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## THE CONTRIBUTION OF EUROPEAN STRUCTURAL FUNDS TO THE DEVELOPMENT OF THE RURAL TOURISM INFRASTRUCTURE OF ROMANIA'S SOUTH WEST OLTENIA DEVELOPMENT REGION

**Abstract:** The strategic role of tourism sector and its considerable contribution to economic development, employment, social and environmental sustainability is acknowledged by all decision-making bodies, from world wide tourism associations (World Tourism Organization – WTO) to national, regional and local communities.

The current article analyses the direct contribution of European structural funds on the development of tourism infrastructure in South West Oltenia, one of the development regions of Romania, over the past 15 years. The data used for the research covers the pre-accession funds allocation (SAPARD Programme), the investments in tourism infrastructure from 2007–2013 financial programming framework as well as the current 2014–2020 programming framework – selected projects. The main conclusion that emerges from the research is that European structural funds had greatly contributed to the development of rural tourism infrastructure both in terms of quantity as well as in quality.

**Keywords:** tourism infrastructure, European structural funds, rural tourism, development strategy, South West Oltenia Region.

### Introduction

Whether it is reviewed on global, european, national or local level, the tourism industry represents the most dynamic field, with a continuous ascending trend, being for most economies an important source for economic revival and recovery due to its considerable positive impact on socio-economic development, employment and environmental preservation. Its strategic importance led most of the countries to include tourism on top of their agendas and national strategies for economic development.

European Union (EU) gives great importance to the tourism sector especially in its effort to keep Europe the 1<sup>st</sup> touristic destination as well as to insure the sustainable development and balanced growth of all its members states. Being a EU member state along with its considerable touristic potential, Romania joined the strategic path set by the European Commission and included tourism sector in all its local, regional and national development strategies. In order to capitalize on the rich tourism potential of Romania, one measure of capital importance was the investment in the physical tourism infrastructure (roads, cultural and historical sites, accommodation and leisure facilities).

The current article analyses the evolution and development of the rural touristic infrastructure from South West Oltenia Region Romania for the past 15 years with a direct focus on the physical investments in the accommodation and leisure facilities. The general aim is to identify the tourism investments in accommodation and leisure facilities financed by non-refundable European grants and to analyse the contribution of European structural funds to the development of tourism infrastructure in the region.

The research is based primarily on reviewing and analysing secondary data such as: official statistical reports; implementation, selection and evaluation reports on operational programs issued by management or/and implementation authorities for European funds; regional and local development strategies; as well as specialized literature.

The main conclusion that emerges from the research is that European structural funds had a considerable and in some cases crucial impact on the rural tourism infrastructure development in SW Oltenia Region, being the major or even sole financing source of investments made in the past 12–15 years.

## 2. Evolution and development of tourism infrastructure in rural areas – contribution of European Structural Funds

### 2.1. Sustainable tourism in a global, european and national context

According to UNWTO annual report for 2017, tourism industry recorded an upward trend for the eight consecutive year, the number of international tourists reaching a record of 1323 million tourists, increasing by 7% over 2016 and an average 4.5% yearly rate. The positive, upward trend of the tourism sector outperformed general economic growth, tourism being the only area whose development has not been so severely affected by the global economic crisis. Europe still holds the first place in tourists' preferences, hosting over 51% of the total number of international tourist arrivals (UNWTO, 2017).

Tourism industry is the third largest sector in European Union having a strategic role in economic development due to its "*broad impact on economic growth, employment and social development*", with more than 17 million jobs created and over 10% of GDP being awarded to tourism (European Commission, 2016). Its strategic importance is acknowledged in article 195 of the Treaty on the functioning of EU which encourages both the members states as well as the EU institutions to jointly act towards the development and competitiveness of the sector (TFEU, 2012, art. 195).

In line with the European strategies, guidelines and financial opportunities, Romania included tourism in all its national, regional and local development strategies, making tourism sector one of the key pillar for sustainable development in most of its regions. The diversity, richness and beauty of Romania' natural, historical and cultural heritage provides the right premises for an efficient capitalization of the tourism potential.

Despite its considerable tourism potential our country's performance in generating economic efficiency and high incomes from tourism is extremely low, being affected/influenced by the poor quality of the infrastructure, the shortage of qualified human resources, un-coordinated and un-coherent development strategies and inefficient tourism policies but also unstructured marketing and negative image of Romanian tourism both abroad and within the country.

