

The Regional Development Challenge: A Western Region Perspective

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1. Introduction and Context

Regions differ in terms of their natural resource endowments, geography, infrastructure stock and economic profile. Differential economic development may give rise to regional problems such as undue geographical concentration of economic activity, pressure on land resources, services and congestion; or alternatively, to lower output and incomes, out-migration and declining services. All of these affect regional and national output and welfare.

Typically, regional development policies are designed to address disparities between developed and lagging regions. Balanced regional development (BRD) is a key objective of Irish government policy and is included in the current National Development Plan 2007-2013 (NDP) and its predecessor for the period 2000-2006. The National Spatial Strategy (NSS), published in 2002, is a twenty-year vision for Ireland's spatial development and is regarded as the strategic framework for the achievement of economic growth in the regions in the NDP.²

Until recently, regional policy in Ireland³ was heavily influenced by our membership of the European Union. As one of the more disadvantaged member states, Ireland received substantial transfers from the Structural and Cohesion Funds. Exceptional Irish economic growth, and the enlargement of the Union, has meant that European regional funding is now targeted at the poorer EU regions, and that Ireland no longer qualifies for special status.

Regional policy is now effectively financed from the national exchequer.⁴ This coincides with a time when the uneven spatial impact of Ireland's recent rapid growth is most apparent and a matter of considerable public and policy concern. The fact that responsibility for tackling regional disparities has been re-nationalised when economic growth is slowing is a considerable challenge. But it is also an opportunity to shape regional policy in a coherent manner to respond more effectively to a new set of conditions that have emerged during prosperous times, as well as to the consequences of a slowdown.

¹ The authors are members of the Western Development Commission policy team.

² NDP 2007-2013 p.17

³ Ireland, throughout this paper refers to the twenty-six county Republic.

⁴ The Border, Midland and Western Region, and Southern and Eastern Region both have Operational Programmes (2007-2013) which are co-funded by the European Union. These Operational Programmes form part of the Government's contribution to achieving the goals set out in the Lisbon Agenda, which broadly aims to 'make Europe the most competitive and the most dynamic knowledge-based economy in the world, by 2010'. The bulk of the expenditure in the BMW region of €572m will be undertaken in the first four years. For the 2007-2013 Structural Funds period the BMW region qualifies for transitional phasing-in support as an Objective 2 (Regional Competitiveness and Employment) region.

In this paper we wish to explore how balanced regional development might be achieved in the context of a changing national and regional environment. We argue that the extraordinary economic and social transformation of the last fifteen years in Ireland, together with changing global conditions and insights from academic research and experiences elsewhere, require us to refine and re-evaluate our thinking and analysis about regional issues. The uneven geography of change has affected each of the six NUTS3⁵ regions in Ireland differently with the most visible impact in the Greater Dublin Area. It has brought revitalisation of more rural regions such as the West through in-migration and population retention. But significant concentrations of poverty and social exclusion still persist in our largest cities and in more remote rural areas.

It is important to recognise that the scale of the change that has come about in Ireland is not only an outcome of economic growth and social transformation, but also of how policy has shaped that growth. In a relatively short period, public policy, long adept at managing the challenges of a lagging economy with limited public resources, has had to adapt very quickly to addressing the outcomes of rapid change and prosperity. Particular challenges have been infrastructure deficits (transport, water, waste, energy, and telecommunications); congestion; increased demand for public services; as well as the need to respond effectively to the growing and increasingly sophisticated articulation of the needs of diverse interest groups.

In the paper we concentrate on economic changes and measures, but it is easy to overlook the scale of the social transformation that has accompanied the economic boom. In the past two decades Irish society has undergone an unprecedented period of prosperity, and largely left behind the agrarian character that had been its hallmark for so long. Immigration has created social diversity, and affluence has altered values and aspirations so that quality of life issues such as a clean environment, culture, heritage, personal safety, and access to technology have become more significant and realistic aspirations. Greater personal and occupational mobility, and information and communications technologies (ICT) have altered the relationship between work, residence and space so that there are ever more choices for the most advantaged about how and where to live. At the same time there are many who are vulnerable, who may be left stranded by an economic downturn or who were left behind in the tide of recent prosperity. These trends have implications for regional population growth and the potential of regions to build human capital resources.

The perspective we bring to our analysis is not confined to the Western Region⁶ but is, as the paper title suggests, informed by our observations and analysis at the ‘coalface’ of regional policy and practice during the past decade. The remainder of the paper is made up of six short sections. We begin by discussing some of the current challenges for regional development policy, including setting out a vision of what we believe regional development is trying to achieve; we then consider some international insights on regional policy; and go on to look at the regional development strategy set out in the NDP. This is followed by a discussion of regional

⁵ Ireland is made up of eight NUTS3 regions: Border, Midlands, West, Dublin, Mid-East, Mid-West South East and South West. These can be combined into two larger NUTS2 regions – Border, Midlands and West (BMW) and Southern and Eastern (S&E).

