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One policy, different effects: estimating the region-specific effects of EU cohesion policy funds in the long run

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Cohesion policy exists in a form since the reform which followed the Single European Act of 1986. In this long period of time, a large number of academic papers have investigated the impact of the policy, with results which are often not consistent, more recently concentrating on the "conditioning factors" which can increase its impact.

However, with traditional estimation models, such as panel fixed-effects or spatial models, the assumption of slope homogeneity for the different cross-sectional units (i.e. regions in this case) is generally made. This implies that the estimated effects are equal for all the European regions, or for groups of them.

To overcome this limit, this paper has the following objectives. First, from a methodological point of view, it applies the dynamic Mean Group (MG) estimator, which allows the slope coefficients to differ across panel members, in order to investigate the individual effects of cohesion policy funds in the different European regions, in this way disentangling the different patterns of good/bad fund absorption across Europe.

Second, wanting to provide a policy perspective, the paper investigates the causes behind the differences in the individual coefficients quantifying the effects of the cohesion policy in the different European regions.

Keywords: cohesion policy; regional growth, long-run policy impact, mean group estimator

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