



*Border, Midland & Western*  
Regional Assembly  
*Investing in Your Future*



**SOUTHERN & EASTERN**  
Regional Assembly



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# Submission to the National Reform Programme 2008 -2010

**September 2008**

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## 1. Introduction

The Border, Midland and Western (BMW) and the Southern and Eastern (S&E) Regional Assemblies welcome this opportunity to make a submission to the development of the National Reform Programme (NRP) 2008-2010, particularly given that regional bodies were not consulted during the process of preparing the previous NRP 2005-2007, and have come together to make this joint submission.

The development of a new NRP represents an opportunity to incorporate objectives and address issues pertaining to regional development in Ireland. This paper will address the micro-economic priorities and employment policies as outlined in the previous NRP 2005-2007, as well as regional policy coherence and engagement of regional bodies in the development, assessment and reporting of NRP related documents.

### 1.1 Background to the Regional Assemblies

The BMW and S&E Regional Assemblies were established in 1999 to give effect to the division of the country into two regions for Structural Funds purposes. For the 2007-13 funding period, the BMW Region no longer qualifies for objective 1 funding (having a GDP per capita above 75% of the EU average) and qualifies instead as a 'phasing-in' region for Objective 2 funding under the Regional Competitiveness and Employment objective. The S&E Region which originally qualified as a for a six-year phasing-out regime for Objective 1 up to the end of 2005, and for part of the region to 2006 and now qualifies as a 'Competitiveness & Employment' region under Objective 2 funding.

The main roles of the Regional Assemblies:

- Manage the monitor the BMW and S&E Regional Operational Programmes 2000-2006 and 2007-2013;
- Monitor the impact of all EU and Irish exchequer-funded programmes in their regions;
- Promote the co-ordination of the provision of Public Services in their regions; and
- Ensure that national policies take regional issues into account.

### 1.2 Policy Context

The conclusions reached at the European Council meeting held in Lisbon in 2000 included a commitment to make the European Union the most dynamic and competitive knowledge-based economy in the world, with more and better jobs and greater social inclusion, by 2010. Following a review of the achievement of this goal in 2004, the re-launched Lisbon Agenda placed particular emphasis on growth and jobs. The National Reform Programme 2005-2007 brought together a wide range of policies and initiatives, the implementation of which were aimed at sustaining Ireland's strong economic performance and employment growth. The NRP identifies three broad policy areas: macro-economic policy, micro-economic policy and employment policy. In addressing the Lisbon goals, the NRP states that global markets and global competition characterise the environment within which the Irish economy must prosper and compete as part of the EU of 27 Member States. Within the NRP, the need to maintain competitiveness and improve productivity is viewed as paramount.

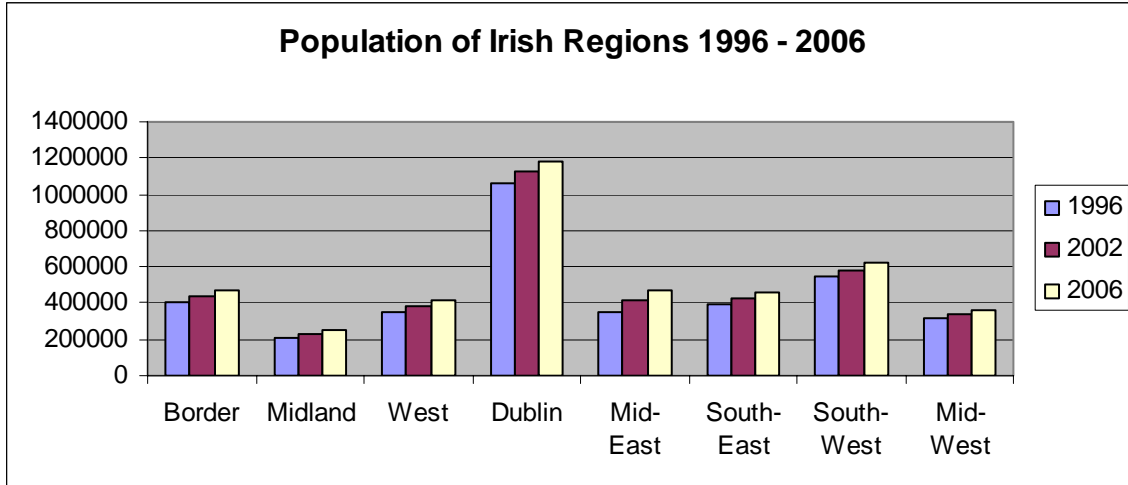
### 1.3 Socio-Economic Context for the Regions

The section briefly reviews selected regional trends in relation to population, output (GVA), disposable income, employment status, sectoral employment and innovation. Due to the heterogeneous nature of the NUTS II regions, data at NUTS III level is used, where available. It is important to note that regional analysis of national data is very important for policy makers to consider given the fact that national averages often mask wide disparities within and between regions.

