

EUROPEAN
COURT OF AUDITORS

ISSN 1831-0834

Special Report No 6

2011

WERE ERDF CO-FINANCED
TOURISM PROJECTS EFFECTIVE?



EN



Special Report No 6 // 2011

WERE ERDF CO-FINANCED TOURISM PROJECTS EFFECTIVE?

(pursuant to Article 287(4), second subparagraph, TFEU)

EUROPEAN COURT OF AUDITORS
12, rue Alcide De Gasperi
1615 Luxembourg
LUXEMBOURG

Tel. +352 4398-1
Fax +352 4398-46410
E-mail: euraud@eca.europa.eu
Internet: <http://www.eca.europa.eu>

Special Report No 6 // 2011

A great deal of additional information on the European Union is available on the Internet.
It can be accessed through the Europa server (<http://europa.eu>).

Cataloguing data can be found at the end of this publication.
Luxembourg: Publications Office of the European Union, 2011

ISBN 978-92-9237-179-1
doi:10.2865/32601

© European Union, 2011
Reproduction is authorised provided the source is acknowledged.

Printed in Luxembourg

CONTENTS

Paragraph

GLOSSARY

I-VI EXECUTIVE SUMMARY

1-8 INTRODUCTION

1-3 TOURISM IN THE EU

4-8 STRUCTURAL MEASURES AND TOURISM

9-17 THE AUDIT

9-10 AUDIT SCOPE AND OBJECTIVES

11-15 AUDIT METHODOLOGY

16-17 THE TYPES OF PROJECT IN THE AUDIT SAMPLE

18-58 OBSERVATIONS

18-46 DID PROJECTS DELIVER THEIR EXPECTED RESULTS?

20-25 INCREASE IN TOURISM ACTIVITY

26-30 ADDITIONAL TOURISM CAPACITY CREATED

31-37 JOBS CREATED OR MAINTAINED

38-46 TARGETS, INDICATORS AND MONITORING

47-53 ARE PROJECT RESULTS SUSTAINABLE?

48 MOST OF THE JOBS STILL EXISTED AT THE TIME OF THE AUDIT

49-53 ALMOST ALL PROJECTS CONTINUED TO OPERATE, BUT NOT NECESSARILY AT A PROFIT

54-58 DID GRANTS INFLUENCE THE EXISTENCE OR THE DESIGN OF PROJECTS?

55-57 NOT ALL PROMOTERS FOUND PUBLIC SUPPORT NECESSARY

58 ERDF GRANT IS PERCEIVED AS BEING RECOGNITION, BUT INCREASES THE ADMINISTRATIVE BURDEN

59–64 **CONCLUSIONS AND RECOMMENDATIONS**

59–61 **DELIVERY OF EXPECTED RESULTS**

62 **PROJECT RESULTS' SUSTAINABILITY**

63–64 **INFLUENCE OF GRANTS**

ANNEX I — ERDF TOURISM FUNDING ALLOCATED BY MEMBER STATE FOR PHYSICAL INVESTMENT IN TOURISM — 2000–06 PROGRAMME PERIOD

ANNEX II — NUMBER OF PROJECTS INCLUDED IN THE SURVEY AND VISITED ON THE SPOT

REPLY OF THE COMMISSION

GLOSSARY

Direct job: Job generated by the activities receiving the ERDF grant.

For example, jobs created to manage a hotel are direct jobs. However, jobs involved in building the hotel are not considered as direct jobs.

EAFW: Equivalent annual full time worked.

EAFW = physical resources x percentage time worked x period of activity during year.

For example, a person working at 50 % during four months corresponds to 0,17 EAFW.

This method was used to calculate the number of jobs created or maintained mentioned in the report.

Effectiveness: The extent to which objectives of an action were achieved.

ERDF: European Regional Development Fund.

The ERDF is one of the Structural Funds. It is a financial instrument designed to promote economic and social cohesion between the regions of the EU. ERDF actions are mainly implemented through operational programmes encompassing a large number of projects.

Managing authority: Authority designated by the Member State to manage an action, which usually takes the form of an operational programme.

Operational programme: Document approved by the Commission which takes the form of a coherent set of priorities comprising multiannual measures. The projects to be co-financed by the Structural Funds must fall within the scope of a measure.

Structural Funds: The European Union's principal policy instruments in support of the Treaty objectives of economic and social cohesion.

EXECUTIVE SUMMARY

I.

Tourism is the third-largest economic sector worldwide and the largest service industry in the European Union (EU). It is an increasingly important activity contributing to both economic growth and employment.

II.

For the 2000–06 programme period, 4 623 million euro were allocated under the European Regional Development Fund for physical investments in tourism. Projects are selected and managed by managing authorities in the Member States.

III.

The present audit mainly measured performance results towards growth and employment, the overall aim of Structural Funds. Information was directly collected from 206 project promoters randomly sampled in order to give a representative overview of the situation at the EU level.

IV.

The Court examined whether tourism projects:

- (a) delivered the results expected of them;
- (b) have produced sustainable results;
- (c) were undertaken as a result of EU support.

V.

The Court found that:

- (a) most projects had several results, either by creating or maintaining jobs (58 %) or by creating tourism capacity (73 %) or activity (74 %). 44 % of projects had results in all three categories;
- (b) projects for which objectives were set achieved them on average at 75 % for jobs creation or maintenance and 93 % for tourism capacity. When no such objectives were set, certain projects still achieved some results;
- (c) the situation in respect of targets, indicators and monitoring varied in the regions visited;
- (d) at the time of the audit, 98 % of completed projects were still operational and 94 % of the jobs created or maintained by projects still existed;
- (e) public financial support enabled 74 % of the projects to be undertaken, another 20 % of projects were modified because of the grant and it had no influence in 6 % of projects. The lower the rate of assistance, the less its impact on the project;
- (f) while 92 % of the promoters perceived the ERDF grant as recognition of the quality of their project, 42 % of them considered that the ERDF subsidy considerably increased their administrative burden. The lower the rate of assistance, the more the ERDF grant is perceived as being burdensome.

EXECUTIVE SUMMARY

VI.

The Court recommends that:

- (a) managing authorities should ensure that projects are set up with suitable objectives, targets and indicators and the Commission should encourage this practice;
- (b) managing authorities should pay more attention to whether the grants are actually necessary for the realisation of proposed projects and what impact projects will have in terms of increasing employment and economic growth and the Commission should encourage this practice;
- (c) the Commission should evaluate the cost-effectiveness of aid in this sector and consider whether support could be better targeted.

Photo 1 — Historic building converted into a four-star hotel (Spain)



© European Union

Source: European Court of Auditors, January 2010.

