The Impact of Tourism on Coastal Areas: Regional Development Aspects

STUDY
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The present study examines the role that Structural Funds play in supporting tourism interventions in coastal regions. Structural Funds in general, and the European Regional Development Fund in particular, are in fact an important source of financing at European level for tourism SMEs and tourism-related activities. Although tourism is not a high priority, and in quantitative terms the proportion of Structural Funds spent on tourism is only a small proportion of the total, the impact in qualitative terms on regional development is not negligible, especially in those coastal regions that are highly dependent on the tourism sector.

The findings of the study show that a significant impact is related to aspects of institutional building, especially in the new Member States, such as the diffusion of participatory practices when designing interventions in the tourism sector. Another important impact is raised awareness in terms of the need for integration of policies for coastal areas. This is significant, especially with regard to the environmental sustainability aspects of tourism projects. It is in fact well recognised by all policy-makers that the sustainability of a fast-growing sector such as tourism (particularly mass tourism) in coastal regions is the key challenge for the future.
Executive summary

Background
Within the tourism sector, coastal tourism is by far the most significant in terms of tourist flows and generation of income. Among tourist destinations, coastal areas are most preferred by tourists, and the Mediterranean region is the world’s leading tourist destination: according to the World Tourism Organisation estimates it represents one-third of global income by tourism receipts.

Most of the economies of Member States with significant lengths of coastline are highly dependent on the income generated by sea-related activities, such as tourism, fishing, transport etc. However, the use of the sea for such different purposes generates increasing pressure, in particular:

- competition for space leads to conflicts between various activities (fishing, services, agriculture);
- the natural ecosystems that support coastal areas suffer degradation, especially because of the impact of climate change;
- there are large seasonal variations in population and employment.

The increase in coastal tourism flows, especially in the form of mass tourism, is coupled with emerging concerns about potentially negative impacts on regional development from an environmental, economic and social point of view. Structural Funds can play a role in fostering sustainable development principles while designing and implementing coastal tourism interventions.

Aim
The aim of the present study is to provide a comprehensive qualitative analysis of the impact of Structural Fund expenditure on tourism projects in coastal regions, in order to put forward recommendations and policy-relevant advices for decision-makers. The approach is focused on five main aspects where the impact of Structural Funds can be crucial for the delivery of successful regional development interventions. These are:

- Developing partnerships;
- Providing financial leverage;
- Revitalising the local economy;
- Reducing seasonality;
- Fostering environmental sustainability.

The methodology used comprised a twofold methodological approach:

- provision of a general overview about the coastal tourism sector and funding opportunities, based on the collection and processing of secondary data available from the vast literature on tourism, coastal regions and Structural Funds;
- analysis of primary data collected from fieldwork and case studies. Six target coastal regions have been selected, respecting the following mandatory criteria:
  - representativeness of all the six macro-areas;
  - inclusion in the sample of at least one island region;
  - inclusion in the sample of at least one cross-border region;
Evidence of the impact of Structural Funds on coastal tourism

A noteworthy source of funding
Tourism is primarily of regional and national competence, and there are no policies or financial instruments at European level specifically aimed at tourism. Nevertheless, tourism interventions are part of broader European policies which could have a considerable impact on the sector.

The main financial support for tourism derives from the Structural and Cohesion Funds. During the last programming period a large number of tourism interventions received support from these funds, the support varying due to the cross-cutting nature of the sector. Most important coastal tourism destinations in Europe received support through regional operational programmes and national sectoral operational programmes. The interventions included small tourism infrastructure, grant schemes to tourism small and medium enterprises (SMEs), beach renewal, urban regeneration, and culture and artistic heritage support.

An impact mainly in terms of institutional building
The overall impact of Structural Funds on regional development is varied. In qualitative terms it has had a positive impact, especially in terms of institutional building and enhancement of planning capacity. This is especially true for the new Member States, who were less used to participatory and bottom-up approaches in public planning. In more quantitative terms, the impact of Structural Funds on coastal tourism is less clearly identifiable. The main reasons are:

- Tourism is not a priority for Structural Fund interventions, so only a small proportion of financial resources is allocated to this sector;
- Policy priorities of regional development plans only exceptionally focus solely on coastal tourism; rather, they address the whole tourism offer of the region;
- Tourism is rarely a stand-alone priority, as it is usually associated with broader strategies of fostering competitiveness, diversifying productive activities within declining areas, etc.

