

# WERU Conference

In May 2006, the Welsh Economy Research Unit held its 14<sup>th</sup> annual conference entitled 'Wales and Ireland: Building Links'. The theme strayed into new territory for the Unit, seeking to explore Ireland's successes and its relationship with its nearest European neighbour. Following the conference, speakers were invited to provide a summary of their presentations for this *Review*. Those received are published below. WERU would like to thank speakers and delegates for their lively interest shown throughout the day.

## Ireland's Competitiveness Challenge

*Adrian Devitt, Head of Secretariat of the Irish National Competitiveness Council.*

Twenty years ago, the competitiveness challenge facing Ireland was clear – the need to reduce double-digit inflation, to lower government spending and debt, to resolve industrial unrest and to improve infrastructure – all with the aim of reducing unemployment and emigration and closing the gap between Irish and average EU living standards. A strategy of positioning Ireland as an export-driven high-tech production hub for the EU market was pursued by successive governments, centred on a number of key policy objectives:

- Wage predictability, fiscal rectitude, and industrial peace delivered through a social partnership process.
- The aggressive pursuit of inward foreign direct investment (FDI) through competitive rates of corporation tax and direct financial supports.
- A high degree of openness to international trade and investment, particularly through EU economic integration, WTO membership and our strong economic links with the USA.
- Reform of our education system to provide enterprise with adaptable and skilled people.
- Supportive exchange rate and monetary policies, culminating in Ireland's participation in European Economic and Monetary Union (EMU) in 1999.
- Tax reform to promote entrepreneurship and risk-taking, and
- A flexible regulatory and business environment.

These strategies have been hugely successful. In the ten years to 2005, Irish GNP growth averaged over seven per cent per annum in real terms, more than double that of the USA and close to triple that of the eurozone. The number in employment is over two million, emigration has been replaced by immigration, and the public finances are in a strong position. Many social indicators, from poverty reduction to education levels and life expectancy, have also improved.

Success brings its own challenges, and the strategy followed by Ireland over the last 15 years now needs to be adapted to take account of far-reaching domestic and global economic changes. In many ways, the next competitiveness challenge – sustaining our economic success – is likely to be a more complex and challenging endeavour. In the view of the National Competitiveness Council (NCC), there are five inter-linked medium-term challenges:

### Globalisation and Increased Competition

Globalisation, the movement of capital, products, services, ideas, and people across national borders is not a new phenomenon. What is unprecedented, however, is the accelerating pace and scale of the changes now taking place in the world economy as a result of global political reforms, the liberalisation of trade, and greatly improved international transport and communications. For example, global merchandise trade grew by six per cent in 2005, against global growth of 3.3 per cent.

Many parts of China, India, South East Asia, and Central Europe now compete for the types of high-tech manufacturing and services activities – electronics,

software, financial services and pharmaceuticals – that drove Ireland's economic growth over the last 15 years. Many have also replicated Ireland's strategy of export-driven growth through favourable corporation tax regimes, direct incentives, and availability of high level skills. There is now a growing track record of medium to high end manufacturing in these countries that were once regarded as being too underdeveloped for these activities.

We are also witnessing what some call the third stage of globalisation – characterised by the movement of knowledge-intensive activities, such as research, to developing countries such as China and India, following the movements of goods and capital in earlier periods. There is now a well established trend of multinational companies setting up Research and Development (R&D) facilities outside developed countries that go beyond adaptation for local markets, contrasting with earlier views that R&D activities would remain the preserve of developed countries because of the need for high level skills, knowledge and support infrastructure. For example, the number of foreign R&D units in China has increased from zero in 1993 to over 700 today. This trend is blurring the traditional differences between industrialised and developing countries, and there is now a 'race to the top' in the pursuit of high paid, knowledge-intensive economic activities.

### Ireland's Rising Cost Base

The intensification of competition from low cost locations has coincided with, and exposed, a sharp rise in Ireland's cost base in recent years. According to the NCC's Annual Competitiveness Report 2005, the average cost of Irish

**Table 1: Ireland's Economic Transformation 1984-2004**

	1984	1994	2004
Unemployment Rate (per cent)	15.4	14.7	4.3
Employment Rate (percentage of working age pop.)	53.2	52.2	66.7
Exports (€m)	12,405	32,916	123,519
Government Debt (as a percentage GDP)	112.8	89.7	30.5
Irish GNP per Capita (€, current prices)	5,367	11,224	30,726
Irish GNP per Capita (as a percentage of EU Average)	62	79.4	105.9

goods and services (when measured in a common currency) increased by over a fifth relative to our trading partners in the period 2000-04. A rise in the external value of the euro over this period, particularly against the U.S. dollar, has been the biggest cause of the deterioration in Ireland's cost competitiveness, although faster growth in domestic prices and wages in Ireland compared with our trading partners has also played a significant role. Irish inflation continues to outstrip the eurozone average.