INTRODUCTION

TOURISM IN THE EU

1. Tourism has been defined as ‘the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes’¹. It has become an important part of the life of European citizens, more of whom are travelling, both for leisure and business purposes. It serves to strengthen the feeling of European citizenship through more contacts and exchanges between citizens of differing languages, cultures and traditions².
2. It is one of the areas where the European Union (EU) has competence to carry out actions to support, coordinate or supplement Member State actions³. The Treaty on the Functioning of the European Union (TFEU) emphasises the importance of the tourism sector, in which the Union’s aim is to encourage favourable conditions for development of undertakings and to promote cooperation between Member States, particularly by the exchange of good practice⁴.
3. Tourism is the third largest sector worldwide in terms of economic activity and the largest service industry in the EU⁵. The industry generates more than 5 % of EU gross domestic product (GDP), with approximately 1,8 million enterprises employing an estimated 5,2 % of the total labour force (9,7 million jobs). When related sectors are taken into account, the estimated contribution of tourism rises to 10 % of GDP and 12 % of the labour force⁶.

¹ Commission Decision 1999/35/EC of 9 December 1998 on the procedures for implementing Council Directive 95/57/EC on the collection of statistical information in the field of tourism (OJ L 9, 15.1.1999, p. 23).

² Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: ‘Europe, the world’s No 1 tourist destination — a new political framework for tourism in Europe’, COM(2010) 352 final of 30 June 2010.

³ Articles 6(d) and 195 of the TFEU (OJ C 83, 30.3.2010, p. 1 and p. 47).

⁴ Article 195 of the TFEU.

⁵ ‘Sustainable tourism as a factor of cohesion among European regions’, Committee of the Regions, March 2006 (p. 9).

⁶ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: ‘Europe, the world’s No 1 tourist destination — a new political framework for tourism in Europe’, COM(2010) 352 final of 30 June 2010.

STRUCTURAL MEASURES AND TOURISM

4. Structural Funds' actions in the area of tourism aim primarily at creating and maintaining employment, as well as fostering economic growth. More specifically, they should contribute to a balanced and sustainable development of economic activities and of employment and human resources⁷. In the 2000–06 period, the European Regional Development Fund (ERDF) provided support to productive investments to create and safeguard jobs and for the development of tourism and cultural investment, with the proviso that the jobs created were to be sustainable⁸.
5. Projects are co-financed by the EU through multiannual operational programmes. These programmes define priorities, each comprising a number of measures, some of which include support for tourism.
6. The programmes are drawn up by the Member States following a consultation process between the Commission and national, regional and local public authorities, and the economic and social partners in the Member States. The Commission appraises and approves the programmes.
7. Individual projects are proposed by project promoters. National, regional or local authorities designated by Member States organise selection procedures and approve the projects. The promoters should provide the competent managing authorities with monitoring information on project progress and the achievement of objectives.

⁷ Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds (OJ L 161, 26.6.1999, p. 1).

⁸ Article 2 of Regulation (EC) No 1783/1999 of the European Parliament and of the Council of 12 July 1999 on the European Regional Development Fund, (OJ L 213, 13.8.1999, p. 1).

8. For the 2000–06 programme period, 7 994 million euro were allocated by the Structural Funds for tourism, including 4 623 million euro from the ERDF on physical investments (e.g. information centres, tourist accommodation, catering facilities). The remaining 3 371 million euro related to non-physical investments (e.g. development and provision of tourist services, sporting, cultural and leisure activities, heritage), shared services and vocational training and was not included in the scope of this audit.⁹

⁹ As of June 2009.

Photo 2 — Construction of a new regional theatre (France)



© European Union

Source: European Court of Auditors, December 2009.

THE AUDIT

AUDIT SCOPE AND OBJECTIVES

9. The Court audited tourism physical investment projects co-financed by the ERDF during the 2000–06 programme period. Tens of thousands of projects were co-financed in this way, up to a maximum rate of 50 % in Objective 2¹⁰ regions and 75 % in Objective 1¹¹ regions. The number of operational programmes and amounts allocated per Member State is provided in **Annex I**.
10. The main objective of the audit was to assess whether tourism projects:
- delivered the results expected of them;
 - have produced sustainable results;
 - were undertaken as a result of EU support.

¹⁰ Objective 2 supports the economic and social conversion of areas facing structural difficulties.

¹¹ Objective 1 promotes the development and structural adjustment of regions whose development is lagging behind.

AUDIT METHODOLOGY

11. A survey (see **Box 1**) of 206 randomly sampled projects was undertaken in order to obtain a representative overview of the situation. The projects surveyed were contained in 26 programmes relevant to nine Member States, in regions which had funds allocated for tourism projects. Details of the number of projects surveyed and visited, by Member State and operational programme, can be found in **Annex II**.

BOX 1

STRUCTURE OF THE QUESTIONNAIRE USED FOR THE SURVEY

General information on the project.

Results of the project in terms of:

- direct jobs created or safeguarded
- tourist capacity
- volume of activity
- economic viability
- other.

Influence of EU or other aid on the project

Factors for success or otherwise

12. Responses were received from 98,5 % of project promoters surveyed and put into a Court database set up to allow analysis of the replies.
13. In order to check the accuracy of the promoters' replies, the following actions were undertaken:
 - (a) 52 projects (i.e. 25 % of the surveyed projects) from nine regions located in four Member States (France, Germany, Italy and Spain) were visited.
 - (b) Managing authorities were asked to verify the accuracy of promoters' replies for those projects not visited on the spot.
 - (c) In addition, for all projects in the survey, there was a desk review of key documents obtained from managing authorities, such as grant applications, grant decisions and any existing evaluation reports.
14. Following the above actions, the database was updated with corrected answers. The information contained in the database and the evidence from the project visits form the basis for the audit conclusions drawn.
15. The audit was carried out between October 2009 and June 2010.

Photo 3 — Pavement and railings at the coast to access historical site (Italy)



© European Union

Source: European Court of Auditors, December 2009.

THE TYPES OF PROJECT IN THE AUDIT SAMPLE

16. The degree of diversity within the 206 projects sampled can be seen in **Table 1**, according to a classification developed by the Court for this audit.

TABLE 1

TYPES OF ACTIVITY RECEIVING ERDF GRANT

	Projects	
	No	% ¹
A. Infrastructure / public amenities	54	26
Port, marina, boat moorings, seafront area	19	9,2
Access, paths, trails, cycle paths, roads, parking	19	9,2
Other	9	4,4
Beach improvement	4	1,9
Landscaping	3	1,5
B. Accommodation and catering	53	26
Hotel	38	18,4
Camp site	4	1,9
Other accommodation and catering	11	5,3
C. Museum and historical monuments	48	23
Museum / cultural site (archaeological centre...)	39	18,9
Historical monument / heritage (church, castle, palace...)	9	4,4
D. Holiday and leisure centre	21	10
Leisure centre (theme park, swimming pool, zoo, aquarium...)	15	7,3
Holiday centre (which includes accommodation, catering and activities)	6	2,9
E. Other	30	15
Congress centre, event centre, multi-purpose facility	9	4,4
Sports centre	2	1,0
Library, archive	2	1,0
Marketing, tourism centre, info points	6	2,9
Environmental education centre, natural reserve	4	1,9
Other	7	3,4
Total sampled projects	206	100

¹ These figures reflect the percentage, in terms of number of projects, of the different types of activity within the sample (which is also representative of the percentage of ERDF expenditure for each type of activity in the population as a whole).

Source: European Court of Auditors.

