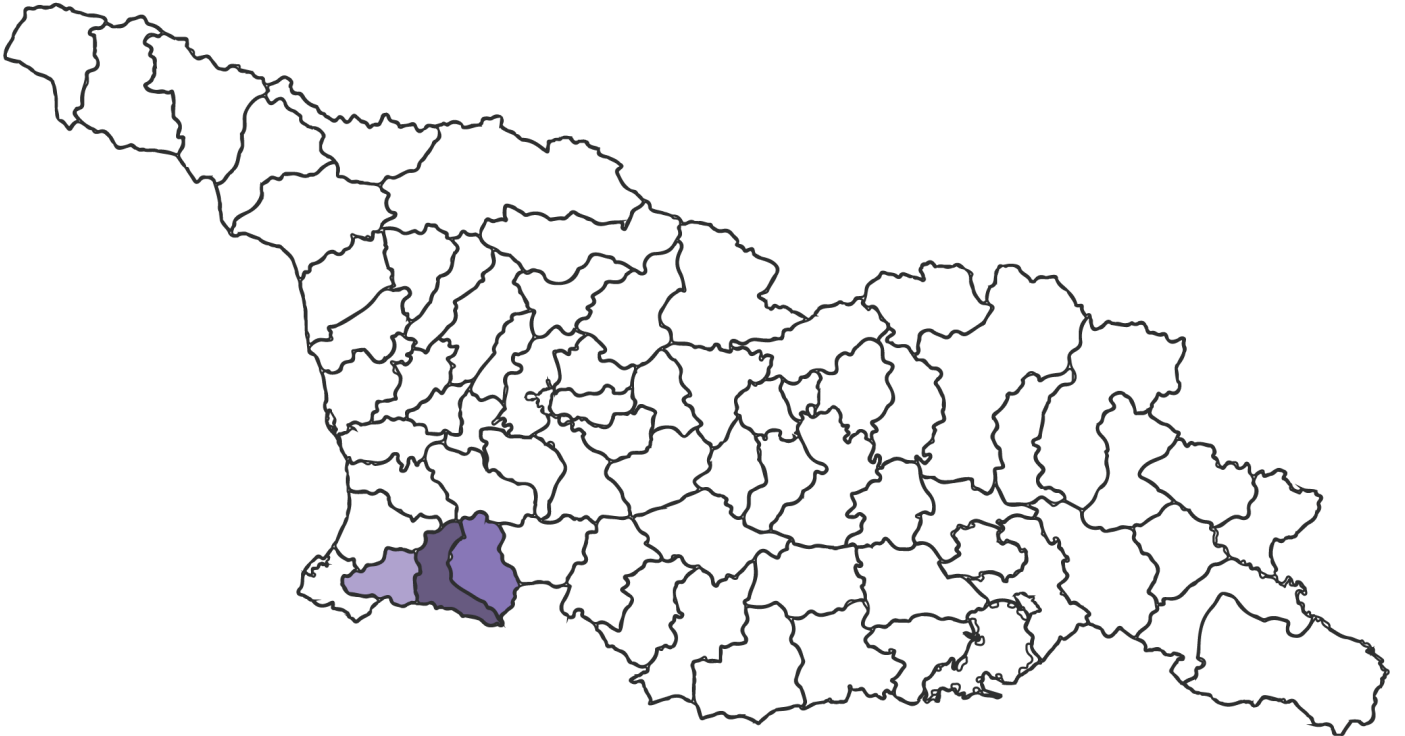




# TOURISM VALUE CHAIN IN KEDA, SHUAKHEVI AND KHULO MUNICIPALITIES

USAID UNITY THROUGH  
DIVERSITY PROGRAM  
2023





*The publication was prepared by Policy and Management Consulting Group (PMCG) within the Program "USAID Unity Through Diversity," implemented by the UNA Georgia with the financial support of the United States Agency for International Development (USAID). The views and opinions expressed in this publication/video are those of the authors and do not necessarily reflect the views or positions of the USAID and UNA Georgia*

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## 1. Introduction

The USAID Unity Through Diversity Program is a five-year program implemented by UNA-Georgia. This initiative, led by USAID, aims to be a hub for integrating ethnic and religious minorities into various aspects of Georgian society, including social, political, and economic spheres. As a subcontractor of UNA-Georgia, PMCG contributes to the expansion and strengthening of the socioeconomic connections between the majority and minority communities. Their overall objective is to facilitate the establishment of mutually beneficial business relationships between these groups.

One of the components of the project is to conduct value chain assessments in target ethnic and religious minority municipalities to provide recommendations for the Unity Through Diversity Program for increasing the integration of ethnic minorities in the value chain and integrating the regional value chain in the national or international value chains.

The analysis of the tourism value chain in selected municipalities in Adjara aims to identify gaps in each stage of production and proposes recommendations to meet the market's demand for a high-quality product, as well as identifying business opportunities for minority municipalities and solutions for increasing the level of integration of selected municipalities in Adjara value chain into national value chains.

In summary, the report is divided into the following sections to provide a comprehensive analysis of the tourism value chain in selected municipalities in Adjara:

- Methodology: overviewing the quantitative and qualitative analysis methods used within the research of beekeeping value chain in target municipalities.
- Value Chain Actors and Map: overviewing the value chain actors and providing an understanding of the value chain process.
- Separate chapters describing the tourism individual value chain actors focusing on the following topics: visitors in target areas (demand side of the tourism value chain in selected municipalities in Adjara), tourist locations and assets, protected areas, accommodation, food and beverage, tour operators and guides, souvenirs and crafts, transport, and external stakeholders.
- SWOT analysis: describing the strengths, weaknesses, opportunities, and threats of the beekeeping value chain in target municipalities.
- Recommendations: providing recommendations for the program for the development of the value chain, with a major focus on the potential of integrating ethnic minorities in the value chain, as well as the potential of integrating the regional value chain in the national or international value chains.

The objective of this analysis is to offer significant insights and suggestions that can support the sustainable progress of tourism, particularly in the areas of adventure, cultural, and gastronomic tourism, within the municipalities of Keda, Shuakhevi, and Khulo. By tackling obstacles, seizing opportunities, and fostering cooperation, we can unleash the potential of these municipalities, thereby stimulating economic growth and generating positive outcomes for both tourists and local communities.

## 2. Methodology

For the Tourism Sector Value Chain Analysis in Keda, Shuakhevi, and Khulo municipalities, desk and field research studies were conducted.

Notably, prior to the conducting of value chain analysis, the priority tourism services were selected in target municipalities. In the first stage of tourism services prioritization, in order to assess the current status of tourism development and growth potential in the target municipalities, the five main factors were analyzed: natural resources, cultural resources, tourism infrastructure, general infrastructure, and regional tourism appeal. Points were assigned to each category using both qualitative and quantitative data to identify municipalities with notable potential for tourism development. In the second stage of the prioritization, additional extensive desk research was conducted, and validation workshops were also organized to ensure that the selected products had high competitiveness potential, systemic impact (through job creation, development of potential linkages with national supply chains and potential for integrating ethnic minorities in the VC), and feasibility (alignment with the national, regional, and municipal priorities).

Through this analysis, the high-priority tourism directions were selected for all three selected municipalities of Adjara. In particular, the adventure tourism direction was identified as a major strength and opportunity of all three municipalities, followed by the cultural tourism direction in Khulo and Shuakhevi municipalities.

The analysis of the tourism sector value chain in selected municipalities in Adjara primarily focused on adventure tourism and cultural tourism along with other tourism services providers, such as accommodation and food services.

### 2.1. Desk Research

The desk research was conducted to provide the sector overview at national, regional, and municipal levels (when available). The statistical information used during the desk research was sourced from government agencies, including:

- The Statistics Office of Georgia (general tourism sector indicators, number of active accommodation Units, number of food objects, number of international and domestic visitors, average nights spent per visit by international and domestic visitors).
- Georgian National Tourism Administration (number of accommodation units),
- Agency of Protected Areas (protected areas by municipalities).
- and different open sources (list of museums, the law on resorts and resort places, Visitadjara website).

At this stage, the main tourism assets of target municipalities were identified. This was accomplished by conducting online desk research and an overview of the documents provided by the Department of Tourism and Resorts of Adjara Autonomous Republic.

In addition to that, through the overview of the abovementioned secondary data, the mapping of the tourism sector service providers was developed, illustrating the main actors of the tourism sector in selected municipalities in Adjara, including existing accommodation units, food service places, adventure and cultural tourism services, transportation, entertainment, and souvenir production. The major external actors were also identified, such as municipal tourism service centers, public entities, international partners, and financial institutions.

## 2.2. Field Research

Following the desk research, a questionnaire was developed to better understand the existing services in the target areas, types of visitors, challenges, and opportunities. The questionnaire included specific questions for different types of tourism service providers, in particular, accommodation providers, food service providers, tour agencies and guides, adventure tourism providers, and souvenir shops. In addition to that, the general questions were integrated to acquire information regarding the types of visitors, labor force, income from tourism activities, connections with local product suppliers and other tourism service providers, transportation, infrastructure, sources of finance, and managerial skills. The questionnaire was diversity sensitive and included questions capturing differences and relations, division of labor and roles, practical needs of diverse groups (religious minorities, women, youth), access, control, and benefit of resources.

The selection of respondents was carefully done to encompass a wide range of tourism services and ensure their diversity. The following table summarizes the types of local representatives interviewed within the analysis. In addition to that, in the initial stage, the interviews were conducted with the Tourism Product Development Agency (TPDA) operating under the Department of Tourism and Resorts of the Autonomous Republic of Adjara, gathering general and detailed information regarding the tourism sector in selected municipalities in Adjara.

Table 1: List of conducted interviews with local representatives

Tourism direction	The number of interviewed respondents engaged in respective tourism directions
Accommodation service providers	7
Food service providers	3
Adventure tourism service providers	3
Cultural tourism service providers	1
Souvenir producers	1

*\*Note that some of the respondents were operating in more than one tourism direction*

Based on the collected quantitative data, the report reviews the tourism service process description, going into detail regarding the different value chain actors, tourism attractions, labor force, marketing, and external stakeholders. The major identified strengths, weaknesses, opportunities, and threats were summarized in the SWOT analysis. It is followed by the conclusive recommendations section of the report, which includes recommendations for the development of the value chain, with a focus on integrating minorities into the VC and the potential of integrating the regional value chain into the national value chain.

## 2.3. Research Limitations

The given study has several limitations:

- There is incomplete statistical information on the municipality and community level in Georgia. In addition to that, due to the COVID-19 pandemic, the international visitor survey, which provides important insights into the tourism sector, was suspended from the beginning of 2020 until the end of 2022.

- Due to infrastructural limitations, we were unable to conduct face-to-face interviews with tourism value chain actors from Goderdzi Ski Resort. However, information regarding the resort was gathered through other interviews and desk research.

### **3. Value Chain Actors and Map**

Tourism plays a crucial role in driving the socioeconomic development of various regions in Georgia, benefiting job creation, revenue generation, and the preservation of cultural and natural heritage. The municipalities of Keda, Khulo, and Shuakhevi in Adjara are no exception, as they possess a diverse range of attractions and significant untapped potential for tourism growth. This section focuses on exploring the value chain model of tourism in these municipalities, with a specific emphasis on adventure tourism as a primary catalyst for economic and experiential advancement.

Adventure tourism, a rapidly expanding segment within the broader tourism industry, caters to the desires of adventure-seeking travelers by providing unique and exhilarating experiences. It encompasses a wide array of activities, including hiking, mountain biking, rock climbing, and white-water rafting. The preliminary evaluation conducted before this value chain analysis has recognized the considerable potential of adventure tourism in Keda, Khulo, and Shuakhevi due to their natural attributes that are conducive to developing such activities. Additionally, within the region, there is a promising cultural tourism direction in Khulo and Shuakhevi municipalities. These areas boast rich cultural heritage, traditional customs, and unique local traditions that can attract tourists interested in exploring the local culture. By incorporating cultural tourism into the existing adventure tourism offerings, the region can provide a holistic experience to visitors, immersing them in the natural beauty and cultural richness of Khulo and Shuakhevi. This integrated approach would not only unlock the full potential of the region's tourism industry but also contribute to the sustainable development of this exciting niche, attracting a diverse range of travelers seeking both adventure and cultural exploration.

Notably, the further analysis of the tourism value chain in selected municipalities in Adjara revealed the high development potential of other tourism niches, such as rural agricultural, eco-tourism, ethnographic tourism, and gastronomic experiences. These additional niches offer unique opportunities to showcase the region's local produce, culinary traditions, and farm-to-table experiences. By tapping into these gastronomic potentials, the region can further enhance its touristic attractiveness and provide visitors with a comprehensive experience that combines adventure, culture, and delightful culinary delights.

Throughout the analysis, stakeholder involvement, infrastructure development, marketing strategies, and collaborations are crucial factors in the successful production and promotion of tourism experiences in the target municipalities. By actively engaging stakeholders, investing in infrastructure, implementing effective marketing strategies, and fostering collaborations, the region can maximize its tourism potential and contribute to the overall growth and sustainability of the local tourism industry.

