UKRAINE: COMPETING IN THE GLOBAL ECONOMY
STRATEGIES FOR SUCCESS

PART II. TOURISM IN THE CRIMEA AND THE CARPATHIAN MOUNTAINS

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TOURISM IN THE CRIMEA AND THE CARPATHIAN MOUNTAINS

TOURISM IN UKRAINE’S ECONOMY

During the days of the Soviet Union, destinations in Ukraine - in the Autonomous Republic of Crimea, other parts of the Black Sea coast, and in the Carpathian Mountains in the west of the country - were popular for the kind of mass tourism practiced at the time. Today, tourism remains an important sector for the Ukrainian economy. While current statistics are far from reliable and often contradictory, available data suggests that over 6 million international tourists visit the country each year, spending the equivalent of roughly 8 percent of total GDP (corresponding to just about one-half of total export earnings from the nation’s leading commodity export, iron and steel). According to the data collected by the World Tourism Organization (as shown in Figure 48), total tourist arrivals for Ukraine have climbed back to the levels seen prior to the Russian financial crisis. Since 1999, arrivals to the whole of Ukraine are increasing at an average annual rate of approximately 14 percent.

With this level of industry growth the increase of foreign and domestic investments is expected. Interested investors can consult BIZPRO’s recently published Investor Roadmap of Ukraine. The Roadmap provides practical information on how to invest in Ukraine, and specific information for investing in the tourism sector in the Carpathian Mountains.

FIGURE 48: TOTAL TOURISM ARRIVALS, 1998-2002

Total expenditures by international tourists have been estimated at EUR 3.2 billion (USD 3.8 billion) for 2002, an increase of 4 percent over 2001. With the 2002 number of arrivals estimated to be 9 percent above that for 2001, Ukraine’s visitors spent 5 percent less than the year before - either as a result of shorter stays, or generally lower expenditures. The average visitor spends about four days in-country, and contributes about USD 600 to the economy. Some estimates (TACIS, 1998) put per visitor expenditures at between USD 555 and USD 612 with average lengths of stay varying between 2.6 days and 4 days, although these statistics cannot be clearly corroborated. One-day tour prices in 1998 were estimated to be between USD 82 and USD 99.

The most popular destinations are Kyiv (30 percent of arrivals), the Autonomous Republic of Crimea (another 30 percent), the Carpathian region (including Lviv; about 20 percent), and Odessa. Figure 49 shows that most of the tourists are coming from the neighboring countries of Russia, Moldova, Belarus, and Poland; over the past five years, the share of Russian tourists has increased, indicating that tourism in Ukraine is appearing to become more dependent on a single market.

While tourism remains important to the Ukrainian economy, its structural characteristics suggest that efforts to boost competitiveness by extending the average length of stay, increasing per visitor expenditures, and intensifying efforts to expand presence in new markets can yield significant returns. This assessment looks at tourism in the Crimea and the Carpathian Mountains to explore the dimensions of such efforts. The assessment included interviews with key informants and a workshop bringing together selected stakeholders.

THE TOURISM CLUSTER

It is impossible to look at tourism through anything but a cluster lens. All elements - access to information, the reception at the border, transport, hotel facilities and services, restaurants, and activities - combine to produce the ultimate product, the tourist experience. A five-star hotel experience can be marred by a one-star taxi experience: the overall product - client satisfaction - falls short of competitive standards. Generating a satisfactory experience and marketing the regional product as a whole calls for some form of cooperation even as the elements of the cluster compete for customers. How tour operators capitalize on the “unique selling points” (USPs) of the region, relate to global markets and market architectures, and tie into the local economy shapes the overall development impact.

A generic structure of the tourism cluster is illustrated in Figure 50. The middle section of this schematic links demand by consumer segment to supply, in effect defining the market architecture of the tourism cluster. That architecture has been undergoing great changes over the last few years. The penetration of the Internet as a tool for selecting and booking travel alters the relationship between producers and customers in a major way.

While the total travel market has been growing at modest rates, the size of the on-line travel market has been exploding, as Figure 51 illustrates for Europe. In the U.S., the size of the on-line travel market rose by 85 percent between 2001 and 2002, while total travel in the wake of 11 September 2001 declined by 10 percent. More than 35 million Americans purchased travel on-line in 2003; 86 percent of on-line travelers shopped multiple sites, and 45 percent of on-line travelers bought all of their travel on-line.

These shifts in market architecture have direct implications for reaching customers for Ukrainian tour operators. They offer both an opportunity and an obstacle to accessing new markets and attracting a different clientele.

TOURISM IN UKRAINE: THE CRIMEA

OVERVIEW

The Autonomous Republic of Crimea is a peninsula covering 27,000 square kilometers at the southern edge of Ukraine, with the Crimean Mountains rising to an elevation of 1,500 meters along the southern coast. Known for a mild, Mediterranean-like climate, the Crimea has long been a popular regional tourist destination. Russian royals often visited the Crimea for holidays, as did literary figures (including Anton Chekhov) and performing artists. However, seaside resorts in the Crimea (and elsewhere along the Black Sea coast) face a relatively short season.

Tourism for the region peaked at 8 million visitors to the Crimea in 1988, when the region’s hundreds of state-owned resorts hosted millions of tourists whose vacations were still subsidized by the state. But in 2002, the Crimea received 2.4 million total visitors - 1 million international, 1.4 million domestic. For 2003, the State Tourism Administration has reported a total of 1.8 million visitors for the first nine
months (which includes the high season). The Crimean tourism industry generates about 38 percent of the region’s GDP. Most of the Crimean’s 600 or so resorts are operated by government agencies, ministries, and companies. The Defense Ministry alone operates ten sanatoriums.

UNIQUE SELLING POINTS

The major USP derives from the Crimea’s historic position in both the Czarist and Soviet times as a primary location for maritime tourism. Its reputation survives to this day as a “natural” vacation destination. However, as choices for Russian and Ukrainian tourists expand, this USP is becoming, well, less unique.

There are some historical attractions. The Crimea’s 2.5 million population includes 80 ethnic groups such as Muslim Crimean Tatars, whose ancestors dominated the Crimea for over 300 years. By the time the Crimea was liberated from German occupation in 1944, the Tatars had become a minority - which Stalin then expelled for suspected collaboration. They have been returning to the Crimea, with many congregating around their traditional capital of Bakhchisarai (about two hours from Yalta). Today, Bakhchisarai is also a prominent cultural tourism destination, with additional sights outside the town which combine visits and “soft adventure” hikes to historical monuments, ancient cave cities, and religious sites. The combination is an appealing product mix and accessible through day trips from the coastal tourist centers of Yalta, Sevastopol, and Alushta. In addition, there are several places of historic interest from the ancient Greek and Ottoman periods - as well as more recent sites from the Crimean War and World War II. Other popular attractions include the Nikitsky Botanical Gardens, which are home to over 28,000 plant species, and the Massandra Winery near Yalta. The Crimea also offers mineral waters, peat, and mud.

The Crimea’s landscape of mountains, canyons, and seaside cliffs offers a topography that is distinctly different from most of Ukraine. More adventurous travelers are attracted offshore to diving, and increasingly inland to trekking, rock climbing, horseback riding, speleology, and mountain biking. In fact, visitor surveys show that specialty travel to the Crimea - activities such as visits to mountains and forests - shows great potential.

Although most of the Crimea’s activities, attractions, and sights might resemble those of competing destinations to some extent, there is still a great well of competitive advantage to be tapped. This is especially true when combined with local cultural experiences and the fact that the Crimea is a relatively lesser-known destination internationally. Its lack of an international image could therefore be turned into an advantage by offering aficionados of the activities mentioned above a new, alternative destination with a slightly exotic flavor.

