



# CRIMEA ANALYTICAL BRIEF

Ukraine

Issue # 5, May 2010

**ISSUE FOCUS: Rural tourism perspectives in Crimea**

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## FACTS AT GLANCE\*

## CRIMEAN INDICATORS AND TRENDS

### ECONOMY

Gross Regional Product	Crimea: -13.3% in the first six months of 2009 compared to 1 half-year of 2008; Ukraine: -6.8% in 4Q 2009, -16% in 3Q 2009, -17.8% in Q2 2009, -20.2% in Q1 2009.
Inflation	6.6% for the period January-March 2010. Tempo is faster than in 2008 (5.7% for January-March 2009)
Industrial production (growth in percent)	15.5% increase for the period January-March 2010, compared to Jan.-March 2009
Agricultural production (growth in percent)	3.8% increase in the period January-March 2010, compared to Jan.-March 2009
Export of goods and services	631,688 thousand in Jan.-Dec. 2009; growth: -41.2% compared to Jan.-Dec. 2008
Foreign investments	718,383 thousand as for January 1, 2010; growth: 15.5% compared to 2009

### SOCIETY

Population	1,964,823 as for March 1, 2010; decrease by 0.1% or -1619 since 1 March 2009.
Demographic net balance (deaths-births)	-3.7 persons for 1000 in January-March 2010 (-4.2 in Jan.-March 2009)
Life expectancy (annual indicators)	68.95 years in 2007-2008; men – 62.17, women – 74.01
Employment	60.0% of population able to work in January-December 2009; compared to 60.2% in January-December 2008 (decrease by 13000 persons)
Average nominal wages	UAH 1836 as in March 2010; compared to 1565 in March 2009. Growth by 17.3% or UAH 271 per year
Unemployment (ILO methodology, annual)	6.8% of economically active population in January-December 2009, compared to 4.7% in January-December 2008 (increase by 20,800).
New housing	97,600 m2 in January-March 2010, increase by 53.7% compared to Jan.-March 2009
Tuberculosis (new diagnosis)	87.0 per 100,000 people in 2008, compared to 85.4 in 2007 and 85.1 in 2006; 1,706 new TB diagnoses in 2008 (1,678 in 2007);
HIV/AIDS (new diagnosis)	51.3 per 100,000 people in 2008, compared to 49.1 in 2007. 1005 new diagnoses in 2008 (964 in 2007, 805 in 2006)
Alcoholism (new diagnosis)	104 per 100,000 people in 2008, compared to 114 in 2007 (109 in 2006). 2,035 new diagnoses in 2008
Drug abuse (newly registered)	12.9 per 100,000 people in 2008, compared to 7.1 in 2007 (11.0 in 2006). 253 new diagnoses in 2008 (140 in 2007, 216 in 2006)

\* based on the latest statistics available as of May 2010. Source: Statistical bulletin "Social and economic condition of Crimea" May 2010 and Ukrainian Statistical Committee official website: <http://www.ukrstat.gov.ua/>

## FOCUS: RURAL TOURISM PERSPECTIVES IN CRIMEA

Crimea is a traditional beach tourism destination for holiday makers from CIS countries. For many years, the tourism sector has been dominated by spa and health resorts located in coastal areas. However, recent trends in recreation witness that three "traditional" S – sun, sea and sand – are increasingly replaced by three L – landscape, lore and leisure. Thus, diversification of services is needed to meet the increasing demand for culture- and nature-oriented, informative and educational recreation in quiet un-crowded areas of the peninsula. This particular demand can be met by rural tourism.

In October-November 2009, UNDP CIDP conducted a statistically representative study of current and prospective demand and supply for rural tourism in Crimea. A total of 1,340 respondents were surveyed (834 tourists in Ukraine, 305 rural tourists in Crimea, and 201 tourists from Simferopol); and 32 in-depth semi-structured interviews were performed with experts and owners of rural tourism facilities. The survey targeted urban residents who had travelled for touristic purposes for at least three days over the last year. Additional data were collected at a round table on rural tourism organized by UNDP CIDP in March 2010.