At the core of the production process lies the development of adventure tourism products tailored to the unique natural, cultural, and gastronomic assets of the region. This entails identifying and assessing potential adventure tourism attractions, the design of engaging experiences, and the implementation of plans to ensure visitor satisfaction and safety. Providing necessary infrastructure and facilities, such as transportation networks, accommodation options, and amenities, also holds significant importance.

Furthermore, sustainability is a vital consideration in the realm of adventure tourism. Efforts to minimize the ecological impact of activities and promote responsible practices are crucial for the preservation of the natural environment and the long-term viability of tourism in the municipalities. Similarly, the preservation and promotion of local culture, traditions, and heritage contribute to a more authentic and enriching adventure tourism experience.

Collaboration and partnerships among stakeholders play an instrumental role in the production process of tourism. By engaging local communities, private sector actors, government agencies, and non-governmental organizations, a collaborative ecosystem is nurtured, which supports the development of tourism products, marketing initiatives, and sustainable growth.

The production process of tourism in the municipalities of Keda, Khulo, and Shuakhevi involves a wide range of stakeholders, with each playing a crucial role in creating and delivering exceptional tourism experiences. Some of the key stakeholders include tour operators, accommodation providers, activity providers, transportation providers, and government agencies.

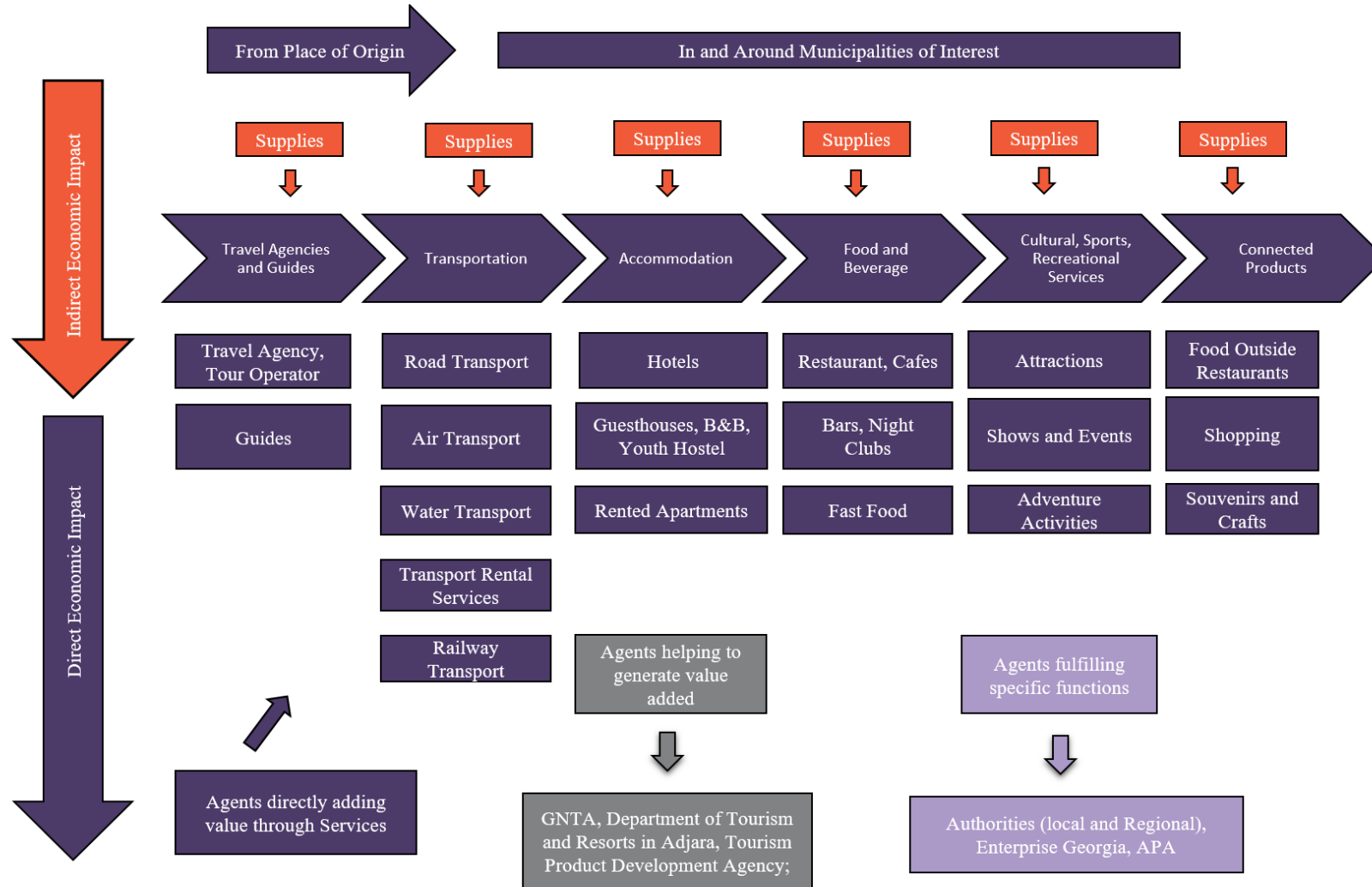
- Tour operators excel in crafting and coordinating tourism packages and experiences, collaborating with local service providers, including accommodation providers, transportation companies, and activity providers. Their aim is to create a well-rounded adventure, cultural and gastronomic tourism offerings. Tours offered by tour operators and guides include the combination of selected municipalities in Adjara's tourism assets depending on the interests of the visitor. In particular, they focus on the provision of tours for adventurous visitors, visitors interested in the culture and gastronomy of the region, and a combination of both. According to the survey respondents in the target municipalities, there is a strong emphasis on expanding the network of partner tour operators and reinforcing existing relationships. This highlights the importance placed on fostering strategic alliances with tour operators to enhance the range and quality of adventure and cultural tourism opportunities in the region. Accommodation providers, such as hotels, guesthouses, and homestays, ensure comfortable and convenient stays for adventure tourists, with small guesthouses providing unique cultural experiences and traditional hospitality.
- Activity providers contribute by offering a variety of adventure tourism experiences, especially in Keda. However, adventure tourism activities in the other two municipalities are currently limited. Despite their potential for adventure tourism development due to their natural attributes, Khulo and Shuakhevi have yet to fully harness their opportunities in this regard. Transportation providers play a crucial role in facilitating the movement of tourists within and between the municipalities. However, it should be noted that the quality of roads in the region remains challenging. This can present difficulties and potential barriers for tourists seeking seamless transportation between different adventure tourism sites. Government agencies are responsible for setting policies, regulations, and guidelines, working alongside various stakeholders to ensure safety, sustainable practices, and overall sector development. In Adjara, the Department of Tourism and Resorts plays a significant role in facilitating and boosting the development of the tourism sector.
- International partner organizations/donors provide support locally to the tourism value chain actors; It is crucial for them to collaborate with local government organizations, the civil sector, and the local businesses to identify the most efficient ways to direct their resources.

The interactions among these stakeholders, along with others, foster a vibrant ecosystem where adventure tourism can thrive. Collaborations among stakeholders lead to the creation of unique and immersive experiences, the preservation of local culture, and the economic growth of the municipalities. It is worth



mentioning that religious differences hold no relevance in the everyday life of the region, as revealed by the interviews. There is a high level of integration and no discrimination or barriers among religious groups. This inclusive environment enhances the tourism experience, allowing visitors to explore the region's cultural heritage without encountering any religious conflicts or tensions. The region's harmonious coexistence promotes a welcoming atmosphere for residents and tourists.

Value Chain #1: Tourism Value Chain model<sup>1</sup>



<sup>1</sup> Table produced by the Author based on Reports - Sustainable Tourism for Development, (UNWTO 2013); Tourism Value Chain: Analysis and Practical Approaches for Development Cooperation Projects (GIZ, 2020), Tourism Satellite Account of Georgia, (Geostat 2022).

#### 4. Tourist Locations and Assets

Keda, Shuakhevi, and Khulo municipalities in Adjara are well-known for their natural attractions and a number of old landmarks and cultural sights. All three target municipalities – Keda, Shuakhevi, and Khulo offer a variety of tourist locations and assets to their visitors. The following sub-chapters summarize the tourist locations and assets of each municipality.

##### 4.1. Tourist Locations and Assets in Keda Municipality

Keda municipality is the closest to the center of the region – Batumi, therefore, it offers a list of get-away destinations for visitors to the city. The villages of Keda municipality that offer tourist experiences include Makhuntseti, Pirveli Maisi, Dandalo, Merisi, Gobroneti, Komokheti, Kokotauri, and Gegelidzeebi villages. Notably, the Makhuntseti village is the top provider of adventure tourism activities for visitors, including rafting, horseback riding, and a 500m zipline. The conducted interviews also reveal that the development level of touristic services in the villages of Keda municipality is not uniform, as some locations are underdeveloped, less promoted, and more difficult to reach.

The following table summarizes the tourist locations and major assets of Keda municipality.

**Table 1: Tourist locations and assets in Keda municipality**

<b>Nature</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Makhuntseti Waterfall</li> <li><input type="checkbox"/> Merisi Waterfall</li> <li><input type="checkbox"/> Gobroneti Waterfall</li> <li><input type="checkbox"/> Mineral waters in Kokotauri</li> <li><input type="checkbox"/> Latevra Mountain and Latevra Waterfall</li> <li><input type="checkbox"/> Colchian Forest</li> </ul>
<b>Cultural Heritage</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Queen Tamara Bridge in Makhunsteti village (A.C. 12<sup>th</sup> century)</li> <li><input type="checkbox"/> Dandalo Bridge in Dandalo village (A.C. 10<sup>th</sup> century)</li> <li><input type="checkbox"/> Sagoreti Bridge (A.C. 11-12<sup>th</sup> century)</li> <li><input type="checkbox"/> Tsivasula Fortress (A.C. 12-13<sup>th</sup> century)</li> <li><input type="checkbox"/> Gulebi Fortress (A.C. 12-13<sup>th</sup> century)</li> <li><input type="checkbox"/> Zendidi Fortress (A.C. 17-19<sup>th</sup> century)</li> <li><input type="checkbox"/> Makhuntseti Ethnographic Museum</li> <li><input type="checkbox"/> Keda Historical Museum</li> <li><input type="checkbox"/> Folklore</li> </ul>
<b>Gastronomy</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Wine-making traditions (most popular grape varieties: Tsolikauri and Chkhakveri)</li> <li><input type="checkbox"/> Traditional Adjarian dishes (Adjarian Khachapuri, Adjarian braided string cheese, Borano, Sinori, Malakhto Lobio, etc.)</li> <li><input type="checkbox"/> Local products (river trout)</li> <li><input type="checkbox"/> Jara (wild) honey<sup>2</sup></li> </ul>

Source: NNLE Tourism Product Development Agency of Adjara, conducted interviews

<sup>2</sup> For further information regarding Jara honey in Georgia, please refer to the following website of the Jara Beekeepers Association - <https://jarahoney.com/>

#### 4.2. Tourist Locations and Assets in Shuakhevi Municipality

Shuakhevi municipality is in the center of Adjara, located at a 65 km distance from Batumi. The municipality offers agricultural tourism activities to its visitors, as well as access to alpine meadows and forest paths. The Chvana and Mareti gorges are the major tourist locations for visitors of the municipality interested in agricultural, natural, and adventure tourism. It must also be noted that on a major tourist attraction of the municipality – Chirukhi Mountain – a 1,750-metre-long zipline is being built. It will be the longest dual construction of the type in Europe. Prepared by the Tourism Product Development Agency of the Adjara Tourism Department, the project involves the construction of two stations for the zipline, with the lower station set at 2,600 meters above sea level.

The following table summarizes the tourist locations and major assets of Shuakhevi municipality.

**Table 2: Tourist locations and assets in Shuakhevi municipality**

<b>Nature</b>	<input type="checkbox"/> Chirukhi Mountain <input type="checkbox"/> Lelti Lake <input type="checkbox"/> Shratiani Lake <input type="checkbox"/> Gasaliani Lake
<b>Cultural Heritage</b>	<input type="checkbox"/> Khabelashvilebi Bridge (A.C. 19 <sup>th</sup> century) <input type="checkbox"/> Vardzhanauli Arch Bridge (A.C. 12 <sup>th</sup> century) <input type="checkbox"/> Nigazeuli Fortress (A.C. 18 <sup>th</sup> century) <input type="checkbox"/> Kaviani Fortress (A.C. 12-13 <sup>th</sup> century) <input type="checkbox"/> Okropilauri Fortress (A.C. 11-12 <sup>th</sup> century) <input type="checkbox"/> Darchidzeebi Fortress (A.C. 12-13 <sup>th</sup> century) <input type="checkbox"/> Otolta Fortress (A.C. 12-13 <sup>th</sup> century) <input type="checkbox"/> Changchalo Fortress (A.C. 12-13 <sup>th</sup> century) <input type="checkbox"/> Tsinareti Fortress (A.C. 11-12 <sup>th</sup> century) <input type="checkbox"/> Shuakhevi Ethnographic Museum
<b>Gastronomy</b>	<input type="checkbox"/> Traditional Adjarian dishes (Borano, Sinori, etc.) <input type="checkbox"/> Local products (dairy products) <input type="checkbox"/> Jara (wild) honey

Source: NNLE Tourism Product Development Agency of Adjara, conducted interviews

#### 4.3. Tourist Locations and Assets in Khulo Municipality

Khulo municipality is the furthest municipality from the regional center, and it is the most mountainous region of Adjara. Khulo municipality offers a variety of tourist locations and tourist assets, especially in the direction of wild adventure tourism, meaning that some of the visitors of natural attractions are often traveling to remote places, which are less known, and the tourist routes are not marked.

