REPUBLIKA E SHQIPËRISË
MINISTRIA E BUJQËSISË DHE ZHVILLIMIT RURAL

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

Carrying out selected sectorial analysis as a solid ground for the preparation of IPARD III programme and of Strategy for Agriculture, Rural Development and Fishery 2021-2027

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DIVERSIFICATION SECTOR STUDY REPORT

Final

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LIST OF ABBREVIATIONS

AADF	Albanian-American Development Foundation
AICS	Agenzia Italiana Per La Cooperazione Allo Sviluppo
AUT	Agricultural University of Tirana
ARDPF	Agriculture and Rural Development Policy Fund
INSTAT	Albanian Institute of Statistics
AIDA	Albanian Investment Development Agency
ALL	Albanian Lek
NTA	Albanian National Tourism Agency
ARDA	Albanian Rural Development Agency
CEFTA	Central European Free Trade Agreement
CAP	Common Agricultural Policy
CESVI	Cooperazione e Sviluppo a Albania
DCM	Decision of Council of Ministers
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
DSA	Development Solutions Associates
EC	European Commission
EU	European Union
FADN	Farm Accountability Data Network
FAO	Food and Agriculture Organization of United Sates
ISUV	Food Safety & Veterinary Institute
GI	Geographical Indication
GAP	Good Agricultural Practice
GDP	Gross Domestic Product
GVA	Gross value Added
SILC	Income and Living Conditions Survey
IDRA	Institute for Development and Research Alternatives
IPARD	Instrument of Pre-Accession in Rural Development
IPRD	Integrated Program for Rural Development
ILO	International Labour Organization
IMF	International Monetary Fund
MAPs	Medicinal and Aromatic Plants
MARD	Ministry of Agricultura and Rural Development
MEFA	Ministry of Europe and Foreign Affairs
MoFE	Ministry of Finance and Economy
MoTE	Ministry of Tourism and Environment
NCA	National Coastal Agency
NFA	National Food Authority
NSSTD	National Strategy for Sustainable Tourism Development
NGO	Non-Government Organization
NTFP	Non-Timber Forestry Products
PDO	Protected Designation of Origin
PGI	Protected Geographical Indications
PPNEA	Protection and Preservation of Natural Environment in Albania
RDP	Rural Development Program
SME	Small and Medium Sized Enterprises
SARDF	Strategy for Agriculture and Rural Development and Forestry
SARED	Support to Agriculture and Rural Economic Development
SIDA	Swedish International Development Cooperation Agency
GNSP	The General National Spatial Plan
NATP	The National Agency for Territory Planning
TIFF	Tourism Investment and Finance Fund
TSG	Traditional Specialty Guaranteed
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

VAT	Value Added Tax
VC	Value Chain
VIS	Volontariato Internazionale per lo Sviluppo a Albania
WHO	World Health Organization
WTTC	World Travel & Tourism Council

1. INTRODUCTION AND METHODOLOGY

1.1. Context of the study

In Albania, the economic diversification in rural areas has significant importance for a balanced regional development and social cohesion. A significant part of the country (mainly northeast, central hilly, and the south-coast regions) suffers land fragmentation and low level of land-related investments. These conditions do not allow for agriculture to exhibit its productivity potential. Therefore, economic diversification of rural areas is critical for achieving sustainable rural livelihood. Achieving economic diversification activities in rural Albania was an important goal at Intersectoral Strategy for Agriculture and Rural Development (ISARD) 2014 – 2020 and has been a reference activity to be supported for Instruments of Pre-Accession in Agriculture and Rural Development (IPARD) II and for national support programs/schemes. At present, efforts are under way to design the Strategy for Agriculture and Rural Development and Forestry (SARDF) 2021-2027, as well as IPARD III; the expectations are that diversification will be included among high-ranked priorities.

Considering the importance of economic diversification there is a need to analyze the hampering factors for developing the diversification of the rural economy and provide evidence-based recommendations for unlocking the sector potential. This study serves as a reference document for future policy programming, namely the Strategy for Agriculture and Rural Development and Forestry (SARDF) 2021-2027 and the IPARD III Measure 7. The study provides a SWOT analysis which creates the framework to set main development priorities. The specification of recommended investments and the focus of the support are sources for the programming efforts for IPARD III, both in terms of activities to be supported and eligibility criteria to be followed.

This report is structured as follows. The following subchapter provides the methodological approach. Chapter 2 focuses entirely on tourism and other related services. Chapter 3 is dedicated to small-scale on-farm processing and direct marketing of agricultural products. Chapter 4 describes other gainful activities in rural areas. Chapter 5 illustrates trends and constraints regarding other activities such as Production and direct marketing of traditional crafts and artisanal added-value products. Chapter 6 ranks the priority investments for selected sector development and provides recommendations for financial and non-financial support.

1.2. Overall description of the rural economy

The rural areas in Albania have been characterized by gradual economic restructuring and rapid demographic changes. Yearly migration flows have transformed the demographic structure of Albanian population. The country continues to be urbanized rapidly despite the decline of the country's population, as urban population is increasing and most likely absorbing a large portion of the rural outmigration. Migration is characterized by a rapid movement toward urban areas and out-migration is increasing with a yearly rate of 10%. This trend combined with lower fertility rate has created the conditions for a more pessimistic projections related to Albanian population (2.75 million of inhabitants or approximately 100 thousand people less in 2031 compared to 2020). These trends are main drivers for continual rural depopulation and ageing, which are impeding factors for rural economic development.

Structural changes and the migration left high rural vs urban inequalities. Urban production (assessed as share of Gross Domestic Product (GDP) of urban predominantly regions to rural predominantly region) is around 11 times larger than rural production[1] while urban population is only 1.3 times larger than rural population[2]. The gaps are mainly related with the slow pace of economic diversification and high dependence of rural population in agriculture. Currently there are 460 thousand people employed in agriculture (36.5% of the total labor force). The agriculture sector is experiencing a stable growth with a yearly Gross Fixed Capital Formation to round €53.7 Mln and a yearly

[1] World Bank (2018). Cities in Europe and Central Asia-Albania, http://documents1.worldbank.org/curated/en/338011511933862442/pdf/121722-BRI-P154478-PUBLIC-Albania-Snapshot-PRINT.pdf

[2] Situation is expected to worsen in the future, considering the reduction in GDP growth due to Covid-19 (5% less than 2019 according to International Monetary Fund (IMF, 2019 https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19) as well as a weakening of safety nets (number of households' subject to Economic Aid in 2018 is 33% less than 2017 according to INSTAT).

productivity value (Gross Value Added (GVA) per labor unit in agriculture) of €5.5 thousand (in 2018). The productivity in agriculture continues to be weak not only compared to European Union (EU) 28 (5 times lower) but also compared to other Western Balkans[3]. Moreover, COVID 2019 pandemic has created conditions for the increase of the poverty rate. Figures on poverty level in rural areas are not available[4]; however, it is possible to expect development indicators to be much worse than in urban areas due to worse infrastructures, dysfunctional labor market, limited access to services, and poor business environment.

The rural economy in Albania is still highly dominated by agriculture activities. For instance, data from 2012 Census of Agriculture Holdings reveal that diversification activities are present in less than 7% of the overall number of farms in the country (approximately 20 thousand farms carrying such services). The main reason for such weaknesses related to the poor enabling environment. Although there are 16 banks and more than a hundred of nonbanking institutions[5] operating in Albania, they are hardly present in rural, remote areas. Under these circumstances, surveys show that 10% of rural people are inclined to use banking services. Overall share of agriculture credit to entire lending is approximately 1-2%[6]. Coverage of information and technology is also more limited in rural areas. Less than 10% of the households in rural areas have access to internet, while only 28% of households in rural areas have computers[7].

The weak economic diversification in rural areas, as well as the low mobility and linkages with the urban areas reduces the potential for employment. Agriculture contribution to employment decreased by 10 percentage points in the last decade (i.e., 1% per year). Migration and increased productivity have contributed to a reduction of number of people employed in agriculture. Although the overall unemployment rate in rural areas is considered lower than urban areas, estimates provide evidence for hidden unemployment in agriculture sector at about 25%[8]. The main reason is the high fragmentation of the sector, high variable costs due to input prices, weak access to markets and weak access to services and inputs. Access to market is very poor (15% of the product sold)[9] due to high costs[10], missing value chain (VC) links and high informality[11]. Mobility is very limited due to extensive farm structure (high distance between plots measured at average 20 minutes) and low access to motorized equipment[12].

The emigration and economic restructuring have created also high gender inequalities. The strengthening of men's role in earning cash income and the revival of the customary rules with the demise of the state institutional structures in the rural areas, weakened women's social and economic influence in the decision-making processes inside the

[3] SWG (2020). Economic Diversification policies and Rural Tourism in SEE, available at http://seerural.org/wp-content/uploads/2020/11/Economic_diversification_policies_and_rural_tourism_in_SEE_2020.pdf

[4] No rural-urban disaggregation is available for poverty since 2012. In year 2018, at risk poverty threshold (percentage of individuals with incomes below 60% of the median equalised income) according to Income and Living Conditions Survey (EU-SILC) is 23.4%. Severe material deprivation (the percentage of population with an enforced lack of at least 4 out of 9 material deprivation items) is estimated at 38.3 %. Gini inequality index is 35.4%.

[5] UNWOMEN (2016). Economic Diversification for women living in rural Albania, https://www.un.org.al/sites/default/files/UNWomen-RuralStudy-EN-PRINT_0.PDF

[6] FAO (2018). Impact assessment of budgetary support in agriculture with focus on cattle, fruits and greenhouse sector, Report prepared by ISETN.

[7] INSTAT (2018). GDP based on production method-Composition according to main activities for year 2013-2018, available at http://www.instat.gov.al/al/temat/ekonomi-dhe-financ%C3%AB/llogarit%C3%AB-komb%C3%ABtare-gdp/#tab2

[8] FAO (2020). FAO (2020). Smallholders and family farms in Albania. Country study report. http://www.fao.org/3/ca7450en/CA7450EN.pdf

[9] FAO (2018). Small family farms country sheet, Albania, see http://www.fao.org/3/I8914EN/i8914en.pdf

[10] ¼ of the costs are related to inputs costs according to figures provided by FAO (2018). http://www.fao.org/3/I8914EN/i8914en.pdf

[11] Referring to INSTAT (2017), up to 9.8% (31,372 farms) are officially registered at the fiscal authorities and the rest (up to 90.2% of the farms) operates informally.

[12] Only 1/3 of the rural population have access to motorized equipment (see http://www.fao.org/3/I8914EN/i8914en.pdf) while other studies report 1/3 of the households (INSTAT, 2018)

household and in the community[13]. Although the share of family farms owned by women is very small[14], an additional part of women on farms are potentially "hidden farm leaders".

Access and quality of services is a major issue: Net Attendance Ratio in rural areas is 8 percent point lower for secondary education and median of school completed years is almost 50% lower (7.5 vs. 14.4 years[15]) when compared to urban areas. Access to health services is also limited if compared with urban areas. Women in rural areas have a higher proportion of reporting at least one problem in accessing health care (45%) than women in urban areas (26%)[16].

1.3 Methodology, definitions, criteria for selection of sectors, and grouping of main sectors

1.3.1 Definitions

Diversification is a necessary component for achieving growth, employment, and sustainable development in rural areas since it contributes to territorial balances, cohesion, and resilience. The inception phase of this study helped explore the existing resources, the main stakeholders, and the guiding concepts for rural areas and diversification. 'Rural diversification can be subdivided into two major components: (i) farm diversification and (ii) rural industrialization[17,18]. This chapter focuses on farm diversification.

Farm diversification activities are strictly linked with rural residence. In Albania, since 2012, there is no statistical classification used for rural areas. An ultimate definition for rural areas in Albania is used only as a reference for methodological purposes in a study of INSTAT.[19] A rural area is described as "the territory of all municipalities with populations, as established by the Census 2011, below 50,000 people". Another definition is the one used by EUROSTAT[20] which defines rural regions in a two-step process. First determining rural areas as areas outside urban clusters - clusters of contiguous grid cells of 1 km² with a density of at least 300 inhabitants per km² and a minimum population of 5 000. Second, defining the regions by using three categories as predominantly urban regions (NUTS level 3 regions where more than 80 % of the population live in urban clusters), intermediate regions (NUTS level 3 regions where more than 50 % and up to 80 % of the population live in urban clusters) and predominantly rural regions (NUTS level 3 regions where at least 50 % of the population live in the rural grid). However, this definition does not allow an accurate determination of farms' location since it does not disaggregate the regions and does not delineate the division between urban and rural areas.

Table 1.1: Albanian NUTS 3 regions by the Eurostat urban-rural typology

Predominantly rural	Intermediate	Predominantly urban
Berat	Durrës	Tiranë
Dibër	Korçë	
Elbasan	Shkodër	
Fier		
Gjirokastër		

[13] Zhllima, E., Xhoxhi, O. & Imami, D. (2020). Feminization in Agriculture in a Transition Economy: Women's Role in Family Farms, Sociologia Ruralis, https://onlinelibrary.wiley.com/doi/abs/10.1111/soru.12332

[14] Official figures show that only 6.5% of farms have a women head. MARDWA uses household head for as definition for farm manager. In most of these minor cases women are represented as head of the family farms mainly due to their position as widows or due to having men head of household in migration.

[15] INSTAT (2018). GDP based on production method-Composition according to main activities for year 2013-2018, available at http://www.instat.gov.al/al/temat/ekonomi-dhe-financ%C3%AB/llogarit%C3%AB-komb%C3%ABtare-gdp/#tab2

[16] *ibid*

[17] The literature uses two indicators: (a) the indigenous growth of rural industry and (b) the urban-rural shift of industry.

[18] Kelly, C. E., & Ilbery, B. W. (1995). Defining and examining rural diversification: a framework for analysis. Tijdschrift voor economische en sociale geografie, 86(2), 177-185.

[19] INSTAT (2014). A new urban rural classification in Albania, available at http://mail.instat.gov.al/media/2919/a_new_urban-rural_classification_of_albanian_population.pdf

[20] https://ec.europa.eu/eurostat/web/rural-development/methodology

Kukës		
Lezhë		
Vlorë		

Source: EUROSTAT https://ec.europa.eu/eurostat/web/rural-development/methodology

An additional reference to defining rural areas used to describe the areas of Communes, former administrative division currently classified as administrative units (see Appendix). Therefore, the best approach to define rural areas is to use the same list of administrative units and make eligible the farmers residing in the villages of these units (see Annex [21] in the Guideline of the first Call of IPARD II[22]). In the future the MARD should in association with INSTAT and other institutions should determine the definition of rural areas using the density approach for areas pertaining to a NUTS 3 disaggregation (equally with the administrative unit or village level).

To define diversification[23], the authors used the EU guidelines and definitions[24] considering dimensions such as size, type of activity, and level of activity.

- **Size -** The target groups for diversification in the EU are members of farm households and micro-enterprises as defined in the Commission Recommendation 2003/361/EC. In Albania, it is less than four workers and has a yearly turnover lower than €2 Mln.[25]
- **Secondary activities -** Farm diversification is understood as the creation of any gainful activities on the farm. These include ‘all activities other than farm work (secondary to the main activities), directly related to the holding or having an economic impact on the holding’. 'Directly related' means that either the resources of the holding (area, buildings, machinery, etc.) or its products are used in the activity[26]. These activities are an extension of the existing farm business, but the new activity can be unrelated to agriculture and the holding.
- **Processing rather than primary production –** Activities should not overlap with activities supported in the other IPARD measures as well in the Agriculture and Rural Development Policy Fund (ARDPF). Therefore ‘primary agricultural production’[27] in principle is not be included, except the case of nontypical products (to be based on verities/breeds presence share in the market), limiting the analysis to ‘processing and marketing of agricultural products’[28].

VC considers the activities that are performed on-farm and off-farm, both upstream and downstream from the primary production stage – thus, during VC analysis, demarcation (delimitation) is crucial[29]. Considering the EU guidelines[30] as well as the Terms of References, the authors determined four group of activities related to diversification.

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[21] http://www.ipard.gov.al/wp-content/uploads/2019/07/9.-Annex-7-List-of-Local-Government-Units-and-List-of-Rural-Areas.pdf

[22] http://www.ipard.gov.al/thirrje-1-2/

[23] In its simplest terms, rural diversification means establishing new enterprises in rural locations. This definition can mean existing businesses entering into new areas of activity or the creation of entirely new enterprises. Agricultural diversification has meant farmers concentrating on new agriculture areas, growing alternative crops, rearing new breeds, and turning to organic farming.

[24] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52014XC0701(01)&from=en.

[25] In the EU, micro-enterprises have staff headcount < 10 and turnover or balance sheet total ≤ € 2 m: https://ec.europa.eu/growth/smes/sme-definition_en.

[26] European Parliament (2016). Farm diversification in the EU, https://www.europarl.europa.eu/RegData/etudes/BRIE/2016/581978/EPRS_BRI(2016)581978_EN.pdf

[27] Include the production of products of the soil and of stock farming, listed in Annex I to the Treaty, without performing any further operation changing the nature of such products.

[28] This includes any operation on an agricultural product resulting in a product which is also an agricultural product, except on-farm activities necessary for preparing an animal or plant product for the first sale; 'marketing of agricultural products' means holding or display with a view to sale, offering for sale, delivery or any other manner of placing on the market, except the first sale by a primary producer to resellers or processors and any activity preparing a product for such first sale; a sale by a primary producer to final consumers is considered as marketing of agricultural products if it takes place in separate premises reserved for that purpose;

[29] http://www.fao.org/3/a-a1475e.pdf

- Services such as agritourism, leisure activities, and other services in rural areas. Similar to other reports, agri-tourism, also called farm tourism, includes various tourist activities, such as accommodation (bed and breakfast, rural lodgings, farm campsite); catering (evening meals); leisure activities (pedagogical farms, sports, horse-riding, farm visits). Agri- tourism allows farmers to promote their estates and geographical locations and, when associated with the sale of home-made products, adds value to their agricultural production.
- On-farm processing and direct marketing of agriculture products focusing on dairy, preserved fruits and vegetables, wine and raki, and other gourmet food. This category covers the processing of a primary agricultural product (produced on the farm or bought from outside) to a secondary product processed on the holding.
- Small-scale production and processing of non-typical products as secondary activities in the farm, including freshwater aquaculture, beekeeping, honey, Medicinal and Aromatic Plants (MAPs), Non-Timber Forestry Products (NTFP), and other gainful activities based on natural resources and amenities in the rural areas. Here is included also renewable energy. Farmers can produce renewable energy for their own consumption but also to sell on the market.
- Production and direct marketing of traditional crafts and artisanal added-value products. Handicraft is manufactured on the farm by the farm manager, family members or the labour force employed to do farm work. It is a way to valorise local resources and it contributes to the maintenance and transmission of traditional know-how.

1.3.2 Methodology

This study was conducted in two phases. During the inception phase, an **in-depth desk review** was conducted to identify sectors and sub-sectors that can be defined as diversification. This step was also used to explore the VC dynamics, using secondary data analysis for the 2014-2020 period. Previous relevant studies were subject to literature review. Secondary statistical data were subject to standard descriptive analysis, including simple tables and graphs depicting statistics and historical trends.

Table 1.2. Main sectors for delineating the diversification activities

<table>
<tr><th>Sectors</th><th>Characteristics and delineation</th><th>Other notes for the identification</th></tr>
<tr><td>Dairy sector</td><td>1.Farm production of small ruminants' cheese (100-500 litres of milk)</td><td rowspan="6">Products sold directly to consumers or in accommodation and HORECA and provided as secondary activity</td></tr>
<tr><td>Meat sector</td><td>2.Meat processors such as the sale of salami production or dried meat less than 200-1,000 kg/per year</td></tr>
<tr><td>Fruits and vegetable processing</td><td>3.Home/small scale fruit and vegetable processing sold as a packaged (not re-used packaging) product such as jams, gliko, pickled vegetables, dried fruits, juice, compotes) (200-1,000 kg per year)</td></tr>
<tr><td>Beekeeping</td><td>3.Beekeeping (10- 50 hives)</td></tr>
<tr><td rowspan="2">Wine production</td><td>4. Wine production of more than 200 – 5000 liters</td></tr>
<tr><td>5.Rakia production more than 200 – 1000 liters</td></tr>
<tr><td rowspan="4">Accommodation and culinary services</td><td>6.Guesthouses (6 to 10 rooms)</td><td rowspan="6">Located in rural areas and basing a part of inputs from the farm and provided as a secondary activity.</td></tr>
<tr><td>7. Guesthouses (1-6 rooms)</td></tr>
<tr><td>8. Small restaurant or provision of food for visitors in house premises</td></tr>
<tr><td>9. Provision of camping and campervans space and services</td></tr>
<tr><td>Handicrafts</td><td>10. Producers of handicrafts (carpets, pottery, woodcraft, stone, etc.)</td></tr>
<tr><td>MAPs</td><td>11.Wild collection and processing of wild MAPs (wild collection)</td></tr>
<tr><td>Other activities</td><td>12. Production of nontypical products such as ornamental plants, raising of animals for leisure, and production of</td><td>Products and services identified and provided as a secondary</td></tr>
</table>

[30] European Parliament (2016). Farm diversification in the EU, https://www.europarl.europa.eu/RegData/etudes/BRIE/2016/581978/EPRS_BRI(2016)581978_EN.pdf

	renewable energy	activity
Provision of services	13. Services such as mills/repairing units for equine/metal workers for repairing agriculture equipment	Farm space and residence are used.

Source: The review is also based on EU Rural Development Program (RDP) classification measures 311, 312, and 313.

Primary data collection followed the inception report, using two main instruments:

1. Semi-structured interviews with 30 key stakeholders selected using snowball sampling. These interviews provided valuable insight on prominent trends, main constraints, and potential interventions required for enhancing sectors' potentials related to diversification.
   Regarding VC experts and sector actors' interviews, notes were analyzed using qualitative content analysis techniques, to sum up, the most relevant and exciting topics. Results of each consultation were summarized and incorporated into the study report to better illustrate specific key points.
2. A structured survey was carried out with 137 staff members of Public Extension services to collect regional level data on some relevant indicators (see Table 1.3). Data such as number of sub-sector operators, business potential, jobs, and future capital requirements for expanding diversification activities were collected. Standards descriptive analysis was conducted to analyze the Public Extension services agents' responses.

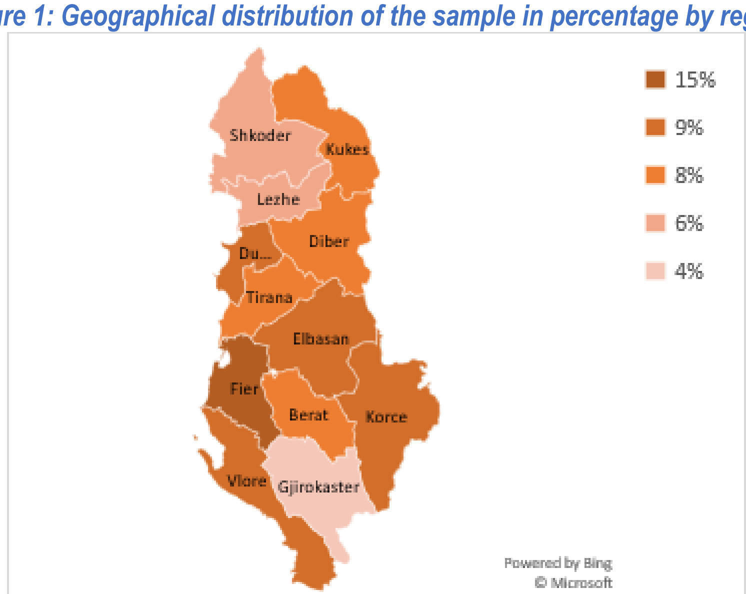
Table 1.3: Socio-demographic characteristics of the sample (diversification)

Gender	n	%	Age	n	%
Male	98	72%	<30	8	6%
Female	39	28%	31-40	9	7%
Total	137	100%	41-50	12	9%
			51-60	83	61%
			61<	25	18%
			Total	137	100%

Source: MARD structured extension survey for diversification (2021)

The sample geographical distribution is provided below (see Figure 1). Fieri region is represented by 15% (21 interviews) of the sample, followed by Elbasan, Korca, Vlora, and Durres with 9%, and other regions each by less than 9% of the total sample.

Figure 1: Geographical distribution of the sample in percentage by regions



Source: MARD structured extension survey for diversification

1.4 Institutional, legal, and budgetary policy support for the diversification

1.4.1. Institutional and legal framework

Rural diversification has been referred at the National Strategy for Development and Integration (2015-2020), the Intersectoral Strategy for Agriculture and Rural Development (2014-2020) and National Strategy for Sustainable Tourism Development (NSSTD). ISARD 2014-2020 highlights two measures relevant to economic diversification: Measure 4 (Quality schemes for agricultural products and foodstuff) and Measure 10 (Farm diversification and business development). NSSTD 2019-2023[31] highlights the importance of skills development in supporting rural tourism.[32]

The concept of agritourism was mentioned in the tourism law (article 4 of this Law), which defines agritourism.[33] Specific initiatives in terms of the regulations and development programs were carried in recent years, such as the following:

i. Integrated Program for Rural Development (IPRD) is known as the '100 Villages' program.[34] IPRD program is based on Decision of the Council of Ministers (DCM) No. 21, date 12.1.2018. Three different priorities were defined in this program, namely: (1) the creation of Albanian agritourism network, (2) the creation of the incubator network of traditional products, (3) the creation of the network of brands/shops of Albanian and traditional products. The National Agency for Territory Planning (NATP) oversees the IPRD implementation.
ii. DCM No. 730 of 20 October 2016 approved the Regulation on the Conditions, Criteria, Tariffs, Terms, and Procedures for Classification of the Accommodation Structures, including relevant types of agritourism such as a guest house, hostel, camping, etc. This legal component determines the minimal requirement that these entities should adhere to.[35]
iii. Several DCMs formulated in 2018[36] and revised in 2019[37], guided by Tourism Law,[38] provide the main criteria for agritourism activities and the certification procedure (the so-called "Certified Agritourism entity") to those entities fulfilling requirements, for a period up to five years, based on an Inter-ministerial Commission (Box 1). Ministry of Tourism and Environment (MoTE) has started certifying Agritourism businesses. The Ministry of Agriculture and Rural Development (MARD), through the Albanian Rural Development Agency (ARDA), is in financing Agritourism projects.
iv. The certified agritourism entities (DCM criteria No. 22 of 12 January 2018), as well as other tourism entities, are benefiting since 2019 from fiscal incentives[39] which include lower Value Added Tax (VAT) tax (6 % instead of 20%) for the provision of accommodation and restaurant services (except for beverages), lower corporate income tax (from 15% to 5%), as well as exclusion from the tax on infrastructure for 'agritourism subjects'.[40]

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[31] https://turizmi.gov.al/wp-content/uploads/2019/12/National-Tourism-Strategy-2019-2023-EN.pdf, Last accessed on 11 April 2020.

[32] In tourism, the goal is to establish a regulatory and institutional framework for developing vocational education and qualifications and training human resources engaged in the sector (goal 2.2. p.18).

[33] According to 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. "Agritourism" is the hosting activity performed in a farm or some other agricultural entity to attract visitors, often enabling them to participate in agricultural activities or other aiding activities performed in that rural environment. "Sustainable tourism" means that kind of tourism meets tourists' needs, hosting communities, tourist entrepreneurship, local and central decision-makers by managing tourism resources, and preserving the constant economic, social, cultural, and environmental assets. Hence, they remain as attractive as they were in the past and establish possibilities for tourism development in the future.

[34] The list of the 100 villages: https://bujqesia.gov.al/wp-content/uploads/2018/03/Aneksi_18_Lista_e_100_fshatrave.pdf, Last accessed 11 April 2020.

[35] http://planifikimi.gov.al/index.php?eID=dumpFile&t=f&f=4508&token=00586b53869066923fd0c960bdf7b74974d558a5

[36] DCM No. 22, date 12.1.2018 “on the approval of the certification criteria for Agritourism activities”.

[37] DCM No. 566, Date of Act: 31.07.2019, Date of Approval: 31.07.2019, Official Gazette No. 114, Page: 8573

[38] Law No. 93/2015 “for Tourism”

[39] Law No. 40/2018 of 09 July 2018 on amendments to the Law No. 92/2014 on VAT (amended)

[40] Law No. 41/2018 of 09 July 2018 on amendments to the Law No. 9632 of 30 October 2006 on Local Taxes System, amended Act 27)

v. The General National Spatial Plan (GNSP) considers a coherent approach for developing tourism and harmonization with other economic activities in terms of spatial planning for the period 2015 – 2030. A list of GNSP areas of national importance, which have special significance for agritourism, has been drafted[41].

vi. Also, various local government strategies highlight agritourism as an essential activity (in the context of local economic development)[42] for development. Few Municipalities provide local tax reliefs for start-ups engaged in these activities. Additional tax reliefs have been approved during the year following the COVID-19 pandemic.

Box 1: Principles and criteria for agritourism activities in Albania

Main principles

2.1. Agritourism, as a unique form of rural tourism, is oriented towards the use of local tourism resources and aims to promote alternative models of development of tourism products, promotion of agricultural / livestock production, development of rural areas, and the creation of new markets for agricultural / livestock products.

2.2. Agritourism must offer at the same time farming (agricultural/livestock), accommodation service, food, and recreational activities.

2.3. The hosting activity takes place on agricultural / livestock farms, which offer activities related to farming/livestock production, but without harming the environment. The involvement of visitors in farm-related activities should be for entertainment, education, or environment protection purposes.

Criteria for certification of receiving activity as "agritourism"

4. Agritourism, as an activity, should be developed minimally in one of the following farms:

a) Agricultural farms, which have at least 1 ha of land planted with crops;

b) Livestock farms, which breed at least ten head of cattle or 100 heads of sheep/goats or 200 heads of poultry;

c) Agricultural units, which have as activity the processing of agricultural products, livestock, aquaculture and that meet the criteria provided in point 6 and letters "a" and "b" of this point, provided in chapter II".

Source: DCM No. 566, Date of Act: 31.07.2019, Date of Approval: 31.07.2019, Official Gazette No. 114, Page: 8573

The leading institutions involved in promoting rural tourism in Albania are ranked below.

MARD is responsible for developing and implementing rural development strategies and issues related to the quality and safety of food. A dependent agency of MARD, ARDA[43] operates as a payment agency under the auspices of the MARD to manage the funds of the state budget for support scheme measures in agriculture and rural development, including rural tourism. The National Food Authority (NFA) is the competent authority for inspection functions and for management at the national level of food safety and consumer protection, plant protection, and animal health. Considering the terms of reference of this institution, NFA is a crucial institution to determine the criteria, standards, and application of food safety provisions in tourism units and small farms. In some cases, there are overlapping responsibilities with the Institute of Public Health (Ministry of Health and Social Protection).

MoTE is the Ministry responsible for the formulation of a legal framework for tourism development, the relevant planning and development process, support for regional administration and tourism organization at national, regional, and local levels, and implementation of the tourism policies. It is also responsible for environmental policies and the sustainable management of natural resources, the sustainable use of resources, and the assessment of the environmental impact of tourism. The MoTE has several dependent institutions, which according to interviews with experts, often have overlapping responsibilities. The Albanian National Tourism Agency (NTA) is a dependent Ministry institution established to promote tourism. The National Coastal Agency (NCA) is another public legal entity responsible for protecting and tracking the development of the Albanian coastal areas. Also, the Commission for Standardization of Tourism Activities was established for the certification of tourism activities. A Private Sector Advisory Committee for Tourism is designated as an advisory body for the tourism sector.

The Ministry of Finance and Economy (MoFE) is an important institution for tourism development, focused mainly on budgeting and fiscal policies. The Albanian Investment Development Agency (AIDA) is focused on the promotion of Albania as an investment destination. The MoFE responsibilities include also the coordination and monitoring of

[41] SWG (2020). Economic Diversification policies and Rural Tourism in SEE, available at http://seerural.org/wp-content/uploads/2020/11/Economic_diversification_policies_and_rural_tourism_in_SEE_2020.pdf

[42] As regulated at Point 8.1 of DCM No. 22, date 12.1.2018, "on the approval of the certification criteria for Agritourism activities".

[43] It was established by DCM No. 1443 on 31 October 2008 to establish the Agency for Rural Development.

the vocational education system. The Ministry of Education, Sport and Youth is the institution that implements the government policies for education and scientific research (except for the vocational education).

Universities are the entities providing education on tourism. The Agriculture University of Tirana (AUT) has a curriculum with a specific focus on rural tourism and agritourism development. Another study program on tourism at the University of Tirana has a generalist focus, while "Aleksander Moisiu," University offers a study program on Hotel-Tourism Management. Some other private Universities offer similar study programs.

The Ministry of Infrastructure and Energy is responsible for improving public infrastructure and investment in new tourist routes, maritime development, and civil aviation transport. *The National Agency for Territory Planning (NATP)* oversees the IPRD program implementation, wherein agritourism is one of its essential pillars. However, recently this agency is not so active in relation to agritourism development.

The Ministry of Culture contributes to enhancing cultural heritage and fostering tourism components through the Institute of Monuments of Culture. The responsibility is to enable and enforce legislation concerning cultural heritage monuments and the management of national archaeological parks and museums.

At the local level, **Municipalities** are responsible for promoting economic activities related to tourism through fiscal instruments as well as municipality services oriented to entrepreneurship, local resource management, infrastructure and agriculture, and rural development. Article 19 of the Tourism law emphasizes the role of local governments as regulators of tourism activities.

1.4.2. Policy support

This section presents policy support provided for the sub-sectors related to diversification activities with a special focus on tourism. Regarding policy support provided to the MAPs, Aquaculture, Fruits and vegetable, and wine sub-sectors, refer to Sector studies[44].

ARDPF financing

ISARD 2014-2020 is transposed in the action plan. The annual action plan provides the framework for prioritizing the ARDPF. The ARDFP, during recent years, has been implementing various policies to boost diversification. Support for beekeeping activity, snail breeding, and organic certification of areas planted (mainly MAPs) represent some of the measures promoting diversification.

In 2018, agritourism has been included in the national support schemes of MARD. During 2018- 2020, the governmental support schemes, offered support for the establishment or reconstruction of premises for rural tourism activities such as guesthouses (from 6 to 10 rooms), to the tune of 50% of the total investment costs, but not more than 5,000,000 (five million) ALL per subject. The eligibility criterion of 6 rooms to get support for accommodation for rural tourism is considered too high to meet.[45] This threshold is the main reason for having a meager number of supported units (only four applications have been reported for the year 2020).[46]

ARDPF funding for the diversification activities during the period 2014-2020 has been approximately €4 Mln, while the support for the tourism activities has been less than €0.8 Mln.

[44] AGT & DSA (2021). MAPs Sector Study Report; AGT & DSA (2021). Forestry Sector Study Report; and AGT & DSA (2021). Fishery and aquaculture Sector Study Report.
[45] ISETN (2019). Evaluation and impact assessment of agriculture and rural development support policies in Albania, a technical report prepared for FAO.
[46] Minister for Europe and Foreign Affairs (2020). Report prepared for the EU – Albania 12th subcommittee meeting in Agriculture and Fisheries.

Table 1.4. Value of support from ARDPF in € million

Sector	2013	2014	2015	2016	2017	2018	2019
Beekeeping	0.16	0.16	0.46	0.31	0.68	0.58	0.70
Snails breeding	0.02	0.01					
Bio Certification of Farms	0.00	0.00	0.00	0.00	0.01	0.03	0.00
Establishment of incubators for traditional products in the area.						0.12	0.00
Establishment or reconstruction of environments for rural tourism activities.						0.05	0.07
Support for investments in agritourism						0.61	0.00
Total	0.18	0.17	0.47	0.31	0.69	1.38	0.77

Source: Agriculture Policy Measure (2020)

There are very few studies assessing the accessibility of the measures. The number of applicants for the measure can be seen as a proxy of accessibility. Beekeeping and other measures such as the establishment of new plantation of MAPs and support for small ruminants are the leading sub-measures with higher accessibility while application in the tourism sector, as mentioned above, are very few.

In 2018, ARDA aimed to reduce the application costs by adopting zero documentation policy. According to an impact assessment study carried in the framework of the ARDPF[47], the impact of rural diversification measures has been somewhat limited except for specific measures, mainly due to very demanding procedures and low funding, particularly for small farmers.

IPARD programme

IPARD II Program 2014 – 2020[48] provided support for agritourism and diversification under Measure 7 "Farm Diversification and Business Development" (which corresponds to Measure 10 of ISARD 2014 – 2020). The specific objectives of this measure focused on supporting investments in farm diversification and development of non-agricultural activities in selected (sub)sectors, including nature and rural tourism, alongside other related activities such as on-farm processing and direct marketing of agricultural products. Eligible expenditures are detailed in the IPARD II Program 2014 – 2020[49].

The amount of disbursements for 2018-2020 was €3.5 Mln, or 6% of the total amount. The disbursements carried during IPARD II reveal an average value of investment per unit of €250,000, except beekeeping where value is lower. During these years there have been carried 19 projects of which 11 are provided in the accommodation. Significant investments in accommodation services have been carried out in Dibër (2), Korce (2), Tirane (4), Fier (2), Gjirokaster, and Vlore.

Table 1.5. IPARD II disbursements during the period 2018-2020 in Mln ALL

SECTOR	Amount	Number of grants projects	Amount per unit
MAP	1,114,735	5	222,947
Farm tourism	3,048,194	11	277,109
Aquaculture	261,214	1	261,214
Beekeeping	31,544	1	31,544
Total	4,455,686	6.3%	

Source: Own authors elaboration based on data provided by ARDA upon request

Donor funding

[47] FAO (2019). Impact assessment of budgetary support in agriculture and rural development with focus on cattle, fruits and greenhouse sector. Report prepared by ISETN.

[48] For more detailed information, visit the link http://www.ipard.gov.al/wp-content/uploads/2019/07/2.-GfA-3-MEASURES-Narrative-English-IPARD-II-vers-2.pdf, Last accessed 11 April 2020.

[49] For more detailed information, visit the link http://www.ipard.gov.al/wp-content/uploads/2019/07/2.-GfA-3-MEASURES-Narrative-English-IPARD-II-vers-2.pdf, Last accessed 11 April 2020.

Considering the national and international financing provided for tourism and diversification activities in rural areas, the overall budgetary support to the sector during 2013-2020 is estimated to be around €25-€30 Mln. This figure includes donor-funded projects related to the development of the MAPs industry (with particular focus on wild-grown MAPs harvesting) and promoting handicraft and other short VC sectors.

During the period 2014-2018, various donors have been financing the agritourism and diversification activities. Germany and Denmark have cooperated in establishing a program of agricultural support, Support to Agriculture and Rural Economic Development (SARED).

Since 2019, the GIZ project on "Sustainable Rural Development"[50] has been implemented, which is expected to last four years. The project has two relevant components – tourism (under which also falls rural tourism) and agriculture (under which falls agritourism). Several activities have been implemented, such as study tours abroad, support for local, territorial products festivals, etc. The project is still ongoing and is finalized in 2022.

Italian cooperation projects in tourism have been implemented in the southwest and northwest areas of the country through CESVI and VIS organization (€5 Mln[51]). Other projects promoted public-private partnership, such as the project "Multi-stakeholder approach to rural and cultural tourism management". Also, examples of environmental-friendly tourism development have been built in the framework of the project "Tourism and environmental development of Permet area and its products".

USAID and SIDA have been actively involved in supporting agritourism. It is noteworthy to mention the Tourism Investment and Finance Fund (TIFF)[52] funded by USAID and SIDA during 2016 – 2020 (the level of support is about US$1.4 Mln). Program intervention areas include: a) equity and business advisory services, b) partnerships with central and local government, and c) education and training. Also, D2T has funded US$1 Mln based on the cooperation of USAID and SIDA, implemented by ALCDF[53]. The project supported the development of market eco-friendly, natural, cultural, agritourism attractions, improving traditional guesthouses and villages in the region of Dibra. D2T project has provided support of up to €15,000 per guesthouse. USAID CEED – Agritourism Albania Project[54] about US$0.7 Million. The project supports the creation of agritourism business models through supporting investments and through technical assistance.

Swiss Development Cooperation is present (in the agritourism sector) through Risi Albania, a component on agriculture and another on tourism. The project has supported the implementation of local festivals (related to local food products and tourism) and is supporting farms (financial and technical assistance) to engage in tourism while introducing the concept of "Alberghi Diffusi", relying on Italian expertise[55].

Financing from UNDP and EU were mainly focused on promoting eco-friendly activities, women entrepreneurship, and handicrafts. A significant part of these projects was focused on capacity building and coaching and partial support for small investments.

A particular focus in the recent three years is provided to vocational education and training. For example, the agritourism profile was developed with the assistance of the Italian Cooperation[56]. The profile is offered to agriculture

[50] For more detailed information, visit the link https://www.giz.de/en/worldwide/82937.html

[51] For more detailed information, visit the link https://openaid.aics.gov.it/en/iati-activity/XM-DAC-6-4-010956-01-3

[52] https://www.usaid.gov/albania/news-information/fact-sheets/fact-sheet-tourism-investment-and-finance-fund, Last accessed 11 April 2020.

[53] https://www.alcdf.org/d2t, Last accessed 11 April 2020.

[54] https://www.usaid.gov/albania/news-information/fact-sheets/fact-sheet-agritourism-albania, Last accessed 11 April 2020.

[55] https://www.alberghidiffusi.it/?lang=en , Last accessed 11 April 2020.

[56] Rakip Kryeziu school in Fier closely collaborates with AICS funded project "Vocational Education and Training through Innovation" to establish a multifunctional center and a new financing model where the school can generate income by engaging directly in food processing in cooperation with the private sector. Hilppert (2020) documents another case of the Mihal Shahini school in Cerrik (Elbasan), where new programs in agri-tourism and farm mechanization were opened with the private sector's request. Using the modern infrastructure invested with donors' contributions (VIS Albania and Save the Children), the school also serves as a potential research center in the sector.

students targeting those who aspire to work in agritourism enterprises of their families or their area. In Tourism, the Austrian government-financed program in vocational education. Donors also support private training centers, e.g., Tourism and Hospitality Academy offering Bar, Mixology, Restaurant, Front Desk, food management, hotelier, hospitality business management.57 Small private training centers offer courses in smaller cities (e.g., Qendra Leta Berat), especially in the kitchen.

Other projects also aim to study the existing potentials, resources, and networks and support these components' enhancement. Within the CrossBorderOL Project, the Agricultural University of Tirana and the Urban Research Institute realized 3 Community Maps for the areas; Ndroq, Marikaj, and Preza, as the three pilot areas of Albania, mainly in regions with centuries-old olive trees. The project developed an awareness-raising component about their cultural heritage associated with the traditional culture of olive, activating a process of setting local development strategies. Other projects have aimed for promoting wine routes and olive oil routes[58], farm routes[59] and registration of Geographical Indication (GI) products[60].

57 See https://hat.al/kurse-ne-auditor/

58 http://wineroad.al/ supported by Ministry of Tourism and Environment and Regional Development Agency Tirana in 2018.

59 The project "Farm-Tour: Development of Agritourism in Northern Albania and Eastern Montenegro", financed by the EU under the IPA Cross Border Cooperation Program Albania-Montenegro.

60 Three products supported for the registration are supported by the BiodivBalkans project Conservation and valorisation of biodiversity for sustainable rural development in the Balkan mountain.

2. SERVICES SUB-SECTOR: AGRITOURISM, LEISURE ACTIVITIES AND OTHER SERVICES PROVIDED RURAL AREAS

2.1. Sector importance

Tourism (accommodation and food provision) accounted around 6.5% of the GVA in 2017, contributing to around €4 billion[61]. The overall growth rate of the accommodation and food service sector has largely increased in recent years. The growth rate in 2018 was higher than other services (more than 14%).[62]

INSTAT input-output tables show that 65% of the overall value of the tourism industry is composed by domestic inputs. Agriculture, forestry, and hunting subsectors, especially the food and drinks industry, are fundamental sources of origin of inputs for tourism activities (agriculture and agri-processing make up to 15% and 41% of intermediate consumption, respectively)[63].

Accommodation and food provision services have a crucial effect on employment. The employment multiplier of accommodation and food provision service sector is 1.35 (the third in rank among all industries), meaning that any investments which creates one job in the industry would contribute to an increase with 35% of employment for all the economy[64]. Similarly, the extension survey[65] shows that according to extension specialists, the number of jobs created for one typical investment is potentially, on average, from 4 to 5 people employed per investment.

2.2. Demand and supply patterns

This chapter describes the major production trends, structure, actors, distribution, and supply chains in the tourism sector in 2015-2019.

2.2.1. Supply of services

Service suppliers' trend

The total number of enterprises related to tourism in Albania is 1,372 entities (Figure 2). The number of accommodation units has increased during recent years. However, there is no information provided on the location status of these units due to a lack of statistical definition of rural areas. In 2019, the records show that there are 17 thousand entities, which is similar to 2013. These trends show a consolidation of the sector, partly also due to formalization.

[61] INSTAT (2018). GDP estimated through the production method, available at http://www.instat.gov.al/al/temat/ekonomi-dhe-financ%C3%AB/llogarit%C3%AB-komb%C3%ABtare-gdp/#tab2

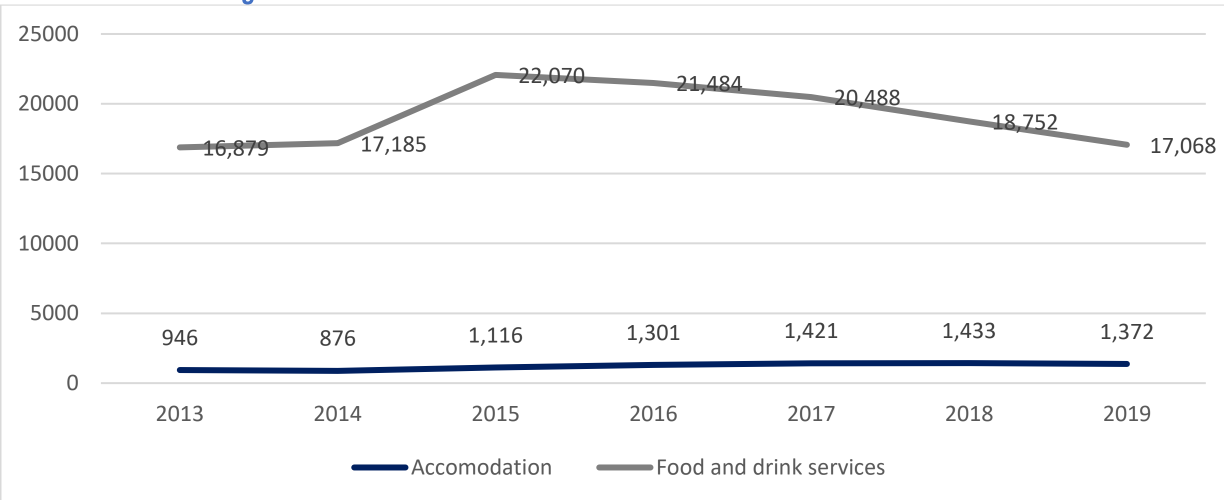
[62] Similar trends have been identified in comparative studies conducted by World Travel & Tourism Council (WTTC) in 2019: the total contribution by travel and tourism to GDP was €2.91 Milliard (from €1.9 Milliard in 2015) or 21.2% of the total contribution in GDP. Over the last five years, 1 in 4 new jobs was created by Travel and Tourism with 254.300 jobs, 11.3% lower when compared to the previous year.

[63] INSTAT (2019). http://www.instat.gov.al/media/4281/5-zhvillimi-i-tabelave-te-burim-perdorimeve-dhe-input-output-ne-shqiperi.pdf

[64] Lico (2019). Development of supply, use of inputs outputs tables in Albania, http://www.instat.gov.al/media/4564/5-development-of-supply-use-input-output.pdf

[65] MARD (2021). Survey on diversification activities, organized by DSA Albania and AGT in cooperation with MARD extension experts.

