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Spending for Growth?
30 years of EU policies for deprived areas: the impact of cohesion in Italy and Europe

September 2018

In terms of financial commitments, geographical extension and timespan, the European Union's ***cohesion policy*** *has been one of the world's largest place-based programs for* ***redistributing wealth*** *among regions and for* ***stimulating growth in areas where development has lagged behind****.*

With ***€352 billion in structural funds*** *for disbursement over the seven-year period 2014-2020, of which* ***€46.5 billion earmarked for Italy****, it is the cardinal policy for* ***EU action****. Its detractors, however, increasingly* ***view it as a huge waste of resources****, exacting high costs in terms of efficiency and economic growth. Criticisms have also been levelled – particularly in countries that make the highest contributions – at the centralization of funds for being costly and consistent. These criticisms are not wholly without foundation: after more than thirty years of interventions,* ***economic and social inequalities*** *within the Union* ***yet to be eliminated****. On the contrary, they are one of the factors behind a weakening of unity and stability.*

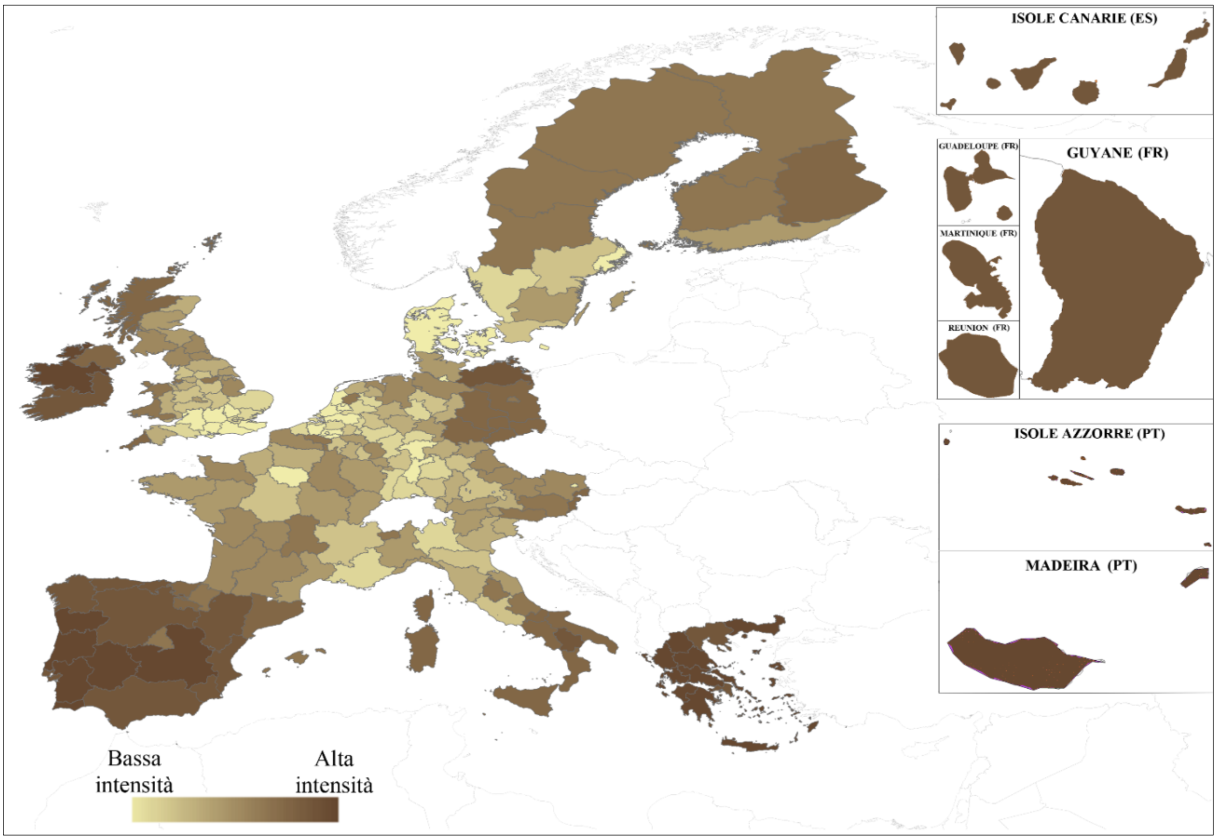
A border runs between Italy's North and South, separating lands of opportunity from lands of exclusion. Italy has an unfortunate record: ***the country has the lowest level of social development among the EU-15; home to twenty million people, Italy's South is the Continent's single largest deprived area****. What has gone wrong? How much must be spent to ensure economic growth on Europe's peripheries old and new?*

The UVI has conducted a survey of the most recent ***impact analyses*** *on cohesion-related topics. It has also taken a look at a selection of proposals for the outlook* ***after Europa2020****.*

The starting point

Cohesion policy draws its legitimacy from the Italian Constitution (section 119, sub-section 5, and section 3, sub-section 2), and from the Treaty of the Functioning of the European Union (section 174), calling for "special intervention" to promote "harmonious growth" (the Treaty) and "eliminate economic and social imbalances" (the Constitution).

