

***The Development of a Regional Social Accounting Matrix Policy  
Analysis System for the Border, Midland and Western Region of  
Ireland***

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**1. Introduction**

Social Accounting Matrices (SAMs) are system of social accounts, which trace the flows of money throughout an economy. They are used a tool available to policy analysts to measure impacts, make predictions and examine the links between social and economic development (Allen 1998). They were initially developed at a national level, but are now also used to analyse regional and local economies. They are based on an econometric analysis of various sectors of the economy through the construction of matrix, and they allow for the posing of specific policy questions about the economy through the development of “policy scenarios”. They offer a useful tool to regional policy analysts, but are limited in terms of the enormous data requirements and are most effective if integrated into a system of comprehensive regional policy.

This papers outlines the development of a regional SAM for the Border, Midland and Western (BMW) Region of Ireland, starting with a brief background to regionalisation and the development of regional policy in Ireland. It then outlines the main features of SAMs, their potential uses and limitations, the involvement of community actors and the development of policy scenarios. The fourth section provides an overview of the development of the SAM project in the BMW Region of Ireland and the challenges and opportunities ahead. It concludes with a summary of the benefits of SAMs and some caveats on the need to ensure their sustainability and incorporate them into integrated systems of regional policy analysis and planning.

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## **2. Regionalisation in the Irish Context**

### **2.1 *The Construction of Irish Regions***

Regionalisation in the Irish context has a very recent history and indeed it can be argued that the division of Ireland into two regions in 1999 arose out of a pragmatic desire to optimise EU Structural Funds rather than a real commitment to the creation of meaningful regional structures. For the purposes of EU Community Support Framework for the period 2000-2006, two new NUTS II regions were created, based on the existing NUTS III regional authority structure: The Border, Midland and Western Region, retaining Objective 1 funding until 2006 and the more prosperous Southern and Eastern Region (S&E), which was granted Objective One in Transition status. With the creation of regional structures, came the establishment of Regional Assemblies, which were set up to manage and monitor their respective Regional Operational Programmes and to monitor the overall impact of the National Development Plan (NDP) and other EU programmes.

The role of the Regional Assemblies has since evolved and they have started placing more emphasis on regional policy analysis and lobbying of central government on issues of regional concern. The BMW Region in particular has raised a number of issues, including inadequate infrastructure, overall lack of investment in the region, low levels of R&D and rural depopulation. They have also become involved in a number of EU projects and are responsible for the planning and implementation of the ERDF funded *Innovative Actions Programme*, through which the SAM project in the BMW Region is being funded. It can thus be argued that whilst the original brief allocated to the regional assemblies was narrow and somewhat bureaucratic and administrative in nature, their role has developed and at the very least there is a growing awareness of the need to develop regional strategies and to bring about more “balanced regional development”.

### **2.2 *Balanced Regional Development and Regional Policy***

Balanced regional development is a current key phrase of many government strategies (O’Hara 2002), which is evidenced throughout the NDP, the recent National Spatial Strategy (Department of the Environment, 2002) and various reports of public sector

bodies.<sup>2</sup> It is a phrase, which is used frequently to refer to an overall desire to counteract the phenomenon of the rapid growth and congestion of Dublin coupled with rural depopulation and lack of investment in rural areas and an overall increasing economic divergence between the East and the West. Despite the rhetoric of trying to achieve more balanced regional development, in reality the goal has remained largely aspirational and without very clear regional targets. Whilst the NDP has allowed for a greater amount of spending in the Objective 1 Region, the difference to date has been minimal and regional divergence continues to grow.

There is therefore a need to tackle the issue of balanced regional development in a meaningful and targeted way and one of the obstacles to setting regional targets and developing coherent regional policy has been the lack of comprehensive regional data and other tools, which would facilitate regional planning. The issue of regionalism is also a political debate and is strongly linked to EU influences. One of the ways in which the BMW Regional Assembly has tried to tackle the issue of poor regional data is through its *Innovative Actions Programme*.<sup>3</sup> Through this programme, it has commissioned an *Audit of Innovation* in the region and it is currently involved in developing a regional Social Accounting Matrix, which will be used as a policy tool to assess the flows of the regional economy and to make better informed regional policy decisions.

### **3. An Overview of Social Accounting Matrix Systems**

#### **3.1 Introduction to SAMs**

SAMs are a regional analysis tool developed over twenty years ago, which can provide both a descriptive and prescriptive analysis of a regional economy (Fannin, 2001). SAMs were originally used mostly for national accounting purposes, but later a demand grew to apply them at regional and local levels. They consist of a matrix, made up of rows and columns, which represent various sectors of the economy, through which the flows of money into and out of the regional economy can be traced.

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<sup>2</sup> See e.g. Forfas, Annual Competitiveness Report 2002, Department of Tourism, Tourism Review Report, Regional Authorities, Regional Planning Guidelines etc.

<sup>3</sup> An ERDF funded programme of €2.5m, which provides funding for “the latest ideas, which have not yet been adequately exploited” under the headings of Information Society & Regional Development, Regional economies based on knowledge and technical innovation and Regional Identity and sustainable development.

The sectors, which are represented, usually include *production activities, factors of production, institutions, capital* and the *rest of the world* (Fannin 2001). They differ from Input Output models in that they show more detailed interrelations between sectors of the economy and they capture entire circular flows of income (Fannin, 2003).

