THE ECONOMIC IMPACT OF THE SAPARD PROGRAMME ON THE TOURISM SUPPLY IN SUCEAVA COUNTY

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Abstract
The Special Accession Programme for Agriculture and Rural Development (SAPARD) was a pre-accession instrument, created and implemented by the European Union since 1999 and aimed at providing logistical support to applicant countries from Central and Eastern Europe. The programme had two main components: providing non-refundable financial assistance, by stimulating regional economic growth and development and, at the same time, it was directed at implementing certain management systems that matched the development policies of the EU.

The effects triggered by the implementation of the SAPARD Programme in Romanian tourism were assessed in the past years from various quantitative perspectives (number of projects, value of the granted funding), but the regional economic impact generated strictly by this programme hasn’t yet been explicitly and unequivocally pointed out. From this standpoint, the previous research has been mainly focused on pre/post implementation comparisons of the GDP and of the unemployment rate.

On a national level, the Suceava county stands out in terms of the large number of SAPARD projects funded through the Measure 3.4 – The development and diversification of economic activities to generate multiple activities and alternative income, thus leading to an increasing number of boarding houses in rural areas and, at the same time, fostering the qualitative development of the tourism supply in the area.

From our point of view, an analytical approach of the multiplying effect generated by the SAPARD Programme would start from the thorough measurement of the economic changes that have occurred locally, in relation to the weight of the absorbed grants.

The preliminary results arrived at in less than 5 years since the suspension of this funding source pinpoint a rather insignificant contribution of these funds to the local economy. The lack of experience of the parties involved in the system, bureaucracy and the migration of the non-refundable money are the most probable causes of the selection and implementation of projects that were rather unsustainable and inadequate in terms of quality.

Keywords: SAPARD programme, boarding houses, rural tourism sustainability, profitability indicators, European funds.

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Introduction

The present paper will mainly focus on the impact generated by the implementation of European projects through the SAPARD Programme on the accommodation capacity and on the tourism activity in the Suceava county.

The SAPARD Programme has been created to support the European Union accession efforts of the applicant countries of Central and Eastern Europe and, at the same time, to prepare their concurrence in the Common Agricultural Policy. The European Union provided technical and structural assistance to the countries with a direct interest (including Romania) during 2000-2006 (Council Regulation no. 1268/1999), in order to speed up the adjustment of the financial procedures and of the control mechanisms.

The SAPARD programme has been divided into four priority axes and eight specific measures, each of them directed at one or several adjacent interest areas. The tourism and hospitality sector has been supported by Measure 3.4 - Development and diversification of economic activities, multiple activities and alternative income (http://eufinantare.info/sapard.html).

Measure 3.4 also offered additional logistical support as well as the chance to finance investments in related sub-sectors, such as: agricultural services; handicraft activities; aquaculture; sericulture; bee-keeping; farming and processing of mushrooms, forest fruit and fruit trees, herbs and spices, snails and frogs, as well as the farm processing of the certified established and/or organic traditional products (Applicant Guide for Measure 3.4, www.apdrp.ro). This funding scheme enabled business organisations and certified natural persons to access funds of up to €100,000 to initiate or develop a type of business that complied with the activities mentioned above.

Romania also contracted 1,040 projects through Measure 3.4 during 2002-2006, accessing a total non-refundable public aid of € 65,175,522.85, more than half of these funds (683 per project) being directed at investments in the rural areas tourism and hospitality sector.

A proper analysis of the current situation in the county with the highest tourism potential in the North-East Development Region emphasizes the fact that 57 projects have been contracted in the Suceava administrative-territorial unit, and only 3 of these projects have not been finalised. Thus, in 2009, almost 45% of the boarding houses open in rural areas had been established by means of the SAPARD programme.

The Final Report on the Implementation of the SAPARD Programme in Romania, submitted by the Ministry of Agriculture and Rural Development to the European Commission, specifies the fact that “The SAPARD Programme has greatly contributed to the improvement of the standard of living in rural areas by enabling investments in infrastructure and by creating new opportunities for earning an income.” (Final Report on SAPARD Programme Implementation in Romania). Unfortunately, the report does not mention any measurable indicator of the economic impact of the expended public funds. Most of the research and the studies that have approached the implementation of the SAPARD programme have focused on the effects induced in the agricultural and zoo culture, on the number of projects, their value, contracting degree and, high absorption,
respectively, and have thus overlooked the economic component. It therefore becomes obvious that, from this standpoint, the sustainability of such projects is extremely difficult to measure.

