

# **IMPROVING EXISTING LEGAL AND INSTITUTIONAL MECHANISMS FOR EFFECTIVE USE OF HEALTH TOURISM POTENTIAL IN AZERBAIJAN**

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## **SUMMARY**

*This policy paper deals with the improvement of existing legal and institutional mechanisms for effective use of the health tourism potential in Azerbaijan. The paper states that incomplete use of the health tourism potential impedes development of this form of tourism and offers a variety of alternatives for its improvement. The study proposes two key alternatives: 1) effective use of the health tourism potential within the framework of existing policy reforms in the field of tourism; 2) reassessing the national health tourism potential and developing a strategy for effective use of the existing tourism potential.*

*The study prioritizes reassessment of the national health tourism potential and development of a strategy for effective use of the existing tourism potential strategy, and specific proposals were submitted to the government in this regard.*

## **1. INTRODUCTION**

Azerbaijan has many advantages in terms of tourism potential. There are alternative tourism models in Azerbaijan and health tourism is one of them. Nowadays health tourism develops in different countries around the world and has become a global trend of modern tourism industry. Known for its unique historical and cultural sites, Azerbaijan also has great potential for developing this tourism industry. There exist a lot of modern treatment centers in Azerbaijan where local and foreign tourists can relax and use healing waters for therapy. One of the most important indicators of development is proportionate distribution of tourist sanatoriums, treatment centers and institutions in the country. Our country is rich in mineral water sources, healing mud, naphthalene oil and countless salt caves. Unfortunately, this potential is not fully and effectively used. The main purpose of this study is to explore opportunities for effective use of the healthcare potential in Azerbaijan and make recommendations on how to improve policy in this area.

The study gathers data from different sources, and cites the opinions of various authors, statistical data, analytical and research findings.

The document consists of three main sections. Entitled "**Description of the problem,**" the first section outlines the current state of health tourism in Azerbaijan, its implications, their impact and the need to address the problem. The second section, named as "**Policy Alternatives,**" offers two alternative options for improving health tourism opportunities. The third section, called "**Conclusions and Recommendations,**" account for alternatives, their advantages and shortcomings, choice of preference for these alternatives, study findings and recommendations for decision makers.

## **2. DESCRIPTION OF THE PROBLEM**

Azerbaijan's natural resources were not widely used for health tourism until 1920. It was planned to study the natural resources in the 1930s. Particular attention has been given to develop Azerbaijan's resorts since 1970. That same year, the Absheron peninsula, Naftalan and Istisu resorts were included in the list of All-Union Resorts by the decision of the USSR government. Afterwards, a number of measures were taken to develop tourism infrastructure in those areas.

After the collapse of the USSR, tourism infrastructure saw gradual disruption, though a number of important work has been done for its improvement since. For instance, Naftalan city, known for its health resorts, is currently home to ten sanatoriums, three of which are five stars. In 2017, about 36,000 tourists flocked to the city and more than 7,000 of them were citizens travelling from 62 countries. The water of Qalaalti is identical to Truskavets' water. For this reason, a five-star hotel was built in Qalaalti to attract tourists. Sanatoria and rest homes were constructed in several health resort areas. "Chinar Hotel & Spa Naftalan," "Naftalan Hotel by Rixos," "Garabag Resort & Spa," "Qafqaz Thermal & Spa Resort Hotel," "Chenot Palace Health Wellness Hotel in Gabala," Ilisu "Uludağ", "Qalaalti," "Duzdag," "Istisu Health and Recreation Center" in Masalli have become one of the most popular tourist destinations in the world. However, health tourism potential of our country is still not fully used.

In the World Economic Forum's Travel and Tourism Competitiveness Index, Azerbaijan ranks 71st out of 136 countries in terms of health tourism. It should be noted that Germany holds the 1st place on this indicator in the world. The countries of the former Soviet Union, such as Lithuania, Russia and Kazakhstan rank the 2nd, 5th and 6th respectively. If our health tourism potential is fully tapped, most of these tourists can pertain to health tourism.