#### 1.3.1 Population

Overall, the population of the Republic of Ireland grew by 8.0% over the 1996-2002 inter-censal period and by 8.1% over the 2002-2006 period. The 2006 census found positive population trends in many previously under-developing counties, but also indicated that urban sprawl continues to be a feature of new settlement patterns. The population of the Mid-East Region grew by 18.8% over the 1996-2002 period and by 15.1% over the 2002-2006 period, while that of the Midland Region also grew at above average rates of 9.6% and 11.5% over the two periods. The population of County Dublin (the Dublin NUTS III Region) grew by just 6.1% and 5.6% over these periods. Combining the Dublin and Mid-East Regions (Greater Dublin Area) gives an above average growth of 9.2% over the first period and a growth of 8.1%, equal to the national average over the second period. It is also interesting to note that the population of the NUTS II BMW Region grew by 9.0% in the 2002-2006 inter-censal period, while the Southern and Eastern Region grew by 7.8%, somewhat below the national average.

**Figure 1: Population of Irish Regions 1996-2006**



Source: Central Statistics Office, Census of Population, 2006

The 2006 census results also showed that population growth rates were below average in several of the designated Gateways. The Economic and Social Research Institute<sup>1</sup> expressed concerns about this and also about the implications of the CSO's forecasted population settlement patterns, particularly for the Midlands Region where population growth does not appear to be accompanied by economic development. This, they claim will lead to unsustainable commuting patterns and an undermining of the

<sup>1</sup> Fitzgerald, J. and E. Morgenroth (2006) Ex Ante Evaluation of the Investment Priorities for the National Development Plan 2007-2013: ESRI Research Series No. 59 ESRI: Dublin

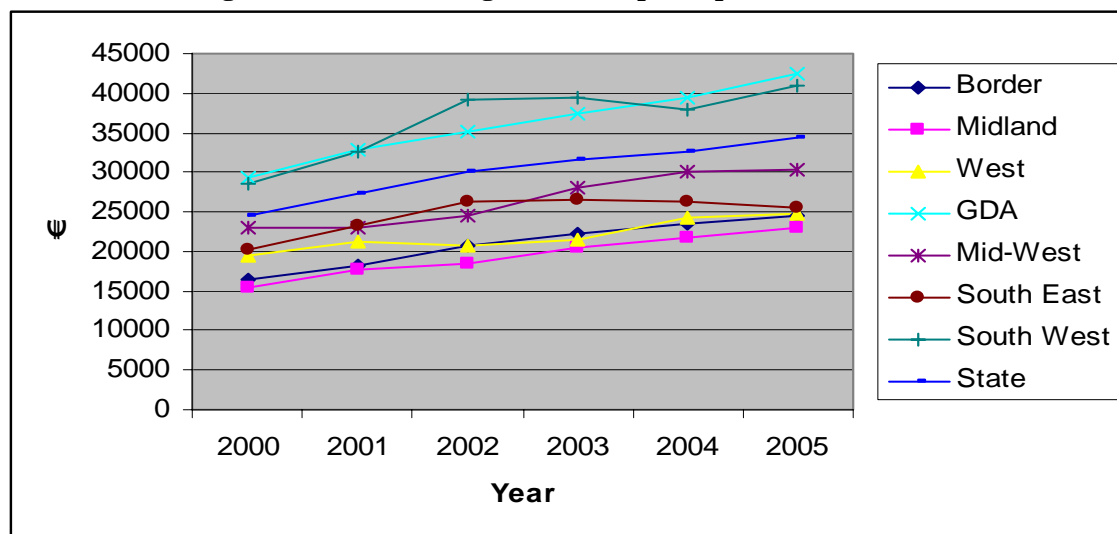
National Spatial Strategy 2002-2020 (NSS), stating that "the lack of a sufficient number of larger urban centres may have a negative impact on economic development going forward"<sup>2</sup>.

