Northern Ireland Assembly

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Knowledge Exchange Seminar Series (KESS)

...is a forum that encourages debate on a wide range of research findings, with the overall aim of promoting evidence-based policy and law-making within Northern Ireland

Can the peace dividend and devolution transform business in Northern Ireland? Lessons from the UK's fastest growing sub-region

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Introduction

- **Aim of presentation: to examine possible lessons for Northern Ireland from Milton Keynes City-Region (South-East Midlands Local Enterprise Partnership [SEMLEP]); the UK's fastest growing sub-region in the context of exploiting the peace dividend and further devolution;**

- **Structure of the presentation:**

  1. **The context of economic development in post-conflict societies and devolution/decentralisation;**
  2. **The capabilities and capacities of the SEMLEP economy;**
  3. **The exemplar of the economic impact of sport as an means to identify and evaluate capabilities and capacities of sub - regional growth;**

Difficulties of measuring and realising the *Peace Dividend* in any economy

- Economic disparities at heart of many pre and post conflict societies (eg resource economic rents from mining in Rwanda);
- BUT evidence difficult because of *what if* counter-factual reasoning;
- In Iraq trend rate of growth pre and post conflict with Iran gives some indication;
- Two sources of evidence in Northern Ireland:
    1. House prices; 4-12% in Belfast; and; 0.8-2.5% over all regions, (Besley and Mueller 2012)
    2. Tourism and real investment: risk premia from reported fatalities higher, (Mackley; 2011)
- Recent evidence by IMF and OECD shows that reducing inequality may lead to growth through increased equity leading to larger overall economic welfare;
- But conflict hits poor hardest and peace dividend benefits slower to reach socio-economically excluded groups.

Evaluation framework for Peace Dividend

Analysis of the

peacebuilding needs of a given country or region

Defining/Analysing/Evaluating the

peacebuilding relevance of an intervention

Assessing the

conflict risks for an intervention

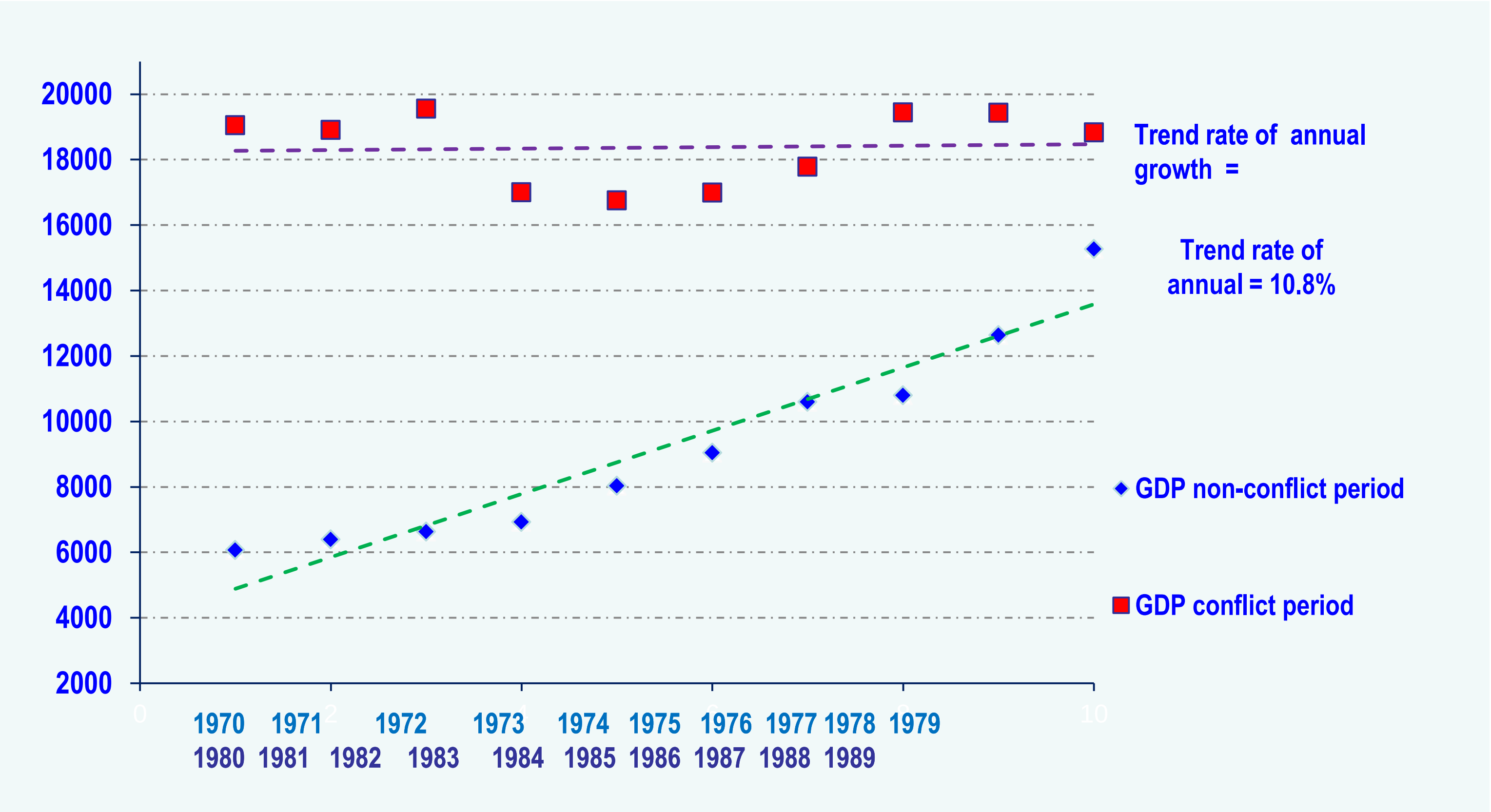
(= effects of the conflict on the intervention)

