world

Use of Challenge Funding

10.35 In the 10x vision (and more generally in UK business support) there is an increasing use of challenge funding. This encourages businesses to make the case for support to meet specific challenges set by the funder. This may not work for all trade support, but it would be possible to run some pilots. For example, to be part of groups visiting certain markets, or developing e-commerce. It relies on the challenge being sufficiently attractive and requires some applicants to be rejected, but it would help shift perceptions away from an expectation about receiving funding to a greater appreciation of the support. Initially this could focus on one-off challenges and offer additional to the wider support.

10.36 For example, a new overseas office could invite proposals to build or explore a market. This could offer funding for several visits, help with preparation and tailored in-country support. It would generate interest, encourage businesses to think about their international plans and create a sense of exclusivity.

Recommendation

- Consider introducing a pilot challenge around a specific theme or opportunity – possibly raised by a new international office.

E-commerce and online marketing support

10.37 From our comparator work, consultations and business feedback, there is a strong emphasis on the importance of e-commerce and online marketing as part of developing international sales. Around the world, supporting businesses to develop their online presence is becoming

a core part of international trade support. Invest NI does provide this, but there were some issues around “marketing” and what was eligible for support. The main support available from Invest NI currently for E-Business development is the MIS grant which focuses on setting up the IT infrastructure and online platform rather than enabling support to fully leverage the business’ online presence to drive sales.

Recommendations

- E-commerce and online marketing are now vital for international sales. Invest NI should review the range of e-business support provided is offered and look specifically at the offers made by comparator countries to enable companies to drive online sales.
- Invest NI should consider appointing a specialist Digital Sales International Trade Advisor to provide advice on leveraging firms’ online presence to drive sales and thereby provide a bridge between the technical support currently offered via the e-business team and other support, including GAP and TAG to enhance commercial outcomes.

Building networks

10.38 Perhaps the biggest message from export businesses was the importance of Invest NI’s networks overseas and how these are used to identify and create opportunities. One consultee suggested that fulfilment of orders overseas was the hardest part of the support, but potentially the most important. The business focus groups frequently used the term “boots on the ground” to make a similar point about the value of local market knowledge.

10.39 The expansion of the overseas networks will strengthen this, but it is also important that these are used effectively. The best examples were where overseas teams had built relationships with sector bodies, key businesses and government in market - they act as “fixers” for businesses trying to trade there.

Recommendation

- Identify & share exemplar practice within Invest NI’s overseas teams and across the overseas network with a specific focus on building networks for the benefit of NI businesses.

10.40 Globally there is also more emphasis on the role of global ambassador networks. For example, in Scotland, there are plans to make more of the Global Scot network in delivering mentoring. In Ireland there is the Global Irish Network. The Dutch have an R&D focussed Active Innovation Attaché Network.

Recommendation

- Our consultations suggest that more could be done to support NI Connections to more fully embed it in the activities of the overseas offices and more fully leverage NI diaspora in support of international trade (and investment) development objectives

Partnerships

10.41 While partnerships were generally seen as working well, there were areas where there could be further improvement. The collapse of the NI Executive in early 2017 coupled with the Department's involvement in discussions on the Brexit deal and NI Protocol, made it difficult for Invest NI and DfE to work on new trade and investment strategy. Looking forward there is an opportunity for the partnership to become stronger. The relationship with DIT has been good, although it continues to be important for Invest NI to maintain NI's profile. With the Chamber of Commerce and local authorities, the relationship has become more inclusive. The 10x vision papers now provide a broad framework for NI organisations to work together and develop a trade and investment strategy with a common focus and targets.

