

SHEKI-ZAGATALA ECONOMIC REGION



**ASSESSING
TOURISM
POTENTIAL**

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The “Assessing Tourism Potential of Sheki-Zagatala Region of Azerbaijan” paper was developed by “Uluchay” Social-Economic Innovation Center, a Sheki, Azerbaijan based socio-economic think tank with core & institutional support provided by Open Society Foundations and Think Tank Fund. This assessment analyzes tourism potential in Sheki-Zagatala region and contains recommendations for local and national authorities. The assessment illustrates tourism’s importance as an economic activity and analyzes Sheki-Zagatala’s current situation, needs, and recommendations for future development.

This paper was developed based on surveys conducted with tourism operators, entrepreneurs, and consultations with local and regional stakeholders. We also reviewed literature and conducted other forms of in-depth research.

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Opinions and views reflected in this document are not necessarily supported by Open Society Foundations and Think Tank Fund.

INTRODUCTION

Travel and Tourism in Azerbaijan

The tourism sector is one of regional Azerbaijan's main sectors for economic development and creates employment opportunities in many directly and indirectly connected sectors. Currently, the direct contribution of Travel & Tourism (T&T) to GDP is AZN 1,343,1mn (2.4% of total GDP) and the total contribution of T&T to GDP was AZN 4,917,9mn (8.8% of total GDP). This is forecast to rise by 1.4% in 2014, and expected to rise by 5.3% annually to AZN 8,392.8mn (8.6% of GDP) in 2024. Out of 184 countries, Azerbaijan ranked 82nd overall in direct contribution to GDP and 72nd in total contribution to GDP.

The T&T sector directly supported 95,000 jobs in 2013, roughly 2.2% of total employment. Total contribution to employment, including jobs indirectly supported by the sector, was 8.0%, or 351,000 jobs.

Visitor contribution to the T&T sector of Azerbaijan in 2013 was AZN 2,138,3mn (8.2% of total exports) and based on the calculation of World Travel and Tourism Council the visitors export will fall by 4.1% in 2014, and grow by 4.1% per annum from 2014-2024 to AZN 3,079.5mn in 2024 (9.6% of total).

2013 investment in the T&T sector was AZN 311,7mn, or 2.3% of total national investment. Azerbaijan ranks in 90th out of 184 countries in the ranking of WTTC regarding capital investment in its T&T sector.

Travel and Tourism in Sheki-Zagatala Economic Region

Located along one of two highways that connect Baku and Tbilisi, the Sheki-Zagatala region has long been a hotbed of regional Azerbaijani culture with more than 100 ancient fortresses, palaces, mausoleums, mosques, towers, and hotels. If regional tourism can work in Azerbaijan, the Sheki-Zagatala region will be its epicenter. Currently, recreational tourism enterprises operate in Gabala, Sheki and Zagatala and the region lies along an international tourism route an international tourism route with termini in Baku, Tbilisi, and Batumi Georgia.

Although Sheki-Zagatala offers unique nature, culture, and heritage: a classic formula for tourism development, the region lacks necessary human capital for a profitable, sustainable, and thriving tourism sector. This skillset deficit adversely affects the profitability and competitiveness of the region's plethora of small and medium-sized tourism enterprises.

This Tourism Potential Assessment (TPA) provides a deeper understanding of community dynamics in Sheki-Zagatala and offers new approaches for future tourism development. The assessment aims to diversify the region's economy by supporting efforts to protect the natural environment and preserve historical attractions, two key competitive advantages for this region. This assessment aims to reveal opportunities for workforce development and economic opportunities within a tourist market that is laden with potential.

Unfortunately, there is minimal information regarding visitor expenses and overall contribution of tourism sector to the Sheki-Zagatala Economic Region's GDP. Very little statistical information is available to assess potential.

METHODOLOGY

Information collection

Primary and secondary sources were used for development of this report. A questionnaire was developed and stakeholders were interviewed during personal interviews. Data was taken from state statistics recorded in 2011: sadly, no other data is available. Visits were organized to each district in the Sheki-Zagatala region, including two villages in each district, Tourism Information Centers (TICs), and district governorates. Meetings were organized with community leaders, NGOs, private companies, B&B owners, and government officials. Subsequently, two workshops in Sheki and Gabala were attended by 60 participants and identified the strengths, weaknesses, opportunities & threats of the Sheki - Zagatala region, prioritized areas for action, and promoted partnership in the development of the regional tourism industry.

Secondary information used includes State's Regional Development Program, State's Tourism Development Program for 2010-2014, brochures prepared by Tourism Information Centers, UNDP report on Tourism Development in Azerbaijan, "Assessment of Present Tourism Future Potential" by Dr. Christine Richter, and OSCE Rapid Tourism Assessment in Azerbaijan.

Statistical Data

This paper's authors faced a lack of statistical data for economic regions. The Statistical Committee of the Republic of Azerbaijan had minimal information related to travel and tourism. The assessment's authors are not responsible for the data used from the Committee's website.

Information classification and analysis

Information was collected about tourism-related services (lodging, food services, transportation, guides, financial services, medical services, local government), social and cultural infrastructure including roads, telecommunication, sewage and drinking water, waste removal, education, sports, cultural events and facilities, as well as historical and natural monuments.

This analysis assesses Sheki-Zagatala region's tourism potential, including of service providers and infrastructural capabilities for matching forecasted requirements for tourism development and makes recommendations for improving services and infrastructure.

ASSESSMENT

The region has excellent opportunities for tourism development due to rich natural resources, unique historical-cultural sites, and favorable location on the Baku-Tbilisi highway. Currently, this region is already visited by many tourists due to its proximity to many of the most popular tourist sites outside Baku; Sheki Karavansaray, Khan's Palace, Mazykh Castle, and many other attractions are located in Sheki-Zagatala. These historical sites have existed for hundreds of years, but they will continue to play critical roles in promoting new tourism opportunities in Sheki-Zagatala region.

POLICY AND GOVERNMENT

State Program

The State Program on Tourism Development for 2010-2014 is being implemented. The program's objectives are the 1) formulation of a modern tourism field corresponding to high economic, social, and ecological standards and 2) implementation of goal-oriented activities for bringing the country's tourism infrastructure up to high international standards, 3) formulating a business environment that encourages investment, 4) creation of efficient state regulation and operational mechanisms by using leading international experience and 5) ensuring that the tourism field meets the standards of international quality, improving the region's competitiveness both locally and internationally.

The document lacks details on what should be done during the implementation of the program. In only a few cases were we able to collect program results, such as provided capacity building training sessions for local tourism sector workers and disseminated materials on best practices and training sessions for local representatives of the Ministry on tourism policy, planning and management.

