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**REPLIES OF THE COMMISSION TO THE SPECIAL REPORT OF THE COURT
OF AUDITORS**

"WERE ERDF CO-FINANCED TOURISM PROJECTS EFFECTIVE?"

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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 2000-2006, 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.

(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.

(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.

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

(f) The Commission takes note of these results. The Commission points out that for the 2007-2013 programming period, rules on implementation of the funds were simplified in the Structural Funds Regulations and there were further revisions in 2008-2010. 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.

(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.

(c) The Commission has already carried out an *ex-post* evaluation of 2000-2006 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.

INTRODUCTION

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 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 the Regulation 1783/1999 points out the job creation dimension of investments in tourism and culture. However, the list of priorities provided is not exclusive.

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 2000-2006 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 2007-2013 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.

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 (2007-2013) programming period, rules on implementation of the funds have been simplified in the Structural Funds Regulations. Furthermore, in 2008-2010 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.

CONCLUSIONS AND RECOMMENDATIONS

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.

Recommendation 1

Sound selection criteria are key pre-requisites 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 projects 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 2007-2013 programming period, rules on implementation of the funds were simplified in the Structural Funds

Regulations and there were further revisions in 2008-2010. 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 2000-2006 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 DG REGIO's INFOREGIO website at: http://ec.europa.eu/regional_policy/sources/docgener/evaluation/rado2_en.htm.
