

Approved by Decree of the President
of the Republic of Azerbaijan
dated December 6, 2016



**Strategic Roadmap
for the Development of
Specialized Tourism Industry
in the Republic of Azerbaijan**

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1. Executive Summary

A working group was established for the purpose of developing a detailed development plan for 11 sectors (8 main and 3 subsectors) of Azerbaijani economy as specified by the Presidential Order No. 1897, dated 16th March, on “approval of main directions of the strategic road map for national economy and key sectors of the economy”. The working group was commissioned to develop an economic development strategy and action plan until 2020, strategic vision until 2025 and aspirational vision for post 2025. Alongside serving for the sustainability of activities carried out towards the development of tourism sector, identifying tourism as one of the priority directions in the national economy development strategy, will create necessary conditions for Azerbaijan to take a leading position as an attractive tourism destination, facilitate the development of cooperation among tourism sector players based on efficient use of mutual interactions and available tourism potential and result in increasing the quality of tourism services in Azerbaijan. The Strategic Roadmap encompasses actions such as the support of tourism sector development within the planned periods of time, supply of high quality and competitive tourism services in global and local markets, shaping of tourism practices in line with national values, attracting new investment projects based on the state-of-the-art ideas and innovations and effective interaction among respective bodies involved in the tourism sector development.

According to the statistic indicators of the recent years, the tourism sector has proved to be one of the continuously developing sectors in Azerbaijan. The number of tourism enterprises in Azerbaijan and number of international tourist arrivals all demonstrated 4,5% and 8,5%¹ annual growth rates in last 5 years. Today, the tourism industry contributes up to 4,5% AND 3,3%² of direct GDP and employment to the country’s economy. Baku has been the engine of this tourism sector growth for business and leisure travelers alike, as a well-known tourist destination in the international scene. In addition, the development of regional tourism has complemented this growth in multiple sub-sectors. Analysis suggests that Azerbaijan could grow further through both drawing more tourists from neighboring countries and becoming niche tourism destination for larger demand countries globally.

Building on currents strengths and opportunities, Azerbaijan’s tourism vision for 2025 is to become one of the top growing tourism destinations in the region and around the world. By post 2025, the country aims to be one of the most preferred 20 touristic locations and increase by maximum the indicators of effective use of the existing tourism resources. It will achieve this vision through improved connectivity and accessibility, strengthened value proposition in multiple tourism segments (including soft and hard infrastructure), and successful promotion of its values internationally.

This growth will be driven by small and medium enterprises (SMEs) in tourism, supported by foreign direct investment (FDI) to the sector. The development will respect environmental sustainability principles and will be a key element of rural and regional development in Azerbaijan.

¹ Source: State Statistical Committee of the Republic of Azerbaijan

² Source: State Statistical Committee of the Republic of Azerbaijan

To achieve the long term visions in this sector, Azerbaijan has defined four primary objectives for 2020 in tourism sector. First objective is to fully leverage Baku’s tourism potential. Baku already attracts an important number of international tourists and has developed infrastructure. Four strategic priorities identified will allow Azerbaijan to achieve this vision. To leverage this potential more efficiently, these include establishment of a dedicated governance mechanism, provision of better information and update of various tourism packages, effective promotion of tourism activities, and targeted improvement of tourism infrastructure. Second objective is to create a favorable environment for the development of tourism sector including levers such as better governance mechanism at national level, establishment of tourism and recreation zones, developing tourism infrastructure at regional level to end seasonality, improving air connectivity and simplifying visa processes. Third target is to leverage and complement growth of tourism in Azerbaijan through regional tourism efforts. Investments will be made in development of wellness, winter and eco-tourism to have an integrated tourism development in the country. Fourth objective is to invest in education programs in the field of tourism and improve standardization and certification systems in order to increase tourist satisfaction.

Achievement of 2020 vision is estimated to bring AZN 293 million direct and AZN 172 million indirect incremental GDP for Azerbaijan. This will translate into total 35,000 employment of which 25,000 will be directly in the tourism sector. The realization of this impact will potentially require a total of AZN 350 million investments, which will be met by public and private resources. The efforts to be implemented in tourism sector will be mainly led and coordinated by Ministry of Culture and Tourism of the Republic of Azerbaijan.

Table 1. Expected results from measures to be taken under the strategic road map

#	Name of the Priority	GDP impact (AZN thous., 2020)	Employment (Full time employees, 2020)	Amount of investment, (AZN, mln)
1.1	Establish a National Tourism Promotion Bureau and ensure its operation initially in Baku	10	-	-
1.2	Upgrade available information on tourism attractions in Baku and package tourism offerings	50	8500	15
1.3	Implement a Baku promotion campaign	230	16000	100
1.4	Develop Baku's tourism infrastructure, including low-cost accommodations and robust tourist areas	70	6200	100
2.4	Simplify and expedite visa and border control processes	30	—	—
2.5	Improve air connectivity to major source markets	30	—	—
3.1	Revitalize demand for wellness tourism	5	150	15
3.2	Support development of winter tourism	20	300	15
3.3	Create cultural tourism circuits	20	3700	95

#	Name of the Priority	GDP impact (AZN thous., 2020)	Employment (Full time employees, 2020)	Amount of investment, (AZN, mln)
4.1	Invest in tourism industry education programs	—	150	10

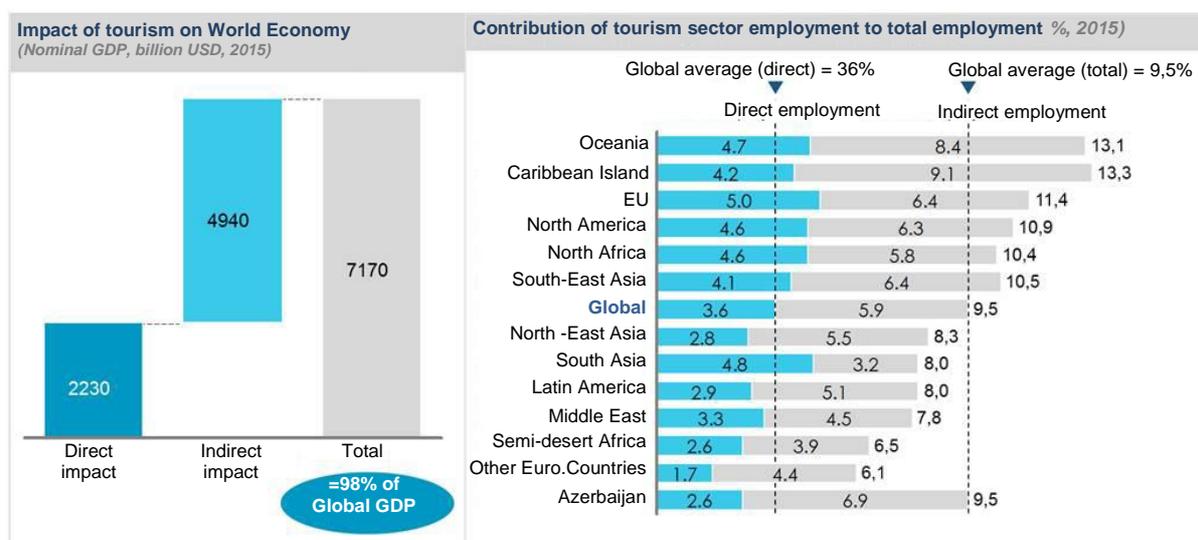
Note 1: Only strategic priorities that have GDP impact more than AZN 10 million and employment more than 100 are shown in this table. Other strategic priorities are critical as enablers in order to ensure that the envisioned impact is achieved.

Note 2: These figures are forecasted just as directional purposes to give a sense of the impact. During implementation, each strategic priority would need a detailed feasibility assessment and checking of figures.

2. GLOBAL TRENDS

International best practices demonstrate the considerable impact of tourism sectors on the development of manufacturing capacity, level of income generation and employment and on the development of other sectors. According to statistic records, tourism sector represented 9.8% of the global GDP and 9.5% of global employment in 2015 (Exhibit 1).

Exhibit 1. Tourism sector share in the global GDP and employment



Source: World Travel and Tourism Council (WTTC)

Apart from being a fast growing economic sector, the tourism sector is characteristic with its varying demographic indicators and varied geography. The tourism industry is sensitive to the macroeconomic conditions, thus it was affected directly from the recent global crisis. However, it has recovered quickly after 2009 and got back onto a fast growth path in last four years (Exhibit 2).

This trend was driven by two factors. On one hand, the improvement of the economy in advanced markets resulted in increased tourism flows and spending from large tourism demand countries such as the US, Japan and Europe. On the other hand, global tourist arrivals and inbound spending are further boosted by the increasing demand from emerging markets. This emerging market growth trend is observed in Asia and Latin America, which are growing rapidly with expanding middle classes and public sector commitment to tourism

and, additionally, increased and cheaper air services are among the key enablers of the growth.

Exhibit 2. Indicators of added value in tourism (\$ bn, based on actual prices in 2011)



1. Including Oceania

Source: World Travel and Tourism Council

The development of this sector led to the establishment of new tourism centers along with the existing tourism centers in Europe and North America. In 2015, tourism centers established in emerging economies were more than the tourism centers available in advanced economies. According to the forecasts of the UN World Tourism Organization, international tourist arrivals will reach 1,8 billion by 2030 and, as the result, an average 43 million additional international tourists will join the tourism marketplace every year. Emerging economies will receive twice more international tourist arrivals than advanced economies.

Forecasts based on statistical analyses demonstrate the considerable weight the tourism sector carries in the economy. Thus, this sector has been a key driver for socio-economic progress and is considered as a national priority for many countries around the world. Its impact can be classified into three categories.

First, in addition to its direct contribution to GDP through sub-sectors such as airlines, hotels, car rental companies, the strong linkage effects on other sectors further increase tourism's importance. Alongside its direct and indirect impacts, tourism induces further GDP increasing linkage effects in other sectors ("induced impact), such as in service, construction and manufacturing sectors. Moreover, the tourism sector is a vital source of foreign currency earnings for emerging and developing countries.

Second, tourism has important impacts on employment and socio-economic development of regions. Furthermore, this employment is not limited only to urban areas but the development of this sector also creates employment opportunities in regions and rural areas through multiple sub-sectors such as eco-tourism, sun & beach tourism and religious tourism.

Third, tourism development drives the buildup of strong infrastructure in countries as a whole and also supports regional and rural infrastructure development. Then, it can serve as a marketing tool for countries for the reason that successful tourism strategies help improve

image of a country in the international spheres. Finally, it reinforces efforts to preserve and promote environmental sustainability, cultural heritage and local values.

In general, it is considered that attractive tourism offerings create their own demand. Almost every destination has a comparative advantage related to its unique nature, cultural heritage or service infrastructure. Targeted efforts can turn these assets into a competitive advantage in tourism, much faster than in many other sectors. The three levers of these efforts are getting the basic in place (such as connectivity, infrastructure and safety), creating attractive tourism offerings (such as beach resorts or game parks, depending on sub-sector addressed), and marketing them successfully. This includes active promotion of tourism opportunities domestically and abroad, cooperation with tour operators globally, and image campaigns for the country.

On the other hand, tourism sector needs strong coordination for effective development. In this context, public policy has been typically used as a major driver of tourism sector competitiveness through defining the strategy for tourism sector development, coordinating stakeholder alignment, and steering the development of different tourism segments. As the result, many countries have coordinated tourism policies, and tourism marketing campaigns to promote growth in its tourism industry.

To achieve success in tourism sector development, targeted approach needs to connect supply with demand, with a sub-sector focus. On the supply side, there needs to be a clear understanding of the competitive landscape for each sub-segment, and a country needs to leverage its assets to develop competitive edge. On the demand side, proximity to demand markets, visa regime and transport connectivity, including the availability of direct air flights are a key enabler. In addition, understanding of social, demographic and travel behavior allows designing successful programs.

Globally, MICE (Meetings, Incentives, Conferences and Exhibitions) and city tourism are the largest sub-segments in terms of size and cruise, religious and sports tourism follows these two sub-segments. Smaller ones include medical tourism, eco-tourism, and theme parks. Traditionally, targeting large sub-segments such as MICE and city travel has been the focus of tourism strategies. Countries and cities that are in proximity to the traditional mass tourism countries such as the USA, EU or Japan, has focused on improving offerings. However, currently there is an increased focus within regional markets, especially in developing markets such as Middle East and Asia. Countries focus on increasing specialized tourism offerings and it is critical to note that selection of the focus sub-segments and the corresponding strategy depends heavily on the country's current comparative advantages. While health tourism for instance has been a successful development area for multiple countries, it can be unsuitable for many others to develop.

In general, five themes have emerged as global trends for tourism strategy development in recent years, to address changing dynamics of the industry.

Firstly, countries and destinations have increased their focus on tourism branding and promotion. The emergence of new business models, social media and empowered consumers worldwide has markedly changed the global marketplace. The tourism industry has diversified the available choices, and segments to serve the increased number of tourists with different interests. These factors in addition to the vast choice of destinations generate the need to reassess existing structures and marketing strategies in order to adapt to the new market trends. In this light, public and private players have been exploring initiatives to

further promote their destination, including targeting a niche positioning for exclusive and innovative offerings, differentiated business models, and brands for different products.

Secondly, countries focus on strengthening connectivity and accessibility, which is a key enabler. Advanced countries try to balance between different objectives of achieving low fares, increasing market depth and breadth, while sustaining a healthy national carrier, to build economic impact. In addition, many countries take actions to ease visa processes to improve accessibility with no major investment.

Third, destinations place flagship projects at the core of implementing sector strategies. Flagship projects are immediate, large-scale and visible investment projects that support the sector strategy. In addition, they can be powerful communication and marketing tools to implement larger reforms. Finally, they also reduce complexity of reforms by limiting the geographical coverage and act as an efficient pilot for the entire sector.

Fourth, master plan development is used heavily as tool for fast tourism sector development. Central units are mandated as responsible for preparation and execution of these plans. This not only simplifies certain processes and makes investment attractive for investors, but also allows an integrated branding strategy. It places public institutions as an integral part of the development and enables tailored planning of required infrastructure such as expansion of transport or environmental conservation efforts.

Fifth, emerging and developing countries rely more and more on foreign direct investment (FDI) in tourism development. This is primarily due to the fact that certain developments require high investment, particularly in cases where infrastructure investment is needed. However, even in situations where investment is not a major issue, collaboration with international investors could pay off, as value chain is largely influenced by international companies.

3. ANALYSIS OF CURRENT SITUATION

3.1. Current status of tourism sector

Tourism policy frameworks

Several measures targeting tourism sector development in recent years contributed to the sustainable development of this sector. The implementation of the “State Program on the development of tourism in the Republic of Azerbaijan in 2002 – 2005” approved by the Decree of the President of the Republic of Azerbaijan No. 1029, dated 27 August, 2002, created favorable conditions for the development of tourism and laid foundation for the country’s integration into global tourism market.

As a continuation of this policy, “State Program on the development of tourism in the Republic of Azerbaijan in 2010 – 2014” was approved by the Decree of the President of the Republic of Azerbaijan No. 838, dated 6 April 2010 in order to establish advanced tourism sector meeting high economic, social and environmental requirements and turn it into one of the key enablers of the country’s economy.

In the light of need for further development of tourism sector and favorable environment for tourism activities, 2011 was announced “The year of Tourism” in the Republic of Azerbaijan by the Decree of the President of the Republic of Azerbaijan No. 1320, dated 15 February 2011 in order to promote natural sites, as well as cultural-historical heritage of the country enjoying rich geographic landscape while also ensuring the efficient use of tourism resources.

The development of tourism infrastructure in the country and provision of tourism services in line with international standards requires the country to improve legislative framework governing this field and governmental regulation mechanisms, expand opportunities for use of the existing tourism potential, stimulate regional tourism, and offer new tourism circuits as well as making competitive price offerings. To achieve this goal, relevant government bodies were instructed to take necessary measures by the Decree of the President of the Republic of Azerbaijan No. 2295, dated 1 September 2016, on “Additional measures for the development of tourism in the Republic of Azerbaijan”.

Role of tourism in the economy of Azerbaijan

Azerbaijan is a country located at the crossroads between East and West with its capital Baku having modern infrastructure and ancient rich historical sites and with regions encompassing fascinating nature and national parks. Partly because of this exposure, Baku has received the lion's share of Azerbaijan's global tourism recognition. According to popular tourism information websites, Baku is home to 75 percent³³ of destinations preferred by international tourists. The remaining share is captured by the regional tourism, which signals room for growth in future.

³³ According to tourism information websites “Lonely Planet” and “Trip Advisor”

Exhibit 3. Countrywide indicators on tourism sector

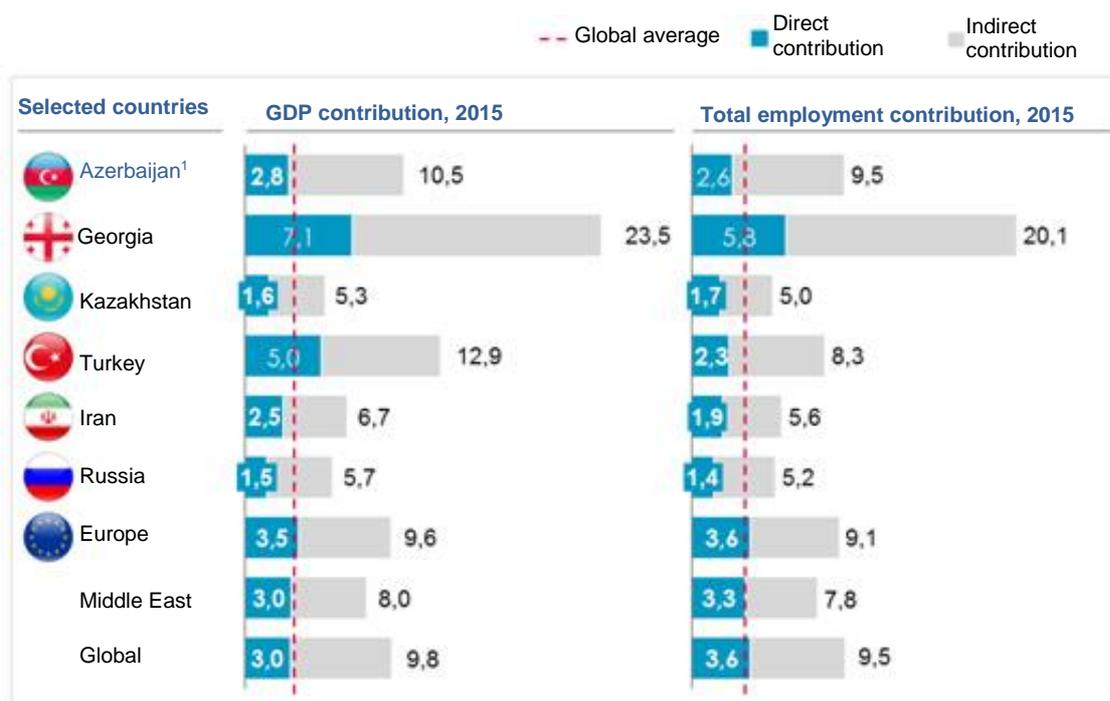


Source: State Statistical Committee of the Republic of Azerbaijan

An analysis of recent trends shows that Azerbaijan's tourism sector as a whole is on the rise. From 2010 to 2015, the number of tourism enterprises in Azerbaijan increased 4,5 percent in average per year, tourism employment grew 6 percent, and the number of international tourist arrivals grew 8,5 percent. (Exhibit 3) ⁴. According to data from the World Travel and Tourism Council (WTTC), Azerbaijan's tourism industry contributes 2.8 percent of direct GDP and 2.6 percent of direct employment — slightly below the world averages of 3 percent of direct GDP and 3.6 percent of direct employment, which signals further growth potential. (Exhibit 4).

⁴⁴ Source: State Statistical Committee of the Republic of Azerbaijan, World Travel and Tourism Council and World Bank

Exhibit 4. Contribution of tourism sector to GDP and employment in Azerbaijan and other regions (with percentage)



Source: World Travel and Tourism Council

In the light of the above mentioned, it is important to create necessary infrastructure for the successful implementation of nationwide tourism-related projects, undertake awareness raising works to increase the income of local people in regions, prepare different types of tourism circuits and expand international cooperation.

Azerbaijan’s potential for different tourism sub-segments

According to global best practices, tourism products and services with a potential to generate high profit require a constant attention and alignment with consumer preferences. The support of private initiatives to develop tourism products in the Republic of Azerbaijan, establishment of favorable coordination at both local and regional levels, focus on consumer demands, strengthening regional and thematic target to develop a product, as well as interconnection among interesting and attractive products are important aspects.

Cultural tourism

Cultural Tourism (or culture tourism) is the subset of tourism concerned with cultural heritage of regions, specifically the way of life, history, art, architecture, religion, etc. of the people in those geographical areas. Cultural tourism includes tourism in historical sites, cultural facilities such as reserved areas, monuments, theatres, museums, old and modern architectural objects in urban areas, as well as in rural areas. It also includes touristic travels in festivals and holidays showcasing the traditions of indigenous cultural communities and their values and lifestyle. Obviously, international tourists arriving for cultural tourism purposes spend a big share of their money to services which make them different from ordinary tourists. This sub-segment of tourism has got globally popular. This tourism potential of the country includes arts galleries available in Baku, national music – Mugham, advanced world jazz music, national and foreign dances, rich culinary with delicious taste, tolerance to various religious and secular views.

Historical routes (for example, Great Silk Way, famous military campaigns, historical battle places, etc.) cover various areas as part of cultural tourism. Historical and cultural tourism circuits consistent with tourists' preferences are globally appreciated, and thus could be accepted as a potential tourism sub-segment for Azerbaijan.

Wellness tourism

Azerbaijan has both traditional and modern medical treatment potentials. The country is endowed with thousands of hot and mineral wells. Istisu, Turshsu, Badamli, Galaalti, Shikhiburnu and Surakhany are among popular curative water sources. Naphtalan oil is one of the key health resort resources of Azerbaijan. Naphtalan oil is used to treat scores of illnesses, including rheumatism, vascular diseases, as well as metabolic disorder, skin and gynecological diseases. Besides, Nakhchivan Autonomous Republic is popular with its Duzdag Mountain (Salt Mountain).

Mountain and winter tourism

Mountain and winter tourism are prospective areas in Azerbaijan. There are tourism opportunities in mountainous regions of Azerbaijan. These areas attract special tourist groups who love nature or like to observe birds and wild animals and enjoy physical exercise and exciting sports. As the result of determined actions taken towards developing mountainous and winter tourism in the country, mountain slopes have been developed as a tourism destination. At present, "Shahdag" Tourism Centre CJSC and "Tufandag" Winter-Summer Resort have turned into popular resorts.

Sports tourism

It is worth to note that sports in Azerbaijan are a fast growing area. In recent years, sizeable investments have been made in the development of sports infrastructure. The construction of Olympic sports complexes and creation of other sports fields and facilities in Baku, Masalli, Sheki, Guba, Gazakh, Ganja, Nakhichevan, Barda, Lenkaran, Zagatala, Aghdam, Bilesuvar, Oguz, Shemkir, Kurdemir, Sabirabad and other cities and districts enables the country to host popular sports tournaments (European and world championships) in the country. As an example, international tournaments in wrestling, gymnastics, boxing, volleyball, etc. could be named.

Business tourism

Business tourism is one of the most widespread tourism sub-segments in the country. At present, existing hotels built throughout the country are being used for the development of this tourism sub-segment. Nevertheless, congress and cultural centers located in different cities of the country could be widely used for this purpose.

Beach tourism

The northern (Khizi, Siyazan, Shabran, Khachmaz regions) and southern (Lankaran, Astara regions) zones, starting from Absheron peninsula of the Republic of Azerbaijan, have a beach tourism potential. To achieve development of this tourism sub-segment, servicing infrastructures in beach areas (water ponds, swimming pools, etc.) should be aligned with appropriate standards and scope of service offerings should be expanded (for example, entertainment centers, attractions). In addition, the biggest limitation the country is facing now is the short period of this tourism season.

Eco tourism

Azerbaijan is rich in flora and fauna, which demonstrates its large eco-tourism potential. The Azerbaijan's territory where 9 out of 11 climate types are found (from semi-desert and dry field climate to mountainous tundra climate) is home to over 4100 plant varieties. Varieties of Azerbaijan's plants demonstrate the deep history of local nature. This is also associated with the concentration of several floristic areas and diversity in the existing climate conditions. At the same time, 10 percent of Azerbaijani territory is covered by mountainous forests composed of oak, hornbeam, beech and ash-trees. Tourist excursions and tours to nature (mountains, forests and rivers) could be organized using these opportunities.

Hunting tourism

Azerbaijan permits huntsmen, who have relevant licenses, to hunt several forest animals and wildfowls. Places permanently wintered by water bog-birds are Agjabedi, Astara, Jalilabad (excluding Girmizi village hunting farm), Beylagan, Imishli (excluding Sarisu and Bozgoby hunting farms), Lankaran (Excluding Havzava hunting farm), Masalli, Bilesuvar (Excluding Mahmudchala and Zavvar hunting farms), Ceyranbatan lake and other water reservoirs of Absheron peninsula, as well as Mingachevir water reservoir. The Caucasian goat and other forest animals are allowed to hunt based on special permission in hunting farms available in Guba, Ismayilli and Sheki districts.

Primary market opportunities for Azerbaijan

Azerbaijan receives tourists from almost all countries. Azerbaijan's strategic tourism priorities could be designed around attracting visitors from five main sources:

- Azerbaijan itself (local demand from domestic tourists);
- Neighboring countries including Turkey, Iran, Georgia, and Russia;
- The Gulf region including Saudi Arabia, Bahrain, Kuwait, Iraq, Oman, Qatar, and the United Arab Emirates;
- The Commonwealth of Independent States (CIS) including Belarus, Kazakhstan, Turkmenistan, Ukraine and Uzbekistan;
- Mass tourism countries including Canada, China, the European Union, India, Japan, South Korea and the United States.

Azerbaijan

Domestic tourism within Azerbaijan is common but has significant room for growth. In 2015, approximately 1.5 million to 2.0 million Azerbaijan residents⁵ traveled within the country for tourism reasons, which give grounds that this indicator will continue with increasing rate.

