Value Chain Analysis of the Tourism Sector in Tajikistan

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VALUE CHAIN ANALYSIS OF THE TOURISM SECTOR IN TAJIKISTAN

Jobs in Value Chains: Construction Materials and Tourism in Tajikistan

September 2017

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List of abbreviations

ANTO	Austrian National Tourist Office
AKF	Aga Khan Foundation
F&B	Food and Beverage
GBAR	Gorno Badakhshan Autonomous Region
GDP	Gross Domestic Product
FTE	Full time equivalent
GVC	Global Value Chain
GWU	George Washington University
ICT	Information Communication Technology
IT	Information Technology
JITOA	Jordan Inbound Tour Operators Association
LLC	Limited Liability Company
NGO	Non-Governmental Organization
NTO	National Tourism Organization
PECTA	Pamirs Eco-Cultural Tourism Association
PPD	Private-public dialogue
SMEs	Small and Medium-sized Enterprises
TA	Travel Agent
TATO	Tajik Association for Promotion of Tourism Development
TO	Tour Operator
T&T	Travel and Tourism
UNWTO	United Nation World Tourism Organization
VC	Value Chain

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Executive Summary

Tourism in Tajikistan is increasingly regarded by the Tajikistan government as a sector that can contribute to the country's overall development objectives in terms of its potential for inward investment and job creation. In support of the national government's development agenda, the World Bank commissioned the present value chain analysis for tourism in Tajikistan. The purpose of this analysis is to provide information about the present and future jobs associated with the tourism value chain and to identify any constraints that must be addressed in order to take advantage of the associated economic opportunities.

The tourism value chain currently includes an estimated 20,000 jobs, largely split between accommodation and transportation. The firms involved in Tajikistan tourism are generally small and young. Seventy percent of the firms are younger than five years. Large firms represent only a 0.5% share of the total number of firms in the Tajik tourism VC but generate about 80% of the total annual sales in the value chain. In terms of geographic regions, while the main tourist destinations are Pamir and Zerafshan, the highest concentration of tourism-related jobs (almost 70%) is in Dushanbe. The Pamir and Zerafshan regions account for only 10% of all jobs as sector growth in these areas is hampered by high seasonality and inadequate infrastructure. The prevalence of young business entities in the tourism VC in Tajikistan stems from a very early stage of development of tourism outside of Dushanbe as well as from a suboptimal business environment which is failing to provide sufficient incentives for an increased entry of formal business entities generally, but especially in tourist destinations such as Pamir and Zerafshan.

The tourism value chain holds significant potential for job creation as the sector develops. The elasticity of labor with respect to output is estimated at 2.5 for general workers and 1 for skilled labor in formal firms (skilled labor is in higher demand for informal firms). This implies that doubling demand across the value chain, for instance by increasing arrivals to the level of Belarus or a quarter of the arrivals that Kyrgyzstan enjoys, could create over 13,000 jobs. Most of these jobs would be in the accommodation / food and beverages (F&B) sector which is a major employer of women and unskilled workers.

Women and youth stand to benefit from job creation and development of the tourism value chain. Women account for about 60% of workers and own a relatively large share of businesses engaged in tourism-related activities. While the youth account for less than 10% of the tourism workforce, the results from the interviews conducted in this analysis indicate that the young generation perceives this sector as a business opportunity. There is hence a need to promote tourism as a new and promising employment niche of employment for young people, that goes beyond accommodation and transport.

Not surprisingly, informal firms are smaller – both in terms of full-time equivalent (FTEs) and sales – and more dependent on family labor in the distribution and accommodation / F&B nodes. A major difference between the formal and informal sectors is the participation of women: these two nodes, which account for the bulk of employment in tourism with over 70 percent female labor participation in the formal sector, have low female ownership and substantially lower shares of women workers.

In the context of the global tourism market, the current position of Tajik tourism services is weak. International tourist organizations and agencies frequently bypass national tourist organizations and agencies and book the tourist services directly from their providers. Interviews with Tajik tourism firms indicate that tour operators from neighboring countries are much more successful in selling trips in Tajikistan than the local firms. The key reasons cited for this are the lack of marketing and networking skills, lack of professionalism and inadequate understanding of international markets. This includes lack of familiarity with market segmentation concepts and with the expectations of foreign clients. The absence of tourist destination management capacity in Tajikistan is also cited as an impediment for advancing the sector. In both the international and the domestic tourism market, the principal challenges for advancing job creation and investments may be divided into two categories. The first comprises of wider economy challenges that affect the development of the tourism sector and includes (a) inadequate infrastructures and (b) an unfavorable and unpredictable business environment. The second category includes a range of firm-specific challenges including, but not limited to, reduced access to finance, and lack of ties to the end market. Firms also face significant recruiting obstacles, including lack of skilled and experienced workers, high costs of wages, and high payroll and social security contributions.

Firms report that the knowledge level of even the college graduates in the workforce does not meet market requirements and these workers have only limited foreign language skills. Large firms can manage the knowledge and skills gaps by offering additional training to their workers and use such training also for building corporate culture. Small firms do not have the resources or the knowledge to provide such training.

Tajik tourism is still in the early stages of development, and the next several years can represent a propitious time to set up a systematic approach to tourism development in a manner that would assure the most efficient use of limited human, material and financial resources. In this regard, the four recommendations represented below are framed at both the public policy level and at the business enterprise level. Special attention is given to actions that are directed at improving the business climate and strengthening the base of human resource capital.

1. ***Increase capacity within the Committee for Tourism Development*** to ensure that the interests of the tourism sector are adequately represented in the national infrastructure development plans as well as in economic policy measures.

2. ***Establish and promote public-private dialogue***. Public-private partnerships are essential due to the high complexity of successful tourism development. Established and well-functioning management of tourism development and the ability of the responsible public authorities and private companies to implement the recommendations through the public-private dialogue is a precondition for effective implementation of the policy actions and thus for successful tourism development. Promotion of the public-private dialogue shall be one of the main activities of the Committee for Tourism Development in the start-up phase.

3. ***Facilitate national level capacity-building programs for stakeholders in the tourism value chain***. Human resources are a key for successful tourism development. Preparing a comprehensive capacity building or workforce development program shall be among the priorities of the policy actions.

4**. *Improving access to finance and attract large scale investment.*** While infrastructure investments are beyond of the scope of this survey, high-quality public infrastructure (e.g., roads, electricity, water, ICT) and tourism infrastructure (accommodation facilities, recreational zones, cultural heritage, natural parks, etc.) are critical preconditions for tourism development. Tajikistan can learn from successful examples of other countries, such as Slovenia and Turkey., which illustrate that public-private partnership can be a driving force for infrastructure development for tourism.

Chapter 1: **Introduction**

Jobs need to be positioned at the center of economic development in Tajikistan. Although remittance-driven growth since the early 2000s has led to a steep decline in the poverty rate, poverty remains high. Strong economic growth in the last decade has not resulted from structural transformation that can lead to sustained improvements in the standard of living. Jobs have been created, but these are mainly in low-productivity activities, often in the informal sector. In addition, there are major inequalities in terms of labor market outcomes between population groups and across regions.

There are several jobs challenges that Tajikistan is facing[1]:

- ***Insufficient job creation for its growing workforce, especially for the youth and women*.** Between 2003 and 2013, GDP grew by an average of 7.2 percent per year while employment expanded only at 2.1 percent annually. At the same time, fertility rates in Tajikistan remain high and the population is very young, with an average of 40,000 people entering the labor force each year. As a result, youth who are neither employed nor in school (NEET), represent 40 percent of the total, which is high by international standards. Moreover, women are at a disadvantage in employment outcomes.
- ***Lack of structural transformation and low productivity.*** The share of employment in agriculture has remained virtually unchanged between since 2000 pointing to the lack of structural transformation in the economy. About two thirds of the employed work in agriculture – the sector with lowest labor productivity. Labor productivity overall remains substantially below many comparator countries.
- ***Low quality of jobs and high informality.*** Most jobs created domestically are of low quality in the informal sector. Almost 60% of all Tajik salaried workers are engaged in the informal sector. Since 2000, formal employment grew by only 0.3% annually and about half of all formal employment is in agriculture, where productivity and wages remain very low.
- ***Weak private sector and formal business creation and growth***. The formal private sector, squeezed by the large public and informal sectors, is underdeveloped and the entry rate of new firms is low. In most countries, the creation of good jobs depends on a thriving formal private sector. In Tajikistan, formal wage employment in the private sector represents just 13 percent of total employment. The rate of entry of formal businesses remains low and there are indications that small businesses have difficulties or disincentives to grow formal employment. The share of latent entrepreneurs who try to start a business is very low at 11.8 percent, pointing to significant barriers to entrepreneurship.

To improve jobs outcomes, the Government of Tajikistan needs to rethink the role of jobs in achieving its development objectives. Beyond a growth strategy, the government needs to consider a jobs strategy that aims to achieve the following key objectives: i) facilitate the creation of more jobs, particularly in the private formal sector; ii) improve the quality of existing jobs, especially in the informal sector; and iii) facilitate better access to jobs including transitions from inactivity to employment and from low to higher quality jobs, with a focus on vulnerable workers. The latter include youth, women, residents of lagging regions, and the bottom 40 percent of the population. One of the promising venues to achieve these outcomes is developing and integrating value chains,[2] in particular, offers the potential to create and improve the quality of jobs in rural regions and in urban areas alike, both to wage earners and the self-employed (small producers and microenterprises).

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[1] Strokova, Victoria; Ajwad, Mohamed Ihsan. 2017. Tajikistan Jobs Diagnostic: Strategic Framework for Jobs. Jobs Series; No. 1. World Bank, Washington, DC. World Bank.

[2] A value chain consists of the activities needed to bring a product from the initial idea and conception to its final market. These activities include design, production, marketing, distribution and support services, up to the final consumer.

- **VALUE CHAIN ANALYSIS: OBJECTIVE AND APPROACH**

The value chain approach to analyzing job opportunities makes it possible to look at value chain as a system and explore the relationship between demand and jobs at different nodes. A VC represents the value-creating flow of primary and support activities required to produce, transform and deliver a good or service to end consumers. As a given product or service moves through each of these stages, value is added and jobs are created. Market and institutional failures, however, can constrain the development of value chains, reducing investments, precluding backward linkages, and lessening their potential for job creation.[3] The value chain approach is not about picking winners; rather it analyzes and learns from high potential pilots to identify constraints and estimate impact at the level of the complete value chain.

The approach provides policymakers with insight to achieve two key policy objectives: *improved employment outcomes* and *improved firm-level competitiveness*. In terms of employment outcomes, by mapping the entire value chain, the analysis identifies the activities that best catalyze job creation, highlights gaps that could allow firms to capture more value (e.g., by upgrading skills or addressing supply chain challenges), and looks for opportunities for creating more inclusive jobs, for instance by integrating small firms in the supply chain of large downstream firms. In terms of supporting firm-level competitiveness objectives, the value chain approach helps understand the market in terms of competitive pressures and key trends in demand, identifies constraints based on shared challenges along the VC, and estimates the skills gaps required to sustain successful business models.

- **VALUE CHAIN PRIORITIZATION**

This study analyzes two value chains (VCs) in Tajikistan from a jobs perspective: *construction materials* and *tourism*. This report presents the results of the value chain assessment in tourism. The two pilot value chains, construction materials and tourism, were prioritized as a result of a three-step selection process as follows.

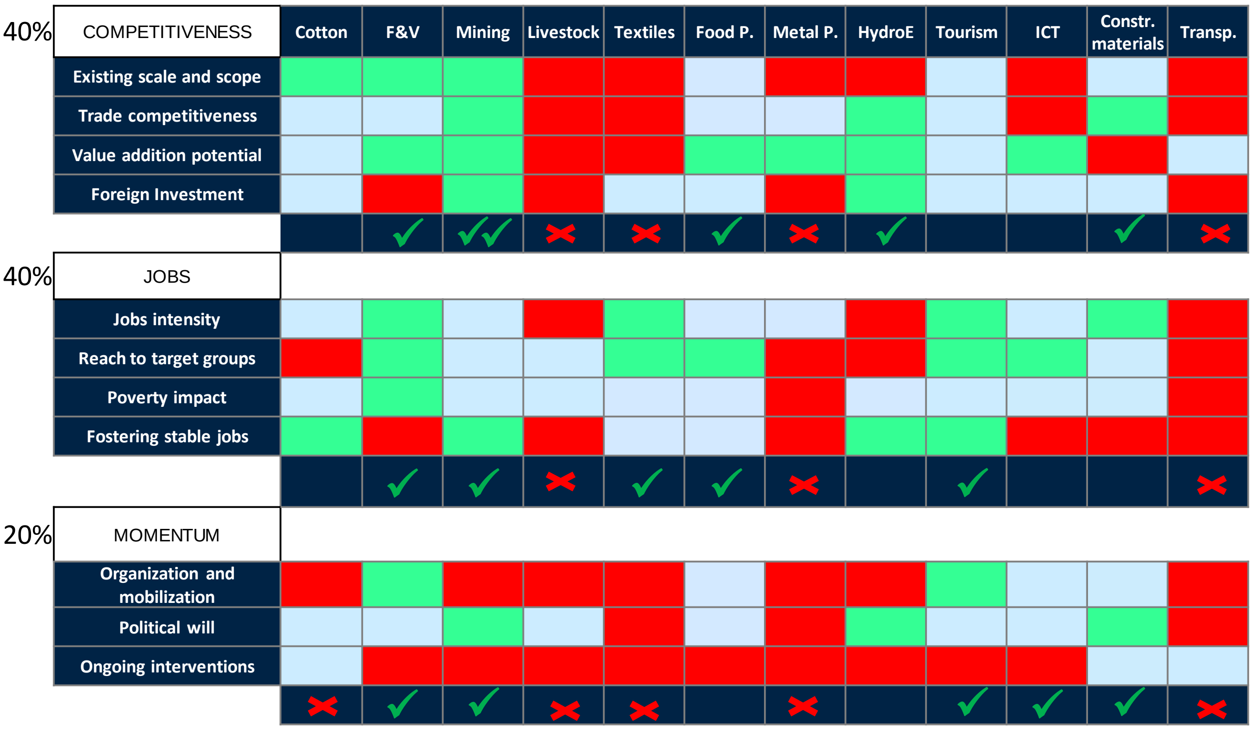
1. First, a rapid review of various sectors of the Tajikistan economy was conducted which revealed 12 main subsectors with potential for value chain development[4] (see Figure 1). These were assessed along three main dimensions that enhance job opportunities: competitiveness potential, impact on target groups, and readiness and change potential, according to a conceptual framework developed by the World Bank Group (WBG)'s Jobs Group.

    - *Competitiveness potential* considers the scale and intensity of the sector (e.g., critical mass, geographical concentration), its competitiveness on regional and global markets and the dynamics of the global value chain. It also assesses the potential to improve productivity and move up the value chain
    - *Jobs potential* takes into account the jobs intensity, reach to target groups, poverty impact and local economy impact of the value chain. The analysis prioritizes value chains with a large number of jobs and potential for spillovers to local economies where improved wages and/or prices are expected to have a major impact on poverty in households.
    - *Momentum* assesses the readiness of the sector for a donor intervention that engages the private sector (e.g., market linkages, skills training, etc.). It takes into account the degree of organization and mobilization in the sector, the political support it enjoys and any ongoing initiatives. This dimension also considers the impact for additionality – the degree to which investments are expected to be complementary (as opposed to crowd out other investment) – as well as the financial and political commitment of government and other stakeholders to ensure a sustainable initiative.

[3] World Bank. 2015. Jobs in VCs: A Guidance Note for Assessing the Opportunities and Requirements for Job Creation and Earnings Growth in VCs. Washington, DC: World Bank.
[4] These subsectors are cotton, fruits and vegetables, mining, livestock, textiles, food products, metal products, hydropower, tourism, ICT, construction materials, transport.

2. In the second stage, the six subsectors were short-listed based on potential for job creation and competitiveness improvement, while considering additionality and momentum. Those sectors were fruits and vegetables (F&V), mining, hydropower, tourism, ICT and construction materials. Figure 1 summarizes the visual rating of each of the 12 main sectors and the prioritization of the six short-listed sectors.

Figure 1: Step two - short-listing six high-potential sectors for analysis



3. In the final stage, the sectors most appropriate for a value chain study pilot were prioritized. The short list of six sectors was narrowed to four through a workshop with institutional stakeholders and private sector representatives. Following an elimination process, workshop participants rules out fruits and vegetables and hydropower. The existence of ongoing interventions in fruits and vegetables, and the long-term capital-intensive nature of hydropower, as well as its limited potential for direct job creation, justified this decision. The WBG team discussed the results of the workshop with Ministry of Economic Development and Trade (MoEDT) and the State Investment Committee and assessed the viability and impact potential of the four pre-selected VCs. Finally, tourism and construction materials were recommended for the pilot as they are both national priorities with high potential for job creation. In addition, 90 percent of enterprises in tourism are SMEs and the value chain reaches deep into rural areas. For construction materials, the growing exports and untapped potential made the value chain particularly attractive. ICT was deprioritized to be able to include a value chain that has both services and goods as a pilot and mining was deprioritized as it is a value chain that is capital intensive, favors large firms, and already receives donor support.

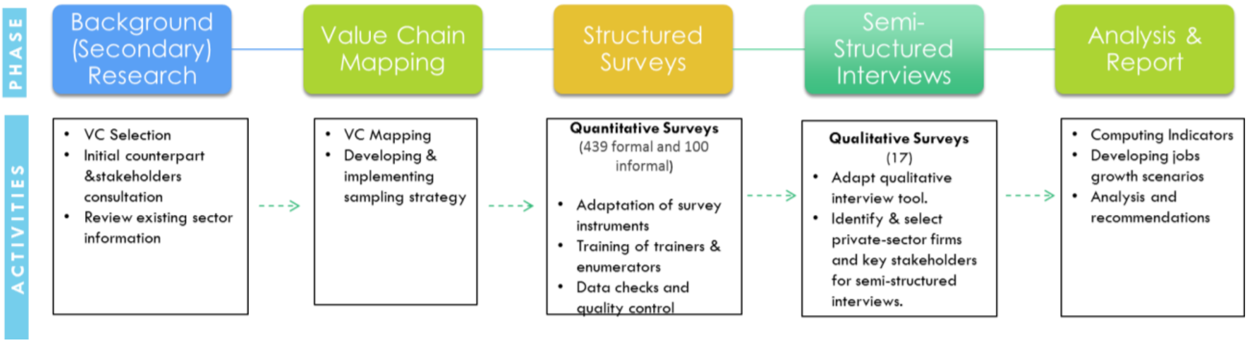
The jobs-focused value chain analysis presented here is intended to provide information about the current situation with jobs in these value chains, identify potential for job creation and constraints that would need to be removed to take advantage of these opportunities.

• METHODOLOGY

Figure 2 provides an overview of the methodological approach of the study, which included both quantitative assessment (structured surveys) and qualitative stakeholder, interviews (semi-structured interviews). The survey piloted a tool developed by the WBG's Jobs Group. An overview of the survey instrument is provided in Annex 1.

A total of 439 face-to-face surveys were conducted in the tourism value chain focusing on two regions where the majority of international tourists currently concentrate (Dushanbe and Pamir) (Table 1). Tool adaptation and sampling strategy began in September 2016, and fieldwork was carried out between January 10 – March 31, 2017. A total of 17 semi-structured interviews were conducted with firms and key stakeholders including ministries and non-government associations. In addition, two consultations/focus groups with the private sector (in October 2016 and June 2017) and a consultation on preliminary results with the government (in June 2017) were held.

Figure 2: Methodology overview



Sampling framework for the structured surveys

The unit of sampling and analysis for this study was the enterprise / business, which may include formal and informal, private and state-owned enterprises. The list of firms was drawn from the official Business Register of Republic of Tajikistan maintained by the Statistical Agency under President of the Republic of Tajikistan (TAJSTAT). The sampling framework used the following strata to ensure that data was collected from each of the key nodes in the value chains[5]:

- National distribution (tourism agents and operators)
- National transport
- Accommodation and food & beverage
- Tourism products and related activities (shops, museums, etc.).

In addition, for the tourism industry one hundred informal sector firms were selected using two-stage cluster sampling, where villages were selected in regions of interest using the 2010 census and households were selected using local 'jamoat books' maintained by village leaders.

Ensuring a nationally representative sample was also important. As a result, stratification was ultimately done according to three characteristics: (1) economic activity (node of the VC map), (2) key region, (3) firm size. The resulting sample sizes and the results of the field work are summarized in Table 1.

Table 1. Sample size and number of interviews

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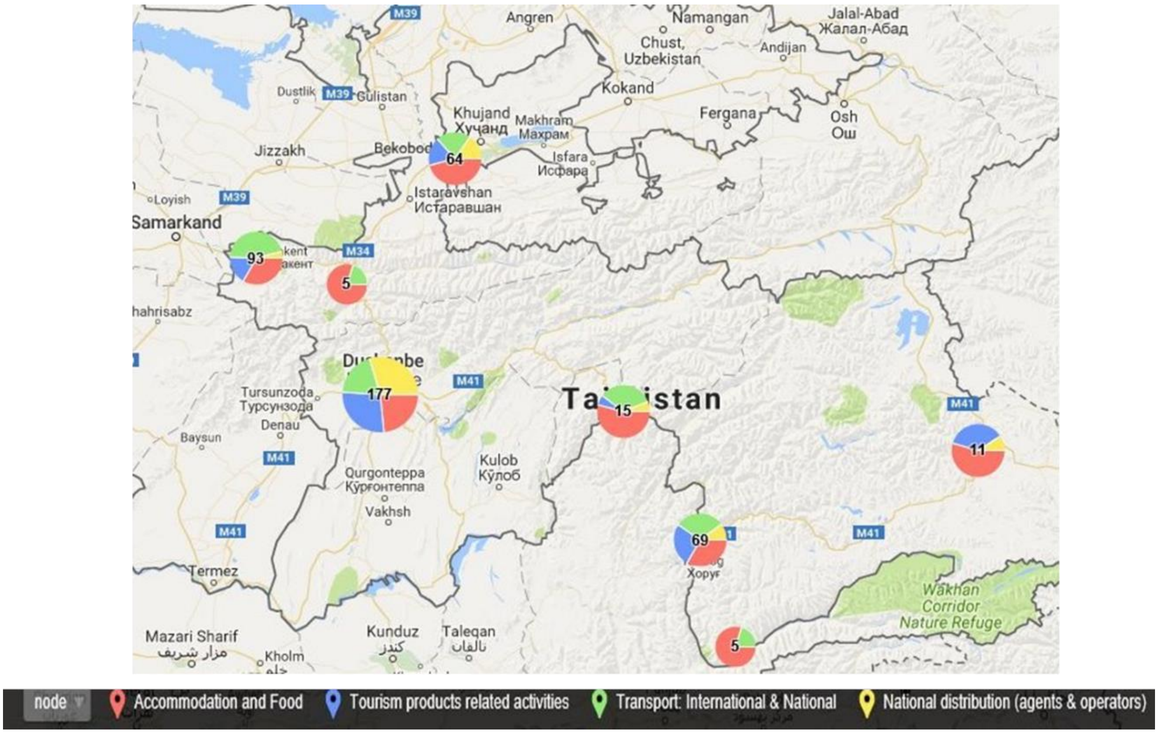
[5] More information on sample design and weighting procedures is available in Annex 2.

Value chain	Target Sample Size	Reserve Sample	Extra Reserve Sample	Total visited	Total interviewed
Tourism	400	263	769	1432	439

Along with adapting the tool for the tourism services sector (which only existed for the manufacturing and agriculture sectors), two of the main challenges of field work were the weak sampling frame including high number of inaccuracies and time lost during fieldwork and the harsh climatic conditions in the winter months in Tajikistan where road closures delayed fieldwork. Table 1 indicates that out of 1,432 visited firms in the formal sector, only 439 were successfully interviewed, which exceeded the target sample size, but nevertheless illustrates the challenges faced during the fieldwork.

Figure 3: Sampling strata for tourism VC and distribution of responses by node (formal sector only)



The remainder of the present report is organized as follows: Chapter 2 presents global trends and organization of the tourism sector. It also addresses the governance of the tourism global value chain and provides a brief overview of tourism in Tajikistan. Chapter 3 presents the results of analysis of the tourism value chain based on a survey conducted in 2017. It looks at (1) the structure of the value chain by nodes, regions, firm size, legal structure and ownership; (2) production; (3) sales and marketing; (4) firms' expectations and VC prospects of regional integration. The last section of the chapter focuses on constraints for the economic upgrading of the tourism value chain that were identified through the survey, semi-structured interviews and additional studies conducted in recent years. Chapter 4 discusses the workforce in the value chain. It looks at the employment structure as well as the skills and competencies of workers along VC's nodes. The next chapter focuses on the informal sector and highlights some key differences in the realities and obstacles faced by informal firms in the value chains. Finally, Chapter 6 discusses scenarios for job potential for the tourism value chain and Chapter 7 outlines a set of policy recommendations to address the challenges for the Tajikistan value chain in terms of jobs and job creation.

