

POLICY BRIEF



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Contact us:

policybrief@undp.org
 www.undp.uz
 Tel: (998 71) 120 34 50
 (998 71) 120 61 67
 Fax: (998 71) 120 34 85

**UNDP Uzbekistan
 Country Office**

4, T. Shevchenko Str.
 Tashkent, 100029
 Uzbekistan

Policy Briefs (PBs) represent succinct and concise analytical summaries providing insights into top-priority policy issues and offering policy recommendations and policy options. PBs are intended for targeted audiences such as policy makers, development stakeholders, the donor community and other interested parties.

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Uzbekistan's Tourism Sector – an Unrealized Potential

Tourism is one of the world's largest industries. For developing countries it is also one of the biggest income generators, an important export, as well as the world's largest employer, accounting for more than 255 million jobs, or 10.7% of the global labor force¹.

Because Uzbekistan possesses various tourism attractions and resources, there is potential for the development of different types of tourism products. A rich cultural and historical heritage, as well as ancient traditions in culture and arts can attract to the country cultural, religious, archeological and ethnographical tourists. In Uzbekistan there are many unique sacred places that are valuable for people professing to follow Islam, Christianity and Buddhism. These sacred places provide an opportunity for the development of pilgrim/religious tourism. The availability of a large number of magnificent natural objects (lakes, mountain tops, river meadow woods, steppes and desert landscapes) can help develop ecological and adventure tourism in the country.

After receiving its independence, Uzbekistan has begun to structure and organize its tourism industry. As a result of organizational and structural changes implemented, a new system of state regulation and control was established, preconditions for infrastructure development were created, and the mechanism of preservation and restoration of cultural and historical attractions was ensured. The new institutions and relations at the world market were established almost from scratch. As a result, international tourism arrivals started increasing. In some years this growth constituted up to 25% per annum. But this growth was not sustainable, and during the last years a decrease in tourism arrivals was recorded. Many experts believe that currently the tourism sector has a limited impact on the national economy of Uzbekistan, and its potential is not used to its full extent.

This policy brief includes an analysis of the main challenges hindering the development of the tourism sector of Uzbekistan and more efficient use of the country's tourism resources, as well as recommendations aimed at addressing the identified problems through instruments of state politics. The paper intentionally does not cover issues which are being solved within private tourism business by market relations mechanisms, even though we admit their importance for this sector. In this regard, in the document, attention will be drawn to issues connected with a lack of a unified tourism policy and strategic planning of this industry development at the national level. This includes imperfection of legislation and a need for reforming the forms of state control and regulation of the tourism sector.

¹ Estimates of the WTTC, 2002



Uzbekistan has become a less attractive destination for international tourists due to problems related to an underdeveloped air transportation market, boarder and customs formalities, strict visa regime, conditions of staying in the country, and an unorganized and not diversified tourism product. All of these factors effect the growth of the industry and they must be addressed promptly.

The recommendations provided in this report could be considered by the Government, municipalities, and international organizations (donors) while they are undertaking concrete actions in the short-run aimed at building competitiveness of Uzbekistan's tourism industry.

1. Demand for national tourism products and factors affecting it

International tourism is a rapidly developing sector in the global economy. On average, during the last 3 years, global tourism arrivals increased by 5% per annum². In some regions of the world the average annual increase in tourism arrivals exceeded 10% (see graph 1).

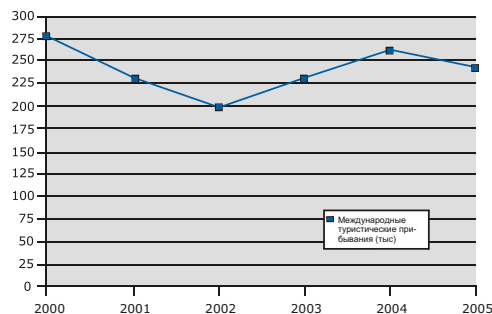
Graph 1. Inbound tourism, 1990-2005



Source: WTO «Tourism Highlights» 2006

Uzbekistan is considered to be a country with a competitive advantage in the tourism sector, especially in comparison with other neighboring Asian countries. But the flow of tourists into the country is still unstable. During the last 6 years we can see that there have been fluctuations in the quantity of international tourism arrivals in Uzbekistan. In addition, note that starting from 2000 tourism arrivals have decreased by about 15% (see graph 2).