During the pre-accession phase but mainly after 2007 when it became a full member of the EU, Romania has benefited from considerable financial resources for investment in rural tourism infrastructure. In the pre-accession phase, SAPARD was the key financing programme for investment in rural tourism. According to the final implementation report issued by the Ministry of Agriculture and Rural Development in 2009, over 620 projects in rural tourism were approved and implemented at national level (AFIR, 2019). The number of contracted projects was even higher (1043 beneficiaries) totalling over 65 million euros. The difference is represented by projects that did not finalise due to various reasons (AFIR, 2019).

After 2007 Romania became eligible for the European structural funds and continued its investments in rural tourism infrastructure both during the 2007 – 2013 financial framework as well as the current 2014 – 2020 budgetary scheme. The research reviewed only the investments awarded by the National Programme for Rural Development (PNDR 2014) – Measure 313 Encouraging touristic activities and the current National Programme for Rural Development – PNDR 2020 – sub-measure 6.2 and 6.4 – approved projects. According to the final implementation report of PNDR 2014 by the end of 2014 the total number of contracted projects reached 1752 with a total volume of investment of approximately 493 million euros (MADR, 2010). In what concerns the current PNDR 2020 its implementation status reveals a total of 6333 submitted applications, 1966 approved projects, 1921 contracted projects and only 194 finalised ones – measure 6.2 – Support for setting up non agricultural activities in rural areas. Another measure that supports tourism investments in infrastructure is measure 6.4 Investments in creation and development of non agricultural activities, 1037 projects being selected out of the 2603 submitted and just 216 finalised project out of the 913 ones in the implementation (MADR, 2015). For SW Oltenia Region, the total number of approved projects in rural tourism infrastructure is 157 projects, unevenly distributed between the five counties of the region.

**Table 1.** Number and distribution of approved tourism investment projects financed by PNDR 2020 from SW Oltenia Region – Romania

COUNTY	NUMBER OF APPROVED PROJECTS	TOTAL VALUE OF THE PROJECTS (euro)
VALCEA	7	909.280,00
GORJ	91	10.432.622,00
MEHEDINTI	36	4.591.629,00
DOLJ	19	3.532.358,00
OLT	4	581.364,00
<b>TOTAL SW Oltenia Region</b>	<b>157 projects</b>	<b>20.047.253,00 euro</b>

Source: Data compiled by the author from the selection reports of sub-measure 6.2 and 6.4 of PNDR 2020 – AFIR website

The numbers and value of the investments in the rural tourism infrastructure reported by the Ministry of Agriculture and Rural Development reveals a considerable contribution of the structural funds towards the infrastructure development of the rural tourism of Romania. In the following section the article will analyse the specific contribution of European pre-accession and structural funds on the development of rural tourism infrastructure of SW Oltenia Region of Romania.

## 2.2. Development of rural tourism infrastructure in South West Oltenia Region. The contribution of European structural funds

Tourism sector is one of the seven smart specialization areas identified by the Strategy for Smart Specialization in SW Oltenia Region. Along the measures for better visibility and efficient advertising of the touristic opportunities of the region, encouraging the investments in the physical infrastructure is still one of the key solution for the capitalization of the region’s touristic potential (ADR SV Oltenia, 2015).

The convergence of several factors such as: Romania’s accession to the EU; the touristic potential of the region; the high financial turnover from tourism industry; the local, regional and national development strategies as well as the financial opportunities provided by the European funds, generated in the past 15 years a spectacular quantitative development, characterized by doubling the number of tourism accommodation units.

As data from the Romanian National Institution of Statistics (INS) show, the number of tourism accommodation facilities from SW Oltenia Region reached 529 units in 2017, an increase of over 200% compared with 2007 (Table 2.).

