

# **Encouraging Tourism Development Through the EU Structural Funds**

**– the implementation of EU programmes  
on Bornholm and the tourism sector's use  
of them**

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# Preface

European integration has given rise to a set of challenges to European peripheral areas, but also opportunities and benefits for certain sectors, among them, tourism. Bornholm has had success in attracting considerable funds to the local tourism sector from the European Structural Fund. This report takes a closer look at how Bornholm has managed to bring in these funds from the EU, how they are spent in the tourism industry, and to what extent they have alleviated the problems faced by the tourism sector on Bornholm in the 1990s.

Evaluating the effect of support programs in the tourism sector is a complicated task. The complexity of the sector and the vulnerability to external determinants are two out of many factors which make it difficult to evaluate programs on pre-defined criteria such as number of jobs created or number of additional tourists attracted. This report takes as the starting point the obstacles to tourism development on Bornholm as they are viewed the tourism industry. Taking the perspective of the local actors, the study further attempts to understand the demands placed on the agencies responsible for implementation of the programs at the local level, and the impact of their performance with respect to the successes and failures of the funds in encouraging tourism development.

This report is not a presentation of numbers; it does not attempt to estimate the economic impact of the funds in the tourism sector. The aim is rather to give an account of how the tourism industry experience their encounters with the EU system, and to what extent programme funds affect their struggle to survive in the tourism sector in a peripheral area of Europe. The report has attempted to give a balanced, but honest, picture of the various experiences of different operators. As such, it complements evaluations made on more economic criteria, and should provide a valuable input for policy makers at the local, national and EU level, as well as operators in the tourism industry considering the opportunities found within the EU system.

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September 1998



## Authors Preface

On my numerous visits to farms, hotels and public offices connected to the work in this report, I was often met with the question: *What is a Norwegian woman doing studying EU programmes in Denmark?* I seldom had a good answer to this admittedly relevant question. My interest in the matter grew out of curiosity about how the EU system actually impacts local areas, and how their opportunities are limited or increased as a consequence of European integration. A guiding light of the study has been a belief that every area has to be understood on its own premises. This belief has guided my choice of method (case study) and approach to the subject.

And, certainly, working on this report has given me the opportunity to get to know Bornholm in a more intensive manner than many foreigners do even though I only stayed on the island for six months. The interviews brought me to every *hole-and-corner* of Bornholm, and over numerous coffees I have gradually gained an understanding of the unique qualities of the Bornholm tourism industry. I am grateful to all the informants who during busy days took time off to answer my questions. Wherever I came I was met by positive people who helped me overcome limited knowledge about local conditions and language (Bornholmsk). What this report lacks in terms of understanding of Bornholm is the sole responsibility of the author.

In particular, I would like to thank Niels Chresten Andersen in the international department of Bornholms Amt for guidance in the labyrinth of the EU structural funds. I wish to thank Svend Lundtorp for enabling me to undertake this study, and all the colleagues at Bornholms Forskningscenter for making my stay stimulating and enjoyable. I would also like to thank Chris Cooper for useful comments on an earlier version on this report. Last, but not least, I wish to thank Kreg Lindberg for helpful comments and suggestions and kind and patient support during the whole process.

Benedicte Bull  
September 1998



## Summary

The European Structural Funds provide an opportunity to fund programmes for tourism development in Europe. This report discusses evaluation criteria and argues that evaluation of such programmes should be based on obstacles to tourism development as perceived by the local actors themselves. The Structural Funds programmes on the Danish island of Bornholm are evaluated on these criteria. They are found to have had a positive impact on the tourism product, but urgent problems of lack of co-operation and innovative capacity remain. Based on the experiences of Bornholm, the second half of the report discusses how local government can implement these programmes to ensure the best possible outcome. It is argued that local bureaucrats simultaneously have to play the roles of breadwinners, developers, mediators and door-openers to ensure continuous attraction of funds and to reduce the costs of making use of the funds for local target groups. In order to succeed, an organizational structure allowing a division of labour between government and business service organizations is required.

On Bornholm, an international department and an EU secretariat were established within the county administration in order, among other tasks, to obtain funds from the EU and promote local business development. The EU secretariat is the core implementing agency for the structural funds programmes, but a number of additional organizations participate, notably the Centre for Agricultural Development and Innovation (LUIC) and the Trade and Industry Development Council of Bornholm (the Business Council). Taken together, these institutions constitute an implementing structure that allows all the roles of the implementors to be played. Nevertheless, there are unresolved problems, and the tasks related to door-keeping and breadwinning tend to be given priority at the expense of development functions and the crucial function of being mediators with respect to local industry. LUIC has been most successful as a mediator because it built on long-standing relationships between farmers and farm organizations. In the hotel and campground sector, these relationships did not exist. Consequently, the organizations implementing the funds in this sector had less success in lowering the costs of information gathering and application development for the target groups.



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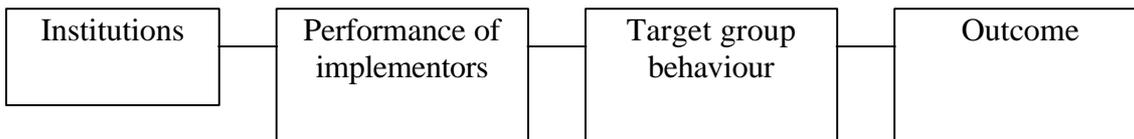
# 1. Introduction

As an alternative source of employment in areas suffering from the decline of primary industries, tourism has been the subject of increasing attention within European regional policy. Consequently, it is also an area eligible for support from European Structural Funds. A number of local and regional governments have introduced programmes with support from the funds aimed at encouraging local development of tourism. However, the outcome of these programmes varies, and it is hard to find evidence of significant contributions to increased tourism and employment in the tourism sector.

The aim of this report is two-fold: First, it discusses evaluation methodology and argues that, by evaluating the programmes solely in terms of end-goals (increased employment), one will overlook important consequences of the programmes. Instead, one should evaluate the programmes based on the extent to which they help local tourism businesses overcome what they conceive as the major obstacle to tourism development at the destination. In the long term, this may contribute to achieving the goals of the programmes. Based on this criterion, the outcome of the structural funds programmes for the tourism sector on the Danish island of Bornholm is evaluated.

The second aim of the report is to study how the process of implementation of the funds at the local level affects the outcome for the tourism sector. In order to obtain the funds, private businesses, local, regional and national authorities have to participate in a competition for funds, entailing costs in terms of work hours and travel-budgets, but also in terms of loss of influence over the direction of development at the regional, local or enterpriselevel. What is emerging is a multi-layered structure of governance based on incentives and opportunities, in which the sub-national governments in particular plays a number of roles vis-à-vis the tourism industry.

The regional government has to perform four different roles in order to ensure a successful outcome; it is the *door-keeper* for the funds; it is an active *developer* and entrepreneur; it is a *mediator* between local businesses and the EU system; and, finally, it is the *breadwinner, bringing home the bacon* from Brussels. These roles emanate from different, and potentially conflicting, expectations of the regional government from different actors in Brussels, at the national level, and at the regional and local level, too. They pose dilemmas to the regional government related to the use of time and resources, and related to local strategies. Solutions to these dilemmas depend on the extent to which the local institutional structure allows for an efficient division of labour and prioritization of goals. For the local private and public actors, there are costs as well as potential benefits involved in the use of the EU programmes. The costs are primarily related to information gathering and formulation of applications, but also to decreased influence thanks to the conditions created by the programmes. The perceived costs are diminished if the implementing institutions play active roles as mediators. But success as a mediator is not only dependent on formal institutions. The basic model for the study is as following:



The report is based on a study conducted on Bornholm during the first half of 1997. It was designed as a case study and involved 57 interviews (three of them were phone interviews, the rest were personal interviews) with tourism organizations, funding recipients and regional governments responsible for the implementation of the funds on Bornholm. The respondents were selected through a bottom-up logic. The *snowball method* was used in order to identify the actors involved in the planning, financing, and execution of the relevant governmental and non-governmental programmes in a certain policy area. A set of actors was asked about goals, strategies, activities and contacts. This provided a basis for mapping an implementation structure, consisting of all relevant actors in the process.

The first interviews in the study, when relevant actors and issues were identified, were unstructured interviews. After this first round of information gathering, an interview guide was developed which formed the basis for further interviews with implementors and funding recipients.<sup>1</sup>

The informants divide into five groups:

- Fifteen hotel and campground owners. Recipients of investment support under Provision C II in the 5b-programme.
- Fourteen Farmers. Recipients of support for farm tourism from the Agricultural Fund under Provision C I in the 5b-programme.
- Two private recipients of support under provision C III (Consulting and Development) in the 5b-programme.
- Representatives of the of five municipalities in charge of projects having received support from the Regional Fund under the LEADER I programme, Provision C IV (Infrastructure and tourist attractions), Provision C III (Consulting and Development), and from the Agricultural Fund under the LEADER I programme. They had been in charge of 27 projects in total.
- Eleven representatives of tourist organizations, business services and other organizations directly or indirectly involved in the implementation process.
- The seven executives in the international department in Bornholm County. This encompasses the EU secretariat formally in charge of implementing the EU programmes on Bornholm.<sup>2</sup>

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1 The interview guides are found in appendix 1.

2 The complete list of interviews is found in appendix 2.

## **2. Tourism on Bornholm - structure and trends**

The island of Bornholm is the most easterly county of Denmark. It is located 150 kilometers from Copenhagen and only 36 kilometers from Sweden. It is the smallest county in Denmark, with a population of 45,000 inhabitants and a land area of 587 km<sup>2</sup>. One third of the population lives in Rønne, the largest town and administrative centre. The rest of the population is divided between the other four municipalities. Bornholm has the lowest per capita income of all Danish counties, and among the highest rates of unemployment (12%). Tourism is the third most important industry on the island, after agriculture and fishery. The largest employer is the public sector, employing one third of the work-force.

### **2.1. Tourism on Bornholm**

Each year approximately 400,000-450,000 tourists visit Bornholm, excluding day-visitors. According to an estimate based on the visitor numbers from 1992, tourism provides around 1,100 full-time jobs, employing 4.8% of the total work-force on Bornholm (Rafn 1995). In 1992 there were around 1.7 million overnight stays, giving Bornholm the highest overnight stay per capita (69) in Denmark (Rafn 1996).

Bornholm has a high share of international tourists; 76% of all overnight visitors are foreigners. Sweden and Germany represent the largest international markets, providing 55% and 14% respectively of the tourists on Bornholm. Norway and Holland are considered the secondary markets with 4% and 1% respectively of the tourists. The Germans are also the group with the largest recent increase. The number of German tourists increased almost 100% between 1989 and 1994. The number of Swedish tourists increased up until 1992 and decreased significantly after that. The number of Danes has been relatively stable (Destination Bornholm 1996). Adult couples and families with young children form the core of the market (Hartl-Nielsen, Rømer Rassing and Wanhill 1997).

Among Bornholm's main attractions are its beaches, nature, well preserved small towns and historical sites. According to a survey of visitors to Bornholm (July 1995-June 1996), the most popular activity among the tourists was going to the beach (Hartl-Nielsen, Rømer Rassing and Wanhill 1997). Tourism to Bornholm is highly seasonal. In 1995, 44% of ferry passengers travelled between June and August.

Bornholm has 73 hotels, 19 hostels, six holiday parks and six hostels with a total of 11,890 beds. In addition there are 3,700 summer-houses (Destination Bornholm 1996). The favored accommodation type is summer house rental, chosen by 38% of the tourists on Bornholm, although the share of hotel nights (30%) is higher on Bornholm than in the rest of Denmark. This contributes to a high spending per tourist (Schøneman 1994). The hotel sector on Bornholm consists of small and medium sized businesses: 45% of them have less than 40 beds, and a large number of them are family-run businesses. The owner participates in the daily management of 86% of the hotels, and the owner's spouse participates in 60% of the cases (Sundgaard 1997). The holiday homes business is operated by national and international holiday home rental companies, by local tourist bureaus and by individual holiday home owners themselves. There are a number of accommodation facilities on farms that are registered as holiday homes.

## 2.2. Tourism trends on Bornholm

Tourism on Bornholm has a long history. According to a *tourist area lifecycle* analysis, Bornholm's tourism has been through a prolonged period of exploration and involvement (1850-1950), a fairly rapid development period (1950-1970) and a stagnation stage during the 1980s (Twining-Ward and Twining-Ward 1996). Between 1970 and 1992, there was a 95% increase in overnight stays on Bornholm. Since then, there has been a decline in tourist numbers, with the number of overnight stays falling 8.7% between 1992 and 1995. The decline hit the hotel sector especially hard: it experienced a 20% drop in overnight stays, and the number of hotels running a deficit increased from 26% in 1992 to 46% in 1995 (Sundgaard 1997). The holiday homes fared better with an 11.5% increase.

However, endogenous factors, as pointed to in the lifecycle analysis, can not be held entirely responsible for the general decline. A Swedish devaluation in 1993, German unification and economic decline, and some bad summers (which made the Nordic market inclined to choose southern European destinations) probably also contributed to the decline in tourist numbers.

This drop in tourist numbers happened at the same time as one of the island's other three major industries, the fisheries sector, faced a crisis. This was caused by a cut in Baltic Sea fishery quotas and a drop in cod prices. Between 1992 and 1995, the income from Bornholm ships declined by 32%, and employment in the fisheries sector dropped 20% between 1993 and 1994 alone. The declining importance of fisheries as a source of income and employment increased Bornholm's dependence on tourism. This was reflected in the priority given to tourism in local planning.

The economic crisis also gave rise to a number of aid programmes funded by the national government and the EU. Most significant among the governmental initiatives was *Bornholmerpakken*, which involved a massive transfer of funds and a number of development initiatives in which education, research and development, and tourism were among the priority areas (Regjeringen 1993). Thus far, the trend of economic decline has not been reversed (Mikkelsen 1997).

## 2.3. Organization and planning of tourism on Bornholm

Bornholm has a regional (county) government (*amt*) and five local (municipal) governments (*kommuner*). None of the municipalities has an explicit plan for tourism development. However, tourism planning forms a part of the different local plans. Tourism planning is also included in the island's regional plan, the most recent being developed in 1993. The principle that the number of tourists should not at any point exceed the number of residents has been emphasized in all regional plans since 1978. The current strategy is to extend the season through development of new attractions and activities, and through an emphasis on *quality tourism*. In general, the regional plans have been found to reflect goals and guidelines developed at the national level (Fitje 1996).

Historically, the primary organizations in Bornholm's tourism sector were the private tourist associations (Turistforeninger) consisting of ordinary residents wanting to support tourism on Bornholm. These tourist associations have up until recently been running all the tourist information bureaus on the island, which also act as accommodation booking

agencies and travel agents. There are now five tourist bureaus on the island, and all but two of them are now run on a regular commercial basis.

In 1992, Destination Bornholm was established. It is an umbrella organization for Bornholm's tourist industry and a marketing and promotion company for the island in general. It works in parallel to the Welcome Centre which provides general information to visitors on Bornholm.



### **3. The structural funds and the tourism sector**

The economic problems on Bornholm occurred in the context of political changes at the European level, which affected the conditions under which tourism businesses in peripheral areas operate. Among the EU measures that are expected to boost tourism generally are the removal of physical barriers, transport liberalization, controls on anti-competitive practices and consumer protection measures (Commission of the European Communities 1993). There are also negative impacts from these measures. The move towards improving ease of travel and resource transfer between different points in the EU, and towards harmonization of the business environment, is likely to raise the relative costs of the *tourism product* in the weaker regions relative to other EU destinations and non-EU competitors (European Parliament 1993). Others point to the EU policies' effect of underlining the trends of concentration and market segmentation already established by the early 1990s (Lavery 1993).

The EU Regional Policy is partly motivated by a desire to remedy the negative consequences of integration for peripheral areas. Tourism projects in designated areas are thus eligible for support from the Structural Funds programmes.

#### **3.1. EU Regional Policy and the Structural Funds**

In the early days of European integration, there was a widespread belief that through the process of economic integration, the problems of regional disparities of wealth would solve themselves. However, as early as the Treaty of Paris, this was recognized not to be the case and European regional policy developed on three lines: the co-ordination of national regional policy measures to ensure their conformity to the treaties, the development of Community<sup>3</sup> funds for regional development, and a slow series of moves towards an active Community regional policy (Keating 1995).

The European Regional Development Fund (ERDF) was established in 1975 to accommodate the UK, which was about to become a net contributor to the Community. The design of the fund was a result of a compromise between the Commission<sup>4</sup>, pushing for a set of radical measures, and the Council of Ministers attempting to restrict the amount of regional policy powers transferred from member states to the EC. The result was an institution over which the member states exerted strong influence. The funds devoted to the cause were extremely meagre, and the assistance was confined largely to infrastructure investments and investment in industrial and service-sector schemes.

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3 The term Community (or EC) is used when referring to events prior to the Maastricht Treaty (1992). With the amendment of security- and foreign-policy issues in the Maastricht Treaty, the European Union was established. However, the term Community is still used when referring to the three *pillars* of the organization consisting of issues and institutions that existed before the Maastricht Treaty.

4 The European Union is governed by a Council of Ministers consisting of the relevant ministers from the member countries, depending on what issue is discussed. The European Commission is not a democratically elected body. It consists of officials, but has extensive powers compared to a national bureaucracy. It shall (i) elaborate policy in different areas based on the text of the Treaties; (ii) initiate or in other ways promote community legislation; (iii) oversee the member countries' implementation of community legislation; and (iv) be a broker in cases of conflict between member countries.

Starting in 1979, the regional policy has undergone a number of reforms (1979, 1984, 1989, 1993). Two other Structural Funds supplemented the ERDF: the European Agricultural Guidance and Guarantee Fund (EAGGF) and the European Social Fund. The last amendment to the variety of funding instruments is the Cohesion Fund established in 1993. The amount of funding available has increased from a negligible £740 million set aside for the three year period 1975-1977, to one third of the total EU budget in the period 1994-1999 (141,471 billion ECU). During the 1980s there was a trend away from project-related assistance based on quotas set aside for each country, towards programme-based assistance. Two types of programmes were defined in the 1984 reform: Community Programmes, to be initiated by the EC and encompassing all of the member states, and National Programmes of Community Interest, initiated by member states and drawing on ERDF aid. Because programme assistance is more flexible and more at the discretion of the EC, this change involved a shift of power away from the member states towards the EC. However, the flexibility of the programme approach is also recognized to have increased the influence of the national and regional agencies responsible for *implementing* the programmes (Armstrong 1995). The Commission has strong influence on the conditions for support from the funds, but within the framework drawn up by the Commission, national and sub-national implementation agencies have increasing power.

The 1989 reform continued the trend towards programme assistance. It was based on four key principles: concentration, partnership, programmemeing and additionality. The principle of concentration resulted in five priority areas upon which assistance was to be concentrated (later six, when Sweden and Finland entered the Union). Some of the objectives cover the whole union (3, 4, 5a) and some are regionally determined (1, 2, 5b, 6) (see Table 1).

