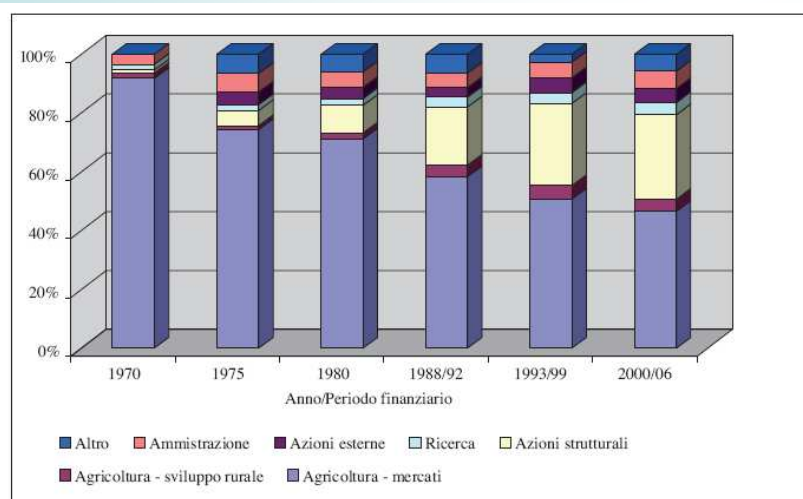


Regional and agricultural policies in the EU budget: working for EU territorial cohesion?

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Evolution of EU Expenditure



De Filippis & Sardone 2010

Objectives (1)

- Empirical assessment of the impact of subsequent policy reforms AND changes in the EU budget composition on:
 - coherence with the objective of territorial cohesion;
 - coordination/synergies between policiesin terms of financial allocations at the territorial level for Regional, Rural Development and Agricultural Policies.
- Joint analysis of Regional, Rural Development and Agricultural Policies of the EU;
- Regional (sub-national) level analysis;

Research hypotheses

Existing literature has suggested the implementation of **inappropriate policies** as an explanation of the weak impact of the EU 'development' funds on regional convergence (Cappelen et al. 2003; Rodriguez-Pose and Fratesi 2004; Schucksmith, Thomson, Roberts 2003)

BUT

- a) Counterfactual scenario hard to construct
- b) Hard to assess the impact of intrinsically different policies (in terms of objectives, mechanisms etc.)

CONSEQUENTLY

We focus our attention upon the *à priori* structure of the policies rather than upon their impact

Objectives (2)

Investigate two potential factors that – in open contradiction with the EU Commission ‘explicit’ objectives – may prevent different EU funds from working in favour of territorial cohesion:

- *à priori* bias in the geographical allocation of the funds:
 - undermines the principle of concentration;
 - prevents the intervention from targeting the real sources of competitive disadvantage of EU regions.
- inconsistent\conflicting distribution of resources under different EU policies.

Objectives (3)

By looking of the EU expenditure for Regional, Rural and Agricultural policies (and its evolution over time) the paper will test:

- Potential inconsistencies\conflicts in the regional allocation of the funds
(correlation between regional expenditure under different policy headings)
- Coherence with the principle of territorial concentration
(spatial structure of the funding distribution)
- Capability to work pro-cohesion
(Correlation with structural disadvantage)

OUTLINE

- **Stylized facts, Research questions & Objectives**
- **Dataset:**
 - Data coverage and availability
 - Units of analysis
- **Methodology**
- **Empirical Results**
- **Conclusions**

Spatial Structure: Moran's I

- The spatial concentration of the EU expenditure for the CAP and EU Regional Policy is analysed (together with its evolution over time) by means of the Moran's I index;
- The spatial concentration of the funds is contrasted with a specifically developed Indicator of Structural Disadvantage of the EU regions;

The model: distribution of funds

Structural Disadvantage as driver for the observed pattern of expenditure per capita under different policy headings.

