The effectiveness of public policies and structural funds in enhancing tourism development.  
The case of Romania

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Abstract. In today’s economy, tourism is one of the most dynamic drivers of economic growth and prosperity in the communities characterised by a valuable tourist potential. However, the development of tourism depends on the general legal and strategic framework adopted at local, regional and national level. In Romania, the changes in the strategic framework designed to stimulate the development of the tourism industry have been largely determined by the availability of EU structural and cohesion funds.

However, in spite of the fact that more than 90 percent of the EU funding assigned to the sustainable development and promotion of tourism has been already contracted, results still remain to be seen. This article provides an analysis of the factors influencing the effectiveness of public policies and structural funds in enhancing tourism development in Romania, pointing out what lessons should be learned in order to ensure a better use of external funding in the 2014-2020 period.

Keywords: tourism; public policies; development; EU funding; effectiveness.

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REL Code: 14F.
1. Introduction and background

The continuous growth of the tourism sector brings an ever increasing need to plan and regulate the tourism industry and to create coherent development strategies for tourism destinations. The economic and social benefits of tourism development are highest when this development is planned in a coherent, unitary and sustainable manner, in accordance to the general national and regional development strategies. On short term, an unplanned development may generate some economic benefits. However, on longer term, the absence of a tourism development strategy may lead to undesirable effects on the natural environment and even to a decrease in the destination’s attractiveness.

According to the World Tourism Organization (2012), undertaking national and regional tourism planning leads to several advantages which are essential to the development of tourist destinations. These advantages are presented in Table 1.

<table>
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<tr>
<th>Advantages of national and regional tourism planning</th>
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<td>▪ Establishing the overall tourism development objectives and policies and how can these aims be achieved;</td>
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<td>▪ Developing tourism so that its natural and cultural resources are maintained and conserved for future and present use;</td>
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<td>▪ Integrating tourism into the overall regional and national development policies, and establishing linkages between tourism and other economic sectors;</td>
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<td>▪ Providing a rational basis for decision-making by both the public and private sectors on tourism development;</td>
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<td>▪ Enhancing the coordinated development of all the elements of the tourism sector: tourist attractions, activities, facilities and services;</td>
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<td>▪ Optimizing and balancing the economic, environmental and social benefits of tourism;</td>
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<td>▪ Providing a physical structure which specifies the location, types and extent of tourism development of attractions, facilities, services and infrastructure;</td>
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<td>▪ Establishing the guidelines and standards for preparing plans for specific destinations and types of tourism and for the appropriate design of tourist facilities;</td>
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<td>▪ Providing the framework for effective coordination of the public and private sector investments;</td>
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<td>▪ Providing a baseline for the continuous monitoring of tourism development plans and projects.</td>
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Until the early 1950s, tourism was poorly regulated, and tourism destinations developed uncontrolled and chaotically. However, starting with the second half of the twentieth century, tourism development strategies have been elaborated and pursued throughout the world. Strategies were adapted to the
changes in the industry, as mass tourism declined and a „new tourism” emerged (Poon, 1994), a tourism focused on individual customer satisfaction and high-quality tourist experience.

The paradigm shift defined by Poon at the beginning of the 1990s lead to the emergence of several principles of interest for public policy makers (Poon, 1993):

- the natural environment should always come first;
- strategies should focus on transforming tourism into a competitive and dynamic sector;
- distribution channels should be enhanced;
- Although policies are made by public organisations, they should focus on the development of a dynamic private sector.

Most often, tourism development strategies and policies are elaborated either by destination management organisations – local councils, protected areas administrators – or by ministries, directorates or departments within public ministries. As a matter of fact, the last decade was characterised by an ever increasing interest in the elaboration and implementation of tourism development and promotion strategies, both at transnational as well as at national and regional level.

2. Tourism development policies at EU level. Tourism – an EU 2020 priority

The creation of a common policy in tourism is a natural response to the continuous development of this economic sector. At EU level, common public policy in tourism did not have a legal base until 2007, when the Lisbon Treaty was signed (Danklesen, 2007). The Treaty was enforced two years later, on December 1st 2009.

Until then, all the regulations in the field of tourism were based on article 3 from the CE Treaty, which offered the legal framework for the free movement of persons, goods and services, SMEs and consumer protection, as well as for environment, transport and regional policies – all these having a direct impact on tourism development.

