

TOURISM DEVELOPMENT CONCEPT PAPER



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1. INTRODUCTION

The goal of the Concept Paper is to outline and assess Armenia's tourism resources, development trends and perspectives, define key goals of state policy in tourism industry, assess its challenges and roadblocks as well as determine the issues, directions and principles of state policy to reach the goal.

This strategy concept paper is prepared in cooperation with USAID-funded Competitive Armenian Private Sector Project, Armenia 2020 project, Economy and Values Research Centre taking into account the current situation with Armenia's tourism industry, international practices, as well as the outcomes of the study and analysis of issues and recommendations presented by Armenian Tourism Development Agency and the private sector, including Union of Incoming Tour Operators of Armenia, Armenian Hotel Association, Armenian Restaurant Association, Armenian Guides Guild, Armenian Ecotourism Association, Board of Airline Representatives in Armenia and American Society of Travel Agents .

Armenia as a country that offers stable and safe conditions for entrepreneurship and investments, is attractive for tourists and rich in historical-cultural and natural resources has the potential to offer various competitive tourism products and high quality services to the global tourism market. However, Armenia can and must provide various and high-quality products and services tailored to the needs of more demanding consumers alongside with 'classic tours'. This development will require a better trained and qualified workforce, more significant investments, higher quality facilities and services, use of more modern research methods and technologies and a more business-friendly environment.

Armenia's tourism industry has shown significant growth in the past 10 years. However, Armenia's tourism industry has a comparatively less number of international visitors in the global and regional context. Its share in the European market is currently only 0.08%. and 0.04% of worldwide tourist arrivals. The incomes generated from inbound tourism equaled to 229. million USD (4.7% of GDP) for 2006.

Implementation of state policy in tourism industry requires sustainable growth of tourism. Sustainable growth requires active and effective cooperation among all stakeholders – state governance and local self-governance bodies, private sector and population. Meanwhile, another precondition for the sustainable growth is the fact (natural, historical, cultural heritage, human resources), without which it is impossible to ensure preservation and reproduction growth. Any negative impacts to environment and culture will negatively impact on the industry's long-term development. Hence, the purpose of this Concept Paper is to identify the indicators which will help to determine the vital and stable development of the industry,

The overall goal of state policy in Armenia's tourism industry is to increase its contribution to the national economy and ensure equal regional economic growth while at the same time alleviating poverty. This will be achieved by sustaining high levels of growth in the number of incoming and internal tourists, meanwhile increasing tourism generated income through offering higher value products and services, and creating new job opportunities in the sector. The solution of key issues outlined in the Concept Paper is targeted at addressing these goals.

In order to address the issues in the tourism industry, the primary objective is to define and develop priority tourism products and centers, develop Armenia's value proposition and define its product and service offerings; prioritize target markets and continuously study their growth tendencies; develop destination branding for Armenia as a country that offers stable and safe conditions for entrepreneurship and investments and is attractive for tourists supported by its effective presentation and promotion in the global market; improve accessibility, transportation, and infrastructure through targeted investments and legal framework improvement provide higher quality and greater number of accommodation and other infrastructures, sustained investments in research and workforce development, while continuously tracking the effects and monitoring impacts of tourism development.

SECTION I. GENERAL PROVISIONS

CHAPTER 1. STATE AND TENDENCIES OF GLOBAL TOURISM GROWTH

1. With more than 846 million international trips taken in 2006, \$733 billion spent on these trips and employment in tourism reaching 231 million people, the global tourism industry is one of the world's largest and most competitive service industries. Indeed the global tourism industry represents approximately 35% of the world's exports in services. The world's travel and tourism industry is expected to contribute 3.6% to global GDP in 2007 (US\$1,851.2 bn).
2. By 2020, the total number of international trips is expected to rise to 1.6 billion, the amount of expenditure to US\$2 trillion and employment to 262 million jobs.
3. There are many countries worldwide that have defined increase in arrivals and income from the global market as one of their state policy goals.
4. The number of tourism arrivals in France was over 75 million in 2005. The United States is the largest income earner, receiving more than \$80 billion in revenue from tourism.
5. Of course, the above-mentioned countries are large economically developed countries but smaller nations are also successful; countries with a population similar to Armenia such as Lithuania (1.8 million arrivals) and Latvia (1.1 million arrivals); or countries with a similar size to Armenia such as Belgium (6.7 million arrivals), Israel (1.9 million arrivals) or Slovenia (1.5 million arrivals).
6. In the 1970s and 1980s, most international travel was concentrated within Europe. The few destinations that the majority of tourists visited were able to rely largely on their comparative advantages; their landscapes, history and culture specifics???. There was little competition among destinations which in its turn influenced the investment environment. With the growth of international standards of living and technology, the relative decrease in international transportation costs and the increasing desire for travel, new destinations emerged making competition among destinations more active.
7. Between 1990 and 2005, tourism arrival numbers grew in the Middle East by 306%, in Asia & the Pacific by 176% and in Africa by 145% compared to only 66% in Europe and 44% in the Americas.
8. Tourism is a priority industry for many countries around the world in the belief that it will lead to economic growth. Tourism is a principal export earner for 83% of developing countries and a priority industry for one third of them. The degree of a country's tourism competitiveness is a good indicator of a country's level of development
9. To be competitive in the global tourism industry, Armenia needs to be different or better or both with its tourism products and infrastructure.
10. We must start looking more at Armenia's competitors (neighboring countries or countries within the region that offer similar products and services) and decide how we can outperform them in terms of quality and development. Competitiveness also requires innovation and new ideas, collaboration and cooperation, and the productive and optimal use of resources.

CHAPTER 2. SOCIAL ECONOMIC CULTURAL ENVIRONMENTAL AND POLITICAL IMPLICATIONS OF TOURISM

1. Economic benefits of tourism

1. **Contribution to Gross Domestic Product** – Tourism contributes approximately 3.6% of world GDP and 5% in Europe.
2. **Foreign Exchange Earnings** – Tourism is one of the top five export categories for many countries and is a main source of foreign exchange earnings for 38% of them.
3. **Revenue source** – Government revenues from the tourism sector can be categorized as direct and indirect contributions. Direct contributions are generated from tourism employment and operated businesses, and by direct levies such as departure taxes. Indirect contributions are those originating from taxes and duties levied on tourists for goods and services supplied.
4. **Trade Surplus** – Tourism is the only major sector in international trade in services in which trade surpluses are found.
5. **Multiplier Effects** – Tourism has a strong multiplier effect serving as a major source of economic development in developing countries.
6. **Comparative Value** – In developing countries where the tourism industry is a priority sector of economy, the contribution to GNP, employment, and export receipts have outpaced traditional economic activities.
7. **Employment Generation** – The rapid expansion of international tourism has led to significant employment creation. Tourism can generate jobs directly through hotels, restaurants, leisure establishments, transportation infrastructures and souvenir sales, and indirectly through tourism-related businesses (food and other products, services, trade). The worldwide tourism industry employs around 231 million people or approximately 8.3% of the world's workers.
8. **Stimulation of Investment** – A positive image of the tourism sector and country created through international visitors traveling to Armenia stimulates foreign investments, which has its positive impact on other branches of economy (manufacturing, IT, construction, education)
9. **Poverty Alleviation** – Tourism provides a means of creating entrepreneurial opportunities for those living in rural or other areas considered as disadvantaged from economic point of view.

2. Social Benefits of Tourism

1. **Develops Communities** – Tourism can add to the development of communities in many ways. Events or festivities organized by local residents for tourists, as well as their hospitality contribute to the social vitality of the community and jobs created by tourism as well as incomes generated from them can act as a vital incentive to reduce emigration from rural areas.
2. **Infrastructure** – As tourism supports the development of community facilities and services, it can bring higher living standards to rural areas. Benefits can include upgraded transport and communication infrastructure, improved healthcare and transportation, new sport and recreational facilities, restaurants, and public spaces.

3. Cultural Benefits of Tourism

1. **Revaluation of Culture & Traditions** – Tourism can boost the recovery, preservation and transmission of cultural and historical traditions, which often contributes to the conservation

and rational use of natural resources, the protection of national heritage, and development of culture, arts and crafts.

2. **Civic Involvement & Pride** – Tourism helps raise the awareness of community population of the value of natural and cultural sites and can stimulate a feeling of pride in local and national heritage and interest in its conservation.

4. Environmental Benefits of Tourism

1. **Financial** – Tourism generated incomes may be directed to the environmental protection.
2. **Environmental Awareness Raising** – Tourism increases public appreciation of the value of nature and leads to environmentally conscious behavior.
3. **Environmental Protection & Preservation** – Tourism can significantly contribute to environmental protection, conservation and restoration of biological diversity and sustainable use of natural resources.

5. Political Benefits of Tourism

1. **Nation Branding** – Tourism contributes to the perception of the country in the global market establishing and strengthening of public diplomacy, stimulation of foreign investments and export.
2. **Catalyst for Peace** – Travel brings people into contact with each other and it can foster understanding between peoples and cultures and provide cultural exchange between hosts and guests.

CHAPTER 3. GLOBAL TOURISM TRENDS AND FORECASTS

1. Global Market Growth Trends

- 1) The world's travel and tourism (T&T) industry has grown by an average 4.6% per year during the past ten years, despite a drop in arrival numbers in 2001.
- 2) The growth rate between 2005 and 2006 was 4.3%. The UN World Tourism Organization (UNWTO) predicts that tourism growth will continue at an average annual rate of 4.1% until the year 2020. The World Travel and Tourism Council (WTTC) predict that total tourism demand will rise at a rate of 4.3% per year until 2017.
- 3) UNWTO long term forecasts suggest that tourism arrivals will total 1.6 billion by the year 2020. Of these arrivals, 1.2 billion are expected to be intra-regional and 0.4 billion will be long-haul.
- 4) WTTC forecasts that the global T&T industry is expected to generate US\$7,060.3 billion of economic activity in 2007 (annual growth of 3.9% from 2006), growing to US\$13,231.6 billion by 2017 (growth of 4.3% per annum between 2008 and 2017).
- 5) Taking into account multiple trips and multi-country visits, 3.5% of the world population participates in international tourism.

2. Tourism Destinations

- 1) Worldwide, the principal tourism region is Europe with 441 million tourist arrivals in 2006 (54% of international travel). The second largest tourism region is Asia and the Pacific with 20% followed by the Americas with 16%.
- 2) Although Africa and the Middle East currently have the smallest number of arrivals (40.3 million and 40.8 million respectively in 2006), they do, however, have the highest indicator of annual growth; 8% for example in the Middle East for 2005/6.

- 3) Europe's share of tourism arrivals is expected to decline to 46% of the total in 2020 (717 million tourists) with Asia & the Pacific increasing to 27% (397 million) and the Americas increasing to 18% (282 million).
- 4) In terms of sub-regions, tourism arrivals are currently highest to Northern and Mediterranean Europe (158 million, 2005), followed closely behind by Western Europe (142 million, 2005).
- 5) The highest level of growth in arrivals to sub-regions for 2006 is expected to be evidenced in South Asia, Sub-Saharan Africa and South East Asia with rates in excess of 8%.
- 6) International tourism has seen relatively constant growth in this period, despite a small decline in the early part of this decade. Growth between 1990 and 2000 was around 8.7% per year. Between 2000 and 2005 the annual growth rate was around 8.4%.
- 7) In terms of income for the regions from visitors, Europe receives 51% of all tourism expenditure, followed by Asia & the Pacific and the Americas with 21% each.
- 8) By 2020, France will remain the most visited destination in Europe, followed by Spain, UK, Italy, Russia and the Czech Republic.
- 9) Through to 2020, the highest growth rates in tourism arrivals in Europe will be seen in Croatia, Russia, Slovenia, Turkey, Bulgaria and Romania.

