

# TOURISM DEVELOPMENT IN ROMANIA. AN ANALYSIS FOCUSED ON EU FUNDING OPPORTUNITIES

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## ABSTRACT

The tourism sector development in Romania, as in the rest of the region, is a central topic in scientific and public discourse as well. While Romania has almost two finished EU funding programming periods – there is the time for the evaluation. The study explores tourism development opportunities at the intersection of the 2007-2013 and 2014-2020 programming periods in the light of EU funding. Our goal is to contextualize and discuss the tourism development topic in Romania beyond the brief presentation of the funding opportunities offered by the two budget periods. In the analysis the following research questions are in focus: in the light of the sectoral priorities, what is the importance of the tourism sector development in Romania's development strategy; what the numbers showed, what lessons has been learnt Romania from the 2007-2013 programming period; to what extent has been able Romania to eliminate the errors for the 2014-2020 programming based on the earlier conclusions and bad experiences? Firstly there is in the focus a public policy analysis, after that, during a seconder data analysis the study will give a statistical description about the volume and the nature of the tourism investments trough EU funding in Romania.

***Keywords:** Romania, tourism development, EU funding*

## INTRODUCTION

The development of tourism in Romania occupies a very important place in public and political discourse, but also the scientific interest is focused, as it is a highly dynamic sector. In the last two decades, the role of tourism in economic development has been increased in the development policies. In this study, we will analyze tourism development in terms of the programming periods 2007-2013 and 2014-2020 in light of the Regional Operational Program. The study will present a shortly statistical overview about tourism in Romania, an analysis of the strategical and political development documents' touristic dimension, a short overview of the Regional Operational Program touristic priority axes, than a secondary data analysis focusing on the EU funding for tourism investments.

## THEORETICAL FRAME

The study's theoretical and analytical vision is embedded in that social scientific fact the the phenomenon around us – including tourism –are multi-dimensional and cannot be treated/analyzed exhaustively with a single cause-effect model. According to this, we have chosen as a theoretical overview [7] tourism and travel theory critique. This perception has in the focus the problems with existing tourism theories – which permits us to embed our analytical view in the mainstream tourism development analysis. The first critique is formulated in the context of growing interest in tourism, while the academic society is faced with a quantitative expansion of scientific works and points of view, but these scientific are dominated by case studies and policy-making documents. The second critique presented and discuss the problem of the fetishized tourism as a *thing, a product, a behaviour* – which highlights the temptation of

the scientific sphere to treat tourism as a particularly economic “thing”. The authors highlight the importance of linking the social and cultural practices also to scientific tourism perceptions. The third problematic issue in making tourism theory represents the way tourism is framed for study: the authors identified an obsession of taxonomies and classification, and also highlight a problematic way of analyzing the object of the tourism, the tourist as an over-rationalized economical actor [7]. Our analysis vision reflects the first critique and as a response on it, based on a multi-legged methodology, we will try to put in a new focus the tourism development policy analysis.

## **RESEARCH METHODOLOGY**

The empirical analysis is based on secondary quantitative data. The statistical description of the ROP 2007-2013 and 2014-2020 focuses on those priority axes, which were designed for tourism development, and presents the volume of EU funding in this sector. We are also using content analysis as a research method, which is focusing on strategical planning and programming documents for both programming periods and takes into consideration also the ex-post evaluation reports. The secondary data analysis and content analysis is completed with interviews with specialists who have implemented projects through an area of intervention under the Regional Operational Program. Respondents were managers of project teams from local or county governments, NGOs or the private sector.