The following model is estimated by means of H-C OLS, and PANEL FE:

$$y_{i,t} = \alpha + \mu_i + \tau_t + \beta' X_{i,t} + \gamma' P_{i,t} + \varepsilon_{i,t}$$

where

- y_i is the level of per capita commitment in region I for policy A,
- α, β, γ are parameter vectors,
- X are the explanatory variables (Index of Structural Disadvantage) and a set of national dummy variables,
- P is the level of per capita commitment in region i for EU policies other than A,
- μ, τ are the regional fixed effect and the time trend respectively,
- ε_i is the error term

DATASET: policy areas, spatial scale, time span

- Policy areas:
 - CAP:
 - First pillar
 - Second pillar
 - Regional policy
- Geographical coverage: EU-15
 - Regional level:
 - NUTS1 (Be, De, UK)
 - NUTS2 (At, Fi, Fr, Gr, It, NI, Pt, Es, Se)
- Time span: 1994-1999; 2000-2006; 2007-2013

	Programmi	Tipo di fondo			Programmi	Tipo di fondo			Programmi	Tipo di fondo
		1994-1999				2000-2006				2007-2013
Politica agricola	PAC - primo pilastro	FEOGA-Garanzia			PAC - primo pilastro	FEOGA-Garanzia			PAC - primo pilastro	FEAGA
Sviluppo rurale	Misure accomp.	FEOGA-Garanzia			Sviluppo rurale	FEOGA-Garanzia			Sviluppo rurale	FEASR
	Ob. 1 Ob. 5A Ob. 5B Ob. 6 Leader II+	FEOGA-Orientamento			Ob. 1 Leader +	FEOGA-Orientamento				
Politiche di coesione	Ob. 1	FESR	FSE	SFOP	Ob. 1	FESR	FSE	SFOP	Convergenza	FESR FSE
	Ob. 2	FESR	FSE		Ob. 2	FESR	FSE		Competitività & Occupazione	FESR FSE
	Ob. 5B	FESR	FSE							
	Ob. 3	FSE			Ob. 3	FSE				
	Ob. 4	FSE								
13 Iniziative Comunitarie	fondi diversi			4 Iniziative Comunitarie	fondi diversi			Cooperazione Territoriale	FESR	

Potential inconsistencies/conflicts in the regional allocation of the funds

(correlation between regional expenditure under different policy headings)

Table 1 - Correlation Analysis (correlation between regional expenditure under different policy headings)

	Regional Policy 94-99	Regional Policy 00-06	Regional Policy 07-13	Rural Development 94-99	Rural Development 00-06	Rural Development 07-13	PAC 1st Pillar 94-99	PAC 1st Pillar 00-06	PAC 1st Pillar 07-13
Regional Policy 94-99 (Per Capita Expenditure)	1								
Regional Policy 00-06 (Per Capita Expenditure)	0.9690* (0.000)	1							
Regional Policy 07-13 (Per Capita Expenditure)	0.6961* (0.000)	0.9250* (0.000)	1						
Rural Development 94-99 (Per Capita Expenditure)	0.8090* (0.000)	0.7894* (0.000)	0.7464* (0.000)	1					
Rural Development 00-06 (Per Capita Expenditure)	0.5553* (0.000)	0.5946* (0.000)	0.5545* (0.000)	0.6377* (0.000)	1				
Rural Development 07-13 (Per Capita Expenditure)	0.4498* (0.000)	0.4909* (0.000)	0.4982* (0.000)	0.5626* (0.000)	0.7995* (0.000)	1			
PAC 1st Pillar 94-99 (Total Regional Payment po)	0.4126* (0.000)	0.4475* (0.000)	0.4156* (0.000)	0.4755* (0.000)	0.3699* (0.000)	0.3390* (0.000)	1		
PAC 1st Pillar 00-06 (Total Regional Payment po)	0.3897* (0.000)	0.4315* (0.000)	0.4110* (0.000)	0.4760* (0.000)	0.4545* (0.000)	0.4951* (0.000)	0.9374* (0.000)	1	
PAC 1st Pillar 07-13 (Total Regional Payment po)	0.3869* (0.000)	0.4126* (0.000)	0.3800* (0.000)	0.4667* (0.000)	0.4152* (0.000)	0.4155* (0.000)	0.8498* (0.000)	0.9347* (0.000)	1

Correlation in regional financial allocations between Regional Policy and Rural Development has decreased over time

