



ECONOMIC DEVELOPMENT AND REGIONAL FINANCE AGENCIES

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In Italy, as in all the main industrialised countries, in the last ten years we have witnessed intense development in local initiatives to promote and support small and medium-sized firms (SMF).

Among the large number of actions which are being undertaken, an important role is being played by Regional Finance Agencies. These institutions, promoted by regional government, operate as private companies and carry on activities which encourage the innovation and development of local economic system.

With increasing authority, in fact, Regional Finance Agencies are taking on linking and liaison functions between the different initiatives for economic promotion. They are active both in the allocation of public funds earmarked for the local production system, and in the creation of real services, with filter and certification tasks, and acting as a stable monitor of the dynamics of evolution of regional industrial systems.

Intervention in the field of regional economic promotion can take a wide range of institutional forms, from mixed public-private companies such as regional finance agencies, to companies set up by business associations and by trade unions, from arrangements between public bodies and private companies with universities and R&D laboratories, to companies which promote and organise the supply of innovative services. Regional Financial Agencies together with the centres for real services to businesses, set up by them, represent today in Italy a new experience in the relationship between public and private.

The concept of "real service" is certainly a wide one and consequently the range of suppliers of services is equally wide. Many of them originate in the market and have, especially in the consultancy sector, exclusively private characteristics; and these characteristics must surely be considered positive and indispensable. On the other hand, however, the development of strategic and global real services, which had their origins in

the collaboration between public and private, does not disturb that market, but on the contrary can be a stimulus to unexpressed entrepreneurial demand, and thus, to an adequate private supply of those services. On account of the strategic role they occupy, such real-services-to-business centres could well be defined "centres for development".

It is with the prospect of building a wide network of "centres for development" that experience with Research Areas, Business Innovation Centres-BICs and Technological Poles also must be considered interesting. This type of intervention aims to provide support for the technological growth of firms, especially the smaller-sized, by organising centres where human and financial resources can be pooled for scientific and applied research and technological transfer activities. Research Areas, BICS, and Poles are, therefore, a sure and reliable point of reference to which SMF can turn in order to tackle processes of modernisation. What we are talking about in fact is the activating of a range of innovative services, aimed at leading and supporting the strategies of SMF in the economic and technological labyrinths of production and which furthermore could provide momentum for highly trained employment. The success, even with some ups and downs, of these experiences is bringing about, on the one hand, an extension of the concept of scientific and technological research implicit in the original idea of the Research Areas, enlarging it to include not just new technologies alone but also applied technologies, the environment and urban infrastructures. On the other, it is developing systems of networks for technological,

institutional and communication relations. Actions promoted by Regional Finance Agencies, together with a wide range of other actors, aim to create the political, economic and social conditions that will stimulate innovation in the Italian entrepreneurial system, by intervening not only on the front of the supply of technology but by giving priority to the demand for technology which is equally fundamental.

As far as Regional Finance Agencies' experience of promoting financial intervention in support of local economies is concerned, a first important function must be highlighted: that of supplying information and consultancy on the opportunities for gathering resources both from public sources (EEC, BEI, State, Regional government) and from market sources (such as institutional and private investors, and actors operating in specialised intermediation). So the action of Regional Finance Agencies is increasingly oriented towards regional projects in which it is possible to bring about conditions of profitability for private capital. Thus, it is an area of intervention which must develop not as an alternative or indeed in competition with the banking and financial systems, but which must channel and direct the action of general intermediaries within the area of a specific region, towards specific objectives.

An other important area of Regional Finance Agencies' intervention is initiatives regarding the promotion of a dynamic environment, supported by a supply of a wide range of high quality activities (i.e. education, professional training, industrial estates, new infrastructures, environmental evaluation). Such actions increasingly overlaps with fields in which financial intervention of the European Economic Community is envisaged. Therefore Regional Finance Agencies will to an increasing degree be involved in the operational management of Community funding, in a threefold position: as recipients of funds; as intermediaries between the EC and SMF; and as the privileged interlocutors of traditional intermediaries, with an aggregating and coordinating function with regard to different interests arising from local situations.

The distinctness of Regional Finance Agencies' initiatives within the framework of local economic policies, the methods adopted in support of the recapitalisation of small and medium firms, and the need to better define and identify the new possible processes also in the light of the European single market, represent the central themes of a study that

ASSOFIR has carried out on "The role of and prospects for the Regional Finance Agencies in the process of innovation and changing of the financial market in the 1990s."