But the attraction is muted by a heavy dose of tourist kitsch. The Bradt Travel Guide to Ukraine describes Yalta as the country’s “most popular tourist trap and should be enjoyed as such.” It describes the town as charming with “fanciful

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94 Actually, other reports (from the British Embassy) indicate that the Crimean tourism and recreation industry generates some 52 percent of the region’s GDP.
turn-of-the-century beach houses now overgrown with vines and flowers... The town’s romantic nature still remains.” Unfortunately, the tourist trap atmosphere increasingly detracts from that romantic picture. A key question which the workshop participants mentioned is whether the demand even exists for a higher quality “product.” The development of a competitive strategy for Crimean tourism needs answers to that question which determines the targeted tradeoff between volume and quality, with the latter presumably associated with higher per tourist expenditures.

Moreover, industrial, agricultural, and tourist activities themselves are threatening Crimean USPs - and have been for some time, both under the Soviet regime and the current administration. While industrial production has declined, pollution levels remain high. Enforcement of environmental protection laws is weak, including the protection of nature parks. The return of ethnic groups deported during the Soviet era has contributed to environmental degradation, as they have settled on land in protected areas, cut down forests, or illegally extracted construction materials.

Some efforts are underway to address these issues. But there seems to be no coherent movement including both public and private sector stakeholders to preserve and upgrade the common capital that may account for as much as 50 percent of the region’s income.

MARKETS AND COMPETITION

Previously, the tourism industry in the Crimea had been dominated by state-run sanatoriums which offered government-sponsored health tourism visits, usually of a one-week duration. These structures still determine demand patterns. About 38 percent of total visitors stayed in one of the 560 sanatoriums in the Crimea, with 98 percent staying for more than two days. Nearly half of all Ukrainians and almost a quarter of all foreigners visiting the Crimea came to stay at a sanatorium.

These figures clash with others. According to research conducted by Professor Marina Ryndach of Yalta Management University, the principal reasons (and thus segments) for visiting the Crimea are shown in Figure 52. The discrepancy between the 38 percent of visitors staying in sanatoriums and the 10 percent citing health tourism as a reason for visiting may be explained by the fact that sanatoriums are just a cheap place to stay. Another segment was specialty travel activities, such as visits to mountains and forests. Over 1 million people visited the mountains and forests last year - as opposed to three years ago, when only 250,000 visited.

The data available data does not invite much interpretation. It is contradictory, poorly kept, and far from timely. This situation underscores a serious need for capacity building in market research and statistical systems. This capacity building could be undertaken with government authorities - but perhaps also with civil society organizations such as Yalta.

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55 Webster’s dictionary defines “sanatorium” as “an establishment that provides therapy combined with a regimen (as of diet and exercise) for treatment or rehabilitation.”

All of the following destination countries are current and potential competitors to the Crimea, particularly in the “sun and sand” segment. Notably, all of these destinations are simultaneously seeking to diversify beyond “sun and sand” to specialty travel segments such as cultural tourism and adventure travel niche markets. Interestingly, these competing destinations were barely mentioned by workshop participants, which underscores a lack of market knowledge, thus a definite area for improvement.

**Bulgaria** received 3.4 million visitors and earned some EUR 1.4 billion in 2002, which represented increases of almost 8 percent and 6 percent increases over 2001, respectively. Europe accounted for 97.5 percent of all tourists, with most coming from neighboring or nearby countries. Most of the country’s tourism growth is along the Black Sea, but a recently established national ecotourism strategy is focused on expanding that segment.

**Croatia** received almost 7 million visitors and earned EUR 4 billion in 2002, which represented 6.1 percent and 8.2 percent increases over 2001, respectively. Estimates put the number of visitors for 2003 at 9 million. A Croatian Tourism Development Strategy is helping to steer the industry into far more favorable tax and financing regimes. Although most of the tourism product is concentrated along the coast in the “sun and sand” segment, there is increased investment in product development oriented toward cultural tourism, excursions to national parks and the countryside, and attempts to market off-season and shoulder season products such as winter tourism in the mountains.

**Turkey** received 12.7 million visitors and earned EUR 9.5 billion in 2002, which represented dramatic increases of 18.5 percent and 15.5 percent over 2001, respectively. An estimated 14.6 million visitors have been estimated for 2003. Turkey is a regional powerhouse of tourism, offering serious competition on price, quality, and product diversity. Traditionally, most of the tourism has been concentrated in Istanbul and on the Antalya coast, but this is gradually changing - in part as a response to changing market demand, but also due to government policy. Turkey is responding to increased demand, especially for cultural tourism. The Ministry of Tourism is focused on diversification of tourism beyond the “sun and sand” segment and beyond a summer-only season. Turkey has become a major destination for Ukrainian tourists.

**Egypt** received almost 5 million visitors and earned almost EUR 4 billion in 2002, which represented an increase of 12.6 percent and a decrease of 6.2 percent over 2001, respectively. Traditionally, Egypt has been a world-renowned destination for cultural tourism. Its historic monuments are unparalleled. However, over the last 20 years, the country’s tourism industry has been building a “sun and sand” segment in the Sinai, stretching south from Hurghada along the Red Sea coast for hundreds of kilometers. Many investors have created five-star resorts which offer top-quality holidays at competitive prices.

**FACILITIES AND SERVICES**

As noted, about 38 percent of total visitors stayed in one of the 560 sanatoriums. There is every indication that these facilities - virtually all of which date back to Soviet times - will not be internationally competitive without substantial investment and market repositioning. The State Statistics Committee classifies some 85 properties as hotels; these served only 11.5 percent of the total number of visitors to the Crimea (2002). Utilization of hotel capacity is low - an annual occupancy rate of only 25 percent - and appears to be declining.

Investment in the Crimean tourism industry lags far behind its needs. The Autonomous Republic of Crimea has one of the worst reform records and has experienced the lowest levels of private investment of any Ukrainian region. By the early 2000s, it had received only about USD 150 million in investment since independence, with about USD 10 million to USD 15 million arriving annually in the past three years - yet tourism alone needs billions of dollars in investment capital.

Soviet-era hotels in existing resort areas may be purchased for as little as USD 10,000. But old Soviet hotels were often constructed poorly, and renovation in many cases may be more expensive than building a new structure. There are still more than 100 unfinished construction sites in the Crimea that were originally designated for resort hotels and recreation centers. Some 40 percent of these are Russian
Influential Russian and Ukrainian business groups recently purchased two of the biggest hotels in Yalta. A group of Russian investors launched a USD 25 million reconstruction of Yalta’s four-star Hotel Oreanda in 2000. With rooms at Oreanda starting at UAH 950 through the summer and UAH 381 outside of the peak season, it has now become one of the country’s most expensive hotels.

People who visited the Crimea during Soviet times recall preparations worthy of a trek to the South Pole. Tourists were often expected to bring their own food and necessary equipment, right down to their own toilet paper. The tradition of putting much of the burden on the tourist still colors much of the service offered. Participants at a workshop conducted for this assessment were especially critical of the lack of qualified staff and low level of professionalism in the Crimea. Tourism is a service industry dependent on the skills and attitudes of service staff.

Persistent remnants of the Soviet mentality are in the way of developing a true “hospitality culture” in the Crimea. To overcome this barrier to competitiveness, new staff need to be trained and existing staff - to the extent possible - retrained.

The Yalta Management University seems to be starting to address these issues. It opened in 1995 and now has a total of 500 full-time and 200 part-time students, with 200 focused on tourism and 500 working on Master’s degrees. A Euro Standard Center is being established in association with the Bodenburg School (Bodenburg, Germany) to work with the tourism industry (especially on-site at hotels and resorts) to improve the quality of staff.

