



Mid-Term Evaluation of the Border, Midland and Western (BMW) Regional Operational Programme 2007-2013

Submission from the
Western Development Commission
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Submission from the Western Development Commission (WDC) to the Mid-Term Evaluation of the Border, Midland and Western (BMW) Regional Operational Programme 2007-2013

1. Introduction

The Western Development Commission (WDC) welcomes this opportunity to make a submission to the mid-term evaluation of the Border, Midland and Western (BMW) Regional Operational Programme 2007-2013.

The WDC is a statutory body whose primary purpose is to promote economic and social development in the Western Region comprising counties Donegal, Sligo, Leitrim, Galway, Mayo, Roscommon and Clare. The WDC operates under the aegis of DCEaGA¹ and its remit is to ensure the region maximises its full potential for economic and social development. This is done by:

- identifying and analysing the key social and economic issues for the region and making policy recommendations;
- supporting the sustainable development of the rural economy through strategic projects;
- promoting the benefits of living, working and doing business in the region through the LookWest.ie campaign; and
- providing risk capital to small and medium-sized enterprises (SMEs) through the WDC Investment Fund.

The WDC made a submission in April 2006 to the public consultation on the preparation of the BMW Regional Operational Programme and is represented on the Monitoring Committee for the Programme. The WDC is not involved in the implementation or co-financing of any programmes under the Operational Programme, although the WDC's Investment Fund was covered by the previous BMW Regional Operational Programme 2000-2006. The WDC is also lead partner in a Northern Periphery Programme INTERREG programme administered by the BMW Regional Assembly.²

This submission will be structured around the evaluation headings set out in the Terms of Reference for the mid-term evaluation. Its primary focus will be on the broader external issues and relevance of the programme in the context of stimulating regional development, rather than the specifics of the OP's implementation.

¹ Department of Community, Equality and Gaeltacht Affairs

² Regional Approaches to Stimulating Local Renewable Energy Solutions www.raslres.eu

2. Review of External Developments

The economic, social and policy context has changed substantially since the BMW Regional OP was originally designed and adopted. This has been reflected in part by the amendments which were made to the Programme and adopted by the EU Commission in October 2009.

Clearly one of the fundamental changes in the external environment for the OP has been **rising unemployment levels**. The unemployment rate in the Border, Midlands and West regions have risen from 5.8%, 4.9% and 5.5% respectively in Q1 2008 to 11.2%, 14.8% and 13.3% in Q1 2010.³ As a result, actions under the Priority Axes of the Regional OP may need to incorporate job creation and actions for the unemployed to a greater extent than currently. The WDC's 2009 report *Work in the West: The Western Region's Employment & Unemployment Challenge* (attached) identified the three main employment challenges for the Western Region as

- **Adjusting to the Decline in Construction Employment:** At the peak of the building boom in 2007, 1 in 4 men in the Western Region worked in construction, a higher share than in the rest of the state. Since then there have been very substantial increases in unemployment among men in the region, especially in more rural counties. During the building boom the availability of relatively highly paid jobs in the construction sector led many young men to forego third level education and enter the labour market. This has resulted in lower educational attainment levels among men. The loss of supplementary off-farm employment in the construction sector for part-time farmers in the region also has implications for the viability of the region's already vulnerable agricultural sector. The level of reliance on construction employment in the region means that adjusting the regional economy to a more sustainable basis has become increasingly urgent. Priority Axis 1 relating to ICT, innovation and the knowledge economy, as well as the development of renewable energy within Priority Axis 2 should play a role in this transition.
- **Return of the Brain Drain?:** The Western Region has a long legacy of out-migration with movements to the east of the country and overseas. The reversal of this pattern and the substantial growth in the region's human resources is one of the most important benefits of the boom years. The challenge now is to prevent these gains from being lost during the recession. The level of emigration is rising, with the more highly skilled and younger people often more likely to emigrate. A return to large scale emigration from the region would undermine its capacity to grow, or attract, new enterprises. The availability of a skilled workforce is a critical deciding factor in inward investment decisions, the location of business start-ups and ultimately regional growth.
- **Delivery of Education and Training in the Region:** Job seekers are a highly diverse group in terms of occupation, education, age and location with a wide range of education and training needs. There has been an increase in unemployment across all education levels, including among those with a third level qualification. However, those in lower skilled occupations and with lower education levels are experiencing the highest unemployment rates and are at greater risk of becoming unemployed. One particular issue for the region is the cohort of young men with relatively low education levels who are becoming unemployed, mainly from construction. These need to be the focus of particular education and training initiatives.

