

A GENERAL VIEW OVER THE STRUCTURAL FUNDS IN TOURISM – CASE STUDY ROMANIA -

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ABSTRACT: The major subjects of our paper are focus on the following subjects: the supervision of the structural funds with reference to the money put at Romania's disposal for the development of tourism; the analysis of competitiveness in tourism through the 8 parameters presented; the analysis of the economic contribution of Tourism and Travels at the national scale, within the Satellite Account for Romania. The conclusions of the paper will represent a support for analysis both in the case of governors and of practitioners.

Keywords: tourism, accounting, audit, regional policy

JEL Codes: L83, M41, M42, R58

1. Introduction

1.1. Literature review

In "Encouraging Tourism Development Through the EU Structural Funds-the implementation of EU programs on Bornholm and the tourism sector's use of them" (1999), *Benedicte Bull* designed a case study and involved 57 interviews with tourism organizations, funding recipients and regional governments responsible for the implementation of the funds on Bornholm.

In "Regional growth, national membership and European structural funds: an empirical appraisal" (2000), *Jackz Fazolle* and *Anne Lecuyer* tried to debate growth performances of European region over the period 1986 - 96. *John Bachtler* and *Ivan Turok* brings together in "The Coherence of EU Regional Policy: Contrasting Perspectives on the Structural Funds" (2000) a rich selection of up-to-date practical experience of EU regional policy from across Europe.

In "Structural fund programs as instruments for sustainable regional development - a review of Nordic effectiveness" (2004), *Clement K.* presented the achievements of Denmark, Finland and Sweden through 6 project examples with an associated diversity of approaches. *Nicole Koenig* and *Eberhard E.Bischoff* analyzed in "Analyzing seasonality in Welsh room occupancy data" (2004) the general relationship between occupancy performance and hotels activities.

Adriana Corfu, Zélia Breda and *Carlos Costa*, in "EU Integration and tourism destination management: The case of Portugal" (2006) attempted to provide some theoretical and empirical findings on Portuguese tourism evolution during the two-decade period of EU membership. In "Key Issues on Tourism Strategies" (2006), *Carvalho Pedro G.* intended to overcome some of these misinterpretations, reflecting on the mostly theoretical questions popping up from recent cases.

Leonas Simanauskas and *Skirmantas Šidlauskas*, in "Efficiency of the EU structural support and its effects on the country's progress" (2007) showed the main method used by the European Union to reduce the discrepancies in the economy of Lithuania.

The diversification of the tourism offer is an important landmark when using the structural funds as **Aida Cătană** states in "The drawing up of projects financed by structural funds for SMEs 2007-2013"(2008), while the theoretical and practical approach of auditing procedures of European

funds is made by **George Mareş** in "*Practice of the intern audit concerning national public funds and EU funds*" (2007).

In "*The control and auditing of projects*" (2007) **Elena Dobre** highlights the necessity of project control. For the pursuing of financial performance specific to enterprises it is necessary to know the integrated instruments of measuring and controlling shown by *Nadia Albu* and *Cătălin Albu* in "**Management performance instruments**"(2007).

1.2. Research hypothesis and methodology

Romania owns a valuable and rich natural potential, an important motivation for the development of the tourism. The structural funds represent the financial support of this final desideratum. This is the reason why the Romanian tourism will benefit from such funds in the amount of about 710 million euros, between 2007 and 2013, money that will be allocated for the development of two Romanian's Government operational programs which are:

- The Regional Operational Program (POR), priority axis 5 – Durable Development and Development of Tourism;
- The Sectorial Operational Program "Growth of Economic Competitiveness" priority axis nr. 5 - Romania – attractive destination for business and tourism.

In this context, our paper consists of the following main objectives:

- Analyzing the degree of development of present tourism at a European and national level;
- Presenting operational programs which can be applied to the development of tourism;
- Presenting the allocation mechanism of these structural funds;
- Pursuing the efficiency of the way the money granted to Romania is used;

Our study wishes to develop the following *hypothesis*:

H1:The structural funds influence the economical activity of the tourism enterprises.

