

Exploring the Investment Potential of ACE (adventure, cultural, and ecotourism) Tourism Fusion in Azerbaijan: A Synergistic Approach to Innovative Investment Strategies

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Abstract

This research paper is an across-the-board study of the key opportunities and challenges associated with investment development in the ACE (Adventure, Cultural, and Eco-tourism) tourism in Azerbaijan. However, the fundamental aim of this study is to ascertain the well and woes of tourism investment in ACE tourism to enhance the continuous growth of the tourism sector and to analyze the Azerbaijani government's strategies for foreign direct investment in ACE tourism for keeping the positive flow of investment. Therefore, the research has found that, despite the significant prospects for foreign and domestic investors, currently, the level of investments is inadequate to make Azerbaijan a top-priority destination for ACE tourism. This research will find a new pavement to clarify the ways of applying international experience to make the use of investments in ACE tourism more efficient. The main trends in the profitability of investment activities in ACE tourism, analyzing the overall tourism investment climate and the development dynamics of investments in the tourism sector in the current period in Azerbaijan, the framework to scale up sustainable and green tourism investments in ACE tourism, how to ensure FDI in ACE tourism in Azerbaijan, how to successfully apply Global FDI Greenfield investment Trends to ACE tourism are also described.

Keywords: ACE tourism, tourism investments, greenfield tourism investments, FDI in tourism, investors, entrepreneurs, sustainable and green tourism investments

Introduction

Azerbaijan is a country with high tourism potential with its natural beauty, cultural riches, and historical heritage. ACE tourism aims to utilize this potential at the highest level by presenting nature, culture, and adventure tourism together. This study is important to follow current innovations and trends in tourism investment and to explore how tourism sector investors can adopt a more advanced and strategic approach to invest in the ACE tourism fusion in Azerbaijan. My main motivation for choosing this topic is that tourism has an important potential for the Azerbaijani economy and the investment potential of ACE tourism has not been sufficiently explored yet. According to Fennel (2007), the idea of ACE tourism was developed to show how three distinct but connected nature-based tourist products, namely ecotourism, adventure tourism, and cultural tourism – are emerging together. The overlap between these three types of tourism seems to have grown over the past several years to the point where policy and practice have treated them as almost completely synonymous. He also proposed that the proportion of cultural, adventure, and ecotourism activities within ACE tourism is contingent upon the resources and circumstances that are available, implying that several adventure, ecotourism, and cultural components can be integrated into ACE tourism

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and coexist within a single setting, albeit with varying levels of emphasis on each of these elements. Musa et al., (2004) had stated before David Fennel that the ACE tourism product is fragile and needs to be maintained carefully to ensure its sustainability and viability. The boom of tourists in an ACE destination has the potential to change certain cultural features. The following attributes are generally associated with ACE tourism: local involvement, economic efficiency, the dissemination of education, tourist satisfaction, and the minimizing of the tourism effect. Authentic ecotourism can be characterized by responsible travel to natural areas that not only safeguard the environment but also foster the well-being of the indigenous populace. A few years later, Kurbanov (2018) confirmed that adventure travel is a type of ecotourism. Ecotourists exhibit a strong inclination towards adventure, which has resulted in the emergence of adventure tourism. For this reason, adventure travel is often referred to as “heavy ecotourism”. Azerbaijan possesses pristine landscapes that hold potential as ACE tourism destinations. To foster the development of ACE, the government needs to create a conducive condition that supports the successful and profitable operation of small-scale enterprises in various regions (Məmmədov et al., 2012). In contemporary times, numerous nations direct their efforts towards amplifying investments in the expansion and progression of tourism infrastructure to elevate their economic performance by enticing an increased number of foreign tourists. Hai (2021) pointed out that investors, whether public or private, should not expect swift returns on their investments. Investments in the advancement of conservation and ecotourism zones may necessitate comparatively lesser capital when assessed on a per-unit-area basis. The Azerbaijani government has recognized the promising prospects for substantial growth in the tourism sector and has consequently implemented several measures and initiatives aimed at fostering its development in recent times (Kanan et al., 2013). Azerbaijan has taken proper steps to effectively direct and enhance the efficiency of investments toward crucial developmental areas, exemplified by the “Azerbaijan Investment Company” Open Joint Stock Company. Dargahov & Karimov in 2014 revealed that government funding for tourism is closely intertwined with financial support provided to private entities and entrepreneurs. Furthermore, governmental assistance in tourism is manifested in the introduction of substantial measures, such as the establishment of the “Shahdag” Winter and Summer Tourism and Sports Complex.

