1.1 Analysing public intervention on tourism: methodological perspectives and applications

Luigi Mastronardi
IRES, University of Molise, Campobasso, Italy

Elena Battaglini
IRES, University of Molise, Campobasso, Italy

Abstract

Main purpose of this paper is to present an empirical supportive method to the assessment of tourism public policies. It is focused on an analysis of public spending in a case –study: the Sardinia region. This study is aimed at: 1) illustrating a method of assessment of expenditure, called ExeT – Public Expenditure for Tourism; 2) by applying the ExeT methodology, highlighting the overall quantitative and qualitative picture of public spending for tourism on a regional level. The implementation of the new tool is motivated by the fact that Public Administrations' accounting documents are not very suitable for the purpose of analysing efficiency and effectiveness of spending, as they are structured according to "accountancy" criteria. The application of ExeT methodology to the balance sheets of the selected case-study, provided some interesting insights and empirical findings related to the need of innovative regional interventions supporting the Local Touristic Systems (the Italian STL) and the environmental quality certification systems.

1. Introduction

This paper is a theoretical and empirical consideration on the assessment of tourism support policies. The evaluation is focused on an analysis of public spending, which at turn meets the need to verify the impact of such public interventions on the region (Sotte, 1997, 2000; Cameron et al., 2004), so as to work out and to measure their effectiveness (Nencioni, 2000).

Such interventions in the field of tourism have been mainly assessed through the following methods: Input/output Tables, Cost-Benefit Analysis, Multi-criteria Analysis. The assessments based on spending turned out to be quite modest and were used to quantify the extent of the interventions made to support the field of tourism (Confturismo, 2007; TCI, 2009; Cuccu et al., 2011; Dipartimento per lo Sviluppo e la Coesione Economica, 2012; Bruzzo et al., 2000; De Luca et al., 2005). However, the above were based on information gathered from public balance sheets, following a sectorial approach.

In this context, this study aims at two purposes. One is to establish a method of assessment of expenditure, called ExeT – Public Expenditure for Tourism -, no longer based on administrations (in other words, on those who manage the funds) , but

rather on functions (that is, what gets done with the funds). The second purpose is to highlight, by applying the ExeT methodology, the overall quantitative, but mainly the overall qualitative picture of public spending for tourism on a regional level, by referring to the Region of Sardinia as our case study.

The implementation of the new methodology is motivated by the fact that Public Administrations' accounting documents are not very suitable for the purpose of analysing efficiency and effectiveness of spending, as they are structured according to "accountancy" criteria (Finuola, 2000).

It is for this reason that financial data needs to be adequately fixed and re-elaborated, or "reclassified" (Zaccaria, 2005; Marino, 2006), before being used to construct interpretative models of policy decisions.

Reclassification methodologies have a long tradition in Agricultural Economics and Agricultural Policy studies (Antonelli et al., 1989; INEA[1], 1995, 2000; Mastronardi, 1998; Nencioni, 1997; Sotte, 1988a, 1988b, 1993, 1997; Marino, 2006), while they are practically non-existent in research relative to tourism.

In this scenario, ExeT methodology fills the scientific void and becomes a tangible tool with respect to analysis, control, monitoring and evaluation of public spending within tourism, thus defining the field of action of policy makers according to the intersectoral (systemic) nature of tourism as a phenomenon, or according to the interactions between tourism, culture, the environment and the region.

In applying the ExeT methodology to the region of Sardinia some specific indicators were constructed in relation to the following profiles: 1) tourism expenditure (amount) relative to the regional balance sheet, and it's sessions (Strategic areas, Functions, Basic Forecast Unit); 2) detailed economical description of tourism expenditure; 3) speed of expenditure[2].

Processed data was taken exclusively from the final account of year 2008, which was adequately stored in a specific data bank. The variables that were taken into consideration for the purpose of the analysis are the following "input figures": i) estimated expenditure (S – allocated funds); ii) committed expenditure (I - commitments); iii) Expenses paid (P - payments).

2. The ExeT methodology

The main goal of ExeT methodology is to organize the financial data per types of intervention, that is relatively to the quality of interventions in tourist policy, distribution per sectors, per territory and per type of "intermediary" (stakeholders).

In any case, the ExeT methodology does not replace the "formal verification of legitimacy", as they work together in a complementary process of integration.

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[1] INEA methodology must in fact be traced back to Finuola (1995) e Sotte (2000).

[2] The speed of expenditure is worked out throught the processing of three indexes: 1) commitment capacity (CI) expressed by the relationship between the commitments (I) and the funds allocated (S); 2) capacity of payment (CP) expressed by relationship between the payments (P) and the commitments; 3) spending capacity (CS = P/S).

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The "trait d'union" between ExeT methodology and the "Traditional" methodology is assured by two circumstances. The first one is that public spending is analysed on the basis of allocations, commitments, and payments of competence. The second circumstance is that the reclassification of expenditure is based on the indivisibility of budget chapters, that are aggregated per field of analysis.

ExeT's system of reclassification foresees 6 groups of codes, which are added on to the code groups of formal bookkeeping of Public Administrations.

The codes of ExeT methodology are defined according to the logic of economic analysis to meet various analytical levels such as: accountancy, efficiency, and efficacy.