Graph 2. International tourism arrivals in Uzbekistan, 2000-2005



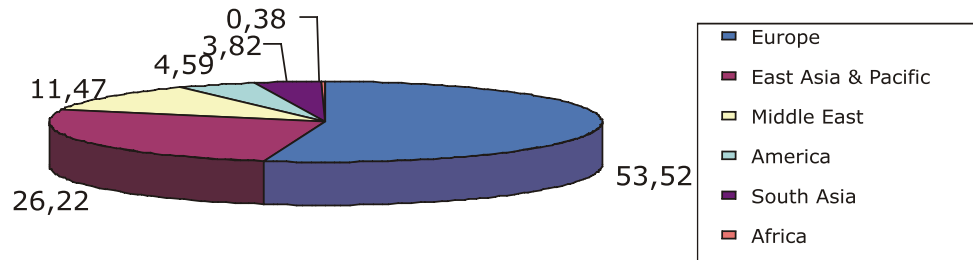
Source: data provided by State Committee on Statistics of Uzbekistan

¹ Tourism highlights, 2006 edition p.10 www.unwto.org



Graph 3 shows the composition of tourism arrivals to Uzbekistan by their region of origin. The greatest flow of tourists is observed from East Asia, the Pacific region and Europe. It should also be noted that the World Tourist Organization classifies all post-Soviet countries into the European region. Consequently, tourism arrivals from neighboring countries to Uzbekistan are counted as inflow of visitors from Europe.

Graph 3. Tourism arrivals in Uzbekistan disaggregated by regions of their origin.



Source: data of NC "Uzbektourism" 2004

1.1. Profile of foreign tourists

In many situations the local stakeholders have no clear understanding of characteristics of tourism demand and which type of services should be provided in order to satisfy tourists' needs and wants. The ability to influence the demand depends on how well the supplier of good/services knows the customer, his needs and preferences. There are no published study results on the profile of a foreign tourist. Each tourism company identifies such a profile by studying its clients. This is not enough to gain an understanding of the overall picture that addresses the questions of who, when, with what purposes, and with what kind of demands arrives in Uzbekistan.

The set goal can be achieved by joining the efforts of the government, the associations and the private sector. Information on foreign tourists' arrivals in the country should be compiled into a unified information system and made available for stakeholders. Constant monitoring of tourism flow, as well as regular market analyses is required. With this purpose a modern system of collection, analysis and distribution of statistical information on tourism should be introduced in the system of national accounts, such as Tourism Satellite Account (TSA) system. This work can be organized only by the state bodies responsible for tourism sector development.

According to the information provided by Uzbek tour operators, almost 90% of leisure tourists arriving in Uzbekistan are of middle and old age. They mainly visit cultural and historical attractions while undertaking a trip from Tashkent to Samarkand, Bukhara and Khiva (which is the standard and the most popular tour provided by local travel agencies). If this is true, then it is possible to say that the tourism potential is underexploited and the perspective of its development is negative. Due to the fact that majority of foreign tourists arrive in Uzbekistan not only with the purpose of visiting cultural attractions, and those, who arrive with this purpose come to Uzbekistan just once and use usually only the abovementioned standard tour. The elder tourists expect high quality and special services that will ensure their comfort. They spend their money not as easily as their juniors. Lifestyle, habits, values, attitude to leisure and ways of getting the knowledge about the world of today's youth completely differs from those of the older generation at the times of their youth. This implies that there is no guarantee that this small tourism flow arriving in Uzbekistan currently will not exhaust itself in some time.

This situation, especially in a climate of strong competition among tourism destination countries in the world market, cannot improve on its own. It is



necessary to undertake quick, decisive, efficient and not very expensive measures aimed at increasing the demand for Uzbekistan's tourism products and at attracting to the country tourists of young and middle age. It is important to organize Uzbekistan's tourism product in such a way, that the tourists that visited Uzbekistan once, would enjoy their experience and would want to return again, as well as to recommend this destination to their friends and family.

1.2. Promotion of Uzbekistan as a tourism destination

Despite the fact that the tourism industry was determined to be one of the priorities for economic development of Uzbekistan, its potential is underestimated. A comprehensive policy on tourism development is still missing. In particular, there is still no clear strategy on tourism development that could optimize the efforts and resources targeted at tourism sector development.

In order to become competitive at the international level, it is necessary to develop a Master Plan of Tourism Development in Uzbekistan. Besides, one of the specifics of this sector is that there is strong competition among tourism destinations, and each year new destination(s) appear in the world market with an intention to attract new tourists. Thus, strategic planning of tourism industry development is a key goal in order to achieve competitiveness and address new challenges of the current tourism industry. Thus Uzbekistan needs to develop and implement a detailed Master Plan of Tourism Development.

The Master Plan should determine the main directions of tourism sector development, including elaboration and supply of "brand" tourism products from each of the oblast of Uzbekistan, infrastructure development, which includes improving the quality of goods and services, institutional capacity building, and educational activities. This strategy should also make preservation of the environment and cultural heritage an important prerequisite for sustainable tourism development.

A national marketing campaign on tourism product promotion has not been organized yet, and tourism stakeholders are implementing communication and commercialization activities individually and without any coordination, thus, reducing substantially the real impact of measures aimed at promoting Uzbekistan as a tourism destination. The Country continues to be unknown at many tourism markets, especially in Europe, where tourists face the problem of finding information on tourism attractions, hotels, and other tourism services supplied by Uzbek tourism stakeholders. A similar situation of a lack of information (no brochures, maps for tourists, etc.) exists at the national level. Often, some tourism attractions are unknown even by local tourism stakeholders.