Neighboring countries

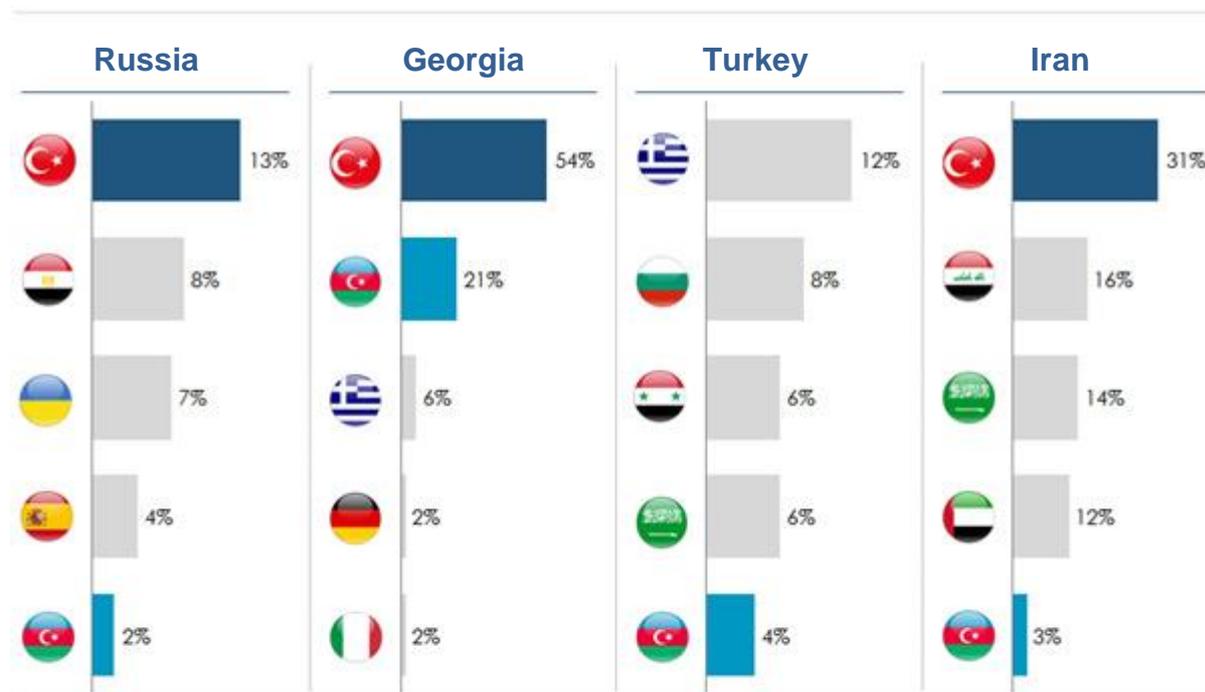
Azerbaijan's tourism economy currently has high demand from the neighboring countries of Georgia, Iran, Turkey, and Russia, each of which sent more than 100,000 tourists⁶ to Azerbaijan in 2015. Close geographical proximity, cultural similarities, and descent of Azerbaijan's population all play a role in the high rate of tourist flow from these countries. In addition, these figures incorporate ethnic Azerbaijanis who travel to Azerbaijan primarily for

⁵ Number of domestic tourists in Azerbaijan is estimated based on approximation, using the ratio between number of international arrivals and number of accommodated international visitors.

⁶ Source: State Statistical Committee of the Republic of Azerbaijan

family visits. Among tourists from the four key neighboring countries, Azerbaijan is among the top destinations, primarily competing with Georgia and Turkey (Exhibit 5). Yet the number of visitors to Turkey from Georgia is about three times higher than the number of visitors to Azerbaijan from Georgia; similarly, the number of visitors to Turkey from Iran is about 10 times higher than the number of visitors to Azerbaijan from Iran.

Exhibit 5. Indicators on preferences of top tourism demand countries for Azerbaijan as a tourism destination (2015)



Source: Euromonitor

From 2009 to 2015, tourist arrivals to Azerbaijan from some neighboring countries increased: for example, tourist arrivals from Turkey grew at a compound annual growth rate (CAGR) of 8 percent, from Russia at a CAGR of 2 percent, and from Georgia at a CAGR of 1 percent.⁷

However, the 12 percent CAGR decrease of Iranian tourists to Azerbaijan in 2009 – 2015 is worth further studying. Azerbaijan will target, similar to Turkey, higher annual growth rate levels with Georgia, Iran, and Russia—especially given the close, often familial and cultural (Azerbaijani descent) ties of those countries' citizens to Azerbaijan and their importance to its tourism sector. Turkey is a particularly ripe country for growth in tourism to Azerbaijan due to the ease of obtaining visas, strong business and cultural ties, and the frequent and relatively inexpensive flights available between Istanbul Atatürk Airport, Europe's third-largest airport, and Baku Heydar Aliyev International Airport. At the same time, in view of residence of ethnic Azerbaijani in neighboring countries (two million in Russia, more than ten millions in Iran and over half million in Georgia), it is possible to attract more tourists from the neighboring countries in the future.

Mass tourism demand sources such as the Gulf region and CIS countries

⁷ Source: Data obtained from the Ministry of Culture and Tourism and State Statistical Committee of the Republic of Azerbaijan

The Gulf region, the Central Asian CIS, and mass tourism demand sources each sent fewer than 20,000 tourists to Azerbaijan in 2014. However, each of these source markets offers unique opportunities for the expansion of Azerbaijan tourism. The mass tourism countries bloc sent a combined 450 and 500 million tourists abroad in 2014, with 4,2 percent annual growth in overall outbound tourism.⁸ As such, securing a larger share of this market would contribute significantly to Azerbaijan's tourism economy.

After instituting a visa-on-arrival practice for residents of the Gulf region, tourist arrivals to Azerbaijan from these countries increased significantly. For example, arrivals from the United Arab Emirates constituted 821⁹ tourists in 2014, which increased by 389311¹⁰ in the first nine months of 2016. Another similar example is the recent increase in tourist arrivals from Iraq. This trend highlights potential of such markets for Azerbaijan, which are relatively close to many established tourism destinations in the west for various reasons.

Yet, Azerbaijan could be niche market destination for many countries in the region with a shared tradition, history and culture. CIS countries also represent a similar unique opportunity for Azerbaijan. Residents of the CIS countries share many cultural – historical attributes with Azerbaijan and represent a large pool of likely visitors if better informed about Azerbaijan's offerings.

Major population centers¹¹ are gateways and important tourist contributors to Azerbaijan. Heydar Aliyev International Airport is within a short-haul flight of 26 major cities in the Gulf region, Asia, and Europe (see exhibit 6). Currently Baku is directly connected with 13 of these cities, which represent a total potential visitor population of 60 million. Connecting with the other 13 cities including Tabriz, Iran, which are less than an hour away by air, would add another 30 million people to short-haul flight distance.

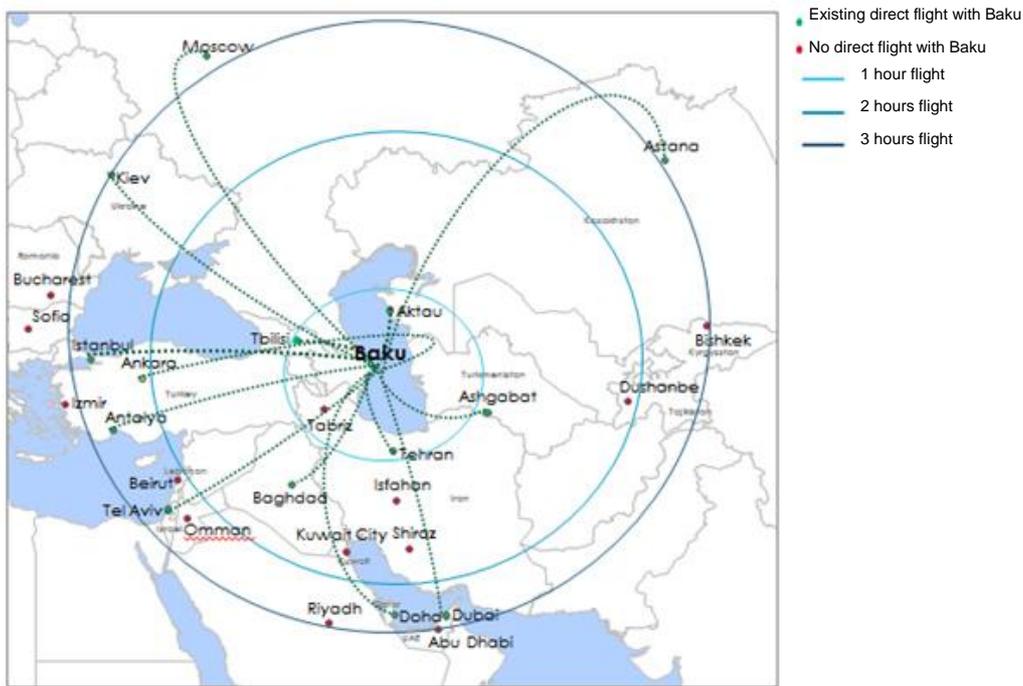
Exhibit 6. Cities with short -haul flight distance to Azerbaijan¹

⁸ Information is based on the analysis of data from the World Bank.

⁹ Information is based on the analysis of data from the World Bank.

¹⁰ Source: Ministry of Culture and Tourism of the Republic of Azerbaijan

¹¹ “Major population centers” is defined here as those with a population of more than 1 million and/or capital cities, considering only top cities for each country.



1. Considering Baku Heydar Aliyev Airport and available flights as of July 2016.

In addition, four major metropolitan areas - Tabriz and Ardabil, Iran; Makhachkala, Russia; and Tbilisi, Georgia - are within a seven-hour drive of Baku (see exhibit 7). The population of these four metropolitan areas totals 3,7 million people who are potential visitors to Azerbaijan.

Exhibit 7. Cities within a seven-hour drive of Baku



According to an analysis of data from UNESCO, many large tourism sectors thrive on short-distance travelers who take shorter trips. Long-distance destinations, meanwhile, could focus on wellness and medical offerings. So for example, Azerbaijan could exploit wellness and medical tourism (for example, asthma treatment at the Duzdag Salt Cave) to attract long-distance tourists.

3.2. SWOT analysis of tourism sector

Strengths	Weaknesses
<ul style="list-style-type: none"> • Azerbaijan territory is rich in ancient history, rich cultural sites, favorable geographic location, alluring nature, folklore, and location at the crossroads of different religions; • Availability of conference halls, hotels and other relevant service infrastructure; • government support of tourism; • favorable geographic location – proximity to Asia, Europe and Middle East region; • experience in organization of large-scale international events; • selection of tourism as a priority sector by government to develop non-oil economy. 	<ul style="list-style-type: none"> • Training of skilled workers does not meet labor market requirements both from quality and quantity perspectives; • Inadequacies in protection of environment; • Concentration of tourism attractions primarily in Baku city; • Less tourism information centers in the regions; • Touristic visits to regions are primarily possibly via car transport (insufficiency of railway and water transport, as well as flights); • Relatively less foreign language speakers in regions; • Insufficient promotion of the country abroad; • Lack of fast track offerings for foreign country nationals in border crossing points; • Lack of statistic database for tourism sector analysis; • Lack of regular monitoring of the satisfaction level of foreign tourists visiting the country.
<ul style="list-style-type: none"> • Increased professionalism of personnel; • Creation and development of new tourism services; • Further simplification of travelling opportunities for foreign and domestic tourists; • Valuable resources such as Naftalan oil and Duzdag (Salt Mountain) in Nakhchivan Autonomous Republic owned by the country. • Private sector support of tourism within public-private partnership. 	<ul style="list-style-type: none"> • External threats to be caused due to geopolitical location of the country

4. STRATEGIC VISION

4.1. Strategic vision for 2020

Azerbaijan's strategic vision for 2020 is to develop Baku into a major touristic destination, realize tourism potential for the entire country, establish favorable environment and infrastructure for the development of tourism industry, as well as increasing level of satisfaction among tourists.

Highlights on strategic vision

The following activities will be implemented by 2020: strengthening marketing and branding efforts to fully leverage Baku's existing cultural-historical sites and modern infrastructure and better organize promotion and campaign measures; creating favorable environment in the country by implementing support measures such as introduction of simplified and expedited

visa procedure to meet tourist preferences in different segments and by improving air connectivity; developing regional tourism under specific segments and creating necessary conditions; investing in education programs to increase tourist satisfaction and establishing high quality tourism system as well as improving standardization and certification systems in the tourism sector.

4.2. Long term vision of Azerbaijan in Tourism for 2025

Azerbaijan's tourism vision for 2025 is to become one of the top attractive tourism destinations in the region and around the world.

Highlights on long term vision

Until 2025, Azerbaijan would already leave behind key achievements on its way towards this vision in terms of branding and marketing campaigns, airline and ground connectivity, infrastructure, touristic themes and their operation, ease of doing business and vocational tourism education. During this period, strategic priorities in tourism will be managed to ensure a balanced development that both realizes Baku's potential and invests in the regional tourism (for various tourism sub-sectors including sun and beach, religious and cruise, in addition to already identified areas such as city, wellness, winter and eco-tourism) as required. Investments towards this vision will be managed through the strategic priorities in this roadmap until 2020, and will also include launch of longer-term strategic initiatives for their impact to be fully captured by 2025.

This would enable Azerbaijan to draw steadily increasing number of tourists from around the world and increase the share of tourism revenues in its gross domestic product. In order to move along this direction, Azerbaijan will establish city branding bureaus, under National Tourism Promotion Bureau, to govern all the branding and marketing activities in selected priority tourism regions. These bureaus will aim to attract more domestic and international tourists and to incentivize international tourists to travel to Azerbaijan more frequently. These bureaus will govern collection of relevant passenger and travel data to form and populate a central database. Beyond 2025, this will help thoroughly analyze common themes within tourists visiting Azerbaijan and to launch the branding campaigns accordingly. As a pilot for this future state, data-driven marketing activities will first be strengthened around Baku by 2025, as identified in the strategic priorities set for 2020. National Tourism Promotion Bureau will have research studies for the tourists traveling Azerbaijan and potential tourists in target countries to identify common traits and customer segments. With the increased depth of tourist interest insights, Azerbaijan would better position Baku as one of the top touristic destinations for new markets and travelers to reach its ultimate vision by 2025.

In order to attract more FDI, Azerbaijan will create an enabling environment through simplified legal and administrative processes and relevant regulatory changes. It will review its existing state for doing business, and eliminate all foreseeable barriers for the future in corporation with the tourism associations.

Azerbaijan will better market these touristic themes and their locations through producing and selling cultural ornaments and unique items. Beauty products from the Naphtalan region will be sold to tourists coming for wellness facilities in Azerbaijan as a memorial token, and will further be exported to other countries, starting from the neighboring ones. Other culturally unique products of Azerbaijan such as carpets, tea, and copper products will also be

marketed in these target countries and exported to them in the similar direction. This not only will bring in additional export revenue for Azerbaijan's economy, but also increase the recognition of Azerbaijan products as a whole across the borders and build up a reputation for its tourism.

By 2025, Azerbaijan aspires to increase the number of its direct flights from 49 to more than 100, covering all major European cities as priority, in line with its long-term goal to become one of the busiest airports within its neighborhood. In addition to scheduled direct flights, Azerbaijan aims to increase its charter flights especially during winter and summer tourism periods to bring in even more tourists from target demand markets. Azerbaijan will invest in its airports, focusing specifically on low-cost-carriers (LCCs).

By 2025, Azerbaijan will already achieve most of the infrastructure of its tourism facilities and attractions improved in the direction for its long-term vision for seamless touristic experience, in the regions and in Baku. It will improve qualifications of its existing low-cost accommodation alternatives (e.g. low cost brands of large hotel chains, hostels) and incentivize building of new ones to capture more customer segments from the international tourist pool, parallel to the increase in the demand for existing facilities.

As the tourism sector grows in infrastructure, Azerbaijan will put more emphasis on the locally-sourced services and facilities. Few of the local commercial companies would grow into tourism conglomerates that offer extensive tourism services such as recreational activities and amusement facilities on top of their core business like accommodation. Strengthened local presence in the sector would drive competition and quality of service upwards across Azerbaijan, with critical importance for the growth of regional tourism. Its tourism agencies will also be at the world standards and be known across borders especially in Caucasus, Middle East and Eastern Europe regions.

By 2025, Azerbaijan will already be known for tourism under specific themes, i.e., wellness, winter, culture and eco-tourism. Furthermore, Azerbaijan will also ensure that its natural parks, attractions and religious locations are globally recognized and are popular destinations for domestic and international tourists. Silk Way along the northern-eastern corridor will be a popular eco-tourism destination, surrounded by historical villages that reflect the cultural heritage of Azerbaijan.

Azerbaijan will be home to various tourism themes beyond 2025. It would be known for its high quality winter resorts, unique wellness facilities, one-of-a-kind natural beauties and parks and cultural heritage for religious and village tourism. Displaying the components of many different cultures, Azerbaijan's well-preserved authentic villages would be among the main attractions. Tourists interested in experiencing the traditional culture far from the influence of the modern world will be visiting these villages. In the similar direction, Azerbaijan will improve and highlight its religious attractions for the potential tourist base.

4.3. Aspirational Vision of Azerbaijan in Tourism for post 2025

By post 2025, the country aims to be one of the most preferred 20 touristic locations and increase by maximum the indicators of effective use of existing tourism resources.

Highlights on aspirational vision

Azerbaijan aspires to be an attractive destination for international tourism targets in its long term vision through properly targeted branding campaigns, increased connectivity and

infrastructure, and improved variety and quality in its tourism attractions. This way it will ensure it draws the potential tourists from around the world and offers them a unique travel experience worth remembering.

More specifically, as its post-2025 vision, Azerbaijan aims to be one of the most preferred 20 touristic locations in the international tourism sector. For this purpose, Azerbaijan will launch highly targeted and well-governed branding campaigns in key demand cities & countries and popular online platforms. Targeted tourism campaigns will be based on different themes and will be heavily data-driven.

Centered on the crossroads of Europe and Asia, Azerbaijan has the geographical potential to become one of the world's most connected countries. In the long term, Azerbaijan will utilize this advantage through its sophisticated logistics infrastructure to become a regional hub for travelers. It aspires to be a natural flight transfer zone with more than 8 million passengers carried in and out annually through a liberalized and competitive aviation sector. This would mean an approximately four-fold increase over current levels of passenger traffic through Baku Heydar Aliyev International Airport, molding Baku into a well-known stopover location for both business and leisure travelers. This increase in the number of passengers traveling through Azerbaijan will have a natural upward effect on the number of tourist arrivals. It would also support future transformation of Azerbaijan as a hub in the other sectors (e.g. health and education) as this upward trend can induce increased exposure of local businesses to global companies.

Apart from airline connectivity, Azerbaijan will initiate development of a strong high speed train and highway network in the long term. It will strengthen its connections to neighboring countries to further draw international tourists (e.g., enhancement of the train connection to Iran) and it will improve its railway, including subway system, and highway network within the country to make it convenient to get around within and between cities for tourists. This way Azerbaijan will ensure incoming tourist potential not only stays in their initial destination, but rather moves around the country to visit either different cities or to travel along specifically designed travel-trails.

Given all the additional tourist inflow into Azerbaijan, the accommodation and service infrastructure of Azerbaijan will also be boosted to meet this demand from different touristic segments. As a part of this, Azerbaijan would have a range of accommodation options from low-cost hostels and bed & breakfasts to luxurious hotels and resorts. Azerbaijan will ensure that the distribution of these hotels meet the tourist behavior map generated from data analytics and research conducted by the National Tourism Promotion Bureau to accurately offer accommodation alternatives for tourists depending on their travel budget.

Besides, Caspian Sea offers a substantial potential to fuel the tourism economy. Azerbaijan in this direction aspires to be the most preferred summer tourism location within the Caspian Sea region by expansion of blue flag status to its tourist-attraction beaches. This involves rehabilitation of the Caspian Sea and establishment of a well-governed waste treatment management for nearby facilities. In addition to that, Baku also pursues to play a key part in Caspian Sea cruise tours through daily-trips or longer trips with stop-overs at surrounding countries.

On top of the traditional notion of tourism for natural beauties, cultural heritage and summer destinations, Azerbaijan aims to be known for leisure and sports tourism. Building upon its

existing massive-scale organizations, Azerbaijan will pursue to host more music festivals, international culture events and sports tournaments. . It will offer various discount shopping malls, restaurants, amusement parks and centers to ensure incoming tourists for the events can find high-quality entertainment activities.

5. TARGET INDICATORS

In tourism sector, sixteen priorities are estimated to:

- Increase Azerbaijan's GDP by AZN 465 million in 2020, in real terms;
- Add 36,600 total and 25,000 direct (in tourism sector) employments by executing on its priorities, in Baku and other regions.

To achieve this impact, there are six intermediate targets identified for 2020:

- Increase the number of nights spent by foreign tourists in hotels and hotel-like facilities in Baku in 2020 to a minimum of 3.65 million from estimated 0.8 million in 2015;
- Increase the average length of stay per tourist from 2 to 3 days;
- Increase the number of foreign tourists accommodated in hotels and hotel-like facilities in Baku from 0.5 million in 2015 to 0.9 million in 2020, and the number of non-accommodated foreign tourists from 0.8 million in 2015 to 1.5 million in 2020;
- Gradually accommodate 265 thousand incremental low-cost tourist arrivals;
- Increase capacity utilization rate to 65% in wellness facilities, compared to current level of 40% (leverage of wellness facilities in Naphtalan is considered);
- Attracting 180 thousand tourists to touristic attractions located along the "Silk Way" and other cultural tourism routes.

6. STRATEGIC OBJECTIVES

- Achieve more foreign tourist arrivals in Baku in the long term establishing an efficient governance mechanism in order to fully leverage Baku's tourism potential, strengthen marketing and branding efforts, upgrade information on tourism attractions and improve tourism infrastructure;
- Simplify entry and exit on borders to create favorable environment in the country, build coordinated activity among different players of tourism sector and achieve long term development introducing support mechanisms such as the creation of tourism and recreation zones;
- Develop regional tourism under specific themes, i.e., wellness, winter, culture, business, eco-tourism and rural, to diversify Azerbaijan's tourism offerings and to attract more tourists in the long term;
- Achieve high satisfaction of tourists by establishing tourism quality system in order to upgrade quality and quantity indicators of services provided in the tourism sector.

7. STRATEGIC TARGETS

7.1. Strategic target 1. Realize Baku's full tourism potential by attracting more international visitors

To reach the next level of international recognition among business and leisure travelers alike and strengthen Baku's tourism stand, a National Tourism Promotion Bureau will be established to coordinate branding activities among the city's relevant public and private organizations. The National Tourism Promotion Bureau will work with the Azerbaijan Republic Tourism Council, relevant governmental bodies and other organizations to upgrade information available about Baku, launch a promotional campaign in key target markets, commit resources to assisting entrepreneurs in expanding the number of budget accommodations options and building a robust tourist experience in the city center. These coordinated and focused efforts will help Baku to capture an important share from its potential demand pool that includes 26 cities with more than 90 million population, in short haul flight distance.

7.1.1. Priority 1.1. Establish a National Tourism Promotion Bureau and ensure its operation first in Baku city

Rationale

Tourism to Baku represents a large piece of overall Azerbaijan's tourism. In 2014, Baku was home to 43 percent of the country's available hotel rooms, 64 percent of accommodated tourists, and 83 percent of accommodation revenue (Exhibit 8).

Exhibit 8. Indicators on Baku's contribution to Azerbaijan's overall tourism sector



Source: State Statistical Committee of the Republic of Azerbaijan

However, the promotion value chain is highly fragmented: different destinations, planning organizations, transportation organizations, accommodations, and intermediaries (tour operators, restaurants, shopping malls, and so forth) all operate independently. Additional

measures will need to be taken in order to ensure better coordination among these institutions and establish tourism branding of Baku city.

Actions to be taken

Action 1.1.1: Establish a National Tourism Promotion Bureau

The establishment of National Tourism Promotion Bureau (hereinafter referred to as the Bureau) will be reviewed to develop international image of Baku, prepare long term action plan for leveraging city branding, take control measure for use of the brand and coordinate the efforts of rebranding and marketing at different levels and increase tourist satisfaction.¹² Once it proves effective in providing the coordination of Baku tourism efforts, this experience may be extended to other tourism destinations in Azerbaijan. The Bureau will prepare and submit proposals on brand strategy of Baku city. Action plan providing activities envisaged by this Strategy will be prepared for 2017 – 2020. A partial budget for the Bureau will be provided initially by the Azerbaijan government, and, as for the remaining budget, once the public-private partnership is established, the Bureau will consider other options for additional funding sources as specified in its charter.

Action 1.1.2: Implement necessary organizational works to ensure the operation of the Bureau

All necessary infrastructure arrangements will be carried out for the bureau's operation. To organize its efficient operation, this will include creation of online communication platforms for establishing relationship with foreign media.

Action 1.1.3: Implementation of different measures by the Bureau

The Bureau will shape the brand of Baku city and its promotion at international level and it will also specify and approve indicators to oversee Baku City brand performance and relevant monitoring methodology. As part of the monitoring system, the Bureau will ensure high quality data collection and preparation of reliable tourism statistics, and efficient functioning of a registry for tourism infrastructure. The monitoring system and its results will be announced with press releases and will be made public through online communication platforms on a continuous basis and also actions will be taken to measure the satisfaction level of tourists visiting Baku. Using such online platform or relevant tools, complaints and proposals of tourists will be received and reviewed and if necessary, forwarded to respective bodies to take necessary measures.

Action 1.1.4: Prepare a marketing and communication plan of Baku city for 2017 – 2020

Marketing and communication plan of Baku city for 2017 – 2020 will be developed with participation of the Bureau's representatives and other stakeholders. In order to attract foreign tourists from target groups specified in Priority 1.3, strategic directions such as the implementation of relevant marketing events will be defined on the basis of discussions. Where necessary, international partners with relevant experience could be involved in the preparation of this plan. The plan will be disclosed to public via web site and press releases.

¹² If established, the National Tourism Promotion Bureau will be responsible for implementation of measures planned for this body in the strategic roadmap, otherwise other relevant agency will take over these responsibilities.

Action 1.1.5: Create a tourism calendar for Baku City to coordinate the timing of all major events

Creation of tourism calendar for Baku city will be reviewed each year, as specified by Priority 2.3, to coordinate the timing of all major events throughout the year and set a proper tourism policy and where necessary, coordination with relevant bodies will be established to make activities more efficient in this area.

