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I FONDI STRUTTURALI E LA POLITICA REGIONALE DELL'UE. IL CASO CAMPANIA

RELATORE

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ABSTRACT

The European Union is one of the richest and most developed areas of the world, but is characterized by the presence of large economic and social disparities within it. Significant differences emerge between Member States and among the regions that compose them. The recent enlargement to 27 Member States has amplified this problem, because between new members there were a lot of regions with a very low per capita GDP. Existence of disparities between different regions is due to several factors, such as pre-existing disadvantages caused by geographic remoteness or legacies of formerly centrally-planned economic systems in all countries of Eastern Europe. The effect of these disadvantages is often evident in social exclusion, poor quality schools, high rates of unemployment and inadequate infrastructures.

The present study aims to analyze regional and cohesion policies implemented by the European Union through the Structural funds and it tries to evaluate their possible impact on the economies of European regions. After an overview on the history of European regional policy and Structural funds in general, Campania region will be investigated as a case study. The Solow model, base of the neoclassical growth theory (also called endogenous growth theory), will be used to examine and explain the possible contribution of European Structural funds to long-run economic growth. At the conclusion of the paper, it will be discussed the issue concerning the effectiveness of regional policy.

European regional policy has the primary goal of reducing structural gaps and promoting economic and social cohesion through a balanced and sustainable development. This policy is based on the ideal principles of cohesion and solidarity towards the less developed regions of the European Union. Investments are essential in order to pursue the objectives of regional policy, which are realized through proper financial instruments: the Structural funds. In the last programming period, which runs from 1 January 2007 to 31 December 2013, the overall budget for Structural funds is 347 billion euros.

In the history of European Union, Structural funds have not always been so important as in recent years. Analyzing the European budget year to year, it soon becomes clear that in early years of European Communities history, European institutions allocated only a minority part of the European budget to Structural funds and regional policy (5%).

After a reform of structural funds and regional policy in 1988 and the following signing of Treaty of Maastricht in 1992, the policy of cohesion wins a leading role. In programming period 1989-1993 the percentage of budget directed to the Structural funds steps from 16% to about 31%. A new maximum will be reached in 1999, when more than one third (35.8%) of the EU budget concerns regional policy. In next years, excluding the 27.4% in 2001, the proportion will remain on average around one third of total budget, confirming the importance of regional policy within the purpose pursued by European institutions.

The Structural Funds are redistributive financial instruments managed by European Commission in order to balance financial resources and support cohesion within the European Union by concentrating the spending on less-developed regions. As specified in art. 175 TFEU: "*The Union shall also support the achievement of these objectives* (art. 174 TFEU: economic, social and territorial cohesion) *by the action it takes through the Structural Funds*".

Over the years the funds have been reformed in depth, and gradually became very important for the action of European institutions. Their role remained largely the same over the time: they pursue the achievement of economic and social convergence between all European regions, by reducing the differences between more advanced and less developed areas. European regional policy is financed mainly through three Structural funds:

1) the European Regional Development Fund (ERDF);

2) the European Social Fund (ESF);

3) the Cohesion Fund.

- The European Regional Development Fund (ERDF) aims to strengthen economic and social cohesion in the European Union by correcting imbalances between its regions. It finances: investments in companies (in particular SMEs) to create sustainable jobs; infrastructures linked to research and innovation, telecommunications, environment, energy and transport; regional and local development and cooperation between towns and regions. Over the last programming period, ERDF is investing 201 billion euros, around 58% of the EU’s total budget.

- The European Social Fund (ESF) is the European Union’s main financial instrument for supporting employment in the Member States as well as promoting economic and social cohesion. The ESF focuses on four key areas: increasing the adaptability of workers and enterprises, improving access to employment and participation in the labour market, strengthening social inclusion by fighting discrimination and helping access to the labour market for disadvantaged people. ESF spending amounts to around 76 billion euros, close to 10% of the EU’s total budget.

