

CHAPTER: #3

DILIJAN CLUSTER INVESTMENT PORTFOLIO SELECTION CRITERIA

INTRODUCTION

The Government of Armenia has received funds from the World Bank towards the cost of a Local Economy and Infrastructure Development project.

In relation to Dilijan, the project seeks to focus on cluster investments that outline a growth trajectory that assures sustainable and inclusive development, capitalizes on the cultural and natural assets of the destination and that drive high value tourism product creation.

The objective of this study is to craft a compelling vision for the Dilijan tourism cluster as a vibrant and sustainable destination and review a prioritized portfolio of investments that will effectively bring the vision to fruition.

Building on the established Tourism Cluster Vision for Dilijan, this section presents selection criteria that will guide investment decisions. These criteria balance project-specific alignment with the vision while satisfying broader sector standards and investor expectations.



DILIJAN TOURISM CLUSTER VISION THEME

“A Hybrid Destination for Wellness, Nature and Culture”

The Dilijan Tourism Cluster envisions the creation of a **Hybrid Ecosystem** that integrates wellness, nature, culture, gastronomy and adventure into a cohesive tourism experience to cater to a wide variety of visitors seeking mental, emotional, and spiritual rejuvenation alongside physical well-being.

Dilijan, nestled within the Dilijan National Park, aims to become a **world-class sustainable destination**, celebrated for its natural beauty, cultural richness, and holistic wellness practices.



VISION-BASED SELECTION CRITERIA

Core aspects of this cluster concept vision, which should be reflected in the selection criteria for potential investments, are set out below.

Nature and Adventure

Dilijan's pristine landscapes and biodiversity are central to its appeal, offering activities such as hiking, birdwatching, and eco-tourism. The goal is to capitalize on its status as Armenia's "Little Switzerland" by developing outdoor experiences that attract adventure seekers and nature lovers.

Cultural and Historical Heritage

Dilijan's architectural legacy and proximity to significant cultural sites, along with its long-standing celebration of the arts, are core components of its tourism offering. Efforts will focus on preserving and promoting these assets, and this commitment, while integrating them into the broader tourism experience.

Wellness and Slow Living:

Dilijan aims to evolve into a leading wellness destination, tapping into the global trend for holistic, wellness-focused tourism. Its tranquil environment, mild climate, and therapeutic landscapes make it ideal for wellness retreats, spa tourism, and slow-living experiences that encourage longer stays.

Environmental and Social Responsibility

The cluster's development will be guided by sustainable tourism practices that respect the local environment and community.

The vision emphasizes fostering local produce, crafts, and culture, ensuring that tourism growth benefits residents and maintains Dilijan's unique charm.

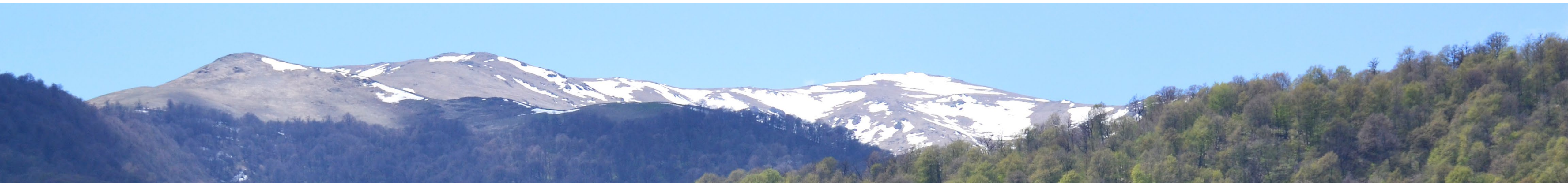
Tourism Product Diversification

Beyond its natural beauty, the strategy includes developing niche markets like gastronomic tourism, eco-tourism, and cultural events, positioning Dilijan as a year-round destination.

Creativity and Education

The vision includes establishing Dilijan as an intellectual and cultural center, supported by institutions like UWC Dilijan.

This fosters a creative atmosphere through arts and crafts festivals, educational tourism, and residencies for artists and thinkers.



VISION-BASED SELECTION CRITERIA

Selection criteria aligned with the Dilijan Cluster Concept Vision Theme are articulated as follow:

Does the potential investment opportunity.....

- 1) *...contribute towards a **hybrid destination** for wholeness?*
i.e. does it offer a harmonious balance of nature & manmade?
- 2) *...support **creative & educational** forms of tourist engagement?*
i.e. will tourists and visitors learn something or be inspired?
- 3) *...promote a **sustainable** mission and the values of sustainability?*
i.e. does it preserve natural, cultural and social heritage?
- 4) *...add to the **diversification** of tourism offerings?*
i.e. does it consider adventure, gastro, eco and/or agrotourism?
- 5) *...advocate for **wellness and slow living**?*
i.e. does it offer nature-based and artistic-based therapeutic regeneration?
- 6) *...enhance Dilijan's position as the **hub** to all of Tavush?*
i.e. will it draw visitors to stay longer, while connecting them regionally?



INVESTMENT PORTFOLIO SELECTION CRITERIA

Incorporating the vision-based selection criteria along with other relevant evaluation considerations, we set out below a long list of Investment Portfolio Selection Criteria for consideration, grouped by theme.

DESTINATION APPEAL / VISION	Will contribute towards a hybrid destination for wholeness
	Supports creative & educational forms of touristic engagement
	Uniqueness and innovation in offerings
	Integrates with local culture and heritage
	Advocates for wellness and a slow living philosophy
	Strengthens the destinations ‘sense of place’
	Is of a scale that is appropriate to the destination
	Contributes to the diversification of the tourism offer
	Has potential to become a signature attraction for Dilijan

SUSTAINABILITY	Promotes social sustainability and eco-friendly design
	Will have a positive impact on local community life (social sustainability)
	Offers potential for community involvement and benefit
	Contributes to improvement in local infrastructure
	Offers job creation potential, especially for local community
	Revenue generation potential for local community
	Enhances natural assets of the destination
	Enhances the cultural & historical assets of the destination
	Enhances the existing urban assets of the destination

Note: Criteria in blue align with the Dilijan Tourism Cluster Concept referenced previously.

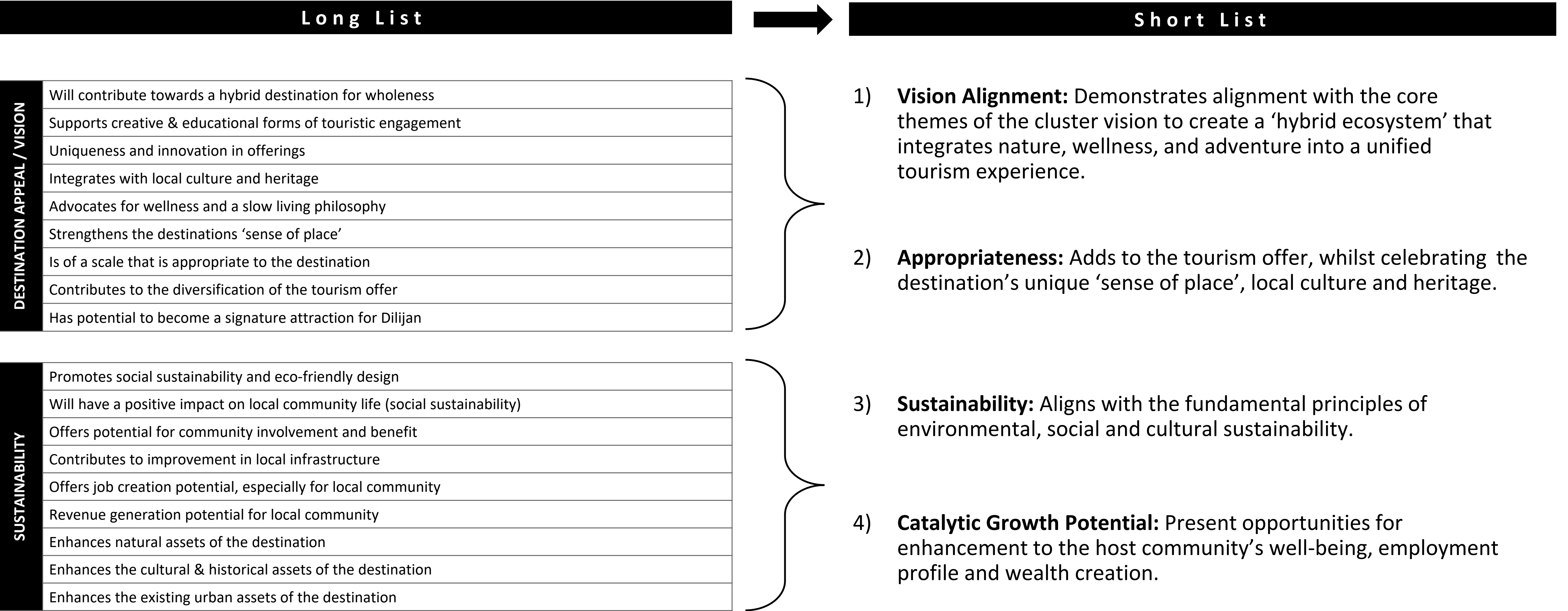
ACCESSIBILITY / CONNECTIVITY	Enhances visitor access to overall cluster
	Strengthens Dilijan’s focus as a hub for all of Tavush
	Positive impact on need for improved perceived city centre
	Integrates with existing transport infrastructure
	Offers potential for creating new access points to under-utilised areas
	Considers requirement for diverse mobility needs (walking, cycling, public transport)
	Proximity to ‘centre’ of Dilijan (strengthens core)

MARKET ALIGNMENT	Demonstrates alignment with global tourism trends
	Appeal to domestic market profiles/personas
	Appeal to diaspora market profiles/personas
	Appeal to international market profiles/personas
	Offers potential for year-round appeal
	Potential to attract day-trip demand
	Aligns with market growth potential and offers scalability

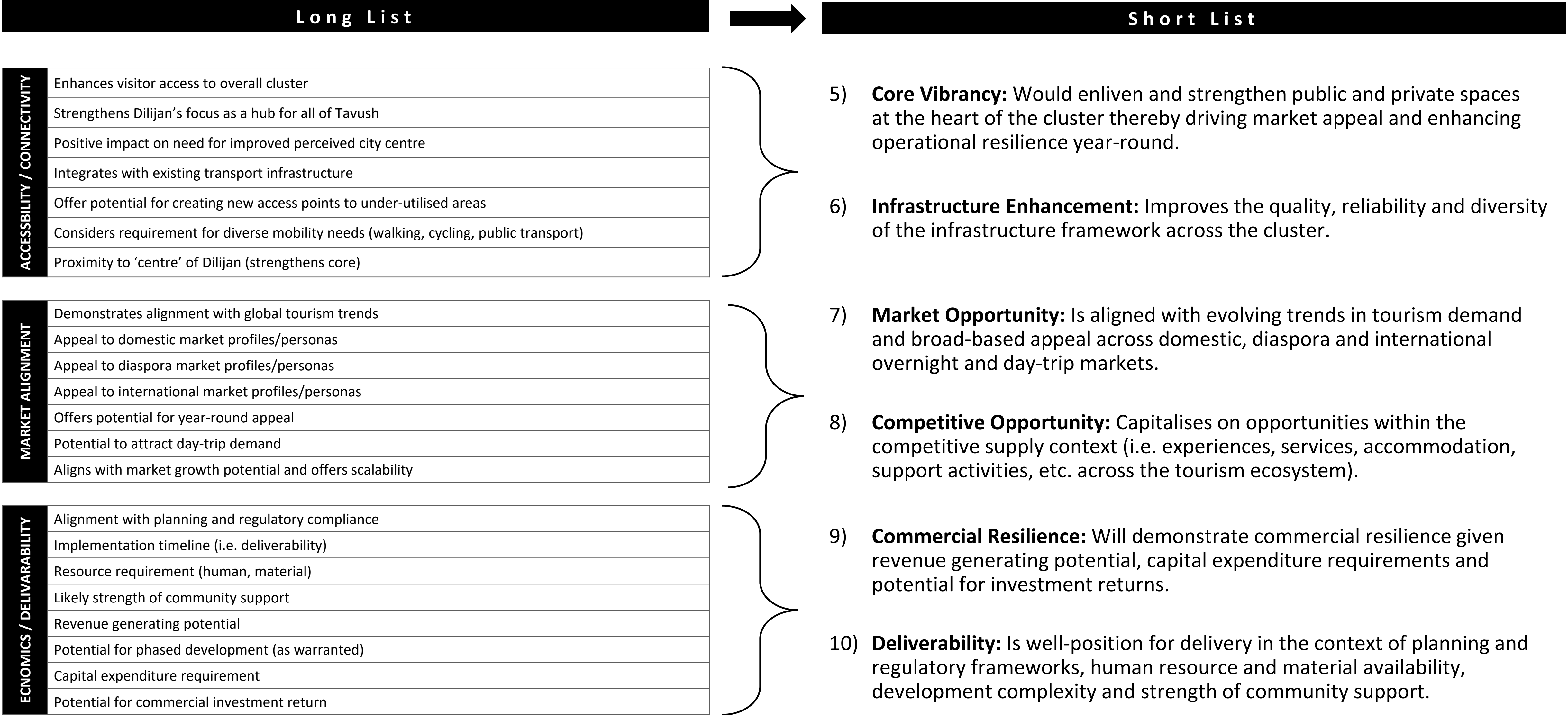
ECNOMICS / DELIVARABILITY	Alignment with planning and regulatory compliance
	Implementation timeline (i.e. deliverability)
	Resource requirement (human, material)
	Likely strength of community support
	Revenue generating potential
	Potential for phased development (as warranted)
	Capital expenditure requirement
	Potential for commercial investment return

INVESTMENT PORTFOLIO SELECTION CRITERIA

The core themes and takeaways from the long list have been consolidated into a more focused and manageable short list comprising 10 criteria, as outlined below.



INVESTMENT PORTFOLIO SELECTION CRITERIA



INVESTMENT PORTFOLIO SELECTION CRITERIA

Investment Portfolio Review: Methodology

A two-stage process will be applied to the investment portfolio selection process through a matrix appraisal:

- 1) The first stage of the process will involve an **unweighted** comparative assessment of the investment opportunities, with each criteria considered on a scale of 1 to 5, with 1 representing a low score and 5 representing a high score.
- 2) The second stage of the process will involve the application of comparative **weighting** (agreed in advance with the client group) and applied to each selection criteria. The application of a weighting coefficient recognises that some of the selection criteria will be considered of greater relevant importance to other criteria.

The application of the weighting will derive a comparative score and ranking for each investment opportunity within the portfolio, which will support consideration of strategic planning and project prioritisation in both the short and long-term.

In the next section we profile the investment portfolio for review, against which the selection criteria are then applied in a later section of the document.

Consolidated Short-List of Selection Criteria

- 1) **Vision Alignment:** Demonstrates alignment with the core themes of the cluster vision to create a ‘hybrid ecosystem’ that integrates nature, wellness, and adventure into a unified tourism experience.
- 2) **Appropriateness:** Adds to the tourism offer, whilst celebrating the destination’s unique ‘sense of place’, local culture and heritage.
- 3) **Sustainability:** Aligns with the fundamental principles of environmental, social and cultural sustainability.
- 4) **Catalytic Growth Potential:** Present opportunities for enhancement to the host community’s well-being, employment profile and wealth creation.
- 5) **Core Vibrancy:** Would enliven and strengthen public and private spaces at the heart of the cluster thereby driving market appeal and enhancing operational resilience year-round.
- 6) **Infrastructure Enhancement:** Improves the quality, reliability and diversity of the infrastructure framework across the cluster.
- 7) **Market Opportunity:** Is well aligned with evolving trends in tourism demand and broad-based appeal across domestic, diaspora and international overnight and day-trip markets.
- 8) **Competitive Opportunity:** Capitalises on opportunities within the competitive supply context (i.e. experiences, services, accommodation, support activities, etc. across the tourism ecosystem).
- 9) **Commercial Resilience:** Will likely demonstrate commercial resilience given revenue generating potential, capital expenditure requirements and potential investment return.
- 10) **Deliverability:** Is well-positioned for delivery in the context of planning and regulatory frameworks, human resource and material availability, development complexity and strength of community support.

CHAPTER: # 4

DILIJAN CLUSTER FEASIBILITY STUDY OF INVESTMENT PROPOSALS

INTRODUCTION

The ambition of this study is to seek priority cluster investments that present opportunities for economic growth and infrastructure development in Dilijan that are both sustainable and inclusive, and that capitalise on the cultural and natural assets of the destination.

The Terms of Reference for this study suggests that these should be aimed at “enlivening public and private spaces, breathing new life into structures and streetscapes, bolstering local business viability and enhancing public safety”.

The following section explores the overall feasibility of potential investments that have been proposed by local investors and developers; and these are supplemented by suggested initiatives proposed for considerations by the study team, aligned with the Dilijan cluster theme of ‘Nature & Culture’ and the Vision Theme outlined previously:

“A Hybrid Destination for Wellness, Nature and Culture”



APPROACH

A key output from this study will be the prioritization of a portfolio of potential cluster investments. As the next step towards this goal, the following section provides a standardized feasibility review of proposed investment initiatives.

For each proposal we provide a synopsis of the following information:

- High-level descriptive overview
- Rationale for consideration
- Indicative operating model
- Investment proposal
- Targeted outcomes
- Stakeholder group profile and management
- Market demand profile
- Commercial performance considerations
- Impact value chain
- Environmental and social impact considerations
- Investment risk and mitigation measures
- Investment portfolio selection rating (unweighted)
- Consultant's comment



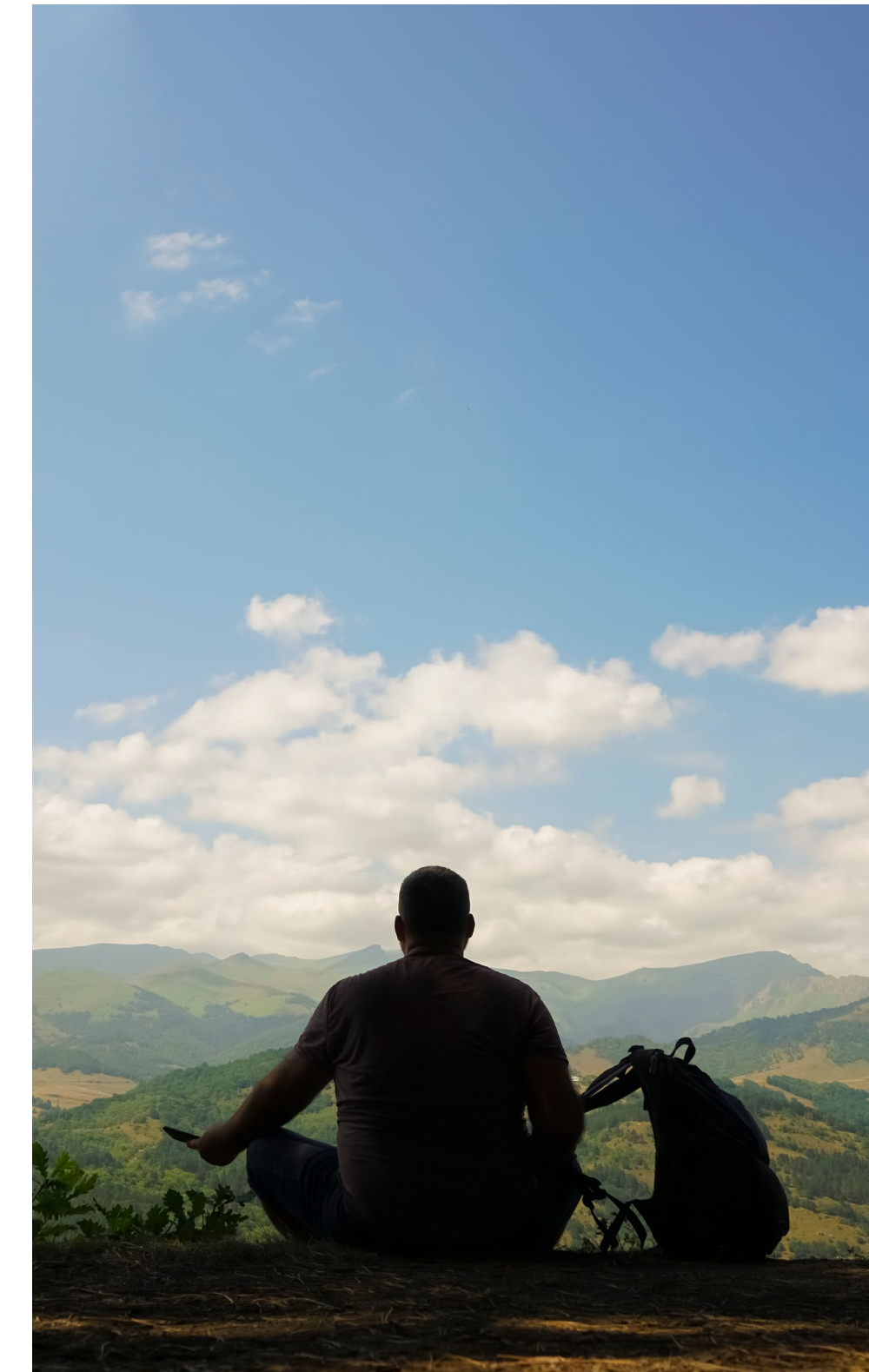
Tufenkian Old Dilijan Complex

APPROACH

In relation to the sustainability specifically, each review is considered in the light of the European Union Taxonomy of Sustainable Activities; which provides a qualification framework for sustainable economic activity.

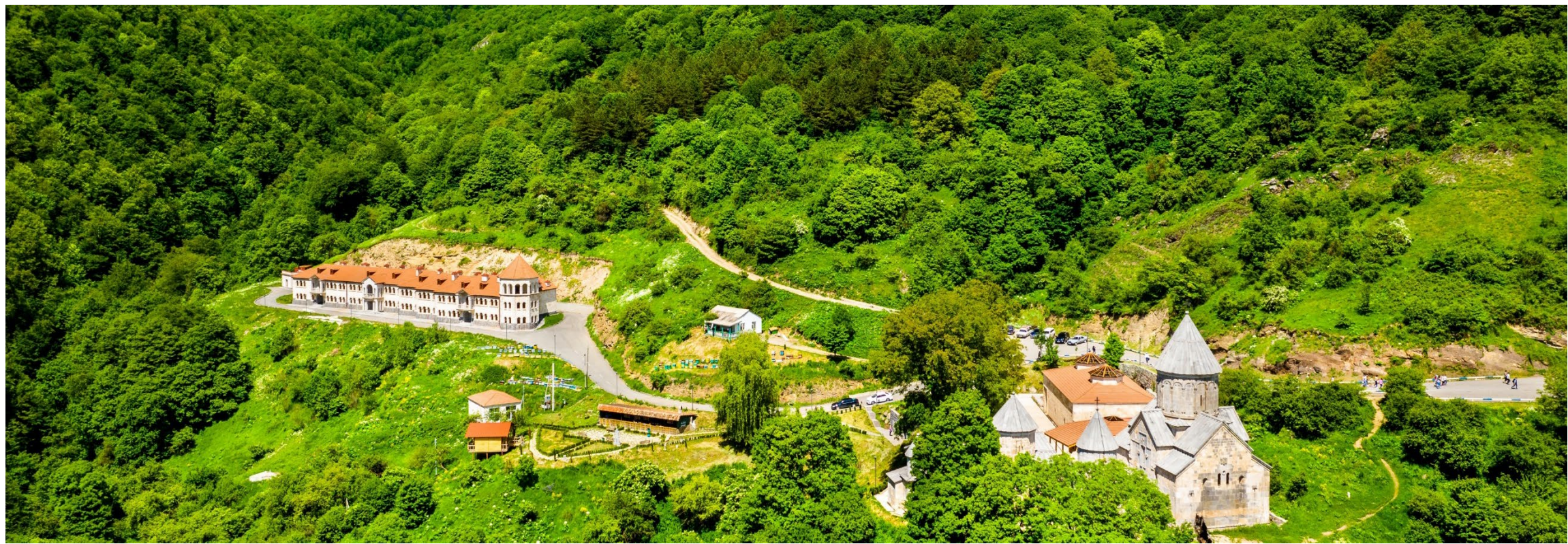
The taxonomy is a tool designed to help potential investors, companies and project promoters to identify activities that make a substantial contribution to climate mitigation, adaption and other environmental objectives while avoiding significant harm to other goals. The ambition is that project objectives should substantially contribute to at least one of the following six environmental objectives whilst at the same time not resulting in significant harm to any of the other five objectives listed:

1. Climate change mitigation
2. Climate change adaption
3. Sustainable and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems



As part of the feasibility review process, each of the proposed investment initiatives is considered through the lens of this taxonomy.

INVESTMENT PORTFOLIO



The portfolio includes five proposals that have been submitted to the Tourism Committee for consideration and five proposals from the study team, as set out below and located on the map.



Dilijan Local Area Context



Dilijan Area Context

- Third Party Investment Proposal Submissions:
- 1. Dilijan City Park
 - 2. Khanjyan Villa Restoration
 - 3. Tonino Guerra Park & Gallery
 - 4. Beethoven Concert Hall Renovation
 - 5. Amper Creative Peak (Ropeway & Moment Factory)
- Additional Investment Proposals
- 6. Local Lore Museum
 - 7. Regenerative Tourism Strategy (all Dilijan)
 - 8. Festival & Events Programme (all Dilijan)
 - 9. Dilijan Pedestrian Corridor

INVESTMENT PORTFOLIO

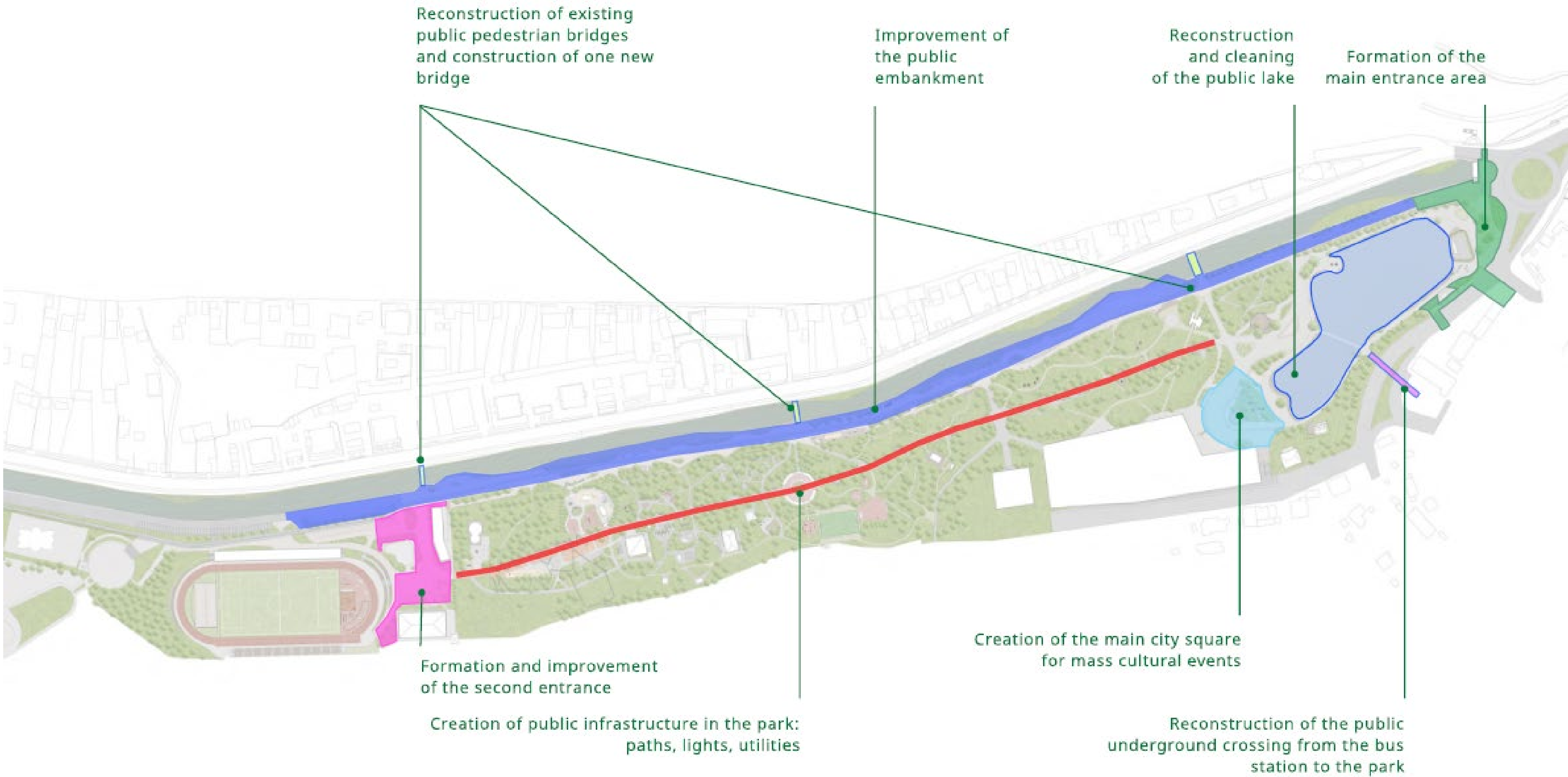
Title: Dilijan City Park Development
Proposing Entity: Tourism & Urban Foundation (TUF)



INVESTMENT PORTFOLIO

Title: Dilijan City Park Development
Proposing Entity: Tourism & Urban Foundation (TUF)

PRIVATE PUBLIC PARTNERSHIP PROJECTS



INVESTMENT PORTFOLIO

Title: Dilijan City Park Development

Proposing Entity: Tourism & Urban Foundation (TUF)

Precedent Imagery



INVESTMENT PORTFOLIO

Title: Dilijan City Park Development
Proposing Entity: Tourism & Urban Foundation (TUF)

Descriptive Overview

The City Park development project centres on Dilijan's main urban park, situated along the Aghstev River between the city's primary roundabout to the east, and the Fallen Soviet Soldiers of WWII Monument to the west. The proposal aims to revitalise this existing 'central' green space into a vibrant tourism and community hub, and recreation area.

TUF believes the project will enhance the city's natural and cultural offerings through improved accessibility, new recreational zones, a pedestrian-friendly transformation of Tsaturyan Street, and more.

The comprehensive plan includes upgrading the park's entrance, converting the poorly maintained road between the park and the river into a pedestrian only river walk, improving river water quality, and rebuilding the sports complex/stadium (though this is excluded from this appraisal).

Rationale for Consideration

Including the City Park project in the tourism cluster vision has the potential to enhance Dilijan's appeal by maximising its existing central green space into a vibrant hub not only for tourists but for the wider community. Featuring green space, outdoor fitness and leisure activities, along with improving river water quality, aligns with both ecological and social sustainable tourism goals.

Dilijan suffers from lack of a perceived centre, the park being close to the roundabout and Dilijan’s “entrance”, in addition to it containing the Dilijan Tourist Information Centre, presents the opportunity to connect significant landmarks, making it an ideal focal point to attract tourists and integrate with other regional attractions, thereby strengthening the overall tourism offering.

Indicative Operating Model

The proposal from TUF splits investment between public and private sectors, with public funds covering basic infrastructure investment while private partners manage operations, specialized facilities, and ongoing development.

Investment Proposal

The fully articulated proposal indicates a total project cost of US\$14.0mn, comprising US\$6.5mn of private investment (which includes a reported figure of US\$3.9mn invested between 2012 and 2023, with a further US\$2.6mn to be invested) and US\$7.5mn of public investment in park infrastructure, lake enhancement, creation of events square, park entrance enhancements and landscaping. An independent review of the CapEx requirement suggests that a figure of \$12mn to \$16mn might be a more realistic development cost estimate.

Targeted Outcomes

Envisaged future outcomes referenced in the submission include helping to extend tourist stays from 1 to 3 days, growing annual visitors to the park from 20,000 to 100,000, and creating 50 new jobs. Through improved infrastructure, environmental quality, and inclusive community spaces, the project seeks to enhance the quality of life for residents while strengthening its tourism potential.

Key Stakeholder Groups

The proposing entity for this initiative comprises the Dilijan Development Foundation and the DIS Properties Foundation, backed by the IDeA Charitable Foundation. Other stakeholders involved in the development of proposal include local citizens (606 were involved in community engagements, focus groups, etc.), local businesses and merchants, and users of the sports facilities at the western perimeter of the park.

INVESTMENT PORTFOLIO

Title: Dilijan City Park Development
Proposing Entity: Tourism & Urban Foundation (TUF)

Stakeholder Management Plan

The Power / Interest management grid is designed to help project managers to categorize stakeholders and create effective communication strategies for each category involved with the initiative. This grid groups stakeholders according to their level of authority (power) and their anticipated level of interest/concern regarding the outcome.

P O W E R	High	Keep Satisfied - Govt ministries - Financing groups	Manage Closely - Proposing entity - Tourism Committee - Local authority groups - Park-based businesses
	Low	Monitor - National population - Visitor markets	Keep Informed - World Bank team - Local community - Site Neighbours
		Low	High
		INTEREST	

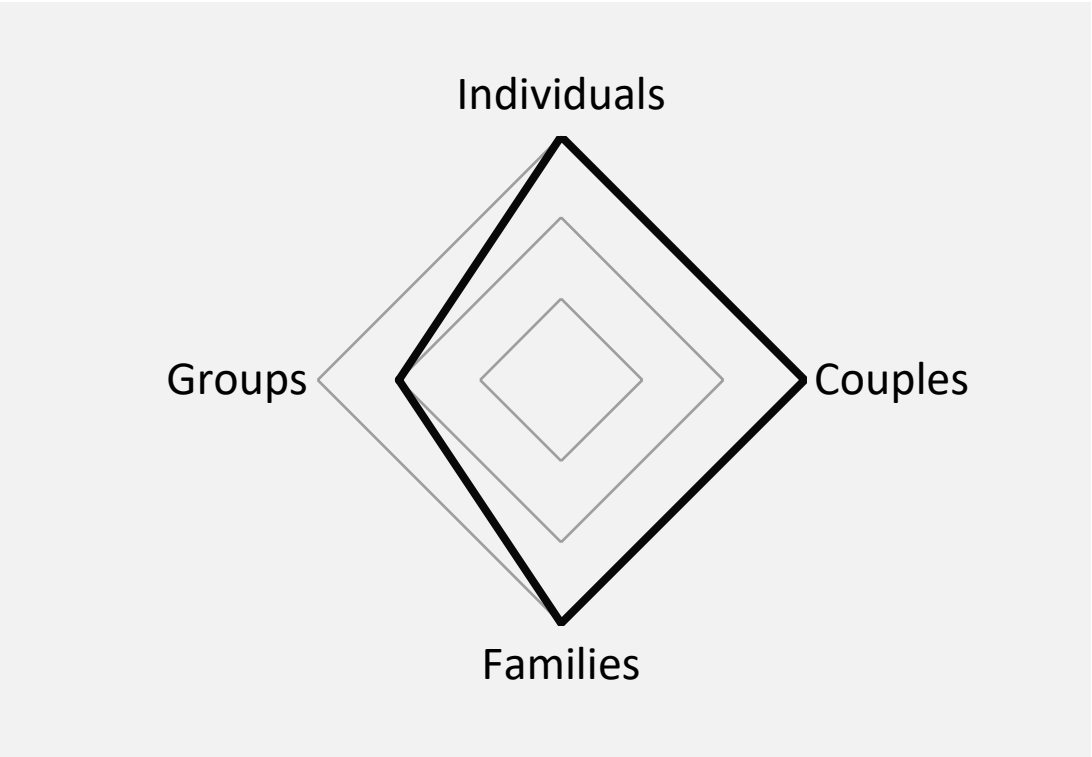
In the case of the Dilijan City Park, which is already a well-used asset for the local community, it is inevitable that a broad cross-section of Dilijan residents will show an interest in the plans, project works and the profile of future operations.

It will be vital to keep people well-informed about the proposals in advance of work and then regularly updated along the way. The funding and national authority groups must also be closely involved throughout the process.

Market Demand Profile

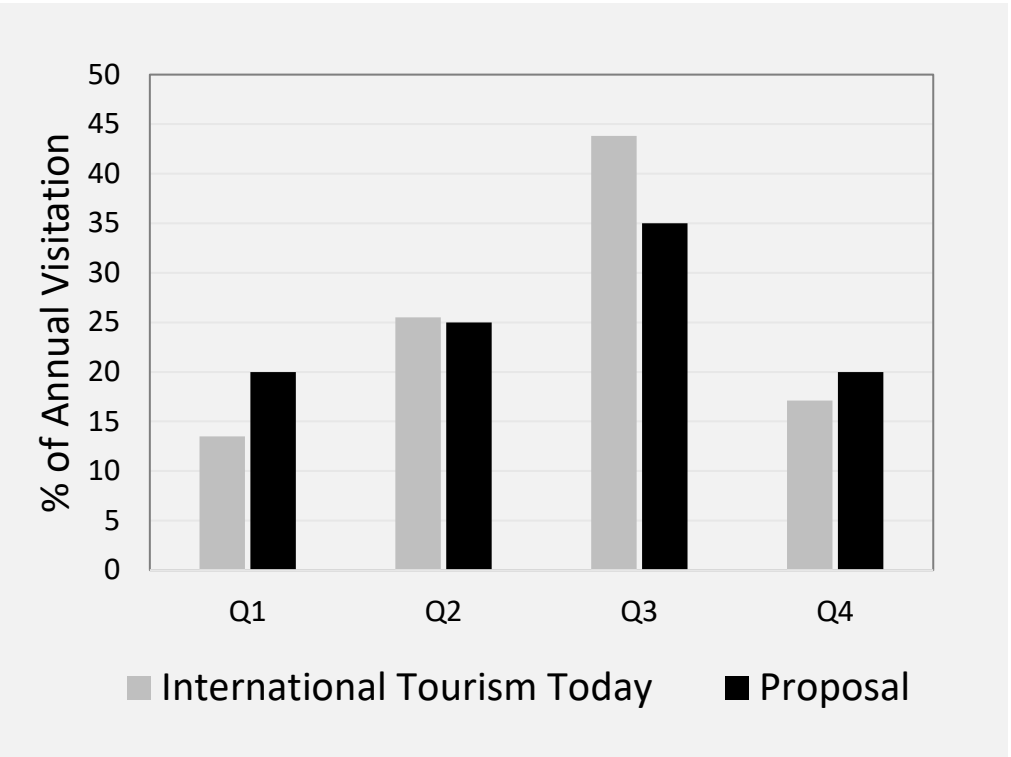
The investment initiative to enhance a public park in Dilijan will generate substantial, and broad potential market appeal as it seeks to enhance a versatile, multi-functional space that caters to diverse community needs and visitor interests. Given Dilijan's growing reputation as a cultural and eco-tourism hub, the park can serve as a dynamic canvas for a variety of activities, from outdoor recreation and wellness programs to educational workshops, cultural festivals, and nature-based tourism activities.

Group Composition



The park will have a strong breadth of appeal across all group compositions given the range of potential activities supported. This breadth of appeal will help to stimulate economic activity both in and around the perimeter of the park.

Seasonality of Demand



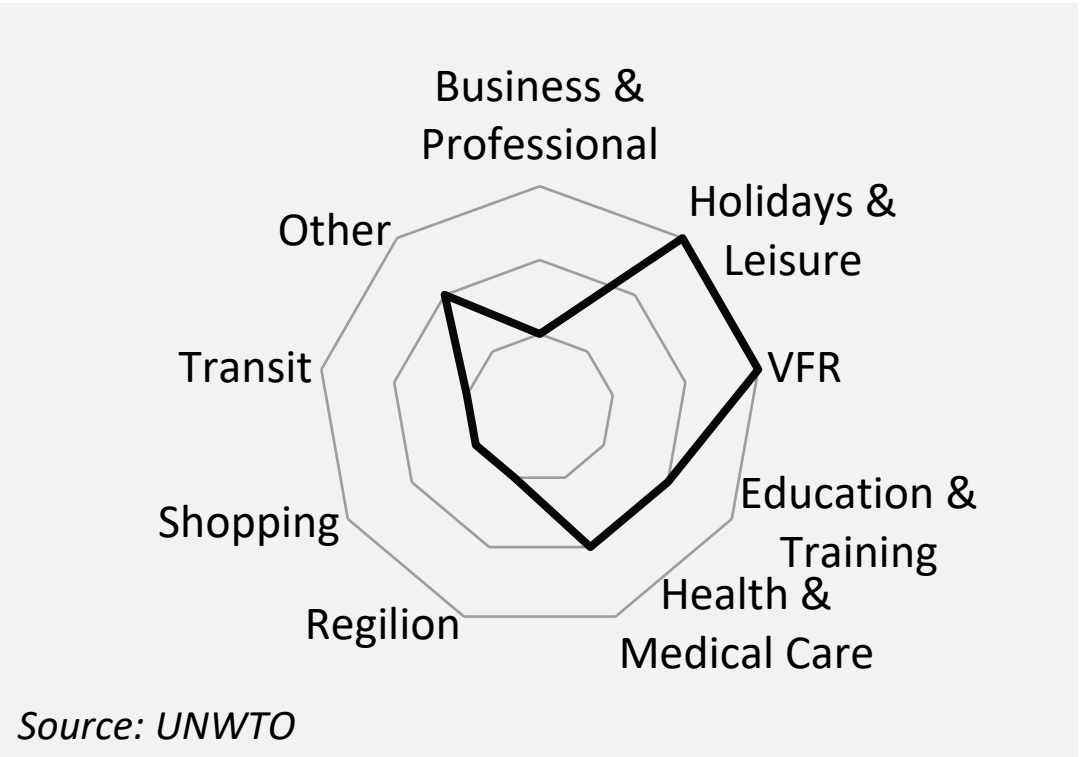
With proactive programming, the park should have the ability to attract visitors year-round, though the focus will likely remain during the main summer months.

Source of Demand



The park will appeal to a diverse range of source markets, satisfying both a more casual use profile amongst local residents and curiosity amongst international visitors. Domestic visitor may be less intrigued.

Purpose of Visit



The park will appeal most strongly to leisure guests and those visiting friends and family (VFR). It should also appeal to travellers with a well-being or medical focus.

INVESTMENT PORTFOLIO

Title:

Dilijan City Park Development

Proposing Entity:

Tourism & Urban Foundation (TUF)

Commercial Performance Considerations

The mission statement for the City Park investment initiative is to create a favourable urban environment for local residents and guests to Dilijan. Whilst the proposed enabling investments in the park will not derive a direct return on investment (as admission to the park is free of charge), various small-scale independent businesses will be located in the park (i.e. fairground rides, café, rope park, events space) that will drive visitor revenues into the local economy.

No figures relating to this revenue gain are provided within the submission documentation submitted for consideration. However, TUF are targeting an uplift in park attendance from 20,000 to 100,000 (i.e. 80,000 new visits). Assuming an average spend per visitor of \$10 and a net operating margin for the park businesses of 30%, capitalised at 10% in 2045, a minimum investment of \$12mn would drive a Project IRR of negative 0.4% over the 20-year review period.

DILIJAN CITY PARK UPGRADE - PROJECT CASHFLOW Targeted Financial Performance Appraisal (\$000s)	Year Year No.	2025 0	2026 1	2027 2	2028 3	2029 4	2030 5	2035 10	2040 15	2045 20
Sources of Funds										
City Park Operations - Net Revenues	6,718	-	-	-	135	211	292	355	432	526
Capitalised Income @ 10%	5,259	-	-	-	-	-	-	-	-	5,259
Total Sources of Funds	11,977	-	-	-	135	211	292	355	432	5,785
Uses of Funds										
City Park Upgrade Investments	12,630	-	8,734	3,896	-	-	-	-	-	-
Total Uses of Funds	12,630	-	8,734	3,896	-	-	-	-	-	-
Net Cashflow	(653)	-	(8,734)	(3,896)	135	211	292	355	432	5,785
CONSOLIDATED PROJECT CASHFLOW										
Net Operating Revenues	6,718	-	-	-	135	211	292	355	432	526
Capitalised Income	5,259	-	-	-	-	-	-	-	-	5,259
Development & Enhancement Costs	(12,630)	-	(8,734)	(3,896)	-	-	-	-	-	-
Project Net Cashflow	(653)	-	(8,734)	(3,896)	135	211	292	355	432	5,785
Cumulative Project Net Cashflow		-	(8,734)	(12,630)	(12,495)	(12,284)	(11,992)	(10,347)	(8,346)	(653)
Project IRR -0.4%										
Project Net Present Value (NPV)										
Discount Rate 1	10%	(8,164)	Discount Rate 2		11%	(8,362)	Discount Rate 3		12%	(8,518)

Note
Inflation @ 4 percent, based on forecasts from the Central Bank of the Republic of Armenia.

Impact Value Chain (IVC)

In the case of the proposed City Park enhancement initiative, the impact value chain will focus on broad range of benefits for the wider destination, enhancing the overall sense of arrival and appeal of the destination, and its associated marketability.



Definition: (1) Input: Resources used in delivery of intervention, (2) Activity: What is being done with the resources, (3) Output: How the activity touches the intended beneficiaries, (4) Outcome: Change arising, (5) The extent for change arising.

Source: Value Chains EU Horizon 2020

Note: The Impact Value Chain set out above is descriptive rather than quantitative and this is the case for each of the investment initiatives reviewed in this section. Insufficient information was provided to the consultant team to determine specific figures for the direct, indirect or induced impacts as part of this appraisal.

Environmental & Social Impact

The Dilijan City Park proposal involves the creation, and enhancement, of green spaces for local people and tourists to both undertake physical activity and have closer contact with nature. As such, there are clear social and well-being benefits associated with the project.

In addition, the location of the park in the base of the valley, presents an opportunity for it to align with the ‘Sponge City’ concept, which is an urban water management approach to enhance resilience during episodes of heavy rainfall and acting as a water storage system during warm weather.

Finally, enhancement of the park presents an opportunity to encourage the planting of native species and maintain environmental diversity. In addition, fauna will benefit from a ‘green corridor’ across the valley in a north-south direction.

INVESTMENT PORTFOLIO

Title:

Dilijan City Park Development

Proposing Entity:

Tourism & Urban Foundation (TUF)

Risk Management & Mitigation Plan

As this project no only allows for, but activity encourages high levels of visitation from local residents and tourists, risks must be carefully considered from the outset.

Risk Identification and Assessment: Specific risks in relation to this project include environmental challenges and issues associated with commercial management.

Parking Availability	Risk: Potential increases in visitation constrained by lack of parking close by.	Overtourism	Risk: Peak visitation impacts natural environment, safety and local well-being.
	Mitigation: Explore potential for creation of adjacent or remote overflow parking.		Mitigation: Determine carrying capacity and close park if/as necessary.
Extreme Weather	Risk: Potential flood risk associated with valley base location and positioning.	Cost Overruns	Risk: Investment budget creep during the course of project implementation.
	Mitigation: Establish early warning protocols and park closure action process.		Mitigation: Strict budget control and use of respected contractors and providers.
On-Going Maintenance	Risk: Enhanced park environment requires increased maintenance expenditure.	Environmental Damage	Risk: Environmental degradation of green spaces and waterways.
	Mitigation: Collaboration with local authority to ensure budgetary provision.		Mitigation: Application of environmental management policies and framework.

Risk Response Strategies: These must draw upon the findings of the follow-up studies associated with environmental management and the operational delivery of the park.

Mitigation Planning: Examples of potential mitigation measures are set out above, but several stipulate the requirement for further detailed preparatory assessments.

Monitoring & Communication: Monitoring for extreme weather events will be key, regular environmental surveys should be undertaken, and frequent stakeholder posts.

Roles & Integration: Clear responsibilities regarding park visitor safety must be agreed as well environmental monitoring and responsibility for weather warnings.