In order to be efficient in marketing and promoting Uzbekistan as an international destination, a well-coordinated and structured approach needs to be implemented at the national and regional level. Uzbekistan should develop a Marketing Tourism Development Plan (MTDP), which would include regional development plans. Moreover, the strategies on marketing and promoting Uzbekistan should be developed in close cooperation with the local authorities and the private sector. The marketing plan should also take into account the important role of Information Technologies in promoting the country as a tourism destination.

It is necessary for Uzbekistan to be presented at the main tourism markets which supply the tourism flows to the country. Since the establishment of the representative offices of the authorized tourism agency abroad required substantial financial resources, it is worth considering the possibility of creating positions for tourism specialists in the Uzbekistan's embassies and trade representatives in the respective countries abroad. The mentioned tourism specialist will be responsible for establishing contacts with interested organizations in order to distribute information about Uzbekistan and attracting



foreign tourists into the country. With this purpose, foreign representative offices of the National Company "Uzbekiston Havo Yullari" could be of good value/use, but only under the condition that the policy of the airlines will conform to the interests of tourism sector development.

The private sector will continue to play an important role in further developing and promoting tourism. However, international campaigns on promoting Uzbekistan's tourism product are in the portfolio of the public sector because of high costs.

1.3. Decreasing the entry barriers for foreign tourists

Any measure on stimulating demand and attracting tourists will have no results if there are still administrative barriers for tourism flows. Existing **visa regime** is still a barrier for tourism inflow into the country. The main shortcomings of the current order of visa issuance are as follows:

1. There is practically no chance of receiving a visa upon arrival at the airport. The consular department is available in the airport of Tashkent, but it issues visas only on an "exceptional" basis. Tourists have to receive their visa in the consular establishment of Uzbekistan abroad;

2. In case there is no consular establishment of Uzbekistan in the country, potential tourists need to visit the nearest consular establishment in another country in order to receive a visa;

3. An applicant needs to submit documents to the representative of a consular establishment of the Republic of Uzbekistan at the place where the establishment is situated;

4. The three day time period for issuance of the tourist visas and even longer terms established by bilateral interstate agreements are not observed;

5. Poor quality in consular services and elements of a monopolized and a payment-oriented approach exist;

6. The individual visa is expensive: 40 Euros for Europeans; on average 60 USD for citizens of other countries; 100 USD for citizens of USA;

7. The documents for visa extension are officially registered only in Tashkent.

It is necessary to optimize visa procedures for tourists arriving from economically and politically stable countries. This can include reducing the time period for issuing visas, simplification of customs procedures, as well as reducing the price of a tourism visa of the Republic of Uzbekistan. Since most tourists arriving in Uzbekistan are of middle and old age, one option could be to allow people who are 60 years and older and who are from countries that are main suppliers of tourist flows to enter the country without any visas.

Another solution could be a wider use of a practice in which passports with a stamped visa and the necessary documents are transferred through mail and documents required for a visa are submitted through the internet.

Customs and border procedures could also act as barriers for tourists arriving in Uzbekistan. The process of passing customs and border formalities after arrival in the Tashkent airport is exhausting and takes approximately two hours. Airports of other important tourism cities of Uzbekistan are not adjusted for receiving and do not provide comfort when big groups of international tourists are passing the customs and boarder formalities. Re-equipment of the passport and customs control zones at the airports will require substantial investments, but most of the organizational issues could be solved now. For example, it would not be difficult to diversify the passengers that have arrived. Passengers who have no heavy luggage should not pass the customs check points together with those who have such luggage. It is necessary to ensure that all passport control and customs

terminals in the airports are working, especially during the periods when the passengers of several flights are passing these check points simultaneously, as well as to improve organization of services for reception, delivery and processing of luggage.

In their respective countries, tourists should have an opportunity to receive information on customs and boarder passing procedures of the Republic of Uzbekistan. It is also necessary to place information on rights and responsibilities of those arriving in Uzbekistan at airport checkpoints and to create information service centers in the main check points so that tourists could apply there for consultations in case controversial/ arguable situations arise when passing the formalities.

2. Competitive tourism product development

The quality of goods and services supplied to tourists mainly depends on private companies producing the mentioned goods and services. However, there are a number of common conditions (infrastructure, access to resources, limitations for certain types of activities, etc.), which have an influence on the quality of services. These common conditions depend on both the central government and the local authorities.

2.1. Characteristics of tourism products of Uzbekistan

Currently we can identify three main tourism products supplied in Uzbekistan. These products are focused on the main cultural assets (Uzbekistan should be surely considered as a window to the history of this region) and include the following: i) heritage tourism (cultural); ii) thematic tourism; iii) pilgrim/religious tourism.

Heritage/cultural tourism: this is currently the most important tourism product supplied by local stakeholders. There is a big variety of tourism packages organized by local tour operators; however, many of them include the same destinations (Tashkent, Samarkand, Bukhara and Khiva), with a 8-10 days visit tour (around 2-3 days per city). Product diversification could be easily achieved especially considering that there are many other tourism attractions not fully exploited yet (for instance: the archaeological sites in Terméz, or Ancient Khorezm Region, etc.).