Certainly Regional Finance Agencies are required to operate within the limits of a well-defined geographical area, whose borders rarely coincide with what is called in economic theory "economic space". If we consider that financial activity, in all its aspects, is the economic activity which is least conditioned structurally by ties of a spatial nature, more than ever in the telematics age, it becomes clear that Regional Finance Agencies are in many ways an anomaly compared with traditional financial intermediaries, in particular those outside banking. These limits of an institutional nature today can give rise to limits on operations. In order to serve the economic development of their own regions, Regional Finance Agencies must be allowed and know how to operate within dimensions and horizons which are no longer exclusively regional.

For this reason, within ASSOFIR a debate has started with the aim of examining more closely the idea that Regional Finance Agencies set up a national finance structure, capable of taking part in projects and initiatives on a national or international scale, thus facing on these levels the problem of gathering financial resources by means of agencies operating within these areas.

On the other hand, ASSOFIR intends to continue with the policy of widening its own network of international relations, inviting regional finance institutions in other European countries to join the Association. The first achievement in this field was that SPRI, the regional finance institution of the Basque region, joined.

If this is a possible frame of reference, the future of Europe will be to a great extent a future of relations of cooperation and competition between the great metropolitan areas of the continent, meaning here, not large urban conurbations, but metropolitan area systems made up of both small and big cities. From this point of view, it becomes

fundamental to prepare financial and real instruments now to aid the birth of this system of relations. Regional Finance Agencies through ASSOFIR, strengthened by important new members at national and international level, who have also brought elements of cultural growth, can make their presence felt as intelligent operational terminals in their areas, which although still maintaining a specific relation with the Regional Government's policy, bring to the local and regional context this network of relations with the national system, with the EEC and with the international context. One is thinking here for example, of the role of lynchpin between the actions of the central government and the real needs of local situations which the Regional Finance Agencies can take on in the field of financial planning for environmental intervention in the region.

Changes in the frame of reference and in the geographical dimension within which our local and regional economic systems developed, have made the concept of the distinction between small and large enterprises largely obsolete. In reality it is increasingly clear that in a context characterised by the prospect of globalisation of markets, internationalisation of production cycles and rapid scientific and technological evolution, large and small enterprises both face similar problems, though they must be dealt with in different methods. If the future is to be characterised by relations of cooperation and of competition between economic systems, within the framework of the present process of changing, Regional Finance Agencies, in view of their achievements, are certainly a fundamental point of reference.



PLANS FOR DEVELOPMENT - 1990

INTRODUCTION

The policy directions which emerged in the debate leading to approval of the Annual Report at the October 27, 1989 General Meeting, confirm that it is necessary and possible to consolidate and development ASSOFIR and its institutional activity.

When the Association's organisational bodies were being renewed, light was thrown on the great potential for a tighter bond between members on themes of mutual interest by means of a realistic evaluation of the particular times we are living through.

In keeping with the aims of ASSOFIR, the promotion of a strong sense of cooperation must be rightly interpreted as the essential condition for concerted growth of the single members and the Association as a whole.

The convergence and the synergies which can and must manifest themselves at a national level, weaving a web of relations all the more profitable since they answer the tangible needs of members, will therefore be the test bench for obtaining those results which otherwise a single member of ASSOFIR, no matter how authoritative, could never pursue on its own.

The work method that the new association organisations intend to adopt gives priority to a criterion of concreteness, effectiveness and efficiency so that in this stage of transition, the things that it is right and possible to do, be done in the right way, with the active participation and the committed support of all members.

HIGH PRIORITY OBJECTIVES

The idea of choosing a certain number of fundamental objectives, at the price of sacrificing momentarily other ambitious targets, is dictated by the fact that it is right that now we concentrate our efforts on what can be called strategic objectives.

The long-awaited recognition of Regional Finance Agencies (FR - Finanziarie Regionali) at the national legislative level must surely have a place among our high priority objectives.

If ASSOFIR'S action is to represent the interests of FRs and the nascent "regional shareholding system", the foundations must be consolidated in the short term so as to reach this certainly ambitious, but absolutely indispensable objective, within a reasonable lapse of time.