The principle of partnership calls for close collaboration between the Commission and the relevant authorities at national, regional or local levels appointed by each member state at all programmemeing stages. The programmemeing principle sets the timetable for the allocation of assistance and the scope of assistance of each fund. The principle of additionality aims to ensure that financing from Community funds is not used to replace national structural aid. More specifically, each member state has to maintain its structural or comparable expenditure at least at the same level as in the previous programmemeing period, taking into account the macro-economic circumstances and with the possibility of making exceptions under special economic circumstances<sup>5</sup> (European Commission 1996).

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5 Bornholmerpakken was accepted by the Commission thanks to this amendment.

**Table 1. Priority objectives for the European Structural Funds**

Objective 1:	promoting the development and structural adjustment of regions whose development is lagging behind
Objective 2:	converting the regions or parts of regions seriously affected by industrial decline
Objective 3:	combating long-term unemployment and facilitating the integration into working life of young people and of persons excluded from the labour market, promotion of equal employment opportunities for men and women
Objective 4:	facilitating the adaptation of workers to industrial changes and to changes in production systems
Objective 5:	promoting rural development by:
Objective 5a:	speeding up the adjustment of agricultural structures in the framework of the reform of the common agricultural policy and promoting the modernization and structural adjustment of the fisheries sector
Objective 5b:	facilitating the development and structural adjustment of rural areas
Objective 6:	promoting the development and structural adjustment of regions with an extremely low population density

Source: European Commission 1996

The 1989 reform also continued the trend away from aid for infrastructure projects towards stimulation of productive capacity. The resulting structure of the regional policy has been described as an *embryonic planning system* (Armstrong 1995) involving co-ordination and negotiation of national plans through Community Support Frameworks (CSFs).

The future of the Structural Funds is highly uncertain. There is a widespread recognition that major reforms have to come in connection with the envisaged incorporation of East and Central European countries. However, this issue did not receive the attention expected of it at the European Council meeting in Amsterdam in June 1997.

### **3.2. Tourism and EU Regional Policy**

In its Decision 92/421/EEC of 13<sup>th</sup> of July 1992, the council of the European Union confirmed the appropriateness of undertaking actions regarding tourism at Community level (EC/DC XXIII/Tourism Unit 1994). The development of tourism in the Community is viewed as an important means to achieve a variety of goals, among them the promotion of economic and social cohesion within the Community. The European Commission recognizes that *[t]ourism is a factor of economic development for less-favoured regions, rural areas, as well as those areas in industrial decline* (Commission of the European Communities 1996: 3) As such, tourism development in areas covered by the six priority objectives qualifies for aid through the Structural Funds<sup>6</sup>. It is eligible for support through a number of Community initiatives.<sup>7</sup>

The Regional Fund is the major source of structural funding for tourism development. Funding is allocated under three main headings: (i) investment in production, (ii)

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6 The Cohesion Fund is also of some indirect influence but is generally viewed as having less direct impact on the tourism sector.

7 The Community Initiatives are special assistance programmes initiated by the European Commission. They are mounted in addition to the Community support frameworks and the single programming documents negotiated between the member states and the Commission. In the current period, 9% of the commitment appropriations for the structural funds can be used to finance Community Initiatives (European Commission 1994).

investment in infrastructure, and (iii) the development of the indigenous potential of the regions. The Agricultural Fund assists tourism development mainly in the form of encouragement to invest in the industry and in production of artisan crafts. It also supports improvement of the natural and cultural environment and development of agricultural products. The role of the Social Fund is the twofold development of human resources and improved efficiency of the labour market. Improving the qualifications of employees in the tourism sector thus qualifies for support from this fund.

In addition to these Structural Funds, there are a number of Community Initiatives that potentially involve assistance to the tourism sector. A total of 11.9 billion ECU has been allocated to 13 initiatives for the period 1994-1999. These cover seven subjects (see Table 2).

**Table 2. Community initiatives that potentially involve support for the tourism industry**

Cross-border, trans-national and inter-regional co-operation and networks	INTERREG
Rural development	LEADER
The management of industrial change	ADAPT, RECHAR, RESIDER, KONVER, TEXTILES, SMEs
The most remote regions	REGIS
Employment and development of human resources	EMPLOYMENT-NOW, HORIZON, YOUTHSTART
The development of crisis-hit urban areas	URBAN
Restructuring the fishing industry	PESCA

Source: Commission of the European Communities (1996).

Allocations of structural funds to tourism is determined in the Community Support Frameworks (CSFs) or Single Programmemeing Documents (SPDs) drawn up in agreement between each of the member states and the European Commission. The degree to which tourism is given priority therefore varies across countries.

On average, in the Objective 5b regions, 12.7% of the EAGGF and ERDF funds are allocated to measures to assist tourism. This totals 780.64 million ECU. The comparable amount in Objective 1 & 2 regions is 360.00 million ECU. Priorities differ across countries. Among the 5b areas, Denmark tops the list with 27.2% of the SPD-funds allocated to tourism, whereas Germany and Spain both limit the funds allocated to these purposes to around 7%.

**Table 3. Single Programmement Documents (SPDs) for Objective 5b (1994-1999): Funding for measures to assist the tourism sector (million ECU)**

Member state	Total Cost		Community contribution				
	All SPDs a	Tourism measures b	All SPDs c	Tourism measures d=f+g	%	Tourism measures	
					Tourism measures e=d/c	EAGGF f	ERDF g
Belgium	266.2	30.9	78.1	10.2	13.1	0.8	9.5
Denmark	201.5	57.5	54.0	14.7	27.2	6.5	8.2
Germany	5205.3	382.9	1229.1	86.7	7.1	42.5	44.2
Spain	1798.7	149.7	664.0	45.2	6.8	7.7	37.5
France	7832.0	891.1	2229.3	258.4	11.6	27.4	231.1
Italy	4728.4	914.4	903.7	168.6	18.7	37.6	131.1
Luxembourg	25.5	4.5	6.0	0.9	16.4	0.1	0.9
Netherlands	592.1	72.9	150.0	20.9	13.9	1.4	19.5
UK	2012.3	419.0	820.5	174.9	21.3	38.8	136.1
Total	22662.1	2922.4	6134.6	780.6	12.7	162.5	618.1

Source: Commission of the European Communities (1996).



## 4. The distribution of funds from the structural funds programmes on Bornholm in the tourism sector

The identification of Bornholm as an area eligible for support under Objective 5b in 1989 gave the island access to funding from the Danish 5b programme and the Community Initiative LEADER. Moreover, Bornholm was recognized as an *external maritime border area* and thus covered by the Community Initiative INTERREG.

Bornholm continued to be one of Denmark's 5b areas in the new Structural Funds period 1994-1999. A new 5b programme was introduced, although funding decreased, because of the enlargement of the Danish 5b area. Bornholm also joined a LEADER II programme, similar to LEADER I but excluding the largest towns on the island as receivers of support. It became operative in spring 1997. In addition, the INTERREG programme was continued, and Bornholm became subject to the community initiative PESCA, as an area suffering from decline of the fishing industry.

All of these programmes contained provisions under which the tourism sector has been eligible for support. A total of some 38 million kroner from the EU has been disbursed to different tourism projects, encompassing both private and public initiatives.<sup>8</sup> Including the co-financing of private projects by the Danish government, 43 million kroner have been channelled to the Bornholm tourism sector through the EU programmes.<sup>9</sup> Most of these funds have come from the 5b programmes and LEADER II.<sup>10</sup>

### 4.1. Provisions for support of the tourism sector

Taken together, the Object 5b programmes (I and II) and the LEADER I programme which are the focus of this study, have attracted 118,5 million kroner from the EU. In addition comes 53 million kroner as co-financing from the Danish government. There is still considerable funds left on the 5b programme (1994-1999). Tourism projects are eligible for support from the 5b programme according to the provisions found in table 4.

The LEADER programmes have three main areas of emphasis: (a) competence development (25%); (b) programmes for renewal of rural areas (70%); and (c) trans-national co-operation (4). Under area (b) there are six provisions, each aimed at different

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8 A total overview of supported projects in the tourism sector is found in Appendix 3.

9 Fifty percent of the assistance granted private projects is funds from the Danish government, and 50% is EU funds. In public sector projects, there is a variety of sources of public co-financing. For example government unemployment benefits are used as co-financing in a number of social-fund projects. The public sector co-financing of public sector projects is not included in the estimation of total grants to the tourism sector from EU programmes.

10 The numbers are based on figures from Carrefour (Bornholm County's EU secretariat). There is some uncertainty about the share of the funds allocated to the tourism sector. In some cases, it is hard to distinguish between projects initiated for tourism purposes, and projects aimed at benefiting the public in general. A fairly strict definition is applied here: tourism projects include tourism accommodation, attractions, infrastructure investments aimed directly at tourism, and public activities with a clear implication for tourism activities (such as education of tourist guides). A second source of uncertainty is the fact that the exact sum allocated to farm tourism in the period 1989-1993 is not known. However, the number of projects that were supported is known and the estimate here is based on the average support for each project in the present period.

sectors. B3 is concerned with promotion of tourism in rural areas, and on Bornholm this constitutes around 30% of total funds.

**Table 4. Provisions for support for the tourism sector in Bornholm's 5b programme**

Provision	C1: Rural tourism	C2: Investment Support	C3: Consulting/ development	C4: Infrastructure	C5: Business education/in- service training
Source of funds	Agricultural Fund	Regional Fund	Regional Fund	Regional Fund	Social Fund
Eligible projects	Restructuring towards rural tourism in agricultural enterprises. Provision of attractions Preservation of cultural values in the landscape Advisory and consultant activities/ feasibility studies	New establishments New tourist initiatives, centres and facilities. Under special conditions: capacity expansions and modernization of hotel rooms. Investments in environmental technology	Feasibility studies. International marketing analyses. Analyses and other consultant services. Establishment of competence network. Employment of experts	Transport, communication, under special circumstances water supply, to attract tourism businesses. Public business service Public infrastructure of relevance for tourism	Projects that may improve the basic qualifications in the trade, related to service, product development, facility improvement, marketing, sales, distribution, landscape preservation, development of human resources
Assistance recipients	Farmers Organizations Counties Municipalities Parastatal organizations	Private firms	Private firms Organizations Counties Municipalities Parastatal organizations	Public authorities or Parastatal organizations	Target group: employed and newly unemployed under 25 years within the tourism business

## 4.2. Distribution of funds

Funds allocated under Provisions C1 and C2 are mostly aimed at private tourism developers (accommodation facilities (hotels, campgrounds) and farmers restructuring into farm tourism). Forty-one percent of the total funds (including co-funding from the Danish government) allocated to tourism in the period 1991-1994 was given to projects under these two provisions, in other words mostly to private projects. In the present period (1994-1999), there is about 22 million kroner available for tourism projects. Of these, 13 million is budgeted for Provisions C1 and C2 (62%). The present programme shows in other words a relatively stronger emphasis on tourism, considering that the total funds for the programmes have been cut from 100 million kroner to 68 million kroner. It also shows that emphasis on the private tourism sector has been strengthened.

In LEADER I 54% of the available funds was allocated to the tourism sector. Of these, 37% went to private developers and the rest to public and parastatal bodies. The

percentage allocated to the private sector was about the same for the tourism industry as for other industries in the LEADER I programme.

The private sector has, however, not been very eager to apply for support in the present period. Only 13% of the funds under Provision C1 have been utilized. The equivalent number for Provision C2 is 26%. In comparison, funds under C3 and C4 already have a 100% utilization. The utilization of the funds by the private tourism sector is also low compared with the private sector in general.

**Table 5. Distribution of funds to different kinds of tourism projects from the EU programmes on Bornholm**

Type of project	Number of projects	Total grants	Percentage
Maritime infrastructure	16	11,341,200	26
Accommodation	57	10,568,900	24
Attractions	15	7,642,900	17
Education	8	6,706,700	15
Tourist service	10	3,291,000	8
Consulting	4	1,409,100	3
Marketing	8	1,423,700	3
Infrastructure	6	1,310,600	3
Total grants to the tourist sector from EU programmes on Bornholm	124	43,695,000	

Looking at the distribution of funds between different types of tourism projects, different kinds of accommodation make up the largest number of projects. This encompasses farms getting support for restructuring into farm tourism, and support for hotels and campgrounds. In terms of total grants, maritime infrastructure projects have received the largest share – 26% of the total grants. Maritime infrastructure projects are primarily renovation of harbours. Different kinds of tourism attractions were granted 17% of the total. *Tourist service* covers different kinds of facilities, such as maps, signs, public toilets and tourist information offices. In the education category is found a number of social fund projects aimed at improving qualifications in the tourism industry. Infrastructure is mainly cycle paths and car parks.



## 5. The impact of structural funds on the tourism sector in Bornholm

There have been many attempts to assess the effect of structural funds programmes, but there is no commonly agreed method of evaluating their impact. In Denmark, a number of evaluations of specific programmes, where support for tourism has been a major component, have been made. The evaluations have mostly focused on whether the programmes have created additional employment, and the conclusions are not overwhelmingly positive.

The evaluation of the regional EC programme for southern Jutland (1987-1991) concludes that support for tourism attractions and facilities did not lead to the result expected. A number of attractions and centres was established, but they were not financially profitable and there had not been a significant impact on employment (Jørgensen 1995). The *fishery-campaign* was an EU-funded support programme for four counties in Denmark hit by decline of the fishing industry. It aimed at restructuring from fisheries to other sectors, including tourism. The evaluation of this programme concludes that increased tourism was registered in the areas subject to the programme during the time it was carried out (1988-1990), but that this could not be traced back to the actions taken under the programme (Jørgensen, Hansen and Pedersen 1992).

A more recent study of the funding allocated under the 5b programme to rural tourism in Denmark concludes that the returns from the projects initiated with support from this programme have been lower than expected and that there were no significant employment benefits (Hjalager 1996). This study takes a step further than the two others and also evaluates the extent to which the EU programmes have affected innovation and the degree of co-operation among the recipients of support. The conclusions on these points are that truly innovative activities in rural tourism are hard to combine with modern agriculture, and that the organizational set-up has not functioned satisfactorily.

Most of these evaluations are based on a top-down approach: they take a certain programme as the starting point and evaluate performance according to the objectives established in the programmes. In the following it will be argued that this is not the most fruitful approach in relation to EU programmes and the tourism sector on Bornholm.

### 5.1. Criteria for evaluation of programme performance

The classic implementation analysis starts with objectives set forth in the policy or programme and proceeds to investigate whether these goals have been reached (Pressman and Wildavsky 1973, Van Meter and Van Horn 1975, Mazmanian and Sabatier 1989). Implementation in this sense is thought of as: *[t]hose actions by public and private individuals (or groups) that are directed at the achievement of objectives set forth in prior policy decisions* (Van Meter and Van Horn 1975: 447).

Several critical points have been raised against this approach, some of which are relevant here. First, it is hard to distinguish what the goals of the programmes really are (Armstrong 1995). This is a problem frequently encountered when attempting to evaluate policies from a *top-down* perspective (Sabatier 1986). One cannot evaluate a policy in a top-down fashion without knowing precisely what it is meant to achieve. In

the present case, this problem is partly remedied by specifications of policy objectives at the national and regional levels. Nevertheless, the objectives set forth are often statements of intent, rather than clear and consistent goals.

A second point relates to the timing of the evaluation. Evaluating on the basis of goals set forth in prior policy decisions means evaluating on the basis of end-goals. However, the long-term consequences of a policy may be more important than the immediate consequences. The process may result in learning (Browne and Wildavsky 1983) or be thought of as an evolutionary process (Majone and Wildavsky 1979). These are procedural goals that cannot be measured on the basis of end-goal criteria. On the latter point it is argued that:

[t]here is no need to feel guilty about failing to carry out a mandate inherent in a policy in a literal way, because literal implementation is literally impossible. Unless a policy matter is narrow and uninteresting (i.e., pre-programmed), the policy will never be able to contain its own consequences. Implementation will always be evolutionary, it will inevitably reformulate as well as carry out policy (Majone and Wildavsky 1979: 179).

Therefore, as Ingram argues: *[t]he test of implementation is less whether specific problem-related objectives are achieved than whether the resulting problems are preferable to the initial problems* (Ingram 1990: 473). Thus the test of the EU programmes on Bornholm is less whether the goals set forth by the EU Commission are reached, but whether the problems for the tourism sector on Bornholm emanating from their implementation are preferable to the problems that existed previously.

Evaluating on this criterion also enables us to trace a programme's effect when such a programme is a response to problems that are intractable or when the underlying logic of a programme fails. The tractability of the problem relates to the extent to which the problems are solvable, and the underlying logic of the programme relates to whether the solutions offered in the programmes are relevant to solving the problems (Mazmanian and Sabatier 1989). If the problems are intractable, or the solutions offered are irrelevant, one may expect that the outcome in terms of the programme's end-goals will be meagre. However, there may be other outcomes than those foreseen in the programmes that help their users overcome the problems as they define them. In the case of structural funds, there is a high degree of consensus about the end-goals of the programmes between the decision makers and the target groups (creation of employment). The perceptions of what problems need to be overcome to reach them, and the means of doing so, may still be contested. If the programmes enable the target groups to overcome some of the problems that they perceive as obstacles to reaching their goals, this is a valuable achievement. It is a valuable achievement even if the end-goals or the procedural goals envisaged in the programmes have not been realized.

The criterion that will be used for evaluating the structural funds programmes on Bornholm is the extent to which the funding recipients perceive that the funds have contributed to a solution to their problems and to the problems of the tourism sector on Bornholm.

One critical issue has been raised in relation to applying concepts such as ‘evolution’ and ‘learning’ to evaluate implementation: the question of legitimacy (Bogason 1989). Implementation is power. In the top-down perspective this power is viewed as legitimized through following procedures and decisions made in a democratic process (*procedural legitimacy*). It may be recognized that implementation is not always a neutral transformation of democratic decisions into actions. To the extent it is not, the use of power is not viewed as legitimate. If, on the other hand, the criteria for evaluation are not set forth in democratic policy decisions, what will then legitimize the power?

As Bogason points out, if one accepts that performance of a public programme can be evaluated on the basis of the extent to which it alleviates problems as perceived by the potential funding recipients, then one also accepts that governmental action can be legitimate even though it does not evolve from democratic decisions. One has to rely on *substantial legitimacy*: the use of power is legitimate to the extent that the outcome is in the interests of the local area. This is a problem when there is controversy over the interests of a local area. However, it is less problematic when there is a high degree of consensus within the constituency about the interest of the local area. There is little controversy over the desirability of a successful tourism industry on Bornholm as a means of generating employment and income. The controversy is rather related to the means of creating it.

