

Reporting Agency: UNDP  
Country: Armenia

## STANDARD PROGRESS REPORT

No. and title: 00100450, Integrated Rural Tourism Development  
Reporting period: January-December 2018



### I. PURPOSE

Integrated Rural Tourism Development Project proposes intervention strategy for creating sustainable income-generating opportunities in 60 rural dwelling places in Armenia as supplemental income source for the local population to bring down the level of poverty, contribute to the equal territorial development and shape conducive environment for the growth. The concept applies integrated approach targeting strong local social networks that explicitly link actors to jointly promote and maintain the economic, social, cultural, natural, and human resources of the localities. The project seeks to build synergistic benefits for the various stakeholders by engaging the local human resources in value creation to combat social exclusion, retain maximum benefits in place and focusing on the requirements, capacities, and values of its people, and ensure sustainable development considering environmental protection.

The project has three main components:

1. Planning of sustainable integrated rural tourism-The tourism assets of the community should be identified, assessed and prioritized for the further development by preliminary expert assessment and participatory planning mechanism, which will outline the vision and strategy for the rural tourism development in the community through wide consultation and participation of the local stakeholders.
2. Increase income level through diversification of tourism products and services in the community-Developing human resources through sector-specific trainings (business management, food processing, sales, marketing, training local guides, etc.) to address the knowledge gaps and prepare the local communities to effectively manage the tourism enterprises.
3. Sustainable Destination Management- Establish institutions to engage the local stakeholders and authorities into management and development of the community as a tourism destination.

In 2018, the Project accomplished with the targeted data collection and developed a unique online electronic database of tourism assets from the rural dwellings of Armenia. This is the only database in the country that contains huge amount of data (240,000 cells) about the nature, monuments, human-made assets, physical and emotional attractions, support services, distances, roads, demographics, socio-economic characteristics and grades. The database provides users with a variety of tools for research and analytical assessments.

From January to December 2018, the Project provided strategic, technical and financial support to individuals and communities to promote the integrated sustainable development as a competitive mechanism for the rural tourism development in Armenia. Throughout the year, the Project approach was focused on finding clusters with the main, supplemental or not utilized elements/resources of the rural economic lifestyle that can adopt the tourism component without requirement for the drastic changes in their routines. To this end, 6 clusters development plans were designed and 80 initiatives in 50 rural dwelling places implemented.

In 2018, the Project increased the number of tourism research and development centers to four (Tavush, Shirak, Lori and Gegharqunik). These regional centers were established to support the project development and monitoring, as well as prototype the regional Destination Management Organizations(DMOS). The main objective of R&Ds as DMOs was to support the state authorities to develop, manage and promote their regions as tourism destinations. As a result, the Project supported a conduct of business forums, round table discussions, festivals etc.

**Project's Intended Outcome as stated in the UNDAF/Country [or Global/Regional] Programme Results and Resource Framework is:**

1. OUTCOME 1. By 2020, Armenia's competitiveness is improved and people, especially vulnerable groups, have greater access to sustainable economic opportunities

**Outcome indicators as stated in the Country Programme [or Global/Regional] Results and Resources Framework, including baseline and targets:**

Indicator 1.1: Number and quality of policies to ensure decent work and an improved business

environment in line with sustainable development principles. Baseline: Insufficient adequate policies Target: Policies improved

Indicator 1.2: Global Competitiveness Index improved Baseline: 85 (2014) Target: 80 (2020)

Indicator 1.3: Poverty rate decreased Baseline: 32 (2013) Target:18 (2020)

Indicator 1.4: Unemployment and employment rates disaggregated by sex, age and regions, improved. Baseline: unemployment rate: 16.2 unemployed-by sex- Male: 14.4unemployed-by sex- Female: 18.1 unemployed-by urban/rural-Urban: 23.4 unemployed-by urban/ rural-Rural: 6 Youth (15-24) unemployment rate-33.1 (2013) Target: unemployment Rate:13 Unemployed- Female: 15Unemployed- Male: 12 Unemployed-by urban/ rural-Urban: 19 Unemployed-by urban/ rural-Rural: 5 Youth- 30 (2020)

Indicator 1.5: Income level of rural population increased Baseline: Average monthly income per capita: AMD 41,514 (2013) Target: AMD 51,500 (2020)

#### Applicable Output(s) from the UNDP Strategic Plan:

OUTPUT 1.1. Local capacities strengthened to develop and implement innovative and diversified income-generating practices that are sustainable and employment and livelihood intensive targeting most vulnerable groups.



SDGs supported by the project: Decent Work and Economic Growth.

#### Project monitoring periods of the year.

Monitoring Activity	Purpose	Frequency
Track results progress	Progress data against the results indicators in the RRF were collected and analyzed to assess the progress of the project in achieving the agreed outputs.	Quarterly, or in the frequency required for each indicator.
Monitor and Manage Risk	Identified the political and management risks that threaten achievement of intended results during the reporting period.	Quarterly
Learn	Knowledge, good practices and lessons were captured regularly, as well as actively sourced from other projects and partners and integrated back into the project.	Annually
Annual Project Quality Assurance	The quality of the project is assessed against UNDP's quality standards to identify project strengths and weaknesses and to inform management decision making to improve the project.	Annually
Review and Make Course Corrections	Internal review of data and evidence from all monitoring actions to inform decision making.	Annually
Project Report	Progress reports were presented to the Project Donor and key stakeholders, consisting of progress data showing the results achieved against pre-defined annual targets at the output level, the annual project quality rating summary, an updated risk long with mitigation measures, and any evaluation or review reports prepared over the period.	Annually, and at the end of the project (final report)
Project Review (Project Board)	The project's governance mechanism (i.e., project board) will hold regular project reviews to assess the performance of the project and review the 2019 Year Work Plan to ensure realistic budgeting over the life of the project.	Annually