### **3.2 Data Requirements**

One of the limitations of SAMs is their huge data requirements, as in order to build them, it is necessary to have access to large volumes of data on the macro and micro economy. Sources of data can be both primary and secondary and in some cases participatory action research can be used to collect data at the local level. Generally they require a large amount of statistical data, but in cases where certain data is missing, it can be possible to reduce the scope of the SAM through some data aggregation and alternative sources of data (Allen 1998). One limitation to using a variety of sources of data, is that they may cover different time periods and spatial zones.

### **3.3 Development of Policy Scenarios**

One of the strengths of SAMs from the perspective of a regional policy analyst is the ability to ask a number of specific questions about the regional economy, which are referred to as “policy scenarios”. A policy scenario is a specific set of questions, which can take a number of forms. The most common type of scenario is a “what if” analysis where the impacts of a potential change are examined e.g. if a particular factory closed down, a new road is built or taxation is increased, what impacts would it have on the regional economy? Scenarios can also look at the importance of a particular industry or sector. In a SAM, which analysed the impact of Irish Summer Colleges for students in Co. Donegal, policy questions were asked about the impact of non-local college ownership on the economy (Fannin, 2003) and the future role of the host families. A further type of scenario can ask questions about what is needed to guide future decisions e.g. if we want to improve overall quality of life, what is needed in terms of infrastructure, land use and social inclusion programmes?

### **3.4 Community Involvement**

On first examination, the SAM can appear as a complex and somewhat daunting tool, within the remit of only experienced econometricians. Despite the complexities involved in the construction of the matrix, there can be an important role for relevant stakeholders and the wider community to play in its construction and interpretation. One common way in which community stakeholders are involved is through the use of Community Advisory Panels. These panels can be involved in various stages of the process, such as identification of important sectors of the economy; development of policy scenarios, data collection, interpretation and application of study results and the identification of future priorities (Johnson, 2002). In the *Show Me* cross-border SAM Project in Fermanagh (Northern Ireland) and Donegal, community advisory panels were formed to guide the research process. They were involved in the identification of relevant sectors of the economy, collection of primary data in their localities, interpretation and application of the results. Training was also provided to them on how they could apply the SAM in future policy analysis.

## **4. Developing a SAM for the BMW Region – Challenges and Opportunities**

Whilst a number of small SAM projects have been developed in Ireland at a local level,<sup>4</sup> the BMW SAM represents the first attempt to build a regional SAM in Ireland. The project is therefore unique and presents many challenges and opportunities for all involved. The project arose out of a series of meetings between the BMW Regional Assembly and two third level institutes in the region during an attempt to initiate a project to address issues of regional economy, under the Innovative Actions programme. There are now four main partners in the project (Letterkenny IT, NUI Galway, University of Missouri and the BMW Regional Assembly), with the Central Statistics Office (CSO) playing a pivotal role through the hosting of a research officer for a period of three months. The project commenced towards the end of 2002 and to date progress has been made in agreement of the methodology, identification of data requirements and sources, establishing firm contacts and commitment from the CSO, the initial construction of the model (through the placement of a researcher within the CSO), identification of a policy scenario, training and initial dissemination.

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<sup>4</sup> e.g. Show Me Project in Fermanagh & Donegal and Donegal Gaeltacht SAM

The project has progressed through a collaborative process involving various stakeholders in the region. The policy scenario was developed through a series of discussions with in which ten scenarios were initially identified and narrowed down to one. The final decision was to concentrate on the demographic and economic impacts of the recent National Spatial Strategy on growth centres and their rural hinterlands in the region. This scenario is akin to a “what if” scenario and will ask questions such as: What impacts will a 40% population increase have on a particular town on various sectors of the economy, employment, social services, education? What will be the effects on the surrounding rural hinterland and what levels of physical and social infrastructure will be needed to sustain such growth?

The BMW project is still in its infancy and whilst it represents a unique opportunity to provide a comprehensive policy analysis tool for the region, many challenges lie ahead. A sense of ownership and sustainability of the project will be key to its success. There is no doubt that a successful model can be built and a relevant policy scenario developed, but the next step will be to carry the project on to the next phase and to install a sense of ownership in the project so that it can be continued and its results fully implemented. Another potential issue of concern for the project is that the SAM is being conducted entirely in the BMW Region and to date no corresponding model is being built for the S&E Region, thus making it more difficult to assess inter-regional trade flows and to fully comprehend the BMW economy in relation to the rest of the country. This will make it somewhat harder to address the issues of regional divergence between the two regions

Given the recent history of regionalisation in Ireland and the lack of comprehensive regional policy, it will be important to develop a clear institutional framework in which regional policy tools such as the SAM can be utilised to their full potential and can assist in addressing the problem of imbalanced regional development.

## **5. Conclusions**

The SAM project in the BMW Region is a unique and exciting project, which offers many possibilities in terms of developing a more comprehensive regional economic strategy and a way of analysing the effects of national policies on the regional economy. It has also been enormously beneficial in terms of a collaborative process, which brings stakeholders together for a common purpose and the integration of the Central Statistics Office into the project. It should be understood however, that SAMs are not a panacea for regional development policy planning and analysis and that they can only be of real practical benefit when combined with the correct regional institutional framework and integrated into a comprehensive system of regional policy tools, which allow for their effective implementation. Their sustainability is also a key issue and whilst SAMs can be constructed in a relatively short timeframe, a more long term sense of ownership needs to be developed if they are to be effective policy tools. For the BMW Region, the SAM project represents one important step towards more effective regional policy analysis and offers an initial stepping stone, on which future regional policies and strategies can be developed to lead towards more balanced regional development.

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