



Evaluation and Monitoring of EU-Regional Policy - Some General Remarks

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Overview



Main goals of EU regional policy: Convergence and economic growth

What has happened

- concerning convergence?
- concerning economic growth?

Has regional policy an impact?

- on convergence?
- on economic growth?

Relevance of monitoring

Conclusions

What are the main goals of EU regional policy?



- **Regional convergence:**
 - Stimulating economic development in regions and member countries with low per-capita-income
 - Regions and countries with a low per-capita-income should catch-up

- **Aggregate growth:**
 - Enhancing economic growth for the EU as a whole (Lisbon Strategy; Europe 2020)
 - “...(the) goal is not simply to redistribute resources but rather to create new ones...” (European Commission, 2004)



What has happened in the EU concerning **convergence** (until the financial crises)?

- **Catching-up** of poor countries
 - of the „old“ cohesion countries (since 1985)
 - of the member countries joining the EU in 2004/2007 (since 1995)
- **Convergence among countries**
- **Regional divergence within** catching-up countries; nevertheless most of the poor regions caught up to the EU average

What has happened in the EU concerning **economic growth** (until the financial crises)?



average percentage changes from previous years

	1980-1990	1991-2000	2001-2006	2007-2011
Japan	4.4	1.6	1.2	-0.1
USA	2.9	3.4	2.5	0.5
EU (Euro area)	2.4	2.1	1.8	0.5

Source: OECD

What has happened in the EU concerning **economic growth** (until the financial crises)?



EU is far away from its goal to become the most competitive and dynamic economic area (Lisbon strategy)

Has regional policy an impact on **regional convergence**?



- In principle, convergence can be the result of....
 - general catching-up
 - integration
 - institutional framework of the member states for economic activities
 - economic policy (“Standortpolitik”) of the member states
 - regional policy of the EU
- Decisive question for evaluation: What is the contribution of EU regional policy on regional convergence besides the other possible impacts?
- Two approaches working in line with the so called **with-and-without-principle** exist:
 - ... **macroeconomic simulations**
 - ... **econometric studies (single equation tests)**

Has regional policy an impact on regional convergence?



Econometric studies (single equation tests)

- Mixed results: Some studies detect positive effects; most studies do not find a positive impact;
- If a positive impact is found the coefficient will be very small, implying only a small impact
- Severe data problems: there are several problems finding a consistent regional data set for the actual financial aid paid (so far)
- Single equation tests tells us whether there is a significant impact (or not); they tell us nothing about the impact in specific countries/regions

Has regional policy an impact on regional convergence?



