

Commission for the Economic Development of Rural Areas Research Report



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Research Report of Commission on the Economic Development of Rural Ireland

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Executive Summary

Introduction

The Commission for the Economic Development of Rural Areas (CEDRA) was established in September 2012 by Minister Phil Hogan and Minister Simon Coveney to investigate the economic potential of rural Ireland.

In the current economic downturn unemployment has increased by 192% in rural areas and 114% in urban areas with the effects of this felt more acutely in small and medium sized towns. The substantial off-farm employment gain of the previous 15 years has been wiped out and employment in rural areas remains concentrated in sectors that continue to decline. The primary motivation for the establishment of CEDRA centred on the need to establish a strong evidence base detailing the challenges facing rural communities and make practical recommendations regarding measures to mitigate the effects of the downturn in rural Ireland thereby supporting its full and active participation in the economic recovery process going forward. In the short term the urgency centres on the need to increase the number of employment opportunities with the need to facilitate a structural change involving a focus on higher value added growing sectors a priority for the medium to long term,.

The vision for rural Ireland presented in this report takes account of a research based assessment of the current status of the rural component of Ireland's economy and society and is informed by an extensive consultation process undertaken by CEDRA with rural residents and interest groups. In agreeing this vision we recognise the diversity of rural Ireland, the linkages between rural and urban areas, and also the achievements to date and the potential for the future. We also note the weaknesses and challenges in a context of dynamic change that is often driven by forces both internal and external to rural Ireland.

Rural Ireland is defined for the reports prepared by the Commission as all areas located beyond the administrative boundaries of the five largest cities. It includes large, medium and small towns along with the open countryside. It is important to recognise the value and challenge of the diversity of the open countryside and also that all small and medium size towns are not the same and they do not have the same potential. Furthermore, the open countryside, small towns and larger urban centres are interconnected through a variety of relationships (rural-urban, urban-rural, and rural-rural) some of which extend beyond the State.

The CEDRA research process reported in this document is guided and informed by previous attempts to set out a future for rural regions including but not exclusively *the Future of Rural Society 1988*, *The Cork Declaration 1996* and the *White Paper on Rural Economic Development 1999*.

As part of the work of the Commission, the secretariat comprised of Teagasc, the Department of Environment, Communities and Local Government and the Western Development Commission, organised a Public Consultation and worked with collaborators in the research sector to undertake a Research Exercise. This report summarises the lessons learnt as part of this process.

The Public Consultation consisted of the following

- 9 public meetings were held by CEDRA throughout rural Ireland from February until May 2013 to provide their views on key areas raised by the commission.
- A further 18 stakeholder meetings were held in different parts of the country, where the agenda focused on specific topics such as tourism, energy, small businesses etc.
- Over 50 meetings were held with individual experts to seek advice in relation to specific measures.
- 8 meetings were held with leading rural business people to seek their ideas in relation to economic development.
- 15 Commission Meetings were held to discuss and analyse the outcomes of this consultation process.
- An EU Presidency Conference was held on June 9th in Dublin.
- In total CEDRA also received written submissions from 946 individuals and groups.

Structure of the Report

This report summarises both the research information contained within 24 papers prepared for CEDRA described in annex 3 below and the ideas generated by the public consultation report.

The summary report is divided into 4 parts.

- The context for Rural Economic Development
- Capitalising on Rural Resources
- Economic Development in Rural Areas
- Supports for Rural Economic Development

Within these parts, the report summarises detailed lessons in a wide variety of thematic areas of relevance to rural economic development. These papers are available on the CEDRA website (www.ruralireland.ie) for readers interested in understanding the analytical background that have fed into this summary report. What is evident from these analyses are the breadth of opportunities and challenges, which require cross cutting solutions.

These lessons then fed into the deliberations of the Commission itself, which has produced a report detailing suggested actions to facilitate rural economic development and job creation.

We would like to thank the huge number of people who have participated in the public consultation and analysis summarised here.

Providing a Vision for the Rural Economy

Mission

Rural Ireland 2025 will have a dynamic, adaptable and outwardly focused multi-sector economy supporting vibrant, resilient and diverse communities with opportunities to experience a high quality of life. A new partnership between rural and urban Ireland will drive the sustainability of the rural economy, society, culture and environment.

Vision

Having listened to the Citizens, Communities and Stakeholders of Rural Ireland this report presents their vision of the rural Ireland of the future. This vision paints a picture of a rural Ireland that is vibrant, sustainable and resilient. It is a place where people can and want to live, work and raise their families. It is a dynamic engine for economic growth that provides opportunities for all of its inhabitants. It is a place of equal opportunity where all members of the community have the chance to reach their full potential.

The essence of the vision presented in this report bears a striking resemblance to the vision outlined in the White Paper on Rural Economic Development in 1999 highlighting the timeless nature of the aspirations of rural communities. While the visions are similar the methodologies and systems that are required to support the pursuit of this vision have changed in the current economic and social climate.

How we shape the future is fundamentally based on our vision of what that future ought to be and how we achieve it.

Our vision is based upon the fact that rural life is highly valued among Irish citizens and rural areas are particularly cherished for their distinctive quality of life, culture and heritage assets, clean environment, strong community ties and tradition of volunteerism.

However rural areas are also very diverse, with different characteristics, strengths and needs. These differences reflect natural advantages, history, location and infrastructure, along with their economic and social profiles. Our report has tried to consider these differences.

The vision for Rural Ireland 2025 as expressed by the people who live and work in Rural Ireland and presented in this report is tangible, workable, pragmatic and practicable while also being strategically focussed, ambitious and challenging. Given the financial situation actions following from this research do not require extra resources and can be implemented within the context of better prioritisation, utilisation, coordination and deployment of current financial and human public resources.

Enhancing Rural Economic Development Decision Making

While innovative and far sighted and with many useful suggestions, the 1999 White Paper on Rural Economic Development cannot be viewed as a strategic success. Its effectiveness as a strategic approach to support rural economic development was undermined by its attempt to address many issues without the appropriate support, delivery and coordination mechanisms. Responsibility for delivery was spread across many Government departments and agencies with no effective line of strategic planning and coordination, responsibility and oversight.

A lesson from our research is that responsibility for the coordination of cross-cutting policy and actions should rest with a single Department. Greater synergies and impact could be achieved if the Department has responsibility for complementary policy areas such as local authorities and local economic development.

A key lesson of this report is that in the absence of an appropriate statutory underpinning, strategic planning and coordination will not be effective. The governance structures put in place to coordinate rural economic development measures must therefore have legislative backing.

One of the factors that has influenced the success of the Food Harvest 2020 strategy, is that a High Level Implementation Committee, comprised of representatives of all departments and agencies, has been utilised to aid coordination. Coordination can also be enhanced if coordination measures can be tabled at a specific cabinet sub-committee. Thus a range of coordinating structures would be necessary to aid the Minister in their duties in the coordination of rural economic development.

As most rural economic development activities should result from a reprioritisation of existing government activities to better impact on rural areas, it is likely therefore funding streams will largely be within existing budgets. However there is a need for a small fund to support specific measures in relation to technical assistance and pilot activities to support this centralised approach to the coordination of rural economic development.

Critical to effective policy making and supporting the work of these structures there should be effective ex ante policy analysis and evidence gathering in relation to rural economic development.

An improved focus on cross cutting Rural Economic Development; public bodies should be obliged to include Rural Economic Development as one of the priorities in all relevant planning processes as well as reporting on the progress of proposed actions on a regular basis.

Ensuring Balanced Regional Development

As Ireland is a small open economy, exports are an important source of income and driver of economic growth. While many rural based sectors such as the bio-economy based sectors like Agri-Food are substantial export sectors, many other sectors are less likely to export. There are also fewer exporting businesses. As a result many of the jobs in rural areas are in sectors that have shed jobs.

It is necessary therefore to increase the share of export and the number of exporting businesses. In Horizon 2020 IDA Irelands current strategy framework, the agency commits to the provision of 50% of foreign direct investment outside of Dublin and Cork between 2010 and 2014. However there are recognised challenges for large scale inward investment in rural areas, given small labour markets and poorer access to the specialised services that may be required, with such services more likely to be available in major urban areas. In addition there is substantial competition for foreign direct investment from other countries. Therefore, as the majority of companies IDA have targeted and continue to target want to be located in or near Dublin, it makes this target ambitious.

In this context we have identified the potential for smaller scale or niche inward investment to be the focus for FDI.

From a domestic perspective it is also necessary to increase the export share of and numbers of exporting businesses, given capacity constraints, this will require particular development actions. In order to aid export performance, regional and rural branding should be developed by state promotion agencies. The role of these agencies should move beyond promotion to facilitate sales.

Recognising that clusters of businesses can have a greater impact than the sum of their parts, the development of industrial clusters where existing natural comparative advantages can be exploited, in sectors for example such as the Dairy, Marine, Creative and Tourism sectors is important. Concerted state planning is necessary to maximise the impact of these clusters.

Increased cross-border cooperation can improve the economic performance of border areas and particularly in the North West region which face particular challenges, relating primarily to issues of peripherality, currency volatility and cross border hinterlands, related development structures and infrastructure.

Supporting Local Economic Development

Small and medium sized enterprises are the cornerstone of the rural economy, comprising 92% of all rural enterprises. However, with 81% of all SME closures and 91% of micro enterprises closures in rural areas, they have faced and continue to face significant challenge in the current economic downturn

The collapse in domestic demand that has disproportionately affected rural towns is one of the primary causes of these closure rates. While recovery of the national public finances and a resulting improvement in consumer sentiment will be critical to a recovery of this sector there are specific skills, capacity and financial constraints that need to be addressed. The CEDRA research process has identified a number of gaps in the provision of enterprise supports to SMEs that have impeded progress in this regard to date.

The “Putting People First” strategy advocates that a more significant role for local government in economic development at a local level in conjunction with other local development bodies. The provision of a local enterprise support service through the Local Enterprise Offices (LEOs) as envisaged in Putting People First is an important pillar. The LEOs will act as a “one-stop-shop” for the micro-enterprise and small business sector, delivering direct enterprise support and coordinating access to other services for business.

Heretofore tight remits of enterprise agencies has resulted in many businesses not having access to any enterprise support. It is critical therefore that all businesses should be able to access enterprise support.

It is important that these bodies would undertake a proactive approach to development, actively promoting business ideas, skills and capacity building and developing particular sectors such as tourism locally. It should be noted that these activities may require a cultural change as development activities require a different mind-set and attitude to risk than the delivery of services and the administration of regulations. The reskilling of staff and capacity building may be required in order to provide the comprehensive support service required.

Many rural entrepreneurs expressed frustration with both the level and amount of regulatory compliance for business and the lack of coordinated support and advice at local level. While this will require cultural change amongst regulatory agencies to expedite decision making we acknowledge the commitment in PPF to ensure that the need to address regulatory barriers forms part of the enhanced role for Local Government in economic development and encourages local government to prioritise such commitments in the short term.

Access to finance was highlighted as a major concern by SME’s in the CEDRA public consultation. While we welcome government’s initiatives to improve this, a number of challenges still remain particularly in the context of private finance programmes where the actual performance of new programmes in terms of increased access to finance has not been as high as expected. Serious consideration should be given to alternative public financing programmes, moving from a grant based approach to a greater use of alternative mechanisms such as equity and loan finance.

Increasing Connectivity and Access with High Quality Infrastructure

Physical access to markets, suppliers and services is critical for enterprise start up and development however this can present a challenge in rural areas generally and particularly in remote rural areas. However information and knowledge based businesses can partially overcome these challenges through high quality and low cost internet connectivity, which is critical in order to attract the level of investment required to support the economic development of rural areas.

Access to and cost of high quality broadband emerged from the CEDRA consultation process as one of the most significant challenges faced by rural communities particularly from a business perspective. While many rural businesses and households have access to a basic broadband service they are unable to access the kind of cost effective, high capacity internet services that are required in a modern business environment. In a significant number of areas the quality of the types of services that are currently available are not sufficient to support efficient and effective business practice.

In 2012 the national strategy "Delivering a Connected Society – A National Broadband Plan for Ireland" recognises the importance of high speed broadband for economic development and which sets out the strategy to delivery high speed broadband throughout Ireland. This strategy commits to a minimum of 30mb broadband availability for every business and home by 2016. Public funding for the provision of next generation services to rural areas needs to be ring-fenced and should be delivered as soon as possible.

As technologies develop, this minimum should improve proportionally and all possible measures should be employed to ensure that access to high speed internet in rural areas is prioritised as an essential component of contemporary living going forward

Improvement in the roads infrastructure over the past decade has been substantial, however a number of bottlenecks still exist and there is a need for progress particularly in relation to road connections outside Dublin for example the Atlantic and North West-South East corridor. The continued improvement of road networks should be prioritised as and when the financial position improves.

In order to maintain access for business and tourism, the current distribution of regional airports should be maintained and to increase the level of business flights to international hubs in the North West.

Ireland has significant capacity to develop renewable energy industries, based around wind, marine and biomass sources. However the time taken to deal with the planning process is hampering development. Efficient grid access is also insufficient in places. In order to capitalise on the potential of renewables, it is necessary to improve both grid access and the speed of the decision making process.

Improving Human Resources and Skills

In general the types of employment sectors, including Agriculture, Construction and manufacturing found in rural areas require lower skills levels. In 2011, the share of rural adults with tertiary education was 30%, while it was 40% in the cities. In addition rural dwellers have lower participation rates in lifelong learning and informal learning, with rates of 17% in rural areas in comparison to the 27% participation rate in urban areas. The lower education level is driven in part by emigration and brain drain. This has resulted in a lower skills base overall in rural Ireland.

Statistics also indicate that higher unemployment rates can be seen in areas where the level of participation in higher education is low. This coupled with the fact that future growth sectors will have higher skills needs indicates that there is a need to address the skills gaps between rural dwellers and potential growth sectors that could provide future job opportunities particularly in the export sector.

Thus there is a need to

- Deliver skills training relevant to both the needs of industry and relevant to the existing skill set of those in need of retraining
- Improve access to education, particularly on-going training and upskilling

The high level challenge therefore is to up skill and re skill the many thousands of rural dwellers in order to better equip them to avail of future employment opportunities. Education and training programmes are most effective from an employment perspective when they are closely linked to labour market demand. Skills development is not limited to formal education and skills interventions and strategies for rural up-skilling should recognise the advantages of alternative mechanisms such as Life-Long learning, continuous skills development and enterprise based experiential learning.

There are a number of parts of the country outside the commuting zones of Higher Level Education institutions, particularly in the South West and around the Border area. Improved access could be achieved by utilising the new ICT infrastructure being rolled out by HEANET post primary schools. This infrastructure allows for increased blended learning, where students could participate at a distance for lectures and tutorials, commuting to the colleges for labs and practicals, thus reducing access barriers without significant investment in new campuses. This support role could form part of the remit of the new Education and Training Boards (ETBs).

There are a number of ongoing skills development strategies. It is essential that these strategies reflect the differential need and capacity in rural areas.

Generating Economic Growth in Rural Towns and Their Hinterlands

CEDRA research has shown that rural towns have felt the impact of the economic downturn more acutely than cities and larger urban centres. This is evidenced in the higher rates of unemployment due largely to a disproportionate reliance on industrial sectors with falling employment, higher poverty rates and the fact that one third of working age households are without a job.

The development of a rural town stimulus programme focusing on the development of Rural Economic Development Zones in towns and their hinterlands is an important initiative that could improve the economic position of small and medium towns. Building upon the local government sectoral strategy "*Supporting Economic Recovery and Jobs – Locally*" published in 2012 and as a complement to the strategy for spatial development outlined in the National Spatial Strategy, the objectives of such a programme would be multifaceted with a focus on making towns more attractive to live in and visit; making it easier to do business and increasing consumer demand.

It could be possible to finance such a stimulus within the framework of the Rural Economic Development Programme and would encourage the consideration of such a stimulus programme in the forthcoming design process for the RDP 2014-2020.

Within this stimulus programme, resources should be concentrated in a small number of areas with the greatest need in order to maximise its effectiveness and impact. Access to resources should be competitive and based on potential impact outlined in a community led development plan submitted for this particular purpose but that has strong links to the development planning processes outlined in other parts of this report while concentrating on towns with demonstrable need, the stimulus programme should also ensure that its initiatives are complementary to other economic, social and cultural initiatives and supporting the integrated approach to rural economic development.

Resources provided and leveraged by the Stimulus programme would support the improvement of physical architecture and the appearance of small towns by creating targeted incentives to facilitate town and village renewal and refurbishment. Plans should incentivise the use of unoccupied commercial properties and develop capacity to serve for example as rural tourism hubs if appropriate.

Fixed costs such as rent, rates and insurance can be a disincentive to entrepreneurship, particularly where there is limited access to finance. In the context of supporting entrepreneurship in rural towns the plans should outline incentives that make it easier to do business in line with the proposals in Putting People First and the overall integrated approach. By way of example plans could promote the reduction of these fixed costs by supporting a change to a turnover based calculation system for small start-up and vulnerable companies or facilitate the development of profit sharing rental schemes for private landlords.

Capitalising on our Rural Resources

Rural Resources are resources physical, human, cultural and social that are located in rural areas and provide specific advantages for the development of sectors such as the food, tourism, creative and marine sectors. Capitalising on these resources have the potential to make a significant contribution to national economic recovery as witnessed by the success of the Food Harvest strategy. From Agriculture to Tourism CEDRA acknowledges the need for a more integrated approach to the management of rural resource potential.

The two main rural resource sectors in Ireland, food and the marine already have significant sector specific strategies in the Food Harvest 2020 and Marine Sector Ocean Wealth Strategies respectively and the implementation of these strategies can realise large scale economic growth and job creation potential in rural areas.

The food sector has many very significant food processing businesses. However there is an over reliance on commodity products. Our research echoes the recommendation in other reports that calls for an increase in the share of higher value added goods, targeted directly at the consumer rather than primarily business to business.

In line with its remit, there is a need to expand the size of the speciality foods sector and in particular to increase the export performance of this sub-sector. The Annex to this report details a number of specific measures to assist this.

We also highlight that given the size of the sector and the significant skills and knowledge that exists in Ireland, that more complementary tradable service businesses should be developed. For example the development of an Agri focused financial industry that can help to manage the growing market volatility is one where Ireland has a comparative natural advantage to take a lead role in Europe. These sectors can both be developed through indigenous development and through an expansion of in particular niche FDI.

As an island nation the sea has always provided potential for economic activity from a variety of perspectives. While the CEDRA consultation process identified this sector as having a significant number of opportunities for rural communities, a considerable number of challenges also emerged. These challenges included compliance with regulatory frameworks, the need to establish more clarity around requirements in areas such as inshore fisheries and seaweed and the need to increase the focus on the potential for marine tourism and recreation.

The Creative Sector which draws upon our rural image and capitalises on our creative strengths is an important potential source of value added employment in rural areas. There is a need for cross-cutting strategies in relation to broadband infrastructure, skills, marketing and finance to include a specific focus on the development of this sector as a sector with high potential to support rural economic development going forward.

Re-energising Rural Tourism

National tourism growth has been one of our national economic success stories with the most recent Fáilte Ireland statistics showing an increase of 5.4% in the number of overseas visitors in June 2013 from June 2012 as a result of initiatives such as the gathering.

However despite the growth in national tourism, rural tourism has seen limited benefit and its contribution has declined. While national tourism numbers doubled over the Celtic Tiger, the contribution of rural tourism declined. There is thus a need to re-energise and redevelop this segment of the market.

The CEDRA consultation process identified rural tourism as an area with significant potential and the capacity to generate economic activity and facilitate job creation.

Supported by a variety of stakeholders the generation of rural tourism activity requires action and investment by a wide range of partners both private and public. The research suggests that the apparent failure of the rural tourism sector to exploit the success of the national strategies seems to be centred on a coordination failure. In this context the sector could benefit enormously from an integrated approach to rural economic development.

Building upon the national tourism destination strategy, there is a need for local economic development structures in conjunction with national agencies to develop parallel strategies to capitalise on local destinations particularly where such destinations have very specific advantages ranging from rural recreation infrastructure to food tourism strengths. Creating local destinations, requires private and public sector initiatives from the development of local products and activities to marketing, training, financing and support.

Adventure and activity tourism emerged as an area with particular potential. The development of national infrastructures such as long distance cycle ways can complement initiatives such as the Great Western Greenway, and the of the Wild Atlantic Way the driving route along the west coast. Rural tourism product that is embedded in the rural environment and built around activities does generate greater opportunities to develop rural based value added and employment and should be supported and marketed in this context.

Building upon the National Countryside Recreational Strategy CEDRA consultations reinforced the need to ensure that rural tourism development is sustainable and responsible, reflecting the rights and responsibilities of land owners and users and that rural recreation initiatives are delivered in a strategic and coordinated way.

Food has a role not just from a food production perspective but also from a tourism perspective and in this context rural tourism should also seek to maximise potential benefits from food tourism. Growth opportunities in this area can be maximised by expanding the number and variety of authentic, high quality food experiences that are easily accessed by the visitor in visitor attractions attached to food production facilities, food trails, demonstrations of traditional skills and heritage initiatives that link the agriculture and food heritage.

Mobilising Community Capacity for Economic Development

Ireland has a strong history of community participation in local development, as evidenced by bottom up Group Water schemes for example. Many of the initiatives advocated in this report such as for example rural tourism development and bottom up development plans, require coordinated local actions and will rely on passionate and determined individuals and vibrant communities. Development plans will be more sustainable and effective if they are driven locally than driven in a top down manner.

A “Community Led Local Development” approach (CLLD) to local development such as this has formed part of the local development landscape in Ireland since the 1960s and has been used to deliver elements of the EU Rural Economic Development Programme. This approach can help to achieve sustainable economic development.

However there are capacity, leadership and skills gaps that may inhibit bottom up development. It is therefore vital that capacity building and community leadership development actions be undertaken as part of any local economic development strategy. This type of leadership should be fostered and supported with training and development opportunities. Such Community Leadership Programmes should encourage the development of systems of knowledge transfer and sharing of best practice within and between communities.

In addition community or collaborative approaches can help to reduce some of the challenges faced by entrepreneurs by pooling resources such as finance, skills and reducing risk.

Mechanisms such as the Social Enterprise and the Cooperative sectors have emerged as a significant component of the Irish economy with the recent Forfás report “*Social Enterprise in Ireland Sectoral Opportunities and Policy Issues*” identifying the potential to create 25,000 jobs by 2020 in the social enterprise sector alone. CEDRA acknowledges these sectors valuable contribution and significant potential to support rural economic development in the future. CEDRA supports the findings and recommendations of the Forfás report.

PART I: Context for Rural Economic Development

1. Introduction

The Commission for the Economic Development of Rural Areas (CEDRA) was established in September 2012 by Minister Phil Hogan and Minister Simon Coveney to investigate the economic potential of rural Ireland.

In the current economic downturn unemployment has increased by 192% in rural areas and 114% in urban areas with the effects of this felt more acutely in small and medium sized towns. The substantial off-farm employment gain of the previous 15 years has been wiped out and employment in rural areas remains concentrated in sectors that continue to decline. The primary motivation for the establishment of CEDRA centred on the need to establish a strong evidence base detailing the challenges facing rural communities and make practical recommendations regarding measures to mitigate the effects of the downturn in rural Ireland thereby supporting its full and active participation in the economic recovery process going forward. In the short term the urgency centres on the need to increase the number of employment opportunities with the need to facilitate a structural change involving a focus on higher value added growing sectors a priority for the medium to long term.

Public Consultation

As part of the work of the Commission, the secretariat comprised of Teagasc, the Department of Environment, Communities and Local Government and the Western Development Commission, organised a Public Consultation and worked with collaborators in the research sector to undertake a Research Exercise. This report summarises the lessons learnt as part of this process.

The Public Consultation consisted of the following

- 9 public meetings were held by CEDRA throughout rural Ireland from February until May 2013 to provide their views on key areas raised by the commission.
- A further 18 stakeholder meetings were held in different parts of the country, where the agenda focused on specific topics such as tourism, energy, small businesses etc.
- Over 50 meetings were held with individual experts to seek advice in relation to specific measures.
- 8 meetings were held with leading rural business people to seek their ideas in relation to economic development.
- 15 Commission Meetings were held to discuss and analyse the outcomes of this consultation process.
- An EU Presidency Conference was held on June 9th in Dublin.
- In total CEDRA also received written submissions from 946 individuals and groups.

Vision and Context

The vision for rural Ireland presented in this report takes account of a research based assessment of the current status of the rural component of Ireland's economy and society and is informed by the extensive consultation process undertaken by CEDRA with rural residents and interest groups. Underpinning this vision is the recognition of the diversity of rural Ireland, the linkages between rural and urban areas, and also the achievements to date and the potential for the future. We also note the weaknesses and challenges in a context of dynamic change that is often driven by forces both internal and external to rural Ireland.

Rural Ireland is defined for this report as all areas located beyond the administrative boundaries of the five largest cities. It includes large, medium and small towns along with the open countryside. It is important to recognise the value and challenge of the diversity of the open countryside and also that all small and medium size towns are not the same and they do not have the same potential. Furthermore, the open countryside, small towns and larger urban centres are interconnected through a variety of relationships (rural-urban, urban-rural, and rural-rural) some of which extend beyond the State.

Structure of the Report

The CEDRA research process is guided and informed by previous attempts to set out a future for rural regions including but not exclusively *The Future of Rural Society 1988*, *The Cork Declaration 1996* and the *White Paper on Rural Economic Development 1999*.

This report summarises both the research information contained within 24 papers prepared for CEDRA described in annex 3 below and the ideas generated by the public consultation report.

The summary report is divided into 4 parts.

- The context for Rural Economic Development
- Capitalising on Rural Resources
- Economic Development in Rural Areas
- Supports for Rural Economic Development

Within these parts, the report summarises detailed lessons in a wide variety of thematic areas of relevance to rural economic development. These papers are available on the CEDRA website (www.ruralireland.ie) for readers interested in understanding the analytical background that have fed into this summary report. What is evident from these analyses are the breadth of opportunities and challenges, which require cross cutting solutions.

These lessons then fed into the deliberations of the Commission itself, which has produced a report detailing suggested actions to facilitate rural economic development and job creation.

We would like to thank the huge number of people who have participated in the public consultation and analysis summarised here.

2. Past and Current Initiatives Supporting Economic Rural Development

Introduction

Rural areas have formed the focus of a number of economic development orientated initiatives over many years, i.e. it is possible to trace such initiatives back to, at least, the work of the Congested Districts Board (1891 – 1923). In general, most initiatives have focused on the economic challenges confronting rural communities arising from broader, frequently international, interrelated social and economic developments. They have tended to focus on specific and immediate challenges, e.g. unemployment and the consequent need for job creation. Whilst this research, which was undertaken in support of the Commission for the Economic Development of Rural Areas (CEDRA), is framed by the immediate challenges confronting rural areas, the work is set within the broader context of the need to consider development over the medium term, out to 2025, as set out in the Terms of Reference. This perspective informed the approach taken in developing the baseline context. Rather than focus on recent developments, e.g. the collapse of parts of the economy in the period 2008 – 2009 and resulting changes to employment and unemployment, a longer term view encompassing the period from the early 1990s to the present is taken. In this section we briefly review the background to and primary objectives of policy and strategic initiatives implemented in support of rural economic development in Ireland. This provides a context against which to consider the content and analysis in subsequent sections of Part 1 of the report.

Background and Context

A number of initiatives have sought to provide a vision for, or supportive measures, or sought to direct the future development of rural areas in Europe and Ireland since the late 1980s. Early initiatives in this area were led by the European Commission through the publication of *The Future of Rural Society* published by European Commission in 1988 and the *Cork Declaration – A Living Countryside*, also published by the EU Commission, in 1996. The 1988 communication from the European Commission on The Future of Rural Society provided the first pan European overview of the diverse challenges confronting rural areas and confirmed the importance of customising strategies to the particularities of each type of rural area. The 1996 Cork Declaration pointed the way towards a new model of rural economic development with a strong emphasis on cross-sectoral integration and multi-dimensional interventions (economic, social, environmental) organised on a territorial basis, as well as diversification and participative bottom-up engagement supported by the subsidiarity principle. This perspective proved too radical and challenging and was subsequently considered over ambitious. In its place, a more conservative approach linked to reform of the Common Agriculture Policy (CAP) in which the direct allocation of public resources for a broadly based approach to rural economic development, beyond the farm gate, was severely curtailed. This broad perspective of rural development was replaced by an approach that continued to direct most of the rural economic development funding under Pillar 2 of the reformed CAP towards activities within the farm gate. Though there have been a number of important

innovations in support for and delivery of rural economic development, this approach, i.e. a national programme built around relatively limited funding under the CAP, to supporting rural economic development remains in place today. The innovations in support for rural development stem from the introduction of which is currently known as Pillar II of the CAP and, more specifically, the development of the LEADER approach to rural development, i.e. bottom up, community based capacity and economic development initiatives, which was first introduced in 1991.

Parallel to the emergence of the bottom up approach to rural economic development, the government published the *White Paper on Rural Economic Development – Ensuring the Future* in 1999. This was the first official policy paper on rural economic development in Ireland that was prompted, in part, by the concentration of economic development during the 1990s in the cities. It was a very significant initiative in public policy with a strong recognition of the diversity of rural areas, the interdependencies between urban and rural areas, the necessity for a broad multi-dimensional perspective extending beyond the farm gate, and the importance of strong institutional structures to ensure both horizontal and vertical integration in the implementation of initiatives to support rural economic development. There was a very strong emphasis on supporting the idea of a living countryside which was expressed through a comprehensive statement on the goal of achieving a rural Ireland in which there will be vibrant sustainable communities. The White Paper also, for the first time, linked rural and regional development, effectively introducing an explicit territorial agenda into economic and social development.

The vision statement in the 1999 White Paper committed the Government to (i) ensuring the economic and social well-being of rural communities, (ii) providing the conditions for a meaningful and fulfilling life for all people living in rural areas and (iii) striving to achieve a detailed, ambitious plan of action for rural Ireland.

The White Paper was produced in the late 1990s when the most recently available small area census data related to 1996 and very little detailed analysis had been undertaken and it preceded the phase of most rapid economic growth during the Celtic tiger era which had very significant positive and negative impacts on population, employment and settlement in rural areas. It also preceded the publication of the National Development Plan 2000-2006 later in 1999, and the National Spatial Strategy (NSS) published in 2002 which articulated an urban focused strategy and strong rural-urban linkages. The NSS however did not comprehensively address the challenges of rural areas beyond the economic hinterlands of the Gateways.

While innovative and far sighted, especially within the constraints just summarised, the White Paper cannot be viewed as an operational success. The effectiveness of 1999 statement as rural economic development strategy was hampered from the outset as it sought to address a totality of issues without the appropriate support and delivery and coordination mechanisms. Responsibility for delivery was spread across many Government departments and agencies with no effective line of managerial responsibility and accountability. The absence of defined Ministerial leadership, resources, an appropriate statutory underpinning, institutional performance and delivery mechanisms and a robust monitoring and evaluation framework, in hindsight, were critical weaknesses. The core lesson from the 1999 experience is the necessity for agile, responsive coordination, decision-making and delivery mechanisms to deal with the complex, evolving policy agenda faced by Government

while steadfastly adhering to the long term goal and visions set out in this Report. The failure to provide a Statutory underpinning for these roles and responsibilities and accountability is a mistake that must not be repeated in the future.

In the absence of implementation of either the White Paper or the NSS the National Rural Development Programme (RDP), funded through and hence subject to the regulatory and control framework associated with the CAP, remained the primary mechanism for rural development in Ireland. The current programme has three key objectives;

- Improving the competitiveness of the agricultural sector through support for structural change
- Improving the environment and the countryside by support for land management
- Improving the quality of life in rural areas and encouraging diversification of economic activity through the implementation of local development strategies.

Divided into four areas of intervention known as Axes, three of the Axes detail the framework for support under each of the individual objectives. The first two of these, which are directed inside the farm gate, account for most of the 'rural development' budget, e.g. for every euro spent on Axis One or Two, eight cent was allocated to Axis three and four. The fourth Axis, known as the LEADER Axis is a methodological axis that is reflective of the importance placed on local agency at European level. Described as "*the most significant policy model to implement an inter-sectoral partnership-based approach to local rural development*"¹ LEADER is a community led local development approach that has been used to deliver rural development interventions in Ireland since its inception at EU level in the early 1990s.

In the current programming period LEADER is the main method of delivery of interventions aimed at improving the quality of life in rural areas and supporting the diversification of the rural economy. This follows on from previous LEADER programmes where funding was provided to support broader rural economy interventions. In this context LEADER has been an integral part of the policy response to the economic and social development of rural communities for the last number of years. The total planned budget allocation for Axes three and four (LEADER) was €425 million or 8% of the national rural development budget.

¹ O Donoghue, Cathal, Macken Walsh, Aine, The Rural Economy Research Centre Working Paper Series, Rural Regeneration and Developing the Broader Rural Economy, AGRA Europe's 2007 conference, <http://www.agresearch.teagasc.ie/erc/downloads/workingpapers/08wpre16.pdf> Accessed 11th July 2013

3. Rural Ireland: The changing cultural, economic and social face

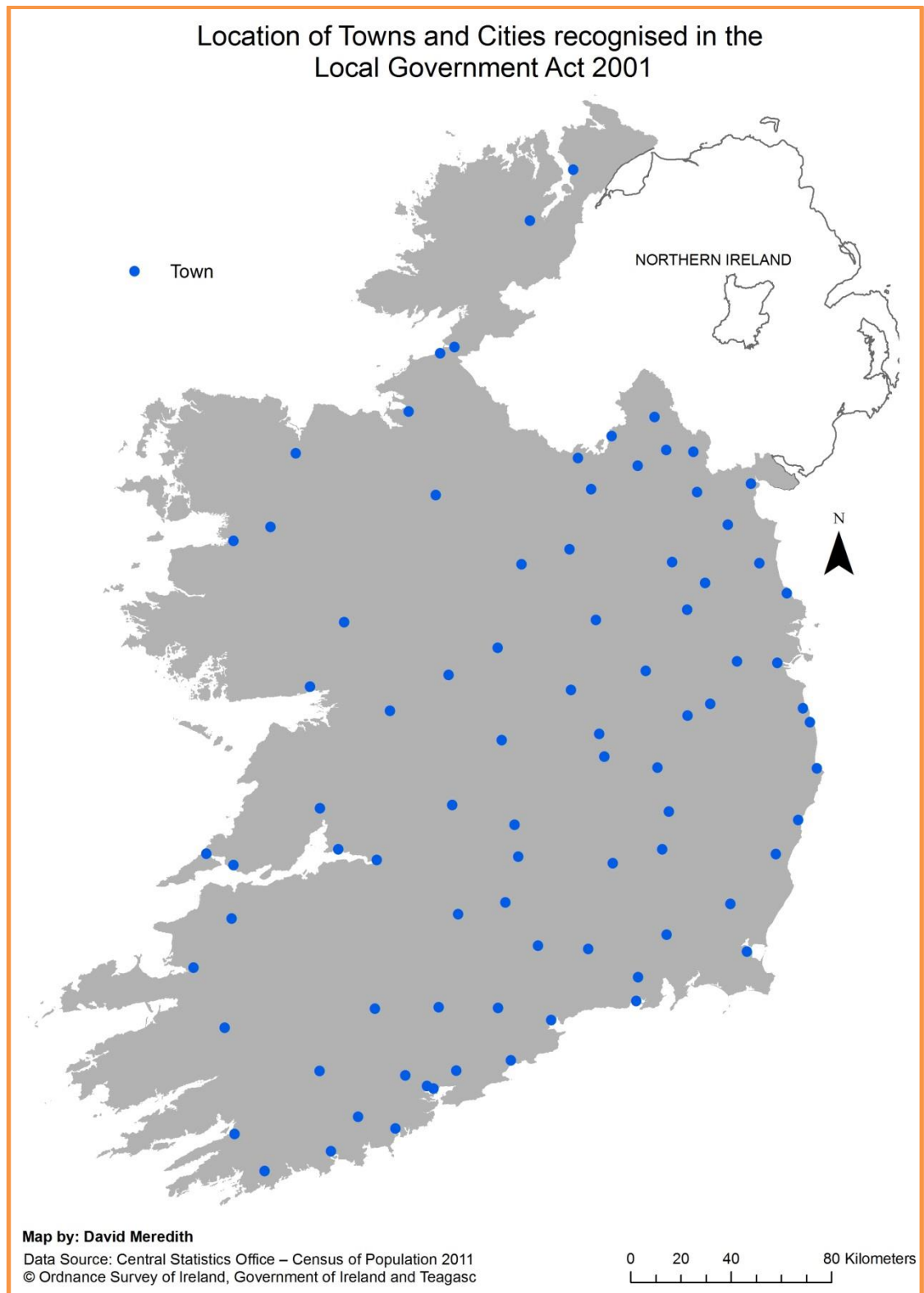
Introduction

Contrary to what some may believe, the number of people living in rural areas in Ireland is growing, the rate of population growth is increasing and the share of the total national population living in rural areas remains, compared to 1991, largely unchanged. These aggregate statistics present a positive picture of rural change; they are however, misleading. When we look in greater detail we find that the changes outlined above were not evenly distributed, some places saw substantial growth whilst others experienced population decline. This chapter provides a review of population changes in Ireland over the period 1991 – 2011 before considering some of the social and economic drivers of these developments. Before commencing the review, the definition of rural adopted by the CEDRA is set out below.

1.1 Defining Rural Ireland

Within this report, rural Ireland is defined as all areas located beyond the administrative boundaries of the five largest cities. This is in accordance with the Terms of Reference. In addition to the open countryside, this definition of rural includes large, medium and small towns of which there are 79 in total. Such towns are defined for CEDRA purposes as all those places with legally defined boundaries and are identified in the Local Government Act (2001). The populations living within their administrative boundaries range from under 1,500 to 38,000 e.g. Kilkenny (23,714), Sligo (18,867), Mallow (11,306), Tuam (8,033), Loughrea (4,925) or Portumna (1,466). The geographic distribution of these towns is uneven with a greater number of larger towns in the South and East region, many of which are clustered in the hinterlands of Dublin and Cork cities. In general, the relative proximity or accessibility of a town with respect to the five cities and the larger towns² explains much of their socio-economic development over the past 20 years. Some of these towns act as the primary employment or service centres within their localities, e.g. Westport Co Mayo, whilst others are increasingly integrated with the cities, e.g. commuter towns such as, Tuam, Fermoy or Balbriggan. The Commission recognise that, from an economic development viewpoint, there are a host of other rural towns in addition to these 79, which play a key role in the economies of rural areas, e.g. Clifden in Co. Galway (Map 2). This is a fundamentally important issue. There are towns that, because of their location in areas distant from other towns and cities which, socially and economically, 'punch far above their weight', that is they play an economic role commensurate with a larger town. This point was recognised in the 2002 National Spatial Strategy.

² Towns with populations within their administrative boundaries of more than 5,000 persons.

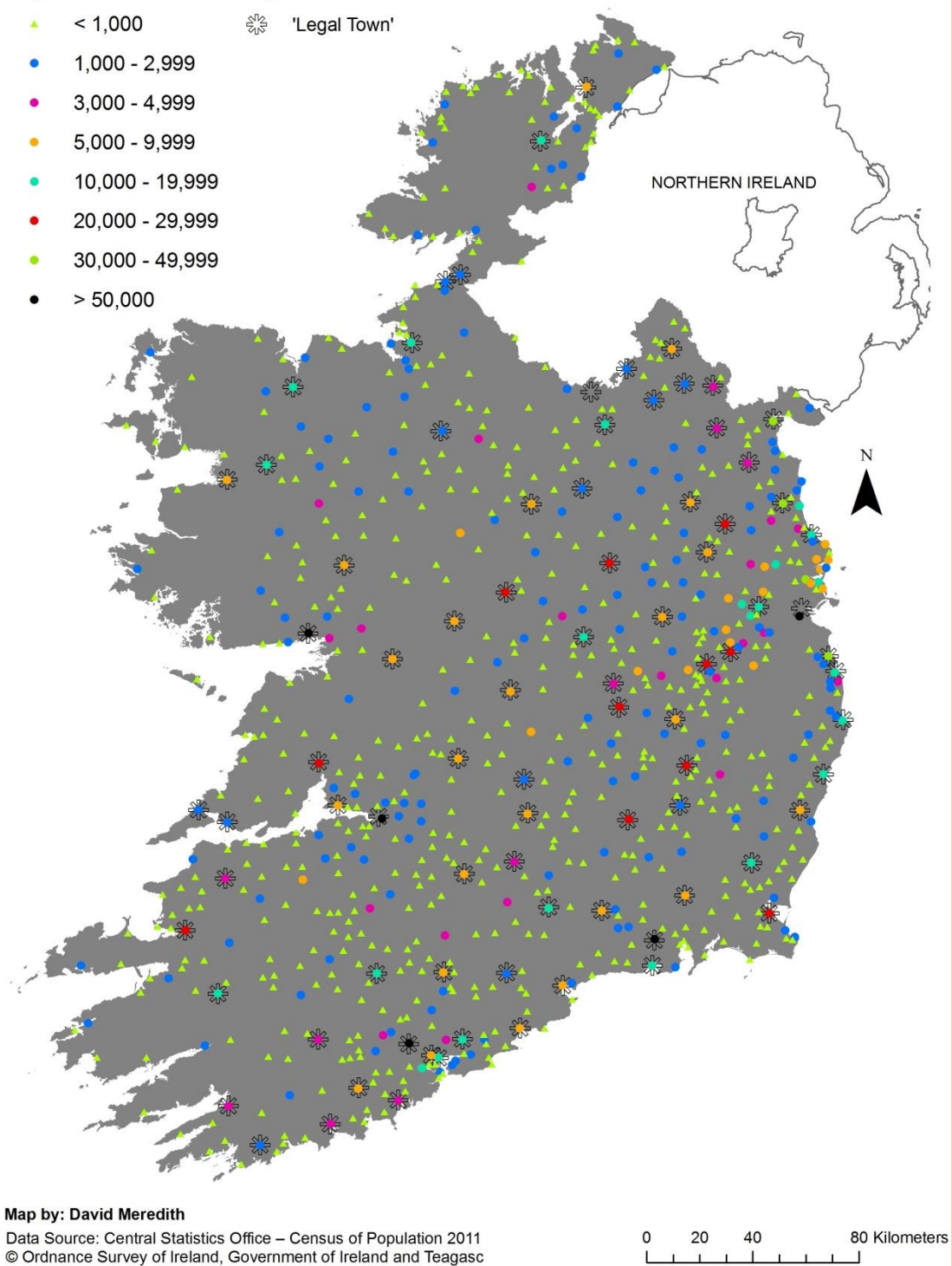


Map 1: Towns and cities identified in the Local Government Act (2001)

Distribution of all Towns and Cities in Ireland (2011)

Population of Town / City

- ▲ < 1,000
- 1,000 - 2,999
- 3,000 - 4,999
- 5,000 - 9,999
- 10,000 - 19,999
- 20,000 - 29,999
- 30,000 - 49,999
- > 50,000
- ✱ 'Legal Town'



Map 2: Distribution of all towns and cities in Ireland

Closer integration between the countryside, towns and cities should not be seen as being negative. Such growth, if it is not part of a wider local economic development strategy, places a significant strain on rural infrastructure, e.g. road maintenance, water supply, sewage treatment, schools etc. If growth is, however, properly accommodated through local strategic economic development plans it can make a substantial contribution to local economic development through increased local consumption and can, based on international evidence, support further rural enterprise creation and development.

Table 1: Description of Area Types

Area Types	Description for CEDRA purposes
Rural Areas	Everywhere outside of the 5 main cities including all towns, villages and the countryside.
Towns ³	The 79 towns listed in the Local Government Act, 2001 <ul style="list-style-type: none"> • Large Towns: Greater than 5,000 population • Medium Towns: Between 3,000 and 4,999 population • Small Towns: Between 1,000 and 2,999 population
Countryside	The area outside of the city and town boundaries.
City	Dublin, Cork, Waterford, Limerick and Galway

This definition of rural facilitates consideration of the existence, role and importance of economic ties between countryside and adjacent towns and cities. Artificial division of the countryside from towns and the five cities does not allow for a full understanding of the processes, opportunities and challenges that are shaping and will continue to shape, the economic development of these areas. As is shown below, there is a clear relationship between rural proximity and accessibility to towns and cities and strong socio-economic performance. The importance of this relationship is increasingly recognised, e.g. the OECD⁴ recently published a report on the relationship and implications of growth in accessible rural areas.

1.2 Changing Rural Ireland

In the period 1991- 2011 Ireland experienced a number of interrelated social and economic developments. The number of people living in Ireland and the labour force grew as did the number of people in employment, particularly women. These developments impacted on the evolution of rural areas. Some rural areas benefited substantially whilst others have been heavily exposed not just to the consequences of the recent economic downturn but to long term trends that have undermined their viability. Understanding the spatial patterns arising from these processes provides insights that lead to a different way of viewing rural areas and their communities. Such understanding is critical if we are to comprehend their implications and adopt appropriate measures that will allow for better economic planning and development. This knowledge creates opportunities to maximise the economic potential of diverse

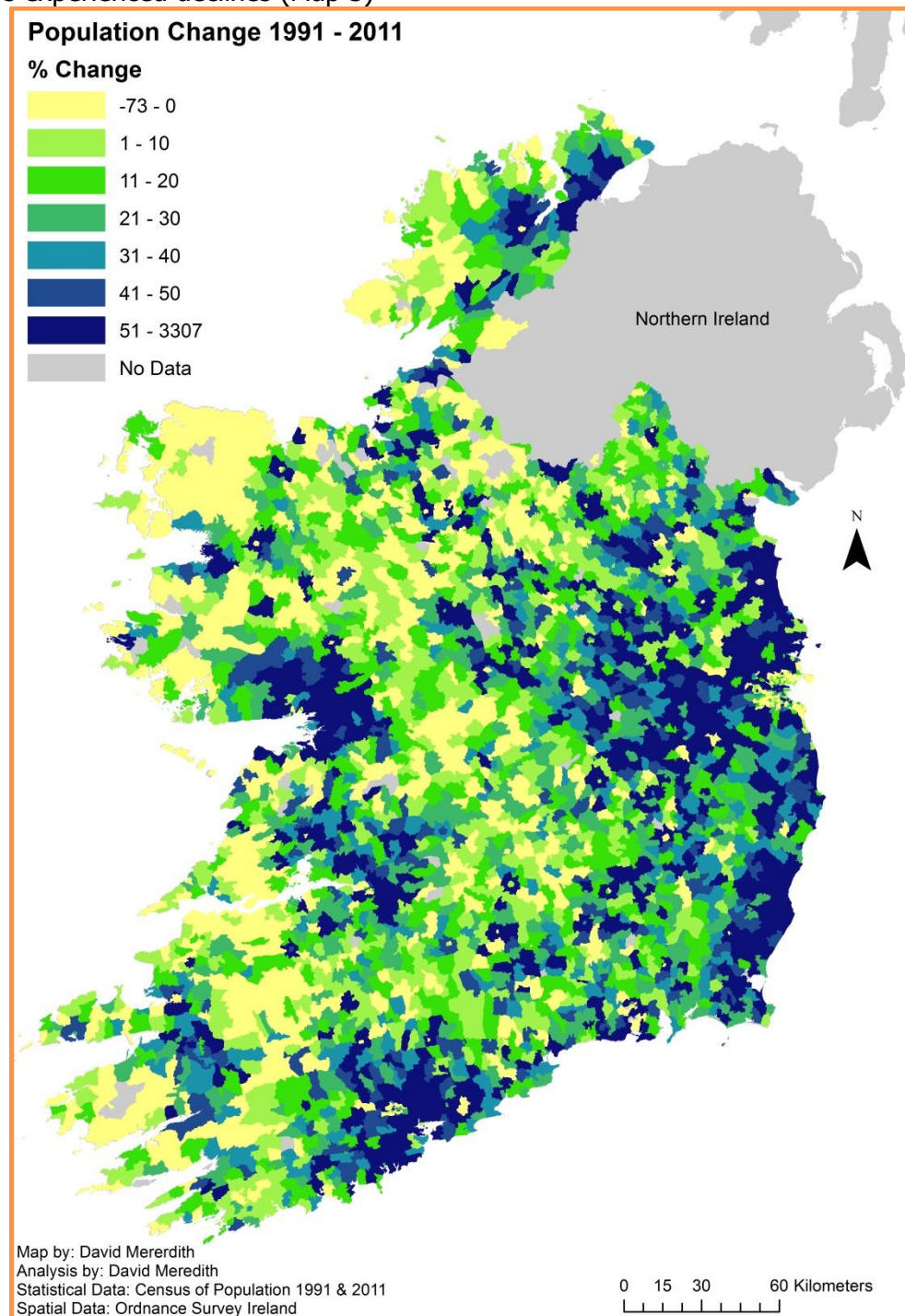
³ This list of towns was used because it is definitive. The issues raised about towns and their relationships with rural areas throughout this report apply to most if not all towns in Ireland regardless of whether they are listed in the Local Government Act 2001.

⁴ Veneri, P. and V. Ruiz (2013), "Urban-to-Rural Population Growth Linkages: Evidence from OECD TL3 Regions", OECD Regional Development Working Papers, 2013/03, OECD Publishing. <http://dx.doi.org/10.1787/5k491crq88g7-en>

rural areas that can yield benefits for the community whilst also contributing to national economic development.

2.1 Population Change 1991 – 2011

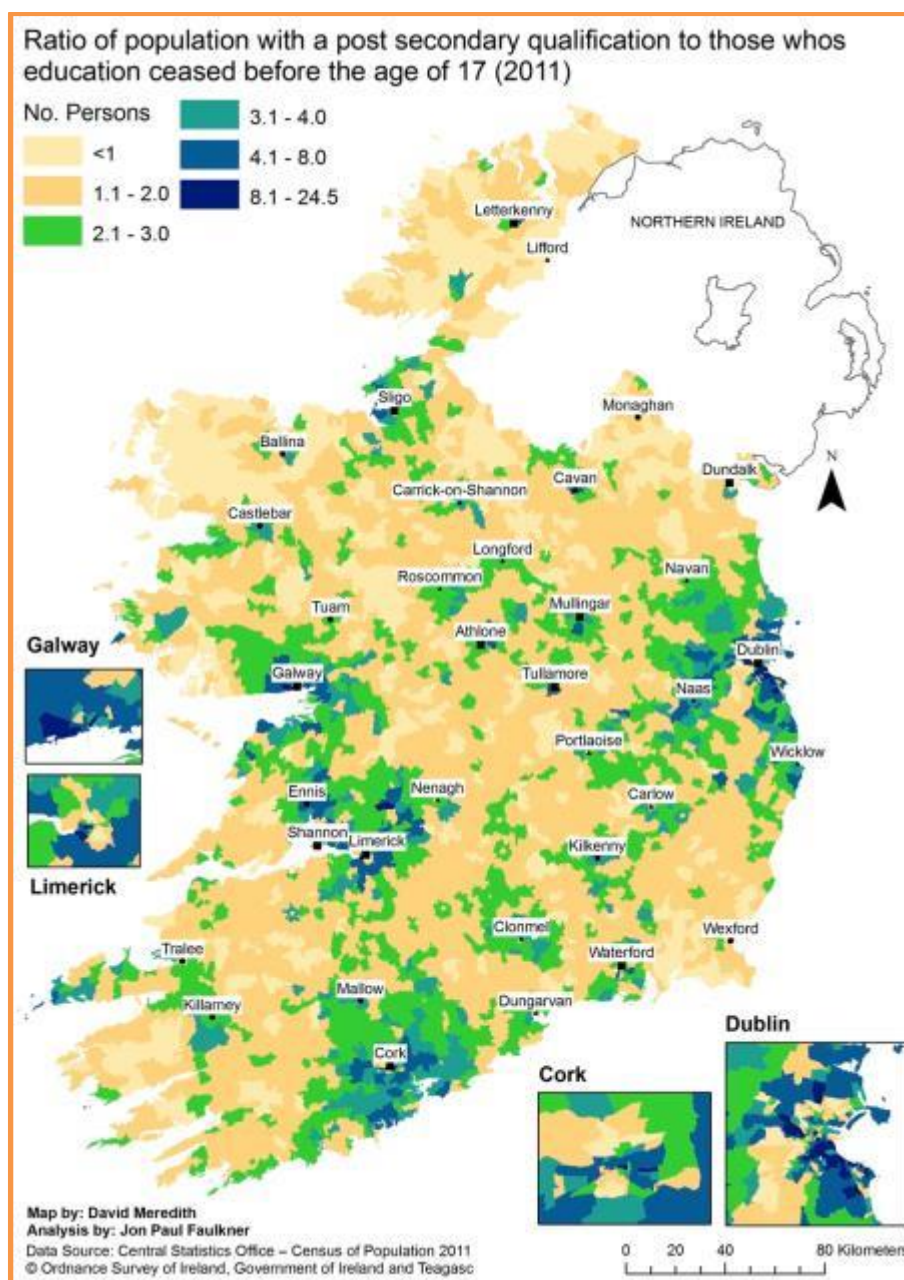
During this period (1991- 2011) the national population increased by 30% from 3,525,609 to 4,588,198. The population living in the countryside (areas outside the cities and towns) increased by 44% (1.8 million to 2.6 million) i.e. from 51% of the population nationally to 57%. Changes were not uniform and there was substantial spatial variation, some areas experienced very large increases in population whilst others experienced declines (Map 3)



Map 3: Population change in the Republic of Ireland 1991 – 2011

In general, rural areas close or accessible to the main cities and larger towns experienced substantial and sustained growth in their populations.

These areas coincide with those that record lower levels of unemployment increase between 2006 and 2011 as well as greater proportions of people with high levels of educational attainment, high levels of both male and female labour force participation and high concentrations of employment in growing sectors such as Commerce, Professional Services, Transport and Communications (Map 4, 6-9). This combination of socio-demographic characteristics is important as they reflect high concentrations of populations that are required to support large and medium scale economic development.



Map 4: Distribution of populations with concentrations of persons with higher levels of education

2.1.1 Population Decline: The Countryside

In direct contrast to the areas described above are those that showed a decline in population between 1991 and 2011. These tend to be more remote or less accessible to towns and cities. There are 546 rural Electoral Divisions⁵ that lost a total population of 21,455 persons between 1991 and 2011 representing a fall from 229,000 to 207,000 persons or a reduction of 9% in the number of persons living in these areas. Urban areas experiencing population decline recorded a loss of 184,000 persons over the same period. The population of these urban places dropped from 885,000 to 700,000 (-21%). The scale of urban population loss is remarkable and points to the hollowing out of many smaller towns and the some parts of the cities.

The process of rural population change, and for that matter urban population change, is one that warrants significant attention. The changing distribution of the population has important implications regarding the long term viability of communities, including sports clubs, and the provision of services, e.g. policing and postal. Taking just those rural EDs that lost population between 1991 – 2011 and comparing the changing age structure of the population highlights the extent of the changes (Figure 1). This diagram overlays the structure of the population in 2011, the dark bars in the centre, on top of the 1991 population the lighter bars. It highlights the extent of population change and that declines have been concentrated amongst the population under 45.

