OVERVIEW OF THE ECONOMIC DIVERSIFICATION POLICIES (FOCUS ON RURAL TOURISM) IN ALBANIA

REGIONAL EXPERT ADVISORY WORKING GROUP (REAWG) ON ECONOMIC DIVERSIFICATION THROUGH RURAL TOURISM (ED-RT)

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Rural space of Albania-its geographical context

- Rural land area in Albania was reported at 26,687 sq. Km in 2010 (according to the World Bank collection of development indicators);

- The rural population was calculated as 1,301,630 (46.5%), (INSTAT, 2012). The Albanian legislation does not provide details on the criteria how to define a city and/or an urban area. For the initial calculation of results of the census 2011, a simplified definition of urban and rural areas has been used, considering the villages as rural areas.

- The new law on territorial reform adopted by the parliament in July 2014 divided Albania in to 12 regions and 61 municipalities.

- According to the OECD definition at NUTS3 level, there are 9 predominantly rural regions, 2 intermediate and 1 predominantly urban region. In 2019, the predominantly rural regions (Berat Diber, Elbasan, Fier, Gjirokastra, Korca, Kukes, Lezha, and Shkodra) and the intermediate regions (Durres and Vlora) accounted for 93.6% of the territory and 68.7 % of the population of Albania.
# NUTS3 in Albania by urban rural typology (% of rural population)

<table>
<thead>
<tr>
<th>No</th>
<th>Prefecture</th>
<th>Category</th>
<th>% of rural population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>BERAT</td>
<td>Predominantly rural</td>
<td>57.6</td>
</tr>
<tr>
<td>2</td>
<td>DIBËR</td>
<td>Predominantly rural</td>
<td>72.9</td>
</tr>
<tr>
<td>3</td>
<td>DURRËS</td>
<td>Intermediate</td>
<td>24.7</td>
</tr>
<tr>
<td>4</td>
<td>ELBASAN</td>
<td>Predominantly rural</td>
<td>55.5</td>
</tr>
<tr>
<td>5</td>
<td>FIER</td>
<td>Predominantly rural</td>
<td>58.4</td>
</tr>
<tr>
<td>6</td>
<td>GJIROKASTËR</td>
<td>Predominantly rural</td>
<td>62.2</td>
</tr>
<tr>
<td>7</td>
<td>KORÇË</td>
<td>Predominantly rural</td>
<td>51.6</td>
</tr>
<tr>
<td>8</td>
<td>KUKËS</td>
<td>Predominantly rural</td>
<td>75.1</td>
</tr>
<tr>
<td>9</td>
<td>LEZHË</td>
<td>Predominantly rural</td>
<td>62.4</td>
</tr>
<tr>
<td>10</td>
<td>SHKODËR</td>
<td>Predominantly rural</td>
<td>51.1</td>
</tr>
<tr>
<td>11</td>
<td>TIRANË</td>
<td>Predominantly urban</td>
<td>11.5</td>
</tr>
<tr>
<td>12</td>
<td>VLORË</td>
<td>Intermediate</td>
<td>43.9</td>
</tr>
</tbody>
</table>

source: INSTAT 2019

Eight NUTS3 regions with total population of about 1 million people are located entirely or predominantly in the mountain areas.
The rural population is aging over the decades. The average age of the population increased from 30.6 years in 2001 to 35.3 in 2011. The old-age index, the proportion of population 65 years and over divided by total population, is higher than in any previous Albanian censuses. This value increased from 8.0 per cent in 2001 to 11.0 per cent in 2011. The substitution index, the proportion of the population under 15 years old divided by the total population, is reduced from 29 percent in 2001 to 21 percent in 2011 (INSTAT 2011).

The demographic change has affected more rural women. Approximately 51-52% of the rural population is males while 48-49% are females. The main reason of rural Albanians to migrate out of their area of residence is family reason (e.g. marriage) and employment. Emigration is dominated by men while women are overwhelmingly present in internal migration (i.e. from rural to urban areas). On the other hand, there are fewer 20-24 year old people in rural than urban areas, particularly so for women, signifying that this is the point when young people move to urban centres or abroad to pursue education and other economic opportunities (FAO 2018).
Rural areas and their socio-economic status

- Agriculture is the main source of (self) employment in the rural areas and one of the main sources of income for rural households. The sector generates about one-fifth of the GDP.
- The number of employed in agriculture sector (including also forestry, hunting and fishery sector) was 457,000 in 2017. The share in total employment is 38.2%.
- Issues of rural poverty and exclusion are particularly pressing for women workers, some 50% of whom are engaged in farm labour.
- Transport infrastructure and connectivity are also inadequate - the April 2018 EU accession progress report notes that only 1% of the rural population has fixed-line internet connections.
- Small size farms (average 1.2 Ha) combined with fragmentation is one of the major challenges of the agriculture sector.
- Mass migration has caused demographic changes. In the last census (2011), for the first time the urban population exceeded the rural population (53.5 vs. 46.5%).
Rural areas offer real opportunities in terms of their potential for growth in new sectors.