WEAKNESSES IN THE VALUE CHAIN

The Crimean workshop participants cited a lack of stable linkages with other related sectors - such as transportation companies, tour guides, or museums - as a critical issue. For example, the lack of cooperation and coordination with transportation companies restricted the availability of international-level tourist transportation, which hinders the transport of large groups such as those that disembark from cruise ships. Our participants saw insufficient information about potential partners and linkages as one of the key obstacles limiting the organization of stable value chains that would result in lower transaction (i.e., search and quality control) costs. With better information, they believe there could be better linkages which could lead to increased market pressure to generate locally improved quality tourism products overall, and locally produced souvenirs and handicrafts in particular.

At the same time, they hoped there would be more political pressure to generate improved public restrooms, financing opportunities, and infrastructure (such as communications and utilities). The participants did not seem optimistic about this, though. They said that the Ukrainian government does not listen to public organizations and associations. As evidenced by recent SME attempts to lobby the government about the Tourism Law, those involved said that there was no feedback from the government.

Tourism in the Crimea is threatened by deficiencies in the region’s utility systems. The water supply tends to be unreliable, even in major hotels. Moreover, sewage systems are inadequate, often contributing to environmental degradation. Insufficiently treated sewage water is pumped into the sea just a short distance from the shore. In the summer, the waters of the Black Sea around cities are highly polluted with phenols, petroleum products, and synthetic substances. A project by the U.S. Trade and Development Agency launched earlier this year focused on a study to process solid waste for the city of Yalta.

The road network is in poor shape and cannot handle the traffic during the high season months of July and August. Yalta and other places are often paralyzed by traffic. Most Crimean cities - including tourist centers like Gurzuf and Saki in addition to Yalta - suffer from high levels of air pollution as a result of vehicle exhaust. The peninsula lacks airports. The only airport is over 100 km from major resort areas.

Signage: The Crimea is in desperate need of signage - in any language. Signs are lacking for everything; for cities and towns, and for other attractions as well. For example, there was only one small sign directing us into Massandra, where a winery that offers tours is located. There were no signs related to the winery or the tours. The same situation occurred in the town of Nikita and the extensive botanical gardens of Nikitsky.

TOWARD CLUSTER DEVELOPMENT

A formal tourism cluster does not currently exist in the Crimea. In fact, participants in the Yalta workshop identified the lack of a cluster as a priority issue. However, given the relatively diverse membership of the Crimea Association of Travel Agencies (CATA), it might emerge as the leader for a cluster-oriented initiative.

CATA was founded in 1997, as the tourism market in the Crimea was beginning to gather momentum as more of a private sector-driven industry. CATA has played a critical role in bringing over 100 enterprises and entrepreneurs together to lobby the government on behalf of the industry. In addition, CATA has served as a source of expertise and training to increase professionalism and training among its members. Yet, in the absence of a clearly articulated strategy supported by a range of range stakeholders, its lobbying efforts have produced little of value.

Workshop participants identified the lack of cooperation among industry players and with governmental authorities as a critical issue. More specifically, the participants highlighted the following priority issues:

- the state is not an effective owner and manager of resorts yet retains a high percentage of facilities, contributing to lower expectations;
- there is a lack of transparency between and among both public and private sector players;
• new fora are required to improve public-private sector relations and cooperation in the design and implementation of strategic approaches;
• the recently adopted National Tourism Law primarily reflects the interest of large-scale operators and disadvantages SMEs;\(^{96}\) and
• half of visitors to the Crimea stay in unregistered and uncontrolled private accommodations.

POLICY ASPECTS
At the national level, the State Tourism Administration is the primary organization responsible for policies governing the tourism industry. The National Tourism Organization is part of the Administration and is responsible for marketing and promotion, including representation at 54 travel trade fairs around the world. Ostensibly, there are no joint public-private sector marketing campaigns.

The Ukrainian authorities have focused on tax concessions as a means of stimulating investment in tourism. In 1999, the Ukrainian Parliament granted VAT exemption for tourism services in the Crimea. Moreover, most major tourism centers have been designated as special economic zones by Presidential decree. The tax concessions available to business entities operating in these regions vary, but the key elements are as follows: exemption from import duty and import VAT; exemption from corporate profit tax or taxation at reduced rates; reduced rates of withholding tax on income derived by non-residents and on dividends; and exemption from mandatory conversion of revenues in foreign currency.

From a tourism development perspective, onerous visa requirements are a major obstacle. Obtaining a Ukrainian visa is complicated. Business or private visitors need to obtain a letter of invitation or a tourist voucher. Fees run from USD 50 to USD 150, depending on the processing time. Some simplifications have been introduced for the Simferopol and Odessa airports for stays up to eight days. However, the simplified procedure does not include Kyiv’s Boryspil international airport, which receives the vast majority of the country’s incoming international flights. Even so, some U.K. tourist operators interviewed did not view the demanding visa regime as a constraint in sending tourists; the same problems exist with Russia, and adequate demand and planning mean that this issue can be easily overcome.

SUPPORT OPPORTUNITIES
The Crimea appears to have some competitive advantage in tourism, particularly by moving increasingly toward specialty travel which could translate into thousands of jobs (directly and indirectly) and substantial economic development. There is a potential role for USAID and the BIZPRO Project in helping to cultivate the private sector’s leadership and institutional capacity for improved public-private cooperation by articulating a common cluster development strategy and coalescing efforts around clearly defined priorities. That focus could then be complemented with training, advocacy, and communication skills development, as well as increased development of local business service providers.

In particular, the following types of support seem to be urgently needed:

1. The development of effective strategies depends on improved market knowledge. There is a serious need for capacity building in market research and statistical systems. This capacity building could be undertaken with governmental authorities, as well as with civil society organizations such as Yalta Management University and the Crimea Association of Travel Agencies, and selected business service providers. These efforts would also include cooperation with the World Tourism Organization.

2. Technical assistance to the principal industry association, the Crimea Association of Travel Agencies, could assist the industry with maximizing the use of better research and knowledge for the improvement of their businesses and thus the Crimean tourism industry and economy overall.

3. Outside intervention could serve as a catalyst for building on improved market knowledge and understanding of competitive trends to promote increased private-public sector cooperation with an eye on the development of an effective strategy. Strategic priorities include strengthening of linkages in the value chain, branding, repositioning toward specialty travel products, as well as increasing staff quality.

4. Work with CATA and other interested groups in adapting more aggressively to emerging market trends, particularly the Internet’s penetration of the global tourism market.\(^{97}\)

\(^{96}\) The Law introduced a new licensing requirement which stipulates that all travel agencies and tour operators must now deposit a refundable licensing fee in a bank as a guarantee and a means of protecting consumers. The amounts are considered onerous by CATA members: EUR 20,000 for tour operators, EUR 10,000 for incoming operators, and EUR 2,000 for travel agencies. Many agencies and operators could not afford the fee, so insurance companies came to the rescue and offered them lower-cost policies which fulfilled the requirements of the Law.

\(^{97}\) Currently, a Google search for “Crimea photos” brings up as the first entry a (very impressive) collection of tourism-related photos sponsored by “www.ukrainian-women.net,” presumably not the image of specialty travel sought.
TOURISM IN THE CARPATHIAN MOUNTAINS

OVERVIEW

The four major oblasts of the Carpathian region in Western Ukraine - Zakarpatya, Ivano-Frankivsk, Lviv, and Chernivtsi - are home to about 6.2 million people (12.8 percent of the Ukrainian population). The region borders Hungary, Poland, Slovakia, Romania, and Moldova. Ivano-Frankivsk is some 600 km from Kyiv (approximately eight hours by car). The Carpathian region offers a combination of mountains, clean air, curative spas, historic sites, and unique ethnic cultures.

