

A RHOMOLO ASSESSMENT OF 2014-2027 COHESION POLICY

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- The European cohesion policy aims to achieve balanced and sustainable development by reducing disparities between the European Union (EU) regions.
- The macroeconomic impact of the policy materialises through both short-term (mostly demand-side) and long-term (supply-side) effects. General equilibrium models such as RHOMOLO can be used to assess these effects.
- The budget allocated to cohesion policy for the period 2014-2020 is €356 billion (€405 billion with REACT-EU) and €376 billion for the period 2021-2027.
- This Insight summarises the results of an analysis that takes into account the funds allocated in two consecutive programming periods, as financial support is never interrupted between them.
- By 2030, each euro invested in the 2014-2020 and 2021-2027 programmes will have generated 1.3 euros of additional GDP in the EU, and will have almost tripled in 2043.
- Cohesion policy promotes internal convergence and reduces regional disparities not only at the EU level, but also within Member States.

1. Introduction

Cohesion policy is the main EU policy instrument to achieve sustainable growth and the integration of EU economies. Its main financial components, the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF), concentrate their resources in areas such as research and development (R&D), support for SMEs, education, transport, telecommunications or public infrastructure.

The impact of the policy is a combination of direct and indirect effects. The policy also generates important spatial spillovers and externalities beyond the economies benefiting from the programmes. In particular, the demand stimulus resulting from the implementation of the programmes in the less developed regions stimulates imports from more developed regions and Member States. The latter thus end up benefiting indirectly from these programmes despite receiving less assistance.

The use of macroeconomic models like the [spatial dynamic general equilibrium model called RHOMOLO](#) permit to assess the potential impact of cohesion policy by accommodating both demand-side and supply-side interventions, and by generating short-term and long-term results. Due to its territorial granularity, the model accounts also for the spatial spillovers generated by the policy.

This Policy Insight reports the results of an analysis using cohesion policy data from two different and consecutive programming periods, 2014-2020 and 2021-2027, which shows that considering the periods in isolation may lead to an underestimation of the policy's macroeconomic impact.

The policy impact of this research

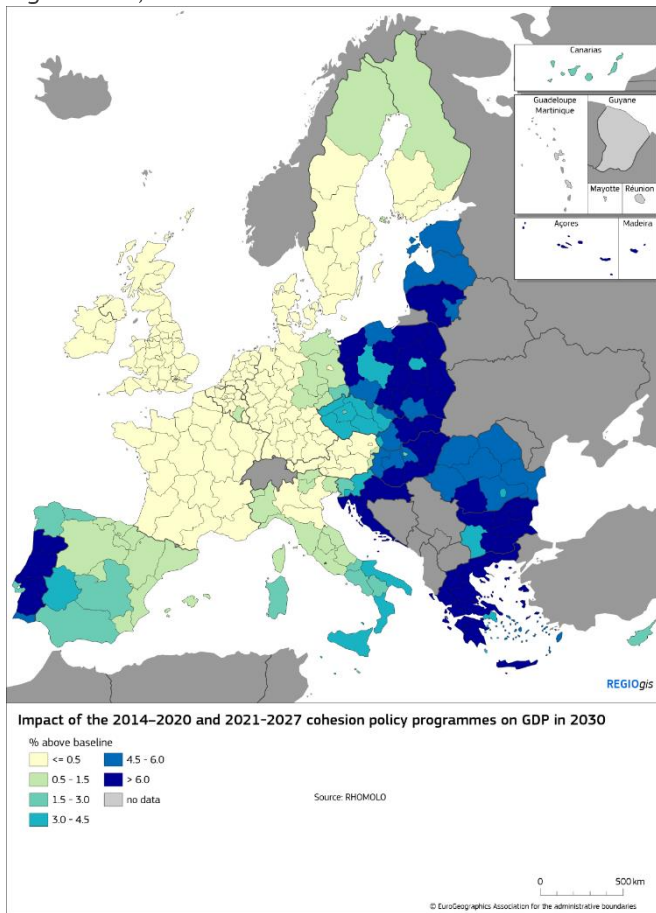
The results summarised in this Policy Insight are featured in the 9th Cohesion Report published by the European Commission's DG Regional and Urban Policy.

2. Results

Figure 1 shows the territorial distribution of the potential GDP impact of the 2014-2027 cohesion policy interventions in 2030, in terms of % deviations from the model baseline (the simulation strategy follows the one by Crucitti et al., 2023).

The impact on GDP is heterogeneous across regions, due to substantial differences in regional cohesion policy contributions/investments and the local economic conditions which determine the magnitude of the response to the policy.

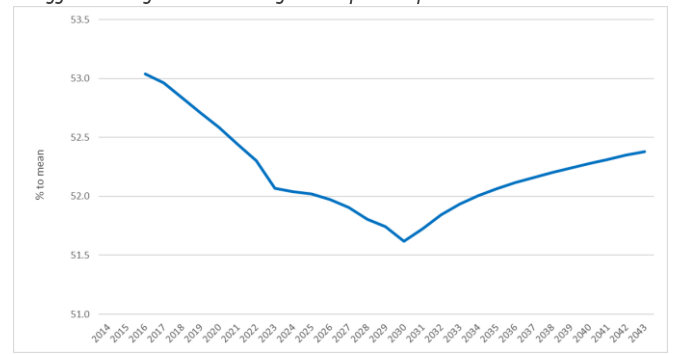
Figure 1. Impact of cohesion policy 2014-2027 on NUTS 2 regions GDP, 2030



Source: RHOMOLO.

Figure 2 demonstrates that cohesion policy contributes to decrease regional disparities. The coefficient of variation, which measures the extent of regional differences in terms of GDP per capita, decreases by about 3%, in 2030, when the impact of the 2014-2027 interventions reaches its peak. It increases afterwards, as the effects of the supply-side interventions decay (although this analysis disregards the potential impact of the policy continuation after 2027).

Figure 2. Impact of cohesion policy 2014-2027 on the coefficient of variation of GDP per capita



Source: RHOMOLO.

3. Conclusions

Cohesion policy plays a key role in reducing regional disparities in the EU, in line with its mandate of promoting territorial cohesion. It helps the less developed regions to catch up with the more developed ones, and fosters aggregate growth.

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Read more

European Commission (2024). 9th Cohesion Report. Luxembourg: Publication Office of the European Union. DOI: 10.2776/264833.

Crucitti, F., Lazarou, N.J., Monfort, P., and Salotti, S. (2023). The impact of the 2014-2020 European Structural Funds on territorial cohesion. *Regional Studies* online. <https://doi.org/10.1080/00343404.2023.2243989>

RHOMOLO

Dynamic Spatial CGE Model for EU regions

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