The central government has subsequently developed the Azerbaijan 2020: Look into the Future concept, a plan containing a section on tourism development in Azerbaijan, specifically on stimulation of tourism activities in the regions. However, like the 2010-2014 plan, these plans are extremely broad and fail to account for each region's specifics. A proper plan would account for regional specifics.

Ministry of Culture and Tourism

Ministry of Culture in Tourism is charged with overseeing the sector. Responsibilities include marketing and stimulating development of international and domestic tourism.

Local governments

We met with representatives of the local governments in Gabala, Oguz, Sheki, Gakh, Zagatala and Balakan. These meetings highlighted differing values each region places on tourism as part of their economic development strategies. These regional variations will impact tourism development in Azerbaijan, and the local governments we met with were open and knowledgeable about their districts' tourism resources and state assistance.

Socio-economic and cultural impact of tourism

Tourism can be an important source of income, jobs, and tax revenue capable of stimulating other sectors such as arts and agriculture. Tourism has a multiplier effect: money spent by visitors is subsequently spent by community residents. Additionally, tourism provides economic incentive for preserving cultural and environmental heritage. Lastly, local residents profit from and enjoy the same attractions that tempt outside visitors.

Unfortunately, tourism is two sides to the same coin. Local culture and heritage is showcased and preserved, but often it is packaged to conform to external expectations and provide entertainment value rather than show Tourism Information Centers

Tourism Information Centers

Tourism Information Centers have been set up in coordination between private and state tourism providers and are aimed at providing timely and accurate tourism information and promote sustainable tourism development in Azerbaijan. We recommend that these centers be expanded. authenticity. Additionally, tourism is not a high-paying field.

Registration of Local Infrastructure

The registration of hotels and tourism agencies is expensive ridden with bureaucratic red tape, and until an easier solution is found, this will continue to hinder development. In order to establish a tourism agency, the founder or company must pay AZN 5.500 for licensing. Hotel licenses cost AZN 1.500 both for individuals and companies. Companies and individuals receiving these licenses from the Ministry of Culture and Tourism have concerns regarding the hindrances on obtaining relevant documents to apply for the licenses.

Visas

Azerbaijan strives for wealthy tourists from abroad, even sponsoring Spanish football club Atletico Madrid and advertising heavily in upmarket travel publications, but the visa process remains expensive and cumbersome. A single entry short-term visa used to be purchased at the airport upon arrival in Baku for a hefty fee, but that is no longer allowed. Now all visas are issued only through Azerbaijani embassies, consulates, or the Ministry of Foreign Affairs. Sadly, visa paper work is extensive and fees are excessive: a single entry visa for American citizens costs \$160 and for UK citizens, valid up to one month, will cost £14 but with a £60 application fee. Longer term residence and business visas are more expensive.

Within three days of arrival in Azerbaijan, tourists are required to register their lodging and whereabouts with State Migration Services. This service is provided by most hotels, but failure to do so will result in detainment and fine up to \$500 upon exiting the country. While the Azerbaijan government and economy appear to yearn for tourist income, the government's strict requirements indicate a tepid stance on the presence of outsiders in its regions. Training services providing hospitality skills and English are time consuming, expensive tasks, and until visa and registration requirements are relaxed—something that can be done with the simple stroke of a pen—Azerbaijan will continue to choke its small stream of tourists.

GENERAL ANALYSIS

Strengths include the region's favorable location: it is well connected via road to Baku and Tbilisi, and also has a rail connection to Baku. With ample historical monuments and architecture, lush hills, and mild temperatures, the area is perfect for getaways in spring, summer, and fall. In addition to hotels and select restaurants that operate at international standards with multilingual staff, the region also boasts tens of operating B&Bs and houses equipped with hot water, clean bathrooms, furnished bedrooms, and trained owners.

For as much strength as the region may have, its weaknesses are substantial. We realize that only 10% of Sheki-Zagatala's visitors are foreign, but foreigners represent the highest growth potential. Currently, information pertaining to bus and train schedules, fares, and lodging, is weak: there simply is no centralized information center, and visitors are often forced to rely on locals and outdated and inaccurate information combed from a variety of sources. Additionally, most of Azerbaijan's population has not interacted with foreigners; verbal harassment, price extortion, and stalking are rampant, particularly around bus stations and on main thoroughfares. Young women traveling alone report being whistled at and solicited for sex by peer-aged men and are occasionally groped. These incidents, however, drop dramatically when accompanied by either an elder local, another foreign man, or when traveling in groups.

Additionally the region lacks skills and resources to promote the region's tourism opportunities, and many who possess such skills look to move to Baku for a more cosmopolitan lifestyle and higher salary. In a similar light, regional Azerbaijan may have ample hiking and cultural opportunities by day, but nearly all dining occurs inside-partly as a response to street harassment and gawking from men(it is not common for women to stray far from home), but even in safer tourist areas, nobody can sit outside and enjoy a meal or a drink. Exceptions include a few bars and tea houses that cater exclusively to local men. On a similar note, at night, there simply is no nightlife aside from a few quiet hotel bars that serve standard, and often overpriced, drinks. No place in this region could ever be considered a "hot spot" for travelers looking for a loud, late night out. And lastly, the region is prohibitively expensive: for a single traveler from Baku on a three day trip to Sheki, expenses might appear as follows:

Round-trip bus fare (7 AZN one way)	14
3 night lodging (lower end, 70 AZN per night)	210
3 days food (15 AZN per day)	45
Museums and other attractions	15
Misc. expenses e.g. water/transp. (2 AZN per day)	6
Total:	290

Prices are mentioned in AZN.

Families and foreigners pay significantly more. In summary: Sheki-Zagatala may be beautiful, but its value proposition is extremely low. Quality budget options are rare.

Despite these opportunities, Azerbaijan's domestic competition, location, and politics threaten even the most viable opportunities.

Despite increasing hotel availability, visits to Sheki have actually decreased since 2010, notwithstanding a strong 2012. Azerbaijan's domestic market is now competitive: northern regions of Guba and Gusar, two and three hours respectively from Baku, thirty minutes from each other, have dramatically improved their infrastructure since 2010. Shahdagh ski resort in Gusar, Azerbaijan's first ski area is now open and attracting both curious first-timers and seasoned veterans from nearby and Baku's expatriate crowd. Nearby Guba hosts Azerbaijan's first 18 hole golf course and a massive hotel and villa development by Turkey-based Rixos Luxury Hotels and Resorts.

Baku has also grown, and some might say, grown up. Hilton, J.W. Marriott, Park Inn, and Fairmont hotels, among other properties, have all recently opened in the city center, all of which contain roof top hot spots. On the ground, Fountain Square, the Bulvar, and Old City have new energy with an array of trendy restaurants, fine tea shops, and luxury purveyors. And, the Carpet Museum and Heydar Aliyev Performing Arts Centre are open. Now that Baku now has ample places for residents to impulsively swipe their platinum credit cards on the merest whim, a trip to Sheki has apparently gone out of fashion like last season's hand bags.