Expected result and indicators

Establishment of the Bureau, coordination of its activities and introduction of execution and oversight mechanisms are mainly enablers for all Baku related actions.

This strategic priority is estimated to bring total of AZN 10 million, including AZN 5 million direct and AZN 5 million indirect GDP increase by 2020.

Key Performance indicator is to increase the number of nights spent by foreign tourists in hotels and hotel-like facilities of Baku in 2020 to 3.65 million nights from estimated 0.8 million nights in 2015.

The establishment of the Bureau will also increase efficiency and collaboration of all tourism players in Baku city and overall cooperation across relevant organizations.

The required investment

There is no major investment need to implement this priority, as this is more a “coordination” process.

The expected risks

No special risks are expected for this priority. Nevertheless, failure in coordination of the Bureau's activities among respective private and public institutions might create risks of improper organization of the Bureau's operation in line with an action plan for 2017 – 2020 to be developed on the basis of the Strategic Roadmap as well as difficulties in the use of resources.

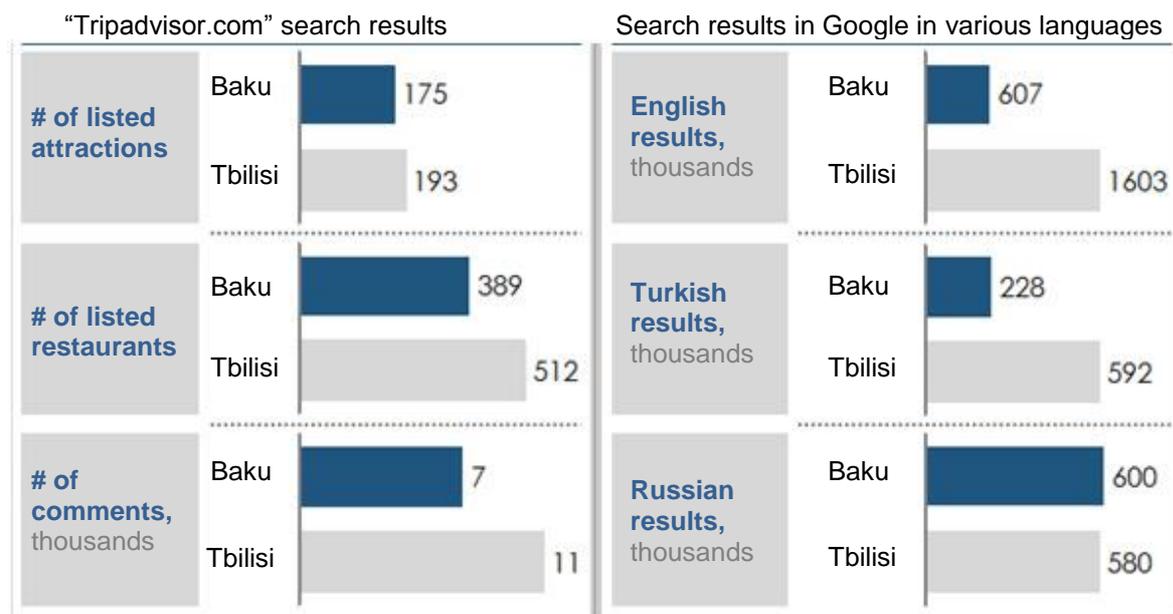
7.1.2. Priority 1.2. Upgrade available information on tourism attractions in Baku and package tourism offerings

Rationale

Several websites popular among international tourists have information on Baku's attractions and restaurants. The world's most-used travel website, Trip Advisor, offers information on 175 attractions and 389 restaurants in Baku, and since May 2016 users have left more than 7,000 comments to aid other Baku visitors.¹³ However, this figure seems to be smaller when compared to other neighboring competing cities of the region. Trip Advisor offers 50 percent more information on regional competitor Tbilisi (Exhibit 9). "Baku travel" is a slightly more popular search term than "Tbilisi travel" among Russian Google users, but not among English- and Turkish-speaking users.

¹³ According to information as of May 30, 2016

Exhibit 9. Search results in web sites



Source: State Statistical Committee of the Republic of Azerbaijan

Studies demonstrate that, once travelers get to Baku, they don't always take advantage of all Baku has to offer. For example, in 2014 only 45 percent of foreign tourists who stayed in Baku visited the Maiden Tower¹⁴. The reason is the insufficient level of awareness on tourism attractions of Baku city among international tourists. Currently Baku currently has one tourism information office in Baku city. A second one is planned to open in Seaside National Park in 2016 and the next information center in Icherisheher in 2017. Furthermore, Baku is currently home to more than 200 private tourism agencies, which focus 90 percent of their business on Azerbaijan's residents traveling abroad.¹⁵

Along with increasing awareness of tourists about touristic attractions available in Baku, it is also important to organize different new types of touristic events relevant to preferences of tourists from demand countries. Nowruz holiday is an important tourism opportunity for Azerbaijan. In general, each year Nowruz holiday festivals are organized in the territories of State Historical-Architectural Reserve "Icherisheher" and "Gala" Reserve. This holiday is one of the most important periods for many cultures in the region, and particularly for Iranian tourists. Multiple countries already consider this period as an opportunity and have dedicated events and programs as well as dedicated tourism packages to attract mainly Iranian tourists. It would be possible to attract more tourists if dedicated events for Nowruz holiday would not just limited to the sites of the Reserves Icherisheher and Gala but also organized in other parts of the city. In this regard, dedicated tourism packages for Nowruz holiday could be prepared and promoted widely in countries where Nowruz is marked.

Along with unique traditional values and attributes, Baku has many venues favorable for MICE (Meetings, international conferences, and events) tourism. Baku is home to more than

¹⁴ Figure is calculated based on the total number of foreign accommodated persons in Baku and number of visitors to Maiden Tower, according to figures from Statistical Committee of Azerbaijan Republic and the Icherisheher Administration.

¹⁵ Figure is calculated based on number of tours sold to Azerbaijan residents and international visitors.

15 large and midsize venues with available conference and meeting rooms as well as more than 30 luxury hotels.¹⁶ The city also has extensive infrastructure to support the international business community and other business functions. The Azerbaijan Convention Bureau, which was founded in 2013 under the umbrella of the Ministry of Culture and Tourism based on public-private partnership, is a one-stop shop for these business assemblies.

In 2016, Baku hosted its first Formula 1 Grand Prix (hereinafter F1 races) race. As with many other large international sporting events, F1 races bring to their host countries more foreign visitors, increased length of stay, and increased spending - at large hotels and attractions as well as local businesses. Cities that hosted F1 races in 2011 recorded economic benefits between USD 40 million and USD 220 million.¹⁷ Bahrain and Monaco, both of which constructed city tracks in 2011, realized economic benefits of USD 220 million and USD 90 million, respectively. Leveraging this experience, Baku could also increase economic benefits organizing different events before and after the F1 races.

In addition, cities around the world encourage repeat visits and boost tourism revenue through shopping festivals, where city centers organize events such as contests and shows - and sometimes governments even offer tax-free shopping -to attract throngs of shoppers. For example, shopping festivals in Kuala Lumpur and Dubai, which are held for weeks or months at a time, have increased both tourism spending and tourist arrivals in those cities. Considering this experience, shopping festivals will also be held in Baku city.

Azerbaijan will work to improve the coverage of Baku and nearby attractions in online major tourism media. Dedicated measures will also be taken to increase tourists' awareness on touristic attractions of Baku after they arrived in the city.

Actions items

Action 1.2.1: Take measures towards creating online awareness and preventing difficulties frequently met by tourists in order to ensure awareness among tourists about Baku at a sufficient level

The Bureau will create and staff an online information team to attract tourists more effectively to Baku in the first place. Considering the increased use of online tools for information gathered for tourism decisions, this team will ensure availability of satisfactory information (photos, comments, directions etc) related to Baku in major online travel platforms (e.g. Trip Advisor, Four Square, Lonely Planet), in English, Russian, Turkish, Arabic, Persian and others as priority languages. Moreover, the team will monitor online platforms and search motors to conduct an assessment every half year to identify the level of coverage of tourism offerings (e.g., restaurants, hotels, historical and cultural attractions) and will take appropriate actions upon tourists' repeated challenges (e.g. lack of tourist attraction signage, etc).

Action 1.2.2: Take measures to increase awareness among tourists visiting Baku and further travelling to the regions

Azerbaijan will continue to strengthen the coverage of these offices and expand their number, prioritizing placement in airports such as Baku and Gabala. In collaboration with and using funding from the Bureau, tourism information offices will further produce printed brochures

¹⁶ Including five- star hotels and boutique hotels

¹⁷ 2011 is the most recent year in which financial data are available for the F1 Group.

and informational materials in English, Russian, Turkish, Arabic and Persian covering attractions in Baku and surrounding areas (4 hour distance) that will be available to tourists in bus stations, subway stations, and airports. These offices will also expand the maps and public transit information materials, which are available in Azerbaijani, into those languages and publish them accordingly. These materials will also be offered to hotels, shopping malls, major tourist attractions, and others for display and distribution to ensure that visitors to Baku have the information they need to design their journey through Baku to their specifications and to take full advantage of the city's offerings. To further improve on-the-ground attraction to Baku's major tourist sites, these offices will provide vouchers and discounted tickets to museums to tourists at airports and train stations when they enter the country.

Action 1.2.3: Increase awareness on less visited attractions located in Baku city

In collaboration with travel agencies, the Bureau will prepare tourism routes for less visited venues that would be interesting for tourists (for example, "House Museum of Nobel Brothers", House Museum of Tahir Salahov, Numismatics exhibition, etc.) and attract more visitors. In order to increase awareness on these routes, necessary information will be included into brochures and information materials indicated in Action 1.2.2.

Action 1.2.4: Implement various support mechanisms by the Bureau

The Bureau will conduct workshops for private tourism agencies and new agencies to be established, and coach them on how to engage in more diverse international partnership opportunities with the goal of expanding their target audience to include more foreign visitors to Baku. Tourism agencies will also be encouraged to improve their on-the-ground visibility on major touristic places, main streets, airports, public transit stations, and major hotels.

Action 1.2.5: Improve services provided by city tour transport vehicles

The reliability, coverage, and timeliness of Baku's city sightseeing "hop-on, hop-off" bus services will be improved, and the services will be expanded to include routes with experienced tour guides and audio records available in both Russian and English. These services will include stops at attractions in the surrounding area of Baku such as Yanar Dag, Gobustan Reserve and Mud Volcanoes. The Baku tourism offices will communicate these expanded offerings through the printed materials available to tourists at the airport, hotels, and other relevant locations.

Action 1.2.6: Take several measures to harness full potential of business travel to Baku

To fully utilize opportunities from its infrastructure, harness the full potential of business travel to Baku and increase the number of meetings, international conferences, and events held in Baku, as well as in addition to measures provided for in Priority 3.4, the country will implement two additional measures:

1. Better utilization of the unique venues of Baku city: events can be held on the world's oldest offshore oil platform, "Yanar Dag" State Historical-Cultural and Natural Reserve, with a natural gas fire that has blazed on a hillside near Baku for decades, and "Ateshgah Temple" State Historical and Architectural Reserve located on an ancient subterranean natural gas field.

2. Attractive offerings to entice business travelers to bring their families and stay longer before and after events, in coordination with tour operators: the Bureau will coordinate with business tour operators serving incoming business travelers to provide family-friendly packages, including tours in Baku and surrounding area tours. The Bureau will also encourage the establishment of additional offerings that promote sports (for example, one-day tours to Shahdag, a mountain resort) and beach and night offerings (for example, night clubs for foreign tourists, etc.).

Action 1.2.7: Prepare and promote Nowruz holiday packages

Offering dedicated tourism packages for target countries, as specified by Priority 1.3, is important to attract additional tourists from those markets. To benefit from the Nowruz period, the Bureau will encourage creating package tours, bringing together accommodation and flight tickets on the eve of Nowruz holiday. In addition, it will organize various activities on the eve of Nowruz and include them into these packages to increase attractiveness of Azerbaijan and Baku particularly. These could include open air festivities on Tuesdays and during the holiday itself, performances of folk music from Azerbaijan and other countries in the region, and activities around preparations of Nowruz tables. Promotion of these packages will be undertaken by the Bureau using external communication means based on online platforms created under Priority 1.1.

Action 1.2.8: Hold different events during F1 races

The F1 Organizing Committee and the Bureau will also bundle other types of sporting events with F1 races to increase the average length of tourist visits. An Azerbaijan Bicycle Tour, festivals, and motorsports-related events, such as those hosted in other regional host countries, are good options for the shoulder period before and after the main event. The F1 Organizing Committee will consider organizing various festivals and large exhibitions during F1 races as well as creating a local food and culture festival to coincide with F1 events. Promotion of these packages will be undertaken by the Bureau using external communication means based on online platforms created under Priority 1.1.

Action 1.2.9: Promotion of tourism services packages by the Bureau

The Bureau will promote package tours in Baku including developing a Baku city tourist card for short term (24/48 hours) entrance to all touristic attractions and Baku city tourist buses. The Bureau will also facilitate regular monthly 'tourism packaging' events and workshops between agencies, transportation firms, hotels, art activities/museum management, MICE (meetings, international conferences and events) organizations and potential international partners to enrich current daily, weekly tourism packages. Promotion of these packages will be undertaken by the Bureau using external communication means based on online platforms created under Priority 1.1.

Action 1.2.10: Shopping festival packages

Ministry of Culture and Tourism, in collaboration with public and private institutions, will develop a shopping festival to coincide with holiday periods in line with Baku tourism event calendar set forth in Priority 1.1. These measures will also include retail shopping, artistic displays, parades, and other tourist shows such as beauty workshops with Naphtalan oil and Duzdag (Salt Mountain) of Nakhchivan Autonomous Republic.

The festival will focus specifically on offering specialized Azerbaijani products such as craftsman copper items. To organize a shopping festival in Baku, Ministry of Culture and Tourism will prepare a relevant action plan. The Ministry will coordinate preparation of a strategic plan for the festival following four steps. First step will be the selection of the shopping festival's timing in line with public holidays in target markets (e.g. Iran, Russia, Georgia) that are specified in Priority 1.3. Second, the Ministry will be hosting meetings with top 20 travel agencies in target markets and develop high end to very low end shopping tourism packages which will include hotel, transportation (train, bus or plane) and sightseeing. Third, it will create avenues for local production to participate in shopping festival and bring the local producers from regions where needed during festival period. Forth, once the festival is completed, it will conduct an assessment via collecting feedbacks from participants, tourism agencies, hotel and restaurants, and implement suggestions in next year's shopping festivals.

Action 1.2.11: Offer do-it-yourself online tourism packages in websites of local tour operators

This will ensure opportunities for providing do-it-yourself online tourism packages that offer comprehensive travel options including flights, hotels, car rentals, and tours through the website of local tour operators. Tourists will enter websites of tour operators to select the preferred flight direction, hotel and other services, which will help them to prepare a specific tourism package. This one-stop shop will up sell day tours, car rentals, tourist attractions, and event sales, supporting an increase in revenue per tourist. This do-it-yourself online tourism package will involve a partnership with local tour agencies; a variety of hotels from budget to high-end options; car rental and shuttle services; and restaurants, museums, and attractions.

The Bureau will start a joint project with local tour operators to promote all the available information and tourist service packaging. This project will increase Baku-related offerings in websites of tour operators and the Bureau and allow purchase of "do-it-yourself" packages. The website will have dedicated information page for Baku and its surrounding area, with offering of combined package deals, including airline tickets. For this purpose, a unified system will be established and integration of tour operators into this system will be provided.

Action 1.2.12: Create specific tourist service packages for target countries building on Baku's and Azerbaijan's unique value propositions

The Bureau will organize the creation of specific tourist service packages for target countries identified in strategic priority 1.3, building on Baku's and Azerbaijan's unique value propositions. One such project will be potential creation of tourism packages for German tourists, with the package including tour of former German villages and settlements around

Azerbaijan. Promotion of these packages will be undertaken by the Bureau using external communication means based on online platforms created under Priority 1.1.

Action 1.2.13: Prepare one or two-days travel packages from Baku to other regions via air transport

Ministry of Culture and Tourism will support the arrangement of one or two-days tours for international tourists visiting Baku to areas with commercial airports specified in Priority 2.5. Under collaboration with relevant agencies, this body will put efforts to enhance the time efficiency of flights from those airports.

Expected results and result indicators

Implementation of this priority is estimated to bring AZN 30 million direct GDP and AZN 20 million indirect GDP, totaling AZN 50 million. Besides, it is estimated to create 6,100 employments in tourism sectorial totaling 8500 employment by 2020.

Key performance indicators:

- Increase the number of foreign tourists accommodated in hotels and hotel-like facilities in Baku in 2020 to 0.9 million from estimated 0.5 million in 2015;
- Increase the average length of stay per tourist from 2 to 3 days.

The GDP impact is assumed to be captured from additional accommodation and leisure spend due to longer stay of the tourists. Daily spend is assumed to stay at 195 AZN per person per day in real terms. Impact of additional tourist arrivals to Baku is assumed under Priority 1.3.

As a result of implementing actions specified in this priority, employment is expected to increase due to tourist activity and travel agency growth, tourism information offices and media officer of the Bureau. Share of employment increase in Baku, proportional to economic impact is captured under this priority, while the rest is allocated to Priorities 1.3 and 1.4.

The required investment

To achieve this impact, there is a need for AZN 15 million one-time investment to serve new tourists more effectively, prepare packages and organize festivals.

Expected risks

The potential risks associated with the implementation of this priority could mainly be the lack of financial resources.

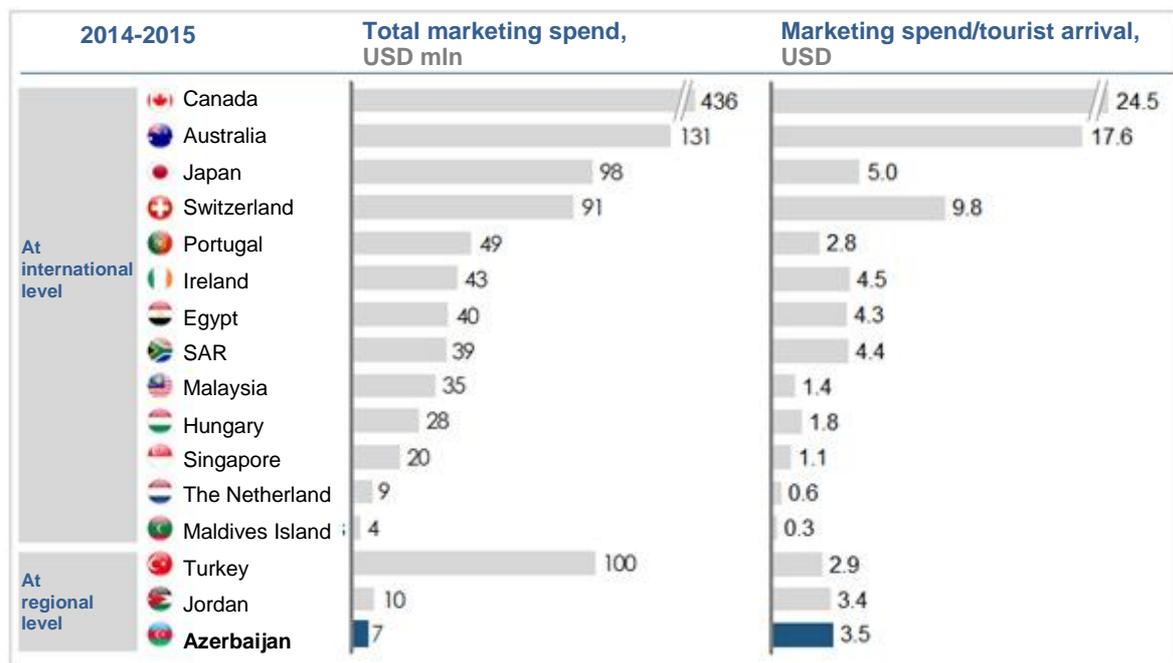
7.1.3. Priority 1.3. Implement a Baku city promotion campaign

Rationale

There is plenty of room for growth in the amount of resources dedicated to marketing Azerbaijan to outside visitors. The existing marketing budget of Azerbaijan focuses on television advertising on international, business-oriented channels such as Euro news and CNN International, capturing 58% of the total budget of marketing. Azerbaijan spends an

average of USD 7 million a year, resulting in an average marketing spend of USD 3.50 per tourist arrival, on par with regional counterparts (Exhibit 10).¹⁸

Exhibit 10. Indicators of marketing expenses in the region and other countries



Source: World Tourism Organization, Annual Reports of National Tourism Authorities

Furthermore, by pursuing a relevant marketing policy, the Bureau can boost the number of tourists and their average length of stay, with a focus on Baku tourism. By using the allocated funds, the Bureau will implement a Baku city promotion campaign that encompasses online marketing, television advertising, and participation in tourism fairs, among other channels in selected cities.

Action items

Action 1.3.1: Select key target countries

Studies on five key target countries identified as prime market opportunities for Azerbaijan will be undertaken as part of the analysis of existing situation in this Strategic Roadmap to implement the identified priorities in line with their predefined objectives, including enabling the Bureau to fully leverage Baku’s tourism potential and taking promotion measures to achieve these goals. Furthermore, list of priorities to implement promotion campaign for Baku city will be designed as provided for in Action 1.3.2 and the first promotion campaigns will be started from target countries with direct flight to Baku. In the event, the number of tourist arrivals from different countries go beyond a certain limit, new countries will be included into the list of priority countries. Once weekly flights are started, such promotion campaigns will be extended to other target countries in short flight distance with Baku.

¹⁸ Marketing spend per tourist arrival is obtained from World Tourism Organization, National Tourism Authority Annual Reports.

Action 1.3.2: Select target countries and cities

In the first place, Azerbaijan's neighboring countries will be a key market for targeted promotion of Baku tourism. Promotions will start in high demand countries such as Georgia, Iran, Russia, and Turkey, prioritizing direct-flight cities such as Istanbul, Moscow, St. Petersburg and Frankfurt. Furthermore, several factors will be taken into account when markets are classified based on priority principle. Consideration of the following key criteria will bring in a maximum profit from investments in marketing activity.

1. *Distance to country:* Proximity to country as an important factor should also be taken into consideration in marketing campaign. Priority markets are usually neighboring countries, which require less time and money for traveling. Citizens of countries of long distance will have to spend a more time and money for transport, which might cause their refusal from travelling.
2. *Entry- exit procedures for foreign nationals, including attributes of visa regime or its inexistence:* Complicated visa procedures, as well as strict border crossing regime are the major obstacles to tourism. Time spent for application to embassy and collection of multiple documents creates obstacles for tourists and affects their decision of tourism destination.

In this regard, list of priority countries will include primarily the countries subject to application of either the visa-free regime or simplified visa procedures.

3. *Transport connections: Direct air connectivity is a factor directly considered by tourists when tourism destination is selected.* Low-cost air connectivity among countries is of great importance.
4. *Economic welfare of countries:* The wealthier population a country has, the more money and time will be spent for foreign travels.
5. *Number of population:* The more population a country has, the higher number of people will travel abroad. Investments in development in such countries usually bring in greater impacts.
6. *Internal political situation in the target market:* In the event internal and international situation gets worsened, number of people willing to travel abroad as tourist might get decreased. In this case, relevant amendments should be made to marketing plans.
7. *Language barrier:* A language barrier is another factor affecting the tourism destination. Lack of language barrier simplifies visits of tourist from Russia, Turkey and similar countries to Azerbaijan.
8. *Tourism aspiration of country population, as well as need for offered products: Demand for tourism products in a country should be taken into account when marketing campaign is planned.* For example, European tourists prefer cultural tourism mainly, while tourists from Middle East opt for city tour, shopping and hunting tours. Cultural and religious closeness might also affect the tourism destination.
9. *Statistic dynamics:* Statistic indicators on tourist arrivals serves an important indicator when marketing plans are designed and priority markets are identified. If the statistics of arrivals from different countries demonstrate constant growth, these markets should attached higher attention

Action 1.3.3: Pursue market research to implement promotion campaigns

Under limited budget circumstances, efficient marketing strategy will be based upon differential approach. Certain funds will be provided depending on the correspondence of cities and countries with the criteria set forth in Action 1.3.2. For this purpose, the potential markets will be divided into the following groups based on priority principle:

- *First category countries.* This group will be included countries with great potential as tourism demand country, which meet the key criteria. Collaboration with these countries should be maintained in line with a predefined plan and specified budget.
- *Second category countries.* This group will be composed of countries partly meeting the classification criteria. No predefined plan is required to launch cooperation with these countries. It is planned to implement one-time measures such as attendance in tourism exhibitions, organization of study visits for tourism sector representatives and journalists. These actions could also be organized via representative offices, and project based approach could be introduced to maintain cooperation with them.
- *Third category countries.* This group includes countries not meeting the majority of classification criteria. It is planned to implement promotion campaigns in this group of countries mainly via electronic marketing and international TV channels.

The Bureau will define and secure budget for market research and branding program. It will then reach out to established international market research and branding expert companies and hire the best candidate to develop the campaign strategy. The work will include the conduct of a market research in Azerbaijan and also in target markets. Furthermore, analysis will be done to indicate top strengths as well as areas to improve for Baku city tourism. Brand image, logo, slogan advertisement videos for Baku city will be created in line with the results of this market research. Going forward, the market research will be repeated yearly, to identify Actions on improvement areas and learning of the last year as an input to the Bureau.

Baku's promotion campaign will be tailored to each country and city to fully capture opportunities in each. Market research will ensure that promotional efforts are aligned with the realities of both supply (the competitive landscape and Azerbaijan's competitive edge etc) and demand (regional proximity, socio-demographic profiles, tourist travel behavior etc). The Bureau will engage tourism experts to perform market research to understand the preferences of current visitors to Baku, increase volume and depth of tourism data collection, and define the value proposition of Baku for each target country.

Action 1.3.4: Implement a Baku city marketing campaign in target cities hiring marketing and media planning companies

The Bureau will implement Baku city marketing campaign in target cities, in line with the strategy. The Bureau will hire marketing and media planning companies to implement the campaign. The first step will be to define the budget and spending principles and rules. Later, the campaign plan will be implemented every year, starting in 2017, in target cities and countries. The Bureau will set up KPIs for effectiveness of each marketing tool (e.g., online campaign, TV ads, etc.) and collect reports on effectiveness of them separately. The budget allocation for mix of marketing tools used will be updated based on KPI assessment.