⁶ The Western Region is the area covered by the WDC and comprises counties Donegal, Sligo, Leitrim, Roscommon, Mayo, Galway and Clare.

development in the knowledge economy, and a brief section on governance issues. We conclude with a set of suggestions for policy and practice.

2. The Regional Development Challenge

What are regional development policies trying to achieve?

How we shape the future is primarily about our vision of what that future ought to be, and how we construct policy to deliver it. This is a matter of values, of a choice between various futures and the relative importance we attach to such national goals as economic growth, spatial balance, sustainability and social inclusion. We can plan strategically and implement policies to bring about greater regional balance and a better future for all on the island.

In the box below, we set out what we consider better regional balance might look like, i.e. what regional development policies should be trying to achieve.

Balanced Regional Development

- Future population growth distributed more evenly across Ireland.
- Gateway centres with sufficient critical mass to serve as drivers for their regions.
- Population increase in hubs and in small and medium-sized towns across the regions based on inward investment and indigenous economic activity, including significant employment in the public sector and locally traded services.
- The natural resources of rural areas utilised in a sustainable manner and such areas well-linked to local centres.
- An infrastructure base that enables all regions to optimise their participation in, and contribution to, the knowledge economy.
- Quality social provision at local level and efficient access to services in other centres so that location does not contribute to social exclusion.
- Careful planning and management of the environment, including landscape, cultural and heritage resources.

While we believe that the balance between and within regions can be improved and economic growth can be extended more widely, there are some very significant challenges in bringing this about, particularly when projections for 2021 (based on the 2006 Census) predict national population increasing up to 5.6 million – an increase of 33% on the population in 2006.⁷ On the basis of earlier regional projections, almost half of this increase could be in the Greater Dublin Area (GDA).

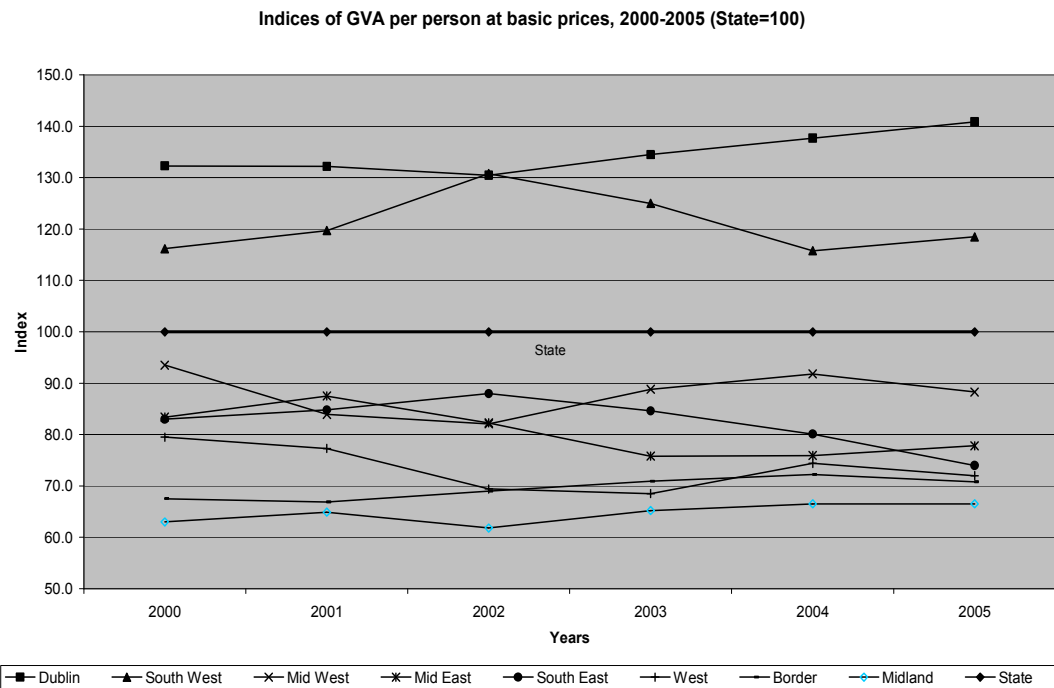
⁷ CSO (2008), Population and Labour Force Projections 2011-2041. The national projections distinguish six scenarios based on varying migration and fertility assumptions. The population projections vary from 4.6 million to 5.6 million in 2021. A population of 5.6 million is based on a continuation of the recent trends of high net inward migration and relatively high fertility rates (M1F1).

