

AGRITOURISM IN ALBANIA – OVERVIEW AND NEED FOR SUPPORT

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ABSTRACT

In the National Strategy for Sustainable Tourism Development 2018-2022, agritourism is considered not only a sector that can help tourism promotion and economic development, but also as a sector that will contribute to the sustainable development of tourism and preserving and promoting cultural and local identity. It emphasizes the importance of combining cultural tourism with agritourism, in an effort to restore and promote historic villages centres.

The government approach focuses on increasing the supply of agritourism. There is currently no policy focus on generating demand for agritourism. It is necessary for the government to support the supply, as tourism opportunities are definitely needed to maintain demand. Government action to coordinate clusters and promote them to potential tourists is also essential to the development of the industry. Despite the importance attributed to the agritourism sector in various strategies of the central and local government, Albania lacks a national strategy for the development of agritourism and no study of the value chain in agritourism has been conducted. Most public and private initiatives in the sector are focused on boosting supply, while little has been done to create demand. Coordination between supply and demand promotion initiatives in agritourism is important to ensure a sustainable development of the sector.

Agriculture is one of the sectors that has grown from national and donor support through grant programs. In recent years, however, agritourism has attracted the attention of donors and the Albanian government as a potential sector for job creation and rural diversification.

Understanding the concept of agritourism is important for farmers and business owners for two important reasons:

1) to qualify for grants;

2) to benefit from fiscal incentives provided by the Government.

A clear understanding of agritourism is also important for policy-making institutions, so that they can design better policies for the development of the sector.

The most common investments expected in the future are those that focus on the construction of accommodation facilities, the renovation of old traditional dwellings, their conversion into inns and restaurants serving traditional cuisine and typical authentic products. Also, the expected investments are related to marketing and promotional activities, processing and packaging lines on the farm, development of quality assurance programs and obtaining certification, as well as investments for the development of agritourism services.

Keywords: Agritourism; Rural tourism; Support; Investments; Accommodation

Humanities

Introduction

Agritourism is a hybrid type of agricultural system that combines elements of agriculture and tourism to create an offer for agricultural products and services as well as to provide experiences for tourists.

The rapid pace of life in the city and the increase in environmental pollution are pushing the inhabitants of the city towards rural areas. Residents of large cities are looking for environments where they can spend precious time in the presence of family and friends and enjoy the uniqueness of nature. Tourists are moving away from standard tourist experiences and programs, from standard hotel environments and from the same attractions and excursions. This trend represents an excellent opportunity for the agritourism sector that is developing in Albania.

The GDP growth rate in Albania was on average 0.90 percent from 2005 to 2019 and the agriculture and tourism sectors are experiencing a steady growth in relation to the economy. Based on INSTAT data on real annual GDP growth by sectors, agriculture has grown at an average annual rate of 2 percent since 2012, while for the same period the tourism sector has grown at an average rate annual of 4.4 percent. However, there is considerable room for accelerating growth and job creation at the intersection of the sector of agritourism.

The Agritourism in Albania - Overview

Agritourism in Albania is a developing sector with great potential. Geographical location, extraordinary landscapes, long tradition of hospitality, rich cuisine with many traditional products make Albania the perfect place for an agritourism experience. International experts have confirmed that Albania meets the necessary criteria to become a center of European ecological tourism (Qirici and Theodhori, 2013). So far, the agritourism sector in Albania has developed mainly outside farms. New on-farm-to-table ventures are currently more prevalent than on-farm businesses. These ventures in most cases are not owned by traditional agricultural producers, but nevertheless have substantial positive effects on farm incomes.

Initially, agritourism was concentrated in a limited number of provinces, mainly in the south of the country (Vlora, Saranda and Gjirokastra); in the Northern Alps (Vermosh, Theth and Valbona, as well as in the regions of Shkodra and Kukës); and in Korça region (Dardhë, Voskopoje and Vithkuq). However, in recent years agritourism businesses have emerged throughout Albania, with some of the largest agritourism points set up around Tirana, Durrës and Lezha. There is a general lack of official data when it comes to Albania. However, based on practical experience and consultation with stakeholders, in Albania there is a number of more than 300 guesthouses and 100 agritourism units. Currently, according to information from Ministry of Tourism, there are about 14 certified agritourism units and all have received certification in the last two years. Most inns are set up in the north of the country (Theth, Valbona); as well as in the region of Korça (Dardhë, Voskopoje and Vithkuq); Berat and Gjirokastra. While agritourism units have a more normal distribution, some of the largest agritourism businesses are located in Tirana, Durrës and Lezha. Most agritourism units are "farm to table" type restaurants, with limited accommodation capacity.