## **5.2. The problems as perceived by the tourism sector on Bornholm<sup>11</sup>**

For the purpose of this study, the problems of the tourism sector on Bornholm are defined in terms of what the funding recipients see as their main obstacles to running a viable tourism business. There is no common agreement about what the problems are. The way the actors in the tourism industry on Bornholm perceive the challenges and problems ahead is largely dependent on affiliation to the public or private sector. The problems mentioned by the respondents can be categorized under two headlines: exogenous and endogenous factors, where the private sector is more likely to emphasize exogenous factors, and public sector actors more often emphasize endogenous factors.

Exogenous factors that are perceived as a problem are the *VAT rate*, the *current economic situation in the two main markets, Sweden and Germany*, and the geographical situation of Bornholm. The *price of the ferry transport* to Bornholm is by far the most frequently mentioned problem among private business, a problem which is partly an exogenous problem (dependent on the geographical situation) and partly an endogenous problem (dependent on the policies of the ferry company). Of the hotel and campground owners 10 out of 15 perceived this as a major problem, and five of the 14 farm tourism operators interviewed pointed this out as the chief problem for the tourism industry on Bornholm. Only one of the municipality representatives and one of the organizations mentioned this factor. The VAT rate of 25% was perceived by five of the private sector respondents (30 in total) as a major drawback because of the much lower rate on similar services in neighbouring countries.

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<sup>11</sup> This section is based on the answers given by respondents to the questions: (i) What are, in your opinion, the goals of the Bornholm tourism industry? (ii) What do you perceive as the main problem? and (iii) What should be the solutions to these problems? In reality, most of the information is based on answers to question (ii) as the other two questions frequently remained unanswered.

Among the *endogenous* factors pointed out, there are problems related to, first, the *actors* in the tourism business. *Co-cooperation problems* among the different tourism businesses were frequently mentioned by both public and private actors. Related to this was the *lack of a common marketing strategy* which ranks as the number two most important problem for private businesses. It was cited by seven of the 14 hotel/campground businesses and five of the 14 farm tourism operators. It was also emphasized by three of the organizations and two of the public officials. *Lack of entrepreneurial skills and initiatives* was highlighted by the funding recipients receiving support for consultancy projects.

The second group of endogenous problems is related to the *product*. The *low standards in hotels* were emphasized by all the sectors except for the farm tourism operators. Another problem is *lack of attractions* in the off-season.

The third group of indigenous problems is related to the *structure* of the tourism sector on Bornholm. Again lack of co-cooperation was emphasized, but in this sense related to *lack of a coherent organizational structure* that could promote the interests of tourism businesses and ease their access to financial resources. This is mentioned by five of the 14 tourism businesses and three of the organizations. A second problem related to the structure of the business is *over-capacity in the hotel sector*.

**Table 6. Bornholm’s tourist sector’s problems as perceived by funding recipients**

<b>Exogenous factors</b>	<b>Endogenous factors</b>
<ul style="list-style-type: none"> <li>• Transport (prices, availability)</li> <li>• VAT rate</li> <li>• Current economic situation in main markets</li> </ul>	<p>Actor-related problems</p> <ul style="list-style-type: none"> <li>• Lack of ability to cooperate</li> <li>• Lack of entrepreneurial skills and initiatives</li> </ul> <p>Product related problems</p> <ul style="list-style-type: none"> <li>• Low hotel standards</li> <li>• Lack of off-season attractions</li> </ul> <p>Structure related problems</p> <ul style="list-style-type: none"> <li>• Lack of coherent organizational structure</li> <li>• Over-capacity in the hotel sector</li> </ul>

### **5.3. The funds and the problems of Bornholm’s tourism sector**

Comparing the problems perceived by the tourism sector with the provisions for funding in the programmes, some point need to be made. First, there are no solutions to the exogenous problems, which were most frequently mentioned by the private developers. Support for the ferry operation is excluded by a number of regulations of the structural funds.<sup>12</sup> Most important is the fact that the programmes are constructed to alleviate some

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<sup>12</sup> Support can not be given to operational expenses. Moreover, mobile equipment of any kind is excluded from support. A third point is that the ferry connection is supported by the Danish

of the consequences of disadvantageous exogenous conditions, such as a peripheral geographical situation, not to remove their origins. This is evident from the overreaching goals of the Structural Funds, where it is recognized that the adjustment to a common market may have negative consequences for certain areas. According to the national authorities, the problems emanating directly from being geographically peripheral is considered a qualification for receiving support (Landbrugs- og Fiskeriministeriet 1994).

Regarding the VAT rate, this is meant to be coordinated among the European countries on a long term basis. However, the Danish government has so far not found the advantages of adjusting its VAT rate to outweigh the loss of revenue for the government. It also argues that it may contradict EU regulations (Ministeriet for Kommunikation of Turisme 1994).

The rest of the problems may potentially be addressed by the programmes. Some of them, notably the low hotel standards, and the lack of off-season attractions, are tractable problems that can be alleviated directly through sufficient funds. Other problems, such as lack of co-operation and entrepreneurial skills, are of a more intractable nature and can only indirectly be addressed through funding schemes. Over-capacity in the hotel sector is a problem that is not intractable in nature, but extra funding for the tourism sector is only loosely connected to this problem.

Still, overcoming these problems would contribute significantly to the success of the Bornholm tourism sector according to the funding recipients. The performance of the programmes will thus be evaluated according to the extent to which the programmes have:

- Improved hotel standards;
- Introduced off-season attractions;
- Reduced the problems of over-capacity;
- Facilitated co-operation within the tourism sector;
- Encouraged innovation.

## 5.4. The projects

The projects that have been studied fall into five categories:

- Hotel and campground projects: Among the private recipients of support, there are 22 hotels and campgrounds that have received investment support from the regional fund. Funding recipients for 17 of the projects were interviewed, two of these had received support in both periods. Consequently, a total three campground owners and 12 hotel/pension owners have been interviewed. One of the remaining funding recipients had gone bankrupt since the support was received. The rest were not available for interviews. All the campgrounds received support for investments in swimming pools and saunas. One of them also received support for a standard increase from three to four stars. In the hotel sector, assistance has been given to modernization and renovation (eight of the projects), capacity extension (two

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government and Community support would thus conflict with the principle of Additionality (Coordination regulation 9).

projects), or a combination of the two (two projects). Support was given to improve the kitchen facilities in two cases.

- The farm tourism projects: The EU programmes have assisted 33 farmers in investment for farm tourism. Of the 24 of these that received support under the 5b programme 1991-1994, eight were interviewed. In the present period eight farmers have received support, under the same fund, and five of these were interviewed. In addition, one farmer got support for investments from LEADER I. Two of the interviewed funding recipients had not yet made use of the funds granted. One of them had started the project, but was reluctant to make use of the support for tax reasons. The other one had postponed the start of the project and had not made a decision on whether to start. Four of the projects received support for renovation of already existing tourism accommodation facilities on the farm. Four projects got support for renovating an existing building on the farm to make it suitable as tourism accommodation. In one case the project involved constructing a new building for tourism facilities. In another case support was given to invest in a so called *primitive campground*. The last case was support for investment in swimming pools and saunas in already existing tourism apartments. In 10 of the cases, the tourism facilities are on the farm where the family owners live, whereas three of the tourism accommodation facilities are located elsewhere.
- The consultancy projects: Only three tourism projects have received support under the consultancy provision in the 5b programmes. (In the first period consultancy was a general provision, whereas in 1994-1999 there was a provision specifically directed towards the tourism sector.) One of the projects was related to the municipally-run *Natur Bornholm*. The two funding recipients interviewed here were both private operations, one receiving support from the consultancy provision under the 5b programme 1994-1999 and the other receiving support from the agricultural fund under LEADER I.
- The organization projects: Three organizations involved in tourism have been established with the support of EU funds: Landbo & Aktiv Turisme (Farm & Active Tourism), Bornholms Velkomstcenter (Bornholm's Welcome Centre) and the Agricultural Innovation and Development Center (LUIC). The latter organization is only indirectly involved in tourism through its role as a service organization for farm-tourism operators. LUIC and the Farm Tourism organization were established in connection to the LEADER I programme. Establishment of the Welcome Centre was supported by the regional fund under the first 5b programme.
- The municipally run projects: All five municipalities on Bornholm have received support for projects relating to development of tourism. In total 26 projects have received support. Most of them have been funded by the 5b programme under the provision of investment support for infrastructure or by the regional fund under the LEADER programme. For the most part it is a matter of small projects. More than half of them have received less than 200,000 kroner. There are some notable exceptions. Prominent among them is Natur Bornholm - a large nature-experience centre with a total budget of 85 million kroner. This project received support worth five million kroner from the EU programmes, a little more than three million of which came from the 5b programme. The rest of the projects can be divided into three

categories: renovation and improvement of harbours, improvement of tourism facilities and improvement of infrastructure.

- Harbour projects: Nine of Bornholm's harbours have received support for different kinds of tourist-related projects. Supporting the small harbours is part of a county-wide plan for renovation. Apart from the purpose of making them generally more attractive for tourists, facilities have been installed in order to attract private yachts and sailboats. In one case renovation of three small harbours formed part of a larger project of activities and attractions along Bornholm's west coast (*Maritime Hasle*) showing the maritime life and environment today and in the past. Also two projects in the island's largest harbour (Rønne) have received support. One was the building of a ramp, specifically installed in order to increase the capacity on the boat connection to Germany. The second was a gangway installed as a part of a larger plan to improve the facilities for tourists arriving on Bornholm.
- Infrastructure projects: Two of the municipalities have improved their cycle paths with support from the 5b programme. One of them has also built a car park close to the most popular beach on the island. A third project consists of a trail in a natural area previously inaccessible to tourists. The cycle path projects were initiated in order to complete a network of cycle paths on Bornholm. They were thus connected to a broader object of facilitating bicycle tourism.
- Tourism service projects: The LEADER I programme supported three public toilets, and creation of information boards for tourists. These replaced a variety of commercial signs in order to improve the scenery as well as ease access to different attractions, hotels and other facilities. The LEADER I programme also supported renovation of an old building of cultural historical value, and renovation and construction of service facilities on a beach.

## 5.5. Evaluation of project performance

What impact the funds have had on Bornholm's tourism sector is a two-fold question. First, have the projects supported alleviated the problems as defined by the tourism sector? Second, have the funds been an important incentive for initiating the projects? The structural funds' principle of additionality aims to ensure that financing from EU funds is not used to replace national structural aid. At the project level this is interpreted to mean that carrying out the project should not be feasible at the same scale, at the same point of time or within the same timeframes without outside support (Erhvervsfremme Styrelsen 1997). In the ideal world of the structural funds, the programmes should *encourage* innovative thinking, and *facilitate* implementation of good projects, but they should not be the main *motivation* for starting a project. This is to ensure that there are sound commercial calculations underlying a project and that the sole motivation is not to secure a share of EU funds. When evaluating the impact of the programmes, this principle will be borne in mind.

### **5.5.1. Improvement of hotel standards**

As 10 of the projects supported concerned modernization and renovation of hotels, the programmes have alleviated this problem to a considerable extent. There are still many hotels that have not renovated, but the projects supported have made a contribution to the improvement of standards in the hotel sector on Bornholm.

Of the funding recipients receiving support for hotel renovation, most of them requested it because of a perceived demand from consumers or from co-operation partners. It was viewed as a precondition for continuing in the business, or for re-opening a hotel after take-over by new owners. One of the recipients of support expressed it this way:

We have rented rooms to tourists since 1957. The rooms were of simple standard but people did not expect so much back then. Now, the tourists demand higher and higher standards. They want their own bathroom and kitchen, so we had to update the hotel and renovate.<sup>13</sup>

The quality of the renovation works differed between the projects. However, the hotels had different target groups. Standards and styles have to be judged on the basis of who the potential customers are. Most of the hotels that invested in improvements, saw the investment as a success in terms of how it had affected operation of the business. In four cases, there was a direct connection between the renovation and the continued operation of the hotel. This included two cases where renovation was a condition set by a co-operating partner (bus company) for further co-operation, and two cases where renovation of the kitchen was a condition set by the health authorities for continued permission to serve food.

### **5.5.2. Creation of off-season attractions**

The major off-season attraction supported by the programmes is Natur Bornholm, a natural and historical museum and experience centre. It will consist of an *experience hall*, *illusion rooms*, cinema, aquarium and exhibitions - all in order to show the unique nature of Bornholm in the present and past. The centre will also organize guidance and courses on and about the Bornholm environment. This is a large project expected to increase the island's attraction to tourists especially in the off-season. It is expected to become operative in 1999. It is thus too early to draw conclusions about the success of the centre, but implementation is going ahead as planned.

One of the consultancy projects was also aimed at creating an off-season attraction. It was a feasibility study for a holiday and nature park planned by an association of six small farms. The holiday and nature park was to encompass a variety of farm activities for tourists to participate in. To elaborate plans and look into market possibilities, the company hired a consulting firm from Copenhagen, and received LEADER support for their expenses. The conclusion of the report was positive and envisaged a park of 83 hectares including summer-camp facilities, a farm and farm shops, hiking trails, tourist cabins and a small guesthouse among the facilities. However, the project never resulted in establishment of a park. The six farmers did not have capacity themselves to construct the project, and had envisaged employing a skillful project leader. In spite of secured

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13 All the quotes have been translated by the author.

funding and an elaborate plan, they were not able to find a person willing to take on the job. The project thus resulted in a report but no other economic activity.

The camp sites invested primarily as a means of extending the season, recognizing that facilities such as saunas, solariums and swimmingpools would make their operations less weather-dependent and more likely to attract guests outside of the main season. Two of the funding recipients thought that this goal had been reached, whereas it was too early for the third funding recipients to draw any conclusions.

Also among the farm tourism projects are projects that include activities and attractions with the aim of extending the season. One farm tourism operator ran different courses and theme-weeks, such as weaving courses and a *life-around-the-apple-tree* week in the autumn. In one other case, investments in swimmingpools and saunas had been made to attract guests in the winter time as well. These two farm operators were among the most successful of those interviewed in terms of occupation-weeks.

In addition to this, some of the harbour renovation projects, notably those making up a part of the project *Maritime Hasle*, were introduced to broaden the selection of activities for tourists on Bornholm with the goal of extending the season. A considerable increase in tourism had been registered by the local businesses in Hasle.

The programmes have also supported some notable attraction investments, undertaken by investors not included among the respondents. Information boards and smartening up of the natural attraction, Helligdomsklippene, investments in two museums and two golf clubs are among the investments that have not explicitly been focused on.

In conclusion, significant attractions have been supported by the programmes. For most of them it is too early to say whether the investment will lead to extension of the season, but when Natur Bornholm is established and projects such as *Maritime Hasle* are completed, the attractions that Bornholm can offer in the off-season will have improved significantly. The least successful of the projects studied here was the consultancy project.

### **5.5.3. Reduction of over-capacity in the hotel sector**

The projects have had both a negative and a positive effect in respect of this problem. On the one hand, the funds have supported investments in 82 new hotel rooms in three hotels. They have also supported the establishment of 12 new holiday apartments and seven camping cabins. Moreover, the projects have supported renovation of hotels which enabled the new owners to re-open them after bankruptcy. On the other hand, the programmes have supported a re-organization of hotel rooms into apartments which is expected to be more in accordance with the demands of the market. This was, however, only one minor project where seven hotel rooms were turned into three apartments. In conclusion, the projects have been counterproductive to the solution of the problem of over-capacity in the tourism sector.

#### 5.5.4. Co-operation in the tourism sector

The first way in which the projects may have alleviated the lack of co-operation within the tourism sector is through the establishment of organizations: LUIC, the farm tourism organization (Farm & Active Tourism) and the Welcome Centre.

The LUIC has affected co-operation within the tourism sector through bringing together farmers in the farm tourism organization. The aim of this was to market farm tourism as a concept distinct from regular holiday home rental, and to bypass the private rental bureaus demanding high profits. The organization was started by the LUIC and got 45 members rapidly. LEADER funds covered 75% of the expense of producing the first brochure. Thanks to the funds, ambitious plans were made for the marketing material, both in terms of quality and distribution. However, the brochure was so expensive to produce and distribute that it could not be updated and distributed in subsequent years when the funding decreased. When LEADER support ceased and the members had to pay for the marketing out of their own pockets, the number of members fell from 45 to 13. The organization still produces a joint brochure for its members, but at a smaller scale and with less expenses.

The Farm & Active Tourism organization has provided a forum for farm tourism operators. However, viewing the accommodation sector as a whole, the organization has also had negative effects in terms of co-operation. By adding yet another organization, it has made the organizational structure of tourism on Bornholm even more fragmented. This has spurred negative feelings among some of the tourism associations. The leader of one of them says that:

The farm tourism organization wanted to run their own show. I don't know why they wanted to market on their own. It is hard to make the tourists understand that there is such a great difference between farm tourism and a holiday in the countryside. We think it would have been wiser to use the existing network. We had the contacts they lacked.

The LUIC has also affected co-operation in another sense. In the first 5b programme, co-operation among at least three farmers was a condition for receiving support. This was meant to be a means for the creation of networks and exchange of experiences. However, it was viewed by the LUIC as a possible obstacle to making the farmers take the step of investing in farm tourism. Consequently, LUIC *matched* different farm tourism projects in order to fulfill the requirements of the programmes, but the partnerships existed only on paper. The role of LUIC was in this respect to help the farmers circumvent a condition in the programmes which could have encouraged increased co-operation. One of the funding recipients for farm tourism expressed it like this: *LUIC also provided co-operation partners, as they call it and as it says here in the agreement, but the co-operation is a play to the gallery. It has no substance.*

Establishment of Bornholm's Welcome Centre was the answer to a long-standing problem of co-operation in marketing and tourism information on Bornholm. It also helped solve the problem of lack of tourism information services in Rønne after Rønne Tourism Information went bankrupt and was bought by a private holiday home rental company. The company was not interested in running a non-commercial information

service. Consequently, the largest town and the main port of the island was without an information centre. Bornholm County and Rønne municipality got together and established the Welcome Centre with support from the first 5b programme. One of the tourist association leaders say this about the effect of the money:

It wasn't the Business Council that solved the conflicts. It was the money. Money has a tendency to solve a number of conflicts. In the period before the establishment, we had two bureaus about to go bankrupt. They wanted us to contribute so they could continue, but we did not want to do that. We thought the reasons for the economic problems were bad management and we did not want to pay for that.

The programmes have also promoted co-operation in other ways. The relationship between the municipalities and their respective private tourism sectors varies, from one municipality where the interviewed representative viewed it as persistently bad, to two others that did not perceive any co-operation problems. In two others, co-operation between the public and private sector had increased as a consequence of the projects conducted with EU support:

We have had extended co-operation with the tourism businesses in relation to the projects. The EU programmes have contributed to increased contact between the businesses and the municipality, but there are other things that have worked in the opposite direction. The fact that there is some money available improves co-operative relations.

In conclusion, the programmes have had some effect on alleviating the lack of co-operation. The most successful project in this respect is the Welcome Centre. The LUIC has been an important actor for bringing farm tourism operators together, but the consequences for the tourism sector as a whole are both positive and negative. The programmes have also had unintended positive consequences of improving the co-operative climate between public and private actors in two of the municipalities.

