

## DESTINATION SMEs

*Improving public policies (through structural funds, national or regional policy instruments) dedicated to the support of tourist SMEs and their competitiveness.*

### 1 Rationale – the Interreg projects

The Interreg Europe funding programme of the European Union aims to improve the effectiveness of Regional Development policies through the exchange, sharing and transfer of experiences, expertise and good practices between regions of Europe. The programme is broadly based on four themes, namely:

- a. the strengthening of research, technological development and innovation;
- b. the competitiveness of SMEs;
- c. the transition to a low-CO2 economy; and
- d. the environment and natural resources.

Projects approved in this context may receive funding from the European Regional Development Fund (ERDF). These funds are mobilized in response to calls for projects launched by the Managing Authorities of the European Territorial Cooperation programs, to which 'Interreg Europe' (formerly called Interreg IV C) belongs. Each project is created by a consortium of partners (mainly institutional) led by a Lead partner called lead. Once a project is approved, the ERDF funds its implementation through a cofinancing element of 85%. The first call for projects of the Interreg Europe programme was published in July 2015. The Ministry for Gozo participated successfully in this call with the 'Destination SMEs' project.

### 2 The Destination SMEs project

Generally, in all EU regions, the Operational Programmes of ERDF and ESF under the Investments for Growth and Jobs objective (in line with the 3rd thematic objective of the Europe 2020 strategy) indicate the competitiveness of SMEs as a major objective. “Destination SMEs” focuses on the tourist economy as a sector with a high development and growth potential.

In order to see their competitiveness increased, SMEs can benefit from financial instruments as stated in the ERDF OPs. But the experience from previous programming periods shows that even SMEs which benefit from this kind of support can experience strong difficulties, have a declining growth and even disappear only after a few years.

One can then consider that the role of a Managing Authority, in addition to the management of the programmes and the EU funds, can be to increase the effectiveness and efficiency of the structural funds by creating favourable conditions for the SMEs to succeed. This is for instance what the Interreg Europe cooperation programme states on page 17: "Sustainable regional growth requires a healthy climate for business and enterprise".

Establishing such a climate is one of the ways to enhance the competitiveness of SMEs. In the tourism sector, it is very difficult to create or develop SMEs out of the blue or in isolation. Tourist SMEs are part of a destination, an area with activities, accommodation, transportation systems etc. Destinations that are well managed are more likely to generate 'wise growth' in their visitor economy, and are more likely to maximise the benefits of that growth in the long term, and create additional income and jobs. When a territory is not organised as a tourist destination, it is very risky to develop any business in it. Creating favourable conditions for tourist SMEs means to encourage the territories to organize themselves as a tourist destination, aiming at:

- a. Strengthening the identity of the territory
- b. Establishing a territorial tourist development strategy
- c. Ensuring a cohesion between the various tourist offers in the area
- d. Allowing cooperation among stake holders & an effective governance system

Destination management can include, among others, land use planning, business permits and zoning controls, environmental and other regulations, business association initiatives, and a set of other arrangements to shape the development and daily functioning of tourism-related activities.

There are various models of Destination Management governance systems, in particular the "corporate model" and the "community model". As explained by French academics in "*Management du tourisme et des Loisirs*" (2014), in the corporate model, the private sector (sometimes one bigger company) has a major role in the governance of a territory. In the community model, the governance is shared between public authorities and private bodies, in particular the SMEs of the area. The problem is that there is certainly no "one size fits all" approach to destination management, and each territory must build its own approach.

So, partners in this project need to address two main questions:

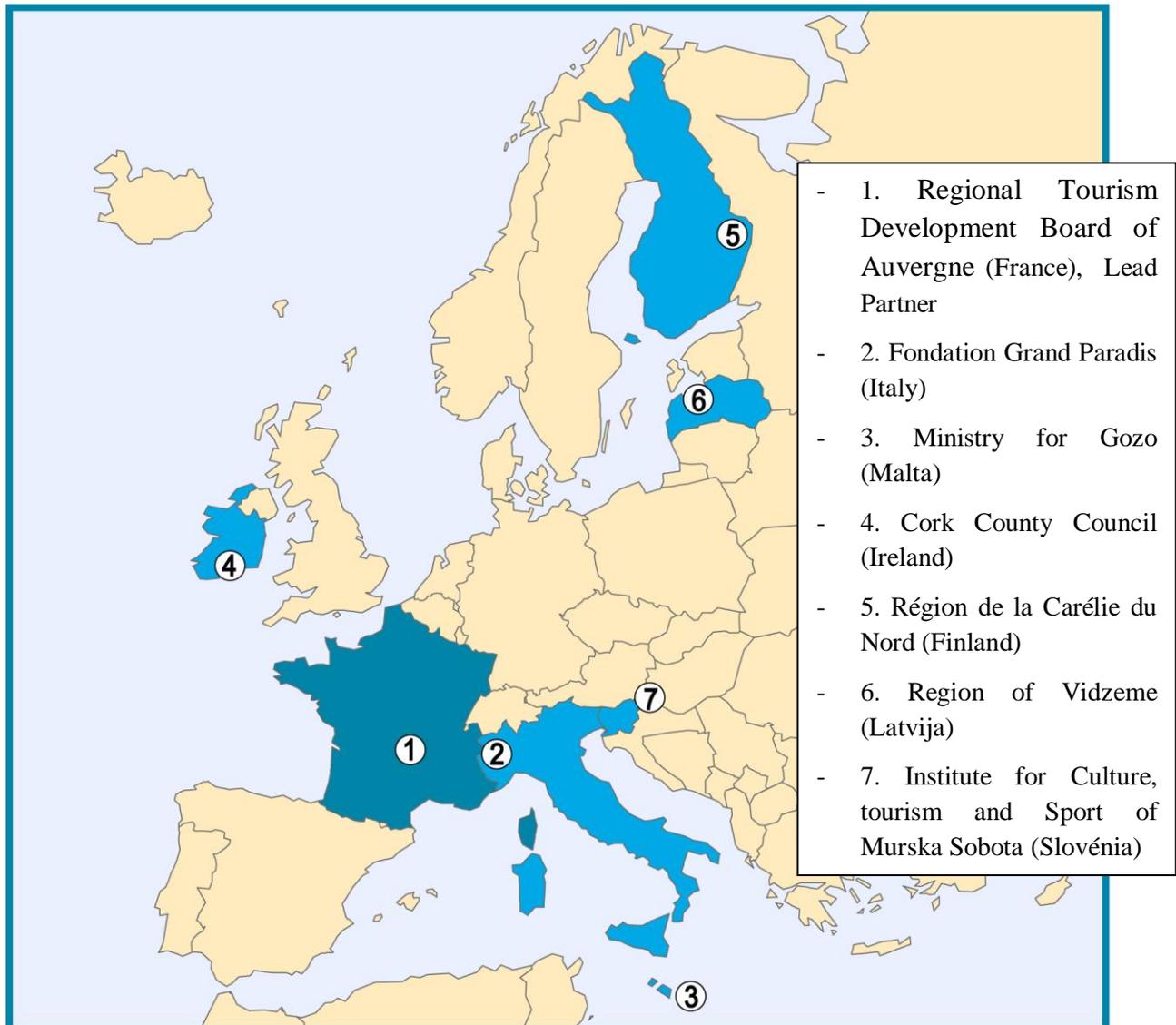
Which Destination Management system(s) does my region need?

How can I improve my policies to encourage my territories to implement these systems, so that SMEs can benefit from the most favourable context for growth?

Answers to those two questions are expected to be found thanks to exchange of experiences and knowledge transfer between regions at the policy level (the *raison d'être* of the Interreg Europe programme), which, with its focus on SME competitiveness, is the most relevant framework to deal with these issues. Destination SMEs aims at improving policies to support SMEs in all stages of their life cycle to develop and achieve growth, which is a Specific Objective of the Interreg Europe programme.

### 3 The Destination SMEs Partnership

The partners forming the project consortium are the following:



### 4 Project Budget

The total budget of the project amounts to € 1,482,618, resulting in an average budget of € 42,360 per partner per year.

Of this sum, € 1,260,225 are provided by the ERDF.