



Be.CULTOUR
Beyond cultural tourism

Be.CULTOUR:

“Beyond CULTural TOURism: human-centred innovations for sustainable and circular cultural tourism”



HORIZON 2020

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Deliverable 2.2

Maximisation of ESIFs implementation in sustainable cultural tourism sector – Guidance for policies-makers and implementing bodies (v1)

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- PU:** Public
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Abstract

Be.CULTOUR aims to empower European regions to co-create innovative, circular solutions for heritage regeneration and regional development beyond cultural tourism. The objectives and impact of the project are based on the implementation of co-creation activities, the development of Local Action Plans and innovative solutions for circular cultural tourism in six pilot ecosystems located in Italy, Spain, Cyprus, Sweden, Serbia and the cross-border region of North-East Romania-Moldova. As a partner to the consortium, each pilot ecosystem has identified a specific Pilot Heritage Site on which the project's methodology will be applied, tested, and validated. This will be done together with the local stakeholders engaged in local Heritage Innovation Networks, working together amongst each other and actively involved in the participation in the Be.CULTOUR Community of Practice. In parallel, a Community of Interest is developed to engage additional organisations (mirror ecosystems) committed to engaging in a peer-learning programme and replicating the Be.CULTOUR methodology in their territory, with their resources. As the drawing up of Action Plans has just started, the first version of this document will provide an overview of traditional and most innovative financing mechanisms and approaches to support sustainable investments in cultural tourism field. The final version of the deliverable, expected at the end of the project second year, will describe the scouting phase of financial mechanisms and the specific activities to be undertaken to implement the Local Action Plans in the regions involved.



Partners involved in the document

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10	Larnaca and Famagusta Districts Development Agency	ANETEL	
11	Laona Foundation	LAONA	
12	Västra Götaland region	VGR	
13	Stalna Konferencija Gradova I Opstina	SCTM	
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1. Description of the Project

Be.CULTOUR stands for “Beyond CULTural TOURism: heritage innovation networks as drivers of Europeanisation towards a human-centred and circular tourism economy”. It expresses the goal to move beyond tourism through a longer-term *human-centred* development perspective, enhancing cultural heritage and landscape values.

Cultural tourism entails opportunities but also risks. Tourism as a whole can be a highly volatile economic sector. If not managed properly, cultural tourism can also easily turn into a “value extractive” industry, generating negative environmental, social and cultural impacts on local communities and ecosystems. This project will **develop specific strategies to promote an understanding** of cultural tourism, which moves away from a “stop-and-go” consumer-oriented approach towards one that puts humans and circular economy models at its centre, paying attention to nature, communities and cultural diversity. “Place”, intended as the *genius loci*, the ancient spirit of the site expressing its “intrinsic value” and “people” as co-creators of its uniqueness, culture, art, tradition, folklore, productivity, spirituality, as well as its “time space routine”, are the focus of Be.CULTOUR, which aims at realizing a longer-term development project for the pilot areas involved.

The overarching goal of Be.CULTOUR is to **co-create and test sustainable human-centred innovations for circular cultural tourism through collaborative innovation networks/methodologies and improved investments strategies**. Targeting deprived remote, peripheral or deindustrialized areas and cultural landscapes as well as over-exploited areas, local **Heritage innovation networks** will co-develop a long-term heritage-led development project in the areas involved enhancing **inclusive economic growth, communities’ wellbeing and resilience, nature regeneration** as well as **effective cooperation** at cross-border, regional and local level.

Wide and diversified partnerships of stakeholders from **18 EU and non-EU regions** of Northern-Central and Southern Europe, the Balkans, the Eastern neighbourhood and the Mediterranean will be the driving force of the project. A **community of 300 innovators** (which includes regional authorities and municipalities, clusters and associations, museums and tourist boards, entrepreneurs, chambers of commerce, citizens, researchers, practitioners as well as project partners) in **6 pilot regions** will **co-create innovative place-based solutions for human-centred development through sustainable and circular cultural tourism**.

Collaborative “Heritage innovation networks” will be established in **6 European deprived remote, peripheral and deindustrialised areas and cultural landscapes** identified as “pilot innovation ecosystems”: committed to the project’s objectives, they have defined clear cultural tourism-

related challenges requiring innovation that will serve as the basis for the collaboration with the **16 additional “mirror innovation ecosystems”**. Mutual learning and up-scaling of business solutions will be the objectives of the collaboration between pilot and mirror ecosystems, building the sustainability of the project's results beyond its lifetime.

By adopting a human-centred quadruple/quintuple helix approach to co-design, **Be.CULTOUR will result in 6 community-led Action Plans, 18 innovative human-centred solutions and 6 close-to-market prototypes** of new cultural tourism integrated services and products: these will directly contribute to **inclusive economic growth, communities’ wellbeing and resilience, and nature regeneration** in pilot and mirror regions, **stimulating effective cooperation** at a cross-border, regional and local level. The core partners of the Consortium will progressively build Be.CULTOUR sustainability by broadening the interregional collaboration while anchoring it to relevant EU initiatives in the academic, business and institutional realms.

1.1 Be.CULTOUR specific objectives

The scopes of the Be.CULTOUR project will be achieved through a set of specific, measurable, achievable, realistic and time-constrained (SMART) specific objectives:

Objective 1 – To assess the impacts and market potential of sustainable and circular cultural tourism at national, regional and local level through multidimensional quantitative and qualitative indicators, innovative statistical methods and advanced smart data management systems;

Objective 2 – To build a Community of Practice of 6 pilot regional ecosystems and a Community of Interest with 16 “mirror ecosystems” in EU and non-EU countries actively engaged in knowledge-sharing and exploitation of Be.CULTOUR’s approach, methodology, tools, and innovative solutions for sustainable and circular cultural tourism;

Objective 3 – To co-develop 6 Action Plans for sustainable and circular cultural tourism by establishing collaborative “Heritage innovation networks” in 6 pilot regions in Northern-Central and Southern Europe, the Balkans, the Eastern neighbourhood and the Mediterranean;

Objective 4 – To co-develop, prototype and test human-centred and place-specific product, process and service innovations for sustainable and circular cultural tourism in pilot heritage sites;

Objective 5 – To provide policy recommendations for more effective use of European Structural Investment Funds (ESIFs) and other EU funds to support cultural tourism innovation ecosystems in pilot and mirror regions, and develop a proposal of evolution of ESIFs through synergies with other public funds;

Objective 6 – To contribute to deepen cultural Europeanisation through information and educational activities focused on the European history, identity and culture expressed in tangible and intangible cultural heritage and cultural landscapes, developing European Cultural Routes and European Heritage Labels in pilot heritage sites.

All partners have wide experience in developing and testing the Be.CULTOUR proposed approach, methodology and tools, ensuring the effective and time-constrained achievement of all the above-mentioned specific goals.



2. Introduction

Be.CULTOUR aims to empower European regions to co-create innovative, circular solutions for heritage regeneration and regional development beyond cultural tourism. The objectives and impact of the project are based on the implementation of co-creation activities, the development of Local Action Plans and innovative solutions for circular cultural tourism in six pilot ecosystems located in Italy, Spain, Cyprus, Sweden, Serbia and the cross-border region of North-East Romania-Moldova.

As a partner of the consortium, each pilot ecosystem has identified a specific Pilot Heritage Site on which the project's methodology will be applied, tested, and validated. This will be done together with the local stakeholders engaged in local Heritage Innovation Networks, working together amongst each other and actively engaged in the participation in the Be.CULTOUR Community of Practice. In parallel, a Community of Interest is developed to engage additional organisations (mirror ecosystems) committed to engaging a peer-learning programme and replicating the Be.CULTOUR methodology in their territory, with their resources.

This deliverable of WP2, under its first version, is focused on the analysis of ESIFs evolution in the sustainable cultural tourism sector and on drawing up a proposal on the implementation of innovative ESIFs based financing mechanisms dedicated to the addressed sector in order to leverage private investments. The starting point of this document is represented by the introductory work already provided by other Be.CULTOUR partners under WP1 (D1.1), WP3 (D3.1, D3.3 and D3.4), WP4 (D4.1 and D4.2) and the results obtained under Horizon2020 CLIC project (<https://www.clicproject.eu/deliverables/>).

The final version of the deliverable, expected at the end of the project, will detail the implementation potential of the financing mechanisms proposed, will provide an analysis of ESIFs synergies with other EU and national funds and will evaluate the potential of the financing mechanisms proposed to create synergies with IPA and ENP funds in cultural tourism sector. Finally, the deliverable will conclude with recommendations for public and private stakeholders active in the cultural tourism sector.