A range of non-pay costs for business including energy, waste, and property are now relatively high in Ireland. Pay costs have also been rising faster than in other EU countries, and are now higher than the EU-15 average. The impact of rising pay costs on business competitiveness has been offset by rising productivity only in a small number of capital-intensive sectors, mainly those dominated by multinational companies (e.g. chemicals, pharmaceuticals, and electronics).

#### **A Shift from Manufacturing to Services**

The result is that a rising number of exporters in Ireland are finding themselves in direct competition with firms from newly industrialising countries with much lower costs and an increasing mastery of new technologies and business methods. This has contributed to a decline in the most cost sensitive parts of the industrial sector, as evidence by the following:

- Employment in Irish manufacturing and other production industries – the sectors of the economy most exposed to international competition – fell for the fifth successive year in 2006. Employment in manufacturing is 13 per cent below its peak in the third quarter of 2001, equating to the loss of over 32,000 jobs.
- Merchandise exports have not grown substantially since 2002.
- The average price received by domestic producers of manufactured goods decreased by 10.1 per cent from 2000 to August 2005.

With the right policies in place, exporting sectors and individual companies in Ireland will have sufficient breathing space and support to adapt to the more competitive environment by repositioning themselves at a higher point in the value chain with the help of new technology and organisational change. Already, employment and export growth in high-value added internationally traded services activities has offset some of the losses in

manufacturing. Ireland's is now the 14<sup>th</sup> largest per capita exporter of services in the world. Most of this growth in services exports has come from financial (including insurance) and computer and information services sectors.

#### **The Increasing Role of Knowledge and Technological Change**

Closely linked with globalisation and increased competition is the fast pace of technological change, which is revolutionising business processes and shortening product life cycles. Advances in technology are particularly evident in manufacturing. Automation, sophisticated global communications and advanced supply chain management techniques have revolutionised manufacturing activities, enabling firms to disaggregate their value chains and relentlessly lower costs. Opportunities provided by the convergence of technologies such as biotechnology, ICT, cognitive science and nanotechnology to develop new products and services and improve productivity and societal well being will continue to grow. The 'information society' may soon be joined by the 'bio-society', reflecting the opportunities presented by increasing knowledge of cell-level and molecular level processes for health care, food production and materials manipulation.

The ability of companies to quickly develop and absorb new technologies into their products and processes in a way that is acceptable to consumers and wider society will be a decisive driver of future competitive advantage.

#### **Quality of Life Issues and Demographic Changes**

As the wealth of the country has grown, so has the importance placed on social progress. The environmental sustainability and 'quality' of economic growth – the implications of growth for waste, greenhouse gas emissions, congestion, housing and health – are taking centre stage in public policy in Ireland, as in other advanced countries.

Demographic changes will also present new challenges. Projections suggest a further population increase of at least 25 per cent to over five million by 2035. Population ageing presents important economic considerations, in addition to potential wider societal affects. Infrastructural and services planning will become more challenging. A significantly larger cohort of older people in years to come will place increased demands on Government resources from the provision of pensions, healthcare and other care services. Immigration will not prevent ageing pressures as the immigrant population will, in turn, age. More

generally, population increases will also considerably increase demand for housing, services, infrastructure, and social welfare costs.

#### **The Strategic Imperatives**

Ireland's political leaders and social partners are responding to these challenges by developing a shared vision of a new 'innovation oriented' stage of development for our economy and society. The prize for successfully executing this transition towards a more innovation-oriented economy and society will be large. While Ireland has a highly successful economy compared with many other nations, there are many smaller regions and states in Europe and the USA respectively with much higher per capita incomes than Ireland, reflecting higher levels of productivity through innovation. In the view of the NCC, this vision requires two complementary and cross-cutting strategic imperatives.

