

THE MATCHING GRANTS INSTRUMENT: AN EFFECTIVE WAY FOR RURAL DEVELOPMENT

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ABSTRACT

In recent years financing in the Albanian economy has experienced a steady growth, but the specific share of such financing directed towards the rural sector remains low. In light of this observation, further examination of the amount of financing of the rural sector and of alternative financing instruments remains a key objective for all the involved actors. This study aims to introduce and analyze one such instrument, the Matching Grant instrument, as a new financing tool in rural development efforts. It also examines the effectiveness of this tool in transferring innovative technologies to small producers, especially to those of low income. Although initially focused only on particular products and sectors of the economy, matching grants are increasingly being used at a large scale to finance productive assets and investment from communities, groups of interest, and individuals. Our empirical evidence suggests that a considerable share of the farmers that participated in such grant programs have used the received grants mainly in improving production technology and incorporating innovative methods of production, processing, and marketing. The study concludes that the majority of the small matching grants have been very effective in transferring the necessary technology. Moreover, every received small grant was on average translated into replication of the project by 5-9 other neighboring farmers and small enterprises.

Keywords: Matching grant; technology innovation grant; strategic investment program (SIP); value chain; Mountain Area Development Agency (MADA).