In light of the absence of scientific research studies on the economic efficiency of spending these absorbed funds, the present research will focus on analysing a series of data from the annual financial statements and the derived profitability indicators for the companies that have benefitted from non-refundable financial support through the SAPARD programme, Measure 3.4.

1. Review of the professional literature

The assessment of the impact generated by the European funds attracted by central and east European countries through the SAPARD programme is broadly approached in the professional literature. Most of the research focuses on the concentrated influence of the pre-accession funds - PHARE, ISPA and SAPARD - directed at the stability of the domestic or regional economic sectors in the field of agriculture and rural development (Tvrdonova, 2003; Bryla, 2005; Nikolova, 2008; Samochis and Lazăr, 2009; Forgacs, 2010; Hapenciuc and others, 2012 and 2013) and less in tourism (Balogh and others, 2010; Butnaru and Minut, 2012); the agricultural and rural policy of Hungary is the most researched topic, as compared to those of the EU member states that have acceded during 2004-2007.

In almost all of the research papers approaching this issue, a constant claim is that the SAPARD projects have had a decisive and unequivocal contribution in supporting the pre-accession efforts of the applicant countries (Hudečková and Lošťák, 2003; Kovaci and others, 2012), but no such statement is based on statistical-economic indicators from the actual economic activity, such as the turnover, labour productivity or economic profitability, that would bring arguments in favour of this endeavour. At the same time, from the standpoint of the research conducted by Hudečková and Lošťák (2003), the SAPARD programme has had the main purpose of creating and developing an institutional system based on a set of procedures that resemble the ones applied in the EU. The same authors argue that the importance given to the allocated funds is rather low, as the impact they generated is not visible enough on a regional level.

Nemes (2004) classified the subsequent effects into two categories: “official effects” (institutional systems and work procedures) and “secondary effects” (economic and social effects); the first kind are easy to confirm, while the collateral effects are inductive in nature, are difficult to measure and entail a high level of variability.

The SAPARD implications on the institutional system are scientifically confirmed by several research papers published during 2007-2008 (Szabóné and Szabó, 2007; Wilkin, 2007; Nikolova, 2008).

Other researchers, such as Obadic and Goricanec (2012) analyse the SAPARD Programme in terms of the amount of contracted funds that have actually been used. However, this approach equally fails to provide sufficient information on the microeconomic impact generated by the allocated funds from the EU budget. The analysis of the amount of used funds is of great importance in terms of quantity and macroeconomic impact, but it unfortunately will provide little data on the qualitative effects of the implemented projects.
Several projects do not automatically guarantee the economic prosperity of the state or the region that has benefitted from European funds.

In terms of the approached topic, the paper of the Italians Bonfiglio and Chelli (2004), “An Impact Analysis of SAPARD in Rural Areas by Alternative Methods of Regionalization” is quite notable. It relies on a series of interregional data, and the authors resort to several econometric models for a comparative analysis and for making correlations between the financial allocations, separated into SAPARD categories and measures that are specific for the North-East regions (Bulgaria), North-West (Romania) and Periphera (Slovenia). The obtained results have revealed notable effects on the level of production, on the employed workforce and on the added value.

Last but not least, the impact of the pre- and post-accession financial instruments, including the SAPARD ones, on the development of Romanian tourism, has been monitored and analysed in terms of macroeconomic effects in several scientific research papers, Balogh and others (2010), Butnaru and Minut (2012), highlighting the effects of attracting European funds and their contribution to the development of the local tourism.

After a thorough analysis of the professional literature, we have pinpointed the fact that no research has been identified that has measured the multiplying effect of the allocated funds on a microeconomic level through the SAPARD programme, but mere quantitative approaches that process macroeconomic indicators.

2. Research methodology

In light of this issue, the present paper suggests an approach that would mainly focus on the economic component of the results arrived at through the SAPARD Programme, all the while converging upon an analysis of the economic effects generated by the non-refundable funds and attempting to measure the changes occurring on a microeconomic level.

The research purpose is to analyse the economic effects induced in the Suceava county as a consequence of the implementation of the provisions specified by the European funded SAPARD Programme. The main objectives of the conducted research are:

a. Identifying the economic effects influencing the companies that have implemented projects as part of the SAPARD Programme;

b. Determining the extent to which specialised consultancy services have assisted the programme beneficiaries with the development of feasible and sustainable projects;

c. Measuring the effects identified for the tourism sector indicators and establishing the extent to which the SAPARD Programme funds have contributed to the sustainable development of rural areas.