Action 1.3.5: Identify marketing channels

A more diverse set of marketing channels will be required, however, to support the goals of the promotion campaign. The Bureau will focus on television channels, banner advertisements (outdoor campaign), international exhibitions, presentation in target markets, organization of study visits for foreign journalists and tourism sector representatives, digital marketing and social media campaigns, as well as popular television shows in target markets. A particular focus will be given to localization of campaign, based on thorough understanding of the target markets through market research; and the international marketing agency and the newly established online marketing team within the relevant government body will assist in this effort.

Action 1.3.6: Open tourism representative offices and organize their activity in diplomatic missions of Azerbaijan

The Ministry of Culture and Tourism together with relevant government bodies will assign and ensure the activities of tourism representation offices in diplomatic missions of the Republic of Azerbaijan operating in target countries for the purpose of promoting the tourism potential of the country and tourism products offered to global tourism market, as well as organizing the sale of these products and increasing tourism arrivals in the country. An annual work plan will be designed to make activities more effective and planned.

Expected results and result indicators

Considering potential increase in number of tourist arrivals to Baku from target countries, it is estimated that the strategic priority can bring total of AZN 230 million GDP increase, including AZN 150 million direct and AZN 80 million indirect impacts. This impact excludes tourist arrivals due to family visits. In terms of employment, the increase in number of tourists is expected to bring total of 16,000 employment by 2020, including 11,500 directly in tourism sector.

Key performance indicators:

- Increase the number of foreign tourists accommodated in hotels and hotel-like facilities from 0.5 million in 2015 to 0.9 million in 2020 (this is also a key performance indicator of priority 1.2), and the number of non-accommodated foreign tourists from 0.8 million in 2015 to 1.5 million in 2020.

As an additional impact that is not quantified here, marketing for Baku is expected to strengthen overall tourism demand towards regional tourism attractions, such as winter resorts or wellness tourism in Azerbaijan.

The required investment

Marketing campaign and tourism representation offices will require AZN 100 million total investment by 2020.

Expected risks

Lack of finance might be the main risk associated with the implementation of this priority.

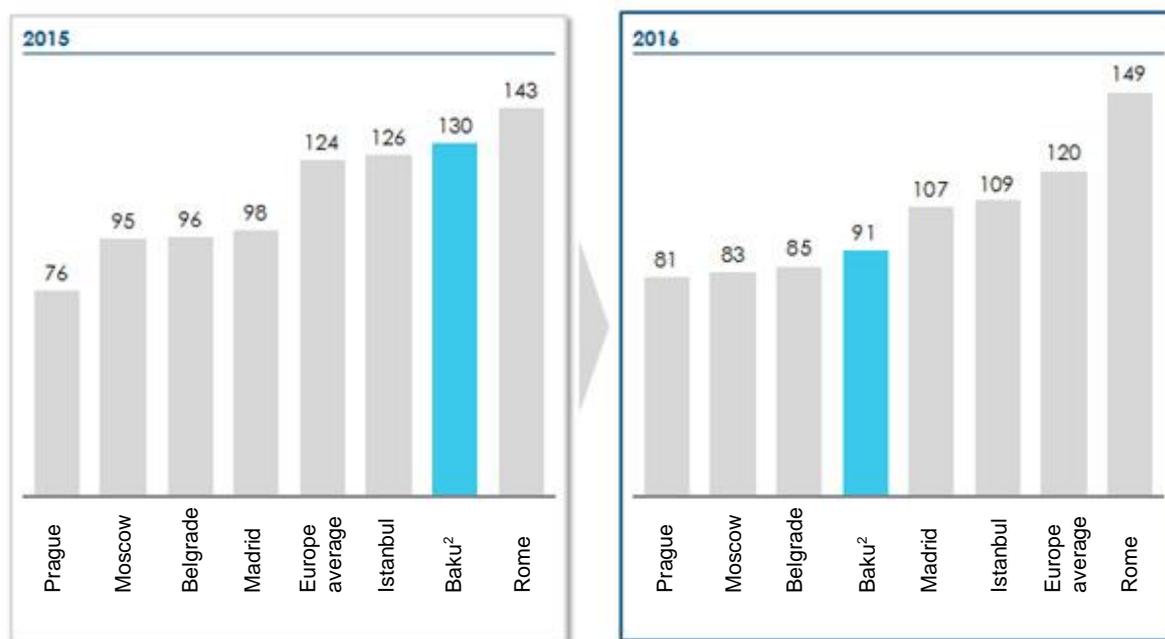
7.1.4. Priority 1.4. Develop Baku's tourism infrastructure, including low-cost accommodations and robust tourist areas

Rationale

Baku is already one of the world-class business tourism destinations. To improve its appeal to certain segments, including budget and leisure travelers, it is necessary to build affordable accommodation facilities such as hotels and hostel guest houses in the center of Baku city.

According to statistic indicators, from 2015 to 2016, currency depreciation alone caused a 30 percent decrease in the cost of accommodation in Baku. Therefore, in the first four months of 2016, average daily hotel rates dropped to USD 91, from a 2015 average of USD 130, thus setting the stage to pique tourist interest in visiting Baku (Exhibit 11).

Exhibit 11. Average daily accommodation costs for different cities in 2015 – 2016 years (with USD)¹

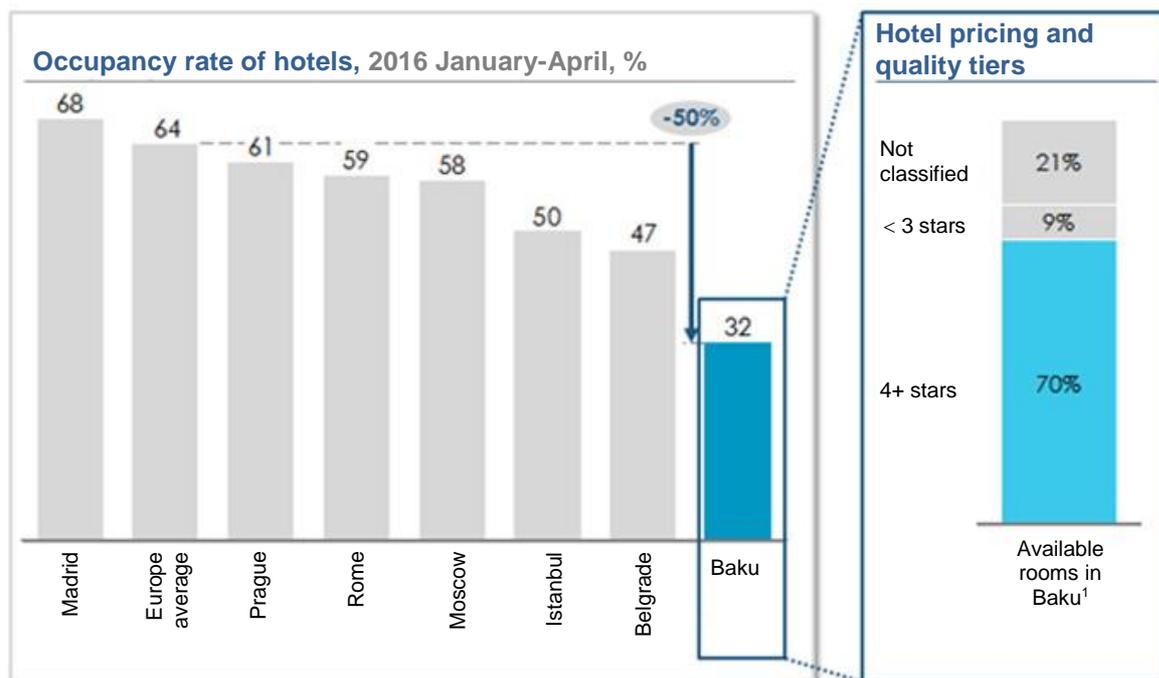


1. Considering average indicators for first 4 months of 2015 and 2016
2. State Statistics Committee of the Republic of Azerbaijan reports Baku's 2015 average hotel rates as USD 111. In this analysis, STR Global's figures are used to ensure full comparability with the information of other countries provided, within the same classification and definition

Source: "STR Global"

However, Baku's average occupancy is lower than that of its European counterparts. According to statistical indicators, in the first four months of 2016, its hotel occupancy rate was 32 percent—half the European average(Exhibit 12). This low occupancy rate is partially due to the fact that Baku's accommodation options are dominated by 4- and 5-star hotels, which appeal to business travelers but not necessarily the mass tourist market.

Exhibit 12. Occupancy rates of hotels by cities



1. Figures estimated are based on prices of hotel rooms as of 2015.

Source: "STR Global", State Statistics Committee of the Republic of Azerbaijan

According to booking.com,¹⁹ Baku has just 49 options available for USD 50 or less per day and 5 options for USD 20 or less per day - compared with 184 options and 33 options, respectively, in peer city Tbilisi. Similarly, Airbnb.com - an online platform for local residents to rent out their home to visitors - lists 96 options at USD 50 or less in Baku but 400 options at the same price point in Tbilisi.²⁰ The lack of less-expensive options likely prices out many travelers who would otherwise come to Baku.

However, according to international best practices, tourists are drawn to destinations that offer a unique experience, from hotels, restaurants, and museums to shopping, iconic structures, and local bazars. Baku's city center has many such assets to offer. As an example, the followings could be named: Seaside National Park stretches 15 kilometers along the glittering Caspian Sea, the history of "Icherisheher" State Historical and Architectural Reserve dates back centuries, Neftchiler Avenue features a variety of high-end shops inside historic buildings, a yacht club in Baku offers the opportunity to sail the Caspian Sea, besides, excursions to stops at attractions in the surrounding area of Baku such as "Gobustan" State Historical Arts Reserve, Yanar Dag Natural Reserve, Temple of Ateshgah, etc. It is possible to achieve an increase in touristic visits to Baku's attractions expanding the accommodation alternatives proposed at affordable costs.

¹⁹ Booking.com is a popular website for booking travel accommodations

²⁰ All figures presented are obtained on May 2016. Air bnb search is based on the criteria of one private room for two people for one night.

Action items

Action 1.4.1: Prepare an action plan for funds to be allocated to tourism sector by the National Fund for Entrepreneurship Support

To appeal to a larger tourist market, a portion of the National Fund for Entrepreneurship Support will be directed to entrepreneurs wishing to translate living space into mini hotels as well as the development of low- and mid-range hotels in a designated district.

For this purpose, the amount of the funds for the tourism sector to be allocated by the National Fund for Entrepreneurship Support will be specified. In this direction, the implementation of complex measures by the Ministry of Economy in collaboration with the Ministry of Culture and Tourism will be initiated, and meetings and workshops will be organized between hotel representatives, tourism SME representatives, international partners and investors, entrepreneurship NGOs, the Bureau, National Fund for Entrepreneurship Support and other relevant organizations to determine the spending patterns of the funds including defining more precisely the list of activity and entrepreneurship types and organizing the efficient operation of the tourism sector in future. Specifically, the funding limit per beneficiary and allocation of total yearly budget between low-cost accommodation (including transforming houses to mini hotels) and tourist activities (e.g. art activities, hand crafts like handmade copper products) will be decided.

In addition, the target number of credit beneficiaries per year (including those who benefit from opportunities created by obtaining the credits) will be set, and at the same time, opportunities to finance investment projects submitted by local businesses to the National Fund for Entrepreneurship Support will be evaluated and appropriate actions plan will be prepared when deemed expedient.

There will be also dedicated efforts by the Bureau to attract foreign direct investment (FDI) to expand options at different price levels for accommodation to avoid a potential underutilization threat for hotels.

Action 1.4.2: Prepare a promotion campaign plan with regard to using the funds of the National Fund for Entrepreneurship Support in 2017 – 2020

The approved 2017 – 2020 promotion plan on use of funds allocated to tourism sector will be declared in the websites of the National Fund for Entrepreneurship Support, Ministry of Culture and Tourism and the Bureau. The National Fund for Entrepreneurship Support and the Bureau will lead marketing efforts with publicity via major TV channels, daily newspapers and websites. In addition, the Ministry of Culture and Tourism will then oversee disbursement of the funds allocated to tourism sector in line with yearly funds budget and every half-year and provide status updates to the public on the usage of the funds and their impact.

Action 1.4.3: Organize different events in Baku to promote unique values and products, as well as handcraft samples of Azerbaijan

The Bureau will launch an effort to promote unique values and products of Azerbaijan in Baku. In this direction, the Bureau will further strengthen its tourism potential by preparing an action plan for projects to support the development of a range of services such as: souvenir shops in Icherisheher and along Seaside National Park; music, dance, and other art activities along main streets; local restaurants with entertainment activities such as local dances; daily boat and yacht tours of the Caspian Sea. The Bureau will organize additional set of meetings

with handcraft artists in Baku or surrounding regions, municipality representatives, in coordination with the Baku City Brand Bureau, to identify focus products and locations, and it will ensure visibility of these products to tourists via including them in the city marketing campaign provided for in Priority 1.3, and provide other types of support for development of activities.

Action 1.4.4: Prepare an action plan for the promotion of beach tourism after 2020

A working group will be established by the Tourism Council in participation of the representatives of the Council and government bodies to undertake studies on development of beach tourism in Baku and surrounding areas, as well as in areas along the Caspian Sea. Where necessary, external and local consultants will be involved in this work. Upon the result of studies, an action plan will be developed to involve investors, create infrastructure and implement other measures.

Action 1.4.5: Assess big flagship projects for Baku

The Council will conduct a feasibility study for several big projects in order to increase the number of tourism venues in Baku and evaluate the benefits they may bring. Creation of big tourism attractions, including development of unique proposals such as miniature sites park in Baku and Azerbaijan will be ensured.

Action 1.4.6: Create dedicated infrastructure, including “Duty free” shops

The Ministry of Culture and Tourism may consider facilitating of targeted infrastructure projects to improve value proposition for the tourism packages highlighted in strategic Priority 1.2. The primary project for the evaluation will be the establishment of duty free shopping malls in areas on the border between Azerbaijan and Russia.

Action 1.4.7: Create necessary conditions for building popular brand hotels in Baku

The Ministry of Culture and Tourism will develop an action plan to attract popular brand hotels to the country in the light of impacts of the construction of brand hotels on the country's economy, including construction of accommodations by foreign investors in Baku and surrounding areas. As the result of these measures, a competition would increase among hotels, which would cause a rise in service level and decrease in prices.

Action 1.4.8: Prepare proposals to offer university dormitories as accommodation to tourists in summer seasons and implement relevant promotion campaigns

The Council will prepare proposals to offer to tourists university dormitories located in Baku as accommodation at affordable prices, with the consent of relevant government bodies, and take relevant measures and implement a promotion campaign if deemed expedient by relevant government agencies.

Expected results and indicators

The strategic priority is estimated to have potential to bring AZN 45 million direct GDP increase by 2020, through additional low-cost tourist arrivals, and an additional AZN 25 million indirect GDP increase, totaling AZN 70 million GDP increase. This impact assumes that low-cost room share will remain at the current level of 30% of total accommodation by 2020. Besides, it is estimated to open 4,500 employment directly in tourism sector, while this priority is estimated to create 6,200 total employment by 2020.

Key Performance Indicators:

- Accommodate 265 thousand incremental low-cost tourist arrivals. These tourist are estimated to spend 70% of current average for accommodation and leisure.

Required investment

For the construction of new facilities and flagman projects, a total investment of AZN 100 million will be required.

Expected risks

The biggest risks that might arise in implementation of this priority might be difficulties in allocation of funds by the National Fund for Entrepreneurship Support and misspending of these funds.

7.2. Strategic target 2. Implement Key Enablers to Develop Tourism in the Country

Five enabling factors will create further opportunities for Azerbaijan and clear its way to attract a larger share of the global and regional tourism market. These key enablers will be vital to realizing the potential of Azerbaijan's tourism strategic priorities.

7.2.1. Priority 2.1. Establish Tourism Council

Rationale

Implementation of the actions within this Strategic Roadmap necessitates a high level of coordination among stakeholders in the sector. Currently, necessary reforms to realize the strategic priorities fall under the jurisdiction of different governmental bodies. In addition, high involvement from private sector and civil society organizations will be required to increase effectiveness of the reforms.

In similar situation, many countries adopted national tourism agencies to ensure high-level coordination and focus around dedicated programs. There are various successful implementation cases of national tourism agencies, such as those of Dubai, Italy, Spain and Turkey. Since 2001, the government's tourism policy in Azerbaijan is implemented by the Ministry of Culture of Tourism. To successfully implement the tourism policy and reforms, it became necessary to establish the Tourism Council of the Republic of Azerbaijan.

Under the Decree of the President of the Republic of Azerbaijan No. 2295 dated 01 September 2016 "On additional measures for the development of tourism in the Republic of Azerbaijan", the Tourism Council of the Republic of Azerbaijan (hereinafter referred to as the Tourism Council) was established in order to undertake an analysis of current situation in tourism sector, take necessary measures to overcome problems in the area and coordinate the implementation of responsibilities delegated to relevant government bodies.

Action items

Action 2.1.1: Ensure the operation of the tourism council

The Tourism Council will organize its activity based on a charter and its composition to be approved by Presidential Decree and the Charter will define the goals, functions, objectives and Secretariat of the Tourism Council.

Action 2.1.2: Establish working groups in order to build proper coordination for the development of tourism sector

In order to develop the tourism sector, the Tourism Council will establish working groups composed of the representatives of different government bodies. Where necessary, local and foreign experts and representatives of civil society organizations could also be involved in the work of these working groups. Working groups responsible for the promotion of tourism will also be created with the involvement of relevant stakeholders to properly specify tourism incentives, including supporting tourism investment projects and determining opportunities, tax, customs incentives and privileges.

Action 2.1.3: Review the strategic roadmap priorities and propose necessary changes to the existing programs for the launch of its execution

The Council will review the strategic roadmap priorities and propose necessary changes to existing programs to launch its execution. It will define executional priorities for relevant stakeholders for short term and address bottlenecks raised by participants towards the priorities.

Action 2.1.4: Establish a monitoring system for the execution of priorities

The Council will establish a monitoring system for the execution of strategic priorities. It will collect regular data on the progress, and continuously communicate this information to the public.

Expected results and indicators

Establishment of the Tourism Council will be a key enabler for implementation of the priorities in this Strategic Roadmap, towards achieving highlighted objectives. The Council will be a key enabler for success of all other strategic initiatives, thus does not have a direct GDP or employment impact.

Required investment

The strategic initiative has no major investment requirement.

Expected risks

The risk factor for this priority might be failure in ensuring necessary efficiency in coordination required for its implementation.

7.2.2. Priority 2.2. Create Tourism Recreation Zones (TRZs)

Rationale

This Strategic Roadmap is structured around two objectives: to develop tourism in Baku and in regions for specific sub-sectors, in addition to the sector wide enablers. For successful implementation of the priorities to achieve highlighted objectives, there should be a focused

approach to the development of the sector. In addition, rapid development in the regions could require a focused management effort and geography specific intervention. One approach to ensure that is to create tourism recreation zones (TRZs) in such geographies.

The creation of TRZs will enable the protection of environment and historical heritage in those respective areas; extensive and efficient use of tourism potential in the specific region, creation of favorable investment environment; additional employment in the regions; service quality improvement and wider range of tourism products; comprehensive data collection and reporting regarding tourism activity; more efficient implementation of governance, regulation and coordination activities, development of wide-range and high quality tourism infrastructure aligned with modern standards

Several actions will be undertaken to create TRZs in appropriate regions, form a governance structure and develop the existing TRZs.

Action items

Action 2.2.1: Establish the governance structure of TRZs

In order to govern TRZs, the Ministry of Culture and Tourism will create a governance board in accordance with relevant procedures. This TRZ governance board will include representatives from relevant governmental bodies, representatives from local municipalities, legal land owners in the area, and representatives of enterprise owners. During the selection of business entities included into the governance structure, preference will be given to representative who made significant contribution to tourism activities in tourism and recreation zones.

Action 2.2.2: Establish the activities of TRZs in line with tourism cluster

The Ministry of Culture and Tourism will prepare a strategic plan to define tourism cluster at macro level for each zone to ensure more efficient use of tourism potential in the territories of tourism recreation zones (TRZs). In accordance with tourism clusters, master and current plans of zones will be developed and proposals of stakeholders interested in the development of tourism will be taken into account. Creation of tourism services infrastructure in accordance with tourism clusters in the TRZs will raise sustainable activity, efficient governance, high quality services and attractiveness for tourists.

Action 2.2.3: Development of TRZs

The governance structure will ensure the preparation of master and current development plans as specified in the Action 2.2.2. The development plans will include detailed plans for sustainable development of tourism infrastructure, define and secure financial resources with a focus on private sector investment, marketing and communication plans. The Ministry of Culture and Tourism will set up a monitoring mechanism for the execution of master and current development plans.

Action 2.2.4: Prepare and publish annual development plans for TRZs

The governance structure will prepare and publish annual development plans for the TRZs. The development plans will include detailed plans for development of tourism infrastructure and consider allocating financial resources for the development of the private sector and marketing objectives.

Action 2.2.5: Conduct a study to create new TRZs

The Ministry of Culture and Tourism will conduct a study to define set of regions or locations towards the western, north-western and Southern directions of Azerbaijan to be designated as TRZs. This study will set strategic goals of the zones, and detail out geographical scope and functional focus of the TRZs, in line with objectives outlined in this Strategic Roadmap.

Action 2.2.6: Set up a monitoring mechanism for execution of annual development plans

The Ministry of Culture and Tourism will set up a monitoring mechanism for execution of annual development plans and conduct necessary reviews to achieve strategic goals, objectives and key performance indicators (KPIs).

Expected results and indicators

Creation of TRZs according to the tourism cluster will be a key enabler for achievement of objectives of the Strategic Roadmap and major investment is required in their creation, governance, as well as development.

Major milestones for the strategic initiative is the creation of TRZs, preparation of annual development plans and set up of the monitoring mechanism. KPIs determined as part of the monitoring system will be adopted as key KPIs for the strategic priority itself.

The required investment

Developing action plans for a tourism center with 4 thousands bed places in Khizi-Khachmaz, Guba and Gusar tourism and recreation zones in the North, their designing and project management will require AZN 1.8 million investment at the initial stage. To identify areas to declare new tourism and recreation zones in the Western, North-western and Southern regions, 1 million AZN is required for producing 1:25000 scale topographic maps, prepare cadastral maps with ownership data, prepare land structure maps and feasibility study of zones, as well as for the preparation of macro development plans.

Expected risks

Financial difficulties are main risk factors for the implementation of these priorities.

7.2.3. Priority 2.3. Develop Regional Tourism Service Infrastructure for Domestic and International Tourists to resolve seasonality problem in tourism

Rationale

Because of periodical changes in the seasons, tourism sector is affected by seasonal impacts and therefore the tourism travels are divided into high, middle and low seasonal periods. In addition to natural climate factors, high tourism seasons are also observed during national and religious holidays, vacations, mass sports events, etc. In high, mid and low tourism seasons resulted by both the natural climate and other factors, the tourism industry faces with certain difficulties (higher prices in high tourism seasons, overloading of tourism centers, decrease in revenues in lower tourism seasons, unemployment, etc.).

At present, foreign tourists visit Azerbaijan primarily during summer and winter seasons, Nowruz holiday and in a period when some international events are held in the country. There is a traditional summer tourism season in the country. Since 2012, the country offers a winter

season opportunities as well. Domestic tourism gets more active in the country during the official holidays and weekends. However, Azerbaijan has a potential to involve tourists throughout the year in majority of tourism sub-segments. For this purpose, the seasonality problem should be resolved to increase the efficiency and quality of tourism sector in the country, which requires an optimal use of the existing resources. To sum up, relevant measures will be carried out to solve seasonality problem in the tourism sector.

Action items

Action 2.3.1: Create a tourism calendar for Baku City and later for the entire country

The Ministry of Culture and Tourism, together with the Council will create a tourism calendar for Baku City and later for entire country and will ensure that tourists visit the cities in an planned and coordinated manner in all seasons. Tourism event calendar will be a document containing the organization of international events in Baku throughout the year which will cause interest of tourists, as well as the arrival of tourists at least from 20 countries. The tourism calendar will be designed based on responses to surveys set to relevant bodies, and later the relevant government body will immediately be informed if the organization of any new event is planned. The preparation of the tourism calendar for each year will be launched from the second half of the previous year and beginning from the 1st January the calendar will be placed in noticeable places of websites under public property of the Republic of Azerbaijan and on the online platform of the Council. The tourism calendar will be translated into the official languages of the United Nations and into local languages of countries where Azerbaijan has deployed diplomatic missions. The compilation of the tourist calendar and resolution of all relevant issues will be implemented based on a set of rules, and actions to prepare calendars for Baku and regions will be taken into account. The tourism calendar of Baku city could be created in 2017, while the tourism calendar for the entire country will be prepared in 2018.

Action 2.3.2: Promote tourist arrivals in all tourism sub-segments (wellness, environmental, business, rural, etc.)in low seasonal periods

During the low tourism season, wellness tourism opportunities set in Priority 3.1 will be used more. The creation of more attractive offerings to national parks during low tourism seasons, as set forth in Priority 3.5, and inclusion of events and tours offered by this priority into marketing events of non-seasonal period, as well as expanding of the interests in rural tourism during the agricultural harvesting period will be implemented. According to the Priority 3.4, the country will conduct studies and prepare proposals to introduce a policy of organizing international events particularly during the non-seasonal period.

Action 2.3.3: Support events and projects reducing seasonality in tourism promotion policies of the Republic of Azerbaijan

According to Priority 1.4, the priority will be to allocate the tourism funds mainly to tourism projects reducing the seasonality. The Ministry of Culture and Tourism will prepare proposals studying the rooms for introduction of incentives for tourism business entities during the low tourism seasons.

Action 2.3.4: Preference to non-seasonality in Baku city marketing campaigns

According to Priority 1.1, the marketing and communication plan to be developed for Baku for 2017 – 2020 will give preference to the organization of promotion campaigns supporting the tourists' arrivals from target countries set forth in Priority 1.3., during the low tourism seasons.

Action 2.3.5: Move the hunting season to the low tourism season in compliance with relevant requirements

The Ministry of Ecology and Natural Resources will undertake relevant studies to issue permits to hunting during the low tourism season and the list of animals allowed for hunting will be prepared. In order to attract tourists, it will be offered to hunt these animals during the low tourism season.