Thematic tourism: An increasing number of tour operators are including adventure and sport tourism packages (trekking and camel tours in the deserts, horse riding in the mountains, etc.) in order to diversify their tourism supply. Thematic tourism also includes eventive tourism. During the last few years, cultural festivals and events conducted in ancient cities of Uzbekistan have become very popular. Nevertheless it is necessary to ensure an advertisement campaign and to promote such events globally. Here it is important to build cooperation among government agencies responsible for tourism development, local authorities, and the private sector in order to ensure high quality events. In this case, there will be more interest mobilized for such events from abroad.

Pilgrim/religious tourism: There are many unique sacred places in Uzbekistan that are valuable for people professing to follow Islam, Christianity and Buddhism. The Government of Uzbekistan has recently begun paying attention and undertaking efforts aimed at stimulating the development of this tourism product.

Pilgrim/religious tourism is a positive example of diversification of tourism products of the country. At the same time nowadays there are many opportunities unutilized. For example, the largest hotels in Tashkent have a capacity for





conducting international seminars and conferences, but currently there are no such events being conducted in the city. And this is despite the fact that Tashkent has an advantageous geographical location and a good infrastructure. There are thousands of scientific, cultural and other organization in the world that conduct international forums and there are many companies that specialize in organizing such events. The Government could support the local entrepreneurs and organizations in becoming the receiving side for various international forums.

The country has strong potential for developing ecological tourism. Nevertheless, the available natural reserves (there are about 20 resorts in the country) are not used to their full capacity - both for scientific studies and for ecological tourism. Moreover, the tours organized on the territories of the natural reserves currently damage the natural and cultural objects. As a defense reaction, local authorities and environment protection agencies have imposed a ban on visiting the natural reserves. But as the international experience shows, this is an irrational position. National parks could bring not only benefits to science, but also to entrepreneurs and the state budget. They can act as an institution protecting both the country's natural and cultural heritage. In order to achieve this, it is necessary to clearly identify rights and responsibilities of the national government, the local authorities, the local stakeholders and other interested parties.

Uzbekistan also has an advantageous location with regard to passenger transit and freight transportation. Not long ago, Singapore went from being a simple transit port to being a financial and tourism center of South-East Asia. During this transformation, Singapore barely spent any resources for its tourism development. In order to attain this result, good airport infrastructure and customs legislation are required, which will facilitate passenger and freight transportation through the territory of the Republic of Uzbekistan to Europe and Asia. It is impossible to solve this issue without strong support from the Government.

2.2. Supply of quality tourism services

As part of their experience, tourists purchase not only tangible products (e.g., airline seats, hotel rooms, meals etc.), but also intangible assets (e.g., scenery, climate, friendliness of the host population, heritage etc.). Therefore, it is generally accepted that any tourism product consists of three different elements (O'Follon, 1994): i) the tourism experience; ii) the place, or destination; and, iii) the tourism services/goods. In addition, the tourism product is considered to be the main motivation behind the trip/holiday. The tourist has an opportunity to satisfy his/her specific needs thanks to an offer that was structured in advanced in order to fulfill the tourist's demand. This is why all components of the tourism product should be of high quality and meet the requirements of the tourists.

Accommodation services: Most large hotel complexes are in the hands of state bodies and organizations (NC "Uzbektourism", ministries and government agencies, khokimiats).

Despite the fact that state owned hotels have made agreements with international private companies on hotel management regulations, the efficiency of the management is somewhat low due to excessive government intervention into hotel management, lack of flexibility, and, most importantly, due to lack of incentives for efficient use of assets and lack of responsibility for decisions taken.

By 2010 privatization of big hotels should be completed, but a number of barriers hinder this process.

First of all, most of the big hotels have debts that investors are not ready to cover. Secondly, these are big establishments that require big investments and special management skills, since the range of their customers is limited. Thirdly, organizations that own large hotels receive profit from their activities, even though the revenue decreases due to the low quality of services and the increasing



amount of debts and losses. This causes a lack of interest in privatizing these hotels, both from the side of potential buyers and from the organizations currently owning these hotels. It is possible to solve this problem by decreasing the ownership power of the various government agencies over the hotels, and by uniting them into a company or an association. The goal of this action will be to improve the financial state of the hotels and to prepare them for privatization. As an incentive, the Government might wish to leave a certain share of revenues received from the commercial activity of the hotels and from privatization to the disposal of this new structure.

Despite the recent investments made by a number of local stakeholders in order to improve their infrastructures and services, in the private sector the general quality level of the accommodation, except for some excellences, remains quite low. In addition, because of the low tourism skills of managers and employees, the present tourism supply is not able to satisfy the variety of sophisticated needs of the tourists.

