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Audit preview

Information on an upcoming audit



EU support for public projects in the tourism sector

November 2020

Tourism is a significant economic sector in the EU. It accounts for an estimated 10 % of EU GDP and 12 % of the EU's total labour force.

The EU's tourism policy aims to maintain Europe's standing as a leading tourist destination, while maximising the industry's contribution to growth and employment and promoting cooperation between EU countries, particularly through the exchange of good practices.

The EU also provides financial support to tourism across national and regional operational programmes, mainly from the European Regional Development Fund and Cohesion Fund, which allocated €6.4 billion to tourism projects in 2007-2013 and €4 billion in 2014-2020.

We are conducting an audit to examine whether EU funding for public investments in tourism is effective and the Commission provides suitable support to ensure this. We will look at the work done by the Commission and in four Member States (Hungary, Poland, Spain and Romania), where we will examine the targeting of funding and a number of public projects from selected 2014-2020 operational programmes. In addition, we intend to assess a number of public projects from the 2007-2013 programming period to analyse their operational sustainability.

If you wish to contact the audit team, you may do so at the following email address:

ECA-Tourism-audit@eca.europa.eu

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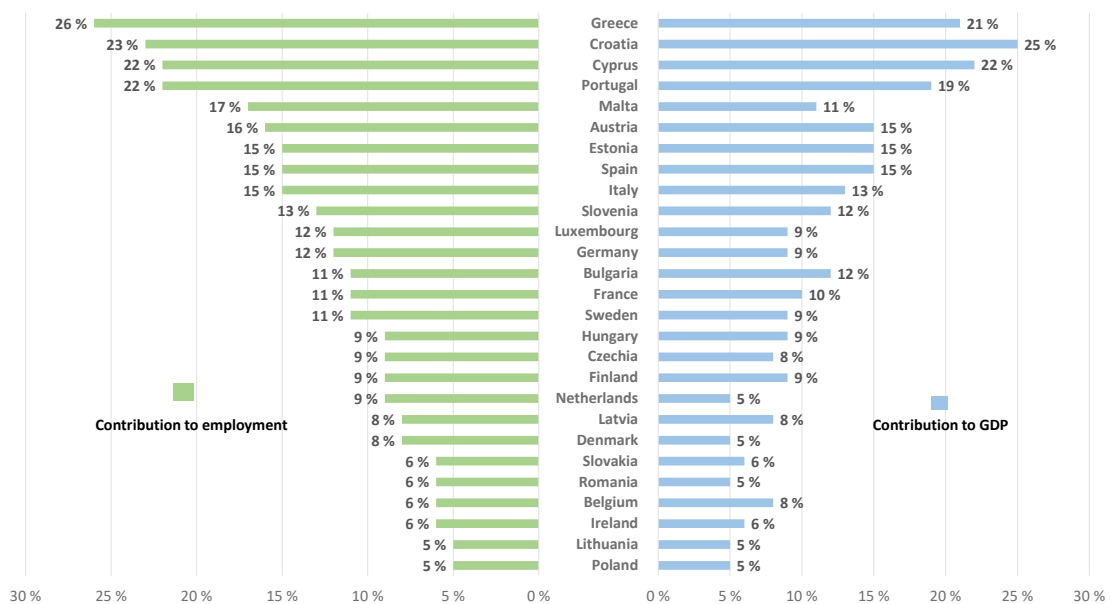
The importance of tourism in the EU

The European Union is the world's most visited region. In 2019, the EU recorded 577 million international tourist arrivals, 39.5 % of the global total. In 2018, the EU's international tourism receipts stood at €407 billion¹. Tourism has an impact on the local economy, population and resources as well as on the natural environment and available infrastructure at the places visited.

The EU policy in this sector aims “to maintain Europe's standing as a leading destination while maximising the industry's contribution to growth and employment and promoting cooperation between EU countries, particularly through the exchange of good practice”².