17. Overall, 76 % of ERDF funding was allocated to public promoters. These projects are fully financed by public funds, with EU funding being complemented from national, regional or local authority sources. **Figure 1** provides a breakdown of private and public projects according to a classification developed for this audit.

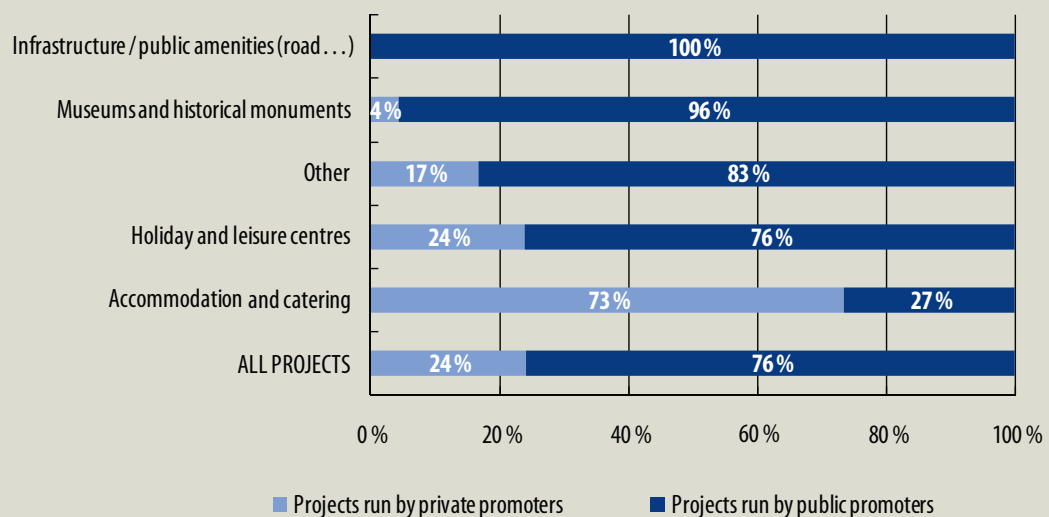
Photo 4 — New indoor seawater swimming pool used by tourists and the local population (Germany)



© European Union
Source: European Court of Auditors, February 2010.

FIGURE 1

OBJECTS BY TYPE OF ACTIVITY AND TYPE OF PROMOTER



OBSERVATIONS

DID PROJECTS DELIVER THEIR EXPECTED RESULTS?

- 18.** As mentioned in paragraph 11, a survey was used to assess the extent to which projects had achieved their objectives. The Court sent a questionnaire to the promoters of 206 projects, who had received in total 369 million euro from EU funds (just under one third of the total cost of the projects concerned). The survey measured increases in tourism activity and capacity, as well as direct jobs created or maintained. The Court examined funding applications and grant decisions which provide a description of what project promoters intend to achieve through their projects.
- 19.** The results indicated that 73 % of projects contributed to an increase in the annual volume of tourism, 74 % increased the capacity of an area to receive tourists and 58 % of the projects created or preserved direct jobs. 44 % of projects had results in all three categories, whereas 8 % had results outside of the three categories mentioned.

Photo 5 — Pathway designed for the use of walkers and cyclists (France)



© European Union

Source: European Court of Auditors, December 2009.

INCREASE IN TOURISM ACTIVITY

- 20.** An increase in tourism will normally have a positive impact on a local economy and on indirect employment, leading to the generation of economic growth. The audit attempted to measure the volume of tourism activity directly generated by projects. Volume can be expressed in a variety of ways, such as beds occupied in hotels, nights stayed on campsites, numbers of visitors for museums, etc.
- 21.** 142 projects (70 %) included an objective of increasing tourism activity as part of their grant application and 111 of these projects were successful in doing this. A further 34 projects increased activity without having set this as an objective, giving an overall total of 145 projects adding to tourist activity. In general, grants were paid whether objectives were achieved or not and the payment of the grant was only conditional on results for six of the projects sampled, five of which achieved their objectives.
- 22.** A project in Germany to develop a seawater bath facility which formerly had one pool and one sauna added a wellness centre with additional saunas, an outdoor pool and other facilities (**Photo 4**). The total cost of the project was 16,9 million euro with 41 % coming from the ERDF. The annual number of visitors rose from 92 000 to 129 000 after its completion.
- 23.** A public project in France consisted in the modification of an old disused railway to create 26 km of lanes for the use of walkers and cyclists (**Photo 5**). The number of users rose from zero in 2003 to 23 000 in 2008. An electronic counting system registers use and numbers are submitted regularly to the local tourism office. The total cost of the project was 1,6 million euro with 39 % coming from the ERDF.

- 24.** Another German project to create a wooden bridge on a river to connect cycling and walking paths and build a dock for canoes (**Photo 6**) was successfully completed and has encouraged small cultural events to take place in the vicinity of the bridge, such as coffee afternoons in an old renovated barn. However, its exact level of success remains unknown as there is no measurement of the level of activity resulting from this project. The total cost of the project was 139 426 euro with 49 % coming from the ERDF.
- 25.** A French project to purchase and refurbish a traditional house, converting it into a wine museum, was located in a historic village (**Photo 7**). The museum attracted 4 000 visitors in its first year but the number of visitors has since decreased to half of this and consequently it is now only open during the summer season. When open, the museum plays a role in the promotion of regional produce and viticulture in general. The total cost of the project was 0,8 million euro with 42 % coming from the ERDF.

Photo 6 — Wooden bridge on a river to connect cycling and walking paths and a dock for canoes (Germany)



© European Union

Source: European Court of Auditors, December 2009.

ADDITIONAL TOURISM CAPACITY CREATED

26. Many tourism projects are set up to augment capacity and thereby facilitate increases in tourism activity. Such increases directly created by a project can be expressed in a large variety of ways, such as extra rooms, beds (for hotels), linear kilometres (pathways and cycle lanes etc.), camping places, mooring places and seats (for theatres and catering facilities).
27. The 120 projects which had the stated objective of increasing tourism capacity achieved 93 % of their targeted increase. In addition to these, 32 projects did not have an objective in terms of capacity, but increased it anyway.
28. One project in Spain had the objective of creating 30 double rooms as a former monastery was converted into a hotel (**Photo 8**). The overriding objective was to preserve a building with some importance to the architectural heritage of the locality and the local authority decided to put it to touristic use. In addition 20 direct jobs were created in the process. The total cost of the project was 3,6 million euro with 75 % coming from the ERDF.
29. Not all projects had the objective of creating new capacity and some projects involved the refurbishment of what already existed. One French project consisted of the renovation of rooms in an existing hotel thereby preserving the existing level of activity (4 200 nights/year) and also maintaining 1,2 jobs. The total cost of the project was 253 254 euro with 14 % coming from the ERDF.
30. Other projects concentrated on improving the infrastructural capacity of an area. In an Italian coastal region, a public project set out to create 37 km of road and 9 km of foot/cycle path, in addition to parking and rest areas and some panoramic viewing points. The overall aim of the project was to improve access to several hard-to-reach coastal places and foster local tourism in the area. The total cost of the project was 4,0 million euro with 49 % coming from the ERDF.

