

REGIONAL UNDERINVESTMENT

Undermines Ireland's Competitiveness

The Northern and Western region has a world class quality of life, a physical environment of outstanding natural beauty, a highly skilled population, healthy communities and a reputation for creativity.

What makes a region an attractive place to live, work and invest? When addressing this type of question, policymakers often must evaluate and consider a combination of economic, social and cultural factors, with these factors central to explaining why one region – relatively speaking – is more attractive for workers, firms and investment compared to another region. Key amongst these factors is the degree to which a region has high-quality infrastructure.

The economic divide in the Northern and Western Region compared to the rest of the country is growing, reflecting the legacy of underinvestment in the NW region, which must be addressed by a stimulus package that positively discriminates in favour of this region, according to the Northern and Western Regional Assembly (NWRA).

Whether it be the presence of a high-quality road network, the provision of connected and accessible rail infrastructure, airports with international connectivity or the availability of higher education and research centres, it is obvious that infrastructure – or the lack of – is a major contributing factor to explaining the development patterns of our regions in Ireland.

The availability of high-quality infrastructure across the regions has been recently highlighted in new data from the European Commission's Regional Competitiveness Index 2022, with the index showing that infrastructure deficits in the Northern and Western Region and the Southern Region of Ireland seem to be undermining the competitiveness of the Irish economy to attract further investment, jobs and talent.

Specifically, the index measures the competitiveness of the NUTS 2 Regions of the EU27, evaluating their performance in areas such as – but not limited to – infrastructure, innovation capabilities, technologies readiness, education and labour market conditions.

The overall score of each NUTS 2 Region – and their subsequent performance with respect to each indicator – is measured relative to the EU27 average which has been set at an index score of 100. Of the 3 NUTS 2 Regions of Ireland – which represent the regional boundaries under Project Ireland 2040 – the Northern and Western Region was the only one that was below the EU27

average in terms of competitiveness, with an overall index score of 98.2, with above-average index scores registered in the Southern Region (105.1) and the Eastern and Midland Region (121.7).



The sheer scale of regional disparities in Ireland – in terms of attracting talent, jobs and investment – are revealed in the European Commission data, according to Cllr David Collins, NWRA Cathaoirleach.



Denis Kelly, NWRA Director, points out that the quality and scale of infrastructure projects in the N&W region will have to be significantly improved.

Out of the 234 regions in the 27 member states of the EU, the Eastern and Midland Region was ranked as the 24th most competitive regional economy, the Southern Region ranked 94th while the Northern and Western Region was further down the rankings in 114th position.

SHEER SCALE OF DISPARITIES

These results are quite stark, according to Councillor David Collins, Cathaoirleach of the NWRA. “He says that data from the European Commission shows the sheer scale of regional disparities in Ireland in terms of attracting talent, jobs and investment.

“When you look at the data, it shows that the Northern and Western Region’s performance would be in line with results recorded in regional economies across Eastern and Southern Europe, despite Ireland being regarded as one of the wealthiest economies in the EU27.”

Cllr Collins further notes that the disparity in Ireland’s regional performances is in sharp contrast to other wealthy European countries in the EU, with Member States such as the Netherlands, Belgium, Germany, Austria, Denmark, Sweden and Finland all having regions with an overall competitiveness score which was above the EU27 average.

However, the index goes further than simply providing an overall score and identifies the specific strengths and weaknesses of the economy of each EU Member State and its regions, showing policymakers where their respective country or region has to make improvements or can make further progress.

At a national level, Ireland – relative to the EU27 average – was found to be relatively strong in a wide range of areas key to attracting investment, jobs and talent, with above average performances evident in innovation capabilities, business sophistication, technological readiness, labour market conditions, higher education and lifelong learning, basic education, health of its citizens, macroeconomic conditions and institutions.

That said, where Ireland notably underperforms and records relatively weak scores is in the area of ‘Market Size’ but predominantly in the area of ‘Infrastructure’, with below average performances in the Northern and Western Region and the Southern Region of Ireland credited to these scores. Overall, Ireland was ranked the 9th most competitive economy in the EU27, with the Netherlands classified as the most competitive economy.

BETTER BALANCED DEVELOPMENT

Denis Kelly, Director of the Northern and Western Regional Assembly, says that these findings provide clear evidence that the delivery of “better balanced regional development can not only benefit our rural regions” but also can enhance the overall competitiveness of the Irish economy in attracting and developing new jobs and investments.