Figure 1 - 1994-2010: Per capita breakdown of structural and cohesion funds (NUTS-2 regions)

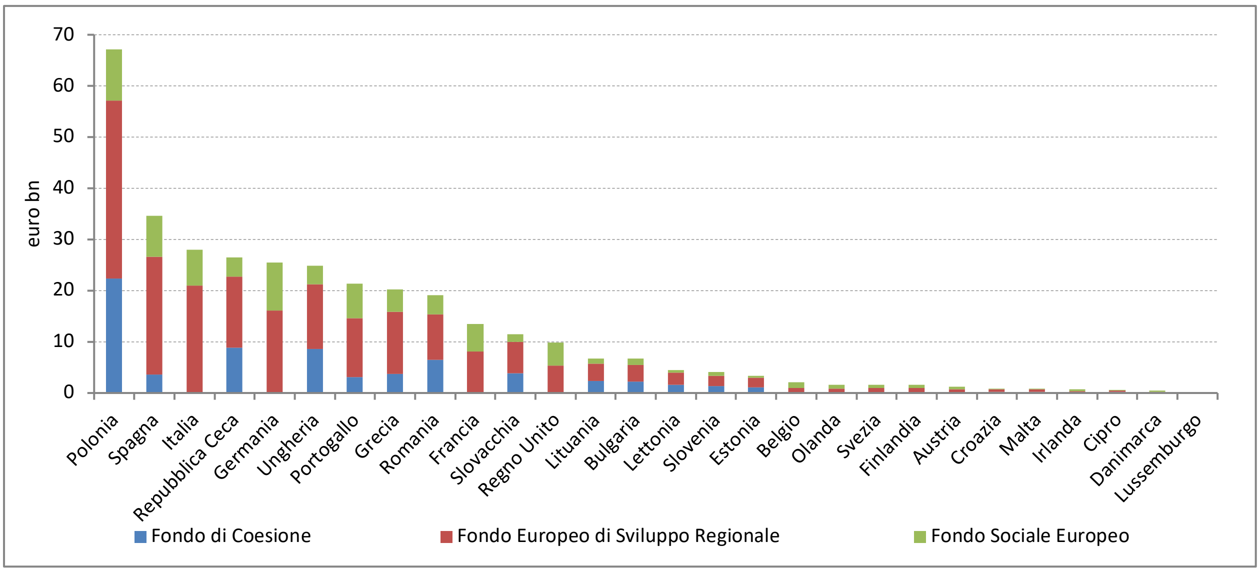


Source: Cerqua and Pellegrini (2018). Are we spending too much to grow? The case of Structural Funds . Journal of Regional Science 2018

The origins of European cohesion policy date back to the 1957 **Treaty of Rome**, in which the preamble features a specific reference to the **reduction of disparities between regions**.

Initial Community **initiatives for coordinating and bolstering domestic intervention instruments at a financial level** date back to the 1970s. It was not, however, until 1986 that, alongside the single market, the **Single European Act introduced** the **goal of economic and social cohesion** per se. **Cohesion policy was "institutionalized"** in the Treaty on the EU under the **1992 Maastricht Treaty**. **The 2004 Treaty**, which adopted a Constitution for Europe, **formally enshrined economic, social and territorial cohesion as one of UE's objectives** (section i-3).

Figure 2 - Per capita breakdown of European structural and cohesion funds: 2007-2013



Source: Cerqua and Pellegrini (2018). Are we spending too much to grow? The case of Structural Funds

From Convergence to Cohesion: Thirty Years of Resources

Since the 1990s, cohesion policy has been a mainstay of European policy. Resources have grown from an initial 160 billion ECUs to the current figure of €352 billion (one third of the EU budget) during the 2014-2020 planning period. Of this, €46.5 billion was earmarked for Italy.

Most interventions have focused on development and structural upgrades to *Convergence* regions, as established at NUTS-2 level. These are defined as regions with a per-capita GDP of below 75% of the European average. For Italy, this covers Campania, Apulia, Basilicata, Calabria and Sicily.

Over the 2007-2013 period, *Convergence* regions benefited from funding of €199 billion, corresponding to 57.5% of the €346.5 billion that the Union spent as structural funds. A further share of €69 billion from the cohesion fund should be added.