Although not underestimating the difficulties and the obstacles which remain in the way of formal recognition of FRs as actors in the promotion and development of local economies, above all in favour of small and medium firms, it is a question of at last bringing into being the "intelligent lobbying".

This objective cannot be imagined without a broad consensus and an extraordinary contribution from members, since it also calls for legitimation of ASSOFIR as the national representative in dealings with the appropriate parliamentary and government authorities. It is clear that it is not enough to lay claim to this objective: it must be fought for. That is why the Association's "recognising itself" so as to obtain "recognition" for FRs and to aid a rational process of growth of the "regional shareholding system" become the two inseparable sides of the same coin, which must be exploited with both realism and determination. In fact every form of intelligent lobbying calls for a shrewd image policy, based on a deep capability for self-analysis and, whenever necessary, self-correction, and also on a committed and constant acceptance by members of the group's strategic objectives.

The considerable efforts which the Association, with great foresight, has already made must be seen in this light with the aim of identifying "FRs' role and prospects in the process of innovation and changing of the financial market of the 1990s". The pooling of knowledge and the successive diffusion of the most significant research data on this issue in the appropriate political/institutional and social and economic circles of our country,

are an indispensable instrument if ASSOFIR, as an ever more authoritative and credible representative in its dealings with national legislative and executive authorities, is to strengthen the entire system of FRs.

The recent passing by the Council of Ministers of the proposal concerning intervention for the innovation and development of SMFs, is emblematic of the absolute necessity for more incisive action aimed at obtaining recognition for the role of FRs, whose very existence otherwise might remain obscure.

Nobody can ignore the fact that the above-mentioned measures concern just those sectors of economic activity where already there is a large number of initiatives, mostly promoted or supported by FRs, regarding intervention on the circulation of information, on relations between firms, on the internal functions of enterprises and on their external economies (namely: development agencies, research consortia, sectoral or multisectoral service centres, BICs - Business Innovation Centres, technological poles, etc.). It is our duty to make it known that almost one half of existing centres supplying real services to SMFs in Italy, counted in the census carried out by Nomisma in 1988, have among their promoting partners the "appropriate" local FR (the rate goes up to 56% if we include present partners); if we limit our field of investigation and exclude centres which are located in areas where the FRs did not exist or yet operate or today still do not exist, the figures are respectively 62% and 72%.

This data does not require any particular comment; this quantity and quality must be made to "count", and must be used with intelligence in negotiations at the public national level.

This also applies to resolving another important problem which involves members, although to varying degrees.

We are referring to the tax regulations governing the financial relationship with Regional government, in particular how the sums of money provided by the Regions in capital grants are to be considered.

This is a question on which ASSOFIR has been active for some time, with the aim of obtaining that the legislator consider these grants as the capital of FRs, and as such, exempt from taxation, and not as income or revenue.

Both of these problems highlight the limits which stem from the lack of legal recognition of FRs at the national level. Both problems remind us of the need to identify in a precise manner the minimum conditions necessary to achieve such recognition.

IMPLEMENTATION RESOURCES AND INSTRUMENTS

The consolidation and the relaunching of ASSOFIR call for a large number of implementation instruments.

It must be said that not all these instruments involve expenditure, and that while for some of them the burden has already been covered in previous financial years, others require appropriate adjustments or need to be redesigned *ex novo* in relation to the Association's planned objectives.

This approach has already been tried with regard to Work Committees, composed by directors, managers and counsellors of members or of other agencies whose action converges with ASSOFIR'S strategic objectives. They must perform discussion and proposal functions, enhancing the value of members' human and financial resources and operating within preordained time scales, on the basis of precise directions from the Executive Committee. The principal areas in which applied work has been organised, include: Environment, Development Cooperation and International Trade, Finance and Economic Promotion, The Southern Regions, EEC Relationship, BICs and Technological Parks. In the Association's new headquarters the activity of association boards and of Work Committees can already count on the support of an efficient structure of computerised general secretarial and technological services, while the implementation of the database using the most significant indicators that can be gathered from research on

the role and prospects of FRs will have to include the activity of the whole regional shareholding system.

