

**EUROPEAN FUNDS AND THE DEVELOPMENT OF TOURISM IN ROMANIA**

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**ABSTRACT**

*The article focuses on the use of EU funds by Romania in the development of tourism. Since becoming a member of the EU, Romania has gained access to European structural funds. By using them and by analyzing models of good practices in the EU, the tourism sector in Romania has improved, and should continue to do so. Also, The Multi-Annual Financial Framework 2014-2020 represents a great opportunity for Romania, offering new perspectives for all the stakeholders involved in the tourism sector.*

**KEYWORDS:** *European structural funds, touristic potential tourism sector, economic development*

**JEL CLASSIFICATION:** *Z 32, O 10*

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**1. INTRODUCTION**

The objective of this article is to analyze how European funds can improve the tourism sector in Romania. Also, this paper starts from the idea that using European funds is one of the most important opportunities that Romania has in order to develop its tourism infrastructure and to develop strategies for promoting Romania among foreign tourists.

By comparing the Multi-Annual Financial Framework 2007-2013 and the Multi-Annual Financial Framework 2014-2020, and by using relevant data offered by The National Institute of Statistics of Romania, this article argues that Romania has the potential to benefit from the future EU policy towards the development of the tourism sector, but that it still needs strategies and institutional capacity in order to increase the level of European funds absorption.

Romania's ability to position itself on the same level with other EU member states can be supported in the field of tourism through European structural funds. To the extent in which the differences with regards to other states are big, and the experience during the application is different, Romania started setting the first reference points in this direction between 2007 and 2013. Given the fact that the situation of tourism in Romania is, at the present, a matter under constant attention, but that does not produce results in the strategy for the development of the country, we shall try to approach the problem from an analytical perspective of the ways opened by the access to the structural funds. To this end, we have analyzed the situation of the structural funds and their evolution in other EU states, thus being able to notice their specific tendencies.

According to WTO (undated) Romania is well represented from a touristic potential standpoint, but is undermined by the lack of unity of the strategy in this field (i.e. in Spain the Romanian littoral is promoted, in France – the castles of the country). At least this was the situation until 2007, but the

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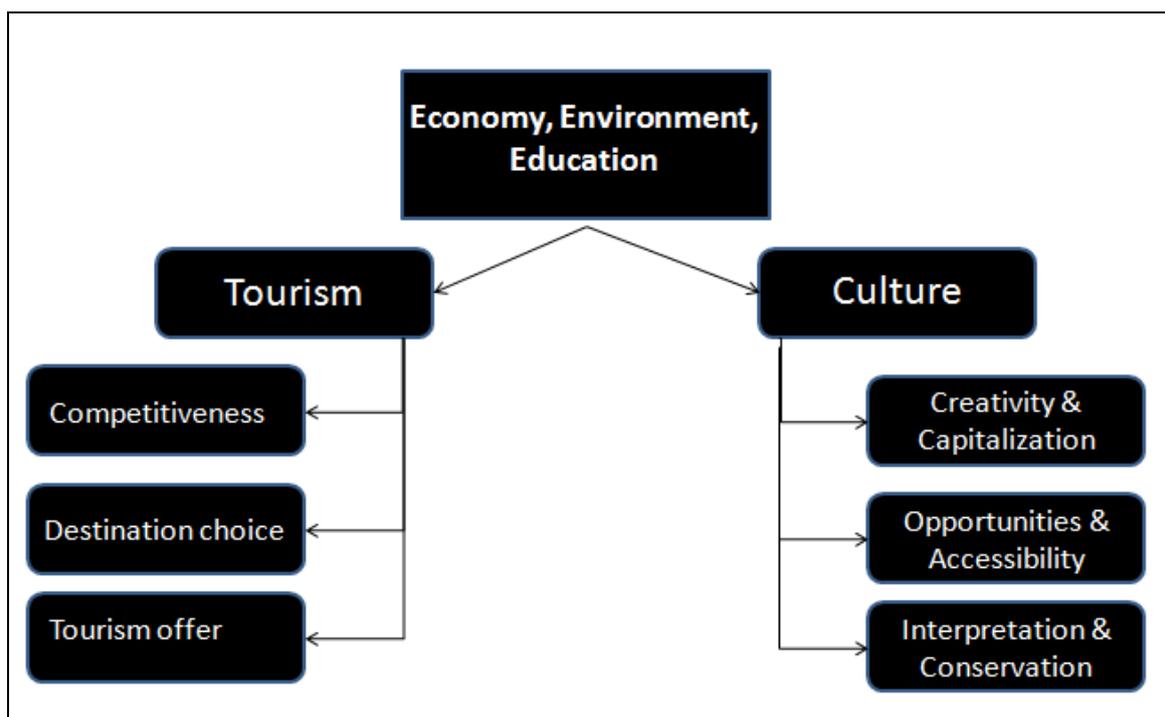
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European political integration has led this strategy to take into consideration common reference points at an EU level, thus making it less likely for a chaotic approach to exist. Romania is, as such, involved in an integrated dynamic.