The reason for which tourism was included in the Lisbon Treaty is based on the acknowledgement that the tourism industry may have a significant positive impact on the achievement of the objectives described in the Lisbon Strategy. In the Treaty, tourism is discussed in Chapter XXI, article 176 specifying that the EU will complement the member states’ actions in the field
of tourism, particularly by promoting enterprise competitiveness in this sector (Official Journal of The European Union, 2007).

Furthermore, in June 2010, the Commission adopted the Communication “Europe, the world’s No 1 tourist destination – a new political framework for tourism in Europe” (Communication 352, 2010), addressed to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. The document discussed a coordinated view of the initiatives in the field of tourism, defining a new strategic framework for actions designed to stimulate tourism competitiveness and its capacity to generate sustainable economic growth.

This Communication proposes a series of multinational initiatives in the field of tourism, such as the creation of an integrated Internet portal for European tourist destinations and launching a competition for tourist destination excellence (EDEN) so as to improve the visibility and sustainability of European tourism. Another pilot initiative launched by the Commission is the Calypso programme, whose goal is to increase the number of tourist arrivals in extra season through a more effective use of the transportation and accommodation capacity (European Commission, 2012).

Tourism is an interdisciplinary field, which is powerfully connected to the evolution of complementary fields, such as transportation, entertainment, constructions, commerce and agriculture (Scutariu, 2009). In this context, it is natural that the development of tourism is influenced not only by the elaboration of specific strategies, but also by integrated policies, such as those linked to sustainable development.

As a matter of fact, at European level, tourism is already part of a much larger environment policy, the contribution of sustainable tourism practices to the protection and conservation of the natural environment becoming increasingly important as climate changes intensified in the past decades (European Parliament, 2012).

However, tourism development in EU states is not uniform. The development of the tourism industry depends not only on the policies and strategies elaborated and adopted at EU level, but also on the policies of each member state. According to the Eurostat Statistical Yearbook (2012), the top 20 EU-27 tourist regions are all concentrated in only six states: Spain, France, Italy, United Kingdom, Austria and Germany – all with long term tradition in incoming tourism.

Destinations in emerging economies are however less developed. Latvia, Lithuania, Estonia, Slovakia, Bulgaria and Romania are among the regions with
the least tourist arrivals and overnights spent in accommodation establishment. Furthermore, there are considerable differences in what regards the tourism intensity. In 2009, the average tourism intensity in the EU-27 was 4,463 – indicator which measures the number of overnight stays in relation to the resident population – was 4,463 overnight stays per 1,000 inhabitants. 30 EU regions registered a tourism intensity of over 10,000 overnights per 1,000 (Eurostat Statistical Yearbook, 2012).

However, the vast majority are localized in economically developed countries and in states which have been EU members for at least two decades: six in the UK, five in Italy, four in Austria, three in Greece, two in Germany, Spain, the Netherlands and Portugal and one in France and Finland.

The situation is much different for developing countries in Central and Eastern Europe, which are also the states which entered the EU after 2004. Thus, of the 22 regions with 1,000 or fewer overnight stays per 1,000 inhabitants, eight were located in Poland, six in Romania and three in Bulgaria. While Bulgaria registered a considerable growth in the number of non-resident tourists, the Romanian region of South-West Oltenia remains the region with the least non-resident tourists, only 3.1 percent of the total number of tourists in the area being foreign (National Institute of Statistics, 2012).

In the following sections, we will proceed to analyze whether the adoption and implementation of public policies and strategies in the field of tourism exerts a significant impact on the development of tourist destination in emerging countries. To this aim, we will analyze the level of policy development in Romania as well as establish a qualitative correlation between the absorption of external funding and the evolution of tourist arrivals in the period 2007-2011.

3. Tourism development policies in emerging economies.

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In Romania, the development strategies for tourism are strongly correlated with the processes that take place in public administration (Nedelea, Dolipschi, 2004).

The first official policy document developed by Romania after its accession to the European Union and which established the main directions for tourism development was The National Strategy for Sustainable Development (2008). The document is a project elaborated by the Romanian Government, through the Ministry of Environment and Sustainable Development, and the
United Nations Development Programme, through the National Centre for Sustainable Development.

The National Strategy for Sustainable Development had a major role furthering the conception of specific policy documents for various types of tourism. In fact, the directions set out in Chapter V of the strategy – “Sustainable development and promotion of tourism” led to the establishment of the three major areas of intervention financed by Regional Operational Programme in tourism.

