

Next month will mark the 20th anniversary of the first elections to the devolved Scottish Parliament.

There will no doubt be some reflection on the successes and failures of the parliament since then. But whatever your view, it is hard now to imagine Scotland and Scotland's economy without Holyrood playing a central role.

The significance of this role is only likely to increase in the years ahead. With Brexit, major structural shifts in our economy, the continuing recovery from a decade of austerity and the possibility of a 2<sup>nd</sup> independence referendum, further upheaval is inevitable.

### *The immediate policy challenges*

Brexit is the most important inflection point in UK economic policy making since 1979.

Whilst we still(!) do not know the final outcome, if (and when) the UK does eventually leave the EU, it will also be the biggest single test of the capacity and capability of the Scottish Parliament since 1999.

We see three major challenges on the immediate horizon.

Firstly, even if there is progress toward some form of Withdrawal Agreement between now and the end of October, the ultimate end state in terms of a final deal with the EU remains uncertain.

Many critical elements of the negotiations over a future UK-EU relationship are likely to be fudged or deferred, leaving uncertainty hanging over the economy for many more months, if not years.

Businesses and policymakers will have to adapt to a world where uncertainty is a constant feature of the landscape.

Of course, much of the onus for providing greater clarity to the economic policy context rests with the UK Government.

But it is also a challenge for Scottish policymakers.

If uncertainty is the new normal, then a clarity of purpose on devolved policy, whether that be in setting out a clear direction of travel on devolved taxation, infrastructure, planning

and wider economic development, becomes all the more important.

The second challenge relates to how the Scottish Parliament will respond to the new powers that will come its way as a result of the UK leaving the EU.

But what might these powers be?

The lack of progress in determining the split between devolved and reserved responsibilities of (ex-)EU powers is frustrating and only adds to the uncertainty. This is one area where the UK Government could make (and should have made) much quicker progress.

There is also a major question about how future Scottish governments might use these new powers?

Whilst it is understandable that the Scottish Government will make the political case for the maximum transfer of powers, it needs to consider carefully how such powers will be administered, funded and used for what purpose.

In recent weeks, we have seen the delivery of some new devolved social security powers pushed back into the next decade given the complexities of administration and delivery.

Finally, there is simply no escaping the fact that the decision to leave the EU marks the greatest shake-up to the UK's economy and policy landscape in over 40 years.

Much of what was taken as 'given' in economic policy circles - e.g. freedom of movement, Single Market access, EU structural funding, State Aid rules, Horizon 2020 - looks like it will be turned on its head.

With so much of recent debates still stuck either on the arguments for and against Brexit, the 'type of Brexit' or indeed the process, the lack of any detailed thinking as to what UK and Scottish economic policy might look like post-Brexit is a concern.