Investment Portfolio Selection Criteria (Unweighted)

Set out below is an initial (unweighted) assessment of the proposed Dilijan City Park Initiative in relation to the proposed Investment Opportunity Selection Criteria set out in the previous section of the report.

Vision Alignment	Low		High
Appropriateness	Low		High
Sustainability	Low		High
Catalytic Growth Potential	Low		High
Core Vibrancy	Low		High
Infrastructure Enhancement	Low		High
Market Opportunity	Low		High
Competitive Opportunity	Low		High
Commercial Resilience	Low		High
Deliverability	Low		High

As shown, the park demonstrates particularly strong alignment in relation of the vision alignment for the tourism cluster, it’s appropriateness to the context, sustainability and infrastructure enhancement goals.

Consultant’s Comment

The proposed City Park investment initiative is clearly articulated and presented by a group that has a track record for delivery (e.g. the construction of the UWC College).

The proposal aligns with the strategic ambition of enlivening public space in Dilijan and the park’s location, as part of the arrival experience when driving from Yerevan, suggests that it will positively influence the overall arrival experience (note: further consideration could be given to improving the visual connection between road and park to strengthen this ‘arrival impact’. This initiative also aligns well with the cluster theme of ‘nature & culture’.

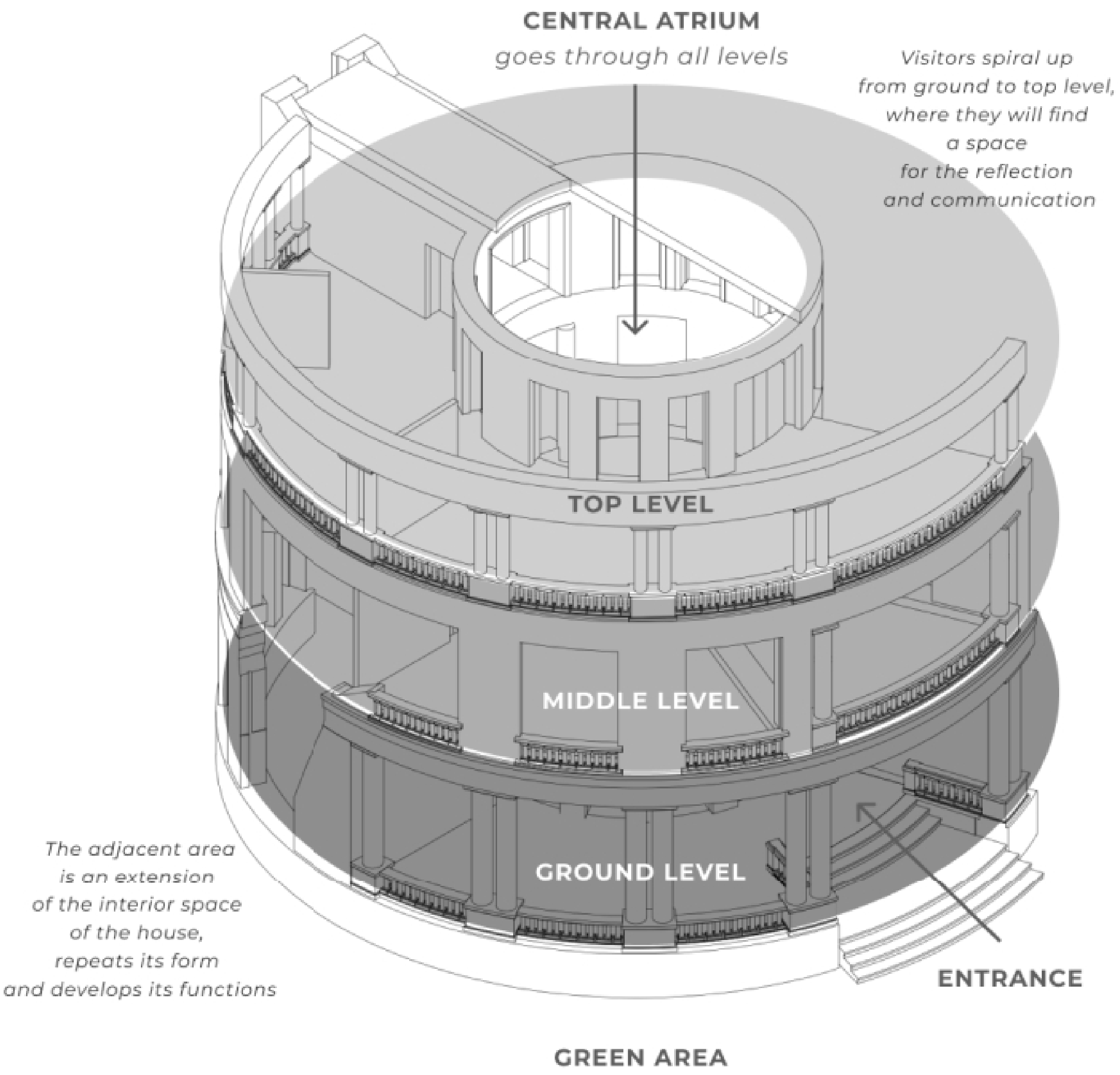
INVESTMENT PORTFOLIO

Title: Khanjyan Villa
Proposing Entity: Green Rock Management Group



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Title: Khanjyan Villa
Proposing Entity: Green Rock Management Group

Precedent Imagery



Ickworth, Suffolk, UK



St. Dunstan in the East, London



Buzludzha Monument, Bulgaria



Hill Garden & Pergola, Hampstead Heath, London



The Ruins, Talisay City, Philippines

www.ladyandhersweetescapes.com



Ruins of St. Paul's, Macau

INVESTMENT PORTFOLIO

Title:

Khanjyan Villa

Proposing Entity:

Green Rock Management Group

Descriptive Overview

Aghasi Khanjyan's villa is a 1930s structure perched in the hills of Dilijan, currently undergoing assessment for restoration and potential repurposing as a cultural landmark by Green Rock Management Group. The development is part of the larger "Scana Complex" proposal which includes a 180-key hotel, music hall, co-working space, restaurant, and panoramic escalator system.

The villa’s preservation reportedly faces bureaucratic challenges with the public authorities and is at risk of collapse as its structural integrity becomes more perilous. It is our understanding that the Ministry of Education, Science, Culture and Sports (MoESCS) will key to future plans for what is building of ‘national significance’.

Originally, the proposal aimed to turn the villa into a multimedia immersive museum and exhibition space, but its poor structural integrity required the reconsideration of this plan. Its future is uncertain, but an initial restoration for external visitation is likely the first step towards the preservation of what is a distinctive, verging on iconic, historic structure.

Rationale for Consideration

The restoration of Khanjyan Villa represents an opportunity to preserve and revitalise a recognisable piece of Dilijan's cultural heritage. The architectural landmark faces imminent collapse, threatening to permanently erase an element of Armenia's Soviet-era cultural history that already serves as a site incoming tourists choose to visit. The local ministry is demanding a fully developed architectural plan to decide on whether to move forward with its restoration, setting the project owner with a costly financial burden prior to any form of approval for future works.

While structural challenges may limit interior access, its restoration would preserve a significant asset of Dilijan’s tourism culture, while demonstrating Dilijan's commitment to preserving its historic, social, and architectural legacy.

Indicative Operating Model

The submission proposes the villa operate under a public-private partnership where the municipality maintains ownership, while Green Rock Management Group leads development and operations. The future operating plans for the villa are unclear as the original intent was for it to be occupiable. Further survey works and subsequent concept develop evolution will be required to provide greater clarity.

Investment Proposal

Green Rock Management did not provide an Investment Portfolio, but their initial proposals indicate a requirement for \$10.5mn in public funding alongside \$976,055 of private investment (committed in 2023). This is in addition to \$3.5mn in public funds for the escalator, and \$3mn for site masterplanning. Our own independent assessment indicates that the restoration of the villa might require a more substantial CapEx requirement possibly ranging from \$14.6mn to as much as \$23.4mn, depending on the potential requirement to stabilised the site.

Targeted Outcomes

The proposal submitted for consideration does not indicate specifics on targeted outcomes with regard to job creation, revenue projections, or visitation to Khanjyan Villa.

Key Stakeholder Groups

The project owner for the Scana Complex is Green Rock Management Group (founded in 2023), while the property owner of Khanjyan Villa itself is the municipality/public (MoESCS). The local council will serve as regulators, and users may include domestic and international tourists, the arts community. In combination with the rest of the complex, which is within walking distance, the broader tourism ecosystem might include local operators and events and programming vendors. Lastly, the popularity of the building as a tourist attraction would impact Dilijan's residents, while engaging visitors.

INVESTMENT PORTFOLIO

Title:

Khanjyan Villa

Proposing Entity:

Green Rock Management Group

Stakeholder Management Plan

The Power / Interest management grid is designed to help project managers to categorize stakeholders and create effective communication strategies for each category involved with the initiative. This grid groups stakeholders according to their level of authority (power) and their anticipated level of interest/concern regarding the outcome.

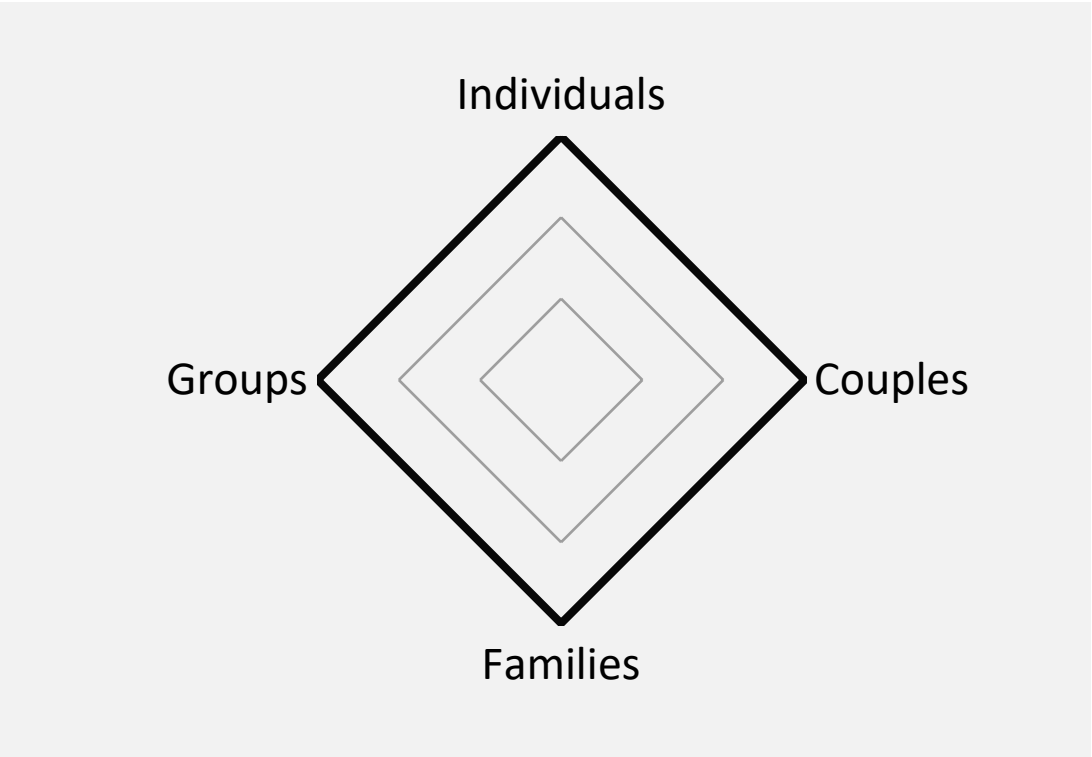
P O W E R	High	Keep Satisfied Govt ministries	Manage Closely - Proposing entity - Tourism Committee - Local authority groups - Municipality (owner)
	Low	Monitor - National population - Visitor markets	Keep Informed - World Bank team - Local community - Events vendors - Arts community - Preservationists
		Low	High
		INTEREST	

Khanjyan Villa is already a widely recognised asset of the local community and of historical interest. Convincing local authorities to move forward with a proposal is highly time-sensitive and key in ensuring it remains standing. It will be essential to keep the public well-informed about the proposals in advance of work and then regularly update along the way in order to acknowledge sensitivities and assure community buy-in.

Market Demand Profile

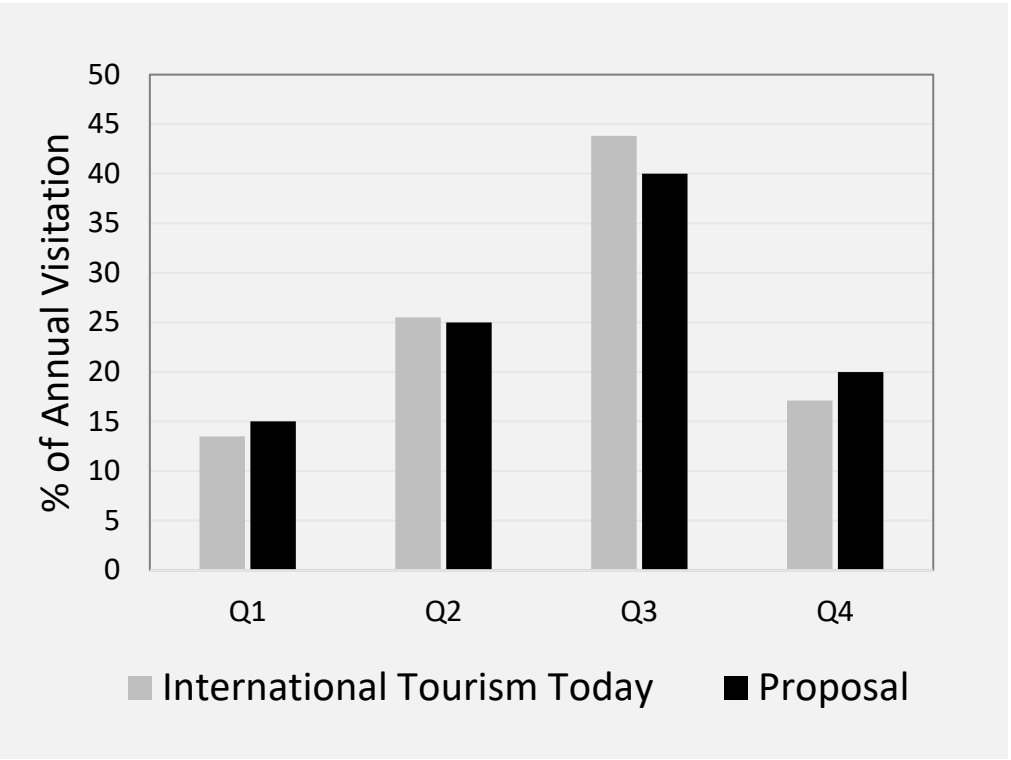
The Khanjyan Villa restoration project targets multiple market segments within Armenia's cultural tourism sector. As a historic landmark it will attract photography, architecture, and history enthusiasts while its natural surroundings connected to hiking trails makes it an easy site to visit. Structural limitations requiring external-only visitation may impact the depth of engagement possible and restrict revenue potential. However, the site's scenic setting and proximity to other attractions within the Scana complex offers alternative options for hosting events.

Group Composition



The Villa will have a strong breadth of appeal across all group compositions, given its role as a unique local curiosity. This breadth of appeal will help to add to the “must see” list of elements attracting tourist activity for Dilijan.

Seasonality of Demand



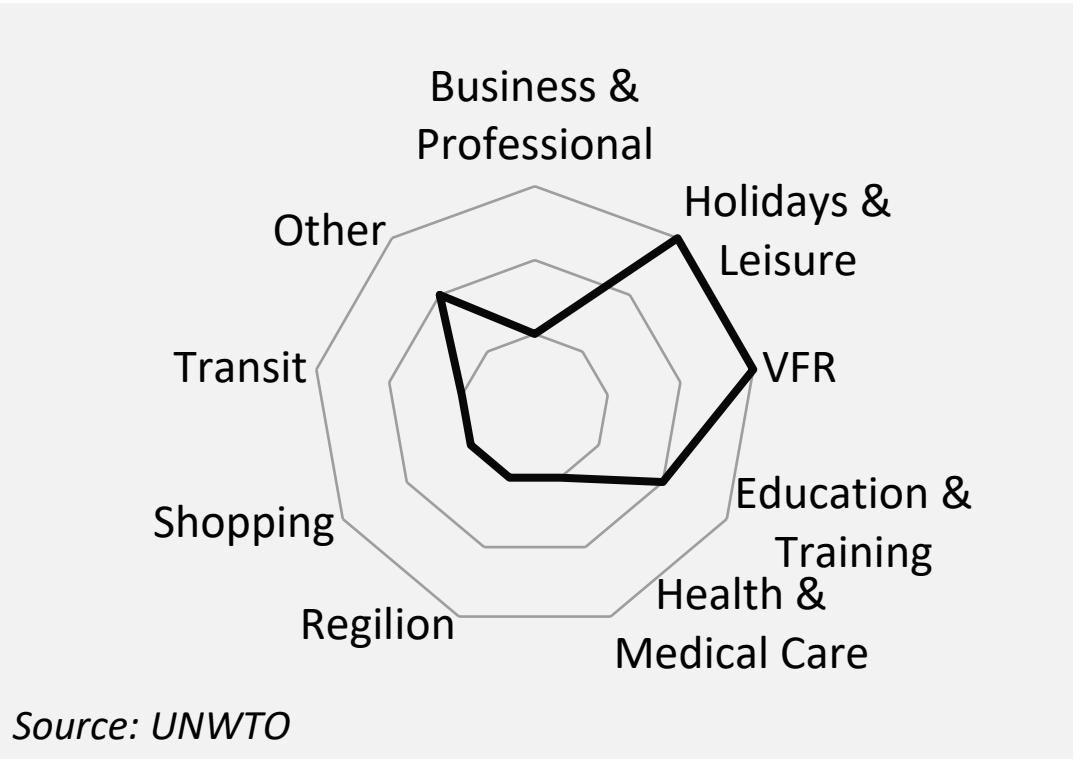
With proactive programming the Villa should have the ability to attract visitors year-round, however because the visitation will be limited to outdoor activities the focus will likely remain during the main summer months.

Source of Demand



The Villa will primarily appeal to first time and international visitors. Domestic and second-time visitors will be slightly less intrigued but will continue to be drawn by a strong events and activities programme.

Purpose of Visit



The park will appeal most strongly to leisure guests and those visiting friends and family in the area (VFR). Those visiting for Education & Training purposes may find it relevant to their subject matter to visit the Villa.

INVESTMENT PORTFOLIO

Title:

Khanjyan Villa

Proposing Entity:

Green Rock Management Group

Commercial Performance Considerations

The restoration of Khanjyan Villa is bound commercially by its position as a publicly-owned cultural asset within the larger SCANA complex. While the project envisages potential revenue-generating opportunities such as exhibitions, events, artist residencies, and coworking spaces, specific attendance targets and revenue projections are not detailed at all in the proposal submission. Recent structural integrity assessments suggesting limited occupancy to external visitation will also affect the commercial model. The villa's integration with the broader Scana complex could drive significant visitor traffic and benefit the local economy.

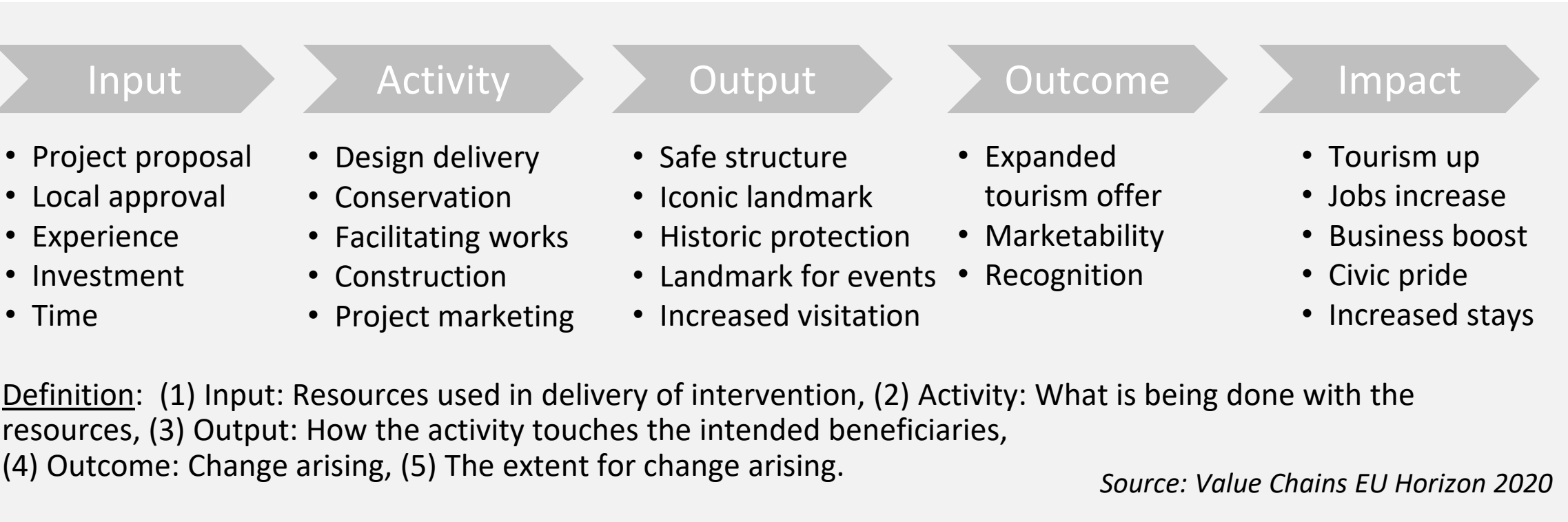
By way of illustration, and in the absence of projections provided by Green Rock, if the CapEx requirement for the restoration were \$19mn (i.e. midway between \$14.6mn and \$23.4mn) then the annual net revenue required to achieve payback by 2045 would be circa. \$400,000, assuming a capitalization rate of 10%, four percent inflation and a two-year reconstruction period, as illustrated below.

Khanjyan Villa Restoration - Project Cashflow Targeted Financial Performance Appraisal (\$000s)		Year	2025	2026	2027	2028	2029	2030	2035	2040	2045
		Year No.	0	1	2	3	4	5	10	15	20
Sources of Funds											
Khanjyan Villa Operations - Net Revenues		11,455	-	-	-	447	465	483	588	715	870
Capitalised Income @ 10%		8,700	-	-	-	-	-	-	-	-	8,700
Total Sources of Funds		20,155	-	-	-	447	465	483	588	715	9,571
Uses of Funds											
Reconstruction Investment		20,155	-	9,880	10,275	-	-	-	-	-	-
Total Uses of Funds		20,155	-	9,880	10,275	-	-	-	-	-	-
Net Cashflow		-	-	(9,880)	(10,275)	447	465	483	588	715	9,571
CONSOLIDATED PROJECT CASHFLOW											
Net Operating Revenues		11,455	-	-	-	447	465	483	588	715	870
Capitalised Income		8,700	-	-	-	-	-	-	-	-	8,700
Development & Enhancement Costs		(20,155)	-	(9,880)	(10,275)	-	-	-	-	-	-
Project Net Cashflow		-	-	(9,880)	(10,275)	447	465	483	588	715	9,571
Cumulative Project Net Cashflow			-	(9,880)	(20,155)	(19,709)	(19,244)	(18,761)	(16,040)	(12,729)	-
Project IRR			0.0%								
Project Net Present Value (NPV)		Discount Rate 1	10%	(12,270)	Discount Rate 2	11%	(12,586)	Discount Rate 3	12%	(12,832)	

Note
Inflation @ 4 percent, based on forecasts from the Central Bank of the Republic of Armenia.

Impact Value Chain (IVC)

In the case of the proposed Khanjyan Villa restoration the impact value chain will focus on expanding to a list iconic landmarks of the wider destination, increasing options and ‘things to do’ while visiting Dilijan, and enhancing its associated marketability.



Environmental & Social Impact

There are at least three aspects of this proposal that align with the core principles of sustainability. The reuse of an existing building aligns with the drive to encourage the creation of a circular economy. Rather than replacing Khanjyan Villa with a new-build construction the redevelopment proposals should help to reduce the overall carbon footprint of the initiative.

Secondly, the location of the property represents an opportunity to encourage both residents and tourists to walk from the city park up to the Villa, with the associated health benefits associated with exercise and well-being benefits associated with closer engagement with nature. Finally, the project recognises the opportunity to rebirth a local cultural asset, which may be used for events and activation that may celebrate local produce, history and identity.

INVESTMENT PORTFOLIO

Title:

Khanjyan Villa

Proposing Entity:

Green Rock Management Group

Risk Management & Mitigation Plan

As a sensitive restoration project for a structure on the verge of collapsing, as the Villa aims to play an iconic role in the marketing of Dilijan, risks must be carefully considered.

Risk Identification and Assessment: Specific risks in relation to this project include degradation or loss of the structure itself hinging on delayed local buy-in.

Structural Failure	Risk: Complete collapse of structure before or during restoration	Public/Private Integration	Risk: Lack of clarity regarding future operational responsibilities.
	Mitigation: Comprehensive structural assessment and restoration approval		Mitigation: Detailed operating agreement and clear governance structure required.
Preservation Challenges	Risk: Loss of historical architectural elements during restoration	Cost Overruns	Risk: Investment budget creep during the course of project implementation.
	Mitigation: Hiring of architectural firm with experience in historic preservation as well as local conservation consultants		Mitigation: Strict budget control and use of respected contractors and providers.
Bureaucratic Resistance	Risk: Lack of local council decision-making and support in approvals	Market Appeal	Risk: Limited accessibility and interest by foreign visitors
	Mitigation: Government pressure alongside developed architectural plans		Mitigation: Creative programming, digital engagement, integration with tourism routes, and clear narrative signage

Risk Response Strategies: These must draw upon the knowledge of the specialised architect and engineers of record with active participation of preservation specialists.

Mitigation Planning: Examples of potential mitigation measure are set out above, but several stipulate the requirement for local government approval to enact.

Monitoring & Communication: Monitoring for structural faults, frequent stakeholder posts and external communications for local buy-in. Safety must always come first.

Roles & Integration: Clear responsibilities regarding the liability of project owner, architect, engineers, and local authorities, as well specialised consultants.

Investment Portfolio Selection Criteria (Unweighted)

Set out below is an initial (unweighted) assessment of the proposed Khanjyan Villa renovation in relation to the proposed Investment Opportunity Selection Criteria set out in the previous section of the report.

Vision Alignment	Low	●●●●●●●●	High
Appropriateness	Low	●●●●●●●●	High
Sustainability	Low	●●●●●●●●	High
Catalytic Growth Potential	Low	●●●●●●●●	High
Core Vibrancy	Low	●●●●●●●●	High
Infrastructure Enhancement	Low	●●●●●●●●	High
Market Opportunity	Low	●●●●●●●●	High
Competitive Opportunity	Low	●●●●●●●●	High
Commercial Resilience	Low	●●●●●●●●	High
Deliverability	Low	●●●●●●●●	High

As shown, the villa demonstrates particularly strong alignment in relation of the vision alignment for the tourism cluster, it’s appropriateness to the context, cultural focus. It will have limited catalytic impact, however.

Consultant’s Comment

The proposed Khanjyan Villa investment initiative is one of the few recognisable and historically significant tourist attractions of the area, presented by a group that has a track record of significant funds for delivery, while needing careful oversight to ensure cultural preservation and integration.

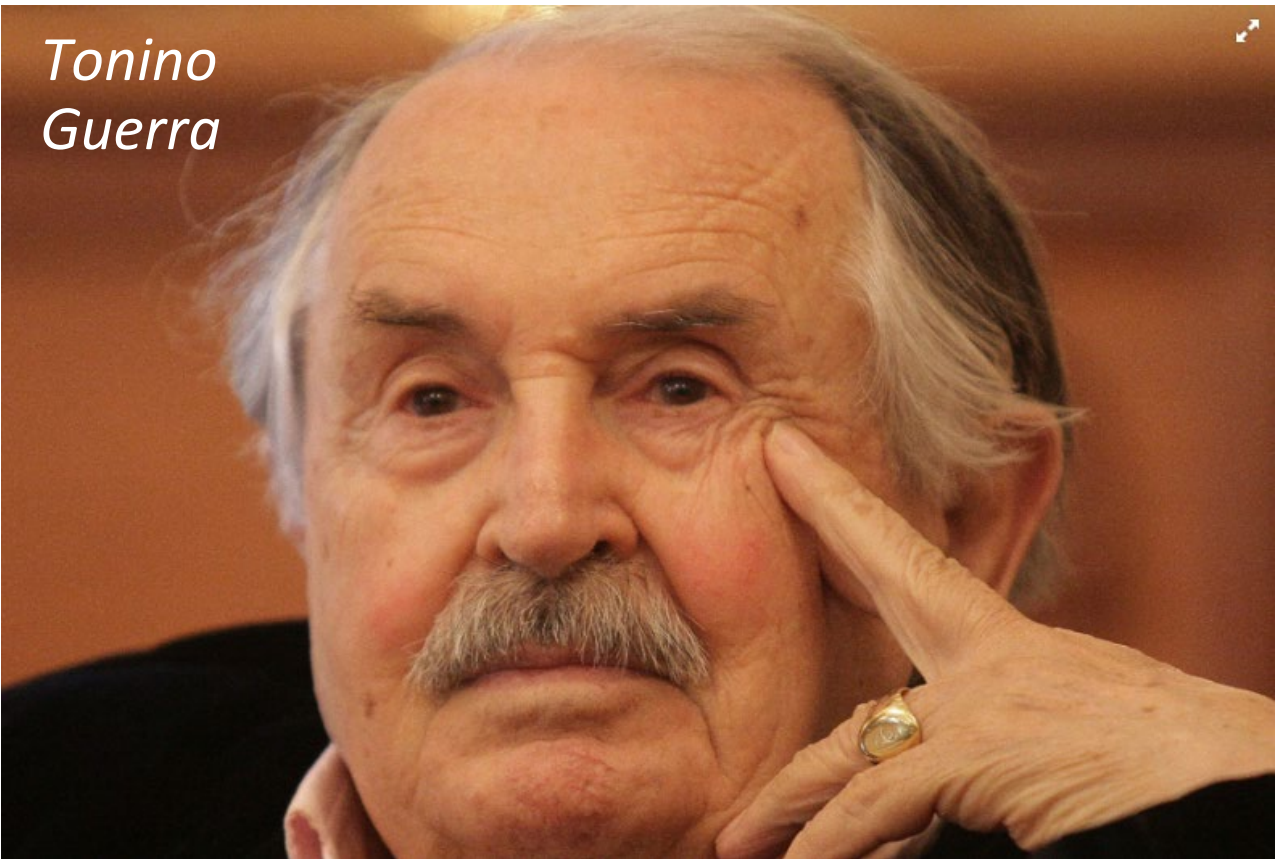
The proposal aligns with the strategic ambition of supporting creative and educational forms of tourist engagement as well as enhancing the cultural and historical assets of the destination, though future use potential requires clarification and confirmation.

INVESTMENT PORTFOLIO

Title: Tonino Guerra Project
Proposing Entity: Liberty Capital LLC & Strong Development LLC



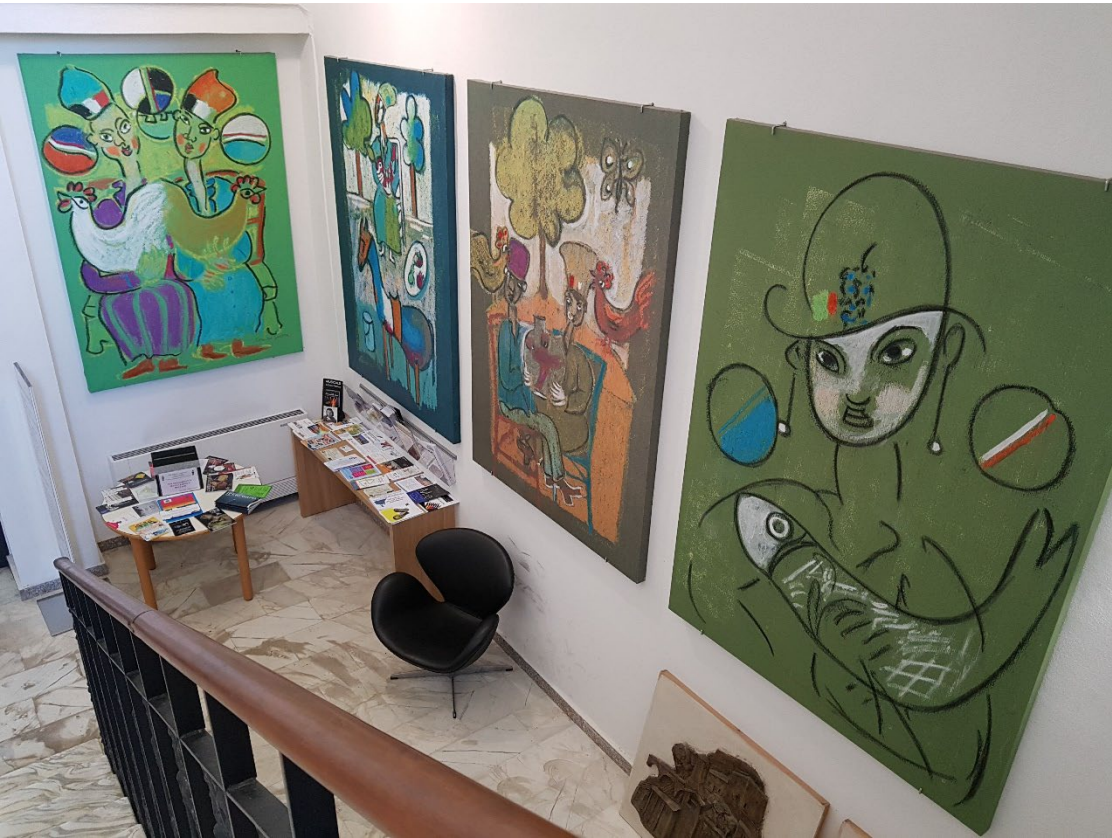
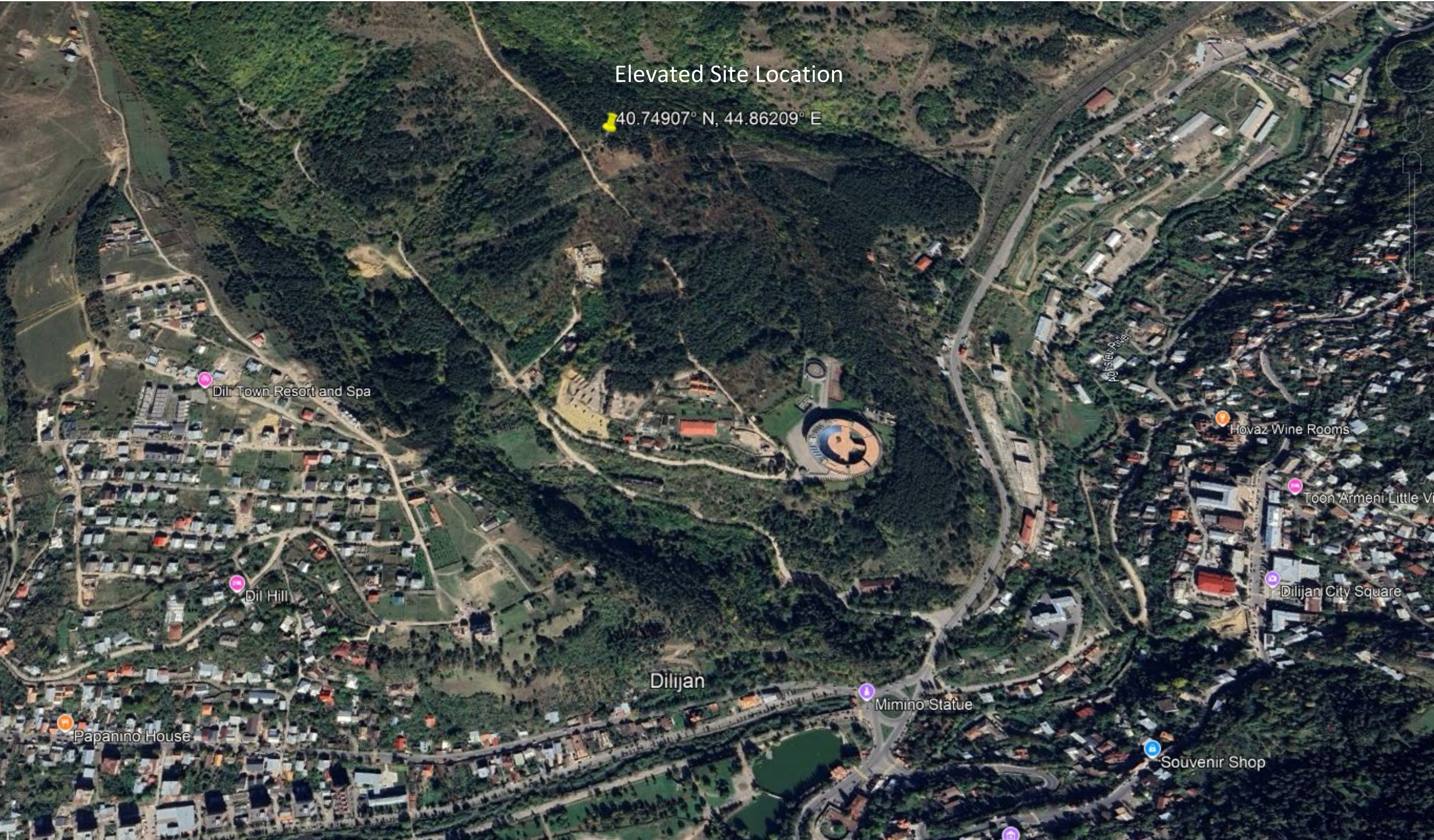
Views from Site



*Tonino
Guerra*

INVESTMENT PORTFOLIO

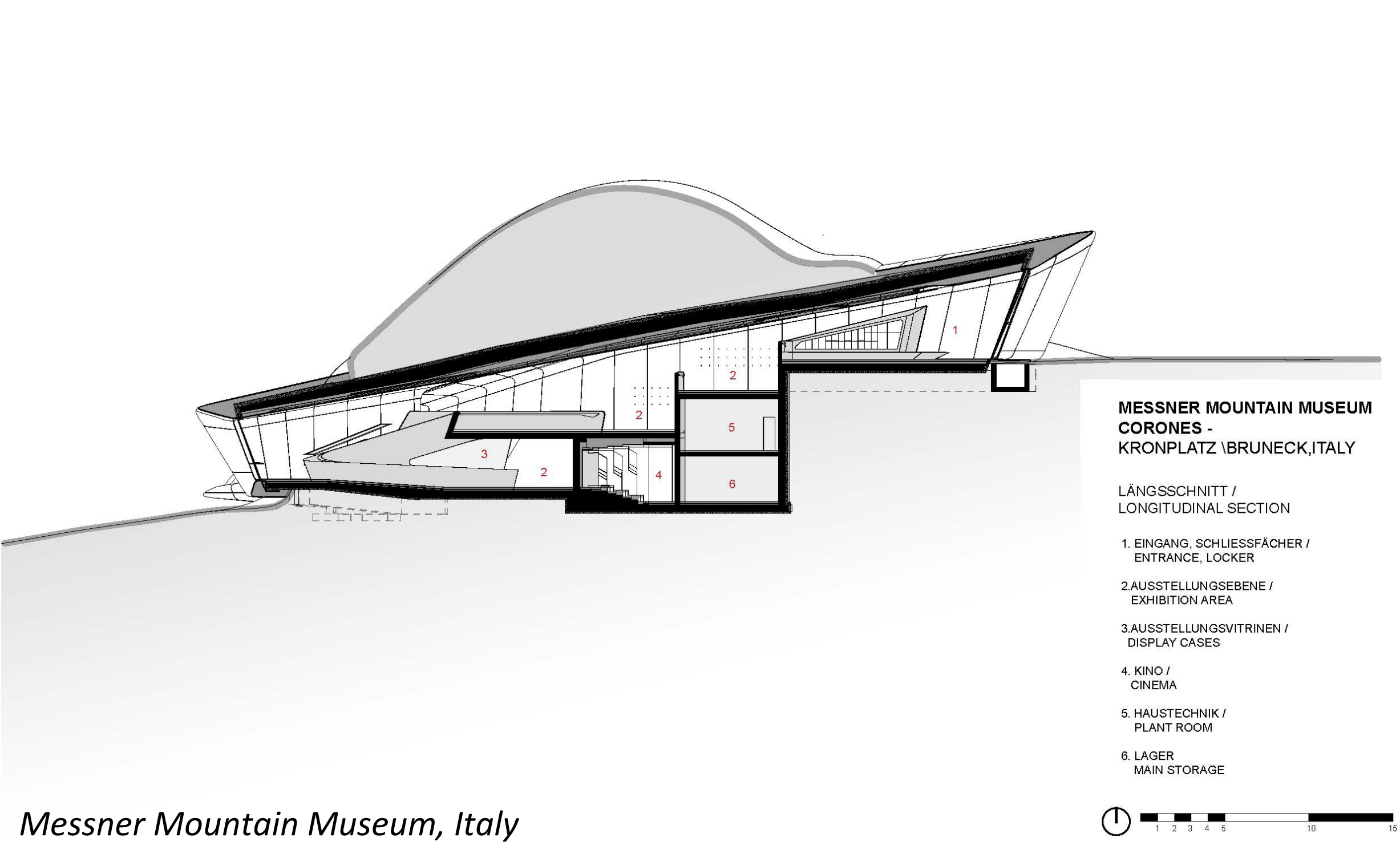
Title: Tonino Guerra Project
Proposing Entity: Liberty Capital LLC & Strong Development LLC



INVESTMENT PORTFOLIO

Title: Tonino Guerra Project
Proposing Entity: Liberty Capital LLC & Strong Development LLC

Precedent Imagery



INVESTMENT PORTFOLIO

Title:

Tonino Guerra Project

Proposing Entity:

Liberty Capital LLC & Strong Development LLC

Descriptive Overview

The Tonino Guerra Park development project combines two elements: (1) a public cultural complex featuring sculptural fountains designed by Italian Film Director, poet and author Tonino Guerra, with an art gallery, and cultural complex, and (2) a luxury wellness resort with 75 accommodation units and a state-of-the-art longevity clinic. The President of Armenia sent a telegram to the Guerra’s family when he died aged 92 expressing ‘deepest condolences’ on behalf of the Armenian nation.

Located on greenfield land within Dilijan National Park at 1370m elevation with unparalleled views of the landscape, the development aims to transform the area into a premium destination combining cultural tourism with high-end wellness resort.

The proposal requests public funding for the park, entrance road (1km) and gallery components of the project, located adjacent to the wellness resort and clinic, which will be gifted to the city, while the resort targets international wellness tourists with an "affordable luxury" positioning compared to European competitors.

Rationale for Consideration

The Tonino Guerra project presents an opportunity to establish a world-class cultural and wellness destination in Dilijan and, according to the project’s owners, anchored by the legacy of an Oscar-winning artist's final works. While Guerra’s legacy and relation to Armenia has its limitation, combining public cultural amenities with premium wellness facilities, the development attempts to address both tourism infrastructure gaps and public attraction needs. The themes are cultural richness and holistic wellness practices are well aligned with the vision for the overall Dilijan Tourism Cluster.

Indicative Operating Model

It is implied, but not explicitly stated, that a company call the Dreams Executive will manage the public cultural facilities, while private operators run the wellness resort. The public components will be transferred to city ownership, while Dreams Executive maintains the property.

Investment Proposal

Public investment of \$3.6mn is requested for park, gallery, and road infrastructure. Private investment includes \$1.15mn already invested plus approximately \$27-\$30mn for resort development. Public facilities will be transferred to city ownership while private wellness facilities remain commercially operated. An independent assessment suggests that a CapEx investment of \$2.05mn to \$2.30mn might be sufficient, though this excludes the proposed gallery which is too loosely defined to be properly assessed.

Targeted Outcomes

The project targets 70,000-100,000 annual visitors and the creation of 230 jobs in resort operations. Cultural facilities enhance public amenities while wellness resort targets affluent health tourists from Europe/CIS with premium services at competitive rates.

Key Stakeholder Groups

The project development team includes Liberty Capital LLC (owner) and Dreams Executive (management), supported by specialised partners in construction, design, and operations. The Tonino Guerra Cultural Foundations (both Italian and Armenian) provide cultural assets and expertise while the Dilijan Municipality and community will ultimately own the public facilities. The project targets both international wellness tourists seeking premium health services and cultural visitors drawn to Guerra’s park, gallery and unique fountain installations. It should be noted that there maybe a something of a conceptual conflict between guests looking for a secluded luxury wellness experience and non-resident visitors attracted to the park.

INVESTMENT PORTFOLIO

Title: Tonino Guerra Project
Proposing Entity: Liberty Capital LLC & Strong Development LLC

Stakeholder Management Plan

In the case of the Tonino Guerra Project the Power / Interest management grid is relatively straightforward given that the project is so deeply rooted within a private sector investment initiative. There are, however, several unknowns regarding the project, specifically around the content and operations of the gallery component.

P O W E R	High	Keep Satisfied Govt ministries	Manage Closely - Proposing entity - Tourism Committee - Gallery operator - Local authority groups
	Low	Monitor - International followers of Tonino Guerra - Visitor markets	Keep Informed - World Bank team - Hotel operator - Estate of Tonino Guerra - Local community - Site neighbours
		Low	High
		INTEREST	

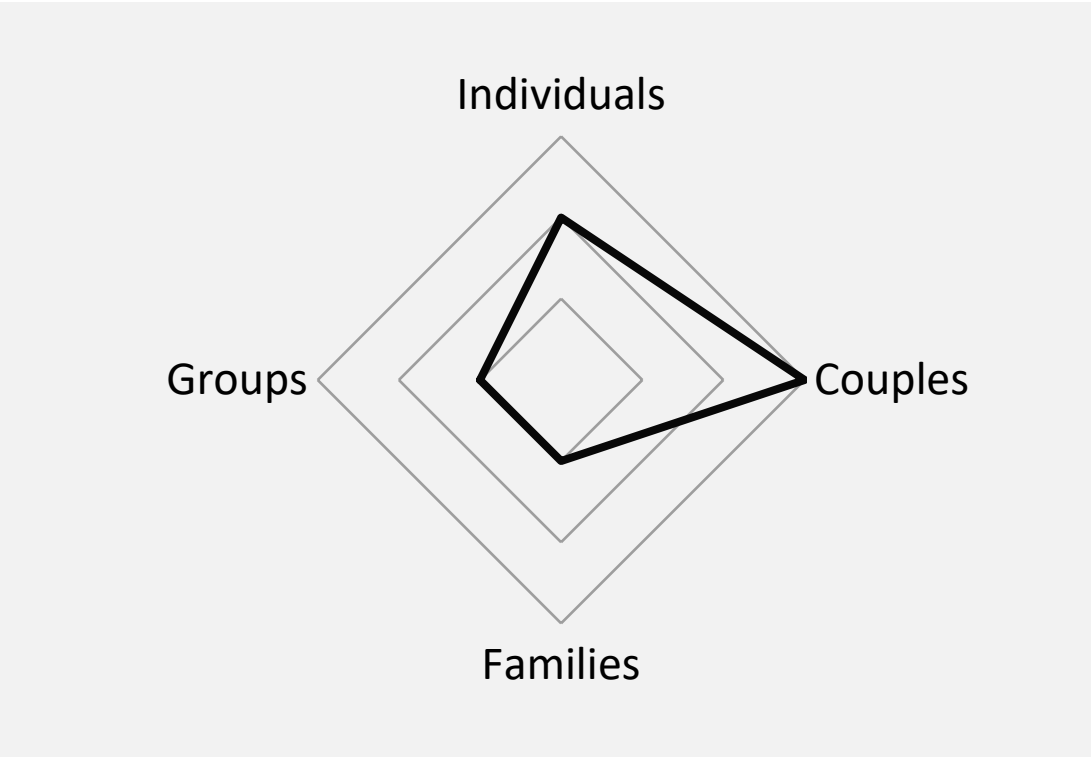
As the details of the project gradually fall into place (i.e. in regard to the hotel operation and both the management and content of the gallery component) there will be a need to update the Power / Interest grid and manage the stakeholder entities accordingly.