The population of the Republic of Ireland is expected to reach 5 million by 2021<sup>3</sup>. This provides an opportunity to re-balance unsustainable settlement patterns with a corresponding requirement to put the necessary economic, social and environmental infrastructure in place, within a robust spatial planning framework. The NSS, Regional Planning Guidelines and the County Development Plans are intended to provide this framework.

### 1.3.2 Regional Output (GVA)

The following figure tracks the growth in GVA per capita over the 2000-2005 period.

**Figure 2: Trends in Regional GVA per capita 2000 - 2005**



Source: Central Statistics Office, County Incomes and Regional GDP, 2008

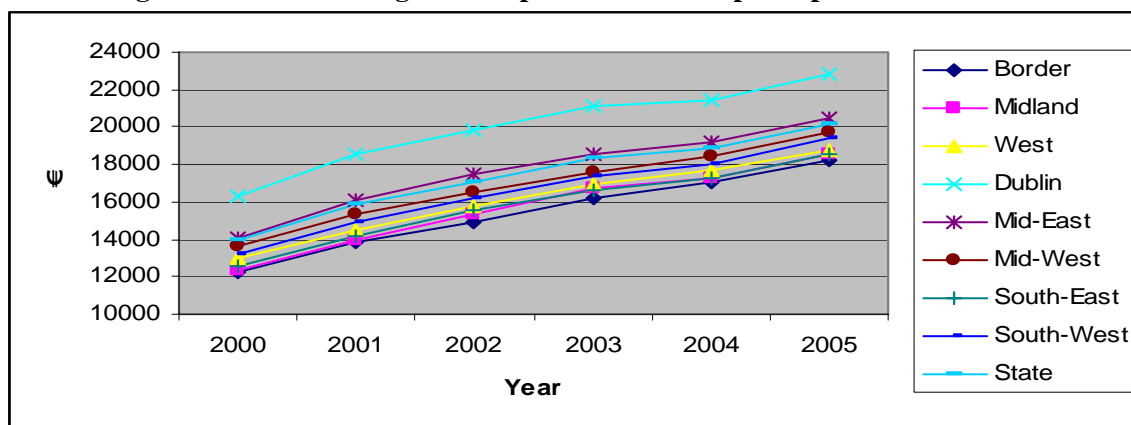
The BMW Region consistently under-performs in terms of GVA per capita. It is acknowledged in the NDP (2007) that GVA per capita grew by 51.2% in the S&E Region between 1999 and 2004 and by 49.9% in the BMW Region over the same period, thus indicating that the BMW Region is producing a declining share of output, at basic prices.

### 1.3.3 Disposable Income

In terms of disposable incomes, the poorest performing regions over the ten year period are the Midlands and South-East. The Midlands Region had a Disposable Income per capita of 80% of the Dublin level in 1995, which fell to 76% in 1999 and rose to 82% in 2004.

<sup>2</sup> Ibid p. 86.

<sup>3</sup> Central Statistics Office (2005) Regional Population Projections 2006-2021 CSO: Dublin

**Figure 3: Trends in Regional Disposable Incomes per capita 2000-2005**

Source: Central Statistics Office, County Incomes and Regional GDP, 2008

The three factors that account for the differing gaps in GVA and disposable income per capita at regional level have been identified by Fitzgerald et al<sup>4</sup>. These are: the effect of the tax and welfare systems and farm transfer payments on equalising disposable incomes to some extent; the effect of inter-regional commuting on output levels where commuters work and disposable income levels where they live; and, the distortion of output levels caused by transfer pricing and profit shifting. It should be noted that reliance on income transfers to narrow income disparities does not address the underlying structural deficiencies. The increasingly prevalent phenomenon of long distance commuting is both inefficient from an economic perspective and unsustainable environmentally.

### 1.3.4 Regional Employment

The following table sets out the employment status of all persons over 15 for each of the NUTS II and NUTS III regions and at state level in the third quarter (Q3) of 1997 and in the second quarter (Q2) of 2008. The most notable difference over the period reviewed is the 44% increase in the number employed overall at national level. At NUTS II level, the increase is 52% in the BMW Region and 41% in the S&E Region. The highest increases occurred in the Mid-East at 68% while the lowest increase was in the Dublin Region at 30%. In terms of unemployment, the overall trend has been a significant decline in both the numbers and the rate of unemployment in the labour force. It is noteworthy that the Border Region had the highest unemployment rate (13.2%) in Q3 1997 and again in Q2 2008 (6.4%), while the Mid-East Region had the lowest rate in Q3 1997 (8.4%) and again in Q2 2008 (3.7%). The gap in participation rate e.g., 67% in the Mid-East Region in 2007 compared with 59.8% in the Border Region is one of the contributors to the gap in output per capita reviewed earlier.