“Ireland’s economy is quite competitive in areas such as education, technology adoption and labour market conditions, but it is being particularly undermined by the lack of high-quality and appropriately scaled infrastructure in the Northern and Western Region. If policymakers are serious about improving the ability of Ireland to attract new jobs, skilled workers and investments, then the quality and scale of infrastructure projects in our region will have to be significantly improved.”

In this regard, Mr Kelly points to the need for the timely delivery of the region’s infrastructure needs which were identified in the Regional Spatial and Economic Strategy (RSES) for the Northern and Western Region.

The Director of the NWRA believes that a particular focus is needed on delivering large scale infrastructure projects necessary to support development in urban centres such as the Galway City Metropolitan Area, Sligo Town, Letterkenny and Athlone, with an emphasis on supporting key actors such as the University of Galway and the Atlantic Technological University, regional ports such as Galway Harbour, and regional transportation hubs such as Killybegs, Ros a Mhíl, Ireland West Knock Airport and Donegal Airport.”

DEVELOPING REGIONAL ASSETS

“If we can do this, the data shows we can significantly improve our chances of attracting more investment, jobs and high-quality talent to our regions and to Ireland as whole, notes John Daly, Economist for the Northern and Western Regional Assembly.

He points out that failure to fully develop the infrastructure assets of the Northern and Western Region of Ireland could not only undermine the competitiveness of Ireland’s economy but could also have significant consequences for regional inequality in Ireland.

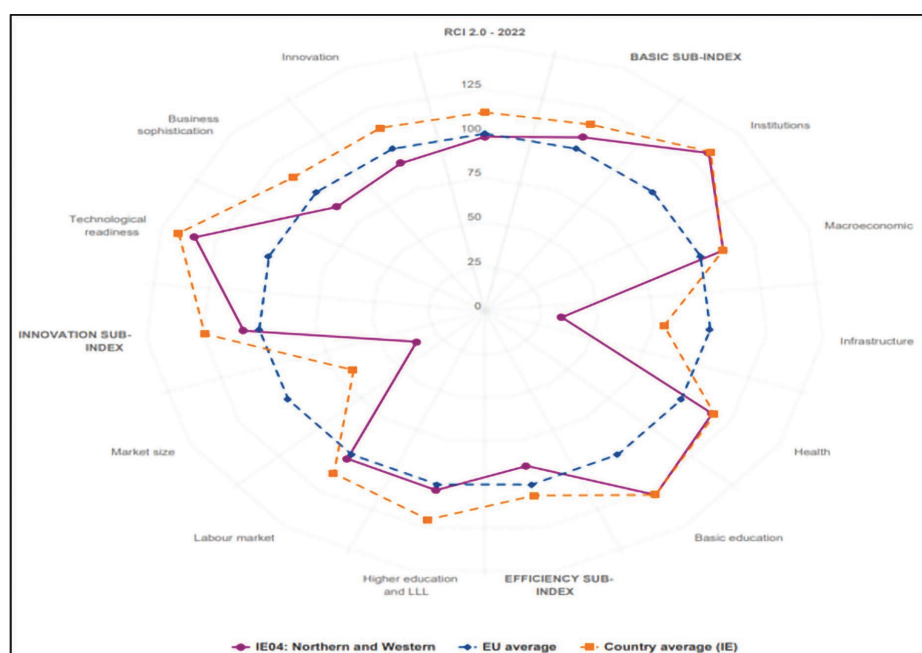


Figure 1: Index scores of the Northern and Western Region and Ireland in the European Commission’s 2022 ‘Regional Competitiveness Index’. The EU27 average is equal to index score of 100 (i.e. blue line) **Source:** European Commission



“By adopting a policy of ‘Positive Discrimination’ towards the Northern and Western Region we can address legacy underinvestment” – John Daly, NWRA Economist

“Over the past number of years, the European Commission’s Semester Country Reports have consistently highlighted how rising regional disparities are becoming more of an issue in Ireland, with this trend particularly evident in the latest data on disposable income per head of population.”

Disposable income per head of population – which captures the net income of citizens after taxes and social contributions – is regarded as one of the most important metrics in evaluating the economic wellbeing of citizens across our regions.

“In 2010, disposable income per head of population in the Northern and Western Region was 94 per cent of the State average, with the gap generally around 90 per cent or higher for the most of the 2000s. However, in recent years we have seen this gap progressively widened to the point that disposable income per head of population in the region is now 84 per cent of the State average according to the latest estimates in 2021.”

POLICY OF ‘POSITIVE DISCRIMINATION’
According to John Daly, the lack of delivery of large-scale infrastructure projects in the Northern and Western Region is likely to be one of the key factors explaining this trend. Continued underinvestment in the region’s infrastructure assets will only exacerbate regional inequalities and regional imbalance in Ireland, leading to the continued over-dominance of the Greater Dublin Area.

