

**DRAFT THEMATIC GUIDANCE FICHE FOR DESK OFFICERS**

**TOURISM**

**VERSION 2 – 19/03/2014**

**RELEVANT PROVISIONS IN THE LEGISLATION**

<b>Regulations</b>	<b>Articles</b>
<p><a href="#"><u>Common Provisions Regulation (CPR)</u></a> No 1303/2013</p>	<p>Article 9 - Thematic objectives (1), (2), (3), (6), (8), (9), (10)</p>
<p><a href="#"><u>European Regional Development Fund Regulation (ERDF)</u></a> No 1301/2013</p>	<p>Article 3 (scope of support), in particular Article 3 (e): investment in the development of endogenous potential through small-scale cultural and sustainable tourism infrastructure</p> <p>Article 5 (investment priorities): (1): research and innovation, (2) (b) and (c): ICT, (3): SME competitiveness, (6c): cultural heritage, (8b): support to employment-friendly growth, (9): social inclusion, (10): skills and lifelong learning</p> <p>Related provisions:</p> <p>Recital 11: activities supporting sustainable tourism under TO8</p> <p>Article 7 (Sustainable urban development)</p>
<p><a href="#"><u>European Territorial Cooperation (ETC)</u></a> No 1299/2013</p>	<p>Recital (17) sustainable tourism as part of a territorial strategy</p>
<p><a href="#"><u>European Social Fund Regulation (ESF)</u></a> No 1304/2013</p>	<p>Related provisions:</p> <p>Article 3(1) (investment priorities)</p>
<p><a href="#"><u>European Agricultural Fund for Rural Development Regulation (EAFRD)</u></a> No 1305/2013</p>	<p>Related provisions:</p> <p>Recital (18): sustainable and responsible tourism in rural areas, natural and cultural heritage</p>

<b>European Maritime and Fisheries Fund Regulation (EMFF)</b>	Related provisions:  Article 47 - New forms of income and added value  Article 65 - local development strategies: (1d): promoting social well-being and cultural heritage in fisheries areas including fisheries, aquaculture and maritime cultural heritage
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*This is a draft document based on the new ESIF Regulations published in OJ 347 of 20 December 2013 and on the most recent version of the relevant Commission's draft implementing and delegated acts. It may still require review to reflect the content of these draft legal acts once they are adopted.*

## 1. Introduction

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This guidance fiche seeks to develop guidance on the conditions under which ERDF investments in the tourism sector might be considered. It also provides suggestions for questions that could be raised by the negotiators.

### **Importance of the tourism industry for the EU economy<sup>1</sup>**

**Tourism plays an important role in generating growth and jobs.** The diversity of the tourism sector – which is comprised of a great number of different industries and activities – allows for estimating its total contribution to EU's economy at 8,4% of the EU-wide GDP<sup>2</sup>. One in seven enterprises in the European non-financial business economy belongs to the tourism industries. These 3,4 million enterprises often serve tourists as well as locals and employ an estimated 15,2 million persons.<sup>3</sup>

In some European countries like Greece, Spain, Portugal, Italy, Austria, Slovenia, Hungary, Bulgaria, Sweden, Estonia total travel and tourism contribution to GDP is above 10% (see Annex 3). These percentages are even higher in a number of EU regions.

**Tourism involves large numbers of small and medium-sized enterprises (SMEs)** and cuts across many activities: services to tourists include hotels and other accommodation, gastronomy (for example, restaurants or cafes), transport operators, professional tour-guides and a wide range of cultural and recreational facilities (for example, theatres, museums, archaeological sites, leisure parks or sport related facilities). In many regions geared to tourism, retail and other services sectors also benefit considerably from the additional demand generated by tourists. Tourism is particularly significant in remote regions, including the remote islands, which are far from the economic centres of their country, where tourism-related services are often a prominent factor in securing employment and are one of the main sources of income for the local population.