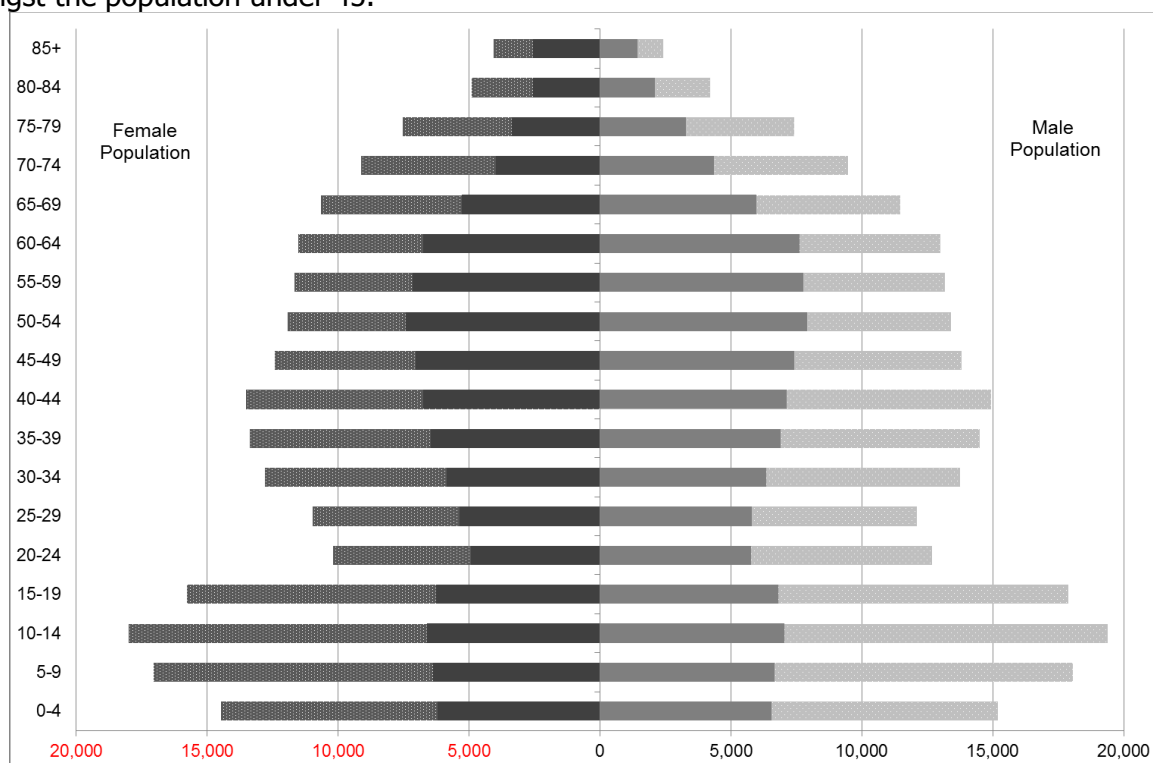


Figure 1: Rural population decline: An assessment of changes to individual age cohorts

Because of the high quality statistical data provided by the Central Statistics Office it is possible, using the Census of Population, to trace geographic changes to groups within the population; for example we can compare the size of the group of 0-4 year

⁵ Electoral Divisions are small geographic areas that are used to report statistical data, i.e. the Census of Population.

olds in 1991 to the population of 20-24 year olds in 2011 in those rural EDs that lost population (if no deaths or in or out migration effected this population it would be exactly the same at both points in time). What we find is that there are 4,181 fewer people in 2011 than in 1991. Repeating this analysis for all population groups establishes that the entire population under the age of 44 in 1991 (currently between 20 and 64 years of age) declined by 37,000 persons. This decline has been offset by an increase of 17,500 in the population that was over 45 in 1991 (currently over 65 years of age) (Graph 2). The most important finding of this analysis is that rural population decline is not only driven by young people leaving but the migration of older adults also.

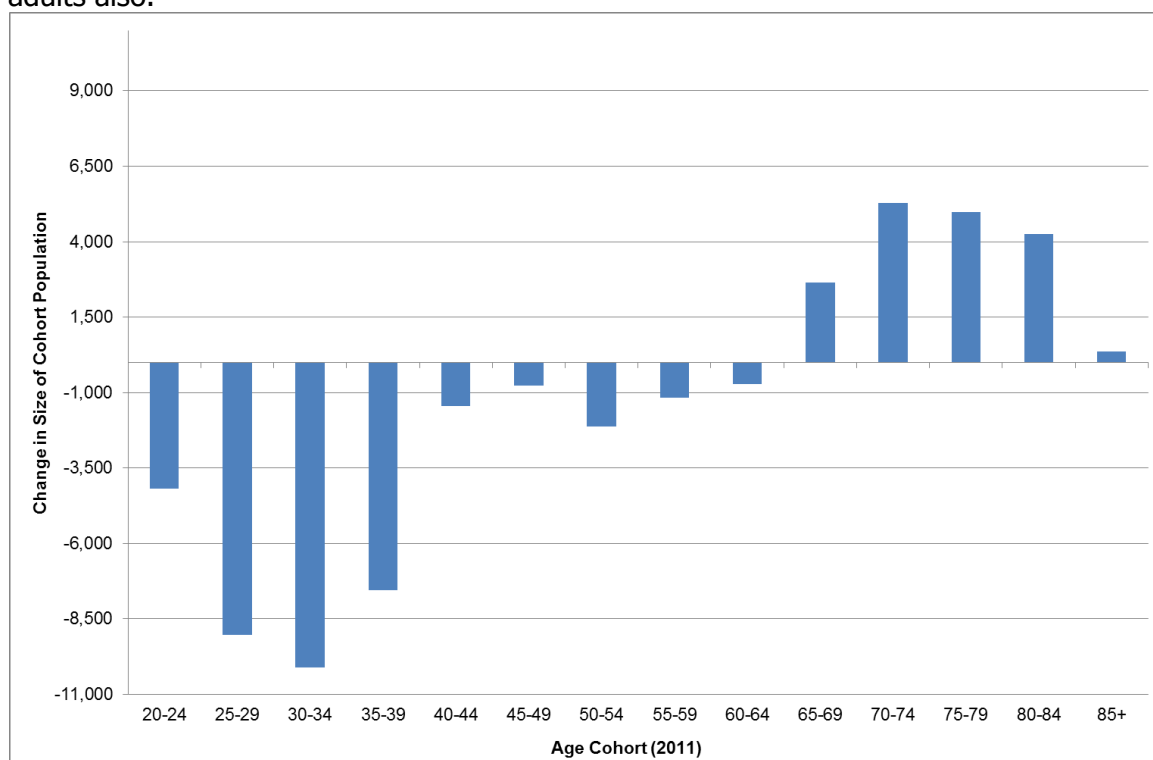


Figure 2: Decomposition of population change in rural EDs that lost population

A further important point that is worth noting, in the past women were more likely than their male counterparts to migrate from rural areas. The generally accepted reason for more women than males to leave was the lack of female employment opportunities. This is no longer true and is reflected in changing patterns of male and female migration. In those rural areas that lost population between 1991 and 2011 for every woman that left two men left as well.

The reason for the changing structure of migration flows from rural areas is related to, amongst other issues, changes in the type and number of jobs available. In those areas that lost population, there was an overall increase in the number of jobs from 70,000 to 78,000. This increase disguises a significant change to the industrial composition of employment and consequent changes to the structure of the workforce. Between 1991 and 2011 the Agriculture, forestry and fishing sector and Manufacturing and related industries lost 15,844 jobs in rural areas with declining population. In contrast to this, Construction, Transport and Communications, Commerce, Public Administration and Defence, Professional Services and Other industries recorded an increase of 23,918 jobs.

When we look at the breakdown of these figures in terms of changes in male and female employment we get a clearer understanding of the social impacts of changes to the rural economy. Males saw a 9% drop in total employment. This comprised the loss of 13,908 Agriculture, forestry and fishing and Manufacturing jobs and a gain of 7,084 jobs, primarily in the Other industries, Professional Services and Commerce sectors (Figure 3). The difference between male job losses and gains was -6,824. Females experienced a similar pattern of job losses in the Agriculture, forestry and fishing and Manufacturing sectors (-1,936) and gains in all other sectors of (+16,834). The net change in female employment over this period was 14,498 or a 79% increase. The increase in female employment was driven by, firstly, greater participation of women in the labour force and, secondly, expansion of 'female' sectors of the economy, sectors, e.g. health care, education, and roles associated with the Commerce sector, where women traditionally are employed (Figure 4).

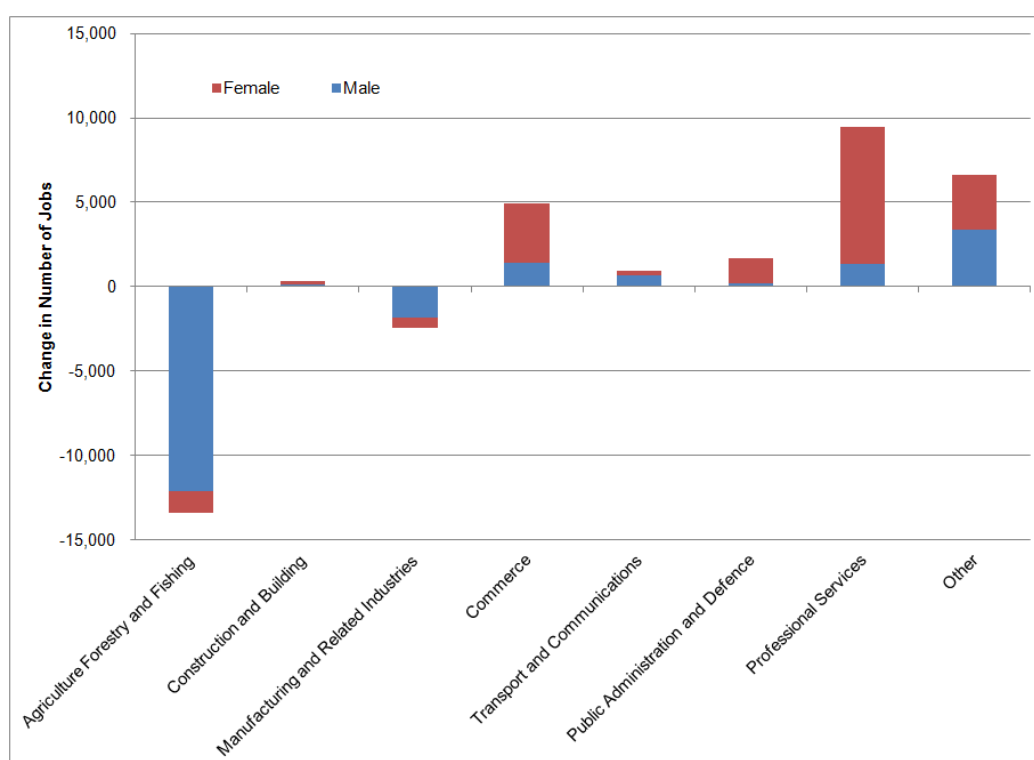


Figure 3: Change in the industrial structure of employment in rural EDs that lost population (1991 – 2011)

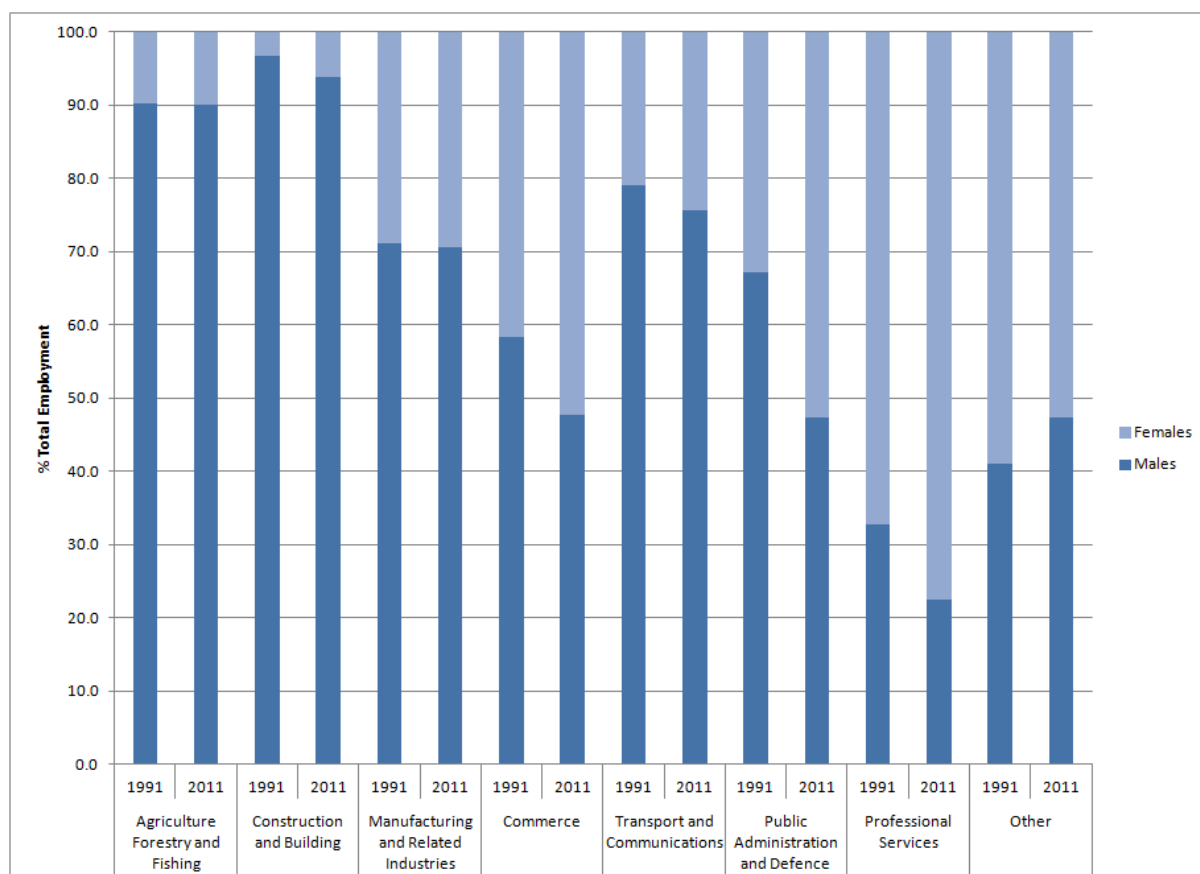


Figure 4: Changing composition of the workforce in rural EDs that lost population (1991 – 2011)

2.1.2 Population Decline: Rural Towns

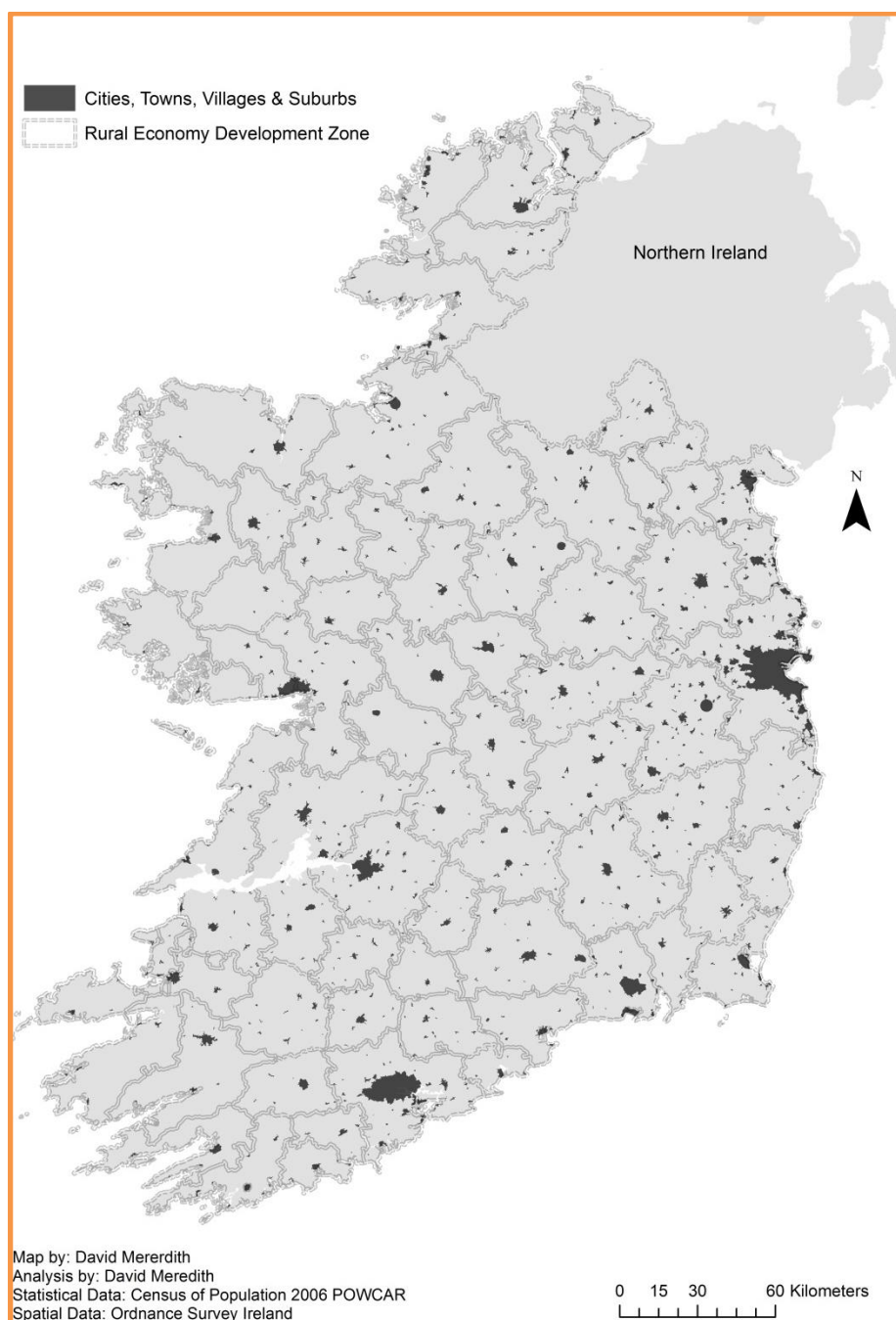
The impact of national changes in population on towns was markedly different. The overall numbers living within the administrative boundaries of the towns reduced marginally from 437,724 to 434,792. Failure to maintain or grow their populations in line with national trends resulted in the overall share of the national population living in towns falling from 12% to 9% between 1991 and 2011. There are several interrelated drivers behind these developments including a preference for living in the countryside beside towns on the basis that they provide better or more affordable housing, a perceived higher quality of life and the development of retail and other commercial facilities on the outskirts of towns. Taken together these developments undermined the social and economic viability of many towns which, in turn, has affected their capacity to attract and sustain investment.

2.2 Implications of population change

The changes in population numbers were not uniform and these general trends mask considerable variation in the performance of individual towns. Some such as Westport have experienced very large increases whilst others have experienced substantial declines. In general towns that have experienced sustained growth in population tend, regardless of their size, to be near or accessible to larger towns or the five cities.

Notwithstanding the decline in populations living in towns, the evidence clearly demonstrates that in general, there is a clear beneficial relationship between towns

and the surrounding rural areas, i.e. the hinterland, and similarly between towns and larger towns and cities that are in close proximity. These hinterlands are local, i.e. with few exceptions they are smaller than counties, and they reflect Ireland's actual economic geography (Map 3). As such these functional areas represent the most appropriate scale of intervention when attempting to foster rural economic development as they encompass most of the resources available to enterprises and communities that an area has available to support economic development. These areas are classified within this report as Rural Economic Development Zones (REDZ) (Figure 5).



Map 5: Rural Economy Development Zones

1.3 Rural Labour Force and Employment

Between 1991 and 2011 Ireland's labour force⁶ grew from 1,382,827 to 2,232,180, an increase of 61%. The labour force in the countryside grew by 53% with towns' experiencing an increase of 8% whilst the cities saw an increase of 17%. These developments are directly associated with the growth of the overall population over 15 years of age and the increase in employment, i.e. the numbers classified as "at work" grew by 33% in the cities, 17% in towns and 72% in the countryside.

Counterbalancing this positive development was an increase in the numbers of people classified as 'unemployed'. This population increased by 32% to 75,000 in the cities, 69% to 47,000 in towns and 134% to 268,000 in the countryside. As of 2011, 69% of all unemployed persons lived in the countryside an increase of 12% on the 57% figure recorded in 1991. In addition to highlighting the critical need to facilitate development of the rural economy these data raise important questions regarding how over 250,000 people living in rural areas in 2011 found themselves to be unemployed⁷.

Table 2: Rural Labour Force and Employment in 2011

	Percentage change in population between 1991 and 2011	Percentage change in labour force	Percentage change in labour force in number of employed	Percentage change in number of unemployed
Cities	+5%	+17%	+21%	+31% to 75,000
Towns	-0.02%	+ 8%	+26%	+71% to 47,000
Countryside	+44%	+53%	+19%	+134% to 266,000
Nationally	+30%	61%	20%	+95% to 390,666

The sharp decline in employment and rapid increase in the number of unemployed persons experienced in the recent past point to the unsustainable nature of rural economic growth during the late 1990s and, particularly, the early years of the new millennium. A sequence of maps presented below; illustrate the relative importance of employment in broad industrial groups to each electoral division⁸ (ED) in 1996, 2002, 2006 and 2011. The maps illustrate the changing nature of the employment landscape in rural Ireland and the need to consider this in any research that looks to

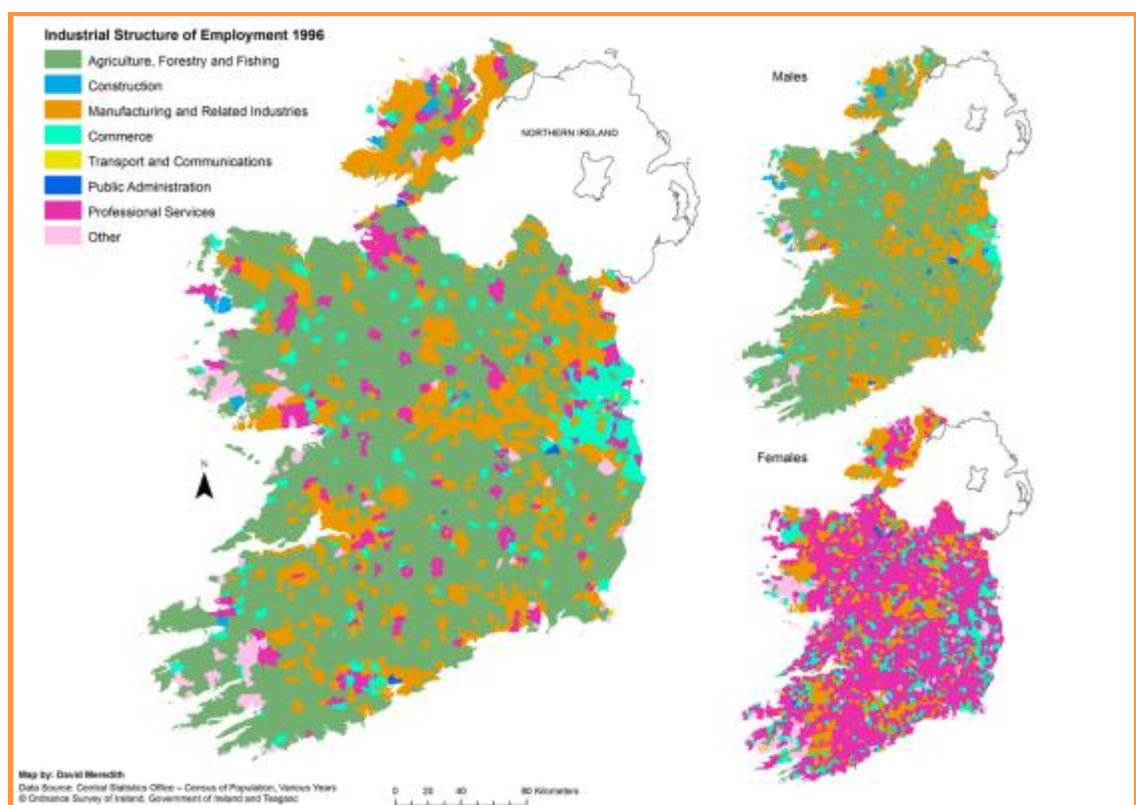
⁶ The labour force comprises the total population that is in work or seeking work.

⁷ Defined by the CSO as "Persons who, in the week before the survey, were without work and available for work within the next two weeks, and had taken specific steps, in the preceding four weeks, to find work." (CSO, 2012, Census of Population, 2011, CSO: Dublin.

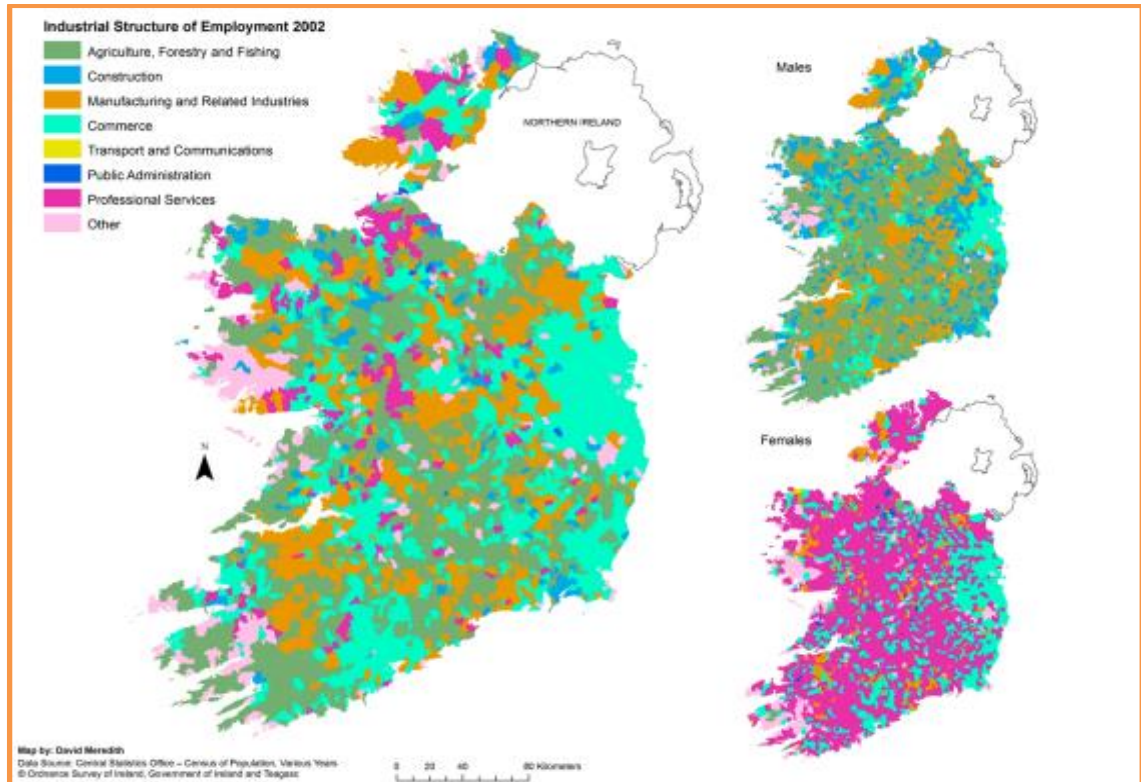
⁸ Electoral Divisions (EDs) are the smallest legally defined administrative areas in the State for which Small Area Population Statistics (SAPS) are published from the Census

support the future economic development of rural areas. The maps also display the interesting patterns of male and female participation in employment and in particular the increased participation by women in the rural economy.

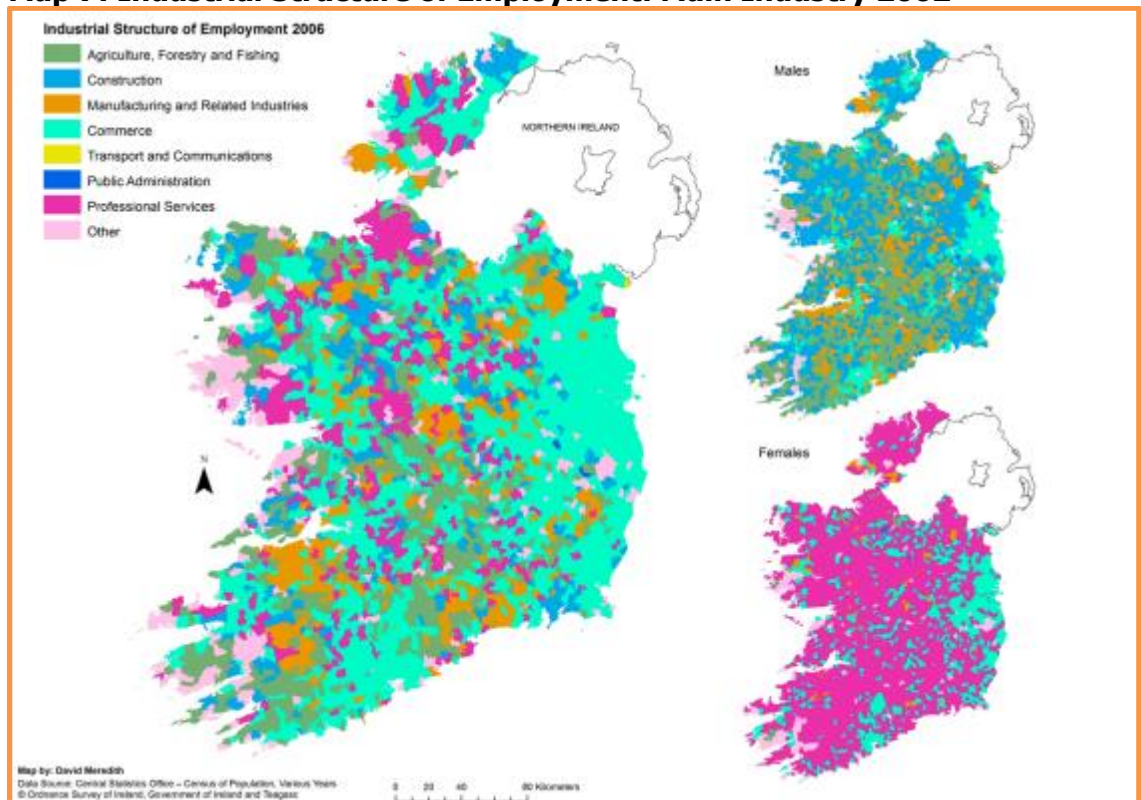
The first map highlights the relative importance of agriculture and related employment and manufacturing and related employment to rural areas in 1996. This map is broadly similar to the map depicting the industrial structure of male employment whilst female employment is largely concentrated in the Professional Services, Manufacturing and Commerce sectors. By 2002, substantial changes are evident, commerce related employment predominates in the hinterlands of the main cities and many of the larger towns, manufacturing employment and the construction sector has emerged as the dominant male employer in some EDs. It is evident that employment in the agriculture sector is in decline. This pattern persists and is amplified in the map associated with 2006; here one sees that, for males, construction related employment dominates most rural EDs. For women, the commerce and Professional Services sector were most important. By 2011, much of the employment in the construction sector had collapsed, commerce related employment had retreated back into the city hinterlands and Professional Services jobs, primarily filled by women, were dominant in many rural areas.



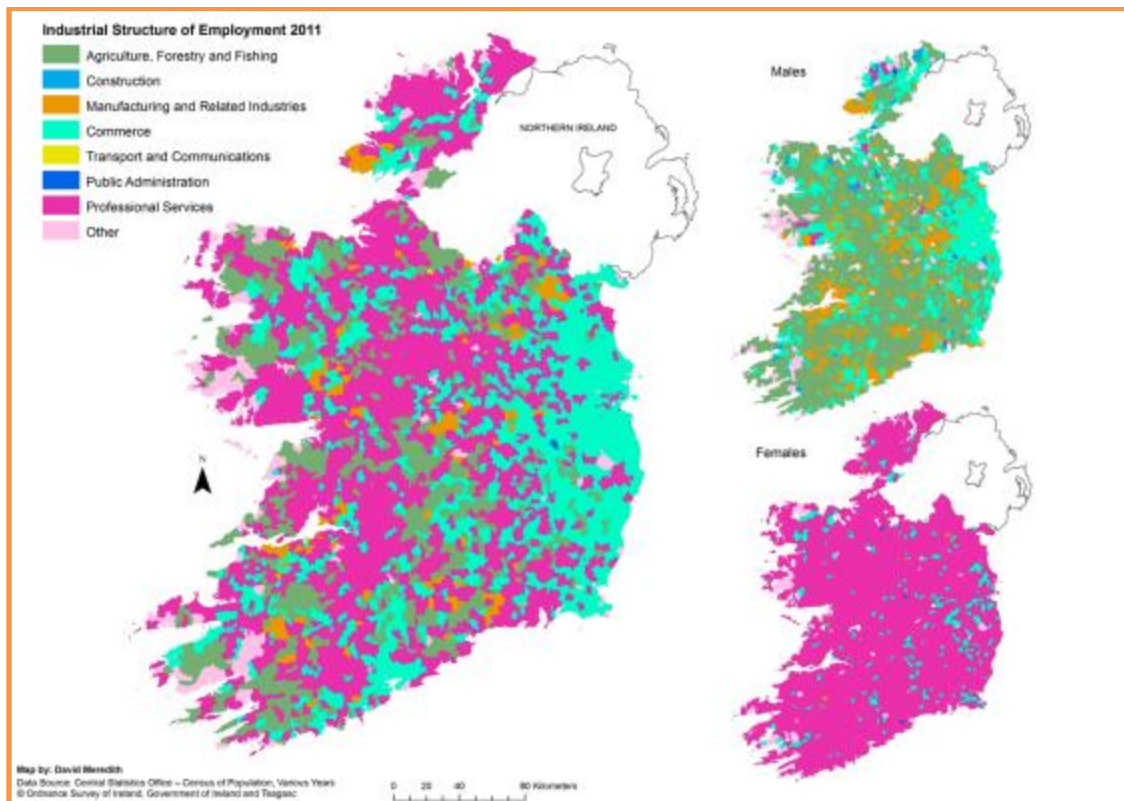
Map 6: Industrial Structure of Employment: Main Industry 1996



Map 7: Industrial Structure of Employment: Main Industry 2002



Map 8: Industrial Structure of Employment: Main Industry 2006



Map 9: Industrial Structure of Employment: Main Industry 2011

1.4 Unsustainable Economic Choices

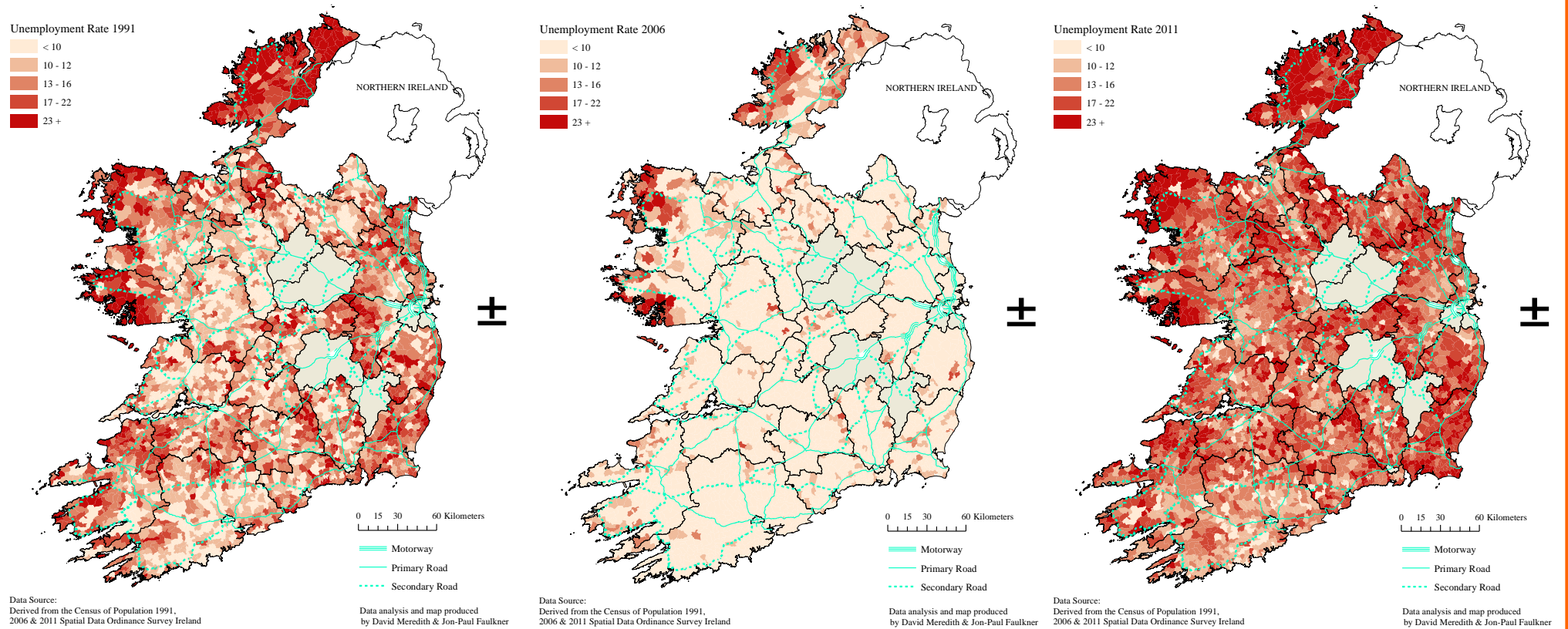
The economic growth experienced during the 1990s and early 2000s brought increased employment and reduced unemployment to most areas of the country, though some benefited more than others. While unemployment decreased substantially in the period between 1991 and 2006 the progress made during this period proved to be unsustainable as evidenced by the rapid increase in unemployment in the 2006-2011 period. There were, however, areas where unemployment remained high throughout the economic boom, particularly in parts of the West and North West of the country (Map 10). The research of the labour force undertaken by CEDRA highlighted the variability in the spatial distribution of unemployment between the countryside, towns and the cities in 2011, i.e. 30% of households in towns are jobless.

The changing relative importance of industrial employment is significant as it points to the decline of parts of the traditional rural economy, e.g. employment in agriculture, forestry and fishing, and captures the growing importance of mainly public sector employment in the Professional Services category to rural areas. Further to this, it highlights the influence of proximity to cities and towns on the industrial structure of employment, thereby providing an indication of the general concentration of certain sectors in particular places, e.g. commerce related employment. Finally, maps also show that the economic collapse has not been experienced in the same way in all rural areas or by all groups in the workforce, i.e. the disappearance of construction related male employment between 1991 and 2011. Recent research⁹ undertaken by University College Cork (UCC) Geography Department established that the ultimate consequence of unsustainable economic choices, migration, is most keenly felt in rural areas. This work established that 27% of households living in the countryside had experienced the direct emigration of at least one family member since 2006.

This contrasted with urban and accessible countryside areas where the corresponding figure was 15-17% of households. Once again, a distinction between accessible rural areas and less accessible areas can be drawn. This point is exemplified in the sequence of maps¹⁰ depicting the unemployment rate in each ED in 1991, 2006 and 2011 (see Map 10).

⁹ MacEinri, P. (2013) Irish Emigration in an age of austerity. UCC: Cork, http://www.research.ie/intro_slide/research-funded-irish-research-council-irish-emigration-age-austerity Accessed 27th November 2013

¹⁰ The scales have been held constant for all three maps to ensure that they are directly comparable.



Map 10: Unemployment Rate in the Republic of Ireland 1991, 2006 and 2011

1.5 Rural Ireland in summary:

The data presented above highlights some of the changes reshaping rural Ireland and also the complex implications of these developments. What is evident in the spatial patterns described above is a long running concentration process that draws people and some types of economic activity out of more remote or less accessible rural areas into urban areas *initially*. This is only part of the story. The past 20 years have seen flows of people and households out of the cities and many towns into the surrounding countryside, a process commonly referred to as counter-urbanisation. The impacts of these processes mean that accessible rural places are increasingly areas or 'zones of growth'. Less accessible and remote rural areas have not fared as well as these zones. Decline in traditional industries combined with a general inability to retain or attract sufficient population has denuded the critical social and economic capacity of these places, particularly through the process of youth migration. It has left them with relatively weak industrial structures, exposed to consolidation of various economic sectors, e.g. farming and food processing, high levels of persistent unemployment and emigration.

This is a rough and overarching picture of the key processes of rural change and some of their implications. A more nuanced assessment would show that, within these two broad categories of rural areas, that there are distinctive subgroups of rural areas, e.g. rural areas with strong agri-food economies, rural areas that are transitioning from an agrarian based economy to increasing dependence on the services sector. The central point is that neither rural areas nor the communities that live within particular types of rural area are homogenous. Past failures to adequately understand or fully appreciate the implications of this point accounts, to a large degree, for the increasing disparities between different types of rural areas. Simply put, a sector based strategy to rural development is insufficient. Growing spatial, social and economic disparities between rural areas are a reflection of the fact that stronger rural areas are not only located in a geographically advantageous place but also have the human and social capital to identify their needs and effectively engage with the design and implementation of a variety of local, regional and national supports such that whatever strategies are developed, they can use these to further their development. During the Commission's Public Consultation process a number of rural areas stood out as examples of places with highly engaged communities that were proactive in responding to the challenges confronting them through the development of their resources. In many instance, the success of these groups has been in the identification of a specific need, the identification of potential and subsequently harnessing a network of pre-existing supports. Some have been engaged in this process over many years, e.g. Letterfrack, Kilmallock and Dunhill whilst others, e.g. the East Clare Development group and Oldcastle, Co. Meath, are at a relatively early stage. Regardless of their degree of maturity, each of these communities is characterized by the integrated and territorial approach that they have adopted in response to the challenge of economic development.

This approach is similar to the kinds of community led local development approaches that have proven to be an effective method of supporting local development in the past, not just in Ireland but all over Europe. The achievement of rural places such as Dunhill in creating employment points to the potential of this model of development. This success is inextricably linked to the emphasis on overcoming specific local challenges and exploiting local opportunities through the development of local

resources. This is something that is impossible for a national or indeed regional level strategy to deliver and highlights the key benefit in partnering with sub-county areas by facilitating their participation in the design and delivery of local economic development. Fundamental to the success of bottom-up approaches is the capacity of those involved to negotiate the maze of local, regional and national strategies and supports that can enable them to finance community economic development initiatives.

4. Economic Outlook and the prospects for rural areas

4.1 Introduction: Macroeconomic Context

Macroeconomic and budgetary outturn 2012

Data published at the end of June show that having returned to growth in 2011, Ireland achieved a second successive year of growth in 2012, with GDP expanding modestly by 0.2 per cent.

Disposable household income rose over the course of last year, while the household savings rate declined from the second quarter onwards. Core retail sales remained in positive territory and the year-on-year decline in house prices is slowing. However public consumption continued to decline, in line with consolidation-related policy objectives.

While building and construction continued to decline during 2012, increased spending on machinery and equipment was evident throughout the year, including in the important non-aircraft component. The availability of credit is clearly crucial for continued recovery in investment, especially by the SME sector. In 2012, there were 145 individual investments by multinational companies in Ireland, with over 40 per cent from companies coming to Ireland for the first time. The IDA client base in Ireland now employs 152,785 people, a level last recorded before the global financial crisis began in 2008. Net job creation rose to 6,570 from 5,934 last year.

The external situation provided a mixed picture for growth. Although exports grew by 1.6 per cent in 2013, the pace of growth slowed over the course of the year. In particular, good exports contracted for the first time since 2009 due to both the general slowdown in Ireland's trading partners as well as product-specific developments, most notably in the pharma-chem sector. The services-exporting sector is playing an increasingly significant role in export growth, having grown by 6.9 per cent in 2012, owing much to the significant price and cost adjustments that have taken place in recent years and is being led by increased exports of business and IT services. This gave rise to two interesting developments; firstly, the value of services exports exceeded that for goods exports for the first time and secondly, services exports exceed services imports, thereby reversing the traditional deficit on services trade.

Imports of goods and services remained flat in 2012. There was an improvement in the terms of trade and the overall trade balance expanded once again in 2012. At the same time, the factor income flow deficit narrowed, mainly due to firm-specific developments (which may unwind over the forecast horizon).

Exchequer tax revenue grew by 7.7 per cent on a headline basis in 2012, the second consecutive year of growth since the crisis began. On the spending side, the 2012 provisional outturn shows that gross expenditure fell by 2.8 per cent year-on-year, reflecting the impact of the significant adjustments made to expenditure in Budget 2012.

The Exchequer deficit or Exchequer borrowing requirement (EBR) in 2012 was €14.9 billion, compared with an Exchequer deficit of €24.9 billion in 2011. In general government terms, the underlying deficit is estimated at €12.5 billion (7.6 per cent of GDP), well within the limit target of 8.6 per cent of GDP set by the ECOFIN Council. However, the general government debt-to-GDP ratio has increased significantly in recent years, as a result of a substantial mismatch between government expenditure and revenue, and the large support the State has had to provide to the banking sector. At end-2012, Ireland's general government debt stood at an estimated €192 billion or 117 per cent of GDP.

Current macro-economic and budgetary developments

Ireland's economy is still facing considerable challenges given slow global growth and the challenges of working through the imbalances built up during the boom. The importance of a vibrant domestic economy cannot be understated. Domestic activity drives employment and its recovery is a vital precondition to tackling Ireland's high level of unemployment. The global economic backdrop remains challenging, particularly in the advanced economies with which Ireland conducts the bulk of its trade.

Preliminary GDP estimates for the first quarter of 2013 were less encouraging. Having shown some signs of stabilisation in the second half of 2012, all components of domestic demand contracted in the first quarter of 2013, owing somewhat to one-off factors such as the change in the registration system for cars and a decline in aircraft purchases. Exports also declined in the first quarter of 2013 as the negative affect of weak demand from trading partners and the impact of the patent cliff in the pharma-chem sector continued. However it should be noted that quarterly estimates of GDP in Ireland are volatile and subject to revision. GDP contracted by 0.6 per cent in the first quarter of this year and was down 0.9 per cent when compared with the same quarter in 2012.

Nevertheless, there have been some positive developments of late in the labour market. Data from the quarterly national household survey show that employment (seasonally adjusted) increased in each of the last three quarters, with the result that annual employment growth of 1.1 per cent was recorded in the first quarter of 2013. The standardised unemployment rate at 13.6 per cent in June is showing some signs of falling, albeit from an unacceptably high level, with long-term unemployment now a prominent feature of the labour market. This high unemployment rate (up from 4 per cent in 2007) is the unfortunate legacy of the crisis in Ireland.

House prices have essentially stabilised since last summer. Year-on-year national prices are down 1.1 per cent in May although modest annual growth of 1.4 per cent was recorded in Dublin.

The current estimate of the Exchequer deficit or EBR for 2013 is €11.2 billion, while the underlying general government deficit for 2013 is forecast at 7.4 per cent of GDP. The debt ratio is expected to peak in 2013.

Medium-term growth and budgetary prospects 2014-2016

Medium-term forecasts are based on the assumption of an improvement in demand in our main exports markets over the second half of 2013, and that this recovery gains momentum next year and thereafter. Together with gains in competitiveness in

recent years, this should underpin an acceleration in Irish export growth in the coming years.

The baseline assumption is for domestic demand growth to strengthen gradually over the forecast horizon. Continued modest employment growth should support further modest increases in consumer spending, although high levels of household indebtedness mean that the savings rate will decline only gradually over the medium term. Government consumption is set to contract in line with policy objectives. Investment is set to increase modestly in line with the need to return capital formation to a higher level consistent with growth in the capital stock. Import growth is assumed to accelerate, in line with the outlook for final demand.

Further adjustments will be needed in the coming years to reduce the deficit and to put the debt-to-GDP ratio on a downward path. Once the excessive deficit is corrected, the public finances in Ireland will be subject to the binding requirements of the preventive arm of the Stability and Growth Pact and the Treaty on Stability, Coordination and Governance (the 'fiscal compact'). In summary the requirement will be to make sufficient progress towards our Medium Term Budgetary Objective, which is for a balanced budget in structural terms.

It is against this national economic backdrop that rural areas will develop in the coming years. There is, however, the broader backdrop of social, demographic and economic trends described in Section 2 above that will shape the capacity of rural areas to develop. This capacity is influenced by a number of high level processes that shape economic investment and disinvestment decisions. These are considered below in terms of their impact on the prospects of rural areas.

4.2 The Prospects for Rural Areas in Ireland

The economic sustainability of different types of areas such as urban and rural, or peripheral and central areas, is a regular concern in policy circles and among the general public in many countries including Ireland. Typically, the debate derives from concerns about spatial equity, the sustainability of remote rural area or from concerns about growth, (efficiency).

Spatial patterns of development are also becoming more important as there appears to be a trend of convergence at national level across developed countries regarding key competitiveness factors. This is due to international competition for mobile investment that has resulted from increasing globalisation. For example, the OECD tax data base shows that corporation tax rates have, on average, decreased since 2000, and the variation across 34 OECD countries has declined, which shows that there has been convergence across countries; thus corporation tax is becoming less of a factor in the location decisions of firms. Convergence has also been found in terms of human capital, (Sab & Smith, 2001). Such convergence at national level implies that local factors matter relatively more than they used to in terms of distinguishing investment locations.

Rather than provide a forecast for rural areas, which would be subject to significant forecast error, this paper aims to highlight likely trends and patterns. Therefore, this chapter aims to identify the likely prospects for rural areas in Ireland by considering the findings of the academic literature on the processes that shape Ireland's

economic geography, and with reference to recent trends in key variables relating to population and economic activity.

While there is a lot of descriptive analysis, e.g. through mapping on spatial patterns in Ireland, (see Gleeson et al, 2008), this type of analysis rarely uncovers the underlying processes that drive developments, and which need to be understood in order to identify likely future trends and designs appropriate for the implementation of policy. Therefore, the specific focus here is concerned with analysis that seeks to explain the drivers of spatial development.

A crucial issue in considering rural/urban difference is the actual definition of what constitutes a rural and urban area. One approach is to use the legally defined boundaries of urban areas. However, as pointed out by the OECD (2012), legally defined boundaries can vary in size and are therefore not necessarily comparable. Furthermore, it is important to be able to analyse specific changes within larger urban areas, so that the focus is not on the entire, legally defined area of the urban centre, which might not be useful for that particular observation. Furthermore, some urban areas have sprawled beyond these boundaries, while others may have quite low population densities and are therefore more akin to rural areas. The OECD (2012) proposes a methodology involving the use of satellite imagery in order to compensate for areas within the legally defined boundaries of a city which are not built up. This approach is beyond the scope of this chapter, but, as data is available at the Electoral District (ED) level, which for large urban centres like Dublin are considerably smaller than the legally defined area, using a conventional density threshold approach will yield very similar results. The OECD has traditionally applied a threshold of 1500 per km² to identify urban core areas. In 2011 there were just 462 EDs above this threshold, accounting for 33% of the population. As this would exclude many smaller urban areas, the approach adopted here was to use a threshold density set at 200 persons per square kilometre. Using this definition, urban EDs accounted for 58.5% of the population in 2011, which is smaller than the proportion accounted for by the aggregate urban areas (62%) that are based on the legally defined boundaries of urban centres. On the basis of this definition, the degree of urbanisation has steadily increased from 52.5% in 1986 to 58.5% in 2011.

Another consideration is the definition of remoteness. One way this can be defined is as the average distance between EDs, which leads to EDs in the centre of the country being the most central and those on the coastline being relatively remote. A variation on this definition is to use population weighted average distance, which, given the relatively dispersed population, still yields unsatisfactory pattern. An alternative is to consider proximity to employment, which is weighted by the inverse distance, but with a cut-off of 60 kilometres applied. Using this measure, the closer proximity to employment the greater the weighted value, and employment that is more than 60 kilometres away is not taken into account. The 850 EDs, (equivalent to 25%), which are furthest to employment centres are deemed remote. These remote areas are comprised of the Cooley peninsula, the northern half of Monaghan, Cavan,

Leitrim, Sligo, Donegal, Mayo, western Galway, western Clare, western Kerry, western Cork, eastern most parts of Wexford, and the border between Galway, Offaly and Tipperary North. Major urban areas in these counties, such as Sligo, tend to be identified as central. In 2011 they accounted for 11% of the population, however, this share has declined over time from 12.6% in 1986. Using the same approach, but selecting the 850 EDs with the largest employment hinterlands, identifies the central EDs which comprise the greater Dublin area and major urban centres. These accounted for 57% of the population in 2011.

The remainder of this section is organised as follows; an analysis of the geography of economic activity precedes an assessment of the spatial distribution and trends in agriculture and forestry. The determinants of the observed spatial patterns are then assessed before presenting a summary and discussion of the implications and prospects for rural areas.

4.3 Spatial Patterns and Trends in Economic Activity¹¹

O’Leary¹² (2001) showed that there had been a convergence in living standards across Irish regions between 1960 and 1979, but a divergence between 1979 and 1996; a similar trend was also found in Boyle et al¹³. (1998). Divergence was found to have continued up to 2003, (Morgenroth¹⁴, 2007), but this was driven by particularly strong growth in the Dublin region. That study highlighted the role of differences in the sectoral structure across regions as a factor in driving the differences in economic performance. This trend of divergence has continued, and indeed the economic crisis of recent years appears to have accelerated the degree of divergence, as is evident in Figure 4, which shows an index of per capita gross value added (GVA). The figure shows that only Dublin and the South-West regions have a level per capita GVA in excess of the national average, while the Border, Midlands, and South-East regions, have the lowest per capita GVA.

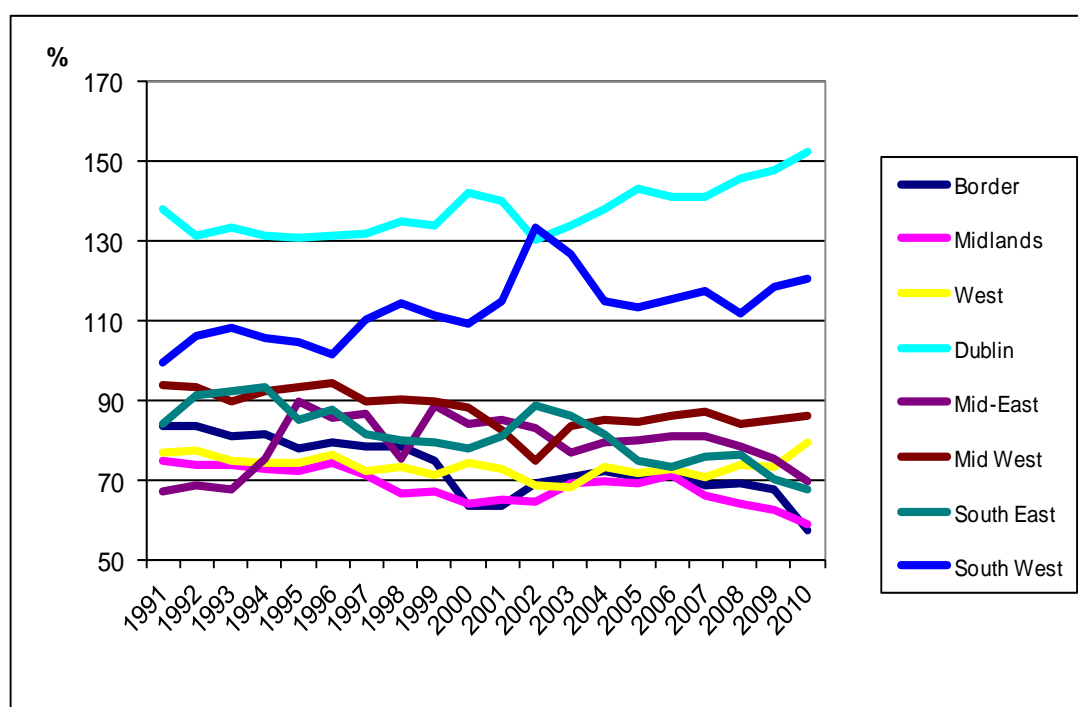
¹¹ This section (pages 47 – 56) was prepared by Dr Edgar Morgenroth of the ESRI. It reflects work in progress. The editors of this report are grateful to Dr Morgenroth for taking the time to produce this early draft of some of his research on regional and local economic development trends.

