

Support for Tourism Activities in the Czech Republic by the Cohesion Policy (2007 - 2013)

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Abstract

In Europe, the tourism plays a vital role in the development of many European regions, especially those regions which are marked by no significant concentration of industry and commerce. As such this sector of the national economy was target of European support from the Cohesion policy funds in the 2007 – 2013 period. The funds very especially abundant in the Czech Republic where the distribution was, however, dispersed among a number of operational programmes within the Cohesion policy framework. This paper aims to analyse the support for tourism in the Czech Republic on the administrative level of municipalities and focus on targeting of lagging regions of the Czech Republic.

Keywords: cohesion policy; European Regional Development Fund; public funding; tourism

1. Introduction

Europe is one of the most visited tourist destinations in the world. Therefore, tourism plays a vital role in the development of many European regions. A sustainable tourism industry also contributes to the conservation of cultural and natural heritage as well as its further development (European Union 2016). Tourism and related economic activity are regarded as a significant factor in the development of national and regional economies (Giaoutzi & Nijkamp 2006; Ateljevic 2009; Pechlaner, Raich & Fischer 2009). Tourist activities are also associated with the growth of worldwide development strategies in different economic sectors (UNWTO 2011). Tourism has an important role in economic and social perspective. Through its contribution to the improvement of economic factors such as the gross domestic product and employment rate in the regions with no significant concentration of industry and commerce the tourism industry brings an improvement in the living conditions of the population. In the same way it contributes to social peace and a more positive mood of the broad masses of the population, either locally in the region or throughout the state (Fazenda, Nunes da Silva & Costa 2010; Pforr 2006; Varum et al. 2011). These changes are

most successfully facilitated by using the bottom-up approach, a concept related to the sustainability, including sustainable tourism, which incorporates other traditional economic activities and connects them to tourism, the most common cases in the Czech Republic are agriculture, or the arts (Palatková & Zichová 2011). Tourism also brings an opportunity for investment by private economic entities and these subsequently allow for the full development of economic strategies with a broad scope of shareholders (Presenza & Cipollina 2010; Martins 2014).

2. Literature Review

Many authors within the European Union research the impact of the tourism on the economies of the European Union. According to the research by Mello-Sampayo & Sousa-Vale (2010), which took a place between the years 1988-2010, there is a statistically significant relationship between the level of the gross domestic product of the European Union and the intensity of the tourism. This relationship grows stronger the farther in the south is the member state located. The Structural Funds and the Cohesion Fund can provide the necessary financial support to increase the competitiveness and quality of the tourism services at a regional and local level. Tourism is therefore an important tool for integrating less developed regions so that they can also benefit from the economic growth. Between 2007 and 2013, the European Union directly targeted support for the tourism industry under the Cohesion policy with amount exceeding EUR 6 bn within the European Regional Development fund. This planned intervention represented 3.1 % of the total budget of said fund. Further expenditure was targeting entrepreneurs directly connected to tourism such and hotels and restaurants (European Union 2016).

However, at the same time the member states are also competing destinations. Ritchie and Crouch (2005) defined the competitiveness of individual European countries and their strategies as "...an ability to increase tourism expenditure, to increasingly attract visitors while providing them with satisfying, memorable experiences and to do so in a profitable way, while enhancing the well-being of destination residents and preserving the natural capital of the destination for future generations" (Wu & Guo 2013; Crouch & Ritchie 2005).

The Czech Republic, as perceived within the European competition in the tourism industry, shows signs of stagnation. Rather significant improvement should occur due to the efforts such as the creation of a new conception of the state tourism policy for the period 2014-2020, which was prepared in conjunction with the marketing concept of tourism for the period 2013-2020 by the Czech Tourism Agency. The new policy is, with regard to the application of a wide range of innovative approaches to the promotion of tourism, a promise for the future, which will be associated with the use of funds to promote tourism in the next programming period of the European Union. Among other activities, it is possible to mention the continued work of the Czech system of service quality as an instrument for the operators in the tourism industry to improve its services and the implementation of several printed statistical aggregations of tourism. Especially the census of the accommodation establishments has brought very interesting results. It is possible to successfully evaluate the continuation of the National Tourism Support Programme by means of which specific projects in the field of social tourism have been supported (Ministry of Regional Development of the Czech Republic 2013b).

The Czech Republic aims to increase its own competitiveness by the implementations of new medium-term strategic projects in the 2014-2020 programming period. The result of applying the new strategies should be the creation of so far missing tourism management, including its

long-term financing, and stabilizing of regional cooperation between the public, private and non-profit sector on the principles of destination management (Ministry of Regional Development of the Czech Republic 2013a).

3. Methodology

The information concerning tourism related projects funded from the European Union Cohesion Policy resources were obtained from the Ministry of Regional Development which regularly publishes the list of approved projects, updated at the end of March 2013. This list was used as a basis for selecting tourism oriented projects which were funded within the Convergence objective of the Cohesion Policy of the EU aimed at the least developed regions. The list was complemented by more information regarding the beneficiary and the project (see table 1), especially important for this paper were the location of the project which helped to classify the level of economic development in affected municipality and the CZ-NACE category of beneficiary. This was necessary for choosing tourism related projects.

