

8th

Evaluation
Conference
in Prague

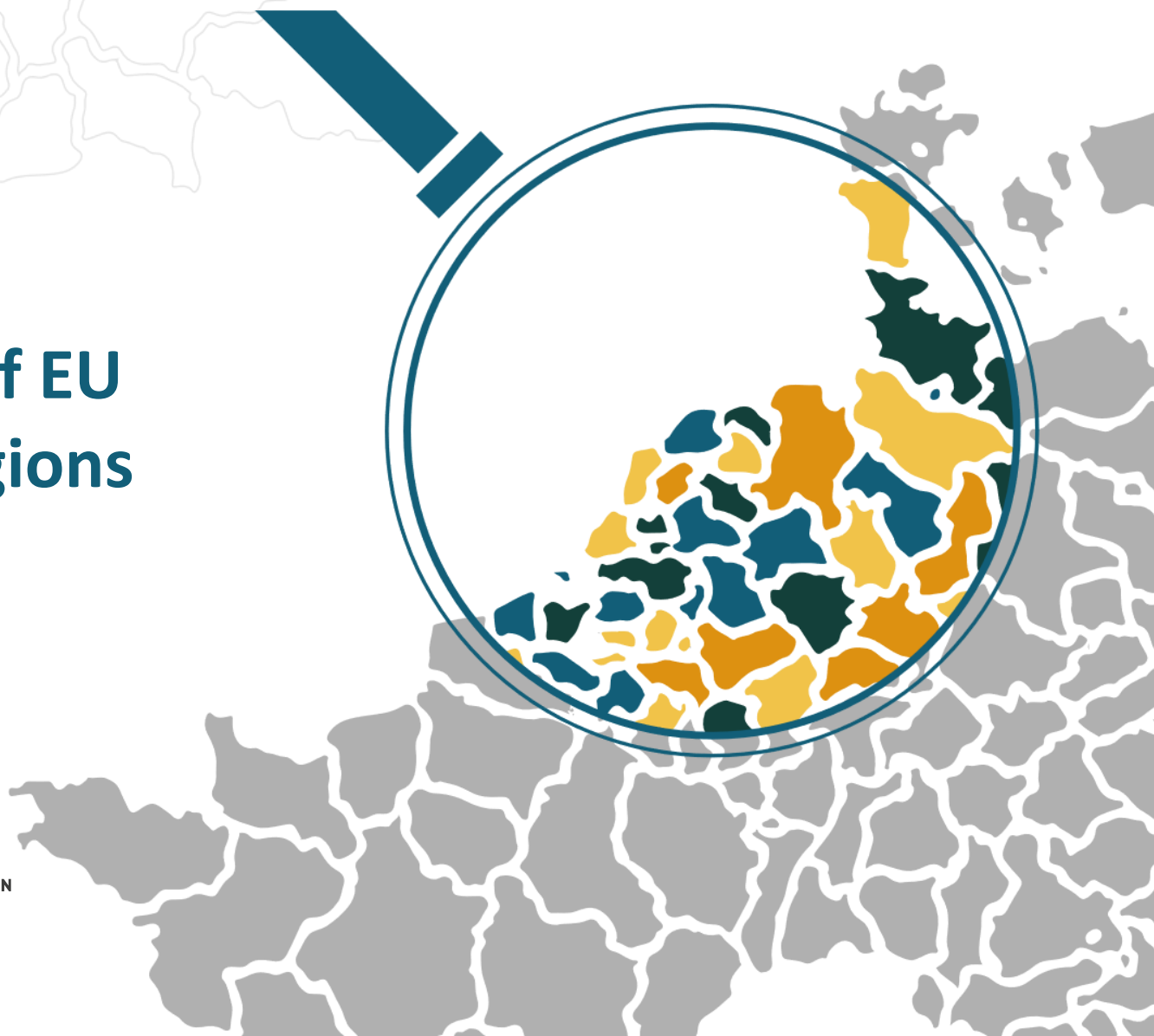
Different economic impacts of EU Cohesion Policy in various regions

Viktor Květoň

3. 11. 2022, Prague



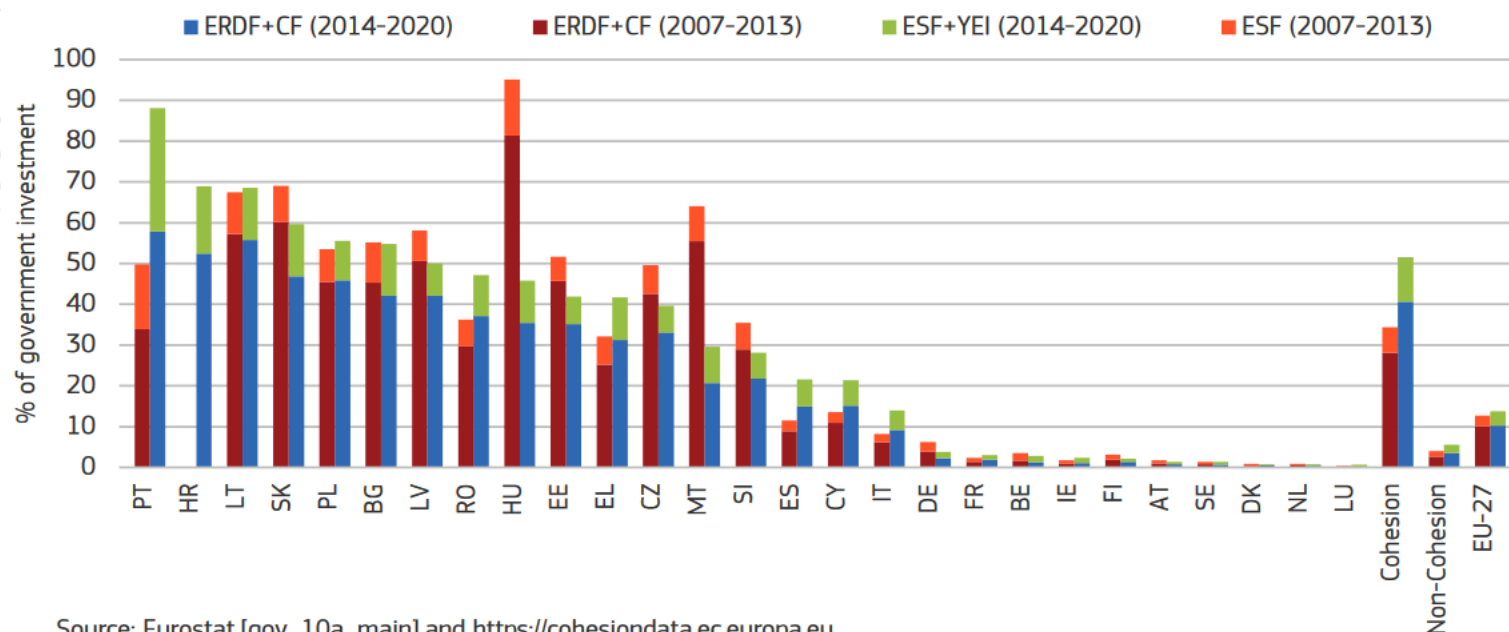
MINISTRY
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EU Cohesion Policy