¹² O’Leary, E. (2001) “Convergence of Living Standards among Irish Regions: The Roles of Productivity, Profit Outflows and Demography, 1960-1996”, *Regional Studies*. Vol. 35(3): 197-205.

¹³) Boyle, G., McCarthy, T. and J. Walsh (1998-1999) “Regional Income Differentials and the Issue of Regional Equalisation in Ireland”, *Journal of the Statistical and Social Inquiry Society of Ireland*. Vol. 28(1): 155-99.

¹⁴ Morgenroth E., (2007) “Trends in the Regional Economic Activity in Ireland: The Role of Productivity” in Aylward, C., and R. O’Toole (eds.), *Perspective on Irish Productivity*. Dublin: Forfás. 2007, 66- 83

Figure 5: Index of Per Capita Gross Value Added, 1991-2010 (100%= National Average)



Source: CSO County Incomes and Regional GDP, various issues.

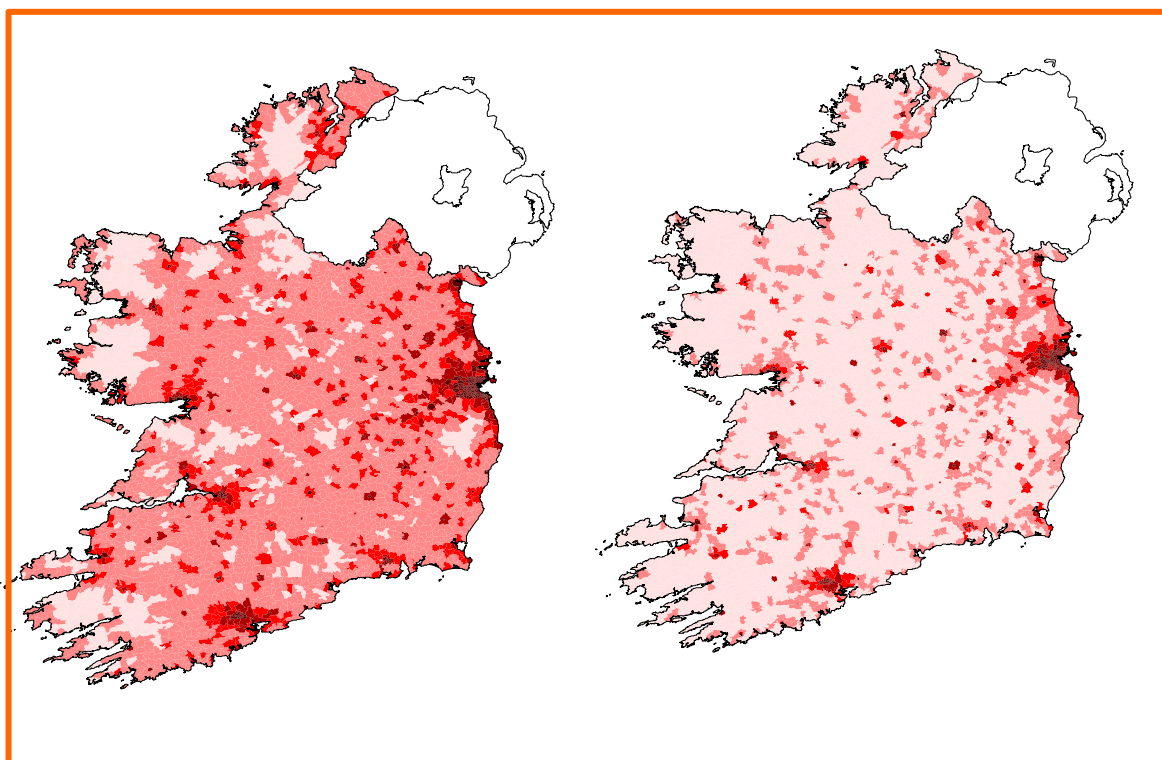
Across all regions there has been strong divergence in per capita real incomes between 1991 and 2000, and slight convergence since, with the pace of convergence accelerating slightly after 2008. Income differences are smaller than the differences in output, reflecting the redistributive nature of the tax and welfare systems. Morgenroth¹⁵ (2010) shows that public expenditure exceeds total tax revenue for most regions, and that consequently there were substantial transfers, primarily from Dublin and to a lesser extent from the Mid-east and South-West regions, to other regions between 1995 and 2004. An update of this analysis reveals that the level of transfers increased substantially up to 2008, but has declined slightly in 2009.

Unemployment and employment at the regional level was analysed in Morgenroth¹⁶ (2013), which found significant heterogeneity and divergence across the regions, with the South-East, Midland and Border regions having the highest unemployment rates, (3rd quarter 2012). The study also found that unemployment rates would have reached much higher levels if there had not been a significant decline in labour force participation. This dampening effect was found to be most significant in the Border region.

¹⁵ Morgenroth E., (2010) "The Regional Dimension of Taxes and Public Expenditure in Ireland". *Regional Studies*, Vol. 44(6): 777-789

¹⁶ Morgenroth E., (2013) "The Regional Dimension of the Unemployment Crisis" in Duffy, D., Durkan, J., and K. Timony (eds.) *ESRI Quarterly Economic Commentary*, Winter.

For Ireland, Morgenroth¹⁷ (2009) found that there were statistically significant differences in employment location between sectors in Ireland, using 2006 data at the Electoral District (ED) level, which suggests that the location requirements of the varying sectors differ. This can be seen in Map 15, where the scale in both maps is the same and a darker shade of red indicates a higher density. The left map shows the distribution of the population, and the map on the right shows the distribution of employment, (where jobs are located). A comparison between the two maps reveals that employment is considerably more spatially concentrated than the population. In particular the paper found a strong preference of high value added sectors for urban locations. This is an important finding as high incomes can only be maintained with high value added activities. An update of the analysis using 2011 data reveals that urban areas have increased their share in economic activity by 4.1% overall, and in all but 9 out of 30 sectors since 2006. This suggests that firms in urban locations have fared better during the economic crisis. In 2011, urban areas accounted for 72% of all employment compared to 68% in 2006. Remote areas accounted for just 6.6% of employment in 2011, down from 7.6%, while central areas had increased their share of employment from 66.6% to 68.2%.



Map 11: Population Density and Employment Density, 2006

Source: Morgenroth, 2009¹⁸

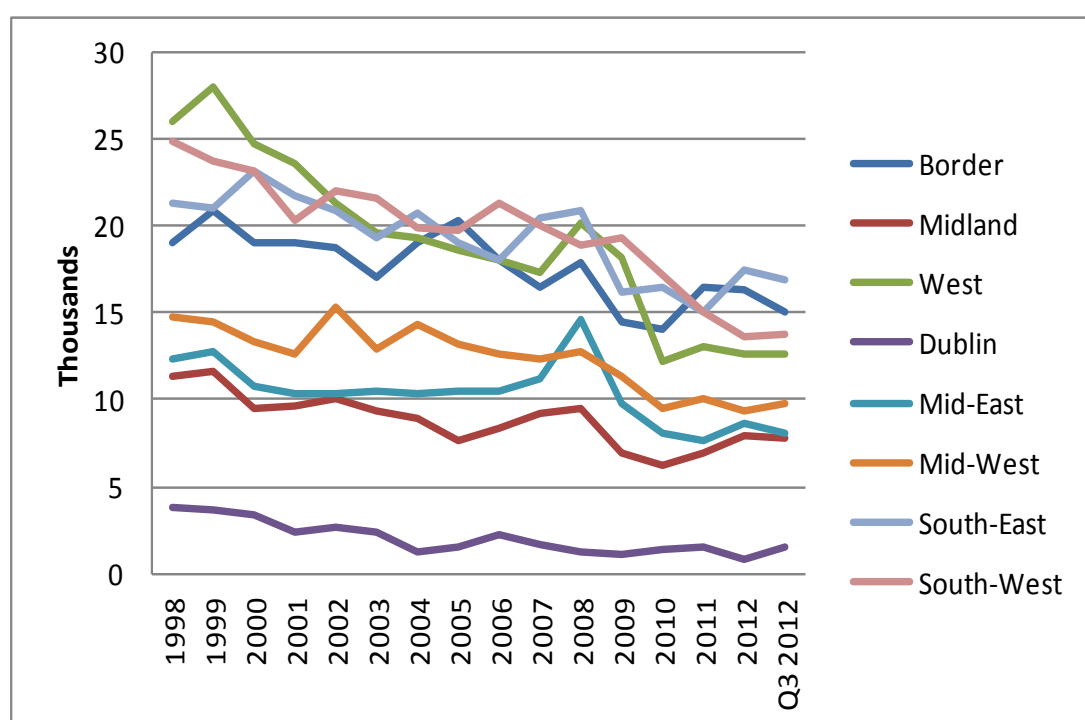
¹⁷ Morgenroth E., (2009) "Exploring the Economic Geography of Ireland" *Journal of the Statistical and Social Inquiry Society of Ireland*, Vol. 38: 42-69

¹⁸ *ibid*

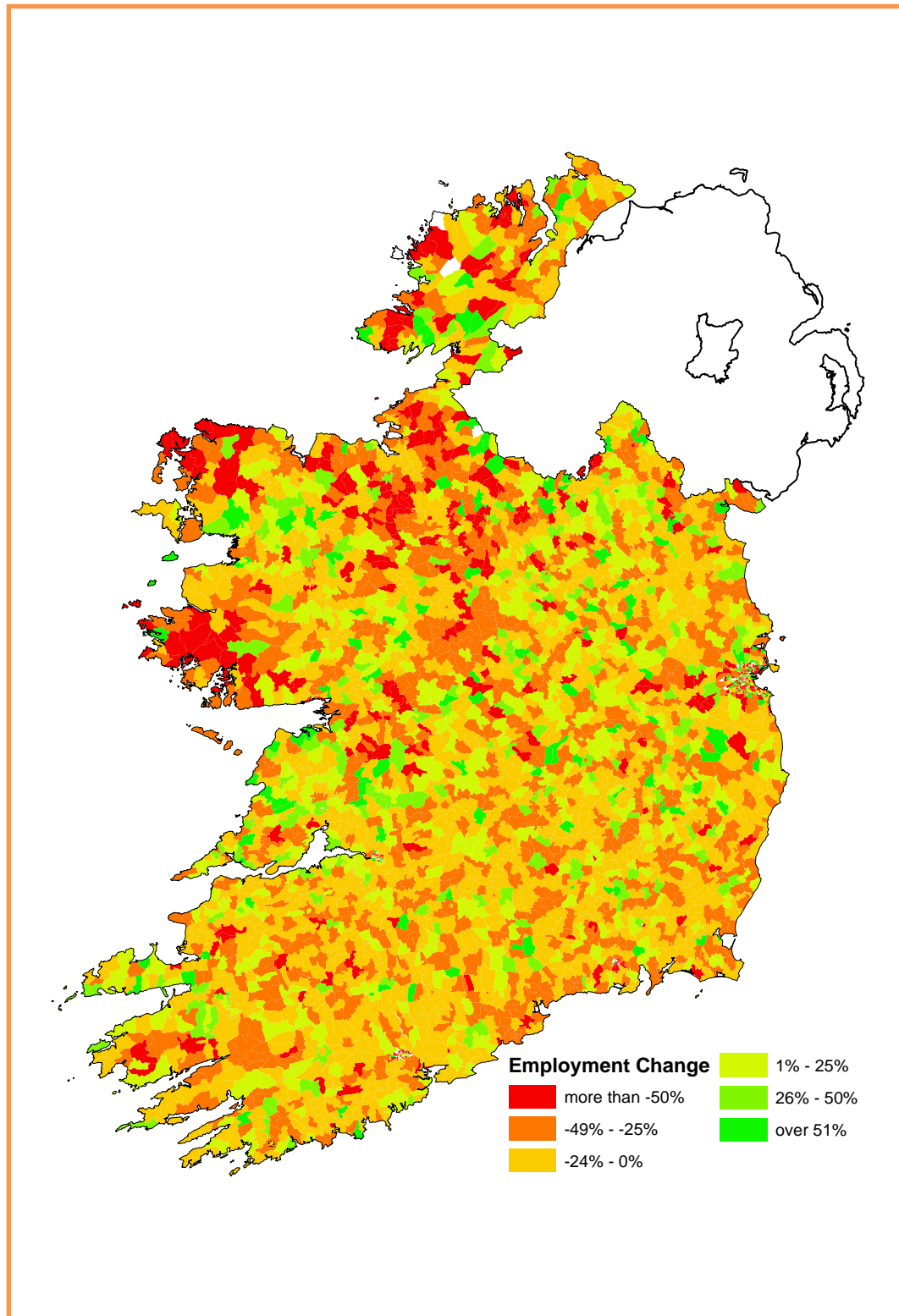
The analysis above suggests an urban-driven pattern of development. However, the differential scale of urban based sectors relative to rural based sectors may mask some important trends. It is therefore also important to consider the key rural based sectors separately. Primary activities are rural driven, and these are considered in this section.

Figure 5 shows regional employment in Agriculture, Forestry and Fishing for the second quarter of each year from 1998, and also the most recent data point for the third quarter of 2012. Overall the trend has been downwards, although there appears to be some growth over the very recent period. Nevertheless, there would have to be very significant growth before the level of employment in 1998 could be reached again, since the total employment in Agriculture, Forestry and Fishing has declined by 36%. Furthermore, this decline has been most significant in the West (-51%) and South-West (-45%) region. It is also possible to consider the spatial distribution of employment change in Agriculture and Forestry in more detail using a special tabulation of the CSO Census travel to Work data (POWCAR), (see Morgenroth, 2009), which can be mapped at the Electoral District level. Map 2 shows that there are significant areas of Sligo, Leitrim, Mayo, Galway and Donegal that experienced a particularly significant decline, (more than 50%), in employment in the sector. The map also shows that there are areas that had a significant increase in employment in agriculture and forestry.

Figure 6: Employment in Agriculture, Forestry and Fishing, by region



Source: CSO Quarterly National Household Survey.



Map 12: Employment Change in Agriculture and Forestry

4.4 Explaining Spatial Differences in Economic Activity

The important question is why agglomerations emerge in the first place. A substantial amount of literature has explored this issue, and the findings are summarised in the following. In addition, some empirical details regarding the Irish context are also detailed.

Agglomerations are cheaper to supply with goods and intermediate inputs because transport costs are typically lower than if a more dispersed population of a set of firms are supplied. Agglomerations imply a higher local labour supply, which means that a firm is more likely to find staff locally, particularly if they are looking for specific skills. For workers, there is also an advantage, as the likelihood of finding the right job increases with the number of firms. The cost of providing infrastructure also tends to be lower in agglomerations once this cost is measured on a per capita or per job basis, (Büttner et al. 2004¹⁹; Sole-Olle & Hortas Rico, 2010²⁰), which leads to higher levels of infrastructure development in agglomerations, which reinforces the agglomeration economies. Research has found that the agglomeration economies – the benefits from agglomeration – tend to be spatially confined. For example, Graham²¹ (2009) found that such externalities are confined to a 10 kilometre radius.

As agglomerations develop, the positive aspects of agglomeration reinforce the advantage leading to a cumulative self-reinforcing process, often referred to as cumulative causation. Of course, as urban centres grow, there is a tendency for congestion to reverse this advantage, and the literature has shown that excess agglomeration leading to a high concentration in one or a few centres, has a negative impact on growth, (Henderson, 2003²²), and that reducing congestion leads to strong growth, (Hymel, 2009²³).

Closely related to agglomeration economies are density economies. International research has found that the productivity of firms located in areas with a high employment density is higher than the productivity of firms located in low density areas, (e.g. Ciccone and Hall, 1996²⁴; Ciccone, 2002²⁵). It has been found that half of

¹⁹ Büttner, T., Schwager, R., & Stegarescu, D. (2004). AGGLOMERATION, POPULATION SIZE, AND THE COST OF PROVIDING PUBLIC SERVICES: AN EMPIRICAL ANALYSIS FOR GERMAN STATES. *Public Finance & Management*, 4(4): 1 – 16.

²⁰ Hortas-Rico, M., & Solé-Ollé, A. (2010). Does urban sprawl increase the costs of providing local public services? Evidence from Spanish municipalities. *Urban Studies*, 47(7), 1513-1540.

²¹ Graham (2009) Graham D., (2009) “Identifying urbanisation and localisation externalities in manufacturing and service industries”, *Papers in Regional Science*, Vol. 88(1): 63-84.

²² Henderson, V. (2003). The urbanization process and economic growth: The so-what question. *Journal of Economic Growth*, 8(1): 47-71.

²³ Hymel, K. (2009). Does traffic congestion reduce employment growth?. *Journal of Urban Economics*, 65(2): 127-135.

²⁴ Ciccone, A., and R. Hall (1996) “Productivity and the Density of Economic Activity”, *American Economic Review*, Vol. 86(1): 54-70.

²⁵ Ciccone A., (2002) “Agglomeration Effects in Europe”, *European Economic Review*, Vol. 46(2): 213-227.

the variance of output per worker across US states can be explained by differences in density. This is due to the same type of production externalities that generate agglomeration economies e.g. shorter transport distance, increased supply and demand for skilled labour (competition). However, it could be argued that this effect is simply the result of firm selection where because of increased competition in agglomerations, the firms that survive are more productive than firms that face less competition. This was tested in a recent paper which found that firm selection is not a factor in explaining the productivity differences across areas with different densities (Combes et al. 2012²⁶).

Sectoral diversity is another reason why agglomeration economies emerge, as the degree to which there can be diversity is proportional to the scale of the economic activities taking place in an area. If a firm requires inputs, (services and products), from a diverse set of sectors/firms then this demand is easier to meet if these firms present locally. Thus, diversity leads to improved local supply linkages, which in turn leads to growth, (Quigley, 1998²⁷). Again transport costs play a role in this.

In a large pan-European study Krieger-Boden, Morgenroth and Petrakos²⁸ (2008) found that regions with declining levels of specialisation tended to grow faster. Also, as part of this study, Morgenroth²⁹ (2008) reports a negative impact of specialisation on output for Irish regions. The degree of sectoral specialisation in Ireland at the ED level was analysed in Morgenroth³⁰ (2009), which found that in 2006, EDs surrounding the major urban centres were the most diversified, while some rural EDs were the least diversified, (most specialised). More contemporary data for 2011 shows that this pattern persisted, but that there had been, on average, an increase in specialisation, which was not surprising given that employment had declined significantly. One interesting finding concerned the fact that there was a negative relationship between specialisation and employment change at the ED level in Ireland from 2006 to 2011, which confirmed the negative relationship between specialisation and growth.

Innovation and knowledge development have also been found to be very place-specific, which reinforces the idea of agglomeration economies; for example, knowledge spillovers have been found to be spatially restricted and thus have

²⁶ Combes, P. P., Duranton, G., Gobillon, L., Puga, D., & Roux, S. (2012). The productivity advantages of large cities: Distinguishing agglomeration from firm selection. *Econometrica*, 80(6): 2543-2594.

²⁷ Quigley J. (1998) "Urban Diversity and Economic Growth" *Journal of Economic Perspective*, Vol.2(2): 127 – 138.

²⁸ Krieger-Boden C., Morgenroth E., and G. Petrakos, (2008) *The Impact of European Integration on Regional Structural Change and Cohesion*, London: Routledge.

²⁹ Morgenroth E., (2008) "Economic Integration and Structural Change: The Case of Irish Regions" in Krieger-Boden, C., Morgenroth, E. and G. Petrakos (eds.) *The Impact of European Integration on Regional Structural Change and Cohesion*. London: Routledge.

³⁰ Morgenroth E., (2009) "Exploring the Economic Geography of Ireland" *Journal of the Statistical and Social Inquiry Society of Ireland*, Vol. 38, pp.42-69

created agglomeration economies (Audretsch, 1998³¹). Therefore, it is hardly surprising that industries in which knowledge spillovers are greater, have a greater propensity to cluster than industries where knowledge externalities are less important (Audretsch & Feldman, 1996³²). An important reason for the limited spatial reach of knowledge spillovers is the fact that, particularly in knowledge intensive industries, informal contacts play an important role in facilitating overflows. While such informal contacts may arise more readily in smaller places, the volume and range of such contacts are significantly greater in agglomerations (e.g. Dahl & Pedersen, 2004³³).

A key factor in this process is the spatial distribution of skilled workers, which can be readily measured across regions, counties, and EDs in Ireland. There has been strong divergence in educational attainment rates across Irish counties since the 1960s; for example, in terms of the proportion of the population who have completed third level education, the difference between the highest and lowest was 9.4% in 1971, but was 28.8% in 2011. Thus, as educational attainment has increased, the spatial differences in this variable have also increased. This finding is consistent with the results produced by Combes et al.³⁴, (2008) who shows that highly skilled individuals agglomerate in the larger, denser and more skilled labour markets, and up to half of the differences in wage rates across local labour markets can be attributed to differences in human capital.

The highest proportion of the population with a third level qualification was found in Dun Laoghaire-Rathdown, where in 2011, almost 50% of those who had completed their education had a third level qualification, while in Offaly, this proportion was just 20.7%. It is also noteworthy that in 2011 75% of PhD holders resided in urban areas, compared to 58.5% of the population; and the fact that just 5.5% resided in remote areas, compared to 11% of the population, emphasises this phenomena. Hence, it seems that the more educated a person is, the more likely it is that they are drawn to more densely populated urban areas, where it is easier to get a job that is commensurate with their level of qualification. The high number and density of such skilled individuals reinforces the advantage of large urban centres in terms of attracting firms.

In addition to wage rates, and the probability of finding a suitable job, highly skilled individuals choose their residential location on the basis of other quality of life characteristics. Glaeser et al.³⁵, (2001) have shown that cities with better consumer amenities such as shops and restaurants have faster growth. Here again, a process

³¹ Audretsch D. (1998) "Agglomeration and the Location of Innovative Activity" *Oxford Review of Economic Policy*. Vol. 14(2): 18-29.

³² Audretsch D., and Feldman, (1996) "R&D Spillovers and the Geography of Innovation and Production", *American Economic Review*, Vol. 86(3): 630-640.

³³ Dahl M., and C. Pedersen (2004), "Knowledge Flows through Informal Contacts in Industrial Clusters: Myth or Reality?", *Research Policy*, Vol. 33, (10): 1673-86.

³⁴ Combes, P-P, Duranton, G., Gobillon, L., Puga, D., and S. Roux (2012) "The Productivity Advantages of Large Cities: Distinguishing Agglomeration from Firm Selection", *Econometrica*, Vol. 80(6): 2543-2594.

³⁵ Glaeser, E., Gyourko, J., and A. Saiz (2001) "Consumer City", *Journal of Economic Geography*, Vol. 1(1): 27-50.

of cumulative causation applies, whereby a larger centre can maintain a higher level of consumer amenities and thereby attract additional population. This also points to an important policy tool, namely the improvement of quality of life in order to attract highly skilled individuals.

4.5 Summary, Implications and Discussion

This paper has shown that there has been a significant population shift from more remote regions towards the core economic areas, but also from central urban areas to surrounding hinterlands. This shows that population movements are largely related to the development of larger urban centres, which influences the development of the wider hinterland. It also shows that Ireland has a relatively weak urban system, whereby only Dublin would be considered on an international scale, and that scale declines quicker in Ireland than in other countries.

There has been a trend of divergence in terms of GDP across regions in Ireland. Not surprisingly, economic activity is concentrated in urban areas. However, this concentration is increasing. Thus, while there is a degree of population dispersion, the opposite is true for economic activity. Also, the higher value added sectors have a strong preference for urban locations. Employment in agriculture, forestry and fishing has declined steadily over the years. Even though there has been a slight increase in recent times, this would have to be sustained over a very long period to counterbalance the long term decline, which is unlikely in an industrialised country.

More generally, rather than displaying an urban-rural dichotomy, the spatial patterns described here constitute a quadchotomy between urban/rural and economically central and remote. With remote areas, be they urban or rural, faring worse; while rural central areas have seen growth.

There are a number of implications from this analysis. Firstly, the likely future trends of different type of areas will be subject to the quadchotomy described above. Remote areas are likely to decline further. Remote rural areas have experienced significant reductions in employment in rural based activities. As these areas typically have poorer land, quality agriculture is unlikely to get more intensive. Remote urban areas suffer from a lack of scale, and given that their hinterland has been contracting, these are also declining. Reversing these trends will be difficult.

Economically, central areas are likely to continue performing better based on the agglomeration forces and the greater diversity available in such agglomerations. However, urban centres have lost population, which implies an increase in commuting distances, which in turn imposes costs on individuals. Rural areas that are close to the large centres of economic activity are likely to be influenced by urban-driven development, both in terms of population and employment. However, this will impact on the rural character in those areas.

While these are the likely patterns of development, they are not an absolute rule, and it also does not imply that more peripheral rural areas cannot develop. Rather, it means that the development path of such areas will be different, where development will initially need to be through innovative actions in sectors that are currently sustainable in these areas, and building on their strengths to attract further sectors. Furthermore, these areas can develop through an improved quality of living, which can be influenced by local decisions.

This analysis also has important policy implications; if sectors have very specific locational requirements, and the analysis here suggests they do, and their requirements appear to be related to urban agglomeration, then a policy of spreading employment will be counterproductive in a globalised world economy, where firms are free to seek the most profitable location for their activities at a global level. Thus, while such a policy might be thought to reduce regional disparities, it is likely to result in overall lower welfare.

5. Achieving Social Inclusion in Rural Areas

5.1 Context

- The primary objective of economic policy is to improve the welfare or wellbeing of the population and that furthermore, that economic policy should strive to improve fairness and social inclusion within society, particularly in relation to lowering the rate of poverty.
- The Government policy approach to tackling poverty and social exclusion is set out in the National Action Plan for Social Inclusion 2007-2016. The plan sets out a comprehensive programme of actions to reduce poverty and provides a strategic framework to facilitate greater co-ordination and integration of structures across Government. The plan identifies, as a priority, the tackling of poverty in urban and rural areas. Three high-level goals are set to address disadvantaged communities:
 - high quality housing
 - access to healthcare services via primary care teams
 - integration of migrants, in particular in education system
- A range of actions are contained in the plan aimed to enable communities to identify and address issues and challenges in their own areas. These include community and voluntary activities, fuel poverty, broadband, financial exclusion, community-based programmes and services.
- A key element of the National Action Plan is a [national social target for poverty reduction](#), which sets out the Government's ambition for reducing and ultimately eliminating poverty. The target is to reduce consistent poverty to 4 per cent by 2016 (interim target) and to 2 per cent or less by 2020, from the 2010 baseline rate of 6.2 per cent. The implementation of the target is supported by annual monitoring of progress towards the target and related indicators (called the [Social Inclusion Monitor](#)), and an integrated 'social impact assessment', which incorporates poverty impact assessment.
- The national reform programme (NRP) is a government policy statement in support of the Europe 2020 Strategy to promote jobs and growth in a smart, sustainable and inclusive way. The strategy has five headline targets, including a target in relation to poverty, namely to lift at least 20 million people out of the risk of poverty and exclusion by 2020. The poverty target is supported by other social targets in relation to employment and participation in education.
- The NRP sets out Ireland's contribution to the Europe 2020 target, which is to reduce by a minimum of 200,000 (4.4%) the combined population in consistent poverty, at-risk-of-poverty or in basic deprivation, from the 2010 baseline of 31 per cent. The [2013 Update of the NRP](#) outlines an 'active inclusion strategy' for meeting the target, with three main components:
 - Adequate minimum income
 - Activation and inclusive labour markets
 - Access to quality services.
- Adequate minimum income relates to the key role of welfare payments and other social transfers in preventing households from falling into financial poverty. Irish social transfers continue to perform effectively in reducing the at-risk-of-poverty rate by 60 per cent, rising to 69 per cent if pensions are

included. Various aspects of income support policy continue to be reviewed to improve their efficiency and effectiveness.

- Activation and inclusive labour markets refer to the importance of unemployment as a cause of poverty, in particular the high proportion (24 per cent) of the population aged 0 to 59 years in jobless households (by comparison the EU average is 10 per cent).
- Jobless households are a high risk group for poverty, with a particular concern about child poverty. Adults in jobless households are furthest from the labour market and experience significant educational and social class disadvantages.
- Access to quality services is especially relevant to the prevention of child poverty, specifically in the formative years of a child's life. The lack of such services in childhood can lead to the perpetuation of poverty in adult life.
- In terms of the local labour markets, employment rates in the open countryside and rural towns are currently below the national average, but for small and medium sized towns, the employment rates were higher than the national average. In addition employment rates have fallen at a faster rate than in urban areas. Lower economic activity in recent times has had a downward influence on wage rates with implications for poverty, work incentives, demand and reliance on welfare income.
- Because social welfare rates are the same in all areas, as a result replacement rates (the ratio between out of work income and in-work income) can be higher in some rural areas. This combined with lower employment demand and higher job search costs and/or the need to travel or migrate for work can reduce the incentive to work. This is particularly an issue in relation to rural areas within commuting distance of urban centres. The marginal impact on travel costs is lower outside of these areas due to lower opportunities – a demand side related issue.
- The role of EU rural economic development policy and the related EU co-funded rural economic development programmes support a significant range of interventions to enhance employment, diversifications, modernisation of the rural economy through which rural poverty can be tackled and prevented and social inclusion actions strengthened.
- The risk of the inter-generational transmission of poverty and unemployment in rural communities is increased where access to early childcare and schooling continues to be limited. This situation is exacerbated by the outward migration of educated younger people from rural areas resulting in lower income levels, lower quality and less secure employment opportunities, and lower levels of educational attainment.

Issues affecting rural areas

- Significant issues exist across rural and urban Ireland in relation to achieving EU and national social inclusion objectives aimed at the elimination of poverty. The persistently higher poverty rate in rural areas, the rising poverty rate within rural towns and a higher level of jobless households nationally, and specifically in rural town, exacerbated in recent years by the difficult economic and fiscal conditions points to possible longer term structural issues that will need to be addressed with specific actions.
- In 2011, the consistent poverty rate was 6.9 per cent (this equates to 316,000 people) with little variation in the consistent poverty rate between urban and rural areas. In rural areas, the rate was 7.1 per cent, while the rate in urban

areas was 6.8 per cent. This rate is increasing with an urban/rural distribution that broadly reflects population.

- The at-risk-of-poverty rate in rural areas in 2011 stood at 18.8 per cent. In comparison, the rate in urban areas was 14.2 per cent. Rural areas account to 45 per cent of the population at-risk-of-poverty, compared to 55 per cent in urban areas. The trend in rural areas shows little or no change: between 2008 and in 2011 contrary to a rise seen in urban areas. In 2011, the basic deprivation rate in rural areas in 2011 was 21.8 per cent, lower than in urban areas (26.2 per cent) with the population in this category spread 34 per cent is in rural areas. The rate of basic deprivation has increased considerably since 2008, from 13.8 per cent to 24.5 per cent. In rural areas, basic deprivation has increased from 13 per cent to 21.8 per cent.
- A key policy priority relates to children in consistent poverty and jobless households. The rate of child poverty is higher in towns than in cities and rural areas and account for almost half of all child poverty.
- The rate for jobless households in towns is of the order of 30 per cent of the population and lower in mixed urban/rural and rural areas, where the rates are of the order of 24 per cent and in line with the national averages. Significantly, rural locations account for 43 per cent of all those in jobless households in the state.
- Given the indicators, tackling poverty in rural areas will be critical in order to meet the national social target for poverty reduction and the sub-targets for children and jobless households. Rural areas can suffer from the existence of specific disadvantages that are not present in urban areas and where economic and social structures limit the opportunities for people in rural areas.
- In terms of demography: Issues relating to migration/urbanisation, changing population age profiles results in younger people leaving (migration to pursue education and work opportunities), movement of economically active females to urban areas and older people remaining leading to age and gender imbalance in communities.
- Demographic issues have implications for the labour market, transport (particularly in respect of commuting) lower levels of economic activity, provision of services, the sense of isolation, dependency levels, fertility rates and low population densities in rural areas.
- Remoteness has implications for the availability of sufficiently robust infrastructure and access to basic services. Accessibility raised a range of issue and is particularly problematic in remote rural areas, imposing costs on both consumer and service providers with related implications for transport, communication networks restricting access to markets, employment opportunities and increasing the sense of isolation.
- Other issues for rural areas include the poor condition of the housing stock, lower ICT / broadband coverage, lower capacity of rural dwellers in ICT usage, and lack of access to health care and social services. In terms of the latter, the study points to remoteness, low population densities, dispersion of rural areas and policy decisions around the centralisation/location of services.
- Where education is concerned, lower attainment levels are evident in rural populations. Raising attainment levels are crucial to economic and social development. Given recent childcare investment, the levels of participation in pre-school, early childcare and education outside primary and secondary schooling in rural areas is increasing. However, issues of accessibility remain, particularly in terms of critical mass to ensure quality provision is assured.

- Rural labour markets tend to be weaker suffering from lower population densities resulting in lower demand; general lack of access to services and a difficulty in securing quality services at a reasonable cost; and poor support infrastructure imbedding disincentives to economic activity and enterprise generation.
- Agriculture remains an important industry in rural areas, but can be associated with low levels of income, seasonality, limited quality employment and danger of inter-generational poverty and social exclusion. Reforms to payments under the Common Agricultural Policy will also impact rural communities

5.2 Lessons

- Existing social inclusion targets should be maintained.
- Social inclusion outcomes can best be achieved through improved labour market outcomes, supporting job creation, enterprise development and the retention of education and skill levels in rural areas. We recognise that achieving this goal implies demand side and supply side measures and responses.
- Increasing the transparency of the tax and welfare systems, similar to changes in the UK, would address an issue, not specific to rural areas, of the complexity (perceived or otherwise) of the tax and social welfare codes. Complexity increases the transaction cost and has a negative impact by reducing benefit take-up and introduces rigidities in labour supply, removing incentives and creating uncertainty.
- In parallel to financial incentives, the specificities of jobless households should be targeted with structured measures. Lack of employment opportunities alone should not prevent labour activation interventions focused on households affected to ensure that the inter-generational nature of this cycle is interrupted.
- Allied to the central supports that labour action programmes provide are related benefits to rural areas in tackling isolation and addressing issues of service delivery by supporting community managed initiatives. Implementation of recommendations in respect of community employment and the recent reviews of employment programmes and schemes should maintain a focus on maintaining service delivery where this is an important facet of community infrastructure.
- Consideration should be given as part of a longer term restructuring of the social welfare code to make it more resilient in times of economic crisis.
- Both in terms of poverty alleviation and labour supply, unless there was a significant reduction in the cost of living and the cost of working, the minimum wage level should be maintained but with some innovation to provide for sector specific factors and securing greater flexibility.
- Programmes addressing issues of social inclusion should continue to refocus to address tangible outcomes of benefit to individuals and families, in particular, interventions that address fuel poverty by reducing the domestic demand for fuel should continue with a broadening of eligibility to support low income families and private households.
- Community based provision of health care and care related services can be economic and provide value for money outcomes for consumers and employment opportunities if improved and better structured engagement was provided by the State rather than a degree of ad-hoc responses via a number of schemes, both funding and labour market.

- Improved data collection and research would assist in the identification of measures that would better inform the public policy responses that can be achieved.

6. Rural Environment

"Economic prosperity depends on maintaining and enhancing our assets, including natural capital. The value of Irish biodiversity and ecosystem services has been estimated at over €2.6 billion per year"³⁶

6.1 Introduction

The Natural environment is critical to both economic activity and growth; it provides the resources we need to produce goods and services as well as absorbing the by-products of this production. It is the natural environment that addresses many of the identified risks to economic and social development such as regulation of flooding, temperature and air quality as well as maintaining a supply of clean water and other natural resources. The natural environment provides the foundation necessary to sustain life and ensure economic and social prosperity and because of this it is critical that environmental protection and management goes hand in hand with the consideration of economic development thereby establishing a sustainable pathway for development going forward.

It is difficult to deny the environmental challenges that currently face both national and global economies as we endeavour to recover from the current financial crisis, from climate change to the maintenance of biodiversity and the protection of ecosystems the challenges are many and varied. There is an on-going international debate at both academic and policy level on how best to ensure future economic development while simultaneously addressing environmental challenges. When addressing development, environmental issues are often described as cross cutting and as such require consideration regardless of the context e.g. urban or rural. However there are some distinctions between the challenges presented when considering the economic development of rural areas that have particular relevance from an environmental perspective.

This chapter will attempt to outline the current thinking around linkages between the environment and economic growth and provide a context for this within the current frameworks and systems in place at both national and EU level.

6.2 The role of the Environment in Economic Development

In a recent report of the DEFRA Evidence and Analysis Series³⁷ which examined the linkages between economic development and the Environment the authors outline the complex nature of this relationship but also how critical it is to ensure that both policy areas work together to ensure that the economy is on an environmentally sustainable growth path. The natural environment plays an important role in supporting economic activity in the context of the provision of raw materials and

³⁶ Our Sustainable Future, A Framework for sustainable development for Ireland, <http://www.environ.ie/en/Environment/SustainableDevelopment/PublicationsDocuments/FileDownloadLoad.30452.en.pdf> Accessed 15th July 2013

³⁷ Tim Everett, Mallika Ishwaran, Gian Paolo Ansaloni and Alex Rubin, Economic Growth and the Environment, DEFRA Evidence and Analysis Series, Paper 2, March 2010, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/69195/pb13390-economic-growth-100305.pdf Accessed 2nd July 2013

through the many services it provides. In addition a healthy environment is vital for human wellbeing and provides many opportunities to improve quality of life.

According to the OECD, natural capital is defined as “natural assets in their role of providing natural resource inputs and environmental services for economic production”³⁸. Further to this definition it has been suggested that the assets and services provided by the environment can be divided into 4 broad categories³⁹.

- Provisioning services – products obtained from ecosystems, including fresh water, food, fibre, genetic resources, biochemical, natural medicines, and pharmaceuticals.
- Regulating Services – benefits obtained from the regulation of natural processes, including air quality, climate, water/flood, erosion, water purification, disease and pest control, pollination, buffering pollution.
- Cultural Services - non-material benefits people obtain from ecosystems through spiritual enrichment, cognitive development, reflection, recreation, and aesthetic enjoyment.
- Supporting Services - services that are necessary for the production of all other ecosystem services, including soil formation, photosynthesis, primary production, nutrient cycling and water cycling.

In this context Natural Capital can contribute to economic growth either directly as an input to the process of economic activity or indirectly through its effect on the efficiency of other production factors.

Ireland and its Environment

- “The role of environmental policy is to manage the provision and use of environmental resources in a way that supports continued improvements in prosperity and wellbeing, for current and future generations”⁴⁰

“Our Sustainable Future: A framework for sustainable development in Ireland”⁴¹ published in 2012, defines sustainable development as a continuous, guided process of economic, environmental and social change aimed at promoting wellbeing of citizens now and in the future. Our sustainable future sets out a medium to long-term framework for advancing sustainable development and the green economy in Ireland. This framework provides a platform for a joined-up approach to policy making across all sectors to ensure cohesive, rigorous and soundly based decision making. When addressing development, environmental considerations are at the heart of the sustainable development paradigm that stresses the need to ensure economic development policies and frameworks actively address environmental challenges in order to ensure long term sustainability.

³⁸ OECD Glossary of Terms, <http://stats.oecd.org/glossary/detail.asp?ID=1730>, Accessed 15th July 2013

³⁹ Millennium Ecosystem Assessment (2005) , The Millennium Ecosystem Assessment (MA) was called for by the United Nations Secretary-General Kofi Annan in 2000. Initiated in 2001, the objective of the MA was to assess the consequences of ecosystem change for human well-being and the scientific basis for action needed to enhance the conservation and sustainable use of those systems and their contribution to human well-being <http://millenniumassessment.org/documents/document.300.aspx.pdf> Accessed 15th July 2013

⁴⁰ See footnote 1

⁴¹ Our Sustainable Future, A Framework for sustainable development for Ireland, <http://www.environ.ie/en/Environment/SustainableDevelopment/PublicationsDocuments/FileDownload.d.30452.en.pdf> Accessed 15th July 2013

Our sustainable future sets out the challenges facing Ireland and “how we might address them in making sure that quality of life and general wellbeing can be improved and sustained in the decades to come”. The framework is broad and largely follows the thematic approach of the EU Sustainable Development Strategy. In following this approach the framework considers challenges such as sustainability of public finances, as well as sustainable consumption and production, conservation and management of natural resources, climate change and clean energy, sustainable agriculture and transport as well as social inclusion, sustainable communities and spatial planning, public health and education, communication and behaviour change.

The framework considers the role of what it calls Green Infrastructure, defined as the network of green spaces which enable ecosystems to provide services, and places the importance of the development of this infrastructure alongside the development of both transport and energy infrastructure. Much of what is proposed in the framework is centred on the need to protect and maintain our natural resources in order to facilitate economic development into the future. The framework recognises the need to create a sustainable and resource efficient economy founded on a fair and just society that respects the three core pillars of sustainable development, the environmental, the economic and the social.

The framework identifies a number of key challenges to sustainable development that apply within both an urban and rural context however some of these challenges are more focussed on the natural environment and as such have a particular relevance for rural Ireland. A significant proportion of the potential of rural areas for economic development lies in its natural resources. In this context the management of these resources from both an economic and environmental perspective is critical for the future sustainable development of rural areas. The strategies and frameworks already in place consider a number of these challenges and how they should be addressed in order to promote a more sustainable development model.

6.3 Sectoral Dimensions

Agriculture

According to both Our Sustainable Future and Food Harvest 2020⁴² substantial progress has been made over the last few decades to ensure that Irish agriculture takes a more integrated approach to both agricultural production and environmental management and as a result we have an efficient and increasingly sophisticated agricultural industry. However there are a number of areas that still present significant challenges including water pollution and biodiversity loss and while progress has also been made in the context of greenhouse gas emissions it has been shown that the agricultural sector still has considerable capacity to contribute to further reduction. Commitments in this area outlined in Our Sustainable Future include continued support for sustainable agriculture and forestry development in Ireland as well as a continuing commitment to support research and knowledge transfer in this area.

⁴² Food Harvest 2020, A Vision for Irish Agri-Food and fisheries, Department of Agriculture, Food and the Marine, July 2010, <http://www.agriculture.gov.ie/media/migration/agri-foodindustry/foodharvest2020/2020FoodHarvestEng240810.pdf> Accessed 30th July 2013

Natural Resources

Many economic sectors in Ireland rely on the effective conservation and management of natural resources. The mainstay of sectors such as agriculture, fisheries, aquaculture, forestry, tourism and marine are the natural products and services offered by the environment and their future quality is reliant on their effective management.

At its most basic level ensuring biodiversity is a key challenge for development and this is one of the primary challenges identified at national level. Hand in hand with this are the services and products provided by ecosystems which include but are not limited to food and water, control of climate and disease, nutrient cycling, crop pollination and recreational benefits. In this context Ireland and the EU are party of a variety of different conventions that support the conservation and management of natural resources and a large number of measures to this end are outlined in Our Sustainable Future. A number of these measures that have a particular relevance to the consideration of rural economic development are discussed below.

Both Ireland and the European Union is a party to the Convention on Biological Diversity on the basis of which the Actions for Biodiversity 2011-2016; Ireland's National Biodiversity Plan⁴³ was published in 2011. The plan specifically recognises the economic value of biodiversity from both a national and international perspective quoting the world food organisation statistic that 40% of the world's economy is based directly or indirectly on the use of biological resources. It considers many aspects of the Irish economy from agriculture to tourism where the maintenance of biodiversity has a direct effect on economic development in both urban and rural environments. In an Irish context Fáilte Ireland have consistently shown in visitor surveys that the natural beauty of Ireland is one of its main attractions with biodiversity and healthy ecosystems playing a significant role in maintaining that image.

Ireland is also a party to the European Landscape Convention and work is currently underway on the development of a National Landscape Strategy, a commitment entered into under this convention. The strategy will form part of a suite of strategies (NSS and National Climate Change Strategy) that aim to support sustainable development and effective management of Ireland's human and natural resources. The National Landscape Strategy will form a framework to seek the right balance between management, planning and protection of a landscape in the context of recognising the importance of all landscapes in Ireland, promoting sustainable development, enhancing and protecting the environment and implementing the European Convention in Ireland.

In line with Ireland's commitments under the EU Water Framework Directive, River Basin Plans for each of the river basin districts in the country have now been adopted. The Government is now taking a national approach to water that aims to improve the quality of the service, increase cost efficiency and conserve this valuable natural resource. The framework for sustainable development also notes the need

⁴³ *Actions for Biodiversity 2011-2016; Ireland's National Biodiversity Plan*, Department of Arts, Heritage and the Gaeltacht, 2011
<http://www.ahg.gov.ie/en/Publications/HeritagePublications/NatureConservationPublications/Actions%20for%20Biodiversity%202011%20-%202016.pdf> Accessed 30th July 2013

for a more integrated approach to the marine and coastal management processes particularly in the context of both the EU Marine Strategy Framework Directive and the Common Fisheries Policy both of which aim to promote the conservation, management and sustainable exploitation of marine biological resources.

Climate Change

Climate Change is defined as “a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods.”⁴⁴ and is recognised as the most critical challenge to the global environment. Modern industrialised society is contributing to this change through the emission of high amounts of greenhouse gases and the retention in the atmosphere of high levels of these gases results in increasing atmospheric temperatures. However the changes are not limited to increased average temperatures or warmer weather – they also mean more extreme and unstable weather conditions, more storms and floods, more droughts and more coastal erosion - as well as warmer weather in parts of the world.

In this context the European Council have concluded that greenhouse gas emissions from developed countries as a whole must be reduced by 80-95% by 2050 compared to 1990 levels in order to reduce the risk of potentially catastrophic climate change materialising. Ireland actively participates in EU and international climate change policy frameworks that endeavour to balance the need to ensure environmental sustainability with the need to remain economically competitive. Climate change mitigation includes all efforts to reduce or prevent the emission of greenhouse gasses. Internationally, Ireland is a party to United Nations Framework Convention on Climate Change (UNFCCC) and to the Kyoto Protocol an international agreement linked to the UNFCCC, which commits its Parties by setting internationally binding emission reduction targets.

Within an EU context the 2009 EU Climate and Energy Package⁴⁵ set three new targets to be achieved by 2020 involving a reduction in GHG emissions by a minimum of 20% over 1990 levels. The GHG emission agenda is addressed through two main policy frameworks, one in respect of installations that fall within the EU emissions trading scheme (mainly power generation and large industry) and the other which covers other significant sources of GHG emissions. It is interesting to note that in the context of emissions that do not fall under the trading system, which form 71.7% of Ireland emissions, the vast majority of these emissions emanate from Agriculture (42.5%) and Transport (26.3%). In the context of the 2009 EU Climate and Energy Package Ireland is committed to following a downward trajectory in percentage terms from 2013 with the target of 20% to be achieved by 2020.

Ireland climate change policy framework is currently undergoing a significant review process which included the publication in June of 2012 of an independent analysis by the National Economic and Social Council. This analysis supported the DECLG argument in its Climate Change policy review published in November 2011 that

⁴⁴ United Nations Framework Convention on Climate Change, Article 1, http://unfccc.int/essential_background/convention/background/items/2536.phphttp://unfccc.int/essential_background/convention/background/items/2536.php Accessed 30th July 2013

⁴⁵ http://ec.europa.eu/clima/policies/package/index_en.htm Accessed 31st July 2013

Ireland must move beyond a compliance approach and be more proactive in how it addresses the climate change agenda. The process to develop a new Climate Change policy framework is currently underway.

Alongside policies and frameworks that address the need to mitigate climate change Ireland has also published a National Adaptation Framework⁴⁶ which looks to support Ireland's adaptation to the effects of climate change by managing risks and adjusting socio-economic activity to reduce vulnerability. The Framework provides a strategic policy focus to ensure adaptation measures are taken across different sectors and levels of government to reduce Ireland's vulnerability to the negative impacts of climate change. The aim of this Framework is to ensure that an effective role is played by all stakeholders in putting in place an active and enduring adaptation policy regime. The governance structure provides for climate change adaptation to be addressed at national and local level.

Clean Energy

Another significant environmental challenge is the provision of secure and clean energy supplies coupled with a more efficient approach to the use of available energy. Within the context of EU environmental directives particularly the Renewable Energy Directive Ireland agreed to a target for renewable energy to constitute 16% of final energy consumption by 2020. As part of this process the Irish Government has committed to achieving 40% renewable electricity, 12% renewable heat and 10% renewable transport.

In May 2012 the Department of Communications, Energy and Natural Resources published a Strategy for renewable energy 2012-2020 that outlines how Ireland proposes to develop and maintain indigenous sustainable power and maximise its return to this state. The strategy recognises that "The development of renewable energy is central to overall energy policy in Ireland. Renewable energy reduces dependence on fossil fuels, improves security of supply, and reduces greenhouse gas emissions creating environmental benefits while delivering green jobs to the economy, thus contributing to national competitiveness and the jobs and growth agenda"⁴⁷. It is in this context that the strategy outlines 5 strategic goals:

- Goal 1: Progressively more renewable electricity from onshore and offshore wind power for the domestic and export markets.
- Goal 2: A sustainable bioenergy sector supporting renewable heat, transport and power generation.
- Goal 3: Green growth through research and development of renewable technologies including the preparation for market of ocean technologies.
- Goal 4: Increase sustainable energy use in the Transport sector through biofuels and electrification.
- Goal 5: An intelligent, robust and cost efficient energy networks system.

⁴⁶ National Climate Change Adaptation Framework, Department of Environment, Community and Local Government, December 2012, <http://www.environ.ie/en/Publications/Environment/ClimateChange/FileDownload,32076.en.pdf> Accessed 31st July 2013

⁴⁷ Strategy for Renewable Energy 2012-2020, Department of Communications, Energy and Natural Resources, May 2012, http://www.dcenr.gov.ie/NR/rdonlyres/9472D68A-40F4-41B8-B8FD-F5F788D4207A/0/RenewableEnergyStrategy2012_2020.pdf Accessed 31st July 2013

Within this strategy the Government aims to reach the targets set out in the renewable energy directive and make renewable energy an increasingly significant component of Ireland's energy supply by 2020. The strategy also notes the importance of the role the renewable energy sector plays in job creation and economic activity particularly in the context of the Government's action plan for jobs.

Coupled with the need to look to renewable energy sources going forward is the need to address energy inefficiencies. The second National Energy Efficiency Action Plan (NEEAP) was published in February 2013⁴⁸ and provides a progress report on delivery of the national energy savings targets implemented under current EU requirements as well as energy efficiency policy priorities between now and 2020.

The second Action Plan follows a similar approach to its predecessor, identifying realisable but ambitious actions across six areas: Public Sector, Residential, Business, Transport, Energy Supply, and Cross-Sectoral. It contains 97 actions (the first NEEAP contained 90 actions which have been reviewed, updated and deleted as appropriate). The NEEAP endeavours to set a clear vision for each of the sectors covered by the Action Plan, around which public and private sector actors can mobilise. The second NEEAP involved review and updating and replacement of certain actions from the first Plan as appropriate to ensure Ireland remains on track to meet national and EU targets.

⁴⁸Ireland's second National Energy Efficiency Action Plan to 2020, Department of Communications, Energy and Natural Resources, February 2013, http://www.dcenr.gov.ie/NR/rdonlyres/B18E125F-66B1-4715-9B72-70F0284AEE42/0/2013_0206_NEEAP_PublishedversionforWeb.pdf Accessed 31st July 2013

7. Entrepreneurship in Rural Ireland⁴⁹

7.1 Profile of Enterprise in Rural Areas⁵⁰

- There are a variety of enterprise types in rural Ireland ranging from large FDI, indigenous MNC's, indigenous and foreign SME's, and micro enterprises. Depending on the sector, location, size of the enterprise and its market orientation (domestic or foreign) the challenges and opportunities it faces and its support requirements differ.
- Employment from the creation and expansion of SME's, the predominant form of enterprise in Ireland, will be the driver of economic development, the livelihoods of people living in rural areas and the sustainability of rural communities.
- In 2010, 92% of enterprises in rural areas were micro in size compared to 90% in urban areas.
- The overall reduction in the number of enterprises in rural areas from 2006 to 2010 was almost twice the national average.
- Of all the enterprises that went out of business over the period 2006-2010, 80.49% were based in rural areas.
- Focusing on micro enterprises, 91.4% of all those that disappeared nationally from 2006 to 2010 were in rural locations. As micro enterprises are viewed as potential seedbeds for employment, growth and innovation this disappearance is worrying.
- More widely, 80.6% of all SME's lost over the period were in rural areas. This 'thinning' of the enterprise base in rural areas has implications for potential networking and collaboration opportunities; the generation of localised business capabilities; and reduced opportunities to geographically cluster support activities.
- Nationally, the number of enterprise births fell over the period 2006 to 2010. In contrast, the number of enterprise deaths rose over the period. In 2006 enterprise births exceeded deaths by 4,800. However, by 2009 enterprise deaths exceeded births by 10,700 per year. Survival rates of enterprises declined also. For example, the one-year survival rate declined from 89.8% in 2006 to 81.4% in 2009. The two-year survival rate declined from 81% in 2006 to 74.3% in 2008.
- Employment in surviving enterprises peaked after one year in business. Subsequently, employment in surviving enterprises declined as less successful enterprises either ceased trading or experienced job losses. Between 2006 and 2009 the rate of growth in employment in enterprises that survived the first year slowed significantly. Enterprises born in 2006 showed an increase in employment of 81.4% in the first year whereas enterprises born in 2009 experienced an employment growth rate of only 26.9%. This is evidence of the declining survival

⁴⁹ Source documents for this section include: Business in Ireland (2010), Stationery Office, Dublin: Heanue, K. (2013) Profiling Enterprise in Rural Ireland; O'Gorman, C. (2013) Entrepreneurship in Ireland: McGrath, H. and O'Toole, T. (2013) The challenges and opportunities in the development of rural Small-to-Medium Sized Enterprises (SMEs): Lynch, C., (2013) The Community Element of Enterprise Development in Remote Rural Areas: O'Keefe, B., (2013) Supporting Enterprise Development in Rural Areas.

⁵⁰ All data in this sub section derived from the CSO Business Demography Database (2010) & (2011)

rate of enterprises and also a possible reluctance on the part of new employers to take on additional staff.

7.2 Sectoral concentration in Rural Areas

- High growth firms⁵¹ in Ireland tend to be young (64% were less than 10 years); are equally likely to be small or medium sized (at the start of their growth period); are clustered in the greater Dublin area (62%); are privately owned firms (91%); and 64% are concentrated in four sectors: manufacturing; information and communications; wholesale and retail trades; professional, scientific, and technical activities.
- In 2011, more than 70% of businesses in the ICT, Financial & Insurance and Information and Communications sectors were urban based. Unsurprisingly, more than 80% of persons engaged in those sectors were urban based. By contrast, rural areas contained more than 50% of businesses in the mining and quarrying, manufacturing, electricity supply, construction, water supply, transportation and accommodation and food sectors. However, only in the electricity supply and construction sectors did rural areas contain a greater proportion of persons engaged than urban areas. Although rural areas only contained 48% of education businesses they were the location for over 60% of persons engaged in that sector.
- In 2011, there were 399,486 persons engaged in the rural business economy compared to 811,646 in the urban business economy. The rural business economy consisted of 85,076 businesses compared to 100,310 in the urban economy.
- In addition to the market economy, social enterprises are important providers of employment also. Forfás (2013) estimated that there were 1,420 social enterprises in Ireland, employing over 25,000 people, with a total income of around €1.4 billion in 2009. Moreover, it is estimated that social enterprises have the potential to double employment by 2020.
- While the exact number of social enterprises operating in rural areas is unknown, case studies of Ballyhoura and Dunhill suggest that the social enterprise sector in rural areas may be much larger than previously thought, although much depends on the definition of social enterprise used.