Chapter 2: **Global Trends and Organization of the Tourism Industry**

2.1 Recent dynamics and Global trends

Over the past six decades, the tourism sector and its enabling ecosystem have proven to be significant drivers of economic growth, contributing over 10% to global GDP and accounting for 1 in 11 jobs on the planet. The industry continues to provide unique opportunities for developing and emerging nations to move up the value chain. International tourism now represents 7% of the world's exports in goods and services (up from 6% in 2014) as tourism has grown faster than world trade over the past four years. As a worldwide export category, tourism ranks third after fuels and chemicals and ahead of food and automotive products. In many developing countries, tourism ranks as the first export sector.[6]

Figure 4: Global Tourism key facts

Source: UNWTO, 2016

The number of international tourist arrivals (overnight visitors) in 2015 reached a total of 1186 million, an increase of 52 million over the previous year. Representing an increase of close to 5%, this marks the 6th consecutive year of above average growth following the 2009 global economic crisis, with international arrivals increasing by 4% or more every year since 2010.

According to the UNWTO's Long Term forecast report *Tourism Towards 2030*, the number of international tourist arrivals worldwide is expected to increase by an average of 3.3% a year over the period 2010 to 2030. In absolute numbers, international tourist arrivals will increase by some 43 million a year, compared with an average increase of 28 million a year during the period 1995 to 2010. At the projected rate of growth, international tourist arrivals worldwide are expected to reach 1.4 billion by 2020 and 1.8 billion by the year 2030.

UNWTO'S LONG-TERM FORECAST REPORT *TOURISM TOWARDS 2030*:

- 3.3% Increase of Int'l Tourist arrival
- 1.8 billion by 2030
- 4.4% Arrivals in emerging destinations

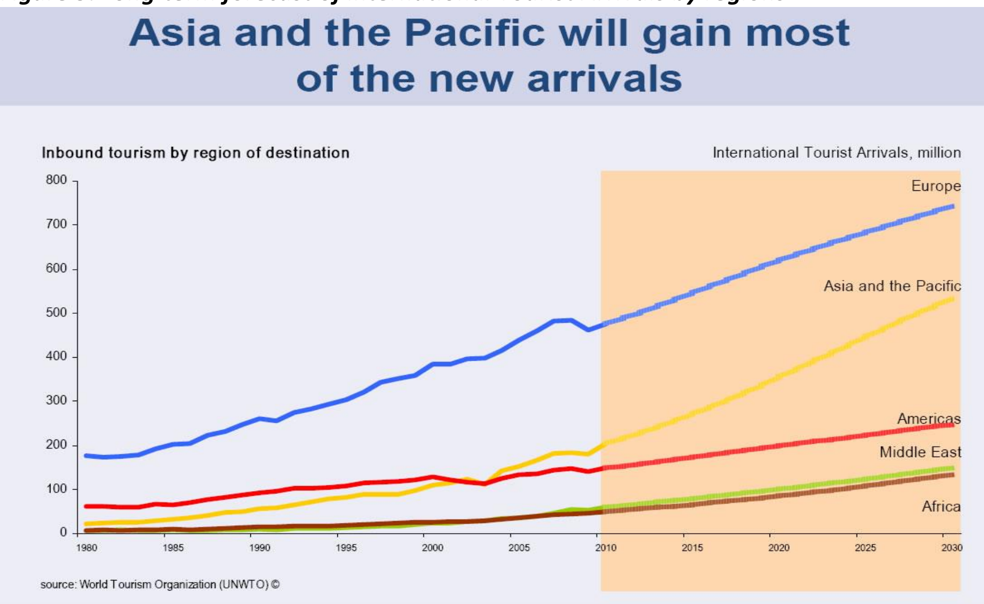
International tourist arrivals in the emerging economy destinations of Asia, Latin America, Central and Eastern Europe, Eastern Mediterranean Europe, the Middle East and Africa will grow at double the rate (+4.4% a year) of that in advanced economy destinations (+2.2% a year). As a result, the number of arrivals in emerging economies is expected to exceed those in advanced economies before 2020. In 2030, 57% of international

6 UNWTO. Tourism Highlights 2016 Edition.

arrivals will be in emerging economy destinations (versus 30% in 1980) and 43% in advanced economy destinations (versus 70% in 1980).

The strongest growth by region will be seen in Asia and the Pacific, where arrivals are forecast to increase by 331 million to reach 535 million in 2030 (+4.9% per year).

Figure 5: Long-term forecast of international Tourist Arrivals by regions



Source: UNWTO, 2011

Growth of international tourism can be attributed to factors such as the declining cost of travel, improvements in travel technologies that shorten time in transit, and the information technology (IT) revolution that allows consumers to easily learn about potential new destinations. While challenges persist, arising from the industry's seasonal nature and its sensitivity to high transportation costs, concerns about safety, and fluctuating tourism preferences, its global footprint has substantially expanded. Today, tourism provides important employment opportunities for many developing countries in a wide range of services, from accommodation to transportation, food services, and guiding[7].

2.2 Governance patterns – Global Value Chain

International airline carriers, cruise lines, global tour operators, and multinational hotel brands are the **lead firms in the tourism GVC**. These firms from developed countries play a key role in shaping tourism trends through strong marketing campaigns and close contact with the consumer. They cater to the travel preferences of consumers from high end to budget travel, and they create transnational "linkages" with tourism destinations in a variety of ownership, alliances, and outsourcing strategies. When top-tier tourism companies move into new destinations, they consider factors such as level of economic development in the country, the policy and regulatory environment, human resources, infrastructure level, and market demand.[8]

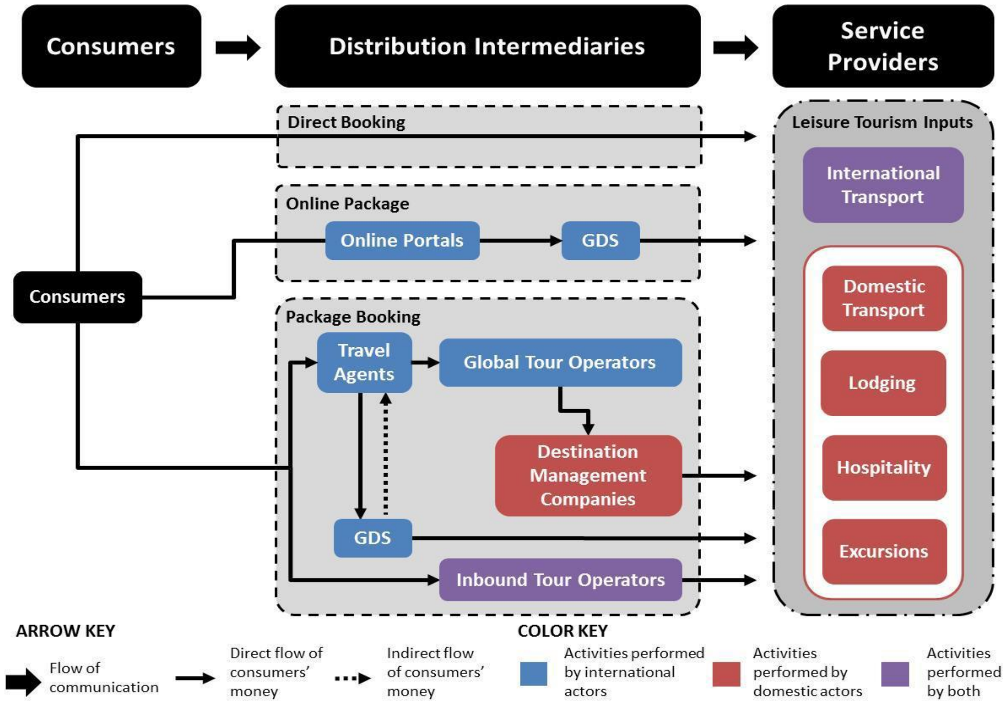
The importance and power of lead firms in the GVC is seen in Figure 6 which provides an illustration of distribution channels that consumers use to access the product, communication flows and consumer

[7] Michelle Christian, Karina Fernandez-Stark, Ghada Ahmed, Gary Gereffi. Skills for Upgrading: Workforce Development and Global Value Chains in Developing Countries. The Tourism Global Value Chain. Economic Upgrading and Workforce development. Center on Globalization, Governance & Competitiveness, Duke University, November 17, 2011

[8] Christian M., Fernandez-Stark K., Ahmed G., Gereffi G. Skills for Upgrading: Workforce Development and Global Value Chains in Developing Countries. The Tourism Global Value Chain. Economic Upgrading and Workforce development. Center on Globalization, Governance & Competitiveness, Duke University, November 17, 2011

expenditures through the global tourist chain. The illustration shows that international lead firms (in blue) control most of the distribution channels. Their power derives from their ability to draw on the capabilities of large, global networks of service providers, while also having access to consumers or travel agents (Christian 2013)[9].

Figure 6: The leisure tourism value chain



Source: Daly and Guinn (forthcoming) in Daly, Jack; Gereffi, Gary (2017): Tourism global value chains and Africa, WIDER Working Paper, No. 2017/17, ISBN 978-92-9256-241-0

According to Daly and Guinn (forthcoming),[10] tourists use three main distribution channels: direct booking, "Online Package" and traditional "Package Booking". When using the direct booking distribution channel, consumers bypass distribution intermediaries and book directly with service providers. Examples include leisure tourists who book vacations directly through service provider websites (Hotel, for example) or research excursions independently.

The 'Online Package' distribution channel accounts for the industry's most dynamic growth in the last decade. The emergence of online portals (like Expedia and Priceline), which act as online distribution intermediaries, enables tourists to explore vacation and travel possibilities world-wide and book their vacation from their home. The online travel agents work directly with the tourist service providers. Global Distribution Systems (GDS) enable clients to compare and access information about travel, leisure, and other tourism related subjects from various tourism service providers. Besides airline products, today's GDS provide access to car rentals, hotel booking, packaged holidays, railways, local road transportation, and more.

The 'Package Booking' distribution channel includes a network of travel agents, global tour operators, inbound tour operators, and Destination Management Companies which sell itinerary-based tour packages to the tourist. According to Daly and Guinn, this distribution channel continues to be popular for multiple reasons. These include: (1) The appeal of itinerary-based travel in a region where wildlife and parks are attractive products; (2) the general unfamiliarity of international tourists with lesser-known tourist destinations; (3) concerns about the

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[9] Daly, Jack; Gereffi, Gary (2017): Tourism global value chains and Africa, WIDER Working Paper, No. 2017/17, ISBN 978-92-9256-241-0
[10] Ibid.

ability of inbound operators to deliver quality products; and (4) the difficulties associated with organizing domestic transport and other services independently.

The pre-eminence of global lead firms has implications for the value captured by domestic actors who participate in the chain. Several studies show that well-organized domestic service providers all along the tourism VC can capture more value (e.g., in local distribution, accommodation, transport, variety of tourist services providers). Established Destination Management Organizations can contribute much to this.

2.3 Brief Overview of Tourism in Tajikistan

Numerous studies recognize Tajikistan's high tourism potential. Tajikistan is a predominantly mountainous country with relatively intact natural and cultural resources, despite socio-economic and political fragility and periods of instability. The government of Tajikistan is increasingly emphasizing tourism and is utilizing its ancient historical sites, high mountain peaks, unique nature, and friendly people to attract more tourists.

Source: http://www.visittajikistan.tj/things-to-do/top-21-attractions/#48#, 8.7.2017

Concrete actions have been taken by the Government to develop tourism. In particular, several international tourism areas have been established, hotels and trading centers meeting modern requirements have been constructed, and steps have been taken to ease access to these.[11]

- **MAIN TOURIST PRODUCTS**

The tourism industry in Tajikistan in general, and, in particular, the Pamir Region and the Fann Mountains, are becoming increasingly developed. Key tourist activities in the country are touring and trekking as well as several specialized tourist products.[12] The Pamir Highway and the Silk Road are known worldwide and are the most popular with tourists. These trips typically involve enjoying the scenery, learning about culture and heritage,

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[11] A Model of Tourism Development in Tajikistan: Analysis and Recommendations Report of Working Group on Improvement of Investment Climate in Tourism Sector of the Republic of Tajikistan. State Committee on Investment and State Property Management of the Republic of Tajikistan. Secretariat of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan.
12 Laurent F.: Opportunity Study. Tajikistan inclusive tourism and destination management organization. International Trade Centre. SECO's Trade Cooperation Program (TCP) in Tajikistan. Urbanplan. April 2014.

tasting local food and drink, and meeting local people. There is extraordinary potential for trekking in the Fann Mountains and the Pamir Region. Other products, which mainly complement the key tourist activities, are:

- Active sports: Trekking remains a "gentle" way to discover Tajikistan's mountain ranges. A number of other, more extreme options are also possible, such as mountaineering (climbing and rock climbing), skiing, hang gliding, paragliding, whitewater rafting and kayaking, and "canyoning"
- International Hunting Tourism
- Scientific tourism: Tajikistan's landscape and historical heritage could be of interest to scientists in a number of fields. Many companies already organize special tours focusing on archeology, botany, zoology, and geology, among others
- Religious Tourism (Pilgrimages)
- Cultural tourism: Silk Road with Istaravshan, Khujand, Panjikent cities or shrines, Buddhist stupa and fortress in Pamir are usually combined with touring and/or trekking trips.

The above-mentioned tourist products are mainly attractive for international tourists, while domestic tourists prefer wellness trips to the numerous springs, mountain trips and outdoor sports activities.

• MAIN CUSTOMERS

The main customers for tourism and related services can be segmented into the following groups:

- Organized tour groups (through foreign and/or national tour operators);
- Independent travelers (mainly backpackers);
- Expats and their visiting relatives and other guests;
- Domestic tourists and
- Business and trade travelers (businessmen, consultants, representatives of NGOs).

• TOURIST ARRIVALS

The efforts of the Government have already resulted in an increase in tourist arrivals in the last years. In 2015, 414,000 tourist arrivals were recorded in the country which is nearly 100% more than in the previous year. However, the share in global international arrivals is still very low, representing only 0.03% of international tourist arrivals in 2015.[13]

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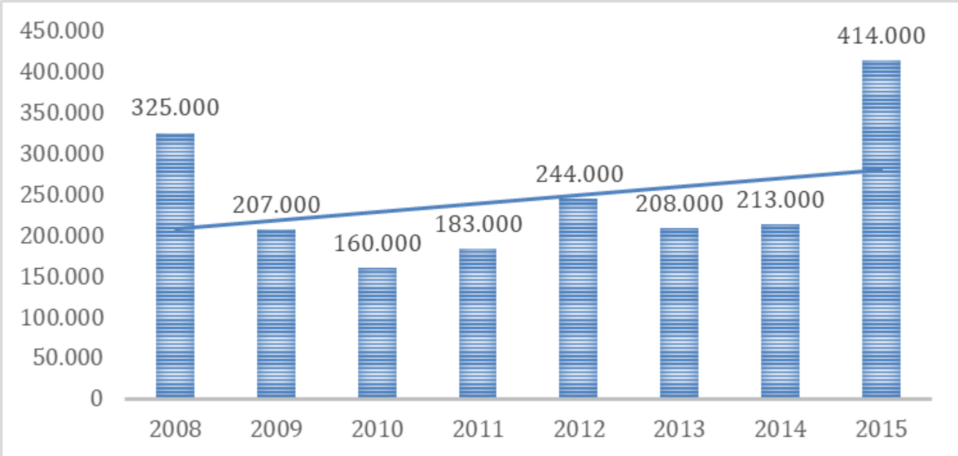
13 According to the UNWTO a total number of international tourist arrivals in 2015 was 1,2 bn.

Figure 7: Growth of tourist arrivals in Tajikistan in the period 2011 – 2015



Source: WTTC, 2016

- **COMPETITIVENESS RANKING OF TAJIK TOURISM SECTOR**

Although improvements have been made in the competitiveness of Tajik tourism recently and Tajikistan has climbed 12 places to rank 107th among 136 nations in the global Travel and Tourism (T&T) competitiveness index in 2016,[14] its overall competitiveness is still very low as illustrated by the main strengths and weaknesses in the table below.

Table 2. Main strengths and weaknesses of Tajik tourism

Main strengths (Tajik rank/total number of countries)	**Main weaknesses** (Tajik rank/total number of countries)
• Human resources and labor market (qualification of the labor force, labor market) 36/136 • Safety and security 49/136 • Health and hygiene 57/136 • Government prioritization of travel and tourism industry 51/136	• Tourist service infrastructure 130/136 • ICT readiness 129/136 • Cultural resources and business travel 108/136 • Ground infrastructure 101/136 • Air transport infrastructure 92/136 • Country brand strategy rating 135/136

Source: WEF. The Travel & Tourism Competitiveness Report 2017. Geneva, 2017.

[14] WEF. The Travel & Tourism Competitiveness Report 2017. Geneva, 2017.

Chapter 3: **Tourism Value Chain Assessment**

This Chapter presents the major value-added activities required for bringing the products or services from their conception to sale in their final markets. It highlights how the value chain performs to assess the strategic challenges and opportunities for job creation and competitiveness among firms in the value chain.

3.1 Tajik Tourism Value Chain Map

Tourism is generally considered a service-based industry. It is a complex industry to visualize because services are "invisible" and "eclectic," combining multiple sectors that can have their own value chains. The tourism global value chain (GVC) includes several segments that follow the activities an international tourist completes including:

- International distribution options, such as a travel agent or tour operator that the tourist purchases the service from. Services can include travel, accommodation, tour packages, experiences, etc.
- International transportation
- National distribution within the destination
- National transport within the destination
- Accommodation
- Excursion activities and experiences, including museums, tours, etc.

Large and small firms are represented in all of the segments.

Box 1. Tourism GVC main categories of actors

Distribution is the first segment of the tourism GVC. The first thing tourists do is to decide how they will purchase their tourism products or the components of their trip. Travel agents and tour operators are the main distribution intermediaries. Commonly, travel agents act as the retail outlet for tourism products (transportation, lodging, and excursions), and tour operators are wholesalers. Tour operators purchase blocks of airline seats, hotel rooms, and excursion activities and bundle these segments in various package arrangements. The packaged product is then sold via a travel agent or directly. Tourists can bypass intermediaries and book their trip components directly.

The next stage is **international transport.** The most common international transport mode is international air carriers. International distribution and transport are based in the outbound countries (countries of origin of the tourist), but there are regional distribution and transport segments based in the inbound (or destination) country. Inbound countries have their own distribution actors and often work directly with international distribution firms. For example, national tour operators organize and execute the destination components of a global tour operator's package tour. When this is the case, national tour operators meet tourists at the airport and escort them to their destination activities.

While in the destination country, tourists engage in a number of events that include local transportation (air or ground), **accommodation, and excursions**. Accommodation options range across the scale of luxury and size. **Excursions** are the local activities representative of the tourism product and the natural assets of the destination. For cultural tourism, activities may include a guided tour around monuments or a wine tour. Many excursion activities are sold by operators and executed by local guides who take on the role of area experts. Retail sales of goods may also be considered as part of excursions such as visiting local bazaars or artisanal centers.

Source: Center on Globalization, Governance & Competitiveness, Duke University [15]

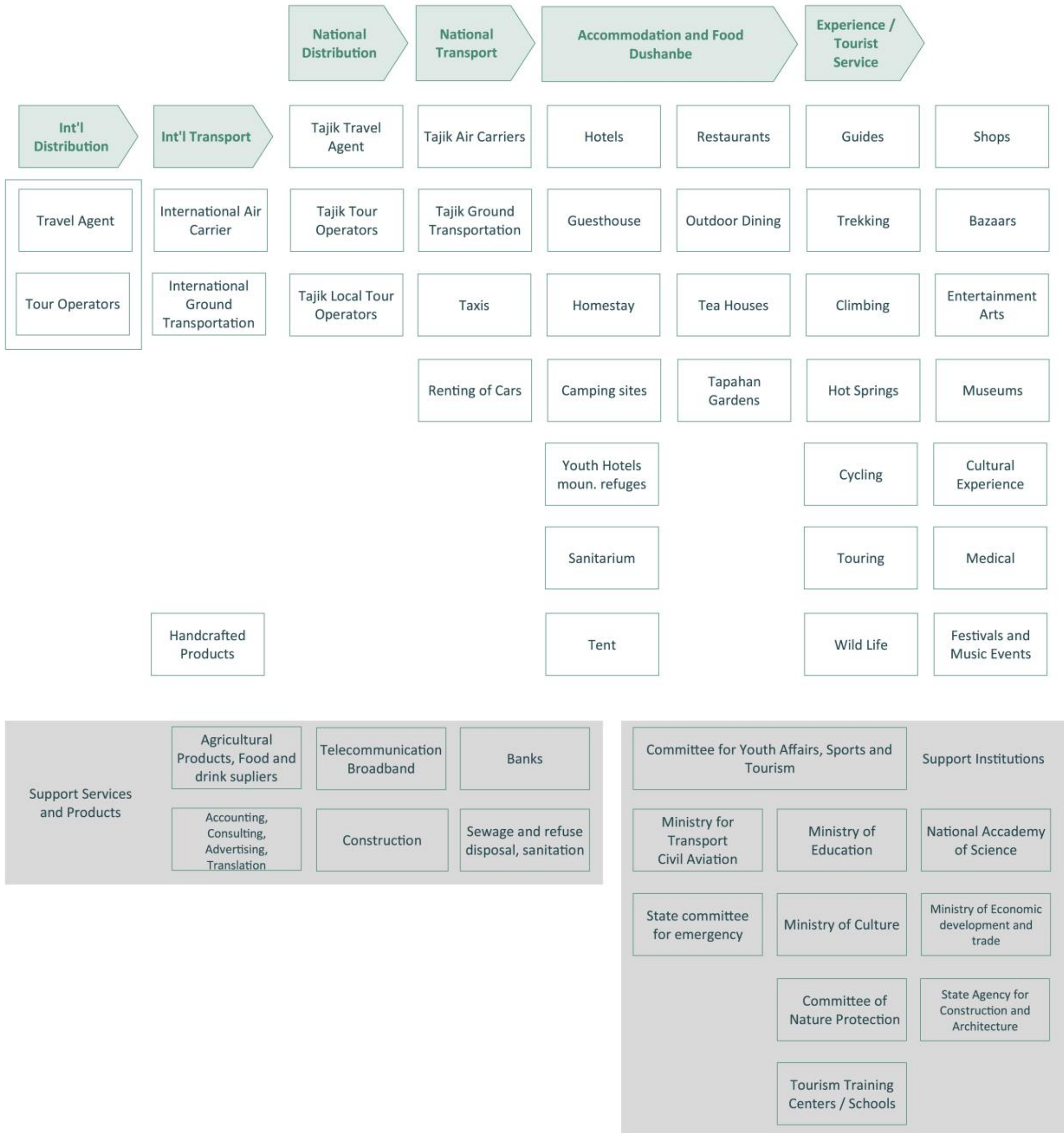
The Tajik tourism Value Chain (Figure 8) depicts the organization of the tourism value chain in Tajikistan with its main value chain nodes, actors and linkages among them. We deliberately place the international tourist as a focal point of the value chain to acknowledges how consumption and production take place simultaneously. Following a tourist "footprint" in a value chain details the steps and the tourists' interaction with the firms from the

[15] Michelle Christian, Karina Fernandez-Stark, Ghada Ahmed, Gary Gereffi. Skills for Upgrading: Workforce Development and Global Value Chains in Developing Countries. The Tourism Global Value Chain. Economic Upgrading and Workforce development. Center on Globalization, Governance & Competitiveness, Duke University, November 17, 2011

moment they decide to take a trip to the completion of their international journey. The cumulative activities together represent tourism in its entirety.

The survey and analysis of report focuses on the highlighted part of value chain, including the four key domestic nodes: distribution, national transport, accommodation and Food & Beverages, and tourist experiences and services. The latter include variety of tourist services such as excursions, shopping, entertainment, cultural experience, wild life experience, mountaineering, wellness, and sports activities. The figure places this core value chain within the broader tourism context, such as the main tourist support institutions which create the enabling environment for the tourism sector, as well the key non-tourism sector support services. This is done to illustrate the main sources of supply to the tourism sector such as construction of tourist assets, handicrafts and food supply chains and other important services such as advertising, consulting and translation.

Figure 8: Tajik Tourism Value Chain



Source: ANTEJA ECG, Jobs in Value Chains Survey 2017.

3.2 Governance of the tourism sector in Tajikistan

Until recently, the main government agency regulating the tourism sector was **Committee of Youth Affairs, Sports and Tourism.** The Tourism Development Department within the Committee was charged with the following, traditional tasks:

- Adopting tourism-related legislation and regulations, strategies and concepts
- Licensing Tajik tour operators and travel agencies
- Collecting and analyzing statistical data related to tourism
- International marketing of Tajikistan as a destination
- Supporting the development of a strong private sector in the tourism industry
- Promoting a constructive dialogue between the public and private sector in the industry
- Cooperating with tourism administrations in other countries and international organizations on initiatives and projects.

