

Financial Instruments and Territorial Cohesion

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**REGIONS
& CITIES**

European Week
Brussels 7-10 October 2019

- Where and how are Cohesion policy FIs implemented?
- What can be said about added-value and impact of financial instruments?
- What are the main territory-related drivers and obstacles for using ESIF financial instruments?
- Recommendations?

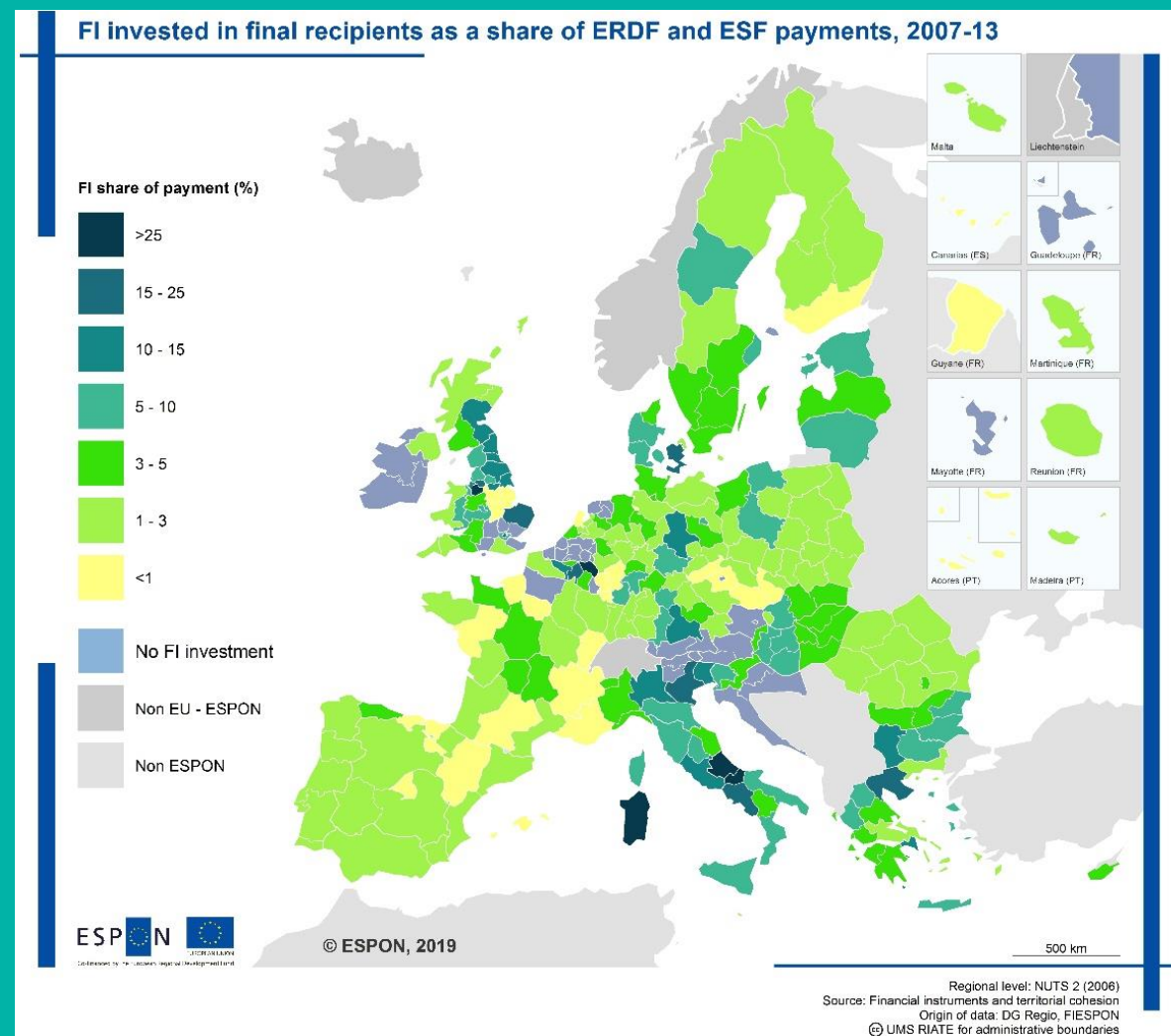


**European Committee
of the Regions**

Where?