7.3 Entrepreneurship in Ireland

- The 2012 GEM Report for Ireland outlines how the ten year period 2003 to 2012 divides into two distinct periods - the period from 2003 to 2008, and the period from 2010 to 2012. The period 2003 to 2008 was characterized by high levels of entrepreneurial activity; while a decline in the rate of entrepreneurial activity, particularly among men, is apparent in the period 2010 to 2012.
- Rates of entrepreneurship declined over the period 2003 to 2012.
- The rate at which people in Ireland set up new businesses⁵² in the earlier period averaged 3.9% compared to 2.6% in the later period. Moreover, in each of the

⁵¹ The OECD defines a high growth firm as one whose turnover grows by, on average, 20% per annum over a 3 year period. This means that turnover increases by 72.8% over three years..

⁵² New business owners are entrepreneurs who at least part own and manage a new business that is between 4 and 42 months old and have not paid salaries for longer than this period. These new ventures are in the first 42 months after the new venture has been set up. The rate is for those in the adult population aged 18-64 years inclusive.

years of the 2003 to 2008 period, except one (2006), the rate was higher than it was in any of the three later years (2010 to 2012).

- In each year of the earlier period the rate of total early stage entrepreneurial activity⁵³ was higher than in the later period, averaging 8.1% compared to 6.7%.
- The numbers aspiring to start businesses⁵⁴ were higher in the period 2003 to 2008 (an average of 11%, compared to an average of 8.3% for the period 2010 to 2012).
- The percentage of necessity entrepreneurs (engaging in entrepreneurship due to no actual or perceived alternative) has almost doubled over the period 2002 to 2012, from 15% to 28%. It is high in Ireland compared to 18% for the EU-15 and 21% for the OECD. Conversely, the percentage of Irish opportunity entrepreneurs (responding to a perceived opportunity out of choice) is low at 72% compared to 82% for the EU-15 and 79% for the OECD.
- However, some aspects of entrepreneurial activity did not decline.
 - The rate at which people in Ireland were actively planning new businesses, nascent entrepreneurs⁵⁵, remained broadly similar across the two periods averaging 4.5% in the earlier period, compared to 4.2% in the later period.
 - The rate of owner managers of established business⁵⁶ in Ireland did not follow the trend observed above for early stage entrepreneurs. The rate of owner managers of established business in the most recent period was, on average, 8.3%, while for the earlier period the rate was, on average, 7.8%.
 - The rate at which entrepreneurs were exiting and closing businesses reached a peak in 2011, but in general the rates in the earlier period (1.9% average) are broadly similar to the rates in the later period (1.7% average).
- The decision to engage in entrepreneurship depends on two key factors; 1) **information & knowledge** and 2) **resources**. The first factor includes market information, prior entrepreneurial knowledge and experience, prior experience of self-employment, existence of appropriate role models and knowing an entrepreneur. The second factor includes all resources – human, financial, technological and business – that are critical to the process of entrepreneurship.
- Those who lived outside Ireland for a time are considerably more entrepreneurial than those who have not lived overseas.

⁵³ Total early stage entrepreneurial activity refers to the total rate of early stage entrepreneurial activity among the adult population aged 18-64 years inclusive. In some instances, this rate is less than the combined percentages for nascent and new business owners. This is because, in circumstances where respondents qualify as both a nascent and a new business owner, they are counted only once.

⁵⁴ Aspiring entrepreneurs are those who expect to start a business in the next three years. The rate is for those in the adult population aged 18-64 years inclusive.

⁵⁵ Nascent entrepreneurs are those actively planning a new venture. These entrepreneurs have done something during the previous twelve months to help start a new business, that he or she will at least part own. Activities such as organising the start-up team, looking for equipment, saving money for the start-up, or writing a business plan would all be considered as active commitments to starting a business. Wages or salaries will not have been paid for more than three months in respect of the new business. Many of these people are still in fulltime employment. The rate is for those in the adult population aged 18-64 years inclusive.

⁵⁶ In addition to those people who are currently involved in the early stages of a business, there are also many people who have set up businesses that they have continued to own and manage. These people are included in the established business owner index which captures the percentage of people in the population that have set up businesses that they have continued to own and manage and which has paid wages or salaries for more than 42 months. The rate is for those in the adult population aged 18-64 years inclusive.

- In terms of entrepreneurial 'culture' Ireland scores relatively highly compared to other countries in Europe and in the OECD. For example, successful entrepreneurs have continued to be held in high esteem throughout the ten year period. However, the perception of entrepreneurship as a good career choice has steadily declined and the perception that the media provides supportive coverage to the activities of entrepreneurs showed a significant decline in 2007 (68% from 84% the previous year) and has not returned to the earlier very high levels.
- In terms of an individual's perception of their capacity to engage in entrepreneurship, the 2012 GEM report highlights the following:
- Knowing a recent entrepreneur, personal perception or possession of relevant knowledge and skills to start and grow a business, and fear of failure as a deterrent have remained broadly constant over the decade.
- The majority of entrepreneurs setting up new businesses that are in low technology sectors are not particularly innovative and have little or no aspiration for growth. However a small number of other new businesses each year will have a disproportionate economic impact due to their ability to exploit newer technologies, their high degree of innovation, their greater export orientation and their aspirations for growth.
- GEM takes the entrepreneurs' estimate of expected employment numbers over a defined period as a proxy to measure their growth aspirations. For the period 2003 to 2012, on average one in four (24%) of early stage entrepreneurs expect to be self-employed and to have no employees. As is common in other countries, the majority of early stage entrepreneurs in Ireland do not expect to become significant employers and this is evident throughout the decade. However over the past ten years in Ireland an average of one in three (34%) have expected to employ at least five staff within five years of start-up.
- The profile of a person who starts a new business in Ireland is male, aged between 25-45 years, relatively well educated, from middle or high income households and may have prior entrepreneurial experience.
- The majority of entrepreneurs, have not received any education or training related to starting a business. In 2008 just one in three *early stage entrepreneurs* (37%) and *established entrepreneurs* (38%) in Ireland said that they had received some training in relation to starting a business. The great majority of these did not receive this training at school.

7.4 SME Expansion

- SMEs account for almost 99.8% of active Irish enterprises. They are viewed by most western governments as the engine of economic growth, the incubator of innovation, and the solution to persistent unemployment.
- Although SMEs employ almost 70% of persons engaged, they only account for 52% of turnover and 47% of GVA. This contribution is lower in Irish SME's than its European counterparts suggesting that the labour productivity of SME's in Ireland is lower than that in Europe. Conversely, Irish SME's contribute more to employment than European SME's.
- In 2010, employment in SME's was only 81.8% of the 2006 levels with the construction and industrial sectors recording large falls. The only sector where SME employment increased over this period was in Financial and Insurance activities.
- SMEs are not 'scaled-down' versions of a large firm. The motivations, constraints and uncertainties facing smaller firms are different to those facing larger firms.

Therefore, supports for SME's need to be customised to address and overcome the specific constraints and challenges facing the small firm, and in particular, small firms operating in rural areas.

- Micro-enterprises are particularly prevalent in rural areas where SMEs have a tendency to be very small including a high percentage of one-person businesses. Hence, there is a need for a rural specific policy agenda to counteract the liabilities associated with small size and being based in a rural location.
- The opportunities and challenges for rural SME expansion are numerous with some factors related to the *individual* business and others related to the *environment* in which they operate.
- Individual level
 - Challenges: small-scale; labour intensive; minimal capital input; local market scope; growth orientation; resource constrained; lack of strategic planning.
 - Opportunities: survival rates; innovative/creative; resilience/flexibility; niche markets; opportunities from networks.
 - Small size therefore resource constrained which impacts on survival rates.
 - The ability to use and operate in networks (network capability) is essential for rural SME expansion.

7.5 Environmental considerations

- Urban areas attract a significant proportion of enterprise investment in economic activity due to the pull of urbanisation economies (the economies of scale associated with their size; access to a large pool of labour skills; access to vital logistical services and a better information and telecommunications infrastructure. Large urban centres are characterised by concentrations of important decision-makers and can provide access to networks of influence such as universities and other third level institutes for incubation services and specialised information and advice).
- SMEs in rural areas often lack access to low cost and high-speed communication technology and poor logistics and transportation infrastructure in rural areas can make it more difficult for SME's to access larger and international markets. Specialist state supports are also more accessible to SMEs in urban areas facilitating their enhanced performance and growth.
- In terms of the support infrastructure for SME's
 - Time and expense involved by enterprises in attaining funding needs to be addressed through a sliding scale of bureaucratic and regulatory requirements commensurate with activity.
 - Many existing initiatives to encourage networking (e.g. Irish Software Innovation Network, the Construction IT Alliance and the Industry Research and Development Group) are considered more suitable for larger, urban-based enterprises. Elsewhere, the benefits from the Innovation Voucher Scheme which encourage links between public knowledge providers and small business may be negated for rural SMEs due to the physical distance from higher education institutes. Other networking initiatives such as PLATO and Skillnets exist.
 - Although co-operation is encouraged in some sectors (e.g. see FoodHarvest 2020), funding is still often allocated to enterprises on an individual, competitive basis. For example, recent evidence from the Irish micro brewing industry suggests that state support at a collective level could have had potential to eliminate problems common to the SMEs and facilitate the development of network capability.

- Many training courses are general and not sectorally specific. Few training supports exist in relation to network capability development.
- Agency sponsored events (festivals etc.) enable entrepreneurs development of network capability and may provide a catalyst for the formation of networks.

7.6 Community Aspects to Rural Entrepreneurship & Enterprise Development

- Notwithstanding the existence of an extensive existing enterprise support infrastructure, many rural areas exhibit a low rate of enterprise creation and development.
- Given the recent reduction in enterprises and employment opportunities in rural areas, it is fair to assume that the level of necessity entrepreneurship in rural areas at least matches the national rate.
- A more nuanced examination of entrepreneurship in rural areas reveals that it is likely that a high percentage, particularly of low-income smallholders might fall into the category of 'necessity entrepreneur'.
- Necessity entrepreneurs can be further divided into subcategories: one example is a recently made redundant well-skilled professional who regards the necessity as a stimulus to do something (s)he may have always wanted to do. This entrepreneur will have a different perspective on their venture compared to a low income smallholder who pursues entrepreneurship out of income necessity (a reluctant entrepreneur).
- For the latter, entrepreneurship may represent a significant change in lifestyle and attitude and if it is not considered to be a positive change, it needs to be supported and facilitated in a manner that goes beyond the provision of technical business supports. In remote rural areas, the introduction or existence of enterprise resources and business incubators alone will not necessarily result in the successful development or encouragement of entrepreneurship.
- The critical success factors for enterprise development in rural areas, particularly weaker areas, include a mix of tangible and intangible factors that have a direct or indirect impact on the levels of enterprise and entrepreneurship:
 - Entrepreneurship and individual entrepreneurial potential
 - Community attitude and catalysts for change
 - Political policies and financial support
 - Exploitation, development and marketing of local resources
 - Sales and marketing skills
 - Clusters and networks
 - Cooperation and competition
 - Technology and Infrastructure
- All these factors need to be considered in the design of supports and the provision of resources to facilitate and encourage enterprise development in (weaker) rural areas and communities. It is likely that potential 'opportunity' entrepreneurs and potential 'necessity' entrepreneurs need different supports. 'Necessity' entrepreneurs may need a more holistic support infrastructure, which for example, alongside technical business supports includes helping change the local attitudinal and cultural environment towards entrepreneurship.
- A more holistic support concept is that of the Entrepreneurial Community as one that would allow a blending of the traditional technical supports which do, of course, continue to apply, with approaches that are targeted at the community

as well as at the individual, particularly in the context of changing community attitudes towards entrepreneurship.

7.7 Enterprise Support System

- In a narrow sense, supports are external resources that a business may draw upon from time to time in order to strengthen or extend its internal resource base. In a broader sense, enterprise supports might also need to be directed towards collectives of enterprises or the communities within which the entrepreneurs live so as to build particular capabilities or change culture and attitudes.
- The key underlying question is the extent to which businesses located in rural areas have *distinctive support needs*, associated with the characteristics of the businesses themselves or their owners, and/or the characteristics of the external operating environment for business in rural areas
- There are numerous agencies involved in delivering enterprise supports, to varying degrees, in rural Ireland. Some of these deliver supports to established and start-up businesses: e.g. EI, Shannon Development, WDC, Údarás na Gaeltachta, Inter Trade Ireland, CEBs, and LDC's.
- Other agencies place a significant focus on industry promotion and marketing: e.g. EI; Bord Bia, Tourism Ireland and Fáilte Ireland whereas some agencies operate with a significant policy advice function: Forfás and WDC. Yet other agencies, such as local authorities, provide a mix of promotional and enterprise supports.
- As the Central Expenditure Evaluation Unit (2011) report highlights, there are eight agencies involved in providing various types of ***direct financial support/investment*** to enterprises in rural Ireland namely; EI; IDA; Údarás na Gaeltachta; Shannon Development; CEBs; Intertrade Ireland; BIM; and, Leader. Ten agencies provide ***training services for businesses***, EI; IDA; Shannon Development; SFI; Údarás na Gaeltachta; CEBs; BIM; Teagasc; Fáilte Ireland; and Leader with nine agencies providing support to micro-enterprises. Although not specifically mentioned by CEEU (2011), the LDC's also support business creation through the Local Community Development Programme.

7.8 Employment creation performance of different agencies

- Compared to many other countries, particularly at an individual enterprise level, support for the start-up rural enterprise in Ireland is favourable. Yet, in looking at the current supports available in Ireland, a gap emerges whereby more assistance is offered to high potential start-up firms as opposed to SMEs engaging in organic, more tempered growth.
- As there are currently multiple agencies involved in delivering diverse enterprise supports in rural Ireland this leads to confusion on the part of the time constrained SME owners who often lack full awareness of the supports available. This leads to a lack of clarity around possible supports and confusion about where to find business support information.
- Some small and micro businesses do not fit the profile of support agencies e.g. too big for CEB's and LDC's but not fulfilling eligibility criteria for EI.
- Several overarching concerns of rural enterprises repeatedly emerge from research on Irish rural enterprises. These included inadequate infrastructure especially roads; insufficient or non-existent broadband provision; incorrectly

sized or located incubation centres and a heavy regulatory burden which places a disproportionately high cost on SME's and access to adequate finance.

7.9 Localisation of Enterprise supports

- International best practice indicates that the promotion of enterprise development in rural areas requires approaches that are rooted in the local territory, value local resources and distinctiveness, are led by local stakeholders who work in partnership with local authorities and state bodies and are subject to internal and external evaluation. This is consistent with the 'The New Rural Paradigm' (OECD, 2006).
- The geographic realities of the diversity of Irish rural areas as outlined in the National Spatial Strategy each with their own distinctive development needs and resource potentials necessitate economic development strategies that are spatially-refined and territorially-differentiated.
- The appropriate scale for development interventions is a territory that is sufficiently small as to enable identification of local resources (particularly latent ones) and promote community participation, but which is large enough to enable inter-actor networking (between public and private sector bodies) (AEIDL, 2001).
- Promoting *summative growth* or growth that involves contributions from all regions requires an emphasis on territorial capital and resources. Such a growth strategy, especially in the context of employment promotion in rural areas, leads to a re-examination of the policy mix in relation to human resource development, indirect aid and infrastructure in relation to rural areas.

PART II: Capitalising on Rural Resources

8. The Food Sector

The food sector in Ireland is experiencing a renewed growth phase as global demand increases and capacity constraints such as milk quota are removed. As other national strategies such as Food Harvest 2020 strategy deal with the development of the Agricultural sector and the wider processing sector, we limit ourselves to a segment of the food sector relating to SME's in the Food sector. However it should be noted that the success of this segment of the sector relies on the strength and products from the wider sector.

The reasons for focusing specifically on this segment include the significance of the food sector to the national economy, the relatively high number of food businesses located in rural areas, and the significant local economy multiplier effect, that is particularly significant for rural economies. The presence of a high proportion of micro enterprises in the sector (with implications for design and delivery of support) and the fact that such enterprises may be less growth intensive than other sectors is also of note. Other characteristics of the sector include its relatively low entry barriers, high labour input, and attractiveness to people from all walks of life.

8.1 Context

As context to the chapter, we provide some contextual information about the wider food sector.

- The food sector is the third largest merchandise export sector in Ireland and since the economic crash in 2008-2009, the sector has seen exports grow at a faster rate than any of the other large exporting sectors and faster than the growth rate in total exports, accounting for 25 % of Ireland's total increase in export revenues (CSO), reaching an all-time high of nearly €9 billion in 2012.
- The Food wider bio-economy sector, which incorporates other sectors built around natural resources and includes the beverage sector, infant milk formula sectors etc., is a major source of net export earnings (Riordan, 2012⁵⁷). It accounts for about 19% of exports in 2008 (compared with 10% in Food) but accounts for 40% of net foreign earnings due to lower import requirements per euro of exports, higher receipts of EU payments, a higher local multiplier, a lower share of international ownership and repatriation of profits. In terms of Balance of International Payments flows per €100 of merchandise exports, in 2008 every €100 of exports from the bio-economy generated €52 in net foreign earnings. In contrast, exports from the non-bio sector, contributed only €19 in net foreign earnings for every €100 of exports. Thus the net impact on the economy of this sector is significantly higher than the share of national output

⁵⁷ Riordan, B (2012) Estimation of the Contribution of the Biosector to Ireland's Net Foreign Earnings: Methodology and Results, Agricultural Economics Society of Ireland Annual Conference 2012, MPRA Paper No. 45674, Online at <http://mpa.ub.uni-muenchen.de/45674/>

would indicate. Thus a growing bio-economy and Food sector can have a major impact on the national economy.

- The basis of much of this industry is the structure of our family farm based agriculture based upon our grass based animal systems. These ensure high quality products that are produced in a sustainable fashion and that can support a widely dispersed agricultural sector.
- The Food Harvest 2020 (FH2020) strategy for Smart-Green growth within the sector and capitalising on opportunities arising from the abolition of milk quota restrictions in 2015, has an ambition to grow milk volume output in Ireland by 50% by 2020 and cattle value by 20%, amongst other targets.
- The food processing industry and wider agri-business supply chains are very important value generators across the supply chain. Much of this sector is located within rural towns, towns that have been most affected by the economic downturn. Therefore it is a sector that has significant potential to create jobs and income growth in rural areas.

Drivers of Growth in the Food Sector

- The Teagasc 2030 Foresight details the key drivers of change for the Food sector
 - Commodity price trends and policy developments;
 - Climate change;
 - Energy supply and security;
 - Environmental sustainability;
 - Social and demographic changes;
 - Market and consumer trends; and
 - Advances in science, technology and innovation.
- The drivers are multi-faceted, reflecting the complex nature of the industry and reflecting the embeddedness of the sector within the wider economy. These drivers have both advantages for the sector in terms of the general positive outlook in terms of food demand, but with significant challenges and risks for the industry.
- Policy change, global demand and natural advantage have combined to enable the milk sector to have significant growth potential.
 - The abolition of milk quota post 2015 will be one of the biggest drivers of potential economic growth and job creation across the Food supply chain.
 - As the world population grows and as it becomes wealthier demand for dairy products is very positive in the medium term.
 - The Teagasc study on the international competitiveness of milk production has highlighted that Ireland's medium sized dairy family farms are amongst the most competitive in the World. The sector has a vertically integrated supply chain aided by the cooperative structure with significant firms that have grown to be medium sized multi-national entities. Many of the world's leading firms have also established in Ireland, producing a major proportion of infant milk formula.

Speciality Food Businesses

Speciality food⁵⁸ production in Ireland was valued at approx €615 million in 2012 (Mintel, 2012⁵⁹) and originated from about 350 producers, employing more than 3,000. This reflects an increase in both numbers and value over time: approx 60 producers in 1996 (Taste Council submission) and an estimated turnover of €450 million in 2004 (Taste Council, 2004⁶⁰). Approx. 70+ of these are believed to be artisan⁶¹ food producers, accounting for approx. 23% of the speciality market in Ireland (Teagasc, 2010, cited in Mintel, 2012). The farmhouse cheese sector is quite a high profile group, accounting for approx. 50 producers. Other significant groupings are seafood, bakery (approx. 200 craft bakeries⁶²) and chocolate. Increased consumer interest in the provenance of food, environmental concerns, health and a desire to support the local economy underpins strong future growth prospects (Mintel, 2012), in spite of high levels of unemployment and economic concerns.

Speciality foods are sometimes distinguished from artisan and local foods, even though they are clearly interrelated. Speciality foods are characterised as being premium products, commanding a premium price, with unique characteristics and available on a regional (and sometimes international) basis. Examples include Mileevan Honey, Butlers Chocolates, and Wicklow Fine Foods. Artisan foods are generally viewed as a sub-set of speciality foods. They pride themselves on being unique, and focus on traditional methods of production so that the craft aspect of production is emphasised. The product and producer's identity and superior taste are also strongly emphasised. They generally have a relatively higher price and more limited or exclusive distribution (Taste Council, 2004⁶³). Examples include Woodcock Smokery, Wicklow cheese, and Aine's chocolates. Local foods are foods produced within a limited region. For many Irish consumers, local means Irish. In bigger markets, local is defined as being produced within a certain radius, e.g. 100 km. For simplicity this document will focus on speciality foods however where issues are pertinent to the artisan or local food sector in particular this will be highlighted.

⁵⁸ Speciality food is defined as per the Bord Bia definition, i.e. micro and small firms with individual turnover levels of between €100,000 and €3.5 million per annum.

⁵⁹ Mintel (2012), *Artisan Foods –Ireland*, March 2012. Mintel Group Ltd. London.

⁶⁰ Taste Council (2004) Strategic Master Plan,
http://www.nceb.ie/download/1/Taste_Council_Strategic_Plan.pdf accessed 24/6/2013

⁶¹ Artisan food is defined according to the Teagasc definition, i.e. it is unique, usually handmade with a distinctive taste and flavour, with its own 'persona'. It is also defined by the skills and beliefs of those who make the food.

⁶² Source: **FCBA – the Flour Confectioners and Bakers Association**, pers comm., 10/07/2013

⁶³ Taste Council (2004) Strategic Master Plan,
http://www.nceb.ie/download/1/Taste_Council_Strategic_Plan.pdf accessed 24/6/2013

Economic significance of the Speciality Sector

The significance of speciality food producers to the local economy is highlighted by a UK study which shows that every £1 spent on local food in a local outlet generates £2.50 for the local economy (NEF, 2002⁶⁴). Assuming sales of 90% of output locally (as suggested by the Taste Council) (i.e. €450 million) this results in €1.125 billion revenue for the local economy. Increasing the share of the national food grocery and foodservice markets from 3% to 6% would result the circulation of over €2 billion in the local economy. Furthermore the Taste Council estimates that doubling market share and revenue (over a 10 year period) could increase employment level by one third, creating 1,000 new job opportunities. This will require 650 new entrepreneurs. There are positive indications regarding the feasibility of achieving such numbers; interest in the sector is high as demonstrated by the level of enquiries by new food entrepreneurs received by agencies such as Teagasc, Bord Bia and Enterprise Ireland. However the challenge will be translating these enquiries into profitable, sustainable businesses.

FoodHarvest 2020 has acknowledged the significance of the artisan food sector. Its contribution to the international image of Ireland as a source of high quality food and drink and as a tourism destination is also acknowledged. In addition, it is widely recognised that the speciality food sector represents a significant opportunity, particularly when compared to countries such as New Zealand or the Netherlands. For example, New Zealand has over 2,000 speciality food producers (excluding wine) (Taste Council, 2004) compared to 350 in Ireland whilst there are over 100 farmhouse cheese producers in the Netherlands compared to almost 50 in Ireland.

Teagasc identifies a range of product opportunities for those considering artisan food production, including dairy products, meat products, bakery and beverages⁶⁵. However there is potential, and need, for more innovative products to achieve growth. New Zealand speciality food has a strong international market presence (NZ\$8.75 million in 2006) and is recognised as often being first to market with new niche concepts e.g. avocado oil (Taste Council Submission).

The Market

The current market for artisan and speciality food is essentially at home, accounting for a 3% share of the local market for food grocery and food service (the total grocery and foodservice market was worth €14.5bn in 2008). Bord Bia estimate that only 10% of the output of this sector is destined for exports. However many producers have developed successful export businesses, particularly smoked salmon producers (Europe, US and Japan) and farmhouse cheese producers (focus on UK but presence in markets as far away as Japan).

While consumers are increasingly price driven as a result of the current economic down turn and discounting within the food retailing sector, factors such as increased concern with ethical issues such as food miles, traceability, provenance and organic farming, are leading to increased demand for food products that fit these criteria (Mintel, 2012). The growth in in-home entertaining, fuelled by the increase in cookery classes and the recession, means that there are opportunities to provide

⁶⁴ Ward, B., and Lewis, J. (2002). *Plugging the leaks*. London: New economics foundation.

⁶⁵ http://www.teagasc.ie/ruraldev/artisan_food/enterprise_options.asp

products that allow consumers to trade-up for such meal occasions. The increased consumer trend of wanting to support local businesses is another opportunity; restaurants in particular are responding. Organisations such as the Fine Food Guild have a role here according to Mintel (2012); they could organise more events targeted at enabling artisan producers to meet with chefs.

Artisan food product categories do not however perform uniformly well. According to Mintel (2012) artisan yoghurt and milk products are not performing well as they are viewed as commodity items by producers. This contrasts with significant growth in bakery products, butchery products and dairy products such as Irish farmhouse cheeses. Craft beers and charcuterie are also growing well (25% growth in 2011) as consumers are more aware of the distinction between these products and the mass produced alternatives in these categories (Bord Bia, 2011, cited in Mintel, 2012).

Consumers need to “connect” with artisan foods and while tradition can be a strong selling point, products should also show a degree of innovation. Furthermore, effective communication with the consumer on the unique characteristics of the product is critical. Social media is seen as a useful mechanism for consumer engagement, including feedback on current offerings and ideas for new products.

Marketing channels

Consumers generally shop at the mainstream supermarkets for their grocery shopping. Expansion of retailers’ own brand ranges to highlight provenance has affected the market for artisan foods. Furthermore, the increase in the range of local produce sold by discounters resonates with consumers motivated by supporting the local economy. This is impacting on artisan food sales (Mintel, 2012). While the Taste Council argue that a major bottle neck in achieving sales in this channel is retailer’s understanding of artisan and speciality foods (2004), significant work by Bord Bia, with support of the retailers, has helped to improve both parties understanding of each other. On-going training to help producers understand retailers’ requirements, with significant involvement by retailers to ensure two-way interaction, would be beneficial.

Specialist retailers including butchers, greengrocers, bakeries and delicatessens are important outlets for local food. However, they have a higher percentage of C2DEFs shopping in them regularly compared to ABC1s (Toluna February, 2012, cited in Mintel, 2012). While the primary target market of speciality food producers in general is ABC1s, increased penetration of this retail channel could help reduce the perception of elitism associated with artisan foods and that artisan foods are only aimed at “foodies”. The high levels of trust consumers have in butchers, along with the high level of personal interaction they have with each other suggests significant potential in this marketing channel.

Farmers markets have grown considerably, with assistance from local enterprise boards, local authorities and LEADER companies as well as private businesses. They are now believed to have a turnover of in excess of €10 million per annum. Almost 150 markets are listed on Bord Bia’s farmers markets lists⁶⁶ (compared to less than 100 in 2006) and 36 of these are successfully meeting the criteria of The Code of

⁶⁶ <http://www.bordbia.ie/aboutfood/farmersmarkets/pages/default.aspx>

Good Practice for Farmers Markets, launched in 2009⁶⁷. Farmers markets are the primary route to market for many artisan producers (Mintel, 2012). They can be useful for start-up businesses commencing trading, allow a company to develop a loyal customer base in their local community, provide access to valuable customer feedback on their products as well as suggestions for new products; and have a role in guaranteeing regular cash flow. However the low frequency with which consumers attend farmers' markets and relatively high number who have never attended a farmers market (31% of consumers in Ireland, Toluna, February 2012, cited in Mintel 2012) means that it is difficult to significantly grow a business based on such outlets. The perception of targeting "foodies" restricts the customer base.

Farmers Markets: A mechanism to engage with consumers

- Glenilen Farm, despite having significant sales in Tesco, Supervalu and Centra, set up a stall at Mahon Point Farmers' market in Cork in June 2011 to enable them to get "back in touch with its roots" (Mintel, 2012).

Other direct sales routes include farm shops (20 farm shops on Bord Bia website) and on line sales.

The catering sector, particularly fine-dining and local restaurants are important customers for specialty food producers. They have untapped potential according to Mintel (2012). Foodservice distributors such as Pallas Foods and Crossgar Foodservice are developing ranges that highlight the quality and provenance of their products, highlighting the demand for local produce. Consumers want to be able to justify their spend, so while they are still looking for value for money they are also looking for "something a bit different", and also increasingly they want to support local businesses (Mintel, 2012). Fostering linkages between artisan producers and chefs is important in developing this channel. Organisations such as the Fine Food Guild, that champion small, independent producers, could have a role here according to Mintel. Another organisation that could be active in this space is the Craft Butchers of Ireland. Visibility and ease of sourcing products is also a challenge to further development of this sector. Mintel (2012) recommend that artisan producers improve their visibility "to make it easier to take the effort out of restaurants, pubs and hotels seeking out local produce" (p.27).

The trend towards street food and pop-ups (see Glenisk pop-up http://www.glenisk.com/press/news-and-research/pop_up/) offers an interesting channel for new food businesses and in the case of Glenisk an opportunity to meet customers face-to-face.

The increased interest in home cooking provides an opportunity for artisan producers to link with new and existing cookery schools, and in particular to show how their products can be incorporated into recipes that are not prohibitively expensive. Furthermore, to assist consumers with low levels of cookery skills, an app that had demos of meals incorporating speciality ingredients would be useful (Mintel, 2012). Burren Smokehouse launched an app that provides recipes on using its products and news on special offers in December 2011 (Mintel, 2012).

⁶⁷ The code of good practice relates to undertaking to hold markets regularly; to stock a substantial proportion, ideally 50%, of local produce from the county or neighbouring counties; to accommodate seasonal and local garden/allotment produce, as well as compliance with food safety/labelling rules and criteria on good governance.

Online sales give an opportunity to target the export market as well as the domestic market, e.g. O'Doherty's black bacon has expanded sales to the UK through this channel. However Amas (2012) report that 51% of Irish SMEs do not buy online and 40% do not have a website. In addition, they believe that there is a big gap between using the internet and making it work for business. They report that Irish food producers are generally quite poor at using the internet, do not integrate it well into other marketing elements, are not taking the opportunity to "tell a story" well, and could do a lot more. (However they note that feedback from Irish food producers indicates that most trade customers prefer traditional ordering.)

As well as facilitating e-commerce (through a producer's own website or a 3rd party website), the internet can be used for online marketing to build a food brand, i.e. it has a significant role to play in terms of promotions and developing a "food community" to support local/artisan foods. Social media is an important element in developing a good food website. Facebook is recommended as a medium to engage with existing and potential new customers (Mintel, 2012). It has a significant impact on sales for some producers. A producer of free-range and rare breed pork and bacon reported that 40-50% of her sales come from Facebook and Twitter (In Business – Tasty Foodie Bytes – Q3 2011, cited in Mintel, 2012).

The Burren Smokehouse: telling the story of a brand to connect with customers.

- This established premium food business, specialising in smoked salmon, trout, mackerel, and cheese, makes considerable use of the internet for online sales to countries all over the world. They established their first site in 1996 and have had five new versions since. They make extensive use of social media including Youtube, facebook, Linked In, twitter and vimeo. <http://www.burrensmokehouse.ie/>

Distribution and marketing has always been a challenge for small scale producers. The Taste Council (2004) recommends that such food companies should investigate cooperative/group marketing, i.e. co-opetition. The activities of the Western Organic Network supported the development of the Carrick-on-Shannon Farmers Market and Roscommon Farmers Market. Working with larger companies may also be an option, e.g. Cashel Blue is sold by the Irish Dairy Board in the US.

Co-opetition a means to creating efficiencies in the Supply Chain

- In October 2010, a small group of cheese producers (Cashel Blue, Wicklow Farmhouse Cheese, Inagh Farmhouse Cheese, Milleens Cheese, Mossfield Organic Farm and Carrigbyrne Farmhouse Cheese) with complementary products got together to form Irish Cheese Direct. This is an example of collaboration between competing companies to produce and deliver an attractive wholesale and retailer business offer. The cheese makers use Oakland International to store and distribute their products to Musgraves and other retailers. The key account manager from Irish Cheese Direct, Tadhg O'Donovan, working with Oakland International is the single point of contact and enables swift order response and accurate retailer supply through the use of backhaul; with no restrictions on order size and suppliers invoiced individually. This approach successfully provides a one-stop-shop for retailers to receive a large range of supplier products and allows the cheese producers to deal directly with retailers rather than through wholesalers or other third parties.

Analysis by Mintel (2012) suggests that artisan producers could take a dual-channel approach, with less price-sensitive artisan products targeted towards large food retailers, thereby achieving high volume sales with low margins, and a platinum range (that has export potential) with lower volume sales but higher margins offered at farmers' markets, online sales and speciality retailers, including the export market.

Opportunities and Challenges

Establishment costs can be considerable for approved food premises. For example, the capital costs of building and equipping a medium-sized cheese manufacturing facility (1,250 sq ft capable of producing over 10 tonnes per annum) is approx. €100,000 not including the site (Teagasc, pers. Comm.) while the equipment costs only for processing ice cream (60-80 litres per hour) is about €50,000 (Teagasc, pers. comm.). However, there are other options that food entrepreneurs could explore such as renting a food approved space, sub-contracting manufacturing⁶⁸ or packaging, and sharing facilities with others. A significant barrier to availing of these opportunities however is lack of awareness of the availability of such opportunities locally. The creation of a register of such opportunities, by a local agency such as the country enterprise boards, would be helpful. Contact with agencies such as Teagasc and networking with other producers and entrepreneurs would also be helpful. Regulations relating to grant-aiding the purchase of second hand equipment are expected to be reduced next year (where such equipment has not already been grant-aided) in an effort to further reduce costs; this is welcomed.

Key to increasing the size and impact of this sector is a more vertically integrated consumer focused supply chain. Bord Bia Pathways for Growth report identifies a number of issues:

- Fragmentation of the sector and a lack of trust across the supply chain
- A Lack of consumer orientation with too great an emphasis on lower value added commodities and business-to-business sales rather than consumer focused sales
- Low confidence in the future

Access to funding for entrepreneurs is difficult as banks deem them high risk due to their stage of development, private investors and venture capitalists speak another language, and many start-up businesses do not have a nest-egg that they can tap-into. However, specific to food, barriers to accessing funding for farm-based food businesses through the RDP created a barrier in the past. This should be avoided in the future. Furthermore, equity crowdfunding may also be an attractive and innovative way to raise funds for small food businesses (e.g. www.crowdcube.com, www.kickstarter.com). Crowdfunding is where many investors invest small amounts of cash in exchange for rewards and a stake in such a business. Such rewards could include discounts, personalised gift products, etc. Food is one of the best areas for crowdfunding as it is more accessible to people than technology for example. Crowdfunding can be particularly attractive for the entrepreneur who is generally averse to giving control away; having lots of investors, rather than one large investor, helps to put more control into the hands of the entrepreneurs (Nesta,

⁶⁸ Cully and Sully are an example of a company that sub-contract manufacturing. The most recent example is of Slane Castle Whiskey. They previously sub-contracted manufacture to Cooley Distillery but have just announced an investment €12m in a distillery and visitor centre, creating 25 jobs.

2013⁶⁹). Lack of awareness of the funding opportunities available to food businesses is another challenge and is undermining the success of entrepreneurs and government policies to support small business growth. Increasing education and awareness of schemes such as the Seed Capital Scheme and removing barriers to access such incentives for these entrepreneurs is critical. Furthermore, as food entrepreneurs frequently have limited finance education, targeted marketing and accessible guidance specifically for food entrepreneurs (rather than finance providers), on existing enterprise financing initiatives would be helpful.

Innovation and NPD will be required to support the growth of the sector without cannibalising existing businesses. It is also essential in getting buyers and consumers away from a narrow fixation on price to other product attributes. However, a lack of locally available facilities to undertake product development is a constraint. While a small number of incubation spaces exist, e.g. Teagasc, Ashtown, in Dublin, Hospital and Croom in Limerick, these are usually full, and those with vacancies may be too large. These facilities need to be local given the time constraints on many entrepreneurs. However, alternatives could be explored, e.g. using kitchens in catering establishments during the off-peak season. A register of existing incubation facilities, as well as alternatives, would be of assistance. Innovation Vouchers available from Enterprise Ireland are very useful and allow products to be developed and analysed efficiently. An additional spin-off is that they support the development of a relationship between the food manufacturer and the knowledge provider to provide a platform for further innovation. Broadening the eligibility criteria to allow private consultants to act as knowledge providers should be examined to further promote uptake.

The Food Hub: Scaling up from kitchen to manufacturing unit

- Food Hub in Leitrim: have a community kitchen that companies can move to from a food ready unit. Has proactive manager with food knowledge, not just a caretaker. Contact re Leitrim Food Hub Feargal McPartland info@thefoodhub.ie
- (Details to be finalised)

Communicating and engaging with consumers is important for this market. This is particularly so as price is a barrier to consumers, i.e. producers need to demonstrate that their products are worth paying more for. Producers need to communicate value including for example how their sales benefit the community when selling locally. Social media represents a very cost-effective way for food businesses to communicate with the customers, to obtain feedback, develop new products, etc. It is relevant for ingredient manufacturers as well as final product manufacturers in that it can be used as a platform to drive demand as well as function as a direct selling tool. ICT also offers a potential solution to the fact that consumers sometimes have difficulty finding local foods (Mintel, 2012) – apps, location based technology linked to locally based consumption, etc. have a role to play in addressing

⁶⁹ Collins, L., Swart R. and B. Zhang (2013). The Rise of Future Finance: The UK Alternative Finance Benchmarking Report, Published by NESTA, University of California, Berkley and Cambridge University, available at;

http://ec.europa.eu/internal_market/consultations/2013/crowdfunding/docs/contributions/individuals-and-others/nesta-with-university-of-cambridge-and-university-of-california-berkeley_en.pdf

this barrier. Training regarding social media should be made widely available to producers but also to community groups and farmers markets.

Lack of a representative body has been identified as a barrier to development in the sector. CAIS, the Irish farmhouse cheesemakers association, has been a very effective representative body for the farmhouse cheese sector for many years. This organisation facilitated easier access to the services of state agencies for technical, financial and marketing support as well as education and training that would otherwise be inaccessible to individual producers, and improved access to national and international markets (Henchion and Sorenson, 2013). The formation of a representative body would also be of benefit to the support agencies. It would allow them to find producers more easily and to communicate more effectively with them. For example, it would facilitate bringing relevant trade issues to their attention, e.g. they may be willing to comply with regulations but may not be fully aware of their obligations. Other sectors that could have the critical mass to have an effective representative body are the bakery and seafood sectors. While such bodies need to be formed from the bottom-up, they will need support from government agencies at the early stages.

Other benefits of collective action include improved market access (see Cheese Direct above), the development of sales channels (see Leitrim Organic Network above) and cross or joint promotions. Cross promotions with other categories would support increased sales of the artisan cheese sector (Bord Bia, 2012, Mintel, 2012). Recent success in having the Waterford Blaa registered as a PGI⁷⁰ is another example of the benefits of collaborative action.

Complying with hygiene and food safety regulations, and facing the same regulations for large industrial manufacturing companies, is often raised as challenge for small food businesses in terms of cost and time commitments. A recent survey by the FSAI (2012⁷¹) found that 45% of small food businesses believe that the food safety standards are stricter than they need to be. However, the same survey showed that 97% of small food businesses that had been inspected recently for the first time understood what they needed to do. Furthermore, nearly 3 in 4 small food businesses believe that these regulations helped their business by building consumer confidence (FSAI, 2012). This is supported by Teagasc consumer research that found that farmhouse cheese producers are highly regarded by consumers regarding their hygiene practices (McIntyre, 2010⁷²); this should be prized by such producers. Furthermore, this challenge is being addressed, with some success to date, by the Artisan Forum within FSAI. This Forum was designed to allow the artisan sector influence hygiene and food safety at an early stage rather than when it is finalised. One of the successes of the Artisan Forum is that there is improved flexibility (commensurate with the risk) and consistency in interpreting the EU hygiene

⁷⁰ **Protected Geographical Indication - PGI:** covers agricultural products and foodstuffs closely linked to the geographical area. At least one of the stages of production, processing or preparation takes place in the area.

⁷¹ FSAI (2012) Findings from a survey of Small and Medium Food Businesses
www.fsai.ie/WorkArea/DownloadAsset.aspx?id=11221, accessed 26/06/201

⁷² McIntyre, B. (2010) Good news for Irish Farmhouse Cheese, *Teagasc Food Innovator*, 8, p3,
http://www.teagasc.ie/food/research/newsletter/2010/AFRC_summer10.pdf

legislation by EHOs for the artisan sector. They have had particular success in the farmhouse cheese sector through the production of a HACCP handbook for the farmhouse cheese sector⁷³. Another example of “common-sense regulations” is allowing the production of certain low risk food products in a home setting (e.g. preserves and bakery products) and allowing share shelf-life testing for products. A comprehensive section on the FSAI website highlighting the regulations that food businesses need to be aware of and address also helps. While inspectors’ core role is to protect public health, they can also be an important source of advice for producers.

Skills gaps have been identified at a number of levels. More entrepreneurship training at catering colleges could support a culture of entrepreneurship by training young people to set up their own food businesses. Skills gaps in relation to innovation and new product development indicate a need to develop a course that links the culinary arts and food science. However learning can also be more informal, e.g. through mentoring (first-hand experience can be invaluable to start-ups) or networking (formally or informally) with peers. Networking also helps to build confidence.

New food businesses have numerous points of access to institutional supports so that range of agencies involved in supporting food businesses can be confusing for new businesses. Furthermore, the lack of integration and cross referrals between agencies may not be as effective as desired. Impartial business mentors could assist in navigating through the raft of regulatory agencies and private institutions that can seem like a minefield for first-time entrepreneurs. Furthermore, assignment of one key account executive in each agency to facilitate direct inter-agency linkages and referrals would assist in integrating such supports (e.g. one named person would be allocated within Teagasc to liaise with Bord Bia, another for Enterprise Ireland, etc.).

8.2 Lessons

Sector Wide Strategy

1. Food Harvest 2020 objectives will require an increase in the volume and value of high quality products across the food supply chain

- A number of national reports prepared by the industry, DAFM, ICOS, Teagasc and Bord Bia recommend continued improvement in efficiency, consolidation, targeting higher value added production and finding non-EU markets. This can best be done improving the vertical integration across the supply chains. This is important if efforts to increase value added for the whole supply chain are to be realised. Improving value generation across the supply chain will require greater coordination and cooperation across the supply chain.
- Foodharvest 2020 recommends the development of the knowledge infrastructure based on the relevant findings of the report on Future Skills

⁷³ The production by the FSAI of the “Village Market Handbook: a simple guide to becoming a market trader” in collaboration with Irish Village Markets, MAST and the Bank of Ireland is an example of the supportive attitude of the FSAI to small food businesses.

Requirements of the Food and Beverage Sector as well as those relating specifically to the artisan food sector, and the organic sector. The Taste Council recommendation for Agri Vision 2020 re commitment from government to prepare a cross departmental strategy for the sector covering enterprise [and jobs], education and skills, tourism, food, fisheries and agriculture and the environment is also endorsed.

- Programmes such as FoodWorks, organisations such as the Artisan Forum and the Taste Council⁷⁴, initiatives such as Innovation Vouchers, enterprise awards (e.g. National enterprise Awards by CEBs, JFC innovation awards) and initiatives that show case entrepreneurs should continue.

Export Markets

2. Meeting the Food Harvest Objectives will also require an increase in the export focus of the speciality Food Sector

- While currently only 10% of speciality food is exported, growth in the number of businesses will only occur by cannibalising other businesses. This is particularly true for the artisan sector, which actually experienced a decline in sales in 2008-2011 despite the overall speciality market growing (Mintel, 2012). Initiatives to develop export markets can help the sector expand at a faster rate.
- Furthermore, evidence from New Zealand shows that export markets can be developed for speciality food through effective investment innovation, research, marketing and distribution. Existing businesses may be reluctant to tackle the challenge of exporting so start-up programmes need to prioritise those with export potential and/or give higher levels of support to companies seeking to develop sales in export markets.
- Marketing supports for export markets are particularly important and are different to those required for the local market. Consideration should be given to expanding Bord Bia's programmes beyond the UK retail and foodservice market entry programme. Companies need to recognise (and be advised) that success in the domestic market is not an essential prerequisite to tackling the export market.

Enterprise Supports and Sectoral Strategies

3. Improved infrastructure is necessary to facilitate an expansion of the Speciality Food Sector

- The shortage of incubation spaces (required to kick-start new businesses but also for innovation) should be addressed through identification of where the gaps are geographically³⁶. The use of alternative resources, such as catering establishments that are not being used during the off-peak season should be investigated and a register established. While many manufacturing companies have the same basic requirements there are many variable requirements depending on the process and volume, e.g. companies will have different needs

⁷⁴ An important body that ensures the interests of local, artisan, and speciality food producers are officially represented on the FSAI Artisan Food Forum and the Agri Vision Artisan Food Sub-Committee.

for segregation, e.g. due to dirty and clean requirements. Nonetheless, provision of basis premises with hand washing and utensil washing facilities provided along with appropriate floor/wall etc. finishes would be of considerable support. Financial support is required to develop the physical infrastructure to support start-ups and innovation and New product Development.

4. Soft as well as Hard infrastructures are required to support the expansion of the Speciality Food Sector

- Investment in education is an important strategic objective of the Taste Council. Key to productivity growth is an increase in human capital levels which can be developed through formal training, mentoring and networking initiatives. However human capital can also be developed through mentoring and networking programmes.
- While excellent food related courses are available in the 3rd level sector, the availability of some artisan skills is limited on the ground. Continual development in artisan food skills for producers and retailers (albeit to a lower level) is required.
- A mentoring programme could be developed using successful entrepreneurs over a period of time or mentoring could be linked to incubation spaces. There is a role for multiple agencies in developing a mentoring programme over a period of time, (say 3 years) as there would be an evolution in nature of mentoring required over time. For example, the demand for technical advice may be high initially, and then remain low until the company seeks to expand its product range and/or scale up.
- There are successful models elsewhere where mentoring supports were linked to physical facilities, e.g. Kitchenette developed as a social enterprise in the UK (www.wearekitchenette.com) and La Cocina in San Francisco (<http://www.lacocinasf.org/incubatorprogram>)
- Networking could be developed using CAIS as a model. Such networks provide communities of learning: advice, training and information, identifying new partners, enhanced networking and collaborative action, building bridges, sourcing new ideas.

5. Strengthened Food Supply Chains can Enable Greater Value Added Production

- There are barriers across the whole food supply chain from producer through to processor and retail/foodservice outlet which limit growth in the sector. The lack of a locally available small-scale abattoir can be a barrier to development of businesses in some areas and could potentially be addressed through mobile abattoirs. At the other end of the chain, local authorities could undertake initiatives to encourage pop-ups and supper clubs through creating a local register of suitable empty commercial spaces. The undeniable importance of the retailer means that it is important to continue to foster increased understanding of retailer demands.
- Providing support to increase understanding and improve access to retailers in the UK and other export markets needs to be expanded to facilitate export growth. Direct involvement of retailers in these initiatives could be particularly important. Support for the development of direct routes to market would be

useful to support start-ups. Collective action, along the lines of Cheese Direct, can act as a means to access international supply chains.

- Specific to the retail sector, the policy framework e.g. competition policy and planning, could be designed to better support retail diversity and entry to markets of new local food entrepreneurs. This would prevent further market concentration which could act as a barrier for small and medium sized businesses and provide more routes to market for new businesses. It should help to reframe consumer interest in food beyond a narrow price-based approach to include consideration of community well-being and long-term sustainability.
- The development and enhancement of producer groups, in conjunction with the processing sector can help to develop both local brands, but also facilitate producers in sharing and reducing costs and in helping to improve the skill level and associated quality of product.

6. Aligning Public policies, local planning and regulatory frameworks can support the development of the Speciality Food Sector

- Models of good practice supported by local authorities in the UK highlight how local authorities could work with prospective partners such as other public bodies, local businesses and community groups to build broad-based public support for a comprehensive and strategic approach to food planning for their area.
- Central and local government and regulatory bodies could make it easier for start-ups and SMEs at various stages of development. There should be a seamless system of support available from the agencies. Better integration and a willingness to hand over “winners” from one to another would support this.
- The provision of a single Start Your Own Business brochure and business plan template from all agencies would be a clear signal of the desire to achieve integration⁷⁵. In addition, there should a minimisation of red tape were possible including reducing the burden of inspections. The work of the Artisan Forum in FSAI should be continued and they should work with DAFM to bring flexibility into the implementation of EU hygiene and food safety regulations at national level where legally possible and commercially desirable. The possibility of reducing restrictions relating criteria such as age of entrepreneurs and legal status⁷⁶ should be examined.

7. Building a Brand around Food produced on farms participating in Agri-Environmental Schemes could Add Value to Food Produced in an Environmentally Sensitive Way

- Over €3bn has been spent since 1994 on Agri-Environmental schemes with a significant proportion of farmers participating. Heretofore the primary objective of these programmes has been delivering environmental public goods. Private

⁷⁵ The case study of Kates Cup Cakes available from is a useful illustration for entrepreneurs of the role of different agencies and programmes.
http://www.bordbiavantage.ie/startingyourbusiness/businessplanning/Documents/Business_Start-Up_Case_Study.pdf

⁷⁶ For example Innovation Vouchers are only available to limited companies.

value can be generated in addition to the generation of public goods by utilising the environmental farming to brand output

- Bord Bia are promoting the Origin Green brand, that builds upon generally good environmental standards and organic farming brands a low input, no chemical type of farming; both generated added value for the farmer and the wider Food supply chain. However focusing on an intermediate market segments building upon the REPS/AEOS type of farmer may be another source of value added. This could potentially be done by incorporating environmental schemes such as AEOS and REPS into Bord Bia quality assurance programmes. The Bord Bia quality assurance should be of equivalence to quality assurance programmes in other countries (such as the red tractor in the UK) so that Irish product can claim equivalence or superiority to the products in the destination market. Irish beef and lamb should look to the branding of Scottish beef as an example of the marketing.

Case Study: Hodgins Sausages

Mervin Hodgins first started in Mitchelstown over 20yrs ago, when he opened a butcher shop. Spotting a gap in the market for high quality sausages, Mervin started producing and selling Hodgins Sausages which has gone from strength to strength over the years, and he now employs up to thirty people in his purpose built facility. As a family run business, Mervin believes that it is all about the quality and especially now when people want the assurances that the food they are eating is of the highest standard. Hodgins Sausages have been awarded many accolades for their products throughout the range over the years which includes a 3 Gold Star Great Taste Award.

In 2012 Hodgins Sausages was shortlisted as a finalist in the National Small Business Awards, whilst they didn't win their category they were mentioned for a Highly Recommended Award.

Hodgins Sausages are available nationwide throughout all major retailers, they have a wide range available: Traditional, Jumbo, Cocktail, Garlic, Herbal, Barbeque, Tomato and Basil, Low Fat, Black and White Pudding and also Gluten Free Sausages and Gluten Free Black and White pudding. They have just recently announced a deal valued at €400,000 with food and support services company, Compass Group Ireland. Hodgins Sausages is delighted to be the official supplier of quality sausages and puddings to Compass and "it is great to see a company of this scale supporting local Irish companies such as ourselves" said Mr Hodgins.

"While things are positive for Hodgins Sausages, Mr Hodgins stresses the need for Government support in helping small business such as us to survive in these challenging times as it is the small business all over the counties of Ireland that contribute to the economy and most importantly employ the people on the ground who don't necessarily have the college degrees the larger companies require".

9. Creative Economy

The creative sector can be defined as “Occupations and industries centred on creativity, for the production and distribution of original goods and services.” (Oxford Economics, 2007⁷⁷).

Creative industries can be defined as the cycle of creation, production and commercialisation of products and services that use knowledge and intellectual capital as primary inputs. They deal with the interplay of various subsectors ranging from traditional crafts, books, and visual and performing arts, to more technology-intensive and service orientated fields such as music and film industries, television and radio broadcasting, new media and design. Today, creative industries are among the most dynamic sectors in world trade.

9.1 Context

The Creative economy is globally significant and important to Ireland’s growth

- Developments around the globe are re-defining media, arts and other related sectors as ‘creative industries’ which are being recognised for their potential impact on local and national economies.
- In the ten years up to 2005, the creative economy grew at twice the annual rate of the service industries and four times the rate of manufacturing in OECD countries. In Europe, the growth of the cultural and creative sector was 12.3% higher than the growth of the overall economy from 1999 to 2003. From an economic perspective, international trade is a key component, from 2000 – 2005, trade in creative-industry products grew on average by 8.7% annually.
- In the EU, 27 creative industries offer 6.1 million jobs and represent 2.7% of GDP (2007)
- The EU has also begun to quantify and measure the creative industries in a green paper titled *Unlocking the potential of cultural and creative industries (2010)*. In the report the EU identified the creative industries through their ability to imagine, create and innovate as being one of the key sectors to help Europe remain competitive in the changing global market driving economic growth and job creation. It looked at the dual role of cultural and creative industries in using its local resources, knowledge and creative talent to spur innovation.
- Recognition of this sector was set out in Irish government’s policy document entitled “*Building Ireland’s Smart Economy*”⁷⁸ (2008), which called for a framework for sustainable economic development over the 2009-2014 period based on five action areas. ‘*Creating the Innovation Island*’: involves leveraging the Arts, Culture and Creative Sectors as a world class business sector. This recognizes the arts, cultural and creative industries as key and primary economic contributors, and acknowledges that the challenges for creative

⁷⁷ Economics, O. (2007). The economic impact of the UK film industry. *UK Film Council/Pinewood Shepperton*.

⁷⁸ Building Ireland’s Smart Economy: A Framework for Sustainable Economic Renewal (2008) Government of Ireland, Stationery Office: Dublin.

industries differ from those in traditional export sectors. The action area identifies intellectual property protection and commercialisation as top priorities, and advocates a policy supporting research and development (R&D), and investment in human and creative capital.