#### *Promoting a Dynamic and Competitive Export Base*

Ireland's rapid economic growth from the early 1990s was set in motion by high levels of investment in Ireland, led by multinational companies, which were attracted to Ireland by our membership of the European Union and pro-enterprise Government policies in areas such as taxation, education, international trade, and industrial relations. Fast export growth from multinational companies and a growing cohort of successful indigenous exporters (including tourism), combined with rising national confidence and low interest rates, have had a knock-on effect on household and government spending that has driven economic growth ever since.

As people get richer, the experience of many countries is they spend a rising proportion of their income on locally produced services in areas such as healthcare, education, and leisure. This, inevitably, is reflected in an increase in the proportion of the workforce working in non-traded activities relative to exporting activities. Does this imply that the export-led development strategy pursued by Ireland since the 1960s is no longer appropriate for the period ahead? In the view of the NCC, a continuing special policy focus on the competitiveness of our exporting sectors will remain valid for a number of reasons.

First, increasing productivity through greater economic specialisation remains the key to rising living standards in small economies. Achieving specialisation in small countries like Ireland requires exporting to a much greater degree than it does in larger

countries. However, currency costs, tariff and non-tariff barriers to trade and differing national approaches to regulation means that achieving greater specialisation through exporting is more difficult than achieving specialisation through internal trade within a country (as is possible for large countries). For this reason, it is right that Irish exporters continue to receive particular policy attention and support.

Second, while it is in the nature of large national economies that as some exporting sectors decline due to competition from other locations (e.g. the auto industry in Detroit), others will emerge to replace them (the software industry in San Jose), the experience of smaller regional economies like Ireland's has often been different. When key exporting sectors in regional economies go into decline, there is no guarantee that they will be replaced by other economic activities that offer good opportunities. This is why it is important for small regional economies to pay particular attention to the health of their exporting sectors.

Fast growth and low unemployment in the Irish economy is currently being sustained primarily by fast growth in domestic spending by households and Government on personal services and housing, rather than through success in export markets. The resulting sense of economic buoyancy creates a risk of political and business complacency to the challenges being faced by many of our exporters. Debt-financed growth in consumption and construction cannot support an expansion in employment and incomes indefinitely. In the long run, a dynamic and competitive export sector will be the platform on which the rest of our economy is built. Promoting a dynamic and competitive export base requires an emphasis on a range of policy areas including education and training, promotion of R&D and innovation, and the development of world class physical infrastructure.

*Growing Productivity across the Entire Economy*

Productivity is the key long-term determinant of a nation's living standards and competitiveness. Productivity is not about working harder, but about working smarter through better management practices and organisational design, through better use of ICT and other technologies and through better levels of education and skills.

The improvement in Ireland's living standards in recent years relative to other countries was mostly driven by our employment performance – the greatly increased percentage of

Ireland's population at work. With employment rates in Ireland now above the EU average, Ireland's ability to catch up with the living standards of the world's richest regions will, relatively speaking, depend less on increasing employment, and more on increasing the productivity of those already at work.

The NCC's Annual Competitiveness Report shows that Ireland has enjoyed high rates of labour productivity growth in the 1990s, and that Ireland's average productivity levels are now around the EU average. The analysis also suggests, however, that growth has been concentrated in a small number of capital-intensive industries dominated by multinational companies, such as chemicals, pharmaceuticals, and electronics. There is strong evidence of weaker productivity growth and levels in more traditional manufacturing sectors, and in those sectors of the Irish economy less exposed to international competition, such as utilities (electricity, gas, and water supply) and retailing.

A wide range of factors can influence a country's productivity growth rates, and these stem from decisions made both at government level and at firm level. From a government perspective, its institutional structures and policy settings must be supportive of investment, entrepreneurship, competition, and innovation. This includes the existence of a stable macroeconomic environment with well-managed public finances and price stability, as well as a regulatory environment that promotes competition and a flexible labour market and which minimises unnecessary red tape. The government can also directly influence national productivity through productivity improvements in the sectors where it is an employer. These include the provision of public services, one of the largest sectors in Ireland, as well as transport services and utilities. The NCC, in its reports, set out a range of recommendations focused on enhancing the competitiveness of the Irish economy.

