

Absorbtion Efficiency Of Ipard Funds In Financing Macedonian Agritourism Development

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Abstract: In this paper is elaborated the availability of IPARD funds enabling opportunities in supporting the countries toward EU accession. A special focus is paid to their efficiency in financing development of agritourism in the Republic of Macedonia.

The paper concludes that the EU funds offer a great opportunity for rural tourism development, but its absorption is very low. Namely through IPARD funds are offered good opportunities for developing the agritourism in Macedonia. Unfortunately, these funds are not satisfactory used and the reasons for the low absorption level are manifold. One of the reasons is the lack of coordination across national and local institutions, relatively low awareness of citizens and organizations for the opportunity offered by IPARD and difficulties related to the criteria that applicant have to fulfill for absorption of funds for different measures.

For that purpose, desk research is conducted as well as the inputs of different stakeholders dealing with the field of agritourism.

Key words: Agritourism; IPARD; efficiency, development; Republic of Macedonia.

Introduction

Agritourism in the Republic of Macedonia is less explored field and its further development expects to boost in the coming years. This issue is providing necessary financial resources toward its development. Republic of Macedonia as a candidate country has access to EU funds which may be used as a financial support for implementation of concrete project initiatives aiming rural tourism and agritourism development.

Having that in mind in this paper we explore potential of two of five IPA (instrument for pre-accession) components: Cross-Border Cooperation (CBC) and Instrument for Pre-Accession in Rural Development (IPARD), as well as possibilities of some EU community funds regarding the rural tourism and agritourism perspective.

Accessibility of EU funds is not guarantee for their engagement in agritourism development process. They are prerequisite and their real mobilization seen through efficiency of their absorption is fundamental for further rural tourism and agritourism development in the Republic of Macedonia.

1. Financial support of IPA components and other EU funds for rural tourism development in the Republic of Macedonia

In this part of the paper we will take into consideration two of five IPA (instrument for pre-

accession) components: Cross-Border Cooperation (CBC) and Instrument for Pre-Accession in Rural Development (IPARD), as components with high potential for financing rural tourism development, as well as the other possibilities for use of EU funds for agritourism development.

The aim of CBC component is to promote good neighborhood between the countries, and strengthen stability and security of countries as part of a wider region. Under the second component of the IPA, the Republic of Macedonia continues the cross-border cooperation with EU member states - Bulgaria and Greece (started earlier with the so-called PHARE instrument), as well as with the Republic of Albania, Serbia and Kosovo. Macedonia takes part also in transnational program for South Eastern Europe, which is continuation of the CADSES program.

IPA cross-border cooperation between Macedonia and Greece started with the first call released on August 17, 2010 (Call for Project Proposals "Greece – Republic of Macedonia IPA Cross – Border Programme" 2007 – 2013, Date 16/07/2010, Ref. No: 301291/MA2794). Under this call, the size of projects ranged between 150.000 and 750.000 Euros, and its implementation guaranteed EU financing up to 75% for Greece's applicants, and up to 85% for applications from Macedonia. Projects had to be implemented for a maximum of 15 months. The total budget for this call is about 6 million. The

areas eligible for cross-border cooperation were listed at the level of NUTS III (Regulation (EC) No 1059/2003 of the European Parliament and of the Council of 26 May 2003 on the establishment of a common classification of territorial units for statistics-NUTS), and they are: Florina, Pella, Kilkis and Serres and Thessaloniki in Greece and Pelagonia, Vardar, Southeast and Southwest regions in Macedonia (IPA Cross – Border Programme, 2007 – 2013, Greece – Republic of Macedonia, p.7). The program forecasts the strengthening of the cooperation between economic actors through collaborative approaches to support local economic activities, development of local human resources and protection of human health as pillars for sustainable local economic development. The program also cared protection and promotion of environmental and cultural potentials as means for sustainable local development. The main priorities of the program are (IPA Cross – Border Programme, 2007 – 2013, Greece – Republic of Macedonia, p. 42):

- Strengthening cross-border economic development in order to promote sustainable economic development through common interventions and facilitating cross-border relations. This priority will be implemented through four measures that focus on promoting entrepreneurship, improving human resources, development of sustainable tourism and protection of public health through cross-border activities.
- Strengthening of environmental resources and cultural heritage of the program area in order to promote joint activities to protect natural and cultural environment, and mobilization of natural and cultural resources. Both measures under this priority dealt with the promotion and protection of environmental resources and natural and cultural heritage of the region.
- Technical assistance was also part, aiming smooth implementation of the program for improving cross-border cooperation, and contributing primarily to the global aim.

