

EUROPEAN STRUCTURAL INVESTMENT FUND (ESIF) - REPLACEMENT FUNDING

PURPOSE OF PAPER

This paper is to provide an update on the current work of the ESIF Replacement Steering Group following exit from the EU.

DECISIONS REQUIRED

For information only.

CURRENT FUNDING ARRANGEMENTS

Both the European Social Fund (ESF) and European Regional Development Fund (ERDF) have played a significant role in developing Scotland's economy for many years. The loss of such funding will have a significant impact on the ability of local authorities, funding bodies and enterprise agencies to deliver services and infrastructure initiatives that support Scotland's economy.

SCOTTISH GOVERNMENT POSITION

Despite continuous pressing by Scottish Government for a meaningful role in the development of the UK Shared Prosperity Fund (SPF) to ensure Scotland's future social and economic needs are met, little detail has been provided by the UK Government.

In early September Ivan McKee, Minister for Trade, Investment and Innovation, will meet with Simon Clarke, MP, to press the UK Government to commit to further engagement on the development and detail of the SPF.

Scottish Ministers set out five 'red lines' on the development of replacement funding:

1. that Scotland should not lose out financially compared with the current level of funding that it receives from the EU;
2. that the devolution settlement must be respected and the UK Government must make no attempt to take back powers that the Scottish Government has rightfully executed to date;
3. that the Scottish Government must be an equal partner in development of the SPF;
4. that the current level of flexibility in allocation of funds should not be reduced;
5. that the replacement scheme should be operational in time to be implemented in early 2021, so that our stakeholders do not suffer difficulties as a result of funding gaps.

UK GOVERNMENT POSITION

Despite being only four months from closure of the current 2014 – 20 ESIF Programmes the UK Government has provided little detail on how they plan to replace the current funds. It is advised that further information shall be made available through the Autumn '20 Comprehensive Spending Review.

The Future Fund team continues to engage on a regular basis with both the UK Government team Ministry Housing Communities and Local Government (MHCLG) and the other devolved administrations, in Wales and Northern Ireland.

KEY FINDINGS FROM THE CONSULTATION

The consultation was launched by Ivan McKee, Minister for Trade, Investment and Innovation, on 5 November 2019 and ran until 12 February 2020. The consultation was supported by a number of workshops and academic events throughout the length and breadth of the country. In total 171 unique organisations were engaged with and 155 consultation responses received. A subsequent [Analysis Report](#) was published in June 2020 which will act as the basis for the development of any Scottish position.

**Programme Monitoring Committee (PMC)
04-07: Future Funding Update**

The consultation provided an opportunity to explore a bottom up, community focussed approach to funding of which there is considerable experience in Europe and how this approach might align with the National Performance Framework.

Key themes emerging from the events included the need for Scotland to develop a flexible, locally developed and led programme of support that has simplified administration, fits with the National Performance Framework, especially those aspects aligned to social inclusion, wellbeing and climate change, and uses measures of success that are broader than GVA.

Strategic Aims:

- Continued engagement with stakeholders;
- Core principles, aims and objectives should be broadly similar to previous ESIF programmes, expanded to include wider social objectives;
- Additionality should remain a core principle of the successor fund;
- The focus of the UKSPF on addressing disparities in regional economic performance was supported for Scotland;
- Related European funds that target rural development were felt to be relevant when considering the strategic aims of a new fund; and
- Geography was a consistent theme throughout the consultation responses – general agreement that some form of national framework would be needed but no consistent view on how “regional”, “sub-regional” or “local” should be defined in a geographic sense.

Thematic Focus:

- Scottish policy priorities were considered to be the primary driver – strongest support was for alignment to Scottish rather than UK or EU policy priorities;
- UK Industrial Strategy was considered to have too narrow a focus on economic outcomes such as productivity, and EU Cohesion Policy too broad;
- Considered essential that the approach to monitoring and evaluation was developed in parallel to the design of the new fund. Economic measures considered important but not sufficient – calls for a wider range of social and environmental measures; and
- Measures of success should align to the National Performance Framework.

Governance Structures:

- Support for a local focus, devolved responsibility, and for funding to be allocated using a fair, flexible and transparent methodology, with clear and objective criteria;
- Near universal support for longer-term funding to enable sustainable change to be planned, programmed, achieved and evaluated;
- Support for partnership and governance structures to be prioritised to minimise any delays and allow timely and effective delivery. Very strong support for governance arrangements to be based on a principle of subsidiarity, and using existing partnership structures operating at a regional and local level where possible;
- There was strong support for regional/local accountability and management of funding and local priority setting within a broad national framework; and
- New fund should be significantly less bureaucratic and burdensome, and more proportionate to the level of investment sought.

**FUTURE FUNDING TEAM
AUGUST 2020**