2.1 Document structure

This deliverable aims at the design and implementation of financing mechanisms by exploiting ESIFs and supporting circular cultural tourism initiatives. The first version of this document is structured as following:

- Section 1: General description of the project;
- Section 2: Introduction issues and the structure of the document;
- Section 3: Outline of regulation, evolution, implementation and contribution of ESIFs to EU tourism sector;
- Section 4: Overview of tourism in Smart Specialisation Strategies;
- Section 5: Introduction of Be.Cultour project approach towards sustainable financing of cultural tourism initiatives and the proposal of two financing mechanisms;
- Section 6: Conclusions of the first version of this deliverables.



3. European Structural and Investment Funds: regulation, evolution, implementation and their contribution to EU tourism sector

Given rising investment needs and declining public investment spending, European Union (EU) funding mechanisms represent an important tool to ensure investment spending among EU Member States. Through its complex financing network relying on EU budgetary funds, on traditional financing instruments and innovative ad-hoc ones, EU is able to pursue and implement a range of strategic priorities, upholding and promoting its values and interests worldwide. A key objective of EU is to strengthen regional cohesion by addressing development disparities, particularly by targeting less-favoured regions.¹ The key common principles of solidarity and equality have inspired the **European Cohesion Policy** aimed at strengthening economic, social and territorial cohesion in the European Union and correcting imbalances between countries and regions by promoting the increasing allocation of funds in disadvantages areas and sectors. Furthermore, Cohesion Policy constitutes an effective tool to foster the achievement of an inclusive, smart, green and sustainable development in EU countries.

To finance its interventions, Cohesion Policy is implemented mainly through the use of **European Structural and Investment Funds (ESIFs)**, constituting therefore the political framework behind hundreds of thousands of projects across Europe that receive funding through the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (that targets EU Member States with a GDP below 90% of the EU27 average, not including Croatia)².

According to the definition given by European Commission, ESIFs represent the EU's main source of investment for helping Member States to re-establish and increase growth and to guarantee a recovery that generates employment, while also ensuring sustainable development, in line with the aims and application of the Europe 2020 Strategy (European Commission, 2010).

These Funds constitute financial instruments defined by and embedded into a specific regulatory framework which implementation processes are the outcome of negotiations

¹ Art. 174 of the Treaty on the Functioning of the European Union: <https://eur-lex.europa.eu/legalcontent/EN/TXT/?uri=CELEX%3A12008E174>.

² https://ec.europa.eu/regional_policy/it/faq/#1

between the European Commission and each Member State, resulting in partnership agreements between the two parties which also involves stakeholders at local and/or regional level.

The programming of EU funds is set within the context of an agreed **multiannual financial framework (MFF)** covering a specified ‘programming period’ that allow for long-term financial planning, setting the overall limits to the amounts of money that may be spent from the EU budget into a range of agreed policy areas. ESIFs take the lion’s share of EU funding activities; the two main funds – ERDF and CF –, in fact, manage almost one third of the total EU budget. The investment financing provided through ESIFs is significant for a number of reasons. First, while it aims to reduce inequalities between EU countries, it can also help reduce disparities within countries through targeted, and ideally place-based, investment. Second, encouraging productivity growth is critical to ensuring greater well-being as it can have a positive impact on income and jobs, health, and access to services. One ingredient for promoting such growth is investment in both “hard” (e.g. transport, energy, Information and Communication Technology, etc.) and “soft” infrastructure (e.g. research and development, human capital and skills, social and community services, etc.), a focus of this current programming period. Finally, since the global financial crisis, the public investment to GDP ratio has dropped in many EU countries and therefore ESIF, especially Cohesion Policy funding, offers an effective way for EU Member States to ensure a reliable source of public investment finance, especially today when investment needs are rising.

Given the breadth and importance of ESIFs, this section provides an overview of how ESIFs funds have contributed and supported tourism sector in Europe in these years – specifically during 2007-2013 programming periods – and gives a detailed analysis of their structure and composition in the framework of the 2021-2027 programming period, underlying their potential to support and enhance tourism-related projects and activities in the forthcoming years.



3.1 State of art of ESIFs use for tourism: review of 2007-2013 and 2014-2020 programming periods ESIFs implementation and results

In the last decade, a combination of opportunities and challenges in tourism sector led to tens of thousands of tourism-related projects funded through ESIFs both in the 2007-2013 and in 2014-2020 programming periods.

In the 2014-2020 programming period, EUR 461 billion was allocated to ESIFs, with an increase of 4,4% over the previous programming period in which the planned amount for ESIFs was EUR 441 billion, in order to support over 500 programmes (European Commission, 2019). EU funds make it possible to advance national and subnational-level investment in competitiveness, growth and jobs in EU Member States: in fact, it has been estimated that by 2015 ESIFs investment associated with the 2007-2013 programming period supported a 3% increase in GDP among EU 12 countries³, and a similar increase is expected by 2023 associated with the current programming period.⁴

Referring exclusively to the tourism sector, in the 2014-2020 period, close to EUR 10 billion have been earmarked from ESIFs, mainly from the European Regional Development Fund ERDF, the European Social Fund ESF, and Cohesion Fund CF, for activities and projects aimed at promoting and enhancing tourism in Europe. Due to the structural transversal nature of this sector, the majority of projects combine tourism activities with activities from other areas related to travel experiences. Protection, development, and promotion of public cultural and heritage assets is by far the largest category founded, with a EUR 4.3 billion planned EU-funding component. The share of tourism-related funding (including financing for culture and nature assets) within the overall ESIFs funding usually ranges between 2-5% across Member States.

For the 2007-2013 programme period, an interesting overview can be derived from the ex-post evaluation of the seven-years programme period made by DG REGIO, 2016, focusing on the European Regional Development Fund (ERDF) and the Cohesion Fund (CF). According to the analysis, only considering ERDF, the total amount of funds allocated to culture and tourism related projects is close to EUR 14.4 billion. Among the EU countries that have successfully made use of European resources from ERDF and CF funds there are Poland, Italy and Hungary, for which the resources allocated to selected heritage or tourism projects amount to EUR 1,948.6, EUR

³ EU 12 countries are Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia. For the 2014-2020 period, Croatia is also included in the estimate.

⁴ European Commission (2018), *Seventh report on economic, social and territorial cohesion*, https://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion7/7cr.pdf.

1,195.6 and EUR 1,110.7 million respectively.⁵ However, it is plausible that there is an underestimation of the total ERDF amount allocated to projects related to culture and tourism, because SMEs operating in these sectors may also have been indirectly supported by other ERDF categories.

In the 2007-2013 programme period 15 countries (Bulgaria, Cyprus, Czech Republic, Germany, Finland, France, Hungary, Italy, Lithuania, Latvia, Malta, Poland, Portugal, Sweden, Slovenia) with readily available ESIF project databases count more than 30 thousands tourism-related projects, whereas for the 2014-2020 period more than 10 thousand tourism related projects co-financed by all ESIFs have been identified in just 12 countries (Austria, Belgium, Czech Republic, Germany, Denmark, Spain, Finland, Croatia, Lithuania, Malta, Poland, Portugal).

Funding support for tourism projects is implemented through a range of channels, each with different objectives and criteria. In Regulation (EU) No 1303/2013 of the European Parliament and of the Council, tourism is not directly mentioned, as it constitutes a sector and means of attaining economic development, it is not an objective. The same applies for the previous funding period (2007 – 2013) with Regulation (EC) No 1083/2006. Tourism, however, is considered eligible for funds if it contributes to the thematic objectives and the investment priorities in a targeted way and if it is fully embedded in a wider development and growth strategy.

For the 2014-2020 period, the ESIF viewer database (ERDF, ESF, CF) provides relevant information of the expected tourism-related interventions implemented by means of funding through the ESIFs. Tab 1 shows some of the most significant of them, divided into categories according to their targeted effect on the economy, the environment and society respectively.

