



**Preparation of Destination Management Organization (DMO)
Development Model for the Republic of Armenia**

Ref. Number: DMO-01

ASSEGNMENT 1

TASK 3

Contextual framework of the DMO establishment

ARS Progetti SPA

in association with ARPA Environmental Foundation





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LIST OF ABBREVIATIONS

Abbreviation	Definition
AGR	Agrotourism
ATDF	Armenian Territorial Development Fund
BA	Business Armenia
B&B	Bed and Breakfast
BSC	Balanced Scorecard
CB	Convention Bureau
CFOA	Communities Finance Officers Association
C&H	Cultural & Heritage
CVB	Convention and Visitor Bureau
DFA	Development Foundation Armenia
DM	Destination Management
DMO	Destination Management Organization
EU	European Union
FTE	Full Time Equivalent
GoA	Government of Armenia
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
G&W	Gastro & Wine
HO.RE.CA	Hotels Restaurant and Catering
IDeA Foundation	Initiatives for Development of Armenia
JV	Joint-Venture
KE	Key Expert
KPI	Key Performance Indicator
MES	Ministry of Emergency Situations
MICE	Meeting, Incentive, Conference and Exhibition
MoE	Ministry of Economy
N&A	Nature-based and Adventure
NK	Non Key (expert)
NGO	Non-governmental Organization
PAs	Protected Areas
RA	Republic of Armenia
SA	Study Area
SC	Stakeholder Committee
SNCO	State Non Commercial Organization
SPNAs	Specially Protected Natural Areas
SMEs	Small and Medium Enterprises
TC	Tourism Committee
ToR	Terms of Reference
TSPs	Tourism Service Providers
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
VC	Visitor Centre
WB	World Bank



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1. OBJECTIVES OF THE STUDY

1.1. General objectives

The task is intended to provide a conceptual framework for DMOs establishment in Armenia, along with a business plan for 2-3 DMO modalities establishment, with regard to national/capital city and local level.

It is intended to enable the Tourism Committee to enhance and transfer its policy and strategic planning; governance and vertical cooperation, i.e. national-regional-local levels; and establishment of Public Private Partnerships (PPP) in more coherent and holistic manner.

To obtain that, it includes DMOs' operational and functional specifications, content, offerings, as well as budgetary allocations.

1.2. Scope, deliverables and expected results

According to ToRs, the scope of the present task is:

- Analyze the Armenian context and the needs/requirements/primary reasonable locations for DMOs establishment, identification of unique tourism products and services for the region based on the principles of sustainable tourism development, which will benefit the local population and help preserve the natural and cultural heritage.
- Provide legal, institutional and functional requirements for DMO modalities (2-3) to be applicable and established in Armenia.

Expected deliverable by ToRs include:

- Provision of a conceptual framework of the DMO content;
- Best placed location/s (within the identified destination/region);
- Space, staffing, budget allocations for two DMOs establishment and the variances of national/capital city and local/marz level DMO establishment.

Out of results of task 1 and task 2 the deliverable will provide:

- The tourism strategic objectives to be reached through DMOs establishment;
- A national level DMO strategic framework with distinction of roles at national, regional and local/community level, including a limited number of strategic options;
- A regional/local strategic framework, including a limited number of strategic options;
- The regional/local strategic framework according to which analysing the strategic options;
- The assessment of strategic options according to above mentioned criteria;
- The provision of the suggested framework at national/regional level with possible distinctions according to local conditions.

2. CONCEPTUAL FRAMEWORK

2.1. Methodology

The present report is informed by results of previous reports relative to Task 1.1 “*Comparative analysis of best known/functional international DMOs models*” and Task 1.2 “*Local Context Analysis*”.

It particularly considers as inputs:

- Functions performed by DMOs, on the international scene, according to best practices, per different institutional level (national, regional, local);
- Tasks performed by DMOs originated by My Armenia, GIZ and other experiences;



- Institutional, legal and functional framework of the Armenian tourism sector;
- Clusters on which the TC is currently working.

Despite a formal strategy has not yet been approved, broad tourism development goals are also assumed as a working scenario (sustainable increase of tourism arrivals, tourism generated incomes, job creation, balanced development through different regions).

It later articulates the proposal for DMO establishment according to choices about geographical cover, functions assigned, degree of control kept by the government, organizational form, regulatory regime.

The report takes also into account insights provided by other Assignment, including tourism niches studies and STMPs, so as achieve integration and provide an approach to Armenia DMO establishment which is organic and consistent. Particularly, the convenience for the management of pilot areas such as that of Marmashen Monastery or Garni Symphony of Stones, Areni community or Meghri, to be integrated with local DMO organization is analyzed.

2.2. Results of previous Tasks

2.2.1. Key findings of Task 1

Task 1 included a comprehensive review of best known/functional international DMOs models. Key findings were:

1. The DMO is formally a recent concept which is not present, as such, in developed country legislation, as this dates back to over a century.
2. The concept broadly refers to the issue that destinations need to be managed, through committed organizations, so as to reach a sustainable development which balances economic, environmental and social aspects.
3. No single model of DMO however exists, not only because DM is quite a vague concept, but since each country has its own tourism history, level of tourism development, administrative regime, openness to private operator involvement, financing sources, legal model adopted.

DMO reflects some key principles of new public management which arose since the '90s of the last century, that include, among the others, decentralization of authority, efficiency and economy in performance, emphasis on goals rather than rules and regulation, network management, partnership with private/third sector¹.

DMO deployment strategy is essentially about specifications of functions carried out at national, regional and local level. Despite the variety of local circumstances, a common principle refers to "subsidiarity", which establishes the opportunity for the national level to operate in fields where the objectives and actions cannot be efficiently achieved at the local level, leaving locally other operations such as visitor or event management.

The table reports functions that are played at each level according to cases which were analyzed, with different degrees, ranging from ■■■ = high level of involvement to ■ = low level of involvement.

Task	Institutional Level		
	National	Regional	Local
Strategy formulation	■■■	■■	■
Tourism industry coordination	■■■	■■	■
Representing the interest of stakeholders	■	■■	■■■
Management of the destination area/region	■	■■■	■■
Management of tourism products	■■	■■■	■
Management of tourist attractions	■	■■	■■■

¹ See, for instance, Osborne, D. (1993). Reinventing government. *Public productivity & management Review*, 349-356; Hood, C. (1991). A public management for all seasons? *Public administration*, 69(1), 3-19; Læg Reid, P., Verhoest, K., & Jann, W. (2008). The governance, autonomy and coordination of public sector organizations. *Public Organization Review*, 8(2), 93-96.



Training and capacity building	■■■	■	■
Marketing and destination branding	■■■	■	■■
Digitalization and innovation	■■■	■	■■
Marketing intelligence	■■■	■■	■
Crisis Management	■■■	■	■
Provision of tourism information	■	■	■■■
Funding and fostering investments	■■■	■	■

Table 1: Functions performed by DMOs per institutional level

2.2.2. Key findings of Task 2

Local Context Analysis examined the tourism organization system at the national/regional level and looked at current Armenian DMO experiences, classifying them according to basic features such as structure (Legal status, organization, staff, sources of finance) and key performed functions.

Current tourism organization at national level is very basic and relies on a little budget, which is in contrast with the growth potentialities and economic significance of the sector. Competences are up to the **Ministry of Economy**, which operate them through the **Tourism Committee**, that is responsible for elaboration and implementation of tourism policy. The latter also covers a central pivotal role also for strategies at the local level. **Marzes** operate as branches of the central government. They have no autonomy and they have no tourism department, with usually only an officer appointed in the Development Programs and Analyses or other department taking care of tourism affairs. Being closer to the territory, **Local Self-Governance Bodies** have apparently more tourism related activities, with an officer taking care of tourism affairs. Their capacity is however much limited by budget constraints.

In this scenario, recent years have seen the introduction of independent DMOs, mainly sustained by international cooperation projects, particularly the USAID My Armenia Program and GIZ, besides other established by private actors or by bottom-up initiatives.

DMO	Originated by:		
	My Armenia	GIZ	Other
Lori	■		
Shirak	■		
Vayots Dzor	■		
Syunik	■		
Sisian	■		
Tavush		■	
Kotayk Region (Arzakan, Aghveran, Hankavan, Bjni)		■ (not operating)	
Tavush (Noyemberyan, Ayrum, Koghb)		■ (not operating)	
Go2Dili (Dilijan)			■
Apaga Resort			■
Debed Canyon			■

Table 2: DMO experiences in Armenia

2.3. Functions covered by current DMO

The following table maps currently operating DMO with tasks mentioned at previous table 1. We used insights provided by Assignment 1.2 – Local Context Analysis.

Most DMOs did engage in strategy formulation, but because of **limited resources** do fail to provide effective functions for tourism valorization of the destinations where they operate.

► This is a lesson that should be kept in mind when approach the new Armenia framework for DMO establishment.



Function	My Armenia					GIZ	Go2Dili
	Lori DMO	Shirak DMO	Vayots Dzor DMO	Syunik DMO	Sisian DMO ²	Tavush DMO	
Strategy formulation	■	■■	■■	■■■	■	■■	■
Tourism industry coordination	■■	■	■	■		■	
Representing the interest of stakeholders	■	■	■■		■		
Management of the destination area/region							
Management of tourism products					■	■	
Management of tourist attractions							
Training and capacity building		■					
Marketing and destination branding	■	■	■				■
Digitalization and innovation	■	■	■				■
Marketing intelligence						■	
Crisis Management							
Provision of tourism information		■■	■■	■■■		■	■■
Funding and fostering investments		■					

Table 3: Functions covered by current DMOs

2.4. Clusters & DMOs

As highlighted in Assignment 1.2, the TC is currently working on Armenia tourist clusters. There are 20 clusters identified at the moment of writing. Some of them are covered by existing DMOs, while others are not.

Cluster	Tourist Niches	Region	Existing DMO
Aragats	N&A	Aragatsotn	None
Ashtarak	C&H, G&W,	Aragatsotn	
Dvin	C&H, G&W	Ararat	None
Sevan	C&H, N&A, EVENT	Gegharkunik	None
Gagarin	C&H, AGR	Gegharkunik	
Bjni	C&H	Kotayk	Kotayk DMO by GIZ (not operating now)
Garni	C&H, N&A	Kotayk	
Tsaghkadzor	WINTER	Kotayk	
Alaverdi	C&H, G&W,	Lori	Lori DMO established by My Armenia, operating with the support of GIZ
Debed Canyon	N&A, AGR	Lori	
Yerevan	C&H, EVENT	Yerevan	None
Ashotsk	WINTER	Shirak	Shirak DMO by My Armenia
Gyumry	C&H, EVENT, AGR	Shirak	
Goris	C&H, G&W, AGR	Syunik	Syunik DMO by My Armenia
Meghri	G&W	Syunik	
Dilijan	C&H, N&A, G&W, EVENT, AGR	Tavush	Tavush DMO by GIZ
Areni	G&W, AGR, EVENT	Vayots Dzor	Vayots Dzor DMO by My Armenia

² As mentioned in Task 1.2 – Local Context Analysis, The Program established four 4 DMOs in four regions: **Lori**, **Shirak** **Vayots Dzor** and **Syunik**. At the beginning, it started helping a DMO in **Sisian**, in the Syunik region, as the area had a strong player (Basen Hotel), that hopefully would have helped to grown into a regional DMO. However, Sisian DMO members preferred to operate on a local level, thus the program established an independent further DMO in such region.



Jermuk	WINTER	Vayots Dzor
Yeghegis	C&H, G&W, AGR	Vayots Dzor
Silk Road (Yeghegnadzor-Selim carvansarai-Martuni)	C&H, N&A	Vayots Dzor

Table 4: Matching between Armenia tourist clusters and existing DMOs

2.5. Scope and options of DMOs establishment

2.5.1. Tourism policy goals

DMO establishment should be conducive to the achievement of tourism strategic objectives of the TC³, which descend from the broader tourism policy of the RA.

As a formal national tourism strategy has not yet been approved, we assume that common general goals are in place, with the reason of state policy in tourism being to increase the contribution of tourism to gross national income, balanced development, improvement of living standards and poverty alleviation in rural areas preconditioned by⁴:

- a) increase in tourism arrivals;
- b) increase in tourism generated incomes;
- c) job creation.

Particularly, TORs states that DMO establishment is intended to enable the Tourism Committee to:

- 1) enhance and transfer its policy and strategic planning;
- 2) foster governance and vertical cooperation, i.e. national-regional-local levels; and
- 3) establish Public Private Partnerships (PPP) in more coherent and holistic manner.

The effort is therefore intended to contribute to the achievement of broad tourism policy goals by providing, particularly at the local level, new models for organizing the Armenian tourism system and ensuring the healthy competition of specific regional destinations.

Such aims will have also to be pursued by respecting some general principles widely accepted by the international community, particularly partnership and sustainability:

- **Partnership** refers to cooperation among government structures, local self-governance bodies, private sector operator (profit and non-profit) and the population, as a precondition for the formation of a common vision and cooperation, which is considered essential for tourism development;
- **Sustainability** is intended to protect Armenia natural, cultural, historical and social heritage, keeping a long-term approach to economic gains, and contributing to the preservation of nature and environment, while recovering biological diversity, ensuring rational use of natural resources and contributing to global policy vs. the climate change.

Across destinations, the new tourism organization should be also consistent with the aim to promote the development of specific niche tourism products (Cultural & Heritage, Adventure & Nature, Winter, Gastro & Wine, Agritourism, Event-based) which were selected by TC and, possibly, to contribute for a smart management of tourist sites of different typology.

2.5.2. Implementation options

DMO policymaking concerns with making choices about several aspects, including:

- The destinations to consider (**destination choice**);

³ Chandler Jr, A. D. (1969). *Strategy and structure: Chapters in the history of the American industrial enterprise* (Vol. 120). MIT press.

⁴ These are goals that we derived from the USAID (undated). *Tourism Development Concept Paper*. They are however very generic and apply broadly to all developing economies.



- The functions to be transferred (**decentralization choice**);
- The degree of control to be kept by the government (**institutional choice**);
- The organizational form or type of agency for implementing the policy (**organizational choice**);
- The regulatory regime, particularly for managing the partnerships (**regulatory choice**).

2.5.2.1. Destination choice

With regard to geographical extension of DMOs, there are basically two options:

- 1) To comply with consolidated institutionally settings, i.e. replicating the marzes; or
- 2) Adhering to tourism vocations, which do not necessarily coincide with current administrative boundaries, but emerge from the distribution and concentration of tourism resources and/or the preference of tourism demand.

Considering administrative tradition of Armenia, it might be prudent to avoid dramatic changes and follow an incremental approach. We will therefore consider, as a long-term vision, a two-level of regional DMO, where:

- **Coordination and planning** tasks are ensured at the **marz level**;
- **Local management**, applied to sub-areas and tourist attractions, provided - where necessary – are provided at the **local level**. Here it is also considered the management of visitor centers at key tourist locations.

► The present report focuses on a **six-years horizon**, which will be conducive to the creation of **marz level DMOs**. Attention is also paid for local DMOs, which however are likely to be created in the longer term, flowering from regional DMOs, particularly Lori.

It is essential to consider that, as already mentioned and although not yet approved, the Armenia tourism strategy introduces **clusters** as a sub-division of marzes⁵. Such aggregation can be used for considering local-level management.

It is relevant to point out that such distinction does not necessarily refers to different organizations, as the local level might be covered by a regional administrative unit (e.g. a regional visitor centre) as well as by an autonomous public sector entity, a PPP or contracted out to a profit or non-profit operator.

2.5.2.2. Decentralization choice

A second decision refers to functions that have to be decentralized and to which level. With regard to this aspect, it is useful to take advantages provided by previous table 1.

As we said, the “golden rule” should be **subsidiarity**, which means to transfer responsibilities the closest to the bottom level – i.e. territories – unless it is more beneficial, for the achievement of policy objectives, to keep them to the top.