By taking the "input budgets" as a starting point and by applying ExeT's classification code to each chapter, one comes up with a new balance, without having to give up on any data from the original balance. The reclassified balance results as being divided into as many aggregates as the codes used.

ExeT's coding systems are applied to the following fields of investigation:
1) expenditure according to an economic-functional classification;
2) expenditure according to final beneficiaries;
3) expenditure according to financial means;
4) expenditure according to types of tourism;
5) expenditure for the preservation and the exploitation of natural resources;
6) expenditure for the protection and the improvement of cultural, architectural and archaeological heritage.

The codes of the ExeT system are made up of one or more letters.

The classification of expenditure according to an economic-functional criteria (*EFC*) detects the typical interventions of tourist policy; it is made up of two letters and it encompasses the following items:
✓ BC – Interventions in favour of cultural, archaeological and architectural heritage;
✓ CU – Interventions for the development of urban centres;
✓ EN – Interventions in favour of natural resources of interest for tourism;
✓ IF – Education and training;
✓ IT – Tangible and intangible infrastructures;
✓ PM – Promotion and marketing;
✓ IA – Business investments;
✓ RS – Studies, research, publications, monitoring;
✓ AL – Others;
✓ NC – Unclassifiable.

Classification of expenditure according to final beneficiaries (*FB*), distinguishes beneficiaries from expenditure according to types of traders or institutional operators. It is made up of one letter and it encompasses:
✓ I – Grants given mainly to tourism businesses;
✓ A – Grants given mainly to tourist associations;
✓ C – Grants given mainly to cultural associations;
✓ E – Resources managed mainly by local and regional authorities;
✓ F – Grants given mainly to schools, training bodies, research bodies, etc.;
✓ T – Grants given mainly to APT/ETP;

- ✓ P – Grants given mainly to other authorities (local offices that organize cultural events, CONI [Italian National Olympic Committee], etc.);
- ✓ L – Grants given mainly to other beneficiaries;
- ✓ N – Unclassifiable.

The classification of expenditure according to financial means (*FM*) highlights the source of the funds. It is made up of two letters and it encompasses:

- ✓ EU – EU financial means;
- ✓ AS – State financial means;
- ✓ AR – Regional financial means.

The classification of expenditure in support of different types of tourism (*TT*) highlights the forms of tourism that interventions are aimed at. It is made up of one letter and it encompasses the following items:

- ✓ A – Farm tourism;
- ✓ M – Rural tourism;
- ✓ E – Wine and food tourism;
- ✓ T – Thermal and wellness tourism;
- ✓ S – Educational tourism;
- ✓ B – Beach and boat tourism;
- ✓ K – Sports tourism;
- ✓ C – Cultural tourism;
- ✓ N – Naturalistic tourism;
- ✓ R – Religious tourism;
- ✓ I – Winter tourism;
- ✓ F – Fares and congresses;
- ✓ P – Multi-service interventions;
- ✓ L – Others.

The classification of expenditure according to the preservation and the enhancement of natural resources (*RN*) concerns all those interventions aimed at increasing the value of natural resources that are of interest for tourism, or, in other words, aimed at improving the environment. It is made up of one letter and it encompasses:

- ✓ P – Protected land areas;
- ✓ M – Protected Marine, lake and wetland areas;
- ✓ F – Forests;
- ✓ C – Coasts and marine environment;
- ✓ Z – Site of Nature Conservation Importance (SNCI) and Special Protection areas (SPAs);
- ✓ V – Green urban areas;
- ✓ L – Landscape and Territory;
- ✓ S – Environmental certifications;
- ✓ B – Other unspecified interventions to safeguard the environment.

The classification of expenditure according to the protection and the improvement of the cultural, architectural and archaeological heritage (*TC*) concerns all interventions aimed at preserving, improving and exploiting resources of historical, cultural and aesthetic relevance. It is made up of one letter and it encompasses:

- ✓ O – Historical centres;
- ✓ P – Theatres and cultural activity centres;

✓ E – Monuments;
✓ M – Museums;
✓ L – Libraries;
✓ V – Archival Assets;
✓ H – Archaeological heritage;
✓ I – Mineral parks;
✓ C – Churches and monasteries;
✓ D – Industrial estate;
✓ R – Rural constructions;
✓ T – Cultural *heritage* and cultural events (including wine and food);
✓ A – Others.