Recommendation

- There was also feedback on how Invest NI should work with partners. While much is done on trust and personal connections, it may be appropriate to consider how Memorandums of Understanding and other more formal agreements might help clarify the responsibilities of partners, potentially as an outworking of the recommended relaunched export forum

10.42 Sector support – several key sectors felt that greater support was needed:

- Sector consultees considered that the scale of investment in support of food and drink businesses had been higher in Scotland and the Republic of Ireland than in Northern Ireland, despite its value to the Northern Irish economy and the opportunities it offers. **A new sector marketing forum could be set up to help support international trade.**
- The aerospace sector has been particularly hard hit through the COVID-19 crisis and will face a longer recovery. While there is some supply chain development support and ongoing lead generation work, the sector felt that Invest NI could do more to use its networks to find opportunities with customers.

Inward investment

Performance

10.43 Northern Ireland has been successful in attracting inward investment over the past six years and this was supported throughout the consultations where it was described several times as “punching above its weight”. Invest NI has supported important clusters of activity in several technology areas, most notably cybersecurity, fintech and professional services. Feedback from consultees was generally very positive, although, like trade, the frequent themes were around improving focus and more specific targeting.

10.44 The feedback from the businesses that had been supported was also very positive:

- **The quality of the support is highly rated**, particularly by new investors to NI
- **The support had delivered significant benefits:** more than three quarters (77%) have increased workforce training, more than half of the businesses reported having invested more in R&D, half of the cases had also developed new collaborations, almost half the businesses brought new products and technologies to Northern Ireland
- **There were 70% businesses that reported a major or moderate impact on turnover and productivity**, as a result of the support. A fifth reported that the support has had no effect to date
- **The additionality of the support was reasonably strong.** Although it differed between those making their first investment and existing investors expanding. Just over half of the new FDI investors (post 2014) would not be trading in Northern Ireland without the support, and 31% would be trading with fewer employees

Key issues raised

- The success of attracting investment has impacted on businesses already based there. There were concerns that this has increased wages and reduced the pool of skilled people for other businesses. However, increasing wages has been a central driver for the NI economy over the last 20 years and can also help in attracting returning talent and retaining skills in the economy. The focus should be on the availability of skills rather than high wages. Given that local skills are NI’s single selling point, the focus of future FDI should fit with skills capacity as well as inform skills development.
- There were some views that attracting more “footloose” technology businesses, rather than for example manufacturing or engineering, created a greater risk that businesses could leave Northern Ireland.. However, the evidence of re-investment in the technology sector suggests that this has not been an issue to date.

- Another perception was that much of the FDI support is focussed on jobs and that more consideration should be given to targeting technologies and the potential spillovers. This might be particularly relevant in attracting green technologies.
- Related to this, there were issues about how effectively these businesses were being integrated into the NI economy. The survey suggests that while there were many collaborations, there were fewer traditional supplier links.
- Historically, moving companies from the investment team, which had the initial relationship to client executives, has been challenging, due to resource constraints. The survey also suggests that new investors rated the support more highly than existing investors. As a result, Invest NI may be missing opportunities to further develop the relationship and identify new opportunities to support further investment and international trade.

Future and recommendations

10.45 Looking forward, like trade, restructuring of the teams, in January 2021, has greatly helped in inward investment and the sectoral focus has increased expertise in key sectors in specific locations. There are changes underway which should further help improve performance and encourage better connections between the in-market teams and Belfast.

10.46 Given the success of Invest NI in attracting FDI, it is becoming increasingly important to join this up with the wider economy and particularly the labour market. This will be driven by the new 10x economic vision and its focus on key sectors over the medium term. The international comparator work highlights how other countries are becoming more focused on specific themes – particularly green technologies.