Figure 2. Number of accommodation units and food and drink services



Source: INSTAT (2020)

A significant part of these enterprises (more than 80%) have 1 to 4 employees who have a monthly average gross wage smaller than the Albanian average (estimated at €425)[66]. Considering the national trends recorded by the Register of Enterprises, there is a slight consolidation happening in recent years; a reduced number of enterprises and a slight increase in the share of enterprises having more than four workers.

Table 2.1. Number of entities in accommodation and food provision

Economic Activity	Total	Distribution by number of workers			
		1-4	5-9	10-49	50+
Accommodation and food 2014	18,061	17,121	709	207	24
Share compared to the total number of enterprises in %	16	17	13	4	2
Accommodation and food 2015	23,186	20,965	1,690	503	28
Share compared to the total number of enterprises in %	15	15	21	8	2
Accommodation and food 2016	22,785	20,470	1,757	523	35
Share compared to the total number of enterprises in %	14	14	23	9	2
Accommodation and food 2017	21,909	19,330	1,880	648	51
Share compared to the total number of enterprises in %	13	13	23	10	3
Accommodation and food 2018	20,185	17,455	1,923	756	51
Share compared to the total number of enterprises in %	12	12	23	11	3
Accommodation and food 2019	18,440	15,819	1,758	794	69
Share compared to the total number of enterprises in %	11	11	21	11	3

Source: INSTAT (2020)

The consolidation trend is also reflected in terms of business performance. The capacity, in terms of beds places available has increased to 38,000[67]. In 2019, the number of accommodation units increased by 6%, while the number of bedrooms and bed places increased by 10.2% and by 11.8%. Moreover, the number of overnight spent increased by 5.8% while, the overall room utilization rate increased by ten percentage points (26.5% in 2019 compared to 17.5% a year earlier). Nevertheless, we assume that this capacity is still strongly underestimated due to many non-registered businesses.

The existing number of certified agritourism accommodation entities in Albania is meager (Table 2.2). However, no comparison can be made since the number of total accommodation units in rural areas and the room capacity is not

[66] INSTAT (2020). Business register statistics, available at http://www.instat.gov.al/en/themes/industry-trade-and-services/business-register/#tab2
[67] INSTAT (2020). Tourism in figures, 2019, available at http://www.instat.gov.al/media/5551/tourism-in-figures-eng.pdf

known. As mentioned, the INSTAT does not record numbers based on location due to a missing statistical definition for rural areas.

Table 2.2: Number of certified agritourism operators[68]

Year	Certified agritourism operators
2014	12
2015	16
2016	12
2017	14
2018	17
2019	23

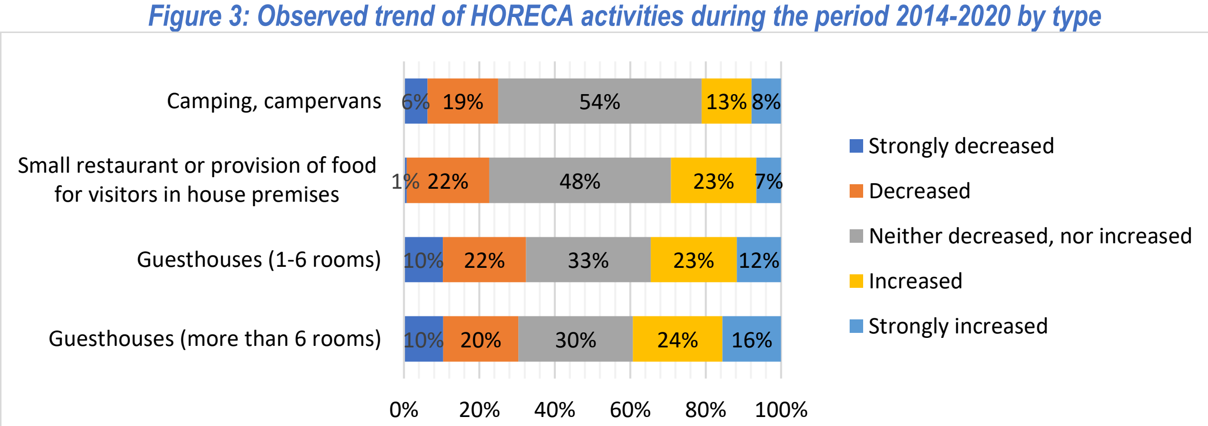
Source: MARD (2021)

The number of entities that are providing accommodation services in rural areas is much higher than the certified ones. Figures in 2012 revealed 624 entities providing accommodation[69]. A review of 2019 estimated that there are more than 300 guesthouses and 100 agritourism operators in Albania[70]. The MARD diversification extension survey (2021) identifies approximately 660 accommodation units in rural areas comparable with the Census of Agriculture Holdings, 2012. Slightly more than 40% of these entities have between 6 and 10 rooms.

The MARD diversification extension survey (2021) also shows that more than 1200 entities are providing food services in rural areas. Moreover, the number of entities providing services for repairing agriculture machinery and equipment is approximately 870. Considering the density of other non-agriculture services per predominantly rural administrative units such as playgrounds, sports, recreational centers, hairdressing salons, is estimated that there are more than 1,200 units providing other services in rural Albania.

During the last seven years, the number of entities providing accommodation and food services in rural areas has been stagnating; meanwhile, almost 1/3 of extension service officers declare an increasing number of such businesses in rural Albania.[71] Differences in extension staff views reflect different regional patterns.

Figure 3: Observed trend of HORECA activities during the period 2014-2020 by type

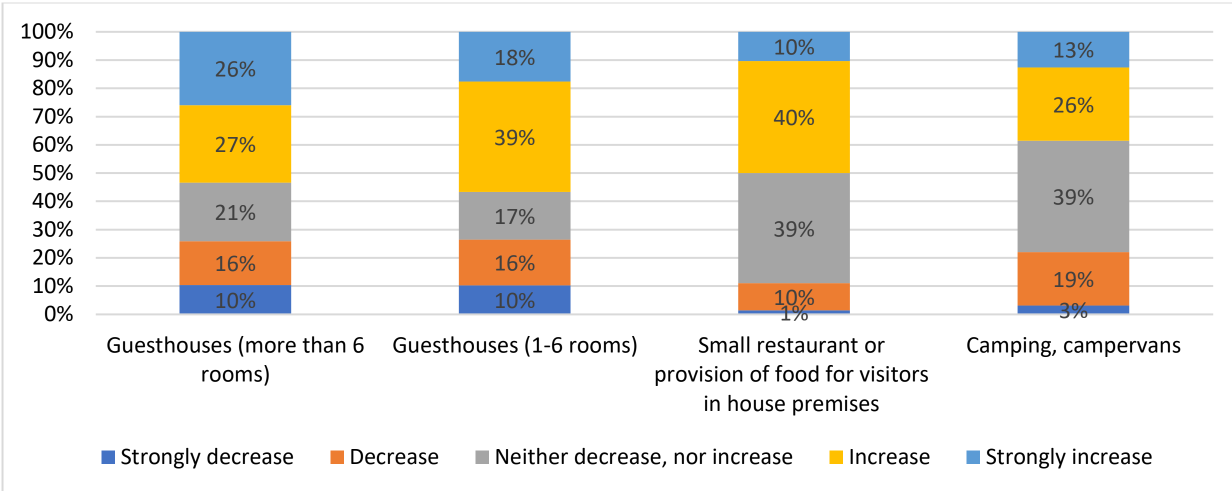


Source: Author elaboration based on MARD Extension Services Survey (2021)

In terms of the expected trend for the period 2021-2027, MARD diversification extension survey (2021) results show the number of these services will increase. As highlighted above, differences in extension staff views reflect different regional patterns.

Figure 4: The expected trend of HORECA services during the period 2014-2020 by type

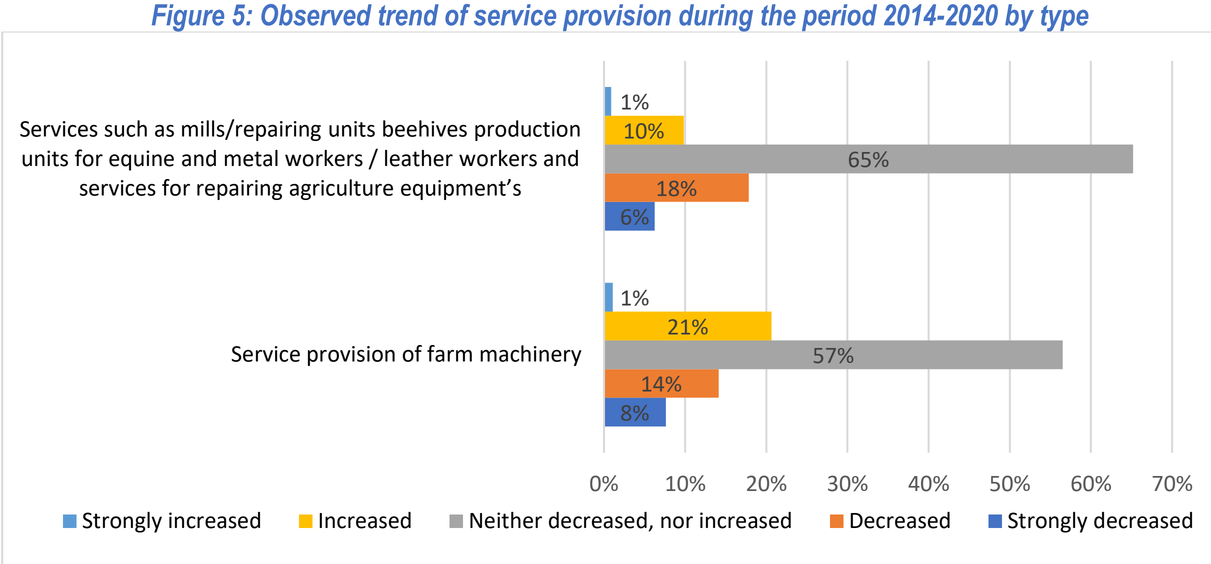
[68] https://ata.gov.al/2018/08/30/agroturizmi-2018-u-katerfishua-numri/, Last accessed 9 April 2020
[69] (Census of Agriculture Holdings, 2012)
[70] AASF (2019). A technical study prepared for EBRD AASF.
[71] According to the MARD survey (2021)



Source: Author elaboration based on MARD Extension Services Survey (2021)

According to MARD diversification extension survey (2021), the number of activities linked with repairing and mechanical services has been stagnating during the last seven years, which means the observed trend has neither decreased nor increased, meantime less than 1/3 of extension service officers declare an increasing trend. The survey reveals different regional patterns.

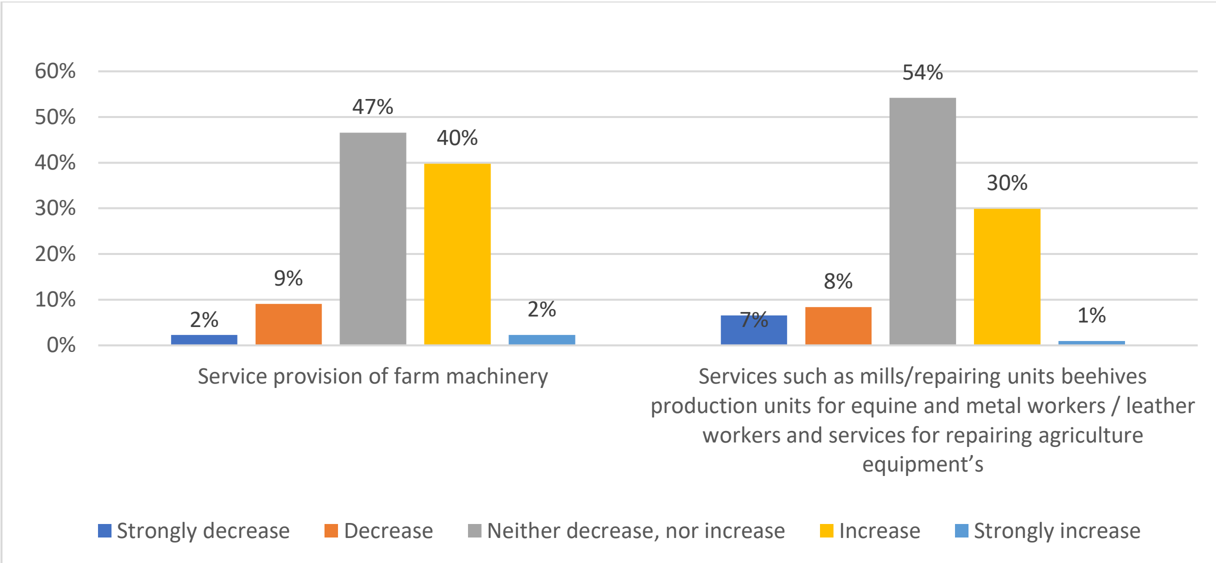
Figure 5: Observed trend of service provision during the period 2014-2020 by type



Source: Author elaboration based on MARD Extension Services Survey (2021)

In terms of the following seven years (the expected trend for the period 2021-2027), results show that more than 30% of extensionists officers expect an increased number of mechanical work and repairing equipment in agriculture.

Figure 6: The expected trend of service providers during the period 2014-2020 by type



Source: Author elaboration based on MARD Extension Services Survey (2021)

The existing business models

Development in the rural tourism sector, as revealed by surveys and records of visitors, is driven by growing demand from both Albanian and international visitors. Hence, investment in new accommodation services in these areas highlights increased demand during the last years. Not surprisingly, according to interviews carried with operators, the provision of accommodation, food, and beverages, constitutes the backbone of the revenue model adopted by many firms in this sector. Other services usually represent a small part of income for these enterprises.

Accommodation services contribute to a large extent to the turnover and, more importantly, profit margins of all guesthouses and small hotels. With an average of €8-€10 per bed (in average €30 per room), accommodations contribute to around 40% of turnover and more than 60% of profit margins.[72] Thus, it comes as no surprise that the main focus of guest houses, small hotels, and even camping accommodation services is to expand capacity.

Another service commonly offered by guesthouses is the provision of food and beverages. For some actors, this constitutes a source of competitive advantage. For example, wineries in the Berat area or local pasta producers in the Dibra region attract their customers by advertising their unique products. As argued by Mr. Fiska or Mrs. Nurollari, respectively, owners of the Alpeta and Nurollari guesthouses and winery, the whole guesthouse business started after consolidating the main products (e.g., wine, raki, and other alcoholic beverages). Similarly, a renowned producer of jufka (a type of pasta), Dashurie Zere, build the guesthouse 'Shtepia e Jufkave' after consolidating the jufka business. Hence, the development of these businesses is driven and sustained by the unique products they produce. However, despite differences, a noteworthy trend emerges - the more remote the company's area is, the more focus is on providing accommodation services. The minimum revenues per person in food and drinks provision is €8 and an average value is less than €15 (observations and interviews with operators). In rural areas near large cities, large food provision units target an elite price of €20-€35 per person (Uka Farm in Tirane or Castello Bello in Perlat-Durres). In mountainous areas frequently full board (sleep and food) of €30 per person.

Rural tourism is also promoting direct farm sales. Major part of own farm processing oriented to market is also very important for guesthouses and food provision services. The interview entities provide number counting from 20 to 400 units depending on the size. For instance, accommodation units with 3-6 rooms provide also food services with less than 20 tables and explain that number of farmers serving with direct sales is more than 20. Large

[72] Estimations made by the authors based on interviews.

accommodation units in Voskopoja, Zadrima and Vlora mention large number of farms providing meat, dairy and eggs as well as fresh and pickled vegetables, olive oil, fruits, teas and herbs as well as honey and forestry products (see the next sections on other diversification activities which are partly related to agritourism).

Large agri-tourism enterprises that used to operate in the restaurant business, such as Mrizi i Zanave near Fishte village (see box below), in the Lezha region, and other similar enterprises nearby the main cities of the country (e.g., Hylli i Drites, Voskopoja and Dardhe restaurants as well as Coastal areas of Durres) are now expanding their range of services. For instance, Hotel Gjuetia in Ishull Lezhe provides ring-necked pheasant dishes and grow ring-necked pheasant since more than 3 decades. Few other guesthouses in the area provide bikes for rent or kayaks (Interview with Manager of Rambuje Hotel). Kallbaqi Farm (Interview with Fatmir Kallbaqi), Kodra e Kuajve and Grand Albanik in Ballaban (Interview with Elona Bejo) also provide horse riding upon request. The later does rent it from other farmers. In areas near inland lakes and natural parks such as Kuna Vain, Prespe and Belshi lakes restaurants provides fishing sports for visitors. Pioneers in these areas are experimenting degustation (Shehi Winery), harvest festivals (Cobo winery in Berat) and even inclusion in farm plantation. Garden/nursery tours is provided for children in Blerina farm in Tirana. WOOF-ing is provided in Mrizi i Zanave (see Box 2).

In contrast with the business model adopted by some large restaurants and guesthouses nearby large cities, accommodation services in more remote areas are broadening the variety of services offered to their customers or are collaborating with specific service providers to do so. The main objective is to extend the number of overnights spent by visitors and get extra value for such services. Usually, additional value is created by designing tailored tours for hikers (see box below) or serving as local guides (e.g., hotel 'Korabi' in Radomire)[73] providing equipment such as canoes (Bujtina Blini i Gurit te Lekes)[74] or offering the opportunity to engage in farming operations, fishing, and canoeing (e.g., Alpeta in Rushnik).[75]

Another trend is the expansion of services in other entities which have main activity the production of wine, olive oil or dairy. For instance, many small wineries have invested or are currently investing in establishing degustation rooms (Interview with Bello winery, Dama Winery, etc.) or even restaurants (interviews with Vila Shehi Winery, Duka Winery). Moreover, dairy producers, wine producers and olive oil are investing in establishing accommodation or providing camping and degustation areas (interview with Veleciku and Shehi Winery). Therefore, there exist a trend of interchange if positions, which reflect an increasing demand for diversification in rural areas.

Before the hunting moratoria (still in force), sportive hunting service was provided. Currently, such activities are formally strictly forbidden. Therefore, tourism entities in National protection Areas are upgrading theirs services providing bird watching, wild animal distance visiting as well as exploration of other components of fauna, flora and natural monuments (caves, waterfalls, lakes, etc.). Olive routes and wine routes, although not entirely explored, are being provided as a part of tour packages. A route of transhumance is promoted through 100 village in few Pilot areas and a map of mountainous shepherd huts location welcoming visitors is being promoted through the application Agrotime.al[76].

Box 2: Mrizi i Zanave - a restaurant and now, a producer of traditional and innovative processed food and a guesthouse

"Mrizi i Zanave" is a unique restaurant located in Albania's Northwest area in Fishta village (Lezha region). The restaurant serves traditional dishes such as lamb, roasted veal, fish, home-made goat cheese, goat cooked in milk, fig jam, wild plum, walnut, marmalade, and a high diversity of home-made fruit and vegetable processed products. Raw materials are purchased mostly in the surrounding areas. The restaurant applies standards of Slow Food.

"Mrizi i Zanave" is a family business, but it collaborates with 40 rural households for raw materials. The restaurant produces

[73] Interview with Haxhi Hima, owner of Hotel 'Korabi', Radomire, Diber.

[74] Petrit Qeta, owner of Bujtina 'Blini i Gurit te Lekes', Shosh, Shkoder.

[75] Interview with Petrit Fiska, Alpeta winery, and guesthouse, Roshnik, Berat.

[76] Go to https://agrotourism.gov.al/tours/

much of vegetables from 2.5 ha of land situated nearby and owned by the family. The owners have invested in the processing of food too. The first investment in a small workshop that produces different types of jams and compotes was followed by another one in a small dairy. The small dairy produces a variety of cheeses. Some are very innovative. Aromatic plant, pepper, and other ingredients are added during the production process. Some types of cheese are stored for long periods. Currently, the winery is accomplished with a large stock capacity.

Part of the produce is used in the restaurant. The rest is sold within the premises of the restaurant in a small selling area. Prices are reasonable, and the business appears to be very successful. Due to pandemic, direct sales through online sales and two established shops (semi-franchise model) is implemented successfully.

After the renovation of an old building, "Mrizi i Zanave" provides accommodation services to its customers. Other investments such as a train for children and other toys aim to deliver additional entertainment to the visitors. Farm visiting, educational activities and harvest festivals are also carried. In 2020 WOOF-ing is experimented by inviting young people from urban areas.

It appears that this drive to innovation but also the preservation of tradition has had excellent results. The restaurant, guesthouse, and producer of traditional food has become a household name in Albania. Furthermore, international visitors are very much attracted by this mix of products and services offered by "Mrizi i Zanave." The activities provide a spillover effect also due to a innovative promotion of local resources of by the management. During the pandemic, in order to reduce blockage of sales in goatkids, poultry and other products the management promoted to customers through video and photos the contacts and characteristics of supplier products using social media.

Source: Elaborated by authors based on observations and interviews with restaurant and guesthouse manager Zef Prenga.

The existing business model offers strong pressure to the operators in using savings for further investments. Operators state that savings are usually used to expand and renovate the guesthouses and other premises. There is a high need for credit with soft interests in order to overcome financial gaps. The flow of incomes is linked with seasonality and the interventions, as far as climate allows, are made in short time (usually springtime). Construction regulation and permits requirements are a cost that reduces the willingness to invest.

One additional challenge for the existing business models is the allocation of working load. Working load for women and men in the agritourism sector is specifically different from other activities presented in the other sectors. The working load in the peak season is very high. Observations made and interviews with operators (Lucie Dragu -Guest House Tome Dragu and Justina Grisha -Guest House Bjeshket e Nemura) reveal a dramatic rise of working hours (frequently more than 18). Relation with customers and preparation of food is challenging considering that a house in Lepushe (Malesi e Madhe) or Voskopoje (Korce) and Prespa (Korce) can be visited (if having an open restaurant for visitors) even by 100-150 person per day. Key factor for the performance and division of working load is the presence of youngsters (not only from the family but also kinship) and the hired labor (mostly seasonally).

Agritourism location and other characteristics

The performance of agritourism units is depended by type of location, existence of clusters as well as size. On regards to location major part of agritourism units are created in proximity (not very near) to natural habitats and usually established in owned land, benefited from land reform. A small but increasing number are purchasing land or renting in land for expanding type of services. There is a new generation of agritourism units leaded by well-educated managers which base family business with innovative interventions in terms of culinary services and accommodation (Table 2.3).

Table 2.3: Emerging Trends in Albania Agritourism

	Besra (2018) [77]	Domi et al. (2020)[78]
Model	Vast majority are small farms, some isolated family-run enterprises that tend to be self-financed. Many have on- site restaurants that sell products processed on site.	Cheap destination, picturesque landscapes, slow-food, and local cuisine, history, music and dance culture. The average farm size is roughly 7.3 ha, which is higher than the average for Albanian farms (1.2ha), a part based on land rental.
Owner and management	Businessmen and chef with hotel management experience. Rare farm-run agritourism enterprises. Lack of trained chef in some farmhouses. Lack of guides and agriculturists (Exception wine)	The educational background of entrepreneurs is mostly on economy, agriculture, tourism, and biotechnology.
Core of Business	Mostly local food enthusiast. Few foreign tourists through personal travel agency networks.	Mostly small, isolated enterprises established based on self-financing (returned migrants) and managed by family and kinship members. Accommodation also offers food in small restaurants based on partially supplied farm to table mode. Mostly products are not branded (except wine).
Setting	Location with a picturesque view with no tourist attractions nearby. Year-round farming. Farm to table restaurant (with signature cuisines). Available on farm processed food. Mostly small scale and consumed in restaurants. Most products not branded and sold, except wine. Absence on farm markets or consortiums.	Most farms are located less than 30 km away from an urban area with at least 50,000 inhabitants. In addition, 10 of the 11 farms reported being located less than 9 km from a highway.
Marketing and branding	Strong word of mouth. Good use of social media and news medium. No brand "agritourism" yet. Agritourism lacks a common theme and marketing across countries that could serve as markets. No exclusive agritourism website or information portal, but individual website exists.	No exclusive agritourism websites or information portal (locally or nationally) There are only private accounts with online access (e.g., Facebook, Instagram etc.)

Women contribution in the agritourism activities

Rural women are directly involved in all production of products and provision of services. Men usually maintain relations with customers. Moreover, they deeply engage agriculture activities (in summer there are a series of works to carry such as irrigation, pasture harvesting, etc.) as well as purchase of products from other villagers. For instance, in mountainous areas of Lepushe as well as Voskopoje, guesthouse base their products also on raw material purchased (bilberry from pastures, sage, teas, honey, meat from ready slaughtered small ruminants and cattle)[79]. Women are mostly engaged in cooking, preparing the tables, keeping cleaned the rooms and other premises. They equally share works nearby the house such as animal care and milking. In some areas women are engaged also in serving, which is in major cases a men task. Vast majority of family business of accommodation make use of rented labor for preparing the accommodation (women), preparing food products (women) and for serving the food (mostly men). Most of the cases, children assist them in cooking and serving food to customers. During the period outside the peak season, hired labor is not necessary but again weekends are busy due to high number of visitors.

Future patterns of agritourism development

[77] Besra, N. (2018). Agritourism in Albania, trends, constrains and recommendations, Center for International Development at Harvard University; available at
https://albania.growthlab.cid.harvard.edu/files/albaniagrowthlab/files/besra_agritourism_2018.pdf.

[78] Domi, S. Dobi, P. & Bardhi, R. (2020). Agritourism development in Albania-Case of Malësi e Madhe, Belesh and Korça regions, Position paper, Provided upon request.

[79] Zhllima, E. (2021). Gender analyses of selected value chains, Report for GIZ SRD project.

The current business models adopted by many businesses in agritourism requires new investments to increase capacity; many operators state that almost all savings are usually used to expand and renovate the guesthouses and other premises. There is a high need for credit to address the need for new investments.

In recent years, there are two types of business models being adopted by entrepreneurs. One is agritourism, more dominant in hilly and mountainous areas of eastern Albania. In some inner areas emerging recently as important tourism destinations[80] such as Kelmend, Rushnik, Lure[81], etc., most of the food served by local accommodation and food services is produced locally. Many tourism family businesses argue that more than 70-80% of the food is made by the family or purchased from neighbors. It appears that farming and animal breeding continues to be an important activity for these families despite the considerable income from tourism (see box 3 below). However, while rural tourism units consolidate, they move away from the agritourism business model and gradually transform into a primary accommodation and food provision service. In some areas, farming and breeding activities are fading away among families that own guesthouses. In regions with developed tourism sector such as Valbona and Thethi[82], Voskopoja, as well as Coastal areas this trend is becoming the norm.

Box 3. Bujtina Dragu an agri-business case

The guesthouse Dragu in the Kelmendi region is a family business created in 2007. The family comprises four members who live during the whole year in Lepushe, a small, picturesque village near the border with Montenegro. The guesthouse has six bedrooms, one large kitchen, a dining room, and four bathrooms.

The family owns 4 hectares of agricultural land and 1 hectare of pastures, and a plum orchard. Also, it holds 15 sheep, three cows, two pigs, and 20 chickens. The family produces most of the food for family consumption, and the food is served to visitors also (around 70%). For instance, the family produces annually about 300 kg of feta cheese, 210 kg of sheep meat, 300 kg of pig meat, 50 kilograms of beans, 5 tons of potatoes, 1 ton of onions, 2 tons of raki, 30 kilograms of blueberry jam, and other products such as carrots, tomatoes.

Besides the food produced for self-consumption, which is rarely sold, the family's primary sources of income are the two pensions and tourism. The average number of visitors per week is between 20-30 for 3 to 4 months. All visitors pay an average of 3500 ALL for a full-board package.

Guesthouse Dragu represents the typical agri-tourism business that builds its competitive advantage on local, fresh food and hospitality. Moreover, the guesthouse has vast potential for other activities. On the farm, there is a functional traditional mill. Farm animals, a short distance to pastures and forests, and the interlinkage with different tourism routes offer massive potential for other activities.

Source: Elaborated by authors

The trend of agglomeration of accommodation units in rural areas brings up advantages and disadvantages. One disadvantage is the copy-cat practices which happens when an early start-up in accommodation and food provision is quickly copied by later investors, who cut into the profitability of the first mover to a point where the investment no longer pays off[83]. In areas like Voskopoje, Theth, or Tushemisht, this effect might affect the upcoming operators and decrease returns for the existing ones. In other areas such as Gramsh, Diber, Kukes (except Valbona valley), and Librazhd, the problem is not the high concentration of operators but the lack of a critical mass of operators. For instance, in some areas[84] there is felt a need for new entrants, which can increase service capacities and diversity

[80] These areas are renowned for their tourist attractions; however, the number of visitors was scarce due to a lack of accommodation and food services.
[81] Interview with Hamit Salkurti, Konaku Guesthouse owner, Peshkopi, and Dali Horeshka, a local expert in the Dibra region.
[82] Interview with Gentian Mema, head of the Tourism Department at the Municipality of Shkoder.
[83] Which is also noted in Besra, N. (2018). Agritourism in Albania, trends, constrains and recommendations, Center for International Development at Harvard University; available at https://albania.growthlab.cid.harvard.edu/files/albaniagrowthlab/files/besra_agritourism_2018.pdf.
[84] interview with Grand Albanik representative Elona Bejo

the offer. The case of Zadrima, Permeti, and Kelmendi areas are rather good examples to be followed. The number of operators is right, neither to many nor too few.

Camping and other accommodation services

There are around 60 camping accommodation providers all over the country[85]. Some of these accommodation services adopt a similar business model to guesthouses. The rent for camping space constitutes a large part of their income, followed by food provision. For example, Lake Shkodra resort offers lodges, small huts, large bell tents and even tree houses.[86] Similarly, Farma Sotira offers bungalow or cabins, in addition to renting space for camping.[87] Agritourism Paja plans to offer a camping site and to establish small huts for accommodation. However, depending on local attractions, these enterprises provide various other services, such as boat tours, hiking, canoeing, horse riding, and other services.

The construction of camping accommodation and small huts (average investments are €15,000 per hut and more than €20,000 per camping site) is considered a viable solution for guesthouses that lack traditional accommodation capacity. It is becoming almost a norm in famous mountainous destinations such as Thethi or Valbona for a local guesthouse to rent camping space.[88] Similarly, in areas near the lake of Ohri, camping accommodation increases villages' accommodation capacity, such as Lin.[89] Thus, camping accommodation is expected to expand, especially near the Adriatic and Ionian coastline, nearby the lakes of Shkoder, Ohri, and Prespa, and in many mountainous areas.

The role of other specialized tourism service providers

There are 46 tour operators and 154 travel agencies operating in Albania, distributed in different cities. In the year 2019 there were 252 certified guides operating, of which: 137 national, 61 local, 53 special specialty, and one honor. The association of tour operators and travel agencies (ATOA) accounts for 16 members, including some of the most renowned businesses in this sector.[90] However, there are much more informal operators in the tourism sector. The sectors appear to be booming recently.

Tour operators, travel agencies and other service providers are supporting the tourism development in many rural and semi-rural areas. Also, efficient logistics and the presence of local tour guides motivate many visitors to use their services. Hence, despite the relatively high prices they charge (around €80 to €100 per visitor per day)[91] their role in adventure and eco-tourism development is fundamental. The primary services offered to visitors are hiking, rafting, river hiking, kayaking, off-road tours, caravan mule, and cave exploration.[92] Caravan horse riding in Gjirokaster offers long exploration tours of rural areas to passionate horse riders.[93]

These service providers sometimes act as tour operators carrying out all the operations from producing and promoting tourism products, identifying Albanian and international tourist groups, and organizing logistics. However, many collaborate with local accommodation and food services. The transactions are based on simple seasonal contractual arrangements using fees according to categories of services (food included or not, bed and breakfast or full-board, additional services offered for visitors, etc.). However, there is intense pressure from travel agencies to

[85] MARD (2021). Survey on diversification activities, organized by DSA Albania in cooperation with MARD extension experts.
[86] https://www.lakeshkodraresort.com
[87] https://www.farmasotira.com/
[88] Interview with Roza Rupa, Rupa guesthouse, Thethe, Shkoder.
[89] Interview with Kreshnik Leza, Lin, Pogradec.
[90] https://www.facebook.com/notes/647292852268745/
[91] Interview with Drini Xhafa, tour guide.
[92] https://www.albrafting.org/
[93] https://horseridingalbania.com/

lower prices. Hence, many guesthouse owners are not very much inclined to collaborate with them.[94] They prefer to target customers using other means such as personal networks, online platforms, and social media.

Tour operators and travel agencies' tourism packages are well-designed. For example, many promote 5, 7, 8, or 11-day trips in the itinerary called "peaks of the Balkans" that include at least three Balkan countries (Montenegro, Albania, Kosovo).

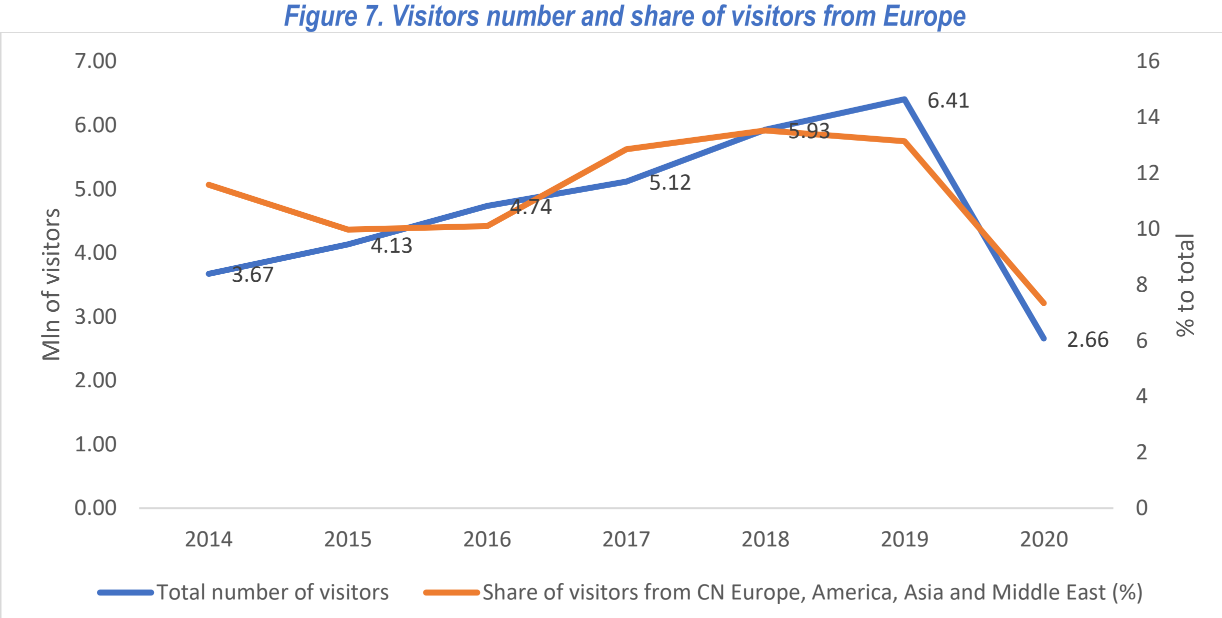
As mentioned, the role of travel agencies and tour operators is becoming more critical. The period after the COVID-19 pandemic showed the potential of these operators to adjust and innovate. Analysis of tourism packages promoted in social media or other web-based platforms indicates that the variety of packages and new destinations and attractions targeting different market segments is growing. Hence, this category of tourism services is crucial to design effective policies that aim to enlarge the map of tourism destinations, increase the number of visitors, and contribute to the sector's development.

2.2.2. Demand for services

Main trends of demand

Albania has a solid potential for tourism considering the internal resources as well as its strategic location. The country is easily accessible with Italy, Greece and Montenegro which are strong nodes of tourism. Flight's network and airport infrastructure is improved. Due to its geographic position in the European continent, most visitors are from Europe (91% of the visitors). However, the majority are visitors from Kosovo and North Macedonia (12% of the total), Greece (8% of the total), and Italy (9% of the total)[95].

Figure 7. Visitors number and share of visitors from Europe



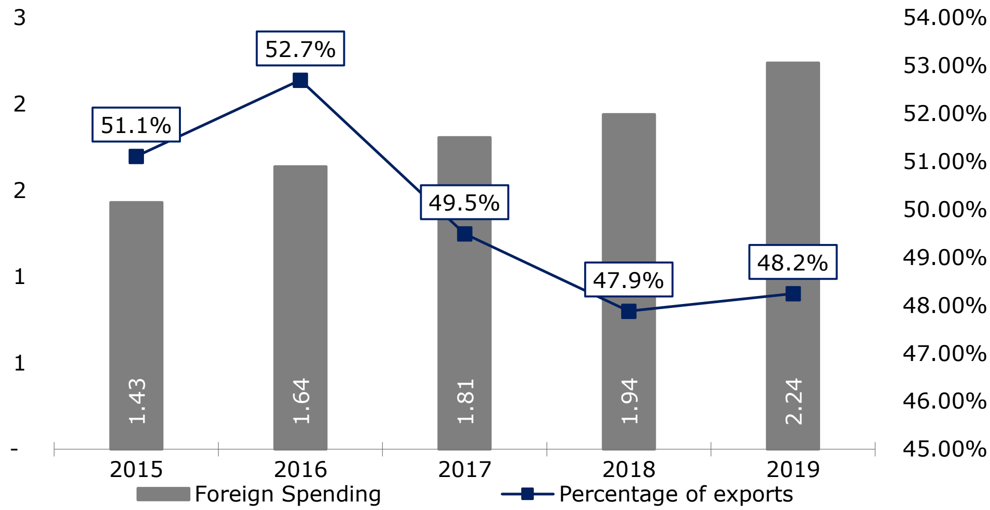
Source: Own authors elaboration based on INSTAT (2020)

The demand for tourism services has doubled compared to 2013, while a sharp reduction happened in 2020 due to the pandemic crisis. The level of tourist spending is increasing in amount and as a percentage of GDP. Money spent by foreign visitors to Albania (or visitor exports) is a critical component of direct travel and tourism contribution, which amounted to around €2.24 Milliard in 2019[96]. Total spending is approximately 8% of GDP. Leisure spending –

94 Interview with several guesthouse owners.
95 WTTC (2021). Albania 2020, Annual research key highlights, available at https://wttc.org/Research/Economic-Impact
96 WTTC (2021). Albania 2020, Annual research key highlights, available at https://wttc.org/Research/Economic-Impact

including inbound and domestic – generated at €2.3 Milliard or 6.8% of total GDP, compared to €0.7 Milliard 2.1% of total GDP generated by business spending. Half of the value of the tourism industry is based on exports (foreign customers) [97][98].

Figure 8: Share of tourism exports and value of spending during the period 2015-2019 (in € billion)



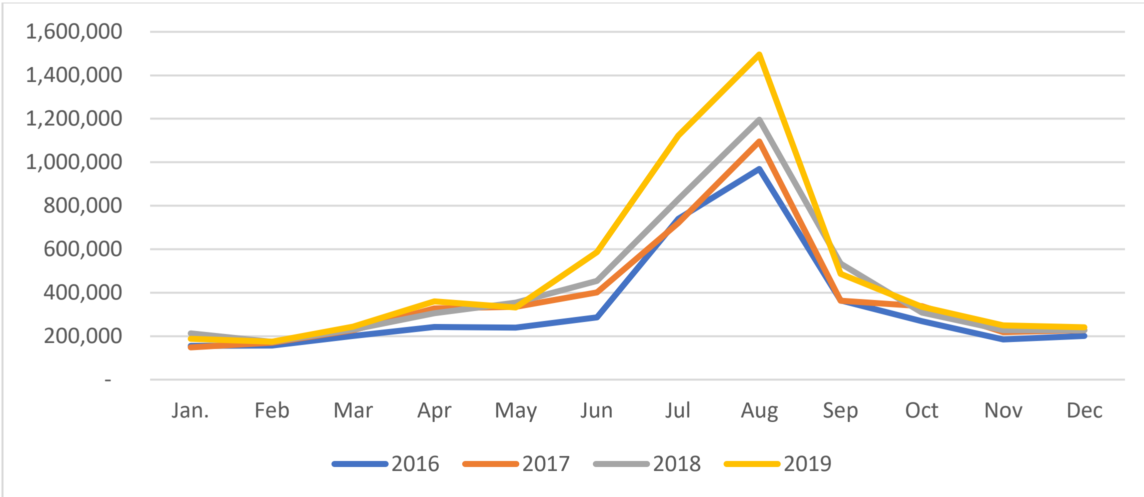
Source: WTTC (2020)

Due to the solid demand of residents and non-residents ethnic Albanians, the largest portfolio of services is yet focused on sun and sand tourism. The southern area of the country attracts more than 45% of the tourism arrivals, with sun and sand tourism accounting for up to 60%.[99] However, there are positive trends for other types of tourism activities.

However, there is a concentration tendency of visitors along the summer period. The figure below shows the yearly and monthly dynamics of visits from foreign visitors in Albania – as it can be noted, there is a high concentration of visits around summer.

Figure 9: Holidays and visiting family/relatives by period

[97] INSTAT (2018). GDP estimated through the method of production.
[98] WTTC (2021). Albania 2020, Annual research key highlights, available at https://wttc.org/Research/Economic-Impact and INSTAT (2018). GDP estimated through the method of production.
[99] INSTAT (2020). Tourism in figures, 2019.



Source: INSTAT (2020)

Pandemic influence in the demand

The average length of stay is increasing, partly due to improved connectivity of touristic areas (inner and intra connectivity) and expanded tourism services. The average length of stay is comparable to those of Croatia and Montenegro (4.95 days).

The pandemic crisis highly affected the tourism sector[100]. Trends revealed that the fact that the mountainous tourism is more vulnerable compared to sun and sand tourism. The number of non-resident visitors decreased by 60% (much less for resident visitors, which was 9.2%), while the number of visitors in the Coastal Areas increased by 25.7%.

The interviews with sector actors show that the number of Albanian visitors in rural areas is increasing. However, the number of overnights and the total money spent has decreased.[101] The national trends analysis reveals similar findings.[102] The flow of tourism in mountainous areas has been reduced during the working days, except the weekends. A reduced consumption of agricultural products (wine 40%), other agriculture products (10-20%), as well services (transport, construction, energy, health, etc.) has also been noticed.

Operators' overall expectations are positive. Despite an existing short-term uncertainty, the long-term market uncertainty is very low for overall sector[103]. Similar statements were collected in field interviews with agritourism and small guesthouse owners. Despite the drop in visitor numbers in 2020 due to the coronavirus pandemic and the hardship that it produced for many tourism operators, many entrepreneurs in this sector are optimistic about the industry's future. This optimism might be linked to the previous year's trend during which eco-tourism and adventure tourism boomed in Albania. The prevalent perception is that the sector will continue to grow. As a result, almost all interviewed operators are planning new investments and preparing for the next season. Tourism experts and tour guides corroborate such expectations while being more cautious about 2021.[104]

Market segments

100 According to the Investment Council survey (2020), approximately 75% of the tourism entities closed their activities during the Pandemic. Moreover, tourism operators declare that the number of foreign visitors is reduced by 90%. The first month of the pandemic also brought a shortage of liquidity and an inability to pay taxes and wages.

101 Interviews with accommodation managers and tour operators

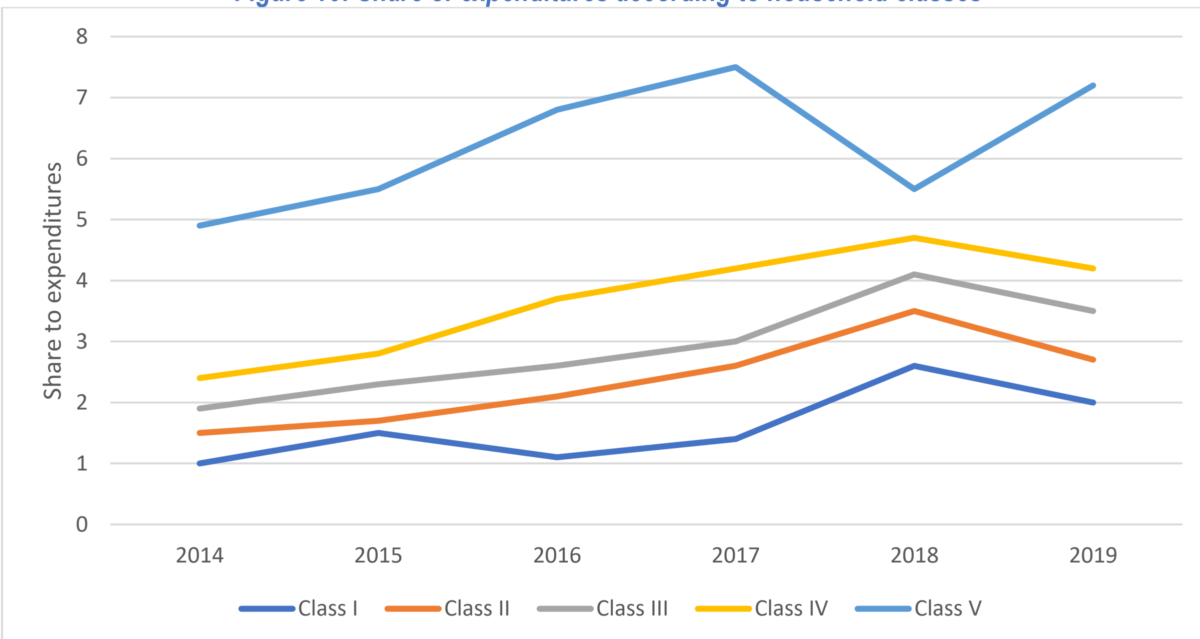
102 According to INSTAT, during the third quarter of 2020, the utilization rate of "Hotels and similar accommodation" rooms is 19.2%, compared to 38.2% in the third quarter of 2019. The utilization rate of beds of "Hotels and similar accommodation" is 18.4%, compared to 43.4% in the third quarter of 2019.

103 https://www2.deloitte.com/al/en/pages/risk/articles/risks-and-preparedness.html

104 Interview with Gentian Mema, head of the Tourism Department at the Municipality of Shkoder.

The consumption trend for tourism services in Albania has been increasing. All income categories have increase in their expenditure for tourism services, except for the upper income individuals. Household Budget Survey data[105] show that the upper-income individuals (upper quintile classes of domestic population) spent 5-7% of their monthly budget on hotels and restaurants. The rest of the categories spent on average 4% of their budget. Compared with other classes of expenditures, this is comparable with expenditures for education or health.

Figure 10: Share of expenditures according to household classes



Source: INSTAT, HBS (2015-2020)

Although national figures show a concentration of foreign and resident tourist in coastal areas, there is an increasing share of visitors visiting other destinations. While in inner mountainous areas, foreign tourists represent around 70-80% of the total number of visitors[106], the Albanian visitor numbers of guesthouses are growing steadily. During the Covid-19 pandemic and the travel restrictions that followed, many Albanians searched for some escape from cities and started visiting rural areas in great numbers. At the same time, travel agencies began promoting tourism packages targeting the domestic market. As a result, the domestic market segment is growing. Also, there is a change in the behavior of these customers. Most people still prefer short daily trips in nearby cities. There is a growing number of picking weekends or even longer trips to more remote areas. In overall, there is an increase of number of yearly occupancy rate during 2020. Pandemics has temporarily changed the portfolio. A lower share of foreign visitors in this area, caused a reduction of yearly revenues (based on interview with guesthouse operators).

Albanian customers are usually families, young couples that want to spend a weekend to enjoy trekking, the local gastronomy, and other activities. Although many are self-organized, a considerable portion is organized by travel agencies and tour operators.[107] In some areas such as Korce, the number of Albanian visitors is much higher than internationals.[108] Tourism in this area is not seasonal as in many other regions of the country.