The data is then processed again to produce specific schemes. For single classification codes and for each aggregate taken into consideration, absolute values as well as percentage values are calculated, along with the usual performance indicators relative to expenditure.
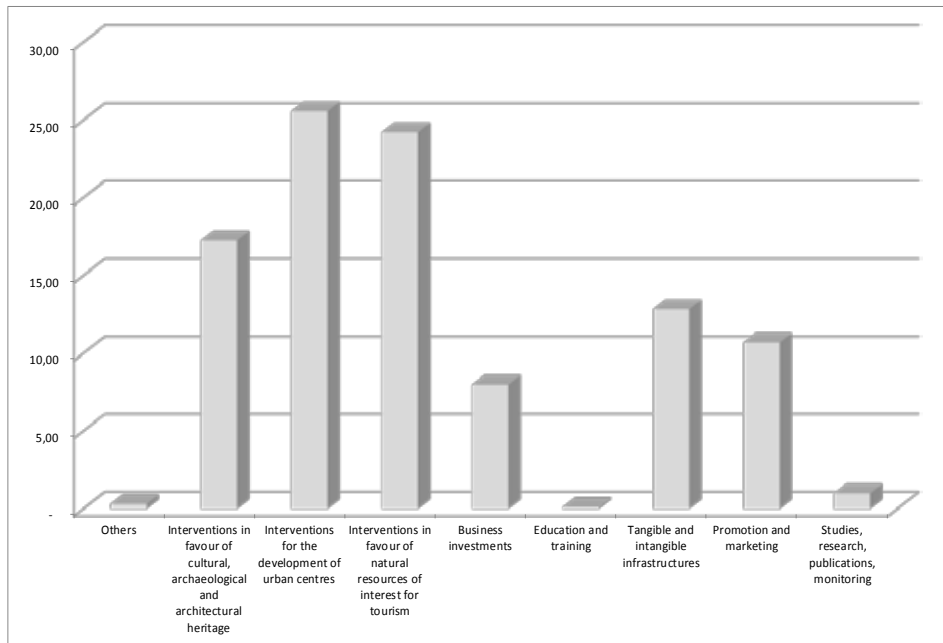
3.   Sardinia Region case study

The first point to be considered is that expenditure for tourism comes up in a number of sessions in the region's balance sheet. This is especially true for interventions in favour of tourism which are aimed at seven Strategic areas, eleven Fuctions and more than sixty Basic Forecast Units (BFU).

The expenditure managed with respect to Function 02 – sustainable tourism, represents only 19% of the expenditure that came up when ExeT methodology was applied. While Function 10 turns out to be of even greater importance – The City and urban systems, and Function 08 – Environmental and forest heritage. Another noteworthy Function is that of cultural heritage. In any case, it turns out that tourism expenditure is fragmented, and divided into various spending centers, that is, between the various sectors of regional administration.

From a quantitative point of view, the expenditure amount in tourism in quite low (less than 9% of the total amount), while the incidence of capital expenditure appears to be quite relevant (71% of total tourist expenditure).

The analysis of the economic-functional classification describes the types of interventions relative to tourist policy. Specifically, as can be seen from Figure 1, in Sardinia, in 2008, almost 70% of expenditure was directed towards three types of interventions: development of urban centres (26%), protection of natural resources of tourist interest (24%), preservation of cultural heritage (17%), which are all fundamental elements that attract tourists. On the other hand, minor interventions were also performed with respect to infrastructures (tangible and intangible) (13%), marketing (11%) and business investments (8%) which are also essential to promote the region. At last, scarce, or nearly nonexistent, were the interventions aimed at studies and research, education and training and other activities that are often set aside in moments of economic hardship, but which could be a valid support for all other interventions in tourist policy.

Figure 1: Allocations following an economic-functional classification. Year 2008 Percentage values

Source: Data processed by Ires on the basis of Sardinia Region general Account – financial year 2008.

As far as expenditure according to final beneficiaries is concerned, it is interesting to note that nearly in 80% of cases we are dealing with resources that are mainly managed by local authorities, given that most of the expenditure refers to historical centers and infrastructures; tourist businesses (8%) did not benefit much from the expenditure, while tourist and cultural associations, along with the organizations that do training benefited quite little from it (Figure 2).

