

## IMPLICATIONS OF THE MANAGERIAL EXTENSION FOR PROJECT DESIGN FOR TOURISM DEVELOPMENT

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*The paper intends to evaluate the possibility for an ordinary beneficiary of an applications on frame of European Agricultural Fund for Rural Development (EAFRD) to prepare by him/herself the application form from economical point of view. There were analyzed, comparatively, the application form and the requirements in frame of Special Accession Programme for Agriculture and Rural Development (SAPARD) and of EAFRD, for measures that are already open in EAFRD and the results are extended, by analogy, to the measure related to rural tourism development. By understanding the final financial indices and other economical information that should be provided into an application, with the level of knowledge of beneficiaries, it can be concluded that the counselling of an economist, especially one involved in agricultural and/or rural touristic activities is certainly essential.*

**Key words:** rural tourism, project, counselling, knowledge, EAFRD

National and local authorities agree that Romania have a good touristic potential (especially because of its natural attractions) and statistical data prove that this activity knows a positive trend. Based on these assumptions, Minister for Small and Medium-Sized Companies, Trade, Tourism & Liberal Professions created the Master Plan for National Tourism Development 2007-2026, which emphasises the steps Romania has to make for attracting inside our borders no less than 15,485 thousands foreigners tourists in 2026 [Arion, 2008]. But this document shows, on the same time that Romanian authorities focus, from touristic point of view, on the Black Seaside, on Danube Delta and on some selected cities with highest touristic potential from commercial point of view, as are Bucharest, Sighisoara, Sibiu, Bran etc.

It should be appreciated, on the same, time that the supply of rural touristic services in Romania is increasing in a higher rhythm than the general services designated for tourists, both in terms of physical accommodation facilities and in terms of quality of services (measured on number of flowers). Nevertheless, the demand positively responded, increasing both the number of tourists and the number of nights spent [Arion, 2008]. And the trend seems to be the same, at least on the nearby future, the reasons are well-known and large debated on references and on mass-media, including issues as are the quality of drink and food products

from rural areas, possibility of relaxing in a quite area far away of urban noise and temptations and so on.

## **MATERIAL AND METHODS**

There were analyzed the requirements of the main programmes for funding the investments in tourism, especially designed for rural areas and their requirements for being approved and accepted for implementation. The analyses was focused on documents and economical analyses required by the authorities in charge with evaluation of applications on frame of European Agricultural Fund for Rural Development (EAFRD) and on frame of Special Accession Programme for Agriculture and Rural Development (SAPARD).

There were comparatively studied the competences required to prepare an application, from economical point of view, and the main level of training and education of the potential beneficiaries of the programme, including the ones expected from beneficiaries and the ones who prepare the application.

## **RESULTS AND DISCUSSIONS**

First of all, it must be emphasised that, at the moment of preparing of this text, June 2008, the Measure 313 “Encouraging the Touristic Activities” in frame of the EAFRD it is still not open, the only 3 measures lunched before being Measure 121 “Modernising the Agricultural Exploitations”, Measure 123 “Increasing of the Added Value of Agricultural and Forestry Products” and Measure 322 “Renovation and Modernisation of Villages”. According to the press communicate from 26<sup>th</sup> of June 2008 elaborated by the Payment Agency for Rural Development and Fishing (APDRP) there will be lunched new sessions for applications for other 5 measures, starting in September 2008, meaning Measure 312 „Support for Creation and Development of Micro-Enterprises”, Measure 313 „Encouraging the Touristic Activities”, Measure 112 „Installation of Young Farmers”, Measure 142 „Creation of Group of Producers”, and Measure 141 „Supporting the Subsistence Agricultural Farm”.

The applications for the projects must be prepared according to the specifications of the guides for potential beneficiary designed for each measures, which should be, in time, available on the web pages [www.apdrp.ro](http://www.apdrp.ro) and [www.madr.ro](http://www.madr.ro), but at the moment of preparing of this text, June 2008, they are not available yet.

But, even if we can not evaluate the last form of the guide for preparing the application for investment in rural tourism in frame of APDRP, there is still enough information for estimating the required information that should be included on the application. That estimation is made as an analogy of the information required in frame of the SAPARD for similar measures with the ones developed in the frame of the EAFRD. So, the Measure 31 “Modernising the Agricultural Exploitations” of SAPARD is the predecessor of the Measure 121 of EAFRD, while the Measure 34 “Development and Diversification of Economical Activities that Generate

Multiple Activities and Alternative Revenues” of SAPARD is the precursor of the Measure 313 of EAFRD.