The Travel and Tourism Competitiveness Index results and similar researches carried out so far suggest that the level of development of health tourism cannot be considered satisfactory although Azerbaijan is a country with 9 climate zones and favorable geographical position. We do not sufficiently use the existing opportunities, even though we have such geographical position. The bottom line is that we can't effectively use health tourism opportunities. And it leads to decrease in the number of tourists and flow of currency into the country, lower employment rate, and increase in the number of our

citizens travelling abroad. When we look at these complications in the historical, legal, political, social and economic context, it is possible to identify the main reasons as follows:

- **Inadequate prices in most cases and inadequate quality in return for high prices.** It should be noted that older people in our country benefit from health tourism. The income level of this layer is not so high. Therefore, existing prices in health centers and hotels often create difficulty.
- **Insufficient number of health centers.** Analysis of the development dynamics for 1987-2016 shows considerable decrease in the number of enterprises (from 132 to 68) and the number of places (28.600 to 9.800) during the given period. According to data provided by the State Statistical Committee for the last years, the number of enterprises was 65 in 2017 and 61 at the beginning of 2018, while the places of work accounted for 9.600 and 9000 respectively for the years mentioned above. Bed stock in resorts and sanatoriums does not meet current demand. The economic and social crisis of the 1990s had a very negative impact on the development of resort zones. As a result, many recreational and resort facilities ceased operation, while enterprises with more than 2,000 beds stopped working. The vast majority of sanatoriums and resorts were settled by refugees and internally displaced persons. They settled in sanatoriums, boarding houses and rest homes located in different parts of the country and it accounted for about 50 percent of the bed stocks of the Soviet-era sanatoriums and resorts. Sub-clause 2.2.2 of the State Program on Development of Resorts in Azerbaijan for 2009-2018, approved on 6 February 2009, specifies necessary measures for facilitating gradual transfer of the refugees and internally displaced persons settled in the sanatoriums and resort facilities to newly built settlements. However, currently more than 8.500 IDP families reside in the country's main resorts and tourist centers. It resulted in the decrease of health tourism enterprises and reduced the number of guests resting and treating in these facilities. If the number of guests visiting sanatoria and resort facilities for recreation and treatment reached 645,000 in 1987, this figure was 31,500 in 2007 and dropped to 11,450 in 2016. This means a reduction in up to 60 times compared to 1987. Number of boarding houses and sanatoriums decreased by 27 units.
- **Insufficient level of the country's promotional activities.** The relations with international tourism companies are either weak or do not exist. Info tours are not well organized. We do not benefit from experience of the countries, where health tourism is developed. In most resorts and sanatoria, service is far from international standards. We do not adequately take part in international conferences and exhibitions. An interesting fact is that Naftalan oil was exported from Azerbaijan to Croatia in the 1990s. At present, Croatia has a sanatorium that uses the oil from Naftalan and citizens of other European countries benefit from this service too. However, the amount of naphthene in the Naftalan oil used in Croatia is quite low - approximately 10-15 percent. This indicator is 50-55% in the Naftalan oil extracted in Azerbaijan.
- **In many cases health centers and hospitals are identified.** This is no coincidence, because some health centers function like hospital. For example, staff uniforms deepen this impression. One of the issues that contribute to this problem is

related to the concept of health tourism. So, health tourism combines medical tourism, thermal tourism, spa tourism, and tourism for people with disabilities. The kind of health tourism that was developed in our country remains thermal tourism. However, mention of this form of tourism as a general concept in official documents creates difficulties in determining the form of tourism as compared to other countries and defining statistics precisely. From this viewpoint, it is rather appropriate to mention the concept of thermal tourism as a branch of health tourism in official documents.

- **Staff capacity not meeting today's market demands.** Indeed, special attention is paid to staff training in tourism related specialists in recent years. Nevertheless, a number of tourism facilities still lack skilled staff.
- **Existing tourism infrastructure not meeting tourist interests.** For example, construction of attractive places for tourists, including entertainment facilities and expansion of accommodations in Galaalti, Naftalan and Duzdag is not carried out at a rapid pace.
- **Weakness in taking measures to build new health centers.** Especially, little investment is made to organize new health centers in the regions, which have sufficient potential though. It also indicates a weak relationship between public and private sectors.
- **Other reasons** are incomplete privatization of tourist facilities, lack of additional services for long-term tourist stay, inadequate legislative base for resort activities, insufficiency of fast tracks for foreign visitors at the border checkpoints, etc.

### 3. POLICY ALTERNATIVES

Both of the proposed alternatives were developed based on the results of the study, survey and statistics.

#### **Alternative 1. Effective use of health tourism potential within the framework of existing policy reforms in the field of tourism**

This alternative suggests three reform directions within the existing policy.

##### **1st direction: Matching prices with quality**

One of the reasons why health tourism as lucrative business is insufficiently developed in our country is prices being inadequate to quality. Prices in health centers, sanatoriums and hotels are not adequate to quality as well as income level of the local population. The high cost of accommodation creates the circumstances for foreign tourists to travel to countries that are geographically close or offer cheaper prices. That is why it is almost local people who visit health centers in our country. The number of foreign tourists is very low.