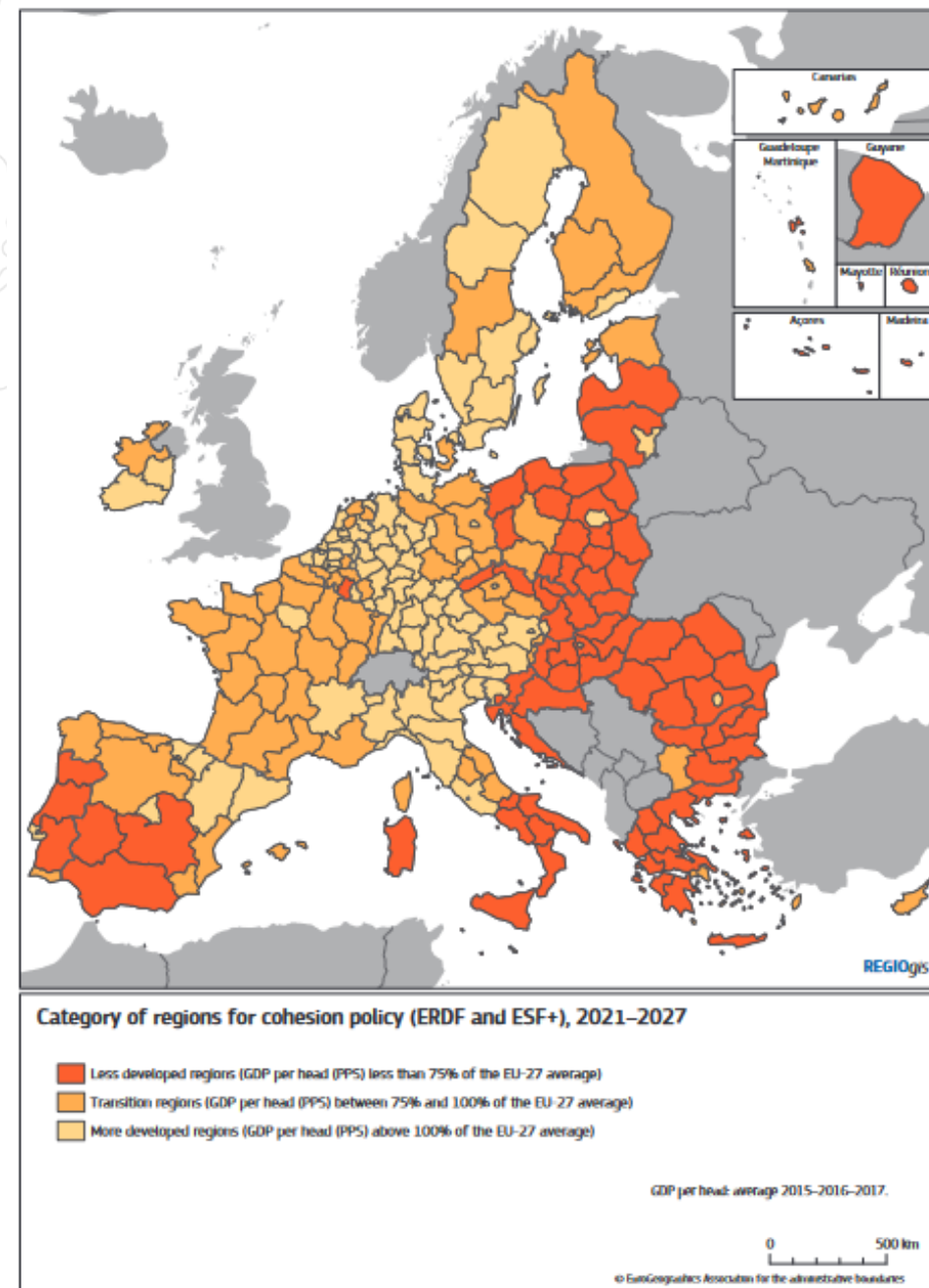
Between 2014 and 2020 the European Union (EU) spent almost one third of its budget – or €351.8 billion – “in order to support job creation, business competitiveness, economic growth, sustainable development, and improve citizens’ quality of life” in its regions and cities (European Union, 2014).

Figure 1 ERDF and Cohesion Fund allocations relative to government investment in the 2007-2013 and 2014-2020 periods

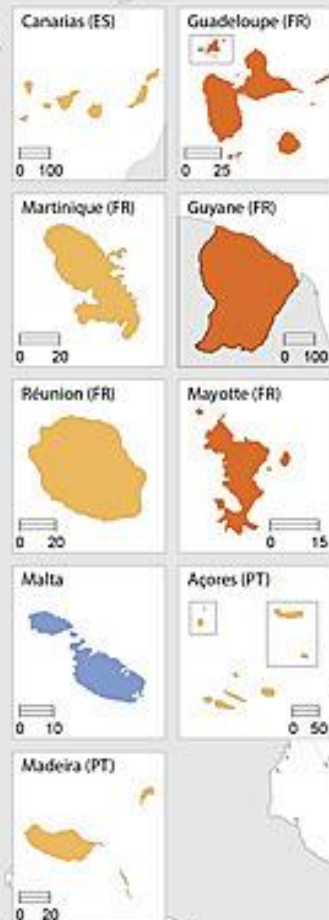
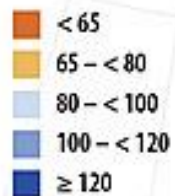


Source: Eurostat [gov_10a_main] and <https://cohesiondata.ec.europa.eu>

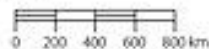
Source: EC, 8th Cohesion Report



GDP per capita in EU regions (NUTS 2), 2019 (in PPS, EU=100)