⁵ Source: DG REGIO (2016), Ex post evaluation of Cohesion Policy programmes 2007- 2013, focusing on the European Regional Development Fund (ERDF) and the Cohesion Fund (CF) Work Package 9: Culture and Tourism Final Report, Contract: 2014CE16BAT034 https://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp9_final_report.pdf

Tab 1 : Tourism-related categories of intervention funded through ESIFs 2014-2020 in the ESIFs database

Economic effect	<ul style="list-style-type: none"> - Local and regional economic development(GDP) - Direct/indirect employment - Development of a broader skill set and supporting labour mobility - Enhanced competitiveness of local SMEs - Innovation uptake and digitalization - Increased visibility of regions, brands and investment possibilities - Diversification of the economic sectors of local communities, e.g., providing a link between the fisheries industry and tourism.
Environmental effects	<ul style="list-style-type: none"> - Sustainable transport - Increased energy efficiency - Increased awareness about nature and environmental protection - Reduced pressure on natural resources due to diversification of sectors (shift from traditional extractive sectors to tourism)
Social effects	<ul style="list-style-type: none"> - Urban revitalization and community building - Increased social engagement and inclusion - Improved governance and administrative capacity - Positive health effects

The review of the databases for both periods 2007-2013 and 2014-2020 also shows a wide range of tourism-related activities supported by ESIFs.

Investments range from infrastructure development, cultural heritage to education / awareness-raising activities as well as marketing and research activities. Examples of activities include:

- Investment in cultural heritage sites;
- Investment in eco and health tourism;
- Tourism promotion activities;
- Vocational training in the tourism sector;
- Hotel renovations, including in rural regions;
- Exchange of tourism practices;
- Investment in tourism activities related to fishing;
- Investment in hard infrastructure, e.g. roads, waste management;
- Investment in tourism-related ICT;
- Support for FLAGs investing in tourism.

Table 2 collects all the categories of beneficiaries who made use of each of the funds designated in the previous programming period, while Table 3 outlines the main key impacts of several financed EU tourism-related projects on the economy, the environment and society.

Tab 2: Beneficiaries

ERDF/CF	Companies (e.g. SMEs, hotels, health spas), chambers of commerce, research/training institutes, restaurants, public (information) centres, schools, teaching centres, education centres, universities, associations, municipal administrations, cities, towns, municipalities, infrastructure companies, development agencies, associations of municipalities, natural parks
ESF	Hotels, regional development associations, tourism parks, municipalities, provinces, learning centres, companies, associations of municipalities, museums, religious sites, heritage institutes, ministries of culture, schools, city councils, competency centres, sociocultural education centres
EAFRD	Small guesthouses, groups of local producers
EMFF	Companies, local fishery groups, universities, municipalities, schools



Tab 3 : Key impacts (economic, environmental, and social effects) of several financed EU tourism-related projects

Impacts on economy	
Local and regional economic development	The contribution to local and regional economic development is achieved not only through the overall increase in tourism revenues and new employment opportunities, but also through the specific involvement of businesses in the local accommodation, food, and leisure sectors, thus creating additional work and income opportunities. For example, in the case of the project ' Ancient theatre of Aptera in Crete ', the high and still growing number of visitors to the site (from 15,212 in 2015 to 38,666 in 2017) brought various economic benefits to the region directly (through new job opportunities, skills training, demand for supplementary services such as food & beverages, etc.), and thereby to the Greek economy as a whole.
Direct/indirect employment	The most evident expected effect of tourism is on direct employment related to touristic activities. For example, since the inauguration of MonsCongress Centre in 2015, 4.5 direct full-time jobs have been created. The reconstruction of the Dubrovnik airport will result in an increase in employment of workers from 447 to 676 by 2020. The indirect impact on employment is much higher (e.g. employment in related activities such as maintenance (roads and city infrastructure including gardens, fountains, etc.), food providers, transport, medical services, etc.). The creation of the Mons Congress Centre had impacts on small businesses and downtown restaurants as reported by local merchants who claim that the number of conventioners/ business persons attending downtown restaurants is increasing. Besides the direct full-time jobs, the creation of the centre generated 30 indirect jobs through the construction of the Congress Hotel nearby.
Development of a broader skill set and supporting labour mobility	By investing in education, training and vocational training for skills of employees/staff in the tourism sector (e.g. language skills), tourism related projects contributed to development of a broader skill set and supporting labour mobility (communication skills, cross-cultural collaboration). The example of ' Dual learning industrial kitchen and catering ' shows how this can be achieved through synergies between the educational and hospitality sectors. Further examples include the project 'Developing leaders for change and innovation in tourism', which aimed to increase the number of qualified professionals working in the tourism industry in Malta, by upgrading their management knowledge and skills.





Impacts on economy	
Enhanced competitiveness of local SMEs	Tourism initiatives providing direct support to local businesses enable enhancing competitiveness of local SMEs. The case of ‘Experience-based coastal tourism – an interregional application’ supported the development of clusters and businesses as a driving force for innovation and growth in the tourism industry. SMEs competitiveness was enhanced by establishing five demonstration projects and a nationwide network, which resulted in established partnerships and networks.
Increased visibility of regions, brands and investment possibilities	Local economic development can be positively affected by supporting the development of strategies and policies aimed at promoting the visibility of regions, brands and investment possibilities. This can be of particular importance for rural regions, as demonstrated by the example of ‘Aldeias Históricas de Portugal (AHP) – Revitalising villages through education and business development’ which helped define a concerted strategy in order to promote the cultural heritage of villages in Central Portugal and supported the development of an incentive policy for potential investors in the region.
Diversification of the economic services of local communities, e.g. providing a link between the fisheries industry and tourism	Tourism projects contribute to the diversification of the economy of local communities, e.g. projects providing a link between the fisheries industry and tourism. Making use of fishing harbours and local fisheries’ potential for tourism can be achieved through cooperation between local action groups. This was the case in Poland , where a group of nine local action groups proposed undertaking promotional events regarding fish products, to situate local areas as tourist destinations. Promoting social wellbeing and cultural heritage in fisheries and aquaculture areas, including fisheries, aquaculture and maritime cultural heritage can lead to the diversification of sources of income for local communities as well.
Impacts on environment	
Sustainable transport	Sustainable transport can be developed through tourism related projects which aim to establish healthier and more beneficial alternatives to conventional transport. Often, this will be grouped with sport initiatives. For instance, the project ‘Creating a cycle route in the Atlantic Pyrenees region’ developed cycle infrastructure to provide local inhabitants and visitors with an environmentally sustainable new mode of transport, while promoting stronger cross-border connections. Sustainable modes of mobility might not necessarily be one of the primary objectives of tourism initiatives, but they can occur as side effects. For instance, the creation of the Mons Congress Centre in a strategic location encouraged the use of public transport, thus contributing to the reduction of the carbon footprint.
Increased energy efficiency	A different aspect of promoting environmental sustainability comes from infrastructure construction or adjustments that

Impacts on economy	
	increases the energy efficiency of businesses and facilities, promoting resource efficiency and a shift towards a low carbon economy. The Mons congress centre was designed to optimise energy consumption. Particular attention was paid to the thermal envelope, internal ventilation and the use of natural lighting.
Increased awareness about nature and environmental protection	Tourism initiatives can aim to raise awareness about nature and environmental protection. Beyond promotional and marketing activities, this can be achieved by providing learning platforms to engage tourists as well as the local community. The project ' Extension of the treetop walkway at Hainich National Park ' included the creation of two 'experience platforms' that would facilitate the engagement of visitors. One 'research platform' and two 'adventure features' were integrated into the existing walk for tourists and the science community. The project ' Lake Constance Gardens ' aimed <i>inter alia</i> to promote the cultural heritage (horticultural history) of the region. With horticulture at its core, it was strongly focussed on the environment and promoting appreciation of nature.
Impact on society	
Urban revitalisation and community building	Many tourism initiatives can foster urban revitalisation and community building by providing opportunities for business and skills development, as well as cultural engagement. The inflow of workers from other cities, regions, and countries can restore areas lacking in workforce and boosting local economies. In the case of the Stranraer Oyster Festival , the festival attracts people from other places to visit for the duration of the festival and it is one of the most significant elements of the wider regeneration plan for reinventing the image of Stranraer.
Increased social engagement and inclusion	Promoting social engagement and inclusion through tourism related projects can help bind communities as well as engage socially excluded groups. The ' Livonian Culinary route ' project contributed to social inclusion by targeting the involvement of people from rural areas through organised training, seminars, workshops and consultations, creating an impact on how they work together and building capacity. The project 'Cultural Route of Epirus' engaged professionals, local businesses, and public or third sector bodies through a signed 'local development pact'.
Improved governance and administrative capacity	Tourism initiatives can contribute to improving governance and administrative capacity in local regions by enhancing the institutional capacity of tourism agencies, public authorities and other relevant stakeholders. Technological solutions can be used in tourism as part of the solution to challenges faced by old urban centres which rely on tourism revenue, but must manage tourists efficiently. For example, the project Smart Heritage City (SHCity) provided an open source data platform and associated



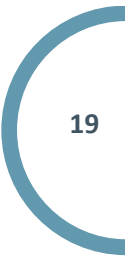
Impacts on economy	
	knowledge-building activities designed to better manage cultural heritage sites.
Positive health effects	Tourism can trigger positive health impacts through the promotion of sports activities. Such effects are illustrated by the “ Mid Ireland Adventure project ”. It focuses on leisure in the shape of outdoor activities, such as mountain bike tours, guided walks, summer camps, stand up paddle board & kayak safaris, archery and adventure races, which lead to recreational and health benefits for tourists.