National Competitiveness Council reports can be found at [www.forfas.ie/ncc](http://www.forfas.ie/ncc)

**Irish R&D and Enterprise Policies Criticised in New Survey Findings**

*Declan Jordan and Eoin O'Leary, Department of Economics, UCC*

A new survey raises some fundamental questions about the effectiveness of Irish government policy of enhancing innovation through investment in Third

level Colleges and networks of high-tech businesses. The survey, conducted by us, suggests that the Irish economy has little to offer high-tech businesses, both foreign-owned and indigenous, in their efforts to promote innovation. Our findings warrant urgent attention both by policymakers both in Ireland and in similar regions such as Wales.

It is now widely believed in national and EU policy circles that innovation in high-tech businesses is the key to sustained growth and competitiveness. The view is that innovation may be stimulated by high-tech businesses interacting with the Irish Third Level Colleges, development agencies such as IDA Ireland and Enterprise Ireland and other businesses within Ireland. This has led to substantial state investment in R&D, through Science Foundation Ireland, which has received support in the influential Enterprise Strategy Group report last year. It has also provided the rationale for State funding of clusters and networks, also emphasized in the Enterprise Strategy Group and the National Spatial Strategy.

Our survey, funded by Enterprise Ireland, was addressed to foreign-owned and indigenous businesses in the Chemical/Pharmaceutical, ICT and Electronics sectors. Its purposes were to investigate the extent to which these businesses interact with Third Level Colleges, the development agencies and other businesses to promote innovation, and to measure the geographical proximity of these interaction agents. A total of 184 businesses, representing 22% of the population, responded to the survey.

The survey finds that 68% of businesses 'rarely or never interact' with Third Level Colleges and agencies, such as IDA Ireland and Enterprise Ireland, for the purpose of promoting innovation. This is highly significant given the substantial recent state funding of basic research by the Irish Universities and Institutes of Technology, through such mechanisms as Science Foundation Ireland. This funding has been steadily increasing and reached ?599 million in 2003. Yet, if over two-thirds of Irish high-tech businesses currently have little or no contact with the Third Level Colleges and agencies, it is difficult to imagine a satisfactory future return to the Irish economy from such a large State investment.

The Irish debate on this issue has been insular. International evidence clearly showing that returns to R&D are likely to spill over to other countries, seems to have been overlooked. A moment's reflection however, would reveal that Ireland has benefited significantly from

R&D activity in universities and research centres in other countries. The extent to which Ireland can reap the benefits from Third Level research depends on its relevance to business, the ability of businesses to absorb new knowledge and the strength of knowledge dissemination networks between businesses and academia. Our results indicate that more emphasis needs to be placed on funding applied rather than basic research and that a greater role needs to be played by knowledge mediating institutions, such as the development agencies, to act as a bridge between academia and business.

The survey also points to an absence of strong local or regional clusters supporting innovation in Irish high-tech businesses. As might be expected, interaction with other companies in the same corporation, suppliers and customers is strong, with 81% indicating regular, frequent or continuous interaction. However, this interaction occurs over long distances and not locally or regionally within Ireland. This is evidenced by the one-way driving-time distance to these interaction agents being greater than 4 hours, for 67% of businesses.

This raises a question about the particular type, if any, of local/regional clusters and networks, which might reasonably be expected to promote innovation in Irish high-tech businesses. The notion of clusters and networks has been in vogue in Irish policy circles since the Culliton report in the early 1990s. It has continued to be promoted in recent policy documents such as the Enterprise Strategy Group report and the National Spatial Strategy. However, the Irish and

EU policy debates have been 'star struck', by examples such as, Silicon Valley in the US or the science-based cluster in Cambridge UK, where businesses are small and flexible, enabling alliances to form easily. In the case of Ireland, high-tech businesses are typically a mix of very large foreign-owned and indigenous businesses, with few competing with each other. Policies suited to this context are therefore urgently required.

Overall, our survey suggests that Ireland's regional innovation systems are undeveloped, and seem to have little to offer high-tech businesses in pursuit of enhanced innovation performance. This issue warrants urgent attention by national, regional and local policymakers. At the outset more research is required on how high-tech businesses interact and, perhaps more importantly, how Universities, Institutes of Technology and development agencies interact with these businesses. The overriding objective must be to identify realistic policies to improve local/regional interaction in Irish regions.

State funding for innovation should be seen in the overall context of the provision of physical and human infrastructure to support high-tech businesses. It may very well be that the ideal policy is to provide highly efficient transport and communications infrastructures or suitably trained labour pools that facilitate innovation in these businesses by enabling them to interact over long distances with customers, suppliers and research centres abroad. State funding of R&D in Irish Third Level Colleges and of networks to support

high-tech business should only be committed if the return is justified following detailed analysis of economic costs and benefits.

