

## **TOURISM SUSTAINABLE DEVELOPMENT AND REGIONAL POLICY IN NORTH-WEST REGION OF ROMANIA**

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### **Abstract**

*The paper presents research findings about the evaluation of the EU regional (cohesion) policy through Regional Operational Programme 2007-2013 for the North-West Region of Romania in the field of tourism sustainable development and promotion of tourism. The paper specific goals are to identify projects contracted and completed until 1.10.2012, to evaluate the regional impact of these projects through indicators achieved and to understand main barriers and problems faced beneficiaries from the North-West Region of Romania in the implementation phase of projects dedicated to tourism sustainable development and promotion of tourism. The paper concludes with recommendations in the elaboration and implementation of regional policy in Romania regarding tourism sustainable development based of the Regional Operational Programme 2007-2013 experience.*

### **Keywords**

Tourism sustainable development, EU regional policy, Regional Operational Programme 2007-2013, North-West Region of Romania

### **JEL Classification**

**L83, O25**

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### **Introduction**

According to the European Commission (2009), the European tourism industry - the third largest economic activity in the EU, employing approximately 5.2 % of the total workforce (9.7 million jobs within 1.8 million businesses) and generates over 5 % of EU GDP. Tourism capacity to generate growth and employment in the EU is highlighted by the trend over the last ten years, showing that growth in employment in the tourism sector has almost always been more pronounced than in the rest of the economy (European Commission, 2010a). According to estimates by the World Tourism Organization (2010) it is expected to increase the international tourist arrivals in Europe – the world's no. 1 tourist destination, with the highest density and diversity of tourist attractions (European Commission, 2010a). EU concern for the tourism sector has grown in importance in the last decade, the main stages in defining a sustainable approach to tourism and general framework for action to increase tourism competitiveness and its capacity for sustainable growth being framed by the following policy documents: *Working together for the future of European tourism* (European Commission, 2001), *Basic orientations for the sustainability of European tourism* (European Commission, 2003), *Renewed tourism EU policy: a stronger partnership for European tourism* (European Commission, 2006), *Agenda for sustainable & competitive European tourism* (European Commission, 2007). Actual approach of tourism sector empowered by Europe 2020 Strategy (European Commission, 2010b), is reflected by policy document *Europe, the world's No 1 tourist destination – a new political framework for tourism in Europe* (European Commission, 2010a) and focuses on tourism contribution to employment, regional and sustainable development, natural and cultural heritage and

European identity. In order to achieve the four actual priorities established for action in tourism: “stimulate competitiveness in the European tourism sector, promote development of sustainable, responsible, high-quality tourism, consolidate Europe's images as a collection of sustainable, high-quality destinations, maximize the potential of EU financial policies for developing tourism” (European Commission, 2013) - European Commission has developed a rolling implementation plan (European Commission, 2010c), also, many other EU policies and programmes such as: European Regional Development Fund, European Social Fund, European Agricultural Fund for Rural Development, European Fisheries Fund, Competitiveness and Innovation Framework Programme, 7th EU framework programme for research & technological development, European programmes for life-long learning and Erasmus for young entrepreneurs etc. - impacting tourism sector.

EU direct support for tourism under regional policy between 2007 – 2013 is representing 1.8% of the total EU budget, around 6 billion euro, being allocated for three priorities: the improvement of tourist services (3.8 billion euro), the protection and development of natural heritage (1.4 billion euro) and the t of natural assets (1.1 billion euro) (European Commission, 2013).

In this context, considering tourism an important tool for integrating and developing less developed regions in EU, our goal is to evaluate the contribution of EU regional (cohesion) policy for 2007- 2013 through European Regional Development Fund to the competitiveness and sustainability of tourism at regional level in Romania and to understand why tourism sector advances so slowly in Romania although a quarter of Romania's surface is considered a tourism paradise and a third has certain touristic potential (Oanta and Sindico, 2009: 8) and, moreover, in the presence of important EU non-refundable funds special dedicated to the tourism development at regional level.

The paper is part of an extended research about the evaluation of the EU Cohesion Policy through Regional Operational Programme (ROP) 2007-2013 for the North-West Region of Romania focusing only on the projects contracted and finalized in the field of *sustainable development and promotion of tourism*.