Use of financial instruments is extremely uneven...

- €15b invested through co-financed FIs (2007-13)
- On **every measure** (% of Structural Funds, per capita, €...) investment through FIs varies widely
- Italy **alone** accounts for 26%+ of all SF expenditure through FIs

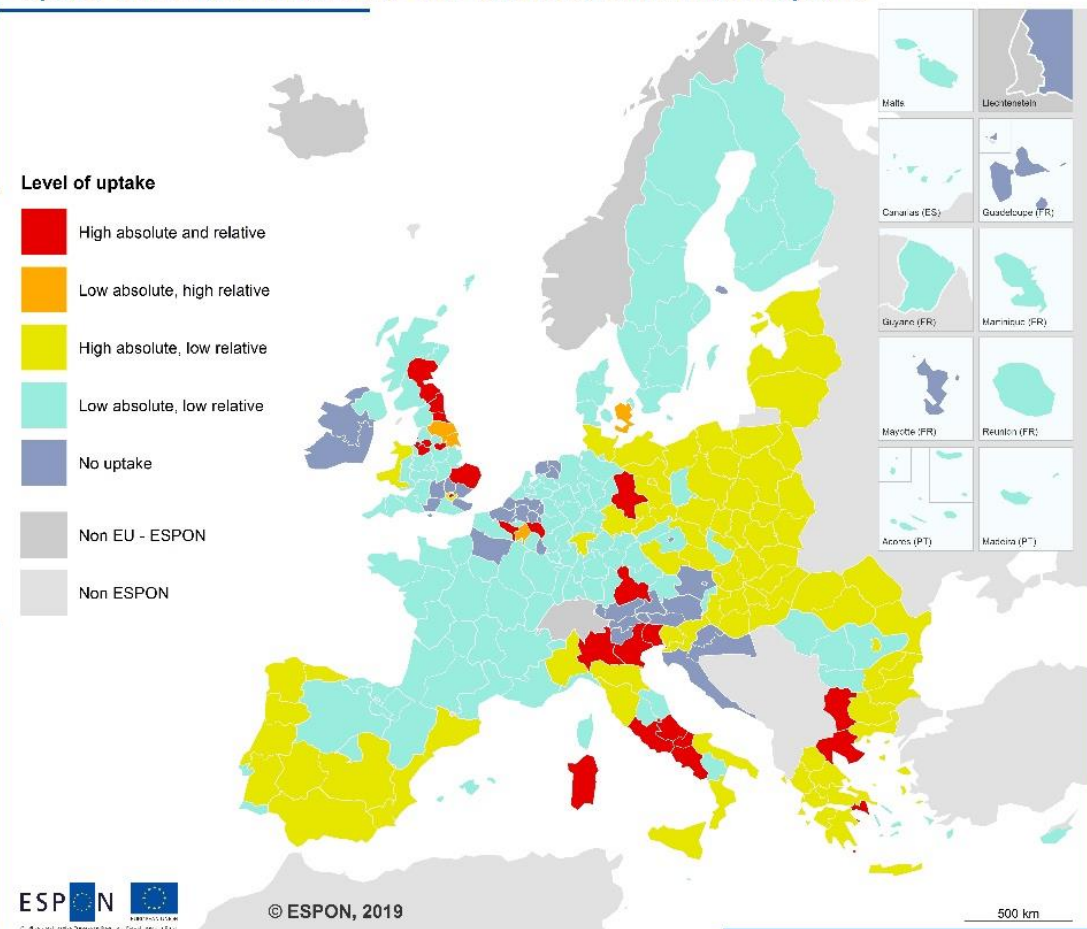


Where?

Financial instrument 'uptake' is hard to compare...

