Financial instruments and territorial cohesion: current debates and future perspectives

Fiona Wishlade
European Policies Research Centre, University of Strathclyde
• What does the shift towards financial instruments imply for territorial cohesion?

• How do territorial features and governance issues affect the role of FIs in regional development?
Obstacles to development: low entrepreneurship, admin capacity, population density, underdeveloped financial market...

...precisely those that make delivery of FIs challenging
Access to finance is inherently spatial:

- **National financial systems** matter:
  - availability of finance
  - density and sophistication of institutional framework

- **Geography of finance within countries** matters too...
  - Physical distance
  - Financial institutions have own geographies
  - Venture capital is concentrated in particular regions
Quality of government - some regions are doubly disadvantaged:

- Access to finance is harder in more disadvantaged areas
- Same regions may lack capacity to implement policy to address geography of finance
Can national/multiregional implementation be reconciled with tailoring FIs to local needs?

Is FI spend disproportionately concentrated in more prosperous areas within OPs?
How do claimed benefits of FIs play out in different regional contexts?

• **Sustainability**: default rates higher in disadvantaged regions, reducing legacy?

• **Project quality**: poorer in disadvantaged regions?

• **Efficiency**: harder to attract private finance in disadvantaged regions?
Nature of FIs and OP scope limit data availability for assessing performance:

- *Regional* incidence of payments is only known for 48% of spend
- Less still is known about investment by final recipients, jobs created, new firms, R&D&I, greenhouse gas reductions...
Complexity of the financial instruments landscape (even without EU level FIs and EFSI...
Future debates...

• Cohesion proposals for FI offer some continuity and simplification

• InvestEU rationalises EU instruments and EFSI
  – *What do reforms mean for geography of FIs and territorial cohesion?*
  – *Does InvestEU downgrade the role of FIs in cohesion policy?*
  – *Can the proposals resolve the tension between administrative capacity and tailoring FIs to local needs?*
Thanks for your attention!

For more information about ESPON applied research on financial instruments and territorial cohesion see: https://www.espon.eu/financial-instruments

Or contact fiona.Wishlade@strath.ac.uk and see: http://www.eprc-strath.eu/Research-theme/Financial-instruments.html