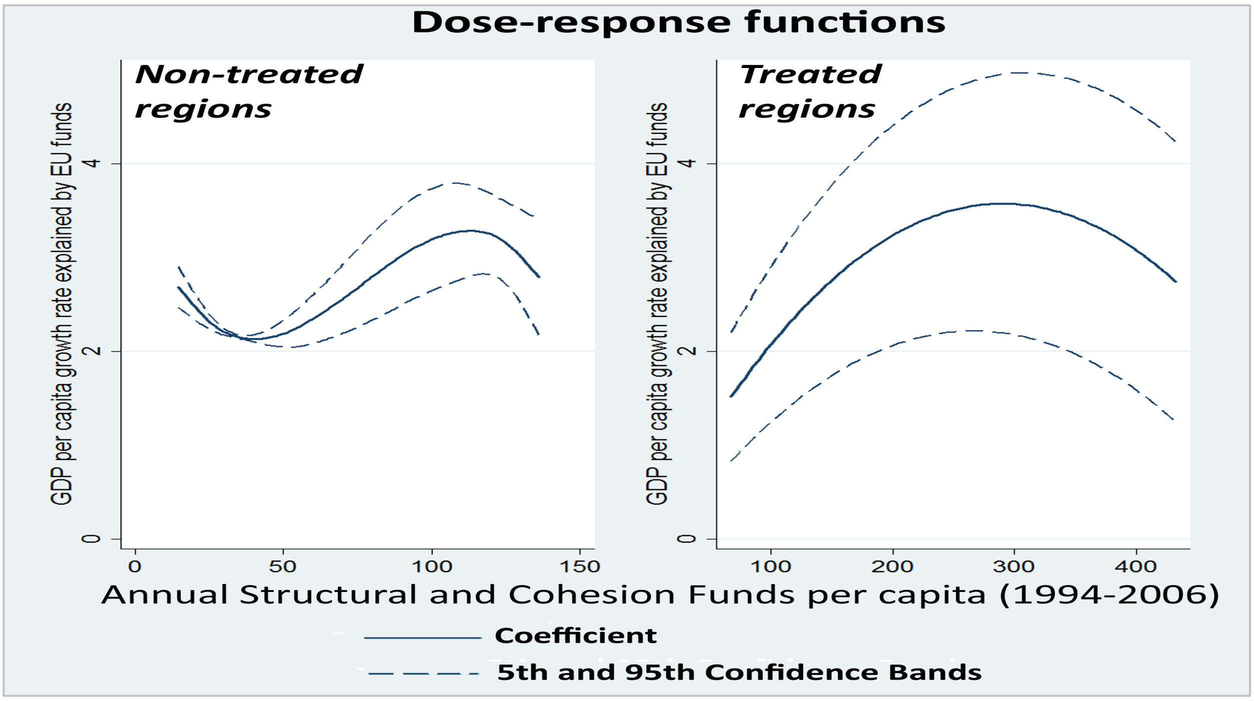
Effects on Growth: How Much (and Where) is Spending Worthwhile?

The great **heterogeneity of the effects** cohesion policy has had and their **varying impacts** in different regions are of primary interest to Union policymakers. **Different degrees of financial support** are one of the factors worthy of assessment: *Convergence* regions that have seen the greatest inflows have received **per capita funding up to 11 times higher** than those that have had the lowest inflows.

However, higher structural fund endowments do not equate to raising the local impact that cohesion policy has in a uniform manner. Studies have shown that **positive effects on annual GDP growth are non-linear: the highest desirable range is in the region of €305-€340 per capita.** Beyond this threshold, the impact on regional growth becomes either **negligible or null.**

Eleven out of two hundred and eight European regions received more than €340 per inhabitant, absorbing 11% of all structural funds. If contributions had been kept below this useful limit, **the Union would have saved €5.1 billion, which could have been used to increase support for other, less-developed regions** (*Cerqua and Pellegrini, 2018).*

Figure 3 - Dose-response function for European funds in treated and non-treated regions



Source: Cerqua and Pellegrini (2018). Are we spending too much to grow? The case of Structural Funds. Journal of Regional Science 2018

The greater the per capita transfer, the lower the rate of regional growth.
Beyond a certain range threshold, additional transfers do not boost GDP.

How Much Spending for Growth?

The dose-response function illustrated in figure 3 has a **maximum value estimated at €340** per capita. Above this amount, the **effectiveness of interventions becomes negative** and **statistically negligible**: it does not have an impact on GDP. For instance, average annual per capita funding in deprived Union areas stands at around €224. Increasing transfers by 50% increases the impact by 1.8 points; doubling transfers increases the impact by just 0.9 points.

Additional transfers do not increase GDP in treated regions; these funds could, however, usefully be allocated to other deprived regions. At a time of financial strain, an awareness that some regions are in receipt of excessive grants makes it possible to **recalibrate the funding system, reallocate funds and maximize their effectiveness** *(Cerqua and Pellegrini, 2018).*

Territorial Capital: What it is, How it is Built Up and What Counts

"**Territorial Capital**" is one of the factors that determines the varying regional impact of cohesion policies.

Territorial capital is the ensemble of **intangible elements** (labor policies, social inclusion, vocational training, entrepreneurship, workforce flexibility and initiatives in favor of women) and **tangible elements** (transport, ICT and energy, environmental and health infrastructure) available in a given area.

Each region has its own specific territorial resources that, if used properly, facilitate and strengthen the impact of growth-oriented policy.