Recently, in accordance with the decree of the President of Tajikistan, Emomali Rahmon, the Committee for Sports, Youth and Tourism was divided into two separate structures. One of them is the **Committee for Development of Tourism.** The newly established Committee has nearly the same responsibilities and tasks as the former Committee of Youth Affairs, Sports and Tourism. According to the Decree on Regulations, the Tourism Development Committee is the central executive body of state power performing special executive control, permitting and other functions established in the sphere of tourism development. The main competencies of the Committee are:

- Implement the state tourism policy and coordination of tourist activity in the Republic of Tajikistan;
- Carry out state tourism programs in Tajikistan;
- In accordance with the established procedure, develop normative legal acts and determine state standards for servicing tourists;
- Prepare proposals to the Government of the Republic of Tajikistan on attracting investments for the development of tourism;
- Ensure the implementation of international treaties and agreements in the field of tourism;
- Represent the interests of the Republic of Tajikistan in international tourist organizations;
- In accordance with the established procedure, carry out licensing of tourist activities;
- Determine equal tourist quotas between the tourist entities' activity to visit tourist and excursion attractions included in the State Cadaster of tourism resources of the Republic of Tajikistan, with regards to the need to preserve them from destruction;
- Control compliance with the quality of the provided tourist services and the fulfilment of the conditions for licensing and certification in the field of tourism;
- In accordance with the legislation of the Republic of Tajikistan, develop proposals for the import and export of tourist services;
- In accordance with the legislation of the Republic of Tajikistan, develop proposals for unified tariffs for climbing mountain peaks, mine rescue fees, environmental charges;
- In the established order, conduct international, regional and republican competitions, festivals, conferences, forums, fairs and exhibitions;
- Perform the functions of the chief administrator and the recipient of the republican budget resources provided for the maintenance of the Committee and the implementation of the functions assigned to the Committee;
- Organize professional training of the Committee's employees, their retraining, advanced training and internships.

The central office of the Committee is based in Dushanbe. The organizational structure of the central office is as follows:

- Department of Tourism Development;
- Department of Licensing;
- Department of Accounting and Economy;
- Sector of Economics and Planning;
- Sector for International Relations;
- Personnel and legal support sector;
- General sector and control;
- Secretariat sector.

The central apparatus is financed by funds allocated from the national budget and a number of other sources, in agreement with the Ministry of Finance.

In addition, 44 divisions of the new Committee will be created in the structures of the executive bodies of the local authorities of the provinces of Tajikistan, the Gorno-Badakhshan Autonomous Region, the city of Dushanbe, as well as other cities and districts. As reported, the central apparatus of the Committee will have a total of 32 employees.[16]

The Committee is headed by the Chairman appointed to the post and dismissed by the Government of the Republic of Tajikistan. The Chairman shall be personally responsible for the fulfilment of the powers vested in the Committee and the implementation of state policy in the established field of activity. The Chairman has deputies, including one first deputy appointed and dismissed from his post by the Government of the Republic of Tajikistan. The number of deputy chairmen is established by the Government of the Republic of Tajikistan.

The Committee on Tourism has a board of 7 members. The board of the Committee may include senior officials of the Committee, subordinate organizations of the Committee, representatives of executive bodies of state power and representatives of tourism public organizations.

The **interministerial working group on tourism** was founded by the former head of the State Committee on Investment (GosComInvest). Its role is to prepare recommendations for improving the investment climate in the tourism sector. The recommendations are made directly to the President for decision. These recommendations are mainly drawn from the noteworthy report "A Model for Tourism Development in Tajikistan" finalized by Professor Philip Riddle (Volunteer Tourism Advisor) during the last trimester of 2013. This report has informed government strategies with regard to tourism.

Tourism is a very complex activity that interfaces with many other industry sectors and also with many other social activities such as culture and sport. This requires support **from many other ministries** that are responsible for different spheres of social life. The most important among them are: the Ministry of Education and Science, responsible for education and trainings, the Ministry of Economic Development and Trade, the Ministry of Culture, Ministry of Transport and Civil Aviation, the Ministry for Foreign Affairs, the Committee on Nature Protection and the State Committee for Emergency.

Tajik Association for Promotion of Tourism Development (TATO) is a private business association in Tajikistan. It has 132 members from the tourism industry. Its mission is to promote the tourism development in the country. The main fields of TATO's activities are:

- Provision of trainings in different fields of tourism and hospitality delivered by TATO members.
- Organization of different events (conferences, festivals, projects). 600 events organized in 2016.
- Participation and promotion of Tajik tourism on international tourism fairs and exhibitions.
- International cooperation; working on development of Central Asia Tourism brand; trying to include Tajikistan in the Silk Road more efficiently.

[16] http://easttime.info/news/tajikistan/tourism-development-committee-established-tajikistan

- Raising awareness about the opportunities of tourism development among the local population, especially among the youth. This Association also works to include more lectures on culture and nature in the primary education curriculum.

It is worth noting, that there is **no national tourism organization (NTO)** yet in the country. NTOs are established in the vast majority of developed and developing countries as a central tourism marketing and promotion point of the country and with the main goal to promote the country as a tourist destination on domestic and even more on international markets. NTOs are mostly established by the governments, with varying degrees of cooperation with the private tourism sector. The case of Austrian National Tourist Board is presented in the section 3.4 to highlight the roles and activities of national tourist boards.

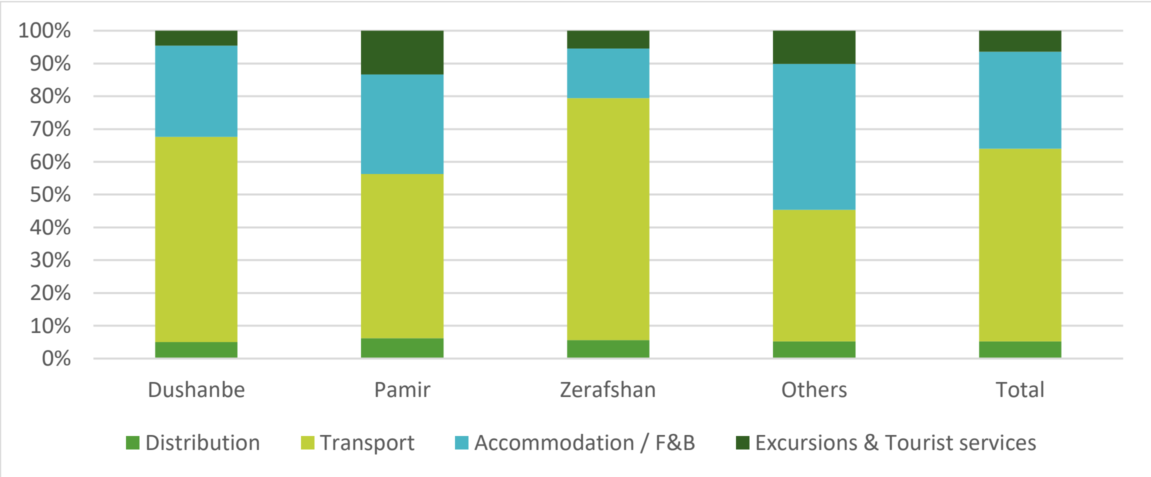
3.3 Structure and Dynamics of the Tajik Tourism VC

In this section, the structure and dynamics of the Tajik tourism value chain is presented. The main characteristics of the tourism VC firms such as size, distribution among the regions, legal structure, ownership, production characteristics, and marketing and sales channels are presented in this section. The employment structure and main characteristics of the workforce are presented separately in Chapter 4:.

- **STRUCTURE OF THE TOURISM VC BY NODE, REGION, FIRM SIZE, LEGAL STRUCTURE AND OWNERSHIP – TOURISM VC FIRMS' CHARACTERISTICS**

The transport business entities dominate in the Tajik tourism VC. The share of transport firms is about 60%, followed by the accommodation and Food and Beverage (F&B) business entities which reach a 30% share. The number of actors in the distribution and tourist service node is considerably smaller, reaching a 5% share of all firms in the tourism VC. The composition of the firms by the VC nodes only slightly differs among the regions. The only major exemption is the distribution of firms and individual enterprises along the tourism VC in the Zerafshan region where the transport firms dominate even more strongly in terms of number of firms in the VC. The share (15%) and also the number of accommodation and F&B node's actors are the lowest among the regions (estimated 70 entities).

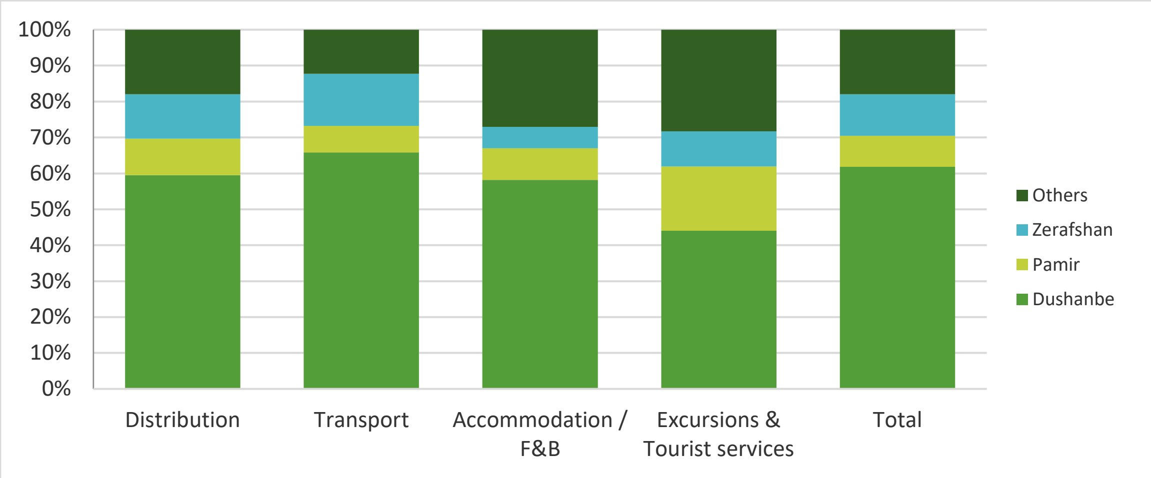
Figure 9: Distribution of firms and individual entrepreneurs by tourism VC and region



Source: Jobs in Value Chains Survey 2017.

Business entities of the Tajik tourism VC are concentrated in Dushanbe. Around 62% of firms and individual entrepreneurs in the tourism value chain are estimated to be in Dushanbe, 12% in the Zerafshan region and 9% in the Pamir region. The remaining 18 % of tourism business entities are distributed in all other Tajik regions.

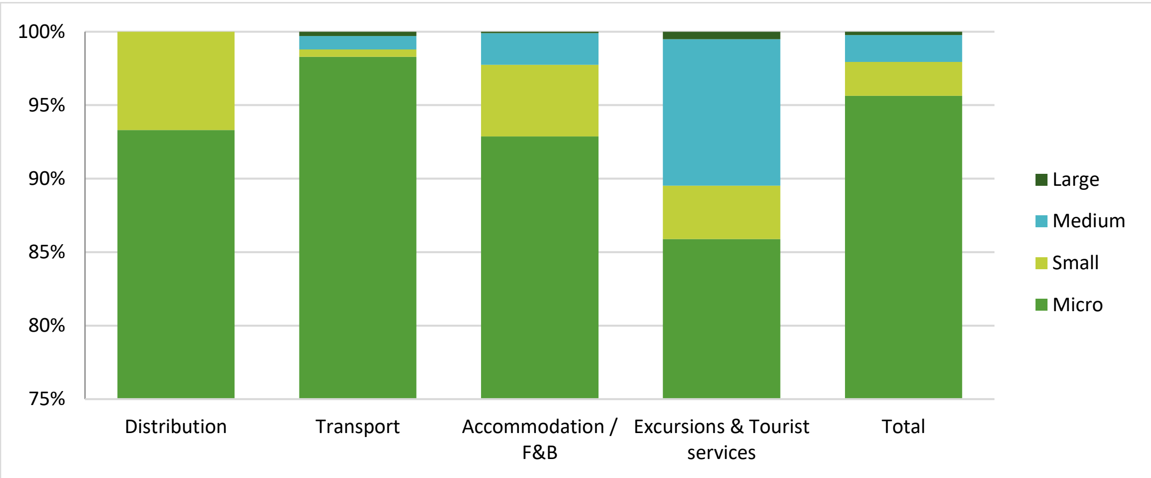
Figure 10: Distribution of firms and individual entrepreneurs by tourism VC node and region in Tajikistan



Source: Jobs in Value Chains Survey 2017.

Over 96% of firms in tourism VC are micro and only 2% are medium or large. This corresponds with the legal structure of the business entities along the tourism VC, where **the individual entrepreneurs dominate in all nodes of the VC.** Micro business entities dominate especially in the transport node, where more than 96% of business entities are registered as individual entrepreneurs. The situation is only different in the distribution node, where the LLC legal structure dominates with a share of 73%. The main reason for this is the licensing and certification system for Tour Operators and Travel Agents in the country.

Figure 11: Size of firms[17] at each node of tourism VC



Source: Jobs in Value Chains Survey 2017.

[17] The main criterion for definition of the size of the firm is the number of employees as follows: Micro <= 10 employees; Small 11-30 employees, Medium 31 -200 employees, Large 201+ employees.

Figure 12: Legal structure of the business entities at each node of tourism VC

Source: Jobs in Value Chains Survey 2017.

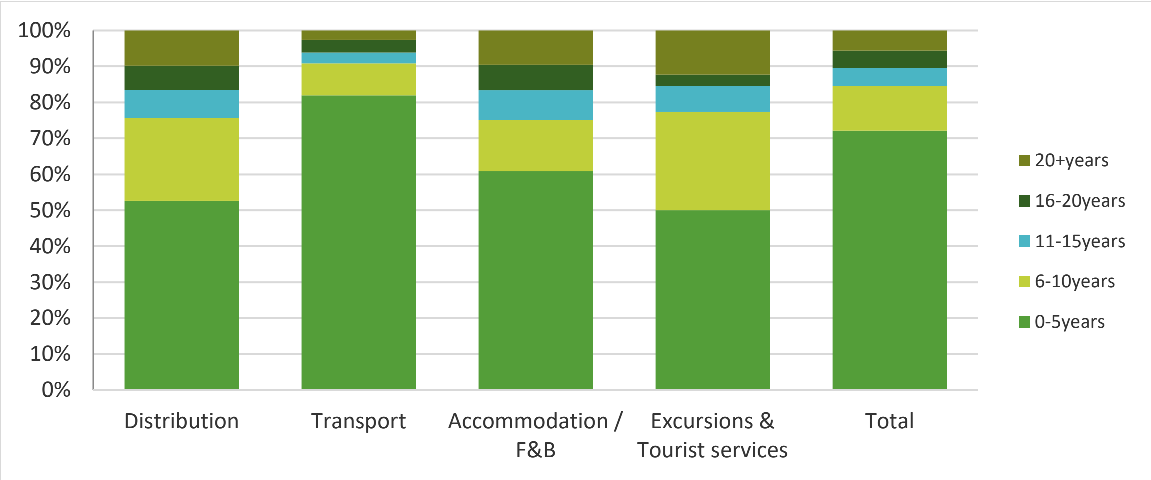
The tourism in Tajikistan is at an early stage of development. Over 70% of business entities in the tourism VC are younger than five years, and 85% of them are younger than ten years (Figure 13). The dominance of the young "micro" companies suggests that tourism is perceived by the local population and private sector stakeholders as a viable business opportunity (see Box 2).

Box 2. Driving forces of the entrance of new firms

- Rapidly growing demand over the last years in the field of high quality accommodation facilities in Dushanbe and in the field of adventure tourism products in the other regions of Tajikistan (e.g. Pamir).
- Tourism is very high on the political agenda. A lot of effort has already been made to improve the business framework conditions for tourism development in the country including adoption of a tourism strategy and action plan for the tourism sector which includes concrete policy measures and activities for facilitating tourism development in the country. This contributes to the improvements in ranking in prioritization of T&T in the global Travel and Tourism (T&T) competitiveness index, where Tajikistan has climbed 12 places to rank 107th among 136 nations in 2017.
- The latest tax exemptions for the tourism sector (although the implementation is not yet clearly defined), contribute to a rather optimistic climate among the private tourism companies interviewed.
- Many tourism development programs and projects, initiated and implemented with the support of international organizations, contributed to the awareness-raising and capacity-building of the local population and their organizations for developing tourism in the country. The list of projects is available in the paper: "Opportunity Study. Tajikistan inclusive tourism and destination management organization." International Trade Centre. SECO's Trade Cooperation Program (TCP) in Tajikistan.
- The key stakeholders, namely public authorities, business associations and educational and training institutions, are willing to support the development of tourism in the country

Source: semi-structured interviews and desk research, 2017

Figure 13: Age of firms at each node of tourism VC in Tajikistan

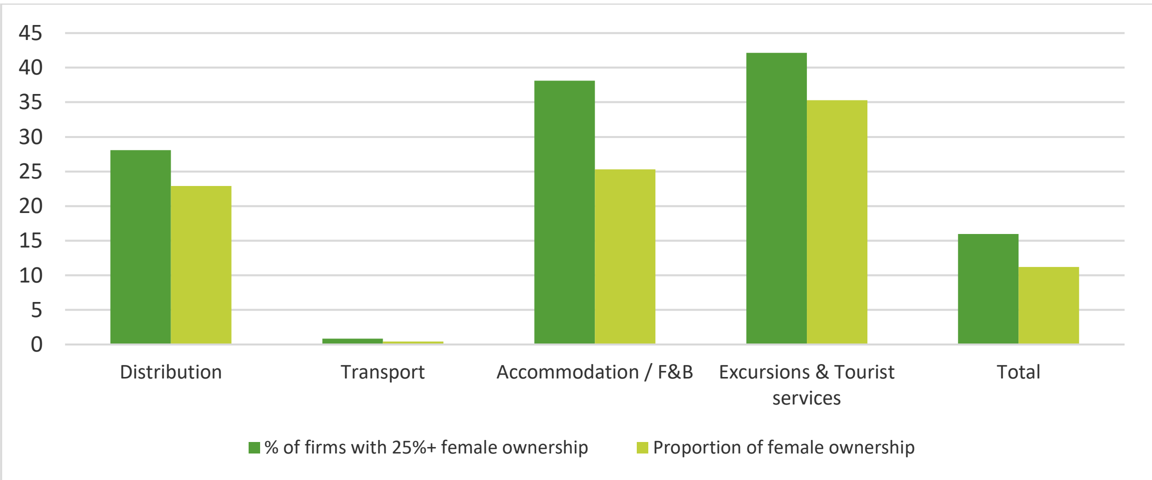


Source: Jobs in Value Chains Survey 2017.

The dominance of young business entities in the tourism VC in Tajikistan requires a business environment which will assure a high level of survival of firms and facilitate their growth and job creation. Despite the improvement over the last few years, during which Tajikistan climbed 35 places to rank 88th among 136 nations in 2016 in the global Travel and Tourism (T&T) competitiveness index in terms of business environment,[18] the business environment in the country remains rather unfavorable. Therefore, further activities of the government in this field need to be implemented in order to maintain and improve the current dynamics in the tourism VC.

Female ownership is relatively high in all VC nodes outside of transport, with 42% of firms in the excursion/tourist services node, 38% in accommodation and F&B node and 28% in the distribution node more than quarter-owned by women. The average proportion of female ownership is between 23% in the distribution node and 35% in the excursions/tourist services node.

Figure 14: Female ownership by the tourism VC nodes



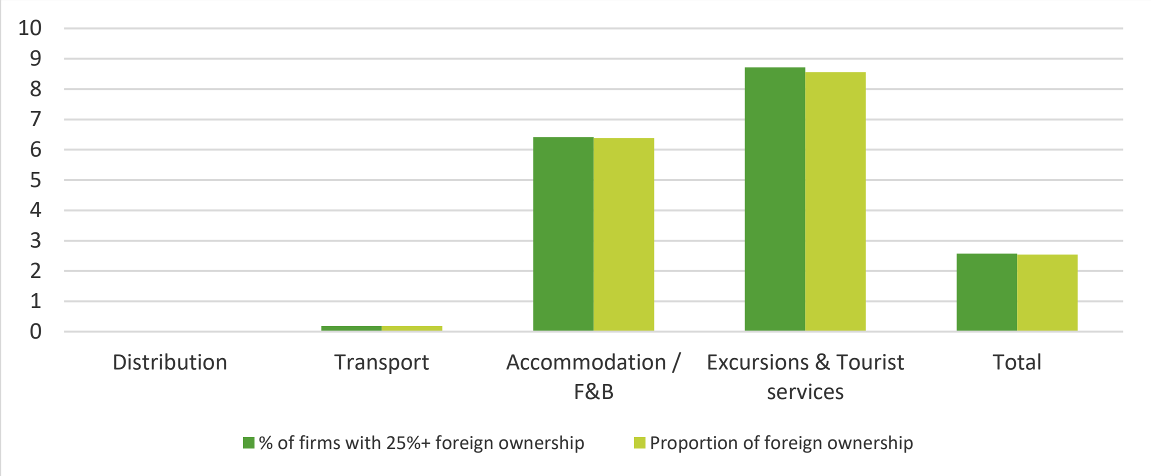
Source: Jobs in Value Chains Survey 2017.

Foreign ownership in the tourism VC in Tajikistan is very modest as less than 10% of the firms have a foreign ownership of more than 25%. The share of foreign ownership is the highest in the excursion/tourist services node and in the accommodation and F&B node. However, even in that node, the proportion of foreign ownership is

[18] WEF. The Travel & Tourism Competitiveness Report 2017. Geneva, 2017.

below the 10%. This situation leads to the conclusion that Tajikistan is not recognized as an attractive destination for foreign investors yet. The unfavorable business environment prevents the interested foreign investors from investing in tourism in the country.

Figure 15: Foreign ownership by the tourism VC nodes

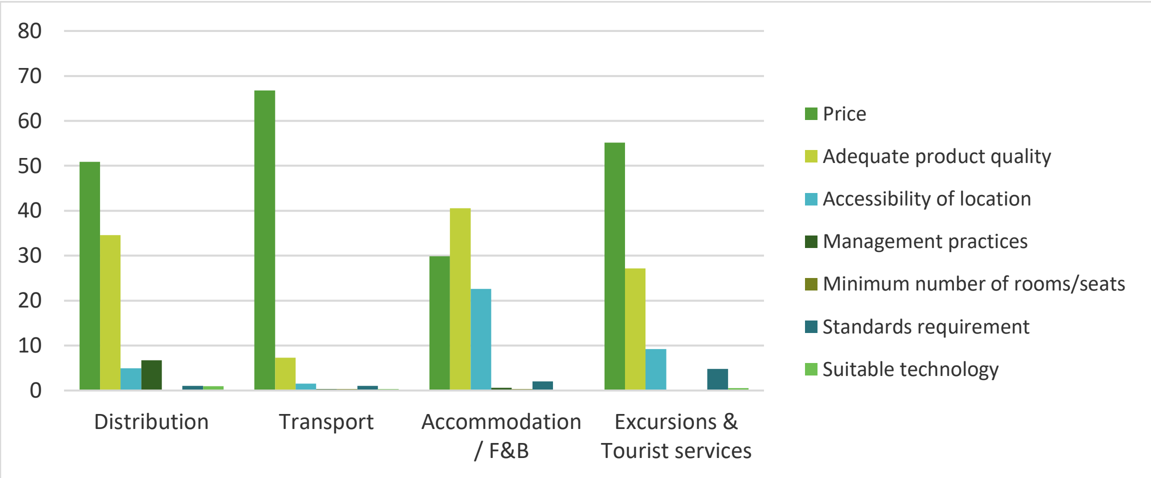


Source: Jobs in Value Chains Survey 2017.

- ## PRODUCTION

The highly diverse tourism VC includes a variety of different products and services which require specific inputs for their operation. The primary inputs for the accommodation and F&B node are food and beverages. For the transport node, fuel is the essential input. For the distribution node, tourism products and services at the tourist destinations are needed, including accommodation and F&B services. The inputs for excursions and tourist services include cultural and natural assets.

