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STRUCTURAL FUNDS: AN EFFECTIVE REDISTRIBUTIVE POLICY? SOME EVIDENCE FROM ITALIAN PUBLIC POLICIES

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Abstract

Today more than ever, it does not seem feasible to advance towards a closer integration of the European Union, without favouring a greater economic and social cohesion between its countries. Yet, there are still very deep economic and social disparities both between countries and between regions that compose the Union, undermining its unity and cohesion. The importance of economic and social cohesion is enhanced by the EU enlargement to Southern and Eastern Europe, and the establishment of economic and monetary union, which leaves very little room for manoeuvre at national level not only for monetary but also for fiscal policy. Hence the need to evaluate the appropriateness and effectiveness of development policies implemented through the European Structural Funds. The Funds are, especially since the introduction of *Agenda 2000*, the European Community's primary tool to sustain development in areas facing economic problems. Although marked differences in levels of regional development characterise many European countries, Italy is a particularly interesting (and worrying) case study for cohesion policies, because of the existence of an area of the country, the South, whose delays in development are relevant and are perpetuated over time (Allen and Stevenson, 1974; Putnam, 1993; Paci and Saba, 1998; Iuzzolino, 2009).

The persistence of such disparities, in the presence of significant financial resources dedicated to cohesion policy, raises issues about the effectiveness of these interventions, and, in particular, on the impact of European Structural Funds. This paper aims to assess the Funds' effects on the economies of the 20 Italian administrative regions. We ask whether Funds are an effective redistributive policy or, in other words, whether the financial resources redistributed by the EU actually contributed to reduce interregional disparities in Italy. We aim to identify efficient practices and areas of intervention through an analysis characterized by: the use of modern policy evaluation techniques, the examination of various programming cycles (1994-1999, 2000-2006 and 2007-2013, ruled by different governance systems), the adoption of a measure of the quality of local governments provided by the Quality of Government Survey (Charron et al., 2014), and an empirical framework where, unlike in most of the earlier work, different types of nationally-financed funds are consider along with the European Structural Funds. This exercise takes places in a period characterised by fears of hitting the automatic release of resources for 2007-2013 (in 7 months, from May to December 2015 still about 12 billion euro, 26.4% of the overall total, must be reported back), an excessive fragmentation of resources

between projects and beneficiaries[1] (which undermines the structural impact of specific interventions), and the need to limit the delays, unfortunately already evident at the outset of the new programming cycle (2014-2020) (as of May 2015, 12 Regional Operational Programmes - over the 39 planned - are not yet approved). We thus intend to evaluate the Funds' effectiveness with a view to their scheduled lapse at the end of this programming cycle.

In this paper, we focus on the European Structural Funds' impacts on convergence across Italian regions and the three waves of the Funds over 1994-2012. We consider the Funds' effects on productivity and capital accumulation in the Italian regions. Unlike in most of the earlier work, we allow for official series for disbursed European Structural Funds and for different types of nationally-financed funds.

The empirical framework based upon an Econometric panel regression is geared to assess the impact of Structural Funds (as well as of nationally-finance funds) on regional growth, both directly and through support of private investment. This framework can provide very useful information to our basic question asking whether these funds are an effective redistributive policy contributing to smaller interregional disparities in Italy. At the very least, if the impact of funds on growth is comparable across regions, Objective 1 or Convergence regions should have profited from their larger endowments. In order to weigh this contribution it is customary in the literature to provide some descriptive evidence about convergence.

Our evidence implies that the Funds had a significant impact on productivity but fairly little effect on capital accumulation. Different types of Structural Funds are found to have substantially different influences, with the ERDF, arguably, having the strongest impact. We also find that (nationally-financed) subsidies to firms have a positive impact on GDP per capita growth. Quality of government is found to have relatively little impact on Structural Funds, but decisively enhances the impact of subsidies to firms.

The remainder of the paper is organised as follows. Section 2 presents the institutional set-up of the Funds, describing the EU Objectives, different types of Funds and their recent evolution in Italy. Section 3 provides a survey of the extant empirical literature on the argument. Section 4 illustrates the empirical procedures and data, while the results of the empirical analysis are presented and commented on in Section 5. Section 6 concludes and presents implications for future research.

Keywords: European Structural Funds, Quality of government, Regional productivity, Local development.

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[1] See Tortorella (ed.) (2011, 2012, 2013, 2014, 2015), Marinuzzi and Tortorella (2015), Tortorella (2015).