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SElECTED DETERMINaNTS OF aBSORPTION OF EU-TOURISM-RElaTED PROjECTS.
THE CaSE OF COUNTIES IN WEST POMERaNIa aND lUBUSKIE, POlaND[4]

abstract

Paper focuses on capacity of peripheral regions to absorb EU-tourism-related funds. In spite of significant amount of funds available only selected regions can attract those money and use them. This paper investigates the determinants of its absorption in two Polish provinces: West Pomerania and Lubuskie. It is shown that the main determinant of absorption of tourism-related projects are not tourism attractiveness index of an area but a general ability of a region to absorb EU-funds which is emanated by total number of projects applied and number of inhabitants. Addressing this issue should be considered when designing any financial support to peripheral regions.

Keywords: EU funds, West Pomerania, tourism, tourism funds

Introduction

Tourism is interdisciplinary in its nature. Tourism product covers transportation, hospitality, touroperators, travel services, infrastructure and tourism attractions. One needs to add positive and negative external effects caused by tourism such congestion, pollution, spatial distortions, culture exchange, acculturation, multiplier effects etc. This complexity creates major problems not only to statisticians that attempt to present tourism economy size and impact but also to policy makers that intend to introduce or boost tourism as a panacea for unemployment issues in peripheral regions. Literature covering tourism economics provides many platforms of justification of public involvement in tourism market: external effects, transaction costs, merit goods, public and club goods theory and others (Pawlicz, 2008; Pawlicz, 2012). Public involvement in tourism market can be emanated by specific regulations or direct subsidies to certain actors or projects.

One of less researched areas are the actual determinants of absorption of public sources to tourism undertakings (Hundert, Pawlicz, 2012). The main aim of this paper is to fill this gap and show the absorption of public funds directed to tourism and their relation with tourism attractiveness, and overall activity in absorption of public sources. As a research area European Union (EU) funds were chosen as to those funds there is an equal access among counties within a given region.

1. Theoretical foundation of structural funds absorption

EU-funds absorption is a subject of growing academic interest especially in member states that enter EU after 2004. As the level of GDP is relatively low in those countries, they become eligible for an important economic aid which enabled transformation of their infrastructure, helped agriculture and foster innovations.
However to use appropriately EU funds certain preconditions must be met.

Absorption capacity can be defined as the extent to which a state is able to fully spend the allocated financial resources from the EU funds in an effective and efficient way (Šumpíková et al., 2004). Literature that deal with the problems of absorption capacity of public funds can be classified in three areas. The first

is general agency literature on public administration which focuses on another three incentive constraints:

- multiple objectives,
- difficulties in measuring output and performace, – weak performance incentives.

Svensson (2006) used that frame to discuss issues of educational spending in Uganda and Tanzania and pointed to the broken information (accountability) feedback loop as a main problem. Similar problems can be seen in EU as there are European countries that contribute much to the common budget (e.g. Germany) and those that are net beneficiaries (such as Poland).

Second area of literature dealing with the problem of absorption of EU-funds is focused on the institutional barriers that hinder this process (Zaman and Cristea, 2011; Marinov et al., 2006; Georgescui, 2008; Šumpíková et al., 2004; Janusz, n.d.). Authors see the main determinant of amount of granted EU-funds in the efficiency of administration infrastructure, mainly at the macro level. Zaman and Cristea (2011) discussing the obstacles of EU structural funds absorption pointed to:

- limited capacity of local and central public authorities,
- insufficient financing resources,
- delays in creating intercommunity associations,
- interpretations problems,
- relatively limited expertise capacity,
- legislatives obstacles, – personnel turnover.

Similar problems can be seen in various reports whose aim is to identify possible barriers in application process (Špok, 2006; European Parlament, 2012). However as Zaman and Cristea (2011) point it is not relevant to establish a hierarchy on those barriers as every project has its own distinct characteristics. This view is supported also with findings from qualitative part of research presented in this paper (Pawlicz, 2013).

Šumpíková et al. (2004) summarize all those barriers into three main areas:

- macro-economic absorption capacity,
- financial absorption capacity, – administrative capa city.

The last approach is represented by academics that seek the determinants of EU funds absorption in the characteristics of final beneficiaries. Tatar (2010) based her research on the survey among Estonian local governments conducted. The results show that Estonian local governments regarded structural funds as one of the most important instruments in their socio-economic development while the

capacity to absorb the funds is limited due to the low administrative and financial capacity of the local government level.

In this paper the last approach will be adopted. Moreover survived will be only projects that focus on tourism development which is different approach to all cited studies as they base rather on general programs.

2. Methodology of the study

2.1. Research area

The research area is constituted by two provinces from Poland: West Pomerania (WP) and Lubuskie (LB). They are situated in North-West Poland and are (comparing to Poland average) sparsely populated, have a low GDP per capita, little heavy industry and high unemployment ratio. As in other peripheral regions tourism plays an important role in poverty alleviation and reducing unemployment especially among young people. WP is however situated on the coastline and for that reason tourism plays more significant role in its economy comparing to LB. Administratively WP is divided in 21 counties (Polish: *powiat*) and LB in 14. Basic attributes of both provinces are depicted in Table 1.

Table 1. Basic information about two province

Description	WP	LB
Population	1,693,072	1,011,024
Area (thousands km^2)	22,92	13,987
Population den sity (inhabitants per km^2)	74	72
Number of tourists (millions)	1.80	0.43
% of national GDP per capita	9.0	5.4

Number of tourists – average number of Polish national tourist flow 2005–2010.

Source: GUS, 2013; Institute for Tourism, 2009.