European projects in the field of tourism must be perceived in a larger picture. Moreover, structural funds are part of the concept of territorial cohesion (European Parliament, 2015). Through territorial cohesion, Romania must not only reduce the differences in tourism registered in comparison with other states, but must also become competitive in this field by suggesting specific national alternatives. Also, Romania could potentially see increased air transport connectivity — and thereby increases in long-term economic growth — if the government will place greater emphasis on developing the Travel & Tourism sector (Blanke & Chiesa, 2013). Encouraging development through private initiatives in tourism represents an important objective for the reduction of these differences in Romania, especially where economic development initiatives are missing.

The economic development of the regions through tourism is based on ways of expressing the national specific character – the strongest element in the outlining of the tourism strategy. It represents a means of capitalizing on the regional touristic, historical and cultural potential. This will contribute to an increase in the regional activity for tourists, for investors, as well as for the inhabitants of the area. The merging of the natural potential, well represented, with the cultural, historical and sporting potential is the direction that was successful in most of the states that implemented structural funds.



**Figure 1. The Relationship between Economic Development, Culture and Tourism**

*Source: made by authors*

## 2. ANALYSIS OF THE CURRENT STATE OF TOURISM IN ROMANIA

Although the spending of European funds was a difficult process, data from the National Statistics Institute showed strong growth of the tourism sector in Romania, in the period 2007-2013, in terms of developing tourism infrastructure and increasing the number of tourists coming in Romania. From the data released by The National Institute of Statistics (2014) one can see that the number of

establishments for the reception of tourists (with functions of accommodation and accommodation capacity for the tourists) has increased from 4,840 (2008) to 5,003 (2011), and then to 6,009 (2013). One can notice the rapid growth registered between 2011 and 2013 (20%). The main reason for this rapid growth was the construction of new hotels and rural hostels and the modernization of the existing ones, mainly by attracting European funds.

At the same time, the number of tourists coming to Romania and accommodated in the establishments for the reception of tourists with functions for the accommodation of tourists has decreased from 7,232,262 in 2008 to 7,031,606 in 2011, as a direct result of the financial and economic crisis. Starting with 2011, the number of tourists coming to Romania has been increasing every year. In 2013, The National Institute of Statistics (2014) registered 7,943,153 tourists (6,225,798 – Romanians and 1,717,355 - Foreigners).

Romanian tourism in the years before the integration in the EU was marked by many problems in which the strategies adopted varied a lot. The lack of unity in the application of the measures and the replacement of policies on short and medium terms determined a strong decrease in the flow of tourists and, of course, of the income resulted.

Even if the situation in tourism was not a very good one, maybe something specific to the transition period, the opportunities of the European programmes starting with 2007 were the catalyst that made the various directions in the field to converge. Access to European funds was only allowed in the summer of 2007, which slightly diminished the enthusiasm of the potential applicants, who were used to errors by the tourism policy.

By analyzing the situation of tourism in Romania, we make out some extremely important elements from a potential and a human resource standpoint; they, however, bring results only in a dissipated fashion.

Maybe the most important characteristic of Romania is represented by the great diversity of the harmonious and symmetrical landscape spread across the territory, which offers the possibility to employ the entire array of tourism forms throughout the entire year. Physical and human resources in the landscape are important potential elements – but they have degraded and must be reevaluated. With a varied landscape, Romania has, however, focused on promoting only parts of it, insisting especially on the littoral offer. The mountainous and hilly landscapes were neglected, even if from the point of view of the visual impact and the synergy with other touristic forms they are advantageous.