## II. RESOURCES AND FINANCIAL PERFORMANCE

Donor	Russian Federation
Total Budget 2016-2018	\$3,000,000
Budget for 2018	\$1,138,462
Budget Delivery for 2018	88% (\$ 1,213,861.19) as of 11/12/2018
Budget Delivery for 2018	95% (\$ 1,250,680.42) as of 31/12/2018
Total Budget Delivery 2016-2018	55% (\$ 1,652,395.62) as of 11/12/2018

### III. RESULTS, PROGRESS

#### COMPONENT 1: Planning of sustainable integrated rural tourism.

##### **Objective 1.1. Raise the accessibility and sustainable utilization of tourism assets of the community.**

###### **Results**

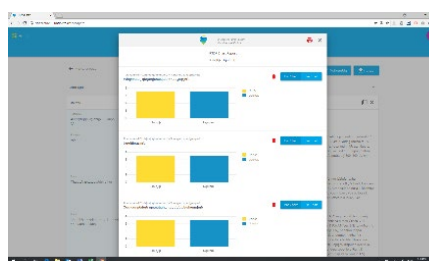
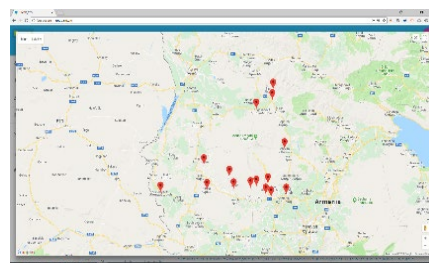
- Inventory of more than 925 villages has been conducted and online electronic database created.
- In the result of participatory planning and field visits more than 60 development plans have been considered and 45 implemented

##### **Assessment of local products and services attractiveness for tourism market.**

In 2018, the Project developed an online electronic version of the inventory data collected in 2017 (<http://undp.rtd.am>). This database is unique for Armenia, in terms of collected information, photos, analytics, flexibility of use and ease of modification. This is the only database in the country that contains this amount of data (240,000 cells) about the nature, monuments, human-made assets, physical and emotional attractions, support services, distances, roads, demographics, socio-economic characteristics and tourism potential assessing grades.

The database provides users with a variety of tools for research and analytics as filters, visual graphs, maps, advanced searches, comparisons, exports reports etc. The database has three type of access levels for information screening and database management. The system administrator can create groups with access permission from screening only one column of information to management and modification of all database.

It is envisioned to transfer the ownership to the RA Ministry of Territorial Administration and Development (MTAD).



##### **Participatory planning of integrated rural tourism development.**

In 2018, a working group consisting of the representatives from RA MTAD, State Tourism Committee, Armenian Tourism Federation (ex- Union of Incoming Tour Operators) and the private sector representatives under the umbrella “Bridge” Network shortlisted a list of 350 villages to select 60.

For the further planning purposes, the following groups of community representatives were contacted:

- a) Governors; b) Head of communities; c) Villagers; d) Local Private Sector Representatives; e) “Bridge” Network Members and f) Tourism R&D centers to discuss the priorities.



##### **Governors:**

During the period of April to May 2018, nine out of ten Governors were contacted. Due to the political changes and the Governors replacement, the Project revisited 8 Governors to learn about their visions for the tourism development.

*Result: three clusters in three Marzes were identified with high potential for tourism development and job creation.*

Marz	Village/s	Cluster
Gegharqunik	Drakhtik and Kalavan	Eco-corridor
Ararat	Pokr Vedi + 6 nearby located villages	Tourism Hotspot, Agro-Market
Aragatsotn	Ashtarak + 5 villages	Wine and Gastro Destination

### Head of Communities:

To support the Project and guarantee the equal participation, in April 2018, RA MTAD made an announcement among all the Heads of Communities to provide with business-oriented tourism development project ideas. Totally 30 project ideas were provided, most of them had no business-oriented vision and was a classical “have a church need a road” request.

Due to political changes none of the projects received the RA MTAD’s approval for consideration.

However, during the field visits, the Project revealed that many communities have abandoned buildings that are possible to renovate and use for community-based rural tourism purposes. This gave a birth of two types of concepts: community-based boutique hotel/guesthouse and community-based decentralized hotel to be owned by the community and outsourced to the private sector for operation purposes.