3. Tourism Source Markets

- 1) The top ten global source markets, in terms of expenditure, for international tourism are Germany (10.7% of total), United States (10.2%), United Kingdom (8.8%), Japan (5.5%), France (4.6%), Italy (3.3%), China (3.2%), Canada (2.7%), Russia (2.6%) and the Netherlands (2.4%)
- 2) Double digit increases in spending continue to come from emerging market economies, including Brazil (+33%), Argentina (+24%), the Republic of Korea (+18%), and Russia (+16%). There is also strong growth in China and India.
- 3) According to the WTTC, by 2017, the share of personal tourism expenditure will have changed; Europe will lose 5% of its share, Americas will lose 2%, and Asia and the Pacific will gain 7%, meaning that the countries of Asia and the Pacific will increase in importance as source markets.
- 4) Analyzing travel and tourism spending per capita, the world average is around \$550 per person per year (2007). The highest spenders, by region, are North Americans (\$2828 per person per year), followed by Australians and New Zealanders (\$2813) and those in the European Union (\$2592).
- 5) Emerging middle classes in developing cities are becoming important source markets for many destinations.

4. Air Transportation

- 1) Air transportation has increased from approximately 137 billion revenue passenger kilometers per month in January 2000, to just over 190 billion revenue passenger kilometers per month in January 2007.
- 2) Higher growth has been evidenced in long-haul air travel rather than short-haul.
- 3) Deregulation/liberalization of air travel has led to the emergence and high growth of low-cost carriers, lower pan-European fares and more short haul trips.
- 4) Low-cost carrier air travel is highest in the US and Europe (30% each).
- 5) Premium class air travel has also grown (particularly between Europe & Asia).
- 6) Forecasts suggest that between 2006 and 2010, the largest increase in air passengers (222 million) will be seen within Asia.

- 7) Europe will also see a drastic increase in passenger numbers (106 million between 2006 and 2010).
- 8) Innovations in transport will affect range, speed, comfort and safety of travel.
- 9) With greater speed and capacity, remote and long haul destinations will be more affordable to many travelers.

5. Tourism Products

- 1) There is a demand for higher standards of service and destinations that offer more of an experience/adventure rather than a vacation in the global market today.
- 2) Increased preference for independent, tailored, and small group travel compared to mass tourism packages.
- 3) Tourism enterprises focusing more on customer satisfaction, safety and service quality.
- 4) Increased demand for MICE (meetings, incentives, conferences, exhibitions) travel.
- 5) Cultural tourism growing, particularly in Europe.
- 6) Ageing population and health concerns, leading to growth in spa, well-being, medical & health tourism.
- 7) Youth market seeking more active holiday products, particularly various forms of adventure tourism.
- 8) Increasing concern for climate change, and growth in environmental and social responsibility tourism services.
- 9) Drastically rising demand for ecotourism and nature-based holidays.
- 10) Shift away from purely external travel determinants such as demography and climate towards internal determinants such as the desire for self-development and creative expression. Tourists try and achieve deeper and more meaningful experiences by engaging in volunteer or creative tourism.

6. Marketing Development Trends

- 1) More competitive global tourism business climate, contributing to destination branding/image building.
- 2) Increasing destination focus on image and reputation; without a well-defined, attractive image, destinations will have trouble in the process of tourism development.
- 3) Due to increasing competition among destinations, 75% of National Tourism Administrations anticipate increasing promotional budgets and instituting more aggressive marketing strategies.
- 4) Increasing application of information technologies in marketing strategies, growing private and public sector investment in marketing via Internet and other types electronic means and in research techniques.
- 5) Tourism product development and its marketing much reflect one another. Marketing is becoming increasingly targeted and theme-based, broadly oriented towards entertainment, excitement, and education.

7. Demographics

1. Increasing leisure time and increasing number of people taking vacations.
2. Ageing populations, higher standards of living and more active retirements increasing the proportion of elderly travelers (potential tourists).
3. Rising incomes among younger age groups.

4. Growth of single person households and double-income no kids (DINKs) segments (potential tourists).
5. Growth of new social structures which favor extended social and guided networks.
6. Growth of the visiting friends and relatives (VFR) market preconditioned by migration.
7. Globalization, leading to growing homogeneity of cultures and values.
8. Travel and tourism increasingly becoming a buyer's market where consumers become main controllers of the market; a reflection of technology development and access to information.
9. Increasing consumer expectations in destinations and services.
10. Increasing awareness and interest in well planned travel and the population, nature, culture and history.
11. More frequent and shorter holidays.
12. Workers tending to accumulate their leave entitlements and carry them over from year to year.
13. Increased sensitivity to prices and stronger demand for high quality experiences.
14. Tourists are moving from one lengthy holiday each year to multiple shorter breaks.
15. Increased purchasing of second homes overseas.

8. Use of Information Technologies

- 1) Information technologies will continue to develop at a rapid pace and involve all sectors of the industry.
- 2) More travelers using information technologies, Global Distribution Systems and Central Reservation Systems for comparison of prices, booking and sales.
- 3) Increased use of mobile phones for bookings and procurement.
- 4) High definition TV and computers provide virtual visits to destinations.
- 5) In April 2007, for the first time ever, online travel sales equaled offline sales, and will soon surpass them. Currently 40% of payments made on-line stand for tourist services and in 2007 it is anticipated that there will be \$198 billion dollars spent online.
- 6) Consumers are better informed. They seek advice from other consumers through the Internet and skilled consumers are increasingly likely to know more about specific tourism products than many travel professionals.
- 7) IT Technologies also playing an important role in facilitating the management and organization of tourism related services, including electronic reading of passports, audio guides, online ticketing, online box offices etc.

SECTION II. CURRENT STATE OF TOURISM IN ARMENIA

1. Tourism in Armenia has grown strongly in the past five years, in terms of income and arrivals with the following indicators identified for the industry:

1. Armenia welcomed 381,136 international tourists, which equates to 0.08% of all European arrivals and 0.04% of worldwide tourist arrivals.
2. Inbound tourism has grown by 25% per year between 2001 and 2006.

3. The number of internal travelers equaled to 308,000, which is 14% more versus 2005.
4. Armenia is ranked 74th of 124 countries in the Travel & Tourism Competitiveness Index¹.
5. Overnight stays in hotels & similar accommodation– 595,335.
6. Bed places in hotels & similar accommodation – over 10,000
7. Hotel occupancy rate – 22%².
8. Government tourism marketing spending make 250 million AMN for 2006 and 2007.

2. Tourism Economic Contribution

1. Tourism contributes 4.7% to the Gross Domestic Product³.
2. Tourism represents 15.4% of Merchandise Exports⁴.
3. International visitors contributed an estimated US\$299 million to the Armenian economy – an annual average increase of 36% since 2001⁵.
4. Capital investment in tourism was US\$284.9 million – or 12.1% of total investment⁶.
5. 18,989 people are directly employed by the tourism industry – 1.7% of the total workforce⁷.

3. General Inbound Tourist Characteristics⁸

1. The majority of tourists are from Russia (34.9%), Georgia (28.1%), Iran (7.8%), USA (4.5%), France (3.5%), Germany (2.9%) and Ukraine (2.0%).
2. Average length of stay – 20 days.
3. By purpose of visit - 22% of all tourists come on business, 12% for leisure, and 45% to visit friends and relatives.
4. Russia, Georgia and Iran comprise 58% of all business tourists.
5. Repeat visitation is high – 53% of all tourists have made four or more visits to the country. Only 20% are visiting the country for the first time.
6. Main sources used to obtain information about Armenia – Friends & relatives (52.4%), Previous visits (36.1%), Radio/TV (2.6%).
7. Less than 1% of tourists make travel purchases for tour packages and services online.
8. One third of all tourists stay in hotels or similar accommodation, whilst 56.7% stay with friends and relatives.
9. Each tourist in Armenia spends, on average, \$36 per day or \$705 per trip.

4. Leisure Tourist Characteristics⁹

1. The majority of leisure tourists are from Georgia (18.6%), Russia (11.4%), France (11%), USA (9.5%), Germany (7.8%), Iran (4.5%), UK (3.6%), Canada, Japan, Greece & Italy (2.3% each).

¹ World Economic Forum, 2007

² Calculation made on the basis of accommodation and bed numbers

³ Will reach 2.1% as projected by WTTC, NSS

⁴ NSS & WTTC, 2007

⁵ NSS, UNWTO projections – \$155 million

⁶ Calculated by WTTC for 2007

⁷ Calculated by WTTC for 2007

⁸ Results form International Visitor from Survey September 2006 to August 2007

⁹ Results form International Visitor from Survey September 2006 to May 2007

2. Profile of leisure tourists – 59.9% men, average age 42.
3. Average length of stay – 11.5 days.
4. Repeat visitation is high – 45.4% of all leisure tourists have previously visited the country.
5. Main sources used to obtain information about Armenia – Friends & relatives (34.5%), Previous visits (30%), Radio/TV (11.7%), Travel Guidebook (9.2%), Tour Operator/Travel Agent (9%).
6. 2.3% of leisure tourists make travel purchases for tour packages and services online.
7. 16.9% of all leisure tourists to Armenia travel with the assistance of a tour operator.
8. 70.9% of all leisure tourists stay in hotels or similar accommodation, whilst 17.8% stay with friends and relatives.
9. 93% of all leisure tourists would like to visit Armenia again and the same percentage would recommend the country to their friends and relatives.
10. Each leisure tourist in Armenia spends, on average, \$112.2 per day or \$1295 per trip.
11. of the majority of all leisure tourists visit Yerevan. Other popular destinations include Echmiadzin, Lake Sevan, Garni, Geghard & Tsakhadzor.
12. The primary reasons for choosing Armenia as a vacation destination are nature (69%) and historical & cultural heritage (59%).

5. Diaspora Visitor Characteristics

1. The Armenian Diaspora represents 62% of all tourist arrivals
2. Average length of stay – 25 days.
3. By purpose of visit - 7.4% of all Diaspora tourists come on business, 6.8% for leisure, and 65.6% to visit friends and relatives.
4. Repeat visitation is high – 66.2% of all Diaspora tourists have made four or more visits to the country. Only 8.3% are visiting the country for the first time.
5. Main sources used to obtain information about Armenia – Friends & relatives (67.3%), Previous visits (31.4%).
6. 2.8% of Diaspora tourists make travel purchases for tour packages and services online.
7. 79.9% of all Diaspora tourists stay with friends and relatives, whilst only 9.8% stay in hotels or similar accommodation.
8. 98.8% of all Diaspora tourists would like to visit Armenia again and a similar percentage would recommend the country to their friends and relatives.
9. Each Diaspora tourist in Armenia spends, on average, \$27.9 per day or \$678.7 per trip.
10. 30% of all Armenian-Americans have visited Armenia in the past five years¹⁰.
11. 52% of Armenian-Americans state that they are extremely or very interested in visiting or revisiting Armenia AND are likely to do so in the next five years.
12. Of those who have never visited the country, nearly half (48%) are extremely or very interested in visiting in the next five years.
13. 82% of Armenian-Americans that visited Armenia in the past five years visited between April and September.

¹⁰ These are all following statistics are taken from Diaspora Survey conducted by USAID funded Competitive Armenian Private Sector Project.

14. 38% of those that visited in the past five years did so more than once.
15. Armenian-Americans that have visited Armenia would want to undertake general sightseeing (86%), visit monasteries and churches (83%) and experience music, literature and dance (79%) on a future trip.
16. Only 28% of all Armenian-Americans believe that Armenia has effectively been advertised as a tourism destination.
17. 89% that have visited in the past five years have a very favorable impression of Armenia as a tourism destination.
18. 82% of recent Armenian-American travelers feel emotionally attached to Armenia.
19. 45% of Armenian-Americans would probably use a US or Armenian tour operator. The remainder (55%) would make their own travel arrangements independently or use their friends and relatives in Armenia to make arrangements.