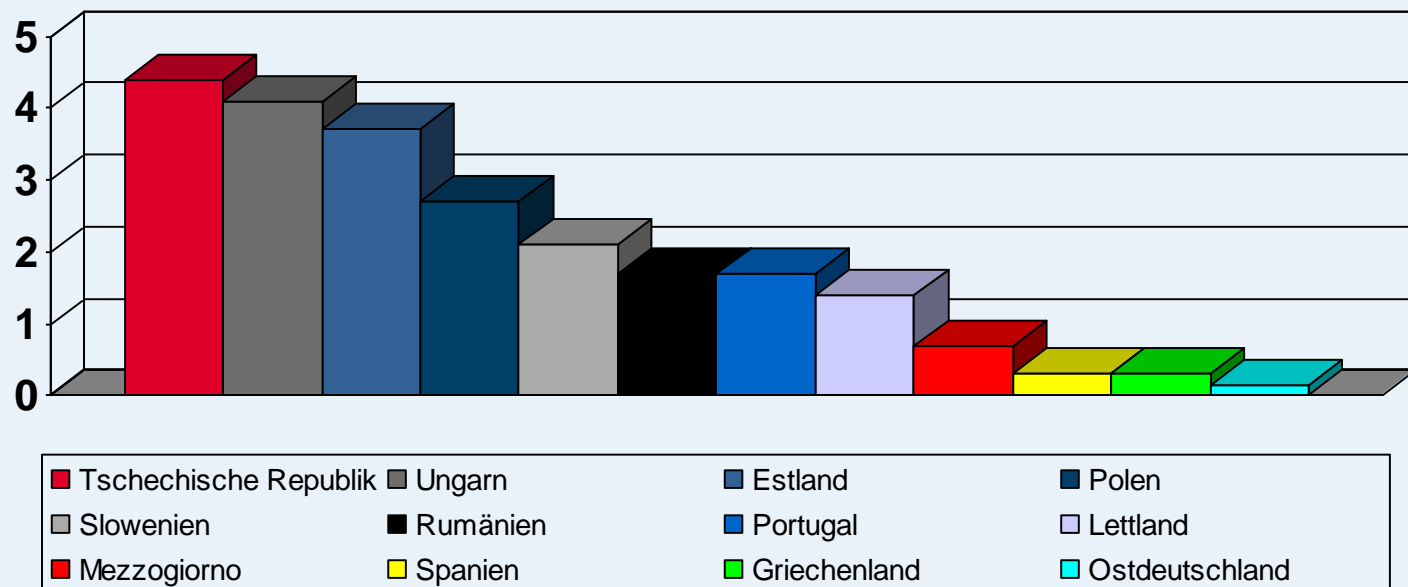
Macroeconomic simulations

- they show how an economy is functioning
- they aim to simulate the impact of regional policy
- they were undertaken by the Commission or on its behalf for the Cohesion Countries, Eastern Germany, the Mezzogiorno, and all New Member States

Has regional policy an impact on regional convergence?



GDP increase in 2020 as a result of regional policy within the period 2007 - 2013 (% increase above basis scenario) results of macroeconomic simulations