<sup>4</sup> Fitzgerald, J., McCarthy, C., Morgenroth, E. and P. O'Connell (2003) The Mid-Term Evaluation of the National Development Plan and Community Support Framework for Ireland 2000 to 2006 Economic and Social Research Institute: Dublin

**Table 1: Persons over 15 classified by ILO Economic Status at NUTSII, & III and National level**

	No. Employed (000s)		No. Unemployed (000s)		Unemployment Rate (%)		Participation Rate (%)	
	Q3 97	Q2 08	Q3 97	Q2 08	Q3 97	Q2 08	Q3 97	Q2 08
<b>Border</b>	144.3	216.1	21.9	14.9	13.2	6.4	53.5	59.8
<b>Midland</b>	77.3	121.3	8.3	7.9	9.7	6.1	54.3	62.4
<b>West</b>	135.4	204.1	14.7	12	9.8	5.6	55.1	63.6
<b>BMW</b>	357	541.5	44.9	34.8	11.2	6.0	54.3	61.8
<b>Dublin</b>	472.5	614.9	56.4	31.2	10.7	4.8	62.5	65.3
<b>Mid-East</b>	151.6	255.2	14.0	9.8	8.4	3.7	60.6	67.0
<b>Mid-West</b>	125.2	171.6	11.9	10.4	8.7	5.7	56.2	61.8
<b>South-East</b>	148.2	223.3	19.2	13.9	11.5	5.8	55.6	61.8
<b>South-West</b>	213.0	302	24.7	15.4	10.4	4.9	55.9	61.7
<b>S&amp;E</b>	1110.5	1567	126.2	80.7	10.2	4.9	59.2	63.9
<b>State</b>	1467.5	2108.5	171.1	115.5	10.4	5.2	57.9	63.4

Source: Central Statistics Office, Quarterly National Household Survey, Q3 1997, Q2 2008

### 1.3.5 Sectoral Composition of Employment

The sectoral composition of employment at NUTS II regional level in 1997 and 2007 is set out in the following table. The key changes over that period are the increases in employment in both Regions across most sectors, with the exception of agriculture and other industries and the large increases in construction and public sector employment over the period. The comparatively high proportion of the employment in financial and business services in the S&E Region is also notable. This is a high value added sector that contributes to the higher GVA per capita in the S&E Region, as reviewed earlier.

**Table 2: Regional Sectoral Composition of Employment 1997 and 2007**

	1997		2007	
	BMW	S&E	BMW	S&E
Agriculture, Forestry & Fishing	57.2	77.4	45.8	72.1
Other Production Industries	82.1	216.1	79.2	213.8
Construction	32.4	89.9	83.6	199
Wholesale & Retail Services	45.1	162.2	80.7	228.9
Hotels & Restaurants	23.2	69.9	38.9	91.2
Transport, Storage & Communications	14.2	68.8	24.2	98
Financial & Business Services	27.6	145.3	47.5	248.8
Public Admin. & Defence	15.3	53.9	30.2	82
Education	20.9	71.7	33.1	98.2
Health	28.7	85.1	60.4	158.3
Other	17.7	69.7	29.1	92.9

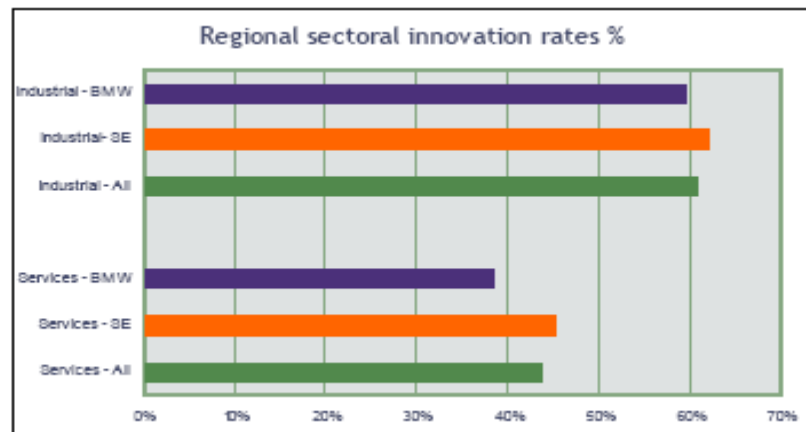
Source: Central Statistics Office, Quarterly National Household Survey, 2007

The Expert Group on Future Skills Needs (EGFSN)<sup>5</sup> who assessed the presence in each of the NUTS III Regions of 6 key sectors that account for a high share of high added value exports. It found for example that the BMW Region hardly participated at all in the substantial growth in employment in the ICT sector, but fared better in medical devices and engineering. The EGFSN analysis found a clear bias of the higher skilled occupations towards Dublin.