6. Tourism Resources¹¹

	Uniqueness / Significance	Scale / Quantity	Diversity / Richness of Choice	Quality	Difficulty of Commercialization
Cultural Heritage	High over 4,000 years of rich history, unique culture architecture, literature, art of singing, dance, applied art, as well as cultural-historical monuments. Museums of local, national and global significance as valuable, typical and unique monuments of the history, spirituality and culture of Armenians.	High. Over 24000 cultural-historical monuments.	High Historical monuments represent several distinctive cultures: Uruartu, Hellenic, Christian, Muslim, Soviet, offering an outstanding richness of choice	High The majority of the most famous monuments is rather well-preserved and/or reasonably well-restored. Three of cultural-historical and nature monuments are among global cultural treasures (UNESCO): Haghpat – Sanahin, Geghardavank and the valley of Azat river, Egmiadzin together with its Zvartnots temple.	Medium Cultural-historical monuments will be used more effectively with provision of infrastructure, which will contribute to income generation and increase the funds directed to their preservation.
Religion	Very High Armenia is the first Christian state in the world and the home of the indigenous Armenian Apostolic Church.	High Armenia's churches and monasteries are numerous, and count for over 15% of Armenia's historical-cultural monuments.	Medium Armenia's religious culture is exclusively Christian. From the time of paganism Garni temple has been preserved. There are 7 Muslim monuments in Armenia as well.	High The majority of the most famous monuments is rather well-preserved and/or reasonably well-restored	Medium Religion assets and other resources will be used more effectively with provision of infrastructure, which will contribute to income generation and increase the funds directed to their preservation

¹¹ Armenia 2020. Armenia's Tourism Industry, 2005

	Uniqueness / Significance	Scale / Quantity	Diversity / Richness of Choice	Quality	Difficulty of Commercialization
Nature	High Armenia has typical and wonderful nature and natural assets. This mountainous country has various climatic zones. Sometimes you can experience all four seasons of the year at a time in Armenia.	High Currently there are 3 state reserves in Armenia (Khosrov, Shikahogh, Erebuni), 25 prohibited areas and 2 National Parks – “Sevan” and “Dilijan”. Armenia has more than 260 nature monuments.	High There are seven climatic zones on the compact territory of Armenia. 353 bird species, 550 species of vertebrates. 53 species of reptiles, 39 species of fish and 8 species of amphibians can be found in Armenia throughout the year. Many of the animals, like Bezoarian goats are typical of Armenia only. Armenia is also characterized with landscape and fauna variety, including species of endemic relict fauna and flora, nature assets, sites, as well as healing nature and climate.	Medium Armenia's nature suffers from pollution and damage	Medium Protected areas and other nature resources will be used more effectively with provision of infrastructure, which will contribute to income generation and increase the funds directed to their preservation Besides, with continuous identification of nature assets and provision of scientific justification for them, as well as in case of establishment of new protected areas the list of Armenia's tourism attractions may be significantly enhanced providing an opportunity for the formation of more competitive (as well as unique) tourism products.
Wellness	Above Medium Armenia is apparently endowed with some unique spa resources (like diverse and compactly located radon water sources), with healing power, but further study and classification of the resource base is required	Above Medium Armenia's spa tourism has significant potential. There are many spa zones – Jermuk, Arzni, Hankavan, Aghveran, Arzakan, Bjni, Solak, Stepanavan etc.	Above Medium Existing Armenian resorts and spas have the potential to offer various services.	High The medicinal effect of Armenia's wellness resources is considered high. Mineral water can be used for treatment of cardio-vascular, gastrointestinal systems, liver, gallbladder central nervous system, musculoskeletal system and other illnesses. However, currently not all spas operate	Medium. With required investments and reoperation of spas/health resorts Armenia will become one of the most visited spa destinations.

	Uniqueness / Significance	Scale / Quantity	Diversity / Richness of Choice	Quality	Difficulty of Commercialization
Adventure	Medium Armenia has significant potential to offer unique adventure tourism products given its natural and human resources, as well as its distinctive traditions.	Medium Armenia has enough resources for the development of adventure tourism.	Medium Armenia can offer a wide range of adventure tourism opportunities, including hiking, climbing, horseback riding, mountain climbing, windsurfing, geological explorations, but very limited opportunities for rafting, hunting and extreme adventure	Medium The quality of adventure experience can be considered average	Low/Medium Adventure assets are relatively easy to commercialize. Building Armenia's brand in this field over time and overcoming international competition will be the main challenges
Winter tourism	High Armenia has considerable resources to offer specific winter tourism products – Tsaghkadzor, Jermuk, Aragats, Aghveran.	High Tsaghkadzor, Jermuk, Aragats, Aghveran	Medium Armenia is not prominent for offering variety of winter tourism services yet.	Above Medium Currently there are two winter tourism centers in Armenia – Tsaghkadzor and Jermuk, which are equipped with rope-ways on a par with international standards.	High In case of turning Aragats into winter tourism center, that meets international standards, and attracting investments for human resource development Armenia may become a global winter tourism destination as an alternative to Alps.
Urban Culture	High Pink capital city with the combination of the old with the new, Ancient cities distinctive urban culture and traditions, cuisine, contemporary culture, cultural centers, Matenadaran	High Traditions, cultural heritage, contemporary culture, cultural centers, monuments, Matenadaran	High <u>Cultural heritage is combined with contemporary culture in Armenia. Urban culture is rich</u> offering dance, music, fine arts and architecture, literature, craftsmanship. National cuisine is also diverse.	High Armenian urban culture and lifestyle assets are of relatively high quality	Above Medium Dealing with competition on the market of urban recreation is going to be the most challenging part

SECTION III. OBSTACLES AND CHALLENGES OF TOURISM DEVELOPMENT IN ARMENIA

1. The Armenian Tourism Industry faces a number of challenges and obstacles that need to be overcome in order for it to maximize the potential for growth and meet the ambitious targets outlined further in this concept paper.

2. Obstacles and Challenges of tourism industry are as follows;

1) Armenia's tourism product position in the global market of tourism. Currently Armenia does not stand out amongst the world's tourism destinations despite its rich historical cultural and natural tourism resources. Only a small proportion of the global population have heard of Armenia, know where it is located or have an image of what the country has to offer. Armenia needs to position itself carefully in the global market as a tourism destination. This requires careful consideration of the potential tourism resources it has, revision of the global market demand and the supply of Armenia's tourism industry (tourism products, services). These products and services then have to be promoted to carefully selected target markets (geographical, gender-age groups, religious, cultural etc.).

2) Cost Effective Promotion – The Armenian Tourism Development Agency is working hard to promote Armenia in a number of overseas markets each year. However, promotional methods used tend to focus on once-a-year travel fairs and a few familiarization trips for journalists or tour operators. Mature destinations use carefully constructed promotional plans for each target geographical market that make use of road shows, cultural events, consumer and travel trade advertising, regular press releases, targeted internet promotions and other media outlets to promote their countries throughout the year, utilizing an integrated approach. This maintains interest and awareness of the destination and increases the likelihood of visitation. Armenia must upgrade to modern trends in travel promotion and distribution, including the expanded use of information technologies.

3) Ease of Access – Flight costs are relatively higher than for other destinations in the region, the route network is limited, flight schedules (particularly to Eastern Europe) are inconvenient, air transport and navigation charges are apparently high, and tourists are subjected to two forms of taxation (one on arrival in the form of a visa, and one on departure in the form of a tax). Significant reforms are required in this area with the adoption of an open sky aviation policy to encourage an increased number of flights, a wider network and greater competition.

4) Infrastructure – Armenia currently lacks the necessary infrastructure to cater for more and higher value tourists. To ensure sustainable tourism growth and quality improvement in terms of Armenian tourism offerings industry related infrastructure needs to be established and developed (motor highways of interstate importance, roads to tourism attractions, tourism routes, rest stops with sanitation facilities, affordable hotel establishments, high-level hotels, establishment and development of B&Bs/guesthouses and its integration into corresponding global networks, establishment and development of tourism clusters). Clear standards and state control should be defined over the establishment of infrastructure in tourism areas to exclude sources of pollution with chemical and biological materials and physical impulses.

5) Seasonality – Tourism in Armenia is characterized with serious seasonality. The majority of visitors to Armenia, particularly leisure travelers, come between the months of May and October, creating pressure on international transportation and accommodation. For the remainder of the year, enterprises have low levels of income, hotels have low occupancy rates and many tourism jobs are seasonal. In terms of this there is a need to create and export alternative tourism products and service to the global market, which will allow for reduction of seasonality.

6) Quality of Services – Armenia, with its rich cultural resources and stunning landscapes has the foundations for a sustainable tourism industry. However, these comparative advantages on

their own are insufficient to attract tourists. Tourists are no longer interested in visiting destinations just to see sights. They want experiences in the destination country, interaction with the locals, closer communication with local culture and traditions and use of quality services. Quality improvements are needed throughout the industry with the utilization of all possible effective methods (not not just government regulation). – Government regulation shall mostly focus on ensuring the health and safety, hygiene and sanitation norms, as well as environmental and cultural protection, social heritage preservation, consumer protection etc.). Private sector has a crucial role in quality improvement through voluntary qualification, certification, codes of conduct and other schemes.

7) Tourism expenditures – Pure tourism expenditures made by tourists in Armenia are characterized with low indicators. This is first of all preconditioned by tourism products and services having limited quantity and inadequate quantity. Meanwhile, the increasing appreciation of the Armenian Dram, costs for accommodation, flights and tours are increasing for the typical overseas visitor, while the quality of goods and services largely remain the same. Tourism expenditures can increase with the design and development of alternative products, improvement of tourism services and development of new demanded tourism attractions.

8) Human Resources – The quality, skills and knowledge of Armenia's tourism workforce is below international standards. Innovation is lacking, resulting in companies finding it difficult to catch up with international best practice, let alone overtake competitors. Tourism industry currently carries a poor reputation in the general economic and social context. Development of a human resource development program for the tourism sector including policies to improve employment opportunities, conditions of employment and training is required to bring about a workforce which is consistent with the demand in the global market of services.

9) Supportive Business and Investment Environment – The majority of existing tourism businesses are small or medium-sized enterprises that are limited in their ability to invest significantly in the industry. Pro-active support must be given to potential investors through incentives, promotion of opportunities and the provision of factual and reliable data. There is also a need for legal, customs and long-term business loans reforms. Existing enterprises must be able to operate within a transparent and supportive business environment backed up with clear policies, laws and regulations. The current level of public and private sector investment into the tourism industry is very low compared to other destinations in the region and must be increased if Armenia stands any chance of being able to compete.

10) Intra-Government Support – Perhaps more than any other industry, elements of the tourism industry relate directly to many government ministries (particularly Trade and Economic Development, Foreign Affairs, Culture, Nature Protection, Education & Science, Sport & Youth Affairs, Transport & Communication, Urban Development, Finance & Economy, Territorial Administration, as well as with local governance bodies, General Department of Civil Aviation, Police, Tax Service, National Statistical Service). This creates a need for closer cooperation among the above mentioned entities in the regulation of relations connected with tourism.

11) Reliable Quantitative and Qualitative Research – At present the only true and accurate data relating to tourism arrivals in Armenia is the combined total of Armenians and foreign citizens crossing the border points. Although a recent year-long survey has assisted in providing some illustrative data on expenditures, travel patterns, lengths of stay, accommodation preferences, etc, the quality of the data is not sufficient enough either for development of adequate state policy or for effective evaluation of the impacts of the tourism industry on Armenia's economy. A reliable system of quantitative and qualitative data collection must be established to collect and process information on inbound and domestic tourism. Tourism students and educational institutions should also be encouraged to undertake research on global and national trends and opportunities in the industry.

12) Environmental Challenges – The impacts of climate change are now discussed widely within the international tourism community. Whilst Armenia will not be affected with rising sea levels, climate change may, in the long term, affect the ability for Armenia. With consumers be-

coming more aware of the environmental impact of international travel, destinations that take heed of these concerns are likely to be more competitive. Environmental challenges include the provision of clean energy, sustainable transport, the conservation and management of natural resources and sound waste and water management. Other issues worth attention are environmental pollution, installment of pollution sources and related pollution and emergency threats.