One of the complexities associated with the stakeholder management requirements in this instance is that representatives of the estate of Tonino Guerra will be based outside of Armenia.

Market Demand Profile

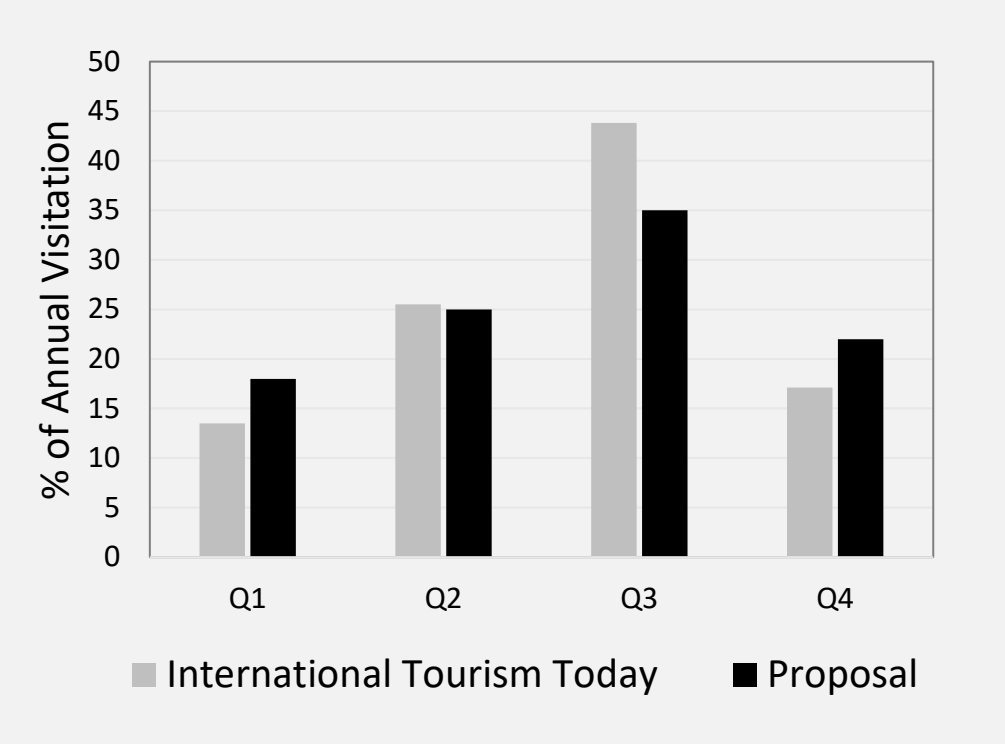
The public investment initiative associated with the Tonino Guerra Project focuses on three component parts: a park with eight fountain sculptures made of glass on top of a parking structure (for 120 vehicles), an art galley that will feature a permanent exhibition of the work of the Italian Tonino Guerra as well as creative center, and access route to the site. These are integrated within a wider tourism development project for a substantial hotel and wellness complex, which would be the main demand driver.

Group Composition



Given the location and setting for the Tonino Guerra Project, this would likely be a ‘destination’ visit to an estate that will feel quite private. This would be a relatively adult visitor experience.

Seasonality of Demand



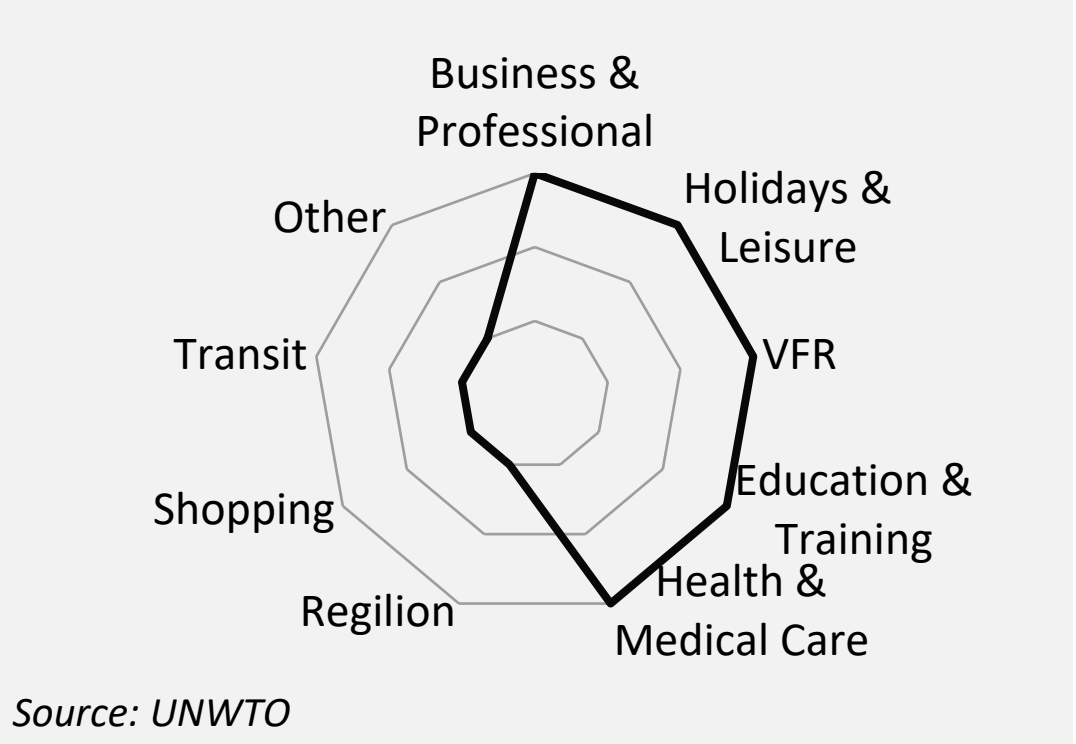
The seasonal profile of demand will broadly reflect existing trends, though the indoor gallery component should enhance the marketability of the low season visitation.

Source of Demand



The availability of overnight accommodation on-site will increase the likelihood of both domestic and international overnight guests dominating the profile of visitation to the park and gallery.

Purpose of Visit



Source: UNWTO

In addition to leisure-related guests, the park and gallery will likely benefit from business & professional demand as well as ‘health’ related demand given the proximity and concept focus of the hotel.

INVESTMENT PORTFOLIO

Title:

Tonino Guerra Project

Proposing Entity:

Liberty Capital LLC & Strong Development LLC

Commercial Performance Considerations

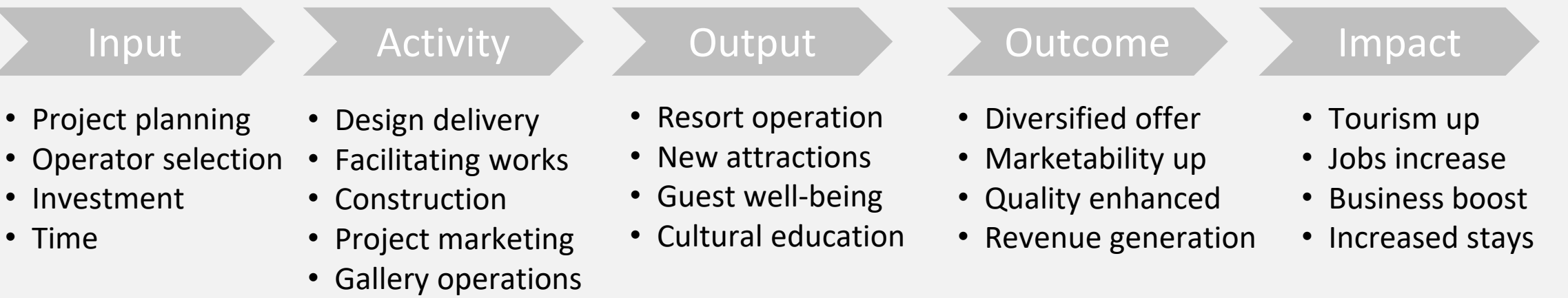
Forecast performance figures associated with the operating revenues and expenses for the Tonino Guerra Gallery and arts center have not been provided as part of the submission from Liberty Capital LLC (the project owner). However, detailed figures for commercial operation of the resort are provided.

In the absence of relevant performance forecasts from the project team, we have modelled a cashflow that assumes a stabilised average annual attendance of 30,000, an admission per capita spend of \$10 and an additional \$4.30 per capita as secondary spend on retail and F&B; a net operating margin of 20% and a capitalization rate of 10%. With a CapEx of \$3.6mn (requested by Liberty Capital LLC and seemingly including an allowance for the gallery component of the project) applied over three years, the investment generates an IRR of 0.5% over a 20-year review period to 2045.

TONINO GUERRA PARK & GALLERY - PROJECT CASHFLOW	Year	2025	2026	2027	2028	2029	2030	2035	2040	2045
Targeted Financial Performance Appraisal (\$000s)	Year No.	0	1	2	3	4	5	10	15	20
Sources of Funds										
Gallery & Park Admission - Net Revenues	2,275	-	-	-	-	33	70	127	154	188
Capitalised Income @ 10%	1,878	-	-	-	-	-	-	-	-	1,878
Total Sources of Funds	4,153	-	-	-	-	33	70	127	154	2,066
Uses of Funds										
Gallery & Park Investment	3,883	-	1,352	1,406	1,125	-	-	-	-	-
Total Uses of Funds	3,883	-	1,352	1,406	1,125	-	-	-	-	-
Net Cashflow	270	-	(1,352)	(1,406)	(1,125)	33	70	127	154	2,066
CONSOLIDATED PROJECT CASHFLOW										
Net Operating Revenues	2,275	-	-	-	-	33	70	127	154	188
Capitalised Income	1,878	-	-	-	-	-	-	-	-	1,878
Development & Enhancement Costs	(3,883)	-	(1,352)	(1,406)	(1,125)	-	-	-	-	-
Project Net Cashflow	270	-	(1,352)	(1,406)	(1,125)	33	70	127	154	2,066
Cumulative Project Net Cashflow		-	(1,352)	(2,758)	(3,883)	(3,850)	(3,780)	(3,193)	(2,478)	270
Project IRR 0.5%										
Project Net Present Value (NPV) Discount Rate 1 10% (2,253) Discount Rate 2 11% (2,312) Discount Rate 3 12% (2,357)										
Note Inflation @ 4 percent, based on forecasts from the Central Bank of the Republic of Armenia.										

Impact Value Chain (IVC)

The inputs associated with the delivery of this initiative, and the proposed activities to be undertaken are comparatively limited in this instance. However, the commercial impacts and employment opportunities of the overall project could be significant.



Definition: (1) Input: Resources used in delivery of intervention, (2) Activity: What is being done with the resources, (3) Output: How the activity touches the intended beneficiaries, (4) Outcome: Change arising, (5) The extent for change arising.

Source: Value Chains EU Horizon 2020

Environmental & Social Impact

As a proposed ‘new build’ development, the Tonino Guerra project presents the opportunity to set a new benchmark for sustainable development in Dilijan area. The concept philosophy for the project talks of adopting ‘an environmentally responsible approach to the design and operation of the resort, attracting eco-tourists and supporting the natural environment’.

Establishing a zero-carbon scheme, that would be free from combustion technology (boilers and engines), would raise the bar within the local context. In addition, new build development presents the opportunity for design that harvests and stores rainwater for use in the operation and the use of photovoltaics for energy. The large roof of the gallery, shown within the concept illustrations, would align well with both of these initiatives.

As an ‘iconic’ new build venture the project will inevitably attract significant regional, national and international attention; presenting an opportunity to deliver a strong message in regard to environmental sustainability and the on-going need to combat climate change.

INVESTMENT PORTFOLIO

Title:

Tonino Guerra Project

Proposing Entity:

Liberty Capital LLC & Strong Development LLC

Risk Management & Mitigation Plan

With a more limited list of potential stakeholders involved in the delivery of the Tonino Guerra project, a tighter risk management and mitigation plan should be possible.

Risk Identification and Assessment: Given the investment ambition and the quality of the natural environment, key risks include market demand and habitat damage.

Public/Private Integration	Risk: Disconnect between public/private components	Environmental Damage	Risk: Environmental degradation of untouched land
	Mitigation: Unified management approach and standardised signage, etc.		Mitigation: Application of environmental management policies and framework.
Market Positioning	Risk: Failure to attract wellness tourists at targeted hotel price-point	Accessibility	Risk: Elevated and distant location limits public tourists to cultural component
	Mitigation: Competitive pricing vs European alternatives combined with unique cultural offering		Mitigation: Road access, public transport, and proactive integration within larger tourism scheme and marketing efforts
Perceived Cultural Value	Risk: Low perceived cultural value for general public unfamiliar with Tonino’s work and relevance to Armenia	On-Going Maintenance	Risk: Enhance park environment requires increased maintenance expenditure.
	Mitigation: Education programme and partnerships between Armenian and Italian Culture Ministries		Mitigation: Collaboration with local authority to ensure budgetary provision.

Risk Response Strategies: Separate strategies will be required for the private and public focused components of the project – and then the sensitive interface between the two.

Mitigation Planning: Examples of potential mitigation measure are set out above, but several stipulate the requirement for further detailed preparatory assessments.

Monitoring & Communication: Monitoring will be particularly relevant in relation to the environmental management of the property, which is one of its defining features.

Roles & Integration: In this instance, role definition must recognise the involvement of both the hotel and gallery operators, the developers/owners and public authorities.

Investment Portfolio Selection Criteria (Unweighted)

Set out below is an initial (unweighted) assessment of the proposed public sector components of the Tonino Guerra Project in relation to the proposed Investment Opportunity Selection Criteria set out in the previous section of the report.

Vision Alignment	Low		High
Appropriateness	Low		High
Sustainability	Low		High
Catalytic Growth Potential	Low		High
Core Vibrancy	Low		High
Infrastructure Enhancement	Low		High
Market Opportunity	Low		High
Competitive Opportunity	Low		High
Commercial Resilience	Low		High
Deliverability	Low		High

The proposed investments in the park, gallery and road infrastructure will help to strengthen the marketability of the wider project and add to the asset portfolio within the cluster, but will have limited impact in other areas.

Consultant’s Comment

The Tonino Guerra Project is one of the few proposals that has submitted a commercial study and outlined specific investment and commercial projections and financial models, though these are however focused solely on the private sector component of the project (i.e. the resort and wellness clinic).

The owners claim to already have a hotel brand committed to the resort, and have connected all necessary utilities to the site, while having already invested \$1.15M into the project. Information regarding the contents of the cultural component of the project is comparatively limited, and the relevance to Dilijan is somewhat oblique.

INVESTMENT PORTFOLIO

Title: Beethoven Concert Hall
Proposing Entity: MKT Management



INVESTMENT PORTFOLIO

Title: Beethoven Concert Hall
Proposing Entity: MKT Management



INVESTMENT PORTFOLIO

Title: Beethoven Concert Hall
Proposing Entity: MKT Management

Precedent Imagery



INVESTMENT PORTFOLIO

Title:

Beethoven Concert Hall

Proposing Entity:

MKT Management

Descriptive Overview

The Beethoven Concert Hall is a 600-seat modernist venue within Dilijan's historic Composers' Union Retreat complex, constructed in 1984. The complex features distinctive orange stone construction and an adjoining concert hall with an atypical glass facade offering mountain views, with unique beehive-like domed ceilings inspired by a local monastery that provide exceptional acoustics.

While historically significant, the hall currently faces significant maintenance challenges including broken heating and water damage. Aside from one grand piano, it also lacks the infrastructure needed to host concerts and events requiring any sound equipment or lighting. Though still occasionally used for summer events, it requires comprehensive renovation to establish sustainable up-to-date operations. The venue represents an exemplar of Soviet-era cultural heritage that could anchor future arts programming in Dilijan, without building on a green field site elsewhere.

Rationale for Consideration

The Beethoven Concert hall is one of the few opportunities to renew, restore, and reinvigorate something of existing historical value within Dilijan. The building is not only of architectural interest but also provides a direct connection with Dilijan’s artistic and creative past, all set within a stunning natural setting.

The venue has a performance hall, as well as an adjoining exhibition hall which could serve a variety of purposes, supplementary structural components surrounding it for various event programming, as well as cabins and a small guest lodge that could serve for touristic accommodation. The hall's exceptional acoustics, UNESCO World Heritage potential, and location within Dilijan National Park make it a compelling candidate for cultural infrastructure investment as well as touristic value.

Indicative Operating Model

The concert hall has no formal proposal in place for future use, but management’s stated vision is to “secure a diverse funding model for the restoration and functioning” of the hall. At present the property remains under the ownership of the Composers’ Union, with long-term lease arrangements of the small cabins for living-in, renovating, and sub-letting out to visitors.

Investment Proposal

The current owners have no formal investment proposal but have the intention of conducting their own internal feasibility study for renovating the complex. Their early proposal mentions total project costs estimated at \$14.8M including \$445K for design/documentation and \$14.35M for construction. Previous investments of approximately 18.3M AMD already made in the form of surveys, maintenance, and enhancements. Public funding is not mentioned as project plans have yet to be formalised. An independent assessment for this study indicates that the CapEx requirement might in fact range from \$11.00mn to \$12.65mn (midpoint: \$11.825mn).

Targeted Outcomes

According to the initial proposal, the renovation would aim to establish a global cultural innovation hub, preserve significant heritage, develop cultural tourism, and create community engagement through events and festivals. Specific attendance or revenue targets have not been provided, though multi-purpose usage is mentioned including black-box theatre capabilities.

Key Stakeholder Groups

The Composers’ Union would likely be the project owner along with other project developers and facility operators. Other stakeholders could include cultural institutions and festival organizers, local and international artists/composers, tour operators and cultural tourists, the Dilijan community and Armenian cultural sector, and potentially historic preservation authorities such as UNESCO.

INVESTMENT PORTFOLIO

Title: Beethoven Concert Hall
Proposing Entity: MKT Management

Stakeholder Management Plan

The Power / Interest management grid is designed to help project managers to categorize stakeholders and create effective communication strategies for each category involved with the initiative. This grid groups stakeholders according to their level of authority (power) and their anticipated level of concern regarding the outcome.

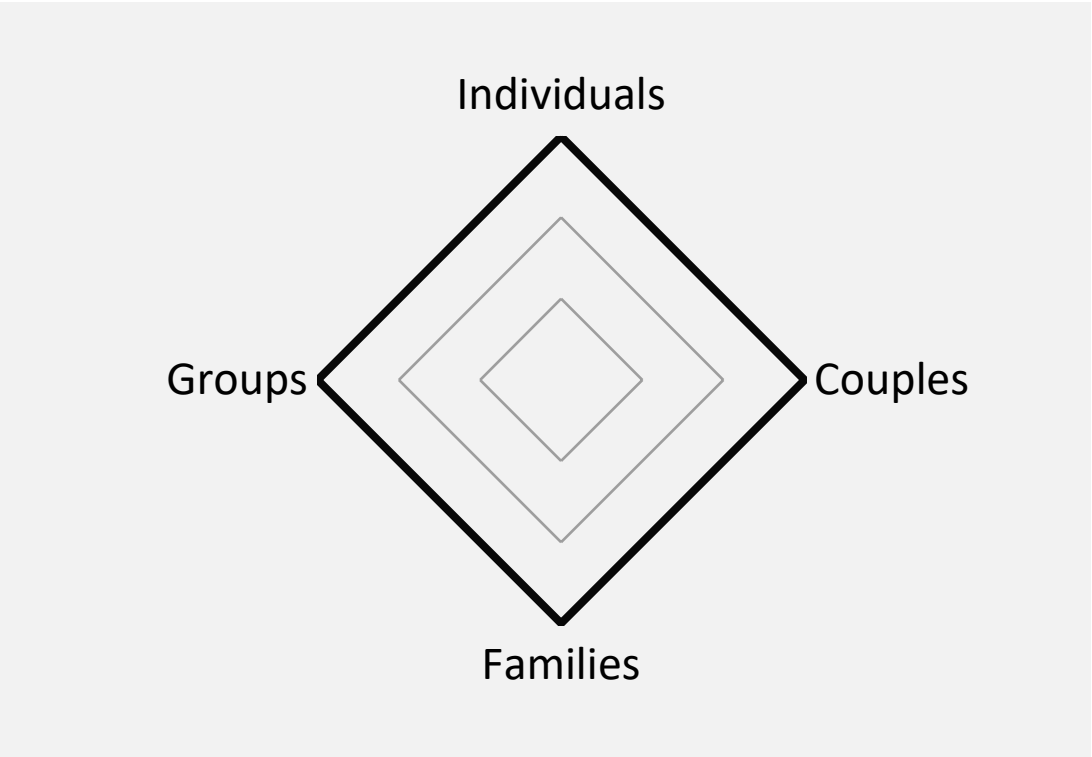
P O W E R	High	Keep Satisfied - Govt ministries - Building safety inspectors	Manage Closely - Proposing entity - Tourism Committee - Local authority groups - Cultural/Art Orgs - UNESCO Committee - Composers Union
	Low	Monitor - National population - Visitor markets - Regional media	Keep Informed - Architects/engineers - World Bank team - Local community - Tour operators - Arts educators - Event attendees
		Low	High
		INTEREST	

As a significant cultural heritage site, the restoration of the concert hall will require careful stakeholder management balancing preservation with modernisation. The community must stay informed from a PR standpoint, while funding bodies and regulatory authorities receive detailed updates. The arts community should be actively consulted and involved in the programming potential to ensure long-term viability, while UNESCO authorities and heritage experts comprehensively address the requirements for certification.

Market Demand Profile

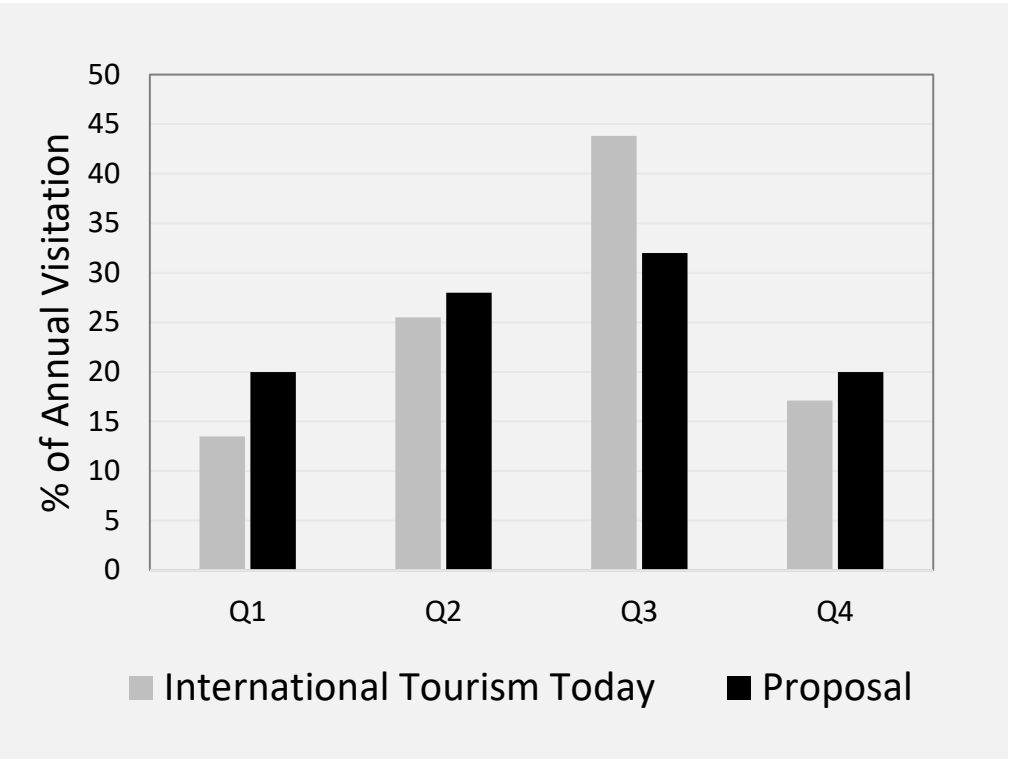
The Beethoven Concert hall has the potential to play a significant role as one of Armenia’s premiere cultural venues outside Yerevan. Its unique combination of historic significance, good acoustics, and unique natural setting can attract a diverse audience. As a multi-purpose performance space, it could serve classical music enthusiasts, cultural tourists, arts education programmes, and festival organisers, while its location in Diijan National Park targets combining cultural experiences with nature tourism. In combination with its offered accommodation it is poised to comprise the components for a comprehensive, full-service, overnight experience.

Group Composition



The hall will attract diverse audience compositions, from individual music enthusiasts and couples seeking cultural experiences to families attending educational programmes and organized groups for performances and events throughout the property

Seasonality of Demand



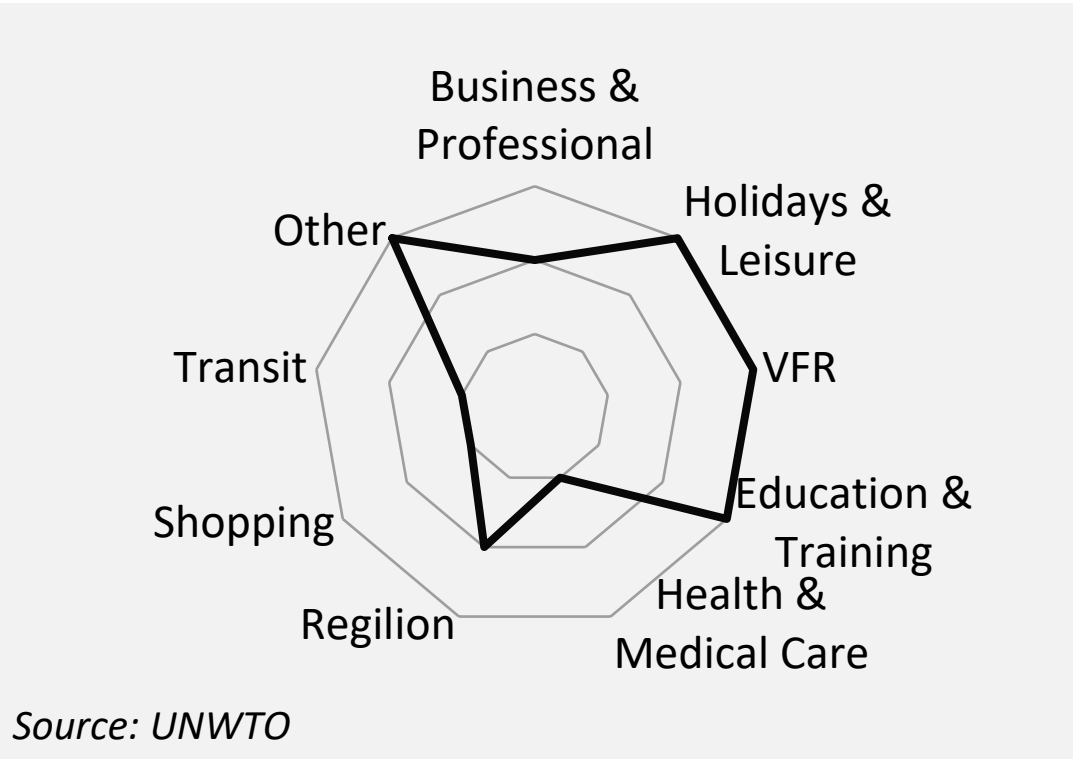
The hall’s indoor venue enables year-round programming, with peak demand during larger festivals in the milder season. Winter offerings can maintain steady local attendance through targeted indoor events and performances.

Source of Demand



The hall will primarily attract cultural enthusiasts among international and diaspora visitors, while providing regular programming for locals. Domestic overnight visitors will also show interest in special events and festivals.

Purpose of Visit



The hall will appeal to leisure and cultural tourists, support educational programs, and host professional performances. Its historic significance will draw cultural enthusiasts and event visitors in architecture, music, and design.

INVESTMENT PORTFOLIO

Title:

Beethoven Concert Hall

Proposing Entity:

MKT Management

Commercial Performance Considerations

No commercial performance metrics are outlined in existing documentation, but a preliminary cashflow review focusing on the concert hall indicates that the venue will struggle to generate a return on investment from performances alone.

Assuming 200 ticketed events per annum with a seat occupancy of 60%, an average price of \$15 and a secondary spend of \$3.75, a 10% operating margin and capitalization rate of 14%, the Project IRR against a CapEx of \$11.825mn is negative 5.1% over a 20-year review period (assuming an inflation rate of 4.0 percent per annum).

However, the facility may have the potential to draw additional income streams from tourism partnerships, residency programs, and overnight accommodation that makes good use of the site’s beautiful natural setting, with emphasis on "diverse funding model" for long-term sustainability. This would help to strengthen the commercial performance of the wider operation/estate.

BEETHOVEN CONCERT HALL - PROJECT CASHFLOW	Year	2025	2026	2027	2028	2029	2030	2035	2040	2045
Targeted Financial Performance Appraisal (\$000s)	Year No.	0	1	2	3	4	5	10	15	20
Sources of Funds										
Net Revenues from Events & Performances	3,734	-	-	-	51	99	164	200	243	296
Capitalised Income @ 14%	2,113	-	-	-	-	-	-	-	-	2,113
Total Sources of Funds	5,847	-	-	-	51	99	164	200	243	2,409
Uses of Funds										
Investment in Venue Enhancement	12,544	-	6,149	6,395	-	-	-	-	-	-
Total Uses of Funds	12,544	-	6,149	6,395	-	-	-	-	-	-
Net Cashflow	(6,697)	-	(6,149)	(6,395)	51	99	164	200	243	2,409
CONSOLIDATED PROJECT CASHFLOW										
Net Operating Revenues	3,734	-	-	-	51	99	164	200	243	296
Capitalised Income	2,113	-	-	-	-	-	-	-	-	2,113
Development & Enhancement Costs	(12,544)	-	(6,149)	(6,395)	-	-	-	-	-	-
Project Net Cashflow	(6,697)	-	(6,149)	(6,395)	51	99	164	200	243	2,409
Cumulative Project Net Cashflow		-	(6,149)	(12,544)	(12,493)	(12,395)	(12,230)	(11,305)	(10,180)	(6,697)
Project IRR		-5.1%								
Project Net Present Value (NPV)	Discount Rate 1	10%	(9,348)	Discount Rate 2	11%	(9,365)	Discount Rate 3	12%	(9,364)	

Note
Inflation @ 4 percent, based on forecasts from the Central Bank of the Republic of Armenia.

Impact Value Chain (IVC)

In the case of the Beethoven Concert Hall enhancement the impact value chain will focus on both the facility itself and its ability to host a range of concerts and events within an attractive natural setting close to the main entrance road to Dilijan.



Definition: (1) Input: Resources used in delivery of intervention, (2) Activity: What is being done with the resources, (3) Output: How the activity touches the intended beneficiaries, (4) Outcome: Change arising, (5) The extent for change arising.

Source: Value Chains EU Horizon 2020

Environmental & Social Impact

This initiative has a strong focus on the “S” within the “ESG” Sustainability Principles. It seeks to reinvigorate and make ‘fit for purpose’ a venue with a history of social and cultural celebration.

In addition, this scheme equates to the preservation of an interesting local heritage asset; and this also aligns with the principles of circular economic development, with the associated consideration of embodied carbon. However, making the building energy efficient will likely be a key challenge for the scheme given its age and general design.

On the slopes above the hall is a field that may present an opportunity for reforestation, given the wider local context. This could potentially present an opportunity for enhanced carbon capture on the site.

INVESTMENT PORTFOLIO

Title:

Beethoven Concert Hall

Proposing Entity:

MKT Management

Risk Management & Mitigation Plan

As this project’s success relies on high levels of visitation while simultaneously coveting UNESCO certification, risks to the restoration must be carefully considered.

Risk Identification and Assessment: Specific risks in relation to this project include environmental challenges, operational ownership dynamics, and historic preservation.

Structural Damage	Risk: Extensive structural damage including roof leakage, water damage.	Operational Sustainability	Risk: Ongoing, long-term maintenance costs.
	Mitigation: Comprehensive restoration plan from qualified experts.		Mitigation: Sustainable operations plan, efficient building systems.
Preservation Challenges	Risk: Loss of historical architectural elements during restoration	Cost Overruns	Risk: Investment budget creep during the course of project implementation.
	Mitigation: Hiring of architectural firm with experience in historic preservation.		Mitigation: Strict budget control and use of respected contractors and providers.
Market Demand	Risk: Insufficient event/program attendance.	Environmental Damage	Risk: Environmental degradation of green spaces surrounding complex.
	Mitigation: Flexible design & partnership with experience event operators.		Mitigation: Application of environmental management policies and framework.

Risk Response Strategies: These must draw upon expert assessments of structural integrity, acoustic performance, and heritage preservation requirements.

Mitigation Planning: Examples of potential mitigation measure are set out above, but several require detailed cultural heritage impact assessments and performance space technical evaluations.

Monitoring & Communication: Monitoring of building conditions will be key, regular structural and acoustic surveys should be undertaken, and frequent stakeholder updates provided.

Roles & Integration: Clear responsibilities regarding concert hall safety protocols must be determined, as well environmental monitoring, heritage preservation monitoring and responsibility for facility maintenance.

Investment Portfolio Selection Criteria (Unweighted)

Set out below is an initial (unweighted) assessment of the proposed Beethoven Concert Hall initiative in relation to the proposed Investment Opportunity Selection Criteria set out in the previous section of the report.

Vision Alignment	Low	●●●●●●●●	High
Appropriateness	Low	●●●●●●●●	High
Sustainability	Low	●●●●●●●●	High
Catalytic Growth Potential	Low	●●●●●●●●	High
Core Vibrancy	Low	●●●●●●●●	High
Infrastructure Enhancement	Low	●●●●●●●●	High
Market Opportunity	Low	●●●●●●●●	High
Competitive Opportunity	Low	●●●●●●●●	High
Commercial Resilience	Low	●●●●●●●●	High
Deliverability	Low	●●●●●●●●	High

As shown, the hall demonstrates particularly strong alignment in relation of the vision alignment for the tourism cluster, it’s appropriateness to the context, sustainability and deliverability.

Consultant’s Comment

Though it lacks many of the supporting areas and technological infrastructure that would be expected within a modern concert venue, the Beethoven Concert Hall has its own distinct personality and character, unique history and strong connections with local culture. A full building survey would be required to understand the investment opportunity in more detail, and this has yet to be commissioned, but the renovation of the hall would be well aligned with the overall vision concept for the Dilijan Tourism Cluster.

INVESTMENT PORTFOLIO

Title: Amper Creative Peak (Ropeway & Moment Factory)
Proposing Entity: Amper





AMPEAK ROPEWAY

Why is this important:

- Takhta can become an alternative gateway to the Dilijan National Park
- Contribute to overall scaling of the Dilijan cluster
- Reintegrate Takhta settlement in the active life of Dilijan
- Rise the mobility possibilities of the local population

Situation:

Districts situated far from the central roundabout and riverside parts have little benefits from the overall tourism growth in Dilijan, such as Takhta settlement.

Problem:

Takhta (around 3000 residents) is one of the oldest districts in Dilijan, although due to its hilly relief, it has accessibility issues within Dilijan.

Solution:

Access to underutilized areas should become the first priority.





MOMENT FACTORY

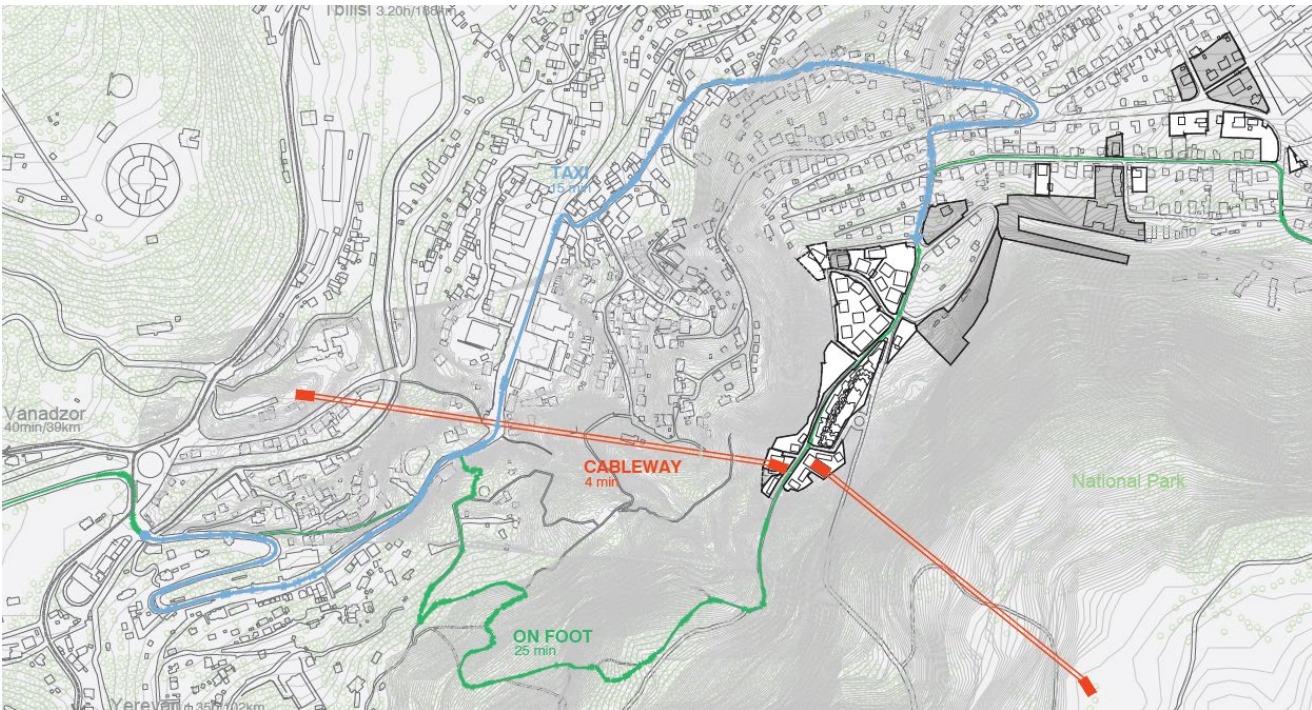
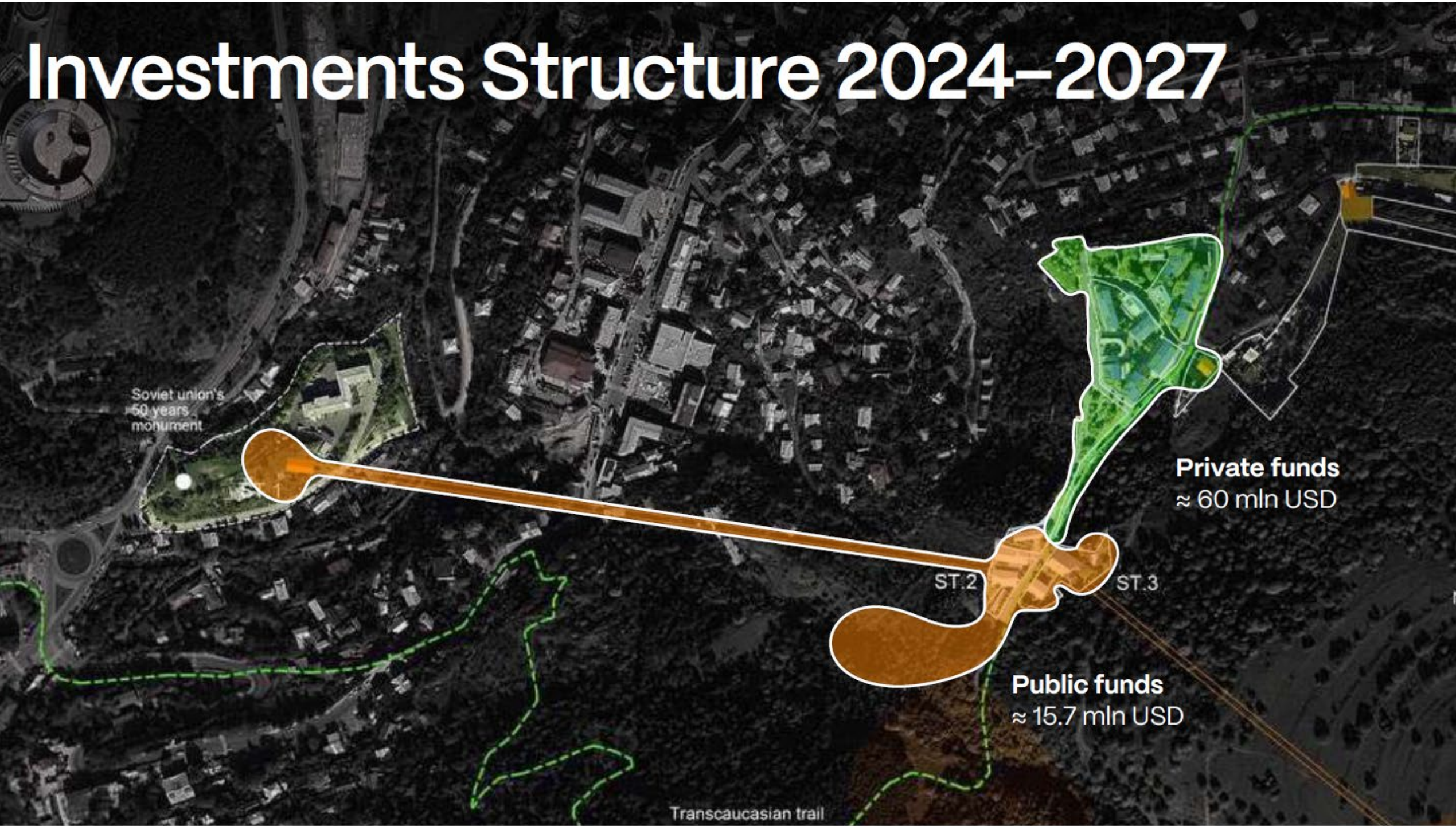
A multidisciplinary cultural space designed to inspire and encourage creativity through arts and educational projects.

This project can be combined with AMPEAK Ropeway, which gives a new product format for a potential tourist flow, a non-standard atmosphere of staying in the location and modernization of infrastructure in accordance with existing global trends in tourism development.

Entertainment can start from the very first station of the ropeway (Central park) and move the guest along the attraction to a new facility, while the guest will remain in the feeling of an immersive show, smoothly entering the forest up on the mountains (Dilijan National Park).

INVESTMENT PORTFOLIO

Title: Amper Creative Peak (Ropeway & Moment Factory)
Proposing Entity: Amper



INVESTMENT PORTFOLIO

Title: Amper Creative Peak (Ropeway & Moment Factory)
Proposing Entity: Amper

Precedent Imagery



INVESTMENT PORTFOLIO

Title:

Amper Creative Peak (Ropeway & Moment Factory)

Proposing Entity:

Amper

Descriptive Overview

The Amper Creative Peak development is a proposed mixed-use project that would be located adjacent to the elevated Takhta District (one of the older parts of Dilijan), overlooking the city centre. The project aims to transform Dilijan's tourism infrastructure through the creation of a design district, cultural center, viewing park, and tourist facilities that would attract both tourists and new residents.

The project would connect to an existing upscale 36-room hotel (currently expanding) and emphasizes environmental preservation while looking to create year-round attractions that could extend visitor stays in Dilijan.

A prime feature of the project includes a ropeway (cable car) which connects the 50 Years Soviet Monument near the "central" roundabout, to an elevated plateau, the forest and Transcaucasian trail. Adjacent to the top-station would be an attraction (The Moment Factory), comprising a lit route through the woods incorporating presentations of local heritage and nature.

Rationale for Consideration

The Amper project is a well-packaged initiative that seeks to enhance the infrastructure connections to the Takhta District (pop. 3,000), add a mix of attractions to the cluster’s tourism asset collection and establish it as an extended-stay destination attracting both tourists and residents.

The development would expand existing infrastructure provision while emphasising environmental preservation; and help to address identified gaps in evening activities (the Moment Factory project) and modern entertainment options.

Indicative Operating Model

The investment submission suggests a public-private partnership where the ropeway and Moment Factory receive public funding while private funding supports the commercial development. The proposal forecasts financial sustainability by 2027, with profits reinvested into public infrastructure through 2030 (no further details are provided within the submission or who would take on the operational responsibility).

Investment Proposal

The proposal indicates a total investment of approximately US\$75.7M, comprising US\$60.0mn of private investment (which includes a reported figure of US\$8.1m already invested) and US\$15.7mn of public investment, including \$10.7M in the ropeway and \$4.3M in the Moment Factory, in order to create comprehensive destination development. An independent assessment suggests that the CapEx for the ropeway might be lower at \$3.5mn to \$4.5mn (midpoint \$4.0mn).

Targeted Outcomes

The project plan projects significant annual traffic growth for the ropeway from 147,800 passengers to 220,900 (2025-2029), with the goals of an 80% growth in tourism, 200% restaurant growth, and 100% hotel occupancy increase. It aims to create hospitality jobs, increase average salaries, and generate government tax revenue, without providing specific numbers.

Key Stakeholder Groups

The proposing entity will be the asset manager and consulting company, Amper. In addition to already operating the existing Toon Armeni hotel which is part of the district, the project will positively affect Takhta district residents, tourism operators, cultural sector professionals, and environmental stakeholders (considering the project’s location in relation to the Dilijan National Park).

INVESTMENT PORTFOLIO

Title: Amper Creative Peak (Ropeway & Moment Factory)
Proposing Entity: Amper

Stakeholder Management Plan

The proposed Amper Creative Peak initiative is a comparatively significant in terms of the levels of development envisaged, the anticipated scale of investment required, its visual impact and the range of stakeholders involved given that the overall scheme includes several distinct elements.

P O W E R	High	Keep Satisfied Indirectly impacted Govt Ministries (i.e. Defence, Environment, etc.)	Manage Closely - Proposing entity - Operational teams - Regulatory bodies - Site neighbours - Tourism Committee
	Low	Monitor - National population - Competitive attractions	Keep Informed - World Bank - Local community - Media channels - Tour agents
		Low	High
		INTEREST	

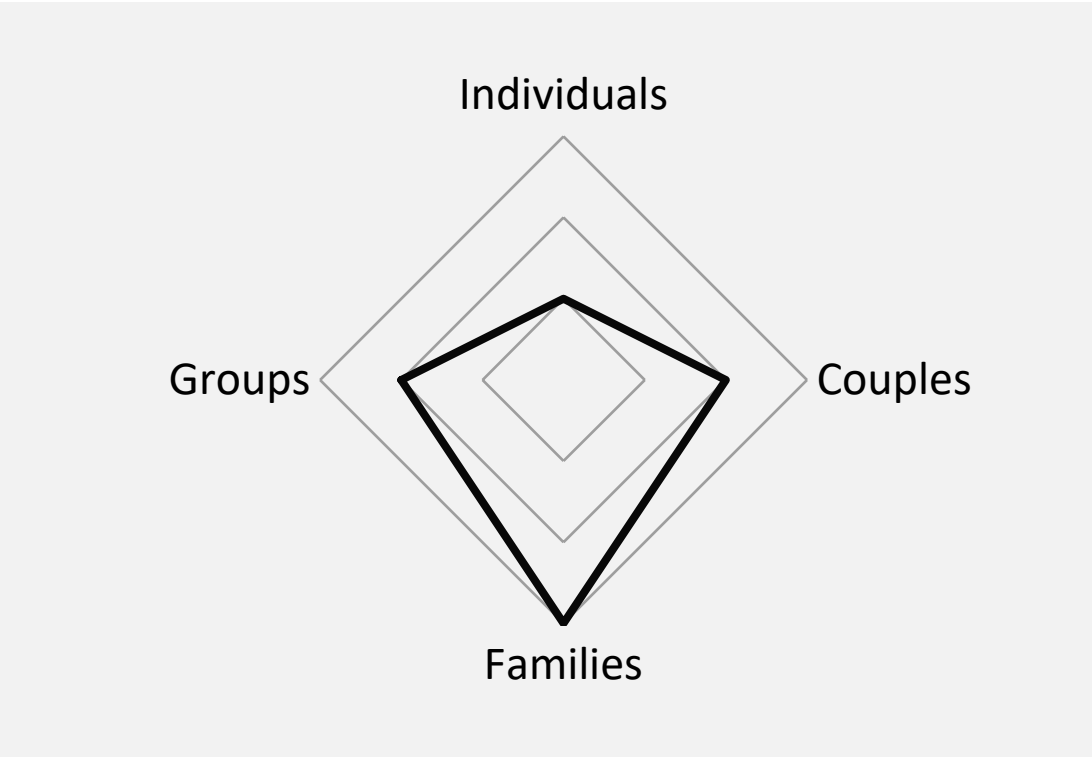
Although more modest in scale that the Wings of Tatev, the proposed ropeway does represent a comparatively high-profile piece of infrastructure which will require due care and attention from a safety, security and regulator’s perspective.