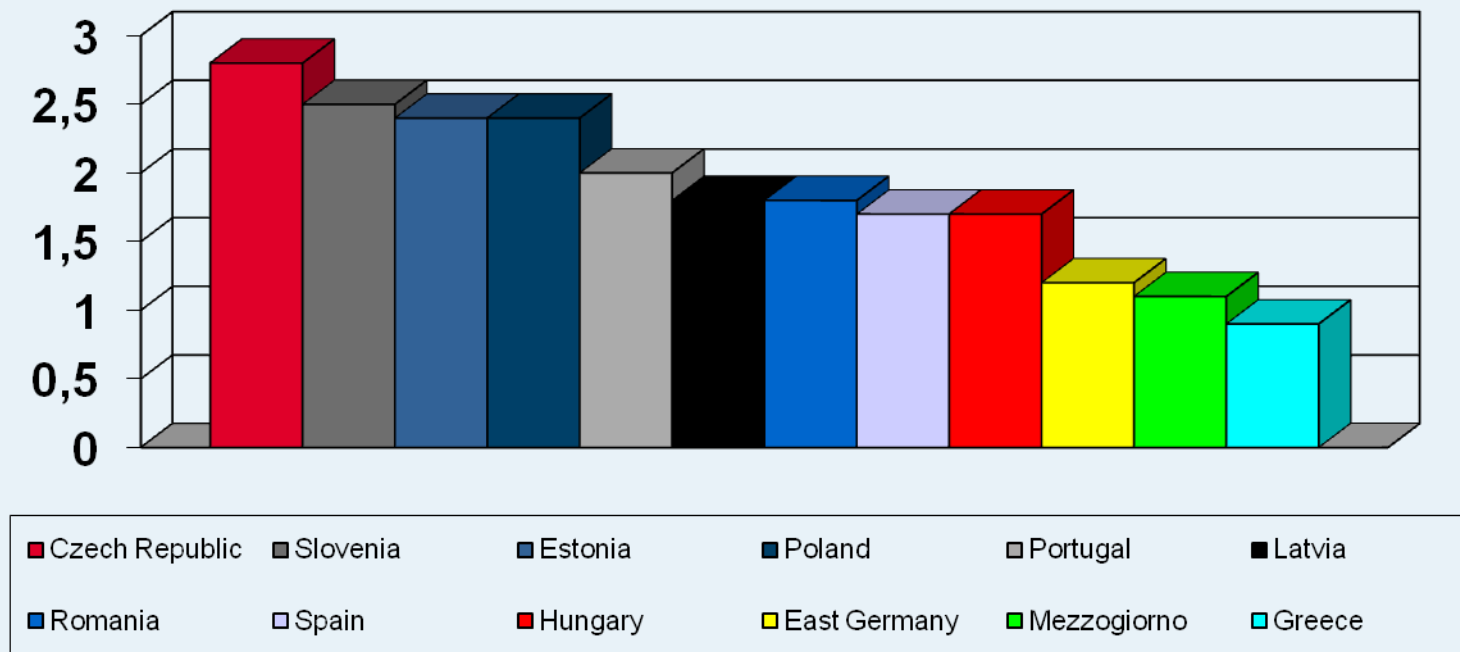


Quelle: Bradley et al. 2004; own illustration

Has regional policy an impact on regional convergence?



Effectiveness of EU regional policy in the years 2007 - 2013
Results of macro simulations for the year 2020



Quelle: Bradley und Untiedt, 2007; own illustration

The efficiency of regional policy is very different among the member countries

Has regional policy an impact on regional convergence?



Possible reasons for differences in the efficiency among countries

- Level of economic development
- Adjustment capacity of the economy
- Character of allocated projects (growth enhancing/not growth enhancing)
- Administrative capacity to manage the structural funds
 - Selection of proper projects
 - Realisation of selected projects

Has regional policy an impact on regional convergence?



Findings of macroeconomic simulations

- The impact of regional policy differs from country to country and partly from period to period substantially; there seems to be a certain impact...
- ... but other factors as general catching-up, steps of integration, institutional framework and quality of national economic policy seem to be more important
- The efficiency differs from country to country...
- ...and the impact seems not to be sustainable; it feeds out after some time
- Regional effects within the countries are not investigated
- Main critical point: macroeconomic simulations impose the impact (they do not ask: “whether”, but they ask only “how much”)

Has regional policy an impact on **aggregate economic growth**?



- Simple theoretical considerations would suggest that - in order to stimulate aggregate economic growth - those regions should get resources of regional policy in which the **marginal output effect of these resources is the largest one**
- There could be apparently a conflicting relation between the aim **convergence** on the one side and the aim **aggregate economic growth** on the other side
- This conflicting relation could be illustrated for the case of **Hungary** as well as for **the EU as a whole**.

Has regional policy an impact on **aggregate economic growth**? The Hungarian case

