

FROM GOVERNING TO GOVERNANCE

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Abstract:

The last two decades are characterized, on global settings, by social, economic and technological transformations unprecedented in magnitude and depth. As a consequence – in the present – economics, in general, and the business world, in particular, find themselves in continued change, being exposed to risks and uncertainties. Future trends reinforce the belief that we are going through a period of permanent turbulences, in which the business administration at all levels must be realized in a new vision and framework. In this context, the concept of Governance is more and more discussed, as a new way of governing at different levels (global, national, regional etc.), which must be connected to the government sector and all private actors and civil society.

In the economic practice of Romania, the notion of Governance – although frequently mentioned – is less understood in term of conceptual, methodological and applicative approaches. This study aims to clarify these aspects.

Key words: *Tourism, Governance, Governing, National policy in tourism, public-private partnership*

JEL Classification: *H10*

1. Introduction

A recent study [O. Nicolescu, 2013] realized by the National Council of Private Small and Medium Enterprises from Romania, researches the overall situation of economic environment based on the perceptions and assessment of Romanian entrepreneurs. On this occasion, respondents from all economic areas are expressing, among others, their disbelief in regard to the public authorities' capacity to counteract the negative effects of the current economic crisis, and therefore, the fast revival of the Romanian economy.

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An extreme situation can be found in the case of tourism business, sector in which the share of small and medium enterprises is overwhelming:

- None of the investigated persons confirm the fact that the public administration would have a high capacity to counteract recession;
- 22% appreciate that authorities have a medium potential to contribute to improving the economic situation;
- 48% consider that public institutions have limited possibilities to face the negative contextual evolutions;
- 30% believe that public entities lack of the necessary qualities and competencies to combat the economic downturn.

Among the causes that lead to this negative perception of the minor impact, even insignificant one, of the governmental policies on business travel, are according to the business persons, the following factors: excessive taxations (62%), evolution of the legislative framework (55%), excessive controls (52%), bureaucracy (38%), corruption (25%) etc. In this context, the study aims to investigate the role of state in the development and promotion of tourism.

2. State intervention in the economy

Understanding and applying the state role in the economy [I.Vacarel, 2013] has registered a certain evolution in time, but also with important spatial differences from one group of countries to another, even from one country to another.

In this context, there can be identified several steps:

A. Until the beginning of the 20th century – in the period of ascending capitalism – it was considered that the state should have *a minimal intervention in economy*, especially by: realizing public works from which benefits the entire community (construction of roads, ports, dams etc.), without according a privileged position to a specific sector of the economy, as well as creating the legal framework in which individuals can enjoy the freedom and private initiative principle.

The main representatives of this classic ideology (Adam Smith, John Stuart Mill, Leon Walras) reflect the liberal doctrine in the economic development of society, in which the influence of government should concentrate only on the traditional functions of the state (maintaining the public order, ensuring the national defense and extern relations, administrating of justice, the mandatory education of young people etc.) without interfering with the self-regulating balance of competition markets.

In this period, until the First World War, some countries (especially from Europe) have outlined their particular specialization in the tourism area, in regard to their geographical potential and their economic possibilities. Gradually, tourism development begins to appeal not only to private investors from this sector, but also to the specific *associations and local communities* that conduct limited activities of recommendation and coordination of tourism activities, as well as incipient tourism promotions for the benefit of profile corporations. The public authorities are unaware, yet, of the importance of the tourism sector as an accelerator of economic development and a source of foreign exchange revenues.

B. Together with the extensive and profound manifestation of economical phenomenon generated by the big crisis from 1929-1933, *the concept of state intervention in economy is applied*, having John Maynard Keynes and, later, Paul D. Samuelson as main promoters. According to these, the public authorities can and must play an active role in the economic life. By budgetary fiscal policies applied with new mechanisms and instruments (creating public or mixt enterprises, development of public investment programs, providing grants for private firms, modifying/differentiation of tax rates, social protection measurements etc.), the state aims to influence the economic processes towards a favorably trend regarding economic growth, reduction of inflation, diminution of unemployment, correction of the economic cycle.