Many national trends and their impact on regions have been outlined in the chapters on Regional Development and the Rural Economy in the NDP. In Appendix 1, we have set out a brief summary of what we believe to be the most substantial and relevant changes in population, educational attainment, labour force and sectoral composition. Here we focus on regional disparities in output and income.

Persistence of regional disparities

The most widely accepted measure of regional development is Gross Value Added (GVA) per capita. By this measure, the gap between the regions remained wide, with some year to year variation, throughout the first five years of this decade. As can be seen from Figure 1 below, there are considerable differences between the NUTS3 regions. Dublin had GVA per capita of 141% of the state average in 2005, compared to a low for the Midlands of 66%. Dublin and the South West are consistently above the national average over the period.

Figure 1



Source: CSO (2008), *County Incomes and Regional GDP 2005*, Table 10

The persistence of the gap between the highest and lowest performing regions in times of strong national economic growth is notable. The six-year period covered by the chart almost coincided with the period of the NDP 2000-2006 when the Border, Midlands and West (BMW) regions had Objective 1 status and there was a clear commitment to tackling regional disparities.⁸ This suggests that without such a commitment things might be very much worse, and underlines the urgency of devising more effective policies in straitened times to avoid a worsening of disparities.

⁸ In fact, under the NDP 2000-2006, not all of the forecasted expenditure for the BMW region was spent, nor was the IDA objective of 50% of new greenfield investments to the BMW region realised.

The reason for the stubborn gap in GVA between the regions is that the lagging regions are producing a declining share of national output. This is related to structural weaknesses in their economies including a higher proportion of employment in the primary sectors and an older industrial structure more reliant on traditional manufacturing industries. Declines in employment in traditional industry and in the primary sectors are predicted to continue and success in attracting foreign direct investment, while not insignificant, has been well below targets. Improving the GVA in these regions will result in them contributing more significantly to national output.

From an equity perspective, disposable income is a better indicator of differences in living standards. By this measure, the divergences between the regions in 2005 are considerably narrower than the GVA measure – with the Border region 90.6% of the state average and the Dublin region at 113%. However, this figure reflects higher levels of transfers into the BMW region.⁹ It is, however, important to recognise that although transfers reduce the disposable income gap, they do not help the lagging region to catch up or develop in a sustainable way.

A study of the regional dimension of taxes and public expenditure in Ireland¹⁰ has shown that the richest regions – Dublin and the South West – contribute a substantial resource transfer to other regions. As we have suggested above, the fiscal system does seem to work in a progressive manner in relation to regional income, but not in relation to output. At the same time, however, the better off regions receive an above average level of expenditure, especially in the case of public gross fixed capital formation where Dublin gets a significantly larger share per capita than other regions. Clearly, the Irish fiscal system does provide a mechanism to achieve more equity but at the same time preserves a higher level of expenditure in wealth generating regions.

It has been argued,¹¹ however, that too much focus on regional equity considerations might distract from efforts to increase productivity growth, the main driver of future prosperity. Public investment accounts for a relatively small percentage of public expenditure and, as there is no clear pattern of ‘excess’ capital expenditure in the less developed regions, it appears that the bulk of the redistribution does not tackle any structural deficiencies in those less developed regions. It is difficult to see how the relative positions of the regions can alter substantially, as measured by GVA per capita, without a significant attempt to tackle the structural deficiencies central to differential performance. While income transfers can and do address equity differences to a considerable extent, they do not position regions to catch up. This is the issue at the heart of regional development. All regions need to be able to participate in the knowledge economy. Without high value-added economic activity there will be further divergence in regional economic growth patterns and increased dependence on the more advantaged parts of the country.

Are we making progress? Current limitations of measurement

It should be recognised that GVA per capita is not the only useful indicator for measuring regional disparities. As a measure, GVA is a function of differences in

⁹ This is due to the relatively higher proportions of welfare recipients (older people, children, people with disabilities and others in receipt of assistance), which, in turn is a reflection of its structural and demographic characteristics.

¹⁰ Morgenroth (2007)

¹¹ O’Leary (2002)

productivity and employment and the relative importance of each will vary from region to region. It is an unreliable measure at a smaller spatial scale and can not identify the differences within regions. This is a particular problem for the West; for instance, it is difficult to measure the nature and extent of the impact of Galway city on the wider West region. Another issue is that, as GVA measures output, it is based on the location of economic activity. Large scale commuting between regions can lead to an underestimation of the level of economic development of a region if individuals in that region are employed in another region. For example the output of those living in the Midlands who commute to work in Dublin would be measured in the GVA of Dublin, whereas the wages earned would probably be spent in the Midlands.