Table 1: Information contained in the project matrix

Attribute	Information source
Project title and ID	List of beneficiaries published by Ministry of Regional Development of the Czech Republic
Operational Programme	
Beneficiary title and code	
Project budget	
CZ-NACE of the beneficiary	Statistic Office of the Czech Republic
Number of employees of the beneficiary	
Institutional sector of the beneficiary	
Location of the beneficiary	
Detailed information about project budget	Regional Information Service by Centre for Regional Development of the Czech Republic
Site of project realization	

Source: Authors

The final matrix of projects used for analysis in this particular paper contained 1 231 projects which were selected on basis of two facts: either the project itself was connected to tourism and implemented within operational programme intervention area aimed at tourism (see table 2) or the beneficiary was identified within the group of CZ-NACE as belonging to the divisions Accommodation (55), Food and beverage service activities (56), or Travel agency, tour operator reservation service and related activities (79). The projects were then classified according to the topic they dealt with into three categories – human resources and services, marketing and management of tourism, and infrastructure investments. Essentially the first two categories represent “soft” projects as a contrast to “hard” infrastructure projects of the last category. This distinction is particularly important as the continued broad support

of private tourism infrastructure which is most often implemented by building or improving private accommodation capacities, less by reconstruction of tourism and free-time sites, was particularly criticised by the European Commission (European Commission 2012).

Table 2: Operational programmes, priority axes and intervention areas aimed at tourism

Operational Programme	Priority axis/Intervention Area
Integrated Operational Programme	National Support of Tourism
Regional Operational Programme South-East	Development of Sustainable Tourism
Regional Operational Programme South-West	Development of Tourism
	Support of Regional Prosperity/Development of Tourism
Regional Operational Programme Moravia Silesia	Support of Regional Prosperity/Regional Marketing
Regional Operational Programme Central Moravia	Tourism
Regional Operational Programme Central Bohemia	Tourism
Regional Operational Programme North-East	Tourism
Regional Operational Programme North-West	Sustainable Development of Tourism

Source: Authors based on the Operational Programmes documents

4. Results

As suggested in the methodology section the operational programmes aimed at the tourism in the Czech Republic are essentially regional ones and centrally operated Integrated Operational Programme. The projects implemented according to the above-mentioned selection were in total 1 231 and their total budget amounted to CZK 18.48 bn. which were contributed by the European Union resources, approximately CZK 17.95 bn. were added from national resources, both public and private.

The EU investment into the tourism industry in the Czech Republic were implemented through several operational programmes which were in essence either national or regional. At the national level the support of tourism was implemented within the means of the Integrated Operational Programme, in itself a broad financial instrument that funded among others also projects focused on spatial planning, health care, or IT in public sector administration. The regional operational programmes which reflected the local tourism support were created separately for each NUTS 2 region of the Czech Republic save for the capital Prague, which belongs among more developed regions and as such did not have access to the Convergence objective funds. The topic of tourism was represented in every regional programme most often by a separate priority axis, only in case of Moravian Silesian Region it was introduced within an intervention area. Minor support for tourism related projects was identified within human resources oriented operational programmes which were mostly oriented on education of tourism industry professionals, some of the infrastructure related projects were also introduced as energy saving which secured support from the Environment Programme, other

projects were implemented under auspices of the Operational Programme Entrepreneurship and Innovation (see table 3).

Table 3: Tourism related investments from the Czech operational programmes (mil. CZK)

Operational Programme	EU Resources	Total Budget
Integrated Operational Programme	1 413	1 671
Regional Operational Programme South-East	2 424	5 053
Regional Operational Programme South-West	2 698	5 519
Regional Operational Programme Moravia Silesia	535	1 416
Regional Operational Programme Central Moravia	2 074	5 369
Regional Operational Programme Central Bohemia	1 768	3 099
Regional Operational Programme North-East	3 680	7 030
Regional Operational Programme North-West	3 164	6 273
Operational Programme Human Resources and Employment	360	427
Operational Programme Education for Competitiveness	185	217
Operational Programme Entrepreneurship and Innovation	136	288
Operational Programme Environment	40	73

Sources: Authors based on List of beneficiaries by The Ministry of Regional Development of the Czech Republic

The site of project realization was of special importance for this research. The Czech government declared at the beginning of the programming period 2007-2013 its intentions to support specially selected regions whose economic and social characteristics showed an unacceptable degree of lagging behind the national average. They were titled as regions with concentrated state support and were delimited in three categories (structurally affected, economically weak and with larger than average unemployment rate) on the level of the municipalities with extended scope of power, a unit that does not correspond directly to any NUTS level but is smaller than LAU 1 unit and consists usually of several LAU 2 units. On the topic of cohesion policy in these units, some research has already been made, see e.g. Hájek, Novosák, Zahradník & Bednář (Hájek et al. 2012), Hájek (2011) or Smékalová (2012).