3.2 ESIFs 2021-2027 potential contribution to the development of the tourism sector in Europe

3.2.1 ESIFs 2021-2027

The ESIFs designed for the **programming period 2021-2027** lay down common provisions for seven shared-management funds at EU level:

- **Cohesion Fund (CF)**, mainly focused on environmental and transport infrastructures;
- **European Maritime and Fisheries and Aquaculture Fund (EMFAF)**, successor to the European Maritime, Fisheries Fund (EMFF) 2014-2020; supports actions and investments that can contribute to the aquatic biodiversity and to sustainable and low-impact fishing and aquaculture activities. It also promotes the supply of quality and healthy seafood products to European consumers, supports the development of a sustainable blue economy in coastal communities, and contributes to maritime surveillance and international cooperation on ocean governance.
- **European Regional Development Fund (ERDF)** mainly focused on smart growth and the green economy, but that will also support other activities such as connectivity, social issues and local development.
- **European Social Fund Plus (ESF+)**, aimed at strengthen the social dimension of Europe;
- **Asylum and Migration Fund (AMIF), Internal Security Fund (ISF), Border Management and Visa Instrument (BVI)**, three funds aimed at strengthen and develop a Common European Asylum System, promote legal migration to EU States and improve solidarity among EU Member States.



ESIFs design and development in 2021-2027 have been defined on the basis of **five main objectives (also designed as Policy Objectives (PO))**, such as:

1. A **smarter** Europe, through innovation, digitisation, economic transformation and support to small and medium-sized businesses (PO 1);
2. A **greener**, carbon free Europe, implementing the Paris Agreement and investing in energy transition, renewables and the fight against climate change (PO 2);
3. A **more connected** Europe, with strategic transport and digital networks (PO 3);
4. A **more social** Europe, delivering on the European Pillar of Social Rights and supporting quality employment, education, skills, social inclusion and equal access to healthcare (PO 4);
5. A **Europe closer to citizens**, by promoting the sustainable and integrated development of urban areas, rural and coastal areas and local initiatives and supporting locally-led development strategies and sustainable urban development across the EU (PO 5).

For the financial period 2021-2027, the overall resources approved and adopted by the Council for the cohesion package amount at **€330 billion** at constant 2018 prices (€373 billion at current prices), distributed among the main cohesion policy funds.

Given the promotion of economic, social and territorial cohesion as one of the EU's key objectives, also by reducing the gap between the levels of development existing among the EU countries, the method of allocating EU funds provides three different calculation systems for less developed, in transition and more developed regions (so-called "Berlin Formula"). Although the allocation method is still largely based on each country GDP per capita, new criteria are added to the traditional indicator, such as youth unemployment, low education level, climate change, and the reception and integration of migrants, to better reflect the reality on the ground. Outermost regions will continue to benefit from special EU support.⁶

Furthermore, particular attention is paid to **rural areas, areas in industrial transition and regions with serious and permanent natural or demographic disadvantages**, such as the northern most regions with very low population densities and island, cross-border and mountain regions.

The implementation of regional policy depends mainly on three funds: the **European Regional Development Fund(ERDF)**, which is intended to contribute to the correction of the main regional imbalances existing in the Union, participating in the development and structural adjustment of regions whose development is lagging behind and in the conversion of declining industrial regions; the **Cohesion Fund(CF)**, which is set up to provide financial assistance for environmental and trans-European transport infrastructure projects in Member States with a gross national

⁶ https://ec.europa.eu/regional_policy/en/2021_2027

income (GNI) per capita of less than 90% of the Union average (in the current programming Bulgaria, Cyprus, Croatia, Estonia, Greece, Latvia, Lithuania, Malta, Poland, Portugal, the Czech Republic, Romania, Slovakia, Slovenia and Hungary and therefore not Italy); the **European Social Fund(ESF)**, which aims to promote employment opportunities and the geographical and occupational mobility of workers within the Union and to facilitate adaptation to industrial change and changes in production systems, in particular through vocational training and retraining. There are many citizens who can apply for help from European funds, but they do not always know they have this right. The beneficiaries of cohesion policy can be companies (especially small and medium-sized ones), public bodies, associations, or private individuals, provided they submit a project that complies with the selection criteria set by the managing authority of the program. Foreign companies established in Europe are also eligible for assistance from the Structural Funds.⁷

3.2.2 ESIFs implementation process

There are several differences in the way ESI funds are able to support culture; these differences arise in the way Member States have shaped the Partnership Agreements and the formulation of Operational Programmes both at national and regional levels. **Although no ESIFs specific objective may explicitly address culture, in fact, cultural action could potentially being perceived as a suitable means to reach key ESIFs objectives.**

For a better understanding on how ESIFs have contributed in funding culture in last programme periods, two concepts have to be introduced: ex-ante conditionality and thematic concentration, both working as pre-requirements for ESIFs assignment.

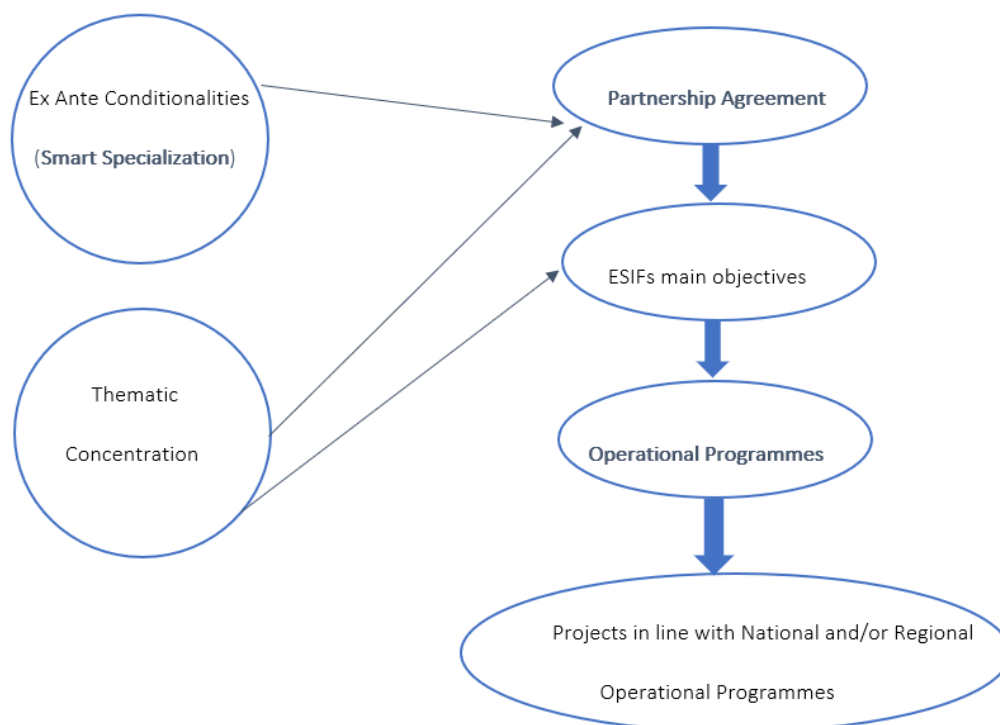
An ex-ante conditionality is a condition which is regarded as needed for the effective and efficient use of ESI funds; Member States have to show that they do have policies in place that can give rise to the intended processes needed as contributing to the achievement of a specific objective. The choice of the sectors in which address resources has to be based on perceived competitive advantages of the countries and regions concerned, following what it is known as “**Smart Specialization Strategy**”(**S3**). Smart Specialization Strategy defines a place-based approach in which Member State identify strategic areas for intervention based both on the strengths and potential of the economy and on an Entrepreneurial Discovery Process with wide stakeholder involvement. It is an outward-looking approach that builds on the assets and resources available to regions and Member States and address specific socio-economic challenges in order to identify

⁷ https://ec.europa.eu/regional_policy/it/faq/#5

unique opportunities for development and growth. On this basis, Member States make choices for investment and support a limited number of well-identified priorities for knowledge-based investments and/or clusters.