The national level should operate in fields whose objectives cannot be efficiently achieved at the local level, leaving locally the running of other operations.

Task	Institutional Level		
	TC	Marz	Local
Formulate and implement national tourism development strategy	■		
Adapt and improve the legislation and regulations related to tourism	■		
Provide financial incentives and models for tourism development	■		

⁵ There are 20 clusters identified by the TC, which were mentioned and analysed in Task 1.2.: 1. Alaverdi; 2. Debed Canyon; 3. Yerevan; 4. Ashotsk; 5. Gyumri; 6. Ashtarak; 7. Aparan ; 8. Bjni; 9. Garni; 10. Tsaghkadzor; 11. Goris; 12. Meghri; 13. Jermuk; 14. Dvin; 15. Armavir; 16. Areni; 17. Sevan; 18. Gagarin; 19. Dilijan. 20. Yeghegnadzor-Selim carvansarai (Silk Road).



Attract tourism investments	■		
Set up tax administration	■		
Establish qualification system for accommodation and other tourism operators	■		
Encourage adoption of voluntary certification systems including ecological ones	■		
Develop and promote national brand	■		
Ensure multi-channel marketing at country level	■		
Implement trade and press marketing (fam trip, roadshow, press tour)	■		
Promote digitalization and innovation	■		
Approve crisis management schemes	■		
Organize a national agenda of key events and festivals	■		
Promote air connections from key target countries	■		
Manage MICE tourism through appropriate structure (Convention Bureau)	■		
Capacity building, manpower planning and training programmes at different levels	■	■	
Collect tourist statistics, conduct market studies, implement marketing intelligence	■	■	
Promote improvement of accessibility and transportation	■	■	
Regional/Cluster tourism development strategy formulation	■	■	
Set up and implementation of pilot management models for tourism site/attraction	■	■	
Management, innovation and promotion of tourism products (C&H, Winter, Adventure, Agritourism, Gastro and Wine, etc.)	■	■	
Design and maintain country-level tourism itineraries	■	■	
Promote infrastructure upgrading (sport, recreational) for tourism development	■	■	
Ensure training and capacity building	■	■	
Marketing and destination branding (regional/cluster/local level)	■	■	
Ensure national, regional level and local stakeholder coordination	■	■	■
Organize a regional agenda of events and festivals		■	■
Promote local tourism ecosystem		■	■
Manage Visitor Centres		■	■
Product and distribute printed information and promotional materials to visitors			■
Provide of onsite tourism information			■
Design and manage local itineraries			■
Manage tourism attractions			■
Support local festival and events			■

Table 5: Tentative division of functions to be carried at each institutional level

As we see from the table:

- a) **There is a large amount of tourism functions that can continue to be conveniently carried out at the national level.** They include formulation and implementation of national tourism development strategy; related legislative, regulatory, fiscal rules (tax and incentives and investment attraction); establishment of certification and voluntary qualification schemes for accommodation and tourism operators; national branding and promotion, including multichannel marketing, press and trade marketing; collection of tourism statistics particularly for marketing intelligence purposes; promotion of innovation and digitalization; adoption of crisis management schemes; approval and implementation of pilot management models for tourism site/attraction; organization of a national agenda of key events; improvement of accessibility and transportation, including air connections from key target countries; management of specific tourism products such as MICE tourism which requires ad hoc coordination by structures such as Convention Bureaus;
- b) **Some function foresees the cooperation of the national and regional level.** They include the design and maintenance of country-level tourism itineraries; promotion of infrastructure upgrading (sport, recreational) for tourism development; capacity building and manpower planning; management, innovation and promotion of specific tourism products (C&H, Winter, Adventure, Agritourism, Gastro and Wine, etc.); strategy development for specific tourism clusters;
- c) **Some other functions would be more productive if shared between the regional and local level.** They include marketing and destination branding (regional/cluster/local level);



organization of a regional agenda of events and festivals; promotion of local tourism ecosystem, which would be particularly relevant for tourism products such as C&H or agritourism which foresee the involvement of profit and non-profit actors coming from different economic sectors; management of Visitor Centres, which can have more or less regional significance depending on specific cluster and/or local circumstances;

- d) **Finally, functions which are more directly related to the local level.** They include the production and distribution of printed information and promotional materials to visitors; the provision of onsite tourism information; the design and management of local itineraries; the management of specific tourism attractions; support given to local festival and events.

Moreover, some functions are better left to the national level alone, while others can be conveniently shared between the national and the regional/local level through coordination. The latter include, for instance:

- Collection of tourist statistics, conduction of market studies and implementation of marketing intelligence, which should comply with rules set at the national level but using regional DMOs as operative arms;
- Improvement of accessibility and transportation, which include national level infrastructure, whose identification should be up to the TC, with implementation carried out with Ministry of Territorial Administration and Infrastructure, and local-level infrastructure, whose individuation might benefit from a better knowledge of local conditions owned by regional DMOs.

In any case, stakeholder coordination is a strategic function that should be accomplished to each level, by specific means, as it is a prerequisite of good governance.

► Comparative analysis of DMOs also showed that the institutional choice is not independent from decentralization, as governments are usually **reluctant** to grant power to regional/local DMOs where these are created out of private led PPP or completely outsourced to private⁶.

2.5.2.3. Institutional choice

A variety of institutional choice are available for public service delivery, including the tourism services which are up to the DMO⁷.

Institutional choices range from using its own administration unit (as it is the TC for the Ministry of Economy) or an autonomous public sector entity (as it would be in the case of marz) or other options such as those referred to current DMOs, which include private business companies and private non-profit organizations.

As discussed in Assignment 1.1, DMOs can therefore be established according to a variety of models, according to the degree of control which is retained the government:

- Department of single public authority;
- Partnership of public authorities, separately serviced by partners;
- Partnership of public authorities, serviced by a joint management unit;
- Public authority(ies), outsourcing delivery to private companies;
- Public-private partnership for certain functions – often in the form of a non-profit making company;
- Association or company funded purely by a private sector partnership and/or trading – again for certain functions.

From the international experiences we can assume that the higher the institutional level considered, the lesser is the partnership. At the national level, Ministries of Tourism (i.e. the TC in Armenia)

⁶ When considering public policies and decisions, it is always wise to remark the public choice theory, which assumes that people are mainly guided by self-interest, including politicians, bureaucrats, and government official. In the real world, decentralization choices although descending from organic rational decision-making are likely be opposed by single individuals and coalitions that will lose power, particularly if this is conceded to private. See for instance Buchanan, J.M. and Tollison, R.D. eds., 1984. *The Theory of public choice--II*. University of Michigan Press.

⁷ Reichard, C. (2006). New institutional arrangements of public service delivery. *The Governance of Services of General Interest between State, Market and Society. Berlin*, 35-47.



keeps coordinating and steering functions, whilst descending the ladder larger involvement can be considered, up to PPP or completely outsourcing for the management of specific site/attractions/events.

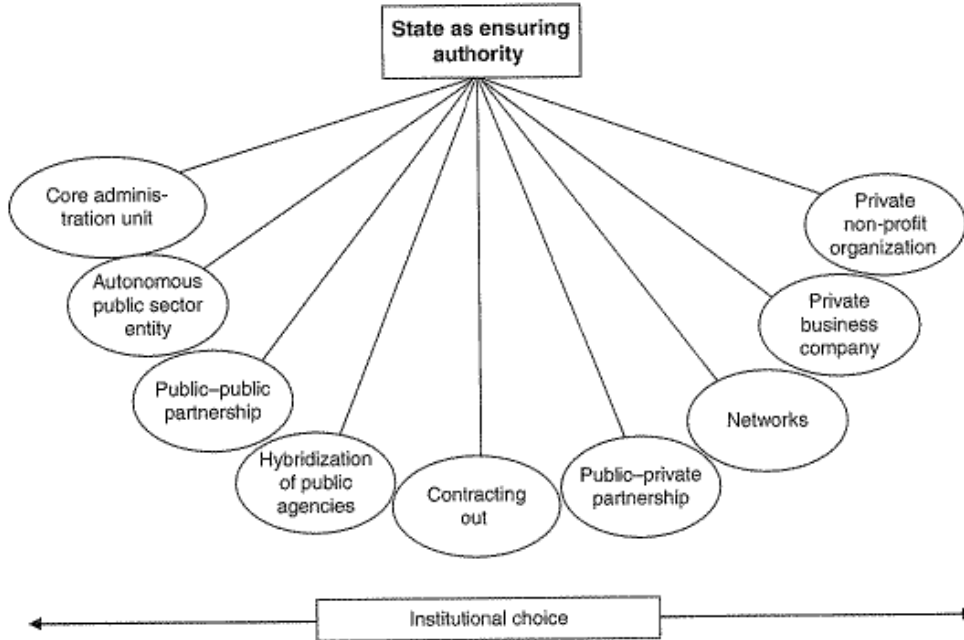


Figure 1: Variety of organizational possibilities

Key models are briefly described and evaluated in the next table.

Model	Description	Role of private actors	Evaluation	
			Advantages	Disadvantages
Department of single public authority	<ul style="list-style-type: none"> P.A. is responsible for DM. It implements it through a separate tourism authority One government entity fully governs the DMOs 	Options for private sector engagement: <ul style="list-style-type: none"> Advisory Board Sectoral Liaison Groups Private associations Board of Management 	<ul style="list-style-type: none"> It easily anchors in public structures the overarching goals of DM to be committed to the common good. It is relatively ease to be controlled by legal ordinances It has a long term strategic approach It contributes to a destination awareness creation 	<ul style="list-style-type: none"> It lacks a sharp focus on delivering new business It is poor at generating commercial income Risk adverse It tolerates poor performance It is slow to take decisions It distrusts private sector and the profit motive Partnership can bring conflict of interests and power wars Joint management unit has a convoluted structure which hinders decision making
Partnership of public authorities, serviced by partners	<ul style="list-style-type: none"> P.A. is responsible for DM It implements it through a cooperation between multiple public authorities Two or more government entities govern the DMOs 			
Partnership of public authorities, serviced by a joint management unit	Two or more government entities govern the DMOs through a separately created Management unit			
Public authority(ies) outsourcing delivery to private companies	<ul style="list-style-type: none"> P.A. is responsible for DM. It implements it through a cooperation between multiple public authorities Two or more government entities govern the DMOs through outsourcing the management to a private organization 	Following options for private sector involvement: <ul style="list-style-type: none"> Advisory board Membership fees 	<ul style="list-style-type: none"> Long term strategic approach Better coordination of various aspects of the destination Sharp focus on delivering new business Professional Management 	<ul style="list-style-type: none"> Conflict of interests Power wars It might lack concern for the wider public good Limited interest in planning for the long term High financial risk for the private company



			<ul style="list-style-type: none"> • Profit-making oriented management • Focused at generating commercial income • Risk taking • Creation of destination awareness • SMME support • Quality assurance 	
PPP for certain functions – often in the form of a non-profit making company	<ul style="list-style-type: none"> • Nowadays, DMOs are often organized as corporations, with both public and private institutions as shareholders • In terms of implementation, it is important for the various stakeholders to be represented with adequate shares • In this model, public as well as private institutions are part of the DMO implementation • It usually takes place in the form of a society/association or a corporation • It is based on the principles of PPP and links private tourism suppliers, the public sector and non-governmental tourism organisations 	Private are partner with financing and managing role according to the PPP contract	<ul style="list-style-type: none"> • Funding secured through shareholders, • It has clear commercial-law-related management structures which make it easy to handle DM tasks • It can be founded quickly and easily • Members' participation is clearly regulated by the articles of association • It allows all of the destination's stakeholders to participate. • In some cases, tourism companies are required by corresponding tourism laws to become members of the association. • Different interests are represented in the association, and it has a broad funding base. • Long term strategic approach • Better coordination of various aspects of the destination • Professional Management • Destination awareness creation • SMME support • Quality assurance 	<ul style="list-style-type: none"> • It may have difficulties in making decisions due to the members' extensive co-determination rights. • Potential for conflict of interest • Poor at generating commercial income due to government funding • They might serve the private sector needs better than the destination development
Association or company funded purely by a private sector partnership and/or trading –	<ul style="list-style-type: none"> • They have emerged especially in places where the state is not involved in tourism, or not sufficiently involved • They are organized similarly to PPPs, i.e. as 	Private operators are completely responsible for DM	<ul style="list-style-type: none"> • Short term tactical approach • Sales focus • Customer relationship management 	<ul style="list-style-type: none"> • It lacks a concern for the wider public good • Limited interest in planning for the longer term • Often penalized by inadequate resources



<p>again for certain functions.</p>	<p>an association or corporation – but the difference is that the public sector is not represented</p> <ul style="list-style-type: none"> • The range of tasks is often limited to components that directly add value, such as communication and sales • As a result, these organizations often tend to be private-sector service providers, “attorneys for the destination,” that work on behalf of sustainable tourism-related development. 		<ul style="list-style-type: none"> • Focus on market opportunities • Rapid decision making • Entrepreneurial • Focus on lobbying and networking within the industry 	<ul style="list-style-type: none"> • Often neglected by the public sector • Small budget from membership fees which prevents from being involved in larger scope activities • They might serve the private sector needs better than the destination development
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Table 6: Description and assessment of alternative DMO institutional models

2.5.2.4. Organizational choice

Organizational choices see very different options. Besides administrative bodies (Ministry of Economy/Tourism Committee; Province administration / Marzpetaran; Local Self-Government Bodies, the legislation clearly separates the organizations into two main groups:

- **non-profit organizations**, mainly the non-governmental organizations (NGO) and Foundations, and
- **for-profit organizations**, mainly the Limited Liability Companies (LLC) and Closed Joint Stock Companies (CJSC).

The interactions between the for-profit organizations and the state and municipal bodies are regulated by the legislation within the trade-based relations mainly. The companies can participate in state procurements, work with the Government in contractual basis via PPP mechanism and others. However, it is necessary to emphasize that the for-profit organizations cannot replace or be a part of the administrative governance system, as it will compose certain corruption risks. **It does not, however, rule out the possibility to outsource some managing functions to the private sector in line with the general legislation and under the governance of the TC.**

► In the system of DMO management, the for-profit companies can either participate in the consultative basis (advisory board or similar) or perform a procurement-based activity (outsourced operations).

Private entrepreneurs and physical persons operating in the tourism sector can create the association, cooperative and other for-profit organization or they can participate in the tourism development activities within the DMO structure in person. However, it is not preferable to have them among the decision-making systems to avoid the conflict of interest, as they are interested parties.

Unlike the for-profit companies, the NGOs and Foundations do not follow the profit-gaining purposes. The NGOs can also establish different bodies in their structure, such as the board, executive director, ethics committee, etc. They are free to cooperate with the state and private institutions within the statutory objectives foreseen in their Charter and beyond them. The legislation does not restrict the possibility to have the permanent core funding from the state institutions as well. However, the lack of the sustainable core funding makes the financial dependence of NGOs incompatible with large scale of competent work as DMO appropriate.

Likewise, Foundations are also non-profit organizations. However, the founder of the Foundation can be the state or municipal institutions, which allows them to have annual core funding from the



state budget. **This structure has been used in the tourism management sector recently in Armenia, but it was denied by the government as a result of policy-making.**

Unlike the for-profit organizations (companies and similar corporations), the decision-making participation of non-profit organizations in the structure of DMOs is preferable and does not bear corruption risks. However, establishment of DMOs in the structure of NGOs is not sustainable financially and from the point of view of competent management. Acting as a civic organization, the NGO cannot effectively coordinate the operations of different state and municipal bodies related to the tourism industry. Hence, the interested NGOs and other civic partners can also participate in the operations of DMOs as members of advisory board and even participate in decision making process through some mechanism envisaged by the Charter of a DMO.