*Result: 4 potential community-based boutique hotel/guesthouse and decentralized hotel projects were revealed for the development in the villages.*

- ✓ *Chinchin (Tavush Marz): decentralized hotel*
- ✓ *Ditavan (Tavush Marz): community-based boutique hotel/guesthouse*
- ✓ *Drakhtik (Gegharqunik Marz): community-based boutique hotel/guesthouse*
- ✓ *Kalavan (Gegharqunik marz): community-based boutique hotel/guesthouse to be implemented in cooperation with SME DNC funded by USAID*

### Villagers or local SMEs:

In the result of field visits, researches and investment risk analyses, three types of segments were selected for the pilot direct intervention projects:

- Villagers involved in the provisioning of services related to tourism supply chain and located nearby the main touristic destinations
- Villagers involved in the home-made production
- SMEs located in or nearby villages with min 3 years of experience and potential of creating new jobs for the villagers or supply customers for value added services



### Bridge and others:

In 2018, the Project redesigned and launched Armenia Innovation Challenge Call (ICC) project designed to motivate public and private institutions to expand into the regions and create job places in the villages. ICC is a co-funded project, where 60% (max 20,000\$) is covered by the Project and 40% is covered by the partnering private company. In the result of transparent competition, 13 ideas were chosen from the applied 106 applications. Winners selection was done by the Working Group consisting of RA MTAD, State Tourism Committee, Armenian Tourism Federation (ex UITO), “Bridge” Network Member and UNDP Project Team.

### Armenian B&B Association



In 2018, the Project faced with the growing demand for developing B&Bs and guesthouses. After the detailed analyses and meetings with different stakeholders, the Project concluded to partner with Armenian B&B Association to strengthen the lodging and management standardization of the newly established organization and introduce the principles of sustainable development as well as promote the concept of clean energy efficiency.

### Tourism R&Ds

During the reporting period, 3 Tourism R&D Centers were established in Lori, Gegharqunik and Shirak Marzes. Currently, the Project has 4 Tourism R&D centers with 5 permanent employees and 37 involved interns. The 5<sup>th</sup> center had been planned to be established in northern part of Armenia, but due diligence of the working centers hinted to delay it until the sustainability model is found.



Based on the requests from the RA Lori Marz Governor and the Armenia Tourism Development Foundation, a tourism information center was established on the first floor of Lori Marzpetaran and is operated by the interns of Lori Tourism R&D Center.

## **COMPONENT 2: Increase income level through diversification of tourism products and services in the community.**

**Objective 2.1. Support the community to thrive as a tourism destination by diversification of services and developing high quality products.**

### **Results**

- *7 Cluster development plans have been designed, piloted and planned for the advancement*
- *4 Wine yards and 8 Gastro yards have been developed*
- *37 guesthouses were provided with solar panels and water heaters*
- *A strategy was developed to systemize and strengthen the B&B and guesthouse development*
- *19 co-funded by the private sector projects have been implemented*
- *5 infrastructure improvement projects implemented or in the process (including a community-based hotel)*
- *More than 20 training courses conducted*

The following clusters have been identified by the Project as the most sustainable, innovative and interesting to develop in the rural areas: homemade wine yards, gastro yards, eco corridors, green guesthouses, archeological routes and community-based hotels. The pilot projects have been conducted, lessons learned and next year plans fixed.

In 2018, the following project have been implemented:

- **Wine Yards-4: Achajur, Ashtarak, Areni, Byurakan**

In 2018, the Project in cooperation with GIZ and Young Wine Makers association selected the most promising beneficiaries from 4 marzes of Armenia to pilot the Wine Yard concept. As a result, beneficiaries were supported with the space design, construction, wine making equipment, consulting and promotion. A special agreement was made between the Project and the Young Wine Makers association to keep the ownership of the equipment for three years and transfer to the beneficiary, in case of successful utilization in the mentioned of the period. In case of the failure, the equipment will be transferred to another beneficiary.

As pilot projects exposed, Wine Yard concept is easy and not expensive to replicate. It creates from 3 to 5 direct working places, provides with new revenue opportunities to representatives of cultural heritage in rural areas and other homemade food producers in the regions.

The provided equipment increases the quality of the home-made produced wine, decreases the waste of production by 30% and increases the revenue by 20%-30%. In addition, Wine Yard concept creates a new revenue stream in the oeno-gastronomic tourism.



- **Gastro Yards-8: Saghmosavank (2), Pokr Vedi, Tegher, Bjni, Dashtadem, Ashtarak (2)**

The two most important criteria for Gastro Yard beneficiary selection were the experience and location. Beneficiaries were provided with tables, chairs, alcoves, kitchen furniture, audio system, outside toilets and series of trainings related to food, sanitation, sales etc.

Based on the experience, the Project made a strategic decision to build most of the Gastro Yards on the premises of the members of the Armenian B&B Association. This guarantee the exit strategy of the project funds investment.



- **Sustainable Guesthouses-37: RA Marzes**

In 2018, the Project conducted a detailed analysis of all the members of B&Bs and Guesthouses Association to derive the gaps that the project can fill in and impact the development. The Analysis revealed that issues are varied and divers, so the strategic decision of the project was to take them into the new level of development, instead of solving individual and routine issues. The project decided to focus on two areas of development: mentor the sustainable development of the association and guide their beneficiaries into the green economy and alternative revenue generation.



In the result, 37 B&Bs and Guesthouses were provided with solar panels and water heaters depending on needs of each of them, which on average cut their utility expenses by 50%.

In 2019 the B&Bs and Guesthouses Association received an office space to have landed office instead of virtual one; online presence for association members on [allhotels.am](http://allhotels.am) booking site and hard copy catalog. Based on the agreement, generated from [allhotels.am](http://allhotels.am) sales commission would be transferred

to B&Bs and Guesthouses association.

The same as with Wine Yards, exit strategy for UNDP investment has been agreed with association. It is targeted to rich the number of 100 members in 2019.