GVA cannot capture societal well-being which depends upon many factors including income, health and the environment, for which regional indicators are a lot less well developed. The selection of indicators inevitably defines what is considered important in policy terms and creates targets which receive particular focus and effort. It is therefore important that particular care is given to choosing the indicators which reflect policy priorities. Notwithstanding these limitations, it should be acknowledged that there are continuing improvements in data availability with much more information now available at sub national level.¹²

3. Policy Responses – International Insights

It is now accepted that successful developed economies rely on high-tech manufacturing and services which are knowledge-based. ICT, education and innovation are the main resources that determine the competitiveness in the high-tech manufacturing and service sectors of developed countries. It is also clear that traditional manufacturing is following the same path as agriculture (in terms of increased volume but lower employment), and that both will continue to lessen in importance as producers of wealth and generators of livelihoods.

In academic discourse, the region has emerged as an increasingly important focus for development in discussions about global competitiveness.¹³ Regional economies are nowadays regarded as ‘keystones’ of the performance of national economies. National performance in advanced economies is the outcome of different levels of regional development. This means that the relationship between regional development and national growth and competitiveness is not merely a matter of the transfer of resources. Regional dynamism is now more an outcome of qualitative advantages (e.g. innovative capacity), than endowment of natural resources. The dynamism of regional economies is linked to and stimulated by globalisation trends, as regions become locations for the coordination and specialisation of economic activities, in pursuit of competitive advantage.

Given that the determinants of economic performance actually reside in regions, regional development policy becomes particularly significant for the fostering of innovation, regional ‘knowledge systems’, creativity and comparative advantage. This

¹² The CSO will shortly publish a report on regional indicators.

¹³ See in particular the work of Storper (1995), Scott and Storper (2003), Simmie (2003) and Porter (1990, 2003), Kitson et al. (2004), who among others have been particularly influential in these debates.

is reflected in the 'resurgence' of regional policy in OECD countries, involving a move away from policies of redistribution to lagging regions to measures to increase the competitiveness of all regions. The focus of policy is on regional development strategies to enhance the performance of local firms, and concentrated on the effective utilisation of regions' assets, rather than investments and transfers. Opportunity, rather than disadvantage has become the policy focus, and there is a collective/negotiated governance approach involving national, regional and local government plus other stakeholders, with the central government taking a less dominant role.¹⁴

Concentrations (agglomerations) of economic activity associated with clustering of similar firms, skilled workers, dense labour markets, inter-firm networking, innovation, knowledge exchange between firms and links to third level institutions characterise the most successful regions internationally. There is also evidence that creativity and learning have a distinctive geography so that certain regions become associated with innovation. Knowledge and ideas requisite for economic growth are found in occupations which involve a high level of creativity; people in the creative class are highly mobile and tend to seek a high quality of life as well as work that is rewarding.¹⁵

The perceived links between agglomeration, urbanisation and development mean that city-regions are widely regarded as the engines of growth. Because, in many OECD countries, city-regions produce a relatively larger proportion of GDP, the pursuit of competitiveness in urban regions has become a major local and national policy objective. However, as Scott and Storper (2003) have pointed out, agglomeration cannot be equated to urbanisation as a simple demographic phenomenon. In reality, it is much more complex as regional and national policies must reconcile economic growth and equity goals. Cities have to contend with typical negative outcomes connected with urbanisation such as inequalities and poverty, urban sprawl and congestion, environmental problems, housing shortages and distressed areas. Isolated attempts to strengthen agglomeration economies may actually intensify income disparities.

In rural regions, such assets as quality of life and a clean environment can serve to attract and retain people or businesses where there is good transport and communications infrastructure. In OECD countries, rural policies aimed at targeting local opportunities are growing in importance. This involves a focus on infrastructure, skills and local assets where the emphasis is on places rather than sectors.

Regions, therefore, should be regarded as sources of the dynamics of modern production systems. But regional development also involves taking account of a range of factors beyond those traditionally associated with economic growth, particularly human, social and cultural capital. Thus, regional growth (encompassing employment and productivity) is the outcome of a range of factors which are much more complex and subtle than the existence of concentrations of firms, population or sectors. Regions are not competing with each other; they should all be contributing to overall national growth, otherwise we have a zero sum game which does not provide

¹⁴ See OECD (2006, 2007)

¹⁵ The WDC's LookWest campaign has revealed to us the importance of quality of life factors in individuals' decisions about location. The WDC is currently undertaking a study to identify the nature and scale of the 'creative' economy in the Western Region.

the maximum national benefit. At the same time, the existence of wide disparities among regions is not conducive to national or regional development. Once again, better balance is the answer. The impacts of rapid growth and congestion on the economic development of thriving regions can best be mitigated by positioning other regions to catch up, and to be able to offer optimum conditions for the location of successful firms.