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Figure 2: Allocations per final beneficiaries. Year 2008. Percentage values
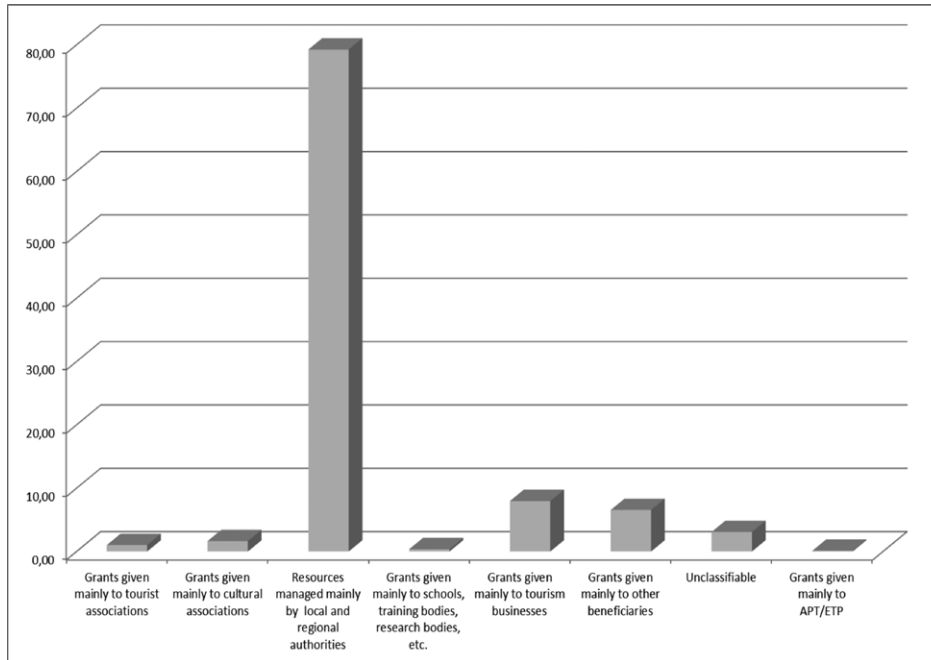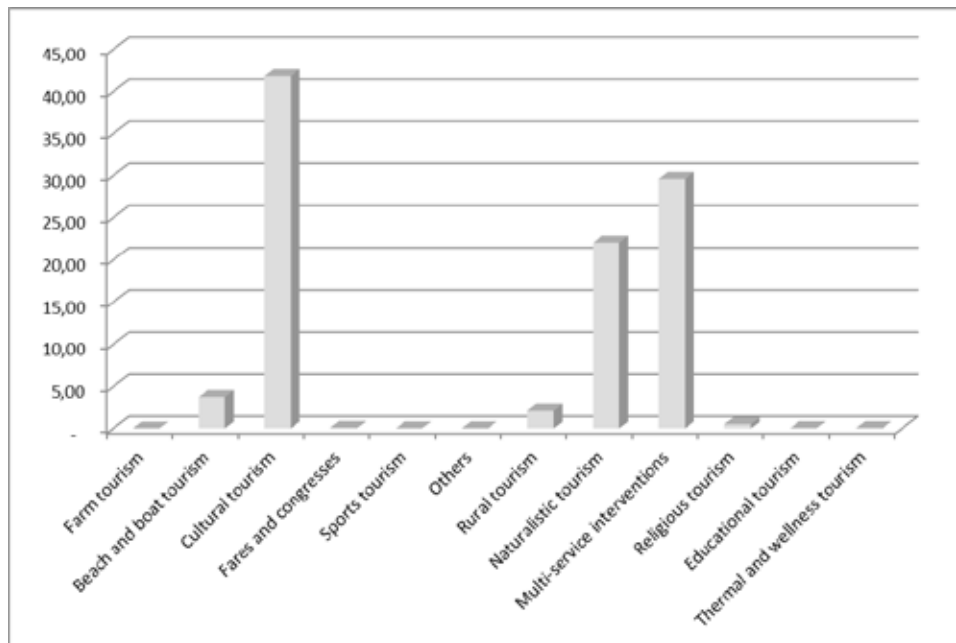

Source: Data processed by Ires on the basis of Sardinia Region general Account – financial year 2008.

Sardinia region used equal amounts of its own funding (51%) and state funding (46%), while a small contribution (3%) arrived from EU funds (Figure 3). European funds are quite scarce as the EU programming period 2007-2013 started a few years late.

Almost all of the interventions were aimed at three types of tourism: mainly towards a cultural type of tourism (42%), but also towards various other fields of tourism (30%) and towards naturalistic tourism (22%). No interventions were made towards farm tourism – this possibly may have depended upon the delay in the start of the 2007-2013 EU implementation programming period. Other interventions in favour of fair and congress tourism, sports tourism, religious tourism, school, thermal and wellness tourism were very scarce (Figure 3). The latter types of tourism could represent some interesting categories on which to invest in the future to contribute to further develop tourism on the island.

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*Figure 3: Allocations according to different types of tourism. Year 2008. Percentage
values*

Source: Data processed by Ires on the basis of Sardinia Region general Account – financial year 2008.