### 1.3.5 Regional Innovation

The Forfás Innovation Survey<sup>6</sup> provides a regional analysis of innovation activity by firms on a NUTS II regional basis. The survey found that innovation activity is higher overall among firms in the S&E Region (52.6% of firms) compared with the BMW Region (50.8% of firms). This is broken down in the survey report by type of firms as shown in the figure (below). This shows that the difference in innovation activity rates is greater in the services sector than in the industrial sector.

**Figure 4: Regional Sectoral Innovation Rates 2006**



Source: Forfás Innovation Survey (2006)

One important barrier to developing R&D and innovation in the BMW Region is the fact that there is only one university (NUI Galway) and two major research institutes (the Marine Institute and Teagasc) in the Region, both of which are located in the vicinity of Galway city. One way in which this barrier can be overcome is through strengthening the role of the Institutes of Technology (IoTs) through developing more applied research and fostering greater linkages with industry, as advocated in the OECD Higher Education Review<sup>7</sup>.

Drawing on the results of a survey of 184 established high technology businesses in Ireland, Jordan and O'Leary<sup>8</sup> found that notwithstanding the large investment in research and development infrastructure in Irish universities, and the policy emphasis on establishing business networks, the levels of interaction between firms and third level colleges and innovation support agencies was quite low. They also found that

<sup>5</sup> Expert Group on Future Skills Needs (2006) Skills at Regional Level in Ireland: A study of skills demand at regional level for specified enterprise sectors Forfás: Dublin

<sup>6</sup> Forfás (2006) Innovation Survey 2006 Forfás: Dublin

<sup>7</sup> Organisation for Economic Co-operation and Development (2004) OECD Review of Higher Education in Ireland OECD Publishing: France

<sup>8</sup> Jordan D. and E. O'Leary (2005) 'The Roles of Interaction and Proximity for Innovation by Irish High-Technology Businesses: Policy Implications' in Quarterly Economic Commentary, Summer 2005 Dublin: Economic and Social Research Institute

firm interactions with other group companies, customers and suppliers were predominantly over long distances. Jordan and O’Leary suggest that a greater emphasis needs to be placed on building industry-relevant applied research capacity in third level institutions and on supports for in-company research and development.

### 1.3.6 Other Factors

There are numerous other fields that indicate disparate performance across the regions of Ireland which will be briefly reviewed here. These include the availability of enabling infrastructure such as broadband which displays a distinct urban/rural bias whereby the more rural regions perform poorest<sup>9</sup>. Tourism industry earnings and visitor numbers also indicate disparate regional performance. In 2007 the Dublin Region accounted for 38.3% of total overseas visitors, a 7.7% increase in share over the period 1999-2007<sup>10</sup>.

## 2. Micro-economic Priorities

### 2.1 Improving Competitiveness

The NRP 2005-2007 recognises that addressing and improving Ireland’s competitiveness is necessary to ensuring future economic growth and prosperity. The components of national competitiveness are well understood as a result of the work of the National Competitiveness Council among others, as illustrated in the previous section national figures hide large regional disparities in many areas. The European Commission highlighted this issue in its review of Ireland’s 2007 Implementation of the National Reform Programme Report “the unbalanced development between the Southern and Eastern Region and the Border, Midland and Western Region, especially in fields relevant for the future competitiveness of the country”<sup>11</sup> as one of the major challenges facing Ireland at present. It should be noted that within that large disparities also exist at NUTS III level within the Southern and Eastern Region, as illustrated in the previous section. The regional foundations of national competitiveness are recognised by the National Economic and Social Council (NESCC) and argue that ‘the Gateways are key to addressing the vulnerabilities in the economic structures of the regions’<sup>12</sup>. The NRP 2008-2010 needs to recognise that productivity disparities are not conducive to enhancing national competitiveness and that Ireland’s competitiveness is therefore intimately bound up with successful regional economic development.