In addition to that, Goderdzi Ski Resort offers winter sports activities to its visitors. Goderdzi Ski Resort is located at an elevation of 2,027 meters above sea level, with annual precipitation higher compared to other ski resorts in Georgia. The ski resort came into existence in 2015, but its tourist infrastructure is still under development, with a relatively low number of accommodation and food service providers. Notably, the development potential and tourist attractiveness of Goderdzi Ski Resort are expected to increase significantly after the end of the construction works of the Akhaltsikhe-Batumi highway. This will increase the connectedness of the ski resort to the capital – Tbilisi, considerably declining the time and increasing the comfort of the travel.

Other notable tourist locations of Khulo municipality include the climatic resort of Beshumi, Ghorjomi Gorge, and Tago village. Particularly, villages in Ghorjomi Gorge have the potential to offer a variety of local experiences to travelers, including visits to ethnographic houses, showcases of local crafts, and other ethno-tourism activities.

Apart from natural and adventure tourism attractions, Khulo has many cultural and historical monuments, among which the most notable are the Schalta Monastery and Khikhani Fortress.

The following table summarizes the tourist locations and major assets of Khulo municipality.

**Table 3: Tourist locations and assets in Khulo municipality**

<b>Nature</b>	<input type="checkbox"/> Ski Resort Goderdzi <input type="checkbox"/> Climatic Resort Beshumi <input type="checkbox"/> Green Lake <input type="checkbox"/> Alpine Botanical Garden <input type="checkbox"/> Alpine meadows and coniferous forests
<b>Cultural Heritage</b>	<input type="checkbox"/> Khikhani Fortress (A.C. 12 <sup>th</sup> century) <input type="checkbox"/> Tsikhiskeli-Vardtsikhe complex (A.C. 11 <sup>th</sup> century) <input type="checkbox"/> Skhalta Monastery (A.C. 12 <sup>th</sup> century) <input type="checkbox"/> Uchkho Bridge (A.C. 11-13 <sup>th</sup> century) <input type="checkbox"/> Tago cable car, which ranks second among unsupported cable cars in Europe. <input type="checkbox"/> Sherif Khimshiashvili Museum in Skhalta Gorge <input type="checkbox"/> Khulo Ethnographic Museum <input type="checkbox"/> Tkhilvana Ethnographic Museum <input type="checkbox"/> Ghorjomi ethnographic Oda houses, crafts, and mosque of five domes
<b>Gastronomy</b>	<input type="checkbox"/> Traditional Adjarian dishes (Borano, Sinori, Nagbibora, etc.) <input type="checkbox"/> Local products (dairy products, such as Kaymagi) <input type="checkbox"/> Jara (wild) honey

Source: NNLE Tourism Product Development Agency of Adjara, conducted interviews.

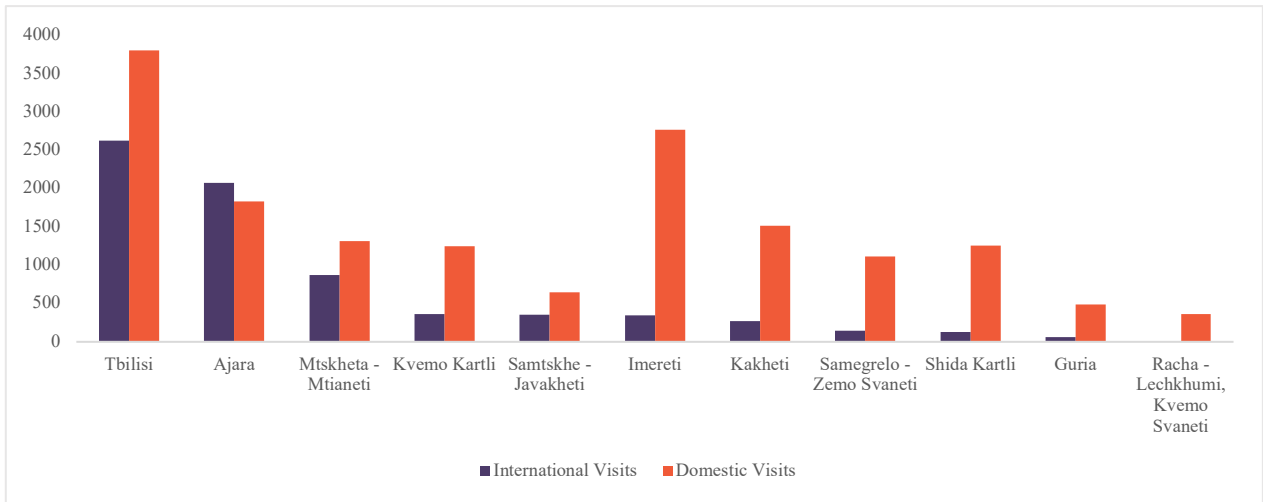
To conclude, there are many touristic assets in all three selected municipalities, each of them having its unique attractions and offerings. Notably, the natural attractiveness of the municipalities is most prominent, creating opportunities for the development of adventure tourism, as well as agricultural tourism. Currently, the tourist locations are still underdeveloped, however, those can be marketed and sold to potential visitors in combination with essential general and touristic infrastructural developments in the region.

## 5. Visitors in the Target Areas

In 2022, Adjara welcomed approximately 3.9 million visitors, including both domestic and international travelers. Among them, more than half were international visitors, accounting for 53% or a total of 2.1 million individuals. This corresponds to 45.1% of all international visitors to the country. When compared to the other 9 regions, Adjara holds the top position in terms of attracting international visitors.

With regards to domestic visits, Adjara received 1.8 million visitors, making up 11.2% of the overall visits. In terms of domestic visit numbers, Adjara ranks second after the Imereti region. However, Tbilisi, the capital city, leads in both international and domestic visitor statistics.

**Graph 1: International and Domestic Visits in Thousands in 2022**

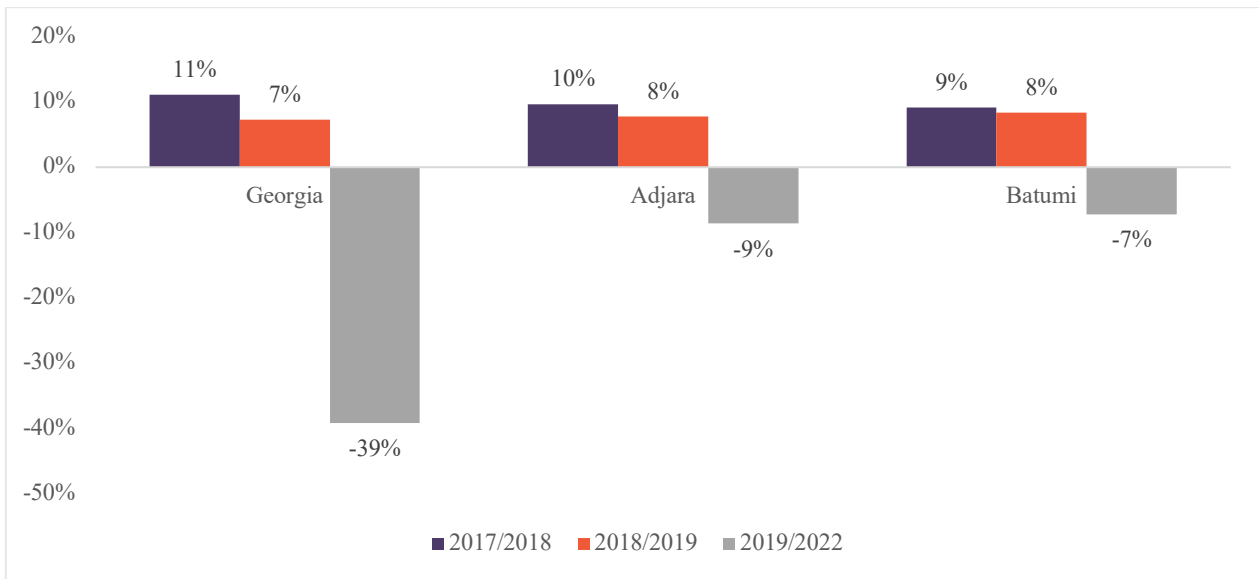


Source: Statistics Office of Georgia

Regrettably, there is currently a lack of data regarding international visitors at the municipality level, but information is available for domestic visitors. In terms of domestic visits, there are notable discrepancies among the municipalities of Adjara. In 2022, out of the three municipalities of interest, Keda recorded the highest number of domestic visits, totaling 72,338. Khulo Municipality followed with 52,722 visits, and Shuakhevi Municipality had 44,136 visits. These figures are significantly lower when compared to the considerable number of 1,313,207 visitors hosted by Batumi.

An interesting trend emerges when comparing the growth rates of the Adjara region with national statistics. The country observed consistent growth in the number of international visits over two consecutive years, escalating from 6.5 million in 2017 to 7.7 million in 2019. In 2022, there was a 61% recovery in international visits compared to 2019. During the same period, the region of Adjara also experienced an increase, with international visits rising from 1,919,207 in 2017 to 2,269,071 in 2019. In 2022, both Adjara and Batumi exhibited much stronger recovery rates compared to the national average, reaching 91% and 93%, respectively.

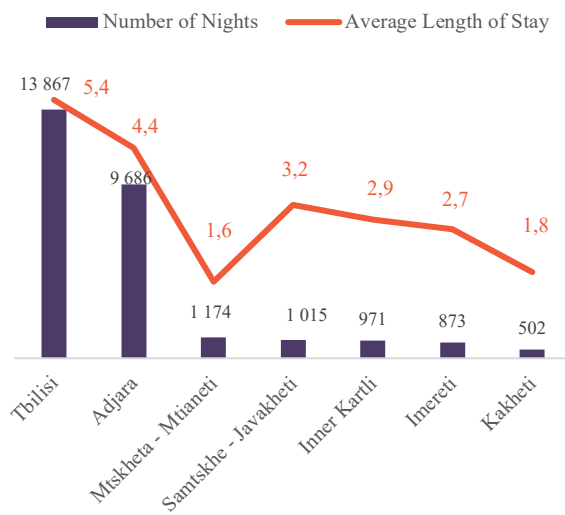
**Graph 2: The Dynamics of International Visitors during the 2018-2022**



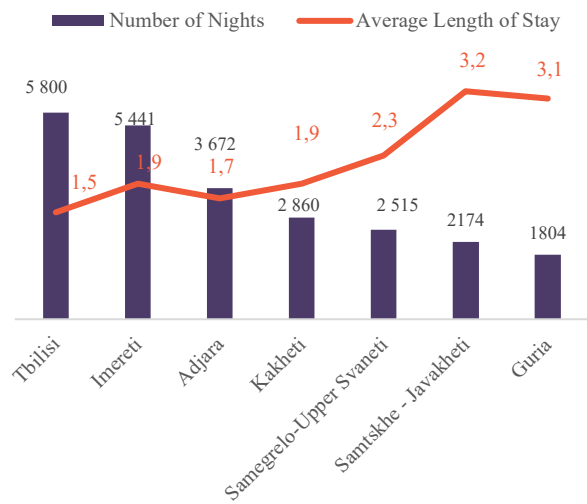
Source: Statistics Office of Georgia

In relation to the number of visits, the duration of stays in Adjara is also worth considering. In 2022, international visitors spent a total of 9,7 million nights in Adjara, amounting to approximately one-third of the total nights spent in Georgia. The average duration of their stay was 4.4 nights, which is the longest among all the regions in Georgia. It is worth noting that there has been a significant increase in both indicators compared to 2019. In 2019, the total nights spent in Adjara amounted to 7.9 million nights, while the average length of stay was 3.5 nights. This can be attributed to the significant increase of Russian migrants owning second homes in the region. On the other hand, domestic visitors spent a combined total of 3.7 million nights in Adjara, accounting for 22% of the overall domestic overnight stays. The average length of stay for domestic visitors was also 1.74 nights. Similar to international visitors, there was an increase in overnight stays and the average length of stay for domestic visitors in 2019 compared to the previous year, with 3.6 million nights and an average length of stay of 1.54 nights.