Anticipating/Assessing/ Evaluating the

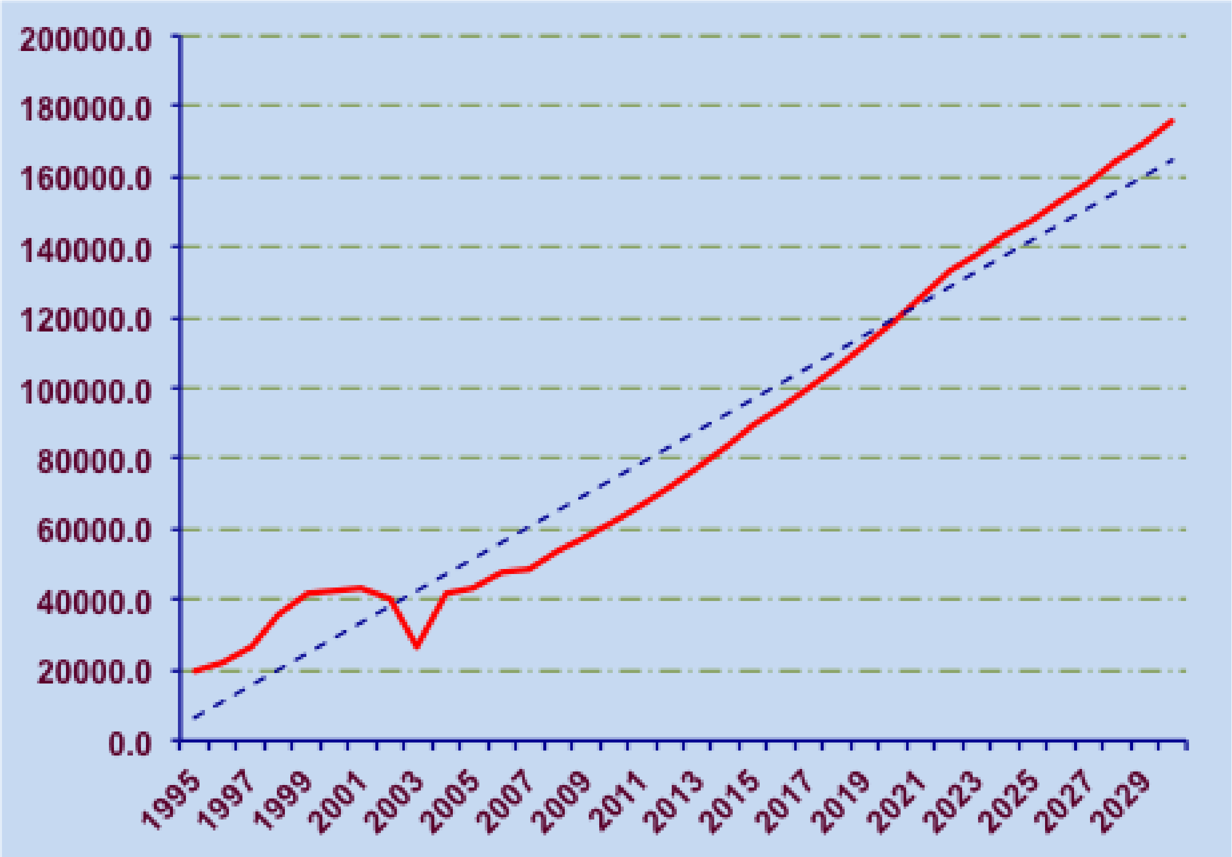
conflict and peacebuilding effects of an an intervention

(= elaborating or assessing result-chains and indicators)