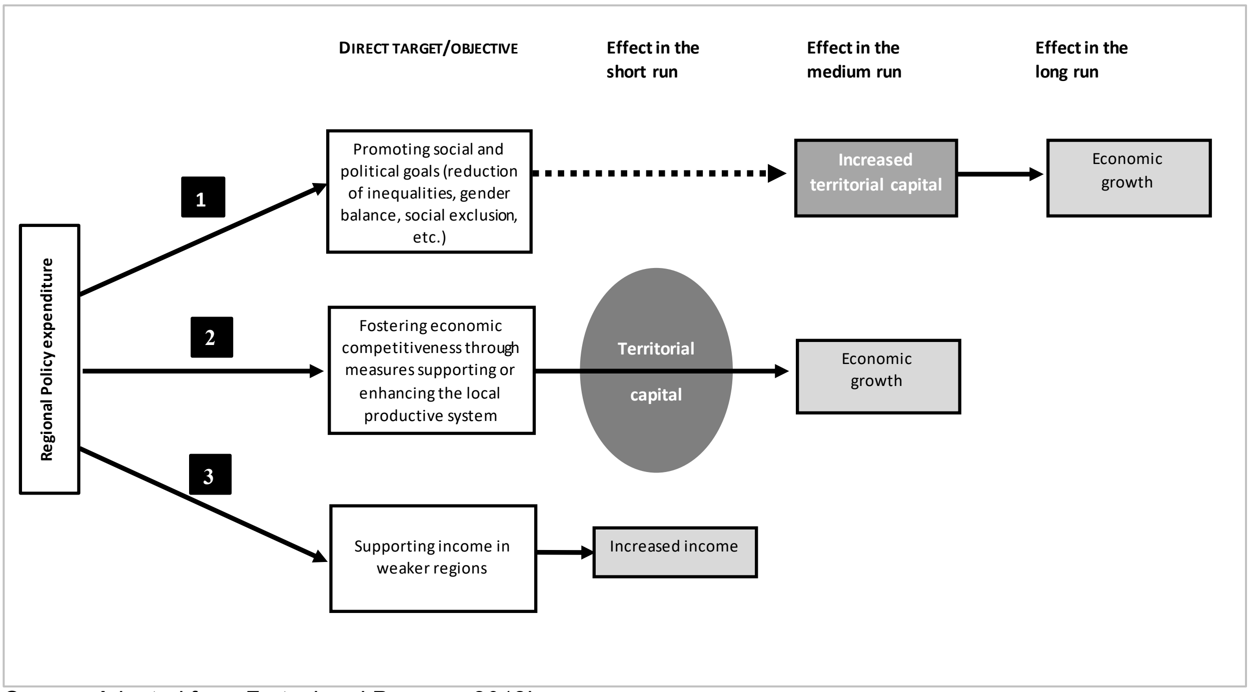
Territorial capital and regional policies are complementary: policies that act on intangible elements are more effective in regions already endowed with tangible resources, and vice versa.

Policies more focused on objectives in the social sphere can help strengthen specific elements of territorial capital and, in consequence, **generate an impact on economic growth over the long-term.**

Regions with high quantities of territorial resources should focus on investments in spheres where, in relative terms, they are weaker. Conversely, **regions that are poorer in territorial capital** should **boost this capital** to accelerate long-term economic growth.

To ensure that the policies implemented using structural funds are effective, their objectives must be consistent with territorial complementarities (*Fratesi, Perucca*).

Figure 4 - The relationship between territorial capital and the impact of regional policies



Source: Adapted from Fratesi and Perucca, 2018b

When the "National Component" Makes the Difference

Institutional conditions and **local governance standards** (*Loiero, Meoli*) may vary greatly between regions and countries. This national component has a conditioning role on the planning, implementation and effectiveness of cohesion policies.

Certain Member States have different attitudes towards the EU and its policies, based on many degrees of acceptance of their objectives, restrictions and appropriateness. This also contributes to decisions regarding a different distribution of benefits (*Crescenzi, Giua*).

Table 1 - Cohesion policy 2007-2013: estimated impact

	Europe	Germany	Italy	Spain	United Kingdom
2000 - 2010					
Value Added	+**	+**	+	+	+
Employment	+*	+	+**	-	+**
2010 - 2014					
Value Added	-	-	+**	+**	+
Employment	+*	+**	-	+	+**

Source: Crescenzi e Giua (2018): One or Many Cohesion Policies of the European Union? On the Diverging Impacts of Cohesion

Table 2 - 2007-2013: spending breakdown by area of intervention (% of overall spending)

	Germany	Italy	Spain	United Kingdom
Companies	30.40%	30.49%	10.36%	48.73%
Energy, environment and natural resources	10.99%	10.84%	26.61%	1.73%
Human resources and social infrastructure	3.38%	2.02%	5.48%	7.60%
Research, innovation and ICT	17.71%	10.41%	8.68%	11.87%
Transport infrastructure	21.81%	22.14%	33.42%	5.82%
Other	15.71%	24.10%	15.46%	24.25%
Total	100.00%	100.00%	100.00%	100.00 %

Source: European Commission. Data refers to spending in Objective 1 regions over the 2000-2006 planning period

An analysis of the effects cohesion policy has had in **the most deprived areas of Germany, Italy, Spain and the United Kingdom** (between 2000 and 2006, prior to the period between the financial crisis and the recovery), bears out that economic and employment growth is not evenly distributed among Member countries:

- **Much of the regional growth bonus** in Europe generated by cohesion policy is **concentrated in Germany**
- **Impact on regional employment is limited to the United Kingdom**
- **Italy's regions have recorded better employment results,** although the downturn spelled an end to these results
- **Spain** benefited from **better growth during the recovery, albeit with no impact on jobs**.