The scale of the project will necessitate close, and regular, engagement will both residents and business within the immediate site area regarding their well-being, etc.

Market Demand Profile

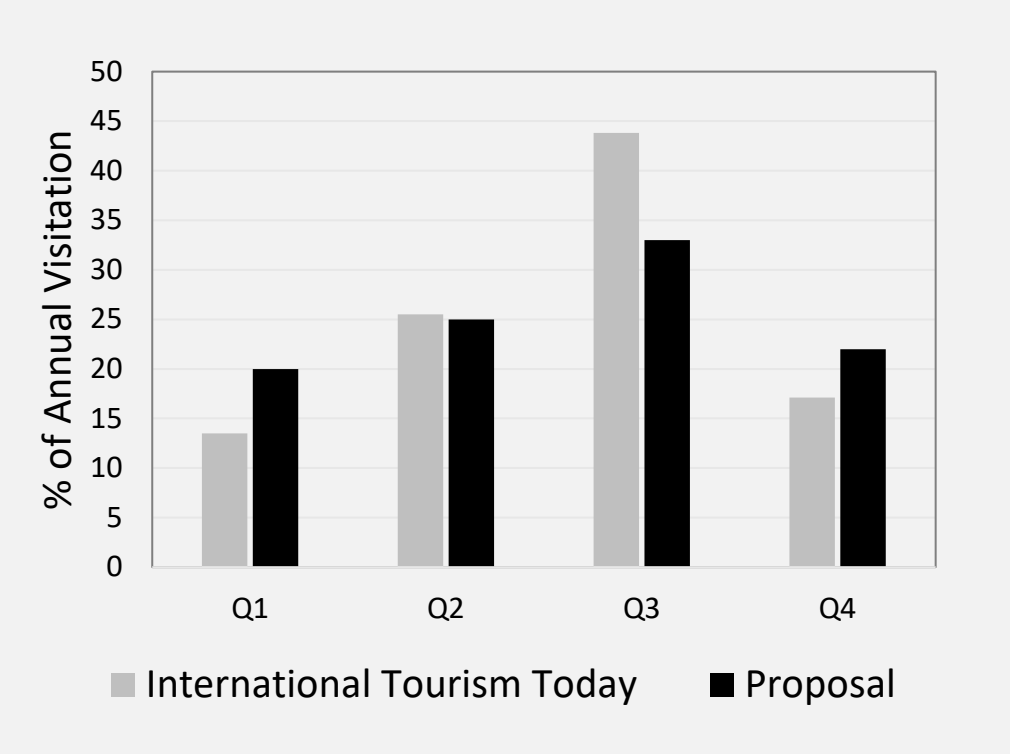
The Amper Creative Peak initiative from a conceptual perspective represents both an investment in the creation of new tourism assets for Dilijan, and also an investment in piece of infrastructure that will strengthen the connection with an older District of the town. Additionally, it will add an exciting new center for the creative industries that will draw both interest from the resident community and visitors to the wider tourism cluster.

Group Composition



The Ropeway and the Moment Factory concept will likely have strongest appeal to the family market, followed by couples and groups. Any ‘ride’ operation is always particularly popular with children.

Seasonality of Demand



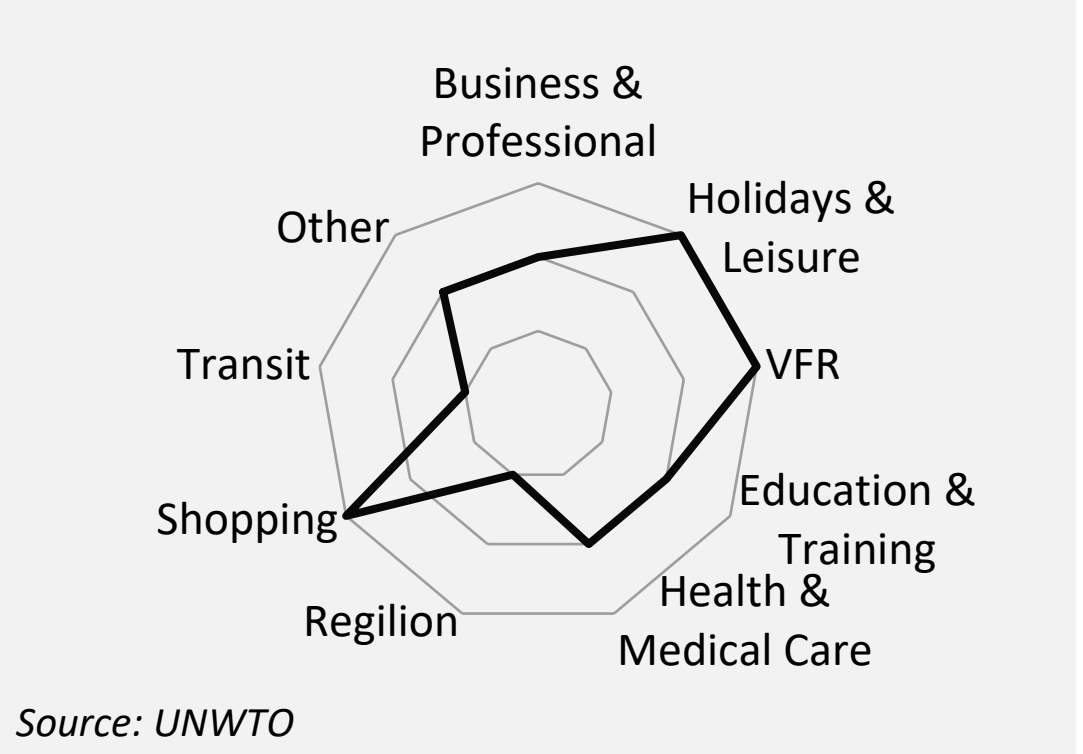
Whilst the demand profile will likely continue to reflect the current summer peak, the Moment Factory concept presents a potentially appealing winter attraction offer.

Source of Demand



This initiative will have the advantage of both creating an additional tourism assets for Dilijan but also providing a piece of infrastructure that should be of a practical benefit to local residents; strengthening access within the city.

Purpose of Visit



In addition to the core tourist markets (as defined by purpose of visit), this initiative will appeal to demand driven by retail (crafts and produce), as well relevant business-related tourists.

INVESTMENT PORTFOLIO

Title: Amper Creative Peak (Ropeway & Moment Factory)

Proposing Entity: Amper

Commercial Performance Considerations

The Amper project submission suggests that both the ropeway and the Moment Factory attraction would become commercially self-sustainable. No detailed information or supporting evidence is provided as backup or to explain the methodology applied to generate the ropeway demand analysis and specific revenue targets aren't detailed. However, the proposal submission claims that a year-round operating model and public support suggest viable commercial returns.

For review purposes, we have built up a cashflow appraisal of the proposal that sees stabilised operations achieved following a two-year construction. We have applied the forecast stabilised passenger figure of 220,900 for the ropeway with an average round-trip ticket price of \$10. We have assumed that 25% of passengers visit the Moment Factory (avg admission priced at \$12.50) and that both operations achieve a 30% operating margin. A Project IRR of 14.6% is achieved over the 20-year review period, assuming a CapEx investment of \$8.3mn (\$4.0mn for the ropeway + \$4.3mn for the Moment Factory).

Optimistic Financial Performance Scenario

AMPER ROPEWAY & MOMENT FACTORY - PROJECT CASHFLOW	Year	2025	2026	2027	2028	2029	2030	2035	2040	2045
Targeted Financial Performance Appraisal (\$000s)	Year No.	0	1	2	3	4	5	10	15	20
Sources of Funds										
Net Revenues from Ropeway Operation	18,587	-	-	-	499	593	705	981	1,193	1,452
Net Revenues from Moment Factory Operation	7,745	-	-	-	208	247	294	409	497	605
Capitalised Income @ 10%	20,571	-	-	-	-	-	-	-	-	20,571
Total Sources of Funds	46,903	-	-	-	707	840	999	1,390	1,691	22,628
Uses of Funds										
CapEx Investment	8,805	-	4,316	4,489	-	-	-	-	-	-
Total Uses of Funds	8,805	-	4,316	4,489	-	-	-	-	-	-
Net Cashflow	38,098	-	(4,316)	(4,489)	707	840	999	1,390	1,691	22,628
CONSOLIDATED PROJECT CASHFLOW										
Net Operating Revenues	26,332	-	-	-	707	840	999	1,390	1,691	2,057
Capitalised Income	20,571	-	-	-	-	-	-	-	-	20,571
Development & Enhancement Costs	(8,805)	-	(4,316)	(4,489)	-	-	-	-	-	-
Project Net Cashflow	38,098	-	(4,316)	(4,489)	707	840	999	1,390	1,691	22,628
Cumulative Project Net Cashflow		-	(4,316)	(8,805)	(8,098)	(7,258)	(6,259)	175	8,003	38,098

Project IRR 14.6%

Project Net Present Value (NPV) Discount Rate 1 10% 4,143 Discount Rate 2 11% 2,963 Discount Rate 3 12% 1,958

Note

Inflation @ 4 percent, based on forecasts from the Central Bank of the Republic of Armenia.



In this instance, we have also prepared a more conservative financial appraisal adopting the higher CapEx investment estimate for the ropeway submitted by Amper of \$10.7mn (note: the estimate for the Moment Factor component is maintained at \$4.3mn). In this scenario the Project IRR drops to 8.5% and the cumulative project net cashflow only turns positive in 2040.

Conservative Financial Performance Scenario

AMPER ROPEWAY & MOMENT FACTORY - PROJECT CASHFLOW	Year	2025	2026	2027	2028	2029	2030	2035	2040	2045
Targeted Financial Performance Appraisal (\$000s)	Year No.	0	1	2	3	4	5	10	15	20
Sources of Funds										
Net Revenues from Ropeway Operation	18,587	-	-	-	499	593	705	981	1,193	1,452
Net Revenues from Moment Factory Operation	7,745	-	-	-	208	247	294	409	497	605
Capitalised Income @ 10%	20,571	-	-	-	-	-	-	-	-	20,571
Total Sources of Funds	46,903	-	-	-	707	840	999	1,390	1,691	22,628
Uses of Funds										
CapEx Investment	15,912	-	7,800	8,112	-	-	-	-	-	-
Total Uses of Funds	15,912	-	7,800	8,112	-	-	-	-	-	-
Net Cashflow	30,991	-	(7,800)	(8,112)	707	840	999	1,390	1,691	22,628
CONSOLIDATED PROJECT CASHFLOW										
Net Operating Revenues	26,332	-	-	-	707	840	999	1,390	1,691	2,057
Capitalised Income	20,571	-	-	-	-	-	-	-	-	20,571
Development & Enhancement Costs	(15,912)	-	(7,800)	(8,112)	-	-	-	-	-	-
Project Net Cashflow	30,991	-	(7,800)	(8,112)	707	840	999	1,390	1,691	22,628
Cumulative Project Net Cashflow		-	(7,800)	(15,912)	(15,205)	(14,365)	(13,366)	(6,932)	896	30,991

Project IRR 8.5%

Project Net Present Value (NPV) Discount Rate 1 10% (2,019) Discount Rate 2 11% (3,116) Discount Rate 3 12% (4,041)

Note

Inflation @ 4 percent, based on forecasts from the Central Bank of the Republic of Armenia.

INVESTMENT PORTFOLIO

Title: Amper Creative Peak (Ropeway & Moment Factory)
Proposing Entity: Amper



Impact Value Chain (IVC)

The impact value chain for this initiative needs to be understood within the context of the wider development ambitions for the Creative Peak which includes a new cultural district and residential community. The total will be greater than the sum of its parts.

Input	Activity	Output	Outcome	Impact
• Project planning • Experience • Engagement • Investment • Environmental safeguards	• Facilitating works • Construction • New businesses • Establish Op. Co. • Project marketing	• New infrastructure • Attractions launch (ropeway and woodland walk) • Media attention	• New tourism ops • Strong connectivity as catalyst to deeper visitor engagement • Revenue generation	• Jobs increase • Business boost • Civic pride • Increased stays • Closer engagement with nature
<u>Definition:</u> (1) Input: Resources used in delivery of intervention, (2) Activity: What is being done with the resources, (3) Output: How the activity touches the intended beneficiaries, (4) Outcome: Change arising, (5) The extent for change arising.				<i>Source: Value Chains EU Horizon 2020</i>

Environmental & Social Impact

The realisation of the Amper Creative Peak project would result in the creation of a mix of new employment opportunities associated with the ropeway and the attraction, in addition to associated indirect and induced employment – thereby helping to strengthen the local economy. In addition, the wider project offers the potential to breath some new life into one of the older and more poorly connected parts of Dilijan, the Takhta district.

An area of potential concern from an environmental perspective would be light pollution associated with the proposed Moment Factory woodland walk experience. This would likely have a negative impact of fauna in the immediate vicinity. At the same time, however, this proposal would encourage visitors to engage in physical activity in nature and could provide educational opportunities around the value of biodiversity and habitat protection.

INVESTMENT PORTFOLIO

Title:

Amper Creative Peak (Ropeway & Moment Factory)

Proposing Entity:

Amper

Risk Management & Mitigation Plan

This is a relatively bold and ambitious scheme and as such potential risks and associated risk mitigation measure must be well understood and reviewed regularly.

Risk Identification and Assessment: Specific risks in relation to this project include environmental challenges and issues associated with commercial management.

Commercial Return	Risk: Market non-acceptance of pricing required to achieve viability	Market Demand	Risk: Insufficient visitor numbers for sustainability.
	Mitigation: Comprehensive financial planning and market testing exercise.		Mitigation: Diverse attraction mix, year-round programming and strong marketing
Extreme Weather	Risk: Number of days lost to extreme weather impacts viability	Cost Overruns	Risk: Investment budget creep during the course of project implementation.
	Mitigation: Design measure and safety systems in place to minimise losses.		Mitigation: Strict budget control and use of respected contractors and providers.
Community Acceptance	Risk: Local resistance to tourism development	Environmental Damage	Risk: Environmental degradation of National Park System and light pollution.
	Mitigation: Proactive involvement of locals, job creation, public space access		Mitigation: Application of environmental management policies and designs.

Risk Response Strategies: Risk response strategies for this initiative must include input from the safety and security services in relation to the ropeway, as well as other studies.

Mitigation Planning: Examples of potential mitigation measure are set out above, but several stipulate the requirement for further detailed preparatory assessments.

Monitoring & Communication: As highlighted above, the Moment Factory concept may impact the local ecology (especially after dark) and this will need close monitoring.

Roles & Integration: The roles and responsibilities of the newly formed operating entities for the Creative Park must be clearly defined, particularly around visitor safety.

Investment Portfolio Selection Criteria (Unweighted)

Set out below is an initial (unweighted) assessment of the proposed Amper Creative Park Ropeway and Moment Factor concepts in relation to the proposed Investment Opportunity Selection Criteria set out in the previous section of the report.

Vision Alignment	Low		High
Appropriateness	Low		High
Sustainability	Low		High
Catalytic Growth Potential	Low		High
Core Vibrancy	Low		High
Infrastructure Enhancement	Low		High
Market Opportunity	Low		High
Competitive Opportunity	Low		High
Commercial Resilience	Low		High
Deliverability	Low		High

This initiative would enhance local infrastructure provision, drive new tourism interest, and is located appropriately to strengthen core vibrancy. However, it will be a challenge to deliver and will face environmental sensitivity.

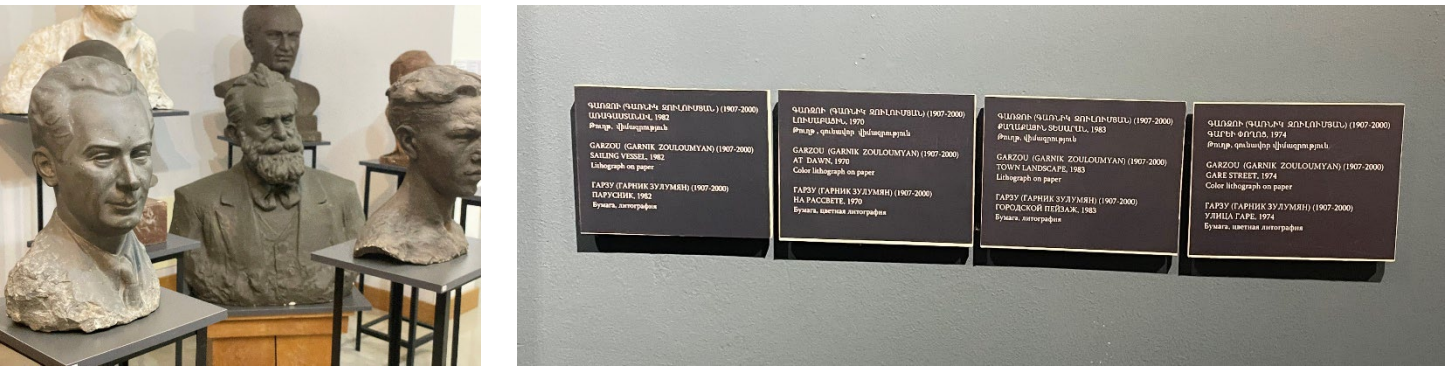
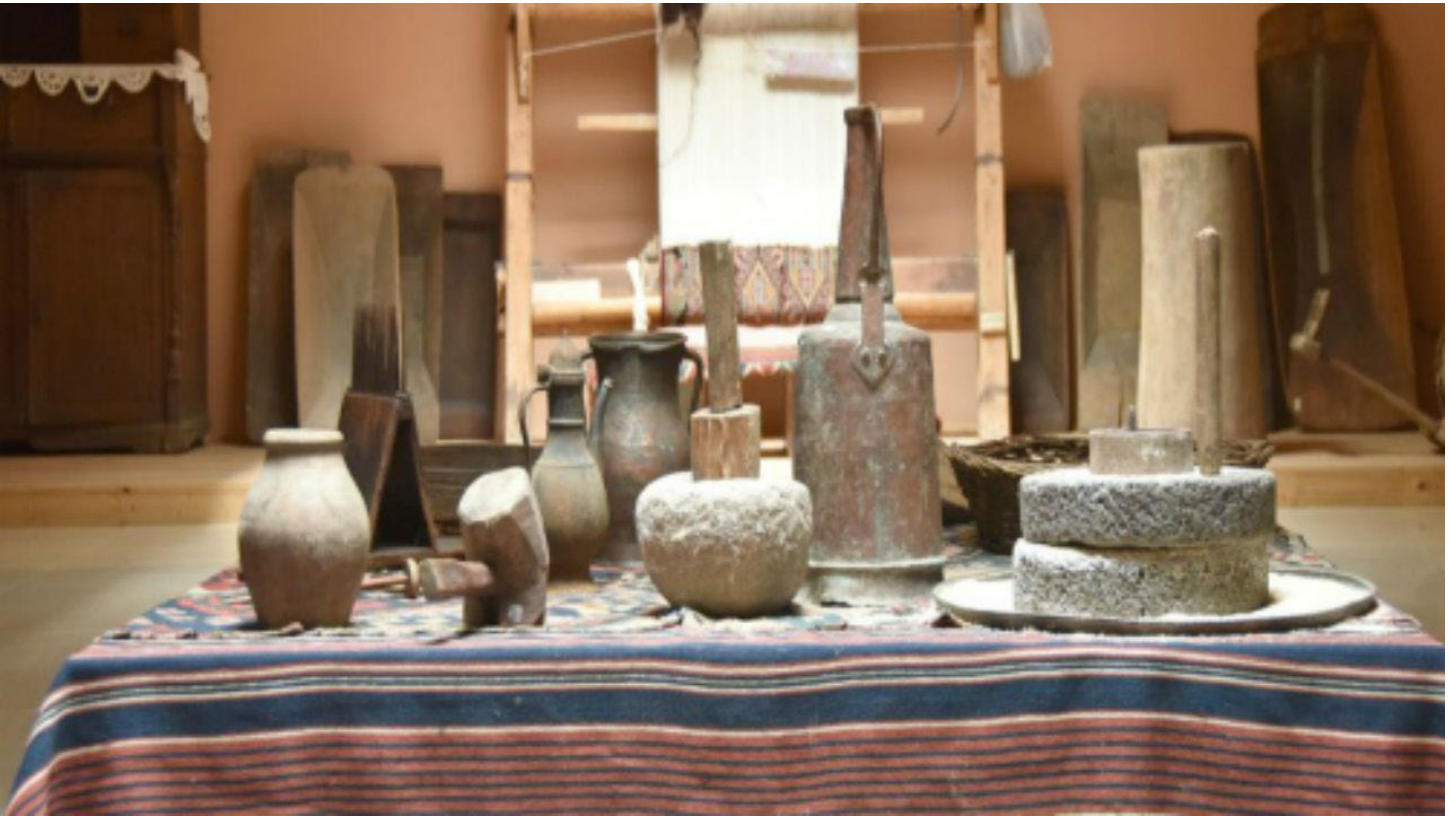
Consultant’s Comment

The Amper Creative Peak development represents an investment opportunity that addresses a local infrastructure need and would diversify the cluster’s tourism product and experience offer. This does represent a significant investment however, and more detailed revenue projections with an emphasis on visitor numbers would strengthen the case. The Moment Factor concept is strong and well-proven, but issues associated with the impact of light pollution on local fauna make require investigation and specific consideration.

INVESTMENT PORTFOLIO

Title: Local Lore Museum & Gallery

Proposing Entity: Consultant Recommendation



INVESTMENT PORTFOLIO

Title: Local Lore Museum & Gallery

Proposing Entity: Consultant Recommendation

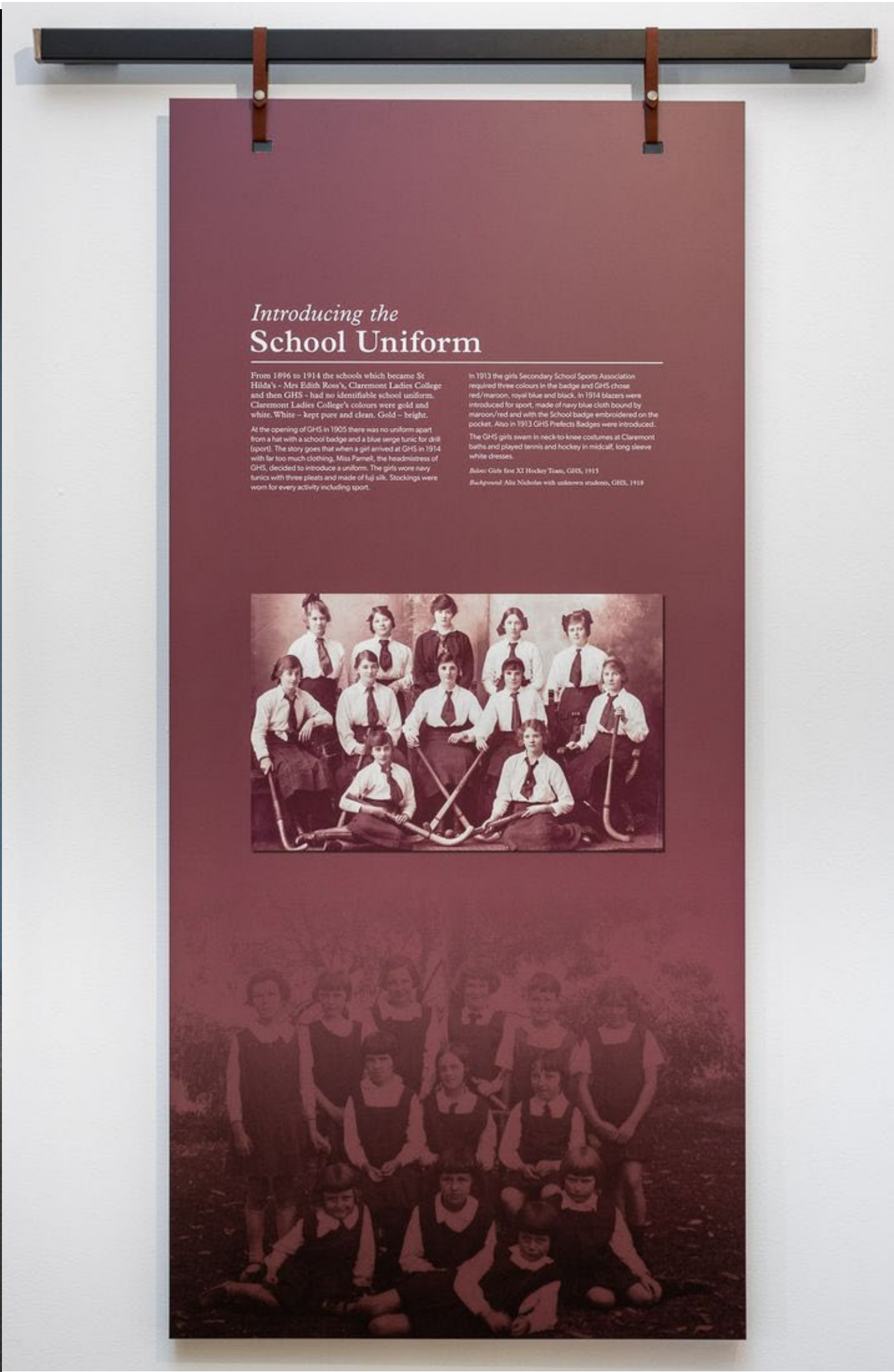


INVESTMENT PORTFOLIO

Title: Local Lore Museum & Gallery

Proposing Entity: Consultant Recommendation

Precedent Imagery



INVESTMENT PORTFOLIO

Title: Local Lore Museum & Gallery
Proposing Entity: Consultant Recommendation

Descriptive Overview

Established in 1950 and renovated in 2011, the Local Lore Museum and Art Gallery, which is located close to the centre of Dilijan, is a three-story cultural institution featuring archaeological artifacts, local ethnographic items, and an art collection including works by renowned Armenian and European artists. The museum sustains itself with minimal ticket revenue and government support.

While offering cultural events and guided tours and workshops, visitor engagement is somewhat limited. The facility faces challenges including limited digital presence, accessibility issues, and minimal interpretive materials, hindering its potential as a cultural destination despite its caring staff and dedicated leadership.

An investment in content interpretation, the potential addition of temporary exhibition space, staff training and education will help strengthen the visitor experience at this important local cultural asset.

Rationale for Consideration

The Lore Museum & Gallery plays an important role within the context of the Dilijan Tourism Cluster as a custodian of the local culture, heritage and traditions. Both domestic and international visitors to the city, when planning their first visit in particular, will likely consider a trip to the museum in order to find out more about the destination and its cultural context. In addition, its location just a few minutes’ walk from the typical point of arrival into Dilijan for most guests (along Maxim Gorky Street) and close to the Tufenkian Old Dilijan Complex is such that it is easily accessible for visiting tourists.

Given that the established cluster theme is ‘Nature & Culture’, this is an asset that merits investment and celebration.

Indicative Operating Model

It is envisaged that the operation of the museum would continue under management of the public sector with the support, engagement and guidance of the Ministry of Education, Science, Culture and Sport.

Investment Proposal

A suggested, an investment package is proposed that would allow for both an upgrade to the interpretation of the museum’s content, space and archive; making it more engaging by combining technology, storytelling and interactive elements (i.e. touch screens, project mapping, narrative audio guides, maker spaces), diversified foreign language accessibility, etc.); and staffing education and training.

Targeted Outcomes

Targeted outcomes from this initiative would include improved visitor satisfaction, as a result of an enhanced experience, increased attendance and strengthened commercial performance. It is envisaged that an upgraded attraction offer and visitor experience would ultimately support two or three additional staff positions (as warranted by demand).

Key Stakeholder Groups

The key stakeholders include staff and relevant representatives from the local municipality, representatives from the Ministry of Education, Science, Culture and Sport, local residents (with a particular reference to schools, teaches and local cultural interest groups) and both domestic and international tourists to Dilijan.

INVESTMENT PORTFOLIO

Title: Local Lore Museum & Gallery
Proposing Entity: Consultant Recommendation

Stakeholder Management Plan

The Power / Interest management grid is designed to help project managers to categorize stakeholders and create effective communication strategies for each category involved with the initiative. This grid groups stakeholders according to their level of authority (power) and their anticipated level of concern regarding the outcome.

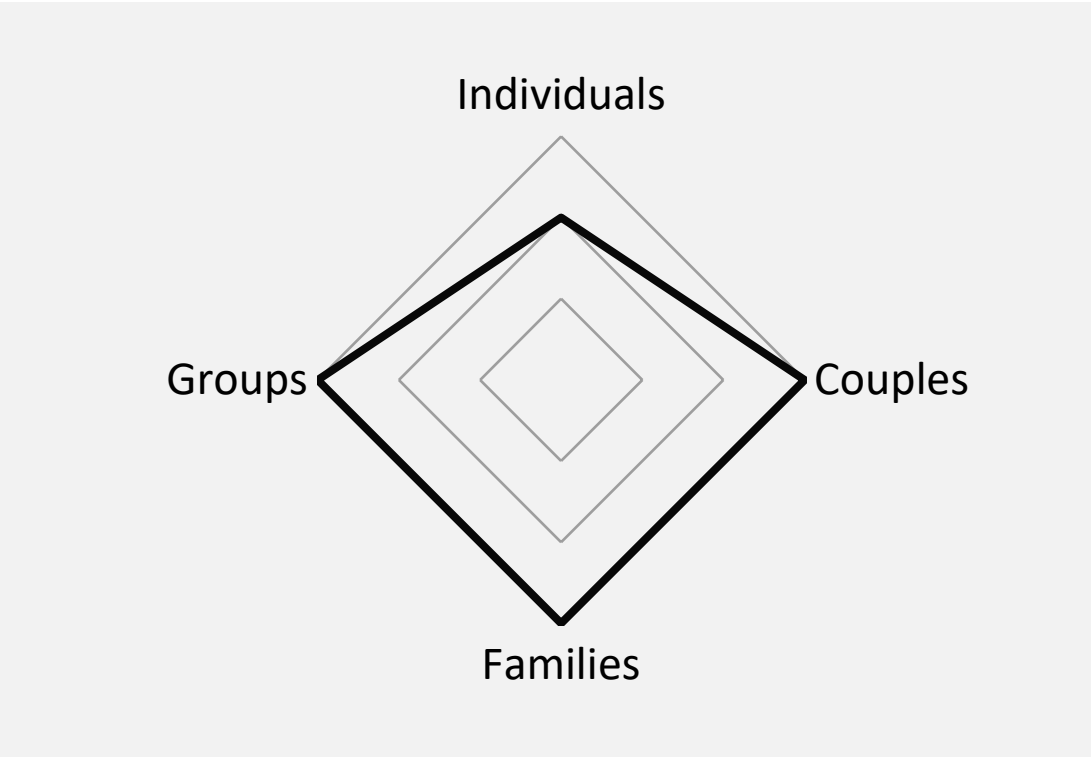
P O W E R	High	Keep Satisfied Govt ministries	Manage Closely - Proposing entity - Tourism Committee - Local authority groups - Municipality (owner)
	Low	Monitor - National population - Visitor markets	Keep Informed - World Bank team - Local community - Events vendors - Arts community - Preservationists
		Low	High
		INTEREST	

In the case of the Local Lore Museum & Gallery, encouraging current curators and employees to lead in conversations with Ministry officials and municipal representatives is essential. Crucial consultation from educational institutions and cultural groups will bring in broader expertise. Staff training and development, community outreach programmes, and consistent updates to tourism operators and cultural organizations will be vital to success.

Market Demand Profile

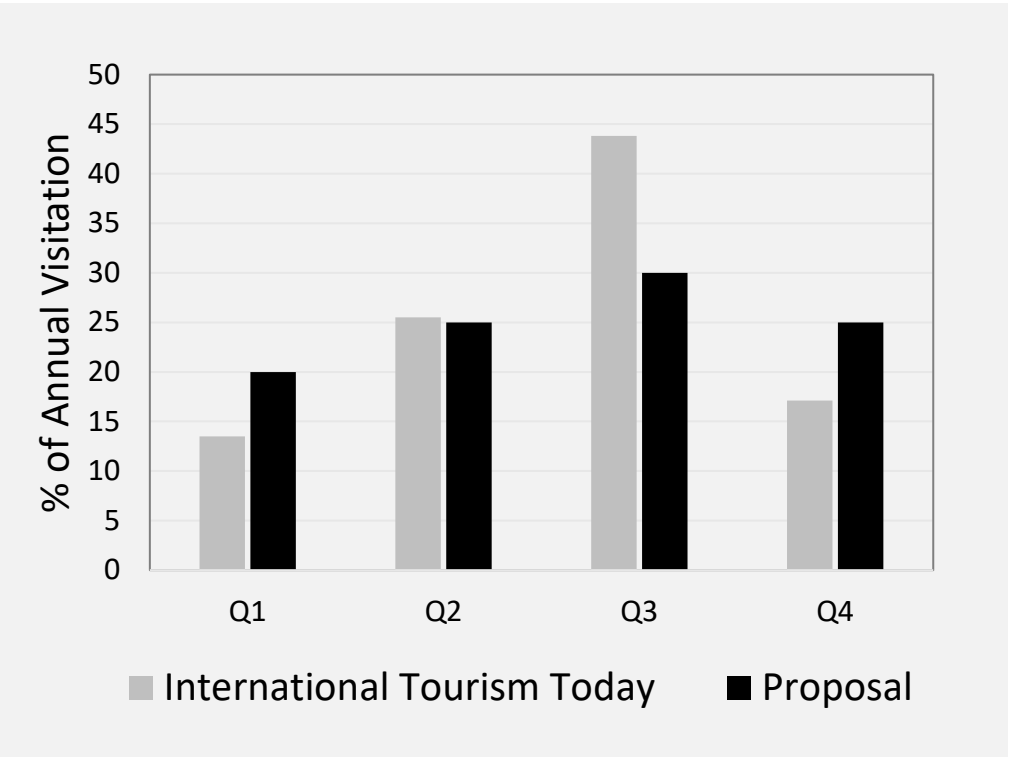
Investment in the Museum offers cultural enrichment opportunities for visitors seeking local heritage experiences that are expected and typical of most historic destinations. The primary market is, and will continue to be, international visitors who are naturally more curious about the destination and are highly likely to add the only local museum to their ‘must-see’ list. Enhanced interpretation and interactive elements will increase appeal and dwell-time, and an expanded role as a community cultural anchor with increased event opportunities and rotating exhibits will increase local attendance.

Group Composition



Like most museums, group composition will be broad and have the potential to grow further with guided tour groups. Workshops and activities will target all group sizes as well, and appeal to individuals and couples, in particular.

Seasonality of Demand



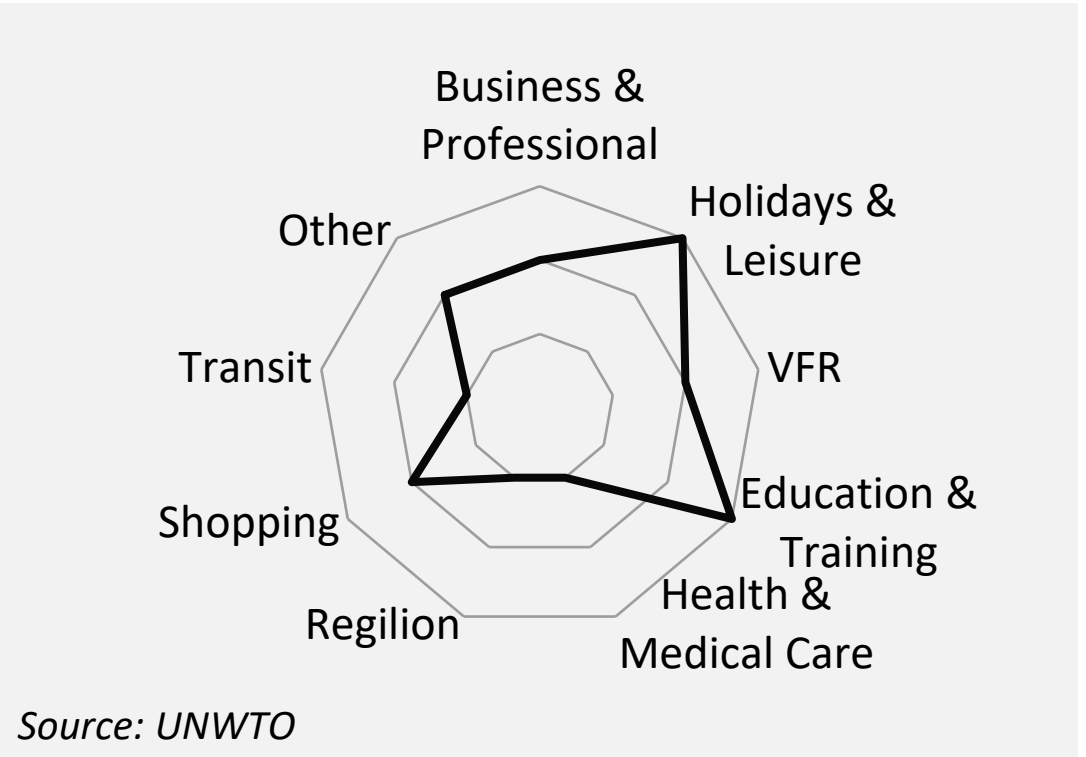
Year-round operation with peak visitation during summer high season. Educational trips, such as school group visits, can maintain traffic during the academic year, while special exhibitions can drive off-season attendance.

Source of Demand



The museum will see demand primarily from international tourists, with domestic overnight and locals showing moderate interest in special exhibitions and cultural programs. The addition of a café or craft school can broaden this appeal.

Purpose of Visit



The museum will primarily attract leisure tourists seeking local experiences, with special events attracting professionals and educators in the arts. A proper gift shop will draw in those interested in shopping locally.

INVESTMENT PORTFOLIO

Title:

Local Lore Museum & Gallery

Proposing Entity: Consultant Recommendation

Commercial Performance Considerations

Adult admission to the Lore Museum and Gallery in Dilijan is currently priced at US\$8 for foreign visitors, and US\$5 for residents. These prices are in line with those being levied at the larger museums and galleries in Yerevan. A challenge for any museum or similar cultural attraction is that whilst people are generally happy to pay for a ‘fun’ or engaging experience they are more reluctant to pay for a purely educational experience. Investment in a more engaging visitor experience at the Local Lore Museum & Gallery should open the door to a strengthened commercial operation.

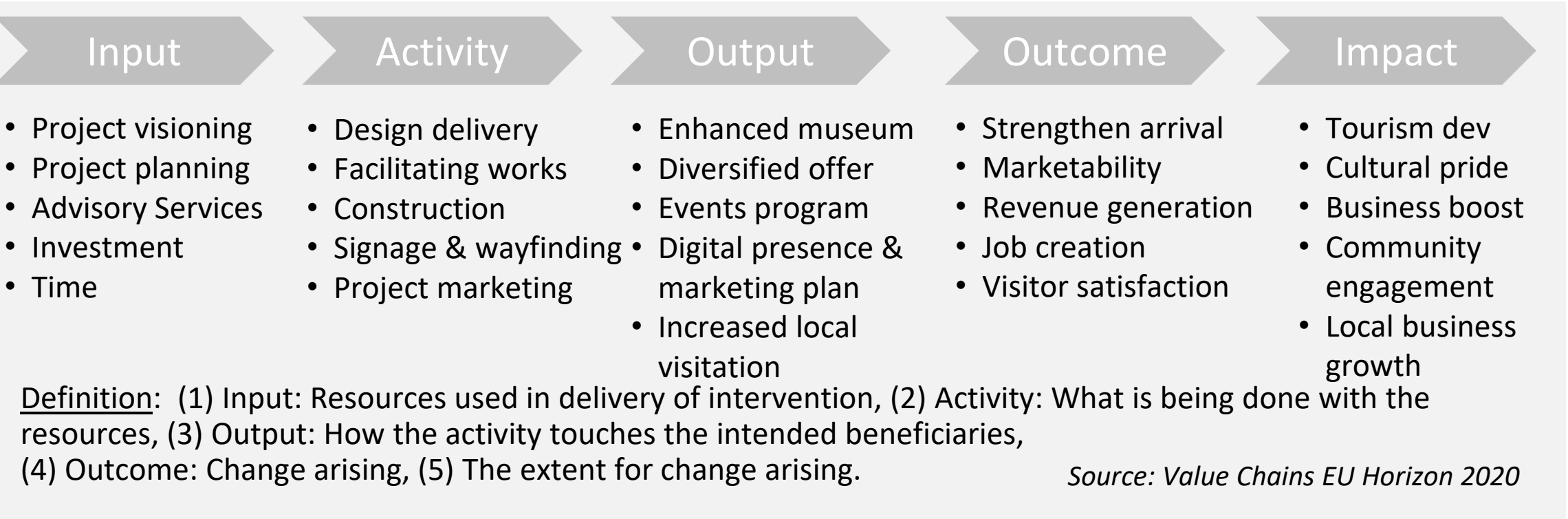
In the absence of historic performance data for the operation, but for the purposes of illustration, we have prepared a Warranted Investment Appraisal for the Lore Museum. This indicates that in order to achieve a positive cumulative net cashflow by 2045 no more than \$0.6mn should be invested, assuming that attendance doubles to 14,000 per annum, an additional \$5 is achieved in visitor spending, and that an operating margin of 20% is achieved which is then capitalized at 14% in the final year of the review period.

LORE MUSEUM UPGRADE - PROJECT CASHFLOW	Year	2025	2026	2027	2028	2029	2030	2035	2040	2045
Targeted Financial Performance Appraisal (\$000s)	Year No.	0	1	2	3	4	5	10	15	20
Sources of Funds										
New Net Revenues following Enhancements	406	-	-	6	13	15	17	21	25	31
Capitalised Income @ 14%	219	-	-	-	-	-	-	-	-	219
Total Sources of Funds	626	-	-	6	13	15	17	21	25	250
Uses of Funds										
Upgrade Investments	626	-	626	-	-	-	-	-	-	-
Total Uses of Funds	626	-	626	-	-	-	-	-	-	-
Net Cashflow	-	-	(626)	6	13	15	17	21	25	250
CONSOLIDATED PROJECT CASHFLOW										
Net Operating Revenues	406	-	-	6	13	15	17	21	25	31
Capitalised Income	219	-	-	-	-	-	-	-	-	219
Development & Enhancement Costs	(626)	-	(626)	-	-	-	-	-	-	-
Project Net Cashflow	-	-	(626)	6	13	15	17	21	25	250
Cumulative Project Net Cashflow		-	(626)	(620)	(606)	(591)	(574)	(478)	(361)	-
Project IRR 0.0%										
Project Net Present Value (NPV)										
Discount Rate 1	10%	(396)	Discount Rate 2		11%	(408)	Discount Rate 3		12%	(418)

Note
Inflation @ 4 percent, based on forecasts from the Central Bank of the Republic of Armenia.

Impact Value Chain (IVC)

In the case of the proposed museum enhancement initiative the impact value chain will focus on broad range of benefits for the wider destination, enhancing the overall appeal of the destination and its associated marketability.



Environmental & Social Impact

The Local Lore Museum & Gallery has a clear role to play in safeguarding the heritage and cultural legacy of Dilijan. From a social and cultural sustainability perspective it should be central to the celebration of local traditions and pride. Encouraging the community to participate more and bringing their stories to life will enhance the visitor experience, and strengthened connections with local educational establishments such as the UWC might help in relation to historical research and knowledge share. In addition, the retail offer at the Lore Museum could provide an opportunity to support local artisans and artists.

Finally, investment in facility enhancement could help to reduce the carbon footprint of the building, through the introduction of more energy efficient heating and cooling, for example.

INVESTMENT PORTFOLIO

Title:

Local Lore Museum & Gallery

Proposing Entity:

Consultant Recommendation

Risk Management & Mitigation Plan

The upgrade of and expansion of the Local Lore Museum will require risk assessment focusing on upgrading and operating a successful museum with staff buy-in.

Risk Identification and Assessment: Specific risks include collection damage, technology implementation challenges, financial sustainability concerns, and most importantly, staff resistance.

Audience Misalignment	Risk: Modernizing exhibits or narratives might alienate traditional audiences.	Perception of Commercialization	Risk: Over-modernization may be viewed as disrespectful.
	Mitigation: Involve stakeholders in the planning to balance the old and the new.		Mitigation: Align upgrades with the museum’s mission statement
Technological Change	Risk: Digital tools and interactive installations can become outdated	Cost Overruns	Risk: Investment budget creep during the course of project implementation.
	Mitigation: Use scalable and upgradeable technology platforms.		Mitigation: Strict budget control and use of respected contractors and providers.
Technology Maintenance	Risk: High-tech features can be expensive to maintain and update.	Staff Resistance	Risk: Staff may resist change or lack requisite expertise.
	Mitigation: Budget for ongoing maintenance and staff training		Mitigation: Involve staff in planning and provide comprehensive training.

Risk Response Strategies: Development of detailed response plans for collection preservation, technology failures, visitor safety incidents and operational disruptions will be in response to the initial visioning/feasibility exercise.

Mitigation Planning: Examples of potential mitigation measure are set out above, but several stipulate the requirement for involvement of staff as major stakeholders.

Monitoring & Communication: Monitoring of collection conditions as well as visitor feedback regarding the museum and additional revenue-generating functions (café etc).

Roles & Integration: Clear responsibilities outlined between museum staff, Ministry oversight, municipal support and an events/programming and partnerships chair.

Investment Portfolio Selection Criteria (Unweighted)

Set out below is an initial (unweighted) assessment of the potential Lore Museum Initiative in relation to the proposed Investment Opportunity Selection Criteria set out in the previous section of the report.