On-farm employment is the main source of employment in the rural areas in all regions, but also off-farm employment is very important.

Medicinal and aromatic plants, mushroom production, aquaculture, on-farm processing of agricultural products, local handicrafts, as well as the production of renewable energy has been considered as the main sectors that have potential to create new jobs and incomes in rural areas.

Rural areas in Albania offer also great possibilities for the development of rural tourism, ecotourism and nature based activities, cultural tourism, etc. Rural tourism is a source of additional income in agricultural holdings.
Rural tourism – definitions and scopes

According to the Law 93/2015 “On Tourism”:

- “Rural tourism” is the tourism activity performed in a rural environment and is oriented towards the use of local tourism resources.

- “Agro tourism” is the hosting activity performed in a farm or some other agricultural entity, with the aim of attracting visitors, often by enabling them to participate in agricultural activities or other aiding activities performed in that agricultural environment. Agro tourism supports the sustainable development of rural areas through the protection of environment, conservation of traditions and promotion of the most typical products of that area.
Rural tourism & its place in rural economy of Albania

Rural tourism is viewed as a new component of the Albanian supply of tourism, providing opportunities for rural regions of the country.

- In order to see the increasingly important role of rural tourism in Albania, some national statistics need to be shown, though statistics about rural tourism are not available.

- However, the proportion of small guesthouses in rural regions, and an increased number of agro tourism activities is a good indicator of the relative significance of regional tourism’s development.

- According to the National Strategy for Sustainable Tourism Development 2018-2022 (draft), it is estimated that rural tourism, which includes mountainous areas, represents 3% of international travel, with an annual growth of 6%. 
Legal framework for rural tourism in Albania

_Tourism sector:_

_The Law No. 93 / 2015 “On Tourism”_ gives the main definitions for tourism, rural tourism, agro tourism, sustainable tourism, etc.

During 2016-2018 a number of bylaws pursuant to the law on tourism were adopted.

The DCM No 22, date 12.1.2018 defines the criteria for certification of agro tourism activities.

This bylaw gives the general principles for agro tourism as hosting activity, the criteria for certification, as well as the establishment of the Evaluation Commission for certification of entities, composed by members of both ministries responsible for tourism and agriculture.
Legal framework for rural tourism in Albania

Agriculture and Rural Development:

The legal framework regulating the programming of the agriculture policy is defined in the Law on Agriculture and Rural Development, No 9817, adopted in 2007.

This law determines the objectives, the means and the programming of policies measures for agriculture and rural development. With specific regards to rural tourism and agro tourism, DCM, regulations and subsidies schemes are adopted since 2018, including the financial support for guesthouses (bujtina) reconstruction, agro tourism investments, as well as to other activities related to rural tourism like setting up production incubators, establishment of the network of retailer of traditional products, etc.
The General National Spatial Plan is the first national document in spatial planning 2015 – 2030. It represents the harmonization of the integrated approach of urban development with other strategic sectors such as tourism, agriculture, energy, transport, housing, etc.

- The plan defines the **appropriate spaces** for the development of various sectors and sets out the **principles** for the integrated development of these areas. There is a list of GNP areas of national importance, which have special significance for the touristic potential of the country (map).

At Regional and local level: Integrated Coastal Plan for Albania.; Integrated Cross Sectorial Plan for the area of Tirana - Durres.; Sectoral Plan of Tourism - Albanian Alps Region is another important document.

There are also General Local Planes prepared for all 61 local units, at municipality level (16 are still under preparation).
Cross-cutting issues and other legislation of relevance for rural tourism

Some challenging issues that remain on Government agenda in the tourism sector are:

- clarification of land ownership,
- formalization and standardization of services,
- access to public services,
- waste management,
- improved infrastructure and human resources.

Any investment aiming at boosting rural tourism shall respect environment laws, as well as the cultural heritage conservation.