Correlation between PAC 1st Pillar and Rural Development has not changed significantly. The same is true for PAC 1st Pillar and Regional Policy

Potential inconsistencies\conflicts in the regional allocation of the funds

Table 1 - Correlation Analysis (Correlation between regional expenditure under different policy headings)

	Regional Policy 94-99	Regional Policy 00-06	Regional Policy 07-13	Rural Development 94-99	Rural Development 00-06	Rural Development 07-13	PAC 1st Pillar 94-99	PAC 1st Pillar 00-06	PAC 1st Pillar 07-13
Regional Policy 94-99 (Per Capita Expenditure)	1								
Regional Policy 00-06 (Per Capita Expenditure)	0.9680* (0.000)	1							
Regional Policy 07-13 (Per Capita Expenditure)	0.6961* (0.000)	0.9250* (0.000)	1						
Rural Development 94-99 (Per Capita Expenditure)	0.8090* (0.000)	0.7684* (0.000)	0.7464* (0.000)	1					
Rural Development 00-06 (Per Capita Expenditure)	0.5553* (0.000)	0.5346* (0.000)	0.5645* (0.000)	0.6377* (0.000)	1				
Rural Development 07-13 (Per Capita Expenditure)	0.4498* (0.000)	0.4909* (0.000)	0.4982* (0.000)	0.5626* (0.000)	0.7993* (0.000)	1			
PAC 1st Pillar 94-99 (Total Regional Payment pc)	0.4126* (0.000)	0.4475* (0.000)	0.4156* (0.000)	0.4755* (0.000)	0.3699* (0.000)	0.3390* (0.000)	1		
PAC 1st Pillar 00-06 (Total Regional Payment pc)	0.3997* (0.000)	0.4315* (0.000)	0.4110* (0.000)	0.4760* (0.000)	0.4545* (0.000)	0.4961* (0.000)	0.9374* (0.000)	1	
PAC 1st Pillar 07-13 (Total Regional Payment pc)	0.3869* (0.000)	0.4126* (0.000)	0.3860* (0.000)	0.4667* (0.000)	0.4152* (0.000)	0.4155* (0.000)	0.8498* (0.000)	0.9347* (0.000)	1

High time-persistency in regional financial allocations for Regional Policy and CAP 1st Pillar

Most 'dynamic' policy area is Rural Development

•Coherence with the principle of territorial concentration

(spatial structure of the funding distribution)

Regional Policy: spatial concentration of expenditure significant and stable over time

Rural Development: spatial concentration relatively more limited but increasing in 2007-2013

CAP 1st Pillar: Limited spatial concentration

Structural Disadvantage significantly more concentrated

Tab 2 - Measures of global spatial autocorrelation

Variables	E(I)	sd(I)	z	p-value*	
Regional Policy 94-99	0.44	-0.007	0.042	5.973	0.000
Regional Policy 00-06	0.25	-0.007	0.042	6.205	0.000
Regional Policy 07-13	0.158	-0.007	0.042	6.205	0.000
Rural Development 94-99	0.13	-0.007	0.042	3.254	0.001
Rural Development 00-06	0.11	-0.007	0.042	2.932	0.002
Rural Development 07-13	0.201	-0.007	0.042	5.01	0.000
PAC 1st Pillar 94-99	0.116	-0.007	0.042	2.922	0.002
PAC 1st Pillar 00-06	0.12	-0.007	0.042	3.03	0.001
PAC 1st Pillar 07-13	0.105	-0.007	0.042	2.878	0.004
Index of Structural Disadvantage (PCA)	0.339	-0.007	0.042	8.209	0.000

*1-tail test

Capability to work pro-cohesion

('Reward' for structural disadvantage)

After controlling for national factors:

Regional Policy:

- Positive and statistically significant 'reward' for Structural Disadvantage;
- Increasing after 2000

Rural Development:

- Positive but decreasing 'reward' for Structural Disadvantage;

