Extended Abstract

Exploring the Impact of Tourism Investments on Territorial Attractiveness: Evidence from Italian Municipalities

M. Arena[1], A. S. Bergantino[2], A. Buongiorno[2], M. G. Cito[2], M. Intini[2], F. Scotti[1]

[1]Department of Management, Economics and Industrial Engineering, Politecnico di Milano, Italy.
[2]Department of Economics, Management and Business Law, University of Bari Aldo Moro, Italy,

Tourism is widely acknowledged as a significant driver of economic growth (Kevin X. Li et al., 2017; Sudharshan Reddy Paramati et al., 2017; P. J. Cárdenas-García et al., 2015). It contributes to the local economy through various mechanisms. Direct effects include tourist expenditures on accommodation, dining, transportation, and cultural and recreational activities, which generate immediate revenue for local businesses and create jobs. Conversely, indirect effects involve the stimulation of related industries, such as food production and local crafts, along with investments in tourism infrastructure that enhance accessibility and can also benefit other sectors. In Italy, this sector is particularly relevant. It accounts for approximately 13% of GDP, with over 134 million arrivals and 451 million overnight stays recorded in 2023 (ISTAT, 2024). In 2022, the tourism industry employed about 1.4 million individuals, supported by 33,000 hotels and 183,000 non-hotel accommodations. According to the latest official Eurostat data (Eurostat, 2024), Italy ranked as the second most popular destination in Europe for international and total overnight stays in 2023 and fifth worldwide for international tourist arrivals (UNWTO, 2023). The country's tourism spending from abroad reached €51.6 billion in 2023. Furthermore, in 2024, Italy boasts the highest number (60) of UNESCO World Heritage sites globally (UNESCO, 2024). Before the COVID-19 outbreak, Italy’s tourism sector enjoyed steady growth, with arrivals and stays increasing annually. Between 2014 and 2019, tourist stays rose by 15.3% in Italy. This growth was even more pronounced in specific cities: Verona experienced a 63% increase in stays, Bologna 47%, and Rome 30%. This variation highlights the importance of examining tourism at the municipal level. According to Sociometrica (2023), tourism is crucial for many municipalities to maintain high levels of well-being, especially in mountainous areas, where it provides vital income.

The Italian government promotes tourism competitiveness through a variety of funding channels, including national budgets, regional development funds, and EU Cohesion Funds Under the Next Generation EU framework, Italy's National Recovery and Resilience Plan (PNRR) has allocated approximately 2.4 billion euros for investment projects in tourism. The European Union's Cohesion Policy (CP) is a comprehensive regulatory mechanism to support economic and social development and mitigate regional disparities within the Union's territories (Bachtler et al., 2017). This Policy allocated €11.9 billion to the thematic objective “Culture and Tourism” in Italy during the 2017-2013 and 2014-2020 programming cycles, including a wide variety of projects, from the renovation of cultural heritage to digital innovation in hotels, as well as the organization of events. Municipalities aiming to invest in tourism can access CP funds by applying for specific projects, usually through competitive calls for proposals managed by national or regional authorities. Private entities can also apply directly for these funds or partner with municipalities on joint projects.

The aim of this study is to analyse the impact of tourism investments funded by the Cohesion Policy at the municipal level, investigating both short- and medium-term effects. Potential synergistic and non-linear effects are explored, providing policymakers and stakeholders with robust evidence, not only at a detailed geographical level but also within a specific sector.

