

Development of tourist traffic financing in V4 countries

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ABSTRACT

Tourist traffic presents some phenomena of new period. Its development can be followed up more than hundred years. From the economical view this branch presents considerable potential for national economies. Therefore contribution deals with financing of tourist traffic in connection with demand development in Vysegrad 4 countries, since they marked similar development in area of tourist traffic. It analysis finances of tourist traffic and uses prognosis for future development of this area. Result of the contribution is description of some obstacles of tourist traffic finances.

Keywords: tourist traffic, financial sources, structural funds, state support, alternative financing.

INTRODUCTION

Area of tourist traffic is very important in economy of many states, since it is sources of revenue, it presents element of gross domestic product and it is highly participating at the creation of working posts. Tourist traffic is ranked due to its volume of sales at the third place in the world after petrochemical and automobile industry [2].

Development of tourism depends on the influence of new information technologies, economical environment or change of living style of the society.

European Union is society of the countries with various developments. Differences of member states still exist, but mainly by creation of common system for financial tools states are trying to eliminate them. Structural policy is priority of European Society that is indicated also by the fact, that one third of whole EU budget is stated for support of structural policy. Financial means from structural funds are directed to the key areas that are employment, qualification and education of inhabitants and agriculture.

PRESENT STATE IN AREA OF TT FINANCING

From present state of TT research results that TT present considerable part of state economy. But it is necessary to search also possible ways for TT financing.

Basic important principle for TT financing is joint character. Financing will be not exclusively from the state administration, since TT is primarily part of private branch and considerable part of financial means flows from private area.

Higher mentioned facts indicate two basic conclusions:

1. private area is responsible for TT development as well as public sector,
2. financing of development activities of TT should be secured from two sources – public and private,
3. in present time there are more important so-called mixed sources, or alternative sources of financing [13].

Except of dividing of financial sources in area of TT to the public and private sources, it is necessary to divide them to the direct and indirect sources. Direct

financing means allocation and redistribution of finances directly to the TT area. Indirect financing presents financing of such areas that TT. It can be for example area of education, road traffic, health care, etc. These areas are not connected with TT directly, but they participate at the whole image of business subject and influence decision of real and potential consumers of TT.

Most important source for TT financing is structural funds from EU. Such finances are used mainly for support of business activities. Among structural funds belongs: European fund for regional development, European social fund, European agriculture fund, financial tool for support of fishing and cohesive fund.

- **European fund for regional development** (EFRD) – it was stated for economical and social development of EU by the way of differences decreasing among handicapped regions and social groups. It was main source also for financing of TT. Financial helps was stated mainly for support of small and middle firms, productive investment, infrastructure development and strengthening of local development. Final goal of such support was maintaining of existed and creating of new perspective working possibilities, that is overriding assumption for society development in sense of permanent sustainable growth [6].
- **European social fund** (ESF) – it was main financial source, by which EU realized its strategic goals in area of employment. Financial help from ESF was directed to the improving of expert qualification, for building of education systems and growth of working potential of EU inhabitants.
- **European agriculture fund** (EAF) – this fund was divided to two sections. Orientation section was directed to the sustaining of settlements in country areas and securing section served mostly for financing of common agriculture policy.

- **Financial tool for fishing** (FTF) – financial frame of this fund was lower than others and it was stated for support of fishing industry and connected area [3].
- **Cohesive fund** was financial tool stated for EU member state with value of Gross domestic product per one inhabitant measured by parity purchase power lower than 90% of EU average – 25%. Its basic cell is state, not structural fund. Fund is part of structural help. Help from fund is provided according investment needs and infrastructure of every member state in following areas:
 - Tran European transport net, mainly priority projects of common interest, limited by EU,
 - Living environment in the frame of EU policy in area of living environment protection according policy. This fund is not supporting TT directly, but it supports areas, that are connected with TT, mainly services, business infrastructure, human sources, etc [7].
- **Fund of solidarity** (EFS) – it was created after extended floods in Austria, Czech Republic, France and Germany. Goal of the fund was providing rapid and flexible financial help during big natural catastrophe. Estimated damages must be over 0, 6% from Gross domestic product in afflicted state.