Despite recent development, Albania still needs to also address the concerns of regulating rural tourism sector and introducing standards and reduce informality. (Only 13 “agro-tourism activities” have recently been certified as per the provisions of the DCM No. 22 date 12.01.2018 “On the approval of the criteria for certification of agro-tourism activities” and which by 2019 should be subject of the fiscal incentive, reduced 6% VAT)
Institutional set-up for managing/supporting rural tourism

National/territory level:
- Ministry of Agriculture and Rural Development
- Ministry of Tourism & Environment
- Ministry of Infrastructure and Energy
- Ministry of Culture
- Ministry of Finance and Economy

Other key institutions:
- The Agricultural and Rural Development Agency – ARDA
- Albanian National Tourism Agency (NTA)
- Institute of Statistics (INSTAT)
- Albanian Development Fund (ADF)
- Albanian Investment Development Agency (AIDA)
- Institute of Monuments of Culture
- Albanian Network for Rural Development (ANRD)
- The Albanian Tourism Association (ATA) and Tourist Guide Association
- DMO Albania
Institutional set-up for managing/supporting rural tourism

Regional level:

- 4 Agencies for Regional Development (ARD) were established with DCM No. 961, dated 2.12.2015, in Tirana, Shkodra, Korca and Vlora. (In 2018, the CoM has decided to transfer under the Albanian Development Fund (ADF).
- The only Destination Management Organizations (DMO) at regional level has been DMO Korca, was established in 2008 with support of UNWTO, ST-EP Foundation and SNV.
- There are also some Albanian and foreign NGOs implementing different regional projects related to diversification of rural development with focus in rural tourism, like RASP (Rural Association Support Programme), ADAD-malore, Pro-Permet, CESVI, VIS-Albania, etc.

Local level:

- Municipalities (offices responsible for tourism)
The status of rural tourism in Albania:

Traditional, popular holiday destinations well known destinations, very rich in cultural and natural attractions. For example Korca region (dance and folklore with distinctive costumes, excellent handicrafts and local specialties, rich traditional cuisine, etc.)

Remote areas RT can generate additional employment and income for farmers in small communities, but limited due to lack of infrastructure and people.

Mountain areas RT well-developed. There is a considerable number of organized tours in mountain areas like at: Theth, Vermosh-Lepushë, Valbonë and Tropojë, in Northen Alps, Dibër and Bulqiza, mountain area surrounding Tirana Elbasani and Korça, Tomorri mountain, Llogara and Karaburun as well mountain area of Gjirokastra and Përmeti.

Recently there is a combination of natural tourism and offering fresh and typical agriculture products.

Albanian Alps are considered as the main destination for mountain tourism in Albania.

There are a lot of interventions from the GoA and international donors supporting the tourism development in mountain areas.
Protected areas There are 15 Natural parks in Albania, (16% of the country's territory) where in some parts of it, tourism and recreation are allowed.

- Some of them like Butrinti National Park, Llogora national Park, Divjaka-Karavasta National Park and Thethi National park are well known and frequented by tourist, but at the same time they are exposed to a high environmental risk.

- Good example for successful tourism development, based on cooperation between local authorities and business for consolidating rural tourism development efforts, Prespa Lakes, with the creation of trans-border national park, and hiking system around the mountain villages of Voskopoja, Vithkuq and Dardha

Areas near the sea Rural areas near the coastal area have also a great potential to attract tourists by providing on-farm tourism activities and facilities for leisure and recreation, e.g. the region of Vlora, focused on integrating sea tourism with agro/rural tourism and cultural tourism.

Rural areas with small historic towns constitute a firm base for RT development combined with cultural heritage based on the World Heritage Sites as Butrinti archaeological park, Berat, Gjirokastra, etc.
Main factors of rural tourism future development:

**Natural factors**: very diverse climate due to its geographical position, altitude from the sea level and mainly due to the hilly and mountainous relief: enjoys over 300 days of sunshine during a year; during the summer and autumn seasons, the sun shines for over 11 hours a day. It makes possible developing the nature and rural tourism during the whole year. Albania is very rich in biodiversity both fauna and flora conducive to ecotourism development.

**Capital factor**

Despite the fact that, the investments in rural area are increasing rapidly, especially in agro tourism, the financial factors are not on the proper level, because there is insufficient private capital, insignificant foreign investments, difficulties in obtaining loans from banks.
Main factors of rural tourism future development:

**Human resources:** Despite the significant changes evidenced during the last years (return of emigrants with experience in rural activities and some more financial resources, increased interest to invest in a qualitative rural tourism, technical and financial support), there are still a lot issues identified like:

- there is still need for qualified labour force in rural tourism,
- uncontrolled demographic movements and the phenomenon of human resources reduction in rural areas;
- vocational training system not reflecting market demands,
- low level of hygiene and food safety standards
- lack of entrepreneurial skills for the development and management of tourism products / infrastructure
- technology and equipment level needs further improvement (no country-wide access to internet)
- the level of salaries remain low compare to other sectors

Regarding the cultural traditions there is a great diversity in rural areas, as well as the Albanian hospitality is considered as a strong element.
Main attractors of rural tourism

Natural attractors:
The large national parks, as a great potential for tourism development. Albanian Alps is one a most attractive touristic place. The mountaineering developed in these parks separates common itineraries; diversity of inherited wealth cultural, ethnographic, gastronomic and landscaping represents the potential and enables the development of rural tourism, ecotourism and cultural tourism.