With regard to PPP; the preferable sectors, actors and scope of relations of the PPP is clearly presented by the state policies and legislation, which significantly narrows the possibility to materialize this instrument in the tourism sector, as it is not indicated by the Government among the sectors specified for the PPP. However, there is sufficient ground to affirm that policy-making and legislation are duly set up for entire application of the Public-Private Partnership in different sectors. Even though the tourism industry is not in the list, it always can be enlarged in the future or operate in a multi-stakeholder basis.

2.5.2.5. *Regulatory choice*

Based on the general legislation, three possible models for the organizational structure of DMOs are described followingly:

1. **DMOs can be established and operated as sub-divisions of the TC, as playing the role of the supreme or central DMO.** Under this model, the DMOs shall be established through the enlargement of the structure of the TC, within the administrative system of the Ministry of Economy. It will lead to creation of new positions paid by the state budget, as other officials or public servants working in the TC. In collaboration with the Ministry of Territorial Administration and Infrastructures, the DMOs can be located in the residences of the Province administration bodies (Marzpetaran), which will facilitate the contacts and cooperation between different representatives of state (two indicated ministries) and municipal administrations within the certain Province (Marz).
2. The second model does not significantly differ from the first one in terms of governing functions of the TC. Within this model, the DMOs can be established as **separate bodies and will have a status of state-owned Foundations**. The objectives and areas of activities will be stipulated by the Charter of the organization. However, comparing with the first model it will lead to much higher flexibility for the DMO in respect of multi-stakeholder decision-making, as well as for obtaining financial resources from different sources. They will have core funding from the state budget but the organizational structure and legal status will allow them to have more flexibility in fund-raising from different sources, including the business activities envisaged by the Charter of the Foundation, membership fees from the organizations operating in the tourism sector, etc. One of the main characteristics of the Foundation is that its supreme body is the Board of Trustees, which can be composed of a large variety of state and municipal bodies, as well as the private partners, other foundations and non-governmental organizations. The multi-stakeholder approach of decision-making within this model may lead to more balanced and comprehensively assessed decision-making. In its turn, flexibility of cooperation with private sector and business activity allows the Foundation to have much greater efficiency in operations. In the form of multi-stakeholder governance, a broad range of municipal, public and private partners will formally be part of it and plan their participation over time (e.g. starting with public administration and later engaging private stakeholders. The main weakness of this model is instead the disruption from the TC.



The status of SNCO for DMOs also can be considered as an option to overcome the weakness. However, the model of SNCO was not considered as a separate model because it will require fundamental changes in the whole system tourism administration. First, because in practice the SNCOs are established as a state administration institution to govern the entire area of public administration and may have branches for effective management. From this point of view, the TC itself is a public administration body and the DMOs are considered to be the branches of the TC. Secondly, the SNCO does not allow multi-stakeholder management. It is a governmental body, which may have a director, staff and even the collective administration body (similar to the Board of Foundations) but this body does not benefit independent administrative functions such as the Board of Trustees of the Foundation. It can be consisted of physical persons only and is fully accountable to the Government, which is the founder of the SNCO.

3. The third model foresees **outsourcing of DMO delivery to private companies**. The relationship will be based on the Funding Agreement that is described at the next chapter. This model is quite challenging because it requires to establish well-grounded regulatory criteria of collaboration with potential private partners, similar to the cooperation model of PPP. There are basically three conditions for the choice of such model:
 - a) The government should accept to **outsource its power in favor of private operator**, by limiting to steering the action of the DMO by the Funding Agreement, based on the requirements of the administrative legislation and national procurement policies;
 - b) The private operator should be **strong enough to adopt a long-term perspective** in order to return from the initial investment;
 - c) The regional tourism market should be strong enough to allow the private operator to **generate revenues from the direct sale of tourism services or commission paid on it**, and from other sources (sponsorships, donations, etc.).

Should conditions b) and c) not satisfied the TC might also consider to adopt this third model by covering the whole costs of operations on the assumption that the private sector would anyway operate better than the public, being more efficient and effective⁸.

The form of Foundation significantly differs from the first model, where the DMO is just a sub-division of TC, and plays the role of a public administrative institution. TC itself is a part of the Ministry of Economy (the Ministry's Subordinated Body, in line with the structure of the Ministry of Economy). In case of Foundation, it shall be established by the Government (not the TC) and will operate based on its own Charter, adopted by the Governmental Decree. The Board of Trustees of the Foundation is the supreme body of the Foundation, which can be consisted of large variety of actors (representatives of the state, municipal and private sectors, other foundations and NGOs, private donors, etc.) In a local level (for the tourism site management) the relevant community can establish a Foundation (municipal foundation) with the same principles.

All modalities of DMOs are in line with the legislation and practice. The legal basis of establishment of DMOs within the first modality is the amendment in the state administration system in the Ministry of Economy through establishment of new structural division. The amendment of the Charter and existing structure within which the TC is operating as public administration institution may also be needed.

To establish the DMO within the second modality shall also be accompanied by adoption of the Charter for each of the established DMOs. It can be the decision of Prime Minister, Order of the Minister of Economy or even the joint order of the two related ministers, including the Minister of

⁸ This approach is typical of the so-called "New Public Management" which was drove the operations of particularly UK and US governments in the '80s and '90s of the last century. The evidence shows that implementations mostly lead to disappointing results so as to be now considered "old-fashioned". See for instance Pollitt, C. and Bouckaert, G., 2011. *New public management, governance and the Neo-Weberian state*. Oxford: Oxford University Press. For experiences in UK and US refer respectively to James, O., 2004. The UK core executive's use of public service agreements as a tool of governance. *Public administration*, 82(2), pp.397-419 / UK Comptroller and Auditor General (2001): *Measuring the Performance of Departments*, London: National Audit Office and Congress, U.S., 1993, August. *Government Performance and Results Act of 1993*. In *103rd Congress. Congressional Record*.



Territorial Development and Infrastructure. It will be based on the structure and scope of liabilities and the structure of management of the DMO.

To establish the DMO within the third modality requires a procurement-based activity in order to choose the private operator through a public tender once DMOs functions are defined by TORs.

3. THE PROPOSED MODEL – OUTSOURCING TO PRIVATE COMPANIES

3.1. Assumptions

Following discussion with the TC, the latter expressed its preference for the third model, i.e. **outsourcing of DMO delivery to private companies**. The model assumes:

1. To keep up to the TC the functions which were specified at the previous table 6;
2. To establish the DMOs at the regional level, by attributing functions specified at the mentioned table 6.
3. There will be a Regional DMO in each Marz, located most probably in the capital city and running a Visitor Centre.
4. Local DMOs will start in Lori. The time will show, based on the effectiveness of DMO operation and its development progress, whether and how such process might spread to other Marzes.
5. In the longer term local DMOs might be created out of Regional DMOs for specific purposes (e.g. management of heritage, natural and man-made attractions).

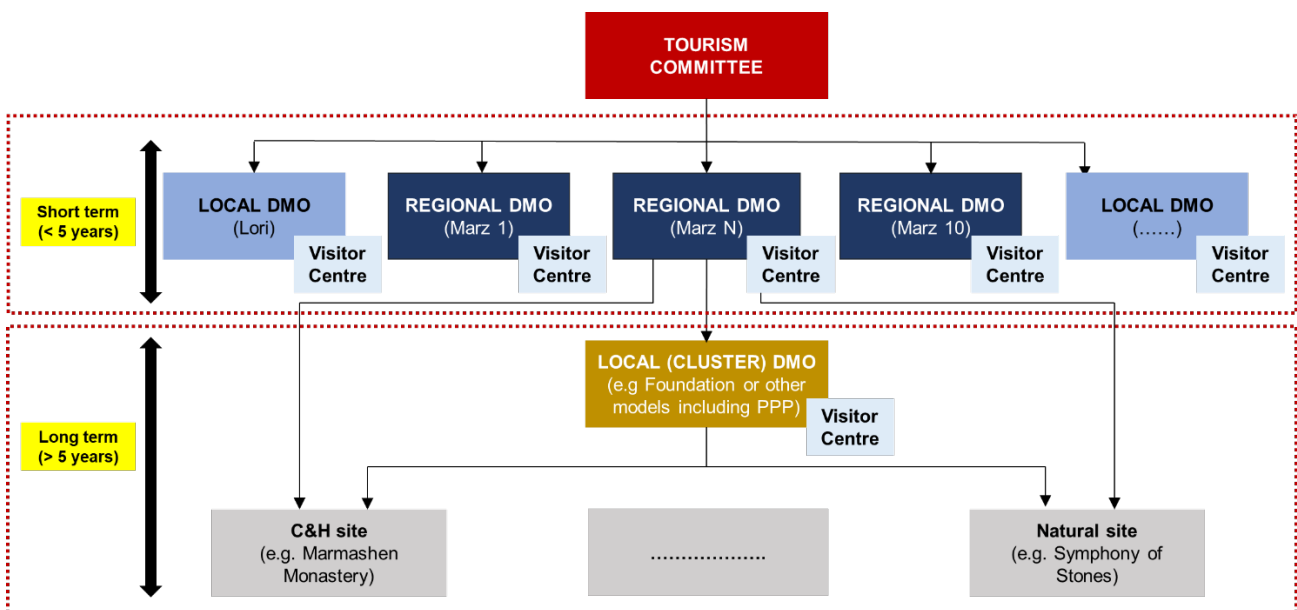


Figure 2: DMO Conceptual model for Armenia

► It must be highlighted that, as showed by assignment 1.1 “Comparative Analysis of DMOs”, outsourcing to private companies is not much popular in DMO practice around the world, as **in practice it limits functions that can be transferred**, by excluding the ones where market failures are more likely to appear. Such approach is **useful to perform market-led strategies**, as it is for marketing, commercialization and event management, but it **would fail to implement supply-side policies**, where coordination and sustainability issues are preponderant⁹.

⁹ The evidence from Assignment 1.1 shows that that outsourcing to private or establishing private-led PPP do usually take place at the local level, not at a regional one. This was for instance the case of Tourism Promotion Agencies (TPA) in Trentino or Discover Durham in US.



Some of the tasks mentioned at previous table 1 will continue to be mainly carried on at the national level. These include strategy formulation, marketing and branding, digitalization, marketing intelligence, crisis management, investment funding.

Besides previous functions, there will be the convenience for certain tourism products to be managed at a national scale rather than at a local basis.

► This is the case of **MICE tourism** or, for instance, the management of transboundary tours involving **long-distance hiking route**.

Other functions will be conveniently delegated to the regional (and local) level, with decentralization complying with good governance rules, keeping the State as ensuring authority.

At regional level, it will be relevant to keep a control on the following:

1. Tourism industry coordination;
2. Regional tourism management, with specific regard to key niche products and territories;
3. Management of specific products, including events and attractions;
4. Training and capacity building.

The regional level will also contribute to strategy formulation and marketing intelligence, particularly for specific niche products and territories, representing the interest of regional stakeholders.

► Although tourist products and territories do not necessarily coincide with regions, it is advisable, for the sake of institutional sustainability, to **consider the marz level for immediate sub-national DMOs**. Each regional DMO should run a visitor centre, provided with on-site and on-line facilities to represent key features of the region.

At the local level it should be ensured:

1. Representation of the interest of local stakeholders;
2. Management of specific tourist attractions;
3. Provision of tourism information.

► Local level-DMOs are not compulsory, but their establishment is strongly encouraged, *and might happen at a later stage*, with specific regard to the management of the clusters which are under approval by TC. It might be particularly considered to recur to state-owned non-profit organizations, such as Foundations, for management of key natural or cultural heritage sites, such as Marmashen or Symphony of Stones, while considering other solutions, including PPPs where significant private operators are present.

► At the local level, the Regional DMO might also decide to establish a DMO, keeping control through the board of administration or other means (e.g. service/financial agreement), while outsourcing the management to a private organization (e.g. in the case of Tatev or in other key tourism sites where strong private operators exist). This might allow for greater financial sustainability, as it might ease fundraising, collection of membership fees, while being flexible in operations. Within the third modality (outsourcing) In case of establishing another DMO by the existing one, it shall be clearly defined by the Funding Agreement.

3.2. Governance

As we already said, the proposed model foresees that functions of the DMO are outsourced to the private sector. It can be run:

- By a single Public Authority: Tourism Committee, or
- Multiple public Authorities, Tourism Committee and Ministry of Territorial Administration.



The governing body(s) will consist of a Board composed of participants from throughout the tourism value chain, including government agencies (Governor, local community heads), tourism, promotion authorities, private and non-profit sector associations and individual firms, tourism and hospitality training bodies, and NGOs.

The company from the private sector might be a start-up or an existing company, including a big company performing various other functions and projects. In both case it should be represented in the board.

► In the first two modalities, the composition of the board should reflect financial commitment, with:

- Subjects contributing to the initial investment and operative expensed (both public and private) admitted to the board, with voting power consistent with the amount of contribution;
- Other subjects (both public and private), that do not contribute by finance, joining the board so as to allow them to provide their valuable suggestions, but without voting power. Such subjects shall also be involved in special-purpose consulting Committees.

► **In the third modality (outsourcing model) the Board can have only ADVISORY functions. The existing boards can-not be dissolved and their functions cannot be changed as it is imperatively regulated by the existing legislation. In such a case, the Board is just an ADVISORY body but not the decision-making institution.**

There is general legislation regulating the structural aspects and area of activity of each organization, which can potentially become a DMO (Law on Joint Stock Companies, Law on Limited Liability Companies, Law on Non-Governmental Organizations, etc.) All mentioned outsourced organizations already have their own Boards and other structural bodies mandatory within the corresponding legislation. So, the anticipated board of the DMO can possess only ADVISORY functions. All decision-making functions and all major liabilities including Strategic and Sustainability Planning, KPI Setting and other main functions, which are the core of the activities of the DMO, must be implemented by selected organization/company. They cannot be delegate to the Advisory Board.

► Overall, while outsourcing management to a private/non-profit sector company can provide many benefits for a DMO, **it is important that the state and regional tourism authorities remain involved in the management process** to ensure that the destination is being managed in a way that is sustainable, responsible, and beneficial for all stakeholders.

It will be to each DMO to adopt a sound financial management in order to sustain its activities, also considering payment of membership fees from local private operators.

The following table sums up advantages and risks of the model.

Advantages	Risks
<ul style="list-style-type: none"> • It can provide access to specialized expertise and resources that may not be available in-house • It can help to reduce costs for the DMO, as the company may have economies of scale and be able to negotiate better rates for services such as advertising or digital marketing • It usually has sharp focus on delivering new business • Professional Management • Profit-making oriented • Focused on generating commercial income • Risk taking • SMME support • Quality assurance 	<ul style="list-style-type: none"> • Potential conflict of interests between private and public objectives • Potential loss of public control over decision-making • It might lack concern for the wider public good • Limited interest in planning for the longer term • High financial risk for the private company • May not always be the most cost-effective option in the long-term - Depending on the terms of the contract, outsourcing may be more expensive than building in-house capacity over time, particularly if the DMO is able to secure funding or support from other sources.



Table 7: Advantages and risks of the model

Basically, the model holds the pros of “new public management”, which assumes, among the others, that private and non-profit sector operators are better than public in managing profit-oriented activities and are more risk-taking.

On the opposite side, the model may generate potential conflict of interests between private/non-profit and public objectives with loss of public control over decision-making. Private are also likely to lack concern for the wider public good and have limited interest in planning for the longer term.

3.3. Organizational choice

The DMO will preferably be a private/non-profit sector.

3.4. Board

3.4.1. Role of the TC and the Minister of Economy

The anticipated Advisory Board can be established by the Order of the Minister of Economy but not the TC, as the latter is a structural part of the Ministry.

The TC cannot formally approve the Board of the DMO because it is not a contractual party within the third modality. However, the TC can be the part of the Advisory Board with organizational and other relevant liabilities, which can be defined by the Ministerial Order on the establishment of the Board.

This will help to ensure that the public has a say in the decision-making process and its interest and concerns are taken into account. It can be particularly important for issues related to tourism development, regulation, and policy.