Figure 16: Main factors for supplier selection by the tourism VC node (percent of firms)

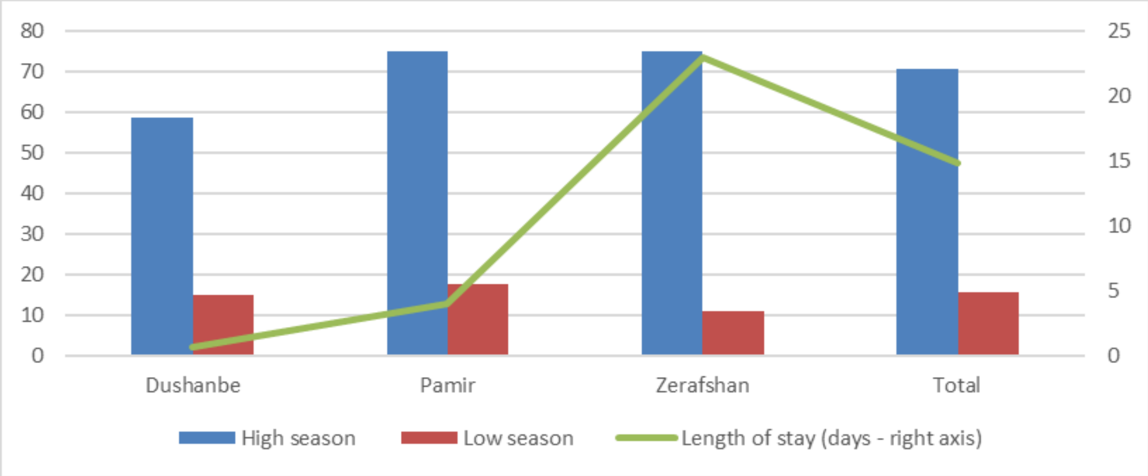


Source: Jobs in Value Chains Survey 2017.

The evidence suggests that, at present, company relationships in the tourism VC are based on market transactions guided by price considerations rather than quality and non-price competitiveness variables. The quality of products is a significant factor only for the accommodation and F&B node. Firms in the accommodation and F&B node face the challenges of ensuring a supply of high-quality food and drinks from local market sources. Instead of sourcing locally, they import high-quality food and drinks from Moscow, Istanbul, Dubai and other countries. Also, larger firms from the accommodation and F&B node face the problem of getting appropriate local food and drink suppliers who are ready to issue official receipts for their products. Inclusions of intermediaries in the supply chain increases the costs of these local inputs. The interviewees from the distribution node reported that it is difficult to find high-quality tourism products to sell on international markets.

Seasonality is typical for tourism, especially for leisure tourism[19] which dominates in all regions outside of Dushanbe. The high season in the Tajik regions typically starts in April and lasts until October. Access to the regions outside of Dushanbe over the winter is very difficult. In addition, these regions face heating, electricity, food and water supply shortages during the winter. This, together with unfavorable weather conditions, makes them unattractive for visitors. By contrast in Dushanbe, where the main group of guests are business people, professionals and consultants of international NGOs, the low season is only during August. As is typical for business travelers, the length of stay in Dushanbe is less than 2 days. This is significantly lower than in other regions of Tajikistan where the length of stay of tourists is much higher, reaching over 20 days in the Zerafshan region and over 10 days in Pamir. During high season, the occupancy rate for accommodation facilities is high in all regions, reaching an average occupancy rate of 70% and even 85% in the region of Pamir and Zerafshan. However, during the low season, the average occupancy rate could drop below 20%.

Figure 17: Average room occupancy rate (%) in high and low season and length of stay by region

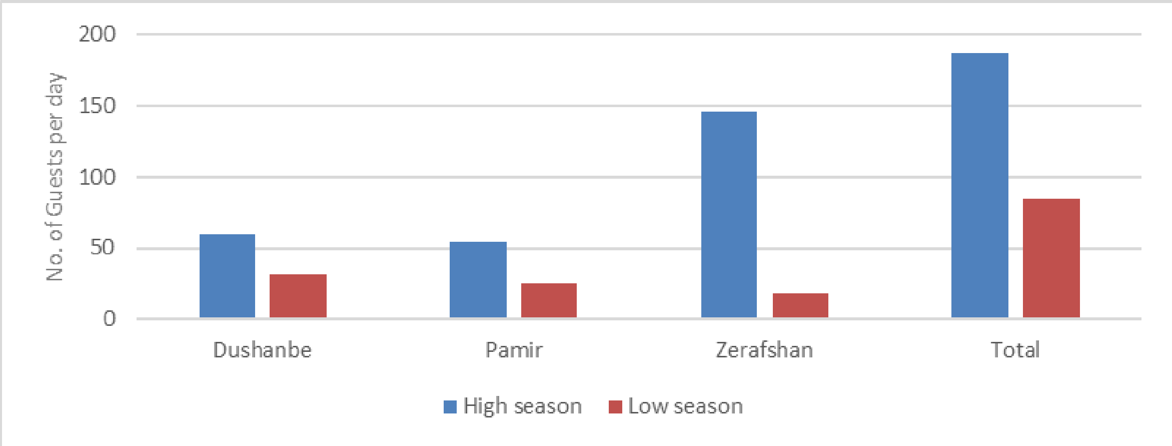


Source: Jobs in Value Chains Survey 2017.

A significant impact of seasonality on the utilization of production capacities is also seen in the F&B sector. The average number of guests per day in the high season is more than double the average number of guests in low season. The difference is the largest in the Zerafshan region.

[19] Leisure tourism can be defined as any trip where the tourist travels internationally for recreation. There are many different types of leisure tourism, like sun, sand and surf; environmental or eco-tourism; adventure; cultural; etc.

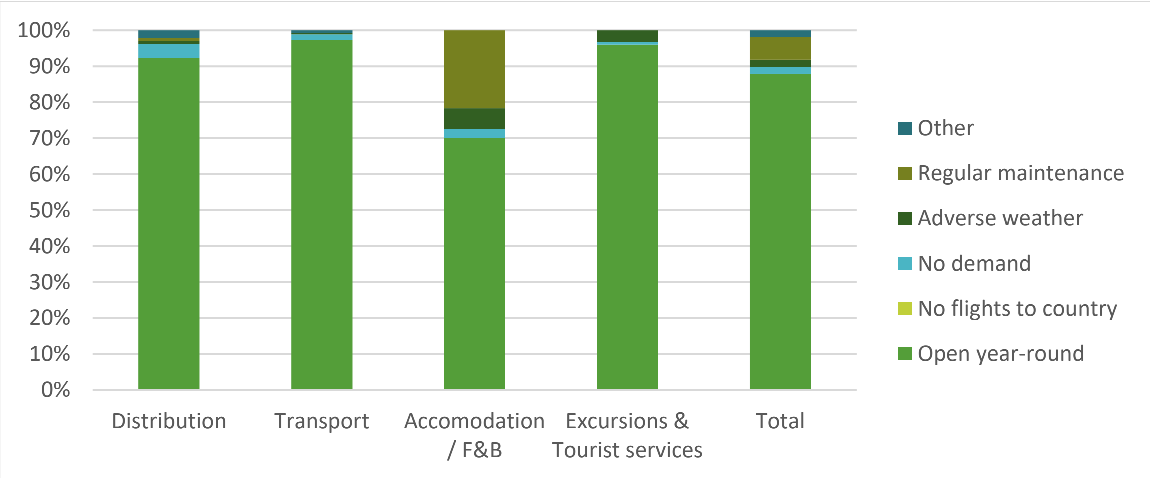
Figure 18: Average number of guests per day in food & beverage facilities by low / high season



Source: Jobs in Value Chains Survey 2017.

Despite low room occupancy rates and a low average number of guests per days in the F&B facilities during the low season, **88% of firms remained open year-round**. The main reason for closure is regular maintenance, especially in the accommodation node. Less than 2% of firms closed due to lack of demand and adverse weather.

Figure 19: Share of firms opened year-round and main reasons for closure by tourism VC node



Source: Jobs in Value Chains Survey 2017.

- **SALES & MARKETING MAIN CHARACTERISTICS**

Large firms, which represent a 0.5% share of the firms in the Tajik tourism VC, generate an estimated 80% of the total annual sales in the VC. However, by excluding the large firms, micro firms account for about 60% of the industry by sales.

Figure 20: Total annual sale by firm size

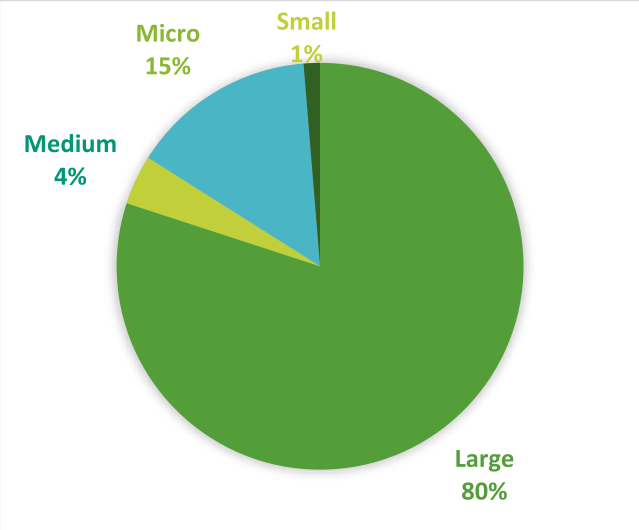
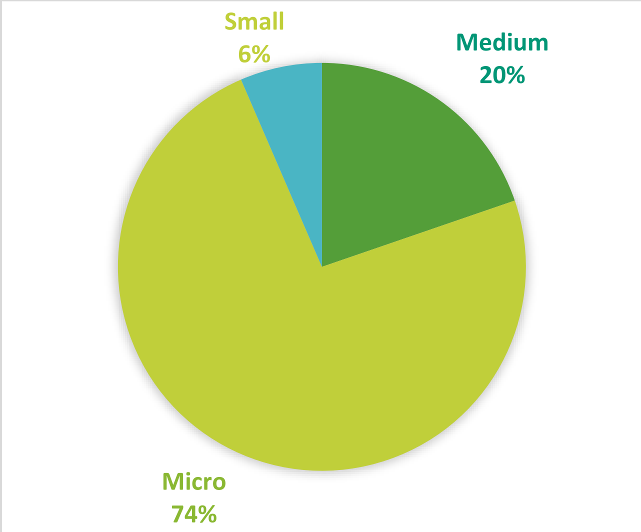


Figure 21: Total annual sale by micro, small and medium firm size



Source: Jobs in Value Chains Survey 2017.

More than half of sales in the Tajik tourism VC are retail. Firms from the distribution and accommodation node rely heavily on their largest client.

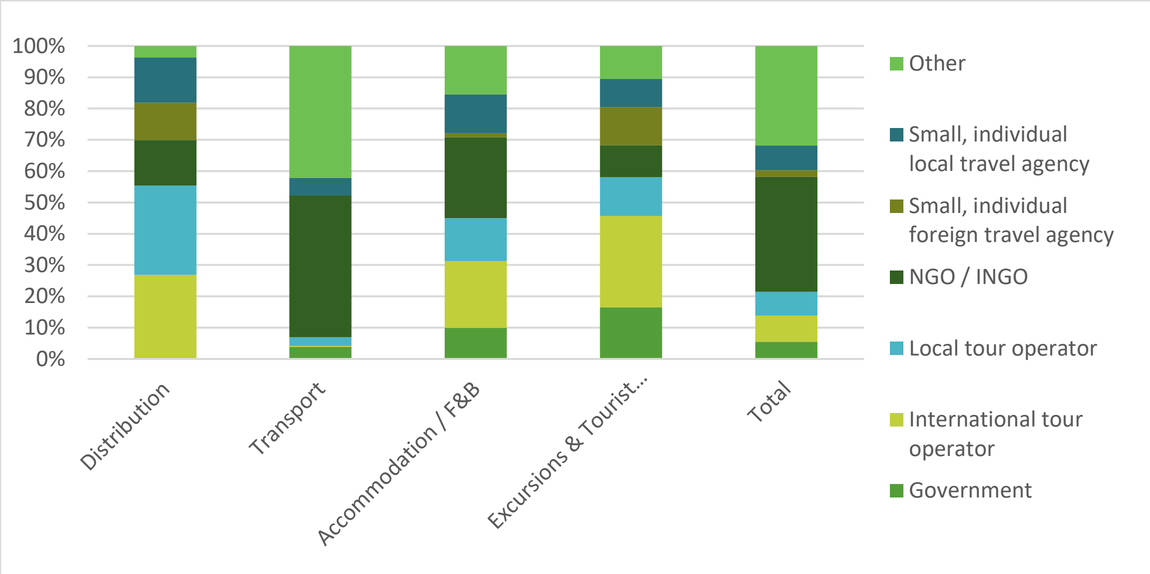
Figure 22: Share of sale by type of client by tourism VC nodes

Source: Jobs in Value Chains Survey 2017.

The structure of the largest clients by tourism VC nodes (Figure 23) indicates that **tourism firms rely on domestic private sector demand.** This is particularly true for transport firms which rely on NGOs, including international NGOs.

The linkages to the international distribution intermediaries (international TO and small foreign TA) are built mainly through the distribution VC node and the excursion/tourist services VC node. Around 40% of their largest clients are international TO and TA in each VC node. The share of international distribution intermediaries in the structure of large clients in the accommodation VC node is a bit lower (30%). However, nearly 30% of their large clients are local TO and TA which, to a certain extent, also act as national distribution intermediaries for the main international distributors. This can be considered an additional indirect linkage of the accommodation and F&B firms to the international markets.

Figure 23: Largest client by tourism VC node



Source: Jobs in Value Chains Survey 2017.

While the share of international distributors in the structure of the largest clients is not surprising, the share of more than 40% of international distribution intermediaries in the structure of the largest clients of the tourist service firms show that **international TO and TA frequently bypass national TO or TA and book the tourist services directly from their providers**. This indicates that local TA and TO lack skills, professionalism and understanding of international markets, market segmentation and foreign clients' expectations.[20] The other reasons might be the absence of tourist destination management and weak linkages of local TO and TA with the tourist service providers. In addition, the semi structured interviews indicate that TA and TO focusing on international tourists are only now emerging in Tajikistan. As already mentioned, the existing ones rely on domestic demand, providing travel services for domestic tourist traveling abroad.

However, according to many cases from developing countries, national TO and TA are a very important part of the tourism VC. They bundle the individual tourist products and services in the travel package and create experiences for the tourist. When they are well-developed and have established strong links with tourist service providers, accommodation facilities, and F&B providers, they could help to better capture the value of tourism products in the country. Supporting this node by improving its knowledge, skills and position within the tourism GVC will make an important contribution to improving competitiveness of the tourism VC and upgrading the end markets. The distribution contracts with the largest clients are rare.[21]

According to Daly and Guinn, [22] the tourists use three main distribution channels: direct booking, "Online Package" and traditional "Package Booking". Each distribution channel has its own sales channel. While for direct booking the establishing of proprietary websites and participation on the tourist fairs and other tourist promotional events is crucial, for online booking and traditional package booking the sales channels to reach the international TO and TA are the most important. For domestic tourists, classical advertising in media and participation in tourist fairs are the most effective ways for selling the tourism products.

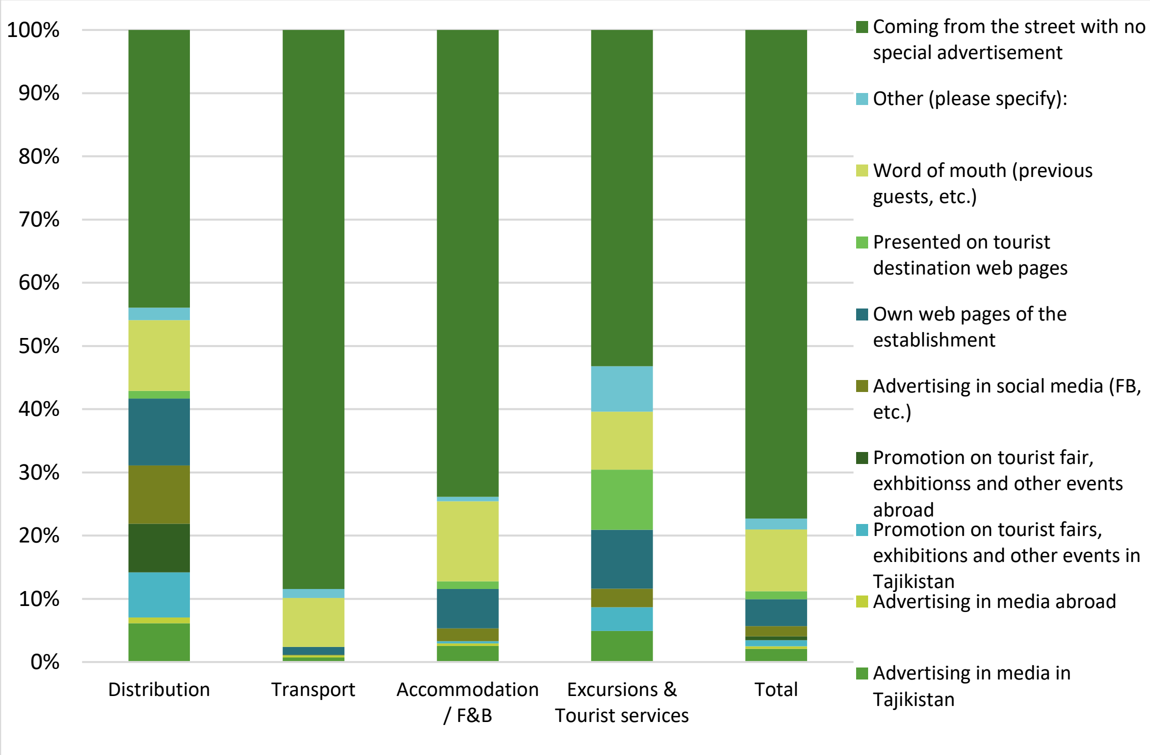
The current structure of main sales channels to individual tourists identified in the survey indicates that **the firms in the Tajik tourism VC don't pay much attention to advertising**. **Nearly 80% of individual guests are "coming from the street" with no special advertisement.** The situation is a bit different in the distribution node where a

[20] Laurent F.: Opportunity Study. Tajikistan inclusive tourism and destination management organization. International Trade Centre. SECO's Trade Cooperation Program (TCP) in Tajikistan. Urbanplan. April 2014.
[21] Source: Survey
[22] Daly, Jack; Gereffi, Gary (2017): Tourism global value chains and Africa, WIDER Working Paper, No. 2017/17, ISBN 978-92-9256-241-0

variety of sales channels, including advertising in social media, are used to attract the tourist. However, the share of tourists coming with no special advertisement is still very high (45%).

The share of firms using proprietary web sites as a sales channel is rather low in all tourism VC nodes. This represents only 10% in the distribution and tourist services nodes and less than 10% in the accommodation node. Improvements to the online presence of Tajik tourism firms could have high returns as selling tourism services through web sites represents an efficient and useful distribution channel for attracting clients and is recognized as a profitable medium of tourism promotion and sales.[23]

Figure 24: Main sales channels to individual tourists by tourism VC node



Source: Jobs in Value Chains Survey 2017.

The main sales channels of the firms that participated in the semi-structured interviews are: advertising in local media, social media, and contracts with online tourist portals such as Booking.com and Hostelworld. The TA participate in the international tourist fairs in order to establish cooperation with international TO and TA. The main challenge reported by the semi-structured interviewees is developing the Tajik tourism brand name which will position the Tajik tourism on the global market in a comprehensive way. Developing a comprehensive national tourism website is, in their opinion, an urgent activity for improving the tourism firms' performance and to assure their growth.

There are already several government and private websites with good information about Tajikistan. None are comprehensive, consistent or wholly reliable. Neither are they well connected to each other or to a wide range of businesses to give an easy, authoritative and consumer-friendly single route into the country.[24]

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[23] The role of internet in hospitality and tourism industry's IMC strategies Gr.151; https://mpk732t22015.wordpress.com/2015/09/13/the-role-of-internet-in-hospitality-and-tourism-industrys-imc-strategies/

[24] A Model of Tourism Development in Tajikistan: Analysis and Recommendations Report of Working Group on Improvement of Investment Climate in Tourism Sector of the Republic of Tajikistan. State Committee on Investment and State Property Management of the Republic of Tajikistan. Secretariat of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan.

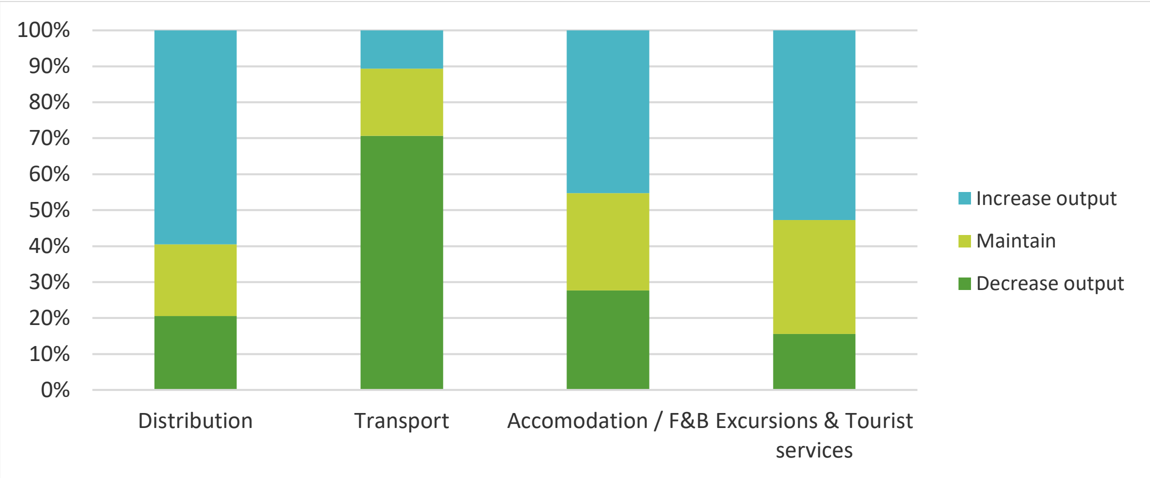
3.4 Value chain outlook

The outlook is positive. The overall perception is that tourism has a great potential for growth in Tajikistan even though it is only at an early stage of development.

Tourism is very high on the political agenda. A lot of effort has already been made to improve the business framework conditions for tourism development. The Tourism Development program and action plan are in place. Public authorities, business associations and educational and training institutions are willing to support the tourism development in the country.

All of this, together with growing demand, creates a positive business climate among the firms. This is especially the case in the distribution node where 60% of firms expect to increase their output next year. Only the firms in the transport node seem to be pessimistic as more than half of them expect a decrease of the output next year.

Figure 25: Expectation about firms output in next year



Source: Jobs in Value Chains Survey 2017.

3.5 VC prospects of regional integration

Currently, Tajik tourism is not using the potential of regional cooperation for further tourism development. However, TATO is active in developing the Central Asia tourism brand name. Strengthening the international cooperation in the region is one of the tourism strategic goals.

The Pamir regions holds a promising cross-border potential. This region has stronger relationships with neighboring countries:

- Kyrgyzstan: peaceful relations favorable to developing joint tourism products;
- Afghanistan: multi-faceted relationship and obvious cultural complicity between neighbors fostered by AKDN's cross-border activities increased tourism potential in northern Afghanistan (the Wakhan Corridor and the new National Park) from the Pamir Region;
- China: substantial market potential at the gates of the Pamir Region along the ancient Silk Road.[25]

25 Laurent F.: Opportunity Study. Tajikistan inclusive tourism and destination management organization. International Trade Centre. SECO's Trade Cooperation Program (TCP) in Tajikistan. Urbanplan. April 2014.

3.6 Constraints to competitiveness and growth of firms in tourism

Given that Tajikistan tourism has witnessed a certain amount of growth in recent years, the main objective of constraint analysis is to pinpoint the critical constraints to effective economic upgrading of the tourism value chain. The reduction or elimination of some or all of the constraints would have an impact on jobs. Constraints and gaps were identified through a survey and semi-structured interviews as well as by a review of Tajik tourism reports conducted in recent years by various international organizations. An overview of the constraints and gaps is presented in Table 3. The constraints are related to the general business environment, administration and regulatory environment. Other factors include management of tourism development, infrastructure, gaps in input markets, access to end markets, workforce, recruiting obstacles and cooperation among key stakeholders in the tourism VC. Most of the constraints are relevant for all nodes in the tourism VC. Some of them are specific to a VC node or a region.

Most critical constraints identified in the survey are relevant for all nodes in the value chain. In terms of business environment, firms feel impeded by lack of access to finance, poor access to the end market, and unfavorable administration and regulatory environment. The top recruiting obstacles reported by the firms are the high cost of wages, high payroll and social security contributions and lack of skilled and experienced workers. (Underdeveloped general public infrastructure is a top obstacle for tourism development in the regions outside of Dushanbe. Access to high quality inputs is a challenge mainly for the accommodation and F&B node as it is hard to find high quality food on the local markets. Another challenge is the distribution node, where the travel agents and tour operators lack the high-quality tourist services and products found in the established tourist destinations which would enable them to create attractive tour packages for international tourists.

Although recognized as a constraint, the firms in the tourism VC do not see lack of cooperation and public-private dialogue as an important issue that could help them to improve their performance and support their growth. The same view applies to the management of tourism development, where only one firm identified this as an issue and as a possible way to improve the tourism development in the country.