Man-made:
The development of rural tourism, ecotourism and nature based activities connected with other elements like restaurants, fairs of typical products and handicrafts and other agro tourism facilities. The MoA has also provided support for setting up production incubators and the network of retailer of traditional products, related to the development of rural tourism.

Cultural attractors:
A large number of cultural monuments, about 2000, of which three of them, Berat, Gjirokastra and Butrint are part of the world heritage and protected by UNESCO.

- Even archaeological parks like Apollonia, Bylis, Amantia, etc., represent a significant potential of tourist offer.
- Rural tourism with a strong link to cultural heritage and other related activities has good potential for development both for domestic and foreign markets.
Status of services

Hospitality
- not reliable data on the number of beds for rural tourism.
- investments in accommodation facilities have been made
- bars and restaurants in rural areas offering typical and organic foods, traditional dishes
- young people with foreign language skills

Transport
- Whilst the main transportation system though airports, ports and main ports is significantly improved, the difficult accessibility of some rural areas with potential for tourism due to poor road infrastructure remain a serious concern.

Complementary services:
- tourist guides are published
- tour guides have been trained
- websites addressing tourism activities
- Tour Operators offering quality tours
- Albania is a considered a secure place to travel and with healthcare offered all around.
Strategic framework and programmes

National Strategy for Development and Integration 2015-2020

According to the content in the agriculture and rural development subchapter the challenges in this sector include:

- improve basic and recreational services, and diversify the activities that generate income in rural areas.

According to the content in the tourism subchapter the challenges in this sector include:

- improve the image of tourism through enhanced promotion and marketing;
- perfect the certification system and standards in order to increase the quality, as well as human capacity building to improve tourism services;
- improve the climate business and encourage private investment;
- organise data collection and analysis at local, regional and national level according to international standards.
The main policy document for agriculture and rural development is the *Inter-sectoral Strategy for Agriculture and Rural Development* (ISARD) prepared by MARDWA for 2014-2020.

One of the priorities:

*Balanced territorial development of rural areas promoting social inclusion, poverty reduction and balanced economic development in rural areas.* The objective is to achieve a balanced territorial development of rural areas *by fostering diversification of economic activities, job creation and social inclusion, and improving living conditions in rural areas.*
Strategy of Tourism Development in Albania 2014-2020

According to the strategic direction of nature and rural tourism 2014-2020,

The main economic objectives
- Increase the contribution of nature and rural tourism in economic impact;
- The nature and rural tourism contributes to poverty reduction and revenue growth in different destinations of the country.

Regarding the abovementioned strategies, their aim is to sustain and develop sustainable agriculture and rural tourism, to develop necessary infrastructure as well as to widen the supply of tourism services
The main scheme to support rural/farm tourism in Albania is the IPARD Programme 2014-2020.

- **Measure 1:** Investments in physical assets of agricultural holdings
- **Measure 3:** Investments in physical assets concerning processing and marketing of agricultural and fishery products
- **Measure 7,** “Farm Diversification and Business Development”.
Measure 7:

**Eligible sectors:**
- Production of MAPs, mushrooms, honey, ornamental plants and snails
- On-farm processing and direct marketing of agricultural products
- Processing and marketing of wild or cultivated MAPs, mushrooms and honey
- Aquaculture
- *Nature and rural tourism*
- Services for rural population and business
- Handcrafts and manufacturing industry
- Renewable energy production

**For the Nature and Rural tourism:**

Construction and/or reconstruction of houses and buildings in traditional style to be used for tourism-related activities and for serving as touristic attractions and related equipment; Construction and/or reconstruction of facilities and supply of equipment for sport and other recreational activities.
Measure 7: continuing...

Requirements/ criteria’s for investments:

Must be located in rural areas, must be compliant with the relevant national standards, and must be compliant with the requirements of the management plans of nature or cultural heritage protected areas.

Investments in rural tourism—regarding the public health standards. A pre-assessment at application stage would be needed in case of constructions, to prevent issues in case there are specific requirements to be taken into account in the design which cannot be modified later on.