2.2. Research design

Research is based on the secondary data available at the Ministry of Regional Development (Ministerstwo Rozwoju Regionalnego, 2013) which permits identification of tourism-related projects applied by all institutions in counties in

both provinces. Using those database one can obtain information about projects realized within Regional Operational Program for WP priority 5 (Tourism and Culture Revitalisation) and 6 (Development of Metropolitan Areas). In LB it was only one priority 5 (Development of Tourism Infrastructure). Those projects were labelled as tourism-specific. Tourism-related projects were also granted within other programms (for developming rural areas, boosting innovation etc.), but using data only from those two priorities enables consistency of research. Also the total number of projects from Regional Operational Programms are available in this database.

Data from Ministry of Regional Development will be compared with general statistics that represent the ability of counties to attract tourism projects (number of inhabitants avaiable on the webpage of Polish Central Statistical Office (GUS, 2013)). Moreover tourism attractiveness of the region will be also examined as a factor determining the ability of county to attract tourism-related projects. In this paper it will be used Milewski (2005, 71) Tourist Attractiveness Index (TAI). It is based on availability of tourist attractions, environmental protection, transportation avaiability, service and hotel infrastructure etc. The tourist product of other 112 WP communes is based mostly on natural attractions. Its value varies between 0 and 1, where '1' means high attractiveness and '0' low. Similar approach can be found in the work of Iat and Bulai (2011). Unfourtunately the data from TAI are not available for LB. Analysis will be therefore conducted for both provinces separately.

3. West Pomerania

The number of tourism-related projects, number of inhabitants, total number of projects within Regional Operational Program and average TAI (TAI has been calculated for communes [Polish: *gmina*] therefore it is necessary to calculate an average) are depicted on Table 2.

Tourism projects constituted ca. 11% of all projects within Regional Operational Program in WP. In WP the number of tourism-related projects is determined mainly by the total EU project-oriented activity in counties. Between the total number of projects and the number of tourism-related projects there is a strong positive correlation (Pearson = +0.89). Similarly the strong positive correlation can be observed between the number of inhabitants and the number of

realized tourism projects (+0.87). The total number of projects is a function of number of inhabitants (+0.98).

Table 2. The number of tourism-related projects, number of inhabitants, total number of projects within Regional Operational Program and average TAI in West Pomerania

County	Number of tourism-related projects	Number of inhabitants	Number of all project within ROP	Average TAI
Białogard	6	49,303	36	0.119
Choszczno	2	50,348	31	0.117
Drawsko	3	5,26	49	0.121
Goleniów	5	81,945	5	0.117
Gryfice	9	61,837	50	0.202
Gryfino	7	84,272	47	0.120
Lobez	0	38,408	2	0.110
Kamień	6	48,391	50	0.194
Kołobrzeg	11	79,530	72	0.167
Koszalin	2	65,718	23	0.142
Mysliborz	7	67,996	37	0.121
Police	7	72,326	74	0.116
Pyrzyce	5	40,772	20	0.107
Sławno	6	58,097	33	0.143
Stargard	4	120,899	2	0.123
Szczecinek	3	79,552	39	0.127
Świdwin	6	49,181	46	0.114
Wałcz	3	54,993	43	0.134
Koszalin (city)	7	109,233	76	0.179
Szczecin (city)	31	409,596	334	0.180
Świnoujscie (city)	11	41,516	27	0.178
All	141	1,772,739	1,255	

Interestingly much less correlation can be observed between the average TAI value and the number of tourism-related projects (+0.51).

4. lubuskie

The number of tourism-related projects, number of inhabitants and total number of projects within Regional Operational Program are depicted on Table 3.

Table 3. The number of tourism-related projects, number of inhabitants and total number of projects within Regional Operational Program in Lubuskie

County	Number of tourism-related projects	Number of inhabitants	Number of All Project within ROP
Gorzów	0	69,396	5
Krosno	0	56,925	61
Międzyrzecz	1	5,46	49
Nowa Sól	1	,062	74
Słubice	1	47,498	34
Strzelce	0	50,66	39
Sulęcin	0	35,924	30
Świebodzin	1	56,777	53
Wschowa	1	39,349	25
Zielona Góra	4	93,749	139
Żagan	2	82,433	5
Żary	1	99,762	6
Gorzów Wielkopolski (city)	3	124,554	83
Zielona Góra (city)	3	119,197	166
All	18	1,023,158	964

The TAI index is only available for WP province, so in LB has not been incorporated into research.

The number of tourism-related projects in LB was significantly lower than in WP. The primary reason for that can lie in lower tourism attractiveness of this area (see Table 1). However, the correlation between number of tourism-related projects and number of inhabitants is also very high (+0.73). Similarly to WP the total number of projects is positively correlated with both number of tourismrelated projects (+0.81) and number of inhabitants (+0.80). However the share of tourism-related projects is much lower in LB (2%) than in WP.

Conclusions

This study is based on the WP and LB provinces and its results cannot be representative to the whole Poland. However, WP and LB are peripheral regions where tourism industry is overrepresented comparing to country average, and for that reason results presented in the paper might be referred to other peripheries. The overall conclusion from the study is that applying for tourism-related projects does not differ much from other EU projects. Results of study revealed that main determinants of EU-tourism related funds absorption are: number of inhabitants and the total number of projects conducted in selected counties which can be treated as a proxy for the strength of local administrative apparatus. TAI had a much less influence. This study however did not took into account social and managerial activity of business and municipal professionals which may constitute a major limitation of the research. Enhancing the effectiveness of EU structural funds absorption in tourism is possible only by an increase of efficiency of the whole absorption process. Solely increasing availability of new funds might lead solely to further increase of asymmetry in its use.

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