

## STUDY REGARDING THE ROMANIAN RURAL TOURISM FINANCING AND DEVELOPMENT OPPORTUNITIES

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### Abstract

Rural tourism and agricultural tourism are activities, which generate alternative incomes, a fact that offers development possibilities to the rural space, due to the unique landscapes, large semi-natural areas, the inhabitants' born hospitality in the rural surroundings. From this perspective, a modernization, development and innovation process for the Romanian rural tourism is required. All these aspects, however, require financing. Therefore, a pre-accession financing source of the rural tourism was the SAPARD programme, a programme which “offered the opportunity” to many business people to start their business in this field. The paper shows the evolution of the rural boarding houses between 2003-2007, with analyses on the number, type of financing, development region.

**Keywords:** boarding houses, financial grants, rural tourism, SAPARD, travel services.

**JEL classification:** L83, O10

### 1. INTRODUCTION

The Romanian tourism and travel industry may have an important contribution to the Gross National Product if it is well promoted and if it has an infrastructure and an adequate financial support. Moreover, among the measures of the National Programme for Rural Development, a programme which continues the SAPARD, we also find the programme “Encouraging the travel activities”, valid only for the rural environment. According to this programme, the Romanian Government promises to offer financial aid for the establishment and promotion of a competitive tourism in the rural areas, of rural networks which would provide and promote travel services, also including the active participation of rural population. The maximum offered support will be of up to 200.000 Euro/beneficiary/3 years, to encourage the medium-sized travel enterprises' setting up and development, in the rural areas.

Rural tourism, as an element of the national tourism, represents an under-sector with special development potential, therefore representing a diversification method of economic activities in the rural environment and a stabilization factor of the rural population. Its development may contribute to the attenuation of mismatches between various areas, also representing an incomes' increase source for the rural population.

The natural landscape, typical for Romania offers excellent possibilities for practicing rural tourism: relaxing in the rural scenery, trying certain original activities, taking part to various representative events for the village life or visiting some points of attraction which are not available in towns.

### 2. ASPECTS REGARDING RURAL TOURISM IN EUROPEAN COUNTRIES

Europeans rediscover the rural, the natural environment, traditions and cultural values, attracting more and more tourists. “One European in four spends his holiday in the countryside” (Bran, 1997).

In the European countries, *rural tourism* is not a new phenomenon. Along history, tourist accommodation in villages has been practiced in a more or less spontaneous or organized manner.

The novelty is represented by the level the travel phenomenon expansion in the rural surroundings has reached, which is explained by the diversification ways of practicing mass tourism.

The rural and mountain areas have increased in popularity in most countries, as destinations for the second holiday in countries such as: France, Holland, Denmark, Great Britain, Italy and Germany.

“Rural tourism is a factor for rural areas development”, Suzanne Thibal, EUROTER general secretary stated: “Rural tourism is a social development factor, it improves the living standard, it maintains crafts, it sustains the agricultural production, it opens spirits and it makes mentalities evolve”. Tourism may favour a specific cultural and economic convergence. The European Union has identified rural tourism as a priority for the local development.

Rural tourism has advanced and diversified in time and space, both as far as the offer is concerned, becoming an element of the rural development policies, as well as the request is concerned, with the tourism consumers' behaviour changes (preferences, habits).

During the seminary "Rural tourism" organized by the Tourism Economic Commission and WTO it has been stated that: rural tourism is not a fashion, but a solution for occupying the labour force, medium and local development; it is a balanced development method, to protect and capitalize patrimony. Rural tourism is well-adapted in Europe, because this continent's rural areas have long been inhabited and are rich in monuments, villages and places from where craftsmanship and popular folk come.

The rural travel product is considered as a fundamental equation: accommodation in an agrotourist boarding house = holiday in a village + spending free time in the rural surroundings. The elements of this equation are the reasons why tourists prefer to spend their holidays in the countryside.

"The travel trips' motivation in the rural areas is represented by the unchanged natural environment, by traditions and habits, by the activities practiced in these surroundings. Therefore, the rural spaces organising has in view, on one hand, to provide the conditions for the tourists' presence and satisfying their needs, and, on the other hand, to provide the unhindered development and stimulation of the specific economic activities" (Minciu, 1995).

In Western countries, this type of tourism is much more developed and it has developed differently in each country, especially as far as equipment and services is concerned. Each country has its own strong points and potential, which allow the development of rural spaces. One of the countries with experience in the field, a success model, is France.