A final threat to regional tourism opportunities adversely affects all regions: Azerbaijan's strict and expensive visa requirements and apparent suspicion of foreign activity outside Baku. Azerbaijan is already expensive to fly to, despite low fare options to Budapest, Istanbul, and Dubai, but a \$160 visa for US citizens and lengthy application are easy ways to dissuade potential visitors from what is still a fledgling country on the international tourism circuit. UK citizens do not fare much better. Once visitors arrive in country, they have three days to register with State Migration Services - a service done by most (but not all) hotels, but failure to do so can lead to detainment and a hefty fine upon emigrating the country. An expensive, confusing visa application and mandatory registration are not attractive propositions for tourists, who can go to Georgia, Turkey and other countries for lower costs and confusion.

DISTRICT SPECIFIC INFORMATION

The Sheki-Zagatala region has six urban areas with enough population scale and density that are capable of driving regional tourism growth: Gabala, Oguz, Sheki, Gakh, Zagatala and Balakan.

These six urban areas account for 27% of the region's population and employment and are connected by the both the Baku-Balakan highway and north-south railway infrastructure. They all experience high levels of connectivity (70-100%) to utilities such as electricity and telephone, but gas, water, and sewage connections lag.

As highlighted, Gabala, Sheki & Zagatala urban centers have been identified as areas with a concentration of both population and employment.

The comparatively dense populace is reinforced by educational and business support infrastructure that can easily facilitate programs aimed at regional tourism development:

- Technical schools in all every urban center
- A University branch in Sheki with a strong English department
- Regional airports in Zagatala and Gabala
- Railway stations in Gabala, Balakan, Zagatala and Sheki
- Business support services such as banking, legal, and consulting

This report is not only about targeting urban areas with growth potential, but also recognizes that regional prosperity depends on the ability to develop areas of critical mass and scale that have the potential to develop the entire Sheki-Zagatala region. This study therefore prioritizes the urban locations of Gabala, Sheki, and Zagatala for flagship projects, but recognizes the need to stimulate tourism development in the smaller urban locations of Balakan, Gakh & Oghuz.

Capacity

Local authorities of the region responsible for the tourism management and development lack capacity and skills on marketing, best practices, and how to support local tourism companies and attractions. The Ministry of Culture and Tourism, has provided relevant training programs to its representatives in the regions, but such trainings should be regularly facilitated and include best practices from neighboring countries, such as Georgia and Turkey in order to increase the competitiveness in the tourism market.

Marketing

Currently, the local tourism sector has no marketing skills whatsoever, nor has the sector shown any interest in developing and updating their websites, disseminating information about the region and local services, and does not advertise on popular international tourism websites to attract foreign tourists. Local private houses serving as guest houses are unknown because they lack marketing skills. Local and foreign tourists are able to find such houses only through chance encounters with locals who may know of these houses, but otherwise there is no central booking or referral system. The other and most significant problem facing the local tourism sector is high prices and failure to cater to middle-income tourists and youth travelers.

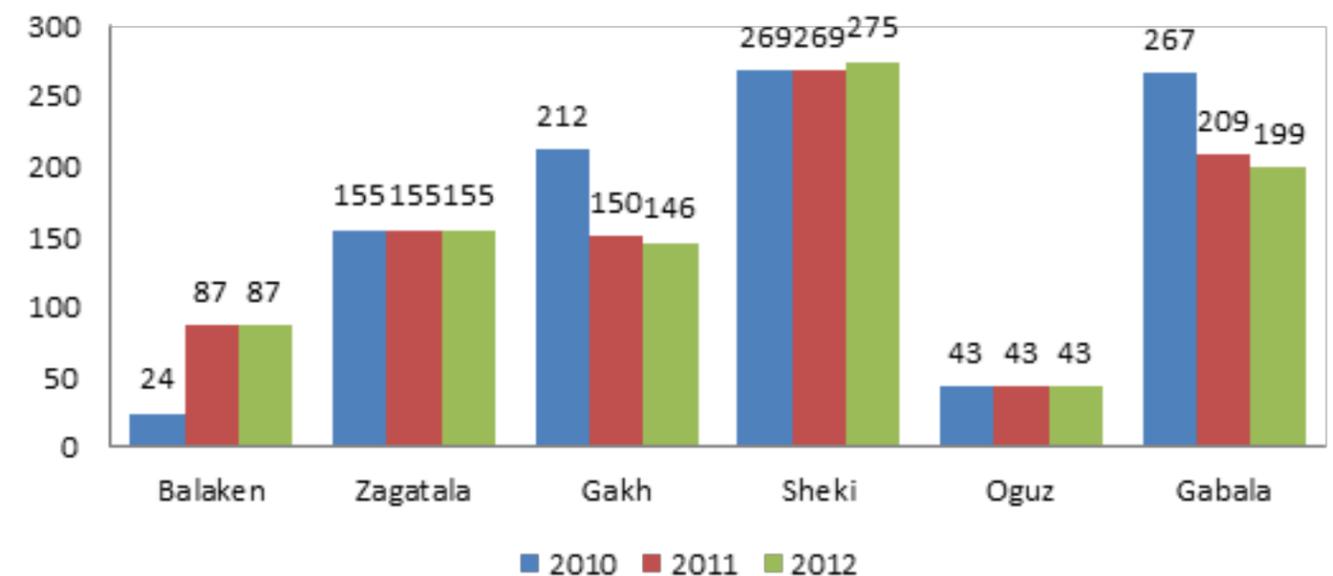
Accommodation

Accommodations in Sheki-Zagatala range from internationally-accredited 4 and 5-star resorts to small B&Bs, all of which are overpriced for the average Azerbaijani citizen. Many staffers have attended training courses in Baku and Gabala, but only a few speak English. B&Bs and homestay options are also available in villages but are unlikely to have English-speakers on staff.

Sheki, once again, leads the region with an array of internationally competitive offerings: statistics were difficult to find, but we know that in 2011, Sheki had 913 rooms and 2189 beds available per night. Sadly, the differences between luxury and first class rooms are unknown. Recently, Gakh and Gabala have options that are either newly opened or under construction.

Expensive accommodation in Sheki-Zagatala Economic Region is one aspect that may explain why local and foreign tourists prefer to travel elsewhere. Because of the absence of official information on daily tourism expenses, Uluchay has done its own research and discovered that more than 70% of one-day stays in Sheki are spent at hotels and similar types of accommodation.