Strategies for regional development should be based on enhancing the opportunities for wider spatial distribution of economic activity by tackling a region's particular deficiencies and, at the same time, building on existing strengths and resource endowments and recognising the importance of human, social and cultural capital. Experiences in other countries show that strong regions can give national advantage and that these strong regions have characteristics of shared vision, supportive industrial arrangements and strong local networks. The most successful policy measures need to be tailored to specific circumstances, mobilise capacity of action 'from the ground' and involve different levels of government. We take up some of these issues in the sections that follow.

4. Regional Development in the National Development Plan

The approach to regional development outlined in the NDP 2007-2013 reflects the contemporary thinking that regions themselves are at the core of national development and that the role of policy and public investment is to ensure that regions can contribute to national competitiveness at a scale appropriate to their capacity.

Indeed, regional development is regarded as 'central to the **investment** strategy' of the Plan.

The role of investment policy under the Plan will be to build on the existing strengths of all the regions and address their particular development deficits (particularly in the area of infrastructure). p.58

The key question is how this investment is to be translated into practical measures 'on the ground'. Clearly, differences in the supply and quality of infrastructural resources are a major determinant of levels of development across a country. Enterprises located in all regions must have access to infrastructural facilities – transport, energy and telecommunications – that are at least on a par with their competitors if they are to compete successfully for inward investment and grow indigenous firms. Moreover, better infrastructure, including social provision, can have a major impact on social exclusion, particularly in remoter rural areas. Yet the methods of appraising infrastructure investment, especially traditional cost-benefit analysis, tend to direct investment to areas of higher economic activity and greater population. Apart from the obvious cumulative effect, this militates against investment in smaller regional and rural projects.

Gateway-led development

In the NDP, the objective of BRD is to be achieved 'in line' with the NSS which provides the 'strategic framework' for promoting a more efficient GDA, ensuring strong gateways and hubs, strengthening county towns and supporting other vibrant

and diversified rural regions. The emphasis in the Plan however, is on gateways as the drivers of development of their wider region.

The NDP does not present any definition or illustration of these ‘gateway regions’. Travel to Work Areas have been used to identify the catchment areas of the gateways.¹⁶ However, identifying areas in terms of Travel to Work alone is necessarily limited as it overlooks the spatial patterns of other activities, such as shopping, health services provision, and entertainment.¹⁷ Also, when Travel to Work Areas are mapped, there are places where the interaction between an area and its nearest urban centre is very weak, and there are other areas which do not fall within the Travel to Work catchment of any gateway. Most flows involve people from rural areas and small towns going to larger centres, but there are also flows in the other direction and there are places which are within the catchment area of two large centres, or of none at all. Using Travel to Work catchment areas is therefore an inadequate basis to define the sphere of influence of a gateway. Given the centrality of ‘gateway regions’ to regional development policy, a more thorough understanding of their functioning and scope is required.

A focus on gateways is further complicated by the fact that the nine gateways vary enormously in terms of their size and location and current levels of development. The population of Sligo for instance, is just one tenth of that of Cork city which in turn is just 18% of the population of Dublin.¹⁸ It is self-evident that the newer, smaller gateways, all of which are located north of a line from Galway to Dublin, will require different and more intensive public sector intervention if they are to drive regional development and strengthen the urban structure in the west and north-west of the country. This is recognised in the NDP which states that a key objective is ‘to build on current trends and maintain strong and sustainable growth in each of the Gateways over the period of the Plan *with particular emphasis on those with lower populations*’.¹⁹

How public investment decisions can actively support the growth of gateways is not made clear however. The only specific funding to support the development of gateways in the NDP is the €300m Gateway Innovation Fund (GIF) for which all of the gateways – established and new – compete for funding. There is a strong case for a similar funding mechanism to be made available and confined to the new, smaller gateways. At the same time appropriate investment strategies need to be set in place to ensure that the smaller gateways do grow. Some work has already been done in

¹⁶ See Department of the Environment, Heritage and Local Government and Forfas (2005); Walsh et al (2006)

¹⁷ Travel to Work is the most commonly examined aspect of this interaction, partly because it is such a critical issue but also because comprehensive data is available from the Census on travel to work patterns. There is a lack of information on other forms of linkages e.g. where do people do their shopping, avail of health services. The WDC is currently examining the geographic extent of Travel to Work catchments in the Western Region.

¹⁸ Census 2006, Volume 1, Table 7. Population of Sligo (including suburbs or environs) 19,402, population of Cork (including suburbs or environs) 190,384, population of Greater Dublin Area (including suburbs or environs) 1,045,769. The description *Greater Dublin Area* in the 2006 Census denotes Dublin City and its suburbs (i.e. Greater Dublin Suburbs).