H2:The structural funds have a favorable influence in putting place Romania on the competitiveness scale of Europeans countries in tourism field.

The research method is quantitative with qualitative elements and it is based on:

- The analysis of the allotment and use mechanisms specific to structural funds meant for tourism, when knowing the auditing of the financed projects;
- The review of the statistic data offered by the specialized organisms in the field;

Our research support includes the following:

- Specific normative acts;
- Specialized articles and books;
- Analysis and studies in the reference field;
- Reports and press releases of the organisms from the field.

Through our study we wanted to bring our own contribution to the following levels of scientific research in the field:

- Theoretical – the analysis of the way in which the structural funds were efficiently assigned;
- Practical - decisional support for the governors (as management authority) and practitioners (as users of funds).

2. European and national context of tourism development

2.1. European context of tourism development

Holding 53% of the market, European Union's tourism maintains its role as a leader in world tourism being considered important for the economic growth and employment (it offers 6 % of the total work places). European tourism is dominated by small and medium enterprises: tourism SMEs represents 7,4 % of the total SMEs in Europe, generating 6,5 % of their total turnover. Starting with the 1980's, The European Commission has recognized the important role of tourism in

the European Economy and has been more involved in various actions together with the European Parliament, The Council, The Economic and Social Committee and the Committee of the Regions. Tourism has benefited from support from Structural Funds, especially ERDF (European Regional Development Fund) and EAGGF (The European Agricultural Guidance and Guarantee Fund) – guidance section, through which sums of 2,3 billion ECU have been offered between 1989 and 1993.

2.2. The national context of tourism development

Based on the existing topographical, climate and historical conditions, there is a possibility in Romania of extending tourism to the level of an important economic sector. With reference to this, considerable effects regarding income and work force market are foreseen.

In spite of the exceptional premises, tourism's share of 2.5% in the GDP is small in comparison to the international figures. However, Romania disposes of a sufficient supply of accommodations (almost 5 rooms and almost 13 beds for 1000 people). In any case, at an international scale (about 30 beds for 1000 people in Germany), the capacities are undersized. The objective is the development of competitive products. We present in this sense the comparative situation of 2006 and 2002 regarding a series of direct bearing on national tourism's state evaluation indicators:

Table no. 1

National tourism evaluation indicators in 2006 compared to 2002

Indicator	Measure unit	2002	2006	Annual growth
Number of guests	In 1000	4920,1	7000	7,3
- from Romania	In 1000	4053,1	5700	7,0
- from abroad	In 1000	867,0	1300	8,4
Nights	In 1000	17648,7	31100	12,0
- from Romania	In 1000	15497,3	25500	10,5
- from abroad	In 1000	2149,4	5600	21,1
Business travels, private visits	In 1000	5264,0	7700	8,0
Foreign currency cashing	In thou. USD	359,0	1550	34,0

(Source: National Institute for Research & Development in Tourism)

The objective of the National Strategy in Tourism is represented by the growth of incomes from tourism and of tourism's importance in the GDP. One of the objectives of this strategy is the development of mountain tourism and seaside tourism.

2.3. Structural funds – the financing source of Romanian tourism

In view of accessing structural funds, Romania has elaborated area focused operational programs for the period between 2007 and 2013, which cover the measures that will be financed, as well as the allocated budgets. Tourism is discovered as an axis in two operational programs.

A. The Regional Operational Program has as an objective the acceleration of the economic growth of all regions, with priority to the poor developed ones (with six priority axis). Of these, the

priority axis 5 – **Durable Development and Tourism Promotion** (15% of the allocated budget for ROP) endorse the capitalization of existing tourist resources, as well as those not inserted yet in the tourist circuit, the creation of new employment opportunities and the growth of incomes from tourist activities.