13) Social Inclusion – Aside from the few accommodation establishments dotted throughout the regions, Armenia's tourism industry is largely dominated by accommodations, transport providers, tour operators and attractions based in Yerevan. There is currently little economic value from tourism being transferred to the regions, despite the greatest potential for growth originating in the rural areas of the country.

14) Maintenance and Protection of Cultural Heritage – Many of the visitors to Armenia and indeed domestic tourists come because of both the tangible and intangible cultural heritage that the country has to offer. For the long term sustainability of the tourism industry, this heritage (monasteries, monuments, architecture, music, dance, cuisine, handicrafts, etc) must be protected and enhanced.

SECTION IV. STATE POLICY PRINCIPLES

CHAPTER 1. DESCRIPTION OF PRINCIPLES

1. Competitiveness – Almost all countries in the world have a tourism industry; some more successful than others. Tourism is a principal export earner of 83% of developing countries. Armenia's share in the European market is currently only 0.04%. For Armenia to grow its industry in the long term, it must provide products and services that are competitive in the regional and the global market.

2. International integration – Armenia's tourism industry must not be isolated from international developments. Both the public and private sector must look to international best practice and be willing to apply new approaches and methodologies to compete on an international level.

3. Focus & Specialization – An internationally competitive tourism destination relies on an industry that offers specialized, unique and demand-driven products and services. Targeted product development and promotional efforts are proven worldwide to have the greatest impact. Armenia must not focus solely on generating worldwide awareness of the country but on creating targeted interest in, and a desire to visit, invest or use the services offered.

4. Cooperation – Competitiveness of tourism destinations is preconditioned by the formation of a common vision and cooperation between all stakeholders – state governance and local self-governance bodies, private sector (enterprises, scientific, educational, health care institutions and non-trade organizations joining them) and the population.

5. Sustainable Development – Armenia's tourism industry is indelibly linked to its natural, cultural, historical and social heritage. Any negative impacts to this heritage will negatively impact the tourism industry. Long-term economic, social and environmental gains are therefore preferable to short term quick wins that may negatively impact in the long term. Development of tourism shall ensure the preservation, reproduction and development of nature, environmental cultural-historical and social heritage.

6. Tourism as a priority sector of economy. - In view of the economic, social and political role and importance of tourism it must remain a priority sector of economy and must be targeted at the stable economic growth and improvement of living standards.

7. Nature and environmental protection – Armenia's tourism industry development shall contribute to the preservation of nature and environment, recovery of biological diversity, as well as rational use of natural resources.

CHAPTER 2. VALUES

Tourism state policy principles are based on the following values:

1. **Authenticity:** Authentic, distinct, unique and original traditions and tourism products, attractions and experiences.
2. **Choice & Diversity:** A variety of tourism products, facilities, services, and experiences for tourists of all nationalities.
3. **Credibility:** Credible and ethical tourism enterprises and attractions offering high quality services and experiences.
4. **Exclusivity:** A focus on high value-low volume rather than mass low value-high volume.
5. **Familiarity:** Facilities and services that recognize and cater to the diversity of cultures visiting Armenia.
6. **Hospitality:** A warm and friendly welcome for international and domestic tourists.
7. **Innovation:** Use of new and innovative approaches in development, promotion and sale of tourism products.
8. **Participation:** Active participation and involvement of a wide variety of stakeholders and representatives in the tourism industry.
9. **Planning:** All tourism development projects to fulfill Environmental Impact Assessment criteria and do not exceed the social and ecological carrying capacity determined for the area concerned.
10. **Positive Impressions:** All tourists to leave with warm and fond memories of the Armenian people and the country.
11. **Prosperity:** Prosperity for Armenia's tourism industry and rural communities.
12. **Quality:** Quality infrastructure, facilities, attractions, services and experiences provided by an experienced and qualified workforce.
13. **Regionalism:** Willingness to work with organizations and enterprises in Georgia, Turkey, Azerbaijan and Iran to design regional tour packages and complementary products.
14. **Respect:** Respect for the needs and expectations of individual travelers.
15. **Safety:** Safe transportation and accommodation, low levels of crime, low health risks and competence in first aid.
16. **Value for Money:** International and domestic tourists recognizing good value for money in Armenia's tourism products and services.

SECTION V. TOURISM DEVELOPMENT VISION BY 2030

CHAPTER 1. STATE POLICY AIMS AND GOALS

1. The goal of state policy in tourism is to increase the contribution of tourism to gross national income, balanced development, improvement of living standards and poverty alleviation in rural areas preconditioned by:

- 1) increase in tourism arrivals
- 2) Increase in tourism generated incomes
- 3) job creation

2. In order to achieve the goals envisaged by clause 1 of this Chapter the following primary issues shall be addressed:

- 1) Design new, competitive destinations, prioritize tourism sites and attractions in Armenia
 - 2) Provide high quality surveys, prioritize target markets.
 - 3) Branding of the country as a destination and individual tourist sites and their effective presentation and promotion in the global (target) markets
 - 4) Improve accessibility and transportation.
 - 5) Improve and develop infrastructure.
 - 6) Higher quality services.
 - 7) Workforce development.
 - 8) Ensure public health and safety
 - 9) Improve destination management, business and investment environment.
3. Detailed outline of issues envisaged by clause 2 of this Chapter are as follows:

Objectives	Description
<p>1. Design new, competitive destinations, prioritize tourism sites and attractions in Armenia</p>	<ol style="list-style-type: none"> 1) Evaluate main tourism resources required for the development of tourism priority directions in Armenia 2) Ensure effective use and preservation of natural, cultural and historical resources, identification of new resources, their design and commercialization. 3) Revitalize national traditions and culture. 4) Develop winter and sports tourism, turn Armenia into a global winter tourism center as an alternative to the Alps. 5) Recover and develop spa health tourism. 6) Develop ecotourism include specially protected nature areas in the tourism product. 7) Identify new nature cultural historical monuments provide scientific justifications for them and create new tourism attractions. 8) Design and develop new attractive, competitive (including unique) itineraries 9) Create a unique tourism product with account to the historical cultural base and with the combination of other types of tourism 10) Inventory and define Armenia’s tourism centers 11) Design and main tourism itineraries 12) Ensure regional cooperation and create a regional tourism product.
<p>2. Provide high quality surveys, prioritize target markets</p>	<ol style="list-style-type: none"> 1) Encourage and support tourism surveys and studies 2) Evaluate the impact of tourism growth through the collection and analysis of quantitative and qualitative data 3) Collect realistic statistics on tourism on a monthly basis, improve data collection system 4) Conduct frequent competitiveness benchmarking analysis 5) Evaluate main tourism markets of Armenia 6) Conduct studies in tourism types, tourist behavior, acquired tour packages and development tendencies 7) Define the key geographic and ethnic markets for the promotion of armenia’s tourism product.

Objectives	Description
<p>3. Branding of the country as a destination, profiling individual tourist sites and their effective presentation and promotion in global (target) markets</p>	<ol style="list-style-type: none"> 1) Develop a nation brand. 2) Develop the profiles of individual Armenian tourism sites 3) Communicate and promote the profiles/brand using traditional and modern effective channels. 4) Devise and Implement detailed Promotional Plan. 5) Create and distribute wide range of electronic and printed information and promotional materials to key markets. 6) Undertake themed 'Visit Years' every five years. 7) Undertake annual domestic tourism campaign. 8) Promote importance of tourism industry to Armenian public.
<p>4. Improve accessibility and transportation.</p>	<ol style="list-style-type: none"> 1) Expand airline route network and frequency of flights to key markets. 2) Establish Open Sky Policy creating greater competition. 3) Improve flight connections & schedules. 4) Improve internal air transportation, including through cooperation with the most experienced foreign organizations, develop air transport options, i.e. construct tunnels, develop helicopter transportation 5) Relax visa regime and reform entry & departure taxation policies. 6) Improve road border immigration processing and border crossing time. 7) Provide and upgrade logical, safe, clean, reliable , effective public transportation to and between tourism areas.
<p>5. Improve and develop infrastructure.</p>	<ol style="list-style-type: none"> 1) Improve quality and maintenance of roads between tourism areas and to borders. 2) Design & implement strict planning controls in tourism areas (including EIA). 3) Devise and implement infrastructure development and investment plans for tourism areas in cooperation with the private sector. 4) Improve the signage, tourist services and facilities and information at key attractions and sites. 5) Develop sport and recreational facilities in tourism areas. 6) Improve and modernize communications infrastructure. 7) To develop and introduce standards for the establishment and development of infrastructure supporting effective utilization of tourism sites, including historical-cultural monuments and specially protected nature areas that are consistent with the profile of the country, national distinctiveness and characteristics as well as with international standards (service quality, urban development, ecological etc.). 8) Encourage establishment and development of mid-market accommodations and food outlets.

Objectives	Description
6. Higher quality services.	<ol style="list-style-type: none"> 1) Establish wide range of quality accommodation and food outlets in tourism areas. 2) Increase capacity of beds particularly in rural areas. 3) Develop B&B network particularly in the Marzes 4) Improve ease of booking accommodation. 5) Establish sound qualification system for accommodation and food outlets. 6) Ensure quality management (including control) through regulation and voluntary certification. 7) Maintain and enhance tourist guide services through improvement of licensing system and continual training. 8) Improve quality and reliability of Tour Operator products & services through utilization of a system of licensing and/or financial guarantees. 9) Develop competency and presentation abilities of tourism non-trade organizations. 10) Ensure active and effective cooperation among all stakeholders to promote sustainable tourism. . 11) Support capacity of “Armenia” visitor information center in Yerevan, establish similar centers in other tourism areas and establish a national information center system based on “Armenia” visitor information center. 12) Maintain and develop national traditions and culture, distinctiveness and specifics.
7. Human resource development.	<ol style="list-style-type: none"> 1) Improve curricula and teaching methodologies at universities and colleges. 2) Develop training programs for existing workforce. 3) Establish active and efficient cooperation among academia, employers and stakeholder state entities in the design and approval of educational programs to ensure their consistency with the current demand. 4) Improve language abilities of tourism employees. 5) Support cooperation with international universities and organizations in accreditation of tourism courses. 6) Develop cooperation among academia, employers, job agencies as well as training and retraining centers. 7) Introduce a multilevel education system.
8. Ensure public health and safety	<ol style="list-style-type: none"> 1) Improve safety of public & private transportation. 2) Adopt strict regulation and enforcement relating to health, hygiene, safety and security of tourists (including for adventure tourism). 3) Ensure all frontline tourism employees have up-to-date first aid qualifications in cases and manner defined by the legislation. 4) Establish tourism support services including security units in tourism areas and a hotline telephone. 5) Devise crisis management plans. 6) Ensure the safety of tour operator services in compliance with the requirements defined by the legislation. 7) Ensure awareness of the public and tourists on required vaccinations for infectious diseases, other mandatory requirements and threats to public health, improve resistance to infectious diseases and other public health threats. 8) Ensure comprehensive introduction of international health rules.

Objectives	Description
<p>9. Improve destination management, business and investment environment.</p>	<ol style="list-style-type: none"> 1) Obtain long term commitment to tourism development from government. 2) Strengthen Tourism industry. 3) Improve state coordination of the sector and cooperation between stakeholders. 4) Improve the legislation regulating the tourism sector. 5) Change the legal status, structure and management system of Armenian Tourism Development Agency, enhance the scope of functions of the Agency in compliance with the aims and goals defined by this concept paper. 6) Support the development of tourism non-trade organizations, enhance their role, raise reputations and professionalism. 7) Increase state expenditures on tourism development increase the share of the state in public-private sector cooperation. 8) Revise taxation and customs policies, improve tax administration. 9) Improve banking financial and insurance systems 10) Improve investment and business environment 11) Prolong tourism season 12) Ensure decentralization of tourism activities from Yerevan to the Marzes 13) Encourage the development of voluntary certification systems to ensure quality in tourism industry and adherence to ecological standards. . 14) Organize all-year events and festivals. 15) Create a mechanism of direct allotments for the development of tourism attractions from tourism generated incomes within the framework of RA legislation.

