



Western Development Commission

Submission to the Consultation on a new

IDA Ireland Strategy for 2020-2024

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Western Development Commission
Dillon House
Ballaghaderreen
Co. Roscommon

Introduction

The Western Development Commission welcomes the opportunity to engage with IDA Ireland as part of this strategy development process. The WDC, similarly, has gone through an extensive stakeholder engagement over the last eighteen months. One of the key tenets of our new 'Work Smarter, Live Better' Strategy 2019-2024 is collaboration. In that context there is scope for alignment in a number of areas to improve the impact and visibility of regional engagement.

The on-going commitment of the IDA to regional engagement is to be welcomed. The WDC, covering the Western Region (Donegal to Clare) in the first instance and as the co-ordinating body for the Atlantic Economic Corridor (Donegal to Kerry) offers significant scope for structured collaboration, in the context of the future focus and future role of IDA Ireland.

There are a number of broad areas to consider which are developed in further detail in this submission:

- **Regional Context:** The Policy Team of the WDC has done significant work in identifying the challenges and opportunities in the north and west of the country and these are set out in this submission. Under the Sustainable Pillar of the 2019-2024 Strategy, the WDC will commit significant resources from the Western Investment Fund (€72m) to develop a global competitive advantage in one or more sectors in the Region, such as Connected Autonomous Vehicles, over a 10-15 year period, in collaboration with public and private stakeholders.
- **Emerging Business:** In particular, in the context of Emerging Business division of the IDA, and addressing the challenges of succession planning both nationally and regionally, the WDC will commit significant resources from the Western Investment Fund to facilitate scaling, expansion and/or MBOs for these enterprises in the next five years. Structured engagement with FDI, through the IDA, would strengthen that offering in rural towns and villages.
- **Hubs, Remote Working and Second Sites:** The WDC is leading the establishment of a Network of Enterprise Hubs, of which to date there are more than 100, from Donegal to Kerry, building a common access portal, booking engine, and classification of the available hubs, (using gold, silver, bronze or similar type of classification). This network offers capacity for second sites for existing or new FDI clients, and capacity for remote working offering the enviable lifestyle available along the Atlantic coast. Both this work and broader work offer the opportunity to create and share regional content aligned with the IDA's regional messaging.

Regional Disparity

Regional disparity is increasing with a greater proportion of the economy (as measured by GDP)¹ being produced in the Dublin and the South West regions². At the same time there is a significant gap in average disposable income between Dublin and elsewhere³. Much of this increased concentration of economic output and associated higher incomes is associated with high value added enterprises such as those supported by IDA Ireland.

Foreign owned enterprises tend to have higher wages and higher productivities relative to Irish owned enterprises. This makes them very important to regional and local economies. Some

¹ <https://wdcinsights.wordpress.com/2019/08/07/size-matters-relative-changes-in-regional-economies/>

² <https://wdcinsights.wordpress.com/2019/08/13/what-we-do-where-regions-sectors-and-gva/>

³ <https://wdcinsights.wordpress.com/2019/04/12/changes-and-trends-in-disposable-incomes-in-western-region-counties/>

concern has been expressed that while IDA Ireland has been very successful in attracting firms there is still over reliance on a small number of firms which deliver a very significant proportion of value added. It is important that IDA Ireland in its new Strategy has continued emphasis on a broad portfolio of investment.

The previous IDA strategy 'Winning: Foreign Direct Investment' covered the years 2015-2019 and the core focus of the strategy was to 'continue winning investments and see the benefits flow as widely as possible in economic terms throughout Ireland'⁴. It noted that:

'IDA Ireland is committed to a greater dispersal of investments throughout Ireland. In that context, this strategy commits IDA Ireland to regional targets, which are aimed at focusing the collective energy of IDA Ireland and stakeholders on the goal of greater regional dispersal of investment projects'⁵.

