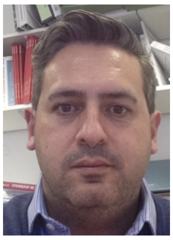
Shared Prosperity Fund: lessons from EU funding for local and regional economic development



*While 'levelling up' is the latest political mantra, it is still unclear how and in what ways the Shared Prosperity Fund will be implemented across the country, writes **Benito Giordano**. He outlines several lessons for how the Fund – which will replace the funding received from the EU's Regional Policy – could operate and warns of the risk that party political considerations could exacerbate regional disparities rather than reduce them.*

The EU's Regional Policy, which was initially developed in the late 1970s and further enhanced in the 1980s, aims to mitigate the impact of the completion of the Single Market on less developed regions and Member States. Since then, it has developed into the EU's main investment policy, constituting almost a third of its total budget, targeting all regions and cities across the EU in order to support job creation, business competitiveness, economic growth, sustainable development, and improve citizens' quality of life. Between 2014 and 2020, EU Regional Policy allocated over €350 billon to support diverse economic development needs across all European regions.

The UK has been part of EU Regional Policy since its inception, and the funding has played a key role in local and regional economic development across the country. This is due to end in January 2021. Significantly, this comes precisely at a time when spatial and social inequalities are already greater in the UK than in other 'rich' countries and the gap is widening. In response, the UK government's policy to tackle these disparities and drive productivity and growth is the notion of 'levelling up'. Whilst it is still unclear how this aspiration converts into domestic regional policy, the government has committed to addressing the imbalance in regional socio-economic disparities via its new Shared Prosperity Fund.

The UK's involvement in EU Regional Policy over a number of decades does provide a number of significant lessons, which should be used to inform the Shared Prosperity Fund and shape future domestic sub-national economic development policy.

First, the financial dimension is crucial to underpinning 'levelling up'. Between 1975 and 2020, the UK received from Brussels around £66 billion, which when combined with domestic public and private 'match funding', amounts to over £100 billion. Notably, in the 1980s, the UK was a net beneficiary of EU Regional Policy given the depth of restructuring that took place in heavy industrial sectors such as mining, steel, textiles and port-related activities, which caused high levels of unemployment, particularly in the North of England, Wales, Scotland, and Northern Ireland. During the 1990s and 2000s, the UK continued to receive substantial financial transfers from Brussels. Areas such as West Wales and the Valleys, Cornwall and the Scottish Highlands and Islands, Merseyside and South Yorkshire were classified amongst the EU's 'club' of poorest regions in terms of regional GDP. In the current EU programming period (2014-2020) West Wales and the Valleys and Cornwall still remain in the least developed 'club' of European regions.

Between 2014 and 2020, the UK received just over £10 billion from EU Regional Policy. The negotiations are on-going in Brussels about the forthcoming regional policy programming period 2021 to 2027. Evidently, whilst the UK is not involved in these discussions, it is interesting to explore what the country's funding allocation would have been, if Brexit were not a reality. Research carried out by the Conference of Peripheral and Maritime Regions, a think-tank and lobbying organisation based in Brussels, estimated that the UK would have been entitled to around €13 billion for 2021-2027, which would have been a 22% increase compared to 2014-2020. It remains to be seen what the allocations to the UK's Shared Prosperity Fund policy will be and how the funding will be managed locally (or nationally) in order to tackle territorial disparities.

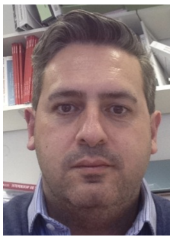
Second, ‘levelling up’ requires long term, strategic funding interventions. Notably, EU Regional Policy is funded from the EU’s seven-year, multi-annual financial framework, which provides long-term budget allocations to each Member State and respective local and regional authorities. This is significant because it allows the development of strategic interventions in particular places in order to encourage local economic development, over a decent length of time. Crucially, EU Regional Policy funding allocations go beyond domestic electoral cycles and so commitments are (largely) free from political influence. The key lesson for the UK’s Shared Prosperity Fund is that it should focus on long-term funding interventions, providing clarity over specific allocations to particular places. Of course, the challenge remains that domestic electoral cycles place a constraint on such longer-term strategic policy development, in a way that EU programming cycles do not.

Third, the governance of local and regional economic development in the UK is a key element in ‘levelling up’. EU Regional Policy is built upon strategic programming and partnership involving local, regional and national stakeholders. This framework has encouraged a range of non-state actors to be directly involved in tackling economic development issues in a partnership of vertical and horizontal institutional relationships. Given that the UK is one of the most centralised states in the EU, the management of EU Regional Policy has given local authorities and other stakeholders a ‘voice’ in shaping economic development across the country. There is a distinct possibility, however, that the UK’s well-developed multi-level governance system delivering EU Regional Policy, which has operated for several decades, could be dismantled, post-Brexit. Thus, it is important that the Shared Prosperity Fund builds on existing governance structures and continues to engage and involve key local stakeholders in the conception, implementation, and evaluation of the Fund.

Lastly, it is important to acknowledge that EU Regional Policy is not problem-free nor is it a remedy for all regional economic development issues. It is not. Nevertheless, it is also important to recognise the main lessons (both good and bad) that emerge from the implementation of EU Regional Policy in the UK, in order to inform the development of domestic regional policy. In the short term, there is a real need to support local and regional stakeholders that are managing existing EU Regional Policy-funded projects. This is crucial to avoid reaching a funding cliff edge.

The above draws on the author’s published work in the journal European Urban and Regional Studies.

About the Author



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