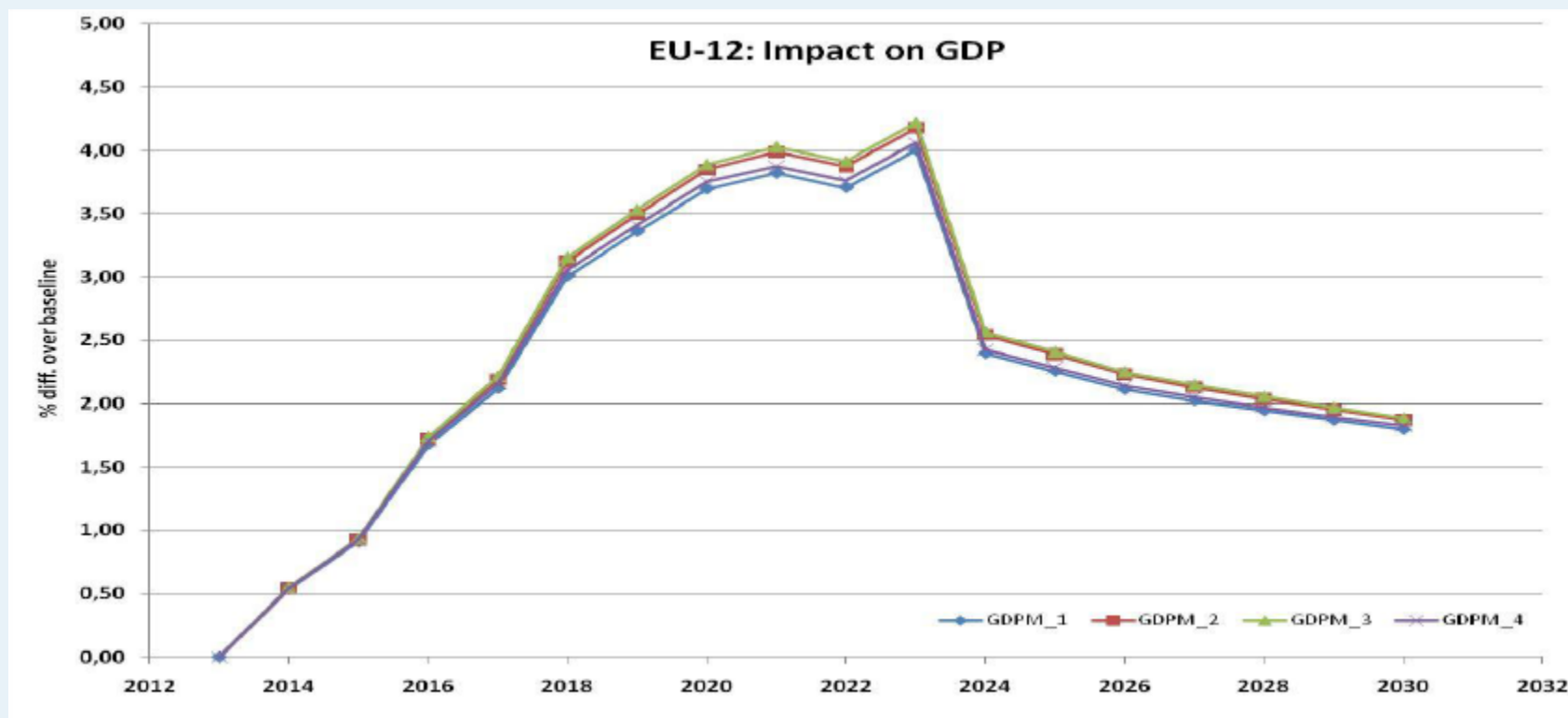


- Six Hungarian regions belong to the objective „*Convergence*“; Central Hungary belongs to the objective „*Regional Competitiveness and Employment*“; within the period 2014 -2020 Central Hungary will belong to the “*more developed regions*”
- Central Hungary has been/will be by far less supported by regional policy than the other six regions
- Decisive Question:
 - Does the “discrimination” of Central Hungary support the catching-up process of Hungary in the best way?



Has regional policy had an impact on **aggregate economic growth**?