Thematic concentration means that the majority of resources must be concentrated on few thematic objectives, chosen by Member States, in which the largest part of the Funds will be allocated in order to reach a “critical mass” of real impact.

The implementation process of EU Structural and Investment Funds can be described as follow:



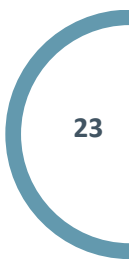
On the basis of the two or more specific objectives chosen by Member States (thematic concentration) and of the national or local smart specialisation strategies (S3), each Member State has to draw up a strategic plan indicating its objectives investment priorities for the use of these Funds. Once the European Commission's observations adequately taken into account, this plan becomes a "**Partnership Agreement**". Member States also have to draw up "**Operational Programmes**" breaking down priorities listed in the Partnership Agreements into concrete actions. “Operational Programmes” (OP) are implemented by Managing Authorities set up by the Member States (at national, regional or another level). These can take the form of national or regional Operational Programmes (OPs) in the larger Member States or just national OPs in smaller Member States: with OPs starts the implementation of ESIFs on the ground of specific

Countries or Regions. ESIFs beneficiaries could range from small and medium enterprises (SMEs) to large ones, and from public bodies to private organizations: this aspect of ESIFs orientation and development is crucial for the process of accessing funds, because it shows that what could potentially influence the direction of funds is more the ability of sectoral organizations to design, propose and get funding for projects falling with national or regional Operational Programmes that meet ESIFs objectives, rather than eligibility of individual enterprises in accessing these funds.

3.2.3 ESIFs 2021-2027 funding opportunities for tourism sector

The **European Regional Development Fund (ERDF)** aims to strengthen economic and social cohesion in the European Union by correcting the imbalances between regions. It may therefore provide essential support to improve the competitiveness and quality of tourism at regional and local levels, notably in areas in (industrial / rural) decline or those undergoing urban regeneration. Investment in tourism sector are possible through all the 5 policy objectives supported by ERDF, provided that they comply with relevant objectives, enabling conditions or minimum requirements established for that policy objective:

1. PO1: A more competitive and smarter Europe, by promoting innovative and smart economic transformation and regional ICT connectivity → In the light of that objective, innovation and the uptake of enabling new technologies in culture and tourism can be supported, since they can enable the growth and competitiveness of SMEs operating in these sectors, by providing, piloting and developing new digital services, solutions (e.g. the digitalization of cultural heritage) promoting the development of tourism-related ICT products or new skills(apps, data mining etc.);
2. PO2: A greener, low-carbon transition towards a net-zero carbon economy and resilient Europe, green and blue investment, the circular economy, climate change mitigation and adaptation, risk prevention and management, and sustainable urban mobility → Tourism industry there can benefit from investments coherent with this objective, that could, for instance, contribute directly to the rehabilitation of industrial sites or contaminated land on indirectly, for instance, through investments aimed at protecting natural heritage and biodiversity, that may have indirect benefits in the field of culture and tourism;
3. PO3: A more connected Europe by enhancing mobility → Investments in transport infrastructures are crucial in enhancing sustainable practices in tourism industry, since they could create favourable situation for sustainable tourism through fostering



cooperation between sectors (e.g. integration of services for public transport and cycling);

4. PO4: A more social and inclusive Europe by implementing the European Pillar of Social Rights → the scope of PO4 provides fertile grounds for tourism and culture investments: this objective, in fact, supports actions and investments that can contribute to the social development of areas relying heavily on a tourism ecosystem by creating new opportunities for developing a new sustainable way of conceiving tourism, and thus, new job opportunities. Investments should also provide more diversified services in tourism industry, e.g. services that may have a positive impact on local communities, and help in the concrete integration of deprived communities and/or the employment of people from vulnerable backgrounds;
5. PO5: A Europe closer to citizens by fostering the sustainable and integrated development of all types of territories and local initiatives → investments under this policy objective have the potential to foster local development and social/territorial cohesion through the involvement of local stakeholders and the participation of local communities in the funded projects.

The **Cohesion Fund (CF)** → according to the investment and infrastructure needs specific to each Member State, the CF may support:

1. Investment in the environment, including areas related to sustainable development and energy which present environmental benefits;
2. Trans-European transport networks (TEN-T) in the area of transport infrastructure.

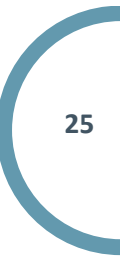
The tourism actions eligible for funding depend on the needs of each eligible Member State, as defined in their respective Operational Programs.

For example, the 2014-2020 "Operational Program under the Investment for Growth and Jobs" objective for Malta - co-financed by the European Regional Development Fund and the Cohesion Fund - has conservation as one of its priorities and the promotion of Malta's natural and cultural heritage as a key tourism resource; the development of ICT products and services to increase e-tourism services and the creation of cultural hubs that contribute to developing the cultural tourism niche sector in Malta.

The **European Social Fund Plus (ESF +)** → it is a key financial instrument that could provided needed resources to EU countries in order to recovery societies and economies after the coronavirus pandemic crisis. With a budget of almost EUR99.3 billion for the 2021-2027 period, the ESF+ will support policy implementation and national structural reforms in the field of

employment, education and skills, promoting horizontal principles of gender equality, equal opportunities and non-discrimination in all its investments. Regarding investments in tourism, ESF+ can potentially fully support youth employment in tourism ecosystem, or support innovation and the digital transformation in the field, by driving investment in jobs, skilling and re-skilling activities.

The European Maritime and Fisheries and Aquaculture Fund (EMFAF). One of the fund's priorities focuses on enabling a sustainable blue economy in coastal, island and inland areas, and fostering the development of fishing and aquaculture communities. This priority is the most relevant for the tourism ecosystem, as it supports community-led local development and could cover tourism-related projects such as eco-tourism, fishing-tourism, local gastronomy (fish and seafood restaurants), accommodation, tourist trails, diving, as well as supporting local partnerships in coastal tourism.



4. Smart Specialization Strategies: the significant role of tourism in S3 design and implementation

4.1 Assessing tourism key strategic role in EU economy

Tourism is assumed to be an activity deeply embedded into the specific features and characteristics of territories; the supply of tourism products and services in a destination is highly dependent and constrained by the existing resources, natural landscape, climate and by material and immaterial cultural heritage. The increasing utilization of Information and communication technologies (ICT) tools in the provision and consumption of tourism services reinforces these localized interactions, making tourism more than a place-based activity, also a **knowledge-based activity**, rooted into the territory in which related services are offered and at the same time potentially able to contribute to the promotion and development of local and regional innovation networks. Tourism sector supply can be seen as a decentralized value-chain, where most of the tourism products and services are provided by SMEs operating at local level. Although tourism providers potentially collect a large amount of useful information about preferences, needs and behaviours of tourists, this information obtained by SMEs, however, tend to be tacit and localized, mainly because they do need processes of codification and adaptation in order to contribute to the generation of innovative solutions and they are rooted into the specific destination in which are gathered. Thus, these tourism destinations become a repository of unique and inimitable knowledge without implying the development of new products and services, mainly because SMEs tend to be less engaged in innovation networks, not taking then full advantage of their potential to increase productivity (Tödtling, F.; Kaufmann, A, 2001) .

For this reason, effective interactions between stakeholders are crucial to boost the regional innovation potential, transforming this unique and localized knowledge into a tangible reorganization of tourism supply and contributing to sector's innovation and competitiveness. The variety of services comprising the destination value chain determines a high potential for the tourism sector to assume a central role within smart specialization strategies. In addition to the competitive advantage that many European regions and countries identify in the sector and the need to prioritise this sector in the investment strategy - an issue that will be discussed in the next sub-section - tourism is seen as a key strategic sector since it can potentially help to develop strong intra-industry connection, as perceived by exploring the knowledge proximity between accommodation services, food provision, entertainment, tour guides and the most traditional hospitality services. The same could be said regarding the potential connectivity that could

emerge between tourism and unrelated sectors, since the specific needs of the tourism market may contribute at the creation of interactions with transport and mobility facilities and services, health services, water or waste management, energy consumption and so on (Öztürk, H.E. , 2016).

Furthermore, tourism can play an important role in driving the transition to a green economy, contributing to a more sustainable and inclusive growth. Tourism industry, and particularly cultural tourism sub-sector, is in fact well-placed to contribute to higher employment rates, to enhance social cohesion, improve productivity and foster economic growth across many portfolios, given its strong local dimension. Moreover, given the cross-cutting nature of tourism, alongside its close connections to numerous sectors at destination and international levels, even small improvements towards greater sustainable actions and behaviours in production and consumption patterns within tourism industry will have significant impacts on overall economy and society.