In 2018, the direct contribution of the tourism sector to the EU economy was estimated at about 3.9 % of EU GDP and 5.1 % of its total labour force (around 12 million jobs). Furthermore, taking into account the spill over effects of tourism into the wider economy, those figures increase significantly to around 10 % of EU GDP and close to 12 % of total employment³. However, the tourism sector's economic impact varies considerably between Member States, 5 % of GDP in the Netherlands, Denmark, Lithuania and Poland to over 20 % in Croatia, Greece and Cyprus (see [Figure 1](#)).

Figure 1 – Economic contribution of tourism per Member State (direct + indirect, 2018)



Source: World Travel & Tourism Council (WTTC).

The tourism sector covers a broad group of economic activities providing the goods and services demanded by visitors to support, directly or indirectly, their tourism activity. Beyond transport services that facilitate the movement of people, the tourism sector includes: travel agencies and tour operators; accommodation; restaurant and catering services; cultural, sport and recreational facilities; local tourism goods and services⁴.

Investments in this area have a high socio-economic impact and are relevant for many EU citizens, both as employees and as consumers.

Impact of the COVID-19 pandemic

In 2020, COVID-19 has dramatically changed the situation, with international tourism arrivals in Europe down by 22 %⁵ in the first quarter of 2020 and potentially down by 60-80 % over the whole year, around 7 million tourism jobs in jeopardy and many small and medium-sized companies (SMEs) in the sector facing acute liquidity problems and risking bankruptcy.

The Commission reacted in May 2020 by issuing a Communication⁶ on a COVID-19 recovery strategy including guidelines and recommendations to help Member States gradually lift travel restrictions and allow tourism businesses to reopen, while identifying longer-term challenges on sustainability, digitalisation and the focus on SMEs.

The legal and policy framework

The EU provides support to the European tourism sector to promote the competitiveness of the industry. It also promotes cooperation among Member States and the exchange of good practices, thereby complementing Member State policies⁷.

In addition, the EU legislates in a number of areas which matter for tourism, such as protecting the rights of travellers⁸ and visas for third country nationals who cross the external borders of the EU⁹. In addition, the EU regulates passenger rights concerning various modes of transport.

In June 2010, the Commission last published a political strategy for tourism¹⁰, containing actions to foster the development of the tourism sector, which were monitored and reported on until 2013.

In February 2019, a group of 51 professional associations and entities dealing with tourism and transport in Europe, together with the World Travel and Tourism Council, signed a declaration¹¹ calling on the new EU Parliament and Commission to advance an integrated European tourism policy and strategic EU funding for tourism.

In March 2020, the Council¹² invited the Commission to review the results of the 2010 strategy by the end of 2020 and introduce a new policy on tourism, to prepare a comprehensive overview of funding sources for tourism in the MFF 2021-2027 and improve the recognition of tourism in European policies.

Roles and responsibilities

Tourism policy remains primarily a Member States prerogative, the EU having a complementing role¹³.

Within the Commission, the Directorate General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW) is in charge of developing the EU's tourism policy and strategy. DG GROW chairs the Tourism Advisory Committee¹⁴, a consultation and coordination forum for representatives of the Member States and the Commission to exchange information and discuss issues related to tourism policy and services. DG GROW also has access to a limited budget for directly managed action on tourism¹⁵.

The Commission's regional policy Directorate General, DG REGIO, plays a significant role in the shared management of EU funds for tourism related projects, through the European Regional Development Fund. Other EU Commission Directorates General, such as those dealing with employment, agriculture, environment, climate and transport, are also involved in a variety of programmes funding projects whose nature or results may relate to tourism¹⁶.

Relevant international stakeholders in the field of tourism are the OECD, the UN World Tourism Organisation (UNWTO) and the World Travel & Tourism Council (WTTC).