2.3. Tourism services

Based on the surveys conducted, including interviews with private sector representatives, the status of tourism services could be described as follows:

- There are many tour guides in the country with an acceptable skill level who mostly focus on cultural attractions. On the other hand, there are only a few tour guides who specialize in other attractions that are not included into a standard popular package;
- The museum supply in Uzbekistan is not very well organized. The most important museums are located in Tashkent and in other important tourism cities of Uzbekistan. Some of them have been organized in collaboration with international donors (e.g. UNESCO, etc.). However, many of them have very poor exposition and information supply (often only in Uzbek and Russian), outdated facilities, and lack services targeted at attracting more tourists.

In order to improve the situation in this area, it is recommended that a state program on the development of museums in Uzbekistan is developed. This program will include measures on improving services and material resources, and providing information and resource mobilization. In order to decrease the burden of the state related to maintaining museums, the ownership of some museums could be transferred to non commercial organizations and/or the private sector, and some could be jointly managed by local authorities, scientific and educational institutions.

- Despite the fact that the main tourism destinations in the country are rich with cultural attractions, there is a general lack, with the exception of Tashkent, in entertainment and many tour operators complain that they do not know what could be suggested to the tourists after the traditional visit to cultural attractions.

- The quality of finance services in the country is of the most concern. This is related to the lack of ATM's (Automatic Transfer Money), as well as to the difficulties in making credit card payments due to absence of the terminals in the trade institutions (markets, shops, etc.) and the enterprises providing services to tourists. ATM services are available only in a few large hotels (five-star hotels). In addition, credit card payments outside Tashkent are almost impossible and the prices in the trade institutions that are accepting credit card payments are much higher, in comparison with prices for the same good and services that other sellers have when payment is made in cash.

An underdeveloped tourism product results in a loss of profit that could be easily obtained in better conditions. In general, international cultural tourist spends around \$130-\$160 per day, while in Uzbekistan local stakeholders estimate that the average expenditure rate of a tourist is \$90 per day. This shows that due to the limited organization of the tourism supply the local tourism

stakeholders are not gaining the potential additional \$40-\$70 per day per tourist due to a lack of tourism product organization.

2.4. Attracting investment into the tourism sector

The tourism sector is recording a fairly fast development of micro and small investments activated by the local private sector, but at the same time it is losing big international enterprises (air companies like Lufthansa, Air France and British Airways, or hotel chains like Sheraton, Le Méridienne, etc.). Based on interviews with local stakeholders, the abovementioned happens due to the lack of a clear tourism investment policy and strategy, as well as due to the fact that the present fiscal incentives adopted by the national government are inadequate for developing tourism infrastructure and services.

The Government is still using traditional tools for stimulating international tourism investments such as stipulating agreements with hotel chains (e.g. hotel Intercontinental, etc.) for managing state owned hotel, while it is losing the opportunity to start new typologies of integrated partnerships based on agreements between public sector, local communities (land keepers), and a variety of private stakeholders (banks, hotelkeepers, tourism services, etc.).

The Government could play a new role in attracting big and small investments into the tourism sector of the Republic, especially in rural areas where the tourism industry is still missing.

2.5 Skills and capacities of representatives of the tourism sector and the educational system

Despite the efforts undertaken by the National Government, local stakeholders and international donors, the low tourism capacity of many entrepreneurs and employees working in the tourism sector remains an important problem. In many instances, local stakeholders do not have a clear idea about the characteristics of the tourism demand, tourism product, and what kind of services should be provided to tourists. In addition, in the last few years, many individuals have initiated a tourism-related business which is not supported in their entrepreneurial efforts by any specific know-how.

Currently there are few institutions of higher education/ colleges preparing mainly support staff for tourism enterprises, such as clerks, receptionists, caterers, cleaners, guards, cooks, etc. (except for the existing tourism faculty in the Tashkent State Economic University). The quality of the courses and professors is quite low. In this regard, the lack of qualified managers understanding the specifics of tourism industry can always be noted. Thus there is a constant need for qualified personnel who could manage tourism enterprises, as well as be able to plan strategically the directions of tourism development at the national and regional level. A qualified administrative staff is also in demand in the tourism sector. As a consequence, the quality of the present tourism supply - hence, the competitiveness of these small entrepreneurs - is rather low. Hotel and restaurant staff, tourist guides, handicraft vendors and tour operators are the main personnel that need training.

Recent international experience shows that the traditional methods of training and educating tourism stakeholders must change. The paradigm must shift since the tourism industry is meeting new challenges that reflect the globalization process, such as, the new needs of tourists and the increasing number of new tourism destinations each year. In this regard, a key aspect of Uzbekistan's tourism industry's competitiveness should be the capability of its tourism stakeholders to meet the requirements of the tourism market. Especially when considering that, currently, majority of tourists in Uzbekistan come from Western European





Countries. Hence, there is a need for training on how to satisfy the needs of foreign tourists that meets international standards. If Uzbekistan would like to attract new tourists, it needs to have qualified employees at all levels of its tourism industry – from entry-level up to senior management. Only in this case, consumers will return to Uzbekistan to purchase a product that gives them a quality and satisfactory experience and new consumers will be attracted by the product.

Therefore Uzbekistan needs to reform the current tourism education system which would include educational institutions (universities, colleges, etc.), the present legislation, and cooperation among various tourism stakeholders.

