A Roadmap for a Competitive Development of the Ukrainian Travel & Tourism Industry

FINAL REPORT
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1. INTRODUCTION

1.1. Note from EBRD

The Roadmap for a Competitive Development of the Ukrainian Travel & Tourism Industry is prepared by Hotel & Destination Consulting (HDC) under the support of the EBRD and funded under the EU4Business Initiative of the European Union. The EU4Business Initiative covers all EU support for small and medium-sized enterprises (SMEs) in the region of the Eastern Partnership which brings together the EU, its member states and six partner countries: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. More information on eu4business.eu

The author’s views expressed in this publication do not necessarily reflect the views of the EBRD or the EU.

A Roadmap consists of:

• independent and professional assessment of Ukrainian tourism system;
• set of recommendations for increasing its competitiveness, identification of strategic priorities and set of priority actions;
• identification of financing opportunities aimed at SMEs that are in accordance with strategic priorities.

Project reasoning stands on the following footholds:

• The tourism sector is considered to be a strategic priority in economic policy in many neighbouring countries and in the other EBRD countries of operation;
• The sector can mainly be developed through PPP mechanisms, as well as via donor cooperation and support. SMEs play a vital role in boosting the sector, therefore the general business environment in the country should be enabling for small and medium companies;
• SMEs are carriers and the main entrepreneurial force that bring innovation and sophistication in the most competitive tourism nations and regions in the world.

EBRD approach to SMEs is two-fold:

• Financing and technical assistance through donor-funded mechanisms;
• Sector approach in Property and Tourism industry that is also a part of the overall Bank’s strategy in local economic development. EBRD is searching for analytically founded solutions that at the same time provide attractive financing opportunities for SMEs in Ukrainian tourism and increase the overall competitiveness and economic effects of tourism in Ukraine.

This paper is intended to structure further dialogue between industry players, government, international institutions and other stakeholders, and to provide a meaningful framework for the future development of tourism and HoReCa (Hotels, Restaurants and Cafes), as well as other tourism-related SMEs in Ukraine.
1.2. About the project

In March 2019 the European Bank for Reconstruction and Development (hereinafter: EBRD) had issued a Call for Proposal for “A Roadmap for Competitive Development of Ukrainian Travel & Tourism Industry” project. A consortium of experts lead by Hotel & Destination Consulting (HDC) company from Zagreb, Croatia, has been selected to execute the project.

According to the Call for Proposal, the Assignment purpose is to bridge the gap between the current situation and Country’s strategic goals, by defining potential markets and competitive tourism products, as well as design a targeted and detailed 3-year action plan for the competitive development of Ukrainian travel and tourism industry. The roadmap must cover the following:

- Assessment of the current situation of the Travel & Tourism sector in Ukraine;
- Identification of appropriate branding and promotion channels to enable the formulation of an effective market entry strategy;
- Existing and upcoming competitive advantages of domestic market players on the Ukrainian market;
- Available sector support infrastructure and service providers.

According to the Call for Proposal instructions, the following sub-sectors have been covered during the project execution:

- Tour operators and tour agencies, professional tour guides services;
- HoReCa: hotels and other places of accommodation; public food catering services;
- Transport infrastructure;
- MICE tourism incl. events and business travel;
- Recreational tourism.

As a result, an action plan for three years will be developed to roll out a suggested strategy with a breakdown of activities to achieve desired goals and related financing needs.

The project was executed by the following team members:

- Zoran Kasum, HDC — key expert and project manager;
- Branko Bogunović, HDC — key expert and project coordinator;
- Aleksander Fainin — local expert;
- Ivan Loun — local expert;
- Raoul Gransier — expert;
- Ružica Herceg, HDC — expert;
- Ivana Đurđić-Petrinić, HDC — expert.

From the EBRD side the project was coordinated and supervised by Denis Torkhov.

PLEASE NOTE: A Roadmap was developed during 2019. The main findings of this report were presented and discussed with the tourism sector practitioners at the Strategic Forum “Competitive Tourism Sector of Ukraine — The Way Forward,” organized by EBRD in Kyiv on November 26, 2019. The authors do realize that since then the global crisis caused by the pandemic of the coronavirus has radically changed the tourism industry around the world, and Ukraine is no exception. However, we believe that the key provisions of the document and strategic recommendations provided for further development of tourism industry in the country remain very relevant. We are confident that when the times of turbulence and uncertainty will eventually end, the priority action plan set out in the Roadmap will be used by stakeholders to restart a competitive tourism sector in Ukraine.
**1.3. Methodology, tasks, and procedures**

During the project execution, the following tasks and procedures have been performed:

**FIELD RESEARCH**
- Stakeholder interviewing process including:
  - 55+ personal interviews with the leading stakeholders of Ukrainian tourism;
  - 20+ telephone interviews;
  - 30+ mail inquires and semi-structured interviews.
- Site inspection of the key tourist sites in Kyiv, Odesa and Lviv.

**POLICY ANALYSIS**
- Analysis of the existing Tourism Development Strategy for Ukraine;
- Analysis of Ukrainian Law on Tourism;
- Analysis of the general situation in Ukraine including geographic, political, legal and traffic information;
- Analysis of the economy and taxation system in Ukraine based on secondary data.

**MARKET PERFORMANCE AND COMPETITIVENESS**
- Assessment of Ukrainian general competitiveness based on consultants’ observations and analysis of secondary data (competitiveness related reports by international institutions);
- Analysis of the Ukrainian tourism market with additional emphasis on the key destinations based on the available statistical data (National Statistics, Destination development departments of Kyiv, Odesa and Lviv);
- Analysis of the Ukrainian tourism management and marketing system, outlining the key regulatory foundations, processes and communications and their comparisons to international best practices;
- Evaluation of the tourism economy of Ukraine based on official statistics estimates from the various international sources, related pilot projects conducted in Ukraine and expert opinions;
- Evaluation of the hotel industry performance based on the official statistics and data gathered through the interviews with hotel industry stakeholders;
- Evaluation of the Ukrainian tourism value chain according to a tailor-made adoption of the original model, where the model has been evaluated by four experts of the consortium together with additional 12 evaluators that have been selected from the interviewed stakeholders;
- Evaluation of the tourist products of Ukraine, according to an HDC (Hotel & Destination Consulting) tailor-made product evaluation model;
- Based on the all above analysis suggested high-level guidelines for the second phase of the project (strategy and action plan) as a platform of discussion with EBRD for the project conclusion.

**COMPARATIVE ANALYSIS**
- Where applicable, HDC has applied comparisons of the Ukrainian general situation, tourism market and economy with the following countries that have been chosen based on similar size, the historical development of the tourism product:
  - Best tourism performers: France (similar size), Germany (similar size and product), Canada (potential product similarities, large country with relatively small population);
  - Potential competitors: Poland (similar size, similar tourism product, historically related) Romania (comparable size, partly similar product), Bulgaria (went-through substantial tourism development cycle over the last 30 years);
  - Nearby countries with a historically similar administrative organisation: Russia.
2. EXECUTIVE SUMMARY

“UKRAINE IS FULL OF BEAUTY, GOOD PEOPLE AND ENORMOUS TOURISM POTENTIAL. WHY DON’T WE MAKE IT SO?”
Member of Ukrainian Parliament

- Ukraine is a large country with a tradition in tourism that has been largely oriented to domestic, and previously, the Russian market, with a significant visitation of neighbouring nationals in cross border areas;
- Due to political processes, as well as to significant degree of misunderstanding and mis-management, tourism has been neglected as an important economic sector over the last 15 years;
- Justification for more intensive tourism development can be found in the agricultural orientation of the country and with emerging IT industry that both have strong synergies with todays;
- Although tourism is not considered as an important sector, economic assessments made in several studies show that it has more economic power than perceived;
- The transportation network and barely existing system of national tourism marketing are the highest limitations to the current tourism system;
- The organisation of the tourism sector is outdated compared to similar countries mentioned above, whereas confidence and level of cooperation between public and private sector entities in tourism is very low;
- Destination management occurs in large destinations, where major cities have some financial and human resource capacity while other destinations do not have destination management;
- Overall conscience on the natural and cultural heritage of Ukraine is also poorly managed by responsible authorities and will require immediate actions (regulation, law enforcement and internal marketing) to highlight their importance and to show best international practices;
- Inclusion of private sector in management processes and international marketing will have to be resolved through formation of National Tourism Organisation (NTO) in charge of branding, PR and promotion that will have the demanding initial task of building awareness of Ukrainian tourism products and convincing international market on safety and security of the country;
- NTO formation/revitalization will be challenging from the point of private sector inclusion. The market is fragmented, so there are few major private sector players on the national level, while Chamber of Commerce (that usually has a hotel/tourism department that can be NTO cofounder — example of Austria) or similar entity isn’t defined as mandatory by law as in European countries leaning on German legislative model;
- New legislation and the organisational transition will have to take into consideration already established DMO’s in major destinations and give them space to perform during transition;
Branding and marketing reorganisation may need an SPV (special purpose vehicle) to bridge the gap before the formation of NTO and reorganisation of the system;

Tourist tax utilisation is generally out of systematic control and is subject to local and regional political decisions. It is recommended that tourist tax collection is collected separately and as such invested in tourism marketing and destination management;

System of statistical coverage of tourism activity currently doesn’t allow for any sensible management or decision making in tourism. It needs to be restructured systematically with a quick fix in the short term to enable basic decision making in tourism development;

It is recommended by the project team of experts that tourism statistics are based on reports from accommodation establishments in terms of arrivals, overnights and related statistics, while border crossings statistics remains for internal affairs control and other uses. For that to happen:

- all accommodation objects have to be registered and instructed by law to deliver all required data;
- for accommodation in private homes (mostly Airbnb rentals) in the first phase they are monitored as other accommodation objects, while in the second phase they are monitored as apartments (or private accommodation);

Quality control and categorisation are issues in all elements of the tourism value chain. Stakeholder interviewing has shown that the problems stem from outdated rulebooks and bylaws (or lack thereof), but more significantly from the inability of law enforcement as well as corruption (a general problem of Ukraine);

Ukraine has a good situation regarding tourism-related human resource capital, while the resource base is significant, however, undervalued;

Air connectivity and the position of the aeroplane industry (one of the several nations that can build all elements of the aeroplane) pose a strategic strength in tourism development, together with local carriers;

In terms of development model, Ukraine is not bound by market competition regulations as EU members are so that it can apply state-subsidised tourism development system), especially in its initial phases to bridge the gap before strengthening of the local private sector in tourism and arrival of potential international investors;

In tourism products, quick wins can be achieved in the MICE/business segment, especially due to the pro-western orientation that will continue to bring more business motivated travellers. Such a market influx should be used to promote the Leisure Offer within the key urban destinations, even in settlements gravitating to those destinations that are transport wise accessible;

The Short Break product is already in place in Kyiv, and especially Lviv, and this destination management process has to be supported. Future branding/marketing efforts should focus on this product in the first phase (together with creating a general awareness of Ukraine) since this is already marketable;

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1 SPV — temporary subject founded with the idea of isolating the risk of improper management of the tourism of the tourism in the period of establishing the tourism management system.
Turkey started to develop its tourism through subsidies to hoteliers when investing in hotels on the Turkish coast (5 and 4*), followed by subsiding local air carrier Turkish airlines to fly-in guests to currently supporting charter companies to fly-in their guests to Turkey.

- There is also a potential in attracting touring groups, where such groups come from Far-Eastern countries present the fastest growing market in the world today;
- General competitiveness projects such as signage and tourist visitor centres can be initiated immediately as projects of national importance since they don’t require significant budgets;
- Further development and planning processes have to be strictly bound and coordinated with transport infrastructure development. Meanwhile, nature and culture preservation/presentation norms can be revisited and applied, at least for the most attractive areas.

KEY TAKEOUTS

Tourism products that can be quick wins:
- MICE / business;
- Short break (City break);
- Touring.

There is a large potential in competitiveness building through the tourism infrastructure — e.g. visitation and interpretation centres, biking and hiking routes, brown signalisation (tourism signalisation) etc.
3. SITUATION ANALYSIS

3.1. General data

Ukraine is a spacious Eastern European country historically split between Central European and Eastern (Russian) influences

Image 1: Map of Ukraine
Source: nationsonline.org

Table 1: Ukrainian Key Facts
Source: cia.gov

<table>
<thead>
<tr>
<th>Area</th>
<th>603,550 sq km / 230,030 sq.mi. (45th)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>42.5 million (33rd)</td>
</tr>
<tr>
<td>Population Density</td>
<td>72.8 inhabitants per sq.km. (110th)</td>
</tr>
<tr>
<td>Language/Alphabet</td>
<td>Ukrainian / Cyrillic</td>
</tr>
<tr>
<td>Dominant Religion</td>
<td>Eastern Orthodoxy and Greek Catholicism</td>
</tr>
<tr>
<td>Literacy Rate</td>
<td>99.8 %</td>
</tr>
<tr>
<td>Capital</td>
<td>Kyiv (2,900,920)</td>
</tr>
<tr>
<td>Borders Length</td>
<td>4,558 km (2,832 mi)</td>
</tr>
<tr>
<td>Bordering Countries</td>
<td>Russia to the East (1,974 km), Moldova to the Southwest (939 km), Belarus to the North (891 km), Poland to the West (428 km), Romania to the South (169 km), Slovakia to the West (90 km)</td>
</tr>
<tr>
<td>The Highest Peak</td>
<td>Hoverla (2,061 m)</td>
</tr>
<tr>
<td>Land Use</td>
<td>Arable land 58 %</td>
</tr>
<tr>
<td></td>
<td>Permanent crops 2 %</td>
</tr>
<tr>
<td></td>
<td>Permanent pastures 13 %</td>
</tr>
<tr>
<td></td>
<td>Forests and woodland 16 %</td>
</tr>
<tr>
<td></td>
<td>Other 9 %</td>
</tr>
<tr>
<td>Major Rivers</td>
<td>Desna, Dnipro, Dnister, Danube, Prypiat, Sivenian Donets and Southern Buh</td>
</tr>
<tr>
<td>Significant Natural Resources</td>
<td>Iron ore, coal, manganese, natural gas, oil, salt, sulphur, graphite, titanium, magnesium, kaolin, nickel, mercury, and arable land</td>
</tr>
</tbody>
</table>
3.1.1. Geography and environment

Big and geographically versatile country that has large improvement potential in the treatment of natural environment and natural tourism resources.

- Ukraine is a country in Eastern Europe lying on the northern shores of the Black Sea and the Sea of Azov; Most of the Ukrainian territory lies within the Great European Plain, while parts of the western regions and southern regions lay within the Alpine system;
- The western regions feature an alpine-like section of the Carpathian Mountains and the Eastern Carpathians that stretches across Poland, Ukraine and Romania.
- The territory of Ukraine is bordered by the waters of the Black Sea and the Sea of Azov. More than 95% of the rivers are part of those two seas’ drainage basins.
- Ukraine does have many environmental concerns. Some regions lack adequate supplies of potable water. Air and water pollution affect the country, as well as deforestation, and radiation contamination in the northeast stemming from the 1986 accident at the Chernobyl Nuclear Power Plant.

3.1.2. Climate

Climate conditions are generally favourable and limit possible tourism activity only during the winter in the northeastern parts of the country.

- Ukraine has a mostly temperate climate, apart from the southern coast of Crimea which has a subtropical climate. The climate is influenced by moderately warm, humid air coming from the Atlantic Ocean;
- The average annual temperature ranges from 5.5–7 °C (41.9–44.6 °F) in the north, to 11–13 °C (51.8–55.4 °F) in the south;
- Precipitation is disproportionately distributed; it is highest in the west and north and lowest in the east and southeast.

3.1.3. History

Ukraine has turbulent history with relatively short intervals of independence and self-governance.

- The territory of modern Ukraine has been inhabited since 32,000 BC. Prehistoric Ukraine, as part of the Pontic steppe, has played an important role in Eurasian cultural contacts, including the spread of the Chalcolithic, the Bronze Age, Indo-European expansion and the domestication of the horse;
- During the Middle Ages, the area was a key centre of East Slavic culture, with the powerful state of Kyivan Rus’ forming the basis of Ukrainian identity. Kyivan Rus’ disintegrated in the 12th century;
- During the next six centuries, parts of Ukrainian territory were governed by the Polish-Lithuanian empire, Russia and Habsburg Austria;
- The Ukrainian Bolsheviks, who had defeated the national government in Kyiv, established the Ukrainian Soviet Socialist Republic, which on 30 December 1922 became one of the founding republics of the Soviet Union;
- After Nazi Germany and the Soviet Union invaded Poland on September 1939, the Ukrainian SSR’s territory expanded westward, while the republic expanded to the south with the transfer of the Crimea in 1954;
- Ukraine became independent again when the Soviet Union dissolved in 1991. This started a period of transition to a market economy, in which Ukraine suffered an eight-year recession;
Subsequently, however, the economy experienced a high increase in GDP growth (in period 1999–2008). Ukraine was caught up in the worldwide economic crisis in 2008, and the economy plunged. GDP fell 20% from spring 2008 to spring 2009, then levelled off;

The prolonged Ukrainian crisis began on 21 November 2013, when then-president Viktor Yanukovych suspended preparations for the implementation of an association agreement with the European Union;

This decision resulted in mass protests by pro-European events which became known as the «Euromaidan». After months of such protests, the protesters ousted Yanukovych on 22 February 2014;

Following his ousting, unrest enveloped the largely Russophone eastern and southern regions of Ukraine, from where Yanukovych had drawn most of his support. An invasion by Russia in the Ukrainian Autonomous Republic of Crimea resulted in the annexation of Crimea on 18 March 2014. Subsequent unrests in Donetsk and Luhansk oblasts evolved into a war that is still having an adverse impact on the tourism attractiveness and generally on the economy of Ukraine.

### 3.1.4. Demography

*Human resources of Ukraine can be advantage for tourism development, but currently it is in decreasing trend and with risk of significant immigration in case of further EU integration.*

- The following are Ukraine's population estimates since 2013 according to the CIA World Factbook website:
  - 43,952,299 (July 2018 est.);
  - 44,033,874 (July 2017 est.);
  - 45,426,249 (1 January 2013).

- It is estimated that the country’s population is shrinking by over 150,000 people every year. However, things have changed a little since the year 2000. The birth rate, which was previously very low, has risen recently;

- The fertility rate, however, is fairly low: 1.29 children born/woman. The death rate of almost 15 deaths/1000 persons is higher than the birth rate, which is around 9.59 births/1000 population.

Image 2: Ukrainian population
Source: State statistics office of Ukraine

Ukraine has an aging population

Less than 13 % of Ukrainians have completed higher education

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>complete higher</td>
<td>12.9 %</td>
</tr>
<tr>
<td>base higher</td>
<td>0.7 %</td>
</tr>
<tr>
<td>incomplete higher</td>
<td>17.5</td>
</tr>
<tr>
<td>complete intermediate</td>
<td>33.3 %</td>
</tr>
<tr>
<td>incomplete intermediate</td>
<td>29 %</td>
</tr>
<tr>
<td>no initial</td>
<td>6.8 %</td>
</tr>
<tr>
<td>illiterate</td>
<td>0.6 %</td>
</tr>
</tbody>
</table>
Although considered to be on the improving trend, age structure reflects those of the most of European countries with an ageing population (over 16.5% of population older than 65 — more than population group of under 14);

- The ethничal structure is dominated by Ukrainians (77.8%) and Russians (17.3%), while the other ethnic groups make less than 1% of the population;

- Ukrainian is the official language, spoken by 67.5% of population, Russian is spoken by 29.6%, while the other languages are spoken by 2.9% of the population;

- The literacy rate in 2015 was 99.4% of the adult population (aged 15 years);

- The government spending on education is 6% of the country’s GDP as of 2014 (35th place in the world).

3.1.5 Politics and administrative

Ukraine is still highly centralised with sometimes unclear divisions of jurisdictions between government levels.

- Politics of Ukraine takes place in a framework of a semi-presidential representative democratic republic and a multi-party system. The Executive power is exercised by the Cabinet of Ministers;

- Legislative power is vested in the Parliament (Verkhovna Rada). Ukrainian politics has been categorised as «over-centralised» which is seen as both a legacy of the Soviet system and caused by a fear of separatism;

- Industry-specific functions (such as tourism) may be cascaded from the national level down to regional authorities, yet there are usually no clear rules regulating such divisions, or they aren’t properly enforced;

- Corruption in Ukraine is rampant, and widely cited, at home and abroad, as a defining characteristic (and certain handicap) of Ukrainian society, politics and government. The Economist Intelligence Unit has rated Ukraine as a «hybrid regime» in 2016;

- Ukraine is divided into several levels of territorial entities. On the first level there are 27 regions: 24 oblasts, one autonomous republic, and two «cities with special status»;

- Ukraine is divided into three main administrative divisions: oblast (region), raion (district), and council (city, settlement, and village);

- Cities with special status and regional significance beside being divided into special districts in a city may also include smaller towns (district significance), settlements, and/or villages. Ukrainian administrative organisation per 2001 census is presented in Table A.1. in the Annexe of the document.
• Oblasts are on the first (top) level of the administrative division of Ukraine.
• Almost every oblast is named after its administrative centre, except for four oblasts. Volyn' and Zakarpattia, whose respective capitals are Lutsk and Uzhhorod, are named after historic regions Volhynia and Transcarpathia;
• The administrative centres of the Dnipropetrovsk Oblast and the Kirovohrad Oblast were renamed to Dnipro and Kropyvnytskyi in 2016, however as of 2017 the oblasts still officially bear the old soviet names as their change must be reflected in an amendment to the Ukrainian Constitution;
• The key information on Ukrainian regions (oblasts) is shown in Table A.2 in the Annexe.

Image 4: Regions (oblasts) of Ukraine and geographical division
Source: State statistics office of Ukraine and Kyiv International Institute of Sociology (KIIS)

• On top of regions (oblasts), there are two cities with special status: the city of Kyiv which is the capital of Ukraine and the city of Sevastopol:
  • Kyiv, 839 sq km, population: 2,782,016;
  • Sevastopol, 1,079 sq km, population: 380,301.
• Crimea and Sevastopol remain a part of a territorial dispute between Russia and Ukraine since, with the most of international community (including UN) supporting Ukrainian claim.

Table 2: List of Ukrainian major cities

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Kyiv</td>
<td>Kyiv</td>
<td>2,868,702</td>
<td>2,611,327</td>
<td>9.86 %</td>
</tr>
<tr>
<td>Kharkiv</td>
<td>Kharkiv Oblast</td>
<td>1,451,132</td>
<td>1,470,902</td>
<td>-1.34 %</td>
</tr>
<tr>
<td>Odessa</td>
<td>Odessa Oblast</td>
<td>1,017,022</td>
<td>1,029,049</td>
<td>-1.17 %</td>
</tr>
<tr>
<td>Dnipro</td>
<td>Dnipropetrovsk</td>
<td>993,094</td>
<td>1,080,846</td>
<td>-8.12 %</td>
</tr>
<tr>
<td>Donetsk</td>
<td>Donetsk Oblast</td>
<td>949,825</td>
<td>1,016,194</td>
<td>-6.53 %</td>
</tr>
<tr>
<td>Zaporizhia</td>
<td>Zaporizhia Oblast</td>
<td>766,268</td>
<td>817,882</td>
<td>-6.31 %</td>
</tr>
<tr>
<td>Lviv</td>
<td>Lviv Oblast</td>
<td>729,038</td>
<td>732,818</td>
<td>-0.52 %</td>
</tr>
<tr>
<td>Kryvyi Rih</td>
<td>Dnipropetrovsk</td>
<td>652,137</td>
<td>709,014</td>
<td>-8.02 %</td>
</tr>
<tr>
<td>Mykolaiv</td>
<td>Mykolaiv Oblast</td>
<td>494,922</td>
<td>514,136</td>
<td>-3.74 %</td>
</tr>
</tbody>
</table>
3.2. Traffic and accessibility

Overall interconnectivity of Ukrainian territory lags behind developed countries, especially in terms of road infrastructure making it one the major obstacles for higher tourism competitiveness.

3.2.1. Road infrastructure

Ukraine is at the bottom of the comparative set according to the road network length by area and population.

Table 3: Comparative data on road networks

Ukraine is at the bottom of comparative countries

<table>
<thead>
<tr>
<th></th>
<th>Area, sq km</th>
<th>Population</th>
<th>Road network length, km</th>
<th>Road network length / area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global leaders</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>640,679</td>
<td>67,022,000</td>
<td>965,446</td>
<td>1.5</td>
</tr>
<tr>
<td>Germany</td>
<td>357,386</td>
<td>83,019,200</td>
<td>644,480</td>
<td>1.8</td>
</tr>
<tr>
<td>Canada</td>
<td>9,984,670</td>
<td>37,602,103</td>
<td>1,042,300</td>
<td>0.1</td>
</tr>
<tr>
<td>Potential competitors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poland</td>
<td>312,696</td>
<td>38,433,600</td>
<td>423,997</td>
<td>1.3</td>
</tr>
<tr>
<td>Romania</td>
<td>238,397</td>
<td>19,401,658</td>
<td>86,494</td>
<td>0.4</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>110,994</td>
<td>7,000,039</td>
<td>41,250</td>
<td>0.4</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>17,098,246</td>
<td>146,793,315</td>
<td>1,452,000</td>
<td>0.010</td>
</tr>
<tr>
<td>Ukraine</td>
<td>603,550</td>
<td>42,500,000</td>
<td>172,400</td>
<td>0.004</td>
</tr>
</tbody>
</table>

- Ukraine’s system of roadways was inherited from the Ukrainian SSR, which was part of the bigger Soviet network of roadways. The network consists of 99% of roads for public use with 12% assigned as of state importance and 87% of local importance;
- The general use of roadways are the main travelling routes, and some are part of the E-road network. High-speed highways, however, such as motorways or freeways are rare and only available on selected segments of the major routes;
- The whole system of all automobile roads (roadways) consists of some 172,400 km (107,100 mi) out which 164,100 km (102,000 mi) — have a hard surface or 95.19%. The existing road network was mostly built during the 1960s and 1970s;
- Big construction projects for improving national roads that started for Euro football cup 2012 still didn’t improve the overall situation of the road network, indicated by the international reports. Also, a road safety issue is an additional fact due to poor police work and regulation because of corruption and poor practices in policing.
- In 2015 the World Bank Group approved a US$560 million loan to improve road conditions in Ukraine particularly along the M03 route between Poltava and Kharkiv among others;

2 The international E-road network is a numbering system for roads in Europe developed by the United Nations Economic Commission for Europe (UNECE).
• In 2016 many of Ukraine’s major provincial highways were in inferior condition, with an Ukravtodor official stating that 97% of roads require repair. The road repair budget was set at about 20 billion hryvnias, but corruption caused the budget to be poorly spent, and overweight trucks are commonplace rapidly causing more road damage;
• In 2017 the Groysman government set in motion a three-year large-scale renovation of Ukraine’s motorway infrastructure.
• The state importance roads have three indexes M, H, P, T, each stand for the corresponding letter of Cyrillic. The state importance roads are utilised by the European E-network of highways:
  • The M-network of roads which stands for International network along with the H-network (National) range from 01 to 23 and consist of two digits. These roads are designed for the major transportation corridors across the country and the European highway system. The list of M network roads is provided in annexe Table A.3;
  • The P-network (Regional) of roads ranges from 01 to 65 and also is a combination of two digits.
  • The T-network (Territorial) of roads are part of the territorial road network within the main subdivision of Ukraine (i.e. oblasts of Ukraine), and their index includes a combination of four digits with other two indices to identify the region where a particular road is located.
• Main roads are the following:
  • E-network — In general, 18 European roads pass through Ukraine:
    • West-East direction
      • Main roads — E40, E50;
      • Intermediate roads — E38, E58.
    • North-South direction
      • Main roads — E85, E95, E105;
      • Intermediate roads — E81, E87, E97, E101;
      • Branch, connecting roads — E372, E373, E381, E391, E471, E573, E583.
• On the positive side, road connectivity between 4 major Ukrainian destinations (Kyiv, Odesa, Lviv and Kharkiv) is satisfactory; however, road maintenance and security are still an issue;
• Regional and local road networks are poor, and sometimes non-existing preventing functional activation of large portions of Ukrainian territory for tourism purposes;
• In terms of international accessibility, there is no major European city within 5-hour driving range, making road access a matter of internal connectivity, rather than the primary means of transport for international visitors of Ukraine (table A.5 in Annexe).

3.2.2. Railway infrastructure

Compared to international standards, railway is the most competitive part of Ukrainian traffic infrastructure, but again with significant differences in standard lines between major destinations and remaining part of the railway system.

• By the length of the railway network, Ukraine ranks third in Europe (22.05 thousand km of railways);
• Ukrainian Railways is a state-owned enterprise of rail transportation in Ukraine, a monopoly that controls the vast majority of railroad transportation in the country. It possesses a combined total track length of over 23,000 km, making it the 13th largest in the world with the track length. Ukrainian Railways is also the world’s 6th largest rail passenger transporter and world’s 7th largest freight transporter;
• In 2015, the Ukrainian Railways transformed through a merger of a state agency and a state-owned enterprise into a public joint-stock company owned by the state;
Ukraine’s State Administration of Railroad Transportation is subordinated to the Ministry of Infrastructure, administering the railways through the six national railway companies that immediately control and provide all aspects of the railroad transportation and maintenance under the common Ukrzaliznytsia brand. The general director of the administration is appointed by the Cabinet of Ministers of Ukraine. The gauge standard is 1,520 mm (4 ft 11 27⁄32 in) and is different compared to EU standard;

- Passenger trains are quality-wise classified in 5 categories of daytime passenger lines and 4 categories of night time passenger lines which details are provided in the Table A.5 in the annex;
- The rolling stock for the highest category Intercity and Intercity+ services consists of Hyundai Rotem HRCS2, Škoda EJ 675 and Ekr trains operating on the lines Kostiantynivka — Kyiv, Kharkiv — Kyiv, Zaporizhia — Kyiv, Pokrovsk — Dnipro — Kyiv, Kryvy Rih — Kyiv, Kyiv — Przemysl, Kyiv — Ternopil — Przemysl, Kyiv — Lviv, Kyiv — Odesa, and Kyiv — Ternopil;
- The key issues of the railway network are the following:
  - A substantial difference in speed and comfort for lines between major cities and other lines;
  - Lack of sleeping wagons during peak season that seriously affects travel comfort on the large distances within the country and the average speed;
  - A significant share of outdated carts with poor conditions for passengers;
  - Poorly developed infrastructure at main railway stations (incl. modern cafes, shops, lounges etc.).

3.2.3. Airport infrastructure

70% of international tourism traffic on airports is outbound, 30% inbound.

Airport Manager

Number of passengers is on the steady increasing trend, however density of infrastructure and passengers compared to area and population is still below international standards.

- There are 17 international airports in Ukraine as of 2019. There are two additional international airports in disputed territories — Simferopol International Airport and Donetsk International Airport. The latter is currently out of operations due to war damages;
- Most of airports and aerodromes of Ukraine were originally built for military purposes and some still being exploited concurrently by the Ukrainian Armed Forces;
- The Boryspil International Airport is the country’s central and top-rated airport. Among the busiest airports are Boryspil Airport, Kyiv International Airport, Odesa International Airport;
- Ukrainian airports have recorded a total of 20.5 million passengers in 2018. List of passenger traffic for all airports is shown in annex Table A.6;
- There are airports in Ukraine that have annual passenger traffic greater than half a million passengers and serve as the main hubs for international passenger traffic.
Table 4: Comparative data on the ratio between annual air passengers and population

Ukraine has the lowest ratio out of the observed countries

<table>
<thead>
<tr>
<th>Area, sq km</th>
<th>Population</th>
<th>Number of airports</th>
<th>Number of passengers (2018)</th>
<th>Airports / area in thousands sq km</th>
<th>Passengers / population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global leaders</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>640,679</td>
<td>67,022,000</td>
<td>77</td>
<td>198,600,000</td>
<td>0.120</td>
</tr>
<tr>
<td>Germany</td>
<td>357,386</td>
<td>83,019,200</td>
<td>27</td>
<td>246,754,988</td>
<td>0.076</td>
</tr>
<tr>
<td>Canada</td>
<td>9,984,670</td>
<td>37,602,103</td>
<td>17</td>
<td>101,542,000</td>
<td>0.002</td>
</tr>
<tr>
<td>Potential competitors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poland</td>
<td>312,696</td>
<td>38,433,600</td>
<td>15</td>
<td>45,848,097</td>
<td>0.048</td>
</tr>
<tr>
<td>Romania</td>
<td>238,397</td>
<td>19,401,658</td>
<td>16</td>
<td>18,270,000</td>
<td>0.067</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>110,994</td>
<td>7,000,039</td>
<td>5</td>
<td>12,654,88</td>
<td>0.045</td>
</tr>
<tr>
<td>Russian Federation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ukraine</td>
<td>17,098,246</td>
<td>145,793,315</td>
<td>82</td>
<td>203,995,315</td>
<td>0.005</td>
</tr>
<tr>
<td></td>
<td>603,550</td>
<td>20,545,000</td>
<td>16</td>
<td>20,545,000</td>
<td>0.027</td>
</tr>
</tbody>
</table>

- All of the listed airport’s have achieved a historical record of passenger traffic in 2018; however, there is still physical capacity to grow;
- Boryspil international airport in Kyiv with over 12 million annual passengers is a global airport with competitive connectivity towards both European and Asian major destinations. Current connectivity already allows ambitions in developing MICE and business products, primarily for Kyiv.