[105] INSTAT (2015-2020)
[106] Interview Haxhi Hima, Hotel Korabi, Radomire, Duleman Gjana Bujtina Gjana, Ujmisht, Roza Rupa, Rupa Guesthouse Theth and many others.
[107] Interview with Paulin and Zef Nilaj, Guesthouse Lepusha, Lepushe, Malesia e Madhe.
[108] Interview with Eglon Kondura, public relations, communication specialist at the National Agency of Protected Areas, and Albana Cule, CNVP local advisor.

A further segmentation of market can be carried using field research data and observations, such as country of origin, age, destination preferences and visitors' activity. Using a country-of-origin segmentation, the primary market of local guesthouses, small hotels, and camping in rural areas appear to be foreign visitors comprising Europeans, Americans, South Asians, and even Australians.[109] As expected, the larger part of visitors comprises Europeans with Eastern Europeans (mainly Poles, Czechs), Germans, and visitors from Scandinavian countries leading the list. Specific areas attract more visitors from a particular nationality than others. For example, many Poles visit the guesthouses in the Dibra region.[110] Similarly, many German and French tourists visit Farma Sotira in Germenj.[111] The reason is related mainly to the type of activities these groups are interested in more.

Using age and activity segmentation, it is possible to identify differences between various regions of the country. Groups of young backpackers represent the main category of tourists interested in hiking.[112] They visit the inner areas of the country, mostly in weekends or in summertime, mainly guided by operators[113].This segment is interested in adventure and eco-tourism, usually visiting its inner, mountainous areas, especially the Albanian Alps, with Valbona, Thethi, Korabi, and Kelmend, perhaps, being the most visited areas.

Families or mixed groups of different ages, second group after youngsters, are interested in making short travels nearby to accommodation area for exploring nature and engage in hiking, trekking and other less physically demanding activities. Families and mixed groups also interested in local gastronomy and the historical heritage of Albania. Hence, many of them visit Berati and Permet, renowned for their naturalistic destinations and local cuisine, especially wine production. The provision of traditional food and beverages is one of the demand drivers that partially explain hotels and guesthouses' success in these areas (e.g., Rushnik and Fushe-Peshtan[114]).

Using activity segmentation, trekking, hiking,[115] biking,[116] bird watching,[117] kayaking and canoeing,[118] rafting,[119] swimming in rivers and lakes off-road motorcycling represent the main activities conducted by tourist in the rural area ('sun and sand' tourism was not included in the analysis). Often such activities are combined with cultural tourism. Many Albanian and international tourists spend one or a couple of days visiting cities (e.g., Berat, Korce, Gjirokaster, Kruja, Tirana, and Shkoder), archeological sites (e.g., Apollonia, Bylis, the amphitheater in Durres, castles, and other attractions) and museums.

Using income segmentation, it appears that almost all guesthouses and hotels in rural areas have a similar clientele. However, there are some exceptions. For example, Konaku guesthouse seems to target more affluent customers with more extended vacations (5-10 days). The owner creates *ad-hoc* adventure tourism packages that include hiking and skiing.[120]. Similarly, Nurellari guesthouse attracts visitors that usually can afford higher prices and premium quality food and wine.[121]

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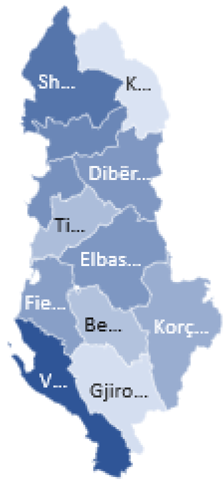
[109] Interview with Ilir Grishaj, owner of 'Bjeshket e Namura' guesthouse Lepushe, Roza Rupa, Rupa guesthouse, Theth.
[110] Interview with main actors in this area.
[111] Information obtained from the owner of Farma Sotira, Mr. Jeton Hida-
[112] Interview with Gentian Mema, head of the Tourism Department at the Municipality of Shkoder.
[113] Interview with Haxhi Hima, Hotel 'Korabi', Radomire and Kadri Bala, 'Veranda Bala,' Shistavec.
[114] Interview with Libonika Nurellari, Nurellari winery, guesthouse, Fushe-Peshtan, Berat and Petrit Fiska, Alpeta winery, and guesthouse Roshnik, Berat.
[115] Mainly in the mountainous areas of the North, Skrapar, Permet, Librazhd and Gjirokaster and the other regions too.
[116] All over the country with regions such as Belsh being preferred due to the hilly terrain.
[117] According to the national park staff, the most notorious areas are the Divjaka national park, with thousands of visitors, especially from the UK.
[118] mainly along the Buna, Shala, Vjosa, Drini river, and Ohrid and Shkodra lake.
[119] in Vjosa and Osumi river.
[120] Interview with Hamit Salkurti, owner of Konaku Guesthouse, Peshkopi.
[121] Interview with Libonika Nurollari, Nurollari shpk, Fushe-Peshtan, Berat.

2.3. Rural areas/zones with common development priorities

Estimates show that about 60% of regions have sufficient natural resources and assets to develop rural and recreation tourism. The data of farm tourism location, provided by the Census of Agriculture Holdings 2012, show that the areas with the highest concentration of businesses are those accessing the sea and internal waters (lakes, rivers). Yet recently, 50% of visitors visiting the coastal areas found accommodation in areas distant to the coast. For example, in the district of Vlora, tourists have changed their behavior. They demand sun-sea and beach tourism, but also, want to consume services in rural areas. Demand for cultural tourism is increasing also.

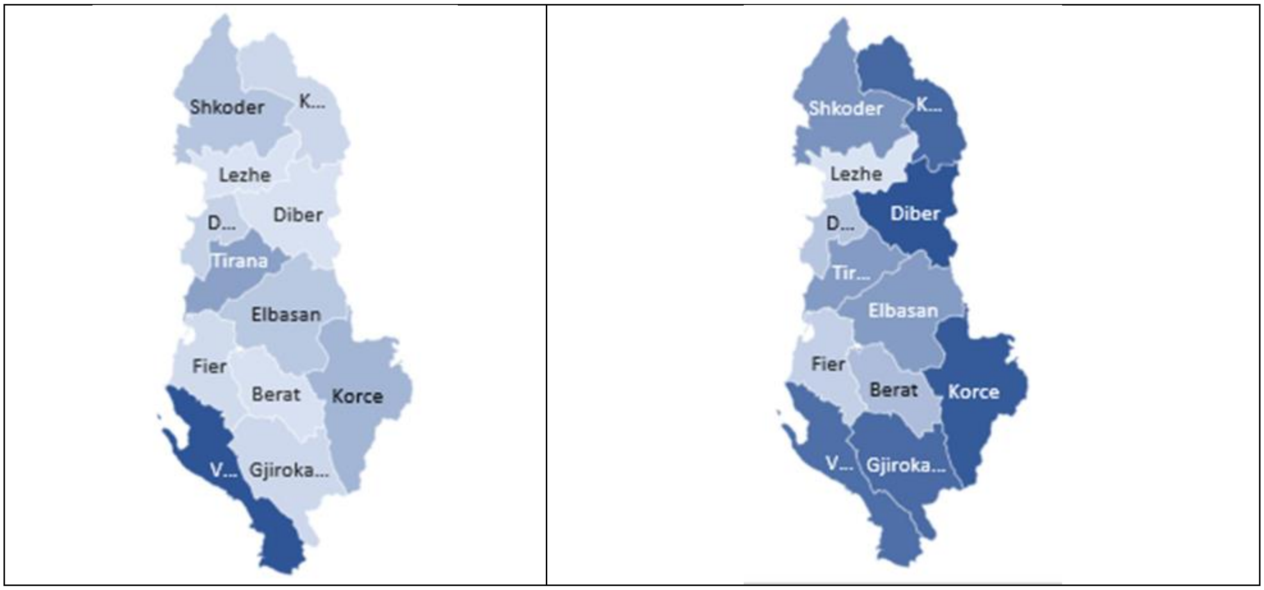
Figure 11. Farms providing tourism and accommodation services in rural Albania in 2012 (Regional distribution)



Source: INSTAT (2012)

Results obtained from the survey of extension services indicate that farms that carry out activities linked with HORECA are found in specific regions of Albania, such as Vlora, Korca, Tirana, and Shkodra (Figure 13). A combination of natural resources (such as lakes, trans-border national park, hiking trails around the mountain villages) such as those located in south east areas (Voskopoja, Vithkuq, and Dardha) or in north (in the mountainous areas of Malesia e Madhe, Diber and Kukes) provide solid potential for adventure and nature tourism (see Figure 14).

Figure 12: Distribution of typical activities of HORECA in Albania	*Figure 13: Distribution of new potential entrepreneurship offering HORECA services in rural Albania*



Source: Author elaboration based on MARD Extension Services Survey (2021)

The potential for tourism for tourism development is determined by the presence of several factors, namely natural resources, infrastructure and knowhow. Using experts' estimations of capacities (Resources, Business Environment, and Competences), data from MARD (2021), the database of the existing stock of natural and cultural monuments and combining the latter with expressed visitors' preferences based on the INSTAT 2020 survey, a multi-indicators table was created. The aim was to provide an overall score of market potentials for tourism. Based on this analysis shown in Table 2.4, the regions of Gjirokaster, Vlore, Korce, and Shkoder appear to be the top-ranking regions for the agritourism sector.

Table 2.4: Scoring of the main regions with tourism potentials

Regions	Natural monuments	Rank	Cultural monuments	Rank	Expert assessment	Rank	Visitors choice as main destination	Rank	Cumulative score (lowest the better)
Gjirokastër	106	1	212	3	4.2	1	4.4	5	2.4
Korcë	79	5	167	5	3.6	6	42.2	1	2.9
Vlorë	89	4	149	7	3.7	3	30	2	3.1
Shkodër	96	3	158	6	4.1	2	3.6	6	3.8
Tiranë	25	11	170	4	3.6	5	8.5	3	4.4
Elbasan	75	6	511	1	3.3	9	1.7	7	4.4
Berat	43	8	479	2	3.2	10	1.2	8	5.4
Dibër	98	2	66	8	3.7	4	0.7	11	5.7
Durrës	18	12	57	9	3.4	7	5.2	4	6.1
Kukës	56	7	39	11	2.7	12	0.8	10	7.8
Fier	35	9	47	10	3.4	8	0.4	12	8.2
Lezhë	34	10	30	12	3	11	1.2	9	8.2

Source: Author's elaboration

2.4. Biodiversity and environment implications

Tourism development is strongly determined by the presence of a relatively long coastal line, wide national protected areas (460,000 ha of the land or 16% of the whole territory), and high diversity of natural and cultural monuments.

Albania is subject to various climatic regions, with the coastal lowlands having typically Mediterranean weather; and the highlands having a Mediterranean-Continental climate. In both the lowlands and the interior, the weather markedly varies from North to South[122].

The eco-tourism in mountain Albania is developing at a fast pace. Tourism entities in National protection Areas (e.g., Farma Sotira) are upgrading their services, providing bird watching, wild animal distance visiting, and exploration of other components of fauna, flora, and natural monuments (caves, waterfalls, lakes, etc.). Use of olive routes and wine routes, although not entirely explored, is being provided as a part of tour packages. A trail of transhumance is promoted through the 100 villages initiative in few pilot areas. Besides, a map of mountainous shepherd hut's locations welcoming visitors is being promoted through the application Agrotime.al[123].

Most of these activities can be classified as biodiversity-based businesses, but only marginally as pro-biodiversity businesses. They use the ecosystem as the main factor for their business success. However, their contribution to preserving the ecosystem itself is meager and indirect (e.g., increased awareness of customers on the importance of maintaining the ecosystem, keeping the population in the territory, and providing agro-environmental services).

The poor utilization of natural resources is caused by different factors. First, the weak infrastructure and logistics. Moreover, inadequate public services combined with low environmental awareness and little tradition for tourism in some areas are some other hindering factors.[124] Besides, the emergence of the pollution problem harms the country's image. The rapid development and high concentration of tourism activities cause harmful effects on the natural and cultural environment.

Remedial actions and measures for mitigating the environmental harm are very limited due to lack of financial resources and inadequate local control of rural tourism activities. Poor waste management in tourist areas has been one of the critical elements of tourist complaints in rural areas. The current legal framework (Law on Environmental Protection, as the basic law, Law on Integrated Waste Management, Law on Protected Areas, Law on Biodiversity Conservation, and Law on Cultural Heritage and Museums) have not been fully effective in controlling tourism activity pressure.

At the micro-level, there is increasing attention for tourism operators to be more environmentally friendly. Negative visitors' feedback and the increasing energy costs have pressed operators to invest in central heating and energy-saving investments. It is worth mentioning that many rural tourism sector businesses are aware of the importance of cutting costs, especially utilities such as electricity. They plan to install solar panels (e.g., Guesthouse Konaku) or even small wind turbines (e.g., guesthouse Gjana). They consider these investments as a win-win strategy for both cutting costs and contributing to a better environment.

Moreover, there is a changing pattern of not promoting hunting or using living or taxidermized wild fauna species. The PPNEA (a Non-Governmental Organization (NGO)) raising awareness campaign "Wildlife photos instead of taxidermized species"[125] is one of few interventions for changing management behaviors in accommodation and food service units.

122 MARD (2013)
123 See https://agrotourism.gov.al/tours/
124 Interviews with tour providers and experts.
125 https://ppnea.org/2021/03/09/wildlife-photos-instead-of-taxidermized-species/

2.5. SWOT Analysis

Strengths

Presence of appropriate climate, natural recourses, cultural heritage, special environmental areas for developing agrotourism.

Low hotel prices despite high occupancy rates. The average price for full board service in rural areas is around €25-€30, which is among the lowest in the Balkans, comparable to Bosnia, North Macedonia, and Kosovo.

Welcoming culture. In general, inhabitants of rural areas are particularly welcoming to visitors, being Albanian or international. There is plenty of anecdotal evidence of the appreciation expressed by international visitors concerning the quality of human relations with staff.

New generation of agritourism operators is emerging. New operators base the agritourism on a typical structure of a family business and introduce innovative interventions in terms of culinary services and accommodation.

Available culinary culture and large food diversity linked with pastoralist culture. There is general attraction of the tourists on the food tradition.

Significant natural and cultural attractions and the rich cultural and historical heritage offer excursion and cultural tourism, and more intensive activities such as hiking and climbing. There are 665 natural monuments and 1936 cultural monuments in Albania, including UNESCO's presence, *protected heritage sites*. Moreover, many regions are authentic and unspoiled, making the country's rural habitat an attractive tourism brand.

Increasing range of options for low-cost investments. The construction of camping accommodation and small huts is considered a viable solution for guesthouses that lack traditional accommodation capacity. It is becoming almost a norm in famous mountainous destinations such as Thethi or Valbona for a local guesthouse to rent camping space.[126]

Strong potentials for tourism considering the internal resources and the strategic location. While the airport infrastructure is yet underdeveloped (with just one airport), traveling by car or ferry to Albania from many European countries is cheaper than other, more exotic destinations in the Near East, Caucasus, or other destinations. Moreover, tourism sites are close to each other.

Weaknesses

Limited accommodation capacity for large groups. The general constraint of the agritourism units is the usually little capital available for investing in improving premises and tourism services. The lack of capital creates limits the capacity of local entrepreneurs to expand accommodation, renovate their facilities, develop new activities such as winemaking, dairy production, and handicraft. Limited accommodation capacity impedes operators to fulfill the standards required by DCM 730, date 20.10.2016.

Remoted hard infrastructure. Lack of investment in road, electric grid, and water infrastructure represents one of the most crucial impediments to rural tourism development. Sector actors consider these infrastructures essential to further tourism development even in areas that have recently experienced an increase in the number of visitors (e.g., Albanian Alps). In some places that represent good attractive tourism destinations, the lack of all three types of infrastructure has led to depopulation on a large scale and lack of opportunities (e.g., the area of Vukel and Nikc).

Inadequate hygiene, and quality standards. Food operators in rural tourism are de jure subject of hygiene and food safety standards control, including here a self-assessment of HACCP. The AIC, 2018 has expressed high concerns related to hygiene and food safety conditions of tourism operators in rural areas.

[126] Interview with Roza Rupa, Rupa Guesthouse, Theth, Shkoder.

Inadequate awareness on quality schemes. There is little information on farmers and groups of producers on regards to quality schemes and responsible bodies for the recognition and protection of designations of origin (PDO), geographical indications (PGI), and traditional specialties guaranteed (TSG) for agricultural products and foodstuffs.

Weak surrounding logistic network of supplier. Due to emigration and population ageing there is a weak network of suppliers. Few collection centers and cold storage units are established in the mountainous areas in incubators (supported by Italian Cooperation).

High workload and weak skills development and management of human resources due to weakening social fabric in rural areas. One of the most significant constraints to tourism development in rural areas is the lack of qualified or even semi-skilled human resources. A unique analysis of 15 guest houses in Malësi e Madhe (North Shkodra) showed that to attract and maintain the clientele, both the managers and their staff need to upgrade skills in local gastronomy, mainly how to make better use of local products and improve service standards (e.g., cleaning, and providing local guides).[127]The high migration and eroding the structure of peasant communities have reduced the quality of human resources and depleted the overall social infrastructure.

Lack of web presence and promotion. Despite the considerable improvement of the small businesses' capacity to promote the company, usually via online platforms, the lack of computer literacy hinders these businesses' ability to promote themselves. A significant part of the agritourism business has a personal website and some social media presence (few even getting featured in news and travel blogs)[128]. However, the presence (and ratings) of agritourism farm stays or restaurants on popular travel websites is poor. These conditions reduce the expected benefit of tourism in rural areas.

Weak environmental awareness and low education in ecological conservation practices. The rural areas' population behavior, combined with inadequate services related to habitat preservation, is still negatively perceived. The number of hydropower plants in many regions (e.g., Tropoja valley, Shistavec area, etc.) has damaging effects on the sustainable development of agriculture and tourism in certain areas.

The number of certified accommodation entities as agritourism in Albania is yet scarce. There are 23 certified agritourism units (last update March 2020), which have already received the certification. Other potential operators can comply, however criteria of the size provided by the DCM (2019) is a limiting factor.

Fragile demand and diversification. The pandemic crisis revealed that the tourism activity is fragile both in terms of overall demand and diversification. The majority of tourism operators are located on the coast, offering accommodation and food provision services during the summer.

Limited local acceptance of tourism in some conservative communities. While visitors are usually welcomed in almost all country areas, some small communities in some inner regions are not very keen to engage in tourism activities.

The share of the market for short-stay accommodation and camping is yet not developed. Only a minor part of tourist's residents (10% of the total[129]) are based on short-stay accommodation and camping,

Attitude of VC actors to copy-cat each other. This trend creates concentration of similar offers in few sites, lack of offer in other and scarce diversification of tourism products.

Opportunities

[127] https://skillsforjobs.al/sq/publications/tryezat-vendore-te-dialogut-ofruesit-e-afp-se-takojne-sektorin-privat-4/

[128] Besra, N. (2018). Agritourism in Albania, trends, constrains and recommendations, Center for International Development at Harvard University; available at https://albania.growthlab.cid.harvard.edu/files/albaniagrowthlab/files/besra_agritourism_2018.pdf

[129] INSTAT (2020). Survey on Accommodation Establishments (2020), available at http://www.instat.gov.al/media/7332/tourism-survey-accommodation-establishments-2019.pdf

Growing international demand especially from landlocked neighboring countries. The majority of projections from INSTAT suggest a double-digit growth trend of international visitors. There is an evident tendency of all Albanians, both living in the country and abroad, in visiting rural areas of the country.

Strong presence of Albanian migrants which reside in neighboring countries and other parts of Europe and spend their vacations in Albania during the summer period. Their consumption is high and strongly linked with rural food and accommodation, since a large part of them originate from rural areas.

Relative abundance of locations suitable for rural tourism. There is potentially a considerable number of tourism location which can emerge into interesting marketing themes and tourism products that aim to extend the length of stay.

Improving accessibility due to investments in transport infrastructure. Local service providers are supporting the tourism development in many rural and semi-rural areas. Tour operators and travel agencies' tourism packages are well-designed.

Favorable fiscal policies and greater government policy attention. VAT tax in tourism has dropped to only 6% (from 20%). This fiscal incentive is significant, especially for those businesses located in semi-rural areas. However, it is not that relevant for many companies in rural areas where informality is rampant.

Government programme for rural development pivoted on rural tourism. Increased attention in supporting the sector through national support measures. IPARD II as well as the development 100 villages program has been a good opportunity for development. Due to these initiatives, there is an increased donor attention toward tourism.

The renewed attention of the Albanian government towards VET and especially tourism directions. The number of vocational schools transforming their curriculum toward tourism services is increasing. Efforts from donors and the government to accommodate the demand for education are good opportunities for triple helix cooperation.

Threats

Increasing competition from other Balkan countries. Many neighboring countries appear to be better organized and experienced in dealing with the tourism sector's challenges.

Pollution of tourism sites. Famous destinations are facing enormous challenges with pollution and waste management. The lack of investments in creating the necessary infrastructure can damage tourism development, reduce scenic spots' aesthetics, and decrease tourism's demand.

Weak institutional management of land and other immovable assets-Land rights remain an essential factor in hindering sector development. More than 50% of farmers possess no land tittles. The process will require time and is expected to keep northeast part of the country yet in extra-legality. There is a high probability that while the incentives exist through IPARD III and ARDFP scheme, very few entrepreneurs will meet the eligibility criteria.

Building spree as a threat to sustainable tourism. Construction of new hotels and guesthouses in some essential destinations such as Voskopoje, Theth, Valbona follows coastline villages and towns' trends, especially in Southern Albania. Over-construction is causing many problems in landscape, waste management, land speculation, and other similar phenomena undermining the prospects for sustainable tourism development in these areas.

High informality due to weak market surveillance. Currently, 90.2% of the farms, which are not formally registered (those who do not have a NIPT) are not paying any VAT or income tax. Policies on VAT and other taxes treatment toward agritourism are not easy to be implemented if based on a vast informal agriculture sector. Moreover, the provisions of criteria on agritourism[130] are not applied is there is not control structure in place.

[130] Law 93/2015 and modalities stipulated by the Regulation "On the Conditions, Criteria, Tariffs, Terms, and Procedures for Classification of the Accommodation Structures" as approved via DCM No.730 dated 20.10.2016

Unbalanced tourism development. The concentration of accommodation and other services in one particular village of a specific area leads to many environmental and social challenges. Because of the lack of a territorial approach to developing tourism products, even adjacent areas to a famous tourism destination are underdeveloped in many cases.

Weak financial services. The informality and lack of soft infrastructure are also maintaining a disrupted financial service in remote areas. A low number of debit/credit card transactions were identified as an issue in general in the country, specifically in touristic areas[131].

Weakening social fabric due to high rural migration. A rapid movement toward urban areas characterizes migration, and out-migration is growing at a yearly rate of 10%. This trend, combined with a lower fertility rate, has led to pessimistic projections related to the Albanian population (100 thousand people less in 2031 compared to 2020).

Rigid legal conditions for small scale agritourism. The procedure of certification "Certified agritourism operator" is offered by the Ministry of Tourism and Environment [132] in line with DCM 2018/22 "On the approval of the criteria for certification of the agritourism activity." Demand for certifying rural tourism entities is expected to be impacted negatively by the legal changes from DCM No. 566, date 31.07.2019. According to it, an entity must offer at the same time the ownership of an agricultural / livestock farm, accommodation service, food, and recreational activities.

Construction regulation and permit requirements are a cost that reduces the willingness to invest. Moreover, the credit market is not oriented to support these activities due to high perceived risks.

Table 2.5: SWOT analysis of agritourism and other services

STRENGTHS (+)	WEAKNESSES (–)
Appropriate climate, natural recourses, cultural heritage, special environmental areas for developing agrotourism. Low hotel prices despite high occupancy rates. Welcoming culture. High variability of traditional food New generation of agritourism operators emerging. Increasing range of options for low-cost investments. Increasing attention to environmental aspects (buildings and practices). Great natural and cultural attractions and the rich cultural and historical heritage	Limited accommodation capacity. Remote hard infrastructure. Inadequate safety, hygiene and quality standards. Inadequate awareness on quality schemes Weak surrounding logistic network of suppliers. Limited human resource capacity and labor shortage. Weak web presence and promotion. Weak environmental awareness and education in added value activities which are congruent with environmental conservation practices. Limited local acceptance of tourism in some conservative communities. The number of certified accommodation entities as agritourism in Albania is yet scarce. High workload, weak skills development and weak management of human resources. Fragile demand and diversification. The share of market for short stay accommodation and camping is still underdeveloped. Attitude of VC actors to copy-cat each other, creating concentration of similar offers in a few sites, lack of offer in others and scarce diversification of tourism products.
OPPORTUNITIES (+)	THREATS (–)
Growing international demand for rural tourism and adventure tourism.	Increasing competition from other Balkan countries. Pollution of tourism sites.

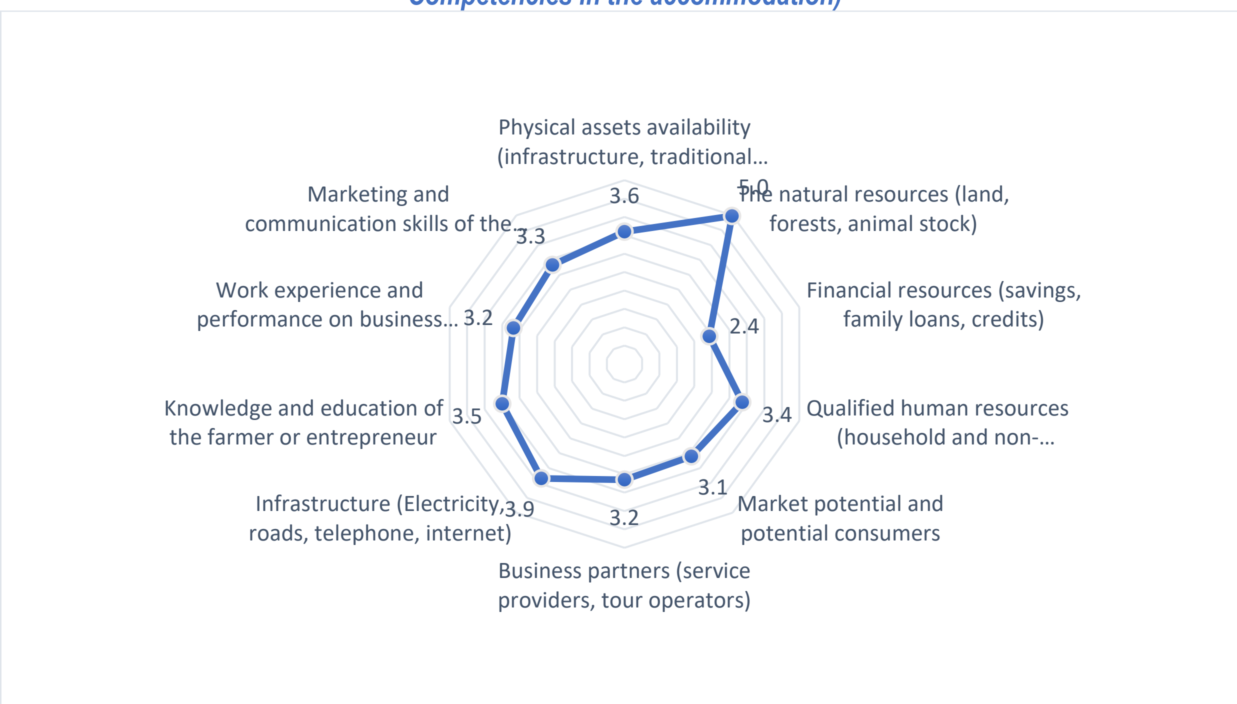
[131] AIC (2018). Technical note on formalization and competitiveness in the tourism sector, https://www.investment.com.al/wp-content/uploads/2018/11/EN-Technical-Note-Long-Version-15-10-2018.pdf
[132] http://www.mjedisi.gov.al/procedurat-e-aplikimit-dhe-te-vleresimit-per-pajisjen-me-certifikate-subjekt-i-certifikuar-agroturizmi/, Last accessed 11 April 2020.

Relative abundance of locations suitable for rural tourism. Attractive to European travelers due to its location. Growing demand from the domestic market and the large Diaspora of Albanians. Growing demand from landlocked neighboring countries. Improving accessibility due to investments in transport infrastructures. Government programme for rural development pivoted on rural tourism (100 villages, IPARD and ARDPF). The renewed attention of the Albanian government towards VET and especially tourism directions.	Weak institutional management of land and other immovable assets Building spree as a threat to sustainable tourism. High informality due to weak market surveillance. Weakening social fabric in rural areas due to high migration. Weak financial services Unbalanced tourism development. Construction regulation and permits requirements are a cost that reduces the willingness to invest. Rigid legal conditions for small scale agritourism.

2.6. Priority needs to be addressed under measure 7

Using a scoring system based on three components of the business environment (Resources, Business Environment, and Competences), we collected and analyzed the perception of extension service experts for the sector of rural tourism (Figure 14). According to the expert's opinion, the most critical elements in terms of availability in developing the industry are the i) farm assets (land, forests, animal stock), ii) infrastructure (electricity, roads, telephone, internet) and iii) location (territory) resources availability (rural infrastructures, identity, landscape, and other rural amenities). Access to financial sources and market potentials are the weakest available factors. The latter is highly influenced by the last year (strongly shocked by the pandemic).

Figure 14. The perceived business environment elements (Resources, Business Environment, and Competencies in the accommodation)



Source. MARD Survey, 2021
Note. Access to 1. Very limited ----7. Plenty

An additional challenge, especially for the small units, is the weak level of knowledge and high costs in improving safety and hygiene standards. There is a general, inadequate awareness and (unintended) non-compliance with standards, which affects negatively the food service quality. It is indispensable for tourism operators (e.g., restaurants) to ensure the quality and safety standards of raw food supplied by farms. Considering the low capacities

of advisory services and third parties inspectors (NFA), there is a need also to assist farmers and tourism operators on the food safety and quality requirements. in order to increase the value and diversity of tourism services.
The weak or even the absence of health centers in some tourism areas increases visitors' safety concerns. Health and other risks related to the harsh rural environment are not addressed at the local level, partly due to low awareness, understanding and limited resources. Infrastructure such as road, electricity, health, and overall signaling services are significant issues raised by guesthouse owners and tour operators. Solid waste collection and disposal services is scarce in major part of rural areas. The electricity grid essentially reaches all villages, but many rural households face regular power cuts, and supply problems still occur throughout Albania, creating a critical obstacle for business development, despite the improvement in the last decade.
Soft infrastructure is far from being optimal. The existing gap, combined with weakly developed hard infrastructure in some areas, reduces the value of existing tourism potentials (culinary, historical/cultural, geographical/ecological features, adventure-based amenities).

2.7. Priority investments and interventions for feasible development of agritourism and other services for the rural population

Agritourism in Albania requires a strategic combination between territorial approach and farm level approach. The farm level approach can be applied through a grant support program (as the case of IPARD and ARDPF). It can aim for upgrading structures, logistics, and surrounding environment and the development of product value in different VC stages. The territorial approach (as planned in the 100 villages program) can follow the farm level approach. In this case results are more visible and measurable in the territorial approach because the interventions can promote various products/services into marketable goods/services based on the diversity of business models identified.

2.7.1. Priority investments in farm level

Considering that only a minor part of Albanian tourist's (10% of the total)[133] prefer short-stay accommodation and camping, the agritourism offer is yet in the initial steps. A larger and diverse offer is required to be established, using the rural habitat in the areas distant to seaside.

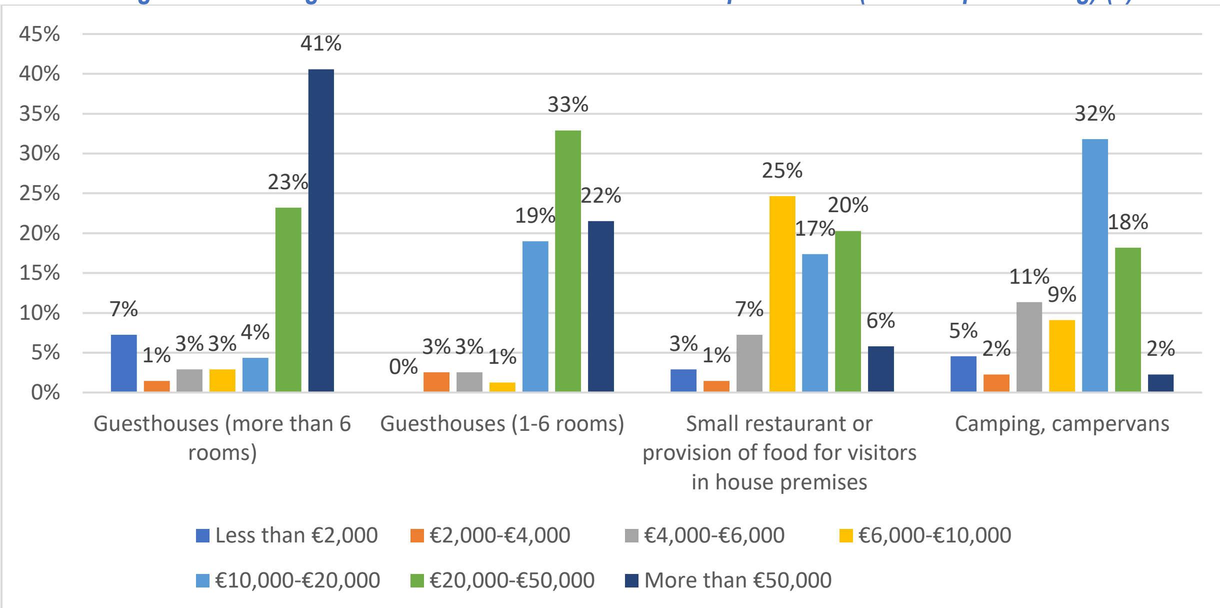
House renovation and upgrade

The main priority remains the establishment and renovation of agritourism units to increase visitors' number and meet the requirements in terms of conditions, food safety, and hygiene as required by law as explained earlier. Intervention to increase capacities of the guesthouse, improve conditions (renovate heating systems and toilets, insulate the house and renovate windows), expand and renovate kitchen and storage area, invest in energy resources, etc. would increase the staying time and improve visitors' experiences. The main concern is to increase investments in the number of rooms. Some are already doing so (for example Alpeta in Rushnik, guesthouse Bjeshket e Namura, Lepusha, and Dragu in Lepushe, guesthouse Konaku, in Peshkopi) or are planning to do so (Hotel Korabi in Radomire). A small group is either renting other facilities or is attempting to buy local traditional houses to increase accommodation capacities (e.g., Winery and Guesthouse Nurollari, Fushe-Peshtan Berat). Others plan to combine conventional and camping accommodation can be used for handling larger groups of visitors[134].

According to extensionists' opinions, the average value of start-up investment in agritourism activities as a diversification activity could vary between €10,000 to €50,000, but possibly also more than €50,000, especially for the case of guesthouses with more than six rooms (see the following figure).

[133] Survey on Accommodation Establishments (2020)
[134] Interview with Mr. Sabri Shahini and Hamit Salkurti

Figure 15: Average value of the investment for start-up activities (on-farm processing) (€)



Source: Author elaboration based on MARD Extension Services Survey (2021)

The minimum investment costs for establishing thorough reconstruction (only surrounding walls are maintained, the rest is entirely rebuilt) of a traditional house altering it into a guest house vary between €200 to €350 per m^2 (interviews with guesthouse owners). Costs for project design and the construction permit are included. The average costs per m^2 is circa €280 costs for reconstruction of traditional house for two rooms, two toilets, kitchen, and staying area, in total 150 m^2 (where only surrounding walls are used)[135]. Light reconstruction and refurbishment of a village house would require an investment of €150 per m^2.

Feasible investment in optimal conditions for maintaining a yearly income for two persons and part-time employed is to renovate a guesthouse, an area optimal for three rooms. This can create approximately €4,000 per year. Here are omitted incomes derived from other activities such as processed agriculture products, sale of drinks, and other services. Considering several assumptions[136], also given to the relevant conditions defined by the current legal base (DCM nr. 730, dated 20.10.2016) and the relevant costs and yearly performance, provide the basis that any feasible investment for accommodation in rural areas should have a minimum of 3 bedrooms, plus the dining room (referring to a slightly optimistic scenario).

Table 2.6. Minimal size for feasible investments for an accommodation unit (revenues € per year)

Rooms	Number of beds/persons	Sqm	Profit 1	Profit 2	Profit 3
1	3	27	797	1,337	1,877
2	6	54	1,593	2,673	**3,753**
3	9	81	2,390	**4,010**	5,630
4	12	108	3,186	5,346	7,506
5	15	135	**3,983**	6,683	9,383
6	18	162	4,779	8,019	11,259

Source: Own calculations based on interviews with operators

135 Own calculations based on interviews with operators.
136 The main assumptions for these calculations are the following i. Cost of investments for renovation per m2 equal to €150 ii. Amortisation 7% iii. Price of an accommodation per person €10, iv. Daily food provision €15, v. Profit margin for accommodation 90% and profit margin for food 60%, vi. Share of accommodation versus full board 50% vii. Scenarios of visiting days per year 40, 60, and 80 days.

An additional type of investment could be the establishment or renovation of a restaurant and catering. Considering several assumptions[137], any feasible investment for food provision should meet a minimum size of six tables (using the less optimistic scenario). This size would enable a part (it is a secondary activity) of the yearly income for two persons and part-time employed. This can create approximately €4,000 per year. Here are omitted revenues derived from other activities such as processed agriculture products, sale of drinks, and services.

Table 2.7. Minimal size for feasible investments for a restaurant catering (revenues € per year)

Tables	Number of people per table	Margin	Profit 1	Profit 2	Profit 3
1	2	60%	93	477	861
2	2	60%	861	1,629	2,397
3	2	60%	1,629	2,781	**3,933**
4	2	60%	2,397	**3,933**	5,469
5	2	60%	3,165	5,085	7,005
6	2	60%	**3,933**	6,237	8,541

Source: Own calculations based on interviews with operators

Expansion of product and services

One additional component to be developed is product diversification. Since there is a growing demand for local processed products, there is a need for establishing, renovating, or extending production lines. In general, interventions should include investments in storage and cooling facilities and equipment for processing, sorting, and packaging.

Small interventions should also be made in attracting visitors, such as the construction of small shops and workshops (cases of successful interventions by religious institutions in Zadrima and Kelmend) illustrate it.

Several services can be included in one unit of sale to make the investment feasible. Considering several assumptions[138], it seems feasible to establish a farm shop/renting shop. These structures should meet also conditions defined by the current legal base (DCM nr. 730, dated 20.10.2016).

Table 2.8: Calculation of the revenues for the owner of a shop and tourism service

Other businesses in the village	Units	Price/Unit	% of Client	Investment per unit	Gross Margin	Gross Margin Sc1	Gross Margin Sc2	Gross Margin Sc3
Renting a bike	10	2.5	40%	200	90%	633	957	1,281
Renting a boat/kayak	5	5.0	15%	400	90%	471	714	957
Shopping /drinks etc.	2 (products per purchase)	3	60%	1,000	60%	1,545	2,323	3,100
Total						€2,649	€3,994	€5,338

Source: Own calculations based on interviews with operators

Figure 16. Farm shop in Lepushe village

[137] The main assumptions for these calculations are the following: i) Cost of investments for renovation per m2 equal to €150; ii) Amortization 15%; iii) Price of food per person €8; iv) Food provision €15; v) Gross margin 60%; vi) Scenarios of visiting days per year 40, 60, and 80 days; vii) Rounds of use for Table are in average two per day.

[138] The main assumptions for these calculations are the following i. Gross margins for renting boats or bikes is 90% while for drinks are 60%; ii. Amortization or costs of maintenances is 15% percent for renting boats and bicycles and 10% for the shop iii. The gross margin for accommodation 90% and the gross margin for food 60%; iv. Share of accommodation versus full board 50%; v. Scenarios of visiting days per year 40, 60, and 80 days.

Source: Own authors

Camping and huts are also some of the most feasible interventions for expanding the number of visitors and revenues from food provision near the accommodation or food provision unit. The average costs per huts is approximately €10 ths to €15 ths. Camping site preparation is approximately €10ths to €20 ths depending on the area size.

Moreover, additional accompanied infrastructure increases the visitor staying time such as playing grounds, sports, recreational logistics, etc. A football pitch is round €20 ths including here accompanying facilities.

There is an increasing interest to invest in equipment and facilities that enable tourism operators to offer a large variety of services to visitors, mainly recreational activities such as canoeing, skiing, rafting, and other similar sports. Some others, such as Duleman Gjana, Gjana Guesthouse owner in Kukes, are planning to invest in the signage infrastructure (e.g., trail regulations and orientation placards). Sometimes local development agencies support[139] but the bulk of work is done by locals, usually guesthouse owners.

Other services

The field research has revealed a demand investment for other services. The services in rural areas can be divided in three groups namely the recreational services, the services for guaranteeing the conservation of traditional livelihood as well as the contractual services. The third is not included since it is covered by other type of support policies.

The recreational services are mainly units of service for children, child and elder's care. The services are demanded in some areas where depopulation has yet not affected the size of the village and number of beneficiaries is yet high. Such areas are those nearby large urban areas. Moreover, the establishment of these services, if accessible to rural households, would reduce the women burden in caring about elders and children during the working hours and increase gender equality within rural households.

Other important services are services for conserving rural traditions such as leather repairing, mills for processing, lines of production, equipment repairing and farm machinery repairing units.

In many areas, these units provide dual functions. Being functional, they can be used for delivering the service and, on the other side are a very attractive spot as a demonstration of peasantry life. There are plenty of olive and flour mills, wool washing units, and repairing units in various areas of the country.

Figure 17: Wool washing line in Grabove village.	***Figure 18: Flour mill in Lepushe village.***

[139] Interview with Mirela Turkaj, specialist of VIS Albania - Italian NGO, Tamare, Kelmend.

Source: Own authors (Wool washing line foto of Edmond Prifti)

Needs for rural services is identified mostly in regions with vast dominance of agriculture activities such as Dibra and Korca (but also Berat and Fier).

Grant provision in these activities can foster employment. The number of jobs created for one typical investment is average from 2 to 3 people employed per investment (see the following table).

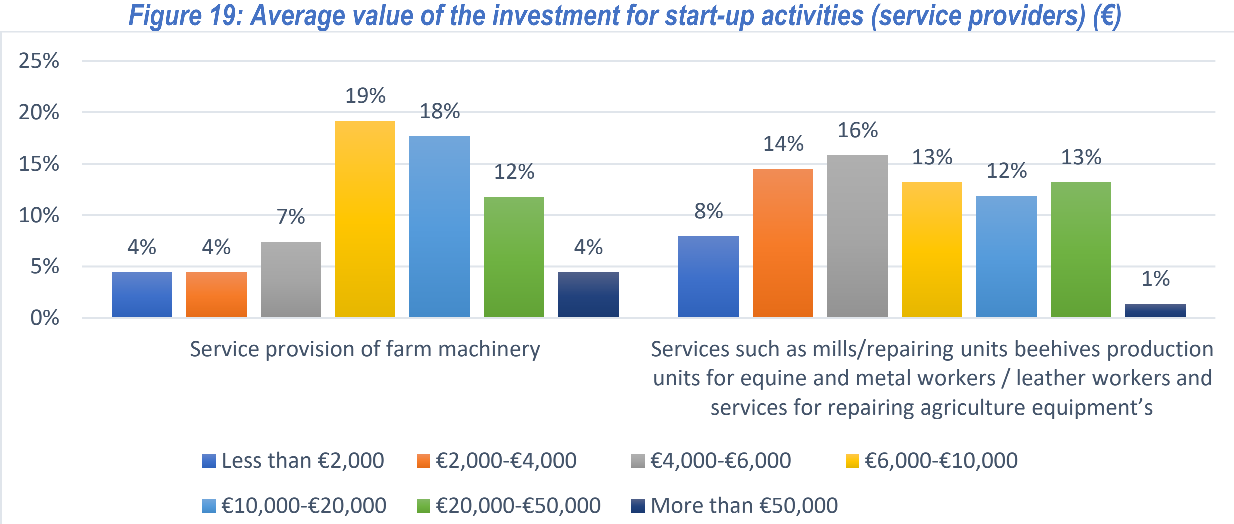
Table 2.9: Potential approximate number of jobs created for one typical investment (services)

Services	Average no. of jobs created for one typical investment
The service provision of farm machinery	2.6
Services such as mills/repairing units, beehives production units for equine and metal workers/leather workers, and services for repairing agriculture equipment's	1.9

Source: Author elaboration based on MARD Extension Services Survey (2021)

According to extensionists' opinions, the average value of start-up investment in activities such as service provision in mechanical work and equipment repairing in agriculture could vary between €6,000 to €50,000. Here are included the costs of the preparation of the workshop areas (see the following figure).

Figure 19: Average value of the investment for start-up activities (service providers) (€)



Source: Author elaboration based on MARD Extension Services Survey (2021)

Types of eligible investments which can be carried in the framework of IPARD III

The lack of capital is a major limiting factor for expanding accommodation capacities, renovating the restaurant and other premises, including here new business and services. Moreover, lack of impede to meet standards and requirements on service conditions defined by DCM 730, date 20.10.2016.

The provision of loans with reduced interest rates is frequently raised as an essential issue by rural operators. The limited use of banking is seen as constraining and a weak signal of the need for significant financing[140]. Connecting small borrowers to the banking system through reduced subsidized rates can be one option. However, the history of these businesses is yet short, with fluctuated revenues and therefore low profitability. The main priorities for the development of agritourism remain the provision of grants for the following type of investments.

i. Construction investments
   a. 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 equipment.
   b. Construction and/or reconstruction of facilities and supply of equipment for sports and other recreational activities.
   c. Construction and/or reconstruction of facilities and premises for private childcare, care of elderly or disabled people, adult education and training, IT centres, and supply of necessary equipment
   d. Construction and/or reconstruction of facilities and premises for repair and maintenance of agricultural machinery, electromechanical services, and supply of necessary equipment
ii. Establishment of processing lines within agritourism unit (see also the chapter 3 for own farm processing lines)
iii. Development of services for rural population and businesses

Table 2.10. Priority of investments by type of interventions

Construction investments	Establishing processing lines within the agritourism unit	Development of services for rural population and businesses
Establishment or renovation of On-farm accommodation rooms, staying spaces and accompanying inner structures, as well as barbecue and sitting areas, children's playgrounds and play barns, sauna, swimming pools, hobby gardens, and other on-farm amenities; Access structures for people with disabilities.	Investment in construction and/or reconstruction and/or equipment facilities of micro-processing plants on farms producing dairy and meat and fruit and MAPs, including facilities for packaging and marketing of products.	Construction and/or reconstruction of facilities and premises for private childcare, daily care centers, care of elderly or disabled people, and refurbishment of necessary equipment
Setting up of rooms refurbishment, catering facilities, and storage rooms (restaurants, bakeries, breakfast room, dining tents), including the necessary equipment, including all relevant facilities and equipment for the provision of B&B services and refurbishment with furniture (except for the tableware), TV equipment, satellite receivers, internet supply equipment, radio and audio devices for communication, washing and ironing equipment, IT equipment, including software for agricultural holding administration for the needs of rural tourism:	Purchase and install technologies, machinery, and equipment for milk, meat, fruits, and nuts and MAPs processing of wine, raki, fresh juice production, marmalade, etc., Purchase and install Equipment (lines) for filling and labeling apple juice, compote, marmalade, etc. Purchase and installation of equipment for vacuum packaging of fruits and nuts products.	Facilities and premises and equipment for IT centers for the use of computers and access to the internet in rural areas;
Renovation and adaptation for the use of old/existing traditional buildings on an agricultural holding including basements and mills, old workshops, according to the traditional/rural architecture style of the area:	Investment for increase of storage capacities for food and raw materials for the food supply.	Sports and recreational centers for young and adults; Children playgrounds;

[140] Besra, N. (2018). Agritourism in Albania, trends, constrains and recommendations, Center for International Development at Harvard University; available at https://albania.growthlab.cid.harvard.edu/files/albaniagrowthlab/files/besra_agritourism_2018.pdf.