- **Armenia Innovation Challenge Call (ICC)-13: Byurakan (2), Martuni, Vaghatin, Sanahin, Arhasluys, Gyumri, Pempzashen, Mets Sarian, Garnarich, Maisyan, Gugaraq, Yenoqavan**

In 2018, the Project redesigned and launched Armenia Innovation Challenge Call (ICC) project designed to motivate public and private institutions to expand into the regions and create job places in the villages. ICC is a co-funded project, where 60% (max 20,000\$) is covered by the Project and 40% is covered by the partnering private company. In the result



of transparent competition, 13 ideas were chosen from the applied 106 applications. Winners selection was done by the Working Group consisting of RA MTAD, State Tourism Committee, Armenian Tourism Federation (ex UITO), "Bridge" Network Member and UNDP Project Team.



The selected projects are:

1. Immortelle essential oil extraction and on- site mountain hiking spa: v. Byurakan, RA Aragatsotn Marz
2. Hand- made paper studio: v.Byurakan, RA Aragatsotn Marz
3. Apitherapy in rural tourism development: v. Martuni, RA Gegharqunik Marz
4. Tonir wedding village: v.Vaghatin, RA Syunik Marz
5. Clay Therapy and pottery: v. Sanahin, RA Lori Marz
6. Khackars' culture: v. Arshaluys, RA Armavir Marz
7. Gvuk gastro saloon: v.Gyumri, RA Shirak Marz
8. Stone Art: v. Pempzashen, RA Shirak Marz
9. Sargsyans' village: v.Mets Sarian, RA Shirak Marz
10. EcoHouse in eco environment: v.Garnarich, RA Shirak Marz
11. Chechil Tour: v. Maisyan, RA Shirak Marz
12. EcoTun: v.Gugaraq, RA Lori Marz
13. Harmony glamping: v.Yenoqavan, RA Tavush Marz



- **Start me Up-6: Drakhtik, Artsvaqar, Karmirgyugh, Hovk, Bjni**

"Start me Up" project was designed based on the Armenia Innovation Challenge Call concept and targeted at the public and private institutions, groups, individuals identified by the Project team to start up, grow or expand in the tourism sector. Start me Up is also a co-funded project, where up to 60% (max 20,000\$) is covered by the Project and 40% by the selected start-up.

In 2018, the following projects were identified for implementation:

1. Horseback Riding Center in v. Drakhtik, RA Gegharqunik Marz
2. Cheese Cellar in v.Artsvaqar, RA Gegharqunik Marz
3. Carpet Heritage Museum in v.Karmirgyugh, RA Gegharqunik Marz
4. Alpinists Shelter on Aragats Mountain, RA Shirak Marz
5. Thematic park "Nature for Adventure" in v.Hovk, RA Tavush Marz
6. Mineral water alcove development in v. Bjni, RA Kotayk Marz



- **Rehabilitation of community infrastructure-5: Gargar, Ditavan, Bjni, Chinchin, Kalavan**

In 2018, the Project financed partial renovation of two village roads in Gargar and Ditavan, installed lighting for the Fortress in Bjni, co-funded the construction of the Scientific and Adventure Tourism Center in v.Kalavan and started renovation of the community-based guest house center in v.Chinchin.





The request to support the construction of the Scientific and Adventure Tourism Center in Kalavan came from SME DNC PRP project funded by the USAID and Kalavan-Time Land Foundation. Village Kalavan, recently became a trendy ecotourism hot spot on the map of the RA Gegharqunik marz. The heavy promotion of the destination, attracted outside investors to build guesthouses and B&Bs based on old houses. Despite the growing number of tourists, the village is not developing since the personal capital streams back to the investors. The Scientific and Adventure Tourism Center will become a social enterprise to use the tourism potential for the benefit of the whole community.

It will work on diversification of provided services, create employment opportunities and contribute to the village growth and serve as part of the tourism value chain.

The concept of community-based hotel is new for Armenia. The idea came from the field visits where the Project revealed that many communities have abandoned buildings that are of historical and cultural heritage and possible to renovate and use for community-based rural tourism purposes. This gave a birth of two types of concepts: community-based boutique hotel/guesthouse and community-based decentralized hotel to be owned by the community and outsourced to the private sector for operation purposes.



Farther research has shown that there is a community-based hotel concept that can be replicated in Armenia.

Community-based hotel assumes that the building belongs to the community but operated by the business company on revenue sharing model.



In the result, 3 community-based boutique hotels or guesthouses were identified for the development purposes:

- Chinchin (RA Tavush Marz): decentralized hotel
- Ditavan (RA Tavush Marz): community-based boutique hotel/guesthouse
- Drakhtik (RA Gegharqunik Marz): community-based boutique hotel/guesthouse

#### - **Human Capacity Building**

In 2018, the Project organized several trainings to enhance the human capital capacity in the places.

The following themes were covered:

- ✓ Strategic business development and business plan writing
- ✓ Wine production for the advance home wine producers
- ✓ Marketing in tourism
- ✓ Online marketing
- ✓ Project management for the sustainable tourism development
- ✓ Sales
- ✓ Food sanitation and serving
- ✓ Strategic management and leadership
- ✓ Organizational Finance and Project Management
- ✓ Marketing, branding and intellectual property
- ✓ Entrepreneurship and innovation in creative industries



Apart from the trainings, the beneficiaries were provided with the mentoring services in sales and food provision servicing.