JOBS CREATED OR MAINTAINED

- 31.** The creation or maintenance of employment are key factors in the drive to balanced sustainable development of the economy and of employment. An examination of project grant decisions revealed that 116 or 58 % of projects included the creation or maintenance of jobs as an expected result. Other projects created employment although it had not been an explicit objective included in the grant application documentation. For example, a Belgian project in the survey, related to art and history museums, created 57 jobs although no mention of this had been made in the grant application documentation. The total cost of the project was 30,5 million euro with 20 % coming from the ERDF.

- 32.** Responses to the survey indicate that a total of 2 520 direct jobs were either created (1 515) or maintained (1 005). Of this total 23,5 % were held by women.

Photo 7 — Traditional building refurbished to serve as a wine museum (France)



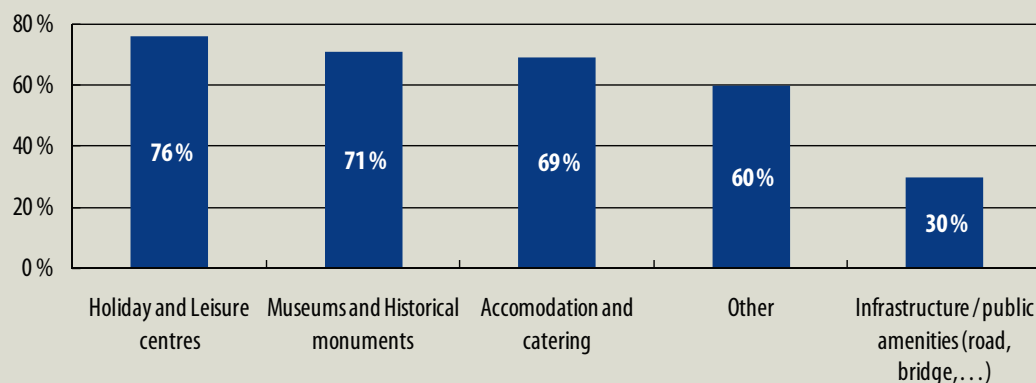
© European Union

Source: European Court of Auditors, December 2009

- 33.** Over the full sample surveyed, 58 % of projects had positive results in terms of employment. Some areas of activity, by their very nature, have more potential for job creation than others. The category 'Holiday and leisure centres' was the one with the highest percentage of projects having created or maintained jobs. Fewer jobs are being created or maintained in the area of 'Infrastructure and public amenities', where often only a small number of maintenance staff will be required once the project is up and running (**Figure 2**).
- 34.** The 116 projects (58 %) for which objectives had been set in terms of direct jobs creation and maintenance resulted in the attainment of 75 % of the targeted number of jobs. 18 of the 116 projects did not achieve results in terms of jobs created or maintained and in four cases the grant had been conditional on positive results. In contrast, 14 % of the projects had created or maintained jobs although no objective in terms of jobs had been previously set.

FIGURE 2

PERCENTAGE OF PROJECTS WHICH CREATED OR PRESERVED DIRECT JOBS, BY TYPE OF ACTIVITY



Percentage within each of the five categories. Overall average is 58 %.

- 35.** A French project to build a new public swimming pool created 12 jobs. This included two jobs for maintenance which was later performed by an external service supplier. 1,5 jobs from the old swimming pool, which had to be closed, have been maintained. This is in keeping with the proposed number of jobs included in the grant application. The total cost of the project was 4,4 million euro with 17 % coming from the ERDF.
- 36.** A private project in Germany consisted in the creation of a youth hostel with sports facilities. 17 jobs were created at the operational start-up in 2004, which was the target job creation. At the time of the audit, there were 26 people employed at the camp in various capacities. The total cost of the project was 11,1 million euro with 23 % coming from the ERDF.
- 37.** In the majority of cases, funding was not conditional upon results in terms of jobs created or maintained being achieved. Such conditions were laid down in respect of only 43 projects and the situation regarding the conditionality of achieving employment results varied across the regions audited (see **Box 2**).

BOX 2**EXAMPLES OF ARRANGEMENTS REGARDING THE CONDITIONALITY OF EMPLOYMENT TARGETS**

For some projects visited in Germany, grants were paid on the condition that a certain number of jobs should be created. These jobs have to be maintained for at least five years.

In a Spanish region, according to rules on granting aid in the tourism sector, promoters applying for a grant must formally undertake not to reduce employment. The presentation of this document is a condition for presenting the application for the grant.

In Italy, a project to modernise a hotel received an ERDF grant on the basis of jobs created and maintained for a minimum of five years. However, another project to extend and refurbish a hotel only had to maintain jobs for one year. In addition the number of jobs created could deviate by up to 30 % without triggering penalties or reimbursement of the grant.

In the UK, there was conditionality regarding employment in 11 of the 14 completed projects. The number of jobs to be created is estimated when the grant is decided upon and measured after project completion according to mathematical formulae based on expenditure. If a condition is not fulfilled, the decision to request partial reimbursement of the grant from the promoter is taken by the managing authority.

TARGETS, INDICATORS AND MONITORING

- 38.** For the visited regions, the managing authorities had various ways of dealing with the project performance, as illustrated in the following paragraphs.
- 39.** For the surveyed French projects, expected results in terms of job creation, tourism activity or tourism capacity are not systematically included in the applications for grant or grant decisions and, when present, they are provided for information purposes, as in none of the surveyed projects was the achievement of results a conditionality for obtaining the ERDF grant. The managing authorities do not systematically monitor the achievement of this type of result.

Photo 8 — Former monastery converted into a four-star hotel (Spain)



© European Union
Source: European Court of Auditors, January 2010.

- 40.** In Spain, general criteria are established for the selection of projects, allowing selection of projects proposed by a national, regional or local authority, as long as it is related to historical or cultural heritage or tourism. Quantified objectives are established at the measure level only. One of the sampled projects included quantitative objectives related to an increase in tourism capacity and jobs created. This project had objectives in terms of surface area of the building to be renovated, the expected number of visitors per year and the number of jobs (direct and indirect) to be created. For none of the visited projects were such indicators conditional to obtaining the ERDF grant.
- 41.** In one German region visited, only public tourism infrastructure and facilities projects were co-financed. For the projects visited, quantifiable result indicators were set by the managing authorities. In case of projects that created or preserved direct jobs, the grant application did not provide any quantifiable objectives or targets regarding the job creation or preservation. The results are reported by the managing authorities at priority and measure level.
- 42.** In the other German region visited, for projects that created direct jobs, the application for assistance contained quantifiable objectives or targets regarding job creation. For the visited projects involving private promoters, the creation of jobs was a condition for granting the subsidy and provided the managing authorities with targeted volume of tourism activity. Two of the projects provided targets related to the increase of capacity. In the case of two private projects, the actual job creation and number of beds created were monitored by the managing authorities. The latter do a final verification at the end of the earmarking period (five years after project completion for jobs and 15 years for infrastructures) to check whether the provisions of the decision have been fulfilled.