A series of corresponding hypotheses have been established starting from the research objectives, each highlighting the following aspects:

a. Following the implementation of the project, the beneficiaries have recorded a positive boost in their activities which has subsequently led to an increased turnover and an augmented number of employees;

b. The consultancy services used for the development and implementation of the projects have reached their objectives by providing high-quality projects that have led to an increase in the profitability indicator ratios;
c. The absorbed funds, which were mainly directed at creating/upgrading the fixed assets, have led to an increase in the number of tourists visiting the area and have also contributed to the sustainable development of the area.

In order to assess the microeconomic impact of the SAPARD funds, we have analysed each company operating in the Suceava county that has benefitted from non-refundable funds as part of Measure 3.4 during 2003-2011. The analyses conducted in the research were based on the financial statements made available on the website of the Ministry of Public Finance. The dynamics of the time span under analysis includes the years 2004-2011 (At the time of writing this article the accounting information records of 2012 were not available.), during which the projects related to Measure 3.4 have been submitted, won and implemented.

The respective study is comprehensive, as the research has covered all the business entities in Suceava county that have successfully implemented SAPARD projects. Since the processed information has been provided by the data base of the Ministry of Public Finance (www.mfinante.ro), no refusals or reluctance has been encountered. Of the total 54 projects that have been successfully implemented in the Suceava county, three had certified natural persons/sole traders as beneficiaries and were therefore excluded from our analysis since no annual financial statements have been prepared for this type of legal persons.

The analysis mainly focused on two profitability indicators, i.e. return on sales – calculated as the ratio of the net income to the turnover – and the return on total assets – as the ratio of the company’s earnings against the total net assets. Moreover, we have also looked at the evolution of the turnover and labour productivity, calculated as the ratio of the turnover against the number of employees. The two indicators have been analysed in terms of the development recorded in the first year since the investment and as a correlation between this development and the average recorded before that date. This last trend has been specifically analysed for those companies that have conducted tourism related activities before the development/implementation of the project, in an attempt to pinpoint the multiplying effect of the project.

3. Presentation of the research findings

Two out of three of the total 51 companies under analysis have developed economic activities before the project had been submitted for funding. Only 35% of the companies that have received non-refundable money through the SAPARD Programme were start-ups. The economic field of the applicant companies has revealed the fact that 67% of these companies were mentioned in the records submitted at the Trade Register with a main CAEN code in a field other than tourism (Figure no. 1).
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Figure no. 1: Status of the activity sectors of the business entities that have benefitted from non-refundable funds through the SAPARD programme, Measure 3.4

We have also found that only 18% of the companies under consideration were operating in the tourism sector per se (most of the revenue was generated from this activity). The remaining 15% includes business entities that have changed their field of interest, reorienting themselves towards tourism related activities or the hospitality sector. Apart from the fact that this somehow unusual situation raises certain deontological issues, it is rather obvious that the project managers’ lack of professionalism has eventually led to a series of difficulties commonly met during the implementation stages, when the accommodation units were included in the tourism circuit or in maintaining the tourism supply.

The business entities operating in the tourism sector apply a series of strategic benchmarking principles, understand consumer behaviour and have the appropriate logistics to develop EU funded projects that are more likely to succeed (Tachiciu and Dinu, 2009). Not knowing the tourism market often turns out to be a real hindrance for companies that come from another – even closely related – sector.

In terms of the newly created jobs following the implementation of the 51 projects, we believe that the employee input is rather insignificant, amounting to about 1.4 newly created positions per project. The physical calculation of the number of new positions created as a consequence of the SAPARD projects has been conducted by means of an impartial comparative analysis of the jobs presented in the financial statements in the first year and in the final year of the project implementation. This quantitative increase in the number of employees working in the accommodation units is quite low and unsustainable if we consider the fact that the value of the non-refundable public aid amounted to about €87,933.29 for each project.

During the first year after the project implementation, 16 of the total 51 companies under analysis have recorded losses, thus contradicting all three hypotheses we have previously stated. Since 31.37% of the beneficiaries have recorded negative results, one can conclude that the financial forecasts drawn at the beginning of the project were rather superficially developed and quite unrealistic. Moreover, the losses recorded during the operating stage of a project suggest the fact that it was overstated and, thus, Romanian entrepreneurs who were entrapped in the “non-refundable funds” delusion, have tried to gain funding for
projects with as high a value as possible, overlooking the important aspects related to co-
financing and operating costs.