Table 3 - Cross Section Analysis with country dummies

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Regional Policy 1994-99	Regional Policy 2000-06	Regional Policy 2007-13	Rural Development 1994-99	Rural Development 2000-06	Rural Development 2007-13	PAC 1st Pillar 1 1994-99	PAC 1st Pillar 1 2000-06	PAC 1st Pillar 1 2007-13
Index of Structural Disadvantage (PCA)	54.05** (20.82)	85.97*** (28.58)	80.38*** (23.87)	17.27*** (6.038)	35.89* (18.34)	21.02* (11.13)	189.3*** (44.94)	263.7*** (63.44)	224.0*** (67.28)
SE	28.97 (33.09)	21.67 (89.38)	85.08 (68.78)	7.378 (10.66)	114.0*** (22.32)	173.6*** (11.21)	-193.8 (148.8)	139.4 (146.7)	152.7 (160.4)
DE	242.3*** (91.83)	273.1* (146.9)	219.0** (106.5)	59.75* (32.60)	91.04* (46.15)	89.73** (38.91)	-226.5 (153.1)	-157.5 (166.9)	-81.47 (188.6)
IT	131.6 (88.24)	71.79 (147.1)	51.63 (113.1)	34.07 (30.67)	25.39 (77.78)	89.90 (54.96)	650.0*** (220.7)	-708.8** (278.7)	-643.4* (298.7)
FR	40.13 (50.94)	-72.09 (97.10)	-107.4* (61.45)	-0.9428 (15.31)	-3.962 (40.70)	31.67 (24.67)	304.2 (208.7)	450.9* (238.7)	544.8** (250.0)
AT	-27.67 (70.94)	-78.80 (123.9)	-139.6* (83.59)	-9.364 (17.34)	323.4*** (45.77)	420.3*** (26.96)	466.7*** (168.0)	-116.7 (190.3)	-302.3 (205.8)
BE	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
PT	1.065*** (99.77)	1.402*** (184.6)	1.310*** (185.3)	125.6*** (28.75)	206.5** (85.07)	227.0*** (49.44)	-587.4** (259.3)	-642.8* (335.9)	-521.2 (343.2)
NL	20.15 (50.57)	-93.19 (96.87)	154.4*** (53.73)	-10.51 (12.98)	-48.99* (28.25)	-30.30* (18.24)	-129.2 (154.1)	-317.8* (162.7)	-249.6 (172.3)
UK	93.71 (59.20)	-14.93 (90.97)	24.00 (84.98)	-10.92 (12.94)	-39.82 (27.58)	24.46 (21.95)	-326.6** (152.7)	-294.1* (156.4)	-161.0 (174.7)
ES	615.0*** (86.03)	677.9*** (134.7)	430.2*** (102.1)	84.62*** (19.48)	187.1** (71.87)	158.3*** (45.40)	-32.19 (211.0)	367.6 (278.0)	617.5** (305.9)
GR	1.193*** (112.3)	1.754*** (177.7)	1.109*** (115.0)	150.1*** (28.72)	241.2*** (80.30)	237.4*** (49.07)	419.9 (270.0)	393.3 (331.8)	421.0 (402.7)
FI	29.19 (54.28)	175.4 (138.1)	142.1 (180.2)	33.78* (20.01)	197.1 (191.5)	511.2*** (169.5)	736.7*** (168.8)	1.914*** (339.8)	1.619*** (331.9)
Constant	129.9** (50.88)	338.7*** (97.31)	328.9*** (61.41)	40.89*** (15.06)	111.9*** (40.78)	73.89*** (25.15)	926.5*** (157.9)	1.103*** (172.3)	946.5*** (191.7)
Observations	139	139	139	139	139	139	139	139	139
R-squared	0.811	0.827	0.787	0.502	0.421	0.604	0.537	0.539	0.465

Capability to work pro-cohesion

('Reward' for structural disadvantage)

Tab. 4 - Panel Data Analysis (Fixed Effect Two-Way): Regional Policy, Rural Development Policy, PAC 1st Pillar 1994-2013