#### **5.5.5. Innovation and entrepreneurial skills**

The extent to which the programmes have spurred innovation can be traced through studying the projects' innovative character. However, displaying innovative and entrepreneurial skills is also a feature of the actors in the tourism business, and judging whether there has been an improvement should also be based on the funding recipients' motivation for investment. Have their goals been to create new products which could lead the Bornholm tourism sector a step forward, or has the motivation rather been to preserve the status quo?

The farm tourism project in particular was launched as a contribution to product development and innovation in the Bornholm tourism sector. Support for farm tourism was given with the objective of creating a new product and attracting new market segments to Bornholm. Some farms established activities that involved innovative aspects. In addition to those mentioned above that had established activities to extend the season, one farmer had horse riding as the main attraction and targeted tourists specifically interested in horses. A number of so called primitive campgrounds was established with assistance from the first 5b programme. (Most of the funding recipients

for primitive campground projects were not interviewed in this study.) The primitive campground concept involved setting aside a piece of land for campers with low demands with respect to facilities. It was launched as a new product aimed at attracting groups of tourists in search of a genuine and inexpensive nature-experience. The concept has been successful. However, the primitive campgrounds have caused tension in relation to regular campground owners, because of the competition and the fact that the *primitive campers* frequently make use of facilities at the ordinary campgrounds.

A study of the motivation of farmers to invest in farm tourism reveals little evidence that the 5b programmes have spurred innovation. The recipients of support for farm tourism divide into two groups; those that received support for already existing tourism facilities (four), and those that received support for establishing tourism facilities on the farm (nine). When asked about motivation for investment in farm tourism, the respondents in the former group said that they had tourist apartments mostly because it was a tradition on the farm. In the latter group, two of the respondents had wanted to make farm tourism a main source of income. The rest of them saw it primarily as a means to maintain surplus buildings. Two of them wanted to make use of the tourism apartments themselves after the obligatory five years of rental to tourists was over:

We had a holiday home at Balka that we had had for a long time and rented out, but we have never used it ourselves. But we have two daughters that live out of town. One is in Italy and one is in Copenhagen. So we thought that we could sell the house and instead establish a tourist apartment here at the farm, so we had a place for them when they come visiting. It is permitted for them to live there in the months that the apartment is not rented to tourists. Besides, we are only obligated to rent the apartment to tourists for five years. After that we can use it ourselves.

One of the consultancy projects studied was aimed at developing a green tourism product on Bornholm. It was the prolongation of an environmental study of 38 of Bornholm's largest hotels and hostels, conducted by Destination Bornholm and HORECON (the consultancy branch of the Danish association for hotels and restaurants (HORESTA)). The project *Bornholm - an island with environmentally friendly tourism* was a study of a wide range of possible actions that could improve the green profile of tourism on Bornholm. The study was conducted co-operatively between a number of key actors within the private tourism sector, municipality and county, co-ordinated by a consultant from HORECON, and supported by Erhvervsministeriet. According to the project leader, few of the actions recommended were implemented.

There is a considerable tourism on Bornholm, but there was a lack of new basis concepts. That was why I wanted to focus on the environment and look at it in a holistic sense ... I think surprisingly little was implemented. If I am completely honest, it is not a lack of money that is the problem, but a lack of initiatives.

The funding has been used by the municipalities, for projects of the kind that municipalities traditionally engage in (bicycle paths, car parks, harbour maintenance<sup>14</sup>) but for which there were no available municipal funds at the time. There were thus no clear innovative aspects to them.

Again, there are exceptions. The information board project in the same municipality can be said to have an innovative aspect. It has also served its purpose, as intended in the LEADER programme, as a model for developments in other municipalities. Natur Bornholm also represents an innovation as a tourist attraction. The same is true for other attraction projects mentioned above in relation to extension of the season.

In conclusion, the programmes have supported some innovative projects within the farm tourism sector. However, the most common motivation for starting farm tourism is that it is a means to maintain surplus buildings or that it has been a tradition on the farm. The consultancy projects were not able to encourage innovation. Also most of the municipality projects were projects that the municipality would traditionally engage in, but there were notable examples of the contrary; that the municipality had engaged in innovative projects.

In sum, the supported projects have contributed to better hotel standards. They have also established some off-season attractions that may facilitate season extension. Some of the projects have had an innovative character. However, the degree of innovation they have created in the private sector has been less than expected. The hotel projects were mostly concerned with maintenance and, also among the farm tourism projects, the investors concerned with maintaining the status quo outnumber those who aimed at product development. The programmes have supported the establishment of some organizations with the potential to alleviate some of the co-operation problems. Moreover, the implementation of the programmes has facilitated co-operation among the local administration and private developers in two of the municipalities. On the other hand, the establishment of the farm tourism organization has also contributed to increasing fragmentation of the organizational structure of the tourism sector. LUIC has also been able to bypass some of the conditions in the programmes aimed at facilitating co-operation among farm tourism operators.

The question still remains how many of these projects would have been undertaken without the programmes. This will be discussed in the following section.

## **5.6. The effect of the programmes**

For most of the hotel and campground projects, the possibility of getting support has affected the scale and timing of the project. In five of the cases the prospect of getting support encouraged the hotel owners to make a number of necessary investments in one project. If the support money was not available, the investments would have been done piecemeal over a longer term.

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<sup>14</sup> Most of the small harbours are privately owned, but they receive support from the municipalities. In reality, there is an understanding that the harbours cannot be sustained without municipal backing. Because of the decline of the fishing industry, the commercial importance of the harbours has diminished and some are not operating at all.

For three of the hotels/campgrounds, EU support was crucial for being able to undertake the investment because it opened the channels to other sources of capital. The investments were undertaken in a period of economic crisis on Bornholm. To obtain loans from lending institutions was extremely difficult, especially in the tourism sector. In this situation, the approval of support from the EU was conceived of as a credibility stamp for the project, which made it easier to get additional capital from other sources.

Three of the funding recipients stated that the possibility of getting EU support was an important factor when the decision to make the investment was made. However, viewed in retrospect, the additional money that was obtained from the 5b programme, did not make a big difference economically. The three larger undertakings said that it is routine to check EU programmes for support when seeking funds for a project. It is not a main motivation behind investing, nor does it affect the project. But it is one out of many sources of capital which is routinely checked when e.g. renovation projects have to be undertaken. Two of the funding recipients stated that they applied for support mostly by coincidence and it was of absolutely no significance for enabling them to undertake the project.

Overall the EU funds had a greater impact on the farm tourism projects than on the hotel/campground projects. In five of the cases, the possibility of getting EU support was decisive for undertaking the investment, while another four say it was important, but not a decisive factor. In four of the cases, the possibility of getting EU support affected the size and the timing of the project, while only one said that the project was undertaken in exactly the same way as if support was not available.

For the consultancy companies, checking possibilities for EU funds is routine when raising funds for a project. In the case of the nature and holiday park, it was the consultancy and not the farm company that took the initiative to apply for support. The consultant involved in the latter project also stated that EU programmes were one of many sources of funding that are routinely checked when funds are raised for a project. They may thus have a decisive effect on a project, but funding can also be obtained elsewhere if not available from the EU programmes.

The majority of the municipally run projects would, according to the representatives of the municipalities, never have been carried through without EU support. Availability of EU funds has been decisive for the implementation of the projects. The exception is some of the harbour projects, which would have been conducted, but at a different pace and scale.

In the case of Natur Bornholm the EU programmes had a significant effect. The total funding from the EU (including some funds that were not part of the Bornholm 5b programme) was five million kroner. This may seem insignificant considering that the total budget for the project was 85 million kroner. However, the EU money was granted to the project at a point where most of the funding was secured. The local and governmental sources of funding had been exhausted and 14 million kroner was still lacking. The five million kroner from the EU funds opened up other sources of finance so that the 14 million could be provided and the implementation of the project secured.

The funds have also had the effect of making city councils more inclined to support projects related to tourism. When there is a possibility to get part of the expenses covered by EU programmes, it is easier to get support from municipality funds.

In conclusion, the EU programmes have had the effect envisaged in the additionality principle, but to a varying degree for different funding recipients. They have had most effect on project implementation of the municipally run projects. The majority of these projects would not have been conducted if EU funds were not available. This is also true for many of the farm tourism projects. The majority of the funding recipients in the hotel/camping sectors would have conducted their project whether EU funding was available or not, but the funding has affected the scale and pace or the possibility of obtaining other funds. Here we also find some cases where the funding was of minor importance for the conduct of the project. For the consultancy companies, looking into possibilities for EU funds was a routine way of raising funds, whereas the organizations funded by the EU programmes would in two cases not have been established without the programmes.

## **5.7. Conclusions**

The projects supported have made the greatest impact on the problems that are related to the product. Low hotel standards and a lack of off-season attractions are tractable problems that can be alleviated directly through increased funding. Supporting hotel rooms while there was a documented over-capacity must be viewed as a mistake. Support for closing down some of the hotels, mirroring the situation in the fishery industry, would have been more appropriate.

There is no direct logical connection between funding schemes and solutions to problems that are connected to the actors: innovation skills and ability to co-operate to produce a coherent strategy. As shown, the funding schemes have affected these problems to some extent, but the results are mixed. Affecting actors' choices regarding single actions (like investing in higher hotel standards) is easier than affecting general attitudes. The hypothesis here is that dealing with problems which emanate from the attitude of the actors demands more than the existence of support programmes. Of central importance is in the way in which the opportunities and limitations of the programmes are conveyed to the potential users. These tasks are the responsibility of the agencies in charge of implementing the programmes. However, they are faced with multiple challenges regarding the programmes. How they perform as implementors in the end is dependent on a number of factors. This issue will be addressed in the following section.



## 6. Perspectives on implementation

As shown above, the projects supported by the EU funds have contributed to the alleviation of some of the problems for the tourism sector, whereas some problems remain unaffected. The degree to which the incentives affect the decision to invest was found to vary between groups. The remainder of the report attempts to identify variables connected to the implementing process that can explain the distribution of funds and the varied impact that the programmes have had on different sectors.

The classic implementation analysis focuses on factors that hamper or facilitate accomplishment of objectives of prior policy decisions. The main unit of analysis is the implementing agency viewed as part of a bureaucratic hierarchy. Its ability to carry out policy is hypothesized to be affected by variables relating to the policy resources, characteristics of the implementing agency, inter-organizational communication and enforcement activities, economic social and political conditions, and the disposition of implementors (Van Meter and Van Horn 1975). The idea is that the more opposition is minimized, technical skills present and the process structured to foster coordination, the more likely it is that the policy will be carried out in accordance with the intention.

To achieve an outcome in accordance with the interests of the local industry requires implementing officials to have different skills than those focused on in the top-down analysis. The logic of the EU structure of governance is also different from that of hierarchical bureaucracies and this also places different expectations on the street level bureaucrats. Consequently, other variables need to be studied than those emphasized in the top-down perspective.

### 6.1. Implementation of EU regional policy

The task of implementing EU regional policy is designated a partnership between national and sub-national authorities. The main focus here is on the sub-national government (at the county level), based on an assumption that this is the level with most direct impact on the distribution of funds in the Bornholm tourism sector.

In implementing the EU structural funds, the local implementing agencies are faced with potentially contradictory expectations. The main expectations of the EU Commission are that the money is spent and that it is spent on projects compatible with the goals of the EU programmes under which the funding is granted. The national authorities are in addition concerned with the extent to which the implementation follows their announcements (*Bekendtgørelser*) of the regulations for granting support under the programmes, based on regulations from the European Council. This will in turn have an impact on the EU Commission's evaluation of the national authorities responsible for implementing the funds. The local actors are most concerned with the extent to which the county government is able to attract funds to Bornholm and the extent to which Bornholm benefits from them. The different sets of expectations sum up to four different roles that the local implementing agencies have to play simultaneously in order both to secure funds and to make sure that they are used to the benefit of the local industry.

First, they have to act as *breadwinners* - bringing funds to Bornholm's tourism sector. The EU structure of governance is not a hierarchy with settled relations of authority and

responsibility. It is rather a multi-layered structure constituted by incentives that the national and sub-national governments can respond to:

Community institutions promote a current trend and give it direction. They do so not in the sense of implementing a preconceived master plan, but by inducing actors of different kinds and at different levels to take advantage of opportunities offered. By taking them up in bits and pieces, actors at the national as well as the sub-national level contribute to a new *practice* and a new understanding of governance (Kohler-Kock 1996: 361).

This structure demands that the sub-national levels of government play an active role. In order to obtain funds, they have to participate in lobbying and information gathering at the international level.<sup>15</sup> For this reason, sub-national governments in Denmark (municipalities and counties) participate in an extended network of international co-operation, often motivated by the possibility of obtaining EU structural funds (Klausen 1996). Partly through these networks, direct contact between sub-national governments in Denmark and Brussels is increasing (Dosenrode 1995).

The more active role of the sub-national governments at the EU level has often been interpreted as signifying the increasing influence of the regions. However, a number of arguments can be made against this notion. First, taking on a number of tasks that were previously the domain of national governments does not necessarily mean increased influence. National governments may advantageously leave difficult tasks like agricultural and industrial restructuring, or coping with the social and political fall-out of economic change to the sub-national governments, as long as they retain the functions that they consider essential (Keating 1995). In Denmark, the central government *stepped back* from regional policy and phased out its regional support during the first half of the 1980s. This left the arena open for local and regional governments, a development that the Danish state approved of (Lindström 1995). Second, the incentive structure is also an efficient means of influence for the EU agencies. Financial assistance is welcomed by all regional actors, but many also put great emphasis on the philosophy embodied in European regional development policy (Kohler-Kock 1996). Consequently, the participation of the sub-national governments at the EU level does not only entail potential benefits. There are costs involved both in terms of travel expenses and work hours, and in terms of being subject to influence by the EU agencies.

The second important role that the sub-national governments play is that of a *door-opener* for the local industry requiring funds. This is the traditional role of the street-level bureaucrat in relation to funding programmes. The bureaucrat ensures that funding recipients adhere to the legal framework of the programmes, and *open the doors* if the requirements are fulfilled.

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15 A recent study of regional offices in Brussels, shows that the most important factor for explaining Brussels representation is the *associational culture* in the regions. A density of associational networks shows a stronger correlation to propensity to set up an office in Brussels, than does being a recipient of structural funding. The authors have been interpreted as indicating that the motivation for regions to set up an office in Brussels is the need for information and communication, rather than lobbying to attract funding (Marks et al. 1996)

Thanks to general regional policy developments, a third role for local governments has emerged. There are two, perhaps contradictory, trends that characterize Scandinavian regional policy over recent years: On the one hand, there is an increased emphasis on policy aiming to influence industry competitiveness (Erhvervsministeriet 1995). This gives the *private sector* a larger role in formulation and implementation of policy. In Denmark, a law has been passed to encourage development of public-private associations for regional business development (*Udviklingselskab*).

On the other hand, a change in regional policy goals has expanded the role of *government*. Baldersheim (1990) argues that the goal is no longer to distribute wealth and employment through a quantitative increase in employment, but to affect the business structure in the weaker regions. The problem is described as a structure and development problem. The weak regions are weak because they have a non-beneficial set-up of businesses. To remedy this situation, a selective, programme-oriented regional policy is introduced, expected to create innovation and increase the quality of new business initiatives. This favours municipalities and regions capable of creating and adapting project ideas in relation to the programmes, and it poses a new challenge for the local decision makers. They have to, on the one hand, stimulate the desired projects, and on the other hand, fit the projects into the right programmes. The first stage is the most difficult one: to mobilize the right projects

Faced with this task, the local bureaucrats take on a new role, that of a *developer*, taking part in fostering new ideas, attempting to maximize project quality. In relation to the tourism sector, this new role may be seen as a deepening of the role of government as a stimulator of tourism.<sup>16</sup> The emphasis is on *preparing the ground* for private entrepreneurs. The paradox is, however, that the more innovation and creativity is emphasized in the programmes, the more the idea- and development process is placed within the public sector, as a game between local and regional actors. This more active and *entrepreneurial* role of local bureaucrats is also shown to be more prevalent in the tourism sector in other parts of Europe (Fayos-Solá 1996).

In addition to these three roles of the sub-national governments, there is a fourth one related to the relationship between the sub-national government and the private sector. The majority of tourism enterprises in peripheral areas are small and medium sized. They often lack capacity to obtain information about funding possibilities and to formulate applications for funds. As shown by studies of programmes to help small firms grow, the existence of efficient *mediators* is a precondition for efficient distribution of funds (Hull and Hjern 1982). Mediators provide information to the private businesses and *translate* from the language of the funding agencies to the private businesses. The EU system is frequently criticized for its complicated nature and use of language only intelligible to EU bureaucrats. In relation to these programmes, the sub-national governments, who operate close to the users of the programmes, have a particularly important role to play as middle-men.

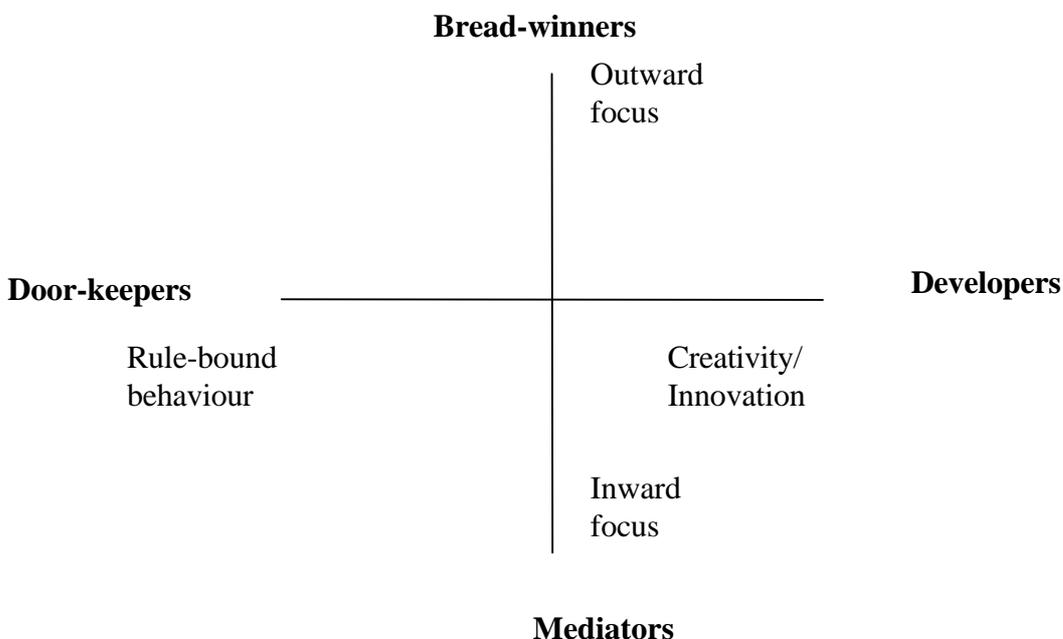
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<sup>16</sup> The role of government in tourism has been treated extensively in the literature. Five different functions of governments can be distinguished: co-ordination, planning, legislation and regulation, stimulation, and by being an entrepreneur of tourism activities. See Hall (1994), Hall and Jenkins (1995), Bodlender et al. (1991).