Action 2.3.6: Promote non-seasonal tourism in TRZs

According to Priority 2.1, the creation of TRZs, preparation of their master plans, preparation of tourism clusters will place a priority on the events likely to reduce seasonality in these areas.

Expected results and indicators

This priority will be important in achieving the objectives set by other priorities, but will not have a direct impact on GDP and the employment.

The required investment

No major investment is required for the implementation of this priority.

The expected risks

There is no special risk factor for this strategic priority.

7.2.4. Priority 2.4. Simplify and expedite visa processes and border crossing procedures

Rationale

Due to national security preferences, Azerbaijan's visa requirements surpass those of region countries (Exhibit 13). As mentioned earlier in this roadmap, recent change in visa on arrival status for United Arab Emirates (UAE) citizens has paid off for Azerbaijani tourism. In July 2016, ten times more visitors from UAE arrived to Azerbaijan compared to 2015. This change is an important indicator demonstrating potential of easier visa processes to develop tourism in the country.

Exhibit 13. Visa requirements applied to key tourism demand countries by Azerbaijan and several other countries of the region

✓ Visa on arrival / no visa ✗ Visa prior to arrival

Key countries for Azerbaijan's tourism		Azerbaijan	Turkey	Georgia
Neighbor countries	Russia			
	Turkey	✓	✓	✓
	Georgia			
	Iran1	✗	✓	✓
Gulf countries	UAE			
	Qatar			
	Saudi Arabia	✓	✓	✓
	Bahrain			
	Iraq	✗	✗	✗
Mass tourist source countries	EU			
	UK	✗	✓	✓
	USA			
	Canada			
	China	✓	✓	✓
	Japan	✓	✓	✓
CIS countries	Kazakhstan			
	Uzbekistan			
	Belarus	✓	✓	✓
	Ukraine			
	Turkmenistan	✗	✓	✓

1. *Excluding Nakhchivan Autonomous Republic*

Azerbaijan requires visas prior to arrival for visitors from many of the country's main target markets, however, a recent Decree of the President of the Republic of Azerbaijan No. 923, dated 01 June 2016, on "Simplification of e-visa issuance processes" and "establishment of ASAN Viza system" paved the way to improving Azerbaijan's e-visa process.

The prevailing number of both foreigners and persons without citizenship at border crossing points, who visit Azerbaijan for touristic and other reasons, especially during tourism seasons, as well as increased number of travels by the country's citizens during this period and shorter working hours at some border crossing points lead to waiting delays and time loss, which ultimately causes intensity in processing.

Azerbaijan needs to regulate issues such as easier and faster organization of border crossing on state borders, issuing visas at border crossing points to tourists arriving in the country via road and sea transport, etc.

These changes are an important indicator to further develop tourism sector in the country and increase international tourists arrivals and simplify visa processes and border crossing procedures.

Azerbaijan will explore appropriate actions to strike a balance between national security concerns and eased visa requirements for visitors from top target countries set in priority 1.3, that are critical to the tourism industry, as well as simplifying and expediting the e-visa process.

Action items

Action 2.4.1: Review the simplification of visa issuing mechanisms in international airports, as well as at border crossing points

To use the opportunity to increase accessibility to Azerbaijan for tourists to the full extent, related governmental bodies will work in collaboration to assess making visas available to tourists upon arrival from top tourism and potential growth markets. Such assessment will consider the security concerns as well. For this purpose, a working group will be established within the Tourism Council to come up with proposals on easing visa issuing procedures for tourists arriving from target countries, by taking into account security concerns. An analysis will be conducted to identify benefits, risks and risk mitigation methods of visa on arrival system and benchmark examples around the world. In a similar direction, Azerbaijan will assess easing visa requirements for the nanny-housekeepers, who are non-nationals, travelling alongside with the families they serve (especially for Middle Eastern countries). In this direction, Azerbaijan will assess providing visa on arrival for these employees, as long as they hold a valid working permit in the country they serve for their employer-families. In line with the recommendation from the analysis, relevant government bodies will implement necessary changes related to the countries. The results will be published via webpage of Ministry of Foreign affairs, newspapers and other channels, and will be communicated to relevant countries via formal channels.

Action 2.4.2. Introduce self-serving kiosks for the visa on arrival tourists where tourists can fill the forms directly from kiosks

Expansion of visa on arrival system will involve applying several innovations in airports and border crossing points in Azerbaijan. The relevant government bodies will facilitate introduction of innovative practices such as self-serving kiosks for the visa on arrival tourists where tourists can fill the forms directly from kiosks. Payment via credit cards will also be accepted. The main goal here is to reduce the duration of issuing electronic visa by two working days as in other regional countries.

Action 2.4.3: Improve e- visa issuing process

“ASAN Viza” system will enable foreign tourists visiting Azerbaijan to obtain visa without tourism agencies. In addition, as the result of joint activity of respective government bodies, tourist visa issuing processes will get simplified. Thus, this will include revising the requirements of a stamped and signed hotel confirmation, an invitation letter and a declaration for leisure tourists as well as implementing stamped visas instead of submitting electronic versions of documents and full-page visas.

The established working group will work together with the State Agency for Public Service and Social Innovations under the President of the Republic of Azerbaijan to further improve easiness and quickness of the e-visa system

Action 2.4.4: Take necessary measures to ensure fast crossing for foreigners and persons without citizenship at border crossing points

In order to keep informed about intensity at border crossing points, electronic information boards displaying the level of intensity in state border stations will be installed in areas close to the state border and at road intersections on the way to regions from Baku city. This information will be updated regularly.

In order to reduce waiting instances and the resultant time losses, eliminate intensity and increase tourist satisfaction and inflow into the country, Azerbaijan will take all necessary measures to ensure fast crossing for foreigners and persons without citizenship at border crossing points.

Expected results and indicators

Increase in number of tourists due to easier visa processes can increase GDP directly by AZN 20 million by 2020, and have AZN 10 million indirect GDP impact, totaling to AZN 30 million increase.

Key performance indicator is to increase the number of incoming tourists due to easier visa processes (Potential increase from Iranian tourists is already captured in previous clauses and is not mentioned here).

The strategic priority's employment impact would be only indirect.

It is critical to note that the easier visa processes will be an enabler for other priorities, in addition to the increase of tourist arrivals from markets listed here.

The required investment

There would be no major investment required to achieve the impact.

The expected risks

Implementation of this priority has several political and security risks. Separate country-based evaluations should be undertaken when this priority is implemented, therefore full security of arrival and departure points should be ensured.

7.2.5. Priority 2.5. Improve air connectivity to major source markets

Rationale

International experience shows that there is a strong correlation between a city's airline connections and the number of tourist arrivals. Increase of international flights in international airports is correlated with a rise in the number of tourist arrivals.²¹ Increasing the number of airports with direct flights to Azerbaijan would boost the number of tourist arrivals. The liberalization of Azerbaijan air services will create an attractive environment for both low-cost carriers and national airlines, thus increasing the number of tourists to Azerbaijan and the economic impact of the tourism industry. Azerbaijan will select the level of liberalization on a case-by-case basis with different countries.

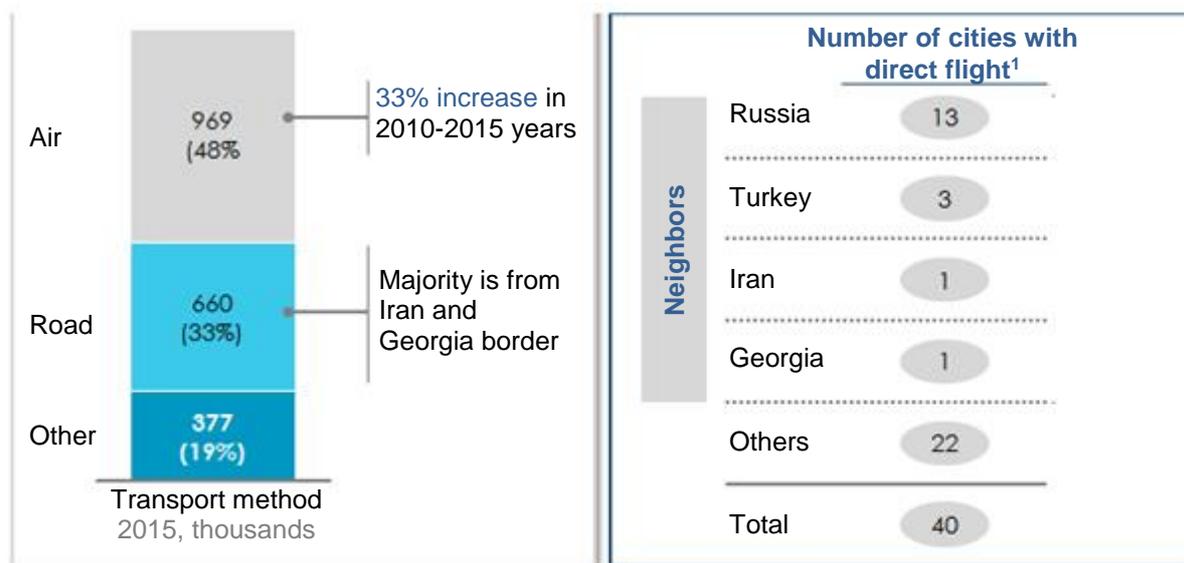
33 per cent increase in the number of foreign tourists from 2010 to 2015 demonstrates the use of air transport by tourists.²² The majority of Azerbaijan's flight connections are with such neighboring countries as Georgia, Iran, Russia, and Turkey. Return flights from countries comprised 74 percent of Azerbaijan's total flights in 2015.

²¹ Information is obtained from the World Bank

²² Source: State Statistics Committee of the Republic of Azerbaijan

In addition to increasing the number of flights and direct connections, Azerbaijan would benefit from aligning flight options with the needs of weekend travelers, who prefer inbound flights on Fridays during the day and outbound flights on Sunday afternoons. Baku's weekend travel options are robust (more than three options on Fridays and Sundays) for only two connecting cities - Istanbul and Moscow.²³

Exhibit 14. Indicators for each type of transport used by tourists arriving in Azerbaijan and the number of cities with direct flight connection (by countries)



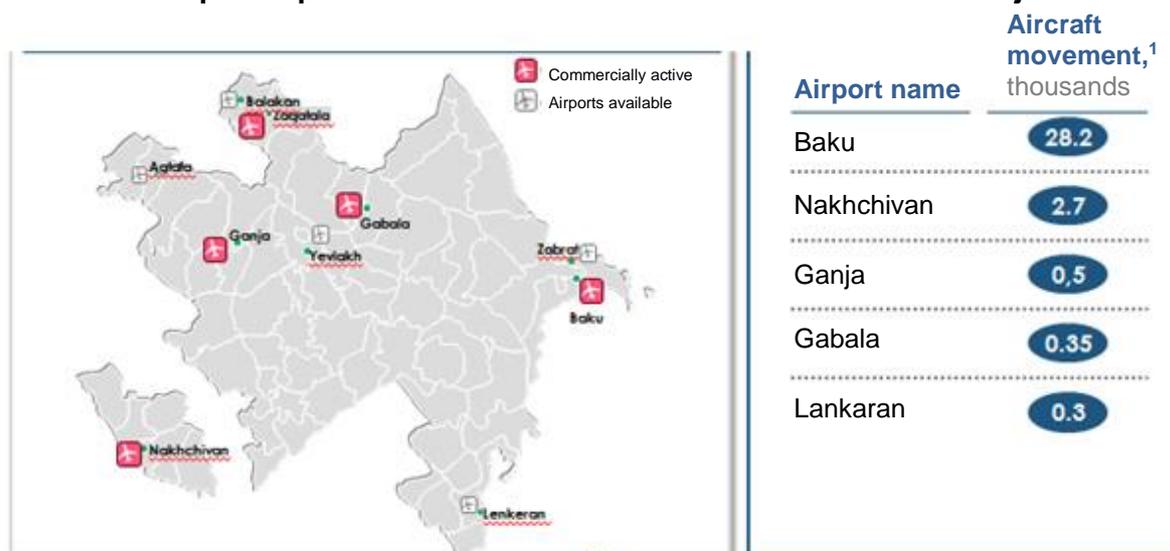
1. Considering 2015 flights: active at least 7 months during 2015

Source: Diio Mi flight database, State Statistics Committee of the Republic of Azerbaijan

With 28 thousand aircraft movements in 2015 and world-class infrastructure, Heydar Aliyev International Airport is Azerbaijan's busiest airport. However, Azerbaijan has readily available infrastructure to increase international and domestic traffic not only in Baku but also in regional destinations (Exhibit 14). Azerbaijan has six commercially active and international level airports: Baku, Ganja, Nahkcivan, Lankaran, Gabala, and Zaqatala. These and other airports around the country have capacity to increase aircraft movements (Exhibit 15).

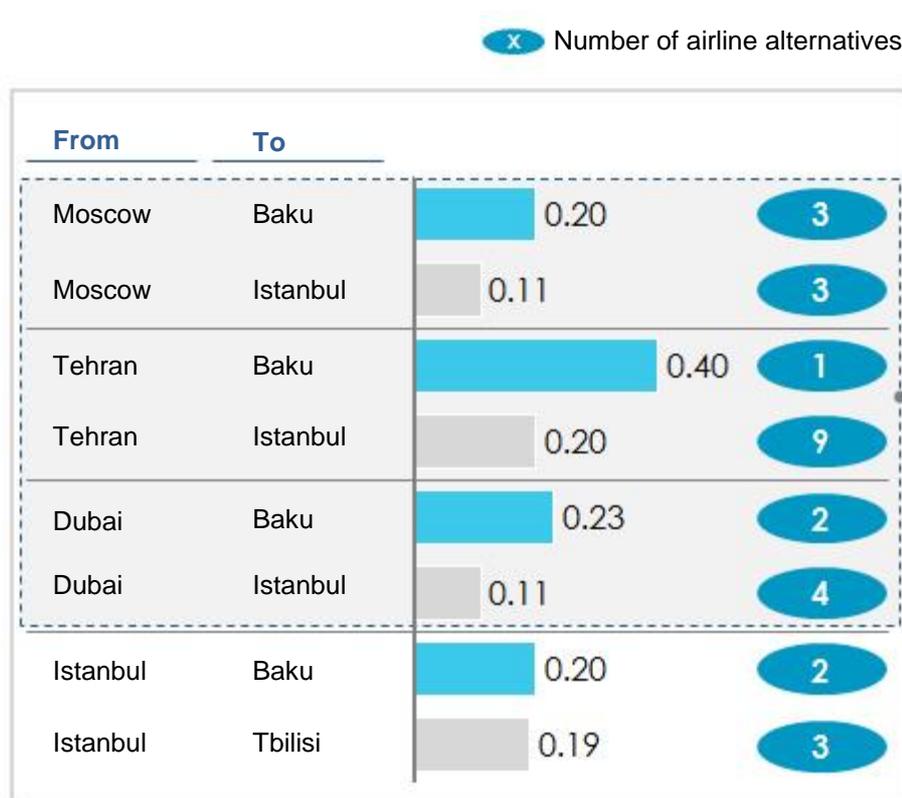
²³ Information is obtained from Expedia.com, skyscanner.com, as of May 30, 2016

Exhibit 15. Map of airports and number of aircraft movements in Azerbaijan



Source: Airports Council International

Exhibit 16. Minimum return ticket fare for Baku and competitor tourism cities¹(US Dollar /mile)

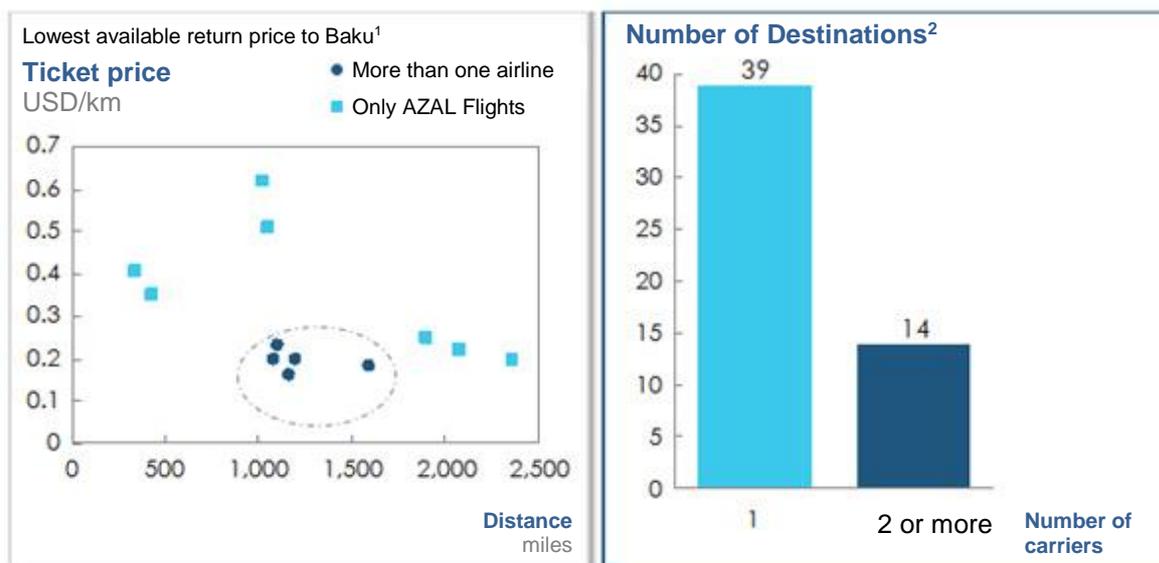


1. Return ticket fare calculated based on 2-3 nights stay in the travelled country in 2 weeks from search date. Lowest direct flight cost.

Source: "Expedia.com", "skyscanner.com" (information as of 30 may 2016)

With few airlines serving Azerbaijan, ticket prices have remained relatively high (Exhibit 16). In other markets, competition among airlines has driven prices down and given consumers more options for travel.

Exhibit 17. Key indicators for airlines



1. Return flights in first week of August 2016 for 3 nights trip, 1 person. Calculated based on prices in March 2016
2. Every airport is assumed as destination.

Source: Diio Mi flights data base

Almost across the board, air prices are higher for tourists coming from neighboring countries to Baku compared with those flying to other city tourism destinations in the region (Exhibit 17). So, liberalization in air connectivity is necessary.

Action items

Action 2.5.1: Create a working group to achieve agreement in liberal air transport in parallel with the marketing and communication plan of Baku city for 2017 – 2020 set out in the Priority 1.1

To increase tourist arrivals, Azerbaijan will analyze the various liberalization mechanisms for air services to and from target markets set out in the Priority 13 and select high demand countries among the priority countries. In order to achieve progress in the measures taken in this direction, with participation of respective bodies, a working group to be created within the Tourism Council will put forward proposals on countries and regions to be incorporated in liberalized air service agreements. Based on those proposals, agreements will be signed and aviation regulations will be amended appropriately in line with European Aviation regulations when necessary. The Ministry of Culture and Tourism will also analyze and come up with proposals towards providing marketing support and taking incentivizing actions by the government to launch flights in other directions in order to further increase the number of tourist arrivals and to achieve sustainable profitability.

Action 2.5.2: In order to increase the number of airline companies in Azerbaijan, support creation of airline companies and national airline companies offering affordable prices

Encouraging competition and increasing the number of flights would reduce fares, especially to short-haul destinations, create an appealing environment for low-cost carriers. In order to leverage this environment and benefit as much as possible from temporary government incentives on selected routes, the establishment of national low-cost carriers will be considered. Azerbaijan will consider establishing this low-cost carrier based in Azerbaijan

and operated either under AZAL or as a separate enterprise (a legal entity with the majority of its shares being state-owned) as well as incentivizing it through lower fares for airport use, and also sectorial reforms and incentives to make Azerbaijan more attractive for airline companies will be considered.

The signing of Cape Town Treaty, which is an international agreement that aims to reduce costs for investment in moveable property such as aircraft by standardization, will be evaluated as part of this effort. In addition, customs and tax environment will be assessed as a key consideration to increase competition.

State Civil Aviation Administration will target increasing number of airlines and for that purpose invite major low cost and national airlines from the region to working meetings in facilitation of actions to be undertaken in this direction. The Administration will identify challenges of increasing number of flights for the airlines and develop inaction plan to address those challenges together with the Tourism Council. State Civil Aviation Administration will incentivize particularly routes that have potential to become profitable with higher volume but need support for ramp-up period, with marketing support and reduced taxes. It will also evaluate sector wide business environment and incentive structure and take necessary actions to improve.

Action 2.5.3: Optimize flight schedules for existing flights, to better address expectations of weekend travelers to Baku (from city marketing and communication campaign countries set out in Priority 1.3)

The working group established in accordance with the Priority 2.5.1 will meet with the Council every quarter. This team will optimize flight schedules for existing flights, to arrange more convenient weekend flights and to better address expectations of weekend travelers to Baku (from city marketing and communication campaign countries set out in Priority 1.1).

Action 2.5.4: Identify the current level of service in the regional airports of Azerbaijan and assess needs for airport expansions and take measures to implement investments in airports for 2020 – 2025

The working group will launch an appropriate study to identify current level of service in the regional airports of Azerbaijan and assess needs for airport expansions. At the same time, the working group will ensure 2020-2025 airport investment plans will in line with developments in the tourism sector, and develop a business case with local and international partners and investors for using Zabrata airport as low cost airlines' airport.

Action 2.5.5: Evaluate options to establish strategic partnerships at national level with major airlines, resort chains or travel companies

To strengthen connectivity of Azerbaijan and promote its tourism in target markets more effectively, Azerbaijan will also consider direct collaboration projects with major tourism companies in the world. This could not only support Azerbaijan's efforts to improve its connectivity to the key markets, but also bring in critical volume of visitors to increase utilization on these routes. The Ministry of Culture and Tourism will evaluate options to establish strategic partnerships at national level with major airlines, resort chains or travel companies and assess various models, and alternative target companies to achieve the most effective collaboration model, to accelerate efforts in this roadmap. It will set objectives for such partnership, including improvement of air connectivity and promotion of Azerbaijan tourism through different

channels. It will then set specific criteria for evaluation and scan the global sector for potential partners. Partnership options will be assessed with these criteria and executed in case of clear benefit to the sector in medium and long term.

Expected results and indicators

Increased air connectivity is a key enabler to achieve increased tourist arrivals to the country. Key performance indicator of the priority is therefore identified as achievement of other key performance indicators in the sector. The priority will also have total AZN 30 million: direct GDP impact of AZN 20 million and indirect GDP impact of AZN 10 million by 2020. In addition, it will increase number of stop-over (connecting) passengers, which will create additional GDP for Azerbaijan (that is not quantified here).

Required investment

There would be no major investment required for the priority.

Expected risks

The main risk factor for the implementation of this priority is the fact that the low-cost aircrafts are not commercially cost effective.

7.3. Strategic target 3. Develop regional tourism sub-sectors for domestic and regional tourists

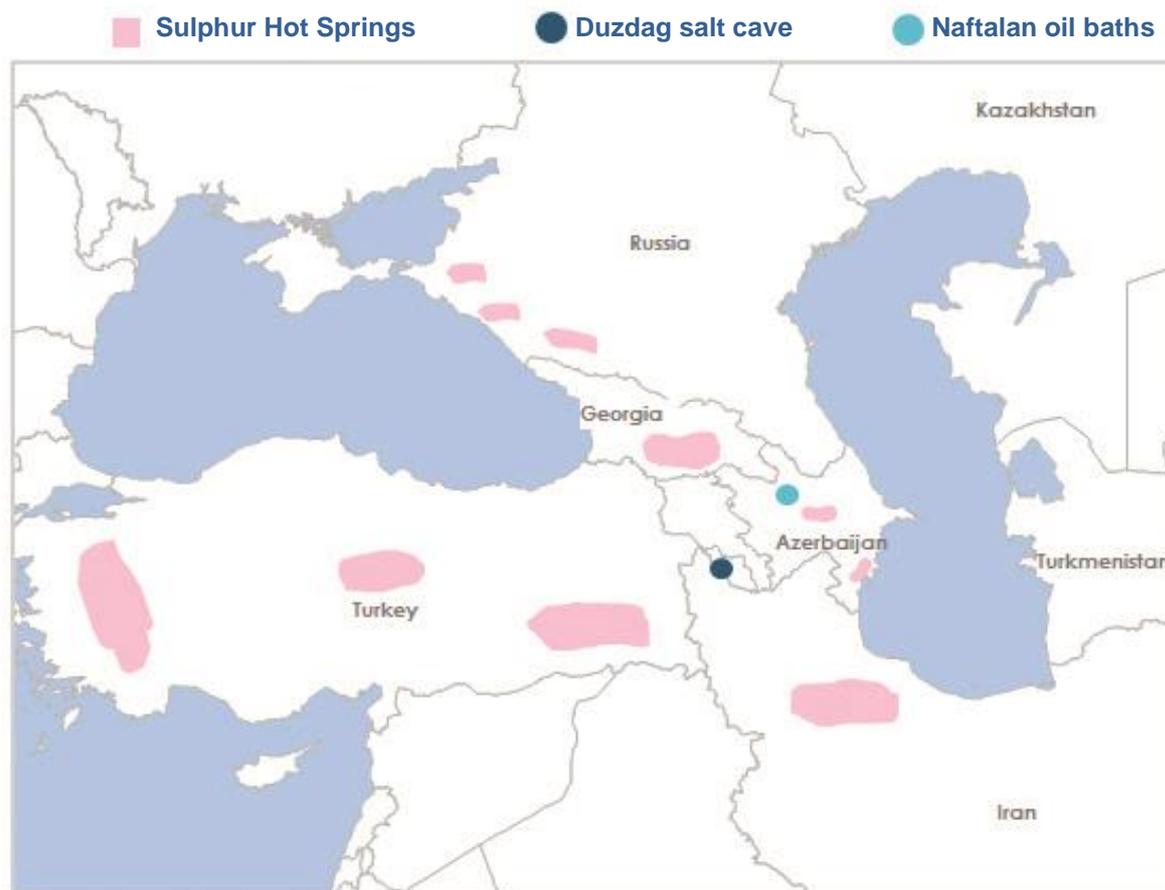
Outside Baku, Azerbaijan has many other opportunities to utilize and much more to offer - from unique wellness tourism options to winter sport resorts and to a concentration of cultural and scenic sites along the northern-eastern corridor. Azerbaijan is committed to developing these assets, with the goal of bolstering Azerbaijan's attractiveness to domestic and regional tourists. This will include investment to tourism infrastructure in certain cases, until 2020 and beyond, and better management and operations in others.