Under the impact of Keynes theory there are beginning to appear (in the 3rd and 4th decade of the 20th century) the first forms of state intervention, also in tourism. Therefore tourism is regarded, more and more, as area of interest and the tourism policies become an important component of general economic policies, being elaborated by specialized structures in the development of tourism, supported and defended by the state, with the goal of protecting and consolidating the tourism competitiveness.

In Romania, the beginnings of organizing tourism at national level date from 1924, when it was established the National Tourism Office (ONT), incorporated, over time, in different ministries.

C. After the year 1970 it is developed a new thinking theory – neoliberalism – with the American economist Milton Friedman as a representative; this is in favor of *restraining the government intervention*, based on the idea that governmental intervention is inefficient and, besides, it affects the principles of liberty. The periods of decline and economic recession are not

the result of inherent instability of the private economy, but rather, the effect of weak governance, based on discretionary policies.

As a result, the direct intervention of the state in the economy must be limited to establishing the legal context of competition, ensuring the proper functioning of price mechanism and the prevention of monopolies abuses, therefore concentrating on establishing, arbitrating and applying the “rules of the game”.

D. At the end of the 20th century, there were two concepts confronting, especially on theoretic level, in reference with the political options of the state authorities:

- Some economists admit the importance of government intervention role in the economic life, in the conditions of imperfect markets. This is the option for the *Keynes economic policies, in which the state has an active role in the economy*;

- Other economists consider the market as self-regulatory and the directing activities should be replaced more and more, with stimulating the initiatives and decentralization of decisions; this option consider the *liberal economic policies, that promotes the minimal intervention of the state* and the neutral economic policies.

Although, practically, in the majority of countries, the economic role of the state has maintained high importance, as long as 20-50% of GDP are redistributed through public administrations.

In this period, with differences from one country to another, referring to the objectives, there are several functions of the state, in economic policies including the tourism sector [C.Cristureanu, 2006]:

- *Regulation function* aiming to create a stable environment and stimulating for tourism business, by elaborating and applying laws and specific regulations.
- *Coordination function* by establishing coherent and unitary policies in the tourism sector and by integrating the tourism development strategies in the general country's strategies.
- *Stimulation, adjustment and stabilization function* of developing the sector, by practicing fiscal and credit policies favorable for investors and using a specific budgetary policy to allocate public resources (public investment in infrastructure, funding large scale tourism objective).

- *Promotion function*, specific to the tourism segment, to support tourism operators by allocation of public funds for promotion, research and tourism marketing.

The confrontation between the two options neokeynesism and neoliberalism can be synthesized in two apparently contradictory conclusions:

- On one hand, the demand and especially the offer in tourism can be influenced by the actions and governmental policies;
- On the other hand, the discretionary intervention of the state should be reduce and even eliminated.

As a consequence, in the last two decades there has been reconciliation between the two trends, by accepting *a new approach of the state intervention in the economy*. More frequently, the term of Governing (specific dirigisme) is usually replaced in economic, social, politic analysis with the term of Governance (especially good Governance), at different levels (international, European, national, regional, local), but also in different specific areas (fiscal governance, tourism governance etc.)

At the beginning, the term of Governance was mentioned relatively frequent, but many times, in a vague context, hard to understand. This can be explained by the fact that the concept development was in an early stage, with high accent on the importance of Governance on development, as a result of government actions, by efficient usage of administrative, institutional and fiscal-budgetary resources.

3. Governing versus Governance

The economic, social and technologic transformations without precedent, analyzed in the last two decades have caused difficult problems for the government capacity to solve them, for the interest of society. The solution was building and applying the concept of Governance.