Equipment for maintenance of the touristic place and landscape, including accompanying setting up of the camping grounds; water and electricity supply systems, heating, ventilation, air-condition and sewerage, and sanitary equipment. infrastructures such as parking areas, horse tracks, internal roads, places for recycling, and units/lines for energy efficiency: Equipment for ease of access for physically challenged persons:	Central heating systems and roof insulation, window double glass, and external wall cover.	Construction and/or reconstruction of facilities and premises for repair and maintenance of agricultural machinery, electromechanical services, and supply of necessary equipment, including mobile diagnostics and repair equipment for agricultural and forestry machines.
Retail shop on-farm – establishing a new retail outlet or the costs associated with an existing retail outlet for direct marketing of farm products are only eligible where the outlet itself is an integral part of a craft production facility or a farm shop. Under this VC can be funded Farm Shops, sales facilities within the premises of winery, dairy, and other processing units, selling/renting points on farms and equipment (hiking and trekking, skiing, bicycling, etc.).	Investments for energy reduction, waste disposal, and reuse/recycling of waste materials.	Tourism information and services for promotion and functioning of tourism activities (Facilities and premises for service provision (information on and assistance for visiting natural areas; boards, flip charts and other supporting/related equipment) and services (facilities and supply of equipment for sports and other recreational activities)
Purchase of mountain safety/rescue equipment, including mountaineering, cycling, skiing, kayaking, canoeing, rafting, sport fishing, and horse riding.		Leather repairing, metal repairing, and wood repairing services Events organization tools such as outdoor recreation activities, including audio-visual workshop equipment, logistics.

2.7.2. Proposed eligibility criteria and size thresholds

Criteria	Justification
Farm activity registered two years before the application.	The existence of the farm is a crucial point for making agritourism an exclusive activity. In order to support farm diversification, the beneficiaries of any support schemes should be farmers and individuals already operating in the agriculture sector.[141].
Applicant residing in the rural area according to list of IPARD II[142]	Rural area definition using as criteria of selection the farm's location in Administrative Units which were formerly (before the reform of 2015) Communes. However, it is urgent to determine through an ad hoc approach (including INSTAT) the definition of rural areas according to the OECD approach.
The minimum size of the farm area should be 1.00 ha, and animal stock should be a minimum of 3 cows, 30 small ruminants, or 30 hives (Instruction Nr. 5, dated 4.5.2018)	To support economically viable food provision without limiting farm viability and food security, there is a need for proper physical stock of land and animal on the farm. Criteria for certification of receiving activity as "agritourism[143] set a minimum farm size of 1.00 ha of land planted with crops, but the animal stock is deemed high (livestock farms, which breed at least ten head of cattle or 100 heads of sheep/goats or 200

[141] In the Besra (2018) report seems that business benefitting from VAT reduction to 6% for holiday accommodation were normal businesses lured by VAT, which altered their status by just meeting the bare minimum eligibility criteria. (Besra, N. (2018). Agritourism in Albania, trends, constrains and recommendations, Center for International Development at Harvard University; available at https://albania.growthlab.cid.harvard.edu/files/albaniagrowthlab/files/besra_agritourism_2018.pdf)
[142] http://www.ipard.gov.al/wp-content/uploads/2019/07/9.-Annex-7-List-of-Local-Government-Units-and-List-of-Rural-Areas.pdf
[143] *DCM No. 566, Date of Act: 31.07.2019, Date of Approval: 31.07.2019, Official Gazette No. 114, Page: 8573*

	heads of poultry). The animal stock number should be according to MARD Instruction Nr. 5, dated 4.5.2018 as given in the left column.
The entity may offer accommodation or food or the sale of food. *The minimum size of the agritourism unit should be three rooms and nine beds.* *The minimum size of the restaurant should be four tables.* Minimum size of the shop at the end of investment should comply with DCM nr. 730, dated 20.10.2016	In IPARD II, the minimum size was not defined, while the maximum size for agritourism units was 40 beds (meaning more than ten rooms). The minimum size used at ARDPF is deemed too high. . Considering the level of financial resources and the structural capacities of the farms there is a need to lower the minimum criteria and maximum criteria for the number of rooms. Moreover, the DCM (*DCM, No. 566, date 31.07.2019)* obliges any operator to provide all the activities, which makes very difficult the start-up activities.
Accommodation conditions, camping sites, and restaurants after the investments should be compliant with requirements settled at DCM nr. 730, dated 20.10.2016, and food provision conditions and accompanying facilities should comply with conditions derived from the legal base on safety, hygiene, and quality.	It is advisable to make eligible for IPARD financing to *establish* agritourism units that in the end of the investments fulfill the conditions settled at DCM nr. 730, dated 20.10.2016 and the food provision conditions (Law No 9863/2008 "On Food" and MARD Instruction Nr. 5, dated 4.5.2018).
Criteria for the origin of the products (to be defined once there will be functional traceability system and monitoring capacities in place)	DCM 2018/22 "On the approval of the criteria for certification of the agritourism activity." Settles minimum level of produce procured within the farm. It is not clear the control and verification procedure.
Investments should be carried in formalized activities (NUIS number, Tax payment certificate, Land certificate from Administrative Units).	Grant programs linked the eligibility of investments with certified ownership of land and dwelling. The availability in mountainous areas of Certificate of Ownership or Act of Acquiring Land in ownership is very limited.
The minimum investment threshold is €10,000.	In IPARD II, the proposed minimum investment threshold limits for eligible investments per project was set to €10,000 to €400,000[144] for agritourism units up to 40 beds. No minimum threshold was placed in ARDPF (only maximum threshold of circa €41,000), but there was a minimum size of 6 rooms which was scarcely achieved.
Reimbursement rate up to 65%. Reimbursement rate 50% if preferential criteria are not fulfilled	IPARD reimbursed up to 65% of the eligible investments while ARDPF only 50%.
Preferential criteria	
• Women farm-holders	Motivates women empowerment and formalizes women contribution in the household
• The share of investments related to energy efficiency and environmental protection should be 20% of the overall value.	Increases efforts for environmentally friendly
• Farm holders under 40 years of age at the moment of application.	Reduces the emigration pushing factors
• Farms located in mountainous areas	Increases the potentials for abruption of investments in mountainous areas
• 20% if investments having an environmental and energy-saving aim.	Increase alignment with Green Deal

[144] For more detailed information, visit the link http://www.ipard.gov.al/wp-content/uploads/2019/07/2.-GfA-3-MEASURES-Narrative-English-IPARD-II-vers-2.pdf, Last accessed 11 April 2020.

2.7.3. Estimated absorption level

Fund absorption capacity is relatively low. The number of guesthouses with 2-5 rooms is less than 300 nationwide. Average incomes per year are estimated than €20 thousand. Average investments required are expected not to exceed €100 thousand[145]. The investments supported in the past by different programs (IPARD-like, IPARD II, SARED) cannot be used as a reference to estimate future absorption under Measure VII due to the institutional limitations and thresholds of these measures (eligible investments limited to the provision of land and house property certification and the minimal number of rooms was six rooms, too high to be met)[146].

ARDPF funding for the support for the tourism activities has been less than €0.8 Mln in the period 2018-2020 and IPARD II financing €3 Mln[147] (with an average value of €250 thousand per unit). Considering the number of actors and the recent trends to invest in agritourism units, and the magnitude of such investments, it can be expected that the sector can absorb less than €10 Mln of grants in the upcoming period.

2.7.4. Recommendations for enhancing grant absorption

This increases the need for several interventions at the meso-level

1. The **need for careful planning based on principles of sustainable tourism**. The controls created from spatial planning and the lack of financial power to invest in strategic locations (rationally, farmers decide to develop agritourism in their farm) make agritourism highly distant to tourism routes.
2. **Support a balanced tourism.** There exists a dual form of rural tourism. In some areas, there is over-construction which leads in long run "Self-Discovery" externalities[148] as well as substantial environmental and social challenges. In other areas, although adjacent areas to a famous tourism destination, remain underdeveloped (areas in Gjirokaster, Gramsh, or Puke). There is a need to create a critical mass of operators (not too many and not too few) to create some scale and ensure diversity to attract potential tourists.
3. **Strengthening of property rights.** Lack of formal tittles for land and assets as well as the high informality (major part lacks a NUIS[149]) make this operator a non-preferred group for financial institutions. Therefore, vis a vis to the offering of tailored-made financial products, there is a continual and increasing need to provide grants for investments carried in accommodation, and other services are essential for expanding the operator's services. The grant provision should be tightly linked with awareness and support for the formalization of immovable assets ownership and accomplishment of the regulatory environment in the remote areas where most potential applicants are residing. Since a significant part of the farmers has invested in their land, the most challenging is developing the buildings (due to required permits and eligibility of the land plot for being developed according to existing spatial development plans).
4. The need for s**oft infrastructure (signaling for** accurate location on Google). **Branding and promotion using a regional approach. Although hard infrastructure is far from being optimal, neither interviews nor the estimates from the extension expert survey (MARD, 2021) rank it as a binding constraint.** The tourism promotion policies should help in better identification and marketing of themes and geographical clusters of

[145] As evaluated by MARD (2021) survey.
[146] In the year 2018 also, agritourism has been included in the national support schemes of MARD. During 2018, 2019, also this year (2020), governmental support schemes call for application, offered support for the establishment or reconstruction of premises for rural tourism activities for guesthouses from 6 to 10 rooms, to 50% of the total investment cost, but not more than 5,000,000 (five million) ALL per subject. The eligibility criterion of 6 rooms to get support for accommodation for rural tourism is considered too high to meet.
[147] four times lower than the expected level of disbursements- For more details visit the page http://www.azhbr.gov.al/wp-content/uploads/2020/10/Programi-IPARD-II-2019.pdf
[148] The early investor is quickly copied by later investors, who cut into the profitability of the first mover to a point where the investment no longer pays off).
[149] Stands for Numri Identifikues i Personit të Tatueshëm (Tax ID Number)

activities that leverage natural connections that exist within and between regions of Albania (culinary, historical/cultural, geographical/ecological features, adventure-based activities, etc.).[150]

5. Need for **prioritization of hard infrastructure improvement in remote areas**. Lack of electric and water infrastructure remain a constant concern for many businesses located in remote areas. Some entrepreneurs are planning to invest themselves[151], even without the support of municipalities of state-owned agencies to overcome the vast challenges that the lack of energy and water supply entails.
6. **Increase of capacity-building initiatives. Specialized human capital with capabilities related to gastronomy and traditionally-centered cooking** is vital for increasing the stock of knowledge in the guesthouses. Intensive capacity building should be provided for improving hygiene standards and new technology, marketing and communication skills, and administration skills. Extra efforts must be made for establishing a good network between potential suppliers and enhancing agritourism entities. Adult education programs need to be established with a specific emphasis on "older than 45" beneficiaries during wintertime when the workload is low.

[150] Besra, N. (2018). Agritourism in Albania, trends, constrains and recommendations, Center for International Development at Harvard University; available at https://albania.growthlab.cid.harvard.edu/files/albaniagrowthlab/files/besra_agritourism_2018.pdf)

[151] Interview with Petrit Qeta, owner of Bujtina 'Blini i Gurit te Lekes' in Shosh, Shkoder and Duleman Gjana, owner of Gjana Guesthouse in Kukes),

3. PROCESSING SUB-SECTOR - SMALL SCALE ON-FARM PROCESSING AND DIRECT MARKETING OF AGRICULTURAL PRODUCTS

3.1 Background of the sector

According to previous assessments[152], more than 4/5 of the farms are considered small, while about 98 of them are family farms. The current structure of agriculture in Albania (small and fragmented farms) makes it difficult to achieve competitiveness in terms of large-scale production for most farms. Considering the small size, fragmentation, and other weaknesses as well as opportunities characterizing the Albanian agriculture sector and rural development, promoting local/territorial food products including on farm processing, is important to improve market access and opportunities for farmers, particularly small farms. Promotion of local/territorial products including on farm processing can reduce market risks for participating farmers.

According to the agriculture census, there are almost 20 thousand farmers who are engaged with on-farm processing, which corresponds to circa 50 thousand employed people in rural areas (details are provided later in this subsection). Income from on farm processed products was estimated to be 6 Milliard ALL, according to latest available annual agriculture statistics that report data about on-farm processing (dating back 2012). The survey carried out with MARD advisory services experts reveal that the number of own processing farms is approximately the same[153]. There are more than 2000 farms that process less than 500 liters of small ruminants' milk per day. Moreover, there are 70 farms that process less than 1000 kg of meat per year. More than 2500 farms process fruits and vegetables while less than 400 farms are preparing traditional food. According to the experts there are approximately 12,000 farms processing rakia (more than 200 liters and less than 1,000 liters) and 3,500 farms processing wine more than 200 liters and less than 5000 liters per year. The regional distribution is provided in the following subsection, while below we provide more insight into the main selected sectors/products.

Most **cattle** and **small ruminant** farms are small-scale and semi-subsistence – on average there are 1.8 milking cows, 37.4 ewes or 28.8 does. On farm processing of milk is common, both for self-consumption (an important source of households' food) and for sales (for more details see the following subsection), while on farm processing of meat products is not as common. The main dairy products processed by farmers are cheese and butter, followed by gjize (cottage cheese). According to previous statistical reports, about a dozen thousand farms produce cheese and butter. Income from on farm processed was estimated close to 2 billion ALL. On farm dairy processing is important also from gender perspective, as usually, women are engaged in this activity.

According to previous studies, most farms have **fruit** trees, of different types – in most cases, mainly for self-consumption. Thus, only a small share specializes in fruit cultivation and has relatively large orchards with strong market orientation - from the estimates there are about 2,640 farmers that have more than 1.00 Ha of orchards (the rest are small or very small). For apple (the leading fruit in terms of production, trade and consumption in Albania) there are more than 8 thousand farms that have more than 0.2 ha (thus, they have certain market potential and orientation) and less than 1 ha apple orchards. Similarly, there are thousands of farmers, who produce cherries and plums, in the range of 0.2 ha – 1 ha.

Similar to fruits, most farmers are engaged in production of **field** vegetable. According to previous estimates, about two thirds of the farmers produce vegetables, of different types – most of them also for self-consumption. There are about 50 thousand farmers who produce potatoes and white beans, many for self-consumption. Similarly, to the case of livestock, also for fruits and vegetable, there are many farmers which are engaged, and vast majority are small and semi-subsistence[154]. On farm processing is common for fruits (such as jams) and vegetable (such as pickled vegetable), both for self-consumption and for sales (for more details see the following subsection).

[152] FAO (2020). Smallholders and family farms in Albania. Country study report. http://www.fao.org/3/ca7450en/CA7450EN.pdf
[153] MARD (2021). Extension service survey.
[154] AGT & DSA (2021). Fruits and vegetable sector study Report.

It is estimated that about 70,000 - 100,000 farmers are involved in **olive** growing[155,156]). According to latest statistics collected through extension surveys, there are about 9,000 farmers that have 1.00-2.00 Ha, and 2,500 farmers that have above 2.00 Ha – thus, only a small share of farmers engaging in olive production (10%-15% of the total) can consider it as an important activity. Out of the olive production, 87,411 Mt is for olive oil and 10,903 Mt for table olives (for 2019) – thus, the main destination by far is olive oil. Most olive oil is retained and sold by farmers (although technically, it is processed by factories), and a significant share of table olives is processed and sold directly from farmers. Thus, olive and olive oil is an important item of rural household food and income too as short VC (direct sales from producers to households) dominates the sector. In this regard, it is interesting to see how olive is increasingly shaping the country landscape, both in rural areas and in Tirana and other tourism sites, where the presence of olive trees, and conservation of the old groves is increasing.

Most farms cultivate **grape**, both vineyards and pergola[157]. However, slightly more than one in ten farmers (35,666 farmers out of 320,000 farms in Albania) have vineyards. 26,607 farmers have less than 0.30 ha vineyards, 8,277 farmers between 0.31-0.50 ha - farmers with vineyards larger than 0.50 ha is 2,850 with a corresponding vineyard area of 3,217.00 ha, the number of farms having more than 1.00 ha of vineyard is 749 with a corresponding vineyard area of 1,453.00 ha, and the number of larger farms having more than 2.00 ha of vineyard is 154 with corresponding vineyard area of 657.00 ha[158]. Thus, most farms that produce grape are small, and many are engaged in on-farm processing, producing raki and wine, which are important source of income for many farmers as short VC (direct sales from producers to households) dominates the sector. According to latest available annual agriculture statistics that report data about on-farm processing (dating back 2012), about 100 thousand farms were engaged in producing wine or raki. Income from on farm processed grape was estimated to be above 2 billion ALL. In addition, there are hundreds of farmers engaged in aquaculture, gourmet and pasta (jufka) production. For more details see the following subsection.

On-farm processing contributes to household income as well as employment. According to the findings of the survey with MARD extension experts, the number of jobs created for one typical investment (on-farm processing) is on average from 2 to 4 people employed per investment (see the following table). Thus, overall, on farm processing contributes to the employment of circa 50 thousand people in rural areas (mostly in the form of self-employment among farm household's members).

Table 3.1: Potential approximate number of jobs created for one typical investment (on-farm processing)

Types of on-farm processing activities	Average no. of jobs created for one typical investment
1.On-farm processing of fruits and vegetables	2.6
2.On-farm processing of small ruminants' milk (cheese production)	3.3
3.On-farm processing of meat (salami and/or dried meat production)	3.5
4.On-farm preparation of traditional food for sale (petka, jufka, tarhana)	2.3

Source: Author elaboration based on MARD Extension Services Survey (2021)

While above we provide an overview of the profiles or categories of farms engaged in food processing, by type of products, it is important to assess the past trends and future expected trends. According to the survey with MARD extension services during the last 7 years the number of farms (or activities) linked with on-farm processing has been stagnating, but there are differences by type of products. For example, while the trends appear to be positive for small ruminant milk processing, on the other hand, the trend is negative for meat processing.

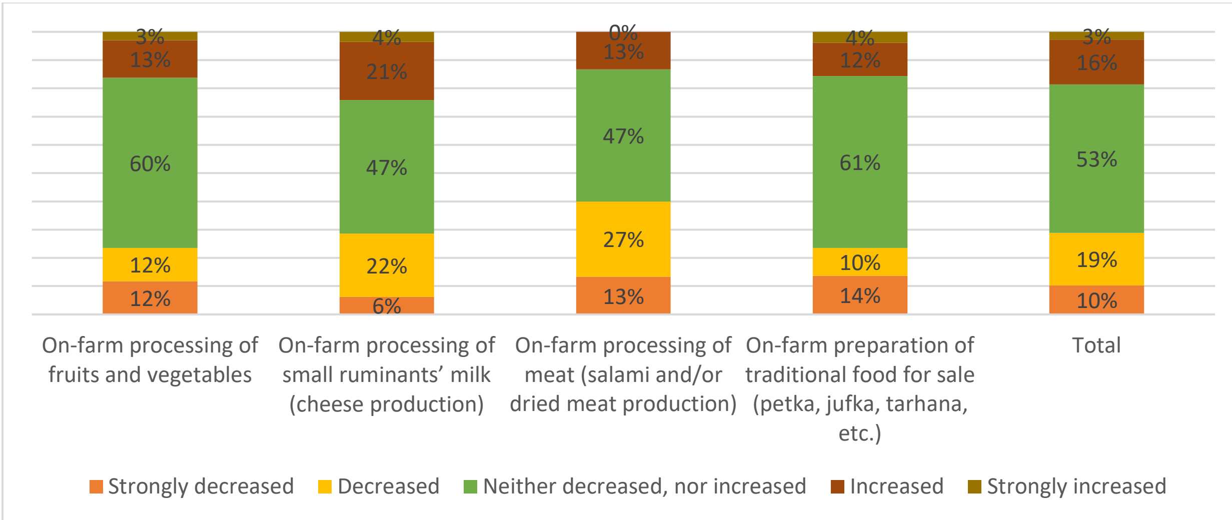
Figure 20: Observed trend of on-farm processing activities during the period 2014-2020 by type and total

155 MARD (2021). Structured survey with extension survey.

156 Skreli, E. & Imami, D. (2019). Olive and olive oil sector study. Technical report prepared for EBRD AASF project.

157 *Pergola* refers to spare vines cultivated in farms, not part of a compact vineyard.

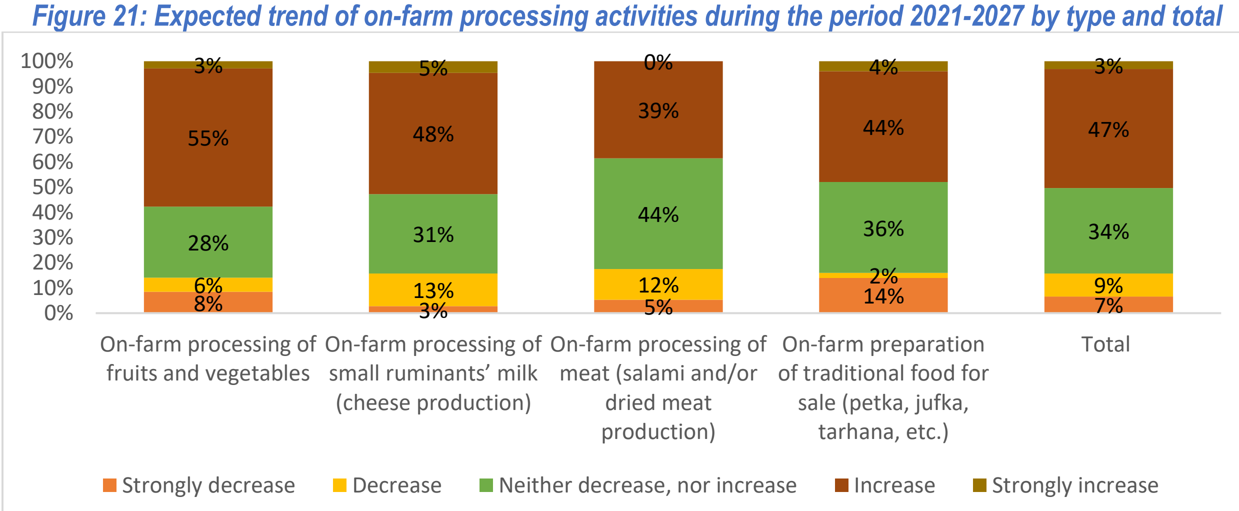
158 AGT & DSA (2021). Wine sector study Report.



Source: Author elaboration based on MARD Extension Services Survey (2021)

For following 7 years (expected trend for the period 2021-2027) results show that majority of MARD extension experts expect an increase number of activities such as on-farm processing of meat, dairy, fruit, vegetables but also prepared traditional food. This increase may be linked also to the growing agritourism trends (for more details see Chapter 2 on Agritourism earlier in this report). This positive prospect implies that the need and demand for investments for on-farm processing will increase.

Figure 21: Expected trend of on-farm processing activities during the period 2021-2027 by type and total



Source: Author elaboration based on MARD Extension Services Survey (2021)

3.2 Demand and supply patterns

Dairy products

Supply

According to previous statistical reports, about a dozen thousand farms produce cheese and butter. Most **cattle** and **small ruminant** farms are small-scale and semi-subsistence – on average there are 1.8 milking cows, 37.4 ewes or 28.8 does. About 120 thousand farms or 63.7% of the farms are breeding only one cow, 41 thousand have 2 cows, 14 thousand have 3 caws - the farms with more than four dairy cows were 6,506 or 3.46% of all cow breeding farms. In 2018, there were 36,555 farms with sheep and 24,244 with goats. The majority of farms that have sheep also have goats. Throughout the country the small size of ewes' herds ranging between 5 and 50 heads are still very common

(4/5 of total). The same situation is found with dairy goats' herds, as dairy farms with less than 50 heads account for about 84% of country total does' headcount. Thus, on one hand, there are many farmers who rely on cattle or small ruminants, and vast majority are small and semi-subsistence[159]. On farm processing of milk is common, both for self-consumption (an important source of households' food) and for sales (for more details see the following subsection), while on farm processing of meat products is not as common. For more details see also the sector study on dairy/milk[160].

Demand

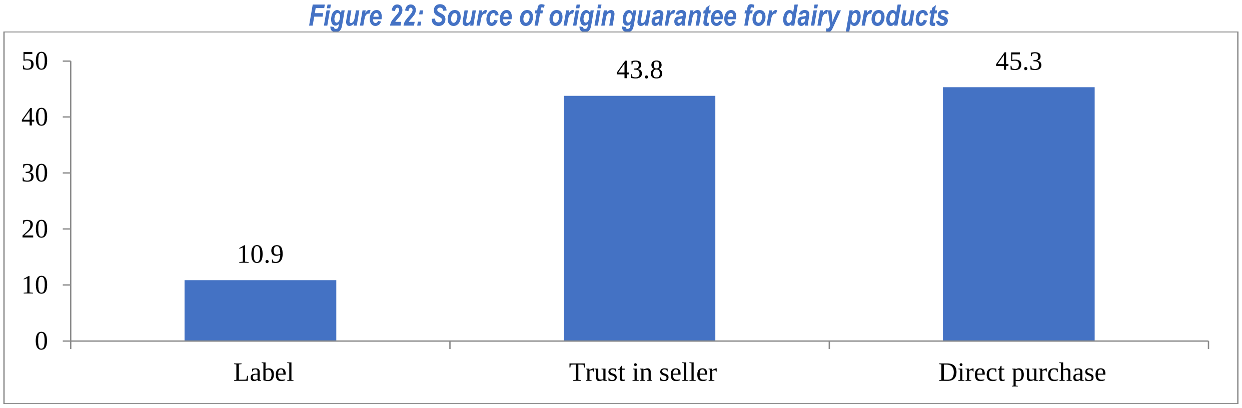
Dairy products represent an important part of the Albanian household consumption basket. During the past two decades, both the production and consumption of dairy products have increased. Overall, dairy production is destined to the domestic markets, thus the production increase is mainly triggered by increase in the domestic demand[161].

Cheese is the main dairy product and one of the most fundamental food items of the Albanian consumer's shopping basket. One of the most important factors driving consumer preferences is the type of milk used for cheese-making. Naturally, most consumers prefer cheese made without powder milk but rather produced only with fresh raw milk. The use of milk powder is presumably perceived as a non-natural or non-traditional method of producing cheese[162] - that can motivate many consumers to prefer to buy directly cheese from farmers (who may be perceived less likely to use powder milk to produce cheese, as when compared to the industry).

Generally, there is a strong preference for domestic food products among Albanian consumers – that is the case also for cheese. Most consumers view the region/area of origin is either important or very important when deciding to buy Albanian including dairy products, most notably cheese. On the other hand, there is a tradition and a preference for on-farm processed cheese in traditional way. Furthermore, most consumers are willing to pay a premium for cheese produced in the preferred region which represents a potential to develop regional brands, including GI or PDO[163,164].

Purchasing directly from producers and trusting in the seller/retailers are the main ways that most respondents guarantee origin of products for dairy products. Only about 1/10 rely primarily on labels to ensure product origin. Thus, the strong preference to buy directly from producers, as a way to guarantee the preferred origin implies a potential for developing direct sales which can be also in the context of agritourism, while there is a need to improve labelling and marketing and introduce reliable local territorial certification.

Figure 22: Source of origin guarantee for dairy products



[159] AGT & DSA (2021). Milk Sector Study Report.
[160] AGT & DSA (2021). Milk Sector Study Report.
[161] Skreli, E., Imami, D. (2019). Dairy Sector Study, Technical report prepared for EBRD AASF.
[162] Imami, D., Zhllima, E., Merkaj, E., Chan-Halbrendt, C., & Canavari, M. (2016). Albanian Consumer Preferences for the use of Powder Milk in Cheese-Making: A Conjoint Choice Experiment. *Agricultural Economics Review*, *17*(1), 20.
[163] Imami, D., Engjell, S., Maurizio, C., Catherine, C., & Alban, C. (2016). Analysis of consumers' preferences for typical local cheese in Albania applying conjoint analysis. *New Medit*, *15*(3), 49-55.
[164] Imami, D., Skreli, E., Zhllima, E., Cela, A., & Sokoli, O. (2015). Consumer preferences for typical local products in Albania. *Economia agro-alimentare*.

Source: Imami and Skreli (2013)[165]

Box 4: Mishavina - Kelmendi cheese

The Albanian market is dominated by 2 types of Albanian cheese – white soft cheese (similar to Feta) and hard cheese (Kashkavall). Lack of diversity of cheese products implies low added value and prices.

Mrizi i Zanave aims at reviving old traditions, including dairy processing. For example, there is an old traditional cheese Mishavina - Kelmendi cheese. The production know-how and tradition were disappearing - there had remained only 2 families producing. Now Mrizi I Zanave is producing this type of cheese.

Mishavina - Kelmendi cheese is sold at 800 ALL/kg, instead of 300 ALL/kg which is the price of other generic types of cheese. Thus, the preservation and promotion of old tradition implies a great potential for increased value added. In turn, higher added value enables the processor to pay higher prices for raw milk, which stimulates the farmers to grow livestock farming. Slow Food promotes identification and preservation of these types of products.

Source: Imami (2020[166]*) and interview*

Meat products

Supply

Cattle and small ruminant have a mixed orientation (for more information about small ruminant and catle farms see above). In addition, production of chicken meat has been increasing, while pork production remains negligible compared to the above types. For more details see also the sector study on meat[167].

Demand

Since the early 2000's, there has been an increase trend in the consumption and production of meat (all types of meat, e.g., beef, poultry, small ruminant and pork). Overall, meat production is destined to the domestic markets, thus the production increase is mainly triggered by increase in the domestic demand. Despite the increase in production, imports have remained high[168]. Import levels are high because meat production costs in Albania are high. Small farm size and limited agriculture land availability does not make it feasible to compete in terms of volumes and costs, with international players. Competitive advantage can be built on traditional autochthone breeds and by-products preparation.

Albanian consumers have a strong preference for local food including meat. Also, within the country, preference of consumers varies by region or area, at least for small ruminants - research findings show that domestic highland lamb meat is strongly preferred over domestic plain/lowland meat[169]. The regions of Gjirokaster and Kukës were perceived as the most important and known regions in Albania by consumers regarding the kid goat meat.

Figure 23: Which region you recognize as the most preferred for the goat kid

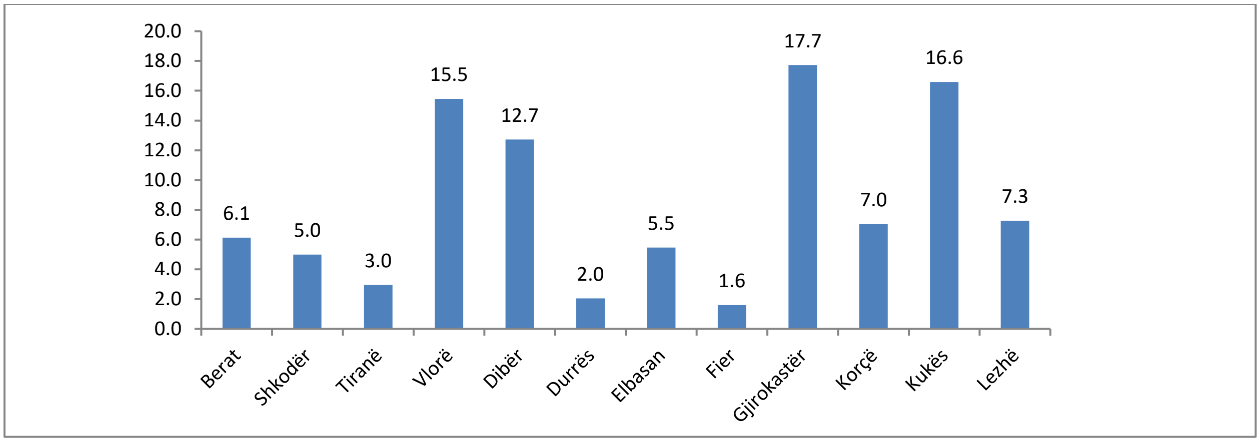
[165] Imami, D., & Skreli, E. (2013). Consumer preferences for regional/local products in Albania. Technical report prepared for FAO.

[166] Imami, D. (2020). Agritourism and local food products: the potential for Albanian smallholders. Technical report prepared for KMC-INC.

[167] AGT & DSA (2021). Meat sector study. Technical Report.

[168] Skreli, E. and Imami, D. (2019). Meat Sector Study, Technical report prepared for EBRD AASF.

[169] Imami, D., Chan-Halbrendt, C., Zhang, Q., & Zhllima, E. (2011). Conjoint analysis of consumer preferences for lamb meat in central and southwest urban Albania. *International Food and Agribusiness Management Review*, *14*, 111-126.



Source: Zhllima[170] *(2018)*

In Albania there are several local/autochthone breeds of sheep (such as Shkodra Sheep (Delja Shkodrane) and goats (such as Dhia e Hasit). However, they are not properly promoted, and branded, and final consumers are rarely aware of the different breeds and characteristics. An attempt GI registration was made by the farmers of Hasi (Association of goat breeders of Hasi region) within the framework of the project Biodiv Balkans project. BiodivBalkans project aimed to identify and protect agrobiodiversity as a driver for a sustainable agricultural development in Albanian mountainous regions. Among other activities it developed GI of Hasi goat (endemic breed) and its kid goat meat in order to address the territorial dimension[171]. Despite the effort, it cannot be concluded that it has been a success since the product is still not widely recognized among consumers, except those being of Hasi origin. In the region of Has also dried meat from calves is usually produced. Also, in Gora region (Shisthavec and surrounding villages) dried meat is sold. Accommodation units in Shishtavec stated to produce 2 tons of dried salami during the year 2019 (entirely sold to visitors).

Figure 24: Shkodra Sheep (Delja Shkodrane)

[170] Zhllima, E. (2018). Local products in the region of Kukes. Scientic report prepared for EFSIM & ADAD.
[171] Cela, A., Zhllima, E., Skreli, E., Imami, D., & Chan, C. (2019). Consumer preferences for goatkid meat in Albania. *Studies in Agricultural Economics*, *121*(1316-2019-4188), 127-130.

Photo by Drini Imami

In various parts there is a tradition to dry pork, goat or sheep meat (as shown below). It is common for farmers in Korca, Diber and Kukes to produce dried meat from sheeps and goats. Meat of goat is dried in salt and kept at home. Direct sale to consumers and restaurants is provided for a price of 3000 - 4000 ALL per kg. Consumers originating from southeast and north east are dominant part of the market. Dried meat is sold also at meat shops and superettes. Ultimately vacuum packaging (for dried meats without bones) is attempted[172]. In some markets goatkid salami is also done. Mrizi i Zanave also carry direct sales through online and in their shop of dried meat (named krymoaxhak). While this tradition should be promoted, there is a need to ensure food safety standards (considering the high risk of exposure of livestock to various diseases in Albania), and on the other hand, proper storage, packaging and labelling.

Figure 25: Dried meat prepared and served by small farmers

Source: Photo by Drini Imami

Olive oil

[172] ADAD (2018). Evaluation of local products in the region of Kukes, Report prepared for EFSIM project by Edvin Zhllima.

Supply

In Albania there is an old tradition in the production and consumption of olives and olive oil. As highlighted in the previous subsection, the olive and olive oil industry is one of the most important sectors in Albania's agriculture, with almost 1/3 of the farms in the country being involved in this type of production activity.

Production of olives has increased significantly in recent years however fragmentation of the olive production base is one of the main barriers for the sector development. Farms are too small to be efficient, causing high costs and inefficiency, which result in high farm-gate price of olives.

It is estimated that about 70,000 - 100,000 farmers are involved in **olive** growing[173,174]). According to latest statistics collected through extension surveys, there are about 9,000 farmers that have 1.00-2.00 Ha, and 2,500 farmers that have above 2.00 Ha – thus, only a small share of farmers engaging in olive production (10%-15% of the total) can consider it as an important activity. Out of the olive production, 87,411 Mt is for olive oil and 10,903 Mt for table olives (for 2019) – thus, the main destination by far is olive oil. Most olive oil is retained and sold by farmers (although technically, it is processed by factories), and a significant share of table olives is processed and sold directly from farmers. Thus, olive and olive oil is an important item of rural household food and income too as short VC (direct sales from producers to households) dominates the sector.

Local production is improving in terms of quality and quantity, however there are still gaps regarding standards while the price of raw olives has been high[175] - it dominates the domestic market.

Demand

Most olive oil is retained by farmers. In addition to self-consumption, it is common for farmers to sell olive oil directly to households, restaurants and retailers[176]. Previous studies[177] have found a growing demand for olive oil and a strong preference of Albanian consumers for domestic **olive oil** in Albania and willingness to pay a premium for local olive oil.

It is common for consumers to buy olive oil directly from producers (farmers or factories) in Albania. It is apparent that buying directly from producers may be a strategy to obtain higher (perceived) quality; building long-term relationships with producers and suppliers may be important for consumers[178]. For most consumers the main indicator of a guarantee of quality is a personal/direct interaction and familiarity with the producer[179].

Figure 26: Source of origin guarantee for olive oil

[173] DSA (2021). Structured survey with extension survey.

[174]Skreli, E. & Imami, D. (2019). Olive and olive oil sector study. Technical report prepared for EBRD AASF project.

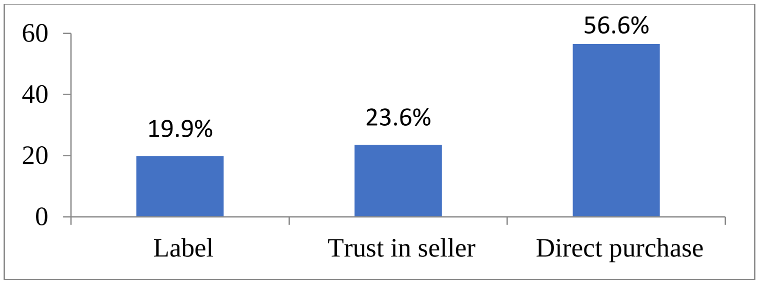
[175] Zhllima, E., Imami, D., Leonetti, L., & Skreli, E. (2015). "Small farm access to market- the case of olive sector in Albania", FAO Workshop at AGRIMBA Network Congress "Smart agribusiness for the society of tomorrow", Porec, Croatia, 2015.

[176]*Ibid*

[177] Imami, D., Chan-Halbrendt, C., Zhang, Q., & Zhllima, E. (2011). Conjoint analysis of consumer preferences for lamb meat in central and southwest urban Albania. International Food and Agribusiness Management Review, 14(3).

[178] Imami, D., Zhllima, E., Canavari, M., & Merkaj, E. (2013). Segmenting Albanian consumers according to olive oil quality perception and purchasing habits. Agricultural Economics Review, 14(389-2016-23484), 97-112.

[179]Imami, D., Zhllima, E., Canavari, M., & Merkaj, E. (2013). Segmenting Albanian consumers according to olive oil quality perception and purchasing habits. Agricultural Economics Review, 14(389-2016-23484), 97-112.



Source: Imami and Skreli (2013)

Production of olive and olive oil has strong tradition and long history in these regions, thus there is a potential to develop regional brands, including GI or PDO[180] and for linking this activity to agritourism. Furthermore, there are many old olives, dating back thousands of years, some linked to stories or legends, which represent a great potential for tourism (including rural and agritourism), if they are properly promoted.

Grape, wine and raki

Supply

According to latest available annual agriculture statistics that report data about on-farm processing (dating back 2012), about 100 thousand farms are engaged in producing wine or raki. Most farms cultivate **grape**, both vineyards and pergola[181]. However, slightly more than one in ten farmers (35,666 farmers out of 320000 farms in Albania) have vineyards. In overall, 26,607 farmers have less than 0.30 ha vineyards, 8,277 farmers between 0.31-0.50 ha - farmers with vineyards larger than 0.50 ha is 2,850 with a corresponding vineyard area of 3,217.00ha, the number of farms having more than 1.00 ha of vineyard is 749 with a corresponding vineyard area of 1,453.00 ha, and the number of larger farms having more than 2.00 ha of vineyard is 154 with corresponding vineyard area of 657.00 ha[182].

Demand

There is a great tradition for grape and wine production in various parts of Albania dating back thousands of years. Since 2000, the production of grapes and wine has increased substantially. Consumption of wine has increased significantly since early transition due to increased income and market liberalization. Despite this positive trend, wine production in Albania is relatively small compared to other leading producing countries in the Western Balkans and compared to its potentials[183].

Consumption of wine has increased in the context of increased income and increased local production, which dominates the local market. However, the average per capita consumption is still far below the European average. Thus, the local market demand is expected to increase in the coming years.

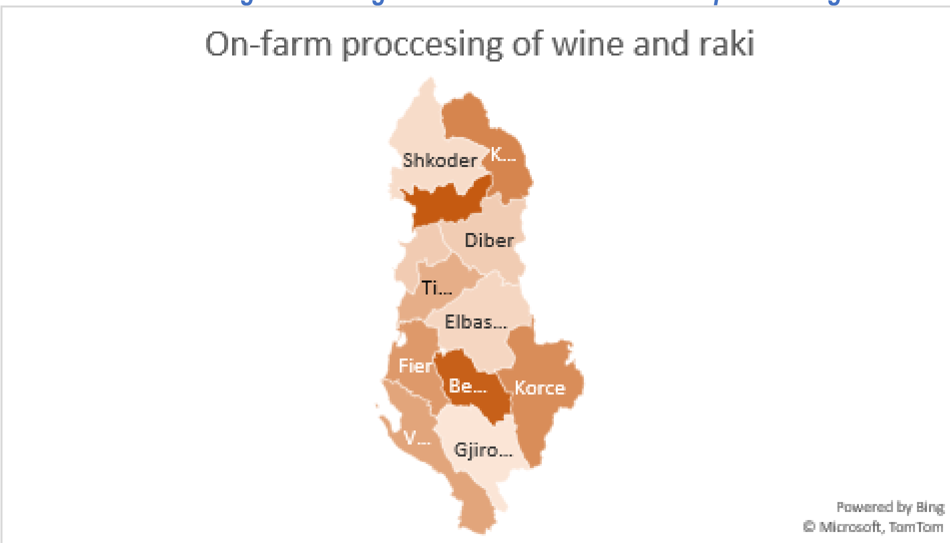
According to a previous study[184] for larger farmers the main destination of raki is restaurants and bars, whereas for smaller farmers, self-consumption and selling directly to households are the most important uses. On-farm-made wine is also characterized by similar pattern of destination as raki. It is common for Albanian consumers to buy wine and rakia directly from producers (farmers). The average Albanian consumer is accustomed to a traditional, farm-made wine. Previous studies show that buying directly from producer is a strategy to ensure quality but also origin.

As highlighted earlier, it is common for most farms that have vineyards to produce raki and/or wine. Indeed, vast majority of raki produced and consumed in Albania is produced on farm – the share or raki from agroindustry is negligible. Fier, Vlora, Lezha, Shkodra and Berat are the main regions where on farm processing of raki and wine is

[180] Imami, D., Skreli, E., Zhllima, E., Cela, A., & Sokoli, O. (2015). Consumer preferences for typical local products in Albania. *Economia agro-alimentare*.
[181] *Pergola* refers to spare vines cultivated in farms, not part of a compact vineyard.
[182] AGT & DSA (2021). Wine Sector Study Report.
[183] Skreli, E. and Imami, D. (2019). Wine Sector Study, Technical report prepared for EBRD AASF.
[184] Imami, D. (2011). Analysis of agrifood value chain actors' choices in Albania. PhD thesis. University of Bologna.

concentrated in Albania (in terms of production). However, rakia is usually consumed in all areas. Quantities consumed are pretty high especially in remote areas due to low costs.

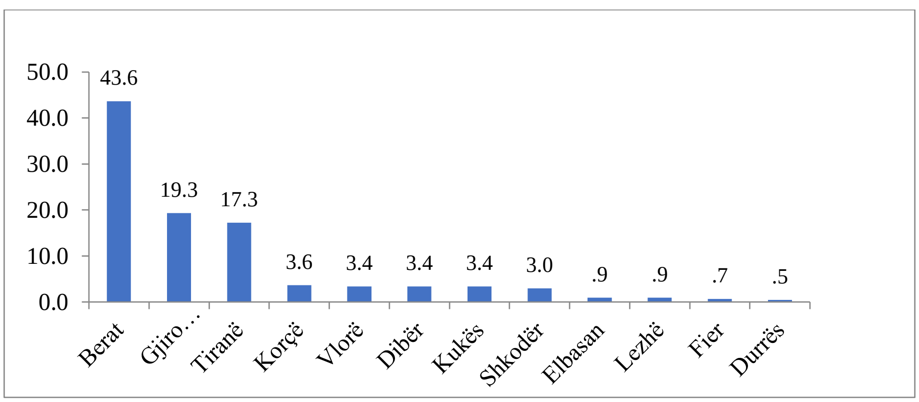
Figure 27: Regional distribution of on-farm processing of wine and raki



Source: MARD extension survey

Consumer preferences for raki vary by variety of grape and region. Results of a previous study show that most consumers, 43.6%, indicate a strong inclination towards Raki from Berat region. Gjirokastra and Tirana are also preferred regions for Raki with 19.3% and 17.3% of the respondents, respectively.

Figure 28: Perceived consumers´ preference for Raki by region



Source: Zhllima (2018)[185]

In the case of wine, the preference for local wine is not as dominant compared to imported wine (different from olive oil) – EU, especially Italian wines have a strong presence in the country. However, according to a previous consumer study[186], there is a potential niche market for high quality Albanian local wine. Consumers have stated preference for wine from some regions such as Permet, Vlore and Lezha, where there is also a tradition of grape production and

[185] Zhllima, E. (2018). Local products in the region of Kukes. Scientific report prepared for EFSIM & ADAD.
[186] Zhllima, E., Chan-Halbrendt, C., Zhang, Q., Imami, D., Long, R., Leonetti, L., & Canavari, M. (2012). Latent class analysis of consumer preferences for wine in Tirana, Albania. *Journal of international food & agribusiness marketing*, *24*(4), 321-338.

processing. The majority of respondents' state that they are willing to pay a premium for the preferred origin[187]. In addition, the growing number of foreign tourists represent an opportunity for quality local wines – one well-known Albanian wine producer, targeting higher market segments with high quality wine, has recently replaced all foreign vineyards varieties with local ones, because of the demand from foreign tourists who are primary interested to test local wine from local grape varieties.

Development of quality schemes, such as GI represents a potential. There are autochthon varieties closely related to specific areas (e.g., Serina in Korca, Vlosh in Vlora, Pules in Berat, Kallmet in Lezha). Such a relation between a specific cultivar and a specific geographical area represents a potential for developing wine quality scheme, including GI[188].

There is a potential to substitute imports and benefit from the growing tourism market, if quality and efficiency improvements were to be pursued at farm/grape production level and processing level (to ensure quality, some wineries are investing in their own vineyards, while others tend to establish long term relations with farmers). Naturally, improvement of quality is conditioned by a number of factors, including skills and know-how among producers (of grape and wine), which is addressed in this study[189]. There is a need also to improve packaging, storage and labelling, especially in the case of small producers. It is still common for farmers to store or sell wine and raki in used plastic bottles, as shown in the photo below.

