

A recent study on the distributional effects of EU cohesion policy highlights how the latter reduces disparities between regions but paradoxically increases those within individual areas

“European cohesion policy increases income for wealthy households, but has almost **no positive effect** on low-income households in the regions it supports”. This is, in a nutshell, the result of a recent study conducted by Valentin Lang, Nils Redeker, and Daniel Bischof, researchers from the University of Mannheim, the Jacques Delors Center, and the University of Aarhus respectively.

This is a surprising result, as the cohesion policy, which covers about a third of the European expenditure budget, has the main aim of reducing inequalities between regions. The main focus of the paper are two of the funds part of the cohesion policy, the European Regional Development Fund (ERDF) and the European Social Fund (ESF), mainly disbursed in those regions (e.g. in Italy the Regions) where **GDP** per capita is less than 75% of the EU average.

The research, which covers a period from 1989 to 2017, collected and systematised data from various types of surveys carried out at the local level and which involved a total of 2.4 million respondents in 231 European regions.

The data collected show that intra-regional inequality is at very high levels in the **European Union**. “Even in wealthier regions, many people have lower disposable income than the median of relatively poor regions”, the researchers explain.

The research results clearly show the difference between the effects on inequality that cohesion policy has at the interregional level and those at the intraregional level. These are the two main components on which general inequality within the EU is built. Researchers emphasise that, of the two components, inequality within individual regions has the greatest impact on inequality overall.

In fact, if the effects on the reduction of disparity between European regions are unequivocally positive, since the aforementioned funds have generally positive consequences for the economic growth of the EU, the same cannot be said for the effects on internal inequalities. These huge cash flows risk - on the contrary - exacerbating the internal inequalities of the regions themselves.

“So - as the researchers write - **giving economic support** to less developed regions does not necessarily mean that this aid also reaches the poorest people”.

According to the study, in fact, the funds are transformed into tools that contribute to increasing the income of citizens with a higher level of education and with better skills.

The researchers explain that this is due to several factors: first of all by the fact that these types of policies benefit invested capital more than wage labour. Many of these funds are essentially investment grants or tax credits.

Another basic reason is the fact that access to funds is regulated through tenders, which require costs in terms of skills and knowledge of the administrative legislation in the sector. The research does not intend to disavow the usefulness of the [European cohesion policy](#) in itself, stating, on the contrary, that the results do not imply that the **European cohesion policy is ineffective**. In fact, they define the funds as advantageous instruments. However, in order to make them more egalitarian, they need rules that condition their spending more. In this sense, the paper proposes a sort of paradigm shift from place-based policies - i.e. aimed at specific regions identified with specific criteria - to more “people-based” policies.

Source: balcanie caucaso