This place-based approach should be enhanced by a new assessment of the **role that Member nations play**: cohesion policy is more effective when it is adapted to each State's general requirements and objectives. The evidence shows the following:

Germany. The success achieved by cohesion policy in Germany is without doubt the result of a strong alignment between the EU's global political framework and German regions' specific needs. This has been possible because of **German political leadership** within the Union's main decision-making bodies (*Bachtler et al., 2013; Bulmer, 2014)*. A further positive impact may be ascribed to the **great emphasis Germany has placed on innovation** – something that was already true in 2000-2006, in advance of other European nations – by using 15% of available cohesion policy resources for research and technology during the implementation stage.

United Kingdom. As with Germany, the British template for regional intervention reflects **clear, cogent decisions, focusing resources** on a **limited number of priority avenues**: support to business (around 50% of overall spending) and individuals, with around 250,000 jobs created/protected, alongside the introduction of schemes to attract highly-skilled employees.

Italy. Outcomes in Italy appear to support the idea of cohesion policy as a means of **shoring up low-productivity employment in the country's South**, a template that has become wholly unsustainable following the 2008 financial crisis (*Petraglia and Pierucci, 2016).* This reflects **unfavorable macro-economic conditions** and a **weak institutional backdrop** (in terms of corruption and the rule of law) that make it hard to rapidly and effectively convert funding into well-implemented projects *(Balassone and Casadio, 2011)*. Furthermore, these circumstances result in a **fragmented approach,** with political decisions taken in isolation, and a lack of adequate coordination – factors that are capable of undermining the impact of any development policy *(European Commission, 2010; Pontarollo, 2016)*. Indeed, Italy has the highest rate of **dispersion** by sector.

Table 3 - Macro-economic conditions, institutional quality and sentiment about Europe

	Germany	Italy	Spain	United Kingdom
Macro-economic conditions				
Public debt (% of GDP)	81%	127%	86%	89%
Public spending (% of GDP)	110%	80%	50%	40%
Spending on welfare (% of GDP)	29.4%	29.7%	26.1%	27.3%
Long-term unemployment (% of unemployed)	41.2%	58.3%	48.4%	27.2%
Institutional Quality				
Absence of corruption (on a scale of 0 to 1)	0.82	0.62	0.80	0.80
Human capital index (on a scale of 0 to 100)	81.5	75.8	72.7	80.0
Sentiment about Europe				
Europe is moving in the right direction (on a scale of 0 to 1)	0.57	0.49	0.52	0.40
Confidence in the European Union (on a scale of 0 to 1)	0.33	0.32	0.22	0.20
Confidence (on a scale of 0 to 1)	0.42	0.15	0.12	0.24

Source: Quality of Government Database generated by the University of Gothenburg. Data refers to the year 2016

The Italian Job. What Convergence: Where, How and for Whom

Italy makes for a particularly interesting cohesion policy case study because of the South of the country, where development has long lagged behind, and indeed continues to do so today *(Allen and Stevenson, 1974; Pellegrini, 2016)*.

Many Southern Italian regions fell under the *Convergence* Objective, before qualifying as "less-developed regions" for 2014-2020: **Abruzzo** (until 1996), **Molise and Sardinia** (until 2006), **Campania, Apulia, Basilicata, Calabria** and **Sicily**. Per capita, these regions received **more than twice as much in structural funds resources than the rest of the country**. Moreover, these funds at least partially sheltered these regions from swingeing cuts in transfers from central government *(Marinuzzi and Tortorella, 2017)*.

During the 2007-2013 cycle, cohesion policy implementation in **Southern Italy** accounted for **€38 billion (compared with €15 bn in Central and Northern Italy)**. Most of these funds were associated with the execution of Community programs; **just one tenth came from domestic projects** funded by the Development and Cohesion Fund, or from interventions in the Cohesion Action Plan.

The scope of transfers – Figure 5 – predominantly tracked variations in levels of GDP per inhabitant, which influence resource allocation at regional level.

The greatest scope of intervention took place in the Calabria region; the lowest was in the Abruzzo region.

Cohesion, Italian-style

The Agency for Territorial Cohesion plays a key role in the **management of cohesion policies** in Italy. It was established in 2013 to pursue the objective of supporting, promoting and flanking central and regional government bodies in implementing programs and projects.

The **Prime Minister's Office** is responsible for **setting policy** and **orienting the planning of resources allocated for cohesion** (European structural funds and the Development and Cohesion Fund).