- 43.** In one of the visited Italian regions, expected results relating to increasing tourist capacity were included for all six visited projects; expected results in terms of tourism activity were included and quantified in grant applications for half of the projects. For the other half, the tourism activity was indirectly presented through forecast revenues included in profit and loss accounts integrated in the grant applications. Expected results in terms of direct jobs creation were included in the grant applications for five projects and were quantified for four of them.
- 44.** In the same region, the indicators referring to jobs creation were compulsory only for private projects where they are a component of the *ex ante* evaluation. Preservation of employment is compulsory for a determined period and is monitored during this binding period.
- 45.** In the second Italian region visited, quantitative indicators relating to increasing tourist capacity or job creation were not included in the application forms, for the visited projects. Similarly, for none of the visited projects were such indicators binding to obtaining the grant, neither ERDF nor other forms of subsidies. The managing authorities do not monitor the project effectiveness and results subsequent to project investments in terms of new direct or indirect jobs, or an increase in tourist activity related to the subsidies.
- 46.** All projects had positive results to some degree and therefore could be said to be effective. The surveyed projects had results in terms of job creation, increased tourism activity and enhanced tourism capacity. Some of the projects did have objectives in these three areas and achieved them, whereas others did not have such objectives. Other projects achieved results not specifically planned at the outset. Without the systematic setting of project objectives, establishment of targets and indicators and the subsequent monitoring and evaluation of results, it is difficult to assess the true performance of projects or the extent of European added value¹².

¹² See communication from the Commission 'The EU budget review', COM(2010) 700 final, 19.10.2010 and in particular p. 5: 'Whilst added value of a political project cannot be reduced to a balance sheet, it is another key test to justify spending at the EU level: whether spending at EU level means a better deal for citizens than spending at national level. The European dimension can maximise the efficiency of Member States' finances and help to reduce total expenditure, by pooling common services and resources to benefit from economies of scale. As a consequence, the EU budget should be used to finance EU public goods, actions that Member States and regions cannot finance themselves, or where it can secure better results.'

ARE PROJECT RESULTS SUSTAINABLE?

- 47.** At the time of the audit, 28 % of the projects sampled had been completed in the past two years, 45 % between two and five years ago and 27 % for more than five years. For the 72 % of projects completed more than two years ago, the Court examined whether at the time of the audit:
- (a) projects continued to operate and made either a profit or a contribution to costs; and
 - (b) the results achieved were likely to continue into the future.

MOST OF THE JOBS STILL EXISTED AT THE TIME OF THE AUDIT

- 48.** 94 % of the jobs created or maintained still existed at the time of the audit. The running costs of a third of the projects sustaining these jobs are funded by Member State public subventions of one form or another.

Photo 9 — Improvement of main road at a seaside resort (France)



© European Union
Source: European Court of Auditors, December 2009.

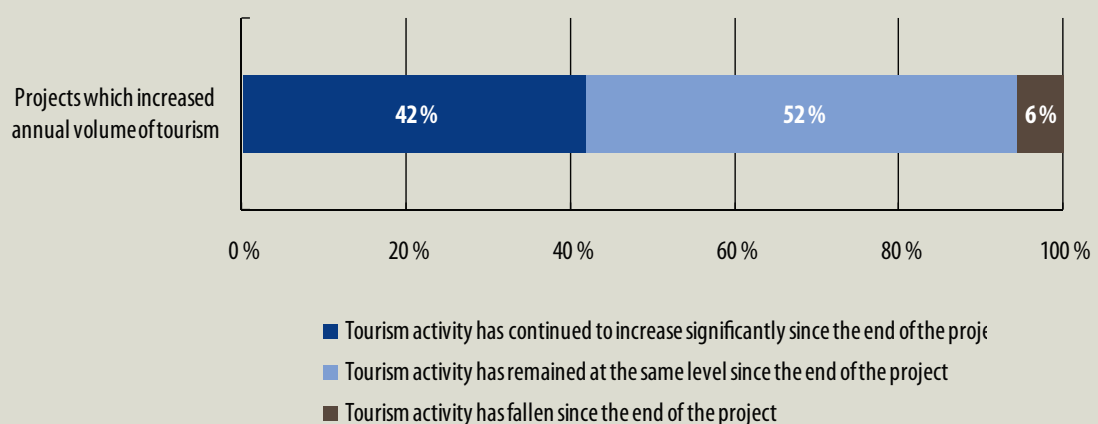
ALMOST ALL PROJECTS CONTINUED TO OPERATE, BUT NOT NECESSARILY AT A PROFIT

- 49.** In 93 % of cases, the tourism capacity created by projects has remained at the same level since the end of the project and in 6 % of cases it has increased.
- 50.** The level of tourism activity has remained stable or has increased since the end of the project in 94 % of cases (**Figure 3**).
- 51.** 98 % of completed projects were still operational at the time of the audit¹³. Not all projects generated sufficient revenue to cover their running costs. Overall, 25 % of projects completed at least two years previously were profitable (61 % of private projects and 14 % of public ones). By their very nature, most (60 %) public projects are not intended to be profitable. The public promoter, usually a local authority, assumes the running costs in exchange for other advantages for the community (e.g. free access to a swimming pool for school children, the preservation of some item of historic heritage etc.). There are other projects dedicated to such activities as renovating a public space (e.g. a street or a road), which were never intended to be revenue generating.

¹³ One project was definitively closed two years after its start due to technical problems and three others were temporarily closed and will be re-opened after further work is carried out.

FIGURE 3

WAS THE INCREASE IN TOURISM ACTIVITY CREATED BY PROJECTS LASTING?



52. The difference in attitude between private and public project promoters with regard to profitability can be illustrated by responses to the questions in the survey on expected profitability in the coming two to three years. **Figure 4** indicates that the question of future profitability still does not apply for 60 % of public projects in the complete survey, whereas 79 % of private promoters expect to be profitable in the coming years.
53. Overall, 24 % of the jobs were created or maintained by projects, the activities of which were not intended as being profitable.