- **High absolute investment in final recipients >€20 million**
- **High relative investment in final recipients >10% of Structural Fund payments**

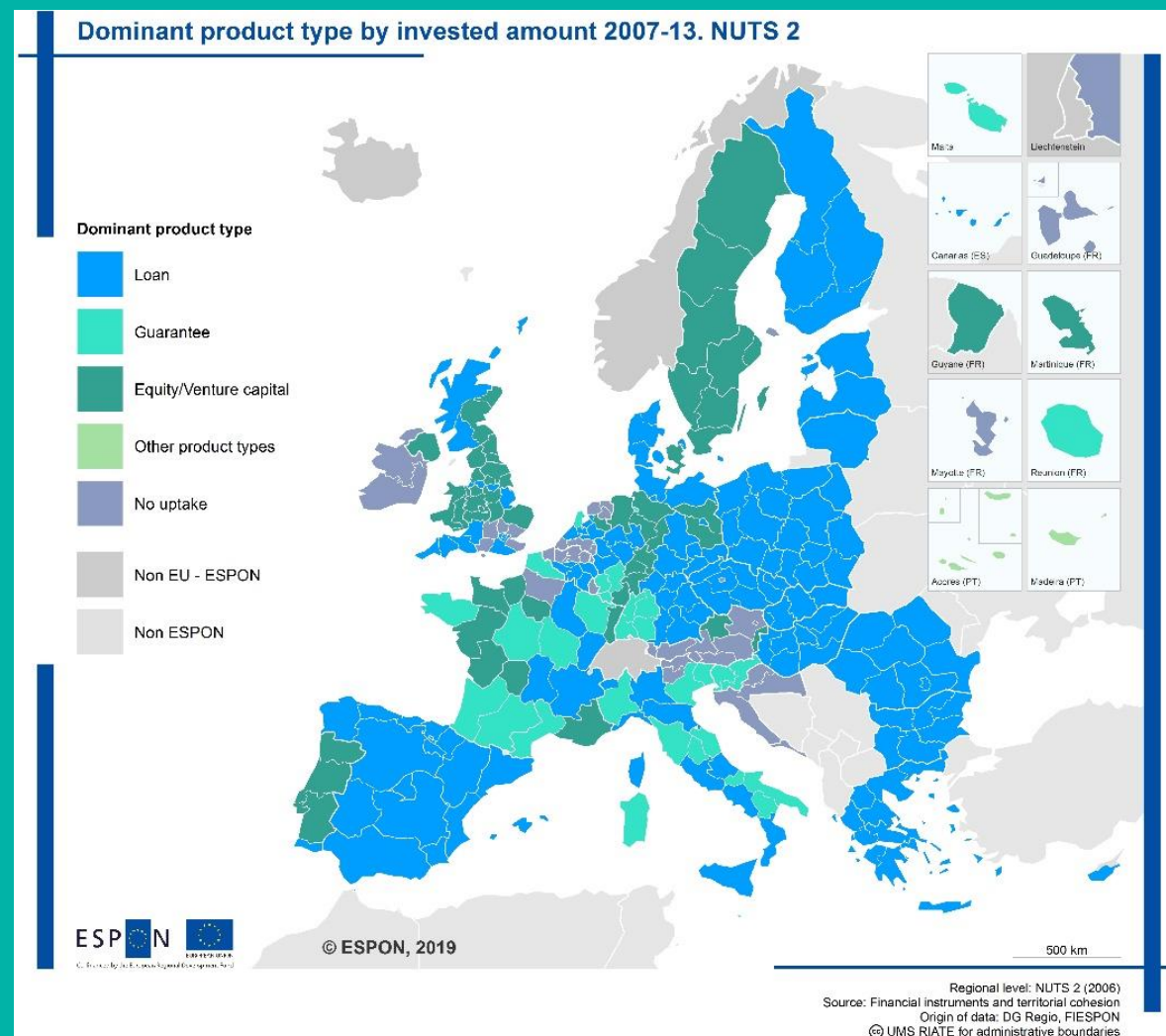
Uptake of financial instruments 2007-13: investment in final recipients



How?