Table 5: Ukrainian airports and realised air traffic 2014–2018
Source: Airports’ web pages

High growth rates in airport hubs in period 2014–2017 and especially 2018

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Boryspil International Airport</td>
<td>6,890,443</td>
<td>7,277,135</td>
<td>8,650,000</td>
<td>10,554,757</td>
<td>12,603,300</td>
<td>0.163</td>
</tr>
<tr>
<td>Kyiv Svytkorsky International Airport</td>
<td>1,090,120</td>
<td>944,305</td>
<td>1,227,500</td>
<td>1,851,700</td>
<td>2,812,300</td>
<td>0.267</td>
</tr>
<tr>
<td>Lviv Danylo Halytskyi International Airport</td>
<td>585,200</td>
<td>570,570</td>
<td>738,000</td>
<td>1,080,000</td>
<td>1,596,700</td>
<td>0.286</td>
</tr>
<tr>
<td>Odesa International Airport</td>
<td>863,900</td>
<td>949,100</td>
<td>1,033,560</td>
<td>1,228,102</td>
<td>1,446,521</td>
<td>0.138</td>
</tr>
<tr>
<td>Kharkiv International Airport</td>
<td>437,500</td>
<td>373,625</td>
<td>599,700</td>
<td>806,200</td>
<td>962,300</td>
<td>0.218</td>
</tr>
</tbody>
</table>

- Lviv Danylo Halytskyi International Airport has been developing fast over the last 15 years, tripling the number of passengers in the 2015–2018 period only. It has more of European connectivity orientation compared to other Ukrainian airports. Such an orientation is reasonable given the position of the city and the structure of its tourism product and experience, which is suitable for a European city break demand market. Connectivity may be extended to France and Scandinavia, as the only remaining major markets where direct connectivity with regular flights is currently lacking;
- Odesa international airport is tourism-wise oriented to the Ukrainian and closest regional market related mostly to sun & beach product. Further increase in passenger traffic will, to a significant degree, be related to the ability of the city to reposition from sun & beach to city break destination;
- There are six registered airlines in Ukraine. The key data on the airline companies operating in Ukraine is provided in the table below.
## Table 6: Airline companies operating in Ukraine

Source: Airports’ web pages

One major and 5 smaller airlines operating in Ukraine

<table>
<thead>
<tr>
<th>Airline</th>
<th>Fleet</th>
<th>Destinations</th>
<th>ICAO</th>
<th>IATA</th>
<th>Commenced Operations</th>
<th>Аеропорти-хаби</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ukraine International Airlines</td>
<td>42</td>
<td>88</td>
<td>AUI</td>
<td>PS</td>
<td>1992</td>
<td>Boryspil International Airport</td>
</tr>
<tr>
<td>Wizz Air Ukraine (low-cost)</td>
<td>2</td>
<td>16</td>
<td>WZZ</td>
<td>W6</td>
<td>2008</td>
<td>Kyiv Sikorskiy International Airport</td>
</tr>
<tr>
<td>Yanair</td>
<td>9</td>
<td>12</td>
<td>ANR</td>
<td>YE</td>
<td>2012</td>
<td>Boryspil International Airport</td>
</tr>
<tr>
<td>AtlasGlobal Ukraine</td>
<td>2</td>
<td>1</td>
<td>UJX</td>
<td>UH</td>
<td>2015</td>
<td>Lviv Danylo Halytskyi International Airport</td>
</tr>
<tr>
<td>Motor Sich Airlines</td>
<td>12</td>
<td>5</td>
<td>MSI</td>
<td>M9</td>
<td>1984</td>
<td>Zaporizhia International Airport</td>
</tr>
<tr>
<td>SkyUp</td>
<td>8</td>
<td>n/a</td>
<td>SQP</td>
<td>PQ</td>
<td>2018</td>
<td>Boryspil International Airport</td>
</tr>
</tbody>
</table>

- The largest operator is Ukraine International Airlines (UIA) that provides scheduled flights to 88 destinations in 46 countries of the world in Europe, Asia, Africa and North America. Connectivity map of Ukraine International airlines is provided in the picture below.

**Image 5: Ukraine International Airlines route map**

Source: flyuia.com
3.2.4. Naval infrastructure

Ukraine has substantial naval infrastructure that currently has little significance for tourism.

- Ukraine has a significant port infrastructure, mainly related to maritime ports in Black and Azov sea, followed by river ports (mostly on Dnipro river) and the Danube;
- There are 1,672 km of the navigable waterways on rivers (mostly on Dnipro);
- All seaports of Ukraine are managed by the Ukrainian Sea Ports Authority through the port authorities in every port. Following are the Ukrainian ports:
  - The Danube: Port of Izmail, Port of Reni, Port of Ust-Dunaisk;
  - Black Sea: Port of Bilhorod-Dnistrovsky, Port of Chornomorsk, Port of Odesa, Port of Yuzhny, Port of Yevpatoriya (closed), Port of Mykolaiv, Specialized Sea Port Olvia, Port of Kherson, Port of Sevastopol (closed), Port of Skadovsk, Port of Feodosiya (closed), Port of Yalta (closed).
  - Azov Sea: Port of Kerch (closed) (Port Krym), Port of Berdyansk, Port of Mariupol.
  - River ports: Mykolaiv River Port, Kyiv River Port, Kherson River Port, Zaporizhia River Port, Dnipropetrovsk River Port, Kremenchuk River Port, Cherkasy River Port and Chernihiv River Port.
- Maritime infrastructure has been mainly cargo oriented, while recent political turmoil has significantly downgraded tourism potential of maritime infrastructure in the Black Sea, safe for the coastal strip around Odesa;
- It also refers to the previously existing routes between Black Sea ports (Odesa, Batumi, Trabzon, Constantia and Burgas) — Ukraine is currently not benefiting from the potential of Black Sea regional tourism;
- Overall utilisation of naval traffic is not significant given the size of Ukraine and passenger turnover of other transportation types;
- According to the UNIAN Information Agency, passenger traffic by water transport in the ports of Ukraine in January-April 2019 increased to more than 55 thousand passengers, which is 19 % more than during the same period last year. Three-fourths of the total number of passengers (42,149 people) are realised in domestic transport by water in the port of Kherson and on-board boats in Odesa.
- Foreign transportation from January to April amounted to almost 13 thousand passengers. Transportation is mostly by ferry on the Black Sea and by cruise river liners on the Ust-Danube.
3.3. Economic environment

Ukrainian economy is characterized by the large share of state-owned enterprises, moderate inflation, volatile historic performance and issues with corruption and law enforcement.

Image 6: Ukraine — GDP growth and macroeconomic facts
Source: State statistical office of Ukraine, World Bank, EBRD

GDP and GDP growth in Ukraine 2013–2020

- Ukraine is an emerging free-market economy that had three decades of highly volatile economic growth - the compound annual growth rate of GDP has since 1995 been 1% which is the lowest of all CIS, Eastern Europe and SEE countries, which is also the case with FDI stock per capita;
- Transition to a market economy has been largely delayed and mismanaged with the major portion of the nation's economy still being controlled by state-owned enterprises (SOEs), an inefficient public sector and a very high perception of corruption;
- 2014 Euromaidan Revolution and related events have caused a shock for the economy of Ukraine with significant GDP decreases in 2014 and 2015, also causing a significant shift in Ukrainian trade orientation, as illustrated in the charts presented in Table A.7 of the annexe;
- Russia remains the single biggest trading partner of Ukraine. Increase of trade with EU countries has been strong, yet failed to compensate for the loss from the Russian market;
- Ukraine mainly exports goods in agriculture and industry, importing consumer goods and energy;
- ICT is the most active industry driven by SME and with high-value-added that has a significant portion in Ukrainian exports;
- Public debt is high, given the size of the economy at over 60% but on the improving trend. All of the three major rating agencies put Ukraine in the upper part of the “non-investment / speculative” category with a stable outlook;
- The banking sector is still weak which is a combination of high inflation, corruption and complicated bureaucracy that make it a rare choice for loans placement to Ukrainian entrepreneurs;
- Relaxing visa regimes with the EU have affected the availability of qualified domestic labour on the market, adding a further challenge to the economic reforms and transformation;
- As a developing country, Ukraine ranks 88th per HDI (Human Development Index);
- Commercial loan rate starts from 18–25% per annum, with challenging loan approval procedures. Private loan companies offer a rate of 75–95% per annum. It is also challenging to get a non-collateral loan because the average estimated yield on return in hospitality and travel sphere is about 36–84 months.
3.4. Taxation and investment climate

Ukrainian taxation system is complicated rather than uncompetitive with corporate profit tax at 18 %, VAT at 20 % and overall payroll burden standing on average at one third of the net payroll. Flat tax provides opportunities for SMEs, but on the other hand complicates statistics and widens grey economy opportunities.

- According to the Tax Code, in Ukraine today (as of January 1, 2016) there are 11 taxes and fees, including seven national and four local. Company and individual taxes are presented in Table A.8 of the annexe;
- Most of the taxes are collected at a national level, apart from taxes on real estate properties, flat taxes, parking fees and tourist taxes;
- From 2007 to 2012, the tax system of Ukraine moved from the second to the third-worst place in the world. The number of tax payments has grown to the highest in the world. By the size of the aggregate tax rate, Ukraine’s position deteriorated from 142 to 152;
- Imbalances in the Ukrainian tax system create unequal tax burdens and, as a result, lead to an increase in the shadow economy, tax evasion, and a reduction in tax revenues;
- Particularly acute imbalances in the tax system began to manifest with the onset of the financial and economic crisis;
- Reducing demand in key emissive markets, uncontrolled increase in the cost of essential resources, chaos in the currency market have put the whole tourism sector as revenue generated sector for Ukraine on the verge of survival.
- All tourism companies including accommodations, tour operators, tour agents, transport services, museums, parks and restaurants don’t have any preferences within the taxation system and pay:
  - corporate profit tax — 18 %;
  - VAT — 20 %.
- However, companies and individuals in the travel sphere, which have limited annual income can pay a Flat Tax. Companies are divided into three categories that are presented in Table A.9 of the annexe;
- These models are widely used by various tourism companies, that further complicates statistical coverage of the tourism sector.

3.5. General competitiveness

The assessment of competitiveness and business environment will be based on the following reports issued by the global institutions (latest available issues):

- General competitiveness report of Ukraine by the World Economic Forum, 2018 issue;

3.5.1. General competitiveness report

Ukraine is on the improving trend according to general competitiveness index, however with significant remaining issues with institutions, macroeconomic stability and financial system.
According to the latest report on the subject of competitiveness, Ukraine is ranked at the 83rd place out of 140 countries, improving by six places compared to the previous issue (2017);

The Competitiveness Index is calculated based on 12 pillars, each consisting of various number of criteria/indicators;

The Pillars are grouped from the following competitiveness components:
- Enabling environment;
- Human capital;
- Markets;
- Innovation ecosystem.

Ukraine score per pillars and components is shown in Table A.10 of the annexe;

The main issue of Ukrainian competitiveness is in the Enabling environment component (placed 91st), while Ukraine reached relatively the best placement in the Markets component (67th);

Ukraine is placed below 100th place in the world in three pillars — institutions (110th), macroeconomic stability (131st) and financial stability (117th);

According to the report, the main issues of Ukrainian competitiveness lies in its governance and organisation of the country, law enforcement, financial system and structure of the economy that is heavily reliant and favourable for SOE’s.

“Ease of Doing Business” report

Ukraine is ranked 71st in the world by “Ease of Doing Business”, improving by 5 places since 2018 report. It has improved in all categories, except for getting electricity, getting credit and paying taxes.

The “Ease of Doing Business” report ranks speed and efficiency of operational issues and procedures in doing business in a certain country;

The explanation of indicators and rank of Ukraine is shown in the following Table A.11 of the annexe;

According to the report, resolving insolvency, getting electricity, trading across borders and protecting minority investors remain the most problematic issues of doing business in Ukraine.

Table 7: Ukraine — Doing business ranking according to indicators
Source: doingbusiness.com, retrieved on July 10 2019

<table>
<thead>
<tr>
<th>Staring a business</th>
<th>Dealing with construction permits</th>
<th>Getting electricity</th>
<th>Registering property</th>
<th>Getting credit</th>
<th>Protecting minority investors</th>
<th>Paying taxes</th>
<th>Trading across borders</th>
<th>Enforcing contracts</th>
<th>Resolving insolvency</th>
</tr>
</thead>
<tbody>
<tr>
<td>56</td>
<td>30</td>
<td>135</td>
<td>63</td>
<td>32</td>
<td>72</td>
<td>54</td>
<td>78</td>
<td>57</td>
<td>145</td>
</tr>
</tbody>
</table>
3.6. Travel and tourism competitiveness

Travel and tourism competitiveness is improving, but is still behind countries from competitive set. Governmental treatment of tourism, aspects related to natural resources, and environmental treatment — are the key areas where the quick wins are possible.

Table 8: Ukraine — Travel & Tourism Competitiveness Comparative Ranking
Source: World Economic Forum, Travel & Tourism Competitiveness 2019 Report

Ukraine needs to catch up

<table>
<thead>
<tr>
<th>Global Leaders</th>
<th>Potential competitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>Poland</td>
</tr>
<tr>
<td>Germany</td>
<td>Romania</td>
</tr>
<tr>
<td>Canada</td>
<td>Bulgaria</td>
</tr>
<tr>
<td></td>
<td>Russian Federation</td>
</tr>
<tr>
<td></td>
<td>Ukraine</td>
</tr>
</tbody>
</table>

- Ukraine is placed 78th in 2019 edition (the survey is bi-annual), improving by ten places since the last edition in 2017 that was the first time for Ukraine to be assessed. The report on Ukraine is summarised below.

Table 9: Ukraine — Travel & Tourism Competitiveness 2019 Report
Source: reports.weforum.org

<table>
<thead>
<tr>
<th>T&amp;T competitiveness index</th>
<th>Value</th>
<th>Rating / 140</th>
<th>Previous</th>
<th>Best performer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enabling environment subindex</td>
<td>5.0 ↑</td>
<td>65</td>
<td>78</td>
<td>Switzerland</td>
</tr>
<tr>
<td>Business environment</td>
<td>4.1 ↑</td>
<td>103</td>
<td>124</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>Safety and security</td>
<td>4.8 ↑</td>
<td>107</td>
<td>127</td>
<td>Finland</td>
</tr>
<tr>
<td>Health and hygiene</td>
<td>6.5 ↓</td>
<td>11</td>
<td>8</td>
<td>Austria</td>
</tr>
<tr>
<td>Human resources and labour market</td>
<td>4.8 ↓</td>
<td>48</td>
<td>41</td>
<td>United States</td>
</tr>
<tr>
<td>ICT readiness</td>
<td>4.5 ↑</td>
<td>78</td>
<td>81</td>
<td>Hong Kong</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>T&amp;T policy and enabling conditions subindex</th>
<th>Value</th>
<th>Rating / 140</th>
<th>Previous</th>
<th>Best performer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prioritization of Travel &amp; Tourism</td>
<td>4.3</td>
<td>92</td>
<td>90</td>
<td>Malta</td>
</tr>
<tr>
<td>International Openness</td>
<td>3.7 ↑</td>
<td>55</td>
<td>78</td>
<td>New Zealand</td>
</tr>
<tr>
<td>Price competitiveness</td>
<td>5.9 ↑</td>
<td>19</td>
<td>46</td>
<td>Iran</td>
</tr>
<tr>
<td>Environmental sustainability</td>
<td>3.9</td>
<td>114</td>
<td>97</td>
<td>Switzerland</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Infrastructure subindex</th>
<th>Value</th>
<th>Rating / 140</th>
<th>Previous</th>
<th>Best performer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air transport infrastructure</td>
<td>2.7 ↑</td>
<td>71</td>
<td>79</td>
<td>Canada</td>
</tr>
<tr>
<td>Ground and port infrastructure</td>
<td>3.1 ↑</td>
<td>77</td>
<td>81</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>Tourist service infrastructure</td>
<td>4.3 ↑</td>
<td>65</td>
<td>71</td>
<td>Portugal</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Innovation component</th>
<th>Value</th>
<th>Rating / 140</th>
<th>Previous</th>
<th>Best performer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural resources</td>
<td>2.1 ↓</td>
<td>116</td>
<td>115</td>
<td>Mexico</td>
</tr>
<tr>
<td>Cultural resources and business travel</td>
<td>1.9 ↓</td>
<td>55</td>
<td>51</td>
<td>China</td>
</tr>
</tbody>
</table>
• According to the recent index (issued in September 2019), Ukraine has made significant improvement since the last index in 2017. However, this assessment has to be taken with caution, since there may have been issues with data availability in the pilot assessment in 2017 that may have influenced the prior result;

• Apart from general competitiveness and business environment indicators, the most problematic areas are safety and security (primarily due to the Ukraine — Russia dispute), environmental sustainability and natural resources;

• On the other hand, price competitiveness, health/hygiene and human resources/labour market are the elements where Ukrainian tourism is the most competitive according to the World Economic Forum.
4. ANALYSIS OF TOURISM IN UKRAINE

4.1. Tourism market

Ukrainian tourism has been neglected as an economic sector and is characterized by relatively modest supply and larger outbound than inbound.

- There is a significant level of disagreement between professionals in Ukraine on the exact data that should be used in assessing tourism statistics;
- Tourism statistics mostly rely on border crossing data. However, this data does not show the motivation of the arrivals (e.g. work, leisure or business-related);
- Therefore, it is the Consultant’s decision to lean on the data of accommodation objects as a primary source of information on arrivals and overnights. Accommodation data makes a more coherent system of data on supply (even though accommodation system doesn’t have coherent system of following statistical data in terms of arrivals and overnights as well as the number of accommodation units/beds);
- The “State Statistics Service” frequently changes its reporting format on Tourism Statistics, which creates a challenge when chronologically analysing data;
- Furthermore, there are some trends that are hard to explain market-wise (will be noted in report text), so there is a possibility that methodologies have been changing;
- Further and more detailed observations on the collection and presentation of tourism-related statistics will be provided in section 3.5. National statistics and data management in the tourism industry.

4.1.1. Supply

According to the official statistics, accommodation supply is stagnating and is dominated by non-hotel accommodation objects.

Image 7: Ukraine — accommodation overview (objects, beds, structure)
Source: State statistical office of Ukraine

Number of accommodation objects in 2014–2018 period

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotels and similar</td>
<td>4572</td>
<td>4341</td>
<td>4256</td>
<td>4115</td>
<td>4719</td>
</tr>
<tr>
<td>Other</td>
<td>406031</td>
<td>402650</td>
<td>375600</td>
<td>359034</td>
<td>30030</td>
</tr>
</tbody>
</table>

Number of beds in 2014–2018 period

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotels and similar</td>
<td>406031</td>
<td>402650</td>
<td>375600</td>
<td>359034</td>
<td>30030</td>
</tr>
<tr>
<td>Other</td>
<td>54.9%</td>
<td>54.9%</td>
<td>54.9%</td>
<td>54.9%</td>
<td>54.9%</td>
</tr>
</tbody>
</table>
Table 10: Ukraine — comparative data on accommodation supply

| Source: EUROSTAT, National Statistical Offices |

<table>
<thead>
<tr>
<th>Global leaders</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>640,679</td>
<td>67,022,000</td>
<td>5,133,645</td>
<td>8.0</td>
</tr>
<tr>
<td>Germany</td>
<td>357,386</td>
<td>83,019,200</td>
<td>3,377,728</td>
<td>9.5</td>
</tr>
<tr>
<td>Canada</td>
<td>9,984,670</td>
<td>37,602,103</td>
<td>2,000,000*</td>
<td>0.2</td>
</tr>
</tbody>
</table>

| Potential competitors |
|------------------------|---|---|---|---|
| Poland                 | 312,696 | 38,433,600 | 773,957 | 2.5 | 0.020 |
| Romania                | 238,397 | 19,401,658 | 338,791 | 1.4 | 0.017 |
| Bulgaria               | 110,994 | 7,000,039  | 348,724 | 3.1 | 0.050 |
| Russian Federation     | 17,098,246 | 145,793,315 | 1,600,000* | 0.1 | 0.011 |
| Ukraine                | 603,550 | 20,545,000 | 300,010  | 0.5 | 0.007 |

*Data estimated based on the available information on hotel beds and tourist arrivals

- According to State Statistics service, there have been 4,719 accommodation establishments in 2018 with a total of 300 thousand beds;
- Slightly more than 45% of all beds in accommodation refer to hotels and similar objects, including hotels, motels, hostels, campsites and other minor accommodation types;
- The remainder relates mostly to various medical objects such as sanatoriums, but also include Rest resorts category;
- Trend lines for beds and objects category follow each other until 2017 with the slight decreasing trend that can hardly be contributed to political reasons from 2016 onwards;
- However, in 2018 the number of accommodation objects has increased by 14.7%, while the number of beds has decreased by 16.4%, possibly due to change in categorisation or methodology (Consultant’s assumption).

Main groups of accommodation have significantly different performance characteristics making additional challenges in interpreting statistical data.

- There is a significant difference in the length of stay between hotels and similar objects and other accommodation objects;
- The Hotel sector records 77% of all arrivals, but only one-third of all overnights. In that sense, it is to consider whether overnight statistics should also include medical facilities;
- Further, it is a fact, that hostels, motels and campsites categories have recorded more arrivals then overnights. Meaning that official statistics do not distinguish between tourists that make an overnight stay from same-day guests without overnight, bringing additional problems in interpreting statistics.

---

*Rest resorts category is inherited structure from Soviet times, meant to be rest and vacation resorts for working class of big public companies.
Table 11: Ukraine — key data based on accommodation types for 2017
Source: State statistical office of Ukraine

Key accommodation groups have substantial differences in performance indicators thus making interpretation of statistical data even more difficult

<table>
<thead>
<tr>
<th></th>
<th>Objects</th>
<th>Arrivals</th>
<th>Overnights</th>
<th>Length of stay</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Collective accommodation</strong></td>
<td>4,115</td>
<td>6,661,177</td>
<td>23,130,834</td>
<td>3.5</td>
</tr>
<tr>
<td><strong>Hotels and similar</strong></td>
<td>2,474</td>
<td>5,135,364</td>
<td>7,708,079</td>
<td>1.5</td>
</tr>
<tr>
<td>Hotels</td>
<td>1,704</td>
<td>4,395,846</td>
<td>6,502,597</td>
<td>1.5</td>
</tr>
<tr>
<td>Motels</td>
<td>137</td>
<td>110,699</td>
<td>46,259</td>
<td>0.4</td>
</tr>
<tr>
<td>Hostels</td>
<td>36</td>
<td>44,498</td>
<td>13,071</td>
<td>0.3</td>
</tr>
<tr>
<td>Campsites</td>
<td>12</td>
<td>7,814</td>
<td>5,400</td>
<td>0.7</td>
</tr>
<tr>
<td>Dormitories for visitors</td>
<td>84</td>
<td>192,308</td>
<td>650,886</td>
<td>3.4</td>
</tr>
<tr>
<td>Tourist base, mountain shelters, student summer camps, and other places for temporary accommodation</td>
<td>501</td>
<td>383,999</td>
<td>489,866</td>
<td>1.3</td>
</tr>
</tbody>
</table>

| **Specialized means of accommodation** | 1,641 | 1,526,013 | 15,422,755 | 10,1 |
| Sanatorium              | 169    | 449,550   | 7,030,238  | 15.6 |
| Children Sanatorium     | 103    | 115,923   | 3,175,752  | 27.4 |
| Pensions with treatment | 12     | 15,216    | 178,280    | 11.7 |
| Children’s facilities recovery year-round action, children’s centers | 14 | 30,280 | 576,038 | 19.0 |
| Sanatoriums-Preventive clinics | 55 | 59,801 | 849,688 | 14.2 |
| Balneological hospitals, mud baths, balneological mud baths (including children) | 3  | 3,270    | 50,973     | 15.6 |
| Holiday homes            | 14     | 8,666     | 68,022     | 7.8            |
| Boarding houses          | 53     | 65,459    | 502,781    | 7.7            |
| Other accommodations     | 1,212  | 774,178   | 2,983,783  | 3.9            |
| Health facilities (1-2 day stay) | 6   | 3,670    | 7,200      | 2.0            |

4.1.2. Demand

Number of tourists is on steady increasing trend, market is dominated by domestic tourists, while the structure of foreign markets remains stable.

- Ukraine has recorded 7 million arrivals and 17.7 million overnights registered at accommodation objects while having 14.2 million foreign visitors at border crossings in 2018;
- Although arrivals, overnights and foreign visitors at border crossings generally do not exhibit similar trends, there is some similarity between the arrivals in accommodation objects and foreign visitors at border crossings;
- Arrivals in accommodation establishments have been growing at a robust average annual growth rate of 6.6 % since 2014;
- The overnight trend has a decrease of 24 % (while arrivals continued to grow), that can’ not be easily explained, except for a possible methodological change;
- As a result, the average length of stay has decreased by 24 % to 2.5 days which, if correct, shows strong domination of business motivated guests and short breaks in product structure;
- Foreign nationals made 920 thousand arrivals and 1.92 million overnights at accommodation establishments; they account for 13 % of arrivals and 11 % of overnights at accommodation establishments (note that out of 14.2 million border crossings of foreign nationals, there are only 920 thousand registered arrivals at accommodation establishments).
Tourism traffic in 2014–2018 period

Top GEO markets for Ukraine by number of overnights

Foreign visitors at border crossings in Ukraine

- Market structure is stable with the USA, Poland, Turkey, Belarus, Germany and Russia as the leading markets. Market structure is dispersed — top 5 markets make for less than 40% of all foreign arrivals and overnights — the structure that is typical for destinations with the domination of business product;
- After a significant decrease in 2014, the number of tourists served by intermediaries is on a constant increase;
- However, nearly 90% of the business refers to Ukrainian outgoing. Together with data on border crossings of Ukrainian nationals, it is safe to say that Ukrainian outbound is larger in arrival and overnight numbers than inbound;
- The previous conclusion does not refer to visitations via tourist intermediaries but to the total tourism business. It is safe to say that Ukrainians make at least 10 million tourism motivated trips abroad;
- In the same time, if the data on inbound tourists coming via an intermediary is compared with foreign nationals at accommodation objects, less than 8% of these tourists come via intermediary;
Following is the data on the leading regions in Ukraine:

Kyiv, Lviv and Odesa account for 30% of total tourism traffic in Ukraine.

The ten leading regions in Ukraine displayed in the table account for more than half of all arrivals and overnights;

Kyiv and Odesa geo market structure generally resembles the national structure with the addition of Israel as one of the top feeder-markets in both cities;

Lviv market structure displays a somewhat higher percentage of EU markets; however, neither is placed between top 5 feeder-markets except for Poland and Germany that are also top markets on a national level;

Stakeholder interviewing and other analysis have identified the following key players of the Ukrainian tourism industry:
Table 14: Ukraine — key industry players
Source: Internet search and stakeholder interviews

<table>
<thead>
<tr>
<th>Company name</th>
<th>Description / Area of operation</th>
<th>Capacity / objects / rooms / or other applicable parameters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ukrainian Railways</td>
<td>National monoplist in railways transportation</td>
<td>1,700 stations and halts</td>
</tr>
<tr>
<td>Air Ukraine International</td>
<td>National air company</td>
<td>Fleet: 42 units. Destinations: 88</td>
</tr>
<tr>
<td>Join Up</td>
<td>The biggest tour operator in Ukraine</td>
<td>40 outbound directions + inbound. 902,600 clients (2018)</td>
</tr>
<tr>
<td>Premier Hotels &amp; Resorts</td>
<td>First national hotel operator in Ukraine</td>
<td>19 hotels (3*–5*) with more than 2000 rooms, 3 brands, 14 cities</td>
</tr>
<tr>
<td>Reikartz Hotel Group</td>
<td>The biggest national hotel operator in Ukraine</td>
<td>37 hotels (3*–4*), 5 brands, 26 locations.</td>
</tr>
<tr>
<td>Kiy Avia</td>
<td>The biggest national travel provider in Ukraine</td>
<td>Avg. occupancy — 60.86 %. Overall profit — 30.03 %</td>
</tr>
<tr>
<td>Anex Tour</td>
<td>The biggest outbound tour operator in Ukraine</td>
<td>40+ offices in Ukraine</td>
</tr>
<tr>
<td>Autolux Bus Lines</td>
<td>The biggest scheduled bus operator in Ukraine</td>
<td>6 offices, 190 certified agencies in Ukraine.</td>
</tr>
<tr>
<td>Gastrofamily (Dima Borisov’s Family)</td>
<td>The biggest Ukrainian restaurant chain</td>
<td>515,582 clients (2018)</td>
</tr>
<tr>
<td>Fast Food Systems</td>
<td>The biggest Ukrainian fastfood chain</td>
<td>31 own and 60+ franchise restauraunts across Ukraine</td>
</tr>
</tbody>
</table>

- Structure of the major players reveals that:
  - Domestic transportation operators/carriers are revenue-wise the strongest stakeholders of Ukrainian tourism;
  - There are two major hotel companies on a national level — Premier Hotels and Resorts and Reikartz Hotel group that are the two strongest accommodation stakeholders;
  - There are two tour operators/outbound agents, while the remainder is F&B related companies (restaurant chain and fast-food chain).
  - There are activities of the network of Business Information Support Centers, a program implemented by EBRD under EU4Business initiative — which results with more than 15 tourism-related business conferences and trainings and which shows significant demand for tourism-related topics (knowledge and expertise). Other agencies and donors (GIZ, USAID, EU) were also involved partially in tourism through capacity building programs in sustainable economy, programs for SME development etc.

4.2. Performance of the hotel industry

Performance of the Ukrainian hotel industry in main destinations resembles that of Eastern European capitals, while is substantially lower in the remainder of the country.

- Data on hotel industry performance are based on the following:
  - The "Cushman and Wakefield Report" (from June 2017) on the hotel market of Ukraine and Kyiv (source: cushmanwakefield.com.ua/en);
  - Colliers report "Ukraine hotel market — research and forecast report 2018";
  - Interviews with hotel managers and staff during the site visit.
  - According to Cushman and Wakefield, Kyiv has been operating at an ADR (Average Daily Room Rate) of 92 EUR in 2017 and an occupancy level of 45.3 %, producing a daily RevPAR (Revenue per Available Room) of 42 EUR;
  - Colliers reports the following performance indicators for Kyiv hotel industry in 2018:
    - 5* hotels: ADR ~ 150 EUR; Occupancy: 45–50 %;
• 4* hotels: ADR ~ 85 EUR; Occupancy: 55–65 %;
• 3* hotels: ADR ~ 45 EUR; Occupancy: 55–65 %;
• Such performance shows comparatively lower occupancy levels as compared to a high ADR when putting in comparison with the Eastern part of the EU;
• Hotel managers in Kyiv have reported “weekend sales” issue (no pick-up e.g. lower sales volumes than the working days in the week), typical for destinations with a highly dominant share of business visitors;
• However, EBITDA margins reportedly exceed 40% due to low labour costs;
• Hotel managers in Odesa report significantly lower ADR performance for most categories due to over-supply;
• Lviv hotel market follows performance patterns of Kyiv with stable price trends, but stronger occupancies in 3 and 4* segment due to relatively small supply compared to demand;
• Since Ukraine has started its orientation westward, it is to expect a significant increase in supply, where especially branded and contemporary tourism products in 3* segment are currently in short supply;
• Accordingly, prices are expected to increase in the 3 and 4* segments, if products continue to improve. However, occupancy levels will be the key to success in the following period, where price increases will be limited under the assumption of a greater share of the leisure market;
• Except for major domestic operator Reikartz (which continues to pursue its mission of “delivering European quality for a Ukrainian price”), outside five key destinations, standards of hotel and accommodation, in general, remains problematic;
• Occupancy and pricing levels of the hotels show that the hotel market is relatively balanced at current conditions, with some potential for branded and/or innovative 3* products;
• However, if the tourism organisation and marketing is to be reformed, it would open significant tourism development potential and consequently room for substantial hotel development, especially in the 3–4* segment.

4.3. Tourism economy

*Economic impact of tourism in Ukraine remains the matter of intensive debate among Ukrainian tourism professionals.*

• Data on tourism economy are available from the following sources:
  • Data on international tourism receipts as used by international organisations such as the World Bank, UNTWO, and the Ukrainian Central Bank;
  • Data on accommodation objects as monitored by the State Statistics Office of Ukraine;
  • Preliminary attempt to make an economic analysis of Ukrainian tourism, similar to Tourism Satellite accounts structure performed by Ukrainian academic community for 2015.