FIGURE 4

FUTURE PROFITABILITY OF PROJECTS

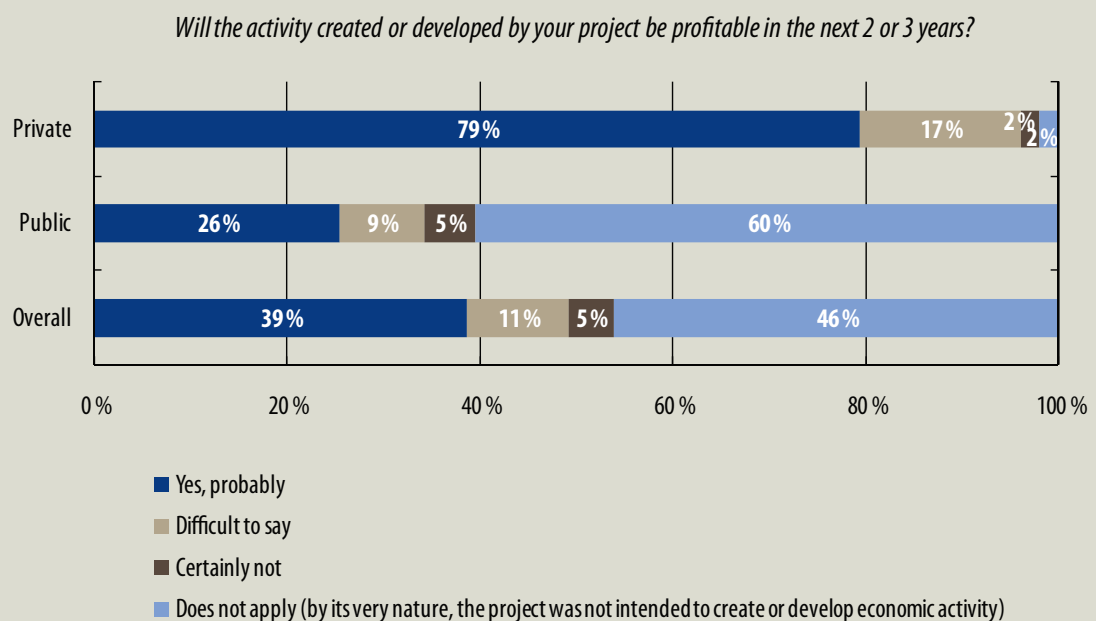


Photo 10 — Project involving the renovation of the exterior walls and roof of a church (France)



© European Union

Source: European Court of Auditors, November 2009.

DID GRANTS INFLUENCE THE EXISTENCE OR THE DESIGN OF PROJECTS?

- 54.** The Court asked whether public support, and ERDF funding in particular, had been a critical factor influencing either the design of projects or the decision on whether projects should be undertaken. The Court went on to examine how the process of receiving ERDF support itself had been perceived by project promoters.

NOT ALL PROMOTERS FOUND PUBLIC SUPPORT NECESSARY

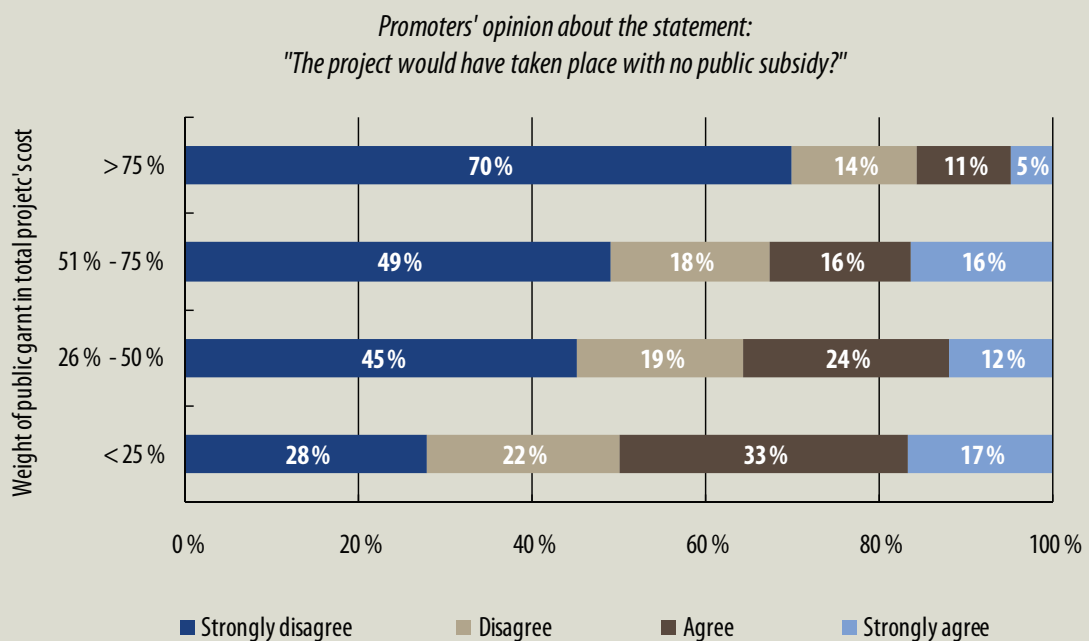
- 55.** 53 promoters (26 %, 34 public and 19 private promoters) declared that they would have undertaken the project without having received any public grant:
- (a) 12 promoters (6 %, all public) found that the project would have been carried out in exactly the same way i.e. the grant did not change the size, the content or the ability of the project to create jobs. Four of these projects had already started when the promoter discovered the possibility of receiving an ERDF subsidy;

(b) 41 promoters (20 %) said however that the project would not have been the same. In 30 cases the scale or content had been modified (12 private and 18 public) whereas the subsidies had an influence on employment or the environment in 17 private and three public projects.

- 56.** The proportion of public grant in a project's total cost had an impact on the responses of project promoters: the smaller the percentage of public support, the less the aid is seen as being crucial to the existence of the project (**Figure 5**).
- 57.** Opinion also varies significantly according to the type of activity involved, e.g. 52 % of promoters of accommodation and catering projects said that their project would have taken place without a public grant. For museum and historical monument projects or infrastructure and public amenities projects, 20 % gave this response whereas only 10 % of promoters in the area of holiday and leisure centres felt the same way.

FIGURE 5

CORRELATION BETWEEN THE PERCEIVED USEFULNESS OF THE PUBLIC SUBSIDY AND THE WEIGHT OF THE GRANT



ERDF GRANT IS PERCEIVED AS BEING RECOGNITION, BUT INCREASES THE ADMINISTRATIVE BURDEN

- 58.** The vast majority of promoters considered the ERDF grant as a recognition of the quality of their project (92 %) and its usefulness to the public (90 %). However, 42 % of promoters also said that receiving an ERDF grant increases considerably the administrative burden of their project. This opinion is more widespread amongst private promoters (56 %) than amongst public promoters (37 %). The attitude of project promoters with regard to administrative burden also varies with the proportion of the ERDF grant in relation to the total cost of the project i.e. the smaller the ERDF grant is, relative to total cost, the more keenly is felt the administrative burden.

Photo 11 — Renovated 13th century castle open to the public (France)



© European Union
Source: European Court of Auditors, December 2009.

CONCLUSIONS AND RECOMMENDATIONS

DELIVERY OF EXPECTED RESULTS

- 59.** All of the projects had positive results in one form or other and the majority had successful results under several headings. 74 % were responsible for an increase in tourist activity, whilst 73 % created additional tourist capacity and 58 % of projects created or maintained 2 520 jobs, 23,5 % of which were held by women. 44 % of projects had results in all three categories. 8 % of projects sampled did not achieve results in these areas but were found to have benefited the local economy or to help preserve elements of a region's cultural, historic, artistic or environmental heritage (see paragraphs 19 and 32).
- 60.** Objectives were set for only 58 % of the projects in the sample. Where objectives had been set, they were achieved at 75 % for jobs creation or maintenance and 93 % for increasing tourism capacity. 9 % of the projects surveyed did not achieve any results in terms of jobs, even though they had been expected to do so. Alternately, 14 % of projects increased tourist capacity and 14 % increased jobs even though such objectives had not been set (see paragraph 34).
- 61.** 42 % of the projects in the sample did not have objectives in terms of performance. For those projects with objectives, in many cases targets and indicators had not been set up and the situation varied in respect of the projects visited. There was no monitoring of results for most of the projects sampled. Managing authorities had linked the making of grant payments to the achievement of results in a small minority of projects sampled. Without the systematic setting of project objectives, establishment of targets and indicators and the subsequent monitoring and evaluation of results, it is difficult to assess the true performance of projects or the extent of European added value (see paragraphs 34 and 38 to 46).