Table 3: Overview of the main constraints and gaps for economic upgrading of investment climate in Tajik tourism VC

AREA	CONSTRAINT/GAP	IMPORTANCE
GENERAL BUSINESS ENVIRONMENT	• Weak access to finance due to high interest rates • Exchange rate fluctuations	◆
ADMINISTRATION AND REGULATORY ENVIRONMENT	• Confusing and unclear regulation; lack of clear definitions of regulatory implementation procedures • Time consuming and complicated procedures for construction permissions • Unclear and time-consuming TA and TO licensing procedures • Non-transparent inspection procedures (health & safety, labor, etc.), especially in the accommodation and food node	◆
MANAGEMENT OF TOURISM DEVELOPMENT	• Weak capacity of public officials on strategic planning and implementation of policy measures	◇
INFRASTRUCTURE	• Underdeveloped general public infrastructure: roads, electricity, water supply, heating outside of Dushanbe • Lack of rest stations on the roads, lavatories on the roads and near the main tourist attractions	◇
ACCESS TO INPUT MARKETS	• Lack of high quality inputs (mainly food) on the local markets, relevant for accommodation and food node • Weak safety food supply in the remote regions (Pamir) • Lack of high quality tourist services in the tourist destinations to create attractive tour packages, relevant for distribution node	◇

AREA	CONSTRAINT/GAP	IMPORTANCE
WORKFORCE	• Lack of experienced and skilled workers all along the VC and in particular in distribution node • Lack of foreign languages knowledge • Lack of proper educational programs and training for diverse types of tourist services	◇
RECRUITING	• High payroll taxes and social security contributions • High costs of wages • Lack of skills and experiences of workers	◆
ACCESS TO END MARKETS	• Difficult access to the country due to many reasons: • Visa procedures and overall custom procedures • Migrants' cards and permissions to enter certain regions in the country • Lack of international flights to the country • Lack of tourism marketing and promotion on international markets • Tajik tourist brand is missing	◆
	• Weak international cooperation • Weak regional cooperation (Central Asia)	◇
COOPERATION ALONG THE VC AND PPD	• Lack of tourism destination management • Weak horizontal and vertical cooperation among the firms • Weak PP dialogue	◇

Legend: ◇ Significant constraints as defined by firms

◆ Constraints of sufficient importance for purposes of economic upgrading.

• ACCESS TO FINANCE

Tajik businesses in the tourism sector generally do not have significant financial resources nor do they have access to specialized banking institutions. The interest rates are high, reaching 35%, and therefore unacceptable for many small businesses. This is especially true for a variety of tourist service providers in the tourist destinations, which, due to lack of financial resources, are unable to invest in new, high-quality tourist services and products. This hinders the distributors from creating attractive tour packages and lessens the attractiveness and thus the length of stay of the tourist in the tourist destinations. Overall, tourists coming on trekking or touring trips will not find a city or town where it would be enjoyable to spend three or four days because of lack of tourist services and attractions offered.[26] In addition, private tourist infrastructure such as guest houses and service facilities in mountain tourism is underdeveloped and does not meet the expectations of international tourists.

The small and mid-sized hotels are using financial resources from other businesses to start their business in tourism. However, the financial limitations hinder their ability to grow and expand their businesses even if they have ambitions to do so. With the exception of a few large international hotel chains, businesses from developed countries (whether large or small) have not invested in developing tourism in the country.

Weak access to finance for domestic firms together with the lack of foreign direct investments seriously hinders the investments all along the tourism VC and thus presents the main constraint for economic upgrading of tourism in Tajikistan. Therefore, the government should make more efforts to eliminate this obstacle. There are

[26] Laurent F.: Opportunity Study. Tajikistan inclusive tourism and destination management organization. International Trade Centre. SECO's Trade Cooperation Program (TCP) in Tajikistan. Urbanplan. April 2014.

several policy actions possible to improve access to finance for domestic, mainly micro and small tourism firms (such as micro-credit lines, incentives for small-scale tourism investments in new products and services), and for attracting large scale foreign direct investment. Some of them are presented in the Policy Recommendation Section of this report.

- ## ADMINISTRATIVE AND REGULATORY BUSINESS ENVIRONMENT

Increased access to finance as one of the main general business environment constraints will not necessarily be enough to improve the investment climate in the tourism VC unless accompanied by policy actions for further improvement of the administration and regulatory framework. It will be important to focus on the main obstacles identified by the firms. These include the exchange rate fluctuation which is mainly relevant for the distribution and accommodation node. Other obstacles include the confusing, undefined and time consuming regulatory implementation procedures and inspections as well as complicated TA and TO licensing procedures. Special attention needs to be given to creating a favorable business environment for young micro and small business entities which dominate in the Tajik tourism VC in order to assure their survival and facilitate their growth and their job creation potential.

- ## ACCESS TO THE END MARKETS

As previously mentioned, Tajik tourism relies on domestic private sector demand. Although the number of international tourist arrivals has increased during recent years, the presence of Tajik tourism on the global tourism market is rather weak. The main constraints to attracting higher value market segments and creating linkages with the lead tourism GVC companies are the difficult access to the country and the lack of comprehensive national tourism marketing.

1) **Easy and cheap access to the country** and to the tourist destinations around the country is vital for further development of tourism in Tajikistan. With growing competition in the global tourism industry and the broad range of options that international tourists can choose from, restrictive barriers such as lengthy visa application processes and the need for special permissions to enter the tourist destinations in the country can easily redirect tourists to choose another country to travel to.

   The country is very poorly served by international flight connections. No western airline flies to Dushanbe. There are very few flights, and the flights that do exist are expensive. Generally speaking, the services at the airports and at border crossings do not meet international tourism standards. Because the country is quite large and getting around both by ground and by air is difficult, tourists lose another full day just to get to their principal destination (either the Pamir Region in the east or the Zerafshan Valley in the northwest).[27] The government has put a lot of effort into improving access to the country by the recent adoption of several policy measures. Most of them are in the process of implementation and will remain as a priority in the future.

2) **A comprehensive marketing strategy** to brand the country and the available tourism products is one of the most important factors for linking the value chain to the international end markets and helping firms move to higher value-added offerings. Lead firms in outbound countries—airlines, tour operators —need to be convinced that developing countries are strong tourist destinations for their clients.[28]

   Tourism marketing in Tajikistan is poorly developed. Still missing is a "tourism brand name" of Tajikistan and well-organized marketing and promotion of Tajik tourism in international markets. An established web

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[27] Laurent F.: Opportunity Study. Tajikistan inclusive tourism and destination management organization. International Trade Centre. SECO's Trade Cooperation Program (TCP) in Tajikistan. Urbanplan. April 2014.

[28] Michelle Christian, Karina Fernandez-Stark, Ghada Ahmed, Gary Gereffi. Skills for Upgrading: Workforce Development and Global Value Chains in Developing Countries. The Tourism Global Value Chain. Economic Upgrading and Workforce development. Center on Globalization, Governance & Competitiveness, Duke University, November 17, 2011

presence of Tajik tourism is reported by firms as one of the main constraints to upgrading the tourism VC performance.

The latest Tourism Development Program in The Republic of Tajikistan for the period 2015-2017, adopted by the Government of the Republic of Tajikistan on December 1, 2014, put into place a marketing strategy for the further development of the national tourism product in the domestic and foreign markets. It also provided for the formation of an attractive tourist image of the country as one of the primary objectives of the Program. Concrete recommendations and clearly defined policy actions and instructions for their implementation are defined in the document named “A Model of Tourism Development in Tajikistan: Analysis and Recommendations Report of Working Group on Improvement of Investment Climate in Tourism Sector of the Republic of Tajikistan”.

The process of establishing national tourism boards and their benefits for the development of tourism in the country have been documented in a number of developed and developing countries. According to these cases, establishing the National Tourism Board as a central tourism marketing point in the country is recommended to be the first priority policy action. The National Tourism Board would play an active role in promoting Tajikistan as a tourist destination for international travelers. In addition, it could provide other marketing services such as online reservation systems for local hotels and tour operators. This would give smaller local firms direct access to the market. And, finally, it would establish a communication system among the tourism VC stakeholders, which would improve the cooperation of firms in the tourism VC. The case of Austrian National Tourist Office is presented in the box below.

Box 1: Case of Austrian National Tourist Office

The Austrian National Tourist Office (ANTO) was established 1955, with the central goal to secure and expand Austria's competitiveness in cooperation with all Austrian tourism partners. By doing so, ANTO contributes significantly to increasing Austria's market share in international tourism.

Core Competencies of the Austrian National Tourist Office:

- Development of the brand "Holidays in Austria": This brand differentiates Austria from other holiday destinations and conveys the emotional added value of a stay in Austria;
- Opening up the most promising markets internationally through innovative and modern marketing;
- Partnering with Austrian tourism businesses and acting as an essential platform for tourism networking. The tourist industry profits from ANTO's always up-to-date expert knowledge.

Budget

ANTO's budget is made up of membership fees from the Austrian Federal Ministry of Science, Research and Economy (75 per cent) and the Austrian Federal Economic Chamber (25 per cent) as well as of the Austrian tourism trade's (provincial tourist boards, regions and tourism operations) partnership contributions for marketing services. The membership fees from the Austrian Federal Ministry of Science, Research and Economy and the Austrian Federal Economic Chamber amount to 32 million Euros (FMEFY 24 million Euros, FEC 8 million Euros). The overall budget for 2014 amounts to approximately 50 million Euros.

Activities

ANTO focuses its marketing efforts on three regions: Western Europe, CEE and overseas countries. The markets in these regions cover around 96 per cent of all overnights (2015: more than 135 million), presenting the biggest potential for Austria's tourism. In the remaining countries ANTO is the first contact for tourism-related projects.

The range of activities include above-the-line advertising, media cooperation, the production of special-interest brochures, the organization of fairs and sales platforms as well as cooperation with local tour operators, travel agents and trainings for the travel agency and event sector.

ANTO also supports Austrian tourism suppliers with customized marketing activities tailored to their respective needs and market focus.

The heart of ANTO's guest information, besides ANTO's Holiday Information Line (the most comprehensive service center for Holidays in Austria), is the Internet portal www.austria.info. Austria's largest tourism platform on the Internet provides potential guests with ample information and attractions from all over Austria, in 22 languages at the moment.

Source: https://b2b.austria.info/uk/about-us/austrian-national-tourist-office/

• COOPERATION/LINKAGES ALONG THE VC AND PUBLIC-PRIVATE DIALOGUE

The VC assessment reveals that cooperation among the firms all along the tourism VC is weak. The dialogue and cooperation between the public and private sectors remain insufficient but they are essential to the tourism sector. In addition, lack of adequate state and private management level coordination of tourism at central authority and local state government executive authorities' levels is an obstacle to industry development.

The capacity of a country to capture the gains from tourism growth depends on the linkages both within the local industry and to the global industry. In the absence of these strong linkages, a destination becomes merely "a place" taking advantage of its natural assets but providing little in terms of domestic firm ownership, supplier connections, and workforce growth.[29] Well-organized national tourism VCs mean common marketing strategy, professional distribution, and established tourist destination management. This contributes to a better negotiating position of local tourism actors to realize the value of their products and services. This also contributes to retaining more value of tourist products in the country. Tourist destination organizations take care

[29] Christian M., Fernandez-Stark K., Ahmed G., Gereffi G. Skills for Upgrading: Workforce Development and Global Value Chains in Developing Countries. The Tourism Global Value Chain. Economic Upgrading and Workforce development. Center on Globalization, Governance & Competitiveness, Duke University, November 17, 2011

of strategic planning and supporting SMEs by developing attractive tourist services and products that will attract more demanding tourists willing to pay more for the travel experience in the country.

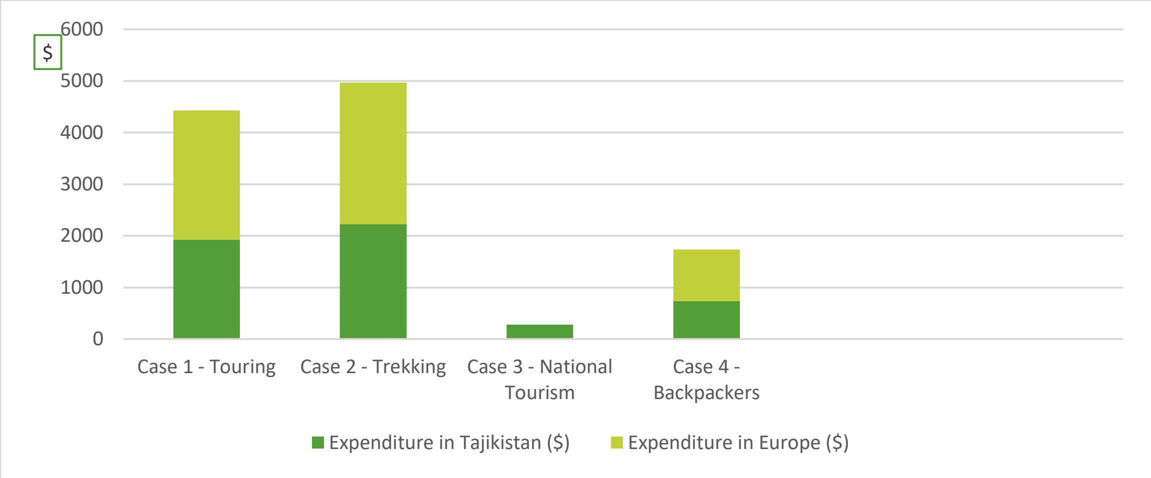
The following case of 4 tourist products sold in Tajikistan illustrates the economic benefit of organized tourist products.

Table 4: Cases of Tourist Products in Tajikistan

	CASE 1	CASE 2	CASE 3	CASE 4
	TOURING IN THE PAMIR	TOURING + TREKKING IN THE PAMIR	NATIONAL TOURISM: HEALTH AND LEISURE STAY	BACKPACKERS
PRODUCT DESCRIPTION	High level 4x4 Touring in the Pamir Region	High level 4x4 Touring + 4 days trekking in the Pamir	Health and Leisure stay in Garm-Chashma (hot spring in Pamir)	Backpackers traveling through Central Asia
COMMERCIALIZATION	By Western European TO, in relation with national TO	By Western European TO, in relation with national TO	Self-independent travelers	Self-independent travelers
DURATION	10 days in Tajikistan	12 days in Tajikistan	14 days	21 days
ACCOMMODATION	3 nights in Dushanbe (3-4* hotel), 2 nights in Khorog (3*hotel) and 5 nights in homestays	3 nights in Dushanbe (3-4* hotel), 2 nights in Khorog (3*hotel) and 3 nights in homestays and 4 nights in tent	Homestay on the road (4 nights), homestay (10 nights) in Garm-Chashma without breakfast, but with cooking facilities	21 nights (2 nights in Dushanbe (guesthouse), 2 nights in Khorog (guesthouse), 5 nights touring in the Pamir (3 nights in homestays + 2 nights in own tent), 2 nights in Khorog (guesthouse), 5 nights trekking in the Pamir (own tent), 1 night in Khorog (guesthouse), 2 nights in Murghab (own tent or free overnight by locales) and 2 nights in Karakul (homestay)).
CATTERING	In restaurant, homestays, tea house, pack-lunch	In restaurant, homestays, tea house, pack-lunch	Tea house on the road, cooking themselves in Garm-Chashma	In restaurant, homestays, tea house, pack-lunch self-prepared
CAR	3 good 4x4 Toyota Land Cruisers, air condition, 3 tourists per car (each tourist by window)	3 good 4x4 Toyota Land Cruisers, air condition, 3 tourists per car (each tourist by window)	Own car	Between the main destinations: local taxi, public transportation; Touring in the Pamir: car rental, shared with other backpackers.
GROUP	8 European tourists, 1 national guide, 3 drivers (Total: 12 people)	8 European tourists, 1 national guide, 3 drivers (Total: 12 people)	4 Adults (1 seeking treatment, 3 relatives)	2 people
TREKKING STAFF		1 Caravan leader, 4 Caravan staff, 1 cook, 7 donkeys + tent material		

Source: Summarized by: Laurent F.: Opportunity Study. Tajikistan inclusive tourism and destination management organization. International Trade Centre. SECO's Trade Cooperation Program (TCP) in Tajikistan. Urbanplan. April 2014.

Figure 26: Tourist Expenditure in Tajikistan and in Europe by Tourist Product



Source: Summarized by: Laurent F.: Opportunity Study. Tajikistan inclusive tourism and destination management organization. International Trade Centre. SECO's Trade Cooperation Program (TCP) in Tajikistan. Urbanplan. April 2014.

The comparison of the 4 cases of tourist products sold in Tajikistan shows a great difference in the tourist expenditures. In absolute numbers, Case 1 - Touring and Case 2 - Trekking are the cases in which tourists spend the most for their vacations in general, including in Tajikistan. Both cases include national distribution intermediaries (national TO), who support the international TO by organizing the tourist product in the country. The level of expenditure of these two tourist products is four to five times higher than for Case 3 – National Tourism and Case 4 –Backpackers.

In a *Model of tourism development in Tajikistan*[30] the following tourism product portfolio is presented:

- Trekking
- Adventure
- Tough Touring
- Meetings, Incentives, Conferences and Events (MICE).

This product portfolio requires a well-organized tourism VC in the country and within each tourist destination. It also needs to have strong linkages to the international distribution intermediaries specialized in marketing these tourist products.

• MANAGEMENT OF TOURISM DEVELOPMENT

A precondition for the effective implementation of tourism strategy is an established and well-functioning management of tourism development. Additionally, it requires the ability of the responsible public authorities and private companies to implement the tasks and activities through public-private dialogue.

Besides the already mentioned weak public-private dialogue, weak capacity of public officials in the management and implementation of policy measures has been reported as one of the main constraints for economic upgrading of tourism in the country.

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[30] A Model of Tourism Development in Tajikistan: Analysis and Recommendations Report of Working Group on Improvement of Investment Climate in Tourism Sector of the Republic of Tajikistan. State Committee on Investment and State Property Management of the Republic of Tajikistan. Secretariat of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan.

The need to strengthen the capacity of public and private professionals is recognized in the recent tourism strategic papers. A proposed approach for an effective and efficient capacity-building program for management of tourism development is presented in the Recommendation Section of this report.

- **GENERAL PUBLIC AND TOURIST INFRASTRUCTURE**

Several infrastructure-related factors affect the ability to attract more tourists and can present constraints for economic upgrading of tourism in the tourist destinations outside of Dushanbe, including underdeveloped general public infrastructure: roads, electricity, water supply and heating. Outside of Dushanbe there is a lack of rest stations and lavatories on the roads and near the main tourist attractions. In some cases, there is failure to comply with sanitary and hygiene requirements of canteens, bathhouses, washstands, and other tourism infrastructure facilities.

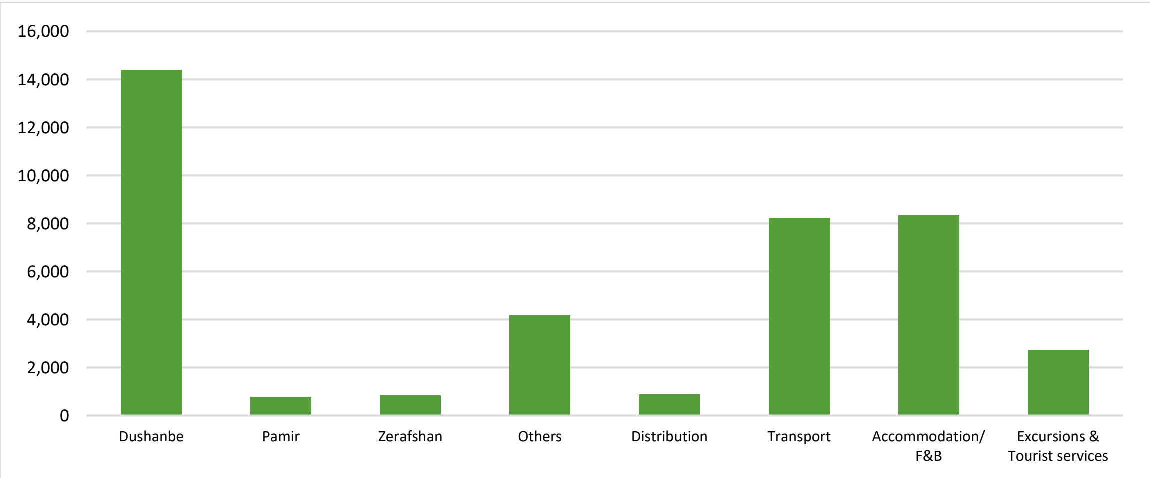
Developing the general public infrastructure is therefore one of the main preconditions for economic upgrading of tourism in the country. This is also the precondition for attracting large foreign and domestic investment in tourism infrastructure such as hotels and resorts. The firms in the accommodation node reported that they are willing to expand their businesses and invest in the new accommodation facilities outside of Dushanbe. However, underdeveloped roads and other public infrastructure, especially in the remote regions, discourage them from these intentions. There are several best practices showing how to improve the infrastructure. The case of comprehensive approach to improving general public and private tourism infrastructure is presented in the Recommendations Section of this report.

Chapter 4: **Workforce development in the Tourism Value Chain**

4.1 Employment structure – Workforce

The tourism VC has an estimated 20,000 jobs, which is around 1% of total employment in Tajikistan.[31] The jobs are largely split between the accommodation and F&B node and the transportation node, which account for 8,000 jobs or 40% each. Seventy percent of the jobs in tourism are concentrated in Dushanbe. A modest share of the total employment indicates that the tourism sector in Tajikistan is only emerging. Therefore, special attention needs to be given to the removal of the main binding constraints for tourism development in the regions, focusing on creating a favorable business environment which would support the start-ups and the growth of existing micro business entities in the regions. Attracting large scale investments to the regions would add much to the job creation not only in the newly established large companies but also in the micro business entities in the region. Large scale investments bring tourists to the region and thus increase the demand for diverse tourist services and local travel agent services. The capital investments for the vast majority of tourist services are low. Therefore, tourism is a sector in which the local population (and especially, the youth) can start a business, giving them the opportunity to stay in the region.

Figure 27: Estimated number of jobs in the tourism VC by region and node



Source: Jobs in Value Chains Survey 2017.

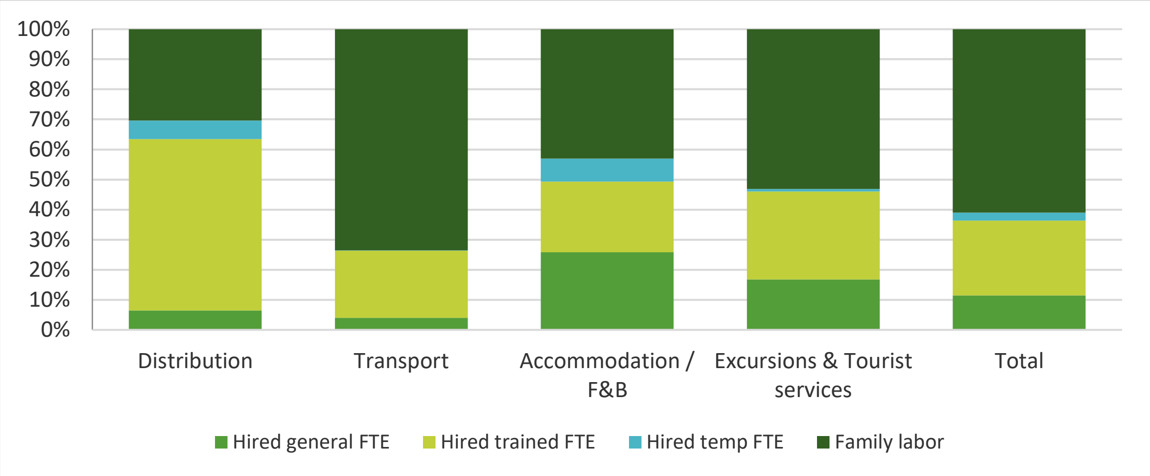
Family labor accounts over 60% of jobs and 25% of skilled labor. The transport node's share of family labor of more than 70% is not surprising as the vast majority of the firms are micro or individual entrepreneurs. The share of family labor in the excursion/tourist service node (53%) is also significant. On the contrary, the distribution node relies on hired workers, mainly of whom are trained, which account for 57% of jobs in this node. The accommodation and F&B node employs nearly 50% of permanent workers, where half of them are skilled. The share of temporary workers in the tourism VC is rather low (nearly 3%). Temporary workers account for a larger share in the accommodation and F&B node and in the distribution node. In the transport and the excursion/tourist services nodes, the share of temporary workers is insignificant. Firms mainly employ temporary workers in the following types of positions:

- Bartender/waiter/waitress: nearly 90% of firms;
- Dishwashers: 70% of firms;

[31] Total employment in Tajikistan is about 2.38 million.

- Tour guides: 60% of firms;
- Travel Clerks: 52% of firms and
- Adventure Tour guides: nearly 40% of firms.