**WORLD BANK DATA**

* According to data available from the World Bank, international tourism receipts in Ukraine amounted to 2 billion US$ in 2017. Increasing by 16% compared to 2016;
* The same data shows that international tourism receipts have decreased three times since 2013 and 3.5 times compared to 2008;
* Even though Ukraine and its surrounding countries have faced significant turmoil during the financial crisis and especially during the political events in 2014 and 2015, the decrease of tourism receipts isn’t in correlation with the decrease in tourist volumes (achieved arrivals and overnights).
Table 15: Ukraine — lowest comparative economic impact per tourist
Source: World Economic Forum, Travel & Tourism Competitiveness Report 2019

<table>
<thead>
<tr>
<th>Country</th>
<th>International tourists</th>
<th>International receipts (US $ billions)</th>
<th>Share of tourism in GDP (direct)</th>
<th>International receipts / arrival in US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global leaders</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>86,917,700</td>
<td>60.7</td>
<td>3.9 %</td>
<td>698</td>
</tr>
<tr>
<td>Germany</td>
<td>37,451,500</td>
<td>39.8</td>
<td>3.5 %</td>
<td>1,063</td>
</tr>
<tr>
<td>Canada</td>
<td>20,794,100</td>
<td>20.3</td>
<td>2.0 %</td>
<td>976</td>
</tr>
<tr>
<td>Potential competitors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poland</td>
<td>18,258,000</td>
<td>12.8</td>
<td>1.9 %</td>
<td>701</td>
</tr>
<tr>
<td>Romania</td>
<td>2,760,100</td>
<td>2.5</td>
<td>1.5 %</td>
<td>906</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>8,883,000</td>
<td>4.0</td>
<td>3.1 %</td>
<td>450</td>
</tr>
<tr>
<td>...</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian Federation</td>
<td>24,390,000</td>
<td>8.9</td>
<td>1.2 %</td>
<td>365</td>
</tr>
<tr>
<td>Ukraine</td>
<td>14,229,600</td>
<td>1.3</td>
<td>1.4 %</td>
<td>91</td>
</tr>
</tbody>
</table>

Table 16: Ukraine — revenues and employment in accommodation
Source: State statistical office of Ukraine

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation objects revenues, UAH</td>
<td>8,060,070</td>
<td>10,102,461</td>
<td>12,683,950</td>
</tr>
<tr>
<td>Employees</td>
<td>70,474</td>
<td>70,809</td>
<td>68,338</td>
</tr>
<tr>
<td>Hotels and similar revenues, UAH</td>
<td>5,112,139</td>
<td>6,710,155</td>
<td>8,229,301</td>
</tr>
<tr>
<td>Employees</td>
<td>25,404</td>
<td>28,178</td>
<td>25,760</td>
</tr>
</tbody>
</table>
Data on accommodation objects

- Data shows that accommodation objects realised 12.7 billion UAH (slightly above half a billion USD) of revenues in 2017, out of which hotels and similar accommodation types recorded 330 million USD. All revenues are on the increasing trend in 2015 — 2017 period;
- The Accommodation sector employs around 70,000 people showing a decreasing trend;
- The revenue structure is largely different for hotels and similar objects when compared to other objects:

   Image 10: Ukraine — distribution of revenues in accommodation
   Source: State statistical office of Ukraine

   Distribution of revenues for hotels and similar objects in 2017
   - accommodation, 75 %
   - other services, 25 %

   Distribution of revenues for non-hotel accommodation in 2017
   - accommodation, 5 %
   - other services, 8 %
   - vouchers, 87 %

- The distribution of revenues for hotels and similar objects resemble a typical international benchmark where 75 % are accommodation related, while 25 % are other services;
- In other accommodation objects (such as Sanatoria), the "voucher" category is vastly dominant (payment by voucher issued by state institutions as part of state-salary);
- When revenues are analysed together with realised overnights in accommodation establishments (23.1 million in 2017 according to state statistics service of Ukraine), the average revenue of hotel and similar object per overnights amounted to approximately 1,068 UAH or 42.7 USD;
- Revenue per average overnight for other types of accommodation amounted to just 289 UAH or 11.6 USD for the combined average revenue per overnight of around 500 UAH (20 USD);
- Kyiv region accounts for approximately one 27 % of all accommodation revenue, while Kyiv, Lviv and Odesa together account for 52 % of all accommodation revenue in Ukraine.

ECONOMIC ANALYSIS PERFORMED BY ACADEMIC INSTITUTIONS

- Preliminary calculations have shown that total tourism economy of Ukraine was around 8 bln US$ in 2015. If these data would be extrapolated based on the number of arrivals in accommodation objects, it would mean that total tourism economy in 2018 amounted to 9.7 bln US$.
- However, as shown in the table, calculations exclude tourism-related retail revenues and revenues from activities, together with revenues from apartments, since they are not registered and statistically included the type of accommodation in Ukraine;
- Sources for the calculation are unclear, for example — Consultants have not been able to identify what source has been used for determining the accommodation revenues, that is (as shown earlier) substantially larger (around four times) that the one classified for 2015 by State Statistics Service of Ukraine;
- In general, the revenue structure of Ukraine reflects TSA\(^4\) reports of the developed countries, with a comparable product (for example Canada), except in the part of the revenues for Food and Beverage and Catering services whereas benchmark countries have higher share of revenues (usually 7–12 %);

\(^4\) TSA — Tourism Satellite Account, the economic measurement of tourism, introduced by UNWTO (United Nations World Tourism Organization)
• Basic statistics on the number of arrivals and overnights between international and domestic travellers speak in favour of even more dominant role of domestic than those shown in calculations;
• However, international visitors are dominantly business travellers, meaning that their expenditure is way above domestic (especially as the TSA calculation states that the average overnight revenue of 20 US$);
• Share of domestic component of outbound tourism is also atypical, but again one may argue the fact that most border crossings of Ukrainian nationals are for utility/necessity reasons. This means, they are short and most of the consumption is within Ukraine;
• This calculation leads to the conclusion that tourism with all of its effects (direct, indirect and induced) has contributed to Ukrainian GDP at around 8.8%. Looking at the position tourism has in Ukraine, and given the fact that 8.8% total contribution of tourism stands somewhere within the international average, this may be a decent estimation;
• However, further insight in tourism statistics, as well as the official Tourism Satellite Account for Ukraine from 2014, will be necessary to confirm the initial evaluation of the Consultant, primarily to establish a logical relationship between three sets of data presented within this report.

Table 17: Estimation of the economic impact of Ukrainian tourism in 2015
Source: Institute of Tourism, FPU

<table>
<thead>
<tr>
<th></th>
<th>in thousands UAH</th>
<th>in thousands US$</th>
<th>% share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation</td>
<td>48,731,214</td>
<td>2,215,055</td>
<td>27.7%</td>
</tr>
<tr>
<td>Catering</td>
<td>8,969,952</td>
<td>407,725</td>
<td>5.1%</td>
</tr>
<tr>
<td>Transport</td>
<td>47,780,022</td>
<td>2,171,819</td>
<td>27.2%</td>
</tr>
<tr>
<td>Railway</td>
<td>4,289,432</td>
<td>194,974</td>
<td>2.4%</td>
</tr>
<tr>
<td>Road</td>
<td>6,023,363</td>
<td>273,789</td>
<td>3.4%</td>
</tr>
<tr>
<td>Water</td>
<td>0</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Air</td>
<td>37,467,227</td>
<td>1,703,056</td>
<td>21.3%</td>
</tr>
<tr>
<td>Vehicles rental</td>
<td>10,820,352</td>
<td>491,834</td>
<td>6.1%</td>
</tr>
<tr>
<td>Tourism agents / intermediation</td>
<td>11,233,065</td>
<td>510,594</td>
<td>6.4%</td>
</tr>
<tr>
<td>Culture</td>
<td>16,808,666</td>
<td>764,030</td>
<td>9.6%</td>
</tr>
<tr>
<td>Sport and recreation</td>
<td>11,844,716</td>
<td>538,396</td>
<td>6.7%</td>
</tr>
<tr>
<td>Retail</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Activities</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Other consumer products</td>
<td>19,792,684</td>
<td>899,667</td>
<td>11.2%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>175,980,671</td>
<td>7,999,121</td>
<td>100%</td>
</tr>
</tbody>
</table>

Image 1: Ukraine — components of tourism-related impact in 2015
Source: Institute of Tourism, FPU
4.4. The organisation of tourism management and regulatory framework

Tourism management system in Ukraine is over centralized. Law enforcement, statistical coverage, tourism marketing and stakeholder cooperation are the most problematic elements of tourism system.

4.4.1. Introduction

Tourism management systems are generally complex systems that reflect the complexity of the tourism product and its characteristics:

- **Inflexibility:** The tourism industry is entirely inflexible in terms of capacity - for example, the number of available beds in a hotel or seats on a flight is fixed, so it is not possible to meet sudden upsurges in demand. Similarly, restaurants tables remain empty and unused in periods of low inflow;

- **Inventory:** It is related to the fact that travel products are intended to be consumed as they are produced.

- **Inconsistency:** A general norm is that in the travel and tourism industry, the product or the package of tourism cannot be easily standardised.

- **Intangibility:** It is one of the main features, i.e. tourism products can’t be touched as they include flight experience in an aeroplane, cruise liner in a sea, view of the mountain, or a visit to a museum. These products are experienced once they have taken place. They can only be reoccurred or realised.

Tourism management systems are in its total mandatory PPPs due to the structure of resources and actions needed to develop tourism. Any attempts to manage tourism as a state affair (as in ex-CIS countries) or privatisate it overly or completely (some destination examples) have failed;

Image 12: Tourism Management System Evolution
Source: HDC

<table>
<thead>
<tr>
<th>TOURISM DEVELOPMENT</th>
<th>BEST PRACTICE IN MANAGEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>19th century (end)</td>
<td>Commercial start — grand tours</td>
</tr>
<tr>
<td>1960</td>
<td>Establishment of first NTO’s</td>
</tr>
<tr>
<td>1980</td>
<td>Local organizations as hosts</td>
</tr>
<tr>
<td>1990</td>
<td>Start of global marketing</td>
</tr>
<tr>
<td></td>
<td>Less administrative NTO’s</td>
</tr>
<tr>
<td>2000</td>
<td>Region as competitiveness manager</td>
</tr>
<tr>
<td>2007</td>
<td>Experience economy</td>
</tr>
<tr>
<td>2013</td>
<td>Start of DMO model approach</td>
</tr>
<tr>
<td></td>
<td>Stronger private sector influence</td>
</tr>
<tr>
<td></td>
<td>Differentiation of roles in NTO systems</td>
</tr>
</tbody>
</table>

- In general, the tourism development process has been characterised by regional and local levels gaining more importance and strength, as well as a private sector being more formally represented in councils of national, regional and local management organisations;

- In today’s best practices, the system is composed of budget funded national institutions (usually ministries or departments) in charge of regulation;

- The remainder of the system (national, regional and local management organisations) is legally regulated as some sort of PPPs thus enabling private sector representation that is usually ensured through councils that supervise the management of these organisation;

5 PPP — Public Private Partnership
**Responsibility and strength of the position within the organisation are usually determined through contribution, i.e. the share of tourist taxes that are paid by the certain private-sector entity as a share of total financing. Public sector representation is usually fixed by law (since accommodation and other commercially viable tourist resources are privately run);**

**To ensure the functioning of such a system, tourist taxes, and sometimes tourist membership fees (mandatory contributions of businesses that make additional revenues because of tourists, determined as a minor percentage on total revenue of the company) have to be returned back to tourism in total as a means of the functioning of tourist organisations;**

**That way, businesses are motivated to pursuit development, leading to better tourism result; thus more money is at disposal for further activities, which they can influence representation in the councils;**

**Councils, as highest administrative bodies of such organisations, may be headed by political representatives (Mayors, regional heads, ministers), but in best cases, these types of organisations have the majority of votes at the table on the private sector side (e.g. companies from the tourism sector — hotels, agencies and similar).**

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**Image 13: Typical Tourism Management System**

*Source: HDC*

<table>
<thead>
<tr>
<th>BUDGET FUNDED</th>
<th>FUNDED BY TOURISM RELATED FEES (TOURIST TAXES, MEMBERSHIP FEES, CONTRIBUTIONS, ETC.)</th>
<th>OWNED / SUPERVISED BY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MINISTRY / DEPARTMENT OF TOURISM</strong></td>
<td><strong>NATIONAL TOURISM ORGANISATION</strong>&lt;br&gt;«MARKETING MACHINE &amp; NATIONAL PROMOTOR»&lt;br&gt;• PR, marketing&lt;br&gt;• Brand management&lt;br&gt;• Surveys on international markets</td>
<td>• Public sector&lt;br&gt;• Strongest private sector companies / or representative bodies like chambers, etc&lt;br&gt;<strong>Ideal ratio 50:50</strong></td>
</tr>
<tr>
<td>• Laws and regulation&lt;br&gt;• Categorisation&lt;br&gt;• Supply registers&lt;br&gt;• Subsidies and capital projects (national importance)</td>
<td></td>
<td><strong>REGIONAL TOURISM ORGANISATION</strong>&lt;br&gt;«REGIONAL COORDINATOR»&lt;br&gt;• Building competitiveness&lt;br&gt;• Regional marketing infrastructure&lt;br&gt;• Managing development&lt;br&gt;• Regional brands and statistics&lt;br&gt;• Making regulation (where regions can do so)</td>
</tr>
<tr>
<td>head of council ——&gt; reporting ←——</td>
<td>↑ provides inputs, has a representative</td>
<td>↑ provides planning / marketing, supervises and consults</td>
</tr>
<tr>
<td></td>
<td></td>
<td>↓ provides marketing and PR, supervises and consults</td>
</tr>
<tr>
<td>Other Ministries&lt;br&gt;NGOs&lt;br&gt;Associations&lt;br&gt;Key foreign Investors / Agency for investment promotions or similar</td>
<td><strong>DESTINATION MANAGEMENT ORGANISATION</strong>&lt;br&gt;«LOCAL TOURISM OPERATOR»&lt;br&gt;• Product development (most part)&lt;br&gt;• Gathering and distributing information both ways (to tourists &amp; the system above)&lt;br&gt;• Marketing operations</td>
<td>• Local authorities&lt;br&gt;• Local businesses&lt;br&gt;<strong>At least 50 % business</strong></td>
</tr>
<tr>
<td></td>
<td><strong>TOURIST INFORMATION CENTER (TIC) — visitor services</strong></td>
<td><strong>OPTIONAL — if existing under 100% ownership of DMO</strong></td>
</tr>
</tbody>
</table>

---

Responsibility and strength of the position within the organisation are usually determined through contribution, i.e. the share of tourist taxes that are paid by the certain private-sector entity as a share of total financing. Public sector representation is usually fixed by law (since accommodation and other commercially viable tourist resources are privately run);

To ensure the functioning of such a system, tourist taxes, and sometimes tourist membership fees (mandatory contributions of businesses that make additional revenues because of tourists, determined as a minor percentage on total revenue of the company) have to be returned back to tourism in total as a means of the functioning of tourist organisations;

That way, businesses are motivated to pursuit development, leading to better tourism result; thus more money is at disposal for further activities, which they can influence representation in the councils;

Councils, as highest administrative bodies of such organisations, may be headed by political representatives (Mayors, regional heads, ministers), but in best cases, these types of organisations have the majority of votes at the table on the private sector side (e.g. companies from the tourism sector — hotels, agencies and similar).
Despite of the ambitious planning documents, Ukraine lacks more operational and focused planning framework.

**LAW ON TOURISM**

- The Tourism activity in Ukraine is regulated by the Law on tourism (in force since January 1, 2004, however most legal definitions have been in place since 1995);
- Besides the law, particular areas of operations are regulated by the set of bylaws as it is common in tourism systems of most countries;
- Articles 7–12 of the law control tourism management in a way that it is highly centralised and without any formal participation of any institution except political authorities. In that sense tourism management strictly follows the administrative division of Ukraine, where authorities on each level have tourism departments that are budgeted accordingly to the will of the subject authorities;
- Tourist tax is within the jurisdiction of local authorities, where the tax collected is put together with other budgetary contributions. In other words, tourist taxes are not strictly separated and put back in tourism development as it is the case in most European countries;
- Bylaws in place have to be revisited, primarily the one on hotel categorisation that is lagging behind international standards;
- Tasks defined as tourism management in the law mostly refer to central planning and execution of tourism programs. The tourism marketing function is generally neglected in the law, i.e. considered as a usual part of tourism tasks which is in contradiction with the actual needs of tourism management of today;
- To conclude, the regulatory framework of tourism in Ukraine needs significant improvements, since it is not in line with contemporary legal and management solutions in tourism.

**STRATEGY OF TOURISM AND RESORTS UNTIL 2026**

- The Cabinet of Ministers of Ukraine approved the Strategy of Tourism and Resorts until 2026, prepared by the Ministry of Economic Development and Trade of Ukraine in March 2017;
- The document highlights the approach of the state tourism policy in the following areas: the safety of tourists, regulatory support, development of tourism infrastructure, human resource development, marketing policy of tourism and resorts;
- The document has set the following goals of Ukrainian tourism in 2026:
  - The number of foreign tourists increased by 2.5 times;
  - The number of domestic tourists increased by five times;
  - The number of jobs in the tourism sector will increase by five times;
  - Budgets at all levels of tourism will increase by ten times;
  - Number of Ukraine tour operators and tour agencies grow by five times;
  - Tourists spend while travelling in Ukraine more than 80 billion UAH (around 2.9 billion US dollars);
  - Create a positive image of Ukraine as a country that is attractive for tourism.
Positive sides of the document are:

- It defines tourism as a sector of much higher strategic importance than it was done previously;
- Contemporary principles in tourism development such as sustainability are adopted;
- Expresses political will in making major changes of Ukrainian tourism system;
- Based on the Consultant’s evaluation of the Ukrainian tourism system, its Strategy correctly defines the priority areas of tourism where major improvements are necessary;
- Sets ambitious quantitative and qualitative goals until 2026.

The Document’s shortcomings are the following:

- The Document expresses goals without guidelines, supporting ideas or concrete actions on how the goals are supposed to be achieved, and in that sense has more elements of a political declaration than strategy;
- The goals expressed, although ambitious, seem not to be carefully formulated:
  - setting the goal on the number of tourist intermediaries (for five times) is not in accordance with developments on the tourism market (online orientation that generally decreases the number of intermediaries);
  - unclear logic of division of goals between domestic tourists (five times increase) against foreign tourists (2.5 times);
  - the problem of understanding and enforcement of budgeting goal — how can this be enforced?
- General enforcement problem — according to information received from all stakeholders, there has not been any follow-up on the strategy in terms of any activities in 2 years since it was adopted.

4.4.3. Tourism management system in Ukraine

Tourism management system in Ukraine is in the process of change that is still uncertain at the moment of writing of this report.

Image 14: Ukrainian Tourism Management System
Source: HDC

Tourism management system in Ukraine cannot be labelled as bad, it simply does not exist.

Ukrainian Hotel Expert
The scheme presented above of the tourism management in Ukraine is effective after 21/07/2019. As Ukraine is a parliamentary-presidential country, the main state authority is Verkhovna Rada (Parliament);

Following are the main tourism authorities within Verkhovna Rada:
1. Verkhovna Rada’s Committee on Humanitarian and Information Policy — Head Oleksandr Tkachenko;
2. Verkhovna Rada’s Sub-committee on Tourism and Resorts and Recreational activities — Head Dmytro Naliotov.

Following the parliamentary elections of August 21, 2019, government reform is underway in Ukraine. Thus, the management of the tourism industry will now be subordinated to the Ministry of Culture, Youth & Sport with the following key persons:
1. Minister — Volodymyr Borodianskyi
2. Tourism Government Coordinator — Pavlo Kornienko

Until September 2019 (and during July 2019 when the initial field trip and stakeholder meetings took place), Department of tourism and resorts worked within the Ministry of economic development and trade of Ukraine and was de-facto a key body of tourism governance;

It was divided into four sections with a total headcount of 20 people:
- Destination development; International activities and marketing;
- Statistics, standards and science; Coordination and control of tourist activities.

Given the fact that this was the only central governance and marketing body (there was no NTO\(^6\) in place or any other institution governing tourism on central level), the department is heavily under capacitated;

Annual budgets have been in between 1 and 1.5 million USD in recent years, however never fully utilised due to capacity and as consequence decreased;

On the state level, there was also:
- Scientific Council for Tourism and Resorts consists of 52 scientists (mostly from universities with tourism & hospitality departments);
- Council of Tourist Cities & Regions consists of 57 mayors and governors.

which are both consultative bodies.

Following the law on tourism, every Oblast, some raions, cities and towns have Tourism (Tourism & Resorts) Departments, financed and programmed according to local decision making.

**TOURIST CLUSTERS**

“Tourist Clusters 300+” initiative was established in May 2018;

Initiative offers a program of sustainable tourism development in the regions of Ukraine based on their individual approach which includes activities within the framework of the implementation of the EU-Ukraine Association Agreement (Chapter 16) and taking into account the best European practices of rural development, together with the implementation of the ETIS (Sustainable Tourism Indicators System);

There are a number of tourist clusters in Ukraine, which were created by the Tourist Clusters 300+ including Chyhyryn and West Cherkaschyna (both — Cherkaska Oblast), Vyshgorod (Kyivska Oblast), Krasnyi Kut (Kharkivska Oblast), Nikopol (Dnipropetrovska Oblast), Dykanka (Poltavska Oblast).

**NGOs**

NGOs in the field of tourism and hospitality bring together professionals and volunteers and have an impact on the development of the industry in Ukraine;

Most often, the influence of NGPs is greater than that of official authorities. Thanks to grants and donations, such organisations develop amendments and remarks to current legislation, control the quality of services, develop standards and rules, and facilitate the international exchange of experience;

Among the most influential NGOs in Ukraine are the National Tourist Organization and the Hospitality Association of Ukraine as interviewed stakeholders pointed out these two.

\(^6\) NTO — National Tourism Organisation in a professional manner as national promotional agency
4.5. National statistics and data management in the tourism industry

Tourism statistics in Ukraine isn’t set in accordance with basic international standards and there are serious issues with data collection, presentation and methodology standards.

- Evaluation of the current system of tourism statistics in Ukraine is elaborated in detail in Table A.12. section of the annexe;
- Our preliminary suggestions include the following:
  - To concentrate on accommodation statistics and promote it as the central part of Ukrainian tourism statistics. To “objectify” the situation, changes in regulation and law enforcement have to be implemented;
  - All types of accommodation should have the obligatory task to send its data to the statistical office (accommodation places or units or beds), and all collective accommodation should have the obligatory duty to send data on tourism arrivals and overnights;
  - Border crossing statistics should primarily serve safety and security institutions such as ministry for internal affairs, while its function for tourism should be secondary (primarily for the statistics on same-day visitors);
  - Purpose of visit information can be further collected on border crossings; however reliability of data entries and the categories of the visit should be reworked;
  - Furthermore, it is advised that destination managers should make separate surveys (face to face during the stay and/or online surveys after the stay) to obtain information on consumer behaviour (including motivation), which should not be part of the official statistics;
  - Such surveys should be longitudinal (repeated periodically) by the constant methodology in order to enable chronological analysis and decision making;
  - Local destination management data and data from the official statistics should be unified to form the integrated system of official tourism statistics;
  - Tourism satellite accounts (TSA) pilot serves as an internationally unified system of estimating tourism-related economy. Some efforts have been done in Ukraine during 2015 that have already been used previously in this document (section 3.3. Tourism economy); however, data never became official. It is highly advised that the TSA pilot is initiated through cooperation with the UNWTO that usually assists with TSA pilot projects;
  - Finally, the adaptation of the statistical system is usually a painful long-term process that has to be thoroughly planned and executed in separate phases due to the complexity and statistical rigour. In that sense, this should be special project, possibly covering statistics on additional topics beside tourism. In the meantime, more knowledge can be obtained on a number of tourists by some of the circumventing methods like GSM registration, or tourist tax collection as a mean of determining the actual number of tourists.
4.6. Key tourism-related resources and attractions

Cultural attractions and events are now tourism resources that have the greatest readiness for international commercialization.

- To make an evaluation of national resources and attractions, and their levels of significance and importance our team has been relying on the available sources on the internet, interviews performed during the field trip and by checking UNWTO and other available databases.
- Protected areas with natural or cultural importance are managed, but not used to its potential whereas there is a lot of improvement space to make their readiness more suitable for commercial tourism market;
- All of the mentioned resources and attractions are management-wise, regulation-wise and interpretation-wise opened for the public while churches and monasteries are realising part of their revenues through the visitation activities (visitors, tours, academic or scientific visits etc.);
- Natural resources (such as estuaries of rivers, natural parks, rivers and lakes) are already internationally known for their beauty but still not used (commercialised) to its potential. Our team has divided most of the resources and attractions into several categories:
- Краса природних ресурсів країни (зокрема гирла річок, заповідники, річки та озера) є всесвітньо відомою, однак усе ще не використовується (не комерціалізовано) відповідно до їхнього потенціалу. Наша команда поділила більшість ресурсів і пам’яток на кілька категорій:

Table 18: Ukraine — major resources and attractions

<table>
<thead>
<tr>
<th>Natural Resources</th>
<th>Level of tourism readiness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forests</td>
<td></td>
</tr>
<tr>
<td>Pine, Oak, Spruce, Beech, Alder, BirchBlack locust, Ash etc.</td>
<td>10 %</td>
</tr>
<tr>
<td>Biosphere Reserves</td>
<td></td>
</tr>
<tr>
<td>Askaniya-Nova, Chornomorskyi, Karpatkyi, Dunaisky</td>
<td>20 %</td>
</tr>
<tr>
<td>Nature Reserves</td>
<td></td>
</tr>
<tr>
<td>Krymskyi, Kanivskyi, Ukrainian Steppe, Polisky, Yaltynskyi Mountain, Cape Martyan, Karadag, Roztochychya, Medobory, Dniprovsko-Oritskyi/Yelanetskyi Steppe, Gorgany, Kazantypskyi, Opukskyi, Rivnemenskyi, Cheremskyi</td>
<td>20 %</td>
</tr>
<tr>
<td>National Parks</td>
<td></td>
</tr>
<tr>
<td>Karpatkyi, Synevyr, Azovo-Syvaskyi, Vyzhnytyskyi, Podilski Tovtry, Svyati Gory, Yavorivskyi, Desniano-Starogutskyi, Skolivski Beskydy, Shariskyi, Uzhanskiy, Gutsulschina</td>
<td>30 %</td>
</tr>
<tr>
<td>Mountains</td>
<td></td>
</tr>
<tr>
<td>Hoverla, Brebenskul, Pip Ivan, Petros, Hutyn Tomatnyk, Rebra, Menchul, Turkul, Breskul, Smotrych, Blyznytsya, Dzembrinya, Shpytsi, etc.)</td>
<td>25 %</td>
</tr>
<tr>
<td>Rivers</td>
<td></td>
</tr>
<tr>
<td>Dnipro, Danube, Pripiyat, Desna, Tisa, Prut, Volynia, Dniester, Southern Buh, Silersky Donets, , Horyn, Inhulets, Psel, Sluch, Styr, Teteriv, Sula,</td>
<td>20 %</td>
</tr>
<tr>
<td>Lakes</td>
<td></td>
</tr>
<tr>
<td>Synevyr, Nesamovytse, Bile Ozero, Maricheyka, Yalpuh, Shelehiv, Molochnyi Estuary, Svitiaz, Shelekhivske lake, Kalhul, Donuzlav, Kuhlinda</td>
<td>30 %</td>
</tr>
<tr>
<td>Cultural Resources</td>
<td></td>
</tr>
<tr>
<td>Monasteries and churches</td>
<td></td>
</tr>
<tr>
<td>Uspenski Cathedral, St. Sophia Cathedral, Pochayiv Lavra, St. Nicholas Cathedral, St. Georges Cathedral, St. Michael Golden-Domed Monastery, Sviatohirsk Lavra, Annunciation Cathedral, St, Volodymyr Cathedral, Rock Monastery Liodawa etc</td>
<td>50 %</td>
</tr>
<tr>
<td>Other cultural-historical heritage</td>
<td></td>
</tr>
<tr>
<td>UNESCO Lviv Historical Centre, wooden tserkvas of the CarpathianFeltshtyn Geodetic Arc</td>
<td>50 %</td>
</tr>
<tr>
<td>Events</td>
<td></td>
</tr>
<tr>
<td>Liviv City day, Victory Day, Kiev Day, Kiev Summer Music Festival, Ukrainian World Music Festival, Sorochynsky Yarmarak, Koktebel International Jazz Festival, Molodist International Film Festival, Odessa International Film Festival, Gogol Fest, Dociudays Kyiv</td>
<td>60 %</td>
</tr>
</tbody>
</table>

* Tourism readiness includes protection and maintenance, presentability, public access, signage, road signage, availability of information and promotion materials, accessibility — e.g. international standards for tourism use.
• Although there are individual efforts in maintaining, managing and promoting certain attractions and resources, in overall, most of them are still not valorised and shaped into tourism attractions e.g. being used as tourism products or parts of tourism products;

• Due to this situation, it is necessary to equip the resources with needed elements of infrastructure and suprastructure and put in the promotional packages which can be promoted in regional and international markets. This is also one of the pre-conditions in making the values and attributes of the national tourism brand.

• As an overall conclusion — most of the resources and attractions are not offering a touristic interpretation, nor having organised activities connected to their respected characteristics;

• Furthermore, most of the resources and attractions are under different level of the governing body; hence, there is no clear management and promotional responsibility.
4.7. Key destinations and products

Kyiv, Lviv and Odesa are product-wise the most developed destinations in terms of offer and tourism management practices, while Chernobyl emerged as possible quick win thanks to very favourable international reception of the HBO series.

- Although Ukraine has a diverse attraction structure, it is not accompanied by an adequate profile of destinations and tourism products;
- Namely, within all the key tourist attractions, initial offers were formed 20 or more years ago. Due to the absence of Ukraine from the international tourist market (heavily relying on the Russian market as well as regional market), they have remained not modernised, and thus without greater value for the international visitor;
- The inherited tourism superstructure is mainly created for the needs of the domestic tourism market, especially coastal and Carpathian part of the country with some cities in between;
- This is explained by the fact that in the time of the former Soviet Union the focus of tourism development was on Black Sea tourism as well as visiting key attractions for masses (e.g. monuments from 2nd world war, some historical sites etc.);
- There is very scarce statistical information about top-performing destinations (arrivals or overnights) but according to the interviews and collected data, today’s top-performing destinations can be identified as follows:

1. **Kyiv**, as the capital city (with a number of UNESCO sites) and main business hub, has been developing itself into MICE tourism, city break tourism, events (hosting European football cup, Champions League finals etc.) and some touring (e.g. touring of several cities or touring of several countries in the region);

2. **Lviv**, as UNESCO site of the old central part of the city, has become a city break destination with the touring product and some of the other special interests — pilgrimage, architecture, folk art etc. The city is oriented to nearby European destinations (primarily Polish market), however developing quickly and is product-wise nearest to being able to commercialise like Western markets.
3. **Odesa**, the third-largest city in Ukraine, a big port in the Black Sea is specialised mostly in Sun and Sea/summer vacation product, with the addition of city break products and touring. Cruising used to be strong product, but is not in function at present due to the specific situation in the Black Sea.

4. **Bukovel**, a major ski resort in Eastern Europe, specialised in the winter/ski product regionally but also becoming a summer mountain/active product destination due to developed infrastructure (ski lifts, hotels, tourism infrastructure).

5. **Uman**, pilgrimage town for Jewish people but also a city with excellent examples of English gardening and gardens (Sofiyivsky Park).

6. **Chornobyl** (Prypiat village), arising as an attraction, with high demand due to HBO series, and viral placement of adventure people going to the ghost town. This type of tourism should be carefully managed due to all the safety and hazardous issues — therefore, to be very cautious about client promises and promoting this tourism product in general.

- Tourism products as defined by the market today are hardly matched by categories of national statistics systems, even in cases where such systems are far better organized for tourism purposes than it is the case in Ukraine — but it can be said that classical distribution of spas, climatic and health spas, mountain resorts and administrative centres is changing into a more experience-based product structure;

- Hence, the following products on the national level are functioning per se:

  1. **Everyday business product and MICE** (Meetings, Conventions, Incentives and Exhibitions) mostly connected to cities (Kyiv, Lviv, Odesa, Kharkiv, Zaporizhia and Dnipro) and mainly related to some structural, scientific and other events organised by different associations.

  2. **Touring** (touring of destinations within Ukraine or touring several countries with Ukraine as one point) — mostly connected to tour-operating business and to bring larger groups to Lviv or Kyiv or Odesa and starting the thematic tour.
3. **City break** — a product which is already initiated to some professional degree in Kyiv, and in its starting level in Lviv and Odesa with currently shaping the needed tourism infrastructure, gathering enough points of interests etc. Product on which Ukrainian tourism should seriously count in next mid-term.

4. **Sun and Sea** — a product connected only to the coastal part of Ukraine (and mostly Odesa) with high seasonality (June to September) heavily relying on the domestic and regional market (Moldova and Belarus).

- It should be emphasised that the main and most significant spas are in poor shape and mostly related to the local health system of sending sick people to these resorts through subsidies and schemes of national health insurance system (“vouchers”);
- Through the processes of interviewing with stakeholders, the product of rural tourism has been identified as excursion type of tourism with no classical, western-European rustic kind of tourism (including agro-farms and similar). Mostly it is shaped based on the revitalisation of old country houses, as a typical rustic experience associated with activities. Laws regulating ownership of agricultural land are identified as one of the main obstacles in this sense;
- One of the most characteristic Ukrainian tourist products, which has recently emerged, is “Events.” They were created as a product of traditional Ukrainian adherence to festivals, but recently Ukraine was successful host to big events (European Football Cup, Champions League Finals etc.) as well as big film or music festivals (for instance Lviv jazz festival being acclaimed as one of the top 10 global jazz festivals by The Guardian, Odesa film festival, etc.) that have not only made their way into the international scene, but have a high market potential to grow into events for the international market;
- There is some reflection from so-called film industry (e.g. HBO series Chernobyl resulting with increased tourism inflow to this area) whereas it is still at the start level and with some substantial barriers — tax reimbursement for production/film companies where the Law exists but is not enforced.

**CONCLUSION**

- Starting from the indicators and available characteristics and relevant trends in the supply and demand of Ukraine as a tourist destination in the past period, and bearing in mind different tourism-related interest groups conducted, it can be concluded that tourism in Ukraine had been stagnating and developing gradually with some specific points of offer due to:
  - Ukraine’s undefined market position as a macro destination (lack of any strategic positioning) and being non-recognisable on an international level;
  - Outdated structure of total accommodation facilities, with an extremely high proportion of uncategorised hotel facilities;
  - Lack of diversified tourism products that could attract foreign demand to activate the tourism potential of the whole country, increase average spending per day of stay and secure business throughout the year;
  - Accessibility of many parts of Ukraine rich in natural and/or man-made attractions;
  - Unsatisfactory overall infrastructure which in some areas did not accompany the increased construction of commercial and other tourist facilities.
- Finally, one of the current problems associated with tourism in Ukraine, which is largely distorting the importance of tourism in the economic structure of the country, which can have very negative implications not only on the overall future development of Ukraine’s tourism, but also on the state budget revenues, is related to the statistical monitoring of tourism. It is evident that tourism traffic realised is, for the most part, not registered by official state statistics. It is difficult to speak of the scale of this “missing arrivals and overnights” today based on exact facts.
4.8. Tourism branding of Ukraine

Ukraine needs a brand to globally change its image to show Ukraine is a safe, open and hospitable country in its whole. This task is always performed through step by step procedure of tourism branding (through which overall image of Ukraine as a country is also lifted).