The total budget of this tax for 2007 - 2013 presents as follows:

Table no 2

Priority axis 5 “Durable development and promotion of tourism” budget

	EU contribution (mil. euros)	National contribution (mil. euros)	Total Financing (mil. euros)	Co financing rate EU
Priority axis 5.	558,9	57,8	616,7	90,62%

The total budget of this axis is of approximately 616.7 million euros, of which 558.9 million euros originate from the European Union, through the European Fund of Regional Development, and 57.8 million euros, national public funds. It will be possible for the funds to be directly attracted also by the operators of the balneary tourism, through the investment projects for the increase in accommodation services quality, acquiring medical and treatment devices, tourist recreational services.

The key fields for intervention of the Priority axis 5: Durable development and tourism promotion are:

- capitalization of the cultural heritage and modernization of connected infrastructure; ROP will finance the objectives of tourist potential (in both the rural and urban environment), which are included in the UNESCO World Heritage, the national cultural heritage as well as the local cultural heritage from the urban environment, according to the national legislation in force.

- Creation and modernization of specific infrastructures for the capitalization of specific natural resources;

The objective of this domain of intervention is represented by the increase in quality standards of hotel, motel and camping-type accommodation facilities for youth, and accommodation structures on boats/pontoons.

- Capitalization of the tourist potential and creation of the necessary infrastructure.

This field of intervention endorses the activities aimed at diversification of tourist products and increase in the usage of the Internet in the booking and tourist promotion services (E-tourism).

B. The Sectorial Operational Program “Growth of Economic Competitiveness” has as a main objective the increase in Romanian enterprises productivity, in view of reducing the delays given the medium European productivity. As part of this program, tourism is found in the Priority Axis no. 5 - "Romania – attractive destination for tourism and business”, which aims at sustaining the growth in economic and tourism competitiveness.

Axis 5 “Romania – attractive destination for tourism and business” will allocate funds for two major national areas of intervention:

- Tourist promotion

Achieving this field of intervention requires the intensification of actions that endorse Romania as an attractive destination for tourism and business.

- The development of the national network of Tourist Informing and Promotion Centers

This field of intervention will support the informing and promotion of the tourist infrastructure, as well as the supply of tourist information from and for tourists and tourist enterprising. The main objective of this field of intervention is developing a national network of tourist information and promotion centers in the areas with great tourist potential (e.g. the one identified in the National Plan for Territory Arrangement), which don't overlap with the development regions.

The total budget of this axis for the period 2007 – 2013 is as follows:

Table no. 3

Priority axis 5 “Romania – attractive destination for tourism and business” budget

	EU contribution (mil. euros)	National contribution (mil. euros)	Total Financing (mil. euros)	Co financing rate EU
Priority axis 5.	112,00	19,76	131,76	86,52%

The total budget of this axis is of approximately 131.76 million euros, of which 112 million euros originate from the European Union, through the European Fund of Regional Development, and 19.76 million euros from the national public funds. Operators of the balneary tourism will be able to access important funds with the help of the professional associations and the NGOs, for projects that target the internal tourism supply and marketing specific activities.

C. Moreover, it will be possible for specific activities in the tourism field to be financed within other sectorial operational programs, such as **Sectorial Operational Program “Development of Human Resources”**, for professional development and improvement activities, Sectorial Operational Program for Environmental Infrastructure for alignment with the EU environmental standards, with reference to environmental protection and conservation.

D. Important funds will be allocated for the development of tourism in the rural area, through the **European Agricultural Fund for Rural Development**. The National Strategic Plan for Rural Development, which foresees the support of rural tourism development, will be financed from this fund, in axis 3 – Rural Development.