**Europe is the most visited region in the world.** International tourist arrivals in Europe rose by 5% in 2013 on top of a strong 2012 and 2011 (+3 and +6%), a remarkable result in view of the lingering economic difficulties. Accounting for 52% of all international arrivals worldwide, Europe reached 563 million tourist arrivals in 2013, 29 million more than in 2012.<sup>5</sup> However, Europe as a destination, competes with many new destinations that have now emerged particularly in the Asia and the Pacific regions. While this is a growing cake - in the future, international tourist arrivals worldwide is predicted to increase by 3.3% a year from 2010 to 2030 to reach 1.8 billion by 2030 according to UNWTO estimations - the strongest growth will be seen in Asia and the Pacific, while Europe is forecasted to experience a decline in its share of international arrivals.

This heated-up competition plays out in a changed landscape characterized by a dramatically increased transparency and access to information through the Internet, increasingly through mobile devices, increased individual mobility, the growing share of retired people with high purchasing power ('silver economy') and higher consumer requirements and expectations in terms of the quality of the physical facilities and services, seamlessness of the visitor experience, as well as the skills and capabilities of those who work in the sector.

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<sup>1</sup> The importance of tourism is reflected at EU level. The Lisbon Treaty acknowledged the importance of tourism, outlining a complementary competence for the EU in this field, as stated in art 6 and art 195 of the TFUE.. The Commission Communication *'Europe, the world's No 1 tourist destination — a new political framework for tourism in Europe'* (COM(2010) 352) was adopted in June 2010.

<sup>2</sup> Travel & Tourism Economic Impact 2013, European Union, WTTC(2013) [http://www.wttc.org/site\\_media/uploads/downloads/european\\_union2013\\_1.pdf](http://www.wttc.org/site_media/uploads/downloads/european_union2013_1.pdf)

<sup>3</sup> Tourism industries – economic analysis, Statistics Explained, Eurostat (2013) [http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Tourism\\_industries\\_-\\_economic\\_analysis](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Tourism_industries_-_economic_analysis)

<sup>5</sup> UNWTO World Tourism Barometer, Volume 12, World Tourism Organization (2014)

Therefore, as the OECD Tourism Committee has put it: "The future of traditional destinations will depend on a more-innovation-oriented tourism policy" with investments into "innovation creation mechanisms" and "innovation promotion programmes" that can facilitate the required innovation at product, process and marketing levels (e.g. training, development and absorption of sector-specific know-how, research and development).

## 2. Strategic Framework

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The package of European Structural and Investment Funds (ESIF) regulations adopted on 17 December 2013 by the European Parliament and the Council, stresses, among others, that **Member States shall concentrate support on those interventions that bring the greatest added value** in relation to the Union strategy for smart, sustainable and inclusive growth.

To this end the **regulations provide a menu of thematic objectives and investment priorities in line with the Europe 2020 policy priorities**. In the programming exercise the Member States pick those objectives that both take into account European priorities (in particular through thematic concentration) and are the most relevant for them in the light of their development needs.

Tourism is not directly mentioned among the thematic objectives as it constitutes a sector and a means rather than an objective. However, if contributing to the thematic objectives and investment priorities in a targeted way, and if fully embedded in wider development and growth strategies, investments in **tourism can be supported**.

Planned tourism investments will, thus, be assessed under the relevant thematic objectives and are subject to the relevant specific conditionalities and strategic frameworks, if applicable.

Of particular relevance are:

- Product and service innovation, applying innovative solutions and ICT uptake, in particular in less favoured and peripheral regions in particular, with underdeveloped industrial structures and which are strongly dependent on tourism,
- Developing high value added tourism in niche markets in emerging fields like health tourism, also addressing specific target groups like seniors in particular geared to the "silver economy", cultural and environmentally friendly tourism, gastronomy tourism, sports tourism, etc. This small scale quality tourism is often closely linked to local environmental or cultural features capable of "particularising" regions, allowing for extending the traditional tourism "season" and developing competitive advantage by mobilising specific local resources.
- Fostering diversification to overcome dependency on low added value, temporary work and ensure economic activity and jobs outside the tourist season. Particular attention should be given to clustering activities involving tourism industries, and regional and transnational cooperation (e.g. in the nautical and boating tourism industry, as well as for the cruise industry). Furthermore, connecting the coastal regions to the hinterland, promoting greater and integrated regional development also holds potential<sup>6</sup>.