**Graph 3: International Visitor Nights in Thousands and Average Length of Stay in 2022**



**Graph 4: Domestic Visitor Nights in Thousands and Average Length of Stay in 2022**



Source: Statistics Office of Georgia

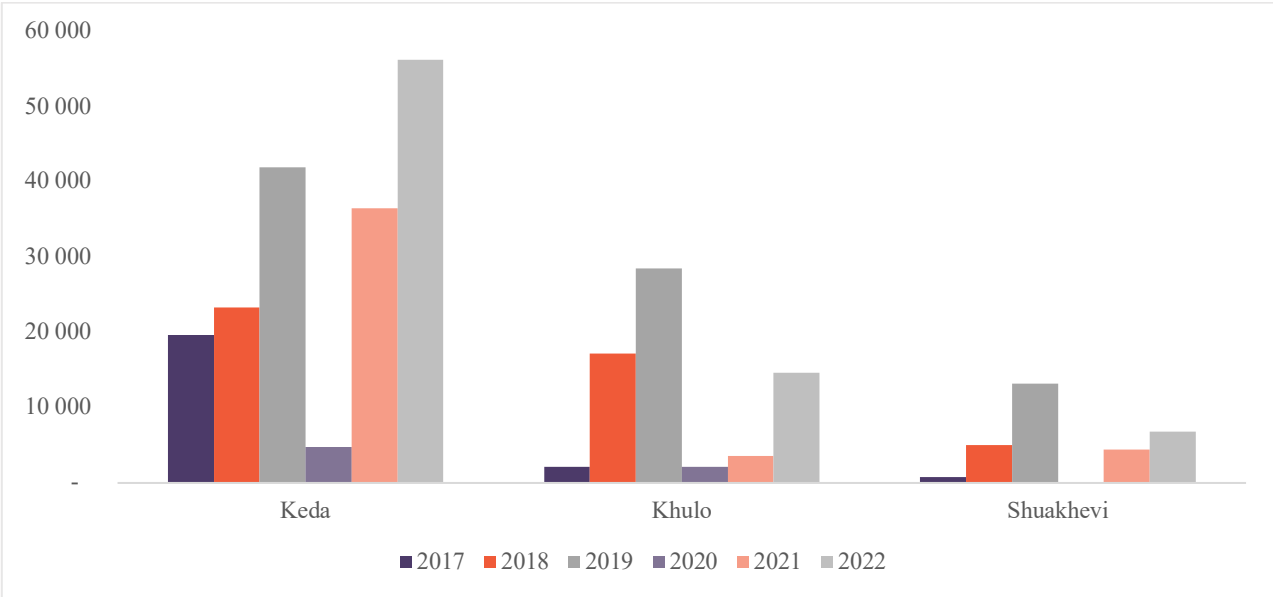
Another source of statistical data is based on estimates derived from the total number of visits to guesthouses located on tourist routes of target municipalities. These estimates were obtained through a survey conducted by tourism information centers using phone interviews. While the data is a rough estimation, it provides some insight into the variations between municipalities and the growth trends observed over the years.

According to the figures, Keda emerges as the most popular tourism destination among the three municipalities, accounting for 72% of all visitors in 2022. Khulo follows with a 19% share, and Shuakhevi lags behind with 9%. It is important to note that these percentages represent the distribution of visitors among the three municipalities.

Additionally, the data indicates that Keda has been quick to recover from the impact of the Covid-19 pandemic. In 2020, Keda showed an 87% recovery compared to the previous year, and by 2022, it had already achieved a 34% growth compared to the pre-pandemic levels in 2019. This recovery and growth can be attributed to several factors. Firstly, Keda's relative proximity to Batumi, a popular tourist destination, has likely played a role in attracting visitors who are seeking a more tranquil and nature-oriented experience. Additionally, the migration flows from Russia, who have shown a growing interest in owning second homes or temporarily living in Batumi, may have contributed to the increased tourism activity in Keda.

In contrast, the other two municipalities faced challenges in their recovery efforts. Khulo demonstrated only a 12% recovery in 2021, and it achieved a 51% recovery by 2022 relative to the visitor numbers in 2019. Shuakhevi, the third municipality, was particularly affected by the pandemic, showing a 33% recovery in 2021 and a 52% recovery compared to the visitor numbers in 2019.

**Graph 5: The number of visits to Keda, Khulo, and Shuakhevi**



Source: Tourism Information Centers of selected municipalities in Adjara

It is worth mentioning that the construction work on roads, particularly after the pandemic, has had a significant impact on tours from Akhaltsikhe and Batumi, further affecting the number of visitors to the target



municipalities. The ongoing construction projects have caused disruptions and limitations in terms of accessibility, making it challenging for tourists to reach the target municipalities. This has resulted in a decrease in the number of visitors and potentially hindered the overall tourism potential of the region.

These findings provide valuable insights into the performance and recovery patterns of the three municipalities in terms of tourism. However, it is important to note that the data is based on estimations and may not capture the entire tourism landscape accurately. Further research and data collection methods would be necessary to obtain a more comprehensive understanding of the tourism dynamics in these municipalities.

## 6. Protected Areas

Due to the inclusion of Mtirala Protected Area within the municipality of Keda, we conducted an analysis of Mtirala National Park. Situated in the southwestern part of the Caucasus, specifically within the Adjara-Imereti range near the Black Sea on the Kobuleti-Chaqvi range, the park spans across 15,698.8 hectares. It spans across the Municipalities of Kobuleti, Khelvachauri, and Keda.<sup>3</sup> While the administrative building is located in Chaqvi, the visitors center is situated in the village of Chaqvistavi, approximately 15 km away. This center provides exhibition and presentation halls where visitors can familiarize themselves with the National Park, available services, and tariffs and choose their preferred options.

For visitors seeking immersive experiences, the tourist trails within Mtirala National Park offer one or two-day adventures. These trails are well-marked and organized, featuring designated picnic and camping areas along with designated fire spots. Additionally, a tourist shelter can be found 9 km from the trail's starting point. The park caters to various activities such as hiking, horseback riding, and scientific eco-tours, providing ample opportunities to explore its natural wonders.

In 2022, the number of visitors to protected areas of Georgia reached 902,063, showing a significant growth rate of 53% compared to the previous year. However, the total number of visitors has not yet fully recovered to the levels seen in 2019, with a recovery rate of 75%. Notably, the recovery rate for foreigners was 80%, while for Georgians, it was also 70%. Out of the total visitors, foreigners accounted for 488,408, representing a growth rate of 57% compared to the previous year.

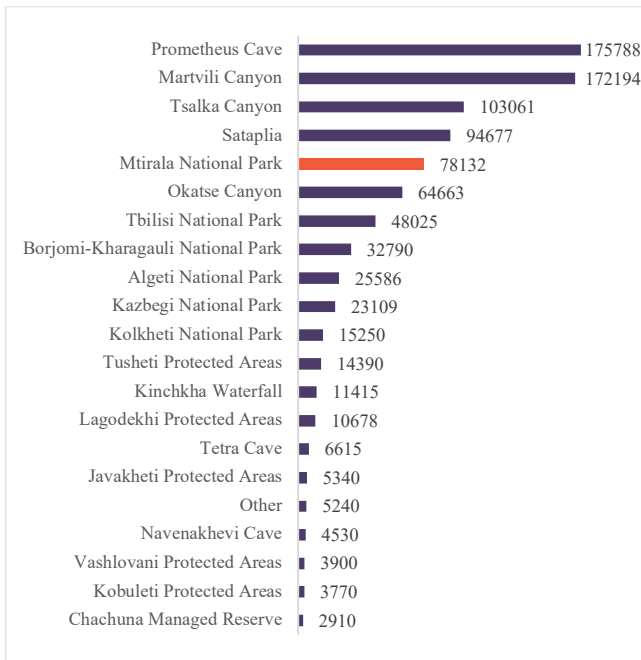
Mtirala National Park ranks fifth among protected areas in terms of total visits, with a recorded number of 78,132 visitors, representing a growth of 53% compared to the previous year. Impressively, compared to 2019, the park has fully recovered its total number of visitors and even experienced a 1% growth. This recovery can be primarily attributed to the increase in international visitors, totaling 62,176, which surpasses pre-pandemic levels by 11%. However, the number of domestic visitors, currently at 15,956, is still in the process of recovering and has reached 74% of pre-pandemic levels.

In terms of visitor rankings, Mtirala National Park secures the third position among protected areas when considering international visitors. However, it ranks ninth when analyzing the number of domestic visitors.

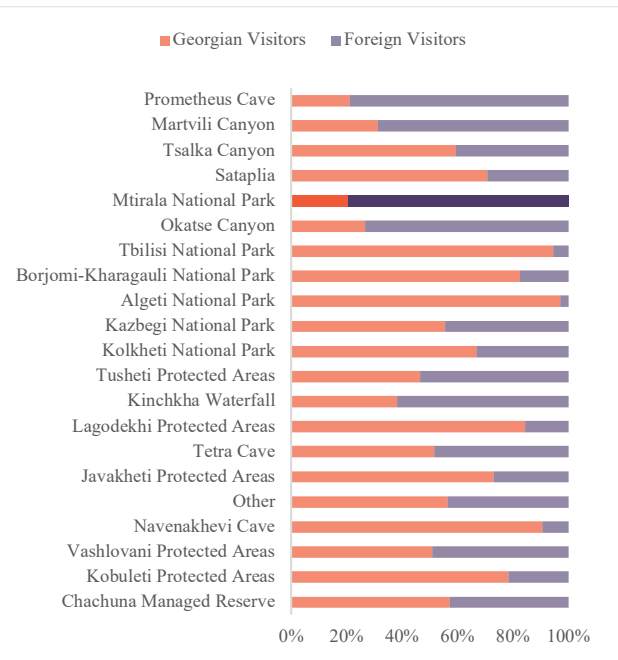
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<sup>3</sup> Please note that due to the geographical landscape, the chance of Mtirala Park visitors also visiting the villages of Keda is low.

**Graph 6: Visitors by Protected Areas in 2022**



**Graph 7: Georgian and Foreign Visitors in Protected Areas in 2022**

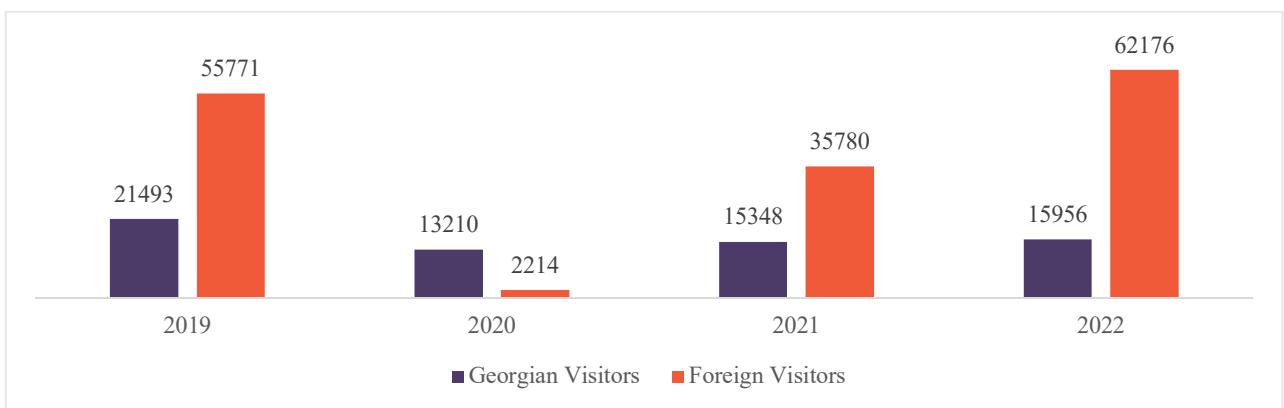


Source: Agency of Protected Areas of Georgia

The Covid-19 pandemic has had a significant impact on the influx of international visitors to Mtirala National Park. In 2020, the number of international visitors experienced a dramatic decline from 55,771 to a mere 2,214. However, there was a slight recovery in 2021, with 35,780 international visitors recorded. By 2022, the number of international visitors fully recovered compared to 2019, even showing an 11% increase.

Interestingly, the Covid-19 pandemic also affected the number of domestic travelers visiting the protected areas. The number of domestic travelers significantly decreased from 21,493 in 2019 to 13,210 in 2020. In 2021 and 2022, there was a slight increase, reaching 15,956 in 2022. However, compared to 2019, the recovery rate remains relatively low at 74%.

**Graph 8: Visitors by Protected Areas in Mtirala National Park in 2022**



Source: Agency of Protected Areas of Georgia

## 7. Accommodation

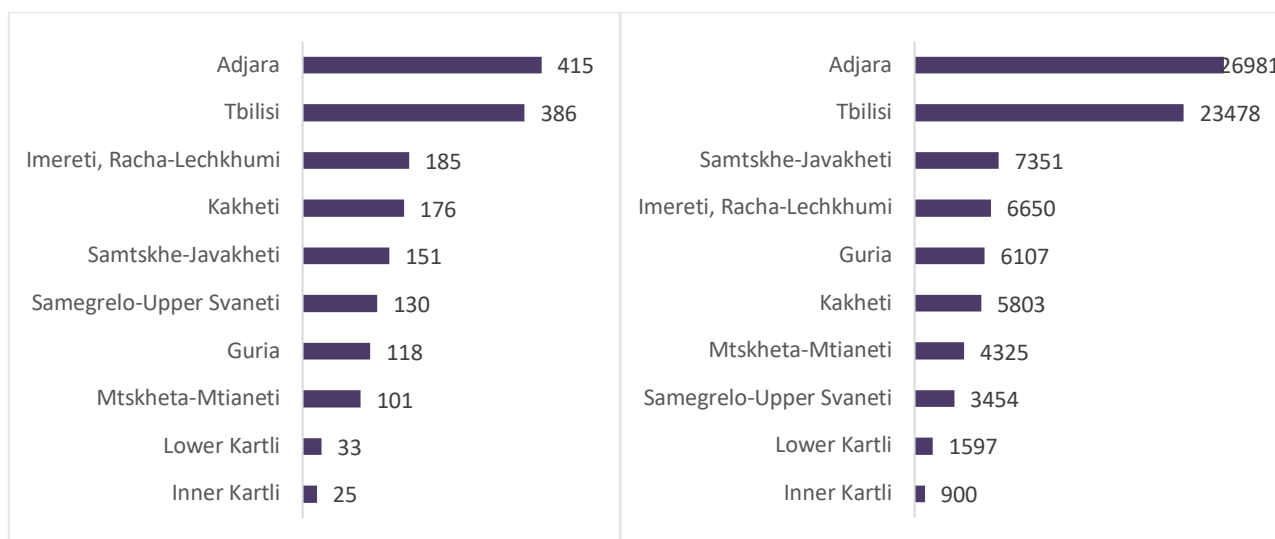
### 7.1. Overview of Regional Accommodation Statistics

According to Geostat, the total number of hotels in 2021 was 1,729, providing a combined capacity of 87,797 beds. Within this, the region of Adjara had the highest number of beds, accounting for 31% of the total, which is equivalent to 26,981 beds. It is worth noting that a significant portion of Adjara's capacity comes from the city of Batumi. Following closely behind, Tbilisi had 23,478 beds, representing a 27% share of the total capacity.

