

# **Cohesion policy and domestic fiscal spending in Italian regions: a sectoral ex-post assessment of the additionality principle**

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## **Abstract**

This paper investigates the application of the additionality principle of European cohesion policy with respect to domestic fiscal policy during the 2007-13 and 2014-20 programming periods for the Italian regions. Despite the additionality rule in force, the cohesion treatment may have had an influence on domestic allocative process. I deal with an ex-post regional and sectoral panel evaluation of cohesion funds' additionality to ordinary policy, addressing the issue of endogeneity and reverse causality. In particular, I focus on two relevant dimensions of economic growth, such as human capital and transportation, by looking at the effects of cohesion spending on ordinary one in four sectors, defined as Education, Training, Road Infrastructures and Other Transport Infrastructures. The policy variables are computed by jointly combining data from two databases: *Opencoesione*, which provides information on cohesion projects, and Territorial Public Accounts (*Conti Pubblici Territoriali*), which refers to the sectoral regionalized public expenditure obtained by consolidating all various sources of spending. There are relevant differences on the results among sectors. Cohesion policy seems additional to domestic expenditures in transportation infrastructures, on the contrary, it appears to display a crowding-out effect in human capital projects. This heterogeneity should be taken into account in practical policymaking.

## **Keywords**

Cohesion policy, fiscal policy, additionality principle, crowding-out effect, Italy