¹⁹ NDP p.63 emphasis added.

this respect in the Gateways Investment Priorities Study,²⁰ but no funding commitments are tied to the priorities identified.

Beyond gateways

Leaving aside the difficulty in defining a gateway's region, the other issue is the actual nature of the interactions between a gateway and its hinterland. While the NSS acknowledged that urban and rural areas are intrinsically interdependent and that there are 'complex flows' of people and services between them, unless the nature of these flows and the mechanisms by which growth in a gateway drives development of its wider catchment are understood, it is not easy to design policy measures which can benefit both urban and rural areas. The complexities of these forms of interactions have been little researched in Ireland. There is a need to examine and to understand whether, and how, development of the gateways can strengthen the development of their hinterlands.

The regions outside of the gateways are predominately rural – characterised by medium-sized and small market towns, villages and open countryside. The recent buoyancy in the economy, particularly in construction, has generally enabled rural economies to absorb the decline in the primary sectors of agriculture and fisheries, and in industrial employment in some regions. As employment opportunities have grown, many rural areas have gained population. However, employment in rural areas is already under pressure with the downturn in construction activity. While some European support is available for rural development through the Rural Development Programme 2007-2013, this is largely targeted at farmers and cannot make the kind of impact on the rural economy that is needed.

The NSS suggests that many of the strengths of smaller towns and villages lie in their capacity to accommodate employment, residential and other functions on the basis of their lower costs and quality of life. The future of rural regions should not be envisaged solely as sites for consumption of natural and cultural heritage by urban dwellers, nor as sources of labour for regional centres giving rise to extensive commuting. Rural areas can and do develop in their own right and at their own scale and can continue to be active and dynamic parts of the productive economy. We recognise that gateways and rural areas can and should develop in combination, but it is not desirable that rural areas be excessively dependent on gateways for employment and incomes. Investment in major infrastructure in gateways can provide a whole region with quality infrastructure, while a thriving rural economy can contribute to the economic strength of the gateway. The relationship needs to be one of mutual benefit, rather than dependence, and policies should facilitate investments to allow this to happen.

Several studies²¹ have recommended the urgent need to position rural regions to compete effectively for inward investment and to address the industry and enterprise structures in them. This can be achieved through supporting innovation in indigenous

²⁰ *Implementing the NSS: Gateways Investment Priorities Study* set out the investment priorities for each of the nine gateways. These priorities were then incorporated into the Regional Development chapter of the NDP 2007-2013.

²¹ Enterprise Strategy Group (2004); National Economic and Social Council (2005); NUI Maynooth, UCD and Teagasc (2005)

industry (both high-tech and traditional) and encouraging business start-ups²² in rural regions to enable them to contribute to the knowledge economy. Sectors based on natural resources such as tourism, agri-food and the marine need to be the subjects of creative and innovative strategies. Growth in inward investment and public sector employment can also underpin demand for locally traded services and lessen the impact of industrial closures.²³

5. Regional Development and the Knowledge Economy

Location and the knowledge economy

If Ireland is to achieve the government objective of being a successful ‘knowledge-based economy’ it requires a high level of economic activity based on knowledge as a factor of production in itself, or incorporated into production through capital investment. In a country as small as Ireland, knowledge-based activity can be relatively independent of location, provided there is adequate capacity to move information and people. This means easy access to international air transport and universal availability of high quality broadband at a competitive price. This is especially important for rural regions.²⁴ An analysis of the level of knowledge employment in rural counties of the US²⁵ found that rural regions with concentrations of knowledge occupations are more likely to have third level colleges, high natural amenities, and good ICT infrastructure and be within 200 kilometres of larger centres.

Indigenous firms will set up in the regions, largely because of the residential location or preference of the entrepreneur (provided the facilities at specific sites meet their needs)²⁶. There are growing numbers of Irish-owned high-tech firms that produce and utilise sophisticated information and communications technology and employ highly skilled and creative workers.²⁷ Indigenous Irish firms are important to the future of Ireland’s knowledge economy and they should be encouraged and facilitated to establish in regional locations. Indeed, even firms in more traditional manufacturing sectors are becoming more innovative, globally competitive and growing their export markets.²⁸ It is important to recognise the contribution of Irish-owned manufacturing firms to local economies in regional locations and to tailor enterprise support policies to their needs.

Creative people often favour rural locations and there are some notable examples of ‘creative clusters’ in rural Ireland.²⁹ There is considerable evidence that the creative class may be more able and likely than other occupations to choose where they want to live and work. While they are commonly regarded as having an urban affinity, they

²² The WDC Investment Fund has supported 75 start-ups, the majority of which are outside gateways and hubs. Data from the Revenue Commissioners show that the growth of small businesses in the seven western counties 2003-2007 has exceeded the state average.