- *"Ireland today survives and prospers by the talent and ability of its people. Today's goods and services require high value added input. Some of it comes from technology or financial capital but more of it comes from people's ability to innovate, to adapt, to be creative. In economic terms, the cultural and creative sector is globally one of the fastest growing. Estimates value the sector at 7% of the world's GDP and forecast 10% growth per year. Creative industries are also a key driver of the digital and knowledge economy.*
- *Consumer demand for creative content is driving new sales in computers, broadband, cell phones, and ecommerce".* Building Ireland's Smart Economy (2008) p.80

The Creative economy is a strength and competitive advantage for Irelands Rural regions

- Traditional economic theory predicts that people follow jobs, however for regions and rural areas in one key sector it has been observed that a new dynamic is at play whereby jobs often in effect "follow" people⁷⁹. Such a dynamic may be seen in the creative industries sector, whereby the ability of a region or rural area to attract creative talent in turn leads to enhanced enterprise and employment opportunities for that locality both directly and indeed throughout the wider economy in effect. Research shows that regions not nations compete for creative talent⁸⁰ thus allowing homogenous cultural areas (regions) a distinct advantage in nurturing and attracting creative capital.
- Emerging work on the nature of the creative industry sector⁸¹ in the West of Ireland, a predominantly rural region, also shows that the nature of the creative industries sector in regions demonstrate unique aspects which frequently differ from their urban counterparts and are potentially more firmly locked to the land from which they evolve. Examples of this include the unique fashion cluster of Donegal and the North West, and the craft clusters in Connemara.
- Consideration needs also to be given to the longevity and job density characteristics of the creative industries sector in rural regions. Analysis has shown that often businesses in these sectors demonstrate significantly long average lifetimes (over 13 years in the Western Region⁸² of Ireland), probably due to their nature and cost structures. Also the average GVA figures can appear low in certain sub segments and high in others (€56,000 in creative technology for example), whilst it is reasonable to observe that the sometimes low sectoral GVA values do reflect a sector which has a large proportion of part-time, seasonal and lifestyle employees. Who nevertheless are regular economic contributors rooted in their communities. So this combination of characteristics provides a unique opportunity for the rural regions of Ireland to focus on providing the conditions to accelerate the enterprise and employment development of the creative industries sector as these regions have shown an ability to both grow and attract the necessary talent that the sector needs.

⁷⁹ Robert Huggins – University of Cardiff

⁸⁰ David A Wolfe – Centre for international studies University of Toronto

⁸¹ NUIG/WDC – "creative growth trajectories" 2011 (TBC)

⁸² Western Development Commission – "The Creative West" (2009)

- Undoubtedly this is due in no small part to the unique location, heritage and life quality of these rural regions, conditions which are immutable and indelibly linked to the “place” and hence difficult to replicate elsewhere. However they are also complimented by the improving access to global markets and talent available to these regions.

Classification of the Creative industry

Classification of 12 creative industries into three broad categories:

1. Creative Application – industries which develop products or services primarily based upon meeting a market demand. This category includes products such as signature designer pieces, books, blueprints or advertisements, and services such as private art galleries. Six creative industries fall within this category:

- Art/Antiques trade (private art galleries, antique shops)
- Architecture
- Fashion
- Publishing
- Advertising
- Crafts

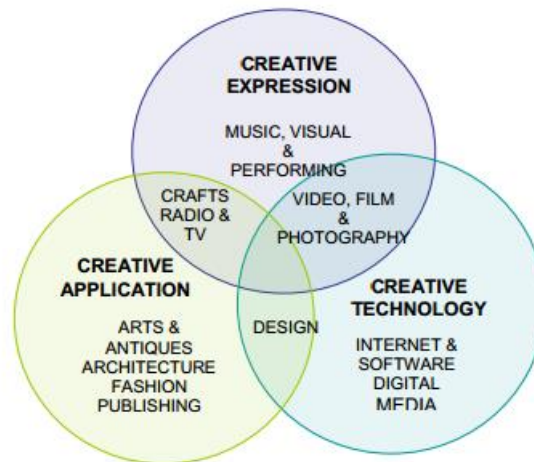
2. Creative Expression – industries where products or services are developed for audiences with an expressive story in mind. There is a relatively high level of public funding involved within this category and it includes the arts sector. Three creative industries fall within this category:

- Music, visual and performing arts (musicians, artists, theatre groups)
- Video, film and photography
- Radio and TV broadcasting

3. Creative Technology – industries which rely most on technology and digital media, particularly for their core functions. Three creative industries are in this category:

- Internet and software
- Digital media (gaming, animation)
- Design (graphic design, web design)

Figure 7 – Three main categorisations of Creative Industries in Ireland:



The creative industry characteristics in Regional Ireland

- According to the 2009 report, '*Creative West: The Creative Sector in the Western Region*' commissioned by the Western Development Commission (WDC), the economic contribution of the creative sector to the Western Region's economy estimated that, there are 4,779 creative businesses in the Western Region which directly employ 11,000 people, equal to 3% of total employment in the region. The creative sector generates annual turnover of €534m and directly contributes €270m to the Gross Value Added of the region.
- It is estimated that the productivity of the total creative sector in the western region (measured as GVA per employed worker) is €25,000. This varies considerably across the creative categories with average productivity of €56,000 per person employed in the creative technology category, compared with just €17,000 per person employed for creative expression.
- The productivity figures for the creative sector in the Western Region are relatively low compared with average productivity figures for the economy.
- Low productivity in the creative sector is closely related to the low level of capital inputs employed by the creative sector compared with other, highly capital-intensive industries such as pharmaceuticals or computer equipment. Many creative businesses are small scale, have low levels of export activity and many creative persons operate on a part-time or hobby basis and are not primarily commercially focused.
- In relation to export activity of creative sector businesses, it is estimated that 66% of creative businesses in the Western Region receive less than 5% of their total turnover from exports. Most creative businesses in the region export little or no goods or services.
- Of the three broad categories, creative application has the highest average turnover at €509,000 per annum per business, followed by creative expression at €360,000 per annum and creative technology at €261,000 per annum.
- In terms of the size of businesses, the creative sector in the Western Region is largely made up of self-employed individuals or micro businesses comprising fewer than 10 employees.

Potential of the creative sector

- The creative sector and especially the creative industries are potentially in strong position to drive growth and stimulate job creation. This potential for growth is due to the sectors links with innovation, new product development, original or unique ventures and ties to cultural and artistic fields.
- There are direct linkages with suppliers and customers, but the creative sector also has important spill over impacts on sectors such as tourism by encouraging more international tourists to visit and can increase productivity/performance in sectors such as manufacturing, financial services, engineering and scientific research which purchase innovative creative services and products. Some specific examples of linkages would include tourists visiting an area to attend a music event and then purchasing goods and services from the retail and hospitality sectors.
- According to the '*Creative West*' report, in addition to its direct contribution, the creative sector indirectly supports the employment of 3,800 persons mainly through its purchases of business services, personal services, and retail and distribution services. This indirect contribution generates €300m in GVA. The induced contribution, which results from the spending of those employed either directly or indirectly by the creative sector, supports an additional 3,600 jobs in retail, personal services and hotels and restaurants. This induced contribution generates €190m in GVA. Both the indirect and induced contributions are not exclusive to the Western Region as purchases may be made from outside of the region, including spending on imports.
- Creative industries are becoming a priority economic sector worldwide and are not only linked to urban areas. Creativity and innovation have a strong and distinctive regional dimension.
- The creative industry sector offers:
 - Significant, indigenous sector
 - Strong growth potential
 - High quality employment
 - Stimulates innovation in wider economy – strong linkages
 - Important social role attractiveness of area
 - Promotes rural and regional development

Key issues

The key issues for the creative sector can be categorised under three headings:

- Creative people: related to the level of skills and creativity within a region's population, provision of local training courses and the activities of educational institutions, as well as the level of diversity.
- Creative place: related to the attractiveness of a region including its landscape, heritage, built environment, infrastructure, social network and quality of life.
- Creative supports: related to the facilitating policies and programmes available to the creative sector, such as funding, networking opportunities and marketing capabilities.

Table 3: SWOT Analysis of the Creative Industries

	Strengths	Weaknesses
Creative People	<p>High level and diverse mix of skills across counties</p> <p>Current structure of both new and established businesses – mainly indigenous</p> <p>Diverse education institutions offering courses relevant to the creative sector</p> <p>Growing diversity of the population – multicultural society</p>	<p>Untapped potential of a high number of businesses/skilled people</p> <p>Shortage of certain creative skills</p> <p>Lack of basic business skills amongst those working in the sector and new entrants</p> <p>Low levels of research and development limiting innovation in the sector</p>
Creative Place	<p>Landscapes, lighting, natural settings, uniqueness</p> <p>Good range of urban and rural settings, from city to remote rural areas</p> <p>Work/life balance, quality of life</p> <p>Cost of living</p> <p>Advantage of small communities</p> <p>Irish language and heritage, and other cultural resources</p> <p>Two international airports and three regional airports</p>	<p>Lack of suitable low cost workspaces</p> <p>Surface connectivity between regions, i.e. road network</p> <p>Insufficient broadband capacity and connectivity</p> <p>New built developments not always sensitive to rural uniqueness</p>
Creative Supports	<p>Existing critical mass in certain areas of the region e.g. Galway, Sligo, Leitrim</p> <p>Support from community based organisations</p> <p>Social networks for creative people in certain local areas</p> <p>Strong festival culture in some regions</p> <p>Availability of funding sources</p>	<p>Poor networking between creative businesses across counties</p> <p>Low level of alliances/joint projects, particularly among smaller businesses</p> <p>Lack of information surrounding funding opportunities</p> <p>Lack of showcasing of local talent by tourism sector</p> <p>Lack of awareness of role of creative industries in innovation within non-creative sectors such as manufacturing, financial services and tourism</p> <p>Distance from primarily Dublin-based trade associations</p>

Opportunities		Threats
Creative People	<p>Tapping into the hidden skills currently operating</p> <p>Connecting skills within regions</p> <p>Utilising the experience of individuals and longevity of businesses within regions</p> <p>Technological hubs or clusters to enhance business development</p> <p>Tapping into digital revolution, including investment in research</p> <p>Increased flows of talent between creative and non-creative businesses</p> <p>Stimulating a greater culture of creativity</p>	<p>Losing current creative talent from the region</p> <p>Reduced diversity in some regions due to lower in-migration as a result of economic factors</p> <p>Focus of policy on attracting new skills rather than sustaining and encouraging established skills</p>
Creative Place	<p>Attraction of new businesses</p> <p>Relatively unspoiled landscapes</p> <p>Enhancement of the quality of the built environment</p> <p>Widespread recognition of the importance of the creative sector to a region</p> <p>Potential of the character of a region to stimulate creative growth</p>	<p>Lack of appropriate creative infrastructure e.g. studios, theatres</p> <p>Risk of over-development or over urban-centred development plans spoiling the area's character</p> <p>Insufficient supply of good, stable employment opportunities for current and new creative workers</p>
Creative Supports	<p>Increased access to export markets</p> <p>Marketing creative uniqueness</p> <p>Creating an integrated regional approach, through facilitated networking</p> <p>Funding tailored to the needs of each of the creative industries to help businesses develop</p> <p>Creativity becoming a key input into the development of non-creative sector businesses – cross-sectoral linkages</p>	<p>Lack of sustainability criteria leading to a drying up of funding</p> <p>Lack of appropriately tailored funding opportunities for creative businesses</p> <p>Narrow county-based development rather than collaborative regional approach</p> <p>Public procurement policies – tendering criteria</p>

Creative policy in Ireland

- A tax exemption on Artists income was the primary policy support for the Irish Arts sector. Internationally in recent years the potential economic and social benefits of creativity was beginning to gain currency.
- The publication of Richard Florida's '*The Rise of the Creative Class*' built on previous work by Charles Landry and explicitly stated the importance of culture and creativity to the social and economic development of places. Both authors cite the positive feedback loop behind investment in culture and creative industries which in turn makes a city/region more attractive to the creative classes which in turn boost the creative sectors within those cities and regions.

- Ireland suffers from the lack of a coherent national policy or strategy for the creative sector.
- Policies exist for many of the individual creative industries which make up the creative sector, but a coherent voice for the sector itself is lacking. As a result there is a lack of clarity that sees different creative enterprises falling under the remit of a number of Government Departments and State Agencies with little integration. No single Department has overarching responsibility for the sector, enterprises work under a combination of departments from Enterprise, Trade and Innovation, Communications, Energy and Natural Resources to the Department of Tourism, Culture and Sport.

9.2 Lessons

8. Facilitate export growth and domestic sales by effectively promoting the creative industries within a region

- Research⁸³ has shown that almost 66% of creative industries may not be exporting. The value of these exports is also low. So as these goods and services exist a priority should be made to provide access to global markets through practical, sectoral and regionally based export growth initiatives. An example of this involving hundreds of creative businesses is demonstrated in the case study below – “*Mycreative edge*”. Growing exports from Creative industries will require a targeted approach to development.
- Promoting awareness of creativity within regions will require a marketing strategy and campaign to be devised. This would focus on raising awareness of the current creative sector in the regions, highlighting the attractiveness of a region for creative people/businesses and profiling the creativity of a region. For example the WDC’s ‘Creative West’ strategy for the Western Region.
- Create a strong brand where necessary and identified by consultation with the sector, for use in the marketing campaign. The brand should contain a simple core message which signifies the creativity of a region. An example would be the IDA campaign ‘Knowledge is in our nature’ (www.idaireland.com). The actual act of branding the campaign may also be used as a public relations element of the campaign.
- The marketing campaign could incorporate showcasing events, a creative conference and /or a regional creative awards scheme to profile local talent. Such events would be an element of the networking activities outlined.
- The public sector could help the sector by taking a leading role in purchasing creative products and services as they have previously done with fair trade products and renewable energy.

9. Access to Finance: ensuring that Regional creative businesses have clear access and information on the funding sources available and that funding schemes meet the needs of the sector

- Analysis has shown that access to working capital for creative industry businesses remains extremely difficult and an inhibitor to growth in general and export growth in particular. Steps must be taken to practically address this until regular access to finance facilities return to the market in general and the

⁸³ Western Development Commission – “*The Creative West*” (2009)

sector in specific. As rural/regional businesses are often more geographically dispersed this can contribute to difficulties in accessing the necessary working capital. (See case study below).

- Avoid duplication of funding effort by identifying where overlap exists within the creative sector policy environment and rationalising funding provision. This might result in overarching responsibility for creative industries being placed within a single body to improve lines of communication and reduce overlap.
- Review current national enterprise support criteria to assess their appropriateness for the needs of creative businesses. This should help to identify bureaucratic and technical obstacles to acquiring funding and may help to inform revisions or modifications to existing schemes.
- Consider funding to link Creativity to innovation practice to further accelerate the pace of growth. For example Northern Ireland launched a £5m Creative Industries Innovation Fund in October 2008 (www.artscouncil-ni.org/award/innovation.html).

10. Expand creative sectors ability to support wider industry base

- Analysis has shown that the creative sector in regional/rural areas has the potential to contribute to the development of the wider rural/regional economy. This both increases the potential market for often class leading creative talent, both directly and through new product development (a new "mix"), and also through potentially upgrading the wider industry recipient.
- Thus there is a need to build on existing pilot regional and local authority enterprise stimulus programs which seek innovative ways to grow both the creative and wider industry sectors through enabling meaningful value focussed interactions – e.g. the five North West Local Authorities program led by Sligo County Council 4CNW (see case study left⁸⁴).

11. Establish a national policy for the creative sector as a whole to provide a coherent structure for developing the sector

- Currently different aspects of the creative sector are subject to a wide range of policies. A coherent approach would facilitate development of this high-growth sector.
- Other government policies can also support the development of the creative sector, particularly in the weighting given to creativity and design in public procurement decisions.
- Develop a 'map' of the range of stakeholders in the creative space from national government to local councils, voluntary bodies, educational providers and already funded centres/incubation parks.
- Establish a forum of regional stakeholders in the creative sector.
- These challenges could be reduced by developing a coherent national policy structure for the creative sector. This may take the form of a Green Paper on the Creative Sector followed by public consultation and then a White Paper.

⁸⁴ Analysis of Economic Templates Report to the County and City Managers' Association Enterprise Strategy Steering Group (CCMA 2012)

12. Accelerate growth of creative businesses through enhanced broadband capacity (particularly the high productivity creative technology sector)

- The WDC report suggests using the northern part of the Western Region as a demonstration area for Next Generation broadband. It could be a show case for the potential of NGNs for rural areas, allowing the area to 'leap frog' in its broadband development and providing a unique selling point for locating in the area.
- Roll-out a number of regional pilots to provide high capacity broadband at a competitive cost to businesses. This issue is not exclusive to creative sector businesses and these could be cross-sectoral initiatives.

13. Enable more effective production and development of creative goods and services through establishing networks of practice

- Organise a series of events for business people from the creative sector to have an opportunity to interact with each other and establish networks of practice.
- Such events would need to provide a very clear benefit to encourage participation, such as the information attendees will receive or the business connections they will make. Events may take the form of workshops on particular topics, a design challenge event, a public showcase event, a conference, an international visit to witness a best practice model etc.
- Establish a creative website for regions. This could be targeted at three audiences: creative sector; non-creative businesses; and the public. The website should include examples of existing practice, contact lists of who's who in the sector, guides to funding and links to application forms.

14. Develop creative connectors and hubs in the region to facilitate businesses and operators to work in suitable cost effective environments

- High specification facilities should be provided to ensure cost effectiveness and access to such facilities for smaller operations. Shared resources including hot-desking, videoconferencing, shared administration, advice and services such as marketing, legal requirements, HR functions and accountancy could be provided. The facilities which are already available in existing innovation centres, incubation facilities and public buildings could be audited to assess their appropriateness for creative enterprises.
- Establish meeting hubs where opportunities are created for individuals from the creative sector to interact with each other and with business people from outside of the creative sector. Such hubs could also establish connections with hubs outside of the region and even internationally e.g. the Digital Hub. This may require a professional 'connector' to be employed to stimulate such interactions. A number of these meeting hubs could be established across the region and may utilise current space. Some useful examples include the Digital Hub (www.thedigitalhub.ie) and the Leitrim Sculpture Centre (www.leitrimsculpturecentre.ie)
- Support collaborative measures to bring creative goods and services to market. This could involve: Part funding a team of people to provide a sales function on a pooled basis. This team could identify new routes to market for the sector.

15. Education and training provision: sustaining and enhancing the pool of creative talent in the Region through specific skills initiatives

- Enhance the role of creativity within the primary school curriculum. Establish a national 'Creative Flag' initiative similar to the Green Flag (www.greenschoolsireland.org) used to raise environmental awareness in primary schools.
- Review existing national educational provision for the creative sector in terms of courses, dissertations, work placements and careers advice.
- Conduct a skills needs assessment for the sector to determine its requirements. Then examine the match between provisions and needs in order to identify gaps. This may involve reviews for individual creative industries (e.g. arts and crafts, TV and media etc.).
- Establish a scheme to take creative businesses' business skills beyond start-up requirements to deal with the issues of growth/expansion in the creative sector. This could be run by members of the existing educational/training system, business support agencies and local workers in the sector (thus providing extra resource) and could focus on specific issues for the sector. It could also cover aspects of support and awareness of funding, new legal directives, training in marketing and staff recruitment.
- Enhance the role of research and development (R&D) in the creative sector. Creativity is fundamental to innovation; therefore creativity can assist research undertaken in the science and technology fields to become commercially viable by applying a creative approach to 'real world' research and development problems. R&D funding should facilitate creative approaches.

Case Study: Rural Creative Industries

How “fit for business” broad band is a pre-requisite for the rural creative economy.

In 2012 the Western Development Commission (WDC) published an extensive analysis of the next generation broadband issues for the Western Region and for rural areas in Ireland in general in *Connecting the West: Next Generation Broadband in the Western Region* (2012).⁸⁵ This analysis pointed to a general need for proficient broadband access to enable economic growth in regional Ireland. In parallel, research with creative industries demonstrated a primacy placed on broadband as a determining factor in deciding on a location for business. For those in creative technology businesses like web designers, mobile app developers, film makers and architects, very high capacity broadband is vital for their business as they need to transmit very large files to clients. But next generation broadband is critical for all creative businesses if they want to sell their products online, upload videos of their products or services, take online bookings or want to have flexibility for home working.

The current National Broadband Plan in Ireland will most likely result in cities and large towns (10,000+) having speeds of 70-100 Mbps, semi-urban areas (10,000 – 1,500) with about 40Mbps and rural areas having about 30Mbps.

However research undertaken by the WDC⁸⁶ in the region (under the auspices of the EU NPP *Creative Edge* project), of creative businesses in the region, when asked about the importance of various factors on business location, 70 out of the 91 respondents ranked broadband as Very Important, this was the highest among all the business location factors listed. The next highest was transport infrastructure.

So given that analysis indicates that there exists significant potential growth in the regional creative sector⁸⁷, mainly from exports, of which much will be facilitated by improved and adequate broadband. The question arises how we invest in the appropriate infrastructure to realise these forecasted revenues.

To operate successfully from a rural location – which quality of life, landscape and culture make attractive for creative people – the above analysis demonstrate that creative economy businesses need to be facilitated by access to high speed broadband on a par with that available to international and city based competitors in order to locate and compete in rural regions.

⁸⁵ <http://www.wdc.ie/wp-content/uploads/WDC-Connecting-the-West-Next-Gen-Low-Res-SP.pdf> D. Frost WDC 2012

⁸⁶ The *CreativeEdge* eSurvey was sent to database of 246 creative businesses in the Western Region of Ireland in September 2012. (P White 2012)

⁸⁷ “*The creative sector in the western region – future Growth trajectories*” NUIG commissioned by WDC June 2011.

Case Study: My Creative Edge – Platform to export regional/rural creative goods and services

MyCreativeEdge – The Creative Showcase for Europe's Northern Edge - new website to promote the West of Ireland's creative sector

The creative sector in the West of Ireland has the potential to generate an estimated €338 million in sales by 2020. Employing around 11,000 people, job numbers have the potential to grow substantially if small creative businesses are supported to increase exports of their creative products and services. So the Western Development Commission (WDC) has just launched 'MyCreativeEdge – The Creative Showcase for Europe's Northern Edge'. The new website www.mycreativeedge.eu⁸⁸ showcases the creative work of businesses, freelancers and jobseekers from the West of Ireland, Northern Ireland, Sweden and Finland.

'Marketing and sales budgets can be very tight for small businesses at the moment. Members of MyCreativeEdge will benefit from an international digital marketing campaign being run by the WDC and targeting potential customers in Ireland, the US, the UK and across Europe. Individuals or businesses wanting to contract a creative service like graphic design, photography, architecture or audio-visual services or to purchase creative products like crafts, jewellery or art will find MyCreativeEdge a great resource. The diaspora are a key target market,' according to Ian Brannigan, Head of Regional Development with the WDC.

Among those who've joined already is Sligo-based audio services company All Points West, Donegal-based textile artist koko designs, Roscommon-based multimedia company Black Hole Studio, Clare-based trans-disciplinary artist Maria Kerin, Mayo-based Cox Power Architects, Galway-based photographer Reg Gordon and Leitrim-based graphic designer Reverb Studios.

The objectives of the *Creative Edge* project directly address some of the key issues for rural creative industries:

Increase export activity – rural creative businesses often have limited local demand and need to increase exports (internationally or to other parts of their own country) in order to be viable and / or to grow. In the West of Ireland the recession that began in 2008 greatly reduced domestic demand for creative products and services and has driven many creative businesses to look more towards export and tourist markets.

Facilitate networking – many rural creative entrepreneurs can feel isolated, especially as a high proportion are sole traders and many work from their own homes. Networking and identifying opportunities for collaboration is critical for small rurally based creatives.

Improve employment prospects for young creative talent – many new graduates in creative disciplines leave rural areas to find employment in cities. Greater opportunities to gain experience working in the creative sector in their own rural region or to set up their own business will help retain this creative talent which is the key resource for the sector.

⁸⁸Contact : Ianbrannigan@wdc.ie

Some of the project's activities that are most relevant to rural development are:

MyCreativeEdge – The Creative Showcase for Europe's Northern Edge (www.mycreativeedge.eu)

Its aim is to increase export activity by creative businesses, most of whom are based in rural locations.

Creative Edge Talent Voucher Scheme:

A pilot talent voucher scheme is open for applications at the moment. Creative businesses who are featured on www.mycreativeedge.eu can apply for a talent voucher to a maximum of €2,000 to contract a new/emerging creative talent who is also featured on the site to do a specific assignment for them.

Mentoring programme:

The mentoring programme is being run in Finland and Sweden to match up young, emerging creative talent with established mentors to assist the young talent to establish their own business and remain in their area.

Creative Steps

The Creative Steps programme gave young creative talent real world experience of working with a company, working in international teams and working online. The objective again was to provide new talent with experience that would improve their chances of finding employment or establishing their own business in their home region. Four emerging creative talents from each of the partner regions were divided into four international teams and each was given an assignment from a real business and had to develop a creative solution. The programme involved two weeks of face to face work, and two weeks of online working across four countries. The assignments were from Spinfy (an app developer), Creative Summit (a conference organiser), R4 Tyres (a tyre bale recycling company) and Whitaker Institute. <http://www.creative-edge.eu/wp-content/uploads/2012/07/Creative-Edge-Newsletter-June-2013.pdf>

10. Rural Tourism

10.1 Context

Rural based Tourism provides a mechanism for localised economic development building upon local physical, social, cultural and human resources. Being to some extent place specific, it therefore has the potential to generate economic value in relatively peripheral rural areas.

Tourism in rural areas is the backbone of Irish tourism, due to the fact that the main tourism assets in Ireland are our landscape, history and culture are for the most part in rural areas. All holiday makers, be they from Ireland or overseas, are motivated by the need to explore and in particular connect with the destination and its people and Ireland is well placed to deliver experiences that attract people to rural and coastal areas. Indeed Irish tourism does not display the hallmarks of mass tourism.

With more and more people living in urban areas all around the world, the appeal of Ireland's rural and green proposition is likely to increase in response to a greater desire to 'get away from it all' and reconnect with a more natural rhythm and pace of life.

In Ireland the tourism industry over the past ten years is regarded as one of our economic success stories, in fact Irish tourism is arguably the most successful sector of Irish-owned enterprise since the foundation of the state. In 2012, 6.5 million overseas tourists visited Ireland showing growth of .2% and this trend is projected to continue. On a European scale EU international tourist arrivals in 2011 grew by 5% in 2012 (EU WTO barometer, 2012⁸⁹) and this positive growth is expected to continue into 2013. It is important to note though that in the rush for rapid growth many regions have had a huge mass tourism growth while other has had very little achievement. Success in tourism is measured on national targets being achieved and policies that measure success by crude visitor number statistics are currently seen as outdated (Dunne; Leslie, G. 2002⁹⁰)

A recurring outcome from the general CEDRA consultation meetings held around Ireland and the follow-up specialist Rural Tourism consultation concurs with above. It was felt that despite the vast growth in mass tourism, rural tourism has had limited benefit. This is mainly due to a lack of clarity and acknowledgement of the sector which in turn would ensure that specific objectives and targets were set for the rural tourism sector and that these were supported by initiatives in promotion and branding, leading to a more economically sustainable and vibrant rural tourism sector.

⁸⁹ United Nations World Tourism Organisation (2012) EU WTO barometer, Vol. 10

⁹⁰ Dunne, G., and Leslie, G. (2002). An Overview of Carrying Capacity Indicators and Visitors Management, Tourism and the Environment. *Sustainability in Tourism development*, ed. Andrews N., Convery F., Flanagan S., Ruddy J., Dublin Institute of Technology, 51-57.

It was the expressed opinion at both consultation meetings that Rural Tourism is an untapped resource, a resource with potential to generate income and create jobs, but it must be given a clear identity and valued economically if it is to share in the predicted growth. Rural areas are often marginalised as somewhat secondary 'sight-seeing territory' rather than as a complex of tourism and recreation resources for marketing (Bramwell, 1994⁹¹). This is viewed by many rural tourism providers as a hindrance to the growth of rural tourism which would generate jobs and facilitate economic development in rural areas.

It is considered that tourism businesses in Ireland are, after a number of challenging years, now poised to move from a recent period marked by concerns of survival and cautious consolidation, to one marked by recovery and growth. However, this recovery and growth will be hard won and will depend in particular on developing and maintaining a clear focus on the interests of the international visitor and on strengthening the appeal of Ireland in international markets. We will also need to support small Irish tourism SMEs in developing the capacity to sell directly into international markets.

It might be noted that tourism in Ireland is sometimes described as having two parts. There is "daytime tourism" (8.00am to 8.00pm), and then "evening tourism" (8.00pm to 8.am). Ireland has considerable strengths in the latter but there is certainly room for further development in the former – in the things to see and do during the day. This could represent a particular and immediate area of engagement for rural tourism.

At a very basic level of analysis, Ireland has three principal tourism assets to work off – that is our Natural Heritage (of which our marine resource is clearly an important part), our Built heritage, and our Cultural Heritage. Visitors to Ireland want a unique and authentic Irish experience – they want to engage fully with what Ireland has to offer, understand it and enjoy it. Increasingly, our visitor feedback surveys are telling us that visitors want a fully immersive experience so that they leave the country feeling that they have fully accessed and enjoyed a unique experience that only Ireland can offer. Accordingly, the developmental focus is shifting from product development to experience development. Again the rural resource is integral to the delivery of these experiences.

However, knowing the depth and breadth of our tourism product is not enough in ensuring we maximise the potential for rural areas from tourism. We also need a very clear understanding of what it is the visitor wants. Frédéric Pierret, Executive Director, UNWTO, recently stated that "international trends suggest that rural tourism is becoming an increasingly broader concept and that the needs and expectations of domestic and international demand are becoming ever more

⁹¹ Bramwell, B., and Rawding, L. (1996). Tourism marketing images of industrial cities. *Annals of Tourism research*, 23(1): 201-221.

sophisticated". Ensuring that tourism successfully contributes to the diversification and sustainable growth of rural economies will, therefore, only happen if we first know what our key source markets want, and secondly if we have the ability to harness our core tourism assets in a way that creates the compelling and memorable experiences that they are looking for.

1. Rural Tourism as distinct from Mass Tourism:

Fáilte Ireland in its submission to the CEDRA report states that Rural Tourism is probably best defined as tourism that happens in rural areas, and includes a wide range of sectors such as cultural tourism, marine tourism, adventure /activity tourism, and nature-based tourism. It is important, therefore, that rural areas do not pit themselves against towns and villages, but rather work together to maximise the opportunities presented by tourism for the wider destination.

Therefore Rural Tourism may be defined as an over-arching title for distinct niche tourism activities that occur in rural areas such as outlined below.

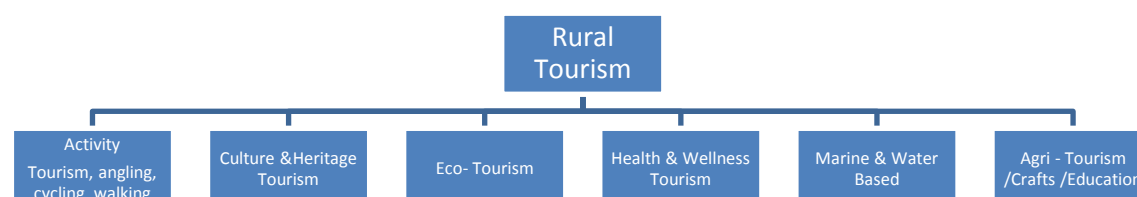


Figure 8: Rural Tourism; An over-arching title

Rural Tourism when divided into niches or subsectors can cause fragmentation, within the sector leading to a lack of common-voice and inhibiting its economic potential. A widely held economic view in tourism is, that tourism and its associated entrepreneurship opportunities, are best developed by helping individuals create individual businesses and allowing them compete in the market place (Eadington & Redman, 1991⁹²). This view which is extensively held by policy makers and agencies however is refuted because:

- It treats tourism and tourism related businesses as isolated from the larger community and its resources and issues.

⁹² Eadington, W. R., and Redman, M. (1991). Economics and tourism. *Annals of Tourism Research*, 18(1): 41-56.

- It does not recognise the interdependence of the various sectors and actors involved in working together to create synergies and produce outcomes not possible for any individual. Therefore, any definition of Rural Tourism must go beyond the individual products and encompass the offerings of the wider community - its unique assets and infrastructure, good will, leadership and cooperation. These elements help to give Rural Tourism its authenticity, distinguishing it from mass tourism.
- Most small tourism enterprises, especially in rural areas, do not have the individual resource to promote either themselves or the community as a tourism product (Gunn, 1998⁹³; Bejou, 1995⁹⁴).
- Collaboration encourages recognition of the benefits of an entrepreneurial region whose 'dynamic economic and social characteristics' may to some extent, compensate for the disadvantages of a rural location (Williams et al, 2000⁹⁵).

2. Consultation process

The consultation process aimed to establish the needs of sector and evidence for recommendations and was broad ranging in its approach and looked at Rural Tourism at two levels;

1. A general consultation process, and
2. A specialist process.

We also drew upon expertise and previous reports prepared by Prof Jim Deegan of UL, the Western Development Commission and Teagasc.

While all of the attendees, at consultation meetings around Ireland, were not rural tourism providers, rural tourism and its potential was a recurring outcome. All were aware of the strengths of their areas for tourism development and regarded rural tourism as an untapped resource with potential to generate income and create jobs. Outcomes from the generalist meeting focus on product development potential and issues inhibiting their progress

Product development potential (sample below of 4 counties Cork/Kerry with a long established tourism industry and Mayo/Donegal at the opposite end of the scale as regards tourism numbers

1. Mayo Religious/Marine/Nature/Heritage/Farm/Genealogy/Greenways/Community/networks
2. Donegal Nature/ Heritage /Marine/ Commonage/Lough Derg /Community potential

⁹³ Gunn, C. A. (1998). Issues in tourism curricula. *Journal of travel research*, 36(4): 74-77.

⁹⁴ Palmer, A., & Bejou, D. (1995). Tourism destination marketing alliances. *Annals of Tourism Research*, 22(3): 616-629.

⁹⁵ Williams, A. M., King, R., Warnes, A., and Patterson, G. (2000) Tourism and international retirement migration: new forms of an old relationship in southern Europe. *Tourism Geographies*, 2(1): 28-49.

3. Kerry Sports / Nature/ Heritage /Farm/ Genealogy/ Greenways/
Community networks/Atlantic Way
4. Cork ECO tourism/ authenticity & essence of rural/ Nature/ community/
Atlantic way/ /Marine/ myths & legends/ craft -- stone wall building
/angling/Community potential

Main Issues from the above selected counties

Need for:

1. Developing localised products in a coordinated way
2. Community networking/capacity building/bottom up approach to development
3. Services and infrastructure for visitors/Signage/access to countryside/transport/access to rural areas/ broadband
4. Marketing promotion skills needed/training
5. Support from agencies and multi-sectoral approach/bureaucracy in regulation/good will from agencies/red tape/planning issues/better alignment between government departments
6. Access to finance
7. Training and research

A recurring outcome from the CEDRA consultations meetings, held around Ireland, indicated that tourism in rural areas is an untapped resource, a resource with potential to generate income and create jobs. Therefore a specific consultation process, to identify the opportunities and acknowledge and overcome the barriers was warranted. Seventeen representatives from agency and rural tourism product providers from around the country were invited to the consultation meeting in Nenagh. Outcomes from the specialist meeting focused more on issues at policy level which require addressing if rural tourism is to succeed and avail of the potential which the sector can offer to rural areas.

'New Directions in Rural Tourism' (Hall; Roberts; and Mitchell, 2003⁹⁶) concur with the views of the specialist committee and state that "rural tourism has moved into its second phase of development. Its second is predicted to be more complex, and is likely to be given the questions that remain regarding its place in policy, its integration in practice, and its dynamic role within the restructuring countryside and within the wider tourism development processes" (Long and Lane, 2000⁹⁷).

⁹⁶ Hall, D. R., Roberts, L., & Mitchell, M. (Eds.) (2003) *New directions in rural tourism*. Ashgate Publishing, Ltd.

⁹⁷ Long, P., and B. Lane (2000) Rural Tourism Development. In Trends in Outdoor Recreation, Leisure and Tourism, W. Gartner and D. Lime, eds., pp. 299–308. Wallingford: CABI.

3. Issues identified from the specialist consultation meeting

- Rural Tourism does not have a clear identity. Difficulties exist when attempting to coordinate actions without an established identity
- Rural activities often do not generate direct income to the individual they are seen as secondary sightseeing areas
- Tourism in rural areas is not defined in the context of a destination but more as a stop-off which limits its capacity to generate income
- Rural Tourism is not valued economically and is seen as an appendage to a much larger mainly urban tourism industry
- Authenticity, nature, and personal touch are difficult concepts to communicate and sell to a mass tourism market
- Internet access and speed is a major issue in rural areas trying to access an international market
- Marketing skills in farming are not transferrable to a service like tourism, new skills are required
- Wealth of monuments and the potential for their narrative is not exploited
- Lack of identity inhibits identification of a specific market for Rural Tourism. Countries like Austria have a defined rural tourism product and Finland in particular have a specific policy for Rural Tourism
- In developing Rural Tourism at community level, linkage can vary from 5 to 10 agencies with separate policies and strategies e.g.
 1. Fáilte Ireland
 2. Discover Ireland
 3. County Council
 4. LEADER
 5. CEB
 6. Forestry/Fisheries Agencies
 7. OPW
 8. Waterways Ireland
 9. Bord Bia
 10. Teagasc
 11. Crafts Council
- Capacity of communities to develop a Rural Tourism destination is limited

4. The Destination Approach to Rural Tourism

There are many examples of successful rural tourism destinations and initiatives in Ireland, and these examples display many common characteristics of success such as the following:

- *Destination approach*- Destinations can be regarded as the *raison d'être* for tourism, providing the basic elements of the tourism product: attractions, services, facilities, activities and infrastructure. A destination is a geographical area which is most relevant to the mind-set of the potential consumer, and which best allows the delivery of core tourism services. A cooperative approach to destination development is required to achieve success. Visitors are much more likely to visit an area if they have a clear image of that area

and its identity, and if businesses in the area fit with this identity and promote their product accordingly. This approach will help achieve standout for the destination.

- *Urban link*- there seems to be a perception in Ireland that tourism in rural areas or Rural Tourism should exclude towns and villages, which are often the main service centres for visitors, and this should not be the case. Rather than an either/or situation this should be considered a symbiotic relationship. Rural areas should not pit themselves against towns – both depend on one another and need to work together as part of a wider destination.
- *Clusters of trade/ networking*- Tourism businesses and providers in any rural destination must see themselves as collaborators competing against the next destination, rather than competing against one another within the destination. This necessitates individual businesses and providers seeking to forge relationships with others for the greater good of the wider destination.
- *Entrepreneurship/ local champions*- Great initiatives are very often driven by individuals who then need to be supported by the rest of the tourism business community. The businesses and providers in a destination need to have collective and agreed understanding of what it is that gives their destination a 'stand-out' quality, which is the single motivating reason why a visitor might want to visit that particular area. This 'USP' might be a particular scenic view, an attraction or it might even be a single business that offers a fantastic experience that is highly desired. Whatever it is, other businesses and providers need to get behind that USP and support it.

10.2 Lessons

16. A National Strategy to Increase the Economic Value of Tourism to Rural Areas

A key gap identified in the consultation exercise was to develop a national policy for Rural Tourism was proposed which would have the following characteristics:

- A Rural Tourism development unit should be established within the Department of Tourism with responsibility to increase the spread of tourism activity into rural areas and undertake the following actions:
- Develop a specific statistical database for Rural Tourism to help establish product availability, development possibilities and market information
- Establish the economic value of Rural Tourism to aid in decision making
- Instigate a multi-sectoral approach to integrate and co-ordinate the relevant agencies and identify clear areas of responsibility to overcome duplication.
- Address key issues of research, training provision, networking, quality product development, innovation and standards to maintain competitiveness
- All possible funding streams should consider support packages to stimulate small business start-ups, develop business clusters and grow networks of local guides and operators. This may include financial and mentoring supports as well as bespoke training.
- Support should be provided for marketing Rural Tourism e.g. trade desks, targeted media interactions and the development of joint programmes with the travel trade to develop niche activities.

17. Provide Targeted Market Intelligence to Support Rural Based Tourism

- Identify markets that are specifically interested in rural tourism and develop clear accessible links for Rural Tourism providers to access these markets and establish methodologies to measure the outcomes of these marketing efforts
- Facilitate the engagement of individual providers and communities with the relevant agencies through the provision of training and facilitation in rural areas.
- The importance of supporting communities to create and build digital strategies must be addressed. High speed digital connectivity is a necessity for all businesses dependent on web-based promotion and bookings. A National website for communities to create tourist opportunities, by posting notices at local level was proposed.

18. Develop National Tourism Based Infrastructures around which Rural Tourism can be built

- We support the development of national tourism based infrastructures infrastructure e.g. sites along the "The Wild Atlantic Way" or trails like the "Ballyhoura Mountain Bike Route" and the "Western Greenway", which can be leveraged by existing and emerging Rural Tourism businesses.
- These successful initiatives involved close collaboration with Local Authorities, LEADER Companies, Údaras na Gaeltachta, the Western Development Commission, Coillte, Fáilte Ireland, CIE, Pobal and Teagasc. The resulting outcomes are greater international visitor numbers to the west of Ireland, longer dwell time in towns and villages and increased visitor spend.

19. Local Development Structures Should Develop Local Tourism Destinations to complement National Destinations

- A National Plan for Rural Tourism based around the concept of Destination Planning is essential. In order to satisfactorily complement Fáilte Ireland's large scale destination strategy, a localised smaller scale destination strategy is needed. Facilities essential to local destination development as opposed to a 'stop-off' require certain basic elements namely - attractions, accommodation, activities and accessibility. Collaboration with agencies, communities and individual providers is a vital component for success in destination development. Competing between providers is detrimental to destination development. Establishing the "authenticity" of a locality is key to overcoming the threat of competition. Authenticity might be a particular attraction or a fantastic experience which cannot be found in the next destination e.g. a 'Quiet Man' film location, the Ballyhoura Mountain Cycling route, the Western Greenway or the Lough Key Forest Park. The businesses and providers in a destination need to have collective and agreed understanding of what it is that gives their destination a 'stand-out' quality, and what is the single motivating reason why a visitor might want to visit that particular area. This necessitates the forging of relationships between individual businesses and providers for the greater good of the wider destination.

- A partnership approach is necessary between agencies and local communities to develop pro-active Rural Tourism partnerships as suggested in the WDC Rural Tourism report. These partnerships are necessary to facilitate:
 - An audit of local resources: identification of development potential and authenticity, assessment of skills gaps
 - Training and capacity building to allow leaders in the community to evolve, gain confidence and develop the ability to harness community skills, develop a business approach to tourism and work towards destination development. Training must also address the economic viability of individual rural tourism activities and their market potential
 - The building of cooperatives and networks which are necessary to develop the environmental element of the programme such as outlined below. This approach will help to overcome the limitations of individual provision for projects such as biodiversity corridors, walkways, angling facilities.

Actions to support Farm Based Rural Tourism

20. Consideration should be given to the expansion Agri-Environment Schemes to encourage landowners to provide access to the countryside for the purpose of facilitating tourism activities in rural areas

- At a minimum:
 - Farmers should not be at a disadvantage under these schemes for facilitating recreational activities on their lands
 - Any revised scheme should seek to encourage farmers to proactively participate and facilitate access for tourism and recreation, and that some form of compensation could be provided for this.
- Developing tourism based private sector value added from the environmental infrastructure could potentially be done by building upon the cooperative or network component to the programme. A need remains for an environmental element to the new programme including the potential to explore extending environmental supports and not to limit to only inside the farm gate.
- Opportunities exist in using a multi-pronged approach linking key stakeholders, farmers, rural dwellers and young persons (schools), in the process so as to achieve a joint responsibility for the long-term custodianship of the land. A pilot in North Cork and East Limerick under an EU funded Article 6 programme achieved positive outcomes.

Actions to support Food Tourism

21. Exploit Synergies between the Speciality Food Sector and the Tourism Sector to both Increase Tourism Revenue and Food Sales

- Food has a particularly important role in the modern economy, particularly in the development of tourism services. Models like The 'Gourmet Greenway' (a food trail devised by Mulranny Park Hotel, in association with several Mayo food producers, to showcase local artisan food using the Great Western Greenway as its backdrop) are worth considering.

- Development of the speciality food sector should be aligned to development in the tourism sector. Food tourism an important part of national tourism strategy for Ireland. Artisan food is an important component of this.
- Rural Tourism and Artisan Food Trails: Lancashire has created three cheese trails depending on how tourists like their Lancashire cheese, i.e. crumbly, creamy or tasty. These walks go through "the heart of Lancashire's 'milk fields'" to allow tourists to see the dairies and taste/buy some cheese products. Stories about the producers, and recipes incorporating cheese, feature strongly in the brochures. <http://www.visitlancashire.com/news/2012/9/10/on-the-trail-of-fine-food-a2223>
- Growth opportunities in this area can be maximised by expanding the number and variety of authentic, high quality food experiences that are easily accessed by the visitor.
- Food must be seen as part of the rural experience and the lack of food provision in farm accommodation, other than breakfast, must be addressed. Rural Tourism destinations in USA, UK, Austria and France recognise that gathering for supper or dinner is an important component of the rural holiday experience
- Collaboration with farmers markets, artisan producers and tourism providers should be encouraged and facilitated as well as museums/exhibitions that link the agriculture and food heritage of a region and demonstrations of traditional skills/authentic techniques e.g. Cheese making.
- The Irish pub is a product with universal recognition internationally, however the potential of Irish pubs to support the uniqueness of the Irish tourism product offering is not being realised to its fullest extent. There is a real opportunity to rebrand or remodel the Irish pub experience as a tourism hub with a focus on quality food, drink and entertainment widely spread throughout the country.

22. Generate greater tourism value from our Heritage Resource

- The objective heretofore has been to protect and preserve national monuments. This role should be extended to marketing with limitations as regards visitor numbers. Focus should also be linked to other initiatives to maintain and enhance existing local heritage sites and other assets

Marine & Coastal Tourism & Recreation

23. Increase the value generated by Marine Based Tourism

- A vast range of opportunities were identified in the CEDRA consultation linked to the development of marine & coastal (and water-based) tourism and recreation. Feedback included the need for an integrated strategy for the sector, with strong links to any future Rural Tourism and recreation strategy. Cruise tourism was also identified as having a positive impact on regions. Further expansion of the sector in the larger ports and the potential linked to regional ports will carry with it economic benefits to harbour areas and the associated hinterlands.
- Taking account of recent research and initiatives carried out nationally and locally (e.g. Cruise Tourism, Marina and Berthing, Wild Atlantic Way, The Blue Way, Mapping marine assets) develop in partnership with national development agencies (e.g. FI, BIM, Udaras na Gaeltachta, IMDO), Local Authorities and other community-based groups an integrated Marine & Coastal/Water-based Tourism and Recreation Strategy. This could also be

considered by the Development Task Force and would also need to be linked to any future Rural Tourism & recreation strategy.

- Where possible and where this does not conflict with the provisions of Axis IV, provisions should be made to maximise tourism benefits in rural coastal areas, and to build on the AXIS IV strategies developed by the six Fisheries Local Action Groups.

Case Study: Western Greenway (WG)

The Western Greenway (WG) can be described as a traffic-free cycling and walking facility that primarily follows the line of the old Great Western Railway, which closed in 1937. The first 14km stage of the Greenway opened in 2010, while an extension opened on 18 June 2011, lengthening the route to 42km. The development of the Greenway has involved key players and funders such as Fáilte Ireland, the Department of Transport, Tourism and Sport and Mayo Co. Council. Substantial support was also provided by the local community and local landowners. It is argued that the GW development has only been made possible through agreement with local landowners, who have allowed permissive access to users to pass through their lands. The development and construction of the Greenway was split into three separate phases, which include:

Phase 1 involved the construction of the Newport to Mulranny section, which is 18 km in length and was completed and opened in 2010;

Phase 2 involved the construction of the Westport to Newport section, which is 11 km in length and was completed and opened in 2011;

Phase 3 involved the construction of the Mulranny to Achill section, which is 13 km in length and was also completed and opened in 2011.

The Greenway significance was to link two tourism destinations – Westport and Achill – where cycle hubs already existed and to form a strategic part of the National Way marked Way Network. It would complement a comprehensive range of existing recreational trails throughout Co. Mayo. The Great Western Greenway attracts nearly 23,000 persons from outside the local area. This includes 14,800 domestic visitors to the local area, who use the Greenway 29,600 times during their stay and 8,000 overseas visitors to the local area, who use the Greenway 16,000 times during their stay. In addition, the estimates suggest that the Greenway would be used 34,400 times by local (Co. Mayo) people. This means that the Greenway attracts 80,000 “visits” or “uses” within a calendar year (i.e. 26,600 + 16,000 + 34,400).

According to a Fáilte Ireland Survey (2011) carried out on businesses in the WG area, the Greenway has led to an increase in business turnover, with only a very small proportion (3%); the Greenway has led to an increase in business expenditure in the local area, with only 4%; the Greenway has helped to create an estimated 38 new full-time equivalent (FTE) jobs, with a further 56 existing FTE jobs being sustained. The Greenway has also directly led to the creation and expansion of businesses in the local Co. Mayo area, including cycle hire businesses, and some of these businesses are of notable scale such as cafes, B&Bs, petrol stations etc. In addition, the Greenway has encouraged some local businesses to diversify and to consider expansion, e.g. by adding cycle hire or accommodation to their existing businesses.

Direct expenditure associated with the Greenway would contribute to a projected €7.2 million in spend in the local economy over a full year in 2011. This expenditure includes nearly €940,000 in expenditure by local residents, made up of 34,400 “visits” to or “uses” of the Greenway at an average spend of €27.31 per visit or use; over €3.5 million in expenditure by domestic visitors, made up of 14,800 domestic visitors spending an average of €49.85 per day with an average length of stay of 4.8

days; nearly €2.8 million in expenditure by overseas visitors, made up of 8,000 overseas visitors spending an average of €50.71 per day with an average length of stay of 6.8 days. The Greenway, also contributes to a projected local economic impact of about €6.3 million, which consists of nearly €2.8 million in spend by overseas visitors and over €3.5 million in spend by domestic visitors. Also, the Greenway contributes to a projected national economic impact of nearly €2.8 million, which consists of spending by overseas visitors.

Case Study: Optimising state owned heritage assets – Doneraile Park

The OPW is responsible for managing, maintaining and preserving over 780 national monuments and for the care, maintenance, management and presentation of 30 significant properties and historic Parks, Gardens and designed landscapes across Ireland. Their principal objective is to protect, conserve, maintain and present the states historic properties and monuments. In 2012, these sites hosted 3.8 million visitors. A few of these sites are internationally famous attracting overseas visitors, many more are household names nationally but the vast majority though significant, are lesser known. There is potential within the lesser known sites to generate significant employment and enterprise opportunities through collaborative partnerships of communities, local, regional and national partners.

Doneraile House and Demesne is one of the lesser known heritage properties. Historically, the demesne at Doneraile was the key economic driver for the wider area. In tackling local unemployment, decreasing service provision and generating new enterprise; the community was aware that the economic future of the town and hinterland was interlinked with the prospects for the demesne. A fully functioning Doneraile Demesne and House could revitalize the local economy by increasing the economic spin off from the existing 100,000 visitors per annum and encouraging greater numbers of domestic and overseas tourists to move off the beaten track and generate considerable benefits for local business. Since 2011 the community in Doneraile have led the Doneraile Park Steering Group comprising representatives of the community, OPW, Local Authority (Cork Co Co), Fáilte Ireland and Local Development Company (Ballyhoura Development). The Steering Group have developed a master plan and facilitated a range of projects including a new tearoom with employment for 13 people, guided tours and a range of new events for the area.

A model and structures to facilitate local communities in engaging with local, regional and national agencies to enhance the economic contribution of Irelands heritage sites to local communities will have a direct impact on the creation of jobs, generate pride of place in local heritage assets and create a more sustainable heritage tourism sector.

Case Study: The Burren Ecotourism Network

Tourism in rural areas can also provide opportunities in the area of job diversification, providing farmers, local businesses and even communities with the opportunity to branch out and diversify in to other economic areas with a view to making their businesses more economically sustainable. An example of this being the Burren Ecotourism Network, a pilot project supported by Fáilte Ireland, Burren Connect, Clare County Council and Shannon Development. This project brings together 18 businesses, with another 20 about to complete training, many of whom may not traditionally have been involved in tourism in the area. Working together these businesses have now developed a number of ecotourism packages to offer to visitors in the Burren, ranging from farm tours/ walks, to food experiences, learn-to experiences etc. Businesses involved in the network range from farms, the Burren Smokehouse, education and painting centres, etc., as well as the more traditional tourism businesses such as accommodation and transport providers.

Case Study: The Wild Atlantic Way

If we are to realise the full potential of coastal tourism, we need to identify and develop ambitious projects of scale. The 'Wild Atlantic Way' is a new and innovative project developed by Fáilte Ireland and designed to highlight Ireland's unique geographical positioning along the Atlantic Ocean, and to use this ocean theme as a vehicle to allow tourists understand how the sea shaped our coastal communities, our lifestyle and our traditions. The project has been in development since early 2012 and involves the creation of a themed and integrated driving route along the Atlantic coast of Ireland from Donegal to West Cork.

The route is designed to comprise a central spine with a series of loops and spurs off it which encourages tourists to explore all that the west coast has to offer. It will showcase the best scenery and attractions for visitors with improved on-road infrastructure such as improved viewing points or 'Discovery Points' with better interpretation. The central objective of the project is to develop a driving route that is of sufficient scale and singularity to stand out internationally so that in time, the 'Wild Atlantic Way' will achieve a recognition and prominence similar to a small group of other internationally known driving routes, such as the Great Ocean Road in Australia or the Garden Route in South Africa. The planned outcomes are greater international visitor numbers to the west of Ireland, longer dwell time in towns and villages along the coast and increased visitor spend.

The final 2,500km route was recently decided following a comprehensive public consultation process. The route will include 159 strategically placed "Discovery Points" which are designed to allow tourists to stop and learn about the location, understand the points of geographic, historical, or cultural interest, and hopefully decide to stay a little longer in the area and explore what it has to offer.

The response to the project so far has been encouraging. Tour operators, local authorities, business people and local residents have all expressed an interest in becoming involved and in maximising the opportunity presented by this development. Last April, hundreds of overseas tour operators were given an advance preview of the route at Fáilte Ireland's annual trade fair for international buyers.

Developing a route like this is an important part of ensuring Ireland is able to provide the leisure tourist with a memorable experience. Work continues on the development of this initiative, and in this regard Fáilte Ireland will continue to work closely with each of the Local Authorities along the West Coast, as well as with the Leader Companies, Údaras na Gaeltachta and the Western Development Commission. It is expected that significant further progress on the development of this project will be made by June 2014.

11. Marine

11.1 Context

Taking our seabed area into account, Ireland is one of the largest EU states; with sovereign or exclusive rights over one of the largest sea to land ratios (over 10:1) of any EU State. Ireland's ocean economy, valued at €3.4bn⁹⁸, generates approximately 0.9% of GDP and supports about 1% of the total workforce, employing approximately 17,000 FTEs.

The marine sector has important regional socio-economic impacts with a large proportion of the employment and 'value-created' by the sector located outside the most developed regions of the country. Research indicates that the contribution of the marine resource is strongest in what are otherwise lagging regions, where stronger multiplier effects apply. The regional distribution of Ireland's ocean economy shows a high intensity of employment in the North-West, South-West and West of the country. In counties such as Donegal, whereby there are low rates of income per capita compared to the rest of the country, there is a strong fisheries, aquaculture and seafood processing sector.⁹⁹

Policy Context

- In Ireland, responsibility for marine matters is spread across a number of government departments and agencies. In 2009, in recognition of the needs for better coordination, the Government established the Inter-Departmental Marine Coordination Group (MCG), convened by Department of the Taoiseach and chaired by the Minister for Agriculture, Food & the Marine¹⁰⁰.
- In July 2012, the MCG published *Harnessing Our Ocean Wealth – An Integrated Marine Plan for Ireland*, setting out the Government's Vision, High-level Goals and the Key Actions it will take to put in place the appropriate policy, governance and business climate to enable our vast and diverse marine potential to be realised.
- To support the vision, goals and targets set out in the Plan, eight enablers, key to creating the conditions for growth and investment, were identified. In total, 39 actions are outlined under these eight enablers¹⁰¹. Although there has not been an analysis of the impact of these scenarios on rural communities, it is important to note that the majority of marine/marine-related activities take place outside of the five main cities (with the exception of the Maritime Commerce & Ship Leasing Sector which is primarily Dublin-based). Within *Harnessing Our Ocean Wealth*, a significant number of the 39 actions directly / indirectly impact on rural areas¹⁰².