When examining the types of accommodations in Adjara, the majority consisted of hotels (74%), followed by guesthouses (23%) and cottages (2%). In terms of room types, the largest proportion was double rooms (45%), trailed by single rooms (31%). Luxury rooms accounted for 9%, while triple rooms made up 15% of the inventory.

**Graph 9: Number of Hotels by Regions in 2021**

**Graph 10: Bed Capacity by Regions in 2021**

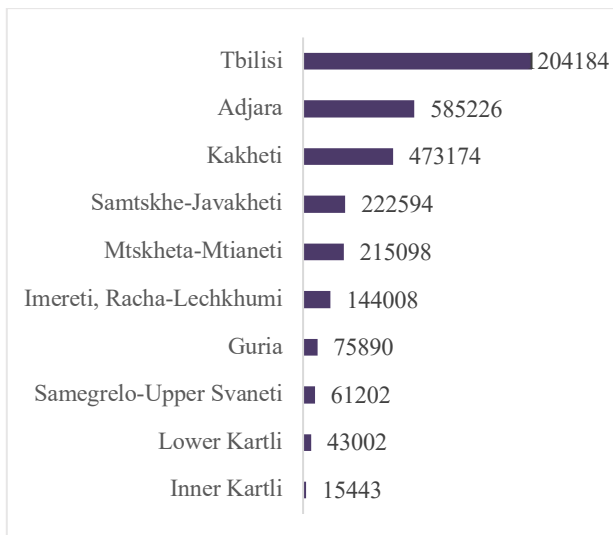


Source: National Statistics Office of Georgia

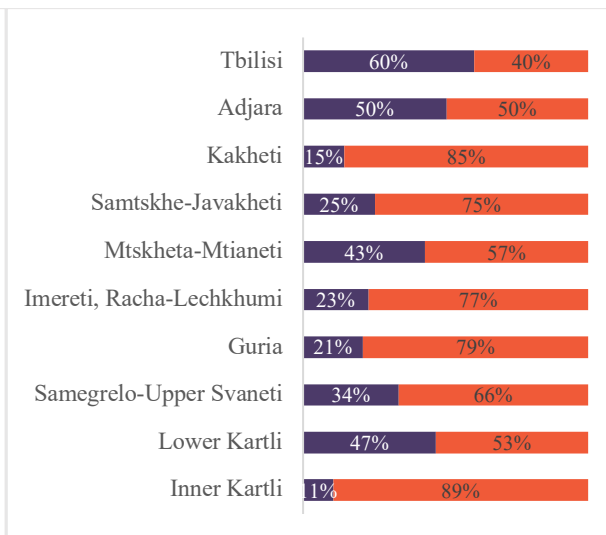
In 2021, the total number of guests staying in accommodations throughout Georgia reached 3,039,821, with foreigners accounting for 1,326,108 guests, equivalent to 44% of the overall figure. The most visited regions in terms of accommodations were Tbilisi (40%), Adjara (19%), and Kakheti (16%). Among foreign visitors, Tbilisi attracted the highest number, with 723,389 visitors (55%), followed by Adjara with 294,345 visitors (22%), and Mtskheta Mtianeti with 91,934 visitors (7%).

Foreigners constituted the majority of guests in hotels located in Tbilisi (60%), while in Adjara, their share was half of the total. Unfortunately, the nationality of the largest number of visitors to Adjara in 2021 was unknown (22%). However, among those whose nationality could be identified, 19% were from Asian countries, 17% were from Israel, 9% were from Ukraine, and 8% were from Russia and Turkey. The European Union accounted for 5% of the total, while Armenia and the United States constituted 2% and 1%, respectively.

**Graph 11: Number of guests in hotels by regions in 2021**



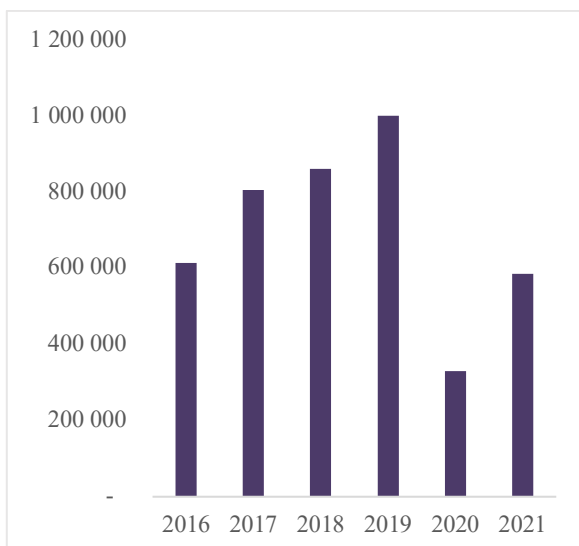
**Graph 12: Share of Georgian and Foreign Guests by Regions in 2021**



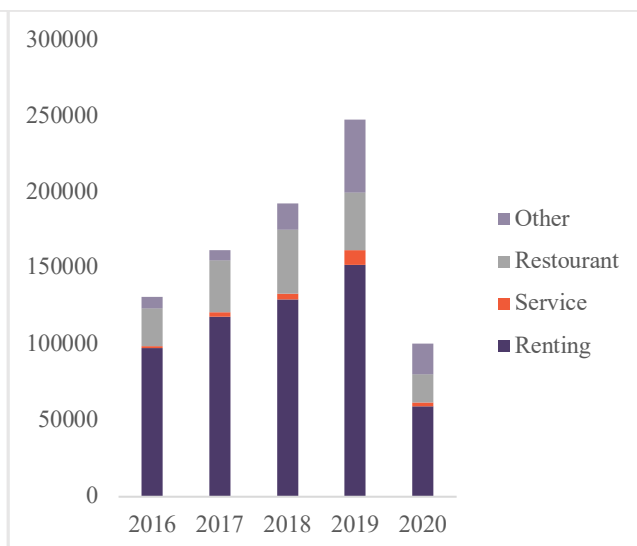
Source: National Statistics Office of Georgia

In Adjara, the number of guests reached a record high in 2019, surpassing 1 million guests. However, in 2020, due to the significant impact of the Covid-19 pandemic, the number of guests decreased drastically to 329,476. Similarly, the income from accommodations experienced a similar trend.

**Graph 13: Number of Guests in Adjara Hotels 2016-2021**



**Graph 14: Income of Adjara Hotels (Thousands) 2016-2020**



Source: National Statistics Office of Georgia

In 2021, the accommodations sector in Adjara employed a total of 4,675 individuals, with females comprising 53% of the workforce. The salaries paid to these employees amounted to approximately 40,362 thousand GEL during the same year.

## 7.2. Accommodation Units in Target Municipalities

The number of hotels in the municipalities of interest varies, providing diverse accommodation options for visitors. According to data from the Georgian National Tourism Administration (GNTA), Keda stands out with a total of 93 hotels, offering 268 rooms and 662 bed places. Shuakhevi follows with 41 hotels, providing 180 rooms and 498 bed places. Khulo boasts 84 hotels, offering 651 rooms and 1751 bed places, indicating a significant presence of accommodation facilities in the area.

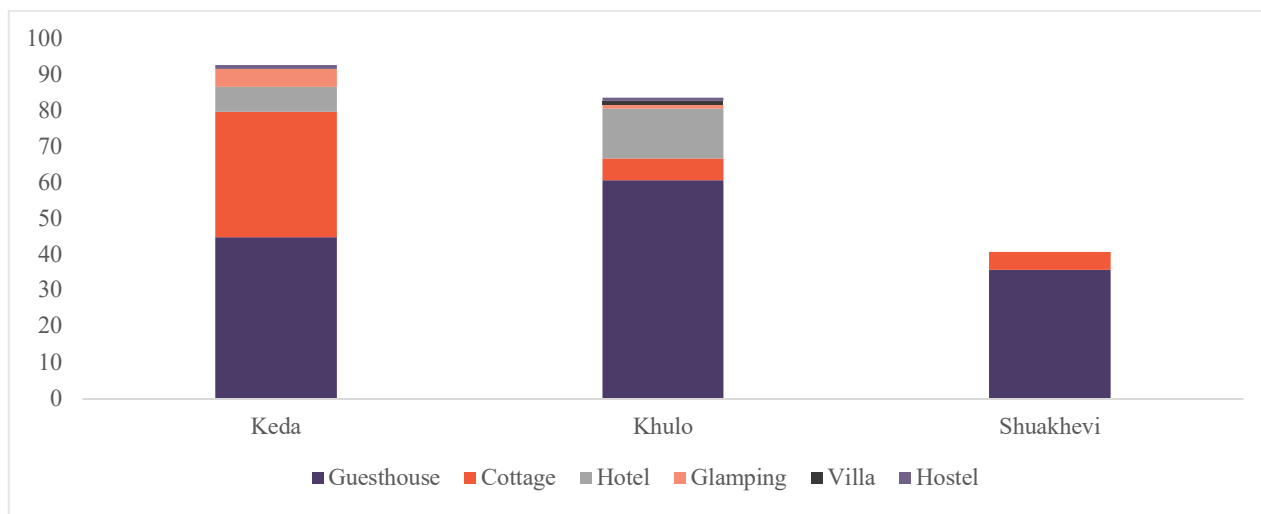
When examining the types of hotels in Keda, it is evident that the majority are guesthouses, accounting for 48% of the total, with a count of 45. Cottages make up 38% of the hotels, totaling 35 establishments. Traditional hotels contribute to 8% of the accommodations with 7 properties. Additionally, there are 5 glampings, representing 5% of the hotel options, and one hostel available for visitors.

Shuakhevi, on the other hand, has a more focused range of hotel types, primarily consisting of guesthouses, which make up 88% of the offerings with 36 establishments. Cottages represent the remaining 12%, with 5 hotels catering to visitors.

In Khulo, there is a diverse array of hotel types, providing various choices for tourists. Guesthouses are the prominent category, accounting for 73%, with 61 establishments. Traditional hotels also have a significant presence, comprising 17%, with 14 hotels in total.

The three municipalities offer a range of accommodation options, with each having its own unique composition of hotel types, catering to the diverse needs and preferences of visitors.

**Graph 15: Types of Hotels by Municipalities in 2022**



Source: Georgian National Tourism Administration

The next section analyses the main characteristics of the hotels in the target municipalities.

### 7.2.1. Facilities and Services

The interviews conducted reveal that Keda, both in terms of overall development and hotel infrastructure, stands out as a more advanced area compared to Shuakhevi and Khulo. The closeness to Batumi significantly affected the tourism sector development pace of Keda. In addition to that, the involvement of international partners has played a crucial role in providing the necessary infrastructure to ensure comfortable stays for guests. Among the interviewed accommodation units, five have received grants<sup>4</sup>, which have been instrumental in initiating their businesses and supporting their growth. These grants have been utilized for various purposes, including expanding operations, renovating kitchens, and offering gastronomic masterclasses, showcasing the commitment to improving guest experiences.

However, despite the significant assistance provided by grants, certain challenges persist. In particular, hotels in Shuakhevi and Khulo struggle to accommodate guests during the winter months due to the lack of cost-efficient heating systems and poor road conditions, which hinders their ability to attract visitors during that period. In addition to that, throughout the interviews, the infrastructural issues regarding the constant access to water were also mentioned in the case of Khulo municipality, hindering the provision of quality services to their visitors.

During the interviews, hotel owners expressed their aspirations for expansion and improvement. Considering the issues with access to electricity and the absence of gas infrastructure, one of the respondents from Khulo municipality noted that using solar panels was not deemed cost-efficient for the business based on the initial research. In Shuakhevi municipality, the owner of cottages plans to establish a restaurant for guests, although concerns have been raised about the accessibility of the restaurant for those not staying overnight. They also plan to create a wine cellar to enhance their offerings further. Another guesthouse in Shuakhevi aims to provide separate toilets for each room, renovate the yard, and undertake other enhancements to elevate the guest experience.

Many hotels in the region have utilized various types of grants to support their business development. However, it is worth noting that during the interviews, some respondents expressed their dissatisfaction with the Enterprise Georgia programs. They raised concerns about cases where recipients of the grants allegedly sold the equipment purchased through the grants. Additionally, there were doubts about the fairness and transparency of the grant competition process. These concerns highlight the importance of ensuring accountability and transparency in grant programs to maintain trust and prevent any misuse of funds or equipment obtained through grants.