- The Cohesion Fund contributes to interventions in the field of the environment and trans-European transport networks. It applies to member states which have a Gross National Income (GNI) per inhabitant lower than 90% of the EU average. For this reason, it covers all twelve new member states as well as Greece and Portugal. Spain is also eligible for the Cohesion Fund, but on a transitional basis (so-called "phasing out"). The financial assistance of the Cohesion Fund can be suspended by a Council decision (taken by qualified majority) if a Member State shows excessive public deficit and if it is not resolving the situation or is not taking the appropriate action to do so. Over the last programming period, Cohesion Fund spending amounts to 70 billion euros.

In addition to them, in 2002 it was created the European Union Solidarity Fund (EUSF), which intervenes in case of natural disasters. The Fund was created as a reaction to the severe floods in Central Europe in the summer of 2002. Since then, it has been used for 48 disasters covering a range of different catastrophic events including floods, forest fires, earthquakes, storms and drought.

Furthermore, in 2007 were set up four new financial instruments: two of them provide technical assistance (JASPERS and JASMINE); one helps small and medium enterprises access to microcredit (JEREMIE); the last one supports the development of urban areas (JESSICA).

European Union's regional policy and Structural Funds aim to promote the growth of less developed regions by providing them with resources that otherwise they would not have. To assess a possible contribution of Structural funds to long-run economic growth, it is necessary to interpret data through a theory that attempts to provide an explanation for the determinants of growth. American economist Robert Solow developed a model, known as Solow model, within the paper entitled "A Contribution to the Theory of Economic Growth", published in 1956. In December of the same year Trevor Winchester Swan, an Australian economist, elaborated a similar model in the work "Economic Growth and Capital Accumulation". For this reason it is also called Solow-Swan model.

The objective of both is to describe the phenomenon of economic growth. Solow used as a starting point a critique to pessimistic conclusions of Harrod and Domar, who had denied the possibility of growth for a balanced economic system without an external intervention. Solow argues that if there is a difference between the rate of steady state growth and the rate of natural growth, this difference will be eliminated through changes in capital intensity in production processes. This variation is induced by adjustments in market prices of inputs, i.e. capital and labour. This model is also called exogenous growth model because the long-run rate of growth is exogenously determined by the rate of technical progress, which remains unexplained.

The Solow model points out that all countries with same structural parameters (investment rate, population growth and depreciation rate) converge to same steady states. This phenomenon is called absolute convergence of per capita output levels across countries.

The key prediction of neoclassical growth theory is that the income levels of poor countries will tend to catch up with, or converge toward, the income levels of rich countries as long as they have similar characteristics, for instance investment rates. A region lagging in development has a capital stock lower than that of the richest economies and it will experience a faster growth.

Starting from this assumption, the resources made available by the European Union are essential to increase the capital stock of less developed regions and quicken the convergence between them.

The role of structural funds is also important for other alternative growth models such as those belonging to theories of endogenous growth. In these models long-run growth is explained starting only from variables that are part of the same model. To explain labour productivity they use the idea of "human capital", that is the stock of competencies, knowledge and social attributes, embodied in the ability to perform labor so as to produce economic value. Human capital, as well as physical capital, can be accumulated: it will be greater the more you invest in training to improve knowledge and skills of each employee. Research (R&D) is also very important because it can generate technological progress and therefore growth.

In European Structural Funds programmes, education, training of workers (life-long learning), research and innovation are a key part of the strategy.

The European Union's cohesion policy has the purpose of promoting economic and social growth in the poorest European regions. According to Solow model, to achieve this objective and guarantee development, it is essential to increase the stock of physical and human capital (an economy with many highly skilled workers will be more productive) and support investment rate.

This target is pursued by the European Structural funds: their aim is to accelerate the convergence between all European countries providing additional resources (that would otherwise be very difficult to find there) to the less developed regions.

In the last programming period, 2007-2013, the funds available amounted to 347.041 billion euros, of which 81.5% for the objective “Convergence”, 16% for the objective “Regional competitiveness and employment” and 2.5% for the objective “European territorial cooperation”.

