

New Lease of Life For Azerbaijan's Tourism



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Historic overview

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. Despite seemingly advantageous geographical location, rich historical heritage (with some sites proudly forming part of UNESCO's World Heritage List) and favorable climate conditions, Azerbaijan's tourism industry has arguably underachieved over the years. While oil & gas industry firmly remaining the locomotive of country's economy for decades, the other industries have witnessed mixed success.

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, was aimed at creating favorable conditions for the development of tourism and lay foundation for the country's integration into global tourism market. While the results of the said State Program are open for interpretation, it was evident that measures for the promotion and stimulation of tourism required continuous and consistent state support. Hence, 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. Decree No. 838 was promptly followed by the announcement of 2011 as "The year of Tourism".¹ It was projected that by marking the year as one devoted to tourism, this shall facilitate the promotion of natural sites, as well as cultural-historical heritage of the country, while also ensuring the efficient use of tourism resources.

Strategic Roadmap

The decline in oil prices on global markets starting from 2014, warranted complex preventive measures to ensure the stability of national economy, and equally important - supply of hard currencies into it. To embark on this mission, a Strategic Roadmap covering the perspectives of national economy and comprising strategic roadmaps on 11 economic sectors, consisting of 12 documents was approved by the President of the Republic of Azerbaijan on December 06, 2016. Amongst

1. Decree of the President of the Republic of Azerbaijan No. 1320, dated 15 February 2011

the approved roadmaps, one envisioned the development of specialized tourism industry in Azerbaijan. The roadmap for tourism targeted 3 timeline milestones in prioritizing the implementation of goals: strategy and action plan until 2020, strategic vision until 2025 and aspirational vision for post 2025. The goals were identified as the following:

- realization of Baku's full tourism potential by attracting more international visitors;
- creation of favorable environment for the development tourism across the country;
- development of regional tourism sub-sectors for domestic and regional tourists
- creation of national tourism quality system to increase tourists' satisfaction.

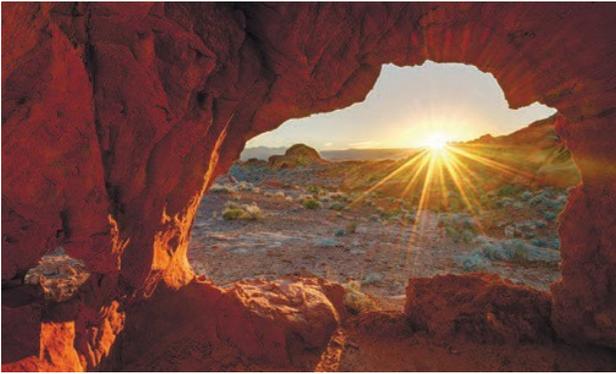
New identity

State policy and regulation over Azerbaijan's tourism industry has been implemented through various types of executive bodies over the years, yet all shared the common feature - tourism has never been the sole focus of such bodies. At different times tourism regulation was within the competence of Ministry of Youth, Sport and Tourism of the Republic of Azerbaijan, later Ministry of Culture and Tourism. Yet with the increased state support to the tourism sector and following the approval of Strategic Roadmap, administrative autonomy and a new cluster of tourism oriented resources was rapidly becoming a necessity not a luxury.

Azerbaijan State Tourism Agency was established on the basis of former Ministry of Culture and Tourism in April 2018 by the relevant executive order of the President of Azerbaijan. It was the start of maiden voyage of Azerbaijan's tourism regulator under its own distinct identity. State Tourism Agency was promptly equipped with a number of sub-divisions, entities and assets (such as national parks) to support its extended mandate. Among those, one can highlight the Azerbaijan Tourism Board.

Azerbaijan Tourism Board (ATB) is a statutory board operating by the State Tourism Agency. It was tasked to increase





awareness about Azerbaijan as a tourism destination and with strengthening the country's competitiveness in the global tourism market by developing and maintaining a powerful brand both domestically and internationally.

Launched as an independent, public-private partnership ATB undertakes marketing, promotion and positioning of Azerbaijan in hope to make tourism the leading economic sector of Azerbaijan.