³ CSO, Quarterly National Household Survey Q1 2010

These challenges, which are facing the BMW Region as much as the Western Region, should be taken into account in any consideration of possible amendments to the Regional OP, with due regard to the guidelines for the Competitiveness and Employment Objective of the European Regional Development Fund (ERDF).

In addition to rising unemployment, another key external development impacting on the operation of the Regional OP has been the severe **cutbacks in public expenditure**. In this context, the WDC made a Submission to the Joint Oireachtas Committee on Finance and the Public Service on the Report of the Special Group on Public Service Numbers and Expenditure Programmes in September 2009. This submission included a specific examination of the regional impacts of the proposals in the Report of the Special Group.

The structure of the Report of the Special Group is based on Vote headings, which means that the cumulative impact of a range of cuts on a particular sector, area or individual is not considered or made explicit in the Report. Were these to be implemented, expenditure cuts across a range of Departments may combine to create a considerable collective impact on a particular sector or area.

The objective of regional development is for regions to become more globally competitive and contribute effectively to national economic growth. An absence of regional development, with less well off regions falling further behind, inhibits national growth and recovery. Regions need to be facilitated to develop their economies and to achieve the objectives set out in the *Government's Framework for Sustainable Economic Renewal 2009-2014: **Building Ireland's Smart Economy***. It sets out actions to achieve five objectives:

- Securing the enterprise economy and restoring competitiveness;
- Creating 'The Innovation Island';
- Enhancing the environment and securing energy supplies;
- Investing in critical infrastructure; and
- Providing efficient and effective public services and smart regulation.

The cumulative impact of recommendations contained in the Report of the Special Group could undermine the capacity of regions, such as the Western Region, to achieve these objectives and become *Smart* regional economies.

The proposed cuts contained in the Report of the Special Group, were they to be implemented, as well as cuts which have already been implemented, will impact substantially on regional growth. Cuts in public expenditure have directly affected the Regional OP's implementation through reducing resources needed to provide matching funding, as well as in some cases a need to provide an alternative source of funding in the face of cutbacks in national funding e.g. the postponement of the national Gateway Innovation Fund and the introduction of the Gateway/Hub Investment Fund under the Regional OPs. This necessitated the amendment of the Programme which was accepted by the EU Commission in October 2009.

3. Continued Relevance of the Programme Objectives

The WDC believes that the current priority objectives of the Programme continue to be relevant:

- To enhance the **research, innovation and ICT** infrastructure and capacity of the BMW Region, to promote entrepreneurship and enterprise development and to support collaboration and technology transfer between research institutions and the business sector, that responds to the economic development needs of the region;
- To contribute to the sustainable development of urban and rural areas and the **protection and enhancement of the urban and rural environment** by protecting surface and groundwater from pollution. The priority will also stimulate energy efficiency, renewable energy deployment and the integration of sustainable energy practices into public policies; (amended October 2009)
- To strengthen the **spatial structuring** of the BMW Region by investing in integrated sustainable initiatives in order to enhance the competitiveness, accessibility and social cohesion of the region's growth centres and to modernise the region's transport infrastructure.

However, as raised in the previous section, unemployment and the consequent need for job creation, entrepreneurship and up-skilling and re-skilling, now needs to be taken more explicitly into account in the objectives of the Programme. The current objectives address employment creation indirectly through for example enterprise development, renewable energy development and competitiveness, but it would be important for any revision to the objectives to incorporate employment creation more explicitly. This could be achieved through adjustment of the current objectives or the addition of a new objective specifically targeting employment creation.