It is necessary to develop special educational programs for all types of schools and colleges, establish new faculties &/or universities with specialization on Tourism Management, as well as to develop textbooks, manuals and information materials. These measures will bring positive results in raising a young generation possessing skills and knowledge in this field. This young generation will not only act as support personnel but will be able to manage tourism enterprises.

Special training programs should be conducted for local tourism stakeholders in order to improve their skills and thus raise the competitiveness of their goods and services.

But first it is necessary to conduct an assessment of the quality and quantity of human resources required in the tourism industry in Uzbekistan. With this purpose in mind, it is proposed that a working group is established with participation of private tour operators, hotels, national and local authorities, education institutions and other tourism market stakeholders. This working group will identify the market demand for human resources qualified in tourism management and technical personnel, develop new curriculums for educational institutions, and conduct special training programs for professors, etc. Special financial resources should be allocated both for stimulating training institutions to modernize their equipment and for building partnership with tourism stakeholders.

3. Legislation, and state control and regulation of the tourism sector

An important condition for fast and sustainable tourism sector development and for increasing its competitiveness is the availability of a flexible system of state regulation that ensures the protection of legitimate interests of all stakeholders and at the same time gives room for the private sector to act independently. In order to be successful the reform of state regulation should make this a priority.

3.1. Legislation and private business regulation procedures

Despite the great number of legal acts regulating this sector, there is no detailed legislation on hotel classification determining the minimal quality standards, which is the responsibility of the UzGosStandart. Other legal acts related to the tourism sector, that are usually passed in order to develop tourism SMEs' competitiveness (development of tourism regions, tourism complexes, etc.), are still missing. The following are among some of the many issues that are still not developed: collaboration of tourism market participants/stakeholders as bearing responsibility for issuance and execution of contracts, standardization of services, and the role of associations of tourism organizations.

Other problems are related to: i) very high taxation imposed by the Government on some importations, such as, buses, the taxation



on import of which is around 120% of the real cost; ii) the system a taxation of tourism activity; and iii) certification and licensing. These factors, despite all the efforts of the Government still act as barriers for tourism industry development.

The system of licensing tourism organizations is contradictory. According to Article 3 of the Law of Uzbekistan "On tourism", obligatory licensing is applied to an activity of an organization dealing with travel and related services (development, sales and resale of a set of tourism services (tours)). Other kinds of services provided to tourists do not require a license on "tourism." The existing procedure for licensing provides licenses to tour agencies, tour operators, excursion organizations, hotels, camping grounds, other accommodation facilities, as well as other organizations specializing in tourism.

According to the laws of the Republic of Uzbekistan "On Certification of goods and services" and "On tourism", tourism services are subject to obligatory certification. Provision of the above-stated services without certification entails the responsibility in the order established by the current legislation. As a result, the government seems to be more interested in issuing certificates and forcing economic agents to receive them.

Currently, the established procedure of certification of tourism services does not reflect the interests of the tourism business. For example, the existing procedure for payment of certification fees envisages periodic license deductions at the rate of 0,5% of sold volume of certified services. While the license is furnished for a term of up to five years, the certificate of conformity must be renewed annually, which means that the certification service has to be paid for annually as well.

Certification agencies have an interest in this situation because tourism enterprises have to pay not only for certification services but also for new certificates each year. As the practice shows, this procedure does not improve the quality of tourism services supplied.

The improvement of legislation on tourism should include the following elements:

- The role of the state Agency in promoting and developing the tourism industry should be clearly identified;
- The current legislation should be revised with a focus on stimulating the developing tourism SMEs, as well as strengthening partnership among various players of the tourism sector;
- Taxes and fees to extra budgetary funds, that do not contribute a lot to the state budget, but are rather expensive and complicated in terms of their administration should be eliminated;
- Some taxes for importation and other charges related to simplifying the procedure of exporting and importing goods and services related to tourism activities should be eliminated or reduced;
- The exiting financial incentive for the private sector in order to stimulate more investment into infrastructure and tourism services should be reorganized;
- The quantity of organizations that require licenses should be reduced, especially, where it is possible to replace obligatory certification with voluntary certification.

3.2. Institutional system of state control

There is a need for a reform in the system of state control and regulation of the tourism industry: the private sector should trust the national tourism politics more, should treat state agencies as its partners and not as its competitors, and only in this conditions the tourism businesses will become more transparent, and will invest more in their tourism businesses.



According to the Decree of the President of Uzbekistan № UP-447 «On formation of a National Company "Uzbektourism" as of 27 July, 1992, the National Company "Uzbektourism" was established as an authorized state body coordinating development and implementation of the unified tourism policy in the territory of the Republic of Uzbekistan. In 1994, NC "Uzbektourism" became a member of the UN World Tourism Organization. The activities of the National Company are accountable to the Cabinet of Ministers of the Republic of Uzbekistan.