## 6.2. Organizational and decision-making challenges for the implementing agency

The different roles of the implementing agency pose two major dilemmas. The first one is a dilemma of how to spend time and resources. The different expectations require different skills and different focuses of attention. Two problems are urgent: first, how to encourage development of *good* projects, while at the same time adhering to the regulations involved in the programmes. Being a developer and fostering good projects requires innovative skills and flexibility, whereas being a door-opener requires application skills and rigidity in relation to the programmes. These two roles may not be combined easily. Second, how to follow up the constant stream of initiatives from the EU while simultaneously keeping informed about needs and developments of the local tourism industry and providing it with the necessary information for making use of the programmes. This is a conflict between the role of breadwinner and that of mediator. If sufficient resources are not available for the implementing agencies, trade-offs will have to be made between these roles. Sufficient resources may ensure that there is time available for both taking care of door-opening and developing tasks. In relation to the dilemma between mediating and breadwinning, the issue of socialization must also be taken into account. Through extended contact with the EU bureaucracy, the implementing officials may ‘take on’ the attitudes and jargon of the EU system. This may make them less capable of performing the task of mediating satisfactorily, as that requires extended knowledge of the local industry and a relationship of trust and credibility with it. This problem may be solved through a division of labour between different institutions. The dilemmas may be illustrated as in Figure 1.

**Figure 1. Roles and required orientations of the implementing agencies**



A second dilemma relates to the conflict between securing funds and following a local strategy. In order to make most efficient use of the limited funds, there is a need for a clear local strategy on the criteria for projects to be supported. These criteria would be additional to the formal criteria developed at the national and EU level. However, at the destination level, there is less a scarcity of funds than a scarcity of projects that both

adhere to the criteria made at the higher levels of administration and to the local strategy. As funds will not be granted if the regulations are not complied with, there is often a difficult choice between not utilizing the funds or supporting projects that do not adhere to the local strategy. This is the *strategy dilemma*.

## **6.3. Institutions and policy implementation**

### **6.3.1. Institutions and bureaucratic agency**

What can explain the outcomes of these dilemmas? An important factor, it will be argued here, is the institutional structure of which the implementing officials form a part. Most widely, institutions can be thought of as *[c]omprised of shared practices and rules embedded in structures of meaning and resources which develop some robustness towards changes in their environment, and towards political reform efforts* (Olsen 1995: 6). Institutions guide behaviour through different mechanisms. Two perspectives on how institutions affect bureaucratic behaviour may be distinguished in political science literature (March and Olsen 1989). Within *aggregative* theories, public institutions are pictured as negotiated solutions to the problem of aggregating the interest of the people. Bureaucrats are portrayed as having private agendas and preferences that they seek to further through their official positions. Institutions provide incentives and controls designed to make self-interested rational action compatible with the interests of the people. In other words, they affect behaviour through rewarding certain actions and discouraging others.

*Integrative* theories see the institutions as an expression of order based on history, obligation and reason. The bureaucrat is seen as a person acting in a manner appropriate to a position rather than in accord with personal preferences. She or he can be trusted to do so even if there is a considerable temptation to do something else. Institutions affect behaviour both through influencing what options are considered by the agent (forming the opportunity set) and through socialization affecting the preferences of the bureaucrat.

Institutions may be more or less formalized. The degree of formalization depends on the extent to which the institutions are backed by written statutes and a formal organization for example. However, formalization does not necessarily indicate strength. Institutional strength relates to its impact on behaviour: the way institutions distribute resources, establish rules or norms of behaviour, and shape the actors' interpretation of the environment.

The officials implementing EU regional policy at the local level relate to the EU institutions in their daily work. Although one cannot speak of an integrated set of institutions, the existing partnership between EU institutions and local and national institutions will form expectations towards the local implementing officials. This may both socialize local officials into certain ways of perceiving situations and provide incentives for choices of actions.

The local officials also form part of the broader local institutional structure constituted by different organizations and relationships between them. For example, there will be

patterns of contact and co-operation with the tourism businesses dependent on the existing network of organizations. These will form the basis for contacts relating to implementation of the EU programmes.

In addition to this, they form parts of a formal institution - the county administration - with the potential for structuring behaviour through incentives and controls and through socialization. Belonging to this institution may provide a division of labour favourable for solving the dilemmas sketched above, and thus direct the extent to which expectations emanating from other institutions prevail in the daily choices of action.

In sum, the choices made by the implementing officials regarding what functions to emphasize are theorized to be affected both by the incentives and controls and the socializing mechanisms in the formal organizations of which they are a part. They are also affected by broader institutional structures at the local level and relationships within the EU structure of governance. Which of these institutional structures has the greatest impact on behaviour, is, however, a question that can only be settled empirically.

### **6.3.2. Institutions and the target groups**

In the bottom-up approach, where performance is evaluated in terms of to what extent institutions have provided a solution to local problems, the focus is placed on strategic initiatives coming from the private sector, street-level bureaucrats and local implementing officials. Successful implementation is in this perspective dependent on the active participation of local actors. They will respond to the incentives offered if they perceive the benefits of doing so to exceed the costs.

Economic agents are often pictured as choosing actions on the basis of an opportunity set and calculation of costs and benefits related to different options within this. This calculation is based on physical constraints and opportunities (size of the market, jobs available, tax laws, etc.). But also in economic life institutions affect the motivation to act and the manner in which the environment is decoded (North 1990).

Institutions affect transaction costs which emanate from two problems of economic exchange: the problem of measurement and the problem of enforcement. When an economic agent decides to transact (e.g. sell a good), he will attempt to obtain information about the value of the assets he receives in turn for the assets he offers. He will also attempt to obtain information about whether his counterpart complies with the agreement (e.g. of paying a certain amount for the good). Obtaining this kind of information may be costly.

Institutions may lower these transaction costs through establishing a system for measurement and enforcement, fostering trust and credibility between agents. This may be a formalized system, or a set of stable expectations existing between the agents. This can make the perceived need for measurement and enforcement in each transaction less. (Institutions also may raise the transaction costs, for example through institutionalizing a system of cheating and corruption.)

The implementation of EU Structural Funds may be viewed as a process in which the EU Commission transacts funds for influence. There are transaction costs related to measuring goal achievement and coherence with procedures and regulations. The costs

are partly born by the users of the programmes because it is costly to obtain the necessary information to formulate an application that accords with all the regulations. The delay of payments resulting from the complicated system of measurement and enforcement is also a cost that has to be paid by the users of the programmes. Local institutions may reduce costs through information gathering or instituting stable expectations.

It is apparent that these functions are not limited to the constitutionally determined implementing agency. The focus of analysis must consequently be broadened from the organization formally in charge of implementation to *arrangements and procedures of the living constitution* (Hjern and Hull 1982: 105).



## **7. The implementing structure on Bornholm**

### **7.1. The formal implementation process**

The process of structural fund implementation in Denmark begins when the Commission makes a decision on available funding and the areas defined as eligible under different objectives. In relation to the 5b programmes, the Ministry of Agriculture formulates a national 5b programme in partnership with the county administrations. This is examined by the Commission and distribution of the financial resources to different areas, estimation of maximum frameworks of support and other general instructions, are given.

Arbejdsmarkedsstyrelsen (the Labour Market Administration) within the Ministry of Labour, Strukturdirektoratet (the Structural Directorate) within the Ministry of Agriculture, and Erhvervsfremmestyrelsen (Trade and Industry council) within the Ministry of Trade and Industry, are responsible for the administration of the Social Fund, the Agricultural Fund, and the Regional Fund, respectively. These national agencies transfer funds to the different receivers of support according to the following procedure. Applications are sent to the county or the respective national agency. When the applicant has received a letter confirming that the application has been received, the project may start. This happens at the applicant's own risk, but all the expenses from this date may be included in the total project cost which forms the basis for support estimation, if granted. The role of the county is to recommend the application for refusal or approval.

Applications for more than 500,000 kroner are presented to *Strukturfonds Udvalget* (the Structural Funds Committee) for comment. This consists of two representatives from the county administration, the five municipal mayors, representatives of local organizations and the Structural Directorate. The head of the committee, the county mayor, has the authority to handle applications for less than 500,000 kroner without presenting it to the committee. This is executed by the EU secretariat. The EU secretariat passes applications on to the respective central authority (the Labour Market Administration, the Structural Directorate or the Trade and Industry Council) where the final decision is made. According to an agreement, the central authorities have to give an extensive explanation if they decide to refuse a project that the EU secretariat has recommended for approval.

The LEADER programmes differ formally from 5b in terms of ideology and administration. The LEADER programmes are developed in a project partnership between the Danish government and three LEADER groups, which base their proposals on suggestions from 11 local action groups. Bornholm is represented through the LEADER group for the Danish islands, and one of the local action groups within this LEADER group is found on Bornholm. The central LEADER group distributes funds between the local groups, which on Bornholm are identical with the board of LUIC. From this point on, the EU secretariat in the county is responsible for the administration of the programme and payment of grants. The EU- secretariat also prepares cases for a local committee containing representatives from the municipalities, the county and

private organizations. This committee recommends applications for approval or refusal. Bornholm county is the responsible authority with respect to the Danish government<sup>17</sup>.

## **7.2. Participants in the implementation process on Bornholm**

As argued above, the implementation process is not limited to the formal process of distributing funds. There are a number of other functions involved and there are potentially also other agencies involved in addition to those that are formally in charge of implementation. The division of roles between different agencies may provide a solution to the dilemmas that the conflicting expectations form. The following sections will analyse who participates in the process of implementing the funds on Bornholm and how the institutional set-up affects on what tasks are emphasized. Chapter eight will account for how the implementing structure affects the use of the funds by the private sector and the municipalities.

The EU secretariat on Bornholm is the central agency in the process of implementing the Structural Funds on Bornholm. It has three employees and it forms part of the international department in Bornholm county. Seven officials are employed in the international department to take care of the county's work in four major areas. First there are tasks related to the EU. These tasks encompass:

- advisory services related to the Structural Funds;
- administration of regional EU programmes;
- lobbying with the goal of attracting additional funds;
- general EU information;
- work on the EU's East European programmes (Kristiansen 1996).

Second, the international department works at regional development, including the elaboration and implementation of the county's business-promoting objectives. Third, it takes care of the county's participation in international organizations and co-operation agreements. Finally it is in charge of *system-export*: education of colleagues in the Baltic countries in administrative skills.

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<sup>17</sup> For an overview of the formal implementing structure of the Objective 5b and LEADER programmes on Bornholm, see Appendix 4.

**Table 7. Division of labour within the international department of Bornholm County**

Head of international department						
	The EU secretariat (Domestic Group)			International Group		
Officials' Responsibility:	I	II	III	IV	V	VI
Programmes :	Objective 5b Social Fund	Objectives 3 & 4 Social Fund ADAPT EMPLOYMENT INTER - REG II	Objective 5b Regional/ Agricultural Fund LEADER II PESCA			ECOS/ OVER-TURE INTER-REG IIc PHARE TACIS
Co-operation agreements/ organizations:	The European Council			3 Islands co-operation B 7 Association of New Countries Baltic Com. Sub Regional Com.	South Eastern Skåne Four Corners Baltic conference	
Tasks:	Carrefour Docu - mentation Economic management		Business statistics	Business dvlpmt. Service for County Mayor	Tourism dvlpmt. Quality dvlpmt. IT use Secretariat	System export Cross-Border
Domestic Committees:	The Structural Fund Committee				Dvlpmt. Committee	
Countries of special attention:		Germany Russia		Estonia Latvia Lithuania Finland Sweden Poland		
			Business policy initiatives that demand extensive research			
Service for political and administrative management on respective areas of competence						

### 7.2.1. The breadwinners

Three officials are formally in charge of playing an active role towards the EU. Apart from the leader of the department, one member of the EU secretariat plays an active role in lobbying the EU for attracting funds to Bornholm. Another member of the international department works with other external funding agencies. In this work, the officials are aided by their contacts in Brussels. The county is represented in Brussels through the representative of the B7 (a co-operation agreement between seven islands

in the Baltic Sea). In addition to this, an important contact in Brussels is the former official of the county who now is a Danish representative in DG XXI of the EU Commission.

This institutional set-up, and a county mayor who is very internationally directed, have contributed to the success of the county administration in attracting funds to Bornholm. However, he has also expressed frustration over lack of time to respond to EU initiatives, and thus satisfactorily fulfill the role of breadwinner:

I would very much have liked to have time to be up front with the initiatives that come from the EU Commission. We are very often lagging behind because we don't have time.

All the members of the international department report that more and more time is spent on responding to initiatives from the EU, which potentially involve increased funding. They play a passive-active role in this respect. They do not make contact with the EU agencies themselves, but through the national agencies responsible for implementation, opportunities for future programmes and funding are presented to them. They can choose to take those opportunities, but they can also opt out of it. One of the members of the EU secretariat expresses it this way:

In the daily work, all of a sudden, I am supposed to answer something [in relation to the EU programmes] in a few hours' time. We get the offer to participate in something, and then we are supposed to submit five pages in English within no time. I experience some of these things as inappropriate and unreasonable.

When trade-offs have to be made in terms of time, much effort is made to keep to the deadlines set on responding to the initiatives coming from the EU. This often takes attention away from other tasks.

### **7.2.2. The door-keepers**

The EU secretariat together with the Structural Funds Committee performs the majority of the door-keeping functions. Two of the employees in the EU secretariat have dealing with applications for funds from the EU programmes among their main tasks. A third one is the secretary for the Structural Funds Committee. He prepares the cases that have to be presented to the committee.

The role of the Structural Funds Committee should not be exaggerated. The vast majority of the projects have a budget of less than 500,000 kroner and are consequently not presented to the committee. Moreover, according to the secretary, there is hardly ever conflict within the committee or between the committee and the secretariat regarding what projects should be recommended for support. There are ideological conflicts that impinge upon the representatives' views on public support as a means of encouraging business development. However, this is seldom expressed in conflicts regarding specific cases.

Within the EU secretariat, the time set off for the door-keeping functions is not perceived as sufficient. More and more complicated regulations, make the task harder and the available time less sufficient. One of the officials put it this way:

I would very much like to have time to be serious. I would like to be able to say that when I have made a recommendation, I have made it against the background of the material I had access to. But I don't have time to sit down and study EU regulations regarding the work I shall do, so there may very well be some errors. I sometimes make a positive recommendation for a project that cannot get support because of some regulation. I would very much have liked to be able to defend what I do. Sometimes I can, but not always.

### **7.2.3. The mediators**

The EU secretariat also has the task of providing general information about EU programmes and assisting applicants in formulating applications for funding. The Carrefour office within the EU secretariat has general responsibility for information. The office, which is run by the secretary of the Structural Funds Committee, is partly funded by the EU Commission's Directorate General X. Its main tasks are to:

- inform about EU policy and programmes through newsletters and meetings;
- be a service institution for citizens through providing EU information and advising on the search for co-operation partners;
- stimulate debate and common activities between different groups;
- promote exchange between local groups and groups in foreign countries;
- participate in network co-operation activities (Kristiansen 1996).

The other two members of the EU secretariat provide more specific information to the funding applicants. However, doing a good job as a mediator requires close contact with local businesses. The time available for this is not sufficient according to the officials:

With the work we do here, we should have had more contact with local businesses, employees, applicants. But we have no time for that. I have no time for going out of the office and taking a look at the projects. I would often have understood them better if I did. Instead I am supposed to sit here and make copies.

However, the EU secretariat is not the only mediating agency on Bornholm. Two other organizations do an important job in mediating between the EU and local businesses. One of them is *Erhvervsrådet* (Trade and Industry Development Council of Bornholm - the Business Council). The Business Council is a parastatal organization established to support Bornholm businesses. One of its stated objectives is to help formulate applications for subsidies, support and loans from funds and programmes. It also assists in advising project-initiators and with matching funds and projects. The board of the Business Council is made up of representatives from the island's businesses. It is funded by the EU (INTERREG) (30%), the county (30%) the Danish government (15%), income from the Business Council's fund (15%), and some minor private support. The Business Council has two representatives in the Structural Funds Committee.

Of the 14 hotel and campground owners interviewed, nine had had contact with the Business Council during the process of conducting the project for which they received support. The Business Council is also viewed as an important co-operative partner by the municipalities. One of the municipalities has hired a member of the Business Council on a part-time basis in order to assist local businesses. One of his main tasks is to provide information about the Structural Funds, and to assist formulation of applications.

LUIC provides assistance and consulting services to funding applicants within the agricultural sector, with the aim of promoting innovation and development. It also provides assistance with applications for EU funding and gives information about the programmes. LUIC is run by a board consisting of representatives of the two farmers' organizations on Bornholm, the Business Council, Bornholm Business School and Baltic House.<sup>18</sup> LUICs courses and consulting activities are partly EU-funded, partly based on user-fees. Of the 13 farmers that had received support for farm tourism projects, 11 had LUIC as their most important contact in the process of receiving information about, and applying for support from, the EU funds.

The third most important source of information and assistance with formulation of applications for the project holders, are the *accounting offices*. Of the hotel and campground owners interviewed, 50% applied for support from the EU funds on recommendation from their accountants. They also received assistance in formulation of applications from them. The importance of the accountants is less among the farmers that have received support for farm tourism projects. Only 14% say that their accountant was their main source of information and assistance. Some accountants also participate in the formulation of the EU programmes on Bornholm.

A number of other organizations also take part in the process of conveying requirements and demands from Brussels to the local actors.

*Destination Bornholm* (DB) is a joint-stock company, established in 1992 with the objective of coordinating product development and marketing on Bornholm. In addition to funding from stockholders, it was funded with network funds from *Erhvervsministeriet* (the Danish Ministry of Industry and Trade). In 1996 it achieved status as a regional *Turistudviklingsselskab* (Tourist Development Company). Consequently, it qualified for support from the same ministry for four years, starting with 60% of the total costs of its activities in 1997 (10% less in each of the subsequent three years). The board of Destination Bornholm consists of representatives of the different parts of the tourism industry.

The director of Destination Bornholm and the Welcome Centre participates in the *Coffee meeting*. This is an informal meeting with representatives from the EU secretariat in the county, the LUIC, the Business Council and the *Arbejdsformidlingen* (the employment exchange office). According to the director of DB, the coffee meeting is her main source of information about the EU programmes, and the main means of influencing the process of developing programmes. On the agenda for these meetings are

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<sup>18</sup> Baltic House is a section of the Business Council, working primarily on relations with other the Baltic Countries. It was established as part of the EU-assisted INTERREG I programme.

issues such as problems with making programmes operational, and how to make sure that applications are approved. In addition, information about projects that have been denied support is published at this meeting. This is normally not public information. The information gathered here is used by DB to give advice about support possibilities to private entrepreneurs.