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<sup>6</sup> A Commission Communication (COM (2014) 86 final) on 'A European strategy for more Growth and Jobs in coastal and maritime tourism' recognizes the sector's potential for sustainable growth and job creation and outlines 14 EU actions to help coastal regions and businesses tackle the challenges they face and strengthen the sector's position as a key driver of Europe's blue economy. (Amongst others: it foresees facilitating closer cooperation and dialogue across Europe between all coastal tourism stakeholders, encouraging public-private partnerships, promoting skills and innovation, ecotourism, creating an online guide to funding opportunities to help drive investment).

- This applies in particular to more mature tourism regions in Europe, whose common development challenges are to overcome dependence and lock-in on low value-added and mass tourism, extending the season and diversifying tourism products and services, developing 'niches of excellence', developing the use of ICT, fostering cross-sectoral links and synergies as well as emerging sectors linked to tourism demand (e.g. with agro-food, ICT, renewable energies, health and life sciences, maritime sector, culture and creative industries, etc.).

Please note that existing evidence suggests (see: point 4 below on 'lessons learned and result-orientation') that investments into tourism, in particular into tourism infrastructure, are more likely to be successful in generating growth and jobs if they are conceived from the outset as part of an integrated, place-based development effort adapted to specific local conditions (e.g. part of wider urban regeneration or social inclusion strategies) and with the ambition of achieving financial self-sustainability.

### 3 Regulatory Scope

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In line with the results orientation of the new legislative framework for Cohesion Policy, the ERDF regulation distinguishes clearly between the **scope of support** (the activities it may support) and the investment priorities for each thematic objective (objectives to which the ERDF shall contribute)<sup>8</sup>. For an operation to be eligible for ERDF support it must contribute to a specific objective defined for an investment priority and fall within the scope of the fund's activities.

The ERDF regulation explicitly refers to tourism investments only in the context of sustainable tourism, culture and natural heritage under Thematic Objective 8, and makes that dependent on their contribution to employment friendly growth and being part of a territorial strategy, including for the conversion of declining industrial regions..

In order to achieve long term and sustainable impacts for regional economies, investments in the tourism field need to be grounded in integrated economic development and/or innovation strategies. This is of particular importance, since past experience shows that some investments in this field have failed to achieve significant impact in terms of sustainable jobs and growth and have in some cases even shed a negative light on our policy (see below at 5.1).

#### 3.1. Scope of support

The main area of support from the ERDF to tourism shall be investments in the development of endogenous potential through fixed investments in equipment and small-scale infrastructure, including small-scale cultural and sustainable tourism infrastructure (article 3 (1) (e) of the ERDF Regulation). These investments shall have a regional and local dimension. Large scale tourism infrastructure is excluded per se. However, developments containing several small-scale infrastructures may be considered as part of a broader territorial development strategy under thematic objectives 8 and 9.

Tourism investments could also be part of the ERDF support to productive investments contributing to creating and safeguarding sustainable jobs, through direct aid to investment in small and medium-sized enterprises (SMEs) (article 3 (1) (a)). Productive investments in large enterprises in the area of tourism, sport and culture are excluded, except where this is supported under thematic objectives 1 or 4, or under thematic objective 2 if it involves cooperation with

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<sup>8</sup> Investment priorities "shall set out detailed objectives, which are not mutually exclusive, to which the ERDF is to contribute. These investment priorities should form the basis for the definition of specific objectives within programmes that take into account the needs and characteristics of the programme area". (ERDF recital number 7).

SMEs (e.g the construction of hotels which do not fall within the definition of SMEs is therefore not possible).

### 3.2. Investment priorities

Investments in the field of tourism could be supported under a number of investment priorities, as set out in Article 5 of the ERDF regulation<sup>10</sup>. These include in particular investments in tourism and culture which contribute to research and innovation, e-culture, enhancing the growth and competitiveness of SMEs, development of natural and cultural heritage, promoting employment through development of endogenous potential and social inclusion.

