



Eastern and Midland Regional Assembly

Cllr. Michael Murphy
Leader of National Delegation
to the Committee of the Regions

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16th March 2017

Re: European Semester 2017 / National Reform Programme

Dear Mr [Redacted]

The Irish Delegation to the EU Committee of the Regions (CoR) is pleased to avail of the opportunity to contribute to the preparation of the National Reform Programme (NRP) to translate the overall objectives of the Europe 2020 Strategy into a series of national delivery measures.

Implementing EU's 2020 growth strategy requires Member States to adopt and deliver policies and actions with a particular focus on addressing relevant sub-national performance disparities; there is a need to take into account of the varying challenges facing regions. There is a need to adopt a more localised/regionalised perspective in the analysis of progress, and we would hope to see this reflected in the National Reform Programme.

Regional performance differs greatly among Irish regions. The EU Regional Competitiveness Index 2016 working paper presents a comparative analysis of progress showing clear differences in regional performance (e.g., business sophistication and labour market efficiency). However, it does so on the basis of an outdated regional configuration for Ireland with two regions at NUTS 2 level. It is expected that the Eastern and Midland Regional Assembly will be granted NUTS 2 status in 2018 by Eurostat. This would reflect the new configuration has been in effect since 2014 with three regions: i) Eastern and Midland, ii) Southern, and iii) Northern and Western. Greater granularity in the comparative analysis carried out by the European Commission would be more meaningful.

The section on the property market highlights delays at the local level, and the need to deliver new homes in the right areas. In the Irish case, in response to the housing crisis, in July 2016 the Irish Government launched an Action Plan for Housing and Homelessness to tackle this market failure. This Action Plan has a strong spatial element with concrete designations, such as the identification of Rent Pressure Zones, and Strategic Development Zones (e.g. Dublin Docklands). This Action Plan provided changes to the planning legislation to fast track residential development above a certain scale and introduced fiscal measures to incentivise residential development in sustainable locations.

As a sustainable measure to address the planning failures, the National Planning Framework (NPF), which is currently underway, along with the Regional Spatial and Economic Strategies (RSES), which are forthcoming, aim – among other things – to ensure a 'coherent [and sustainable] spatial strategy that integrates housing and infrastructure delivery with projected population developments identified and the need to deliver new homes in the right areas'.

The initial formulation process of the NPF, including consultations, was launched on the February 2nd 2017 and a draft is expected to be completed by June-July 2017 and submitted to the Houses of the Oireachtas for approval giving it a statutory footing.



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The formulation process of the RSES, enabling implementation of the NPF at regional and local levels, is planned to be launched in September 2017 and completed by the end of 2018.

In addition, there are ongoing efforts to synergise and coordinate spatial development (i.e. NPF and RSES) and capital investment (e.g. infrastructure and capital investment plan, and Local Infrastructure Housing Activation Fund) policy. In tandem to the formulation of the NPF, a review on the Infrastructure and Capital Investment plan 2016-2020 is underway by the Department of Public Expenditure and Reform and the Department of Finance. This review, along with the Local Infrastructure Housing Activation Fund, is expected to be linked to the priorities established in the NPF and RSES for consistent and coherent set of policies.

In terms of regional funding Ireland is expected to benefit from EU Structural and Investment funds of €3.4 billion over the period 2014-2020, through 5 national and regional programmes. These programmes will invest in a wide variety of areas including: strengthening research, technology development and innovation, information and communications technology, the creation of new enterprises and support for SMEs, low carbon economy, and sustainable urban development research and innovation.

Access to broadband is improving but remains uneven. The Irish Government has put in place a National Broadband Plan and has mapped the extent of high speed broadband availability. This plan represents a good first step towards digital inclusion in Ireland, and will be important for Ireland's future social and economic development. It is expected that broadband will enable an increase in the proportion of the workforce working from home, for interactive traffic management having the potential to reduce traffic peak flows, and to reduce greenhouse gas emissions.

