

Assessment of IPARD pre-accession program support through IPARD-like program

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Abstract

Albania has many obligations to fulfill in order to become a EU member state. With regards to the agricultural sector, one of the most important obligations the country has related is the improvement of standards in order to benefit from the community funds. In the case of Albania this will be the IPARD Program. So far, there has been no independent assessment of the efficiency of IPARD- Like funds (EU pilot program) and of the social and economic impact that these support measures have had on the country's rural development and the grants' beneficiaries. Such an assessment would be necessary not so much to judge what this money has provided and how it has been spent, but to have a more complete and thoroughly grounded basis for planning future support by the relevant institutions. With the support of IPA I, Albania has made significant progress in preparing for the implementation of IPARD. The structures responsible for managing IPARD have been set up and their capacities have been gradually developed. The IPA 2011 project, 'Support for Agriculture and Rural Development' included a pilot grant scheme whose IPARD-Like measures for investment in agriculture, processing and marketing supporting the dairy, meat, fruit and vegetable sectors aimed at modernizing and gradual approximation with EU standards. An important lesson from the IPARD-Like grant scheme was the fact that there was great demand for support.¹

Keywords: IPARD-Like Grant Scheme, EU Schemes, European Union, grant, impact, farmers.

Introduction

One of the most important obligations Albania has with regards to the agricultural sector is the improvement of the standards of management of public funds for agriculture and, when it becomes a candidate country or EU member, also of the community funds that in the case of Albania will be the IPARD Program.

Improving these standards involves improving the programming of agricultural sector development, strengthening institutional capacity to plan, implement, monitor and evaluate the impacts of EU funds for agriculture. The absorption of European funding for agriculture in the future will largely depend on capacity in all these respects. In 2012, due to the difficulty of Albania obtaining EU candidate status and gaining EU funds as soon as possible, it was proposed by the European Commission to launch the implementation of the IPARD-Like Program which is a special pre-accession program in the EU in support of rural development, through which Albania can obtain funds without becoming a candidate country. This study aims to describe

¹ Rural Development Program 2014 - 2020 of the Instrument for Pre-Accession Assistance (IPA), March 2015, IPARD II Program for Albania, 25 May 2015.

and evaluate the development of the IPARD - Like Program for Agriculture and Rural Development in Albania.

Based on the above, this study aims to address and contribute to the analysis and improvement of standards for evaluating the effectiveness of fund allocation as well as the economic and socio impact of agricultural policies in our country as a result of EU allocation (via IPARD-like), through an analyses of the main schemes implemented for this program (agricultural mechanic).

Methodology

The agricultural sector has received a lot of investment and support lately from support through national government schemes as well as from various European Community Programs, and this study will assess the impact the investment has had on European Union funding. The study will focus on districts that have benefited from the IPARD - like Program. Two methods will be used to collect the data: primary data derived from questionnaires and interviews and secondary data sourced from the Ministry of Agriculture and Rural Development (specifically Managing Authority, which is the main EU support structure for rural development), with the Paying Agency otherwise the Agricultural Rural Development Agency and the GIZ Organization dealing with the implementation of IPA 2011 project "Support to Agriculture and Rural Development SARD - IPARD".

This study is conducted through empirical data collection.² Scudder and Hill have analyzed various articles focusing on empirical methodology.³ This category of methodology uses data that can come from organizations or experiments to test the existence of real-world connections and correlations.

The traditional approach of measuring the effects of support is usually to compare treated and untreated groups, in order to measure the change in outputs in each of them.

Propensity score matching is the method that makes it possible to divide the population into these two categories by corresponding to each subject in the treated group a subject in the untreated group. This enables the groups to operate under the same conditions and the changes in the outputs of each to be fully attributed to the subject of treatment. The analytical process of clusters is to group similar questions into one category taking into account their similarities, while also categorizing questions with dissimilar characteristics to other groups. With the above in mind, a number of 150 farms of both categories were considered, whether or not supported by IPARD like schemes. This number was based on the intention to include all the winners announced in the chosen scheme of 52, and a significant number of non-winners.

Questionnaires were conducted for two different time periods in the same sample of farmers (150 selected farmers) respectively in 2012 and 2018. The year 2012 was the

² Flynn, B.B., Schroeder, R.G. and Flynn, E.J. (1999), "World class manufacturing: an investigation of Hayes and Wheelwright's foundation", *Journal of Operations Management*, Vol. 17, pp. 249-269.

³ Scudder, G.D. and Hill, C.A. (1998), "A review and classification of empirical research in operations management", *Journal of Operations Management*, 16, 91-101.

year of applications and announcement of IPARD winners as schemes. The year 2018 was the second period selected sufficiently to monitor the full effect of the scheme applied.