It is worth noting that the hotels in the region also offer additional tourism services. For example, the guesthouse in Keda conducts gastronomy masterclasses and promotes them through platforms such as Booking.com and Airbnb. The owner plans to establish a Sunday school for Adjarian Gastronomy and organize tours along the 14 km marked routes, including Gomis Mta. Additionally, in Keda, the cottage not only offers masterclasses in preparing local food but also provides services for engagement parties and marriage proposals on a glass bridge. This unique feature adds an element of romance and exclusivity to the overall experience, allowing visitors to create memorable moments against the breathtaking backdrop of the glass bridge. In Khulo, the glamping site owner offers yoga classes and provides a small events venue.

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<sup>4</sup> Please, note that the selection bias was present throughout the analysis due to the fact that the financed businesses are more open to providing insights on interviews and have more trust towards NGOs and international partners, and thus were more likely to accept being interviewed under this study.

Regarding entertainment facilities, the offerings in the hotels are somewhat limited. Only one guesthouse in Keda currently provides a swimming pool and a children's playground, with plans for further expansion. Additionally, there is another hotel that specializes in catering to the growing trend of Instagram tourism. This hotel offers unique photo zones featuring attractions such as a bridge, heart-shaped installations, and a swing, specifically targeting Instagram bloggers and photography enthusiasts. These picturesque settings provide ideal backdrops for capturing stunning photos and creating memorable content to be shared on social media platforms.

In conclusion, Keda stands out as a more developed area compared to Shuakhevi and Khulo. Challenges related to heating systems and road quality remain in Shuakhevi and Khulo, but the hotel owners in these areas are actively expanding their businesses and striving to enhance the guest experience. Their dedication to improvement reflects their efforts to attract more visitors to the region. However, further development, particularly in terms of entertainment facilities, is needed to enhance the overall tourism experience in the area.

### 7.2.2. Work Force and Entrepreneurship Skills

Most of the interviewed guesthouses primarily focus on providing accommodation services, with occasional offerings of food and transportation. Due to the relatively low number of visitors they receive at once, these guesthouses can rely on their family members and do not require additional hired staff. As a result, they do not engage in any cooperation with professional or vocational education providers. However, some hotels do hire additional staff during peak seasons. For example, a guesthouse in Keda employs two housekeepers when the demand is high.

The owner of the glamping site in Khulo also hired the number of employees. However, he has observed that it is challenging to employ young people in the area. Despite offering better salaries, many young individuals prefer to seek employment opportunities in Batumi. However, the staff composition mainly consists of women, including four people in the kitchen, two cleaners, two drivers, two receptionists (one from Tbilisi and one local), two helpers, and one marketer from Tbilisi, totaling 13 people. It was relatively easy to find staff in Tago who were seeking jobs and were attracted by the offered salary. However, skilled workers are difficult to find locally, according to the glamping owner. In terms of training, government organizations primarily provide training programs. However, in one case, a guesthouse in Keda took the initiative to hire a company to conduct training on culinary skills, aesthetics, security, and other relevant areas.

The issue with the lack of a labor force was often stated by other respondents as well. In particular, one of the respondents mentioned that the residents, which are receiving social benefits from the government, are less interested in employment opportunities that the tourism service providers are offering to them. In addition to the challenges posed by migration from Russia, respondents also highlighted the issue of migration from villages and from the country to European countries as a significant factor in acquiring relevant staff. The migration of individuals to cities such as Batumi and Tbilisi, as well as the migration abroad, has created difficulties in finding qualified personnel for the tourism industry. This ongoing trend of migration has affected the availability of a skilled workforce, posing a challenge for businesses in the region.

Language skills do not seem to be a significant problem for most hotels. They mentioned being proficient in Russian, and their children are capable of speaking English. In particular, the glamping site in Khulo mentioned that most of the local staff members do not necessarily need to speak English as their tasks do not require extensive verbal communication. However, some of the staff members possess language skills to bridge any communication gaps, ensuring smooth operations.



In conclusion, the interviewed guesthouses primarily operate with family members and have limited hiring requirements. Employment of young individuals is challenging, leading to a predominantly female workforce. They hire external companies for specialized training. Language skills, particularly Russian and English, are generally sufficient for effective communication with guests.

### 7.2.3. Marketing

The hotels located in the three municipalities have distinct target markets. Some establishments specialize in catering to hikers, mountaineers, motorcyclists, and bikers, while others focus on accommodating public servants and hired labor involved in temporary projects in the municipalities. The nationalities of the visitors also vary among the hotels, with some establishments attracting a majority of European guests, while others primarily cater to visitors from post-Soviet countries. Most hotel owners indicated that their guests primarily fall within the young age segment, although one establishment mentioned attracting visitors from all age groups. The main purpose of the visitors is commonly identified as engaging in nature and adventure activities, as well as visiting old bridges.

The owner of a guesthouse in Khulo expressed that the tourism services in the area are not as well-developed as in Keda. They highlighted issues such as unmarked routes and poorly functioning restaurants. The presence and representation of the hotels on the internet also vary. Some establishments lack the necessary skills to operate booking systems and are considering involving their children in the process. Others are actively represented on platforms like Booking.com, Airbnb, and have their own Facebook pages. One guesthouse relies solely on Instagram for their online presence. Google Maps was also mentioned by respondents as an important source of information for visitors. Personal contacts with guides and tour operators were highlighted as playing a crucial role in attracting visitors to the hotels.

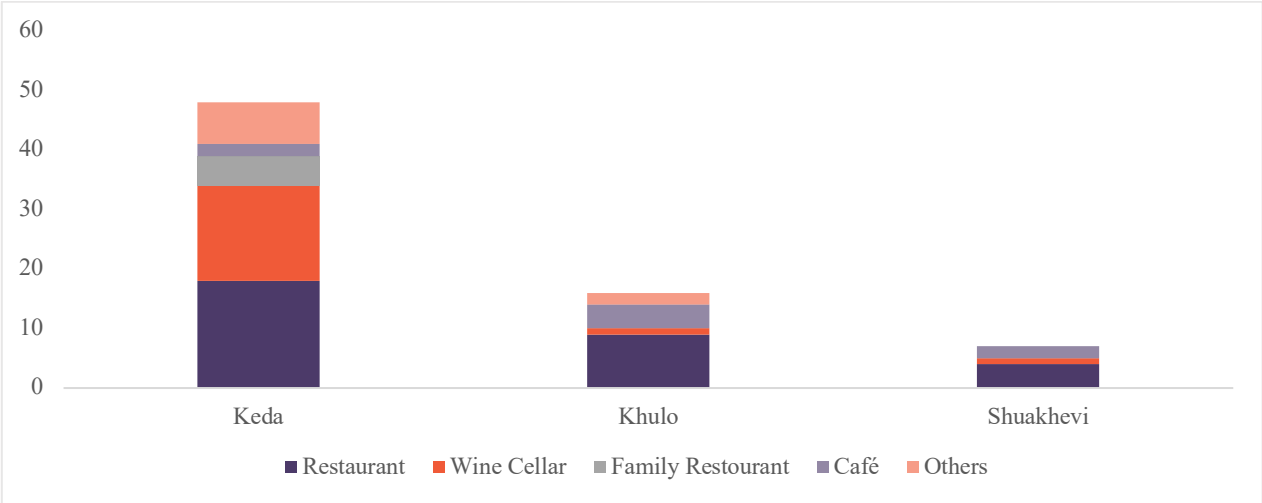
While each municipality has its own unique characteristics and challenges, there is a common focus on providing nature-based experiences and adventure activities for visitors. Continued development of tourism infrastructure and improvement of services can enhance the overall visitor experience and contribute to the growth of tourism in the region.

### 8. Food and Beverages

Among the three municipalities, Keda stands out with the highest number of food establishments, totaling 48. Khulo follows closely with 16 establishments, while Shuakhevi has 7. In terms of variety, Keda offers a diverse culinary scene, with 18 restaurants, 16 wine cellars, 5 family restaurants, and 3 trout restaurants. Additionally, visitors can find a few bars, cafes, picnic restaurants, and even a wine factory, providing a wide range of options to suit different preferences.

Khulo, as the second-highest municipality in terms of the number of restaurants, offers 9 restaurants along with several cafes, providing a decent selection of dining options. On the other hand, both Shuakhevi and Khulo have only one wine cellar each, indicating a more limited presence in terms of wine-focused establishments. Shuakhevi also boasts 4 restaurants and 2 bars, providing additional options for visitors to enjoy local cuisine and socialize.

**Graph 16: Food service facilities by municipalities in 2022**



Source: Georgian National Tourism Administration

One of the main challenges faced by restaurants in the municipalities is the availability of necessary ingredients for their food offerings. This is particularly problematic for restaurants located in remote villages, as they often need to travel to Batumi to acquire the required ingredients. The local prices in these remote areas tend to be higher compared to Batumi or even other parts of western Georgia. Furthermore, the limited number of tourists in these areas contributes to a decrease in local economic activity, making it more difficult for restaurants to obtain ingredients from nearby sources.

According to a restaurant owner in Shuakhevi, the majority of their customers before pandemic were from tours from Akhaltsikhe. However, due to the pandemic, they started receiving workers involved in road construction projects, and as other restaurants were closed, they experienced a good income. After pandemic the tours from Akhaltsikhe significantly decreased due to the ongoing construction of roads. The owner further noted that Khulo has a larger size compared to Shuakhevi, and the villages within Khulo are in close proximity to each other. This geographical advantage facilitates easier trade engagement among the villages in Khulo. On the other hand, in Shuakhevi, the presence of small households results in a preference among people in Khulo to

travel to Batumi for trade rather than to Shuakhevi. This indicates that the trading dynamics in Khulo and Shuakhevi differ due to the geographical layout and economic considerations, leading to a greater inclination towards Batumi as a trading destination.

Regarding training, the owner mentioned that they had not experienced a lack of training opportunities offered by various organizations. In some cases, they even host the organizers of these training programs in their establishment. However, they expressed the need for grants to support their business operations and services. The current labor force is sufficient to meet the current demand, but in the event of a tourism boost, potential issues may arise due to the limited workforce available in the municipality.

These challenges highlight the need for solutions that address the supply chain for ingredients, encourage local economic development, and provide support in the form of grants to improve and sustain the operations of restaurants in the municipalities. Additionally, efforts should be made to address potential labor shortages that may arise during periods of increased tourism activity, ensuring a smooth and sustainable hospitality sector in the region.

## 9. Tour Operators and Guides

The qualitative analysis reveals that throughout the past years, the interest in engaging in tours and touristic routes in selected municipalities in Adjara has been increasing. Currently, there are some local tour operators and guides based in Adjara region, however, notably, the major operators are based in the administrative center of the region – Batumi. In addition to that, the NNLE Tourism Product Development Agency of Adjara provides information regarding the range of touristic activities and locations in selected municipalities in Adjara. Therefore, positive dynamics are present in the provision of itineraries and the lists of places to see that the tourist can follow.

Considering the availability of information on major tourist activities and destinations in selected municipalities in Adjara, in combination with the existence of Tourism Information Centers in all three municipalities, a significant share of visitors plan their own trip, instead of using the services of national tour operators.

On the other hand, local tour operators still see the demand for touring services in selected municipalities in Adjara, especially from Russian-speaking visitors, visitors from Arabic countries, and visitors from Israel. Based on the information provided by the tour operators and agencies, the most demanded locations by international visitors include Merisi, Chirukhi Mountain, Tago, and Goderdzi.

In addition to that, the Makhuntseti in Keda municipality is also popular among travelers that use tour operator services. The Makhuntseti location provided a large set of active tourism services, in particular: rafting, horseback riding, quad bike tours, jeep tours, jeep tours<sup>5</sup> in combination with snow quad tours,, go-kart racing, and paintball. Among the listed services, rafting is the most demanded activity in this location. Based on the conducted interviews, the majority of village residents own rafting boats, summing up to 40 boats in total. Meaning that providing rafting services to visitors throughout the summer period acts as an additional source of income for a significant part of the residents in the village. Notably, the conducted interviews revealed that both minority and non-minority religious groups are involved in such activities. The development of adventure tourism in the village incentivized the young residents of the village, no matter the religion, to be more involved in the sector and, in such way, provide additional income to their households.

The main target group of the tourism service providers in Makhuntseti village is visitors from Arabic countries and Israel. The type of visitors varies, with the majority of them traveling as a group, followed by couples and families. Notably, active tourism service providers generally use signboards on the main road to attract visitors, and in some cases, they are acquainted with incoming tour operators targeting visitors from the above-mentioned countries.

It must also be noted that, currently, there is a lack of certified mountain guides operating in selected municipalities in Adjara despite the existence of relatively high-risk touristic routes. Generally, a significant share of guides operating in selected municipalities in Adjara are also providing other tourism-related services, and the tours are additions to their activities. For instance, from the perspective of accommodation service providers, the demand for guide services is high among their visitors, and often the owners of guesthouses act as tour guides for their visitors, providing them with all relevant information. The types of tours provided by them include walking, hiking tours, and tours with their private vehicles.