We envisage two ongoing events with the potential to disrupt regional performance; Brexit and US Trade Policy:

- Brexit poses threats and opportunities to regions in Ireland. A specific threat is the disruption of trade and free movement of goods, services and people along the border between the republic and Northern Ireland. The Agri-Food sector in Ireland is badly exposed. On the other hand, the urban centres may benefit from business (e.g. finance) seeking to relocate their operations outside the UK.
- US trade policy poses a risk, in that the current administration may introduce measures aiming to repatriate US Multinational Corporations' operations, posing a risk of de-industrialisation and unemployment in all regions. Examples include multinational pharmaceutical and IT companies, particularly in the Southern and the Eastern and Midlands regions.

A more in-depth note of the points outlined above is provided in the attached Annex with this letter. Thank you for your invitation to participate, we appreciate the consultation of the Irish CoR Delegation. We hope to see, a recognition of regional disparities and the need for specific policy actions at a regional level. I trust that these points will be taken into account. On behalf of the national CoR Delegation, I look forward to ongoing consultation and collaboration in the future.

Yours sincerely,

Cllr. Michael Murphy

Leader, Irish Delegation to the EU Committee of the Regions

Response to Country Report 2017 / Input to National Reform Programme 2017

16/03/2017

This document highlights the local and regional perspective in relation to views for the Irish National Reform Programme. This document responds to issues raised in the 2017 Country Report Ireland (Section I), and addresses progress in relation to ongoing issues raised in the National Reform Programme 2016 (Section II).

The overarching argument in our response is the need to adopt a more localised/regionalised perspective in the analysis of progress that in our opinion has not been adequately addressed in the current country report draft 2017. This report offers evidence to support this claim.

The ongoing National Planning Framework: Ireland 2014 prepared by the Department of Housing, Planning Community and Local Government, and the forthcoming Regional Spatial and Economic Strategies will serve as vehicles to harmonise and coordinate the different policy responses.

I. Response to issues raised in Country Report, Ireland 2017

Property market

- With regards to the **property market** and as immediate response to the crisis, in July 2016 the government launched an [Action Plan for Housing and Homelessness](#) to tackle this market failure. This action plan has a strong spatial element with concrete designations, such as the identification of Rent Pressure Zones, and Strategic Development Zones (e.g. Dublin Docklands). This Action Plan provided changes to the planning legislation to fast track residential development above a certain scale and introduced fiscal measures to incentivise residential development in sustainable locations.

Spatial Planning in Ireland

- As a sustainable measure to address the planning failures, the **National Planning Framework (NPF)** along with the **Regional Spatial and Economic Strategies (RSES)** aim – among other things - to ensure a '*coherent [and sustainable] spatial strategy that integrates housing and infrastructure delivery with projected population developments identified and the need to deliver new homes in the right areas*'.
- [The NPF is underway](#). Its initial formulation process – including consultations - was launched on the 2nd February 2017 and a draft is expected to be completed by June-July 2017 and submitted to the Houses of the Oireachtas for approval giving it a statutory footing.
- The formulation process of the RSES – which will enable the implementation of the NPF at regional and local levels – is planned to be launched in September 2017 to be completed by the end of 2018.
- The RSES represents an opportunity to align and ensure that adequate measures are taken to improve regional performance in terms of the Europe 2020 strategy with adequate levels of R&D investment, reducing greenhouse gas emissions, increasing the proportion of renewable energy, improving energy efficiency, reducing poverty and attaining the tertiary education goal.
- In terms of **multi-level governance approaches**, the RSES serve as strategic links between the National policy and the Local Economic and Community Plans at local authority level that enable

Local Governments to create favourable conditions for progress and wellbeing to all its inhabitants.

- The three Regional Assemblies - as regional government tier in Ireland - have the statutory function to lead the formulation implementation and monitoring of the RSES. These strategies offer a spatial expression (planning) of current and forthcoming policies to ensure that the Europe 2020 strategy and those strategies that will replace it will be fulfilled.
- RSES are highly relevant as spatial planning and infrastructure provision have become increasingly important issues in a rapidly growing Ireland.
- The NPF will account for relevant policies that have a regional component, such as the [National Skills Strategy](#), [Infrastructure and Capital Investment Plan](#), [Action Plan for Rural Development](#), [Action Plan for Housing and Homelessness](#), and the [Action Plan for Jobs](#).