In particular the following thematic objectives apply:

- Supporting research, technological development and innovation, including service innovation and clusters (Thematic Objective 1 - TO1);
- Supporting access to and use of ICT, including ICT applications and services (Thematic Objective 2 - TO2);
- Promoting entrepreneurship and enhancing growth and competitiveness of SMEs, including through new business models and internationalisation (Thematic Objective 3 - TO3);
- Supporting energy efficiency and renewable energy use (Thematic Objective 4 - TO4);
- Protecting the environment and promoting resource efficiency (Thematic Objective 6 - TO6) - through the development of natural and cultural heritage;
- Promoting employment and supporting labour mobility (Thematic Objective 8 - TO8), through development of endogenous potential;
- Promoting social inclusion (Thematic Objective 9 - TO9).

As regards TO3, any investments into the creating and upgrading of public infrastructure need to be linked closely to the operation in question focusing on the competitiveness of concrete SMEs. Investment into the construction or upgrading of any public infrastructure under this TO can only be ancillary in nature i.e. limited in scope, necessary for the achievement of a specific objective and intrinsically linked to the intervention logic of the selected operation.

The provisions under TO8 have been clarified by recital 11, which requires that investments in tourism, culture and natural heritage under this investment priority should be part of a territorial strategy for specific areas. Also in line with this recital, tourism can be supported under other thematic objectives, provided that it contributes to their respective purposes.

Investments in the fields of tourism and culture should in general be part of integrated projects at local, regional or national level, which are tailor-made to address specific needs for achievement of the Europe 2020 targets. These integrated projects may be implemented through Integrated Territorial Investments or Community-led local development (see specific guidance fiches).

Finally, in line with the provisions of the European code of conduct on partnership, all stakeholders should be actively involved in the planning and managing of sustainable tourism

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<sup>10</sup> Under article 47 **EMFF** diversification of the income of aquaculture enterprises can be supported through the development of complementary activities outside aquaculture, including angling tourism. More importantly, **community-led local development strategies** in fisheries areas can fund projects which promote tourism (in particular pesca-tourism and eco-tourism), enhancing and capitalising on environmental assets. In addition, projects can be supported which aim at promoting social well-being and cultural heritage in fisheries areas, including fisheries, aquaculture and maritime cultural heritage.

development plans, improving the quality of tourism services, in particular in coastal areas, as they directly affect populations and their quality of life (e.g. Malta is involving local population and NGOs in the monitoring of social and environmental impacts of their tourism development plan).

#### **4. Lessons from the past, examples of previous ERDF tourism investments**

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Possible ERDF support should be carefully assessed in the light of past experience. In particular, lessons should be learnt from past projects which proved to contribute positively to the regional economy but also the ones which were not grounded in a sound economic rationale and without a clear concept of how the projects would be sustainable.

Using scarce public resources unnecessarily or in an ineffective way could generate negative publicity and overshadow the positive effects that other carefully planned projects in the same field might have.

Negative examples include:

- Co-financing attributed to five-star hotels or professional sports organisations (deadweight risks);
- Over-sized tourism investments that lead to duplication of facilities or displacement (e.g. regeneration of “prestige” buildings, conference centres or churches in the absence of comprehensive tourism or business plans or wider regeneration programmes);
- Environmentally unfriendly tourism developments like golf courses in water starved or nature sensitive areas, etc.;
- One-off or isolated projects in the areas of tourism facilities where realising the full benefits would have required other coordinated measures.

A 2011 report by the European Court of Auditors<sup>11</sup> (ECA REPORT 6/2011) on tourism investments concluded that many of these projects did not have clear objectives and that, therefore, the performance and added value in terms of socio-economic impacts and sustainable jobs and growth were difficult to assess.

There is evidence of strong difference in the nature of investments in public as opposed to investments in private tourism projects. Many public projects tend to be larger scale and capital intensive with low direct employment effects. Private projects appear to be less capital intense but have higher jobs impacts.

In any event, investments in private tourism projects should be subject to the same selection criteria as other productive investment projects. It would, thus, be important to concentrate efforts on SMEs and local firms, as, for instance, foreign hotel chains do not procure locally so cross fertilization and spill-over to other sectors is largely prevented.