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Regional Policy 1994-2013	Regional Policy 1994-2013	Regional Policy 1994-2013	Rural Development 1994-2013	Rural Development 1994-2013	Rural Development 1994-2014	Rural Development 1994-2013	Rural Development 1994-2014	PAC 1st Pillar 1 1994-2013
Index of Structural Disadvantage (PCA) Panel	44.27 (27.45)	47.71* (26.06)	30.17 (30.00)	27.40* (14.33)	32.08** (13.79)	44.56*** (14.25)	24.81* (13.51)	28.62* (14.26)	-54.84 (60.83)
PAC 1st Pillar		0.0827 (0.0565)	0.0830 (0.0578)		0.0849*** (0.0326)	0.0847*** (0.0318)	0.0753** (0.0309)	0.0749** (0.0304)	
Regional Policy							0.152*** (0.0241)	0.157*** (0.0290)	
Interaction Term Disadvantage*PAC 1st Pillar			0.0163 (0.0185)				-0.0109 (0.00895)		
Interaction Term Disadvantage*Regional Policy								-0.00472 (0.0101)	
TD00	98.02*** (27.00)	89.25*** (25.89)	89.14*** (26.03)	-19.89 (13.86)	-29.08** (13.72)	-28.68** (13.81)	-42.62*** (12.82)	-42.39*** (12.80)	108.0** (43.17)
TD04	169.6*** (34.05)	159.3*** (36.18)	155.6*** (36.57)	-159.7*** (20.26)	-145.7*** (20.09)	-148.4*** (20.09)	-121.5*** (21.26)	-121.1*** (21.39)	-164.2*** (60.91)
Constant	557.1*** (20.38)	493.7*** (84.10)	488.6*** (86.82)	222.3*** (10.04)	136.6*** (34.12)	141.7*** (32.82)	81.53 (40.02)	81.01 (40.33)	1,010*** (38.53)
Observations	417	417	417	417	417	417	417	417	417
R-squared	0.291	0.297	0.299	0.325	0.354	0.358	0.403	0.404	0.277
Number of id	139	139	139	139	139	139	139	139	139

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Capability to work pro-cohesion

('Reward' for structural disadvantage)

Tab. 4 - Panel Data Analysis (Fixed Effect Two-Way): Regional Policy, Rural Development Policy, PAC 1st Pillar 1994-2013

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Regional Policy 1994-2013	Regional Policy 1994-2013	Regional Policy 1994-2013	Rural Development 1994-2013	Rural Development 1994-2013	Rural Development 1994-2014	Rural Development 1994-2013	Rural Development 1994-2014	PAC 1st Pillar 1 1994-2013
Index of Structural Disadvantage (PCA) Panel	44.27 (27.45)	47.71* (26.06)	30.17 (30.00)	27.40* (14.33)	32.06** (13.79)	44.56*** (14.25)	24.81* (13.51)	26.92* (14.26)	-54.84 (50.83)
PAC 1st Pillar		0.0627 (0.0566)	0.0830 (0.0578)		0.0849*** (0.0326)	0.0847*** (0.0318)	0.0753** (0.0309)	0.0749** (0.0304)	
Regional Policy							0.152** (0.0241)	0.157** (0.0299)	
Interaction Term Disadvantage*PAC 1st Pillar			0.0163 (0.0185)			-0.0109 (0.00865)			
Interaction Term Disadvantage*Regional Policy								-0.00472 (0.0101)	
TD00	96.02*** (27.00)	89.25*** (25.89)	89.14*** (26.03)	-19.89 (13.89)	-29.08** (13.72)	-28.98** (13.81)	-42.62*** (12.82)	-42.39*** (12.80)	108.0** (43.17)
TD94	169.8*** (34.05)	159.3*** (36.18)	156.6*** (36.57)	-159.7*** (20.26)	-145.7*** (20.09)	-148.4*** (20.09)	-121.5*** (21.29)	-121.1*** (21.39)	-184.2*** (60.91)
Constant	557.1*** (20.38)	493.7*** (64.10)	486.8*** (66.82)	222.3*** (10.04)	138.6*** (34.12)	141.7*** (32.82)	81.53 (40.02)	81.01 (40.33)	1,010*** (38.53)
Observations	417	417	417	417	417	417	417	417	417
R-squared	0.291	0.297	0.299	0.326	0.354	0.358	0.403	0.404	0.277
Number of id	139	139	139	139	139	139	139	139	139

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Capability to work pro-cohesion

('Reward' for structural disadvantage)