**Table 2.** Evolution of tourism accommodation structures in SW Oltenia Region – Romania, 2007–2017 (Number of accommodation units)

County	Years										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	Nr	Nr	Nr	Nr	Nr	Nr	Nr	Nr	Nr	Nr	Nr
Dolj	26	22	24	27	47	49	51	52	52	57	71
Gorj	40	40	61	61	69	79	79	87	85	87	102
Olt	6	9	11	11	15	18	19	19	19	19	25
Mehedinți	19	19	30	27	35	42	42	45	55	59	71
Vâlcea	168	165	173	179	211	260	230	233	217	231	260
<b>TOTAL</b>	<b>259</b>	<b>255</b>	<b>299</b>	<b>305</b>	<b>377</b>	<b>448</b>	<b>421</b>	<b>436</b>	<b>428</b>	<b>453</b>	<b>529</b>

Source: Data compiled by the author from National Institution of Statistics, 2018

At a fairly large discrepancy with the regional statistics of INS we find the number of certified tourist accommodation structures by the Ministry of Tourism. According to the latest updated situation of the ministry, the total number of certified tourism accommodation structures in SW Oltenia Region reached in 2019–913

units (both rural as urban ones). Their distribution according to the county, type of structure (hotels, pensions, renting places etc) and comfort is presented in Table 3. and 4. below.

**Table 3.** Distribution of Tourist Accommodation Units from SW Oltenia Region according to their type and comfort category

County	Certified tourist accommodation units				Total Number of Accommodation Units
	Hotels	Hostels	Pensions	Other (apartment, vilas etc.)	
Gorj	18	17	171	51	<b>257</b>
Dolj	37	12	37	16	<b>102</b>
Mehedinți	12	11	69	27	<b>119</b>
Vâlcea	49	22	201	120	<b>392</b>
Olt	10	8	18	7	<b>43</b>
<b>TOTAL</b>	<b>126</b>	<b>70</b>	<b>496</b>	<b>221</b>	<b>913</b>

County	Comfort certification category.				
	5 stars	4 stars	3 stars	2 stars	1 star
Gorj	0	18	154	75	8
Dolj	1	22	55	21	3
Mehedinți	0	12	77	26	4
Vâlcea	3	35	192	143	19
Olt	1	4	23	13	2
<b>TOTAL</b>	<b>5</b>	<b>91</b>	<b>501</b>	<b>278</b>	<b>36</b>

Source: Data compiled by the author from Ministry of Tourism, 2019

The considerable difference between the data provided by INS and the ones published by the Ministry of Tourism are justified by: INS excludes from its statistics the tourism units with less than 5 beds (such as rental rooms, apartments or some rural pensions), inactive structures as well as all accommodation units certified after July 2017 (which are considerable). Regardless of the chosen source of data and final number of tourism units from the Region it is by far without any doubt to conclude that the tourism infrastructure of the region experienced a considerable evolution both in what regards the quantitative aspect (number of tourism units that grew from 259 in 2007, to 913 accommodation units in 2019) as well as qualitative aspect (the majority of tourism investments after 2007 were certified for minimum 3 stars/ flowers). Before the accession of Romania to the EU, the accommodation infrastructure was in majority represented by 2 stars tourism units. During the last 15 years the tourism accommodation infrastructure experienced an impressive increase in quality, such evolution being pictured by current percentage of 3, 4 and 5 stars tourism units: over 65%.

The highest evolution in terms of both quantity as well as quality of the tourism infrastructure was registered in the rural area. As Table 4 below shows, the total number of tourism accommodation units from rural area represent almost half of the total number of tourism units, the majority being represented by touristic and agrotouristic pensions (almost 78%) while the comfort degree is 61% (tourism units certified with at least 3 stars). The majority of the accommodation units from the rural area (over 78%) have been built after 2004, leading to the conclusion that the rural touristic infrastructure experienced an impressive development in terms of quantity (310 touristic units built) as well as in quality (200 out of 310 tourism units built after 2004 are certified with at least 3 stars/ flowers).

**Table 4.** Distribution of Rural Tourist Accommodation Units from SW Oltenia Region according to their type and comfort category

County	Certified touris accommodation units				Total Number of Accommodation Units (built after 2004)
	Hotels	Hostels	Pensions	Other (appartment, vilas etc.)	
Gorj	2	6	118	15	<b>141 (117)</b>
Dolj	5	3	21	3	<b>32 (21)</b>
Mehedinți	2	1	57	13	<b>73 (64)</b>
Vâlcea	4	6	104	28x	<b>142 (100)</b>
Olt	0	0	8	0	<b>8 (8)</b>
<b>TOTAL</b>	<b>13</b>	<b>16</b>	<b>308</b>	<b>59</b>	<b>396</b>