Such investments should take into account their economic spill-over effects in the whole area, notably in terms of employment, and development of other including new enterprises (suppliers of the hotels and direct services to the tourists), economic activity outside the tourism seasons and the financial sustainability of the project. They should also be weighed against investments into other areas in terms of their return of capital and job creation effects.

It should also be checked whether other funding options are available and/or whether Financial Engineering options, which are preferable to grants, have been explored. Please also note that tourism investments focusing on SMEs need to be flanked by measures that improve framework

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<sup>11</sup> Cf. *Court of Auditors Special Report No 6/2011 – Were ERDF co-financed tourism projects effective?*  
<http://eca.europa.eu/portal/pls/portal/docs/1/8746728.PDF>

conditions and create the enabling environments for these SMEs to thrive, this includes appropriate SME support services.<sup>12</sup>

General questions to be kept in mind while assessing the suitability of these investments:

- What is the economic rationale of the proposed investments? What is the EU value added of this investment?
- What are the policy lessons from past experiences/ investments and what is the policy guidance stemming from the evaluations of these actions?
- Under which conditions (e.g. appropriate intervention logic, convincing contribution to thematic objective) could we accept or favour funding in these areas?
- If tourism is to be funded under TO1, is this coherent with the analysis provided and the priority areas selected in the national/regional smart specialisation strategy?
- If tourism is explicitly identified as sector for specific attention under TO3, is there a clear link to the programme's intervention logic?
- Are these investments targeted towards creating economically self-sustained jobs and do they represent at least an equal prospect of successful outcomes as other potential business projects?
- Are planned grants to tourism companies/operators complemented by existing/planned tourism/SME support services?
- If under TO3 the targeted beneficiaries are public actors, is there a clear focus on SMEs and a clear intervention logic enhancing SME competitiveness?
- Are planned tourism infrastructure investments small-scale? Are they embedded in relevant growth and/or development strategies? Are they sustainable and cost-effective? Do they contribute to the achievement of the thematic objective and investment priorities? Are sufficient financial resources available to ensure maintenance and operation, in particular through users' fees, merchandising or public subsidies paid out of projected increased local tax revenue to be generated thanks to the ERDF investment?

### 3.3. Result orientation: general criteria for assessing the suitability of investments

Once a managing authority has made a decision on which needs should be addressed, it is necessary to formulate a specific objective: the content of an investment priority adapted to the circumstances of the region or to the sector under consideration.

Negotiators should ask programmers – Definition of specific objectives:

- What is the desired socio-economic change/impact? Does the specific objective reflect this targeted change/impact? Is the intervention logic convincing?
- Does this objective avoid overlap/duplication with other parts of the OP (Operational Programme?) or is it complementary to them?
- Are appropriate and sensible results indicators identified (with baseline and target) to measure the desired change/impact?
- Are project selection criteria clearly defined and specific enough to be able to select the best projects for this objective?

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<sup>12</sup> Cf. Regional policy for smart growth of SMEs, Guide for Managing Authorities and bodies in charge of the development and implementation of Research and Innovation Strategies for Smart Specialisation, 2013

Examples of result indicators for **Tourism**:

If the objective is **to increase the quality of tourism services in a region** (TO3), result indicators could be:

- Number of hotels and other tourist service providers having subscribed to a regional, national transnational or European quality management scheme for services in the region
- Number of hotels and other tourists service providers using systematic customer satisfaction surveys / registration and follow-up of complaints of which the results are made available to the MA in the region
- Number of hotels and other tourism service providers who comply with minimum accessibility requirements
- Share of persons active in tourism with tertiary education

If the objective is **to increase the turnover or competitiveness/productivity of tourist activities** (TO3)) result indicators could be:

- Number of visitors to the region
- Average length of stay of tourists in the region
- Average accommodation price

If the objective is **to make the tourism activities more environmentally friendly** (TO4, TO5, TO6),), result indicators could be:

- energy / water consumption per tourist in the region (in tourist facilities)
- Volume of waste recycled (percentage or per resident per year)
- Volume of water recycled (percentage or per resident per year)
- Share of energy production from renewable energy sources (percentage)
- Number of tourism facilities / service providers being certified by an environmental sustainability scheme