Cross-border cooperation with Bulgaria started in 2009. Namely, first Call for the IPA CBC between Macedonia and Bulgaria was announced on

September 2009 (Call for Proposals No: 2007CB16IPO007 – 2009 – 1, Bulgaria – Macedonia IPA Cross – border Programme). The first call for proposals from the two partner countries was for the amount of 4.1 million Euros. The ultimate goal of the program is improving the ability of local and regional authorities to develop and implement joint projects in the border region at NUTS III level in Blagoevgrad and Kustendil in Bulgaria and in Northeast, East and Southeast in Macedonia. Project proposals were related to one of the following priority areas.

- Economic development and social cohesion;
- Improve the quality of life.

Specific objectives of the program priorities with Bulgaria are the acceleration of sustainable economic development in the border region, promoting social cohesion and cross-border cooperation and developing the attractiveness and quality of life in the border area.

Cross-border cooperation program with Albania, commenced by the first call for proposals released on June 3, 2009 (Call for Proposals reference: 2007/019361IPA Cross – border Programme between Macedonia and Albania). The budget for the first call for both sides was 340 000 EUR. Although the first call projects were still under evaluation process, on April 15, 2010 the second call for proposals was announced, which lasted until August 19 the same year (Second Call for Proposals reference: 2007/019361IPA Cross – border Programme between Macedonia and Albania). The budget for the second call was 3.5 million Euros. Individual projects if successfully selected, were granted with 50,000 to 200,000 Euros. Regions to benefit from cross-border cooperation are Polog, Pelagonija and Southwestern region of Macedonia and Korca and Elbasan Debar region in Albania. (IPA Cross – Border Programme, 2007 – 2013, Macedonia-Albanija, p. 30)

The main priorities of cross border cooperation between the two countries are:

- Promoting sustainable development in the border area. There are three measures: Economic development with an emphasis on tourism, Sustainable development environment with emphasis on protection, promotion and management of natural resources and

ecosystems, and social cohesion and cultural exchange through people to people and from institutions to institutions. Under these priority axes, specific measures will support the development and implementation of common strategies, action plans, studies and analyzes. Special emphasis will be the creation of business contacts, networking, partnerships, tourism infrastructure, promotion and branding of regional products, socially disadvantaged groups, unemployed, rural youth, women in the workforce and the like.

- Promoting cross-border economic, environmental and social development. This priority is in response to different circumstances and needs identified in the cross order area. Special focus was given to the protection and management of natural resources (especially around the Lake of Ohrid and Prespa), social issues associated with poverty and unemployment are considered of high priority.

Cross-border cooperation with Kosovo and Serbiawas delaying because the definition of the border. Means of cross-border cooperation with the northern border in 2007 were transferred to the program with Albania. Funds for 2008 were added to the first component - Fiche for integrated border management. Currently, there was a call for application with Kosovo, and the evaluation is ongoing.

In addition to the above IPA instrument; there are other opportunities for utilization of EU funds enabling thus the development of rural tourism across Europe, including Macedonia. These funds are known as Community Funds and are administered directly by the European Commission, more precisely by DGs (Directorate Generals).

According to a publication of the European Union, called Euro-funding, there are about 330 European development funds (where tourism expected to benefit as well). These funds are opened for the member states or candidate countries, and are accessible for the public institutions, local authorities, chambers, associations, private companies, NGOs etc. We certainly will not elaborate all these funds in this paper, but will focus to those funds where Macedonia is eligible

and will focus on initiatives supporting the rural tourism. The opportunity to use the Community Programs, originates from the Thessaloniki agenda, adopted on 16 July 2003, which enabled the European Commission to propose a basic framework for participation of Macedonia and Western Balkan countries in programs of community (December 3, 2003) (EU (2009): Summary Eurofunding Guide, European Union funds, EU, Brussels).

The community programs where Macedonia was eligible are the following:

Progress 2007 - 2013, is a program for employment and social issues. Progress has a global budget of 743 million Euros for seven years (2007-2013). There are five measures such as employment, working conditions, gender equality, social protection, inclusion and anti-discrimination and diversity. Usually (but not necessarily) an application should include more countries, thus increasing the chances to be successfully selected. Progress targets member states and EU candidate countries, with special focus on the local and regional authorities, public employment services and national statistical agencies, other specialized bodies, universities and research institutes, social partners and NGOs. European Commission selects projects for funding through tenders or calls for proposals. The program provides up to 80% grant of total project's budget. Macedonia joined the program in December 2007. Responsible body is the Ministry of Labor and Social Policy.

Europe for Citizens Programme (2007 – 2013) promotes active European citizenship, with particular focus on the citizens of new member-states. The financial framework 2007 - 2013 of the programme stands for 215 million Euros. The purpose of this program is to bring Europe closer to citizens and enable them to fully participate in building the Europe. Through this program, citizens have the opportunity to be involved in transnational exchanges and cooperation, which contributes to encouraging the process of European integration. One of the four targets of the program is to support civil society, whether through institutional support or support to the specific projects. Macedonia joined the program in April 2009 after aligning its legislation.