Let us look at the price differences with foreign countries. For example, the cost of treatment in Naftalan is the same as that of Mineralnye Vody, Russia. Therefore, citizens of Russia and neighboring countries choose Mineralnye Vody. It should be noted that the quality of Naftalan oil is likely better than therapeutic sources in Mineralnye Vody and other countries. However, higher prices do not always make it possible to see this quality.

Low number of 1-3 star hotels and high prices at 5 star hotels negatively impact on the inflow of foreign tourists. For example, hotels with more stars in the United States pay higher taxes. Therefore 2-3 star hotels gained prevalence in this country. Meantime, prices in neighboring Georgia are much lower compared to our country. If prices are modest, it is possible to generate more revenue from this business. Let us consider the revenues gained from health tourism in other countries. Turkey's set its revenue target around \$20 billion up to 2023. With its international exhibitions and presentations, Turkey gained success and experienced an increase of 2% in the number of tourists visiting the country for treatment last year. According to the estimates of the Russian Ministry of Health and Tourism, the country's health tourism market is valued 13 billion rubles.

In order to approximate prices to quality, the following recommendations are proposed for the 1st direction:

- ***In the places known for health tourism low cost hotels (2-3 star) are also built apart from 5 star hotels of Naftalan and Qalaalti. If that is the case, the low-income population can also afford medical facilities of the region;***
- ***Quality is determined according to prices at hotels;***
- ***Health tourism as a form of permanent tourism is offered at more reasonable price;***
- ***Additional services are available at quality and affordable prices for tourists with longer stay (eg 2-3 weeks). Short-term excursions are organized to get a better understanding of the region. This can also lead to the development of other forms of tourism along with health tourism;***

## **2nd direction: Improving human resources in health tourism enterprises**

One of the reasons why health tourism potential in our country is not fully developed is that staff does not meet today's market demand and is not in line with international standards. In health tourism facilities, staff have to meet the needs of today's market, because quality remains low when personnel in health tourism are not well aware of this work. As a result, tourists that encounter low quality service when visiting a health facility for treatment unlikely choose it again and recommend or promote to others. Countries with other forms of health tourism train more skilled staff for this industry. To this end, additional refresher courses are organized and participation in international exchange and training activities is provided. Approved by the Order of the President of the Republic of Azerbaijan, the State Program on Development of Resorts in the Republic of Azerbaijan for 2009-2018 includes a provision about the organization of skills training courses for physicians, midwives and other service personnel working in

sanatorium and resort facilities (Clause 2.4.1.). However, there still exists a shortage of staff in this sphere.

The other reason is related to a lack of experienced guides to showcase health tourism potential in regions known for health tourism. For example, people who visit health tourism region and receive treatment, wish to walk around the area during their stay. At this time, they face difficulties in finding guides and interpreters, who are well-aware of the area, have excellent communication skills to show around places. There are very few interpreters and guides in our regions that are able to speak foreign languages and meet today's market demand. It is no coincidence that the presidential order on additional measures for development of tourism in the Republic of Azerbaijan (Clause 3.6) binds the Ministry of Culture and Tourism and the Ministry of Education to establish vocational schools (vocational schools and vocational lyceums) of tourism under Azerbaijan Tourism and Management University in tourism and recreation zones, and stipulates measures for allocation of appropriate land and property to this end.

Activity of unlicensed guides, interpreters and trainers also leads to problems in this regard. There is a different approach to this issue in international practice. For example, guides working without license are fined in Ukraine, Russia and Italy. Building on this experience, it is also possible to train and grant a special license to interpreters and guides in our country.

The following proposals with regard to the 2nd direction aim at improving human resources of enterprises operating in the sphere of health tourism:

- ***Recruitment system for staff serving foreign tourists improved and a program for staff development prepared;***
- ***Projects destined to develop particularly foreign language and communication skills of staff in the health tourism sector implemented;***
- ***Plans for the development of institutional capacity of vocational schools to manage transfer and treatment processes in the area of health tourism devised;***
- ***Training programs on "Management of health tourism" and "Training of staff in charge of supporting health tourism" organized;***
- ***Replacing white robes of staff in health tourism institutions (sanatoriums and resorts) with pleasant uniforms specific to each enterprise ensured;***
- ***Participation of staff working for health tourism in international exchanges provided;;***

### **3rd direction: Carrying out promotional and marketing activities in health tourism**

As mentioned above, lack of adequate publicity is one of the reasons that impedes development of health tourism in the country. For example, lack of proper promotional and marketing activities leads to the inadequate use of Naftalan oil, which is useful for treatment. Presidential Order on Approval of the "State Program for the Development of Resorts in the Republic of Azerbaijan for 2009-2018" (Clause 1.3.) stipulates the use of advanced international experience for the development of health tourism in Azerbaijan. One of the main directions is to take measures for studying and applying international

experience in resort development. To this end, it is necessary to study international practices and apply appropriate strategies to our country.