### **Methodology of research**

To achieve specific goals, in accordance with literature and EU methodologies for evaluation of regional (cohesion) policy (Varga, J. and in't Veld, 2011; Patton, 2002; Furubo, Rist and Sandhal, 2002; Nutley, Walter and Davies, 2002; Armstrong and Taylor, 2000; European Commission, 2013, 2012a, 2012b), we have identified number of projects dedicated to tourism sustainable development and promotion of tourism co-financed through ROP 2007-2013 contracted and completed until 1.10.2012, beneficiaries, typology, total value and indicators achieved following completion of projects on each major domain of intervention. *Secondary data analysis research* was conducted during October-November 2012 and was based on analysis of official documents regarding ROP 2007-2013 in Romania, official data of the European Commission (EC), Romanian Ministry of Regional Development and Tourism (MDRT), official and internal data of the and North-West Regional Development Agency (NWRDA). Afterwards, we have applied an *open structured interview* to representatives of project beneficiaries identified. In these interviews we explored especially the main barriers and difficulties encountered by organizations, including those related to the nature of the relationship between beneficiaries and NWRDA as management authority. Finally, our research approach focused of projects identified as *case studies* and was aimed at presenting both synthetic and in detail specific situations where projects dedicated to sustainable development and promotion of tourism beneficiaries from the North - West Region of Romania faced with barriers and difficulties in the implementation phase.

## Research findings in the field of sustainable tourism development

The Priority Axis dedicated to the tourism sustainable development within ROP 2007-2013 is called „Sustainable development and promotion of tourism”, being split into three *major intervention domains*, namely:

- 5.1. MID Restoration and sustainable valorization of cultural heritage and the creation/modernization of related infrastructure;
- 5.2. MID Creation/development/modernization of infrastructure for sustainable exploitation of natural resources and for the improvement of the quality of tourism services;
- 5.3. MID Promoting tourism potential and creating the necessary infrastructure to increase Romania's attractiveness as a tourist destination.

According to the internal data revealed by the North-West Regional Development Agency (NW RDA), the situation of the projects contracted up to 1<sup>st</sup> October 2012 in the North-West Region of Romania reveals that 55% of the amount allocated from the ERDF fund for the 2007-2013 multiannual period had been contracted and only 8% had been paid through pre-financing and ERDF reimbursed (NW RDA, 2012). In this context, the situation of the Priority Axis 5 „Sustainable development and promotion of tourism” at 1<sup>st</sup> October 2012 in North-West region is better: 60% of the allocated value had been contracted and 34% had been paid through pre-financing and ERDF reimbursed. Looking at major domains of intervention, from the total allocated value of 31,45 mil euro for 5.1. MID Restoration and sustainable valorization of cultural heritage and the creation / modernization of related infrastructure 81,78% had been contracted and the absorption rate is 28,76% at 1<sup>st</sup> October 2012. For 5.2. MID Creation / development / modernization of infrastructure for sustainable exploitation of natural resources and for the improvement of the quality of tourism service – the situation is similar – from the total allocated value of 34,14 mil euro, 85,15% had been contracted, but the absorption rate is lower - 19,36% at 1<sup>st</sup> October 2012 (NW RDA, 2012).

*The total number of contracted projects* on Priority Axis 5 „Sustainable development and promotion of tourism” at 1<sup>st</sup> October 2012 (NW RDA, 2012) were 14, out of which:

- 7 projects that were contracted on the 5.1. MID Restoration and sustainable valorization of cultural heritage and the creation / modernization of related infrastructure (beneficiaries: 5 local public administrations, 2 religious units / NGO's), from the total number of 21 projects that were applied;
- 7 projects that were contracted on the 5.2. MID Creation / development / modernization of infrastructure for sustainable exploitation of natural resources and for the improvement of the quality of tourism service (beneficiaries: 3 local public administrations, 4 units from private sector), from the total number of 24 projects that were applied;

There were no projects contracted within 5.3. MID Promoting tourism potential and creating the necessary infrastructure to increase Romania's attractiveness as a tourist destination.

The list of projects implemented through ROP 2007-2013, on Priority Axis 5 „Sustainable development and promotion of tourism”, contracted at 1<sup>st</sup> October 2012 on the 5.1. MID Restoration and sustainable valorization of cultural heritage and the creation / modernization of related infrastructure, and on the 5.2. MID Creation / development / modernization of infrastructure for sustainable exploitation of natural resources and for the improvement of the quality of tourism service is shown below in *Table no.1* and, respectively, in *Table no. 2*

**Table no. 1. The projects contracted at 1.10.2012 on the 5.1. MID Restoration and sustainable valorization of cultural heritage and the creation / modernization of related infrastructure**

