



Replacing European Structural Funds in Wales after Brexit QSD on 5 February 2020

On 5 February 2020, Lord Wigley (Plaid Cymru) is due to ask Her Majesty's Government "what their proposals are for replacing the European Structural Funds currently administered by the Welsh Government".

Summary

The UK was allocated €10.6bn from the latest European Structural Funding cycle, which covers 2014–20. Wales was eligible to receive around £2.1bn (€2.5bn) of this. The UK Government has committed to protecting the funding from this current cycle. When the UK leaves the EU, it will no longer be eligible for future funding. The 2019 Conservative Party manifesto stated that the Government will set up a UK Shared Prosperity Fund to ensure that the people of the UK do not lose out from the removal of EU funding.

European Structural Funds are divided into two funding streams:

- The European Regional Development Fund (ERDF), which aims to strengthen economic and social cohesion by correcting imbalances between its regions; and
- The European Social Fund (ESF), which supports jobs and workers across Europe.

According to the Wales Audit Office, Wales was allocated around £1.2bn (€1.4bn) from the ERDF and £800m (€936m) from the ESF in the 2014–20 cycle. This funding goes towards projects such as: connectivity and urban development; renewable energy and energy efficiency; youth employment and attainment; and technical assistance.

On 24 July 2018, the former Secretary of State for Housing, Communities and Local Government, James Brokenshire, made a statement to the House of Commons which set out the Government's plans to develop a UK Shared Prosperity Fund to replace European Structural Funds. In a debate in September 2019, the Minister for the Northern Powerhouse and Local Growth, Jake Berry, further stated that the UK Shared Prosperity Fund would respect the devolution settlement and that additional information would be given at the next comprehensive spending review, due to take place in 2020.

Some observers have raised questions over the method that may be used to allocate funding through the UK Shared Prosperity Fund. For example, the Institute for Fiscal Studies has argued that using the Barnett Formula, which is currently used by the Treasury to allocate funds to the devolved administrations, may result in a reduction of funding to Wales.

Sally Dray | 27 January 2020

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Further Information

- Institute for Government, '[European Structural Funds After Brexit](#)', 5 September 2018

Article by the Institute for Government detailing the structural funding the UK receives from the EU, and how this may be impacted by Brexit.

- Auditor General for Wales, '[Managing the Impact of Brexit on EU Structural Funds](#)', Wales Audit Office, 1 August 2018, pp 5–10

Summary from the report by the Auditor General for Wales, Adrian Crompton, on the impact of Brexit on Welsh funding.

- European Commission, '[European Regional Development Fund](#)'; and '[European Social Fund](#)', accessed 24 January 2020

Information from the European Commission on the European Regional Development Fund (ERDF) and the European Social Fund (ESF).

- House of Commons, '[Written Statement: Local Growth](#)', 24 July 2018, HCWS927

Written statement by the then Secretary of State for Housing, Communities and Local Government, James Brokenshire, on the Government's plans to replace EU structural funding with a UK Shared Prosperity Fund.

- [Debate on 'UK Shared Prosperity Fund'](#), HC Hansard, 5 September 2019, cols 420–45

Transcript of a debate held in September 2019 on the UK Shared Prosperity Fund, including remarks by the Minister for the Northern Powerhouse and Local Growth, Jake Berry, on the Fund in relation to the existing devolution settlement and discussion of the potential funding formula.

Parliamentary Debate, Statements and Questions

- [Oral Question on 'Shared Prosperity Fund'](#), HC Hansard, 15 January 2020, cols 1006–9
- A selection of written questions from both Houses: [4489](#) (24 January 2020); [HL419](#) (22 January 2020); [900117](#) (13 January 2020); [293415](#) (7 October 2019); [HL17830](#) (8 October 2019); [HL17616](#) (9 September 2019); and [286280](#) (9 September 2019)

Press Articles and Comment

- Nicolo Bird and David Phillips, '[Preparations for Replacing EU Funding for Wales](#)', Institute for Fiscal Studies, 13 June 2018, p 2
- Larry Elliot, '[EU's Funding for UK's Poorest Areas "Must Be Matched After Brexit"](#)', *Guardian*, 17 January 2020
- Hazel Sheffield, '[Poorest Communities Fear Loss of £2bn EU Funding After Brexit](#)', *Huffington Post*, 10 June 2019

Further Information

- House of Commons Library, '[The UK Shared Prosperity Fund](#)', 3 September 2019