Conflict On-Off growth rates in Iraq



Projected regional GDP growth rate in Iraq

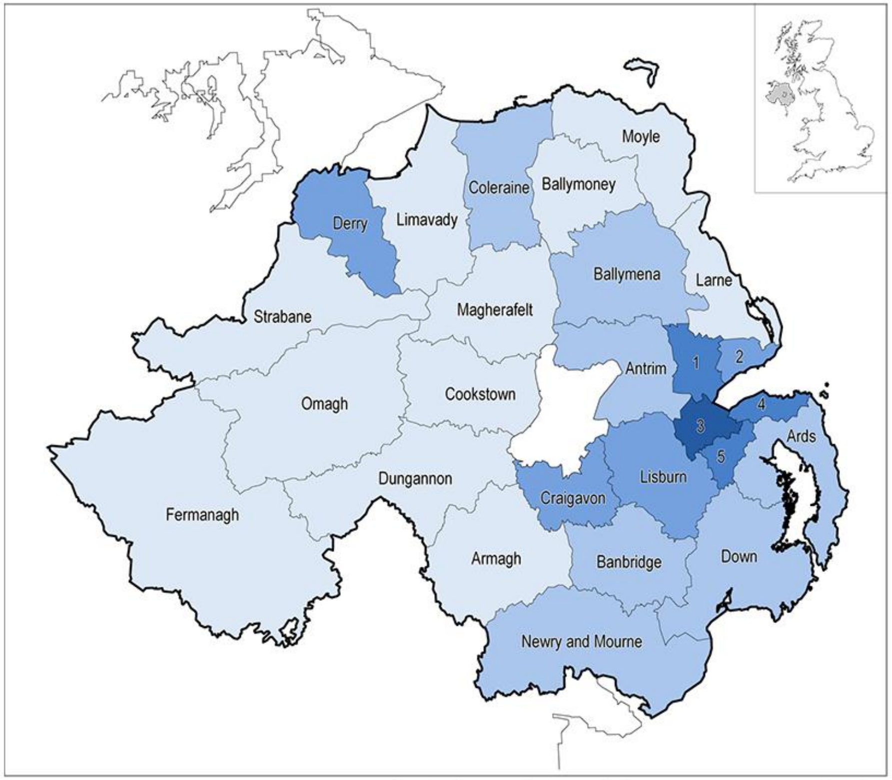


- For 2009-2030 = 5.2% p.a.;
- On assumption of long run stability in the key economic regions and "peace dividend' gains;
- Long run but gradual decline of oil price;
- Greater share for non-oil sector and private GFCF in GDP growth;
- Uplift in oil exports and growth in non-oil exports;
- Increase in economically active population in urban areas and among women.
- BUT, volatility in unemployment rates as capital- labour ratios increases.

Decentralisation/Devolution and Economic Growth

- Relationship proceeds through externalities and backwash effects;
- Regions in federal states grow faster than regions in unitary decentralized states and the difference is statistically significant;
- Lower transactions costs in operating localised economic policy but tax administration may be more efficient at national level;
- Combination of governmental, fiscal, institutional, policy devolution/decentralisation enables growth opportunities;
- Leads to allocative and productive efficiencies allied to greater accountability and participation in decision making to create *'economic dividend'*;
- Important source of localised data architecture and appropriate knowledge managements to inform policy more intelligently (evidence from Scotland);
- Setting own corporate tax rate but be careful of viewing this as the magic bullet for Foreign Direct Investment (FDI).

The tale of two regional economies



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Population density, 2010 (people per sq km)

- 2,500 or over
- 1,000 - 2,499
- 500 - 999
- 250 - 499
- 100 - 249
- 99 or under

1 Newtownabbey
2 Carrickfergus
3 Belfast
4 North Down
5 Castlereagh

GVA = £26.8bn
GVA/head = £16531

GVA = £38.6bn
GVA/head = £21647

Socio-Economic Characteristics, Capacities and Capabilities of the sub-Region

- **Milton Keynes and its sub-regional hinterland occupies a unique position in the UK economy. Located equi-distantly between London and Birmingham**
- **Developed a comparative and competitive advantage in private sector led services and related activities;**
- **Outside of London and Birmingham, it has a global reach that is greater than equivalent sub-regions. This reflects both the structure of its sectors and employment;**
- **Although dominated by logistics, this sector is a the apex of a hi-tech global complex (ICT, business, financial technical services incl Charles Swab; Santander; Network Rail);**
- **Closely linked to Formula 1 is advanced engineering design (Nissan, Mercedes); electronic and digitally-based manufacturing (ALPS); aerospace (Aerospace Technology Institute);**
- **Four universities with a Central MK University being planned;**
- **Increased housing supply constraining prices and generating increased real incomes for households.**

Changes in the number of Employees in Milton Keynes 1998-2011.