Vision Alignment	Low		High
Appropriateness	Low		High
Sustainability	Low		High
Catalytic Growth Potential	Low		High
Core Vibrancy	Low		High
Infrastructure Enhancement	Low		High
Market Opportunity	Low		High
Competitive Opportunity	Low		High
Commercial Resilience	Low		High
Deliverability	Low		High

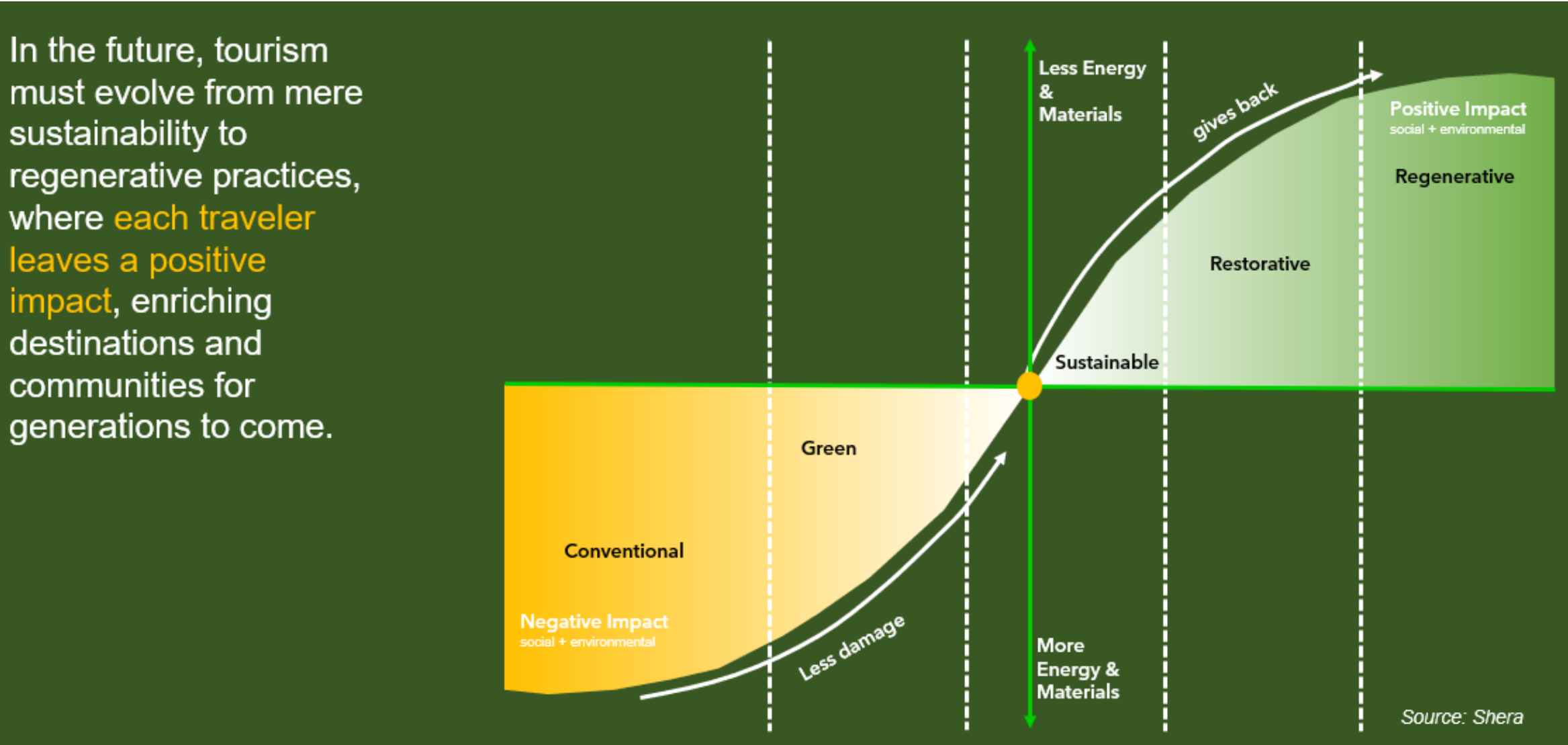
The museum aligns with the cultural component of the cluster vision, while adding to core vibrancy, improving on Dilijan’s marketing offer, and the addition of a shop, café, and art classes increase commercial resilience.

Consultant’s Comment

The Local Lore Museum & Gallery should rightly represent a key cultural asset within the Dilijan Tourism Cluster, aligning with the destination vision. It is comparatively well located within the context of the city but could benefit significantly from investments that will enhance engagement and the overall visitor experience, and potential provide accommodation of a rolling programme of temporary exhibitions with help to drive repeat visitation. Lifestyle investments in technology have raised the bar over the last few years in regard to people’s expectations around messaging and communication.

INVESTMENT PORTFOLIO

Title: Regenerative Tourism Strategy
Proposing Entity: Consultant Recommendation



Precedent Imagery



INVESTMENT PORTFOLIO

Title: Regenerative Tourism Strategy
Proposing Entity: Consultant Recommendation

Descriptive Overview

The concept of Regenerative Tourism seeks to shift the focus for tourism framework planning from the 'visitor economy' to the 'resident economy' - rather than asking the question, 'what can the destination do for tourism?' it asks 'what can tourism do for the destination?'

Regenerative Tourism seeks to push the needle beyond the principles of Sustainable Tourism, where the tourist should have no negative impact on the destination, to the principle of tourism as a force for good within the local community.

The role of, and engagement with, the local community is taken to a new level, and both products and service are typically developed that provide visitors with the opportunity to engage with, improve and enhance the destination. This requires a new strategic plan that could represent a pilot project opportunity for Armenia.

[Note: An introductory overview of the concept of Regenerative Tourism is provided in appendices of this document.]

Rationale for Consideration

Dilijan is celebrated for its pristine landscapes and rich biodiversity. Indeed, it is sometimes referred to as Armenia’s “Little Switzerland”. In addition, it is well known for its cultural heritage and for its long-standing commitment to the arts and education. It is within this context that the consultant group recommend that the Dilijan Tourism Cluster should become a ‘pilot project’ for Regenerative Tourism Planning in Armenia, where tourism is actively encouraged as a means of enhancing both the lives of local citizens and the quality of the natural environment. This will require close engagement with the local community, effective destination management and the development of products and services aligned to the core principles of Regenerative Tourism.

Indicative Operating Model

This initiative would involve the commissioning of a foundational ‘pilot’ study which, once agreed, would ultimately be implemented through the destination management group for the Dilijan Tourism Cluster.

Investment Proposal

The initial investment associated for this initiative would be associated with the commissioning of a Regenerative Tourism Strategy Study from a suitably qualified tourism planning consultancy. The fees for such a study, which would involve situation analysis, stakeholder engagement, benchmark studies, strategy planning, visions refinement and then implementation would likely be in order of US\$200,000 to US\$300,000.

Targeted Outcomes

The targeted outcome of this initiative would be the establishment of a vibrant ‘resident economy’ that draws revenue and employment of tourism activities and engagement that help to enhance the quality of the natural environment and strengthen the celebration of the local cultural traditions and heritage.

Key Stakeholder Groups

The central tenet of Regenerative Tourism planning is that the well-being of the local / host community (as well as the local environment) should not only be protected but enhanced. On this basis, the local resident community must be the key stakeholder group in this framework planning process. Input and support would then be drawn from relevant public authority bodies and private sector businesses, but the health, wealth and happiness of the resident community will be a key metric of success.

INVESTMENT PORTFOLIO

Title: Regenerative Tourism Strategy
Proposing Entity: Consultant Recommendation

Stakeholder Management Plan

A core principle of Regenerative Tourism planning is that the host community and other key stakeholder groups play a much more significant role in decision making and then experience delivery than would have been the case historically. This means that the list of stakeholders in the top right quadrant of the power/interest grid will be longer, which in itself should be a hallmark of successful delivery.

P O W E R	High	Keep Satisfied Govt ministries	Manage Closely - Destination managers - Tourism business - Support businesses - Community leaders - Tourism authorities
	Low	Monitor - National population - Visitor markets	Keep Informed - World Bank team - Local community
		Low	High
		INTEREST	

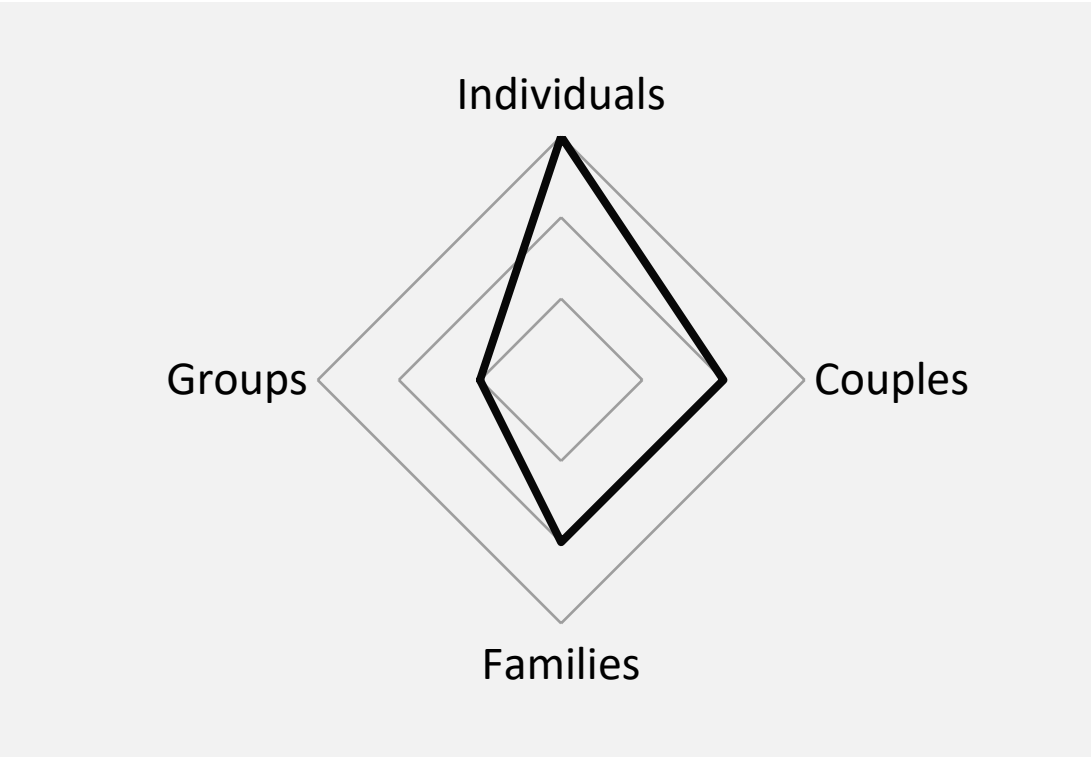
The Power / Interest management grid is designed to help project managers to categorize stakeholders and create effective communication strategies for each category involved with the initiative.

This grid groups stakeholders according to their level of authority (power) and their anticipated level of concern regarding the outcome.

Market Demand Profile

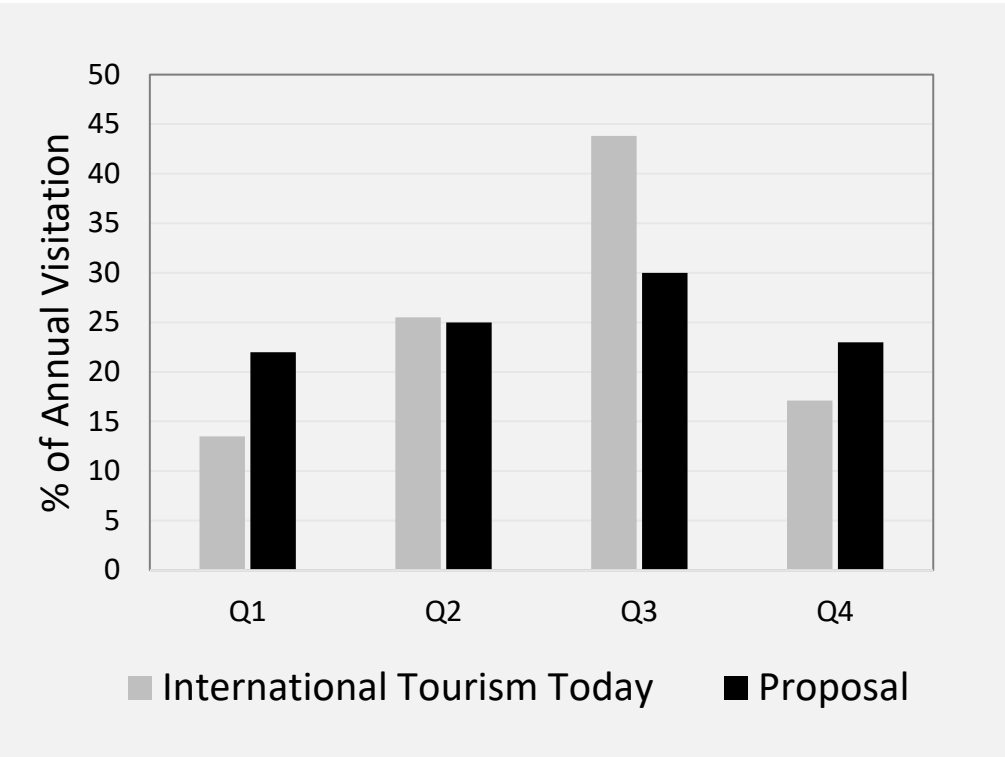
The outworking of a new Regenerative Tourism Strategy for the Dilijan Tourism Cluster will include the introduction of new ‘products’ and ‘experiences’ that encourage visitors to engage more deeply with local culture and traditions, preserve, protect and enhance the quality of the natural environment and biodiversity. With the benefit of associated marketing this will, over time, drive demand from a broader base of visitor groups and a strengthening of demand from the Armenian diaspora in particular.

Group Composition



The concept of Regenerative Tourism will likely appeal to a broad cross-section of visitor, but particularly to passionate individual ‘green warriors’ and slightly less to ‘group’ travellers.

Seasonality of Demand



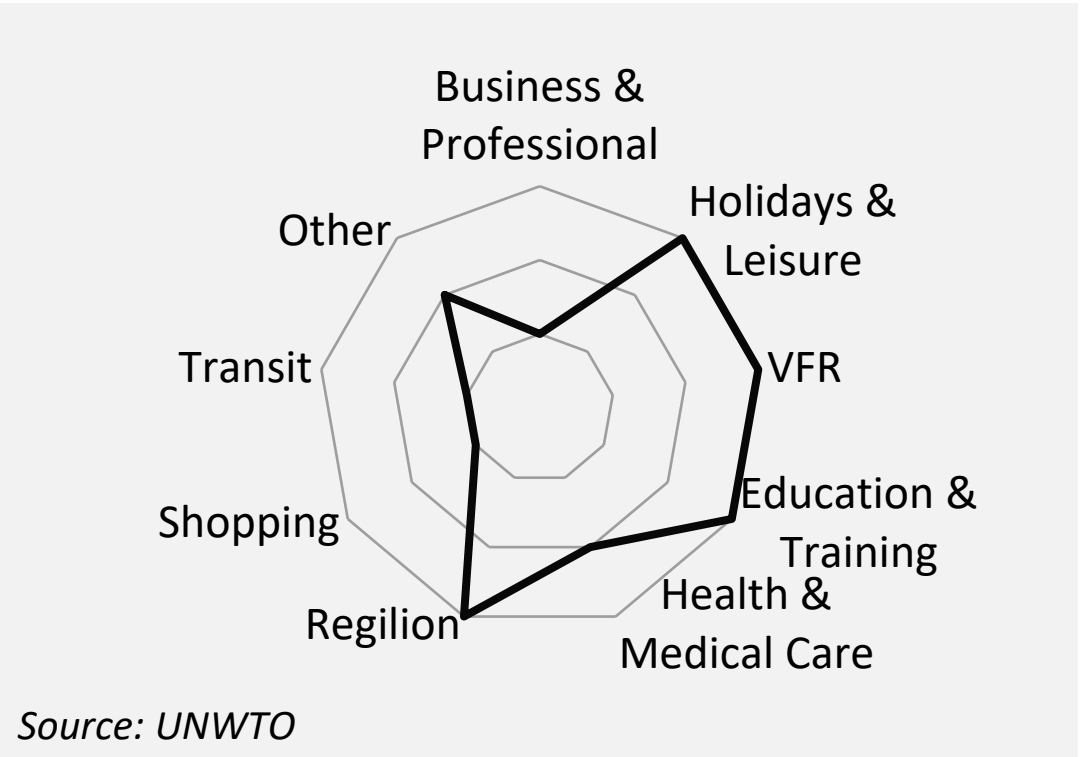
The strategy should seek to target more consistent forms of year-round tourism in order to better support full-time employment in the sector within the host community.

Source of Demand



We would expect to see strong engagement with the principles of Regenerative Tourism from both international visitor groups and visitors from the diaspora seeking to deepen their cultural association with Dilijan.

Purpose of Visit



Source: UNWTO

The strategy should seek to drive increased visitation particularly from the education sector, as well as religious tourists; in addition to leisure guests and visits to friends and relations.

INVESTMENT PORTFOLIO

Title:

Regenerative Tourism Strategy

Proposing Entity:

Consultant Recommendation

Commercial Performance Considerations

Adopting a ‘regenerative’ approach to strategic planning requires a paradigm shift in understanding and a performance appraisal. Traditional performance metrics associated with increasing visitor numbers and revenues are replaced with a focus on community well-being, environmental and ecological enhancement and sustainable local job creation.

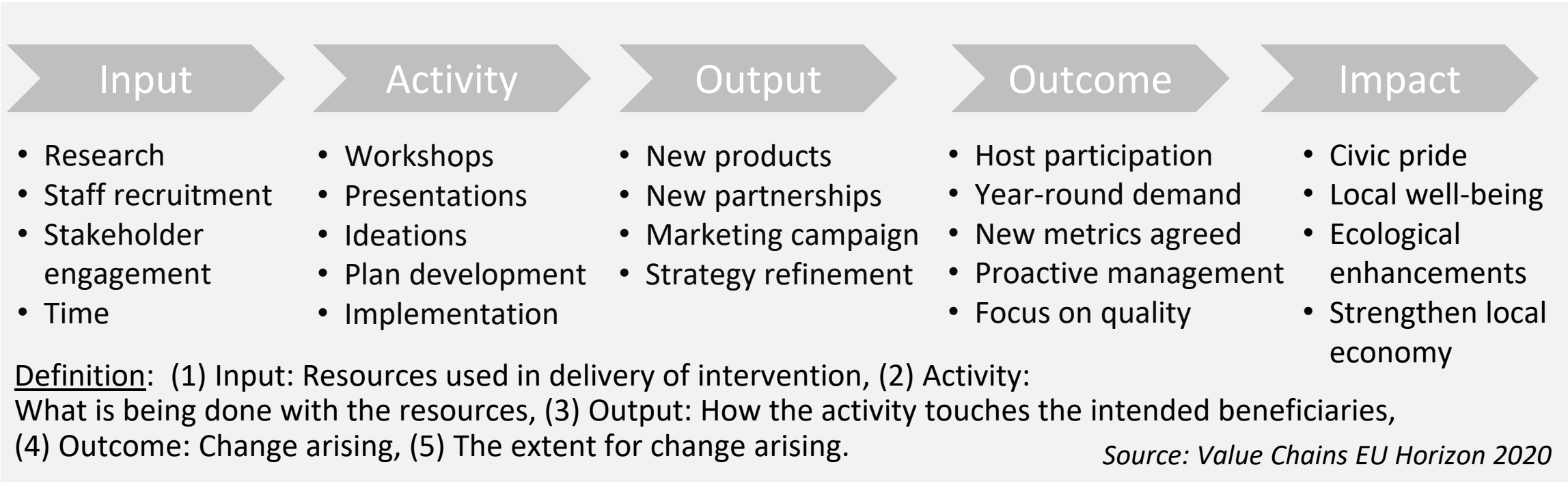
The Government of New Zealand is a pioneer regarding the development of new metrics with their Living Standards Framework (LSF) as an alternative to GDP. The LSF includes a set of wellbeing measures that include: cultural identity, environment, income and consumption and social connections. In 2019 a ‘Wellbeing Budget’ was introduced for the first time, based on the LSF.

At the outset, the initial financial commitment associated with the commissioning of a Regenerative Strategy for the Dilijan Tourism Cluster, would likely represent an investment of circa. \$200,000 to \$300,000. This investment would cover a scope of work that would include research, planning and deep stakeholder engagement leading to concept and product ideation and the development of a strategy and action plan aligned with the ‘richer’, host-rooted, principles of Regenerative Tourism. The returns on this investment would be long-term and should take the form of enhanced local well-being, job creation and cultural celebration at levels that have yet to be seen elsewhere in Armenia.

It should be noted that ‘success’, in the context of the Dilijan Tourism Cluster, may require a strengthened focus on visitor ‘quality’ rather than visitor ‘quantity’; through marketing to a new generation of tourists, who stay for longer, travel year-round, spend locally and want to engage in ‘regenerative’ activities, experiences and events.

Impact Value Chain (IVC)

In the case of the Regenerative Tourism initiative the outcomes and impacts should have a stronger focus on the well-being of the host community and an actual improvement in the quality and richness of the natural environment.



Environmental & Social Impact

The consideration of both environmental and social impact lies at the very core of Regenerative Tourism planning. The EU Taxonomy may have a role to play in this strategic planning process as it aims to guide investments aligned with ecological and social priorities; such as the promotion of low-carbon transportation options for tourists, investment in renewable energy sources for accommodation and facilities; or the prioritizing of hiring local residents and sourcing goods from local artisans, farmers and other local producers.

Community empowerment initiatives, such as the inclusion of local voices in decision-making to ensure the strategy aligns with their needs and values, and the support of community-led initiatives such as festivals and workshops that celebrate Dilijan’s culture, should also be a priority. The lessons learned from this initiative could have positive ripples across all the areas and communities targeted as ‘tourism clusters’ in Armenia.

INVESTMENT PORTFOLIO

Title:

Regenerative Tourism Strategy

Proposing Entity: Consultant Recommendation

Risk Management & Mitigation Plan

In general, the risks associated with initiative reflect the fact that a new more proactive approach to visitor management is proposed and therefore a programme of education will be required and initially a few mistakes will likely be made.

Risk Identification and Assessment: Specific risks in relation to this initiative are associated with its complexity and the time required to ensure host engagement.

Educational Requirement	Risk: Lack of understanding and concept knowledge leads to frustration.	Complexity	Risk: Regenerative tourism requires a deeper and broader level of engagement.
	Mitigation: The implementation plan must include extensive host briefings.		Mitigation: The concept and approach needs to be championed and explained.
Community Engagement	Risk: Attendance at community meetings and briefings is disappointingly low.	Delivery Time	Risk: The complexity of recalibrating the tourism economy takes too long.
	Mitigation: Effecting promotion of events stating clear rational for attendance.		Mitigation: Provide business support and explain time challenge from outset.
New Products & Services	Risk: The destination does not offer regenerative products & services.	Monitoring and Metrics	Risk: Community and authorities unable to gauge ‘success’ of initiative.
	Mitigation: Education, workshops and guidance help to shape future of offer.		Mitigation: Establish and effectively communicate’ new metrics for success.

Risk Response Strategies: As a pioneering initiative in Armenia, risk response strategies will likely draw from international case studies and through monitoring and feedback.

Mitigation Planning: Examples of potential mitigation measures are set out above, but from a planning perspective allowing plenty of time for engagement will be key.

Monitoring & Communication: Regenerative Tourism values new metrics, such as local community well-being, for which deeper levels of communication will be necessary.

Roles & Integration: Regenerative Tourism reflects a more ‘bottom-up’ rather than ‘top-down’ approach to delivery. New roles and responsibilities will emerge.

Investment Portfolio Selection Criteria (Unweighted)

Set out below is an initial (unweighted) assessment of the proposed initiative to evolve a strategic framework that is based on the principles of Regenerative Tourism.

Vision Alignment	Low		High
Appropriateness	Low		High
Sustainability	Low		High
Catalytic Growth Potential	Low		High
Core Vibrancy	Low		High
Infrastructure Enhancement	Low		High
Market Opportunity	Low		High
Competitive Opportunity	Low		High
Commercial Resilience	Low		High
Deliverability	Low		High

Against some of proposed selection criteria this initiative does not perform well, but in regards to sustainability and resilience it should excel, with its conceptual focus on ‘quality tourism’ rather than ‘quantity tourism’.

Consultant’s Comment

The Dilijan Tourism Cluster presents a potentially exciting opportunity to establish a ‘pilot project’ for Regenerative Tourism in Armenia. There is growing international understanding of the concept and awareness of the need to adopt the principles of Regenerative Tourism particularly in destinations characterised by sensitive natural environments and a rich cultural heritage. Patience and determination will be required to recalibrate the local economy, but an investment in development of a strategic plan for Regenerative Tourism for Dilijan would be a legitimate first step.

INVESTMENT PORTFOLIO

Title: Festival & Events Programme
Proposing Entity: Consultant Recommendation

Precedent Imagery



INVESTMENT PORTFOLIO

Title:

Festival & Events Programme

Proposing Entity: Consultant Recommendation

Descriptive Overview

Investment in the organizational infrastructure required to deliver a rolling programme of events, races, festivals, shows, concerts and performances in and Dilijan will present the opportunity to extend the tourism season and drive stronger repeat visitation particularly within the domestic market (and primarily Yerevan). The programme of events would be designed to reflect the strength of Dilijan's cultural heritage but also drive new interest in the city from new younger generations of visitors.

Over time, Dilijan's reputation as a powerhouse of culture, the arts and entertainment will strengthen, and this will drive increased visitation, employment and spending. Investment would take the form of the creation of a management group with the knowledge and expertise to deliver a diversified festival and events programme across the full calendar year across the whole tourism cluster.

Rationale for Consideration

The greatest strength of a festival and events programme in any tourism destination is that it offers the most flexibility in regard to target markets, price point positioning, messaging, location of offer and scheduling over the course of the year. Indeed, the only limitations surrounding the concept are the imagination and experience of the management team and the scale, profile and accessibility (or availability) of the participant groups being targeted.

In the context of this study, and in order to adopt a collaborative posture towards other destination clusters across Armenia, it will be important to ensure that the content and themes of programmatic elements align with the concept vision to nurture a ‘A Hybrid Destination for Wellness, Nature and Culture’, but this leaves plenty of scope for innovation and creativity.

Indicative Operating Model

It is envisaged that the Festival & Events Programme would be championed by a dedicated individual and an assistant within the Destination Management team for the Dilijan Tourism Cluster.

Investment Proposal

The investment required to support this initiative would comprise staff salaries for two individuals (a manager and an assistant) with an allocated catalytic budget for events for an initial period of three years.

Targeted Outcomes

The targeted outcome of this initiative would be the delivery of a comprehensive year-round programme of events, festivals, races, entertainment, etc. of a variety of sizes and held in a mix of locations both in and around Dilijan and the wider National Park that drives increased tourist visitation (domestic and international) and spending for local businesses and enhances the well-being of local residents, whilst preserving the natural environment and celebrates local culture and traditions.

Key Stakeholder Groups

Key stakeholders will include the Destination Management team for the Dilijan Tourism Cluster, relevant departments within the local municipality infrastructure, specific governmental ministries (relevant to the profile of the events programmed), local resident interest groups, members of the Dilijan community in general, and then both domestic and/or international tourists.

INVESTMENT PORTFOLIO

Title: Festival & Events Programme
Proposing Entity: Consultant Recommendation

Stakeholder Management Plan

The Power / Interest management grid is designed to help project managers to categorize stakeholders and create effective communication strategies for each category involved with the initiative. This grid groups stakeholders according to their level of authority (power) and their anticipated level of concern regarding the outcome.

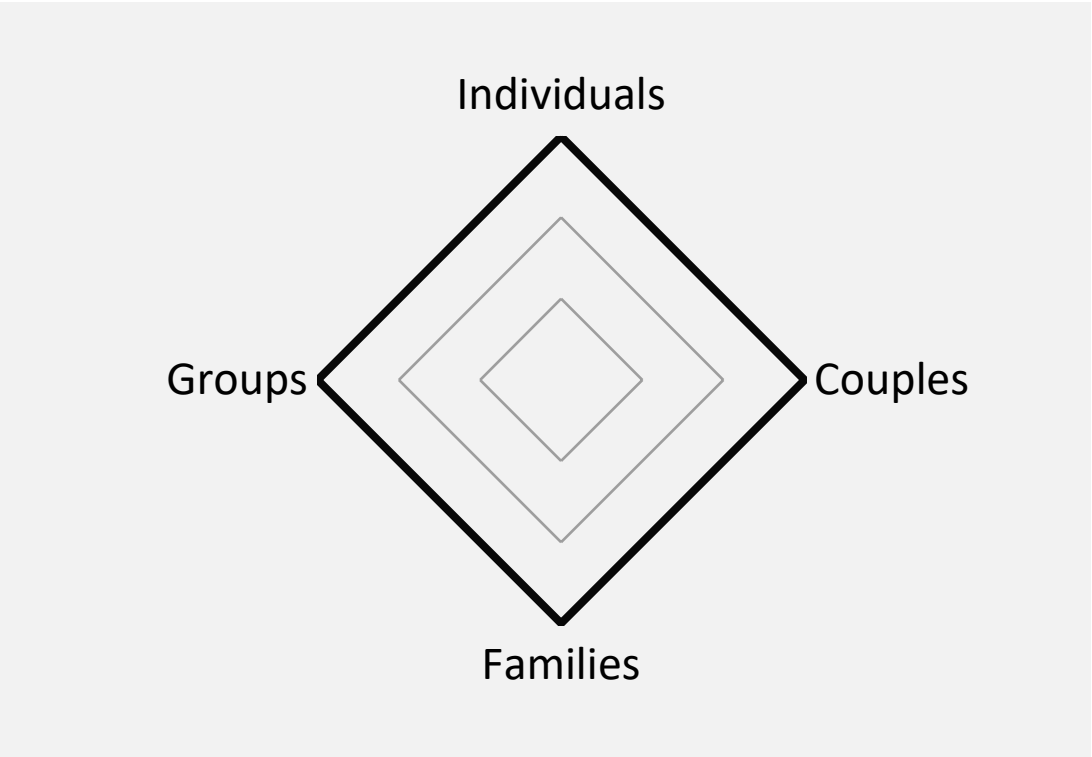
P O W E R	High	Keep Satisfied - Govt interest group - International interest groups - Event venues	Manage Closely - Event delivery partners - Local permit authority - Event sponsors
	Low	Monitor - Host community - Local retailers - General media	Keep Informed - Participants - Local accommodation - Local law enforcement - Event-related media
		Low	High
		INTEREST	

The various stakeholder groups associated with this initiative will vary depending on the profile of the events calendar. However, in every instant the event delivery partner will be a key stakeholder as will authorities associated with crowd management, permitting, safety and security. On this basis, a power/interest grid should be evolved for each event to ensure that appropriate care and attention is provided to the changing stakeholder profile.

Market Demand Profile

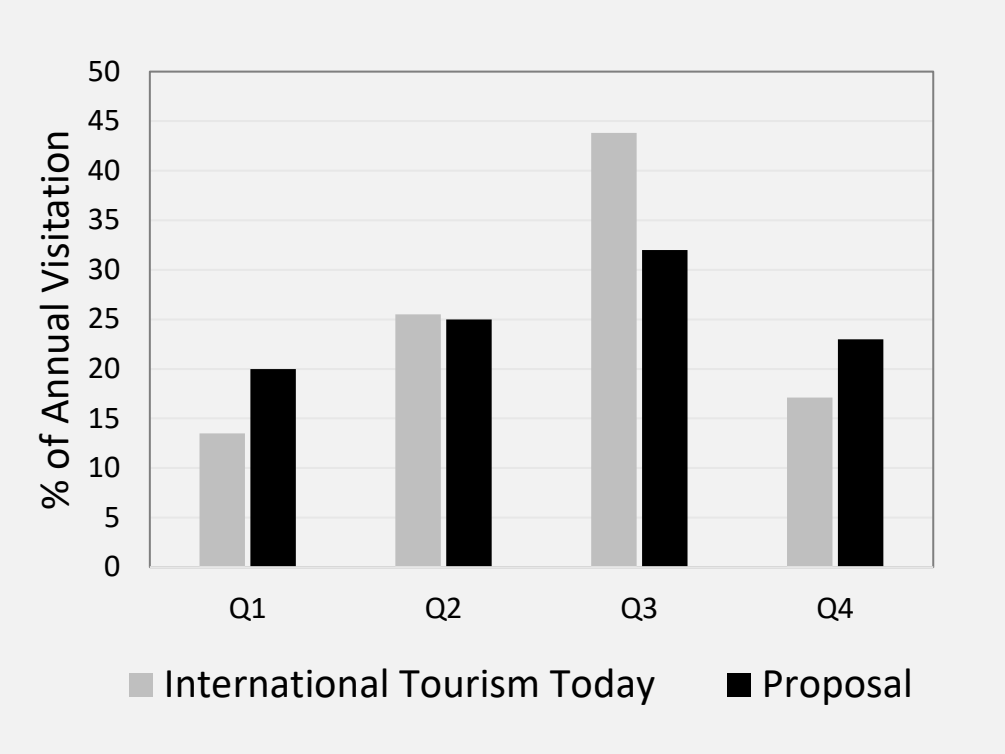
A key strength of this proposal is that it offers the potential flexibility to target a broad mix of markets whilst at the same time spreading (or driving) demand across the year. In addition, as little by way of built infrastructure is required, if a particular event fails to ‘engage’ with the market then it can relatively easily be swapped out and replaced with an alternative concept or theme in the following year.

Group Composition



The profile of group composition will reflect the content of the festival and event calendar – and the ambition should be to attract as broad and diverse a mix of participant/attendees as possible.

Seasonality of Demand



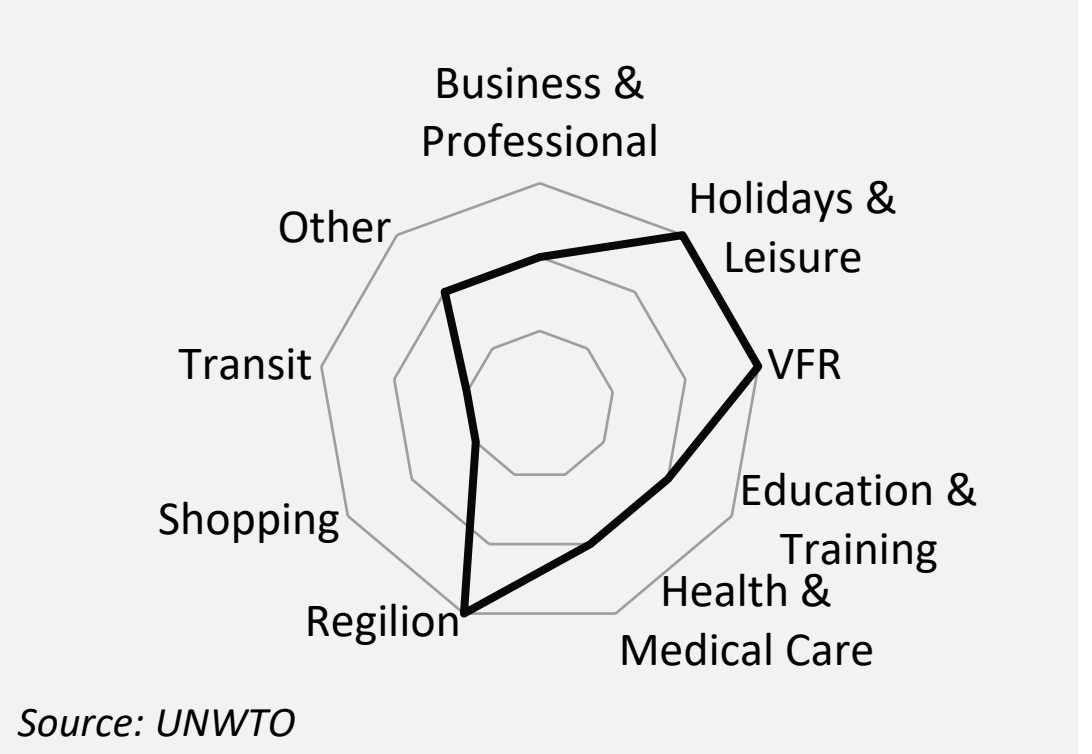
The festival and events calendar should provide a mix of both outdoor and indoor events and part of the remit for this initiative should be for it to strengthen visitation in the low season.

Source of Demand



The events calendar should be crafted in such a way that it offers a little of something for everyone, whether that be international profile races or local cultural or religious festivals. It should be an eclectic mix through the year.

Purpose of Visit



A broad-based event calendar should attract a diverse mix of visitors including both those on leisure-related breaks as well as professionals and religious groups too.

INVESTMENT PORTFOLIO

Title:

Festival & Events Programme

Proposing Entity:

Consultant Recommendation

Commercial Performance Considerations

Done well, event management can be a highly effective way to both provide memorable experiences for local residents and tourists and drive revenues through local businesses. However, this requires effective and experienced management input in relation to programme development, event planning and commercial performance. Revenues can be derived from both participants and spectators, as well as from grant funding, media rights and sponsorship.

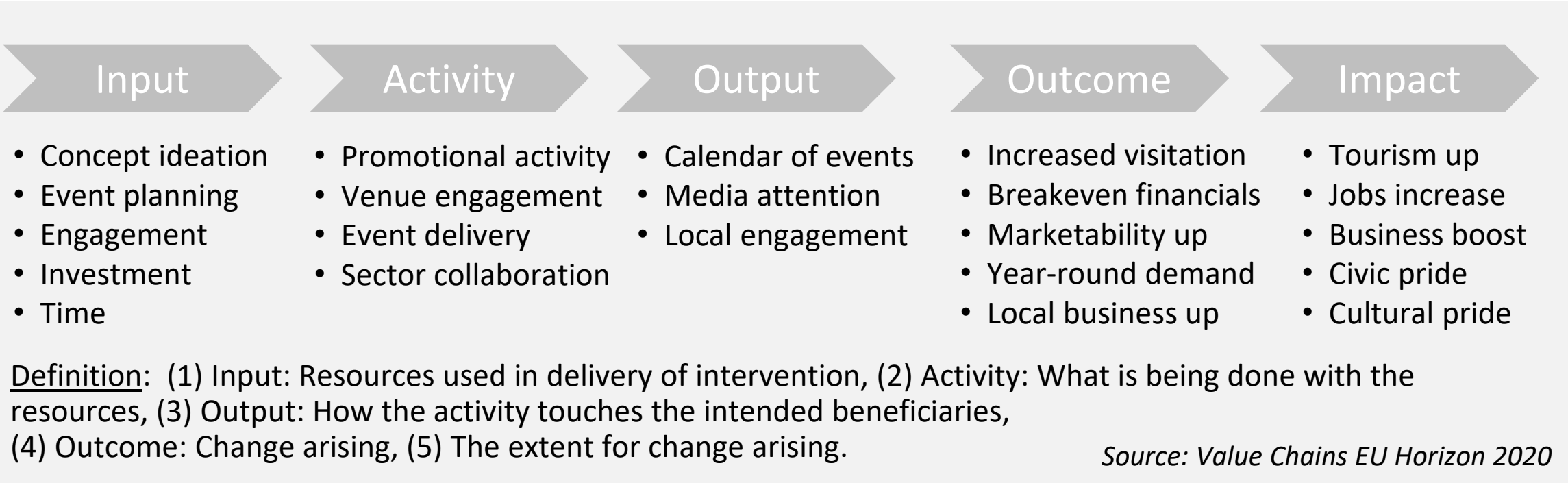
The Dilijan Tourism Cluster's events program will include both community-oriented and commercial events. While some activities, such as religious festivals and the September 21st Independence Day celebration may operate at break-even or offer free admission, they should be balanced with revenue-generating events. The overall goal is for the complete events calendar to be financially self-sustaining.

From a commercial investment perspective therefore, the proposed commitment would represent the salary and functional support for a small core team comprising two people for a suggested three-year period. It is envisioned that the monthly salary requirement for a team leader for this initiative would likely range from 400,000AMD to 500,000AMD (\$1,000 to \$1,250), with a deputy / second-in-command paid in the order of 250,000AMD to 350,000AMD per month (\$625 to \$875). From a local efficiency perspective, it is envisioned that these recruits would work alongside staff in the Local Municipal offices and in close collaboration with staff in relevant departments.

The financial returns associated with this investment would primarily be indirect rather than direct, taking the form of additional nights booked in local accommodation, increased spending in café, restaurants, etc. and increased spending in local shops, etc.

Impact Value Chain (IVC)

In the case of the proposed Festival & Events initiative the impact value chain will focus on the ability to curate an engaging programme that will both benefit the local community and have a catalytic impact for tourism businesses across the cluster.



Environmental & Social Impact

A core ambition of this initiative is to drive an increase in tourism and daytrip event participation year-round, thereby supporting permanent, rather than seasonal, employment within associated hospitality, retail and supporting businesses within the local community.

Meanwhile, the programming of events presents an opportunity to celebrate local cultural traditions and market the unique character of local artisan craft and produce (leading to potential supply-chain benefits).

The potential inclusion of race events that encourage physical activity in all its various forms presents the opportunity to focus on the health and well-being of both participants and spectators, as well as dietary priorities and the ingestion of organic produce grown locally. Potential races events might include, 5k or 10k races, adventure or expedition races as well as more regular ‘park run’ events.

INVESTMENT PORTFOLIO

Title:

Festival & Events Programme

Proposing Entity:

Consultant Recommendation

Risk Management & Mitigation Plan

The commercial risks associated with this initiative should be relatively modest, if the programme is well planned and ambition is tempered by contextual reality; though other risks (i.e. around crowd management) must be taken very seriously.

Risk Identification and Assessment: We set out key risks and suggested mitigation measures, recognising that ultimately every event will need its own appraisal.

Event Economics	Risk: Programme fails to attract sufficient interest to cover costs.	Participant Safety	Risk: Large gatherings can pose a safety risk (crowds, accidents, healthcare).
	Mitigation: Establish diverse funding sources, smaller scale, popular events		Mitigation: Plan well and establish robust safety and emergency response plans
Community Resistance	Risk: Local residents may feel excluded or inconvenienced by events.	Talent Gap	Risk: Lack of local expertise in event management leads to poor delivery
	Mitigation: Involve host community in planning and explain positive impacts.		Mitigation: Targeted recruitment, partnerships and training programmes
Cultural Sensitivity	Risk: Events perceived as misrepresenting local cultural authenticity.	Environmental Impact	Risk: Increased footfall could harm area’s natural beauty and ecosystems.
	Mitigation: Collaborate with local experts and avoid over-commercialization.		Mitigation: Adopt a ‘green events’ strategy and establish sound protocols.

Risk Response Strategies: Depending on profile of the event, different entities will need to be part of the risk response plan (i.e. mountain rescue for an Explorer Race).

Mitigation Planning: Examples of potential mitigation measures are set out above, but several stipulate the requirement for further detailed preparatory assessments.

Monitoring & Communication: The real time monitoring of events will be particularly important for large-scale events that attract large crowds, which are harder to manage.

Roles & Integration: Clear responsibilities regarding participant and spectator management, well-being and safety will be required for every event in the calendar.

Investment Portfolio Selection Criteria (Unweighted)

Set out below is an initial (unweighted) assessment of the proposed Festival & Events Programme Initiative in relation to the proposed Investment Opportunity Selection Criteria set out in the previous section of the report.

Vision Alignment	Low		High
Appropriateness	Low		High
Sustainability	Low		High
Catalytic Growth Potential	Low		High
Core Vibrancy	Low		High
Infrastructure Enhancement	Low		High
Market Opportunity	Low		High
Competitive Opportunity	Low		High
Commercial Resilience	Low		High
Deliverability	Low		High

Because of the flexibility associated with this initiative it offers the potential to tick a lot of the boxes in regard to the ambitions of the Terms of Reference for this study – ‘enlivening public and private spaces’, etc.

Consultant’s Comment

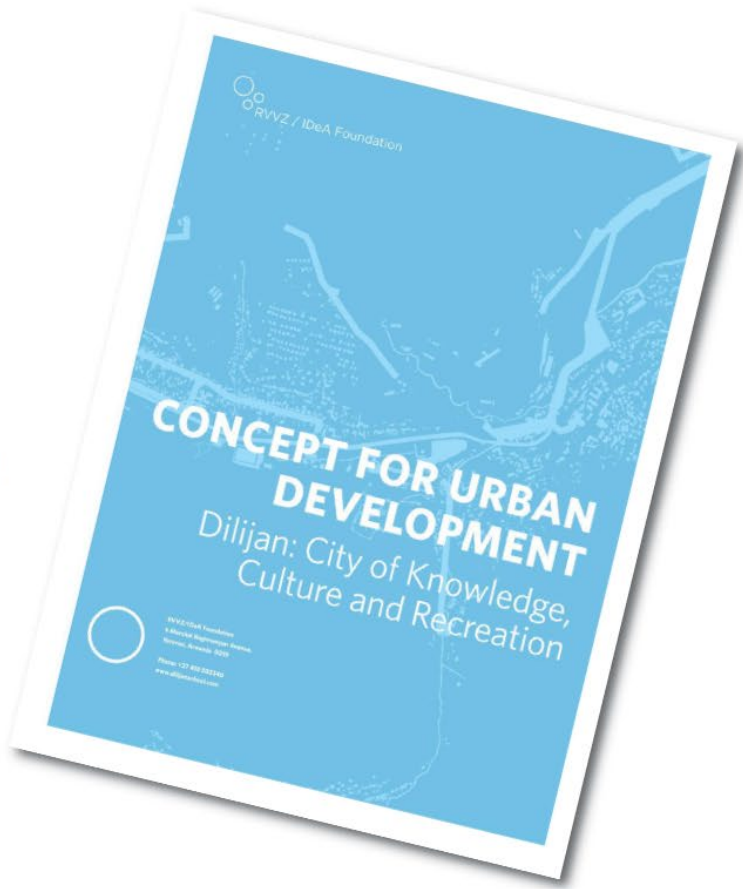
The events programme initiative offers probably the most flexibility of all the proposals. Events can be scaled appropriately for different venues, targeted at a range of markets, aligned with different themes and managed commercially in several different ways. Then, if a certain form of event proves particularly popular it can be replicated and, alternatively, if a type of event proves unpopular it can be dropped the following year without having committed significant capital expenditure in some form of building that then becomes obsolete. This initiative is potentially a very exciting one primarily due to its flexibility and scalability.

INVESTMENT PORTFOLIO

Title: Dilijan Pedestrian Corridor
Proposing Entity: Consultant Recommendation

2014

Vision of Dilijan as a city of knowledge, culture & recreation.