The research is part of the UNDP CIDP activity aimed at supporting the implementation of an effective Human Security and Development Monitoring System in the Autonomous Republic of Crimea. Generally regarded as an important factor of local human development, rural tourism provides, for instance, alternative income sources for disadvantaged and vulnerable rural populations, in particular women. Besides employment and economic opportunities it helps improve rural infrastructure, creates market for organic products, promotes education and cultural activities among rural population, and encourages the preservation of historical monuments and traditions. In many regions of the world, rural tourism development has brought about more environmentally responsible behaviours among local people.

### UNDP Crimea Integration and Development Programme

Operates since 1995  
Total investment of donor community since 1995:  
USD 28.8 million  
Total number of community projects supported (since 2002): 533

**Expert and support capacity:**  
30 full-time project staff

**Local partners:**  
ARC Verkhovna Rada

(regional parliament), ARC Council of Ministers (regional government), relevant ministries, district and local authorities and councils, NGOs

#### Areas of intervention:

- Social mobilisation
- Decentralization of public services
- Tolerance and whole-school approach
- Rural economic development models
- Strategic planning for rural districts

• Situation monitoring & early warning system

#### The CIDP Analytical Group

Formed in 2008, comprises 2 analysts and 2 research assistants  
Produces monthly, quarterly and annual monitoring reports, thematic reports, analytical briefs  
Supports Human Security Council under the ARC Verkhovna Rada  
Speaker

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# RURAL TOURISM PERSPECTIVES IN CRIMEA

by Kurtmolla Abdulganiyev ■

The tourism industry in the Autonomous Republic of Crimea (ARC), despite noteworthy decline in the 1990s, remains one of the most important sectors of the regional economy. 5 million tourists visited the peninsula in 2009, with 73.4% of Ukrainians, 23.5% of visitors from CIS countries, and merely 3.1% coming from other parts of the world.

Recreation in Crimea has traditionally been and remains primarily oriented towards sea-based, beach tourism, with specialized large hotels and sanatoria receiving the bulk of holiday makers. Although benefitting from tourist inflow, coastal areas have progressively become saturated while inland areas' touristic capacity remains underestimated. International experience show, that development of rural tourism in inland districts of Crimea would benefit local communities and redistribute incomes more equally, improve local infrastructure and environment, as well as diversify supply for customers looking for original tourist products.

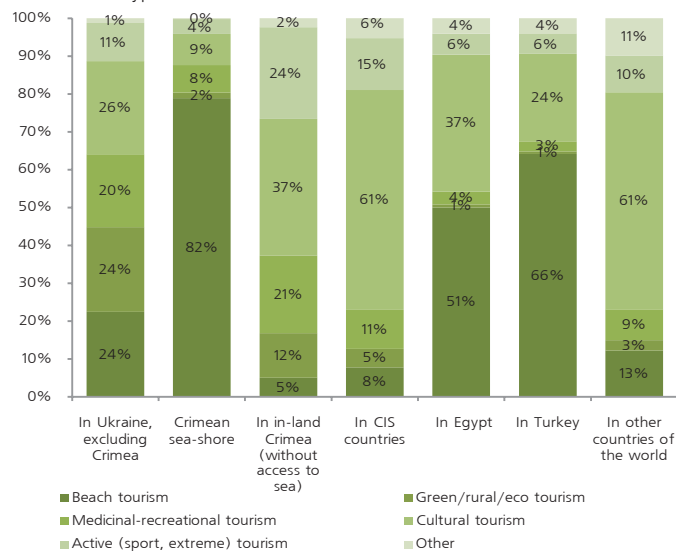
## CRIMEA ON THE MAP OF RURAL TOURISM

Rural tourism can be defined as recreation in rural territories, usually with overnight stay in country estates, private hotels or houses not belonging to visitors. This recreation entails being in contact with nature, as well as getting familiar with local life through hiking, excursions in the neighbourhood, entertainment and local food tasting.

The research carried out by UNDP intentionally excluded rural areas on the Black Sea coast, as well as medicinal, cultural, or active (sport or extreme) tourism, as their character and goals differ from the "classical" definition of rural tourism. At the same time, visits to donkey and ostrich farms, one-day hunting, and other similar services not requiring accommodation were included as they perfectly fall under "recreation in inland Crimea" category.

Crimea's rich nature and varied landscapes as well as cultural diversity and traditions marking the peninsula out of other Ukrainian regions offer multiple opportunities for interested holiday makers. However, most Ukrainians do not perceive inland Crimea as a rural tourism destination – only 12% consider it the best place for country estate recreation – while most see rural Crimea as a cultural tourism destination offering attractive historical monuments and sites (37%) and active tourism (24%).

