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Tag: <u>Guidelines on Regional State Aid</u>

A Chara,

Beatha agus Sláinte.

Údarás na Gaeltachta welcomes the publication of the draft 'Guidelines on Regional State Aid' which currently forms the subject of public consultation. As a Regional Development Agency, we appreciate the opportunity to participate in the consultative process which will contribute to the finalisation of the new RAG. Údarás na Gaeltachta recognises that agreement concerning the RAG for the next planning period as a strategic development initiative of considerable significance. The implementation of the RAG provisions will contribute significantly to a proactive, dynamic and innovative public policy response supporting the long-term and sustainable development of the regions.

Údarás na Gaeltachta– The Regional Development Agency for Ireland's Gaeltacht Districts (Irish speaking regions).

Údarás na Gaeltachta acts as the statutory regional development authority responsible for the socioeconomic and sociolinguistic development of the Gaeltacht.

The range of its statutory responsibilities are set out in the Gaeltacht Act, 2012 (http://www.irishstatutebook.ie/eli/2012/act/34/enacted/en/html).

The organisation discharges a wide range of development functions and its development and investment programme forms an integral part of the economic, linguistic, cultural and social sustainability of the Gaeltacht. The support programmes which are managed by Údarás na Gaeltachta include a suite of financial aid measures.

Such measures include grant-aid support through employment, capital, research and development, and marketing development schemes. They also include the provision of equity support for qualifying enterprises. The agency also invests in the construction and leasing of enterprise accommodation and business incubation space;

the provision of green field and brown field sites; and access to business advisory, training and mentoring schemes.

In addition, the agency provides research, training and knowledge-sharing opportunities to enterprises through its participation in EU-funded transnational programmes, including projects funded under H2020 and INTERREG, as well as other European sponsored projects and events. These investment and development measures provide key supports to the local enterprise base and to community sector development initiatives.

The administration of grant-aid and equity supports is governed by the relevant governance protocols including the RAG. It is in this context that our submission to the Commission have been developed and draws on our extensive engagement with rural regeneration and enterprise development initiatives which seek to increase the sustainability and future development of the rural districts within which the agency operates.

The Gaeltacht as a Planning District

The Gaeltacht districts include predominantly rural and coastal districts for the most part located on the Atlantic and Southern coast (www.udaras.ie) and include six offshore inhabited islands. The 2016 census returned an overall Gaeltacht population of 96,000 (Census, 2016).

The spatial profile and character of the Gaeltacht districts embrace some of the most remote, peripheral and marginalised rural areas in Ireland in terms of economic development, service provision and infrastructural endowments. Traditionally, the socioeconomic and sociolinguistic viability of these districts have been undermined by mutually reinforcing processes of outmigration, population imbalance and higher than average dependency ratios. The evidence of the concomitant and relatively higher rates of unemployment and lack of participation (in terms of the regional and national context) further amplify the prevailing development challenges for public policy planning and funding interventions in support of these districts.	

Against this, these same districts are home to an abundant and diversified natural resource containing significant environmental and ecological assets and a rich and biodiverse terrestrial and marine landscape. These districts are also endowed with a unique linguistic and cultural heritage and demonstrate significant capacity and capability in terms of its highly developed forms of social capital and community resilience. These dynamic social and communal features represent at once an important socioeconomic and sociolinguistic differentiator and also act as a key regional development asset which can contribute to efforts in achieving balanced regional development objectives within a national planning framework.

There is a marked lack of urbanisation in the Gaeltacht. Small towns, villages and isolated homesteads characterise the rural nature of the Gaeltacht in planning and settlement terms. Some districts centering on Gaoth Dobhar in county Donegal, Cois Fharraige in county Galway and Dingle in county Kerry have a relatively dense population, when compared with the more general demographic and settlement profile in evidence across the Gaeltacht. However, these settlements lack much of the basic infrastructure typical of larger settlements and towns of a more urban character.

Economic Impact of Údarás na Gaeltachta's Investment Strategy

Currently, agency assisted enterprises employ some 7,500 in the Gaeltacht (based on our 2019 annual employment survey).

Independent economic assessment of the client-companies' contribution to the Irish economy in 2018 is summarised through recourse to the following indicators and performance measures. The portfolio of Údarás-supported enterprises:

- Supported 7,625 full-time jobs and 582 part-time jobs
- Contributed €430 million in direct expenditure in Irish economy
- Contributed €313 million to Irish economy value added
- Total sales of €844 million
- Over €499 million in export sales (almost 60% of total output)
- Spent €189m in total on payroll
- Spent €143 million on services, €89 million (or 62.3% of total expenditure) was spent on services located in Ireland
- Invested €23 million undertaking Research and Development

(*Source: ABSEI 2019*)

Our key recommendations concern not the sectoral priorities or the implementation and monitoring arrangements which are elaborated upon in the draft guidelines. They seek to focus rather on the strategic orientation of the draft guidelines. In so doing, they center on three inter-related issues and in the context of the unprecedented economic shocks to which policy instruments will necessarily have to provide for over the coming period:

1) We recognise the importance of the extension which has been agreed regarding the implementation of the current RAG provisions until the end of 2021. This important intervention forms part of a coherent and proactive response to the Covid 19 pandemic. This extension represents a strategic policy imperative in light of the very significant impact of the pandemic on local, regional and national economies. We further recommend that the current intervention rates and the population coverage which is admissible under the RAG guidelines should be retained up until 2024.

