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## Research and Information Service Briefing Paper

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**Daniel Donnelly**

# IDA Ireland: Regional targets and policy measures

## 1 Introduction

As outlined in NIAR 61-15: Foreign Direct Investment in the Republic of Ireland (RoI), RoI in recent decades has performed well globally in attracting inflows of foreign direct investment (FDI), despite challenging economic circumstances.<sup>1</sup> However the spread of FDI has not been equitable across the country, with investment focused around the urban centres of Dublin and Cork.

This briefing paper seeks to outline the objectives set out by IDA Ireland in attracting FDI outside of Dublin and Cork; to evaluate the success in meeting these targets; and to outline the new regional goals in the latest FDI strategy.

## 2 IDA Ireland, Horizon 2020 Strategy

In the aftermath of the economic crisis in 2009 a comprehensive review of FDI strategy took place, which involved stakeholders from academia, sister agencies and the wider policy making community. The review entitled “Ireland Horizon 2020”, unveiled in March 2010, set specific targets to attract 640 investments in the period 2010-2014. In addition it was stated that 50% of investments over the period of the strategy will be

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<sup>1</sup>RaISe (2015), NIAR 61-15, Foreign Direct Investment in the Republic of Ireland

located outside Dublin and Cork. The strategy did not set targets for approving jobs outside of Dublin and Cork, though this too was monitored.<sup>2</sup>

In order to achieve this objective IDA Ireland stated that:

*In line with the Government's National Spatial Strategy (NSS), IDA will make smart use of its property portfolio in regions targeted for investment. We will work with local authorities to make potential sites as attractive as possible for investors. IDA has identified key areas of infrastructure improvement that are essential if we are to be successful in winning new investments into the regions outside Dublin and Cork. Transport and energy are vital. The importance of delivering next-generation networks is arguably the most important of all. High speed broadband access across Ireland, delivered in a timely and cost-effective way, must be a national priority and will require government intervention. Advanced FDI projects will require access to cloud computing, which in turn requires high-speed broadband access to be viable for mission-critical functions within a business. IDA believes success in winning FDI for the regions also requires constant vigilance on competitiveness. Local authority charges and infrastructure prices must not be a barrier to investment.*<sup>3</sup>

An Investment Climate Statement by the US Department of State notes the practical steps taken under the Horizon 2020 strategy to deliver these regional targets, with “magnets of attraction” developed. These include:

- A Cross Border Business Park linking Letterkenny and Derry/Londonderry;
- A regional Data Centre in Limerick and;
- Business parks in Oranmore and Dundalk designed for the biotechnology sector.<sup>4</sup>

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<sup>2</sup> IDA Ireland (2010), Horizon 2020- IDA Ireland Strategy, <http://www.idaireland.com/docs/publications/IDA-Ireland-Strategy2020.pdf>

<sup>3</sup> Ibid

<sup>4</sup> US Department of State (2014), 2014 Investment Climate Statement-Ireland, <http://www.state.gov/e/eb/rls/othr/ics/2014/227208.htm>

**Table 1:** Percentage of investments located and jobs approved outside of Dublin and Cork<sup>5</sup>

Year	Investment	Jobs
2010	37%	42%
2011	28%	27%
2012	23%	34%
2013	30%	35%
2014	37%	N/A

Table 1 demonstrates that IDA Ireland has not delivered on its stated regional objectives, though there has been some improvement, both in jobs and investment from 2011. Please note that the 2014 figure for percentage of jobs approved outside of Dublin and Cork is not currently available.

IDA's 2013 Annual Report admits that "meeting regional targets IDA set under Horizon 2020 has been challenging." However, they go on to restate their commitment "to a wide dispersal of FDI employment throughout Ireland's regions."