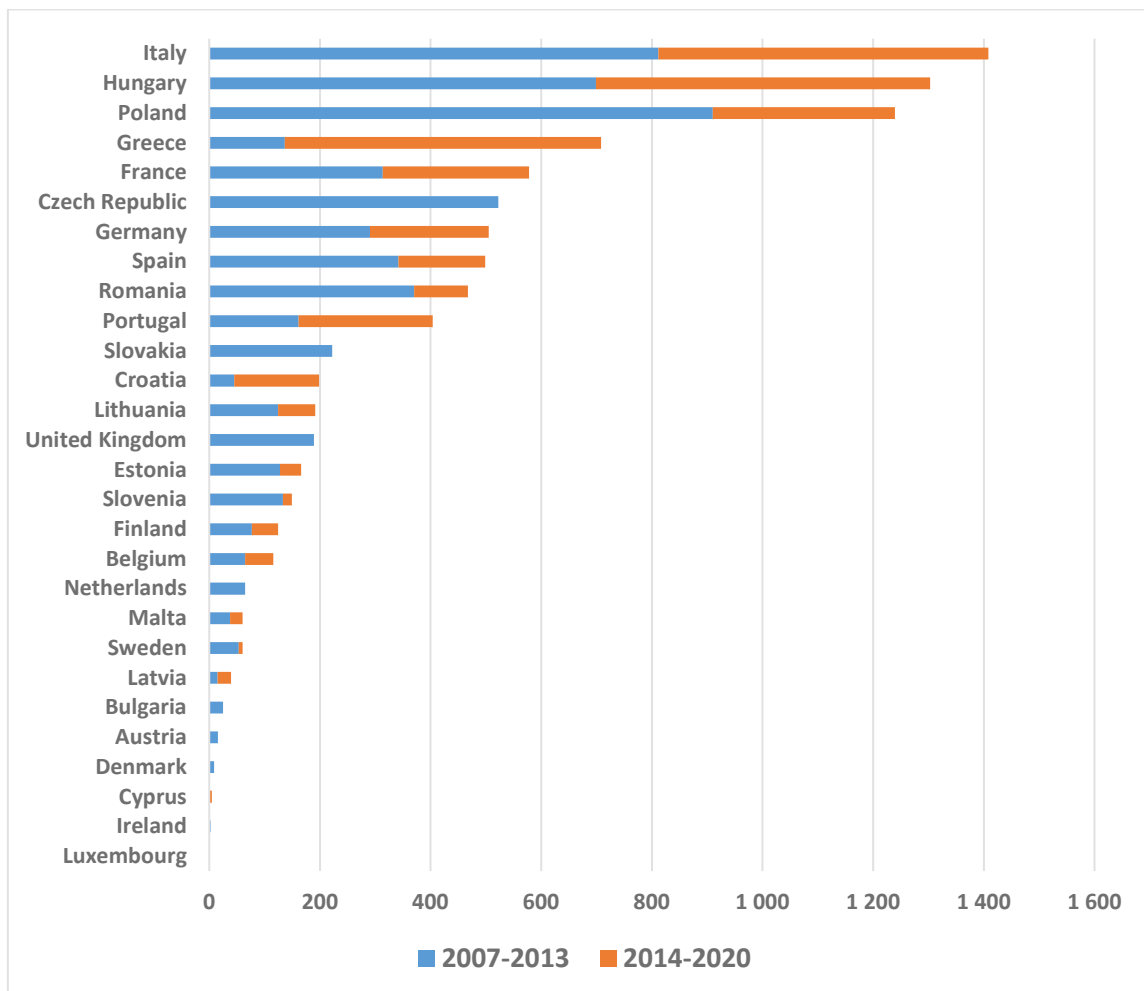
Financing

Most of the EU's financial support for tourism comes from the European Regional Development Fund (ERDF) and the Cohesion Fund (CF). Taken together, these two

funds allocated €6.4 billion to tourism in 2007-2013 and €4 billion (budget allocated so far) in 2014-2020.

A preliminary analysis of the current programming period shows that the ERDF and the CF have co-funded almost 10 000 tourism projects covering a wide range of activities. **Figure 2** below is a breakdown per Member State of tourism projects co-funded in the last two programming periods.

Figure 2 – Budget allocations to Tourism in ERDF/CF per Member State (million euro)



Note: Expenditure to cross-border operational programmes is not included.