In a recent WDC Policy Briefing, *Why care about regions? A new approach to regional policy* (attached), the WDC identified infrastructure, the '3Es' (enterprise, employment and education) and innovation as the priority areas for regional policy. When they work together they drive regional growth. The main points in relation to these areas, and of relevance to the objectives of the Regional OP, are:

- Policymakers should develop a comprehensive regional policy which not only links regions through infrastructural investments, but also fosters human capital, and facilitates innovation.
- Transport and other infrastructure developments, while necessary for regional development, are not enough by themselves.
- If regional strengths and areas of comparative advantage are taken into account in the implementation of national enterprise policy, it is likely to be far more effective.
- The OECD found that human capital is even more important than infrastructure as a determinant of regional performance.
- Higher education brings knowledge creation, knowledge transfer, cultural and community development and innovation to regions.
- Lagging regions need a different kind of innovation policy, one that emphasises absorption capacity and innovation by adoption.

Clearly the programme objectives continue to be very relevant to the development of the region but an explicit focus on employment and job creation would be an important addition.

4. Effectiveness/Progress to date

As noted in the introduction, the WDC is not directly involved in the implementation or co-financing of any actions under the Regional OP. Therefore our familiarity with the specific details of programme implementation is limited. The WDC's overall view is that, to date, implementation of the OP appears to be progressing relatively well, in particular given the dramatic external changes which have occurred since the OPs original adoption.

The WDC feels that the recognition of the need to amend the Programme in the face of the changed budgetary situation, and the subsequent amendments and their adoption by the EU Commission, is a very positive indication in relation to progress and management of the Programme. There has been an ongoing concern about the need to ensure sufficient progress under each priority in order to fully draw down the EU funds allocated. It would be important to ensure that the full allocation is drawn down and if further programme flexibility is required, particularly in the context of the changed economic environment and regional impact, any changes should be facilitated.

In particular the WDC feels that the introduction of the Gateway/Hub Investment Fund under Priority 3, in response to the postponement of the national Gateway Innovation Fund, illustrated the role of the OP in providing a regional response. It should however also be recognised that the BMW is a largely rural region (63.3% of the population live in rural areas⁴), and that some of the amendments introduced have led to an increased urban focus in the programme. The WDC believes that in order to develop the region most effectively, focus on the wider rural areas and on smaller towns and smaller urban centres needs to be maintained.

One of the innovations of the 2007-2013 Programme is that the BMW Assembly is directly managing one of the co-funded schemes – the ERDF Gateway and Hubs fund. Though this is not a primary concern for the current 2007- 2013 Programme, consideration should be given to adopting this approach for other co-financed schemes post 2013.

⁴ Census 2006, Volume 1, Table 3.

5. Indicators

The WDC believes that the use of appropriate indicators is crucial. Indicators not only allow the measurement of progress and success, but the selection of indicators inevitably defines what is considered important. In addition, indicators are a key tool in the process of monitoring and evaluating policy and associated investment, which in turn is needed to measure performance in achieving identified policy objectives and ensure continuing relevance. The case for monitoring and measuring outcomes at regional and sub-regional levels is even more important where investment has been spatially targeted.

The context indicators aim to reflect the current context, which is the BMW Regional OP 2007-2013 and the associated investment programmes and priorities. Of course, specific performance indicators monitor progress at a detailed, priority specific level. While specific indicators should be associated with each priority, it is important that these indicators are as closely related to the actual focus of the measure as possible.

As the WDC is not directly involved in the implementation or co-financing of any actions under the Regional OP, our familiarity with the specific programme implementation and indicators is limited. Therefore in this section we comment only on the priority level indicators.

Annex 4 sets out the Context Indicators that were selected for inclusion in the BMW Regional Operational programme. Some comments on these indicators in terms of their relevance, comprehensiveness, reliability and timeliness are discussed below.

- Important criteria for selecting indicators include data timeliness and spatial scale⁵. There are specific issues related to data timeliness, where in some cases the latest available data source is 2006 (Census) which actually precedes the commencement of the OP. This data timeliness issue is a particular concern when trying to measure change during more volatile economic circumstances such as the period since 2006. **Where the data is available and robust, there should be consideration of alternatives such as the Central Statistics Office Quarterly National Household Survey (QNHS).**
- With regard to spatial scale, where the relevant indicator is available at NUTS3 as well as NUTS2 level, progress should be **reported at both spatial scales**. This will highlight any particular sub-regional issues and may help identify issues in monitoring and evaluation progress.