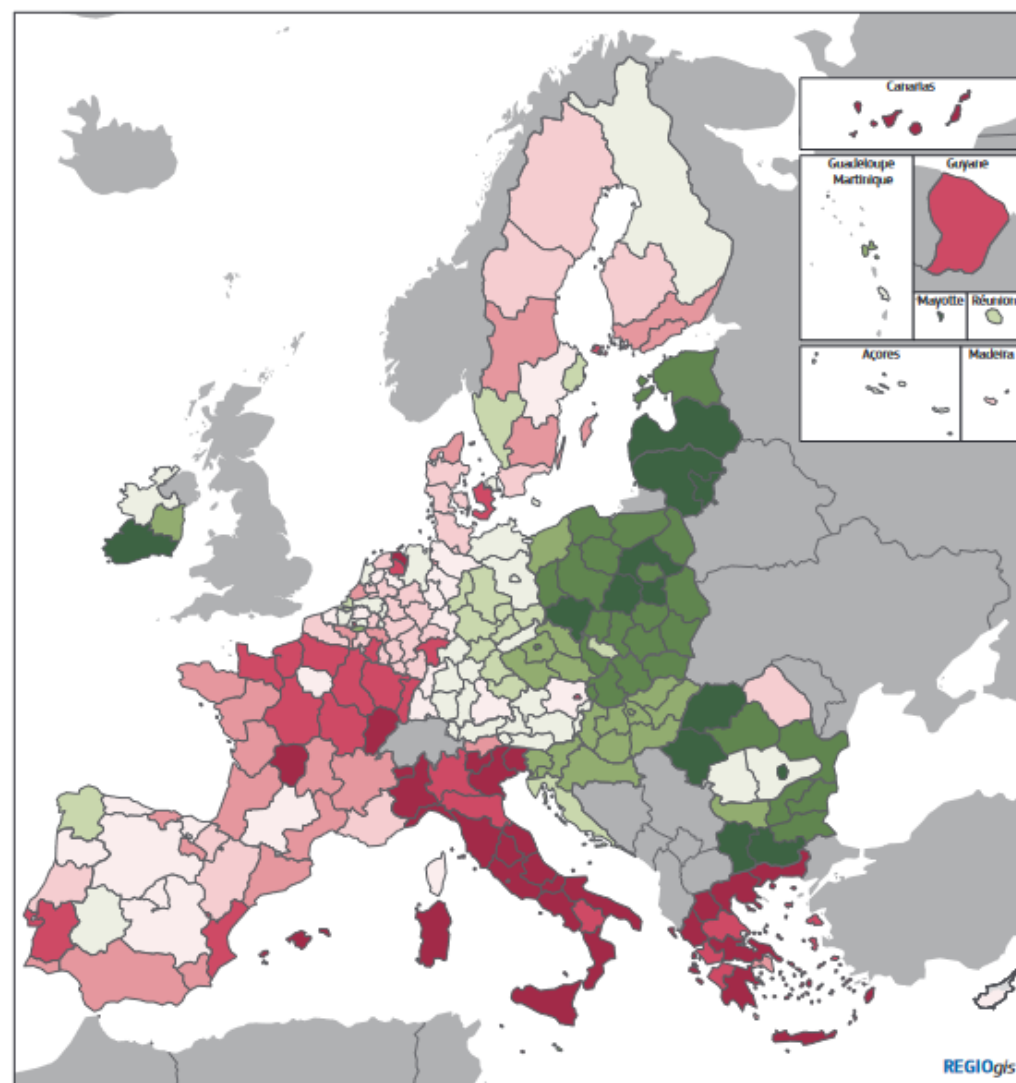


Administrative boundaries: © EuroGeographics © UN-FAO © Turkstat
Cartography: Eurostat - IWAGL 02/2021



