

Response to Finance Committee Inquiry into:

Preparations for replacing EU funding for Wales

May 2018

Introduction

Chwarae Teg is a Welsh charity which exists to deliver a vision of a fairer Wales where women can achieve and prosper. We work with women, businesses, influencers and decision makers to build a society that values, supports and benefits women and men equally.

Despite ongoing negotiations, the implications of the UK withdrawal from the European Union (EU) remain uncertain. Wales is a net beneficiary of EU membership, and EU Structural Funds have enabled a vast number of projects to be run, many of which have focused on tackling poverty and inequality.

So far, there has been very little information about what will replace structural funds post-Brexit, whether these funds will be 'repatriated' to Wales, or be redistributive in focus. There is also question over whether these replacement funds will maintain a focus on tackling the causes of poverty, inequality, in particular regarding gender.

It is crucial that ongoing discussions about replacement of EU funding for Wales ensures that gender equality is at the forefront, and women are not disproportionately impacted by our exit from the EU.

Key messages:

1. As a net beneficiary of EU funding, Wales looks set to lose around £680m annually following Brexit. The UK Government have committed to replacing structural funds with a UK Shared Prosperity Fund (UKSPF), but very little information has been given about the detail of this funding. Clarity is needed from the UK Government about what funding exactly will be available to replace EU structural funds in Wales, what this funding will look like and how it will be allocated and administered.
2. Current EU funding in Wales is allocated based on need and has a clear focus on tackling poverty and inequality. A significant amount of EU supported projects also specifically focus on supporting women, and addressing causes of gender equality. Chwarae Teg would like to see guarantees that the principles of any new funding would continue to focus on tackling poverty and inequality in areas with the biggest need.
3. Replacements for current EU funding streams need to deliver in a way that is best for Wales. This is an opportunity for us to evaluate the way that current funding in Wales works, and look at which areas need to be replicated or adapted. We second the Bevan Foundation and WLGA's recommendation that funds should be devolved to Welsh Government to implement according to the needs of Welsh people, and particularly Welsh women. ¹

¹ Chwarae Teg, 'The Implications of Brexit for Women in Wales', January 2018

Summary of Recommendations

1. The Welsh Government should give urgent thought to how many existing programmes can be delivered should a UK Shared Prosperity Fund not materialise and explore alternative funding mechanisms to protect against loss of services.
2. The Welsh Government should put pressure on the UK Government to speed up the consultation process for the UK Shared Prosperity Fund, and ensure efforts are taken to capture the views of those in Wales and that any replacement is fit for the specific needs of different parts of the UK.
3. The Welsh Government should work with UK Ministers and Officials to ensure the UKSPF is developed properly and with an equalities focus throughout the process and takes account of devolved nations differing contexts and needs.
4. All future options need to go through full gender impact assessments to ensure that gender equality is at the centre of future plans, and women won't be disproportionately affected by the loss of transition funding
5. The Welsh Government must call on the UK Government to carry out a consultation with key stakeholders and beneficiaries of EU funding in Wales, to understand the benefits and impact of existing EU funding so it can be replicated, or improved with the UKSPF.
6. Concerns and priorities raised during the course of this inquiry should be feedback to the UK Government.

Detailed Response

1. Clarity on the UK Shared prosperity fund

1.1. Wales is a net beneficiary of EU funding, and will lose out more from EU revenue than any of the other UK nations.

1.1.1. Wales looks set to lose around £680m annually of EU funding following Brexit, which if not replaced would have a substantial impact on the Welsh economy; in particular growth, job creation and retention.²

1.1.2. Wales receives around £230 per head in Wales, compared to £85 per head in England.³ 95% of this funding is allocated to activity that affects employability in Wales.⁴

1.2. EU funding has supported projects aimed at tackling poverty and inequality

² Welsh Government and Plaid Cymru, 'Securing Wales' Future' White Paper, January 2017

³ House of Commons Library, 'Effect of the UK leaving the EU on infrastructure in Wales', January 2016

⁴ The Guardian, 'What does Brexit mean for business funding in Wales?', 11 November 2016