A more informal forum is *HPR 87*, also called *Brancheklubben* (the trade club) or *Kaffe-klubben* (the coffee club). HPR 87 is an association of small and medium sized hotels created as a forum for discussion of issues of current interest. According to some of its members, the motivation for starting the club was that discussions in more formal fora excluded the small businesses. On request from its members, HPR 87 has organized meetings with representatives from the Business Council in order to obtain information regarding support possibilities from the EU Structural Funds.

#### **7.2.4. The developers**

The international department also plays a role as developer. In co-operation with public and private actors on Bornholm, the EU secretariat's officials are entrusted with the task of stimulating *good* projects. This has been done especially in relation to larger parastatal projects. However, the possibility of being a strategic actor in local business development is seen as limited by resources:

It would be preferable if there were more time to follow up the projects that receive funding, and see how the programmes could be implemented more efficiently. We have just got a new LEADER programme accepted. It is not very big and to secure a best possible evaluation, this is the time when we should have found out how to develop projects that could really make a difference over here, considering the limited funds. I admit that the time is too short for that.

The functions of administering funds and responding to initiatives get priority over development functions, and there is little room for thinking in terms of strategy and visions:

We have both an administrative function and a development function. Sometimes I think the administrative function has taken over and the development function is lagging behind ... administration of funds and programmes. There is little time for directing the development and having visions.

The scarcity of resources for this purpose is alleviated by the fact that a number of other public and parastatal organizations are also involved in developing *good projects*. The Business Council is especially important in this regard. Officials in the Business Council have long standing contact with, and knowledge of, the local industry. One of the officials in the Business Council is a previous leader of Destination Bornholm, and has been a *midwife* for three of the hotel projects involved in the inquiry. There is also long standing contact between the Business Council and the EU secretariat.

The LUIC plays many of the same roles towards the agricultural sector as the Business Council does towards the tourist industry and businesses in general. It plays an even

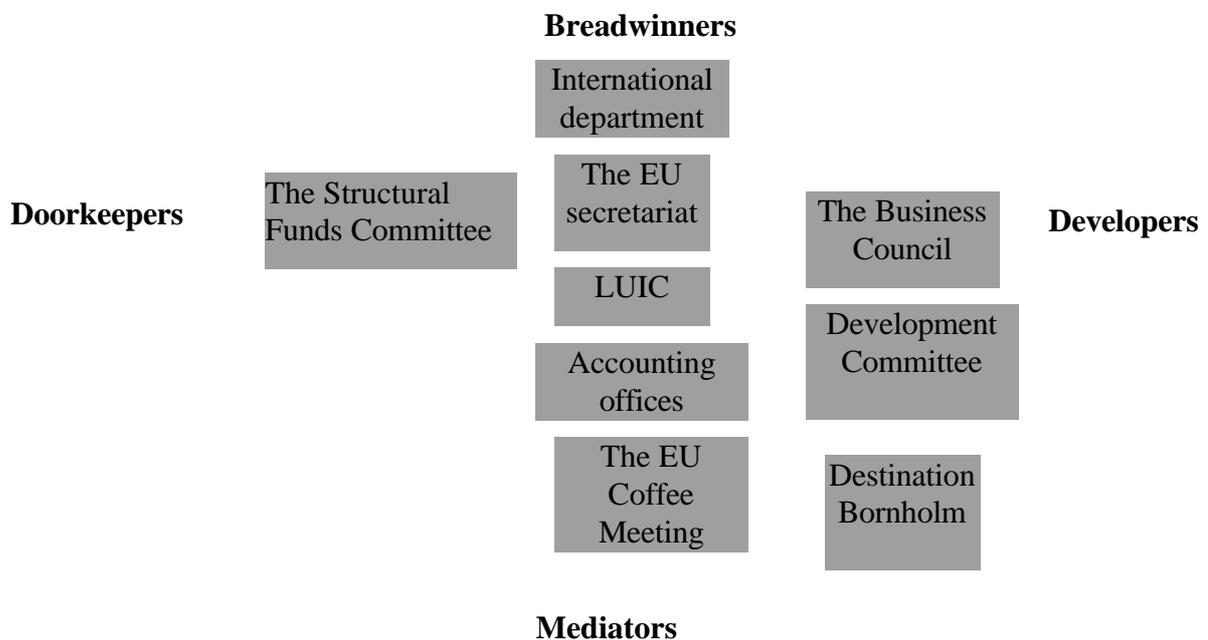
more active role as *developer* because it initiates projects in co-operation with private businesses.

A number of other organizations play a role as developers. Within the Business Council there is a *Turistudvalg* (the tourist committee). This functions mainly as a forum for electing representatives from the tourism industry to the Business Council and to the board of Bornholm's Welcome Centre. It is also a forum for discussion about tourism policy and new project ideas. The tourist committee also has a managing committee consisting of seven members.

*Udviklingsudvalget* (the development committee) is a politically elected committee at county level with responsibility for co-ordinating business policy on Bornholm, in addition to international work relating to the Baltic countries. It has a special emphasis on tourism. It is meant to supplement the Economic Committee in the county with more strategic and long-term considerations in the planning of activities on Bornholm. In relation to the EU programmes, it is a central co-ordinator of proposals from different sectors. The secretary of this Committee is a member of the county's international department.

Together, these organizations make up the implementing structure for the structural funds in the tourism sector on Bornholm. This is illustrated in Figure 2, where the organizations are placed according to their main functions.

**Figure 2. Implementing structure for the structural funds in the tourism sector on Bornholm**



## 8. The implementing agencies and outcome of the programmes

Chapter five concluded that the programmes have contributed to an improvement regarding the problems of the tourism industry that are directly connected to the product, but that there is a lot left to do regarding innovation and co-operation over a common strategy. This chapter will analyze how the choices made by the implementors have affected this outcome. The final step in the model, how the choices of the implementors are affected by the institutional set-up, will be analysed in the final chapter.

### 8.1. The co-operation problem and choices on strategy

There are a number of prerequisites for establishing co-operation and a common strategy. Co-operation between the different actors in the private sector and between the public and private sector are two important prerequisites. Co-ordination, and a clear strategy within the public sector, may be seen as a condition for creating co-operation in the private sector. However, as shown above, strategy choices may conflict with the conditions set for the programmes.

The Structural Funds Committee on Bornholm has formulated some principles for the choice of projects that may receive support based on the regional strategy for the funds (Bornholms Amt 1994a, Bornholms Amt 1994b). In addition to the general criteria outlined in the regional programme, the projects should *form part of a coherent strategy and flows of money should follow flows of knowledge* (Carrefour Bornholm 1997). When the implementing agency evaluates an application for funding, first, accordance with EU and national regulations for the programmes is controlled. Second, the extent to which the envisaged project accords with the regional strategy is evaluated. However, very few projects are rejected because of lack of coherence with a local strategy. The two officials who deal with applications for support for the tourism sector, have commented, respectively:

One can say that the main criteria are whether there are some jobs that are created or sustained, and there are some environmental concerns. These are the objective criteria. Then there are a lot of other factors involved - there are innovative aspects ... But it has become a very long checklist. Half of the applications rejected were rejected because of objective criteria.<sup>19</sup> When it comes to the regional criteria, we are very flexible. That is also because the applicant has to contribute at least 50% of the money, and the risk they are willing to take makes us positive, as long as the project does not directly contradict the objective criteria.

I think that there is generally no goal with what we do here ... Some years ago one said yes to all the applications. Now one has begun to be a little bit more critical, but so far that has not meant any significant changes. My understanding of the higher political administrative levels is that one should take support if one can get support.

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19 The criteria set by the EU and national institutions.

The result is that, although there is a formal local strategy, it is often not followed. This is both connected to the relative scarcity of good projects to support, and the lack of predictability of the future of the funds. The fact that the amount of money, and the conditions for attracting funds are frequently changed, not only requires time and resources to gain information about it, it also hampers the possibility of local planning:

In the past, perhaps, there was a lack of concentration on the funds. For the future - we don't know what will happen. We don't even know if there will be EU programmes on Bornholm and that is in itself problematic.

When trade-offs have to be made between following a local strategy and adhering to EU regulations connected to the programme, the local strategy must give way. The other option would have been to de-emphasize the importance of attracting EU funds. This lack of strategic choices has an impact on the degree to which the programmes spur co-operation and coordination among their users.

## **8.2. Innovation, entrepreneurship and the tourism sector's strategies**

There is a strong emphasis on innovation as a means of creating employment in the EU programmes. However, the projects supported were found to be innovative only to a limited degree. How have the projects got support in spite of not always fitting in with the ideas of the programmes? As mentioned, there is a scarcity of *good projects* to support. The challenge for the implementors will thus be to affect the behaviour of the actors in the tourism industry so that they become more innovative. But it is not likely that the potential funding recipients will change their behaviour significantly unless there are considerable benefits, or very low costs. Moreover, dependent on their individual goals and preferences, the target groups have a number of strategies available faced with the incentives offered in the EU programmes. They can adapt their behaviour to the incentives, they can attempt to get the benefits offered in the incentives without adapting behaviour, or they can reject the incentives and carry on their activities as before.

### **8.2.1. Attitude towards the programmes**

More than half of the funding recipients in the hotel and campground sector expressed a reluctance to participate in the game of applying for funds. There are two main reasons for opposition. First, there is ideological opposition. The argument is that support programmes contradict the logic of the market and the spirit of the independent entrepreneur. The owner of a small pension expressed it this way:

To run an independent business demands a certain spirit. It is a way of relating to your own life, one feels responsible all the way. That spirit is ruined by thinking in terms of support all the time. Something happens to people when they have to write begging letters. If you can't make profit from the business, you should rather shut it down.

Playing the game was conceived as costly in terms of loss of independence and control over the business, and the funding recipient had opted out of further participation. Another option is to use the programmes strategically in spite of ideological qualms:

We are so focused on support here on Bornholm. We absolutely do not approve of that, but this was something that cost money. So we thought we could check out the possibilities for support. Actually, I think it was wrong to give support in our case. We would have spent the money anyway, and now we are running with a deficit.

The second main reason for opposition within the hotel and campground sector was the costs involved in obtaining information about the programmes and formulating applications for funds. For larger businesses, their accountants formulate applications and provide information, but smaller businesses view the amount of time and money required to apply as an obstacle. The time-delay between granting of the money and receiving it, is also a problem for small and weak businesses. The situation was described in this way:

It is hard to find time to discover the possibilities one has to get EU funds. I cook, I clean the rooms, I take care of the bookings. I don't have time to keep informed about the rules. There should have been a man one could call about that.

Among the recipients of support for farm tourism projects too, there was scepticism about the programmes. Farmers have long-standing experience of EU support and, whereas many of them appreciate this, there is also a feeling that support is only given for non-profitable production. The programmes are incompatible with their economic strategy. One farmer put it this way:

I get support for my agricultural production, but I hope it will be taken away. It is only used to keep prices down. Take away the support and I get the real price of the product. Another thing is that there are many support programmes that we can't use at all. The rest of Denmark can say, look at Bornholm, they get support for everything, but we can't use it for anything.

The costs connected with information gathering and application formulation was only viewed as a problem by one of the funding recipients. Of the other 12, 11 applied through LUIC. LUIC provided information, assisted formulation of project proposals, and kept contact with the Ministry of Agriculture to assure good timing of the applications. In this way the problem of delays was avoided. LUIC also assisted in the creation of partnerships among the farmers, as mentioned above.

Most opposition to the programmes among the farmers was related to tax issues. Investments in farm tourism facilities are considered by the Danish tax authorities as investment in residence and not as investment in production plant. Consequently, support for investment in farm tourism facilities is not deductible, and in many cases 50% of the support had to be repaid to the Danish government in taxes. This came as a surprise both to the funding recipients and to the LUIC. It was a matter which kept two of the funding recipients from making use of the allocated grants, and created resentment among some of the remaining funding recipients. Probably, it is also one of the main reasons why only a small share of the money allocated for farm tourism in the current 5b programme has been utilized.

The representatives of the municipalities have a generally positive attitude towards the programmes. Both their own experiences with the programmes and their views of how the programmes have affected the tourism sector on Bornholm are favourable.

There is little ideologically based opposition towards the programmes in the public sector. However, except for one municipality representative, all the funding recipients viewed the process of applying for funds as arduous. Especially in relation to the LEADER programme, where the funding to each project is very limited, it was emphasized that one should estimate carefully the time involved in making applications in relation to the potential benefits. One funding recipient commented:

The problem is the resources. One needs resources to find out how to extract resources. If we had one person who only worked with EU applications, then we could have got a lot more money. The whole process is incredibly troublesome, it takes time and insight.

The other municipalities viewed the workload connected to the programmes as slightly less burdensome.

A second problem with the programmes, emphasized by some of the municipalities, is that funding is mainly available for projects that are not of chief importance to the municipalities. The programmes do not solve the municipalities' problems, but they make it financially possible to take on tasks that they otherwise would not have done. This involves extra workloads for the municipal bureaucrats. Consequently, it takes resources away from other fields:

It seems like they have a preference for theoretical projects, not the projects that solve our problems. It is things like setting up a new toilet at the beach that is our job, but of course that is not very visionary.

### **8.2.2. Push and pull factors**

Many of the funding recipients commented that applying for funds was a difficult and time consuming process. One must therefore ask why the funding recipients still play the game. Why do they invest time and money in applying for funds?

The obvious answer is that there are gains involved. However, the amount of money granted to each project is rather small. Studying the funding recipients and the situation in which they applied for funds, there have been factors involved that have either raised the value placed on potential benefits, or lowered the costs.

In the hotel and campground sector, the main pull factor, raising the value placed on potential benefits, has been the difficulty of obtaining funds from commercial sources. This was a consequence of the situation for Bornholm's businesses in general and for the tourism sector specifically during the period studied. The economic recession in the early 1990s hit the newcomers in the business hard because of the aversion it generated among banks and building societies to lending money to tourism business on Bornholm. After some years of losing money, the capital reserves of the tourism sector itself were very limited (Sundgaard 1997). This economic crisis particularly affected the new investors

who received support to renovate a place they had recently taken over. One owner of a pension stated:

We got into severe economic problems. We had been granted a loan from *Kreditforeningen* (the credit association), but then came the crash of *Bornholmer Banken* (the Bornholm Bank). From one day to the other, everything was closed down. We had already employed the construction workers, but all of a sudden we couldn't obtain the funds. That was when we applied for EU funds.

But there are also a number of fairly well-off hotels and campgrounds that have applied for funds. Two *push factors* lowering the costs of applying have been important in these cases. The first is the size of the business. The bigger the hotel or campground, the more likely it is that the project involves large sums of money, and the lower are the costs of formulating an application relative to the gains. Moreover, the management of the larger hotels is specialized and the book-keeping function is separated from daily management. This give it the necessary time and expertise to keep up with support possibilities.

Also many of the small undertakings applied for support through an accountant, and this involvement decreases the impression of the application process as troublesome.

The second important factor lowering the costs of application is the organizational involvement of the funding recipient. Organizational involvement is a door-opener to contacts and information about the system. It also seems to affect relations with the implementing agencies: the Business Council and the EU secretariat. In turn, this has affected the degree to which the process of applying for funds was perceived as costly.

Among the smaller businesses that did not perceive the process of applying for support as difficult, one funding recipient was a member of the local municipality board, and received help from municipality officials in formulating the applications. One was a former bank manager who made use of contacts from his earlier career, while three had board positions in various tourist organizations. These connections opened channels of information and made the first step - making contact with the business council or the county - easier. They solved the problem described by one of the funding recipients:

A lot of people do not want to make contact with the Business Council. They feel that the step up there is too big. [The Business Council] doesn't step down to the ground, where we are. There could have been a consulting service, someone who could tell the tourism business what possibilities exist.

The farmers' perspective on costs and potential benefits is different from that of the hotel and campground sector. Most importantly, their costs were lower. This is a consequence of the role that LUIC played in organizing the funds. However, similar assistance is offered other tourism businesses by the Business Council and the EU secretariat. Why has LUIC been so much more effective? There are two answers to this: first, LUIC was established on the initiative of, and physically situated in the same building as, one of the two established farm tourism organizations on Bornholm. LUIC could thus rely on the already existing relationship between the farm organization and its members. This created a feeling among the farmers that the people at LUIC were *one of us*. It fostered

trust and credibility. The second factor is personal contact. The first leader of LUIC created close relationships with the farmers and an atmosphere of enthusiasm for the idea of farm tourism. One of the farmers said:

That we started with farm tourism is to Henrik's<sup>20</sup> credit. He came here to Bornholm alone. He was young and newly graduated and he had a lot of time and energy. A very creative man ... He used his spare time to travel around to all the farms. And he arranged meetings with the farmers. Everybody became very enthusiastic. When the programmes were new it was possible to find complete funding for farm tourism projects, and the farmers liked that. They were also enthusiastic about creating their own organization. They were tired of the bureaus demanding a high commission.

Pull factors were thus more important for the farmers than push factors. There was not an urgent need for the funds, but because of the ease of obtaining them and the possibility of substantial gains, the farmers participated. However, when the gains diminished for tax reasons, many opted out of the possibility of applying for support.

For the municipalities, on the other hand, pull factors were most important. The programmes were introduced at a time of economic decline which hit the fisheries and the tourism sector particularly hard. The municipalities had to make an effort to increase employment and sustain the tax-base. The tourism sector was viewed as one of the main options, as fisheries increasingly came to be viewed as lost ground. In attempting to support the tourism industry, the municipalities had very limited resources, and as employment sank, the resources became scarcer. EU funds were thus one possible source of funding for projects that could increase the tax-base of the municipality. The consequence of the extra time spent on obtaining information and formulating applications was less attention to other tasks, not less time for other productive activities in the business. The type of work was also similar to other tasks carried out by the municipality officials. Thus there were less changes of behaviour required in order to play the game. All these factors reduced the costs of playing the game.

One push factor was the jobs created specifically to assist with fund-raising and application formulation by two of the municipalities. The municipality hit hardest by decline of the fishery sector (Nexø) hired an expert from the Business Council on a part-time basis, with a primary task of assisting public and private actors in fund-raising. In a second municipality (Aakirkeby), one official was given overseeing EU funds as a special task; he assisted all public actors in the municipality in application preparation and formulation. Officials in these municipalities conceived the process of applying for funds as less burdensome than in the other municipalities.

### **8.2.3. The strategies applied**

The funding recipients who overcome the problem of obtaining information and reduce the costs involved, may be strategic actors and use the funds to pursue their own goals. To some extent they also are also able to adapt their projects strategically to fit in with the programmes. In the hotel and campground sector, most of funding recipients perceived the costs to be very large, but were in a situation that increased the value

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20 The first leader of LUIC, Henrik Andersen.

placed on the gains when they applied for funds. These are not strategic actors in relation to the funds, but they have made use of the funds because of a lack of other opportunities. However, the larger businesses and those who were involved in the organizations, had better opportunities. One of them got support for three projects, from three different EU programmes. He said about the process:

I found out about money for the second project myself. I was at the board of Destination Bornholm at the time, and I heard about the LEADER funds that way. I heard someone had got money for export of Baltic Sea Salmon, and thought I could get some support too. So I called the Business Council. They were very negative first, but I went on and found out that there was money left in the programme. So I adapted the application to the conditions of the programme and got the money.