If the objective is **to have tourism activities out of the normal season and thus increase the turn-over and duration of employment** (TO3 or TO8);); result indicators could be:

- Turn-over in tourism businesses outside the normal season
- Number of tourists visiting the region outside the normal season
- Share of employees employed on the basis of a seasonal contract vs total number of employees (percentage)

However, for sake of clarity, the programme should not multiply result indicators. Once the most appropriate indicators have been selected, the programme should provide a baseline, set a target and plan for appropriate monitoring in the AIR during the lifetime of the programme.

Relevant output indicators should be chosen reflecting the financed actions. Common indicators shall be used whenever relevant.

After having answered the question *what* should be changed, the programme needs to answer *how* this change will be achieved, by which actions.

Negotiators should ask programmers – Definition of actions:

- *Which factors influence the result indicator?*
- *Which of these factors will be selected to be influenced by the programme?*

- *What are the actions to do so?*
- *Output indicators/common indicators?*

## **Annex 1: Links and relevant sources**

### **Guides:**

DG REGIO Guide to SME support in RIS3, 2013

DG REGIO/DG ENTR Smart Guide to Service innovation, 2012

[http://ec.europa.eu/enterprise/policies/sme/regional-me-policies/documents/no.4\\_service\\_innovation\\_en](http://ec.europa.eu/enterprise/policies/sme/regional-me-policies/documents/no.4_service_innovation_en)

### **Other documents:**

Court of Auditors Special Report No 6/2011 – Were ERDF co-financed tourism projects effective? <http://eca.europa.eu/portal/pls/portal/docs/1/8746728.PDF>

DG ENTR initiative on European Tourism Quality Principles:

[http://ec.europa.eu/enterprise/sectors/tourism/quality-label/index\\_en.htm](http://ec.europa.eu/enterprise/sectors/tourism/quality-label/index_en.htm)

Europe, the world's No 1 tourist destination – a new political framework for tourism in Europe, COM (2010) 352 final

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52010DC0352:EN:NOT>

Communication on 'A European strategy for more Growth and Jobs in coastal and maritime tourism' COM (2014) 86 final

[http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item\\_id=7310](http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item_id=7310)

DG ENTR Tourism Policy website:

[http://ec.europa.eu/enterprise/sectors/tourism/index\\_en.htm](http://ec.europa.eu/enterprise/sectors/tourism/index_en.htm)

Enhancing the Competitiveness of Tourism in the EU – An Evaluation Approach to Establishing 20 cases of innovation and good practice, Final Report, DG ENTR, September 2013

[http://ec.europa.eu/enterprise/dg/files/evaluation/cses-gp-tourism\\_en.pdf](http://ec.europa.eu/enterprise/dg/files/evaluation/cses-gp-tourism_en.pdf)

OECD Tourism Trends and Policies 2012:

<http://www.oecd.org/cfe/tourism/oecdtourismtrendsandpolicies2012.htm>

Measuring the role of tourism in OECD economies, OECD, 2000

<http://www.oecd.org/cfe/tourism/2401928.pdf>

Innovation and Growth in Tourism, OECD, 2006

<http://www.oecd.org/fr/cfe/tourisme/innovationandgrowthintourism.htm>

Experience Industry – Priority Sector Report, European Cluster Observatory

<http://www.clusterobservatory.eu/system/modules/com.gridnine.opencms.modules.eco/providers/getpdf.jsp?uid=33f077c1-690a-4769-8f63-5d15963ca4af>

World Tourism Organisation

[www.unwto.org](http://www.unwto.org)