\*Declan Jordan and Eoin O'Leary are lecturers in the Department of Economics, University College Cork. This article is based on their special article in the ESRI's *Quarterly Economic Commentary*, Summer 2005 published today. For more details see [www.esri.ie](http://www.esri.ie)

**Where do Celts feel at Home?**

*Mel Crisp  
Country Manager Ireland - International Business Wales*

Trade and investment between Wales and Ireland are a means to an end and not an end in themselves. Hence, the development and growth of strong and sustainable economic links between Wales and Ireland is a priority for the Welsh Assembly Government.

**Trade**

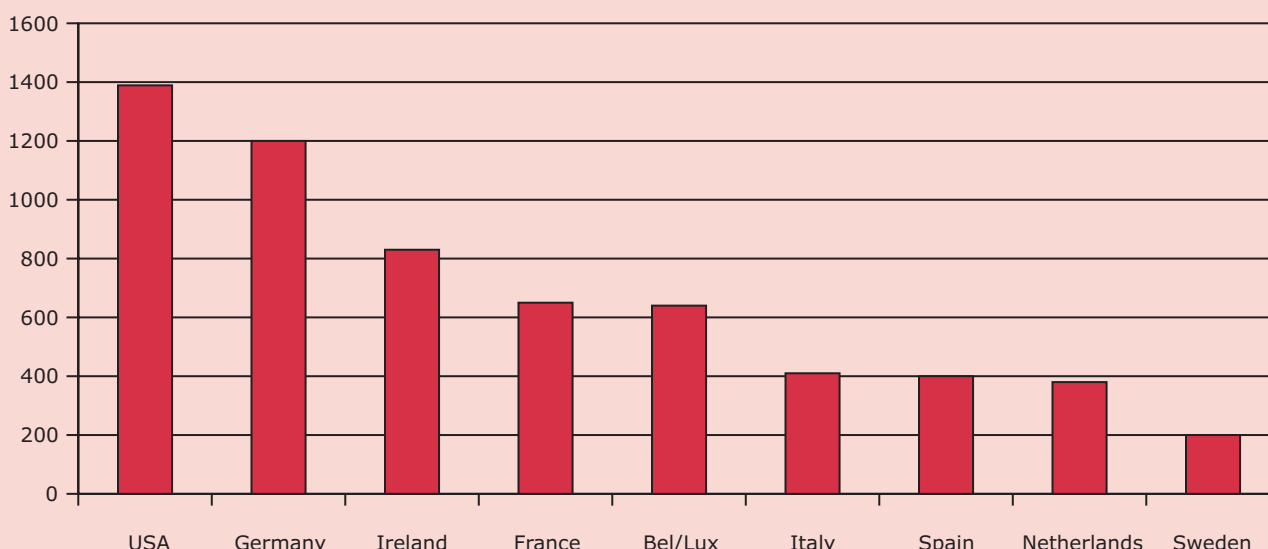
Exports from Wales to Ireland have increased steadily over the past number of years and they are forecast to grow further still. Exports to Ireland in 2005 equated to £832m, making Ireland the 3rd largest export market for Wales behind the USA and Germany, as shown by Table 2.

Additionally, during the last 4 years over 380 Welsh SME's aided through various trade support programmes, have developed business in Ireland equating to over £28m.

**Foreign Direct Investment**

In 2003, International Business Wales, a

**Table 2 Destination of Welsh Exports in 2005 (£)**



Source: Stats Wales, March 2006

division within the Department of Enterprise, Innovation and Networks, established an office in Dublin, Ireland. This operational investment was in recognition of both the historical inward investments made by companies such as Glanbia, Kingspan, 118 and Dawnpac amongst others, but with more of an emphasis on the future potential for Foreign Direct Investment (FDI) into Wales following the boom period in the Irish economy known as the Celtic Tiger.

In 2006 that strategy is continuing to pay dividends with investments from companies such as Goodwins Timber Frame, Evron Foods, Welshjobs.com and Quinn Radiators. These companies have shown a strong commitment to Wales having a combined capital investment of circa £120m with a forecast to create over 500 jobs between them.

This recent success looks set to continue with a strong business development pipeline of inward investment projects that if won by Wales, are set to create quality, sustainable jobs with a good spatial mix across Wales over the coming years, positioning Ireland as one of Wales' key donor Inward Investment markets.