### 2.2 Increased Innovation and Entrepreneurship

The NRP 2005-2007 acknowledges that in order for Ireland to grow and become globally competitive in a knowledge-intensive economy, greater levels of innovation and entrepreneurship activity are required. The need to innovate is critical in order to offset mounting international competition which brings with it an increasing pressure for improved levels of productivity, quality and efficiency. This is also the case for regions, where more intensive levels of innovation and entrepreneurship activity are intrinsically linked to greater levels of competitiveness within Regions. Thus, firms in regional locations need to be supported and encouraged to become more innovative.

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<sup>9</sup> Forfás (2006) Innovation Survey 2006 Forfás: Dublin

<sup>10</sup> Fáilte Ireland (2008) Tourism Facts 2007 Fáilte Ireland: Dublin

<sup>11</sup> European Commission, Assessment of Ireland National Reform Programme 2007 Implementation Report, p.3.

<sup>12</sup> NESCC. 2008. The Irish Economy in the Early 21<sup>st</sup> Century. Executive Summary p. XiX.

Currently with the exception of the Shannon Region, Ireland continues to operate without coherent regional innovation strategies. The NRP 2008-2010 should provide leadership and resolve to develop regional innovation strategies in order for Ireland's Regions to grow indigenous firms and to attract high-valued added inward investment.

### 2.3 Public Research and Industry

In their evaluation of Ireland's 2007 National Reform Programme Progress Report the European Commission highlighted their concern for the "regional balance in implementation"<sup>13</sup> of the Strategy for Science, Technology and Innovation (SSTI). The current pattern of investment under SSTI which is delivered according to the criteria of 'research excellence' is further exacerbating existing regional weaknesses in R&D capacity. In order to reverse these sub-optimal outcomes for regional development, the regional research base should be built on a 'balanced excellence' basis and not a 'winner takes all' basis. This can be achieved through complementary initiatives such as incentivising collaboration with weaker institutions and by developing improved synergies between national R&D policy and regional policy.

The Commission called for more extensive linkages between public research and industry in their evaluation of Ireland's 2006 National Reform Programme Progress Report, "further action should be taken to support enterprises in transforming R&D input into innovation output and to promote and reward innovation performance"<sup>14</sup>. This call for action is further supported by recent research carried out by O'Leary and Jordan<sup>15</sup> on business innovation in the South-East and South-West of Ireland. They found that the majority of companies surveyed, rarely or never interact with the region-based education sector. Another key conclusion was the inefficiency of outcomes of industry-academia collaboration. They found the greater the frequency of direct interaction with TLIs the lower the probability of both process and product innovation occurring in these businesses. Given that Ireland is driving towards the development of a knowledge based economy which is largely dependent on the fruition of strong linkages between industry and academia these findings should be of particular concern to policy makers. The NRP should emphasise the building of industry-relevant applied research capacity in regional locations, consistent with the NSS.

### 2.4 Infrastructure

To be competitive in regional locations, enterprises must have access to infrastructural facilities that are at least on a par with competitors. It is recognised that an inadequate transport infrastructure has been one of the major barriers restricting the development of the BMW Region and peripheral parts of the S&E Region. Quality access to and within regions via radial corridors, linking corridors and international access points that attracts and promotes inward investment to the regions will be a major factor enabling their future development. The deficits that currently exist create obstacles for inward investment, enterprise development and overall quality of life for people in the

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<sup>13</sup> European Commission, Assessment of Ireland National Reform Programme 2007 Implementation Report, p.4.

<sup>14</sup> European Commission, Assessment of Ireland National Reform Programme 2006 Implementation Report, p.3

<sup>15</sup> Jordan, D. & O'Leary E. 2007. "Is Irish Innovation Policy Working? Evidence from High-Technology Businesses". Dublin: Statistical and Social Inquiry Society of Ireland, October 2007.

regions. Given the current challenging economic climate it is vitally important that the NRP ensures that infrastructure investment plans for the BMW Region and peripheral parts of the S&E Region are prioritised and fully implemented under the current National Development Plan 2007-2013.