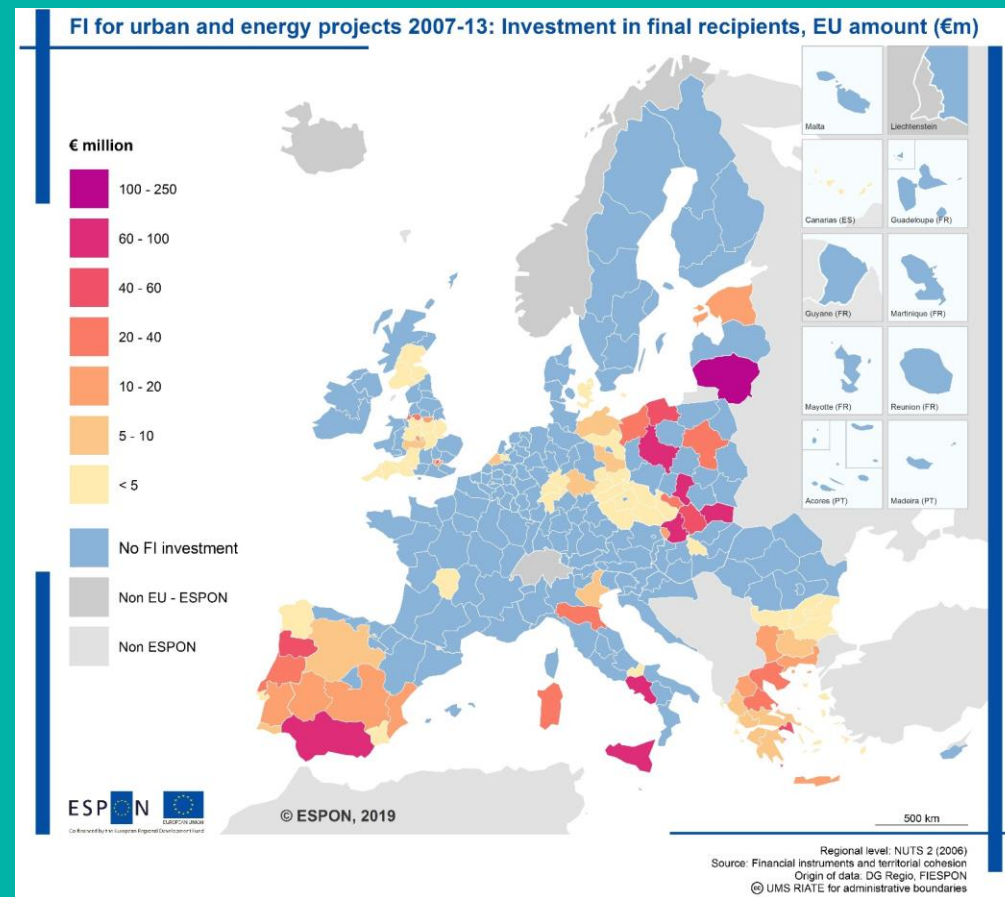
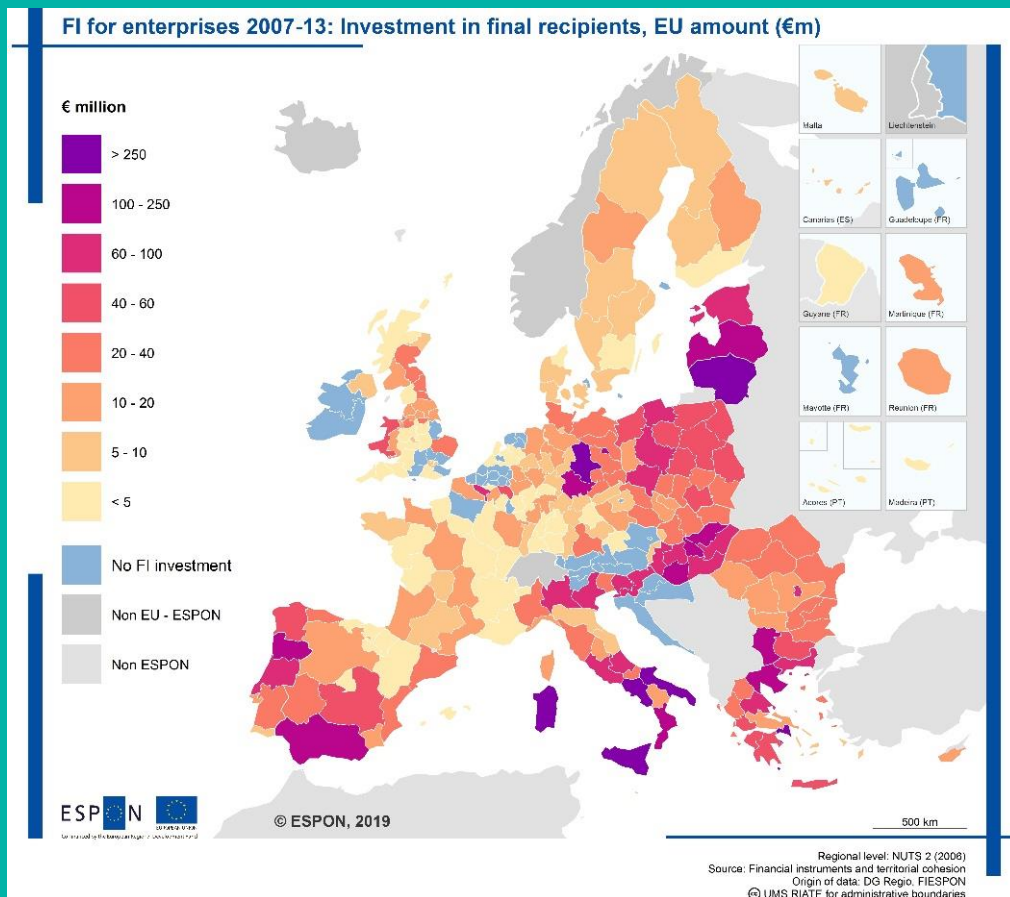
Quality of government a key driver in choice of financial product