The programme Culture (2007 - 2013) aims to support creation of a common European cultural space. Under this Programme, cultural activities are supported throughout the countries of Europe.

The idea behind this programme stands for cooperation in the field of culture between different countries. This program provides support to small and medium enterprises (SMEs), government institutions, agencies, universities, chambers, associations, federations, etc. The global budget of this program is 400 million Euros. The program operates by providing grant financing costs, which aims to promote transnational culture, craft products, intercultural dialogue and similar initiatives. Macedonia, together with the other Balkan countries, is eligible for this program. The application process is in two phases. The first phase requires provision of the concept note and if successfully selected, the second phase requires the development of the whole project application.

CIP-Entrepreneurship and Innovation 2007 - 2013, is a big Community Programme, where Macedonia is also eligible. The program focuses on the establishment of the networks, knowledge sharing between companies, education, technical assistance and transnational cooperation. Global CIP programme stands for a budget of 2.16 billion Euros, supporting thus the EU Member States, candidate countries and the Balkans. The purpose of the program among others is encouraging women and young entrepreneurs. Macedonia has signed a Memorandum of Understanding for participation in the Program since 2007. (EC, 2010: Entrepreneurship and Innovation Programme (EIP), Working Programme 2010, Brussels)

The Seventh Framework Programme for Research and Technological Development (FP7) 2007 to 2013 is a huge program with 521 million Euros, aiming the implementation of projects for a period of seven years. The primary objective of the Seventh Framework Programme for Research and Technological Development is to contribute to the strategic goals of the Lisbon strategy and help Europe to become the most competitive and dynamic knowledge-based economy. The Lisbon Strategy of the European Union has recognized the role of the research, in achieving greater competitiveness aiming more dynamic knowledge-based economy, capable of sustainable economic development in order to increase the employment and greater social cohesion. All Balkan countries are qualified to this programme. The program mainly addresses cooperation between universities, industries, research centers and public institutions, operating in several sectors including the tourism sector as well. Macedonia has signed a Memorandum of Understanding and is included in

the program since 2007. (EC, 2006 Official Journal of the European Union, Decision No 1982/2006/EC of the European parliament and of the Council of 18 december 2006).

The above programs offer opportunities for development of rural tourism and agritourism in Macedonia. Absorption of all this funds depends on many factors and criteria that applicants should full-field, so effectiveness and efficiency of absorption is not on high level. There are many internal and external obstacles that need to be analyzed for measures to be undertaken in the future in order to improve their effectiveness and efficiency.

2. Instrument for Pre-Accession in Rural Development and agritourism development in Republic of Macedonia

The objective of the rural development component is to improve the market efficiency and application of the standards of the European Union in agritourism and rural economy. This component supports preparatory activities for implementation of rural environmental measures, local rural and agritourism development strategies and encourages development of rural economies. Macedonia's government initially determined the following sectors as priorities to be supported by IPARD: meat and milk; fruit and vegetables; Grapes and wine (Operational Programme under the EU instrument for Pre – Accession for Rural Development (IPARD), National Plan for Agriculture and Rural Development 2014 – 2020). The advantages that Macedonia possesses in this field, is the fact that these farming practices are among the most developed in our country and there are already numerous trials followed by domestic and foreign experts (MCMS, 2007): (Uspesno iskoristuvanjenafondovite IPARD, MCMS – Skopje, p. 48).

IPARD program was developed including the assessment of the overall condition of the rural economy through agricultural development. There were defined the main problems and possible solutions addressed based on priorities identified in the content of the IPARD program. According to the above program there are three measures of financial support, associated with a proper codification as following:

- Measure 101: investments in agricultural holdings to restructure and upgrade its

utilities with the standards of the European Union;

- Measure 103: supports the processing and marketing of agricultural and fishery products, assuring its restructuring and upgrading to the standards of the European Union; and
- Measure 302, provides diversification and development of rural economic activities. Under this, the rural tourism occupies a central position.

Under the measure 302, Macedonia is also eligible for further support. This measure 302-Development and diversification of rural economic activities, in priority axis 3 key point, as to improve the quality of life of the population in rural agritourism areas through diversification of economic activities, development of small and medium enterprises, crafts and rural tourism, which would contribute to reducing regional disparities and increase of attractiveness of rural tourism areas. In this paper we are focused on the absorption of IPARD funds under measure 302 in the period 2009-2013.

3. Absorption of IPARD funding for agritourism development in the Republic of Macedonia

The EU funds, whether IPA or the other community funds, have strict procedures that must be met in order certain projects are successfully selected. Almost all European funds require financial participation known as co-financing, whether fifty-fifty or any other ratio.