In the current government, the Ministry for the South has been delegated responsibility for territorial cohesion-related functions for **"coordination, orientation and initiative promotion, including legislation, supervision and verification"**.

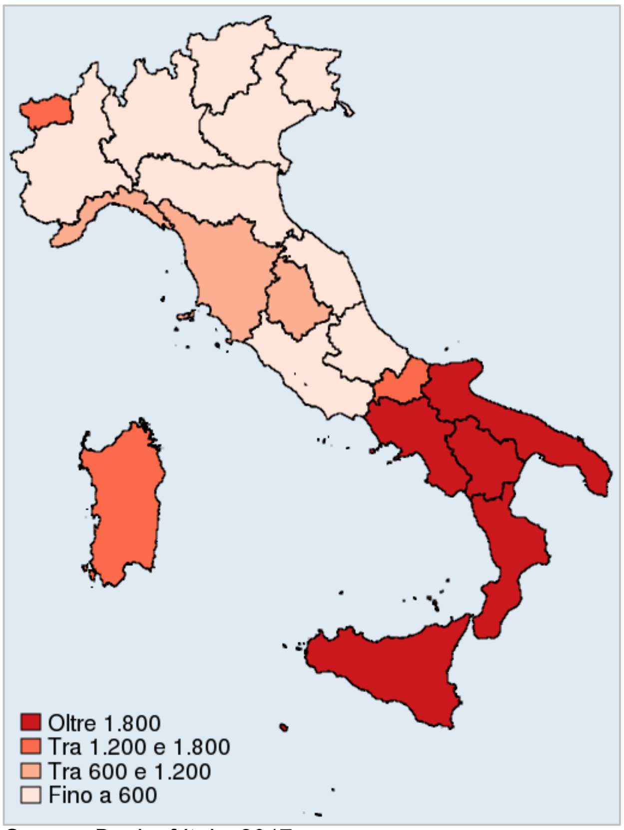
The **Department for Cohesion Policies**, which reports to the Prime Minister's Office, is responsible for coordinating with State and regional government bodies, **drafting economic and financial planning, and deciding what resources are earmarked for different territories**.

Table 4 – Funds set aside for cohesion policies 2014-2020 in Italy (million euros)

European Structural and Investment Funds (ESIF)	44,656.10
European Territorial Cooperation schemes	1,136.80
Fund for European Aid to the Most Deprived - (FEAD) Fund	670.6
Total	**46,463.50**

Source: European Commission

Figure 5 – Cohesion policy scope 2007-2013 (euros, per capita)



Source: Bank of Italy, 2017
Remarks: Processed using OpenCoesione data on draft Community programs, schemes financed by the Development and Cohesion Fund, and schemes under the "Cohesion Action Plan".

Modest (Temporary) Effects

In Italy, public debate on cohesion policies has frequently focused more on tangible structural fund spending capacity than on their effects on **economic performance** in the territories where action is taken.

Whereas a number of surveys have highlighted the **significant impact that structural funds have had on per capita GDP** in many regions of Europe *(Becker et al., 2010, Pellegrini et al., 2013)*, the results achieved by **Italian regions have, in the main, been less positive**. **Average consequences on economic performance have been modest** and, indeed, may be ascribable to **transient,** non-permanent **effects**: one such example is the **Abruzzo** region, which suffered a **downturn in per-capita regional GDP** subsequent to exiting Objective 1.

Even in the most favorable cases, where European funding appears to have had a **positive effect on local economies, the results are concentrated during the years when funding flows in**, failing to trigger a pathway to greater self-sufficiency (*Albanese, de Blasio*).

With the partial exception of subsidies to firms' current accounts, the **impact of domestic funding** on the per capita growth of regions would **appear to be modest**.

The origin of funds (European or domestic) and how they are managed has an influence on their varying degrees of effectiveness: the governance structure of structural funds, although some consider it to be complex and artificial, has rendered them more effective – in terms of impact on per capita GDP – than domestic policies, which are characterized by institutional shortcomings and **a lack of certainty, as well as discontinuities in rules frameworks and resource availability over time** (*Coppola, Destefanis, Marinuzzi and Tortorella*).

Italy's Never-ending Southern Question

With twenty million inhabitants, **Southern Italy continues to be Europe's largest less-developed area.** The per capita GDP gap between Italy's North and South amounts to more than forty percentage points.

Over the three-year period 2013-2015, government **primary spending** in **Southern Italy** was on average **€209 billion** per annum, compared with around **€480 billion for Central and Northern Italy.** Over the same period, considering that **capital spending in the South was €14.4 billion per annum, of which €9.4 billion (65%) from structural funds**, co-financing and resources for underutilized areas, **additional capital spending** in the area **was in the order of 4.8%** of all public spending.