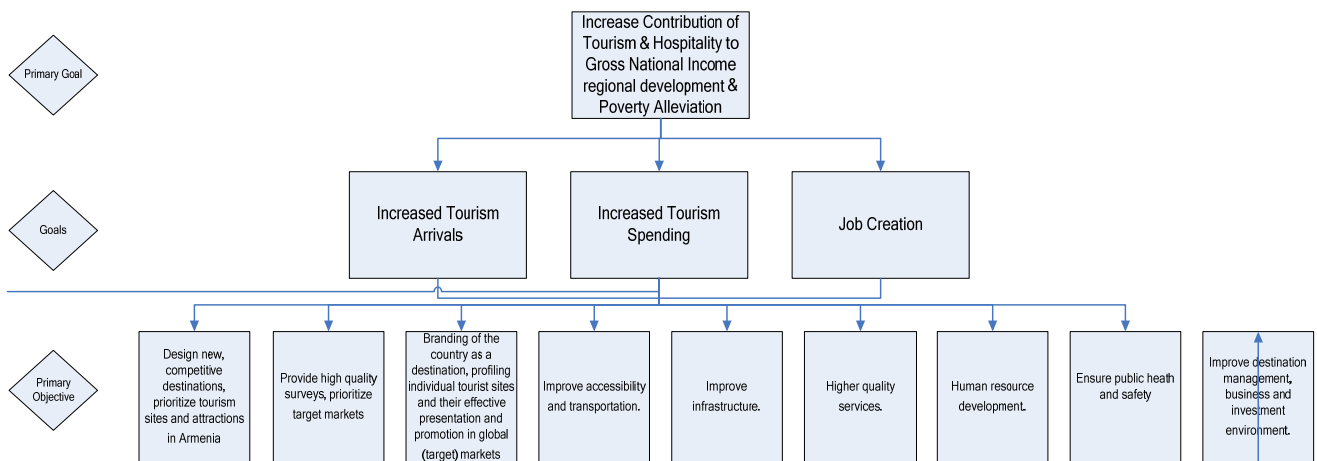


Figure 1. The description of state policy goals and objectives

CHAPTER 2. TARGETS FOR 2030

1. The following indicators are envisaged in tourism sector by 2030:

- 1) Armenia will welcome 3 million international tourists.
- 2) Tourism arrivals growth will have been sustained at an annual CAGR of 9%.

- 3) Assuming that international arrivals to Europe increase at the projected 4.1%, Armenia's share of European arrivals will increase to 0.3%.¹²
- 4) Armenia will rank within the top 50 countries in the World Economic Forum Travel & Tourism Competitiveness Index.
- 5) Internal tourism arrivals will reach 1.5 million.
- 6) Overnight stays in hotels & similar accommodation – 11.25 million.
- 7) Bed places in hotels & similar accommodation – 51,370.
- 8) Hotel occupancy rate – 60%.
- 9) Government tourism promotional spending - US\$ 49 million.

2. Economic Contribution of tourism will be as follows:

- 1) Tourism will contribute 12% of the Gross Domestic Product.
- 2) Tourism will represent 23.8% of Armenia's exports.
- 3) International visitors will contribute an estimated US\$3 billion to the Armenian economy – a CAGR of 11% at 2007 prices.
- 4) Armenia will continue to maintain a positive tourism balance of payments.
- 5) Capital investment in tourism will be US\$535.3 million – or 12.3% of total investment.¹³
- 6) 22,300 people will be employed by the tourism industry – 2.0% of the total workforce.¹⁴
- 7) Working conditions will be consistent with international standards, average wages will increase.

3. Dynamics of targets by 2030

	2006	2010	2020	2030
Primary Targets				
International Tourism Arrivals (CAGR – 9%)	381,000	600,000	1.5 million	3 million
Income generated from inbound tourism (CAGR 11% at 2007 prices)	US\$269 million	US\$480 million	US\$1.35 billion	US\$3 billion
Internal tourism visits	308 000	500 000	1 million	1.5 million
Tourism Employment as a % of Total Employment	1.7%	1.8%	1.9%	2.0%
Secondary Targets				
Armenia's Market Share in Europe	0.08%	0.1%	0.18%	0.31%
Total Bed Spaces	7,372	22,416	49,315	51,370
Hotel Occupancy Rates	22%	33%	50%	60%
Per Capita Daily Expenditure (2007 prices)	US\$36	US\$40	\$60	\$67
Armenia's Ranking in WEF T&TC Index	74	69	<60	<50

¹² UNWTO, 2007

¹³ Estimate by World Travel & Tourism Council, 2007

¹⁴ Based on Figures from World Travel & Tourism Council, 2007

	2006	2010	2020	2030
Government Tourism Expenditure ¹⁵	US\$ 616,000	US\$ 1.3 million	US\$ 7.9 million	US\$ 49 million
Tertiary Targets				
Proportion of Leisure/Vacation Tourists	11.6%	15%	20%	25%
Number of Leisure/Vacation Tourists	44,196	90,000	300,000	750,000
Proportion of Diaspora Visitors as % of Total	62%	<60%	<55%	<50%
Number of Diaspora Visitors	236,220	360,000	825,000	1.5 million
Proportion of First Time Diaspora Visitors	8%	10%	20%	20%
Average Length of Stay	20 days	20 days	15 days	15 days
Repeat Visitation Rate	80%	70%	60%	50%
Use of Internet for Travel Bookings	0.9%	5%	25%	50%
Leisure tourists use of Tour Operators	16.9%	20%	20%	20%

4. With the global tourism industry growing at around 4.3% the following three alternative scenarios of tourism development are foreseen for Armenia by 2030:

- 1) assuming no tourism industry the average annual growth rate for international tourism visits will make 4% providing over 1 million arrivals and approximately income of US\$750 million.
- 2) Current levels of support to the tourism industry could perhaps assume CAGR in tourism arrivals of approximately 7%. The total number of tourists would then be 1.8 million in 2030 with receipts around US\$1.5 billion.
- 3) With implementation of state policy in compliance with this Concept Paper (the best scenario) will lead to 9% average annual growth rate for international visits. This will result in 3 million tourists visiting the country and in US\$3 billion by 2030.

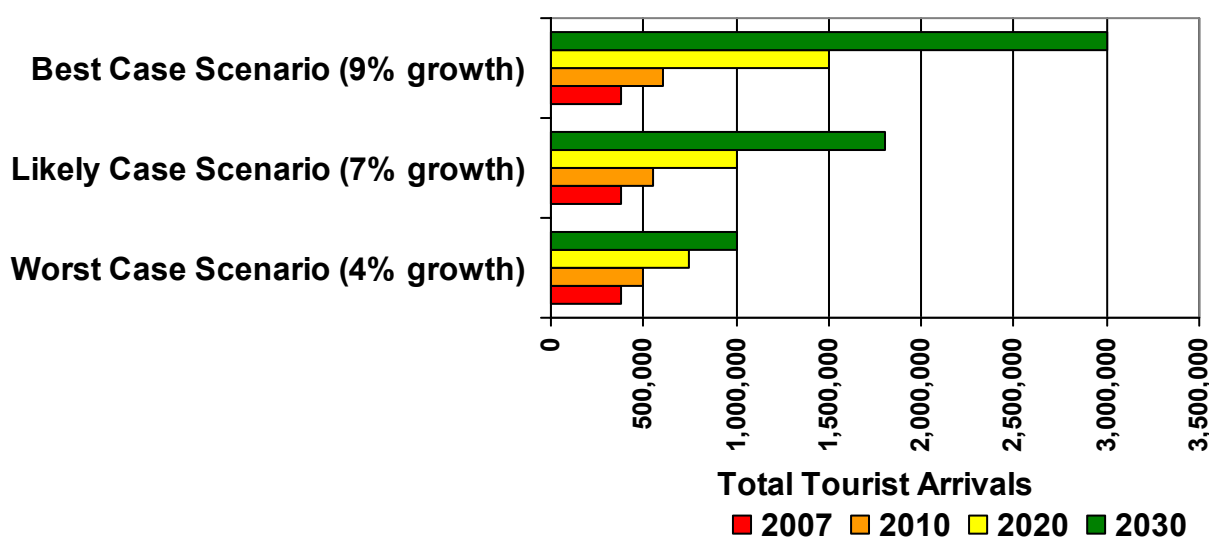


Figure 2. Tourist Arrival Numbers using 3 Growth Scenarios

¹⁵ Assuming inflation at 3.42% and targeting current highest Eastern European country (Slovenia €4.40) per capita promotional spending.

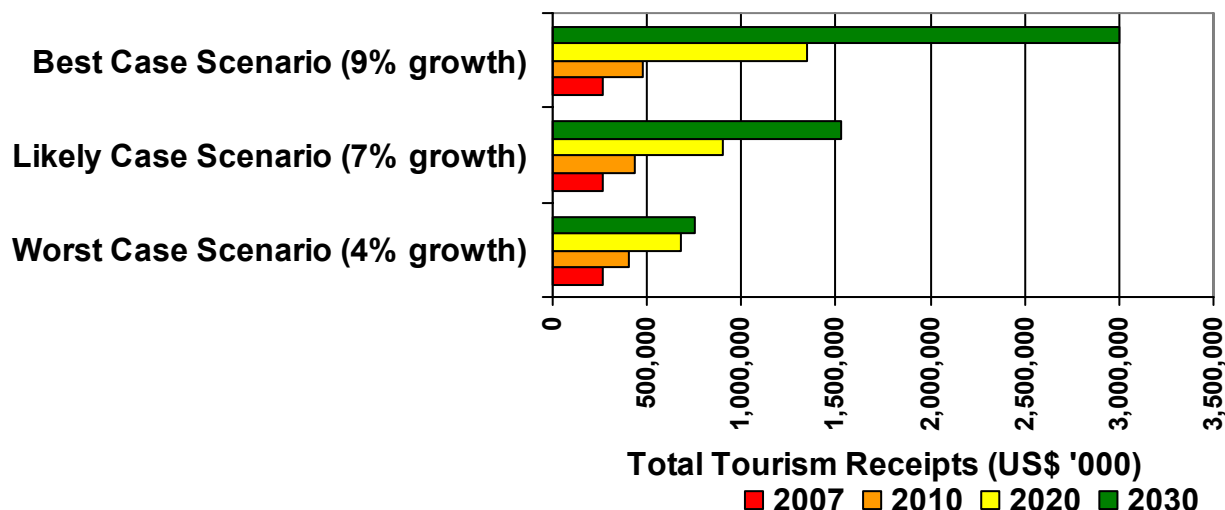


Figure 3. Tourism Receipts using 3 Growth Scenarios

SECTION VI. CHARACTERISTICS OF TOURISM IN ARMENIA BY 2030

1. Visits to Armenia:

- 1) The proportion of leisure travelers to Armenia will increase to 15% of all tourists in 2010, 20% in 2020, and 25% in 2030.
- 2) The majority of tourists will remain those visiting friends and relatives due to the Diaspora communities dotted around the globe.
- 3) The current proportion of business travelers is expected to remain the same at around 10%.