IT’S ALL ABOUT U

- Ukraine’s tourism has developed a tourism brand through the process of the order by the State Agency for Tourism and Resorts supported by Ukrainian office of German agency called Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and tender on which a group of experts with marketing agency BrandHouse, WikiCityNomica and Korolivski Mitci design studio had been chosen to develop this project.

- The result of the process of branding is a document called “Guiding principles of Ukrainian tourism brand” published in January 2014.

- The document has elaborated the structure of the tourism brand:
  1. **Brand platform** — with its values, trends in tourism, taking Ukraine as a whole, positioning, target audiences, Ukrainian character, product policy and communication policy.
  2. **System of visual identity** — with its logo, colour, font, brand elements, brand pictograms, brand decorative elements, principles of design, symbols etc.

Image 15: It’s All About U Visual Identity — logo, slogan, widgets
Source: Guiding principles of Ukrainian tourism brand, National Agency for Tourism and Resorts, Kyiv, January 2014.

UKRAINE NOW!

- On the other hand, the newer and independent process of new branding was created by the Ukrainian government — trying to push the Ukrainian image more into the positive sphere after the recent turmoil in southern and eastern regions of the country.

- The "Ukraine Now" brand had been developed by Banda agency, and it has become the largest international marketing campaign by the Ukrainian government (since 2018) with a key goal to create the more positive image of Ukraine in the world, to attract investments into the country and to improve the tourism potential. The visual identity of the brand won the Red Dot Design Award in 2018. The Red Dot Design Award is an international product design and communication design prize awarded by the Design Zentrum Nordrhein Westfalen in Essen, Germany.
With the support of the British government, research was conducted on how Ukraine is perceived abroad. According to his results, it turned out that the three most popular associations with Ukraine are «corruption», «revolution» and «military action».

Experienced tourists who have never been to Ukraine, tend to see Ukrainians as closed, aggressive and intolerant. This image is mainly shaped from what they see and hear in the news such as violent scenes in the Ukrainian Parliament and football violence broadcasted on TV. With such a reputation, it is difficult to attract investment and tourists to the country. However, many tourists who have been to Ukraine at least once, do change their mind and celebrate Ukrainian hospitality, beautiful views, culture and architecture.

In the period from 2014 to 2018 — Ukraine has tried to develop its unique image according to its values, symbols and traditions (tourism brand from 2014) as well as to develop an image of a safe, open and modern country ready for international business and tourism (a brand from 2018);

Both established brands have their advantages and systematic ideas that were well elaborated, but they clash to some extent due to different missions and beliefs. Therefore, our team has overviewed both brands from a marketing / promotional perspective:

<table>
<thead>
<tr>
<th>Internal arguments</th>
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</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ukraine is distinguished by its large area and is associated to a natural and agricultural landscape.</td>
<td>7</td>
</tr>
<tr>
<td>2</td>
<td>Ukraine’s image is currently still linked to turmoil and negative perception in key emissive markets in EU as well as globally.</td>
<td>8</td>
</tr>
<tr>
<td>3</td>
<td>Ukraine is basically a brand that world recognizes as whole and it’s known in the tourism market.</td>
<td>9</td>
</tr>
<tr>
<td>4</td>
<td>Brands of Ukraine are powerful thanks to its relevance and esteem.</td>
<td>10</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>External arguments</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Ukraine is associated to positive leisure values such as Lviv, Kiev and seaside.</td>
<td>11</td>
</tr>
<tr>
<td>6</td>
<td>It is a brand positioned by the customer under a strong value system of nature and culture.</td>
<td>12</td>
</tr>
</tbody>
</table>
Strategic marketing analysis of both brands regarding the increase of their power resulted in seven key brand issues (key issues are those factors which must be carefully managed so that they help reach the set objectives and do not slow down their attainment) of the Ukrainian tourism brand:

Image 18: Key Issues in Ukrainian Tourism Branding
Source: HDC

1. Brand images and perceptions
   • These images and perceptions (the attributes, values and personality perceived) are the Brand. The market has very few images and perceptions associated with Ukraine, and these are simple and show little differentiation. Consequently, the brand lacks differentiation, and so has minimal possibilities to grow (gain international recognition). In a world where people buy the brand, this is a great weakness for Ukraine.

2. Brand positioning, baseline and visual
   • When a brand is well positioned, the target is clear about the unique benefit it offers compared to its competition. In the case of Ukraine, the lack of perceived differentiation prevents the brand from being well-positioned. This is important since brand competition is largely related to their positioning.
   • There is a desired or aimed positioning, but Ukraine has not succeeded in effectively communicating it to the market, despite the investments made in marketing and public relations in the last two years.7

3. Brand myths, icons, symbols and music
   • These four elements are more and more critical as collateral ingredients to the brand. They help understand the country, generate the desire to visit and improve the purchase justification. They very often generate emotional bonds between the potential customer and the destination. It all turns them into powerful marketing instruments which must be planned, activated and managed in an active ad intelligent way.
   • So far, Ukraine has not used in a programmed, intense and intelligent manner its myths, symbols and music to gain new customers.

4. Brand power and adoption process
   • These two elements are the main issues Ukraine must decisively face and deal with. This weakness to the significant degree annuls the rest of the country’s marketing efforts. It is a problem which urgently requires great attention.
   • Brand power is very weak, mainly owing to its low differentiation and understanding. Potential customers know there exists a country called Ukraine, but they don't know what's within it of their interest or what things they can see or do once at the destination. Likewise, they do not understand the benefits a holiday in Ukraine can bring them. While this situation remains, all the marketing and promotion actions will produce poor results.
   • The low performance of the brand adoption processes is due to the low levels of knowledge and understanding of Ukraine as a tourism destination.

FutureBrand Country Index reports for 2014 & 2019
5. Branding system

- The branding systems of global tourist destinations are gradually getting more sophisticated, and they tend to include some of the following initiatives:
  - **Product brands**: Best spas Austria, Heritage hotels Ireland, Signature Experiences Canada;
  - **Product labels**: Art cities Spain, Best panoramic views Germany, Blue cruise Turkey;
  - **Endorsements**: Best beaches of the world Condé Nast, Best Convention Centres ICCA;
  - **Regional brands**: Costa del Sol, Istria, etc.

- Destinations develop branding systems to defend their market positions or to win market share by competing more efficiently thanks to the new brands. Ukraine does not have a branding system (regional, destination, thematic or other types) and consequently, its capacity to successfully compete against its rivals is very reduced. This problem is especially emphasised in the areas of online and mobile promotion platforms, while these platforms are quickly becoming the only platforms contemporary customer segments go through in a useful way.

6. Brand management

- Ukraine lacks a mechanism which guarantees a correct implementation of the brand strategy. Moreover, it should make sure that brand images, perceptions, attributes, values, personality and positioning are respected by all those who are building a brand and by all the marketing actions. For this Ukraine needs to initiate a National Promotional Agency founded by the Government as an agency that takes care of the national tourism brand as well as promoting Ukrainian tourism in foreign markets according to the brand structure.

7. Integrated Brand Communication Strategy

- The IBCS is composed of everything the proposed Agency for promotion of tourism will do or support, so that the brand Ukraine increases its power and «adoption». Ukraine needs (and currently lacks) a package of strategies which drive the brand to a situation of more power and better «adoption» amongst its targets. These strategies must establish directions on the messages, the means, the collaborators, etc. which must be used to reach the brand’s power objectives.
5. EVALUATION OF THE UKRAINIAN TOURISM SYSTEM

5.1. Stakeholder audit

- For the purposes of the project execution, the project team has compiled a list of relevant target persons/institutions that was amended and approved by EBRD. List of interviewed persons is provided in annex section A.13;
- On top of the personal interviews, additional online and phone inquiries have been undertaken in non-structured format.

5.1.1. Stakeholder mapping

Tourism stakeholders in Ukraine generally agree on the key issues, while there are no major interest conflicts that would burden further development process. There is, however, some mistrust between public and private sector stakeholders that is a result of historic and organisational issues, particularly the fact that private stakeholders aren’t formally included in decision making, so the two groups of stakeholders don’t interact regularly.

- As a part of the stakeholder analysis methodology, the project team has tried to identify capacities (possibilities), motivations (needs, interests) and possible points of conflicts (challenges) with other stakeholder groups;
- Given the management model of Ukrainian tourism, the following key stakeholder groups (the ones with direct influence on tourism development) were identified:
  - The Government of Ukraine;
  - Department of tourism and resorts at the Ministry of trade and economy;
  - Tourism departments on regional (oblasts) levels;
  - Tourism departments on city/municipality levels;
  - International investors / partners;
  - Local SMEs engaged or interested in tourism businesses;
  - Tourism-related associations and/or NGOs;
  - Market — end market and intermediaries.
- Following is the stakeholder mapping per stakeholder group, as derived from stakeholder interviewing procedures.

<table>
<thead>
<tr>
<th>POSSIBILITIES</th>
<th>INTERESTS / WANTS / NEEDS</th>
<th>CHALLENGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitive framework / legislation (tourist land, taxes, beaches, new business models, statistics, inspection); Special funding lines; Professionalization of state marketing; Education system reform; Activating state property; Donor funds</td>
<td>Greater tourism turnover and currency inflow; Investments; Employment; Regional development; Tourism as a market to other industries and especially to agriculture; Sustainable development of underdeveloped areas; Overall improvement of Ukrainian image</td>
<td>Decentralization in Tourism and DMD Concept; Attracting Global Investors and Brands; The lack of major private sector companies in tourism as partners; Capacity and efficiency of administration.</td>
</tr>
</tbody>
</table>

Image 19: Stakeholder Mapping — Government

Source: HDC
### Image 20: Stakeholder Mapping — Tourism & Resorts Department (within the Ministry of Economic Development and Trade)

**POSSIBILITIES**
- Planning / regulation leadership
- Managing unified tourism register
- Formal / informal cooperation (i.e. with institutions in charge of spatial regulation, culture, etc.)
- Further certification responsibilities (school programs, quality, etc.)

**INTERESTS / WANTS / NEEDS**
- Increased capacity (people / funds)
- Legislative adjustment
- Institutional support
- Easier access for proposing legislation
- Stronger enforcement and related mechanisms

**CHALLENGES**
- Human resource development
- Development and/or transition of tourism marketing function
- Division of responsibilities local / regional / national
- Image at private sector subjects

### Image 21: Stakeholder Mapping — Tourism Departments in Regions

**POSSIBILITIES**
- Developing regional tourism products
- Creating competitiveness conditions (coordination of all regional departments)
- Regional marketing / branding
- Regional level planning
- Standardization and quality

**INTERESTS / WANTS / NEEDS**
- Clear and up-to-date division of national, regional and destination responsibilities (“caught in the middle”)
- Budgets corresponding to responsibilities
- Private sector recognition / cooperation
- Tools / capacity to operate

**CHALLENGES**
- Professionalization
- Build-up and human resource development
- Transport / accessibility challenges in most part of the country
- Availability of private sector partners on regional level

### Image 22: Stakeholder Mapping — City Tourism Departments

**POSSIBILITIES**
- Product development
- Competitiveness programs (signage, quality, etc.)
- City branding / marketing
- Initiating / coordinating capital projects

**INTERESTS / WANTS / NEEDS**
- Legislative alignment (mission, financing)
- Levers for stronger inclusion of private partners
- Capital projects supported by the Government
- Stronger international representation of Ukrainian tourism

**CHALLENGES**
- Establishing clear missions, tasks and responsibilities;
- Limited capacity (human resources and responsibilities);
- Alignment with other levels of tourism organisation

### Image 23: Stakeholder Mapping — International Investors / Partners

**POSSIBILITIES**
- Major city hotels
- Major resorts (seaside / mountains)
- Restaurants / restaurant chains
- International marketing / sales intermediation

**INTERESTS / WANTS / NEEDS**
- Clean rules of the game
- Efficient administration
- Competitive financing terms
- Stronger international marketing of Ukraine and its destinations
- Competent tourism management framework

**CHALLENGES**
- Acquiring “first movers”
- Land ownership
- Safety / security assurances
- Corruption
### Image 24: Stakeholder Mapping — Local SME’s in Tourism

**Source:** HDC

<table>
<thead>
<tr>
<th>POSSIBILITIES</th>
<th>INTERESTS / WANTS / NEEDS</th>
<th>CHALLENGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Product development (DMCs, tour operators)</td>
<td>• Competitive financing terms</td>
<td>• Registration / categorization of all tourism related SMEs</td>
</tr>
<tr>
<td>• Alternative accommodation (hostels, B&amp;Bs, rural)</td>
<td>• Stable environment and clear regulation</td>
<td>• Transfer from grey to registered economy</td>
</tr>
<tr>
<td>• Interpretation</td>
<td>• Inclusion / representation in decision making</td>
<td>• Capacity building</td>
</tr>
<tr>
<td>• Innovation for the most components of the value chain (F&amp;B, culture, entertainment, souvenirs, local transport)</td>
<td>• Stronger international marketing of Ukraine</td>
<td>• Creating trust towards public sector bodies</td>
</tr>
</tbody>
</table>

### Image 25: Stakeholder Mapping — Associations and NGOs

**Source:** HDC

<table>
<thead>
<tr>
<th>POSSIBILITIES</th>
<th>INTERESTS / WANTS / NEEDS</th>
<th>CHALLENGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Representation of stakeholder groups</td>
<td>• Official inclusion in negotiating processes / &quot;inclusive governance&quot;</td>
<td>• Building / promoting membership</td>
</tr>
<tr>
<td>• Formulating requests / legal recommendations</td>
<td>• PPP model of tourism management</td>
<td>• Building / selecting key associations / NGOs</td>
</tr>
<tr>
<td>• Acting as control mechanisms</td>
<td>• Higher overall budgets for tourism</td>
<td>• Maintaining constructive contribution vs self promotion</td>
</tr>
<tr>
<td>• Research</td>
<td>• Professionalization</td>
<td>• Ensuring professionalism (&quot;unionization&quot;)</td>
</tr>
<tr>
<td>• Lobbying</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• International communications</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Image 26: Stakeholder Mapping — Market (clients and intermediaries)

**Source:** HDC

<table>
<thead>
<tr>
<th>POSSIBILITIES</th>
<th>INTERESTS / WANTS / NEEDS</th>
<th>CHALLENGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>• High for volumes on certain products (MICE / short breaks)</td>
<td>• Thorough information and presentation of products</td>
<td>• Image reparation</td>
</tr>
<tr>
<td>• Word of mouth / blogs as an effective way to improve image</td>
<td>• Safety / security assurances and guarantees</td>
<td>• Value proposal (marketing strategy)</td>
</tr>
<tr>
<td>• Domestic market — pilot for innovations</td>
<td>• Reservation possibilities</td>
<td>• Product packaging (tourism value chain weaknesses, destination management)</td>
</tr>
<tr>
<td>• Foreign market — final test for developed tourist products</td>
<td>• Value for money</td>
<td>• Tourism management and control (product delivery standards, value for money incidents)</td>
</tr>
<tr>
<td></td>
<td>• To experience Ukraine from local point of view — stories, memories, experiences</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Tourism activation of the territory</td>
<td></td>
</tr>
</tbody>
</table>

### 5.1.2. Findings and key competitiveness gaps

Interviewed stakeholders have highlighted the following key issues per the following elements of the tourism system.

**REGULATION / MANAGEMENT**

- Law on tourism is obsolete and must be changed;
- Position of the department within the Ministry is sub-optimal — the issue of lawmakers being far away from practice and understanding of the sector, while decision making is pure politics (devoid of substance);
- The general feeling of chaos and mismanagement in tourism sector ("Management is not bad, it does not effectively exist") — most respondents agree that tourism management in the country has been deteriorating for some time and that central level of tourism management never had such a low capacity;
• Fragmented management that is entirely public sector run and has 100 % compliance with the territorial organisation of Ukraine, which is against sensible tourism practices;

• Unclear division of authority between national/regional/local tourism management level;

• Revenue/taxation money streams (tourist tax) are not separated from other budgeting (what is earned by tourism doesn’t stay in tourism as in other countries);

• Law enforcement issues, especially for respecting various rulebooks and bylaws issued by the Ministry;

• Hotel categorisation isn’t mandatory;

• SMEs operating under flat tax were provided opportunity, however, contributed to further statistical chaos (registration);

• Tourism statistics don’t allow for any sensible sector analysis.

ACCESSIBILITY

• External air accessibility is one of the strongest points, however, underutilised given the connectivity and capacity (remark that 70% of international tourism traffic on airports is outbound, 30% inbound) — yet this type of transport can support quick wins;

• Railway network is decent between major urban destinations, however of limited use for most of the tourism products, especially the ones targeting international tourists;

• Road connectivity is bad within destinations, where tourism development will process-wise have to be paired with transport infrastructure development;

• Taxi and related online platform transport require regulation and regulation enforcement.

BRANDING

• No consistent brand strategy (several brands in place, no follow-ups);

• Poor brand management and utilisation;

• Brand portfolio is not developed to it’s full of encompassing products and destinations (brand hierarchy);

• Surveys that would enable brand management.

MARKETING

• Focus on offline, instead online;

• Marketing budgets scarce and fragmented;

• No systematic marketing abroad;

• No alignment/co-ordination between identity and materials between different levels (destination, region, local);

• The marketing part of product development functions to a slight degree and only in large urban destinations.

COMPETITIVENESS

• Lack of tourism signage;

• Lack of most elements of tourism infrastructure;

• Lack of tourist info offices, availability and distribution of information to visitors in general;

• Lack of quality control/labels;

• Lack of control of enforcement even for elements that are defined by laws/bylaws.

INVESTMENTS AND GENERAL BUSINESS ENVIRONMENT

• Safety / security / certainty;

• Corruption;

• Access to finance;

• Negative trends on workforce availability (however situation still more positive than in Western Europe).
5.2. Tourism value chain evaluation

5.2.1. Introduction

• The tourism value chain was initially a theoretical framework derived from the original work of Michael Porter’s value chain;

• A value chain is a set of activities that a firm operating in a specific industry performs to deliver a valuable product or service for the market. The concept comes through business management and was first described by Michael Porter in his 1985 best-seller, Competitive Advantage: Creating and Sustaining Superior Performance (source: Wikipedia);

• Value chain seeks to analyse how the value for the customer is created through production or service creation stages;

• During the late 1990s and early 2000s, the model has been adapted to tourism, where first theoretical frameworks were developed;

• Between 2005 and 2010, international institutions such as UNWTO as well as various independent consultancies have developed various practical applications and guidelines of the value chain assessment in tourism;

• Tourism value chain assessment is today a standard tool in destination planning and management;

Below is the tourism value chain model as defined by UNWTO:

Image 27: Tourism Value Chain
Source: UNWTO & DEVCO, 2013
5.2.2. Evaluation process

- The project team has created a modified version of the tourism value chain assessment model for the purposes of evaluating the Ukrainian tourism system;
- To ensure as objective and as meaningful evaluation as possible, the project team has included various Ukrainian tourism experts in the evaluation;
- The criteria for inclusion was in-depth knowledge and experience of the Ukrainian tourism system, as well as expertise in visiting international tourist destinations;
- The final list of experts included in the evaluation is provided in annexe section A.14;
- Evaluators were asked to grade various elements of the tourism value chain with grades 1 to 5 (1 — worst, 5 — best);
- The average grade for each element was calculated as an average of all grades (evaluators) and the grade for each link of the value chain (i.e. accommodation, transportation, etc) as an average of all grades for elements within the link.

5.2.3. Results

Food and beverage category is the best, while marketing and traffic/accessibility are the worst parts of the tourism value chain in Ukraine.
• Results grouped by stages of experience show that according to experts’ opinion, Ukraine has the worst score in pre-arrival stage, which was not surprising and generally in line with the WEF report on Competitiveness of Travel and tourism sector of Ukraine;

• Destination stage was considered significantly better; however, the category of tourism resources and infrastructure was awarded average grade less than three, again in line with WEF report on Competitiveness of Travel and tourism sector of Ukraine;

• The post-arrival stage has been graded relatively the best; however, it has the smallest impact on the total experience;

• A detailed evaluation of the components of the value chain is presented in A.15 section of the annexe.

5.3. Evaluation of the key products

UKRAINIAN TOURISM VALUE FOR EFFORT RATIO

• At the beginning of the new era of tourism development, Ukraine is on the one hand confronted with the need to accelerate the revitalisation of the inherited tourism infrastructure and suprastructure, and on the other hand, is challenged to intelligently use numerous intact attractions and develop currently underdeveloped tourism product categories and lines.

• It is quite certain that the rehabilitation of the inherited structure has a priority not only because of economically more efficient solutions for the return to the international market but above all because of the fact that in currently advanced destinations, it is possible to increase the supply and competitiveness levels most easily and thus create a stronger base for marketing activities.

• In this context, the most important question is how to effectively start to increase competitiveness and attractiveness of the tourism products/lines in the short to mid-term period. Our evaluation tool called value for effort formula highlights the urgent and not so urgent items that have to be addressed from the national (and regional) level in line to improve competitiveness/ attractiveness of the national tourism product categories/lines.

• Tourists choose the destination according to their perception of a good value for effort ratio. Value is what a destination has to offer to tourists (attractions, experiences, services, etc.). The effort is what a destination "asks" from tourists (inconveniences, uncertainties, financial and other costs).

• To conclude — real competitive advantage is the one that helps the destination to successfully compete in the international tourism market by offering the market a superior value for the equal effort that tourists invest when choosing other destinations. Tourism destinations are looking for opportunities that they can build (and sustain over time) critical emotional and rational benefits in the following six areas.

Image 30: Value for Effort Formula
Source: HDC

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<thead>
<tr>
<th>VALUE FOR EFFORT</th>
<th>TOURISTS RECEIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>What we offer to tourists (VALUE)</td>
<td></td>
</tr>
<tr>
<td>Result for guests</td>
<td>“Feelings”</td>
</tr>
<tr>
<td>Insecurities</td>
<td>Inconveniences</td>
</tr>
<tr>
<td>What we ask from tourists (EFFORT)</td>
<td></td>
</tr>
</tbody>
</table>
### Value Matrix Assessment

<table>
<thead>
<tr>
<th>High Level</th>
<th>Average Level</th>
<th>Low Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business related superstructure</td>
<td>Intact and unspoiled natural parks and parks of nature</td>
<td>Highest results for the tourists are in every day business activities, variety of natural resources and diversity of regional supply, whilst in feelings to feel unspoilt nature and to see Black Sea and large river Dnipro entering Black Sea are currently high-level elements.</td>
</tr>
<tr>
<td>Natural resources</td>
<td>Rivers and Black Sea</td>
<td>What was perceived during the interviews — most of the Ukrainian offer is at the level of average — which is critical due to the fact if these elements are not being addressed soon there is danger of all the mentioned elements to become significant disadvantages.</td>
</tr>
<tr>
<td>Diversity of regional supply</td>
<td></td>
<td>These elements are the most urgent elements that must be addressed but on the other hand they cannot be changed over short period — therefore they have to be put in systematic processes that will in short term make significant improvements for the guests.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tourism friendly destinations</td>
<td>Friendly and helpful local population</td>
<td></td>
</tr>
<tr>
<td>Diversity and quality of:</td>
<td>Landscaping</td>
<td></td>
</tr>
<tr>
<td>Destination guided activities / tours</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Events</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gastronomy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activity related areas (walking/jogging, bike etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shopping and diversity of shops</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accommodation classification and categorization</td>
<td>Overall image of Ukraine (as country and as tourism destination)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport infrastructure</td>
<td>Quality of provided information</td>
<td></td>
</tr>
<tr>
<td>Presentation of tourism attractions (culture, nature, other)</td>
<td>Language / letter barrier</td>
<td></td>
</tr>
<tr>
<td>Souvenirs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban / architectural aesthetics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Results for tourists</td>
<td>“Feelings”</td>
<td></td>
</tr>
<tr>
<td>Quality of services</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Value for effort matrix gives direction for the overall Ukrainian tourism where to focus in short, mid and long term to improve the surroundings in which tourism product categories and lines are operating.

### Ukrainian Tourism Product Assessment

Although Ukraine has a diverse and attractive structure (as noted in value for effort matrix), it is not accompanied by an adequate profile of tourism products. Specifically, within the framework of all key tourist attractions, initial offers were created 20 or more years ago. Due to the absence of Ukraine from the international leisure tourism market, it has remained unmodified, and thus without greater power of strong supply towards customers. The inherited tourist suprastructure is mainly created for the needs of the domestic/regional tourism market, especially price-sensitive markets. This is explained by the fact that at the time of former union, the focus of tourism development was mostly on the Black Sea whereas tourism suprastructure had been developed more than in hinterland or continental parts of Ukraine.

When looking into the evaluation of the tourism product — the first step is to assess what is the Ukrainian tourism product now and what is the future product portfolio that could be developed in mid and long-term. As of today’s portfolio, Ukraine has (according to the interviews with stakeholders, received promotional materials and site visits to Kyiv, Lviv and Odesa) are:

- MICE (mainly day to day business),
- City visits (including various tours), and
- Seaside vacation (traditional sun & sea product).
Evaluating the overall competitiveness of Ukraine's tourism products has its starting point in 5 categories of competitiveness and five categories of attractiveness:

- **Competitiveness evaluation** is based on volume, expected growth, average daily consumption, contribution to the image and competitive environment.

- **Attractiveness** looks at the categories of market share, the strength of the image, accessibility, differentiation potential and adjustment level of supply.

- Each of the categories within competitiveness and attractiveness have their weight of the category in the overall calculation — e.g. volume has a weight of 30 % in total evaluation, expected growth 4 %, daily expenditure 8 %, market share 15 %, differentiation potential 10 %, etc.

- Each tourist product (category and product line) is evaluated with a range from 0 to 10 (0 — no contribution to competitiveness and attractiveness, 10 — maximum contribution to competitiveness and attractiveness).
### Image 33: Competitiveness / Attractiveness evaluation model — explanation

**Source:** HDC

<table>
<thead>
<tr>
<th>Element of evaluation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Volume</td>
<td>Number of international tourists</td>
</tr>
<tr>
<td>2. Expected growth</td>
<td>Growth (real not relative) of number of tourists in next 5 years</td>
</tr>
<tr>
<td>3. Daily expenditure</td>
<td>Average daily expenditure for product category / line</td>
</tr>
<tr>
<td>4. Contribution to overall image</td>
<td>Product category / line makes positive impact on the overall image</td>
</tr>
<tr>
<td>5. Variety of products’ suppliers</td>
<td>Number of stakeholders offering product category / line</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Competitiveness of Ukraine within product category / line</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Market share</td>
<td>Share of the arrivals compared to overall number of arrivals</td>
</tr>
<tr>
<td>2. Strength of the image</td>
<td>Power of Ukrainian brand, connections to attributes (experiences, quality of services) and level of differentiation</td>
</tr>
<tr>
<td>3. Accessibility</td>
<td>Traffic connectivity (air, road, train or water) to main markets and destinations to use this product category / line</td>
</tr>
<tr>
<td>4. Differentiation potential</td>
<td>Resources availability and tourism attractions which push certain product category / line to be used</td>
</tr>
<tr>
<td>5. Appropriately adjusted supply</td>
<td>Availability of supply for key markets for using of product category / line in Ukraine (language, gastronomy, typology of accommodation etc.)</td>
</tr>
</tbody>
</table>

Taking into account the national structure of current product categories (MICE, City visits and Sun & Sea) as well as national product lines (thematic itineraries / touring, rural holidays, medical etc.), the product portfolio and product lines of the Ukraine are placed in overall product category / line matrix with added potential future product categories / lines (based on the interviews with key stakeholders and experts’ opinions). This practice is needed to evaluate the overall competitiveness/attractiveness of the tourism product portfolio of Ukraine:

### Image 34: Product Categories / Lines Portfolio

**Source:** HDC

<table>
<thead>
<tr>
<th>MICE / BUSINESS</th>
<th>CITY BREAK</th>
<th>SUN &amp; SEA (SEASIDE)</th>
<th>TOURING / CULTURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Day to day business meetings and activities</td>
<td>Weekend</td>
<td>Main summer vacation</td>
<td>Grand Tour of Ukraine</td>
</tr>
<tr>
<td>Incentive travel</td>
<td>Short Break</td>
<td>Short seaside break</td>
<td>Thematic itineraries (pilgrimage, culture-museums, galleries, science, nature etc.)</td>
</tr>
<tr>
<td>Small / Medium Conferences</td>
<td>Culture Weekend</td>
<td>Active seaside vacation (sailing, biking, walking / hiking)</td>
<td>Generic itineraries (geographical or attraction related tour)</td>
</tr>
<tr>
<td>Congresses</td>
<td>Events</td>
<td>Romantic seaside getaway</td>
<td>River Cruising</td>
</tr>
<tr>
<td>Events</td>
<td>Romantic Getaway</td>
<td>Seaside vacation in low season</td>
<td>Cruising Black Sea</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SPECIAL INTERESTS</th>
<th>ADVENTURE / SPORTS</th>
<th>GASTRONOMY</th>
<th>HEALTH / WELLNESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>National parks and Parks of nature Rural tourism / farms and rural stay Specialty (birdwatching, wildlife, hunting, fishing, horse riding etc.) Ethno / folklore / authentic folk customs</td>
<td>Mild activities (walking, biking, mountain biking, hiking, kayaking, canoeing)</td>
<td>Wine and wine routes Domestic gastronomy (food and beverage) Agritourism / Agrofarms</td>
<td>Wellness tourism (spa, wellness, massage, beauty treatments, etc.) Health tourism (keeping the level of health, artificial insemination, dentists, plastic surgery, Botox, etc.) Medical treatments / curing (cancer treatments, heavy surgeries, transplantations, etc.)</td>
</tr>
</tbody>
</table>

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Our team has evaluated eight tourism products within which there were 34 product lines — all of them in line with available natural, cultural and destination resources.

Image 35: National Tourism Products Categories Evaluation
Source: HDC according received data and expert opinions, July 2019.

<table>
<thead>
<tr>
<th>Product Category</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adventure / sports</td>
<td>5.75*</td>
</tr>
<tr>
<td>Special Interests</td>
<td>5.25</td>
</tr>
<tr>
<td>Gastronomy</td>
<td>4.48</td>
</tr>
<tr>
<td>Health / Wellness</td>
<td>3.91</td>
</tr>
<tr>
<td>Touring / culture</td>
<td>3.37</td>
</tr>
<tr>
<td>Sun &amp; Sea (Seaside)</td>
<td>3.31</td>
</tr>
<tr>
<td>City Breaks</td>
<td>3.15</td>
</tr>
<tr>
<td>MICE / Business</td>
<td>2.86</td>
</tr>
</tbody>
</table>

* 1–3 under developed tourism product, 4–6 partially developed tourism product, 7–10 fully developed tourism product

Following the previous distribution of the product categories, product lines of each product category were evaluated — and when the product lines are placed in a competitiveness/attractiveness matrix, the following result is obtained.

Image 36: National Tourism Products Lines Evaluation
Source: HDC according received data and expert opinions, July 2019.

<table>
<thead>
<tr>
<th>Product Line</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Day to day business meetings and activities</td>
<td>7.41*</td>
</tr>
<tr>
<td>Weekend</td>
<td>6.29</td>
</tr>
<tr>
<td>Main summer vacation</td>
<td>5.93</td>
</tr>
<tr>
<td>Small / Medium Conferences</td>
<td>5.89</td>
</tr>
<tr>
<td>Events</td>
<td>5.72</td>
</tr>
<tr>
<td>Short Break</td>
<td>5.62</td>
</tr>
<tr>
<td>Incentive travel</td>
<td>5.61</td>
</tr>
<tr>
<td>Romantic getaway</td>
<td>5.24</td>
</tr>
<tr>
<td>Events</td>
<td>4.90</td>
</tr>
<tr>
<td>Generic itineraries (geographic or attraction related tour)</td>
<td>4.81</td>
</tr>
<tr>
<td>Romantic seaside getaway</td>
<td>4.78</td>
</tr>
<tr>
<td>Short seaside break</td>
<td>4.63</td>
</tr>
<tr>
<td>Thematic itineraries (pilgrimage, culture-museums, galleries, science, nature etc.)</td>
<td>4.60</td>
</tr>
<tr>
<td>Culture weekend</td>
<td>4.22</td>
</tr>
<tr>
<td>Congresses</td>
<td>4.11</td>
</tr>
<tr>
<td>Health tourism (keeping the level of health, artificial insemination, dentists, plastic surgery, botox etc.)</td>
<td>3.88</td>
</tr>
<tr>
<td>Domestic gastronomy (food and beverage)</td>
<td>3.87</td>
</tr>
<tr>
<td>Cruising Black Sea</td>
<td>3.64</td>
</tr>
<tr>
<td>Wine and wine routes</td>
<td>3.59</td>
</tr>
<tr>
<td>Seaside vacation in low season</td>
<td>3.57</td>
</tr>
<tr>
<td>Specialty (birdwatching, wild life, hunting, fishing, horse riding etc.)</td>
<td>3.55</td>
</tr>
<tr>
<td>Medical treatments / curing (cancer treatments, heavy surgeries, transplpatations etc.)</td>
<td>3.54</td>
</tr>
<tr>
<td>Active seaside vacation (sailing, biking, walking/jogging)</td>
<td>3.50</td>
</tr>
<tr>
<td>Rural tourism / farms and rural stay</td>
<td>3.36</td>
</tr>
<tr>
<td>Sporting events</td>
<td>3.31</td>
</tr>
<tr>
<td>National parks and parks of nature</td>
<td>3.29</td>
</tr>
<tr>
<td>River Cruising</td>
<td>3.25</td>
</tr>
<tr>
<td>Grand tour of Ukraine</td>
<td>3.23</td>
</tr>
<tr>
<td>Mild activities (walking, biking, mountain biking, hiking, kayaking, canoeing)</td>
<td>3.22</td>
</tr>
<tr>
<td>Hard activities (mountaineering, speleoology, rafting, windsurf, kitesurf etc.)</td>
<td>2.76</td>
</tr>
<tr>
<td>Wellness tourism (spa, wellness, massage, beauty treatments etc.)</td>
<td>2.70</td>
</tr>
<tr>
<td>Agritourism / Agrofarms</td>
<td>2.46</td>
</tr>
<tr>
<td>Ethno / folklore / authentic folk customs</td>
<td>2.39</td>
</tr>
<tr>
<td>Professional sport preparations (sport themes, individual sportmen or women)</td>
<td>2.16</td>
</tr>
</tbody>
</table>

* 1–3 under developed tourism product, 4–6 partially developed tourism product, 7–10 fully developed tourism product
Overall evaluation and assessment of the Ukrainian tourism product categories/lines result with the following conclusions:

- **MICE and City Breaks** product categories are above the grade of 5, thus being the only one that can, to some extent, be competitive and attractive to the international tourism market (e.g. quick wins). Although they are above the level of 5, it must be mentioned that the scale is to 10. Therefore, many elements in competitiveness and attractiveness within these two product categories ought to be improved in the following years.