It would be a stretch to claim that just 4.8% of expenditure, given the effect of replacing ordinary resources with extraordinary resources, is capable of boosting growth and enhancing essential services (*Coppola, Destefanis, Marinuzzi, Tortorella).*

Indeed, a number of surveys have revealed **quantity-related lags** in the South, and, more importantly still, **quality-related shortfalls in the supply of practically all essential services**: justice, healthcare, education, law and order and local public services (*Bank of Italy, 2009).* Although these lags have their roots in the past, they also depend on current governmental capacity and the socio-institutional context in which policies are implemented. There is, in consequence, a need for all public spending, not just additional spending, to be oriented towards more efficiency-based criteria *(Albanese, de Blasio)*.

Just a Resource-related Problem? The Importance of Quality Institutions

A number of European research papers show that the quantity of resources employed, on its own, is unlikely to function as a sufficient pre-condition for growth-related policies to be successful.

Another factor that should be taken into consideration to explain the **modest results of cohesion policies in Italy** is the quality of institutions at territorial level. Shortcomings within the **institutional framework** – above all in Southern Italy – are the result of **deficits at the planning stage**; **slow roll-out**, as a result of red-tape roadblocks; **excessive emphasis on transfers and incentives** that have often proven to be inefficient, particularly when distributed through discretional practices; and high **fragmentation of objectives and actions** (*Albanese, de Blasio*).

A Vicious Cycle: Inefficient Usage of Public Funds and a Deficit in the Quality of the Institutions

In areas where the most intense interventions have occurred, has **the disbursement of EU funds negatively impacted** levels of **civic sense, social cooperation, cultural values and social capital**? According to some studies, the answer is yes: a loss of social capital is associated with distortions in the use of funds, the likelihood of which is greater the higher the amount of funds available and the less efficient the operator in charge of managing cohesion policy-funded public goods and services (*Accetturo et al. 2014*).

Other authors have investigated the relationship between public transfers and **offences against government agencies**: the possibility of accessing large amounts of financial resources disbursed nationally or supra-nationally can **reduce local governors' levels of accountability** and encourage **opportunistic behavior**. According to an analysis of data on structural funds earmarked for Southern Italy during the 2007-2013 cycle, **a 10% increase in transfers may be associated with a 0.4% increase in offences** (*De Angelis et al. 2018*).

Table 5 - Social Progress Index (SPI) in European regions, average values 2016

Countries	Areas of activity	SPI	Essential needs	Conditions for wellbeing	Opportunities
EU 28	Comp.	71.5	82.4	65.0	67.7
	Conv.	55.8	63.6	55.8	48.7
	Total	66.5	76.4	62.1	61.6
Euro Area 18	Comp.	70.6	82.6	64.6	65.5
	Conv.	57.9	69.5	57.7	47.7
	Total	68.3	80.2	63.3	62.3
Non-Euro Area	Comp.	73.8	81.9	66.3	73.7
	Conv.	54.6	60.5	54.6	49.1
	Total	63.6	70.6	60.1	60.7
EU 15	Comp.	72.0	83.2	65.3	68.2
	Conv.	59.0	71.6	57.7	48.9
	Total	70.3	81.7	64.4	65.7
Austria	Comp.	73.0	86.5	65.1	68.3
Belgium	Comp.	71.3	82.1	63.6	68.9
Germany	Comp.	72.5	85.0	66.4	66.9
Denmark	Comp.	81.2	87.4	72.9	83.8
Greece	Comp.	56.2	70.6	52.8	46.5
	Conv.	56.6	69.7	54.7	46.6
	Total	56.5	69.9	54.2	46.6
Spain	Comp.	67.8	79.8	63.2	61.2
	Conv.	64.8	79.8	58.3	57.4
	Total	67.6	79.8	62.8	61.0
Finland	Comp.	80.7	84.6	73.6	84.1
France	Comp.	69.2	82.2	63.9	62.4
	Conv.	62.9	74.0	70.0	46.6
	Total	67.6	80.1	65.4	58.5
Ireland	Comp.	72.3	78.7	71.7	66.9
Italy	**Comp.**	**61.0**	**76.9**	**56.2**	**51.4**
	Conv.	**51.8**	**64.2**	**51.8**	**40.8**
	Total	**58.4**	**73.4**	**55.0**	**48.5**
Luxembourg	Comp.	73.4	82.2	67.0	71.4
Netherlands	Comp.	79.5	89.7	70.0	79.6
Portugal	Comp.	61.5	74.1	57.6	53.8
	Conv.	58.6	73.2	52.4	51.5
	Total	59.6	73.5	54.1	52.3
Sweden	Comp.	79.6	89.1	68.8	81.6
United Kingdom	Comp.	73.1	81.8	66.0	72.1
	Conv.	72.6	82.9	65.3	70.1
	Total	73.1	81.9	65.9	71.9
New EU countries (13)	Comp.	61.0	66.4	58.5	58.2
	Conv.	54.5	60.3	55.0	48.6
	Total	55.3	61.0	55.4	49.8
Euro Area (NMS)	Comp.	63.8	71.8	61.3	58.8
	Conv.	59.0	66.4	60.4	51.0
	Total	60.6	68.2	60.7	53.6
Cyprus	Comp.	59.0	69.4	52.5	55.7
Estonia	Conv.	64.9	65.6	67.1	62.0
Latvia	Conv.	54.6	55.0	55.6	53.3
Slovakia	Comp.	62.6	68.3	63.4	56.3
	Conv.	56.3	66.8	58.5	44.9
	Total	57.9	67.1	59.7	47.7
Slovenia	Comp.	69.9	77.6	68.0	64.5
	Conv.	65.8	77.4	64.4	56.3
	Total	67.9	77.5	66.2	60.4
Non-Euro Area (NMS)	Comp.	58.8	62.4	56.4	57.7
	Conv.	53.8	59.5	54.2	48.3
	Total	54.3	59.7	54.4	49.1
Bulgaria	Conv.	44.5	46.9	48.9	38.3
Czech Republic	Comp.	65.9	73.9	60.3	63.8
	Conv.	60.5	72.6	59.1	50.9
	Total	61.2	72.8	59.2	52.5
Croatia	Conv.	54.9	68.8	56.5	41.1
Hungary	Comp.	59.4	65.3	57.2	55.9
	Conv.	55.1	64.5	53.2	48.3
	Total	55.7	64.6	53.8	49.4
Lithuania	Conv.	59.0	58.2	61.3	57.6
Poland	Comp.	57.9	58.4	57.1	58.0
	Conv.	57.1	60.8	57.4	53.2
	Total	57.1	60.7	57.4	53.5
Romania	Comp.	52.0	52.0	50.9	53.2
	Conv.	46.1	47.3	46.3	44.8
	Total	46.8	47.8	46.9	45.8