In terms of typologies of intervention, there is still a predominance of physical and infrastructural investments aimed at increasing the accommodation supply and improving the accessibility of an area, rather than non-physical interventions concerning service provision, territorial marketing, or with the diversification of the tourism offer generally. However, evidence seems to show that in general the regional policies on tourism in the new programming period are moving towards a more qualitative and integrated approach focused on reducing the pressure on the coasts and offering a more developed set of activities and entertainment.

Policies on accessibility and environmental protection, despite not being specifically targeted at tourism, may contribute indirectly but significantly to its development.

Fostering partnership in a multi-level governance framework
The governance framework in the tourism sector is characterized by a multi-level, multi-sectoral dimension. If an integrated approach to design and planning is not put in place, there is a risk of conflicting measures being pursued. This is particularly evident with regard to the environment: the natural assets of a region are sometimes still perceived as a constraint to a policy of
commercial exploitation of the area, rather than a value to be preserved as a fundamental asset for the attractiveness of a place.

Evidence from the case studies highlighted the fact that the impact of Structural Funds on developing the principles of partnership in designing regional development policies is significantly positive and most relevant, although in the new Member States the bottom-up approach and the partnership principle are less integrated than in the old Member States.

The degree of involvement of actors is more visible in the upstream activities of design and planning rather than in the implementation and delivery mechanisms. This usually increases the short-term perspective of the planning exercise and does not help in the dialogue and clear sharing of policy visions, while successes are recorded when the role of actors is more proactive and relevant in all the policy phases.

In terms of typology of actors, local public authorities in coastal areas usually play the most active role in coastal tourism partnerships. Regional and local public authorities, the private sector, and environmental associations are usually involved in partnership. A more innovative approach to coastal tourism would also require the involvement of environmental bodies, representatives of the productive sectors connected with the sea, experts and actors in the cultural sectors, and the scientific community with an interest in marine activities.

**Still a weak leverage effect on private funds**

National contributions cover on average the largest share of the total project costs in the Objective 2 regions; on the other hand, in Objective 1 regions EU Funds provide a major contribution towards co-financing tourism projects. EU co-financing represents the largest proportion only in the case of infrastructure projects, which, however, usually fall within transport and environment interventions, or within measures for restoring and valorising artistic and cultural heritage.

Participation of the private sector is still not so relevant: attracting private sector funding for tourism projects has been rather difficult for most localities.

The most common attitude of the private sector towards public funding is grant-seeking for private investment needs. In the case of other stakeholders, the promotion of a specific end is the only contribution foreseen in the design of the interventions, although a common effort towards enhancing the attractiveness of a region could support a less fragmented framework of interventions.

Evidence from the case studies showed that in the case of direct support for firms, the selection process of co-financing investment projects was biased towards manufacturing, sometimes at the expense of the service sectors. Furthermore, in the new Member States the participation of private firms has been rather weak, partly because of the weak association level of tourism enterprises.

A more strategic approach would require that efforts be made to encourage entrepreneurs and the private sector to become investors rather than simply beneficiaries of public subsidies. A key challenge in Public-Private Partnership is finding sustainable and effective ways of providing incentives to private investors.
The revitalisation of local economy
It is too early to discuss the impact of Structural Funds on regional growth in coastal areas for the period 2000-2006. In general, the impact on growth depends upon the features of the region examined. Where coastal tourism and regional tourism coincide, the economic impact of Structural Funds is highly effective. As is well recognised, increasing disposable income is a major cause of the boost to coastal tourism demand, and for this reason the positive impact of Structural Funds could have an indirect positive effect on coastal tourism via the demand side rather than supply. Good planning and management also affect the Structural Funds’ impact on growth: the more the Structural Funding mechanism is integrated into a region’s administrative capacity, the higher is the impact upon regional growth.

The evidence from the case studies also highlighted that interventions in coastal tourism affect employment dynamics positively in terms of job creation in the sector. In the case of regions suffering rural and industrial decline in the hinterland, coastal tourism may attract workers from declining sectors. However, an important issue to be addressed is the nature of the new jobs created by tourism in coastal regions. Tourism development is characterised by a high degree of part-time seasonal employment and overall flexible working conditions. Young people and less skilled workers are often those who benefit from the job opportunities in tourism (as waiters, cooks, barmen, entertainers, promoters, sports instructors). Against this background, Structural Funds are also used to improve the quality of employment in the tourism sector, because local policy-makers are very concerned about the issues of quality of employment.