ADMINISTRATIVE CITY CENTER

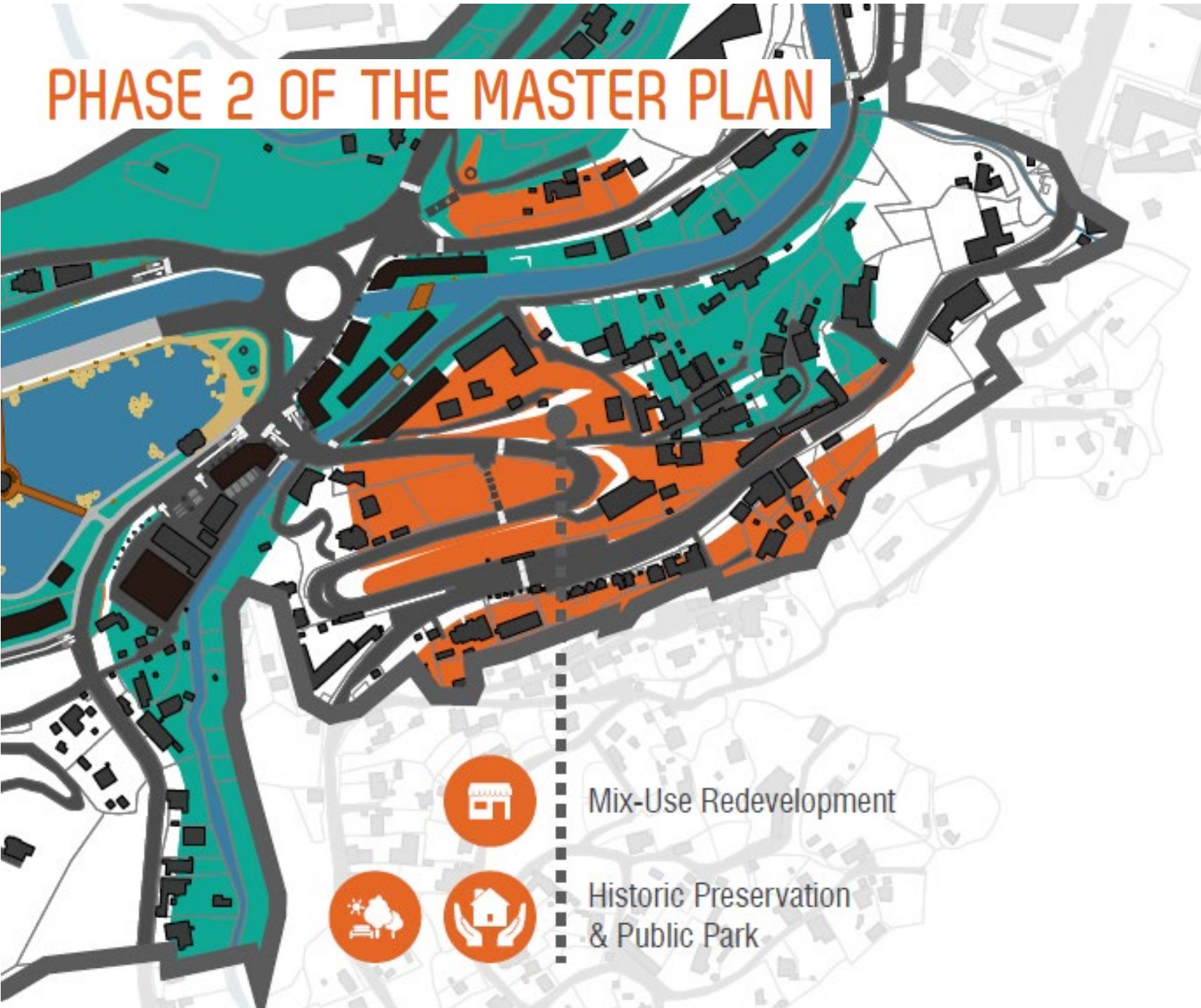
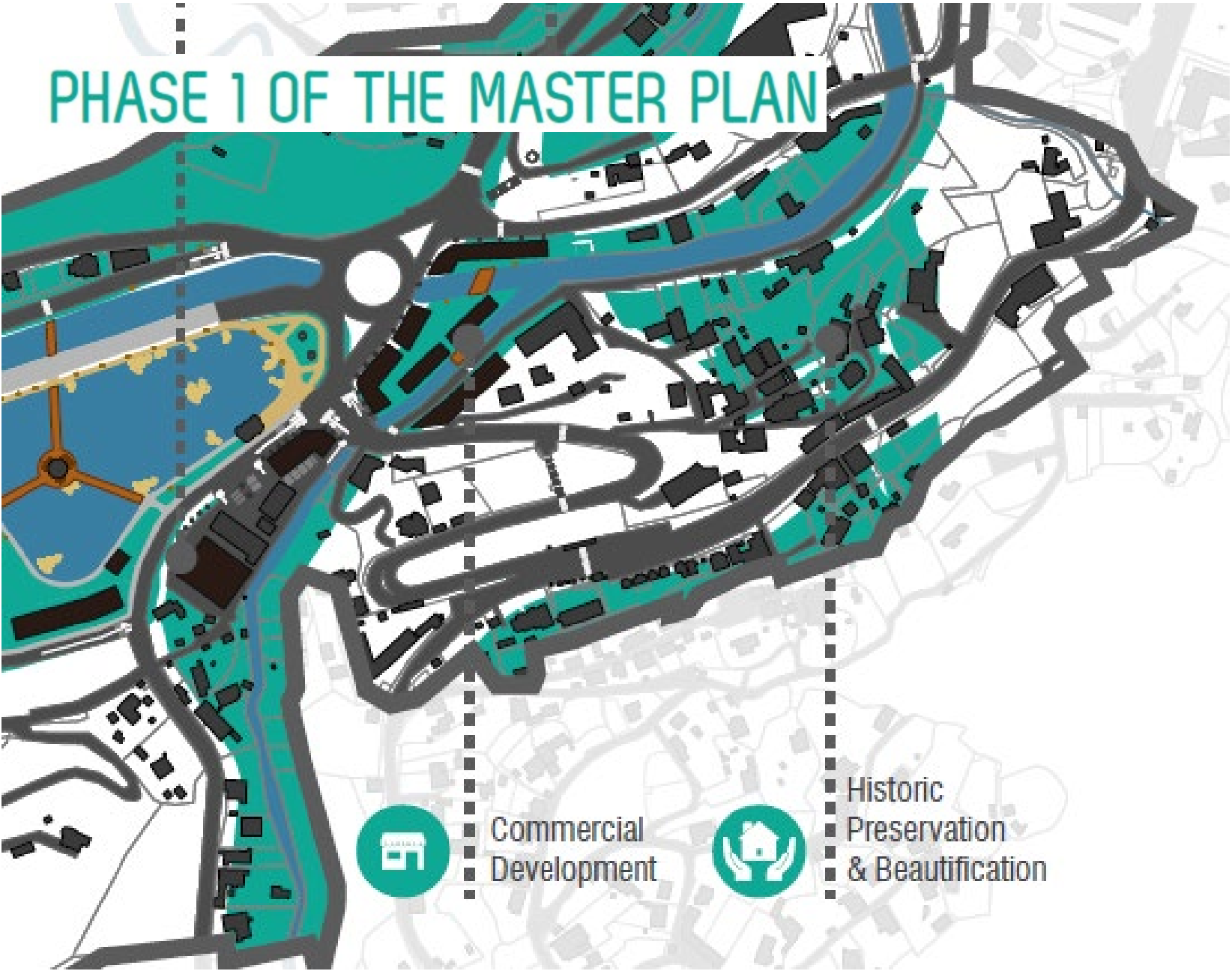
ROUNDBOUT - GATEWAY TO DILIJAN



Image © 2024 Airbus

INVESTMENT PORTFOLIO

Title: Dilijan Pedestrian Corridor
Proposing Entity: Consultant Recommendation



INVESTMENT PORTFOLIO

Title: Dilijan Pedestrian Corridor
Proposing Entity: Consultant Recommendation

Precedent Imagery



INVESTMENT PORTFOLIO

Title:

Dilijan Pedestrian Corridor

Proposing Entity:

Consultant Recommendation

Descriptive Overview

Building upon studies undertaken in 2014 relating to urban development in Dilijan, this initiative focuses on the creation of a stronger and greener connection between the ‘Gateway to Dilijan’ roundabout and the administrative city centre. It envisages investment in public infrastructure around the Old Central Bus Station, and northeast encompassing the Tufenkian Old Dilijan Complex, the Dilijan Local Lore Museum and the Dilijan Amphitheatre and then connecting to the city square with a green pedestrian corridor.

Enhancements to this core will provide a more positive and impactful first impression, provide focus for tourist orientation and strengthen connections between a number of the proposed investment initiatives such as the City Park and the Amper Ropeway base station. The design and profile of investment should be conceived so as to provide an attractive green corridor (for non-motorized transport) that continues to provide pulse with energy throughout the year.

Rationale for Consideration

Despite their relative proximity, the connection between the ‘gateway roundabout’ and the city centre, particularly from a pedestrian perspective, is relatively weak and investment in the preservation of buildings, renovation of the old bus station, façade beautification, and a strengthen pedestrian (and other non-motorized transport) access along the base of the valley beside the Aghstev River and then up to the city square would represent catalytic investment at heart of the cluster.

Attractive natural and hard landscaping along a connecting route that is safe and well-lit should encourage footfall to both the park and the city centre, add an ‘evening promenade’ offer and help to build civic pride within the community.

Indicative Operating Model

It is envisaged that the Dilijan Pedestrian Corridor would be realised through a Capital Grant with the subsequent maintenance shouldered by the municipal authorities.

Investment Proposal

Detailed investment proposals will require the completion of a specific study that gives consideration to specific details on the ground as well as surveys relating to a number of buildings, the river frontage and route alignment. However, an initial budget of \$1.8mn to \$2.5mn would effectively launch this endeavour allowing for the creation of a pedestrian route and some façade enhancement, etc.

Targeted Outcomes

The targeted outcomes from this initiative would include a measurable enhancement to public infrastructure and the preservation and beautification of selected historic properties. Improved connectivity between two key nodes of both resident and tourism activity along an attractive new riverside promenade, and a measured increased in both day-trip and overnight visitation to Dilijan.

Key Stakeholder Groups

The key stakeholder groups involved in this initiative would include the Tourism Committee and World Bank in relation to preliminary studies and funding, and then the local municipality in terms of project delivery and maintenance. The preliminary studies must involve engagement and consultation with the local community and then both residents and tourists would be ultimate beneficiaries of the initiative.

INVESTMENT PORTFOLIO

Title: Dilijan Pedestrian Corridor
Proposing Entity: Consultant Recommendation

Stakeholder Management Plan

The Power / Interest management grid is designed to help project managers to categorize stakeholders and create effective communication strategies for each category involved with the initiative. This grid groups stakeholders according to their level of authority (power) and their anticipated level of concern regarding the outcome.

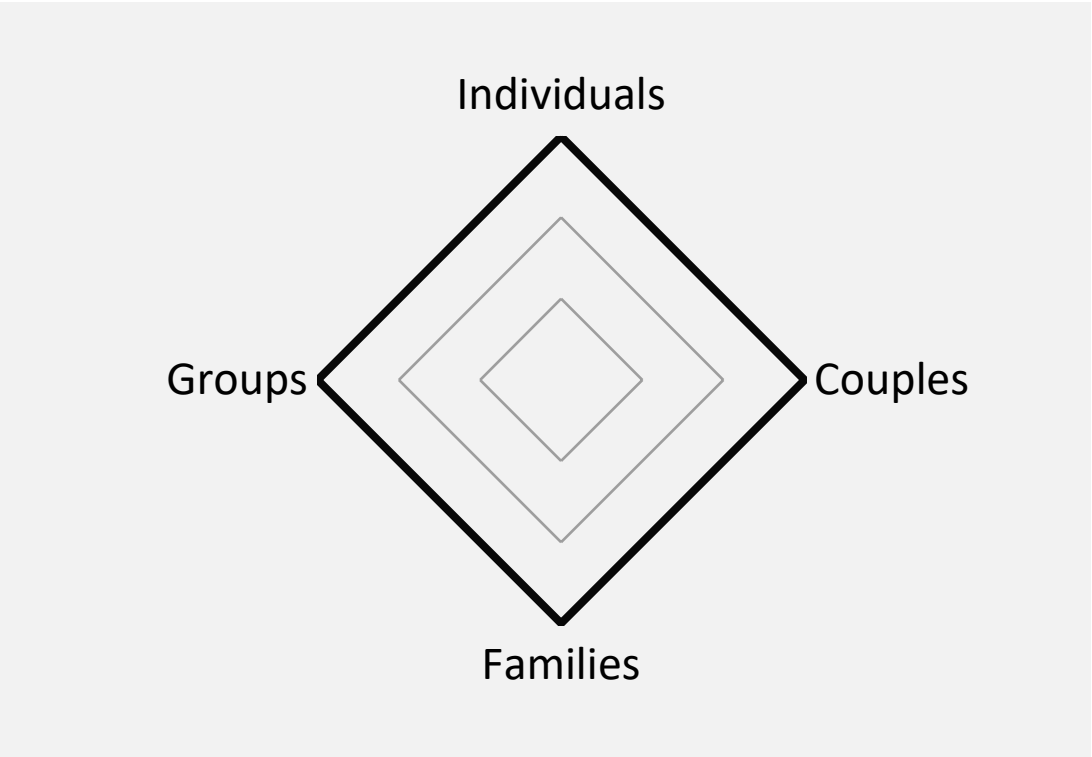
P O W E R	High	Keep Satisfied Govt ministries	Manage Closely - Destination managers - Tourism business - Support businesses - Community leaders - Tourism authorities
	Low	Monitor - National population - Visitor markets	Keep Informed - World Bank team - Local community
		Low	High
		INTEREST	

Developing the correct strategy and outcome will require early engagement with municipal authorities, the Tourism Committee, and qualified urban planners. Active involvement of local businesses and residents, including those that will feature as key assets to the corridor such as the City Park, Tufenkian Complex, the amphitheatre, the Lore museum and more, is crucial to the success of the development in creating a comprehensive experience.

Market Demand Profile

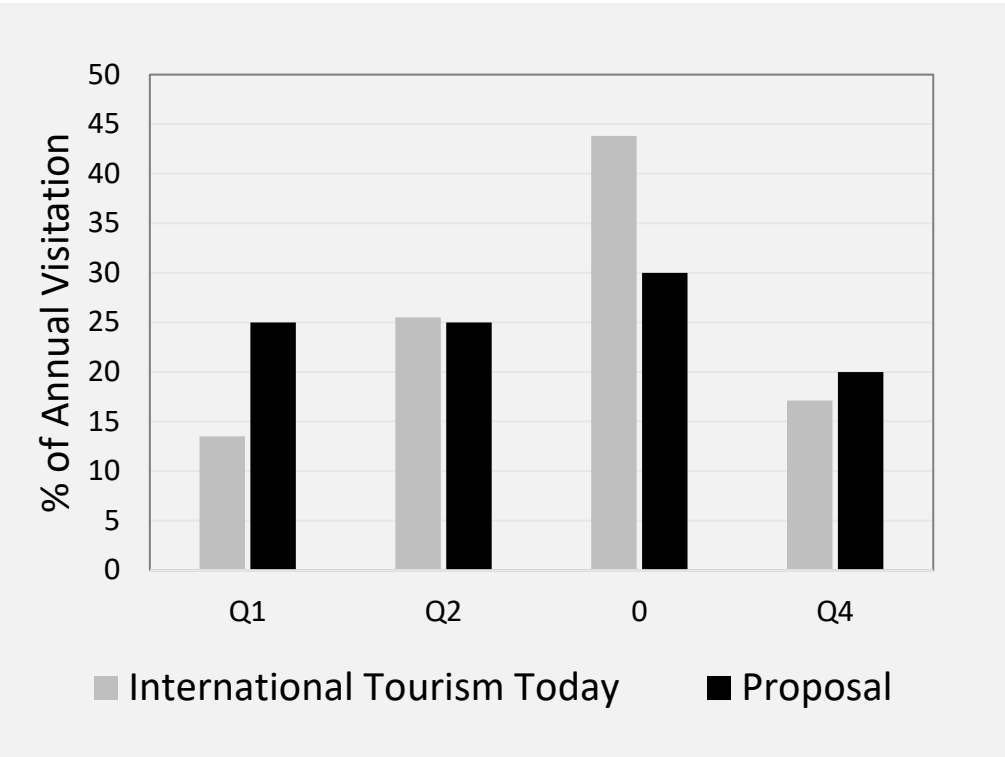
The Green Core promenade, if fully realized, will strengthen the heart of Dilijan, connecting the various touchpoints and sites of the immediate core. It will serve both functional and recreational purposes, meeting demand for safe, attractive pedestrian connections between key attractions. It will also provide key infrastructure to support growing tourism opportunities along its path, while improving the quality of life of residents seeking recreational space and accessible transport options.

Group Composition



The corridor will appeal to all group types, whether it be individuals for exercise and running errands, couples for evening strolls, families for recreational activities, and tourist groups moving between attractions.

Seasonality of Demand



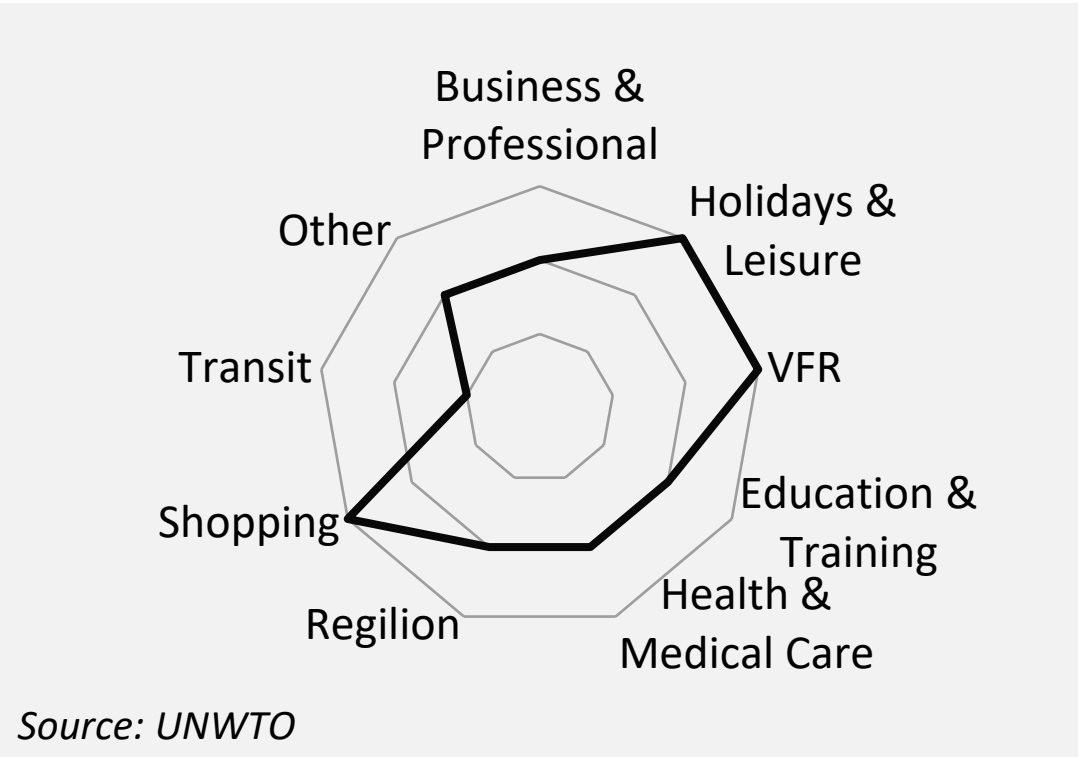
The corridor serving as a functional link between businesses and attractions will be of use year-round, with peak activity coinciding with an increase of summer tourists. Evening usage will also increase during warmer months.

Source of Demand



Users will be comprehensive ranging from local residents conducting their daily activities, and domestic and international tourists moving between attractions or enjoying ‘a day in the life’ of a local in the region.

Purpose of Visit



Source: UNWTO

While the primary use will be connecting between points of interest, leisure walks, exercise, cycling, and community gatherings will activate the corridor amongst different visitor types.

INVESTMENT PORTFOLIO

Title: Dilijan Pedestrian Corridor
Proposing Entity: Consultant Recommendation

Commercial Performance Considerations

At its core, this initiative primarily takes the form of an infrastructure investment, rather than an investment in commercial activity. As such, it is not anticipated to generate directly resultant revenues. However, the proposed investment should help to drive additional activity to small businesses local to the park, the Lore Museum & Gallery, the Tufenkian Old Dilijan Complex and any new businesses that emerge along this ‘connecting corridor’.

An initial investment of between \$1.8mn and \$2.5mn would support the creation of the proposed pedestrian walkway, lit at night for safety and security and in order to enhance its appeal and ambience; a rainwater control system, which might be required given the routing partway along the corridor alongside the Aghstev River; and the restoration of selected historic building facades along the route.

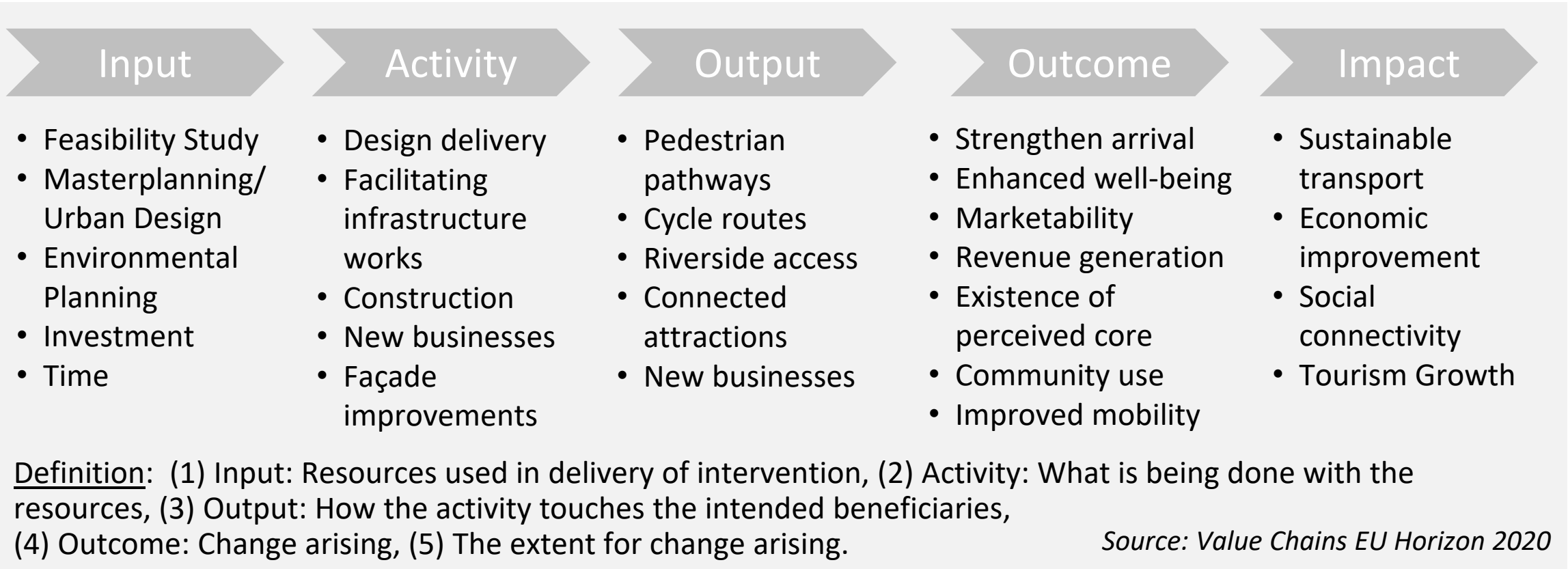
There will, however, be a requirement to fund the ongoing cleaning, maintenance, rubbish collection, etc. along the route which would typically be expected to fall under the remit of the local municipality.

Note: The specific details relating to the design and costing of proposal will require a comprehensive study, should the funding partners agree that this proposed initiative is worthy of further investigation. Such a study must also take into consideration the likely on-going maintenance costs associated with ensure that the corridor remains in good order.



Impact Value Chain (IVC)

In the case of the proposed corridor enhancement initiative the impact value chain will focus on broad range of benefits for the wider destination, enhancing the overall sense of place and appeal of the destination, and breathe life into the city.



Environmental & Social Impact

There is a strong rationale for providing an enhanced connection between the park and the city centre that is based on sustainable mobility. The proposed corridor would comprise both a walkway and a cycle path connection which would engage both residents and tourists in physical activity and reduce the need to drive between the various tourism nodes (both existing and proposed) that are located within the heart of Dilijan. This initiative will provide a more ‘connected’ and enjoyable community environment for local residents.

In addition, route would draw ‘green fingers’ out from the park towards the city centre from an ecological perspective. On the basis that this initiative would also include both studies and planning relating to Aghstev River, both the climate resilience issues of rainfall and runoff will require consideration; dovetailing with any associated considerations for the future of the City Park (mentioned previously).

INVESTMENT PORTFOLIO

Title:

Dilijan Pedestrian Corridor

Proposing Entity:

Consultant Recommendation

Risk Management & Mitigation Plan

This project will be large in scale and potentially disruptive to existing businesses if not phased and executed properly requiring clear mitigation protocols.

Risk Identification and Assessment: Specific risks in relation to this project include construction delays, environmental impacts, flood management, maintenance sustainability, and community resistance, requiring ongoing monitoring.

Complexity	Risk: Overwhelming complexity of working with multiple stakeholders	Community Resistance	Risk: Local residents may feel excluded or inconvenienced by events.
	Mitigation: Engage a team of experienced professionals for management & delivery		Mitigation: Involve host community in planning and explain positive impacts.
Extreme Weather	Risk: Potential flood risk associated with valley base location and positioning.	Capital Cost	Risk: Investment budget creep during the course of project implementation.
	Mitigation: Establish early warning protocols and park closure action process.		Mitigation: Strict budget control and use of respected contractors and providers.
Safety	Risk: Root placement alongside a waterway has safety implications	Habitat Damage	Risk: Environmental degradation of pre-existing ecologies along route.
	Mitigation: Evolve and implement designs that provide requisite protective barriers.		Mitigation: Application of environmental management policies and framework.

Risk Response Strategies: Drawing upon the findings of a feasibility and environmental study, outlining responses for weather events, construction issues and safety concerns.

Mitigation Planning: Examples of potential mitigation measures begin with investment and construction protocols to environmental and community sustainability planning.

Monitoring & Communication: Monitoring for extreme weather events will be key, regular environmental surveys should be undertaken, and frequent stakeholder updates to ensure no negative impact to the community.

Roles & Integration: Clear responsibilities must be outlined between municipal maintenance teams, tourism authorities, and connected business operators.

Investment Portfolio Selection Criteria (Unweighted)

Set out below is an initial (unweighted) assessment of the Pedestrian Corridor initiative in relation to the proposed Investment Opportunity Selection Criteria set out in the previous section of the report.

Vision Alignment	Low	●●●●●●●●	High
Appropriateness	Low	●●●●●●●●	High
Sustainability	Low	●●●●●●●●	High
Catalytic Growth Potential	Low	●●●●●●●●	High
Core Vibrancy	Low	●●●●●●●●	High
Infrastructure Enhancement	Low	●●●●●●●●	High
Market Opportunity	Low	●●●●●●●●	High
Competitive Opportunity	Low	●●●●●●●●	High
Commercial Resilience	Low	●●●●●●●●	High
Deliverability	Low	●●●●●●●●	High

While the initiative will take significant effort and resources to deliver, if executed successfully it aligns strongly with the Investment Opportunity Criteria, providing a comprehensive enhancement for both tourism and the community.

Consultant’s Comment

The Dilijan Pedestrian Corridor initiative builds on recommendations taken extensive previous studies into the Concept for Urban Development in Dilijan. At the same time, it presents the opportunity to strengthen connections between the proposed Amper Ropeway base station and enhancement plans for the City Park, as well as the Lore Museum, the Amphitheatre and the Old Dilijan Complex. It represents a potentially important, and catalytic piece of the masterplan jigsaw.

SECTION SUMMARY

The previous section of the report provides an overview of the general feasibility of a diverse cross-section of potential investment initiatives of a range of scales that were suggested or submitted by a mix of both non-commercial and commercial stakeholder groups.

An overview and preliminary assessment of each is provided that considered their alignment with the concept vision for the cluster, the potential rationale for their consideration, the anticipated likely operating model and commercial performance (where appropriate), various key environmental and social impacts and potential risk and risk mitigation measure that may need to be considered.

Next Steps

The next step in the project review process will be the consideration of each of these proposal against the investment portfolio selection criteria set out in Chapter 3 of the report. This review is provided in the following chapter.



CHAPTER: # 5

DILIJAN TOURISM CLUSTER INVESTMENT PORTFOLIO ASSESSMENT

INVESTMENT PORTFOLIO:

CONSOLIDATED APPRAISAL

In the following section we provide a consolidated appraisal of the proposed investment portfolio.

This appraisal includes a concise synopsis of selected key characteristics for each proposal followed by an application of the selection criteria outlined in Chapter 3 to the nine initiatives that have been identified for consideration.

The second stage follows a two-step approach. First, it involves an unweighted comparative assessment of the opportunities. This is followed by a weighted assessment, with weightings proposed by the consultant team. These weightings are based on our understanding of the priorities and objectives stated by the Tourism Committee and World Bank representatives during project meetings and feedback sessions.

Note: amendments to these weightings can be made as part of the draft output review and confirmation process.



CONSOLIDATED APPRAISAL

The portfolio includes four ‘**short term**’ phasing opportunities, or ‘easy wins’, which typically involve investment in an established tourism asset or, as is the case with the events programme, no asset investment per se.

The long-term economic sustainability of a number of the proposals submitted by private sector entities, such as the Khanjyan Villa project, the Tonino Guerra Park proposal and both the Amper Creative Peak and Moment Factor attraction will rely of the establishment of ongoing **operating entities**. In each instance further work will be required to clarify exactly what these would look like and who would take responsibility for what.

Name	Operating Model (Focus) (Private / Public / Partnership)	Funding Requirement (High / Medium / Low) *	Commercial Performance (High / Medium / Low)	Job Creation Potential (High / Medium / Low)	Phasing (Term) (Short / Medium / Long)
Dilijan City Park Enhancement	Partnership	High \$12.0mn	Low	Medium	Short
Khanjyan Villa	Private Focus	High \$19.0mn	Low	Low	Medium
Tonino Guerra Park	Private Focus	Medium \$3.6mn	Medium	Low	Medium
Beethoven Concert Hall Renovation	Partnership	High \$11.8mn	Medium	Medium	Short
Amper Creative Peak (two CapEx scenarios)	Private Focus	Medium \$8.3mn High \$15.0mn	High	High	Medium
Local Lore Museum	Public	Low \$0.6mn	Low	Low	Short
Regenerative Tourism Strategy	Public	Low - -	Low	Medium	Long
Festival & Events Programme	Partnership	Low - -	Medium	Low	Short
Dilijan Pedestrian Corridor	Public	Medium \$1.8mn to \$2.5mn	Low	Low	Long
* - Figure applied in financial appraisal.					

CONSOLIDATED APPRAISAL

Matrix Appraisal Methodology

The objective of the consolidated investment portfolio appraisal is to provide the Tourism Committee and World Bank with a comparative overview of the key strengths and potential weaknesses of each proposal in relation of a list of selection criteria, from an independent perspective.

We have applied a two-stage matrix analysis, combining an initial unweighted scoring with subsequent weighting of criteria. This offers a structured and balanced decision-making framework. The unweighted stage ensures an unbiased evaluation by treating all criteria equally, encouraging thorough consideration of each factor. Applying weights in the second stage allows for nuanced prioritization, reflecting the relative importance of different criteria to align with strategic goals of the client group. This approach enhances objectivity, transparency, and adaptability, fostering more informed and justifiable outcomes in complex decision-making scenarios.

Unweighted Scoring

The first stage of the process involved assessing the relative scoring (from 1 to 8) for each of the nine proposals against the short-list of ten selection criteria evolved in Chapter 3 of this report. These criteria, which are listed, give consideration to the overarching strategic vision of the Dilijan Tourism Cluster, as well each proposal’s appropriateness to it’s local and regional context, the principles of

sustainability (in all its various forms), the existing and potential market opportunity and commercial resilience. Additionally, and importantly, the list recognizes the objective of enhancing local infrastructure provision, catalytic growth potential, building vibrancy to the heart of Dilijan and deliverability as, at the end of the day, ambition will need to be tempered with pragmatism.

Consolidated Short-List of Selection Criteria

- 1) **Vision Alignment:** Demonstrates alignment with the core themes of the cluster vision to create a ‘hybrid ecosystem’ that integrates nature, wellness, and adventure into a unified tourism experience.
- 2) **Appropriateness:** Adds to the tourism offer, whilst celebrating the destination’s unique ‘sense of place’, local culture and heritage.
- 3) **Sustainability:** Aligns with the fundamental principles of environmental, social and cultural sustainability.
- 4) **Catalytic Growth Potential:** Present opportunities for enhancement to the host community’s well-being, employment profile and wealth creation.
- 5) **Core Vibrancy:** Would enliven and strengthen public and private spaces at the heart of the cluster thereby driving market appeal and enhancing operational resilience year-round.
- 6) **Infrastructure Enhancement:** Improves the quality, reliability and diversity of the infrastructure framework across the cluster.
- 7) **Market Opportunity:** Is well aligned with evolving trends in tourism demand and broad-based appeal across domestic, diaspora and international overnight and day-trip markets.
- 8) **Competitive Opportunity:** Capitalises on opportunities within the competitive supply context (i.e. experiences, services, accommodation, support activities, etc. across the tourism ecosystem).
- 9) **Commercial Resilience:** Will likely demonstrate commercial resilience given revenue generating potential, capital expenditure requirements and potential investment return.
- 10) **Deliverability:** Is well-positioned for delivery in the context of planning and regulatory frameworks, human resource and material availability, development complexity and strength of community support.

INVESTMENT PORTFOLIO:

CONSOLIDATED APPRAISAL

Weighting Assumptions

It is important to acknowledge that each of the evaluation criteria are important in their own right. If they were not, they would not have made it to the short-list.

However, we know from project meetings with both the Tourism Committee and the World Bank that both **catalytic growth potential** and **infrastructure enhancement** have been recognised as particular priorities, along with of course **vision alignment** as it forms the backbone of the overall commission.

Note: The weighting assumptions listed are preliminary recommendations from the consultant team. It is understood that these may later be refined and adjusted following internal discussions between the Tourism Committee and the World Bank.

Evaluation Criteria	Weighting *	Approach to Relative Scoring
Vision Alignment	5	If the score is high, the initiative aligns with the cluster vision to create a ‘hybrid ecosystem’ that integrates nature, wellness, and adventure into a unified tourism experience.
Appropriateness	4	If the score is high, the initiative adds to the tourism offer, whilst celebrating the destination’s unique ‘sense of place’, local culture and heritage.
Sustainability	4	If the score is high, the initiative aligns with the fundamental principles of environmental, social and cultural sustainability.
Catalytic Growth Potential	5	If the score is high, the initiative presents opportunities for enhancement to the host community’s well-being, employment profile and wealth creation.
Core Vibrancy	4	If the score is high, the initiative would enliven and strengthen public and private spaces at the heart of the cluster thereby driving market appeal and enhancing operational resilience year-round.
Infrastructure Enhancement	5	If the score is high, the initiative would improve the quality, reliability and diversity of the infrastructure framework across the cluster.
Market Opportunity	3	If the score is high, the initiative is well aligned with evolving trends in tourism demand and broad-based appeal across domestic, diaspora and international overnight and day-trip markets.
Competitive Opportunity	2	If the score is high, the initiative capitalizes on opportunities within the competitive supply context (i.e. experiences, services, accommodation, support activities, etc. across the tourism ecosystem).
Commercial Resilience	3	If the score is high, the initiative will likely demonstrate commercial resilience given revenue generating potential, capital expenditure requirements and potential investment returns.
Deliverability	3	If the score is high, the initiative is well positioned for delivery in the context of planning and regulatory frameworks, human resource and material availability, development complexity and strength of community support.
Note: * - Consultants’ scoring (subject to discussion with, and confirmation from, the client group).		

INVESTMENT PORTFOLIO:

CONSOLIDATED APPRAISAL

The application of the proposed selection criteria scoring for each initiative within the portfolio, as well as the weighting of those criteria is set out below.

DILIJAN TOURISM CLUSTER INVESTMENT INITIATIVE PROPOSALS

Weighting of Factor (5=High Importance / 1=Lesser Importance)

Vision Alignment	Appropriateness	Sustainability	Catalytic Growth Potential	Core Vibrancy	Infrastructure Enhancement	Market Opportunity	Competitive Opportunity	Commercial Resilience	Deliverability
5	4	4	5	4	5	3	2	3	3

Dilijan City Park
Khanjyan Villa Restoration
Tonino Guerra Park & Gallery
Beethoven Concert Hall Renovation
Amper Creative Peak (Ropeway & Moment Factory)
Local Lore Museum
Regenerative Tourism Strategy
Festival & Events Programme
Dilijan Pedestrian Corridor

Scoring Rated from 1 (low) to 8 (high)									
7	8	7	4	6	8	3	4	3	7
8	8	6	2	2	1	6	8	3	3
5	6	5	4	2	1	6	7	3	4
8	8	7	5	3	3	4	6	3	4
6	7	3	7	7	8	5	6	5	2
7	8	7	4	6	5	3	2	3	6
6	8	8	5	4	2	6	4	6	5
8	8	6	7	8	1	6	7	5	6
7	8	5	6	8	7	5	6	2	2

UN-WEIGHTED TOTAL SCORE	WEIGHTED TOTAL SCORE
57	226
47	171
43	155
51	197
56	221
51	204
54	204
62	233
56	223

INVESTMENT PORTFOLIO:

CONSOLIDATED APPRAISAL

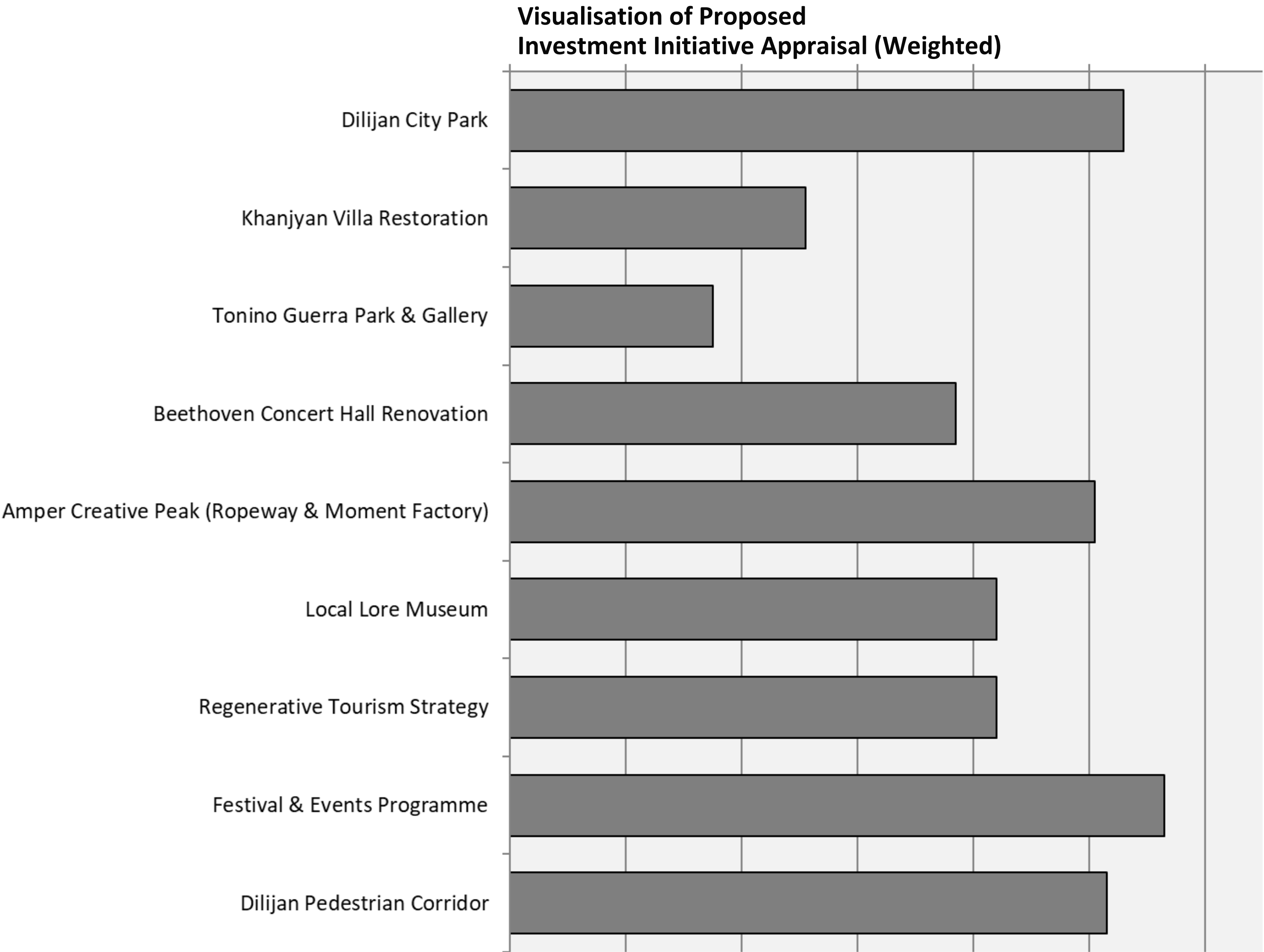
Conclusions and Takeaways

A fascinating feature of the full portfolio is the range and diversity of investment initiatives. These range from comparatively modest investments in enhancing existing assets to large-scale greenfield projects, and from suggested investments in long-term strategic planning to potential quick wins like events and festival programs.

Based on the listed opportunity selection criteria, scoring, and proposed weighting, the proposals are ranked as follows:

- Festival & Events Programme
- Dilijan City Park
- Dilijan Pedestrian Corridor
- Amper Creative Peak (Ropeway & Moment Factory)
- Lore Museum
- Regenerative Tourism Strategy
- Beethoven Concert Hall Renovation
- Khanjyan Villa Restoration
- Tonino Guerra Park & Gallery

It should be reiterated that this appraisal is a comparative review rather than a scientific analysis but does nonetheless serve as a useful reference in the strategic decision-making process.



CHAPTER : # 5

DILIJAN TOURISM CLUSTER MANAGEMENT FRAMEWORK

DILIJAN TOURISM CLUSTER MANAGEMENT

Introduction

The following chapter of the report outlines a recommended destination management framework for the Dilijan Tourism Cluster.

By definition, “destination management” is about defining and coordinating the development of a more sustainable tourism ecosystem for a destination. This ecosystem will comprise stakeholders from the private, public and voluntary sectors and possibly other actors in the local community, who work together to achieve the vision and goals for the destination.

Key topics for consideration regarding the management of the Dilijan Tourism Cluster, and elaborated hereafter include:

- The Tourism Ecosystem
- Masterplan Frameworks
- Sustainability & Climate Resilience
- Stakeholder Engagement
- Institutional Framework
- Legislative Considerations
- Destination Marketing & Promotion
- Investment Incentives

In essence, a destination management framework should provide a balance between promoting tourism growth and preserving the destination's character, environment, and culture. For Dilijan, it must ensure that the city and the national park thrive as a sustainable, attractive, and inclusive destination for years to come.

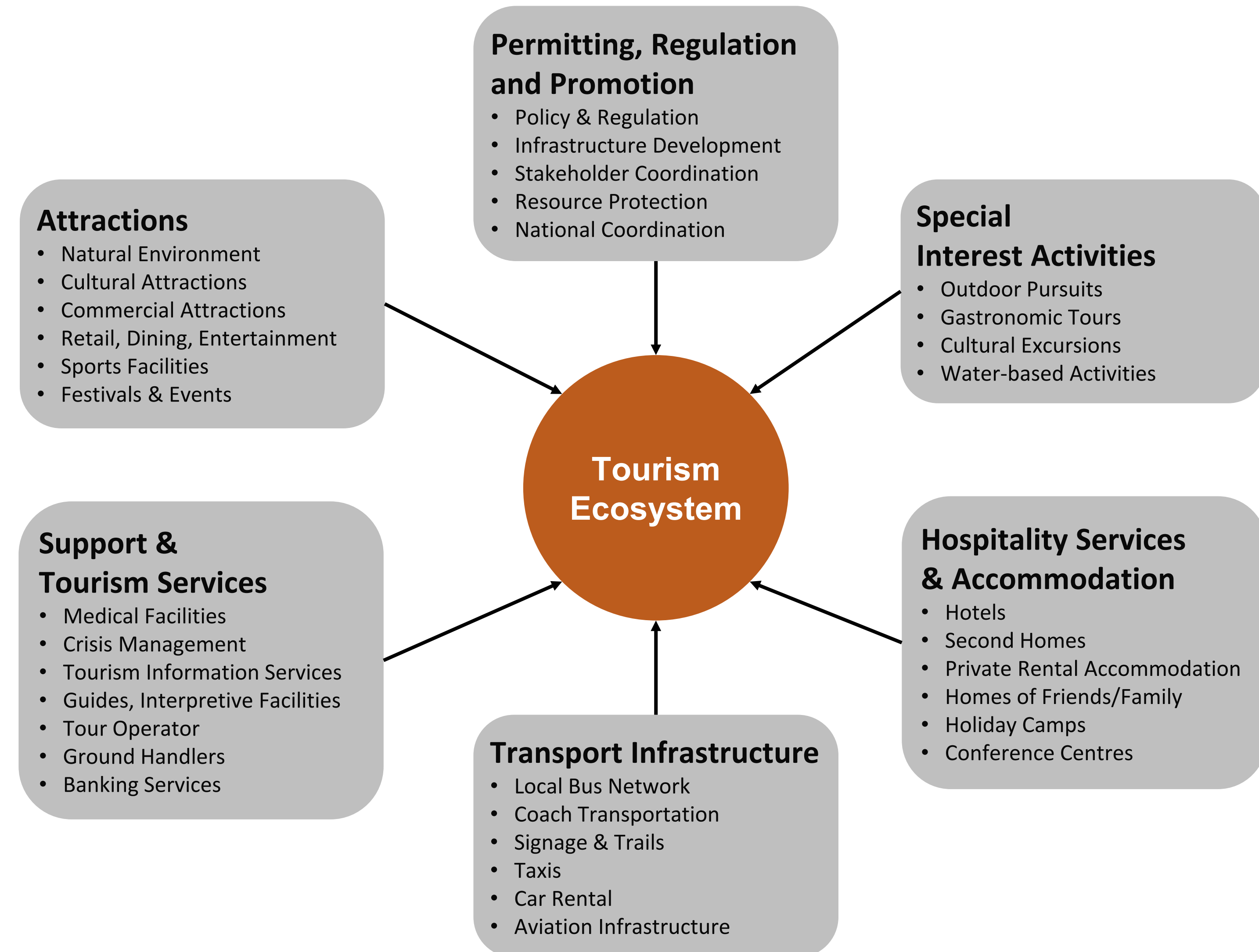


THE TOURISM ECOSYSTEM

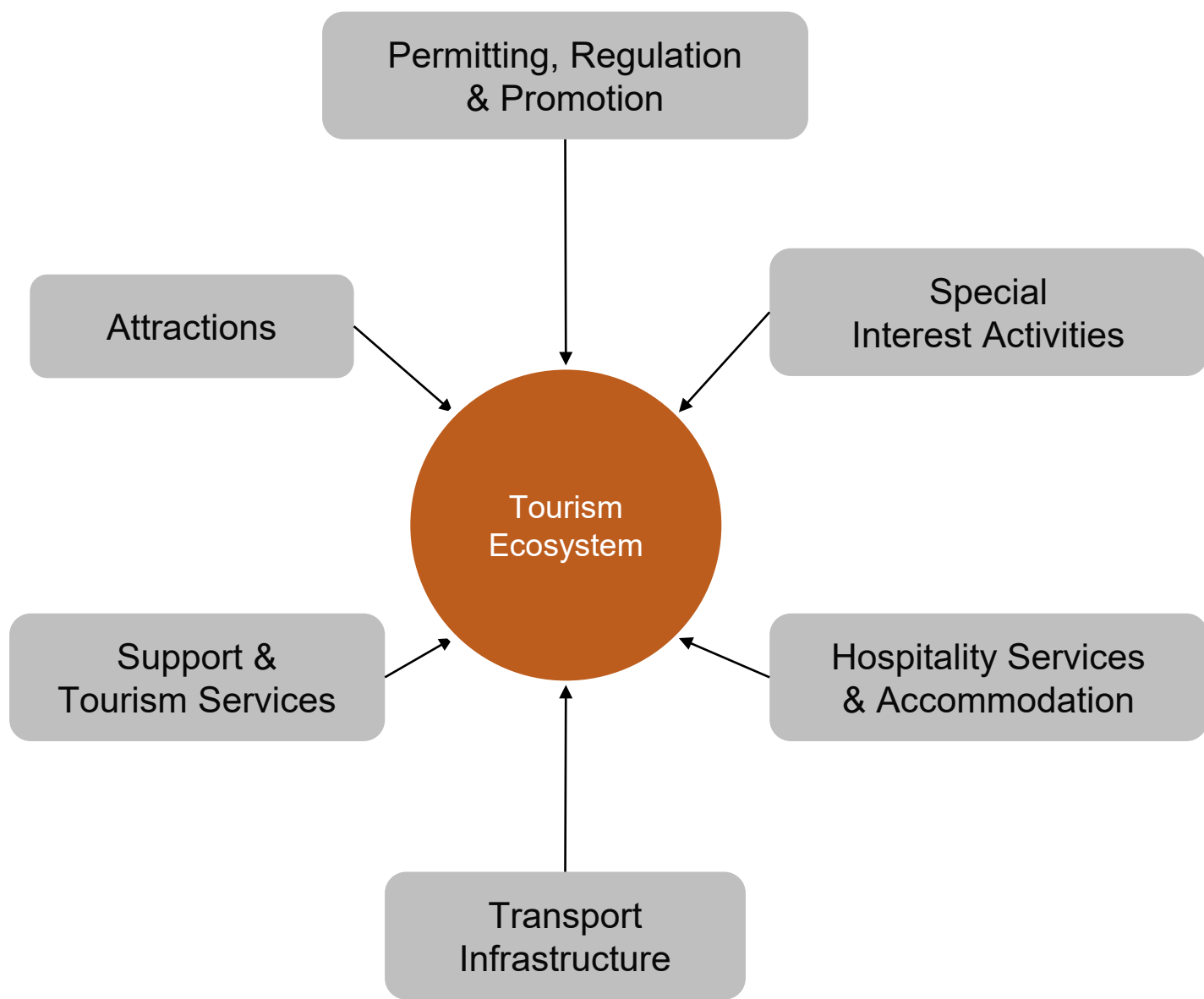
About

Foundational to understanding destination management is the complexity of the tourism ecosystem, which makes it one of the most challenging economic sectors to organize.