The major feature of the region is the Carpathian Mountains, incorporating Ukraine's highest peak: Hora Hoverla, at 2061 m. The range is largely low-level compared to other mountain ranges in Europe and is covered with pine, alder, birch, oak, and fir forests, interspersed with alpine meadows, and cut by a number of rivers and streams. The region host one of Ukraine's largest protected areas: the Carpathian National Nature Park, covering 50,303 ha; and the Carpathian Biosphere Reserve (made up of six separate areas), covering 57,880 ha. 10.6 percent of the Carpathian Ecoregion is on Ukrainian territory (21,700 km²), two-thirds of which is forested. Rural lifestyles are based largely on subsistence agriculture, levels of poverty are higher than in other regions, and unemployment is high (estimated to be up to 30 percent).

UNIQUE SELLING POINTS

Culturally, the region displays four distinct ethnic groups (Hutsul, Pokutyanian, Boiki, and Opillian) which maintain a number of unique traditions, including handicrafts, ceremonies, music, and language. The local population believes that the region is the most "Ukrainian," and a nationalistic attitude prevails. The region hosts four unique ethnic groups, only one of which is particularly distinct. A visit to the regional museum of Ivano-Frankivsk allows the tourist to see some differences between the Hutsul, Pokutyanian, Boiki, and Opillian ethnic groups. But in effect, in the mountain environment it is the Hutsuls that dominate, and in many cases the term "Hutsul" has been used to encompass the other ethnic groups. The distinguishing characteristics of the culture include clothing, food, language, music, folklore, and lifestyle. Hutsuls appear to be very hospitable.

The region is also unique historically, having become a part of present-day Ukraine only after World War II. Up until then, different parts of the region were under the control of Poland, Romania, and the Czech Republic/Hungary. Even earlier, the region had been invaded by the Tatars and Mongols. The influence of Polish and Austro-Hungarian culture and architecture is highly visible in the larger cities of Ivano-Frankivsk, Lviv, and Chernivtsi. Lviv was designated a World Heritage Site in 1998.

Tourism industry stakeholders in the Carpathian region list its unique selling points (USPs) as:

- handicrafts - wood carvings, tanning, woolen crafts, egg painting, and weaving;
- architecture - both city and rural;
- natural resources - mountains, natural springs, and flora and fauna;
- cultural resources - lifestyles, folklore, traditions, festivals, and ceremonies of the four ethnic groups (Hutsul, Pokutyanian, Boiki, and Opillian); and
- religious establishments - Catholic, Eastern Orthodox, monasteries, and sites of Jewish pilgrimage.

The major attractions for domestic tourists are the mountain landscapes, Hutsul culture, skiing and trekking opportunities, health treatment in sanatoriums, and the possibilities to go "mushrooming" and pick wild fruit. The head of the Ivano-Frankivsk Oblast Tourism Department suggested that recent research into investment had shown that 54 percent of domestic tourists to the region wished to undertake skiing. A number of bed-and-breakfast owners emphasized that domestic visits were undertaken largely during the winter months, and particularly during the January Christmas and New Year’s period.

MARKETS AND COMPETITION

As in the case of the Crimea, available statistics provide inconsistent and often contradictory indications. The statistics used here therefore provide some rough trends within the Carpathian region at best. Total arrivals to the Carpathian region in 2003 amounted to 522,000 persons, according to the State Department for Statistics. This is an increase of 12.8 percent from the previous year. Of the total number, 82

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<tbody>
<tr>
<td>Zakarpatya</td>
<td>115</td>
<td>71</td>
<td>55</td>
<td></td>
<td>123</td>
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<td>Ivano-Frankivsk</td>
<td>52</td>
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<td>27</td>
<td></td>
<td>131</td>
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<td>28%</td>
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<tr>
<td>Lviv</td>
<td>93</td>
<td>56</td>
<td>66</td>
<td></td>
<td>154</td>
<td>175</td>
<td>33%</td>
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<tr>
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<td>31</td>
<td></td>
<td>55</td>
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<td>190</td>
<td>181</td>
<td></td>
<td>463</td>
<td>522</td>
<td>100%</td>
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Source: State Oblast Administrations of Ukraine.
percent are declared domestic visitors, although sound statistics are not available to suggest from which region those traveling to the Carpathians have originated from.

The Lviv Oblast received the greatest number of tourist arrivals, followed by Ivano-Frankivsk and Zakarpata. Based on the State Department of Statistics’ estimate that 18 percent of arrivals to the region were foreigners, this would give us a total of a little over 78,000 foreign visitors. The Carpathian Tourism Board put this figure at around 94,000. This figure may still be an underestimate since it represents only 1.5 percent of all foreign visitors; other reports suggest that the Carpathians may account for up to 20 percent of total Ukrainian arrivals. Another estimate (for 1998) was provided in a report for TACIS, as shown in Figure 53.

![Figure 53: Foreign Tourists by Destination, 1998](image)


Estimates from the State Committee for Tourism suggest that 2001 expenditures in the four regions totaled USD 12.6 million. Using WTO data (which takes more than just income to tourism enterprises into account) yields estimated tourist expenditures in the region of approximately USD 21.8 million in 2002, almost double the oblasts’ estimates.

There are no clearly determined market segments within the tourism industry in the Carpathian region. The policy of both public and private sector actors appears to be to attract all tourists from all destinations. Regular annual visits are made to travel fairs in Berlin and Milan, and it appears that no attempts are being made to expand in these markets. Farm accommodation caters to both foreign and domestic tourists, although there exists a small number of establishments that focus on higher quality facilities attached to higher prices.

In terms of natural resource endowment, competitors include the Caucasus Mountains, Romania, and Poland for mountains, trekking, culture, and architecture; Slovenia, Slovakia, and Bulgaria for mountains, trekking, and history; and Slovenia, Romania, and Serbia and Montenegro for skiing. In terms of culture and the promotion of distinct ethnic cultures, Ukraine faces competition from regions hosting the “Hural” population in Eastern Poland, Roma and Lipporans in Romania, Rutherians of the Czech Republic, Slovakia, and Serbia and Montenegro, and the Finno-Ugric community in Hungary.

Ukraine and the Carpathian region suffer significantly from destination awareness. A small survey of five major travel agents in the U.K. tried to assess staff familiarity with Ukraine. Despite some of the catalogues on display within the agencies (including tours to Kyiv), staff were either unaware of travel opportunities to the country or unsure of where Ukraine was. Of approximately 20 specialist U.K. operators selling tours to a variety of worldwide destinations, only four undertook trips to Ukraine; of those, only one to the Carpathian region as part of a larger tour between Krakow and Kyiv. Of five chain and independent travel agents visited, only one brochure was found about undertaking tours to Ukraine. Few websites other than the Carpathian Tourism Board (CTB) offer information on tourism in the region; in the case of the CTB, the information is not comprehensive. A search of “Carpathian Tourism” brings up more websites relating to Romania than Ukraine.