The National Federation for Rural Tourism in France, the first European network for countryside holidays, 100 years after birth, offers a wide range of holiday formulas, verified and guaranteed by a national charter: 34.000 owners, 50.000 houses, 2 million clients per year, out of which 30% foreigners.

The French rural tourism consumers are generally couples between the age of 25-49, with 2 children not older than 15, intellectuals, employees, medium and upper class, inhabitants of low and high income towns.

In France there are 6 brands that classify such services, namely: "Meubles Confiance", regional brand with no rural characteristics; "Nids Vacance", regional charter regarding the houses and rooms; "Agriculture et tourisme", "Maison de la Randonnee", "Cleconfort France" and "International Cafe Connette".

With regard to the type of accommodation, there are representative voluntary hotel chains in the French rural area: "Les Moulins Etapes" – which represent only the hotels situated in old village mills; "Les Chateaux et Demeurs de Tradition" – in the areas of small and large castles and mansions; "Les Etapes Hotelieres Corses".

The French rural tourism makes itself noticed through coloured guidebooks and pictures of each hotel (France Accueil) or through the yearbooks with

atlases (Logis de France). Logis de France is the largest part of the French rural hotels.

Sustaining the progress of rural tourism is made with the help of public aids. Subventions can be made for investments or for the well functioning of the locations; local communities take part to the subvention of tourism through VAD compensation funds.

In order to create a quality brand and commercialization network for the travel products, a series of agreements have been established between the General Office for Tourism and the Ministry of Commerce and Tourism.

For all countries member of the European Union, finding a common European brand seems to be essential, since this way, common promotion and commercialization actions can be accomplished. If the members of the European Union manage to reach an agreement regarding the common European brand, the promotion and commercialization activities will no longer have to face any obstacle.

Under the context of European rural tourism, a special place is held by the European Federation of Rural, Ecological and Cultural Tourism – EUROGÎTES, which includes 22 national and regional associations. The objectives stipulated by the founding members are:

- the contribution to maintaining the environment's safety;
- offering an alternative to mass tourism;
- the contribution to promoting the peace through contacts established between inhabitants living in the countryside and towns, all around the continent.

EUROGÎTES has set as aim to develop the promotional promotion, by defining a rural tourism European concept, of some standards and its own development strategy.

In Germany, there has been established "The working group for holiday in a village household and rural tourism" (ANG), which intended to promote the rural tourism. The ANG objectives are: elaborating strategies regarding the rural tourism promotion, with the purpose of contributing to the improvement of the accommodations' economic situation; ensuring, for the rural tourism, a better position in the society and stirring up the politicians' and institutions' interest to consume the rural travel process. ANG encourages the promotion measures of holidays in a village household, financially speaking, and together with the Ministry of Agriculture in Germany, it runs training courses for the staff involved in the travel activity.

Based on the various problems in the rural space and in agriculture, European tourism gets more attention. The European rural areas need new viable perspectives and alternatives, for not losing the rural population's social position.

Around 250 million people annually travel in Europe; 70% of tourists spend their holidays in Europe, 30% in other states on other continents. In

almost all European countries tourism is an important economic factor, especially for the rural regions and an alternative to agricultural production. Europe offers a wide range of possibilities for practicing tourism due to its varied potential, which consists of landscapes, of different mentalities marked by the cultural and life environment. European countries are a natural and cultural richness, which represents the most important travel potential.

### 3. SAPARD PROGRAMME – PRE-ACCESSION EUROPEAN FINANCING SOURCE OF THE RURAL TOURISM IN ROMANIA

The funds allotted by the European Union for the tourism's development until 2007 were the pre-accession ones, through different programs, respectively the SAPARD programme which sustained the tourism's development in the rural areas and in the areas surrounding a city and the PHARE programme which sustained the permanent development of tourism or of travel areas. Although the rural tourism has increased, this represents a considerable potential which is not exploited enough. The travel sector in 2006, as compared to 1998, has achieved an increase of the number of accommodation structures (+35,4%), of the level of accommodation capacity and the number of accommodation places in the travel boarding houses has reached 22.061 in 2006, out of which 50,5% in the rural surroundings (INS the Romanian Statistics Yearbook, 2007). The Special Accession Programme for Agriculture and Rural Development created the technical and financial premises necessary for Romania's accession process to the European Union. Therefore, the funds employed through the SAPARD Agency and further on through the Payment Agency for Rural Development and Fishing (PARDF), have directly contributed to the economic and social development of the rural areas, have supported the private producer, have given support to the agricultural profile associations and to the agricultural commercial companies.