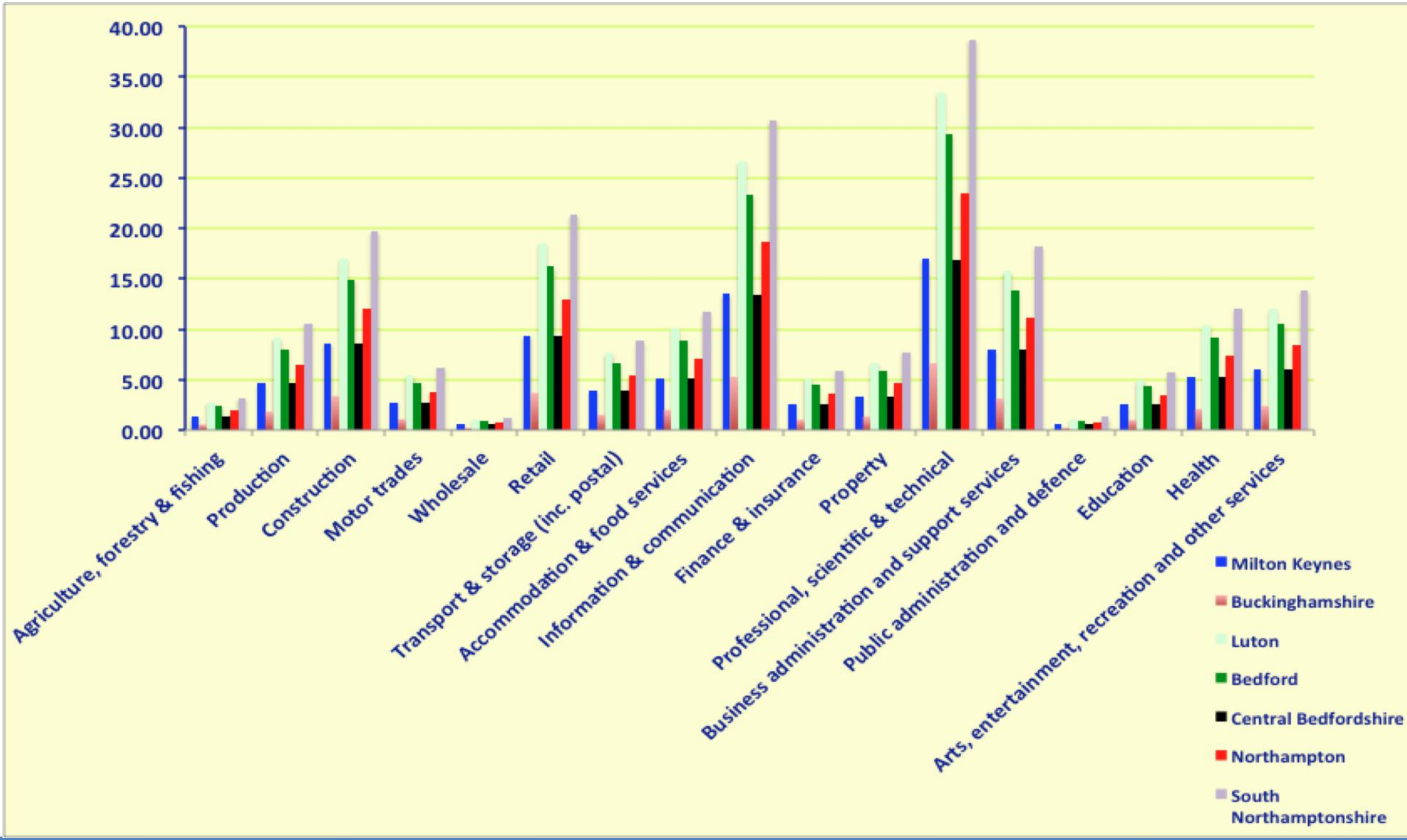
Year	Number of Employees	Change in number of Employees
1998/1999	113,000	-
1999/2000	121,800	8,800
2000/2001	124,900	3,100
2001/2002	130,000	5,100
2002/2003	129,600	-400
2003/2004	130,200	600
2004/2005	134,000	3,800
2005/2006	133,000	-1,000
2006/2007	131,700	-1,300
2007/2008	138,900	7,200
2008/2009	143,800	4,900
2009/2010	137,200	-6,600
2010/2011	139,500	2,300
Growth in jobs 1998/99-2008/09		30,800
Annual average growth in jobs 1998/99-2008/09		3,080
Growth in jobs 1998/99-2010/11		26,500
Annual average growth in jobs 1998/99-2010/11		2,208 jobs rounded to 2210 jobs per annum.

Changes in the number of full and part-time jobs by sector in Milton Keynes 1998-2008.Work based employment.

Sector	Number of jobs in 1998 as a % of total jobs in year.	Number of jobs in 2008 as a % of total jobs in year.	Change in numbers of jobs 1998-2008	% change in job numbers 1998-2008
Banking, Finance and Insurance*	25,400 (22.5%)	43,000 (30.1%)	17,600	69.4%
Wholesale & Retail Trade	35,000 (31%)	37,300 (26.2%)	2,300	6.7%
Transport & Communications	8,000 (7.1%)	12,900 (9.1%)	4,900	62%
Public Administration*	18500 (16.4%)	27,000 (18.9%)	8,500	68.5%
Manufacturing	18,000 (15.9%)	11,200 (7.9%)	-6,800	-37.5%
Other Services	5,200 (4.6%)	7,400 (5.2%)	2,200	41%
Construction	2,700 (2.4%)	3,400 (2.4%)	700	26.2%
Agriculture*	200 (0.2%)	400 (0.3%)	200	79.3%
Total	113,000	142,600	29,600	26.2%