2. Tourism Products

- 1) Armenia will become recognized for offering year-round, high quality tourism products enhancing their variety in the course of time.
- 2) It will build its portfolio of products over time once it has gained a good reputation for those it already has.
- 3) The portfolio of tourism products shall be developed with effective use of historical and cultural sites, nature attractions, spa and ski resorts as well as cultural events and traditions.
- 4) The primary products will be based largely on those currently being sold: historical cultural heritage, nature, religion. Winter tourism will become a primary product by 2020. City break/urban culture and spa/health tourism will become primary products as well within the same period of time

Tourism Products	Current (2006)	2010	2020	2030
Primary Products	Historical cultural Heritage, Nature/ Events & Festivals	Historical cultural Heritage, Nature, Religious/Pilgrimage, Events & Festivals	Cultural Heritage, Nature, Religious/Pilgrimage, Events & Festivals, City Break/Urban Culture, Winter Sports, Spas	Cultural Heritage, Nature, Religious/Pilgrimage, Events & Festivals, City Break/Urban Culture, Winter Sports, Spas

Tourism Products	Current (2006)	2010	2020	2030
Secondary Products	Winter Sports, Health Treatment	Winter Sports, Health Treatment	Health Treatment, Wellness, Scientific/Educational, Sports	Health Treatment, Wellness, Scientific/Educational, Sports

5) The government will seek partnership with the private sector and donor community in the development of tourism sites, attractions and facilities in support of these tourism products. Investments will be made in infrastructure development, service quality improvement. A variety of adventure tourism products will be provided with modern equipment and infrastructure, and well-trained guides, ensuring client safety at all times. Skiing centers will be brought up to international standards.

6) Cultural and environmental events and festivals will be well designed, managed and implemented, attracting domestic and foreign tourists throughout the year.

7) Focus will be made, particularly, on decentralizing tourism products to Armenia's rural areas. Armenia will participate in regional programs that complement the tourism product offerings.

3. Source Markets

1) Armenia's tourism industry will determine its priority target markets based on its tourism products and geographical and ethnic markets. that have the greatest level of affinity and interest in those products. As promotional funding increases, so will the number of countries that will be targeted. The table below highlights those markets that will be targeted for leisure tourism (excluding business, transit, VFR, etc).

Geographical Markets	Current (2006)	2010	2020	2030
Europe	France, Italy, Germany, UK, Netherlands	France, Italy, Germany, UK, Netherlands	France, Italy, Germany, UK, Netherlands Austria, Greece, Switzerland, Benelux, Spain	All EU, Baltic States & SE Europe
Americas			USA, Canada	USA, Canada
CIS	Russia, Georgia	Russia, Georgia	Russia, Georgia	All CIS
Middle East	Iran, Syria	Iran, Syria	Iran, Syria, Lebanon, Israel, UAE	Iran, Syria, Lebanon, Israel, UAE, Jordan
Asia & Pacific	Japan	Japan	Japan, Korea, China	Japan, Korea, China
Domestic market	Domestic market	Domestic market	Domestic market	Domestic market

2) The list of countries is subject to change due to unexpected trends in the industry. Detailed research will be undertaken in each market to identify trends, tourist profiles, travel behaviors, purchasing patterns, etc.

The domestic tourism industry will receive more significant attention in an attempt to retain a greater level of tourism expenditure within the country.

4. Diaspora Visitors

1) The Armenian Diaspora currently represents 62% of all tourist arrivals. Diaspora travelers stay longer than the average tourist (25 days) and are more likely to come to visit friends and relatives. Repeat visitation is high. Currently only 8.3% of all Diaspora tourists are visiting Armenia for the first time.

2) The number of Diaspora tourists will increase annually until 2030 (estimated to be 1.5 million), although the proportion will decrease to less than 50% as a result of increased leisure tourism promotion in non-Diaspora markets. Due to targeted promotion to the Diaspora communities by 2010, the proportion of first time Diaspora visitors will increase to 10% in 2010 and 20% by 2020.

3) Research undertaken in 2007 suggests that more than 50% of the US-Armenian Diaspora are interested in visiting Armenia and wish to do so in the next five years. The Diaspora is therefore a key market for leisure travel and one that must be targeted in a more constructive manner. First time Diaspora visitors will be more likely to stay in hotel accommodation than repeat visitors and therefore spend more in country during their trip. Particular promotional techniques will be employed to reach this unique market.

5. Tourism Regions

1) There will be more tourism hubs fostering the establishment and development of tourism centers. State policy will focus on encouragement and effective guiding of private sector investments.

	Current (2006)	2010	2020	2030
Tourist Hubs	Yerevan	Yerevan, Dilijan	Yerevan, Dilijan, Yeghehnadzor,	Yerevan, Dilijan, Yeghehnadzor,
Tourism Centers	Edjmiadzin, Tsaghazdzor, Jer-muk	Edjmiadzin, Tsaghazdzor, Jer-muk	Edjmiadzin, Tsaghazdzor, Jer-muk, Aragats, Sevan	Edjmiadzin, Aragats Tsaghazdzor, Jer-muk, Sevan, Goris, Gyumri, Ijevan, Stepanavan, Megri

2) Yerevan will remain the base for all tourism activity as the primary gateway into the country. Two major themes will dominate – Armenian History (including ancient times, the Urartu Kingdom, Hellenic period, Rise of Christianity, Armenian Renaissance, Dark ages and genocide, and modern times) and Urban Culture (combination of good weather, diverse cuisine, arts, music, other entertainment and specialty shopping in a pleasant, safe and hospitable environment).

6. Tourism in the capital city and Marzes

1) Development of the capital city will require concerted efforts of central and city authorities as well as the private sector players towards improving the quality of tourism facilities and services and bringing them closer to those of more established relevant peers

2) Dilijan will be Armenia's northern tourism hub. The town will be a center for recreation (enjoying mild weather, lush forests, excellent sports facilities and unique historic town for family vacations), nature exploration (hiking/camping, tours within the Dilijan and Sevan National Parks, as well as more exotic nature tours in Tavush and Lori regions) and medieval culture (historic sightseeing and hands-on exploration of Haghpat, Sanahin, Goshavank and Haghartsin monasteries).

3) Yeghegnadzor will be Armenia's southern tourism hub with its rich nature (hiking/camping to the mountains and gorges of Vayots Dzor and potentially Siunik region, as well as caving), exploration of cultural heritage (sightseeing and exploration of Noravank, Tatev, Gladzor, Karahunj and Selim), and experience of rural life (tours of vineyards, horticultural and cattle breeding farms).

4) Vagha8shapat (Edjmiadzin) will be Armenia's dedicated tourism center for religious tourism. The town will focus on the exploration of the Apostolic Church, monastic life, spiritual fulfillment and visits to nearby religious sites (Khor Virap, Geghard, Amberd & Oshakan).

5) Dilijan, Yeghegnadzor and Edjmiadzin will require sound road, communications, accommodation, restaurant, entertainment and recreation infrastructure.

6) In addition to the tourism hubs, tourism centers will be enhanced and established at key locations around the country that have natural and cultural resources of significant enough potential to attract tourists from the key markets. These centers will also require infrastructure improvements similar to those outlined above but additionally aesthetic and physical improvements to attractions and important cultural and natural tourism sites.

7) Outlined below are all the anticipated tourism hubs and centers, the main tourism products that will be presented and promoted in the market.

Hub/Center	Main Product	Accommodation Needs (Beds)
Yerevan	Cultural Heritage, Urban Culture	20,000 – 25,000
Dilijan	Nature, Cultural Heritage, Scientific/Educational	3,000 – 5,000
Yeghegnadzor	Nature, History/Culture, Scientific/Educational	3,000 – 5,000
Edjmiadzin	Religious/Pilgrimage, Cultural Heritage	1,000 – 2,000
Aragats	Winter Sports, Nature, Cultural Heritage	1,000 – 2,000
Tsaghadzor	Winter Sports, Nature, Sports, Cultural Heritage	3,000 – 5,000
Jermuk	Winter Sports, Health Treatment	3,000 – 5,000
Ijevan	Nature/Adventure, Culture, Sports, Scientific/Educational	2000 – 4,000
Goris	Cultural Heritage, Nature/Adventure, Scientific/Educational	500 – 1,000
Gyumri	Cultural Heritage, Scientific/Educational	500 – 1,000
Sevan	Cultural Heritage, Nature	500-1,000
Stepanavan	Cultural Heritage, Nature/Adventure	500 – 1,000
Megri	Cultural Heritage, Nature/Adventure	500 – 1,000

8) Government will support the development of tourism centers through state budget allotments and investment incentives.

7. Promotional Channels & Techniques

1) The tourism (or nation) brand will be communicated and promoted using traditional and modern effective channels. The promotional campaign will be implemented as outlined annually in a promotional plan according to the product demands of the market, development tendencies and specifics. Promotion of the country will be undertaken in partnership with the private sector.

2) Travel trade and consumer fairs will be attended and familiarization trips for tour operators and media organized for key markets. Armenian embassies, consulates and trade representations will take a more pro-active role in promotional efforts. Additional promotional channels will include cultural events, documentary filming and airing etc.

3) Use of IT in promoting the country will increase. Armenia's promotional portal will be kept constantly up-to-date, will be provided in the languages of the major markets. E-marketing will be a component of the promotional plan. Other IT-related opportunities will also be utilized, including satellite navigation systems, GIS mapping, digital TV, online booking systems, e-visas, etc.

4) A wide range of high quality and informative printed materials will be prepared and distributed.

5) Armenia will successfully design, plan and execute themed visit years to focus international attention on the tourism opportunities. These themed years, supported significantly with private sector investment will, for a whole year, provide a range of events, festivals and products to international markets.

6) Tourism opportunities will be promoted effectively to the domestic population through local media channels and a national tourism fair held annually. At the same time, the tourism industry will ensure that local media widely educated on the importance of tourism development in the country.

8. Tourist Characteristics

1) The characteristics of the individual tourist will be difficult to predict in the very long term due to the dynamic nature of the global tourism industry. However, there are a number of predictions that can be made.

2) The length of tourist stay is likely to remain higher than for many competing nations because of the Diaspora connection. However, as the proportion of Diaspora visitors decreases, so too will the average length of stay. Leisure tourist stays are likely to decrease to around 7 days as flight connections improve and become cheaper.

3) Levels of repeat visitation will also decrease with the decreasing proportion of Diaspora travelers and the increasing globalization of the industry.

4) The prominence of the Georgian and Russian markets, particularly within the leisure tourism sector will decrease

5) Armenia will welcome a broader range of nationalities from Europe and East Asia.

6) The average age of the traveler will remain the same; the more active retirees being balanced by the more wealthy younger travelers.

7) The Internet will become a more prominent source of information, through websites and social networking sites, although travel guidebooks and other printed media will remain popular. Travelers to Armenia will increasingly make their own arrangements in visiting the country; forcing Armenia tour operators to take a more active role in providing high-quality services. Internet will also contribute to this.

8) Hotel, airline and car rental bookings online will take over the role of the overseas travel agent.

9) Armenia will need to provide facilities and services targeted particularly at disabled visitors.

10) Tourism receipts per capita, per day will increase reflecting the higher value clients visiting the country.

9. Transportation system and accessibility

1) To cater for the expanding tourism markets, air transport routes will be established to other destinations within the EU (particularly Italy & Spain), Japan, China, Korea and the United States. Through the liberalization of air transport regulations, establishment of an open-sky policy and greater competition, the frequency of flights will increase, thereby lowering the cost of travel and putting Armenia more on a par with competitor destinations in Eastern Europe and the Middle East.

2) The visa regime will be relaxed enabling visa-free travel in some cases. Entry and departure procedures will be relaxed.

10. Transportation

1) Armenia will see an increased diversity of flight options to the country from Europe, the United States, CIS, East Asia and the Middle East, an increased frequency of flights from the major source markets and more convenient connection times. Low-cost carriers will complement the major airlines. Yerevan airport's pricing policy will be reviewed to ensure regionally competitive price/quality combination.

2) Land border points will be improved to allow for increased vehicular access into the country, particularly leisure tourists undertaking regional trips. Border control procedures will be simplified to reduce the amount of time needed for immigration and customs formalities.

3) Public transport services will be upgraded to enable tourists to move between Yerevan and the tourist hubs and centers and intra-regionally. Public transport will be cleaner, more efficient and

safer, leaving frequently and at scheduled times. Train and underground services will become more popular and will offer reliable and high standards of service.