The WDC welcomed the emphasis in that Strategy on spreading benefits 'more evenly throughout the Irish economy, impacting indigenous business and regional locations'⁶. In the forthcoming strategy there needs to be continued emphasis on this, with clear goals and metrics for each region. The strategy should have a strong additional focus on attracting FDI in areas where it has proven more difficult to meet targets.

IDA Ireland Targets

As noted, regional development was a major component of the 2015-2019 strategy. It targeted a minimum increase in investment of 30-40% in each region outside Dublin. This translated into the following targets relevant to the WDC's Region:

- IDA Ireland secured 71 projects in the West from 2010-2014, a 30% to 40% uplift in projects would result in 92 to 99 projects for the region.
- In the Border region a 30% to 40% uplift in projects would result in 61 to 66 projects for the region.

The new strategy should report on the achievement of these.

The Table below shows agency assisted employment in foreign owned companies in 2017 (WDC analysis). As part of the WDC's ongoing regional policy analysis it would be helpful for us to have access to the most recent IDA Ireland data on an on-going basis to aid our monitoring of enterprise activity in the region.

⁴ IDA Ireland, 'Winning: Foreign Direct Investment, 2015-2019' pg2

⁵ As footnote 1, pg 3

⁶ As footnote 1, pg 2

	Agency assisted employment in foreign owned companies*	% Change 2014-2017	Irish-owned as % of Total Jobs
Clare	6,765	9%	35%
Donegal	3,993	22%	57%
Galway	18,195	21%	37%
Leitrim	1,041	28%	28%
Mayo	4,466	14%	52%
Roscommon	1,155	23%	60%
Sligo	2,292	-1%	41%
WESTERN REGION	37,907	16%	43%

*These are mostly (but not entirely) IDA funded (some EI and Údarás)

Source: Department of Business, Enterprise & Innovation (DBEI), Annual Employment Survey 2017, wdc calculations.⁷

Alignment with the National Planning Framework (NPF) and Regional Spatial and Economic Strategies (RSES) employment targets

The NPF provides the framework for the provision of the social, economic and cultural infrastructure necessary to deliver the well-being of our people and the projected additional 1 million people by 2040. Aligned with population growth will be the need for an additional 660,000 jobs. At a regional level the NPF and RSES has targeted a population growth of between 160,000 to 180,000 people, during this period, for the Northern and Western Region with an additional 115,000 jobs required.

The new IDA strategy should show clear alignment with the NPF and the RSES. As noted, the NPF envisages 115,000 new jobs in the region to 2040 (the region is very similar the WDC's Western Region but includes Cavan and Monaghan and excludes Clare). Of these 115,000 jobs it is envisaged that 20,000 of these will be in internationally traded goods and services. In 2017 there were 37,907 agency assisted jobs in foreign owned companies (the majority IDA supported) jobs in the Western Region (see table above), and 32,727 in the NWRA area. If half of the envisaged jobs (10,000) were to be from FDI this would represent an increase of almost a third in the number of jobs supported by IDA Ireland in the NW region⁸. Reaching this target needs to be a core part of the IDA strategy.

Broadening the focus

The previous IDA strategy also noted that 70% of FDI investments⁹ on average come from existing clients. This tends to lead to a concentration of FDI in the location of existing clients and the new strategy needs to address issues for areas which do not have significant FDI strength.

⁷ A survey of all firms in Ireland who have ever received support from IDA Ireland, Enterprise Ireland or Údarás na Gaeltachta.

⁸ This is approximate as a small proportion the foreign owned jobs were supported by EI and Údarás na Gaeltachta.

⁹ As footnote 1, pg 26

Targeting weaker regions

The need to attract FDI is clear, and it is accepted that the client company will make the decision on location. However, as this is inclined to result in concentration of FDI in particular locations, the new strategy should include a specific focus on the attracting FDI to those regions that have had more difficulty in attracting FDI in the past. These regions may require more resource commitment or greater marketing or different methods. A blueprint for enhancing the attractiveness of such regions should be developed, based on detailed analysis of what works and what is specifically needed for these regions, for example in terms of marketing and targeting of appropriate client companies. This blueprint should form a part of IDA Ireland's overall strategy.