Source: National Statistics Annual Business Inquiry

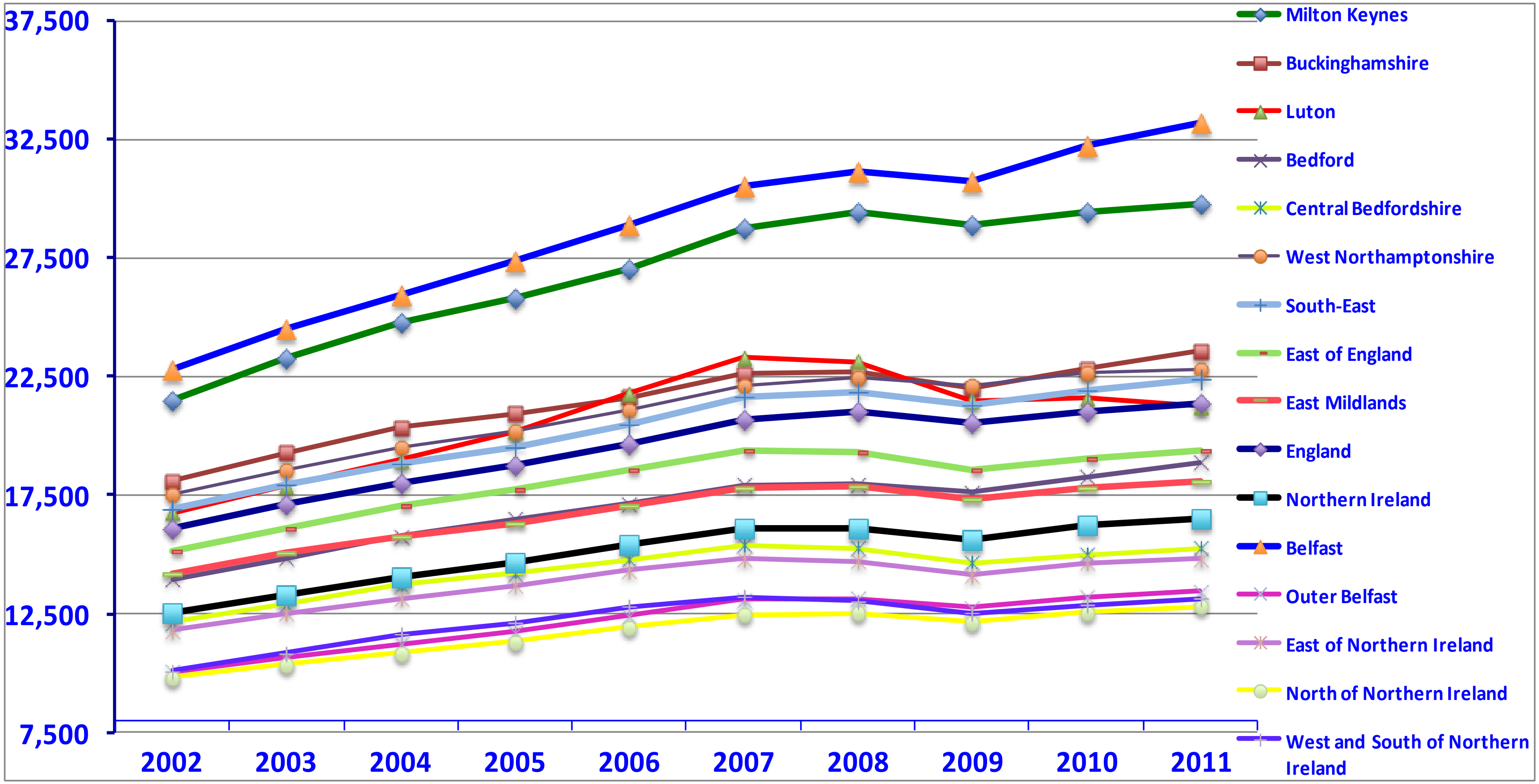
Percentages of local businesses (PAYE and VAT registered) by Standard Industrial Classification (SIC)



Strategic Sector Priorities

Northern Ireland	MK City-Region
Telecomms & ICT	Logistics
Life & Health Sciences	Manufacturing & Advanced Technology
Agrifood	Food & Drink
Advanced Materials	Automotive & Aerospace
Advanced Engineering	Advanced Engineering