World Travel and Tourism Council

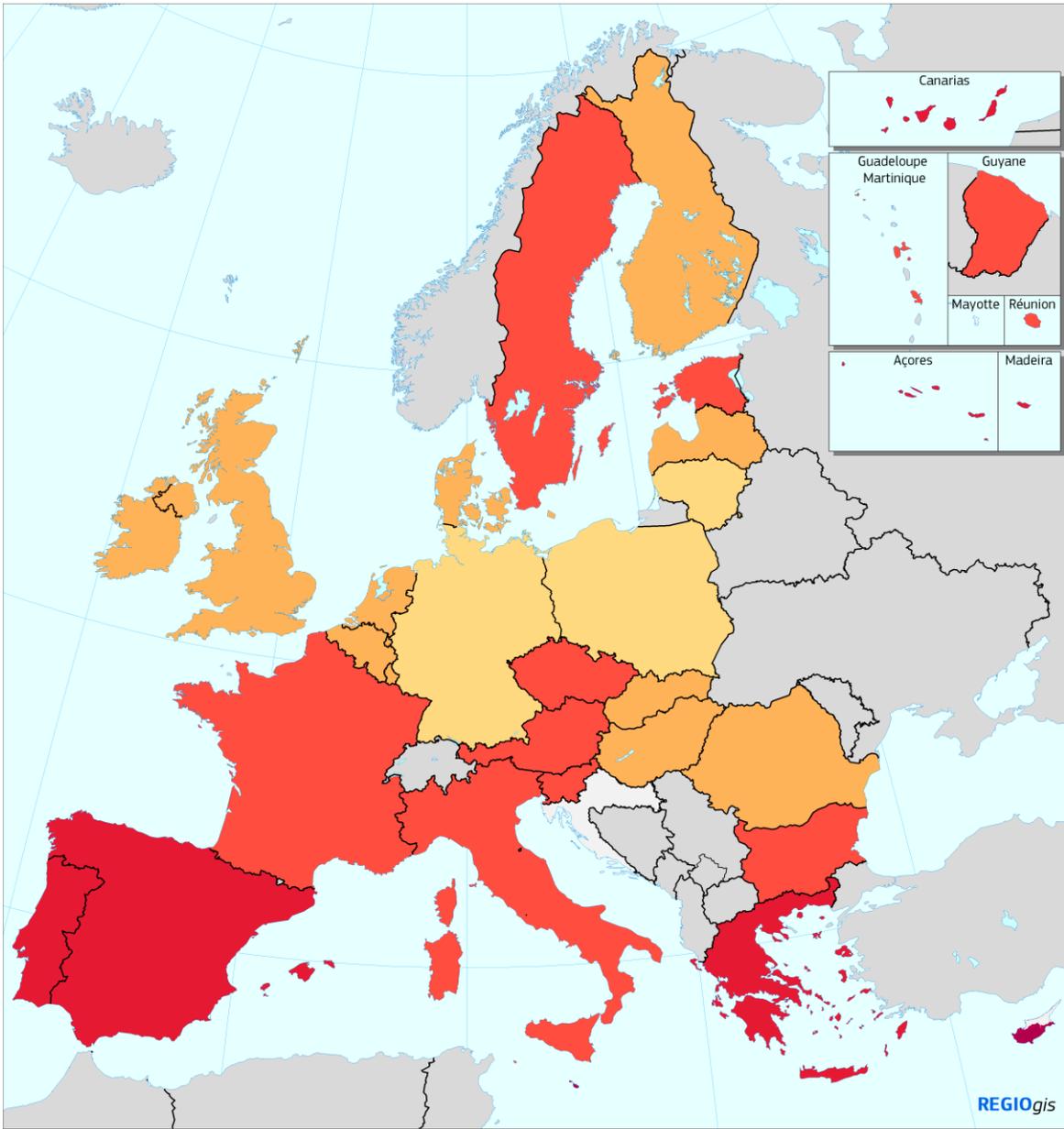
[www.wttc.org](http://www.wttc.org)

International Federation of Information Technology & Tourism

[www.ifitt.org](http://www.ifitt.org)

International Federation of Information Technology & Tourism  
[www.iata.org](http://www.iata.org)

International Hotel and Restaurant Association  
[www.ih-ra.com](http://www.ih-ra.com)