In addition to this IDA stresses its commitment to the Republic of Ireland's regions by stating that it:

*...markets each region of Ireland individually online and works with local stakeholders to build a compelling proposition for each region. A partnership approach with local stakeholders is core to IDA's regional work<sup>6</sup>*

IDA cite projects wins such as Nypro (Waterford), Sanofi (Waterford) Cook Medical (Limerick), Overstock (Sligo), National Pen (Dundalk), Alexion (Athlone), Vistakon (Limerick), Regeneron (Limerick) and EBay (Dundalk), as examples where they are delivering investment to the regions.<sup>7</sup>

While over the course of the strategy IDA Ireland did not reach its 50% target for investments outside of Dublin and Cork, it points to 2014 as being a relatively successful year for its regional strategy, with 37% of investments located outside of Dublin and Cork, a substantial improvement from the three previous years. While noting the tendency, particularly of the technology sector, to prefer Dublin, IDA Ireland highlights a number of successful high quality investments in regional locations during 2014. These include Jazz Pharmaceuticals (Co.Rosscommon), Beckton Dickinson (Drogheda), Nuvasive (Waterford), Teleflex (Athlone) and Clearstream Technologies

<sup>5</sup> IDA Ireland (2014), IDA Annual Reports 2010-2013, <http://www.idaireland.com/en/about-ida/annual-reports/>

<sup>6</sup> Ibid

<sup>7</sup> IDA Ireland (2014), IDA Annual Report 2013, [http://www.idaireland.com/docs/annual-reports/2013/pdf/IDA\\_Annual\\_Report\\_2013.pdf](http://www.idaireland.com/docs/annual-reports/2013/pdf/IDA_Annual_Report_2013.pdf)

(Enniscorthy). Regional investment for 2014 is noted to be particularly strong in the north-east and south-west<sup>8</sup>.

### 3 Policy Statement on Foreign Direct Investment in Ireland

In July 2014 the Department of Jobs, Enterprise and Innovation (DJEI) released a document outlining its strategy and objectives for FDI going forward, including its role boosting regional development.<sup>9</sup> This is outlined below:

*FDI has a role to play in regional economic development but it cannot of itself be the regional economic development strategy. Sustainable economic growth and job creation in Ireland's regions will come from a broad base of economic activity and it is critical that potential strengths and assets are recognised and supported across a range of possible sources. The attraction of FDI to regional locations (i.e. outside of Dublin and Cork), its retention and further development, will be aided by focused sectoral ecosystem development with a national and regional perspective and effective place-making policies.<sup>10</sup>*

“Place making” as referred to in the policy statement aims to “create competitive, dynamic and globally connected city regions as attractors of investment.” At the forefront of this concept is urban design that creates business and lifestyle opportunities. In order to make attractive locations for investment this is said to require collaboration between urban planners, engineers, architects, businesses, local authorities, the construction sector and other relevant stakeholders.

The policy statement emphasises the importance of place making on the basis of a strong interdependency between planning, development and the creation of an attractive environment and enterprise development. Restrictions on state aid means that Irish regions require place making investment in order to address the regional disparities which exist. The ultimate goal is to create city regions which provide a credible proposition in a globally competitive context that will allow Ireland to differentiate its investment proposition.

In order to aid this development the DJEI planned to introduce Regional Enterprise Development Frameworks for each of the NUTS III regions, these will set out regional enterprise strengths and investment needs. This is with the ultimate aim of producing Regional Spatial and Economic Strategies which introduce a new approach to economic development. In order to facilitate regional investment IDA Ireland is tasked

<sup>8</sup> IDA Ireland (2015), IDA Ireland Reports 15,012 Jobs Were Created in 2014, <http://www.idaireland.com/newsroom/ida-ireland-reports-15-01/>

<sup>9</sup> Department of Jobs, Enterprise and Innovation (2014), Policy Statement on Foreign Direct Investment in Ireland, [http://www.enterprise.gov.ie/en/Publications/Policy\\_Statement\\_on\\_Foreign\\_Direct\\_Investment\\_in\\_Ireland\\_PDF\\_689KB\\_.pdf](http://www.enterprise.gov.ie/en/Publications/Policy_Statement_on_Foreign_Direct_Investment_in_Ireland_PDF_689KB_.pdf)

<sup>10</sup> Ibid

with ensuring that property requirements of potential investors are catered for across the regions.<sup>11</sup>