7.3.1. Priority 3.1. Revitalize demand for wellness tourism

Rationale

Worldwide, demand for wellness tourism is increasing. Wellness tourism offers a focus on luxury, pampering, and beauty-oriented tourism locations. Wellness travelers prefer to travel within their own country for daily or weekend getaways, traveling abroad only for truly unique wellness experiences or various natural treatment methods.

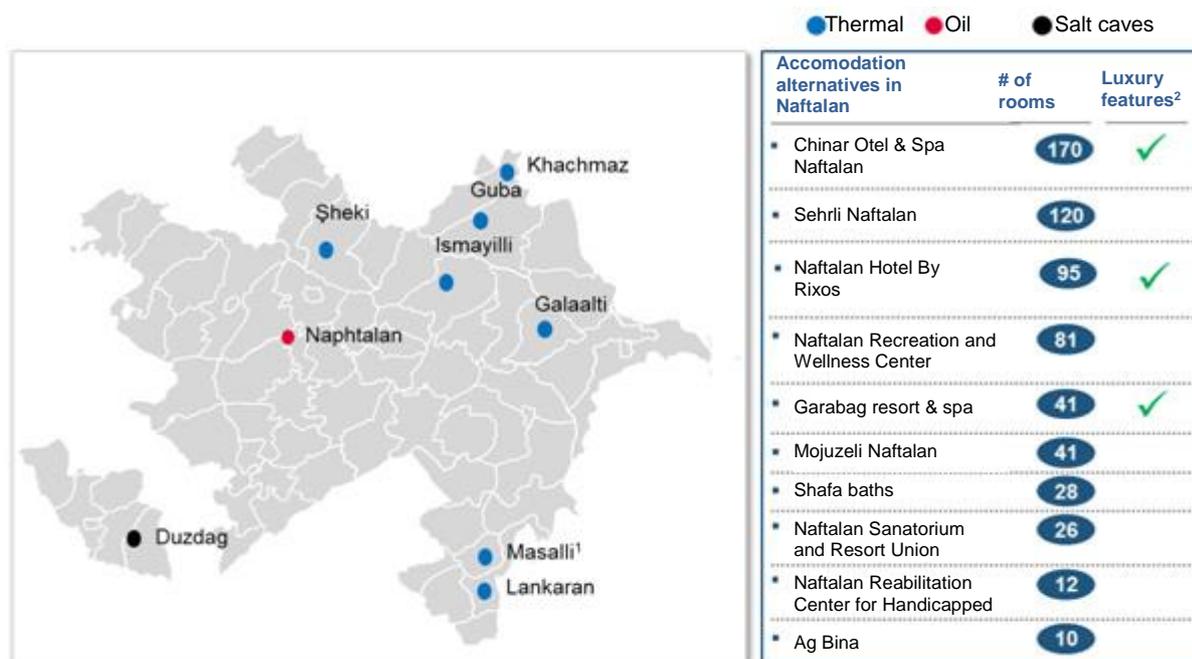
Exhibit 18. Map of existing wellness tourism options in regional countries¹



1. Including hotel and resort establishments; approximation based on online sources.

Azerbaijan's Naphtalan oil baths, where visitors soak in warm crude oil for healing purposes, are particularly unique destinations for wellness travelers, particularly regional tourists such as those from Russia, Kazakhstan and other CIS countries. Azerbaijan has taken several actions to revitalize demand for wellness tourism in Azerbaijan. Reconstruction of several resorts as spa and wellness center in Naftalan city (in 2010) and Shabran city (in 2013) could be examples. However, the majority of Naphtalan's existing wellness destinations have not yet been upgraded with luxury features such as spas, massages, and water park infrastructure. In order to increase attractiveness of Naftalan and natural treatment resources for tourists from Europe and other region countries, it is necessary to obtain internationally recognized relevant certification for these products and build cooperation with International SPA Association. Nevertheless, Naftalan oil and other natural resources with treatment value have great potential for the development of wellness tourism in Azerbaijan (Exhibit 19). In this regard, the Government of Azerbaijan will prioritize the utilization of Naphtalan oil baths and Duzdag salt caves for wellness tourism by 2020.

Exhibit 19. Main wellness locations in Azerbaijan



1. Sulfurous water
2. Includes SPA, massage and swimming pool.

Source: Naftalan hotels booking websites

Action items

Action 3.1.1: Prepare an action plan on wellness tourism for 2017 – 2020

Ministry of Culture and Tourism will prepare and publish 2017-2020 wellness development plan. This plan will also include longer term strategy to develop additional locations such as Gabala, Shabran, Masalli and Lankaran region for wellness tourism in order to leverage their existing natural resources.

Action 3.1.2: Facilitate efforts to develop wellness products based on Naphtalan oil

Efforts will be facilitated to develop wellness products based on Naphtalan oil. The Tourism Council will create Naphtalan oil research team under a university, consisting of scientists and other relevant experts to define what beauty products (e.g. peeling creams, glycerin) could be created based on Naphtalan oil. Then, the council will support companies for production and creation of branding for the products, including existing products. A certificate confirming the use of Naphtalan oil for treatment purposes will be obtained from international institutions. In order to involve private sector to the manufacturing and expansion of new and existing products, the Ministry of Culture and Tourism will prepare proposals regarding different promotion mechanisms. The Ministry of Culture and Tourism will take practical measures to ensure the distribution of these products among tourism locations in Azerbaijan and international wellness centers. Azerbaijan will take several actions to revitalize demand for wellness tourism in Azerbaijan, starting with Naphtalan. To entice international and also domestic travelers, some marketing of Azerbaijan will include free samples of Naphtalan-based beauty products, and subsidized trips from Baku to Naphtalan will be offered to international tourists interested in massage and spa treatments.

These products will include small descriptions of Azerbaijan culture and specific touristic attractions to increase awareness on the touristic spots across the country. Necessary support for Naphtalan will be facilitated in the spread of products to other wellness locations throughout Azerbaijan and the creation of daily or short-term (three days or fewer) wellness tour alternatives will be enabled. At the same time, this action will provide regular updates on online platforms regarding investments, tourism demands and beauty products, with a focus on Naphtalan and Duzdag.

Action 3.1.3: Undertake restoration and reconstruction works in existing accommodation alternatives, wellness facilities and other locations attractive for tourists in Galaalti, Naphtalan and Duzdag

The Tourism Council will hold meetings with all relevant stakeholders to create a plan for upgrading in existing accommodation alternatives, wellness facilities and other touristic attractions such as restaurants, cafes and entertainment businesses in Galaalti, Naphtalan and Duzdag. Necessary conditions will be created to ensure domestic and foreign investments in accordance with the results of implemented meetings.

Action 3.1.4: Initiate express and high quality bus and train services between Baku and Naphtalan

Azerbaijan will strengthen road, train and bus connections to Naphtalan from Baku, with a focus on reliability, availability and comfort of passengers. The Tourism Council will coordinate with other public institutions to start frequent and high quality bus/train services between Baku and Naphtalan. The tickets for transportation will be combined with wellness and treatment packages (beauty treatments) offered at hotels in coordination with travel agencies. The Council will promote these daily/weekend wellness tours and transportation alternatives in tourism information centers via brochures, in travel agencies and also through national channels.

Expected results and indicators

Leveraging existing capacity in Naphtalan, this priority is estimated to bring total of AZN 5 million GDP increase, comprised of AZN 3 million additional direct and AZN 2 million indirect impacts and 150 new workplaces by 2020, based on increased foreign and local tourist arrivals to Naphtalan.

Key Performance Indicator is: to increase capacity utilization rate to 65%, which is the level of European wellness facilities, compared to current level of 40%(Utilization rate of tourism centers in Naphtalan is considered here). Potential impacts due to the sale of Naphtalan oil beauty products should be considered as additional to the impact identified here.

Required investment

The implementation of this priority requires approximately AZN 15 million one time investment.

Expected risks

The main risk factor in the implementation of this strategic priority might be limited financial resources and failure in proper implementation of promotion campaigns. At the same time,

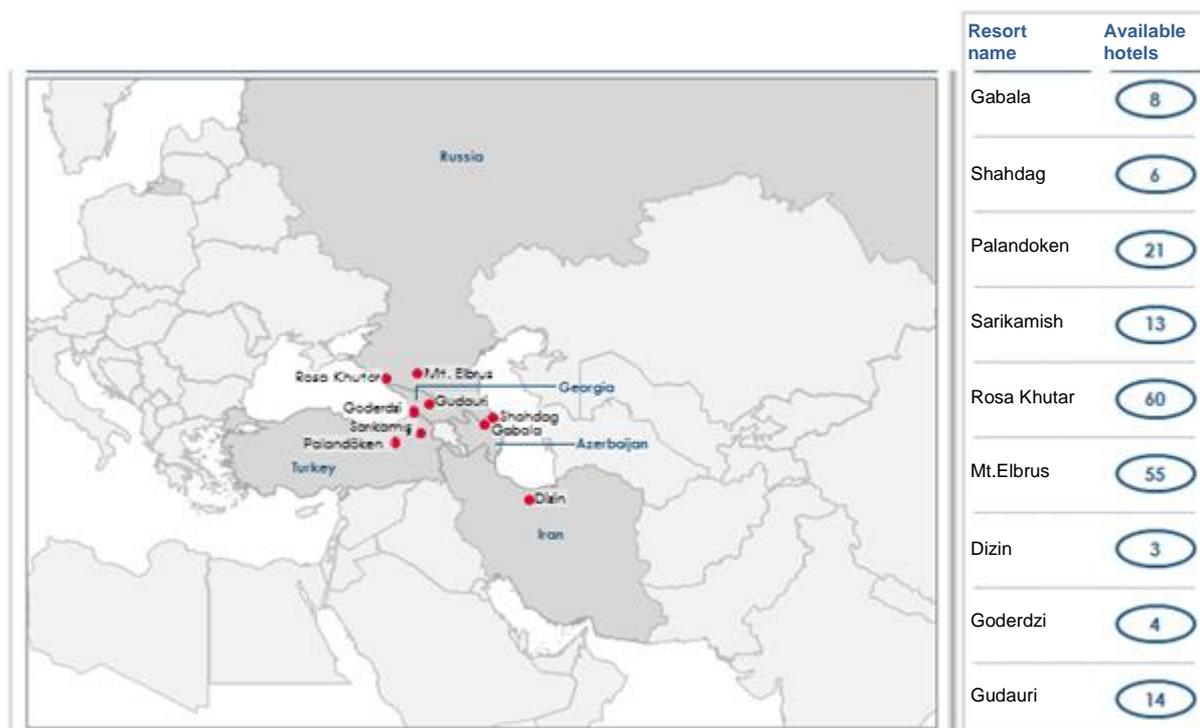
lack of proper certification of Naphtalan oil and its byproducts might change the opinion of target tourists to use these tourism products.

7.3.2. Priority 3.2. Support the development of winter tourism

Rationale

Winter sports are relatively new to Azerbaijan, a vast opportunity that could be leveraged. The main destinations such as Tufandag Winter - Summer Tourism Resort Complex in Gabala and Shahdag Tourism Center CJSC Gusar offer local and regional tourists access to skiing and other outdoor sports (Exhibit 20).

Exhibit 20. Major winter tourism centers in nearby regions of Azerbaijan



Source: skiresort.info, booking.com, hostels.com

Azerbaijan's two winter sport destinations are competitive with regional alternatives in terms of slope length, number of lift cabins, and number of days available for skiing each year (Exhibit 21). Shahdag Tourism Center (Gusar) offers 17 kilometers of slopes and 9 lifts and is open approximately 120 days a year. Tufandag Winter-Summer Tourism Resort (Gabala) offers 15 kilometers of slopes and 5 lifts and is open approximately 110 days a year.

Considering that the proximity of tourist facilities is one of the key drivers for the development of winter tourism, Gabala, which is just 25 kilometers from the nearest airport, is a great option for attracting regional weekend tourists using winter charter and low-cost flights.

Exhibit 21. Comparative analysis of winter tourism resorts in regional countries

Most developed ski resorts in region						
	Ski resort name	Overall score ¹	Slope length, km	Number of lifts	Number of days available ²	Evaluation, meter
Azerbaijan	Shahdag	3.1	17	9	120	1430-2520
	Gabala	n/a	15	5	110	1400-2470
Turkey	Palandoken	3.4	72	15	135	2200 - 3140
	Sarikamish	2.9	14	4	130	2160 - 2630
Russia	Rosa Khutar	3.6	72	20	126	940 - 2320
	Mt.Elbrus	3.1	23	6	180	2350 - 3840
Iran	Dizin	2.9	18	18	150	2530-3500
Georgia	Gudauri	3.4	57	7	141	1990 - 3280
	Goderdzi	3.0	8	2	131	1720 - 2400

1. Prices were taken from websites on skiing resorts.
 2. Open days and web sites of resorts in 2015-2016 seasons were taken into account.
- Source: skiresort.info

Several competitive winter tourism locations in regional countries make it difficult to reach the maximum use of this tourism potential of Azerbaijan. Given that Azerbaijan's winter sports resorts are composed of 4 and 5 stars hotels, they are not fully competitive compared to alternatives from other regional countries, as far as both quantity and prices are concerned (Exhibit 22). Considering potential growth of the market share, it has been prioritized to support winter tourism resorts throughout the country and enable the increase and development of the varieties of winter tourism products in order to increase demand for winter tourism.

Exhibit 22. Comparative analysis of winter tourism centers in region countries

	Ski resort name	Number of accommodation activities	Minimum cost of accommodation ¹ USD	Daily ski pass fee USD	Distance of nearest airport, km
Azerbaijan	Gabala	8	50	9	25
	Shahdag	6	72	15	200
Turkey	Palandoken	21	70	12	20
	Sarikamish	13	45	9 ²	55
Russia	Rosa Khutar	60	25	29	45
	Mt.Elbrus	55	56	n/a	30
Iran	Dizin	n/a	60	n/a	120
Georgia	Gudauri	4	20	8	110
	Goderdzi	14	25	9	140

1. Two person room rate, bed and breakfast, AZN to USD Rate: 0,6; Ruble to USD rate: 0,015; Gel to USD rate: 0,45

2. Up to 5 times usage of lifts

Source: skiresort.info, booking.com, websites of ski-resorts

Azerbaijan will take several actions to create a more robust winter sports culture and increase winter tourism, from improving transportation options to tapping key markets.

Action items

Action 3.2.1: Improve transportation options

Based upon partnership among relevant governmental bodies, tour operators, local municipalities, and hotels, transport connectivity between the places of residence of potential tourists and winter sport resorts will be improved. To this effect, they will provide free or subsidized daily buses from Baku to those resorts during winter season for tourists who travel by road as well as increasing the number and timing efficiency of regional flights to Gabala for those who prefer travelling by air. In this regard, in order to increase efficiency in tourist inflow from potential tourist countries and coordinate activities, the Tourism Council, in collaboration with relevant bodies, will prioritize launching direct flights from main target countries to Gabala city based on the marketing and communication plan of Baku city set out in Priority 1.1.

For this purpose, this action will also target to extend travel opportunities to Gabala for domestic tourists. This will ensure coordinating with transportation providers, ski resort representatives and travel agencies to provide free/subsidized transportation services for travelers who have purchased one/two day ski passes or customers of the hotels in the resorts.

Action 3.2.2: Organize meetings, international conferences and events (MICE) in winter tourism centers

In order to increase the length of stay of tourists visiting Azerbaijan for business purposes under organization of the Tourism Council, the Council in cooperation with Convention Bureau and Ski resort representatives will discuss opportunities to add ski resort tours/events to the upcoming MICE (meetings, international conferences and events) events, as set out in Priority 3.4.

Action 3.2.3: In order to increase the tourist flow from regional countries, organize large and attractive festivals in winter tourism resorts in different seasons

In order to encourage the flow of tourists from regional countries, the Ministry of Culture and Tourism will prepare an activity plan to hold large festivals in different seasons at the ski resorts including New Year or other public holiday/cultural celebration times. The plan will ensure coverage of both low-cost and high-end alternatives, provision of sales of local food, handcraft and other art products, and a high level of publicity for the festival. As a result, resorts will also be encouraged to build indoor-outdoor adventure parks, pools, biking trails, fitness facilities, and other features and activities to enhance offerings.

Action 3.2.4: Conduct analysis to evaluate the current status of state-owned hotels in winter tourism areas and improve accommodation options

To improve accommodation options in hotels, the status of state-owned hotels in the ski resort areas will be analyzed and also data as to current administrative challenges and suggestions will be gathered.

Based on the findings of the study, the government will implement outsourcing of management to professional third parties or provide flexibilities to the current management of state owned hotels by attracting talents to top managing positions from specialized hotel networks. Further in the process, a study will be carried out to identify potential privatization options. As a result of the study, the privatization of state-owned hotels in Shahdag will be considered, beginning from winter sports resorts.

The construction of affordable accommodation options under state ownership in the existing winter tourism resorts (for example, hostels, two and three stars accommodation options) will be realized at the expense of funds set out in Priority 1.4. Besides, investments from private sector will also be promoted.

Action 3.2.5: Develop and expand a mountain-ski training program in selected schools

A joint working group will be created to develop a mountain-ski training program for school children of private and public schools located in proximity of winter tourism resorts. The beneficiary schools will be expanded in the program every year. The government will provide discount opportunities for week long family winter recreation to the families of the ski-training program's participant students.

Expected results and indicators

With no addition to capacity, the strategic priority is estimated to bring additional AZN 10 million direct and AZN 10 million indirect GDP increase by 2020, totaling to AZN 20 million

impact to GDP. Due to increasing number of tourists there will be also an employment increase of 300 jobs created.

Key Performance Indicator is to increase the number of rooms sold with 50% average annual growth rate, which drives occupancy ratio to triple of 2015 levels in the existing ski resort hotels, while keeping 195 AZN revenue per night per tourist, including accommodation, leisure and food.

Required investment

An investment of AZN 15 million will be required to upgrade transportation and accommodation services, in addition to organization of winter festivals.

Expected risks

Going beyond the above mentioned amount will be the major risk generating factor for the implementation of this priority.

7.3.3. Priority 3.3. Create cultural tourism circuits

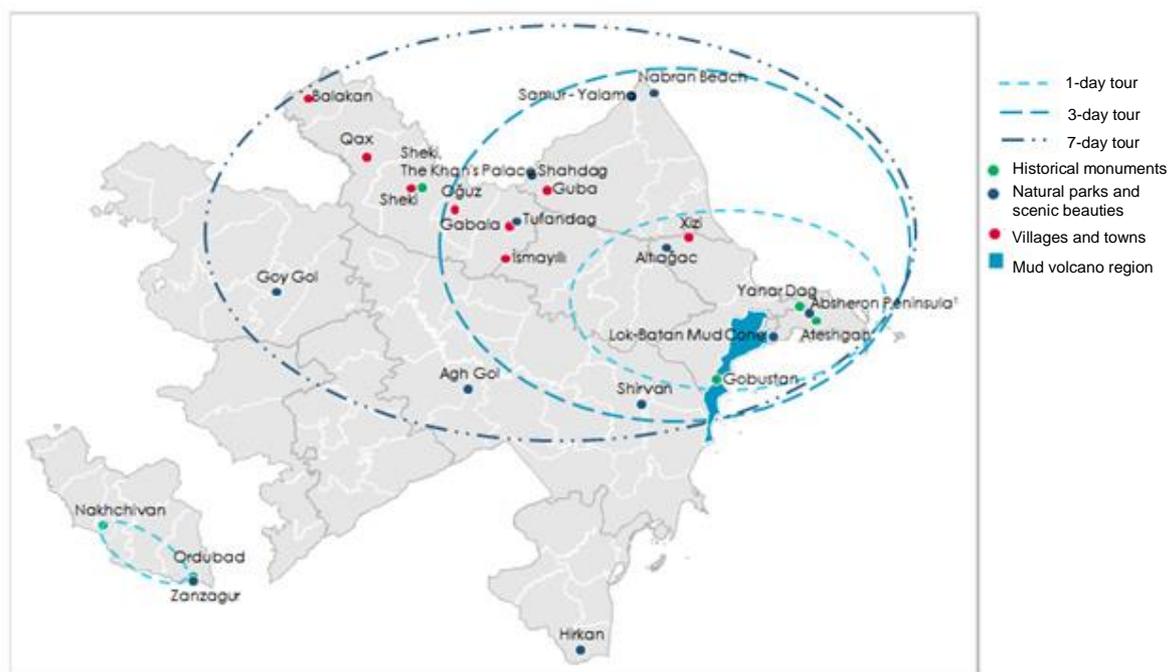
Rationale

Cultural and historical heritage of the Republic of Azerbaijan is very rich. At present historical-cultural sites interesting for tourists are being restored and relevant tourism development plans are being prepared for such sites to use them as tourism attractions.

The impact of historical routes (for example, Great Silk Way, famous military campaigns, historical battle places, etc.) as part of cultural tourism need to be evaluated in detail. Obviously the majority of these routes cover different territories. In addition, historical and cultural tourism routes built upon the additional attributes (for example, winemaking routes) relevant to preferences of tourists are also acceptable, and all these could be prioritized as potential tourism products for the Republic of Azerbaijan.

With the promotion of historical-cultural heritage located along the northern, north-western and western corridor of Azerbaijani territory, as well as with the creation of local and regional level cultural tourism routes, Azerbaijan will get broad opportunities to cooperate with neighboring countries, which will ultimately lead to increase in tourist inflows and rise in the number of tourist stays in the country.

Exhibit 23. Map of the Republic of Azerbaijan



1. It includes beach areas close to Baku city.

Action items

Action 3.3.1: Draw routes of daily to weekly driving and walking routes for all cultural, historical and national park attraction points in northern, northern-western and western corridors of Azerbaijan

With a nod to the famed Silk Road, a network of ancient trade routes that passed through the Caucasus region and connected Europe and Asia, Azerbaijan will design and develop a new Tourism Silk Way that passes through top attractions of the country.

For this purpose, the Ministry of Culture and Tourism will start working together with other relevant stakeholders (i.e., municipalities and entrepreneurs from regions). At the same time, the issue of establishing non-governmental organization specialized in cultural routes will also be reviewed. In order to increase the attractiveness of the “Great Silk Way” cultural route and the country for tourists from different interest segments, such cultural tourism routes as “Alexander Duma in the Caucasus”, “Wine route in Azerbaijan”, “German traces in Azerbaijan”, “Polish traces in Azerbaijan”, “Historical triumph and evidence of ancestors” and “Noah’s Ark in Nakhchivan” interesting for tourists from different segments will be studied in line with international requirements. Besides, the passportization of these routes will be realized to place relevant tourist direction signs along the routes. Relevant maps will be developed in Azerbaijani, English, Arabic and Russian languages. All cultural, historical and national park attraction points in northern, northern-western and western corridors of Azerbaijan will be defined and the routes of daily and daily to weekly driving and walking routes will be drawn. This information will also be made public via an online platform to promote Silk Way (through Azerbaijan Travel website) and include various local accommodation alternatives and touristic attractions. At the same time, all related information

will be included into the promotion campaigns to be implemented for local and foreign tourists as set out in Priority 1.3.

Action 3.3.2: Develop a certification program for tourism guides on Silk Way and other cultural routes

The Ministry of Culture and Tourism will develop a certification program for working as guide on cultural routes in accordance with Priority 4.1, preferably targeted at the involvement of local residents along the routes in training courses. The Ministry will organize trainings for locals on providing regional guide services and renting their private houses and apartments to tourists and relevant certificates will be awarded at the end of such trainings. Besides, a single guideline for providing information services to tourists and necessary software to ensure certification will be ensured.

Action 3.3.3: Ensure provision of funds as specified by Priority 1.4 to incentivize the development of tourism infrastructure and provide consultancy services to entrepreneurs

Trainings will be provided for entrepreneurs involved in the development of cultural tourism routes and certain proposals will be presented for their stimulation. At the same time, in order to incentivize the involvement of the private sector in the development of local accommodations and camping areas, and in addition to strengthening transportation connections via buses and trains to increase tourist satisfaction, necessary measures will be taken to provide funds in accordance with Priority 1.4.

To achieve this goal, the relevant government body will ensure provision of funds to small and mid-size entrepreneurs to incentivize the development of tourism infrastructure along the routes (transformation of homes into boutique hotels, restaurants, souvenir shops). In this regard, certain villages will be selected as main accommodation options and investment in building tourism information centers in those areas will be prioritized. The certification and training programs for guides and accommodation providers will be funded as set out in Priority 1.4.

Action 3.3.4: Promote new cultural tourism routes

The Ministry of Culture and Tourism will then promote cultural tourism routes in target countries using exhibitions in international markets and other marketing options. The priority will be working with travel agencies of neighboring countries to create common packages.

Expected results and indicators

By 2020, creation of the cultural tourism routes will bring a total of AZN 20 million GDP: AZN 10 million direct and AZN 10 million indirect GDP increase, and 3,700 employment increase in total, including 2700 employment in the tourism sector.

Key performance indicators are the establishment of 24 destination stops to be built along the cultural tourism routes, with different stay packages of “7 nights”, “5 nights”, “3 nights”, “1 night” and “daily” to be offered, and attracting 180 thousand tourists to these routes. Average accommodation costs along these cultural routes and daily expenses related to the utilization of these cultural routes will be 30% lower compared to tourist expenses in Baku.

Required investment

This priority will require an estimated AZN 95 million investment of one time, for development of accommodation facilities, tourist information sites and destination stops including cultural and eco-tourism.

Expected risks

Given that these tourism routes have not had high performance indicators by now and that more money and time are required for their commissioning, there is a risk of not producing the expected results from the project. In order to prevent such risks, it is deemed relevant to delegate the implementation of the project to private partners.

7.3.4. Priority 3.4. Support the development of business tourism

Rationale

Currently, MICE (Meetings, international conferences, and events) tourism, which includes travels abroad for business purposes, is an important part of tourist inflow. This prospective tourism sub-segment includes travel purposes such as meetings among different companies, congress and conferences, trade or scientific-technical cooperation meetings, promotion campaign events, as well as attendance in international fairs and exhibitions. Meetings dedicated to different topics help exchange of knowledge and experience among relevant experts and further development of these areas.