Diversification to reduce seasonality
The promotion of alternative forms of tourism and the diversification of tourism offerings represent the main challenge for coastal policies. Diversification can contribute to improving the attractiveness of coastal destinations and enabling them to move beyond the traditional 3S (“sun, sea and sand”) model. Alternative forms of tourism can help to extend the season, producing multiple benefits, among which are:

- new sources of income, creating more growth and employment;
- the reduction of the environmental, economic, social impact and pressure caused by concentrating tourism into a few months of the year;
- the creation of new activities supporting the preservation and development of the area’s heritage.

There are some interesting solutions emerging from the Structural Funds experience:

- an innovative strategy would seek the promotion of an integrated tourism offer, able to link the coastline with the hinterland and different areas;
- historical heritage and cultural tourism is a way to differentiate the tourism offer in coastal towns which have historically performed an industrial function, and to re-shape the identity and distinctiveness of an area, transforming coastal resorts into heritage seaside towns;
- alternative forms of tourism (e.g. “business tourism”, with trade fairs and conferences aimed at a different customer base) have been promoted;
- in the regions characterised by a core business traditionally based on “sun, sea and sand”, efforts have been made to develop the tourism product into a more sophisticated offering, including a variety of value-added leisure activities such as sports, health and spas, golf, sailing, tourism for older people, theme parks, meetings, conferences, etc.

Sustainable development is a key policy priority
The Structural Funds have positively contributed to raising environmental awareness and to the diffusion of the objectives of sustainable development in regional planning, setting the sustainable development issue as a general cross-cutting priority.

As nature-based destinations, island and coastal areas are the destinations most exposed to climate-induced environmental changes, which can produce a reshaping of tourism choices and activities.

To address the problem, the World Tourism Organisation (WTO) proposes a balanced approach based on the principles of mitigation (i.e. actions reducing factors that contribute towards climate change and thus alleviating its effects) and adaptation (i.e. taking the necessary steps to cope with the consequences of climate change).

Conclusions
The evidence from the literature review and the case studies analysis highlighted that:

- in the last programming period, coastal tourism interventions received considerable support from the European Regional Development Fund, within the framework of the Regional Operational Programmes;
- reduction of seasonal effects, sustainable development, and product diversification are the future challenges of the coastal tourism sector;
- the clearest impact of Structural Funds on coastal tourism is in terms of institutional and capacity building;
- in the old Member States the partnership principle seems to be an embedded component of both programming and project design, while in the new Member States large-scale involvement of stakeholders has yet to become standard;
- interventions within the Cohesion Policy framework allowed concerns for a need for an integrated approach to coastal management and planning to be raised, especially in terms of environmental protection (coastal erosion and biodiversity);
- national or regional public funds make the major contribution to co-financed Structural Funds interventions, attracting private investors being difficult in most regions (especially rural areas);
- small islands and Outermost regions are the areas where the impact of Structural Funds on the revitalisation of the local economy is the most significant;
- the differentiation of the services offered is the main strategy adopted to reduce tourism seasonality;
- natural assets of an area are no longer seen as a constraint but as adding value to the tourism offer.
Recommendations

European Commission
For the new programming period, EU policies should be aimed at:

- integrating coastal tourism interventions co-financed by Structural Funds within broader frameworks, in particular the Maritime Policy, the Integrated Coastal Zone Management strategy, the Trans-European Network for Transport, and the Natura 2000 Environmental Policy;
- developing an integrated approach for the comprehensive management of interventions falling within different policy fields but aimed at coastal areas;
- promoting evaluation and monitoring activities to check the application of the sustainable development principle in coastal tourism interventions.

Member States and coastal regions
Decision-makers at national and regional level should:

- promote a shift from physical infrastructural investments in “place-making” activities to the diversification of products and services through “place-shaping” activities. This can be achieved by:
  - complementing the traditional “sun, sea and sand” product with leisure activities related to the sea (e.g. fishing or diving);
  - creating themed routes and trails aimed at discovering the regional heritage of the hinterland (e.g. gastronomy);
  - converting towns and settlements that have historically performed an industrial function into tourist destinations through the promotion of their architectural and cultural distinctiveness;
  - considering the opportunity of specialisation of services and accommodation to attract business travellers;
- invest in project visibility, profile and performance, to shift the attitude of the private sector from being beneficiaries of public funds to being long-term investors (public-private partnership);
- adopt a global perspective towards the tourism market, to face the growing competition from low-cost non-European destinations;
- integrate the development of tourism infrastructures and facilities with environmental protection measures;
- design training programmes to create a pool of skilled workers, to deal with the increased complexity and variety of the tourism sector.