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<sup>5</sup> The jeep tours provided in Makhuntseti village cover a larger area of selected municipalities in Adjara. In particular, the tours start in Makhuntseti with jeeps and end with snow quad tours in Goderdzi.

## 10. Souvenirs and Crafts

Currently, in selected municipalities in Adjara, there are not many places selling souvenirs and crafts for tourists, however, the development of the tourism sector creates additional opportunities for local actors. For instance, in Shuakhevi municipality, few respondents stated that they have plans regarding the sales of souvenirs in addition to the already provided tourism services.

For now, in Keda municipality, the major distribution space for souvenirs and crafts is the nearby area of Makhuntseti waterfall. According to the respondents, the demand is present from the visitors of the natural sight. In addition to souvenirs and crafts, local produce is also sold at that location, particularly local honey is most popular among the visitors.

Based on the interviews, Ghorjomi Gorge poses great potential for the development of crafts and ethno-tourism in selected municipalities in Adjara. Currently, promotional and other supportive activities have been provided both within the governmental and international partner/donor organizations' projects. In particular, the EU-supported Rural Development Project launched in Khulo in 2020 and the Georgia government's project in 2022 supported local craftswomen in Ghorjomi Gorge. The craftswomen are now equipped with essential tools and produce decorations, such as tablecloths and other items inspired by traditional ornaments. Those crafts are in the process of being marketed as tourist products and can be sold to potential visitors. Notably, the involvement of women in the creation of such crafts is not against the traditional and religious beliefs of the residents of villages, therefore, the opportunities are present to involve more religious minorities, women, including young women, in the manufacture of ethnographic crafts.

In addition to that, in Khulo, adjacent to the Khulo-Tago Cableway and Khulo Tourism Information Center, local actors are also selling souvenirs and local products, considering that the majority of tourists visiting Khulo or using Khulo as a transit to move to other locations, such as Goderdzi or Beshumi, have to go through this area. In addition to that, other attractive areas for the sale of souvenirs and crafts include the territory of the Goderdzi Alpine Botanical Garden and Goderdzi Ski Resort. Notably, several souvenir producers in selected municipalities in Adjara also participate in festivals and local holiday celebrations, such as Beshumoba on the first weekend of August.

## 11. Transport

Keda, Shuakhevi, and Khulo municipalities are accessible from west and east transport roads via Batumi-Akhalsikhe connecting route. In particular, Keda can be reached from Batumi in approximately 45 minutes - 1 hour through Khelvachauri (42 kilometers) due to road reconstruction works. The travel time is expected to decline to about 30 minutes at the end of the reconstruction period. From Keda municipality center, Shuakhevi can be reached in 35-45 minutes (28 kilometers). From Shuakhevi municipal center, Khulo municipality center can be reached in 30-35 minutes (17 kilometers). The road infrastructure connecting villages to the main road is not developed in the majority of cases. For instance, reaching Goderdzi Ski Resort can be complicated, despite the distance being 26 kilometers from Khulo, the average travel time can range from 1.5 hours to 2.5 hours, depending on the road conditions, the type of the vehicle, and the season of the year. The road infrastructure is in a worse condition due to ongoing construction works from the east side, according to the respondents. The distance from Akhalsikhe to Goderdzi is approximately 57 kilometers, and the average travel time can be up to 3 hours, similarly, depending on the road conditions, season of the year, and type of vehicle used. The travel time from Akhalsikhe to Goderdzi is expected to decline significantly after the end of road construction, meaning that the resort will become more easily and quickly accessible from the capital city.

Shuttle buses depart from Central Old Batumi Bus Station every hour to Keda, Shuakhevi, and Khulo district centers. The price of municipal transport ranges from 3 to 5 GEL, based on the distance from Batumi. Intra-village shuttle buses depart directly from the district center. However, respondents note that due to the declining number of residents in the villages and, therefore, the lack of demand for transport, the number and frequency of intra-village routes are low.

Apart from public transport, some visitors use taxi services to move to the district centers and villages of selected municipalities in Adjara. Considering the difficulty of roads, especially to villages and natural attractions, the types of vehicles should be chosen in accordance to ensure safe movement across the region. One of the respondents noted that some of the visitors of the region use their own vehicles, including off-road cars, jeeps, mountain bicycles, and motorbikes. In some cases, the incoming or local tour operators take the responsibility for providing transportation to their customers. In the case of groups, sometimes large shuttle buses or minivans are used, however, in that case, many tourist destinations may stay out of reach for visitors. On the contrary to that, tour operators also offer jeep tours to reach destinations with low-quality or no road infrastructure.

The issues with road infrastructure were among the most often stated challenges for tourism sector representatives. In particular, the roads are often closed in winter due to high precipitation/snow and cases of landslides. Some respondents noted that throughout the past years, they have experienced the shutting of their villages from the main roads and district centers due to high snowfall. This poses significant challenges not only for the transportation of the travelers but the fulfillment of basic needs (for instance, medical needs) of people residing in those villages. The clearing of the roads is challenging for the municipal administration due to a lack of relevant resources, and according to respondents, those road-clearing activities are not provided efficiently.

In addition to that, the majority of the respondents demonstrated their dissatisfaction with the pace of the construction of the road from Batumi to Khulo and, more importantly, from Akhalsikhe to Khulo, both of which are ongoing infrastructural projects.

## **12. Stakeholders**

### **Georgian National Tourism Administration**

The Georgian National Tourism Administration (GNTA) plays a crucial role as a stakeholder in the tourism development of the municipalities, working in collaboration with the Department of Tourism and Resorts in the Adjara Autonomous Republic. As a legal entity of public law and part of the Ministry of Economy and Sustainable Development of Georgia, the GNTA operates independently to regulate and oversee the state's tourism activities.

The GNTA's primary goals and objectives revolve around formulating and implementing state policies for tourism development in Georgia. They are dedicated to promoting sustainable tourism practices, fostering a high growth rate in export income, and creating employment opportunities within the country's tourism sector. Furthermore, the GNTA actively endeavors to attract foreign tourists to Georgia while simultaneously focusing on the development of domestic tourism.

In pursuit of these objectives, the GNTA prioritizes the enhancement of tourism destinations, infrastructure, and human resources. They work towards improving the overall tourism experience by investing in the development of tourist destinations and ensuring the availability of adequate infrastructure facilities. Additionally, the GNTA recognizes the significance of human resources in the tourism industry and emphasizes the importance of continuous development and training in this field.

Collaboration between the GNTA and the Department of Tourism and Resorts in Adjara is instrumental in advancing tourism development efforts in the region. By aligning their initiatives, these entities aim to create a sustainable and thriving tourism industry that contributes to the economic growth of the Adjara Autonomous Republic.

### **Department of Tourism and Resorts in Adjara**

The Department of Tourism and Resorts of Adjara Autonomous Republic is a government organization focused on supporting and developing tourism in the Adjara region. Its primary objectives include promoting the region as a tourist destination at national and international levels, diversifying and enhancing tourism offerings, and improving overall service quality in the area.

To achieve its goals, the department engages in various activities such as establishing collaborations with private, civil, and public organizations, as well as self-governing units and international entities. It adopts innovative methods for tourism management, raises awareness among the local population and stakeholders, regularly collects and analyzes tourism-related information and data, and formulates recommendations and proposals for tourism development.

Working in conjunction with the department is the Tourism Product Development Agency, a non-commercial legal entity that operates under its supervision. Together, they contribute to the growth and advancement of tourism in Adjara.

### **Tourism Product Development Agency**

The Tourism Product Development Agency, formerly known as the Batumi Tourism Agency, was established by the Department of Tourism and Resorts of Adjara Autonomous Republic in 2015. The agency's primary

responsibilities revolve around creating and developing tourism products, managing Information Centers, and improving service quality.

Since its establishment, the Tourism Product Development Agency has been actively focused on expanding tourism beyond the coastal areas and into the mountainous regions of Adjara. This involves initiatives such as creating and enhancing rural tourist routes, introducing new services and improving existing ones, installing information boards and bicycle racks, developing route maps, organizing thematic events, linking guesthouses with tourist routes, providing training for guesthouse owners, and engaging in promotional activities. The agency also manages and regularly updates the tourist information database.

The agency operates nine information centers, with five located in the city and four in the mountainous municipalities of Adjara. These centers serve as valuable resources for visitors, offering information about the region and a wide range of tourist services. Additionally, the Tourism Product Development Agency collaborates with other institutions, engages in tourism-related projects in the region, works with international organizations, and actively participates in conferences and seminars on various aspects of mountain tourism.

### **Agency of Protected Areas**

The Agency of Protected Areas plays a crucial role in safeguarding the natural heritage of Georgia, including the expansive territory of Mtskheta National Park in Keda. With a mandate to manage and preserve strict nature reserves, national parks, natural monuments, managed nature reserves, and protected landscapes, they are instrumental in maintaining these areas' ecological balance and biodiversity. Through its conservation efforts, the agency ensures the long-term sustainability of the region's natural resources while promoting environmental education and responsible tourism practices. Their dedication to protecting and enhancing these protected areas contributes to the overall ecological health and beauty of Keda and its surrounding regions.

### **Enterprise Georgia**

Enterprise Georgia, operating under the Ministry of Economy and Sustainable Development of Georgia, actively fosters an entrepreneurial culture in the country by promoting the business establishment and providing grants and co-financing opportunities. Within the range of programs administered by Enterprise Georgia, the Micro and Small Business Support (MSBS) Program, which awards microgrants, holds particular relevance for the target area. Local residents are well-informed about the program, and several individuals have previously participated, with some achieving successful outcomes. Tourism-related goods and services are prioritized sectors in all business support programs facilitated by the agency.

The implementation of the Micro and Small Business Support Program involves several stages. Initially, competition for business ideas allows individuals to submit their proposals for consideration. In the subsequent stage, shortlisted candidates receive training on developing a business plan. Finally, the shortlisted candidates present detailed business plans for their proposed ventures during the final selection stage.

Since its inception in 2016, the Micro and Small Business Support (MSBS) program has successfully conducted six rounds of applications. Currently, the 2023 round is in progress, with the results yet to be announced.

Based on data provided by Enterprise Georgia, the program has awarded a total of 4,482,685 GEL to finance 430 business ideas in the municipalities of Keda, Shuakhevi, and Akhalkalaki during the first five rounds. Among these, 157 business ideas, receiving a total funding of 1,853,666 GEL, were related to the tourism sector. This accounts for 41.4% of the funds allocated to the municipalities, emphasizing the significance placed on supporting the growth and development of tourism-related ventures.

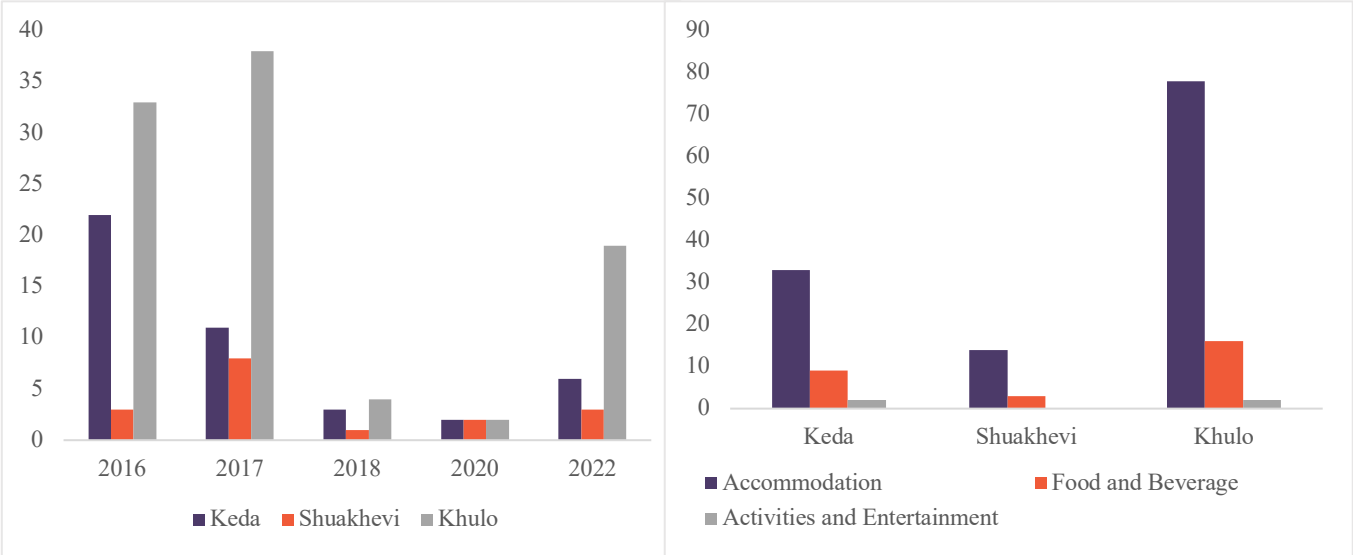


The tourism sector encompasses various areas, including accommodation units, restaurants and cafes, tour guide services, entertainment activities, arts and recreation, and food and beverage services. These sectors have seen significant support through the MSBS program, with beneficiaries representing a diverse range of businesses within the tourism industry.