Regional funding

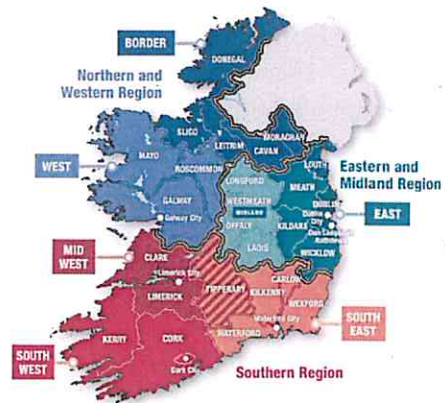
- Ireland will benefit from EU Structural and Investment funds of €3.4 billion over the period 2014-2020, through 5 national and regional programmes. These programmes will invest in a wide variety of areas including: strengthening research, technology development and innovation, information and communications technology, the creation of new enterprises and support for SMEs, low carbon economy, and sustainable urban development research and innovation.
- There are ongoing efforts to achieve a more strategic and coordinated policy between spatial development (i.e. NPF and RSES) and capital investment (e.g. infrastructure and capital investment plan, and Local Infrastructure Housing Activation Fund). In tandem to the formulation of the NPF (led by the [DHPCLG](#)), a review on the Infrastructure and Capital Investment plan 2016-2020 is underway by the Department of Public Expenditure and Reform and the Department of Finance. This review - along with the Local Infrastructure Housing Activation Fund – is expected to be linked to the priorities established in the NPF and RSES for a consistent and coherent policy.

Differences in Regional Performance

- As stressed in our previous response to the 2016 Country Report in April 2016, **regional performance differs** greatly among Irish regions. The EU Regional Competitiveness Index 2016 working paper presents a comparative analysis of progress showing clear differences in regional performance (e.g., business sophistication and labour market efficiency). However, it does so on the basis of an outdated regional configuration¹ for Ireland with two regions at NUTS 2 level. It is expected that the Eastern and Midland Regional Assembly will be granted NUTS 2 status in 2018 by Eurostat. This would reflect the new configuration in effect since 2014 with three regions: i) Eastern and Midland, ii) Southern, and iii) Northern and Western. See and Figure 1.

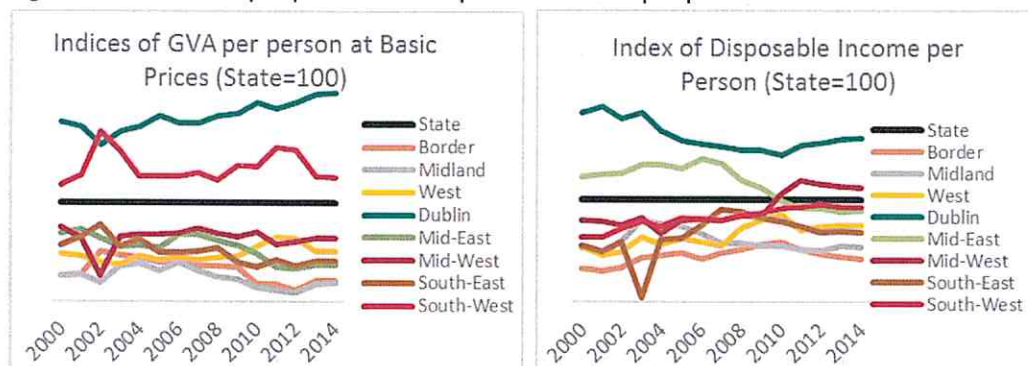
¹ The EC (2017) report presents two regions at NUTS 2 level: (i) Border, Midland and Western, and (ii) Southern and Eastern.

Figure 1 Map



- Regardless of this regional configuration update, we call for a **greater granularity in the comparative analysis** carried out by the European Commission. It would be more meaningful to avail of an analysis of the regional competitiveness index with more granularity and at a more localised level, such as NUTS 3. In Ireland there are eight sub-regions and each one faces specific issues. For instance, the implications of a hard border between the Republic and Northern Ireland arising from BREXIT looms for the border region. In contrast, Dublin plays a key role in attracting financial industry firms that are assessing places to relocate their operations from London due to the loss of EU passporting. Pressure for housing and commercial space will arise and therefore will need to be addressed.
- Another example in regional performance is in terms of population growth. The three counties that experienced depopulation over the past five years are located in the Northern and Western region – Donegal: -1.5 per cent; Mayo: -0.2 per cent; and Sligo: -0.1 per cent; while Roscommon and Leitrim grew by less than 1 per cent.
- From a traditional point of view of measuring regional performance - in terms of Output (GVA per person) and Income (disposable income) measures - regions in Ireland differ, see Figures 2 and 3. GVA per person shows that sub-regions 'Dublin' and the 'South-West' outperform the rest of sub-regions. In terms of disposable income, 'Dublin' consistently leads the ranking, followed by a decreasing 'Mid-East' and an increasing the 'Mid-West'. The rest perform below national average. All in all, Dublin as a region consistently outperforms the rest, with some sub-regions from the Southern region following-up. It can be observed that Sub-regions from the NWR are lagging behind EMR and SR with a performance below national averages.