Figure 4 highlights the interventions made in favour of enhancing natural resources which are of interest for tourism; such a Figure shows that more than half of tourist expenditure concerned the protection of the environment. The interventions focused mainly on improving the landscape and the region (44%) and of the forests (29%). Only 7% of expenditure was in favour of the coasts and of the marine environment, and about 7% was evolved towards Site of Nature Conservation Importance (SNCI) and Special Protection Areas (SPAs). There were no interventions for environment quality certifications.
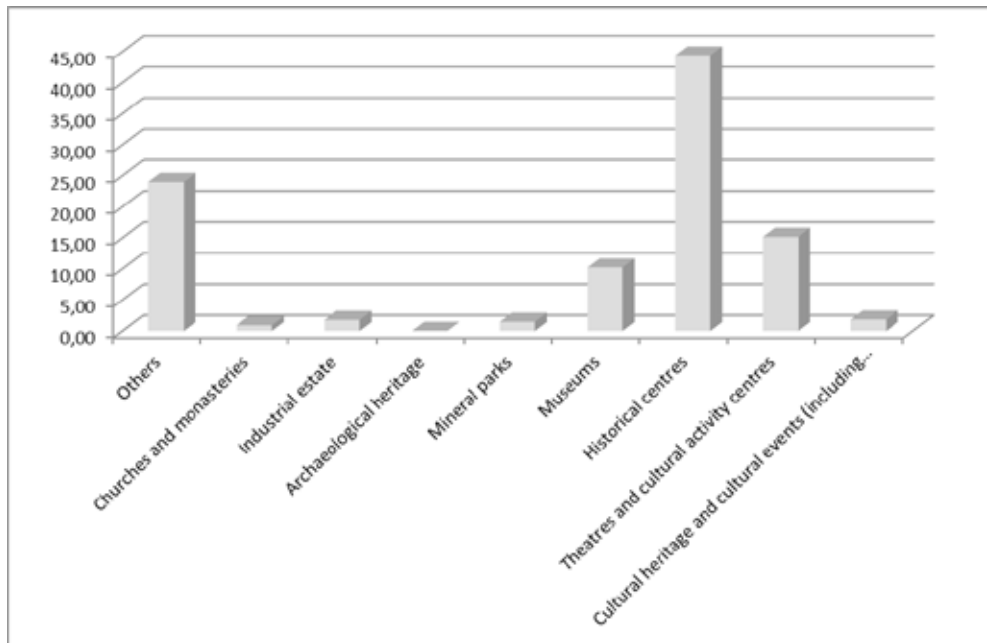
Figure 4: Allocations according to interventions in favour of the environment. Year 2008. Percentage values
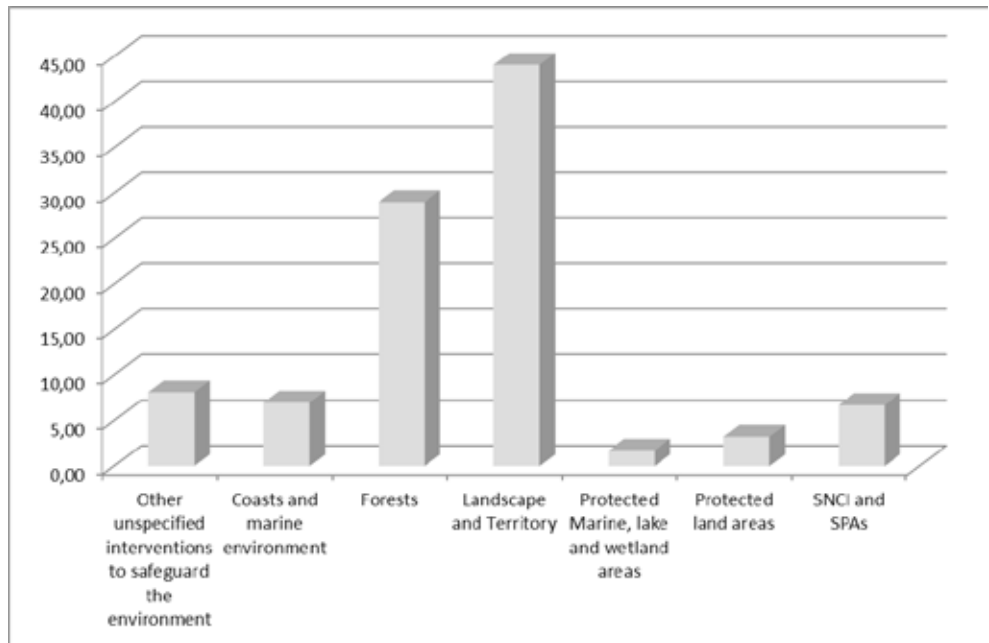
Source: Data processed by Ires on the basis of Sardinia Region general Account – financial year 2008.

A similar situation shows that the same is true for interventions aimed at the preservation, development and fruition of resources of historical, cultural and aesthetic appeal. In this respect, most of the interventions were aimed at developing historical centres (44%), theatres and centres for cultural activities (15%), museums (10%) and less than that was allocated in favour of places of worship, industrial heritage, archaeological heritage and mineral parks (Figure 5).

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Figure 5: Allocations according to interventions aimed at safeguarding the cultural heritage. Year 2008. Percentage values

Source: Data processed by Ires on the basis of Sardinia Region general Account – financial year 2008.

If we move on to analyse the expenditure amount for investments (Figure 6), it is interesting to note the incidence of capital expenditure in tourist policies aimed at town centres (99%), cultural heritage (98%) and infrastructures (97%). Again, a certain consistency can be seen in strategies oriented towards the development of the entrepreneurial sector (73%) and towards education and training (72%). While investments do not have such strong relevance in policies that aim at promotion and marketing (0,4%).