4) Car rental services will become more popular particularly with the growth of independent travelers. Breakdown services will be established throughout the country to cater for repairs or replacement vehicles in case of emergency.

5) Taxi services will be higher quality and more reliable. A number of taxi companies will provide drivers with foreign language skills and who are trained in customer service. All taxis will be clean and will have seat belts installed.

6) Standards consistent with international ones will be defined for tourism ground transportation and a favorable legal framework will be created to ensure availability of such transportation.

11. Infrastructure

1) Armenia's infrastructure will be completely modernized for tourists as well as the local population. Roads between the tourism hubs, Yerevan and international border points will be of a very high standard. The road network will also be developed to enable vehicles to bypass the Yerevan city center, reducing travel times significantly.

2) Refurbishment and construction planning will be subject to stricter controls, particularly in tourism development areas. Environmental Impact Assessments will become commonplace for all construction and development activities. Each tourism hub and center will have dedicated infrastructure development and investment plans in order to ensure sustainable development of attractions/sites, hotel and other services.

3) Armenia's key natural and cultural heritage attractions will be prioritized for the improvement of aesthetic appearance, signage, level of tourist services, facilities and availability of information. Investors will be provided with land in the manner defined by the legislation of the Republic of Armenia to construct and operate infrastructure required for the effective utilization of specially protected nature areas and cultural-historical monuments.

4) Tourists will benefit from road signage in English, modern and convenient rest stops and required services, improved and safer entertainment, recreational and sports facilities.

5) The country will have an improved waste management system that will improve the aesthetic appearance of the country. Public areas will be cleaned, unaesthetic construction will be removed.

6) Communications facilities will be on a par with international standards - fast and efficient postal, fixed line telephone, mobile and internet networks. For business travelers, Armenia will provide high quality translation and secretarial services.

7) Water supply and drainage systems will be improved to ensure adequate volume of drinking and industrial water and adequate hygiene.

8) Although the MICE market (Meetings, Incentives, Conferences, Exhibitions) will not be a major focus for Armenia, the facilities for these events will have to be significantly improved.

12. Accommodation & Food Establishments

1) Accommodation establishments will become diverse and on a par with international standards (including more significant range of international chains), will utilize an improved classification scheme. The range of accommodation establishments will diversify and increase, particularly in the regions providing high, medium and budget options. The largest number of high market facilities will remain in Yerevan. Camping sites and budget hostels will have become more popular.

2) Hotel capacity in Yerevan will increase to between 15,000 and 20,000 beds in upscale and mid-market establishments. Additionally, a further 5,000 beds will be available in affordable establishments.

3) Accommodation in and around the tourism hubs (Dilijan and Yeghegnadzor) will increase to around 3,000-5,000 beds each in all three price segments. Each accommodation will be ethnically

designed focused on providing traditional hospitality in a rural setting. Bed and breakfast establishments will dominate in the regions. Edjmiadzin will require 1,000-2,000 beds in mid-market and budget establishments, including those suitable for long-term spiritual groups. Other accommodation needs are outlined above.

4) All accommodation establishments will be qualified and registered to ensure high quality standards in health and safety. Accommodation establishments will be available for booking on web portals, will be well signposted and will have hosts speaking a variety of European languages.

5) The range and quality of food and beverage establishments will increase throughout the country. Whilst international cuisines will be available, traditional Armenian fare will dominate. All food outlets will comply with international standards of safety and hygiene. Voluntary certification schemes will be administered.

6) Accommodation and food outlets will be subject to strict planning and building controls in tourism zones to maintain the character of each region. Where specific regions are deemed to be lacking in accommodation or food establishments, investments should be attracted.

13. Tourism Services

1) Armenia's inbound tour operators will provide tours focusing on the tourism products outlined in this strategy and a variety of other additional products. Each tour operator will specialize on specific markets, products or client types in order to provide high quality services.

2) Tourism non-trade organizations (Associations) will represent a larger proportion of the industry, will have more members will cooperate more effectively with state entities. Members of the Union will comply with a code of conduct and ethics defined by the Union.

3) Armenian tour operators will provide competitive and reliable services meeting international standards, protection of consumer/tourist rights will be ensured.

4) The activities of tour guides will also comply with international standards. They will undertake regular training in order to retain their qualification. Training courses will focus on general knowledge as well as presentation and communication skills. Special courses will be provided for tour guides in rural regions of the country and for guides who specialize in particular tourism products.

5) Independent travelers will receive a warm welcome and will be provided with information at visitor information centers. The information centers will be run on a self-sustaining basis raising operational expenses from the sale of tourism products.

14. Environmental & Cultural resources

1) Armenia's natural, historical, religious and cultural heritage will continue to form the foundation for tourism development. Required investments will be made in specially protected nature areas and a wide range of tourist services (guided walks, horse riding, mountain biking, flora & fauna walks, audio-visual presentations, merchandise, information center) will be offered to tourists. Specially protected nature areas will collaborate more effectively with the tourism industry in developing their infrastructure, bringing facilities and services in conformity with international standards and more efficient environmental impact management. A portion of income generated from tourism services in these areas will be directed to their preservation.

2) The tourism industry will also work more closely with cultural, arts and religious organizations to assist in the preservation and enhancement of the arts, music, crafts, cuisine.

3) A handicrafts authenticity and certification system will be adopted to maintain age-old traditions in craft making.

15. Research

1) In order to remain ahead of its competitors, Armenia's tourism industry will place significant importance on market intelligence and monitoring industry quantitative and qualitative impacts. A Tourism Satellite Accounting system must be in place that accurately determines the economic benefit of tourism to the national economy. The research will be based on accurate, reliable and

detailed statistics provided by the National Statistical Service, which will receive these data from immigration authorities, through international visitor surveys and domestic surveys. Additional data will be collected relating to travel behaviors, characteristics of visitors, expenditures made in Armenia and income.

2) The government will provide a benchmarking assessment of Armenia's tourism competitiveness in relation to neighboring countries every two years in order to fully understand the development and changes within the industry. Research will be conducted regularly on the main tourism source markets to ensure that the products provided, image and promotional channels used remain effective.

3) Tourism colleges and universities will be actively involved in tourism research, publishing articles in international journals and encouraging students to participate in practical and innovative research projects.

4) An R&D center for Armenia's tourism resources will be established within the structure of Armenian Tourism Development Agency to identify new nature and cultural-historical monuments, provide scientific justifications for these monuments and establish new tourism attractions.

16. Human Resources

1) Universities and colleges will provide high standards of tourism and hospitality education, using up-to-date international curricula and modern teaching methods. Emphasis will be placed on both academic and vocational courses, but also extension courses for those already employed in the industry. Each educational establishment will focus on different practical and theoretical skills required by the industry so that within the country, a broad range of courses are available.

2) These institutions will offer international certification recognizing that the knowledge and skills of the given student are on a par with international standards. Language courses will be taught alongside professional knowledge in order to provide the specific language capacities required for the given sector.

3) The private sector and academia will work cooperatively together, assisting one another in the development of curricula, provision of resources, organization of internships and industry lecturing. This will be particularly important in training the individuals who intend to provide services in relatively new product segments, e.g. adventure, winter sports etc. Special programs allowing individuals to gather knowledge and skills across a broad range of enterprises in tourism and hospitality will be implemented. Universities and colleges will provide assistance to students in finding jobs, careers advice and job fairs.

4) Universities and colleges will work closely with tourism and hospitality associations in improving the skills and knowledge of the existing workforce.

5) Universities will partner with overseas universities for the sharing of knowledge and experience, will become accredited with international tourism organizations and be engaged in national and international research and will publish articles in international journals.

17. Public Health and Safety

1) The safety and security of international and domestic tourists is of paramount importance. Legislation will provide tourist norms to ensure the safety and health of tourists. All frontline tourism staff shall be skilled in first aid and educated in ensuring public health, evacuation and rescue services will be always available in case of emergency. A tourism helpline telephone will function, assisting tourists that are unable to get to the staffed security units.

International health standards will be maintained, issues related to the health of tourists at border points as well as sanitation and hygiene within the territory of the Republic of Armenia will be addressed.

2) Availability of foreign language-speaking doctors, and a number of accessible hospitals and clinics to provide emergency treatment to tourists.

3) Wherever possible, individual codes of conduct and certification will be used to maintain standards throughout the industry in preference to regulation. One such type of certification is the hotel classification scheme, which will be revised on a regular basis to ensure that tourists remain satisfied with accommodation and services. Similar certification schemes will be introduced for restaurants and other tourism attractions and entertainment venues.

4) The government will have in place crisis management plans in order to quickly and efficiently deal with terrorist, crime, natural disaster, political and economic crises that may occur.

18. Destination Management system

1) Armenia destination management will be based on the active and efficient cooperation between all stakeholders around an effective state governance body.

2) The Armenian Tourism Development legal status, structure, management system and authorizations will comply with the aims and goals set forth by the present Concept Paper.

3) Smooth communication between tourism industry key stakeholders will be maintained.

4) Government entities will continue to maintain mutually beneficial and coordinated relationships with international tourism organizations and will work closely with the government and private sector of its neighboring countries in order to collaboratively develop and promote regional products.

19. Business and Investment Environment

1) Profitable tourism and hospitality enterprises will operate within a supportive business and investment environment. The legal framework and administration will be transparent. Labor laws will be supportive for the part-time and seasonal nature of work in the tourism and hospitality sector. Corruption and bureaucracy will no longer be an issue for the private sector.

2) The legislative foundation for the industry will be the new ROA Law on Tourism that will be based on international best practice, European standards and national intricacies.

3) As well as being supportive, the government will pro-actively encourage tourism investment through bank guarantees, grants and low-interest loans. The banking system will have improved dramatically making finance, with low interest rates, easily accessible to small and medium sized enterprises. An investment guide will be published every two years outlining investment favorable areas, investment environment and government policy. The Armenian Diaspora will be targeted as a potential source of investment.

4) Tourism enterprises will be supported by non-trade organizations that will represent the interests of their members, will work with education and training providers to organize courses for tourism and hospitality employees in management, HR management and other skills. Mentoring and training programs will run to assist new start-up companies. Tourism enterprises will make use of modern technologies in their work.

5) The impacts of tourism development will be studied and evaluated through the use of a range of standards specified in Section VIII.

SECTION VII. FUNDING

CHAPTER 1. TOURISM SECTOR INVESTMENTS

1. World T&T Capital Investment in the tourism industry is estimated at US\$1,155.4 bn or 9.5% of total investment in 2007. This is expected to rise to US\$2,392.8 bn or 9.9% in 2017.¹⁶ The increasingly competitive environment of global tourism requires substantial investments to be made in infrastructure, accommodations, attractions and human resources development. Investment in the tourism industry will enhance multiple sectors, and if carefully planned and managed, intertwine with environmental and sustainable tourism development objectives. The government should devise a tourism investment strategy which best reflects its needs and takes into account multiple economic, financial, legal, and socio-cultural country-specific circumstances.

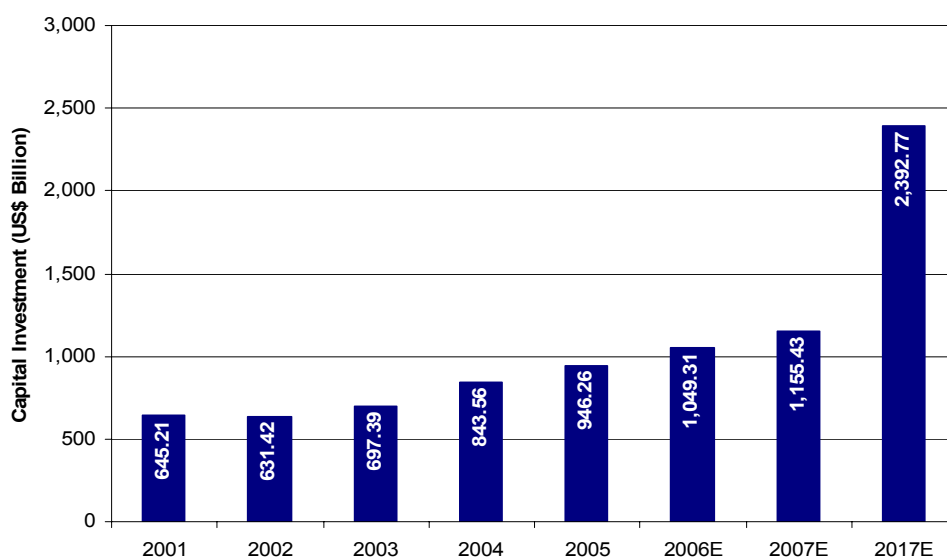


Figure 4: Capital Investment in T&T Industry (US\$ bn).