Pic. 1. "Which type of recreation is best in various tourist destinations?"

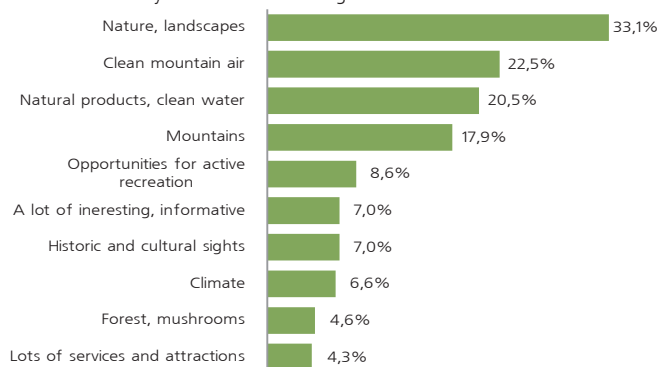


Source: UNDP CIDP survey, October-November 2009

\* Data do not sum to 100%, because respondents could choose more than one trip destination, or answer

Those who do come to spend their time and money in Crimean rural areas unsurprisingly focus on the natural values of the peninsula: unique landscapes, mountains, fresh air, and availability of natural food are regarded as the key competitive advantages of Crimea.

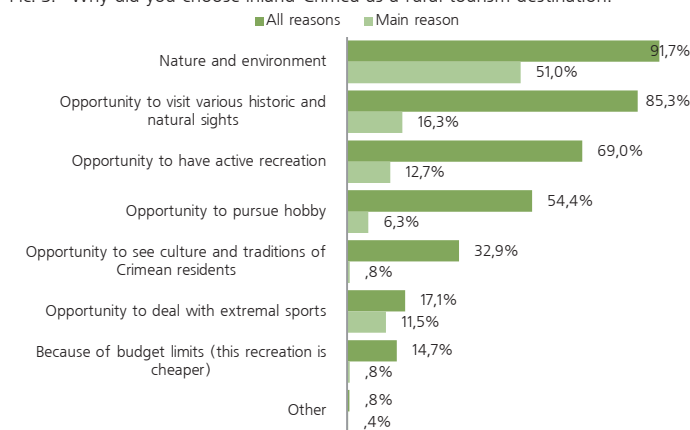
Pic. 2. "What do you think the advantages of rural tourism in Crimea are?"



Source: UNDP CIDP survey, October-November 2009

Natural environment is named among reasons for choosing Crimea as a place for rural tourism, alongside historic and natural sights visiting, active recreation and opportunities to pursue one's hobby, while leaving them far behind as the main reason.

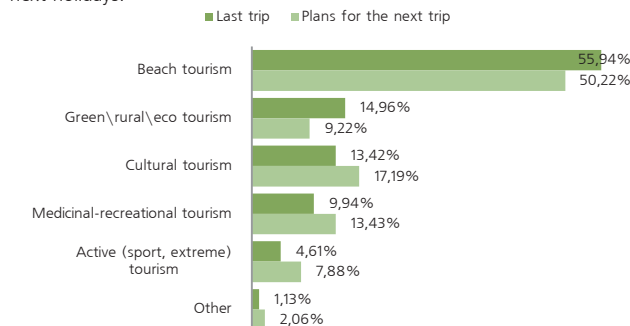
Pic. 3. "Why did you choose inland Crimea as a rural tourism destination?"



Source: UNDP CIDP survey, October-November 2009

Sociological surveys indicate that 45% of Ukrainian urban adult population (12.2m) have travelled at least once in the last 12 months for touristic purposes. The advantages highlighted above may eventually play in favour of redirecting these tourists to countryside recreation in Crimea, especially considering that Crimea as a whole attracts almost half of all in-country travellers: 55% of all visits were done in mainland Ukraine as compared to 46% at Crimea's coasts, with only 3% choosing rural Crimea. Ukrainian tourists generally preferred beach tourism (56%) while rural/green tourism came second (15%)\*

Pic. 4. "How did you spend your last vacations, and what are your plans for the next holidays?"



Source: UNDP CIDP survey, October-November 2009

Out of these 15% of Ukrainian rural tourists only 2.4% recurred to guesthouse stay in Crimea. However, 26% of all tourists (i.e. over a half of those coming to Crimean beaches) paid visits to natural or cultural sites in inland districts, and could be regarded as potential green tourists.