RECOMMENDATION 1

Managing authorities should ensure that suitable objectives, targets and indicators are established at the grant application and decision stages to enable:

- the selection of projects which are likely to be the most efficient; and
- the evaluation of their results.

The Commission should encourage this practice.

PROJECT RESULTS' SUSTAINABILITY

- 62.** Given that the majority of jobs created by mature projects still existed at the time of the audit and that the additional activity and capacity created by these projects had remained stable or increased slightly, it is likely that the results will be sustainable in the short to medium term. However as only 25 % of projects were found to be financially viable, such sustainability is dependent upon current levels of public subvention for running costs continuing into the future.

INFLUENCE OF GRANTS

- 63.** According to project promoters, the receipt of public funding enabled 74 % of projects to be undertaken at all. In 20 % of cases, they declared that their projects would have gone ahead without grant aid but in a modified fashion. The lower the rate of assistance, the less its impact on the project. In 6 % of cases, they said their projects would have been undertaken similarly without the grant (see paragraphs 55 to 57).

- 64.** Whilst 92 % of the promoters perceived the ERDF grant as being a recognition of the quality of their project, 42 % of them felt that the ERDF subsidy process considerably increased their administrative burden. It was also noted that the lower the rate of assistance, the more the ERDF grant was perceived as being burdensome (see paragraph 58).

RECOMMENDATION 2

Managing authorities should ensure that project selection criteria include consideration of whether there is a real need for such funding for the project to be realised. The potential impact of the grant on project design should also be taken into account, in addition to the overall impact of the project on economic growth and employment.

The Commission should encourage this practice.

RECOMMENDATION 3

The Commission should undertake an evaluation of aid in this sector, to consider the extent to which it forms a cost-effective means to support Member States to foster economic growth and to consider whether such support could be better targeted to this end.

This report was adopted by Chamber II, headed by Mr Morten LEVYSOHN, Member of the Court of Auditors, in Luxembourg at its meeting of 4 May 2011.

For the Court of Auditors



Vitor Manuel da SILVA CALDEIRA
President

ERDF TOURISM FUNDING ALLOCATED BY MEMBER STATE FOR PHYSICAL INVESTMENT IN TOURISM — 2000-06 PROGRAMME PERIOD

Member State	Number of operational programmes including tourism projects in each Member State	ERDF amount for tourism (1 000 euro)
Italy	21	1 448 519
Germany	17	649 206
France	23	467 106
Spain	20	427 888
Greece	15	384 360
United Kingdom	12	220 892
Austria	8	159 228
Portugal	6	150 326
Belgium	7	100 252
Poland	1	95 663
Netherlands	6	82 947
Lithuania	1	81 999
Hungary	1	74 018
Czech Republic	2	68 274
EU cross-border cooperation	23	64 513
EU interregional cooperation	22	50 904
Ireland	2	29 934
Finland	5	20 206
Estonia	1	16 247
Slovenia	2	13 803
Latvia	1	9 256
Malta	1	4 301
Cyprus	1	3 229
Total	198	4 623 071

NUMBER OF PROJECTS INCLUDED IN THE SURVEY AND VISITED ON THE SPOT

9 Member States	26 operational programmes	Number of projects	
		Surveyed	Visited
Italy	1999IT161P0011 Sicilia	26	
	1999IT161P0007 Campania	14	6
	1999IT161P0010 Sardinia	7	6
	2000IT162D0007 Piemonte	7	
	2000IT162D0001 Toscana	7	
Germany	2000DE162D0010 Niedersachsen	7	5
	1999DE161P0004 Mecklenburg-Vorpommern	7	
	1999DE161P0005 Brandenburg	7	
	1999DE161P0003 Sachsen-Anhalt	7	6
	2000DE162D0005 Hessen	6	
Spain	2000ES161P0007 Castilla y León	8	8
	2000ES161P0010 Extremadura	8	7
	2000ES161P0009 Comunidad Valenciana	8	1
	2000ES161P0016 Local	3	
France	2000FR162D0020 Rhône-Alpes	7	7
	2000FR162D0006 Poitou-Charentes	6	
	2000FR162D0014 Bretagne	9	6
Greece	2000GR161P0016 Competitiveness	7	
	2000GR161P0014 Central Macedonia	7	
	2000GR161P0005 Continental Greece	7	
Portugal	1999PT161P0016 Madeira	6	
	1999PT161P0012 Algarve	6	
United Kingdom	1999GB161D0004 West Wales and the Valleys	7	
	2000GB162D0008 South East England	9	
Belgium	2000BE162D0008 Meuse-Vesdre	6	
Lithuania	2003LT161D0001 Lithuania	7	
Total number of projects		206	52

REPLY OF THE COMMISSION

EXECUTIVE SUMMARY

II.

Cohesion policy, and the ERDF as the biggest Structural Fund, is the EU's main instrument for pursuing harmonious development across the Union. This is reflected in the variety of programmes, projects and partners that are supported under the policy. For the programming period 2000–06, 3,5 % of the ERDF funding was allocated to investments in tourism.

V. (a)

The Commission welcomes the Court's findings. The results show that the ERDF support has contributed to job creation in the area of tourism and also to local and regional economic growth.

V. (b)

The Commission welcomes the Court's findings that the majority of the projects had the objective of creating jobs and that a large number of the jobs targeted have in fact been created.

V. (d)

The Commission finds it encouraging that nearly all the projects had reached such a degree of maturity that they were still operational at the time of the audit.

V. (e)

The Commission notes that nearly three quarters of the audited projects would not have been carried out without the public assistance.

REPLY OF THE COMMISSION

INTRODUCTION

V. (f)

The Commission takes note of these results. The Commission points out that for the 2007–13 programming period, rules on implementation of the funds were simplified in the Structural Funds regulations and there were further revisions in 2008–10. The Commission also notes that there must be a balance between simplification and sound management of funds.

VI. (a)

The Commission will continue to promote the use of suitable objectives, targets and indicators with the managing authorities.

VI. (b)

The Commission will continue to encourage managing authorities to ensure that the EU co-financing goes to those projects that really need public financing for their implementation.

VI. (c)

The Commission has already carried out an *ex post* evaluation of 2000–06 ERDF programmes covering the main issues of policy relevance and most of the expenditure co-financed by the ERDF. Tourism actions were covered under enterprise support and physical/natural environment evaluations.

2.

The Commission points out that tourism is strongly interconnected with many policy areas, such as regional policy, transport, rural development, etc. Regional policy supports tourism as part of integrated regional development programmes.

4.–8.