## **TOURISM SECTOR IN ROMANIA - AN OVERVIEW**

According to World Travel and Tourism Councils' Romania country report for 2018 (based on 2017 data), the total contribution of Travel and Tourism to GDP was 5.3% of the GDP in 2017, for 2018 is forecasted 5.5% (and 5.5% of GDP in 2028). The total contribution of Travel and Tourism to employment – including jobs indirectly supported by the tourism sector, was 6.3% of total employment (equivalent to 529,000 jobs). This dimension is forecasted to rise by 0.5% in 2018 to 532,000 jobs (and in 2028 for 536,000 jobs – 6.5% of total employment). From our point of view an other important indicator is the Travel and Tourism investment, which was 8.1% of total investments in 2017 (EUR 2.4 bn), forecasted to rise by 6.6% in 2018, and in continuously rising by 2.2% the next ten years. Based on these indicators, in a world ranking out of 185 countries, Romania is occupying 159<sup>th</sup> place taking into consideration the relative size. We have to mention that in the direct Travel and Tourism investments ranking Romania is on 38<sup>th</sup> place with 3.8% in 2017 (EU average 6.3% and World Average 4.8%), preceding countries like Greece (3.6%), Hungary (1.4%), Bulgaria (0.8%). It should be emphasized that in 2017, in terms of tourism investments, Romania is on 63<sup>rd</sup> place with 8.1%, far above the European average of 5.1%, ahead of Hungary, Bulgaria, Austria, Slovakia, Italy and the predicted 6.6% for ranks Romania on the 39<sup>th</sup> place in the world ranking. The contradiction is obvious: while the total contribution of the tourism sector to GDP barely shows an upward trend (5.5% in 2017, EU average 10.3%), the tourism investments have been on the rise. In this context, we can formulate one of our working hypotheses that tourism investments in Romania have been measurably increased thanks to the European Union funding, but the direct consequences for the economic contribution of tourism do not yet occur. [6]. In the following we examined how Romania stands for accommodation infrastructure and what capacities cover these statistics – for didactic reasons, we projected it for the years 2007, 2013, 2015 and 2017, so the indirect contributions from the 2007-2013 and 2014-2020 programming periods in tourism investments can also be illustrated. The figure below shows the tourism infrastructure capacity of Romania, the reference year is 1990.

*Table 1: Accommodation infrastructure and capacity in Romania*

	1990	2007	2013	2015	2017
No. of tourism establishments	3,213	4,694	6,009	6,821	7,905
Capacity (no. of beds)	353,236	283,701	305,707	328,313	343,720
Capacity (no. of beds - days)	77,022,268	57,137,649	77,028,488	81,872,539	87,655,762

*Source: National Statistics Institution [www.insse.ro](http://www.insse.ro) Accessed on 06.06.2019.*

It can be seen from the table above that Romania was able to produce more capacity with fewer accommodation in the period immediately following the change of regime. By 2013, the number of accommodations has doubled, but capacity is barely above the reference year. At the same time, it is also clear from the absolute numbers, that there has been an exponential increase in this area in 2007-2013 period. The question in the context of this study is whether and how the impact of EU funds on this issue is.

## RESEARCH RESULTS

### TOURISM DEVELOPMENT AT THE LEVEL OF STRATEGIC PROGRAM DOCUMENTS

In the following, we briefly examine the extent to which the development of tourism as a development objective is reflected in the strategic documents of the 2007-2013 and 2014-2020 programming periods.

The global objective of the National Development Plan for the 2007-2013 programming period is to reduce the socio-economic development gap with the European Union. The specific objectives are to increase economic competitiveness, infrastructure development in line with European standards and increasing the employment of human capital. The development priorities corresponding to the goals are: economic competitiveness and a knowledge-based society, rural productivity and economic development, transport, environment, balanced development of regions (here can be identified in a sub-chapter the regional and local tourism development) and human resource development [4]. Subordinated to this strategic document, and not only, the Regional Operational Program 2007-2013 fifth Priority Axis, namely sustainable development and tourism promotion, has targeted the development of tourism through community funding in three areas: support for cultural – historic heritage restoration, modernization of tourism infrastructure (5.1); improvement of the quality of infrastructure in the nature areas that could attract tourists (5.2); promoting tourism potential and creating the necessary infrastructure, increasing the attractiveness of Romania as a potential tourist destination (5.3). [1]

In the introductory part of the Partnership Agreement for the 2014-2020 programming period, the analysis of the tourism sector is more prominent, it is identified as one of the drivers of local and regional economic development. The 11 Thematic Objectives set out in the document do not explicitly speak about tourism development but indirectly appear in the objectives for small and medium-sized enterprises, transport infrastructure and employment. The Regional Operational Program 2014-2020 targets tourism development directly through the fifth and seventh priority axis: Improving the urban environment, protecting and sustainable valorification of the cultural heritage; diversification of local economies through sustainable tourism development. The activities to be financed include: development of balneotherapy tourism infrastructure, creation and/or development of recreational and basic infrastructure, landscaping of natural tourism objects and development of basic infrastructure, small-scale basic

infrastructure development aimed at increasing the attractiveness of tourism, marketing, and promotion of financed tourism objects [5]. It is obvious that the importance of the tertiary sector, and in particular the tourism development, in the development policy documents, is not insignificant – the realistic emphasis on source allocation is much more direct, and we will analyze it further.

### 2007-2013 AND 2014-2020 IN THE LIGHT OF THE NUMBERS

In the following we would like to highlight how the Regional Operational Program 's priority axis for tourism development looks in the perspective of the the number and value of the projects and in terms of the available total cohesion policy interventions (European Regional Development Fund - ERDF, Cohesion Fund and European Social Fund) for both programming periods.