In each region there are about 500 registered farms that adapt to the characteristics of agritourism and 20% of them are ready to start an agritourism business. The existence of 12 counties implies a potential of 1,200 new agritourism units that expect investment opportunities within the next 5 to 7 years.

Furthermore, according to INSTAT there are 2,754 farms that have separate buildings for profitable activities that can be converted into accommodation in response to the above requirements.

Fiscal incentives provided by the government, combined with grant programs supporting this sector, are expected to increase on-farm agritourism investments and turn agritourism into an important sector for the Albanian economy. During 2018, about 43 new agritourism businesses and 34 guesthouses were opened and registered in Albania (ATSH, 2018), which is a sign of growing interest for investments in this sector. During the years 2014-2018, 97 new agritourism units and 113 inns were opened, giving a significant impact on increasing the supply of agritourism and rural tourism in Albania.

The growing interest to invest in the agritourism sector in Albania is coming from both national and international investors. Consolidated businesses in other sectors of the economy and young entrepreneurs are considering investing in the agritourism sector. There is also a growing tendency among existing wineries to consider expanding their business by investing in agritourism, resulting in increased business supply.

The Albanian government also considers agritourism as one of the main priorities for the coming years and to support this goal, it has introduced the "100 villages" program. The purpose of this ambitious program is to support local communities in their efforts to build new economies by diversifying their sources of income and generating employment opportunities.

The number of tourists visiting Albania is growing rapidly. In 2018, the number of tourists visiting Albania was about 5.9 per one million, which shows an increase of 15.8 percent compared to 2017. European countries are the main countries of origin of tourists visiting Albania, which account for 92.4% of all tourists. In 2018, about 2 million visits were recorded in museums, castles and national parks. There are no data on the number of tourists entering Albania specifically for agritourism or rural tourism experiences, however, according to the US Travel Agency, about 8-10% of tourists prefer outdoor activities, which leads to the market of potential for agritourism in Albania to about 500,000 tourists. Agritourism experts and entrepreneurs acknowledge that the number of tourists visiting rural areas is increasing. In addition to foreign visitors, the demand from domestic tourism is growing significantly. One-day or two-day trips with the family in rural areas are becoming very common in Albania. Based on experiences told by guesthouses in rural areas, about 70% of visitors to agritourism structures are local. Despite the increasing influx of domestic and foreign tourists in rural areas in Albania, the supply of agritourism is far from meeting the demand in terms of both quantity and quality. Tourists visiting natural attractions in northern Albania, such as Lura National Park (hiking, mountaineering, outdoor recreational activities) often sleep in tents due to the limited offer of accommodation. Low access to finance is considered as one of the main obstacles to growth for the agritourism sector. The sustainable development of the agritourism sector requires greater efforts by all actors in the value chains in agriculture and tourism and more focus by banks and financial institutions in financing the sector with dedicated credit products.

Issues to consider

Understanding the concepts: AGRITOURISM and RURAL TOURISM

The concepts of rural tourism and agritourism are often confused by farms and agribusinesses, sometimes even at the institutional level, especially now that agritourism is being treated as a separate sector and profitable business activity. Agritourism is a host activity that takes place on a farm or other agricultural unit in order to attract visitors, often by enabling them to participate in agricultural activities or other ancillary activities that take place in the agricultural environment. (VKM No. 22, dated 12.1.2018).

Any form of tourism that shows rural life, art, culture and heritage in rural areas, that brings economic and social benefits to the local community, as well as enables interaction between tourists and locals for a richer tourist experience, can be defined as rural tourism (OECD).

To summarize, agritourism is a sub-branch of rural tourism, with a broader concept that can include almost any tourism activity that takes place in rural areas.

VKM no. 22 sets out the minimum criteria to be met in order for a unit to be classified as an agritourism unit. The criteria are related to the minimum area of agricultural land, accommodation and food service capacities, product sources, etc. More specifically, the criteria are:

- Land - 1 ha in open ground or 0.5 ha in protected areas;
- Services - Agritourism units must provide one of the following services: food, accommodation, recreational services;
- Accommodation capacities: - 6 to 30 accommodation rooms;
- Architecture of buildings: In accordance with VKM no. 711 and 730 on "Conditions, criteria and procedures for the classification of accommodation structures".
- Restaurants - from 6 to 60 tables for food service;
- Origin of products - at least 30% of the food and beverages offered in agritourism units must be farm products, the remaining 70% can be purchased from other surrounding farms. So agritourism cannot be seen as separate from agricultural activities.