GVA per head: Northern Ireland and SEMLEP



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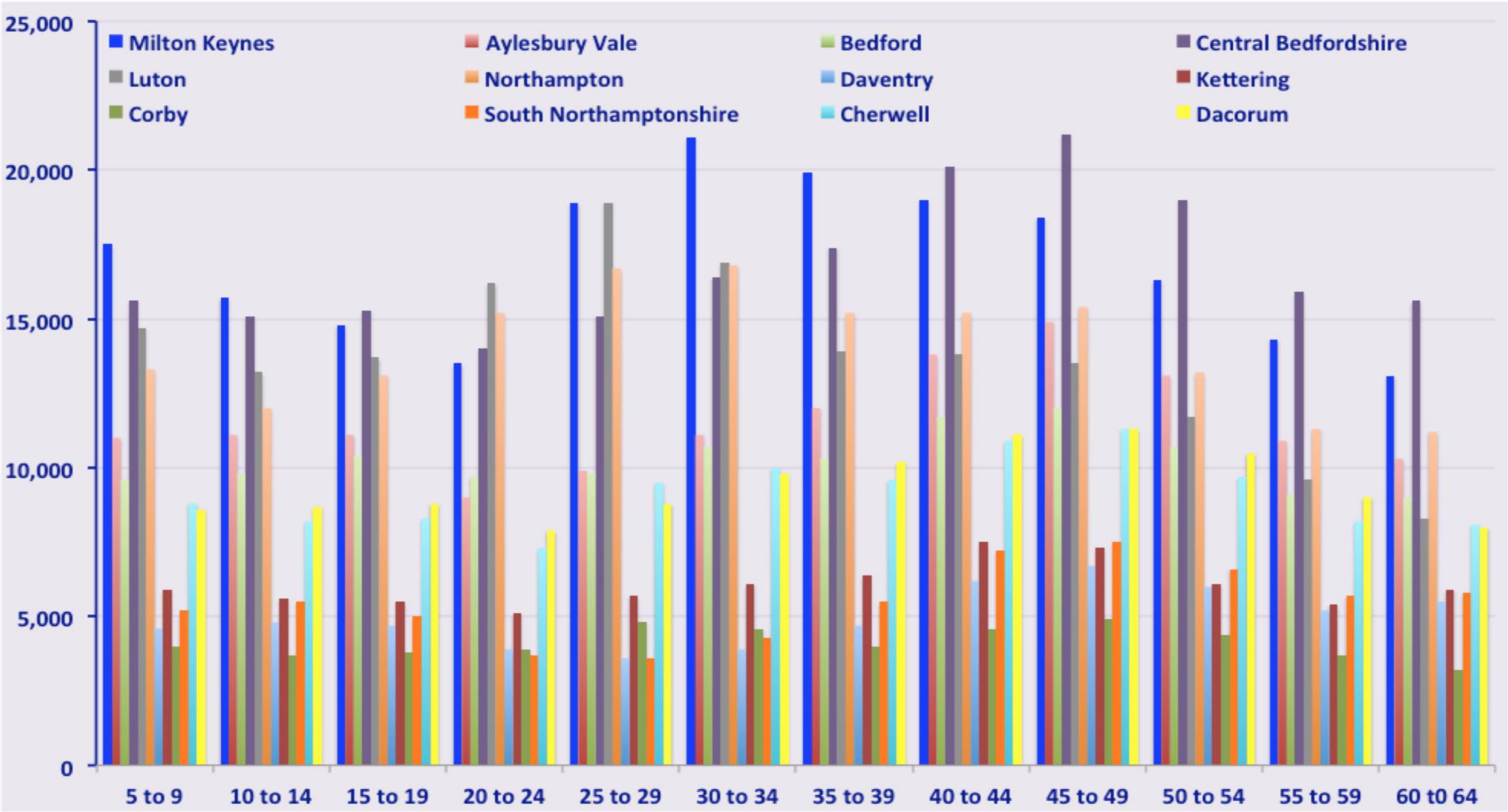
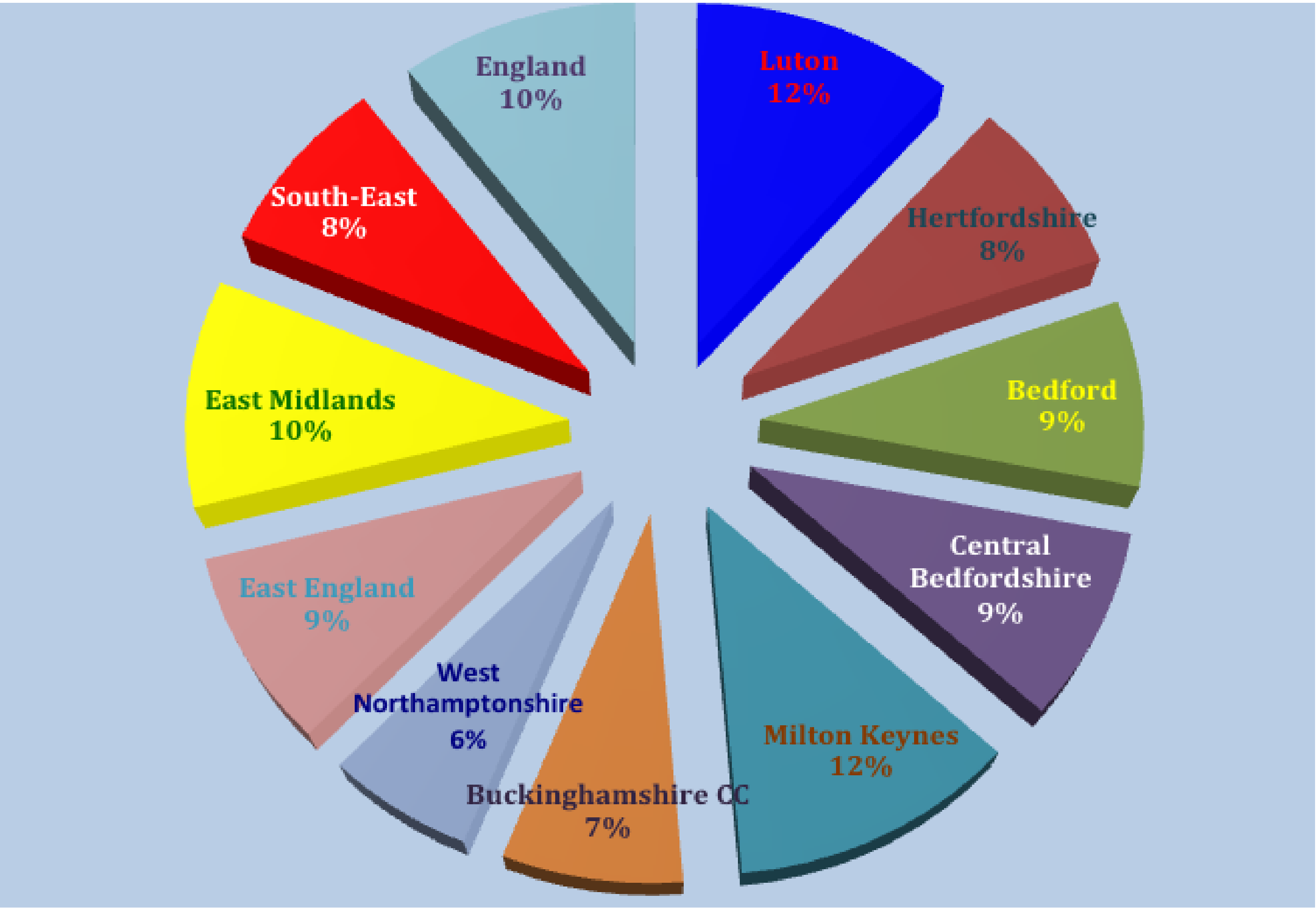
Population by age distribution SEMLEP (%)