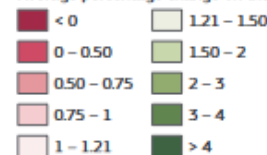
ec.europa.eu/eurostat

Source: EC, 8th Cohesion Report



Map 1 Growth of GDP per head, 2001-2019

Average percentage change on the preceding year



EU-27 = 1.21

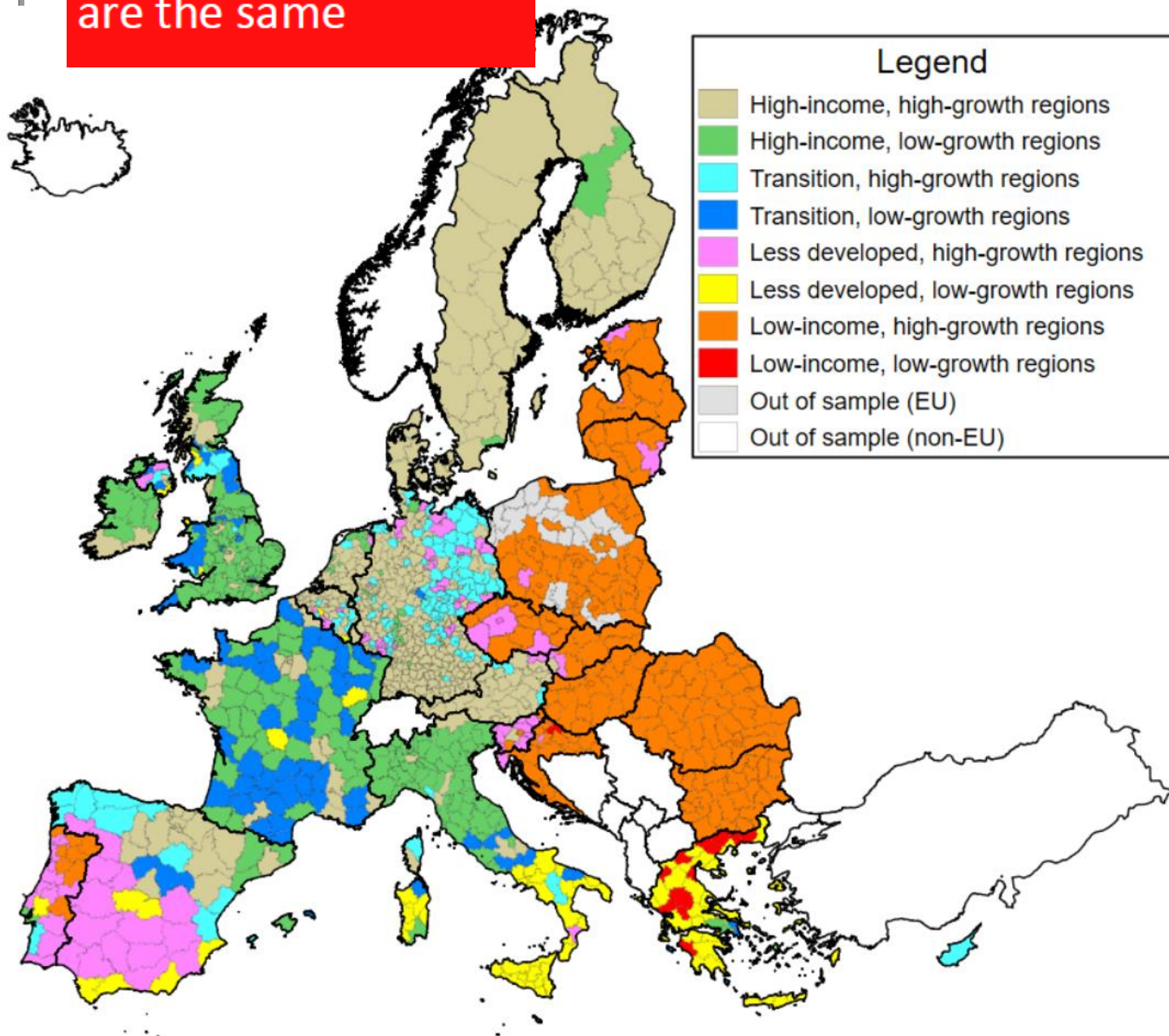
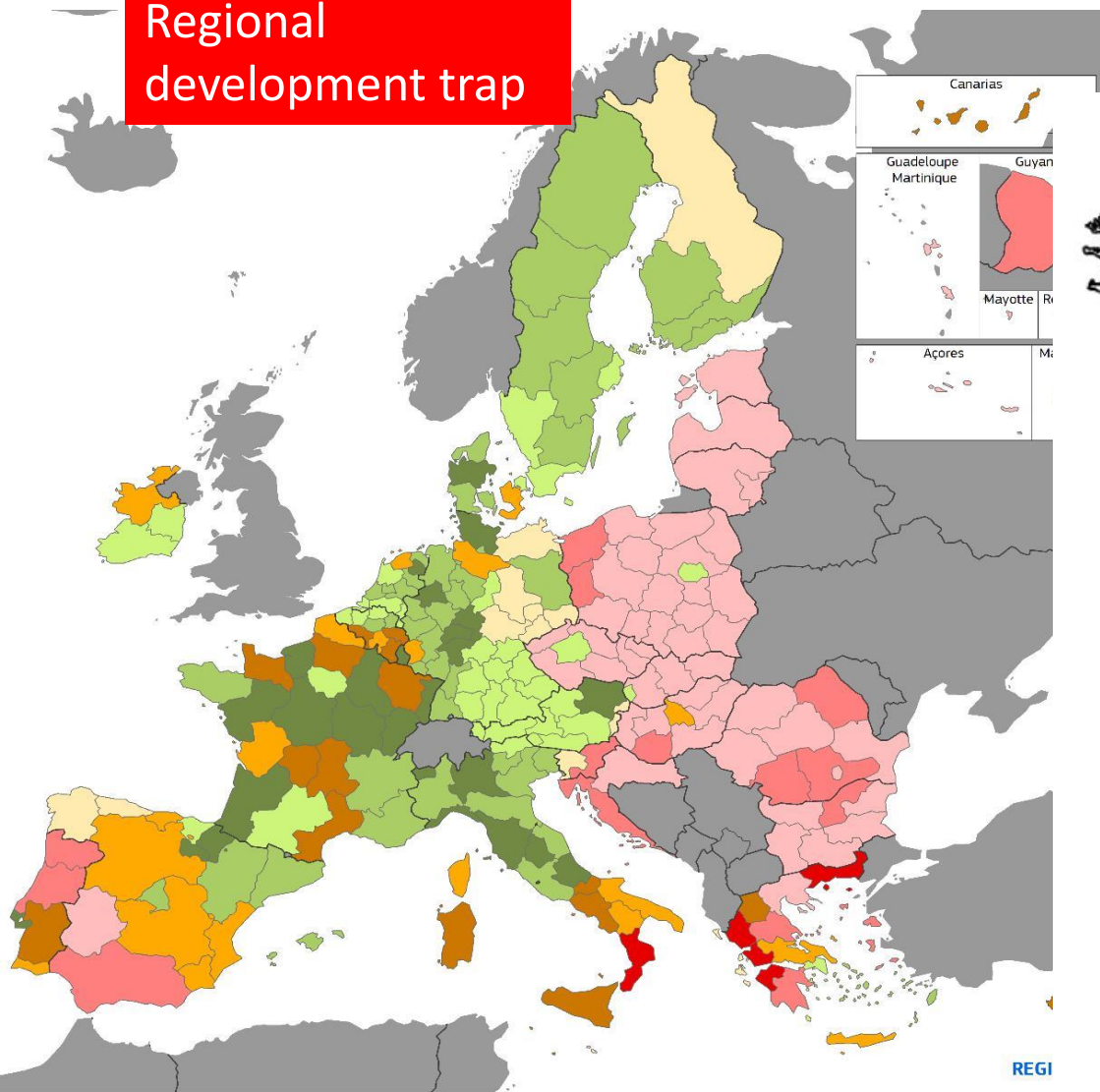
Source: DG REGIO based on JRC and Eurostat data.



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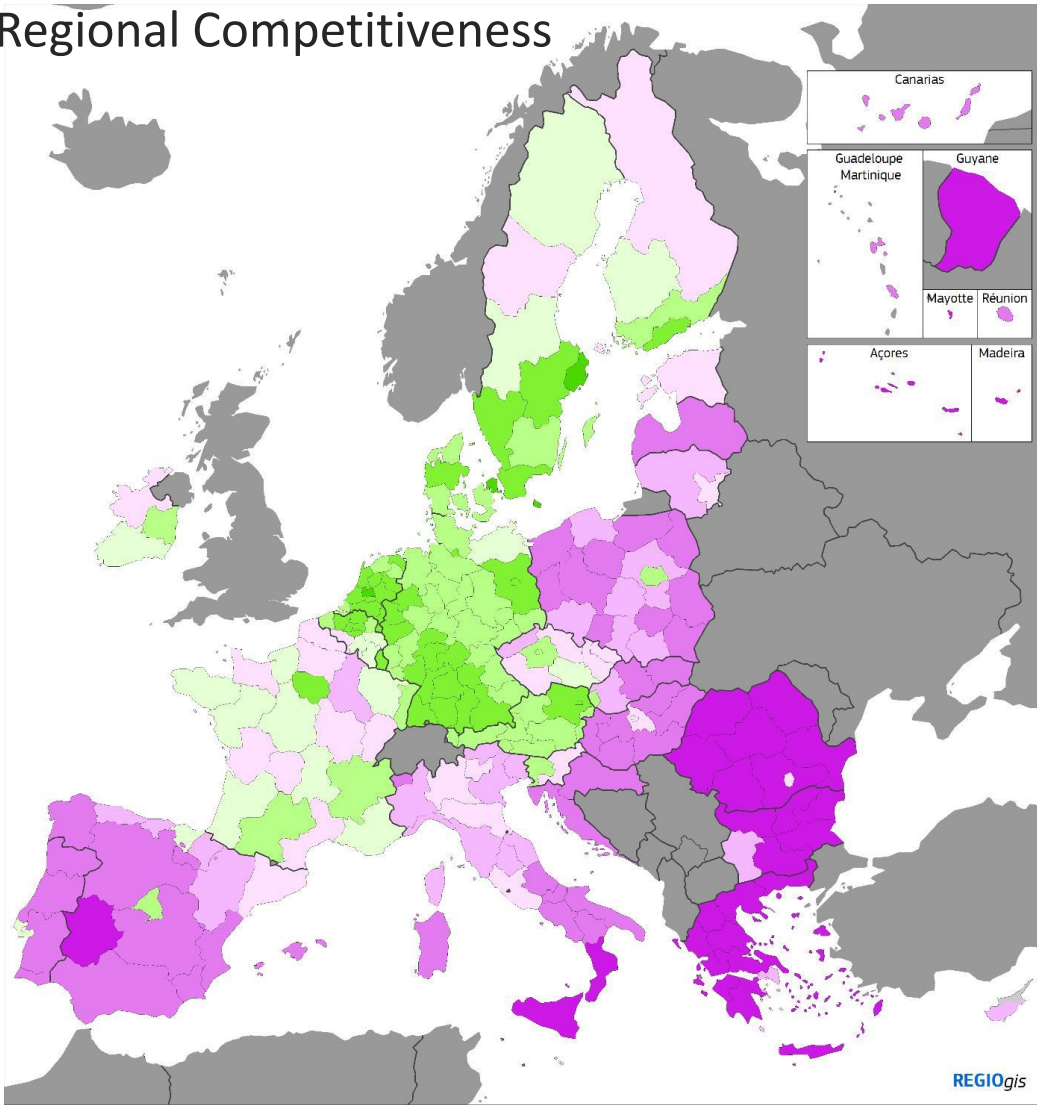
Regional
development trap