Literature Review

This section succinctly dips into the overview of academic perspectives regarding the influx of investments in the three unique types of tourism that have been studied in this research, namely nature-based adventure tourism, cultural tourism, and ecotourism. Despite the presence of various publications that delve into each of these tourism genres, the overview presented here is laconic but comprehensive, highlighting the prevailing concepts and theories.

ACE Tourism Combination

According to Bilalov et al., (2011), ecotourism and ecotours are divided into four types: 1. Education-based tourism, 2. Cultural tour 3. Adventure tourism, and 4. Travel to specially protected nature areas. Adventure tourism is often merged with ecotourism, as in adventure-cultural-ecotourism (Fennell, 2007) or nature-eco-adventure-tourism in some texts (Buckley, 2006). Adventure and ecotourism share certain aspects that can be adapted, adopted, and scaled up to encourage more environmental behavior in the tourism sector (Hunt & Harbor, 2019). Oscar (2015) argues that the advantages and significance of eco-adventure and cultural tourism provide the creation of jobs and income for locals, the allocation of potential funds for the improvement of cultural or natural areas to attract more eco and cultural tourists in the future, and the promotion of heritage preservation and environmental enhancement. Guliyev &

Nuriyeva (2017) studied that the image of Azerbaijan’s adventure tourism is average and it still needs to be more developed. Adventure tourism in Azerbaijan places a tremendous emphasis on pure, fresh air, ski resorts, bird-watching trips, canoeing, and hitchhiking. However, the best example is the Shahdag Ski Resort which represents one of the biggest projects and investments that have been made in the last.

According to Violante Martinez Quintana (2021), eco-cultural tourism is a new form of tourism and has established itself as a new concept of tourism that combines the conservation of natural and cultural areas with economic and recreational benefits, both socio-economically and through sustainable development. With the dynamic nature of cultural heritage and the potential for eco-cultural activities, understanding tourists' perceptions and experiences of cultural artifacts becomes important in constructing tourism activities and experiences (Tiberghien et al., 2017). The acceptance of eco-cultural tourism by local populations and their involvement in its growth is crucial to its success. Therefore, ecotourism encourages visitors to comprehend and appreciate the natural system of host communities as well as their cultures (Wallace and Russell, 2004; Wood, 2002). Ecotourism should be carried out as a responsible tourism activity, protecting the natural and cultural environment and taking into account the welfare of the people. The real environmental and cultural outcomes might also be evaluated to identify the ecotourism dimension. A further point is that ecotourists may also be cultural tourists (Russell Blamey, 1997).

General overview of Tourism Investments

In order to launch, maintain, and grow the business, financing is needed. There are many different ways to finance tourism, including government aid, private sector involvement, institutional financing, private sources of funding, foreign investment, etc. (Das & Ghosh, 2014). According to Vellas & Bécherel (1995), the government strategy to promote tourism and encourage tourism investment can be driven by motivation, such as the generation of a foreign currency or the creation of employment. There is an analytical framework known as the “OLI” (ownership, location, internalization) paradigm, which states that a foreign firm will invest abroad only if these three factors come together simultaneously (UNCTAD, 2010a). Vellas & Bécherel (1995) proved that privatization is an increasingly popular method by which governments encourage private investment. UNCTAD (2021), has recommended that countries revise their investment policies to align with the latest developments. It is crucial to update investment incentives, modernize special economic zones, revamp investment promotion and facilitation practices, and incorporate intelligent mechanisms for screening foreign investments.