### **2.5 Sustainable Spatial Development**

The framework for balanced sustainable economic development is set out in the National Spatial Strategy (NSS) 2002-2020. The development of dynamic regions through the NSS is necessary in order to achieve sustainable development, a fundamental objective of the NRP. The National Economic and Social Council (NESC) identifies the role of the Gateways as “key to addressing the vulnerabilities in the economic structures of the Regions, namely the extent of their employment reliance on construction, manufacturing and, in some cases, agriculture”<sup>16</sup>. It is therefore very apparent that the NRP should prioritise the enhancement of the dynamic of the designated Gateways. The four newest Gateways<sup>17</sup> identified in the NSS; Dundalk, Letterkenny, Sligo and the Midlands Gateway (Athlone, Mullingar and Tullamore) require appropriate investment strategies given their relative size and new role in order to deliver their strategic growth role as set out in the NSS. The announcement of the €300m Gateway Development Fund 2008-2010 was an important strategic step in formalising the first investment strategy for the Gateways, it is therefore regrettable that the allocation of funding was postponed in the initial Government cutbacks, and there are considerable doubts as to whether it will commence in 2009. Given that this Fund represented one of the very few innovations contained in the new NDP 2007-13, and in the context of the critical role that Gateways are to play if the NSS is to be successfully implemented, the Regional Assemblies would strongly encourage the Department to give full backing to the Fund.

### **2.6 ICT Stimulation Policy**

While work on the roll out of broadband infrastructure to the regions needs to be continued, and the forthcoming launch of the new National Broadband Scheme will greatly facilitate in this regard, particularly to the more peripheral and remote parts of our regions, recent evidence suggests that even where broadband already exists it is not being taken up in sufficient volumes and is not being used to its full potential, especially by small and medium sized enterprises (SME's).

Aware that a vibrant SME sector is crucial for the economic health of the regions, the Assemblies are very conscious of the fact that SMEs face a number of barriers to their development, including a failure to maximise the opportunities that ICT can bring to their activities. The Assemblies are also mindful that investment in broadband infrastructure alone is not sufficient, and that schemes need to be developed to stimulate demand.

In order to highlight how the Regional Operational Programmes can help to stimulate ICT usage among SMEs and assist in developing their business, the Southern & Eastern Regional Assembly, in association with colleagues in the Department of

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<sup>16</sup> NESC. 2008. The Irish Economy in the Early 21<sup>st</sup> Century. June 2008. p. xix (executive summary).

<sup>17</sup> Cork, Dublin, Galway, Limerick and Waterford were identified in the NDP 2000-2006 as the five major Gateways.

Communications Energy & Natural Resources, and in the State Enterprise Agencies are hosting a seminar this Autumn. Further details will be available on the Assembly's website [www.seregassembly.ie](http://www.seregassembly.ie)

### 3. Employment Policies

A low skills equilibrium (LSEq) is defined as a situation where an economy becomes trapped in a vicious circle of low value added, low skills and low wages<sup>1</sup>. Ireland's regions with the exception of the Dublin, the Mid-East and the South-West Regions are characterized by a combination of relatively low wages but high employment in low-value added occupations. These closely fit the criteria of an LSEq economy. The vicious circle is created by the fact on the one hand, there is no incentive for individuals or firms to up-skill and on the other there is no innovation or imperative to move up the value chain. In order to raise the skill levels both supply and demand side measures are required.

Empirical evidence shows that a strong link exists between investment in the research and innovation base of an economy and sustainable economic growth. It also shows that the sustainability and therefore the longevity of enterprises are positively correlated to those enterprises that engage in R&D. These enterprises also provide higher quality and better paid employments. Therefore a successful innovation culture is critical for the future growth and prosperity of the Ireland's regions.

There is also a need for a mechanism to capture regional labour market intelligence, to this end the Assemblies welcome the study recently commissioned by Forfás and being undertaken by FGS which will examine the development and coordination of skills at regional level.

### 4. Contribution of the Regional OPs to Lisbon Growth and Job Agenda

The National Strategic Reference Framework and the Regional Operational Programmes (OPs) 2007-13 reflect the priorities set out in the Irish Government's National Reform Programme (NRP) which was submitted to the EU in October 2005. The implementation of the development strategy, priority objectives and selected interventions as outlined in the Regional OPs will contribute to Ireland meeting its commitments as set out in the National Reform Programme and in accordance with Article 29(1) of the General Structural Funds Regulation (EC) 1083/2006, the Annual Report on the implementation of the National Reform Programme will include a concise section on the contribution of the OPs to the implementation of the National Reform Programme. The following table sets out the correlation between the priorities in the BMW Regional OP<sup>18</sup> and the Lisbon Agenda Guidelines.