2) The proportion of the population coverage across EU 28 which was agreed during the last planning period stood at 47%. As part of an articulated policy response to the evolving situation and the impact of unprecedented economic shocks, we propose that the percentage of population covered during the 2022-27 planning period be agreed at 49%. This will properly reflect a like-on-like comparative framework between the two planning periods in the context of the reduced overall population of the EU27 arising from the UKs exit from the EU.

3) The draft guidelines propose to reduce the population coverage in the assisted areas in Ireland from 51.28% to 25%. Such a reduction would have long term and deleterious consequences for the Gaeltacht districts and for other relatively disadvantaged rural regions and impede their sustainable development. The public funds administered under the auspices of the RAG and the regional aid provided under the GBER governance arrangements function as critical development and investment interventions in supporting private sector investment in the productive sector of these regions (we understand that regional aid provisions in the GBER do not form part of the terms of reference of the current consultation process). Such repeated rounds of investment will become increasingly important to development agencies and productive sector enterprises alike as they seek to mitigate the retraction in economic activity and output and the disruption of trading activity. These negative patterns will be further exacerbated by the ongoing impact of COVID 19 and its effects on markets and consumer spending. Such challenges will be further compounded by the post-Brexit economic alignment and its impact on trade and exports.

4) In terms of the bases of calculating the admissibility thresholds under the proposed RAG, we note that the future Regional Aid Map will be developed based on a combined analysis of GDP per capita and unemployment figures and that such base-line analysis draws on data from 2018-2019. These data attest to unemployment rates that were then significantly lower than is the case currently in 2020. They obviously do not factor in the very significant impact of COVID-19. Nor are they cognisant of the structural impact of a potential no-deal Brexit or the impact of a negotiated agreement.

   Such a formulation based on 2018-19 data could mean the proposed percentage of coverage will be significantly below the 51.28% of the eligible population which was in place under the current regulatory regime. Given the unprecedented impact of such macro-issues, we recommend that the spatial spread of those regions benefitting from future RAG and from regional aid provided under the GBER be maximised in Ireland.

Furthermore, given the potential impact of the macro-issues cited above, it is our belief that the 2024 date for the review of RAG is projected too far into the future. In light of the current and unprecedented set of circumstances with which public agencies and private enterprises alike are attempting to negotiate with, we recommend that this review would be commenced at an earlier juncture in order to facilitate an assessment of conditions and to allow remedial action to be undertaken in adopting appropriate changes as may be required.

Contemporary analysis confirms that since 2015, a major divergence has been recorded in Ireland between GDP and GNI (CSO). By way of a response to this, the Central Statistics Office in 2017 developed the Modified GNI. The draft RAG document confirms that GDP per capita will be used as the key measure to determine admissibility thresholds under the new programme. Against such an analysis based on GDP, a significant number of regions in Ireland could appear to be above the EU average. We suggest that a calculation based on the GNI represents a relatively more accurate assessment of the particulars of local and regional economic performance and would be more sensitised to the differentiated and very significant regional and inter-regional variations in terms of performance and output.

5) The Border Region of Ireland, and specifically as it relates to County Donegal and its Gaeltacht districts, now share a land border with a non-EEA country, We recommend that the border region should be designated as a "non-predefined C area" without recourse to an analysis of GDP or unemployment criteria in making such a determination. It is critical to ensure that the Border region is permitted to avail of higher aid intensities. Such measures will assist in mitigating the impact of Brexit in trade and economic development terms and the potential instability and insecurity which will result from the reintroduction of a 'hard-border' regime

The RAG will continue to play a critical role in supporting disadvantaged regions to enhance regional income, productivity, innovation and other output measures. It will also secure and contribute to sustainable growth in the regional employment base. This can be achieved through strengthening the capability of productive sector enterprises to compete regionally, strengthen productivity and value outputs, and to gain export share through accessing international markets.

We would submit that in determining the criterion against which the future RAG will be determined, due consideration should be given to the extent of underinvestment in certain regions, including the Gaeltacht, in terms of key infrastructural supports (including digital connectivity). Addressing such structural impediments and disincentives forms a crucial element in implementing strategies crucial to securing a balanced and sustainable model of regional development. In such a way can the implementation of the RAG can contribute to combating the recognised infrastructure deficits which constrain growth and erode local development potential and the differentiated competitive advantages which underpin regional economic structures.

In the Gaeltacht context, such an approach will support the region's sectoral and territorial comparative advantages as they relate to marine and natural resource development; cultural tourism development; energy and bio-resources; niche manufacturing in different productive sectors; and in a mix of internationally-traded services.

Údarás na Gaeltachta will continue to address many of the critical structural causes which drive processes of rural decline and regional imbalance. We will continue to deliver innovative, scalable and cost-effective solutions to population decline and unemployment and facilitate the spatial distribution of growth opportunities to more remote and marginalised rural areas in Ireland.

It is imperative that every support and development opportunity is provided to vulnerable and marginal rural communities so as to ensure their on-going viability. Providing a long-term framework for targeting those funding interventions as set out in the RAG, along with the supporting policies, will create the enabling conditions in which enterprises and investors will have the confidence to invest in new enterprise formation.

Such new investment in enterprise formation will benefit from financial and development measures supported through and governed by the new RAG. These interventions will ensure that enterprises trading in these sectors will create and sustain opportunities for economic development and employment and for export-led growth and ensure the sustainability and viability of rural and coastal communities.

We look forward to the opportunity of discussing our proposals further with you over the coming period.

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