A special agreement was made with the Ijevan Branch of Yerevan State University to open a training facility for the women interested in sewing and souvenirs production. The training facility will start operations in 2019.

### COMPONENT 3: Destination Management

**Objective 3.1. Ensure the sustainability of the rural tourism through establishing basic destination management mechanisms.**

#### **Results**

- *2 DMO models tested*
- *4 R&D centers established*
- *Business Forums and Events organized*

In 2018, the regional DMO model was prototyped based on the Tourism Research and Development Centers in four marzes of Armenia. Tourism R&D centers were introduced to marzpetarans as a resource to support the state with the regional tourism development. Since the concept was new, the progress went slow but efficiently. Currently, Tourism R&D Centers are deeply involved into the marz tourism related developments and becoming known as a link between the private sector, academy and state. With the financial support from the Project, Tourism R&D Centers implemented several regional events such Business Forums in Lori and Shirak Marzes, Potato festival in Gavar, RA Gherqunik Marz, Agro and New Year festival in Vanadzor, RA Lori Marz.



Despite the success, the sustainability of the centers remains an issue. Currently the Project develops the the strategy, services and legal status of Tourism R&D Centers to provide commercial activities without creating competition in the current tourism market participants.

The village DMO model was tested in the village Bjni. During 2018, the Project did several trials to push the development but resulted on a conclusion that DMO may exist, if there is a voluntarily developed collective big will or a paid position to organize the activities. The signs of collective will have appeared in Bjni after the Project showcased implemented projects. However, the signs did not transfer into the actions. The Project will continue trails for the defined model.



## VI. RESULTS AND RESOURCES FRAMEWORK

EXPECTED OUTPUTS	OUTPUT INDICATORS	DATA SOURCE	BASELINE		VALUE FOR THE PREVIOUS YEAR IF DIFFERENT FROM BASELINE	TARGET FOR THE REPORTED YEAR	ACTUAL VALUE FOR THE REPORTED YEAR
			Value	Year			
<b>Output 1</b> Planning of sustainable integrate rural tourism	1.1 Number of marzes inventoried	Project Progress Report	0	2018		5	0 <sup>1</sup>
	1.2 Number of Integrated rural tourism development plans.					30	45
<b>Output 2</b> Increased income through diversification of tourism products and services in the community	2.1 Number of training courses	Project Progress Report	0	2018		58	21
	2.2 Number of people trained					259	206
	2.3 Number of formal and informal new economic entities established					34	30
	2.4 Number of new job opportunities					74	96
	2.5 Income increase					0	0 <sup>2</sup>
	2.6 Rehabilitated community infrastructure					12	4
	2.7 Rehabilitated extended tour spots infrastructure					18	4
<b>Output 3</b> Sustainable Destination Management	3.1 Number of local committees on sustainable destination management established	Project Progress Report	0	2018		30	4
	3.2 Number of local authorities and stakeholders trained					60	22
	3.3 Number of online information sources about the destination					1	8
	3.4 Number of feature articles printed/posted					30	63
	3.5 Number of new private sector companies involved in the network					15	10
	3.6 Number of partnership projects initiated						6

## V. GENDER MAINSTREAMING RESULTS

Gender equality is considered as an integral part of all activities implemented by the Project. Attention is given to the initiatives that are proposed by woman entrepreneurs; 21(57%) of 37 guesthouses are led by women, 6 (46%) out 13 Innovative Challenged Projects were initiated by women. In 2018, the project in synergy with UNDP WiLD projects launched women economic empowerment targeted project “Innovation Challenge Call for Women Entrepreneurs”, as a result 3 projects were selected for implementation. In the reporting period, the number of full time equivalent jobs created in communities for women was 49; number of women from strengthened livelihoods was; number of women capacity built was 55.

## VI. RISKS LOG

<sup>1</sup> The target was accomplished in 2017, all 10 Marzes were inventoried

<sup>2</sup> To be reported in 2019

Type	Date Identified	Description	Comment or Management Response
ORGANIZATIONAL	11-Sep-2018	Big target number of villages (60) implies big number of projects to be implemented. The rush after the targets achievement within the given time frame, may result in weak territorial need analyses, poor planning, monitoring and evaluations of results.	Touristic resources are difficult to market due to accessibility, duration and package price. I=3 (medium) P=3 (medium) I=3 Response: In the product development process create bundle packages with different value-added services. Find alternative easy-access touristic resources or alternative transportation means. Depending on the destination accessibility complication leading to the tour extension create alternative accommodation opportunities. Owner- PC Status: no change
POLITICAL	30-Apr-2018	The internal political situation in Armenia may restrict and delay the project implementation in the target communities.	Response: Attracting additional funds from the communities and beneficiaries, establishing public private partnerships, leveraging funds with other organizations / projects operating in the region. Budget revision may also be considered. P=3 I=3 Owner: PC Status: no change
SECURITY	09-Sep-2016	Worsening of the situation on Armenia-Azerbaijan border (cease-fire violations) may create difficulties/security restrictions for operating in certain communities and impose risk for sustainability of actions.	Project will follow instructions from UN DSS for the trips to those communities (additional security measures may be taken into account). In case of restrictions to effectively operate in certain communities that result in considerable implementation constrains relevant project activities and budget will be adjusted accordingly. P=4 I=4 Risk owner: PC Status: no change
X_OTHER	09-Sep-2016	Certain reputational risk and undermined project impact due to limited resources to address all the components which will be included in rural tourism development plans.	Management response: Proper communication plan with the communities regarding the capacity and scale of the project. Continuous search for partners (institutional donors, government, and private parties) to provide resources for components of the plans not covered under this project. Risk owner: PC Status: no change
OPERATIONAL	07-Sep-2016	Weak long-term sustainability of the implemented projects due to the lack of adequate involvement of the private sector and dedicated approach of the community	Poor interest of the private sector and lack of business profitability vision leading to weak mentorship and guidance to the projects' implementation. Lack of initiative and willingness among the beneficiaries to sustain the results of the project after its completion. I=3 P=3 Response: Set of measures to control the process of the project implementation should include appropriate reporting, mechanism of assessing the level of involvement of the interested and dedication of the local communities and interested parties. Special incentive programs should be introduced to motivate the process of successful implementation. Owner- PC Status: increasing
FINANCIAL	07-Sep-2016	High investment demanding touristic resources with low return potential	The selected communities may have hidden barriers for development that may occur during the implementation. Real life project plans implementations may reveal that planned infrastructure investments are not sufficient to reach the goal and more investments may be required. I=3 P=3 Response: Real life business plans and financial feasibility of the investments and business potential should be developed and agreed with the community and private sector. Owner- PC Status: increasing
OPERATIONAL	07-Sep-2016	Insufficiency of funds due to: fluctuations of currency exchange	Response: Attracting additional funds from the communities and beneficiaries, establishing