- 1.2.1. Many EU funded projects in Wales have focused on supporting women and addressing the causes of ongoing gender inequality, such as the gender pay gap. These projects include:⁵
- Chwarae Teg’s Agile Nation 2 Project (AN2) – addresses gender imbalance in the workforce, working primarily with small businesses and women
 - STEM Cymru 2 – supports young people in STEM, encourages more women into engineering
 - Parent, Childcare and Employment (PaCE) – helps unemployed parents into work or training by helping with childcare costs
 - Workways – helps economically inactive individuals who are looking for employment to avoid poverty by helping with childcare costs
 - Women Adding Value to the Economy (WAVE) – tackles underlying factors which contribute to the gender pay gap
- 1.2.2. As illustrated, any potential loss in funding will have a significant impact in Wales, particularly on women and other marginalised groups. For this reason, clarity on future funding arrangements post-Brexit is urgently needed, not least to enable government and other organisations to attempt to mitigate against stagnation (of progress).
- 1.2.3. Furthermore, many of the skills and employability focused programmes in Wales, such as Apprenticeships, PaCE and Jobs Growth Wales, are underpinned by funding from the EU. These could be at risk if funding is lost.

Recommendation 1

The Welsh Government should give urgent thought to how many existing programmes can be delivered should a UK Shared Prosperity Fund not materialise and explore alternative funding mechanisms to protect against loss of services.

- 1.3. Clarity on the UK Shared Prosperity Fund is needed urgently
- 1.3.1. The UK Government has committed to a **‘Shared Prosperity Fund’** which will match agreed EU funding until 2020. This was announced during the 2017 election in a Conservative manifesto pledge.⁶
- 1.3.2. A consultation on the UK Shared Prosperity Fund (UKSPF) was announced in the UK Government’s Industrial Strategy White Paper to take place this year. To date, no details have been confirmed and no timeline has been indicated.⁷
- 1.4. While we know funding in Wales will change after our exit from the EU, it is still unclear when European Structural and Investment funds in Wales will end. It could be as early as March 2019, or could continue until as late as 2023. There seems to be a lack of clarity about arrangements even between those administering, delivering or

⁵ Chwarae Teg, ‘The Implications of Brexit for Women in Wales’, January 2018

⁶ The Conservative Party, ‘Forward Together: The Conservative Manifesto’, 2017
<https://www.conservatives.com/manifesto>

⁷ UK Government, ‘Industrial Strategy: Building a Britain fit for the future’ White Paper, 2017
<https://bit.ly/2GuEuRt>

responsible for funds currently, leading to lack of certainty about which services will continue or cease at various dates.

- 1.5. Chwarae Teg echoes calls from the Bevan Foundation and WLGA for the UK Government to ‘clarify and cement’ promises that Wales will receive identical financial support through UKSPF, and that these funds will be devolved to Welsh Government to implement according to the needs of Welsh people
- 1.5.1. The Greater London Authority have also expressed concerns that UKSPF will be centralised – we do not currently know how UKSPF will be administered or what governance arrangements will be.⁸

Recommendation 2

The Welsh Government should put pressure on the UK Government to speed up the consultation process for the UK Shared Prosperity Fund, and ensure efforts are taken to capture the views of those in Wales and that any replacement is fit for the specific needs of different parts of the UK.

2. **Replacement funds must continue to have a central focus on tackling poverty and inequality, including gender equality.**
 - 2.1. EU structural funding is currently allocated based on need, meaning that areas in West Wales and the Valleys benefit particularly. Previously listed beneficiaries in Wales focus specifically on tackling gender inequality and supporting women in Wales. If the UK’s post-Brexit funding is allocated through the existing Barnett/population-based formula, Wales could receive only a quarter of its committed funds until 2020.
 - 2.2. The focus on needs-based funding and allocation to areas where poverty, deprivation and inequality are most prominent may be lost in future arrangements, and these marginalised groups could potentially suffer more.
 - 2.3. EU funding has also put in place cross-cutting objectives to ensure funding contributes to tackling poverty and inequality across the board. New funding needs to continue this approach and reflect links between ‘health, wellbeing and employment’ and the need for a holistic approach.⁹
 - 2.4. EU funding has also enabled voluntary, community and third sector organisations to forge valuable transnational links. These links must be maintained post-Brexit. Funds should be set aside to ensure charity and third sector organisations can still access these networks.

⁸ Mayor of London, ‘UK Shared Prosperity Fund’, October 2017 <https://bit.ly/2I820RE>

⁹ Equality and Diversity Forum, ‘Shared Prosperity, Shared Rights: Replacing EU funding for Equality and Human Rights after Brexit’, February 2018 <https://bit.ly/2IoM8Of>

Key considerations to ensure a UKSPF is fit for purpose:

- Funding should be allocated based on need and not on population to ensure that replacement funds remain re-distributive.
- Cross-cutting objective to tackle poverty and inequality, including a focus on addressing gender inequality should remain.
- Funding should reflect links between health, well-being and employment and support a holistic approach
- Funding should support partnership working, including transnational links, that enable sharing of best practice and knowledge.