EU-12 (NMS) – Impacts of regional policy on GDP, in % over baseline

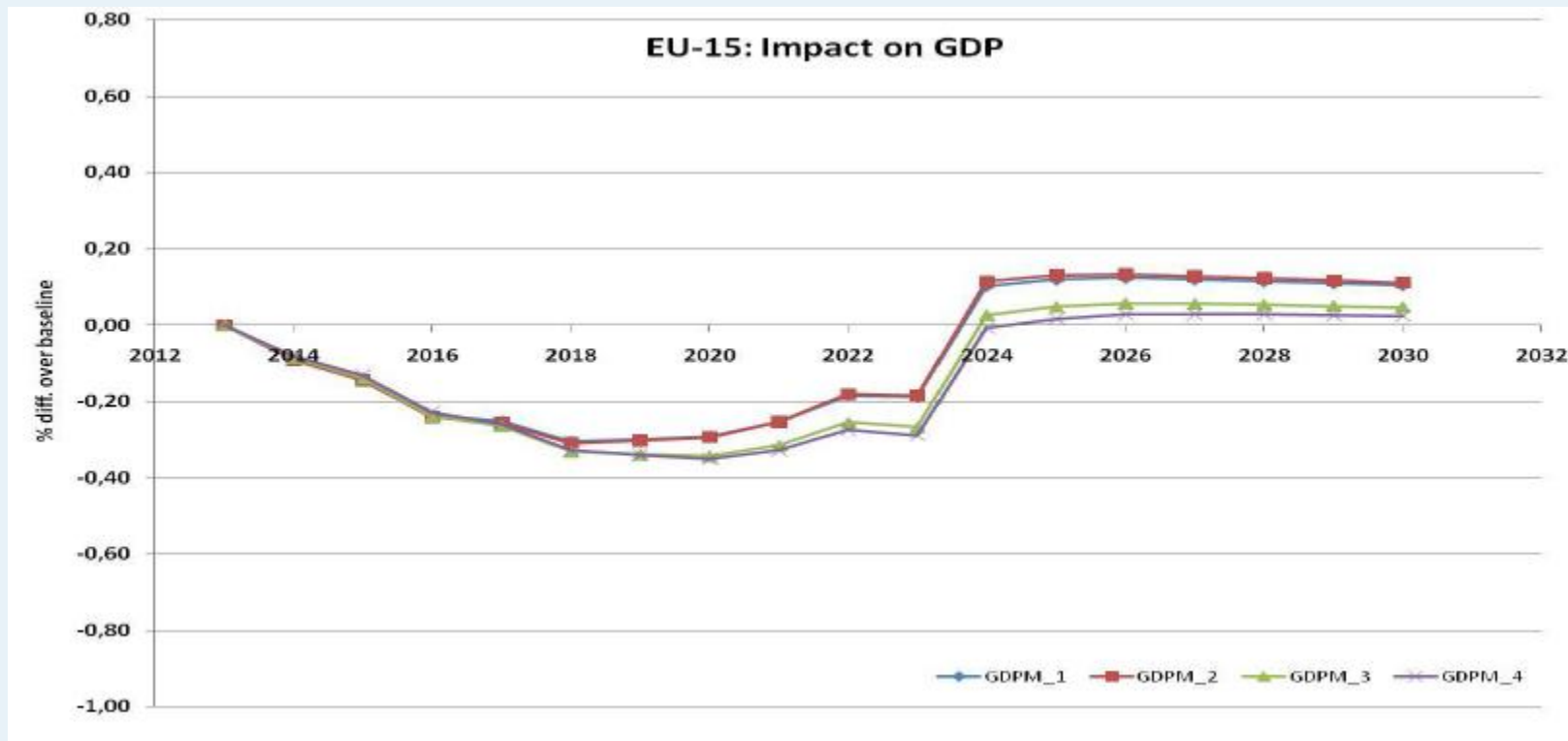


Source: Untiedt (2013)

Has regional policy had an impact on **aggregate economic growth**?