⁹⁸ Further details are available on www.nuigalway.ie/semru

⁹⁹ Further information on Ireland's ocean economy is available in the accompanying research report.

¹⁰⁰ The MCG meets monthly, bringing together representatives across nine Departments, the Marine Institute and the Office of the Attorney General.

¹⁰¹ Updates on Progress can be found at <http://www.ouroceanwealth.ie/Pages/Update-on-Progress.aspx>

¹⁰² The accompanying research report profiles a number of relevant actions and associated initiatives already underway.

- Targets set out in Harnessing Our Ocean Wealth/related national strategies: Double the value of Ireland's ocean economy to 2.4% of GDP by 2030 and increase the turnover to exceed €6.4bn by 2020. 2020 Growth scenarios:

Seafood (Fisheries, Aquaculture, Seafood Processing) as set out in FH2020	€1,000m, 1,200 jobs
Maritime Commerce & Ship Leasing	€2,600m
Marine & Coastal Tourism & Recreation	€1,200m
Marine ICT and Biotechnology	>€61m
Ports & Maritime Transport, Maritime Manufacturing & Engineering, Offshore Energy, other Marine Industries	>€1,200m

Harnessing Our Ocean Wealth was developed as EU and Member States are collectively engaging in the EU Integrated Maritime Policy as a driver of economic recovery and growth. In May 2013, the Commission adopted an Action Plan to revitalise the marine and maritime economy in the Atlantic Ocean Area¹⁰³.

- The aim of the Action Plan is to help create sustainable growth in coastal regions and drive forward the "Blue Economy", which, according to the Commission, has the potential to increase employment from 5 million to 7 million across Europe by 2020. The Action Plan contains four overarching priorities which includes creating a socially inclusive and sustainable model of regional development.

National Seafood Operational Programme 2014-2020¹⁰⁴

- In 2011, the European Commission presented its proposals for the reform of the EU common fisheries policy and proposed a new fund for the EU's maritime and fisheries policies for the period 2014-2020: the European maritime and fisheries fund (EMFF). In line with the reform of the common fisheries policy, the Fund will help fishermen in the transition to sustainable fishing, and support coastal communities in diversifying their economies. It will finance projects that create new jobs and improve quality of life along European coasts. Red tape will be cut, making it easier to access financing.

Fisheries Local Action Groups

- The precursor to the EMFF fund, the European fisheries fund (EFF), continues to provide funding to the fishing/seafood industry and coastal communities to help them adapt to changing conditions in the sector and become economically resilient and ecologically sustainable.
- Axis 4 of the EMF, Sustainable development of fisheries areas, is based on local development strategies, reflecting a bottom-up approach. Axis 4 is similar to the Leader 'area-based approach' to development in rural areas. Currently, six Irish FLAGs have been launched. Each FLAG consists of a mix of representatives from State organisations and fishing, marine and community

¹⁰³ http://ec.europa.eu/maritimeaffairs/policy/sea_basins/atlantic_ocean/

¹⁰⁴ <http://www.agriculture.gov.ie/fisheries/marineagenciesprogrammesdivision/futureseafooddevelopmentinireland2014-2020/>

groups. It is anticipated that the strategies (under development) will inform the work of the FLAG for successive programmes up to 2021.

- The strategies are being guided by socio-economic analysis and SWOT of the area; and community consultation and participation process. Strategic priorities set out in the draft strategies prepared to-date include: Enhancing the market value of shellfish; Artisanal seafood development; Enhancing marine tourism potential e.g. Small-scale infrastructure improvements, 'The Blue Way'¹⁰⁵, development of marine tourism apps; training, upskilling and diversification; projects integrating seafood & tourism; and clusters/marine incubation centre. These programmes complement / add value to initiatives funded under the LEADER programme. Systems are being put in place to ensure the two Programmes are complementary to each other and avoid duplication.

11.2 Lessons¹⁰⁶

A key element of CEDRA's task was to capture the feedback from the public and stakeholders on opportunities and barriers to job creation in rural Ireland. As part of this consultation the marine sector was highlighted by many as having existing and potential opportunities for rural communities. In parallel, a number of barriers to growth were identified. It should be noted that the feedback received is in line with the views expressed by the public and stakeholders in the development of Harnessing Our Ocean Wealth – An Integrated marine Plan for Ireland¹⁰⁷.

Marine Planning, Licensing & Regulation

24. Managing our marine resources requires an overarching national marine 'spatial' plan underpinned by an efficient and robust planning and licensing framework.

- Currently in Ireland the majority of planning, licensing and regulation for marine-based activities are carried out on a sectoral and demand-driven basis. Managing our marine resources requires an overarching national marine 'spatial' plan underpinned by an efficient and robust planning and licensing framework. Such an approach can provide a governance structure and blueprint for national, regional and local planning of our ocean wealth
- Harnessing Our Ocean Wealth Governance Action #2 commits to: Developing an integrated approach to marine and coastal planning and licensing in order to maximize the potential for Ireland's ocean economy. This includes:
 - Addressing the deficiencies in the current planning and licensing system by continuing to make business process improvements; e.g. administrative efficiencies and licensing decisions to address the current caseload;*
 - Updating/improving legislation to streamline planning and consent processes; and*
 - Developing an appropriate Maritime Spatial Planning Framework for Ireland.* Progress to date is summarised in the Progress Report available on www.ouroceanwealth.ie.

¹⁰⁵ The Blue Way concept follows on from the road-based Wild Atlantic Way linking piers, festivals, regattas, and cruising routes covering the coasts of Clare and Galway.

¹⁰⁶ The recommendations drafted below are in addition to those committed to under Harnessing Our Ocean Wealth.

¹⁰⁷ <http://www.ouroceanwealth.ie/Pages/Your-Views.aspx>

- The report outlines the progress by DECLG on foreshore licensing reform, DAFM progress related to aquaculture licensing and Natura sites, and the work of the Enablers Task Force on MSP – due to make recommendations to Minister Coveney and the MCG in October on a framework for establishing Marine Spatial Planning in Ireland.

Facilitating Marine Development

25. Introducing a One-Stop-Shop for Marine Regulatory and Licensing Compliance could Facilitate Marine Development:

- One of the issues facing developers and decision makers in the marine sector is the complexity of dealing with all of the regulatory and environmental compliance aspects of proposed initiatives.
- This constraint could be potentially overcome by a dedicated 'One-Stop-Shop', along the lines of services offered by Marine Scotland's Licensing Operations Team. Such a facility could act as an environmental broker, facilitating governance and business development, and guiding marine businesses through the process.

26. Progress the streamlining of marine licenses (foreshore & aquaculture)

- Further progress the streamlining of marine licenses (foreshore & aquaculture) in line with commitments made in *Harnessing Our Ocean Wealth* and *Programme for Government* and the *PfG*.
- Implement Marine Spatial Planning (MSP) in Ireland taking account of recommendations arising from the Government's Enablers Task Force on MSP. Best practice includes:
 - Inclusive stakeholder participation (e.g. using existing stakeholder coastal forums). Development of coastal strategies should be considered to ensure the economic benefits are realized nationally, regionally and locally. These should be developed in partnership in Regional and County Development Planning, across national enterprise and development agencies, LAs and associated LEOs, LEADER and FLAG and other local groups/industry representatives.
 - Implementation and enforcement primarily achieved through the licensing and permitting process with clear inter-agency communication strategies developed early in the planning process. Consideration to further integration and coordination should be given. Establishing best practice criteria including statutory time limits and potential for a single point of contact to assist with the planning, licensing and regulation process (see below) should also be reviewed.
 - Taking onboard recommendations forthcoming from the Enablers Task Force on Marine Spatial Planning, scope the requirement and potential framework for the establishment of a dedicated 'one-stop-shop' to support industry's licensing and compliance needs.
 - Explore the range / use of community benefit clauses in the terms of licensing and leasing of marine developments with the aim of maximizing the economic benefits to rural coastal communities.
 - Provide a framework for early and ongoing consultation on marine-related nature conservation designations (Natura).

*Inshore Fisheries***27. Develop a clear national definition and policy for inshore fisheries to guide the development of governance, strategies and management arrangements for the sector at national, regional and local level.**

- Feedback from the consultation highlighted the opportunities for local coastal communities related to the inshore fisheries resource. Feedback included: the need for a management strategy and framework for inshore fisheries (note 1999 & 2005 reports on the inshore fisheries sector); evaluation of the importance and significance of the stock; and the development of new inshore fisheries. Stakeholders also highlighted the importance of initiatives under the FLAGS.
- Develop a clear national definition and policy for inshore fisheries to guide the development of governance, strategies and management arrangements for the sector at national, regional and local level. The policy would also address important issues such as:
 - Data provision for management of stocks and economic assessment of the value of the sector;
 - Understanding issues affecting the economic viability of SMEs in catching and post-harvest operations including an economic model for small scale inshore fishing operations and an understanding of the cost base;
 - How inshore fishing can be better integrated with other inshore marine sectors;
 - The relationship between inshore and offshore fishing; and Licensing policy

*Seaweed***28. Ensure the regulatory framework (ranging from legal through to licensing) required to further develop a sustainable commercial seaweed sector is fit-for-purpose (both wild and aquaculture)**

- Despite a long traditional use of seaweeds in Ireland, the seaweed sector remains largely underdeveloped at a time when national and global demand for seaweed is rising. Opportunities span across biotechnology, food (animal and human), industrial applications including fertilizers and chemical, cosmetics, and health & well-being.
- Fit-for-purpose planning, licensing and regulation of the sector can ensure the sustainable development of the sector and related economic benefits. Ongoing R&D in the areas biotechnology, food and seaweed aquaculture are important enablers for the sector.
- Ensure the regulatory framework (ranging from legal through to licensing) required to further develop a sustainable commercial seaweed sector is fit-for-purpose (both wild and aquaculture).
- Develop an evidence-based resource management plan for Irelands wild seaweed resource as a basis for commercial exploitation of wild stocks;
- Examine ways in which Ireland can develop a seaweed processing capability which is compliant with industry requirements for GMP;
- Explore funding opportunities to support the development of seaweed hatchery and grow-out facilities.

29. The proposed Marine Development Task Force should take regard to and include initiatives linked to the social and associated economic impact on rural and coastal communities.

- Harnessing Our Ocean Wealth commits to the development of an integrated enterprise strategy for the marine. To assist with this task the Marine Coordination Group is establishing a task force comprised of representatives for agencies, industry and NGO across a wide range of sectors. This work of the task force will cover a number of opportunities and barriers identified in the Ocean Wealth consultation addressing also those identified in the CEDRA Consultation process.
- The work of the Development Task Force should take regard to and include initiatives linked to the social and associated economic impact on rural and coastal communities. Potential aspects that could be considered include:
 - Strengthening links between industry (SMEs), research institutions and central, regional and local development authorities creating Maritime Clusters amongst local communities;
 - Opportunities for diversification into other marine sectors e.g fisheries, offshore services linked to the development of offshore wind energy, and marine tourism;
 - Examining the potential / feasibility for social enterprise/community led projects/cooperatives across a range of sectors (e.g. marine tourism & leisure, marine conservation, inshore fisheries, research & education, aquaculture, seaweed, offshore services);
 - Carrying out an Impact assessment (social and economic) of Harnessing Our Ocean Wealth in the context of the overall CEDRA targets. Use of economic and social impact assessments can assist with the assessment of the positive or negative cumulative impact of existing or new policies on local communities; and
 - A specific focus on initiatives related to rural coastal communities suffering high levels of unemployment (see research related to Ireland's coastal economy).

Maritime Area and Foreshore (Amendment) Bill

In July 2013, the Government approved the drafting of the proposed Maritime Area and Foreshore (Amendment) Bill, which will introduce significant changes to the foreshore consent process, as well as additional efficiencies. A number of commitments will be advanced by the Bill:

- Provision of an efficient foreshore licensing and leasing process for marine energy;
- Streamlining the planning and regulatory processes for bringing ashore offshore reserves;
- The development of an integrated marine and coastal planning process in order to maximise the potential of Ireland's coastline in fishing, aquaculture, ocean energy and tourism.

The Bill, when enacted, will legislate for a single Environmental Impact Assessment and/or Appropriate Assessment (where required) for major projects, to be carried out by a single consent authority, An Bord Pleanála (ABP). Smaller scale, sub EIA threshold developments will be a matter for coastal local authorities to decide upon. The aim of what is proposed is to reduce the EIA requirement to a single EIA and to secure some of the other recognised benefits that exist under legislation dealing with Strategic Infrastructure, such as a statutory objective timeframe within which applications must be determined; and public consultation including oral hearings where appropriate. It is also intended to introduce the concept of a maritime option which will convey certain, time-bound rights on an applicant, during which they will be obliged to secure development consent, financial backing if necessary, etc. It is envisaged that such options will last for 2 years, with a possibility for extension in certain circumstances. The aim of this provision is to bring greater certainty to the leasing process for potential applicants who may have to invest considerable financial resources in the development consent process and in securing capital to advance major development proposals.

Benefits for Economic Activity in Coastal Communities

The streamlining and elimination of duplicate processes to be implemented by the Bill will reduce the red tape and cost of seeking development consent; and bring greater certainty of outcome and timescales to the consenting process. These improvements will in turn facilitate raising project finance and contribute to an improved climate for economic activity and job creation.

In addition, certain minor activities are to be exempted from the requirement to obtain foreshore consent but will instead be managed under local authority bye-laws. This new role for local authorities is in accordance with Government policy on the strengthening of local government, articulated in *Putting People First*.

Case Study: Offshore Wind Sector – opportunities for local enterprises Case Study Kilkeel County Down

Local businesses in Kilkeel, Co. Down have worked with Invest NI to diversify their activities and successfully access new opportunities in the developing offshore wind sector. During the last few years, 14 companies in Kilkeel have successfully paved the way for business development through collaboration and demonstrated that they have the skills and expertise to enter new markets. Members of the small fishing community are using their existing maritime knowledge, expertise and resources linked with their strategic location to compete for the emerging supply chain opportunities related to offshore wind development. Further details are available on the following Invest NI video: <http://www.youtube.com/watch?v=kuFzd8TI-es>

Case Study: The Volvo Ocean Race

The Volvo Ocean Race is one of the most prestigious international sporting events in the world. The 2011-2012 race lasted 9 months and covered 39,000 nautical miles between Alicante, Spain and Galway, Ireland, with 8 stopover ports in between. More than 1,500 volunteers took part in the successful organisation of the Volvo Ocean Race finale in Galway, contributing thousands of hours to cater for more than 800,000 visitors of the 9 day event in July. The magnitude of the event in terms of the relatively small economy of the Galway area is exceptional. The year 2012 was the second occasion in the history of the race that Galway was chosen as a stopover port, having previously hosted the race in 2009. The event in 2012 was one of the biggest ever sport events in Ireland. According to the Economic Impact Assessment carried out by NUI Galway*, over 500,000 spectators came to see the 2 week event in Galway, rivalling any other local festival attendee numbers. The overall economic benefits were estimated at a total of €60.5m in Galway and the West of Ireland. The success of both the 2009 and the 2012 race stopovers have influenced the development of the Galway port area and demonstrated to a city in the West of Ireland how valuable a contribution a maritime festival can have on the local economy.

* Collins, P., Hynes, S. and Mulligan, E. (2012). Volvo Ocean Race Finale –An Economic Impact Assessment. J.E. Cairnes School of Business and Economics Report, NUI Galway.

12. Green Business: Renewable Energy

12.1 Context

"The Green Economy is one of the most dynamic and rapidly growing markets in the world. For Ireland, the green economy covers activities as diverse as renewable energy, energy efficiency, sustainable food production, tourism, "Green" financial services, and energy-efficient products and services." (Delivering Our Green Potential, 2012¹⁰⁸). As the resource is largely rural based, the sector has significant potential for economic development in rural areas. The challenge however is deliver incomes into the rural areas in which they are produced.

- The 'green sector' is growing at c.4% per annum and will have an estimated global value of \$6 trillion by 2015.
- The development of the green economy is driven by a number of interrelated forces including climate change, depletion of fossil fuels, environmental regulation, EU targets on emissions, use of renewable energy and efficiency, business costs encouraging efficiency and strong business opportunities with a growing market for "green" goods and services. Combined, these drivers are creating employment opportunities, creating market opportunities and contributing to a more resource efficient and hence sustainable and competitive economy.

Policy Context

- Current Government initiatives with regard to the development of the green business sector are set out in *Delivering Our Green Potential*, which was published in 2013. It outlines an integrated approach, at the state level to the development of the green economy, reviews how the state is supporting the Green Economy and identifies opportunities for growth and job creation. The area with most potential for economic development in rural areas relates to the development of the renewable energy sector to supply both domestic and international demand.
- Ireland's target is to utilise renewable energy sources to meet 16% of energy demand by 2020 under EU Directive 2009/28/EC. With gradually increasing prices for fossil fuels and increasing awareness of the implications of climate change and consequent need to reduce CO² and other Greenhouse Gases (GHG) emissions, the opportunities for renewable energy production in Ireland are being developed. To date, significant investments have been made in the development of renewable energy resources, particularly wind.
- The contribution of renewable energy to overall energy demand rose from 2.3% to 6.5% between 1990 and 2011. Whilst this figure may seem small, in absolute terms, the total use of renewables nearly trebled between 2003 and 2011 (16% annual average growth) to 747 kilotons of oil equivalent (ktoe). Of this figure, most was generated from wind energy (44%), biofuels,

¹⁰⁸ Government of Ireland (2012) *Delivering Our Green Potential*, 2012: Government policy statement on growth and employment in the green economy. Dublin, Stationary Office.

predominantly wood related, contributed 12% and renewable heat, once again predominantly wood related, contributed 31%. (Howley et al., 2013¹⁰⁹).

- In relative terms these contributions are minor, they do however point to the potential of the sector, which if developed could have significant direct benefits for rural communities in terms of increased income, additional short and longer term employment opportunities and indirect benefits, e.g. forestry amenities around which to develop tourism and leisure activities. Wind and biofuel related energy are proven renewable energy technologies that continue to be rolled out through new investments. In addition to these, marine (wave and tidal) energy offers significant potential, though commercial technologies have yet to become available.

Wind Energy

- Ireland has substantial wind energy potential. It is estimated that Ireland has the capability to achieve its national targets for renewable electricity from onshore renewable generation alone, with capacity to spare.
- This means that there is potential for the development of an energy export market.
- It also means that the offshore wind resource can be developed as an export opportunity.
- In support of the development of an export market the Minister for Communications, Energy and Natural Resources Pat Rabbitte, signed a memorandum of understanding on 14.01.13 with the UK's energy secretary Edward Davey in order to allow wind farms located in Ireland to export electricity to Britain.
- To meet the 2020 national renewable energy target, wind energy will have to produce 40% of all electricity used in Ireland. Wind energy accounted for over 13% of all electricity generation in 2011. Installed wind power generating capacity exceeded 2 Giga Watts of power in 2012. This is the equivalent power required to supply 1.3 million households.
- PowerGen, which manages and operates Bord na Móna's existing power generation assets, i.e. Edenderry power station, the Cushaling peaking plant and the Bellacorick wind farm, are proposing the development of up to 400 turbines in the Midland Region by 2020 with a capacity of 1,200MW. They are also proposing potential private-sector involvement on adjacent land with a capacity of 800MW so that, together, a 2,000MW capacity project could be created. It is estimated that this project could be capable of creating a turnover of 2.5 billion euro. Furthermore, the construction jobs involved in building the turbines necessary to create this energy would be between 1,500 – 2000 employment opportunities over a period of three to four years.
- If this investment were to be realised it would provide a significant economic stimulus nationally and in the Midland Region.

Marine Energy

- It is estimated that an accessible wave energy resource of 21 TWh per annum exists within Ireland's Exclusive Economic Zone. This equates to roughly 75% of the total electricity demand in 2011.

¹⁰⁹ Howley, M., Holland, M., and O'Rourke, K. (2013) Renewable Energy in Ireland 2012. SEAI Energy Policy Statistical Support Unit, Dublin.

- The state has a target of 500 MW of installed wave energy capacity by 2020 and an ambition for Ireland to be a world leader in the development of wave energy.
- There are currently a number of wave energy devices being tested in a test site for quarter scale devices located in Galway Bay.
- A number of devices designed by Irish companies are being tested at the Galway Bay site and at other locations around the world.
- While there are many different wave energy device prototypes in development, a commercial wave energy device does not yet exist.

Bioenergy

- Bioenergy is a renewable energy source derived from biomass. Biomass encompasses a range of wood, plants and gas and liquid based fuels.
- Bio-physical conditions (soil and climate) combined with a large number of farm animals mean that Ireland is well suited to the production of biomass, particularly wood, plants and gas.
- After wind energy biomass, predominantly derived from wood products, is the largest contributor to renewable energy generation in Ireland - contributing about 4.7 PJ of energy to renewable energy use. Other biomass products include short rotation forestry (willow, poplar), energy crops (oil crops, rape seed, sunflower), wood wastes (forest residues, wood processing waste, construction residues), agricultural residues and waste (straw, animal manure, etc.), sewage sludge and industrial residues (e.g. from the food industry).
- Whilst all of these offer potential for the development of green businesses; forestry products, energy crops and agricultural residues present the most immediate potential to support rural economic development.
- *Wood*, as a source of heat rather than the production of electricity, has significant potential in Ireland and has a key role to play in meeting the *national target of 12% of heat energy* generated from renewable sources.
- Wood energy encompasses forestry, short rotation forestry and wood wastes.
- In 2011, the Programme of Competitive Forestry Research for Development (COFORD) published a forecast of the increase in demand for roundwood (unsawn timber logs) on the island as a whole for the year 2020.
- Forestry is a multifunctional activity providing a range of increasingly valuable public goods including carbon sequestration, support for bio-diversity and the production of landscapes central to the tourism and leisure sectors.
- *Other forms of biomass* are produced in Ireland, e.g. miscanthus and hemp. These represent a small proportion of the total current biomass used to generate electricity or heat in Ireland. Miscanthus is part of the fuel mix used at the Edenderry power plant.
- There are a range of current issues that are hindering the development of this sector which highlight the need for coordination of the bioenergy supply chain, i.e. ensuring crops are planted close to where they will be consumed and ensuring that the relevant technical knowledge is available to maximise production.
- *Energy Crops*, as a source of bio-fuel, offer some potential but much of this potential is limited by competition for suitable quality land and the need to rotate planting on a regular basis. There is a global market for these products

and as such growers in Ireland are subject to the vagaries for the global market, i.e. price fluctuations.

- *Agricultural Wastes:* slurry from animal wastes is a major by-product of Ireland's farm sector and represents a key source of fuel for anaerobic digesters.
- Local production and consumption of wood energy, ranging from the private household and commercial facilities through to district heating systems are viable as demonstrated at the enterprise level in Ireland, e.g. hotels and public facilities with biomass boilers, and, at the community level, in several EU countries.
- Biomass is a relatively land intensive sector and is in competition for limited amounts of available land.
- Many current land holders are hesitant about converting their land use to new uses for fear of the implications for them in terms of costs, inflexibility to revert to previous land uses and concern over the potential implications for a future successor to the land.
- There is, at the time of writing, a generally negative view of the merits of non-forest based biomass crops, i.e. miscanthus. Many of those who entered this developing market are considering leaving it.
- In recent years, farmers have been incentivised to plant bio-fuel crops such as willow and Miscanthus. However at many of our stakeholder groups, the difficulties in finding consumers of these crops have been difficult, both in terms of price and actual consumers. A consistent message has been that in future when new farming initiatives are proposed, that there be an equal focus on the wider supply chain and marketing issues.
- There are a range of issues confronting forestry:
 - Current afforestation rates are at levels below those required to meet the national target.
 - If afforestation continues to fall below 15,000 ha per year as in recent years then wood fuel supply will not be sustainable in the long term.
 - It will therefore not be possible to meet the government's long term targets for renewable energy from our national resources.
 - The forecasted increase in demand, especially from the energy sector, from wood product sectors represents both an opportunity and a challenge for Irish forest growers in terms of matching demand with supply.
 - Currently, the state has budgeted €116 million for 7,000 hectares of forest to be planted in 2013, including limited funds available for forestry support schemes such as for forest roads.

12.2 Lessons

Wind Energy

30. Enabling Communities to benefit financially from the harnessing of wind power in their locality.

- While energy has the potential to generate local economic development, there are challenges to enable communities to benefit financially from the harnessing of wind power
- Delivering commitments agreed within Grid25 will be important to deliver this growth.

- There are a number of interrelated technical (infrastructure) challenges that need to be overcome if Ireland is to maximise the potential of the wind resource.
- In the absence of substantial and sustained investment in the development of wind farms in Ireland it will prove difficult to encourage investment in added value components of the supply chain, e.g. turbine assembly, to locate in Ireland. This will limit the potential additional employment from the sector.
- Significant local resistance to the development of both on and off shore wind generation exists. This manifests itself in a protracted pre-planning process, which is often followed by a protracted planning application process.
- The development of all renewable energy, particularly wind and marine, depends on on-going investment in the upgrading and modernisation of Ireland's electricity grid.
- If Current voluntary Community Commitment Best Practice Principles providing communities impacted on by the development of wind energy in their locality with a real and direct role in the development process were made mandatory, it could help overcome local opposition.
- Utilise Local Authority Development Charges to enable Communities to benefit financially from the harnessing of wind power in their locality. Funds derived from the exploitation of these resources could be used to support community development and social enterprise.

Marine Energy

31. Supporting the development of the Marine Energy Sector

- The Marine resource has significant potential for energy production. State support for the development of marine energy is an important pillar in the development of this sector.
- In order to continue the nascent development of this sector, funding to support continued research and development activities associated with the development of wave and tidal energy is necessary.
- The development of a full-scale test site for wave energy devices off the west coast of Ireland, at Belmullet, Co. Mayo should be completed.

Bioenergy

32. Implement measures to ensure that the afforestation programme reaches its target 15,000 ha per year

- Ireland has not been meeting the targets set within its annual afforestation programme of c. 15,000 ha per year. Meeting these targets could generate medium term gains in the forestry, Bioenergy and timber industries.
- Sustaining wood fuel production beyond 2020 from Irish forests is dependent on a continuation of policy measures and critically on the level of afforestation over the next two decades.
- There is a need to drive supply and demand for wood fuels from short rotation forestry and other sources.
- Future development of the biomass sector in Ireland requires strategic guidance either in terms of regional level land utilisation (Land Use Planning) or market based incentives in order to ensure better coordination of the bioenergy supply chain and the long-term viability of the sector as a whole.
- Local or regional models supporting the development of community based renewable energy systems are required.

- A pilot scheme, supported by relevant research and development agencies (local, regional and national) would be useful.

Community Energy Coops

33. Foster the Development of Community Energy Coops

- Any attempts to reduce energy consumption and develop innovative alternative energy sources must be developed with consideration to local assets, knowledge and experience. There is the belief that any Government proposals to boost micro and local level energy production will fail unless local groups are sufficiently fostered.
- This proposal envisages the provision of supports to foster the phased development of community energy co-operatives comprising a cross section of rural communities. It will support local communities who are exploring options for alternative energy production.
- These co-operatives would be established to develop renewable energy solutions, appropriate to local circumstances and requirements. The supports would foster the development of such cooperatives from producer and discussion groups, leading to the formation of co-ops.
- Opportunities may include the development of:
 - A community bio-digester (anaerobic digester) and combined heat and power plant (CHP) run off the biogas. Slurry from local farms would be the major energy source and the heat may be used to heat community buildings or local houses with the electricity sold to the grid. This also mitigates the ecological risk of the significant amounts of slurry produced by farms and creates an odourless fertilizer reducing nuisance to communities. Such a development may be most appropriate for locations where development is clustered. The development of heating systems derived from slurry or other sources has the potential to create many jobs, while at the same time assist in the honouring of carbon emission agreements.
 - The Growing and processing of suitable wood based material and other energy crops, which could all be managed in rural areas.
- This proposal is an opportunity to widen the economic base of communities. Any pilot schemes can develop synergies with existing Leader groups and other local structures.
- Potential outcomes include.
 - It meets the need to provide a stable supply of domestic fuel at a reasonable price
 - It allows Ireland to honour its carbon tax commitments
 - It creates employment in the local rural area.
 - In order to develop this industry it needs funding to complete research. Such research will need to focus on the likely production and processing supply chains required to meet the needs of the community and create a sustainable business. It would also establish the type of business model best suited to establish such an industry. Again the potential in terms of locally based sustainable employment is significant.
- In terms of implementing the programme, it might be useful to discuss with Enterprise Ireland and Sustainable Energy Ireland. An alternative option is to

make available a budget and tender it out with terms of reference that is designed to achieve a set of objectives.

Case Study: Killala Community Windfarm

Killala Community Windfarm Ltd was established in 2002 by eight farming families in the Killala area with the aim of developing a windfarm on their lands. Planning permission was granted for six turbine bases in 2010, with a probable output in the region of 15 to 18 MW. The project involves a total investment in the region of €22 million.

The company shareholders have researched the industry and rather than leasing their land to a large utility, whereby the economic return would accrue to a corporation distant to the area, they set about developing the project themselves to maximise the local dividend. The company invited the local community council to become a shareholder. Equity has been set aside for the local community once the investment risk has been mitigated, so that as many people in the locality can participate in the economic dividend.

The project is in Gate three for a Grid connection and is awaiting this process to be finalised before it can move forward.

This has been a very significant undertaking for a group of ordinary people, without the comfort of a large utility behind them. There are significant risks and challenges for a community based company in developing a windfarm. This model of windfarm development which facilitates the participation of the local community has the potential to increase the acceptance of windfarms and maximise the economic returns to the areas in which the electricity is generated.

Case Study: Renewable Energy - Anaerobic Digestion

Based on experience in other countries, the roll-out of an anaerobic digestion industry in Ireland, including biomethane production and injection into the natural gas grid, is entirely feasible. Austria, a country of similar area to Ireland and with a population of 8 million people, has around 600 AD plants, including 350 agricultural plants and 30 municipal (biowaste) plants. There are five upgrading plants in operation. Sweden has a total of 227 AD plants, including 8 agricultural plants, 4 industrial plants and 17 municipal (biowaste, co- digestion) plants. Annual raw biogas production is 1359 GWh and electricity production from biogas is 59 GWh. There are 38 upgrading plants; 133 GWh is injected into the natural gas grid and 333 GWh is used as vehicle fuel. The majority of the gas used in the approximately 23,000 NGVs in Sweden is biomethane.

There are clear benefits to increasing the level of biomethane produced in Ireland in terms of energy security, waste management and carbon abatement. Currently there is no direct financial incentive to increase the use of biogas for uses other than CHP production. For this reason, biogas is not currently upgraded to natural gas quality since there is no economic incentive to do so. If there was a support mechanism in place for the production of grid quality biomethane, aligned with a supporting regulatory framework, this could provide the impetus to start a renewable gas industry in Ireland.

The following ideas might assist in the delivery of biomethane as a future energy resource.

Issue 1: Set targets for gas demand to be met with biomethane

For example, the National Biomass Action Plan for Germany set targets for biomethane supply as a percentage of gas demand of 6% by 2020 and 10% by 2030.³³

Issue 2: Review REFIT tariffs provided for anaerobic digestion

The Government should review the REFIT scheme to provide a tariff for biomethane fed directly into the gas grid. The feed-in tariff should recognise that biomethane produced from organic wastes such as OFMSW, where a gate fee exists, is currently economically viable. However, biomethane produced using agricultural waste or silage may require a higher tariff, to encourage uptake by the farming community.

The German system, as described by the Renewable Energy Source Act and the Renewable Energies Heat Act 16, offers tariffs for biogas based on a number of criteria, some of which are included below in a simplified form:

7c/kWh if energy crops, such as grass, are used as a feedstock for biogas production.

2c/kWh for biogas upgrading to biomethane.

11.67c/kWh for CHP production using biomethane sourced from the gas network.

The International Energy Agency (IEA) has stated that the high investor security provided by the German feed-in-tariff has been a success, resulting in a rapid deployment of renewables, the entrance of many new actors to the market and a subsequent reduction in costs.³⁴

Issue 3: Implement new energy regulations to encourage biomethane injection into the grid

Changes to the Code of Operations need to occur to encourage the injection of biomethane into the gas grid. Changes relating to compression, gas analysis, nominations and balancing should be kept simple to allow small producers to come online with minimal bureaucracy. Suitable standards need to be set to regulate the quality of biomethane that can be injected into the gas grid, specifying the chemical properties and energy content of the gas stream. Policy should also be implemented to encourage the use of the biomethane injected into the grid. Companies and building owners also need to be incentivised to purchase biomethane in off-grid areas. The EU Directive 2009/73/EC requires Member States to take concrete measures to assist the wider use of biogas and gas from biomass, such as providing non-discriminatory access to the gas system, taking into account the necessary quality and safety requirements.³⁵ This latest policy development may provide sufficient impetus to make the necessary changes to the Code of Operations.

Issue 4: Align renewable energy and waste management policy

Ireland landfilled 1.4 million tonnes of biodegradable waste in 2007; an increase of 4% on the previous year.³⁶ Ireland appears to be moving further away from the first Landfill Directive target of less than one million tonnes of biodegradable municipal

waste to be landfilled by 2010 and just over 450,000 tonnes by 2016. In fact, 91.4% of organic waste produced in 2007 was landfilled. Forfás has stated that Ireland's comparatively poor performance can be traced back to a failure to deliver key waste management infrastructure by local authorities. Clearly, additional capacity will be needed for the OFMSW if Ireland is to meet the target set under the EU Landfill Directive.³⁷

Ireland's target under the EU Renewable Energy Directive for 2020 is for renewable sources to account for 16% of total final energy use. This will be achieved through 40% of electricity generation, 12% of our heating demand and 10% of our transport fuels coming from renewable sources. The contribution from renewable was 3.7% and 1.2% for heat and transport energy respectively in 2008.³⁸ Biomethane produced from municipal solid waste could contribute significantly to Ireland's renewable heat or transport targets while at the same time diverting organic waste away from landfills. High levels of uncertainty about the direction of Irish waste management policy have discouraged investment in waste infrastructure. A clear and definitive policy should be implemented encouraging the diversion of 870,000 tonnes per annum of organic waste to anaerobic digestion facilities. A policy such as this, that guarantees feedstock supply and has the added economic benefit of a gate fee, in addition to the tariffs provided by REFIT, would encourage investment in the production of biomethane. Such a policy could generate up to 60 million m³ of natural gas quality fuel (assuming all OFMSW is utilised), which could be used as a source of thermal or transport energy, in addition to ensuring that Ireland meets its Landfill Directive target.

Issue 5: Implement new support structures for agriculture

Family Farm Incomes have dropped significantly in the past few years. The biomethane industry can supplement the income of farmers while ensuring the production of sustainable biofuel and the maintenance of an aesthetic countryside. A grant scheme should be initiated to provide an incentive to farmers to produce feedstock for biomethane production.

Issue 6: Additional research and development funding for renewable gas technologies

More funding should be directed at research, development and demonstration of renewable gas technologies to build upon core expertise in biotechnology and information technology.

Ireland has at its disposal the means to produce green energy while satisfying EU regulations relating to waste management, meeting renewable energy supply targets in heating and transport, improving security of supply, creating jobs, all the while maintaining a grass-based agricultural system. Ireland has an extensive gas grid connected to over 640,000 homes and businesses, which can provide for the delivery of renewable gas and in so doing make a major contribution towards meeting our renewable energy targets by 2020. There are challenges that need to be overcome to capture this opportunity but these are not insurmountable. Action now in addressing these issues will establish a market for a renewable gas industry in Ireland which will benefit all our fellow citizens for years to come.

PART III: Economic Development in Rural Areas

13. Physical Capital Development

13.1 Context

Rural Broadband

The provision of high quality broadband services is a basic and fundamental need that will underpin future social and economic development in Ireland. The availability of *high quality broadband* is strategically important for a number of reasons including the need to exploit potential for ecommerce, improve the productivity of the Irish workforce, facilitate innovation and job creation, improve [Ireland's] status as an attractive location for FDI and enable Irish firms to compete in international markets. (Forfás, 2010¹¹⁰). While the provision of such a service in rural Ireland represents a significant challenge it also presents an invaluable opportunity.

- Broadband much like electricity in the 1950s and 1960s, is a transformative technology that already has and continues to change the nature of the economy and society by radically altering access to information, the capacity to communicate and access to services.
- Broadband connectivity is increasingly central to the delivery of key economic services to business including banking and interaction with state bodies, e.g. Revenue and local authorities. Broadband speeds are also increasingly important to companies participating in logistical services and operations, e.g. real-time monitoring of the location and temperature of pharmaceutical and food products.
- As a result of the impact of the advent of broadband the nature of the working environment has dramatically altered in the recent past on the basis of the speed and efficiency of business facilitated by an effective broadband service. As this change has brought with it a broadening of the potential business base such a service is now required not only by business but also by residential customers, i.e. business owners, managers and their employees. The 'home office' is increasingly becoming a viable option for many workers and for some it is their primary place of work as evidenced in the 2011 Census of Population where 83,000 persons identified themselves as working from home.
- The positive benefits to rural tourism enterprises throughout the country derived from internet marketing and e-commerce and the location of financial services companies in, amongst other places, Cahirsiveen, Carrick-on-Shannon, Enniscorthy and Kilkenny are examples of how broadband has already influenced the restructuring of rural economies.

¹¹⁰Forfás (2010) Regional Competitiveness Agenda. Dublin: Forfás.

- In the recent past business that would not have historically located in rural areas have established bases there as a result of the benefits of effective connectivity, business such as international language translation services (eTeams) in Co. Clare, and the emergence of a media cluster in south Connemara. In addition to these service sector activities more traditional rural enterprises are using information technology to increase the efficiency of their business incorporating business analytics into their products and production processes allowing them to compete in international market places, e.g. Dairymaster (Co. Kerry).
- These examples of high growth, non-traditional economic sectors locating and developing in rural areas is evidence of the capacity of high quality broadband infrastructure, combined with entrepreneurial endeavour and proactive state and local agencies, to realise the potential of many rural areas. Core to this potential is the quality of life offered to those living in these locations, i.e. high amenity landscapes, quality built environment and access to social and cultural activities. Rather than being geographically distant from key markets high quality broadband infrastructure ensures that they are directly connected and integrated with these places.
- In the context of supporting the development of rural economies and enterprises the key challenges in relation to broadband are the current level of provision and the quality of the service provided along with the capacity of available broadband and, where high quality infrastructure is in place, the cost of that access. In order to assess the size of this challenge and what is required to address it; comprehensive data is required, however, at present insufficient data is available to identify specifically which sectors or geographic areas are experiencing difficulties and the nature of the difficulties they are experiencing. There is also an information deficit in relation to the adoption, quality and use of internet technologies amongst businesses which is also hindering the availability of comprehensive view of the full nature of the challenge. It is, however, generally accepted, and supported through the CEDRA consultation process, that SMEs located outside the main cities have less choice in terms of the number of providers, a limited range of broadband services / technologies from which to choose and there is some evidence that the quality of these services can be poor and expensive. (See Forfás, 2011¹¹¹; Frost, 2012¹¹²).

Current Strategies

- 'Delivering a Connected Society – A National Broadband Plan for Ireland' is the current national strategy setting out the state's role in fostering the provision of broadband services nationwide. The National Broadband Plan supports the importance of broadband services by recognising that 'high speed broadband is a key enabling infrastructure... and will contribute to Ireland's economic recovery.' (Department of Communication, Energy and Natural Resources, 2012, p.3¹¹³).

¹¹¹ Forfás (2011) Ireland's Advanced Broadband Performance and Policy Priorities. Dublin: Forfás.

¹¹² Frost, D. (Ed) (2012) Connecting the West. Next generation broadband in the Western Region. Western Development Commission, Ballaghaderreen.

¹¹³ Department of Communication, Energy and Natural Resources. (2012) Delivering a Connected Society – A National Broadband Plan for Ireland. Stationary Office: Dublin.

- The plan contains a number of specific commitments to the provision of high speed broadband availability across the country during the lifetime of the current Government including the provision of 70Mbps - 100Mbps to more than half of the population by 2015 as well as at least 40Mbps, and in many cases much faster speeds, to at least a further 20% of the population and potentially as much as 35% around smaller towns and villages with the commitment to at least 30Mbps for every remaining home and business in the country – no matter how rural or remote.

Road Infrastructure

- Public funding for Ireland's national roads declined from a peak of €1.75 billion (2007) to €320 million (2013). In part this reflects the completion of motorway development and in part it reflects cuts in public investment in infrastructure. Substantial investment in the motorway network over the past decade has seen significant and rapid improvement in the inter-urban motorway network linking Waterford, Cork, Limerick, Galway and Belfast to Dublin. The motorways are important from a rural economic development perspective as their improvement facilitates increased accessibility between the main cities and their immediate hinterlands thereby making it easier for rural populations to access jobs and services located in or near these places.
- The National Road Network (NRN) is approximately 5,500 km in length and includes roughly 1,200 km of motorway and 700km of 'good quality' single carriageway roads. The NRN carries 45% of the country's total road traffic with regional and local roads carry the remaining 55% of traffic. In recent years due largely to the economic downturn, investment in regional and local roads has declined and currently over 85% of investment is targeted at maintenance and rehabilitation work with this trend is expected to continue.
- Investment in transport infrastructure, including the national roads improvement programme, is set out in "Infrastructure and Capital Investment 2012-2016. In the period to 2016, the NRA aims to ensure adequate maintenance of the National Road Network thereby protecting the value of previous investments. There will be some targeted improvement of specific road segments where there is a "*clear economic justification*", including advancing a number of key PPP roads project such as the Gort to Tuam, New Ross Bypass and Gorey to Enniscorthy schemes, as well as the Newlands Cross flyover/ N11 Arklow to Rathnew dual carriageway. No new major Exchequer funded development projects are scheduled to start construction in the short term, however, it is anticipated that some limited investment will be directed to important strategic improvement and safety schemes on the local and regional road network.

Energy Infrastructure ¹¹⁴

- It is recognised in the Government's White Paper on "Delivering a Sustainable Energy Future for Ireland" that wind energy will play a pivotal contribution to meeting that goal.
- Ocean technologies and biomass are also expected to contribute.
- Many of the locations suitable for renewable energy generation schemes are in areas where there have been little or no generation developments heretofore.

¹¹⁴

This section quotes extensively from GRID25 A Strategy for the Development of Ireland's Electricity Grid for a Sustainable and Competitive Future. This strategy was published by EIRGRID in 2010.

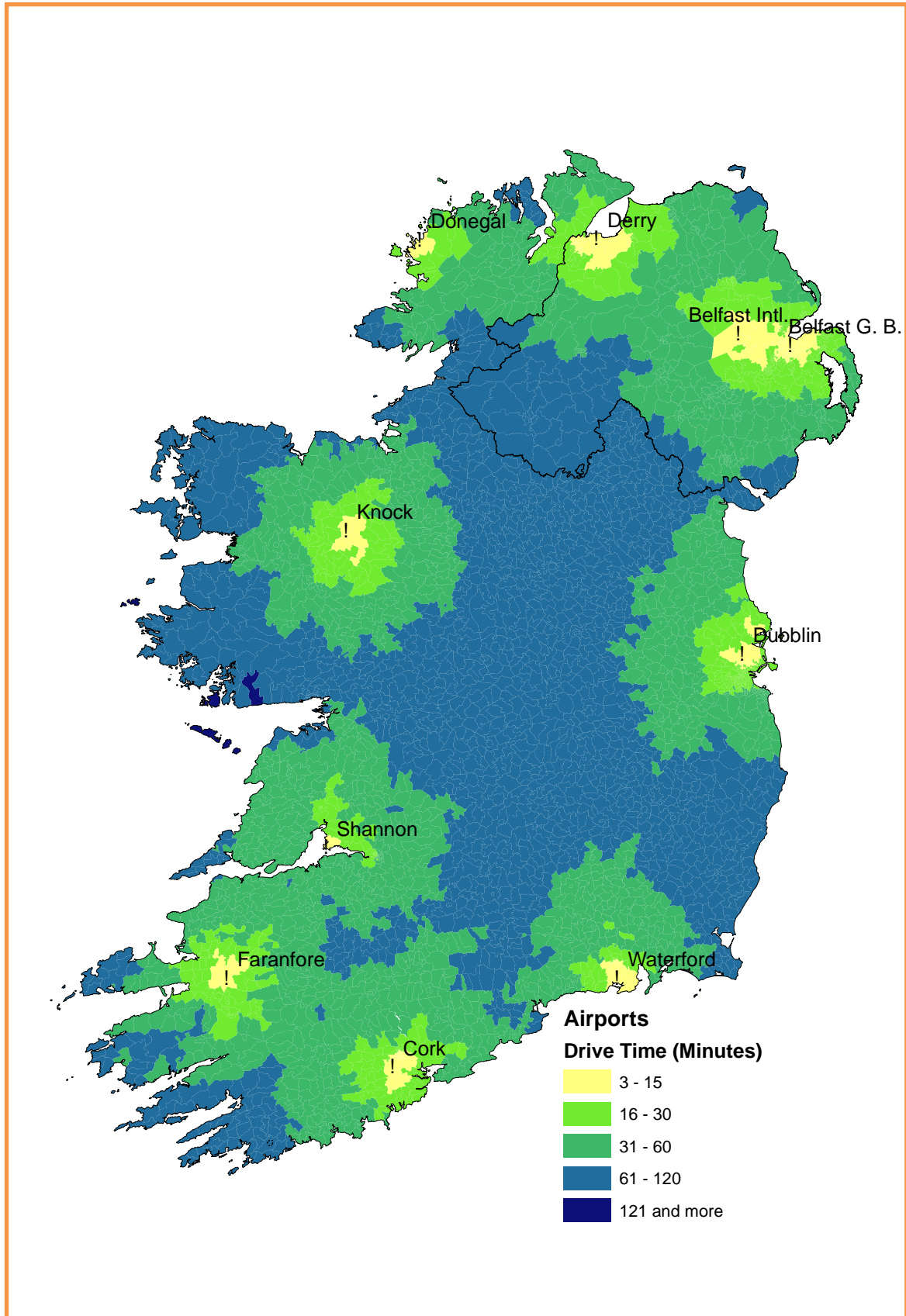
- The aggregate of renewable generation capacity in some areas is equivalent to large conventional generation stations and in many cases the network is not capable of carrying the power from these generation sources.
- Significant reinforcement of the Grid will therefore be required to cater for the new power flows from renewable generation.
- It will not be possible to utilise Ireland's natural resources of renewable energy without the essential upgrades outlined in GRID25.

Aviation Infrastructure

- Ireland's regional airports are not owned by the State.
- The regional airports, including Donegal (Glasgow and Dublin, also charter services associated with the gas industry), Knock (serves roughly 17 - 20 scheduled destinations across the UK and Europe), Kerry (London-Stansted, London-Luton and Frankfurt-Hahn with additional flights to Alicante & Faro during the Summer) and Waterford (linking to Birmingham and Manchester). Two additional airports, Galway and Sligo do not currently service scheduled flights.
- Ireland's regional airport infrastructure developed in response to a need to improve connectivity both nationally and internationally. At the time (1980s) there was a perception that regional airports could deliver significant social and economic benefits to the regions, particularly in terms of reducing accessibility to Dublin and international locations) that they serviced at a time when internal surface (rail and road) connections were poor.
- The development of the major inter-urban roads and improvements to the rail network has partially reduced the importance of regional airports for connectivity within Ireland. Today, regional airports are viewed as important because of a level of international connectivity that they bring to a region for tourists and for business purposes.
- In the last 20 years, in-bound tourism has gone from being shared 50:50 between air and sea arrivals to 80:20 in favour of airline traffic today.
- Research undertaken on behalf of CEDRA found that there is a strong positive correlation between tourist numbers and revenue and proximity (drive time) to airports i.e. holding all else equal counties that are closer to an airport will receive larger numbers of tourists. International air accessibility to regional airports is clearly critical to the development of rural tourism in Ireland.
- Forfás concluded that "Air access is of major importance" (Regional Competitiveness Agenda, Border Region, 2010¹¹⁵), to attracting inward investment. The regional airports provide enhanced international accessibility both to and from parts of Ireland that are distant and inaccessible to Dublin.
- The airports in Kerry, Mayo and Donegal all serve areas that are relatively inaccessible to the motorway network. This highlights their role in providing access, on the part of investors and tourists, to these areas.
- The State owns three airports; Dublin and Cork which are operated by the DAA and Shannon which is operated by Shannon Development.
- The Department of Transport, Tourism and Sport is currently undertaking a public consultation regarding the future of aviation policy in Ireland (An Integrated Irish Aviation Policy). As part of this consultation, questions include the future role of regional airports play in supporting Ireland's economy and

¹¹⁵ Forfás (2010) Regional Competitiveness Agenda, Border Region, 2010. Dublin: Forfás.

regional development; which regional airports are critical for the provision of such support and whether there is any justification for exchequer funding of regional airports?



Map 13: Accessibility to Airports

13.2 Lessons

Rural Broadband

34. The national strategy for the provision of next generation services to rural areas (minimum 30Mbps) should be delivered as soon as possible.

- Given the critical nature of broadband to rural economic development, public funding for the existing national plan for the provision of next generation services to rural areas (minimum 30Mbps) needs to be ring-fenced and should be delivered as soon as possible. Considering the current widespread availability of speeds of 50Mbps and higher in many urban areas, the priority must be delivery of 30Mbps minimum to all rural areas as soon as possible.
- For population centres of 1,500 - 10,000, and in the absence of commercial investment, further State investment may be necessary to support deployment of fibre networks to these areas, enabling next generation speeds of 100Mbps and not 40Mbps, as is the current target. This will ensure that smaller urban areas and rural towns are not at such a disadvantage in attracting and retaining enterprises and employment compared to the principal urban areas.
- The quantity and quality of the available data on rural business adoption and use of broadband services is insufficient. Improved information in relation to the regular collection and reporting of data on the adoption and use of information and telecommunications technologies amongst households and businesses in different types of rural areas would help decision making in relation to national broadband strategies. The CSO could undertake this work as an integrated part of their current data collection systems for business.

Road Infrastructure

35. Improve regional road network when public finances allow.

- Improvement in the roads infrastructure over the past decade has been substantial, however a number of bottlenecks still exist and there is a need for progress particularly in relation to road connections outside Dublin for example the Atlantic and North West-South East corridor. CEDRA acknowledges the current financial limitations with regard to investment in infrastructure however the continued improvement of road networks should be prioritised as and when the financial position improves as a well-functioning road network is crucial for the future economic development of rural areas.

Energy Infrastructure

- Timely access to the national network is critical to the successful development of renewable energy projects.

Sea and Aviation Infrastructure

- As an island nation, airport and sea port infrastructure is very important particularly in the context of trade.
- Improved road transport has improved connectivity with these infrastructures, which has resulted in the reduction in the number of airports as a result. The North West, via Knock Airport has a lower air access. The continued provision is vital, particularly for inward tourist traffic. Improved connectivity to major European hubs is a necessary condition to develop more FDI in this region.

- Regional airport accessibility is of central and growing importance in the face of changes in how tourists access destinations and how businesses perceive potential investment locations.

14. Skills and Human Capital Development

The level of human capital including skills is one of the main determinants of income at an individual level and economic performance in a spatial sense. Differential skill levels and access to skills development between urban and rural areas can hinder rural economic development.

Labour productivity will be the key determinant of economic growth in Ireland in the coming years, and increasing productivity will depend to a large extent on education and training (Condon et al., 2013¹¹⁶). A workforce that is better educated and trained can produce higher value goods and services, and is more likely to be innovative. Improved education and training will also yield a social dividend supporting social cohesion and public health and mitigating against poverty, crime and social welfare dependency.

14.1 Context

- In 2011, 25% of those of working age had an education level of less than upper secondary education (Leaving Cert or Equivalent). 38% had tertiary education. Tertiary or third level education has risen steadily over time, so that by 2006, 70% of 17 year olds entered tertiary education. Ireland now has the highest tertiary education profile amongst EU countries for those aged 25-34 at 48%, comprising 55% of females and 42% of males. There is also a notable gender dimension with the proportion of those aged 25-64 with tertiary education in 2011 being 5 percentage points (40%) higher than males (35%). Prior to the construction boom in 2000, the education level was exactly the same. As this group disproportionately face high unemployment and migration rates and are also disproportionately represented in rural areas, there is a challenge to reskill this group of the population.
- In 2011, the share of rural adults with tertiary education was 30%, while it was 40% in the cities. In Galway City it was as high as 48%, while in the open countryside and villages the rate was as low as 26%.
- Rural areas have lower skill levels in the labour market, reflecting the types of employment sectors traditionally found in these areas with this trend even more pronounced in the most peripheral areas. Coupled with this, rural dwellers aged 25+ have lower participation rates in lifelong learning and informal learning, with rates of 17% in rural areas 60% lower in comparison to the 27% participation rate in urban areas. The level of education is also higher for urban dwellers; the participation gap is smaller for informal and self-learning systems. These differences partly reflect different starting skills levels, with those with higher skills and occupations requiring higher skills and thus more likely to continue with further education. However, the smaller gap for informal and self-education also highlights gaps in access between urban and

¹¹⁶ Condon, N., McNaboe, J., and Burke, N. (2013) Monitoring Ireland's Skills Supply – Trends in Education and Training Outputs 2013. Report of the Expert Group on Future Skills Needs. Dublin: FÁS.

- rural areas as evidenced with the highest gap in the South-West in the peninsulas which are geographically furthest from higher education provision.
- Evidence indicates that those with higher levels of education and skills have better labour market outcomes including higher earnings, employment rates, lower unemployment rates and an increased likelihood of returning to the labour market faster should they find themselves unemployed. In 2011, the employment rate of those with higher education was 50% higher than those with lower secondary education. Those with higher level skills training who participate in Active Labour Market programmes also had a higher probability of entering work from unemployment. The Expert Group on Future Skills Needs also highlights the difficulties facing lower skilled persons in securing sustainable employment.
 - There is also a very strong negative spatial correlation between unemployment rates and the share of those with higher education level. While there have been initiatives in recent years to increase access to third level education through the provision of satellite campuses in, for example Tipperary, Clare and Mayo, there are still substantial coverage gaps across the country in terms of being within commutable distance of a tertiary education institution.

Future Skills Expectations

- It is critical, particularly in a resource limited environment, to ensure that the resources that are available are targeted at areas that will ensure maximum impact. In this context employment sectors can be classified in terms of their likely future growth which has consequential implications for skills requirements and therefore should inform the focus of resources for skills improvement. It is possible to identify possible growth sectors going forward and these include areas such as high tech manufacturing, including medical devices, chemicals, metals, machinery and equipment; Transportation, Business, Finance, Insurance, Food manufacturing
- IT related activities (sales / marketing etc.) and the Green economy. There are also areas that are likely to experience recovery but not significant growth including the construction sector, the hospitality sector and the public sector as well as areas that will continue to experience employment decline including traditional manufacturing and unskilled manufacturing and Agriculture.

In this context the Expert Group on Future Skills Need identified a number of areas where supporting skills development will be key to supporting job creation in these areas. These include the ICT sector, the Green economy and the need for improved manager and business education both for employees, but particularly for self-employed. In high tech manufacturing, there are gaps in specific technician grades such as toolmakers and polymer technicians. And there are also gaps at higher levels in mechanical and manufacturing engineering. A significant skills gap identified at a national level relates to the need for improved language skills coupled with the sales skill necessary to facilitate international business.