► Institutionally the TC is a part of the Ministry of Economy, which means that all procurement procedures and financial/budgetary interactions with regard to the ToRs and contract-based activities shall be formally implemented by the Ministry but not the TC.

All Ministries have the respective departments for the implementation of procurement and contracting activities under the general legislation. The TC can manage, coordinate and oversee the activities of the DMO, including organization of board meetings and other relevant activities again, based on the contractual provisions signed between the Ministry of Economy and the outsourced organization.

Moreover, as discussed in Assignment 1.2 – Local Context Analysis, the Marzperatans are institutionally subordinated by the Ministry of Territorial Administration and Infrastructure. Therefore, the Advisory Board can be established by the joint order of the two indicated ministers, as it shall include the officials from both ministries. More preferably, the Advisory Board can be established by the Decision of the Prime Minister. Therefore, there are two options - either the Minister of Economy can establish the Advisory Board of a certain DMO and later by the orders of other relevant ministries (Ministers of Environment, Territorial Administration and Infrastructure, Culture, etc.) other respective officials can be involved in the board, or by the Decision of Prime Minister the Advisory Board can be established with the list of members by different Ministries. Other non-governmental institutions and persons can also be in the list. The TC can organize the preliminary discussions with all interested persons and compose the list of Board members.

3.4.2. Composition of the board

Besides the TC, the Board might consist of the representatives from the following entities:

- TC
- Governor’s office



- Major municipalities
- Church
- Major local business representatives (Tourism and non-tourism)
- NGOs

► In order to keep the board efficiency and effectiveness, further stakeholders, such as Church, Professional Associations, Educational Institutions, should be preferably involved and organized in Committees committed to special issues.

3.4.3. Pros and cons for the TC to be part of the board

There are however pros and cons for the TC to be a part of the board:

- Firstly, the TC needs to ensure that its involvement in the board does not compromise the independence and autonomy of the DMO. The DMO needs to be able to make decisions and take actions that are in the best interests of the destination, without undue influence from external parties.
- Secondly, the TC needs to ensure that its involvement in the board does not create conflicts of interest or perceptions of bias. This is particularly important as the TC is also responsible for regulating and/or funding the DMO.

Therefore, should the TC decide to be part of the board of the private NGO that acts as a DMO, it should be clear about its role and responsibilities. The TC should act as a constructive partner, providing guidance and support to the DMO, while also respecting the DMO's independence and autonomy.

3.4.4. Motivation for private business to operate as a DMO

By promoting and managing a destination, private businesses can contribute to the local economy through increased tourism and business activity. This can lead to economic growth and job creation in the region.

There are several motivations for private businesses to apply to act as a DMO:

- *Reputation and branding:* By managing and promoting a destination, private businesses can enhance their reputation and brand image. Being associated with a successful and popular destination can attract more customers to their own businesses as well.
- *Business opportunities:* As a DMO, private businesses can generate revenue from various activities such as selling advertising space, providing visitor services, and promoting local products and services. This can create new business opportunities and income streams.
- *Networking and collaboration:* By working with other businesses and stakeholders in the destination, private businesses can form valuable networks and collaborations. This can lead to new partnerships and business opportunities.

Overall, the motivation for private businesses to apply to act as a DMO will depend on their individual goals and objectives.

3.4.5. Support from the public

The DMO should also have a **structural connection with public national and regional authorities** (e.g. the municipality or the marz) and the public.

Acting as the destination's attorney, the DMO should indeed constantly pursue overarching goals for sustainable tourism-related development and represents the destination's long-term interests.

► This claim can only be implemented if the DMO is supported by public institutions and by the local population.



3.4.6. Exclusion of political influence

For the same reason, the DMO should be free from political influence. Its structures must be designed in such a way that it can act independently from short-term political ideas and actions. That is the only way to implement a foresighted development and marketing strategy.

3.4.7. Role of the board

In the first two modalities, the board will be responsible for:

- Strategic Planning
- Sustainability Planning
- KPI setting
- Monitoring and Evaluation

Forming the board before the DMO company selection can be a valid approach. In such cases, the board can play an active role in reviewing the proposals from different DMO companies and selecting the one that aligns best with their vision and strategic goals. This approach ensures that the selected DMO company's strategy and proposed actions are in line with the expectations and priorities of the destination.

Having the board involved in the selection process can bring several advantages:

- **Alignment with the destination's vision:** The board members, who have a deep understanding of the destination and its goals, can assess the proposals based on how well they align with the vision. They can evaluate the strategic fit of each proposal and choose the DMO company that demonstrates a strong alignment with the board's vision.
- **Expertise and insight:** The board members, who likely represent different tourism stakeholders, bring valuable expertise and insights to the selection process. Their knowledge of the destination's tourism industry, market trends, and community needs can help identify the most suitable DMO company to drive tourism development effectively.
- **Stakeholder representation:** By involving the board in the selection process, it ensures that the interests of various tourism stakeholders are represented. This promotes transparency and inclusivity in the decision-making process, as the board members can advocate for the needs of their respective stakeholders.

However, it is important to note that the selection process should still be fair, transparent, and follow standard procurement procedures. The board's role should be advisory in nature, providing recommendations based on their evaluation of the proposals, while the final decision will be made by the TC.

- ▶ **After the selection of the DMO company based on the strategic and action plan presented during the tender process, a new DMO board shall be formed**, including previous members and representatives from the selected company. Members composition, in odd numbers, shall see a majority of the public actor.
- ▶ **Other tourism stakeholder**, different from the selected company, **might be involved by special-purposes Committees**, which would have only a consulting role, with decision power left in the hands of the board.

Here's how the board can effectively govern the activities:

- **Clearly define roles and responsibilities:** The DMO board should establish clear roles and responsibilities for each board member and ensure that they align with the overall objectives of the DMO. This will help avoid confusion and promote effective decision-making.
- **Regular board meetings:** Schedule regular board meetings to discuss and review the progress of the DMO's activities. These meetings should provide a platform for stakeholders to share updates, address challenges, and make important decisions collectively.



- Strategic oversight: The board should provide strategic oversight by reviewing and approving the DMO's strategic and action plans, ensuring they are aligned with the vision and goals of the destination. They should also monitor the implementation of these plans and make necessary adjustments as required.
- Financial oversight: The board should have a clear understanding of the DMO's financial resources and monitor its financial management. This includes approving budgets, monitoring expenditure, and ensuring transparency and accountability in financial matters.
- Stakeholder engagement: The board should actively engage with stakeholders, such as local businesses, community organizations, and government agencies, to gather feedback, address concerns, and foster collaboration. This will ensure that the DMO's activities are inclusive and representative of the destination's interests.
- Performance evaluation: The board should establish performance metrics and regularly evaluate the DMO's performance against these metrics. This will help assess the effectiveness of the DMO's activities and make data-driven decisions for continuous improvement.
- Collaboration with the DMO company: The board should establish a collaborative relationship with the selected DMO company. They should provide guidance and support, review progress reports, and ensure that the DMO company is aligned with the strategic direction set by the board.

► **Under the third modality the board can have only advisory functions. All the indicated functions can be done by the outsourced company/organization under their own administration. Only monitoring and evaluation can be the subject for the Advisory Board. This is not a decision-making body unlike the Board of Directors or other supreme body within the structure of the certain organization/company, which will be selected as DMO.**

3.5. Management company selection criteria

When choosing the private and non-profit company, it will be essential to establish a **transparent and competitive selection process**. This can be done by developing a comprehensive **Terms of Reference (TOR)** that outlines the criteria for selecting a private company based on its qualifications, experience, and ability to manage the destination effectively and efficiently.

Here is a list of criteria that could be included in the TOR to help avoid corruption risks and ensure that the DMO does not act as a DMC:

- *Qualifications*: The private company should have relevant qualifications and experience in destination management, tourism marketing, and sustainable tourism development. The preference should be given to existing DMOs.
- *Financial capacity*: The private company should have sufficient financial resources to carry out the responsibilities of the DMO without being overly reliant on external funding sources.
- *Technical expertise*: The private company should have technical expertise in areas such as strategic planning, market research, product development, and stakeholder engagement.
- *Track record*: The private company should have a proven track record of successfully managing destinations of similar size and scope.
- *Transparency and accountability*: The private company should have a transparent and accountable management structure with clear lines of responsibility and reporting.
- *Conflict of interest*: The private company should have policies and procedures in place to manage conflicts of interest and avoid any potential conflicts with their role as a DMO.
- *Local knowledge and community engagement*: The private company should have a strong understanding of the local community and culture, and have experience engaging with stakeholders and managing community relations.
- *Sustainability*: The private company should have a commitment to sustainable tourism development and have experience implementing sustainable tourism practices.



- *Quality control*: The private company should have a quality control system in place to ensure that tourism products and services meet high standards.
- *Procurement policies*: The private company should have transparent procurement policies and procedures in place, ensuring that all procurement processes are fair and competitive.

By including these criteria in the TOR, the selection process for the private company to manage the destination can be fair, transparent, and competitive, and the risks of corruption or conflicts of interest can be minimized. It is important to note that the TOR should be tailored to the specific needs and circumstances of the destination, and should be reviewed and updated periodically to ensure that it remains relevant and effective.

3.6. Role of the DMO

Out of the roles outlined at previous table 5, the DMO is responsible for drafting strategic and conceptual documents, annual planning, and projects for tourism development, and cooperation with municipal authorities and associated members. Moreover, it will be responsible for:

- Create conditions for public awareness, building on entrepreneurship in tourism;
- Cooperate with national authorities in implementing Armenia's national tourism policy;
- Support cross-border, interregional, and transnational cooperation in tourism;
- Create conditions for supporting mechanisms and tools that motivate residents in the territory to develop tourism and improve service quality and competitiveness;
- Cooperate with the TC for a unified presentation of Armenia abroad and participate in the creation of a mechanism for such a unified presentation;
- Developing Investment packages

In order to perform such role, the DMO must have a destination management team that is capable of taking action, with clear leadership skills. The management will take on various roles and functions that require strong leadership skills. It will need the legitimacy to make targeted decisions without going through lengthy coordination processes every time. This will require a clear strategic framework along with corporate governance structures to regulate the powers of individual bodies (e.g. the executive board, and company management).

It is relevant to point out that DMO might also be considered for management of local attractions, such as:

- Historical heritage site under the management of the Ministry of Education, Culture, Science and Sports;
- Municipality assets (parks, concert venues, etc.)

In such a case, concession agreement should be put in place.

3.7. Form of local private sector involvement

Private partners should be involved so as to channel their efforts towards common overarching goals. All of the important service and development partners should therefore be connected to the DMO via some structures or processes (Advisory Board, Governing Board, or membership). In case of private companies (CJSC, LLC) it can also be Board of Directors, Shareholder, etc.

Key local private operators should be represented in the **Board**, which might include major local business representatives.

Thematic (permanent) and ad-hoc committees should also be considered to increase the local community involvement. Committee might act on behalf of the DMO in certain cases, but should not own voting power as they would have advisory function at board' meetings. They will channel to advocate the beneficiaries' interests, based on the thematic committees.

Memberships should also be promoted so as to engage:



- Local Businesses
- Local NGOs
- Indirect Suppliers
- Private-led Subregional DMOs

In addition, private parties can certainly create **tourism associations** to promote tourism development within their specific areas. These associations can work in partnership with the DMO to ensure that the needs of their particular region or cluster are being addressed. Private tourism associations can play a critical role in promoting tourism development by providing local knowledge, expertise, and resources that may not be available to the DMO.

► It is recommended that **except the government-chartered DMOs none of these organizations should be called DMOs.**

Following naming options are recommended (not limiting to below):

- Tourism Development organization
- Tourism Associations
- Territorial/Cluster Tourism Organization
- Area Territorial Agency
- Tourism Promotion Agency

► If such organizations want to have their voice heard and have voting power, **they must join the DMO as a member and so be part of the Management or Advisory Board.**

It is however important for the TC to work closely with both the DMO and private tourism associations to ensure that there is a coordinated approach to tourism development within the region. This can help to ensure that resources are being used effectively, that tourism development is sustainable and benefits all stakeholders, and that the region as a whole is able to attract and retain tourists.

The interaction between regional businesses and the TC in relation to the DMO should be a **collaborative effort**. While businesses may have their own interests and objectives, the overall goal of promoting tourism in the region should be the focus.

Ideally, the DMO should serve as a **central point of contact for regional businesses**, providing them with information, support, and guidance on how to promote their products and services to tourists. This would help ensure that the tourism experience in the region is cohesive and of high quality. However, it is also important for regional businesses to have direct contact with the TC, particularly if they have concerns or issues that are not being addressed by the DMO. The TC can act as a mediator or facilitator in such cases, working with the DMO and the business to resolve any issues and ensure that the tourism experience in the region is optimal.

In general, it is important to establish clear lines of communication and collaboration between the DMO, regional businesses, and the TC to ensure that the needs of all stakeholders are met and that tourism development is sustainable and beneficial for everyone involved.

3.8. Funding model and sources of revenues

The DMO will stipulate a **Funding Agreement** with the TC, based on a 3+3 years' contract, which will define its strategic objectives, desired outcomes and related KPIs (see also §. 3.14).

The renewal of the contract after the first three years will be conditioned to the achievement of strategic objectives set in the Funding Agreement (see § 3.9).

► The state and regional tourism authorities will provide **financial and regulatory support** for the DMO, even if management has been outsourced to a private company.



This will help to ensure that the DMO has the necessary resources and support to effectively promote and manage the destination.

Regional DMO Funding sources will include:

- Government Funding;
- Local government and municipalities funding;
- Outsourced company's own funding sources
- Public funding from international support programs;
- Concession fees for using public resources for specific tourism-related business activities (e.g. using cultural or natural heritage sites);
- Membership fees for tourism companies and tourism-related companies membership fees for tourism companies and tourism-related companies;
- Crowdfunding donations;
- Other fees.

The table sums up all potential revenue sources.

Typology of revenue	Description
Membership fees	Regional DMOs can charge membership fees to businesses and organizations within their destination, which can provide a steady source of revenue to support their operations.
Destination marketing fees	Some destinations impose a fee on visitors to support destination marketing and promotion. These fees can be collected by regional DMOs and used to support their marketing and promotional activities.
Grants and sponsorships	Regional DMOs can seek grants and sponsorships from government agencies, private foundations, and corporations to support their operations and programs.
Contracted services	Regional DMOs can generate revenue by providing contracted services to other tourism-related organizations, such as providing consulting or research services.
Advertising and sponsorship	Regional DMOs can offer advertising and sponsorship opportunities to businesses and organizations within their destination, such as through their website, newsletters, or events.
Destination development fees	Some destinations charge a fee on new development projects, such as hotels or resorts, to support destination development and infrastructure improvements. Regional DMOs can work with local governments to collect and allocate these fees.
Events and tourism-related services	Regional DMOs can organize events and provide tourism-related services, such as destination management, to generate revenue and promote sustainable tourism development.
Destination management services	Regional DMOs can offer destination management services to businesses and individuals, such as itinerary planning, transportation coordination, and logistical support. These services can generate revenue for the DMO while also supporting local tourism businesses.
Licensing and certification	Regional DMOs can offer licensing and certification services for tourism-related businesses, such as hotels, restaurants, and tour operators. These services can generate revenue while also promoting quality and sustainability in the tourism industry.
Destination assessment and planning	Regional DMOs can offer destination assessment and planning services to local governments and businesses, helping them to identify strengths and weaknesses in the destination and develop strategies for improvement. These services can generate revenue while also promoting sustainable tourism development.
Destination research and analysis	Regional DMOs can conduct research and analysis on visitor trends, market demand, and other topics related to tourism in the destination. This information can be sold to local businesses, governments, and other organizations, generating revenue for the DMO.