2. 4. European funds efficiency

Romania received financial European support before and after joining the EU, and the relationship between these funds is shown in table 4:

Table no. 4

The relationship between the funds before and after joining the EU

<i>Before joining instruments</i>	<i>After joining funds</i>
Phare – Economic and Social Cohesion	European Regional Development Fund (ERDF) European Social Fund (ESF)
Phare – Transborder cooperation – vicinity programs	Territorial Economic Cooperation Objective – European Regional Development Fund
ISPA	Cohesion Fund (CF)
SAPARD	The Agricultural and Rural Development Fund (ARDF)

In 1998 the necessary legal framework was created, and the institutional structure for regional development, at the national level, was compound by:

- The National Council for Regional Development or NCRD (as a deliberative organism for coordination and promotion of the national policy of regional development);
- The National Agency for Regional Development or NARD (as an executive organism of the national council)

For each region there is a NCRD and NARD. In Romania there are 8 development regions: North-East, South-East, South Muntenia, South-West Oltenia, West, North-West, Centre and Bucharest-Ilfov.

In order to assign the structural funds within Regional Operational Program 2007-2013 a regional SWOT analysis was elaborated, additive at a national level and presented in table 5

Table no. 5

SWOT analysis of national tourism

No.	Field	Strong points	Weak points
1.	Tourist products	<ul style="list-style-type: none"> • the existence of investment projects for the building of new hotels in big cities and tourist resorts; • the adoption of the normative acts that regulate tourist activity control; • significant increase of accommodation capacity; • the up grading of offer for other tourist products; • existing hotels modernization and the building of new ones; • agro-tourism development and the development of B&B lodgings; • positive experiences of some new forms of tourism; • the diversification of recreational equipment and facilities; • the increase of professionalism in personnel training; • adaptation of the legislation that allows the opening of new schools and centers for personnel formation; • the development of the entertainment sectors in hotel structure (night clubs, casinos etc...); • the existence of moderate climate, nature's beauty and historic sites abundance. 	<ul style="list-style-type: none"> • lack of an action led program regarding tourism development; • lack or poor condition of public service in rural resorts and areas; • lack of credits granting leading to investments as well as that of promotional activities and heritage rehabilitation • strong competitiveness posed by European countries.
2.	Marketing and promotion	<ul style="list-style-type: none"> • rich tourist offer via the Internet; • advertising via tourist media throughout the world 	<ul style="list-style-type: none"> • budgetary constraints; • insufficient tourist information at the level of tourist resorts
3.	Other fields	<ul style="list-style-type: none"> • modernization of custom appliances; • the acknowledgement of the Danube Delta Biosphere Reservation and the development of ecotourism; • the capitalization of the protected areas within the ecological tourism; • the awareness raising of the population towards environmental protection 	<ul style="list-style-type: none"> • political instability in the Balkanic region; • the existence of inappropriate techno-public utilities systems in key tourist cities and resorts.

The European funds for tourism have been assigned through ARD as follows:

1) ADR for the North East Region assigned European funds for the development of the tourist potential and for the various tourism practices (cultural, religious, scientific, balneary-therapeutic, pleasure, transit and agro-tourism) through different programs out of which:

- RO 9807.01 Program – Social Cohesion Policies (124 projects worth 4.550.600 €);
- 2000 CES Program Consultancy and guidance scheme for SMEs (6 projects worth 248.385 €).

2) ADR for the South East Region assigned European funds for the development of the tourism through different programs like:

- Program Phare CBC 2004;
- Program Phare RO2004/IB/SPP 02 financed "The institutional brotherhood between the Sicilian Region and the South East Region project" (8 enterprises worth a total of 150.000 €)
- Program Phare CBC 2005 (17 projects worth a total of 500.000 €);
- Program Phare CBC 2006 is the last round of financing the future projects for transborder cooperation between Romania and Ukraine worth a total of over 8 million €;
- Common Operational Program ENPI-CBC 2007-2013 with a total budget of 132,24 million € designed for the stimulation of cooperation in the border area.

3) ADR for the South Muntenia Region assigned European funds for the development of the local tourism through different programs (e.g. Phare Ro 9807 Program).