Source: SVIMEZ processing of EUROSTAT data. Key: Comp. = Competitivity; Conv. = Convergence.

Social Development and Regional Differences: Italy, Bottom of the Class

The SPI (**Social Progress Index**) is an aggregate of fifty indicators for measuring three spheres of social progress: **essential human needs, conditions for wellbeing**, and **opportunities** *(Petraglia, Provenzano).*

The major economic differences between regions in the EU are also reflected in social development. On a scale of 0 to 100, in the EU-28, *Convergence* regions register an SPI equal to 55.8, while *Competitivity* regions achieve a score of 71.5. The lag in *Convergence* regions is at its peak in essential needs (63.6 against 82.4) and opportunities (48.7 against 67.7).

What is Italy's Position? With an SPI of 61, *Competitivity* regions **come in below the EU average** as a result of a **deficit in catering to essential needs** (76.9 against an average of 83.2 for the EU-15), and are a considerable **distance from European opportunity standards** (51.4 against 68.2 for the EU-15). The situation is even worse in *Convergence* regions, where the SPI is equal to 51.8: this is the **lowest in the EU-15** (where the average is 59). Italy is penalized by a **lack of opportunities** (40.8 compared with an EU-15 average of 48.9).

Italy's cumulative index (*Convergence* +

***Competitivity*) is 58.4, against 70.3 for the EU-15.**

Italy's North/South economic divide is evident once again in these figures, which register systematically higher values for Italian *Competitivity* regions (Center-North) compared with *Convergence* regions. The social development gap within the Italian economy is above all the result of different levels of meeting **essential needs** (76.9 in *Competitivity* regions, compared with 64.2 in *Convergence regions*).

Conclusions

For two decades now, Italy has looked on as it has become more and more distanced from Europe's core. Areas of opportunity and areas of exclusion are increasingly separated by the demarcation line between Italy's North and South. Southern Italy is the continent's largest "less-developed area".

Weak national growth and **increasing regional lags** are the elements Italy must tackle in coming years.

The downturn laid bare the **limitations of the economic policy model** on which the European project is based, revealing its difficulties in achieving its original aims of balanced growth, high levels of employment and social protection, as well as increasing convergence between and solidarity among Member States.

The effectiveness of cohesion policy could be **improved** today:

- **By redistributing resources** from excessively-subsidized regions
- Making the aim of policy and local capital endowments by region more complementary
- **Allowing for greater flexibility** in terms of the needs and general objectives of each European Union Member State.

A putative **contraction of** structural fund **resources** in the 2021-2027 cycle could have **particularly heavy consequences for Italy**.

Remarks

The debate on the future of European policy has been made more complicated by the economic and political implications of the great recession, ever-increasing pressure from Eurosceptic parties, and unprecedented institutional change in the EU's structure and make-up.

Against this backdrop, **cohesion policy is only likely to maintain its key role after 2020** if it is capable of proving that it is an **economic priority for the EU**. This entails guaranteeing its **fairness** (correcting the asymmetric impact of various policies) and **efficiency** (getting rid of bottlenecks to growth), **generating economic benefits commensurate with costs** and, most importantly of all, **functioning well** in terms of **verifiable economic impact** as measured against credible benchmarks.

This Dossier

This dossier is a review of the most recent research on the **impact of cohesion policies:**

- Four works that analyze the heterogeneous effects of structural funds, assessing their impact **in Europe**
- Three research papers that further investigate assessments of the impact of cohesion policy **in Italy**, clarifying their heterogeneous effects, from implementation to end-purposes.

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