EU-15 (OMS) – Impacts of regional policy on GDP, in % under/over baseline

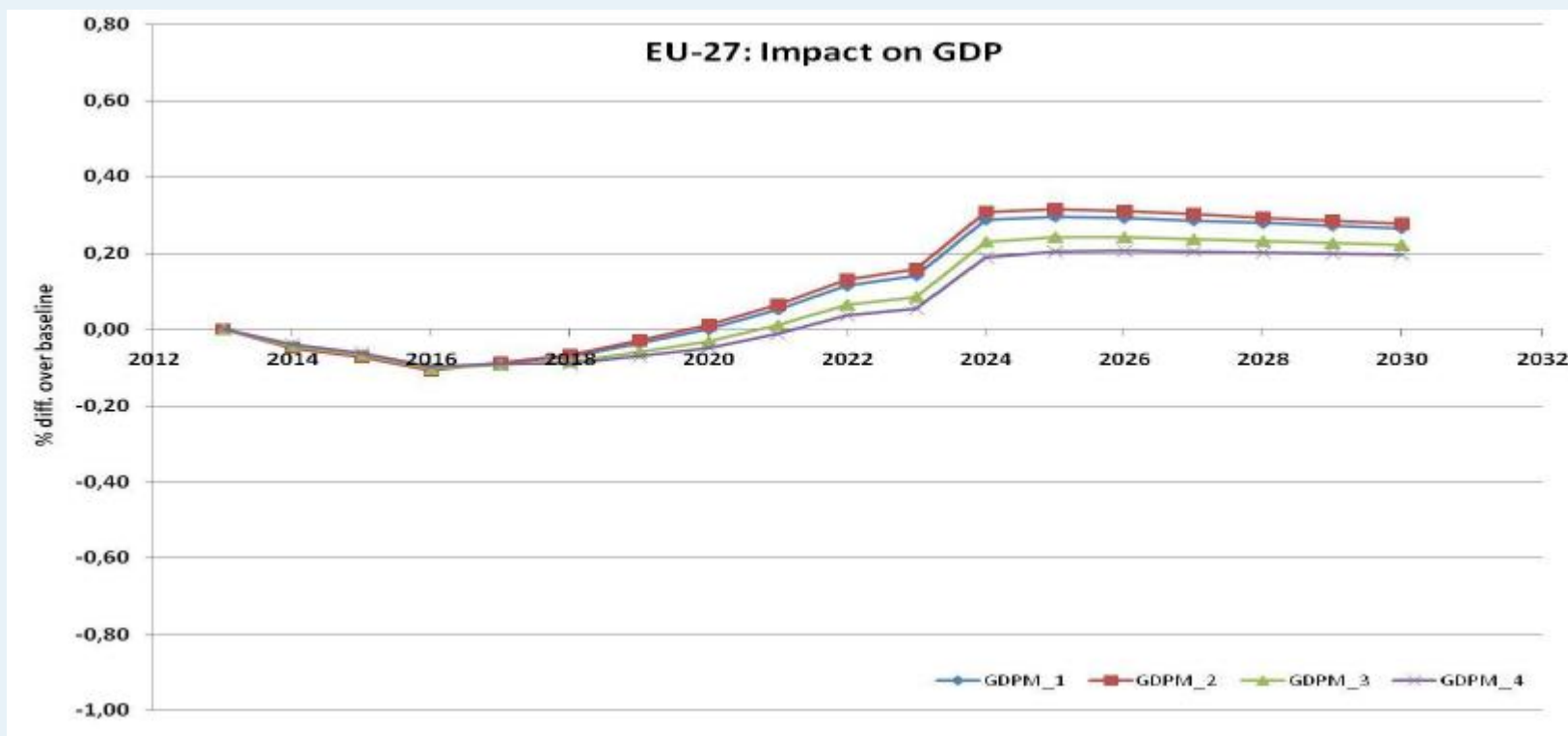


Source: Untiedt (2013)

Has regional policy an impact on aggregate economic growth? The EU case



EU-27 – Impacts of regional policy on GDP of the EU, in % under/over baseline



Source: Untiedt (2013)

Has regional policy an impact on **aggregate economic growth**?



Simulated growth impacts of regional policy 2014-2020

- positive in NMS (up to 4%)
- negative in OMS until 2023, afterwards slightly positive
- negative in the EU until 2020, afterwards positive (up to 0.3%)
- In order to get a positive net effect over time for the whole EU the losses in GDP before 2020 have to be compensated in the following years

Relevance of monitoring – some thoughts



Monitoring is **important** for

- **controlling the realization** of projects due in time
- **getting reliable information** on the financial resources spent for projects (type; region; country; time/period)

The information provided by proper monitoring **is essential** in order to undertake **evaluation studies** (micro and macro level)

Monitoring **does not tell** us anything about **the impact** of regional policy

Evaluation and monitoring of European regional policy – Conclusions (1)



- In the period 1986-2008 a catching-up process of the cohesion countries took place; since 1995 the East European countries caught up, too; however, convergence among regions within these countries had not happened, on the contrary. Nevertheless, most regions in these countries caught up to the average per-capita income of the EU.
- Regional policy might have favoured the catching-up process of the cohesion countries to a certain and different extent. The same is true for the new member countries, which were included in the regional policy scheme 2004/2007. Nevertheless, besides regional policy other factors such as the integration process itself, the introduction of the euro, the openness of an economy, the quality of national economy policy etc. were presumably much more important.

Evaluation and monitoring of European regional policy – Conclusions (2)



- The impact of EU regional policy on a sustainable economic development has to be considered carefully. At least, it is obvious that - as the experience of the Cohesion Countries and some new member countries show - cohesion policy could not protect countries to get in severe economic troubles.
- The impact of EU regional policy on regional convergence and divergence within countries remains an open question.
- There is no indication that regional policy has fostered aggregate economic growth of the EU so far.
- Monitoring is an indispensable tool for a successful regional policy. It is important for controlling the realization of projects and essential for evaluation studies.



Many thanks for your attention!