Source: WTTC

Note: E=Estimated

2) Worldwide government T&T operating expenditures in 2007 are expected to total US\$334.2 bn or 3.8% of total government spending. This is expected to rise to US\$545.9 bn or 3.9% of total government spending in 2017¹⁷. (WTTC, 2007)

¹⁶ **T&T capital investment** - Capital expenditures by direct T&T industry service providers and government agencies to provide facilities, equipment and infrastructure to visitors.

¹⁷ **T&T Government expenditures** - Operating expenditures made by government agencies on services associated with Travel & Tourism, but not directly linked to any individual visitor, instead these expenditures are generally made on behalf of the 'community at large', such as tourism promotion, aviation administration, security services and resort area sanitation services, etc.

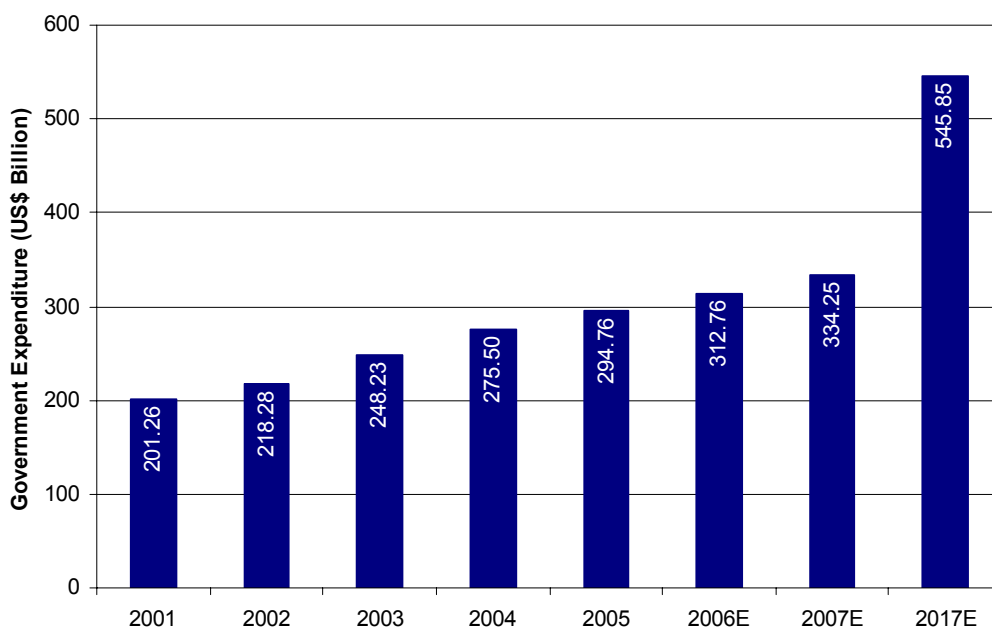


Figure 5: Government Expenditures in T&T Industry (US\$ bn)

Source: WTTTC

Note: E=Estimated

CHAPTER 2. CAPITAL INVESTMENT REQUIREMENTS THROUGH 2020

1. An estimated level of investment in accommodations at US\$1,300-1,500 million over 12 years will be necessary to receive the projected number of tourists by 2020 with total number of new hotel and bed and breakfast beds reaching 34,000. Investments should be made mainly in the 3 to 4 star hotel segment. Calculation is based on the assumption of about 45-50 sq.m. of hotel area per hotel bed with construction costs of \$900 per sq.m. of facility. The main source of funding for this type of investment would require private capital, leveraged with state policy and designated funding from various sources (including from specific programs of international development or donor organizations at early stages).

2. Over US\$250-300 million will be needed for the ongoing upgrade and maintenance of highways and main tourism destination roads. High quality capacity intercity road connections constitute approximately 700 km of existing roads and a local tourism-focused network of new/upgraded roads of up to 400km. This figure also includes the upgrading of airport facilities and construction of ropeways to difficult-to-reach sites. Construction of tunnels is of great importance in terms of improving accessibility of Armenia's attractions, reduction of the costs of passenger and cargo transportation and time, which requires separate financial estimates. Main source of funding – government and in some cases public-private partnerships.

3. A total of US\$150-200 million will be needed to upgrade museums, nature, historic and religious sites, hiking paths, campsites, and tourism information centers. The calculation is based on the assumption of 55-60 museums to be upgraded over time with the installation of modern museum management systems and new engineering facilities at cost 1,2 – 2mln for each. Investments is also required in access to tourism sites, construction of parking lots, creation of needed infrastructure for camping areas and tourism information centers. The total number of sites is assumed at 75-80 with construction/upgrade costs varying between 1mln to 1,5mln USD. The main sources of funding are local self-governance bodies and tourism associations; some funding may be recovered through user fees which may cover operational and maintenance costs.

4. With the increase of tourist arrivals there will be a need for general upgrade of other physical infrastructure, which includes investment in electricity generating capacities, electricity networks, water supply, and waste management – some of which can be recovered through user fees. In addition to general infrastructure, specific investment will be needed in supporting recreational facilities, such as restaurants and other entertainment facilities. Total estimated level of investment in this category is US\$350-400 million, with the government and private sector serving as main sources of funding.

5. In light of growing global tourism competition and increasingly sophisticated tourists, the need for a qualified and highly-skilled workforce becomes obvious. In this respect, considerable investment is needed in the development of curricula, provision of resources, organization of internships and practical industry training. Increasing the human capacity and skill levels in this industry will have cross-cutting benefits throughout multiple industries, and will be a critical role in enhancing Armenia's image. Estimated level of investment is at US\$300 million with main sources of funding coming from the private sector, government and associations.

6. As the total investment needs range from US\$2350-2700 mln it is necessary to mobilize all available resources to insure proper coordination of all stakeholders.

1. Private sector
2. Government (national, regional, and local)
3. Associations
4. Church
5. External (international development organizations)

In addition to direct investment, the government shall implement a policy of proactive encouragement of tourism investment through bonds, bank guarantees, and special programs for the private sector in obtaining low interest loans. Reforms in the regulatory and policy environments should also serve as means of encouraging domestic and foreign investment.

SECTION VIII. MONITORING AND EVALUATION

1. Monitoring and evaluation is an integral step of the policy implementation process and serves as an early warning system by identifying key issues as they arise. It is important to understand if target markets are being reached, if tourists are satisfied with product and service offerings, and if investments in the industry are proving effective.

Monitoring of the implementation of main issues in the state policy is conducted by the following indicators:

Priority	Indicator
1. Cross cutting	<ol style="list-style-type: none"> 1) Tourism share in GDP. 2) Economic impact of tourism on local communities. 3) Environmental impact of tourism 4) Expenditures: daily, itemized, total. 5) Total accommodation capacity/beds. 6) Accommodation by qualification. 7) Occupancy levels of accommodation. 8) Length of stay. 9) Number of places visited.

Priority	Indicator
	10) Distribution of tourist nights. 11) Purpose of visit. 12) Reason for visit (if on vacation). 13) Country of citizenship. 14) Country of residency. 15) Country of departure. 16) Ancestry? 17) Age/gender. 18) Source of information on Armenia (internet, etc.) and travel organizer. 19) How is tourist information accessed upon arrival? 20) Number of repeat visits. Would they come again? 21) Level of satisfaction. Recommendation of the country to others? 22) Rating of different services.
2. Design new, competitive destinations, prioritize tourism sites and destinations in Armenia	1) Inventory of sites and their quality. 2) Upgrading of existing accommodations, and increased number. 3) Ratio of built-up area to natural areas. 4) Seasonal fluctuation in tourism receipts/arrivals. 5) Lengths of stay in regions vs. Yerevan. 6) Proportion of tourists undertaking specific tourism products. 7) Number of events and festivals held annually. 8) Funds allocated to the restoration, preservation and maintenance of monuments and destinations on yearly basis.
3. Provide high quality surveys, prioritize target markets	1) Number of tourist arrivals, by month and residency. 2) Proportion of target market tourists in overall share of tourist arrivals. 3) Number and % annual increase in tourists from target markets. 4) Number and % annual increase in leisure tourists from target markets. 5) Number and % annual increase in Diaspora tourists from target markets. 6) Number of 1 st time Diaspora visitors. 7) Proportion of Diaspora in overall tourist arrivals. 8) Number of domestic visitors and overnight stays. 9) Foreign tourist overnight stays.

Priority	Indicator
4. Branding of the country as a destination, profiling individual tourist sites and their effective presentation and promotion in global (target) markets	<ol style="list-style-type: none"> 1) Number of visitors per attraction/site. 2) % of tourists attracted to destination because of unique features. 3) Rating of destination by tourists. 4) Value\price rating by tourists. 5) Visitor satisfaction. 6) Page visits by target markets to specific Armenian travel websites. 7) Recognition of Armenia in target markets. 8) Annual tourism promotional budget from government. 9) Return on investment in promotion in terms of arrivals and income. 10) Advertising reach – number of tourists receiving, recognizing, responding. 11) Annual value of tourism-marketing budget allocated to monitoring satisfaction.
5. Improve accessibility and transportation.	<ol style="list-style-type: none"> 1) Number of tourists transported by mode of transport used. 2) Number of visitors. 3) Number of passengers transported. 4) Number of airlines serving Armenia. 5) Total number of weekly flights. 6) Average flight costs. 7) Proportion of flights during daylight hours. 8) Proportion of flights made by booking online. 9) Border crossing procedures.
6. Improve infrastructure	<ol style="list-style-type: none"> 1) % of national budget devoted towards tourism related infrastructure upgrades. 2) % of state budget spent on tourism related infrastructure improvements. 3) Number of tourism related infrastructure projects developed, implemented, completed.
7. Higher quality services.	<ol style="list-style-type: none"> 1) Number and range of tourism services available in the destination 2) Number of tourist attractions 3) Number of qualified hotels and restaurants. 4) Accommodation occupancy rates. 5) Number of certified tour operators, guides. 6) Proportion of tourists using tour operators and guides. 7) Proportion of online bookings 8) Number of complaints on service quality
8. Human resource development	<ol style="list-style-type: none"> 1) Number of workforce trained. 2) Employment rate of new graduates in tourism & hospitality. 3) Number of part time / full time / seasonal jobs. 4) Number of international journal articles published by Armenian universities. 5) Number of tourism employees with international certifications. 6) Number of tourism & hospitality graduates. 7) Direct and indirect employment generated through tourism. 8) % employment in tourism areas. 9) Level of salaries tourism areas. 10) Demand-driven curricula. 11) Level of training expenditures . 12) Employee satisfaction. 13) Language competencies.

Priority	Indicator
9. Ensure public health and safety	<ol style="list-style-type: none">1) Number of accidents recorded among tourists due to ICD-10.2) Number of tourism employees trained in first aid and public health3) Number of crimes registered against tourists.
10. Improve destination management, business and investment environment	<ol style="list-style-type: none">1) State policy deliverable2) Level of cooperation among stakeholders3) Number of associations, membership.4) Amount of investments.5) Legislation regulating investments6) Legislation regulating tourism industry7) Amount of state expenditures8) Share of state in private-public sector cooperation.



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