Content creation

The WDC would like to work with IDA Ireland to create digital content and assets that are relevant to both agencies going forward. We have identified the need for more imagery, infographics, video content and case studies for the Western Region which would enable the IDA staff to sell their regions more effectively to potential clients and internal staff members overseas. We plan to build this content pool and input from IDA Ireland aligned to the new strategy would be most welcome.

Targeting smaller clients

The IDA should have an increased focus on targeting smaller FDI clients as well as more significant players, further developing the work of the IDA's Emerging Businesses Division. These smaller clients might be attracted to regions with smaller population and workforce. There are many successful examples of FDI in small regional locations e.g. Ansamed (Vention) in Boyle, Harmac in Castlerea. Smaller regions, particularly those with a strong manufacturing base, may also be attractive to European clients. There have been very positive examples of German companies that have global reach e.g. Freudenberg Group is a €9.5 billion turnover company with 50,000 employees worldwide.

Spreading existing assets

There is a very effective concentration of FDI in the Dublin region. Given the success of that region it has become more expensive and congested in recent years. As part of IDA Ireland's approach to spreading benefits, the new strategy could also develop a policy of encouraging existing clients in Ireland to have satellite operations in other regions, taking advantage of their lower costs and easier access for workers. This would tie in to the hubs, remote working and second sites work of the WDC discussed further below.

Potential for keeping enterprises and employment

The strategy should also contain an element focusing on those clients who wish to exit the country. There is often potential for the IDA to work with management on a possible MBO. In this situation, the WDC's Western Investment Fund (WIF) can provide investment funding (neither IDA nor EI can as no new jobs are being created) and help safeguard existing jobs. The WDC's WIF has had some very successful examples of this e.g. – Aerogen, Adam Spence, and Systems Label.

Hubs, Remote Working and Second Sites

The Atlantic Economic Corridor (AEC) cuts through a number of IDA regions and the promotion of that region as the remote working & co working capital of Europe could be a key area of the new strategy. IDA Ireland could promote of the AEC Enterprise Hub Network which provides work spaces for co-workers and remote workers. This promotion could be coupled with all the positives rural regions have to offer in terms of a better work life balance, shorter commute times, low carbon footprint, ease of congesting in our cities, the opportunities for idea sharing in our hub network. There is also the idea of promoting a second working shift among the hub network, which could be important for countries such as the U.S., in different time zones, enabling engagement with Irish based companies for continuation of time critical work which can be completed by remote workers in Ireland and available for start of business in the U.S.

WDC is working with the DRCD, DBEI and the Dept. of An Taoiseach in developing a policy proposal for government around eWorking & Co working and partner with IDA and EI on this.

WDC Sustainable Enterprise Objectives

The WDC believes there is significant potential for partnering with IDA Ireland which might emerge under the sustainable enterprise pillar of the WDC strategy. The WDC 'Work Smarter, Live Better' Strategy 2019-2024 enabled by additional resources in 2019 seeks to build on the existing investment portfolio and separately build capacity in the region in a number of key sectors such as MedTech, connected autonomous vehicles and SME innovation.

The WDC Western Investment Fund has an available balance of circa €48m. Working with the local authorities, EI, IDA, HEIs, the appropriate departments via the DRCD the WDC will build capacity over a 10-15 year time frame, with the frameworks and programmes to that end to be in place in 2020.

As referenced in Future Jobs Ireland, there is an existing regional R&D capacity in the connected autonomous vehicle sector in Ireland, in the Western Region between Shannon and Tuam. The WDC will work with the other stakeholders and invest via a funding vehicle in early stage companies to seek to replicate the MedTech ecosystem in the medium term, and create a global competitive advantage in the long term. This would link well with the IDA Ireland goals.