Tourism is often regarded as a possible way of boosting economic activity and viable way of developing peripheral and rural areas which often report economic lagging, its positive effect on the gross domestic product is noted in many countries and regions (Jewell et al. 2004; Sequeira & Maças Nunes 2008; Lee & Chang 2008). In the sense of this declaration

significant part of tourism directed investments, approximately 27.6 % of EU support, were spent in lagging regions. However, the per inhabitant support did not exceed the non-lagging regions. The most significant advantage of the European Union support presented itself in the regions affected by large unemployment where the central government activities were especially intense. Somewhat surprising is, however, the internal structure of projects shown in table 4 which illustrates that the investments are mainly aimed at the infrastructure related projects and less so on improving marketing, management, human resources and services. The difference is especially visible between the sum of lagging regions as a whole and the economically more developed other regions.

Table 4: Comparison of EU support in lagging and other regions

	EU Support per inhabitant (CZK)	Human Resources and Services	Marketing and Management of Tourism	Infrastructure investments
Other regions	1 814	3.13%	17.69%	79.17%
Lagging regions	1 603	1.73%	10.84%	87.43%
-structurally affected	962	3.29%	10.51%	86.20%
-economically weak	1 400	1.38%	6.91%	91.71%
-larger than average unemployment rate	3 298	1.00%	13.67%	85.34%

Sources: Authors based on List of beneficiaries by The Ministry of Regional Development of the Czech Republic

The dispersion of the EU support proved to have somewhat stronger ties with the size categories of municipalities and settlement structure of the Czech Republic. The average EU support per inhabitant peaked in smaller municipalities up to 20 thousand inhabitants. However, the main difference showed in the thematic structure of the projects (see table 5). There is quite a visible trend of increasing “soft” investments with the increasing size of the settlement, quite the opposite happens with the infrastructure. The largest cities of the Czech Republic with more than 50 thousand inhabitants, which are at the top of settlement structure and also seats of local government bodies shows especially large investments in marketing and management in comparison to any other category. However, we must note that these cities, as seats of local governments, often are a site of realization of projects which may have broader spatial impacts.

Table 5: Comparison of EU support dispersion in settlement structure of the Czech Republic

Number of inhabitants	Support per inhabitant (CZK)	Thematic structure of projects (%)		
		Human Resources and Services	Marketing and Management of Tourism	Infrastructure investments
Up to 5 thousand	1 867	0.55%	6.15%	93.29%
5 – 10 thousand	2 157	1.06%	7.35%	91.59%
10 – 20 thousand	2 070	2.44%	8.53%	89.03%
20 – 50 thousand	1 619	2.58%	5.19%	92.23%
More than 50 thousand	1 450	7.02%	41.53%	51.45%

Source: Authors based on List of beneficiaries by The Ministry of Regional Development of the Czech Republic

As for the involvement of government, private and non-profit sectors, more than 45.5 % of the EU support (CZK 8.3 bn.) was aimed at the private sector. These projects were mainly aimed at the infrastructure and as such represent the very investments criticised by the European Commission. The non-profit organizations obtained approximately 9.5 % of EU support (CZK 1.7 bn.) also directed mostly at infrastructure with increasing share of marketing and management related projects. The government implemented projects utilized remaining 45 % of the funding (CZK 8.2 bn.). The local government aimed its projects strongly at infrastructure, less on management and marketing, while the central government used the support mainly for management and marketing of the tourism, less on human resources and very little on infrastructure.

5. Conclusion

This paper was aimed at the analysis of the Convergence objective funded projects related to tourism in the Czech Republic. The overall tourism support in the 2007-2013 period was split among the number of operational programmes, the main support for the projects of national importance coming from the Integrated Operational Programme, the projects of regional importance being supported from 7 regional operational programmes with wide scope of available resources.

In spite of governmental declaration to support economically lagging regions, these profited from tourism oriented projects only marginally more than other unaffected regions. A more detailed analysis of the topical structure of EU support revealed strong orientation on infrastructure projects in all types of regions but especially in the lagging ones. The clearer ties than to the economic characteristics of the regions were discovered when considering the settlement structure in the Czech Republic. The smaller municipalities are somewhat better off than larger towns which is consistent with the apparent effort to strengthen tourism infrastructure. In the large towns such infrastructure has most likely developed more independently on any public support, including that of the European Union. The support of

private investors to sport, leisure time and accommodation infrastructure was, however criticized by the European Commission and is likely to be scarce in 2014-2020 period.

The recommendations for the tourism related support in the following programming period were somewhat outlined in the position of the European Commission to the Partnership agreement with the Czech Republic. Apart from pressure on lower support of the private infrastructure, on the basis of these findings, it would be prudent for the Czech Republic to focus more on the soft projects dealing with the promotion and management of tourism, as well as with the human resources working in tourism. The considerable split which caused the tourism related projects being financed from no less than 12 operational programmes, that is not considering the separate support of tourism in Prague as non-Convergence region, is also undesirable. A more consistent support of tourism with a focus on the efficiency of the fund distribution is the stepping stone of the cohesion policy implementation in the period 2014-2020.

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