

Non-technical summary of the ‘Success or Waste of Taxpayers’ Money? Impact of EU Rural Development Policies upon Hungarian Rural Regions’ project

Summary for *Impact of European Union Development Subsidies on Hungarian Regions* paper

This paper is a first attempt to analyse the impacts of development support on the wellbeing of Hungarian rural areas between 2002 and 2008, employing a two stages approach. In a first step, we construct a multi-dimensional Rural Development Index measuring the overall level of regional development and quality of life in Hungarian small regions. In the second step we apply propensity score matching to evaluate the impact of the regional subsidies on the RDI. Estimations reveal two main findings. First, calculations suggest that concentration in the EU support grows as the subsidy amounts increase. Second, the robust impact assessment of Rural Development Support generates disappointing conclusions. Irrespective of support measure (total subsidy, subsidy per capita and km<sup>2</sup>) or methodology employed, the impact is very close to zero or even negative. This finding casts serious doubts with respect to the effectiveness of development policy and long-run convergence of European regions

Summary for *Success or Waste of Taxpayer Money? Impact Assessment of Rural Development Programs in Hungary*

Halfway through the 2014-2020 programming period - after which major changes are expected in the policy - the European Union is facing structural and political challenges. Thus it is a timely question, whether the rather generous support directed to less developed regions of the EU, where most on the New Member States belong, did make a difference or not. This paper analyses the impact of development support on the wellbeing of Hungarian small regions between 2008 and 2013. Our aim is to measure the overall impact of all Rural Development Funds, covering all measures within the programs. We use three indices to measure local wellbeing on Hungarian LAU1 regions. The first one is a multi-dimensional, local variables based Rural Development Index measuring the overall level of regional development. In addition, we

use two simple, migration based indices as a proxies for perceived (or subjective) quality of life in Hungarian regions. Using the abovementioned indices, propensity score matching and difference-in-difference estimation techniques are employed to evaluate the impact of the regional development subsidies. Estimations result rather disappointing conclusions. Irrespective the way support is calculated (total subsidy, subsidy/capita subsidy/km<sup>2</sup>), the measure of local wellbeing or the methodology employed, the impact is generally not significant, or even negative.