Theoretical framework

Albania is a candidate country and through Component V of IPA in 2010, the European Union supported Albania as a Potential Candidate Country in policy development and preparation of the process for implementation and management of the European Common Policies (CAP) through the IPARD - Like Program. This was a lasting contribution to the adoption of Albania's agricultural and rural sector, the preparation and implementation of the *acquis communautaire* on the Common European Policies (CAP) as well as related policies and rural development. Obtaining candidate status added opportunities for Albania to benefit from a special package of pre-accession funds to the European Union, which will be managed under the IPA program.

As a general principle, EU funds provided through IPA are co-financed by national funds from the beneficiary country and the size of the co-financing depends on the respective measures. Component V rural development measures are dependent and managed through DG AGRI. As a future beneficiary of IPA, Albania has established a decentralized system of management of these funds and is obliged to stabilize the institutional and administrative structures as well as the capacities required by IPA for its measures to be implemented.

SAPARD Agencies were created across the member states with SAPARD programs that were transformed into Paying Agencies (Pas), which manage all CAP funds, including direct payments and export subsidies.

As a precondition for the implementation of the IPARD I Program at the time, was conducting the vertical sector analysis of the following sub-sectors:

- Milk sector,
- Meat Sector,
- Fruit and vegetable sector,
- Wine sector.

This survey aims to describe and evaluate the development of the IPARD - Like Program for Agriculture and Rural Development in Albania and the impact this support has had on rural areas. IPARD - Like program was an experimental project which, through the rules of implementation of schemes, supports investments of the agricultural and agri-food sector in order to achieve European Union standards. This project sets out minimum national rules and standards on agricultural and market administration.

The overall objectives of the Grant Scheme for agri-food sector development were as follows:

- Contribute to enhancing the competitiveness of the Albanian agricultural sector and food industry by supporting reconstruction and modernization;
- Contribute to the preparation of the Albanian agricultural sector and food industry for its accession to the European Union by supporting alignment with community standards;

- Support the capacity building of the Albanian structures responsible for implementing the IPARD program in the future.

The IPARD-like Grant Scheme has been implemented through two measures:

Measure 1: Investment in Agricultural Farms

Measure 2: Investments in Agricultural Product Processing and Marketing

There were 3 calls for proposals for the implementation of the grant scheme:

- First Call for Applications: 18 December 2012 - 18 February 2013;
- Second Call for Applications: 30 April 2013 - 28 June 2013;
- Third Call for Applications: March 17, 2014 - May 2, 2014;

The Agency for Agricultural and Rural Development has been designated by the Albanian Authorities as the structure responsible for managing the national contribution to this project.

Call 1	Number of Applications			The total grant contracted		National contribution contracted	
	Total	Contracted	Disqualified	ALL	Euro	ALL	Euro
	84	17	67	184,925,372.55	1,322,690.59	46,231,343.14	330,672.62
Measure 1	51	14	35	79,823,298.26	570,941.26	19,955,824.57	142,735.29
Measure 2	33	3	32	105,102,074.29	751,749.33	26,275,518.57	187,937.33
Call 2	Number of Applications			The total grant contracted		National contribution contracted	
	Total	Contracted	Disqualified	ALL	Euro	ALL	Euro
	65	16	49	68,027,302.01	488,309.94	17,006,825.50	122,077.49
Measure 1	46	14	32	41,326,329.81	297,425.14	10,331,582.45	74,356.29
Measure 2	19	2	17	26,700,972.20	190,884.80	6,675,243.05	47,721.20
Call 3	Number of Applications			The total grant contracted		National contribution contracted	
	Total	Contracted	Disqualified	ALL	Euro	ALL	Euro
	106	52	54	488,303,931.47	3,485,395.65	122,075,982.87	871,348.91
Measure 1	78	41	37	184,179,581.02	1,314,629.41	46,044,895.26	328,657.35
Measure 2	28	11	16	304,124,350.45	2,170,766.24	76,031,087.61	542,691.56
Total Measure 1	175	69	104	305,329,209.09	2,182,995.81	76,332,302.28	545,748.93
Total Measure 2	80	16	65	435,927,396.94	3,113,400.37	108,981,849.23	778,350.09
TOTAL	255	85	170	741,256,606.03	5,296,396.18	185,314,151.51	1,324,099.02

Table of Contracted Applications (Call 1 - 3), IPARD - like

The overall objectives of these measures are as follows:

- Preparation for the future fulfilment of Article 12 (2) of IPA Regulation (EC) No 1085/2006; and Article 174 of IPA Implementing Regulation (EC) No 718/2007;
- The gradual improvement of Albanian agricultural holdings to meet Community standards, mainly in the areas of environmental protection, quality and food safety, animal welfare and animal and plant health;
- Improving overall performance and competitiveness in the production of basic agricultural products.