DEVELOPMENT OF TT FINANCING IN V4 COUNTRIES

In accord with demand development we searched development of TT financing in V4 countries. Main sources of TT financing are structural fund EFRD, European social fund ESF and others.

Slovak republic

Development of TT at Slovakia can be supported as follows:

1. Sector operation program Industry and Services

This program is orientated also to the TT development (area of services). Goal is to enable development of TT business, increase quality of TT offer and increase services of Slovakian spa, support TT attractiveness. At the same time it is important to overcome shortages in services of TT at Slovakia and to help presenting TT.

Key task in this program is priority No. II – TT development that creates assumptions for country development, TT stabilization and support of employment and positive developing trend of this area.

a/ measurement 2.1 = support for building and reconstruction of TT infrastructure – aim is to secure TT business and increase employment. Recipient of support for investment projects, orientated to the TT can be administration, cities, villages, and TT associations, nonprofit and contributory organizations, established by Ministry of Culture, Slovak republic, non-governmental organizations, and project organizers.

b/ measurement 2.2 = support of TT business activities – aim is to support investment activities to the TT, increasing of services quality, help for small and middle firms, making business in area of TT. Recipients of this support for renewing of cultural inheritance or building of TT equipments can be businessmen, administration, non-governmental organizations and supporters of given projects.

c/ measurement 2.3 = support of TT propagation and creation of information system – this measurement is dimensioned only for Slovak association of Tourist Traffic. Goal of the measurement is presentation of Slovakia on the TT trade fair through marketing materials [11].

2. Operation program for agriculture and country development

Priority II is directly orientated in this program to the TT, measurement 2.3, proceeding 2.3.2 = diversification of agriculture activities with goal to increase

level of services at country areas. Supported activity is mainly construction of recreation equipments and recipients of this support are small and middle firms [10].

Czech Republic

TT in Czech Republic is supported concretely from the following sources:

1. Common regional operation program

Managing of this program is under control of monitoring council and its realization is in competence of TT department. Task of the program is also improving of living environment that increases TT rate on the economical activity of the region and it contributes on the creation of new working posts [12].

A/ priority II – goal of this priority is regional development of infrastructure. Measurement number 2.3 is concretely orientated to the TT development with goal to support building activity, renovation and construction of chosen building objects, improvement of public infrastructure, parks and water spaces, sanitation of chosen spaces and demolition of the objects. Here belongs also improving of total state of historical centre of the cities, economical revival of the cities by new activities and creation of working possibilities. Community is final recipients of finances from this source.

B/ priority IV = TT development – it supports increasing of service quality in TT, providing of services for business in area of TT, creation of new products, presenting of Czech republic as important TT destination, using of cultural inheritance, increasing of living level of the inhabitants.

a/ measurement 4.1 = development of TT services – measurement is orientated to the creation of working posts, installing of unified system for marking of TT activities, TT marketing, participation on the trade fairs, propagation activity. During 2004-2006 according EU information there was provided for this measurement 7, 9% from total sources of structural funds with

possibility to use them till 2008.

- Proceeding 4.1.1 = development of TT services on over regional level – in the frame of this proceeding recipients of this support are public subjects, non-state non-profit organizations, counties and organizations, established by state, for example Czech Tourism.
- Proceeding 4.1.2 = development of TT services on local and regional level – in this proceeding counties and communities (or their organizations), small and middle firms, non-state non-profit organizations submit projects.

b/ measurement 4.2 = infrastructure development – this measurement includes projects for TT property reconstruction, equipping by information system, investment to the existing TT infrastructure, renovation of tourist and cycle paths, equipping by technique.

