Warsaw, September 11, 2019

Cohesion policy is a long-term benefit for all EU countries

Each euro spent on cohesion policy generates nearly three euros in GDP impact, according to the Polish Economic Institute (PIE) report *"Cohesion policy, or solidarity in action."* The greatest beneficiaries are Portugal, Greece, and Central and Eastern European (CEE) countries. However, the European Commission is already planning budget cuts to a policy that absorbed EUR 787.96 billion between 1989 and 2013.

The core idea behind supporting less-developed regions of the European Union through cohesion policy dates back to the Marshall Plan. Despite this long history, the rules for allocating funds remain a subject of debate. As our report shows, cohesion policy benefits the entire European community, says Piotr Arak, Director of the Polish Economic Institute. It is forecast that the effects of cohesion policy interventions implemented in 2007–2013 will contribute as much as EUR 1 trillion to EU GDP by 2023. Across the entire EU economy, every EUR 1 invested generates an additional EUR 2.74 in GDP.

Between 1989 and 2013, the European Commission allocated EUR 787.96 billion to investment projects under cohesion policy. In the current financial perspective (2014–2020), this amounts to over EUR 350 billion. In total, this represents nearly EUR 1.2 trillion, which translates into an average of approximately EUR 2,400 per capita.

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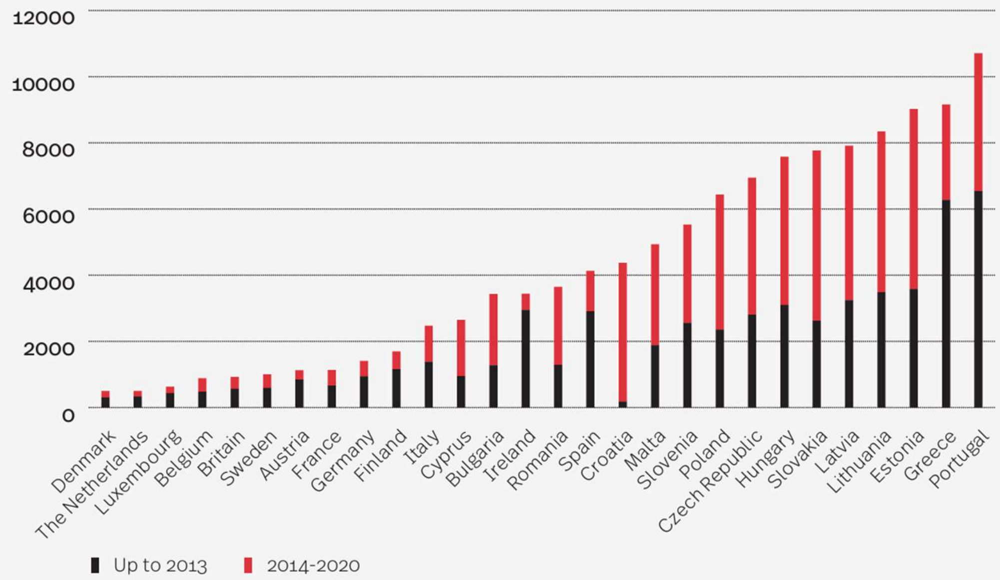
↘ Chart 1. Per capita funds from cohesion policy received by individual countries by 2013 and in 2014-2020 (EUR)



Source: prepared by the authors based on data in: European Commission (2019).

The largest beneficiaries in per capita terms are Portugal, Greece, and Central and Eastern European countries such as Estonia, Lithuania, Latvia, Slovakia, Hungary, and the Czech Republic. Poland ranked ninth. The smallest amounts were received by Denmark and the Benelux countries: the Netherlands, Luxembourg, and Belgium.

Cuts to the cohesion policy budget

According to the European Commission, the repercussions of Brexit, as well as new challenges related to security and environmental protection, require an immediate response. For this reason, a 10% reduction in the cohesion policy budget has already been announced. In its current form, the Commission's proposal envisages allocating just under EUR 330 billion to cohesion policy.

Decisions on how much net contributors will pay into the EU budget for 2021–2027 have not yet been finalized. Cohesion policy should be viewed as a long-term benefit, recommends Krzysztof Kutwa, analyst in the Strategy Team at the Polish Economic Institute. On the one hand, there is a lack of reliable data to assess its effectiveness, which is why the establishment of a European Institute for the Evaluation of Cohesion Policy is needed. On the other hand, aligning funding with the needs of individual countries must take into account the current challenges facing the EU, such as Brexit. The EU should act proactively to mitigate their negative consequences.

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The Polish Economic Institute is a public economic think tank with a history dating back to 1928. Its main research areas include foreign trade, macroeconomics, energy, and the digital economy, as well as strategic analyses of key areas of social and public life in Poland. The Institute prepares analyses and expert studies supporting the implementation of the Strategy for Responsible Development and promotes Polish research in economic and social sciences domestically and internationally.

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