- Loans widespread
- Guarantees higher in regions with low QoG
- Equity higher in regions with high QoG



How?

'Enterprises' account for 86% of FI investment

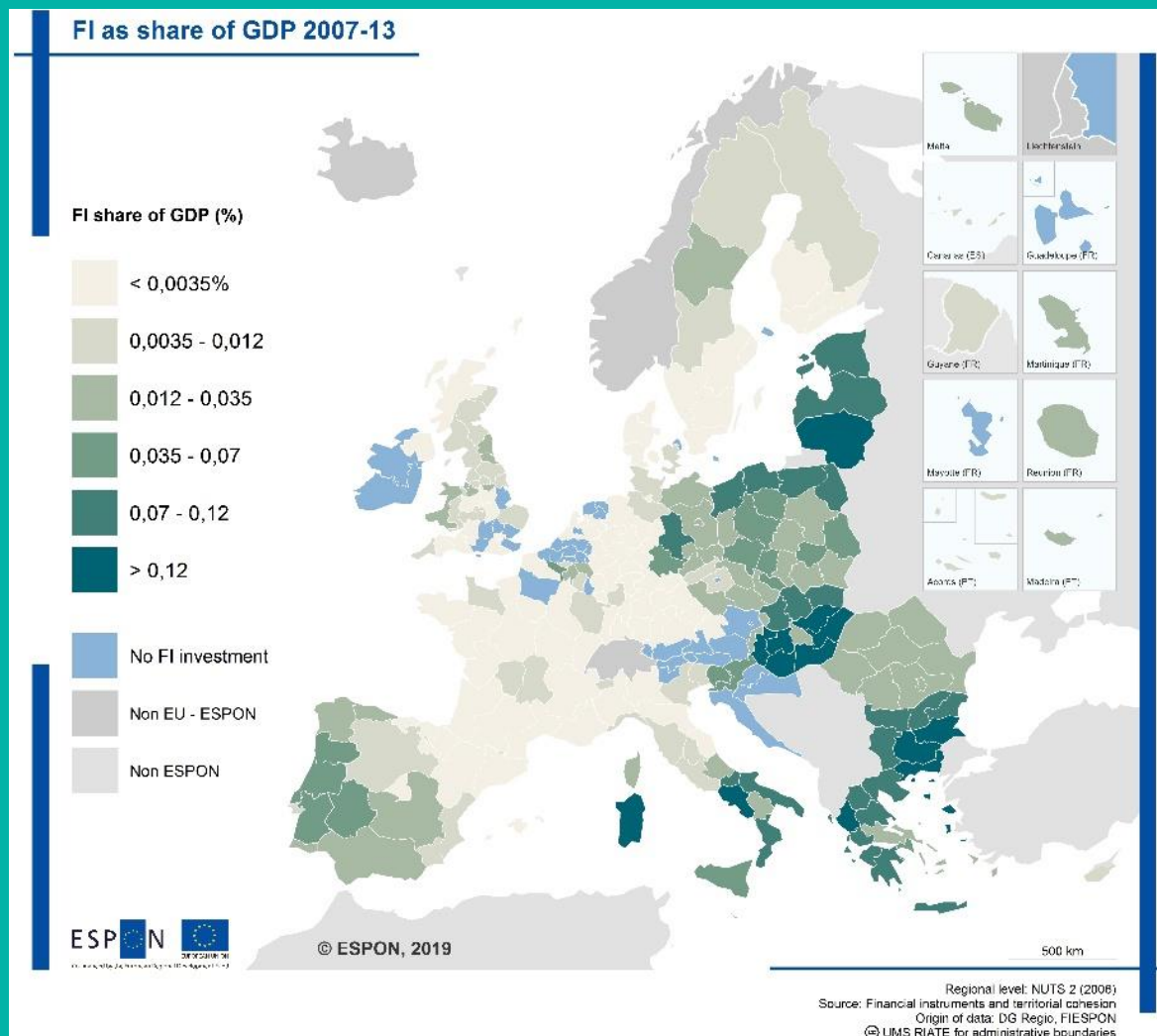


Value-added?

Financial instruments have a **very high policy** profile...

... but **nowhere** is investment through FIs **economically significant**...