This research addresses a significant gap in the literature by analysing the impact of Cohesion Policy-funded tourism projects at the municipal level throughout Italy. Notably, previous works have not addressed the impact of Cohesion Policy at such a granular level, focusing instead on provincial, regional, or national analyses (Fratesi & Perucca, 2019; Crescenzi & Giua, 2020; Arbolino & Boffardi, 2017). In contrast, this research examines over 2,300 municipalities, namely all municipalities considered “tourism oriented” for which ISTAT provides data about stays and arrivals for the whole period under analysis. This extensive scope allows for a detailed and precise investigation of how investments affect tourism dynamics, revealing variations that may be overlooked in more aggregated studies. Indeed, even within the same region, municipalities can exhibit substantial differences in tourism potential, infrastructure, economic development, and socio-demographic characteristics (Hernández-Martín, 2016). Furthermore, a spatial model has been employed to capture spillover effects on neighbouring municipalities, providing a more comprehensive evaluation of tourism investments. Additionally, this study leverages the newly developed Open-Cohesion policy focus dataset, "Tourism Attractiveness," which offers a broader perspective on tourism investments by including projects across all thematic objectives that are related to tourism. A re-categorization process was also conducted to differentiate the investment types, enabling a clearer assessment of the effects on municipal attractiveness.

Our findings suggest that Cohesion Policy funds generally have a positive impact on enhancing tourism attractiveness; however, the effects differ across various types of investments. Notably, the benefits of these investments seem to be mainly confined to the municipalities where they are implemented, rather than extending to adjacent areas, as indicated by non-significant spillover effects. Only certain categories of businesses demonstrate a negative spillover effect, reflecting a competitive dynamic. Additionally, some types of tourism investments exhibit synergistic effects, which amplify their overall impact. Finally, the relationship between investment levels and tourism attractiveness proves to be non-linear, suggesting that once a certain investment threshold is reached, the effectiveness of additional funding diminishes and may even hinder further growth in tourism indicators.

Based on these findings, several key policy recommendations are proposed to optimize the allocation and effectiveness of Cohesion Policy funds in the tourism sector. First, investments should be strategically targeted toward categories that have demonstrated a positive impact on tourism attractiveness. In particular, funding should prioritize projects that enhance cultural and natural heritage, support the organization of events and the tourism businesses. Second, synergies between different types of investments should be actively encouraged. Coordinated efforts to integrate improvements in transport infrastructure and private sector initiatives can generate multiplier effects, maximizing the overall benefits of public funding. Furthermore, tourism investments should be designed to benefit not just individual municipalities but also their neighbouring areas through enhanced cooperation. Adopting a collaborative, network-based approach to destination marketing—particularly in event organization—can enable neighbouring municipalities to pool resources, attract a wider audience, and strengthen their collective appeal. This approach fosters a more cohesive and competitive tourism destination while maximizing the impact of public investments. Finally, careful attention should be paid to the risk of overinvestment. While tourism funding can be beneficial, excessive spending in certain areas may lead to diminishing returns, reducing overall efficiency.

This study is not without limitations. First, data on stays and arrivals at the municipal level is only available from 2014 and is limited to tourism-oriented areas as classified by ISTAT, excluding emerging tourism destinations that may also be influenced by Cohesion Policy investments. Additionally, official statistics do not account for short-term rentals, such as those listed on Airbnb, likely resulting in a significant underestimation of actual visitor numbers. Moreover, stays and arrivals are recorded in the municipality where the accommodation facility is located, offering no insight into the municipalities tourists visit during their stay. This data limitation could be a key reason for the nonsignificant spillover effects observed in the analysis. Investments in one municipality may indeed benefit surrounding areas, but these effects remain undetected due to the way tourism activity is recorded. Future research should incorporate mobility data to better capture tourism flows and consider alternative tourism indicators, such as the number of Airbnb listings, to provide a more comprehensive understanding of how Cohesion Policy investments influence tourism attractiveness. The analysis intentionally excludes the COVID-19 period to avoid potential biases introduced by altered travel behaviour during the pandemic. While this decision helps maintain the robustness of the results, it limits the ability to assess how Cohesion Policy investments might have affected tourism during this exceptional period. Additionally, this prevents capturing the long-term effects of Cohesion Policy investments. Lastly, the analysis does not account for certain local contextual factors—such as government capacity—that can significantly influence the effectiveness of Cohesion Policy investments. This limitation arises because the study is conducted at the municipal level, and comprehensive data on these aspects is not available. However, the inclusion of time and municipality fixed effects helps mitigate this issue by controlling for unobserved heterogeneity across municipalities and over time.