Second measurement is also divided according level to the two proceedings, where project applicants and at the same time recipients of the support are businessmen, non-state no-profit organizations, counties and communities or their associations.

This measurement achieved level 15, 9% from total allocation of financial sources, used in first program period till 2008 from structural funds.

2. Operation Program Development of Human Sources

TT support in the frame of this program is realized by priority IV = adaptation and business, measurement 4.2. Goal is qualification of working power in area of services. Specific goal is improving of education at schools orientated to the TT, increasing of expertness of other subjects, existing in area of TT. Recipients of this support are mainly small and middle firms, public administration and non-profit non-state organizations. [12].

3. INTERREG – this initiative support TT in Czech Republic in the frame of abroad cooperation.

Poland

In Poland is TT financed from following sources:

1. Common operation program Restructuralization and modernization of food industry and country development.

Priority II is dealing with TT in the frame of this program = defensibility of country area development, with aim to support business in TT and observe cultural inheritance [8].

a/ measurement 2.3 – goal is improving of conditions in country areas. Basis is investment to the modernization of TT objects, and recipients of finances can be administration or inhabitants from country area.

b/ measurement 2.4 – goal of this measurement is to contribute to the creation of alternative income sources, country propagation, protection of natural sources. Recipients of this support are farmers, businessmen in area of agriculture, etc.

2. Integrated Regional Operation Program

This program draws down over 7 635 million Euro for financing of TT in Poland.

a/ priority I is orientated to the TT, concretely measurement 1.4 with goal to increase TT task for region development, improving of access to the tourist objects and extending of seasonality. Recipients of the support from this measurement are administration, tourist institutions and other organizations.

b/ priority III = local development – it is orientated to the handicapped country area and post-war cities. We can say that TT is supported indirectly also in the frame of measurement No 3.1, 3.2, 3.3 a 3.4 [9].

Hungary

Following programs deal with TT development in Hungary:

1. Operation program for regional development

Most of all following two priorities deal with TT:

a/ priority I = development of tourist potential in regions – goal is increasing of tourist capacities and increasing of places attractiveness.

- Measurement 1.1 – orientated to the propagation of specifics state of the country.
- Measurement 1.2 - orientated to the service quality increasing mainly in area of tourist attractiveness. Recipients of the support can be no-profit organizations, farmers as well as providers of accommodation at the country.

b/ priority III = strengthening of human sources development at regional dimension

- Measurement 3.4, with target group of tourist workers. Support can be provided for non-profit organization mainly with aim to secure Professional knowledge in given sector.

2. *ARDOP* – in this program TT is supported by priority III = development of country area, content of the support is given by the title of the program.

a/ measurement 3.1 = extending of possibilities for income from country – goal is creation and sustaining of working possibilities at the level of country firms, improving of quality for local services, development of craft production. Total support is provided by proceedings 3.1.1, 3.1.2 a 3.1.3 and recipients of the support are mainly small and middle firms and various associations.

b/ measurement 3.3 = renovation and development of the villages and protection and maintenance of village inheritance. Support can be provided for businessmen as well as non-governmental organizations with goal to improve conditions at the country and renovation of natural and cultural inheritance.

COMPARISON OF TT FINANCING IN V4 COUNTRIES

As we have found out, in Czech republic

there are two operation programs, dealing with TT, together with three priorities, four measurements, two proceedings and financing is secured also through initiative of society for given program period. Slovakia secures TT financing through two sector operation programs, totally in the frame of two priorities, four measurements, and one proceeding. In Poland tourism is financed also from two operation programs; through three priorities and by the help of six measurements, but three of them support TT only indirectly. Hungary is financing TT development in its country by two operation programs, together with three priorities, five measurements and 3 proceedings.

Slovakia is financing TT expressly through program SOP PaS, by the way of second priority that includes three measurements. Indirect support is realized by creation of recreation capacities in country area, modernization of existing accommodation objects, serving for tourism.