**Facilities and Services**

Available statistics from official sources provide a rough overview of the number and characteristics of the facilities in the four oblasts that make up the Carpathian region. Table 29 provides a general summary of the establishments in the region that cater to tourism; note that the overall percentage is roughly in the 20-percent range. Table 30 shows that the region has lost accommodations in terms of the number of beds between 1995 and 2002 (although there has been a rebound in Liv and Ivano-Frankivsk) and that there is a tendency toward smaller hotels.
TABLE 29: TOURISM ENTERPRISES IN THE REGION

<table>
<thead>
<tr>
<th>Oblast</th>
<th>Enterprises providing tourism services</th>
<th>Total number of tourists receiving services</th>
<th>Percentage of foreign tourists</th>
<th>Value of tourist services provided (UAH 1,000)</th>
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<tbody>
<tr>
<td>Ivano-Frankivsk</td>
<td>35</td>
<td>30,443</td>
<td>10.9</td>
<td>7,939</td>
</tr>
<tr>
<td>Lviv</td>
<td>138</td>
<td>110,433</td>
<td>32.8</td>
<td>36,156</td>
</tr>
<tr>
<td>Chernivtsi</td>
<td>102</td>
<td>46,575</td>
<td>12.9</td>
<td>10,732</td>
</tr>
<tr>
<td>Zakarpataya</td>
<td>42</td>
<td>70,325</td>
<td>13.0</td>
<td>11,506</td>
</tr>
<tr>
<td>Total</td>
<td>317</td>
<td>257,776</td>
<td>21.2</td>
<td>66,333</td>
</tr>
</tbody>
</table>

Source: The Ukrainian Statistical Yearbook.

TABLE 30: NUMBER OF HOTELS

<table>
<thead>
<tr>
<th>Oblast</th>
<th>Number of hotels and other accommodations (No. of beds)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1995</td>
</tr>
<tr>
<td>Zakarpataya</td>
<td>25 (1,410)</td>
</tr>
<tr>
<td>Ivano-Frankivsk</td>
<td>31 (1,195)</td>
</tr>
<tr>
<td>Lviv</td>
<td>65 (3,252)</td>
</tr>
<tr>
<td>Chernivtsi</td>
<td>21 (1,048)</td>
</tr>
<tr>
<td>Total</td>
<td>142 (6,905)</td>
</tr>
</tbody>
</table>

Source: The State Committee for Tourism.

The quality and service levels within accommodation establishments were an obvious sign that the foreign market was not being targeted. The team visiting the region stayed in a supposedly three-star establishment that would have been difficult to classify as two-star. The manager was proud of her business, emphasizing that it was the only three-star accommodation in the region. She was certainly oblivious to the slacking levels of service, made all the more possible by the lack of competition. Any tourist expecting three-star service would certainly be disappointed. As in the Crimea, occupancy rates are consistently below 25 percent. Bearing in mind that winter is the busiest season, occupancy rates are expected to be even lower in the summer.

Hotel prices range from between USD 10 for a double room in a budget hotel to USD 150 in the Grand Hotel in Lviv. The Grand is the region’s only four-star hotel, although other towns have three-star accommodations. In any case, the grading system is not necessarily attuned to international standards. A tourist expecting three-star standards at a hotel ranked as three-star is likely to be disappointed.

Given the popularity of Lviv among Western tourists, the demand for quality accommodation has not been met. The renovation of existing mid-level accommodations is a priority for the Lviv city government. The total investment to upgrade these hotels has been estimated in the USD 3 million range.

Ukraine is relatively more expensive to travel to and within (comparing U.K. package prices) than its neighbors. Typically, prices for tours to or including Ukraine tend to be higher than for neighboring destinations: approximately 20-25 percent in many cases.

A popular form of accommodation used by domestic tourists and increasingly by foreign visitors is the farm-stay or bed-and-breakfast. The standards typically are low, although the feeling of being part of a local Ukrainian (Hutsul) family and the low price make up for this. Four such accommodations were visited on the trip. All were clean and comfortable, with the necessary sanitary facilities and hot water. Accommodation is either within the main house or in an annex. Food is typically Hutsul or Ukrainian, although the host is often aware of the different tastes of foreign visitors and can provide something more palatable. Some local people have established purpose-built accommodation, and standards are increasing.

The number of families registered with the Rural Green Tourism Association is increasing, with up to 250 families within the Ivano-Frankivsk Oblast and around 350 in the region. Most bookings are made directly with the families concerned, and repeat bookings are normal for Ukrainian visitors. Alternatively, visitors can contact the association for bookings or just show up. The benefits of this type of accommodation are the abundance, the varied locations (either in the towns or mountain areas), the low price (around USD 6-15) and the value for money. Expectations will usually be low based on the cost of the accommodation, but in reality, a tourist is likely to be surprised by the hospitality and comfort.
One entrepreneur in Kolomiya has made extensive use of the Internet for promoting his bed-and-breakfast; as a result, it is fully booked for most of the year. Branching out from just providing accommodation, he has also established his own network of mountain trekking trails and acts as a guide.

The workshops held in Ivano-Frankivsk and Kyiv highlighted the concern over the quality of tourism service personnel, be they individuals are waiters, reception staff, or guides. In addition to professionalism, language skills were reported to be poor. There are some efforts underway to upgrade service skills. So far, the Ukrainian Ministry of Education has licensed three separate courses in tourism to be taught:

1. Tourism (to the Bachelor’s, Specialist, and Master’s levels);
2. Hotel Business (to the Bachelor’s, Specialist, and Master’s levels); and
3. Organization of Hotel Services and Tourist Complexes (to the Senior Specialist level).

Such a limited number of courses clearly does not reflect the needs of the industry, particularly in relation to vocational training. Within the region, there are a number of educational institutes that have or are conducting tourism training and courses, as shown in Table 31.

<table>
<thead>
<tr>
<th>Name</th>
<th>Oblast</th>
<th>Courses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institute of Management and Economics</td>
<td>Ivano-Frankivsk</td>
<td>Tourism</td>
</tr>
<tr>
<td>Institute of Tourism and Management</td>
<td>Ivano-Frankivsk</td>
<td>Hotel Service (Tourism)</td>
</tr>
<tr>
<td>(Carpathian University)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical University of Oil and Gas</td>
<td>Ivano-Frankivsk</td>
<td>Ecological Tourism</td>
</tr>
<tr>
<td>Commercial Technical School</td>
<td>Ivano-Frankivsk</td>
<td>Hotel Service (Vocational)</td>
</tr>
<tr>
<td>Institute of Physical Culture and Sport</td>
<td>Lviv</td>
<td>Tourism</td>
</tr>
<tr>
<td>Institute of Economics and Tourism</td>
<td>Lviv</td>
<td>Hotel Service</td>
</tr>
<tr>
<td>Chernivtsi State University</td>
<td>Chernivtsi</td>
<td></td>
</tr>
</tbody>
</table>

**VALUE CHAIN ELEMENTS**

**Transportation:** Lviv has the largest airport in the region in terms of handling international arrivals. As well as having daily flights to Kyiv and Simferopol, it has international connections to Warsaw, Vienna, Moscow, Naples, Rome, and Frankfurt. Ivano-Frankivsk has one weekly flight to Naples. Uzhgorod, Chernivtsi, and Ivano-Frankivsk all have regular flights to Kyiv.

The rail network in Ukraine is extensive, and trains run frequently on the major routes. There are a reported three trains a day from Kyiv to Ivano-Frankivsk, and other connections to Lviv, Odessa, Kharkiv, Uzhgorod, and Chernivtsi. Many Ukrainians take overnight trains, as the time between Kyiv and Ivano-Frankivsk starts at 14 hours. The Grand Hotel in Lviv has a private luxury carriage on the route to and from Kyiv that is popular amongst foreign visitors. Apparently, there are also connections to the European cities of Warsaw, Bratislava, Prague, Bucharest, Berlin, and Sofia.