The progress of hotel room numbers of Sheki-Zagatala Economic Region



This information is sourced from the website of the Statistical Committee of Republic of Azerbaijan, but based on the research conducted by Dr. Christine Ritcher from SES-Experten Service (Bonn, Germany) there are 386 rooms and 1059 beds available in Sheki-based hotels, recreation centers, and private houses. This number exceeds the

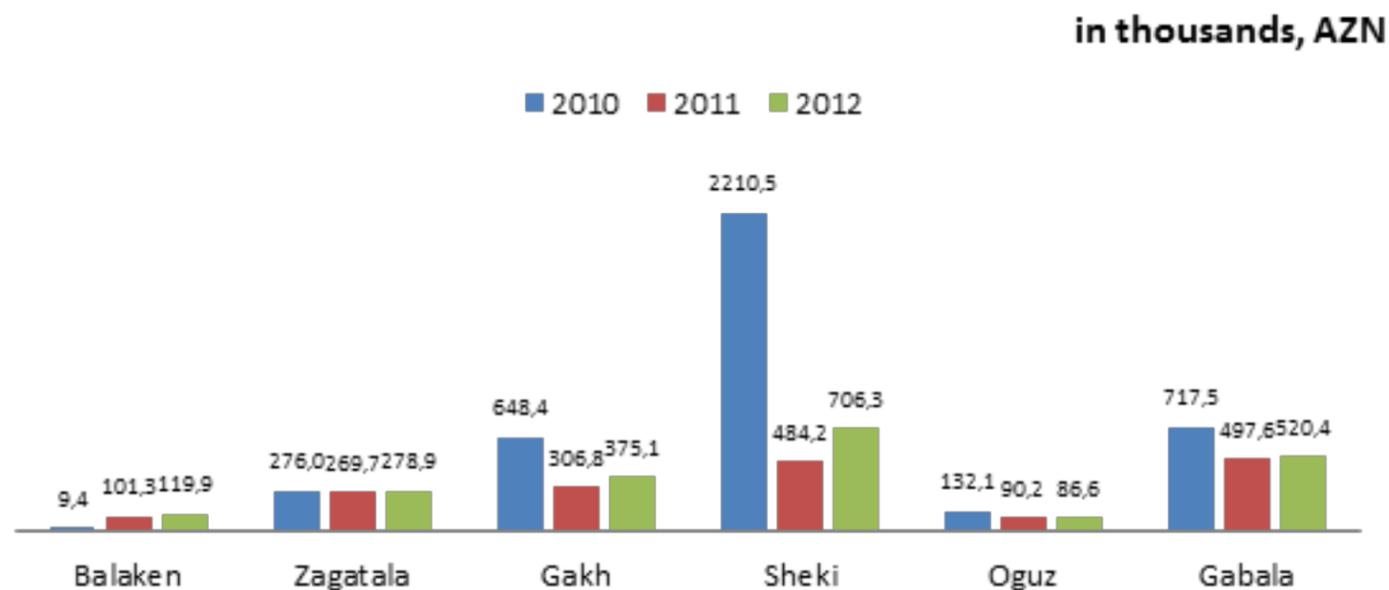
DISTRICT SPECIFIC INFORMATION

number provided for the all other districts of Economic Region. This comparison gives us the chance to confirm the problem with collecting correct information. Considering the number of hotels currently under construction and soon will be functioning, the number of hotel rooms will exceed 2000. This number comes from a thorough review of hotels, recreation centers, and guest houses based in the region.

Statistical data may be incomplete because committees on statistics, tax and other relevant governmental authorities may have hidden actual hotel reports. This fact came to light via interviews with local entrepreneurs who are witnessing decreasing revenue from visitors.

Recently, the region has lost many tourists because of high prices in hotels and restaurants; the minimum price for a standard single room in a normal hotel starts from AZN 70. In comparison, hotel prices in neighboring regions of Georgia range from AZN 30-35 with similar conditions. Such cost differences are based on Sheki providers' lack of market awareness and an unwillingness of hotel owners and management to develop and increase income through lower prices but with increased visitors.

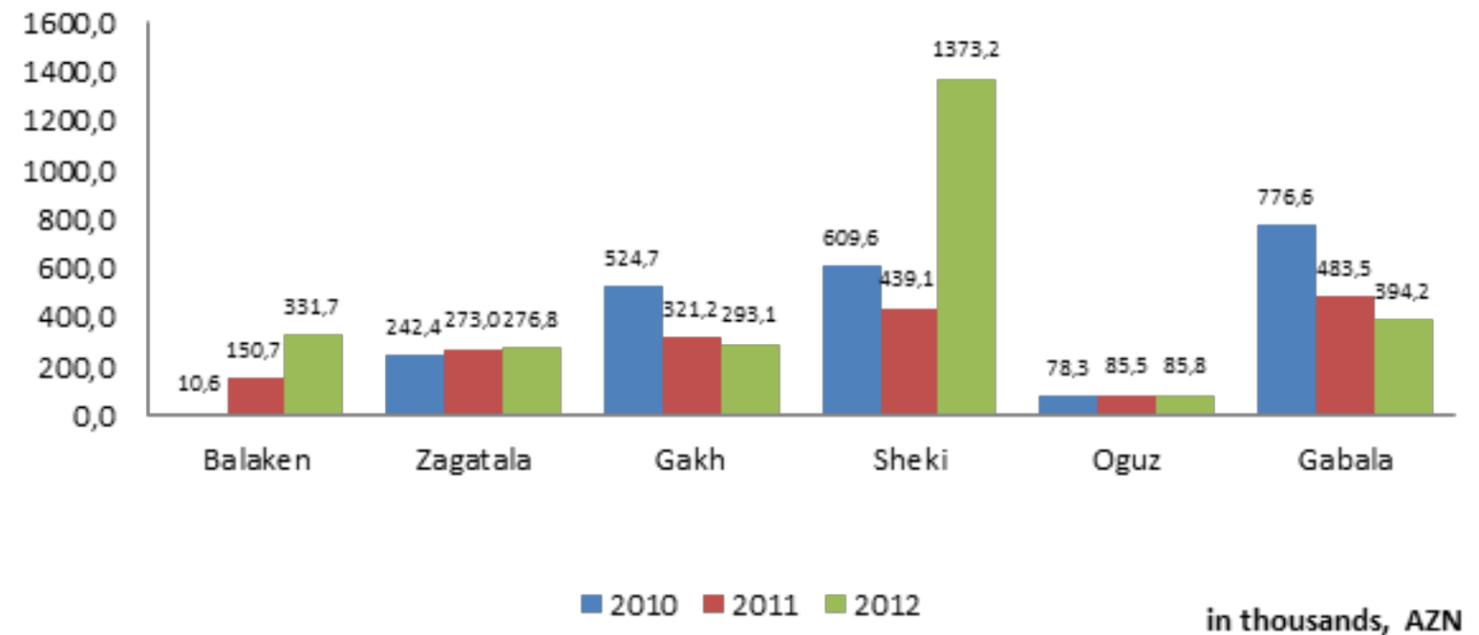
Income of hotel and similar types of objects for last 3 years



This chart shows the income of hotels and other overnight accommodations, including B&Bs, hostels, and motels. Based on statistics, we can see the decreased incomes of the aforementioned enterprises for 2012 was down 42% from the high in 2010. These decreases are based on high prices at hotels and shorter, infrequent stays in the region; locals now prefer holidays in Turkey and Georgia instead of Sheki-Zagatala. However, Uluchay reviewed

tourism revenue streams from the past five years and notes that while 2010 witnessed a boom in regional tourism, incomes have relatively stagnated; the difference in income between 2008-2009 and 2012 is only 0,1%.