The tourism product, which represents the output of the ecosystem, is essentially an "experience" comprising several distinct elements. These include activities undertaken, places visited, accommodation used, modes of transportation, hospitality received, and services provided – as illustrated.



THE TOURISM ECOSYSTEM



Attractions

Attractions that draw visitors and generate revenue—whether natural, cultural, or commercial—form the cornerstone of tourism. Natural attractions like the Dilijan National Park require sustainable management, while cultural sites need careful preservation and commercial venues diversify regional appeal. To remain competitive, destinations must develop innovative visitor centers and engaging experiences that sustain tourist interest and encourage repeat visits, enhancing their economic and long-term viability.

Support & Tourism Services

Developing support services is vital for enhancing visitor experiences and ensuring accessibility in emerging tourist destinations. Tourist information centers, staffed with multilingual experts, guide visitors with maps, accommodation details, and cultural insights, while tour operators and ground handlers assist international tourists unfamiliar with local nuances. Health and safety services, particularly those focused on outdoor activities, along with interpretative materials tailored to diverse audiences, enrich the overall experience.

Permitting, Regulation and Promotion

This is a catalogue of facilitating, or ‘back-of-house’ activity that ultimately supports both the creation, promotion and functionality of the tourism ecosystem. This includes the establishment of policies and permits, the monitoring of assets both for their own benefit and for the benefit of visitors, and alignment with local, regional and national promotion campaigns, etc.

Transport Infrastructure

Transportation infrastructure is essential for tourism, enabling access and exploration through efficient systems. Local bus networks and coach services provide affordable travel options for independent tourists and groups, while taxis and car rentals offer flexibility for exploring remote areas. Clear signage and maintained trails enhance accessibility and safety. Integrating airports and transfers with local networks ensures seamless travel, supporting sustainable tourism.

Special Interest Activities

Special interest activities are a core element of tourism, ranging from location-specific pursuits like climbing peaks to broader options like skiing or birdwatching. Key activity groups include outdoor pursuits, cultural excursions, and water-based activities, which enhance travel experiences and often serve as primary motivations or complementary components of trips. Many activities require advanced infrastructure and trained providers, while cultural excursions need well-planned itineraries with transport and rest stops. The Dilijan Tourism Cluster, with its National Park setting, provides opportunities for a broad range of such activities.

Hospitality Services & Accommodation

Hospitality services, including diverse accommodation options and catering, are crucial for generating economic benefits from tourism. From city-center hotels for business travelers to holiday villages for families, and niche offerings like health spas or rental homes, they cater to varied markets. VFR tourism boosts leisure spending, while restaurants often serve as attractions themselves. In natural settings, picnic areas balance visitor needs with ecological preservation. This hospitality infrastructure must meet industry standards, offering reliable and hygienic amenities for both adventurous and mainstream travelers.

MASTERPLAN FRAMEWORKS

About

While a **tourism ecosystem** outlines the key components and stakeholders that should comprise Dilijan's tourism landscape, translating this understanding into physical development requires a comprehensive masterplan framework. This framework must ensure that each element of the ecosystem - from attractions to infrastructure - is thoughtfully integrated into the existing urban and natural environment.

To achieve success, this integration must first achieve (1) close collaboration between public sector departments and agencies, (2) an expanded role for the private sector—particularly in accommodation and attraction development—and (3) the creation of an economic environment that stimulates catalytic investments, as reviewed previously in this report.

The increasing portfolio of international destinations makes travel more enjoyable than ever before. However, to preserve unique settings, planning, design, and management approaches must relate to specific destinations within their broader historical, cultural, and environmental context. This requires sophisticated analysis, rigorous interpretation, and inventive design that preserves the qualities that give each place its distinct identity.

Integrated Tourism Development

Building on these principles, the fundamental physical context and character of a destination should guide the development of a masterplan framework, ensuring it aligns with the location's unique attributes to create a cohesive environment.

The approach to regional tourism planning should create a framework for public and private investment opportunities, with each opportunity identifying and enhancing the region's unique characteristics. Proposed interventions and interpretation mechanisms should facilitate meaningful and complete visitor experiences.

In many cultures, urban environments represent society's largest collective cultural artifacts. They exhibit, in built form, the values and histories of the societies that produced them, making them compelling attractions for visitors seeking educational and entertaining urban tourism experiences.

Planning and design for urban tourism requires understanding a town's specific assets and constraints. Planning proposals must identify creative solutions to urban development opportunities. Success requires all stakeholders to work together to define an investment framework and identify roles for implementing achievable goals, combining sophisticated design with higher economic returns for both developers and communities.

Beyond the urban context, tourist facilities should integrate seamlessly with the local environment by protecting and enhancing natural features. Built structures should reflect local building traditions within the regional context. The master planning approach should follow environmental design principles that accommodate development by fitting it naturally into the landscape. Land use, site design, and architectural controls must ensure regionally specific development that preserves local character.



MASTERPLAN FRAMEWORKS

Bad Practices of Integrated Tourism Development:

As the masterplan framework for the Dilijan Cluster evolves over the coming years, drawing new investment initiatives and increasing visitation, it is essential to avoid several common development 'bad' practices:

Isolation of the Tourists from the Host Environment

This commonly occurs in emerging destinations where visitors are provided with comforts from their place of origin, set within an environment deliberately contrived to reflect a popular image of what a destination should be. Visitors are placed in a 'cocooned' setting of comfort and modernity, protected from the destination's reality, and consequently fail to experience authentic Dilijan.

Disjointed and Incremental Development:

Disjointed incrementalism describes the consequences of failing to pursue an integrated planning and development strategy for tourism destinations. In such cases, infrastructure networks are insufficiently sized to support visitor numbers, development occurs at the expense of the physical environment rather than in harmony with it, and host communities are excluded from tourism benefits, reaping only minimal economic returns.

The impact of disjointed and incremental development erodes the quality and sustainability of a region's natural and built attractions.

Cultural Imposition

High expectations from tourists and the potential for increased income may result in visitors imposing particular forms of development upon host communities. Two extreme examples illustrate this. First, some visitors expect a 'home-away-from-home' experience, leading to supply factors shifting toward modernization. This shift has the potential to erode indigenous culture and traditional values while introducing negative tourism impacts, such as environmental degradation or culturally insensitive behavior.

Second, visitors may have preconceived notions about how a destination's culture and traditions should be portrayed. This can lead to locations being developed as 'theme parks,' featuring artificial customs, inauthentic design, and mass-produced souvenirs. Such development weakens local culture and reduces cultural activities to staged events, sacrificing authenticity and cultural continuity. Given Dilijan's rich cultural heritage, these forms of cultural imposition pose a significant risk to the region.



MASTERPLAN FRAMEWORKS

Good Practices of Integrated Tourism Development

In addition to identifying physical planning practices to avoid in the Tourism Cluster Management strategy, several proven approaches merit consideration or adoption.

Spatial Zoning

Both central Dilijan and the wider National Park area will benefit from a land management strategy that integrates tourism into the environment through defined zones with varying levels of suitability and capacity for tourism activities.

Such zoning will exclude tourists from primary conservation areas (potentially in the heart of the National Park), focus higher-impact activities in specifically prepared locations, and limit tourist access and activities in sensitive areas.

Spatial Concentration or Dispersal of Tourists

This approach complements spatial zoning by concentrating tourists in designated areas while directing them away from sensitive sites. Areas of spatial concentration are planned locations that incorporate tourism services and commercial attractions. This study specifically targets enhanced 'core vibrancy' as a key ambition for Dilijan.

Strategic elements such as scenic drives and tourist routes are methods that may guide visitors away from environmentally vulnerable areas.

Infrastructure and Land Use Management

Tourism development can replace more harmful activities. For example, carefully constructed roads bringing visitors to previously inaccessible sites, such as the Mayan ruins in Central America, prove less damaging than slash-and-burn practices of locals. Additional infrastructure improvements supporting tourism growth—including pollution control, environmental protection, and transportation enhancements—benefit host communities and can help fund essential local infrastructure.

In some cases, tourism has enabled access to utilities like running water and electricity for communities that would otherwise lack these services. More recently, this extends to climate resilience systems that offer similar cross-sector benefits.

Restrictive Entry or Pricing

Pricing policies and/or exclusions and controls have been successfully used to regulate environmental impacts in some of the world's most popular national parks, such as Yosemite. The approach to this varies considerably within different locations. Although this sometimes results in making facilities unaffordable to local communities, restrictive pricing may be overcome through dual pricing systems. For now, and in the near future it is unlikely that such a strategy might be required for Dilijan.



SUSTAINABILITY & CLIMATE RESILIENCE

About Sustainability

Sustainability, defined by the World Commission on Environment and Development as meeting present needs without compromising future generations, is a global priority and a foundation for sustainable economic reform.

Tourism, which depends on the natural environment as a key attraction, must align with sustainable or even ‘Regenerative’ development principles. Sustainable tourism aims to manage growth within resource conservation limits, balancing ecological preservation with community and economic needs.

Sustainable tourism should aim for development which manages growth within acknowledged resource conservation limits, including the following needs:

- Renewable resources must not be consumed at a faster rate than that of natural replacement.
- Biological diversity must be maintained.
- The value and aesthetic appeal of the natural environment must be recognised.
- Principles and ethics of local traditions and cultures must be respected.
- Local communities must be included in the development of sustainable tourism as a means of economic empowerment.
- Equity must be promoted in the distribution of economic costs and benefits of tourism among developers, hosts and visitors.

About Climate Resilience

While efforts to mitigate climate change continue, there is growing global recognition that society and the built environment must also adapt to become resilient against its inevitable impacts.

A study conducted in parallel to this one by ADWISE Consulting titled “Armenia: Enabling Climate-Smart Regional and Local Infrastructure Development in Selected Communities - TASK 1 – Status Quo Analysis Report” (published in October 2024) reveals that Dilijan faces significant climate-related challenges that will likely impact its tourism sector and proposes adaptation measures to enhance climate resilience in Tavush.

Drawing from the report - historical climate data shows trends in line with overall global warming patterns including average temperatures rising from 8.1°C (1961-1990) to 9.2°C (1991-2023), and projections indicating that temperatures could reach an average of 12.6°C over the next 60 years. In addition, while annual precipitation has decreased by 3% (1990-2022) and the Aghstev River’s flow having declined by 25%, Dilijan has seen an increased incidents of extreme daily rainfall. Potential risks associated with flooding and landslides from extreme rainfall are particularly relevant to Dilijan given the mountainous topography of the Tavush region.

To address these challenges, the report notes that the Dilijan Municipality has implemented several strategic initiatives that combine infrastructure solutions such as drainage systems and flood protection, with development initiatives such as urban green spaces and eco-tourism. These include but are not limited to:

- 3D modeling and assessment of landslide-prone areas by the Institute of Geological Sciences
- Construction of drainage tunnel in Tala District
- Ongoing revitalization of Dilijan City Park and Lake area
- Ongoing Aghstev River restoration project
- Completed renovation of Ring Road connecting to major cities and other local road improvements
- Planned assessment of Yerevan-Dilijan tunnel for potential future upgrades.

To maintain Dilijan’s reputation as “Little Switzerland” and to ensure the sustainability of its tourism sector and local community, continued investment in climate-resilient infrastructure is vital.

Formalized adaptation measures for new developments to align with will be crucial, especially given the projected increase in extreme weather events, rising temperatures, and shifting precipitation patterns.

STAKEHOLDER ENGAGEMENT

About

As stated in the definition of destination management, cluster management will involve participation from Public, Private, and Voluntary sector actors. Each sector will play a distinct and vital role in Dilijan's tourism development, with responsibilities outlined below.

Public Sector Actors

The Municipality

As an elected body, the Dilijan Municipality is responsible for weighing up different interests and laying down guidelines for land use, community development and individual building measures. Typically, this involves drawing up plans that set targets for the physical, environmental, economic, social and cultural development in the municipality. Furthermore, the municipal council must clarify societal needs and tasks and indicate how the tasks can be solved. Openness, transparency and participation in the planning processes are important.

Regional Authority

The county municipality is responsible for regional social development, planning, business development, transport, culture, public health, education, and vocational schools—sectors critical to tourism. Its role in transport makes it a key player, while it also manages industry- and research-oriented tools and collaborates with others. As a regional planning authority, the county municipality adopts regional plans that guide larger-scale development and coordinates efforts with other public actors.

National Authorities

In the delivery of a local destination management framework for Dilijan, national public sector authorities would play an overarching but indirect role. They would set the broader policy and strategic framework, ensuring alignment with national tourism goals and sustainability principles. Key areas of involvement include policy and strategic planning, governance and cooperation, funding and resource allocation, and regulatory support. By providing these elements, national authorities would create a supportive environment for the local destination management organization (DMO) to manage the tourist brand of Dilijan, develop new products, and promote the destination without direct day-to-day interference.

Private Sector Actors

Entrepreneurs and Local Businesses

The business organizations are of great importance at national and regional level but are usually not represented in the management of the travel destinations. They are therefore not mentioned here.

Landowners form an important part of tourism, together with developers and commercial companies. The tourism industry and landowners must work together with the municipality, particularly in cases where the development of private holiday homes or other development is part of the destination's strategy. Chapter 8 discusses challenges that come with land seizure due to leisure development. The municipality has absolute responsibility when it comes to development and facilitation in this regard, cf. their responsibility as local planning authority under the Planning and Building Act.

Local Residents

The destination’s appeal and the quality of the tourism products and services on offer will be largely dependent on support from the local population, who also have a strong interest in safeguarding the environment and liveable qualities of the destination.

Openness, transparency and participation in planning processes must be enshrined in local planning legislation, so that the local population can influence the development of their own local community.

Furthermore, it is essential to build up and strengthen expertise in visitor management at the local level, enabling residents, landowners, and the local community to take a more active and informed role in managing visitors. This approach will provide them with the necessary tools and resources to protect and uphold their values, wishes, and needs, ensuring that the local community benefits from tourism while maintaining its integrity and quality of life.

Voluntary Sector Actors

Within the tourism destination management framework for Dilijan, Armenia, the voluntary sector plays a crucial and multifaceted role. Local voluntary organisations, such as the Dilijan Development Foundation and the Dilijan Community Center (DCC), are instrumental in enhancing the quality of life for residents and the tourist experience. The Dilijan Development Foundation, for instance, focuses on improving the urban environment and infrastructure, which directly benefits tourism by creating a more appealing and comfortable setting for visitors. They achieve this through various programs, including the renovation of public spaces, the development of recreational activities, and the promotion of socio-cultural education among the population. The Dilijan Community Center, another key player, engages in community development, change-based education, culture, and sports. This NGO, supported by philanthropic foundations and international partners, has a significant impact on the local community and, by extension, on tourism. By organizing community events, seminars, and strategic sessions, the DCC fosters a sense of community and inclusivity, which is vital for creating a welcoming atmosphere for tourists. Additionally, their initiatives in areas such as ecology, sports, and leisure activities contribute to the diversification of tourist offerings, making Dilijan a more attractive and dynamic destination. The involvement of local youth in these projects ensures that the needs and visions of the community are integrated into the tourism development strategy, thereby enhancing the overall success and sustainability of the destination.

INSTITUTIONAL FRAMEWORK

About

To orchestrate these diverse stakeholder roles effectively, the Dilijan Tourism Cluster requires a robust institutional management framework to provide shape, procedure, and strategic direction for its tourism ecosystem.

This framework should facilitate the implementation of policies and programs within a coordinated environment where stakeholders operate efficiently, ensuring consistency through clear definition and application of the overarching 'cluster vision'.

The framework must serve as a platform for dialogue, coordination, and monitoring, ensuring aligned policies and objectives while minimizing duplication of efforts.

Ultimately, any destination management organization should achieve policy goals that align with the area's strategic vision through clear roles, responsibilities, and cooperation mechanisms between stakeholder groups, ensuring accountable governance.

Organizational Structure

The following page presents an illustrative organizational structure for a Destination Management Organization (DMO) for the Dilijan Tourism Cluster. The structure comprises these core elements:

Board of Directors / Steering Committee

This group provides strategic leadership for the DMO, ensuring effective governance, managing resources, engaging stakeholders, and monitoring performance to promote tourism destination development. They oversee decision-making, policy implementation, resource allocation, and stakeholder coordination to align activities with the DMO's mission and objectives. The Board typically includes senior-level representation from local authorities, private sector representatives, civil and voluntary interests, wider economic partners who influence or are influenced by tourism, and often a professional with expertise in destination management, marketing, and tourism development.

Executive Director / CEO

An Executive Director or CEO oversees the DMO's day-to-day operations. This individual should possess a strong educational background in business administration, marketing, or tourism and hospitality, ideally with a master's degree and relevant certifications. The candidate should have at least 10 years of senior leadership experience in tourism or hospitality, demonstrating proven success in strategy development, team management, and results achievement.

Departmental Operations

The DMO operates through eight teams grouped into four departments:

- **Strategic Development & Planning:** Responsible for long-term strategic planning, governance, and compliance.
- **Destination Management & Sustainability:** Oversees product development and sustainability initiatives, including environmental protection and community engagement.
- **Marketing & Promotion:** Centralizes efforts to ensure target markets are aware of product and asset opportunities within the tourism and hospitality sector.
- **Operations and Support:** Focuses on administration and human resource management.

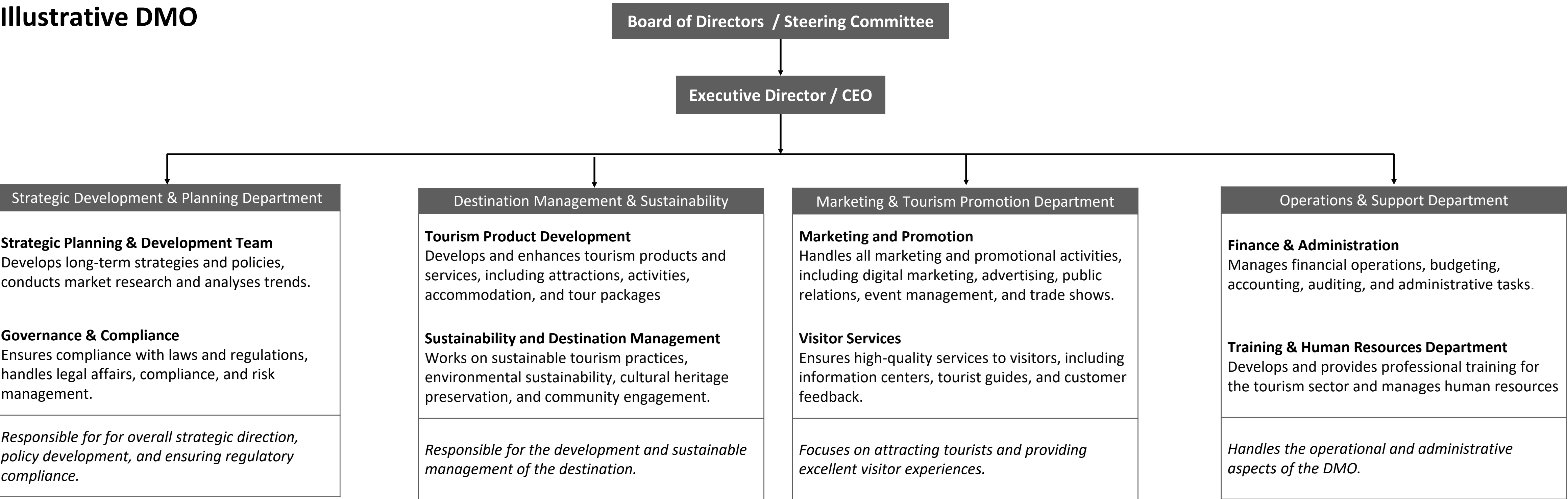
Funding

DMO funding typically comes from both public and private sources. Public funding includes taxes, government grants, and special assessments, while private funding derives from membership fees and business sponsorships. Additional support through grants and multi-year core funding models ensures sustainable destination promotion.

TOURISM CLUSTER MANAGEMENT:

INSTITUTIONAL FRAMEWORK

Illustrative DMO



It is our understanding that the Tourism Committee launched an initiative in 2022 to create DMOs across Armenia to manage and develop the country's tourism sector more effectively. These organizations were intended to function as branches of the state-run Tourism Committee, operating in all regions to ensure coordinated tourism development throughout Armenia. However, research indicates this initiative has yet to be fully realized.

As tourism to Armenia, and Dilijan in particular, continues to grow over the next decade, establishing a well-developed Destination Management Organization will become increasingly important. The DMO will provide a locally-based structure equipped with the expertise to address regional needs, improve infrastructure, enhance service quality, and coordinate efforts among stakeholders—including private and public sectors, academia, and civil society. This coordination will be critical for ensuring sustainable tourism growth.

LEGISLATIVE CONSIDERATIONS

About

While establishing a robust DMO structure is essential, equally important is the Public Sector's role in creating and administering the legislative framework that supports tourism development.

Tourism legislation provides the legal foundation for development, management, and operation of tourism activities, while ensuring the stability and legal recourse necessary to enhance private sector investment confidence.

Legislation

The basic tourism law establishes tourism development policy, defines DMO structure and functionality, and outlines funding sources. Specific regulations govern standards and licensing requirements for hotels, restaurants, tour agencies, and guides, including hotel classification systems and tourist protection rights.

While national tourism bodies maintain oversight of broader tourism issues, many day-to-day functions are delegated to local and regional authorities, including DMOs and budget management. This local presence enables more efficient and responsive decision-making, as these organizations can better identify and address changes in local market conditions.

Laws & Regulations

Public Sector authorities influence tourism through five crucial legislative domains:

1. Planning / Zoning

Physical planning may require basic legislation, particularly zoning regulations for accommodation and tourist facilities, where such frameworks don't exist. These regulations typically include development controls to achieve desired outcomes while preserving environmental characteristics. Construction codes must be reviewed to ensure their suitability for tourism facility development within the cluster.

2. Environmental Protection

Alongside tourism facility development, environmental conservation and protection of natural features are crucial, especially in areas like Dilijan with its National Park. Legislation typically requires environmental impact assessments (EIAs) before development to protect the natural ecological balance.

3. Health & Safety Regulations

Comprehensive legislation must address health and safety risks in tourism facilities and services, including regulations for sanitation, hotel cleaning, fire safety, liquor licensing, and liability. Permit approval and renewal procedures must be established for businesses operating in the tourism sector.

4. Immigration & Visas

While national authorities manage immigration and visas, local and regional tourism officials play a crucial role in facilitating these processes to support business development. This includes streamlining visa processing for foreign property owners and enabling skilled labor importation for staff training. Local or regional development authorities are ideally positioned to advocate for these needs with relevant authorities and implement localized policy changes.

5. Enforcement & Controls

Tourism agencies require both authority and mechanisms to monitor and enforce controls on tourism-related businesses. This encompasses transportation regulations, including taxi fare control, vehicle licensing, and safety requirement compliance. Local and regional authorities are best suited for this monitoring and enforcement role, allowing quick responses to infractions and adaptation to market changes.

TOURISM CLUSTER MANAGEMENT:

INVESTMENT INCENTIVES

About

Legislative frameworks provide the governance structure; however a robust system of investment incentives drives tourism development forward. The direction and scope of these incentives should align with the tourism vision and strategic goals established by the Destination Management Organization.

To effectively deliver on these goals, stakeholders must identify both physical and institutional requirements. Physical infrastructure needs include access improvements, accommodation (hotels, guesthouses, campgrounds, B&Bs), entertainment venues (bars, restaurants, cultural facilities), and support services (car rentals, fuel stations, retail outlets, tour operations).

Public Sector

There are three main areas in which the public sector can effectively drive tourism development and stimulate the necessary private sector investment: tourism master plans, infrastructure development and the establishment of private sector incentives.

Tourism Master Plans

A tourism master plan is a physical land use planning document that lays out key zones for tourism development. A proposed spatial plan for the Dilijan Tourism Cluster would provide a physical framework for this effort on a regional / macro level.

Drilling down to the master planning level will provide an official roadmap that outlines particular areas that are designated for such land uses as hotel development, holiday homes, commercial and entertainment clusters and natural protected areas.

Establishment of particular zones (i.e. hospitality zones or Special Economic Zones – SEZs) provides a physical location that allows the private sector to be confident that future investment will have been made in secure, appropriate areas that are protected from potentially incompatible land uses (i.e. preventing an industrial facility from being developed next to a resort hotel). Local and regional authorities are often responsible for designing these master plans, and this is typically done in conjunction with both public and private sector bodies.

Infrastructure

Typically, the government must finance (through internal or external funds, such as the World Bank) major infrastructure projects that are necessary to support tourism (and general economic) activities, such as: energy and water supplies, sewage treatment, communications networks (telephone, broadband, satellite) and transportation (i.e. roads, airports, rail lines, etc.). While much of the cost of developing this type of infrastructure is absorbed through government funding, it can be possible to recover much of this outlay through usage fees (i.e. road tolls, taxes on ticket fares, etc.).

Furthermore, contemporary financing methods allow for partnerships to be set up with the private sector in which a company may build, operate and manage a scheme and then transfer the ownership back to the government after a set period of time. Other means would be to have a private entity develop an integral part of the infrastructure in exchange for land, build permits, tax incentives or other means which benefit the company and its interests.

Incentivizing the Private Sector

Of particular relevance to this study, one of the main ways in which a government can stimulate development of the tourism sector is through the offering of investment incentives to the private sector.

These incentives can be directed in particular areas or locations and can be offered to stimulate development of an intended project or tourism product typology, such as culture.



INVESTMENT INCENTIVES

Private Sector

The private sector is often the best source of investment capital for developing various tourism projects as there is often a greater level of specialized expertise, more efficient organizations, greater appetite for profit (stemming from a successful business operation) and more rigid oversight by shareholders than is the case for public sector funds and those holding the purse-strings.

For private investment in hotels and other commercial facilities and services, the investment policy will depend on location. If there is sufficient capital available from area businesses, then there is no problem, however if capital is limited, then investment from outside sources (nationally or internationally) must be sought. International capital can provide financing for an entire project or joint ventures can be created with local firms.

Given the local area knowledge and experience liaising with governing bodies, as well as any prevailing legal restrictions which require in-country representation, these types of joint ventures tend to be popular approaches to foreign investment in more pioneering destinations (as the Dilijan Cluster in Armenia might well be perceived).

In order to avoid risks associated with doing business with an unknown local partner, foreign entities often seek out assistance from local and regional development corporations either as a direct partner or as an intermediary to represent the interests of both local and international parties.

It is worth noting that in the case of Armenia, the Diaspora has historically represented a significant source of international capital and care must be taken to ensure that the goodwill and interest shown within the Diaspora is safe-guarded over the coming years.

Types of Incentives

There are various types of incentives that can be used to attract private sector investment into the development of necessary tourism projects, but generally these fall within two main categories – Direct and Indirect.

Direct incentives often comprise a tool the government can use to directly stimulate investment in a particular area, while indirect incentives may offer value and benefit to a project further down the road or to eventual end users of a project and therefore make it more attractive for longer term investment returns. Examples of these two types of incentives are set out below:

Direct Incentives

- Offering a parcel of land to an investor/developer at a discount (or free of cost) that the governing body wants developed in a particular way.
- Provision of either on-site or off-site infrastructure access to a particular site at no cost to the developer.

- Complete or partial exemption from customs duties on imported items used in the development of tourism facilities (this can be targeted in particular areas), such as for building materials, machinery, operating equipment, furniture, supplies, etc.
- Complete or partial exemption from corporate income for property taxes for a set or indefinite period of time.
- Discounted loans from public funds with lower interest payments, or deferred payments until the project has become profitable.

Indirect Incentives

- Partial or total income tax exemptions for hotel operators or other service providers.
- Partial or total income and/or property tax exemption for home-owners looking to buy or invest in the local property market.
- Waiving of capital gains, transfer fees or repatriation restrictions on the transfer of property from one owner to the next.
- Automatic residency for prospective property owners.
- Partial or total exemption on the import duties associated with the furniture, fixtures and equipment required for a private holiday home or lodging operation, including regular renovations for hotels.

INVESTMENT INCENTIVES

Allocation of Incentives

It is of key importance that investment incentives from relevant authorities should be reserved for approved projects that align with the development vision and tourism agenda.

These incentives may target specific types of development that authorities wish to encourage, such as resort hotels, spas, cultural attractions, nature-based facilities, high-quality accommodations, or development in remote areas. Regular review of incentive programs ensures they remain effective, prevent misuse, and adapt to current investment needs.

In some cases, local and regional authorities often pursue broader objectives beyond tourism development. The financial leverage created through investment incentives enables them to advance wider political and social goals, including the development of community facilities and services.

For example, authorities may attach conditions to incentive packages, requiring developers to include affordable housing, construct schools or community centers, or implement environmental improvements that benefit local residents. This approach to development management typically generates stronger public support for major projects.



MARKETING & PROMOTION

About

The successful implementation of all previously outlined development elements depends on effective marketing and promotion. These foundational components must be translated into compelling messages that reach target audiences and drive tourism growth.

Working with the Vision

All effective strategies begin with a coherent, simple, yet specific tourism vision that guides industry development in an intended direction. In this case, the Cluster Vision focuses on creating *"A Hybrid Destination for Wellness, Nature and Culture."*

The DMO's Marketing and Promotion department must establish targeted objectives with measurable, quantifiable goals over defined periods. Targets typically include tourist arrivals, average length of stay, country of origin, and visitor demographics. These targets must align with both the tourism product and desired visitor experience. Objectives may vary seasonally; for example, Dilijan might promote winter sports and cultural events from October to March, while focusing on cultural tourism and outdoor activities during summer months.

Formulating the Strategy

The tourism marketing strategy for Dilijan, which should be aligned to cluster vision may include, for example:

- Whether the marketing will be general or target specific groups of potential tourists.
- The general types of promotional techniques to be used and where they should be directed – to tour operators, end users (consumers), second home owners, travel agencies, etc.
- The timing or scheduling of promotional efforts to certain types of markets or countries.
- The image and reality of the area. An emerging tourist destination needs to create a desirable image that aligns with national or regional strategy.
- Any particular obstacles to overcome (e.g. accessibility, product limitations, seasonality, etc.)

Promotional Program

The promotional program implements the marketing strategy to achieve established objectives. Local representation typically provides the most effective advocacy, given their intimate knowledge of the destination and vested interest in its success. The program is developed based on marketing strategy,

distribution channels, promotional techniques, and available budget. Key promotional techniques include:

E-Commerce: Marketing through dedicated or third-party websites, providing practical travel information and current databases of accommodations, attractions, tour operators, restaurants, and events.

Printed Materials: Creating and distributing brochures, posters, maps, travel agent manuals, tour guides, and postcards to travel agencies, tour operators, event planners, and tourism authorities.

Advertising: Promoting tourism offerings through magazines, direct mail, newspapers, websites, travel guides, and trade publications.

Special Events: Participating in trade shows and travel fairs; conducting promotional trips to key source markets; hosting tour operators, travel agents, and travel writers for familiarization trips.

Public vs Private Roles

Promotion requires close coordination between public and private sectors, often through joint initiatives. While national promotional efforts effectively reach international audiences, local and regional bodies have specific interests in promoting their destinations. For example, Dilijan's cultural facilities and nature-based activity providers might collaborate to promote the Cluster in key international markets that show interest in the proposed offerings.

CONCLUSION & TAKEAWAYS

The successful development of Dilijan as a tourism destination requires a comprehensive and integrated approach, guided by its vision as **"A Hybrid Destination for Wellness, Nature and Culture."** The tourism ecosystem must be carefully managed through structured frameworks that prioritize sustainability and stakeholder engagement, while maintaining a careful balance between development and preservation to ensure tourism growth enhances rather than compromises the region's unique natural and cultural assets.

Critical to this success is the establishment of a robust Destination Management Organization with clear governance structures, supported by appropriate legislation and investment incentives. This organization will serve as the cornerstone for coordinating public, private, and voluntary sector activities while ensuring the destination develops in alignment with its strategic vision.

Success will ultimately depend on:

- Strong understanding of a tourism ecosystem
- Institutional frameworks and governance
- Sustainable development practices
- Effective stakeholder alignment
- Strategic investment attraction
- Continuous community engagement
- Coordinated marketing and communication throughout



CHAPTER: # 7

DILIJAN TOURISM CLUSTER TRANSFORMATION PATHWAY

TRANSFORMATION PATHWAY

Introduction

A 'Transformational Pathway' in the context of the Dilijan Tourism Cluster refers to the strategic framework designed to guide Dilijan's evolution from its current state into a sustainable, competitive and highly desirable location for travelers as well as being a desirable place to live. This process focuses on unlocking the destination's potential, as articulated in the Cluster Vision, while balancing economic, social, cultural and environmental impacts.

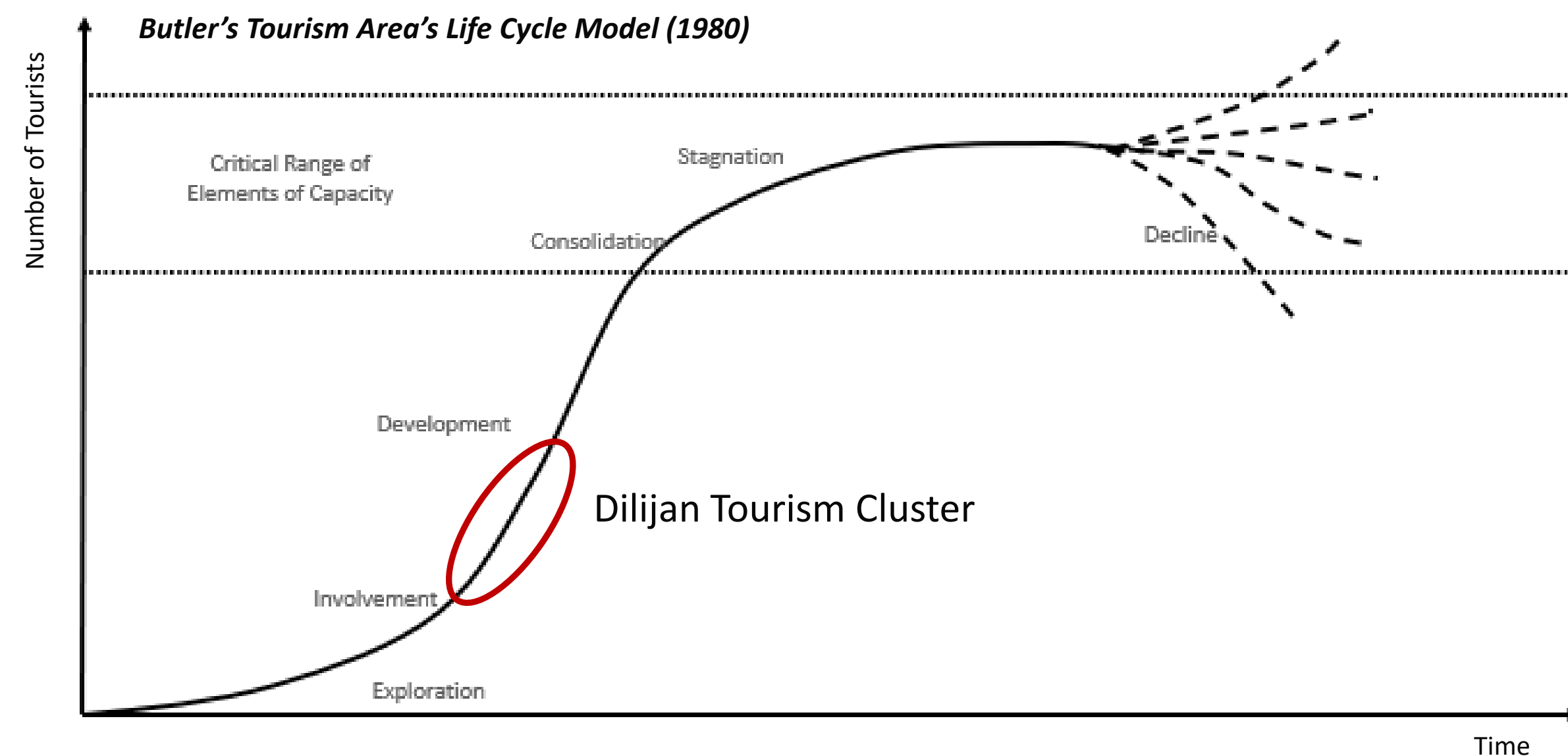
The concept recognizes that every tourism destination is on a metaphorical journey, as articulated by **Butler's Tourism Lifecycle Model (1980)**, which poses that the characteristics of six stages along the journey require specific planning and actions. As shown, these stages comprise:

- **Exploration:** A small number of adventurous tourists discover a destination with little to no existing infrastructure, drawn by its natural or cultural uniqueness.
- **Involvement:** Local communities begin to develop basic facilities and services to accommodate growing visitor interest, marking the start of organized tourism.
- **Development:** Tourism infrastructure expands rapidly with external investment, resulting in mass tourism and significant changes to the destination's character.

- **Consolidation:** Visitor numbers stabilize at a high level, with the destination now heavily reliant on tourism as its primary economic activity.
- **Stagnation:** Tourism growth plateaus as the destination becomes over-commercialized or loses its appeal due to environmental or cultural degradation.
- **Decline or Rejuvenation:** The destination either experiences a drop in tourist numbers and economic decline or reinvents itself to attract new markets and regain its appeal.

Research undertaken for this study would suggest that Dilijan is coming out of the early 'Involvement' stage of the tourism lifecycle and is entering the 'Development' stage when investor interest gradually starts to build. Importantly, Dilijan does not yet suffer from issues associated with 'mass' or 'overtourism'.

This is a crucial phase in regard to planning, as decisions taken today may have a significant impact on the well-being of the host community as well as the overall sustainability of the local culture and natural environment. These typically involve product development, the scaling of infrastructure and expanding marketing investments.



A good balance between development and preservation has been struck when the destination's infrastructure and tourism offerings meet visitor demand without compromising the environmental integrity, cultural authenticity, or quality of life for the local community.

TRANSFORMATION PATHWAY

Navigating with Caution

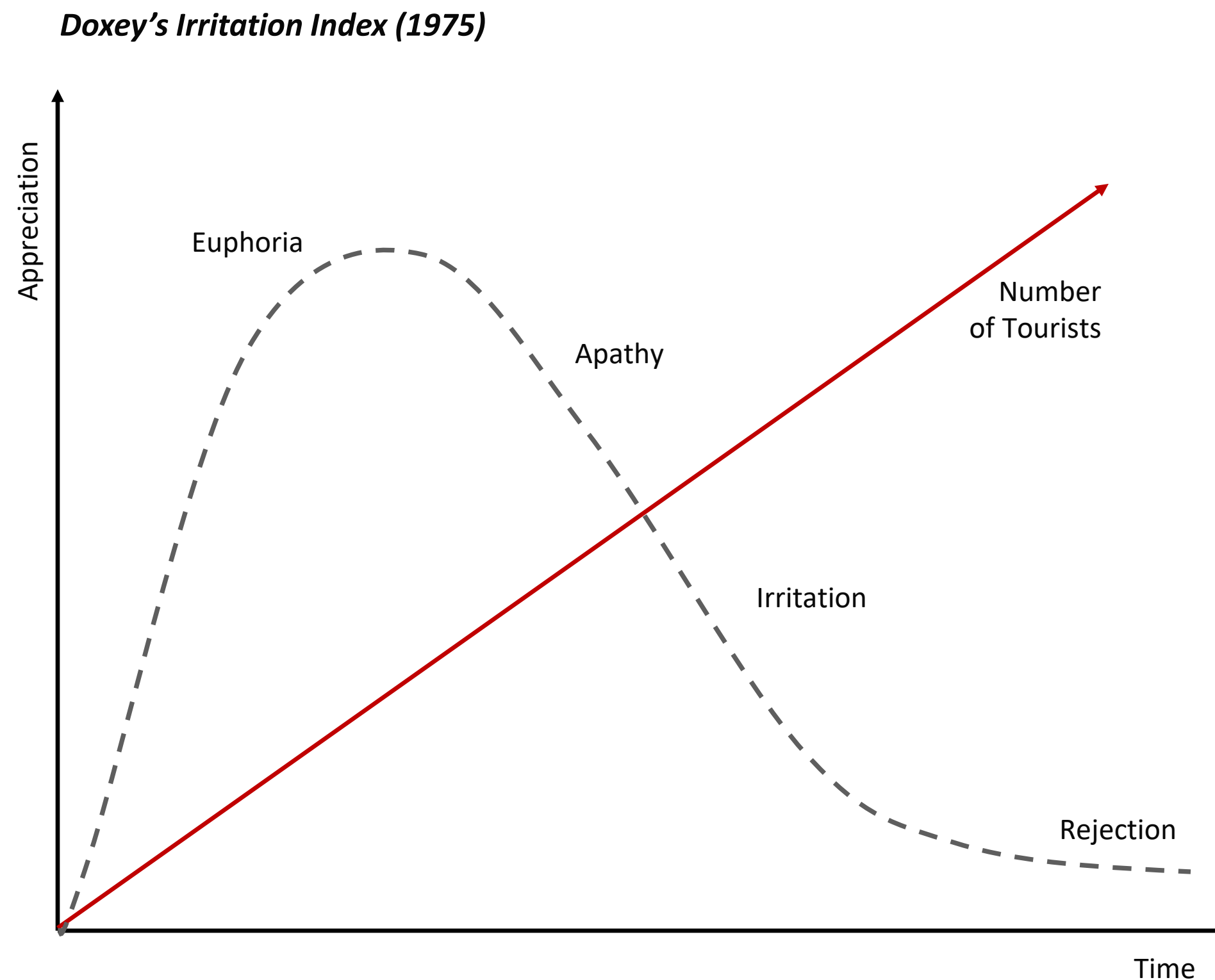
In navigating the way ahead for the Dilijan Tourism Cluster there is a need for caution and considered strategic planning – as reflected by the growing international interest in the ‘Regenerative Tourism’ movement.

Poorly planned or regulated development can lead to ‘Overtourism’, a term which emerged only as recently as 2016.

Overtourism occurs when excessive numbers of tourists overwhelm a destination, surpassing its capacity to sustainably manage the influx and causing negative impacts on local communities, the environment, and visitor experiences. It leads to overcrowding, environmental harm, strained infrastructure, cultural erosion, and rising living costs, often disrupting residents' quality of life and diminishing the destination's appeal. Tackling overtourism requires sustainable tourism practices that balance economic benefits with preservation and community well-being.

Note: The number of tourists required to create a situation of ‘overtourism’ will vary hugely from destination to destination (i.e. the number of tourists that Yerevan could absorb, will be a lot higher than the number of tourists that the City of Dilijan due to the relative scale of each city). The capacity or threshold bar must be set a lot lower for Dilijan and recognized in the metrics and monitoring of visitor impact.

This issue was recognised as a challenge for the tourism ecosystem as long ago as 1975, when George V. Doxey published his **Irritation Index** (shown below), which examined attitudes within the host community towards increasing levels of tourism visitation.



The four stages referenced in the Index are as follows, and are easily recognised within tourism destinations around the world today:

- **Euphoria:** The host community welcomes tourism enthusiastically, focusing on its economic and social benefits.
- **Apathy:** Tourism is routine, and residents show less interest in engaging with visitors.
- **Irritation:** Overcrowding and strain on local resources leads to growing frustration among residents.
- **Rejection:** Hostility develops as residents blame tourists for negative impacts on their community and quality of life.

Dilijan today probably lies between the ‘euphoria’ and ‘apathy’ stages of the index, whilst destinations like Venice and Barcelona are clearly experiencing ‘irritation’ and ‘rejection’ as a consequence of overtourism.

There is little sign of either irritation or rejection in Dilijan today but ensuring that there is an awareness and sensitivity to this potential issue will be key as stakeholders from both the public and private sector navigate the transformation pathway over the coming decade.

ACTION PLAN

Call to Action

Significant time and resources have been invested in strategic planning for the future of the tourism economy in Dilijan, as it has in other ‘tourism clusters’ in other parts of Armenia.

However, there is a danger with any strategic planning effort, and specifically strategic planning efforts in relation to tourism given the complexity of the ecosystem, that the plan, vision and goals are not followed-through. As illustrated in the previous section, the tourism ecosystem is complex and it can be hard for individuals, whether in the public or private sector to understand that change, or actions required to prepare for change, can sometimes necessitate combined effort and participation.

Where specific private sector initiatives form part of the Transformation Pathway, this typically helps to drive momentum forward, but nonetheless a ‘call to action’ underpinned by a scheduled timeframe can play a role in progressing from Vision to Reality.

The completion of this study presents an ideal opportunity to ‘launch’ the Dilijan Tourism Cluster initiative and garner support and engagement from stakeholders locally and from the wider region of Tavush; outlining the rational and ambitions of the initiative and laying out the proposed Transformation Pathway and the envisaged milestones along the way.

Action Items

On the following page we set out an illustrative Action Plan, recognising that there are multiple variables that will impact timings, such as the findings of follow-up studies and design work, the availability of finance/funding, political support both locally and nationally, etc. However, the core items included within the plan, which is laid out over a ten-year time horizon, include the following:

- **Dilijan Tourism Cluster Announcement:** Publicly marks the completion of initial cluster vision study.
- **Community Engagement Programme:** Allows the host community to engage with the Action Plan and establish ‘agency’ in the process.
- **Destination Management Organization:** Lays the foundation for effective delivery (note: will take refinement during early years)
- **Investment Portfolio Realization:** Phased realization of investment initiatives beginning with those that offer ‘quick win’ potential.
- **Monitor / Review / Refine:** Regular, formalized process of review and refinement to ensure navigation continues along the chosen strategic path.

The very first stages of the Action Plan, which are focused around communication, collaboration and consensus are some of the most important of all as they will be foundational for long-term relationship building and will set the tone for journey to follow.



The winning crew works together in harmony...

TRANSFORMATION PATHWAY:

ACTION PLAN

The illustrative Action Plan set out here provides what may well be an optimistic (or targeted) timeline for the realization of the transformation pathway over the next decade.