- The Expert Group on Future Skills Needs, (2007) proposes a vision of Ireland by 2020 in which a well-educated and highly skilled population contributes optimally to a competitive, innovation-driven, knowledge-based, participative and inclusive economy. Realising this vision requires maximising the skills of the resident population through up-skilling, increasing participation in the workforce, and continuing to attract highly skilled migrants.
- Globalisation requires a flexible workforce. Ireland, as a small open economy, must be able to respond rapidly to changes in the world economic and

technological environment and only a well-educated population has the capacity to respond in this way. Sustained and enhanced investment in the educational and training infrastructure is thus necessary and desirable for the foreseeable future.

- Substantial re-organisation of the skills provision, further and higher education sector is already underway evidenced by the establishment of SOLAS and the merging of VEC's into 16 Education and Training Boards (ETBs) as well as consolidation within the Institute of Technology Sector and University Education Sectors.

Farm Households

- Ensuring a fair standard of living for the agricultural community was one of the key objectives of the Treaty of Rome. However there has been a gradual downward trend in farm viability, over time resulting from the cost-price squeeze, where input costs have grown faster than output prices.¹¹⁷ This rate rises to 40% amongst farmers under 66 years of age, but is less than 20% for farmers aged 66 or over. Spatially, there are lower viability rates in the North and West, emphasising the less favourable agronomic nature of some parts of the country. The majority of viable farms are dairying, tillage or large cattle farms.
- Due to the relatively low viability levels from farm incomes alone, sources of non-farming income are important for the sustainability of farm households. The CSO's Household Budget Survey 1994-95 showed that, on average, only 53% of farm household income derived from farming activities. However Teagasc have highlighted that the economic crisis has resulted in a collapse in the employment rate of farmers, losing all of the gains of the Celtic Tiger in just over 2 years as farmers lose jobs in construction and related sectors. While growth in the sector since 2010 has increased the proportion of viable farms, it has had little impact on the rate of vulnerable farms which require other sources of income for long term sustainability.

14.2 Lessons

The high level challenge is to re-equip the many thousands of rural dwellers for future employment opportunities. The approach should include initiatives to support the reskilling of those who were made redundant in the economic crisis due to, for example, the collapse of the construction sector, coupled with initiatives that support an increase in the level of value added in rural businesses from opportunities that exist in identified growth sectors such as agri-food and ICT.

¹¹⁷ A measure used by Teagasc to assess this is Farm Viability. A farm is deemed to be viable if it generates a farm income sufficient to pay family labour at the Minimum Agricultural Wage and to provide a 5% return on non-land investments.

Skills Provision

36. Employ the new Education and Training Boards to upskill and reskill rural residents to be able to avail of opportunities in the domestic and export sectors.

- A key pillar of any rural economic development strategy should be the up skilling and re-skilling of rural dwellers to allow them to take advantage of new opportunities across the sectors identified in this report. Significant opportunities in the Rural Resources sector have been identified throughout this report, encompassing the Agri-Food, Marine, Tourism, Energy, Creative and Green Economy sub-sectors. As many of the opportunities in these sectors will be within rural areas, it would be sensible to deliver programmes to support skills development in these areas within rural areas. Human capital development programmes need to form an integral part of these sectors development strategies.
- Many of the recent job announcements have occurred in the Exporting Sector, both indigenous and FDI based. Existing national skills strategies do focus on skills provisions for these sectors, however rural specific needs were identified in the CEDRA consultation process particularly in the context of the delivery of localised ICT, sales and language training.
- Consumer sentiment which was registered at 66.8% in August 2013 is expected to improve in the short to medium term. Such improvement should generate opportunities in local economies particularly for lower skilled workers. Skills provision for these sectors is often under-prioritised nationally but should be considered important going forward particularly in the context of rural areas. The key skills that will be required to avail of these kinds of opportunities will include customer service, sales, security, transport, financial, business and management skills.
- Skills development is not limited to formal education and skills interventions. Strategies for rural up-skilling should recognise the advantages of alternative mechanisms such as Life-Long learning, continuous skills development and enterprise based experiential learning. Therefore skills development planning should encourage larger businesses and organisation in rural areas to facilitate internship programmes and student work placements in this context.

Delivery and Access

37. Improve access to higher education through the use of improved ICT and blended learning in the Institutes of Technologies in peripheral areas

- Many of the up-skilling and re-skilling recommendations outlined above share similar objectives to national strategies but viewed from a particularly rural perspective. Access and delivery of skills training to rural communities emerged as a concern in the CEDRA consultation process and is an important additional focus of this report, with the following recommendations aimed at supporting increased participation in education and learning by the rural population.
- Given public finance constraints, it was outside the remit of CEDRA to propose the establishment of any new institutions. Rather the improved delivery of and access to skills provision, could be provided in a cost effective way by a more efficient use of existing resources. In order to bridge the geographic gaps, the

enhancement of two existing initiatives, the HEANET roll out of broadband to post primary schools and the integration of further education and skills delivery with the former VEC's as part of the Education and Training Boards could be undertaken. Particularly in areas where there is a distance of more than 30 km to the nearest Institute of Technology or University Campus, the development of satellite broadband provision in "super VEC's" could be undertaken. These super VEC facilities would build upon existing high speed broadband using video and Skype conferencing and other distance learning tools for part of courses of instruction, with more intensive engagement such as practical's being provided in the main campus; a form of blended learning.

- In general when dealing with skills development there are a diverse range of interventions required to match the different skills starting points age and gender considerations as well as distance and technological capacity considerations. This is particularly so in rural areas, where the skills levels are lower and the intellectual as well as the geographical journey to build capacity can be longer. In this context the overall skills provision must both accommodate but also be proactive in helping people achieve their potential and this is particularly important in rural Ireland in order to facilitate the capacity of rural dwellers to contribute to the development of their own economies going forward.

Education/Skills Strategies and Economic Development

38. Ensure that skills strategies take into consideration rural needs

- While acknowledging the existence of a cross-governmental committee on higher education it is unclear how strategic economic development strategy influences the provision of specific education and training. This is the case both at a national level and a rural or sub-national level. As part of future rural economic development governance structures the provision of skills training should be closely linked and responsive to sub-national economic development strategies that reflect the capacity and strengths of individual regions.
- To maximise the impact of training on economic development, consideration should be given to linking local economic development structures with Institutes of Technology and other relevant providers of technical education and skills such as the Education and Training Boards (ETBs), Teagasc and Fáilte Ireland etc.

Analysis and Strategy

- Rural focused policy making could be improved if data collection and analysis methods differentiated between spatial areas in a more systematic way. As a result of the lack of comprehensive analysis of spatial patterns for educational participation there is little or no account of the differential skills levels in rural areas (including small and medium towns) in national skills and education strategies. In this context data collection and analysis needs to improve and future strategies need to consider the spatial dimension.
- On the basis of the evidence available there is merit in a rural and spatial approach to national skills strategies and suggests that the restructuring of skills, further and higher education sectors to improve the skills differential between urban and rural areas is an excellent opportunity to facilitate such an approach.

*Farm Households***39. Develop a multi-agency approach to reskilling farmers to avail of alternative off-farm employment opportunities**

- Given the off-farm employment challenges faced by farm families, there is an urgent need to upskill this group. This could be done by building upon the Teagasc Options Programme for farm families to deliver skills development and capacity building for economic diversification on farms. Inter-agency coordination will be required to achieve these goals

North Carolina Community College System

The North Carolina system of further and higher education provides a very good example of how a targeted system can facilitate a major skills transformation from a relatively rural state in the 1960's to initially a low tech manufacturing base to presently a high tech manufacturing base.

The system is characterised by a system of Community Colleges, akin in part to Ireland's Institutes of Technology, but focusing on the equivalent of certificates and diplomas and a sophisticated set of research universities. In a state of 9.5 million people or approximately twice Ireland's population 800,000 students undertake organised training and education in this community college system. The community college system is distributed quite evenly across the state, providing access in urban and rural areas.

The system has also taken quite a strategic approach, having the capacity to deliver large-scale training programmes in response to particular strategic direction. For example the state in developing it's biotechnology programme since the 1980's has developed parallel programmes in research in the universities and the provision of bio-tech skills training to the work force by the Community Colleges.

Training and small business development is closely linked in this system with Community colleges in North Carolina also hosting Small Business Advice Centres and Targeted Skills Programmes and Consulting. Small business advisory centres and incubation spaces are located in each of the locations, both facilitating close links between advice and training and also shortening the chain between industry demand and training provision.

15. Developing the Export Sector in Rural Areas

With one of the highest trade to GDP of any EU country, Ireland as a Small Open Economy is highly dependent upon the export sector for income.

15.1 Context

- In general exports in Ireland have proven to be an area of longer-term growth especially since 2008; however, the most recent figures indicate some challenges in the broader export sector. Exports fell by just under 2% or €1.7Bn in the first six months of 2013 to €88.6Bn¹¹⁸ mainly due to continued recession in some of our main trading markets and also due to the loss in value of pharmaceutical exports coming out of patent protection.
- Agri-food (9%) and drinks sectors (4%) continued along a growth path, increasing sales by 8.7% collectively. Pharmaceuticals and chemicals fell by 8% in the half year with computer hardware and peripherals falling by 2%. Services exports grew by just under 3% (including commercial services, business services, aircraft leasing, consultancy, insurance etc.). Travel and tourism export income grew by 6%. Agri-foods, a predominantly rural industry, accounts for approximately 10% of our total exports, almost 10% of total employment, 6.3% of Gross Value Added and €24 Bn to the national economy.¹¹⁹
- By region, exports to the UK fell by 16% (but agri-food and drinks exports to UK rose by 6 & 9% respectively). Euro-zone exports fell by just under 12% (agri-food exports to euro-zone grew by 8%). Brazil, Russia, India and China, otherwise known as the BRICS market fell by just under 5%, despite increased trade with Russia of 20% in the first half of the year. Continued recession in Euro-zone areas accounting for 38% of our total exports will hinder any overall export growth.
- In terms of potential for export led growth in Irelands regions several key areas have emerged and were discussed in detail through the CEDRA consultation process. In general the current and forecasted demand in the global economy to manage, generate and distribute renewable energy (and indeed energy in general) - the "terawatt challenge", offers a significant opportunity to our rural regions due to their composition and the abundance of generative resources (See CEDRA chapter on rural resources). The estimation in the UK and EU electricity market for renewably generated energy is significant and presents a generational opportunity for the island of Ireland and rural regions in particular. Similarly in the use of renewable biofuels to generate local energy, rural/regions also have an ever increasing opportunity.
- While particular sectors and businesses are very successful in the export market, the challenge however remains to broaden the base and regional dispersion of export businesses.
- As many of the larger scale manufacturing and service exporting businesses are in rural areas, an important goal of the skills recommendations is to enable rural residents to take-up employment in these businesses.

¹¹⁸ Irish Exporters Association Half Year 2013 Review

¹¹⁹ Department of Agriculture Food and Marine

15.2 Lessons

40. Improve Regional balance of Foreign Direct Investment

- The IDA is the national agency responsible for the attraction and development of foreign direct investment (FDI) in Ireland. IDA has been successful in attracting many of the world's largest employers to Ireland – Apple, Google, Intel, to companies predicted to be “the next big thing”. In Horizon 2020 IDA Ireland's current strategy framework, the agency commits to the provision of 50% of foreign direct investment outside of Dublin and Cork between 2010 and 2014¹²⁰. The majority of companies IDA have targeted and continue to target want to be located in or near Dublin, which makes the IDA's target of having 50% of investments outside of Dublin or Cork ambitious. A renewed effort is required by IDA to achieve this target.

41. Promote Niche and Small Scale FDI in Rural Areas

- Much of the current wave of FDI is urban based. There is an opportunity to search and match appropriately scaled and sectorally focussed FDI to rural communities.
- To complement the indigenous efforts in bringing enterprise to rural towns and villages, an FDI strategy for appropriate small scale projects could improve the spatial targeting of FDI in rural areas.
- Small scale FDI can have significant impact on regional economies through not only direct employment (25 – 50 people for smaller operations), but also through ancillary support services, direct and indirect suppliers, hotel beds filled with head office visitors, lunches etc.
- Allied to the production and export potential of the new employers, the multiplier effect of the level of employment of a single jobs announcement in a regional area can significantly boost the economy.

42. Facilitate Small Enterprises getting to Export Markets

- The Tax Policy Unit within the Fiscal Policy Division of the Department of Finance published a report in November 2012 of “Economic Assessment of the SME sector in Ireland”. This report highlighted that
 - “Despite Ireland's reputation as one of the world's most globalised economies, 64 per cent of private sector workers are employed by indigenous non-exporting firms, with 56 per cent working for indigenous, non-exporting SMEs.”
 - While correctly concluding that “These numbers highlight the importance of domestic demand for sustaining and generating employment” it further concluded that “(it) suggest that an export orientated growth policy may not have as large an impact on number of people employed as might be expected”.
- The key conclusion from the above statistics is that the majority of private sector employees are not employed in Agri / Drinks, Chemicals / Pharmaceuticals / computers etc. They are employed in areas that the agencies are not supporting / are not assisting and are probably not aware of. As non-currently exporting enterprises those companies involved in

¹²⁰

Horizon 2020, IDA Ireland Strategy

manufacturing, services, crafts or other areas have the potential and opportunity to export if they get assistance.

- "SMEs in Ireland: Stylised facts from the real economy and credit market" published in February 2012 stated that "In terms of exports, Irish firms account for just 15 per cent of the total, with Irish SMEs contributing 7 per cent".
- By targeting those non-exporting firms (predominantly in regional areas) through Regional Export Offices the potential exists to significantly grow the exports from regionally based non-exporting SME's from current level of 7%. Based on merchandise exports of €43.33BN in the first 6 months of the 2013, 7% exports amounts to €6 Bn on an annualised basis. Should these regional Exporting Bodies facilitate an increase of 1% in sales this would translate into €60m of additional exports from the SME sector.
- In the context of the ongoing restructuring of supports for enterprise, provide the appropriate infrastructure and supports to help rural enterprises of all sizes and sectors move from the supplying the domestic market to entering export markets.

43. Provide Regional Specific Market Information to Support Rural Based Export

- In order to access international markets, entrepreneurs need access to relevant market information. A network of regionally based Export offices, directly linked to the Enterprise Ireland offices, IDA offices and embassies around the world, could be developed to provide hands on assistance to exporters of all sizes and potential, improving localised FDI.
- At a local level, agencies trying to assist small producers and entrepreneurs lack the knowledge of the international markets. Enterprise Ireland is focused on larger businesses (10 plus employees), Enterprise Boards lack the export connections and market access. Their focus has not been on helping businesses to export, but on helping small businesses to grow their domestic market. A classic market failure has been identified whereby small scale entrepreneurs with export potential are unable to access information, support, training and assistance to break into export markets.
- Having locally / regionally based Export Supports who have specific knowledge of exports markets and direct linkages into overseas offices / embassies can assist small scale producers who currently are not served by the State Agencies to grow their export. The Export Supports should be managed on a national level but with personnel attached to the Enterprise Boards or to the County Councils. Their role should be one of co-ordination, information gathering, analysis and assistance to the entrepreneur to deciding on how to approach a new market, how to identify channels to market, potential customers and trade shows etc.

44. Support the Development of Rural Based Industrial Clusters where they have a Natural Comparative Advantage, such as the Food, Tourism Creative and Marine sectors.

- The greater the concentration of industries in a particular area, the proportionally greater economies of scale that are possible. This is because of a larger specialised labour market, its capacity to sustain specialist services and

increased opportunities for innovation via networking. Their scale allows for the spin-off of smaller businesses that can supply into the cluster or into export markets. These agglomeration forces explain the concentration of industries, particularly in cities.

- However it is possible to develop clusters in rural and regional areas based upon natural strengths such as product, skill or resource availability or via state intervention. The medical device cluster in the West of Ireland is an example of state created industrial cluster that has realised many new spin-off businesses.
- There are specific industry types suited to regional areas that should be encouraged to locate in regional areas (industries which have a Natural Advantage to locate in regional areas). Separately, but in addition to those companies, businesses which are highly linked and complementary should be encouraged to locate in close proximity to each other and to build networks and linkages.
- Not all industry needs to be located in an urban area in order to grow their local or export business. Some industries will actually have a natural advantage to locating in regional areas, whether for close proximity to their means of production, their suppliers or their customers. Existing firms such as Dairy master and Keenan's benefit from locating in regional areas. Proximity to customers when introducing new products, new developments, to trouble shoot issues and to identify areas for improvement makes their "natural laboratory" in a rural / regional location a specific benefit of doing business.
- Food producers have a natural advantage to locating in rural / regional areas as do businesses that depend upon marine resources. Locating beside the source of their raw materials, or producing the raw materials themselves on farms / fisheries, they benefit from freshness and reduced air-miles / carbon footprint etc. Their rural location then allows easy access to farmers markets for market research, feedback, product ideas, portion sizing, pricing, innovation etc. These markets allows them to build brand recognition, revenue and refine their products and offering for the larger (domestic and export) markets.
- Once established these food producers should build local networks and connections with the tourism industry to the mutual benefit of their businesses. Food and tourism are two sectors ideally suited to being based and managed from regional and rural locations. High value added tourists are increasing seeking out "experiences" and "linkages" to the area they are visiting. Tourists are seeking a unique experience for which they are willing to spend money. Food businesses, by linking with tourist experiences can work together to deliver a unique experience for the tourist which cannot be achieved elsewhere. This can act as further market research and brand development for the food producer and further help their expansion into the international market.
- This co-operation among different sectors should be done with the intention of a regional food specific brand and leverage that brand to enter the international markets, both for food exports and inward tourist activity.

45. Foster the growth of export focused co-operatives in specific sectors and industries

- For many businesses the cost of exporting, building a network of overseas customers, maintaining an overseas office and the other costs associated with breaking into a new market can be prohibitive. In Europe the concept of co-

- operatives is more established than in Ireland (although we have a very strong tradition in the dairy sector).
- Co-operatives hold substantial market share in important industries in most member states:
 - Agriculture (83% in Netherlands, 79% in Finland, 55% in Italy, 50% in France)
 - Forestry (60% in Sweden, 31% in Finland)
 - In Italy co-operatives represent almost 15% of the total economy¹²¹
 - Build on the idea of “co-opetition” – work co-operatively in the markets where pooling resources would be more efficient while retaining competition in markets where this remains a pragmatic option. Build on existing knowledge / supply chain / contacts / relationships to leverage to the benefit of the entire co-operative. Ensure standards / training / quality is raised to the highest level across the board. Save costs / pool resources / open new avenues.
 - Co-operative groups should be developed among certain sectors to enable small scale producers to collectively export their products into international markets. These sectors can range from food to forestry products. Trial regional sectors for co-opetition for a pilot period of say 3 yrs to advance this objective.
 - Taking Cheese as an example, Bord BIA states that there are currently 50 farmhouse cheese makers in Ireland producing over 150 types of cheese¹²², with exports valued at €4.5m. Acting alone these cheese makers incur significant costs of building markets, growing relationships, shipping product, managing distribution etc. (average export sale per cheese maker: €90,000 per annum, or €30,000 per cheese). Acting together under the Cais brand these cheese makers can significantly increase their margin, and their reach into markets while at the same time retaining their individuality and unique features of their cheese. This same application can be made under different artisan foods, crafts and a range of other producers. By working together in a co-operative manner in the export markets a range of entrepreneurs in an industry can leverage their respective skills and knowledge as a group to grow their market share.
 - Looking at non-food products the recommendation is equally valid for the forestry industry. The wood pellet industry is a commodity business, where the main requirements are for continuity of supply, consistency of product and for the exporters that it’s commercially viable and economical to export. With only 2 large scale wood pellet producers in Ireland (capacity 50,000 tonnes) and many more small scale producers (capacity 1,000 to 5,000 tonnes); there exists ample opportunity for these businesses to work together to service export markets.
 - An existing example of successful co-operation among otherwise competing businesses can be found in Jade Ireland Seafood Ltd, a joint venture of 4 award winning Irish seafood businesses. The new company was incorporated in June 2012, but already has an overseas office in Shanghai, and is successfully exporting live and processed crab, lobster, mussels, prawns, scallops and whitefish. While already experienced exporters these 4 companies recognised the benefits of mutual co-operation, reduced logistics and shipping costs, reduced sales and marketing overheads and continuity of supply and

¹²¹

European Commission, Enterprise & Industry

¹²²

Bord Bia “Irish Farmhouse Cheese Sales Increase by 43%”

scalability by working together. This is a model which can be used by other otherwise competing business to grow their market.

- The impact of such a proposal would be felt through increased sales through having a dedicated sales person in an overseas office and through improved bottom line resulting from reduced costs of export and overall efficiency improvements.

46. Build regional and rural brands to promote exports

- Build local and regional brands for all local businesses to trade locally and to export, similar to Emilia Romagna branding in Northern Italy.
- The Kerry Brand is world famous, both for high tech (food ingredients) and low tech (butter). The opportunity exists to build brands around regions such as Munster, Leinster, Connemara and even smaller regions on a county scale (e.g. "Made in Mayo"). Similar to the concept of Emilia Romagna in Italy which has a strong reputation for tourism, industry and agriculture, a local brand could be leverages to attract tourist visitors, signify quality in all areas of production and service and excellence of food and agricultural production. This for example "Product of Munster" brand could be used by all sectors of the economy in the region from engineering and manufacturing, to tourism and food, to agriculture and craft. Similar to the Economusee brand of cultural tourism which can be used to attract on-site visitors and on-site sales to tourists, the awarding of the brand, the quality control and maintenance, and the preservation of standards would need to be strictly enforced and controlled.
- This regional branding recommendation can build on the requirement of tourists for a unique, locally driven experience, and can be utilised by all areas of the community. Currently only Connemara is promoted separately by Fáilte Ireland, with some considerable success, as the name is known worldwide. Bringing this to other regions and other areas of the economy other than just tourism can reap significant rewards.
- Building such brands will take time and money from Government. The brands would need to be "owned" and promoted by the State, and would take time to build recognition and relevance in the market place, particularly if they are to encompass all areas within the regions, as well as just tourism.
- As such, the impact of this initiative would only be felt in the medium and long term, and following the promotion of the brands internationally. Measuring the direct results of the branding, (increased tourist activity, increased exports, and increased market awareness) would be done by survey, interviews with both brand users and tourists.

47. Help entrepreneurs network and build relationships through networks to facilitate Export

- Facilitate networking events and programmes (see case study below) for producers to get to know each other, to build relationships, share experiences and to work together intra- and inter-industries. Small scale producers and entrepreneurs often work in isolation, working to grow their business alone, or with the help of agencies. A service which agencies could provide would be to hold networking events and opportunities for entrepreneurs to meet, share stories and (once trust has been built) to open their contact books and share opportunities. Great lessons can be shared and learned by entrepreneurs who have tried things, who have learned what worked, what didn't work in certain markets and cultures. They can also open doors to others seeking to achieve what they have done.

- Assessing the impact of this recommendation can be difficult. It will be hard to correlate the networking into direct export growth, other than through direct testimonials from participants of the assistance received, but mentoring and business advice can be of critical importance in growing a business.

48. Teach International Sales in Third Level Institutions

- Ireland delivers excellent technical / academic / practical programmes for entering people into the workforce. However a lesson from CEDRA's public consultation is that we are less effective in the provision of sales training. We need to add sales skills to the skills people possess for business. Irish universities rank highly in terms of quality of graduates, standard of education and abilities across a range of disciplines from engineering, languages, business and more. Practical work experience programmes during education add to student's capabilities and abilities when they finally enter the workforce. The one area that our universities are deficient is in producing sales graduates. Many of our entrepreneurs got into business because of their passion for their product or their excellence at producing their product. Many are not marketers, or good at developing marketing plans. Neither are they automatically good at selling and closing deals, particularly in different countries, different languages and different cultures. Our Universities should at a minimum incorporate into all university courses modules for sales and sales training, to educate all future employees about how to sell, sell, sell.

49. Support the Development of an Agri-Food Risk Management Industry

- While increased market and environmental volatility provides challenges for the sector, given Ireland's existing expertise in both the Agri-Food sector and the Financial sector, there are opportunities for the development of a new sector to help mitigate risk.
- There are opportunities for the development of not only a sector that will support Agricultural risk management and decision making, but also it could potentially become a sector that takes a leading role in Europe, where the sector is currently small. As a relatively new market in Ireland and indeed in Europe, the development of a market would require market making incentives and capacity building to educate and incentivise both farmers to consider these tools and to facilitate sufficient scale for businesses developing these products to establish in Ireland. Building upon collaborative structures such as milk cooperatives and producer groups may be a mechanism to develop these markets. However there are potentially increasing returns to scale if a sector is developed early that could export financial service products across Europe targeted at Agri-Food risk management.
- The local service sector selling and servicing the demand for these products would likely exist in local market towns and thus it could generate employment in rural areas, providing financial market infrastructure to sit alongside existing Agricultural market infrastructure such as marts and grain merchants etc.
- Another potential mutual fund that could be established relates to animal health. In many European countries, mutual funds are in place to address the losses caused by non-regulatory diseases.
- Research is needed on the feasibility of collective actions such as mutual funds which allow farmers to pool risk, so that the collective input of all can be used to compensate the few for some particular localised loss. The State can assist in this process by developing the legal and institutional frameworks for such

services and advising farmers about their development. There may be scope for the development of a mutual fund across borders with European partners/farmers, as this would offer a greater number of fund participants as well as a more geographically and industrially diversified mutual fund portfolio.

- Training and education on financial derivatives such as futures and options provide good hedging capabilities with respect to price volatility, but due to extreme reliance on state stabilisation policies, many farmers are unfamiliar with these tools. Training regarding the use of such tools is required to bridge this gap.

Case Study: The Border area a special case – West of Ireland

During the course of its public consultation CEDRA met with several groups to discuss the issues and opportunities regarding the border areas of rural Ireland. From Donegal to Cavan meetings were held and the inputs and aspirations of those involved captured. Below are some of the opportunities and concerns listed by those involved:

- Maintaining the unique area identity is critical in any development approach as it's these unique points that give an area advantage.
- An All-Ireland marketing body for tourism may not fully optimise local assets – need regional resources to compliment and optimise these efforts
- Opportunity for sectoral development e.g. older demographic – build on this "killarney of the north"
- Geo Park – achieving 150,000 visitors yet surprises national bodies. Needs a regional focus ownership
- Remote border areas need appropriate Logistics for access to markets – e.g. food storage and transport
- Support clusters - Need for potential businesses to cluster with like-minded businesses
- Broadband is a must – appropriate quality to develop and transfer services to market
- Almost no FDI to region – with the exception of the M1 corridor the border areas display little FDI – consideration to be given to assist IDA in articulating the USP's of the border region necessary
- Skills of retired citizens may not be fully realised
- Older demographic – a real asset to nation as many highly educated – can be used as mentors / guides/ business mentors
- Rural security opportunities – enterprise

Case Study: Lifewave Europe Ltd

Lifewave Europe Ltd is a medical devices company based in the Raheen Industrial Estate in Athenry, Co. Galway. Founded in 2004, the parent company Headquarters is in San Diego, California. Lifewave is a direct selling company offering a unique line of homeopathic and acupressure products in the form of adhesive patches that improve energy, aid sleep, relieve pain, control appetite, and reduce the effects of aging. It exports all its output and employs 28 people in Athenry.

Lifewave's exports are time critical and temperature sensitive. Its output consists of 400 express packages a day. Choosing between locating in Carraroe in the Connemara Gaeltacht or elsewhere in County Galway, Lifewave moved into premises in Athenry which sits beside the M6 motorway. Lifewave's logistics and distribution model is built on a daily pick up by a courier who delivers the product to Shannon Airport for export within an hour. As the company imports up to 75 percent of its high end raw materials and is competing against China and India, controlling costs are critical. This together with its distribution model meant that locating east of Galway city rather than west achieved the time and cost targets of their logistics model.

This case highlights the importance of improving the road network to more remote rural areas, and reducing travel time around and through cities in order to make these rural areas viable locations for export-led business. Lifewave identifies huge benefits from locating in rural Ireland. It has a low staff turnover as local people wish to avail of local rural jobs. There is good word of mouth local knowledge about suppliers to use and how to get things done quickly.

In addition to infrastructure to support an agile, time-critical logistics model, the availability of international sales expertise is critical for Lifewave and other export-led rural businesses. Such expertise also facilitates these firms to move up the value chain by helping them commercialise any intellectual property they create. More generally, the existence of an educated and English speaking labour force, positive track record of support agencies with pharmaceutical and medical devices companies and, financial and tax incentives make it attractive to do business in Ireland.

16. Local Development: Small and Medium Sized Towns and Their Rural Hinterlands

16.1 Context

- The total population and the working age population have grown faster in Small and medium sized towns and their hinterlands than nationally with the exception of the largest towns.¹²³ Inward migration rates to these towns are also higher, although there is substantial national variation across counties. At the same time Small and medium sized towns and their rural hinterlands have, on average, been impacted to a greater extent by the economic down-turn than the cities with higher increases in unemployment rates and declines in employment rates.
- Small and medium sized towns and their rural hinterlands show higher unemployment rates and lower employment rates than the national average as well as lower education and skills levels. The sectoral composition of jobs in Small and medium sized towns and their rural hinterlands is disproportionately reliant on declining industrial sectors and those sectors that continue to display declining employment rates such as Agriculture, construction and traditional manufacturing industry) (all of this is considered with the exception of larger towns). Significantly, particularly in the smallest towns, the share of working age households with no one in work (jobless households) is 20% higher than the national average at 31% and poverty rates are higher in Small and medium sized towns and their rural hinterlands
- In the context of the housing stock in these areas the age of properties is slightly younger in rural areas than in the urban areas with 45% (33% in cities) built since 1991, reflecting the recent property boom. However, the share of unoccupied homes is 60% higher in Small and medium sized towns and their rural hinterlands at 20%. Specifically within rural areas, there is a large gap between the share of owner occupied housing in open countryside (81%) and in the towns and villages (64%), the latter is below the national average (70%).
- Consumer demand continues to remain depressed and this is having a significant effect on national/regional and local economies. The national savings rate was 2% in 2007 but has now climbed to 12-14% nationally across households and industry. For low income households, savings rates rose from 2% to 8% between 2005 and 2010. Savings rates have risen substantially amongst the smallest towns, with the savings rate increasing by 300% more than in cities, reflecting the worsening economic situation. The biggest impact of the changed savings rate is a reduction in investment expenditure. Personal consumption has not been affected to the same degree.
- It is not surprising and reflects the diverse nature of the small and medium sized towns in Ireland that indicator averages mask a wide variability in actual characteristics. For example comparison of the best 10 towns and the worst 10 towns (as measured by unemployment and migration) reveal that the bottom

¹²³ In this document, refer to rural areas as areas outside the 5 main cities, separately referring to towns over 1500, large towns of over 10000 and including settlements and villages of under 1500 as part of the open countryside.

10 have twice the unemployment rate, a difference in the net migration rate of 80% and 56% of the share of third level education. It should also be noted that small and medium sized towns rarely feature as priorities in national policy frameworks and strategies.

16.2 Lessons

50. Develop a Targeted Stimulus Programme targeted at Rural Economic Development Zones

In order to improve the economic situation in rural Ireland, there is a need for targeted financial and development support to facilitate development in the rural areas most affected by the economic downturn. An integrated stimulus programme targeted at Rural Economic Development Zones, namely small and medium towns and their rural hinterlands, if developed would be an effective way of achieving this. RDP funding and other public funding sources can be used for this purpose. The objectives of the programme are very complementary with the social inclusion and rural regeneration programme and could be delivered by LEADER.

51. The structure of the programme would be multifaceted with a focus on (a) Make towns more attractive to live in and visit (b) Make it easier to do business (c) Increase consumer demand and sentiment (d) Improve access to finance for SME's

To maximise the cost effectiveness of this intervention, the mechanism for the Delivery of this should be via a Targeted Stimulus Programme with the following characteristics

- Resources would be concentrated in a small number of areas with the greatest need
- The process should be competitive, with resources going to those towns that can most demonstrate the potential impact from funding ensuring that the impact would be highest, rather than merely allocating the most needy towns.
- The focus should be on areas with the greatest economic disadvantage as measured by unemployment and migration.
- Consistent with objectives in relation to Community Led Local Development, a town must create a local development group to lead development in the town and to prepare a development plan.
- It should leverage complementary actions in other areas
- Successful towns would be selected on the basis of both need in terms of unemployment rate, migration rate and the viability and cost effectiveness of development plan.

Specifically the Small Towns Stimulus Programme could

- Improve the physical architecture and appearance of small towns by creating targeted incentives to facilitate town and village renewal and refurbishment.
- Facilitate local demand via and retro fitting of older houses
- Incentivising activities such as festivals, markets that will increase footfall in the town
- Incentivise the use of unoccupied commercial properties.
- Develop capacity to serve as a rural tourism hub

Make it easier to do business

- Take the cost out of doing business by reducing fixed costs moving as many fixed costs (such as rent, rates, insurance) to turnover based for small start-up and vulnerable companies.
- With underutilised property; incentivise profit sharing rental scheme for private landlords in stimulus towns.
- Work with insurance companies to move to turnover based insurance for small start-up and vulnerable companies in stimulus towns.
- Move rates to turnover base for small start-up and vulnerable companies in stimulus towns. This intervention would be time limited for small turnover businesses.
- Regulatory agencies to undertake a development role by both facilitating SME's in navigating regulations and by ensuring speedy decisions.

It should leverage the following complementary actions

- Work with enterprise training agencies to improve the skills and capacity of existing and new businesses
- Implement derelict sites regulations.
- Encourage active participation in Tidy Towns.
- Increased focus on tourism potential (domestic and overseas)
- Improve access to finance by enterprises by ironing out problems with loan guarantee and micro finance schemes.
- In terms of social exclusion, target active labour market measures to focus on jobless households in small and medium sized towns, facilitate more flexible movement from work to non-work and back again in Social Welfare system and Allow for labour activation placements in these towns to last for 18 months in the stimulus towns.

Case Study: Kilfinane

In Kilfinane, a traditional agricultural market town in east Limerick with a population of 750 people (or 3,666 for Kilfinane and its hinterland), decline was visible in the derelict former commercial and residential property in the town centre, with 28 derelict buildings. The declining levels of services were forcing local residents and its largely agricultural hinterland to travel ever greater distances for products and services.

The expression of local needs led to the commissioning in 1989 of the Kilfinane Town Study (Helmut Vogel and Juergen Hiller and Siobhan Mulcahy, 1992) by Ballyhoura Development in cooperation with Limerick County Council and Shannon Development. The German consultants stated; "Kilfinane is not unique. It is simply a good example of the failure of the growth centre theory to revitalize rural economies as the influence of agriculture declines".

Professor Vogel had developed a structural approach to initiate local development:

"structures which facilitate the development of the craft (manufacturing) industry; structures which make the retail sector in small towns more competitive;

structures to maintain young income earning groups in a rural area; and settlement structure to provide a pleasant and well serviced living environment",

with four guiding principles:

- "Incorporation of bottom up approaches in local economic development
- Utilisation of the hidden potentials in local development
- Use of efficient research techniques
- Regional Policies which take the initiative. "

An understanding of the strengths and weaknesses of the local retail and business sectors and potential avenues for development was scoped by analysing data, surveying the business owners, measuring the performance of the existing retail sector and analysing building structures, floor spaces, the range of products, the outward appearance of the retail outlets and businesses, customer usage and requirements and land use. The information provided for a calculated mix of retail and service businesses proposed for the main street.

Detailed expert knowledge was provided to local entrepreneurs that needed aid in making investment decisions with an emphasis placed on meeting with retailers, local services, businesses, private investors and estate agents. The project also provided for widespread public consultations with members of local community organisations, public representatives, County Council officials, and agencies. An integrated planning process was facilitated by a quality partnership.

Three major development potentials were identified:

Town Centre (which can be restructured to become more attractive and competitive in servicing existing market demand)

Location for industry (highly educated young people, large number of women available for work) and

Tourism (Ballyhoura Failte Society and Kilfinane Education Centre located in the town).

The consultants cited the first key to the development of Kilfinane as "long-term security" – "an organized framework for planning on which people can rely for 15-20 years. The framework is based on priorities agreed and accepted by the local community and development agencies". The second key identified was "access to external resources" – "funding for key infrastructural developments by public bodies and ... incentives for key private developments in the central business district".

The plan proved to be invaluable in guiding the redevelopment of Kilfinane with businesses moving from peripheral locations onto the main street and other businesses expanding into adjacent properties to establish complementary businesses such as grocery stores, bookmaking, off licence and post office. By 1996, only 3 derelict buildings remained in the town centre. Private enterprise had lead the regeneration, had invested €940,000, while the community and tourism investment of €375,000 was supported by LEADER, €244,000.

17. Social Enterprise, Cooperatives and Community Capacity Building

Rural economic development rests not only with national plans but with action on the ground in local communities, reliant on passionate and determined individuals and vibrant communities. Many of the initiatives advocated in this report require coordinated local actions and bottom up leadership. We recognise the need to build the capacity of rural communities to avail of opportunities in this area. This is particularly the case in terms of the regeneration of rural towns and the development of rural tourism initiatives amongst others, outlined in previous chapters.

In the current climate a lack of resources, skills or higher risk can inhibit investment by individuals. However pooling resources, skills and risk by the community can reduce the challenges and facilitate the development of viable businesses and employment creation opportunities. The Community based, Social Enterprise and Cooperative sectors have emerged as a significant component of the Irish economy through the initiative of communities and leaders in both rural and urban contexts, making a valuable contribution and containing significant potential for rural economic development.

17.1 Context

Communities

- Ireland has a strong history of community participation in development, but there is a need to increase the leadership and development capacity at community level by facilitating capacity building initiatives that support communities to support themselves. Particular attention should be placed on the diversity of communities in rural Ireland with support structures for different communities adapted to their particular needs.
- Capacity building is not only required for specific skills development, but also to foster a culture of entrepreneurship and risk taking. In this context it is necessary to address the barriers that constrain entrepreneurial initiative and ensure that entrepreneurs have the capacity to meet such challenges. It is critical to the future of the rural economy that members of a community with innovative ideas are encouraged and supported to bring their ideas forward and develop them to the point where they can be viewed as viable business options and as such have real potential to generate economic activity in rural areas.
- Rural Communities have a strong track record of innovative thinking and adaptation to changing circumstances such as the establishment of Group Water schemes. Such initiatives emerge as a result of local leadership within communities who identify both specific challenges to the development of their communities but also identify the solutions that will address these challenges. This type of leadership should be fostered and supported with training and development opportunities. Such Community Leadership Programmes should also encourage the development of systems for knowledge transfer and sharing of best practice within/between communities.

Social Enterprise¹²⁴

- Forfás (2013) estimated that there were 1,420 social enterprises, employing over 25,000 people, with a total income of around €1.4 billion in 2009. These figures demonstrate that the social enterprise sector in Ireland is relatively underdeveloped, making up a very small percentage of total national employment (3% approx.) compared to the European norm of 6%.
- Forfás (2013) estimates that the Social Enterprise Sector has potential to create 25,000 additional jobs by 2020.
- There are four main types of social enterprise in Ireland: commercial opportunities with a social dividend; creating employment opportunities for marginalised groups; economic & community development and service delivery.
- The most commonly occurring types of social enterprise models in an Irish context are those that 'create employment opportunities for marginalised groups'. These are also frequently referred to as 'Work Integration Social Enterprises (WISE) models, which address issues of long term unemployment and occupational inactivity, while also mobilising market resources, subsidies and volunteers and contributing to the overall health and well-being of the individuals involved. These types of social enterprise models are heavily dependent on state and particularly labour market integration and support measures. Examples of fully commercial social enterprises are small but growing.
- Social enterprises can take many different legal forms. In Ireland those forms include companies limited by guarantee (with and without share capital) and single member private companies limited by shares. According to Forfás 'companies limited by guarantee' are the most popular legal form. However, it is expected with the available relevant Co-Op Rules developed by ICOS with the agreement of the Revenue Commissioners and the passing of the Friendly Societies and Industrial and Provident Societies (Miscellaneous Provisions) Bill 2013 (which will make it easier to run a co-operative as an alternative form of enterprise organisation) that an increasing number of social enterprises will at least give consideration to establishing as co-operatives type structures (including worker co-operatives).
- The particular benefits of social enterprises include: Ability to fill growing gaps in services and address demands for services that neither the private nor the public sector provide; flexibility and responsiveness in relation to finding new ways of addressing local and community needs in innovative ways; creation of local employment opportunities; the capacity to get people back to work and active in their community, building both social capital and community spirit; the ability to engage with and deliver state and philanthropic investment at local level; adeptness at learning from the experiences of others and sharing new ideas with growing levels of interest in social franchising¹²⁵
- Social enterprises receive significantly less financial and other supports from public sources than private enterprises. The majority of supports that are

¹²⁴ Source documents for this section include: Walsh, K., (2013) *Social Enterprise: A Growth Opportunity?* in Heanue, K. (ed.) *Supporting Enterprise and Entrepreneurship in Rural Ireland*. Teagasc, Oakpark.

¹²⁵ Social franchising is defined as a "successful social purpose organisation that enables at least one independent franchisee to deliver their proven model under license". The recent International Centre for Social Franchising (2012) *Investing in Social Franchising*, Report found at least 95 social franchises operating in the UK.

available are employment focused supports, with very limited financial and other supports available. There is also an absence of a dedicated support infrastructure for social enterprises compared with other enterprises. Public procurement options are more limited for social enterprises than they are for other enterprises because of capacity constraints (linked to a range of issues including the inability of social enterprises to meet capacity thresholds, disproportionate insurance requirements, the large scale of some contracts) and the very limited use of community and social benefit clauses that would recognise and reward social outcomes (Forfás, 2013 p.6).

- While the exact number of social enterprises operating in rural areas is unknown, it is clear that social enterprise in rural areas operate across a range of sectors including: housing, community childcare projects, rural transport services, energy efficiency, recycling and insulation companies, community cafés, and training projects.
- The Forfás (2007) report entitled Ireland's Co-operative Sector defines co-operatives as being 'in their simplest form the expression of an idea, which is that people can agree to work together on an equal basis and share equally in the results of the work'. In that sense, the concept fits well with wider societal objectives such as those of social cohesion and of increasing the stock of social capital. (Forfás 2007, p.viii). Co-operatives are also part of what is sometimes termed the solidarity economy. The basis of the solidarity economy is developing and harnessing economic activity to better benefit the community that creates the wealth, as well as supporting groups in the community that are marginalised.

*Cooperatives*¹²⁶

- The cooperative model has been a successful form of business organisation in Ireland, building upon business and community strengths. Its advantages are particularly evident within the Dairy sector in providing vertical integration and facilitating rapid change in response to the potential for milk expansion as witnessed in recent initiatives by the coops to achieve growth. The credit union sector is another successful cooperative based model
- Forfás (2007) identified the key issues facing co-operatives as: lack of quality data to generate a good understanding of the sector; an underutilisation of the cooperative model due to lack of visibility and understanding of the sector; poor appreciation of the cooperative model as a distinction form of business organisation; the need to create a level playing field with other types of enterprise; compliance with administrative burdens need to be reduced; difficulty in accessing external funding due to perception of cooperatives as a weak business model; need to develop managerial and functional competencies in cooperatives.
- Forfás (2007) showed that compared to other countries, the role of the co-operative movement in Ireland is narrow. The most active sectors for co-operatives are credit unions and agriculture, the latter of which – when taken as including agriculture, farm relief and fishing sectors – accounted for 98 per cent of total turnover of all co-operatives registered with the Registrar of Friendly Societies (RFS) in 2005 (Forfás 2007). Internationally, co-operatives

¹²⁶ Source documents for this section include: Forfás (2007) *Ireland's Cooperative Sector*, The National Policy and Advisory Board for Enterprise, Trade, Science, Technology and Innovation, Dublin.

operate very successfully in a wide range of sectors including banking, insurance, retailing and agriculture.

- Forfás (2007) identified that in 2005, agricultural sector cooperatives also accounted for 30 percent of all co-operatives registered and 65 percent of all co-operative members. Group water schemes accounted for 30 percent of all co-operatives registered and 16 percent of all members. Promotional and developmental societies, which include community and tourist development co-operatives, accounted for 15 percent of all co-operatives registered and six percent of co-operative members.
- According to Forfás (2007:5), there are four broad classifications of co-operatives. They are: customer co-operatives, in which case the customers of the services of the co-operative are its owners; client / producer co-operatives, where the producers of specific products of services own the co-operative with the objective of marketing or further processing of the products and service; employee owned co-operatives, also referred to as workers' co-operatives, where the employees of the enterprise are its owners; and, community co-operatives, where the people living within a particular community own the enterprise with the ambition of contributing to the vitality of that community.

17.2 Lessons

Community Capacity Building

52. Increase cooperation between local authorities and community development organisations.

- In the context of overall local development which includes social and cultural as well as economic development, *Putting People First* advocates more cooperation between local authorities and community development organisations with an increased role for local authorities in the strategic management of local development in the form of community and development plans at local level. This process known as Alignment of Local and Community development will be overseen by bodies known as Socio Economic Committees. An approach to local development that actively involves the community in their own development choices should be continued. Such a "Community Led Local Development" approach¹²⁷ (CLLD) has a long and successful history in Ireland.
- Volunteers have an important role to play in the development of social enterprise at local and community level. Initiatives being developed (building on the work of the Taskforce on Active Citizenship) to develop a national volunteer policy need to recognise and accommodate this within their planned actions.

53. In order to facilitate bottom up development, increase community capacity building and skills development through the development of Community Leadership Programmes.

¹²⁷ Community-Led Local Development

http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/community_en.pdf Accessed September 30th 2013

- One of the key drivers of economic development in rural areas is the capacity of local, regional and national actors to enable the development of new innovative solutions to economic and social development. Rural communities have a strong track record of innovative thinking and adapting to changing circumstances. The establishment of Group Water Schemes is one example. Reduced public sector human and financial resources require new ways of working. It is very important that re-aligned local support infrastructures move not to the lowest common denominator, but to learn from best practice. This will not happen by chance but will require significant promotion and training. The Alignment Steering Group recommended that a capacity-building initiative be established to support the change process involved in greater alignment between local development and local government. The differing service needs of rural and urban areas were also recognised. Actions under the RDP should either directly address these matters or ensure that whatever measures are proposed are consistent with them. Future measures such as the next National Rural Network need to be integrated with these capacity building initiatives to ensure a consistent, efficient and effective approach. It should be noted that requirements for capacity and skill building is multi-faceted and will require better links between third level colleges, particularly Institutes of Technology, and actual job opportunities in rural areas.
- The establishment of specific training to facilitate community enterprise and development is warranted. Historically, training has been provided either in relation to specific skills such as computing, accounting, management etc. via short courses. Longer but more theoretical programmes have been delivered by the main universities, whose target group are adults who are interested in the development of their area and their own knowledge capacity. There are gaps in the provision of broad based leadership skills to rural communities. This training would take the form of intensive part-time practical courses to facilitate local leadership. These courses would develop a new cohort of local development animators available in regions that agencies and government departments can work with. The need is also based on the fact that there is a requirement for local leaders with considerable technical knowledge to meet the higher standard of regulation now required in all aspects of programme delivery.
- Rural community-based organisations should be able to avail of training and development services, information seminars, workshops and networking opportunities as part of an approach to building the capacity of local communities. This training will allow rural communities to access expertise on rural economic development issues so the communities can create their own strategies for an environmentally, economically and socially sustainable future. It will allow organisations with a rural economic development and training focus to build the capacity of rural communities allowing them to fully avail of opportunities.
- There is much research and learning that has the potential to drive economic (off-farm) development in rural areas. Achieving this is optimised by building the capacity of citizens and communities and supporting them, often collectively, to innovate and adopt best practices in growing rural jobs. Identifying top down initiatives which have the potential to be optimised using bottom up methodologies is critical. Encouraging initiatives which have widespread adoption potential and ensuring the dissemination of learning from these initiatives should form a core element of all LDC Strategic Plans

54. The Forfás report made important recommendations in relation to Social Enterprise.

- Social Enterprise provides an opportunity to unlock local potential and resources. Forfás outlined an expanded role for this sector in economic development.
- The Forfás report identified 22 recommendations that could aid the growth and sustainability of the social enterprise sector in Ireland across 6 key areas: policy development; capacity building in the sector; procurement; funding and finance; developing leaders and harnessing community support and governance.
- Among the key recommendations selected and adapted from the Forfás Report which are of particular relevance to supporting the growth and development of social enterprise in rural locations are the adoption of a national definition of a social enterprise (such as that used in the recent Forfás Report, perhaps with the application of a threshold of earned income for more social enterprises in operation for a number of years (e.g. 7 years) and the development of a National Policy on Social Enterprise that recognises the potential of social enterprises to: engage in economic and social development; fill gaps in the provision of key services in rural areas; generate employment in rural areas
- In line with the Forfás recommendations this would be supported by the establishment by Minister Sean Sherlock TD of an inter-departmental group (to include the key Departments of Environment, Community and Local Government; Social Protection; Agriculture, Food and Marine; Arts, Heritage and the Gaeltacht; Health; Jobs, Enterprise and Innovation; and Transport and Tourism) to develop and champion the sector. The Department of Environment, Community and Local Government would act as the lead Department.

Some specific measures to be considered are:

- Highlighting the economic and employment potential of social enterprise in urban and rural areas
- Highlighting the different legal structures that can be used to govern social enterprises (include consideration of the U.K. model of Community Interest Companies)
- Including planned actions to support the development of the sector and its potential
- Providing additional financial resources at local level to enable social enterprises establish, grow and develop.
- Providing additional a) business and b) other supports for social enterprises at start up and early development stage again supporting social enterprises to be established and grow.
- Undertaking research to determine the size and scale of the social enterprise sector and its impact.
- Changing existing national procurement policies and practices (as is the case in Italy, the UK, and France) in order enable social enterprises to participate.
- Seeking the establishment of a focused, flexible and applied management skills development programme for social enterprise managers and members of social enterprise governance structures.
- State agencies to provide facilitators/ animators to work with private and social entrepreneurs on projects – inform, train and assist with state paperwork and

the removal of unnecessary barriers and blockages enabling project management team to proceed in confidence without waste of time, money, materials, equipment and those missed opportunity that are linked to timing and deadlines. Programme criteria should embrace examination of all job creation proposals

- Matching funding for social enterprise could be redefined to include voluntary input – work, materials, equipment, buildings and land
- Social Enterprise Funding programmes to include separate funds for pilot projects and follow on funding once the pilot produces a viable plan on job creation. Eligibility for funding should require the sharing of learning outcomes and best practices
- Allow for the state to releases dormant assets within its control, e.g. Council, NAMA, Church and State ownership to communities with viable business proposals.
- Financial support as per IDA Ireland and EI for community enterprise projects with export and replication potential.
- Develop a simple independent appeal system of decisions / lack of decisions from state agencies on job creation proposals

Capacity building

- Develop the role of local authorities as a key support for social enterprise at local level with a requirement to include social enterprise as a core element in all local authority led/supported plans (County, Local and Community level). The aligned Local Development Companies working closely with the new Local Enterprise Offices may provide a useful mechanism for doing this.
- Allow social enterprises to benefit from the same enterprise supports as other sectors.
- Improve capacity building within the social enterprise sector to ensure that that social enterprises are 'investment-ready' at all stages of their development including start up, early stage development and growth phases. These ways could include:
 - The addition of a specific Social Enterprise Sub Action within the Rural Economic Development Programme (2014-2020) that would facilitate the provision of development and facilitation supports to build the capacity in the rural social enterprise sector at all stages of their development would be a useful development in this context.
 - A review of the role and value of the existing Community Services Programme and re-opening of the Programme to new applicants on an annual basis.
 - Open up the existing range of enterprise supports to social enterprises at all stages of their development.
 - Change curricula to ensure that social enterprise and non-profit management are included in mainstream academic business courses. Provide for on-going professional development and training for those already working in the sector. This would have to be provided through flexible and applied training that recognises that social enterprise managers and board members face particular challenges (e.g. access to transport, travel times, limited broad band speeds) in terms of accessing this type of training.

Procurement

- Development of guidance for contracting authorities (across the country) to incorporate social considerations in procurement processes (e.g. community benefit clauses). This is already a feature in many other countries, and it is the case that European Union procurement law makes provision for public authorities to insert social clauses in their procurement procedures.
- Encourage and support successful social enterprises to share learning and replicate successful enterprise models in other locations with similar issues. (Social franchising is recognised as a significant growth opportunity for successful social enterprises in other jurisdictions). The two newly established social enterprise networks (Communities Creating Jobs and the Irish Social Enterprise Network) may provide useful mechanisms for facilitating this.

Funding and finance

- Include 'promotion of the social economy and social enterprises' as investment priorities under the ESF and ERDF Operational Plans 2014-2020. The adoption and application of the new European Community-Led Local Development approach would add further value to this.
- Work with the Registrar of Credit Unions to seek to encourage local credit unions of sufficient scale to consider lending to social enterprises.

Governance

- There is a continuing need to promote the co-operative model where it can be demonstrated that the cooperative model offers benefits in relation to a particular sector or type of undertaking.

Cooperatives

55. Cooperative models are important in business development contained in the recommendations and findings within the Forfás (2007) report on Cooperatives.

- The Sectoral Composition of Cooperatives: Forfás (2007) identified that the sectoral composition of cooperatives in Ireland is limited compared to internationally where they play a significant role in housing, healthcare, consumer purchasing and retailing. The report suggested that co-operatives could be considered as a way of meeting community needs for primary healthcare, rural & urban transport and other services in Ireland.
- Public Service Delivery: The disaggregated model of public service delivery in Ireland offers scope for co-operatives. The use of the co-operatives in this regard could help ensure that the activities meet a wider needs base through extended community membership.
- Enterprise Models: In Ireland, the corporate, rather than the co-operative model, is the main model envisaged for formalising enterprises. Those starting businesses are unlikely to choose the model and those assisting businesses are unlikely to promote it as an option.
- Steps to encourage and support the growth and development of the cooperative model for enterprise should be undertaken including the development of agency support programmes at national level or through County Development Boards, providing information and advice to those thinking of establishing co-operatives and also promoting them as responses to social, economic and environmental concerns.

Case Study: DFBA Community Enterprises Ltd, Dunhill-Fenor Parish

DFBA Community Enterprises Ltd, Dunhill-Fenor Parish, Co. Waterford

DFBA (Dunhill –Fenor- Boatstrand-Annestown) Community Enterprises is a company limited by guarantee with charitable status and is a self –sustaining social enterprise. It was founded in 1993 from GAA concern with high unemployment and the new opportunity afforded to communities through the 'Programme for Economic and Social Progress' (1991-1993) bottom up strategy. DFBA has a mandate to implement its mission *'develop our community, socially, economically and culturally by harnessing the talents of our people and the resources available'* on behalf of 1,700 people living in Dunhill-Fenor parish. The main employment sectors in the parish are agriculture and 70 local SMEs along with manufacturing, public and private services employment in Waterford city (13km) and its surrounds. The DFBA motto is *'There is no limit to what can be achieved by a community working together'*.

DFBA has designed and implemented an integrated, shared learning, added value approach to job creation. Since 1993 it has sponsored 30 successful projects in enterprise, education, environment, heritage, tourism, recreation and social areas creating *150 jobs*. It has engaged *over 200 volunteers* with a diverse range of expertise and networks. It has established *15 successful social enterprises* which in turn has prompted the creation of many private sector jobs in the community.