- **Sun & Sea** (Seaside) category is higher due to the fact of attractiveness to the regional international market (e.g. Belarus, Moldova, Turkey, Poland and partially to Baltic countries). When considering the real competitiveness level compared to the Mediterranean — this product can’t be competitive nor attractive in key emissive markets.

- **Touring / Culture** position would be higher but is burdened through competitiveness of traffic accessibility (poor road infrastructure) — therefore in fourth place. This product category ought to be closely managed and developed due to its higher potential than other types of product categories (the international market for tours is large and is always entering into new destinations as first tourism product after MICE/business and City Break).

- Other product categories are at the starting levels of development and as categories should focus on product lines within categories that are more developed.

- Within product lines — everyday business to business has the most competitive and attractive level of assessment thus being the product that is following classic development of other once not tourism destinations as first to be internationally recognised for travellers.

- The second product line is Weekend — which is already recognised internationally (at least within the regional international market) and needs some “fine touches” in packaging and promotion to become a professionally managed tourism product.

- After key two product there are 6 of product lines which are almost at the same level of competitiveness/attractiveness level — main summer vacation, small/medium conferences, events, short break, incentive travel, romantic weekend getaway — and need some more add-ons in terms of product development, to reach the level of aforementioned two.

- Set of product lines within the level of grade 4 — need to build-up needed tourism infrastructure to start to develop internationally as well as to shape the types and variety of packages/sales offers to improve its position within competitiveness/attractiveness matrix.

- Other products are at the start of their development, and they ought to be for the next 3 to 5 years closely monitored and evaluated year by year to see if they have potential to develop in professional product lines.
6. TOURISM DEVELOPMENT ROADMAP

6.1. Introduction

RATIONALE

EBRD has initiated this project based on the assumption that tourism in Ukraine is economically undervalued and that organisational and regulatory alignment with the best international practices could provide substantial development opportunity, especially for tourism-related SMEs. Analytical sections of the report have provided enough support for such a stance.

TOURISM POTENTIAL

Ukraine is an attractive country in terms of cultural, natural and other resources that can be utilised for tourism;

Density of tourism supply in Ukraine is significantly lower than in comparable countries;

Transport wise, Ukraine is connected to many strong tourist markets, which connections are currently dominantly utilised for outbound purposes;

Several destinations, in which modern destination management practices are in place, are already visited by international tourists;

International hotel chains are present in the key destinations and are influencing adjustments in educational and operational activities (quality);

There are no substantial conflicts between major stakeholder groups in tourism, whereas current issues are the result of ineffective sector organisation;

Value chain analysis shows that although there are problematic elements, it can be substantially improved in short to mid-term;

MICE and City break products have quick win potential with further opportunities in Sun&beach and Touring;

Ukraine has started building closer ties with EU which is expected to drive significant improvements and growth of tourism, quantity and quality wise.

TOURISM BARRIERS

Tourism isn’t perceived as an important sector in overall economy so organisation, regulation and law enforcement in the sector have been neglected;

The system of national tourism marketing is the least competitive element, due to the poor organisational solution (lack of human and financing capacity);

Ukraine still suffers from the poor international image in terms of safety and security, which is a major obstacle for any tourism development;

The system of statistical coverage of tourism data doesn’t provide enough information for planning and decision making;

Tourism taxation is income wise treated as any other tax (i.e. it is not a separated budget inflow that is redirected back to tourism management or promotion);

Private sector in tourism isn’t formally included in tourism management (only minor consultative role);

Internal transport system is identified as a bottleneck for developing any economic activity (i.e. prevents functional activation of the large portions of the territory).
6.2. Strategic framework for the development of tourism in Ukraine

- Proposal of a strategic framework for the development of tourism in Ukraine is formulated with the general objective of a significant turnaround of the tourism sector in Ukraine, in line with the guidelines set by EBRD in project outline.
- Such an accelerated development is also implied in the objectives of “Strategy of tourism and resorts until 2026” document that has been approved by the Cabinet of Ministers on March 2017. This effectively means that overall T&T competitiveness of Ukraine should reach similar levels as in surrounding countries, i.e. Ukraine is to target the placement of around 40th place in the world in the next 5-7 years.
- Strategic framework for the development of tourism in Ukraine is primarily based on implementing the best international practices in operations and organisation, while the overall development strategy is tailor-made to match specifics of Ukrainian tourism product and current state of the tourism system.
- In that sense, the team of Consultants will propose measures and organisation solutions that have already proved successful elsewhere internationally, while in principle advising against improvisation, especially regarding high-level solutions such as formulating missions and responsibilities of the key institutions of the tourism system.
- However, the strategic framework isn’t isolated from its external surrounding, and it is, therefore, important to address the assumptions in external conditions on which strategic framework is based on:
  - Political and territorial disputes between Ukraine and Russia will go through a process of peaceful resolution and consequently safety, and security conditions in Ukraine will improve;
  - Improvements in safety and security will decrease systemic risks of the country, and Ukraine credit ratings will increase, reducing inflation and interest rates. This trend is already forecasted by the major international institutions (IMF, World Bank) that envisage decreasing inflation rates in 2020 and 2021;
  - Tourism will be strategically regarded by the Government as one of the priority economic sectors of Ukraine in the following period;
  - Global tourism markets won’t experience any major shocks related to global conflicts, sudden deterioration of climate and environment, or similar, that would bring significant decrease (more than 10%) in global tourism traffic.

With that regards, we propose the following strategic framework in the four development phases:

1. Framework Setup (2020–2021)
   - Establishment of an internationally competitive system of national tourism marketing that can utilise identified quick wins;
   - Set-up of new legislative and organisation framework;
   - Initiate long-term capacity building processes.

2. Awareness Building (2022–2025)
   - Improvement of the international tourism image;
   - Promotion and commercialisation of leading destinations with the emphasis on MICE and City break products;
   - Creation of planning framework and institutional preconditions for the development of further tourism products and capital investments.

3. Capital Investment & Product Development (2026–2029)
   - Capital investments and intensive product development;
   - Construction of major tourism and transport infrastructure;
   - Fully operational three-level tourism organisation (national — regional — local).
4. Quality Assurance & Differentiation (2030 — onwards)

- Establish a quality-management framework and mechanisms;
- State-of-the-art brand management and marketing practices;
- Product differentiation.

Visually phases are as following:

**Image 37: Ukraine — Strategic Development Framework**
Source: HDC

![Phases of Development Framework](image)

6.3. Identification of priority measures and potential quick wins

Measures proposed within this section refer to the "Framework setup" phase as proposed in a strategic framework for development of tourism in Ukraine in the previous section.

The phase is envisaged to take two years, with the greatest efforts in stakeholder coordination and getting political alignment on the solutions. This is a very labour-intensive process from the point of public bodies and political structures, where most of the financial and other results will be visible in the next phase of tourism development. In other words, the list and complexity of priority measures significantly outweigh potential quick wins in this phase.

6.3.1. Priority measures

Analysis of the Ukrainian tourism system has identified weak points in national tourism marketing, the inclusion of private stakeholders in management processes, financing of a tourism management system that is exclusively dependent on political decisions and official tourism statistics.

It isn’t realistic to resolve all these issues in full within the timeframe of two years; it is, however, crucial to moving forward, where the necessary regulatory adjustments are the obvious first step.
Table 19: Priority measures and Quick Win measures
Source: HDC

<table>
<thead>
<tr>
<th>NUMBER AND NAME OF THE MEASURE</th>
<th>CATEGORY</th>
<th>IMPLEMENTATION 2020 Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>IMPLEMENTATION 2021 Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Priority measures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Creation of National Tourism Organisation</td>
<td>Regulation</td>
<td>● ● ● ●</td>
<td></td>
<td></td>
<td></td>
<td>●</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Reorganisation of tourism management on regional and local level</td>
<td>Regulation</td>
<td>● ● ● ●</td>
<td></td>
<td></td>
<td></td>
<td>●</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Other tourism related legal adjustments</td>
<td>Regulation</td>
<td>● ● ● ●</td>
<td></td>
<td></td>
<td></td>
<td>●</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Enhancement program for MICE and City break products</td>
<td>Regulation</td>
<td>● ● ● ●</td>
<td></td>
<td></td>
<td></td>
<td>●</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Initial enhancements in transport and accessibility</td>
<td>Accessibility</td>
<td>● ● ● ●</td>
<td></td>
<td></td>
<td></td>
<td>●</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Development of Ukrainian tourism brand</td>
<td>Branding</td>
<td>● ● ● ●</td>
<td></td>
<td></td>
<td></td>
<td>●</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Operational (transitional) marketing plan for 2021–2022</td>
<td>Marketing</td>
<td>● ● ● ●</td>
<td></td>
<td></td>
<td></td>
<td>●</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. National tourist and road signalisation</td>
<td>Competitiveness</td>
<td>● ● ● ●</td>
<td></td>
<td></td>
<td></td>
<td>●</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Plan for tourist information centres</td>
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<td>10. Creating financing opportunities for tourism related SMEs</td>
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<td><strong>Quick wins</strong></td>
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<td>12. Event support program</td>
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<td>13. Initial marketing campaign</td>
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1. Creation of National Tourism Organisation (now — 2020)

**Regulation**

**DESCRIPTION**

Contemporary NTOs have outlived other functions such as being a national tourism developer and/or system regulator. Characteristics of the successful NTOs today are the following:

- Typically public or public-private subject with headcount of over 50 people, almost exclusively marketing and PR experts;
- Boards/councils that run and supervise NTOs consist of the key public and private stakeholders in tourism with near equal distribution between public and private sector;
- An annual budget of over 10 Mio EUR;
- Budget/activity split between online and offline activities: 80:20;
- A network of foreign representatives in the key markets;
- NTOs are usually defined and regulated by the special law, law on tourism or law on tourism organisation (that consequently regulates the other elements of tourism organisation).

In that sense, we envisage the following key issues/decisions that must be harmonised between the key stakeholders:

- **Management mechanism** from the point of private sector inclusion. Internationally there are various models such as:
  - Co-ownership of NTO between public and private sector — Austria National Tourism Organisation budget is made up of membership fees from the Federal Ministry of Science, Research and Economy (75 %) and the Austrian Federal Economic Chamber (25 %) as well as of the Austrian tourism trade’s (provincial tourist boards, regions and tourism operations) partnership contributions for marketing services;
  - Fixed quotas for private-sector board members that are elected by specially formed private sector councils, professional unions, etc.
Analysis has shown that tourism supply in Ukraine is relatively weak given the country size and population, which also implies a relatively low number of major private sector stakeholders. In that sense, it is recommended that any solution assumes a gradual increase in the number of private-sector board members, as the market will develop.

Financing sources — while the separation of tourist taxes from the remainder of the taxation system is an essential step in forming overall tourism management structure according to best international benchmark, today’s amount of collected tourist tax in Ukraine wouldn’t be enough to finance NTO only. Furthermore, this would mean taking these budgets from local authorities that is a sensitive political issue and is therefore expected to take time.

The number of phases in which the final NTO structure is to be achieved. There is a possibility that NTO is formed as an SPV (special purpose vehicle) that is publicly funded in the first phase until the private sector in tourism of Ukraine is sufficiently developed;

Recruitment that would undoubtedly have to be a combination of professionals previously included in tourism marketing of Ukraine and private sector marketing professionals that will have to be engaged/headhunted. The team that has dealt with international promotion of Ukraine until July 2019 consisted of 5 people and that is mostly insufficient, even if all professionals from regional and destination levels that have experience in international tourism marketing are added in the structure.

STEPS OF THE PROCESS

- Formation of the expert council on the NTO solution (which type of NTO) consisting of private and public stakeholders (Ministry of Culture, Youth and Sports) — 1st quarter of 2020;
- Guidelines on the NTO model provided by the council (may include external independent studies) — 2nd quarter of 2020;
- Drafting the new legislation and public debate on the law (Ministry of Culture, Youth and Sports) — 3rd quarter of 2020;
- Adoption of new legislation on NTO (Verkhovna Rada) — until the end of 2020.

RESPONSIBILITY

- Ministry of Culture, Youth and Sports (Office of the humanitarian policy)

COSTS

- Minor material costs, but labour and communications wise very intensive process

### Management model options as practical examples

- **Co-ownership model** is used in Austrian National Tourism Organisation — budget is made up of membership fees from the Federal Ministry of Science, Research and Economy (75 %) and the Austrian Federal Economic Chamber (25 %) as well as of the Austrian tourism trade’s (provincial tourist boards, regions and tourism operations) partnership contributions for marketing services;

- **Fixed quotas for private sector** are used in Croatia — private sector tourism council members are chosen on 4 years by the Board and they are part of key decision making in the Croatian National Tourism Board (CNTB). Members are consisted of hoteliers, agencies, university academics, Ministry of Tourism and marketing agencies. Head of Tourism Council is the Minister.
2. Reorganisation of tourism management on regional and local level  
(now — mid 2021)

Regulation

DESCRIPTION

Regional and local levels of tourism organisation in Ukraine are today handled through departments of tourism within regional and local authorities. Similar as on national level, there are no separate regional and local tourism organisations that are managed and supervised by boards consisting of the private and public sector, while the division of responsibilities between regional and local levels is unclear and differs within the system. On the other hand, tourism departments of three major tourist destinations (Kyiv, Lviv, and Odesa) have reached internationally competitive standards for some functions of contemporary destination management. Most common principles in setting up regional and local tourism organisations are the following:

- Local and regional tourism organisations are formed upon decisions of the respective administrative units. In other words, it isn’t mandatory for any administrative unit to have its tourism organisation. Local units that decide against having a tourism organisation are tourism wise managed by higher-level (region), while regions can be governed by the neighbouring regional tourism organisations;

- Tourism organisation is financed through tourism taxes (overnight tax), where income is split between national, regional and local level. Such a split may be defined nationally, or regions can have different splits between local and regional level, in countries where regions have such jurisdictions;

- Some countries have adopted additional financing through so-called “tourism membership fee.” It is an entry fee for participation in the tourism board collected under the assumption that various tourism and non-tourism related businesses (e.g. telecommunication, agricultural, furniture companies) make substantial additional revenues from the tourism and are accordingly charged this fee;

- There is usually a limit on the overhead/administrative cost of tourism organisation on a regional or local level. This includes payrolls and office costs, while limits are usually set between 25% and 40%. If the overhead/administrative cost is higher than the limit, it is assumed that there is no point for this tourism organisation to exist;

- The fusion of various units into one (i.e. several municipalities or regions creating joint tourism organisation) is usually much supported and encouraged by legislation.

There are the following key issues in determining the optimum model of local and regional tourism organisations:

- Bottom-up vs top-down approach — where the first (bottom-up) model favours adopting a legislative solution that favours the existing destinations, while the top-down approach sets the regions who in turn take care of reorganising destinations. Given the size of Ukraine and concentration of tourism activity, it is Consultant’s recommendation to rely on bottom-up approach with tourism structuring of regions in not more than 5-6 (meaning that regional organisations will encompass several oblasts each);

- Financing sources — as for NTO, volumes of tourism taxes that are currently collected are insufficient for the necessary financing of the system. In that sense, an extended transition period will be essential to put the system in place in a functioning way. It is advised that regions are provided at least five years for the transition between the status quo and any proposed solution;

- Division of functions where one of the most challenging issues is defining and maintaining control over jurisdictions of the unit. In general, creating overall tourism competitiveness, handling major marketing infrastructure and major projects is usually on the regional side, while destinations have more operative functions in visitor management and collecting information.

- Support of tourism clusters (DMO development) in terms of regional tourism market development & new product promotion: create a program for promotion of tourism clusters development in local regions, support for qualitative tourism strategies development at a local level, teaching/training programs for tourism products development, teaching/training programs for marketing & promotion, cross clusters cooperation.
**STEPS OF THE PROCESS**

- Formation of the expert council (the same as for NTO) on the solution and roadmap of system transformation consisting of private and public stakeholders (Ministry of Culture, Youth and Sports) — 1st quarter of 2020;

- Guidelines on the tourism management and financing model provided by the council (may include external independent studies) — 2nd quarter of 2020;

- Drafting the new legislation and public debate on the law (Ministry of Culture, Youth and Sports) — 4th quarter of 2020;

- Adoption of new legislation — mid-2021.

**RESPONSIBILITY**

- Ministry of Culture, Youth and Sports (Office of the humanitarian policy)

**COSTS**

- Minor material costs, but labour and communications wise very intensive process

3. Other tourism related legal adjustments (now — end of 2021)

**Regulation**

**DESCRIPTION**

While the general reorganisation of tourism management in Ukraine that is a part of measures 1 and 2 is the most sensitive and challenging task, there is several minor, yet important regulatory adjustments:

- Revision and enhancement of laws, bylaws and rulebooks regulating the work and categorisation of accommodation objects, intermediaries (agencies and tour operators) and other elements of tourism-related supply. One of the priority steps is to implement new categorisation rules and processes for hotels in line with international standards. This step has to be fully coordinated with adjustments in tourism statistics to ensure legal solutions that will oblige all providers of supply to send accurate data on supply and demand;

- Tourism statistics, where the key national body in charge of national statistics (as of November 2019 this issue is supervised by the Ministry of digital transformation of Ukraine) jointly with Ministry of Culture, Youth and Sports has to form a list of requests on changing the system, presentation model and frequency of tourism-related statistics to State statistics service of Ukraine. Dynamics of convergence of the system of national tourism statistics will largely depend on the process of revision of laws, bylaws and rulebooks and the objective ability of Ukraine to enforce them since they will largely be the source of new data. In that sense, this process should also be planned in phases, where the formation of the national registry of accommodation objects with all key data is the necessary first step.

- The capacity building process for the tourism department of the Ministry of Culture, Youth and Sports, where the number of employees will have to be increased from 20 as it was during its tenure in Ministry of economic development and trade, regardless on the formation of an NTO that will take over the marketing function. Apart from the human capacity, it is necessary to establish employee-monitoring system, introduce international exchange and continuous education practices;

- Tourism land regulation practices that should aim to liberate usage of land in rural areas for tourism purposes, foreign ownership and related issues;

- Introducing legally binding rules for tourism planning documents in terms of content, methodology and procedures. This is important since Ukraine is envisaged to enter intensive tourism development process that will have to be supported by extensive planning framework. For that purpose, studies such as tourism master plans, strategies, marketing plans, action plans, concept studies, pre-feasibility and feasibility studies have to be standardised in line with best international practices to avoid unnecessary budget and time costs.

**STEPS OF THE PROCESS**

- Organisation build-up (Department of tourism within the Ministry) — 1st quarter 2020;
Drafting of new laws, bylaws and rulebooks/standards of planning documents in tourism — 3rd quarter of 2020;
Verification phase (public debate if mandatory) — 4th quarter of 2020;
Adoption of new legislation — mid-2021.

RESPONSIBILITY
Ministry of Culture, Youth and Sports (Office of the humanitarian policy)

COSTS
Minor material costs, but labour and communications wise very intensive process

4. Enhancement program for MICE and city break products (now — end of 2021)

Regulation

DESCRIPTION
Product analysis has shown that MICE and city break products in the leading urban destinations of Ukraine have the greatest readiness and attractiveness for international markets. On the other hand, destination managers in Kyiv, Odesa and Lviv claim that there are signs of saturation of interest of the domestic market for the main city destinations, which they attribute to a slower pace of innovation and supply development in these destinations compared to the significant market potential of domestic market for city break products. Awareness building campaign of Ukraine on the international market, that is a priority marketing measure according to this roadmap, must be accompanied with product proposals in order to produce results. In order to increase product quality and value, it is necessary to initiate the process of improvements for city break and MICE products in the key destinations. While it isn’t realistic that major tourism infrastructure objects can be planned and developed in less than 5 years, there is a potential of “soft” enhancements that can be implemented before major international campaign. Furthermore, all the existing major project initiatives must accelerate planning and preparation activities to enter development process as soon as possible, to follow anticipated effort in national tourism marketing. Following is the list of suggested actions regarding the enhancement of MICE and city break products:

• Formation of National Convention Office in charge of consolidating and packaging supply, establishing initial marketing and sales infrastructure and processes. National Convention Office must work closely with destination tourism departments and hotel associations. It is advised that the Convention Office is equipped with not more than 5 people, formed independently and transferred to NTO upon its formation, to bridge the time period necessary for NTO formation;
• Adaptation of the major city destinations that will be a target of the initial awareness building/marketing campaign. Considering overall timing, such an adaptation can’t be complex or investment heavy, but may include some of the following elements per each destination:
  • Identification of the key zones for tourists that should be signed, slightly decorated and equipped with basic tourist infrastructure;
  • Marking cycling tracks in the central city zones and establishing rent-a-bike services;
  • Repairing/refurbishing facades in the immediate city centres/tourism zones;
  • Reworking / enhancing online and offline marketing infrastructure with the emphasis on providing information on all available tourism-related supply;
  • Introducing “city cards” that provide entries to museums, galleries and other points of interest at discount rates;
  • Planning new or extending the existing city festivals/events in the target seasons;
  • Subsidise the existing destination management companies in given destinations for creating/packaging new products and experiences.

STEPS OF THE PROCESS
• Formation of National Convention Office (Ministry of Culture, Youth, and Sports) — 1st quarter 2020;
• Adaptation plans for city destinations — 2nd quarter of 2020;
• Adaptation of destinations — 2nd quarter 2021.
RESPONSIBILITY

- Tourism departments of the respective destinations, Ministry of Culture, Youth and Sports (office of the humanitarian policy)

COSTS

- National Convention Bureau — annual budget of up to 200,000 EUR
- City adaptations — order of magnitude budgets of several Mln. EUR per destination.

5. Initial enhancements in transport and accessibility (now — end of 2021)

Accessibility

DESCRIPTION

Competitiveness gaps in accessibility and quality of transport systems in Ukraine are already internationally recognised and have been documented in the analytical sections of this report. They are already a part of Governmental efforts and investments but will take a significant amount of time. With this regard, priority actions are aimed at servicing the first awareness building and marketing campaign, more precisely enhancing the travel experience for the selected number of urban destinations. Understanding that major accessibility and transport development projects aiming at achieving better connectivity of Ukrainian territory and improving travel experience on the existing routes will follow independently of this plan, we propose the following minor actions that aimed to increase the result of the awareness and marketing campaign and enhance travel experience in major urban destinations:

- Subsidising air connections for the selected priority destinations — in order to support initial marketing push, airlines should be supported on selected destinations for packaged products. That way, initial pool of guests can be attracted to Ukrainian city breaks with the very attractive value for money proposal, mainly taken in consideration distance of Ukraine to western European capitals that are likely targets of such campaign and consequently the share of air transport in overall city break or MICE packages that have usual duration of 2-4 days;
- Standardisation/categorisation of taxi service for major destinations that will increase the feeling of convenience and safety for the guests. Taxi service in Ukraine is characterised by a large number of vehicles available, very affordable price, but poor standard of vehicles and general lack of any standards regarding possible methods of payment, safety and security. Substantial increase of standards in taxi service isn't possible due to supply
characteristics and needs of the domestic market, but premium taxi transport category can be introduced and marketed to foreign visitors with mandatory credit card acceptance, increased vehicle standards, driver’s experience and knowledge about the destination and similar;

- Enhancing traffic accessibility and signage to the key points of interest within major destinations, but outside city centres. Particular emphasis must be given to authentic elements of tourism supply such as cultural attractions and larger traditional Food & Beverage objects.

**STEPS OF THE PROCESS**

- Program of airline subsidies — precondition is draft of the initial marketing plan where key destinations must be identified (Ministry of infrastructure / State Aviation Service of Ukraine) — mid-2021;
- Standardisation/categorisation of taxi service for major destinations (city authorities in major destinations) — end of 2020;
- Enhancing traffic accessibility and signage to the key points of interest (city authorities in major destinations) — 1st quarter of 2021.

**RESPONSIBILITY**

Ministry of infrastructure, local authorities

**COSTS**

- Program of airline subsidies — up to 10 mi EUR (to be determined within marketing plan)
- Standardisation/categorisation of taxi service for major destinations — no material cost
- Enhancing traffic accessibility and signage to the key points of interest — up to 1 mln EUR per destination.

6. Development of Ukrainian Tourism Brand (now — end of 2021)

**Branding**

**DISCRIPTION**

There were at least two attempts to produce and implement a national tourism brand and both attempts stem out from the internal opinion on how the outside world is perceiving Ukraine and its destinations. It is important to base the tourism brand upon the realistic opinions and perceptions of the people internationally, as well as domestically. Therefore, there is a need for development, production and professional management of the systematic tourism brand (through which overall perception of Ukraine ought to be improved) following the usual framework:

- The first phase is to form a task group (experts’ committee consisted of tourism professionals and international consultants in tourism) which will engage a professional company to produce branding strategy. Branding strategy is the underlying document in which all the needed elements and branding architecture is defined. Steps to produce the branding strategy are:
  - Definition of the task for the brand — change of perception, increasing the visibility, improving the strength or stature of the brand etc.
  - Primary research on the international markets (at least 5 markets) and domestic market — analysing Ukraine’s current image, and situation assessment (market potential, competitive tourism products, key competitors, type of ideal consumer) and current brand audit model.
  - Determination of Ukraine’s competitive advantages in tourism through placement within the competitive set of countries and products — unique competitive position in the tourism market.
  - Definition of positioning strategy through targeting, a frame of reference, points of differentiation, reasons to believe and specific positioning per identified tourism product.
• Definition of the communication strategy — which markets, with which products, to which target segments, when and how to communicate.

• Production of the branding brief — which summarizes branding strategy in key elements important for the next phase.

• The second step is an invitation for the creative work of the marketing agencies (e.g. Grey, BBDO, McCann etc.) which receive the Branding brief as baseline for their production of three creative proposals. It is important to have international agencies but also the best domestic ones — to have some local perspective through the creative process. The invitation should stipulate that there are prizes for those who are invited (e.g. winner gets the contract, second-placed gets some material compensation and third one also gets some material compensation) because agencies spend their time and effort to produce and the final product will be better if they are informed that they will be compensated for their work. The second step usually consists of:
  • Presentation of the creative ideas per agency;
  • Internal evaluation of the received solutions per agency (according to the strict evaluation point system);
  • Choosing the creative idea (and agency) and announcement of the winner, second and third idea;
  • Signing the contract with the chosen creative agency to produce a creative idea in detail.

• The third step is the detailed development of the creative idea with necessary adjustments for the need for tourism promotion:
  • Creation of the baseline with its variations;
  • Conceptualising, creating and projecting the brand visuals;
  • Production of key brand elements and brand architecture;
  • Brand communication platform and application;
  • Brand manual.

• На четвертому етапі розпочинається формування команди (у форматі відділу в межах агенції з просування), яка здійснює контроль за управлінням і застосуванням нового туристичного бренда сумісно з вибраним креативним агентством, дотримуючись при цьому посібника бренда та стратегії його розвитку:
  • створення контенту промо-матеріалів для онлайн- та офлайн-платформ;
  • координація з державним сектором (національні, регіональні та місцеві адміністрації, міністерства, національні органи влади тощо), приватним сектором (компанії та підприємці, що безпосередньо та опосередковано пов'язані з туризмом), неурядовими організаціями (асоціації, ініціативи тощо) для належного застосування національного туристичного бренда.

**STEPS OF THE PROCESS**

• Definition of the task group, budgeting and ToR — 1st quarter 2020;

• Tender and contract award for Branding Strategy — 2nd quarter of 2020;

• Production of the Branding Strategy and Branding Brief + start of the formation of the brand management team — 4th quarter of 2020;

• Invitation for the creative agencies and contract award — 1st quarter of 2021;

• Production of the creative work, brand manual and the start of brand management team implementation — half of 2021.

**RESPONSIBILITY**

Ministry of Culture, Youth and Sports (or NTO)

**COSTS**

Costs can vary depending on the primary research strategy (how many countries / sample size), international approach (size and reputation of the chosen agency) and level of the creative brand architecture development (national level only or development for the regional brand ideas) — anything from 500 to 800 thousand EUR including all of the steps.
Ukrainian tourism is at the start of professional management and promotion. There is a change in management in tourism (new Ministry) as well as there is perceived need for the creation of the separate body on the national level which will be in charge for tourism promotion and management as well as brand management. This will require a complex and very participatory process that, inevitably, will be carried out by the Ministry. However, Ukraine cannot remain at least 12 months without doing anything at all in marketing and promotion of tourism. It must, at least, frame its operational marketing for 2021 and 2022 in order to adapt it to the new management circumstances and establish the connection with the new Strategic and Operational marketing plan 2023–2027, which should include a deep strategic update and having set NTO, new tourism brand and management, national and regional bodies in the tourism management etc.

Therefore, Ukraine ought to have an operational (and transitional) marketing program for 2021/2022 that considers the new circumstances in management and able to optimise available resources. This operational plan should include the following:

- The mix of marketing actions to be executed per year and per market,
- The way of distributing the budget between the above-mentioned marketing actions,
- The technical specifications and the briefings for each of these actions,
- The technical terms of reference for those actions susceptible to conducting a public tender and outsourcing (e.g. PR, operational promotion and media buying in foreign markets),
- The road map of implementation and the metrics to measure performance.

**STEPS OF THE PROCESS**

- Definition of the budgeting and ToR (within Ministry) — 1st quarter 2020;
- Tendering process and contract award — 2nd quarter of 2020;
- Production of the Operational (transition) marketing plan (and taking into consideration Branding strategy recommendations) — 4th quarter of 2020.

**RESPONSIBILITY**

- Ministry of Culture, Youth and Sports (or NTO)
8. National Tourist & Road Signalisation (now — mid 2021)

**Competitiveness**

**DISCRIPTION**

Dominating share of tourism demand in Ukraine has historically been originating from domestic market and neighbouring countries including Russia, while the orientation of the country on tourism and consequently sector competitiveness has been lagging behind surrounding countries and international average. Consequently, there is a lack of tourism signalisation (“brown signalisation”) in destinations, it is not standardised, mostly not available in the English language, while the same applies for most of the road and parking signalisation that is frequently in Cyrillic only. As for most of the proposed measures in this roadmap, resolution of subject issues consists of two general phases — drafting of the planning framework and implementation phase.

- National Tourist (Brown) signalisation plan — tourist signalisation framework is most commonly defined on a national level (especially in European countries). Framework should include guidelines on the following:
  - Design and format — size, colour, font;
  - The information included per types of tourism infrastructure (accommodation objects, museums, galleries, monuments, etc.);
  - Technical standard — material, finish, and similar;
  - Setting rules — distance from the attraction, height, side of the road, distance/compliance with other road signage;
  - Rules of combining with regional and local brands;
  - Jurisdictions and responsibilities (financing, approving, monitoring, etc);
  - Implementation roadmap by priorities.

- Implementation of the first phase of tourist signalisation and traffic signalisation in the key destinations that must be concentrated to the vicinity of anticipated key tourist zones and points of interest and should include:
  - Brown signalisation for all collective accommodation objects (hotel and similar accommodation objects as per current categorisation);
  - Road signs in the English language in the central zones of key destinations and on the major crossroads in the other parts of destinations;
  - Major public parking lots, including the information on payment machines and general conditions of parking.

**STEPS OF THE PROCESS**

- Definition of the budgeting and ToR (within Ministry) — 1st quarter 2020;
- Tendering process and contract award — 2nd quarter of 2020;
- Production of the Operational (transition) marketing plan (and taking into consideration Branding strategy recommendations) — 4th quarter of 2020.

**COSTS**

- Approximate cost is between 100 and 120 thousand EUR
RESPONSIBILITY

- National tourism signalisation plan (Ministry of Culture, Youth and Sports with the approval of Ministry of Infrastructure) — end of 2020;
- Implementation of the first phase of tourist signalisation and traffic signalisation in the key destinations (city authorities in major destinations) — mid-2021.

COSTS

- National tourism signalisation plan — possible additional cost of up to 50,000 EUR for consulting services;
- Implementation of the first phase of tourist signalisation and traffic signalisation in the key;
- Destinations — up to 500 thousand EUR per destination.