2.5. The development of the UKSPF must give sufficient consideration to equality.

2.5.1. The Ministry of Housing, Communities and Local Government, and the Department of Business, Innovation and Skills are leading on the SPF fund. However, it is crucial that decisions are made with equalities at the forefront. It's been suggested that the DWP also need to play a part as the department with the biggest impact on equality.¹⁰

2.5.2. Currently, there does not seem to be an individual or group involved in shaping and scrutinising this process, with a specific focus on equalities.

2.5.3. Former UK Minister for Women and Equalities, Justine Greening, previously said that the Government Equalities office (GEO) would engage with stakeholders on the issue of Brexit, but it's unclear whether this has taken place.¹¹

2.5.4. There could be a need for a UK Minister for Equalities to be involved in this process. Additionally, parliamentary select committees could scrutinise from specific perspectives – for example, the Women and Equalities Select committee and the Welsh Affairs Select Committee.

2.5.5. The UK Government has conducted an Equality Impact Assessment into the potential impacts of Brexit, but it has not been far-reaching enough or specific to Wales and Welsh women. This needs to be urgently addressed, and the UKSPF and any future funding needs to be effectively 'equality and human rights-proofed'.¹²

2.5.6. Chwarae Teg have previously highlighted that Equality Impact Assessments by the UK Government into the potential impacts of Brexit have not been far-reaching enough, and lacks specific information about Wales and Welsh women.¹³

¹⁰ Ibid.

¹¹ Letter dated 23 February 2017

https://publications.parliament.uk/pa/cm201617/cmselect/cmwomeq/799/79907.htm#_idTextAnchor035

¹² Equality and Diversity Forum, 'Shared Prosperity, Shared Rights: Replacing EU funding for Equality and Human Rights after Brexit', February 2018 <https://bit.ly/2loM8Of>

¹³ Chwarae Teg, 'The Implications of Brexit for Women in Wales', January 2018

Recommendation 3

The Welsh Government should work with UK Ministers and Officials to ensure the UKSPF is developed properly and with an equalities focus throughout the process.

Recommendation 4

All future options need to go through full gender impact assessments to ensure that gender equality is at the centre of future plans, and women won't be disproportionately affected by the loss of transition funding

3. Administration of EU replacement funds – how this will work

- 3.1. Any replacement for EU funding needs to be administered through devolved administrations. The Welsh Government needs the ability to fully prioritise the needs of Welsh people.
- 3.2. Plans set out so far for the UK Shared Prosperity Fund say it will help to 'reduce inequalities' and 'deliver sustainable, inclusive growth', and will 'guarantee funding for any project signed while we are in the EU' as long as it aligns with 'domestic priorities'.¹⁴
 - 3.2.1. The UK Government's 'domestic priorities' post-Brexit could likely differ from those in Wales, which adds further weight for the administration of funding to be devolved to Wales, to ensure it is in line with Welsh Government priorities.

Recommendation 5

The Welsh Government must call on the UK Government to carry out a consultation with key stakeholders and beneficiaries of EU funding in Wales, to understand the benefits and impact of existing EU funding so it can be replicated with the UKSPF.

Recommendation 6

Concerns and priorities raised during the course of this inquiry should be feedback to the UK Government.

- 3.3. Lessons can also be learnt from the experience of those delivering EU funded work in Wales to improve the administration of funds in the future. We can learn from the barriers stakeholders and beneficiaries currently experience and ensure that these are tackled in the creation of new funds.

¹⁴ UK Government, 'Industrial Strategy: Building a Britain fit for the future' White Paper, 2017
<https://bit.ly/2GuEuRt>