Not all lagging regions
are the same



Source: EC, DG Regio

Regional Competitiveness



Regional Competitiveness Index - RCI 2019

Index: values range from low (negative) to high (positive)

< -1	0 - 0.2
-1 - -0.5	0.2 - 0.5
-0.5 - -0.2	0.5 - 1
-0.2 - 0	> 1

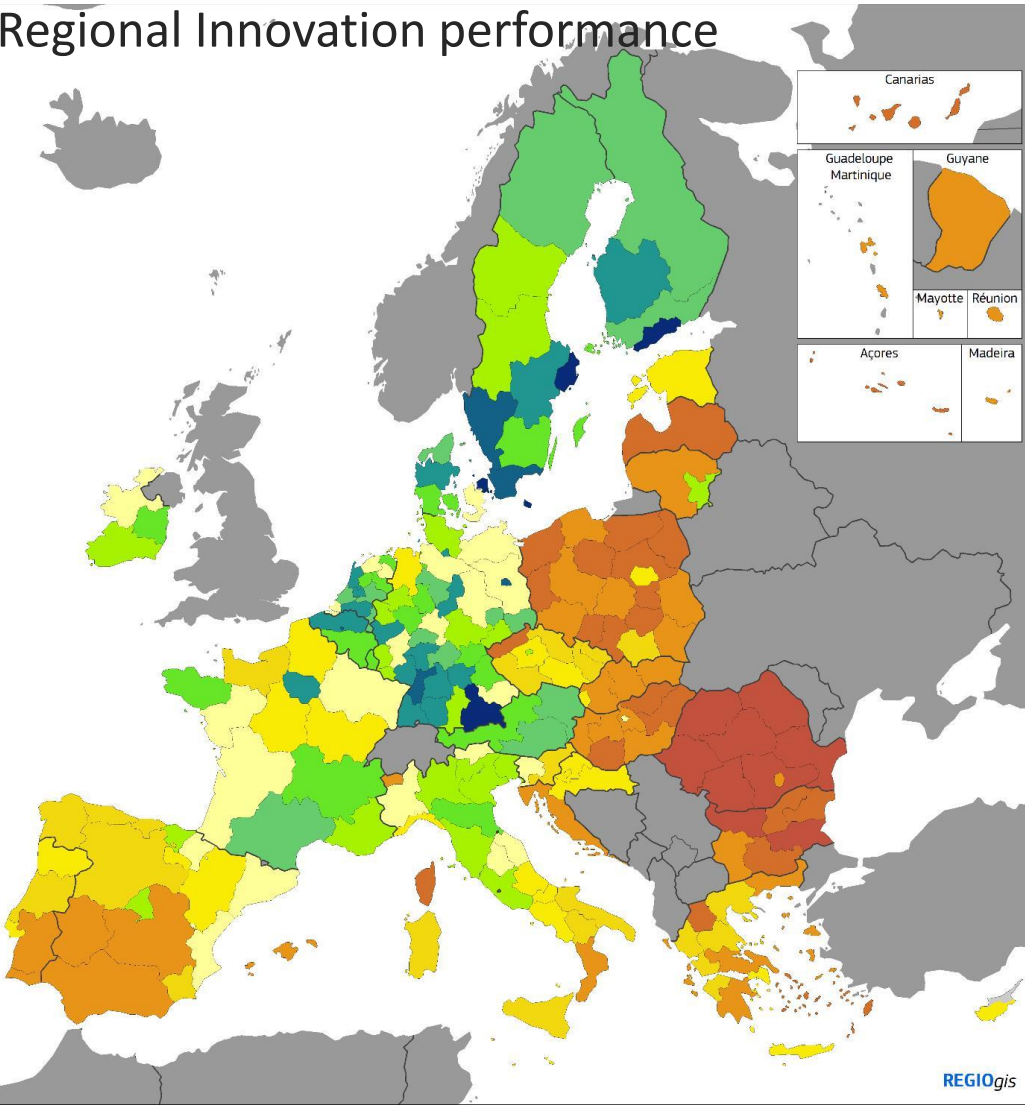
Source: DG REGIO

Source: EC, 8th Cohesion Report

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Regional Innovation performance