According to the Ministry of Environment and Sustainable Development (2008), the Strategy has provided the basis for the elaboration of concrete measures in the field of tourism development, measures which aimed to ensure both the material support of tourism – cultural heritage, natural resources with tourism potential, infrastructure, accommodation and entertainment – as well as the means to sustainably exploit the tourist heritage through the development of local industries (trade, construction, transport, catering, small manufacture units and handicrafts) job creation.

Furthermore, the National Strategy for Sustainable Development has established specific objectives for Axis 5 of the Regional Operational Programme. According to the document, by 2015 the Romanian Government planned to implement 400 projects in tourism infrastructure, to offer direct or indirect support to 350 companies in tourism, to organize at least 10 campaigns to promote the tourism brand at national and international level and to establish 10 national information and tourism promotion centres, resulting in, among other things, the creation of 1,000 new jobs (Ministry of Environment and Sustainable Development, 2008).

According to the Regional Operational Management Authority (2012), up until now, the Regional Operational Programme funded 518 projects in tourism, of which 105 projects in tourism infrastructure (under the main intervention domains 5.1 and 5.2) and 347 projects promoting the local and national tourist potential (under the major intervention domain 5.3).

Besides the National Strategy for Sustainable Development, in 2006-2007, a team of experts from the World Tourism Organization has developed, together with its counterparts in Romania, on behalf of the Romanian Government, a National Tourism Development Master Plan for the period 2007-2026.

The Master Plan includes an action programme for six years (2007-2013), in conjunction with the financial support from the Structural Funds allocated from the European Regional Development Fund (ERDF) through the Regional
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Operational Programme 2007-2013, as a result of Romania’s accession to the European Union in January 2007.

The purpose of this policy document was to elaborate the framework necessary for the development and sustainable management of the tourism industry in terms of natural and cultural resources. The Master Plan was planned as an umbrella strategy, thus including several other plans and strategies, elaborated in order to optimise the sector’s contribution to the national economy (WTO, Ministry of Regional Development and Tourism, 2007).

The strategic policy documents – strategies and action plans – elaborated following the adoption of the National Tourism Development Master Plan are aimed, on one hand, at the promotion and marketing of Romanian tourist destinations, and, on the other hand, at the development of specific types of tourism – nature-based tourism, wellness and spa tourism, rural tourism – according to the directions set out by the Master Plan.

These strategic documents are (Ministry of Regional Development and Tourism, 2012):

- Strategy for the creation and promotion of the national tourism brand;
- The national development strategy for spa and wellness tourism;
- The national ecotourism development strategy;
- The seaside tourism development strategy;
- The strategic and operational tourism marketing plan for 2011-2015;
- The strategic and operational tourism marketing plan for Bucharest, 2011-2015.

The national tourism brand promotion strategy and the two strategic and operational tourism marketing plans have been implemented through 12 EU-funded projects, financed under the Regional Operational Programme 2007-2013, Axis 5.3 – “Creating a positive image of Romania as a tourist destination by defining and promoting the national tourism brand”. The 12 projects are implemented by the Ministry of Regional Development and Tourism and have a total value of over 75 million, of which approximately 55 million represent the non-refundable financial assistance (Regional Operational Management Authority, 2012).

In 2009, the Ministry of Regional Development and Tourism organized the public purchasing procedure for the contracting of the services necessary for defining and creating Romania’s national tourism brand. Starting with the autumn of 2010, Romania began to promote itself as a tourist destination with an individual and unique visual identity. According to the Ministry (2012), the
campaigns organized under the tourism marketing plan and the national brand promotion strategy are aimed at building a positive image on the international tourist market as well as on enforcing Romania’s competitive advantages in terms of tourism and sustainable development.

Thus, although these strategic documents were not financed from the Regional Operational Programme, their implementation was, which may lead us to believe that the role of structural funds in the development of tourism in Romania has been both relevant as well as significant. However, the role of the Regional Operational Programme in the field of tourism extends beyond the simple implementation of tourism policies and strategies.

Priority Axis 5 – „Sustainable development and promotion of tourism” has an allocation of approximately 663 million Euros, representing 18 percent of the total ROP allocation (Regional Operational Programme Management Authority, 2007). Its purpose, as defined by the Regional Operational Programme Implementation Framework Document (2007), is to enhance the sustainable exploitation and promotion of the cultural heritage and natural resources with tourism potential, as well as to improve the quality of accommodation and leisure tourist infrastructure, in order to increase the regions’ attractiveness, develop the local economies and create new jobs.