After controlling for 'time invariant' regional factors (structural characteristics, sectoral composition, institutional quality etc.) AND time trend (general evolution of the EU regions)

Regional Policy:

- Very weak association between Structural Disadvantage and Per Capita Expenditure;
- No compensatory mechanisms with PAC 1st Pillar (i.e. no counter-treatment)
- No synergies in disadvantaged areas

Tab. 4 - Panel Data Analysis (Fixed Effect Two-Way): Regional Policy

VARIABLES	(1)	(2)	(3)
	Regional Policy 1994-2013	Regional Policy 1994-2013	Regional Policy 1994-2013
Index of Structural Disadvantage (PCA) Panel	44.27 (27.45)	47.71* (26.06)	30.17 (30.00)
PAC 1st Pillar		0.0627 (0.0566)	0.0830 (0.0578)
Regional Policy			
Interaction Term Disadvantage*PAC 1st Pillar			0.0163 (0.0185)
Interaction Term Disadvantage*Regional Policy			
TD00	96.02*** (27.00)	89.25*** (25.89)	89.14*** (26.03)
TD94	169.8*** (34.05)	159.3*** (36.18)	156.6*** (36.57)
Constant	557.1*** (20.38)	493.7*** (64.10)	486.8*** (66.82)
Observations	417	417	417
R-squared	0.291	0.297	0.299
Number of id	139	139	139

Capability to work pro-cohesion

('Reward' for structural disadvantage)

Tab. 4 - Panel Data Analysis (Fixed Effect Two-Way): Regional Policy, Rural Development Policy, PAC 1st Pillar 1994-2013

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Regional Policy 1994-2013	Regional Policy 1994-2013	Regional Policy 1994-2013	Rural Development 1994-2013	Rural Development 1994-2013	Rural Development 1994-2014	Rural Development 1994-2013	Rural Development 1994-2014	PAC 1st Pillar 1994-2013
Index of Structural Disadvantage (PCA) Panel	44.27 (27.45)	47.71* (26.06)	30.17 (30.00)	27.40* (14.33)	32.06** (13.79)	44.55*** (14.25)	24.81* (13.51)	26.82* (14.26)	-54.84 (50.83)
PAC 1st Pillar		0.0827 (0.0566)	0.0830 (0.0578)		0.0849*** (0.0326)	0.0847*** (0.0318)	0.0753** (0.0309)	0.0749** (0.0304)	
Regional Policy							0.152*** (0.0241)	0.157*** (0.0290)	
Interaction Term Disadvantage*PAC 1st Pillar			0.0163 (0.0185)			-0.0109 (0.00865)			
Interaction Term Disadvantage*Regional Policy								-0.00472 (0.0101)	
TD00	96.02*** (27.00)	89.25*** (25.89)	89.14*** (26.03)	-19.89 (13.89)	-29.08** (13.72)	-28.98** (13.81)	-42.62*** (12.82)	-42.39*** (12.80)	108.0** (43.17)
TD94	169.8*** (34.05)	159.3*** (36.18)	156.6*** (36.57)	-159.7*** (20.26)	-145.7*** (20.09)	-148.4*** (20.09)	-121.5*** (21.26)	-121.1*** (21.39)	-164.2*** (60.61)
Constant	557.1*** (20.35)	493.7*** (84.10)	486.6*** (86.82)	222.3*** (10.04)	136.6*** (34.12)	141.7*** (32.82)	81.53 (40.02)	61.01 (40.33)	1.010*** (38.53)
Observations	417	417	417	417	417	417	417	417	417
R-squared	0.281	0.297	0.299	0.325	0.354	0.358	0.403	0.404	0.277
Number of id	139	139	139	139	139	139	139	139	139

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Capability to work pro-cohesion

('Reward' for structural disadvantage)

Rural Development:

- Some (still limited) 'reward' for Structural Disadvantage;
- 'Cumulative effect' with Regional Policy and PAC: 'hybrid policy'
- No synergies in disadvantaged areas

Tab. 4 - Panel Data Analysis (Fixed Effect Two-Way): Regional Policy, Rural Development Policy, PAC 1st Pillar 1994-2013