#### **Supporting Ireland's Growth**

Inward investment promotion is generally perceived as selling Wales in overseas markets with the ultimate aim of creating jobs in Wales. Due to Ireland's proximity with Wales, inward investment promotion in Ireland is not so much about selling Wales, but highlighting Wales as being a good neighbour by supporting Ireland's economic growth through trade and Investment, thus capturing the positive spill-over benefits associated with the Irish economy.

For example, the Irish Sea is one of the busiest shipping lanes in Europe with bi-directional trade via Welsh infrastructure and onward to the broader European market. Furthermore, International Business Wales' inward investment service supports the strategic expansions of companies based in Ireland into the UK market place by providing a competitive location in Wales vis-a-vie Ireland and England, thus strengthening the parent company based in Ireland.

#### **Wales' USP**

Today it is generally considered that the rate and pace of change of globalisation has eroded many of the historical Unique Selling Points (USP's) that Wales could offer a prospective investor. Indeed, it is not simply India and China (amongst others) that provide significant cost benefits for many companies. Much closer to home, the

accession countries to the European Union may provide a bigger threat to the contestability of investment projects for Wales. However, if we consider the Unique Buying Point (UBP) from the potential Irish investor's perspective, then Wales can become the location of choice for many companies.

Inward Investment drivers generically fall into one of four categories, those being; Market, Resource, Efficiency or Strategic Asset seeking drivers. Contestable Inward Investment from Ireland is primarily driven by the first two, that is, market and resource seeking FDI. International Business Wales emphasizes these factors, seeking to provide a solution to the investors needs, for example, market driven – "60 million consumers 60 miles East" – (relative to Ireland's 4 million consumers); also, resource driven FDI, based upon comparative advantage e.g. labour and property availability and associated costs etc. Additionally, the location decision can be influenced by financial incentives such as Regional Selective Assistance available to eligible projects. These incentives reduce the initial costs of the investment, thus lowering the financial risk of the project and provide Wales with a distinct comparative advantage when taken as part of the overall package in comparison to many other UK locations.

#### **Benefit to Wales**

FDI is generally considered to be an important resource for development and broadly speaking Inward investment helps to deliver and spread prosperity. The impact of the Irish investment on the Welsh economy is dependant on the type of FDI, e.g. sector, scale, duration, location etc., plus indirect secondary effects e.g. local supply chains, plus the macro and micro economic development policies that affect the size and type of FDI a particular location will attract. However, the economic effects of FDI are almost impossible to measure with precision as Investors represent a complex package of attributes that are difficult to separate and quantify. Thus the relatively simplistic and more tangible measure of generating and upgrading employment is the main focus of FDI success. International Business Wales evaluates this job creation measure further by setting targets such as 25% of all new jobs will pay a salary greater than £30,000 and all of the new jobs will pay more than the Welsh local average salary.

#### **Celtic Tiger to Celtic Dragon**

The opportunities to develop and strengthen the economic links between Wales and Ireland touch on various areas including tourism, trade and investment, plus electricity

interconnection and strengthened air and sea connections. For example tourism links with Ireland can become key economic drivers for coastal areas of Wales e.g. capturing the spill-over from the large number of cruise liners that dock in Dublin every year only 60 miles from Snowdonia.

As previously described the proximity of Ireland and Wales and the differential in economic status, has and will continue to provide many development opportunities for companies based in Ireland, thus providing Wales with an opportunity to capitalise on the spill-over from the Celtic Tiger to drive our own Celtic Dragon. This mutually beneficial arrangement will ensure that Ireland and Wales will remain key partners and continue to build and strengthen Tourism, Trade and Investment links for the foreseeable future.

### **The Ireland/Wales INTERREG 111a Programme 2000-2006 – The Story So Far**

*Mike Pollard, INTERREG Programme Manager, WEFO and Paul O'Keefe Development Officer, Ireland*

INTERREG is a European Union Initiative which promotes cross-border, transnational and interregional co-operation in the European Union and its border regions. There are three strands of Interreg which can be summarised as follows:

Interreg 111A : Cross-Border Programmes between regions of two Member States such as the Ireland/Wales Programme which links the East Coast of Ireland and the West Coast of Wales

Interreg 111B : Interregional Programmes. Under this strand, Europe is divided into a number of regions comprising of Member States or regions of Member States. Some examples of Programmes under this strand would be the North West Europe Programme or the Atlantic Area Programme both of which include Ireland and the U.K.

