

Foresight & Innovation
- the Irish context and a pilot case

A Regional Competitiveness Agenda

for the

Mid-West

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Introduction

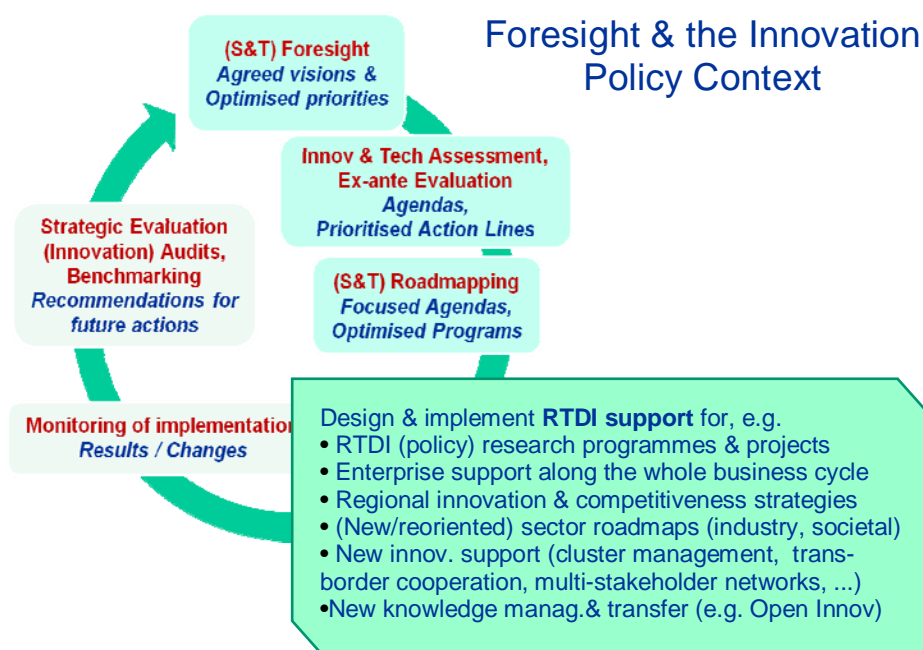
Over the last two decades, Ireland has accumulated considerable Strategic Policy Intelligence (SPI) at the macro level for guiding both territorial and sector development:

- National S&T Foresight (1998: time horizon to 2015)
 - *Prioritising investment decisions regarding S&T*
- National Spatial Strategy (2002, time horizon 2020)
 - *Aiming for balanced Regional Development*
- Border, Midland, West Regional Foresight (2004: time horizon 2015)
 - *Preparing for EU Structural Funds 2007-2013*
- Nanolreland (2006: time horizon 2020)
 - *Interpreting EU Action Plan for Nanotechnology at the national level*
- Rural Economy Futures (2007: time horizon 2030)
 - *Reorienting R&D agenda of national Agri-Food Research Institute*
- 'Towards One Hundred Years of Self-Government' (2007: time horizon 2022)
 - *Using Foresight to anticipate the role of the Public Service*
- Futures Ireland (2008: time horizon 2030)
 - *'Rewiring' the Social Partnership model through*

Key development lines have been established in these exercises and discussed with the stakeholders, and important decisions have been taken at this macro level:

- Science Foundation Ireland and Foresight Fund of over €500 million established
- "Gateways and Hubs" identified and associated Gateways Innovation Fund announced
- Regional Planning Guidelines adopting an enterprise-led perspective as opposed to, heretofore, demographic-led perspective
- Nanotech infrastructure investments underway

However, what has emerged since then, and will be more strongly felt through the effects of the global downturn, is that many innovation actors (both public and private) find it difficult to 'translate' the strategic guiding lines delivered by foresight exercises into effective innovation activities. Therefore, a current policy focus in Ireland is on strengthening the "direct-RTDI-support" element of the policy cycle below, e.g. by supporting regional actors to develop regional competitiveness agendas.



In the following, we outline the recently completed pilot exercise for the **Mid-West region**.
See Annex 1 for Overview of Region

Background & Context

Considerable changes are taking place in terms of the dynamics that shape and drive the Irish economy. These changes are originating from global trends and drivers, resultant new business needs, and a rapidly altering Irish economic structure and climate. Globally, new markets have emerged and there is increased competition amongst firms on the global stage – indigenous firms (even those serving local markets) are competing internationally. New global business models are emerging, facilitated by enabling technologies, and there are increased levels of strategic alliances, partnerships and merger/acquisition activities amongst firms. There has been a global shift towards services activities (Ireland has seen significant growth in services over the five years -from 2000 to 2005 services exports rose from 21% to 34% of total exports). Mobility of people and capital (FDI/ODI) has increased globally – cities are competing against cities for foreign direct investment. In addition, against the backdrop of a deepening world recession, and Ireland's own public finance problems, the Irish economy is now operating within tough budgetary conditions and fiscal constraints, and there will be a decline in economic activity for the short-medium term.