Figure 1: *Investment Policy Tools*



Source: *UNCTAD Report, 2021*

A country’s investment environment is influenced by many factors Phillips et al., (2009) including overall political stability; the laws and regulations that impact access to capital and credit; the extent to which government agencies seek to facilitate or discourage private investment; the quality and maintenance of transport and other tourism-related infrastructure;

and tax and immigration policies. Organization for Economic Cooperation and Development's 2021 report indicated that numerous countries have taken several measures to improve their legal and business environment, including the introduction of laws and regulations that encourage business and investment, simplification of customs and registration procedures, anti-corruption efforts, strengthening institutions such as the judiciary and regulatory agencies, and adoption of international business and investment standards. Governments have implemented measures to promote high-quality investments, such as tourism investment strategies, capital expenditure funds, regulatory changes, fiscal incentives, and green initiatives (OECD, 2017).

Foreign direct investments in Tourism

According to FDI Intelligence from the Financial Times and United Nations World Tourism Organization data, the tourism foreign direct investment (TFDI) reached USD 61.8 billion globally. One of the interesting points is that we can see that culture tourism, amusement, and theme parks are a component of eco-adventure tourism among the top 10 sub-sectors of foreign direct investment according to the Financial Times fDi Intelligence. According to the Tourism Investment Report, foreign investors announced a total of 2232 foreign direct investment projects in the tourism cluster from 2017 to 2021. The UNWTO suggests a fundamental framework of three easy stages to help its member states attract, promote, and mobilize foreign direct investment (FDI) in the tourism sector: 1) organizational strategy (enabling capacities); 2) attractiveness strategy (enabling conditions); and 3) promotion strategy (enabling opportunities). Li et al., (2017) state that, the investment environment refers to the host country's legal environment, institutional environment, economic policy, and hospitality to foreign investment. A favorable investment climate in the host nation would draw in foreign capital. Endo (2006) mentioned that Outward FDI in the tourist sector appears to be a neglected topic, even though FDI plays a significant role in the development of the sector. Appropriate policy frameworks should be developed and implemented for those seeking FDI in tourism as part of their overall economic development. FDI is one of the routes through which countries can implement tourism, and the importance of FDI as a determinant of economic growth, directly or indirectly, is quite large. Tourism should increase the likelihood of countries being shortlisted for FDI (Sanford & Dong, 2000). FDI in the tourism sector (TFDI) depending on the economic sector concerned, can be more or less complex and require specific methods (WTO, 2005).

Investment Opportunities and FDI of the Tourism industry in Azerbaijan

Azerbaijan's key strong points for tourism investments include: Competitive production costs; Significant potential of the Caspian Sea; Being in a favorable geographical and economic position; Abundance of natural resources; Political stability and an open economy in dynamic development; Substantial foreign currency assets in the State Oil Fund of Azerbaijan (SOFAZ); Favorable general business climate (25th position in the World Bank's Doing Business ranking 2019) and Plenty of potential workforces. The disclosed data on international greenfield FDI projects reveal that Azerbaijan's economy attracted over USD 32.7 billion between 2003 and 2017. A significant proportion of this investment, around 10%, was specifically targeted toward the development of the Hotel and Tourism sector in the country. World Bank data suggests that FDI estimated at more than \$70 billion was pumped into the Azerbaijani economy in the period between 1995-2019. According to AHK Azerbaijan (2020) report a robust legal-judicial framework is considered a necessary condition for FDI inflows. The lack of transparent and fair legal and judicial systems, as well as lengthy and bureaucratic procedures, are identified as major challenges for businesses operating in the country. A survey by AHK (2020) found that foreign investors are mainly drawn to Azerbaijan by the increasing demand for their products and services in the country. The second most compelling factor is the opportunity to develop strategic collaborations with local business partners. In the period between 2013 and 2016,