Figure 6: Percentage incidence of capital account allocations according to an economic-functional classification. Year 2008. Percentage values
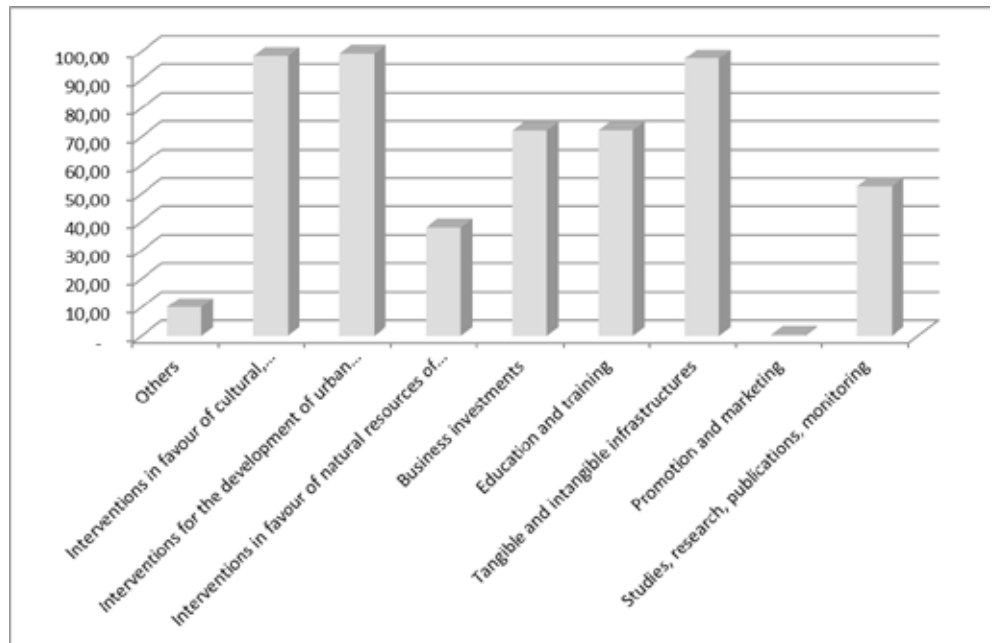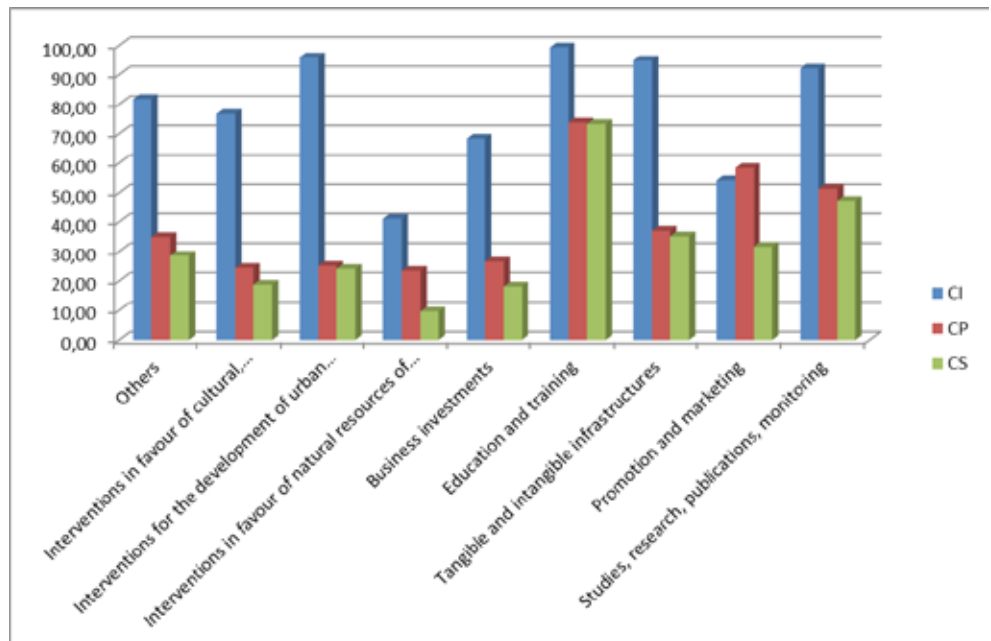

Source: Data processed by Ires on the basis of Sardinia Region general Account – financial year 2008.

As previously stated, our analysis, whose main purpose was to define the functions, and hence what is done with the resources, aside from reorganizing the budget items, also aims at assessing the efficaciousness of the interventions that have been made. This second and most important goal was accomplished by creating some statistics indicators that are able to assess the commitment, payment and spending capacity within the reclassified balance.

Generally speaking, capacity of commitment turned out to be quite high (72%); while paying and spending capacities turned out to have quite low values, 30% and 22%, respectively.

Specifically, Figure 7 shows that while capacity of commitment is quite high with respect to all the items relative to an economic-functional classification, we only have a high spending capacity with respect to the following items: "education and training" and studies, research and divulgation. With respect to the other items, instead, where capacity of commitment was high, payment capacity was low and hence, so was spending capacity. Particularly, the lowest spending capacity was in reference to "natural resources of tourist interest".
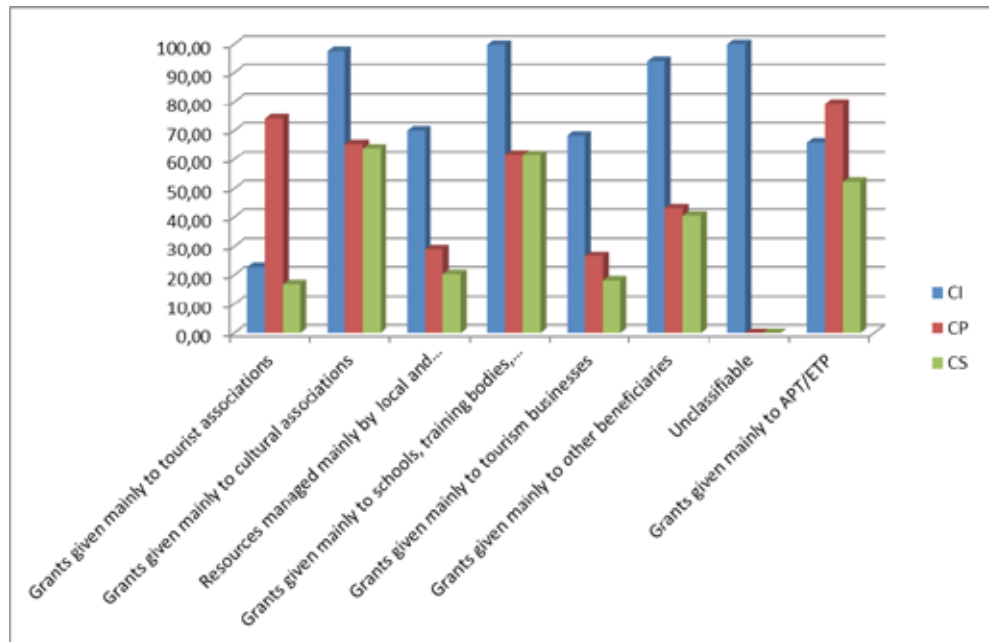
Figure 7: Performance indicators according to an economic-functional classification. Year 2008. Percentage values