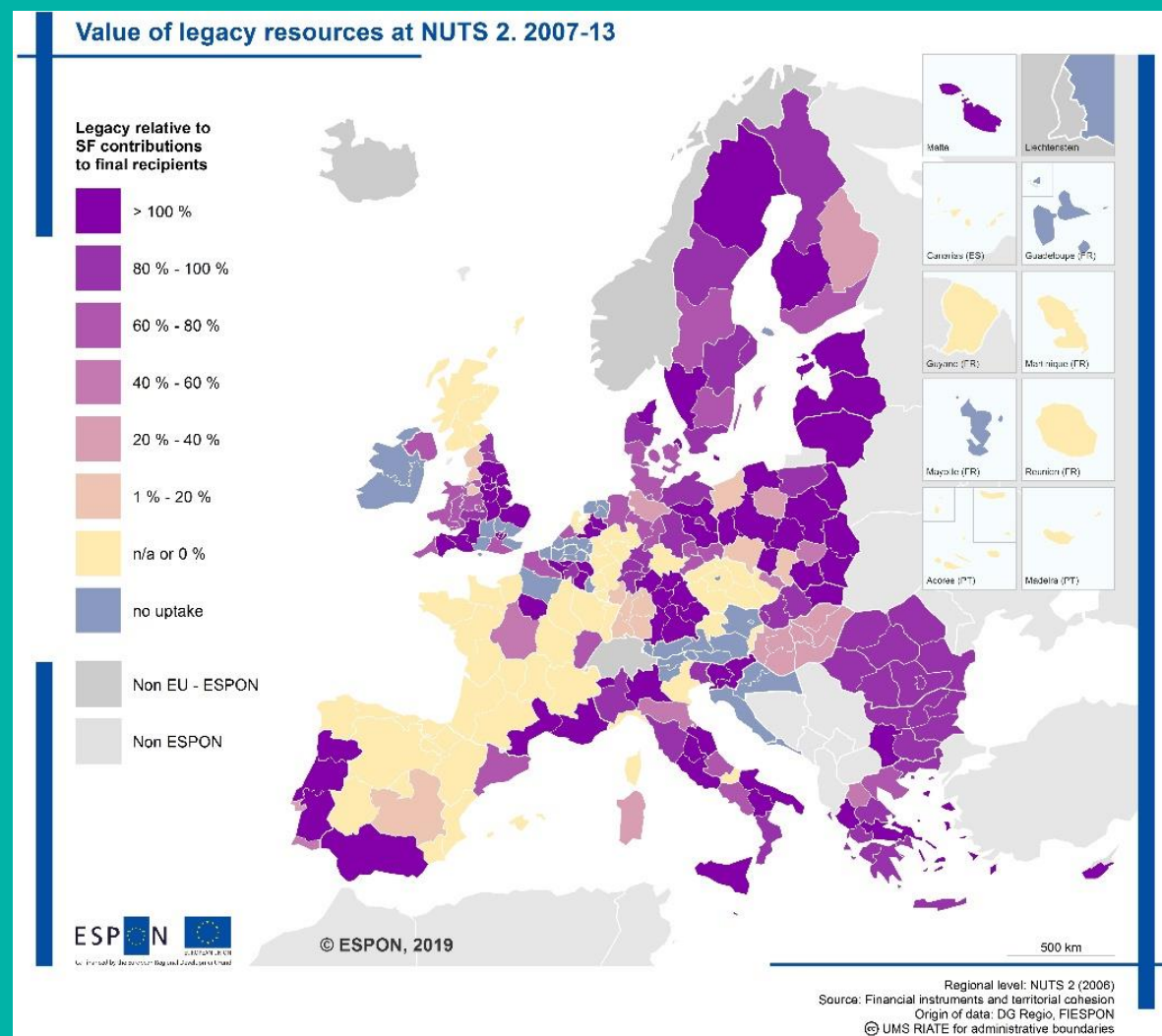
... with **implications** for assessing **value-added** and **impact**



Value-added?

Quantitative data are poor, but...

- Legacy *appears* higher in low QoG regions
- Guarantees offer substantial leverage, maybe more in urban areas
- High uptake regions have relatively lower management costs
- Assessing **impact** is not possible with data available (jobs, start-ups, investment, number of recipients...)