*Table 2: Projects of the Regional Operational Program 2007-2013 Priority Axis 5 and their value in million EUR*

Priority axes	No. of projects	Total value of the projects	ERDF 84%	National contribution	Beneficiary contribution	Non eligible costs
5.1	95	424.6	278.9	36.2	10.7	98.6
5.2	138	575.4	278.1	9.9	151.9	135.4
5.3	439	158.2	114.8	7.1	10.1	26.3
Total	672	1,158.4	671.9	53.2	172.7	260.4

*Source: www.inforegio.ro Accessed on 06.10.2015.*

Based on the data in the table above, we can say that the 672 contracted projects (with a total value of 1.1 billion euro) represent 671.9 million euro from the European Regional Development Fund (ERDF). This represents 3.53% of 19 billion of euro which was foreseen for Romania for the period 2007-2013. At the same time, these 672 touristic project represent 16.9% of the 3.9 billion euros available in the Regional Operational Program. We also know from the program document that the ex ante allocation of resources to Priority Axis 5 has been provided for 14% of the total available budget, but due to continuous reallocation (almost 100 million euro transfer to the Tourism Development Axis) this proportion could have exceeded to 16.5%.

*Table 3: Projects of the Regional Operational Program 2014-2020 Priority Axis 5 and 7 and their value in million EUR*

Priority axes	No. of projects	Total value of the projects	ERDF	National contribution	Beneficiary private contribution	Non eligible costs
5	234	527.7	429.4	67.1	13	16.6
7	37	115.5	97,1	14.8	2.3	1.2
Total	271	643.2	526.5	81.9	15.3	17.8

*Source: www.inforegio.ro Accessed on 06..2019.*

Based on the same data source available for the programming period 2014-2020 we made the same calculations as for the 2007-2013 programming period. Here we can see, that lower project number represent almost the same ERDF total value. We have to mention that the total ERDF allocation of the whole program represent 8250.04 millions of euro, the fifth priority axis has 5.65% (466.5 millions of euro) and the seventh priority axes has 1.44% (118.9 millions of euro) of the total allocation. Directly tourism development through the Regional Operational Program is realized almost at the same value from the total allocation as in 2007-2013. But

according to the percentage distribution of the different development priorities we can also conclude, that the tourism development does not appear with the same importance.

## **RESULTS OF SECONDARY ANALYSIS**

In this section we will focus mostly on the evaluation of the 2007-2013 period, having some remarks on 2014-2020 as well. Based on program evaluation documents, a synthesized content analysis of the Regional Operational Program 2007-2013 axis on tourism development is outlined below. The evaluation documents of the Regional Operational Program do not discuss the institutional constraints of the implementation of the program. Due to the logic of the program, they examine the content aspects, like a number of projects, value, implementation of project indicators, their contribution to the implementation of the program indicators, sustainability, external factors that may have influenced the implementation of the projects and indirectly the program.

The following can be noted with regard to intervention area 5.1: the financed projects achieved the planned values at the level of result indicator. The economic crisis has had a major impact on the tourism sector and this has to be taken into account in terms of job creation as an indicator and sustainability (in addition, restrictions have been introduced in the public sector so projects under municipal management could not always produce the planned indicators). Overall, the number of visitors of renovated A category monuments has doubled in 2014 thanks to projects. In terms of the quality impact of the intervention area, the tourist season has been significantly expanded, new cultural tourism networks have been established and the quality of cultural tourism services in Romania has improved. The most important conclusion with regard to the sustainability of results and indicators: there is a potential in terms of institutional capacity to achieve and "deliver" the expected results. In the case of sustainability, we have to mention the lack of a coherent built heritage plan prepared in accordance with the National Tourism Development Plan in the programming period: such a plan could function as a link between local needs and development opportunities to increase impact and sustainability; the usefulness of the intervention. [2] Following the same logic, the content comments on intervention area 5.2 can be grasped in the following headlines: despite the fact that there is a growing tendency in the statistics - the increase number of accommodation, the creation of new accommodation, the number of arrivals, the number of nights spent, is not a reason for over-optimism – there is only a slow increase. It would be important to develop a more rigorous evaluation procedure for future funding of this type projects, which would take into account the full context of putting the project into practice (existence of other services, infrastructure, tourist attraction inventory, accommodation and public services); tourism investments and the impact could be more measurable. It should be possible to measure the impact of the project on the future profits of the applicant companies. Synergies were not fully realized as the projects were not linked to local or regional tourism development strategies. The concept of an integrated project needs to be reviewed and well defined, as in the current programming period is not well understandable this concept in project evaluation and selection, and is failed the combination of its components at program and project level. Strategic and project management skills, conducting promotional campaigns for tourism projects are three essential components for the positive impact of financed projects. [3] For intervention area 5.3, the following content conclusions were synthesized based on the secondary data: for the component promotion of the national tourism brand: further data collection is needed before decisions on future interventions; re-evaluation of the national brand concept in accordance with the new methodology; the importance of promoting typical domestic products on foreign media and community communication platforms; more active implication of interested actors in promoting Romania's image. In the case of the local promotion component: the most important benefit is the promotion of tourism