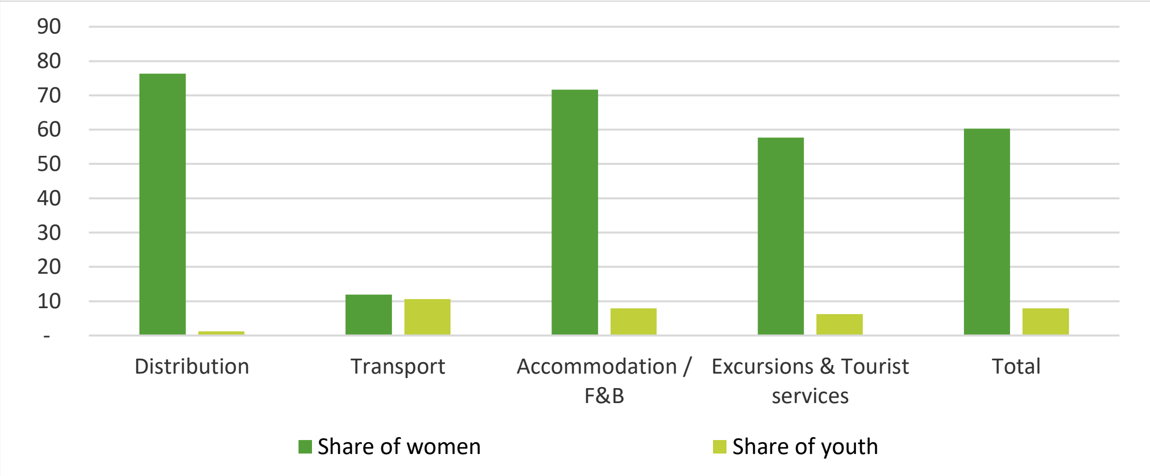
Figure 28: Workforce composition along the tourism VC



Source: Jobs in Value Chains Survey 2017.

Women account for about 60% of workers in tourism but youth account for less than 10% of jobs. Women dominate the distribution and accommodation nodes, reaching a share of over 70%, while the youth find jobs mainly in the transport node. However, even here their share is modest, accounting for only 10% of all workers.

Figure 29: Share of women and youth in general FTEs by node

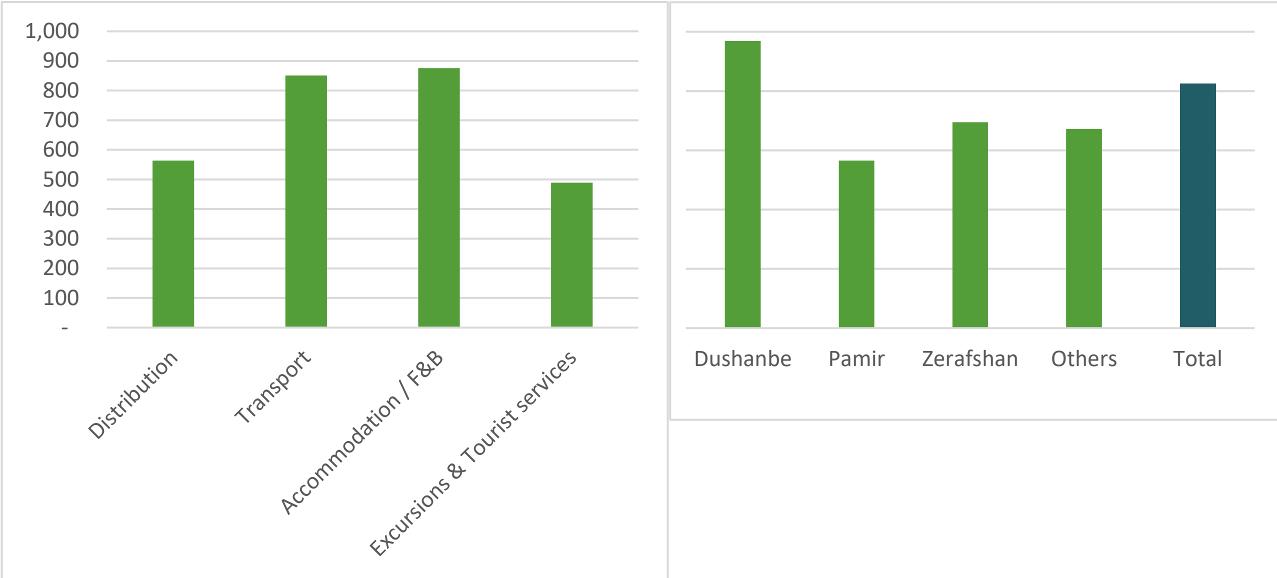


Source: Jobs in Value Chains Survey 2017.

Wages for permanent general workers tend to be higher in accommodation, transport and in Dushanbe. The average wage in the tourism VC in Tajikistan is in line with the average wage in the country, which was 879 somoni (approx. $100 USD) in the year 2015.[32]

[32] Agency on Statistic under President of the Republic of Tajikistan. Macroeconomic Indicators. http://stat.tj/en/macroeconomic-indicators/, June 26, 2017

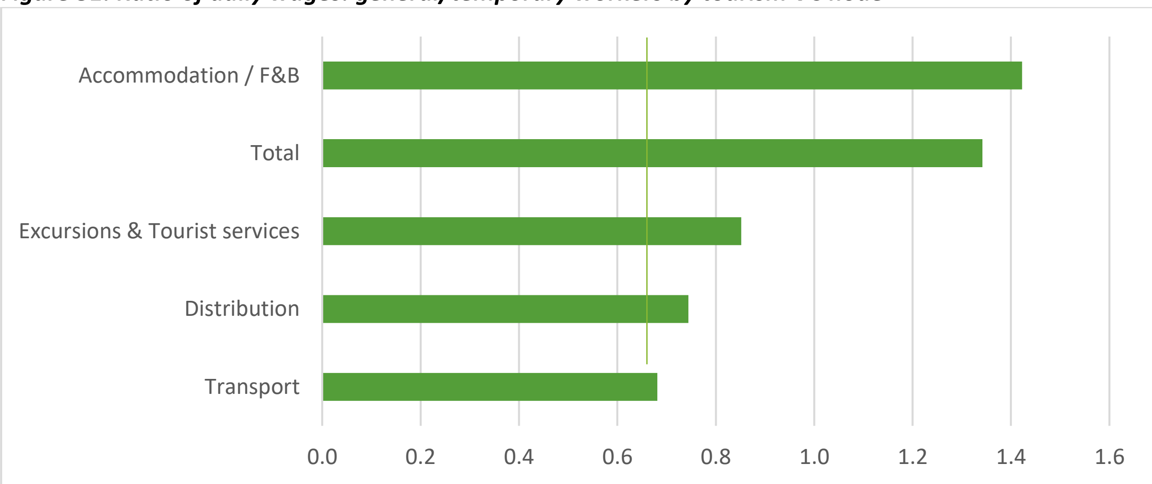
Figure 30: Average monthly wage for permanent general workers by VC node and by region



Source: Jobs in Value Chains Survey 2017.

Outside of accommodation, temporary workers tend to be paid more. This, together with the rather low share of temporary workers in the tourism VC, indicates that it is difficult to find temporary workers willing to work in tourism during the high seasons, especially in the regions outside of Dushanbe. Tour guides seem to be the most difficult to find.[33]

Figure 31: Ratio of daily wages: general/temporary workers by tourism VC node



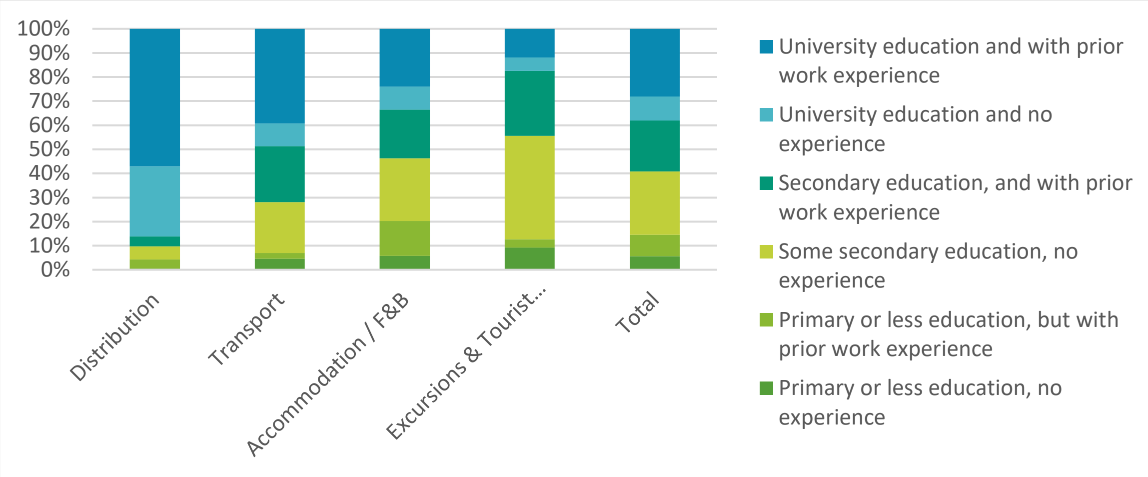
Source: Jobs in Value Chains Survey 2017.

The workers with secondary education (45%) and university education (40%) are the main groups of workers, who got jobs in the tourism VC in the past 3 years. Half of them had previous work experience. The education level of hired workers is particularly high in the distribution node where over 85% of hired workers have university education. The majority of them also have previous work experience. In the transport node, nearly

[33] Finding from semi structured interviews.

50% of university educated workers are hired by the large companies. In the excursions/tourist services node, the largest share of workers has secondary education.

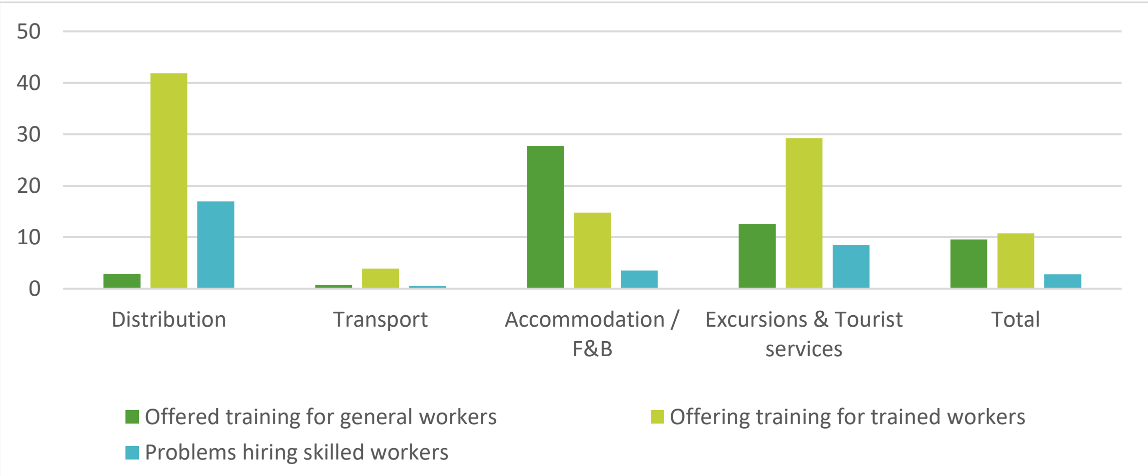
Figure 32: Hires in tourism VC nodes by education level and experience in the past 3 years



Source: Jobs in Value Chains Survey 2017.

A relatively large share of hired workers with no previous work experience indicates that it is hard to find skilled workers on the market. This is particularly true for the distribution and excursion/tourist services nodes. The firms manage this challenge by offering additional training to their workers, primarily for workers in positions which require skills and competences. According to the semi-structured interviews, the reason for organizing the internal training for workers is not only the lack of skilled workers, but also a way of building a firm's culture among the workers and to motivate them for high quality work in the company.

Figure 33: Share of firms offered training for general and skilled workers



Source: Jobs in Value Chains Survey 2017.

According to the information of the Ministry of Education and Science of the Republic of Tajikistan,[34] the following education programs on tourism and hospitality are available in the country:

- Geography and tourism management program, available in the Khudjan State University and Kuliab State University;
- Hotel business program, available in the Institute of Entrepreneurship and Service;
- Marketing and Tourism, available in the Tajik State University of Commerce;

[34] Source: Letter of the Ministry of Education and Science of the Republic of Tajikistan, dated April 10, 2017.

- Tourism program, available in the Russian-Tajik University;
- Tourism and Hospitality, available in 10 Institutes and Universities in the country;
- Economics and Tourism Management, available in the Tajik National University;
- Mountain and Sport Tourism program, available in the Tajik Institute of Sports;
- Linguistics of multicultural communication, available in the Institute of Foreign Languages.

The syllabi and curricula are developed and approved by the institutes themselves. The Ministry of Education and Science has approved 18 educational plans for the tourism and hotel sector for the years 2016-2017. Currently, 1,440 students study for those different degrees in tourism. 279 students graduated in 2016 with a degree in tourism.

4.2 Skills and competences of workers

VC analysis reveals that it is hard to find skilled and experienced workers all along the tourism VC and, in particular, in the distribution node that requires highly educated and skilled workers to deal with international distribution intermediaries. In addition, a large number of workers have limited foreign language skills. There are very few professionals with knowledge of languages other than Russian (such as English, German and French). Even students of tourism and foreign language faculties are mostly taught a language in theory and do not receive adequate practical experience. They do not reach a level of fluency needed to work in this industry.

Despite the establishment of several tourism training departments in universities and institutes in the country, the knowledge level of graduates does not meet market requirements. Most of them cannot find work in the labor market due to their low level of professional knowledge and lack of knowledge of foreign languages.

The firms report that there is no proper training in place for diverse types of tourist services such as tour guides, hotel managers, hospitality and catering services. The lack of skills and competences is the most pressing challenge in the distribution node. According to the International Trade Center Opportunity Study,[35] there are only a few tour operators who have significant experience in running tours in the region. More tourist companies have been organized in the last few years, but they have only very basic knowledge. Currently, tour operators from neighboring countries (Uzbekistan and Kyrgyzstan) are very active in selling Tajikistan as a tourist destination. They include Tajik tourist destinations either as a supplementary excursion to tours in Uzbekistan or as a long-distance tour to the Pamir Region and further north. The Tajik operators have less experience and under-developed tourism infrastructure. As a result, the Uzbek tour operators are much more successful in selling trips in Tajikistan. Tajik tour operators work more independently when tours are organized exclusively in Tajikistan.

Furthermore, the above-mentioned study shows that the existing guides are typically individuals who speak a foreign language, mostly English. These individuals have some practical experience and mostly provide services to independent travelers (groups taking jeep tours). However, they are not professionals with substantial knowledge. The number of experienced trekking and mountaineering guides is very limited. Moreover, they are poorly equipped. Very few guides can speak a language other than English. Guides are mostly men. There are very few women working as guides.

A skilled workforce is an essential competitive asset for upgrading the tourism sector in the country. Therefore, preparing a comprehensive workforce development program must be among the priority policy actions. The VC assessment of the tourism VC can serve as guidance for future workforce needs in Tajik tourism and highlight the main skills and competences that the workers need to have in order to achieve economic upgrading. The findings from the VC assessment need to be supplemented with analysis of the needs of tourism firms in order to create the education and training programs that would match the needs of the industry all along the VC. As

[35] Laurent F.: Opportunity Study. Tajikistan inclusive tourism and destination management organization. International Trade Centre. SECO's Trade Cooperation Program (TCP) in Tajikistan. Urbanplan. April 2014.

reported by the Ministry of Education and Science of the Republic of Tajikistan, such an analysis is already prepared.

For successful workforce development, the public-private partnership must be established first. The study of workforce development practices[36] shows that public-private partnerships have emerged as an efficient and effective method for workforce development. Workforce development best practices are the result of sound organization among the private sector, industry associations, educational institutions and government. These partnerships allow each stakeholder to contribute its best resources to create successful workforce development practices.

[36] Michelle Christian, Karina Fernandez-Stark, Ghada Ahmed, Gary Gereffi. Skills for Upgrading: Workforce Development and Global Value Chains in Developing Countries. The Tourism Global Value Chain. Economic Upgrading and Workforce development. Center on Globalization, Governance & Competitiveness, Duke University, November 17, 2011

Chapter 5: **Informal Sector in the Tourism VC**

Informal tourism is an important and growing source of jobs in Tajikistan, particularly for remote regions such the Gorno Badakshan Autonomous Region (Tajikistan Jobs Diagnostic, 2017), as well as in Pamir and Zerafshan. As part of the survey, 100 informal firms in the Pamir Region and Zerafshan were polled since they are the two main tourist destinations of the country. This section presents the results, highlighting some key differences in the realities and obstacles faced by informal firms. These results should be seen as indicative and illustrative only. Due to lack of a sampling framework and reliable information about the population of informal tourism firms in Tajikistan, it is not possible to generalize the results to the larger informal tourism sector.

- ## SIZE OF OPERATIONS:

The median informal firm in tourism has a single FTE while formal sector firms in accommodation / F&B and distribution (agents and tour operators) are three to four times larger (Figure 34). This is also reflected in the significantly higher sales of typical formal firms in these two nodes, while sales as well as size of firms in transport are comparable across formal and informal firms (Figure 35).

Figure 34: Employment in informal and formal sector (number of FTEs, median)

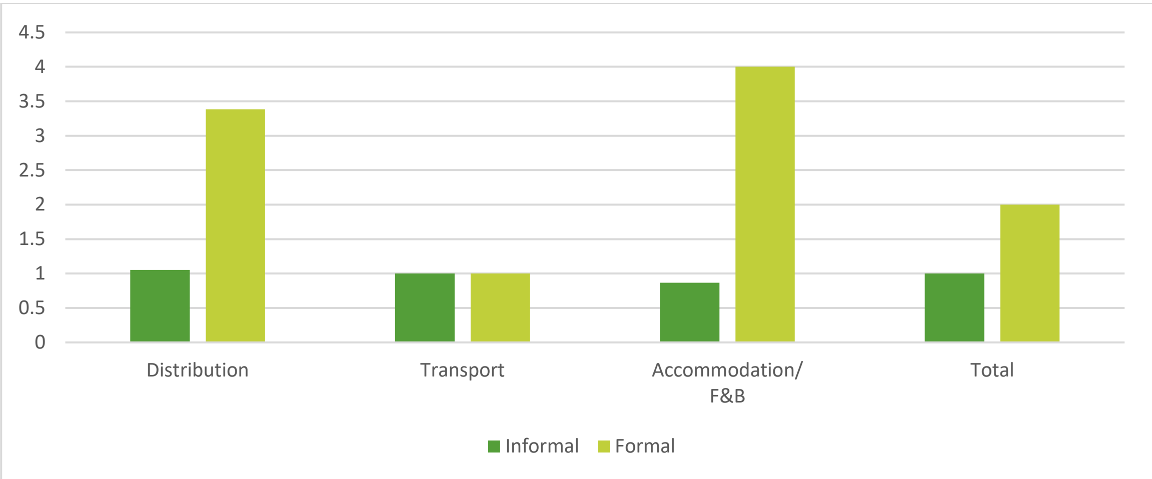
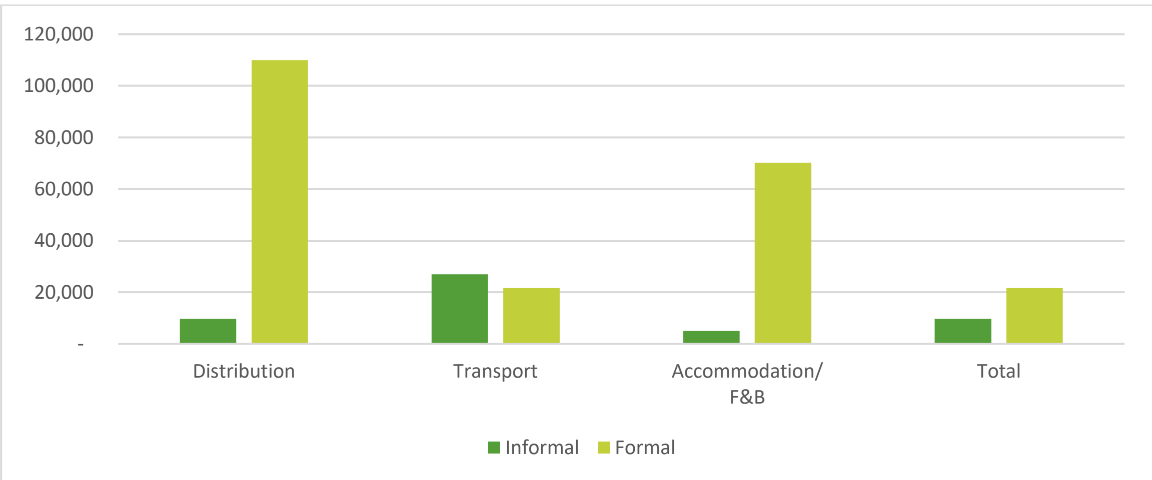


Figure 35. Sales in formal and informal sector (total sales in somoni, median)

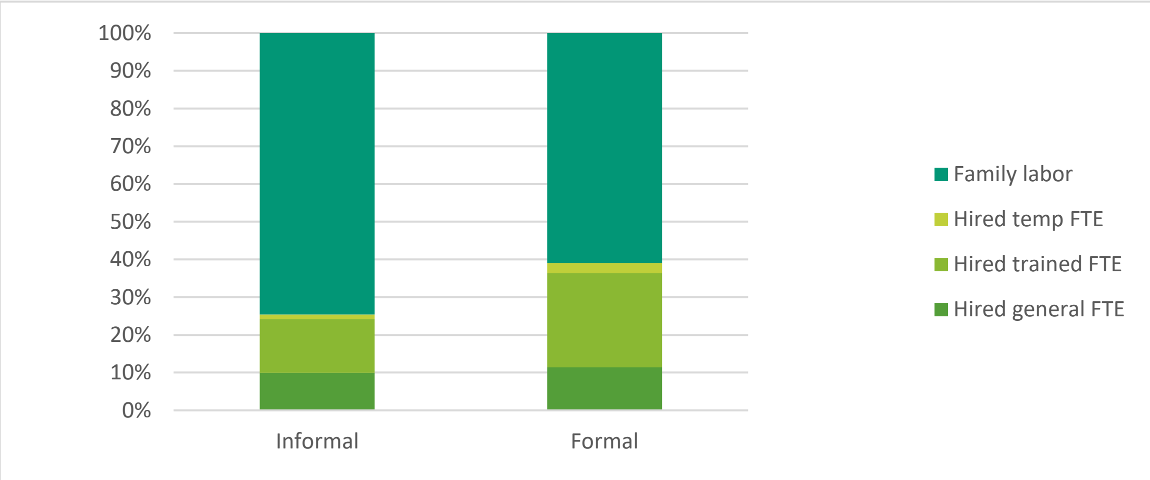


- **WORKFORCE AND SALARY:**

Family members account for 75% of the workforce in informal firms compared to 60% in formal firms. The difference is at the expense of a lower share of trained FTEs in informal firms. The high seasonality of the work in Pamir and Zerafshan can partly explain the rather low level of hired workers. The share of family members in accommodation and F&B and distribution nodes is roughly double for informal firms, while informal transport firms rely comparatively less on family labor (47% vs. 74% for formal firms).

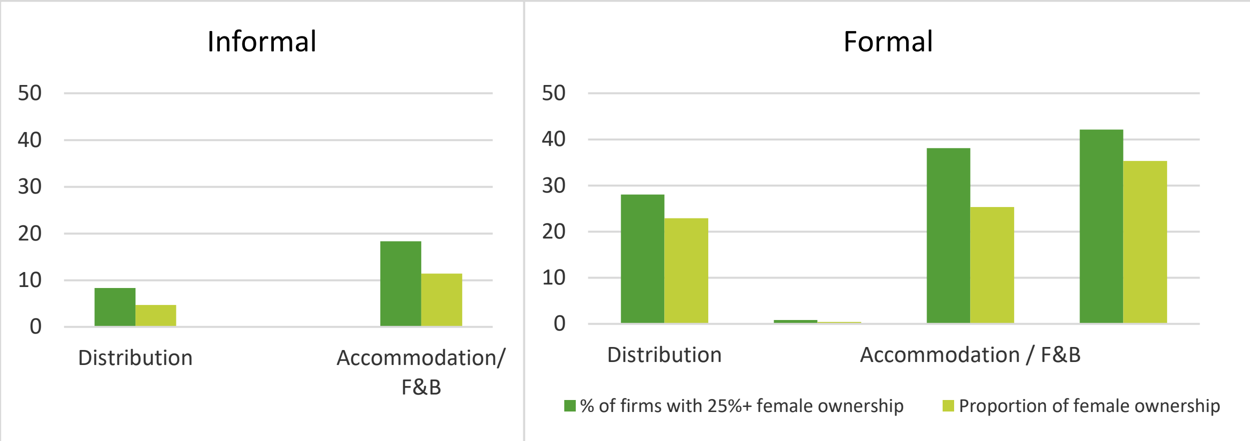
At the same time, wages are broadly comparable across formal and informal firms and are in fact slightly higher for informal firms in transport and distribution. This is possibly due to the lower tax burden on informal firms but might also reflect involvement of experienced guides with practical experience and language skills. However, the informal sector in Tajikistan does not have a significant wage premium to compensate for the lack of benefits and security (Tajikistan Jobs Diagnostic 2017).