Another characteristic of the touristic field is its privatization. There was an attempt at making the tourism infrastructure more modern – and, as such, of the quality and diversity of the touristic services offered – through investments in tourism. Here as well, the lack of coordination and fragmentation of the tourism policies have led to reduced results and, furthermore, to the creation of a negative image. When analyzing the situation of tourism, the weakest elements are the infrastructure and the quality of services. When combined with the aforementioned potential, they represent the cause of the involution in the number of tourists and, as such, to the following lack of funds for the support of tourism activities.

A defining element for the transition period of tourism in Romania was the accentuation of the importance of rural and agro-rural tourism. This alternative form has had an impact and has the opportunity to develop in the Romanian rural areas due to the beauty of the landscapes, to a substantial part of the rural territory conserved in a semi-natural state and to the conservation of important traditions and customs. It is the touristic form where the quality of services has increased the most, but without the effect of developing the local infrastructure at the same time. We have to emphasize that, in the context of images proposed for Romania, the rural area appears to be the essence of the messages transmitted in various projects for the promotion of tourism.

The evolution of rural tourism differs on the basis of the geographical area where that specific activity is carried out, i.e. fields, hills, mountains. As such, this is reflected in statistics, where during the period 2007-2013 a rising trend in the number of guest houses was registered.

Business tourism as a recent form introduced in the strategic development plan for this sector was developed by generating congresses, symposia and exhibitions, actions with a diplomatic character for the adhesion of Romania to NATO, the entry of Romania in the EU, the cultural and scientific life, the opening of business with international companies, the expansion of the businesses of multinational companies in Romania. It continues to represent one of the successful ways, limited, however, to a small number of cities, especially Bucharest.

The aforementioned significant characteristics have led to the development of the national tourism brand. The image reference points represent a general priority, determined by the contribution to the creation of the country *brand* with effects in the attraction of foreign investments and the balance of the current account. Romania's image is not well outlined as a touristic destination, and internal promotion is insufficient and undersized compared to the demand.

On a global scale, in 2013, Romanian tourism ranks 163<sup>rd</sup> out of 184 states according to WTTC (World Travel Tourism Council) in the case of the field contribution to the GDP, proving the inefficiency of the applied policies (World Travel and Tourism Council, 2014).

Investments in tourism are another aspect showing deficits – rank 83 underlining the critical state.

In order to change this situation and to revitalize its tourism, Romania has been using European structural funds since 2007, and can be one of the biggest beneficiaries of the Multi-Annual Financial Framework 2014-2020.

Romania's tourism development strategy, connected since 2007 to European economic revitalization programmes, was marked by the accessing of structural funds through:

1. **The Operational and Sectoral Program *Creșterea Competitivității Economice (the Increase in Economic Competitiveness)* – ax 5 – Romania as an attractive destination for tourism and business**
2. **The Regional Operational Program 2007-2013 – ax 3 – The quality of life in the rural areas and the diversification of the rural economy**

Through these programmes, the Master Plan for tourism has the following coordinates as strategic objectives:

1. **The Sectorial Operational Program *Increase in Economic Competitiveness* – ax 5 – Romania as an attractive destination for tourism and business**
  - Improving Romania's image as a destination for tourists by creating, implementing and developing the national tourism brand
  - Developing and strengthening internal tourism by supporting the promotion of tourism products and the specific marketing activities
  - Creating a national network of information and tourism promotion centers (ITPC)
  - Creating a web-site that will connect all the information and promotion centers

The total budget of this ax for the period 2007-2013 was only 131.76 million Euro, of which 112 million coming from the European Union by means of the Regional Development European Fund, and 9.76 million Euro in national public funds.

2. **The Regional Operational Program 2007-2013 – ax 3 – The quality of life in the rural areas and the diversification of the rural economy**

For this program, the allocated amount for the period 2007-2013 was of **roughly 577.94 million Euro**, of which 491.25 million Euro coming from the European Union, by means of the Regional Development European Fund, and 86.9 million Euro in national public funds.