Macro-economic

As discussed in Section 2, there have been some considerable changes in the external environment. One of the key changes has been the rise in unemployment levels and rates. As much of this is due to structural change occurring in the region and the relatively weak economic environment, it is likely that unemployment will remain a policy priority until the OP finishes in 2013 and beyond. A further consideration is labour force participation which has already declined since the economic downturn began. This is closely related to available job and education and training opportunities. Under the Macro-Economic category consideration could be given to include indicators measuring labour force participation and unemployment. Particular examples, available at NUTS 2 and NUTS 3 levels from the QNHS include

⁵ *Indicators, Balanced Regional Development and the NDP 2007-2013, (April 2007)* www.wdc.ie

- Labour Force Participation Rates (and by Gender)
- Unemployment, Unemployment Rate and Long-Term Unemployment Rate

These are discussed in detail in the attached WDC report *Indicators, Balanced Regional Development and the NDP 2007-2013*.

Section 2 also highlights the cuts in public expenditure which have directly affected the Regional OP's implementation through reducing resources needed to provide matching funding⁶. Further cuts in public spending under various proposals are likely to have very specific regional impacts. Consideration of indicators which will capture these changes will be important in measuring programme impact and relevance. Possible cuts include transport and communications investment and reduced investment in innovation capacity. These are discussed below.

Priority I

Under Priority I, the Innovation Activity Rate has been included as a context indicator, however since 2006 regional figures have not been provided for statistical reasons. Some measure of innovation is required and it would be important that alternative options be explored with the relevant bodies such as CSO and Forfás.

An additional possibility is an indicator measuring the extent of and growth in the knowledge economy which is an indicator based on the Forfás Annual Employment Survey and is available at NUTS2 and NUTS 3 levels⁷.

- The Knowledge Economy – Employment in Knowledge Intensive Sectors

Under Priority I, % of Businesses with Broadband is an important indicator and the data suggest a considerable improvement between 2005 and 2008. Regional figures should be reported where possible. An indicator considering the quality of broadband, possibly broadband speeds, at a regional level is now more appropriate given the widespread (though not universal) broadband availability.

Priority 3

Under Priority 3, the public transport usage measure is an important indicator. However if there are cuts in public transport provision as a result of public expenditure cuts this will be reflected in reduced access and consequently patronage. It would be important to recognise that this reflects reduced supply rather than reduced demand for such provision.

Additional Indicators

Section 3 discussed the continuing relevance of the Programme Objectives. The WDC believes that the current priority objectives of the Programme continue to be relevant but believe that as discussed in the previous sections, unemployment and the consequent need for job creation, entrepreneurship and up-skilling and re-skilling, now needs to be taken more explicitly into account in the objectives of the Programme.

In a recent WDC Policy Briefing, *Why care about regions? A new approach to regional policy* (attached), the WDC identified the importance of human capital development, the '3Es'

⁶ For example the need to provide an alternative source of funding in the face of cutbacks in national funding and the introduction of the Gateway/Hub Investment Fund under the Regional OPs.

⁷ This is discussed in detail in *Indicators, Balanced Regional Development and the NDP 2007-2013, (April 2007)* www.wdc.ie

(enterprise, employment and education) and innovation as the priority areas for regional policy. There is currently no indicator measuring educational capacity in the region. The selected indicators should be available at regional level and some possible indicators include⁸:

- Population Classified by Highest Level of Education Attained
- Employed Graduates by County of Origin and County of First Employment

In addition to the use of indicators for the management of the Programme, it is also important that there is regular and robust evaluation of both individual programme elements, and of horizontal issues (e.g. rural development, gender) as well as the evaluation of the achievement of higher level goals (such as balanced regional development, competitiveness etc.). Such evaluation should permit change and adjustment to measures and budgets in response to identified problems e.g. shortfalls, underspend over the course of the BMW Regional OP 2007-2013.

The selected indicators should aim to provide an indicator series which most accurately reflects an assessment of the relative performance of regions over time and in relation to each other. The WDC believes that regular monitoring using these additional indicators will allow for a better understanding of progress towards achieving programme objectives. This improved understanding is necessary to ensure the relevance of programme objectives and to measure performance in achieving these objectives.

6. Conclusion

The WDC hopes that this submission to the mid-term evaluation of the BMW Regional Operational Programme 2007-2013 proves useful. We would be pleased to meet with the Central Expenditure Evaluation Unit to discuss any of the issues raised in more detail.

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⁸ *ibid.*