Approved by the European Commissions' Decision no.12/12 from November 2000, the Romanian Programme for rural development includes objectives grouped on 4 priority axes, the objective defined on axis 3 being destined to the rural economy's development and within it, measure 3.4 is one specific to the SAPARD programme through which rural tourism, agricultural services, hand-made activities, water culture and other such activities are being financed.

The financial allotments for Romania (50% public contribution of the European Union and the Romanian Government plus 50% private contributions, regarding the financing of programs intended to the support of maintaining and increasing the number of jobs and generating alternative incomes by diversifying the rural activities, between 2002-2006

totaled over 300 million euros and had the following structure (Table1):

**Table 1 - Financial grants regarding the financing of operational objectives designed for the Romanian rural economy's development during 2002-2006**

Operational objectives	Percentage (%)	Financial grants (thousands of euro)
Rural tourism	25	75161
Other types of rural tourism	20	60 129
Hand-made activities	24	72154
Water culture	12	36077
Agricultural services	4	12026
Other activities	15	45096
<b>TOTAL</b>	<b>100</b>	<b>300643</b>

Source: The Payment Agency for Rural Development and Fishing, 2008.

The financial resources allotted through the SAPARD programme and designed for financing the Romanian rural economy's development and more especially the rural tourism, have contributed to the increase of the number of travel boarding houses and implicitly their accommodation capacity. Therefore, if in 1996 there were only 61 rural boarding houses in Romania with an accommodation capacity of 332 places (NSI – National Statistics Institute, 2005), between 2002-2007, their evolution is the following (Table 2):

**Table 2 - The evolution of the number of rural boarding houses and their accommodation capacity during 2003-2007**

Years / Indicators	2003	2004	2005	2006	2007
Rural boarding houses (number)	81	92	56	259	292
Accommodation capacity (places)	234	405	1151	4685	5070

Source: NSI, Travel Summary 2004, 2005, 2006, 2007, 2008

Looking at their evolution, it can be noticed that beginning with 2003 (the year when the first investments through the SAPARD European programme were finished) the number of rural boarding houses and implicitly the accommodation capacity with 6836 places, the financing sources being the following: (Table 3).

According to the information provided by the PARDF, during 2002-2006, 654 rural boarding houses have been contracted through the SAPARD programme. Only 354 of them (54.1%) were finished until 2007; for many of the unfinished investments the contracts have been cancelled due to the beneficiaries' breach of the contract clauses. However, the important contribution of the financial resources allotted through SAPARD can be noticed, materialized during 2003-2007 into 354 new rural travel investments (approximately 70% of the total).

**Table 3 - The evolution of the number of rural boarding houses on financing sources during 2003-2007**

Indicators	Number	Percentage (%)
Rural boarding houses built through SAPARD financing	354	69,3
Rural boarding houses built through other sources	157	30,7
<b>TOTAL</b>	<b>511</b>	<b>100</b>

Source: The Romanian Statistics Yearbook 2005-2007; Travel Summary 2004-2008; PARDF

Separating a country's territory on development regions is an essential factor for the regional development at the European Union's level. That is why we believe that an analysis of the evolution of the number of rural travel structures on development regions is necessary.

The first aspect included in the analysis is represented by the evolution of the number of rural boarding houses, on development regions, during 2003-2007, implementation period for the SAPARD programme (Table 4).

**Table 4 - Evolution of the number of rural boarding houses on development regions**

Region/years	2003	2004	2005	2006	2007	Absolute increase year 2007 as compared to year 2003
North-East Region	96	109	134	157	163	67
South-East Region	61	87	85	95	97	36
South-Walachia Region	79	98	98	110	112	33
South-West-Oltenia Region	18	25	38	52	54	36
West Region	45	58	38	49	54	9
North-West Region	112	119	140	216	223	111
Centre Region	368	393	418	574	583	215
Bucharest-Ilfov Region	2	3	5	6	6	4
<b>TOTAL</b>	<b>781</b>	<b>892</b>	<b>956</b>	<b>1 259</b>	<b>1 292</b>	<b>511</b>

Source: PARDF, 2008

During 2003-2007 (implementation period for the SAPARD programme) we notice an important increase of the number of rural boarding houses with 511 locations. The Centre and North-West Regions own together over 63% of the newly-established rural boarding houses and the other 6 regions below 40%.