Priority Axis 5 is structured into three major intervention domains, according to the priorities set out in the National Tourism Development Master Plan for the period 2007-2026 – document analysed in the previous sections.

The three major intervention domains are:

- Major intervention domain 5.1: The restoration and sustainable exploitation of the cultural heritage and the creation/modernization of complementary tourist infrastructure;
- Major intervention domain 5.2: The creation, development and modernisation of the specific infrastructure necessary for the sustainable exploitation of natural resources and for improving the quality of tourist services;
- Major intervention domain 5.3: Promoting the tourist potential and creating the infrastructure necessary to increase Romania's attractiveness as a tourist destination by projecting a positive image of Romania, defining and promoting the national tourism brand, the development of domestic tourism by diversifying the offers and the specific marketing activities, including the development of a on-line tourist information and statistics system.
The 518 projects contracted so far under the Regional Operational Programme – Priority Axis 5 „The sustainable development and promotion of tourism” – have a total value of approximately one million Euros, representing 18 percent of the sum contracted under all the six axes of ROP (Regional Operational Programme Management Authority, 2012). However, their impact on the development of tourist destinations in Romania and on the evolution of tourist arrivals at national and regional level seems to be limited.

Thus, in spite of the fact that ROP is the operational programme with the highest absorption rate (approximately 20 percent in October 2012) according to the Ministry of European Affairs (2012) and that the contracting rate for Priority Axis 5 is of over 90 percent of the total allocation, the number of tourist arrivals at national level has largely stagnated in the period 2007-2011, as shown in Figure 1.

![Figure 1. The evolution of total tourist arrivals in Romania, 2008-2009](image1.jpg)

**Source:** The National Institute of Statistics, 2012.

According to the National Institute of Statistics (2012), the number of tourists accommodated in tourism facilities in Romania varied in the past years between six and seven million arrivals, registering the maximum value (7.12 million tourists) in 2008. Furthermore, statistics show that the external financing available to organisations in the tourism sector could not diminish the negative effects of the economic crisis, effects which reached maximum intensity in 2009 and 2010. Although the situation improved in 2011, when the total arrivals summed up to 7.03 million tourists per year, the tourism industry could not return to the level of development reached in 2008.
The evolution of foreign tourist arrivals was similar. Thus, the number of foreign tourists visiting Romania decreased in the period 2008-2010, after reaching a maximum value (1.55 million arrivals) in 2007, as indicated in Figure 2. The implications are significant, as it shows that the promotion and marketing strategies adopted by the Ministry of Regional Development and Tourism and financed through the Regional Operational Programme in the period 2007-2012 proved largely ineffective.

Romania’s incapacity to attract foreign tourists is also reflected in the small share that foreign tourists occupy in the total number of tourist arrivals. Thus, in 2011, only 22 percent of all tourist arrivals were generated by foreign visitors. This value is tremendously low in comparison with Bulgaria, where approximately 68 percent of all incoming visits are made by foreigners (Bulgarian Institute of Statistics, 2012).

Furthermore, at regional level, the distribution of projects financed through the Regional Operational Programme under Priority Axis 5 largely differs from the distribution of tourist arrivals in the eight development regions in Romania, indicating the absence of a direct correlation between the projects implemented in the field of tourism and financed under ERDF and the industry’s level of development (Țigur, Răvar, 2012). However, as the financial allocation under ROP also varies among development regions, being higher for the least developed areas and lower for the most developed, the absence of such a correlation is not unexpected (Iorgulescu, Răvar, 2012).
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![Diagram showing the share of foreign and Romanian tourists in the total tourist arrivals, 2011.](image)

**Figure 3.** The share of foreign and Romanian tourists in the total tourist arrivals, 2011

The low level of competitiveness which currently characterizes the Romanian tourism industry is also reflected in the classification elaborated by the World Economic Forum (2011) as part of the Travel And Tourism Competitiveness Report World. Romania occupies position 63 in this classification, registering however an improvement as compared with the previous edition, when our country was classified as the 66th most competitive tourist destination. According to the World Economic Forum (cited by Croitoru, 2011), Romania is lagging behind emergent economies in the EU, having a much lower rank than the Czech Republic (position 31), Slovenia (position 33), Croatia (position 34), Hungary (position 38), Bulgaria (position 48), Poland (49) and Slovakia (54).