Poland supports tourism and culture development by the direct support in its country. Chosen accommodation equipments are financed directly from concrete measurement. Indirect support is development of TT in Poland that means financing of agriculture and country development.

Hungary has direct support of TT, included in two measurements of first priority from program OPRD. In this country there is supported protection of cultural inheritance, accommodation equipments, etc. indirectly is TT supported by development of craft production and tourist services.

It is necessary to emphasize, that neither of V4 countries has established program that could be expressively orientated to the TT support. Financing of TT in Slovakia lies under the program, supporting industry and services, in other countries there are programs for regional development. As for the volume of financial means

Tab. 1 Comparison of TT Financing programs in V4 countries

Country	TT support	Program, priority, measurement, proceeding	EU source	National source	Private source
Czech republic	Direct	SROP – priority IV	108 085 719	36 028 572	55 057 226
	Indirect	OP RI'Z - measurement 4.2, SROP – measurement 2.3	43 819 865	14 606 623	0
Slovakia	Direct	SOP PaS – priority II	65 344 171	31 725 653	18 984 501
	Indirect	SOP PaRV – Measurement 2.3.2	14 855 285	6 366 550	20 911 862
Poland	Direct	IROP – measurement 1.4	197 884 658	65 961 552	13 192 311
	Indirect	SOP ROL – Measurement 2.3 a 2.4	165 000 000	54 642 857	107 142 857
Hungary	Direct	OPRD - priority I – measurement 1.1 a 1.2	81 013 280	30 193 745	0
	Indirect	ARDOP – measurement 3.1 a 3.3	84 006 380	28 002 131	0

Note: volume of indirect support in Poland applies only for measurement 2.4 (source: own research)

from the EU sources, directed to the TT area, Poland is at first place, Slovakia is financed as worst (direct as well as indirect support). Similar evaluation is according added financing of TT from national public sources, where Hungary is at second place and Czech Republic is third one. It is very interesting, that Hungary does not support TT from private sources.

From the research several results can be concluded. New rules about state support for individual investors was weakly presented to the businessmen and therefore they do not have necessary information about new conditions for obtaining of financial help.

Slovakian businessmen are interested in given problem, but there is also lack of

information, provided by various media. On the other hand media cannot provide information, since competent organizations do not want to speak about given area due to the various reasons.

Results of the TT financing analysis speak about existing considerable reserves in area of TT financing, caused by not using of available financial means, or due to the other obstacles. It is contrary to the existing revival in TT demand, therefore it is necessary to search for possible reasons for reserves in TT financing.

Reserves in TT financing result from the fact that businessmen in TT area must meet very difficult conditions on the market, for example:

1/ High tax charging and high levy from

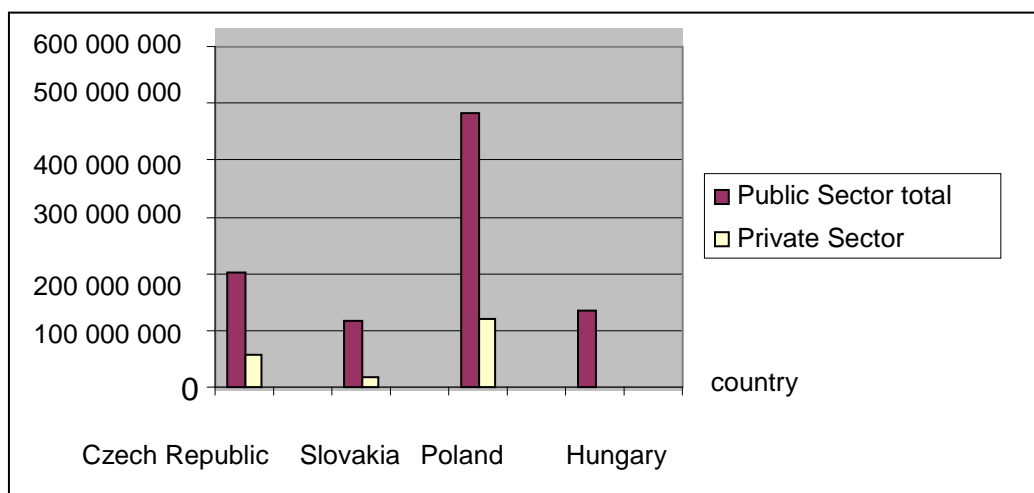


Fig. 1 TT financing in V4 countries, **Source:** own research

- wages during high rate of living work,
- 2/ Limitation by local fees,
- 3/ Long term of investment profitability,
- 4/ Unavailability of long term credit sources,
- 5/ High interest rate.

On the other hand there are existing several reasons why available financial sources are not using enough:

- Credits can be seen as costly from the view of their obtaining and administration. Domestic banks are not always willing or able to accept risk, resulting from the project. Credit demands sufficient creation of financial sources for paying of capital and interest.
- Grants are not possible to use for financing of the projects that create income. Priority of grant provider can demand change of project goals.
- It is possible to use finances only after appeal handing. During complex projects there exists possibility that from the time of appeal handing for application there will be short time, during which applicant would not catch to make application in good quality. There is possibility to prepare project in advance, but there is also threat that it would be not actual.
- Next reason is bureaucracy, number of demanded appendixes, documents, or necessity to have part of own capital, or building ownership, etc.

Also in area of financial means using from EU funds we meet various obstacles:

- ✓ Politicians or influence businessmen preferred their own projects instead of trying to achieve goals, stated by EU.
- ✓ Not using of financial sources from EU is influenced by the fact that we do not dispose by sufficient qualified workers that have skills and experiences with euro fund managers. At these places we meet many times not qualified persons.
- ✓ Further reason for lack in TT financing is mentioned bureaucracy. It is in this case connected with application for

euro fund, managing of the projects or application for financial sources from EU. According these problems applicants for finances from ESF expected finances more then 12 months. It led to their insolvency or yet existence problem.

✓ Considerable problem of low using of finances from euro fund is problem connected with information technique and weak linking with cooperative institutions.

Reason of financing problem in area of TT can be also fact that measure of agreement in given period is very low. We can see it for example at figure 2 where there is illustrated using of finances from operation program.

According information from www.nsrr.sk, measure of agreement is 43, 16% (situation from 30th May, 2010) of financial means, stated for 2007-2013 and 5, 57% used finances from total volume, assigned for this operation program, that is 772 mil. Euro assigned from EU sources, meanwhile together with national financing of Slovakia this volume presents approximately 908 235 thousand Eur.

Reason of low measure of agreement is similar as during using of euro funds, that means low expertness, not enough preparation for implementation, weak legislative in this area or disunion in methodology, bureaucracy and administrative seriousness.

CONCLUSIONS

Market with TT is described by weak willingness for mutual cooperation and it is characterized by fragmentation to the number of small independent firms. Cooperation between businessmen, public and private sector is influenced by intensive using of cooperation system – local and regional association of TT, net of TT equipments or voluntary profession associations. Local TT associations can be linked according support to the regional associations with aim to fill common tasks. Necessity of local and regional association

for TT is very acute, since without them it is not possible to create complex products of TT in regions, neither to organize good market with services. Local and regional associations for TT fills except of others also such tasks, that demand their financing from public sources and private sector is difficult to obtain for such investment.

Contribution provides short review about development of TT demand and its impact to the financing, specific characteristics of financing in area of TT, it identifies reserves during TT financing, it gives review about using of financial sources from the EU sources and it concludes basic reserves of lacking TT financing and their possible reasons.

Finally we can state that many business subjects do not want to use finances from euro funds due to some negative sides of the system. Bad managing of this area has impact also to the administration of the projects and applications.

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