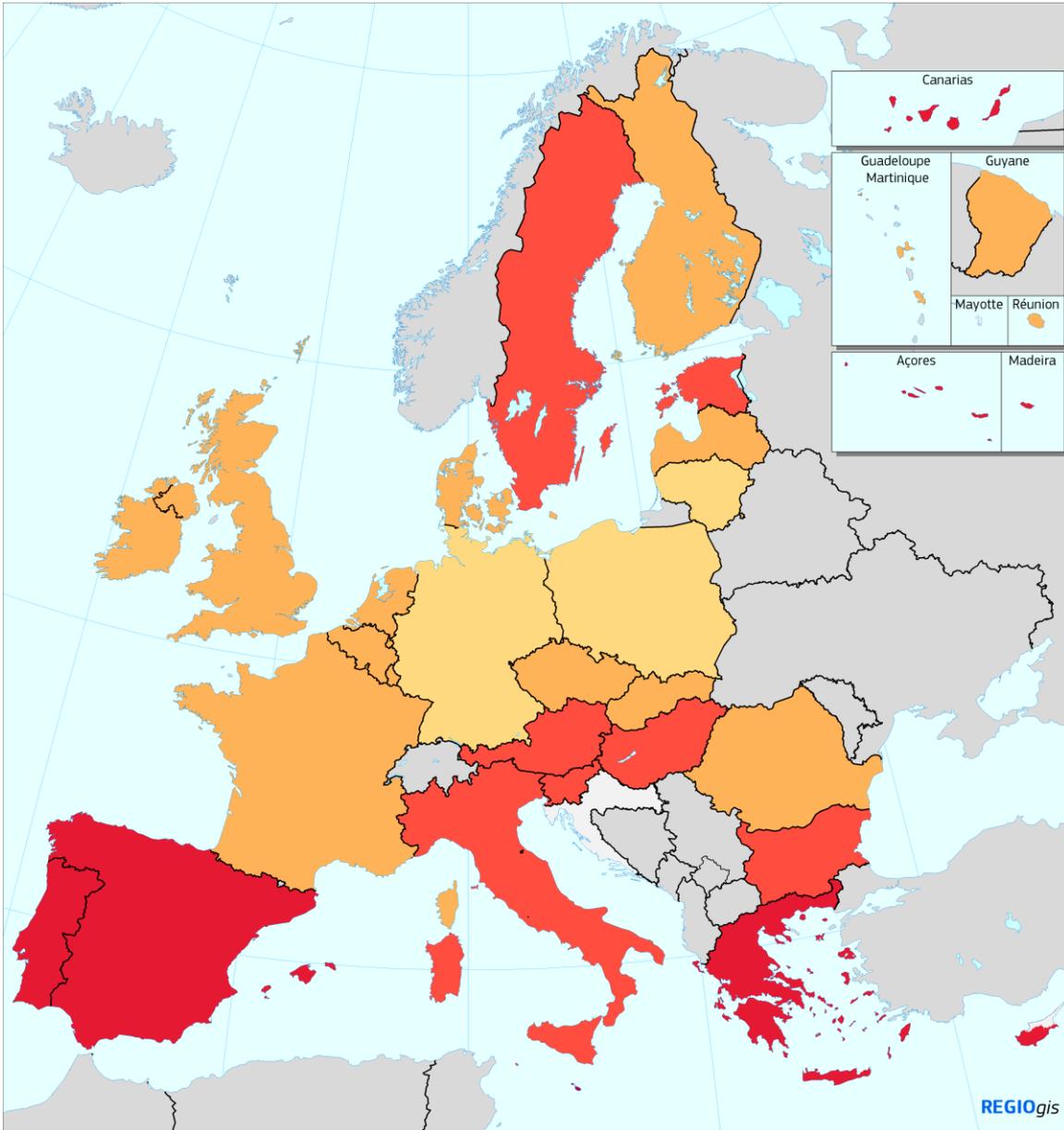
**Travel & Tourism Total Contribution to Employment - 2013**

- Share in %
- < 5
  - 5 - 10
  - 10 - 15
  - 15 - 20
  - > 20

Source: WTC

0 500 Km

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**Travel & Tourism Total Contribution to GDP - 2013**

- Share in %
- < 5
  - 5 - 10
  - 10 - 15
  - 15 - 20
  - > 20

Source: WTTC

0 500 Km

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