4. Possible causes influencing the effectiveness of public policies and structural funds in enhancing tourism development

An increase in Romania’s competitiveness on the international tourism market is not possible in the absence of coherent public policies stimulating tourism activity and allowing access to external funding. However, it is essential that policy makers take into account the factors which have determined the poor effectiveness of past and current public policies and structural funds in enhancing tourism development in Romania.

Based on a comprehensive literature review, we have isolated the following factors:
The belated public policies adoption in the field of tourism

The first strategic documents establishing the framework for the development of tourism in Romania were elaborated and adopted in the period 2006-2008. Some of these documents, such as the Tourism Master Plan, also established the guidelines for the future implementation of Priority Axis 5 within the Regional Operational Programme.

However, in Bulgaria, for example, a strategic framework was adopted since the early 1990s, when the Committee of Tourism was founded (Kaytcheva, Purcell, 1995). This committee did not only establish and coordinate a framework for the accession and implementation of structural funds, but also the transition from a centralized to a market economy and the privatization of public organizations in tourism.

Failure to adopt policies focused on the active involvement of the private and NGO sector in tourism development

The strategic documents elaborated and adopted by national authorities with the aim of enhancing tourism development provide guidelines which are predominantly addressed to public organizations. Furthermore, according to the Regional Operational Programme Management Authority (2012) approximately 50 percent of all projects financed under ROP, Priority Axis 5 are contracted by local authorities and ministries.

However, studies have shown that the regions with the largest number of non-governmental organizations are also the regions with the highest number of annual tourist arrivals (Țigiu, Rîvar, 2012). This demonstrates that policies oriented towards the development of the nongovernmental sector and focused on a better involvement of NGOs in the field of tourism will ultimately lead to an increase in the total number of tourists and to the growth of the tourism industry in its entirety.

Last but not least, the private sector is the main driver of tourism development. Hotels, restaurants, entertainment facilities, tourism agencies and tour-operators all belong to the private sector. These are the organizations producing added value, jobs and incomes for the local budgets. An increase in the total number of tourists depends on the services offered by the private sector.

Thus, policies in the field of tourism should also concentrate on the development of private entities and on their capacity to finance and support investments.
Lack of coordination between tourism promotion and tourism development strategies

An analysis of the strategic documents forming the current framework for the development and promotion of tourism in Romania shows that these documents were designed and adopted by different entities, at different moments in time. As a result, their objectives do not always coincide and their implementation often leads to negative effects on the local culture and environment.

However, this tendency is not only visible at national level, but also at regional and local level. For example, although the promotion strategy for Bucegi Mountains is focused on ecotourism, the area’s development strategy implies the massive expansion of the access infrastructure – including asphalt roads – into the natural protected areas.

These differences are enhanced by the availability of structural funds, which makes it possible for local communities and NGOs to implement tourism promotion projects for destinations which do not yet have the basic infrastructure necessary to provide minimum tourist services.

Practice has shown that promotion projects with a total value of over one million Euros are currently implemented in areas with no accommodation facilities or where the physical state of attractions does not allow the development of continued tourism activities. In such cases, it is obvious that the implementation of projects financed under ROP will not lead to an increase in tourist arrivals, the funding being ineffective and even financially damaging to the organizations which ensure the co-financing of projects.

Conclusions

To conclude with, there is a diversity of factors influencing the effectiveness of public policies and structural funds in enhancing tourism development in Romania. Apart from those presented above, there is also the lack of vision and innovation in the design of public policies in the field of tourism. There have been a number of cases where communities benefiting from an incredibly rich and diverse cultural heritage were not included in the tourism development policies of various counties until they were discovered and re-launched by foreign investors. Furthermore, one should not forget that Romania’s former tourism brand, focused on promoting seaside and leisure tourism, was only redesigned years after the demand for these types of tourism started to decline both at national level as well as globally.
Thus, it is obvious that as far as tourism development and promotion are concerned, Romania reacts to changes in its environment instead of anticipating them and transforming them into opportunities rather than threats. Of course, we are still an emerging economy and do not have the experience necessary for achieving a high performance. However, we do need to learn from our mistakes and use this knowledge in order to ensure a better management and use of structural and cohesion funds in the next financial exercise.

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