Support for farm tourism projects differed from investment support for hotels and campgrounds in the sense that it aimed to restructure the economic activities of the funding recipients. Tourism is not the main income for most of the recipients, but the programmes aim at making tourism a more important part of the income basis. There are costs related to the restructuring process, both in terms of acquiring knowledge about a new business and in making the investment. For the farmers, there are thus higher costs involved in cohering with the *intentions* of the programmes, than in the hotel and campground sector.

What strategies do the farmers employ when faced with this pressure for change? The most common reaction is to reinterpret the aims of the programmes in order to make them fit in with their own needs. While the programmes envisage farm tourism as a new source of employment in rural districts, the farmers view it as a means of maintaining surplus buildings. The farmers want primarily to be farmers but see tourism activity as a nice hobby and an extra money-spinner, in addition to being a way of maintaining the farm.

However, the low costs involved in applying for funds in this sector also facilitates creative entrepreneurship. Four of the respondents had put time and money into developing the product and could offer a number of activities in addition to accommodation facilities. Three of these had made it a major source of income.

The municipalities' main concern is to provide the necessary infrastructure, rather than being innovative. The funds are used for projects that the municipalities are traditionally engaged in, but are not willing or able to fund with municipal money at the moment. When the programmes do not *fit* their purpose, the strategy is to reformulate the projects in order to make them fit the programmes. The procedure is explained by one of the municipality representatives:

In general it works this way: when we have a project, we start to think about what possibilities there are for support. Then we contact the county to get information. Then we try do adapt the project. We play the game of making the projects match the programmes.

In the process of matching programmes and projects, the meaning of the programmes is also adapted to fit the needs of the municipalities. The LEADER programme in particular had to be re-interpreted in order to fit local needs because of the scarcity of funds and the high ambitions involved in it:

LEADER got to be called *the toilet programme*. It was a matter of small change, but if you needed a new public toilet, you could always apply for LEADER funds. I guess that was not really the intention, I think the intention was innovation.

In conclusion, the municipal officials make use of the programmes to the best of their knowledge, while minimizing the changes required in their daily activities. Funding through the LEADER and 5b programmes is used in order to achieve goals set forth in municipal policies and in order to service the local tourism industry. However, the design of the projects is adjusted to fit the programmes. In the process, the aims of the programmes are altered as they are interpreted by the users.

It is difficult to draw conclusions about attitudes and strategies in relation to the organization-projects and the consultancy projects. The organizations did not exist before EU support was introduced and the question of strategic use is thus irrelevant. The consulting companies that received support for their projects were not permanent actors in Bornholm's tourism business. Their reason for applying for EU support was to reduce the costs of their services and thus enhance their position in relation to other consultancies in the competition for jobs. As the focus here is on Bornholm, the attitudes and strategies of the consultancies are of less interests.

#### **8.2.4. The programmes and innovative actions by the target groups: conclusions**

For the hotels and campgrounds, two factors have been important. First, the severe problems of getting funds experienced by hotels and campgrounds have increased the importance of EU funds. Businesses that under normal conditions would have been able to obtain funds on a commercial basis have searched for special funding, like the EU funds, because of the specific situation on Bornholm in the early 1990s. Second, a number of the larger firms have sufficient resources for gathering information about funding programmes on a regular basis. Because the managing and accounting functions are separate, there are time and resources available for information gathering and application formulation. Another factor that improves the availability of information is the firm manager's contacts with other organizations.

In the farm tourism sector, the need for funds was not as pressing as in the hotel and campground sector. The most important reason for applying for the funds here, has been promotion of the programmes by the LUIC: this has significantly lowered the costs of applying for the farmers, and made them inclined to apply even if the need was not strong.

In the case of the municipally run project, pull factors were also the most important, as the income of the municipalities declined significantly during the economic crisis, and the need for creating alternative employment to fisheries and agriculture was strong. Although the municipality officials also perceived the process of applying for EU funds

as time-consuming and complicated, the process was similar to the ordinary work of the municipal bureaucrats. The changes in behaviour required to make use of them were thus less.

The costs involved in making use of the programmes have affected the degree to which the users have acted strategically towards them, and the extent to which they have encouraged innovation. LUIC's success as a mediator has lowered costs for the farmers in relation to making use of the programmes. This has encouraged some innovative initiatives. However, since it was so easy to get funds, many have applied for funds without changing their strategies significantly. In relation to the hotel and campground sector, the high costs of making use of the funds have prevented their use unless they were really badly needed. The core mediating agencies, the EU secretariat and the Business Council, have not succeeded to the same degree in relation to this sector, but some of the actors have obtained information through other organizations. However, this pattern has created more unequally distributed costs and benefits in this sector than among the farmers.



## **9. Institutions and implementation of the structural funds in the tourism sector**

The previous chapters analysed how implementation affected target group behaviour through lowering or raising costs related to using the programmes. The mediating role is particularly emphasized in this respect. It was also argued that the implementors are faced with a number of potentially contradictory expectations and that there are trade-offs to be made in terms of what roles to emphasize. Moreover it was argued that the local organizational set-up provides a division of labour between different agencies that partly alleviates the bias towards international tasks experienced by the officials in the EU secretariat and the rest of the international department.

However, in the theoretical introduction it was argued that the formal local organizations are only one of the institutional factors that potentially influence the implementors. The international governing structure of which they form a part is also an important factor. Moreover, the broader local institutional context is of potential influence. These issues will be addressed here.

In the theoretical introduction, two ways in which the institutional structure affects behaviour were sketched: institutions affect behaviour through socialization and through incentives and controls. In chapter seven, a picture was drawn of how time was spent in the international department and what functions additional organizations had. Is this spending of time a consequence of the attitudes of the officials, or is it a result of controls and incentives? Moreover, what institutional structure is most important in affecting the officials' attitude and choices?

### **9.1. The EU governing structure and the attitude of the implementing officials**

If the formal organization in which the officials form a part were most important for socialization of the actors, one would expect them to have a largely similar attitude towards the issues that they work with. If, on the other hand, the other institutions were more important, the degree to which the officials have contact with them would be expected to play a larger role.

Three main issues were addressed in the inquiry: the bureaucrats' view of the role of the public sector in development of businesses on Bornholm, their view of the role of the tourism sector and their view of the effect of the EU programmes.

On the question of the role of the public sector, the respondents divided between, on the one hand, one who thought the public sector should play as little role as possible to, on the other hand, four of the respondents arguing that letting the public sector take the lead was the only way of securing initiatives and creating employment on Bornholm. Somewhere between those extremes is the position that accords with official Danish regional policy and the official philosophy of the EU programmes - that the public sector should secure a favourable framework for private initiatives, and that development should take place in a partnership between the public and private sectors.

Differences in the views of the role of tourism businesses are less distinct. All the respondents showed a favourable attitude towards support for tourism businesses. However, they also emphasized that tourism should be governed by the public sector and that it should never be the most important industry on Bornholm.

All the officials in the international department agree that attraction of funds is their most important task. However, their views of the effect of these funds differ widely. The international department is split in three. Two of the officials argue that the programmes have had a significant effect on the development on Bornholm:

I think that the EU programmes have contributed very much to the development we have had in the tourism sector. I would perhaps say that the tourism sector is the sector that has benefited most ... The EU programmes have had a much larger relative impact than you would think from the 20 million kroner they contribute each year, because Bornholm was in a very deep crisis. They fell on a very *dry land*.

Two of the officials point to the lack of flexibility in the use of the funds, leading to constraints on utilizing the funds to the best for Bornholm. Nevertheless they see a value in attracting funds to Bornholm.

Three of the officials are highly critical of the Structural funds programmes. This attitude is partly based on the lack of effect they have because a lack of coherence and local strategies, as stated by one of the officials:

As long as there is no clear strategy - now we will use 100% for expensive hotels, or now we will use 100% for people staying in pensions - well, then we simply give some money here and there and it doesn't help at all. Well, maybe a little bit, but it would have had more effect had there been a clear strategy... The main effect is that people think in terms of grants, not in terms of projects and that the economy gets disturbed.

The reason for this opposition is partly ideological. The respondents believe fundamentally in the free market and think that support programmes are counter-productive in the long run. The third reason is the extensive bureaucracy that the administration of the funds introduces. One of the officials answers the question of the effect the EU programmes have had on Bornholm, this way:

Nothing. I think much EU aid is administration of power, not a common belief that things must be developed. It has allowed citizens to believe that they can maintain the way of life that they have got. But they can't because they are subsidized... The programmes take too long to implement. I actually think that if someone stole half the EU money, they would get more out of it. In trying to control and manage it so tightly and so bureaucratically, the time lag between deciding something and making something happen is too long. And it ends up maintaining the status quo, rather than changing anything.

In sum, the preferences of the bureaucrats diverge highly both in terms of the role of the public sector, and the degree to which the EU programmes have the potential to change

things on Bornholm. Being a member of the international department is not a good explanatory factor for attitudes towards the issue area. On the other hand there is a clear connection between task, pattern of contacts, and attitude towards the EU programmes: the more direct contact with Brussels, the more optimistic are officials about the likelihood of the programmes solving problems. Those who are formally endowed with tasks related to attracting funds from Brussels have the most positive attitude towards the effect of the funds on Bornholm. They also express a view on the role of the public sector in accordance with the programmes.

One may thus conclude that being an active part of the EU governing structures affects the attitudes of the officials. To what extent this really affects behaviour is difficult to say. There is a connection between this positive attitude and spending time on EU programmes, but those who have a negative attitude also say that they spend more and more time on responding to EU initiatives. The material indicates that extensive contact with the EU institutions socializes the implementors into an *EU way of thinking* and takes attention away from local issues. However, no conclusions on this can be drawn on the basis of the present material.

## **9.2. The broader local institutional structure**

The second issue sketched above was the extent to which the broader local institutional structure affected the implementing process. Here both formal organizational structure and historically developed relationships of credibility and trust are in focus. The most interesting conclusions to be drawn concern the difference between the institutional structure of the tourism industry and of the farm industry.

The tourism industry is characterized by fragmentation and a lack of strong organizational traditions. In the farm sector, on the other hand, there are long traditions of strong organizations. This difference became apparent in the varying degrees of success that the implementing officials had as mediators towards the local industry. The LUIC could benefit from the tradition of close relationship between farmers and the farm organizations when conveying the potential benefits of applying for funds from the EU programmes. The Business Council could not build on the same relationships in the tourism sector when acting as a mediator towards them. Although the distrust and fragmentation that has characterized the tourism sector, has been partly remedied recently, the Business Council had a more difficult task than the LUIC. Many of the tourism businesses think that the Business Council is not for them. There is a barrier towards making contact with it. The tourism businesses did not immediately feel that the officials in the Business Council were *one of us*.

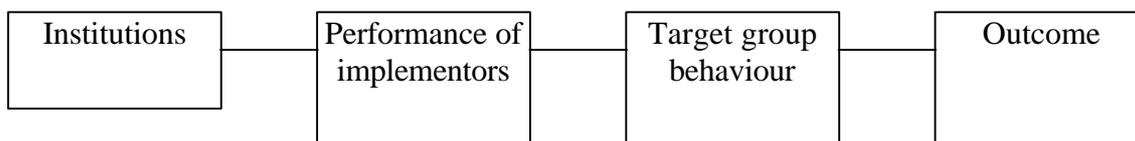
Something should be done about possibilities for financing. What we should have had is someone within our own business who could inform us about existing support possibilities. The agricultural sector has very competent people who do these things. It isn't because the farmers' are so much better than us that things are going so well. It is thanks to their organizations.

The lack of a coherent organizational structure not only affects the possibilities of pursuing a common strategy. It also inhibits making good use of the possibilities for support from the EU structural funds.



## 10. Conclusions

Based on the model drawn in the introduction, some conclusions may be drawn about the effect of institutions on the outcome of the EU Structural Funds programmes in the tourism sector.



Starting from the end of the model, first, it was shown through the evaluation of the programmes that the greater the change of behaviour among target groups required to achieve the preferred outcome, the more difficult this is to achieve. Low hotel standards and lack of off-season attractions are tractable problems that can fairly easily be remedied through funding schemes. Solving the more profound problems of lack of innovation and entrepreneurial spirit and lack of co-operation and common strategies requires a more drastic change of behaviour by the actors involved in the tourism sector. The solution to these problems requires more than additional funding. It is argued here that an important factor is how the programmes are implemented.

As for the penultimate connection in the model, it was argued that, in order to affect target groups' behaviour, it is particularly important that the implementing agencies play the role of mediators. If this is done successfully, the costs involved for the target groups in applying for funds will be lowered, and it is more likely that they will participate. On Bornholm, three main organizations play the role of mediator: the EU secretariat, the Business Council and the LUIC. Of these, the latter has had most success and this has caused a high degree of participation by farm tourism operators on Bornholm, in spite of the fact that their need for funds was less there than in the rest of the tourism industry. The active mediating position taken by the LUIC has induced some innovative activity. However, among the farm tourism operators, investment to maintain the status quo is more prevalent than innovation.

The connection in the model between institutional structure and implementor performance was argued to be three-fold. The implementors' actions are affected by the formal organizations of which they are a part, by the international institutional structure and by the broader local institutional structure. Extended contact with the EU institutions was found to be connected to a positive attitude to the programmes. However, incentives within the EU structure of governance are more important than the socializing effect when explaining why the officials tend to spend more time on door-keeping and breadwinning than previously.

The bias towards these tasks is partly alleviated by the division of labour between the EU secretariat, the Business Council and the LUIC. The level of success of the latter two agencies was found to be dependent on the local institutional structure in which they operate. Whereas the LUIC could build upon long-standing close relationships between farmers and the farm tourism organizations, the Business Council operated in a tourism sector traditionally characterized by fragmentation. This had an effect on its success as a

mediator, and in turn on the extent to which it was able to affect the target groups' decision on whether to participate in the programmes.

The institutional set-up on Bornholm has contributed to a persistent breadwinning activity that has attracted considerable funds to the tourism sector. A lot has been done to ensure a favourable outcome for the programmes. However, it is important to bear in mind the costs connected to fulfilling all the roles that must be played in order both to attract the funds and make sure they contribute to alleviating the problems of the local industry. A clear local strategy is needed, and the importance of additional funding involved in different EU initiatives should be evaluated in relation to the deviation from local strategy that it may require. Responding to all initiatives from the Brussels officials may cause more harm than good. If making use of the programmes requires major modification of local strategies and places heavy work burdens on the local implementing structure, the direction of influence will be from Brussels to the regions rather than the other way around. There are trade-offs to be made between additional funds and additional work and loss of control. The costs involved in these should be evaluated in each case, both by the public administration and the funding recipients.

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## **12. Appendix**

### **12.1. Appendix 1**

#### **List of Interviews**

##### **Municipalities**

13.05.97	Nis Jordt Pedersen, Nexø Kommune
14.05.97	Bo Kristensen and Jon Kofoed, Allinge/Gudhjem kommune
26.05.97	Ole Bønnelycke, Rønne Kommune
28.05.97	Steen Schønemann and Jan Harvest, Åkirkeby Kommune
19.06.97	Benny Hansen, Hasle Kommune

##### **Bornholm County - International Department**

06.02.97	Niels Chresten Andersen
17.02.97	Arne Toft Kofoed
19.03.97	Orla Kristiansen
20.05.97	Niels Chresten Andersen
20.05.97	Anna Østerbye
20.05.97	Mikael Johansen
26.05.97	Henrik Eybye Nielsen
28.05.97	Orla Christiansen
06.06.97	Arne Toft Kofoed
10.06.97	David Hunt

##### **Hotels/Campgrounds**

04.04.97	Karl Møller, Hotel Sjølyst
07.04.97	Bill Hansen, Hotel Sandkås
07.04.97	Per Sjøstrøm, Hotel Verona
07.04.97	Nina Kjær and Birger Jørgensen, Hotel Hammersø
10.04.97	Hans Christian Møller, Dueodde Camping
11.04.97	Bent Mortensen, Ferieland Sandvig (Fridolf og Bidstrup)
15.04.97	Birte Jensen, Hotel Fredensborg
16.04.97	Karsten Hansen, Feriegården Gudhjem
16.04.97	Pia Pass, Lyngholdt Familiecamping
16.04.97	Ole Hammer, Thern Hotel Gudhjem
17.04.97	Kai Krag, Balka Strand Hotel
17.04.97	Vilmer Munch, Hotel Det Hvide Hus
24.04.97	Åse Madsen, Pension Klippen
24.04.97	Ingrid Kock, Pension Koch
24.04.97	Allan Beyer, Sannes Familicamping

## **Farm tourism projects**

24.03.97 Jens Erik Kofoed, Kjøllegård  
02.04.97 Vibeke Harild, Frænnegård  
04.04.97 Jørgen Ipsen  
07.04.97 Friedhelm Gärtner, Soldalen  
09.04.97 Rita Kofoed  
15.04.97 Niels Christian Tolstrup, Lyneborg  
24.04.97 Birgit Hansen  
29.04.97 Preben Christophersen, Slusegård  
29.04.97 Birgit Schow, Store Vibegård  
12.05.97 Steffen Munch  
13.05.97 Hans Jacob Kjøller  
20.05.97 Birgit Kjøller  
27.05.97 Ivar Holm  
28.05.97 Ole Harild, Slettegård

## **Organizations**

18.02.97 Carsten Gjessing, Director of the Business Council.  
18.02.97 Kirsten Juni, Director, Nexø-Dueodde Turistbureau  
04.03.97 Birte Jakobsen, Director, Destination Bornholm/Bornholms  
Velkomstcenter  
04.03.97 Hans Jørgen Jensen, LUIC  
02.04.97 H.H. Kjøller, Director, Sydbornholms Turistbureau.  
03.04.97 Jørn Sønne, Nexø Revision  
10.04.97 Fritz Kirchler, Bornholmske Hoteller og Penisonaters  
Marketingsgruppe  
14.04.97 Claus Borneman Carlsen, Leader, HPR 87  
15.04.97 Kent Johansen, Restaurant Fyrtøjet, Leader of HORESTA/Bornholm  
15.04.97 Hans Henrik Thiesen, Bornholms Erhvervsfond  
02.06.97 Breno Thorsen, Erhvervsrådgiver, Nexø Kommune

## **Consultant projects**

19.05.97 Ole Christensen, tidl. HORECON, Bornholm en ø med miljøvenlig  
turisme  
12.05.97 Edvard Hansen, Broholm Landbrugskompagni

## 12.2. Appendix 2

### Interview guides

These are the interview guidelines for funding recipients in the private sector and implementors in the international department in the county. When organizations, municipality representatives and funding recipients for consulting projects were interviewed, the guideline were adjusted to the respondent's situation. However, the basic content was the same.