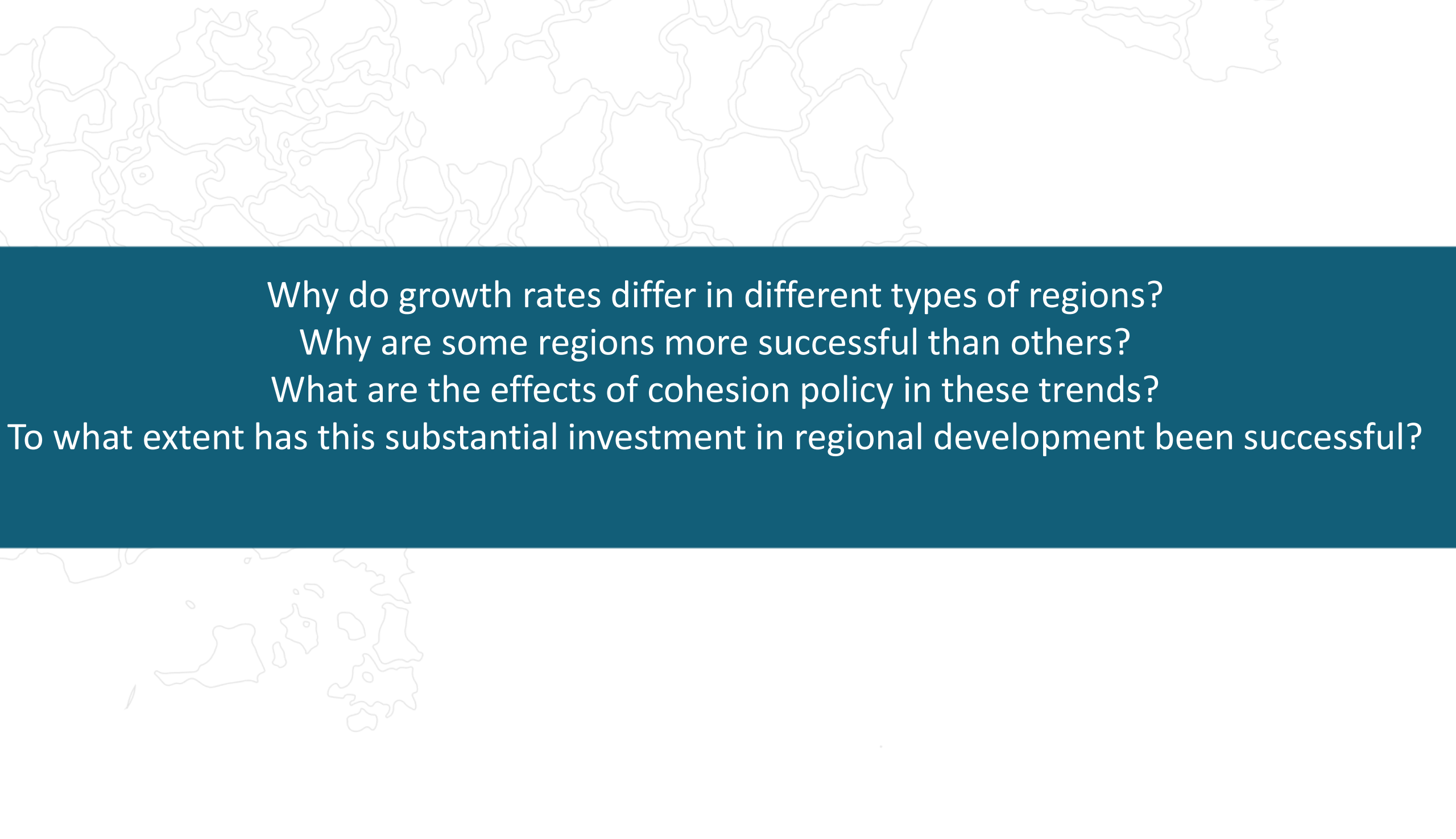
Regional performance groups, 2021

Emerging innovator -	Strong innovator -
Emerging innovator	Strong innovator
Emerging innovator +	Strong innovator +
Moderate innovator -	Leader innovator -
Moderate innovator	Leader innovator
Moderate innovator +	Leader innovator +

Source: European Commission - Regional Innovation Scoreboard 2021

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Why do growth rates differ in different types of regions?

Why are some regions more successful than others?

What are the effects of cohesion policy in these trends?

To what extent has this substantial investment in regional development been successful?

Current state of knowledge

- **Total impacts of EU Cohesion Policy X impacts and effects in thematic areas X impacts and effects in different regional contexts**
- There is still no unified view and consensus on the overall impact of the policy on economic territorial cohesion
- Earlier work: the returns Cohesion policy effort => impact was low or negligible (e.g., *Boldrin & Canova, 2001; Dall'erba & Le Gallo, 2007, 2008; Mohl & Hagen, 2010*).
- Recent work: the positive economic growth returns of CP investment (*Cerqua & Pellegrini, 2018; Crescenzi & Giua, 2020; Maynou et al., 2016; Tomova et al., 2013*),
 - » Emphasizing a learning process, increasing effectiveness of Cohesion policy over time (*Fiaschi et al., 2018; Rodríguez-Pose & Novak, 2013*).
- EU-wide impacts have been positive on economic growth and employment (*Pinho, Varum, & Antunes, 2015; Rodríguez-Pose & Novak, 2013, Becker, Egger, & von Ehrlich, 2010, 2013; Pellegrini, Busillo, Muccigrosso, Tarola, & Terribile, 2013*) and on innovation and transport infrastructure (*Ferrara, McCann, Pellegrini, Stelder, & Terribile, 2017*).

Different impacts in different places

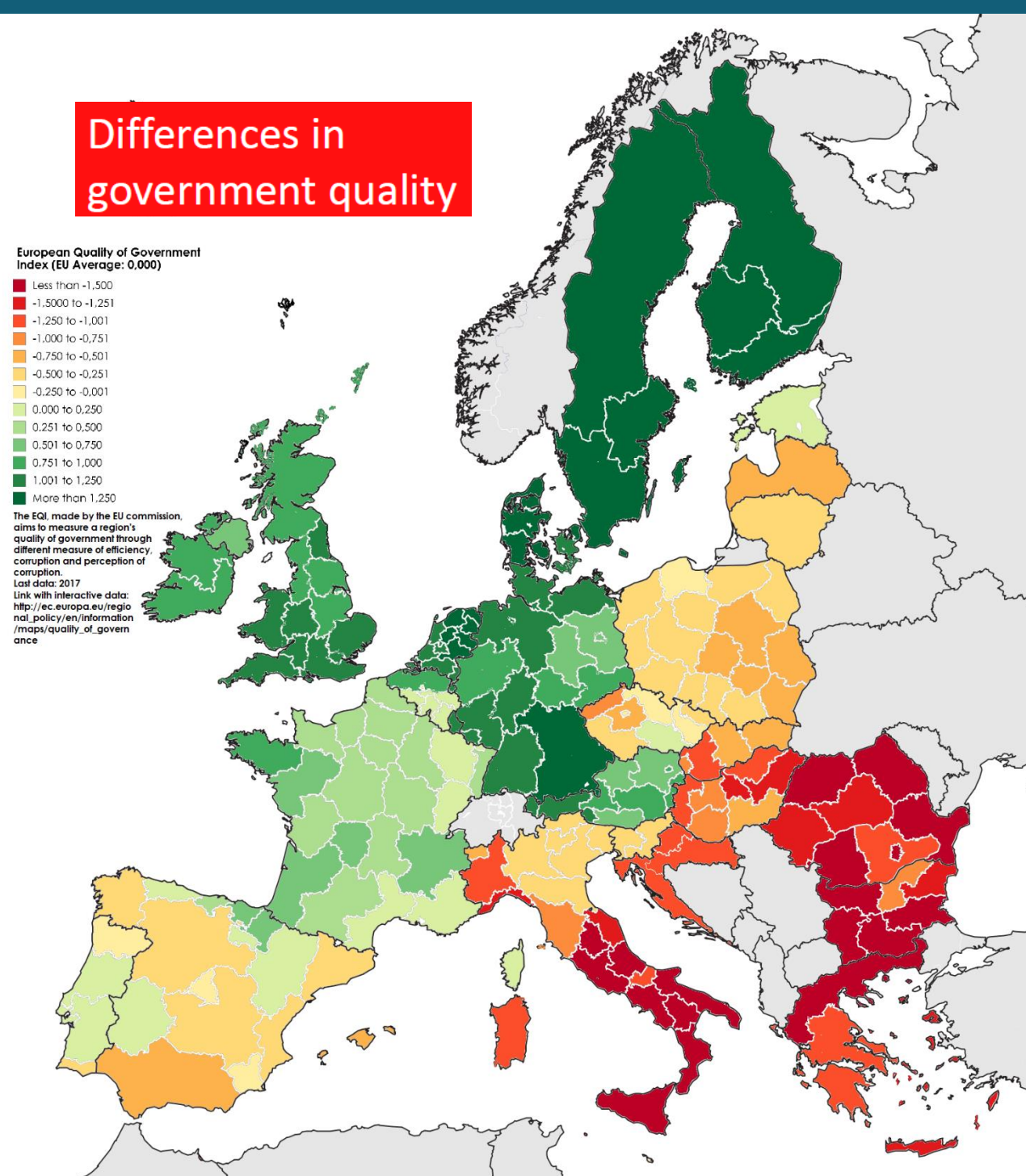
- **EU Cohesion Policy works differently in different countries**, with very heterogeneous country-specific economic impacts (regional differences) (*Crescenzi and Giua 2020*)
 - » a positive and significant EU-wide impact (economic growth, employment, innovation etc.)
 - » **regional economic impacts are not evenly distributed across member states**
 - Germany – the winner X Southern European member states (*Crescenzi and Giua 2020*)
 - » Regions are at different stages of development, face different challenges/problems and have different needs
 - » **Regional context matters! (different impacts of interventions in different regions, depending on the contextual conditions)**
 - Firms/business development (gross value added, employment productivity) (*Bachtroegler et al 2019*)
 - Regional economic growth and employment (*Crescenzi and Giua 2020*)
 - Implementation of Smart specialisation (*Varga et al 2018*)
 - Targeting investments on specific areas of relative regional need has a significant and autonomous effect on growth X „broad calls“ and thematic pillars (*Di Cataldo & Vassilis Monastiriotis, 2019*)