4) ADR for the South West Oltenia Region conducted a study within the non-repayable finances program *Tourism Association Oltenia*, called "Study of the tourist potential in Dolj district and the way of capitalizing it", for the identification of tourism projects and creation of tourist information points. In the same time, through Phare 2004 Program Economic and Social Cohesion European funds have been assigned for smaller projects to interested enterprises.

5) ADR for the West Region assigned European funds for tourism between 2001 and 2006, worth 1.238.250 million € through different programs:

- from Phare 2001 Program subprogram "Tourism investments" was financed and it contained 7 projects from the districts Caraş-Severin (3), Hunedoara (3) and Arad (1) for the total sum of 68.540 €;
- Phare 2003 CBC Program – Romania and Serbia& Montenegro that financed 12 projects from the districts Timiş (5), Caraş-Severin (5) and Mehedinţi (2) for the total sum of 464.552 € designed for supporting the local development activities (including tourism) of transborder nature;
- Phare Economic and Social Cohesion 2004-2006 Program, structure Regional Infrastructure financed 31 projects from the districts Arad (6), Caraş-Severin (5), Hunedoara (8) and Timiş (12) for the development of the infrastructure in tourism worth 12,77 million €;
- Phare 2006 Program finances the project "The development of the tourism potential in Moneasa" for the sum of 4.078.660 €

6) ADR for the North West North Transylvania Region engaged subprograms designed for tourism, out of which we single out the "Big infrastructure projects" component and Phare 2005 Program Economic and Social Cohesion (two are designed for the development of the tourism infrastructure).

7) ADR for the Centre Region carried out "The subprogram for tourism investments" for the financial support of the investments in tourism for the improvement of the accommodation infrastructure (18 projects worth 15.652.696 €).

8) ADR for the Bucharest-Ilfov Region assigned European funds to tourism enterprises (e.g. SC V&L Săftica, project "Improvement of accommodation conditions", worth 62.500 €).

The consequences of European funds usage at a national level are the following:

Table no. 6

The consequences of European funds usage at a national level

No	Consequences	Measure unit	2000	2006
1.	International visitors in Romania	thou. pers.	5.264	6.037
2.	Earnings from currency exchange	mil.€	359	1.034
3.	Share of tourism expenses in GDP	%	1,1	1,2
4.	Accommodation unit (hotels and motels)	nr.	968	1.220
5.	Accommodation unit (urban pensions)	nr.	244	702
6.	Accommodation unit (rural pensions)	nr.	536	1.259
7.	Tourist information center from Romania	nr.	0	37
8.	Foreign ANT offices	offices	2	16
9.	Romanian tourists departures	thou. pers.		7.590
10.	Employed population in tourism industry and travel	thou. pers.	93	265
11.	Employed population in tourism economy and travel	thou. pers.	91	485
12.	Share of tourism industry and travel in GDP	%	0,18	1,92
13.	Share of tourism economy and travel in GDP	%	2,37	4,81
14.	Total tourism investments	%	0,88	7,2

Source: National Authority of Tourism

World Travel and Tourism Council (WTTC) has developed "The competitiveness monitor" through which it analyzes the performance in tourism based on the indexes: price competitiveness, Human Tourism, environment, infrastructure, technology, Human Resources, international availability (in tourism and commerce) and the social element. Data provided in 2004 by the World Bank, UNO and WTTC allow the establishment of the indexes that Romania has in comparison with competitor countries:

Table no. 7

Romania's Tourism Competitiveness Analysis by comparison to other competing countries

Countries	Price Competitiveness Index	Human Tourism Index	Infrastructure index	Environment index	Technology Index	Human Resources Index	Openness Index	Social Index	Average competitiveness Index *
Bulgaria	58,46	80,04	64,05	67,86	69,23	71,60	76,42	60,89	68,57
Croatia	68,99	na	na	69,60	87,98	68,62	55,62	57,43	68,04
Serbia& Montenegro	na	na	na	na	66,65	na	29,59	na	48,12
Romania	66,28	24,61	42,77	71,22	58,8	63,01	72,79	71,79	58,91
Hungary	50,02	92,91	77,26	76,06	92,34	84,7	79,4	74,81	78,44
Slovakia	47,05	38,09	73,28	70,77	78,72	71,6	65,73	57,47	62,84
The Czech Republic	48,71	72,69	na	75,24	94,15	74,68	79,25	76,59	74,47
Poland	49,1	43,47	na	72,03	77,4	88,3	70,82	61,1	66,03
Ukraine	68,25	73,73	na	23,12	41,35	81,23	58,02	52,88	56,94