No.	Title of the project	Beneficiary, localization	Total value of the project, out of wich grant assistance	Date of contract signing, status of implementation	Indicators achieved
1.	Restoration and rehabilitation of the wooden church of St. Archangels Michael and Gabriel-Rebrisoara, in order to introduce it in the tourism circuit	Orthodox Parish Gersa, Gersa, Bistrița-Năsăud	1,729,129.25, 1,424,891.58	30.06.2010, <b>completed</b>	1 project in tourism; 2 jobs created, out of which 2 for women
2.	Revitalization of the Oradea Fortress in order to introduce it in the tourism circuit	Oradea Municipality Territorial Administrative Unit, Oradea, Bihor	36.780.329,12, 28.717.702,60	11.06.2009, on-going	on-going
3.	Circuit of wooden churches in Northern Transylvania	Maramureș County Council, Maramureș	19.099.090,52, 15.160.569,62	30.06.2010, on-going	on-going
4.	Restoration of the wooden church Buzesti from Farcasa village, Maramures, in order to introduce it in the tourism circuit	Farcasa Hall, Farcasa, Maramureș	3.940.916,86 2.384.907,00	12.04.2012, on-going	on-going
5.	Restoration of historical and cultural heritage of Salaj County Council - Buildings of the County Military Centre, County History	Sălaj County Territorial Administrative Unit, Zalău, Sălaj	25.424.792,84 17.740.229,06	16.12.2009, on-going	on-going

No.	Title of the project	Beneficiary, localization	Total value of the project, out of which grant assistance	Date of contract signing, status of implementation	Indicators achieved
	Museum and Art Gallery				
6.	Circuit of medieval fairs in Northern Transylvania - Karolyi Castle from Carei, Karolyi from Ardud	Carei Municipality Territorial Administrative Unit, Ardud Town Territorial Administrative Unit, Carei, Ardud, Satu-Mare	23.179.393,00 18.371.945,00	11.04.2009, <b>completed</b>	1 project in tourism
7.	Restoration and sustainable valorification of Calvaria Roman Catholic Church	Romanian language Roman Catholic Parish, Satu-Mare, Satu Mare	6.550.619,62 5.408.206,44	21.06.2010, <b>completed</b>	1 project in tourism

Source: Regional Development Agency North-West database (RDANW), 2012.

**Table no. 2. The projects contracted at 1.10.2012 on the 5.2. MID Creation / development / modernization of infrastructure for sustainable exploitation of natural resources and for the improvement of the quality of tourism service**

No.	Title of the project	Beneficiary, localization	Total value of the project, out of which grant assistance	Date of contract signing, status of implementation	Indicators achieved
1.	Leisure tourism development by creating thermal wellness spa resort	Oradea Municipality Territorial Administrative Unit, Oradea, Bihor	88.342.934,23 32.343.888,08	17.10.2011, on-going	on-going
2.	4-stars health tourism in Baile Felix through extending of the President Hotel	SC POD SERV SRL, Baile Felix, Bihor	16.839.361,61 9.045.149,09	06.04.2010, <b>completed</b>	1 project in tourism 29 jobs created, out of which 17 for women 184

No.	Title of the project	Beneficiary, localization	Total value of the project, out of which grant assistance	Date of contract signing, status of implementation	Indicators achieved
					accommodation places
3	Enlargement of the Nevis hotel, in Oradea town, Bihor county	SC Nevis Trade SRL, Oradea, Bihor	8.148.978,41 4.500.617,79	15.02.2010, <b>completed</b>	1 project in tourism 84 accommodation places
4.	Spa tourism infrastructure development in order to increase the attractiveness of the North-West Region (Turda-Sangeorz)	Sangeorz Bai Town Territorial Administrative Unit, Turda Municipality Territorial Administrative Unit, Sangeorz Bai, Bistrița-Năsăud; Turda, Cluj	50.148.782,00 40.921.541,00	06.04.2010 <b>completed</b>	1 project in tourism
5.	Extending Figa Spa thermal park with Mini Aqua Land	Beclean Town Territorial Administrative Unit, Beclean, Bistrița-Năsăud	3.160.733,00 1.195.288,00	09.08.2011 <b>completed</b>	1 project in tourism 8 jobs created, out of which 4 for women
6.	Development of leisure activities by creating Marisel Leisure Base with ski slopes and extending and modernization Feleacu Leisure Base	SC Teleschi SRL, Cluj-Napoca, Cluj	32.965.759,02 16.681.631,07	09.12.2011, on-going	on-going
7.	Aqua star Water Park - leisure tourism attraction of Satu Mare	SC Solarex SRL, Satu-Mare, Satu Mare	47.899.236,32 24.858.089,59	22.02.2011, on-going	on-going

No.	Title of the project	Beneficiary, localization	Total value of the project, out of which grant assistance	Date of contract signing, status of implementation	Indicators achieved
	County				

Source: Regional Development Agency North-West database (RDANW), 2012.

As shown in *Table no. 1*, the projects that form the North West Regions portfolio in field of „Sustainable development and promotion of tourism” are covering a wider range of tourism development areas: modernization and development of tourist infrastructure, developing cultural and historic tourism, curative and thermal tourism, winter tourism, niche tourism etc.