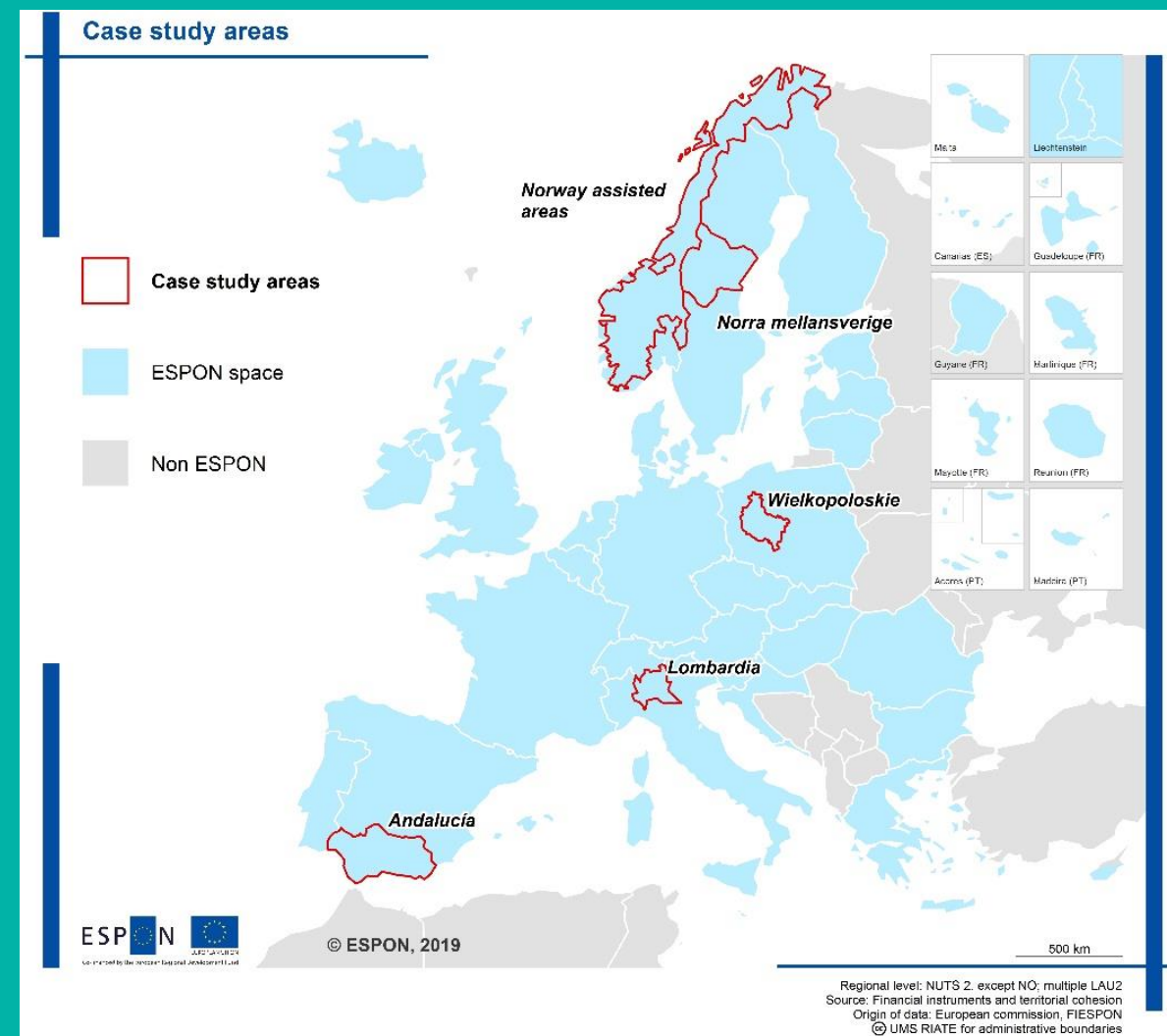
Value-added?

Qualitative insights more nuanced and positive:

- Access to finance
- Entrepreneurial culture
- Financial intermediaries

BUT: tension between absorption, returns, profitability and territorial cohesion

Except for Norway, systematic quantitative evidence of territorial and economic impact is **absent**



Territorial drivers and obstacles?

- **No *consistent* territorial pattern** to use of ESIF financial instruments
- **Domestic context is key:** culture, experience, administrative capacity...
- **Operational Programme objectives play a role:** do financial instruments fit?
- **Size of Cohesion policy allocations** cuts both ways:
 - 'too small to be worth it' **OR** 'so small we need to make it worthwhile'
- **Domestic financial instruments** cut both ways:
 - avoid duplication **OR** complement existing funds with ESIF
- **ESIF FIs usually demand-led** – FIs that target regional or territorial disadvantage are rare

Recommendations?

Policy level?

- Administrative requirements should not favour grants
- Regulatory requirements should not undermine policy objectives
- Rethink the role of data collection and reporting

Recommendations?

Territorial level?

- Are financial instruments **a suitable tool** for identified policy objectives?
- Conduct **credible ex ante assessment** to identify needs: focus more on regional dimension of supply and demand
- **Tailor** financial products to local context: start 'simple' and general; policy learning
- Nurture **trust** and good working relations with financial intermediaries
- Develop **administrative capacity**: governance structures need to combine financial expertise and local knowledge
- Retain **flexibility** to respond to changing conditions
- Use **evaluations** to (re)focus policy

Thank you for your attention!

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<http://www.eprc-strath.eu/>

FIESPON project:

<https://www.espon.eu/financial-instruments>