Social media and digital marketing services	Regional DMOs can offer social media and digital marketing services to local businesses, helping them to improve their online presence and reach new customers. These services can generate revenue while also promoting the destination and its tourism offerings.
Rental of tourism-related equipment	Regional DMOs can rent out tourism-related equipment, such as bicycles, kayaks, or camping gear, to visitors. This can generate revenue while also promoting sustainable tourism activities and experiences.
Destination events and festivals	Regional DMOs can organize and host destination events and festivals, which can attract visitors and generate revenue from ticket sales, vendor fees, and sponsorships.

Table 8: Potential DMO's revenues sources

Overall, regional DMOs should consider a **diversified approach to revenue generation**, which can help to ensure financial stability and sustainability over the long term. By exploring these and other potential revenue sources, regional DMOs can support their operations and programs, while promoting sustainable tourism development in their destination.

- ▶ DMOs operating in already developed regions will carry **revenue-generating activities** as a beneficial integration to government funds. Their financial stability however does not depend on such activities, as **such funds should be used for additional programs** other than those for which they are established¹⁰.

The generation of additional market revenues, however, would enhance the DMOs' bargaining power against the TC and allows for a public budget increase.

- ▶ Minimum state funding must be obligatory. Also, the local municipalities and the local government should fund the DMO. However, the **future funding should increasingly depend on the reachment of performance targets set by KPIs according to strategic objectives**.

At § 3.14 DMO's initial investments and operating costs are reported. An initial endowment and yearly financial contribution from the TC is assumed. A minimum realistic figure should consider for the TC:

- To contributing 100% to the initial investments¹¹;
- To have a decreasing contribution to operating costs (i.e. from 75% in the 1st year to 25% in the 6th year¹²), so as to stimulate the development of revenue-generating activities. The degree of such contribution shall however be decided through the Funding Agreement mentioned at § 3.13

The generation of additional market revenues, however, would enhance the DMOs' bargaining power against the TC and allows for a public budget increase.

3.9. Strategic objectives

The **Funding Agreement** (see also § 3.14) will define DMO's strategic objectives, desired outcomes and related KPIs.

Although the company will be selected based on the introduced strategic and action plan through a tender process, assuming that they already will have a vision of actions to be carried out, the DMO board will be able to govern the activities since:

- the tender will include obligations set by the TC;

¹⁰ Here a special provision needs to be made that DMO does not undertake the role of the Tour Operators, but promote them through referrals.

¹¹ At § 3.14.1 we assumed it to be set at 35,000 USD

¹² Based on figure reported at § 3.14.1, the contribution in the 1st year should correspond to 85,500 USD



- financial contribution will be conditioned to the achievement of specific objectives yearly set by the board.¹³

Strategic objectives will be framed through a **three-year Strategic Plan** which will be coupled with a **one-year Action Plan**. It is suggested to use strategic management tools such as **strategy maps**¹⁴ and **balanced scorecard (BSC)**¹⁵ to classify strategic objectives according to perspective such as those reported in the figure and to ease strategic reporting towards the TC.

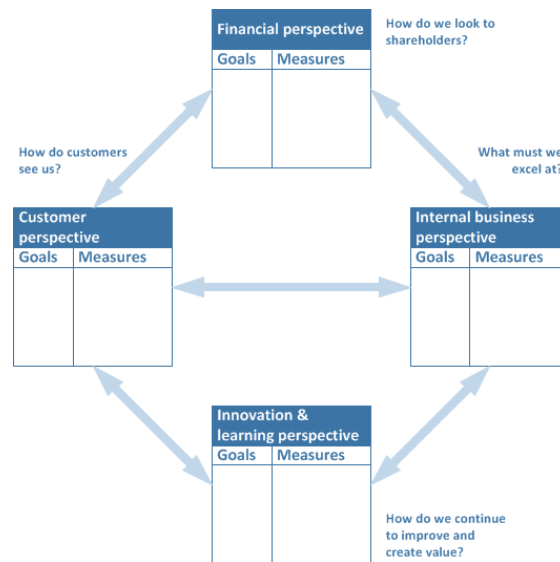


Figure 3: The Balanced Scorecard Links Performance Measures

Strategic objectives will therefore include:

- **National level objectives** set by the TC such as those listed in previous table 5:
 - a. Formulation of development strategies of specific clusters;
 - b. Contribution to the development of specific tourism niches;
 - c. Set up and implementation of pilot management models for tourism site/attraction, while ensuring to keep up quality service standards;
 - d. Maintenance of country-level tourism itineraries;
 - e. Promotion of infrastructure upgrading (sport, recreational) for tourism development consistently with selected clusters and niches;
- **Regional level objectives** that will be autonomously established by the Regional DMO, possibly by sharing them with key regional stakeholders:
 - a. Regional marketing and destination branding, which however must be limited and consistent with national market positioning so as to avoid proliferation of regional brands which cannot be appreciated by perspective target markets. Marketing should therefore concentrate on promoting regional clusters and destinations on the national market, while leaving international marketing to the TC;
 - b. Set a regional agenda of events and festivals to be promoted as described above;
 - c. Implement and manage visitor centers (VC). Ideally, there should be a visitor centre for each region, used to welcome, inform and address visitors to local attractions. According to local circumstances, and should Local DMO be established, the latter might be outsourced the management of VCs;

¹³ Such performance-based model is the one applied in similar circumstances around the world, as it is for instance the case of the DMO British Columbia analysed in Assignment 1.1. It is also applied at several cultural and touristic institutions around the world, as it is the case of the National Gallery of Australia at Canberra, the UK British Museum, or at Italian participation Foundations, which are participated by private companies, with joint board with public institutions. Where the latter are the main financing subjects, they also have a majority at the board, so as to easily steer operational activities. Where the contract between the public and private is merely a concession, such concession steers operational activities.

¹⁴ Marr, B. (2009). *Managing and delivering performance*. Routledge.

¹⁵ Kaplan, R. S., & Norton, D. P. (2005). *The balanced scorecard: measures that drive performance* (Vol. 70, pp. 71-79). US: Harvard business review.



- d. Ensure training and capacity building, together with regional universities, colleges and training centers, paying specific attention to the training of specialized guides;
- e. Promote cultural ecosystems at local level, particularly building on tourism clusters, by formulating local cultural development plans (LCDP) and supporting creative tourism;
- **Local level objectives** that will be pursued by the Regional DMO (or by the Local DMO at a later stage) and will include:
 - a. Production and distribution of printed information and promotional materials to visitors through the VCs;
 - b. Design and management of local itineraries;
 - c. Support to the organization and promotion of local festival and events;
 - d. Management of tourism attractions, directly or through participation to the management structure, set by the local DMO, such as in the case envisaged for the pilot cases of Marmashen Monastery or Symphony of Stones.

► **All management and oversight criteria, including the role of different bodies (TC, Advisory Board, etc.) shall be defined by the ToR and then the Funding Contract.**

Having a multi-year contract for the DMO, coupled with a 3-year strategic plan, is a common practice in destination management. The contract duration is typically longer to provide stability and continuity in the DMO's operations and allow for long-term planning and implementation. During the contract period, the DMO can still review and update its strategy as needed. The strategic plan serves as a roadmap for the DMO's activities and guides its actions towards achieving the destination's goals. However, it is common for strategies to be periodically reviewed and adjusted to reflect changing circumstances, market conditions, and stakeholder feedback.

The 3-year strategic plan serves as a foundation and provides a clear direction for the initial years of the contract. However, it is important for the DMO and its board to have flexibility in modifying the strategy over time based on the evolving needs and priorities of the destination. Regular strategy reviews, performance evaluations, and stakeholder consultations can inform the DMO's decision-making process and enable them to make adjustments to the strategy, if necessary. This ensures that the DMO remains responsive to changing market dynamics, emerging trends, and the evolving needs of the destination.

It is important for the contract and funding agreement between the DMO and the TC to include provisions for strategy reviews and updates. This allows for ongoing collaboration and alignment between the DMO and its funding partners, ensuring that the DMO's activities remain relevant and effective throughout the contract period.

3.10. Recommended KPIs

The board should regularly monitor the performance of the DMOs to ensure that they are meeting their goals and objectives and that they are operating in a transparent and accountable manner. This can help to ensure that **the destination is being managed in a sustainable and responsible way, and that the interests of all stakeholders are being represented.**

All issues shall however be defined by the terms and conditions of the Funding Contract

KPIs need to be **customized for each DMO** according to strategic objectives set at previous § 4.9.

If we assume that a key goal of the regional DMO is financial sustainability, it would be recommended to include the following KPIs:

- *Economic impact of tourism*: Measuring the contribution of tourism to the regional economy through metrics such as visitor spending, tax revenue generated, and job creation.
- *Number of new products and itineraries*: Tracking the development and promotion of new tourism products and itineraries, which can attract new visitors and boost revenue.



- *Room nights generated*: Measuring the number of hotel room nights sold, which can be an indicator of overall visitor demand and revenue potential.
- *Visitor satisfaction*: Gathering feedback from visitors through surveys or other means to understand how well the DMO is meeting their needs and expectations.
- *Number of visitors/delegates*: Tracking the total number of visitors and delegates to the region, which can be a key driver of revenue.
- *Resident sentiment*: Monitoring how residents feel about the impact of tourism on the region, which can be important for maintaining community support and avoiding negative backlash.
- *Marketing ROI*: Measuring the return on investment for marketing and promotional activities, which can help ensure that the DMO is using its resources effectively.
- *Hotel performance metrics*: Tracking hotel occupancy rates, average daily rate, and revenue per available room, which can provide insights into the health of the tourism industry in the region.
- *Social and environmental impacts*: Measuring the impact of tourism on the environment and local communities, which can be important for maintaining sustainability and avoiding negative impacts.
- *Amount of local taxes paid by the tourism suppliers*: Tracking the amount of taxes paid by tourism suppliers, which can be an indicator of the industry's contribution to the local economy.
- *Overnight visitation*: Measuring the number of visitors who stay overnight in the region, which can be an important driver of revenue for hotels and other tourism businesses.
- *Leads/referrals to business*: Tracking the number of leads or referrals provided to local tourism businesses, which can help support their growth and success.
- *Social media metrics*: Monitoring engagement and reach on social media platforms, which can be an important tool for promoting the region and engaging with visitors.
- *Member satisfaction*: Gathering feedback from DMO members to ensure they are satisfied with the services provided by the DMO.
- *Earned media*: Tracking the amount of media coverage generated for the region through PR and other efforts, which can be an important driver of awareness and interest among potential visitors.
- *Conversion metrics*: Measuring the effectiveness of marketing and promotional efforts in converting leads or referrals into actual visitors.
- *Festivals*: Tracking the number and success of festivals and other special events in the region, which can be a key driver of tourism demand.
- *AR/VR*: Utilizing augmented and virtual reality technologies to enhance the visitor experience and promote the region.

► Strategic objectives and related KPIs should also be **differentiated according to the typology of destination and to its life-cycle stage.**

Emerging destinations	Growing destinations
<ul style="list-style-type: none"> - The area remains unspoiled and tourist facilities are minimal. The area attracts few visitors. - Structures for developing and marketing the destination are rudimentary if they exist at all. - The accommodation supply is small of low quality and shows a low level of professionalism. - The smallest businesses lack entrepreneurial skills and their investment capacity is very small. Their offerings are often not marketable. - Larger and better-quality offerings come from providers outside the region. 	<ul style="list-style-type: none"> - There are structures for developing and marketing the destination, but they are usually not efficiently designed. Interactions between public and private institutions are uncoordinated. - Additional facilities are provided by locals and small businesses. A tourist season will start to be recognized - There is no target system that is jointly supported by all the actors, and no coordinated strategy. Collaboration between tourism-related actors is shaped by individual interests.



<ul style="list-style-type: none"> - There is little awareness about the benefits of cooperation. Competitive thinking between service providers is the norm. - No previous DMO experience. 	<ul style="list-style-type: none"> - Tourism-related development is controlled through growth targets and investors. There is no balance between economic, social and ecological impacts. - Some experience in cooperation between the stakeholders (DMOs, tourism associations etc)
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Table 9: Features of emerging vs. growing destinations

The following figure shows Armenian destinations along the life cycle.

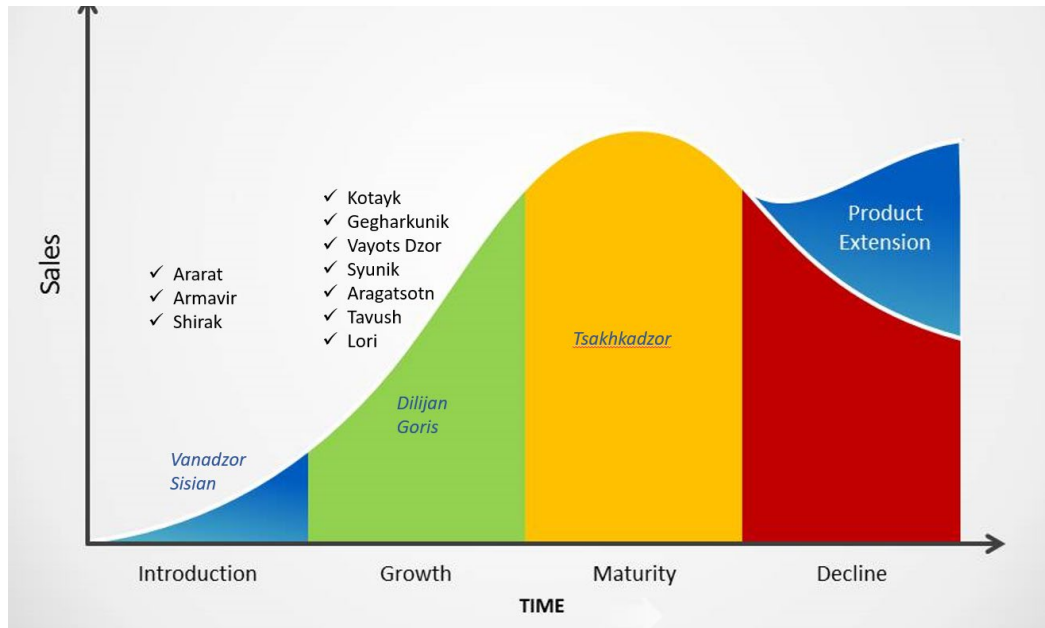


Figure 4: Positioning of Armenia tourist destinations according to their life cycle

The following table obtains KPIs starting from such positioning. The rationale is that an outsourced company will have limited revenue sources capability due to the under-development of the region and might not be able to meet the KPIs. The communities in these regions need to go through a learning curve to understand the power of cooperation.

Marz	Life cycle stage	Current destination type	KPIs
Syunik	Growing	Heterogenous	Profit oriented
Vayots Dzor	Growing	Non-polarized heterogeneous	Profit oriented
Ararat	Emerging	Homogenous (Khor Virap)	Stakeholder coordination oriented
Armavir	Emerging	Homogenous Nodular (Echmiadzin)	Stakeholder coordination oriented
Kotayk	Growing	Polarized heterogeneous (Tsakhkadzor, Garni/Geghard)	Stakeholder coordination oriented
Aragatsotn	Growing	Non-polarized heterogeneous	Stakeholder coordination oriented
Tavush	Growing	Non-polarized heterogeneous	Profit oriented
Shirak	Emerging	Homogenous Nodular (Gyumri)	Profit oriented
Gegharkunik	Emerging	Homogenous Nodular (Lake Sevan)	Stakeholder coordination oriented
Lori	Growing	Non-polarized heterogeneous	Profit oriented

Table 10: Typology of Armenian destination and their life-cycle stage



Since regions are heterogeneous and areas in the regions are not developed equally, some clusters might be formed, and private players might decide to form tourism associations.

However, as already mentioned, only the entities formed by the Government can be called DMOs. If other organizations wish to have their voice heard, they must join the DMO as a member and can be part of the Management or Advisory Board.

It is also suggested to **start with a Pilot DMO in Lori**, where the current DMO is the strongest and expand to other regions after one year of monitoring the operations of the DMO.