UNWTO (2015) emphasized the role of tourism within the 17 goals and 169 targets defined in the “2030 Agenda for Sustainable Development” ; in particular, it is proposed that tourism should play an important role in terms of goals 8 (inclusive and sustainable economic growth), 12 (sustainable consumption and production) and 14 (sustainable use of oceans and marine resources), clearly emphasizing the potential impacts of tourism on the development of destination territories and host communities, along with the importance of the protection and preservation of resources. This approach seems to be in accordance with the definition of tourism competitiveness proposed by Ritchie & Crouch (2003), integrating the concepts of growth, benefits for the host communities and preservation of resources in determining the competitiveness of the sector. The assertion of the significant contribution the sector can make to sustainable development is neither trivial nor obvious, and analysis related to the impacts of tourism on the sustainable use of territorial resources, both in natural areas (related to the preservation of ecosystems, congestion or transformations in the land use) and urban sites (related to the preservation of material and immaterial heritage, congestion, inflation or gentrification) have received broad attention over the last 30 years.

This happened mainly because economic impacts have been already broadly analysed during the last decades (e.g. Pablo-Romero & Molina, 2013), and from an optimistic point of view, related to the “tourism-led growth hypothesis” (Shubert & Brida, 2011). With more recent researches showing how the economic impacts of tourism on economic growth are extremely volatile, mainly depending on seasonality and varying according to the evolution of the destinations. (Antonakakis et al. ,2015), and the rising concerns on climate change and its impact on touristic areas, are

reinforcing the need to integrate environmental aspects within tourism-related studies and policies, also increasing the interest of European regions and countries in including this sector in their smart specialization strategies.

4.2 Tourism in Smart Specialization Strategies

In the European context, the smart specialization approach has become a key concept within the EU Cohesion Policy (Foray, 2014; McCann and Ortega-Argilés, 2015), as a place-based and bottom-up approach aimed at changing governance behaviour, in which a wider range of stakeholders are involved and that is focused on the prioritization of public resources by addressing investments on particular activities, in order to strengthen comparative advantage in already existing or new area. In the EU “Guide to Research and Innovation Strategies for Smart Specializations”, 2012, RIS3 has been defined as an integrated and place-based economic transformation agenda, that has to focus on key national/regional priorities, emphasize each regions/country strengths and competitive advantages, involve a wide range of stakeholders and at the same time has to be aimed at boosting technological and practice-based innovation in order to attract private investors. Furthermore, in order to be effective, it has to include a monitoring and evaluation system. Smart Specialization has been defined as the capacity of an economic system to generate new specialities through the identification of new domains of opportunities based on regional competitive advantages and its concentration of competences and strengths, in order to promote a structural change (Foray, 2015).

For the potentiality of this strategy to foster local development accordingly to their regional or local potentialities, strengths and comparative advantage, a growing number of EU countries choose the tourism sector as a S3 key strategic priority.

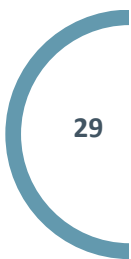
Reasonably, in fact, a large number of EU regions may have interest to invest on tourism, and specifically on cultural tourism: regions having natural and cultural resources, those having a significant historical and cultural heritage, and both regions already characterized by a high level of tourist flows and those that would transform themselves in an alternative tourism destination. Tourism is therefore a strategic choice made by EU regions/countries that have not homogeneous characteristics, both by already developed tourism destinations and by regions with no tourism specialization. This shows an interesting aspect that exists in the dynamics of specialisation and prioritisation of the sector by European governments: on one side, regions with high specialization in tourism have issues connected to low human capital workforce, low innovation and low value- added generated by the sector, whereas on the other side regions potentially

more able to generate higher innovation and value added in the sector do not have a relevant know-how on which build their specialisation in that specific area. The value-added measures the difference between the revenues obtained by tourism activities and the cost of the related inputs, and this variable is usually used as an indicator of tourism competitiveness. **Comparative advantages** between regions depend mainly on physical and human resources, capital resources, historical and cultural resources, infrastructure and on the general size of the economy. The latter relate to aspects of territorial capital and identify regional elements that could be framed by a “smart specialization” approach (Foray et al., 2012), with a specific tourism focus. Several authors emphasized the importance of the linkage between the uniqueness of territorial resources and the differentiation of tourism supply, in order to generate high quality tourism products and services, while ensuring the preservation of resources (e.g. Kozak, 1999; Buhalis, 1999; Hassan, 2000; Page & Dowling; 2002).

Smart specialization approach emphasizes the importance of endogenous resources and the development of inter-sectorial relations between related sectors, in order to generate positive and long-lasting spillover effects of innovation processes, while promoting the importance of “key-enabling technologies” as strategic tools that can boost the development of priority sector of each region. In this sense, **the concept of smart specialization seems to be coherent with the definition of smart cities** (or regions) for which: “A city [region] is smart when investments in human and social capital and traditional (transport) and modern (ICT) communication infrastructure fuel sustainable economic growth and a high quality of life, with a wise management of natural resources, through participatory governance” (Caragliu et al., 2011), linking the enabling role of digital technologies and innovation in general with sustainability-linked objectives.

In this sense, technological and industrial developments oriented to the energy or transport sector, promoting savings on energy consumption and production of energy from renewable sources is main feature that characterizes a “smart city”. Additionally, low emissions, energy savings, and eco-friendly mobility systems can clearly contribute to make territories sustainable tourism destinations. Furthermore, as it is proposed by the “smart tourism” or the “smart specialization” approaches, the development of information and communication services can have relevant impacts in regions where tourism plays a prominent role, as tourists permanently need information related to mobility, facilities, services or local resources.

Reasonably, in fact, a large number of EU regions may have interest to invest on tourism, and specifically on cultural tourism: regions having natural and cultural resources, those having a



significant historical and cultural heritage, and both regions already characterized by a high level of tourist flows and those that would transform themselves in an alternative tourism destination. Biagi, Brandano, Ortega-Argiles (2021) have identified a taxonomy of tourism regions in Europe, clustering 89 regions that chose tourism as a priority according to some geographical, economic, institutional and tourism explanatory variables (such as: islands, regional capital, GDP per capita, lagging regions, quality of government, tourism GDP contribution, night of stay per capita), also adding regional innovation scoreboard.⁸ They identified 4 clusters, within which the regions are distributed as follows:

Cluster 1	Lagging regions with a low level of tourism flows. This cluster includes regions located in Poland, Romania and Greece that record a low level of GDP per capita as well as a low level of institutional quality and innovation capacity.
Cluster 2	Tourism regions. This cluster contains a low number of regions, where the level of tourism flows is very high. These regions are located, on average, in countries where the tourism GDP contribution is the higher (Greece, Italy, Spain).
Cluster 3	Lagging regions with a developed tourism sector. Regions belonging to this cluster are characterised by a medium-low level of GDP per capita, but with a developed tourism sector and a high tourism GDP contribution at the national level.
Cluster 4	Capital and regions with high GDP per capita. In this cluster are grouped all regions that host the capital of the country. The cluster includes also regions with high GDP per capita, high innovation score and good quality of government. They are located in countries where, on average, the GDP contribution due to tourism is very low.

This categorization of regions shows how tourism is considered a priority by a large number of EU regions, and by regions that do not have homogeneous characteristics: both by regions that are already specialized tourist destinations and by regions without a developed tourism sector. The determinants/characteristics of regions choosing tourism as a priority are:

⁸ Due to some missing values, the cluster analysis takes into consideration in a total of 80 regions.

- to be islands and capital of regions;
- to have a lower GDP per capita and to be catching-up;
- to have a low quality of government and to be lagging regions;
- to be a tourism destination (Nights of stays)
- to belong to a tourism country (Tourism GDP contribution).

This underlines a potential issue that may exist in the dynamics of specialisation and prioritisation of the sector by European governments: on one side, regions with high specialization in tourism have issues connected to low human capital workforce, low innovation and low value- added generated by the sector, whereas on the other side regions potentially more able to generate higher innovation and value added in the sector do not have a relevant know-how on which build their specialisation in that specific area. ⁹

The cluster analysis gives some first hints on the direction of a diversification (or complementarity) in this prioritization choices: for instance, Cluster 2 that includes the specialized tourism regions in the sample, only includes 10 out of 80 regions (Algarve, Canary Islands, Balearic Islands, Ionian Islands, Crete, Southern Aegean, Bolzano, Trento, Salzburg, Tirol), mainly concentrated in the Mediterranean area (Greece, Spain, Italy, Portugal and two of them in Austria). This can be considered as an indirect indicator of using tourism sector as a way to diversify the economies for the remaining not specialized regions, showing that for the majority of them tourism is prioritised as a complementary activity to other economic sectors.