- **Skills are the single biggest factor** in attracting much of this investment. FDI teams, government, HE/ FE institutions and others should work together in matching potential supply and demand in the future. The 10x vision makes a commitment to deliver the necessary skills and it will require all these parties to work together. Skills and labour costs have been key, and NI needs to keep ahead of the game – so raising skills further – and building momentum around specific sectors. There are three important aspects to this. In leading the delivery of FDI, Invest NI should ensure that these are in place.
 - **Building market intelligence** through survey data and consultations with investors. Is the data to assess skills supply and demand available? This is not about new entry skills but the ability to attract and retain experienced workers.
 - **Sharing and co-ordination of activity.** FDI depends on a number of parts of the economy working together. How effectively is intelligence shared, interpreted and discussed between partners in skills and in FDI planning? This requires working closely with skills providers to ensure there is the volume and quality of skills required for local and externally owned firms. As above, this is being done around

entry skills, but more could be done to retain and attract experienced workers. The focus should be on supporting the supply of skills.

- **Leadership** – because FDI and skills cut across organisations and departments, this needs leadership to bring it together. It may be beneficial to have a cross-departmental individual or team responsible for driving skills development, particularly in specific sectors that are attractive to prospective FDI companies.

Handover process

- 10.47** The change in business advisers for inward investors from the Investment team to the sector team CEs, was raised as a challenge within Invest NI, but also echoed to some extent in the business survey which found that new investors rated the support more highly than existing investors. At some point inward investors must move into client managed business support with less time to dedicate to them. It is important to have a suitable cohort of CEs to take forward FDI projects, and this needs the appropriate investment in resources.
- 10.48** This integration has caused challenges, possibly exacerbated by the structure of targets in the different teams. The experience of these investors in NI is critical attracting further investment, embedding the company and in reputation (future testimonials). Inward investors are often exporters and innovators, with strong international links and access to resources that could be attracted in the future.

Recommendations

- Invest NI should develop a “customer success ethos”. We think this would help build on the relationships that have already been developed with new investors. These companies offer some of the best opportunities for further growth
- Invest NI should consider further training for client executives in managing these relationships and consider how to fully leverage relationships at parent company level via the overseas network to maximise the success of international investors and to proactively identify expansion opportunities
- Ensure that there is appropriate funding to enable the customer success ethos to be developed effectively.

Strengthening links with trade

- 10.49** The survey found that inward investors are very likely to be exporters. NI is a good base for selling to GB and, for goods, into the EU. For some inward investors there will be scope to influence the scale of international sales and the markets (although this is less likely for engineering cost centres), and some already receive trade support interventions. However, the survey found that very few businesses reported that Invest NI usually approached them. Although many of these are cost centres, it suggests that there is an opportunity to work with profit centres in particular, on trade development.

Recommendations

- Invest NI could be more pro-active in approaching FDI profit centre companies in particular and discussing trade growth opportunities. Invest NI should provide investors with information about the range of export support services available to them.

One voice

10.50 Stakeholders and some of the interviews with inward investors highlight the importance of NI's commitment to their business, as much as any financial incentive. The feedback frequently mentioned importance of the Invest NI team, and in some cases government or ministerial involvement. One made the point that NI is a small economy and that the economic development support agencies can work together more effectively than in larger regions.

Recommendations

- Demonstrating this partnership across Invest NI, government and other agencies, and that these partners will work together to solve problems for your business, is a very powerful message. It requires a common focus and ambitions that the 10x vision starts to set out and which a trade and investment strategy will build on.

Flexible, smart support

10.51 The evidence from the survey interviews and from the stakeholders provided some mixed views on the use of financial incentives. While there was some criticism of some of the thresholds and the process, there are considerable advantages in its flexibility, particularly with SFA. Together the combination of tools was thought to work well.

10.52 It is important to balance the incentives with the attractiveness of the potential investment, and this will change over time. With the new 10x vision and future trade and investment strategy, the use of incentives, may require to be changed to reflect new priorities. This may be to reflect changes in the labour market, key sectors, or social or environmental objectives.

Recommendations

- Our view is that the flexible use of SFA and other tools should be maintained, but that how incentives are varied across different types of projects should be reviewed as part of the new trade and investment strategy. This should include the incentives to support innovation/R&D by new inward investors as well as how to attract and support internationally mobile entrepreneurs in line with the focus of 10x.

SQW

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