The IDA Ireland strategy 2015-2019 also targeted the following sectors¹⁰ (the most relevant to the WDC are in bold):

- **Marine Economy**
- **Investments linked to Infrastructure**
- Property FDI
- **Arts and Culture**
- **Energy Services**

It is to be hoped that IDA Ireland will continue to focus on these areas. The WDC strategy seeks to develop one or two key sectors over a 10-15 year period, building on an existing R&D capacity and

¹⁰ As footnote 1, pg 23

structured supports and investment in the long term. There is potential for greater collaboration with the WDC in these emerging areas.

New projects that will help to enable regional growth

The WDC is currently in the final stages of building a new *talent tool* which will live on [Lookwest.ie](https://lookwest.ie). This tool will allow individuals to register their skills, businesses to list new jobs and agencies to log in and download up to date information on the talent available. The tool will target the diaspora and talent looking to move west. In the war for talent, the aim is for it to be used by both IDA client companies and EI as a way of building teams in regional locations. It will also be very useful for IDA Ireland before a company decides to site visit. It will enable IDA staff to have data specific to sectors in each location.

Other Key Policy Issues for Western Region (Industry and Financial and ICT services)

Manufacturing Industry

The IDA strategy to 2019 highlighted the importance of Global Business Services and the transformation of the manufacturing sector with a reduction of lower value add activities and a new focus on high value add Manufacturing and R&D. At the time of development of the previous strategy the majority of those employed (80,760) in manufacturing in IDA Ireland portfolio companies were outside Dublin (88%) with Med Tech, Computer and Electronic Equipment and Chemicals being the main drivers. The 2015-2019 strategy placed a significant emphasis on manufacturing and supporting manufacturing clients with the training and up skilling of staff which was very welcome in our Region.¹¹

As the Western Region has a higher reliance on foreign owned firms, global developments which impact negatively on the extent and nature of foreign owned investment in Ireland would have very significant knock-on impacts on the regional economy. This not only affects direct jobs in foreign owned manufacturing, but also those with Irish owned sub-suppliers. IDA Ireland's forthcoming strategy should have a plan for increasing resilience (both regional and sectoral) in this situation.

Industry plays a considerably greater role in the region's economy and labour market than nationally. Its performance, and future trends in manufacturing therefore have a greater impact in the region. Given the growing role of services nationally, and increasing policy focus on attracting and growing international services, it is vital that manufacturing's central role in the Western Region's economy continues to be fully recognised and supported by IDA Ireland.

The Western Region is a global location for MedTech. At 96.8% of jobs, MedTech is the sector with the highest level of foreign ownership. The cluster includes multinationals and Irish start-ups supported by a strong skills base and research infrastructure. MedTech is present in all counties but strongest in Galway, Sligo and Mayo. It is a key regional asset but its dominant role presents some risk. Opportunities for convergence with other sectors and dissemination of its expertise should be supported.

¹¹ As footnote 1, pg 22

Financial & ICT Services

This sector has a high level of foreign ownership but there is a low level of activity in Financial & ICT Services in the Western Region and the gap is widening as the growth rate in the region significantly lagged that nationally between 2011 and 2016. Given that this is a high value, high skill and highly paid sector, growing Financial & ICT Services activity in the region could make an important contribution to regional economic development, productivity and income levels. While it is not labour intensive, it also plays a role in direct job creation. Increasing international activity is the main route to growth. This should be another focus for IDA Ireland in the regions.

Conclusion

The WDC believes that the FDI is a crucial driver of regional development. We hope that the new IDA Ireland strategy will place an ever greater emphasis on spreading the benefits of FDI throughout the regions and nationally. We look forward working closely with the IDA to ensure that the Western Region benefits from greater IDA Ireland investment in the coming years to help drive the delivery of a thriving regional economy with the benefits spread across the region.

We are pleased to have this opportunity to make this submission on the development of a new strategy for IDA Ireland. Please get in touch with us in the WDC if you would like more information about anything mentioned or if you have any queries in relation to our submission.

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