## RURAL TOURISM CUSTOMERS AND SERVICE PROVIDERS

So, who are these people travelling in Crimean countryside and resorting to bed-and-breakfast and other rural tourism services?

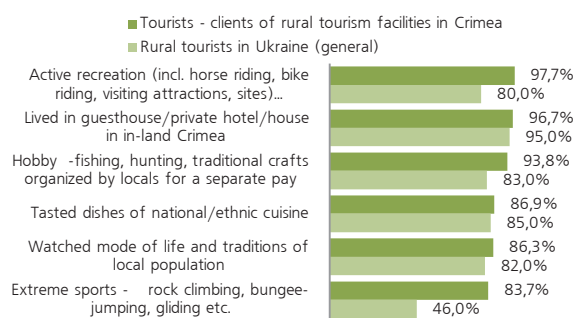
The research defines the target group mainly as urban young married middle-class residents of Southern and Eastern Ukraine. Rural tourists in Crimea are active people of 20-49 years old (79.7%), with an average or lower than average income (81.3%). Most of them come to spend their time with friends (56%) and family (32%). 58% of tourists live in big cities (oblast capitals), 20% in district capitals. Geographically, tourists come from Eastern oblasts (25%), Crimea itself (21%), and Southern oblasts (18%). Almost each fifth tourist is from Russia (19%). No correlation is established with gender.

The stay in inland territories is relatively short: 82% of the respondents stayed for 2-3 or 4-7 days. The most popular destinations are Bakhchisaraysky, Simferopolsky and Belogorsky districts as they are rich in beautiful mountains, landscapes and historical sites.

As to the services provided, the most called-for is serving of food; accommodation comes second. Besides food and housing, rural tourists predominantly use services linked to active recreation and attractions (hiking, excursions to sites, horse riding, etc) – 92%; 60% of respondents claim to have tasted local dishes, 46% got acquainted with local traditions, 32% pursued a hobby. The least resorted-to services include provision of transportation to hotels or nearest urban centres.

Despite a common belief about the low quality of services in Crimea, most respondents declared that their main service needs are well met by service providers. In fact, as rural tourism services are relatively cheap clients might believe that they “get the best for the price”: they are able to pay less, but also have lower quality expectations. This is also confirmed by the fact that, in choosing the place for recreation, holidaymakers are guided mainly by 1) price/quality ratio, 2) room availability, 3) in-house breakfast availability, 4) possibility to taste ethnic cuisine, and 5) opportunities for active pastime.

Pic. 5. Percentage of tourists satisfied with various type of recreation



Source: UNDP CIDP survey, October-November 2009

In any case, 97% of rural tourists declare to be satisfied with services and are loyal to the places where they stay; 95% will recommend the place they visited to their friends. This customer satisfaction and the consequent “hearsay” promotion are crucial for the sector: 69% of visitors find out about leisure opportunities from their friends, acquaintances and relatives. The second most important source of information on rural tourism is Internet (17%) although it is lagging far behind. Other sources are even less significant: they include TV (5.7%), tourism agencies (6.8%), newspapers (3.2%), and tourist guides (1.1%).

Good understanding of customers’ expectations and building loyalty relationships with clients are essential for service providers. The research confirms that tourist profile reported by service providers corresponds to the quantitative survey data. Most

guesthouse owners consider their employees’ and their own capacities (education, etc.) as appropriate for the services they provide. Moreover, 14 out of 22 owners of guesthouses stated that 50% of their clients are those who visit repeatedly.

In their efforts to develop business, rural tourism service providers also try to capitalise upon Crimea’s natural beauty and availability of historic and cultural sites, as well as the potential for active recreation. In this regard, they claim that the image of Crimea as a beach tourism destination exclusively hinders the development of recreation in inland areas.

Interestingly, many instances of partnership among service providers are present in the sector. The presence of one or two local competitors usually has no real impact on the success of the enterprise. Instead, it is often stated that relationships between entrepreneurs are based on partnership rather than fierce competition. For instance, the practice of interchange or referral of tourists is quite widespread among businesspersons.

## PROBLEMS AND PERSPECTIVES OF RURAL TOURISM

Even with some positive developments in the sector, rural tourism still remains rather a marginal activity while traditional imbalances between coastal and inland areas persist. Both governmental support and local inland communities’ or businesses’ initiative are necessary to alter this situation.