According to fiscal and legal incentives

In its mission to promote the development of agritourism, the Albanian government approved a new fiscal package for the agritourism sector. In this fiscal package, the agritourism sector will benefit from several tax incentives, including a 5 per cent profit tax rate, reduced VAT to 6 per cent and an exemption from the infrastructure tax on investment.

The standard for certification of agritourism businesses is also defined and approved by VKM No. 22, dated 12.1.2018. The standard sets out the conditions that must be met by an entity operating in the agritourism sector in order to be certified. Meeting these preconditions makes agribusinesses aiming to turn into eligible agritourism businesses to benefit from fiscal incentives.

This fiscal package is expected to attract domestic and foreign investment in the agritourism sector and boost the development of the tourism industry as a whole. Recently, there is a growing interest from other sectors to invest in agritourism and foreign investors are exploring opportunities to invest in the Albanian agritourism sector with some very innovative ideas. At the local level, these fiscal incentives are expected to motivate farms and agribusinesses to become agritourism units, thus benefiting from reduced taxes and diversifying their revenues. Exemption from infrastructure tax for investments is expected to have a major impact on expanding the accommodation capacity of the agritourism sector in Albania. As it has been noticed recently, many businesses focused on agriculture throughout Albania have invested in adding accommodation facilities (guesthouses) in their offer.

Methodology

The model taken into consideration points out these issues:

- The owner
- The main activity
- The location
- The average investment amounts
- The income and average income
- The farm production
- Customers Marketing Season
- The online visibility
- Human resource

Most of these agritourism are small isolated family enterprises. Many of them have restaurants that sell products produced and processed on the farm.

Businessmen and chefs have experience in hotel management. However, the number of agritourism enterprises administered by farmers is growing.

The restaurant from the farm to the table are processing farm products.

There are locations with scenic views without nearby tourist attractions. There is perennial agriculture.

Small investments vary from 5,000 to 25,000 euros. Average investments vary from 100,000 to 300,000 euros. Large investments exceed 300,000 euros.

Data Analysis

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Most of these agritourism have the opportunity to stay on the farm, but most of the income does not come from this service.

Concerning agritourism units: Small agritourism units vary from 20,000 to 50,000 euros, medium agritourism units vary from 50 000 to 150,000 euros and large agritourism units exceed 150,000 euros of investment. Mostly on a small scale, the food is consumed in restaurants. Most products are not branded and are not sold, except for wine. Mostly local food are enthusiasts. Few foreign tourists come through personal networks of travel agencies and mainly during March-September period. However, this is not well defined. As regards to the use of social media and news media, agritourism brand is still missing. Agritourism lacks a common theme and marketing in all countries that can serve as markets. There is lack of visibility on social media; lack of websites; lack of visibility on booking and travel sites; there is lack of trained or certified chefs in some inns on farms. The marketing is performed by the word of mouth. There is lack of specialized local guides to cooperate with farmers and lack of managerial capacity. Only a handful of 5-10% of them have received formal training.

Results

The developing agritourism sector in Albania is attracting the attention of both central and local level government. The most important public initiative undertaken by the Albanian government towards the development of agritourism is the "100 Villages" program, an initiative that aims to create the first successful model of integrated rural development in Albania. The purpose of this program is to have at least two villages in each municipality that meet all infrastructure standards and provide a satisfactory level of well-being for local farmers, who will benefit from the untapped potential of agritourism.

Most local government units in Albania have paid attention to agritourism during the development of planning and territorial development strategies. The process of mechanization in agriculture will soon result in a reduction in the need for labor and these units strongly believe in agritourism as an opportunity for rural diversification, which can provide a stable income and create employment by offsetting the effect of mechanization of agriculture.

The Cross-cutting Strategy for Rural and Agricultural Development (IBRD) 2014-2020 considers agritourism as a potential sector for income diversification and creation of employment opportunities in rural areas.

Discussions

Financial support for the agritourism sector is expected to intensify in the coming years and this offers an excellent market opportunity for banks and financial institutions, as the demand for capital will grow steadily. To be prepared for the growing demand for capital, banks and financial institutions need to develop strategies for the agritourism sector and prepare dedicated credit products to meet the financial needs of the sector.