From this point of view, it is requisite to employ useful and Azerbaijan-relevant experience of international countries, if we seek to make full use of our health tourism potential. Thus, the experience of countries which are developed in health tourism and have stable revenue streams from this industry creates a reasonable basis to augment this idea. Countries with developed health tourism employ a variety of promotional tools. We can show many countries developing important strategic marketing programs with special government support, and they invest and take the lead in health tourism. For example, resorts in Russia's Mineralnye Vody as mentioned above, sell sanatorium vouchers through tourism companies. Sanatoriums in the Czech Republic's Karlovy Vary contract with travel agencies from different countries, and this helps to attract many tourists. Health facilities in Israel, Turkey, Germany and other countries also use this method. In the Czech Republic, info tours to mineral springs in Europe are organized with a view to gaining popularity for this form of tourism. The Philippine Ministry of Health has developed a Health Tourism Guide for distribution in Europe. The governments of Singapore and the United Arab Emirates (UAE) encourage obtaining international accreditation. Participation in relevant exhibitions is supported by the state in many countries, such as the UAE and Malta. Nowadays, the world's leading countries, such as Germany, the United States, Israel and others have succeeded due to the process of strong specialization in different health care institutions. The situation in Azerbaijan is a bit different. In general, healthcare institutions in the post-Soviet space are not so strong. This fact should be considered when attracting customers from outside.

One of the other important points in boosting publicity is the Internet. The Internet is a great source for customers wishing to benefit from health tourism, obtain information about available places, opportunities, service providers and procedures. However, lack or insufficiency of information on health tourism in our country or at least about regions known for health tourism in Azerbaijan reduces the number of tourists wishing to benefit from this form of tourism. Turkey Health Guide and webpage of [www.turkeyhealthguide.com](http://www.turkeyhealthguide.com) are designed to introduce the Turkish health sector to target markets. Use of these communication means as a source of data is useful when determining the choice of country or health centers, and inspires tourist confidence in those institutions. Turkey has set a revenue target of about \$20 billion by 2023. Succeeding with the organization of international exhibitions and presentations at national level, Turkey has seen a 2% increase in the number of tourists visiting the country.

Related to the proposed direction, the following recommendations are geared towards proper presentation of our country's health tourism potential:

- ***Target countries or health tourism facilities are selected to promote health tourism opportunities;***
- ***Importance is given to ensure ecologically clean environment for those who visit for the purpose of treatment;***

- ***Promotional messages in health tourism are conveyed in a simple and catchy way;***
- ***In the context of health tourism, projects are implemented to identify products or tour packages in accordance with the duration of stay and expectations of inbound tourists, submit them to agencies and healthcare organizations in foreign countries and carry out marketing activities;***
- ***Word-of-mouth recommendation for a health facility by patients receiving its treatment is more useful than other promotional strategies. At least half of the budget in health tourism offices is allocated to public relations for the promotion of health tourism;***
- ***Informative tours to health tourism regions are organized for inbound authorized representatives and members of the press to introduce health tourism and create positive image on the health system in Azerbaijan;***
- ***More emphasis is placed on participation in international conferences and exhibitions to promote services rendered by health facilities, expand health tourism market and see the experience of competing businesses. Special stand is reserved to promote health tourism at these conferences and exhibitions;***
- ***Tourism companies also need to promote the potential of our country in health tourism. Close cooperation is established between existing sanatoriums, medical facilities and tourism companies;***
- ***In terms of promotions, emphasis is placed on publishing more articles and news than advertising on international media;***
- ***It is important to share success stories about health tourism in different languages on the websites dedicated to health tourism;***
- ***To raise the level of publicity in health tourism, a magazine called "Health and Happy Life" is created that deals with health tourism. At least every two months, this magazine publishes articles related to Azerbaijan's health tourism in Azerbaijani, Turkish and English languages.***

## **Alternative 2. Reassessing the national health tourism potential and developing a strategy for effective use of the existing tourism potential**

Mineral waters, sulfur springs and other important curatives are not sufficiently used in Azerbaijan. Despite great potential for health tourism in our region, we are largely recognized by Naftalan oil in the world. Proper assessment of existing opportunities can considerably contribute to development of the tourism sector.