Figure 29: Wine produced and sold by a small farm

Source: Photo by Drini Imami

Fruits and vegetable

Supply

According to previous studies, most farms have **fruit** trees, of different types – in most cases, mainly for self-consumption. Thus, only a small share specializes in fruit cultivation and has relatively large orchards with strong market orientation - from the estimates there are about 2,640 farmers that have more than 1.00 Ha of orchards (the rest are small or very small). Only for apple there are more than 8 thousand farms that have more than 0.20 Ha (thus, they have certain market potential and orientation) and less than 1.00 Ha apple orchards. Similarly, there are thousands of farmers, who produce cherries and plums, in the range of 0.20 Ha – 1.00 Ha. Similar to fruits, most farmers are engaged in production of **field** vegetable. According to previous estimates, about two thirds of the farmers produce vegetables, of different types – most of them also for self-consumption. There are about 50 thousand farmers who produce potatoes and white beans, many for self-consumption. Similarly, to the case of livestock, also for fruits and vegetable, on one hand, there are many farmers which are engaged, and vast majority

[187] Imami, D., Skreli, E., Zhllima, E., Cela, A., & Sokoli, O. (2015). Consumer preferences for typical local products in Albania. *Economia agro-alimentare*.
[188] Skreli, E. and Imami, D. (2019). Wine Value Chain Study, Technical Report prepared for EBRD.
[189] Skreli, E. and Imami, D. (2019). Wine Sector Study, Technical report prepared for EBRD AASF.

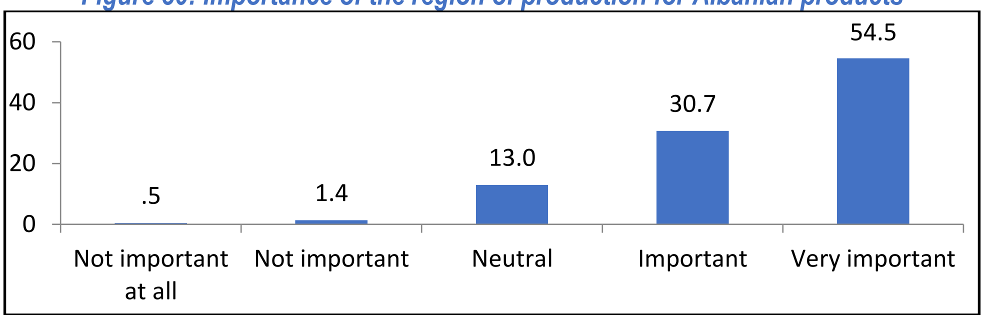
are small and semi-subsistence[190]. On farm processing is common for fruits (such as jams) and vegetable (such as pickled vegetable), both for self-consumption and for sales (for more details see the following subsection).

Demand

After the transition into market economy that began in early 1990s, the demand from Albanian consumers for **fruits** and **vegetables** increased significantly – the consumption of fruits and vegetable has more than doubled by the late 2000s as compared to the pre-transition period. Indeed, the increase of the local production capacities and storage was instrumental to enabling increase of consumption, making fresh products available for consumer for longer periods of time, at lower costs[191]. Increased production levels have caused over-supply, driving prices down during production peak seasons, and increasing losses to very high levels. In this context, on farm processing is a strategy to reduce losses, ensure food for self-consumption and generate income when possible.

Almost 9 of 10 consumers prefer domestic fruits compared to imports[192]. In addition, the region within the country (Albania) is considered very important by more than half of the respondents. Less than two per cent said it is not important or not important at all knowing the region of origin.

Figure 30: Importance of the region of production for Albanian products

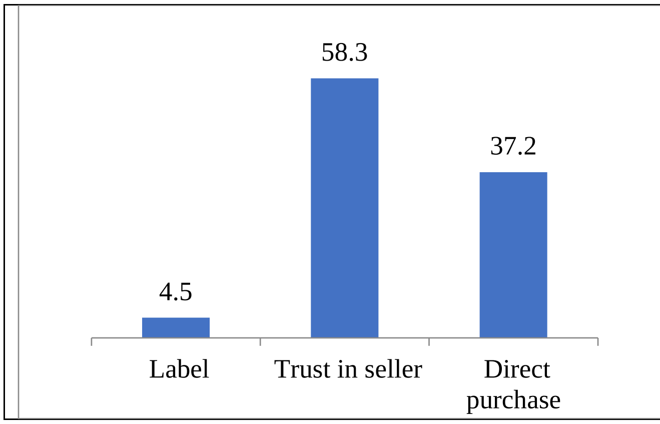


Source: Zhllima[193] (2018)

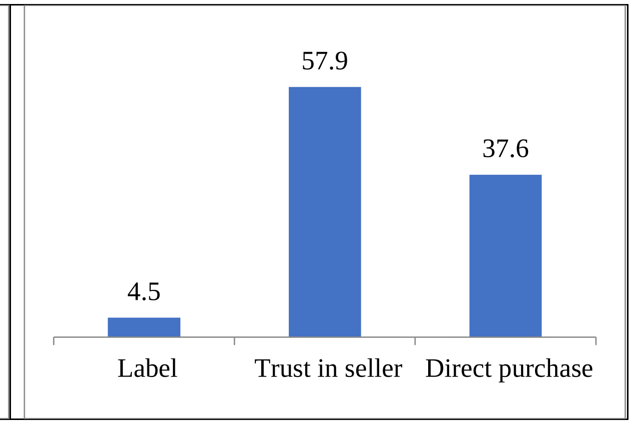
Trust in sellers and retailers is by far the most important way for most respondents to guarantee the origin of fresh fruit and vegetables (58 percent). Also, preference for processed fruits and vegetable is likely to have a similar pattern. On the other hand, in Albania there are many autochthone varieties for fruits and vegetable with unique attributes and interest for them from producers and consumers is re-emerging.

Figure 31: Source of origin guarantee for fruit	*Figure 32: Source of origin guarantee for vegetables*

[190] AGT & DSA (2021). Fruits and vegetable sector study. Technical Report.
[191]Zhllima, E., Imami, D., & Merkaj, E. (2012). Food consumer trends in post socialist countries: the case of Albania. *Economiaagro-alimentare*.
[192] Zhllima, E. (2018). Local products in the region of Kukes. Scientic report prepared for EFSIM & ADAD
[193] Zhllima, E. (2018). Local products in the region of Kukes. Scientic report prepared for EFSIM & ADAD



Source: Imami and Skreli (2013)



Source: Imami and Skreli (2013)

There are traditions of processing various types of fruits into jams and vegetable into pickled vegetable on farm (which vary also by regions). Also trying of some fruits (such as plums), it is common. While few operators have invested in packaging and labelling, many small farms do use primitive packaging and labelling, as shown below for dried apple.

Figure 33: Dried apple (in the middle)

Source: Photo by Drini Imami

Homemade traditional food processing

In addition, there are hundreds of farmers engaged in aquaculture, gourmet and pasta (jufka) production. For more details see the following subsection. There is a large share of farmers in east Albania which produce pastry products and other type pf products at home such as petka, jufka, tarhana, dried sweets, etc. Jufka is traditional pasta produced in the region of Diber, mostly in its rural areas. For the production of jufka, rural households normally use locally produced ingredients such as milk, flour and eggs. Production is based on family groups or women groups who produce and dry the product (usually in group work). They apply simple packaging and labeling. Jufka are mainly sold through neighborhood shops and minimarkets, however also direct sales to households are common.

Figure 34: Jufka drying and packaging

Source: Photo by Drini Imami

Box 5: Jufka producer - "Bujtina e Jufkave"

"Bujtina e Jufkave", is a family business which started to operate since 2008. It mainly emoloyees women and is run by women. They produce jufka and process also fruits and vegetable in artizanal or traditional way. To produce jufka, they buy milk and eggs from local farmers – there are about 20 farmers that supply it. Products are sold in a shop operated by the same business as well as it supplies shops, traders and restaurants. There is a potential to register this Jufka as PDO/PGI, but that would require collective action (cooperation among producers) which is challanging. In addition they have recently opened an agritourism which serves traditional dishes.

Source: Imami (2020[194]) and interview

Dried fish

Supply

Yearly per capita fish consumption has increased substantially during transition in Albania. Fish are sold through discrete channels from fishers and producers regardless of the type and origin of fish. The first marketing channel to the costumers is the specialised fish shops. Another important and visible marketing channel for fish is the street and roadside where both marine and freshwater fish is sold. The third largest marketing channels are restaurants. The development of the sector has been incentivized by the growth of tourism sector.

Demand

Despite the growth in demand, access to market remains an issue for smaller aquaculture producers/farms. Many trout farms have highlighted marketing as a major problem. Due to continuous production but weekly and seasonal fluctuations in demand – as well as in order to expand and diversify of production – many trout farmers are interested in processing their fish. Increased value adding creates greater benefit for fish resources and thus value adding, and market access are options for economic improvement. In the case of Albanian small-scale processing activities, value adding operations would help to increase the shelf life of fish products, making them more transportable and

[194]Imami, D. (2020). Agritourism and local food products: the potential for Albanian smallholders. Technical report prepared for KMC-INC.

consequently more accessible to wider market groups. Therefore, out of the many family trout farms, small scale processing (gutting, filleting and smoking) could be a realistic option to add value to their fish[195].

In Europe small scale processing of trout is widely practiced by trout farmers in order to add value to their product. The usual varieties of trout processing include the combinations of gutting, filleting, spicing, smoking and vacuum packing. Increased value adding creates greater benefit for fish resources and thus value adding. About ¼ of the trout farms mentioned marketing as a major problem. Due to continuous production but weekly and seasonal fluctuations in demand – as well as in order to expand and diversify of production – many trout farmers are interested in processing their fish. Value adding operations would help to increase the shelf life of fish products, making them more transportable and consequently more accessible to wider market groups. Therefore, out of the many family trout farms, small scale processing (gutting, filleting and smoking) could be a realistic option to add value to their fish[196].

3.3 Rural areas/zones with common development priorities

Similar to the geographical concentration of the main agriculture and livestock activities, also in the case of on farm processing, the region with highest activity, expressed in number of farms that process food, is highest in the region of Fier. Other important regions are Diber, Elbasan, Berat and Durres, which together make up more than 2/3 of the total number of farms who do on-farm processing.

Table 3.2: Distribution of farms that process food

Region (qark)	No. of farms	Percentage
Fier	4,020	22%
Dibër	2,738	15%
Elbasan	2,161	12%
Berat	1,956	11%
Durrës	1,954	11%
Tiranë	1,289	7%
Lezhë	1,012	6%
Gjirokastër	922	5%
Vlorë	823	4%
Korçë	775	4%
Shkodër	494	3%
Kukës	227	1%
Total	18,371	100%

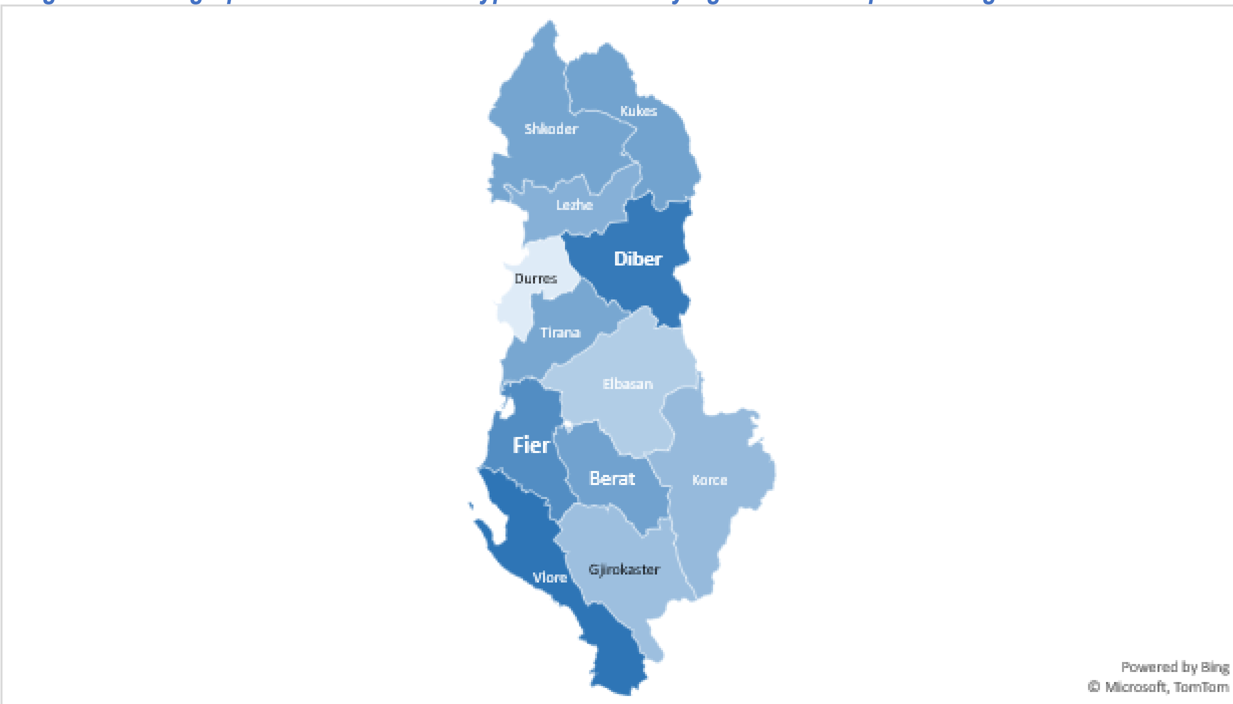
Source: INSTAT (2012) Agriculture Census

Results obtained from the survey of MARD extension services experts indicate that farms which carry out activities such as on-farm processing are diffused throughout all regions of Albania. Three distinctive regions appear to have a stronger presence of farms that carry out food processing, namely Diber, Vlora and Fier.

195 FAO (2013). Review of Albanian inland fishery and aquaculture subsectors (GCP/ALB/014/EC), Technical report prepared by Woynarovich, A., Shermadhi, V., Imami, D., Zvyagintsev, D., Kvistgaard, M.

196 FAO (2013). Review of Albanian inland fishery and aquaculture subsectors (GCP/ALB/014/EC), Technical report prepared by Woynarovich, A., Shermadhi, V., Imami, D., Zvyagintsev, D., Kvistgaard, M.

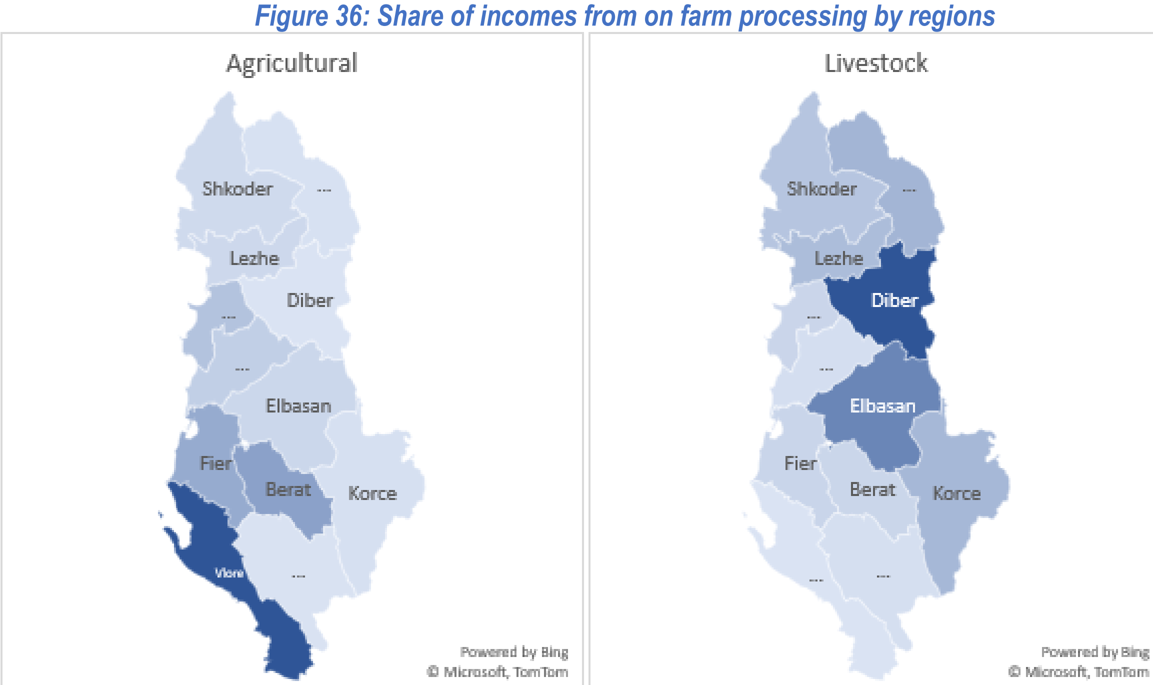
Figure 35: Geographical distribution of typical farms carrying out on-farm processing activities in Albania



Source: Author elaboration based on MARD Extension Services Survey (2021)

Vlora, Fier and Berat generate more incomes when compared to other regions in terms of agricultural on farm processing, while Diber Elbasan and Korca region generate more incomes from livestock products (processed on farm) when compared to other regions. Interesting the case of Vlore, a province that despite hosting 4% of food-processing farms generates a much higher percentage of income from processed agricultural product, sign of a superior capacity to generate value from on-farm processing.

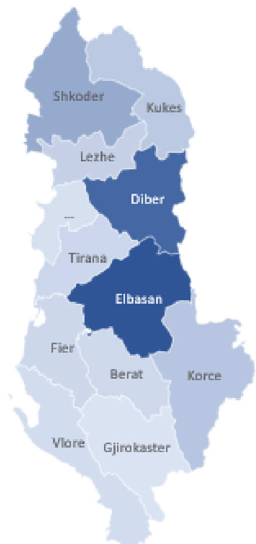
Figure 36: Share of incomes from on farm processing by regions



Source: Author elaboration based on MARD Extension Services Survey (2021)

Elbasan, Diber and Shkoder are three main regions where on farm processing of dairy production (products such as cheese, butter and curd) is concentrated (on farm processed cheese is common also in regions such as Shkodra and Lezha).

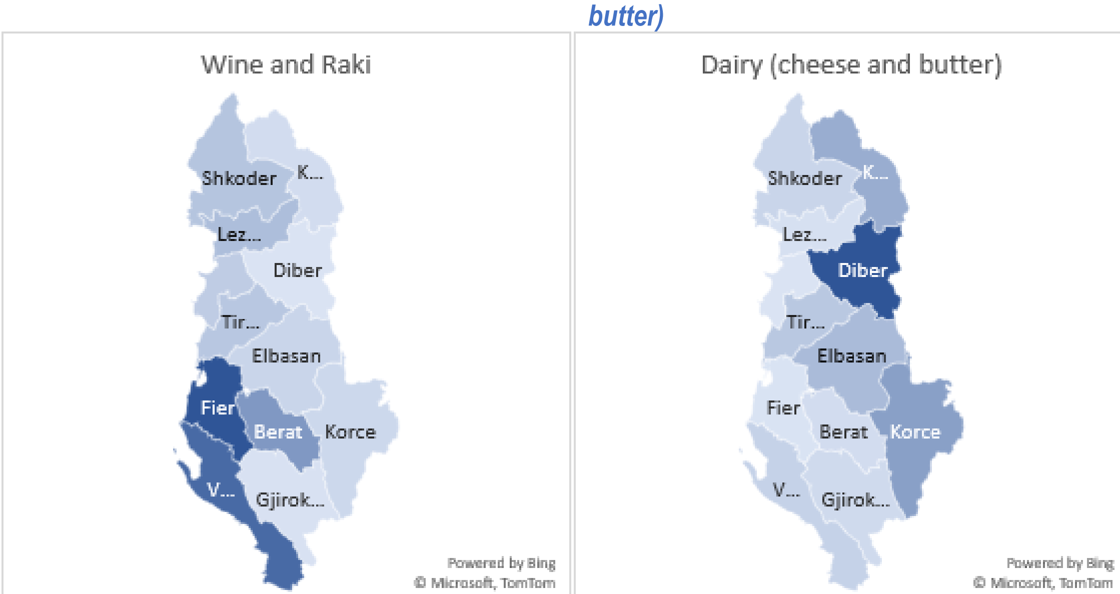
Figure 37: Regional distribution of on-farm processing of dairy products (butter, cheese, curd)



Source: Author elaboration based on MARD Extension Services Survey (2021)

Farmers in Vlora, Fier and Berat who carry out on farm processing of raki and wine generate more incomes compared to farmers in other regions. While farmers in Diber, Elbasan, Korce and Kukes who carry out on farm processing of dairy products (mainly cheese and butter) generate more incomes when compared to farmers in other regions.

Figure 38: Regional distribution of incomes from on farm processing of raki, wine and dairy (cheese and butter)



Source: Authors elaboration based on MARD Extension Services Survey (2021)

3.4 Biodiversity and environment implication as part of small-scale on-farm processing

On-farm processing contributes to improving food nutrition and to household income. In addition, on farm processing can contribute to reduced food losses. ISARD 2014-2020 emphasizes the issues and importance reducing food losses which are high especially in the case of fruits. Reducing food losses is included in the Sustainable Development Goals (SDG 12.3)[197] which requires concrete steps to be taken at regional and national level. While there is a Global Initiative on Food Loss and Waste Reduction.

In Europe, especially in non-member countries such as Albania, Food Loss Waste (FLW) has serious consequences for food and food safety due to inefficiencies in food VCs (VLs), which result in lower availability of micronutrient-rich foods such as fruits and vegetables, declining incomes of small farmers who are major food producers, especially in the absence of transfer of losses through insurance, and rising food prices for urban consumers, the vast majority of whom have low incomes[198]. In addition, food waste creates externalities such as unnecessary greenhouse gas emissions, environmental pollution, inefficient use of limited resources due to non-consumed food production and have negative impacts on climate change[199].

The milk and dairy sector rank among those ones raising more environmental concerns in Albania including: i) high contribution to agricultural greenhouses gases emission, ii) high consumption of natural resources per output unit, iii) need of sizable investments for manure management and, iv) relatively energy-saving processing cycles, based on cooling and heating processes. In addition, the drive to production efficiency induces increasingly intensive breeding systems, with consequent problems of pollution hotspots, animal welfare, gradual agrobiodiversity loss (due to the use of few, highly specialised breeds) and increased risks for animal disease. With reference to the contribution of the sector to the alignment to the EU Green Deal in Albania, milk and dairy sector is mainly relevant to the components “Farm to Fork”, “Energy” (“Supplying clean, affordable and secure energy”) and “Biodiversity” (“Preserving and restoring ecosystems and biodiversity”). Thus, support for dairy farmers is instrumental to tackle negative these negative externalities[200].

3.5 SWOT Analysis: potentials, constraints, and requirements

Most Albanian farms are small and fragmented. However, this structure creates the conditions for the presence of a wide array of products. The current structure of agriculture in Albania (small and fragmented farms) makes it difficult to achieve competitiveness in terms of large-scale production for most farms. In order to ensure market access, farmers across the main VCs have engaged in direct sales to final consumers (short VC) and on-farm processing of food products and services.

While there are several advantages and opportunities related to on farm processing and short VC, most farmers possess poor physical assets base for on-farm processing. Weak surrounding logistic network of suppliers. Data from a recent farmers’ survey show almost 99% of farmers do not have either a cleaning, selection or sorting line[201]. Only consolidators declared to have a selection and sorting line. In Lushnje was found also a cleaning line for green salads which furnished CONAD supermarket[202]. Only 27% have a storage facility. This evidence shows that farms lack modern equipment for postharvest processing and storage of raw materials. However, some large farmers, as well as wholesalers, are equipped with sorting and cleaning lines. Usually, this equipment is bought to comply with

[197] Responsible Consumption and Production, goal 12.3: By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses.

[198] Hodges, R.J., Buzby, J.C. and Bennett. B. (2011). Postharvest Losses and Waste in Developed and Less Developed Countries: Opportunities to Improve Resource Use. Journal of Agricultural Science 149 (S1): 37–45.

[199] Aulakh, J. and Regmi, A. (2013). Post-harvest food losses estimation: development of consistent methodology. In: Paper Presented at the Agricultural & Applied Economics Associations 2013, AAEA & CAES Joint Annual Meeting, Washington DC, USA, 4–6 August 2013. and FAO (2011) Global food losses and food waste- Extension and prevention. Save Food International Congress. Interpack, Düssledorf, Germany.

[200] AGT & DSA (2021). Milk Sector Study Report.

[201] FAO (2018)

[202] Interview with representative of Eco-Farm, Qerret, Lushnje.

standards required by exporters or just a few clients[203]. There are more than a 100 of collection centers operating in the fruit and vegetable sector and more than 50 cold storage operators. Few collection centers and cold storage units are established in the mountainous areas in the form of incubators (supported by Italian Cooperation).

Moreover, poor packaging, labelling and marketing and poor physical assets base, lack the appropriate knowledge about production technology largely conditioned by limited access to advisory services (related to production technologies). Compliance with standards, improvements in overall efficiency and performance, and diversification require substantial investments.

Albanian agriculture sector has several advantages and opportunities, relevant also for the small farms. The origin of production tends to be quite an important factor for most Albanian consumers. According to various studies, most consumers choose their products based on origin (domestic versus imports). Generally, there is a strong consumer preference for domestic food products. In addition, within the domestic product group, there are significant differences in perceptions based on the region of production within Albania. Most consumers view the region/area of origin is either important or very important when deciding to buy Albanian products. Many consumers prefer to buy directly from farmers. In addition to local consumers (that have developed clear preference for origin of specific agri-food products and prefer to buy directly from the producers), there is also a great interest from the growing number of foreign tourists, who often prefer to buy/consume local products. The current pattern of direct sales, combined with consumer preference for products from special territories, represents a potential for agri-tourism that should be capitalized[204].

In Albania there is — a great richness and diversity of local cultivars (pants) and animal breeds. Not only they are adapted to local conditions (and appear to adopt well also to climate changes in some cases) but they are also and appreciated by consumers. On the other hand, there is a long experience/tradition in the production of local and traditional products such as fig jam, cherry jam, jufka etc.

Table 3.3: SWOT strategy

STRENGTHS (+)	WEAKNESSES (–)
Relatively wide range of products. Widespread and consolidated knowhow and experience in traditional food preparations such as jams, raki, gliko etc. Background work for GI and TSG performed by development projects in several sites (Puka, Rec, Permet etc.) Need for very small investments to start up in-farm food processing with traditional products and preparations. Traditional transhumant practices create a favorable background for SR artisanal dairy productions, based on seasonal processing units.	Poor physical assets base for on-farm processing. Poor packaging, labelling and marketing and limited local products. Traditionalism: there is resistance to adapt/innovate traditional products to make them compliant with food safety and environmental protection standards and to changing consumers' preferences Scarce product innovation: Difficult access to markets Resistance to pooling, vertical and horizontal coordination. Limited promotion among local and foreign tourists of on-farm processed food products. Scarce and obsolete knowhow. Weak capabilities to establish direct marketing. Limited access to finance for small farmers
OPPORTUNITIES (+)	**THREATS (–)**
Rural tourism is also promoting direct farm sales and provide more opportunities for additional services. Strong consumer preference for local food products, including on-farm processed products. Widespread recognition among urban consumers of Development of agri-tourism as pool factor. Pre-conditions are in place to establish quality schemes	Increased pressure from changing regulations related to standards in the context of EU integration. Migration, few young people remaining. Weak connectivity, digitalization and e-commerce due to weak accessibility to ICT. There is not a unified TSG catalogue.

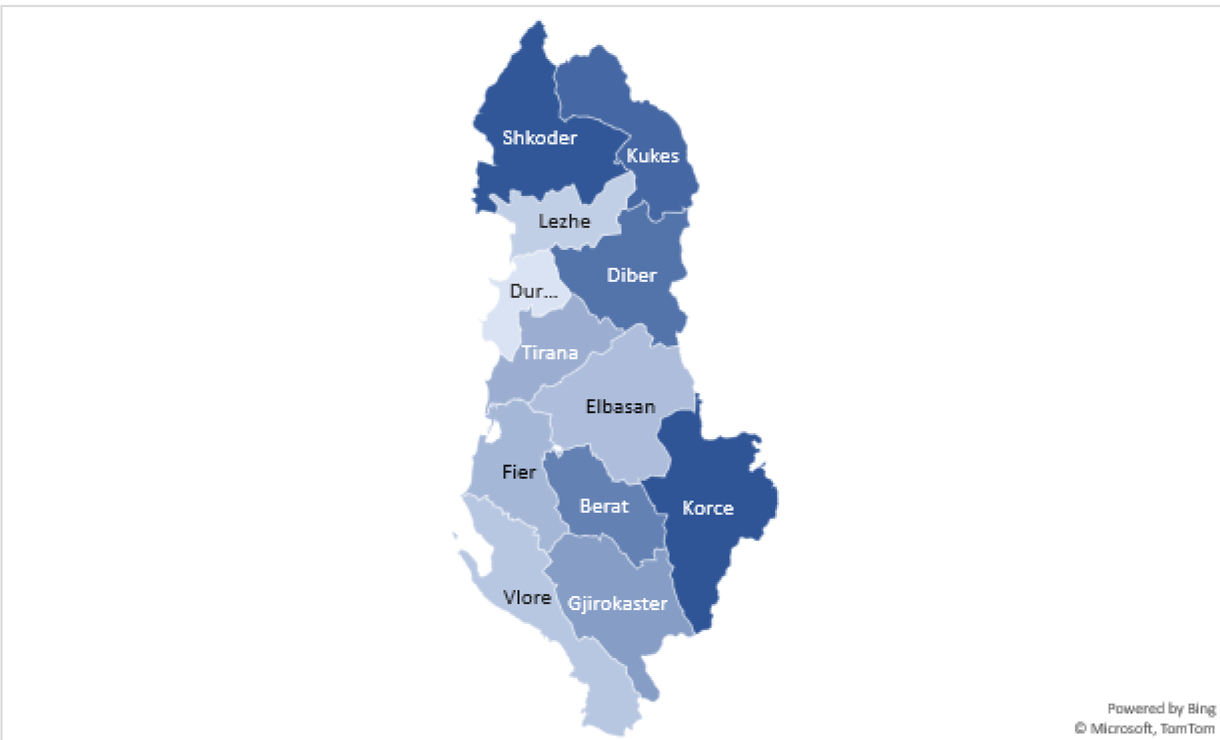
203 Interview with fruit wholesaler.
204 Imami, D., Zhllima, E., Canavari, M., & Merkaj, E. (2013). Segmenting Albanian consumers according to olive oil quality perception and purchasing habits. *Agricultural Economics Review*, *14*(389-2016-23484), 97-112.

such as GI (trials already made) and TSG. Favorable climatic conditions for a diversity of products Favorable government policy for the sector and availability of resources for diversification and local food products development. Presence of shops specialized in local food specialties Tirana. Consolidating Slow food presence (7communities)	

3.6 Priority needs for on-farm processing and direct marketing

According to extension service officers, in case of a partial grant scheme for investments linked with on farm processing activities, the emerge of these particular activities would potentially be centered mainly in regions such as Korca, Shkodra and Kukesi (see the following figure).

Figure 39: Geographical distribution of new potential entrepreneurships offering on-farm processing in Albania



Source: Author elaboration based on MARD Extension Services Survey (2021)

The support of the sub-measure “small-scale processing and marketing of agricultural products” under IPARD III support schemes can consider the following opportunities:

- Upgrade existing small-scale processing companies to national hygiene standards
- Valorise agricultural fresh and processed products
- Maintain traditional farming systems by linking small businesses to local markets
- Preserve the rural diversity, e.g., through traditional food products
- Create additional income for farm households, valorise rural labour and enhance quality of life in rural areas,

- Support the upgrading of micro and small-scale producers to compete on the local/regional markets, as well as integrating viable small food processors into the formal sector to better ensure food safety and hygiene conditions
- Mainstream raw, minimal processed and value-added agricultural products (and rural spaces) as unique and distinct lifestyle products (as overall mid-term objective)

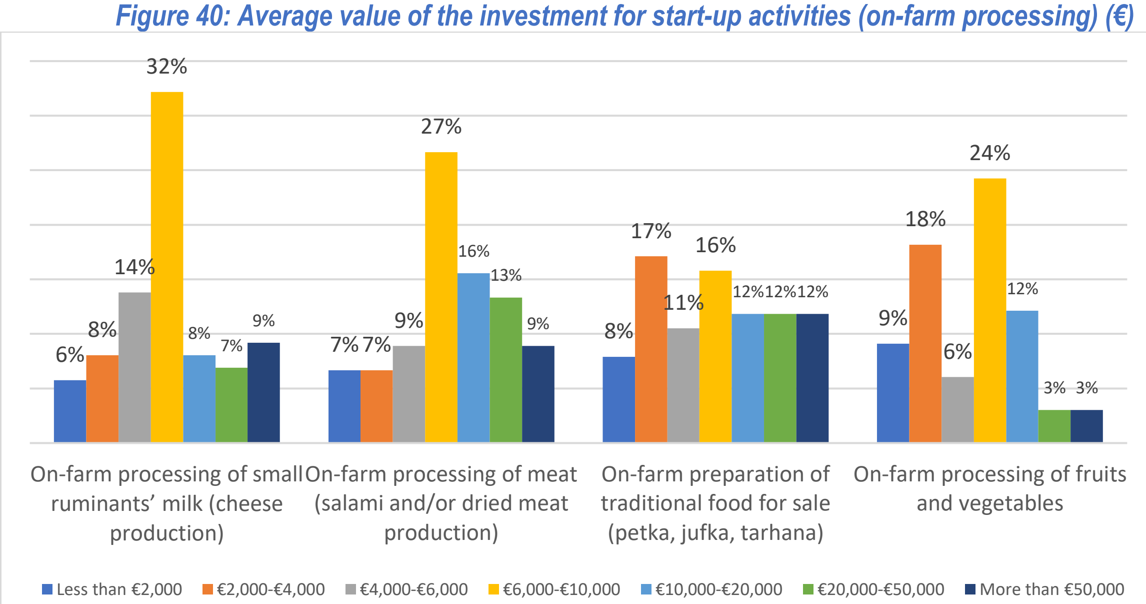
Below are listed the priority needs for support which can be tackled also by other /alternative interventions:

- Support farmers to improve the entire range of activities of production and marketing, including production technologies, storage, and packaging, direct sales and innovative forms of marketing.
- Increase access to digitalisation and ICT and inclusion in online sales/promotion channels.
- Support registration and promotion of local brands; support PDO/PGI registration.
- Promote typical, traditional food products and Traditional Speciality Guaranteed (TSG) registration, also considering connection with Slow-Food initiatives for micro/niche products.
- Promote organic certification.
- Support integrated marketing campaign to promote high quality local/ territorial products in connection with the territory promotion.
- Provide specific support for young people and women engaged in on-farm processing.
- Collective action initiatives.

In the case of fish, there is a need to improve fish drying technologies, combining tradition with best standards and practices and diversifying product / fish types (currently only one type of fish is processed). In addition, there is a need for supporting marketing.

According to extensionists opinions the average value of a start-up investment in activities such as on-farm processing could vary between €4,000 to €20,000 (see the following figure).

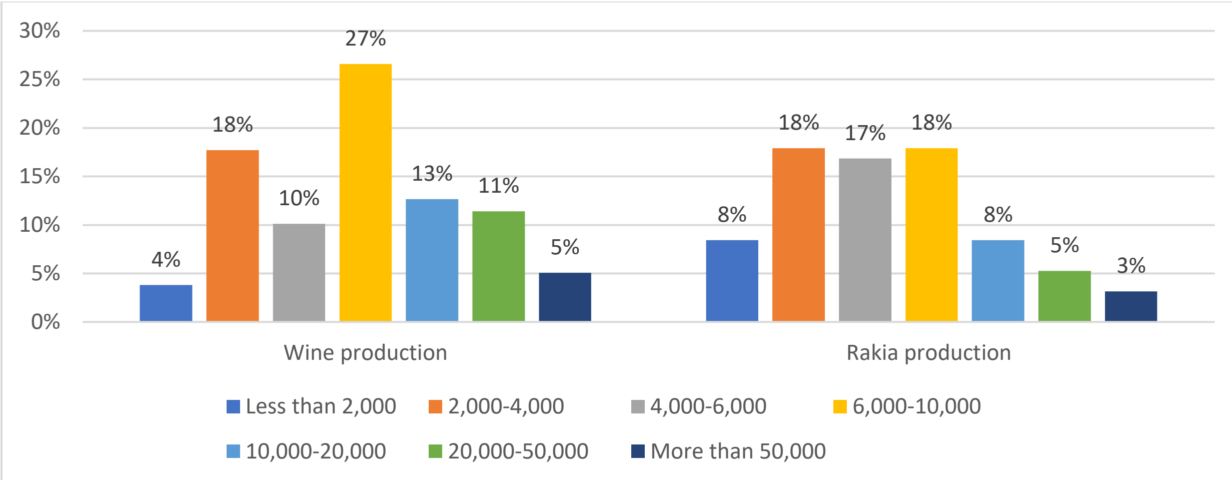
Figure 40: Average value of the investment for start-up activities (on-farm processing) (€)



Source: Author elaboration based on MARD Extension Services Survey (2021)

According to extensionists opinions the average value of a start-up investment in activities such as small-scale production of wine and raki could vary between €2,000 to €20,000 (see the following figure).

Figure 41: Average value of the investment for start-up activities (small scale production of wine and raki) (€)



Source: Author elaboration based on MARD Extension Services Survey (2021)

3.7 Priority investments for on-farm processing and direct marketing

Type of investments	Construction/reconstruction and specific processing equipment related to on-farm processing. Selling points for local and fresh food Storage capacity (e.g., for wine, raki, olive oil, table olive). No processing of olive oil. Packaging and labelling Marketing investments such as website and direct sales Small scale fish processing - Establishment of small-scale fish processing plants on existing trout farms including drying of fish. Investments to improve sustainable use of PPP (equipped storage rooms, application devices), energy reduction, waste disposal and reuse/recycling of waste materials.
Eligibility criteria - specific	Farm size 1 Ha, 3 Cattle, 30 Small ruminants[205] Farmer registered two years prior to the application. Eligible applicants should reside in rural area as defined according to list of IPARD II[206] Locally produced raw material (a minimum of 50% of the processed raw material needs to be from the area (e.g., administrative unit). Criteria to be applied after treatability and control rules are available to guarantee the origin.
Minimum level of financing	The minimum level of financing should be €5,000
Geographical coverage	Countrywide for all products
Ranking	Extra points for shepherds working in protected and less favored areas Extra points for food processing companies upgrading to food safety and environmental standards Extra points for female entrepreneurs Extra points for young entrepreneurs under 40 years
Preferential criterion	Investments in natural protected areas, areas of environmental importance and potentially suitable for Natura 2000 network and areas functionally related with such areas should receive priority attentions.

3.7.1 Proposed eligibility criteria and size thresholds

Criteria	Justification

[205] These thresholds are in line with NFA no. 5, 4.5.2018 on food safety standards, which is less rigid especially for disadvantaged areas when compared to the DCM N0. 566 31.7.2019 on agritourism. Furthermore, since diversification is supposed to be an additional activity to farming, it is necessary to have a certain minimum size of the farming activity, to ensure certain economic viability.

[206] http://www.ipard.gov.al/wp-content/uploads/2019/07/9.-Annex-7-List-of-Local-Government-Units-and-List-of-Rural-Areas.pdf

Farm activity registered two years prior to the application.	The existence of the farm is a crucial point for making agritourism an exclusive activity. The agritourism criteria should be rather relevant to the rural habitat in order that any mechanism for support can create new businesses and on-farm activities[207]. In order to create impetus to the rural diversification in its existing form, the beneficiaries of any support schemes should be farmers and individuals who are already operating in the agriculture sector.
Minimum size of the farm area should be 1.00 ha and animal stock should be minimum 3 cows, 30 small ruminants or 30 hives[208].	In order to support economic viable food provision without limiting farm viability and food security of the family there is a need for proper physical stock of land and animal in the farm. Criteria for certification of receiving activity as "agritourism"[209] set a minimal farm size of 1 ha of land planted with agricultural crops but the animal stock is deemed high (livestock farms, which breed at least 10 head of cattle or 100 heads of sheep / goats or 200 heads of poultry). The animal stock number should be according to MARD Instruction Nr. 5, dated 4.5.2018
Applicant residing in rural area according to list of IPARD II[210]	Rural area definition using as criteria of selection the location of the farm in Administrative Units which were defined as Communes. However (before the reform of 2015), it is urgent to determine through an ad hoc approach (including INSTAT) the definition of rural areas according to OECD approach.
Investments should be carried in formalized activities (NUIS number, Tax payment certificate, Certificate of equipment with land issues from Administrative Units).	Both programs, linked the eligibility of investments with a certified ownership of land and dwelling. The availability in mountainous areas of Certificate of Ownership or Act of Acquiring Land in ownership is very low.
The minimum investment threshold is €10,000.	In IPARD II, the proposed minimum investment threshold limits for eligible investments per project was set to €10,000 to €400,000[211] for agritourism units up to 40 beds. No minimum threshold was placed in ARDPF (only maximum threshold of circa € 41,000) but there was a minimum size of 6 rooms which was scarcely achieved.
Reimbursement rate up to 65%.	Reimbursement rate should be 50% but can move up to 65% if preferential criteria are fulfilled.
Preferential criteria	
• Women farm-holders	Motivates women empowerment and formalizes women contribution in the household
• Extra points for operators working in protected and less favoured areas	Contribution to socio-economic and environmental sustainability.
• Farm holders under 40 years age at the moment of application.	Reduces the emigration pushing factors
• Farms located in mountainous areas	Contribution to socio-economic and environmental sustainability.
• 20% if investments having environmental and energy saving aim	Increase alignment with Green Deal. Investments in natural protected areas, areas of environmental importance and potentially suitable for Natura 2000 network and in locations functionally related with such areas should receive priority attentions

[207] In the Besra (2018) report seems that business benefitting from VAT reduction to 6% for holiday accommodation were normal businesses lured by VAT, which altered their status by just meeting the bare minimum eligibility criteria.

[208] For details see the explanation provided above.

[209] *DCM No. 566, Date of Act: 31.07.2019, Date of Approval: 31.07.2019, Official Gazette No. 114, Page: 8573*

[210] http://www.ipard.gov.al/wp-content/uploads/2019/07/9.-Annex-7-List-of-Local-Government-Units-and-List-of-Rural-Areas.pdf

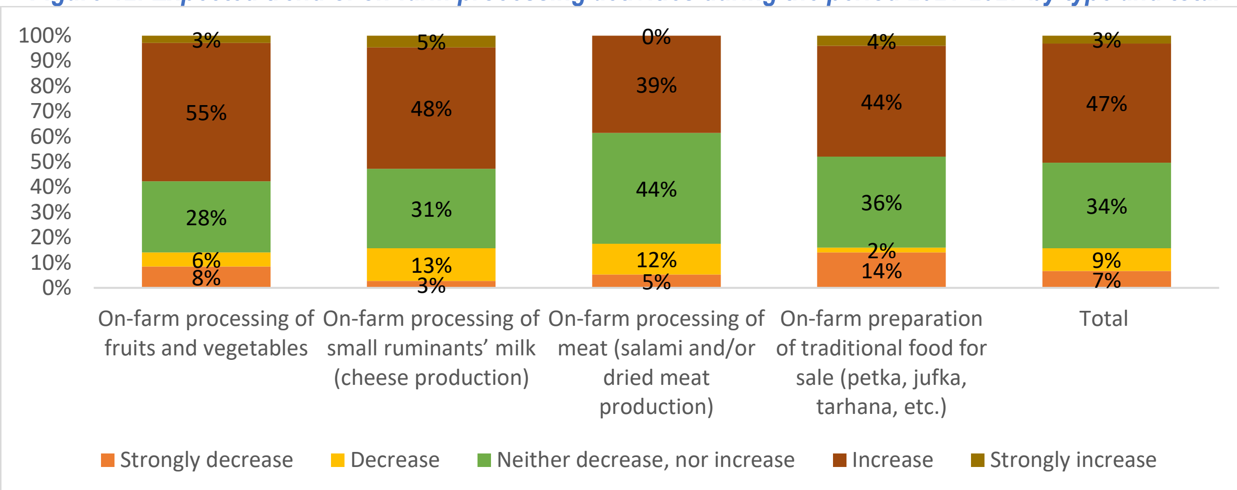
[211] For more detailed information visit the link http://www.ipard.gov.al/wp-content/uploads/2019/07/2.-GfA-3-MEASURES-Narrative-English-IPARD-II-vers-2.pdf, Last accessed 11 April 2020.

3.7.2 Estimated absorption level

In terms of the following 7 years (expected trend for the period 2021-2027) results show that majority of MARD extension officers expect an increase number of activities such as on-farm processing of meat, dairy, fruit, vegetables but also prepared traditional food. The following figure shows a particular positive performance of these activities in the near future (next 7 years).

Considering that about 20 thousand farms are engaged in on-farm processing, and assuming that the average investment value will be €10 thousand, and that half of the farmers engaged in processing may apply, we can conclude that the absorption capacity will be about €10 Million, and assuming an average subsidy rate of 60% (within the proposed range of 50—65%), the total IPARD III fund that can be observed can be about €6 Million.

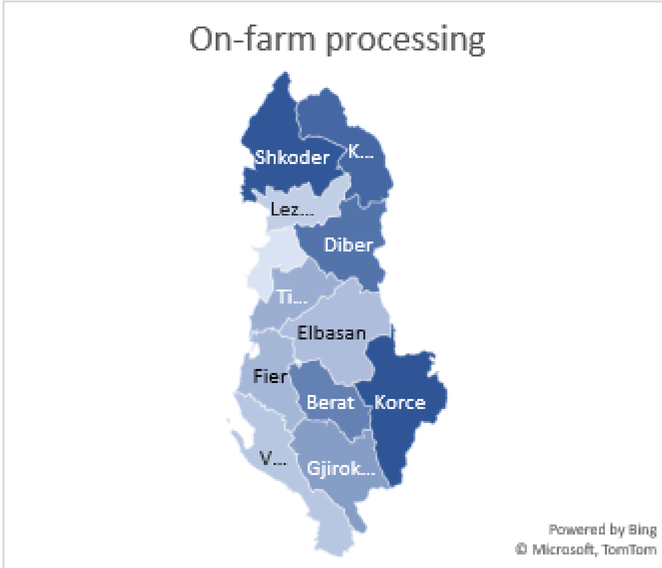
Figure 42: Expected trend of on-farm processing activities during the period 2021-2027 by type and total



Source: Author elaboration based on MARD Extension Services Survey (2021)

According to extension service officers, in case of a partial grant scheme for investments linked with on farm processing activities, the emerge of these particular activities would potentially be centered mainly in regions such as Korca, Shkodra and Kukesi (see the following figure). The number of jobs created for one typical investment (on-farm processing) is on average from 2 to 4 people employed per investment.

Figure 43: Geographical distribution of new potential entrepreneurships offering on-farm processing in Albania



Source: Author elaboration based on MARD Extension Services Survey (2021)

In the case of providing a partial grant scheme for investments linked with small scale production of wine and raki, the emerge of these particular activities would potentially be centered mainly in regions such as Korca, Kukesi, Vlora and Tirana. The number of jobs created for one typical investment is on average around two people employed per investment.

4. SMALL SCALE PRODUCTION OF NON-TYPICAL PRODUCTS AND OTHER GAINFUL ACTIVITIES AS FARM SECONDARY ACTIVITIES

4.1 Background of the sector

Wild MAPs and Non-Timber Forestry Product (NTFP), beekeeping and other gainful activities based on harvesting, collection and aquaculture are a key source of incomes for rural population. MAPs and NTFP collection and beekeeping are inherently related with the economics of pastoral farming system in Albania. Considering the number of persons engaged in these activities (frequently women and youth or entire family) the average number of engaged is more than 80 thousand. MAPs business both at the farming and processing level, is a male-driven business, with large base of women working in lower positions.[212]

MAP is predominantly export-oriented, as 95% of total MAPs are exported, contributing to around 20% of agriculture exports and income of about 20.000 households[213]. Export of MAPs has increased three-fold since 2010, reaching more than €33 million in 2019, while the export of essential oils extracted from MAPs has increased twelve-fold, reaching €4.6 million[214].

Nuts and other NTFP are very important for the economy. Exports of nuts and other NTFP are in average approximately €5 Mln, where major part is created by nuts exports. Nuts (especially chestnuts) represent an important source of income for silvo-pastoral communities (considering that nuts, are typically located in mountainous areas), where intensive agriculture is not viable in Albania, and alternative employment opportunities are few.

