

19 February 2021

Commons Scottish Affairs Committee inquiry on Scotland and the Shared Prosperity Fund

Key Points

- Scotland, and the UK as a whole, have benefited from the widespread use of European Structural and Investment Funds to support research and innovation. These have supported pathfinder projects in local areas and successfully leveraged greater investment, becoming a key part of the UK's regional funding landscape and fuelling local growth. These funds have also provided valuable support for skills, SMEs and net zero.
- The Government should rapidly deliver the Shared Prosperity Fund and ensure that it continues to support research and innovation activities to avoid a funding cliff edge that leads to a loss of these activities and capabilities across all the UK's nations and regions. Once lost, these will take time and investment to rebuild.
- The fund must complement other new and existing initiatives at a national and devolved level which use data to target local strengths and excellence in research and build on different regions' comparative advantages including infrastructure and skills.

1. Introduction

- 1.1. The Royal Society is the national academy of science for the UK. Its Fellows include many of the world's most distinguished scientists working across a broad range of disciplines in academia, industry, charities and the public sector. The Society draws on the expertise of the Fellowship to provide independent and authoritative advice to UK, European and international decision makers.
- 1.2. The Society's fundamental purpose, reflected in its founding Charters of the 1660s, is to recognise, promote, and support excellence in science and to encourage the development and use of science for the benefit of humanity. Our strategic priorities therefore are to promote excellence in science; to support international collaboration; and to demonstrate the importance of science to everyone.
- 1.3. The Society welcomes the opportunity to respond to the Committee's inquiry on what the Shared Prosperity Fund (SPF) means for Scotland. This submission focuses on the value of European Structural and Investment Funds (ESIF) support for research and innovation activities to date and demonstrates that continuation and expansion of such valuable activities should be considered in the design of the SPF and future national and local initiatives.

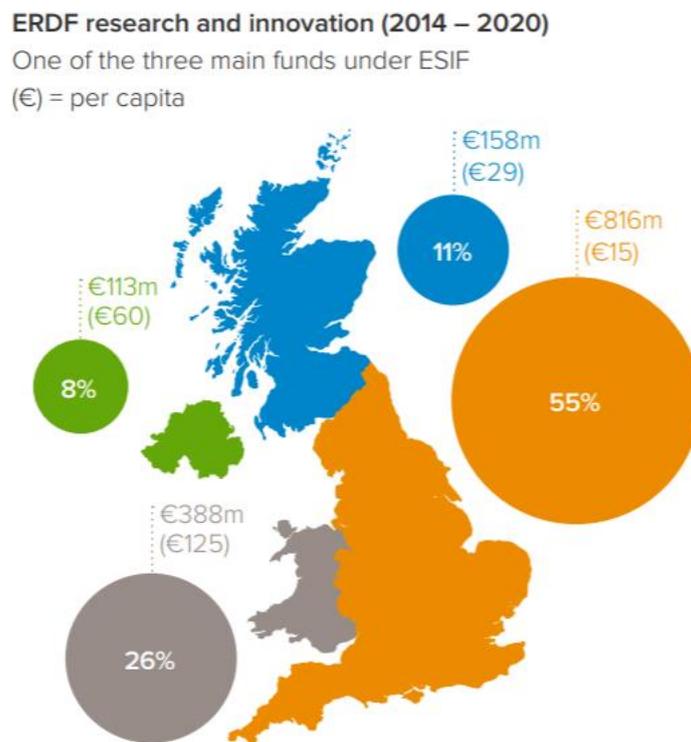
2. The important role that European Structural and Investment Funds have played in supporting research and innovation to date, and why this needs to continue

- 2.1. ESIF is distributed to Member State nations and regions based on GDP per capita as a proportion of the EU average. This distinguishes it from domestic excellence-based or hybrid schemes to support research and innovation such as UKRI's Strength in Places Fund and means that the most deprived regions of the UK receive the highest share of the funding.
- 2.2. Research and innovation activities in Scotland, and across the whole of the UK, have been supported by the widespread use of ESIF. They have also been effective in leveraging investment through the match-funding principle, or in some cases, additional funding from EU sources. Literature suggests that ESIF could have a 'crowding-in' effect similar to the effects observed from domestic public expenditure on research and innovation¹.