Figure 36: Labor force composition in informal and formal sector



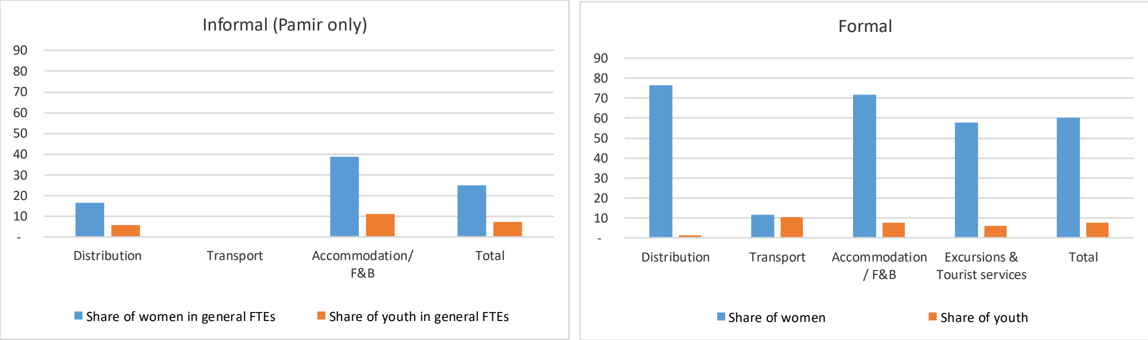
In terms of gender balance, the survey indicates significantly less female ownership in informal firms (Figure 37). The sector also fails to generate employment for women and youth despite the high participation of women in formal distribution and accommodation firms where women account for over 70 percent of workers (Figure 38). In informal distribution, women are less than 20 percent compared to over 75 percent in the formal firms in the same node; informal accommodation / F&B firms have about half the female employment of formal ones. Youth is somewhat better represented in informal firms compared to the formal sector, both in distribution and accommodation / F&B, but the overall share of youth in the workforce remains under 10 percent and is lower than in the general informal sector in Tajikistan.

Figure 37: Female ownership in informal and formal sector



Similar to the formal sector, the informal accommodation and distribution nodes have lower levels of education, while transport firms have relatively higher education levels. In the accommodation and distribution sectors, more than 20% of workers have only primary or less education with no experience.

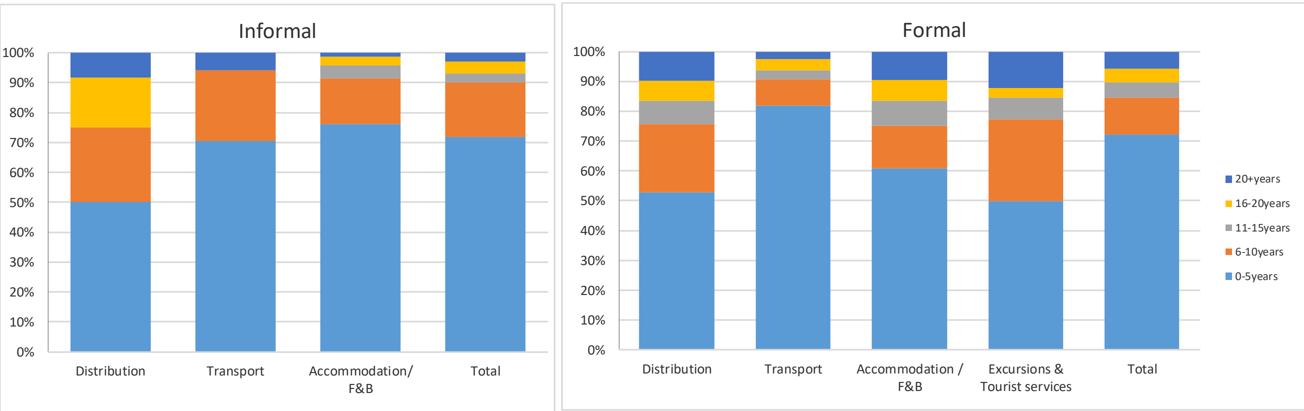
Figure 38: Share of women and youth in the informal sector by node (percent)



• AGE OF FIRMS

The majority of informal sectors firms are younger than five years. However, looking at the node level, we see that the informal accommodation / F&B sector is much younger compared to formal firms in this node (Figure 39). Seventy five percent are less than 5 years old compared to 60% in the formal sector. Less than 10% of firms are more than ten years old compared to 25% in the formal sector. In transport, on the other hand, informal firms are slightly older and there is a larger share of firms which have been in operation for more than 20 years. When looking at the survey results by region, however, we see that the share of the very young firms is nearly double (as the accommodation node accounts for 70% of the sample).

Figure 39: Age of firms in informal and formal sector



• CONTRACTS

Within the accommodation / F&B space, informal firms tend to have contracting arrangements similar to those of formal firms. However, informal distribution and transport firms report no written or long-term contracts at all.

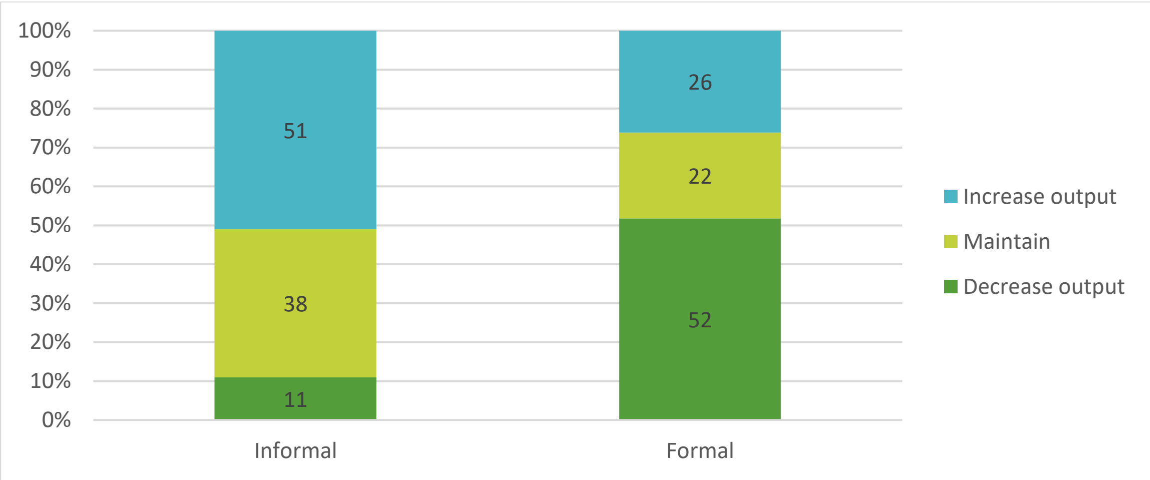
• CONSTRAINTS

Formal and informal firms rank constraints in a similar manner. Access to finance is a top constraint, while the cost of wages is a top hiring obstacle. Yet, informal firms feel these pains more acutely across the board. While less than 10% of formal firms felt that access to finance is a top constraint, as much as 35% of informal firms reported it to be a concern. Informal firms suffer a particular disadvantage in accessing finance in the Zerafshan region where 55% of firms report it as an obstacle, compared to less than 5% of formal respondents from the region. While the cost of wages is an obstacle (especially for transport firms), 47% of informal firms report it as a top obstacle to hiring compared to 23% of formal transport firms.

• OUTLOOK

Despite being more sensitive to business environment constraints, informal firms have a significantly more positive outlook than formal ones. Overall, twice as many informal firms expect output to increase. Only 11% of informal firms compared to over half of formal firms have a negative short-term outlook. Within accommodation / F&B, 56% of respondents expect an increase in output vs. 45% in formal firms. Twenty-seven percent of formal accommodation / F&B firms expect output to decrease compared to less than 10% of informal firms. Seventy percent of formal transport firms expect a decrease in output compared to only 18% of their informally operating colleagues.

Figure 40: Outlook of informal and formal sector: informal firms have a more positive outlook



It is expected that a positive outlook will also be reflected in the growth of employment. The labor elasticity for informal firms is fairly high, ranging between one and three (with the exception of general transport workers). It is particularly high with respect to skilled workers in distribution and transport, highlighting a shortage of trained workers in those nodes particularly in remote regions such as Pamir. Meeting the demand for labor as informal firms grow may create incentives for formalizing, as well as the need for better integration of formal and informal labor. An effective regulatory framework, improved business environment, business support services, improved access to financing, advanced communication technology and infrastructure would contribute to the formalization of the sector. Needless to say, this would also improve access to social and health benefits for workers.

Figure 41. Implied elasticity of labor (hypothetical) for formal and informal tourism firms by node

In any case, the international donors and NGOs have supported tourism in those regions and their continued support would be important in the future. The Aga Khan Development Network and the Pamir Eco-Cultural Tourism Association (PECTA) would be essential in the context of any future projects.

Chapter 6: **Scenarios for Growth and Job Creation in the Tourism Value Chain**

What might be the jobs potential for the tourism value chain in Tajikistan? We examine two hypothetical growth scenarios to see their implications for jobs in the economy. The scenarios presented below are intended to assess opportunities for significant growth of the current value chain rather than simply to project employment over the years based on incremental growth.

The assessment presented in this report shows that the total number of tourists in the country is growing but that the jobs potential has not yet been fully exploited. In this context, however, it is worth recalling that while Tajikistan seems to attract over 400 thousand tourists per year, most of the visitors are coming from the neighboring countries such as Uzbekistan, Kirgizstan, Afghanistan and China and CIS states. Relatively few resorts attract high income tourists from Western Europe and the Far East (Japan and South Korea).

The principal findings confirmed that improvements in public infrastructure would significantly stimulate private investments and support job creation, particularly in rural areas such as Pamir in Zerafshan. Thus, the first scenario looks at the potential effects on the tourism value chain from the development of a new high-end hotel in Pamir. Such a facility would offer skiing, cultural and golfing opportunities and would target Western Europe and Far East visitors through a better marketing strategy featuring its higher end facilities. The second scenario assumes a doubling of sales due to improvements in marketing, new investments and affordable financial services.

- **SCENARIO 1: NEW LARGE HOTEL**

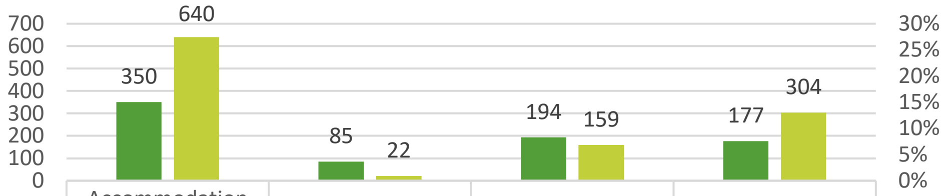
Under this scenario, we assume that the hotel would offer 1,000 rooms (as a best/maximum scenario) with estimated occupancy rate during the high season of 69.4% or 694 rooms and 15% or 150 rooms during low season[37] resulting in approximately 39,400 new tourists, per year. Furthermore, we assumed an average price of 200 USD, per night, per room and approximate VC-related incremental annual sales of 7 to 10 million USD, per year.

Figure 42 illustrates the estimated impacts of this change by value chain node and different types of workers: skilled and general. An initial analysis suggests this scenario would create just over 73 permanent skilled jobs and another 220 general jobs for the needs of the new hotel (direct jobs). However, considering the increased tourists flow would also affect the other nodes of the value chain, our preliminary estimates are for about 806 skilled and 1124 general (indirect) jobs to be added under this scenario assuming the typical average value-added transaction, per tourist, is about 360 Somoni (USD 40).[38] The distribution node gets a relatively modest increase as most of the bookings (around 82%) are made directly with the hotels.

[37] Estimated based on typical occupancies rate from the Tajikistan Jobs in Value Chains Tourism Survey.

[38] 360 Somoni is the estimated typical, average, transaction value, per tourist based on the tourism VC sample. It is likely that the higher income tourist targeted under this scenario may have different (higher) spending however more precise estimates are beyond the scope of the current exercise.

Figure 42. Job creation across the value chain in new resort scenario



	Accommodation and Food	Tour operator	Tourism products	Transport provider
SKILLED Workers	350	85	194	177
GENERAL workers	640	22	159	304
increase skilled %	18.6%	14.3%	27.8%	9.0%
increase general %	18.6%	25.4%	8.6%	18.2%

SKILLED Workers GENERAL workers increase skilled % increase general %

Source: World Bank staff estimates based on the results of the Tajikistan Jobs in Value Chains Tourism Survey.

- **SCENARIO 2: DOUBLING OF TOTAL SALES**

A second scenario considers the job potential based on the need for new labor if the sales of all firms in the value chain double based on a hypothetical question[39] asked as part of the Tajikistan Jobs in Value Chains Tourism Survey.

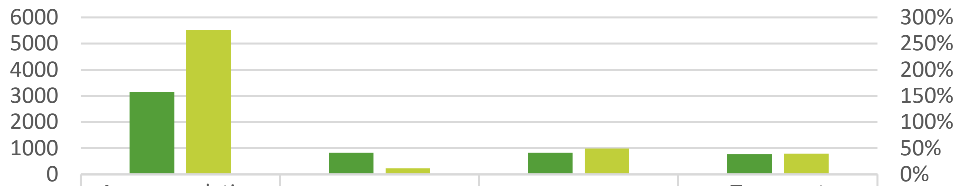
Under this scenario, we assume that all new demand is met by adjustments of the production factors including labor. Of course, given the large scale of such a hypothetical scenario (it involves the entire value chain) the employment impacts on the tourism nodes would be much higher than in the first scenario. This essentially represents a best-case scenario that shows the potential for jobs increase if the overall business environment conditions improve for the entire tourism sector affecting all value chain nodes equally.

Figure 43 below shows that the total sales increase (100% increase over current sales) could create substantial number of jobs across all parts of the chain. Overall, the initial analysis indicates this scenario could result in close to 5,577 permanent skilled jobs and another 7,539 general jobs.[40] Similarly, to the first case, one node – accommodation / F&B would account for the bulk of the increase, i.e. about 2/3 of the overall increase and about 73% of the general jobs. Distribution would generate mostly skilled jobs while all other nodes predict hiring more general workers than skilled workers. On the other hand, transport providers have the lowest sales elasticity for skilled works of only 39% compared to the average projected increase of 142% for of all other nodes.

Figure 43: Job creation across the value chain resulting from doubling of current total sales

[39] The question asks: If this establishment were awarded a 3-year contract and that meant sales would double from its current level, how many extra permanent formally trained occupation workers (such as managers, operations executives, skilled services persons, marketing persons, accountants, human resource clerks, etc.) would you hire and how many permanent general works (such as housekeeping cleaners, drivers, food servers, dishwashers, baggage porters, etc.) would you hire?

[40] We have excluded establishments with predicted more than 5 times increase in jobs, compared to their current level, to hopefully make the scenario more realistic.



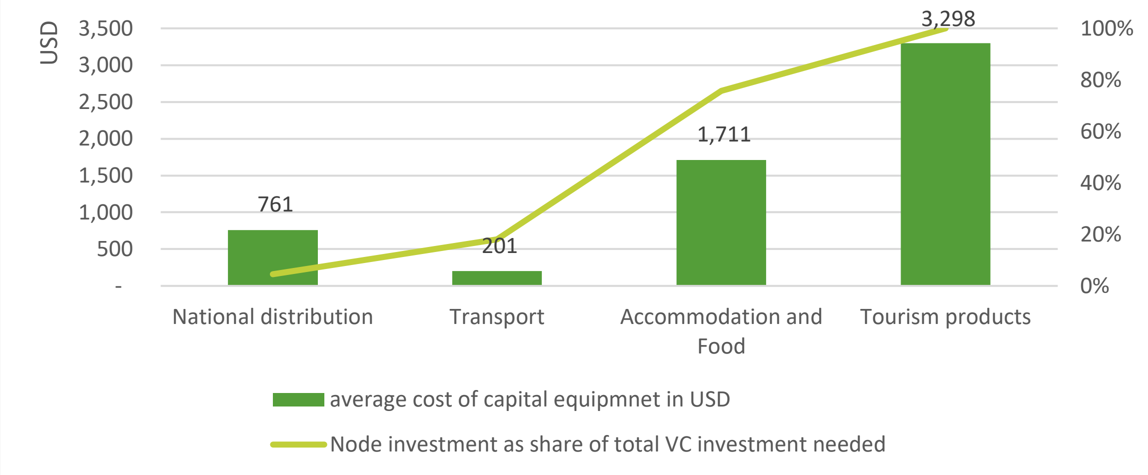
	Accommodation and Food	Tour operator	Tourism products	Transport provider
SKILLED Workers	3151	829	825	772
GENERAL workers	5529	233	987	791
increase skilled %	167.0%	139.4%	118.4%	39.2%
increase general %	160.3%	274.7%	53.6%	47.3%

SKILLED Workers GENERAL workers increase skilled % increase general %

Source: World Bank staff estimates based on the results of the Tajikistan Jobs in Value Chains Tourism Survey.

To meet the projected increase in jobs under the doubling of sales scenario the survey respondents were asked to estimate the required capital equipment expenses. According to the survey, tourism products node would require the costliest investment ($3,298 on average) and would absorb nearly $850,000 or 25% of the total capital requirement for the value chain. Transport requires the least with average estimated expenses of only around $201 per firm. Accommodation and food ($1,171) and national distribution of tourism related products ($761) fall in between. However, due to the concentration of firms in these nodes, accommodation / F&B would require nearly 60% of the full investment needed or over $2 million.

Figure 44: Average cost of the new capital equipment required to meet the job increase for scenario 2, and distribution of the total investment needed to double output in the value chain



Source: World Bank staff estimates based on the results of the Tajikistan Jobs in Value Chains Tourism Survey.

The results of both scenarios presented here are meant to be indicative of the potential scale and nature of job creation that could come from the development of the tourism value chain in Tajikistan. In practice, the number and nature of jobs created in any growth scenario will depend to a large degree on the type of investment driving growth (expansion versus greenfield investment) and the decision taken by firms on the mix of capital and labor they deploy. Furthermore, the jobs figures quoted in the scenarios above are likely to be somewhat overstated if we consider economies of scale in production – i.e. if we take the standard assumption that expansion (at least at the firm level) is driven by *marginal* costs and not *average* costs. Nevertheless, they can be useful in providing policy makers with evidence-based indication of the potential job impact of interventions and policies supporting job creation in the sector.

Chapter 7: **Policy Recommendations**

The Tourism Development Program in the Republic of Tajikistan for the period 2015-2017, adopted by the Government of the Republic of Tajikistan on December 1, 2014, determines the strategy, main directions, priorities, tasks, and mechanisms for the implementation of the state policy in the field of tourism for the medium-term period. Recommendations for policy action are defined in A Model of Tourism Development in Tajikistan: Analysis and Recommendations Report of Working Group on Improvement of Investment Climate in Tourism Sector of the Republic of Tajikistan[41]. The survey conducted as part of this report observed the early positive impact of measures from the strategy currently under implementation.

The assessment of the tourism value chain indicates that Tajik tourism is in the early stages of development, and the next several years can represent a propitious time to set up a systematic approach to tourism development in a manner that would assure the most efficient use of limited human, material and financial resources. Further, improvements in the tourism linkages would support the transformation of this emerging industry to viable opportunity for Tajikistan that can create jobs and absorb a growing workforce as the population grows. In this regard, the four recommendations represented below are framed at both the public policy level and the business enterprise level. Particular attention is given to actions that are directed at improving the business climate and strengthening the base of human resource capital.

Along those lines the discussion is organized around the following set of policy measures:

1. Increase the capacity of the Committee for Tourism Development to ensure that in the national infrastructure development plans as well as in economic policy measures, interests of the tourism sector are adequately represented as high quality public infrastructure (roads, electricity, water, ICT) is one of the main preconditions for tourism development.

2. Establish and promote public-private dialogue. Public-private partnerships are essential due to the high complexity of successful tourism development. Established and well-functioning management of tourism development and the ability of the responsible public authorities and private companies to implement the recommendations through the public-private dialogue is a precondition for effective implementation of the policy actions and thus for successful tourism development. Promotion of the public-private dialogue shall be one of the main activities of the Committee for Tourism Development in the start-up phase.

3 Facilitate national level capacity-building programs for stakeholders in the tourism value chain. Human resources are a key for successful tourism development. Preparing a comprehensive capacity building or workforce development program shall be among the priorities of the policy actions.

4 **Improving access to finance and attract large scale investment.** While infrastructure investments are beyond of the scope of this survey, high-quality public infrastructure and tourism infrastructure (accommodation facilities, recreational zones, cultural heritage, natural parks, etc.) are critical preconditions for tourism development. Tajikistan can learn from successful examples of other countries, such as Slovenia and Turkey., which illustrate that public-private partnership can be a driving force for infrastructure development for tourism.

7.1 Increase the capacity of the Committee for Tourism Development

The recently established Committee for Tourism Development under the Government of the Republic of Tajikistan is the central executive body of state power performing special executive control, permitting and other

[41] A Model of Tourism Development in Tajikistan: Analysis and Recommendations Report of Working Group on Improvement of Investment Climate in Tourism Sector of the Republic of Tajikistan. State Committee on Investment and State Property Management of the Republic of Tajikistan. Secretariat of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan.

functions established in the field of tourism development. The Committee for Tourism Development has a wide range of responsibilities in the field of tourism structured in several departments on the national level and on the regional level.[42] The wide-ranging structure of the committee requires special skills and competences for setting up efficient management system in the institution.

The Committee for Tourism Development would need to ensure that the interests of the tourism sector are adequately represented in the national infrastructure development plans as well as in economic policy measures, as high quality public infrastructure (roads, electricity, water, ICT) is one of the main preconditions for tourism development. Established and well-functioning management of tourism development and the ability of the responsible public authorities and private companies to implement the recommendations through public-private dialogue is a precondition for effective implementation of the policy actions and thus for successful tourism development. Along those lines, Tajikistan could explore the following recommendations:

(a) Capacity-building program for the core team of professionals of the Committee for Tourism Development. Most commonly used approaches include on-the-spot trainings for core team professionals by inviting professional trainers/experts from countries with developed tourism sectors and a training program for core team professionals in a similar tourism development management organization in a selected developed country.

(b) Capacity-building program for high-level professionals in each department of the Committee and especially for the managers of regional departments. Capacity-building can be organized with on-the-spot trainings for high level professionals in each department at the national level by inviting professional trainers/experts from countries with developed tourism sectors. The second option involves a training program for heads of each department in a similar tourism development organization in a selected developed country.

(c) Establishing a communication system among the departments at the national level as well as with remote departments in the regions. The information and communication flow could be provided by regular meetings of the management team and head of departments with the standard items on the agenda such as reports on implemented activities by department, reports on activities in the process of implementation. Discussion and instruction for the next activities can also be enabled by establishing an intranet web portal connecting all the departments in the Committee. The intranet shall be a part of the national tourism web sites which shall be established as soon as possible.

7.2 Establish and promote public-private dialogue

Public-private partnerships are essential due to the high complexity of successful tourism development. Established and well-functioning management of tourism development and the ability of the responsible public authorities and private companies to implement the recommendations through the public-private dialogue is a precondition for effective implementation of the policy actions and thus for successful tourism development. Promotion of the public-private dialogue shall be one of the main activities of the Committee for Tourism Development in the start-up phase.

Aside from existing government efforts, the following initiatives can stimulate systemic and action-oriented public-private dialogue:

(a) Regular public-private discussion on the annual tourism action plan and strategic actions.
(b) Regular communication with private stakeholders, regional Destination Management Organizations, local governments and NGOs on policy measures implementation process, tourism development achievement and future activities.
(c) Business websites as a part of the Tajik tourist web portal would help to establish the public-private dialogue in a most efficient and modern way.

42 The structure of the Committee for Tourism Development is presented in the Section 3.2 of this paper.

A variety of examples of successful PPD exist. Box 3 below presents the experience of Slovenia which illustrates the important role that PPD has in the transition economies.

Box 3. Public private dialogue in Slovenia

Ministry of the Economy of the Republic of Slovenia, responsible for the management of tourism development, started to prepare a new tourism development strategy for the period 2002 – 2006. The **public-private partnership for tourism development was set as a primary objective.** The **draft strategy paper** which proposed guidelines for future tourism development was prepared at the ministry with support of the external consultant. The draft strategy paper was presented and discussed in the workshops with the key private tourism stakeholders and NGOs and further developed in a second draft of the Tourism strategy. The Ministry organized and led these workshops. **The second draft of the tourism** strategy was prepared on the basis of the workshops' main findings. This draft included the main qualitative and quantitative strategic objectives, strategies for achieving the goals, definition of priority tourist destinations and priority tourist products, detailed definitions of policy actions and activities, the responsible body for their implementation and a detailed timeframe for their implementation.