3.11. Monitoring and control

The **board** can maintain control over the outsourced DMO functions in several ways:

- *Regular reporting*: The board can require regular reports from the private management company on the DMO's activities and performance, including financial reports and performance metrics. This can help to monitor the DMO's performance and identify any issues or concerns in a timely manner.
- *Site visits and inspections*: The board can conduct regular site visits and inspections of the DMO's operations to ensure that they are in compliance with contractual requirements and industry standards. This can also help to identify any issues or concerns and work with the private management company to address them.
- *Contractual provisions*: The contractual agreement between the tourism authority and the private management company should include provisions that allow the board to take action in the event of non-performance or breach of contract. This can include provisions for terminating the contract, imposing penalties or fines, or taking other corrective actions.
- *Oversight committee*: The board can establish an oversight committee to monitor the DMO's performance and provide guidance and support to the private management company. The committee can include representatives from the tourism authority, private sector stakeholders, and other relevant parties.

► By implementing these control mechanisms, the **board can maintain effective oversight and control over the outsourced DMO functions**, ensuring that they are being carried out in a way that meets the needs of the region and the tourism industry as a whole.

If the outsourced company as a DMO is not performing well, the board should take action to address the situation and ensure that the destination is being managed effectively:

- Firstly, the board should review the performance of the outsourced company against their agreed goals and objectives. This can help to identify areas where the company may be falling short and can inform discussions about how to improve its performance.
- Secondly, the board should engage in dialogue with the outsourced company to understand the reasons for their poor performance and to discuss ways to improve it. This can involve identifying areas where additional resources or support may be needed or developing new strategies and approaches to addressing emerging challenges.
- If the outsourced company is not willing or able to improve its performance, the board may need to consider terminating the contract or renegotiating the terms of the agreement. This can involve working with legal and financial advisors to ensure that the interests of the destination and its stakeholders are protected.

It is also important that the board communicates openly and transparently with stakeholders, including local communities, businesses, and visitors, about the situation and the steps being taken to address it. This can help to maintain confidence in the destination and its management and can help to ensure that all stakeholders are informed and engaged in the process.



Overall, if the outsourced company as a DMO is not performing well, the board should take a proactive and collaborative approach to address the situation. By working together with the outsourced company and other stakeholders, the tourism authority can help to ensure that the destination is being managed effectively and in a way that benefits all stakeholders.

In a force majeure situation where the Tourism Committee or monitoring body is not satisfied with the performance of the DMO, there are several practical steps that can be taken to address the issue without immediately terminating the contract. Here are some potential solutions:

- Performance assessment and feedback: Conduct a thorough performance assessment of the DMO's activities, taking into account the specific concerns raised by the Tourism Committee. Provide detailed feedback on areas that require improvement or adjustments.
- Performance improvement plan: Collaborate with the DMO to develop a performance improvement plan that outlines specific actions, timelines, and benchmarks for measuring progress. This plan should address the concerns raised by the Tourism Committee and provide a roadmap for the DMO to enhance its performance and meet the desired outcomes.
- Enhanced monitoring and reporting: Strengthen the monitoring and reporting mechanisms to ensure greater transparency and accountability. This may involve implementing regular reporting requirements, conducting site visits, or appointing independent auditors to assess the DMO's activities and compliance with agreed-upon objectives.
- Additional support and resources: Assess if the DMO requires additional support, resources, or capacity-building initiatives to overcome the challenges identified. This could involve providing training opportunities, technical assistance, or access to specialized expertise to enhance the DMO's capabilities.
- Collaborative problem-solving: Foster open and constructive dialogue between the Tourism Committee and the DMO. Encourage regular communication and engagement to address concerns, identify potential solutions, and jointly develop strategies to overcome challenges.
- Contract amendment or adjustment: If necessary, consider amending or adjusting specific provisions within the contract to address the concerns and expectations of both parties. This may involve revising performance indicators, timelines, or deliverables to ensure they are realistic and achievable.

3.12. Legal and institutional requirements

The establishment of DMO at the regional level will follow recommendations already set in Assignment 1.2 – Local Context Analysis.

Within this model the selected organization/company will operate as a regional DMO, within the terms and conditions outlined in the ToR of public procurement, which shall be launched by the Ministry of Economy. In collaboration with the Ministry of Territorial Administration and Infrastructures, the DMOs can be **located in the residences of the Province administration bodies (Marzpetaran)**, so as to facilitate contacts and cooperation between different representatives of state and municipal administrations within the certain Province (Marz). The Stakeholder Committee explained below shall be composed by the TC, which will encompass all stakeholders in the certain tourism destination region, including the state and local administrative bodies and relevant private sector, which will operate as the advisory body. This body shall balance interests of different stakeholders and keep permanent contact with the DMO staff. The Stakeholder Committee may organize its meetings in an administrative building (Marzpetaran or local municipality).

As the head of the Province (Marzpet) coordinates state policy with the local self-government bodies, which encompasses certain liabilities in the tourism sector development, as a part of economic development activities and has departments in its structure, including those responsible for the tourism-related economic activities, it will be fundamental to establish **coordination mechanisms** of the DMO management within the structure of the Stakeholder Committee.



Such division of responsibilities shall keep up to Marzpet functions such as maintenance of country-level and regional/local tourism itineraries and implementation of tourism infrastructure, by **keeping to the Regional DMO a supervision role.**

All other state bodies, which have competence in participation of sectoral governance can have only supportive role within the proposed structure of DMOs. Moreover, in accordance with the legislation on public service, all officials working in the system of administration have their specific areas of liabilities and scope of responsibility for which they are paid from the state budget. Therefore, from the point of view of proper state administration, the DMOs shall be within the structure of the Tourism Committee (the Ministry of Economy), Those representatives of local administrative institutions or officials, who implement the activity of tourism development within the structure of their public administration (divisions or officials and public servants of Marzpetarans, administrative staff of Self-Government Bodies, who have liabilities of tourism development based on the scope of their working responsibilities), can nominate the relevant persons to be the part of the Stakeholder Committee of the DMO and support them in problem-solving, balancing of conflicting interests and other activities.

The Regional DMO shall put also much effort in developing a broader network of core stakeholders. It is therefore suggested to activate a permanent **Stakeholder Committee (SC)**, whose components shall be appointed by the Regional DMO so as to represent key clusters and tourism niches. The terms of activities of the SC can be similar to the terms of operation of the selected company/organization as a DMO. Such Committee, which would have only consulting power, shall collaborate at developing the Region by supporting through its advices, projects with local governments, tourism businesses, clusters and other ministries, forming the Regional Tourism Ecosystem. As a consultative body, the Stakeholder Committee can work in a rotational basis and have flexibility in adoption of additional partners.

The members of the Stakeholder Committee should include:

- Representatives of tourism accommodation;
- Representatives of incoming tour operators / travel agents;
- Owners/Managers of key tourism attractions;
- Representatives of key tourism niches;
- Church and other stakeholders, based on the specifications of the tourism destination.

Where accommodation and tour operators / travel agents are represented by associations, it would be enough to appoint the legal representative of the association.

Key attractions and tourism niches vary according to each Marz. For instance, at Vayots Dzor, it is advisable to involve stakeholders such as Vine and Wine Foundation of Armenia and the Areni Wine Festival Foundation, as they would provide valuable inputs on gastro and wine tourism development which is very relevant for such Marz. The same would apply for instance with the Armenian company called Mayler Mountain Resort that will build a new ski resort in the village of Yeghipatrush. They should be considered a key stakeholder at Aragatsotn Marz. The same methodology would apply to other Marzes.

The appointment of TC members should last a period equivalent to the strategic timeframe adopted by the DMO, which would normally operate through a three or five-years plan.

SC should meet every six-months of more frequently depending on urgencies and projects going on.

3.13. Functional

In order to reach strategic objectives, set at previous at § 4.1.1, we assume a management structure which is held by an Executive Director, that operates through three functional departments: Marketing, Administration, and Product Development. A Visitor Service Department is present in case of running VCs.



Some services are outsourced (Legal, IT maintenance, Cleanings, etc.) and are managed by the Administration department.

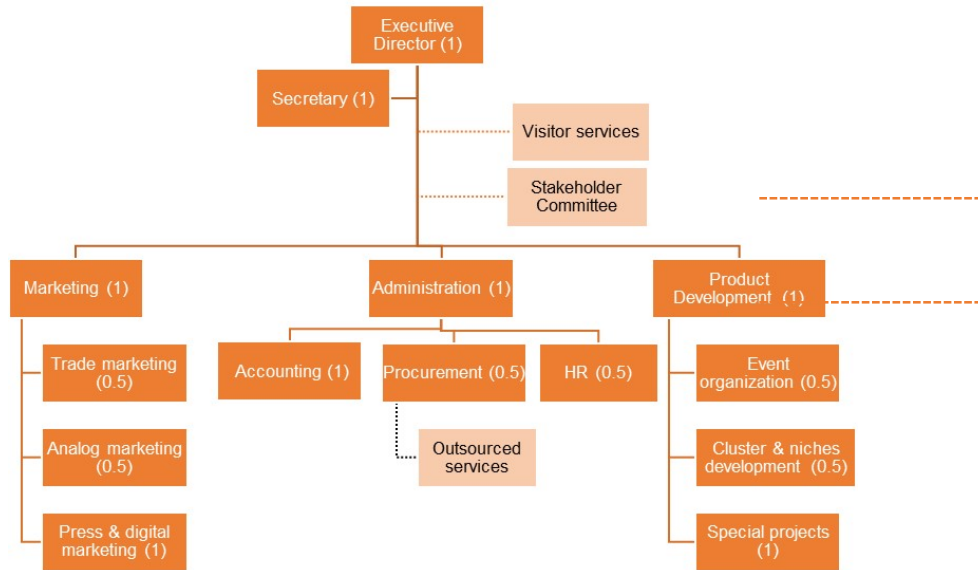


Figure 5: Organizational structure

The following table reports the Departments along with relative personnel. It is also assumed to engage volunteers for some activities, while ensuring gender equality.

Department	Personnel
Administration	3 FTE
Operations & Marketing	3 FTE
Product Development	3 FTE

Table 11: Regional DMO Departments and staff

Human resources should be specialists of the sphere, trying however to involve local young people who have consistent trainings and skills.

- ▶ The previous represents a **basic functional organization for the DMO**. More liabilities might be considering after the start-up, including additional ones mentioned at § 2.5.2.2 and reported in table 5.
- ▶ For now, we adopted a **prudential approach** and therefore foresaw only one special-project unit of personnel (inside the product development department), so as to limit personnel running costs.
- ▶ Should the TC decide to transfer additional competences to the Regional DMOs, the organizational structure would be adapted accordingly, by creating **task force** coordinated by such special projects unit, **up to the establishment, for instance, of a Policy and Business Department** engaged in master planning, development and implementation of investment projects, as well as coordination of other business activities of the DMO.

3.13.1. Executive Director

The Executive Director performs senior management functions and is at the top of the hierarchy company employees.

He is invested by ample decision-making powers; in fact, he makes the appropriate operational choices and supervises them implementation through work organization and facility control.

Its functions are therefore to manage the activities and coordinate the personnel of the which defines the roles and tasks within the organization. He is also the referent in the relations with external



subjects who for various reasons have contacts or collaborate with the DMO eg. suppliers, local operators, market operators and members of the Stakeholder Committee.

In particular, its main activities include:

- Coordination with the TC;
- Coordination with other public bodies;
- Drafting of the annual operational action plan according to the approved Three-Year Strategic Plan by the TC;
- Definition of specific workflows for each work area or internal project of the DMO;
- Definition of the activities that each human resource can perform within the DMO;
- Management of relationships with stakeholders through personal meetings and meetings;
- Management of internal crises (Crisis Management);
- Identification of alternative operational paths in case of procedural problems;
- Periodic staff briefings;
- Presence at institutional meetings.

3.13.2. Marketing

This unit is responsible for branding of the destination and promo-marketing of the portfolio of its niche products and clusters, by implementation of trade, analog and digital marketing.

Main tasks include:

- Definition of promotional, commercial and marketing strategies and actions;
- Management of relations with external entities and tourists;
- Development of initiatives to support the DMO's activities;
- Strengthening of the image of the DMO in the Region;
- Creation of a strong relationship of trust with tourists, providing assistance and support;
- Organization and participation in fairs, workshops, sales missions, etc.

a) Trade marketing

This sub-unit performs activities related to trade, including organization of fam trip and educational tour, convention, group tours, FIT, incentive travel, group events and film promotion.

b) Analog Marketing

It includes production and distribution of printed information and promotional materials to visitors

c) Digital Marketing

This unit deals with the management of positioning and online visibility through search engines, social media and other online marketing and content marketing activities

It implements actions aimed at supporting the development of digital marketing in support of strategies of the DMO and local operators, helping to identify channels for online visibility, using acquisition campaigns on search engines, including SEM and SEO.

It carries out social media marketing actions and in particular of Community Management

Main tasks:

- Optimization and positioning of the website and verification of keywords
- Creation and monitoring of backlinks and activities on CMS systems
- Use of web analysis platforms, Google Analytics in particular
- Implementation of web marketing campaigns
- Email Marketing
- Social media marketing



- Control, evaluate and manage online conversations
- Creation and dissemination of content (posts, photos, videos, etc.)
- Stimulating the involvement of users and stakeholders
- Evaluating online sentiment and reputation
- Monitoring and reporting: web data analysis and CRM platforms, user engagement (audience engagement, advocacy impact, satisfaction scores, topic trends)

3.13.3. Administration

The Administration department is responsible for the functions relating to general accounting, analytical accounting, personnel accounting, budget formation, procurement management and purchases of goods and services for promotion, billing, payments, contacts with customers and suppliers. It keeps the DMO books and accounting registers.

3.13.4. Product Development

The Product Development department is in charge of developing and innovating tourism niches and clusters. It is also responsible for overall management of the destination in the field of Destination Management.

It is characterized by the management of the strategic and operational activities necessary for the creation of the product portfolio of the Destination.

Main tasks include:

- Definition of strategies and product organization
- Local Stakeholder Coordination
- Involvement of local operators to integrate them into the product networks
- Operational management of tourism niches, itineraries and clusters
- Formulation of the Tourism Product Plan;
- Planning and coordination of networks of Visitor Centres / tourist information points
- Implementation of market research
- Monitoring and reporting
- Implementation of special projects

3.14. Funding Agreement

The DMO will stipulate a **Funding Agreement** with TC, based on a 6-year contract, which will define its strategic objectives, desired outcomes and related KPIs. Terms and conditions should be also yearly revised. The underlying principle is that of results-based management.

The Contract shall specify the services that the Regional DMO must provide during the term in change for a payment of financial contribution. Specification should comply with the achievement of objectives defined by KPIs in the BSC.

Financial allocation will thus be provided through a decision that will specify:

- Allocations for a five-year timeframe, including ring-fenced sums to be spent on particular projects;
- The TC's priorities and Strategic Objectives for the five-year timeframe and the Regional DMO contribution towards their achievement;
- The assessment of DMO's past performance according to previous KPIs and consequence for current budget allocation.

The Contract shall also specify that the DMOs must supply TC each year with the regular financial information set out in the Contract, as well as returns against selected KPIs.



Such information, together with DMO's Annual Report and any further reports the DMO prepares in relation to progress against its own priorities, will be used to monitor performance year-on-year.

3.15. Financial

3.15.1. Costs

Costs include:

- Initial investment for the start-up (legal, accountancy, furniture, software and licenses, etc.)
- Staff costs, including
- Building occupancy costs
- General and administrative costs
- Marketing costs

Initial investments are set at 35,000 USD including:

- 2,000 legal
- 5,000 office furniture
- 20,000 for hardware and software
- 8,000 for other equipment costs

a) *Personnel costs* are reported in the following table:

Position	Units	Monthly gross rate (USD)	Months	Yearly gross rate (USD)
Executive Director	1	1,200	12	14,400
Secretary	1	700	12	8,400
Marketing Manager	1	1,000	12	12,000
Marketing Specialist	2	700	12	16,800
Administration Manager	1	1,000	12	12,000
Accountant	2	700	12	16,800
Clerks/Shop assistant	3	420	12	15,120
Product Development Manager	1	1,000	12	12,000
Product Specialist	2	700	12	16,800
Total	14	-	12	124,320

Table 12: Personnel costs

Such costs are estimated at full operating regime (5-year timeframe) and for most developed regions. At the start it might be considered lesser personnel, with:

- 2 units as Clerks/Shop assistant;
- 1 unit for each Marketing Specialist, Accountant and Product specialist, and
- Marketing Manager and Product Development unified in one only department.