Source: Data processed by Ires on the basis of Sardinia Region general Account – financial year 2008.

The analysis of contributions given to final beneficiaries (Figure 8) showed that in fact the spending capacity was good with respect to cultural organizations, schools and training centres, while it was quite poor with respect to tourist associations, enterprises and with respect to resources managed mainly by regional and local authorities.

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Figure 8: Performance indicators according to final beneficiaries. Year 2008. Percentage values

Source: Data processed by Ires on the basis of Sardinia Region general Account – financial year 2008.

A detailed economical assessment of the different types of tourism in Sardinia was helpful in providing a further evaluation on efficaciousness. In this sense, despite the fact that all items presented a high economic commitment, the spending capacity was good with respect to religious and cultural tourism, as well as in the case of multi-sector interventions (Figure 9).

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Figure 9: Performance indicators per type of tourism. Year 2008. Percentage values
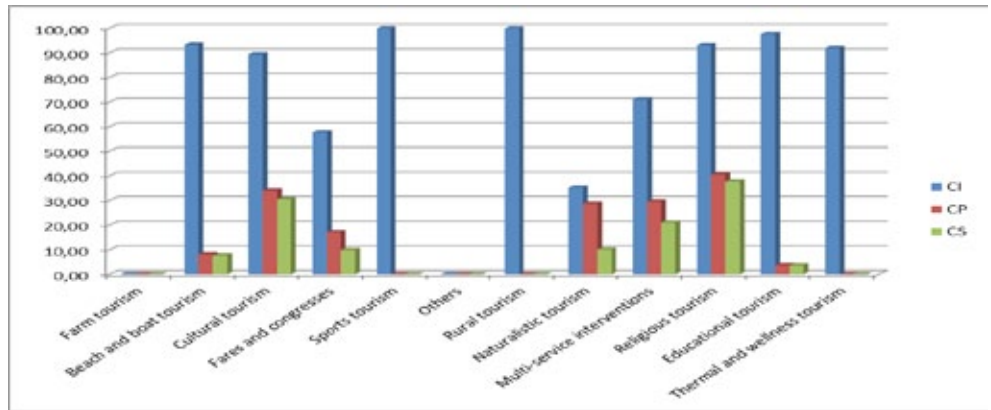
Source: Data processed by Ires on the basis of Sardinia Region general Account – financial year 2008.

One essential pillar of tourism development is the environment. A region like Sardinia, with such a strong potential for tourism, cannot neglect interventions in favour of the environment. However, according to the reclassification that was performed, the items that showed the highest spending capacity had to do with interventions of minor importance (in quantitative terms), as they were aimed at preserving SNCI and SPAs, the landscape and the region; on the contrary, a scarce spending capacity was seen with respect to the more significant items, such as protected land areas, forests, marine-lake- and wetland areas, and marine/coastal areas (Figure 10).

*Figure 10: Performance indicators for interventions in favour of the environment. Year 2008. Percentage values*

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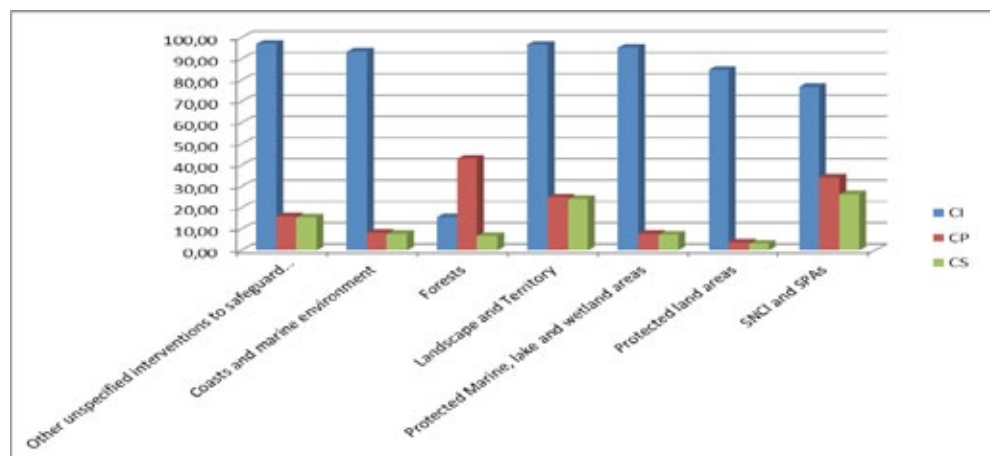
Source: Data processed by Ires on the basis of Sardinia Region general Account – financial year 2008.