In reality, there are further studies that will need to be undertaken in order to prepare the way for each and all of the potential investment initiatives reviewed in this report. In addition, it must be recognised that the Dilijan Tourism Cluster is one of a number of ‘cluster initiatives’ planned across Armenia and this may have some bearing on the availability of funding and project approval. At the same time, given the strength of Dilijan as a tourism destination it is likely that other projects and investment opportunities may well appear over the next few years, some of which might standout as new priorities for support.

The Action Plan recognises that three projects in particular might reasonably be considered as offering ‘Quick Win Potential’, due to the level of funding required, the amount of work that has already been undertaken to lay the foundations for realization or they involve an enhancement to an existing asset rather than full-scale new build proposal. In addition, the plan highlights the priority of establishing a destination management framework / organisation to ‘champion’ the implementation of the Dilijan Tourism Cluster vision.

Dilijan Tourism Cluster: Illustrative Action Plan (2025 to 2035)											
Action Item	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Dilijan Tourism Cluster Announcement Regarding Study Completion											
Community Engagement Programme											
Destination Management Organization (Establish, Incubate, Operate)											
Investment Portfolio Realization											
Festival & Events Programme *											
Studies, Planning and Design Work											
Development (not applicable)											
Operations											
Dilijan City Park *											
Studies, Planning and Design Work											
Development											
Operations (maintained throughout)											
Lore Museum *											
Studies, Planning and Design Work											
Development											
Operations (maintained throughout)											
Beethoven Concert Hall Renovation											
Studies, Planning and Design Work											
Development											
Operations											
Khanjyan Villa Restoration											
Studies, Planning and Design Work											
Development											
Operations											
Amper Creative Peak (Ropeway & Moment Factory)											
Studies, Planning and Design Work											
Development											
Operations											
Tonino Guerra Park & Gallery											
Studies, Planning and Design Work											
Development											
Operations											
Dilijan Pedestian Corridor											
Studies, Planning and Design Work											
Development											
Operations											
Regenerative Tourism Strategy											
Studies, Planning and Design Work											
Product Refinement / Development											
Operations											
Monitoring / Review and Refinement											

Notes: * - Quick Win Potential ** - Estimates

TRANSFORMATION PATHWAY:

TOURISM VALUE CHAIN

The following page provides a physical manifestation of the Tourism Value Chain providing an indication of the following:

Quick Wins

Aligned with the Action Plan, the three suggested ‘Quick Wins’ are identified on the plan. It should be noted that two of the three are located close to the physical core of Dilijan, helping to strengthen vibrancy and appeal of the cluster’s metaphorical heart. The third ‘Quick Win’ is the Festival and Events programme, which presents the opportunity to implement programme items close the central core in addition to other items spread across the wider area and up into the National Park.

Physical Planning Considerations

Five of the seven projects within the investment portfolio are located close to the centre of Dilijan with two (the proposed renovation of the Beethoven Concert Hall and the Tonino Guerra Park and Gallery) located a little further out from the core.

For each of the nine investment initiatives within the portfolio we have provided a comparative illustration of their value based on the following four variables:

Tourist Experience

A comparative assessment has been made as to whether the proposed initiative would add to the overall tourist experiences within the Dilijan Tourism Cluster. By way of an example, whilst enhancement of the City Park will certainly help to strengthen the appeal of the destination, the addition of the ropeway as part of the Amper Creative Peak project would represent a new and exciting addition to the overall cluster portfolio.

Financial Benefits

A comparative assessment has been made as to whether each initiative would strengthen the local tourism economy. In this instance, the Amper project would likely drive the highest volume of additional new visitor spending into the local economy.

Increased Tourist Arrivals

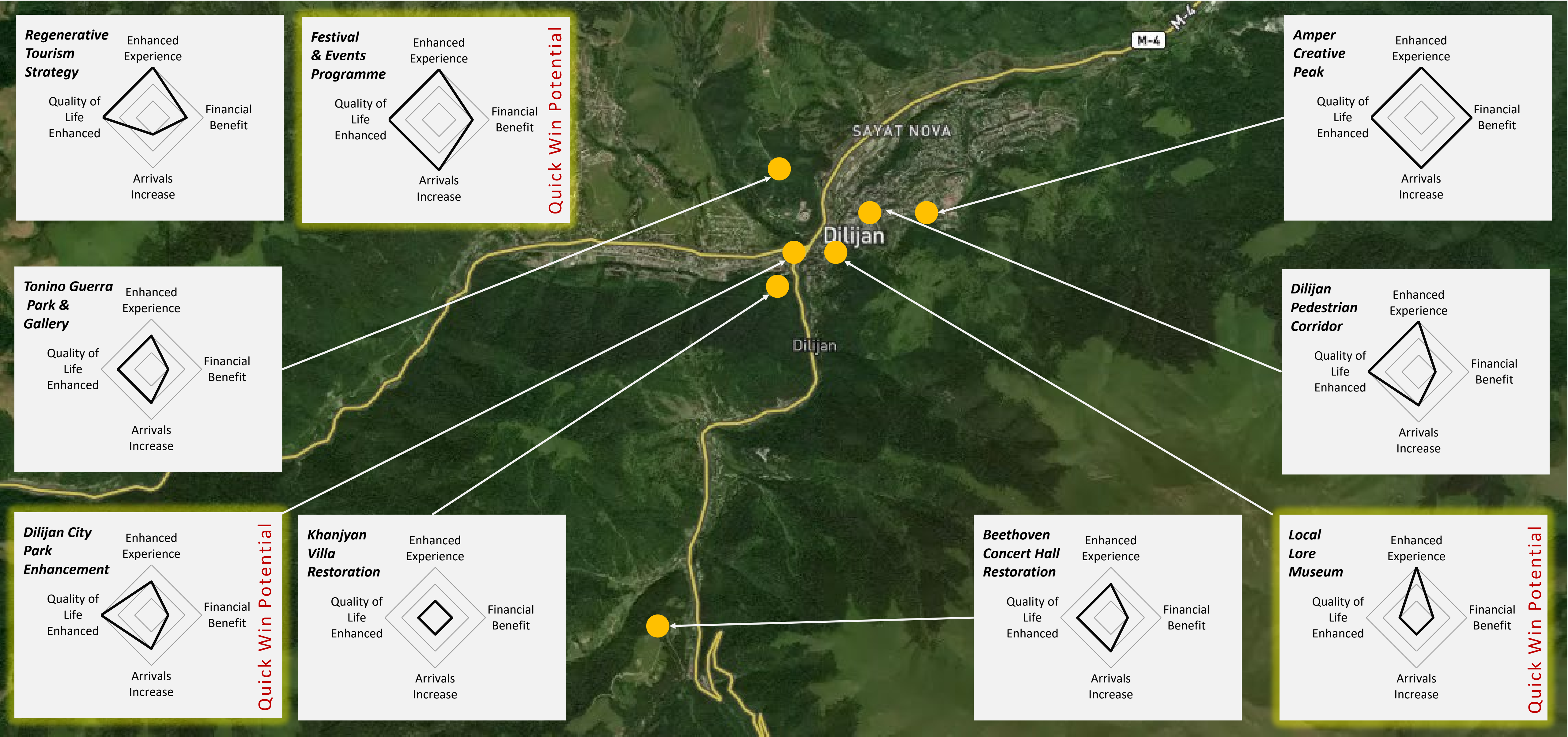
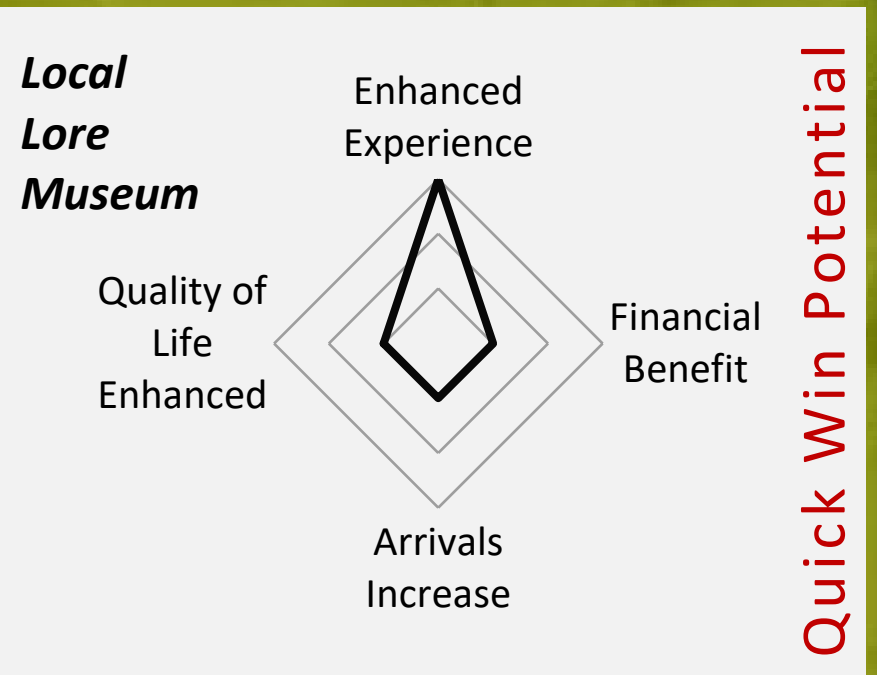
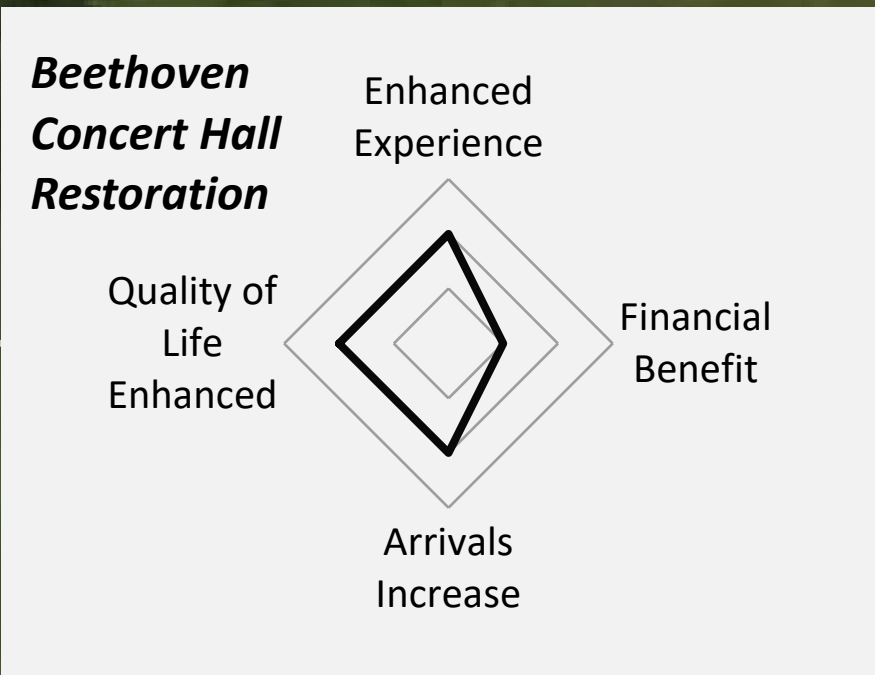
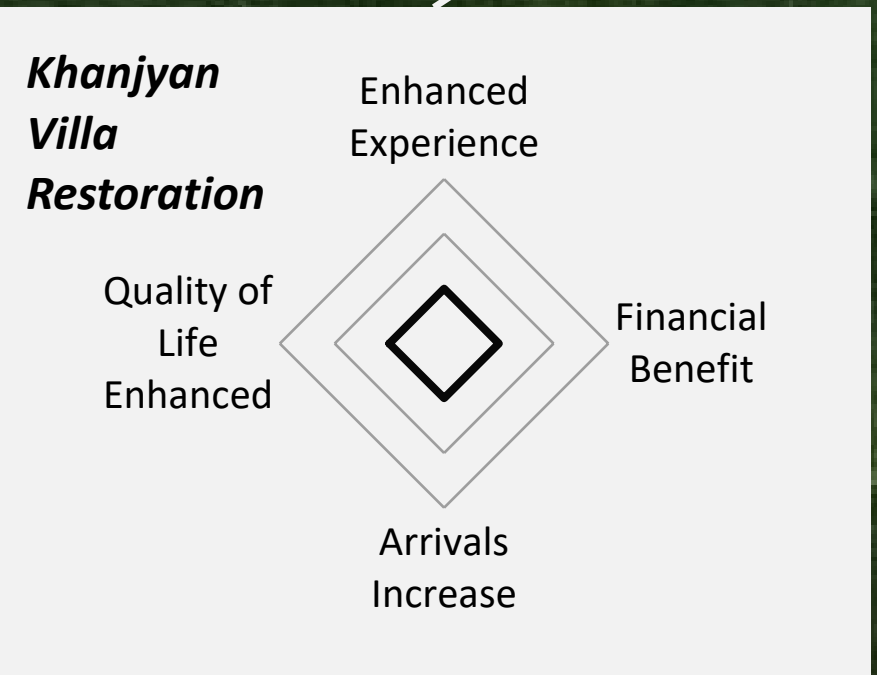
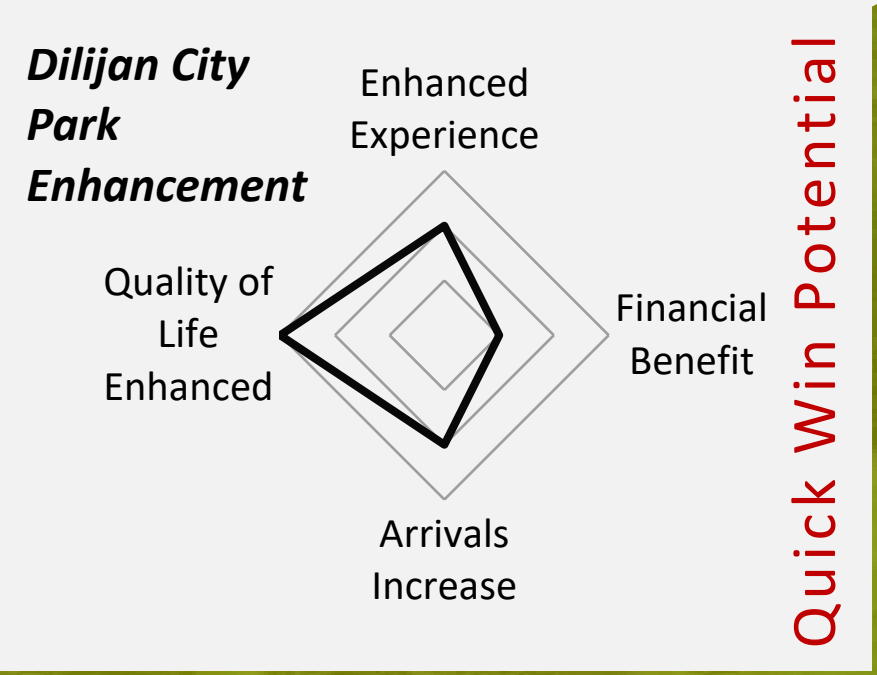
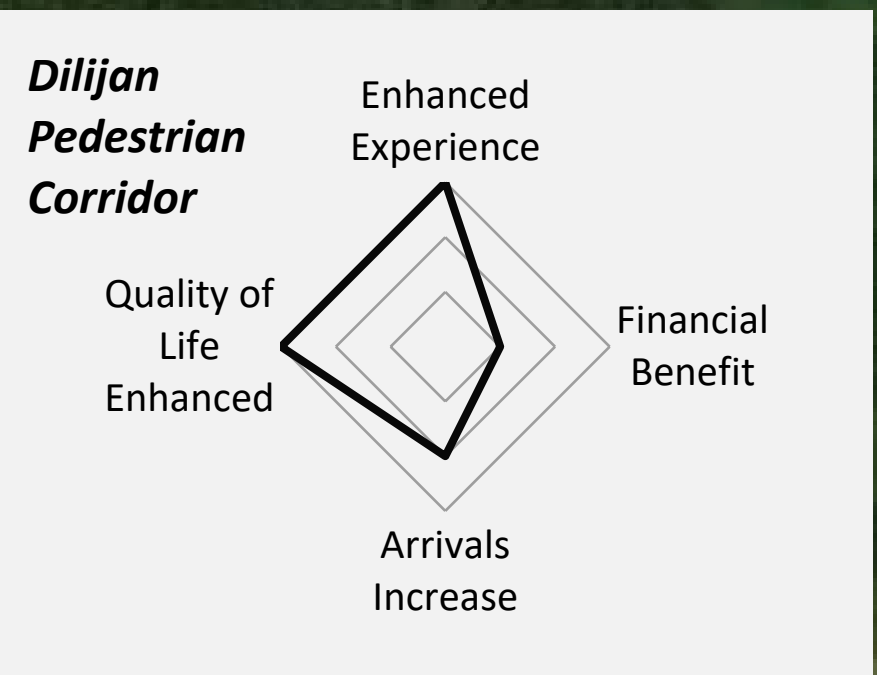
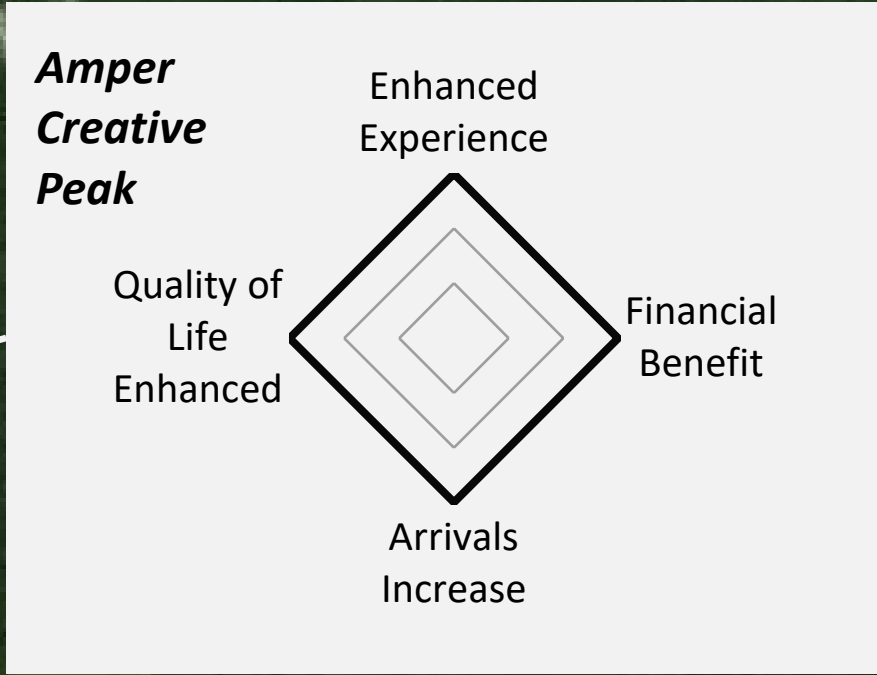
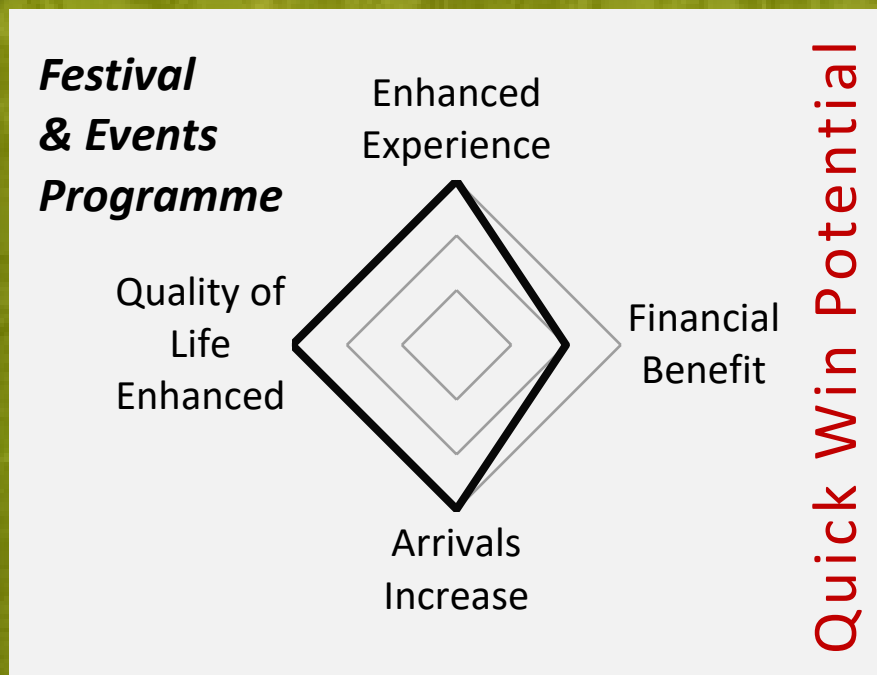
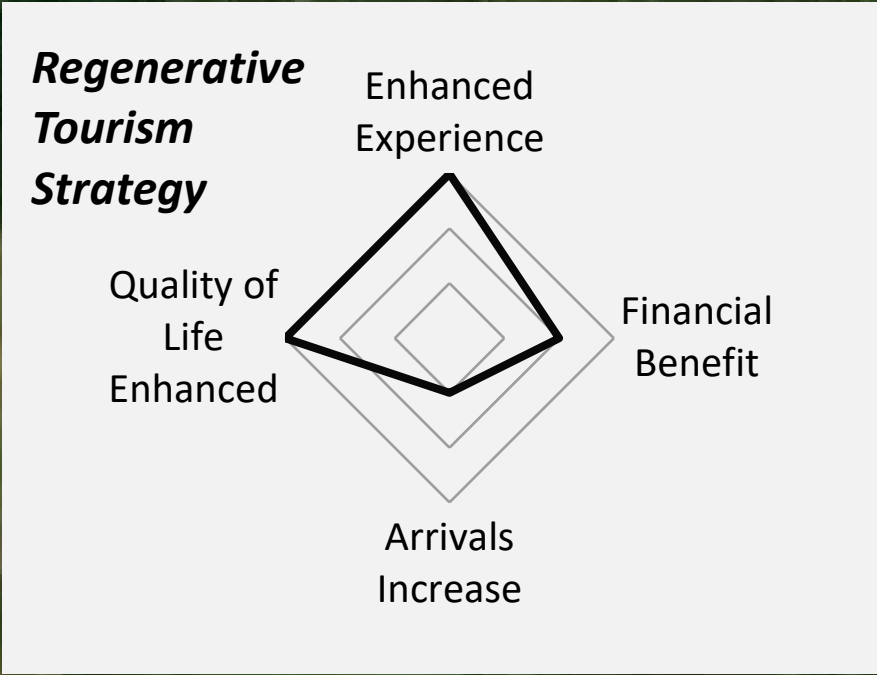
Both the Events Programme and the Amper project are likely to drive the strongest growth in tourist arrivals; the events programme due to its potential breath of appeal (if the calendar is well conceived) and Amper in regard to its innovation and marketability both within the daytrip and overnight tourist markets.

Host Community Quality of Life

As referenced in earlier in this section, the significance of the impact that growth in the tourism economy can have on the local/host population must not be underestimated. The emergence of Regenerative Tourism has been a direct response as politicians and strategic decision makers have begun to appreciate that GDP growth at the cost of quality-of-life considerations maybe flawed performance or growth measure.



TRANSFORMATION PATHWAY:
TOURISM VALUE CHAIN



TRANSFORMATION PATHWAY:

FACILITATING GROWTH

Cross-Ministry Collaboration

As the Dilijan Tourism Cluster initiative gradually gains traction, new assets are added to the product portfolio, existing assets are upgraded or enhanced and visitor numbers begin to rise, there will inevitably be a requirement for other support service providers and public sector entities, such as the Ministry for Territorial Administration and Transport, the Ministry of Energy Infrastructure and Natural Resources and the Ministry of Health to ensure that the capacity and condition of facilitating infrastructure keeps pace with demand. Doing so will help maintain the goodwill and well-being of the host community which, as mentioned earlier in this section, will be key to ensuring long-term social sustainability across the Dilijan Tourism Cluster.

Utility Infrastructure

Specifically, departments within these Ministries will need to monitor the ability of the utility infrastructure (e.g. power, portable water and sewage capacity) in Dilijan to meet demand for the combined resident and tourist population during periods of peak visitation. It is our understanding, for example, that there may already be times of the year when the portable water network is strained.

Waste Management

Even with the application of updated systems and procedures for new projects, more people (residents or tourists) will generate more waste, which will benefit from tighter control through a holistic waste management strategy across the cluster.

Parking Infrastructure

Whilst a strategic goal may be to encourage a greater proportion of overnight, longer-stay tourism to Dilijan in the future, the destinations accessibility from Yerevan, at between 90mins and 120mins’ drive means that it will always represent a popular day-trip destination. Yerevan accounts for approximately 36% of the population of Armenia and this figure continues to increase.

In light of this situation, we would recommend that the Ministry of Transport conducts an exploratory study into potential options for expanded communal and/or private parking solutions in Dilijan.

The future management planning of the overall water ecosystem should take on-board the conclusions and takeaways from the recently completed ADWISE Consulting study, referenced in the previous section of this report, which focuses on “Enabling Climate-Smart Regional and Local Infrastructure Development in Selected Communities” (one being Dilijan). Specifically, this study highlights the need to collect water as a resource, as overall levels of precipitation seem to be decreasing, whilst at the same time planning for the fact that when the rain does come, the instances of ‘extreme rainfall’ are increasing. Formalized adaption measures are recommended in the report.



Aghstev River, Dilijan

CONCLUSION & TAKEAWAYS



There are a number of stand-out messages drawn from this section that should be highlighted, in closing:

National Context

Whilst it may be tempting for the local stakeholders to focus solely on their own assets, opportunities and challenges, Dilijan represents just one of 20 proposed Tourism Clusters in Armenia. It will be important for senior national leadership to have a strong grasp on the overall picture across these clusters exploring opportunities for collaboration rather than competition. The national offer has the potential for being greater than the sum of its parts as visitors flow from one cluster to another during their time in Armenia.

Celebration & Transformation

The Terms of Reference for this study highlight that Dilijan has a centuries old legacy and for this reason, the term ‘Transformation’ should be used with caution. In reality the delivery of the concept vision for the tourism cluster should focus more on preservation and celebration rather than transformation.

Navigation & Flexibility

Reference to the term ‘pathway’ however, is certainly appropriate as it recognises that the tourism sector in Dilijan is on an evolutionary journey, as is the sector globally. As such, whilst it is important to establish a clear direction of travel – towards a tourism destination cluster that celebrates natural beauty, cultural richness and holistic wellness – the path to realizing this vision may twist and turn along the way due to the complexity of the tourism ecosystem and there will likely be a few bumps and also new opportunities along the way. On this basis, there will be a need to remain flexible and adaptable to change along the way.

Communication & Engagement

In this section we highlighted growing international awareness of the overtourism, which has led to greater exploration of Regenerative Tourism practices. The role, and well-being of the host community has never been more keenly considered, placing a priority on clear, regular communication and local stakeholder engagement. This will help sector leaders (both from the private and public sector) to gauge local sentiment and act or respond accordingly.

Action Plan

The action plan provides an illustration of a recommended phasing schedule and physical framework for the implementation of the investment initiatives reviewed, allowing for the identification of priorities that align with the core theme of the cluster vision. Further studies will be required for each initiative to confirm the deliverability of this schedule.

Climate Resilience

This study was undertaken at broadly the same time as a separate piece of work prepared by ADWISE Consulting into the requirement for ‘Climate-Smart’ development. A review of the international press on any given day suggests that climate change and instances of extreme weather are having a significant toll on destinations and communities all over the world. Going forward, it is both right and rational that every development initiative is considered through the lens of ‘Climate-Smart’ development, particularly given the mountainous topography of Dilijan and the associated risk to life from flooding and landslides.

Facilitating Infrastructure

Although neither a potable water system, waste processing plant, parking or street lighting would ever be considered ‘tourism assets’ on their own account, nonetheless they represent examples of just some of the essential infrastructure required to underpin the successful day-to-day operation of a tourism destination. A collaborative approach will be required between the various relevant government ministries to ensure that strategic plans for tourism growth are set up for success through the on-going provision of adequate facilitating infrastructure.

Destination Management & Marketing

The creation of a dedicated Destination Management Organisation will help the sector to navigate the way ahead, supported by a rigorous marketing and promotional campaign that can draw upon the Dilijan Design Concept work submitted as part of this commission.

Annex #6

Regenerative Tourism

REGENERATIVE TOURISM STRATEGY:

INTRODUCTION

Today we stand at the dawn of a new era for the tourism sector.

There is growing awareness from a local to regional, and national to international level of the need to re-think the relationship between product, service supply and demand across the tourism industry.

Concern regarding issues of sustainability, in all its various forms, has become increasingly acute.

Within this context, destinations across the world have a choice to make, they can be 'reactive' to issues associated with over-tourism (i.e. patching up overly eroded mountain paths, etc.) or they can take a more 'proactive' approach and establish a strategic management framework for tourism to handle rising day-trip and overnight visitor demand.

Consideration of Regenerative Tourism may be the way forward, by represents a fundamentally new approach to visitor management.

“When tourism functions at its best, it can contribute to regeneration across domains: it can connect, host and heal people and places positively contributing to the health and well-being of the complex system it sits within.” (Regenerative Travel)

**Camp Denali**

Camp Denali in Alaska's wilderness offers sustainable experiences with expert-led treks, programs, and communal meals sourced locally and from their own greenhouse, fostering stewardship of the natural world.

REGENERATIVE TOURISM STRATEGY:

CONCEPT OVERVIEW

In recent years, awareness has grown that traditional tourism models may focus too much on increasing visitor numbers for economic gain, neglecting the ‘real cost’ of tourism on the environment, host communities and indigenous cultures.

Sustainable tourism practices aimed at preserving the status quo emerged but are now viewed by many as being too passive.

A Paradigm Shift

Strategic Planning for Regenerative Tourism shifts the focus from “What can this destination do for tourism?” to “What can tourism do for the health and well-being of the destination and its citizens?” (source: Anna Pollock).

This approach shifts from extracting wealth to generating it. New Zealand’s leads with its Living Standards Framework, emphasizing that GDP growth is meaningless without considering citizens’ well-being.

Regenerative Tourism goes beyond ‘working to conserve a destination’ to:

1. Center Community Needs First: prioritizing the most pressing needs for community stakeholders.
2. Improve Ecosystem Integrity and Biodiversity: using tourism as a tool to finance and facilitate ecosystem restoration and protection.
3. Embrace Diverse & Inclusive Business Models: retain and support local talent, embracing inclusivity in partnerships.
4. Accountable to All Stakeholders: on-going engagement with local stakeholders for feedback.
5. Develop Transparent Governance Structures Accountable to All Stakeholders: on-going engagement with local stakeholders for feedback.
6. Enhance Regenerative Partnerships: bridging the gap between communities and the public sector to enhance social and ecological regeneration and to provide a basis for monitoring, management and reporting.

Source: Solimar International



Rhodes Reforestation Initiative

The Tui Group, in cooperation with the government of the South Aegean, has introduced a reforestation project on the island of Rhodes. Tourists, working with locals will help to replant forest devastated by last year’s forest fires on the island.

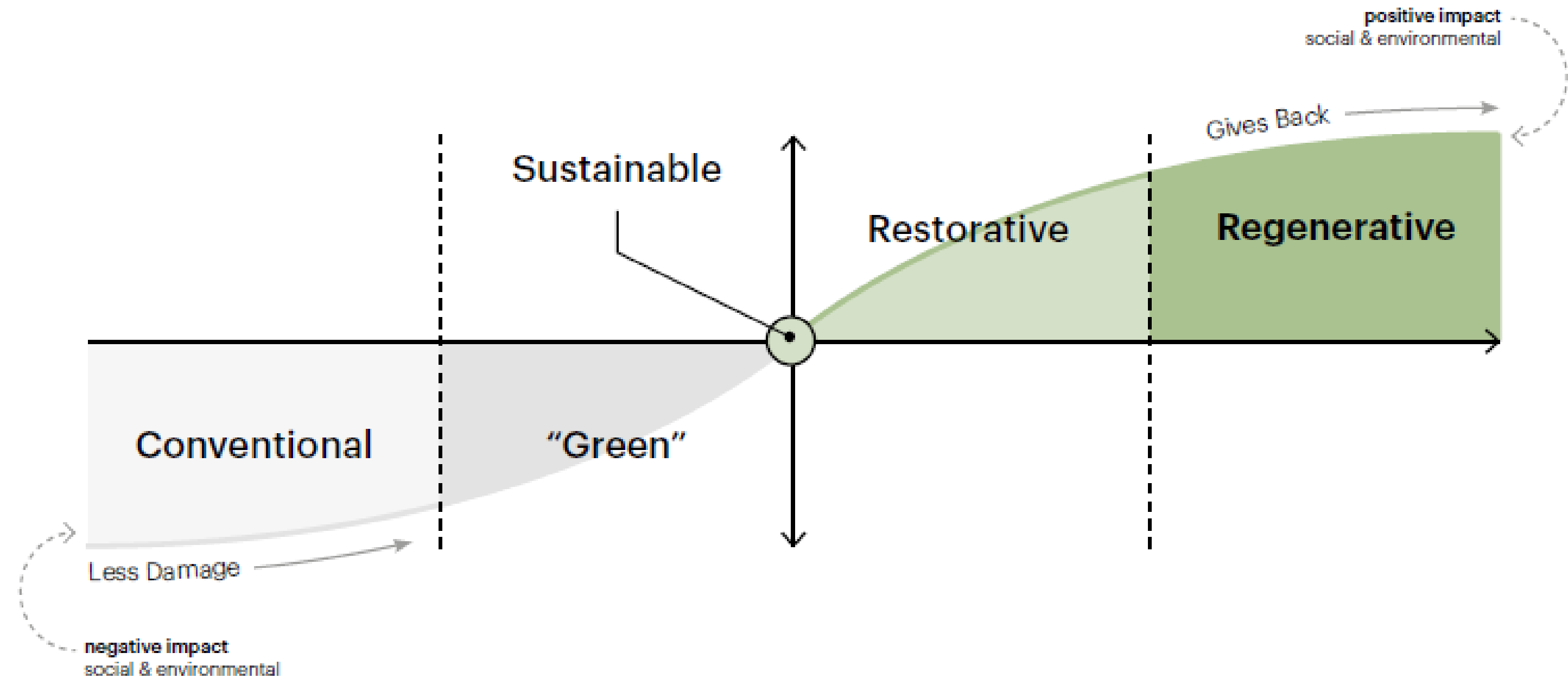
REGENERATIVE TOURISM STRATEGY:

SUSTAINABLE > REGENERATIVE

As illustrated, being sustainable, reflects a commitment to add no additional harm to a destination's environment or people, whereas regenerative tourism practices demonstrate a commitment to offer a net positive benefit to the environment and host community.

Becoming a regenerative tourism business is a holistic approach that looks at consumer-facing operations as well as business operations, giving back whilst also running a successful and profitable business, supporting the local community, offsetting emissions whilst also de-carbonizing.

These are businesses that veer away from 'growth at all costs' to businesses that make ethical decisions that support people and the planet before profit - a commitment which is increasingly resonating with the more enlightened traveler markets.



Regenerative Tourism in Action

Examples of regenerative tourism in action include the following:

1. Bawah Reserve, Indonesia: Tourists participate in coral reef restoration & reforestation work.
2. Fogo Island Inn, Newfoundland: Locals act as guides, create furnishings and offer experiences.
3. Misool Foundation, Raja Ampat: Tourist participate in data gathering for manta ray research.
4. Museum Nord, Norway: Developing cultural activities aligned with visitor interests.
5. Aotearoa, New Zealand: Tourists restore indigenous plants and trees and trap non-native pests.

REGENERATIVE TOURISM STRATEGY:

CASE STUDY – HALLSTATT, AUSTRIA

Background and Context

Hallstatt is a village on Lake Hallstatt's western shore in Austria's mountainous Salzkammergut region, located on the national road between Salzburg and Graz.

Originating from prehistoric times, the village's economic development during the Bronze Age was driven by salt production. Accessible only by boat until the late 19th Century, most homes were built during the 16th and 17th Century. At the peak of salt production, Hallstatt had about 2,000 residents, but today the population is around 750, with nearly 37% living off their pensions.

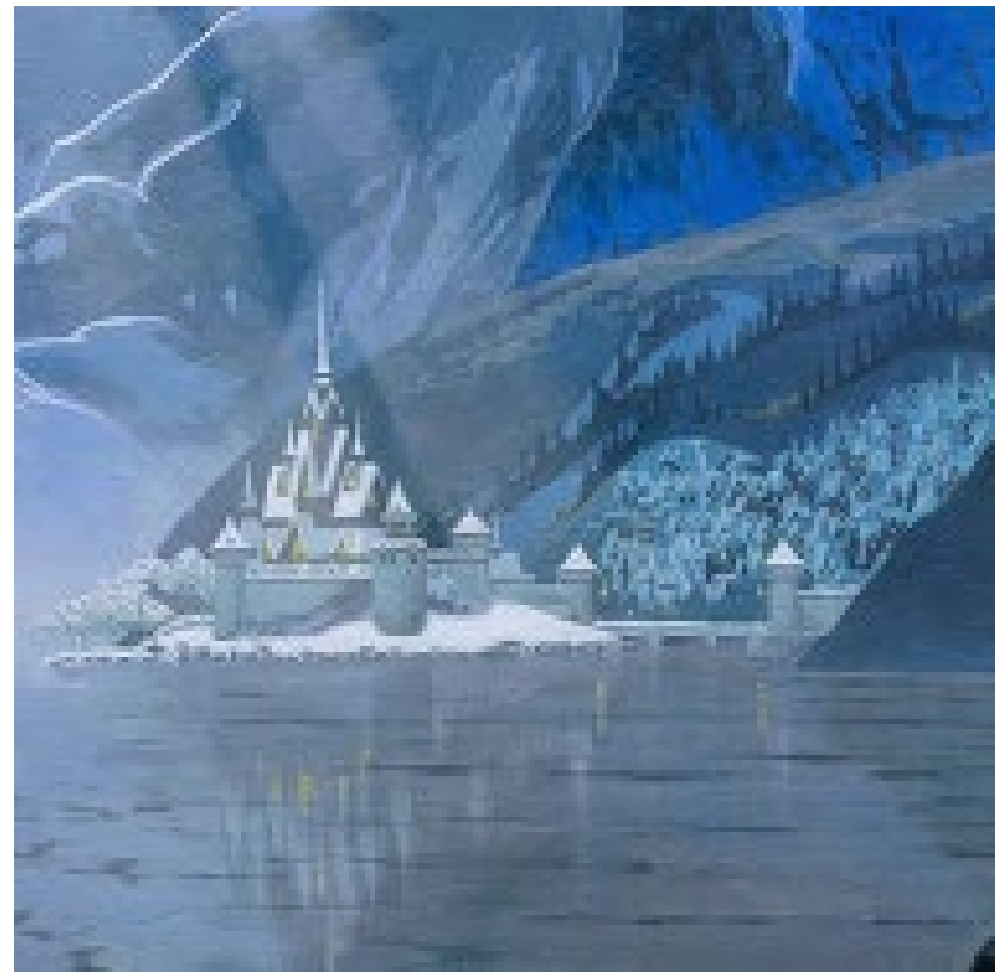
The Advent of Tourism

Hallstatt is the archetypal, highly 'instagrammable' picture-postcard Alpine village and whilst it attracted some visitor interest during the 19th Century, numbers increased steadily after it was named a World Heritage Site in 1997. Since then it has featured on television shows around the world and in 2013 was rumoured to have been the inspiration of Arendelle in Disney's film "Frozen".

Over-Tourism Challenge

Since 2020 Hallstatt has been attracting as many as 10,000 visitors a day during the peak visitor season, overwhelming the village and significantly impacting the lives of local people, who took to the streets in protest in 2023.

However, tourism is the primary economic driver for the village today employing 22% of the workforce and its location on a 'national' road means the public has the right to visit.



Arendelle, Frozen

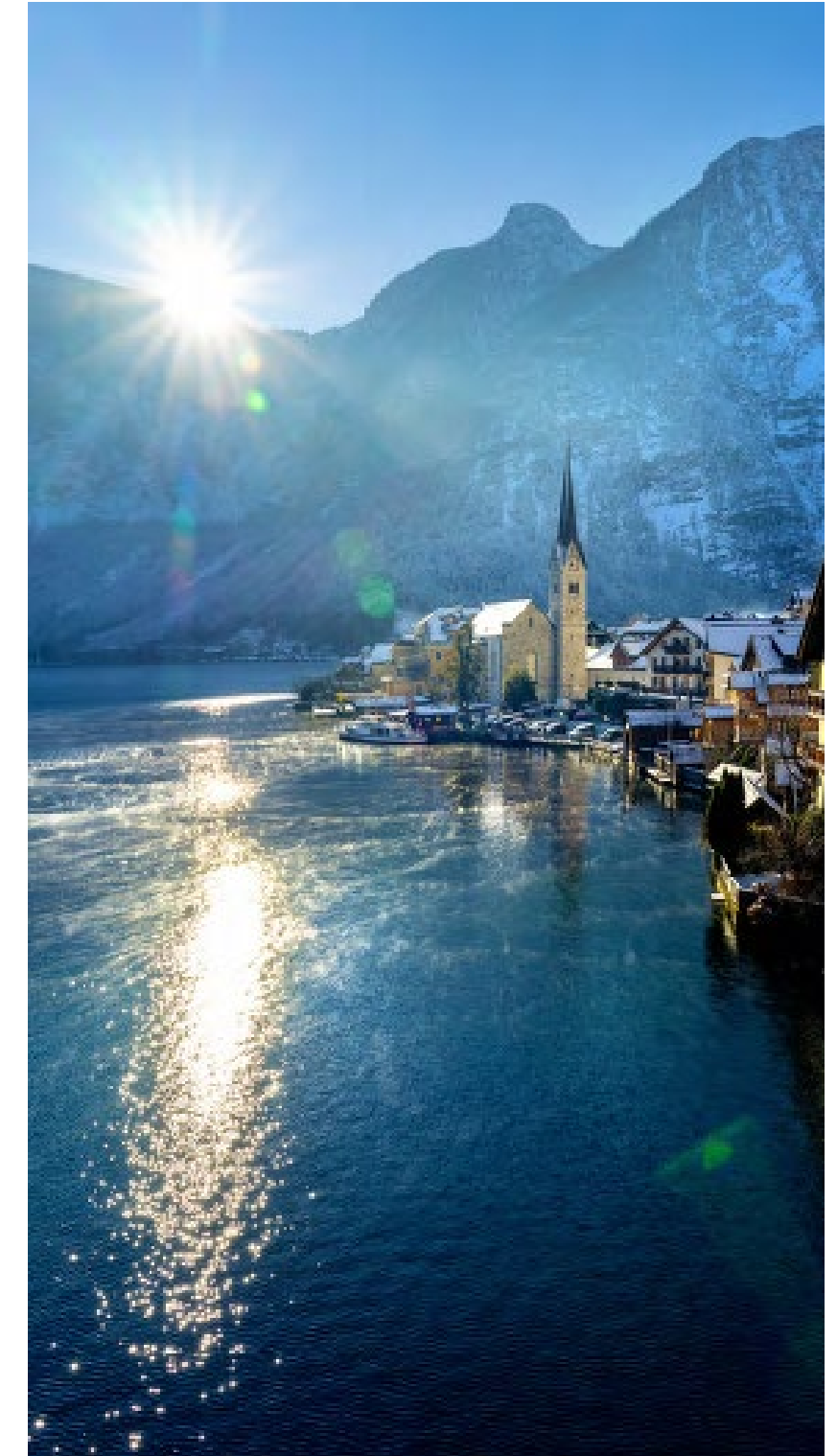
Visitor Management

The Mayor of Hallstatt and the local council recognize the need for proactive management plans, which have so far included:

- Encouraging an increased length of stay to drive higher levels of spend.
- A focus on tourist quality rather than quantity.
- Assigned slots for tour bus arrivals, and a cap on the number of buses per day (buses combining an overnight stay in the town to receive preferential treatment).
- Use of parking revenue to refurbish 'affordable' homes for local people.

It is recognised that a comprehensive 'regenerative tourism' solution is required.

Regenerative tourism focuses on delivering a net positive benefit to a destination.



REGENERATIVE TOURISM STRATEGY:

PROCESS

01 SITUATION ANALYSIS

Strategic Context Review

Foundational review of relevant key umbrella strategies such as the National Tourism Strategy, Regional strategies, etc.

Assets & Services

Assessment of current tourism situation in regard to: visitor opinions (sometimes we don’t realise how lucky we are to live where we do until others draw this to our attention), assets, markets, product and services, as well as performance. Identification of competitive advantages as well as challenges faced by the sector across the destination.

Stakeholder Research

Conduct a programme of stakeholder research across both the private and public sectors to identify core principles and opinions relevant to the forward planning for tourism (including consistent themes relevant to ‘needs’ and ‘expectations’).

02 ENGAGEMENT & DIAGNOSIS

Appraisal of Current State

Work with task group to explore and then define the main strengths and weaknesses, opportunities and threats of the tourism destination.

Stakeholder Engagement

Involve stakeholders (local businesses, public sector organisations, etc.) in the diagnostics process through participatory dynamics.

Benchmark Studies

Undertake a programme of benchmark analysis in order to explore example of best practice relevant to the destination. Specific focus would be given to businesses and destinations striving to apply principles of Regenerative Tourism.

03 STRATEGIC FORMULATION

Knowledge Share

Consolidation of findings for contextual research, benchmark appraisals and the preliminary stakeholder engagement to inform strategic planning process.

Strategic Visioning

Undertake a strategic visioning session with the study task group to explore options regarding guiding principles, target market positioning, physical planning and layout considerations (i.e. mapping) and visitor demand thresholds.

Stakeholder Engagement

Engagement with the wider stakeholder group (drawn from both the public and private sectors) to share contextual research and conclusions and then discuss initial proposals regarding general direction and guiding principles for the strategic plan.

Vision Refinement

Draw on takeaways from stakeholder engagement to refine the guiding principles, target market positioning and visitor demand thresholds to inform a refined vision for the strategic plan and confirm it’s content and direction.

04 IMPLEMENTATION & MONITORING

Responsibility Matrix

Assign roles, responsibilities and indicators to stakeholders associated with the delivery of the strategy, targeted actions and initiatives.

Plan Launch

Communicate and execute the strategic plan through various channels and project management techniques. Clear communication is vital to ensure comprehensive sector buy-in, particularly where a whole ‘ecosystem’ is being challenged to adopt new behaviours and practices aligned with the principles of Regenerative Tourism. topic.

Monitor and Adjust

Review and adjust the strategic plan based on changing environments, performance, feedback, audits, reports and benchmarks (i.e. the plan becomes as ‘live’ document); ensuring that the plan remains relevant to the needs of the tourist but, most importantly, to the needs of stakeholders within the host community.

Knowledge Share

The tourism sector operates within a regional, national and international context. Real positive change in regard to sustainability will only be achieved with the mass adoption of new ‘regenerative’ behaviors. Sharing the experience of this initiative will help contribute to the body of knowledge globally associated with this increasingly important topic.

Closing Remarks

The ambition for a tourism destination founded upon the principles of Regenerative Tourism is that the entire tourism industry should become a force for positive change, with increased visitation benefiting local businesses, the host community and the natural environment.

This is both an admiral and bold vision that can only be achieved through partnership between local communities, businesses and a broad range of public sector entities. However, every small step towards achieving, and then surpassing a position of sustainability is a step in the right direction and worthy of celebration.

Regeneration is a journey, not a destination.

An effective strategic tourism plan must clearly articulate a compelling vision, actionable goals and measurable outcomes, ensuring alignment with broader regional and national objectives.

It should also incorporate stakeholder input and market analysis, fostering transparency and adaptability to evolving trends and challenges.

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