- 2.1 40% will be allotted for the restoration and capitalizing on the historical and cultural heritage, representing 26,350,650 Euro.
- 2.2 **The capitalizing on natural touristic resources in the context of sustainable development** will have 26.6% allotted, representing 17,567,100 Euro.
- 2.3 **Increase in the quality of accommodation and recreation touristic services**

- The increase in the quality of accommodation services with the necessary utilities (in the case of accommodation buildings with more than 10 rooms, complimentary with the activities financed during the POS Agriculture and Rural Development), by restoring / modernizing / expanding accommodation structures (the following accommodation structures are eligible for financing: hotels, motels, tourist guest houses, camping spots, chalets and youth hostels);
  - The creation / expansion / restoration of touristic recreation structures with the corresponding utilities (i.e. arranging new ski slopes, swimming pools, swimming places, railroad transport of touristic interest, mini-golf courses, tennis, paint-ball, riding, arrangements for competitive fishing, arrangement of touristic ports, including wharfs placed on recreation lakes, arrangement of tracks for tourism cycling etc.)
- 3. The National Program for Rural Development 2007-2013 – ax 3 – *The quality of life in rural areas and the diversification of rural economy* (European Commission, 2011)**
- Promotion and development of arts and crafts and local products
  - Commerce activities, such as the creation of a shop attached to the farm, where the obtained products can be sold

In this program, the allotted amount for the period 2007-2013 is of **about 577.94 million Euro**, of which 491.25 million Euro come from the European Union, through the Regional Development European Fund, and 86.69 million Euro from national public funds.

### 3. STRUCTURAL FUNDS IN EUROPE

Initially, the problem of tourism in the context of continental cohesion did not represent a priority or a significant point in the development plans of European structures. However, by connecting tourism to the broader picture of regional development (in which the reduction of differences between regions has always been a central point), European policies started allotting greater and greater funds to this field. This problem, connected to the access to structural funds, was initiated in 1975, in the context of Great Britain entering the European Community. The dynamics registered by the structural funds regarding the increasingly numerous plans included therein, the growing financial subsidies and the states which use them has eventually led to the field of tourism.

The decision to include tourism in the structural programmes was made in 1992, when the European Commission stated that *tourism is a factor of economic development for the less-favored regions, rural areas, as well as declining industrial areas (1996 the Commission of the European Communities)*. It has thus been accepted that tourism is part of the 6 priority objectives that meet the criteria for accessing the funds.

The following objectives were underlined:

Objective 1: promoting the development and structural adjustment of regions whose development is lagging behind

Objective 2: converting the regions or parts of regions seriously affected by industrial decline

Objective 3: combating long-term unemployment and facilitating the integration into working life of young people and of persons excluded from the labour market, promotion of equal employment opportunities for men and women

Objective 4: facilitating the adaptation of workers to industrial changes and to changes in production systems

Objective 5: promoting rural development by:

Objective 5a: speeding up the adjustment of agricultural structures in the framework of the reform of the common agricultural policy and promoting the modernization and structural adjustment of the fisheries sector

Objective 5b: facilitating the development and structural adjustment of rural areas

Objective 6: promoting the development and structural adjustment of regions with an extremely low population density (European Commission, 1998).

We must emphasize the fact that tourism still represents a secondary branch of the regional development policies, and its problem will always be subordinate to other objectives of European cohesion policies. Under these conditions, the implementation success of tourism structural funds is one of the highest, even if the financial allotment proportion represents only 5% of the total. (European Commission, 2015)

We can observe the differentiated interested for structural funds in tourism. Austria is the main state that has used structural funds for tourism (over 20%) for the completion of objective 1, and the Netherlands stand out as very active in sectors 2 and 5b. This approximate image of the use of structural funds in European states at those points in time is based on conditions of the policies at those points in time, with the objectives and the structure suffering modifications as new member states were integrated.

In other words, Romania should learn from other countries, because learning about good practices of other EU countries can be followed by adapting and adopting the best practices for Romanian tourism. Benchmarking is useful in order to identify better ways of doing business (Ceptureanu & Ceptureanu, 2010).