In November 2018, at the World Travel Market the Azerbaijan Tourism Board launched its 'Take another look' marketing campaign as part of a new strategy to rebrand the country and to increase inbound tourism by 2023. The birth of a distinct tourism brand peculiar to Azerbaijan was another cornerstone in the new identity of country's tourism.

These days, high-profile sporting events such as Formula 1 Azerbaijan Grand Prix and UEFA Europe League Final in 2019 raise the brand's influence worldwide. Recent successful negotiations with Formula One Management Group ensured that Formula 1 Azerbaijan Grand Prix will remain on the F1 calendar until at least 2023. By adding football matches that Baku was awarded to host at UEFA Euro 2020 championship, Azerbaijan ensured recognized international sporting events with loyal fan base that will provide continuous influx of tourists for years to come.

Global trends

According to the World Tourism Organization (UNWTO), international tourist arrivals (overnight visitors) worldwide increased 6% in 2018 to 1.4 billion, based on data reported by destinations around the world.² Middle East (+10%) and Africa (+7%) led growth, while arrivals to Asia and the Pacific and Europe (both +6%) increased in line with the world average. The Americas saw growth of 3%. Overall results were driven by a favorable economic environment and strong outbound demand from major source markets.

Among the world's top ten spenders, the Russian Federation (+16%), France (+10%) and Australia (+9%) reported the strongest increase in outbound expenditure in the first nine to eleven months of 2018. The United States (+7%) and the Republic of Korea (+6%) also recorded solid spending figures, all of them fueling inbound growth in their respective regions and beyond.

2. UNWTO World Tourism Barometer and Statistical Annex, January 2019

Based on current trends, economic prospects and the UNWTO Confidence Index, UNWTO forecasts a growth of 3% to 4% in international tourist arrivals worldwide in 2019, more in line with the historical growth trends.

A large majority of countries have dedicated tourism policies, strategies and plans for the medium to long-term. There is much similarity between countries in their tourism policy priorities, which focus on improving competitiveness, sustainability and inclusiveness, addressing seasonality of demand, and enhancing the quality and appeal of the tourism offer. The last two years have seen a growing recognition of the importance of the development, management and promotion of local destinations, supported by regional or local structures and funding, and the preparation and execution of destination management plans.

The challenges and opportunities presented by recent tourism trends provide the context for the preparation, review and delivery of tourism policies and the strategic development of the sector. In turn, this requires effective governance structures that enable the planning and coordination of actions by key players and the availability of sufficient funding for their implementation. Governments have continued to engage positively in this process, recognizing the importance of the sector and its relevance to a wide economic, social and environmental agenda.

Global tourism has experienced steady growth for over six decades, culminating in an estimated 1.2 billion arrivals in 2016; a figure which is forecast to rise to 1.8 billion by 2030, with international tourist arrivals in emerging economy destinations projected to grow at double the rate of that in advanced tourism economies.³ The International Air Transport Association (IATA) predicts that passenger demand over the next 20 years will be impacted by the emerging middle class in developing countries, diverging demographic outlooks, increasing liberalization of aviation markets, and climate change.⁴ With an ageing global population, seamless transport to and within destinations (including the challenge presented by the "first" and "last" mile – that travel from a person's home to an airport, port or train station, and then on from their point of arrival to their destination) is a strategic issue that will increasingly need to be addressed.

3. OECD Tourism Trends and Policies Report 2018

4. OECD Tourism Trends and Policies Report 2018

Author's biography

Mr. Farid Isayev is director at KPMG in Azerbaijan and head of Tax & Legal practice. His previous work experience includes – commodity trader-Glencore Xtrata (London), banking and insurance sector in Azerbaijan and another Big Four firm prior to joining KPMG. Farid's specialization areas include financial sector, M&As, PPPs, state privatizations, corporate governance and international contracts.

Farid is also acting vice-president at German-Azerbaijani Foreign Chamber of Commerce and head of AmCham's Travel, Hospitality and Tourism Committee.

Mr. Isayev holds an LLB with honors in International Law from Kingston University London and Western University in Baku.