Competitiveness

DESCRIPTION

Tourist information centres in Ukraine are at present limited to the main destinations, not unified and oriented to promoting destinations only. While tourist information centres should be concentrated to provide information about destinations, in the most competitive travel and tourism countries of the world they provide more services than just local information. They can promote other nearby and nationwide attractions and points of interest, promote local identity and authentic products, contain F&B outlets within their premises, and in some cases even have little exhibition places. Furthermore, designs and concepts of tourist information centres are standardised in several categories to ensure convenience for visitors which may include:

- Major tourist information centres in the central / tourism wise most frequent areas of the leading destinations and/or airports that include staff providing information services, digital info points, showrooms, presentation/exhibition spaces and promotional offers;
- Roadhouse/retreat information centres usually set next to major gas stations on motorways that provide information services, digital info points and authentic restaurants whose offer is standardised, but are typically sub-leased;
- Minor tourist information centres in other locations that include the provision of information with or without digital info points.

Standard criteria in designing any type of tourist information centre are that it has to be standardised in line with the official Ukrainian, regional and destination brands. For the initial phase of development of tourism in Ukraine, priority actions are the following:

- Drafting concept and design standards for tourist information centres in Ukraine — the initial step aiming to provide concept standards and recommendations for all envisaged types of tourist information centres. A precondition for this action is the completion of the brand architecture of Ukraine and its leading destinations that should be incorporated in visual identity;
- Completion/redesign of the first set of the existing tourist information centres in the leading destinations which are in this phase limited to the central tourist information centres.
STEPS OF THE PROCESS

• Drafting concept and design standards (Ministry of Culture, Youth and Sports via engagement of professional architects) — end of 2020;

• Completion/redesign of the existing tourist information centres (city authorities in major destinations) — 3rd quarter of 2021.

RESPONSIBILITY

Ministry of Culture, Youth and Sports

COSTS

• Drafting concept and design standards — up to 100,000 EUR

• Completion/redesign of the first set of the existing tourist information centres — up to 100,000 EUR per centre.

10. Creating financing opportunities for tourism related SMEs (now — mid 2021)

Investments and General Business Conditions

DESCRIPTION

The structure of the Ukrainian tourism supply shows that the vast majority of current providers are SME companies, many of which utilise flat tax opportunities. Even the hotel chains register single objects as separate companies in order to be able to utilise such opportunities. Therefore, managing tourism-related SME regulation is, in fact, managing most of Ukrainian tourism supply.

From the development point of view, SME is the most important carrier of innovation and quality in today’s tourism. Small hotels and similar accommodation objects, restaurants and bars that are the traditionally important SMEs in tourism are today joined by interpretation centres, museums, galleries, niche events and other SME operated elements of tourist infrastructure as the key attraction factors and motives for tourists to visit destinations.

In that sense, poor results in overall and T&T competitiveness of Ukraine related to SME financing present substantial obstacle for the further development process. Understanding the overall financial and business framework in Ukraine and the time needed for processes that will bring substantial improvements, an intervention that will provide improvement in SME financing conditions is highly advised.

International experiences in subsidizing economic sectors and clusters have shown suboptimal results in any subsidies that don’t include explicit risk talking from the side of entrepreneur, such as direct unconditional subsidies. Given the current state of the banking sector in Ukraine, inflation and interest rates, conditions and procedures on crediting SMEs, the formation of a special fund for subsidising interest rates seems like the most logical solution. Such a model has proved to be a viable solution internationally and is usually realised through a dominant share in funds of international banking and donor institutions. To minimise risk, speed-up administration and maintain control over such funds/credit lines, they usually include commercial banks as co-investors / partners. Such a fund/line creates the following opportunities:

• Revival and increase in competitiveness of tourism and other economic sectors with significant growth potential;

• Increase in employment;

• Ability to shape sector growth according to sector strategies through setting conditions of credit lines;

• Motivating business entities to change to limited liability status from other organisation types, especially the ones operating under flat taxation. This enables easier statistical coverage of the sector;

• Helping to recover the banking sector in Ukraine, at the same time using the know-how of the banking sector in shaping and administrating loans, while minimising additional pressure on public sector servants.
The following actions must be undertaken for the realisation of this measure:

- Drafting of the project teaser for the initial communication with potential donors. This action assumes previous analytics and cross-ministry harmonisations on priority targets in terms of economic sectors and company profiles;
- Communications and negotiations with possible donor institutions and local commercial banks;
- Final packaging of credit lines and market launch.

**STEPS OF THE PROCESS**

- Drafting of the project teaser for the initial communication with potential donors (Ministries of Finance, Economic and Trade, Youth, Culture and Sport) — mid-2020;
- Communications and negotiations (Ministries of Finance, other Ministries) — end of 2020;
- Final packaging of credit lines and market launch mid-2021.

**RESPONSIBILITY**

- Ministry of Finance;
- Ministry of Economic Development, Trade and Agriculture;
- Ministry of Culture, Youth and Sports

**COSTS**

Depending on the decision of the administration of funds

- **Croatian Bank for Reconstruction and Development — special tourism lines for loans and investments**
- **Croatian Agency for SMEs, Innovation and Investments established by the Government of the Republic of Croatia with the purpose of enhancing SME development and promoting investment and innovation**
- **European Bank for Reconstruction and Development (EBRD) provides business advice to small and medium-sized businesses. It helps companies to get access to the know-how needed to improve their performance and grow, on a co-shared basis with the support of donors.**

### 6.3.2. Quick wins

Quick wins refer to actions that can yield near-immediate positive revenue and economic effects from Ukrainian tourism products. Analytical sections have shown that despite some serious competitive gaps and limitations, there are several urban destinations that satisfy necessary preconditions for stronger international commercialisation. While all the priority measures (1–10) are crucial to enable tourism development of Ukraine as fast as possible, the process of stronger international commercialisation should not be initiated before the following initial setup measures:

- National Tourism Organisation formation and setup (MEASURE 1), since currently there is no professional team or budgets that could carry extensive marketing effort on international markets;
- Development of Ukrainian tourism brand (MEASURE 6) as the necessary tool for any campaign;
- Operational (transitional) marketing plan for 2021–2022 (MEASURE 7) as a detailed planning framework for the first years of intensive international marketing of Ukrainian tourism.

The campaign can overlap with the final phases of the following measures:

- Enhancements in MICE and city break products (MEASURE 2) to prepare target destinations and subject products for an increase in tourism flows;
- Initial enhancements in transport and accessibility (MEASURE 5) to support accessibility of destinations, attractions within destinations and value for money proposals for the end market.

The above set of measures opens up the following quick-win opportunities:

- Packaging of MICE and city break product for the purposes of marketing push;
International promotion campaign consisting of:

- Repairing the international image of Ukraine;
- Creating awareness and value proposal for Kyiv, Odesa and Lviv MICE and city breaks;
- Build-up and promotion of the selected events of national importance to serve as a showcase for Ukraine tourism.

11. Product packaging for MICE and city break products (beg. 2021 — end 2021)

**Marketing**

**DESCRIPTION**

Tourism in major Ukrainian destinations has so far been developed in a dominantly reactive way, where destinations responded to demands of coming visitors. To ensure a credible market campaign, repairing national tourism image of Ukraine will require a proposal of tourism products which competitiveness must be supportive of the campaign claims. Measures 2 and 5, as well as 13 are oriented to physical improvements in products, while measure 7 (Transitional marketing plan) should identify market potential, priority target markets and product mix elements for city break and MICE products. Apart from the international campaign, product packaging has significant potential to attract additional flows of domestic travellers on account of the enhanced and innovated product.

Following these inputs, it is necessary to package MICE and city break products. Tourist product packaging is one of the crucial tasks of destination management and in this case, at least includes:

- Internal marketing efforts to inform and engage the local population and providers;
- Identifying all potential providers of goods and services;
- Identifying consultants and destination management companies that can advise or take responsibility for the parts of the process;
- Negotiating terms and conditions of participation in product packages;
- Creating thematic packages for city break products such as seasonal, romantic, city tour, gastro, fun & nightlife and similar. Packages should be modular from the point of duration (usually 2–4 days), transport and accommodation options, services included and adapted considering various target markets (geographic and demographic) identified in transitional marketing plan;
- Creating a list of additional offers for MICE guests;
- Producing multilanguage information and marketing inputs for the packages included offers;
- Producing multimedia online and offline marketing materials;
- Identifying and shaping the most attractive promo packages and delivering them to selected intermediaries.

**STEPS OF THE PROCESS**

- Forming teams for product packaging within city tourism departments and National convention bureau — 1st quarter 2020;
- Internal marketing and calls for participation — 2nd quarter of 2020;
- The initial round of negotiations and identifying interested parties — 4th quarter of 2020;
- Drafting product packages — 1st quarter of 2021;
- Production of marketing materials, finalising of the packages and delivering them to intermediaries.

**RESPONSIBILITY**

National Convention office and city tourism departments in cooperation and under supervision of the Ministry of Culture, Youth and Sports and NTO.

**COSTS**

Costs of translation and production of marketing materials of up to 50,000 EUR per destination and MICE, internal marketing campaign at maximum 100,000 EUR on a national level, additional costs related to engagement of additional staff.
12. Event support program (mid 2020 — onwards)

**Marketing**

**DESCRIPTION**

Assessment of the Ukrainian tourism supply has shown that events are one of its more competitive parts, regardless of whether it is the ability to develop little thematic festivals or organise one-time sports events. From the point of product development and commercialisation, events have multiple significance:

- As a primary motive of travel, where other elements of the destination value chain are shaped to match the needs of primary segments targeted by the event;
- As secondary / or one of the motives within MICE, city break or touring products.

While events vary in theme, size, target market, duration and positioning, this event support program should concentrate on the needs related to this phase of tourism development in Ukraine. This means that the following event characteristics should be favoured:

- Wider market segment orientation;
- Duration of at minimum two weeks;
- To showcase elements of local cuisine and culture, i.e. authenticity;
- Inclusion of local SME suppliers;
- The innovation of tourist experience;
- Commercial result / return.

International experiences in developing major events show that it is possible to develop major international events that yield substantial economic effects for the local community within a relatively short period.

The public sector is usually at least an enabler and sometimes even the initiator of event development processes since they are mandatorily realised through public-private partnerships. In this case, events refer to several urban destinations, where a potentially large number of various ideas and initiatives can come from local stakeholders. In that sense, it is highly advised to make a tender for national subsidies for events, where project applications are evaluated in a transparent way. City administrations and related public bodies should be excluded from the procedure to prevent evaluation bias. It is proposed that subsidies are tendered on an annual basis through at least the next ten years. Tenders in the first two years should concentrate on previously outlined event characteristics and criteria, while we propose the following structure:

- надання підтримки п'яти масштабним подіям у містах, при чому головним критерієм має бути комерційна привабливість;
- надання підтримки десяти невеликим подіям у містах, при чому головним критерієм має бути визнана на міжнародному рівні інновація.
STEPS OF THE PROCESS

- Deciding on the budgets and form of support — 3rd quarter of 2020;
- Call for proposals — end of 2020;
- Decision and start of funding.

RESPONSIBILITY

Ministry of Culture, Youth and Sports (donor and supervisor), city destination management departments (co-donors, project managers).

COSTS

There are no rules for minimum amounts for event supports, while they depend on the political priority of the measure and budget potential.

Examples of some events started through support of public sector:

- **EXIT festival, Serbia**
- **InMusic festival, Croatia**
- **Oktoberfest, Germany**
- **Fringe Festival, Scotland**

13. Initial marketing campaign (mid 2021 — end of 2022)

**Marketing**

**DESCRIPTION**

The initial marketing campaign should be the first professional and organised step of promoting Ukraine as a tourist destination. This is an intermediate campaign which is delivered during the parallel process of forming of the national promotional agency as well as a definition of the national tourism brand. It is an effort that should be aimed at the international market with set of following objectives:

- Create awareness that Ukraine is a tourism nation, with key destinations and positive values;
- Improving the image of the country in terms of safety and security;
- Establish relationships with major newscast, press, bloggers, influencers and the leading international online/offline tourism lifestyle magazines;
- Promote available products/packages of Ukrainian destinations aiming the increase of sales.

To achieve the above objectives, the campaign must be well-coordinated and performed by the contemporary standards of tourism marketing. While it will require significant funds, it is more important to be performed in an analytically founded and pragmatic way, where targeted media and stakeholders will have to be selected very carefully. Contemporary practices of the most developed national tourism offices show that such campaigns consist of two principal components:

- A PR campaign that is the most effective in creating awareness and changing perceptions of the country. PR usually has wide international reach (key markets) and is realised by carefully written and placed advertorials/texts/videos in chosen media;
- A promotional online campaign that includes coordinated and intensive efforts on fewer (but very important) target markets. Today’s tourism marketing isn’t focused on the whole countries since a focus on the major cities has proven to be way more efficient.
The campaign should be performed in the following way:

- Production of PR and marketing brief — explaining the idea and objectives of this campaign,
- Contact with professional PR and marketing agencies with initial brief and their response,
- Production of needed materials and start of the initial campaign.

**STEPS OF THE PROCESS**

- Deciding on the budgets, production of PR and marketing brief — 1st quarter of 2021;
- PR and marketing agencies’ pick — 2nd quarter of 2021;
- Start of the campaign — 3rd quarter of 2021.

**ВІДПОВІДАЛЬНІСТЬ**

Національна туристична організація, маркетингові та PR -агенції, залучені на умовах «аутсорс».

**ВИТРАТИ**

Щонайменше 1 мільйон євро

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Some of the famous bloggers:

- **Dan Flying Solo**
- **A Broken Backpack**
- **A Lilli’s Travel Plan**
- **Advertorial in online travel magazine**
- **Advertorial in newspapers**

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6.4. **Identification and description of the necessary long-term development processes**

In line with the suggested strategic framework, long term development processes refer to phases 2, 3 and 4 of tourism development in Ukraine. In the start of the long-term development processes, it is assumed that:

- The basic institutional framework has been set up enabling further development processes;
- The initial marketing campaign has created market awareness and significantly improved the tourism image of Ukraine;
- The first set of Ukrainian tourist product packages are being marketed in selected markets.

Above achievements should enable the following:

- Increased management capacity of the Ukrainian tourism system;
- Increased entrepreneurial interest for engagement in tourism;
- Increased potential for FDI in Ukrainian tourism;
- Improving interest and negotiating a position for funding from international donor institutions.

Phase 2 of tourism development happens at the moment when the quick wins (internationally marketable tourist products of Ukraine) are put in the commercialisation system that will start yielding results. Their further development will be in the hands of destination managers that will require support initiatives and mechanisms that will be relatively easy to manage.
The emphasis of phase 2 of development should be focused on:

- Creating preconditions for improving other tourist products which will require plans for significant tourism and transport-related infrastructure;
- Continuous capacity building process that will enable:
  - complex planning framework is done in a pragmatic and interrelated way;
  - can be executed in the 3rd phase.
- Managing competitiveness conditions for the existing tourism entrepreneurs.

In that sense, phase 2 is concentrated on capacity building and creating preconditions for step 3, when intensive physical product development should take place.

Table 20: Long-term development processes

Source: HDC

<table>
<thead>
<tr>
<th>NUMBER AND NAME OF THE MEASURE</th>
<th>CATEGORY</th>
<th>IMPLEMENTATION 2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
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<td>Long term development processes</td>
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<tr>
<td>14 Second phase of tourism statistics adjustment</td>
<td>Regulation</td>
<td>● ● ● ● ●</td>
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<tr>
<td>15 Second phase of tourism system reorganisation</td>
<td>Regulation</td>
<td>● ● ● ● ●</td>
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<tr>
<td>16 Planning framework for the most attractive tourist attractions</td>
<td>Regulation</td>
<td>● ● ● ● ●</td>
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<tr>
<td>17 Education system adjustments</td>
<td>Regulation</td>
<td>● ● ● ● ●</td>
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<tr>
<td>18 Beach Management Program</td>
<td>Regulation</td>
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<tr>
<td>19 Second phase of tourism related transport development</td>
<td>Accessibility</td>
<td>● ● ●</td>
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<tr>
<td>20 National plan for development of biking and hiking infrastructure</td>
<td>Accessibility</td>
<td>● ● ●</td>
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<tr>
<td>21 Initiative for development of cruising product</td>
<td>Accessibility</td>
<td>● ● ●</td>
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<td></td>
</tr>
<tr>
<td>22 Tourism Marketing Plan for Ukraine 2023–2027</td>
<td>Marketing</td>
<td>●</td>
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<tr>
<td>23 Marketing plans for the key destinations and regions</td>
<td>Marketing</td>
<td>● ● ●</td>
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<td>24 Product packaging for Sun &amp; Beach product</td>
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<td>● ● ●</td>
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<td>25 Establishing longitudinal market research on brand of Ukraine and its destinations</td>
<td>Branding</td>
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<td>26 Brand infrastructure for leading regions and destinations</td>
<td>Branding</td>
<td>● ●</td>
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<tr>
<td>27 Program of reconstruction / revitalization of city districts and smaller settlements</td>
<td>Competitiveness</td>
<td>● ● ●</td>
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<td>28 “Ukrainian Premium” program</td>
<td>Competitiveness</td>
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<tr>
<td>29 National program for development of culture related tourism infrastructure</td>
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<tr>
<td>30 Meeting and conference facilities planning</td>
<td>Investments and General business conditions</td>
<td>● ● ● ●</td>
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</tbody>
</table>

**Regulation**

**DESCRIPTION**

The second phase of reorganisation of tourism statistics assumes that information collected from accommodation objects will become the basis for all tourism-related statistics. This means that regulation that will make all accommodation objects register within the national system (usually Ministry where tourism is situated in) mandatory for all types of accommodation, including private accommodation. Given the difficult supervision and management of private accommodation, some models are attractive for renters such as prepaid VAT and profit tax, that is lower than for companies. However, these models work only if accompanied by much more efficient tourist inspections with substantial penalties for unregistered objects that will discourage the grey economy. As for day visits, a system can be organised to follow this type of visitors through information collected from institutions managing key attractions such as national parks, museums, archaeological sites and similar. Uncommercial accommodation data (such as second homes) can be collected from local authorities, while visitation can be estimated through pressures on local infrastructure systems such as electricity or water supply. In this phase, is also important to perform the first official Tourism satellite account balance for Ukraine that is usually done in cooperation with UNWTO (United Nations World Tourism Organisation) that partners up with State statistics service and national level economic institutes that get know-how and further do calculations on a biannual or triannual basis.

**MAIN OBJECTIVES**

- Tourism statistics based on information from accommodation objects
- Tourism satellite account as the official tool for calculating economic effects of tourism

**RESPONSIBILITY**

National statistics service of Ukraine

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15. Second phase of tourism system reorganisation (2022–2025)

**Regulation**

**DESCRIPTION**

The basis for the second phase of tourism reorganisation should have been set in the previous phase, determining the exact model and pace of tourism reorganisation. This phase of reorganisation should focus on the following:

- Formation of hotel and tourism chamber / or similar organisation that will either require mandatory membership or will have convincing membership benefits. The aim is to form a reliable private partner and possibly a future NTO co-owner;
- Enforcing first regional tourism organisation that will take responsibility for managing tourism competitiveness within its respecting regions (regardless whether they will follow administrative boundaries of Oblasts). This includes the creation of the regional tourism marketing infrastructure, planning and handling major tourism-related investments and particular regional legislative responsibilities within the constraints of the Ukrainian constitution;
- Formation of first destination management organisations where previous city tourism management departments are becoming separated PPP companies.

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Some of the possible results in the second phase of statistical reforms:

- [New Zealand Statistics — Tourism Satellite Account for 2018](#)
- [New Zealand Statistic Viewer](#)
MAIN OBJECTIVES

• Hotel and tourism chamber in place;
• First regional tourism organisations;
• First DMO’s out of city tourism departments

RESPONSIBILITY

Ministry of Culture, Youth and Sports, associations and other organisations of private stakeholders in tourism

Some of the possible results in the second phase of statistical reforms:

• USA, Chamber of Commerce — Travel & Tourism
• New Zealand Regional Tourism System
• Zagreb, Croatia Tourism Board

16. Planning framework for the most attractive tourist attractions (2022–2025)

Regulation

DESCRIPTION

As a precondition for the development of further tourist products at an internationally competitive level, there is a need for making Tourism Master plans for the selection of the most attractive but underdeveloped tourism sites and destinations. Tourism Master plan is a thorough tourism strategy that has spatial elaboration, i.e. how the attractions are distributed in space outlining tourist flows and synergies between attractions. Further to the physical planning and textual descriptions, such plans should include developing solutions for the wider areas and financial/economic evaluations.

The subject of such plans can be underdeveloped coastal or mountain destinations, national parks, previously popular tourist destinations that now have outdated facilities or similar sites with significant attractiveness and market potential. Sites/attractions/destinations that will first enter the planning process should be selected by criteria of accessibility and/or the ability for adequate transport infrastructure to be built in a relatively short time. These planning processes should be initiated at the beginning of the second development phase and completed within a maximum of two years to enable phasing and investment structuring to be resolved on the domestic and international market till the end of the second phase.

MAIN OBJECTIVES

• Selection of the priority sites (2022);
• Tourism Master plans for the sites in place (2023);
• Investor search and project structuring (2024);
• Project preparation (2025).

RESPONSIBILITY

Ministry of Culture, Youth and Sports, external consultants
17. Education system adjustments (2022–2025)

**Regulation**

**DESCRIPTION**

Ukraine has 2 universities ranked among world top 500 and further 6 among world top 1000 according to topuniversities.com aggregate site. Compared to the population of Ukraine and the placement of other EECA countries (Emerging Europe and Central Asia) this means that the education system is above average within the overall competitiveness of Ukraine. As in most of the eastern European countries, the Ukrainian education system has historically been oriented to provide broad and theoretical, rather than focused and practical education. Furthermore, Ukrainian universities excel in mathematical and technical education, while the placement is lower for social sciences except for theoretical economics.

The tourism development process will need more skilled workers in tourism, while their skills must improve significantly on all levels. This means:

- Increasing quotas from secondary schools to tourism related university programs;
- Introducing contemporary curriculums with more emphasis on contemporary hospitality models and practical education;
- Initiating projects of hotel schools in cooperation with some of the leading international schools (Cornell, Lausanne, Bocconi, Glion, etc.);
- Introducing tourism-related requalification and life education programs;
- Increasing quotas for international scholarships in tourism;
- Actively seeking and supporting international cooperation.

**MAIN OBJECTIVES**

- More workforce in tourism;
- Higher skills;
- Increased international cooperation and knowledge transfer

**RESPONSIBILITY**

Ministry of Culture, Youth and Sports, external consultants

- **Cornell Hotel School typical curriculum**
- **Ecole hôtelière de Lausanne (EHL) MBA curriculum**
- **SDA Bocconi School of Management**

18. Beach management program (2022–2025)

**Regulation**

**DESCRIPTION**

Site inspection and interviews with experts have shown that beach management in Ukraine lags behind international standards and thus is a significant bottleneck for developing internationally competitive sun and beach product. International solutions on beach-related regulation and authorities vary significantly, depending on the overall system of public administration, coastal attractiveness and availability of space. From the point of end market, contemporary expectations are in increased spatial standard per user (exceeding 5 sq m per user and increasing over 10 sq m for higher hotel and resort categories), beach thematization and customisation (family beaches, romantic beaches, active & adventure beaches, beaches for dogs, etc.), high level of environmental protection and safety. Interested entrepreneurs should be allowed to compete on transparent tenders to win concessions and rental contracts for beaches and other parts of the maritime domain (ports, scuba diving points, etc.), where smart regulation should handle rights and obligations. Beach management program should include the following:
• Spatial analysis of Ukrainian beaches in terms of carrying capacity, environmental impact and related issues affecting design and regulation possibilities;
• Beach thematisation (if necessary, categorisation) framework;
• Jurisdictions in beach management;
• Rental and concession models outlining terms, rights and obligations;
• Economic impact assessment.

The program should be done on the central level regarding regulation, while spatial, environmental and operational thematisation should be done on regional and local levels. Planning framework should be resolved at the beginning of phase 2 to allow for implementation to be ready for sun & beach product packaging.

MAIN OBJECTIVES
• Enhancement of beach standard;
• Clear and competitive terms for entrepreneurs;
• Optimisation of economic effects.

RESPONSIBILITY
Ministry of Energy Generation and Protection of Environment, Ministry of Culture, Youth and Sports

Montenegro, public company for coast management — And they have recently developed national plan for beach management
EU Bucharest Convention on the Protection of the Black Sea — as EU framework for beach management


Accessibility

DESCRIPTION
With the beginning of phase 2 of tourism development, tourism with its planning framework should become vital input in national transport development plans and execution. Following the overall mission of phase 2 of Ukrainian tourism development, the following issues should be addressed:
• accessibility to the second generation of tourist destinations and key attractions that will be subject of phase 2 tourism master planning processes;
• widening accessibility ("rings") around urban destinations that were marketed at the end of phase 1 with the aim of strengthening destination value chains and providing more SME opportunities;
• providing plans for strengthening / enabling additional transport hubs (major airports and railway stations) that can serve as next centres around which tourist destinations and regions can be organised.

The list of potential projects and interested parties will most probably outmatch planning and especially execution capacities, especially if the initial marketing campaign brings relative success. In that sense, planning and execution should lean on objective estimations of market potential and thorough feasibility studies, since further transport development will depend on the economic viability of previous developments.

MAIN OBJECTIVES
• Solutions for convenient transport of visitors to selected destinations and key attractions with complete planning framework in place;
• 2–3 new airport projects (not necessarily new airport projects, but an extension of envisaged future hubs for tourists);
• Planning solutions for convenient transport of visitors for points of interest in 50km ring of the urban destinations marketed in the 1st development phase.
RESPONSIBILITY
Ministry of Culture, Youth and Sports, Ministry of Infrastructure

- Newcastle airport Master plan
- Dubrovnik airport Environmental protection strategic plan (during expansion)
- Intermodal Passenger Transport in Europe — European forum on intermodal passenger travel

20. A national plan for development of biking & hiking infrastructure (2022–2025)

Accessibility

DESCRIPTION
Biking and hiking are probably the most common activities of tourists, especially outside urban destinations. Targeting virtually all existing market segments, they have differentiated in a variety of hiking and biking products, resulting in a broad set of infrastructural requirements:

- Trails that can be paved, clay, rocky on different terrains, climate conditions, etc;
- Viewpoints, resting places and other "light" physical infrastructure;
- Physical and GPS signage;
- Thematic routes that encompass a variety of the existing attractions on the way;
- Specific accommodation types for visitors for which biking is the primary motive of visit, where Bed & Breakfast (B&B) are the most typical;
- Online & offline marketing materials.

As for the beach planning, this is a complex planning project including all administrative levels. National level responsibility is to provide legislation and regulation on types of tracks, technical, safety and maintenance standard, most commonly through rulebooks. National budget can be used to subsidise construction and equipment for priority destinations. Considering that biking trails usually surpass borders of towns and municipalities, operational responsibility is usually on the regional level.

MAIN OBJECTIVES

- Types of trails, technical, safety and maintenance standards for trails on the national level;
- Regional plans for priorities;
- First set of priority trails.

RESPONSIBILITY
Ministry of Culture, Youth and Sports, Ministry of infrastructure, regional and local authorities

- Germany, National Cycling Plan
- Finland, National Action Plan for Walking and Cycling
- United Kingdom National Cycling Routes
21. Initiative for development of cruising product (2023–2025)

Accessibility

DESCRIPTION

With its coastline, length of navigable rivers and the existing port infrastructure, Ukraine has a significant potential for the development of cruising product for both domestic and international markets. There are various subtypes of cruising product, however, cruising is in general one of the financially higher-yielding tourist products. The plan should identify:

- Potentially most attractive routes;
- Barriers in current regulation, environmental and technical conditions;
- Priority major infrastructure projects;
- Current market conditions;
- Stakeholders, potential partners and investors;
- Management and development models.

MAIN OBJECTIVES

- Drafting of a national plan for the development of cruising product (2023);
- Development kick-off for 3–5 thematic cruising routes (2024 — onwards).

RESPONSIBILITY

Ministry of Culture, Youth and Sports, Ministry of infrastructure, regional and local authorities

- Cruise Lines International Association (CLIA) — resource for latest info on the markets and trends in cruising product
- New South Wales Cruise Development Plan

22. Tourism marketing plan for Ukraine 2023–2027 (2022)

Marketing

DESCRIPTION

Taking into account that the National Tourism Organisation is formed with clear responsibilities and human resources and that the transitional marketing plan will lead to an introduction of more professional marketing activities — there is a need for an extensive strategic overview on marketing (and promotion) of tourism in Ukraine. The strategic marketing plan includes the following logical parts:

- Situational analysis — with a clear picture of current markets, products and market segment stemming out of already performed activities and analysis
- Strategic marketing directions with goals and objectives, leading strategies
- Strategic trends in marketing for key tourism products
- Strategic directions for key emissive markets
- Promotional plan with key tools (online and offline)
- Budgets
- Action plan
- Control tools.

Upon the finished project, NTO takes ownership of the document and performs tasks given for the next 5 years. The plan itself is subject to adjustment and revision after each operational year due to a possibility of certain surprising elements that couldn’t be taken into account.
MAIN OBJECTIVES
• Production of Strategic Marketing Plan for Tourism of Ukraine for the period 2023–2027
• A systematic approach to markets, products and market segments

RESPONSIBILITY
National Tourism Organisation

• Tourism Australia National Promotion Plan
• Tourism Malaysia Integrated Promotion Plan

23. Marketing plans for the key destinations and regions (2023–2025)

Accessibility

DESCRIPTION
Following the initial marketing campaign, the process of profiling and differentiation of Ukrainian destinations and regions will intensify. Since each destination and region consists of different attractions and thus have a basis for different experiences offered to different segments, it is important to initiate local and regional marketing plans outlining:
• Priority products, product features and experiences;
• Branding briefs;
• Target markets (geographically and demographically)
• Marketing infrastructure and budgets;
• Communication channels and budget allocations;
• Marketing management plans.

These plans must be initiated immediately after the initial campaign since they will to a large degree serve as development roadmaps for the subject regions and destinations.

MAIN OBJECTIVES
• Marketing plans for the leading destinations — 2023;
• Marketing plans for the leading regions — 2025.

RESPONSIBILITY
Regional and local tourism authorities

• Melbourne City (Australia) marketing strategy
• Visit California Marketing plan (USA)
• Regional Marketing Plan Lamark County (Canada)

*Marketing*

**DESCRIPTION**

While Ukrainian Black Sea destinations are already known on the regional market, targeting the international market will require product enhancement. The most significant barrier is the status of beaches that is below international standard and hampers further development. Since the beach management program is complex and long-lasting development measure, product packaging will have to take a phased approach. The first phase can be initiated after the national program for beaches is concluded in 2023, where pilot for selected destinations can be started, while the other destinations will follow in continuous process. Similar as for MICE and city break products, this process should include:

- Internal marketing efforts in order to inform and engage local population and providers;
- Identifying all potential providers of goods and services;
- Negotiating terms and conditions of participation in product packages;
- Producing multilanguage information and marketing inputs for the packages included offers;
- Producing multimedia online and offline marketing materials;
- Identifying and shaping the most attractive promo packages and delivering them to selected intermediaries.

**MAIN OBJECTIVES**

First product packages (for new Sun & Beach product) on the international market by 2026

**RESPONSIBILITY**

Ministry of Culture, Youth and Sports, tourism departments / DMOs of coastal destinations

- [TUI summer packages for Croatia in 2020](#)
- [Valamar Hotel Company(Croatia) Summer Deals 2020](#)
- [Visit Tuscany Summer Ideas (What to do)](#)

25. Establishing longitudinal market research on brand of Ukraine and its destinations (2023 — onwards)

*Branding*

**DESCRIPTION**

In the first phase of national tourism organisation development, efforts will be concentrated at enabling marketing campaign that will utilise quick wins. Immediately after the campaign is set in motion, national marketing organisation should approach brand management process, as one of its key responsibilities, among the other actions that will be defined in the Marketing plan for 2023–2027 period. The first tool that enables brand management is continuous market research on brand perception on target markets. Such research is today performed by two methods:

- Market surveys on target markets. This typically requires the engagement of global market research company, since it enables access and uniformed methodology on a variety of markets;
- An Internet search of most frequently associated attributes with Ukraine and its destinations.

The research will be gradually extended with time, as more and more destinations will be internationally marketed. However, it is important to maintain basic methodology standards that will allow for comparison of time series, as in any longitudinal research. Brand dimensions that are most frequently surveyed are awareness, understanding, preference and intention to purchase.

**MAIN OBJECTIVES**

Longitudinal brand research in place from 2023
RESPONSIBILITY
National tourism organisation

- Germany Travel Types of Research
- Tourism Australia research results (since 2012)
- Visit Scotland Survey — Why visitors choose Scotland

26. Brand infrastructure for leading regions and destinations (2023 — onwards)

Branding

DESCRIPTION
Following the completion of national-level brand infrastructure and regional and destination tourism marketing plans, the next step is the process of regional and destination branding. Regional and destination marketing plans will outline branding briefs upon which creative solutions can be done.

Branding processes for regions and destinations generally follows the process of national branding on a smaller scale, assuming the following steps:

- Forming council of public and private experts acting as decision-makers on proposed solutions. In case that existing regional and destination organisations are already formed as DMOs/RMOs, their councils can take this duty, i.e. there is no need by forming special bodies;
- Development of three initial creative solutions;
- Evaluating solutions on target markets (including domestic);
- Selection of the most innovative solution;
- Production of materials and applications.