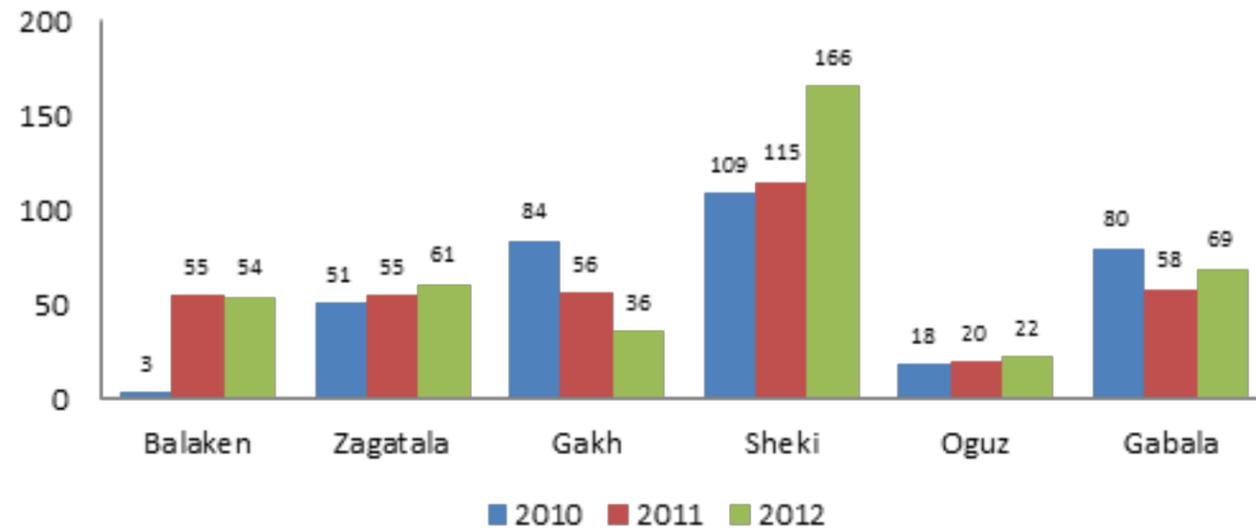
Expenses of hotels and similar types of objects for last 3 years



This chart shows both decreases and increases in the expenditures of hotels and similar products. The increased expenditures are based on reconstruction and development of already built hotels and recreation centers. Local recreation centers based close to the mountains are now investing in new rooms and cottages and simultaneously are hiring more people to serve projected visitor uptakes. The decrease in the chart shows that most of expenditures were in previous years and that these expenses have dropped.

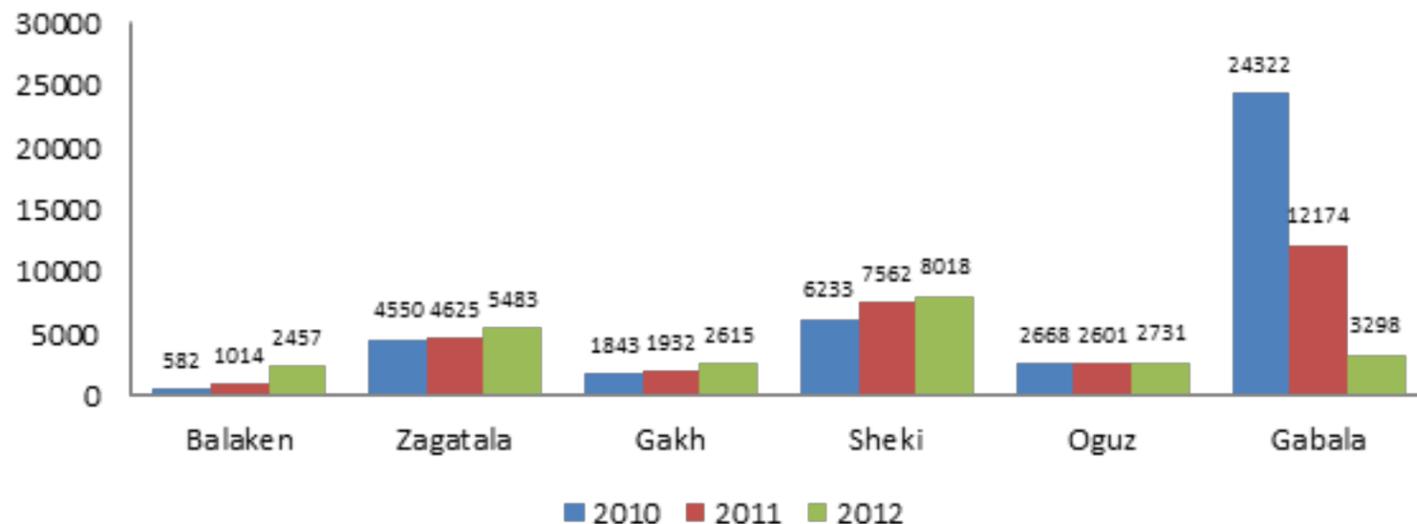
DISTRICT SPECIFIC INFORMATION

Number of workers in hotels and other accommodations



As mentioned above, the tourism sector has hired more staff to increase the quality of service, but based on Uluchay's calculations, number of workers in hotel and similar objects of the Economic Region is more than what the chart shows. Clearly, some enterprises do not provide correct information to the statistical committee. The increase of staff members of this sector can be reflect a willingness to better serve visitors, but at the same time, these enterprises should also invest to the capacity building of their staff members for quality of the service: simply hiring staff is not enough.

Number of tourists stayed at hotels and similar types of objects within 1-3 days



This chart shows the number of tourists accommodated for 1-3 days in local lodging. Because of high prices in Gabala hotels, local tourists prefer to use less expensive lodging in neighboring Oguz or Sheki and make day trips to explore Gabala. There are a lot of newly built hotels in Gabala that reflect 4 and 5-star hotel prices, thus low and middle-income travelers income prefer other districts in the region.

Transport infrastructure

Roads

The Sheki-Zagatala region is located on the Baku-Tbilisi highway and all public and private transport to the North-West border passes through the region. Road conditions waver since they are seemingly perpetually under construction in order to meet international standards. Despite mildly needed improvements, roads in Sheki-Zagatala are not bad enough to hinder development.