Note:

* calculated through the arithmetical means of the Indexes with available data

na – data is not available

The different competitiveness of Romania in comparison with the other competitors has different reasons.

Judged against for example Croatia, Romania was more competitive in the fields of prices (only in what concerns the chapter regarding the level of taxes in tourism), environment (less CO₂ emissions, but with a higher density of population), the international openness (in what concerns the chapter regarding the level of taxes in international commerce) and social (the newspapers and TVs Indexes). The analysis is incomplete due to the lack of data for the infrastructure and human tourism fields.

Another international comparison of the tourism performances, coming from a study published by the World Economic Forum (WEF), in "Travel and Tourism Competitiveness Report 2007" emphasizes Romania's different presence in the general classification depending on the main indexes (tables 6 and 7) given the other competing countries.

Table no. 8

The General Competitiveness Classification for the selected countries

Selected country	Position
Bulgaria	54
Croatia	38
Czech Republic	35
Hungary	40
Romania	76
Ukraine	78

Source: World Economic Forum 2007

Table no. 9

Comparisons between competitiveness in the tourism and travel sector depending on the main indexes for the selected countries

Selected country	Legal framework	Business environment and Infrastructure	Human, cultural and natural resources
Bulgaria	66	56	41
Croatia	58	40	11
Czech Republic	40	37	22
Hungary	26	51	51
Romania	87	74	71
Ukraine	76	73	89

Source: World Economic Forum 2007

The previous comparison proves Romania's weak performance, and the decision making factors are associated to the governmental regulations, the burst of the bird flue, reduced infrastructure in the fields of air and road transport.

With all the presented aspects, WTTC previsions the next growth rates for the Tourism and Travel sector in Romania during 2007 and 2016:

- ✓ 7,4 % of GDP in the Tourism and Travel Industry;
- ✓ 6,7 % of GDP in the Tourism and Travel Economy;
- ✓ 1,7 % of workplaces in the Tourism and Travel Industry;
- ✓ 1,6 % of workplaces in the Tourism and Travel Economy;

- ✓ 7,9 % of the demand for tourism and travel;
- ✓ 8,5 % of visitor exports;
- ✓ 6,2 % of capital investments.

According to these estimations, Romania will take the fourth place out of 174 countries, becoming thus a successful international destination.

For the success of these goals, the national tourism strategy has been applied in 2007, created together with the World Tourism Organization. We are talking about the "Romania's National Tourism Master Plan for 2007-2026" which comprises an action program for the 2007 - 2013 in connection to the European financial support. Its primary objective is the formulation of the general framework for development and durable management policies for the tourism industry, as well as the creation of the "Tourist Romania" brand.

2. 5. Conclusions

The conclusions derived from our study are:

- The use of European funds in tourism through the projects won by the depositor firms have favorably contributed to the development of beneficiary legal entities;
- Implementation of the application strategy of the Master plan objectives will solve the negative aspects specified by the questioned firms, thus assuring the real connection between this plan and the governmental operational programs.

In conclusion, the validation or non-validation of our hypothesis is presented in the following table:

Table no. 10

Validation or non-validation of our hypothesis

Hypothesis	Valid/Invalid
H1: The structural funds influence the economical activity of the tourism enterprises.	Valid
H2: The structural funds have a favorable influence in putting place Romania on the competitiveness scale of Europeans countries in tourism field.	Valid

We conclude by stating that Romania will regain its reputation of bona fide destination, being transformed into a European country provider of quality tourist products and services.

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