Source: ESI Funds Open Data Platform.

Focus of the audit

Our audit aims to assess if EU co-funding for tourism investments by public beneficiaries has been effective and properly managed by the Commission and the Member States, with a particular focus on:

- the targeting of EU funds from selected 2014-2020 operational programmes as well as the implementation and monitoring of the results of EU co-funded tourism projects by Member State authorities; and
- the operational sustainability of completed projects from the 2007-2013 programming period.

Our auditors will examine a sample of projects carried out by public authorities in Hungary, Poland, Spain and Romania. They might also examine managing authorities in other Member States to see to what extent their findings also apply to tourism co-funded investments in other countries. In addition, they will reach out to relevant international organisations and the main stakeholder associations in the tourism sector.

We will also assess the supporting role of the Commission, including its strategy on tourism and how information and best practices were shared between Member States. Finally, we will review the measures taken by the Commission to limit the negative impact of the COVID-19 crisis on the EU's tourism sector.

The results of our audit will be published towards the end of next year. They are intended to provide relevant input to the Commission's preparation of an updated EU strategy for the tourism industry in the post-COVID period.

ABOUT ECA SPECIAL REPORTS AND AUDIT PREVIEWS

The ECA's special reports set out the results of its audits of EU policies and programmes or management topics related to specific budgetary areas.

Audit previews provide information in relation to an ongoing audit task. They are based on preparatory work undertaken before the start of the audit and are intended as a source of information for those interested in the policy and/or programme being audited. Since we identified the issues underlying these areas of enquiry before the audit work commenced, they should not be regarded as audit observations, conclusions or recommendations.

If you wish to contact the team in charge of this audit, please do so through the following e-mail address:

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- ¹ UNWTO World Tourism Barometer January 2020. Provisional figures for 2019.
 - ² https://ec.europa.eu/growth/sectors/tourism/policy-overview_en
 - ³ European Parliament. <https://www.europarl.europa.eu/factsheets/en/sheet/126/tourism>
 - ⁴ UNWTO. Methodological notes to the Tourism Statistics Database.
 - ⁵ UNWTO Barometer. Europe refers to the continent. <https://www.unwto.org/news/covid-19-international-tourist-numbers-could-fall-60-80-in-2020>
 - ⁶ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – “Tourism and transport in 2020 and beyond”. COM (2020) 550 final of 13.05.2020.
 - ⁷ Article 195 of the TFEU.
 - ⁸ Directive (EU) 2015/2302 of the European Parliament and of the Council of 25 November 2015 on package travel and linked travel arrangements.
 - ⁹ Regulation (EU) 2018/1806 of the European Parliament and of the Council of 14 November 2018 listing the third countries whose nationals must be in possession of visas when crossing the external borders and those whose nationals are exempt from that requirement.
 - ¹⁰ 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/2010/0352 final.
 - ¹¹ http://etc-corporate.org/uploads//Manifesto_EP_WTTC_Tourism%20Legacy%20Paper_FINAL.pdf
 - ¹² Draft Council Conclusions on sustainable and responsible tourism in Europe, the world's No 1 tourist destination – 2 March 2020 – 6365/20 COMPET 98 TOUR 4.
 - ¹³ Article 195 of Treaty on the Functioning of the EU.
 - ¹⁴ Council Decision 86/664/EEC of 22 December 1986 establishing a consultation and cooperation procedure in the field of tourism.
 - ¹⁵ Some tourism-specific calls within the COSME programme (managed through the EASME Agency), several tourism promotional activities (e.g. European capitals of smart tourism, European destinations of excellence, 2018 EU-China Tourism year) and grants provided to the European Travel Commission for promoting Europe as a tourist destination in third countries.
 - ¹⁶ This mainly concerns DG EMPL (ESF), DG AGRI (EAFRD), DG MARE (EMFF), DG CLIMA (LIFE), DG RTD (Horizon 2020) and DG MOVE (Rail passes for young Europeans).

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