

# Regional convergence and the EU Cohesion Policy

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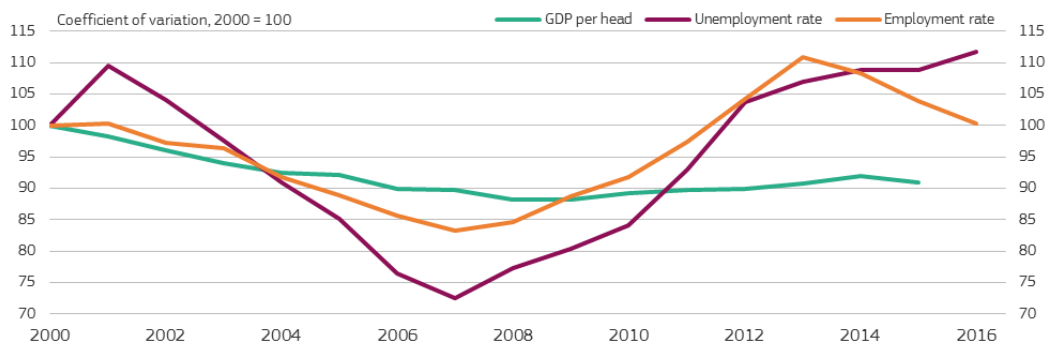
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Crisis led to regional divergence and ...  
... recovery to **weak** regional convergence

**Figure 1.1** Coefficient of variation of GDP per head, employment rate (20-64) and unemployment rate in EU-28 NUTS 2 regions, 2000-2016 (indices, 2000=100)

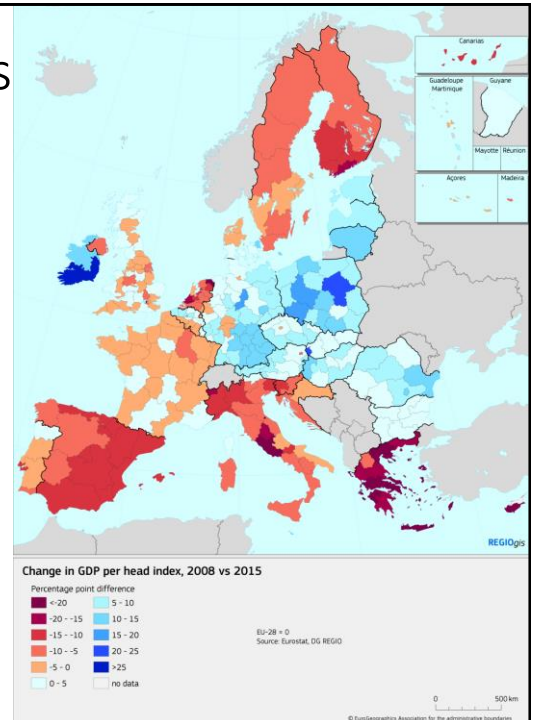


The coefficient of the variation is weighted by the population of each region  
Source: Eurostat, DG REGIO calculations

Source: European Commission (2018), Seventh Cohesion Report

## Highly uneven recovery patterns

Regions in eastern Member States have converged to the EU average, but Greek and Italian regions diverged substantially



Source: European Commission (2018), Seventh Cohesion Report

## Has EU Cohesion Policy helped? (1)

### Key questions

Does Cohesion Policy boost regional **growth and employment**?

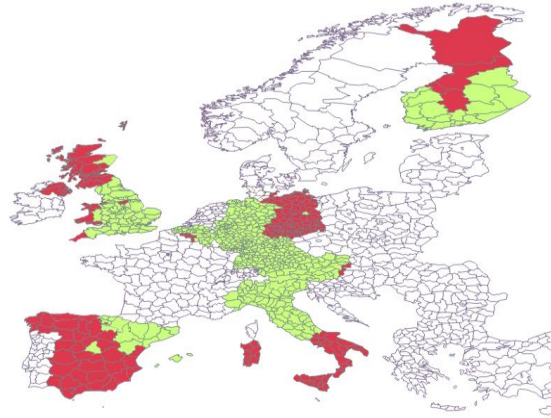
Do regions in **ALL Member States benefit** from Cohesion Policy?

Crescenzi & Giua (2018):

Spatial Regression Discontinuity Design (RDD) estimates **distinct but fully comparable regional impacts for each individual Member State** before the Crisis and during Recovery

Eligible and non-eligible areas are compared by means of a spatial forcing variable

## Has Cohesion Policy helped? (2)



Treated NUTS-3 regions (belonging to Objective 1 regions according to the 2000-2006 EU Cohesion Policy eligibility criteria) in red. Counterfactual NUTS-3 regions in green

Source: Crescenzi and Giua (2018)