The variations recorded in the turnover (TO) during the first year after project
implementations suggest the fact that the SAPARD Programme applicants mainly fall into
two variation intervals (Figure no. 2):

- Companies with deficits, i.e. business units that have recorded a decline in their
  turnover or companies with severe declines (SD) that exceed more than 29%;
- Moderated increases (MI) of the turnover, ranging between 0 and 21%;
- Companies that have recorded significant rises (SR) in their turnover, ranging
  between 41% and 50%.

![Figure no. 2: Turnover of the SAPARD projects beneficiaries, funded through the
Measure 3.4, during the first year after implementation](image)

The large share of MIs in this distribution falls within normal margins, while the large share
of companies in the first (SD) and the last interval (SR) suggests the presence of anomalies
or the influence of certain disruptive factors. One disruptive factor in this analysis is the
high number of start-ups that have not operated in the hospitality sector before submitting
their SAPARD project and, therefore, one cannot find any solid reference in order to make
a comparison with the post-implementation stage. If we take the start-ups out of the
equation, the weight of the first and the third group diminishes, thus leading to a flattening
of the variation curve.

One can assume that the non-refundable financial aid received by the SR group as part of
the SAPARD Programme has entailed the making of certain investments that the applicant
could not have afforded otherwise. In contrast, the opposite can be said of the SD group,
whose companies have used the SAPARD Programme funding to implement projects
whose value exceeded the efficient management capacity of the company and, when the
investment was put to use, the business entity did not reach the desired level of revenue.

In terms of the labour productivity variation during the first year after implementation, the
numbers do not have the same degree of intensity as the variation of the turnover, but there
is a significant number of companies that have increased their earnings by more than 50%.
If we do not take into account start-ups, the distribution becomes more balanced.
The labour productivity variation during the first year after implementation is a strong indicator that depends on the quality of the investment project. One can argue that the consultants’ and the beneficiaries’ lack of experience, resulting in a large share of companies that have not operated in the tourism sector, has led to this binominal and slightly asymmetrical distribution. (Figure no. 3). In a normal distribution, the average growth area – 0%-30% – would have recorded the highest weight.

![Figure no. 3: Labour productivity for the SAPARD project beneficiaries, funded through Measure 3.4, during the first year after implementation](image)

The distribution of the return on sales variation – a qualitative indicator that is more sensitive than labour productivity to the changes in the total revenues and expenses – is closer to a normal distribution (Figure no. 4). The negative average -3.81% is the problem in this case. Therefore, instead of generating an increased return on sales, the implementation of the European projects has had a partially opposite effect. Such a development was rather predictable, since 82% of the business units that have implemented such projects had no experience on the tourism market.

![Figure no. 4: Return on sales for the SAPARD projects beneficiaries, funded through Measure 3.4, during the first year after implementation](image)
A summary of the above mentioned observations reveals that, in terms of improving the performance of companies, the SAPARD funds have had limited effects, since most companies that have benefited from non-refundable financial aid did not record a significant increase in their turnover (TO), the newly-created jobs were scarce and, last but not least, there have been no considerable profit boosts for the above mentioned business units. Subsequently, by extrapolation, the contributions levied by the government (corporation tax) have not amounted to much, either.

The number of tourists attracted in the accommodation units in the Suceava county reveals that the capital input provided through the SAPARD Programme has had a positive impact that was, however, counteracted by the exacerbation of the economic crisis that spread nationwide starting with 2008 (Table no.1).

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
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<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of arrivals</td>
<td>4,026</td>
<td>6,696</td>
<td>12,197</td>
<td>20,562</td>
<td>25,547</td>
<td>26,743</td>
<td>24,320</td>
<td>23,206</td>
<td>33,920</td>
</tr>
<tr>
<td>Number of overnight stays</td>
<td>7,122</td>
<td>13,883</td>
<td>26,271</td>
<td>45,156</td>
<td>56,543</td>
<td>54,996</td>
<td>36,795</td>
<td>45,500</td>
<td>66,367</td>
</tr>
</tbody>
</table>

Source: Statistical Yearbook of Suceava County 2012

There is an average increase by 20% in the number of tourists in rural accommodation structures (boarding houses) in the Suceava county during 2003-2008. In terms of number of overnight stays, the progress is recorded only during 2003-2007, while a decline was recorded during the following period, 2009 and 2010, due to the economic crisis and to the austerity measures imposed by the Romanian Government. The total number of tourists in the county diminished by -6.3% in 2009 and by -7.48% in 2010, as opposed to the previous year (Stanciu, 2012, p.149).