Thus, Crimean republican authorities have taken various steps to diversify tourism in the region and stimulate touristic services development, including that of rural recreation. The republican “Rural Green Tourism Development Programme 2007-2010” (RGTDP) was adopted by the Crimean Parliament in 2007. However, the Programme could not be implemented effectively due to insufficient financing.

Several districts designed and adopted their own programmes for rural tourism development. Still, they faced serious limitations while implementing these programmes due to the lack of resources and competent staff able to bolster quality change.

The Ministry of Resorts and Tourism, in its turn, took measures to increase the attractiveness of the recreation sector in Crimea, e.g. through support to Crimean Jazz Festival, establishing Wine Route, etc.

Meanwhile, no reliable statistics on rural tourism in the region exist today: the lack of data on enterprises and facilities, services provided, or the number of customers hampers effective planning and management of the sector. RGTDP numbers, for instance, 50 country estates (guesthouses) while unofficially a list of 133 facilities could be provided. In reality, experts estimate the number of bed-and-breakfasts, mini-hotels and various entertainment facilities as reaching thousands. This means that the sector is mainly operating in shadow economy.

The shady character of business is at least partially due to the lack of relevant legislation on rural tourism in Ukraine. Existing regulations often contradict each other, and in practice rural tourism services can only be provided as a full-fledged economic activity while in many European countries they are regarded as an addition to agricultural activities. Given the protractedness of registration, complicated reporting and financial requirements, pressure of tax offices and various controlling agencies, lack of necessary knowledge among rural population, and other factors, engaging into rural tourism activities becomes unfeasible for an average farmer.

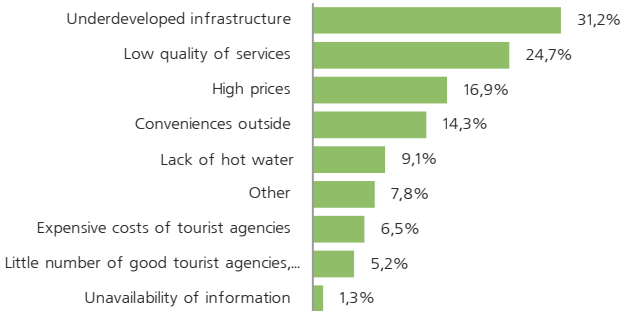
Experts also criticise Crimean authorities for not having adopted any integral policy to promote rural areas’ development. Environment and sustainable development factors, crucial for rural tourism, are often neglected when investment projects are approved.

Authorities could also engage more into promotion of rural tourism in Crimea. Currently, at all international tourism fairs Crimea is presented exclusively as a beach tourism destination: no rural recreation services are promoted. So far, neither the Ministry of

Resorts and Tourism nor the Association of Rural Tourism of Crimea has succeeded in establishing an operational - regularly updated and informative - website for the sector.

A number of weaknesses have also been highlighted on the supply side: there is no standardized certification for market players; despite the declared customer satisfaction, the quality of services often remains low due to lack of experience and client-oriented education of owners. As far as hotels and tourism facilities are concerned, clients are mostly pointing at the underdeveloped infrastructure (31%). Two other major disadvantages are low quality of services (25%) and high prices (17%). 14% of the clients specifically mentioned conveniences located outside the house (in the yard).

Pic. 6. The biggest weaknesses of rural tourism in Crimea.

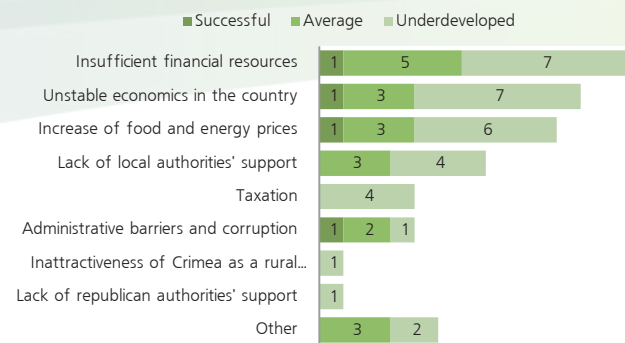


Source: UNDP CIDP survey, October-November 2009

Businesspersons, in their turn, refer to insufficient financial resources as the main barrier to development of rural tourism activities in Crimea. Economic situation, inflation and lack of local authorities' support are mentioned as well. It is worth noting that administrative barriers and corruption come last on the list of development constraints. This could indicate that businesspersons have learnt to deal with these barriers and perceive them as "solvable".