Figures 2 and 3: GVA per person and Disposable Income per person.

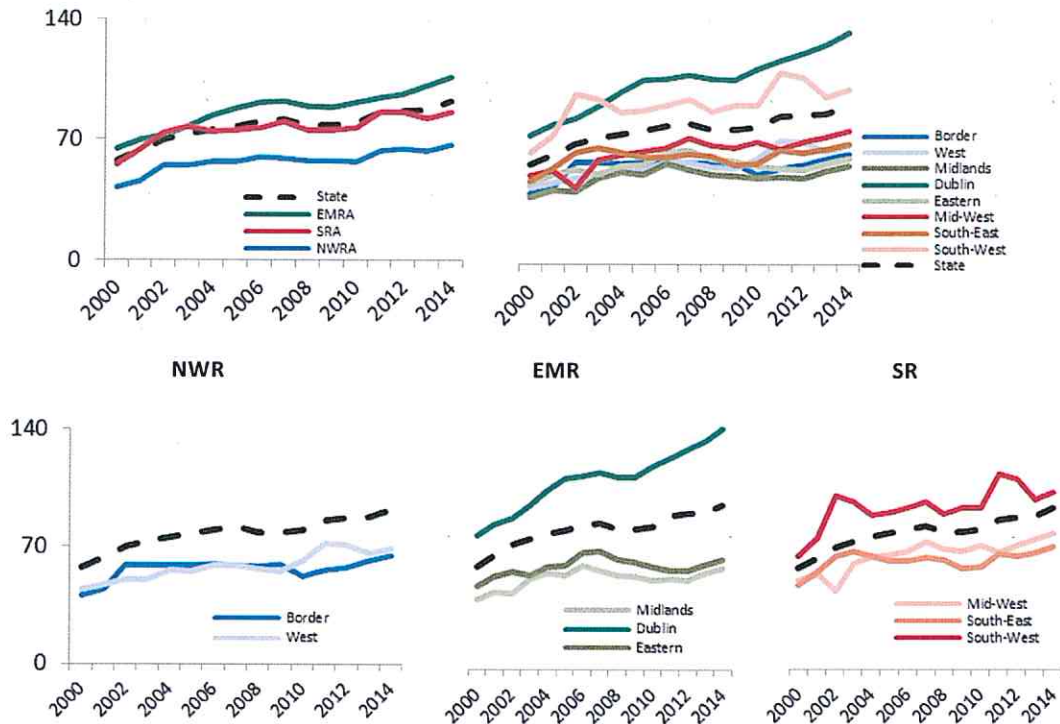


Source: own estimations from CSO (2017).

- These differences in regional performance can be appreciated even more when comparing **regional productivity** –measured in terms of labour productivity. The links of productivity growth and economic growth are well established in the economic literature. Figures 4 to 8 clearly depict differences of productivity performance among Irish regions, with Dublin leading and most regions lagging behind. The gap in productivity is widening and pose a threat of

greater uneven regional development. Strategic decisions need to be taken in order to revert this gap.

Figures 4 to 8: Labour Productivity measured in terms of GVA per persons at work by NUTS 2 and NUTS 3 levels.



Source: own estimations from CSO (2017).

National broadband plan

- We agree on the country report 2017 draft that Access to broadband is improving but remains uneven. The Irish Government has put in place a National Broadband Plan and has [mapped](#) the extent of high speed broadband availability. This plan represents a good first step towards digital inclusion in Ireland, and will be important for Ireland's future social and economic development. It is expected that broadband will enable an increase in the proportion of the workforce working from home, for interactive traffic management having the potential to reduce traffic peak flows, and to reduce greenhouse gas emissions.