Even if a percentage increase in the number of tourists arriving in the area was recorded in 2011, amounting to an arrival increase of 26.84% and an augmented number of overnight stays in boarding house accommodation structures by 20.68% as compared to 2008 – the year with the highest values in terms of tourism demand – this ascending trend can be only partially attributed to the high number of SAPARD projects implemented through Measure 3.4, and was rather due to the rehabilitation of the national road Cluj-Napoca – Bistrița – Vatra Dornei – Gura Humorului – Suceava that has greatly favoured the dispersion of tourists in the area.

The correlation between the value of the funds granted through SAPARD and the number of tourists checking in rural boarding houses in the Suceava county during 2006-2011, emphasizes a direct linear connection (Figure no. 5). The relation between the two indicators highlights the lack of sustainability manifested by most projects implemented in this part of the country – a Development Region that was considered as one of the poorest regions in the EU27 in terms of GDP/capita in 2010.
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Figure no. 5: Correlation between the number of arrivals and value of allocated grant

Similarly, there is also a direct linear connection identified when correlating the boarding house overnight stays tourism indicator with the value of the grants allocated through SAPARD during 2006-2009 (Figure no. 6). The premises, that have been developed through the SAPARD programme, should have been one of the factors that would have had a major impact on the tourism sector in Suceava, like the one brought about by the foreign (particularly German) capital input in the Bulgarian tourism sector, for instance; an effect that is not to be identified in the present analysis.

Figure no. 6: Correlation between the number of overnight stays and value of the allocated grant

This situation highlights the low quality of the implemented projects, since the investments made with the premises in one year should also have an effect in the following period as well, in which case the interdependence should not tend to be linear but rather exponential.

Conclusions

The first conclusion drawn from the two correlations is the one according to which the qualitative level of the implemented projects is below the preliminary official estimates, while the collateral effects induced on the specific tourism indicators do not support the arguments advanced by the country authorities on the exponential growth recorded in the local tourism sector. This de facto situation only contradicts the first of the initial hypotheses advanced by the present research.
The financial information provided by the statements of the companies under analysis reveals that many beneficiaries have recorded declines in their turnover and have implicitly generated a minimum number of newly created job opportunities, too few if we take into account the value of the grants allocated through SAPARD, Measure 3.4. Thus, a total average of 1.4 new job opportunities have been created per project, while the average non-refundable financial aid amounted to € 87,933.29/applicant. Moreover, the profit and loss account highlights the fact that 16 business units (companies) of the 57 SAPARD funding beneficiaries by means of the Measure 3.4, have recorded losses during the first year after implementation. All these findings contradict the second hypothesis, suggesting the fact that the consultancy companies were not able to provide the appropriate background for feasible and sustainable projects, the most probable cause being, however, the lack of experience.

The elements of the problem also lead to the conclusion that the third hypothesis is equally invalid, since the absorbed funds have had a limited effect on the specific tourism indicators – number of arrivals and overnight stays, respectively.

Even if the central government structures have described the SAPARD Programme as a viable source of economic prosperity on a local level, the implementation of Measure 3.4 (the tourism sector) in the Suceava county has reached the desired objectives solely in the immediate time span. The public funds spent on the long term have only slightly contributed to the sustainable development of the tourism supply.

If the pre-accession SAPARD programmes available before 2008 have supported a rather insignificant growth of rural tourism and have contributed to a pseudo-sustainable development of the tourist destinations, the subsequent 5th Axis of the Regional Operational Programme should have set the right premises that would have encouraged tourism activities through its intervention areas: “5.2 – Creation, development and upgrading of the tourism infrastructure for a sustainable use of the natural resources and to improve the quality of services”, and, “5.3 –Promoting tourism potential and creating the necessary infrastructure in order to increase Romania’s attractiveness as a tourism destination”, respectively. It is quite interesting to further analyse whether the subsequent measures follow the same trend or if the impact on the development of tourism in Suceava is much more discernible.

Even though the attracted funds have consolidated a system of institutions and procedures that should encourage the absorption of the post-accession funds, the expected economic effects are not as high as the initial assessments. However, in terms of tourism, the economic effects felt in Romania and generated by the financial support provided by the SAPARD Programme can be compared to those of Hungary.

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