Berries, wild mushrooms and other NTFP collected in the wild are very important product too. The value is so important that a growing number of rural-urban migrants, are returning to home villages during harvesting season to collect highly-valued NTFP present in pastures of Kukes, Diber and Shkoder. A study of 2015 reveals that in mountainous areas such as Puka area it has been estimated that they generate from NTFPs round 0.8 – 1.2 million USD per year[215]. In average, families generate round 400 USD per year from NTFPs[216].Wild mushrooms also are important. A person can collect 10-15 kg/day that can generate 10-20 USD.[217]

Honey is a very important contributor to rural households' income. The sector is poorly oriented to exports (exports value less than €300 thousand per year) however internal market presents an increasing and stable opportunity. There are approximately 4,000 beekeepers operating formally and producing honey in Albania through approximately 300 thousand beehives. The 2012 Census of Agriculture reported a three times higher number. According to INSTAT, the overall quantity of honey is 4,000-ton, equivalent to a yearly value of 33 Mln Euro[218]. If Census 2012 data are used as overall population of beekeepers, honey creates yearly revenue of 3000 Euro per farm.

The development of the aquaculture sector in the last several years is following a constant growing trend better performing than fishery. However, number of small aquaculture farms established as accompanying activities nearby restaurants and agritourism units is reducing[219]. During the recent years, aquaculture has been increasing in importance with 27% of the catch and 26% of the value. In aquaculture sector there are approximately 165 registered

[212] GIZ (2021). Gender value chain analyses of the selected sectors, Report prepared for SRD project.
[213] AASF (2019). Medicinal and aromatic plants sector study, available at https://aasf.com.al/wp-content/uploads/2019/08/Map-EN.pdf
[214] EUROSTAT (2020). International trade database, available at https://ec.europa.eu/eurostat/data/database
[215] Alpin (2015). "Regional and economic development center", Value chain analysis of non-timber forest products in the Puka district.
[216]Alpin (2015). "Regional and economic development center", Value chain analysis of non-timber forest products in the Puka district.
[217] CNVP (2019). Assessment of challenges and opportunities related to non-timber forest products in the wider Prespa area, available at https://www.pont.org/wp-content/uploads/2019/06/Need-assesment-NTFP-PONT-final.pdf
[218] INSTAT (2020). Livestock figures, available at http://www.instat.gov.al/en/themes/agriculture-and-fishery/livestock/
[219] AGT & DSA (2021). Fishery and aquaculture. Study report and field interviews.

entities (85% are inland water) in Albania. The total full-time employment in the fisheries and aquaculture is estimated at more than 4,200 persons employed.

Other non-typical products present as secondary activities is modest. Activities such as planting of ornamental plants and raising/processing of non-typical products (such as cultivation mushrooms, snails or raising of equine and peculiar breeds of birds) are carried out by 140 farms[220]. Considering the number of enterprises for these activities, it can be estimated that up to 600 jobs would be created.

4.2 Demand and supply patterns

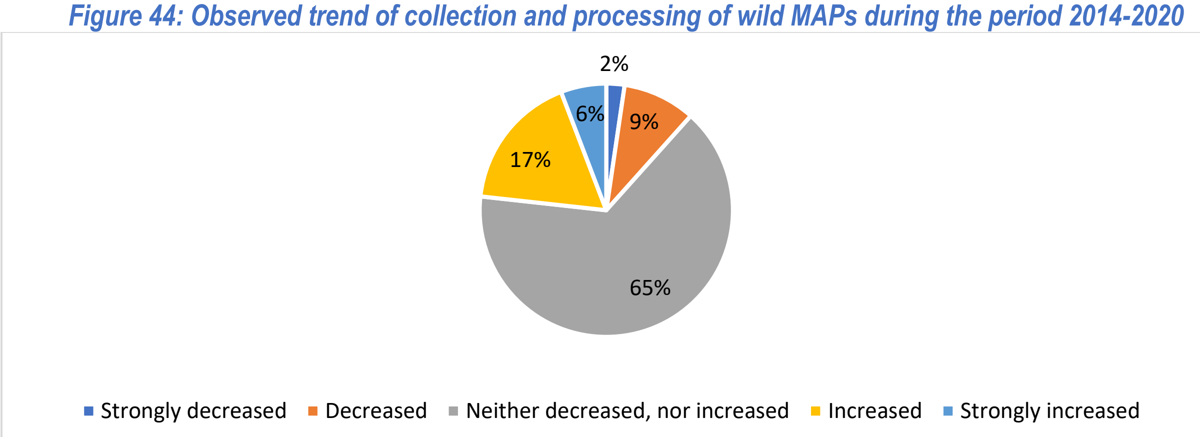
4.2.1 Wild harvest and small cultivation of MAPs

4.2.1.1 Supply

The main actors in the MAPs VC are harvesters and producers of cultivated MAPs, collectors/consolidators who are divided into two sub-categories - district or regional collectors and individual collectors, and processors and exporters of small, medium and large size. The VC is vertically oriented with collectors of spontaneous grown MAPs and cultivators selling the product to local level collectors or directly to processors/exporters. Local collectors regulate cultivated supplies and maintain regular relations of supply with buyers (processors/exporter) without committing their relation to one person. Large processers/exporters manage the exporting channels, by collecting procurement offers with short contracts also establish direct connections with local collectors and close relationships with farmers. They advise farmers about technology and standards, cultivation and harvesting processes. As such, exporters transfer to the harvesters and cultivators the market signals (product type, characteristics and prices) and provide support for cultivation (seeds and seedlings), technology services and advisory services on quality standards.[221]

According to the majority of extension service officers, during the last 7 years the number of farms (or activities) linked with collection and processing of wild MAPs have been stagnating, which means the observed trend have neither decreased nor increased, meantime less than 1/3 of extension service officers declare an increased trend of these activities. These differences reflect differences in regional patterns.

Figure 44: Observed trend of collection and processing of wild MAPs during the period 2014-2020



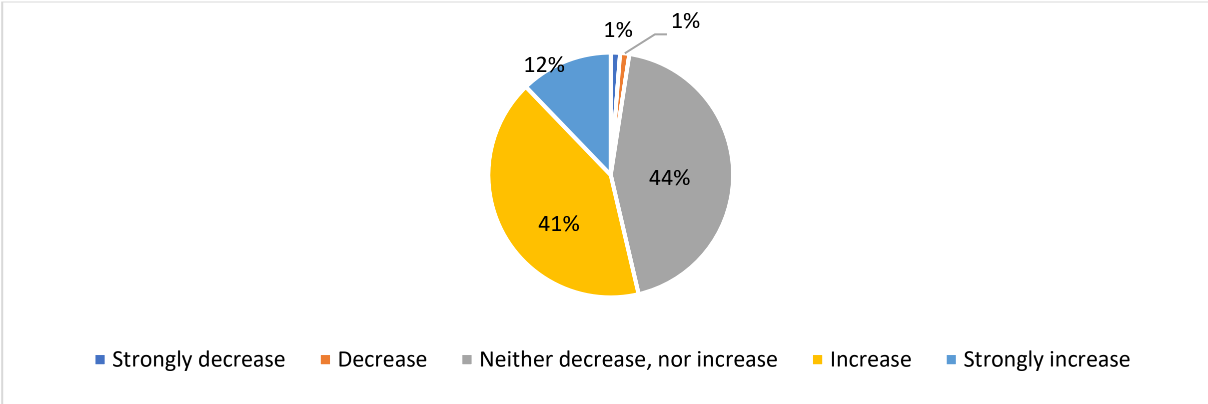
Source: Author elaboration based on MARD Extension Services Survey (2021)

In terms of the expected trend for the period 2021-2027, results show that around 50% of extensionists officers expect an increase number of farms carrying out collection and processing of wild MAPs as a diversification activity, and the other half expect a stagnating trend in the near future. Again the differences in statements and perception reflect differences in regional patterns.

Figure 45: Expected trend of collection and processing of wild MAPs during the next 7 years

[220] MARD (2021). Extension Services Survey, Organized by AGT & DSA

[221] A profile for the main actors in the value chain is given at AGT & DSA (2021). MAPs Sector Study Report.



Source: Author elaboration based on MARD Extension Services Survey (2021)

4.2.1.2 Demand and exports

The market of wild MAPs is export driven, where only a small share is oriented to supplying supermarkets, green markets and HoReCA. There are two companies and several producer groups that provide for domestic market a wide range of packed herbs/spices and a limited variety of essential oils. In the organic sub-sector, companies such as Erba M.M. ltd, and Sonnentor ltd operate with contracts either with large farmers or consolidators that ensure the monitoring wild MAP collection.[222]

There is witnessed an increasing presence of farms' processed production at specialised shops and agritourism units. The product is poorly packaged and sold at cheaper prices compared with products sold in supermarkets. However, there is an increasing diversity, which is present in fairs and other events. Products are better prepared when groups of producers (mainly women) are organised by donor intervention.

There are various trends happening in the MAPs sector[223] such as:

i. A growing international market demand.
ii. A growing and gradually consolidating industry.
iii. Increasing competition among the exporting companies.
iv. A growing importance of MAPs cultivation and the tightening supply of wild-grown MAPs.
v. Backward integration of large processing companies.
vi. Organic production and an increased focus on quality standards.
vii. Constant support for the sector from development agencies.

The demand for harvested products is linked with before mentioned industry changes. The number of harvesters is declining steadily, and so is the volume of MAP sold to processing companies.[224] Many inner and mountain areas have been almost abandoned, including areas with tourism potential (e.g., Kelmend, Dugagjin, Diber, Tropoje, Gjirokaster). Harvesting MAPs is not as popular work as it used to be despite the income generated; this is also related to the decline of traditional transhumant small ruminants' breeding, as transhumant breeders also used to play an important role in MAP collection in mountain pastures and highlands. While the depopulation undermines the sector's performance, it contributes to the conservation of endangered MAP species, at least low-priced ones.

Albanian exporters' **main product is dried MAPs**, being flowers, leaves, herbs, or fruits. However, depending on the level of cleaning, cutting, grinding, and other processes such as sanitation and sterilization used during production, the characteristics and value of the final product and its end-markets differ significantly. Albanian exporters' quality of the product is improving due to large investments in new warehouses and processing lines.

[222] Interview with experts.
[223] AGT& DSA (2021). MAPs sector study report.
[224] Interview with exporters and other key informants.

Recently, there has been a slight increase in prices of some MAPs in the international market, as indicated in the MAP sector study. A more accurate view of prices at the export level for some cultivated and wild-grown MAPs see the MAPs sector study[225].

4.2.2 Non-timber forestry products

4.2.2.1 Supply

Nuts

According to INSTAT, in 2019, all over Albania, a total of 14,199 ton of nuts and 5,845 ton of chestnuts were collected. Walnuts represent the most important nut product in terms of production and international trade. Production of chestnuts is largely based on existing forest massifs, most of them de facto organic and parts of the production sites also certified as organic, which represents a clear export potential. Production and productivity of chestnuts are hampered by the large number of old trees and diseases. However, production has marked modest increase over the years[226].

In the case of nuts, apart from production, most farmers are involved in postharvest activities, including: post-harvest care, storage, selection (removal of rotten and infected nuts), grading and marketing of nuts. These processes rely on the labor of the whole household.

There are of 30 traders/consolidators competing collecting the chestnuts from farmers. Most traders have some storage facilities for bulking products for a short term. Industry is very poor. Except selection and cleaning, a complete pre-cooling system is missing in (almost) all companies. Moreover, practices for cleaning/washing and calibration are improper.[227] They grade the products by hand according to different classes using hired women work.

Other NTFP

Other NTFP are berries and mushrooms. Main blueberry commercial production can include fresh blueberries; dried blueberries; processed blueberries (tea, jam). Yearly, 2.500 ton of berries were collected in 2019[228]. Elbasan, Shkodër, Kukës and Dibër regions count for about 56% of all the berries amount collected in Albania.

Small producers are the only processors but not the only suppliers, since many of these products are imported and sold in supermarkets or specialized shops. However, there are differences in the particular recipes used by small producers, high value-added products such as "gliko", or "rare" products such as cornel compotes and strawberry jams.

Mushrooms

The collected quantity is oscillating, between 20 to 40 tons. Large proportion of mushrooms are also collected in Puka, hilly areas of Lezhe, Prespa and mountainous areas of Korca and Librazhd[229]. Puka is known for the large quantity of mushrooms grown in the wild as well as their variety.[230] Many wild mushrooms are grown throughout the Puka territory. There are more than 10 types of eatable mushrooms and round 15 poisonous ones. The most frequently collected/traded wild mushrooms are as follows: Boletus (Boletus edulis), Chanterelle (Cantharellus cibarius), Royal agarics (Craterelluscornucopoides), Morel (Morchellaconica) and Caesars mushroom (Amanita caesarea).

[225] AGT& DSA (2021). MAPs sector study report.
[226] AGT& DSA (2021). Forestry sector study report.
[227] Interview with representatives of Reci Cooperative.
[228] INSTAT (2020). Forestry, available at http://www.instat.gov.al/en/themes/agriculture-and-fishery/forests/#tab3
[229] CNVP (2019). Assessment of challenges and opportunities related to non-timber forest products in the wider Prespa area, available at https://www.pont.org/wp-content/uploads/2019/06/Need-assesment-NTFP-PONT-final.pdf
[230] Alpin (2015). "Regional and economic development centre". Value chain analysis of non-timber forest products in the Puka district.

For most rural households in Albania, mushroom also is a very important product given the opportunities for direct sales to specialized shop and HoReCa. *Collectors and consolidators* procure the product collected based on payment in case and use small vehicles (maximum 2 Tons) to sell the products. Margin of profit is 25-35% above the harvesters. Many harvesters provide wild blueberry, mushrooms and nuts to the small collection points or directly to the main operators in such zones (Agro Puka, Don Giovanni Center) Tropoje (such as Citozi) and Shkoder (Reci Cooperative).

A concern is the low quality of the product in the post-harvest because the price lowers and a part of product is removed after the selection. Due to missing market links and weak knowledge and capital to invest in postharvest and processing there is weak added value created within the farm. Major part of the product is sold unprocessed (in Puka 93 % of the products)[231]

Box 6: Harvesting activities in mountainous regions

The Puka area is among the richest in Albania in NTFPs such as mushrooms, blackberries, MAPs, blueberries, cranberries, chestnuts, nuts, wild plums, etc. Traditionally, NTFPs have been important for the economy of families in the region. Important income has been generated through collection, processing, and sale of NTFPs. Round 35% of Puka families engage in collection of mushrooms. 25% of them engage in collection of blackberries. 25% of them engage in collection of MAPs and blueberries. More than 25% of families engage in collection of chestnuts that are in high demand. They also collect other products such as cranberry and other fruits that are used for production of juices, jams, and alcoholic drinks.

Based on the specific weight of the NTFPs, it can be said that they are a main resource for more than 30% of rural families of Puka. Most of collection is seasonal and lasts 30-60 workdays. In general, all family members are engaged. However, more than 50% of people engaged are women. Men and children make respectively 20 and 30%. Families carry out the whole process including the collection, drying, processing, transport, and sale of NTFPs.

Source. Alpin (2015)

Almost 24% of the extension staff reveal that there is an increasing trend in NTFP collection. In terms of the following 7 years (expected trend for the period 2021-2027) results show that almost 40% of MARD extension officers expect an increase number of activities such as collection and processing of non-timber forestry products[232].

4.2.2.2 Demand

Referring to the forest sector study there is an evident growing sale trend of all the NTFP types[233]. The market of non-timber products is heavily dominated by nuts which are major part exported as food industry input (more than 75% are destined for exports). Nut's sector has a huge contribution compared to other type of NTFP. Export values during the recent decade has recorded in average €5 Mln per year. Current values average at €2 to €3 Mln, due to a revival of the nuts sector in EU Countries.

Table 4.1: Albanian international trade of nuts (total) (HS code 0802)

	Export			Import			Export/import	
	(€000)	Ton	Price	(€000)	Ton	Price	(€000)	Ton
2010	626	924	0.68	1,004	712	1.41	62%	130%
2014	6,032	4,040	1.49	1,821	947	1.92	331%	427%
2015	4,807	3,573	1.35	2,736	1,175	2.33	176%	304%
2016	8,600	6,402	1.34	2,745	1,177	2.33	313%	544%
2017	3,692	2,766	1.33	3,338	1,487	2.24	111%	186%
2018	2,784	1,940	1.44	4,092	1,642	2.49	68%	118%
2019	3,101	2,184	1.42	4,075	1,698	2.40	76%	129%

Source: EUROSTAT (2020)

231 Alpin (2015), "Regional and economic development centre". Value chain analysis of non-timber forest products in the Puka district.
232 MARD (2021) Extension Services Survey
233 AGT & DSA (2021). Forestry Sector Study Report

The major partners of NUTS during 2019 continue to be Italy. Despite an improved production in Italy, the country is still importing a part of raw material from Albania.

Table 4.2: Export and imports by partner countries of nuts 2019

Exports			Imports		
Country	**Export amount (tons)**	**% Share in export amount**	**Country**	**Import amount (tons)**	**% Share in import amount**
Total nuts					
Italy	1,460	67%	**Greece**	393	23%
Hungary	669	31%	**Ukraine**	361	21%
Serbia	22	1%	**Bulgaria**	355	21%
Total	2,184	100%	**Total**	1,698	100%
Chestnuts					
Italy	1,439	67%	**Greece**	239	73%
Hungary	669	31%	**China**	84	26%
Serbia	22	1%	**Hungary**	2	1%
Total	2,157	100%	**Total**	327	100%
Walnuts					
Italy	8.4	65%	**Ukraine**	361	31%
Kosovo	4.6	35%	**Bulgaria**	355	31%
			China	104	9%
Total	13	100%	**Total**	1,146	100%
Almonds					
Kosovo	0.5	100%	**USA**	45	44%
			Greece	25	25%
			Spain	17	17%
Total	0.5	100%	**Total**	101	100%
Hazelnuts					
Kosovo	0.13	65%	**Greece**	17	54%
Montenegro	0.04	20%	**USA**	7	24%
Total	0.2	100%	**Total**	31	100%

Source: EUROSTAT (2020)

Export value of the other NTFP together is slightly less than €500 thousand (other NTFP €150 thousand, with a maximum level achieved €300 thousand in 2017). Major share (more than 90%) is represented by *raspberries, blackberries, mulberries and loganberries.* Main partners for the export of blackberry are Italy, United Kingdom and Montenegro.

Table 4.3: Albanian international trade of forest fruits[234]

	Export			Import			Export/import	
	(€000)	**Ton**	**Price**	**(€000)**	**Ton**	**Price**	**(€000)**	**Ton**
2010	48	10	4.8	8	17	0.5	600%	59%
2014	9	18	0.5	20	32	0.6	44%	56%
2015	30	36	0.8	10	18	0.6	300%	200%
2016	103	53	1.9	13	3	4.3	769%	1,710%
2017	296	144	2.1	15	2	7.5	1,974%	7,202%
2018	146	43	3.4	14	1	12.6	1,048%	3,873%
2019	111	46	2.4	27	18	1.5	411%	256%

Source: EUROSTAT (2020)

[234] Here are included Raspberries, blackberries, mulberries and loganberries, Black, white or red currants and gooseberries, Cranberries, bilberries and other fruits of the genus Vaccinium. Major share of the value is created by blackberry.

Lack of added value results into low shares of margins between market actors, except exporters. For instance, salep which is a product in risk grows wild in nature is sold by the collector by €16 per kg to the small distributor, who get a 20% markup by selling it to exporters (interview with harvesters in Erseka).

An increasing trend is the increase of direct sales. Direct sales to households, agritourism units and restaurants are also very important. Interviews with agritourism units in Kelmend area reveal that quantities of round 2 Tons are collected from harvesters and processed into jam, juices and rakia. Direct sales are carried by several operators from Kukes informally to households in Tirana and Durres for a price of 600 to 800 ALL per kg. The price of dried product is three to four time higher when compared to fresh due to weight (loss during drying) as well as seasonal aspects[235]. Lack of freezing and chilling equipment make fresh berries longevity short. Major part of the product being present in the market is dry while large amounts are sold to final consumers in plastic package of 2 to 10 kg for a price of €5 to €7 per kg. The purchase price for the dry blueberry can be up to €30 per kg.

In 2019, export of mushrooms appears with a price of €7.3 per kg. The exports volume is 21 ton. The basis for achieving competitiveness in international markets is improvement of the technical and technological aspects in proceedings with the NTFPs, standardization and certification.

Internal market is based on direct sales. Due to missing postharvest knowledge, the product is sold fresh or dried in small packaging. Fresh product is sold informally to restaurants in the cities. Due to limited processing capacities, product is sold fresh or dried to restaurants and specialized shops

4.2.3 Beekeeping and honey

4.2.3.1 Supply

Apiculture (beekeeping) is a popular and growing activity among small farmers in Albania, as it is considered a profitable activity with a secure market. Currently, there are approximately 4000 beekeepers operating producing honey in Albania through approximately 290 thousand beehives. Overall productions is 4.000 tons of honey every year.

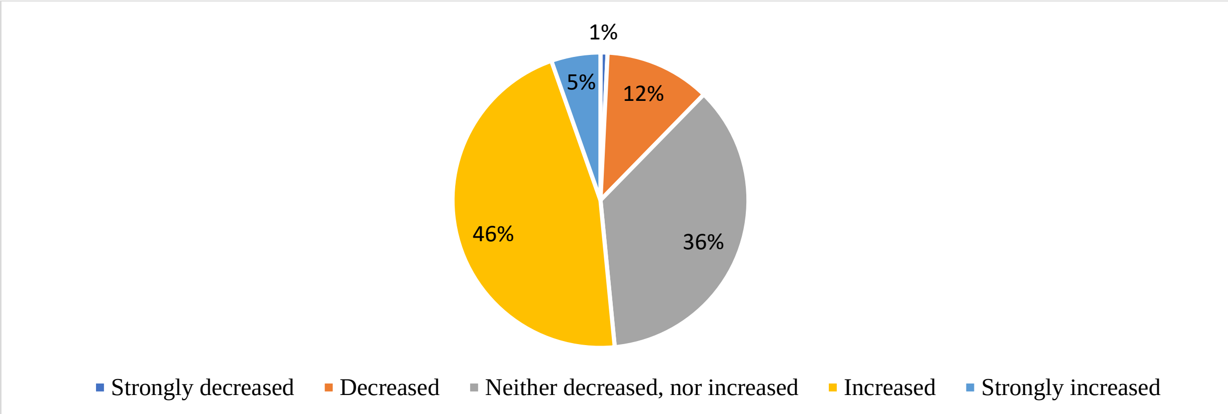
The municipality of Saranda and Korça are well known in Albania for their honey production. Firms in these areas are the most consolidated and market-oriented ones. Honey production in many other areas remains a component of subsistence farming. Except few outliers like Morava Ltd., a firm located in Korça, in other areas of Albania the production practiced on a small scale[236].

According to the majority of extension service officers, during the last 7 years the number of farms (or activities) linked with beekeeping or small-scale production of honey have been increasing (see the following figure).In terms of the following 7 years (expected trend for the period 2021-2027) results show that majority of extensionists officers (more than 75%) expect a further increase of beekeeping as a diversification activity for respective typical farms. Differences in reports are due to regional particularities.

Figure 46: Observed trend of diversified farms which produce honey (less than 50 beehives) during the period 2014-2020

[235] Interview with Hallaci representatives.

[236] The beekeepers are organized in the National Association of the Beekeepers, which has branches in all the regions of Albania. These branches are not very active except the cases of some national trade fairs. They do not collect honey from the beekeepers, and do not possess any label for honey marketing.



Source: Author elaboration based on MARD Extension Services Survey (2021)

4.2.3.2 Demand

There is as well a growing demand for honey and other value-added products such as royal jelly, propolis and wax. Different beekeepers are using their own label and selling their honey in different supermarkets in the main cities of Albania. However, this is the case for small industrial honey produced in processing units (mainly derived from Korca and Vlora) and not the honey produced from small farms (produced in mountainous areas in small quantities).

About 80% of the honey is sold directly to consumers and the rest to retail stores. The small honey producers sell stocks of the honey, which are not directly consumed by their own family, mostly through family networks (cousins and friends) living in urban areas. Another part of the honey is bought at the farm gate in bulk from merchants or else the beekeeper transports raw honey from the farm to nearby local retailers. Then, honey is sold to small, specialized shops or sold from local retailers to consumers.

The price ranges from €7 to €12 per kg where a highest premium is given for chestnuts honey. Also, chestnut honey is labelled and marketed in different supermarkets. Packaging has improved in the last years. The price of the chestnut honey is at least 30% higher than the price of mixed flower honey. Packaging is mostly done in plastic jars (mostly 1,500 grams) or glass jars (mostly 1,000 grams).

Table 4.4: Remarks for selected products

Products	Remarks
Chestnut honey	Is well received from consumers and has the highest price. The price of one liter is about 1800 ALL. Chestnuts honey is a rare product in the market. Counterfeit is usual and the producers are concerned on how to avoid the competition from counterfeit products
Multi-flower honey	Has a lower value compared to chestnuts honey. One liter is 1500 ALL. One bottle of 2 litres costs 3000 ALL. Counterfeit is usual and the producers are concerned on how to avoid the competition from counterfeit products
Royal jelly	10 ml costs approximately 5000 ALL. The product is exclusively sold to consumers based on friends and acquaintances. Trust of essential in determining the quality.

Source: ADAD (2018)[237] and interviews

There is high demand for honey from mountain areas. Farmers know and get most of the share of the value. Additionally, there is space for penetration in new markets such as, for instance, through specialized shops. Moreover, consumer surveys witness a high willingness to pay for honey certified in terms of quality and origin.

Box 7: Consumer preferences for honey

[237] Zhllima, E. (2018). Local products in the region of Kukes. Scientific report prepared for EFSIM & ADAD.

Consumers have higher consideration for domestic honey compared to imported honey. There is a general perception that the preferences of consumers are stronger for honey produced in mountainous areas because it is considered of higher quality and safer.[238]

Almost 95% of the respondent strongly agree (77.6%) or agree (17.2%) that the best way to guarantee the origin of a product is to buy directly from the farmer. Around 80% of the respondent strongly agree (47.6%) or agree (32%) that knowing the seller is a good way to be guaranteed on the origin of a product. Regarding the document of origin, about 70% of the respondents strongly agree or agree that it is a good source to guarantee the origin, while only 48% of them think that buying a well-known brand of honey is enough to guarantee the origin.

According to 50% of the consumers, Tropoja is the most preferred area of origin for honey. More than 60% of the consumer's do agree or strongly agree to pay a premium price for chestnut honey from Tropoje. More than 65% of the consumers are willing to pay for chestnut honey in case the price of honey on the market is 12000 ALL per kg. About 15% of the consumers are willing to pay 3,000 ALL more for honey which is identified for being produced from beekeeping near chestnuts in Tropoja area.

Source: Cela et al. (2020)

The sector has poor exports performance (exports value less than 300 thousand per year) - the internal market presents an increasing and stable opportunity. Exports to EU are not possible yet due to traceability and safety related issues.

Table 4.5: Albanian International trade of honey natural (0409)

	Export			Import			Export/import	
	(€000)	Ton	Price	(€000)	Ton	Price	(€000)	Ton
2014	42	8	5.51	190	36	5.3	22%	21%
2015	112	21	5.39	179	38	4.8	63%	55%
2016	164	32	5.11	186	32	5.8	88%	100%
2017	156	44	3.58	224	35	6.4	70%	124%
2018	148	24	6.12	241	35	6.9	61%	69%
2019	86	15	5.72	246	35	7.0	35%	43%

Source: EUROSTAT (2020)

However, niche markets for ethnic consumers are present potential. Major part of exports is channeled to Kosovo. A small share has been sent to China. Furthermore, a part is exported informally, through emigrants who live in European countries but visit Albania regularly and bring back honey (in addition to other traditional food products). Imports amounts at 35 tonnes and are mainly channeled through supermarket chains from Italy and Germany.

4.2.4 Primary cultivation of mushrooms, ornamental plant and snails

4.2.4.1 Supply

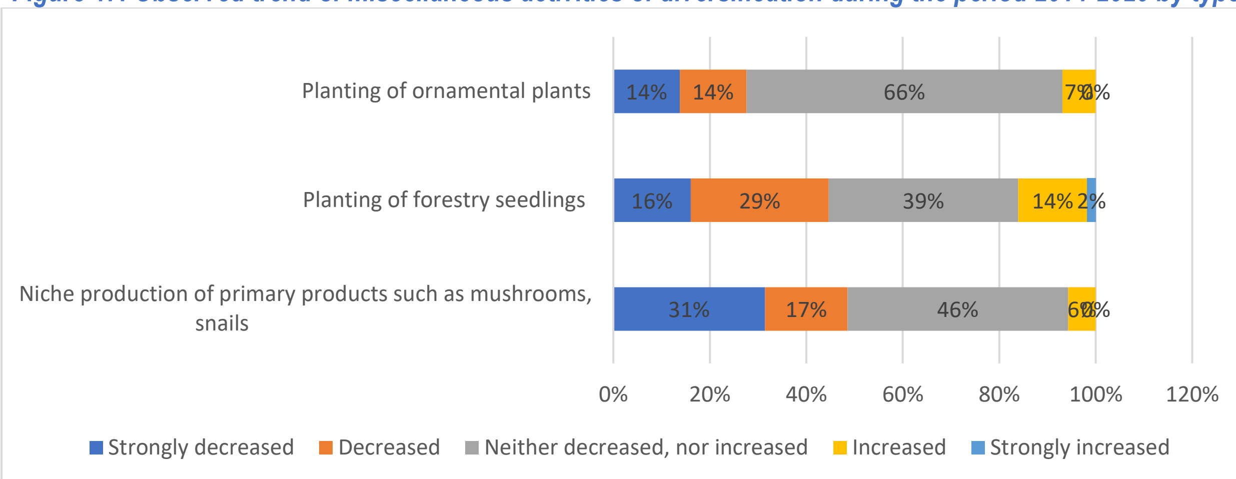
Activities such as planting of ornamental plants and raising/processing of non-typical products (such as cultivation mushrooms, snails or raising of equine and peculiar breeds of birds) is present for 140 farms. There is strong presence of units selling ornamental plants in the vicinity and entrance of the cities. Use of land plots for cultivation of roses and other decorating flowers is observed in the recent three years (such as the case of Labinot Fushe by Tocaj Farm).

Snail farming is also mostly oriented to exports. The country is producing 400 tons of snails. There are few farmers cultivating snails and selling it with a price of 4 euro per kg. Yield is 12 tonnes per ha. Operators are Durres and Fier. Although the snail production has several byproducts, major part is fresh snails. Elix Snail farm and Vilbashtove snail farms were few years ago some of the operators that carry direct sales. Currently the cultivation is a nearly non existing activity.

[238] Cela at al. (2020)

According to the majority of extension service officers, during the last 7 years the number of activities linked with planting of ornamental plants, planting of forestry seedlings and niche cultivation of primary products such as mushrooms and snails has been stagnating, which means the observed trend have neither decreased nor increased according to the majority of extensionists survey. Meantime less than 1/3 of extension service officers declare an increased trend of these activities. In terms of the following 7 years (expected trend for the period 2021-2027) results show that more than 30% of extensionists officers expect an increase number of activities such as planting of ornamental plants.

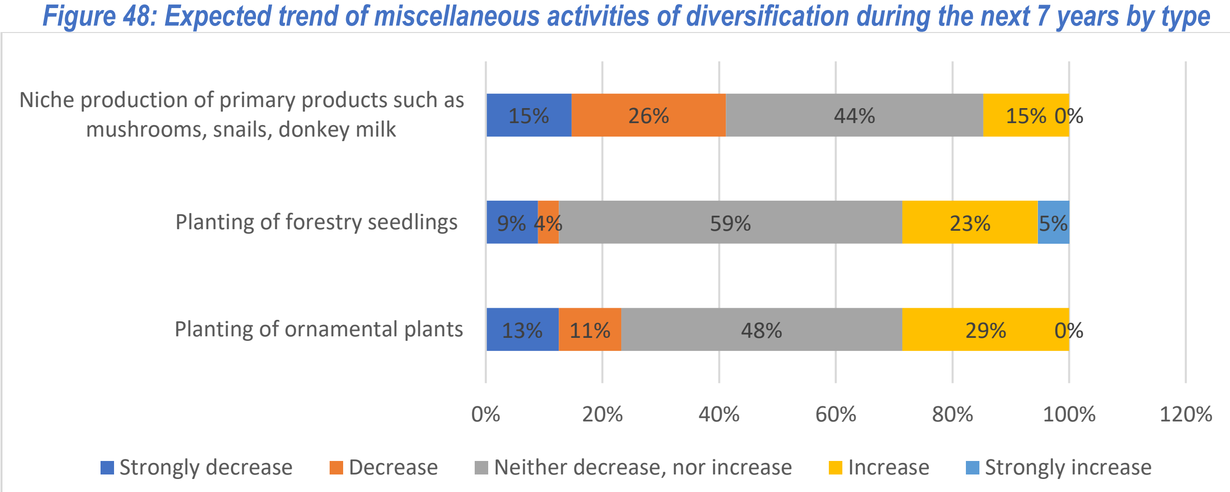
Figure 47: Observed trend of miscellaneous activities of diversification during the period 2014-2020 by type



Source: Author elaboration based on MARD Extension Services Survey (2021)

While the presence of the snails and mushroom cultivation is very modest and with high orientation toward exports. Cultivation of mushrooms is carried out in Albania is carried out by few operators. The production of mushrooms is a highly specialized process, with very high investments for the preparation of the substrate, if it is not imported. Still the production has increased significant in 2011 from 100 tons to 123 tons in 2019[239]. This has been accompanied by decreasing imports (see following section).

Figure 48: Expected trend of miscellaneous activities of diversification during the next 7 years by type



Source: Author elaboration based on MARD Extension Services Survey (2021)

239 INSTAT (2020), Forestry figures, http://www.instat.gov.al/en/themes/agriculture-and-fishery/forests/publication/2020/forest-statistics-2019/

4.2.4.2 Demand

Ornamental plants

Demand for ornamental plants is mainly coming from urban areas. The use of decorating flowers in the tourism industry is weak. Demand is based on seasonal habits. Major part of the market is based on demand for garden decoration in urban areas.

Mushrooms

The foreign market is the main market channel for mushrooms. They are mainly exported in Italy, Serbia, Kosovo, and less in Germany. There is no information on the composition of exports the share of cultivated mushrooms. The cultivated production present in the market includes fresh, frozen and preserved mushrooms as well as dried mushrooms. Preserved mushrooms is highly used in fast food chains. Currently wild mushrooms dominate the HoReCa market. Products sold directly to consumers is fresh and dried. Last years, many bar-restaurants and consumers have started to use the mushrooms, including all types of production.

Share of processed mushrooms production is very limited. There are some entities in Puka (Nikoll Uka, Agro-Puka and Center “At Mëhill Troshani”) that have started to dry and pack the dried mushrooms using artisanal equipment’s such ovens, rooms with equipment’s that dry in belts or conveyers. A large share is also dryed in the open areas[240]. The process increases the added value since, 7-10 kg fresh mushrooms are used to produce 1 kg dried mushrooms and the selling price is round €45 (the selling price in the foreign markets is round €65)[241].

Exporters generally are market agents that connect to local concentrators and use their knowledge and connections with the wholesale traders, supermarkets, and foreign markets. Export agents buy it from 2 - 3.5 EUR/kg. In general, the export price for the fresh mushroom is much higher, from 10 - 20 EUR/kg. There are appearing few and sporadic exports of canned or preserved mushrooms. Potentials are high since Albania imports approximately €0.5 Mln every year. However, the imported quantity has reduced, possibly due to the appearance of domestic product in the market.

Table 4.6: International trade of mushrooms and truffles in Albania

	Export			Import		
	(000 US$)	Ton	Price	(000 US$)	Ton	Price
2010	62	14	4.43	30	51	0.59
2014				65	100	0.65
2015				72	140	0.51
2016	119	19	6.26	58	121	0.48
2017				73	146	0.50
2018				53	105	0.50
2019	163	21	7.76	195	375	0.52

Source: FAOSTAT (2021)

Snails

The market for snails is mainly oriented to exports of wild harvest. Cultivation is currently followed by two operators There is an approximate value of €400 thousand being exported. The export value is stagnating in terms of volumes. Major part of export designation is the cosmetic industry. A part of production is sold also in the internal market. Elix snail farm which was previously keeping a network of farms is closed. Therefore, direct sales to restaurants are mainly done by wild harvest. No internal market exists for snails for non-food purposes.

[240] The conditions for this process are very important: The process requires proper technological conditions relating to washing, unpeeling, cutting, sterilization, etc. Drying process is complicated since it requires the proper humidity, storage, color, and packing because they affect the price. A simple artisanal line equipped with the proper technology costs from €6,500 - €15,000 (Alpin, 2015).

[241] (Alpin, 2015), “Regional and economic development centre”. Value chain analysis of non-timber forest products in the Puka district.

Table 4.7: Snails, live, fresh, chilled, frozen, salted, dried or in brine, even smoked, with or without shell (excl. sea snails)

	Export			Import		
	(€000)	Ton	Price	(€000)	Ton	Price
2010	224	41	5.42	-	-	
2014	502	722	0.70	33	5	6.62
2015	387	439	0.88	28	4	6.91
2016	511	647	0.79	-	-	
2017	233	309	0.75	2	0.3	5.98
2018	411	497	0.83	24	1.3	17.30
2019	344	276	1.25	19	2	8.01

Source: EUROSTAT (2021)

Main exports are destined to Bosnia and Hercegovina (60%), Greece (26%) and a remaining share to other countries.

4.2.5 Renewable energy

4.2.5.1 Supply

Wood biomass is of great importance as source for heating and cooking in Albania and especially in rural Albania. Biomass from forests as well as wood residuals from wood-processing industry represent significant potential for energy production. In 2019 the contribution of biomass (mainly from wood and wood residuals) to the final energy consumption was 9%.

Table 4.8: Production and consumption of primary energy by biomass

Production of primary products	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total	1643	1494	1676	2041	2021	2117	2013	1661	1997	1727
Fire Wood	205	208	207	202	202	214	188	168	162	160
Percentage (%)	12	14	12	10	10	10	9	10	8	9

Source: INSTAT (2020)

National Action Plan for Renewable Energy Resources (2015-2020) mentioned a maximum share of wood biomass to be reached in 2020 at about 1%[242]. The plan foresees a reduction of wood fuel consumption from 211.5 ktoe in 2013 to 167.79 ktoe in 2020 and the need to do re-afforestation of at least 2200 ha annually.

Table 4.9: Theoretical potential of biomass to contribute to the renewable energy balance

Biomass source	Percentage to contribute to the renewable energy balance
Forests	1.07%
Biomass from seed/ fruits/agricultural production	4.45%
Urban waste	5.80%
Waste from fruit trees	0.65%
Cattle waste	2.37%
Power plants	0.26%
Total	***14.6%***

Source: National Action Plan for Renewable Energy Resources (2015-2020) in Albania[243]

[242] See AGT & DSA (2021). Forestry Sector Study Report.
[243] Ministry of Energy and Industry. Available at: https://www.energycommunity.org/portal/page/portal/ENC_HOME/DOCS/4076384/2E8C39A260DC7B48E053C92FA8C058E3.pdf

4.2.5.2 Demand

The fuelwood is extremely important in the rural areas and smaller municipalities where large part of households use fuelwood for heating. Following the Law on Moratorium, the Decisions No. 438, 8 June 2016, and No. 808, December 12, 2016 mention that solely municipalities are responsible for supplying fuelwood from forest cleaning operations for heating for citizens and institutions within their area of jurisdiction.

However, at present, many municipalities claim that the demand for fuel wood is much higher than the legal and sustainable supply. The market of fuelwood is largely informal constituting up to 80% to 90% of the market share.

The average consumption in households was 5.36 m3/households using wood, with 5% higher consumption in rural households and 8,9 % lower consumption in urban areas[244]. Average consumption in household using only wood is 6,4 m3, while average consumption of households using wood and gas is lower (5,2 m3). According to the collected data, only 52 % of households use only wood. These results are higher than average consumption calculated from Household Budget Survey (HBS)[245], where average consumption was 4.5 m³, but with large differences between different areas.

Production of pellets is a new activity starting to slowly grow in Albania. Although still limited, there is an increasing number of enterprises entering into this business. However, most of the raw material (wood) needed for pellet production is imported, while the pellets are mostly exported.

Pellet companies are severely impacted by the new forest legislations as they face difficulties in accessing wood, sawdust and other sources of wood biomass for making pellets. Their production is at present lower than the capacity of their plants. Pellet companies are also affected by the export ban on logs imposed by the neighbouring country like Montenegro.

The demand for pellets is at the moment higher than the supply. Pellets are exported to countries such as Italy, Kosovo, Greece and Macedonia and sold on the market.

Table 4.10: Export of biomass to total environmental materials (000 Ton)

	2012	2013	2014	2015	2016	2017	2018
Total	3758.3	4420.18	4533.16	4244.1	3959.04	3947.94	3943.52
Biomass	223.41	233.62	248.16	333.31	331.2	369.1	373.53
Share in percentage	5.94	5.29	5.47	7.85	8.37	9.35	9.47

Source: INSTAT (2019)

4.2.6 Aquaculture

4.2.6.1 Supply

Fishing water categories are marine, brackish waters, lagoons, inland waters, aquaculture and mollusks. Two are the main categories which represent the biggest percentage of fish catches, respectively “Marine” fishing with 36.64% and "Aquaculture" with 34.83% followed by inland waters with 18.46% of the total catches. The aquaculture activity is carried out in all type of water environments such as concrete tanks, artificial and natural lakes, as well as in coastal lagoons and in marine cages[246].

The most potential areas for the aquaculture activities present as diversification activities are the areas nearby the 103 smaller natural lakes. Also, the small lakes, or at least some of them, can be seen as an opportunity for the development of income diversification activities. Eventually, the rich network of rivers allows the development of

[244] FAO (2016). Wood fuel survey carried by INSTAT, Preliminary results collected with by Nike Krajnc and Edvin Zhllima

[245] INSTAT (2014), Household Budget Survey Albania 2014, available at http://www.instat.gov.al/en/themes/social-condition/household-budget-survey/#tab2

[246] In terms of farm diversification, this section does not comprise the marine aquaculture, while major focus is given to inland water aquaculture potentially carried in inland lakes and water streams. More detailed information on marine aquaculture is found at AGT & DSA (2021). Fishery and aquaculture Sector Study Report.

freshwater activities in some tracts of their course. The number of operators is summarized in the below table. For a detailed description of aquaculture operators see section 2 at fishery and Aquaculture sector study[247].

Table 4.11: Number of marine and freshwater licensed aquaculture operators

Environment	Activity	Operators with NIPT
Inland	Aquaculture	3
Inland	Aquaculture & Fishery	144
Sub-total		**147**
Marine	Aquaculture	120
Marine	Aquaculture & Fishery	21
Sub-total		**141**
Total		**288**

Source: MARD (2020)

Concerning the inland water aquaculture, it includes freshwater and the coastal lagoons (brackish water). There are 58 inland aquaculture operators. The number of operators practicing inland finfish aquaculture is presented in the below table.

Table 4.12: Inland aquaculture operators

Culture system	Age groups	Number of farms	Produced species	Area of ponds (ha)	Area of tanks (m^2)
Carp culture in ponds	**Hatchery**	4	Common carp	~ 28	0
	Fingerlings		Chinese major carps	0	0
	Table fish	0			
Total of pond farms		**4**		**28**	**0**
Trout culture in tanks	**Hatchery**	1	Koran	0	2 000
	Hatchery cum table fish	19	Rainbow trout	0	26 300
	Table fish	38		0	27 530
Total of tank farms		**58**			**55 830**

Source: GCP/ALB/014/EC (2013)

Aquaculture can effectively contribute to satisfy the market growing demand. The aquaculture sector is experiencing an annual growth of 7-8% per year. Responsible for such a result is in particular marine aquaculture that is better performing than the freshwater aquaculture. The stagnant or expected possible shrinking of the fishing activity will create new opportunities to further develop the aquaculture sector. The freshwater production of trout increased to 1,900 tonnes last year but mainly due to a new cage farm in an artificial hydropower (H/P) lake[248].

Inland aquaculture BOs use intensive, semi-intensive, and extensive cultivation techniques to grow primarily trout, mussels, and carp. As far as the mollusk production is concerned, it is prevented from expressing its potential due to the existing ban on export and showing a plafond production with periodical negative fluctuations.

One challenge for the carp hatcheries is the limited number of carp fingerling and the sporadic nature, if not absence, of the restocking programs[249]. Accordingly, the possible need to upgrade the existing carp hatcheries has not yet

[247] AGT & DSA (2021). Fishery and aquaculture Sector Study Report.
[248]Due to the entry into production of Kiliç plant in Vau i Dejes area.
[249]A restocking program financially supported by the state budget focuses on the restocking with Ohrid trout *(Salmo letnica)* in the Ohrid lake (about 1.5 million in 2019) and carp fingerlings in Prespa lake (about 300,000 fingerlings).

come to the fore and the gap between the needs and the production capacity has dropped drastically, especially in the last 5 year[250].

4.2.6.2 Demand[251]

Demand for cultured trout has had a decreasing trend, in particular the last year and the same is expected for the next future. The interest for the production of carp family fish has been decreasing and it is nowadays oriented to big size fishes (≥ 3.5 kg). On the opposite, the demand for marine aquaculture products has been growing whilst the trout production follows a fluctuating trend. According to the operators, the cyprinid culture sector can produce a large quantity of fish to satisfy the processing sector demand.

The market trend of fisheries products indicates that about 25-30% of the production is traded in the local market. Main points identified as potential players in terms of diversification activities are

i. Specialized fish shops, where high quality frozen or even live fish are sold. Typical is the case of the trout production that, in addition to the selling to wholesalers, is sold live or frozen at the farm gate to passers-by, occasional drop-in customers, in restaurants attached to the farms and also to partner fish shops and restaurants.
ii. Specialized restaurants on the seaside and at large lakes looking for a direct supply from the fishers. Further, if vertical integration exists, the restaurant offers its own fish production.
iii. The supermarkets represent a retail reality which had a tremendous development in the recent years. Nevertheless, few of them host a fresh fish stall inside (e.g., SPAR).
iv. Other channels such as informal sale of freshwater fish are sold on the street and roadside on push carts, from car boots or on provisional stands.

Domestic consumption has increased. The most traded species from aquaculture are sea bream, sea bass and trout (and imported salmon). Farmed trout is mainly sold on the domestic market with modest quantities exported. Albania imports marine aquaculture products, mainly sea bass and seabream, to fully cover the domestic demand. Tirana is the main marketplace and it absorbs about 70% of the marketed fish.

The HoReCa sector is particularly relevant in Albania and most of such realities include in their offer the fishery products. Some of them, in the coastal regions, are specialised on fish menus. In particular hotels and restaurants can be owned by the same BO active in the fishery sector either marine fishery or aquaculture and processing.

4.3 Rural areas/zones with common development priorities

In terms of regional distribution Kukës region is the main area of chestnut production. Malësia e Madhe (Shkoder region) is also important for chestnuts with a comparative advantage related to the quality of the varieties from Reç. Collection and small-scale processing of wild MAPs in Albania when considered as a diversifying activity is found to be present in the mountainous east Albania. The main potential in promoting use of renewable energy is in those areas were informal wood cutting takes place as well as in orchard intensive areas.