The indicators achieved by 1<sup>st</sup> October 2012 within the Priority Axis 5 at 1<sup>st</sup> October 2012 (NW RDA, 2012), were:

- 7 tourism projects finalized,
- 39 new jobs created, out of which 23 for women,
- 268 accommodation places created.

The *secondary data analysis research*, 7 interviews applied to beneficiaries of the projects finalized at 1<sup>st</sup> October 2012 and analysis of projects in the field of sustainable tourism development as *case studies* lead us to following research findings:

- The main *obstacles* encountered in the process of implementation the beneficiaries mentioned: excessive bureaucracy, the lack of co-finance, the delay in reimbursement of money spent, lack of staff at the level of Regional Development Agency. Asked about the effects of the obstacles encountered over the project implementation, the respondents mentioned: the schedule of implementation could not be respected, there were registered significant delays; the organization was obliged to incur a financial loan; the payments to suppliers was delayed for more than 60 days; the organization's debts to the state budget increased; the difficulties encountered influenced negatively the accessing of other projects. They also mentioned that the difficulties encountered did not lead to major negative effects; they managed to deal with the problems and take the project to the end.
- The main *advantages* identified by the beneficiaries are creating jobs, introducing new touristic destinations into the touristic circuit, the attractiveness of the area increased, the number of tourists increased, the accommodation capacity increased etc. They considered that the added value resulting from the project implementation consists of the rehabilitation of the historic monuments, the development of the touristic complex, the investment in the touristic potential of the area that will bring incomes for the entire area, including local citizens that will benefit from a better infrastructure, small local businesses that will have more clients and artisans that will also register higher sales.
- The main *changes* that they consider necessary for the improvement of the process of selection and implementation of projects the beneficiaries mentioned: reducing the bureaucracy, shortening the length of time between the moments of evaluation, approval and contracting of projects; shortening the length of time for payments reimbursement.

## Conclusions

The analysis of data sources, official data from MDRT and internal data by the NW RDA leads us to the conclusion that North-West Region comparing with the rest of Romania is not an exception from the trends registered in all Romanian regions regarding „*Sustainable development and promotion of tourism*” as strategic priority at regional level. However, despite the great tourism potential, North-West Region has the second smallest total number of projects implemented (7 projects of restoration and sustainable valorization of cultural heritage and 7 projects for rehabilitated tourism infrastructure) and yet, in terms of contracted projects it is surpassed only by Bucharest-Ilfov Region, while all other regions are close to contracting allocations in percentage of 100% in the field of sustainable development and promotion of tourism. The number of beneficiaries under the Priority Axis 5 „*Sustainable development and promotion of tourism*” is smaller in the North-West region and in the other Romanian regions as well, and also the amount contracted and the projects implemented are few. Considering the potential of North-West region in the field of tourism, especially spa tourism and speleological tourism, also the great heritage of local customs and traditions, we consider that the axis dedicated to tourism sustainable development should be given greater importance and enforced to attract investments in the area. Even though the need for financing is big, starting from tourism infrastructure to attractions in the region, the accession of this axis is low.

The problems identified in our research and that we consider that stand at the basis of the low performance of this axis are especially the bureaucracy, lack of co-finance and the low capacity of beneficiaries, especially those in the private sector, to cover the cash-flow needed in the project. Therefore we recommend the reduction of bureaucracy through introducing on-line forms and eliminating repetitive documents, the collaboration of RDAs with banks in order to help beneficiaries obtain credits and insure the project cash-flow and shortening the period between the evaluation and contracting of the project, because a period too long can lead to changes of the context.

Given the fact that we are close to the end of the current programming period (2007-2013) and that, finally, the goal of the program is to implement projects and through this achieve goals and objectives in terms of economic development and job creation, facilitating the access to tourist attractions and rehabilitation of cultural heritage, in our opinion, the analysis of the impact of projects and of the regional policy should focus on the assessment of the program outcomes, of the realized indicators from a strategic point of view. In this respect, in order to increase the impact of those projects over tourism and sustainable development, we consider that the projects should not be isolated attempts of development, but they should be introduced into a larger scheme, that should consist of a deep analysis of the tourism potential and needs of development and therefore greater strategic projects formed of small initiatives.

Moreover, significant changes in the design, funding and implementation of regional policy in Romania regarding tourism sustainable development and tourism promotion are expected, especially, related to almost total dependence of EU regional policy and EU structural funds. The ROP 2007-2013 experience is important not only from evaluation of the EU regional policy point of view, but also as a first exercise of regionalization in Romania as EU Member State and for adopting a new style of regional governance based on territorial capital, targeting innovation and learning processes for tourism sustainable development.

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