For nature and rural tourism sector:

Investments in accommodation facilities are limited to up to 40 beds in total. Investments in tourist accommodation are limited to construction and/or reconstruction of houses and buildings in a traditional style. Investments in rural tourism accommodation facilities the national standards for public health will be confirmed by the relevant technical body, in case food is prepared and served in these facilities.
"Integrated Rural Development Program – 100 Villages Program“

In the Cross-cutting Strategy for Rural and Agricultural Development 2014-2020, the following additions are added (2018):

3.6 Integrated Program for the Rural Development (IPRD)- The program of 100 villages.

Managing authorities.

For the management of the “Integrated Rural Development Program - The program of 100 villages”, an Inter-Ministerial Committee is established and it is composed by the Minister of Agriculture and Rural Development, Minister of Tourism and Environment, Minister of Infrastructure and Energy and the Minister of Culture.
The INTEGRATED RURAL DEVELOPMENT PROGRAM will coordinate the interventions through integrated investments projects within the defined 100 village area through three objectives:

- **Improvement of public infrastructure** - (Increase the support of the rural roads infrastructure, revitalize public/urban spaces, community and environmental infrastructure, rehabilitation of natural environment, establishment of multifunctional community centres, etc.).

- **Economic Development through diversified economic activities** - (Improvement and utilization of touristic potentials, improve agritourism business facilities, rural tourism, increase investments for the small scale production infrastructure (incubators) of traditional products, support branding and marketing business activities, improve the financial and trade services supplies to the farmers, support local/rural fair and recreational activities, etc).

- **Development of human and social capital** - (Support for the development of rural networks, local action groups, civil society in rural areas, provide support for the preservation of cultural heritage, different vocational training for women and youth and promotion of rural lifestyle and traditions, etc).
3 strategic projects:

- **Establishment of the Albanian agri-tourism network.**
  The financial and fiscal support for the creation of an agritourism farms network that meet the appropriate standards. More employment opportunities in rural areas, the establishment of a destination and an exclusive "brand" of agritourism in Albania, along with other touristic offers as well as the preservation of the cultural heritage and the traditional Albanian village.

  100 village program will also try to give support for approximately 27 agritourism farms and 150 guest-houses and will receive support for the improvement of farms and livestock houses which will lead to improved agritourism and rural tourism.

- **Incubator networks for traditional products.**
  Will serve as ready-made infrastructure for the whole value chain, including storage facilities and production equipment, packaging and marketing networks, standardization and certification support and appropriate retail sale space.

- **Markets and retail store networks of Albanian traditional products.**
  In relation to the last chain of the whole value chain (sales), the purpose of
Actions and measures

Direct financial support

- National Support Scheme included agro tourism and rural tourism support for the first time in 2018. (18 investments with a total value of 80,944,355 ALL).
- The same scheme for 2019 has also allocated a small fund (20,000,000 ALL) to support investments in guesthouses (bujtina) and agro tourism.
- The main scheme to support rural/farm tourism in Albania is the IPARD Programme 2014-2020 through the Measure 7, “Farm Diversification and Business Development” (Nature and rural tourism sector). Funds available for this measure are 14,666,667 EUR.
- There are also several International implementing agencies and organizations active in tourism, regional and local development such as Italian Cooperation, GIZ, UNDP, USAID, Austrian Development Agency, SIDA, Swiss Agencies, IFAD, etc. The support has been oriented in guesthouses renovation, instalment of the necessary tourist signage, etc.
Actions and measures

Direct technical support

- The support of international donors, institutions and organizations has been quite substantial during the years in regard to the tourism development in rural areas.
- They have supported the preparation tourism management strategies and action plans, as well as marketing and promotion.
- Sponsoring of training management, improvement of service quality, traditional food/drink, trainings for tour guides, etc. has been also part of the different donor’ projects continuously.
- Extension service has been quite weak in rural tourism development.
Actions and measures

Indirect support

- Several infrastructure interventions (construction/rehabilitation of rural road, irrigation schemes)
- Some small grant programs have contributed to improvement of environment and tourism infrastructure in the area like Cleaning project” for a waste-free Thethi, solar panel lighting project, etc.
- National scheme for 2018 has also provided support for setting up production incubators and the network of retailer of traditional products, related to the development of rural tourism.

Incentives for Agro tourism as a growing industry have been recently introduced in Albanian legislation.

1. VAT reduction for certified accommodation structures as "agri-business subjects" from 20% to 6%.
2. Profit tax will decrease from 15% to 5%. for certified taxpayers as "agro-tourism subject”
3. Exclusion from the impact tax on infrastructure for "agro tourism subjects" who will make investments for the purpose of their activity
Conclusion and Recommendation ???

Uka Farm

Sotira Farm