The trout aquaculture farms are located mainly in south-east and north of Albania, which is a highland area, hence trout is a good food source for the population and its farming ensures good incomes for the farmers from this area. The aquaculture of carp family fishes is located through central and northern parts of inland waters of Albania, mainly in the rural areas. Inland fisheries are mainly based in Shkodra lake, Ohrid lake, and Prespa lake.[252]

Table 4.13: Rural areas with higher concentration of activities

Type of product	Current areas	Larger areas of interest
Nuts	Kukes, Malesi e Madhe as well as Dibër, Puke, Shkoder Bulqize, Librazhd and Mat	Dibra, Korca, Kukes
Wild Maps	Shkoder, Berat, Elbasan, Diber and Kukes	Dibra, Korca, Kukes

[250] AGT & DSA (2021). Fishery and aquaculture Sector Study Report.
[251] Based largely on AGT & DSA (2021). Fishery and aquaculture Sector Study Report.
[252] For more information about activities related to inland aquaculture refer to AGT & DSA (2021). Fishery and Aquaculture Sector Study Report.

Beekeeping	Kukes, Berat, Shkoder and Diber, but also in Vlora	Kukes and Diber
Renewable energy	Korce and Elbasan	Mountainous and fruit intensive areas
Miscellaneous activities of primary production	Tirane, Durres, Fier	Tirana, Durres, Shkoder, and Elbasan.
Inland water aquaculture sector	Shkodra, Korca	Shkodra, Korca

Source: MARD (2021)[253]

4.4 Biodiversity and environment implication as part of primary activities

4.4.1 Harvesting and small-scale cultivation of MAPs

High-value MAPs are being overexploited. During 2020, the problem re-emerged preponderantly since many farmers could not go to North Macedonia, Greece, or other neighbouring countries as seasonal workers.[254]As a result, some MAPs were overharvested (e.g., Hawthorn fruits and Juniper berries). Therefore, despite the depopulation of some areas, and the resulting reduced pressure on biodiversity, the problem of over-exploitation[255], continues to be a sensitive issue for the industry's sustainability. Main products (plants or part of plant) and process technology used by Albanian companies.

MAPs sector is not ranking high among those ones posing environmental threats: it does not generate harmful waste - furthermore the waste can be easily used for composting or to produce biomass fuel; it does not consume many natural resources per unit of value and is not a major producer of greenhouses gas emissions nor an important cause of water pollution.

Key issues are related to:

i) overexploitation of some endangered MAPs (a biodiversity preservation issue);
ii) the expected, sizable increase in energy needs of the processing industry and the options to produce/obtain it (an affordable and clean energy issue); and
iii) the increase of value-added recovering valuable products from what is waste for other processing steps (circular economy).

MAPs are mainly relevant to the EU Green Deal in Albania to the components “Farm to Fork”, “Energy” (“Supplying clean, affordable and secure energy”) and “Biodiversity” (“Preserving and restoring ecosystems and biodiversity”). Better coordination between different government bodies and municipalities is needed on the issue of permits to exploit wild-grown MAPs or use abandoned land for MAP cultivation.[256] Actions required are provided in chapter 12 of MAPs sector study[257].

4.4.2 Non-timber forestry products

Similarly, to MAPs the main environmental issues are related to overexploitation of natural resources and the emerging risk on endemic species. A major issue is related to the issue of the environmental sustainability of wild collection and to the connected system of licenses, limitations and controls. As a principle, wild berries and mushrooms collection is linked to a system of licenses and quotas released by Municipalities. The current legislation is inadequate to ensure their sustainable use. It does not cover all NTFPs exported and it does not set quotas for

253 MARD (2021). Diversification survey organized by AGT & DSA.
254 Interview with Riza Shaholli, consolidator, Bilisht.
255 in some areas identified by AGT & DSA (2021). MAPs Sector Study Report.
256 Interview with Emiland Skora,
257 AGT & DSA (2021). MAPs Sector Study Report.

allowed harvesting per area[258]. The system of planning/licensing/controlling system is not effective and an up-to-date a Forestry and Pasture management plan is missing. The final consequence that in some areas are overharvested and/or improperly harvested. An additional problem is the non-solved issues of pasture and massive nuts forests rights. The ownership is based on customary rights which neglect any possible obligation on forests maintenance.

The forestry sector both emits greenhouse gases and absorbs CO2 in its soil and biomass. In total, it has been a significant net sink in the past. Reforestation, upgrade or fostering of cultivation would contribute to CO_2 absorption, reduce the pressure toward environment and strengthen the potential for the development of the upper parts of the VC such as postharvest and processing[259].

4.4.3 Beekeeping

The beekeeping is a very important activity for keeping the biodiversity. Bees make up 80% of the insect pollinators thus becoming an essential part of protecting environment, pollinating food crops and healthy ecosystems. Accelerated by threats such as habitat loss, increased use of pesticides, as well as climate change, almost 40% of bees are on the Red List and classified as vulnerable to critically endangered. The continuing decline of bees and insect pollinators leads to a loss of biodiversity and overall damage to ecosystems plus loss of crops in agriculture. Insect pollination is estimated to enable approximately 10% of the total economic value of the European agricultural output. Maintaining the beekeeping influences food security, nature conservation as well as maintain the rural livelihoods. The budgetary support for the sector is expected to be followed by the ARDPF.

4.4.4 Miscellaneous activities of primary production

Results obtained from the survey of extension services indicate that farms which carry out activities such as planting of ornamental plants, planting of forestry seedlings, niche cultivation of primary products such as mushrooms increase the level of biomass, regenerate lost habitats and reduce pressure to harvesting and wild collection. Cultivars are the basic material of flower production and they can be fruitful in improving landscaping. Presently, the main problems to flower breeding in Albania are the dependence from urban markets. Considering that the major part of germplasm is imported, the risks are prominent in the intrusion of non-endemic species especially in the case of ornamental plants production.

4.4.5 Renewable energy

The wood energy currently represents an important source of bio energy in Albania. Thanks to the implementation of policies aimed at increasing the share of renewable energy, wood energy is seen as a growing opportunity for wood utilization, and the Albanian Government is promoting energy efficiency and renewable energy, including wood energy. Furthermore, an increased use of renewable biomaterials in infrastructures and buildings can provide a positive contribution to climate change mitigation since their utilization can minimize the use of non-renewable energy. Renewable biomaterials have additional benefit as they sequestrate carbon during their lifetime[260].

Investments in renewable energy on sector's holdings could also significantly contribute to poverty alleviation through the reduced cost for electricity. Reduced energy bills provide increased disposable income for households, individuals and enterprises. In addition, investments in energy efficiency are an important part of government's green growth strategies that contributes to reduction of GHG emissions and climate change mitigation.

4.4.6 Aquaculture

The intensive farming of marine and freshwater aquaculture involves the supply of feeds and medication with consequent impacts on the environment, mainly because of the release of organic and inorganic nutrients and the release of chemicals used for medication. These impacts tend to be the most severe in areas with poor water

[258] AGT & DSA (2021). Forestry Sector Study Report.
[259] AGT & DSA (2021). Forestry Sector Study Report.
[260] AGT & DSA (2021). Forestry Sector Study Report.

exchange. Changes at different ecosystem levels and potential alterations of natural food webs would create negative consequences to the habitat[261].

Environmental Impact Assessment provided during aquaculture license prevents the potential appearance of these effects. Also, some farming management procedures adopted by the operators to improve the quality of their products contributes to mitigate the impact of the waste. As major part of inland water and freshwater operators are small, no plans exist for the treatment of the farm effluents. Investments for filtering and waste management are required. Additional information for marine aquaculture is detailed in AGT-DSA (2021).

4.5 SWOT Analysis

Strengths

Long experience/expertise in MAPs, NTFP, beekeeping and aquaculture. Cultivators and gatherers of wild-grown despite challenges, are becoming more experienced, always looking for new opportunities.

The wild MAPs and NTFP value chain covers the whole countries. There is an expanded network and there is willingness of leading operators in maintaining it, thus investing more and procuring from the domestic sources.

Access to market for wild MAPs and NTFP is easy - The increased presence of “Made in Albania” products such as teas, herbs, and spices in supermarket chains as well as increasing access to export markets is an evidence.

Abundance of raw material to produce biomass based fuel due to extended area with low forests and high wood waste from fruit sector.

Weaknesses

Lack of community or services for post-harvesting. The raw material quality is often spoiled due to the early harvesting of wild-grown MAPs and NTFP or weak post-harvesting practices. Quality losses are so severe especially in remote areas where there is a lack of warehouses to store the product.

Insufficient investments upstream the chain. Collector and consolidator level lack investments in processing, packaging and marketing.

Insufficient organization along the VC. Vertical relations remain a strategical step considering the high number of players. There have been efforts by donors for raising the cooperation and increasing collective action in order to turn certain investments feasible. The trust strengthening and exchange of information are not yet sufficient, and current structures of operate are not prompted for further market development.

Weak advocacy-The processors’ associations (mainly beekeepers association) did not prove so far very effective in advocating for a more concrete support to the sector. While MAPs association has been successful in keeping the industry’s, complexity requires a joint effort from all actors to address the multi-dimensional challenges that the industry is facing.

High informality in the sector reduces the capacities of the operators to further develop and vertically integrate-honey production is massively informal making the presence of small producers in the supermarket chains almost impossible. Lack of formalization and market inclusion of harvesters and smallholders waken the access to urban consumers market of high valued products such as mushrooms, berries and other NTFP.

Limited value added through processing and packaging by the farmers due to missing market links and inability to penetrate due to weak labelling and traceability.

Opportunities

[261] AGT & DSA (2021). Fishery Sector Study Report.

Rural tourism is promoting direct sales. The agritourism is boosting the demand for raw produce as well as processed output.

There is a growing demand for wild and cultivated MAPs and NTFP products, honey and renewable energy resources. There is an increasing demand for final products such as tea infusions, herbs, and spices.[262] Not much opportunities are provided for nuts and aquaculture given the large scale of investments required.

Wild MAPs and NTFP value chains are stronger in most disfavored areas. This keeps value chains performing despite problems in upper level.

There are areas available for cultivation expansion, including here locations with high environmental values. There are different regions of the country with sizable areas with un-productive land or land suitable for MAP cultivation and NTFP cultivation.

Continual budgetary support for beekeeping. The continuing payments per beehives as well as the payments for plantation in MAPs (propagation material) provide some costs coverage.

Consumers show high willingness to pay for products with clear intrinsic attributes of health and origin. There is a niche markets for ethnic consumers at present which is creating good sales opportunities for honey and other local products.

Recognition of the high quality of products and consolidated presence of organic products in the market. Albanian MAPs, NTFP and honey products are well known for their quality. There is an excellent perception and high consumer trust toward the naturality and richness of flavors.

EU and donor support policy for the sector. Government strategies and policies, the availability of financial tools provided by EU programs such as IPARD, and the support from donor agencies (e.g., GIZ, SIDA, SNV) have contributed to the sustainable development of the MAPs sector. In addition, several national and EU policies are intended to provide support and incentives in the direction where industry is already moving.

Threats

The depopulation of some inner, mountainous areas is reducing the number of harvesters and market operators. As a result, the quantity of MAP and NTFPs collected in the wild has decreased. It impacts the seasonal employment both for emigrants but also internal migrants which return in their villages during summer.

Overexploitation of scarce wild resources and overharvesting of some wild-grown MAPs and NTFPs in some areas. While in some places there is almost nobody left to collect wild NTFPs, in other areas, local farmers are over-harvesting high-priced MAPs.

Competition emerges into overexploitation and price volatility. While competition between processing companies has led to large investments in the sector, it has also contributed to the disruption of supply chains or to price shocks. An indicator of such supply chain dynamics is the emergence of improvised collectors and consolidators who serve as local agents for different large processing and exporting companies[263]. They often have little knowledge of the product and lack the necessary resources to operate in this sector. As a result, product quality suffers, prices become more volatile and the overall market is depressed.

Appearance of plant diseases and risks for future diseases may affect the forest and cause grave damages to production which is expected to impact on forest biodiversity. Main risks prevail for massive forests of nuts.

Unclear property rights regime undermines collective action and reduces the investors willingness to integrate vertically and support raw material production- the lack of legislation regulating the sector, and the inappropriate management/collection techniques at local level impede investments in nuts sector as well as in maintenance of pastures.

[262] AGT & DSA (2021). MAPs Sector Study Report.
[263] in AGT & DSA (2021). MAPs Sector Study Report.

Limited advisory services to farmers in MAPs and NTFPs proper harvesting and post harvesting techniques and beekeeping activities. Major problems are related to postharvest technology.

Table 4.14: Primary and other gainful activities sector: SWOT analysis strategy

STRENGTHS (+)	WEAKNESSES (–)
Long experience/expertise in wild MAPs and NTFP collection, beekeeping and aquaculture. The wild MAPs value chain covers the whole country. Easy access of market for wild MAPs, honey and NTFP Abundance of raw material to produce biomass-based fuel and firewood.	Poor or inadequate harvesting and post-harvesting practices and techniques. Lack of community or service infrastructures (local MAPs dryers) Insufficient investments upstream the chain. Insufficient organization along the VCs. Limited market intelligence and marketing know-how. Poor multi-level governance. Weak advocacy and high informality
OPPORTUNITIES (+)	**THREATS (–)**
Rural tourism is also promoting direct farm sales and provide more opportunities for additional services. Growing demand for wild and cultivated MAPs and NTFP products as well as for honey and other beekeeping products, with particularly high demand for honey from mountain areas. Wild MAPs and NTFP value chains are stronger in most disadvantaged areas. Recognition of the high quality of products. Major market opportunities related to organic certification and quality or sustainability schemes- Areas available for cultivation expansion, including locations with high environmental values. Government, EU and donor support policy for the sector. Consumers show high willingness to pay.	The depopulation of some inner and mountain areas is reducing the number of harvesters. Overharvesting of wild-grown MAPs and NTFPs in some areas. Competition emerges into overexploitation and price volatility. Appearance of plant diseases and risks for future diseases Unclear property rights undermine collective action and reduces the investors willingness to integrate vertically and support raw material production Limited advisory services to farmers in MAPs and NTFPs proper harvesting and post harvesting techniques and beekeeping activities

A separate SWOT analysis is presented in Table 4.15 for existing freshwater resources such as natural lakes, artificial water reservoirs and rivers.

Table 4.15: SWOT analysis for the whole fishery sector

STRENGTHS (+)	WEAKNESSES (–)
Vertical integration and maintenance of short VCs increase flexibility, economy of scale and improved competitiveness. Complementarity with other activities.	Insufficient coordination and representativeness (aquaculture in particular). Most of aquaculture production depends on the import of inputs High start-up and maintenance costs.
OPPORTUNITIES (+)	**THREATS (–)**
Important synergy with rural tourism that can act as pool factor Important space for increasing the domestic demand due to the low per capita consumption. Proximity to the EU market where the demand can easily absorb the Albanian production. Supermarkets chains will develop a fish department, as it happens in most countries The informal trading including roadside trade, fish farm door, landing time pier sales is decreasing.	Reduced demand for inland aquaculture products. Lack of clear legal requirements for the establishment and management of aquaculture activities. Still unresolved land property rights hampers investments in increasing aquaculture support infrastructures. Need for adopting and enforcing safety and quality standards, for which most operators are not ready. Apparent excessive pressure of hygiene and safety controls.

4.6 Main needs for production and direct marketing

Major factor affecting the performance of the whole sector is the inadequacy of wild MAPs, NTFPs and honey post-harvest and first processing facilities. This situation generates high losses in quality and quality of already scarce resources, increases the unequal distribution of added value along the VC and reduces total efficiency and added value of the sector. Main entry points are i) small warehouses, ii) small scale cleaning/grading/cutting lines, iii) small scale processing line such as mushroom pasteurization, automatic or semiautomatic honey extraction, essential oils extraction, fruit dryers and semiautomatic packaging lines. , ii) increased training to harvesters/collectors and improved access to counselling and advisory services, including market information and, iii) the introduction of a functional and effective traceability system, improving also controls performed by municipalities. iv. Introduction of assembling points for easing sales in remote areas.

Improving quality controls and introducing traceability systems. Specific Another large problem is the lack of trackability and control in the market. The absence of a system guaranteeing the quality has undermined consumers confidence – ideally simplified – norms regarding HACCP and GMP should be considered for traditional niche products that might be endangered by severe, too strict regulations.

Supporting diversification of cultivated MAPs, NTFPs and honey varieties. Since the sector is very oriented toward exports there are few opportunities to support plantation of MAPs as a diversification activity. Differently from a decade ago the plantation structure for MAPs is more diversified and MAPs are not currently defined as non-typical product. The planting of NTFP as non-typical products can be attempted such as the case of berries and mushrooms.

In case of ornamental plants and snails there are few investments required except for support with capacity building and market information. A substantial increase in management capacity and technical knowhow, as well as support for increasing access to markets is required. No investments are demanded in snails breeding due to nearly no operators and large presence of wild harvest product in the market.

4.7 Priority investments to be addressed under measure 7 for other gainful activities

4.7.1 Types of eligible investments

In this section are not included typical investments required for operators that process MAPs, NTFPs, honey or produce wood waste as a primary activity. Considering that the activities in this section are considered as secondary, start-up costs for modern lines for nuts selection and pasteurization, establishment of MAPs processing lines (all investments more than €400 thousand) are not included.

The range of investment in MAPs, NTFPs and honey processing is very wide and variable in size, ranging from the few thousand Euros *necessary to improve the village level dryers operated by local collectors to more than €50 thousand required for complex cleaning/cutting/grinding lines for final consumption. Investments can be done for facilities* not exclusively to one product such as MAPs and other non-timber forestry products (NTFP) such as berries, grading and selection facilities could probably be eligible under Measure 7. The case of incubators established by VIS and CESVI (in Permet and Malesi e Madhe) or planned by UNWOMEN and FAO (GREAT project 2021-2023) are examples to be followed, especially if are accompanied with capacity building and assistance to producer groups.

Honey production does also vary in terms of investments (meeting with honey producers). In this case we don't include the sourcing bees[264]. Beehives and electric centrifuges are the most important investments for honey production. Centrifugal extraction allows quick processing of large quantities and produces honey with the least amount of contamination by other hive materials. Hives' production units are necessary too. In order to increase production of value-added products such as wax or propolis, easy used equipment is needed. For instance, solar wax smelter[265] and boilers are required for producing cosmetics products. Several problems were identified with the marketing of honey. Packaging and labelling are too simple. Efforts to improve packaging and labelling can be justified only for producer groups.

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[264] Sourcing bees is another important aspect. In sourcing stock for the establishment of a new apiary, it is imperative that careful selection should be undertaken to ensure genetic qualities of any particular line (Meeting with honey producers).

[265] Energy efficient equipment that uses sun energy to melt the beeswax with water in the solar smelter, so the debris sinks and the purified wax floats to the top

Adaptation of the processing facilities to minimum hygienic requirements is essential for the sustainability of this sub-sector. As mentioned above, this should happen in a flexible framework, adapted to the specific needs and peculiarities of the traditional niche products, often obtained under unique conditions that, due to their uniqueness, require specific norms.

The needs for investments on other gainful activities are not proper for the Measure 7. In cultivation of ornamental plants major part of producers' requirements are similar with fruits and vegetable sector. However, major part of them are importing their seedlings. Snail cultivation has several needs such as refrigerators, nets and structures for the farming, small machineries for land preparation as well as financial needs for purchase of fingerlings. However, during the recent years major part of the secto operators have closed their activity and number of farms reduced from more than 10 to less than 5. Considering these trends ornamental plants and snail is not suggested to be included in the support for diversification.

In renewable energy, the energy saving measures and equipment and installation to produce energy for self-consumption, such as those regarding the grinding of wood waste are expensive [266]. Movable lines of grinding can be tested in areas nearby forests (strictly controlled for use of forest waste) and intensive orchards. Use of solar panels and wind mills can be used in areas with non-agriculture land (defavorsied areas). Replacement of heating systems and use of hybrid systems can be supported in the processing and drying facilities. Circular economy models can be followed.

In fresh aquaculture the main need for investments are:

i. Recreational fishing. Its development is intended in the context of tourist attractions, practice a marginal commercial fishing for fish group management and support the fingerlings production of existing hatcheries. To this purpose, it will be planned the restocking of AWRs and small natural lakes with carp and other cyprinid. It is noted that in particular in the case of the AWRs, the carp farming will contribute to the maintenance of the basin due to its herbivore diet. The recreational fishing can also be developed in appropriate riverine environment. The restocking would be done with fingerlings produced by existing trout farms.
ii. The artisanal preparation of preserved freshwater fishes. The four most popular methods of fish preservation are freezing, canning, smoking and pickling. Such a diversification activity could well be associated to other tourist-oriented farm activities such as the agrotourism.
iii. The diversification of aquaculture farm activity by
    - o the development of the production of fingerlings for marine aquaculture.
    - o the development of the production of fish feed.
    - o extending it with the handling of harvested products (e.g., size-based sorting, ice production, packaging, etc.) in compliance with hygienic and food safety standards in view of improving the export opportunities[267].

Here below the proposed eligible costs.

- Purchase of machinery/ equipment and construction works (for the improvement of ponds and reservoirs, and rivers banks).
- ICT equipment including software, if it is an integrated part of the project.
- Equipment for improving the efficiency of the production process, optimisation of feeding, fish feeder or feeding automation equipment (freshwater aquaculture only).
- Installation of small cold stores for storing of product post harvesting (freshwater aquaculture only).
- Expenditures for electricity grid connections including transformers, energy transmission lines, circuit breakers and so on (marine aquaculture only).
- Construction and purchasing of equipment for fish feed mill (marine aquaculture only)
- Equipment for water re-circulation systems (marine aquaculture only).

[266] See AGT & DSA (2021). MAPs Sector Study Report and AGT & DSA (2021). Forestry Sector Study Report
[267] It is worth to mention the great dimension of the neighbour Italian market (about 120,000 tonnes/year out of which 12,000 tonnes only are locally produced) and the support to the opening of new markets foreseen within the above mentioned MARD-DFP.

- Construction and purchasing of equipment for egg and fry production (marine aquaculture only).
- Equipment for improving the quality and hygiene conditions of the production and harvesting.
- Equipment for diminishing the environmental impact of the aquaculture holdings, in accordance with EU standards in this field: waste management systems, equipment for purification of waters released from ponds and reservoirs and for monitoring the characteristics of the water quality parameters.

Table 4.16: Eligible investments suggested to be supported by Measure 7 in the primary subsector and other gainful activities

Proposed sector	Main suggested investments
Beekeeping	• Centrifugal extractors • Establishment of small shops and workshops for honey extraction and sale • Beehive's production lines • Wax or propolis processing lines • Packing machineries
MAPs and NTFPs	**Primary production** • Cultivation of non-typical NTFP (not MAPs) (plantation 0,2-1.5 Ha). **Post-harvest and handling** • Refurbishment of storage facilities with a capacity lower than 100 tons and larger than 20 tons, including adoption of infrastructural solutions for passive drying processes. • Equipment for internal handling and wholesale packaging. • Equipment and facilities for MAPs cleaning and sorting. • Equipment and installations for MAPs drying. **Green investments** • Equipment and installations for renewable energy for self-consumption only, from solar (thermal and photovoltaic), wind and biomass source.
Renewable energy	• Movable wood grinding and combustion machine • Building roofs for the installation of photovoltaic panels, • Lines for transformation of organic waste (from livestock manure) and crop residue for biogas production.
Hygiene, HACCP and GMP	• Improvement of facilities and equipment according to modern standards compatible with the traditional production processes.
Aquaculture	• No feasible investments except environmental related investments such as biological and physical filters, purchase of fishing equipment's, purchase of chillers for storing fish, fish drying lines
Miscellaneous activities	• Farm shops • Small greenhouses • Water irrigation systems

Proposed eligibility criteria and size thresholds

The eligibility criteria for the sector are given in the following table.

Table 4.17: Eligible criteria suggested for M7 in the primary subsector and other gainful activities

Criteria	Justification
Farm activity registered two years prior to the application.	The existence of the farm is a crucial point for making agritourism an exclusive activity. The beneficiaries of any support schemes should be farmers and individuals which are already operating in the agriculture sector.
Minimum size of the of the farm area should be 1.00 ha	In order to support economic viable food provision without limiting farm viability and food security
Applicant residing in rural area according to list of IPARD II[268]	Rural area definition using as criteria of selection the location of the farm in Administrative Units which were formerly (before the reform of

[268] http://www.ipard.gov.al/wp-content/uploads/2019/07/9.-Annex-7-List-of-Local-Government-Units-and-List-of-Rural-Areas.pdf

	2015) Communes. However, it is urgent to determine through an ad hoc approach (including INSTAT) the definition of rural areas according to OECD approach.
Investments in facilities should comply with conditions derived from legal base on safety, hygiene and quality.	The adaptation of on-farm processing activities to be screened under specific regulations consistent with traditional processing.
Investments should be carried in formalized activities (NUIS number, Tax payment certificate, Certificate of equipment with land issues from Administrative Units).	Both programs, linked the eligibility of investments with a certified ownership of land and dwelling. The availability in mountainous areas of Certificate of Ownership or Act of Acquiring Land in ownership is very low.
Reimbursement rate: up to 65%	IPARD reimbursed up to 65% if the eligible investments while ARDPF only 50%.

Table 4.18: Proposed preferential / ranking criteria

Criteria	Justification
Women farm-holders	Motivates women empowerment and formalizes women contribution in the household
Entrepreneurs under 40 years age at the moment of application.	Reduces the emigration pushing factors
Entrepreneurs applying in group according to the current legal base for cooperatives	Increase collective action and make investment feasible
Over 20% of investments for investment for introduction/improvement of systems which protect environment or promote energy efficiency	Increases efforts for environmentally friendly
Farms located in mountainous areas	Increases the potentials for abruption of investments in mountainous areas
Over 50% of investments related to EU Green Deal preferential criteria,[269] including increased energy efficiency, equipment and installations renewable energy for self-consumption, compost production from MAPs waste and use of solar –thermal and photovoltaic (EU Green Deal Preferential criterion).	Aquaculture investments which are relevant to Green Deal. Concepts of circular economy, ecosystem and biodiversity preservation and restoration, production of renewable energy and strengthening of from "Farm to Fork" requirements can be further developed in measures related to marine aquaculture. Some of main investments are the establishment of solar rooftops or wind turbines, organic freshwater aquaculture, purchase of electric powered service boats, establishment of systems which use of agriculture by-products to feed the fish and promote the growing of natural feed, adoption of fish welfare standards and certification of antibiotic free production. See the general and primality criteria at fish sector study[270].

Minimum threshold for eligible expenses

The proposed minimum investment threshold limits for eligible investments per project is set to €5,000.

4.7.2 Absorption capacity and impact of investments in other gainful activities

In the case of a partial grant scheme provision for investments linked with collection and processing of wild MAPs, the number of jobs created for one typical investment (collection and processing of wild MAPs) is on average 3 people employed per investment. According to extensionists opinions the average value of a start-up investment in activities such as collection and processing of wild MAPs could vary between €10,000 to €50,000 (see the following figure).

Figure 49: Average value of the investment for start-up activities (collection and processing of wild MAPs) (in €, shares of obtained responses)

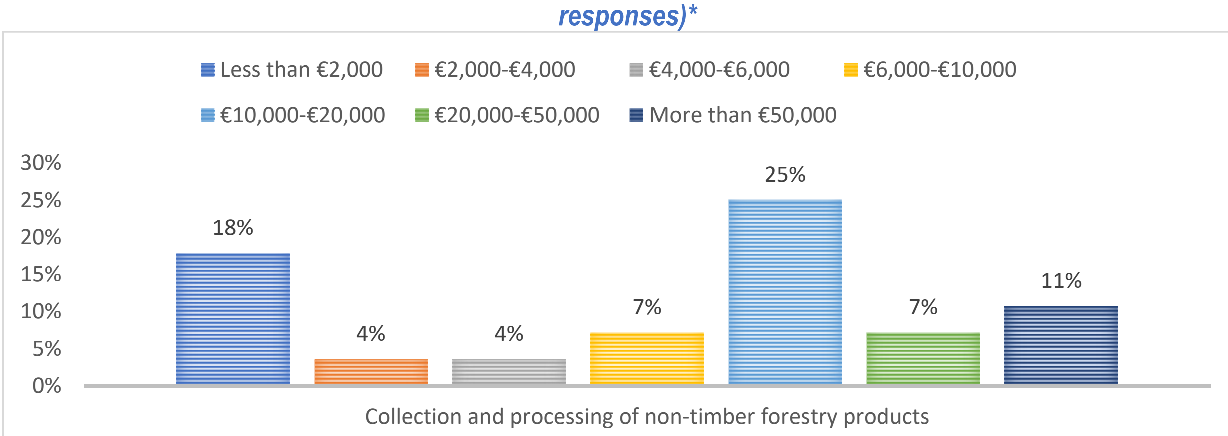
[269] As described in chapter 11.
[270] AGT & DSA (2021). Fishery and aquaculture Sector Study Report, pp 96-99.

*Source: Author elaboration based on MARD Extension Services Survey (2021); *Note/the rest of respondents has not responded to this question (20%)*

In the case of providing a partial grant scheme for investments linked with collection and processing of non-timber forestry products, the emerge of these particular activities, the number of jobs created for one such typical investment is on average from 3 to 4 people employed[271].

According to extensionists opinions the average value of a start-up investment in activities such as collection and processing of non-timber forestry products could vary between €10,000 to €20,000 (see the following figure).

Figure 50: Average value of the investment for start-up activities (on-NTFP) (€, shares of obtained responses)*

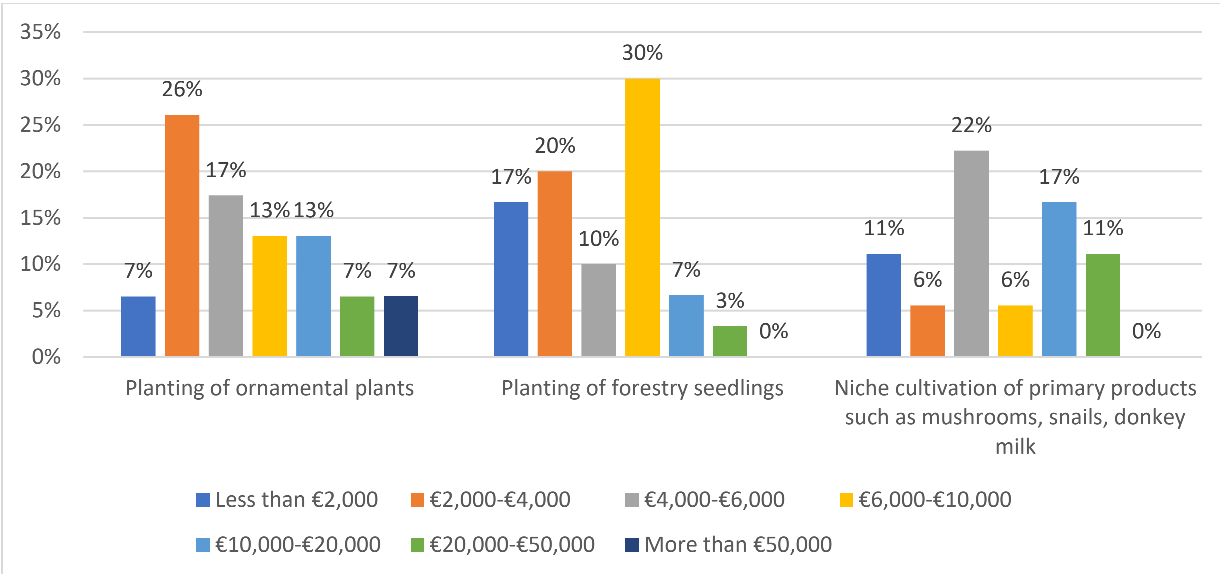


Source: Author elaboration based on MARD Extension Services Survey (2021)
**Note: The rest of respondents has not answered to this question (24%).*

In the case of providing a partial grant scheme for investments linked with miscellaneous activities, the number of jobs created for one typical investment is on average 3 people employed per investment (see the following table). The average value of a start up investment in activities such as planting of ornamental plants, planting of forestry seedlings and niche cultivation of primary products such as mushrooms and snails could vary between €2,000 to €50,000 (see the following figure).

Figure 51: Average value of the investment for start-up activities (miscellaneous) (in €, shares of obtained responses)*

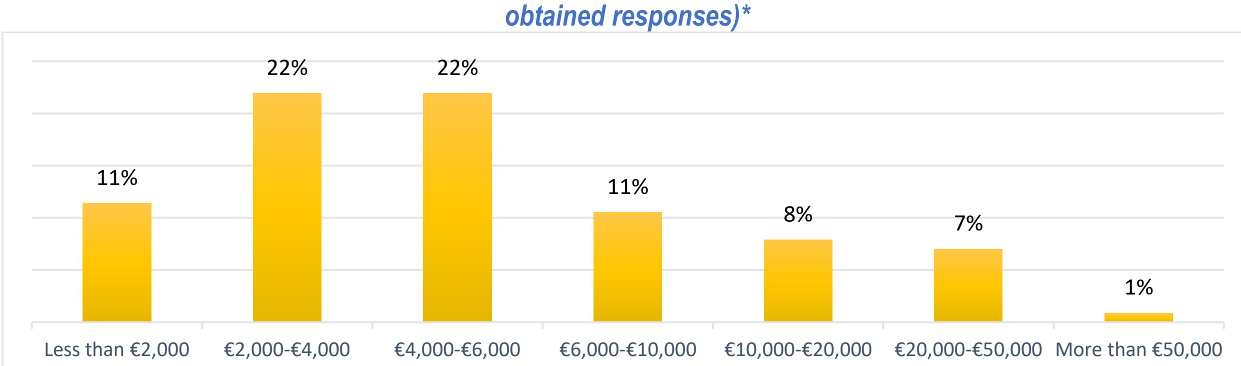
[271] MARD (2021). Extension service survey on diversification, organized by AGT & DSA.



Source: Author elaboration based on MARD Extension Services Survey (2021)
**Note: The rest of respondents has not answered to this question.*

According to extension service officers, in case of a partial grant scheme for investments linked with beekeeping or small-scale production of honey as a diversifying activity, the number of jobs created for one typical investment (on-farm processing) is on average about 1-2 people employed per this typical investment. The average value of a start-up investment in activities such as small-scale production of honey (farms with less than 50 hives) could vary between €2,000 to €10,000 (see the following figure).

Figure 52: Average value of the investment for start-up activities (on-farm processing) (in €, shares of obtained responses)*



Source: Author elaboration based on MARD Extension Services Survey (2021)
**Note: The rest of respondents has not answered to this question (18%)*

The identified number of operators requiring start up investments is 5000, which major number are present in the sector of beekeeping. Considering the extension survey statements and scale of investments a maximal amount of funding required for investments is €17 Mln, meaning a maximum value to be finances of slightly less than €10 Mln. The support would generate approximately 9,000 jobs, major share considered as self-employed persons in the beekeeping activities.

Table 4.19. Number of potential applicants and absorption capacity

	Total number of potential applicants	Total amount of grants required (€ Mln)	Number of new jobs
Beekeeping	4,280	4.5	6,850
Collection and processing of wild MAPs	320	2.5	1,260

Collection and processing of non-timber forestry products	90	0.6	255
Planting of NTFP	180	0.8	560
Inland aquaculture	60	0.6	120
Total	4,850	8	9,045

4.7.1.1 Support for increasing fund absorption

In order to make possible a higher absorption of the support given to the sector there is a need for

- *Improving the enabling business environment and intervening into the institutional sector set up*[272]. Government and donors should make use of other development cooperation initiatives for inclusion of marginal operators and support to eco-pastoral communities involved in wild MAPs harvesting, NTFPs and honey production.
- *Reforming the system of management of commons in the local level.* The central government should guide local government in reforming the system of wild MAPs collection licenses and establishing a functional traceability system. MoTE should make efforts for regulating further the collection stage.
- *Ensuring food safety control.* NFA and other depended institutions from MARD and MoFE should make efforts for ensuring safety by strengthening institutional support (certification, traceability and market support) to improve sector market outreach.
- *Upgrade the Forests and pastures management plans.* The forests are in majority owned by municipalities and managed through the drawing up and implementation of Forest and Pasture Management Plans, prepared by municipalities, and approved by the Minister of Tourism and Environment. The majority (90%) of municipalities have outdated Forest and Pasture Management Plans developed for the former communes, which need to be updated. The support provided to the development of Municipality Forest and Pasture Management Plans will greatly benefit the implementation of IPARD measures.
- *Provide training and capacity building.* Working with MAPs and NTFP is a seasonal engagement and not a primary business for almost all local households. Further training and capacity building should be provided for proper protocols in terms of harvesting, cultivation and postharvest of MAPs and NTFP.
- *Promoting cooperation*. Interventions for improving horizontal and vertical integration are key for encouraging feasible investments. In group incentives such as quality standardization and certification, and implementation of marketing activities should be promoted.

[272] See Chapter 12 of the sector studies reports of relevance of AGT & DSA (2021) (MAPs, Fishery and Forestry).

5 PRODUCTION AND DIRECT MARKETING OF TRADITIONAL CRAFTS AND ARTISANAL ADDED-VALUE PRODUCTS

5.1 Background of the sector

5.1.1. Importance to economy and employment

Albania has long-standing traditions on handicrafts. Until the 1990s, the handicrafts sector was an important part of the Albanian export production. In Shkodra region it is estimated that during the centralized economic regime, more than 3,000 people were employed in state-owned enterprises[273]. After the ending of the regime, the skilled employees and families started their own businesses[274]. Main focus remained the production of manufactured rugs, silverware, woodware, stoneware, decorative fabrics, basketworks, wicker ware, folk costumes, statuettes from wood and alabaster, marble, and musical instruments[275].

Currently, there is a weak presence of handicraft production in rural areas compared with the urban ones. Handicraft sector still provides a major source of incomes for more than 600 households in rural areas (survey made for diversification study for IPARD II[276]) and much more in suburban areas, including large numbers of women and youth people belonging to the low-income groups of society.

The migration and urban concentration as well as population aging effects are very negative for the continuation of the handicrafts and transition of traditional practices to younger generation (Kola, 2016; Bushati, 2018). However, handicraft is a sector strongly linked with both tourism and exports. The increasing trends in tourism has somehow balanced the demographic negative effects and made it possible for the sector to survive. The survey carried in 2021[277] reveal that the current number of handicrafts activities is slightly less than 500.

Despite the lack of statistical reliable data and information, there is strong evidence that handicrafts sector provides important contribution to self-employment, added value in existing rural value chains and empowering vulnerable groups of society in remote areas and to increase the attractiveness of an area as a tourism location. In overall, operators report that the business is highly profitable business opportunity, in case is supported by effective policies.[278]

The sector contributes to the economy through direct exports (value at Euro 2 Mln to Euro 3 Mln) and also indirectly through foreign visitors purchases (which makes up more than 53% of the overall market demand in tourism sector)[279]. The sector is also important for preserving tradition, cultural and rural heritage and peasant livelihood and is a much worthy asset for local development and territorial marketing.

As emphasized earlier, handicrafts sector is very important for women economic empowerment. Considering the low level of capital required as well as intensity of hand work, women have been vested with more capacities and traditional knowledge to engage into handicrafts textile-based product.[280] Although gender statistics are absent, observations on composition of producing groups show that the vast majority of artisanal garment industry is composed of women. Women are those who in most cases commit themselves to the handicraft activity, especially in

[273] ILO (2006). Territorial Diagnosis of the handicraft sector in Shkodra Region of Albania.
[274] Kruja and Demneri (2018). Tourism and Handicraft Industry: Opportunities and Challenges of Operating in the Albanian Market.
[275] Kruja and Demneri (2018). Tourism and Handicraft Industry: Opportunities and Challenges of Operating in the Albanian Market.
[276] MARD (2013), Study on diversification in the frame of IPARD II, Report prepared by Wehinger, T and Zhllima, E.
[277] MARD (2021). Survey on diversification activities, organized by DSA Albania in cooperation with MARD extension experts.

[278] Bushati (2017), Handicrafts as an opportunity for economic development and sustainable tourism: Shkodra case study.
[279] EUROSTAT international data (2021) and INSTAT (2021).
[280] UNWOMEN (2016). Economic Diversification for women living in rural Albania, https://www.un.org.al/sites/default/files/UNWomen-RuralStudy-EN-PRINT_0.PDF

the area of Zadrima[281]. According to the study findings, 57% of the people working in this profile were women and 46% of them were over their forties[282]. Men are mainly present in stone and metal and women in textile crafting; in the other crafting activities the gender balance is mixed: for instance, soap and cosmetics is women based, wood carving is men based, clay production is mixed, jewelry is men based but there is a new generation of women designers pushing forward the sector.

5.1.2. Policy support and donor assistance

The craft sector is considered as part of the overall SME sector. Main agency being responsible for the sector development is the Ministry of Finance and Economy and the depended agencies. Ministry of Finance and Economy regulates the criteria for the profession of artisans. National Agency for Vocational Education, Professional Formation and Qualification register and regulate the profession in the National Catalogue of Professional Qualifications. The institution is also main body for the accreditation of VET providers for the relevant professional qualifications.

The sector is represented from several chambers and association such as National Chamber of Handicrafts, National Chamber of Commerce, Albanian Association of Small and Medium Business, etc. Recently, National Chamber of Handicrafts took the initiative to create the Law on Handicrafts and the National Chamber of Handicrafts, which focused on employment, vocational training in the field of handicrafts and the organization of handicraft activities.

The sector has been scarcely covered by specific government programs. An impetus in supporting the sector was the legal base established for the social business in Albania[283]. Initiatives started in 2011 through the Social Business Movement of Albania (SBMA) and advocacy activities Yunus Social Business (YSB). In 2016 a law was formulated, Law no. 65/2016 date 9.6.2016 on social entrepreneurship which was followed from a series of relevant DCM and Instructions. The law provides subsidies for social enterprises for (i) the activity of the social enterprise; (ii) job creation and (iii) compulsory social and health insurance. However, the partial approval of DCM and Instructions makes the legal base yet not effective[284,285].

Few government agencies have provided funding. Albania's Ministry of Tourism, Culture and Sports has also helped to support traditional crafts in Gjirokastra, using small grants. The Albanian Investment and Development Agency financed in the period 2016-2018 artisan handicraft projects as an effort to develop the creative economy with an approved budget for this sector for 2016 reached €100 thousand. It focused in the creation of new products, in the purchase of equipment (AIDA co-financed the entrepreneur) for a more efficient production process and in promoting these products to the clients.

Municipalities play important role in developing handicrafts. The Municipality of Korça is one of the few local governments offering fiscal incentives such as zero taxes in the first two years for businesses in the ICT and handicraft sector as well as for tourism businesses located in the bazaar area. The intervention was enabled based on the support given for the establishment of bazaars by American Development Fund. Start-ups were supported through a financing program which covered 50% of the fixed costs for furniture's and equipment's.

Donor assistance to the handicraft sector has been active through projects implemented by various organization such as GTZ, OXFAM, USAID REC, ILO[286] and local civil society organizations. The focus of most of these interventions has been the women's economic empowerment since most of those involved in this sector are women. Through the Italian Cooperation, Italian NGOs in cooperation with local organizations have been assisting dozens of women entrepreneurs' groups throughout Albania by encouraging them to run small enterprises in the handicraft sector by producing textile fabrics in handlooms, bed linens, carpets and rugs, embroidery and laces, bed quilts and sheets.

281 Bushati, B. (2017). Handicrafts as an opportunity for economic development and sustainable tourism: Shkodra case study.
282 Bushati (2017), Handicrafts as an opportunity for economic development and sustainable tourism: Shkodra case study.
283 https://partnersalbania.org/News/paketa-ligjore-mbi-ndermarrjet-sociale-ne-shqiperi/
284 Kola (2019), The marketing of the craft products in Albania, the effect of web marketing.
285 https://portavendore.al/2019/05/08/ndermarrjet-sociale-dhe-mos-zhvillimi-i-tyre-ne-shqiperi/
286 Balliu, Q. (2006). Territorial Diagnosis of the Handicraft Sector in Shkodra Region of Albania, Final Report prepared for ILO.

IPA projects were also important to develop sector activities. Referring to Trans boundary IPA project Empowering women through production of handicrafts - Establishing crafts incubators (2013) activities were organised for participation of fairs, coaching and training of women. Other projects are supported by donors (UNDP, *Swiss Cultural Programme, Italian Cooperation, GIZ, etc)* and private business (AADF American Development Fund, US-based Packard Humanities Institute, the Vodafone Foundation, etc.). A major part of financing is provided indirectly through the programmes supporting employment, vocational education and market orientation for small businesses and micro business, women entrepreneurship, tourism or social businesses. However, major part of support for vocational education and capacity development is provided in urban and suburban areas[287].

5.1.3 Production areas and connection with territory

Handicraft are driven from the cumulated experiences and preserved tradition but also by the flow of visitors and a proximity to touristic areas. Shkodra, Kruja (Durres), Berat and Gjirokastra are the cities with a more consolidated tradition in handicraft production; these are also the areas where concentration of business is higher.

Due the steady process of population growth in the Tirana-Durres area (about 40% of total population), Tirana became the center for craft products presentation and marketing. It should be emphasized that most of the souvenirs and craft dealers in Tirana are supplied by the main domestic production centres, but in recent times it is also possible to feel the competition from imported products mainly coming from Greece, (partially in informal way), but also from Italy and China.

The most known handicrafts in Albania are works in wood, iron, copper, and precious materials like gold, silver, leather, wool, etc.

According the MARD (2021) survey, the production of handicrafts (carpets, embroidery, pottery, woodcraft, stone, etc.) is concentrated in most of the main tourism areas of Albania such as Shkoder, Gjirokaster, Korce, and Durres; in Lezhe it became a pull factor for tourism. In cities like Kruja and Shkodra, a diversity of crafts with high utilitarian and aesthetic level is distinguished.

Considering the strong synergy between tourism with handicraft development, it is expected that the sector will grow in areas where tourism services are more developed. In the main tourism areas of Albania, handicrafts are already prevailing as a secondary source of incomes after accommodation and food provision, which contributes also to increase the attractiveness of the location and to improve visitors' experience.

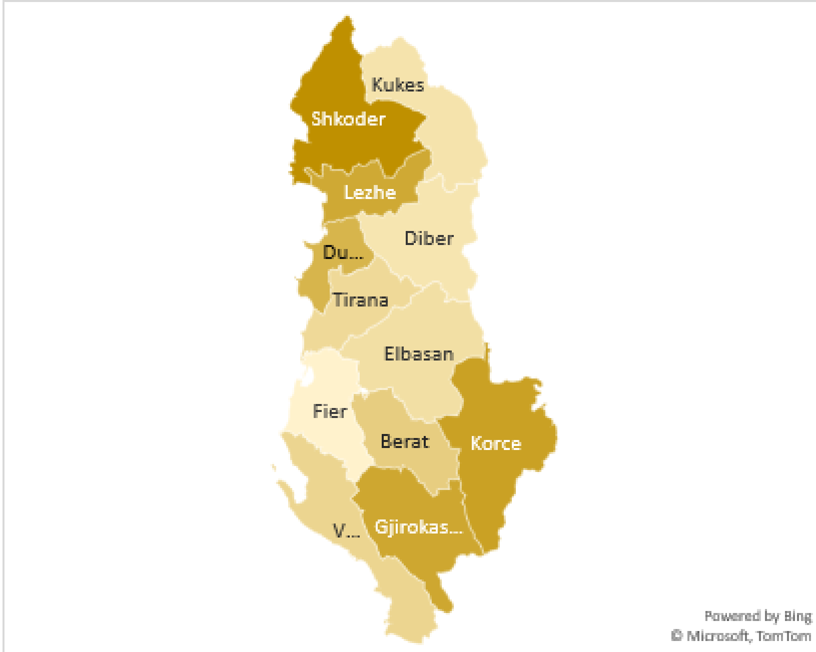
Even if handicraft production is primarily based in the cities with higher presence of tourists, there are important traditions and resources in other parts of the country such as like the handmade carpets and blankets, knitting and embroidery of Pogradec and the felt processing and traditional folk dancing costumes of Dardha, the table clothes, as well as earthenware and carvings of Kolonja.