²³ For instance, the WDC regards relocation of public sector jobs as, in effect, a form of inward investment in the services sector, with stable jobs involved which provide longer term security than is the case with some other forms of inward investment.

²⁴ Many of the large multinational knowledge-based companies in Ireland are successfully trading globally from rural regions e.g. Lionbridge Technologies in Ballina, Co Mayo; Pramerica in Letterkenny, Co. Donegal.

²⁵ Henderson and Abraham (2004)

²⁶ WDC (2007)

²⁷ eTeams in Scariff, Co Clare; Cora Systems in Carrick on Shannon and AM3D in Louisburg, Co Mayo are examples.

²⁸ JFC Manufacturing in Tuam, Co Galway; McHales Engineering, Ballinrobe, Co Mayo

²⁹ The cluster of audio-visual enterprises in the Connemara Gaeltacht is one example.

also have more freedom to locate in rural areas based on quality of life considerations. In the US, studies by the USDA³⁰ found that the so-called ‘creative class’ located in high-amenity rural areas in particular and that higher concentrations of creative people led to higher job growth. Arguing that ‘chasing talent is a viable alternative for sparking local growth’, the authors conclude that rural growth from this sector depends greatly on the attractiveness of rural communities for the creative class. They also point out that economic evaluations of the impact of public and private investments on growth still rarely consider quality of life factors.

Spatial pattern of the knowledge base

One of the critical obstacles to a more even spatial development of knowledge-based businesses and the retention of skills in the regions of Ireland is the distinct spatial pattern in the knowledge base, whereby knowledge generation is primarily concentrated south of the Galway to Dublin axis. The relative economic success of the GDA and South West regions is undoubtedly linked to the strength of the higher education sector in these regions. Meanwhile, the northern regions, particularly the north-west are predominantly knowledge takers, having no institutions of concentrated knowledge, such as a university.

There is a need for a nationally-led initiative focused on the north-west that brings together knowledge, education and skills training, ICT and networking between third level institutions. Such a Regional Knowledge Initiative could have a cross-border dimension and be of sufficient scale and scope as to be capable of delivering tangible outputs within five years. It should be focused in a strategic way on addressing the knowledge, innovation, skills and applied research needs of sectors in the region. It would require strong leadership and commitment from national government but could be operationalised by a coalition of interests at regional level.³¹ The University of the Highlands and Islands (UHI) in Scotland, with its decentralised collegiate structure, provides an example of an innovative model along these lines.

6. Governance Issues

Governance issues emerge as a key feature of regional development in the most successful OECD countries and effective local government involvement is regarded as critical to the success of regional development in OECD policy reviews.³² Those with well developed local government structures have the most effective and creative regional development policies. The Nordic countries, for instance, which like Ireland have relatively small populations and much lower population densities, have policies of territorial equivalence that seek to provide ‘equivalent’ economic, social, cultural, civic and democratic conditions and possibilities to citizens no matter where they live, rural or urban, remote or within or close to cities.³³ Ireland, by contrast, has a relatively centralised system of government and local authorities with limited powers that are severely constrained in their capacity to respond creatively to local conditions.

³⁰ See McGranahan and Wojan (2007)

³¹ See WDC (2006), where these ideas are discussed in more detail.

³² See OECD (2006, 2007)

³³ See Bryden, et al (2008)

Some limited progress has been made in recent years with the reform of structures but with no real broadening of responsibilities or funding bases. It is recognised that local and regional governance structures in Ireland require change. The recently published Green Paper on Local Government Reform presents a set of options which share the common theme of renewing local democratic leadership. While it is acknowledged that strengthened local leadership poses a challenge to a number of interests, including central government, it can also create a more dynamic and less dependent local government system. Greater movement towards the sharing of services is advocated in the Green Paper and this would undoubtedly bring more coherence.

While any changes of this nature would take time to initiate and become embedded, there is scope under the present arrangements for authorities to form 'ad hoc' coalitions to pursue joint objectives. Ways of encouraging such initiatives should, in our view, be supported and encouraged.

7. What is Needed to Achieve More Balanced Regional Development

The following seven points draw on the arguments made in the paper to set out what we believe are the key policy requirements for achieving the national objective of balanced regional development.