The rail network in Ukraine is extensive, and trains run frequently on the major routes. There are a reported three trains a day from Kyiv to Ivano-Frankivsk, and other connections to Lviv, Odessa, Kharkiv, Uzhgorod, and Chernivtsi. Many Ukrainians take overnight trains, as the time between Kyiv and Ivano-Frankivsk starts at 14 hours. The Grand Hotel in Lviv has a private luxury carriage on the route to and from Kyiv that is popular amongst foreign visitors. Apparently, there are also connections to the European cities of Warsaw, Bratislava, Prague, Bucharest, Berlin, and Sofia.

**Cultural activities and events:** The region is blessed with a large variety of museums, from 25 in the Lviv city center itself to the small Ivan Franko Museum in the remotest Carpathian village of Verkhovyna. However, the standard of services - signage, explanations, tours - are generally geared more toward the typical Soviet tourist than those from Western countries. For example, none of the museums had any literature available to provide guidance or explain the exhibits.

The Carpathian region has a wide variety of religious buildings that can easily be added to an itinerary. Lviv’s endowment includes an Armenian church, a Dominican cathedral, and both Eastern Orthodox and Catholic churches.

**The Bradt Travel Guide for Ukraine** suggests that Lviv is Ukraine’s most elegant city. Now a World Heritage Site, the mixture of Baroque, Gothic, and Renaissance architecture cannot fail to impress even the seasoned traveler. However, while many cities have renovated their historic buildings, large parts of Lviv remain in a state of run-down and weathered beauty. Many of the streets are cobbled, and a quiet back street can easily make you feel transformed to an earlier era.
TABLE 32: CALENDAR OF CULTURAL EVENTS AND ACTIVITIES

<table>
<thead>
<tr>
<th>Month</th>
<th>Event</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>Christmas in the Carpathians – TV Festival</td>
<td>Ivano-Frankivsk Oblast</td>
</tr>
<tr>
<td>January</td>
<td>Christmas in Lviv – Vertep Festival</td>
<td>Lviv Oblast</td>
</tr>
<tr>
<td>March/April</td>
<td>Easter Holiday in Shevchenkovsky Huy</td>
<td>Lviv Oblast</td>
</tr>
<tr>
<td>April</td>
<td>“Precarpathian Spring” Festival of Artistic Masters</td>
<td>Unknown</td>
</tr>
<tr>
<td>May</td>
<td>International Music Festival</td>
<td>Lviv Oblast</td>
</tr>
<tr>
<td>May</td>
<td>Lviv City Day</td>
<td>Lviv Oblast</td>
</tr>
<tr>
<td>May</td>
<td>“Season’s Premieres” Theater Festival</td>
<td>Unknown</td>
</tr>
<tr>
<td>June</td>
<td>“Queen of the Speedway” International Motor Rally</td>
<td>Lviv Oblast</td>
</tr>
<tr>
<td>July</td>
<td>Ecotopia (Music Festival)</td>
<td>Ivano-Frankivsk Oblast</td>
</tr>
<tr>
<td>July</td>
<td>Halba Beer Festival</td>
<td>Lviv Oblast</td>
</tr>
<tr>
<td>July</td>
<td>“On Ivana Kupala” Auto Safari</td>
<td>Lviv Oblast</td>
</tr>
<tr>
<td>August/September</td>
<td>International Hutsul Auto Safari</td>
<td>Ivano-Frankivsk Oblast</td>
</tr>
<tr>
<td>September</td>
<td>Boykivskiy Folk Festival</td>
<td>Ivano-Frankivsk Oblast</td>
</tr>
<tr>
<td>September</td>
<td>Rodoslav Folk Festival</td>
<td>Ivano-Frankivsk Oblast</td>
</tr>
<tr>
<td>September</td>
<td>“Golden Lion” Theater Festival</td>
<td>Lviv Oblast</td>
</tr>
<tr>
<td>September</td>
<td>“Oberehy” Puppet Festival</td>
<td>Lviv Oblast</td>
</tr>
<tr>
<td>September/October</td>
<td>Wine Festival</td>
<td>Zakarpaty Oblast</td>
</tr>
<tr>
<td>October</td>
<td>International Festival of Blacksmiths</td>
<td>Lviv Oblast</td>
</tr>
<tr>
<td>October</td>
<td>“Chernova Ruta” Regional Festival</td>
<td>Unknown</td>
</tr>
<tr>
<td>Unknown</td>
<td>Cheese Festival</td>
<td>Zakarpaty Oblast</td>
</tr>
<tr>
<td>Unknown</td>
<td>“Music Constellation of Zakarpaty” Classical Music Festival</td>
<td>Zakarpaty Oblast</td>
</tr>
<tr>
<td>Unknown</td>
<td>“Pop-Jazz-Fest” Music Festival</td>
<td>Zakarpaty Oblast</td>
</tr>
</tbody>
</table>

The historic site of greatest significance is the Khotyn Fortress in the Chernivtsi Oblast. Dating back to the 15th century, it was built by a Moldovan prince and later occupied by the Ottoman Empire. The grounds cover a large area, and the main buildings have been rebuilt to allow visitors to imagine the fortress in its heyday. The nearby fortress city of Kamyanets-Podilsky in the neighboring Khmelnytsky region is even more impressive.

Unfortunately, many of the events shown in Table 32 are poorly advertised, and therefore the potential to capitalize on them remains lost. The importance of the cultural festivals cannot be understated; the fact that they are not widely publicized suggests that they remain a traditional part of the culture and local lifestyle, and therefore have a genuinely unique appeal. Although none of the events were taking place during the visit to the region, some photographs were seen highlighting the grandeur and color of well-attended and well-organized events.

Outdoor activities: Domestic and foreign visitors participate in year-round trekking and skiing activities, but the extent to which either take part in other active pursuits is unclear. The region certainly does offer opportunities for horseback riding, camping, hunting, fishing, Class III rafting, rock climbing, hang-gliding, and caving, but these tend not to be exploited to a large extent. The Ivano-Frankivsk Oblast Administration admitted that investment will be required to make the caves safe for tourist visitation.

Skiing is showing a growth in popularity for all visitors. Evidence for this is shown by the number of ski runs and the investment taking place in establishing new ski facilities. The largest investment is in the Bukhovel Resort (south of Yaremche). The resort has been open for one season despite not being completed. It has three slopes, apparently ranging between 12 and 25 degrees and between 300 m and 4500 m in length. Finance originating domestically has indeed created an aesthetically impressive resort with a number of high-quality accommodation facilities. However, reservations abound surrounding the safety of the ski lifts, gradient of slopes, and particularly the dangers associated with a deep gorge at the end of one of the slopes. Accessibility to the resort is along a 9 km, poorly maintained track off the main road. Prices for an overnight stay are believed to be in the range of USD 130-150.

A number of detailed maps (1:50,000) are available suggesting trekking and cycling routes throughout the Carpathians. Details are also provided on the level of difficulty of each route. Surprisingly, the region also has its own mountain rescue team - although the ability of such a
team to respond quickly to emergencies is unclear. In fact, during discussions with the chairman of the team, he made it clear that he felt compasses were unnecessary when walking in the mountains.

**Shopping:** Souvenir markets were visited both in the Lviv city center and Yaremche. In both locations, the same problems emerged. Each stall sold the same limited range of items; there was no differentiation in quality and price and no specialization. All were craft stalls (rather than workshops that enable the visitor to observe the production of individual handicrafts). Most of the available souvenirs were wood-based, despite the region apparently being adept at embroidery and weaving work. Egg painting appears to find its home in the region, with the largest collection at a museum (shaped like an egg) in Kolomiya. Hutsuls are also involved in making ceramics decorated in the standard colors of green, brown, and yellow.