Regardless of these difficulties, the owners or rural touristic facilities noted positive dynamics in the sector. 16 respondents confirmed that new facilities and new services appear in rural areas. They also envisage that the whole market will grow dynamically (estimated 10% to 50%) in the nearest future. Government experts take a more moderate stance in this regard, but they also affirm

Pic.7. "What are the main barriers to your business development?"



Source: UNDP CIDP owners interviews, October-November 2009

that the market is attractive and will not shrink in the foreseeable future.

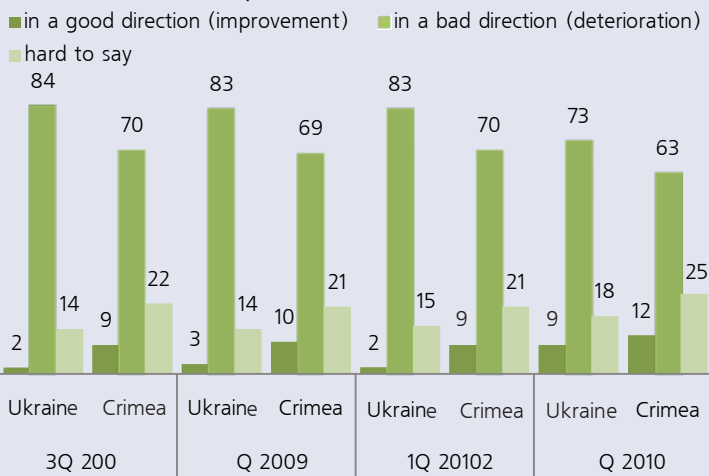
These expectations are largely linked with tourists who traditionally come to the Black Sea coasts but could also be enticed into spending time in rural areas. Besides its beautiful nature and landscapes able to attract current beach holiday makers, inland Crimea can already offer them developed infrastructure for mountain tourism with established itineraries and maps, visits to historical monuments and sites which cannot fail to be of interest to inquisitive vacationers, cultural diversity to be built on for visitors interested in local traditions, cultures and cuisine.

However, steps need to be taken to expand the number of services available and the quality of those already provided, in order to attract wealthier or more exigent customer from the South or West coast.

It is also important to develop infrastructure and better advertise rural tourism opportunities without excessive repercussion on recreation prices. Today, rural tourism services in Crimea remain price-competitive if compared to similar destinations in Ukraine. Combined with better services standards, more developed infrastructure and proper support at the level of regional policies, pricing advantages could stimulate a considerable inflow of customers into Crimean rural tourism sector.

**QUESTIONS OR COMMENTS ON THIS ARTICLE CAN BE SENT TO: [kurtmolla@undp.crimea.ua](mailto:kurtmolla@undp.crimea.ua)**

**In your opinion the situation in Crimea / Ukraine develops: (in %)**



Source: Results of UNDP CIDP public opinion polls conducted within Human Security and Development Monitoring System (August 2009, December 2009, February 2010, May 2010).

The presidential elections held in January and February 2010, which led to the election of Victor Yanukovich to the post, changed the sentiment of Crimean population (which overwhelmingly – 78.24% of votes in the 2nd round of elections - supported the programme of this candidate) towards the situation in Crimea and Ukraine. The share of respondents who think that the situation in Ukraine is improving jumped from 2-3% to 9%, and in Crimea from 9% to 12%. The previously observed divergence in assessing the situation in Ukraine and Crimea is diminishing. Answers also show an increased support or at least high expectations from the new President and the Cabinet of Ministers. For instance, the number of respondents who do not trust the President dropped from 72% to 62%, and the number of those who trust increased from 14% (in Q3 2009) to 22% (in Q2 2010). In May 2010, respondents chose "hard to say" option more often, probably waiting for concrete steps of the new President and government.

**ANNOUNCEMENT**

UNDP CIDP has prepared a report "Problems of Solid Wastes Utilization in AR Crimea – public repercussions and perspectives". The next issue of the Analytical Brief will focus on public and expert perceptions of solid wastes utilisation problems in Crimea. Expected date of publication: August 2010