An issue that needs to be taken into account when taking tourism sector as a S3 key strategic priority is the **fact that the concentration of the regional specialization process on a small number of tourism-related sector exposes the region to demand-fluctuations in those specific activities.** Tourism sector is, in fact, a sector that it is traditionally extremely conditioned to seasonality, relatively volatile in demand, highly elastic regarding fluctuation in prices and revenues and very sensitive to external elements (such as conflicts, security, safety or weather /climate-related events), so that a strategic development process that take into consideration different types of related sectors, not only concentrated around the tourism cluster, seems to be highly recommended.

⁹ The value-added measures the difference between the revenues obtained by tourism activities and the cost of the related inputs, and this variable is usually used as an indicator of tourism competitiveness.(João Romão, 2020)

5 Implementation of innovative ESIFs based financing mechanisms dedicated to sustainable cultural tourism sector

5.1 Be.Cultour project approach towards sustainable financing of cultural tourism initiatives

Be.CULTOUR project represents the fertile soil for the further development and implementation of several financial mechanisms proposed and designed under H2020 CLIC project and linking with the Climate-KIC's Decision Metrics and Finance initiative.

More specifically, Be.Cultour partner, Iniziativa Cube (INI), has developed under the Horizon2020 CLIC project a proposal of circular financing mechanisms for the adaptive reuse of cultural heritage, leveraging on sustainable finance and impact invest. The proposed financing mechanisms were designed based on the main concepts of circular, sustainable, green, social, impact and ESG finance and EU Taxonomy. The definitions for circular, sustainable, green, social, impact and ESG investment are characterised by rather vague boundaries depending on different factors. The interaction between these definitions is quite high and it can be assumed that wider definitions incorporate narrower ones. For example, Sustainable Finance can be considered as a wider definition incorporating impact investing, ESG investing, green finance and social finance etc. (Boffo and Patalano, 2020).

Alongside with the different definitions of finance, the adoption of blended finance as an innovative approach to financing sustainable development is also important for cultural tourism industry.

In the “Blended Finance Principles Guidance”, the OECD defines blended finance as the strategic use of development finance for the mobilisation of additional finance towards sustainable development (OECD, 2020).

The European Court of Auditors (ECA) report provides the definition for a “blended project” as a PPP project that combines EU funds with private financing resources (European Court of Auditors, 2018).

The five core principles for blended finance developed by OECD at a glance are the following:

- Anchor blended finance use to a development rationale;
- Design blended finance to increase the mobilisation of commercial finance;
- Tailor blended finance to local context;

- Focus on effective partnering for blended finance;
- Monitor blended finance for transparency and results (OECD, 2020).

These principles and the described definitions can be used as guidance when implementing circular blended finance mechanisms under Be.Cultour project.

Furthermore, the “leverage” terminology, behind the Be.Cultour financing mechanisms, is based on the definition provided by the World Bank, as “the ability of a public financial commitment to mobilise some larger multiple of private capital for investment in a specific project or undertaking” (WorldBank, 2011; Griffiths, 2012). In relation to financial instruments funded by EU or/and national public funds, leverage is expressed in terms of how many euro of public and private funding have been invested for each euro of public support underpinning the instrument. Based on the financing knowledge from CLIC project, the Be.Cultour overarching approach towards circular financing of sustainable cultural tourism initiatives shall be focused on a flexible vision in the use of (blended) financing instruments, based on different expected risk-and impact-adjusted returns, in function of the investment stages and the capacity of the adopted circular business models to generate cash flow and impacts. This approach can further support the private leverage investments in sustainable cultural tourism initiatives.

5.2 An Investment Readiness Facility for sustainable cultural tourism initiatives

Many barriers prevent investment in cultural tourism sector in the perspective of circular economy: lack of knowledge, decision-making, lack of incentives, limited community engagement, balancing cultural significance and economic viability, commercial risk and uncertainty, technical difficulties etc. (Ikiz Kaya *et al.*, 2019). To achieve the desired sustainable investment targets in cultural tourism, it is fundamental to build an enabling environment for investments at EU and national/regional levels.

Investors require good information on costs, benefits and impacts for investment proofing and decision-making. Both the availability and quality of data on cultural tourism initiatives costs and benefits should be improved in order to attract the whole spectrum of potential investors: private, public, non-profit organisations, individuals and others. Indeed, many projects are not being undertaken not because of lack of financial resources but rather the lack of good practices. According to UNECE, actions are urgently needed to develop pipelines of priority projects (Economic Commission for Europe, 2019).

The Council of Europe encourages the European Commission and Member States to “improve access to funding, make full use of available programmes for the public and private sector and EU Structural Funds” (Council of Europe, 2014).

In this perspective, public funds can be used to support for example the implementation of feasibility studies, to evaluate the economic viability and expected impacts of cultural tourism investments. The employment of public funds will contribute to enhance the investment maturity/readiness of cultural tourism initiatives and mobilise private investments. This form of technical assistance, already used by the European Commission for energy efficiency sector or, on a smaller scale, in cultural heritage sector by several revolving funds (Pickard, 2009), developed in this report under the form of a financial supporting mechanism called **Investment Readiness Facility (IRF)** for sustainable cultural sector (comprising also cultural heritage), will allow to address the barriers and challenges mentioned above and improve the financial landscape for cultural tourism initiatives.

The IRF has been designed based on the recent EC facilities to support public and private bodies in developing bankable sustainable energy projects and preparing and mobilise private investments in the sector. The so called “Project Development Assistance (PDA)” facilities have been funded in the past through the Intelligent Energy Europe (IEE) programme and recently through Horizon2020. Under IEE, the PDA facilities were managed directly, under the name of ELENA, through public banks as EIB, KfW, CEB, EBRD and/or, indirectly through local financial intermediaries (local banks). The MLEI-PDA facility was managed directly by EASME on behalf of the EC¹⁰.

In Be.Cultour project, the Investment Readiness Facility for cultural tourism feasibility and implementation will be focused at national and regional level. Indeed, the IRF can be managed by the respective public authorities and funded through dedicated European Structural Investment Funds (ESIFs).

The facility may envisage two levels of financing: higher amount binding grants for big projects (physical interventions and business models) and lower amount grants for the feasibility studies demonstrating circular business models viability in cultural tourism sector.

¹⁰ <https://ec.europa.eu/easme/en/project-development-assistance-pda>

The instrument aims at supporting the following goals:

- Design circular business models and organisational innovation;
- Build technical, economic, financial, impact measurement and legal expertise;
- Ensure high degree of replicability of similar initiatives;
- Remove existing barriers (administrative, financial, market failures etc.);
- Mobilize private investments;
- Bundle projects and mix interventions to reach critical size and “warm up” the initiative, exploit also financially and economically unsustainable projects and achieve the expected returns and impacts.

The **beneficiaries** of the IRF may be both public authorities (regions, municipalities, other local authorities and public entities) as well as private for-profit (large enterprises, SMEs) and non-profit organisation (social enterprises, B-corporations etc.).

The **targeted sector** will be represented by the circular cultural tourism initiatives. All other complementary sectors that contribute to enhance the cultural tourism initiative may be considered eligible, e.g. energy efficiency, sustainable mobility etc. The complementary sectors may be assessed case by case and, the list of these sectors may be integrated in the future. The overall eligibility of the initiative will be assessed if it responds fully to the circular economy framework, in particular, in relation to the adopted business model.

The IRF instrument will support circular cultural tourism initiatives that generate impacts according to a set of criteria and indicators developed within Be.Cultour Impact Measurement Framework.

The IRF can be managed as an instrument on two levels: for small project (\leq € 5 million) and large projects ($>$ € 5 million). Moreover, similar to the other technical assistance facilities, it is recommended to have the instrument bind to the successful implementation of the supported investments. For this reason, the IRF can be enhanced by the application of a **leverage factor** – for example, of at least 15 for small projects and of at least 20 for large projects. This mean that for each euro invested in the technical assistance for cultural tourism initiatives, there should be mobilize respectively at least 15 and 20 euros in terms of investments. As evidence, it can be necessary to require the beneficiaries to demonstrate by the end of the technical assistance support that the framework contracts with the investors and other stakeholders have been signed.