Interreg 111c: Transnational Programmes. These Programmes cover all Member States in the European Union and also include neighbouring countries such as Switzerland, Norway, Belarus and Croatia. There are four regions in this Programme, North South East and West. The main focus behind this Programme is to facilitate co-operation and to develop networks between countries whose borders might not be adjoining to each other.

It would be fair to say that since INTERREG was first introduced as a Community Initiative in the 1990-1993 Programming period (Maritime Programmes were not introduced until the 1994-1999 period) the rationale has changed from being a Regional Development Programme with a cross-border emphasis to being a Cross-Border Programme with a regional development emphasis.

### **The Ireland/Wales Programme:**

The current Ireland/Wales Interreg 111A Programme was built on the success of the previous Interreg 11A Programme but took into account changes imposed by the European Commission such as, for example, the exclusion of infrastructural development and the requirement that the Programme, and projects, must address the Cross-Cutting themes (Equal Opportunities, Environmental Sustainability and Information and Communications Technology). In the Ex-Ante Evaluation, which was conducted prior to the Programme being submitted for approval, a number of weaknesses of the cross-border region were identified. These included:

- Inward looking SMEs in the region
- Under utilisation of new technology
- Heavy dependence of the declining agriculture sector
- Isolation and economic marginalisation of communities
- Concentrations of poverty and exclusion
- Out-migration of the skilled population
- Above average levels of youth and long term unemployment
- Poor public transport infrastructure
- Peripherality
- Early school leaving
- Community identity
- Seasonal nature of tourism
- Legacy of environmental contamination and over exploitation of natural resources

In order to address the above issues, the Ireland Wales Interreg 111A Programme was divided into two Priorities and then into Measures to address specific issues:

### **Priority 1: To encourage the economic, social and technological development of the cross-border area.**

Measures:

- Business and Enterprise Development
- Rural Development and Diversification
- Education, Training and Human Resource Development
- Communications in Technology and Transport

### **Priority 2: To achieve sustainable growth by enhancing the overall quality of the cross-border area.**

Measures:

- Marine and Coastal Environment and the Environment
- Culture, Heritage and Tourism.

The total amount of European Regional Development Fund (ERDF) grant aid that was available to the Programme was €48.5 million, which, when the match funding element was included meant that the total value of the Programme was worth €70.3 million. As Wales is an Objective 1 Region the grant rate to Welsh partners in a project is a maximum of 75% of eligible costs. For Irish partners, the maximum grant rate was initially 75% as Ireland was classed as Objective 1 in Transition. However this phase finished on 31 December 2005 and the maximum grant was reduced to 50% for expenditure incurred after that date. Practically all of the funding available to the Programme has been committed which gives some idea of the level of co-operation between both regions. A total of 102 projects with a value of €19.9 million (Irish projects) and £18.6 million (Welsh projects) in grant aid have been approved so far with a further two in the final stages of the approval process. Some of the earlier approved projects have been completed while more recent projects have until June 2008 to be finalised. At that stage the Programme has to complete all outstanding payments in order to be in a position to submit a final claim to the European Commission which is the first step in the process of formally closing the Programme. In many cases projects have not spent the full amount of grant aid allocated to them. In order to maximise the availability of ERDF and to ensure that the Programme achieves its targets, the unspent monies are being "recycled" by way of offering additional funds to existing projects provided that they can show additional activity and outputs and meet other criteria that are laid down. This is ongoing.

Like all EU funded Programmes, the Ireland /Wales Programme was subjected to Mid-Term Evaluation and, a little over twelve months later, a Mid-Term Evaluation Update. While these Evaluations looked at all aspects of the Programme including its processes and administration the main emphasis was on how the targets which were set out at the beginning (based on the Ex-Ante Evaluation referred to above) were being achieved. The findings were generally positive in that it was felt that good progress was being achieved towards meeting the targets set.

### **Economic Links with the 3<sup>rd</sup> level Sector**

Given the regional development nature of the Programme (and therefore strong ties with economic activity) it is hardly surprising that there have been links between the HE/FE Institutions on both sides of the Irish Sea. However there also projects where one of the partners has been a HE/FE Institution with the other from outside the educational sector.