In addition, the Ministry of Infrastructure will provide infrastructure investments in public services, such as roads, water supply and electricity supply. In the meantime, it will be responsible for environmental issues and will provide support to accommodation structures. The aim of the program is to identify at least two villages in each municipality that meet all infrastructure standards and that provide a satisfactory level of well-being for local farmers.

The selection of the village is based on its potential and experience in attracting tourists, as well as the production of local products in high demand in the international market.

The objectives of the program are:

1. Improvement of public infrastructure (Support for road infrastructure, community infrastructure, public services, environmental and tourist infrastructure, cultural heritage monuments, landscape, multifunctional community centers);
2. Economic development through diversification of economic activities (improvement of tourism potential in rural areas, agritourism, rural tourism, investments in improving commercial services, investments in the production of traditional products and other economic services). Support for incubators of traditional local products, promotion and marketing of rural areas, transport services, fairs);
3. Development of social and human capital (support for the creation of rural networks, local action groups, as well as civil society in rural areas, vocational training for women and youth, support for cultural heritage, support for the promotion of traditions and style living in the village).

Conclusion

Currently, the agritourism sector is being supported by grants from the EU IPARD funds and the National Grants Program of the Agency for Agricultural and Rural Development (ARDA). Both programs are managed by ARDA, providing grant support for investment projects in agritourism and rural tourism.

These programs have a direct impact on encouraging new investment. The increased availability of grant funds is expected to attract more investment and the demand for investment capital from the agritourism sector is expected to increase. The IPARD II grant program provides the greatest support ever given to the agritourism sector in Albania. The program reimburses 65% of investments in the agritourism sector under measure no.7: Farm diversification and business development, and there is a growing interest from potential investors to apply for these grant calls.

Investments of IPARD II - BE (75%); Albanian government (25%) for farm diversification and business development with sub-measure: Agritourism and rural tourism (Natural tourism) with € 10,000 - € 400,000. The beneficiaries are farmers as natural or legal persons, agricultural cooperatives; micro and small non-agricultural businesses; buildings according to the traditional style for tourism purposes. The specialties are as follows:

- Facilities and facilities for providing services (information and assistance to visit natural areas; outdoor recreational activities);
- Farm accommodation rooms, including all relevant facilities and equipment for the provision of B&B services (bed and breakfast);
- Infrastructure and equipment for the provision of on-farm tourism services, including inland access roads to accommodation facilities, children's playgrounds, swimming pools, sports corners; parking;
- Furniture, television, satellite receivers, internet connection equipment, radio and audio communication equipment, washing and ironing equipment, information technology equipment, including software for the administration of agricultural farms for the needs of rural tourism;
- Renovation and adaptation for use of old / existing traditional dwellings on the agricultural farm, including basements and mills, according to the traditional / rural architectural style of the area.
- Equipment for tourist site and landscape maintenance, including recycling and energy efficiency;
- Sales facilities in wineries, wine tasting rooms, wine cellars;
- Construction of food service facilities (restaurants, bakeries, breakfast rooms, tents to consume meals), including necessary equipment)

Limitations and Future Studies

The IPARD II program offers grants for on-farm processing machinery, to promote the production of traditional products such as marmalade, jam, pickles, etc. Also, support has been given to the handicraft industry in rural areas. All these combined activities strengthen the development of a unique agritourism offer for domestic and foreign tourists. National grant schemes have considered the agritourism sector as a priority. Each year, ARDA organizes several awareness campaigns to encourage applications for the establishment and development of agritourism businesses.

For rural tourism, the program supports investments for the reconstruction / construction of old houses, turning them into guesthouses that include all the necessary furniture up to 5 million ALL for investment. Regarding agritourism, the program provides 50% of the total investments in the form of a grant, but not more than 20 million ALL. In the

last two years, ARDA schemes for agritourism have supported about 40 new agritourism investments with an approximate total grant value of 4 million euros. From these schemes, about 4-6 million euros have been private investments by the applicants themselves, reaching a total value of about 8-10 million euros. Eligible investments supported by the ARDA grant scheme are similar to those supported by IPARD. However, to avoid duplication, these funds are only offered to applicants who do not qualify for IPARD funding.

Since the introduction of this grant scheme, a considerable number of new agritourism businesses have been established. Many farms have been transformed into agritourism units by combining their agricultural activity with food and accommodation for tourists. However, financial institutions are important actors in terms of the degree of absorption of these funds.

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