Measure 1 supports investment in agricultural production activities in four priority sectors: milk, meat, fruits and vegetables with the aim of increasing the supply of safe and environmentally friendly agricultural products.

Applicants⁴ must have within the territory of the Republic of Albania the minimum standards in agricultural activities, specified in the following table:

For investment in field	- a cultivated area with a minimum area of 1 ha with one or more crops at the date of application, and - a minimum of 0.5 ha of vegetable land or a minimum of 0.5 ha of fruit cultivated land in one or more blocks with the possibility of agricultural farming at the end of the investment prior to the grant payment
For investment in fruit and vegetables	- minimum cultivated area of 0.4 ha at the date of application, and - minimum of 0.2 ha protected area in the form of glass greenhouses / plastic greenhouses / tunnels with a minimum height of 2.8 meters at the end of the investment prior to the grant payment

IPARD Like schemes have been implemented throughout Albania, specifically in Berat, Diber, Durres, Elbasan, Fier, Gjirokastra, Korça, Kukës, Lezha, Shkodra, Tirana, Vlora. The IPARD-like program has had a total of 255 applicants with the aim of obtaining grants with a total investment of EUR 45.83 Million, with the grant of EUR 23.80 Million. This value indicates a high demand for capital investment and a strong interest in the IPARD program.

The fruit and vegetable sector in total has had more applications compared to the meat and dairy sectors with an increase of almost 2 times compared to the other sectors. This survey will focus on the first measure, support for fruit and vegetable, investment in agriculture mechanics, as this measure had the largest number of applicants.

According to statistical data and from the table below, 68.2% of the applicants have applied to Measure 1: Investment in farms (174 applications from the total of 255 applications) for all three calls. About 67.2% of these applications were for the Fruit and Vegetable Sector. From the total of 117 applications for the Fruit and Vegetable Sector, 70.9% were for investment in agriculture mechanics.

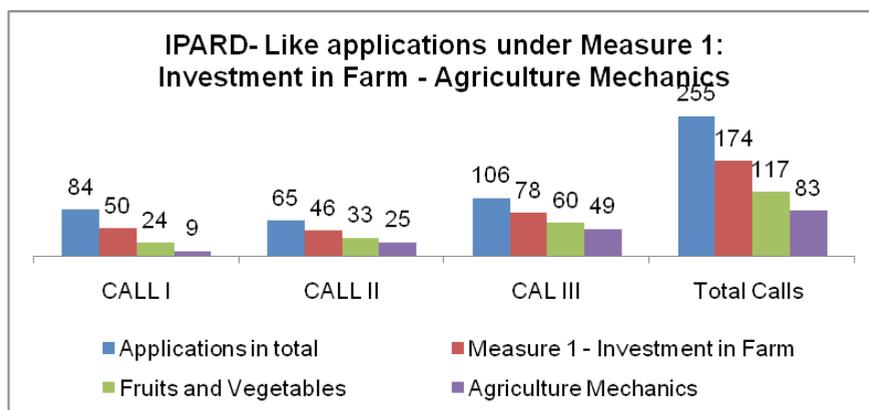
IPARD - LIKE applications under Measure 1: Investment in Farm - Agricultural Mechanics

	CALL I	CALL II	CALL III	TOTAL
Total applications	84	65	106	255
Measure 1 – Investments in farm	50	46	78	174

⁴ Guidelines for Applicants, IPARD Like Grant Scheme - for Agri-Food Sector Development in Albania, 2012-2020, EU IPA 2012 Project "Support to Agriculture and Rural Development SARD"

Fruits and Vegetable	24	33	60	117
Agricultural Mechanics	9	25	49	83
Winners	5	12	35	52
Non-Winners	4	13	14	31
	CALL I	CALL II	CALL III	TOTAL
Total applications	100.0%	100.0%	100.0%	100.0%
Measure 1 – Investments in farm	59.5%	70.8%	73.6%	68.2%
Fruits and Vegetable	48.0%	71.7%	76.9%	67.2%
Agricultural Mechanics	37.5%	75.8%	81.7%	70.9%
Winners	55.6%	48.0%	71.4%	62.7%
Non-Winners	44.4%	52.0%	28.6%	37.3%

Graph no. 1: IPARD - LIKE applications under Measure 1: Investment in Farm - Agricultural Mechanics



Analysis and results from the survey

As mentioned above Propensity Score Matching is the method chosen to create the appropriate terrain for analyzing output changes attributable only to the subsidy. The survey is focused on Measure 1 of the support program related to Investments in farms, in the category of vegetable fruits, and specifically in the type: Investment in Agricultural Mechanics. To this extent, 52 farmers have been subsidized. The total number of applicants for all measures was 255, and the total number of winners was 83. Thus the number of winners of the selected scheme accounts for 61% of the total winners.