Azerbaijan experienced a noteworthy increase in FDI inflows, with the latter reaching almost 12% and representing the highest in the sub-region. However, due to the adverse impact of low global oil prices, the FDI inflows diminished to 3% of GDP by 2019, standing as the third-highest rate after Georgia and the Republic of Moldova (World Bank, 2020c). According to UNCTAD’s 2021 World Investment Report, Azerbaijan experienced a negative FDI inflow of USD 1.7 billion in 2021. Despite this setback, the total FDI stock in the country amounted to USD 31.6 billion, which accounted for approximately 57.9% of the nation’s GDP during the same year. The primary focus of FDI inflows in Azerbaijan is in the oil and gas sector, though the government has expressed interest in diversifying the economy by attracting FDIs to the tourism sector.

Figure 2: Foreign Direct Investment in Azerbaijan

| Foreign Direct Investment | 2019 | 2020 | 2021 |
|--|--------|--------|--------|
| FDI Inward Flow (million USD) | 1,504 | 507 | -1,708 |
| FDI Stock (million USD) | 32,285 | 33,186 | 31,607 |
| Number of Greenfield Investments* | 20 | 6 | 3 |
| Value of Greenfield Investments (million USD) | 741 | 325 | 43 |

Source: UNCTAD, Latest available data

Building from Scratch: The Benefits of Greenfield Tourism Investments

According to the OECD (2015), greening infrastructure investment can involve renovating existing infrastructure (“brownfield” investments) or building new infrastructure from scratch (“greenfield” investments). According to Bayar (2017), greenfield and brownfield investments are two approaches to real estate development and business expansion. Greenfield investment involves constructing a new project or facility on a previously undeveloped site, while brownfield investment involves redeveloping an existing site, which may have environmental issues but already has the infrastructure and location advantage. Chowdhury et al. (2020) posit that both Brownfields and Greenfields are crucial for regional growth and require formal and informal tools for public intervention. In the case of ACE tourism destinations, prospective investors must adhere to stringent regulations and undergo rigorous economic evaluations that involve meticulous assessments of investment viability and efficiency. The advantages of greenfield investments over brownfields include lower total construction costs, less expensive land preparation, shorter preparation time, reduced environmental consulting costs and lower developer costs.

Figure 3: Announced Greenfield Investment Project Overview in Azerbaijan

Announced greenfield investment project overview, 2005–2007 average, 2017–2019
(Millions of dollars)

| Region/economy | As destination | | | | As source | | | |
|----------------|--|------|------|------|--|-------|-------|------|
| | 2005–2007 (Pre-crisis annual average) | 2017 | 2018 | 2019 | 2005–2007 (Pre-crisis annual average) | 2017 | 2018 | 2019 |
| Azerbaijan | 1 455 | 963 | 262 | 741 | 1 521 | 3 795 | 7 227 | 125 |

Source: UNCTAD, World Investment Report 2021

According to World Investment Report 2021, Azerbaijan actively promoted and attracted foreign investment into various sectors of its economy, including agriculture, tourism,

infrastructure, and energy. Between 2017 and 2019, Azerbaijan witnessed a surge in Greenfield investment projects, with several initiatives announced in the country. The greenfield investment trend reached its peak in 2018 when over \$7 billion was invested in various projects across the country.