¹ Technopolis, The role of EU funding in UK research and innovation – an analysis commissioned by the UK's National Academies – The Royal Society, British Academy, Academy of Medical Sciences and Royal Academy of Engineering, 2017; <https://royalsociety.org/-/media/policy/Publications/2017/2017-05-technopolis-role-of-EU-funding-report.PDF>

2.3. The UK as a whole has received an average of €2.3 billion per year from the ESIF between 2014 and 2020². For the 2014-2020 period, Scotland will have received a planned total of €158 million for research and innovation activities under the European Regional Development Fund (ERDF). This equates to 11% of the total €1.4 billion that the UK has been allocated for research and innovation activities, and an average of €29 per capita - almost double the figure for England at €15 per capita¹.

Figure 1: The map indicates the planned ERDF investment for research and innovation projects (2014-2020). These projects sit under the nine ERDF priority axes (e.g. 'Research and innovation' and 'Enhancing the competitiveness of SMEs').



Source: Technopolis, The role of EU funding in UK research and innovation – an analysis commissioned by the UK's National Academies – The Royal Society, British Academy, Academy of Medical Sciences and Royal Academy of Engineering (2017).

2.4. According to the Scottish Government³, these funds have been used to: increase digital connectivity; improve employment opportunities; make Scotland more competitive in business; ensure Scottish communities are healthy and sustainable; building a sustainable, low-carbon Scotland; and tackle poverty and inequality.

2.5. ESIF have been used extensively by Scotland's two regional development agencies – Scottish Enterprise and the Highlands and Islands Enterprise – to support businesses to innovate, resulting in new employment and economic development opportunities that would not have been available otherwise. For example, the Highlands and Islands Enterprise 'Innovate Your Business' programme is part-funded by ERDF. The programme is a one-to-one support service and offers four areas of assistance: help to identify areas for growth; development of new products, processes or business

² House of Commons Library, The UK Shared Prosperity Fund, 29 January 2021; <https://commonslibrary.parliament.uk/research-briefings/cbp-8527/>

³ Scottish Government, European Structural and Investment Funds, accessed 17 February 2021; <https://www.gov.scot/policies/european-structural-funds/>

models; design and implementation of collaborative projects; identification and securing of finance for innovation activities. There is also a small innovation grant scheme (up to £15,000)¹.

2.6. Examples from elsewhere in the UK show the potential of this type of funding to transform local economies. For example, the Belfast Technology Cluster has emerged over the past twenty years with considerable support from ESIF (as well as UK and regional government and local universities). While the knowledge economy in Northern Ireland remains small, the emerging cluster has contributed to its growth. It benefits from a core research competency, a highly skilled research base and sustained public support⁴.

3. Shared Prosperity Fund

3.1. The UK Government has committed to match the total amount of funding received through ESIF at a national level (c. £1.5 billion a year)⁵ but is yet to provide detail over how this will be allocated. It is important that this should continue to support valuable activities enabled by ESIF to date, this includes support for research and innovation.

3.2. The government should rapidly deliver the SPF and ensure that this continues to support research and innovation activities to avoid a funding cliff edge that leads to a loss of these activities and capabilities. Once lost, these will take time and investment to rebuild.

3.3. The fund must complement other new and existing initiatives at a national and devolved level which use data to target local strengths and excellence in research and build on different regions' comparative advantages including infrastructure and skills.

3.4. As well as direct support for research and innovation, ESIF also supports skills development, access to ICT, SME competitiveness, and the shift towards a low carbon economy. While it is difficult to quantify the extent to which these funding streams support research and innovation, they have contributed to the health of the research and innovation ecosystem. It will be important to better understand the interplay of these funding streams to identify the most valuable interactions and ensure that these are maintained and expanded under the new SPF to boost growth and so delivery of the UK government's levelling-up agenda.

For more information please contact public.affairs@royalsociety.org

⁴ The Royal Society, Research and innovation clusters, 16 September 2020; <https://royalsociety.org/-/media/policy/Publications/2020/2020-07-research-and-innovation-clusters-report.pdf>

⁵ HM Treasury, Spending Review 2020, 15 December 2020; <https://www.gov.uk/government/publications/spending-review-2020-documents/spending-review-2020>