		rates, increase of prices for materials, equipment, machinery etc.	public private partnerships, leveraging funds with other organizations / projects operating in the region. Budget revision may also be considered. P=3 I=3 Owner: PC Status: no change
OPERATIONAL	01-Sep-2016	Low capacity of the identified touristic resources to become touristic attractions/destinations	Touristic resources are difficult to market due to accessibility, duration and package price. I=3 (medium) P=3 (medium) I=3 Response: In the product development process create bundle packages with different value-added services. Find alternative easy-access touristic resources or alternative transportation means. Depending on the destination accessibility complication leading to the tour extension create alternative accommodation opportunities. Owner- PC Status: no change.

## VII. LESSONS LEARNED

### ***Challenging scale of targets and limited time frame***

Big target number of destinations assumes even bigger number of projects to be implemented. The rush after the targets achievement within the given time frame results on a weak territorial need analyses, poor planning, monitoring and evaluations of results.

### ***Community Development Plans Vice Cluster Development Plans***

Community based tourism is challenging, complex and risky task worldwide. There is a rising number of practitioners and academics warning of a high failure rate of community-based tourism attempts and stressing the need for more rigorous analysis, accountability and slow integration. Another issue is not ready for the tourism development critical mass of human capital in the communities. As said Walt Disney “you can dream, create, design and build the most wonderful place in the world, but it takes the people to make the dream reality”.

Solution was added cluster development plans for the value-added services as an alternative to community development plans. Cluster development for the value-added services has high sustainability potential, backed up with the special exit strategy for the risk management. It is based directly on the skills of the community members, quick to implement, promote and replicate by others. If a critical mass of the same cluster representatives be developed impact can be regional.

### ***Focus on Big Scale projects***

Focus on a big scale projects such as community-based guesthouses will guarantee the project’s long-term benefits and larger scale of involved parties. As practice showed, it is difficult to attract mass tourists to the unknown villages and even more difficult to convince them to home stay in not familiar for them environments. The community-based guesthouses will be neutral solutions for the villages to enter the touristic market. The guesthouse will be owned by a community and operated by a business partner selected on the competitive bases. For its ownership, the community will receive up to 60% of the profits. The lodge will be co-management by a Control Committee from the community to decide on human resources, financial and operational issues, as well value-added services to be provided to the tourists. Outsourcing the community-based guesthouses on the profit sharing basis to the private sector will remove the burden of marketing, sales and human capacity development from the villages and supply them with job places, as well as additional revenue.

### ***Sustainability Risk Management***

Transitional and exit strategies have been developed for the UNDP fund’s investments. The legal ownership of the investment (usually equipment) within the fixed period will be provided to a parent company/organization to monitor the third parties targeted usage. In case of the successful outcome, investment (usually equipment) ownership will be transferred from the parent company/organization to the same third party, otherwise moved to another beneficiary.

### ***Destination Management Organizations***

Tourism Research and Development centers have been established to support the Project intervention in the marzes and prototype the concept of DMO. As practice shows, the need for the community based DMOs has not come yet, considering the infancy stage of tourism development in the communities and lack of self-conscious demand for the volunteer coordination of the activities. Meanwhile, regional DMOs can cover the gap and provide solutions, given that the self-sustainable strategies implemented.

## VIII. EVALUATIONS

- Final Evaluation will be conducted in 2019.