Governance *is a new model of governing* [C. Duran, 2013], based on new institutional forms, modern mechanisms and instruments, with multiple levels of decision making. Therefore, the government gives autonomy, centralization and control over the economic and social dynamics, creating a framework for collective independent and associate management, as a condition for social management.

The traditional model for governing contains, usually, unidirectional flows, only hierarchical from the public authorities to other non-state actors, as an

effect of assimilating all the institutional resources with the financial-budgetary ones, their movement being from “top to bottom”. But the state, as shown, doesn’t have all the administrative, legal, informational etc. resources needed for solving complexes, dynamic and divers problems through unidirectional actions.

The Governance is based on a bidirectional model, by interactions between governors and governed, an exchange of resources, dialog regarding the distribution of objectives and responsibilities.

In consequence, Governance is a management process that aims to solve the collective problems, seen as public interest and, at the same time, a social phenomenon attended by many actors with different functions and responsibilities:

a. *Public sector*, as main issuer of public policies (development, planning, cohesion, education, transport, fiscal etc.) translates into a large number of interconnected organizations:

- at the same levels of governing (ministries, departments, agencies) that compose the horizontal dimension of the sector (sectorial);

- at different levels of governing (national, regional, local) that compose the vertical structure (territorial).

b. *Business sector* as main producer and offering of goods and services, compressed into a variety of firms with different sizes and areas of activity, with tight interactions.

Facilitating the connection and dialog between the business sector and the public authorities’ representatives is achieved through associative organizations and structures (professional, local etc.) as non-governmental structure representing the business sectors’ interests.

c. *Civil society* is composed of host community of tourism destinations (social sector, as individuals and as collectivity) more and more interested in the development of tourism activities, considering the effects and benefits for the long run: increasing the number of job available, promoting the entrepreneur spirit, programs for protecting and capitalizing the natural environment and the cultural heritage etc.

The complexity of the tourism sector, generated by the fragmented characteristics, determines a new way of governing – *Governance network* – which takes into consideration two essential elements:

- New forms of *associate actions* (cooperation and collaboration) and implicitly decisions decentralization;

- New forms of *actions coordination* between the government bodies and business organizations.

The new forms of association, by cooperation and collaboration must take into account the existing interdependencies and interactions both between the three sectors (public, private and social) and those existing within (sectorial and territorial of the government structures; economic, technologic and others within the entities of the private sector).

A different vision would allow the collection, accumulation, transfer and capitalizing of all resources (of all forms including information, knowledge, experience) needed in directing, elaboration and implementation of public policies in the sector. Also, it would ensure the decision transparency and the identification of responsibilities in an extended, complicated and scattered network.

This complex network requires coordination. In the middle of the network there is the Government, in a different position and action from the traditional hierarchy. The Government must have *administrative capacity* oriented in two directions:

- To ensure the articulated operation of the network by creating the institutional and legal framework, organizing the intergovernmental relations, on one hand, and the relation from the public sector and the private sector, on the other hand, as well as implementing the new mechanisms and instruments of intervention;
- To direct, organize, harmonize and influence the efforts of the entire inter-organizational network, decentralized, by supervising the evolution and evaluating the progress of priority policies in tourism (in the context of general policies) and the impact (benefits and harms) on the social, economic, natural and cultural environment.

4. National policy in tourism. Mechanisms and instruments of intervention

The result of structuring and applying of such a networking Governance – based on coordination, cooperation, collaboration between the three sectors – must be, at first, elaborating and applying a unitary and coherent *national tourism policy*, harmonized and integrated with the European and international policy in this sector.

The national tourism policy has the mission to answer to three major issues:

A. *The place of tourism in the national economy.* Is tourism a priority, a strategic, viable and efficient strategy of economic policy? Are the factors endowment (natural potential, historical, artistic and cultural heritage, human resources, capital, and infrastructure) and the comparative costs determining competitive advantages for Romania that stimulates the process of tourism specializing? The answer to these questions determines the next important issues.