The **process** for the submission of the project proposals can be open on a first-come-first –serve basis, subject to the availability of funds and the synergies with the already existing cultural tourism initiatives portfolios, at the discretion of the management team.

The IRF management team will also have to define the application format for the proposals, the general conditions for awarding the facility support (evaluation and selection criteria) and the awarding process.

After awarding the IRF support to the beneficiary and signing the contract with the managing authority, each IRF beneficiary has to complete the agreed activities, including the identification and selection of investors, within a predefined timeframe.

5.3 Revolving Circular Impact Fund

Non-profit organization, entrepreneurs and SMEs are essential for economic growth, job creation, boosting innovation and promoting social cohesion in particular when addressing cultural tourism initiatives. In the context of the European New Green Deal and of the post-pandemic COVID-19 recovery, the role of entrepreneurship and of the European SMEs in contributing to the sustainable economic development, in improving the quality of life and producing social and cultural impacts, in particular in the cultural sector, is fundamental. Hence, the importance of financial support under the form of (social) impact investments for the new initiatives, also through the exploitation of culture and cultural heritage, for their development and scale-up, has become more and more necessary, especially at regional levels.

Different new impact investment funds have appeared across Europe under the form of incubators, accelerators and programmes to support start-ups, social entrepreneurship, seed investors and many investment vehicles have emerged. None of these instruments focuses specifically on the sustainable cultural tourism and circular cultural heritage initiatives and the adopted circular business models.

The proposal of a **Revolving Circular Impact Fund** (also “the Fund”) aims at fostering the valorization of cultural tourism and cultural heritage through sustainable business models, by financing valuable initiatives for people and environment that generate cultural and social impacts.

In accordance with Be.Cultour project objectives, the main impact areas of the investments shall be: cultural and natural heritage protection and safeguard, social inclusion and integration, culture and education, health and well-being, resilient and sustainable cities and human settlements, sustainable use of terrestrial ecosystems, directly linked to the SDGs: No Poverty (SDG 1), Quality Education (SDG 4), Decent Work and Economic Growth (SDG 8), Sustainable Cities and Communities (SDG 11), Life on Land (SDG 15) etc.

The Revolving Circular Impact Fund has been designed on the following main features:

- Public ownership (financed through ESIFs) with private co-investment requirement;
- Revolving approach;
- Blended finance;
- “Use-of-proceeds” for the circular economy;
- Impact and/or ESG invest;
- Results-based financing;
- Project bundling.

In the Be.Cultour project framework, the Fund will be addressed at **regional level** with market application in different European geographical areas.

The Fund governance can be built on a **public ownership** (by a regional or local authority) with **private co-investment requirement**. In the Italian context, for example, in the last twenty years many public funds have been launched with the private co-investment approach for the financing of innovative start-ups: funds such as Innova Venture of Lazio Region, Start-up, Start-hope of Abruzzo Region, Venture Capital Fund of Basilicata Region with the newest experience at national level of Fondo Nazionale Innovazione of CDP Venture Capital Sgr. The final goal of these funds were to increase the offer of risk capital for innovative start-ups and SMEs leveraging private investments and enhancing regional impacts. Many of these funds have been partially funded through ESIFs. Under this perspective, the co-investment approach can represent an effective way to involve private investors in the financing of circular cultural tourism initiatives and businesses.

The Fund may also adopt a **revolving approach** with the meaning of a pool of “**patient**” capital to be dedicated, under different forms of financial instruments, to specific circular cultural tourism initiatives, with the restriction that the monies are returned to the Fund to be reused for similar activities. The most common source of up-front capital for the revolving funds is represented by grant aid from regional or local authorities but, also from local foundations and corporations. It is important to evidence one more time here the relevance of the ESIFs use to start-up the Fund.

The Fund can include different circular financial instruments that can be also used under the **blended finance** formula. For example, the Fund can be set up with the following instruments:

- Equity and quasi equity;
- Low-rates loans;
- Sustainable bonds.

All the financial instruments under the Fund management will be based on circular and sustainable finance principles and the EU Taxonomy. The use of different financial instruments on a case-by-case base and their blending, when necessary, can contribute towards further mobilization of private investments and long-term value creation.

Based on the recent best practices at global and European level in issuing green, social and sustainable bonds, a **“use-of-proceeds” approach** has been chosen for the design of the financial instruments under the Fund umbrella (EU Technical Expert Group on Sustainable Finance, 2020). Usually bond market used to raise capital for general corporate purposes, based on the risk profile of the issuer, which is explicated then in its credit rating and the interest paid. A “use-of-proceeds” approach provides transparency for investors, facilitate impact reporting, and allows the financing of any organization/company regardless their main business activity – thus, fostering the transition towards sustainable business models etc.

Adopting this approach, the **financial instruments can be used to finance circular organisations or companies or projects/area-based projects supporting circular cultural tourism initiatives.**

A crucial step in the circular financing is the **impact assessment of the investments**. The process shall regard the qualitative and quantitative assessment of all the generated impacts by the organization or by the project. Beyond the environmental impact assessment, an overarching importance has the evaluation of working conditions, human rights, gender equality, health and other determinants of wellbeing in the supported initiatives. All these impacts issues can be addressed through adjusted ESG¹¹ methodologies.

A common framework of indicators for the assessment of multidimensional impacts of cultural tourism initiatives adopting the circular economy principles developed under Be.Cultour project will be used to assess cultural, economic, social and environmental impacts.

Additionally, in coherence with the impact assessment framework, the Fund could increasingly adopt **results-based financing (RBF) structures**¹² in the financial instruments in a core evolutionary step to foster impact-driven investments and contribute to the sustainable development. RBF solutions may include *performance-based contractual agreements* and *pay by results schemes*. These formulae can be included in the agreements underpinning the Fund umbrella of financing instruments mentioned at the beginning of this section. This type of approach of RBF schemes can generate cost-savings for investors by ensuring that funds are spent only if the results are

¹¹ Environmental, Social and Governance

¹² RBF programs are an evolution from traditional government programs and interventions focusing on the achievement of measurable outcomes (such as job placements, retention, and increased wages/income).

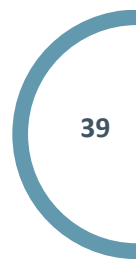
achieved. Amongst other benefits, such vehicles can help promote stronger performance management, enabling constant improvement of investment programs, especially when funded partially by public resources.

Process for circular tourism initiatives evaluation and selection, management of investments and reporting

The process for initiatives evaluation and selection will be detailed in the Fund regulation where each financial instrument goal will be described with respect to the Fund overall strategy and rationale. All expected socio-cultural and environmental objectives and economic-financial performance of the investments will be detailed. Furthermore, the Fund regulation will outline the eligibility and exclusion criteria or any other process applied to identify and manage material risks.

The investments or proceeds from the Fund should be transparently tracked in the accounts of the receiver of these funds, in order to verify that investments keep contributing to circular cultural tourism initiatives and to the shift towards a circular economy during the lending/investment period.

The reporting process can be set up at project/portfolio level and at the Fund level. The funds receivers should report on the allocation of funds and the impact of the financed activities. The Fund managers should report on their investments and monitor the impact generated at project/portfolio levels. The reporting shall include reference to the alignment with the EU Taxonomy and, if necessary, with other similar guidelines (e.g. EU Green Bonds Standards). The reporting shall be done at least annually.



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Acronyms

[CF]	[Cohesion Fund]
[EC]	[European Commission]
[ECA]	[European Court of Auditors]
[EMFAF]	[European Maritime and Fisheries and Aquaculture Fund]
[EMFF]	[European Maritime and Fisheries Fund]
[ERDF]	[European Regional Development Fund]
[ESF+]	[European Social Fund Plus]
[ESG]	[Environmental, Social and Governance]
[ESIFs]	[European Structural Investment Funds]
[FIs]	[Financial Instruments]
[GDP]	[Gross Domestic Product]
[GNI]	[Gross National Income]
[IRF]	[Investment Readiness Facility]
[MFF]	[Multiannual Financial Framework]
[OECD]	[Organisation for Economic Co-operation and Development]
[OPs]	[Operational Programmes]
[PDA]	[Project Development Assistance]
[POs]	[Policy Objectives]
[RBF]	[Results-Based Financing]
[RIS3]	[Research and Innovation Strategies for Smart Specialisations]
[SDGs]	[Sustainable Development Goals]
[SIBs]	[Social Impact Bonds]
[SMEs]	[Small and Medium Enterprises]
[S3]	[Smart Specialisation Strategy]