- 3.4. For example, in Chwarae Teg’s experience as a beneficiary of EU funds, we have identified key areas for improvement:
 - 3.4.1. There needs to be less bureaucracy in the process of applying for funding – including the bidding, reporting, and monitoring processes. Steps should be taken to make the process less time consuming and more accessible. This is a significant issue, particularly for smaller projects and can prevent groups accessing funding. Currently, significant human resource is required to even service many EU funded projects, and this is not efficient in terms of targeting resources to where they are needed most.
 - 3.4.2. A broader scope for funding would be helpful. If funding is not confined by the EU, then it could be possible for the administration of future funding to deal with broader funding options.
 - 3.4.3. There is a need to maintain the central point of access to funds, through a body like WEFO (albeit reformed taking into account points above). This will ensure there is a holistic approach to funding, taking into consideration regional issues but not administered on that basis. Funds should be administered from a central point to ensure benefit at scale where appropriate but also ensuring that funding is accessible to smaller organisations, and can adapt to regional needs.
- 3.5. The EDF also identified key practical and technical issues in its paper that we would echo:¹⁵
 - 3.5.1. There is a need for multi-year funding, not annual spending caps
 - 3.5.2. There needs to be continuity in allocation of funding post-2019, and need for guarantees to ensure that these replacements are on the same basis
 - 3.5.3. There needs to be clarity on audit arrangements post 2019
 - 3.5.4. Replacement structural funds need to be ring-fenced in some way and not used for other purposes
 - 3.5.5. A period for winding-up projects needs to be allowed post Brexit – giving organisations time to complete their work
- 3.6. While there is a great deal of concern regarding the future of funding post-Brexit, this could also be an opportunity for the UK Government and devolved regions to be bold and innovative in creating new streams of funding and methods of administration. But there is a lot at stake – beneficiaries and stakeholders need to be effectively consulted, and gender equality needs to be at the forefront of these processes.

4. **Alternative sources of funding for Wales:**

- 4.1. Replacing funding, particularly for small third sector and charitable organisations is going to be extremely difficult, as in a lot of cases it is the leading source of funding. However, different options have been raised as possible alternatives in part to EU funding. These are avenues that the Welsh Government may want to consider or explore that are less dependent on action from the UK Government.¹⁶ Dialogue with those currently responsible for administering or delivering EU funds to date is

¹⁵ Equality and Diversity Forum, ‘Shared Prosperity, Shared Rights: Replacing EU funding for Equality and Human Rights after Brexit’, February 2018 <https://bit.ly/2IoM8Of>

¹⁶ The Bevan Foundation, ‘Wales After Brexit: An Agenda for a Fair, Prosperous and Sustainable Country’, August 2016 <https://bit.ly/2KbDiR8>

currently limited, and this should be addressed to ensure that Wales is not at a disadvantage once new funding structures (such as UK SPF) are established.

- 4.1.1. The EU's research and innovation funding programme, Horizon 2020 does include some non-member states. Norway and Switzerland have taken part in European territorial cooperation programmes, so this could be explored for the UK
- 4.1.2. The European Investment Bank (EIB) awarded 11% of funding between 2011-2015 to countries outside of the EU.
 - 4.1.2.1. The UK is currently a 16% shareholder in the EIB . There is a question as to whether the UK will remain a shareholder after Brexit and the EIB have previously confirmed that lending levels would reduce post brexit. Clarification on the future relationship with the EIB would be useful, as it remains an additional funding avenue to be explored.
 - 4.1.2.2. Consideration could also be given to 'infrastructure bonds' or a new UK investment bank to replace the European Investment Bank.¹⁷
 - 4.1.2.3. The role of the Development Bank for Wales could also be considered in the context of post-Brexit funding pathways.
- 4.2. New funding structures in Wales or the UK could be brought in line with examples from international donors, such as the European Social Investment Bank or World Bank, that embed consideration of gender equality into their lending process.
- 4.3. Whichever options for future funding are used, we need to ensure that key principles of distribution – tackling poverty, inequality and consideration of gender – are embedded in the process to complement the focus of previous funding.

Conclusion:

The UK Government intends to exit the European Union by March of next year, but there is still **no** clarity on what replacement funding will be, and this represents a significant threat and risk to delivery of services and support to people in Wales, particularly in some of our most disadvantaged communities. The Government's White Paper said it would conduct a consultation on the UKSPF in 2018, but nothing has been guaranteed and recipients of EU funding have not yet been consulted.

Increasingly, the time frame is narrowing and there is a very short amount of time for recipients of funding and devolved administration to prepare for this transition and ensure the right infrastructure is in place. This needs to be treated with great urgency by the UK Government and devolved Governments.

There is a great deal of uncertainty for organisations that are recipients of EU funding carrying out equalities work, and for the individuals that benefit from these programmes. It is deeply concerning that we don't know what position we will be in in less than a year's time.

Progress needs to take place quickly, and Welsh Government can play a bigger role in ensuring this happens. We need clarity, and guarantees that gender equality will not be pushed to the sidelines.

¹⁷ IWA Wales, 'Never Waste a Good Crisis: Plugging the Infrastructure gap post Brexit', April 2017
<https://bit.ly/2rEy20P>

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