Undoubtedly, each region has a unique tourism potential. For example, the Ganja-Gazakh region is characterized by the abundance of resort and recreation resources. Favorable natural climate conditions, essential mineral waters, oil as well as picturesque mountain and forest landscapes enable the establishment of health facilities and recreation centers in the country. Naftalan's therapeutic oil, Goygol-Hajikend recreation zone, surrounding areas of the Mingachevir reservoir and the Tugai forest areas



scattered around the banks of the Kura River make the Ganja-Gazakh region attractive for recreation. The region is rich in mineral waters and springs.

Guba-Khachmaz is another region, which remain rich in mineral water deposits. The Qalaalti mineral water in Shabran district is compared with the waters of Truskavets at the foot of the Carpathian Mountains. The most famous mineral springs on the north-eastern slope of the Greater Caucasus Range remain Cimi, Khaltan, Balbulag, Khashi, Duz Bilici which are sourced in Guba. Mineral and cold springs as natural recreation resource, are very important for development of the resorts in Nabran recreation zone.

Lankaran-Astara is the other region that has facilities to organize medical services for therapy and health tourism as well as provide services for recreation and leisure. There are rich natural resources and microclimate conditions for the development of resort-oriented tourism in Lankaran. There are numerous mineral and thermal waters in Lankaran, which have higher therapeutic properties as they contain more sulfur. A small part of this potential remains used.

Our regions afford greater opportunities to use tourism potential. For example, it is possible to create an infrastructure that meets modern standards around curative water sources and offer it to foreign markets by providing quality services. It is also possible to turn Naftalan oil into an international brand by promoting its quality that is distinct from other similar curatives, and organize a health and recreation complex that meets the European standards near the Mingachevir reservoir. In addition, pure water springs of Farahli village, located 20 km west of the center of Gazakh region, its healing mineral water, large forest massif with mountain meadow landscapes, curative sulfurous water sources along the banks of Khachinchay river in Guba-Khachmaz region, hydrogenous Ibadi Spring sourced west of Lankaran on the Lerik road (17 km away from the center), etc. can be used for recreational purposes. It is possible to construct modern resort complexes close to the high-flowing thermal waters such as Arkivan, Ibadisu, Anci, Meshasou, Bilasar, Qizilca, Qotursu, İstisu and others sources in the Lankaran-Astara region. There exists greater opportunities for creating sanatorium-resort complexes in the Lankaran-Astara region. For this purpose, it is essential to study thermal waters flowing from the mountainous springs in the economic region as well as the content of cool water under laboratory conditions, and find out their therapeutic significance and the ways in which they can be used for treatment and health. However, use of all these opportunities can yield results if they are encapsulated in a strategy that has specific goals. To this end, there is a need for reassessing the country's health tourism potential and developing a relevant strategy.

According to this alternative proposed to reassess the country's health tourism potential and develop a strategy for efficient use of the existing tourism potential:

- ***A special research team will be set up to reassess the country's health tourism potential;***
- ***Based on research findings, a strategy for effective use of the existing health tourism potential is developed;***
- ***The strategy identifies specific targets for each region's tourism potential;***

- ***Long-term and short-term action plans are developed in accordance with the strategy;***
- ***Methodology for monitoring and evaluation of the strategy implementation is approved;***
- ***Based on the approved methodology, monitoring and evaluation of implementation of the strategy is conducted every year;***
- ***Strategy and action plans are revised and appropriate changes are made based on monitoring and evaluation results;***

#### **4. CONCLUSION**

Studies show that Azerbaijan's natural resource potential is the basis for the development of health tourism, which is an important part of the tourism sector. However, it is unfortunate that existing potential is not sufficiently used yet. In fact, the government has taken a number of measures for the development of tourism in recent years, but it was not possible to ensure the development of health tourism though. To this end, there is a need to consider alternative development directions based on the analysis of the government's tourism policy.

Effective use of health tourism potential can be initiated within the framework of existing policy reforms in the sphere of tourism (matching prices with quality, improvement of human resources of health tourism businesses, boosting promotional and marketing activities in health tourism, etc.). There is no doubt that this initiative will yield positive results. However, reassessing the country's health tourism potential and developing a strategy for effective use of the existing tourism potential based on the evaluation results would be rather conceptual approach for comprehensive solution to the problem. For this reason, we would recommend giving preference to the proposed second alternative in the study.

#### **LITERATURE**

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