The competition for EU funds is very high, and they can optimally be used only if applicants apply a proactive approach. Macedonia has a shortage of professional staff, whether within public institutions, private sector or civil society organizations. Public institutions are characterized by political interferences and politicization. On the other hand, the private sector has symptoms of family employment, without a merit-based philosophy. This condition certainly affects the use of European programs for rural tourism. The following will analyze absorptions efficiencies of the IPA and the community programs.

Additionally, the IPARD funds offer very good opportunities for the development of rural tourism in Macedonia. According to the last measure (302)

of this program, diversification of rural economic activities provides, inter alia, investment in establishing workshops for traditional craft activities, investments for reconstruction of farms intended the rural tourism development, complemented by recreational facilities, investments building, catering facilities, accommodation outdoors (camping), facilities for recreation, etc. As seen, the intentions of the rural development program, which envisages the development of rural and agritourism is very large, starting from the above measures and sub-measures, which describe the activities to be supported by IPARD program. The IPARD funding opportunities are based on co-financing between Macedonia and EU. The current ration stands for 25% co-financing from Macedonia, and 75% from the EU, for each respective financial year.

Approximately 18% of the budget of IPARD program, (which is around over 60 million Euros by the time this paper is written), is left for the measure diversification and development of rural economic activities. It should be noted that the funding is provided by the principle of co-financing, accounted to 50% grant of total project value (except for some special cases where this limit can be greater, such as for young farmers under 40 years, the grant is up to 55%). Within the measure 302, the smallest value for financing is EUR 5000 and the largest value of eligible costs for co-financing is EUR 200,000. In majority of cases the users provide agricultural holdings whose holders are individuals or legal entities, cooperatives or other entities that are registered in the register of agricultural holdings, in accordance with the Law on Agriculture and Rural Development, artisans registered pursuant to perform craft, micro enterprises, owners / concessionaires, forest owners and sole proprietors. IPARD program is implemented by the Ministry of Agriculture, Forestry and Water Economy of Republic of Macedonia, through its Payment Agency.

The first public call for submission of application was announced on December 23, 2009 (Javen povik br. 01/2009 zadostavuvanjenabaranjazakoristenjenasredstvao dIPARD programata 2007-2013, Agencijazafinansiskapodrskavozemjodelstvoto I ruralniotrazvoj, Vladana RM). The total amount of funds to implement the first public call was 24,320,000 Euros. The first public call enabled 34 agreements on co-financing amounting to only 2.1 million euros. Unfortunately, only one out of 34

projects, falls in measure 302, which amounts 26.580 euros.

On September 30, 2010 the second call was announced (Javen povik br. 01/2010 zadostavuvanjenabaranjazakoristenjenasredstvaod IPARD programata 2007-2013, Agencijazafinansiskapodrskaovozemjodelstvotoiruralniotrazvoj, Vladana RM), and the projected indicative budget for this call was EUR 40,028,365.00. Under measure 302, 20project proposals were submitted, but none were accepted. On February 28, 2011 was published the third call (Javen povik br. 01/2011 zadostavuvanjenabaranjazakoristenjenasredstvaod IPARD programata 2007-2013, Agencijazafinansiskapodrskaovozemjodelstvotoiruralniotrazvoj, Vladana RM). The available amount of the third call was 20,720,000.00 Euros. Analysis of the third call¹ shows a higher number of rural and agritourism projects compared to the first and the second call, or in total 22 projects were expected to be contracted belonging to the measure 302. But, as previous years, this public call also finished with very small number of contracted agreements, only 7. In the period 2012-2013, all public calls finished with none contracted agreement related to measure 302, that is concerning for effectiveness and efficiency in using of this funds.²

Conclusions

The European funds through IPA or other community funds offer good opportunities for developing the rural tourism and agritourism in Macedonia. Unfortunately, these funds are not satisfactory used and the reasons for the low absorption level are manifold. One of the reasons is the lack of coordination across national and local institutions and with those of the European delegation, particularly in raising awareness of citizens and organizations for the opportunity the community programs are offering. Other reason is related to many factors and high criteria that applicants should full-field in order to match IPARD funds for financing.

Rural and agritourism are still unexplored fields and its further development expects to boost in the

coming years. A critical role lies in EU support, whether applying good practices and successful stories from different countries, or mobilizing EU financial resources to implement concrete project initiatives aiming rural and agritourism development in Macedonia.

Competition for EU community resources is very high compared to the other instruments because these funds are open to a broader range of the countries (members, candidate countries, etc). Absorption of the community funds for rural tourism currently is very limited, with the hope this situation positively to change in the near future. Especially, there has to be taken into consideration obstacles in previous calls for proposals for use of IPARD funds and analyses should be done by separate measures. That approach will direct us to the right way of using of IPARD funds under all measures, with the aim in the future to improve their effectiveness and efficiency.

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²Due to uncollected information for the submitted projects and contracted agreements there aren't official data for the period 2013-2015.

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