products, knowledge transfer for similar projects, the use of specific tourism marketing tools for specific products. In this context, the proposal also refers to the need to reflect more carefully on the use of tourism marketing tools and to measure the results in future similar funding opportunities. For the component of national information and tourism promotion centers: here we are talking about infrastructure investments and effective national and international tourism marketing. However, in the context of measurability of indicators, it must be underlined the importance of local or national tourism marketing activities to fit into the national tourism strategy, and to ensure the evaluation, monitoring and measurability of the indicators, and thus closer cooperation between the relevant institutions.[3]

The above brief content reflection covers the areas of intervention of Priority Axis 5 of the ROP but does not talk about the discrepancies in the management system from the perspective of the Managing Authority, the Intermediate Bodies or the beneficiaries. On the other hand, the evaluation documents also formulate recommendations only in terms of content and not in system / operational terms. In the next part of the analysis, these discrepancies may be partially dissolved by a brief summary of interviews with beneficiaries. The semi-structured interview had question blocks that addressed the following main topics: problems from the beneficiary point of view in the course of the implementation of the projects, problems on the side of the managing authority and the intermediary organizations according to the beneficiaries. [8]. The direct problems of the beneficiaries concern several dimensions that are commonly found in the management of European-funded projects: over-bureaucratic program and project management; delays in project evaluation procedures and effective payments; lack of proper coordination between implied institutions; discrepancies and losses directly arising from inconsistencies in the legislative/legal framework; deficiencies in own administrative capacity; shortcomings in the implementation of projects (lack of management, financial and legal expertise among beneficiary project teams and contracted service providers). Entering the 2007-2013 programming period only with the experience of the pre-accession funds generated huge institutional discrepancies in Romania. The surveyed beneficiaries themselves realize that the aspects they define as problems are unavoidable, as implicit the institutions themselves face a number of similar problems: internal administrative capacity, legal background, public procurement problems, problems related to national and European legal harmonization, project management knowledge and human resources problems, lack of expertise, etc.

## CONCLUSION

In conclusion, from our point of view, there is an absolute contradiction between the secondary analysis of the official program evaluation and the primary data collected by the beneficiaries. The program evaluation documents seem to discuss only discretely the implicit institution-related discrepancies, rather they are intended to be captured through the content dimensions of programming, and the described case studies present complete successful projects. During the interviews with the beneficiaries, we were able to highlight some of the types of errors beyond the content of the programming documents. This suggests further research and analysis in order to obtain a more nuanced picture on this issue. [9] We started with two experimental hypotheses and will reflect on this. Firstly, thanks to EU funding, there has been a significant increase in tourism investment in Romania, but the direct consequences for the economic contribution of tourism are not (yet) visible. Secondly, whether and to what extent European Union funds have an impact in this context, we can say that the direct founding has significantly increased the investment in tourism infrastructure, and this fact is confirmed by the examination of the indicators. However, both secondary analysis and qualitative analysis clearly show shortcomings in the level of implied actors (institutions, beneficiaries, audit authorities,

etc.) in Romania in terms of the knowledge required for investments, management, sustainability, tourism marketing.

As we pointed out at the beginning of the study, but several times during the analysis process as well, we are aware of the limitations of the current thesis, which, mainly due to the lack of data, failed to fully exploit the potential of the topic. However, it is important to note that the tourism issue will become more relevant in the future, as we are constantly involved in a funding period. As we get closer to finalizing one period and putting it into practice in the other, we hope to have more accurate data sources that not only allow for exploratory analysis like this, but also allow for model-based program evaluation calculations. So far, however, the range of conclusions that can be drawn from case study-based, combined methodology analysis is not insignificant: first, it is worth looking at the details of official planning programming documents and actual implementation data, looking behind the numbers. In addition, hoping to develop an increasingly transparent, user-friendly IT system, we will look at each project as well, so that we can draw conclusions about the content of the program. The effectiveness of stakeholder interviewing methods is not negligible, as many small case studies provide an opportunity to develop a more nuanced picture.

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