**DIAGNOSTICS AND DONOR RESPONSES**

Two studies commissioned by TACIS have provided a diagnostic of the tourism industry in the Carpathian Mountains that still remains valid:

**Obstacles to Tourism Development in the Carpathian Region: TACIS 1998**

- Lack of clear statement on local and regional policy

**Obstacles to Tourism Development in the Carpathian Region: TACIS 2000**

- Accessibility
- Training and management skills
- Lack of appropriate tourism packaging – still attempting to sell Soviet-style tours
- Poor marketing, lack of know-how, poor targeting
- Weak institutional cooperation, business cooperation, and regional administrations
- Adverse business environment

A number of donor projects have supported tourism activities in the Carpathian region, as shown in Table 33.

**TABLE 33: DONOR ACTIVITIES IN SUPPORT OF TOURISM**

<table>
<thead>
<tr>
<th>Date</th>
<th>Donor</th>
<th>Title / Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 2000</td>
<td>DFID</td>
<td>Creation of Lviv Association of Tourism Development (Strategy of Development of Tourism in Lviv till 2005)</td>
</tr>
<tr>
<td></td>
<td>TACIS</td>
<td>Support to the Development of Tourism in Bukovyna</td>
</tr>
<tr>
<td>August 2001</td>
<td>TACIS</td>
<td>Creation of the Carpathian Tourism Board</td>
</tr>
<tr>
<td></td>
<td>EURASIA/PAUCI</td>
<td>Creation of informational catalogues for accommodations in the Ivano-Frankivsk, Ternopil, Zakarpata, Lviv, and Chernivtsi regions</td>
</tr>
<tr>
<td>2002-2003</td>
<td>EURASIA/USAID</td>
<td>Rural Tourism Development Program (USD 120,000 – 12 projects – 8 regions)</td>
</tr>
<tr>
<td>2000</td>
<td>CIDA</td>
<td>Ukrainian regional Visnyk magazine</td>
</tr>
</tbody>
</table>

**CLUSTER DEVELOPMENT OPPORTUNITIES**

The Carpathian region appears to have an abundance of tourist associations and NGOs, as shown in Table 34.

Additionally, references have been found to the following organizations, although no data has been obtained and there is no assurance that they are still operating:

- Lviv Association of Travel Associations
- Carpathian Museums and Galleries Association
- Association of Hotels and Tourist Enterprises of the Carpathian Region
- Western Ukrainian Travel Association
- Precarpathian Agency of Reconstruction and Development

- Western Ukrainian Agency for Investment Promotion
- Carpathian Agency for Regional Development

The Rural Green Tourism Association was established in 1995. It covers the whole country, with the Carpathian region appearing to be the region with the largest number of members. The association has benefited from donor support from the Eurasia Foundation, Carpathian Fund, and TACIS, mainly in the field of promotion. The association charges a 30 UAH membership fee. The following are observations from discussions with their chairman:

(1) The Association maintains very poor relations with tourism operators and has great difficulty in attracting tourists.
<table>
<thead>
<tr>
<th>Date established</th>
<th>Name</th>
<th>Number of members</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>Association of Tourist Enterprises of the Zakarpata Region</td>
<td>24</td>
</tr>
<tr>
<td>2004</td>
<td>Center of Development of Village Tourism of the Zakarpata Region</td>
<td>12</td>
</tr>
<tr>
<td>2000</td>
<td>Lviv Association of Tourist Development</td>
<td>53</td>
</tr>
<tr>
<td></td>
<td>Ivano-Frankivsk Tourism Association</td>
<td>21</td>
</tr>
<tr>
<td>2001</td>
<td>Carpathian Tourism Board</td>
<td>90</td>
</tr>
<tr>
<td>1995</td>
<td>Association of Rural Green Tourism (I-F Oblast)</td>
<td>250 (65 percent farms)</td>
</tr>
<tr>
<td>1995</td>
<td>Association of Rural Green Tourism (Lviv Oblast)</td>
<td>42</td>
</tr>
<tr>
<td>1995</td>
<td>Association of Rural Green Tourism (Chernivtsi Oblast)</td>
<td>15</td>
</tr>
<tr>
<td>1995</td>
<td>Association of Rural Green Tourism (Zakarpata Oblast)</td>
<td>42</td>
</tr>
<tr>
<td>2001</td>
<td>Chernivtsi Tourist Association</td>
<td>7</td>
</tr>
</tbody>
</table>

(2) The majority of visitors originate from Ukraine’s largest cities, although it is estimated that 7 percent of visitors are from abroad.

(3) Prices vary extensively from between UAH 10 to USD 100 a night, depending on the quality of accommodation and season.

(4) Very few farmers are registered as entrepreneurs and therefore paying tax contributions.

(5) Training is required in marketing/promotion, hospitality skills, creating additional services, business planning, and pricing.

(6) The Association suffers from inconsistent information dissemination and a sound inspection process for new accommodation providers. Unfortunately, the association chairman suggested the latter problem could be solved through regulation.

The Carpathian Tourism Board was established as part of a TACIS tourism project at the beginning of the decade. The major players in the Board are the oblast administrations, who make up a large part of the board’s income (45-50 percent) and committee. The board has expanded to over 90 members - despite members having to obtain a recommendation letter from their regional oblast to join. The board’s successes include the establishment of close cooperation with Ukrainian International Airlines, the creation of a tourism information center in Ivano-Frankivsk (with assistance from USAID and the Eurasia Foundation), the design of an official logo for the region, and reasonable promotional materials. Despite these successes, there are concerns over disagreements between oblasts, long-term sustainability (considering the fact that the board is unable to engage in any commercial fundraising activities), and the high level of oblast administrations’ influence within the association committee (13 public sector representatives and one private sector representative).

Considering the level of development of the Carpathian tourism industry, the number of associations is excessive.

On one hand, there is an obvious belief in the benefits of cooperation, but on the other there are signs of difficulties in communication and consensus building, and a high level of segregation and intended independence between the oblasts. Our assessment leads to a few general observations:

(1) Most of the associations are highly political.

(2) There is little evidence of cooperation between members, although this is slowly changing. Where cooperation is taking place, it is mainly of a horizontal rather than a vertical nature.

(3) The associations have little capacity in terms of human resources to achieve anything of great significance.

(4) Members believe that they should benefit from association alliance, but have seen little advantage so far.

(5) The associations typically lack structure, aims, objectives, and - perhaps more importantly - strategy. There is no evidence of targeting specific markets through specialized channels.

(6) The associations are run from a top-down approach (rather than bottom-up from the members). Little empowerment results in members following the lead of a central chairman or officer.

There is clearly a need to consolidate, build capacity in, and strengthen the Carpathian tourism cluster. A large number of associations will do little to encourage greater cooperation, and collective capacity is limited because of the low number of members in each association. The Rural Green Tourism Association and the Carpathian Tourism Board appear to be the only NGOs of any standing and reputation within the regional tourism industry.

**TOURISM DEVELOPMENT POLICIES**

Each oblast administration has a tourism development plan (to the year 2010) in line with the State Committee for Tourism, although an examination of such oblast plans
suggests that they are more an expression of aspirations in the areas of hotel and infrastructure development than a genuine tourism development plan. The decree apparently suggests that 0.3 percent of oblast budgets should be dedicated to tourism activities.

The devolution of power has enabled individual oblasts to create their own regulations for the tourism industry. For example, the Ivano-Frankivsk Oblast has created a regulation on “Organizing and Carrying Out Amateur and Non-Categorial Hiking in the Carpathians” that focuses largely on safety aspects. There are plans to develop a regulation on rural farm enterprises providing accommodation that would include the setting of prices. It is not possible to determine whether this is as a result of discussions with the Rural Green Tourism Association. However, there has been little attention paid to whether a voluntary system would be more appropriate (such as that already developed by TACIS) or whether such a regulation would conflict with the two existing national standards relating to accommodation.