All of these dynamics play out in the regional context. The more recent downturn in employment is particularly marked in both the construction and manufacturing sectors and has greater implications for the regions in the immediate term. However, regions that support strong and dynamic enterprises will continue to have a key role to play in Ireland's overall economic performance. In this context, a continued focus on the actions required to realise the potential of each region from an enterprise perspective is crucial.

There have been some developments since the publication of the National Spatial Strategy (NSS) in 2002, particularly in terms of investment in physical infrastructures. In general however, regional development has been interpreted in terms of population distribution and convergence of economic measures such as Gross Value Added to achieve 'balance', rather than what was intended by the NSS in terms of each region achieving its potential.

In light of the above, and reflecting the importance of regional development as part of the enterprise development agencies' operations, Forfás has started the preparation of Regional Competitiveness Agendas (RCAs), the purpose of which is to assess how each region can build on its own potential, and continue to develop a competitive environment to support enterprise development. The RCAs will also highlight opportunities to build on each region's distinctive strengths, identify barriers to these and mechanisms to address them.

This paper presents the first stage in the preparation of a pilot Regional Competitiveness Agenda (RCA) for the Mid-West region, based on a range of 'competitiveness factors' and associated indicators. On-going consultation with a range of regional stakeholders will add 'on the ground' knowledge, which will enrich and add further depth to the analysis.

Competitiveness Factors

Based on the research undertaken for the Gateways study (2006), the ongoing work of the National Competitiveness Council on cities' competitiveness, consultation with the Department (Ministry) of the Environment, Heritage & Local Government (DoHLE), and the Regional Assemblies¹, a suite of both quantitative and qualitative indicators was developed to facilitate analysis across the following factors of competitiveness (Table 1). For some of

¹ Jim Fitzpatrick & Associates has been engaged by the Regional Assemblies to develop and report on a Gateway Development Index

the competitiveness factors, data is presented for all regions. This is to facilitate comparison and is not intended to make a case for 'equalisation'. The inclusion of appropriate international reference data later in the project will provide additional perspectives on the competitiveness of Irish regions.

Table 1 Competitiveness Factors

Enterprise and Economy	assessing the enterprise structure, employment and GVA, the contribution from agency supported enterprises, and sectoral diversity and/or clustering
Skills	an analysis of the skills, educational attainment and education resources
Innovation	research and development investment and activity, collaborations and inter-linkages between HEIs and firms, between firms and customers
Access and Connectivity	transport and broadband infrastructures – recent investments and ongoing infrastructure needs.
Quality of Life	based on factors relevant to the attraction of mobile investment and labour/talent.
Leadership and Local Capacity	outlining relevant organisations and indications of locally driven initiatives and outcomes.

Stakeholder Workshop

The initial analysis provides factual data and a basis for discussion amongst a wider group of regional stakeholders in the Mid-West. The objectives for the regional workshop which took place in Limerick in January were to:

- agree the differentiated strengths, potential and weaknesses of the region;
- agree a prioritisation of infrastructure needs – both hard and 'soft', taking into account the likely development of the enterprise sector in the locale;
- identify key actions required to stimulate enterprise development and growth, with a particular focus on collaborative efforts by relevant enterprise development agencies, and on enhanced and timely communications between enterprise development agencies and planning/local authorities; and
- highlight areas to inform regional policy/actors at national level.

Summary of Key areas for consideration by the Workshop

Regional Economic Performance

The Mid West has a higher proportion of its workforce employed in the manufacturing and industrial sector than any other region in the country. The potentially vulnerable ICT sector (comprising a small number of large companies) dominates the region's internationally traded activity although, at the same time, the medical technologies sector is growing. The recent closure announcement by Dell brings this issue into sharper focus. A shared understanding of the enterprise dynamic, identification of key strengths and opportunities, along with the supports required to ensure future development and growth will be essential.

- The Mid West per capita growth of GVA ranked in the middle range, higher than the Mid East, West and South East, although higher than only the South East on a basis of total percentage change. Mid West continues to have one of the highest per capita levels of GVA however (3rd behind Dublin/Mid East and South West).