An initial inquiry among FRs on their projects and the current action they carry out in association with the European Economic Community highlighted the importance of having clear knowledge of the structural characteristics and the lines for intervention of the multifaceted world of our Association. Let no-one forget the need to preserve this great wealth of knowledge; it is worth particular attention because it can and must aid not only a systematic exchange of useful information and data within ASSOFIR, thus constituting, among other things, the indispensable foundations for a better orientation of socio-economic research - but also an enhancement of our image in politico-institutional relations with the outside world (in this sector of activities we include a periodical Association newsletter and press review to call the attention of the outside world to the different single and associated initiatives).

The systematic enhancement of our heritage is moreover, to some extent, a preliminary and preparatory condition for the function which ASSOFIR intends to carry out, both in the process of internationalising the system of FRs, with particular regard to the relationship with Community institutions, and, on the level of analysis and proposals, in the process of evolution of the capital market which obliges us to search for new instruments and channels of an economic and financial nature in support of members' activity.

With this aim, and precisely in answer to the need to place our economic localisms into an ever wider scenario, it is necessary to identify the national and international actors with whom relations of collaboration should be set up.

The agreements with the International Trading Consulting Service of the American Express Bank, enabling small and medium Italian enterprises to extend their horizons to the United States market, and with member FINIDREG, of the State-owned IRI group, for cooperation in the important field of clean energy and the production of electricity for



internal requirements, are two examples, although completely different in nature and scale, of the high level of partnerships envisaged by ASSOFIR'S institutional policy.

The instrument of agreements must be explored both in order to increase the Associations' relations, reaching clear agreements with competent agencies operating at the national level in the economic/social field (one thinks of CENSIS, or Nomisma for example, or in particular of Unioncamere bearing in mind the necessary positive relation at the peripheral level with the Chambers of Commerce structure so as to supply the SMF production system with support which has been agreed beforehand and reflects the different peculiar functions) and to enhance the standing of the partners in ASSOFIR Servizi Srl, with the prospect of an effective national network of centres for real services to local firms.

A NEW INSTRUMENT OF THE REGIONAL SHAREHOLDING SYSTEM

The strategic importance for enterprises of being able to count on an effective network of external professional relations brought ASSOFIR to create ASSORIR Servizi srl, a new entity which offers high-quality services to finance and promotion enterprises with regional shareholdings, to both cross-regional and national enterprises and agencies carrying out similar activities, and to enterprises which they partially own.

MEMBERS OF ASSOFIR

<i>Name</i>	<i>Territorial Area of intervention</i>	<i>Tipology</i>
1. ERVET	Emilia Romagna	RFA
2. ESPI	Sicily	RFA
3. FILAS	Lazio	RFA
4. FILSE	Liguria	RFA
5. FINAOSTA	Valle d'Aosta	RFA
6. FIN- LOMBARDA	Lombardy	RFA
7. FINMARCHE	Marche	RFA
8. FINMOLISE	Molise	RFA
9. FINPIEMONTE	Piedmont	RFA
10. FINPUGLIA	Puglia	RFA
11. FIRA	Abruzzi	RFA
12. FRIULIA	Friuli Venezia G.	RFA
13. SFIRS	Sardinia	RFA
14. SVILUPP- UMBRIA	Umbria	RFA
15. TECNOFIN TRENTINA	Trento	LFA
16. VENETO SVILUPPO	Veneto	RFA
17. FINANZIARIA SENESE	Siena	LFA
18. SPI	National	Enterprise Promotion
19. FIME	National	PA for MED
20. FINAM	National	Agro-industrial
21. INSUD	National	PA for MED
22. IASM	National	PA for MED
23. FICEI	National	Industrial Estate
24. FINIDREG	National	Energy
25. CASTALIA	National	Environment
26. ASTER	Emilia Romagna	Technology Transf.
27. FIT	Emilia Romagna	Innovation
28. IDROSER	Emilia Romagna	Energy
29. FINRECO	Friuli V. G.	Cooperation
30. FRIULIA FACTOR	Friuli V. G.	Factoring
31. FRIULIA LIS	Friuli V. G.	Leasing
32. ISELQUI	Marche	Electronics
33. IRTAC	Sicily	Cooperation
34. SICIL- TRADING	Sicily	Trading
35. SIRAP	Sicily	Industrial Estate
36. SPRI	Spain	RFA

RFA - Regional Finance Agency;

LFA - Local Finance Agency;

PA for MED - Public Agency for Mezzogiorno Economic
Development