

As a member of RSA I have been noticed about the Call for evidence on Cohesion policy issued by British government. Along with my colleagues I have conducted a research regarding regional price levels one year ago with quite interesting results that might be very important for Cohesion policy evaluation. We dealt with regional price levels and PPS indicators misspecification. We did it for the Czech Republic but we believe that similar method can be applied in Britain or any other EU member state. You are certainly aware that Cohesion policy supports mainly regions with GDP/capita *in PPS* below 75% of the EU average. This is quite serious because actually PPS today is based on sort of national average (one price level applied to all NUTS 2 and NUTS 3 regions within one state equally) and does not reflect real regional price levels. We can prove that the difference can be substantial – there are regions which are artificially undervalued or overvalued in terms of PPS. Therefore the EU could be supporting regions which are actually not lagging behind but have relatively lower price levels and vice versa. Generally, using the GDP criteria in PPS can lead to distorted results, policy misspecifications and allocation inefficiency of cohesion funds. Please let me know if you were interested in our research and methodology as a contribution to your planned Review (we would gladly do similar research for GB). I believe that the problem covers most of the questions you ask, especially question 1 and 6. Thank you for your consideration.

Sincerely yours

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