Statistical package R was used to perform the analysis along with the MatchIt add-on function designed specifically for PSM.

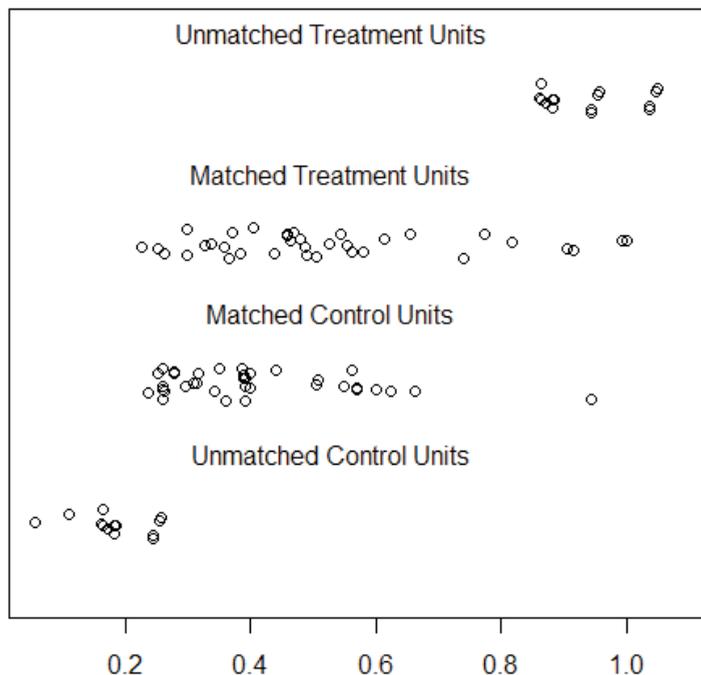
After using the PSM method, as shown in the graph, a match was made between the 35 cases treated and the 35 control cases.

Graph no. 2 Propensity scores distribution

Summary of balance for matched data:														
	Means	Treated	Means	Control	SD	Control	Mean	Diff	eQQ	Med	eQQ	Mean	eQQ	Max
distance	0.5763		0.4237		0.1686		0.1527		0.146		0.1527		0.3235	
Mosha	51.2000		53.2000		10.8622		-2.0000		2.000		2.9143		7.0000	
Nr_punetor	2.5143		2.8571		1.2401		-0.3429		0.000		0.4000		1.0000	
Arsimi	4.3714		4.2571		0.8168		0.1143		0.000		0.1143		1.0000	
Punesimi_kryesor	0.9714		0.9429		0.2355		0.0286		0.000		0.0286		1.0000	
Sip_2012	31.9429		14.8229		7.9247		17.1200		4.000		17.1200		348.0000	
Aktiviteti_kryesor	1.3714		1.3143		0.4710		0.0571		0.000		0.0571		1.0000	

Sample sizes:		
	Control	Treated
All	97	52
Matched	35	35
Unmatched	62	17
Discarded	0	0

Distribution of Propensity Scores



Conclusions and recommendations

This study concludes that subsidy from IPARD-like schemes had a significant impact on the increase of fruit and vegetable land area in the winning farmers, but not in the increase of the yield. From the survey it is clear that IPARD Like Schemes have increased the desire for farmers to invest in the future. The survey showed that both the winning and the non-winning farmers saw it as an incentive for further investment. Around 97% of the winning farmers were assisted by the advisory service in filling in the subsidy applications, and it should be said that the role of the advisory service is important in the delivery of a successful application.

Indirect perceptions on the implementation of these schemes are that the implementing agency (Albanian Paying Agency) has acquired the necessary experience for the schemes and has increased the "practical experience" in application processing, contracting and in monitoring. All procedures, knowledge and skills for granting subsidies are now managed by the Albanian structures themselves, without the assistance of third parties. Such a pilot program was a valuable support for the preparation of the ARDA and its accreditation in order to absorb the EU funds for agricultural and rural development through the real IPARD (2014-2020). SAPARD implementation programs in other countries show that it takes a long period of time to manage these programs, sometimes longer than anticipated. The rules for the implementation of IPARD rural development measures are some stricter than SAPARD, mainly in relation to the structures and functions, which are based on the basic rules of operation of the Agency. Preparing these rules for said measures takes time and human resources. When farmers applied for this pilot program, they only had to meet fulfill minimum standards. Nowadays, EU standards must be met for IPARD calls. In order for Albanian farmers to be competitive in the EU market, they need to increase their awareness of these standards, and this can be supported through national policies and strategies. The promotion of national policies is a must in order for farmers to cooperate and then meet the criteria. In order to have EU market access, the farmers need to respect the basic principles of Marketing: quality, quantity and consistency. This can be done only through incentives that bring farmer cooperation.

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