Cohesion policy is implemented under shared management: Member States are primarily responsible for setting up the management and control systems and for implementing programmes. The Commission negotiates the programmes with them and supervises their work during the implementation period. A huge number of national and regional authorities are involved, along with hundreds of thousands of project promoters.

For the Structural Funds, Regulation (EC) No 1260/1999 stipulates that projects are selected and managed by the Member States' authorities (with the exception of large projects, in which case the Commission has to approve them and confirm or amend the level of Community assistance). The Commission's role is to supervise and monitor the financial and, to a lesser extent, physical implementation (impact/performance) of the operational programmes.

Article 2(2) of Regulation (EC) No 1783/1999 points out the job creation dimension of investments in tourism and culture. However, the list of priorities provided is not exclusive.

REPLY OF THE COMMISSION

OBSERVATIONS

19.

The Commission welcomes the Court's findings. The results show that the ERDF support has contributed to job creation in the area of tourism and also to local and regional economic growth.

21.

The Commission welcomes the Court's findings that a majority of the projects achieved their set objectives and contributed to an increase in tourism activity. The Commission considers it equally encouraging that the Court found that a substantial number of projects achieved this result even without it having been set as a specific objective of the project.

27.

The Commission welcomes the Court's findings that nearly all the projects achieved their objectives and contributed to increasing tourism capacity.

34.

The Commission welcomes the Court's findings that the majority of projects had the objective of creating jobs and that a large number of the jobs targeted have in fact been created.

40.

In the 2000–06 programming period, managing authorities could monitor achievement of some results, such as job creation, increasing tourism activity or capacity, by means of indicators set at measure, priority or programme level. In the 2007–13 programming period project selection is conditional on quantified indicators at project level.

46.

The Commission notes that most of the projects did have meaningful, quantifiable and measurable result indicators established at the outset, as indicated by the Court in paragraphs 21, 27 and 34.

Even when such data is available, it would be difficult to assess effectiveness and European added value, without carrying out a counterfactual analysis.

48.

The Commission considers this finding very encouraging, especially at a time of economic downturn.

The Commission recalls that 76 % of the projects in the Court's sample were promoted by public bodies. In this context, the fact that running costs of a third of the projects are being sustained by public grants is to be expected.

49.–51.

The Commission finds it encouraging that nearly all ERDF co-funded tourism projects contributed to sustainable creation of tourism capacity and tourism activities and that nearly all projects reached a degree of maturity so that they were still operational at the time of the audit.

55.

The Commission notes that nearly three quarters of the audited projects would not have been carried out without the public assistance.

REPLY OF THE COMMISSION

CONCLUSIONS AND RECOMMENDATIONS

58.

The Commission notes that more than half of the project promoters considered that the ERDF funding did not increase their administrative burden considerably.

Administrative burdens can arise in the course of management of Structural Funds programmes, for different reasons. These can include eligibility and control rules laid down by the Member States that are stricter than those provided for in the Structural Funds regulations.

For the current (2007–13) programming period, rules on implementation of the funds have been simplified in the Structural Funds regulations. Furthermore, in 2008–10 the Commission introduced significant simplifications, especially by creating the possibility to declare costs on the basis of flat rates, lump sums and standard scales of unit costs, including in the area of tourism.

59.

The Commission welcomes the Court's findings that all the projects were successful in achieving results such as direct job creation, an increase in tourism capacity and annual volume. The results show that the ERDF support has contributed to job creation in the area of tourism and also to local and regional economic growth.

60.

The Commission welcomes the Court's findings that the majority of the projects had the objective of creating jobs and that a large number of the jobs targeted have in fact been created. The Commission considers it equally encouraging that the Court found that a number of projects achieved this result even without it having been set as a specific objective of the project.

61.

The Commission notes that most of the projects did have meaningful, quantifiable and measurable result indicators established at the outset, as indicated by the Court in paragraphs 21, 27 and 34.

Even when such data is available it would be difficult to assess effectiveness and European added value, without carrying out a counterfactual analysis.

REPLY OF THE COMMISSION

Recommendation 1

Sound selection criteria are key prerequisites for selecting the projects that contribute the most to priorities, objectives and targets and for selecting the most effective and efficient ones.

The setting up of suitable objectives, targets and indicators helps with evaluation of the project results. The Commission will continue to promote the use of suitable objectives, targets and indicators with the managing authorities.

62.

The Commission welcomes the Court's findings and finds it encouraging that nearly all the projects had achieved such a degree of sustainability that they were still operational at the time of the audit.

63.

The Commission notes that nearly three quarters of the audited projects would not have been carried out without the public assistance.

64.

The Commission takes note of these results. The Commission points out that for the 2007–13 programming period, rules on implementation of the funds were simplified in the Structural Funds regulations and there were further revisions in 2008–10. The Commission also notes that there must be a balance between simplification and sound management of funds.

Recommendation 2

The Commission understands from the Court's results that the selection process for tourism projects is, in general, effective. The Commission will continue to encourage managing authorities to ensure that the EU co-financing goes to those projects that really need public financing for their implementation.

Recommendation 3

The Commission recalls that Structural Funds do not support tourism as sectoral policy but tourism interventions in the framework of integrated regional development programmes. Furthermore the Commission recalls that it approves programmes and their priorities but neither measures nor projects (except large projects) on specific sectors such as tourism.

The Commission has already carried out an *ex post* evaluation of 2000–06 ERDF programmes covering the main issues of policy relevance and most of the expenditure co-financed by the ERDF. Tourism actions were covered under enterprise support and physical/natural environment evaluations. The outcome of this evaluation can be found on the Directorate-General for Regional Policy's 'Inforegio' website (at http://ec.europa.eu/regional_policy/sources/docgener/evaluation/rado2_en.htm).

European Court of Auditors

Special Report No 6/2011
Were ERDF co-financed tourism projects effective?

Luxembourg: Publications Office of the European Union

2011 — 40 pp. — 21 × 29,7 cm

ISBN 978-92-9237-179-1

doi:10.2865/32601

How to obtain EU publications

Free publications:

- via EU Bookshop (<http://bookshop.europa.eu>);
- at the European Union's representations or delegations. You can obtain their contact details on the Internet (<http://ec.europa.eu>) or by sending a fax to +352 2929-42758.

Priced publications:

- via EU Bookshop (<http://bookshop.europa.eu>).

Priced subscriptions (e.g. annual series of the *Official Journal of the European Union* and reports of cases before the Court of Justice of the European Union):

- via one of the sales agents of the Publications Office of the European Union (http://publications.europa.eu/others/agents/index_en.htm).

THIS REPORT EXAMINES THE PERFORMANCE OF ERDF CO-FINANCED TOURISM PROJECTS IN PROMOTING ECONOMIC GROWTH AND CREATING EMPLOYMENT. TO GIVE A REPRESENTATIVE VIEW OF THE SITUATION, INFORMATION WAS COLLECTED FROM 206 PROJECT PROMOTERS CHOSEN RANDOMLY ACROSS THE EU.



EUROPEAN COURT OF AUDITORS



Publications Office

ISBN 978-92-9237-179-1