Italy is the third largest beneficiary of EU cohesion policy after Poland and Spain. The country will receive 28.8 billion euros during the period 2007-2013 for the three objectives. The guidelines for the Italian development are summarized in the Italian National Strategic Reference Framework (NSRF), which includes guidelines for the country’s comprehensive regional development policy. Each Italian region has also prepared its own policy paper (Regional Strategy Papers) and its Regional Operational Programmes (ROPs).

The “Convergence” regions are Campania, Puglia, Calabria and Sicily are the main beneficiaries of the Cohesion policy funds because they receive 21.6 billion euros. Another region, Basilicata, is a phasing-out “Convergence” region.

The “Competitiveness and Employment” regions vary, stretching from Northern regions with a much higher per capita GDP than the EU average, to other regions that no longer fall within the “Convergence” objective but that still have a significantly smaller pro-capita GDP than the EU average (e.g. Sardinia, which for the 2007-13 period will be a phasing-in “Competitiveness” objective region; Molise, which was a phasing-out “Objective 1” region for 2000-06; and Abruzzo, which was an “Objective 1” region until 1996, but which did not manage to catch up completely with the other more developed regions in Italy). To these regions are addressed 6.3 billion euros. Regarding the objective "European Territorial Cooperation", Italy has provided 0.8 billion euros.

- The case study of Campania region (Italy).

Campania region is structurally different from the rest of Italy:

- Campania has the highest population density in Italy; it has one of the highest rates of natural increase of the population (the crude birth rate minus the crude death rate of a population); it has the lowest average age of the population, but an high migration rate;
- It has the lowest employment rate in Italy and a very high unemployment rate; the youth unemployment rate is among the highest in Europe;

- In Campania there is a high rate of unreported employment;
- It has the lowest per capita GDP in Italy;

Campania region accumulated a development gap from the rest of Italy. Now there are large delays in reducing this gap and over the last years the situation remained almost the same. Resources made available by the European Structural Funds are playing a leading role because they constitute a very important source of investment during this period of economic crisis.

The Campania's Regional Operational Programme (ROP) 2007-2013 regarding the European Regional Development Fund (ERDF) aims to achieve an overall balanced and sustainable development, increasing per capita GDP and employment rate. There will be investment in transport, environmental protection, social and economic infrastructures, public services.

The Campania's Regional Operational Programme (ROP) 2007-2013 concerning the European Social Fund (ESF) pursues a strategy of increasing growth rate and employment rate, particularly by promoting innovation and strengthening investment in research and technological development. Resources will be addressed to research and innovation, training of workers (life-long learning), improvement of competences, fighting unreported employment and reducing the unemployment rate.

The debate about the effectiveness of European structural funds is still very open: very different and often conflicting opinions emerge from the analysis of empirical data.

On the one hand there are those who think that the European resources contribute to growth of less developed regions and are crucial to decrease or at least not to increase the differences; on the other hand, there are the studies that show a complete ineffectiveness of the policy pursued by European institutions.

Resources provided by the European Union are however an important part in the budget of less developed regions, covered by "Convergence" objective. These territories receive a high amount of resources, even though we are living in a period of economic crisis.

The Campania case is emblematic. This region has a development gap separating it from the rest of Italy and Europe. For this reason it has received financial aid since the beginning of

European regional and cohesion policy. Campania grew above the national average, nonetheless, only between the late '90s and early years of the third , but already in 2003 this economic trend disappeared. In the near future the situation will change further: in the last EU's programming period, the resources devoted to less developed regions declined as a result of EU enlargement to 27 Member States, because between new members there were a lot of regions with a very low per capita GDP. The new challenge for regions such as Campania, is therefore to be able to optimize the use of structural funds. As already remarked in Campania ROPs (related to ERDF and ESF) for the programming period 2007-2013, they have to focus on quality and concentration of resources, avoiding waste and dispersion.