Despite road conditions, drivers in Sheki-Zagatala are notoriously risky and aggressive. Traffic can often be intimidating for foreigners, who are recommended to abstain from driving.

Bus travel

Regional and national bus networks are extensive with fixed fares, but neither route maps nor schedules are readily available, thus making travelers reliant on local Azerbaijanis for potentially outdated information. Buses are often old and cramped. Buses already carry many tourists from Baku to the regions, but schedules, routes, and prices need to be made available in a few key languages. Compared with all other public options, bus transport is the most reliable, convenient, and safest option.

Taxis

Taxis, both official and unregistered, are readily available in most regional villages and can easily cope with rising tourism demand, but few drivers speak English. There is no established and enforced fare system, so foreigners should be warned that taxis in Azerbaijan are risky propositions: drivers will frequently charge nearly 5x market value and pretend they do not have correct change. Aside from Baku's purple London taxis, all other taxis in Azerbaijan should be avoided unless prearranged by a hotel.

Rail transportation

Nightly trains operate between Baku and Balaken with stops in Gabala, Sheki, and Zagatala. Trains are similar in quality to those in other CIS countries and are often uncomfortable, crowded, and in spartan condition. Nevertheless, they are reasonably reliable, fairly priced, clean, and safe if traveling in pairs. Cabin attendants, usually non-sense women, are present in all cars which will assuage female travelers.

Road signs

Urban centers and villages have abundant, latin-script signage. Directions to hiking trails, camping sites, and historical monuments other than Karavansaray, Khans Palace in Sheki, are either rare or hidden, however. International tourists face difficulty when traveling within the region without a guide, and better signage must be developed.

DISTRICT SPECIFIC INFORMATION

Air transportation

Gabala and Zagatala have well-appointed airports with daily flights to Baku where they can connect onwards to international hubs in Europe and the Middle East. Further investment should be re-evaluated as part of a long-term and larger tourism development strategy. Sheki's airport should be renovated and reopened, as it is based in the heart of the region and can service all tourists travelling to the region.

Telecommunication

Most households in Sheki-Zagatala are equipped with land-based telephone lines and all three mobile telecommunication companies (Azercell, Bakcell, and Nar Mobile) offer full coverage. ADSL internet is available and frequently used in cities but is much rarer in villages; all three major networks offer internet data card packages that work with varying degrees of success.

Tourism Services and Events

Food services.

The Sheki-Zagatala region has an array of restaurants, mostly attached to hotels and campgrounds, that offer both local and international cuisine, bar services, and can accommodate upwards of 200 visitors. They are the safest bets for food quality, safety, and service. There are also many smaller restaurants located within the main cities targeted at price-conscious locals. These restaurants, including döner stands, however seem to go start up and go bankrupt by the day.

Sheki, home to piti soup and halva, is the region's dining and social epicenter. While its hotels have high quality and reasonably priced restaurants and bars, there are an array of eateries and bakeries both downtown and towards the Khans Palace with English-speaking staff and menus that cater to the tastes and prices of both budget and luxury travelers.

Events, festivals, and attractions

Many national days have been implemented to honor and remember important events throughout Azerbaijan's history. As Muslims make up a majority of Azerbaijan's populace, the spiritual festival of Ramadan is celebrated with festivities and decorations all around the country

Recent efforts have been made to diversify from religious and nationalistic holidays, however, including an outdoor classical music festival, hosted in Gabala since 2009, that attracts musicians from Europe, the Middle East, and other CIS countries.

While festivals may draw people out to the regions (quantifiable data is unavailable), we cannot conclude that holiday-related tourism fills the bulk of hotel rooms. Casual conversations with hotel managers in Sheki indicate that over Novruz and Yeni il, the new year, two of Azerbaijan's biggest and longest holidays that are often spent with families, hotel occupancies hit 100%. But, Sheki, for example, which has no famed festivals, saw 29,908, or 91% of its visitors for only 1-3 nights. Likely, Sheki's visitors are passing through as part of larger itineraries or are wealthy Baku residents escaping the capital for quiet weekend getaways

PROBLEMS IN TOURISM SECTOR

Several analyses, including PESTLE, and SMART measurements were used to measure regional potential, problems, and realistic goals worth striving for. The results are shown in tables 1, 2, and 3 below.

Political

Current Situation: State's growing interest towards regional economic development, stable economic conditions, and creating a favorable environment for regional tourism business development.

Measures: Further development of regional development policy, promoting the region in the international tourism market to stimulate international and domestic tourism development. Visa restrictions need to be eased.

Economic

Current situation: Steady economic growth in the region due to increased investment and the creation of employment opportunities in the region's tourism sector.

Measures: Increased support for the region's economic development through the following activities: infrastructure development, fund-raising, investment opportunities, increasing the competitiveness of regional tour products in the global market, professional workshops for service providers.

Social

Current Situation: Poor condition of tourism infrastructure, informational vacuum, and population (local residents, especially young people) migration to big cities or Baku. High level of unemployment in districts/villages, minimal tourism services.

Measures: State has allocated additional funds for regional social infrastructure development, including employment opportunities.

Technological

Current Situation: At a regional/local level, there is minimal access to modern technologies that can increase efficiencies. Additionally, communication problems, including poor internet access, are prevalent.

Measures: Encouraging adaptation of new technologies and offering tourism products according to market demands.

Legal

Current Situation: Self-regulatory legislation exists, though there is no separate regulatory framework for regional tourism development.

Legislation is relatively scarce, but there are numerous legislative changes that may affect the stability of policy planning.

Measures: To establish a clear division of responsibilities among state departments and provide a legal framework for local and regional tourism development.

Environmental

Current Situation: No technology to reduce pollution in ecotourism, poor management of protected areas in regions, no conventions about Biological Diversity.

Measures: Improving ecotourism services including tax incentives to "go green," regional and local forest policy and forestry management systems, and an independent evaluation of local natural resources.

PROBLEMS IN TOURISM SECTOR

SMART Analysis

Specific

General description: Sheki-Zagatala Region consists of separate administrative units/municipalities, each with specific tourism resources, that include geographical location, climate, number of resorts and resort areas, categorized protected areas (strict nature reserves, natural monuments/caves/canyons, national parks, grottos), culture, arts, folklore and, traditions.

Circumstances: While preparing the Strategic/action Plan for separate districts and municipalities, the following factors must be taken into consideration:

- Ensure there truly is untapped tourist potential.
- Use the region's historical, cultural, and religious heritage to attract more tourists.
- Public recognition/awareness of regional / district, villages and localities, and the promotion of appropriate resources.
- Use community involvement and to strategize a plan to develop tourism.

Measurable

General description: The criteria to be used for short and long-term regional economic development strategy must be measurable and quantifiable. Otherwise, components, changes, and developments cannot be conclusively evaluated.