Venturing Beyond Tradition: Embracing Green and Sustainable Investments

In recent years, non-traditional tourism investments have gained popularity due to changing consumer preferences and the need for sustainable tourism practices. Investors are now looking for opportunities to support sustainable tourism practices, which not only provide financial returns but also support environmental and social initiatives. Sustainable tourism investment can create job opportunities, particularly for disadvantaged populations. Investment legislation should include regulations for green tourism investment to ensure consistency in their application (UNEP and WTO, 2012). The tourism sector can benefit from green investments, which can align government incentives and regulations with investor requirements for sustainable investment (WTO, 2021). The Sustainable Investment and Finance in Tourism (SIFT) network tries to design a common standard to inspire greater sustainability in tourism investments by the public, private, and multilateral investors; strengthen the financing of sustainable tourism projects; enhance sustainable investments in the tourism industry and ameliorate the capacity of developing destinations. SIFT efforts should help integrate other global sustainable finance initiatives to support green investment in tourism (UNEP, 2008). Thapa (2012) argues that while the tourism industry has encountered significant growth, it is crucial to adopt a sustainable approach to facilitate its future expansion. Insufficient awareness of sustainable investments is a significant obstacle in many countries, according to Phillips et al. (2009). To overcome this barrier some approaches such as private sector awareness programs, policy collaboration, external funding, adoption of regulations and standards, and partnerships can be implemented to encourage sustainable tourism investments, particularly for SMEs. Peric and Radic (2011) pointed out that sustainable tourism investments refer to investments made in tourism businesses that prioritize environmental, social, and economic sustainability. Sustainable tourism investments can bring many benefits, such as preserving local cultures and biodiversity, reducing the negative impacts of tourism on the environment, and generating income for local communities. However, sustainable tourism investments also face challenges such as lack of standardization and certification, limited access to financing, and limited consumer awareness. Yang (2022) states that green tourism investments focus on environmentally sustainable practices in the tourism industry and can lead to increased demand, long-term profitability, and positive impacts on the environment and reputation. To encourage private sector investment in green infrastructure and scale up participation, it is important to create a market for “investment grade” green projects and manage investment risks and costs.

Research Objective & Research Questions

Generally, investments for ACE tourism in Azerbaijan, no special place has been allocated in scientific research studies. Moreover, the existing research studies on this topic are inadequate. The main goal of the study is to thoroughly examine the current state of investments in ACE tourism in Azerbaijan and identify the financial hurdles that hinder its growth. Besides paper aims to conduct a meticulously reasoned and scientifically grounded research study on the development of the tourism investment landscape in Azerbaijan and the identification of solutions to enhance the efficiency of the current investment environment, increase the appeal of Azerbaijan, and advance existing approaches and mechanisms for attracting investment in the rapidly evolving global tourism industry. To accomplish these goals, the research outlines the following core tasks: 1) the place and essence of ACE tourism in Azerbaijan tourism are

investigated; 2) the dynamics of the development of ACE tourism and the content of investments made in it are thoroughly examined; 3) the assessment of mechanisms and investment activities related to the issues of tourism investment attractiveness in Azerbaijan are explored; 4) the directions for improving sustainable and green investments in ACE tourism are analyzed; 5) potential initiatives and propositions aimed at the consolidation and attraction of investments to the regions that have been liberated from the occupation are evaluated, and 6) the factors promoting FDI attraction to ACE tourism in Azerbaijan are studied.

This investigative study is guided by a set of precise research questions, which are as follows:

- 1) What is being done to invest in the ACE tourism combination and what policy exists to develop of more active ACE tourism destination in Azerbaijan?
- 2) How to successfully apply Global FDI Greenfield Investment Trends to ACE tourism in Azerbaijan?
- 3) How is the overall tourism investment climate in Azerbaijan for the profitability of investments and supporting the scale-up of green finance in ACE tourism?
- 4) What steps should be taken for a framework to foster sustainable and inclusive tourism investments in Azerbaijan? (International experiences can be transferred to Azerbaijan)

Research Methodology

To fulfill the research goals and facilitate the literature review process, a qualitative research method was utilized in the data collection section. The main aim of this qualitative research is to unveil ground-breaking concepts and ideas, multifaceted perspectives, emotions, interconnections between events, and prognostications of latent processes, which will provide a deeper understanding of tourism investments in Azerbaijan's ACE tourism industry. Empirical research was conducted as the data collected would answer the specific research questions. To collect data, semi-structured face-to-face interviews and focus group interviews were carried out with selected participants. The primary reason for this decision was to collect first-hand information from specialists in the Azerbaijan Tourism State Agency. The main reason why I chose the Azerbaijan State Tourism Agency as a part of my interview process is that all the operations, innovations, regulations, and management that take place in tourism in Azerbaijan are carried out only under the supervision of this public organization. Therefore, the specialists working in this agency possess comprehensive knowledge about the current trends in tourism investment and policy in Azerbaijan. The focus group interview was arranged in Guba DMO. My main aim in choosing this DMO was that the city of Guba is considered a prime location for ACE tourism purposes. Around the office table, we had "brainstorming" and interactive discussions with members of the Guba DMO. A flexible environment created direct communication and better insight for each of us.