1. Political commitment and vision based on an understanding of the kind of spatial structure most suited to Ireland's social values, history and geography.
2. Clear responsibility for delivery of regional development policy so that key government departments 'mainstream' the regional dimension into their spending decisions. One government department should have the mandate and resources for this and ensure, for instance, that other relevant departments include regional development outputs in their Annual Output statements to the Oireachtas.
3. Resources should be provided to address the research and intelligence gap for policy-making, especially the development of regional indicators, measures of output and urban-rural links. Robust analyses of policy successes and failures are also necessary.
4. Regional investment strategies should be directed to improving regions' infrastructure, skill endowment and quality of life as the key drivers of their capacity to maximise their resource endowment and attract inward investment. Spending decisions in transport, energy, telecommunications, human resources, research, development and knowledge issues should clearly target reducing structural disparities between regions and not reinforce them.
5. The NSS provides a robust framework for balanced regional development, but its operationalisation needs to be informed by a thorough understanding of the investment and planning requirements at different spatial levels.
 - The new, smaller gateways need support appropriate to their scale and state of development that maximises the possibility of sustainable growth and encourages them to form strategic alliances.

- The interaction between gateways, hubs, provincial towns and rural areas needs to be investigated and understood in order to construct effective policy to support their function in the spatial hierarchy.
6. All levels of government and stakeholders should be involved with common purpose in structures that facilitate knowledge-sharing and efficiency. Pending other reform, 'ad hoc coalitions' of local authorities could be an effective way of tackling common problems and facilitating cross-boundary/border cooperation between towns and smaller centres.
 7. The north-west of Ireland has some particular weaknesses that could be addressed by acceleration of investment in infrastructure links which would facilitate cross-border links and act as a counterbalance to the Dublin-Belfast corridor as well as by the introduction of a 'knowledge initiative' along the lines we have outlined.

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APPENDIX 1

Regional Development Trends

Population increase

From 1991-2006 Ireland's population increased by 20% to 4.2m. The strongest growth was in urban peripheries and the greatest losses in remote rural areas. However, population also declined in the centres of some of our largest cities and towns. National projections for 2021 (based on the 2006 Census) predict that the national population will increase up to 5.6m.³⁴ This would be an increase of 33% on the population in 2006. Projections for regional population growth³⁵ (prepared on the basis of the 2002 census) indicated that though there is to be population growth throughout the state, the GDA (Dublin and the Mid-East regions) would account for 45% of the total increase.

An increase of half a million in the population of the GDA will intensify existing pressures and problems e.g. congestion, pressure on infrastructure and services, unsustainable commuting patterns, and associated poor quality of life, as well as pockets of significant disadvantage and social exclusion. More balanced population growth would undoubtedly benefit Dublin as well as the regions. In line with recent trends, much of the projected increase in the regions is likely to be concentrated around the cities and other urban centres. Many remoter rural areas will continue to experience population loss unless there is a concerted effort to stimulate and maintain rural economies.

Educational attainment

The proportion of the adult population with primary education only has halved between 1991 and 2006, while the proportion with third level education has more than doubled (from 13 to 31%). There are still strong regional differentials, however, associated with employment and age structures. Cities have both the highest and the least favourable rates on both indicators i.e. the greatest skills concentration and, at the same time, the lowest attainment levels in disadvantaged city areas.

The rapid growth of the GDA and the South West regions has been based to a significant extent on the availability of young well-educated graduates from weaker regions. Indeed, the poorer counties continue to show the highest patterns of participation in third level education³⁶ but are unable to absorb their own graduates into employment within the region. The selective migration of the economically active population of lagging regions depletes the human resource base and the potential for endogenous development.

Labour force and sectoral composition

Male unemployment halved from 18% to 9% between 1991 and 2006 but increased in Dublin and Limerick cities, and is high in remote rural areas. Women's labour force participation rose dramatically in all regions, a good deal of it in the public service.

³⁴ CSO (2008), Population and Labour Force Projections 2011-2041. The national projections distinguish six scenarios based on varying migration and fertility assumptions. The population projections vary from 4.6 million to 5.6 million in 2021. A population of 5.6 million is based on a continuation of the recent trends of high net inward migration and relatively high fertility rates (M1F1).

³⁵ CSO (2005), Regional Population Projections 2006-2021.

³⁶ O'Connell et al (2006)

Much of the growth in male employment was driven by the construction boom which created employment in all areas from urban to the most rural. But this employment growth in lagging regions is not necessarily associated with a significant shift in their capacity to provide income earning opportunities and living standards comparable to those in more advanced regions. The recent decline in construction is already having a major impact on regions where there are fewer alternative employment opportunities.

Over the same fifteen-year period, primary sectors, particularly farming, declined and the majority of farms are now part-time, and production has become more spatially concentrated and specialised in the southern half of the country. Jobs in services accounted for 61% of total employment in 2006 and 76% of the net employment increase 2000-2006. But much of the service employment in the regions is in locally traded services dependent on local consumer demand; regions have not benefited proportionally from the dramatic growth in internationally traded services and financial services; and the great majority of these jobs are located in the east.