Comparing Measure 31 of SAPARD with Measure 121 of EAFRD, the beneficiaries and consulting experts have the possibility to observe that the expected decrease of information required was, actually, not really significant, but more systematized while some bureaucratic documents (as are comfort letter from bank) are not required anymore, instead the guide insists on documents that prove transparency (in calculating the prices of investments, the costs of running the exploitation before and after the investment, for instance). These are proves that authorities in charge learned some lessons from the SAPARD running process.

The technical project issues and information related to production process (inputs, outputs, optimal period of time) are quite similar and require an active involvement of architects, contractors and engineers. But this is not the point of this paper, which is designed to analyse the economical knowledge required for fulfil the application. In fact the information required for Measure 121 of EAFRD are more detailed for proving the costs and the revenues expected, and they must be better explained into the application. As compensation, the financial indices that results after the project are only 6 in case of Measure 121 of EAFRD, comparing with no less than 14 in case of Measure 31 of SAPARD (see *table 1*).

Table 1

#### Required financial indices

| Financial indices                               | Measure 31 of SAPARD | Measure 121 of EAFRD |
|---|----------------------|----------------------|
| Value of Investment                             | required             | required             |
| Revenues from Exploitation Activity             | required             | not required         |
| Expenses of Exploitations Activity              | required             | not required         |
| Return of Investment from Exploitation Activity | required             | not required         |
| Net Profit                                      | required             | not required         |
| Return Period of the Investment                 | required             | required             |
| Return of Investment                            | required             | not required         |
| Financial Expenses                              | required             | not required         |
| Level of Covering the Financial Expenses        | required             | not required         |
| Rate of Covering by Cash Flow                   | required             | required             |
| Rate of Debts                                   | required             | not required         |
| Rate of Actualization                           | required             | required             |
| Net Present Value                               | required             | required             |
| Cash Available at the end of Period             | required             | required             |

#### References:

Guide for beneficiaries. Measure 31 of SAPARD, <http://www.sapard.ro>  
 Guide for beneficiaries. Measure 121 of EAFRD, <http://www.apdrp.ro>

It can be observed that there are not required some information already available on application form, as are details related to revenues, expenses, financial costs and profit, being still necessary to calculate complex and meaningful indices, which are not know by large public even if they are shortly explained and, because the application form is, in fact, a Microsoft Excel application, any person with minimal MS Office knowledge could guess the formula of calculation, even without having economical background. Because the Measure 34 of SAPARD

required all 14 financial indices as the Measure 31 of SAPARD, it is expected that Measure 313 of EAFRD will require the 6 financial indices required now by Measure 121 of EAFRD.

The value of investment is not difficult to find out and the rate of actualization was pre-determined as being, both for SAPARD and for EAFRD, 8%. The real problem is to understand and to determine correctly the other 4 required financial indices, especially because they deal with possibility of appreciation and measurement the difference between the present value of cash inflows and the present value of cash outflows, which, actually is a standard technical investment problem, specific only for economists. And, of course, there must not be neglected other required information that should be correctly and legally supplied on the application forms related to depreciation, recovering the value added tax and so on, generally known by economists.

## CONCLUSIONS

It seems that there are obvious reasons why an application in frame of SAPARD and of EAFRD were not, and will ne not, possible to be prepared by any potential beneficiary. The knowledge and the abilities required to fulfil in optimum conditions the forms on the applications are beyond the level of understanding of the large population, even of the graduated ones.

The immediate question is to find out if a potential beneficiary of an investment in rural tourism could, generally, prepare an application form. In some areas where the interest for this specific measure in frame of EAFRD is really high (as are the villages Beliș and Gilău from Cluj County, both on vicinity of an artificial accumulation lake and with an exceptional natural view) Cluj County Office for Agricultural Extension offers training and specialisation for the ones interested in accessing funds from EAFRD for tourism, where the author of this paper had the chance to be the trainer in field of tourism management. Even if, from the 50 persons trained, some of them run a SAPARD project, their level of understanding the economical process are, mainly, limited to the fact that revenues must be kept above expenses, but which level of return of investment is necessary for obtaining a net present value after 5 year at a rate of actualization of 8% is far too complicated. Finally, that proves that an application form for EAFRD required, for sure, the involvement of an economist, and especially economists who deal with agricultural and/or rural touristic activities.

## BIBLIOGRAPHY

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