Branding processes can be initiated after the completion of respective marketing plans — in 2024 for the leading destinations and in 2026 for the leading regions.

MAIN OBJECTIVES

- Destination brands in place at the end of 2024
- Regional brands in place at the end of 2026

RESPONSIBILITY
Regional and destination tourism management organisations / tourism departments

- Region Alberta Brand Toolkit
- The Hague Brand

27. Program of reconstruction / revitalization of city districts and smaller settlements (2024 — onwards)

Competitiveness

DESCRIPTION
Aesthetics of space is one immediately visible and one of the most important components of tourism competitiveness. Urbanism, cleanliness, preservation of authentic architecture and urban decorations are all elements that contribute to the leading tourism destinations and regions. While there are areas in Ukraine that are in line with standards of aesthetics and communal maintenance of the leading tourist destinations, there are significant variations, not only...
City of Zagreb had large increase of tourist inflow from 2013 (entering EU) onwards and the government of the city started doing several Master plans to transform unused areas of the city into new city blocks for business, living and guests of the city — The short overview of the projects (in Croatian)

28. “Ukrainian Premium” Program (2023—2025)

**Competitiveness**

**DESCRIPTION**

As a country with a significant share of agriculture in total economic output, Ukraine has a well-developed system of rulebooks and control mechanisms related to agricultural production. Tourism regulation is in place, however absent or outdated in some parts which are the subject of priority measures in phase 1. Creation of consistent brand portfolio will open opportunities for the combination of branding and quality management measures directed at increasing value for the premium suppliers of agricultural and tourism services. These products and services can then be marketed domestically and internationally as “Ukrainian premium” line, increasing the overall image of Ukraine. This measure includes:

- Setting rules and criteria for "Ukrainian premium" label for:
  - Agriculture products;
  - Processed foods;
  - Restaurants;
  - Hotels and other accommodation objects;
  - Handicrafts.
- International protection of authentic Ukrainian products;
- Application of labels
- Promotion and distribution.

Tourist services providers such as catering and accommodation objects can also be a subject of thematisation (for example “Ukrainian premium countryside”, “Ukrainian premium family”, etc.).
Overall this is a pilot project directed at utilising previous branding efforts and starting long-term quality management process.

MAIN OBJECTIVES

- Launch of “Ukrainian premium” label — the start of 2025
- First branded/protected products and services — start of 2026

RESPONSIBILITY

Ministry of Culture, Youth and Sports; Ministry of Economic Development, Trade and Agriculture

Types of tourism labels in France

29. National program for development of culture related tourism infrastructure (2023–2025)

COMPETITIVENESS

DESCRIPTION

Travel and tourism competitiveness report for 2019 outlines the substantially better position of Ukraine with regards to cultural resources (although declining from the previous report) when compared to natural resources. This doesn't imply the quality of resources themselves, but how they are treated and utilised. Ukraine has a valuable tradition of major museums, galleries and theatres, especially from the point of popularity and inclusion of wider social groups. However, contemporary tourist products include cultural interpretation in an interactive and entertaining way (“edutainment”) using technologically driven media presentation and innovation. Museums and interpretation centres are increasingly subject of private entrepreneurship initiatives, where the most successful ones even became international franchises. The national program may include:

- National tenders for concepts for unutilised heritage sites;
- Financing programs for adaptations/modernisations of existing museums;
- Public-private partnerships for thematic routes;
- Destination campaigns for popularisation of culture-related supply (“Night of museums”, Theatre nights”);
- Subsidising culture events that have more than 50% of international public;
- Tax exemptions for virtual and augmented reality suppliers;
- Co-financing lines for SME initiatives for interpretation centres.

MAIN OBJECTIVES

- 100 % increase in attendance at cultural objects in Ukraine (2022–2025);
- Ten new museums and/or interpretation centres (2022–2025).

RESPONSIBILITY

Ministry of Culture, Youth and Sports

- **Long night in the museums** — event organised once per year where all the museums have free entry and are open up to midnight — example Vienna
- **Historic Scotland** — agency that takes care of all historic venues in Scotland and is financed through ticketing as well as through memberships (which have benefits — free entrance, etc.)
30. Meeting and conference facilities planning (2022–2025)

*Investments and general business conditions*

**DESCRIPTION**

Meetings, convention and exhibition centres are capital tourist infrastructure objects that are developed with the dominant role of the public sector. The rationale is in economic effects they create for subject destinations and national economy, where estimates of the effect of direct income of these centres against total economic impact range from 11 to 20:1. The initial campaign will to a large degree indicates real market potential and objective shortcomings of Ukrainian MICE product. At the beginning of phase 2, it is necessary to identify the needs and support them with concepts and cost-benefit studies for the needed infrastructure development. At this point, it is possible to estimate that Ukraine will need at least 3 contemporary conference and exhibition centres equipped with the latest technology solutions in order to be able to accommodate global leaders of various industries. Projects will need full governmental management and financing support to enable negotiation processes with partner companies such as international developers, conference/exhibition operating companies, hotel management companies and other minor companies. The typical development process includes the following steps with tentative duration:

- Identification of development needs — 2022;
- Concept and cost-benefit studies — 2022;
- Negotiations with partners and financial structuring — 2023;
- Detailed architectural design and project preparations (permits and similar) — 2024–2025.

**MAIN OBJECTIVES**

- 3 planned and architecturally designed convention/exhibition facilities;
- Prepared locations for investments.

**RESPONSIBILITY**

- Ministry of Culture, Youth and Sports, National Convention office
6.5. Capital investments and product development phase

Following this roadmap, Ukrainian tourism should have achieved the following by the start of phase 3:

- First set of destination and regional management organisations that are set according to international benchmarks (co-ownership and joint management of private and public sector);
- National tourism organisation has increased capacity and know-how through establishing continuous research and having 4-year experience in international marketing of Ukraine;
- Long term processes aimed at improving spatial aesthetics have been initiated;
- Completed marketing and branding infrastructure for leading regions and destinations;
- Significantly improved transport network;
- A planning framework for the development of a variety of tourist products in place (culture, MICE, trails and other supporting infrastructure);
- Planning framework and political decisions for the initiation of several major tourist infrastructure objects aiming to create or recreate destinations;
- The first product branding and quality management processes are initiated.

The above accomplishments mean that upside potential of the first phase tourist products (with the addition of sun & beach) on the existing infrastructure will be nearing exhaustion.

Phase 3 is characterised by the major efforts in the construction of tourism-related facilities that should serve as a base for tourist products for the next long-term period. Success in phase 2 capacity building processes will to a large degree determine the potential of phase 3, namely:

- Delivery of smart regulative environment and efficient organisation processes;
- Know-how of tourism-related professionals in the execution of large projects;
- Credibility in international partnerships that will enable FDIs and donor funding;
- Pragmatic, market founded and professionally delivered concepts for phase 3 tourism infrastructure.

However, the accent on the physical development of products doesn’t mean that activities in other areas won’t be continued. Following are the key measures per in phase 3, placed according to the category of measures:

**Regulation and management (2026—2029)**

- 3rd phase of tourism statistics reorganisation which includes:
  - Introduction of the eVisitor system that is fully digital register of all accommodation objects that are obliged to update data on visitors and their basic characteristics on a daily basis. This enables transparent real-time statistics as a strong tourism management tool;
  - Regular TSA on national level performed by Ukrainian institutions that provide an analytical tool for the management of the tourism economy in Ukraine.
  - 3rd phase of tourism reorganisation that means that whole of Ukrainian territory is tourism wise organised by a vertical system of RMOs (regional management organisations), DMOs (destination management organisations) and TICs (Tourist Information Centres);
  - Continuation of tourism marketing and master planning for the remaining attractions;
  - Strengthening and updating of tourist inspections, which will especially be demanding in the field of private accommodation.
Accessibility (2026–2029)

- Development of hiking and biking trails (1st phase) in line with the national program outlined in the 2nd phase, where priority is to enhance tourism value chains of 1st and 2nd tear destinations;
- Development/reconstruction of regional transport hubs (railways/airports) for the purposes of new product development;
- Development of sea and river cruises infrastructure according to the national programme outlined in the second phase of tourism development.

Marketing (2026–2029)

- Product development and packaging activities for touring / culture products that should follow completion of respective physical product and transport infrastructure developments around attractions and points of interest;
- Product development and packaging activities for nature/wildlife and active and adventure products that should follow completion of respective physical product and transport infrastructure developments around attractions and points of interest;
- New tourism marketing plan for Ukraine 2027–2031 to be completed in the 3rd quarter of 2026. The plan should continue and restructure efforts on the existing markets, further extend market targets and offer newly packaged tourist products (touring / culture, nature/wildlife and active / adventure).

Competitiveness (2026–2029)

- Introduction of new environmental treatment standard “Green Ukraine” and intensive internal promotion;
- Programs for enhancement of spatial aesthetics in rural areas including accessibility to green areas: entrances, paths, architectural barriers, information, timetable, doors and fences, lighting, etc.

Investments and general business conditions (2026–2029)

- Adapting the taxation system in tourism (tourist taxes, VAT for accommodation and catering services, other related taxation) to an internationally competitive level. With the assumed economic development and the increasing cost of labour, taxation issues will become one of the most important competitiveness issues for Ukrainian tourism and will have to be resolved before major new tourist infrastructure is developed;
- Creation of fund for subsidising interests for loans on selected accommodation and tourist infrastructure projects;
- Public investments:
  - Construction/reconstruction of up to 3 meetings, conference and exhibition centres;
  - Major tourist infrastructure for selected destinations — national parks, museum, interpretation centres, other cultural attractions and related transport infrastructure.
6.6. Quality assurance and differentiation phase

The beginning of this phase assumes that 10-year efforts in increasing the overall competitiveness of Ukrainian tourism and building its tourist products have come to a successful end. Ukraine has become internationally competitive tourism country by all standards with several global tourist destinations. Future efforts are directed in building and ensuring quality standards for all elements of the tourism value chain.

Main priorities become the managing and underpinning innovation, maximising economic effects and synergies of tourism activity with other economic sectors, while marketing efforts are directed to increasing yields in all aspects of the industry. The synergy of the country potential in tourism, IT and agriculture have been successfully managed to ensure strong and continuous growth of all respective industries. Public management efforts in increasing spatial aesthetics have been taken over by regional/local authorities and entrepreneurs.

Public management is concentrated in creating and maintaining an intelligent business environment in a quickly changing tourism industry, where the following remaining objectives remain for this phase:

- Regional Tourism satellite accounts that will enable regions to manage their tourism economies;
- Introduction of Ukraine and its regions in international gastronomy organisations, guidebook and standards (Michelin, etc.)
- “Destination dashboard” initiative — a joint platform of unified reservation systems of all suppliers that allows destination managers for precisely anticipating demand way ahead;
- Finalisation of the digital transformation of tourism supply;
- National /regional/local system of intermediation build-up (destination management companies, tour operators and agencies).
### 7. ACTION PLAN

#### 7.1. Detailed action plan for the 1st phase of measures — Framework setup

Detailed action plan comprises as a way of facilitating the organization of the measures and activities through the following years. Activities (measures) 2020 and 2021, including the stakeholders in charge of leading, supporting or advising each of them (Responsibility), if applicable — how much does it cost to implement certain measure, from which sources financing is available and what kind of goal / end result is expected from applying certain measure. The action plan for the quick win measures are presented in separated table sheet.

<table>
<thead>
<tr>
<th>Measure / Project / Activity</th>
<th>Responsibility</th>
<th>2020 Budget</th>
<th>2021 Budget</th>
<th>Possible Sources of Financing</th>
<th>Goal / End Results of Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Framework Setup</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Creation of National Tourism Organisation</td>
<td>Ministry of Culture, Youth and Sports</td>
<td>Not applicable</td>
<td>Not applicable</td>
<td>Formation of NTO including the necessary legal framework (or adjustment of the current NTO)</td>
<td></td>
</tr>
<tr>
<td>2 Reorganisation of tourism management on regional and local level</td>
<td>Ministry of Culture, Youth and Sports</td>
<td>Not applicable</td>
<td>Not applicable</td>
<td>Clear vertical responsibilities and budgets on the regional and local level</td>
<td></td>
</tr>
<tr>
<td>3 Other tourism related legal adjustments</td>
<td>Ministry of Culture, Youth and Sports</td>
<td>Not applicable</td>
<td>Not applicable</td>
<td>Clear, up-to-date and competitive legislative framework in tourism (laws, by-laws, rulebooks)</td>
<td></td>
</tr>
<tr>
<td>4 Enhancement program for MICE and City break products</td>
<td>Tourism departments of the respective destinations, Ministry of Culture, Youth and Sports</td>
<td>National Convention Bureau — annual budget of up to 200 thousand EUR, City adaptations — order of magnitude budgets of several mln EUR per destination</td>
<td>Budgets of the responsible entities</td>
<td>Professionally managed City Break and MICE products on the key destinations’ levels</td>
<td></td>
</tr>
<tr>
<td>5 Initial enhancements in transport and accessibility</td>
<td>Ministry of infrastructure, local authorities</td>
<td>Program of airline subsidies — up to 10 mln EUR (to be determined within marketing plan), Enhancing traffic accessibility and signage to the key points of interest — up to 1 mln EUR per destination</td>
<td>Budgets of the responsible entities</td>
<td>Increased airline connections to selected feeder markets</td>
<td></td>
</tr>
<tr>
<td>6 Development of Ukrainian tourism brand</td>
<td>Ministry of Culture, Youth and Sports (or NTO)</td>
<td>Between 500 to 800 thousand EUR</td>
<td>Budgets of the responsible entities</td>
<td>Improved road network to the key destinations (and their surroundings)</td>
<td>Finalised document for practical use in NTO</td>
</tr>
<tr>
<td>7 Operational (transitional) marketing plan for 2021–2022</td>
<td>Ministry of Culture, Youth and Sports (or NTO)</td>
<td>Between 500 to 800 thousand EUR</td>
<td>Budgets of the responsible entities</td>
<td>Finalised document for practical use in NTO</td>
<td></td>
</tr>
<tr>
<td>8 National tourist and road signalisation</td>
<td>Ministry of Culture, Youth and Sports</td>
<td>National tourism signalisation plan — up to 50,000 EUR for consulting services, destinations — up to 500 thousand EUR per destination</td>
<td>Budgets of the responsible entities</td>
<td>Framework for national level signalisation set, key destination signalisation in place</td>
<td></td>
</tr>
<tr>
<td>9 Plan for tourist information centres</td>
<td>Ministry of Culture, Youth and Sports</td>
<td>Drafting concept and design standards — up to 100 thousand EUR, completion / redesign of the first set of the existing tourist information centres — up to 100 thousand EUR per centre</td>
<td>Budget of the Ministry</td>
<td>Placement of first information centres in key destination</td>
<td></td>
</tr>
<tr>
<td>10 Creating financing opportunities for tourism related SMEs</td>
<td>Ministry of Finance, Ministry of Economic Development, Trade and Agriculture, Ministry of Culture, Youth and Sports</td>
<td>Not applicable</td>
<td>Budgets of the responsible entities</td>
<td>Several lines of preferential financing for SME sector in tourism</td>
<td></td>
</tr>
</tbody>
</table>
### Quick Wins

<table>
<thead>
<tr>
<th>Measure / Project / Activity</th>
<th>2020 Q1 Q2 Q3 Q4</th>
<th>2021 Q1 Q2 Q3 Q4</th>
<th>Responsibility</th>
<th>Budget</th>
<th>Possible Sources of Financing</th>
<th>Goal / End Results of Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>11 Product packaging for MICE and city break products</td>
<td></td>
<td></td>
<td>National Convention office, City tourism departments</td>
<td>Production of marketing materials (per destination and MICE) up to 50 thousand EUR, internal marketing campaign on a national level up to 100 thousand EUR</td>
<td>Budgets of the responsible entities</td>
<td>Defined MICE offer for key destinations, at least 10 packages for City Break product on a national level</td>
</tr>
<tr>
<td>12 Event support program</td>
<td></td>
<td></td>
<td>Ministry of Culture, Youth and Sports (donor and supervisor), City destination management departments (co-donors, project managers)</td>
<td>Not applicable</td>
<td>Budgets of the responsible entities</td>
<td>National event program and calendar for period of 3 years</td>
</tr>
<tr>
<td>13 Initial marketing campaign</td>
<td></td>
<td></td>
<td>National Tourism Organisation (NTO), Outsourced marketing and PR agencies</td>
<td>1 mln EUR +</td>
<td>Budgets of the responsible entities</td>
<td>Increase of visibility by 100 % in key feeder markets</td>
</tr>
</tbody>
</table>

### 7.2. Tentative action plan for the 2nd phase — Awareness Building

The tentative action plan includes a list of the measures to be implemented in the second phase (years 2022–2025) described above, and indicate the responsibility for implementation of certain measure. Tentative action plan for second phase is subject to revision according to the success and time wise implementation of the first phase.

Action plan for third and fourth phase is not applicable due to many uncertainties in due process for the first and second phase (and being far away time wise).
# ANNEXE

## A.1. Administrative organisation of Ukraine

### Table 21: Ukraine — Administrative organisation

<table>
<thead>
<tr>
<th>Level of division</th>
<th>Territory</th>
<th>Total number of units</th>
<th>Corresponding settlements</th>
<th>Number of units</th>
<th>Total urban/rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (regions)</td>
<td>autonomous republic</td>
<td>1</td>
<td>міста зі специальним статусом</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>oblasts</td>
<td>24</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 (regional</td>
<td>(rural) districts</td>
<td>490</td>
<td>міста районного значення</td>
<td>178</td>
<td>1,344</td>
</tr>
<tr>
<td>subdivisions)</td>
<td>(urban) districts in</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>cities</td>
<td>118</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 (communities)</td>
<td>city councils</td>
<td>454</td>
<td>міста районного значення</td>
<td>274</td>
<td></td>
</tr>
<tr>
<td></td>
<td>settlement councils</td>
<td>783</td>
<td>індивідуальні поселення</td>
<td>890</td>
<td></td>
</tr>
<tr>
<td></td>
<td>village councils</td>
<td>10,278</td>
<td>окремі села</td>
<td>27,190</td>
<td>28,621</td>
</tr>
</tbody>
</table>

## A.2. Regions/oblasts in Ukraine

### Table 22: Ukraine — Regions and oblasts

<table>
<thead>
<tr>
<th>Region/oblast</th>
<th>Area (km²)</th>
<th>Population (2010)</th>
<th>Population density</th>
<th>Administrative center</th>
<th>Raions / Districts</th>
<th>Cities of regional significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cherkasy Oblast</td>
<td>20,891</td>
<td>1,291,135</td>
<td>61.80</td>
<td>Cherkasy</td>
<td>20</td>
<td>6</td>
</tr>
<tr>
<td>Chernihiv Oblast</td>
<td>31,851.3</td>
<td>1,104,241</td>
<td>34.67</td>
<td>Chernihiv</td>
<td>22</td>
<td>3</td>
</tr>
<tr>
<td>Chernivtsi Oblast</td>
<td>8,099.6</td>
<td>903,782</td>
<td>111.67</td>
<td>Chernivtsi</td>
<td>11</td>
<td>2</td>
</tr>
<tr>
<td>Dnipropetrov Oblast</td>
<td>31,900.5</td>
<td>3,344,073</td>
<td>104.83</td>
<td>Dnipro</td>
<td>22</td>
<td>13</td>
</tr>
<tr>
<td>Donetsk Oblast</td>
<td>26,505.7</td>
<td>4,448,031</td>
<td>167.81</td>
<td>Donetsk</td>
<td>18</td>
<td>28</td>
</tr>
<tr>
<td>Ivano-Frankiv Oblast</td>
<td>13,894</td>
<td>1,380,770</td>
<td>99.38</td>
<td>Ivano-Frankivsk</td>
<td>14</td>
<td>6</td>
</tr>
<tr>
<td>Kharkiv Oblast</td>
<td>31,401.6</td>
<td>2,755,177</td>
<td>87.74</td>
<td>Kharkiv</td>
<td>27</td>
<td>7</td>
</tr>
<tr>
<td>Kherson Oblast</td>
<td>28,449</td>
<td>1,091,151</td>
<td>38.35</td>
<td>Kherson</td>
<td>18</td>
<td>3</td>
</tr>
<tr>
<td>Khmelnytskyi Oblast</td>
<td>20,636.2</td>
<td>1,331,534</td>
<td>64.52</td>
<td>Khmelnytskyi</td>
<td>20</td>
<td>6</td>
</tr>
<tr>
<td>Kiev Oblast</td>
<td>28,118.9</td>
<td>1,719,602</td>
<td>61.15</td>
<td>Kiev</td>
<td>25</td>
<td>13</td>
</tr>
<tr>
<td>Kirovohrad Oblast</td>
<td>24,577.5</td>
<td>1,014,809</td>
<td>41.29</td>
<td>Kropyvynskyi</td>
<td>21</td>
<td>4</td>
</tr>
<tr>
<td>Luhansk Oblast</td>
<td>26,672.5</td>
<td>2,300,412</td>
<td>86.25</td>
<td>Luhansk</td>
<td>18</td>
<td>14</td>
</tr>
<tr>
<td>Lviv Oblast</td>
<td>21,823.7</td>
<td>2,545,634</td>
<td>116.65</td>
<td>Lviv</td>
<td>20</td>
<td>9</td>
</tr>
<tr>
<td>Mykolaiv Oblast</td>
<td>24,587.4</td>
<td>1,186,452</td>
<td>48.25</td>
<td>Mykolaiv</td>
<td>19</td>
<td>5</td>
</tr>
<tr>
<td>Odessa Oblast</td>
<td>33,295.9</td>
<td>2,387,636</td>
<td>71.71</td>
<td>Odessa</td>
<td>26</td>
<td>7</td>
</tr>
<tr>
<td>Poltava Oblast</td>
<td>28,735.8</td>
<td>1,493,668</td>
<td>51.98</td>
<td>Poltava</td>
<td>25</td>
<td>5</td>
</tr>
<tr>
<td>Rivne Oblast</td>
<td>20,038.5</td>
<td>1,152,576</td>
<td>57.52</td>
<td>Rivne</td>
<td>16</td>
<td>4</td>
</tr>
<tr>
<td>Sumy Oblast</td>
<td>23,823.9</td>
<td>1,166,765</td>
<td>48.97</td>
<td>Sumy</td>
<td>18</td>
<td>7</td>
</tr>
<tr>
<td>Ternopil Oblast</td>
<td>13,871.7</td>
<td>1,086,694</td>
<td>78.65</td>
<td>Ternopil</td>
<td>17</td>
<td>1</td>
</tr>
<tr>
<td>Vinnytsia Oblast</td>
<td>26,506.6</td>
<td>1,646,250</td>
<td>62.12</td>
<td>Vinnytsia</td>
<td>27</td>
<td>6</td>
</tr>
<tr>
<td>Volyn Oblast</td>
<td>20,135.3</td>
<td>1,038,223</td>
<td>51.56</td>
<td>Lutsk</td>
<td>16</td>
<td>4</td>
</tr>
<tr>
<td>Zakarpattia Oblast</td>
<td>12,771.5</td>
<td>1,246,323</td>
<td>97.59</td>
<td>Uzhhorod</td>
<td>13</td>
<td>5</td>
</tr>
<tr>
<td>Zaporizhia Oblast</td>
<td>27,168.5</td>
<td>1,805,431</td>
<td>66.45</td>
<td>Zaporizhia</td>
<td>20</td>
<td>5</td>
</tr>
<tr>
<td>Zhytomyr Oblast</td>
<td>29,819.2</td>
<td>1,283,201</td>
<td>43.03</td>
<td>Zhytomyr</td>
<td>23</td>
<td>5</td>
</tr>
</tbody>
</table>
### A.3. Network of M-roads in Ukraine

**Table 23: Ukraine — Network of M-roads**


<table>
<thead>
<tr>
<th>No.</th>
<th>Directions</th>
<th>Length, km</th>
</tr>
</thead>
<tbody>
<tr>
<td>M 01</td>
<td>Kyiv — Chernihiv — Novi Yarylovychi border point (b.p.) [to Belarus]</td>
<td>241.8</td>
</tr>
<tr>
<td>M 02</td>
<td>Kipti — Hlukhiv — Bachivsk b.p. [to Russia]</td>
<td>242.4</td>
</tr>
<tr>
<td>M 03</td>
<td>Kyiv — Kharkiv — Dovzhansky b.p. [to Russia]</td>
<td>872.8</td>
</tr>
<tr>
<td>M 04</td>
<td>Znamyanka — Luhansk — Izvareny</td>
<td>629.1</td>
</tr>
<tr>
<td>M 05</td>
<td>Kyiv — Odesa</td>
<td>537.2</td>
</tr>
<tr>
<td>M 06</td>
<td>Kyiv — Chop [to Hungary]</td>
<td>888.8</td>
</tr>
<tr>
<td>M 07</td>
<td>Kyiv — Kovel — Yagodyn b.p. [to Poland]</td>
<td>490.4</td>
</tr>
<tr>
<td>M 08</td>
<td>Uzhgorod — Uzhgorod b.p. [to Slovakia]</td>
<td>14.9</td>
</tr>
<tr>
<td>M 09</td>
<td>Lviv — Rava Ruska (to Poland)</td>
<td>174.0</td>
</tr>
<tr>
<td>M 10</td>
<td>Lviv — Krakovets [to Poland]</td>
<td>83.3</td>
</tr>
<tr>
<td>M 11</td>
<td>Lviv — Shegini b.p. [to Poland]</td>
<td>72.1</td>
</tr>
<tr>
<td>M 12</td>
<td>Stryi — Ternopil — Kropyvnytskyi — Znamyanka</td>
<td>761.3</td>
</tr>
<tr>
<td>M 13</td>
<td>Kropyvnytskyi — Platonove b.p. [to Moldova]</td>
<td>257.9</td>
</tr>
<tr>
<td>M 14</td>
<td>Odesa — Melitopol — Novoazovsk [to Russia]</td>
<td>655.7</td>
</tr>
<tr>
<td>M 15</td>
<td>Odesa — Reni [to Romania]</td>
<td>289.4</td>
</tr>
<tr>
<td>M 16</td>
<td>Odesa — Kuchurgan [to Moldova]</td>
<td>58.7</td>
</tr>
<tr>
<td>M 17</td>
<td>Kherson — Dzhankoi — Feodosia — Kerch</td>
<td>430.0</td>
</tr>
<tr>
<td>M 18</td>
<td>Kharkiv — Simferopol — Alushta — Yalta</td>
<td>731.6</td>
</tr>
<tr>
<td>M 20</td>
<td>Kharkiv — Hoptivka b.p. [to Russia]</td>
<td>28.4</td>
</tr>
<tr>
<td>M 21</td>
<td>Vystupovychi — Zhytomyr — Mohyliv Podilskyi</td>
<td>401.7</td>
</tr>
<tr>
<td>M 22</td>
<td>Poltava — Oleksandria</td>
<td>148.1</td>
</tr>
<tr>
<td>M 23</td>
<td>Befehove — Vynohradiv — Velyka Kopania b.p. [to Hungary]</td>
<td>49.5</td>
</tr>
<tr>
<td>M 24</td>
<td>Mukacheve — Berehove — Luzhanka [to Hungary]</td>
<td>37.5</td>
</tr>
<tr>
<td>M 25</td>
<td>Solomonsovo — Velyka Dobron — Yanoshi</td>
<td>59.6</td>
</tr>
<tr>
<td>M 26</td>
<td>Vylok — Nevetlenfolu — Diakove</td>
<td>20.7</td>
</tr>
<tr>
<td>M 27</td>
<td>Odesa — Chornomorsk</td>
<td>14.0</td>
</tr>
<tr>
<td>M 28</td>
<td>Odesa — Yuzhnyi — M14</td>
<td>49.0</td>
</tr>
<tr>
<td>M 29</td>
<td>Kharkiv — Krasnograd — Pereshchepyne — M18</td>
<td>160.7</td>
</tr>
</tbody>
</table>

**TOTAL:** 8,926.2

### A.4. Road distances between major Ukrainian destinations and European capitals

**Table 24: Road distances between Kyiv, Odesa, Lviv and European capitals**

Source: Via Michelin

<table>
<thead>
<tr>
<th>City</th>
<th>Population</th>
<th>KYIV Distance</th>
<th>Time of travel</th>
<th>ODESA Distance</th>
<th>Time of travel</th>
<th>LVIV Distance</th>
<th>Time of travel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minsk</td>
<td>1,975,000</td>
<td>575 km</td>
<td>6h 53 min</td>
<td>1044 km</td>
<td>12h 10 min</td>
<td>614 km</td>
<td>07h 41 min</td>
</tr>
<tr>
<td>Warsaw</td>
<td>1,765,000</td>
<td>781 km</td>
<td>9h 26 min</td>
<td>1233 km</td>
<td>14h 25 min</td>
<td>393 km</td>
<td>05h 36 min</td>
</tr>
<tr>
<td>Budapest</td>
<td>1,779,361</td>
<td>899 km</td>
<td>11h 32 min</td>
<td>1166 km</td>
<td>13h 28 min</td>
<td>547 km</td>
<td>06h 10 min</td>
</tr>
<tr>
<td>Riga</td>
<td>641,423</td>
<td>1061 km</td>
<td>12h 34 min</td>
<td>1520 km</td>
<td>17h 20 min</td>
<td>972 km</td>
<td>12h 46 min</td>
</tr>
<tr>
<td>Berlin</td>
<td>4,162,000</td>
<td>1337 km</td>
<td>14h 25 min</td>
<td>1731 km</td>
<td>19h 27 min</td>
<td>922 km</td>
<td>08h 47 min</td>
</tr>
<tr>
<td>Paris</td>
<td>2,140,526</td>
<td>2402 km</td>
<td>22h 57 min</td>
<td>2672 km</td>
<td>28h 00 min</td>
<td>1863 km</td>
<td>17h 00 min</td>
</tr>
<tr>
<td>London</td>
<td>9,787,426</td>
<td>2399 km</td>
<td>25h 00 min</td>
<td>2764 km</td>
<td>30h 00 min</td>
<td>1958 km</td>
<td>19h 00 min</td>
</tr>
<tr>
<td>Madrid</td>
<td>3,223,334</td>
<td>3687 km</td>
<td>34h 00 min</td>
<td>3949 km</td>
<td>39h 00 min</td>
<td>3149 km</td>
<td>28h 00 min</td>
</tr>
</tbody>
</table>
A.5. Categories of passenger trains service in Ukraine

Table 25: Ukraine — Categories of passenger trains service
Source: HDC

**DAYTIME PASSENGER LINES**
- Euro City (EC) — Express (min. 90 km/h) daytime services on international routes which should offer a very high level of service and comfort. First and standard classes;
- Inter City+ (IC+) — Express (min. 90 km/h) daytime services on domestic routes which should offer a very high level of service and comfort. First and standard classes. These services are currently operated by Hyundai Rotem HRC52 multiple unit trains on routes between Kyiv and Kharkiv, Lviv, Dnipro and Donetsk;
- Inter City (IC) — (max. 70 km/h — 90 km/h) daytime services on domestic routes which should offer a heightened level of service and comfort. First, standard and economy classes. These services are currently operated by Škoda UZ class 675 trains on routes between Kharkiv, Dnipro and Donetsk;
- Regional Express (РЕ) — (max. 70 km/h — 90 km/h) daytime services on domestic routes which should offer a standard level of service and comfort. First, standard and economy classes;
- Regional train (РП) — (max. 70 km/h) daytime services on domestic routes which should offer a standard level of service and comfort. Standard and economy classes.

**NIGHTTIME PASSENGER TRAINS**
- Euro Night (EN) — Express (min. 90 km/h) night-time services on international routes which should offer a very high level of service and comfort. 2 berth coupe and 4 berth coupe classes;
- Night Express (НЕ) (max. 70 km/h — 90 km/h) night-time services on international and domestic routes which should offer a heightened level of service and comfort. 2 berth coupe, 4 berth coupe and platskarta classes.
- Night fast (НФ) — (max. 50 km/h — 70 km/h) night-time services on international and domestic routes which should offer a heightened level of service and comfort. 2 berth coupe, 4 berth coupe and platskarta classes.
- Night passenger (НП) (max. 50 km/h) night-time services on international and domestic routes which should offer a heightened level of service and comfort. 4 berth coupe and platskarta classes.