#### 4 IDA Ireland, Winning: FDI 2015-2019

Following the policy statement on FDI by the DJEI, IDA Ireland unveiled a new FDI strategy in 2015 entitled “Winning: FDI 2015-2019” with new regional targets for the period. Like the previous FDI strategy (Horizon 2020) it places emphasis on the benefits of FDI spreading more evenly throughout the economy of the Republic of Ireland towards “balanced regional growth”. It states:

*While recognising that the ultimate decision on a location rests clearly with each client company, IDA Ireland is committed to a greater dispersal of investments throughout Ireland. In that context, this strategy commits IDA Ireland to regional targets, which are aimed at focusing the collective energy of IDA Ireland and stakeholders on the goal of greater regional dispersal of investment projects.*<sup>12</sup>

In terms of regional targets the strategy differs somewhat from its predecessor in that it sets specific targets for each region, rather than the previous general target of 50% of investments outside Dublin and Cork. Central to this goal is the creation of strong employment growth throughout the regions over the lifetime of the strategy.

Specifically targets are set to achieve a 30%-40% increase in each region outside Dublin. These targets have been designed with a view to increasing the key factors of:

- A critical mass of population and urban centres;
- The ability to attract and develop appropriate skills (talent);
- The existence of clusters in specific industry sectors/activities;
- Alignment with the IDA global team’s targets for the sectors, geographies and new opportunities;
- Regional infrastructure and place-making, including social and cultural capital; and
- Availability of property solutions and those planned over the short, medium and longer term of the strategy.

As IDA Ireland admit they can only incentivise and encourage investors to spread across the Republic of Ireland, the decision ultimately lies with those engaging in FDI. The strategy points to Regional Action Plans outlined by DJEI as the appropriate structure for regional stakeholders to engage to maximise future FDI potential.<sup>13</sup>

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<sup>11</sup> Ibid

<sup>12</sup> IDA Ireland (2015), Winning: FDI 2015-2019, [http://www.idaireland.com/en/docs/publications/IDA\\_STRATEGY\\_FINAL.pdf](http://www.idaireland.com/en/docs/publications/IDA_STRATEGY_FINAL.pdf)

<sup>13</sup> Ibid

**Table 2:** Number of Investments attracted to Regions outside Dublin 2010-2014, targets for 2015-2019<sup>14</sup>

Region	2010-2014	2015-2019 (Targets)
South-West	107	139-150
Mid-West	51	66-71
West	71	92-99
Border	47	61-66
Midlands	19	25-27
South- East	34	44-48

Table 2 demonstrates the investments in each region outside Dublin during the period of the previous FDI strategy and the implications in terms of investments of a 30% to 40% increase that the current FDI strategy aims towards. Ultimately the strategy for attracting investment to the regions will be judged on how it performs in relation to these targets in the coming years.

## 5 Conclusion

IDA Ireland's Horizon 2020 (2010-2014) strategy for FDI contained within it a specific regional target to attract 50% of investments outside of Dublin and Cork, which as outlined above was not met during the course of the strategy. However, IDA Ireland has delivered some notable investments to regions outside of Dublin and Cork, with 2014 being a particularly strong year. Although ultimately investment decisions lie with the investor, the Horizon 2020 strategy addressed problems which can disadvantage regional growth. These include inadequate transport and broadband infrastructure, poor availability of adequate property for business and uncompetitive local authority charges. Therefore an appraisal of Horizon 2020 must be nuanced, recognising that the initially ambitious targets were not met, but also noting that it was not without success.

In combination with DJEI, IDA Ireland's new "Winning: FDI 2015-2019" strategy also places emphasis in achieving investment for the regions, with the new strategy differing from its predecessor in setting specific targets for each region outside Dublin of a 30-40% increase in investments. The new strategy focuses on creating localities and city regions which are attractive for both business and lifestyle, with a focus on adequate planning developed in collaboration with regional stakeholders. With the strategy in its infancy, it is much too early to judge its effectiveness.

<sup>14</sup> Ibid