## IX. INTERNATIONAL, BILATERAL COLLABORATION WITH OTHER COUNTRIES

<b>International</b>	The Project opened opportunity for Armenia to learn internationally recognized standards for the sustainable tourism development. Foundation for European Sustainable Tourism (FEST), accredited by APMG International and delivered by Jlag Europe, will conduct a series of Project Management for Sustainable Development PM4SD qualification online courses to enhance project management skills in contribution for the Armenia’s tourism industry. PM4SD is the first internationally recognized project management training certification and methodology in sustainable development and will help public and private sector organizations; from borough councils to national government, from independent tour operators to multi-national corporates; plan and manage sustainable tourism initiatives.
<b>Bilateral</b>	The Project partnered with SME DNC PRP/USAID funded program to co-finance the development of Kalavan Scientific and Adventure Tourism Center in RA Gegharqunik Marz. In addition, the Project partnered with GIZ and Association of Young Wine makers to deliver the home-made wine cellars project in five marzes of Armenia.
<b>Other Countries</b>	The project established a cooperation with the Russia based non-governmental organization “Alliance of Armenians in Russia” to develop Tourism R&D center in Gavar and establish the IT hub for the development of the Armenian Guide application.

## X. PRODOC CHANGES, HORIZON SCANNING

1. Change the target number for the community based DMOs establishment to 5 (max).
2. Change the frequency of risk monitoring and results progress from quarterly to annual.

## XI. ANNUAL VALIDATION OF RESULTS (FIELD VISIT) AND QUALITY ASSURANCE

In 2018 the project had monitoring visits by the DRR and the Programme Officer (Annex 1: Annual Validation Results)

QA in 2018 is presented in the table below:

<b>Overall Rating</b>	Satisfactory
<b>Strategic</b>	Needs Improvement
<b>Relevant</b>	Satisfactory
<b>Social &amp; Environmental Standards</b>	Satisfactory
<b>Management &amp; Monitoring</b>	Satisfactory
<b>Efficient</b>	Satisfactory
<b>Effective</b>	Highly Satisfactory
<b>Sustainability &amp; National Ownership</b>	Satisfactory

## XI. FUTURE WORK PLAN

The following activities are planned for the year 2019:

- ✓ Establish 26 additional Wine Yards in 5 marzes to create a homemade wine route for tourists
  - A special focus will be given to Ashtarak and surrounding villages as an alternative to Areni hub for the wine production
- ✓ Establish 20+ Gastro Yards in cooperation with the B&Bs and Guesthouses association of Armenia
- ✓ Construction of 2 community-based hotels in v.Ditavan, RA Tavush Marz and v.Drakhtik, RA Gegharqunik Marz
- ✓ Pilot an alpinists shelter project in RA Shirak Marz to showcase the sustainable mountain tourism
- ✓ Pilot an archeological route in “Metsamor”, RA Armavir Marz and “Dvin”, RA Ararat Marz
- ✓ Establish 1 Tourism R&D center in the Sothern part of Armenia
- ✓ Implement 5 co-funded projects with the private sector targeted at the Sothern part of Armenia
- ✓ Support regional festivals
- ✓ Organize the World Summit on Sustainable Tourism in Armenia
- ✓ Continue the human capacity building trainings

### 2019 Project Budget planned allocation

00096517 Integrated Rural Tourism Development			
Financial Implementation Status	Budgeted	Description of planned interventions	Estimated budget
Activity 1 Planning of Sustainable Integrated Rural Tourism for Pilot Community.	\$ 80,000.00		
		Inventory Database Upgrade (if needed by MTAD)	\$ 40,000.00
		Planning and Monitoring	\$ 40,000.00
Activity 2 Increased income through diversification of tourism products and services in the community	\$ 840,000.00		
		Establish 26 additional Wine Yards in 5 marzes to create a homemade wine route for tourists.	\$ 80,000.00
		Establish 20+ Gastro Yards in cooperation with the B&Bs and Guesthouses association of Armenia.	\$ 80,000.00
		Infrastructure Developmnet (Establish 2 more community-based hotels in Ditavan, Tavush and Drakhtik, Gegharqunik)	\$ 300,000.00
		Pilot an alpinists shelter project in Shirak marz to showcase the sustainable mountain tourism	\$ 50,000.00
		Pilot an archeological route in Metsamor, Dvin and Vardenis	\$ 80,000.00
		Implement 5 co-funded project with the private sector targeted at the Sothern part of Armenia	\$ 70,000.00
		Organize the World Summit on Sustainable Tourism in Armenia	\$ 50,000.00
		Start Me Up	\$ 40,000.00
		Human Capacity Building	\$ 40,000.00
		Implementation Expenses	\$ 50,000.00
Activity 3 Sustainable Destination Management	\$ 115,000.00		
		Renovation of Gavar R&D	\$ 40,000.00
		R&D in north	\$ 20,000.00
		Support R&D initiatives	\$ 10,000.00
		R&D salaries	\$ 45,000.00
Activity 4 Programme Implementation, Monitoring and Evaluation	\$ 134,476.00		
<b>Total Budget per 2018 AWP</b>	<b>\$1,169,476.00</b>	Total: 1-3	\$ 1,035,000.00

### Annex 1: Annual Validation Results

## Output Verification Template

Date: 11 December 2018

Subject and venue: **Monitoring of the project annual results, Project Office**

**00100450 Integrated Rural Tourism Development Project**

### Purpose of the visit:

Outcomes	Update on outcomes	Outputs	Update on outputs	Reasons if progress below target	Update on partnership strategies	Recommendations and proposed action
By 2020, Armenia's competitiveness is improved and people, especially vulnerable groups, have greater access to sustainable economic opportunities	Project provided strategic, technical and financial support to individuals and communities to promote the integrated sustainable development as a competitive mechanism for the rural tourism development in Armenia.	1. Planning of sustainable integrate rural tourism  2. Increased income through diversification of tourism products and services in the community  3. Sustainable Destination Management	Number of full time equivalent jobs created in communities for women and men (2020 Target: 130 women, 400 men): Project achievement in 2018: 47 men; 49 women  Number of women and men benefiting from strengthened livelihoods (2020 Target: 270 women, 600 men): Project achievement in 2018: 173 men; 186 women  Number of new innovative mechanisms with use of sustainable production technologies introduced (2020 Target: 14): Project achievement in 2018: 10	N/A	The project achieved international, bilateral and national partnerships within the reporting period, this brought a wide recognition of the project activities in and out of the country not only in the tourism sector but also as a model; for PPP.	Make appropriate strategic wise recommended amendments in the project doc reflected in the lessons learned.

