EU Cohesion Policy and Regional Economic Development:
A Regression Discontinuity Analysis

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Abstract

The EU Cohesion Policy (CP) is a key initiative of the Union's strategy to promote harmonious development across its member states. Targeted specifically at less developed regions, the policy seeks to reduce economic and social inequalities. Its primary goals include encouraging economic growth, generating employment opportunities, and enhancing the quality of life in these regions. To achieve these objectives, the policy strategically channels funds into critical infrastructure, innovation, skill development and environmental sustainability, thereby contributing to the overall cohesion and integration of the EU.

Scholars have widely analyzed the cohesion policy and its impact on regional economic performance, employing various methodological frameworks. However, most recently, economic literature has focused on properly assessing the causal impact of funds allocated through CP on regional development, mainly employing the Regression Discontinuity Design (RDD). RDD is particularly suitable for evaluating the policy since its structure allows for a quasi-experimental design approach. Most funds are allocated to less developed regions, defined as "Objective 1" regions, with per capita GDP below 75% of the EU average.

Some recent contributions, including the analyses by Percocco (2017) and Bachtrögler et al. (2020), have highlighted the important role of regional contextual factors in the efficacy of the policy. Despite these important findings, there remains a gap in the literature: previous analyses on the topic have largely neglected the role of other sources of regional capital accumulation. This oversight is particularly noteworthy considering that the total CP funds account for a minimal part of total regional investments.

Across more recent contributions, Cerqua and Pellegrini (2018) have analyzed policy's impacts for the period 1994-2006, extending the RDD methodology to properly take into account the intensity of the treatment, which in this context refers to the amount of financing received. This methodological extension is particularly useful for the evaluation of the policy since the allocation of financing is highly heterogeneous even among Objective 1 regions.

In our research, we aim to assess the CP's economic impact using the innovative methodological framework developed by Cerqua and Pellegrini (2018) while accounting for other sources of regional investment. Employing data provided by DG Regional and Urban Policy of the European Commission (EC 2017), in which CP's payments are annualized and regionalized, we conduct a comprehensive analysis that includes the programming periods 2007-2013 and 2014-2020. Moreover, the dataset distinguishes payments for each fund within the policy, enabling us to delve deeper into CP implementation nuances. By exploring these varied effects, our study seeks to understand how each fund's diverse aims contribute to the Cohesion Policy's overall effectiveness.