Furthermore, Romania should try to create a stimulating economic and institutional environment, to widespread and efficient use of local and global knowledge in all sectors of the economy, including the tourism sector, to foster entrepreneurial spirit and to enable and support the economic and social transformations generated by the knowledge revolution (Ceptureanu et al., 2012).

Directing structural funds is also an option; each of the eligible countries would spend the allotted amounts in various projects. There are, however, some common points between the investment projects, with the main tourism elements being:

- In the hotel industry, for the creation of new facilities, but also for restoration (almost all the states)
- The construction of new facilities for cycling in the context of the improving accessibility to tourism routes (Austria, Germany, Sweden, Great Britain, Denmark, Belgium, the Netherlands)
- Rural circuits (Belgium, Greece, Spain, Finland)
- Tourist parks (France, Germany, Italy)
- Restoration of historical urban areas (in the majority of states)

Unfortunately, the lack of concrete data that is methodologically consistent only allows for a summary evaluation of structural investments in tourism. Romania does, however, have the great advantage of being able to use these experiences, the registered results having been successful in the majority of the contracting projects. In Romania, one needs to take into account the similarities between projects and the possibility to adapt them to the national specific; rural tourism especially follows these tendencies.

Also, like other economic sectors, the investments in the Romanian tourism sector are affected by contextual elements with negative impact on SMEs activity and performances. The most frequently encountered hindrances in Romania are excessive bureaucracy, legal frame evolution, corruption and insufficient predictability of the business environment (Nicolescu & Ceptureanu, 2009).

#### **4. CONCLUSIONS**

Despite the economic crisis of 2008, the EU tourism sector quickly recovered and its performance over the last years has given Europe a much needed economic boost and jobs. Taking this into consideration, the EU decided to increase the support offered to the tourism sector, by promoting tourism destinations or developing tourism services.

According to the *Guide to the EU Funding 2014-2020 for the Tourism Sector*, a large number of projects in the tourism sector can receive the financial support needed in order to improve the performance of the tourism sector capacity in EU countries.

Looking at the table below, one can see how the EU added new programmes under the Multi-Annual Financial Framework for 2014-2020, while some of the 2007-2013 programmes have been consolidated.

**Table 1. Most relevant programmes for the tourism sector in the EU**

<b>Area</b>	<b>MF 2007-2013</b>	<b>MF 2014-2020</b>
<b>Cohesion</b>	Structural funds: European Cohesion Fund; European Social Fund; European Regional Development Fund;	Structural funds: European Cohesion Fund; European Social Fund; European Regional Development Fund
<b>Environment, Agriculture &amp; Marine and Fisheries Policy</b>	LIFE+; European Agriculture Fund for Rural Development; European Fisheries Fund; Programme to Support the Further Development of an Integrated Marine Policy	LIFE; European Agriculture Fund for Rural Development; European Maritime and Fisheries Fund
<b>Research, Innovation and Competitiveness</b>	Seventh Framework Programme for Research; Competitiveness and Innovation Framework Programme	Horizon 2020 (Framework Programme for Research and Innovation; COSME (Programme for the Competitiveness of Enterprises and SMEs))
<b>Culture and Education</b>	European Culture Programme; Lifelong Learning Programme (Erasmus, Leonardo da Vinci, Comenius and Grundtvig); Erasmus Mundus ; Tempus; Alfa; Edulink; Programme for cooperation with industrialised countries	Creative Europe Programme; Erasmus for All Programme
<b>Employment</b>	PROGRESS ; European PROGRESS Microfinance Facility	EaSI (EU programme for Employment and Social Innovation)

Source: adapted from European Commission (2015)

Romania is one of the eligible EU member states and can benefit from these European funds, in order to reduce economic and social disparities and to promote sustainable development.

Some of the eligible actions that Romania can try to implement in the tourism sector are:

- training workers to help companies that cope with restructuring or a lack of qualified workers;
- training people in difficulty and those from disadvantaged groups to get better skills and jobs;
- supporting mutual learning, establishing networks, disseminating and promoting good practices and methodologies in the field of social innovation.

Also, it must be mentioned that all legal persons active in the labour market of tourism or in the fields of education & training can apply for this European funds. NGO's, SME's, chambers of commerce, trade unions, foundations are all included.

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