Determinants of growth => objectives of EU Cohesion Policy

- Development as a result of three elements
 - » Physical capital (infrastructure)
 - » Human capital (labour)
 - » Innovation
 - » Residual factor
- Increasingly less of the difference in regional economic growth can be attributed to infrastructure, human capital, and technology => growing territorial inequality (*Rodriguez Pose 2020*)
- Residual factor is growing
- **Residual factor = Institutions**
- European Quality of Government Index (Charron et al., 2010, 2013, 2017, 2021)

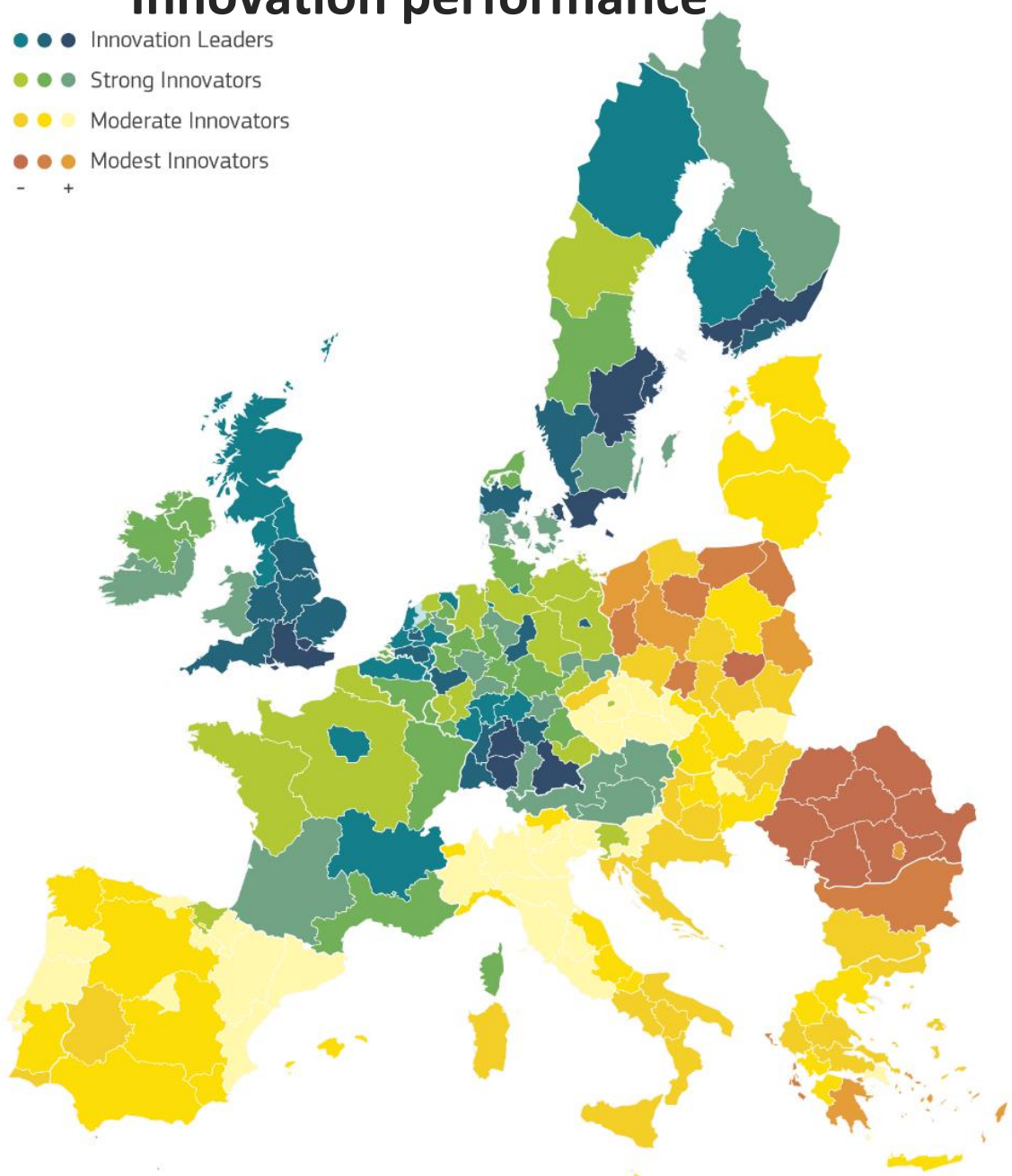
Quality of Government matters

- Poor quality of government leads to lower returns on investment and less innovation (Rodriguez-Pose 2020)
- Quality of Government matters: what is really a limit to development is the incapacity or unwillingness to improve it.
- Developing institutional capacity is essential for low growth regions
- Regions with better quality of government have designed and implemented smart specialisation strategies that are more adapted to their economic potential (Di Cataldo et al 2021)
- The quality of local institution determines innovation (Rodriguez-Pose, Di Cataldo 2015)