Results of Interviews

Results of Semi-structured Face-to-face interviews

Based on the in-depth interviews made by the author, the following conclusions have been drawn:

- There is a lack of investment in ACE tourism in Azerbaijan and that more reforms are needed to attract FDI in the industry. To attract FDI, interviewees suggested steps such as improving the business climate, enhancing transparency, fostering innovation, and developing infrastructure

- The limited volume of investment in Azerbaijan's tourism sector can be attributed to several challenges, including a lack of awareness of available tourism opportunities, inadequate infrastructure and transportation, and high costs associated with the construction of tourism facilities that may reduce the interest of entrepreneurs.
- Azerbaijan faces challenges that hinder its ability to attract foreign investment, such as a tough autocratic system and high informal market-entry barriers. These challenges can discourage them from investing in Azerbaijan's ACE tourism industry.
- Despite these challenges, the government has implemented several measures to attract foreign investment flows. These measures include the implementation of a "single window" system and strengthening the legal basis for the protection of the rights and interests of foreign entrepreneurs.
- Interviewees mentioned that they have already received projects from foreign and local investors in the Karabakh region, with 7 out of 32 projects that are related to tourism purposes being approved after careful review. Furthermore, he highlighted the importance of public investment and the prepared support mechanism for entrepreneurs operating in the liberated territories of Azerbaijan in 2023.
- Governments can encourage tourism investment by following public interest principles, managing risk, providing information, building capacity, forming partnerships, and facilitating approval of proposals.
- The interviewees provided six basic measures that could improve the tourism investment environment in Azerbaijan. These include expanding e-services to enhance quality and transparency, strengthening institutional mechanisms for investment, stimulating foreign direct investment through financial transparency, accelerating Azerbaijan's membership in the WTO, and actively participating in regional integration blocs and bilateral agreements with neighbouring countries to obtain mutual concessions on foreign trade.

Results of Focus group interviews

1. The tourism investment in Azerbaijan faces various challenges, including lack of information, capital capacity, stimulation, institutional problems, and non-orientation of national investment.
2. Despite the challenges, there have been positive steps have been taken to attract local and foreign investments to the national economy and to liberalize tax policies. The recent end of the conflict in Karabakh is expected to increase investment flow to these areas.
3. Supporting and training start-up businesses and entrepreneurs in the tourism sector can promote a culture of innovation and entrepreneurship and lead to increased investment and growth in the industry. To encourage local entrepreneurship, the Guba DMO is providing training for entrepreneurs as well.
4. The potential for ecotourism in Azerbaijan was discussed, along with the need to manage tourist traffic in national parks to maintain ecological standards. The lack of international certification for extreme adventure tourism guides was identified as a hurdle to developing adventure tourism, but the participants agreed that acquiring such certification would be necessary to attract foreign visitors.
5. Tourists from European and Arab countries have different preferences, with European tourists showing more interest in ACE tourism activities such as staying in guest houses or camping in nature, as opposed to staying in expensive hotels in city centers.
6. The Guba-Gusar region of Azerbaijan has the potential for adventure tourism, with many climbers and adventure lovers already visiting the area. However, there are challenges such as a lack of accommodation facilities in remote areas and a need to promote the region's

offerings to tourists through tour packages that combine different components of adventure tourism