Circumstances:

- Measurable actions must be planned and their evaluation must be available with certain criteria;
- Assessments and procedures must take place in a fixed period.
- Activities must be monitored

Attainable

General Description: Aims that promote the implementation of tourism and economic development strategies in the chosen region should be results-oriented and realistically achievable.

Circumstances:

- The results of the activities of regional and local self-governments should be achievable.
- In order to achieve the objectives, duties must be spread across responsible parties and agencies in order to properly carry out and monitor each individual duty.

Relevant

General Description: Tourism development activities on regional and local level should be appropriate to the target (relevant).

Circumstances:

- Objectives of the strategy should be based on the goals
- Measures should be in accordance with the stated action plan
- All actions have reasons – cause and effect connections should be evaluated

Time-bound

General Description: Tourism development plan of the region must be implemented in a given period and must start a new stage. Periodic evaluations will take place.

Circumstances:

- Local and regional tourism development plans must be implemented in specific time periods
- Plans for short periods should be divided into calendar time eg. yearly or quarterly so that planned activities can stay on track.

Our SWOT Analysis is shown below:

Strengths

- Geographic location and mild climate, picturesque nature
- Historical, architectural, cultural and archeological monuments
- Mosques, Churches, and Castles
- Museums
- Government support (new initiatives, investments), state policy of tourism development
- Hydro resources (water supply)
- Forest and Land Resources
- Literature, Folklore, Traditions Kitchen (food), culture itself, population
- Ecologically clean/pure agricultural products
- Archaeological Sites, architectural and administrative buildings

Weaknesses

- Geographic location, mild climate, and picturesque nature
- Historical, architectural, cultural and archeological monuments
- Mosques, churches, and castles
- Museums
- Government support (new initiatives, investments), state policy of tourism development
- Hydro resources (water supply)
- Forest and land resources
- Cultural preservation; literature, folklore, traditions, cuisine, population
- Ecologically clean/pure agricultural products
- Archaeological preserves
- Reasonably good roads
- Unclear, unpublished transportation schedules and fares
- No infrastructure for budget travelers

PROBLEMS IN TOURISM SECTOR

Weaknesses

- Lack of skillsets in regions
- Language barriers
- Low service levels in regions
- Lack of professional staff
- The impact of demographic processes: aging populace, migration to Baku and Russia, low educational levels.
- Lack of new technologies and minimal functioning of scientific - research or experimental labs in communities
- Lack capacity of local government officials concerning tourism
- Minimal statistical data on tourism
- Absence of specific regional and district level programs on tourism development
- Bureaucratic hindrances and procedures to obtain licenses for hotels and service providers
- Minimal investments in tourism
- Lack of accommodation in communities for families
- Weak tourism management
- Irrational use of tourism potential
- Lack of services for persons with disabilities

Opportunities

- Tourism target objects' research and study facilities
- Improvement of infrastructure in communities/districts
- Recognition of new tourist attractions, new destinations region wide
- Classification of objects of cultural heritage
- Attracting investments
- Mobilization and involvement of local people in tourism infrastructure rehabilitation processes
- Offering diverse tourism products and service improvement
- Tourism revenues derived from the proper use
- Offering vocational education and trainings within the region
- Possibility of having statistics about tourism flows (arrivals/departures) in regions/communities
- Strengthening the functioning of small and medium enterprises
- The use of the potential of agriculture and agro-industrial sectors.
- To develop short or long-term tourism development strategy for communities.

Threats

- Improvement of infrastructure in communities/districts
- Recognition of new tourist attractions, new destinations across the region
- Classification and protection of cultural heritage objects
- Investment in way-finding infrastructure including signage and published fares specifically targeted at foreigners
- Investment in Tourism Information Centres to be placed at regional bus stations and in city centres. Manned by multilingual personnel.
- Online trip planning website
- Mobilization and involvement of local populace in tourism infrastructure rehabilitation processes
- Diversify tourism products and service offerings that cater to travelers of all price ranges
- Offer vocational education and trainings within the region for service providers
- Language training for service providers
- Tracking tourism flows (arrivals/departures/expenses/demographics) in regions/communities and creating quantifiable data.
- Strengthening of small and medium-sized enterprises
- Harnessing potential of agriculture and agro-industrial sectors.
- Development of short and long-term tourism strategies for communities.
- Failure to maintain destinations
- Geography: Europe is nearby and offers similar attractions with much better tourism infrastructure.
- Strict and expensive visa requirements
- State Migration Services registration requirements
- Harassment and price discrimination against foreigners
- Insufficient investments
- Informational vacuum in communities
- Disinterest among local populace and continued migration away from communities
- Lack of tourist accommodations
- Lack of professional staff
- Language barriers
- No cooperation among state and private sectors
- Weak management
- Low service levels
- Lack of future follows up.

RECOMMENDATIONS

MARKETING AND ORGANIZING:

The Sheki-Zagatala region desperately needs an umbrella body that can coordinate and oversee sustainable, equitable, and profitable development ensure that natural resources and the populace can manage tourism-based revenues. Such a regional tourism board (RTB) will be possible only if all stakeholders, including government ministries, hotels, restaurants, tour operators, and civil society organizations, regularly meet and collaborate to form fair policies, strategic plans, and recommendations. This board should also market the region abroad and operate all tourist information centers. Nobody is going to visit a country they haven't heard of.

TICs should be set up at all bus stations and airports with multi-lingual staff with updated lodging, transport, and recreation information, maps, and brochures.

Abroad and online, regional operators and attractions need to coordinate a comprehensive and thorough marketing plan that sells the region as a four season attraction across print, television, and social media. Feeds should be set up on Facebook, twitter, and Instagram for visitors to post photos and short videos (or subtly brag) about their experiences and adventures in the region. Contests should be held for best/most fun/unique submissions. Specifically-timed campaigns around summer and winter holidays should be developed.

Domestically, billboard advertisements for Sheki-Zagatala should be placed in Baku's social hubs, in the arrivals area at Heydar Aliyev International Airport, and at the Baku bus terminal. Short television commercials detailing adventures that utilize tourists' photo, video, and narrative footage should be aired during peak TV hours.

Internationally, the region should work with national tourism authorities to specifically promote the region via billboards in key markets like Tbilisi, Istanbul, London, New York, Beijing, Doha, and Dubai. All except New York are directly connected to Baku by air. The billboard is already done in some markets, but the billboards are not very specific and simply say "visit Azerbaijan" rather than "visit Sheki-Zagatala." A Sheki-Zagatala RTB should work with the Ministry of Culture and Tourism to coordinate advertising that specifically showcases the region rather than the consistent images of downtown Baku's waterfront and old city.