Slovenian Tourism Forum. The second draft the Tourism Strategy was presented in the first Slovenian Tourism forum, chaired by the Prime Minister. Several ministers, and private tourism sector opinion makers attended the forum. The Forum declared common responsibility of the government, private sector and NGOs for the creation and implementation of Slovenian tourism policy. **Tourism Forums are now a regular public-private event where public and private stakeholders discuss achieved results and future common policy actions,** including the results of the tourism performance in the past year and policy actions for the next two years. In each Tourism Forum, separate discussion on the most current topic are organized such as new trends in tourism and best practice cases from other countries' tourism sectors.

Source: Ministry of the Economy of the Republic of Slovenia, Author

7.3 Facilitate national level capacity-building programs for stakeholders in the tourism value chain.

Human resources are a key for successful tourism development. Preparing a comprehensive capacity building or workforce development program shall be among the priorities of the policy actions. All tourism service jobs are very demanding and require commitment and professionalism at all levels including public officials who are responsible for the implementation of particular tourism policy measures. These include customs officials, international airport staff, policeman, and others. The following measures are suggested to improve stakeholder capacity:

(a) Revision of the existing training and education programs and alignment of the programs with international training standards and the needs of the Tajik tourism VC. As reported by the Ministry of Education and Science of the Republic of Tajikistan, an analysis of tourism firms' needs in the field of skills and competences of the workers is already prepared. The assessment of the tourism VC can serve as a guide for future workforce needs in Tajik tourism. The findings from the VC assessment shall be supplemented with analysis of tourism firms' needs in order to create the education and training programs that would match the needs of the industry all along the VC. In addition, the analysis shall take into account the demand driven skills that are determined at the global level by the lead GVC companies. Major job profiles and required skills levels are presented in the Table 5 below.

Table 5: Major job profiles and skill levels in tourism value chains

Position	Job Description	Education/Training	Skill level
Distribution Intermediaries			
Tour Operator	Designs, plans, and arranges package tours, negotiates rates with suppliers, and sells travel products. Most are licensed/certified.	• Technical certification; • Bachelor's degree for owner/ Internships for support staff;	Medium/High

Position	Job Description	Education/Training	Skill level
		• Management and soft skills.	
Travel Agent	Retailer who promotes tourism destinations; plans, organizes and sells packaged tours and provide general travel information and assistance. As a primary point of contact with consumers, they create trust that the experience will conform with expectations. Must be licensed/certified.	• Certification program/technical education / Technical training	Medium
Local Arranger	Sells and arranges tours in local destinations and acts as a broker between guides, excursion operators, and tourists.	• High school diploma • Technical education/ Management and soft skills	Medium
Accommodation / Lodging			
Lodging Management	Responsible for hotel operations, budgets, supervising quality standards, hiring and training, enforcing policies, and monitoring profitability.	• Bachelor's degree • Management and soft skills; on-the-job training	High
Lodging Front Office	Responsible for check in and check out, customer feedback and assistance, and managing reservations and room assignment.	• Technical diploma or certificate program • On-the-job training and internships	Medium
Food and beverage	Plans, organizes, and operates hotel room service, bar, restaurants and/ or other food and beverage services.	• Technical certificate or diploma program • On-the-job training and internships	Medium
Housekeeping	Responsible for cleanliness, room preparations, laundry, inventory, and maintenance.	• No formal education • On-the-job training	Low/ Medium
Transportation			
Airline Agents	Responsible for sales and customer service including reservations, check in, missing baggage and cargo shipments.	• High school diploma • On-the-job training	Medium
Airport/ Airline Maintenance	Responsible for facilities and equipment maintenance, cleanliness, and safety.	• Specialized certificates and Licenses/ Technical training, internships	Medium/High
Airport Manager	Plans, organizes, directs, controls, and evaluates the operations of facilities. Oversees safety and security systems and procedures. Hires and trains staff.	• Business-related Bachelor's Degree • Management and technical training	High
Drivers	Responsible for transporting visitors to and from airports, hotels, and sites. Most are licensed.	• No formal education • On-the-job training	Low/ Medium
Excursions / Tourist services			
Local Guides	Plans excursion itineraries, arranges transportation to site, leads individuals or groups, and advises on safety and emergency measures. Must be licensed/certified.	• Certificate program • On-the-job training	Medium
Excursion Operator	Guides activities and provides specific services such as canoeing, rafting, mountain climbing, camel riding, and bicycling. Most are licensed.	• Technical certificate programs licenses, insurance • On-the-job training	Medium
Retail	Offers tourist products such as artisanal crafts and souvenirs for tourists to buy.	• No formal education • On-the-job training	Low/ Medium

Sources: (1) Michelle Christian, et. all. Skills for Upgrading: Workforce Development and Global Value Chains in Developing Countries. (2) Daly, Jack; Gereffi, Gary (2017): Tourism global value chains and Africa.

Public-private dialogue can contribute much to this analysis. Practices from other developing countries show that the engagement of private stakeholders and their associations can play an important role by creating and implementing the workforce development program in the country (see the case of Jordan in Box 5).

(b) "Train the trainers" program for a group of interested lecturers and other interested public and private tourism stakeholders abroad in the selected tourism developed country. The needs assessment proposed as part of the previous activity could help inform the development of new programs or the upgrading of existing training programs to meet the future tourism workforce needs. Organizing "Train the trainers" program for interested lecturers and other interested public and private stakeholders abroad will provide a necessary knowledge for a successful developing and upgrading the existing education and training programs. There are several practices in other countries on how to implement the "Train the trainers" programs (Box 4 provides an example from Slovenia).

Box 4. Train the trainers program for Slovenian tourism professionals

In 1995, the Government of the Republic of Slovenia with the support of the European Commission introduced a "Train the trainers" program in order to upgrade the skills and competences of the public and private tourism VC stakeholders. A group of lecturers and other tourism professionals attended this program. The project was directed by ECONSTAT Tourism Consultants, Italy in Consortium with EOT (ESCUELA OFICIAL DE TURISMO of Spain) in cooperation with: PARADORES DE ESPANA. Training was focused on marketing, quality and hospitality. The knowledge acquired through this program was successfully used in preparing a new, modern education program. The participants of this program organized hundreds of trainings for Slovenian tourism workers. Most of them participated in the creation of new tourism education programs which have been accredited by the ministry responsible for education. The skills and competence upgrading contributed to the economic upgrading of tourism in the country as shown below.

MEASURE	YEAR 2001	YEAR 2016
No. of tourist arrivals	2,200,000	4,300,000
No. of tourist overnights	6,900,000	11,180,000
Earnings from tourism (EUR)	1,100,000,000	2,200,000,000
Share in total employment		12%
Share in export of services		40%

(c) Scholarships for study abroad. Best practice indicates that leveraging international expertise can help supply the required professionals in the short term, giving educational institutions time to develop programming to meet the demand for highly qualified and experienced workers. Therefore, providing funding mechanisms and scholarships for students to study abroad is recommended as a short-term policy action.

(d) Foreign language learning program. Strengthening the foreign language capabilities all along the tourism VC is of utmost importance since this is an essential skill for upgrading tourism in the country. Providing high quality foreign language training courses within Tajikistan is the first step. International organizations can support the Tajik Government or the private business associations through this activity. Introducing an incentives program for financing the foreign language courses is the second step. Different approaches for strengthening foreign language capabilities are used in developing countries. In some, the government takes the lead role and provides incentives and scholarships. In other cases, the private stakeholders' associations provide the trainings for their members.

(e) Capacity-building program for public officials. The capacity building program for upgrading skills and competences of the public officials such as customs officials, international airport staff, police officers and others is important for tourism upgrading too. These public officials have the first contact with the tourist when they arrive to the airport and the last contact when they travel back home. The first and last impression is important for the assessment of their whole travel experience. Especially foreign language and communication skills are important in this regard. Options for such training includes on-the-spot trainings by inviting professional trainers/experts from countries with developed tourism sectors and training program or study tour for particular groups of public officials in the relevant institutions in such countries.

(f) Special skills and competencies development in the distribution node. As the TO and TA are identified as the most important tourism segment for economic upgrading of Tajik tourism, special attention in workforce development shall be given to the development of workforce development programs in this tourism VC node. There are several ways to enhance workforce development in the distribution node. The case of Jordan is presented below.

Box 5. Jordan Inbound Tour Operators Association approach to the workforce development in the tour operators segment

In 2003, the Jordan Inbound Tour Operators Association (JIOTA) was created to represent tour operators, travel agents, and other private sector firms that operate in Jordan. Since then, it has actively lobbied the government to improve operations and training and simplify tourist entry procedures. By 2010, the organization had over 60 members, representing more than 5,000 workers (JITOA, 2011). The association has received extensive support from USAID, which has been actively involved in Jordan's tourism industry since 2005.

Workforce development in tourism was highlighted as a priority in Jordan's National Tourism Strategy in 2004. Since then, numerous initiatives have been instituted to improve workforce development by the private and public sector, as well as with donor support, and the sector has been moving toward establishing quality and service standards.

JITOA has been particularly active in promoting the development of its members, providing courses to more than 1,000 students from about 100 organizations since its inception and driving numerous other workforce development initiatives. In 2004, JITOA partnered with the USAID Siyaha Project and the International Institute of Tourism Studies at the George Washington University (GWU) to offer programs in events management. Initially, the program was taught by GWU instructors, but "train the trainer" programs were also offered to build local capacity and transition management of the courses.

In 2009, JITOA and the Netherlands Centre for the Promotion of Imports (CBI) reached an agreement to provide Jordanian Tour Operators access to CBI's Export Coaching Program (ECP) for tourism on business-to-business activities and entry of European tourism markets (AMEinfo.com, 2010). The initial six-day training program is carried out by independent industry experts and open to tour operators from 30 different developing countries, provides key lessons on how to develop contacts and networks within the European industry to drive tourism sales. Moreover, participating companies receive support and mentoring for an additional three years.

In 2010, JITOA extended its programming with GWU to offer a two-week professional Destination Management Certification Program to increase the professionalism within the destination management industry (USAID, GWU, et al., 2010). The program was designed for tourism destination managers and marketers, hotel developers, tour operators, business owners, government officials, and others concerned with enhancing the long-term sustainability and competitiveness of tourism destinations. Best practices and cases studies were used as key teaching tools.

The same year, JITOA developed a pilot internship program with Hashemite University's Queen Rania Institute of Tourism and Cultural Heritage supported by USAID to help bridge the skills' gap between graduates of tourism courses in Jordan and the skills required by the tourism industry. Prior to beginning their practical training, students participated in training courses in English for tourism, communication skills, business writing, tourism sector orientation, customer service and time management carried out by the JITOA. Although only eight students participated in the pilot program, the sponsoring organizations plan to roll this out to all universities and colleges with tourism-related programs. JITOA also began offering immersion programs to its members to participate in new niche tourism products, such as the "Voluntourism" program in Ghor Al Mazra'a in January 2010, to help them fully understand the experience in order to develop and market new programs.

Source: Michelle Christian, et. all. Skills for Upgrading: Workforce Development and Global Value Chains in Developing Countries. Duke University, November 17, 2011

7.4 Improving access to finance and attract large scale investment

High-quality public infrastructure (roads, electricity, water, ICT) is one of the main preconditions for tourism development. Another is high-quality tourism infrastructure (accommodation facilities, recreational zones, cultural heritage, natural parks, etc.).

The infrastructure investments are beyond of the scope of this survey. However, the poor conditions of Tajikistan's transport infrastructure, electricity, and airport profoundly impact the tourism. Improvements in infrastructure can generate employment and income, and facilitate skills upgrading far beyond the immediate construction jobs due to the linkages between the different nodes in the value chain as well as to other sectors in the economy. These linkages can be strengthened through public-private dialogue. There are sufficient examples of such approaches in developed and developing countries, such as the examples of Slovenia and Turkey (see Box 6 and Box 7), which illustrate that public-private partnership can be a driving force for tourism.

Box 6. Systematic Approach to Tourism Infrastructure Development – Case of Slovenia

YEAR	ACTIVITY
1998	**Establishment of the Slovenian Tourist Board**: Main role promotion of tourism on the international markets.
2002	• **Tourism strategy for the period 2002-2006,** prepared in a wide public private dialogue. • The strategy **introduced public private cooperation model** by designing and implementing the strategy actions. The roles and responsibilities of all stakeholders were clearly defined. • Main tourist destinations have been selected as priority destination for development. For each selected destination, a detailed **master plan** has been prepared.
2003	• Government launched the first set **of development incentives for spatial plans preparation** in the tourist destinations. Initiatives were designed by the government in close cooperation with local communities. • Private stakeholders start to prepare **investment project documentation**.
2004	**Law on Tourism** was adopted in order to assure supportive business environment for the investments in tourist infrastructure.
2004	• Government supports large-scale investments in private tourist infrastructure in the form of incentives up to 35% for large companies and up to 70% to small and medium sized tourist companies in the total amount of EUR 36 million. • The incentives have been concentrated in the selected priority tourist destinations and for the development of priority tourist products (wellness-spa, recreational facilities, MICE tourism, ski resorts facilities and accommodation facilities).
2006-2009	• Support to small scale investment was launched after the completion of large scale investments **Government supported small scale tourism investments** in the amount of around EUR 285 million which, together with private financial resources, generated EUR 1.2 billion of investments in tourist infrastructure, such as accommodation facilities, recreational facilities and spas.

RESULTS			
MEASURE	YEAR 2001	YEAR 2016	INCREASE (%)
No. of tourist arrivals	2,200,000	4,300,000	95,5%
No. of tourist overnights	6,900,000	11,180,000	62%
Earnings from tourism (EUR)	1,100,000,000	2,200,000,000	100%
Share in total employment		12%	
Share in export of services		40%	

Source: Ministry of the Economy of the Republic of Slovenia, Author

Box 7. Incentives for tourism industry in Turkey

There are several types of incentives and support available for investors in Turkey. Some of them are presented below.[43]
The Ministry of Culture and Tourism **allocates money to provinces and municipalities for infrastructure investments for tourism.** The total money allocated by the Ministry for infrastructure investments increased 425% between 2002 and 2012 and reached TL 129 million. The Ministry of Culture and Tourism also supports movies produced in Turkey as a part of their marketing strategy. The total amount allocated in incentives for film production between 2005 - 2011 was USD 108 million.
Investment support provided by Small and Medium Enterprises Development Organization (KOSGEB) supports management organizations, marketing, international trade, human resources, finance and information management related to investments for SMEs. The upper limit of the support is TL 150,000 and is provided for 3 years.
EXIM Bank provides loans to entities such as tourism agencies that attract international visitors and to private airline companies as well as other tourism-related companies.

A Tourism Development Fund has been established to support tourism investments that will be made for tourism centers in areas of cultural interest, for those that require preservation and in regions that are being developed with loans with a maximum repayment period of 20 years for up to 15% of the total investment cost and the expenditures for the development of foreign marketing opportunities. Investments that are made in accommodation and entertainment facilities, restaurants, convention and exhibition centers, golf and yacht facilities and tourism complexes benefit from incentives under the scope of The Law for the Encouragement of Tourism.

Investment incentives differ with respect to regions with considerably higher rates of incentives for less developed regions. Turkey is divided into 6 investment incentive regions. The 6th region includes developing cities and thus has the highest incentive rates, while 1st region covers the most developed cities and has the lowest incentives.
There are **many incentives that range from tax reductions to insurance contributions**. One example is the support given to employers for their contribution to the social security system. Tourism entities can get a national insurance contribution for regional or large-scale investments. Details of the duration of support and the rates for each region are different and depend on the development level of each region. For example, maximum support for national insurance contribution of employer is for regional investment application 50% in the less developed region and 10% in the most developed region. Duration of this support is 10 years for the investments started before year 2013 and 7 years for the investments started after January 1, 2014 in the less developed region. In the most developed regions the support is limited on 2 years, but only if the investments started before 2014.
Incentives are designed in a way that support the implementation of tourism strategic goals in the field of quality promotion and development of selected priority tourist destinations. For example, the hotel investments with 3 stars and above, can benefit from the regional incentives. In order to protect historical and cultural value and/or places that have a high tourism potential, the Council of Ministers, along with advisors from the Ministry, determine the primary investment areas.

Source: Republic of Turkey Prime Ministry Investment Support and Promotion Agency (ISPAT). Travel & Tourism, December 2013

7.5 Way Forward

The assessment presented in this report shows that total number of tourists in the country is growing but that the jobs potential has not yet been fully exploited. It is worth recalling that, while Tajikistan seems to attract over 400 thousand tourists per year, the majority of the visitors is coming from the neighboring countries such as Uzbekistan, Kirgizstan, Afghanistan and China and CIS states. Relatively few resorts attract high income tourists from Western Europe and the Far East (Japan and South Korea).

The report highlights the country's need for upgrading the tourism VC towards a more dynamic and competitive tourism industry. While it has the potential to produce significant social and environmental benefits, these are only sustainable if the destinations keep delivering a competitive product that the visitor is looking for. An

43 Full text is available on web site: http://www.invest.gov.tr/en-US/infocenter/publications/Documents/TOURISM-INDUSTRY.pdf

improved visitor experience will maximize economic and other returns at the prime destinations and not only in Dushanbe. This will help support the creation of more inclusive and better jobs. However, increased visitor value will lead to higher tourist satisfaction rates and therefore greater economic impact (i.e. through longer stays, repeat visits and more spending that reaches a wider range of destinations).

The report's findings also underscore that the competitiveness of a tourist destination heavily depends on destination management and supporting factors such as infrastructure and accessibility. It is also pointed out that policies, access to international markets via tour operators and travel agents, human capital, and a strong international image are all factors that can determine a developing country's success as a tourist destination. They are all prerequisites for the transformation of Tajikistan tourism as an international tourist destination.

Along those lines, the enabling of private public dialogue would be a key for design and implementation of the strategic actions for the next period. Organizing the first public-private event such as a Tourism Forum at a high political level might be the first step toward developing public-private dialogue in Tajikistan. This would involve inviting the tourism sector and opinion leaders and declaring the public-private partnership for tourism development to be a common responsibility of the government, private sector, and NGOs. Consensus is needed for the creation and implementation of commonly defined actions. This would be a significant opportunity to present the newly established Committee for Tourism Development as well as the results achieved in recent years. This would be a good starting point for the creation of the first public-private Tourism Development Program for the period 2018 – 2020. A Model of Tourism Development in Tajikistan and the recent Tourism Development Program in the Republic of Tajikistan for the period 2015-2017 could serve as a basis for this purpose.

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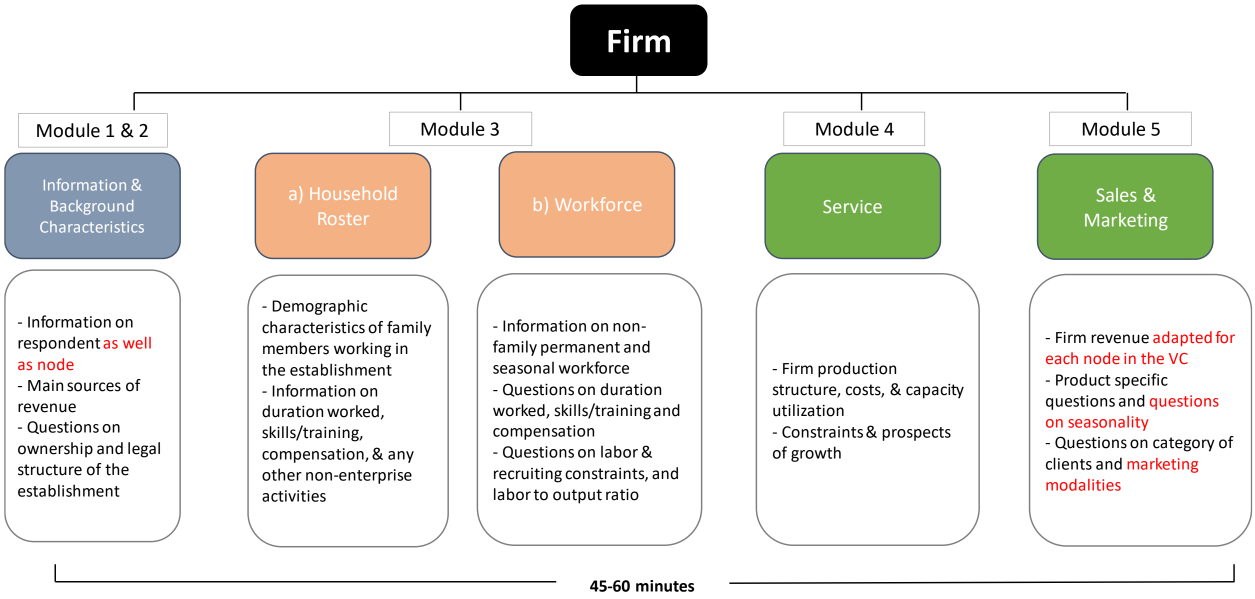
Annex I: Overview of the tourism VC survey instrument



Note: Adaptations for the tourism sector are highlighted in red.

Annex II: Sample Design and Weighting Procedures for the Tajikistan Jobs in Value Chains for Construction Materials and Tourism

1. Sample Design for Tajikistan Jobs in Value Chains Survey

The Tajikistan Jobs and Value Chain Survey was designed to cover two separate value chains (Construction Materials and Tourism), in selected regions of Tajikistan. The overall sampling strategy is described in the report on "Sampling Strategy - Value Chain Analysis of Construction Materials and Tourism Sectors in Tajikistan" (Anteja ECG, Ljubljana, Slovenia, November 2016). A stratified one-stage sample design was used for each Value Chain (VC) Survey. A summary of the sample design for each VC Survey is provided here as a background for describing the weighting procedures.

1.1 Sample Design for Tourism VC Survey

The sampling frame of firms for the Tourism VC Survey was developed from a business register and other sources to cover the following 4 nodes of the VC:

Nodes for Tourism VC
1. Accommodation and food
2. National distribution (tourism agent and tour operators)
3. Tourism products related activities (guides, shops, museums, sporting, spa – hot springs)
4. Transport (international and national)

The sampling frame of firms for each node of the Tourism VC was further stratified by 4 regions and 4 firm size categories, as follows:

Regions
1. Dushanbe
2. Others
3. Pamir
4. Zerafshan

Firm Size Categories
1. Large
2. Medium
3. Small
4. Micro

The original sample of 400 firms for the formal Tourism VC was allocated to the node by region by size strata based on the distribution of the frame in such a way as to have a representative sample across each dimension. Some of the stratification cells had few firms, so they were combined with the next size category within the same node and region. Within each stratum the sample firms were selected with equal probability. During the data collection it was found that some of the selected firms were no longer functioning or not operating in the target sector (that is, out-of-scope), and there were also non-interviews due to refusals or the address could not be found. All of the sample firms that could not be interviewed were replaced with other firms in the frame from the same stratum as much as possible.

2. Weighting Procedures for Tajikistan Jobs in Value Chains Survey

In order for the sample estimates from the Tajikistan Jobs and Value Chain Survey data to be representative of the population of firms, it is necessary to multiply the data by a sampling weight, or expansion factor. The basic weight for each sample firm is equal to the inverse of its probability of selection.

As described above, a stratified one-stage sample design was used for each VC Survey. The sample firms in each node by region by firm size stratum were selected with equal probability. The probability of selection for the sample firms in each stratum of the Construction Materials and Tourism VC Surveys was calculated as follows:

$$p_h = \frac{n_h}{N_h},$$

where:

p_h = probability of selection for the sample firms in stratum h

n_h = number of sample firms with completed interviews in stratum h

N_h = number of firms in the frame for stratum h

. The basic weight for the sample firms in each stratum is the inverse of this probability of selection, and can be expressed as follows:

$$W_h = \frac{N_h}{n_h},$$

where:

W_h = basic weight for the sample firms in stratum h

Given that some of the firms in the frame for each VC Survey were found to be ineligible because they were no longer functioning or not operating in the target sector, it was necessary to adjust the weights to take this into account. The information on the interview status of all of the sample firms that were contacted during the survey, including both the original sample and reserves for replacement, was used to estimate the proportion of the firms in the frame for each stratum that were eligible.

In order to adjust the basic weights, the estimated proportion of the firms in the frame for each stratum that were eligible was estimated as follows:

$$p_{Eh} = \frac{n_{Eh}}{n_{Eh} + n_{NEh}},$$

where:

p_{Eh} = estimated proportion of firms in the frame for stratum h that were eligible

n_{Eh} = total number of contacted sample firms in stratum h that were considered eligible, including the firms with completed interviews

n_{NEh} = total number of contacted sample firms in stratum h was were considered not eligible (no longer functioning or not operating in the target sector)

The final weight for the sample firms in each node by region by firm size stratum was calculated by multiplying the basic weight for the stratum by the estimated proportion of eligible firms in the frame for the stratum, as follows:

$$W'_h = W_h \times p_{Eh} \, ,$$

where:

W'_h = final (adjusted) weight for the sample firms in stratum h

3. Outlier adjustment

For the purposes of the analysis a number of outlier responses were excluded from the analysis at the indicator level. Outlier responses were identified manually based on logical inconsistency with the rest of the responses of the firm and were only excluded from the analysis after a follow up call to the respondent failed to provide a satisfactory response.