- Employment growth in the Mid West was 34% from 1998 to 2007, compared to 40% nationally.
- The Mid-West has a higher proportion of its workforce employed in the manufacturing and industrial sector than any other region in the country. (17.5% compared to 13.9% nationally). The corollary of this is that the services sector in the region, though growing, represents a smaller proportion of the region's economic activity than is the case nationally.
- ICT (including hardware and services) dominates the region's internationally traded activity, and is in turn dominated by multi national corporations. The services component of ICT activity has grown notably over the period 1998 to 2007.
- Internationally traded services (including ICT services) have grown in importance in terms of the region's trading base over the past 10 years, and employment in the broad internationally traded services sector now represents 18% of employment in agency assisted firms in the region, up from 12% in 1998.
- Patterns of new investment in the region reflect existing sectoral strengths (ICT, Life Sciences).
- The Public sector accounted for 32% of employment created in the region between 1997 and 2008, the construction sector accounted for 29%.
- Unemployment in the region at 5.8% (as at Q2 2007) was 1% higher than the national average.

Skills development & Retention of young people

Evidence suggests that the important 25-29 year age cohort is not being retained in the region. Across the regions, the Mid West has the 3rd lowest number of people with a third level degree or higher as a proportion of its population. Further investigation is warranted to understand the reasons and potential implications of this for the future workforce in the region. Optimising the role of the third level education institutions in the development of the region also needs examination.

- Compared to its share of national population, the proportion of people with a 3rd level degree or higher in the Mid-West is underrepresented compared to other regions, such as Dublin, the Mid East and South West. The pattern may be reflective of the longer established third level education structures in the higher ranking regions, with the Mid-West perhaps in catch-up mode.
- The Mid-West has attracted a relatively high share of people newly qualified with research masters or PhDs, and the pattern reflects the presence of universities in the higher ranking regions in this measure, such as the Mid-West.
- The Mid-West has a relatively high proportion of early school leavers.
- The region is relatively well served in terms of access to higher education, with both a University, an IoT and a specialised regional development institute. However, the region has attracted a relatively lower amount of research funding than other comparable regions (UL came fifth of seven universities in terms of research income levels).
- The region has one CSET (LERO, specialising in ICT software related research, with applications across a range of sectors) with an SFI commitment of €11.7 million.

Innovation and R&D

Innovation plays a key role as a driver of regional competitiveness, and strong evidence abounds in relation to the interplay of a range of environmental conditions in its creation, from quality of life factors to formal support structures in the policy arena. Despite the fact that the Mid-West region has a well developed and mature university and surrounding infrastructures in Plassey Technology Park, the data show that the ability to attract funding from state sources is relatively weak. Notwithstanding this fact, the level of business expenditure on R&D (BERD) is relatively high, demonstrating that one important condition is present for improved HEI-Industry cooperation to increase innovation in the region. It will be important that the region proactively provides a supportive environment for innovation.

Local leadership capacity

Land Use and Transportation Strategies play a key role in ensuring a concentrated and well planned urban development. In the case of Limerick and the hub towns in the Mid-West

region, initial evidence suggests that urban concentration *is* happening, but along major road transport routes converging on the city, rather than within the limits of the city or hub towns themselves. The development of Limerick Gateway and its environs is challenged by the fact that administration is spread across four separate local authorities.

The competitively allocated Gateways Innovation Fund (GIF) which was introduced following the DoEHLG/Forfás Gateway Investment Priorities Study (2005) had the desired effect of bringing the relevant bodies together to develop a proposal to accelerate the strategic development of the city. However, the GIF selection and funding process has now been put 'on hold' following recent budget cut-backs.

It is also apparent that there is a wide range of bodies and organisations that provide support to businesses potentially adding a complexity to service delivery for enterprise. The degree to which there is coherence and clear definition of roles will be further investigated through consultation.

Access Connectivity and Infrastructures

As companies increasingly engage in activities that involve engagement with customers and international management, ease of access is paramount. The deferral of the Gort to Oranmore element of the N18 (road) is likely to have negative implications not only for businesses operating in this region, but also for the West in terms of access to the international airport at Shannon. Bearing in mind the changing enterprise dynamic and new business models, and the importance of knowledge and innovative activity in future competitiveness, the significance of efficient and world-class global connectivity, particularly in telecommunications, cannot be overstated. An agreed identification of priorities in this area is critical, especially in the current fiscal circumstances.