### PROJECT PERFORMANCE—IMPLEMENTATION ISSUES

The year was challenging for the project since the target for the development plans was high. The project achieved the delivery threshold and managed to bring interesting and innovative ideas in the sector.

### PROGRESS TOWARDS RESULTS

OUTPUT INDICATORS	TARGET FOR THE REPORTED YEAR	ACTUAL VALUE FOR THE REPORTED YEAR
1.1 Number of marzes inventoried	5	10
1.2 Number of Integrated rural tourism development plans.	30	45
2.1 Number of training courses	58	21
2.2 Number of people trained	259	206
2.3 Number of formal and informal new economic entities established	34	30
2.4 Number of new job opportunities	74	96
2.5 Income increase	0	0
2.6. Rehabilitated community infrastructure	12	4
2.7 Rehabilitated extended tour spots infrastructure	18	4
3.1 Number of local committees on sustainable destination management established	30	4
3.2 Number of local authorities and stakeholders trained	60	22
3.3 Number of online information sources about the destination	1	8
3.4 Number of feature articles printed/posted	30	63
3.5 Number of new private sector companies involved in the network	15	10
3.6 Number of partnership projects initiated	6	4

### LESSONS LEARNED



LESSONS LEARNED

Describe briefly key lessons learned during the project:

- Challenging scale of targets and limited time frame
- Community Development Plans Vice Cluster Development Plans
- Sustainability Risk Management
- Destination Management Organizations

Participants in the field visit: Arman Valesyan, PC, Anna Gyurjyan, PO

Prepared by (Project Coordinator): Arman Valesyan

Approved by: Anna Gyurjyan, Programme Officer

Annex 2: Annual Work Plan 2019

EXPECTED OUTPUTS	PLANNED ACTIVITIES	RESPON SIBLE PARTY	PLANNED BUDGET		
			Funding Source	Budget Description	Amount
<b>Output 1: Planning of Sustainable Integrated Rural Tourism.</b>  <i>Gender marker: GEN2</i>	1.1 Activity: Assessment of local products and services attractiveness for tourism market.	UNDP	RF	Int. Consultant	10,000.00
				Local Cons.	30,000.00
	Contr. Serv. - Ind. - PC			24,000.00	
	Travel			10,000.00	
	Contractual Services			50,000.00	
	Audio Visual Printing Production			2,000.00	
	Miscellaneous Expenses			5,000.50	
	Facilities and Admin.			10,720.04	
	Trainings, Workshops & Conferences			3,004.00	
<b>Sub-Total for Output 1</b>					<b>144,724.60</b>
<b>Output 2: Increased income through diversification of tourism products and services in the community</b>  <i>Gender marker: GEN2</i>	2.1 Activity: Capacity building for tourism startups.	UNDP	RF	Local Cons.	35,000.00
				Travel	10,000.00
	Contractual Services			540,000.00	
	Grants to Instit & other Benef			60,000.00	
	Equipment and Furniture			5,000.00	
	Materials and Goods			2,000.00	
	Communications and Audio-Visual Eq.			10,000.00	
	Rent&Maint. - Other Eq.			1,000.00	
	Audio Visual Printing Production			4,000.00	
	Miscellaneous Expenses			7,000.00	
2.2 Activity: Facilitate access of local tourism startups to seed funding.					
2.3 Activity: Rehabilitation of community infrastructure.					
<b>Sub-Total for Output 2</b>					<b>734,497.00</b>
<b>Output 3: Increased income through diversification of tourism products and services in the community</b>  <i>Gender marker: 20 – Women; 17- Male</i>	3.1 Activity: Establishing an Integrated Rural Tourism Development Committee.	UNDP	RF	Local Cons.	30,000.00
				Travel	10,000.00
	Contractual Services			80,000.00	
	Supplies			3,000.00	
	Grants to Instit & other Benef			10,000.00	
	Audio Visual Printing Production			3,000.00	
	Miscellaneous Expenses			5,000.00	
3.2 Activity: Capacity-building in sustainable destination management for the Committee.					
3.3 Activity: Developing and promoting an online platform.					
3.4 Activity: Publication of a tourism guidebook.					
3.5 Activity: Promotional activities.					
<b>Sub-Total for Output 3</b>					<b>156,627.00</b>
<b>Project Implementation, Monitoring</b>		UNDP	RF	Project staff and admin expenses	98,627.40
<b>Evaluation (as relevant)</b>	EVALUATION			Evaluation and Audit	20,000.00
<b>General Management Support</b>				Staff Mgt	15,000.00
<b>Sub-Total for Project Implementation</b>					<b>133,627.40</b>
<b>TOTAL</b>					<b>1,169,476.00</b>