### SPØRRESKJEMA - Til enkeltbedrifter

<b>1.</b>	<b>Prosjektet/bakgrunn</b>
1.	Hva slags prosjekt fikk du støtte til?
2.	Hvilke faktorer har medført at du omstrukturert/investert i turisme?
3.	Hvordan hørte du om mulighetene for å få støtte fra EU programme?
4.	Hva gjorde at du valgte/ikke valgte å gjøre bruk av EU-støtte in investeringen?
5.	Hvordan gikk du fram for å søke om støtte?
<b>2.</b>	<b>Prosessen</b>
1.	Synes du dere fikk tilstrekkelig informasjon om støttemulighetene?
2.	Har det krevet mye arbeid å søke om støtte?
3.	Synes du det tok lang tid fra dere søkte om støtte til pengene kom?
4.	Mener du at programmene er utformet på en slik måte at de passer dine behov for finansiering?
<b>3.</b>	<b>Kontakter</b>
1.	Hvilke offentlige/halvoffentlige organer hadde du kontakt med i forbindelse med søknadsprosessen?
2.	Hvilke organisasjoner har du kontakt med i forbindelse med markedsføring?
3.	Hvilke organisasjoner er du medlem av?
4.	Sitter du selv i noen politiske verv?

<b>5.</b>	<b>Måloppfyllelse - Bedriften</b>
1.	I hvilken grad har din virksomhet oppnådd målene som du satte deg ved prosjektets start?
2.	Hva mener du er årsaken til suksess/fiasco?
3.	I hvilken grad har bruk/ ikke bruk av EU støtte påvirket bedriftens økonomiske suksess?
<b>4.</b>	<b>Måloppfyllelse - Bornholm</b>
1.	Hva mener du bør være målsetningen for turistsektoren på Bornholm?
2.	Hva er problemene for turistsektoren på Bornholm?
3.	Hvordan bør man etter din mening løse problemene?
<b>6.</b>	<b>Nytten av støtteprogrammene</b>
1.	Hvor godt kjenner du til de mulighetene som finnes generelt for støtte innen turistsektoren?
2.	Mener du tilskuddene har bidratt til en løsning på de problemene du ser for turistsektoren på Bornholm?
3.	Hva kunne vært gjort annerledes for bedre å treffe turistsektorens behov?

## *Spørreskjema til saksbehandlere i internasjonal avdeling*

### **I. ARBEIDSOPPGAVER**

<b>1.</b>	<b>Eget arbeid</b> <ul style="list-style-type: none"><li>• Hva er dine hovedarbeidsoppgaver?</li><li>• Hva er din utdannelses-bakgrunn?</li><li>• Hvor lenge har du vært i jobben?</li><li>• Hva var din tidligere jobb?</li><li>• Bodde du på Bornholm før du startet i denne jobben? Hvis ikke: Hvorfor flyttet du hit?</li><li>• Hvor lenge forventer du å bli i jobben?</li></ul>
<b>2.</b>	<b>Tidsbruk</b> <p>Hvordan fordeler dit tidsforbruk seg mellom forskjellige oppgaver:</p> <ul style="list-style-type: none"><li>• Skaffe informasjon/ holde seg informert om<ul style="list-style-type: none"><li>• EU-policy/initiativer</li><li>• Politikk, lover, initiativer på nasjonalt nivå</li><li>• Lokale forhold</li><li>• Annet. Hva?</li></ul></li><li>• Yte informasjon/kommunisere med:<ul style="list-style-type: none"><li>• Lokale offentlige organisasjoner</li><li>• Lokale private organisasjoner/privatpersoner</li><li>• Andre deler av egen organisasjon (amtet)</li><li>• EU-organer</li><li>• Nasjonale myndigheter</li><li>• Offentlige organisasjoner i andre regioner</li><li>• Andre. Hvem?</li></ul></li><li>• Saksbehandling av EU-ansøkninger</li><li>• Intern administrasjon/koordinering</li><li>• Annet. Hva?</li><li>• Hvilke av disse oppgavene bruker du mer/mindre tid på nå enn tidligere?</li><li>• Mener du at du har tilstrekkelig tid og ressurser til å sette deg inn i muligheter og reguleringer i forbindelse med EU-programmene?</li><li>• Hva skulle du gjerne hatt mer tid/flere ressurser til å gjøre?</li></ul>

### **II. BEDRIFTSKULTUR - SAMARBEIDSRELASJONER**

<b>3.</b>	<b>Kontakter innenfor det offentlige</b> <ul style="list-style-type: none"><li>• Hvem har du mest kontakt med i ditt daglige arbeid innenfor amtet?</li><li>• Hvem har du mest kontakt med i ditt daglige arbeid av myndigheter på nasjonal nivå?</li></ul>
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	<ul style="list-style-type: none"> <li>• Hvem har du mest kontakt med av EU-organer?</li> <li>• Hvem har du mest kontakt med av andre offentlige organer på Bornholm?</li> <li>• I hvilken grad opplever du disse relasjonene som konfliktfylte?</li> <li>• Hva dreier konfliktene seg om?</li> </ul>
<b>4.</b>	<p><b>Kontakter med det lokale erhvervslivet</b></p> <ul style="list-style-type: none"> <li>• Hvilke sektorer av det lokale erhvervsliv har du mest kontakt med? <ul style="list-style-type: none"> <li>• Landbruk</li> <li>• Fiskeri</li> <li>• Turisme</li> <li>• Andre erhverv</li> </ul> </li> <li>• Innenfor det ulike sektorene, hvem har du mest kontakt med? <ul style="list-style-type: none"> <li>• Private entreprenører</li> <li>• Private organisasjoner</li> <li>• Offentlige organisasjoner</li> <li>• Andre</li> </ul> </li> </ul> <p>I hvilken grad opplever du konflikterende interesser med disse sektorene og EU-sekretariatet?</p>
<b>5.</b>	<p><b>Saksbehandlingen</b></p> <ul style="list-style-type: none"> <li>• I følge hvilke kriterier evaluerer du den enkelte EU ansøking?</li> <li>• I hvilken grad er de formelle kriterier tilstrekkelige for å avgjøre hvilke ansøkinger som skal anbefales?</li> <li>• I hvilken grad tar du i bruk eget skjønn?</li> <li>• Hvis du er i tvil om hvorvidt du skal anbefale en ansøking, hvem konsulterer du?</li> <li>• I hvilken grad opplever du at programmene inneholder innbyrdes motstridende reguleringer?</li> <li>• I hvilken grad opplever du at de inneholder reguleringer som er i strid med andre lover/reguleringer?</li> </ul>
<b>6.</b>	<p><b>Internasjonal avdelings rolle i utvikling av Bornholm</b></p> <p>Hva mener du er internasjonal avdelings hovedfunksjon i forhold til utvikling av Bornholm</p> <ul style="list-style-type: none"> <li>• Skaffe midler fra EU og andre eksterne kilder til Bornholm</li> <li>• Skaffe ideer, viten fra andre områder til Bornholm</li> <li>• Skape samarbeidsrelasjoner mellom Bornholm og andre regioner</li> <li>• Yte informasjon til omverdenen om Bornholm</li> <li>• Annet. Hva?</li> </ul>
<b>II. EGNE HOLDNINGER</b>	
<b>7.</b>	<p><b>Utvikling av Bornholm</b></p> <ul style="list-style-type: none"> <li>• Hvordan mener du at Bornholm bør se ut om ti år?</li> <li>• Hva ser du som hovedproblemer for erhvervslivet på Bornholm? Hva mener du er løsningen på disse problemene?</li> <li>• Hvilke erhverv bør etter din mening være drivkraft i utvikling av</li> </ul>

	<p>Bornholm?</p> <ul style="list-style-type: none"> <li>• Hvilken rolle mener du at den offentlige sektoren bør spille?</li> </ul>
<b>8.</b>	<p><b>Turistsektorens rolle</b></p> <ul style="list-style-type: none"> <li>• Hvilken rolle mener du turisterhvervet bør ha i utviklingen av ervervslivet på Bornholm?</li> <li>• Hva ser du som hovedproblemet for turisterhvervet?</li> <li>• Hva mener du kan bidra til å løse turisterhvervets problemer?</li> </ul>
<b>9.</b>	<p><b>Oppfatninger om EU-programmemene</b></p> <ul style="list-style-type: none"> <li>• I hvilken grad mener du at EU-programmemene har vært med på å løse problemene for turistsektoren på Bornholm?</li> <li>• Hva mener du er den viktigste effekten av EU-programmemene på Bornholm?</li> <li>• Hva opplever du som de viktigste problemene med EU programmemene på Bornholm?</li> </ul>

## 12.3. Appendix 3:

### Overview of tourism projects supported under 5b and LEADER programmes on Bornholm 1989-1997 - Danish kroner

#### Objective 5b, 1991-1994

##### Agricultural fund:

24 agricultural enterprises      Investment in rural tourism      Approximately 1,403,000

##### Regional fund:

#### **Investment support for SME's and tourism**

Sannes Familiecamping	70,000
Hotel Romantikk	500,000
Feriegården Gudhjem	215,000
Hotel Fredensborg	385,000
Hotel Balka Strand	590,000
Hotel Hvide Hus	60,000
Pension Klippen	130,000
Hotel Sandkås	185,000
Thorn Hotel, Gudhjem	65,000
Pension Koch	30,000
Hotel Sandvig	160,000
Hasle Turistforening	117,000
Nexø Familiecamping	100,000
	<b>2,775,000</b>

#### **Consultancy and development**

Virksomhedsservice	Tourist brochure	400,000
Bornholm		<b>400,000</b>

#### **Infrastructure, including tourist attractions**

Vang harbour		120,000
Rønne	Turistvelkomstcenter	2,400,000
Allinge harbour	Breakwater	170,927
Aakirkeby Municipality	Bicycle path	874,902
Bornholm museum		400,000
Rønne Municipality	Ramp, Rønne harbour	1,300,000
Rønne Municipality	Nørrekås harbour	740,000
Allinge harbour	Laundry facilities	65,000
Bornholm golf club		350,000
Snogebæk harbour		105,000

Helligdomsklippene		1,300,000
Hasle municipality	Molo	2,250,000
Hjorts ceramic museum		1,950,000
Helligdomsklippene		200,000
Rønne municipality	Gangway	4,000,000
		<b>16,225,829</b>

### **LEADER I, 1992-1994**

#### Agricultural fund:

#### **Agri tourism**

LUIC	Establishment of agri-tourism	96,225
Broholm	Holiday and nature park	100,000
Landbrugskompani		
Landbrug- og Aktiv Turisme	Trialmarketing of farm tourism	37,482
LUIC	Marketing of rural areas	34,650
Bækkegård	Tourist apartments	27,154
Li. Hallegård	Farm shop - open farm	46,982
		<b>389,475</b>

#### Regional fund:

#### **Agri tourism**

Al./Gudhj. Municipality	Renovation of 'rådstue'	24,000
Al./Gudhj. Municipality	Town information	76,400
Al./Gudhj. Municipality	Public toilet, Sandvig	100,000
LUIC	Tourist fact folder	99,375
Bornholm County	Public toilet, Snorrebakken	140,881
Aakirkeby Municipality	Renovation of Gallery 2rn	230,000
Aakirkeby Municipality	Tables/benches Sømarmen	15,340
Aakirkeby Municipality	Public toilet Sømarmen	40,000
Bornholm Velkomstcenter	Culture house, city walk	10,000
Al./Gudhj. Municipality	Nature trail Sandkås	75,000
Nexø Municipality	Cycl part Strandmarksvej	109,375
Nexø Municipality	Public toilet, Svaneke	120,000
Nexø Municipality	Parking, Dueodde	62,500
Nexø Municipality	Public toilet, Balka Strand	110,027
Al./Gudhj. Municipality	Renovating Sandvig Strand	75,000
Destination Bornholm	Bornholmer-Pakken 94	490,130
Aakirkeby Municipality	Cycle path Sømarmen	176,429
		<b>954,457</b>

## **Objective 5b, 1995-1999**

### Agricultural fund:

#### **Farm tourism**

Nordvang	Tourist apartments	142,000
Four farm owners	Tourist apartments	282,350
Bornholm Amts	Bondegårdbussen	14,150
Trafikselskab		
Farm owner	Active riding holiday	40,000
Frennegård	Active riding holiday	131,250
Farm owner	Crayfish pond and tourist apartments	40,000
		<b>649,750</b>

### Regional fund:

#### **Business development/ infrastructure**

Teglkås harbour		392,656
Lyngholt familiecamping		74,100
Hotel Verona	Extension of restaurant	51,451
Svaneke & O. turistfor.	Renovation of service building at campground	50,000
Dueodde Camping		81,000
Sannes Familiecamping	Service improvement and upgrading	50,000
Hotel Sjølyst	Upgrading of standards with regard to extension of season	62,500
Gudhjem Vandrerhjem	Quality improvement	60,500
		<b>822,207</b>

#### **Tourism/consultancy and development**

HORECON	Bornholm - an island with environmentally friendly tourism	57,852
Aakirkeby municipality	Natur Bornholm	958,795
		<b>1,016,644</b>

#### **Tourism/infrastructure**

Vang harbour	Renovation of harbour	200,000
Bornholm golf club	Green keeper centre	239,376
Helligpeder harbour	Restoration of harbour	440,000
Arnager harbour	Renovation of harbour	498,664
Aakirkeby Municipality	Natur Bornholm	2,259,519
		<b>3,637,559</b>

#### **Support for tourism projects under programmes or funds not included in the study**

## **LEADER I**

### Social fund:

#### **Business education**

LUIC	Farm tourism	31,815
LUIC	Farm tourism 2	8,874

#### **Objective 5b, 1991-1994**

### Social fund:

Aktiv Naturturisme	2,929,248
Ren Strand - Aktiv Strand	2,250,009

## **INTERREG I, 1992-1994**

### Regional fund:

#### **Baltic House**

Baltisk Hus	Tourism marketing in Poland	80,000
Rønne Municipality	Video marketing	135,000
Snogebæk Turistfart	Bus Bornholm-Berlin	12,442

#### **Infrastructure**

Bornholm golf club	Golf training centre	230,447
Nexø golf club	Golf school facilities	230,447
Rønne Municipality	Building on cruise wharf	292,078
Rønne Municipality	Deepening of sea way approach	513,128

## **Object 5b 1994-1999**

### Social Fund:

#### **Tourism**

De Bornholmske Jernbaner	Upgrading of unemployed workers within iron and metal industry	800,000
VUC Bornholm	Upgrading of tourist chauffeurs	124,750
Bornholm Museum	Upgrading within the construction sector, Hjorts Ceramic Museum	298,600
VUC Bornholm	Upgrading of tourist chauffeurs, part 2	263,397

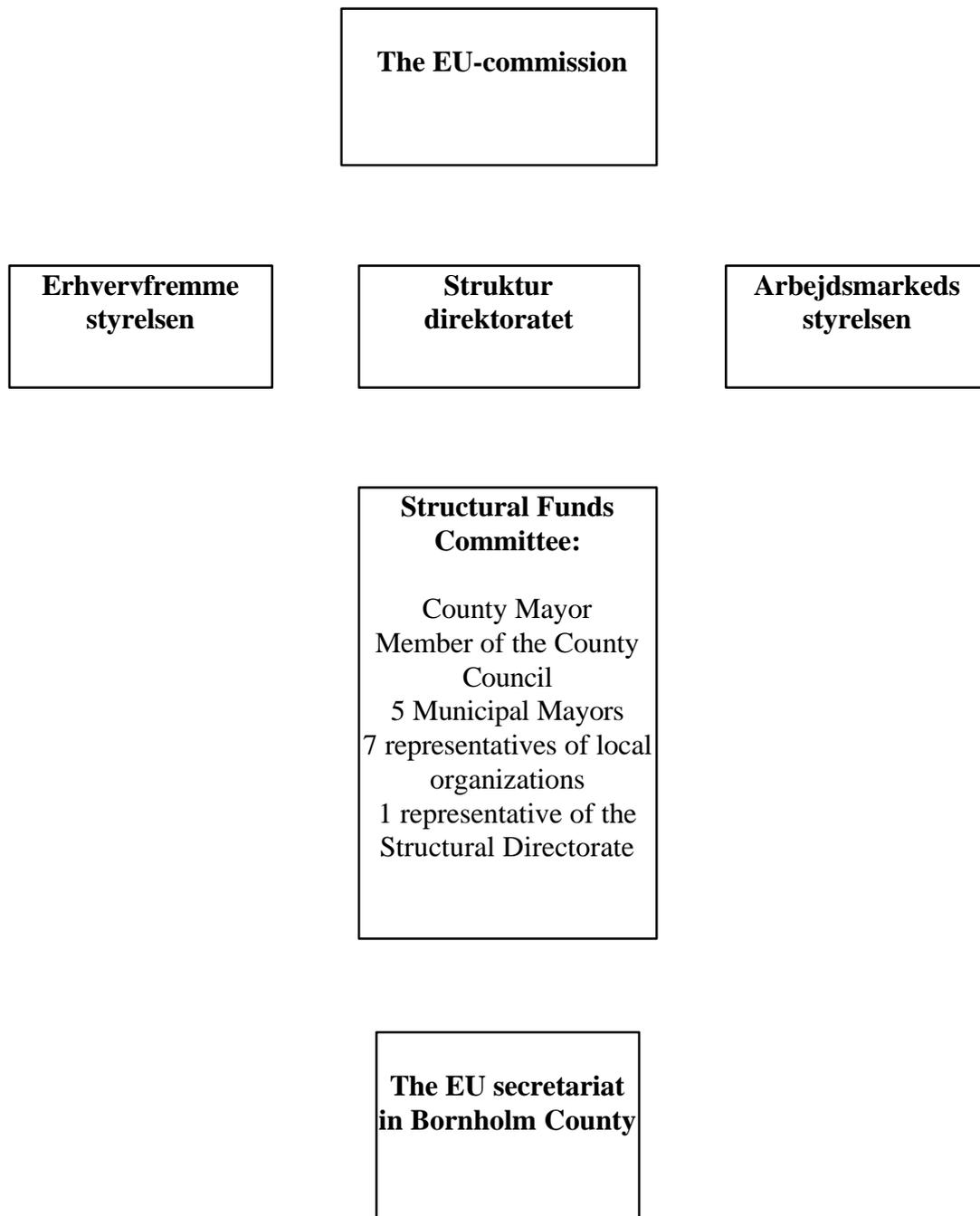
### Multi fund projects:

LUIC	Establishments of hop farms	19,263
Aakirkeby Municipality	Natur Bornholm	106,000

## 12.4. Appendix 4:

### The formal implementation structure for the EU programmes on Bornholm

#### Implementation structure for objective 5b programmes



The implementation structure for LEADER programmes on Bornholm