This would reduce initial investment to around 80,000 USD per year, which should be considered the minimum threshold for running the DMO by the personnel perspective.

- b) *Building occupancy costs* are defined to include all costs, excluding salaries, associated with building repairs and maintenance, cleaning, utilities, security systems and building insurance. We consider that the DMO premises will have a surface of around 400 sq. mt. and we apply an average cost of 40 USD per sq. mt. The total cost is therefore up to 16,000 USD.
- c) *General and administrative costs* include office and related supplies, equipment, mailing, printing, telephone, travel, conferences, volunteer perquisites, professional services, dues and subscriptions, credit card fees, entertainment, and other items that do not fit into the other expense categories. These costs relate very much to staffing levels and generally fall within a range of 10-12% of staffing costs. It includes insurance costs. We consider a 12% rate, obtaining 14,900 USD.



d) *Marketing costs* include non-staff marketing costs, encompassing advertising and promotion, with marketing staff already accounted for in the staffing projections. These costs generally range from 10-20% of the total operating budget of DMOs. Another way marketing expenditures are calculated is on a per visitor basis, with costs often in the range of \$1.00 to \$1.50 per visitor per day. As we do not have visitors figures for each region, we consider the former proxy (10%), obtaining 18,200 USD.

The table reports the total operating costs, including also depreciation of initial investments, which is estimated on a 6-year life cycle.

Yearly Operating Costs	Starting - 1 st year (USD)	Fully Operational – 6 th year (USD)
Depreciation of investments	7,000	7,000
Personnel	80,000	124,320
Building occupancy	16,000	16,000
General and administrative	9,600	14,900
Marketing	11,400	18,200
Total	114,000	180,400

Table 13: DMO yearly operating costs

3.15.2. Revenues

Revenues include:

- Initial endowment
- Yearly financial contribution from the TC
- Operating revenues from sales of merchandising at the Visitor Centre, Sponsorships and Donations, commission on tourism services sold by the DMO, etc. Prudentially, we do not consider operating revenues at the 1st operational year, but they should be encouraged in the following years so as to balance growing expenditure expected to become fully operational¹⁶.

For the start-up of the DMO is therefore necessary to provide a starting expenditure of 114,000 USD per year, which is likely to be the yearly financial transfer to be ensured by the TC, as additional expenditure after the 1st year of operations should be covered by operating revenues.

4. THE CURRENT DMOs

In the conclusions of Assignment 1.2 – Local Context Analysis, we remarked that “...with regard to existing DMOs, it is very important that their cumulated experience, although yet not complete, does not go wasted. There are 5 organizations currently operating as DMOs, plus other private and community-driven; it is wise to valorize and integrate their potential rather than create completely new entities. Obviously, such organizations would be required to comply and adapt to new optimal models recommended by the law and there might be some of them unable to conform, but an effort is recommended to be inclusive and take advantage of their experiences and their at least partially skilled staff...”.

- There is a general legislation concerning procurements and the selection of the DMO shall be done by the same rules. However, **the experience and other benefits can surely be taken into account when establishing the criteria for tender** and choosing the organization within the procurement process.

¹⁶ We also suggest to take into consideration, as the tourism demand increases, the introduction of a tourism tax. In Task 1.1 - Comparative analysis of best known/functional international DMOs models we saw as this a fiscal tool which is much adopted worldwide.



To give priority to DMOs based on their level of activities in the region, it is recommended to structure the Terms of Reference (ToR) in the following ways:

- **Evaluation criteria:** Define specific evaluation criteria within the ToR that assess the level of activities and performance of the candidates. This can include metrics such as the number of tourism initiatives implemented, stakeholder engagement, and sustainability practices. TC can assign higher weights or scores to these criteria to emphasize their importance in the selection process.
- **Experience and track record:** Request companies to provide evidence of their past experience, success stories, and achievements in the region. Consider their track record of delivering tangible results and their ability to effectively collaborate with local stakeholders. Give preference to companies that have a demonstrated history of actively driving tourism development and delivering positive outcomes.
- **Capacity and resources:** Assess the capacity and resources of companies to carry out their activities effectively. Consider their organizational structure, team expertise, financial stability, and access to necessary resources such as data, technology, and marketing capabilities. Prioritize companies that have the capacity to implement initiatives efficiently and sustainably.
- **Collaboration with stakeholders:** Evaluate the companies' ability to collaborate with local stakeholders, including businesses, community organizations, and government entities. Give preference to companies that have established strong partnerships, demonstrate effective communication and engagement, and have a track record of inclusivity and cooperation.
- **Performance-based contracts:** Incorporating performance-based contracts into the ToR. This means that the selected company will be required to meet specific performance targets and objectives outlined in the contract. Regular monitoring and evaluation can be conducted to ensure that the DMOs are delivering on their commitments and meeting the desired outcomes.

In cases where the existing DMOs are evaluated to be passive or non-functional, there are several ways to valorize the accumulated experience of these DMOs and their personnel in the new model:

- a) Knowledge transfer
- b) Hire some of their personnel in the new Regional/Local DMO;
- c) Outsource some Regional/Local DMO activities to them;
- d) Establish a PPP making them liable for Regional/Local DMO financing (partly or entirely) and management.

Shortly, we would advise:

- Considering current DMO personnel for hiring¹⁷ (in different positions: executive director, marketing manager/staff; administration manager/staff; product development manager/staff) in future Regional DMO;
- Involving current DMOs in local DMOs as PPP partners, Foundation members or, where their performance is excellent, outsourcing the entire DMO management to them.

5. PRIORITY LOCATIONS FOR DMO ESTABLISHMENT

5.1. Location strategy

We assume a **six-year time frame** to have the DMO model fully operational.

In such scenario:

- There will be Regional DMO in each Marz, running a regional Visitor Centre;

¹⁷ According to Armenia legislation about public sector employment they might have a priority in public competition



- At a later stage there will be local-level DMOs.

If the region is large and the DMO cannot cover all issues, it will be indeed necessary to divide the region into clusters to ensure that each area is effectively managed. Clustering allows for better coordination and management of resources, and can help to ensure that tourism development is sustainable and benefits all areas of the region.

- ▶ Clusters will be those identified by the TC and specified at § 2.4.
- ▶ In the longer term we also assume that there will be a **Local DMO at each cluster**, located in most visited or most reachable places.

Marz	Regional DMO			Local DMO	
	(established soon)	(established after three years)	(established later)	(established soon)	(established later)
Aragatsotn			Ashtarak		Aragats, Ashtarak
Ararat¹⁸		Artashat			Dvin
Armavir¹⁹		Armavir			20,000
Gegharkunik			Gavar		Sevan, Gagarin
Kotayk			Hrazdan		Bjni, Garni, Tsaghkadzor
Lori	Vanadzor			Vanadzor	Alaverdi, Debed Canyon (Vanadzor) ²⁰
Shirak	Gyumri				Giumry, Ashotsk,
Syunik	Goris				Goris, Meghri
Tavush		Ijevan			Dilijan
Vayots Dzor		Yeghegnazor			Areni, Jermuk, Yeghegis, Yeghegnadzor-Selim carvansarai (Silk Road) ²¹
Yerevan		-			Yerevan

Table 14: Timing of DMO establishment

5.2. Time strategy

DMOs' establishment strategy shall be of course embedded in the broader Armenia tourism policy and be consistent with the forthcoming national tourism strategy. Tourism policy, in turn, shall be driven by the broader economic development policy.

The Consultant does not have all the necessary political insights. However, if we assume that tourism policy should ensure a geographical balanced perspective, we can assume that:

- As put at § 3.10 It is also suggested to start with a **Pilot DMO in Lori**, where the current DMO is the strongest and expand to other regions after one year of monitoring the operations of the DMO;
- from the second to the fifth year, the same approach should be adapted, prioritising regions/locations where major tourism efforts are made²²;

¹⁸ Armavir and Ararat can be operated by one DMO

¹⁹ Ibidem

²⁰ Local DMO would be located in the capital city, Vanadzor. It would therefore coincide with the Regional DMO. In other words, it appears that there is no need to consider a separated Local DMO for this cluster

²¹ Ibidem, with the local DMO coinciding with the Regional DMO

²² For the following years, it can be considered to start a local DMO in Yerevan and two Regional DMOs, one in the north of Armenia and the latter in the South. With regard to locations, we suggest to prioritize places where relevant tourism strategies are financed or planned. This brings us to consider Vayots Dzor/ Yeghegnazor in the south (particularly because of promising G&W and C&H tourism in Areni) and Shirak/Gyumri in the north (so as to promote winter tourism in Ashotsk and C&H tourism in the capital city and Marmashen). of course, other approaches can be considered as well, such as prioritising tourism



- meanwhile, the establishment of local DMOs should be encouraged in clusters where Regional DMOs are established, so as to strengthen the impact of the tourism development efforts.

The following table reports a tentative plan for Regional and Local DMO establishment:

- as Regional DMOs are assumed to be autonomous public sector entities with their establishment and financing depending from TC decision (see § 3.1) the timing is a reachable target;
- as local DMOs are instead the result of PPP agreements, with their establishment and financing depending on private operators’ availability, the timing can be subjected to variations. Also, such DMO should descend from action of the Regional DMO. Therefore, we assume a time gap to allow for Regional DMO establishment.

Year	Regional DMO (Region/Location)	Local DMO (Location)
1	Lori (Vanadzor), Shirak (Gyumry), Syunik (Goris),	Gyumry
2	Vayots Dzor (Yeghegnazor), Tavush (Ijevan), Armavir (Armavir), Ararat (Artashat)	Vanadzor
3	Gegharkunik (Gavar), Kotayk (Hrazdan), Aragatsotn (Ashtarak)	
Up to 7		Areni, Jermuk, Yeghegis, Ashotsk
8-9		Alaverdi, Dilijan, Goris, Meghri
10		Bjni, Garni, Tsaghkadzor, Aragats, Ashtarak, Dvin, Yerevan

Table 15: Tentative plan for Regional and Local DMO establishment

6. ACTION PLAN

The ToRs did not include the action plan for Assignment 1, but only to “...*legal, institutional and functional requirements for DMO modalities (2-3) to be applicable and established in Armenia...*”.

As it is analysed in the sections above, the establishment of DMO shall be organized by the Ministry of Economy under the general provisions of the legislation, which regulate the issues of public procurements. Before developing the tender criteria and announcing it the legal content of DMO shall be clearly defined by the relevant legislation (the Law on Tourism in particular). The Advisory Board can be established later by the Order of the minister of Economy or the Decision of the Prime Minister.

The criteria for selection of the private company or non-profit organization is well-discussed in the relevant sections above. All specific issues concerning the preparation and implementation of public procurements, including the composition of ToR and accompanying documentation are the subject for ordinary procedures in the Ministry of Economy. The Tourism Committee shall be the main body within the Ministry of Economy to establish the criteria for establishing the DMOs, including setting the selection criteria, organization of Advisory Board meetings and general oversight.

As a result of the public procurement, the contract shall be signed between the Ministry of Economy and the outsourced company/organization defining all issues of the cooperation, including the role of the Tourism Committee, the Advisory Board and other structural bodies (Stakeholder committee or others) upon relevance. No additional legal amendments are required regulating the implementation of public procurements.

We however provide hereafter essential steps:

development in less developed regions or regions where no current DMOs are located. The choice shall descend from the broader national tourism strategy and objectives, whose formulation is out of scope of the present assignment.



1. Approval of the DMO institutional framework by the MoE, including its legal content;
2. Establishment of the Advisory Board by the Order of the minister of Economy or the Decision of the Prime Minister;
3. Definition and approval of criteria for selection of the private company or non-profit organization;
4. Definition of the Funding Agreement, along with strategic objectives and related KPIs, between the TC and each regional DMO;
5. Approval of a multi-year budget for DMO establishment:
 - a. Ca. 420,000 USD the 1st year to launch three regional DMOs (including Yerevan CVB);
 - b. Ca. 880,000 USD the 2nd year to include 4 more regional DMOs;
 - c. Ca. 1,300,000 USD the 3rd year to include the 4 remaining DMOs.
6. Launch of the tender and approval of the result of the public procurement;
7. Sign of the contract between the Ministry of Economy and the outsourced company/organization;
8. Year by year, organization of DMOs offices, with recruitment and training of the personnel;
9. Start-up of each DMO with establishment of the SC;
10. Local stakeholder engagement by each Regional DMO, according to clusters set by the TC, so as to promote (after the 6th year) the creation of Local DMO.

7. CONCLUSION

The current report is informed by key findings of Task 1 and includes also considerations from other tasks. These encompass, among the others, the issues that no single model of DMO exists worldwide, as DMO establishment follows each country's tourism history, level of tourism development, administrative regime, openness to private operator involvement, financing sources, available legal model. Armenia is also featured with several tourism niches, which suggests that DMOs should focus on peculiar objectives in each Marz and select its stakeholders accordingly.

Moreover, Armenia has also got experience of self-declared DMOs, which despite difficulties, encountered mainly for financial weaknesses, provides a platform of operators that are worth to be involved in the forthcoming process. Although at different degrees, such DMOs indeed acquired valuable experience in strategy formulation, tourism industry coordination, marketing and destination branding, digitalization and provision of tourism information which represent an asset to be accounted for. On the other hand, they lacked to perform some essential functions, such as broad destination and tourism products management and development, from a supply perspective, or training and capacity building, which require the involvement of the public sector. Covering such gap, while valorizing existing functions, represents a key objective for the new Armenian DMOs' model.

DMO policymaking considered several choices, namely about destinations, decentralization, institutional, organizational and regulatory features. Such aspects are considered on a six-year time horizon, which corresponds to two strategic-planning periods (each one corresponding to three years). The timeframe is conducive to the creation of marz level DMOs, with attention for local DMOs, postponed to the longer term, as they are supposed to flower from regional DMOs.

Following a widespread international trend, the proposed model assumes that a broad range of operational activities are decentralized to DMOs, with however national strategic planning and marketing, regulation and tax administration and some other relevant tasks maintained at the TC level. This is however supposed to steer, coordinate and control DMOs operations through committed boards. On the institutional and organizational level, various alternatives were considered, which coupled with regulatory considerations, brought to focus on three options, respectively with (1) DMOs established and operated as sub-divisions of the TC; (2) DMOs established as separate bodies and holding a status of state-owned Foundations; and (3) outsourcing DMO's delivery to private companies. The TC's choice was to adopt the third model,



with DMO contracted out to a private company (preferably and NGO), established at the regional level, usually (but not always) located in the capital city and running a Visitor Centre.

The governing body(s) will consist of a Board composed of participants from throughout the tourism value chain, public, private and non-profit. In the third modality (outsourcing model) the Board can have only ADVISORY functions. The existing boards can-not be dissolved and their functions cannot be changed as it is imperatively regulated by the existing legislation. It is however important that the state and regional tourism authorities are involved in the management process to ensure that the destination is being managed in a way that is sustainable, responsible, and beneficial for all stakeholders.

The Advisory Board can be established by the Order of the Minister of Economy. The TC can be the part of the Advisory Board with organizational and other relevant liabilities, which can be defined by the Ministerial Order on the establishment of the Board.

