An interregional impact analysis of the EU Cohesion Policy in the EU 28

Topic: (3.2) Impact Analysis: Multipliers (1)
Author: Giovanni MANDRAS

This paper evaluates the likely economic effects of EU Cohesion Policy in the EU 28. The EU cohesion policy (ECP) has seven-year budget that in the current programming period (2014-2020) amounts to â,¬ 340 billion, corresponding to around 2% of total EU GDP 28.
ECP makes use of some financial instruments with the aim of reducing disparities in economic development among European regions attempting to achieve a strengthening of economic, social and territorial cohesion. In particular, regional disparities are interpreted mainly in terms of regional income per capita and rates of unemployment.
National/Regional governments are required to use these resources and to co-finance the investments made by the funds. The general objectives of the actions promoted by this policy are those of the convergence of GDP between regions, the raising of competitiveness and employment, and a greater cooperation between neighbouring territories. More specifically, with respect to the previous programming period, EU aims to modernise the use of funds of the CP and to align as much as possible the distribution of regional resources to the objectives of the Europe 2020 'strategy; a more sustainable economic growth. We consider several scenarios reflecting the different budget lines of Cohesion.
The analysis is performed by using a large-scale inter-regional input output (IRIO) model in order to explore the inter-regional effects of the ECP in terms of output, value added and employment. This analysis offers additional information on inter-regional spillovers and on the share of output effects that are captured by the richest/poorest regions through their intersectoral linkages.
The IRIO model used consists of 268 regions (NUTS2 classification) of the 28 EU countries and the reference year is 2013. The model's database consists of the regionalised supply and use tables provided by Eurostat and of an ad hoc estimated inter-regional trade matrix.

Key words: interregional input-output model; interregional trade; EU Cohesion Policy