VARIABLES	(4)	(5)	(6)	(7)	(8)
	Rural Development 1994-2013	Rural Development 1994-2013	Rural Development 1994-2014	Rural Development 1994-2013	Rural Development 1994-2014
Index of Structural Disadvantage (PCA) Panel	27.40* (14.33)	32.06** (13.79)	44.55*** (14.25)	24.81* (13.51)	26.82* (14.26)
PAC 1st Pillar		0.0849*** (0.0326)	0.0847*** (0.0318)	0.0753** (0.0309)	0.0749** (0.0304)
Regional Policy				0.152*** (0.0241)	0.157*** (0.0290)
Interaction Term Disadvantage*PAC 1st Pillar			-0.0109 (0.00865)		
Interaction Term Disadvantage*Regional Policy					-0.00472 (0.0101)
TD00	-19.89 (13.89)	-29.08** (13.72)	-28.98** (13.81)	-42.62*** (12.82)	-42.39*** (12.80)
TD94	-159.7*** (20.26)	-145.7*** (20.09)	-148.4*** (20.09)	-121.5*** (21.26)	-121.1*** (21.39)
Constant	222.3*** (10.04)	136.6*** (34.12)	141.7*** (32.82)	81.53 (40.02)	61.01 (40.33)
Observations	417	417	417	417	417
R-squared	0.325	0.354	0.358	0.403	0.404
Number of id	139	139	139	139	139

Robust standard errors in parentheses

Capability to work pro-cohesion

('Reward' for structural disadvantage)

Tab. 4 - Panel Data Analysis (Fixed Effect Two-way) by PAC 1st Pillar 1994-2013

VARIABLES	(1) Regional Policy 1994-2013				(6) Rural Development 1994-2013			(7) Rural Development 1994-2013	(8) Rural Development 1994-2013	(9) PAC 1st Pillar 1994-2013
	Index of Structural Disadvantage (PCA) Panel	44.27 (27.45)								
PAC 1st Pillar		0.0827 (0.0566)	0.0830 (0.0578)		0.0849*** (0.0326)	0.0847*** (0.0318)	0.0753** (0.0309)	0.0749** (0.0304)		
Regional Policy							0.152** (0.0241)	0.157** (0.0290)		
Interaction Term Disadvantage*PAC 1st Pillar			0.0163 (0.0185)			-0.0109 (0.00865)				
Interaction Term Disadvantage*Regional Policy								-0.00472 (0.0101)		
TD00	96.02*** (27.00)	89.25*** (25.89)	89.14*** (26.03)	-19.89 (13.89)	-29.08** (13.72)	-28.98** (13.81)	-42.62*** (12.82)	-42.39*** (12.80)		108.0** (43.17)
TD94	169.8*** (34.05)	159.3*** (38.18)	156.6*** (36.57)	-159.7*** (20.26)	-145.7*** (20.09)	-145.4*** (20.09)	-121.5*** (21.29)	-121.1*** (21.39)		-184.2*** (60.91)
Constant	557.1*** (20.35)	493.7*** (84.10)	486.8*** (86.82)	222.3*** (10.04)	138.6*** (34.12)	141.7*** (32.82)	81.53 (40.02)	81.01 (40.33)		1.010*** (38.53)
Observations	417	417	417	417	417	417	417	417	417	417
R-squared	0.281	0.297	0.299	0.325	0.354	0.358	0.403	0.404		0.277
Number of id	139	139	139	139	139	139	139	139		139

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

CAP 1st Pillar:
• NO association with Structural Disadvantage.

Conclusions (1)

- Notwithstanding the emphasis placed on coordination, synergies and concentration the improvement produced by subsequent reforms is still limited;
- Changes in the 'composition' of the EU budget are likely to impact upon its regional convergence / divergence impact but the direction of this impact remains unclear;
- Territorial concentration remains limited;

Conclusions (2)

- Some 'reward' for structural disadvantage

HOWEVER

After controlling for time invariant factors this correlation is significantly weakened.

- Changing the composition of the EU Budget is not per se able to improve the compatibility between EU spending and Territorial cohesion;
- This crucially depends on the design of appropriate allocation mechanisms and policies 'tailored' to local conditions