B. *The direction of tourism development.* Based on quantitative and qualitative analyses of the medium and long term prognosis of studies regarding the trends and restructurings identified worldwide, there can be established the development types of tourism, the growth rate, the location of tourism offer and, finally, the impact on the economic growth, the effect of stimulating generated and on economy, society and environment level.

C. *The involvement of Government* as level of representation and as volume of public resources for tourism development. The particularity of tourism, given by the inter-sectors and inter-territorial connections involves solving a complex issue. The tourism policy is fragmented, dispersed in different sectorial policies: regional, environmental, landscaping, transports etc., policies represented at different levels in the Government. From this point of view it is difficult to reconcile, often, divergent interests. Adopting a unitary and coherent tourism policy at national level requires the existence of institutional structure as specialized public authority, responsible for tourism areas, organized at minister, department or agency level, with clear competencies and responsibilities in coordination national tourism, ensuring legal convergence, efficient and transparent allocation of budgetary resources.

The Governance implies the *consolidation of institutional capacity* by creating a modern and efficient legal and regulating framework capable of ensuring the formulation, implementation and application of public policies in tourism, by intervention of coordination, cooperation and collaboration mechanisms that incorporates multiple and varied instruments, methods, techniques and procedures. Each of these perform certain functions that contributes to reaching certain objectives, by correlated engagement in the operational mechanism of the sector and of the entire economy, with positive influence on different levels of economic activities: favoring the development of

tourism and directing its evolution, attraction and employing the human resources, maximizing the social-economic effects (direct and indirect), creating a favorable environment for business and investments development, correcting of malfunctions in the sector and regarding the sector and other responsibilities.

For this there must be identified efficient mechanisms and specific instruments used, such as:

- I. Coordination mechanisms of the sector, by conferring authority;
- II. Cooperation and collaboration mechanisms, by decentralization;
- III. Financial mechanisms, by fiscal-budgetary policy instruments.

I. Creation of a coherent mechanism of coordinating the public initiatives in tourism; The National Authority in Tourism must have the necessary competencies, functions and resources for exercise the coordinator role in the sectorial and territorial government structures, with impact on the public policies in tourism, structures existing at different hierarchic levels (minister, state secretary, state sub secretary, prefect). Their responsibilities must be clearly distributed in order to avoid the inefficient overlapping.

The main instrument used is represented by the inter-ministerial and inter-institutional work groups able to solve, among others: the capitalization of cultural and historic heritage (in partnership with the Ministry of Culture), the development of spa tourism (in partnership with the Ministry of Labor and the Ministry of Health), the rejuvenation of student and school camps (in partnership with the Ministry of Education), the facilitation of granting visas (in partnership with the Ministry of Foreign Affairs) etc.

II. Creating the cooperation and collaboration mechanisms that aim to decentralize the action of decision –making and their execution, by increasing the competencies of non-governmental actors;

This objective consists in establishing and developing the cooperation, collaboration and consulting relations between the government's structure (central and local), on one hand and the private sector and the social one, on the other hand.

Harmonizing and integrating the particularity interests and adjoining the available resources take place by creating a functional partnership (public-private-local community-academia and research environment), cooperating agreements, consultative council, experience exchange networks, social dialog group, including outsourcing.

Therefore, there are promoted commune projects on different intervention areas of the state, projects that respond and offer benefits for all in the context of increasing co-responsibility in decision making, transparency of activity and using specific procedures for monitoring and evaluation the results. The areas of intervention are: the participation to underlining, elaboration and implementation of government development and promotion policies in tourism, of national and regional strategies and of annual and multiannual programs; the strategically, tactical and operational *planning* should become the principal instrument, based on quantitative and qualitative models, rationale and flexible ones, adapted to the local, regional and national particularities, connected to the inter-conditionality relations from the macroeconomic and world economic system; the decentralization of authoring and control activities in the tourism field, taking into consideration the unitary criteria, procedures and methodologies elaborated by the national authorities; the *quality standards* should become the principal instrument for control of the state, realized at different levels by delegation in a series of domains, such as: the certification of tourism resorts, the classification of tourism accommodation units, the licensing of travel agencies, the authorization of specialized personnel; the accreditation of tourism information and promotion centers; the development of systems for regularly collecting and analysis of statistics and market studies;