Today, in addition to the administrative functions of management and control over the tourism organizations of Uzbekistan, NC "Uzbektourism" also carries out economic activities in the sphere of tourism. The organizational structure of NC "Uzbektourism" system includes 7 territorial Agencies of Traveling and Excursions (ATE) – State Enterprises (SE), such hotel complexes (HC) as SE HC «Afrsiyob Palace», SE HC «Bukhara Palace», SE HC «Khiva» and JV «Uzolmonhotels», as well as SE "Republican scientific-educational consulting center", SE "Central management of scheduling and services" and other subordinate organizations.

Thus, the NC UzbekTourism is, in one and same capacity, an enterprise conducting economic activity in the sphere of tourism, and a state body carrying out control functions over private entities not included in the structure of NC UzbekTourism, who are also conducting economic activity in the sphere of tourism and who are its competitors. This practice does not comply with tourism practices generally accepted in other countries.

Besides, NC UzbekTourism is an operating body under the commission of the Cabinet of Ministers of the Republic of Uzbekistan on licensing tourism organizations, and an accredited body of UzGosstandard for certification of tourism services. These functions provide NC "Uzbektourism" with additional non-market levers of influence over private tourism organizations.

In order to avoid a conflict of interests and to improve the efficiency of state tourism policy, the structural/functional reorganization of the National Company "Uzbektourism" is required. Thus "Uzbektourism" should become an authorized state agency without the rights to provide services to tourists directly and to compete with private sector.

The argument used in debates that NC "UzbekTourism" is known around the world can be of importance only for commercial activity. In this regard, it is quite possible to merge, prior to privatization, all commercial assets of the company under this single brand. And the regulation of the tourism activity should be carried out by the National tourism administration with a status of state agency. The higher status would help the authorized state body bring together the efforts of other agencies in developing a uniform policy in the tourism sector.

The national tourism administration of Uzbekistan, as well as similar agencies abroad, should carry out functions on realization of state policy, legal regulation, provision of state services and management of state property in the sphere of tourism. Another important area for activities of the proposed authorized state body would be the promotion of the tourism product in the internal and world markets, a major task of national tourism administrations all over the world.

Of major importance is the issue of finding sources for financing the activity of the republican body for management of tourism. The experiences of countries with a developed tourism sector suggest that the state should allocate funds for supporting the tourism activity, undertake measures in the field of tourism, advertising and promotion of the national tourist product, payments of fees to international organizations, and realization of applied surveys and R*D. For example, in Jordan, the Government allocated, until 2010, 4% of their receipts from tourism to the development of the sector. Thus, it is not necessary to allocate funds from the budget, but rather to leave part of the generated revenues in the sector.



At present, privatization of several large hotels is being carried out, state shares which are provisionally controlled by NC "Uzbek Tourism" are being put up for sale. It would also be expedient to use part of the means received from privatization to develop tourism and functions of the authorized state body.

The provision of services can also be a source of funds for the body of state management in the sphere of tourism, but generally these could be, rather than services to tourists (conflicting, by the way, with the private sector), services to travel companies. If they know that the state body does not compete with them for tourists, private businessmen would take advantage of the information and experience of National Tourism Administration's experts for expansion into national and international markets. The new state body could become a founder of organizations providing information, consultation services, marketing and other services to private businesses. Such activity could also become a source of financing for the new state body of tourism management.

The increasing complexity of the tourism industry requires adequate control and regulation of the system, especially with regard to concrete roles of each tourism stakeholder, including reorganization of the system of state control of tourism.

3.3. Strengthening partnership

Planning, developing, managing and promoting tourism should be undertaken with active participation of all stakeholders. National government could stimulate partnerships involving local municipalities, tourism entities, local communities and any other parties which could be involved in or impacted by tourism. This includes development of the country's tourism development strategy, investments promotion, as well as improving the quality of goods and services supplied by tourism enterprises.

Special financial resources should be mobilized in order to stimulate all private stakeholders (hotels, restaurants, museums, tour guides, entertainments, local communities, etc.) to create tourism cross sectoral networks or another kind of aggregations (e.g. Tourism Product Club, Tourism Geographical Club, Tourism Thematic Networks, etc.).

In particular, there are many opportunities for cooperation between municipalities and private tourism stakeholders. The local authorities bear the primary load in developing roads, providing municipal services, and other elements of infrastructure. In developing and realizing infrastructure projects, the needs of tourists and tourism business should be taken into account.

Khokimiyats can assist travel companies by promoting their product on the market, organizing training of staff or at least setting up a system for collecting employment information. This is one way to develop regional labor markets.

For tourism centers (old parts of the cities) the plan of optimizing construction and reconstruction should be developed. These plans should be based on the best practices and experiences of other countries in preserving medieval cities. Historical buildings should not be torn down and chaotic construction of hotels in the historical parts of the cities should not be allowed. Local authorities have to play a role in deciding whether historical buildings and other objects which cannot be maintained and supported by the state, should be transferred to private owners. While doing this, the new owners should provide for the preservation of the historical style of a building. They should have historical buildings restored and bring them into a condition suitable for tourist sightseeing purposes.