Economically Inactive 2013 (%)



Exemplar of Milton Keynes as International Sporting City (ISC)

ISC Strategic Priorities

1: To support MK's role as a regional centre, promoting its image, attracting inward investment for skilled employment, quality housing and infrastructure;

2: To support the vitality and viability of CMK as a regional office centre;

3: To enable local communities to achieve improved health and well-being;

4: To provide facilities that are of a national standard, and are located and designed to offer a robust and flexible platform from which a variety of future bids for major events can be launched and delivered;

5: To make the best use of MK's accessibility and its natural and built infrastructure, to host national and international events, and so strengthen MK as one of the UK's major event and visitor destinations;

6: To build upon the strengths of MK's image as a young, vibrant and forward looking City;

ISC Strategic Priorities II

7: To embrace the best of new technology and green sustainable development;

8: To adopt "smart" approaches to international level sport services, such as sports medicine and education, working in collaboration with a range of regional education and health organisations;

9: To provide opportunities for National Governing Bodies of Sport (NGBs) and major club services to be provided from the City;

10: To ensure all ISC proposals (facilities and events) are deliverable and viable. To do this there will be some need for innovative, enabling development, both on-site and off-site;

11: To seek to ensure the ISC is attractive to potential investment from major, national level companies, including those based in MK and in the wider area, as well as offering smaller local companies the opportunity to engage with it;