III. Fiscal policy instruments; These must overcome their simple role in finding, collecting and developing the public financial resources through taxing, transforming itself in guidance, stimulation and correction instruments of tourism activities by: exemption from income tax for a specific period of time for new investments in some subsectors of the tourism activity (for instance: spa tourism, parks etc.); exemption from reinvested income tax , with the condition of realizing investments for the development and modernization of activities; the reduction of VAT for some tourism operators; including the social contribution in the public budget in case of employing vulnerable types of employees (for example: under the age of 25 years old); offering fiscal facilities to tourism operators that provide the ecologic label for their accommodation units etc.

The instruments of budgetary policies are focusing on the improvement of access to alternative funding sources for investment and development, in the condition of respecting the community regulatory framework regarding the state aid.

The budgetary instruments are concentrating on replacing the administrative repartition of the financial public resources towards different beneficiaries (by allowances, transfers and grants) with new forms of funding based on transparency, predictability, competition, responsibility, market criteria, demand and offer and economic efficiency.

The new generation of financial instruments ensures the increase of funding accessibility through:

- The *diversification* of instruments for the tourism sector;
- The *complementarity* of instruments in the context of tourism development policies, but also for the regional development;
- The creation and development of *new state aid schemes* (microcredit etc.) through which firms benefit from preferential terms: bonus for the interest paid to commercial banks, larger refund duration etc.;
- The creation of *collaboration partnerships* between the Government and other actors (including the bank system, insurance, credit guarantee funds) for increasing the access to European funding (structural funds, cohesion funds), by ensuring project co-funding through credits based on state guarantees and on simplifying administrative procedures in the evaluation and implementation stage of the projects;
- The development of tourism by *indirect support* by funding the transport infrastructure, the rural development programs, town planning etc.

5. Conclusions

The results of investigation of the actual situation of policies applied in the Romanian tourism and the comparative analysis regarding the mechanisms and instruments of sectorial policies from other countries with experience in tourism, determines a series of conclusions, as follows.

The necessity of adopting a *new Law of Tourism* and other regulatory acts of the particular activities in tourism should encompass, among others, a series of provisions that refers to: the role, competencies, attributes and responsibilities of the National Authority in Tourism in coordinating the sector, in ensuring the cooperation and collaboration of the governmental and nongovernmental relevant actors; the decentralization activities by using a new model of organizing based on the System of Local/Regional Tourism; this provisions must consider the authorities and control activities based on the quality standards in tourism; the fiscal facilities for tourism investment and specific forms of public-private

partnership in the area of developing and promoting tourism; these must be in accordance with the basic laws of the entire economy (fiscal code, law of public-private partnership etc.) as well as with the European laws in this field.

A high importance is represented by elaboration of *new development and promotion strategies* for the long run (or actualization of the strategies in use) for capitalizing in an integrated system, not only of natural, cultural, heritage, ethnographic etc., but also the institutional resources. The national strategy must reflect the local and regional specific elements and also the fundamental components, like:

- the development and promotion of tourism products that generates great added value (ecotourism, health tourism, cultural tourism and event tourism);

- the encouragement of structures that represent growth poles and external competitiveness (inbound tourism);

- the support of the innovative spirit of business tourism based on a new culture of services quality and on the promotion of entrepreneurial culture, facilitation the access of tourism operators to quality information, technological and managerial consulting.

It is necessary to ensure the *institutional stability of the National Authority in Tourism*, from the point of view of position and subordination in the structure of the Government. In the last 25 years, the limited political and economic interests for the circumstantial advantages have determined the National Authority in Tourism to suffer multiple organizational modifications, with usually negative effects on the development of the sector.

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