BREXIT and Trade Policy

- As mentioned before, we envisage two ongoing events with the potential to disrupt regional performance: Brexit and US Trade Policy.
- **BREXIT** poses threats and opportunities to regions in Ireland. A specific threat is the disruption of trade and free movement of goods, services and people along the border between the republic and Northern Ireland. In a recent survey conducted by [InterTradeIreland](#), 90 per cent of surveyed businesses have no contingency plan, and 87 per cent have no experience with dealing with tariffs and non-tariffs barriers. The Agri-Food sector in Ireland is badly exposed too, see ESRI report [here](#). In terms of opportunities, Dublin plays a key role in attracting FDI from London-based multinational firms looking to relocate due to the loss of EU passporting.

- Another example of the regional significance regard to the pharmaceutical industry, see [here](#), - which prevails in the Southern region and the Eastern and Midlands region. This industry faces the risks of a change in the **US trade policy** aiming to repatriate their US Multinational Corporations' operations, see [here](#), posing a risk of de-industrialisation and unemployment in these regions.

Little evaluation of the effectiveness and efficiency of expenditure programmes

- In terms of reforms of the **fiscal framework**, the regional assemblies call for a major role to play along with the Department of Public Expenditure and Reform - on the evaluation of the effectiveness and efficiency of expenditure programmes from a regional perspective. Formulation and monitoring of RSES represent an ideal platform to evaluate policy impact and effectiveness. Developing a repository of what works, what does not work, and under what circumstances has the potential to increase institutional capacity and manage institutional memory.

II. Ongoing issues raised in the National Reform Programme 2016

Tax base

- The Irish Taxation Institutes report 'Personal Perspectives on Ireland's Personal Tax System' states that 29% of income earners are out of the personal tax net, and as the USC entry point increases, the tax base further narrows.

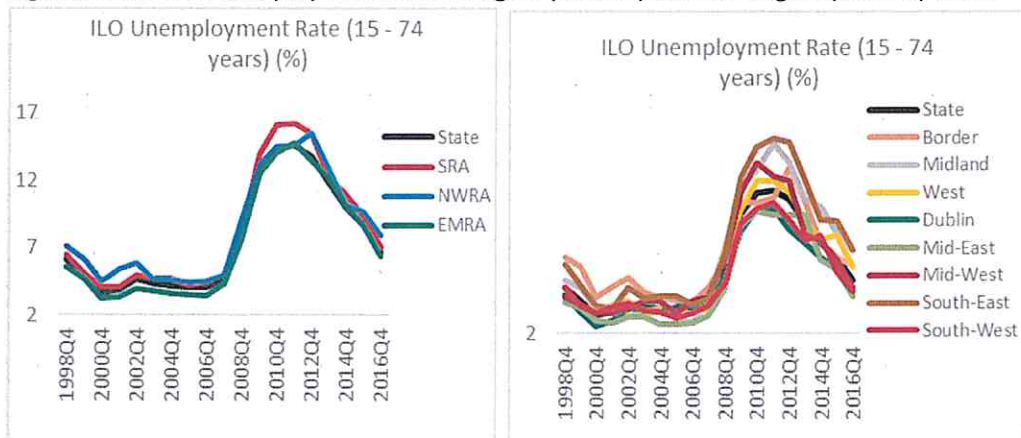
Health system cost

- The Irish Health Service Executive produces a National Service Plan which includes a breakdown of funding and detailing planned delivery of health services, the service plan is approved by the Minister for Health.

Low work intensity

- Recovery in terms of unemployment reduction is uneven among Irish regions. Unemployment can be seen as a measure of the labour market efficiency and as demonstrated in Figures 9 and 10, it differs regionally. The differences are amplified when comparing at sub-regional level (NUTS 3).