- A key strength in the region is the presence of Shannon International Airport. Recently enhanced by extension of pre clearance for US customs. (As a result, Shannon can now be considered a 'domestic' US airport). Issues relating to the airport include:
 - Challenges faced as a result of 'open skies' agreement (mitigated perhaps by pre clearance facility)
 - Status as a subsidiary of Dublin Airport Authority (DAA)
 - Internal air service schedules (to Dublin) not business friendly.
- Major *Transport 21* initiatives under way will greatly improve the Mid-West's inter and intra-regional connectivity. Initiatives underway include:
 - M7 to Dublin via Nenagh
 - N18 to Gort via Ennis (although a portion of the scheme from Gort to Oranmore has been deferred).
 - Shannon Tunnel, improving N18 and N20 connections ('Atlantic corridor') and easing local traffic congestion.
 - Re-institution of passenger services on the Western Rail Corridor between Limerick and Galway, expected in 2009.
- Major transport infrastructure elements remaining to be addressed, and critical to the region's development, are the further improvement of the N20 to Cork, and the completion of the N18 to Galway (the Gort to Oranmore element of which has been deferred).
- Broadband coverage in the area is extensive; however take up appears relatively low, according to last available data. Issues of quality and cost of broadband services remain an issue, but are not region specific. There is a lack of information to say how these issues affect certain types of potential broadband users in the region.

Quality of Life

Quality of Life could be discussed from many different perspectives, not to mention the subjective nature of the concept in itself. However, from an enterprise competitiveness position there is recognition that a high quality of life that is inclusive and accommodating of diversity is a key component in regional competitiveness and is necessary to achieve the following:

- creating the conditions to foster and support innovation, creativity, and knowledge generation/transfer
- attracting and retaining skilled people, particularly internationally mobile skilled labour
- attracting knowledge intensive internationally mobile foreign direct investment, including research and innovation activities

Some high profile negative quality of life aspects, associated with Limerick City in particular, appear to have impacted on the Mid West's overall perceived quality of life, overshadowing some key positives in this area, such as natural and cultural amenities. It will be important for the region to identify key strengths and weaknesses in this area and agree an approach to further enhance quality of life factors to support sustainable enterprise development in the Mid-West for the long-term.

Following extensive consultation with stakeholders in the Region, a draft report is currently in preparation which will 'complete' the story with the following coverage.

Moving Forward – Building Strengths and Addressing Challenges

- The Enterprise Challenge
- Building on Strengths – the Enterprise potential
 - Harnessing capabilities; Medical Devices and ICT
 - The Food Sector
 - ICT related and other Services
 - Logistics and Supply Chain Management
 - Energy and Environmental Potential
 - Tourism
- Realising Untapped Potential
 - R&D and Innovation
 - Entrepreneurship
 - The Skills Challenge
 - Local Leadership Capacity – a challenge for the Mid West
- Priority Actions
 - Physical Infrastructure
 - Broadband Infrastructure
 - Increasing 'connections' between firms; firms and HEIs, firms and customers
 - Quality of Life – perception and branding
 - National Policy Considerations

Conclusion

This Mid-West pilot is a clear example of process being as important as product. Local and county authorities have been historically demographically-led in their approach to planning and through this process have gained a greater understanding of the needs of enterprise and their crucial role in realising and sustaining the competitive potential of the region and in turn, the quality of life for all.

The Mid-West region comprises counties Limerick, Clare and North Tipperary and has a total population (2006) of 361,000. Over 40% (146,000) of the region’s population live within a 20 km radius of the largest urban centre, Limerick City (Ireland’s fourth largest city²).

Map 1: Mid-West Region



In terms of economic activity, the most important sectors are ICT, Food and Drink, and Life sciences. The Mid-West has a higher proportion of its workforce employed in manufacturing and industry (excl. construction) than any other region in the country. The region accounts for 7.5%³ of national GDP. The Mid-West has the third highest level of GVA per capita (€30,420) in Ireland, after Dublin (€48,580) and the South West (€40,835). The Mid-West also has the third highest level of disposable income, after Dublin and the Mid-East⁴.

The Mid-West is home to the University of Limerick (UL), Limerick Institute of Technology (LIT), the Tipperary Institute (TI) and St. Patrick’s College Thurles with an overall third level student population of approximately 18,000.

In terms of physical access infrastructure, Limerick and the Mid-West region is relatively well served. Road links to Galway and Dublin have been improved, although some gaps in the main Gateway corridors remain to be addressed, specifically improvements on the N20 to Cork. The region has an international airport at Shannon close to the heart of its industrial and population centres of Limerick, Ennis and Shannon Town, and the ports on the Shannon estuary provide for a variety of shipping access.

² CSO Census 2006

³ As measured by GVA as a proxy for GDP.

⁴ 2005 figures

The National Spatial Strategy (2002) designated Limerick-Shannon as a Gateway for the Mid-West region, supported by Ennis as a hub. It also highlighted Limerick's position as part of a 'Western Corridor', linking the gateways from Cork to Derry (and especially between Cork and Galway).

The key enterprise & development agencies operating at regional level in the Mid-West include: Shannon Development, Enterprise Ireland, IDA Ireland, and the Mid-West Regional Authority⁵.

⁵ See section 8, Leadership and Local Capacity, for a list of development bodies operating in the region and their remits.