**Contribution of Regional OPs to the Lisbon Targets**

Priority	Guideline Reference	Guideline
<b>Priority 1: Innovation, ICT and the Knowledge Economy</b>	Guideline 7	Increase and improve investment in research and development, in particular in the private sector, with a view to establishing a European area of knowledge
	Guideline 8	Facilitate all forms of innovation

<sup>18</sup> Similar Priorities are contained in Southern & Eastern Regional OP

	Guideline 9	Facilitate the spread and effective use of ICT and build a fully inclusive information society
	Guideline 15	Promote a more entrepreneurial culture and create a supportive environment for SMEs
<b>Priority 2: Environment and Risk Prevention</b>	Guideline 11	Encourage the sustainable use of resources and strengthen the synergies between environmental protection and growth
<b>Priority 3: Urban Development and Secondary Transport Networks</b>	Guideline 16	Expand, improve and link up European infrastructure, and complete priority cross border projects
<b>Priority 4: Technical Assistance</b>	n/a	n/a

## 5. Territorial Policy Coherence and the NRP

Policy coherence is an imperative of public policy and is synonymous with notions of the logical coherence of policy goals and modalities (internal coherence), mutual co-ordination across policies and congruence of sectoral policy goals (external/horizontal coherence).

The multiplicity of state, semi-state and sub-national public authorities poses particular challenges in determining and delivering public policy objectives at regional level in Ireland and has an impact on the ability of central government and its agencies to steer and manage regional policy coherently. Effective policy coherence requires a strategic policy framework in order to ensure that results and objectives are not undermined by other policies which can lead to policy failure and wastage of resources. In respect of regional policy, such a framework is provided by the National Spatial Strategy 2002-2020. The National Development Plan 2007-13 commits the Irish Government to deliver public investment consistent with the goals of the NSS.

No single Government Department or unit of Government has overall responsibility for regional policy. This contributes to a lack of policy coherence and effectiveness across Government Departments. **The coordination of regional and national investment planning requires strengthening**. Project-level analysis procedures as adopted by Government over-ride broader policy objectives and criteria. The use of narrowly-based cost-benefit analysis ensures that only direct monetised benefits of investment are taken into account. Such an approach leads to a preference for infrastructure investment in developed regions rather than in under-developed regions.

Most national strategies do not have regional targets and there is no mechanism by which the delivery of the strategy can be gauged against what was intended at regional level. The outcome of the NDP 2000-06 fell short of the targeted investment in the BMW Region where significant ‘under-spends’ occurred. This highlights the fact that there is no effective mechanism within Government to ‘steer’ this policy domain.

Sectoral policy in Ireland is generally planned centrally based on national strategies. Although the impacts of sectoral policy also occurs regionally, the differential regional impacts of national policies and strategies are rarely, if ever determined at the

policy planning stage. There is a need to go beyond general statements that a particular strategy will have broad positive regional impacts. A more detailed assessment of where the impact will occur and whether this impact will contribute towards regional convergence or divergence is required. Related to this is the need for greater policy differentiation and a shift away from a 'one-size-fits all' approach.

To reflect the EU and national policy commitment to territorial cohesion and to ensure policy coherence at regional level, the Irish government should include in its National Reform Programme 2008-2010:

- A commitment to ensuring that the NSS framework is evident in all investment, sectoral and other relevant policy domains;
- A commitment to develop mechanisms in support of policy co-ordination and dialogue with regional bodies, in particular related to the preparation of the National Reform Programme, and the annual implementation reports arising from this competitiveness and employment agenda.
- A commitment to enhance the strategic policy analysis capacity of public agencies to support evidence-based regional policy making and identify key trends;
- A commitment to enhance the attractiveness and dynamism and strengthen the governance of the designated gateways and hubs, through the Gateway Innovation Fund, the Urban Priorities in the two Regional OP's, and prioritisation of other investments under the NDP;
- The designation of a specific unit of Government with an explicit remit to advise Government Departments and Agencies on regional policy, to monitor the regional impacts of national policies and to work more closely with Regional Assemblies and Regional Authorities to advance regional policy in Ireland;
- Regional bodies should have a more explicit role in national investment planning and there should be a shift to a co-production mechanism for regional policy;
- Regional bodies should be charged with co-production of regional investment priorities in conjunction with Government within future NDP frameworks; and
- Regional bodies should be assisted to strengthen their policy analysis and project appraisal capacity.

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*If there are any queries in relation to this submission, please contact:*

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