County	Comfort certification category.				
	5 stars	4 stars	3 stars	2 stars	1 star
Gorj	0	11	83	42	5
Dolj	1	5	15	9	2
Mehedinți	0	10	44	18	1
Vâlcea	1	14	54	67	6
Olt			4	3	1
<b>TOTAL</b>	<b>2</b>	<b>40</b>	<b>200</b>	<b>139</b>	<b>15</b>

Source: Data compiled by the author from Ministry of Tourism, 2019

However, the aim of the research presented in this article is to evaluate the contribution of European structural funds to the development of the rural tourism infrastructure in South West Oltenia Region - Romania. In order to answer this question I collected, reviewed and compared a large set of secondary data which included: all certified tourism accommodation units (Ministry of Tourism); all evaluation, selection reports and list of final beneficiaries from all three financing programmes for rural development (SAPARD, PNDR 2013; PNDR 2020) – data collected from <https://afir.info/> and finally a cross checking of each beneficiary (listed in the selection reports of AFIR) with the list of certified tourism accommodation units and the activity status of each entity (this information was checked on the Ministry of Finance web site). The results of the research, following the data reviewing, comparing and cross checking are structured in Table 5. One observation that needs to be made concerns the number of tourism investments for the current PNDR 2020. The numbers listed in table 5 represents finalised operational investments, information which was compiled by the author by crosschecking the final selection reports for PNDR 2020 – Sub measure 6.2 and 6.4 and the rural tourism structures certified by the Tourism Ministry up to February 2019. The number of selected projects in the current PNDR 2020 is much higher (157 tourism projects approved for financing in SW Oltenia Region), many of the projects being currently under implementation.

As it can be observed, out of the current 396 certified rural accommodation units from South West Oltenia Region, a 169 tourism accommodation units (42,7 %) were implemented exclusively with European non- refundable grants, awarded to private beneficiaries during 2004 up to present by the three European programmes for rural development: SAPARD (60 projects), PNDR 2013 (76) and the current PNDR 2020 (33). It is very important to mention that the data for all three programmes include only the projects that have been financed, finalized and still operating. The reason to keep in the analysis only the beneficiaries that are still acting in tourism industry is to capture the real, sustainable impact of European funds and not just an artificial infrastructure development which is no longer exploited in the local economy. Many of the private beneficiaries that received funds for tourism investment projects are no longer active (their companies closed or gone bankrupt along the years) and therefore were not included in Table 5. Other beneficiaries were listed in the selection reports of AFIR but later renounced or resiliated the financing countract. The situation for PNDR 2020 is continuously changing (many investment projects are currently under implementation – and they were not included in the analysis).

**Table 5.** Distribution of tourism investment projects in South West Oltenia Region – rural areas according to the structural financing programme

COUNTY	SAPARD – number of final beneficiaries	PNDR 2014 – number of final beneficiaries	PNDR 2020 – number of final beneficiaries (up to 2019)	TOTAL
DOLJ	6	18	1	25
GORJ	24	30	29	83
MEHEDINTI	6	16	1	23
OLT	1	1	1	3
VALCEA	23	11	1	35
<b>TOTAL</b>	<b>60</b>	<b>76</b>	<b>33</b>	<b>169</b>

Source: Data compiled by the author from Ministry of Tourism and AFIR, 2018

The percentage of 42,7 of the total certified, active, rural tourism accommodation units reveals a considerable contribution of the structural funds not just to the development of the tourism rural infrastructure in terms of quantity (number of tourism accommodation unites) but also in qualitative terms following the improvement of accommodation conditions, number and diversity of services provided for the tourists (criteria which differentiate the certification form 2 to 3 stars or more).

## CONCLUSIONS

As rural tourism is considered to be “a vehicle for sustainable development in South-Eastern Europe” (Hall, 1998) the qualitative and quantitative development of the South West Oltenia Region rural touristic infrastructure sets the right premises for a sustainable and efficient economic development of the region. The high number of investment projects financed with European structural funds as well as the growth in the number of accommodation units with 3 stars or more, shows a considerable contribution to the development of rural tourism infrastructure (quantitative and qualitative) of the Region. The fact that almost 50% of the rural communities developed their tourism infrastructure exclusively with structural funding leads to the conclusion that without European funds the rural tourism from South West Oltenia Region would have been much less developed and with lower comfort accommodation facilities.

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