Figures 9 and 10: Unemployment rate at Region (NUTS 2) and Sub-region (NUTS 3) levels



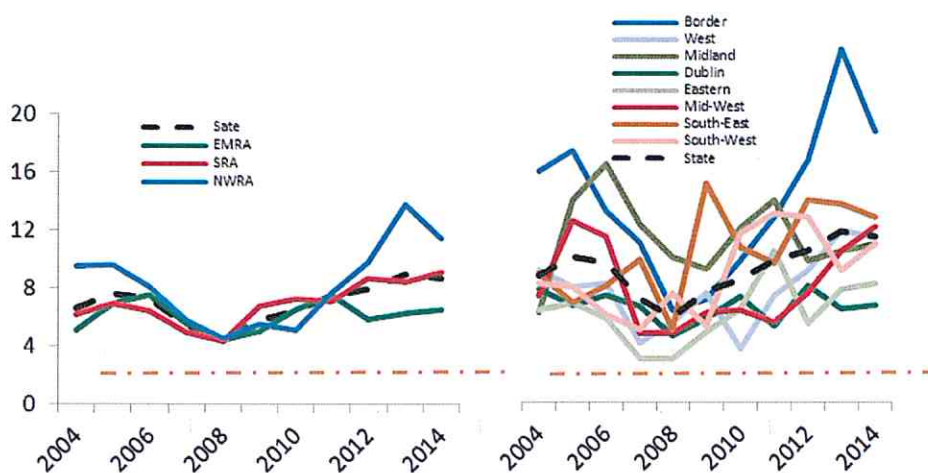
Source: own estimations from CSO (2017).

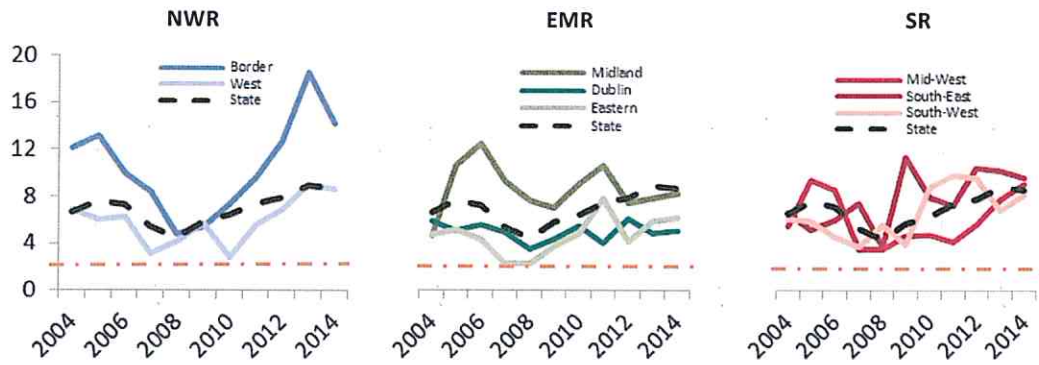
- As a response to address some of these differences in regional performance, the government has formulated active policies such as the [Pathways to Work](#), [Action Plans for Jobs](#) and the [Regional Skills Fora](#) – that attempts to tackle the issue of poor labour market efficiency by stimulating skills matching in each region.

Poverty and Social Exclusion

- Social challenges remain in particular for poverty and social exclusion, which are amplified from a regional point of view, see Figures 11 to 15. Regardless of the national social target for poverty reduction - “to reduce consistent poverty to 4 per cent by 2016 (interim target) and to 2 per cent or less by 2020”, the evidence suggests an increasing trend in consistent poverty in all regions, with little evidence supporting the idea that the government target of 2% by 2020 would be achieved unless concrete strategies take place.

Figures 11 to 15: Consistent Poverty Rate (%) by SPA and Region and Year. Source: CSO (2016).





- As a policy response to address poverty and social exclusion, the government has formulated active policies such as the [Pathways to Work](#) and the [National Action Plan for Social Inclusion](#).
- At local level, responses take the form of Area-Based Childhood Programmes for particularly deprived areas; reorganisation of social housing support (housing assistance payments to replace rent supplement); the Social Inclusion & Community Activation Programme (SICAP) to tackle poverty through local engagement and partnership; and Children and Young People's Services Committees (CYPSCs) to improve living conditions through integrated planning and service delivery.

Cost of childcare

- The Irish government [National Action Plan for Social Inclusion](#) contains policy responses to the issue of the rising cost of childcare. In Budget 2017, the Irish Government announced a new [Affordable Childcare Scheme](#) which aims to provide financial support for parents towards the cost of their childcare.