Discussions with the head of the tourism department at the Ivano-Frankivsk Oblast Administration highlighted several issues of importance:

- The oblast employs nine members of staff in the field of tourism, yet it is difficult to understand clearly what they are doing.
- The department focuses heavily on tax, investment, infrastructure, and administrative activities. In fact, the department head stated that the biggest challenges for his department were paperwork, qualifications of staff, and infrastructure.
- A lack of understanding between voluntary certification and regulation in improving elements of the industry.
- Poor cooperation between oblast administrations. The comment was made that sometimes they cooperate, sometimes they don’t.
- A lack of strategy and segmentation of markets.

According to the tourism department, the most important priorities were in the area of offering tax incentives:

- The simplification of the visa regime.
- The removal of VAT payments for tourism enterprises.
- Reducing tax rates for new tourism enterprises.

**SUPPORT OPPORTUNITIES**

It is obvious that the tourism potential of the Carpathian region is not being realized. It appears that any increases in both foreign and domestic arrivals are not as a result of a concerted effort from either the public or private sector, and despite the checkpoints issued below.

1. **Validity of tourism statistics.** The presentation of tourism statistics both regionally and nationally does not follow international norms. Additionally, the erratic results provided by the oblast administrations and State Committee for Tourism suggest weaknesses in the methods of collection. The effects of intervention, policy changes, and strategy cannot be measured until a reliable system of data collection is established.

2. **Image and destination awareness.** The Carpathian Mountain brand is weak, inaccurate, and unrecognized. A heavy focus on natural resource endowment does not realistically represent what the region’s best assets are, and makes competition with neighboring regions difficult. There is little concept of market research and investigating market demand. Promotion is limited, and promotional materials do little to support a brand. The region has a wealth of tourism attraction treasures, but they remain buried.

3. **Public sector capacity.** The public sector is decentralized, yet suffers from lack of direction and strategy. Oblasts work apart as competitors rather than combining efforts. Budgets are limited, and the focus is on aspirations in the area of infrastructure and investment. The mentality of controlling the private sector remains.

4. **Private sector professionalism.** Private sector companies are focused particularly on the less demanding - but also less profitable (per tourist) - domestic market. The prevailing Soviet mentality means that a transition to catering to foreign visitors will be difficult and require a new style of management and business. The necessary skills of segmentation, product development and packaging, promotion, and marketing need to be gained. Safety may become an important issue.

5. **Private sector associations.** The number of tourism-related associations in the region is an indication of a desire and willingness to cooperate, although they all suffer in effect from a lack of strategy, a top-down approach, and a collective incapacity to achieve anything substantial. Conflict between associations is expected in the long term.

6. **Poor quality and low levels of service.** Although some entrepreneurship is increasing quality standards in bed-and-breakfast accommodations, levels of service are not keeping up with the pace of change. Quality is lacking in accommodation (a lack of higher quality) and souvenir production. Value for money remains poor, and levels of service at tourist attractions, museums, hotels, and restaurants require specific attention.

7. **Infrastructure.** The poor quality of airport infrastructure may act as a deterrent for successfully increasing the number of incoming flights to the region. The speed of trains may deter travelers arriving in Kyiv from traveling to the region.

8. **Accessibility.** Not so much in terms of accessibility to the region, but rather in terms of the genuine culture of the region and information about it. Tourists are not able to gain a deep understanding of Hutsul culture and its elements, although they exist. Information on the region in web and printed formats is limited.

9. **Support industries.** No connection or relationship with essential support industries - including equipment stores, rental outlets, insurance companies, and training institutions - exists.
Intervention in assisting the removal of the obstacles to tourism growth could result in consistent and sustainable growth in arrival numbers and income, particularly in the quieter summer season. Such intervention should be directed primarily at the private sector in terms of building capacity within individual enterprises. Additionally, support to public-private sector cooperation through the establishment of an integrated and coherent strategy will set firm foundations from which to build.

The most important area of assistance is to bring the methods of collecting tourism-related statistics (domestic or foreign, purpose of visit, length of stay, expenditure, activities undertaken, occupancy rates, etc.) up to international standards. Without sound statistics, the effects of further intervention cannot be easily quantified. An international system should be established that can be accessed and contributed to by oblast administrations as well as the State Committee of Tourism.

The current image of the Carpathian region as one of great natural beauty is not only inadequate to increase arrivals, but unrepresentative of the true value of the destination’s appeal. A repositioning is required to encompass the whole of Western Ukraine and take advantage of the full cultural, historical, and architectural resource abundance. Such an approach will require more concerted cooperation between the oblast administration tourism departments (and a recognition that there is little point in marketing their own individual oblasts), tourism associations, and private sector enterprises. The existing rivalry between oblasts and private sector enterprises must be redirected toward competing destinations in neighboring countries. A region-wide strategy should be formed through public-private involvement that focuses on specific target markets.

The lack of professionalism and an ex-Soviet mentality have resulted in the provision of below-standard services and facilities, an excessive number of tourism-related associations, poorly coordinated marketing attempts, and a negative attitude toward being able to attract larger numbers of foreign visitors. Training for management and service-level staff is needed in the fields of business management, marketing and promotion, market segmentation, event management, team building, product development and packaging, tourist safety and security, hospitality management, and customer service. Training should be delivered collectively in workshops and on an individual level with tourism enterprises.

A weak cluster already exists in the region (around the Carpathian Tourism Board), although there is room for fundamental improvement. The Board has a sound basis for bringing together the public and private sectors that should be extended to bring in many of the supporting industries involved in the region’s tourism. The structure of the Board should be adjusted to allow greater representation of the private sector at the decision making level, although it is appreciated that this can only be effectively done once funding from private sector members matches that provided by the oblast administrations more closely. Once the board has built capacity, it should then be a reliable partner through whom intervention activities can be directed.

The other association of repute is the Rural Green Tourism Association. With a large number of members representing one of the region’s greatest tourism assets, it is fundamental to build their capacity as a sustainable organization able to effectively handle the roles with which it feels burdened: namely, administrative, training, inspection, and promotion.

In summary, the following activities are recommended:

- Assistance to the State Committee for Tourism, oblast administrations, and supporting organizations in the collection and analysis of tourism statistics.
- Technical assistance to the public and private sectors directed at and through the Carpathian Tourism Board in order to develop long-term strategies and policies along with training (destination marketing and cultural promotion, branding, and event management). The Board needs to alter its structure and membership to incorporate a greater diversity of cluster representatives. The Carpathian Tourism Board must be the foundation for assistance, since it already incorporates the four oblast administrations and a large number of varied representatives of the private sector.
- Particular attention should be directed to defining the public and private sectors’ roles more clearly through the Carpathian Tourism Board. Working through the Board in providing general training to public sector staff and private sector firms will build the reputation and capacity of the Board and therefore strengthen their role.
- Work closely alongside the Rural Green Tourism Association in boosting capacity. The association needs a full-time member of staff to handle bookings, administrative responsibilities, promotional work, training, and inspection and certification. Assistance is required to review association structure and (if necessary) provide short-term funds to employ a member of staff and undertake promotional activities until the association becomes more financially sustainable. Stronger links must be created between the Carpathian Tourism Board and the Rural Green Tourism Association. Moreover, the Association needs specific expertise in penetrating the new market architecture for tourism, especially through the expansion of its Internet service.