Local tourism operatives should be actively engaged in regional promotion: too often they passively wait for the special governmental programs to attract foreign tourists to the region rather than taking initiative even on smaller projects such as developing a comprehensive, vibrant, and active website capable of sharing updated essential information, events, and tour packages. A significant step in promoting regional tourism involves promoting and meeting with tour operators and guides about logistics including roads and telecommunication infrastructure, lodging, and food services that will help them to quickly expand their product portfolio to include new products. For example, the region has incredibly scenic hiking opportunities: a trail system should be set up and mapped with suggested itineraries including overnight campsites, rural B&Bs, and multi-day hikes from region to region. The mountainous terrain in the Sheki-Zagatala is dotted with hot springs, natural gorges, and numerous historical monuments and artifacts: ample opportunities for hikes and camping exist. However, signage and trails are currently minimal. Thus, a national trail map system should be developed that contains topographical and historical

information along with recommended day and overnight hikes. To control wear and tear of sensitive terrain, a permit system should be introduced in certain, specific areas to regulate the number of hikers. After infrastructure and support services—including better telecommunications—are developed, familiarization tours should be organized for national tour operators to show new opportunities for lodging, food service, hiking, camping, and other sectors. Seminars should be held to educate providers on information center services, addresses, and contacts. Of utmost importance, handy language guides, similar to what Baku did for the Eurovision 2012 song contest, should be published, printed, and distributed to hotels and guests.

Authorities need to develop historical sites further: simply putting them on a map and website is not enough. Kish Albanian temple is a great example of multilingual and informative signage with ample artifacts. Sheki's main attraction, the Khan's Palace, may be beautiful, but as Dr. Richter's report notes, "the guides...repeat all the facts they have learnt by heart. There is no story telling making history alive (sic). Guides are not trained to turn a visit into an experience" (Richter 20). Photos are forbidden, so little is known of its technicolored interior aside from those who have visited. A recent visit to the Khan's palace by one of this report's writers included a guide who did not say a single word and simply ushered the group from room to room. At the very least, multilingual brochures and audio tours should be introduced. There is no reason a coffee-table book or comprehensive history of the structure couldn't be commissioned. Baku's Old City has done exactly that, and the tours have proven popular.

Thus, Sheki-Zagatala has ample opportunity for an RTB to promote its history, culture, and hiking opportunities. Of utmost importance, Tourist Information Centers (TICs) with multilingual staff should be set up at all bus stations and in proximity to popular attractions with up to date info on schedules, prices, attractions, maps, and language guides.

DIVERSIFY VISITORS:

The region on the whole, as discussed in "weaknesses," is prohibitively expensive for many: a three-day weekend approaching 300 manat for a solo traveler from Baku. Of course, families and foreigners will easily spend more. Low priced, but clean, hostels have taken Europe, Asia, and even Turkey, Armenia, and Georgia by storm, popping up in places hotels might avoid and otherwise attracting youth travelers who readily enhance any nightlife they can partake in. Gakh has a hotel that, at rates starting from 5 manat per night, fits this billing: sadly it isn't the most vibrant building. Nevertheless, investment in vibrant, well-lit, affordable hostels with free Wi-Fi and equipped with laundry facilities and manned by university students would attract young, enthusiastic, and social media-savvy backpackers eager to post every photo they take online. A younger clientele is also more likely to return later and tell friends. And, such hostels make great training practicums for university students. Currently, budget backpackers who have the time and energy to travel (Southeast Asia and Europe) are priced out of Azerbaijan; very few

RECOMMENDATIONS

people, even foreigners, can afford the nearly 100 AZN per day they are currently bound to spend. Younger travelers may also propel local nightlife.

Leisurely outdoor seating and nightlife is difficult to find in the region: even comparatively busy city centers like Sheki go quiet after dark. A club or lounge is a risky investment, but travelers like to mingle, meet others, and yes, dance. Even if only a seasonal investment, such a venue could prove popular if priced to discriminate against the ogling unemployed bachelors who gawk on the streets. The Karavansaray is a popular hotel for its lower prices, and that, with its historic infrastructure, might be a good venue for a proper bar or club.

Lastly, Azerbaijan focuses on European tourists, but the United Arab Emirates and Qatar, two expatriate-filled, wealthy countries and international air hubs, are two and three hours away, respectively, via nonstop flights to Baku from Doha and Dubai. While the Middle East likely won't constitute a majority sector, Azerbaijan's Ministry of Tourism would be foolhardy to ignore the Middle East entirely.

LODGING

We encourage B&B operators to form a national association that would work with the regional tourism board and government to provide investment and tax incentives for operators to study foreign languages and participate and lead international hospitality trainings that lead to marked increases in property conditions and service offerings. All lodging and F&B managers should receive language, customer service, and food-safety trainings in order to provide hospitable and safe service to foreigners who are typically willing to pay a little more for peace of mind and security. Guest house owners should be encouraged to operate small restaurants, catering up to 20-30 people at a time, where visitors can sample homemade cuisine. Such a product cannot be offered cheaply, but it will provide a more authentic experience than any roadside restaurant can for 200 guests. These guest house restaurants also give villages much more publicity and create jobs.

We further recommend that modern toilet facilities be built: toilets are often left as an afterthought and are merely holes inside a shed. Proper toilets should be installed along with sinks and soap for washing hands.

GOVERNMENT

Azerbaijan can have the world's nicest hotels, best food, and best hospitality, but these entire improvements mean absolutely nothing if they are difficult to access.

At best, travel in Azerbaijan for foreigners is confusing and expensive: at worst, it can be dangerous and a scam. Bus fares, schedules, and travel times need to be published and more easily displayed at stations. And, they need to

be displayed online, in a multitude of languages, so that potential visitors can plan in advance. TIC desks should also be opened at bus stations and ready to assist lost and confused visitors.

And, in conclusion, Azerbaijan's geography and politics impede its efforts to attract visitors. Azerbaijan's mountainous and historical features do not distinguish it much from European markets like Switzerland, Austria, and Eastern Turkey—all of which have far more infrastructure in place and are closer to Europe's major population centers. Unfortunately, Azerbaijan is stuck with the geographical features it has.

Nevertheless, the government's lofty, expensive, and convoluted visa and visitor registration procedures do not make Azerbaijan a welcoming place for potential tourists. At the time of writing, it is impossible to imagine Azerbaijan getting rid of all visa procedures, but even adapting a much simpler, quicker, visa on arrival program and charging ten or twenty US dollars, much like Turkey and Armenia, is a massive step forward from prearranged, hefty fees that send a message to tourists that they aren't wanted. Anecdotally, many tourists who the writers have met in Georgia have visited Turkey and Armenia but won't touch Azerbaijan because the visa process is so messy and expensive.

Visitor registration procedures with State Migration Services not only lend an air of suspicion to foreigners, but the procedures hurt B&Bs and other smaller enterprises who must have the manpower and time available to register tourists. The Azerbaijani government must release its firm grip on migration controls so that foreigners do not feel like they are unwanted and under suspicion.

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NOTES / COMMENTS



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