At last, when we analyse the reclassified item that deals with interventions in favour of cultural heritage, we can see that the spending capacity is good with respect to "theatres and centres for cultural activities", industrial heritage, cultural heritage and places of worship. While the spending capacity is low or scarce with respect to museums and archaeological heritage, despite the rather consistent spending commitment (Figure 11).

Figure 11: Performance indicators for interventions aimed at the protection of cultural heritage. Year 2008. Percentage values
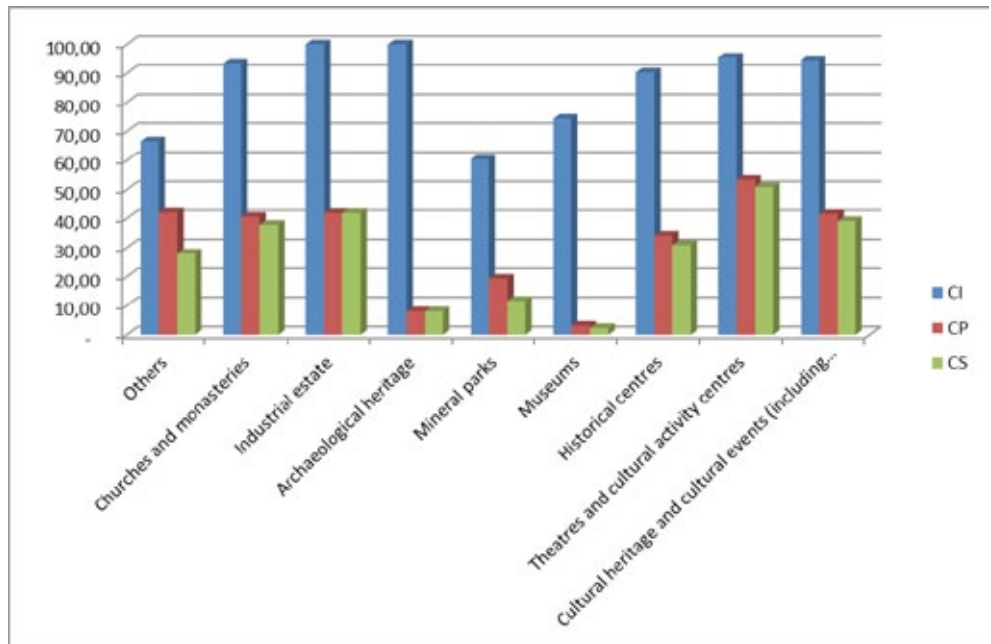
Source: Data processed by Ires on the basis of Sardinia Region general Account – financial year 2008.

In short, what emerges from the analysis is that Sardinia Region clearly has a problem managing expenditure, especially with respect to investments.

4. Conclusions

ExeT methodology was able to make available a considerable amount of information relative to regional public expenditure for tourism, and provided for a data storing system of greater depth with respect to regular information that comes from each single budget chapter, and which is helpful in assessing efficiency and efficaciousness.

This type of classification enables one to identify the sector of the body (department) that acts as a spending centre, and hence all the connections between sectorial

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policies for tourism and other regional policies, as well as the beneficiaries of the interventions.

The application of ExeT methodology to the balance sheets of Sardinia, provided for some interesting elements of thought.

The analysis highlighted a strong outflow of expenditure between the various departments of regional administration, that calls for a need to establish an "Institutional Coordination Centre", so as to confer more incisiveness to interventions in favour of tourism.

Furthermore, our analysis showed that expenditure for tourism was based on three strategic lines: development of town centres, protection of natural resources of interest for tourism, preservation of cultural heritage. While interventions in favour of production facilities and interventions of a promotional nature were considered less important.

To this purpose, local authorities turned out to be the main beneficiaries of the expenditure for tourism, while enterprises were subject to less attention.

What also emerges from the analysis is that there is a clear interest for new forms of tourism such as cultural and environmental tourism, but also, there is a lack of regular interventions of a "generic" sort, in various other fields of tourism.

The intervention on the environment was based mainly on preserving landscape and forest resources, which are two elements that are well connected to rural tourism.

Policies in favour of cultural heritage aimed mainly at developing historical centres.

The high incidence of capital spending shows a strong interest for investments of a "productive" sort.

The performance indicators show a big difficulty in the management of financial resources, given that the balance (difference between commitments and payments) is quite substantial.

In short, one initial consideration is that the region probably needs to revise its actions in terms of quality, and in this respect it needs to pay more attention to innovative interventions, such as for instance, supporting STLs and environment quality certification systems. Furthermore, it is important to link interventions on the region to interventions that are promotional, and to those in favour of enterprises.

In any case, this assessment needs a broader temporal and spacial range of information.

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