Chapter 13
Stimulating Local and Regional Economic Projects and Technological Innovation

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ABSTRACT

The literature on the development of SMEs is clear: one of the most important obstacles to developing a private sector that also creates jobs is access to financial resources. This chapter presents the various economic players and their accessibility to finance: the public authorities, national, regional and local, the enterprises, and then in particular the SMEs and the traditional civil society. It also shows the conditions that succeed with the most effective results, incentives for start-ups and further developing companies, and the way targets are to be measured.

INTRODUCTION

In his introduction to the book “Internationalisation of SMEs. How to succeed abroad?” present chairman of the EU Parliament and former vice-president of the EU Commission, Antonio Tajani wrote: “The shortage of appropriate funding is one of the crucial factors preventing SMEs from exploring the potential of global markets. I would thus welcome and encourage every initiative that can improve access to finance at the European, national or regional levels. At a time when European enterprises, in particular start-ups and enterprises in an early growth phase, face unfavourable lending conditions, we need a concerted effort to establish financial instruments and a legal framework that would enable SMEs to expand beyond Europe’s Single Market” (Lernoux, Boschmans, Bouyon, Martin & Van Caillie, 2013). Access to finance varies greatly between countries and ranges from about 5 percent of the adult population in Papua New Guinea and Tanzania to 100 percent in the Netherlands (Demirgüç-Kunt, Beck & Honohan, 2008).
One of the incentives for regional involvement is to stimulate them in taking responsibility on the management of the European Regional Development Funds based upon a regionally developed strategy (EU, 2016). The difference in approach is striking: the UK manages the ERDF per member state of the Union: England, Scotland, Wales (2 programs!), Northern-Ireland and Gibraltar. Countries organizing the ERDF funds in a centralized way are Romania, Slovakia, Slovenia, Croatia, Malta, Luxembourg, Lithuania, Latvia, Hungary, Finland, Estonia, Denmark, Cyprus, Czech Republic, Bulgaria and Austria. Countries having developed various strategic plans for their regions –and enabling them most likely to manage the funds themselves- are Belgium, France, Germany, Greece, Ireland, Italy, Netherlands, Poland, Portugal, Spain and Sweden. And then there is an overwhelming offer of some 330 cross border collaboration plans. Hereby the regional approach is aiming transnational regions, such as countries alongside the coast of the Adriatic and Ionian Sea, the Low Countries and the North of France, the Danube countries or the countries alongside the Baltic Sea.

There will always be inequalities in economic development within a country. The composition of the population, the presence of large economic players, the presence of good schools and universities make the ascendance of a population towards economic improvement easier in one region compared with other ones. But to arrive to these results, the effort should not come from the sole national government. Local and regional authorities can have an immense impact on the development of their region and city. Even if they only have authority and a lack of budget, their creativity and local cohesion and dynamics can achieve important improvements for their local population. One should read the testimonials within the list of mayors selected for the “Mayor of the World competition”, to be convinced that mayors and governors can make a difference. The mayor of the Greek island of Lesbos, Galinos (2016), for example, is among the top-10 mayors of 2016. “Although he didn’t have any responsibility with the immigration issue because he is a mayor and not a Minister of immigration policy, he bears the whole weight on his back, he helped the refugees as much as he could, and he created a very good camp, the best in Greece probably. He did the best for his island, and for the residents even many of them don’t understand it. If the mayor Galinos was not there at this time, the chaos would have arisen.”

This chapter intends hereby to develop the various aspects of the various economic players and their accessibility to finance: the public authorities, national, regional and local, the enterprises and then in particular the SMEs and the traditional civil society.

BACKGROUND

National, Regional, and Local Authorities

Authorities have the potential to create jobs. Their financial means are in many cases substantial and come from direct taxes and indirect taxes. Direct Taxes are taxes that are directly paid to the government by the taxpayer. It is a tax applied on individuals and organizations directly by the government e.g. income tax, corporation tax, wealth tax etc. Indirect Taxes are applied on the manufacture or sale of goods and services. Direct taxes can be determined and collected as well by national, regional as local authorities. Indirect taxes are mostly collected on a higher level than the local one. Both together create a budget on an authority’s level. Expenses should be done based upon the level of the budget. When the budget is exceeding the foreseen income, authorities start to have debts. Nowadays, authorities try to reach their...
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