Another important attribute of the MICE tourism is its positive impact on an increase in employment and tourism sector's contribution to the country GDP. Besides, business travels independent from any seasonality aspect trigger development of the country through the year. Considering all these factors, we can conclude that the implementation of important projects towards developing the MICE tourism both in Baku and in the regions will contribute to increase in international tourist arrivals in Azerbaijan and to initiatives to organize large scale international events (for example, conferences, forums, etc.) in Azerbaijan.

Action items

Action 3.4.1: Identify and develop new target markets

In the coming years, relevant market research will be undertaken to attract business events from countries such European countries, India, China, South Korea, Indonesia and Malaysia, which hold leading positions as for the number of business tourists, identify the cost effectiveness of attracting business tourists from such countries, and develop sale and marketing methods.

Along with domestic resources, this will be cooperated with research organizations with knowledge of target markets mentioned above. As the result of researches, in case that the efficiency of those markets is determined, the options of participation in exhibitions attended by customers and suppliers of these markets will be evaluated. Considering the uniqueness of the above mentioned markets, necessary exchange of information and experiences with local suppliers will be realized (for example, companies providing hotel and tourism services).

Action 3.4.2: Strengthen positions in markets of Russian Federation and Middle East countries

It is planned to attract the majority of customers from business tourism markets of Russian Federation and the Middle East. If the market researches demonstrate the availability of more potential in this direction, relevant sales events for Azerbaijan's MICE tourism will be organized in Russian Federation and United Arab Emirates. Sales and marketing activities will be organized regularly in these markets to achieve full awareness on business tourism offered by our country. This activity includes cooperation with local representative offices of relevant bodies. By using their assistance, it is envisaged to organize business meetings in those target markets, prepare promotional materials and video commercials in their local languages as well as participating in exhibitions that bring together customers from local markets.

Action 3.4.3: Create Honorary Ambassadors Club for Meetings Industry

Many associations across the world apply several conditions to organize their events in any country. The most important of these conditions is the membership of the country, where a planned conference will take place, in those associations. In many cases, these members make active campaign within an organization to hold the proposed event in their own countries. To undertake an active and effective campaign, one needs to promote the MICE tourism the country offers, including promotion materials and trainings demonstrating a country's ability to hold big events. Just for this purpose, scientists and publically well-known personalities who might act as coordinator in organization of big meetings and conferences will be gathered together to prepare necessary promotion and campaign materials for effective promotion of the country' MICE tourism potential in international organizations. The Honorary Ambassador Club will be established for this purpose. Regular meetings and trainings will be organized with members of the Honorary Ambassadors Club to organize high level promotion campaign of the country's MICE tourism potential.

Action 3.4.4: Support development of MICE tourism in the regions

Relevant market researches will be undertaken, and both online and other sales and marketing resources will be used to organize different business events outside Baku, including Gabala, Ganja and Gusar to organize active promotion campaign events.

Action 3.4.5: Participate in international events and organize promotion visits

In order to promote Azerbaijan as a modern meeting venue across the world, the importance of participation in international exhibitions such IMEX Frankfurt and EBTM World, specialized in business tourism, will be evaluated and where necessary, effective promotion of meetings venues will be implemented using direct communication format. Promotion of the country in international events such as "Ace of Mice", "ATM Dubai", "Conventa" and "M&I Forums" will be evaluated. Cooperation options with region countries, particularly Georgian and Kazakhstan convention bureaus will be reviewed. Furthermore, promotion visits will be organized for international customers and media representatives specialized in MICE tourism.

Action 3.4.6: Build cooperation with international business tourism organizations

The country will attach particular attention to cooperation with international organizations offering knowledge and experience exchange opportunities in MICE tourism as benefiting from exchange of views on international best practices in this area will be an added value for

the competitiveness of the country. Through close cooperation with the International Congress and Conferences Association (ICCA), International Association of Professional Congress Organizers (IAPCO), Union of International Associations (UIA), their sales and marketing instruments will be used effectively. Considering close relations between these organizations and associations, participation in their regular regional and international events will also be considered.

Expected results and indicators

As the result of actions in support of business tourism, twice as many business tourists are estimated to come to Azerbaijan from 2016 to 2020. This will enable to build business tourism infrastructure in the regions and develop tourism sub-segments. At the same time, business tourism will have direct contribution to improvement in welfare of companies and organizations.

Required investment

In total AZN 4 million, including AZN 1 million each year, will be required to implement the planned events.

Expected risks

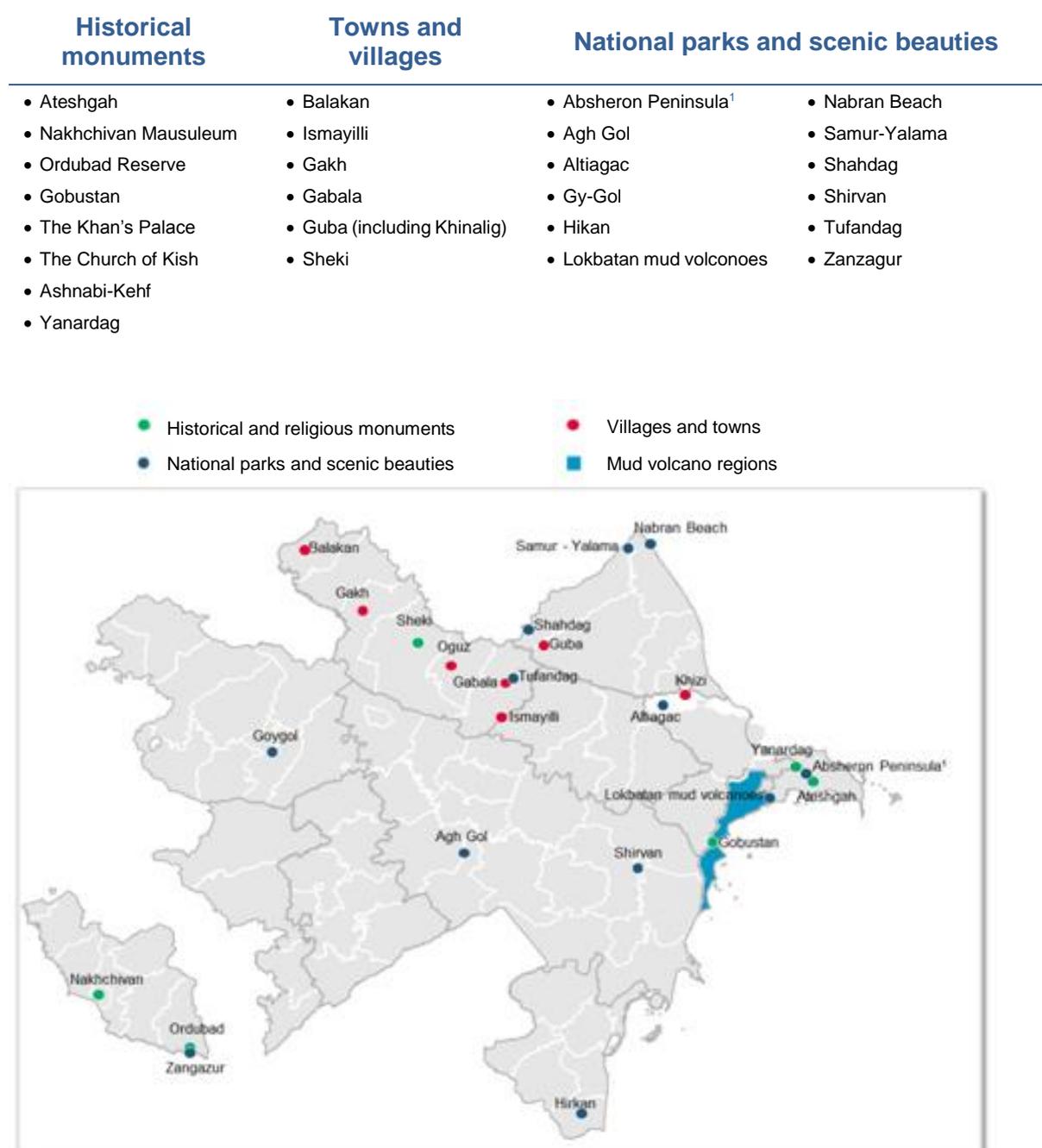
The major risks to implementation of this strategic priority are limited number or lack of direct flight connections between Baku city and target markets of business tourism, high level of competition in the region over business tourism and high investment requirements if any diversification of Baku's business tourism venues is required.

7.3.5. Priority 3.5. Strengthen sustainable tourism potential (eco- tourism, rural tourism, etc.)

Rationale

Azerbaijan is endowed with rich tourism resources such as vast amount of forests, rivers, wells, waterfalls, sea, reserves, national parks, as well as mud volcanoes and attractive rural areas, unique traditions and culinary, which can turn the country into an attractive tourism destination (Exhibit 24). Azerbaijan is home to almost half of the world's mud volcanoes and is one of only 20 countries in the world with this attraction.

Exhibit 24. Map of the Republic of Azerbaijan and tourism locations of the country



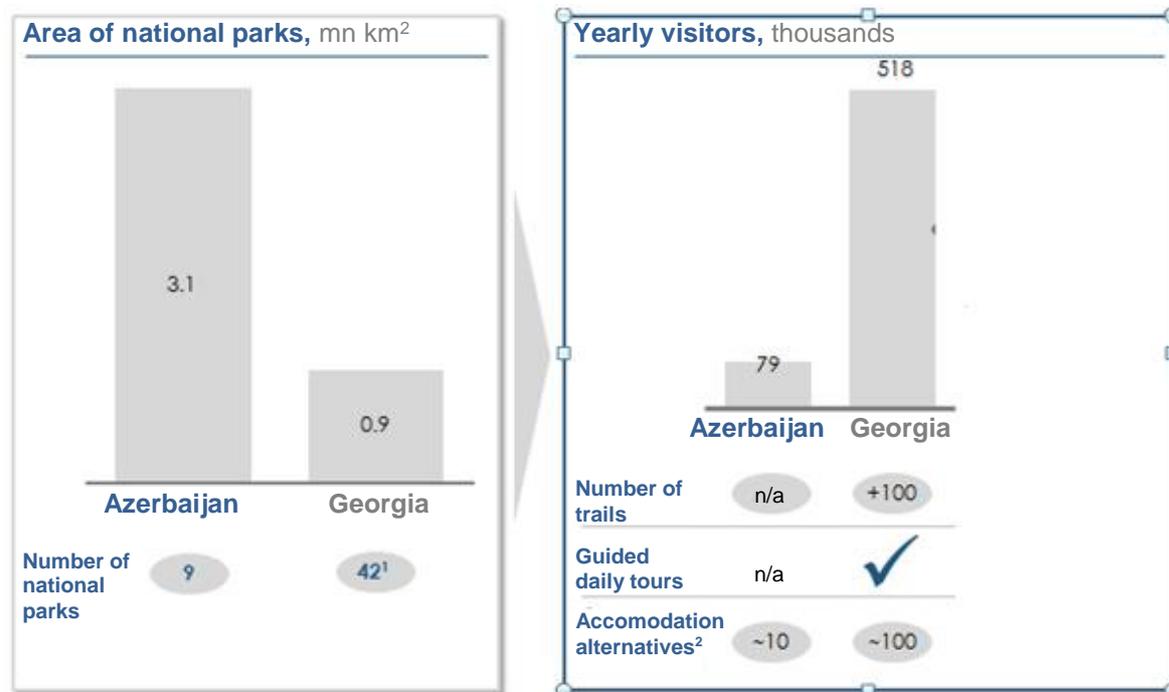
1. It includes beach areas nearby Baku.

Furthermore, Azerbaijan is endowed with vast amount of national parks. Its land dedicated to national parks is much larger than neighboring Georgia—but Georgia's eco-tourism brings in exponentially more tourists (Exhibit 25). According to statistic data, in 2015, Georgia's 0.9 million square kilometers of national parks received 518,000 visitors, while Azerbaijan's 3.1 million square kilometers of national parks received just 75,000²⁴ documented visitors. The differing level of infrastructure to cater to tourists between in Azerbaijan and Georgia may

²⁴ Source: Ministry of Ecology and Natural Resources of the Republic of Azerbaijan

explain this discrepancy. However, tourists' interest in visiting Georgia parks suggests that Azerbaijan's vast parkland area holds huge potential. Tourist excursions could be organized to national parks, including mountains, forests and rivers.

Exhibit 25. Comparative analysis of national park areas and tourist visits such areas in Azerbaijan and Georgia



1. Including official and managed natural reserves and parks
2. Considering accommodation alternatives nearby (< 10km) national parks (Except ski resorts for Azerbaijan).

Source: Ministry of Ecology and Natural Resources of the Republic of Azerbaijan, Agency of Protected Areas of Georgia

Rural tourism is also an important tourism sub-segment of the world tourism industry. Thus, people, who prefer recreation in quiet and green corners of the world far away from large cities, can benefit from physical and psychic recreation impacts. Various regions of Azerbaijan including villages offer tourists accommodation and restaurant services, although these services are not at a sufficient level. Training on tourism practices will be provided for household owners in villages, which will help increase the number of employed population in rural areas, while also strengthening service infrastructure for rural tourism, improving tourism services offered by rural houses, as well as developing alternative tourism sub-segments and the country's economy.

The development of rural tourism will facilitate the development of self-employed entrepreneurship practices, utilities in rural areas and increase of employment particularly among women, and several focused events will be taken to reach the maximum tourism potential of the country.

Action items

Action 3.5.1: Study Azerbaijan's eco-tourism potential and organize various tourism activities in national parks

Ministry of Culture and Tourism, in collaboration with the Ministry of Ecology and Natural Resources, will review options of studying Azerbaijan's eco-tourism potential and prepare an action plan for the organization of different tourism events in national parks. In addition, under Priority 3.3, daily- weekly transport connections with national parks will be designed.

Alternative daily/weekly walking routes in national parks will be created and favorable operation schedule will be designed for these routes. The work will include definition and development of camping areas in the national parks. Where needed, the operation of these camping areas will be outsourced to private operators. Finally, there will be a project to place signage throughout national parks and develop maps in Azerbaijani, English, German, French and Russian languages.

"Azerbaijan's eco-tourism" album will be designed, published and placed at online platforms. Besides, options such as creation of specific eco-tourism website will be considered.

Action 3.5.2: Develop rural tourism in Azerbaijan

The Ministry of Culture and Tourism will develop an action plan for the development of rural tourism as set out in Priority 3.3. Under this action plan, short-term courses will be organized to promote several traditions (for example, carpet- making, bread making, etc.) existing in rural areas and measures will be taken towards branding specialized agricultural products. For that purpose, where necessary, this process might involve both local and foreign experts. Relevant rural houses will also be identified for the accommodation of tourists and appropriate measures provided for in Priority 1.4 will be taken to launch refurbishment works in rural houses, provide trainings for the reception of tourists in village communities and provision of services, and conduct educational activities to encourage the tax paying habits of village people. A standard consistent with Priority 4.2 will be designed for ensuring minimal requirements for rural houses.

Action 3.5.3: Create and promote Shamakhy Safari Park

Necessary measures will be taken with participation of relevant bodies to create Shamakhy Safari Park and promote it in the future using online platforms and other resources.

Expected results and indicators

First of all, rural householders and tourists will benefit from the project. However, with the realization of the project, much wider audience including other village residents providing direct services to tourists (for example, guides, transport, hunting etc.) as well as people producing food products and souvenirs for tourists will also benefit from the implementation of the project. With the increase of organized actions and entrepreneurship behavior among rural people, their life style will become more active, which will lead to improvement of infrastructure in rural areas, creation of permanent workplaces for rural people, increase of employment rate, increase of welfare, development of business practices and improvement of social status in rural areas. In addition, each city and region will cause positive impressions among domestic and foreign tourists. Impact of this priority on real GDP in 2020 is already reflected in the results of Priority 3.3. Local people will benefit from tourism attractions in national parks, and local tourism products enabling protection of environment will be created.

Required investment

The required investment for this priority is covered by the investment requirements of Priority 3.3.

Expected risks

Since the implementation of this priority requires a considerable amount of money, lack of finance might be a risk factor for its implementation.

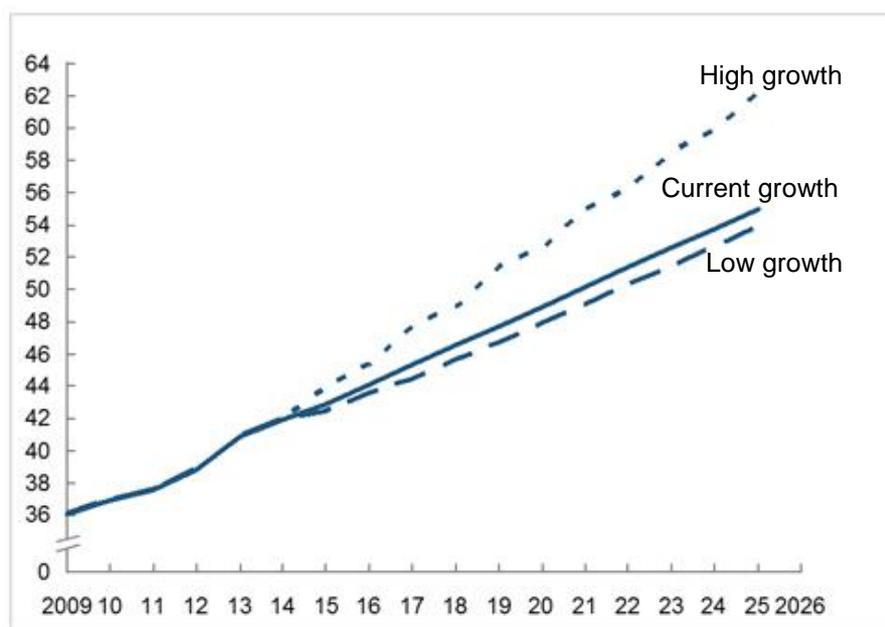
7.4. Strategic target 4. Create a national tourism quality system to increase tourist satisfaction

7.4.1. Priority 4.1. Invest in tourism education programs

Rationale

Demand for employees in the tourism industry has increased at a steady pace since 2009, and the implementation of key tourism priorities in this Strategic Roadmap could accelerate this rate further (Exhibit 26). In general, according to the statistic data of 2014, only 10% of 42,000 tourism employees have formal tourism education²⁵.

Exhibit 26. Actual and projected growth rate in the number of tourism sector employees (thousands)



Source: State Statistics Committee of the Republic of Azerbaijan

There are currently a limited number of tourism-related degree graduates in Azerbaijan. At the undergraduate level, tourism education is not highly preferred among students due to the seasonality of job prospects, although it is considered respectable among young people. At the high-school and vocational-school levels, tourism programs do not fit well with

²⁵ Source: State Statistics Committee of the Republic of Azerbaijan

international standards and the available programs are mainly built on training of theoretical skills.

Tourism-specific business administration programs (hereinafter referred to as MBA programs), which are required to train top-notch management for jobs in the industry, are not available in Azerbaijan.

Experienced employees try to find a job in Baku due to relatively higher salaries, which leaves regional tourism centers without experienced and qualified employees. Hospitality training courses will be diversified and increased to educate existing and potential employees.

Considering future demand for tourism sector, with the aim of increasing the number of qualified and experienced graduates and developing skillful personnel, a range of actions will be undertaken towards extending the network of vocational schools specialized in tourism, conducting relevant vocational training seminars and improving quality system.

Action items

Action 4.1.1: Create a working group to coordinate efforts to improve vocational education and training programs in tourism

The Tourism Council, together with relevant government bodies, private sector, tourism education facilities, civil society and the Council will create a working group to coordinate efforts to improve vocational education and training programs in tourism.

Action 4.1.2: Implementation of several measures by the working group

The Working Group is expected to implement several measures in the field of tourism. First, local and international teachers will be hired and train-the-trainer approach will be used to improve capacity of the trainers. Then, the group will identify training modules for new employees and experienced employees in the sector, using benchmarks from other countries. A particular focus will be given to language courses in local languages of the target markets, as specified by Priority 1.3. Free or low-cost language, hospitality, and local vocational courses will be provided in partnership with major hotels in tourism regions such as Gabala and Guba. Necessary measures will be taken to increase the yearly quotas for tourism students at existing education institutions and increase internship programs in vocational education schools for tourism, including summer internships at hotels in the region.

At the same time, several measures will be taken to support scientific researches in tourism.

All the tourism education dimensions will be compliant with the international standards and the relevant governmental bodies will conduct necessary work to receive international accreditation. Then, the cooperation between schools and private sector will be strengthened by pairing vocational education schools with top-notch hotel and restaurants of Azerbaijan. All students of tourism education will get obligatory internships in these facilities, and the working group will take other necessary measures in this direction.

Action 4.1.3: Establish vocational tourism schools under the Azerbaijan Tourism and Management University

In TRZs, the Ministry of Culture and Tourism, together with the Ministry of Education, will review the establishment of 5 regional vocational tourism schools under Azerbaijan Tourism and Management University (ATMU). Necessary land plot will be allocated to these schools to build their own experiment site, and options such as creation of experimental hotels and restaurants in these land plots under public-private partnership will be evaluated.

Building a dormitory designed for 100- 150 students, experimental hotel and restaurant close to schools to facilitate education, living and internship of 200 students in each of regional vocational education schools will be considered.

Action 4.1.4: Take measures for the preparation of professional standards and curriculum for tourism sector education and certification of tourism guides

For the purpose of implementation of this measure, the Ministry of Culture and Tourism will cooperate with the Ministry of Education (this topic has been discussed in more detail in the Strategic Road Map for development of vocational education and training in the Republic of Azerbaijan).

Necessary measures will be taken with regard to the certification of tourist guides. The Ministry of Culture and Tourism will organize tourist guide training courses in Baku and regions with big tourism potential for persons who are willing to obtain certification to become tourist guides. Active involvement of ATMU and International Tourism Guides Federation will be envisioned.

Action 4.1.5: Organize educational workshops for other sector representatives

The Tourism Council will coordinate the organization of education workshops for representatives of government authorities directly or indirectly associated with tourism sector to increase tourist satisfaction and provide better services.

Action 4.1.6: Take measures to create MBA programs in tourism

The Ministry of Culture and Tourism will implement joint work with relevant government bodies to create Tourism MBA program in ATMU and later in selected universities. For this purpose, partnership relations will be built with the best MBA schools across the world.

Expected results and indicators

Strengthening vocational tourism education is also a key enabler for the impact of reforms in the sector to be fully captured. The priority will not have a direct impact by itself in the sector, but rather allow Azerbaijan to capture GDP increase. With the implementation of this Strategic Roadmap, new workplaces will be created and the interest among young people in tourism education will be increased. Its employment impact will bring 150 jobs by 2020 due to attracting additional trainers.

Required investment

The total cost of implementation will be AZN 10 million to conduct trainings and create new programs, if 5% of all tourism employees receive guide certification and 10% of all employees receive foreign language training. Completion of these programs will be the target for this priority, in addition to shared key performance indicators of the other strategic priorities that this investment in vocational education will affect.

Expected risks

Major risk factors for implementation of this priority may be lack of finance as its implementation requires a considerable amount of finance, and less interest in tourism among students due its seasonality attributes and lack of skilled labor.

7.4.2. Priority 4.2. Improve standardization and certification system in tourism sector

Rationale

The law of the Republic of Azerbaijan dated 4 June 1999 on Tourism defines the tourism product as arrange of services provided to tourists (tourist accommodation, transportation, catering services, beach resorts, excursion, as well as guide (guide- translator) services and other services regardless of the purpose of visit).

In addition, services under the term “tourism products” could be classified as following:

- *Accommodation service* – various accommodation facilities providing this service include hotels, guest houses, recreation centers, rural houses, etc.;
- *Transport service* – it includes air transport, motor vehicle transport, railway transport and non- traditional transport services;
- *Catering services* – these services are provided by restaurants, cafes, bars, various catering services within accommodation facilities and other similar facilities;
- *Beach services* – provision of beach services to domestic and foreign tourists along the coastal line of water basins located in territories under state, municipal and private ownership meeting environmental, sanitary and safety norms;
- *Different services* – these include services such as entertainment, leisure, sports, shopping, transfer, banking and etc.

As seen from classification, the tourism product is a complex undertaking formed from various service areas, which makes it difficult to provide high quality services in different areas. Considering international best practices, this sector envisages the application of national and international certificates to increase the quality of tourism products, ensure compliance with safety norms and protect consumer rights.

Currently, in accordance with the “Rules of Certification of Tourist-Excursion services” approved by the Resolution No. 97, dated 16 July 2004, of the Cabinet of Ministers of the Republic of Azerbaijan and AZS 745- 2015 State Standard “on classification of hotels and similar facilities, identification of star categories and introduction of evaluation criteria”, hotels and similar accommodation facilities are subject to certification in the country.

In addition to the certification of hotels and similar accommodation facilities, the certification of above services will contribute to the increase of servicing level, country’s integration into world standards and development of tourism sector in general.

Besides, there is a need to prepare and approve as a methodical instruction a single manual to be used by tourist guides to ensure accurate promotion of Azerbaijani history, culture and national values without any distortion. Furthermore, it is deemed necessary to certify catering and transportation services, create and implement state standards based international tourism best practices and prepare methodical instructions with regard to sharing information with tourists.

Action items

Action 4.2.1: Amendments and changes to legislation

Proposals on amendments and changes to legislation will be prepared to ensure the certification of relevant tourist services.

Action 4.2.2: Prepare new national standards and manuals

Relevant government bodies, with the involvement of experts, will prepare standards for hotel, tour operator, catering, treatment and wellness, extreme and transport tourism, rural tourism, beach tourism and other services. Besides, a single manual in foreign languages (in English, German, French, Russian and Arabic languages) will be prepared to ensure awareness among tourists.

Action 4.2.3: Improve the existing standards

The relevant government body, with the involvement of experts, will improve state standards for hotels classification and catering facilities.

Expected results and indicators

Certification will contribute to the increase of tourism products quality, better protection of consumers' safety and increase of customer satisfaction with products.

Required investment

Involvement of experts to implement this priority and prepare relevant standards will require one time investment of AZN 100,000.

Expected risks

Implementation of this priority might cause certain bureaucratic obstacles. To prevent such obstacles, a relevant control mechanism should be established.

8. FINANCING MECHANISM

The achievement of the specified strategic targets requires AZN 350 million investment. The implementation of actions in the State Strategy will be funded by using the following sources:

- Government budget;
- Non-budgetary funds;
- Funds of National Entrepreneurship Support Fund;
- Local budgets;
- Funds of local departments, enterprises and organizations regardless of the type of ownership;
- Foreign direct investments;
- Credits by country banks and grants;
- Credits, technical and financial assistance by international organizations;
- Other sources not prohibited by legislation.