7. Travel agencies have an important role in promoting the region and creating tour packages that combine the different components of ACE tourism. The involvement and welfare of the local population in tourism should also be considered, and travel agencies can obtain information from the DMOs in the region. The DMO's primary objective is to uncover the tourism potential of the region, and travel agencies should create tour packages based on this potential. By attracting a large number of tourists, the region will become renowned for ACE tourism and generate revenue for all involved parties. However, there is a lack of effort from some travel agencies in this direction.
8. The DMO has conducted a study on around 40 villages in the Guba-Gusar region to identify potential ACE tourism products. This data will be used to inform the Azerbaijan State Tourism Agency about areas where ACE tourism can be focused. The “Beautiful Village” project will also be implemented in the region to invest in villages with high tourism potential.
9. Both foreign investors and local entrepreneurs have a role to play in developing the tourism industry in Azerbaijan. OIC provides a legal framework to support foreign investment in the country. USAID has a significant impact on the development of Azerbaijan's tourism sector, even if they are not primarily focused on achieving a return on investment.

Conclusion

Azerbaijan's ACE tourism sector shows significant growth potential, yet it is in its early stages. Realizing this potential necessitates a policy framework, efficient investment incentives, and streamlined regulatory procedures. While there is a growing interest in ACE tourism investment, challenges persist. Inadequate infrastructure in many ACE tourism destinations hampers growth, requiring collaboration between investors and policymakers to enhance facilities. Additionally, the lack of financial incentives and government support poses obstacles for investors facing high development costs. To foster ACE tourism, the government must provide more support and incentives for a viable return on investment.

It is necessary to elevate the level of investment-innovation activities in the ACE tourism regions of the country. The absence of free-balance banks and credit institutions, specialized financial investment groups and funds, and the limited availability of attractive financial services signify an underdeveloped tourism investment environment in these regions.

The Azerbaijan government should take action as soon as possible and implement reforms aimed at ensuring a normal investment environment in the country. In addition, the government should introduce a more liberal, more specifically targeted investment attraction policy, transform it into foreign economic blocs, and reconsider institutional and political reforms once again.

Tourism investors receive information from the most diverse sources, they know the reality better than anyone else. The question of how well they can protect their rights in case of any problems is important for them. For example, the Singaporean economic model had a mechanism called British law. In this case, the decisions made by the British courts were unconditionally accepted in Singapore. The state was telling foreign investors that if they do not believe in the legal system, then they can defend their rights in the court of another country. We can form a mechanism for protecting the rights of foreign investors and we can increase the attractiveness of tourism in Azerbaijan for foreign investments.

The tourism investment environment in Azerbaijan is characterized by a low level of competition. If experienced foreign investors invest in the tourism sector, they have a wide range of opportunities to achieve success. Azerbaijan's tourism sector boasts high profit margins, with a profit rate of 60-70% for every 1 Manat (₼) invested, which far exceeds the corresponding rate in the European market, typically around 8-10%. Why should not foreign investors enter the Azerbaijan market if they can get 8-10 times more income compared to other countries?!

Upon analyzing the current status of tourism investments in Azerbaijan, it becomes apparent that private-sector investment is more likely to yield favorable results compared to public-sector investment. Another point to be emphasized is that there exists a concerning trend of **“Dirty Investment”** in Azerbaijan, which is carried out by state officials. They invest partially but do not invest 100% of the capital in the country.

Recommendations

To boost private investments in Azerbaijan's tourism sector, state support is crucial, requiring the creation of conditions for foreign investors to operate at global standards. To attract foreign investment, legislative improvements supporting private initiatives, increased state involvement in regulatory regimes, enhanced tourism investment regulations, and improved investor information systems are necessary. Promoting ACE tourism destinations internationally will facilitate better decision-making for foreign investments. The State Investment Policy should prioritize attracting investments to ACE tourism destinations, ensuring proportional distribution of foreign investments, protecting FDIs, and implementing global best practices for sustainable and inclusive tourism investments. While the National Fund for Entrepreneurship Support aids the tourism sector, its limited availability calls for expanding financial capabilities, increasing concessional loans, and attracting more investment resources. To entice investors, especially from economically linked countries, Azerbaijan should conduct presentations, establish electronic platforms, and showcase investment opportunities globally.

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