Another aspect captured in the analysis is represented by the structure of the rural boarding houses financed through the SAPARD programme (finished and unfinished) on development regions at the end of 2007 (Table 5)

**Table 5 - The number of rural boarding houses contracted and built through the SAPARD programme on development regions at the end of 2007**

Development region	Rural boarding houses contracted through SAPARD (number)	Finished rural boarding houses		Unfinished rural boarding houses	
		No.	Percentage (%)	No.	Percentage (%)
North-East Region	106	59	55,6	47	44,4
South-East Region	38	25	65,8	13	34,2
South-Walachia Region	47	26	55,3	21	44,7
South-West-Oltenia Region	56	32	57,1	24	42,9
West Region	44	27	61,4	17	38,6
North-West Region	98	45	45,9	53	54,1
Centre Region	262	139	53,0	123	47,0
Bucharest-Ilfov Region	3	1	33,3	2	66,7
<b>TOTAL</b>	<b>654</b>	<b>354</b>	<b>54,1</b>	<b>300</b>	<b>45,9</b>

Source: PARDF, 2008

The above-shown evolutions (table no.4) lead us to finding that the area with the most rural boarding houses financed through the SAPARD programme during 2003-2007 is the Centre Region with 262 boarding houses (over 40%), followed by the North-East Region with 106 boarding houses (16,2%) and the North-West Region with 98 boarding houses (15%), the rest of the development regions having a much smaller number of contracted boarding houses. The Centre Region first of all distinguishes due to the

establishment of a real rural travel „industry” in the Bran-Moeciu area, the main point of attraction being the Bran Castle. From this objective, this type of tourism developed, namely the rural tourism. The inhabitants near this objective have managed to keep alive many of the highly attractive Romanian traditions for the Romanian and foreign tourists.

The difference between the development level of the rural tourism in the Centre area and the rest of the Romanian regions is obvious. The regions situated

on the second and third places have not even managed to reach the number of rural boarding houses contracted through SAPARD in the Centre Region. The rest of the 5 development regions have managed to contract through SAPARD only approximately 29% of the number of rural boarding houses.

As far as the level of accomplishment of the rural boarding houses contracted through SAPARD programme is concerned, we consider that it is a small one, only 54.1% of them being finished, for many of the unfinished investments the contracts being cancelled due to the financings' beneficiaries breach of the contract clauses.

In the tourism services, before performing them, quality is estimated based on classification categories on flowers and stars.

Table 5 shows the quantitative evolution of the rural boarding houses financed during 2003-2007 through SAPARD programme. We also consider useful a study regarding these rural locations' distribution on stars during this period. As shown before, out of the 654 locations, financed through the SAPARD programme, only 354 were finished during the programme's implementation period and their distribution on stars at the end of 2007 is presented in Table 6.

**Table 6 - The distribution on stars of the rural boarding houses financed through SAPARD**

Classification category	2 stars	3 stars	4 stars	5 stars	Total
Rural boarding houses (number)	158	165	28	3	<b>354</b>

Source: PARDF, 2008

Over 90% of the total Romanian rural boarding houses are owed by the locations classified at 2 and 3 stars and only 10% the ones in the classification category of 4 and 5 stars.

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## 4. CONCLUSIONS

The European pre-accession funds used through the SAPARD Agency have directly contributed to the economic and social development of the rural environment, have sustained the private producer, have offered support for agricultural associations and agricultural commercial companies. Still, according to the Payment Agency for Rural Development and Fishing (PARDF), from the 4.659 contracts (to a value of 1,467 billion euro), until May, 1<sup>st</sup>, 2008, 294 contracts have been cancelled, summing 57,6 million euro. From these, 122 have been cancelled at the request of the beneficiary, and 137 for not respecting the contractual clauses. The hardest year was 2007, when 107 projects have been stopped.

Most contracts cancelled for not respecting the contractual clauses were on rural tourism. "The beneficiary claimed he would build a boarding house o a certain size, with a certain position of rooms, windows, etc. and then made a different division. Basically, he was making a different project. We are talking about serious violations, which also reflect a certain mentality "never mind, this works, too", we have not been absurd. For example, there have projects with such serious violations that they have not even got their functioning authorization" (Teodor Bîte, PARDF deputy general manger).

Which could be the comments? It is true that a considerable increase of the rural boarding houses has been noticed during the last years. However, this increase could have been higher if there was not the indifference of many enterprisers.

We hope that the current programmes financing the Romanian travel activity: PNDR – National Programme for Rural Development and POR – Regional Operational Programme have better results regarding failures.