The private and non-profit company will be chosen according to a transparent and competitive selection process, following the development of a comprehensive Terms of Reference (TOR) outlining the selection criteria based – among the others - on qualifications, experience, and ability to manage the destination effectively and efficiently. It will stipulate a Funding Agreement with the TC, based on a 3+3 years' contract, which will define its strategic objectives, desired outcomes and related KPIs.

DMO funding sources will include various sources, starting from Government Funding, which should be decreasing over time; local government and municipalities funding; outsourced company's own funding sources; public funding from international support programs; concession fees for using public resources for specific tourism-related business activities (e.g. using cultural or natural heritage sites); membership fees; crowdfunding donations.

A minimum realistic figure should consider for the TC to contributing 100% to the initial investments, while having a decreasing contribution to operating costs (i.e. from 75% in the 1st year to 25% in the 6th year), so as to stimulate the development of revenue-generating activities. The degree of such contribution shall however be decided through the Funding Agreement.

Such Funding Agreement will define DMO's strategic objectives, desired outcomes and related KPIs. Strategic objectives will be framed through a three-year Strategic Plan which will be coupled with a one-year Action Plan. They will include National level objectives set by the TC, Regional and local level objectives that will be autonomously established by the DMO. Strategic objectives and related KPIs will be differentiated according to the typology of destination and to its life-cycle stage.

The board will also maintain control over the outsourced DMO functions in several ways including regular reporting, site visits and inspections, contractual provisions, oversight committee. The report also envisages specific actions to be implemented if the outsourced company as a DMO is not performing well.

It is assumed a smooth management structure which is held by an Executive Director, that operates through three functional departments: Marketing, Administration, and Product Development, with a Visitor Service Department present in case of running VCs. Other services (Legal, IT maintenance, Cleanings, etc.) are outsourced and managed by the Administration department. An average size of nine personnel is considered for running the DMO.

On average, initial investments for starting-up a new DMO are set at 35,000 USD, while yearly operating costs are estimated in the range from 114,000 USD (at the 1st year) to 180,400 USD (in the 6th year). Operating revenues will hopefully grow from the 1st year on, so as to balance growing expenditure expected to become fully operational.

With regard to existing DMOs, the report recommends that their cumulated experience, although yet not complete, does not go wasted. It would be therefore wise to valorize and integrate their potential rather than create completely new entities.



About DMOs' location, as already mentioned, it is suggested to establish Regional DMO in each Marz, running a regional Visitor Centre, starting with Lori, Shirak and Syunik, followed by Tavush, Vayots Dzor and Ararat/ Armavir, with the latter that can be operated by a unique DMO.



ANNEX – MODEL FOR LOCAL DMO

Strategic objectives

Strategic objectives of Local DMOs depends on specific circumstances. However, we suggest as a guidance, to implement tasks which were deployed at previous table 5, thus:

- Cooperating with the Regional DMO to ensure local marketing and destination branding, should specific locations/tourism products deserve it;
- Organize events and festivals or cooperate with private operators and NGOs involved in their promotion;
- Manage Visitor Centres with production and distribution of printed information and promotional materials.

A key activity, at the local level, which is consistent with general principles mentioned at § 2.5.1, will be to ensure the coordination of local stakeholders, while promoting local tourism ecosystem. Such actions, that we introduced and discussed in other reports, will be particularly conducive to the implementation of TC strategy about Cluster promotion.

We assume that, at the local level, the TC efforts will be channeled to achieve the establishment and successful implementation of Clusters reported at previous table 4. Although their strategy and organization is out of scope of the present Assignment, inputs provided in other reports might result useful, such as:

- Action plans to develop each niche, which can be matched with specific Cluster vocations (such as suggested already in previous table 4);
- Pilot tourism development/management strategies which were formulated at Task 3.

Legal and institutional requirements

As local circumstances are various and tourism clusters strategies shall adapt to them, structure should not be rigidly defined for the local DMOs.

Provided to be consistent with current legislation about the state and local administrative bodies, the Civic Code, Law on Non-Governmental organizations, Law on Foundations, Law on Limited Liability Companies and law on the Joint Stock Companies, including the possibility of Public Private Partnership (PPP), the total array of viable legal and institutional arrangements should be potentially taken into consideration, such as those described at previous Figure 1.

Public interventions should be higher at less developed-destinations, while leaving much room to private where these are strong and capable enough to sustain the effort (e.g. in Tatev).

Models envisaged for the tourism development/management strategies at Marmashen Monastery, Garni Symphony of Stones, Areni Community, Meghri might be taken as a guidance, but leaving room to other viable solutions as well.

Functional

Functions covered by local DMO should be consistent with local strategic objectives. Again, this can be broadly various according to each Cluster circumstances. Nevertheless, DMO organization should allow to implement key functions mentioned at § 4.2.1, by coordination with Regional DMOs, including:

- Local marketing and destination branding, should specific locations/tourism products market potential deserve it;
- Organizing events and festivals or cooperate with private operators and NGOs involved in their promotion;



– Managing Visitor Centres (VCs).

VCs will particularly play a key role as they will be the physical place which local stakeholders and visitors refer to. Ideally, there should be a VC for each Cluster. These should provide both back-office and front-office activities, including information delivery.

It is suggested to locate them in an attractive building, preferably inspired by and communicating local architecture and tradition and to include in them “Eco-Museum” functions. We mean, by such concept, a museum that is focused on the identity of the place, largely based on local participation and aiming to enhance the welfare and development of local communities. Such VCs would also encourage visitor spending, i.e. in the bookshop, such as the expenditure will be used to maintain the center and sustain the local economy.

Ecomuseums originated in France²³, with the term “éco” being a shortened form for “écologie”. They refer to a holistic interpretation of cultural heritage, in opposition to the focus on specific items and objects, as performed by traditional museums, with a strong emphasis on preservation of local community identity and traditions.

There are currently about 300 operating eco-museums in the world; with about 200 in Europe, mainly in France, Italy, Spain, and Poland²⁴. A developing country that has a wide network of eco-museums is Mexico, with these structures however much spread throughout all Latin America²⁵.

Financial

As institutional and organizational forms can vary substantially according to specific circumstances, it is not possible to provide a unique financial model for local DMOs.

As a general rule, public intervention and support should be higher in regions and local contexts which suffer from late tourism development, while it should not displace private investments where this is instead more available.

As the TC budget and Armenia public budget is necessarily limited, PPP and private interventions should be encouraged as much as possible, with public presence instrumental to motivate and ensure the steering of the DMO and keeping its objectives and actions consistent with broader tourism development strategies.

In any case, public financial transfers should respond to Funding Agreements and be constrained by Results-based approaches such as those foreseen at § 4.1.4 for Regional DMOs.

²³ The concept was developed by Georges Henri Rivière and Hugues de Varine, who coined the term “ecomusée” in 1971

²⁴ See for instance Davis, P. S. (1999). *Ecomuseums: A Sense of Place* (Leicester Museum Studies) Leicester University Press.

²⁵ See <https://www.museoscomunitarios.org/redes/paises/101-union-nacional-de-museos-comunitarios-y-ecomuseos-de-mexico-a-c>



ANNEX – MODEL FOR A CONVENTION AND VISITOR BUREAU

Strategic objectives

As discussed in Assignment 2.5 – Event Tourism, a Convention Bureau (CB) is a special organization that promotes the development and marketing of a destination to increase visitor numbers by focusing on the meeting, incentive, conference and exhibition (MICE) markets.

It is therefore a DMO focused on business tourism, which can co-exist in the same destination with other DMOs committed to leisure travel or can merge in a unique company by assigning such functions to separate organizational division. In such a case a “Convention and Visitor Bureau” (CVB) will be created.

In the case of Yerevan, it would be assigned the strategic objective of promoting, along with leisure tourism, the organization of convention and conference events in the city. It would help developing MICE tourism, particularly conferences, through coordinating the activities of members and representing them vis-à-vis the potential demand.

According to its Charter and decision of its partners, it might also consider to act as a conference organization company, although this role is usually left to specialized operators.

Key functions delivered

The Yerevan CVB will focus on MICE marketing and development, by:

- attracting meeting planners by placing adverts in trade journals, planning direct mail campaigns and running familiarization visits in order to win lucrative meetings, conventions and congresses;
- providing an accommodation booking service to delegates as well as a range of marketing support services to promote the events;
- connecting planners to relevant suppliers (e.g. business services, caterers, florists, etc.);
- providing help and advice on transport and within the destination.

The CVB will be especially helpful in the initial stages of planning. It will help to identify hotel and lodging facilities that meet business travel requirements, allowing to find out about the types of conference services available, entertainment options in the area, and restaurant and dining options. It will support the local hospitality and tourism industry while providing help to meeting planners and event organizers according to aspects such as the number of attendees, the length of the event, the type of meeting space needed, the transportation needs, the number of guest rooms, etc

In some case CVB do also operate the main convention and exhibition center. At Yerevan, this would coincide with Best Western Plus Congress Hotel, that should be included in the PPP.

Given the scope of competition for conventions and congresses, CVBs also usually offer a number of financial incentives to encourage bookings. This can range from providing discounts for delegates (accommodation, transport, entrance to attraction, etc.) to substantial support for the organization of the event (a subvention). This can take the form of discounted venue hire, a contribution to marketing costs, a company loan, the provision of an event (e.g. civic reception) or simply a donation²⁶.

The table reports determinants of CVB success, as they emerge from international researches²⁷.

Success Factor	Determinants
Networking	Government (local and/or national) Business leaders Academics Destination stakeholders (e.g. hoteliers, etc.)

²⁶ Rogers, T. and Davidson, R., 2015. *Marketing destinations and venues for conferences, conventions and business events*. Routledge.

²⁷ Delaney, E., 2021. Towards a Model of Convention Bureau Competitiveness. *Global Journal of Management and Business Research*, 21(F1), pp.27-36



Transparency	Destination information Venue finding & referral services Registration staffing Familiarization trips Accommodation booking service Attendance promotion Liason with the principal venue
Resources	Provision of subvention
Professionalism	Support with visa application

Table 16: Conceptual model of CVB competitiveness (with regard to MICE tourism)

Legal and institutional requirements

Most CBs are at least partially state funded which operate in accordance with the national business tourism policy²⁸.

Although the analysis of Convention Bureaus worldwide however shows a plethora of models, including the public one (see for instance Discover Durham in Assignment 1.1 – Comparative Analysis of DMOs)²⁹, in most cases, CBs are nonprofit organizations, created as partnership between the public and private sector³⁰.

Following discussion introduced at § 2.5.2.4, we therefore consider the application of PPP, as it commonly happens in other countries. Such model would allow to merge the public motivation to promote the destination towards an affluent market together with private operator willingness to market their business assets and accommodation.

We particularly suggest for the Yerevan CB to adopt the third model introduced at § 2.5.2.5 - *outsourcing of DMO delivery to private companies*, as it would ease private contribution to financing and managing, according to the PPP contract.

Functional

The Yerevan CB should couple the functions already foreseen for the Regional DMO in order to promote leisure tourism in the region with those necessary to attract MICE tourism and events.

It shall therefore adopt an organizational structure based on two divisions (leisure and business).

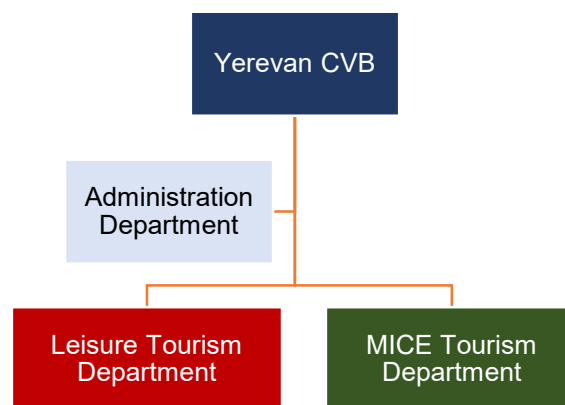


Figure 6: Yerevan CVB functional structure

²⁸ Reinhold, S., Beritelli, P. and Grünig, R., 2018. A business model typology for destination management organizations. *Tourism Review*.

²⁹ The choice much depends on the political and institutional history of each country, as well as on path dependence considerations, more than on aseptic efficiency assumption, that might not fit with local cultural patterns. About public-decision making see Buchanan, J.M. and Tollison, R.D. eds., 1984. *The Theory of public choice--II*. University of Michigan Press. About path dependence see Pierson, P., 2000. Increasing returns, path dependence, and the study of politics. *American political science review*, 94(2), pp.251-267

³⁰ Delaney, E., 2021. Op. cit.



The Leisure Tourism Department will operate according to the approach introduced at § 4.1.3, with some services, particularly Administration (Accounting, Procurement, HR, other outsourced services) shared with the Business Tourism Department.

The following table reports the Departments along with relative personnel. It is also assumed to engage volunteers for some activities, while ensuring gender equality.

Department	Personnel
Administration	4 FTE
Leisure Tourism Department	4 FTE
<i>of which Operations & Marketing</i>	<i>2 FTE</i>
<i>of which Product Development</i>	<i>2 FTE</i>
MICE Tourism Department	4 FTE
<i>of which Operations & Marketing</i>	<i>2 FTE</i>
<i>of which Product Development</i>	<i>2 FTE</i>

Table 17: CVB Departments and staff

Financial

CVBs that are usually funded by a mixture of membership fees, hotel and occupancy taxes, and allocations from regional and state governments.

As we highlighted, subventions, although disliked by industry professionals, are widely used, and represent a competitive tool that must be funded by the government³¹. A number of traditional conventions destinations offer subventions, including Vienna and Barcelona and there is much evidence of newer destinations such as Singapore, Jeju (South Korea) or Tallinn (Estonia) actively promoting their subvention fund as part of an aggressive campaign to win association congresses³².

In any case, CVBs services and resources are typically free for event planners, hospitality venues, corporations, and individual travelers. As already set for Regional DMOs, public financial transfers should respond to Funding Agreements and be constrained by Results-based approaches such as those foreseen at § 4.1.4.

Costs

Operational costs to be accounted for the running of the Yerevan CVBs do include costs already foreseen for the Regional DMO at § 4.1.5, once:

- Depreciation of investments, administrative costs and building occupancy costs are increased to include increased burden due to MICE tourism (we increase such costs by 25% as economy of scale and scope are considered);
- Direct MICE department personnel costs are added;
- Subvention costs are considered.

The table reports the total CVB operating costs, which is estimated on a 5-year life cycle.

Yearly Operating Costs	Starting - 1 st year (USD)	Fully Operational – 5 th year (USD)
Depreciation of investments	7,000	7,000
Personnel	108,800	153,120
Building occupancy	20,000	20,000
General and administrative	12,000	18,600
Marketing	18,000	25,000
Subventions	20,000	30,000
Total	185,800	253,720

Table 18: DMO yearly operating costs

³¹ Nolan, E., 2017. *Working with venues for events: A practical guide*. Routledge.

³² Delaney, E., 2021. Op. Cit



Revenues

Revenues include the ones already foreseen for the Regional DMO (initial endowment, yearly financial contribution from the TC, operating revenues from sales of merchandising at the Visitor Centre, Sponsorships and Donations, commission on tourism services sold by the DMO, etc.) plus membership fees and/or hotel and occupancy taxes.

The rationale should be that accommodation structures which benefit from

CVB operations should directly contribute to its financial sustainability by paying membership fees or a tourism tax. The latter would be preferable as it is directly linked to the business performance.

Action Plan

The steps necessary to establish the Yerevan CVB are synthesized here after.

- a) Creation of a steering committee involving key Yerevan tourism stakeholders, particularly congress centers, key hotel operators, professional congress organizer, business travel agents, key attractions;
- b) Formulation of a business plan which will define not only the CVB budget also revenue sources, with particular regard to membership fees and/or tourism taxes;
- c) Definition of the Funding Agreement, with decision about TC funds and provision of subvention funds;
- d) Establishment of the CVB, with organization of offices, recruitment and training of the personnel, which will operate according to the divisional structure mentioned at § 4.3.4;
- e) Start-up of the CVB.