A good solution could be to accommodate tourist-excursion and cultural centers in buildings of historical value. Such centers could both provide tourists with information, and improve the management of tourist flows. Their functions would include the development of new itineraries and the creation of new tours, as

well as methodological support to tour companies. The development and promotion of new itineraries cannot be done without assistance from local bodies of authority.

An urgent task for local bodies of state authority is to ensure that transport enterprises take the required measures to ensure integrated service in places of entrance and departure of foreign tourists, and along itineraries. For this purpose, private businesses need to have incentives to develop a network of filling stations, camping grounds and other objects of services along major highways, as well as, access to appropriate resources such as land and money.

The National Association of Private Tourism Agencies (APTA), which was established in 1998 and has about 170 members, could also play an important role in uniting private tourism organizations and become an intermediary between the Government and the private sector while pushing for the interests of the latter one.

Conclusion and recommendations

The research carried out during the preparation of the report on the analysis of materials available allowed us to draw the following conclusions: a significant latent potential of the tourism industry can be utilized, and its competitiveness and export receipts increased, only upon the condition that there is improvement in the system of state regulation, high-grade development in market relations, and diversification and quality development in tourism products portfolio of Uzbekistan. All subjects of economic activities interested in the development of tourism should reach a consensus on those efforts which are to be undertaken to give greater dynamics to the tourist sector of the country. It is important that in this dialogue, both foreign experts and international organizations, which have significant experience and knowledge in the field of tourism, as well as private sector and civil society take an active part.

In order to boost tourism sector development, and provide state support to small businesses and the private sector, the following recommendations are proposed to the Government, international organizations, and tourism sector stakeholders:

1. Strategic development plan of tourism industry in Uzbekistan:

A clear policy and a detailed strategy of tourism development should be elaborated (Maser Plan of Tourism development in Uzbekistan), that will set long-term and short-term targets and objectives to the Government of Uzbekistan, while encouraging and promoting active participation in this process of all tourism stakeholders. The strategy should include the following directions:

- quality development and diversification of the tourism product, in order to make it more attractive and accessible for consumers, thus increasing the competitiveness of Uzbekistan as a destination;
- infrastructure development;
- institutional capacity building;
- reforming the education system in accordance with the demand for human resources existing in this industry;
- forming a marketing strategy at the national level (Marketing Tourism Development Plan) in order to promote a new image of Uzbekistan, its portfolio of tourism products and other concrete marketing activities;
- creating a modern system of collection, analysis and distribution of statistical information on tourism, i.e. introducing the Tourism Satellite Account (TSA) in the system of national accounts.



2. Separation of the commercial and government functions:

- The National Tourism Administration of Uzbekistan should receive functions, powers and the status that are usual for similar establishments in the advanced tourist countries of the world;
- The best way to solve the problem of separating administrative functions of the NC "Uzbek tourism" from economic activities is privatization of hotel facilities on the basis of an investment competition, conditions of which will take into account hotel indebtedness to creditors as well;
- Part of the means from privatization of the state property in the sphere of tourism should be spent on the development of the sector, including the activity of the authorized state body on tourism.

3. Fine tuning visa regime and border control:

It is necessary for Uzbekistan to be easily accessible to foreign visitors who wish to get acquainted with its history and culture, who are interested in conducting business, and who wish to get rest. For this purpose it is necessary:

- to reduce the time of entry visas reception and to give applicants an option to choose the place of their reception (consular establishments or on arrival);
- to use a practice of receiving from and sending to the applicants by mail the passport with a visa inscribed at the expense of the applicant without a need for him to come to the embassy (consulate);
- to improve the quality of services and to reduce the time of boundary and customs procedures.

4. Improving licensing and certification:

- it is necessary to establish that only the activity of a travel organization and services connected to it (development, sale and resale of packages of tourist services (tours)) can be subject to obligatory licensing;
- licensing shall be carried out by territorial divisions of the authorized state body on tourism, and in case of its absence, or prior to the formation of corresponding territorial division, by the central apparatus of the authorized state body on tourism in Tashkent city;
- to introduce voluntary certification of tourism enterprises (and cancel obligatory one), and to develop the system of their classification and categorization by quality and the respective level of quality will be assigned only by means of certification;
- licensing and certification should not be allowed to overlap, especially taking into account the fact that certification is not an effective method of monitoring quality in the sphere of services.

5. For attention of local authorities:

- An urgent problem for local authorities and transport agencies is to take needed measures to provide complex service in places of entrance and departure of international tourists, as well as along the routes of their movement. Therefore, private business should have incentives to develop not only gas stations, but other services along basic highways;
- Local authorities may promote the development of small tourist businesses by transferring premises for providing services to tourists and enhancing municipal infrastructure.

Important reforms should take place in the short term if Uzbekistan would like to play an important role in the world tourism economy. Tourism could easily become the most important Uzbek industry in terms of incomes, job creation and the number of people benefiting from its direct and indirect impacts. Moreover the rural areas, rich in cultural heritage and natural sites, could also benefit from tourism development, thus increasing the Country's income opportunities.