For this reason, the NWRA has called for a policy of ‘Positive Discrimination’ to be adopted in terms of capital investment. From a regional perspective, ‘Positive Discrimination’ is a policy which aims to support regions that are struggling – economically speaking – by applying

above average levels of resources towards that region. In terms of capital investment, this would involve providing a higher rate of funding – per head of population – in the Northern and Western Region’s infrastructure assets.

“By adopting a policy of ‘Positive Discrimination’ towards the Northern and Western Region we can address legacy underinvestment in enabling infrastructure that will reduce regional imbalances in Ireland while ensuring that each region in Ireland has an equal opportunity in becoming an attractive place to live, work and invest. In doing so we can fully realise the unique potential of the regions while enhancing the competitiveness of the Irish economy,” he maintains.

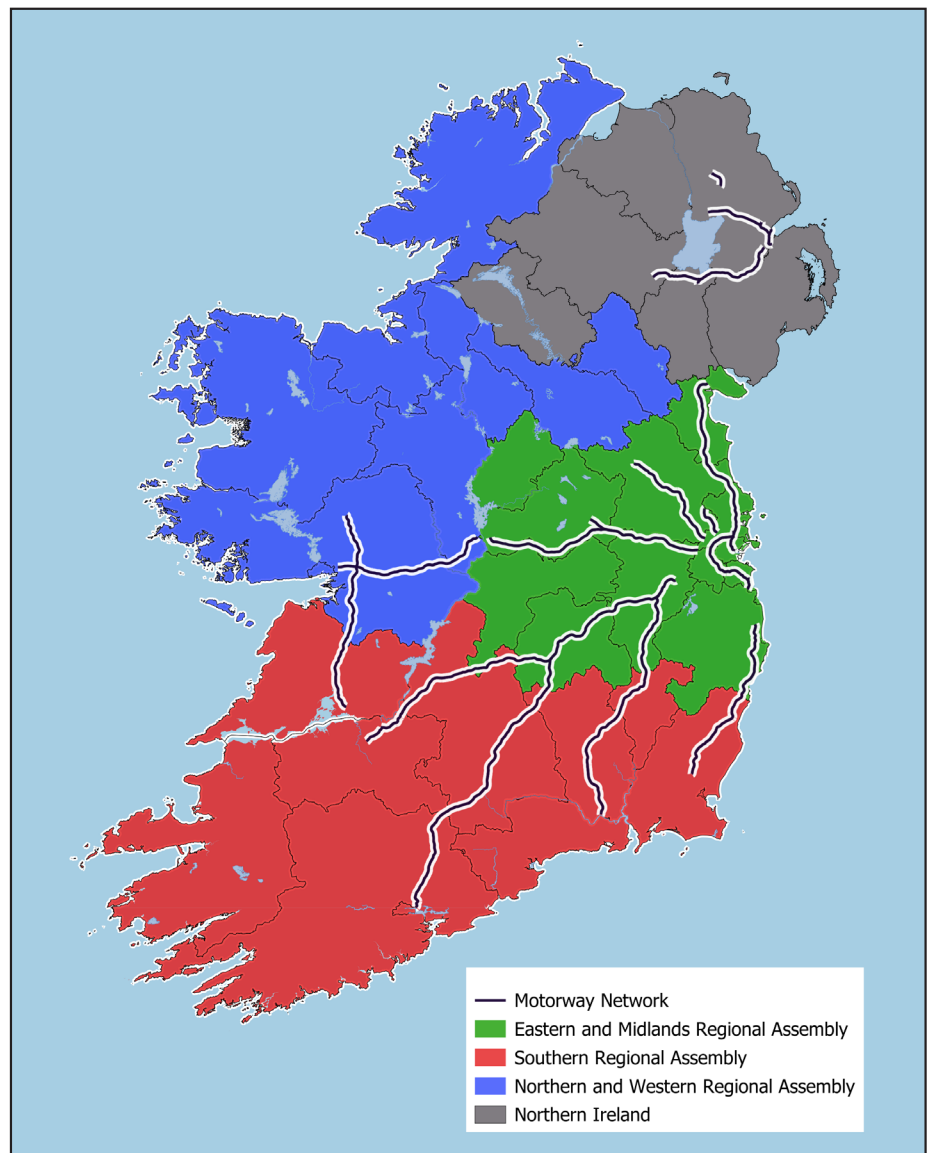


Figure 2: Provision of motorway infrastructure in Ireland Source: NWRA