Innovation performance

- Innovation Leaders
- Strong Innovators
- Moderate Innovators
- Modest Innovators
- +

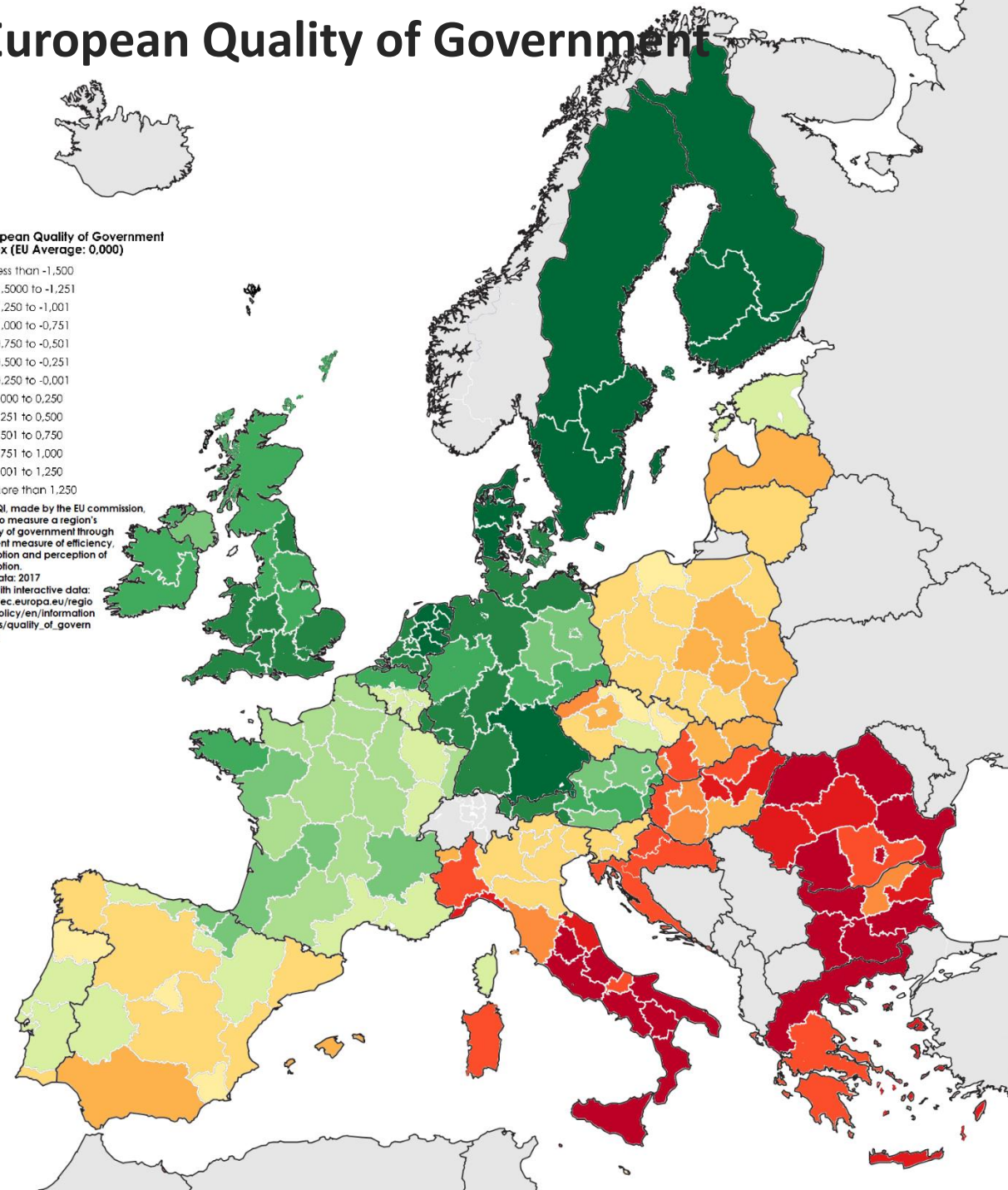


European Quality of Government

European Quality of Government Index (EU Average: 0,000)

- Less than -1,500
- -1,5000 to -1,251
- -1,250 to -1,001
- -1,000 to -0,751
- -0,750 to -0,501
- -0,500 to -0,251
- -0,250 to -0,001
- 0,000 to 0,250
- 0,251 to 0,500
- 0,501 to 0,750
- 0,751 to 1,000
- 1,001 to 1,250
- More than 1,250

The EQI, made by the EU commission, aims to measure a region's quality of government through different measure of efficiency, corruption and perception of corruption.
Last data: 2017
Link with interactive data:
http://ec.europa.eu/regional_policy/en/information/maps/quality_of_government



The role of institutional environment

- European cohesion policies - returns of investments, rules, mechanism of implementation and redistribution...*(Rodríguez-Pose and Garcilazo, 2015)*
- Regional competitiveness *(Annoni and Dijkstra, 2013)*
- Innovation performance and R&D activities *(Rodríguez-Pose and Di Cataldo, 2015)*
- Entrepreneurship *(Nistotskaya et al., 2015)*
- Migration *(Ketterer and Rodríguez-Pose, 2015)*
- Decisions on the type of public good investment *(Crescenzi et al., 2016)*

Future challenges

- The role institutional environment
 - » The economic performance of European regions is largely determined by QoG (even considering changes in cycle) (Rodriguez Pose 2020)
 - » The diverse returns from Cohesion Policy are shaped mostly by national institutional characteristics.
 - » Some national intervention models (implementations) are in fact successful and significant, whereas others are not (Crescenzi and Giua 2020)
 - » The procedures and guidelines for implementation are the same across all countries (e.g., financial rules, certification, cofinancing procedures, project documentation requirements) however they are operationalized differently in various countries/regions (Crescenzi and Giua 2020)
- Cohesion Policy will be under increasing pressure (Berkowitz et al 2020)
 - » Insufficient convergence of regions in CEE
 - » Regional development trap (EU-15)
 - The geography of EU discontent – Dijkstra et al (2020),
 - The revenge of the places that don't matter (and what to do about it) (Rodriguez-Pose 2018)
- Different impacts in different places - the solution to underperforming regions is not a one-size-fits-all policy/strategy (Rodriguez Pose 2020)
 - » Diverse types of lagging regions have quite different growth drivers
 - » Different approaches are thus needed
 - » 'place-sensitive distributed development policy' (Simona Iammarino, Andrés Rodríguez-Pose, Michael Storper 2019)

*“Regional inequality is proving too politically dangerous to ignore”
The Economist, 17 December 2016*

Thank you for your attention

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