A previously solid handicraft tradition in rural areas has increasingly been lost; as a result, in rural houses and farm tourism places, differently from the ethnographic heritage in the traditional houses in the cities, there are few or no original handicraft pieces that would greatly enhance the attractiveness of the place. More in general, the wider offer of craft sector in rural tourism areas would contribute to increase the attractiveness of the place and increase the value added related to tourism presence, but such synergy is not organised at all, with only very few exceptions in areas like Zadrima.

A recent research[288] made in farm-tourism and B&B outlets and other rural houses in some a part of 100 villages selected under the 100-village development program, witnessed scarce presence of local craft or piece of furniture.

Figure 53. Geographical distribution of handicrafts production in Albania

[287] UNWOMEN (2016). Economic Diversification for women living in rural Albania, https://www.un.org.al/sites/default/files/UNWomen-RuralStudy-EN-PRINT_0.PDF
[288] Interview with researchers at Institute of Cultural Heritage



Source: Obtained results from Extension Officers Survey

5.2 Demand and supply patterns (major production trends, structure, actors, distribution and supply chains in sector the period 2015-2019)

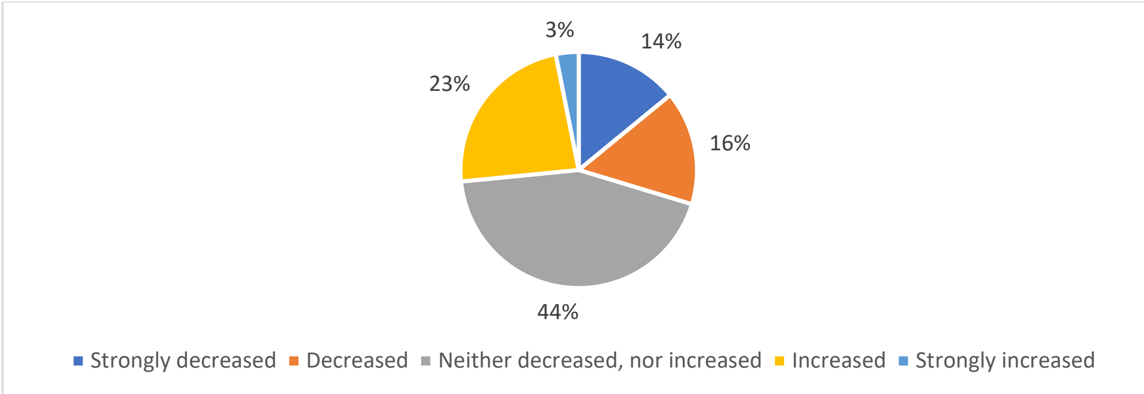
5.2.1. Supply

The Census of Agriculture Holdings (2012) reveal that the overall number of farms carrying handicraft activities is approximately 1,300. The overall number of activities related to handicrafts in rural areas according to the MARD (2021) Survey is approximately 500[289]. This indicates a decreasing trend compare with the past even if we consider the figures collected by a similar survey carried in diversification[290].

Opinions collected by the MARD survey (2021) reveal that the trend of number of activities is decreasing or stagnating in some areas. According to the majority of extension service officers, during the last 7 years the number of activities linked with production of handicrafts (carpets, embroidery, pottery, woodcraft, stone, etc.). have been neither decreasing nor increasing (44%). Meantime around 26% of extension service officers declare an increased and strongly increased trend of these activities. The differences in statements are due to regional differences.

Figure 54: Observed trend of handicrafts production during the period 2014-2020

[289] MARD (2021). Extension Service Survey. Organized by DSA and AGT and supported by MARD.
[290] (600 farms according to MARD 2013)



Source: Obtained results from Extension Officers Survey

In terms of the following 7 years (expected trend for the period 2021-2027) results show that more than 40% of extensionists officers expect an increase and strong increase in terms of number of activities such as production of carpets, embroidery, pottery, woodcraft, stone, etc.

There is gradual decrease in the presence of crafting due to distress sales, changing preferences in house decorations and migration. However, baby cribs, traditional chairs, musical instruments, wooden boxes, etc., are still produced and in mountainous areas shepherds do still decorate their crooks, distaffs, spindles, etc.[291] For instance, presence of handicrafts and direct sale in guesthouses in Kelmend is usual. Dragu Guesthouses prepares decorated wood tables, clothe hangers and other wood refurbishments[292].

The most expanding type of craft are wool-based products. For instance, in Zadrima and Puka (Shkoder) as well as Erseka (Korce), Kalaja e Dodes (Diber) wool-based craft production is still present. A characteristic of the area of Skrapari is the use of wool cloak, while from the traditional dresses highlight kilts, fez (qylafi), leather moccasins, etc. Wood and stone carving are the main traditional skills in the area of Berat and Gjirokaster[293].

5..2.2. Business model

Grouping the business models of handicrafts is cumbersome due to the high variability of products and activities. Three major groups of entrepreneurs are identified by previous assessments[294]: i) the ex-employees of the state-owned handicraft enterprises, ii) the members of the traditional handicraft Albanian families and iii) the Albanian coming back in Albania after having been specialized abroad in different handicraft activities, mainly from Italy, Greece and Germany.

The handicraft sector in Albania is not organized. The level of the cooperation and networking is very poor. Actually, one specific national association of the Albanian handcrafters does exist. Assessment made in the past have identified two handicraft associations, one in the south of the country in Gjirokastra region, which is producing embroideries and laces, and the other one in Shkodra region that associates different producers of handicrafts. Basically, the handicraft market in Albania is very fragmented.

Box 8. Structure of handicraft producers

According to a sample study carried by Kola (2016[295]) and results of this study most traders, artisans and craft souvenirs are over the age of 40. A large percentage has higher school education, but also there is also a significant share with higher. The few artisans who have elementary education are mostly aged over 50 and have inherited the art of making craft products from their predecessors.

[291] GIZ SARED (2018), Situation of agritourism, available upon request.
[292] Meeting with Lucie Dragu and Tome Dragu.
[293] GIZ SARED (2018), Situation of agritourism, available upon request.
[294] https://www.auleda.org.al/auledaphp/tourism_craft_inn/2nd%20newsletter%20Crafts%20In%20Action%20Project.pdf
[295] Kola (2016). The marketing of the craft products in Albania, the effect of web marketing.

In most cases the handicraft businesses were established after 2000. Until 90' most master workers were classified as part of an "Artistic Enterprise".The most common legal form of these artisans is 'natural persons'; the cases of businesses organized as limited liability company are rare. This shows that the craft sector is in most cases a kind of self-employment or family business activity and is not yet perceived as a proper form of business with all relevant rights and obligations. In most cases the activity is a family heritage being presented in the form of family business, as a result of family members being employed. The average number of employees varies between two and three workers including also the retailer's aides and not only master artisan.

Most handicrafts activities are based on family business led or entirely carried out by one person. Some aggregations or clusters of handicraft activities have been supported NGOs and international development projects[296]. In particular, Zadrima, (Shkoder) is one of the main handicraft centers in Albania, famous for the production of costumes; this tradition was preserved by many women who work at home. Donors and religious institutions/foundations since the beginning of 2,000 have intensively promoted the handicrafts sector, especially for women groups. Most initiatives did not survive to the end of the project whjch supported them, due to weak collective actions, but the groups dissolution created a cluster (see Box 9).

Box 9: The case of Zadrima cluster: a community-based effort

Zadrima, the Main Center of the Handicraft Development in Shkoder Zadrima, famous for the folk costumes, is one of the main centres of the development of handicraft. A large part of the families which live in the area engage in handicraft activity; this activity is mostly exerted by women. There are some 100 girls and women involved in this activity and 57% of them are in Gur i Zi (Shkoder).

The marketing of the products is made on the production place, and through direct connections with a few outlets. Some of the workshops are connected to the Fair Trade marketing network and all of them have developed or are developing a presence in the web (web page, online shop, etc.) and in social media.

The workshops are established as family businesses or by group of women, often established as a result of development initiatives financed by NGOs and ODAs. In particular, several handicraft activities established by group of women (e.g., ZaDream, Artistike Zadrima) have been initially established as a result of a long term effort (started in midd 90s) of local community, supported by the local catholic church, which also helped in raising financial and technical assistance resources and in establishing connections with other NGOs and organizations which are useful also for marketing the products (Guri i Zi, ZaDream).

Among the most interesting experiences are those ones in the village of Fishte, where some activities can be now considered well-established ones, such as Art Zadrima and Studio Vasili (ceramics) and ZaDream (soap and other personal care products).

In particular, ZaDream has been particularly active on the marketing side, selling their products in fairs but also exporting in Italy (through Fair Trade network). Social media pages are created to promote the product. ZaDream also made some agreements to use as an outlet some local restaurants.

Some of the workshops (e.g., Art Zadrima) have also made an agreement for trading their products through Mrizi i Zanave, probably the most well-known agri-tourism establishment in Albania (a returned migrant investment, also established with support from international NGOs), which is also located in Zadrima. This kind of agreements confirms the role that agri-tourism can play as a pool factor to sell a wider range of products (not only food products) from the territory.

Not all the workshops of the Zadrima cluster are physically in Zadrima: Artistike Zadrima was initially established in Blinisht and the group of 20 women working there are all from Zadrima, but the workshop is now located in Lezha.

A collective brand, ZAHOTEX (Zadrima Homemade Textile), was also developed.

Studio Vasili, Vasil Kukaj	Artifact products in the shelves of Art Zadrima

[296] https://www.artistikezadrima.al/index.php?id_lang=2


Photo Drini Imami

The cluster in Zadrima is mostly made by several small craft workshops; however, the largest craft company is situated in Rragam (Guri i zi, 12 km from Shkoder), The woman entrepreneur who started this activity knew the trade because it was transmitted to her from previous generations. She managed to expand the activity each year and now there are over 20 girls and women working for her on a regular basis. Some of the products of this workshop are handbags, curtains, scarves, and traditional costumes and the decoration consists of old folk motives. The products are a combination between the traditional and the modern patterns; the business model is an interesting case of integration with international handicraft trade network. The company utilizes traditional working methods and overall patterns, but receive specific design patterns (based on traditional ones) for the production season from the Italian company which is also in charge of marketing. The design is adapted in function of evolution of demand, always keeping as a base the traditional pattern. The cluster of Zadrima is also supported in by the Association of the Albanian Handicraft, located in Shkoder. The association provides assistance in product promotion in participation to national and local fairs.

Source: Authors' notes and descriptions from Bushati (2017)

5.2.3. Demand

There are no records of market demand for handicraft. Textile products are the most present in the fairs. The diversity of products observed in fairs has been increasing. Use of modern styles and innovative products has been evident in urban areas (observations of authors). Frequently, environmental benefits and social aspects are used as the best promotional message for selling these products.

There are no data for exploring the market demand trends and consumer preferences in Albania. The buyers, according to a study of 2013 are classified[297] into local and foreigner. Purchases from residents are limited, and the main segment of buyers is made out of Albanian emigrants who seek to preserve somehow their background culture[298]. Among the best-selling products we can mention filigree works in jewelry: earrings, pendants, bracelets, rings. Foreigners prefer everything that is made in filigree, from dishes composed of thin filigree threads, to souvenirs, to women's decorative jewelry and everything else related to the 'handmade' works of filigree.

Box 10: Type of handicrafts present in Shkodra region

In the market of Shkoder, the handicraft present in the market are divided into several groups of products, namely:

- Stone-Chiseling
- Metal works: there is a solid tradition in this field.
- Silver: Shkoder is particularly known for filigree works
- Woodcarving: a wide range of products ranges from small souvenirs to door and window frames

[297] Kola, B, 2013, Marketing of artisanal products, available at https://www.uamd.edu.al/wp-content/uploads/2017/11/Tema-e-mbrojtur-nga-Lektori-BLERIM-KOLA.pdf

[298] https://starbusinessmag.com/en/chicarti-art-elegant-ne-zemer-te-tiranes/

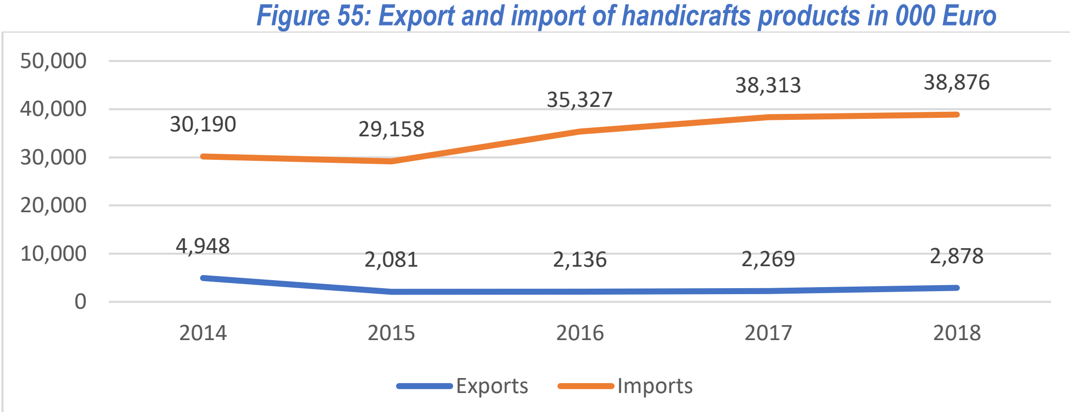
- Pyrography
- Textile handicraft, including tablecloth, dresses, embroideries etc.
- Leather, now very rare
- Pottery and marble; the range of products is increasing and there are various workshops and even atelier spaces that produce these products.
- Willow and straw: Shkoder was considered an important centre for this activity; recently some workshops in Bushat, in the Shkoder district, introduced an innovative use of straw for decoration. baskets, chairs, tables, armchairs, and shelves are the main products and are suitable for exporting. The masters of this trade in Shkoder managed to preserve the tradition
- Carnival masks, which are part of Shkoder tradition and are also used in folkloristic events.

Source: Bushati (2017)[299]

The sector is strongly linked to tourism and exports. Export value seems to have radically decreasing[300] from more than €20 Mln in 2012 to approximately €3 Mln in 2019. One reason is the high trade diversion effect emerging by the increase of visitors in Albania. Considering the trends of exports, the figures reveal a stagnating trend in exports (after the sharp decrease in the period 2013-2014) and on the other hand an increasing trend in imports.

The export share to import in terms of value is less than 10%. Value of exports oscillates to round €3 Mln while value of imports is approximately €40 Mln. The trade gap in the period 2014-2018 show an increasing dependence of Albanian handicraft sector from imported products and changes in consumers' preferences for crafts.

Figure 55: Export and import of handicrafts products in 000 Euro



Source: Authors' elaboration based on EUROSTAT (2020)

[299] Bushati, B. (2017). Handicrafts as an opportunity for economic development and sustainable tourism: Shkodra case study, available at https://www.researchgate.net/publication/332481509_Handicrafts_as_an_opportunity_for_economic_development_and_sustainable_tourism_Shkodra_case_study

[300] The export statistics of Albania accounted for a value of €27.3 Mio. in the year 2012. 92% of the exports in the year 2012 were jerseys, pullovers, cardigans, knit or crochet (6,110 units) and panty hose, tights, hosiery, knit or crochet (6,115 units). Most of the production is contracted by foreign companies.

Works in stone are the backbone of the Albanian exports. In terms of value the works in stone, make up more than 60% of the exports of handicrafts. During 2015-2017, the share was fluctuating toward 80%. The second group is the smoking pipes, cigar and cigarette holders, parts followed by Jerseys, pullovers, cardigans, etc., knit or crochet.

Table 5.1: Major important group products exported during the period 2014-2019 (share of total exports of handicrafts)

	2014	2015	2016	2017	2018	2019	Average
Jerseys, pullovers, cardigans, etc., knit or crochet	25.4	14.5	4.3	5.7	0.8	1.5	8.7
Panty hose, tights, hosiery ness, knit or crochet	40.9	0.0	0.1	0.9	0.8	2.1	7.5
Worked monumental, building stone, articles thereof	20.6	61.0	78.3	70.3	79.9	78.2	64.7
Jewelry and parts, containing precious metal	3.4	0.2	1.6	3.0	5.1	4.3	2.9
Smoking pipes, cigar and cigarette holders, parts	6.2	17.8	5.6	8.1	6.5	9.0	8.9
Other	3.6	6.4	10.2	12.0	6.9	4.8	7.3

Source: Author's elaboration based on EUROSTAT (2020)

In terms of import value highest share of imports is related again to stone carving, followed by jewelry and parts, containing precious metal, carpets (woven, not tufted, flocked and other textiles (jerseys, pullovers, cardigans as well as panty hose, tights, hosiery ness (knit or crochet). Trade geography of imports is an indication of competitiveness. In the year 2019, main competition is present from import flows from India, China, Italy and Turkey. Ornament of wood, wood, jewel, cutlery caskets and cases are mainly coming from China and Italy. Similar origin is for basketwork, wickerwork and similar articles. Main countries of origin for carpets are Turkey, China and Iran. Panty hose, tights, hosiery and jerseys, pullovers, cardigans are from China, Turkey and Bangladesh. Stone carving which is also the product of major value for our exports is mainly coming from India, Italy and China.

Trade geography is also an indication of the market orientation. Montenegro, Italy, Kosovo are major partners of exports while India, China and Italy are the main origin of the imports. Italy is major destination of wood ornaments, cutlery caskets and cases as well as basketwork, wickerwork and similar articles as well as smoking pipes, cigar and cigarette holders, parts. The Czech Republic is major destination for carpets and other textile floor covering, knotted followed by Montenegro. Montenegro and Italia are major destination for Worked monumental, building stone, and similar articles. Kosovo and Croatia are destination for panty hose, tights, hosiery nes (knit or crochet) Jerseys, pullovers, cardigans, etc., knit or crochet.

Table 5.2: Exports and Imports of handicrafts by partner countries in 2019

Country	Export amount (tons)	% Share in export amount	Country	Import amount (tons)	% Share in import amount
"Ornaments of wood, jewel, cutlery caskets and cases"					
Italy	5	67%	China	50	59%
N.M.	2.1	28%	Italy	18	21%
Total	7.4	100%	Total	85	100%
"Basketwork, wickerwork and similar articles"					
Italy	151.5	99.99%	China	26	63%
Kosovo	0.0001	0.01%	Italy	7	16%
			Indonesia	6	14%
Total	152	100%	Total	41	100%
"Carpets"					
Czechia	17	82%	Turkey	222	34%
Montenegro	3.5	17%	China	140	21%
Total	21	100%	Iran	112	17%
			Total	650	100%

"Panty hose, tights, hosiery ness, knit or crochet" and "Jerseys, pullovers, cardigans, etc., knit or crochet"					
Kosovo	7.2	75%	China	663	55%
Croatia	1.4	14%	Turkey	434	36%
Italy	1.0	11%	Bangladesh	27	2%
Total	10	100%	Total	1,210	100%
"Worked monumental, building stone, articles thereof"					
Montenegro	2,606	30%	India	6,590	35%
Italy	2,252	26%	Italy	4,428	24%
Kosovo	1,217	14%	China	3,907	21%
Total	8,555	100%	Total	18,727	100%
"Smoking pipes, cigar and cigarette holders, parts"					
Italy	29	71%	Turkey	10	61%
N.M.	11	26%	China	5	29%
Total	42	100%	Total	17	100%
Total					
Montenegro	2,610	30%	India	6,618	28%
Italy	2,443	28%	China	5,168	22%
Kosovo	1,234	14%	Italy	4,527	19%
Total	8,801	100%	Total	23,309	100%

Source: EUROSTAT (2020)

5.2.3. Market and prices

Access to market

Difficult access to market and problems with sales are considered by most value chain operators as the main challenge; different trade channels and marketing tools have been tried to deal with this issue.

The strong link with tourism activities makes the handicraft access to markets very seasonal and highly sensible to changes and shocks in the tourism sector. As an example, the COVID 19 pandemic caused a sharp decline in tourism flows in 2020. The reduction in the number of foreign tourists severely impacted also the handicraft sector; according to interviews with handicraft workshops managers (clay sector, 2020) the reduction in sales reached almost -50%.

A proposed action to mitigate the impact of tourism reduction is to open more specialized shops in Tirana and other places more the remaining tourism flows are larger.

Several handicraft operators have trade connections with Fair Trade network (Zadrima) or production/distribution agreements with foreign companies specialized in handicraft products and/or textile products (Guri i Zi, Erseke).

Support to participation in fairs and exhibitions is often mentioned as important tool to increase sales (see box 11). In the past, this kind of support was frequently provided. With the pandemic, the organization of fairs ceased, except some rare cases in open air.

Web marketing and other forms of ICT and smart technologies for direct sale are having impact on the selling of the craft products in Albania. Since 2016, web marketing was a significant contributor in selling of the craft products.[301]

An innovative example is the online sale of the handicraft's products promoted by an IT development company which supported a group of women through a grant for innovation given by the BRIC Albania[302]. The online sale may buffer the transaction costs create in case of opening of a shop and the related local taxes, increase of market outreach (funneling potential demand from consumers interested to ethnic and/handmade products). However, in order to translate potential demand in actual sales, it is also necessary to organize good logistics.

Prices and relevant trends

[301] Kola (2016)

[302] Interview with Fabian Lashi IT free-lance consultant.

The prices of craft items in the town vary. Decorated stones can cost up to €50, carved wood as much as €280, while a traditional costume costs around Euro 250. At Artistika Zadrima (producing tablecloths, napkins, wallets, etc.) prices of varies from Euro 20 to more than Euro 200 according to type of product[303]. During the recent years there is also witnessed a weakening of terms of trade. That is a trend which shows an eroded market value in the handicraft sector. Currently the unit price of exports to imports in 2019 is less than ¼, meaning that imported crafts are in average valued four times the exported ones. This ratio decreased in recent years and is now three times lower as compared with 2014.

Box 11. Survey on handicrafts producers in Shkoder and Kruja: prices and access to market

No price analyses are made, but 64% of the operators say that the prices applied for craft products are quite low and the report quality/selling price is not satisfactory due to decreasing prices (61%). About 55% of respondents are not confident about the future of their activity even though a large percentage of them (94%) want to expand activities in the years ahead.

Approximately 45% of respondents have commented that do not feel threatened by imports.

Promotion of handicraft products not used by the majority of respondents (88%) while for the rest who used in most cases meant a spot in a press advertisement or other media. No form of correct market research is applied.

About 91% of respondents had no information about the implication of the state in this sector.

Source: Kola (2016)

5.3 Promoting handicraft as a component of circular economy

The use of by-products and recycled waste as raw material in handicraft production has been the object of increasing interest and experiences; the most common initiatives can be classified in three groups:

1. *Integrate innovative design, training and use of recycled material in fashion and handicraft*. In EU members states there are art and design schools regularly offering courses on this topic and numerous examples of more traditional knowhow transmission through different methods of mentoring and apprenticeship.
2. Develop business activities and social enterprises based on agricultural waste, utilising social and environmental components as competitive advantages and marketing tools. Two experiences of this kind of initiatives are described below in boxes 12 and 13.

Box 12: From the Shepherd to the Artisan: Revitalizing Wool Processing in Southern Albania

Wool has been one of the most important non-food products in Albania for hundreds of years, but now most of the wool is considered a waste, while only small quantities are kept for household use; at World level, only wool of specialised breeds (mohair, merinos) is used, even for handicraft production.

"From shepherd to artisan" was the first project to revitalize wool processing in Albania. Within the framework of the project, .250 kilograms of wool was bought from shepherds in the communes of Lunxhëri and Antigone (Gjirokaster). More than

[303]https://www.artistikezadrima.al/index.php?id_cms=8&controller=cms&id_lang=2

20people and artisans were engaged in the collection of the wool, cleaning, carding, hand spinning and dying it with herbs and plants collected in the nearby hills. The artisans of Gjirokastra were trained in felt techniques, which they then applied for the creation of small animal figures. The artisans in Antigone, were trained in various weaving techniques for producing kilim and other products.

The result was a collection of about 200 products branded under the name of Wool line. At the websitewww.woolline.com customers can view the product catalogue and order online. Artisans then produce the products on demand. Because of the quality and uniqueness of the product designs, this project has set a new standard for the handicrafts industry in Albania.

Source:http://chwb.org/albania/activities/from-the-shepherd-to-the-artisan-revitalizing-wool-processing-in-southern-albania/

Box 13: Soap producer groups

Donors followed this trend. ReLoAd a project of UNDP supported SDI developed of the idea of producing organic, olive oil soap production in olive concentrated area, to create more self-employment possibilities for the local population.

The project "Organic Soap Roskovec" resulted in the creation of an Artisan soap centre, while developing a mini value chain of olive oil-based production. Training in production and sale was provided and the group achieved to come in the market with one brand and four olive oil-based products developed (soap, shampoo, liquid soap, and transparent soap). Products were branded to promote authentic elements from the region, while the packaging is made out of recycled paper. The soap is produced from unused or unsold olive oil. Chemistry professors from the University of Tirana trained women from Roskovec to combine the right proportions of olive oil, water, sodium, and essential oils in order to produce the best possible soap quality.

Source: https://www.facebook.com/zadream.it/ and UNDP Webiste for ReLoAd project available at [https://albania-undp.medium.com/reload-albania-buiding-skills-and-creating-jobs-for-women-dc56788a4354.](https://albania-undp.medium.com/reload-albania-buiding-skills-and-creating-jobs-for-women-dc56788a4354)

5.4 SWOT Analysis

5.4.1. Strengths

There is a consolidated knowhow in crafting: There is an increasing shortage of young, qualified craftsmen, but there is still a solid frame of traditions, knowhow and a reputational capital (places well known for their crafts).

High quality human resource in the recent start-ups. Start-up in the creative industry are usually more qualified than craftsmen continuing family traditions in handicraft. The increasing interest of young qualified human resources for creative industry is an asset for the renovation of the sector.

Crafting styles have specificities linked to each territory and constitute an important component of rural identity. Ethnographic richness and cumulated knowledge in centuries generated different specific aesthetic features and variations between regions, while maintaining in all cases a strong functionality. As such, diversity and specificity of traditional crafts is vital for the cohesion of the rural communities and contributes to maintain the identity of the communities and villages.

5.5.2. Weaknesses

Weak women empowerment reducing qualified human resources in the sector. The high migration and the eroding structure of peasant communities has reduced the quality and quantity of human resources but also depleted the overall social infrastructure.

Many women could provide qualified handicraft workforce. However, the scarcity and poor quality of services increases women burden within household in caring for children and elders, reduce the possibility to make use of women knowhow in handicraft production and increases unequal time allocation for household chores.

The unequal intrafamily division of task hampers women involvement in entrepreneurship, influencing negatively diversification as well as women empowerment.

Weak human capital and qualified labor shortage. One of the most significant constraints to handicraft development in rural areas is the lack of qualified or even semi-skilled human resources. Migration, competition from imported products and scarcity of specialist VET are strong negative factors for the continuance of the profession among youth. The National Strategy of Employment and Skills (2014-2020) have identified a mismatch in the labor market by the presence of university graduates working as in craft occupations.

Limited product diversity and product innovation. This aspect is related both to limited quality of human capital and weak division of labor and specialization. Despite some project promoting innovative designs and new products, major part of creative work is done by individual workers, often relatively old, who replicate known patterns. They make the design of the product, produce and market their products insufficient and unattractive designs and styles, poor color selections and combination, pale paintings in ceramics and wood works.

Difficult access to market. This is one of the most challenging factors. Inadequate distribution channels and inconvenient location for handicraft sales reduce the ability of craft producers to penetrate markets.

The strong link with tourism activities makes the handicraft access to markets very seasonal. The shortage of foreign visitors during pandemic has brought a reduction of sales.

Limited consumer knowledge of difference between handcrafts and import-based of mass-produced productions.

Scarce value chain coordination . Other sectors are based on willingness of artisans to expand and integrate vertically. The interventions for development of traditional handicrafts and explore possibilities for including handicraft products into the local value chain are rare.

Marketing knowhow and capacity are limited. A major constraint is poor product design and packaging and insufficient promotional tools and sales capacities; there is a lack of appropriate packaging and presentation and, poor promotion and advertisement of the products; most workshops lack proper storage and exhibition areas.

When available, the only promotional tools are often the leaflet (64%) and the web page (36%).[304]

Despite a popularity of products there is vast presence of not branded product. The absence of a certification system and a collective mark for Albanian handicraft greatly affected their sales.[305]

In many cases, artisans are out of touch with end markets; this makes more difficult the promotion of product; part of handicraft marketing is about storytelling, i.e., the capacity to transfer experiences and personal histories embedded in the product to the customer.[306] This skill is scarcely cultivated and only vaguely reflected in most promotion material.

[304] Bushati, B. (2017). Handicrafts as an opportunity for economic development and sustainable tourism: Shkodra case study
[305] Bushati, B. (2017). Handicrafts as an opportunity for economic development and sustainable tourism: Shkodra case study
[306] Kruja and Demneri (2018). Tourism and Handicraft Industry: Opportunities and Challenges of Operating in the Albanian Market.

5.4.3. Opportunities

Expanding tourism activities and clear patterns of increasing demand for visiting rural areas are an opportune window for market upstream development.

Presence of advocacy bodies such as foundation of the Albanian Handicraft Association support sector development.

Handicraft is a powerful tool for territorial marketing, witnessing the vitality of rural communities and preservation of cultural and traditional inheritance and diversity.

Involvement in fair trade western European distribution channels and other markets (similar to networks used by catholic foundations in Lezhe and Shkoder area) are a powerful step for high value sales.

Women empowerment policies are indirectly supporting the sector revival. The inclusion of women empowerment among priorities gives a boost to the value chains where women are dominant.

5.4.4. Threats

High dependency from tourism flows. Pandemic is reducing the purchasing power of Albanian consumers, weakening ethnic market links and reducing the sales.

Poor specific attention of government policies turned into weak financing and no capacity building provided. The financing of the sector has less than €2 Mln of spending in various donor projects.

Increasing imports are affecting business stability. Handicraft products in Albania struggle to keep up with the imported products. Their price is also higher compared to the machine-made goods.

Table 5.3: SWOT analysis of handicraft sector

Strengths	Weaknesses
• There is a consolidated knowhow in crafting • High quality human resource in the recent start-ups. • Existence of mountainous communities which maintain cultural and traditional costumes and habits. • Crafting styles have specificities linked to each territory and constitute an important component of rural identity.	• Weak women empowerment reducing qualified human resources in the sector. • Weak human capital and qualified labor shortage. • Limited product diversity and product innovation • Difficult access to market. • Scarce value chain coordination • Marketing knowhow and capacity are limited.
Opportunities	**Threats**
• Expanding tourism activities • Presence of advocacy bodies • Handicraft is a powerful tool for territorial marketing • Involvement in fair trade western European distribution channels • Women empowerment policies are indirectly supporting the sector revival • Expanding tourism activities and clear patterns of increasing demand for visiting rural areas are an opportune window for market upstream development • Weak social infrastructure.	• High dependency from tourism flows. • Pandemic is reducing the purchasing power of Albanian consumers. • The inadequate distribution channels combined frequently by inconvenient location for handicrafts. • Increasing imports are undermining business stability. • Poor specific attention of government policies • Limited consumer knowledge of difference between handcrafts and imported similar industrial product, e.g., carpets.

5.5 Priority needs to be addressed

Support for revitalization of handicraft traditions in rural areas in order to improve rural livelihoods and valorize rural resources can be achieved by the following actions:

- Improving overall performance and competitiveness of the production of handicrafts products, both in terms of processing and marketing by enhancing the investment capacities and absorption of the economic actors.

- Supporting the integration of crafts, handicrafts and souvenirs in tourism products offer, promoting direct relations with tourism operators and the development of integrated territorial marketing actions (e.g., systematically including handicraft development in Local Action Plans).
- Upgrading handicrafts production national standards, mainly in the fields of profession, working conditions and environmental protection.
- Increasing employment, expand the economic base of the family's production crafts in rural areas, especially for young and women.
- Increasing environmental awareness and interest in the relationship between humans and the environment at the level of the communities that host handicraft activities.

The success stories in the development/renovation of production clusters are based in most cases by long-term support actions which include training, support to marketing and networking, renovation of traditional production lines and establishment of a solid feed-back system evolving market demand.

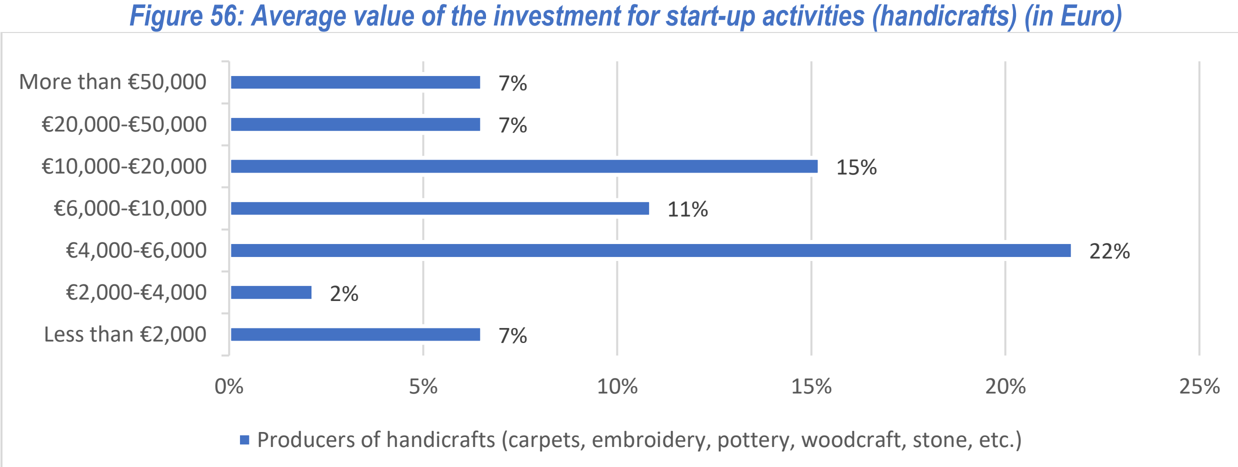
The strong connection between handicraft and territorial identity also calls for an integration of handicraft into articulated actions for territorial marketing.

Handicraft is intimately connected to tourism and in particular to farm tourism, with which there are powerful synergies.

Considering the above, the most important needs for investments are related to improvement in human capital and in marketing; only some of these activities are eligible for IPARD support under measure 7. However, there is much scope for support integrating Measure 7 on diversification and Measure 10 (counselling) which could provide both support in improving human capital and physical assets.

There is also a need for investments in physical assets, mainly consisting in workshops, equipment and small machinery (looms, ceramic ovens etc.). According to extensionists opinions the average value of a start-up investment in activities of handicrafts (carpets, embroidery, pottery, woodcraft, stone, etc.) could vary between €4,000 to €20,000 (see the following figure).

Figure 56: Average value of the investment for start-up activities (handicrafts) (in Euro)



Source: Obtained results from Extension Officers Survey

It is important to underline the importance of embedding handicraft in integrated rural development programmes at the local level. Consequently, handicraft is particularly suitable for being supported through ***Measure 5*** (Leader), which could also allow a much-needed soft infrastructure (signaling, tourism information systems etc.) improvement.

5.5.1. Eligible investments

Types of eligible investments

1. Workshop's renovation, equipment and furnishing.

2. Renovation and purchase of production lines (embroidery machines, looms, etc.)
3. Furnishing of physical and virtual exhibition rooms
4. Introducing smart technologies without undermining the traditional patterns (case of EU supported textiles cluster in Shkoder).
5. ICT marketing tools

Table 5.4: Priority of investments in handicraft by type of interventions

Construction and/or reconstruction of workshops/farm shops	Renovation and purchase of production lines	Improvement of marketing facilities
Establishment or renovation of workshops, exhibition rooms refurbishment and furnishing/decor, improvement of access structures for people with disabilities.	Investment in construction and/or reconstruction and/or equipment for craft production	Information and services for promotion and functioning of tourism activities (Facilities and premises for service provision (information on and assistance for visiting natural areas; boards, flip charts and other supporting/related equipment) and services (facilities and supply of equipment for sports and other recreational activities)
Retail shop on farm – the establishment of a new retail outlet or the costs associated with an existing retail outlet for direct marketing of handicraft products, are only eligible where the outlet itself is an integral part of a craft production facility or a farm shop.	Purchase and installation of digital technologies, machinery and equipment.	Events organization tools such as outdoor recreation activities, including audio-visual workshop equipment, logistics.
Renovation and adaptation for use of old/existing traditional buildings workshops, according to the traditional/rural architecture style of the area		Equipment for promotion and establishment of web pages and e-commerce instruments
Investments to improve the design of handicraft products.		
Energy efficiency tools and equipment, waste disposal systems and method for recycling and reuse, at individual level and preferably at community/village levels.		

5.5.2. Proposed eligibility criteria, size thresholds and preferential criteria

Eligibility

All individual residents in a rural area since at least one year before application, who have a long-term property right (property, long-term renting contract etc.) on the building where the economic activity takes place.

Other requirements are related to the minimal size of the workshop (DCM nr. 730, dated 20.10.2016) and to the compliance, by the end of the investment, with the hygienic-sanitary, environmental and safety standards according to specific legislation.

Investment thresholds

Minimum investment should be not less than Euro 5,000

According to extensionists opinions the average value of a start-up investment in activities of handicrafts (carpets, embroidery, pottery, woodcraft, stone, etc.) could vary between Euro 4,000 to Euro 20,000.

Any investments in the handicraft sector should be feasible for a secondary activity to enable the yearly returns of two persons. That means a return of €3,400 per year. Considering that major part of investments lies in the interval

€4,000-€20,000, a feasible minimum level could be €5,000 which is an acceptable funding for purchasing two standard equipment's (embroidery machines, looms, etc.) and renovating the working environment. Modernization of production/processing and sale of handicraft products should be done by respecting national legal requirements, respectively standards *in the fields of environmental protection / safe working conditions and hygiene conditions*. Investments that improve these conditions to reach the standards should have priority and be subject to preference criterion.

Preference criteria

Considering the importance of women knowhow in the sector and the problems in involving a new generation in traditional handicraft activities, usual preference criteria for women and young entrepreneurs are particularly important and should be the object of a preference criterion even stronger powerful than in other sectors.

Location and synergy with other territory resources are extremely important; for this purpose, preference should be given to handicraft activities established in: i) location included in the "100 villages" initiative; ii) one identified handicraft cluster area (Zadrima, Shkoder, Gjirokaster, Kruja).

Other preference criteria are related to the contribution to EU Green Deal alignment especially in the fields of "EU Climate Ambition" (efficient use of energy, energy saving, production of renewable energy for self-consumption needs), "Circular economy" (handicraft using recycled materials or by-products, including wool from non-specialised breeds).

Synopsys of eligibility criteria and investment threshold

Table 5.5: Eligibility criteria synopsis

Eligibility criteria	
Criterion	**Justification**
Applicant residing in rural area according to list of IPARD II[307]	Rural area definition using as criteria of selection the location of the farm in Administrative Units which were formerly (before the reform of 2015) Communes. However, it is urgent to determine through an ad hoc approach (including INSTAT) the definition of rural areas according to OECD approach.
The applicant should have as main activity the artisanal production in the Activity Field similar to DCM Nr. 15, dated 11.1.2017	This rule is to avoid the entrance of applicants shoes activity is in addition to handicraft production also the production of other type of products. In the future it is recommended that a certificate for the craft production should be issues by the depended institutions or associations as guided by Ministry of Economy and Finance as considered in the Law no 70 on Handicrafts[308].
Minimum size of the workshop unit should be according to DCM nr. 730, dated 20.10.2016	• Hygienic-sanitary, environmental and safety standards according to specific legislation. • Minimum size of the shop guarantees workers safety and better access from customers.
Investments should be carried in formalized activities (NUIS number, Tax payment certificate, Certificate of equipment with land issues from Administrative Units).	Both programs, linked the eligibility of investments with a certified ownership of land and dwelling. The availability in mountainous areas of Certificate of Ownership or Act of Acquiring Land in ownership is very low.
Minimum investment level	minimum amount of total eligible expenditures for handicraft: €5,000 According to the MARD survey average investments are

[307]http://www.ipard.gov.al/wp-content/uploads/2019/07/9.-Annex-7-List-of-Local-Government-Units-and-List-of-Rural-Areas.pdf
[308] https://financa.gov.al/wp-content/uploads/2018/06/ligj-nr.-70_2016.pdf

	between €10,000-€20,000 while minimal level is €5,000.
For the handicraft activities the basic Aid Intensity is 50% **of the total eligible expenditure for the eligible investment implemented.**	To this amount is suggested to be added 15% (in total up to 65%) for applicants fulfilling the preferential criteria
Preference criteria	
Criterion	**Justification**
Applicant is women	Motivates women empowerment and formalizes women contribution in the household.
Applicant under 40 years age at the moment of application.	Reduces the emigration pushing factors.
Handicraft located in mountainous areas.	Increases the potentials for abruption of investments in mountainous areas.
Applicant is located in one of the 100 villages.	Increases the potential for sale and benefits from territorial approaches.
Applicant is located in one identified cluster area.	Handicraft activities in cluster areas are more suitable to expand and generate positive synergies in the territory.
Craft-producers, whose establishments are in the village but workshop is situated in urban areas.	The existence of advantageous location is a support factor for the existing business models.
Handicraft production based on by-products or recycled waste.	Contribution to EU GD “Circular Economy” component.
25% or more of the overall investment value devoted to energy efficiency, production of renewable energy for self-consumption.	Contribution to EU GD “Climate Ambition” component.

5.5.3. Estimated absorption level

According to the MARD (2021) survey, the extension officers expect that IPARD III availability could contribute to a substantial increase in the number of handicraft activities in rural areas. By the end of the programming period 2021-27 it should be possible to reach a figure of 800 enterprises, which would represent a growth of 60% to 70% as compared with the present figure (less than 500). Not all the new startups and current enterprises have a potential demand for investments in assets. Considering an average investment of €10,000 for each potential applicant and that only a part of current operators will apply, the overall financing would not be more than €1 Mln. The absorption capacity is expected to be higher in the areas where handicraft clusters are already established, i.e. in regions such as Durres, Gjirokaster, Lezhe (Zadrima) and Korca[309].

5.5.3.1 Complementary actions for women entrepreneurship

Fostering women entrepreneurship is a key action to increase impact and absorption capacity in handicraft, tourism and diversification in general; in particular, tourism and handicraft seem to be the sectors where women can gain full control of their production and sales activities; in some sub-sectors such as textile crafting, the large majority of employees are also women.

Main actions to foster women entrepreneurship and empowerment in tourism and handicraft include networking and training. Specific programs and projects must be designed and implemented at regional level for this purpose.

Support of networking activities

In the framework of support to women entrepreneurship in crafting sector, networking activities play a major role:

- At the local level, it is a tool to facilitate the integration of handicraft and other local development, activities, especially rural tourism, replicating positive experiences (Zadrima). In rural areas, handicraft activities face major

[309] (MARD, 2021)

difficulties in surviving without being integrated in wider rural development initiatives (e.g., 100 villages), in clusters or with other activities in the same area.

- It increases market outreach at national level and in international markets
- It contributes to maintain and recover techniques, knowhow and traditions at risk of loss. There are consolidated experiences of international networking/learning platforms in this area (e.g., social crochet movement)

Support to networking activities also include different kinds of assistance to the participation to fairs, exhibition and events, a key tool for visibility and marketing. Networking actions also include the organization of handicrafts forums.

Support for management and technical training

The Activities in this field should include the following.

- Vocational and technical training programs to innovate handicraft and rediscover new and traditional ways of production. The application of “school to work” vertical integration initiatives should relax the society barriers and promote new professions for women. In such cases, in order to not suffer cultural impediments, such as the case of the GIZ project on VET[310], a campaign for struggling with cultural barriers should be promoted.
- Management and entrepreneurship training include business thinking, business planning, business attitudes and business practices. Business management and entrepreneurship calls for a set of skills that are often not present in otherwise highly skilled craftsmen and especially in craftswomen.
- Mentoring is among the most effective tools for advising new entrepreneurs. The limitation of mentoring is that it cannot massively cover the new and potential women entrepreneurs. Moreover, in Albania the development of virtual tools of training are not recommended given that internet literacy is very low in rural areas. Therefore, mentoring should cover women working groups which should be identified, legalized and promoted through local initiatives.
- Conceiving a system of handicraft business-incubation might be advisable to address all the above-mentioned constraints and limitations.

In the past there have been several development cooperation initiatives to develop women entrepreneurship and networking in handicraft sector (USAID in Gjirokaster, GIZ in Durres, Italian NGOs in Zadrima etc.). An important lesson learnt is that such initiatives had better results when implemented through a donor-government-business partnership. In particular training was more successful when women were not obliged to move from their residing area and the local government was assisting providing the premises to perform the training and when technical training and management training were integrated.

Among the different financial support tools that can be used to support women handicraft networking and training it is worthy to consider that CBC and Interreg facilities can play an important role. There have been also cases of cross-border initiatives with Greece and resources are available to carry out more initiatives of this kind.

[310] The VET promotion project, coordinated by GIZ, identified and offered vocational training to a group of young women. The project was successful in finding job positions in some garment and leather industry in Durres but there was strong family un-acceptance of permitting women to move from their area of residence (mostly rural) to Durres (Interview with Judith Knieper).

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ANNEX 2: LIST OF INTERVIEWED VALUE CHAIN OPERATORS (FACE TO FACE)

	Name surname	Company	Role within the company	Region
1	**Kreshnik Leza**	Leza Hotel and Restourant	Co-owner	Lin, Korce
2	**Eglon Kondura**	National Agency of Protected Areas	Public relation and communication specialist	Korce
3	**Jovan Sidheri**	Sidheri guesthouse	Owner	Korce
4	**Ilir Grishaj**	'Bjeshket e Namura' guesthouse	Owner	Kelmend, Malesia e Madhe
5	**Paulin and Zef Nilaj**	Lepusha guesthouse	Owners	Kelmend, Malesia e Madhe
6	**Tome Dragu**	Dragu guesthouse	Owner	Kelmend, Malesia e Madhe
7	**Mirela Turkaj**	VIS Albania - italian NGO	Specialist	Tamare, Malesia e Madhe
8	**Petrit Qeta**	Giesthouse 'Blini I Gurit te Lekes'	Owner	Shosh, Shkoder
9	**Kadri Bala**	Veranda Bala	Owner	Shishtavec, Kukes
10	**Duleman Gjana**	Gjana Guesthouse	Owner	Ujmisht, Kukes
11	**Haxhi Hima**	Korabi Hotel	Owner	Radomire, Diber
12	**Hamdi Salkurti**	Konaku Guesthouse	Owner	Peshkopi, Diber
13	**Sabri Shahini**	Sabriu Guesthouse	Owner	Rabdisht, Diber
14	**Petrit Fiska**	Alpeta guesthouse	Owner	Rushnik, Berat
15	**Libonika Nurollari**	Nurollari Ltd	Owner	Fushe-Peshtan, Berat
16	**Gentian Mema**	Municipality of Shkoder	Head of the tourism department	Shkoder
17	**Roza Rupa**	Rupa Guesthouse	Owner	Thethe, Shkoder
18	**Dali Horeshka**	GIZ program	Local advisor	Peshkopi
19	**Sidita Dibra**	S4J program	VET expert	Tirane
20	**Albana Cule**	CNVP	Advisor	Korce
21	**Ervina Kolani**		Craftwomen	Korce
22	**Ervin Hajdaraj**	Elix Farm	Snail producer	Durres
23	**Agron Pajaj**	Agriturizem Paja	Tourism operator and water sports	Belsh
24	**Shpresim Domi**	Agricultural University of Tirana	Lecturer	Tirane
25	**Hafuz Domi**	ADAD	Agriculture expert and representative of apple farmers assocaition	Tirane
26	**Xhulian Nikolla**	Bujtina Ishull Lezhe	Representative	Tirane