**Table 4. Effects of EU Cohesion Policy on economic growth and employment (2000-2010)**

|                                     | Europe               | Germany              | Italy                  | Spain                  | UK                     |
|-------------------------------------|----------------------|----------------------|------------------------|------------------------|------------------------|
| <b>Panel A - Y: economic growth</b> |                      |                      |                        |                        |                        |
| Objective 1                         | 0.0036**<br>(0.0011) | 0.0354**<br>(0.0118) | 0.0295<br>(0.0411)     | 0.5078<br>(0.5907)     | 0.0074<br>(0.0451)     |
| R squared                           | 0.183                | 0.094                | 0.195                  | 0.360                  | 0.138                  |
| Polynomial degree                   | 3-2                  | 3-1                  | 2-1                    | 2-1                    | 1-1                    |
| Observations                        | 779                  | 428                  | 87                     | 44                     | 125                    |
| <b>Panel B- Y: employment</b>       |                      |                      |                        |                        |                        |
| Objective 1                         | 0.0045*<br>(0.0017)  | 9.7737<br>(4.9094)   | 40.8626**<br>(12.8633) | -78.82296<br>(43.9912) | 50.3325**<br>(16.6211) |
| R squared                           | 0.300                | 0.154                | 0.218                  | 0.510                  | 0.177                  |
| Polynomial degree                   | 3-1                  | 3-3                  | 2-3                    | 3-3                    | 3-2                    |
| Observations                        | 770                  | 421                  | 87                     | 42                     | 125                    |

Source: Crescenzi and Giua (2018)

## Has Cohesion Policy helped? (3)

**Positive** EU-wide impact on both regional **economic growth and employment**

The **positive impact on regional employment has survived the Crisis** and supported less developed regions in the recovery period

**Positive effects are unevenly distributed across member states:**

- **'Regional growth bonus'** concentrated in **Germany**
- Impacts on **regional employment** are largely confined to **UK** regions
- In **Italy** beneficiary regions experienced **better employment** performance but this effect **ended with the Crisis**
- In **Spain** beneficiary regions have benefited in terms of **better growth during Recovery** with **no impacts on employment**

## Selective convergence and conditionality

Multiple shocks (Recovery from Great Recession & Brexit) with asymmetric territorial impacts

Highly selective regional convergence during recovery

Asymmetric impacts of Cohesion Policy: 'picking the winners' with limited impact on structural transformation in less developed regions (especially in Southern Europe)

Two possible approaches:

- Reward best performing regions with stringent performance-based conditionalities and put the remaining regions 'on social benefits' (e.g. approach of the current Italian government with income guarantee for the unemployed and poor)
- Use conditionality together with capacity building and governance to improve both absorption rates (e.g. revision of n+3 rule) and impacts (what works?) in all regions

## Conditionality and convergence

Linking conditionality and rewards to structural reforms is a 'risky' decision that might reinforce existing 'divergence' patterns

Better keep conditionality linked to improvements in the governance of regional development policies and evidence-based actions

Incentives for **evidence-based policy learning** based on:

- Ex-ante, *in-itinere* and ex-post evaluation of policies, programmes and projects beyond formal requirements
- (Open) Data availability at the firm/individual beneficiary level in ALL Member States
- Coordination between policies
- Small-scale experimentation with continuous feedback mechanisms

In countries where territorial imbalances have reinforced populist, anti-EU and/or anti-system movements this might seriously backfire

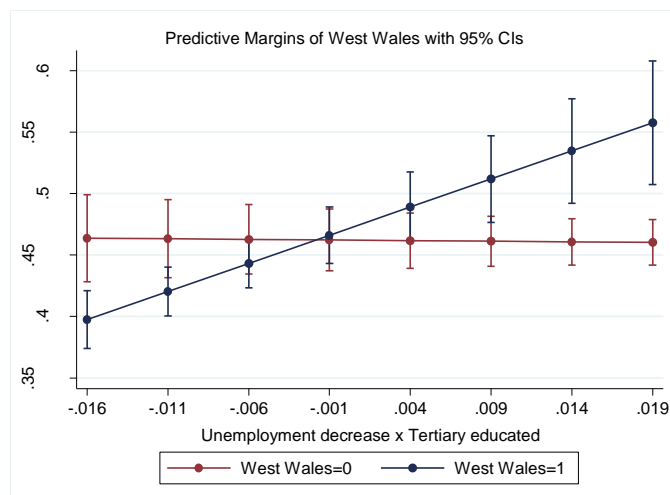
## Does this matter to the future of Europe?

Brexit votes suggest that EU money matters only where it generates local impacts

Red: control wards

Blue: treatment wards

Areas in **West Wales** where:  
**unemployment decreased** more +  
**human capital** is higher  
voted **Remain more**  
(than control wards)



Source: Crescenzi, Di Cataldo and Giua (2019)

50km from border, order 3 polynomials, excluding Cardiff

## Key references

Crescenzi R. and Giua M. “[One or many Cohesion Policies of the European Union? On the diverging impacts of Cohesion Policy across Member States](#)” LSE/SERC Discussion Paper #230/2018, 2018

Crescenzi R., Di Cataldo M. and Giua M. “Has EU Funding helped with Brexit? A spatial RDD analysis”. Paper presented at the ERSA 2018 Conference and RSA Winter Conference 2018.

Crescenzi R., De Blasio G. and Giua M. “[Cohesion Policy Incentives for Collaborative Industrial Research. The Evaluation of a Smart Specialisation Forerunner Programme](#)” LSE SERC/CEP (Centre for Economic Performance) Urban and Spatial Programme Discussion Paper No' SERCDP0231, 02-2018

→ **VoxEU Column:** <https://voxeu.org/article/smart-specialisation-strategies-italy-s-mezzogiorno>



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