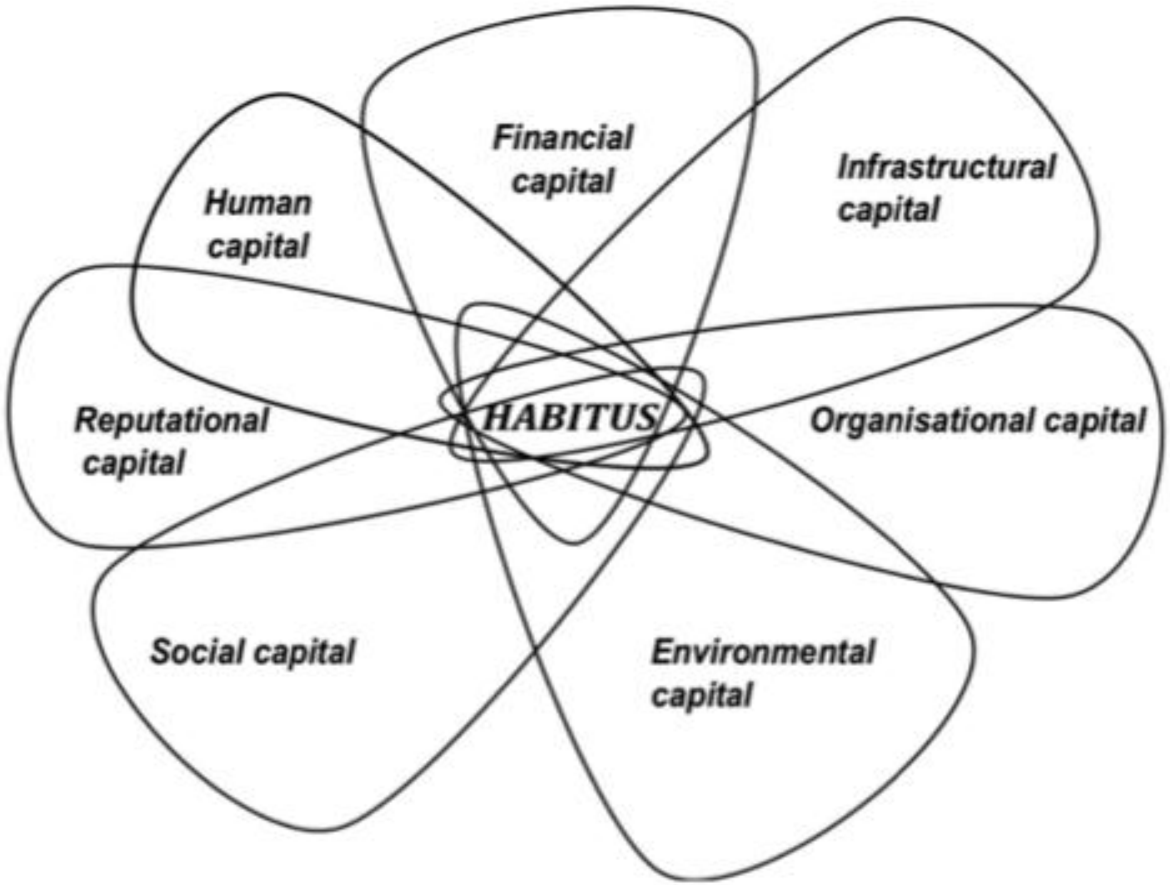
12: To set the ISC within the context of the South East Midlands Local Economic Partnership (SEMLEP) so as to support wider growth, jobs and economic prosperity through a collaborative partnership across the SEMLEP area.

The Sport Activity-Complex Economy of the Milton Keynes City-Region

Community Capitals and Sport Clusters

Type of Capital	Definition	Examples
Human	Knowledge, skills, health and well being developed by coaches and trainers	MK sports and medicine hub
Social	Quality of social network connections	Scale of volunteer networks in sports clubs
Organisational	Capacities to organise events and activities	MK House of Sport, providing back office services to sports organisations.
Environmental	Quality of amenities available locally for public participation	Bletchley Leisure Centre. School sports grounds, public parks.
Infrastructural	Built and natural facilities	International team training centre, Stadium: MK. Community sports coaching hub, Woughton
Financial	Income and assets available to the public and organisations	Income levels in different parts of SEMLEP area; resources available for sport from MK based companies: Red Bull, Mercedes Benz
Reputational	The extent of trust in organisations and networks	Increasing support and loyalty to sports brands, e.g. MK Dons, Northamptonshire Cricket Club

Intersection of Community Capitals



Sports as Local Economic Game Changer

- ISC strategy incorporated into Core Strategy of Milton Keynes and SEMLEP;
- Home of national centres of excellence in badminton; basketball; Stadium MK (home to MK Dons); Luton FC, Northampton and Bedford rugby clubs; Silverstone F1 racing;
- International events; Women's World Cup; Rugby World Cup; International; F1 Grand Prix;
- Sports Activity-Complex Economy integrates leisure; retail; culture health and education sectors;
- Entering 2017 European City of Culture competition;
- BIS funded Smart Cities project generated large open data being shared among sub-regional stakeholders;
- Partnership basis to policy process, developing data architecture and knowledge management system to inform and implement policy.

Conclusions

- **Effects of peace dividend difficult to measure but studies on housing, tourism and investment show positive outcomes;**
- **Devolution and decentralisation create a complex set of multi-level governance interaction. Evidence from EU and US show positive growth effects (equity + efficiency gains from *peace + economic dividend*);**
- **In MK City-Region the creation of SEMLEP has co-ordinated local and regional policy making and outcomes more efficaciously;**
- **Learning lessons from other places for policy and its implementation is important but context is crucial;**
- **MK City-Region is fastest growing sub-region in UK shares some characteristics with Northern Ireland with similar strategic priorities for industrial structure;**
- **Sports Activity-Complex Economy as an exemplar is a useful integrative concept linking range of sectors more effectively to sustain economy (contribution of sport in NI = 2.3% of GVA);**
- **Making it central integration into local and regional strategies creates demand effective data architecture and knowledge management system**

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