In 2011, Dunhill Rural Enterprises Ltd and Carbery Enterprises, Skibbereen founded *'Communities Creating Jobs Ireland Ltd'* a national voluntary, collaborative, community enterprise organisation committed to sharing resources, ideas, solutions, replications, networks, enabling tools, site visits and funding sources *free of charge*. Its aim is to help communities create 10 jobs in each community and establish a network of micro-economies with 20,000 jobs by 2020.

PART IV: Supports for Rural Economic Development

18. Institutional Supports

"Living in a rural setting exposes you to so many marvelous things - the natural world and the particular texture of small-town life, and the exhilarating experience of open space".

Susan Orlean

18.1 Context

It is generally accepted that rural economic development policy can be broadly defined as all aspects of State action that, directly or indirectly, influences the nature of economic and social development in rural areas. In this context the nature of the institutional framework in place to support the implementation of such policies is heavily influenced by the types of State actions that have such an impact on the development of rural areas.

Currently, from an Irish perspective there are a diverse range of State Actions that have both direct and indirect influence on the economic and social development of rural areas. Rural economic development policy specifically is significantly prescribed by the EU within the context of the Common Agricultural Policy (CAP) and in this context for the purposes of this report policy frameworks will be discussed from both a national and European perspective taking into consideration current policy frameworks, any future policy frameworks and on-going systemic reform processes that may have implications for the future delivery of rural economic development interventions.

The Evolution/History of Rural Economic Development Policy in Ireland

The origin of Rural Economic Development Policy in Ireland dates back to 19th century with the consideration of such policy falling primarily within the context of agriculture at that time. However, even in the 1960s government statements were already recognising that agricultural development alone would not solve such rural problems as out-migration and rural depopulation. Indeed the work of an interdepartmental committee in the early 60s established to investigate special measures to deal with the problems of agriculture in the western part of country stressed the need for a strategy based on a multi-sectoral or integrated approach to the development of rural areas. The Second Programme for Economic Expansion (1964) also contained a separate chapter on rural development recognising the need for a more multi-sectoral approach to the development of vibrant rural

communities¹²⁸. This recognition of the need to take a multi-sectoral approach to rural economic development was prevalent in much of the policy discourse in the 1970s and 1980s with some practical examples of its implementation also emerging during this time for example County Development Teams and the Integrated Rural Development Programme. However, Commins and Keane in an NESC report published in 1995 described the concept of integrated rural economic development as one that “*remained a policy sentiment rather than a well-articulated programme of concrete operational measures*” and commented that despite the historical evidence in policy frameworks that a multi-sectoral approach was required to address the problems of rural economic development, “*in effect there has not been any significant domestically conceived policy nor strategic programming for rural economic development*”¹²⁹

Irish policy frameworks have been heavily influenced by the European agenda since the 1970s which has served to further broaden the rural economic development perspective to include consideration of broader rural economic and social development challenges. The current European approach to Rural Economic Development emerged from the reform of EU structural policies in the 1980s. At that time the debate centred on a number of issues including budgetary pressures, the need to reform the Common Agricultural policy and the apparent failure of structural policy to promote increased economic cooperation between various EU regions. This prompted the EU to re-orientate structural funding away from a sectoral approach and toward a territorial approach which targeted areas or territories of particular disadvantage. In 1988, the European Commission published “The Future of Rural Society”¹³⁰ which established the principles at the foundation of this new approach, described as a manifesto for rural economic development by NESC one of the central tenets of the new approach involved the need for rural areas to decrease their dependency on external investment with the emphasis to be placed on the development of indigenous resources. This communication explicitly recognised the need to ensure that;

“Action as regards rural economic development must be based and devised on actual local circumstances. The basic strategies must therefore, in each case, be tailored to the particular economic and social circumstances of the relevant regions”

This approach was strengthened further by the European Commission when, as part of the Cork Declaration¹³¹ following a large European Conference on Rural Development in 1996 it stated;

¹²⁸ Commins, P and Keane, MJ, Developing the Rural Economy, Problems Programmes and Prospects, National Economic and Social Council 1995, <http://www.nesc.ie/en/publications/publications/nesc-reports/new-approaches-to-rural-development/> Accessed 2nd July 2013

¹²⁹ Commins, P and Keane, MJ, Developing the Rural Economy, Problems Programmes and Prospects, National Economic and Social Council 1995, pg 103 <http://www.nesc.ie/en/publications/publications/nesc-reports/new-approaches-to-rural-development/> Accessed 2nd July 2013

¹³⁰ The Future of Rural Society, Commission Communication transmitted to the Council and to the European Parliament on 29th July 1988, COM (88) 501, http://ec.europa.eu/agriculture/cap-history/crisis-years-1980s/com88-501_en.pdf Accessed 4th July 2013

¹³¹ The Cork Declaration – A living countryside: The European Conference on Rural Development, 7-9th November 1996, http://ec.europa.eu/agriculture/rur/cork_en.htm Accessed 4th July 2013

“Rural development policy must be multi-disciplinary in concept and multi-sectoral in application, with a clear territorial dimension”.

It was only in the 1980s when Rural Development began to emerge as a distinct but linked element of Agricultural policy that it came back onto the policy agenda in its own right at both EU and National level. At this time also theoretical concepts of development and resultant policy frameworks began to place significant emphasis on the role of local agency and the need to consider and integrate the devolution of functions, formerly vested in state institutions, to local administrations, communities and individuals¹³². This type of approach is seen as ultimately emerging from the debate on economic development models or growth theories that occurred throughout the 1980s. Such theories began to recognise the role of knowledge as a factor in economic growth and in turn development practitioners suggested that local knowledge and local preferences needed to be considered when developing regional policy.¹³³ Rural Economic Development was given a new status in Agenda 2000 where it was formally assigned as the second pillar of the Common Agricultural Policy and where an increased emphasis was placed on the role of the EU in supporting the development of the broader rural economy across Europe. It is in this broad context that Rural Economic Development is now situated in Ireland.

¹³² RAY, C., 2000. The EU LEADER Programme: Rural Development Laboratory, *Sociologia Ruralis* Vol. 40, No 2, April 2000, Available through: Trinity College Library

¹³³ MARGARIAN, A., 2011, Endogenous Rural Development: Empowerment or Abandonment?, Paper presented at the 4th International Summer Conference in Regional Science, Dresden, June 30 – July 1, 2011. http://literatur.vti.bund.de/digbib_extern/dn048906.pdf. Accessed 17th December 2012

Table 4: Relevant Policy Frameworks

National/EU frameworks that have an influence on Rural Economic Development	
Policy Area	Principle Framework Documents
National Development	National Development Plan (NDP) 2007-2013 National Spatial Strategy (NSS) 2002-2020 Our Sustainable Future: A framework for sustainable development for Ireland (2012) The National Recovery Plan 2011-2014 Programme for Government 2011-2016
Rural Economic Development	NDP 2007-2013 NSS 2002-2020 Rural Economic Development Programme 2007-2013
Regional Development	NDP 2007-2013 NSS 2002-2020 Putting People First (2012)
Local Development	Putting People First (2012)
Agriculture	Common Agricultural Policy CAP Rural Economic Development Programme 2007-2013 Food Harvest 2020 Agri Vision 2015
Employment	Action Plan for Jobs 2013
Social Protection	Pathways to Work 2013

The processes of development in rural areas are influenced by a diverse range of policy frameworks and instruments, addressing both directly and indirectly the many facets of rural society that create the vibrant sustainable rural communities that people want to live and work in. This chapter will look at a number of the more direct and strategic policy instruments currently influencing the development processes in Rural Ireland with the recognition that there are many other policy instruments that have an impact on the development process indirectly, see table above. Many of these frameworks were positioned within the overall context of the National Development Plan 2007-2013¹³⁴, the National Spatial Strategy 2002-2020¹³⁵

¹³⁴ National Development Plan 2007-2013, Transforming Ireland A better quality of life for all, <http://www2.ul.ie/pdf/932500843.pdf> Accessed 3rd September 2013

¹³⁵ National Spatial Strategy for Ireland, 2002-2020, People, Places and Potential, <http://nss.ie/pdfs/Completea.pdf> Accessed 3rd September 2013

and more recently the National Recovery Plan 2011-2014¹³⁶. While all the frameworks listed in the table are still relevant they all need to be placed within the context of Ireland's current economic situation which requires not only a flexible approach to their implementation but a recognition of the barriers and challenges that such an environment can place when managing and implementing overall economic development policy frameworks in general.

White Paper on Rural Economic Development 1999

The White Paper on Rural Economic Development, *Ensuring the future - a strategy for rural development in Ireland* published in 1999 remains the main policy framework for Rural Economic Development in Ireland and explicitly acknowledges the diverse nature of the appropriate policy response to the challenges of rural economic development when it states that;

"The rural development policy agenda constitutes all Government policies and interventions which are directed towards improving the physical, economic and social conditions of people living in the open countryside, in coastal areas, towns and villages and in smaller urban centres outside of the five major urban areas. The Agenda will, at the same time, facilitate balanced and sustainable regional development while tackling issues of poverty and social inclusion"

The white paper sets out a "vision and a framework for the development of rural communities in Ireland into the next millennium"¹³⁷ and outlines the proposed institutional structure that aimed to "integrate and co-ordinate better the activities of existing structures and to improve the effectiveness and efficiency of public service delivery to rural communities".

In the context of a proposed institutional framework to support its implementation the White Paper sought to establish a "lead" government department, a Cabinet Sub Committee and Interdepartmental Policy Committee. In support of these structures the Paper also envisaged the establishment of a rural development forum, a body that would examine and evaluate policy implementation with a view to supporting more effective policy frameworks in the future; the membership of this forum envisaged a broad range of stakeholders including the social partners. The Paper also advocated close working relationships between rural development bodies North and South of the border and committed to the introduction of a system of "rural proofing" to ensure that all policy makers are aware of the likely impact of proposals on rural communities.

At the time of publication the White Paper assigned the Department of Agriculture and Food as the "lead" department for rural development policy matters and to a large extent this responsibility still remains with the now named Department of Agriculture, Food and the Marine. However, the context in which this is currently situated focuses primarily on Rural Economic Development within the framework of the EU Common Agricultural Policy (CAP). The Department of Community Rural and

¹³⁶ The National Recovery Plan, 2011-2014, <http://www.budget.gov.ie/The%20National%20Recovery%20Plan%202011-2014.pdf> Accessed 3rd September 2013

¹³⁷ White Paper: *Ensuring the future - a strategy for rural development in Ireland* (1999), Department of Agriculture, Food and the Marine <http://www.agriculture.gov.ie/publications/1996-1999/whitepaperonruraldevelopment/> Accessed 28th June 2013

Gaeltacht Affairs was established in 2002 and was charged with responsibility for the implementation of the measures in the White Paper. These responsibilities were transferred to the Department of Environment, Community and Local Government in 2011.

National Development Plan 2007-2013

The current National Development Plan 2007-2013 integrates strategic development frameworks for regional development, for rural communities, for all-island co-operation, and for protection of the environment with common economic and social goals. The plan outlines national, regional and rural initiatives all of which influence the processes of rural economic development. The plan recognises the difference between the different regions of Ireland and the varying degrees of progress each region has experienced in the recent past. It also recognises the need to continue to maintain a balanced and proactive approach to regional development and ensure that investment policy will promote a coherent and co-ordinated approach to regional development which assists the development of individual regions in a complementary and mutually-supportive manner.

The plan outlines proposed interventions in a general way throughout reflecting the need to address national economic development in a strategic way; however the report does look specifically at both regional and rural economic development in chapters 3 and 4 respectively.

Chapter 3 recognises the role of balanced regional development and aims to promote the development of all regions in Ireland within a coordinated, coherent and mutually beneficial framework. Working in conjunction with the National Spatial Strategy (NSS) the plan proposes significant investment in infrastructure particularly in the context of addressing the deficits in the areas identified in the NSS; the implementation of integrated spatial planning frameworks at regional level; investment in enterprise and human capital development of the regions and the establishment of an innovation fund to support better coordination in the development of the gateway areas identified in the NSS.

Chapter 4 outlines proposed support for the economic and social development of rural areas within the framework of national policies and programmes. A number of specific interventions to support rural economic development are also outlined in the NDP and include among others initiatives for the rollout of Broadband, the Rural Transport Initiative, rural water schemes, and the LEADER/Rural Economy Sub programme.

National Spatial Strategy 2002-2020

The National Spatial Strategy (NSS) sets out the vision and strategic framework for achieving sustainable and balanced regional development in Ireland and is an NDP partner framework addressing balanced regional development. Launched in 2002, the NSS sets out to outline a long-term framework to achieve more balanced regional development by "*developing the full potential of each area to contribute to the optimal performance of the State as a whole – economically, socially and environmentally*". The NSS is based on the premise that Ireland's growing population provides a foundation on which a thriving economy can continue to be built. In the context of Rural Economic Development specifically the National Spatial Strategy (NSS) reaffirms the approach adopted in the White Paper. It sets out in

broad terms how rural areas will support and drive the attainment of more balanced regional development.

The population increase can be accommodated within existing settlements, including cities, towns and villages, while the economic and social strengths and resources of rural areas are also promoted. Accordingly, the NSS approach to housing location in rural areas is underpinned by a spatial planning framework to **support sustainable rural settlement**, taking account of the different forms of settlement that have evolved. Distinct approaches to rural planning are recommended according to whether rural areas are under strong urban influences, have a traditionally strong agricultural base, are structurally weak or have distinctive settlement patterns. The NSS also advocates that rural planning policy should distinguish between rural generated housing needs and urban generated housing needs and that rural housing need should be accommodated by planning authorities.

The NSS advocates the diversification of rural employment options through resource-based development, enterprise development, tourism development and protecting landscape, water resources and habitats. Rural restructuring measures are recommended which are tailored to the specific needs of different types of rural areas, be they areas where agriculture is strong, areas that are changing or in decline, remote or culturally distinct. Targeted mechanisms to promote development or encourage investment are highlighted, such as the CLÁR programme and the Upper Shannon Renewal Scheme. Such programmes make a significant contribution to underpinning the rural economy, stabilising populations and strengthening communities. The importance of the conservation of areas with particular cultural identities, such as the Gaeltacht, or the islands, is also emphasised.

The strategy was updated in 2010 with the Government reaffirming its commitment to the implementation of long term strategic frameworks such as the NSS. The update also took account of the experience of NSS implementation since its launch in 2002 as outlined some new priorities and objectives in the context of the changed environmental, economic and budgetary outlook. The update of the NSS identified 3 main areas where the NSS was considered to be working well, national infrastructure including roads, water and housing, Regional planning with the advent of the Regional Planning Guidelines process (RPG) and the continued effort of regional and local government to encourage a more strategic and coordinated approach to their development. This approach is evident in the support structures currently in place for rural economic development as detailed later in this chapter which also provides support for further reinforcing rural economic development from a regional and local perspective.

Both the NDP and the NSS are currently under review with a view to revision/replacement in the near future.

EU Rural Economic Development Programme 2007-2013

The Rural Economic Development Programme (RDP) 2007-2013 is the current Irish programmatic manifestation of EU rural economic development policy. The policy details 3 main objectives;

- Improving the competitiveness of the agricultural sector through support for structural change
- Improving the environment and the countryside by support for land management

- Improving the quality of life in rural areas and encouraging diversification of economic activity through the implementation of local development strategies.

The policy is divided into 4 Axes, 3 of which detail the framework of intervention under each of the individual objectives. The 4th Axis, known as the LEADER Axis is a methodological axis that is reflective of the importance placed on local agency at European level. Described as “the *most significant policy model to implement an inter-sectoral partnership-based approach to local rural economic development*”¹³⁸ LEADER is a community led local development approach that has been used to deliver rural economic development interventions in Ireland since its inception at EU level in the early 1990s.

In the current programming period LEADER is being used as the main method of delivery of interventions aimed at improving the quality of life in rural areas and supporting the diversification of the rural economy. This follows on from previous LEADER programmes where funding was provided to support broader rural economy interventions. In this context LEADER has been an integral part of the policy response to the economic and social development of rural communities for the last number of years.

18.2 Lessons

Institutional Support for Rural Economic Development

56. There is a need for a Lead Department to have responsibility for coordinating cross cutting Rural Economic Development (RED)

- A number of commitments relating to economic development contained in the programme for government, in particular, commitments to encourage job creation and sustainable enterprise development are reliant on the ability of all parts of Ireland to contribute to future economic growth.
- Evidence presented in other chapters of this report outline the differential degree of economic development and the variable impacts of the economic downturn between urban and rural areas and it is in this context that it becomes obvious that rural Ireland requires a more coherent and coordinated approach to the support of its economic in order to facilitate its participation in the economic recovery process going forward.
- Many participants in the CEDRA consultation process identified the lack of a coordinated approach to support for rural economic development and in particular the support for enterprise development in rural areas, as a significant challenge that needed to be addressed.
- At national level a primary goal of Government should be to actively engage in and promote an integrated, coherent programme of rural economic development. Such an approach should commence with national policy formulation processes and continue to regional and local strategic planning processes as well as the design and implementation of operational programmes at all levels.

¹³⁸ O Donoghue, Cathal, Macken Walsh, Aine, The Rural Economy Research Centre Working Paper Series, Rural Regeneration and Developing the Broader Rural Economy, AGRA Europe’s 2007 conference, <http://www.agresearch.teagasc.ie/lerc/downloads/workingpapers/08wpre16.pdf> Accessed 11th July 2013

- Consideration of rural economic development is evident within the strategic national policy frameworks outlined above. However, there is a need to have a robust follow through to sectoral policy frameworks as well as systems of policy implementation at national, regional and local level. Following on from that, and due to the dispersed nature of the policy frameworks that influence rural economic development, there is also a need to ensure that the systems and frameworks are coordinated to increase the effectiveness of the delivery of all interventions
- While some level of consideration of the issues and challenges facing Rural Ireland is evident in the current policy formulation and decision making processes at national level there is no formal, legal requirement to assess the impact of policies and programmes on the development of rural areas. At national level this weakness should be addressed. This is particularly important in a period of economic adjustment as the danger is that the critical need to increase economic activity overall will overshadow the need to be aware of the particular requirements of rural areas.
- In order to support a coordinated approach to cross-cutting policy and operations, there is a need to centralise accountability for rural economic development and ensure that one entity/person/agency/dept. is responsible for ensuring that all governance frameworks supporting rural economic development are doing so in efficient and effective way.
- Given its spatial scale, this role should be undertaken by the Department with responsibility for local authorities and community development.

57. Appropriate governance structures such as a High Level Implementation Committee are necessary for cross-cutting policy and operational coordination

58. Responsibility for Cross-Cutting Policy and Operational Coordination should be supported through legislation

- In this context there should be a legislative requirement to ensure that consideration is given to the issues and challenges of rural economic development when formulating and implementing national policy frameworks.
- The 1999 White Paper on Rural Development was innovative and far sighted. However, its overall effectiveness was undermined by the lack of appropriate support, delivery and coordination mechanisms to ensure the delivery of the totality of issues under its remit.
- The absence of an appropriate statutory underpinning coupled with the lack of clarity in relation to strategic planning and coordination, availability of the necessary resources, institutional performance and delivery mechanisms and a robust monitoring and evaluation framework were critical weaknesses of the White Paper on Rural Development. Responsibility for delivery was spread across many Government departments and agencies with no effective line of managerial responsibility and accountability and this system still remains.
- Building on the lessons from the White Paper on Rural Development, it is necessary to put in place an agile, responsive coordination, decision-making and delivery mechanism to deal with the complex, evolving policy agenda faced by Government while steadfastly adhering to the long term vision set out for rural economic development outlined in this Report and in the national policy frameworks.
- Failure to provide a Statutory underpinning to ensure a coordinated approach to rural economic development will serve only to repeat the mistakes of the

past and undermine the potential of rural areas to make a significant economic contribution to Ireland's recovery in years to come.

59. A small fund should be developed to support the work of this coordination structure

- In the current resource-limited environment it is necessary to be more efficient with the use of both human and financial resources. However, it should be possible to establish a funding mechanism using elements of various funding streams already in place, such as the European Structural and Investment funds (EU Structural Funds and RD fund), departmental votes and specific resources for technical assistance and pilot activities. Such a funding mechanism could be used to provide technical assistance to the newly established coordinated system allowing for initiatives such as feasibility studies and pilot projects.

60. All Public bodies should be obliged to include Rural Economic Development Impacts within their development programmes, business plans and annual reports

- In order to improve focus on cross cutting Rural Economic Development, public bodies should be obliged to include Rural Economic Development as one of the priority axes in their development programmes, business plans or annual reports

61. Policy and Operational Coordination should be accompanied by effective ex ante analysis and evidence gathering

- Key to effective policy making and programme design is timely quality evidence. In the preparation of this report, very many evidence gaps were encountered. There is a need for statistical analysis undertaken by the Central Statistics Office and other State Agencies, to recognise, in a consistent fashion different types of urban and rural areas.
- In addition, a very substantial gap has emerged in the funding of policy-relevant rural economic development research by universities and research institutions. In order to improve the evidence base for rural economic policy formation, there is a need for state research funding for more strategically relevant research in the area of rural economic development. This is required on an ongoing basis to monitor and understand trends and to identify solutions both nationally and internationally.

Regional Governance

62. Regional Governance Structures need to reflect Rural Requirements

- Economic development occurs at a different pace in different regions and the rate and location of regional economic development is influenced by a variety of factors including the different characteristics and potentials of the regions, the impact of government policy on the region and other factors such as the growth of the private sector.
- A critical component of an integrated approach to rural economic development is an effective national, regional and local governance architecture that has the ability to recognise and react to issues and challenges in order to support the sustainable economic development of rural Ireland. A coordinated approach to

rural economic development should be reflected at all governance levels from national, through regional to local.

- The need for more efficient and effective regional governance structures is outlined in Putting People First: Action Programme for Effective Local Government¹³⁹. Published in October 2012 *Putting People First* concluded that it was appropriate to maintain a regional dimension to public administration generally, and local government specifically, particularly with regard to the development and review of regional planning guidelines (RPGs), associated strategies, and co-ordination arrangements along with certain EU-related matters.
- Regional structures will be rationalised with an amalgamation of the Regional Assemblies and the Regional Authorities and in conjunction with this amalgamation, the configuration of regions will be consolidated. It is proposed to designate three standard regions under local government legislation, a Southern Region, and Eastern and Midlands Region and a Connacht-Ulster Region. The newly revised role and function of these regional bodies will centre on coordination and the support of cooperation between local authorities and between local government, central government and other agencies.
- As outlined in the text above one of the more successful initiatives implemented through the NSS was the strengthening of the Regional Planning remit of regional authorities outlined in the Planning and Development Act of 2000. The principal purposes of RPGs are to link the planning process at city and county level to national strategic spatial planning policies under the Government's NSS with a view to achieving balanced regional development and proper planning and sustainable development, and to coordinate the development plans of local authorities and their approach to the level and distribution of future employment, housing and retail development and environmental considerations. Each RPG incorporates an Economic Development Strategy for its region providing background economic information, a high level strategy for economic and enterprise development, and a framework to harness the economic potential of committed public investment programmes under the National Development Plan 2007-2013. Each strategy is intended to inform the RPG review and update.
- Putting People First proposes to enhance the economic planning dimension of the RPGs and with the RPGs being recast as a "Regional Spatial and Economic Strategy" (RSES). Such regional strategies would be formulated to include the spatial planning guidelines and economic development support in collaboration with agencies such as DJEI, EI and the IDA. The strategies should be in line with the overall aims and objectives of these agencies and should also regard "Our Sustainable Future¹⁴⁰" in the context of sustainable development. It is envisaged that these strategies will, in effect, be adopted as Government policy for the economic development of the regions and in the context of the participation by all relevant departments and agencies will form a charter for

¹³⁹ Putting People First: Action Programme for Effective local Government <http://www.environ.ie/en/PublicationsDocuments/FileDownload,31309,en.pdf> Accessed 3rd September 2013

¹⁴⁰ Our Sustainable Future, A Framework for sustainable development for Ireland, <http://www.environ.ie/en/Environment/SustainableDevelopment/PublicationsDocuments/FileDownload,30452,en.pdf> Accessed 15th July 2013

economic development of the region and be incorporated into statutory plans and mission statements.

- Notwithstanding increased emphasis on economic development from a regional perspective, it is critical from both a regional and local development perspective that consideration of the particularities of rural economic development should be an integral part of the process of development and implementation of the RSES at regional level. It is not sufficient to assume that consideration of regional development as a whole will automatically facilitate the particular issues and challenges facing rural communities. This is in line with the belief that a more robust system of consideration of rural economic development should form part of all policy design and implementation systems.
- In summary, the newly envisaged role for regional government complements the need for a more coordinated approach to the economic development of Ireland's regions which includes rural Ireland. The development of more robust, effective and efficient regional governance structures that work together with national and local structures will ensure future balanced rural economic development.

Local Governance

63. Local Government needs to take a stronger role in Economic Development

- "Local government will be the main vehicle of governance and public service at local level - leading economic, social and community development, delivering efficient and good value services, and representing citizens and local communities effectively and accountably". (*Putting People First*)
- Currently there are 124 local or regional bodies in Ireland, consisting of 80 Town Councils, 5 City Councils, 8 Regional Authorities and 2 Regional Assemblies. Local authorities diverge significantly in area, population, operational scale, staffing and other resources, council membership and ratio of councillors to population. According to *Putting People First*, local government structures have changed very little since the establishment of the county based administration system in 1898 despite the obvious changes in the economic, cultural and social environments in which they exist. This coupled with the prevailing environment of budgetary constraints led to the conclusion that change was required in order to ensure that the organisational arrangements for public administration at a local level were efficient and effective for the changing economic and social environment.
- In this context the proposed new system of local government outlined in *Putting People First* will see all 80 existing town authorities and their 744 members replaced by a comprehensive system of municipal districts, integrating town and county governance. This will mean local authorities will be reduced from 114 to 31 City and County Councils with integrated districts. This will be accompanied by the reorganisation of funding mechanisms as well as increased roles for local authorities in economic development and a more comprehensive role in planning for economic, cultural and social development of their respective areas.
- Local government structures already play a significant role in the support of local economic development and the local government system interacts in a variety of ways with enterprises operating right across the country from large multinational companies to small family business. The efficient and effective

delivery of services provided by local authorities is as critical to enterprise development as is their role in promoting their own locality from a commercial, cultural and tourism perspective. Local authorities are committed to local economic development, and are ideally placed to meet many of the needs of businesses, in terms of infrastructure, local promotion and other key enabling measures.

- Part 2 of *Putting People First* focuses on the role of local government in economic development, enterprise support and community development at local level. It advocates a vision for local government that sees it as the “*main vehicle of governance and public service at local level – leading economic, social and community development, delivering efficient and good value services, and representing citizens and local communities effectively and accountably*” The programme is designed to achieve this through a set of measures that will improve the main elements of local government, its structures, functions resources, operational arrangements and governance.
- The programme envisages a stronger role for Local Government in promoting economic development, thereby sustaining and creating job opportunities in local areas. This will build on initiatives already in train at Local Government level and introduce more functions such as an increased role in the direct provision of local micro enterprise support in the form of Local Enterprise Offices (LEOs) and more involvement in the processes of socio-economic development at local level through the medium of Socio Economic Committees (SEC).
- Some of the more specific initiatives detailed in Putting People First include the need for a more strategic approach to economic planning including the need to integrate both the spatial and economic planning process at national, regional and local level, the need for local authorities to focus their general functions and services proactively towards supporting enterprise and economic development as well as the need to work together with relevant agencies in order to support local economic development.

Local Enterprise Support

64. There is a need for an integrated approach to enterprise support at local level

- The provision of a local enterprise support service through the LEOs is outlined in Putting People First and the process of establishing the LEOs at Local Government Level is already well underway. The LEOs will act as a “first-stop-shop” for the micro-enterprise and small business sector, delivering direct enterprise support and coordinating access to other services for business.
- Putting People First also requires local authorities to ensure that the systems in place to deliver their traditional or mainstream functions such as planning, environment and rating are conducive to the support of enterprise and economic development. As a consequence local government have recently developed a sectoral strategy “*Supporting Economic Recovery and Jobs – Locally*”¹⁴¹ that includes measures in the area of business charges, local enterprise and business support arrangements, procurement support, local

¹⁴¹ Supporting Economic Recovery and Jobs - Locally

<http://www.environ.ie/en/Publications/LocalGovernment/Administration/FileDownload,31194,en.pdf>

Accessed September 30th 2013

development and community based initiatives, the Green Economy and local government participation in employment support schemes.

- The need for an integrated approach to enterprise support at local level emerged as many rural entrepreneurs are frustrated not only by the level and amount of regulatory compliance that is required at enterprise start-up phase but also with the lack of coordinated support structures and general advisory supports at local level.
- The need for this type of integrated approach to enterprise support is critical to support local economic development in general and rural economic development in particular. Local Authorities should ensure that this support is provided within the context of an integrated approach to enterprise development including the need to address barriers to enterprise development particularly in rural Ireland.
- The role of local government as outlined in Putting People First should be supported. This is particularly relevant when it comes to the barriers to business which includes *inter alia* issues of planning, rates, procurement and local charges.
- Local authorities in their capacity as coordinators of enterprise support at local level need to work closely with other agencies charged with various enterprise support functions at both national and local level to ensure a consistent approach to the provision of support to entrepreneurs.
- In addition to what is laid out in Putting People First, LEO's should take a proactive approach and actively pursue enterprise initiatives and innovative approaches to enterprise development particularly in a rural context.

Local Community Development

65. A more localised approach to rural economic development should be facilitated

- Local and Community Development structures in Ireland have played and continue to play a significant role in the economic and social development of both rural and urban communities throughout the country. A participative approach to community development has formed part of the community development landscape in Ireland since the 1960s. In particular in rural Ireland development initiatives that are rooted in the community and in their capacity to determine and influence their own development pathways have played a significant role in rural economic development particularly since the 1990s.
- This so called "bottom up" or community-led approach is embodied in the LEADER methodology formalised in EU rural economic development policy since it was piloted in 1991 and used in Ireland since that time. Rural economic development projects using the LEADER approach and supported through the European Agricultural Fund for Rural Development (EAFRD) - the RD support framework for the current EU programming period 2007-2013 - aim to support the development and maintenance of vibrant rural communities. Such projects not only provide direct support to enterprise but also broader support for community initiatives that improve the quality of life in rural areas and make rural communities more attractive to live in.
- In the context of overall local development which includes social and cultural as well as economic development, Putting People First also advocates more cooperation between local and community development with an increased role for local authorities in the strategic management of local development in the form of community and development plans at local level. This process known

as Alignment of Local and Community development is on-going and while the establishment of bodies known as Socio Economic Committees to oversee this process has been decided the specific roles and responsibilities of these committees is yet to be determined.

- A local rural economic development methodology that facilitates the involvement of the community in their own development choices is called a "Community Led Local Development" approach¹⁴² (CLLD). This has a long and successful history in Ireland and its continuation as a means of supporting rural economic development specifically and economic development in general is important.
- It is appropriate that local government as a key player in the Governance and Management of local economic development should play a key role at community level also. There is a need to maintain the community-led nature of the current rural economic development model. DECLG should ensure that any future model for rural community development continues to utilise the expertise built up over the past few decades as well as the enthusiasm and dedication of rural communities to ensure the sustainable development of rural communities as such vibrant rural communities are the necessary foundation of a strong rural economy.
- All initiatives that support and facilitate the role of a more localised approach to rural economic development should be welcomed and local government should have a more robust role in economic development support in the future. However it is also important that the structures and systems recognise the role of communities in their own development and the need to respect and support that role. .

Cross Border Development Structures for Economic Development

66. Cross-border cooperation in relation to trade, enterprise development and infrastructure provision should be improved

- The border areas and in particular the North West region face particular challenges, relating primarily to issues of peripherality, different administrative, legal and tax contexts, currency volatility and cross border hinterlands, related development structures and infrastructure.
- These issues are particularly strong in those areas outside of commuting zone of Dublin in the North West, where the dominant population and economic centres are on the other side of the border. Therefore, the improved economic performance of these urban centres in Northern Ireland is one of the requirements to achieve greater economic growth in the North West.
- As a result, the North West region benefitted to a lesser extent from the boom and future development in this region will require increased cross-border cooperation in terms of infrastructure, development and trade.
- While the border region brings a particular set of challenges, it also brings specific strengths in terms of greater experience in local export markets which can make it easier to expand further into mainland Britain. In this context placing an emphasis on increased exports to Northern Ireland could present a lower cost and risk based approach to exporting in the short term.

¹⁴² Community-Led Local Development

http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/community_en.pdf Accessed September 30th 2013

- There are very positive cross-border development initiatives such as tourism promotion, trade and water management. Recognising the synergies from cross border cooperation from development on both sides of the border, improved cross-border cooperation in relation to trade, enterprise development and infrastructure provision should be encouraged.
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Case Study: Bantry Bay Driving Academy

Business Name: Bantry Bay Driving Academy

Institutional Support Received: Enterprise Support for diversification into non-agricultural activity under the Rural Development Programme through the West Cork Development Partnership using the LEADER approach.

Project Promoter: Mary Keohane

Website: <http://bantrydrivingacademy.ie/>

This project emerged from combined needs identified by the project promoter to generate alternative sources of income for a family farm and to provide training for young people in driving skills and road etiquette at the earliest possible stage of their driving careers. The promoter researched and developed this idea and following significant support from West Cork Development Partnership, local law enforcement, local Government and the local community Mary Keohane opened the Bantry Bay Driving Academy in early 2011. The campus is a state of the art facility built on part of the active farm run by Mary and her family in Bantry, West Cork.

The facility provides a large area with traffic lights, zebra crossings and other road markings normally encountered on Irish roads. As the campus is cordoned off it allows for teaching to all ages including those not yet allowed to drive on Irish roads. The academy also has high tech driving simulators and an area to practice and take the driving theory test required before the issuance of a provisional license. The training programmes are open to everyone with a particular focus on school groups. Training includes driving skills as well as basic car maintenance and some information on what can happen in the event of a road traffic accident with guest speakers at many of the sessions.

19. Enterprise Supports¹⁴³

The way in which state agencies apply their resources and energies to enterprise development is critical to rural economic growth.

19.1 Context

- Small and medium sized enterprises are the bedrock of the rural economy, comprising 92% of all rural enterprises. However, they have faced significant difficulties in the economic downturn with 81% of all SME closures and 91% of micro enterprises closures occurring in rural areas. Thus rural areas have had twice the business failure rate in the downturn compared to urban areas.
- The collapse in domestic demand which has affected rural towns to a greater extent than the cities is one of the chief causes. A recovery of the national public finances and a resulting improved consumer sentiment will be critical to the recovery of this sector. However there are specific skill, capacity and financial constraints within the SME sector that need to be addressed. This is particularly hindered by the fact that there have been gaps in the provision of enterprise supports.
- “Putting People First” an Action Programme for Effective Local Government, published in October 2012 is a key plank in a strategy to redress these gaps. In particular the strategy envisages an increased role for local government in economic development, enterprise support and community development at local level in conjunction with other local development bodies. Any initiatives that support and facilitate a more localised approach to rural economic development should be welcomed and in this context acknowledge the need to ensure that local government have a more robust role in economic development support for the future.
- Local Enterprise offices (LEOs) as envisaged in *Putting People First*, will act as a “first-stop-shop” for the micro-enterprise and small business sector, delivering direct enterprise support and coordinating access to other services for business. This report outlines a range of actions that these new local economic development structures could undertake to fulfil a role as a local small business development service. An important emphasis will have to be placed on skills and capacity building, proactive development, leadership mentoring and coaching. In particular any viable business in a rural area, irrespective of its profile, should be eligible to avail of the services. It should also be recognised that a development role involves a different culture and capability set compared to regulatory or planning functions and may require reskilling and redirection to undertake these roles.

¹⁴³ Source documents for this section include: Heanue, K. (2013) Profiling Enterprise in Rural Ireland, O’Gorman, C. (2013) Entrepreneurship in Ireland, McGrath, H. and O’Toole, T. (2013) The challenges and opportunities in the development of rural Small-to-Medium Sized Enterprises (SMEs), Lynch, C., (2013) The Community Element of Enterprise Development in Remote Rural Areas, O’Keefe, B., (2013) Supporting Enterprise Development in Rural Areas and Heanue, K., (2013) The Enterprise Support System.

19.2 Lessons

Rural Entrepreneurship

67. All initiatives that can facilitate greater rural entrepreneurship should be supported

- There is an impending Government Statement on Entrepreneurship.
- The 2012 GEM report provided a set of broad policy recommendations with respect to entrepreneurship in Ireland. These were as follows:
 - The Government should clearly state its recognition of the importance of entrepreneurship, and should state its commitment to (i) generate greater numbers of entrepreneurs and to (ii) strengthen their capacity to develop businesses that can grow and create employment. To achieve this, the government should set out an entrepreneurship policy, centered on the entrepreneur. This policy should have clearly stated targets, be resourced, and results should be monitored on an annual basis. The policy should be implemented with co-ordination across relevant Government Departments and state agencies.
- Focus on increasing entrepreneurial activity, by:
 - Increasing opportunities for entrepreneurship, for example, by providing easier access for newer and smaller businesses to the State's purchasing of goods and services.
 - Tapping into the entrepreneurial potential of the entire population, regardless of age, gender, nationality, background and employment status. This will require targeted approaches to raise the level of entrepreneurial activity generally and among specific groups.
 - Ensuring better access to finance, including bank finance, for new and growing businesses.
 - Enhancing the attractiveness of entrepreneurial activity by reducing the risks of entrepreneurial failure. The price of "honest" failure in entrepreneurial endeavour could be reduced
 - Maximise the impact of entrepreneurial activity by:
 - Strengthening the capacity of more of early stage entrepreneurs to develop growth orientated businesses and to reach customers in overseas markets.

The New Local Enterprise Structure as a Small Business Support Service

68. The role of Local Authorities in Economic Development will be increased

- The Local Enterprise offices (LEOS) should play a role as a proactive Small Business Support Service (SBSS). These SBSS will incorporate a complementary 'reach-out' function for LEO's to rural entrepreneurs and enterprises delivered as close as possible to enterprises (at an appropriate territorial level). This will help address the particular challenges of enterprises in diverse rural areas and be a focused active agent of rural entrepreneurship and enterprise development in those areas.
- This dimension of their activity will complement and integrate with the first-stop-shop element of the LEO's.
- The Small Business Support Service would be built around Project Development Officers who would work with local entrepreneurs, enterprises and developing 'entrepreneurial' communities in a developmental capacity.

69. There is a need for cultural change to maximise the development impact

- Critical to an improved effectiveness of local economic development is a change in approach and culture in the state agency sector. Employers, entrepreneurs and community enterprise groups cannot achieve significant increases in new employment opportunity numbers without some fundamental changes. There is a need to develop a new more aware, research-based, critical analysis, change management, interested and considerate, facilitative, leader- manager-driven state agency sector. It needs to sharpen and simplify the bureaucratic maze, remove barriers and blockages, speed up its supply of information capacity and lead the way in developing business accommodation solutions. The state development agencies need to facilitate, promote, encourage and nurture a new and improved entrepreneurial spirit in rural Ireland.
- In particular where agencies and local government are developing enhanced economic development roles, there is a need for fundamental cultural change to move from a predominantly passive administration, control and regulation sector to a proactive, participative innovative, creative, facilitative operational culture where participation, problem solving, innovation, research, evaluation and continuous improvement incentivises private and social entrepreneurs.
- A passive, objective, distant, controlling, regulatory focus should be replaced with new more urgent, energetic, creative, responsible, accountable results focus.
- Recognising the scale of our economic problems, economic development should be a role of most governmental agencies. In the new structures all agencies should be given specific roles in enterprise and job creation across enterprise, education, social welfare, agriculture, environment, community and local government and others and be regularly evaluated on performance.

Access to Enterprise Supports

70. Any viable business or enterprise based in a rural area, irrespective of its profile or organisation should be eligible for enterprise support

- Any viable business or business idea based in a rural area, irrespective of its profile, (i.e. scale, market focus, sector, growth potential) should be eligible to avail of the services offered by the enterprise support infrastructure. This includes social enterprises.

Activities of Local Enterprise Offices

- Sectoral market opportunities should be proactively researched, investigated and made available to rural SME's as part of a knowledge transfer and capacity building process by LEO's as a resource for the SBS.
- An assessment should be made of enterprise sub-supply and import substitution needs.
- Suitable new business models for rural enterprises should be identified.
- An open competition should be held to select 10 communities to pilot new forms of community development and community enterprise. New forms of enterprise/tourism business models should be included. An oversight function would be needed for the pilots to optimise learning, knowledge transfer and dissemination of best practice.

Community Aspects to Entrepreneurship

- There is good evidence to suggest that the success of both the process of community development and related enterprise development will depend on 'intangible' factors such as attitude and personal relations as much as it will on 'tangible' measures such as improvements in infrastructure and the provision of traditional enterprise supports.
- Supports for rural entrepreneurship and enterprise may need to be more holistic than traditional 'technical' enterprise supports and include actions to strengthen community activities and culture towards entrepreneurship so as to nurture 'Entrepreneurial Rural Communities'

Enterprise Support System

- A more streamlined portal for rural SME support provision is needed whereby all information relating to government support provision can be seamlessly accessed in one location for both high growth potential and lifestyle entrepreneurs. The establishment of the Local Enterprise offices (LEOS) and their potential role as a proactive Small Business Support Service (SBSS) would operationalise this streamlining.
- This could be linked to enterprise centres whereby the SME could be connected to an expert advisor at a university or larger business via technology without leaving the area. This would be particularly beneficial for high potential innovative companies to overcome challenges that they may face during the NPD process and lead to more rural-based SMEs reaping benefit from the Innovation Voucher process.
- The enterprise support ladder should be such that all companies, irrespective of size or market focus, can be seamlessly fast-tracked to the next level of support appropriate to their growth/expansion trajectory

Localisation of Enterprise supports

- Any future actions to support enterprise and economic development should seek to strengthen and foster existing leadership and capacity in the various organisations in rural areas.
- There is a lack of hard evidence at national level about territorial development initiatives such as LEADER. A full independent ex-post evaluation of the current RDP (all Axes) should be undertaken.

Programme Design

- Programme criteria must accommodate the analysis of all proposals on job creation. These include applications that set out to improve the economic environment along with submissions on specific job creation projects. Agency supports including programme criteria should be reviewed to maximise the ability to tap into dormant resources across the country to maximise job creation. This capacity exists among private, social, public and voluntary entrepreneurs, in communities and clubs, with the elderly and retired, with the youth and graduate sector, among women and men and has many driving factors behind it.

*Access to Finance***71. Access to private finance for rural SME's needs to be improved**

- Notwithstanding government initiatives to improve SME access to private finance such as the Micro Enterprise Loan Fund, this issue is still a major concern for many SME's. Moreover, a number of teething problems have arisen in relation to some programmes set up to address poor access to private financing.

72. Alternative Financing Models should be considered for Public Financial Support to Enterprises

- Consideration should also be given to alternative public financing programmes, moving from a grant based approach which has been hindered by matching funding, to a greater use of alternative mechanisms such as equity and loan finance.
- Investigate best practice examples and promote the use of revolving loan schemes for rural enterprises in conjunction with potential intermediary organisations, credit unions etc.

*Regulatory and bureaucratic frameworks***73. Regulatory and bureaucratic frameworks should be proportionate, agile and customer focused**

- Regulation and bureaucracy can impose significant costs on small rural businesses. Regulatory Frameworks should be scaled to be consistent with the size of the business, for regulatory decisions to be made more quickly and for pathways that enable businesses to be compliant at minimal cost.
- Many rural entrepreneurs are frustrated by the level and amount of regulatory compliance that is required at enterprise start-up phase and the lack of coordinated support for this and general advisory supports at local level. This will require cultural change amongst regulatory agencies to improve the speed of decision making and also to help steer a pathway to find a resolution to potential regulatory barriers.
- A sliding scale of regulatory and bureaucratic frameworks for SME's should be devised so that they are not disproportionately impacted by compliance compared to large companies.

74. Improve the rural enterprise evidence base

- A focused research programme is necessary to redress evidence gaps in relation to enterprise in rural areas and supports to enterprise.

Regional/rural policy lessons

- The above lessons suggest that policy should focus on the twin objectives of (i) increasing levels of entrepreneurship and (ii) increasing the economic impact of entrepreneurship. The data on levels of entrepreneurship across regions in Ireland suggests that regions differ in terms of their levels of entrepreneurial activity. This suggests that in some regions the focus of policy and programmes might initially be on increasing levels of entrepreneurship, while in other regions, where there is a high level of entrepreneurship, the focus of policy and programmes might be on increasing the impact of entrepreneurship.

- Building on research that focuses on 'how new organisations emerge' and 'what businesses achieve high growth' these recommendations suggest areas of focus for regional development agencies. These recommendations are focussed on the individual, on the assumption that at a regional level, high levels of interaction are possible between stakeholders involved in entrepreneurship. They include a focus both on 'de novo' entrepreneurs (individuals with no prior experience of entrepreneurship), on experienced entrepreneurs, and on entrepreneurs and owner-managers with growth ambitions.
- Potential entrepreneurs:
 - Policies and programmes seeking to encourage 'de novo' entrepreneurs (individuals with no prior experience of entrepreneurship) to engage in entrepreneurship should recognise the positive impact of 'near-by' entrepreneurial role models. 'Near-by' role models are those that are personally known to the individual and those that are similar to the individual, for example in terms of occupational choice.
 - Policies and programmes seeking to encourage higher levels of entrepreneurship should facilitate augmenting the pool of entrepreneurs through facilitating inward migration. Those that migrate into a region, including those that migrate inward from other regions and those that migrate inward from other countries, whether of Irish or non-Irish origin, tend to be more entrepreneurially active.
 - Policies and programmes seeking to encourage entrepreneurship should recognise the role that existing successful firms can play in creating 'spin-offs'. As 'spin-offs' from successful firms are frequently successful (success breeds success), policies and programmes should facilitate this process.
- Experienced entrepreneurs:
 - Policies and programmes should encourage and support existing experienced entrepreneurs to engage in entrepreneurship. Those with business and entrepreneurial experience identify more business opportunities and are better equipped to evaluate the business potential of such opportunities.
 - Policies and programmes should encourage and support existing experienced entrepreneurs and experienced managers to support others seeking to engage in entrepreneurship (through mentoring, investing, etc.). (GEM data suggests that over one third of informal investors have first-hand experience of entrepreneurship themselves).
- Entrepreneurs and owner-managers seeking to grow:
 - Policies and programmes should support both new and existing businesses with growth ambitions. While only a small proportionate of new businesses have the potential to achieve high growth, research suggests that both small and medium sized business, and both new and established businesses can achieve high growth. These high growth firms come from a broad range of sectors and are not limited to the sectors traditionally supported by Irish development agencies. However, not all entrepreneurs and owner-managers seek to grow their businesses, and any focus on growth should be in the context of the entrepreneur's own aspirations.

75. Developing network capability should be at the heart of supports offered to SMEs operating in rural Ireland

- Developing network capability should be at the heart of supports offered to SMEs operating in rural Ireland. Such capability is not automatic but needs to be built. To assist this, frameworks and mechanisms need to be developed for building trust and commitment between rural SMEs to attain benefits through networks through the provision of network funding. Supports must address the rural SME characteristics that restrain the development of network capability encouraging collaboration, cooperation and co-opetition as a strategic business tool option.

76. Providing Managerial Training and Skills to all SME's

- Many SMEs in rural areas are disparate from their urban counterparts, and are presented with unique opportunities and challenges dictated by their peripheral location. In addition, a difference within rural business communities exists between owner/managers who are ambitious in relation to growth and those who view their enterprise through a "lifestyle" lens favouring quality of life protectionism over firm growth. Therefore, Managerial training and capability building supports should be:
 - Geared towards the specific challenges and opportunities faced by rural enterprises and not SME in a general sense;
 - Different programmes should be developed for the growth ambitious and lifestyle firm owner;
 - Sector specific and made relevant to the specific industry that the rural SMEs are engaged in.
- Fostering a spirit of entrepreneurship should be encouraged and nurtured from a young age in rural Ireland to increase the number of businesses being established in rural areas and to retain key talent in the area. Entrepreneurship should be encouraged at a secondary school level through school based project scholarships to Irish universities and colleges to foster a culture of risk taking and creativity from a young age. This could be linked with Junior Achievement Ireland, an organisation dedicated to encouraging young people to remain in education, which teaches them the skills they need to succeed in a changing world and helps to create a culture of enterprise within the education system.

Case Study: Enterprise and Enterprise Supports

The Central Expenditure Evaluation Unit (2011), among others, has highlighted the multiple main agencies spanning a number of Departments involved in delivering supports to enterprise. However, there are other enterprise support activities not specifically identified by CEEU (2011) which are important for rural areas: two such examples are the activities of Local Development Companies and of Local Authorities. The first specifically supports the enterprise aspirations of the unemployed whereas the second provides mostly indirect and, therefore, less visible supports to enterprise.

Most Local Development Companies, through the Local Community Development Programme are run under the aegis of the Department of Environment, Community and Local Government; provide enterprise supports to the unemployed. One example of this in practice is The Small business Support Service which has been run by Monaghan Integrated Development since 1999. It provides one-to-one mentoring, training and support to new and existing clients of the Back to Work Enterprise Allowance (BTWEA) and Short Term Enterprise Allowance (STEA) Schemes following the commencement of their business to enable them to develop vital business skills during the initial stages after setting up their business. Both of these schemes are provided by Department Of Social Protection as labour market activation measures in support of unemployed and allow a period of retained benefit while testing the business idea.

Following on from the Action Plan for Jobs (2013), the County and City Managers' Association (CCMA) produced a review of Local Authority activities which contribute to local development, enterprise support and economic growth. The review identified 2,382 separate actions/projects/activities undertaken by local authorities. Many of these activities are indirect and confirm the key enabling role that local authorities play in contributing to jobs. The report also confirmed that local government activities to support enterprise span a very broad range of activities and it highlights the important local authority role in delivering tourism, cultural and heritage assets, along with the priority infrastructure needed to underpin economic recovery

Further Reading

County and City Managers' Association (CCMA) (2012) Supporting Enterprise, Local Development and Economic Growth – Analysis of Local Authority Activities for 2012.

Pobal (2013) *Supporting Inclusion Through Self-Employment: Research on the self-employment supports provided to long-term unemployed and socially excluded people, through the local and community development programme* (July). Pobal, Dublin.

Annex 1: Public Consultation

Consultation Meetings

CEDRA ran one of the most extensive public consultations in preparation of the report.

A total of 9 public meetings were held by CEDRA throughout rural Ireland from February until May 2013. Attendance to the meetings was varied. In total over 392 people came to the commission public meetings to provide their views on key areas raised by the commission. At each public meeting, a CEDRA pack was given to attendees. This included an Agenda of the meeting, CEDRA Terms of Reference, Consultation Feedback Survey and an Invitation to submit their Views Questionnaire.

A further 18 stakeholder meetings were held in different parts of the country, where the agenda focused on specific topics such as tourism, energy, small businesses etc.

Over 50 meetings were held with individual experts to seek advice in relation to specific measures.

8 meetings were held with leading rural business people to seek their ideas in relation to economic development.

15 Commission Meetings were held to discuss and analyse the outcomes of this consultation process.

An EU Presidency Conference was held on June 9th in Dublin.

Invitation to submit Evidence

The written call for evidence was launched in January with a deadline of June 30th 2013. A total of 80 online surveys were completed and 16 hardcopies on the survey were sent in by post. A total of 111 submissions were sent in by email regarding relevant information for CEDRA, with 24 submissions of relevance sent through by post.

The invitation to submit evidence was publicised at each of the public meetings and through our press releases throughout Ireland including Print Media, Radio, Academic institutions, Social Media and emails sent out to local entrepreneurs and others in relevant areas. The chairman and Head of the Executive of CEDRA gave a total of 16 press interviews to publicise CEDRA and its consultation process. In announcing the consultation the chairman of CEDRA stated:

"I am asking those living in rural Ireland to come out and tell us what the opportunities and barriers are for economic growth in their areas. We are going to listen to local people and what they think should be done to ensure that rural areas contribute and benefit from economic recovery. These contributions will be vital to the work of the Commission in the preparation of its report and the development of a new strategy."

The invitation to submit evidence questionnaire was publicised and made available online on the CEDRA website. The 3 main areas that are covered in all aspects of the consultation include:

- Where are the opportunities to develop the local economy in the area?
- What needs to be done to ensure that the opportunities are realised and jobs created?
- What are the key challenges preventing rural economic development in the area?

The responses and submissions to the commission along with other evidence will be used by the commission to develop a vision for the future economic potential of rural Ireland and how best to channel funding and resources between 2013 and 2025.

Overall, a total of 946 contributions have been given to CEDRA.

The evidence collected at the public meetings will be used to help develop the jobs strategy and to make recommendations that will be sent to government later in the year.

Annex 2: Supporting Research Materials¹⁴⁴

1. David Meredith, Population Structure and Change
2. Edgar Morgenroth, Regional Industrial Structure
3. David Meredith and Jon Paul Faulkner, Spatial Typology of Rural Areas
4. Cathal O'Donoghue, John Lennon, Jason Loughrey, David Meredith, Jim Walsh, Social Inclusion in Rural Ireland
5. Cathal O'Donoghue and Thia Hennessy, Economics of the Irish Agri-Food Sector
6. Stephen Hynes, Jenny O'Leary, Amaya Vega, Economics of the Irish Marine Sector
7. Ricky Conneely, Laura Delheure, Maria Heneghan, Ryan Jackson, Brian Leonard, David Meredith, Edgar Morgenroth, Mary Ryan and Cathal O'Donoghue, Rural Tourism
8. Niall Farrell, The Renewables Sector
9. Ian Brannigan and Laura McManus, Creative Economy
10. Cathal Geoghegan, Niall Farrelly, Cathal O'Donoghue, Mary Ryan, Economics of Irish the Forestry Sector
11. Prionnsias Breathnach, Structure of FDI investment in Ireland
12. Deirdre Frost, Rural Commuting to urban and gateway locations
13. Deirdre Frost, Rural Commuting and FDI, Profiles and three case studies
14. Jasmina Behan, Spatial Skills Analysis
15. Deirdre Frost, What exporting businesses require to locate in rural areas—what gaps exist
16. Cathal O'Donoghue, Cathal Geoghegan, Kevin Heanue and David Meredith, Economic Performance of Towns in Ireland
17. Cathal O'Donoghue, Jason Loughrey, David Meredith, Cathal Geoghegan, Kevin Heanue, Quantifying the Embeddness of Businesses in the Local Economy
18. Mary Carey, Cathal O'Donoghue, Aisling Reynolds-Feighin, Jason Loughrey and David Meredith, Local Consumption Behaviour in Ireland
19. Cathal Geoghegan, Success Factors for SMEs: International Evidence
20. Kevin Heanue, Profile of Enterprise in Rural Ireland
21. Kevin Heanue, The Enterprise Support System
22. Ciaran Lynch, The Community Element of Enterprise Development in Remote Rural Areas
23. Helen McGrath and Tom O'Toole, The challenges and opportunities in the development of rural Small-to-Medium Sized Enterprises
24. Colm O'Gorman, Entrepreneurship in Ireland
25. Brendan O'Keefe, Supporting Enterprise Development in Rural Areas
26. Kathy Walsh, Social Enterprise: A Growth Opportunity?
27. Austin Darket, Scott Elston, Alexandra Kahn, Sara Ross, Steve Stefanko and Walt Zawlocki, Mapping Enterprise Support in Ireland

¹⁴⁴ These papers form a contribution to a forthcoming volume, *Unlocking Rural Potential*.



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