A.6. List of all Ukrainian airports with passenger traffic in 2017 and 2018

Table 26: Ukraine — List of airports with passenger traffic in 2017 and 2018

<table>
<thead>
<tr>
<th>Rating</th>
<th>Airport</th>
<th>City</th>
<th>Code (IATA/ICAO)</th>
<th>Passengers 2017</th>
<th>Passengers 2018</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Boryspil International Airport</td>
<td>Kyiv</td>
<td>KBP/UKBB</td>
<td>10,554,757</td>
<td>12,603,000</td>
<td>↑ 19.4 %</td>
</tr>
<tr>
<td>2</td>
<td>Kyiv International Airport (Zhuliany)</td>
<td>Kyiv</td>
<td>IEV/UKKK</td>
<td>1,851,700</td>
<td>2,812,300</td>
<td>↑ 51.9 %</td>
</tr>
<tr>
<td>3</td>
<td>Lviv International Airport</td>
<td>Lviv</td>
<td>LVD/UKLL</td>
<td>1,080,000</td>
<td>1,598,700</td>
<td>↑ 48.0 %</td>
</tr>
<tr>
<td>4</td>
<td>Odessa International Airport</td>
<td>Odessa</td>
<td>ODS/UKOD</td>
<td>1,228,102</td>
<td>1,446,521</td>
<td>↑ 17.7 %</td>
</tr>
<tr>
<td>5</td>
<td>Kharkiv International Airport</td>
<td>Kharkiv</td>
<td>HRK/UKHH</td>
<td>806,200</td>
<td>961,500</td>
<td>↑ 19.3 %</td>
</tr>
<tr>
<td>6</td>
<td>Zaporizhia International Airport</td>
<td>Zaporizhia</td>
<td>OZH/UKDE</td>
<td>348,438</td>
<td>400,326</td>
<td>↑ 14.9 %</td>
</tr>
<tr>
<td>7</td>
<td>Dnipropetrovsk International Airport</td>
<td>Dnipro</td>
<td>DNK/UKDD</td>
<td>276,956</td>
<td>299,250</td>
<td>↑ 8.0 %</td>
</tr>
<tr>
<td>8</td>
<td>Kherson International Airport</td>
<td>Kherson</td>
<td>KHE/UKOH</td>
<td>105,900</td>
<td>150,100</td>
<td>↑ 41.7 %</td>
</tr>
<tr>
<td>9</td>
<td>Ivano-Frankivsk International Airport</td>
<td>Ivano-Frankivsk</td>
<td>IDF/UKLI</td>
<td>110,000</td>
<td>112,607</td>
<td>↑ 2.4 %</td>
</tr>
<tr>
<td>10</td>
<td>Chernivtsi International Airport</td>
<td>Chernivtsi</td>
<td>CWC/UKLN</td>
<td>48,211</td>
<td>73,075</td>
<td>↑ 51.5 %</td>
</tr>
<tr>
<td>11</td>
<td>Havyrishchivka Vinnytsia International Airport</td>
<td>Vinnytsia</td>
<td>VIN/UKWW</td>
<td>52,942</td>
<td>60,873</td>
<td>↑ 15.0 %</td>
</tr>
<tr>
<td>12</td>
<td>Kryvyi Rih International Airport</td>
<td>Kryvyi Rih</td>
<td>KWG/UKDR</td>
<td>32,504</td>
<td>21,964</td>
<td>↓ 32.4 %</td>
</tr>
<tr>
<td>13</td>
<td>Rivne International Airport</td>
<td>Rivne</td>
<td>RWN/UKLR</td>
<td>3,472</td>
<td>6,403</td>
<td>↑ 84.4 %</td>
</tr>
<tr>
<td>14</td>
<td>Poltava Airport</td>
<td>Poltava</td>
<td>PLV/UKHP</td>
<td>-</td>
<td>968</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Mykolaiiv Airport</td>
<td>Mykolaiiv</td>
<td>NLV/UKON</td>
<td>-</td>
<td>256</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Uzhhorod International Airport</td>
<td>Uzhhorod</td>
<td>UDI/UKLU</td>
<td>182</td>
<td>250</td>
<td>↑ 37.4 %</td>
</tr>
</tbody>
</table>

TOTAL: 16,499,500 20,545,500 ↑ 24.5 %
A.7. Ukrainian trading partners in 2013 and 2017

Image 38: Ukraine — Trading partners in 2013 and 2017
Source: World Bank

The main Ukrainian export partners in 2013
- Other, 57.6%
- Russia, 16.5%
- Turkey, 6.0%
- China, 4.3%
- Egypt, 4.3%

The main Ukrainian export partners in 2017
- Other, 68.1%
- Russia, 9.1%
- Poland, 6.3%
- Turkey, 5.8%
- Italy, 5.7%
- India, 5.1%

The main Ukrainian import partners in 2013
- Other, 40.8%
- Russia, 30.2%
- China, 10.3%
- Poland, 5.3%

The main Ukrainian import partners in 2017
- Other, 50.3%
- Russia, 14.6%
- Germany, 10.5%
- China, 11.4%
- Poland, 6.8%

A.8. Company and individual taxes in Ukraine

Table 27: Ukraine — Company and individual taxes
Source: Taxation and investment in Ukraine, Deloitte

<table>
<thead>
<tr>
<th>Company taxation in Ukraine</th>
<th>18 %</th>
<th>18 %</th>
<th>18 %</th>
<th>Worldwide income</th>
<th>No</th>
<th>No</th>
<th>Yes</th>
<th>Yes in certain cases</th>
<th>February 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate income tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Thin capitalization rules</td>
<td>Yes</td>
</tr>
<tr>
<td>Branch tax rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Controled foreign company rules</td>
<td>No</td>
</tr>
<tr>
<td>Capital gains tax rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Tax year</td>
<td>Calendar year</td>
</tr>
<tr>
<td>Basis</td>
<td></td>
<td></td>
<td></td>
<td>Worldwide income</td>
<td></td>
<td></td>
<td></td>
<td>Advance paymnet of tax</td>
<td>Yes in certain cases</td>
</tr>
<tr>
<td>Participation exemption</td>
<td></td>
<td></td>
<td></td>
<td>No</td>
<td></td>
<td></td>
<td></td>
<td>Return due date</td>
<td>February 10</td>
</tr>
<tr>
<td>Loss relief</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Withholding taxes</td>
<td>Various</td>
</tr>
<tr>
<td>- Carryforward</td>
<td>Indefinitely</td>
<td>No</td>
<td></td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Dividends</td>
<td>15 %</td>
</tr>
<tr>
<td>- Carryback</td>
<td></td>
<td></td>
<td></td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Interest</td>
<td>15 %</td>
</tr>
<tr>
<td>- Double taxation relief</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Royalties / technical service fee</td>
<td>15 %</td>
</tr>
<tr>
<td>- Tax consolidation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Branch remittance tax</td>
<td>15 %</td>
</tr>
<tr>
<td>- Transfer pricing rules</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Capital tax</td>
<td>No</td>
</tr>
<tr>
<td>- Property tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Property tax</td>
<td>Various</td>
</tr>
</tbody>
</table>
A.9 Flat tax models in Ukraine

Table 28: Ukraine — Flat tax models
Source: Taxation and investment in Ukraine, Deloitte

<table>
<thead>
<tr>
<th>Flat Tax Category</th>
<th>Limits</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Category</td>
<td>Individuals only. No employees, annual income — up to UAH 300,000 (€ 10,000)</td>
<td>UAH 192.10 (€ 6.40) per month</td>
</tr>
<tr>
<td>2nd Category</td>
<td>Individuals only. Up to 10 employees, annual income — up to UAH 1,500,000 (€ 50,000)</td>
<td>UAH 834.60 (€ 27.82) per month</td>
</tr>
<tr>
<td>3rd Category</td>
<td>Individuals &amp; companies. No limits for employees, annual income — up to UAH 5,000,000 (€ 167,000)</td>
<td>3 % of income + VAT or 5 % of income</td>
</tr>
</tbody>
</table>

A.10. Ukraine general competitiveness report 2018

Table 29: Ukraine — General competitiveness report 2018
Source: World Economic Forum

<table>
<thead>
<tr>
<th>Global competitiveness index 4.0,</th>
<th>Score relative to previous report</th>
<th>Rating rank / 140</th>
<th>Best performer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enabling environment component</td>
<td>57.0 ↑</td>
<td>83</td>
<td>United States</td>
</tr>
<tr>
<td>Piller 1: Institutions</td>
<td>55.8 ↑</td>
<td>91</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>Piller 2: Infrastructure</td>
<td>46.3 ↑</td>
<td>110</td>
<td>New Zealand</td>
</tr>
<tr>
<td>Piller 3: ICT adoption</td>
<td>70.1 ↑</td>
<td>57</td>
<td>Singapore</td>
</tr>
<tr>
<td>Piller 4: Macroeconomic stability</td>
<td>51.0 ↑</td>
<td>77</td>
<td>Korea</td>
</tr>
<tr>
<td>Human capital component</td>
<td>55.9 ↑</td>
<td>131</td>
<td>Multiple (31)</td>
</tr>
<tr>
<td>Piller 5: Health</td>
<td>68.5 ↑</td>
<td>77</td>
<td>Switzerland</td>
</tr>
<tr>
<td>Piller 6: Skills</td>
<td>72.0 ↑</td>
<td>94</td>
<td>Multiple (4)</td>
</tr>
<tr>
<td>Markets component</td>
<td>68.9 ↑</td>
<td>46</td>
<td>Finland</td>
</tr>
<tr>
<td>Piller 7: Product market</td>
<td>56.5 ↑</td>
<td>67</td>
<td>United States</td>
</tr>
<tr>
<td>Piller 8: Labour market</td>
<td>55.3 ↑</td>
<td>73</td>
<td>Singapore</td>
</tr>
<tr>
<td>Piller 9: Financial system</td>
<td>59.5 ↑</td>
<td>66</td>
<td>United States</td>
</tr>
<tr>
<td>Piller 10: Market size</td>
<td>48.7 ↑</td>
<td>117</td>
<td>United States</td>
</tr>
<tr>
<td>Innovation component</td>
<td>62.7 ↑</td>
<td>47</td>
<td>China</td>
</tr>
<tr>
<td>Piller 11: Business dynamism</td>
<td>47.1 ↑</td>
<td>73</td>
<td>United States</td>
</tr>
<tr>
<td>Piller 12: Innovation capacity</td>
<td>55.3 ↓</td>
<td>86</td>
<td>United States</td>
</tr>
<tr>
<td></td>
<td>39.0 ↑</td>
<td>58</td>
<td>Germany</td>
</tr>
</tbody>
</table>
A.11. Indicators of the Doing Business report

Table 30: Ukraine — Indicators of the Doing Business report
Source: Doing Business

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting a business</td>
<td>Procedures, times, cost and paid-in minimum capital to start a limited liability company</td>
</tr>
<tr>
<td>Dealing with construction permits</td>
<td>Procedures, time and cost to complete all formalities to build a warehouse and the quality control</td>
</tr>
<tr>
<td>Getting electricity</td>
<td>Procedures, time and cost to get connected to the electrical grid, and the reliability of the electric</td>
</tr>
<tr>
<td>Registering property</td>
<td>Procedures, time and cost to transfer a property and the quality of the land administration system</td>
</tr>
<tr>
<td>Getting credit</td>
<td>Movable collateral laws and credit information system</td>
</tr>
<tr>
<td>Protecting minority investors</td>
<td>Minority shareholders’ rights in related-party transactions and in corporate governance</td>
</tr>
<tr>
<td>Paying taxes</td>
<td>Payments, time, total tax and contribution rate for a firm to comply with all tax regulation as well as post-filing processes</td>
</tr>
<tr>
<td>Trading across borders</td>
<td>Time and cost to export the product of comparative advantage and import auto parts</td>
</tr>
<tr>
<td>Enforcing contracts</td>
<td>Time and cost to resolve a commercial dispute and the quality of judicial processes</td>
</tr>
<tr>
<td>Resolving insolvency</td>
<td>Time, cost, outcome and recovery rate for a commercial insolvency and the strength of the legal framework for insolvency</td>
</tr>
<tr>
<td>Labour market regulation</td>
<td>Flexibility in employment regulation and aspects of job quality</td>
</tr>
</tbody>
</table>

A.12. Evaluation of tourism statistics system in Ukraine

**NOTE:** All the information and opinions expressed in this section are based on the interviews with third party professionals that are involved in Ukrainian tourism on private or public sector side and have some operational experience with the State Statistics Service of Ukraine. Project team have both formally and informally tried to arrange a meeting/workshop with the officials of the State Statistics Service of Ukraine, however failed to do so prior to delivery of this Inception report. With that regards, Project team would like to distance itself from any inaccuracies in the statements below and will take full responsibility to upgrade and clarify this section in the final version of the report through direct contacts with the State Statistics Service of Ukraine if possible.

- According to information provided by the interviewed professionals that coincide with UNWTO reports on tourism of Ukraine, State Statistics Service of Ukraine uses method classified by UNWTO as Tourist Frontiers (TF) where tourists are counted at border crossings and distinguished from same-day visitors;
- However, Consultants experience during the project execution did not include any questionnaires during border crossings or any other inquiries that would enable such a distinction;
- According to national statistics, the total number of visitors of Ukraine in 2017 according to the method above was 14.2 million;
- The official statistics deals with the category “foreign visitors” that is further broken down by the following purposes of visit:
  - Business trip;
  - Organised tourism;
  - Private visit;
  - Education;
  - Placing in a job;
  - Immigration;
  - Events.
- For 2017, 96.5 % of all foreign visitors were categorised as “private trips”, where no other information on these
visitors were available. If there is no further insight into these tourists’ motives and behaviour, these set of data is highly insufficient for any tourism-related analysis, first of all, which of these trips fall into tourism definition at all;

• For further illustration, the “business trips” category counts less than 90,000 visitors coming for business purposes which is merely impossible given the airport traffic, the number of foreign tourists in accommodation establishments and other available indicators;

• Similar statistics are available on Ukrainians travelling abroad where out of 26.4 million trips abroad made by Ukrainians in 2017 due to the purchasing parity of Ukrainians; the vast majority is non-tourism related. Nearly 99% of these trips are reported as “private trips”. For instance, interviews have shown that there is a large number of Ukrainian nationals frequently crossing borders with EU countries since they have purchased vehicles there due to lower taxes and have to exit and re-enter Ukraine every five days according to Ukrainian legislation;

• Other tourism-related statistics show that 6.6 million tourists were served that same year in the collective accommodation establishments, out of which less than 900 thousand foreign;

• Collective accommodation category is divided into two subcategories:
  • Hotels and similar including hotels, motels, hostels, campsites, agritourism’s, tourist centres, mountain shelters and similar;
  • Specialised accommodation objects such as all types of medical (sanatoriums, spas), rest homes, holiday resorts, recreation centres, etc.).

• While private apartments are not a part of integrated tourism statistics;

• Statistical information on accommodation establishments includes visitor information and data on business subject, such as revenues, employees and related. Data is collected through forms accommodation objects are obliged to send directly to statistics;

• However, the level of obligation, similar sanctions and law enforcement in that sense is questionable, primarily due to presidential decrees in the last four years that were sometimes in contradiction with laws regulating tourism and other economic activities, including taxation, the legal status of enterprises providing tourist services and other;

• Therefore, the number of tourists in accommodation objects is underestimated, and it is relatively safe to say that this underestimation is significant;

• Since all the different elements of tourism-related statistics like geo markets, revenues and similar are collected through the same forms, tourism statistics on accommodation objects is likely underestimated in all categories;

• Data inconsistency is further distributed by international institutions as well - according to UNWTO data derived from Travel & Tourism competitiveness report for Ukraine for 2017, average tourism receipt per foreign arrival amounted to 87.1 US$ on the average stay of around 4.5 days (at least for the hotel guests) means that average total consumption of average tourist per day amounts to less than 20 US$;

• Below is the table with the average tourism check per arrival for Ukraine and neighbouring countries, Given the fact that tourist products, average stay and positioning cannot differ dramatically, there is an obvious problem with statistical coverage of tourism in Ukraine:

| Table 31: Comparative table of average expenditure per trip by foreign tourists |
| Source: UNWTO according to national statistical offices |

<table>
<thead>
<tr>
<th>Country</th>
<th>Average Expenditure (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ukraine</td>
<td>87</td>
</tr>
<tr>
<td>Russia</td>
<td>270</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>336</td>
</tr>
<tr>
<td>Moldova</td>
<td>2,163</td>
</tr>
<tr>
<td>Poland</td>
<td>582</td>
</tr>
<tr>
<td>Georgia</td>
<td>848</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>1,202</td>
</tr>
<tr>
<td>Romania</td>
<td>766</td>
</tr>
<tr>
<td>Slovakia</td>
<td>347</td>
</tr>
<tr>
<td>Croatia</td>
<td>697</td>
</tr>
</tbody>
</table>

• Differences that steam from the table on per trip expenditure can hardly be explained in differences in tourism product and its level of development alone, but to a significant degree by differences in statistical definitions and methodologies;

• This demonstrates that Ukrainian case is not peculiar since the compliance of tourism statistics and methods is a general international problem that to a significant degree put in question broadly publicised data on global tourism in terms of arrivals and revenues.
A.13. List of Ukrainian tourism stakeholders interviewed during the project execution

1. Yulia Alexeeva, Project manager in Tourism Clusters 300+, PhD in Public Administration, Business School Teacher, Founder of Zabugor.com Tour Operator

2. Pavlo Babenko, Deputy Head of the Council, Federation of Employers in Tourism

3. Volodimir Bega, Slavske Resort Village in Lviv region

4. Oleksander Bergart, Maman restaurant, Odesa, owner

5. Philippe Bone, Accor Hotels, Russia and CiS deputy development director

6. Vladyslav Chabaniuk, owner of the Trypillian Culture museum

7. Tetyana Chychkalyuk, The association of leaders of tourism business in Mikolaiv region, Chairman

8. Olena Diachenko, Department of Culture and Tourism, Odesa City Council

9. Viktoriya Dovgal, Head of Sales Department, Kiy Avia tour operator

10. Viktor Dovgan, Ministry of Infrastructure, Deputy Minister

11. Irina Dvorska, TravelHUB, CEO

12. Euhen Dykhne, Boryspil International Airport, First Deputy General Director

13. Vitaly Fedorchenko, Founder & CEO Welcomer Management Group

14. Volodymyr Fedorchenko, President of the Association of Institutional Foundations of Ukraine Tourist and Hotel-Profile, Rector at the Kyiv University of Tourism, Economics and Law

15. Victor Fedosiyuk, CEO at TransFlot - business & travel transportation

16. Yanina Gavrilova, Ukrainian Guides Association, Head

17. Yurii Halushka, CEO at 1000 Tours Travel Agency, Expert on tourism of the Committee of the Verkhovna Rada of Ukraine on youth policy, sports and tourism

18. Roman Karmannik, Head of Regional Development of Cherkasy Regional State Administration

19. Viacheslav Konovalov, Ukrainian Youth Tourist Association, Vice President

20. Kristina Koval, Tourist Cluster Vyshgorod, President of Tourist Cluster, Managing Partner of the Vyshegrad Hotel Chain

21. Taras Kovalchuk, CEO at Tourist Information Centre of Ternopil, hostel & restaurants owner

22. Sergii Kozhukalov, PKH Hotels Ukraine, Director

23. Sebastian Kraemer, Reikartz Hotel Group, Chief Operations Officer

24. Ivan Liptuga, National Tourism Organization of Ukraine (NGO), president

25. Ihor Lylo, Kumpel-tour, professional tour guide and historian

26. Vitalina Martynovska, Deputy head of Tourism and resorts department, Ministry of Economy and Trade

27. Oleksii Masliuk, Owner at the Buky Canyon Tourist Base

28. Ihor Maxymanko, sommelier and winemaker from Uman

29. Liudmyla Mescherskikh, Hotel Certification Expert (curr. Dir. Of Certification Center @ Kyiv Trade-Economic University)

30. Daniel Mikousek, Ibis style hotel, Lviv, General Manager

31. Elena Motsnaya, President of the Kyiv Hostel Association

32. Andriy Nelipa, Fishermen Community of Ukraine, President

33. Lina Ostapchuk, Head of Lviv tourism development department and Convention Bureau

34. Lesia Ostrovskaya, President of Chyhyryn Tourist Cluster

35. Alexander Palariev, Head of Cluster Frumushka

36. Grygoriy Pererva, Head of the U-Lead project in Cherkasy Region

37. Sergiy Pidmogylnyi, GreenWays, destination consultant

38. Andriy Rikota, Head of Lviv Medical Tourism cluster

39. Lianna Rodnikova, Tourist Cluster “West Cherkaschyna”, Vice-President

40. Anna Romanova, Verkhovna Rada Committee on Family Affairs, Youth Policy, Sports and Tourism, Chair of the Subcommittee on Tourism Development, Resorts and Recreational Facilities

41. Tetiana Romanovska, Lviv International Airport, CEO

42. Anton Rudich, Ukrainian Travel Agents Association, President
43. Iryna Sedletska, Vertex hotel group, CEO
44. Shawn Shemsh, Owner & CEO at VIPSky
45. Natalia Soboleva, Board Member of the Business Travel Association of Ukraine, owner of the biggest incoming tour operator Arktur DMC
46. Oksana Sydor, DikArt Lviv, event organisers
47. Natalia Tabaka, Tourism and Resort Department of Lviv Region, head
48. Anton Taranenko, Tourism and Promotions Department, Kyiv City State Administration, head
49. Oksana Tkachenko, Project co-ordinator at “Wine & Taste Route”, EU National expert on geographical names in Ukraine (wine & food). Head of the Department of Wine Technology and Sensory Analysis, Doctor of Engineering, Professor at the Odesa Academy of Food Technologies
50. Maksim Tsibry, R&D Director at the Dima Borisov Restaurant Family
51. Andriy Tychyna, CEO at Zruchno.Travel TV & media, Board at the Ukrainian Hospitality Industry Association
52. Tetiana Tymoshenko, Ukrainian Federation of Employees in Sphere of Tourism, chairman of the board;
53. Marco Sartori, Hotel Milano, Manager
54. Serhiy Savyuk, Supervisory Board, Kiy Avia tour operator
55. Eugeny Tkeshelashvili, National Tourism Organization of Ukraine (NGO), director
56. Mykola Velychkovich, Verkhovna Rada deputy, Committee on Family, Youth Policy, Sports and Tourism
57. Volodymyr Vasyleyev, Association of Rural Tourism
58. Dmytro Yeremenko, YanAir/Yan Travel, Director
59. Oleksii Yevchenko, Partner at Art Build Hotels, hotel development and consulting
60. Yulia Zabaldina, Institute of tourism FPU (Kyiv), Management of Tourism Department
61. Julia Zheldak, Event Director - Premier Expo, ITE Group
62. Juris Zudovs, Hotel Park Inn Kyiv, General Manager

A.14. List of Ukrainian tourism stakeholders interviewed for tourism value chain assessment
1. Branko Bogunović, Hotel and Destination Consulting, project coordinator
2. Alexander Fainin, Tourism expert, CEO and founder of SunCity travel LLC, member of the project team;
3. Zoran Kasum, Hotel and Destination Consulting, project manager
4. Sergii Kozhukalov, PKF Hotels Ukraine, Director
5. Ivan Liptuga, National Tourism Organization of Ukraine (NGO), president
6. Ivan Loun, Hotel industry expert, member of the project team;
7. Vitalina Martynovska, Deputy head of Tourism and resorts department, Ministry of Economy and Trade
8. Liudmyla Mescherskikh, Hotel Certification Expert (curr. Dir. Of Certification Center @ Kyiv Trade-Economic University)
9. Lina Ostapchuk, Head of Lviv tourism development department and Convention Bureau
10. Anna Romanova, Verkhovna Rada Committee on Family Affairs, Youth Policy, Sports and Tourism, Chair of the Subcommittee on Tourism Development, Resorts and Recreational Facilities;
11. Marco Sartori, Hotel Milano, Manager
12. Iryna Sedletska, Vertex hotel group, CEO
13. Anton Taranenko, Tourism and Promotions Department, Kyiv City State Administration, head
14. Denis Torkhov, EBRD Ukraine
15. Tetiana Tymoshenko, Ukrainian Federation of Employees in Sphere of Tourism, chairman of the board;
16. Julia Zheldak, Event Director — Premier Expo, ITE Group
17. Juris Zudovs, Hotel Park Inn Kyiv, General Manager
A.15. Evaluation of the Ukrainian tourism value chain per component

Table 32: Value chain in tourism — Information and presentation assessment

Source: HDC

<table>
<thead>
<tr>
<th></th>
<th>Evaluation (1–5)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>OFFLINE (TV, OUTDOOR, JOURNAL ADDS, BROCHURE AND OTHER PRINT)</td>
<td></td>
</tr>
<tr>
<td>availability</td>
<td>2.4</td>
</tr>
<tr>
<td>quality</td>
<td>2.6</td>
</tr>
<tr>
<td>ONLINE</td>
<td></td>
</tr>
<tr>
<td>availability of online information on Ukraine</td>
<td>2.8</td>
</tr>
<tr>
<td>quality of online presentation</td>
<td>2.6</td>
</tr>
<tr>
<td>degree to which online information reflect actual product and quality</td>
<td>2.6</td>
</tr>
<tr>
<td>quality and availability of information in destinations (when a guest is in a destination)</td>
<td>2.7</td>
</tr>
<tr>
<td>POSSIBILITY OF ONLINE BOOKING (evaluate the possibility for all travel experience)</td>
<td>2.7</td>
</tr>
<tr>
<td>INFORMATION AND PRESENTATION RESULTS</td>
<td>2.64</td>
</tr>
</tbody>
</table>

* 1 — not good, 5 — very good

- Information and presentation link (pillar) is the most problematic in the Ukrainian tourism value chain;
- There is little variation between elements; however, the availability of offline materials and quality of online presentation seem to be the most problematic elements of the link (pillar).

Table 33: Value chain in tourism — Transportation assessment

Source: HDC

<table>
<thead>
<tr>
<th></th>
<th>Evaluation (1–5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Road access to the region</td>
<td>2.8</td>
</tr>
<tr>
<td>Road connections between towns and villages within the region</td>
<td>2.2</td>
</tr>
<tr>
<td>Road accessibility of smaller rural settlements / in the hinterland</td>
<td>1.6</td>
</tr>
<tr>
<td>Quality of local road transport (between destinations)</td>
<td>2.2</td>
</tr>
<tr>
<td>Air linkage of the Ukraine with emissive markets</td>
<td>2.6</td>
</tr>
<tr>
<td>Availability (traffic connectivity) of the airport and internal destinations</td>
<td>2.6</td>
</tr>
<tr>
<td>Railway access to the region</td>
<td>3.4</td>
</tr>
<tr>
<td>Quality of rail transport (between destinations)</td>
<td>2.9</td>
</tr>
<tr>
<td>Availability of taxi and related transport</td>
<td>3.6</td>
</tr>
<tr>
<td>Availability and quality of local transport (within destinations)</td>
<td>2.9</td>
</tr>
<tr>
<td>TRANSPORTATION RESULTS</td>
<td>2.69</td>
</tr>
</tbody>
</table>

- Transportation is the next problematic link (pillar) of the Ukrainian tourism system;
- Road infrastructure is generally the worst element of the Ukrainian transport system, as it has already highlighted in these documents and various reports;
- Elements of air traffic were also negatively viewed; however, it is Consultant’s view that the air fleet (old planes) and overall experience had more contribution to the evaluation, rather than connectivity itself, that is probably the more favourable aspect of the Ukrainian transport system.
Table 34: Value chain in tourism — Accommodation assessment
Source: HDC

<table>
<thead>
<tr>
<th>HOTELS</th>
<th>Evaluation (1–5)</th>
<th>HOSTELS</th>
<th>Evaluation (1–5)</th>
<th>OTHER ACCOMMODATION (SPAS, RURAL TOURISM, CAMPING)</th>
<th>Evaluation (1–5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>availability</td>
<td>3.6</td>
<td>availability</td>
<td>2.5</td>
<td>availability</td>
<td>2.5</td>
</tr>
<tr>
<td>in accordance with international standards</td>
<td>3.1</td>
<td>in accordance with international standards</td>
<td>2.5</td>
<td>availability</td>
<td>3.1</td>
</tr>
<tr>
<td>value for money</td>
<td>3.5</td>
<td>value for money</td>
<td>3.4</td>
<td>in accordance with international standards</td>
<td>3.1</td>
</tr>
</tbody>
</table>

- Accommodation (especially hotels) is evaluated better when compared to WEF report on Competitiveness of Travel and tourism sector of Ukraine;
- However, implementation of international standards is problematic for nearly all accommodation types pointing to the problem of categorisation standards, categorisation processes, as well as their enforcement.

Table 35: Value chain in tourism — Food & beverage assessment
Source: HDC

| Quality of local ingredients | Evaluation (1–5) | 4.0 |
| Diversity of food and beverage objects for various segments | 4.1 |
| Using domestic products in gastronomic offering | 3.8 |
| Application and control of sanitary standards (HACCP and related) | 2.0 |
| Quality control and labels | 2.0 |
| Value for money in F&B objects | 3.0 |
| Nightlife (availability, innovation, value for money) | 3.8 |

**FOOD & BEVERAGE RESULTS**

3.62

- Relatively high grade for food & beverage is driven primarily by resource-driven categories, where elements of quality and sanitary controls are problematic;
- Value for money is considered as one of the possible strong points of not only F&B but tourism supply in general.

Table 36: Value chain in tourism — Tourism infrastructure assessment
Source: HDC

| The beauty of nature and landscape | Evaluation (1–5) | 4.6 |
| Ecology and Environmental Protection | 3.0 |
| Arrangement and equipment of beaches | 2.8 |
| The cleanliness and decency | 2.8 |
| Urban and architectural harmony of settlements — the scenery of the settlement | 3.0 |
| Valorization of cultural and historical heritage | 2.7 |
| Presentation of cultural and historical heritage | 2.7 |
| Valorization of natural heritage | 2.7 |
| Presentation of natural heritage | 2.6 |
| Museums | 2.9 |
| Theatres | 2.9 |
| Contemporary interpretation centres | 2.9 |
| Archeological sites | 2.6 |
| Conference and exhibition centres | 2.6 |
| International events | 2.9 |

**TOURISM INFRASTRUCTURE RESULTS**

2.96
Tourism resources and infrastructure is a complex link (pillar) that combines primary attractors, activities and tourist infrastructure;

- With the general grade below 3, this link (pillar) is one of the most problematic ones;
- However, many of the grades are a consequence of neglect and mismanagement (especially valorisation and presentation of natural and cultural heritage), rather than unattractiveness or lack of resources;
- In that sense, many grades within this pillar have a solid capacity to be repaired to a satisfactory degree in a relatively short time without significant investments, but through a hands-on-management.

Table 37: Value chain in tourism — Human resources and social factors assessment

Source: HDC

<table>
<thead>
<tr>
<th>Human Resources and Social Factors</th>
<th>Evaluation (1–5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourist image of Ukraine</td>
<td>2.4</td>
</tr>
<tr>
<td>Hospitality of the local population</td>
<td>4.2</td>
</tr>
<tr>
<td>Safety of guests</td>
<td>3.7</td>
</tr>
<tr>
<td>The level of professionalism of tourism workers</td>
<td>3.4</td>
</tr>
<tr>
<td>Level of expertise of tourism workers</td>
<td>3.1</td>
</tr>
<tr>
<td>The level of openness of the domestic population towards foreign tourists</td>
<td>3.8</td>
</tr>
<tr>
<td>HR &amp; SOCIAL FACTORS</td>
<td>3.43</td>
</tr>
</tbody>
</table>

HR & Social Factors link (pillar) is in slight contradiction with the evaluation of WEF report on Competitiveness of Travel and tourism sector of Ukraine in terms of safety and orientation of local people to tourism;

- Except for tourist image of Ukraine that is rather non-existing then bad, "human" side of tourism in Ukraine for sure isn’t a weak link of the system, according to the evaluation that is in line with the Consultants’ opinion.

Table 38: Value chain in tourism — Excursions and tours assessment

Source: HDC

<table>
<thead>
<tr>
<th>Excursions and Tours Assessment</th>
<th>Evaluation (1–5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability of tours within destinations</td>
<td>3.7</td>
</tr>
<tr>
<td>Information and booking availability for tours and excursions</td>
<td>3.1</td>
</tr>
<tr>
<td>Tourist guides (availability and quality)</td>
<td>3.4</td>
</tr>
<tr>
<td>Value for money</td>
<td>3.8</td>
</tr>
<tr>
<td>EXCURSIONS AND TOURS RESULTS</td>
<td>3.48</td>
</tr>
</tbody>
</table>

In excursion and tours link (pillars), problems are again accented on commercialisation side (information, booking);

- Consultants field observations on tourist guides show above-average standard in factual and historical knowledge, but language proficiency standards could see improvements.

Table 39: Value chain in tourism — Support services assessment

Source: HDC

<table>
<thead>
<tr>
<th>Support Services Assessment</th>
<th>Evaluation (1–5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourist information points / visitor centres (availability and quality)</td>
<td>2.9</td>
</tr>
<tr>
<td>Tourism signalization</td>
<td>2.6</td>
</tr>
<tr>
<td>Grocery shops and outlets (density, supply level and value for money)</td>
<td>3.5</td>
</tr>
<tr>
<td>Medical care in case of emergency</td>
<td>3.1</td>
</tr>
<tr>
<td>Internet availability and price</td>
<td>4.0</td>
</tr>
<tr>
<td>Security and bank services (ATM’s, Exchange offices etc)</td>
<td>3.8</td>
</tr>
<tr>
<td>Mobile GSM for tourists</td>
<td>3.9</td>
</tr>
<tr>
<td>SUPPORT SERVICES RESULTS</td>
<td>3.39</td>
</tr>
</tbody>
</table>
• There is a general lack of tourist information points and visitor centres in Ukraine, while brown (tourist) signalisation\(^9\) is lacking even in Cyrillic, not to mention English. Again, these are shortcomings that are relatively easy to repair on the mid-term;

• Other grades are in line with Consultants’ observations, where no significant inconvenience was spotted.

Table 40: Value chain in tourism — Handicrafts
Source: HDC

<table>
<thead>
<tr>
<th></th>
<th>Evaluation (1–5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability of souvenir shops</td>
<td>3.7</td>
</tr>
<tr>
<td>Availability of authentic local souvenirs</td>
<td>3.4</td>
</tr>
<tr>
<td>Diversity of supply</td>
<td>3.4</td>
</tr>
<tr>
<td>Originality of the supply</td>
<td>3.1</td>
</tr>
<tr>
<td><strong>HANDICRAFTS RESULTS</strong></td>
<td><strong>3.41</strong></td>
</tr>
</tbody>
</table>

• As most tourism countries in the world, Ukraine has problems with original handicrafts, or how to express local authenticity in original and memorable handicrafts;

• Logistical part of the supply is in place (souvenir shops in major destinations), while product design processes usually follow general development in tourism;

• Anyhow, this is a link (pillar) that doesn’t require special systemic and planning attention.

---

\(^9\) Brown Signalisation — unified term for tourist signalisation.