### **Co-operation between the HE/FE Sector in the cross-border region.**

There are a total of 21 projects that have been approved where both partners are from the HE/FE sector. While it would be expected that these Institutions would be involved in research projects there are many others that would be aimed at developing certain sectors within the private sector. A few examples are given below:

#### **Business and Economic Development Measure**

Overseas Marketing and Recruitment  
*Pembrokeshire College and Carlow Institute of Technology*

Female Entrepreneurship  
*University of Wales (Aberystwyth) and Waterford Inst. Of Technology*

PSP Toolkit (Public Tendering for SMEs)  
*Trinity College, Carmarthen and University College, Dublin*

#### **Education, Training and Human Resource Measure**

Evaluation of Computer Networking in Schools  
*Coleg Menai and Dublin Inst. Of Technology*

Tourism.Net  
*University of Wales (Bangor) and University College Dublin*

#### **ICT and Transport Measure**

Welsh/Irish Speech Recognition  
*University of Wales Inst. Cardiff and Trinity College, Dublin*

#### **Marine Environment Measure**

Leatherback Turtles in the Irish Sea  
*University of Wales (Bangor) and University College, Cork*

SMART (Water Quality project)  
*University of Wales (Aberystwyth) and University College, Dublin*

CoCo Net (Coastal Communities Network)  
*University of Wales (Cardiff) and University College, Cork*

**Tourism, Heritage and Culture Measure**

ParNet Tourism (Tourism Networking Development)  
*Trinity College, Carmarthen and Dublin Inst. Of Technology*

**Co-operation between the HE/FE Sector and other organisations**

A further 17 projects have been approved where one of the partners is a HE/FE Institution but the other is not from the educational sector. Examples would include:

Fashion Industry development  
*Coleg Sir Gar and the Irish Fashion Industry Federation*

Development of the Optoelectronics Sector  
*Welsh Development Agency (now DEIN) and NUI Galway*

FACTS (Students with Learning Disabilities in the 3<sup>rd</sup> level sector)  
*Dyscovery Trust and Blanchardstown Institute of Technology*

As can be seen from the above, the Ireland/Wales Interreg Programme has facilitated a considerable level of co-operation between the HE/FE sector in both regions and also links between the HE/FE sector and a wide variety of other organisations where co-operation is of mutual benefit. To date, Wales has committed £5.5 million and Ireland €6.0 million to projects which involve HE/FE Institutions:

**Ireland/Wales Programme 2007-2013**

With the approach of the beginning of the new EU Programming Round there are a number of issues which might be of interest to potential participants in the new Ireland/Wales "Interreg" Programme.

- There is agreement between the Welsh Assembly Government and the Irish Government that there should be a continuation of the Ireland/Wales cross-border Programme in the 2007-2013 programming period.
- Discussions are ongoing between officials from both sides as to the nature of the new Programme. These follow the setting up of a Territorial Cooperation Workstream Group in Wales to drive the process forward and a similar group set up in Ireland.
- INTERREG has been mainstreamed into Objective 111 in the new round of Programmes.
- All Objective 111 Programmes allow a grant rate of up to 75%.
- The "Lead Partner Principle" will apply i.e. one of the partners will have to take legal and financial responsibility for the project.
- In Wales all of Conwy and Denbighshire are now included as part of the eligible area (in the current Programme they are classed as adjacent areas.)
- Programmes in the New Round must take into account the strategies laid down in the Lisbon Agenda (which aims to make the EU economy the most competitive in the world) and the Gothenburg Agenda (which deals with Global

Warming and other environmental issues).

- Taking the above into account the new Programme will have the following Priorities and Themes:

**Priority 1: Knowledge, Innovation and Skills for growth**

Innovation and Competitiveness  
 Skills for Competitiveness and Employment Integration

**Priority 2: Climate Change and Sustainable Regeneration**

Climate Change and Environmental Sustainability  
 Sustainable Regeneration of Communities

The new Programme is being drafted at the time of writing. It is anticipated that the public consultation process will begin in November and will be submitted to the European Commission following the completion of that process.

The current Programme is recognised by the European Commission as an example of good practice in maritime cross-border co-operation. The new Programme will build on successful activity, knowledge transfer and the sharing of good practice. More of the same will not suffice. We need to demonstrate that we are moving on by focusing on areas of added value through collaboration. Given the success of the 2000-2006 Programme there can be no doubt that the collaboration and co-operation between Wales and Ireland has firm foundations and that this co-operation will cement the cross-border relationship which will ensure the success of the new Territorial Co-operation Programme.