In order to ensure effective spending of funds for priority targets, budgets will be prepared within performance based budgeting process. A larger portion of the required funds will be provided at the expense of the restructuring of existing budgets, joint financing initiatives of private sector and different investors.

9. Implement, monitor and evaluate

Implementation of the strategic road map

Coordination and governance: Accelerated decision making, clear accountability, and additional execution capacity will ensure appropriate oversight and governance.

- A mechanism for accelerated decision making at the highest political level will be set up for the strategic vision and roadmap. This mechanism will enable clearly visible leadership from the decision makers and other main participants to emphasize the importance of implementation. Decisions about implementation priorities and concrete targets will be made using this mechanism.
- The main executive organization will appoint responsible persons for each relevant priority and action in order to implement them in a timely and proper manner. With the involvement of other organizations specified in the action plan, working groups under the top management of responsible organizations will also be formed for each priority. Reporting meetings of the work groups with the top management of the main executive organization will be conducted on a quarterly basis. Quarterly work progress and activities to be performed during the next quarter will be discussed in the meetings. The work groups will carry out their activities based on annual work programs. Daily work schedules and task allocation will be determined by the responsible person. Typically, current work group meetings will be held in the offices of the main executive organization as requested by the responsible person. The main executive organization will ensure that appropriate conditions are created for unimpeded activity of the work group and, when necessary, it will involve external experts to make best use of their technical support.
- An appropriate coordination group (delivery unit) will be established to monitor the implementation of the Strategic Roadmap and provide central execution support in areas such as in problem solving or coordination across institutions. The unit's major work will serve to create organization across the institutions, processes, and technology required for implementation. This coordination unit will oversee teamwork across work groups in line with the action plan, summarizing of quarterly reports and preparation of annual reports. Furthermore, it will be responsible for ensuring that the involved institutions arrange for the required financial and human resources, and empowered to inject additional resources when needed.

Strategic alignment and financing: To allow for an efficient implementation process that avoids wasted resources and conflicting objectives, strategic vision and roadmap will be fully integrated into other sectorial plans and existing budgets.

- All related strategic documents proposed by relevant governmental institutions will be harmonized with the Strategic Roadmap and the mandates of existing state agencies will be realigned to the objectives wherever necessary. This alignment work will include developing transparent, measurable implementation targets, which will be communicated publicly and used to track progress.
- Detailed implementation plans will be developed for all strategic priorities as governance for their execution, based on provided actions, to provide transparency

regarding the resources required and expected impact. While the assigned leader will bear overall responsibility for fulfilling the implementation plan, it will involve all key institutions and private sector organizations in its application.

Stakeholder mobilization platform: Both domestic and international partners from both public and private sectors will be mobilized to join in the execution of the Strategic Roadmap.

- Appropriate actions will be taken to identify and involve key strategic partners. The involvement of multiple organizations and stakeholders is required for the successful implementation of each strategic priority. To ensure alignment of objectives and proper coordination, advisory councils and working committees will be formed to work with the private sector and state owned enterprises as well as with critical international partners, such as international financial institutions.
- Civil society and think-tank will be mobilized and engaged to generate broad support for the roadmap. Furthermore, active communication, transparency and inclusiveness will help to mobilize the public and private sectors, society as a whole, and other relevant stakeholders.

Monitoring and evaluation of the Strategic Roadmap

The Strategic Roadmap will be monitored and evaluated to ensure successful implementation through required tools, processes and other resources. During monitoring and evaluation, focus will be placed on the implementation of core actions, expected results and indicators versus priorities, and also compliance with the completion schedule will be checked. The monitoring and evaluation will be carried out in accordance with procedures based on international methodologies.

The annual activity programs of the work groups will be agreed with the coordination unit and approved by the main executive organization. Representatives of the coordination unit will participate in the quarterly meetings of the work groups.

The main executive organization will submit quarterly work progress reports to the coordination unit at least 10 days prior to the work group's quarterly meeting. By taking into account extensive analysis and evaluation of quarterly reports including discussions held in the quarterly meeting of the working group, the coordination unit will submit quarterly monitoring results and its recommendations for the next period to the main executive organization within 10 days following the meeting date. The coordination unit and the main executive organization will take actions to ensure that the monitoring results and recommendations are taken into consideration by the working group in its daily activities.

10. Actions Plan

N	Action	Main responsible entity	Other responsible entities	Result indicators	Completion date
Strategic target 1. Realize Baku's full tourism potential by attracting more international visitors					
1.1. Establish a National Tourism Promotion Bureau and ensure its operation first in Baku city					
1.1.1.	Establish National Tourism Promotion Bureau	Ministry of Culture and Tourism		<ul style="list-style-type: none"> It is estimated to bring total of AZN 10 million, including AZN 5 million direct and AZN 5 million indirect GDP increase by 2020; increase the number of nights spent by foreign tourists in hotels and hotel-like facilities of Baku in 2020 to 3.65 million nights from estimated 0.8 million nights in 2015 	2017
1.1.2.	Implement necessary organizational works to ensure the operation of the Bureau	Ministry of Culture and Tourism	Baku City Executive Authority; State Committee for Property Issues		2017
1.1.3.	Implementation of different measures by the Bureau	National Tourism Promotion Bureau	Ministry of Culture and Tourism		2017–2020
1.1.4.	Prepare a marketing and communication plan of Baku city for 2017 – 2020	National Tourism Promotion Bureau			2017
1.1.5.	Create a tourism calendar for Baku City to coordinate the timing of all major events	Ministry of Culture and Tourism	National Tourism Promotion Bureau; Baku City Executive Authority		2017
1.2. Upgrade available information on tourism attractions in Baku and package tourism offerings					
1.2.1.	Take measures towards creating online awareness and preventing difficulties frequently met by tourists in order to ensure awareness among tourists about Baku at a sufficient level	National Tourism Promotion Bureau	Ministry of Culture and Tourism; Baku City Executive Authority	<ul style="list-style-type: none"> It is estimated to bring AZN 30 million direct GDP and AZN 20 	2017–2020

N	Action	Main responsible entity	Other responsible entities	Result indicators	Completion date
1.2.2.	Take measures to increase awareness among tourists visiting Baku and further travelling to the regions		Ministry of Culture and Tourism; Baku City Executive Authority	<ul style="list-style-type: none"> million indirect GDP, totaling AZN 50 million. it is estimated to create 6,100 employment in tourism sectorial totaling 8500 employment by 2020; Increase the number of foreign tourists accommodated in hotels and hotel-like facilities in Baku in 2020 to 0.9 million from estimated 0.5 million in 2015 Increase the average length of stay per tourist from 2to 3 days 	2017–2020
1.2.3	Increase awareness on less visited attractions located in Baku city	National Tourism Promotion Bureau	Ministry of Culture and Tourism; Baku City Executive Authority		2017–2020
1.2.4	Implement various support mechanisms by the Bureau	National Tourism Promotion Bureau	Baku City Executive Authority		2017–2020
1.2.5	Improve services provided by city tour transport vehicles	Ministry of Culture and Tourism	National Tourism Promotion Bureau; Baku City Executive Authority		2017–2020
1.2.6.	Take several measures to harness full potential of business travel to Baku	Ministry of Culture and Tourism	National Tourism Promotion Bureau; Baku City Executive Authority; State Oil Company of the Republic of Azerbaijan		2017–2020
1.2.7.	Prepare and promote Nowruz holiday packages	National Tourism Promotion Bureau	Ministry of Culture and Tourism; Baku City Executive Authority; State Civil Aviation Administration		2017–2020
1.2.8.	Hold different events during F1 races	National Tourism Promotion Bureau	Ministry of Culture and Tourism; Baku City Executive Authority; Ministry of Youth and Sports		2017–2020
1.2.9.	Promotion of tourism services packages by the Bureau	National Tourism Promotion Bureau	Ministry of Culture and Tourism; Baku City Executive Authority;		2017–2020

N	Action	Main responsible entity	Other responsible entities	Result indicators	Completion date
			Ministry of Youth and Sports		
1.2.10.	Shopping festival packages	Ministry of Culture and Tourism	Baku City Executive Authority; Ministry of Economy; Ministry of Taxes		2017–2020
1.2.11.	Offer do-it-yourself online tourism packages in websites of local tour operators	National Tourism Promotion Bureau	Ministry of Culture and Tourism		2017–2020
1.2.12.	Create specific tourist service packages for target countries building on Baku's and Azerbaijan's unique value propositions	National Tourism Promotion Bureau			2017–2020
1.2.13.	Prepare one or two-days travel packages from Baku to other regions via air transport	State Civil Aviation Academy	Ministry of Culture and Tourism; National Tourism Promotion Bureau		2017–2020
1.3. Implement a Baku city promotion campaign					
1.3.1.	Select key target countries	National Tourism Promotion Bureau	Ministry of Culture and Tourism	<ul style="list-style-type: none"> it is estimated to bring total of AZN 230 million GDP increase, including AZN 150 million direct and AZN 80 million indirect impacts; is expected to bring total of 16,000 employment in tourism by 2020, including 11,500 directly in tourism sector; Increase the number of foreign tourists accommodated in hotels and hotel-like facilities 	2017
1.3.2.	Select target countries and cities	National Tourism Promotion Bureau	Ministry of Culture and Tourism; Ministry of Finance; Baku City Executive Authority		2017
1.3.3.	Pursue market research to implement promotion campaigns	National Tourism Promotion Bureau	Ministry of Culture and Tourism; Ministry of Finance		2017–2020
1.3.4.	Implement a Baku city marketing campaign in target cities hiring marketing and media planning companies	National Tourism Promotion Bureau			2017–2020

N	Action	Main responsible entity	Other responsible entities	Result indicators	Completion date
1.3.5.	Identify marketing channels	National Tourism Promotion Bureau	Ministry of Finance	in Baku from 0.5 million in 2015 to 0.9 million in 2020;	2017–2020
1.3.6.	Open tourism representative offices and organize their activity in diplomatic missions of Azerbaijan	Ministry of Foreign Affairs	Ministry of Culture and Tourism; Ministry of Finance	<ul style="list-style-type: none"> Increase the number of in foreign tourists not accommodated in hotels from 0.8 million in 2015 to 1.5 million in 2020 	2017–2020
1.4. Develop Baku's tourism infrastructure, including low-cost accommodations and robust tourist areas					
1.4.1.	Prepare an action plan for funds to be allocated to tourism sector by the National Fund for Entrepreneurship Support	Ministry of Economy	Ministry of Finance; Ministry of Culture and Tourism	<ul style="list-style-type: none"> It is estimated to have potential to bring AZN 45 million direct GDP increase by 2020, and an additional AZN 25 million indirect GDP increase, totaling AZN 70 million GDP increase; it is estimated to open 4,500 employment directly in tourism sector with 6,200 total employment by 2020; By 2020, the share of accommodation at affordable costs will remain at the current level of 30% in the total number of accommodation; 	2017–2020
1.4.2.	Prepare a promotion campaign plan with regard to using the funds of the National Fund for Entrepreneurship Support in 2017 – 2020	Ministry of Culture and Tourism	Ministry of Economy		2017–2020
1.4.3.	Organize different events in Baku to promote unique values and products, as well as handcraft samples of Azerbaijan	Ministry of Culture and Tourism	National Tourism Promotion Bureau; Baku City Executive Authority; Seaside Boulevard Administration; State Marine Administration; State Administration of Historical-Architectural Reserve “Icherisheher”		2017–2020
1.4.4.	Prepare an action plan for the promotion of beach tourism after 2020	Ministry of Culture and Tourism			2017–2020

N	Action	Main responsible entity	Other responsible entities	Result indicators	Completion date
1.4.5.	Assess big flagship projects for Baku	National Tourism Promotion Bureau	Baku City Executive Authority; Ministry of Culture and Tourism	<ul style="list-style-type: none"> 265 thousand incremental low-cost tourist arrivals will be accommodated; 	2018–2020
1.4.6.	Create dedicated infrastructure, including “Duty free” shops	State Customs Committee	Ministry of Culture and Tourism; Ministry of Taxes; National Tourism Promotion Bureau		2018–2020
1.4.7.	Create necessary conditions for building popular brand hotels in Baku	Ministry of Culture and Tourism	Ministry of Economy; Baku City Executive Authority		2017–2020
1.4.8.	Prepare proposals to offer university dormitories as accommodation to tourists in summer seasons and implement relevant promotion campaigns	National Tourism Promotion Bureau	Ministry of Education; Ministry of Culture and Tourism		2018–2020
<i>Strategic target 2. Implement Key Enablers to Develop Tourism in the Country</i>					
<i>2.1. Establish Tourism Council</i>					
2.1.1.	Ensure the operation of the tourism council	Presidential Administration of the Republic of Azerbaijan		<ul style="list-style-type: none"> It will be a key enabler for achieving the objectives of the strategic roadmap, but will not have direct impact on GDP and employment; 	2016
2.1.2.	Establish working groups in order to build proper coordination for development of tourism sector	Ministry of Culture and Tourism			2016
2.1.3.	Review the strategic roadmap priorities and propose necessary changes to existing programs to launch its execution	Ministry of Culture and Tourism		<ul style="list-style-type: none"> Implementation of planned actions in the tourism sector will be more efficient, flexible and dedicated 	2017
2.1.4.	Establish a monitoring system for the execution of strategic priorities	Ministry of Culture and Tourism			2017

N	Action	Main responsible entity	Other responsible entities	Result indicators	Completion date
2.2. Create Tourism Recreation Zones (TRZS)					
2.2.1.	Establish the governance structure of TRZs	Ministry of Culture and Tourism		<ul style="list-style-type: none"> It will be a key enabler for other priorities, but will not have direct impact on GDP and employment 	2016
2.2.2.	Establish the activities of TRZ in line with tourism cluster	Ministry of Culture and Tourism	Ministry of Finance; Ministry of Economy		2017–2018
2.2.3.	Development of TRZs	Ministry of Culture and Tourism	Ministry of Finance; Ministry of Economy		2017–2020
2.2.4.	Prepare and publish annual development plans for TRZs	Ministry of Culture and Tourism			2017
2.2.5.	Conduct a study to create new tourism recreation zones (TRZs)	Ministry of Culture and Tourism			2017–2018
2.2.6.	Set up a monitoring mechanism for execution of annual development plans	Ministry of Culture and Tourism			2017
2.3. Develop Regional Tourism Service Infrastructure for Domestic and Regional Tourists to resolve seasonality problem in tourism					
2.3.1.	Create a tourism calendar for Baku City and later for the entire country	Ministry of Culture and Tourism	National Tourism Promotion Bureau; Baku city Executive Authority	<ul style="list-style-type: none"> It will be a key enabler for priorities, but will not have direct impact on GDP and employment 	2017–2020
2.3.2.	Promote tourists arrivals in all tourism sub-segments (wellness, environmental, business, rural, etc.)	Ministry of Culture and Tourism	Ministry of Ecology and Natural Resources; National Tourism Promotion Bureau		2017–2020

N	Action	Main responsible entity	Other responsible entities	Result indicators	Completion date
2.3.3.	Support events and projects reducing seasonality in tourism promotion policies of the Republic of Azerbaijan	Ministry of Culture and Tourism	Ministry of Economy		2017–2020
2.3.4.	Preference for non-seasonality in Baku city marketing campaigns	National Tourism Promotion Bureau	Ministry of Culture and Tourism		2017–2020
2.3.5.	Move the hunting season to the low tourism season in compliance with relevant requirements	Ministry of Ecology and Natural Resources	Ministry of Culture and Tourism		2017
2.3.6.	Promote non- seasonal tourism in TRZs	Ministry of Culture and Tourism			2017–2020
2.4. Simplify and expedite visa processes and border crossing procedures					
2.4.1.	Review the simplification of visa issuing mechanisms in international airports, as well as at border crossing points	Ministry of Foreign Affairs	Ministry of Culture and Tourism; State Migration Service; State Border Service	<ul style="list-style-type: none"> • Increase GDP directly by AZN 20 million by 2020, and have AZN 10 million indirect GDP impact, totaling to AZN 30 million increase; • Increase in the number of tourists due to easier visa processes. 	2017–2020
2.4.2.	Introduce self-serving kiosks for the visa on arrival tourists where tourists can fill the forms directly from kiosks	Ministry of Foreign Affairs	State Civil Aviation Administration; State Border Service; State Committee for Public Services and Social Innovations under the President of the Republic of Azerbaijan		2017–2018
2.4.3.	Improve e- visa issuing process	Ministry of Foreign Affairs	Ministry of Culture and Tourism; State Committee for Public Services and Social Innovations under the President of the Republic of Azerbaijan		2017

N	Action	Main responsible entity	Other responsible entities	Result indicators	Completion date
2.4.4.	Take necessary measures to ensure fast passage for foreigners and persons without citizenship in border crossing points	State Border Service	Ministry of Foreign Affairs; State Customs Committee; State Migration Service; Azeravtoyol OJSC		2017
2.5. Improve air connectivity to major source markets					
2.5.1.	Create a working group to achieve agreement in liberal air transport in parallel with the marketing and communication plan of Baku city for 2017 – 2020 set out in the Priority 1.1	State Civil Aviation Administration	Ministry of Culture and Tourism; AZAL CJSC; Ministry of Justice; Ministry of Finance; Ministry of Economy	<ul style="list-style-type: none"> This priority will have total AZN 30 million: direct GDP impact of AZN 20 million and indirect GDP impact of AZN 10 million by 2020 	2016
2.5.2.	In order to increase the number of airline companies in Azerbaijan, support creation of airline companies and national airline companies offering affordable prices	State Civil Aviation Administration	Ministry of Culture and Tourism; AZAL CJSC; Ministry of Economy; Ministry of Finance		2017–2020
2.5.3.	Optimize flight schedules for existing flights, to better address expectations of weekend travelers to Baku (from city marketing and communication campaign countries set out in Priority 1.3)	State Civil Aviation Administration	Ministry of Culture and Tourism; AZAL CJSC; National Tourism Promotion Bureau		2017–2020
2.5.4.	Identify current level of service in the regional airports of Azerbaijan and assess needs for airport expansions and take measures to implement investments in airports for 2020 – 2025	State Civil Aviation Administration	Ministry of Culture and Tourism; AZAL CJSC; Ministry of Finance; Ministry of Economy		2017–2020
2.5.5.	Evaluate options to establish strategic partnerships at national level with major airlines, resort chains or travel companies	Ministry of Culture and Tourism	State Aviation Administration		2017–2020

N	Action	Main responsible entity	Other responsible entities	Result indicators	Completion date
Strategic target 3. Develop regional tourism sub-sectors for domestic and regional tourists					
3.1. Revitalize demand for wellness tourism					
3.1.1.	Prepare an action plan on wellness tourism for 2017 – 2020	Ministry of Culture and Tourism	Ministry of Health; Relevant Executive Authorities; Ministry of Ecology and Natural Resources	<ul style="list-style-type: none"> • It is estimated to bring total of AZN 5 million GDP increase, comprised of AZN 3 million additional direct and AZN 2 million indirect impacts; • 150 new workplaces by 2020; • Increase capacity utilization rate to 65%; • Increase the current level of 40% to the level of European wellness facilities (Utilization rate of tourism centers in Naphtalan is considered here) 	2017
3.1.2.	Facilitate efforts to develop wellness products based on Naphtalan oil	Ministry of Culture and Tourism	Naftalan city Executive Authority; Ministry of Health; State Oil Company; National Tourism Promotion Bureau		2016–2019
3.1.3.	Undertake restoration and reconstruction works in existing accommodation alternatives, wellness facilities and other locations attractive for tourists in Galaalti, Naphtalan and Duzdag	Ministry of Economy	Ministry of Culture and Tourism; Tourism Council		2017–2020
3.1.4.	Initiate express and high quality bus and train services between Baku and Naphtalan	Ministry of Transport	Ministry of Culture and Tourism; Azerbaijan Railways CJSC; National Tourism Promotion Bureau		2017–2018
3.2. Support the development of winter tourism					
3.2.1.	Improve transportation options	Ministry of Transport	Ministry of Culture and Tourism; State Civil Aviation Administration; AZAL CJSC; National	<ul style="list-style-type: none"> • It is estimated to bring additional AZN 10 million direct and AZN 10 million indirect GDP increase by 	2017–2018

N	Action	Main responsible entity	Other responsible entities	Result indicators	Completion date
			Tourism Promotion Bureau	2020, totaling to AZN 20 million impact to GDP;	
3.2.2.	Organize meetings, international conferences and events (MICE) in winter tourism centers	Ministry of Culture and Tourism	Ministry of Economy	<ul style="list-style-type: none"> An employment increase of 300 jobs created by 2020; 	2017–2020
3.2.3.	In order to increase the tourist flow of tourist from regional countries, organize big and attractive festivals in winter tourism resorts in different seasons	Ministry of Culture and Tourism	Ministry of Finance; National Tourism Promotion Bureau	<ul style="list-style-type: none"> Increase in room booking in the existing ski resort hotels with 50% average annual growth rate, which drives occupancy ratio to the triple of 2015 levels, while keeping 195 AZN revenue per night per tourist, including accommodation, leisure and food 	2017–2020
3.2.4.	Conduct analysis to evaluate the current status of state –owned hotels in winter tourism areas and improve accommodation options	Ministry of Culture and Tourism	State Committee for Property Issues; Ministry of Economy		2017–2020
3.2.5.	Develop and expand a mountain – ski training program in selected schools	Ministry of Culture and Tourism	Ministry of Youth and Sports; Ministry of Education		2017–2020
3.3. Create cultural tourism circuits					
3.3.1.	Draw routes of daily to weekly driving and walking routes for all cultural, historical and national park attraction points in northern, northern-western and western corridors of Azerbaijan	Ministry of Culture and Tourism		<ul style="list-style-type: none"> By 2020, it is estimated bring AZN 20 million: AZN 10 million direct and AZN 10 million indirect GDP increase; 	2017–2018
3.3.2.	Develop a certification program for tourist guides on Silk Way and other cultural routes	Ministry of Culture and Tourism	Ministry of Education	<ul style="list-style-type: none"> It is also estimated to bring 3,700 employment increase, including 2700 employment in tourism sector; 	2017–2020
3.3.3.	Ensure provision of funds as specified by Priority 1.4 to incentivize the development of tourism infrastructure and provide consultancy services to entrepreneurs	Ministry of Economy	Ministry of Culture and Tourism, Ministry of Transport	<ul style="list-style-type: none"> Establishment of 24 destination stops to be built along the selected cultural routes, creation of tourism stops for additional services 	2017–2020

N	Action	Main responsible entity	Other responsible entities	Result indicators	Completion date
3.3.4.	Promote new cultural tourism routes	Ministry of Culture and Tourism	Ministry of Foreign Affairs; State Border Service	<p>with different stay packages of “7 nights”, “5 nights”, “3 nights”, “1 night” and “daily” to be offered;</p> <ul style="list-style-type: none"> • Attracting 180 thousand tourists to these destination stops; • Average accommodation costs along these cultural routes and daily expenses related to the utilization of these cultural routes will be 30% lower compared to tourist expenses in Baku 	2017–2020
3.4. Support development of business tourism					
3.4.1.	Identify and develop new target markets	Ministry of Culture and Tourism		<ul style="list-style-type: none"> • Twice as many business tourists are estimated to come to Azerbaijan by 2020 as compared to 2016 	2017–2020
3.4.2.	Strengthen positions in markets of Russian Federation and Middle East countries	Ministry of Culture and Tourism	Ministry of Foreign Affairs		2017–2019
3.4.3.	Create Honorary Ambassadors Club for Meetings Industry	Ministry of Culture and Tourism			2017
3.4.4.	Support development of MICE tourism in the regions	Ministry of Culture and Tourism			2017–2020
3.4.5.	Participate in international events and organize promotion visits	Ministry of Culture and Tourism			2017–2020
3.4.6.	Build cooperation with international business tourism organizations	Ministry of Culture and Tourism			2017–2020

N	Action	Main responsible entity	Other responsible entities	Result indicators	Completion date
3.5. Strengthen sustainable tourism potential (eco- tourism, rural tourism, etc.)					
3.5.1.	Study Azerbaijan's eco-tourism potential and organize various tourism activities in national parks	Ministry of Culture and Tourism	Ministry of Ecology and Natural Resources	<ul style="list-style-type: none"> Impact of this priority on GDP is reflected in the results of Priority 3.3. 	2017–2020
3.5.2.	Develop rural tourism in Azerbaijan	Ministry of Culture and Tourism	Ministry of Agriculture, Ministry of Economy		2017–2020
3.5.3.	Create and Promote Shamakhy Safari Park	Ministry of Culture and Tourism			2017–2020
Strategic objective 4. Create a national tourism quality system to increase tourist's satisfaction					
4.1. Investment in tourism education programs					
4.1.1.	Create a working group to coordinate efforts to improve vocational education and training programs in tourism	Tourism Council	Ministry of Culture and Tourism Ministry of Education	<ul style="list-style-type: none"> Its employment impact will be additional 150 employments by 2020. 	2017
4.1.2.	Implementation of several measures by the working group	Tourism Council	Ministry of Culture and Tourism		2017–2020
4.1.3.	Establish vocational tourism schools under the Azerbaijan Tourism and Management University	Ministry of Culture and Tourism	Ministry of Education		2017–2020
4.1.4.	Take measures for the preparation of professional standards and curriculum for tourism sector education and certification of tourism guides	Ministry of Culture and Tourism	Ministry of Education		2017–2020
4.1.5.	Organize educational workshops for other sector representatives	Tourisms Council	Ministry of Culture and Tourism		2017–2020

N	Action	Main responsible entity	Other responsible entities	Result indicators	Completion date
4.1.6.	Take measures to create MBA programs in tourism	Ministry of Culture and Tourism	Ministry of Education		2017–2020
4.2. Improve standardization and certification system in tourism sector					
4.2.1.	Amendments and changes to legislation	Ministry of Culture and Tourism	State Committee for Standardization, Metrology and Patents	<ul style="list-style-type: none"> It will be a key enabler for other priorities, but will not have direct impact on GDP and employment 	2017–2018
4.2.2.	Prepare new national standards and manuals	State Committee for Standardization, Metrology and Patents	Ministry of Culture and Tourism		2017–2020
4.2.3.	Improve the existing standards	State Committee for Standardization, Metrology and Patents	Ministry of Culture and Tourism		2017–2020