For a comprehensive breakdown of the beneficiaries by year and sector, please refer to Figure 16 and Figure 17, which provide visual representations of the data. These figures offer insights into the distribution of support across different years and highlight the sectors that have received the most significant funding within the MSBS program.

**Graph 17: Tourism Sector Beneficiaries of the Micro and Small Business Support Program, by year and municipality**

**Graph 18: The Beneficiaries of the Micro and Small Business Support Program, by profile and municipality 2016-2022**



Source: Enterprise Georgia

These figures suggest a decline in interest in the program across all three municipalities in recent years, potentially influenced by the ongoing pandemic, but a clearer understanding of the trend will emerge once the outcomes of the current 2023 call are announced.

Additionally, the Business-Universal program, aimed at providing collateral and co-financing the interest rate on commercial bank loans for SMEs, has supported the funding of four hotels in Khulo, totaling 3,658,397 GEL, along with one eco-tourist facility and one food and beverage establishment in Keda, amounting to 1,170 and 56,269 GEL respectively as of May 2023.

**International Partner/Donor Organizations**

Throughout the conducted interviews, a few international partners emerged as enablers of private sector development in tourism direction.

In particular, the European Neighborhood Program for Agriculture and Rural Development<sup>6</sup> (ENPARD) the project was implemented in Khulo Municipality. Starting from June 2017, Caritas Czech Republic in Georgia (CCRG), with the support EU implemented the project “Promotion of Rural Development and Diversification in Khulo Municipality”. The objective of the project was the improvement of employment and living conditions through the diversification of the rural economy. Tourism service providers, local food producers, and handicraft workers were among the target groups of the project. The ENPARD’s rural development project was also implemented in Keda municipality by Caucasus Environmental NGO Network (CENN)<sup>7</sup>. Both of the projects included a funding component aimed at the development of private sector. Through this financing, some of the businesses were deemed to be successful in their business development and are currently actively working in the tourism sector. On the other hand, a significant number of respondents expressed their dissatisfaction with grant programs offered by international partners. They highlighted that the results of these programs were perceived as unfair, with some beneficiaries not utilizing the grants according to the initially submitted projects. As a result, this has led to a loss of interest and trust among respondents in such donor-funded projects.

In addition to EU funding, the respondents mentioned the support of USAID in the direction of the rural economy and environment in selected municipalities in Adjara. One of the respondents noted that USAID has been among the first organizations that took part in the development of selected municipalities in Adjara since 2005. Initially, the level of trust in the organization was low, however, the provided infrastructural and private sector support activities since then improved the attitude of the residents towards the support projects of international organizations.

Despite the mentioned improvements, there are still issues regarding the flow of information between international partners and MSMEs (Micro, Small, and Medium Enterprises), as well as a lack of understanding of the local environment and existing challenges by international partners. Respondents pointed out difficulties in accessing information about ongoing donor projects and grant competitions in the municipality. Furthermore, they expressed dissatisfaction with international partners due to their limited understanding of the unique characteristics and specific needs of the region. Unless addressed, these challenges could hinder effective collaboration and hinder the successful implementation of donor-funded initiatives in the area.

### Financial Institutions

Adjara is well-represented in terms of the number of banks operating in the region, with 12 out of the total 14 banks in Georgia. However, the diversity of banks is primarily concentrated in Batumi, whereas other municipalities have a limited presence. Specifically, in selected municipalities, Khulo has branches of 4 banks, while Keda and Shuakhevi have 2 and 1 banks, respectively.

Table 1: Banking entities in Adjara and selected municipalities

Region/Municipality	Branches and Service Centers	ATMs	Number of Banks
Adjara	79	304	12

<sup>6</sup> <http://www.khulolag.ge/en/about/project>

<sup>7</sup> <http://www.cenn.org/eu-supported-rural-development-projects-in-keda-and-khulo-municipalities-of-adjara-summarised-their-results/>

Keda	3	6	2
Shuakhevi	2	4	1
Khulo	5	7	4

Source: National Bank of Georgia

Furthermore, Adjara is also well-represented in terms of branches and service centers of the banks, with a total of 79. However, the majority of the branches and service centers (70%) are located in Batumi, leaving less than a third of them for other municipalities. In particular, Khulo has 5 branches and service centers, while Keda and Shuakhevi have 3 and 2 of them, respectively.

Moreover, there are 304 ATMs in Adjara, making the region the second most represented in terms of ATMs after Tbilisi. Most of the ATMs (79%) are in Batumi, while the remaining are distributed across the municipalities. Khulo has 7 ATMs, Keda has 6 ATMs, and Shuakhevi has 4.

Adjara is also well-represented with a number of branches of non-bank financial institutions, contributing to the overall financial ecosystem. There are 39 branches of lending entities, amounting to 12% of the total branch count in Georgia. Currency exchange bureaus have a larger presence, with a number of 182 branches, accounting for 26% of the total – in line with the region’s developed tourism industry. On the other hand, microfinance organizations are comparatively less represented, with 40 branches (10% of the total), raising concerns about financial accessibility, especially in the municipalities.

Table 2: Number of branches of Non-Bank Financial Institutions in Adjara and their share in total branches in Georgia

Non-Bank Financial Institutions	Number of Branches	Share in Total Branches
Lending Entities	39	12%
Currency Exchange Bureaus	182	26%
Microfinance Organizations	40	10%

Source: National Bank of Georgia

To sum up, Adjara boasts a significant presence in the banking sector, with 12 out of the total 14 banks in Georgia operating in the region. However, the concentration of banks is primarily in Batumi, while other municipalities have a limited presence. Adjara also has a substantial number of branches, service centers, and ATMs, with a majority located in Batumi as well. In terms of non-bank financial institutions, Adjara has a considerable number of branches, particularly in currency exchange bureaus.

## Vocational Education and Training

A college in Khulo, "Akhali Talga," is the only college among four colleges in the target municipalities that offers a hotel service course since 2018. While the initial graduation rate was low, subsequent years showed improvement. The demand for the hotel service course is relatively low compared to agriculture courses in Khulo and the hotel service courses in the Kobuleti branch of the College, likely due to relatively limited tourism in the municipality. The majority of students come from Khulo or nearby villages, primarily youth aged 18-29. Previously, a tour guide course also existed but was closed due to low demand. Increasing awareness about tourism among locals is a key challenge.

### 13. SWOT Analysis

SWOT Analysis	
Strengths	Weaknesses
<ul style="list-style-type: none"> <li>□ Diverse tourism options: adventure, gastronomy, eco-agro, culture, wine.</li> <li>□ The proximity of some tourist locations to Batumi</li> <li>□ Unique nature, views, and landscapes</li> <li>□ Ideal getaway from Batumi</li> <li>□ Ecologically clean local products such as honey and dairy products</li> <li>□ Existence of Winter Resort Goderdzi</li> <li>□ Existence of the Alpine Botanical Garden</li> <li>□ Wide range of Adventure Activities in Keda</li> <li>□ The proximity to protected areas</li> <li>□ High level of integration of minorities into the tourism sector with the highest level of integration in Khulo, as the majority of the residents are Muslim, followed by Shuakhevi and Keda</li> </ul>	<ul style="list-style-type: none"> <li>□ Infrastructural issues with the roads to villages, Batumi – Goderdzi,</li> <li>□ Infrastructural issues with Akhaltsikhe-Khulo road connecting Tbilisi to Selected municipalities in Adjara, including Goderdzi Ski Resort</li> <li>□ Infrastructural issues with electricity, water, and natural gas, especially in villages of Selected municipalities in Adjara. (Notably, infrastructural issues are more present in Khulo municipality, followed by Shuakhevi and Keda municipalities)</li> <li>□ Seasonality of some tourism services due to infrastructural issues</li> <li>□ Lack of finances noted by local tourism sector actors</li> <li>□ Lack of labor force, including tourism service providers and construction workers</li> <li>□ Limited local interest in tourism due to social benefits, traditional beliefs regarding employment of women in service industries, and better opportunities in Batumi.</li> <li>□ Limited tourism activities in Shuakhevi and Khulo</li> <li>□ Limited food service providers</li> <li>□ Inexistence of public toilets</li> <li>□ High number of stray dogs</li> <li>□ Challenges in delivering necessary ingredients to restaurants</li> <li>□ Inefficient collaboration and trust between information centers and private sector in information delivery</li> <li>□ Lack of infrastructure on existing tourist routes and unmarked routes. (The issue of the low number of marked routes was mentioned in all three municipalities)</li> <li>□ Lack of research and markings on balneological and other medical water sources</li> <li>□ Shuakhevi is viewed as a road destination on the way to Khulo or back rather than a separate destination.</li> </ul>

Opportunities	Threats
<ul style="list-style-type: none"> <li>□ Developing and marking new tourist routes and integrating lesser-known destinations in selected municipalities in Adjara to enrich the region's tourism offerings.</li> <li>□ Agrotourism and Gastrotourism development potential in Keda, Shuakhevi, and Khulo municipalities</li> <li>□ Ethno-tourism development potential, especially in Ghorjomi Gorge</li> <li>□ The development potential for sectors connected to tourism activities, such as the development of agriculture for agro- and gastro-tourism and the development of bike repair services for biking tourists.</li> <li>□ The rising interest from public entities in the popularization of mountainous Adjara as a tourist destination</li> <li>□ The provision of entertainment services for tourists presents an opportunity to extend their length of stay, particularly in Shuakhevi and Khulo municipalities.</li> <li>□ Development opportunities for balneological tourism offerings</li> </ul>	<ul style="list-style-type: none"> <li>□ High precipitation/snow and risk of other natural disasters, such as landslides</li> <li>□ Chaotic development of tourism infrastructure, especially accommodations</li> <li>□ Further increasing input prices</li> <li>□ The further outflow of the labor force to cities and other countries</li> <li>□ Adverse impact on nature from improper tourism infrastructure</li> <li>□ Postponed completion and potential concerns over sustainability and low quality of the Akhaltsikhe-Batumi road construction</li> <li>□ Disruption of guide services by Russian migrants creating an internal market for fellow Russian travelers</li> </ul>

## 14. Recommendations

### 14.1. Recommendations for Public Entities

**Infrastructure Development-** Allocate funding for addressing infrastructural issues, including improving roads to villages, Batumi-Goderdzi, and Akhaltsikhe-Khulo roads. Prioritize the improvement of electricity, water, and natural gas infrastructure to ensure reliable services for tourism development.

**Infrastructure and Accessibility Improvement:** Focus on improving infrastructure on existing tourist routes, marking new routes, and integrating lesser-known but interesting tourist destinations. Address challenges related to poor road conditions, the limited accessibility to natural monuments and waterfalls. Invest in the development of amenities such as public toilets and adequate museum infrastructure to enhance visitor appeal.

**Diversification of Tourism Activities:** Encourage the development of a wider range of tourism activities in Shuakhevi and Khulo municipalities. This can include promoting agrotourism and gastrotourism, leveraging the region's natural resources and cultural heritage. Explore opportunities for ethno-tourism in the Ghorjomi Gorge, highlighting the unique cultural experiences and traditions available to visitors.

**Tourism Policy and Regulation:** Develop and enforce regulations that ensure proper and sustainable development of tourism infrastructure, especially accommodations. Prevent chaotic development and encourage responsible practices to preserve the natural environment and maintain the region's attractiveness as a tourist destination.

**Stakeholder Collaboration:** Establish regular communication channels and collaborative platforms between information centers and private sector to foster trust, share relevant data and insights, and coordinate efforts for seamless information delivery. Encourage joint initiatives, such as workshops or forums, to facilitate information exchange, build relationships, and develop mutual understanding of each other's roles and responsibilities.

**Collaboration with Local Artists and Artisans:** Establish partnerships with local artists, artisans, and cultural practitioners to promote their crafts, artwork, and traditional performances. Create opportunities for them to showcase their skills through exhibitions, workshops, and cultural events.

**Cultural Festivals and Events:** Support and promote cultural festivals and events that celebrate the local traditions and heritage. These events can attract tourists and provide opportunities for cultural exchange, fostering a deeper appreciation for the region's cultural richness.

### 14.2. Recommendations for International Partners

**Capacity Building-** Support initiatives that provide financial resources and training programs to address the lack of finances and labor force in the local tourism sector. Invest in training programs for tourism service providers to enhance their skills and capacity. Specifically, invest in workshops, seminars, and courses that provide training in project proposal writing, financial management, and sustainable tourism practices. By equipping stakeholders with the necessary skills and knowledge, they will be better prepared to access funding opportunities and effectively manage tourism projects, thereby contributing to the overall development and success of the local tourism sector.

**Tour Guide Training:** Provide training programs for tour guides to enhance their knowledge about the local culture, history, and traditions. Focus on delivering high-quality, accurate, and engaging cultural experiences to visitors, fostering cultural understanding and appreciation.

**Tourism Promotion and Marketing-** Allocate resources for effective marketing and promotional campaigns to raise awareness about the region's diverse tourism options and attractions. Emphasize the unique selling points such as adventure activities, eco-agro, culture, and wine tourism. Develop a robust tourism promotion and marketing strategy that includes targeted advertising campaigns, participation in relevant travel exhibitions and fairs, and online marketing initiatives. Invest in creating high-quality promotional materials such as brochures, videos, and a user-friendly website to showcase the region's unique tourism experiences. Collaborate with local tourism actors to organize familiarization trips for travel agents, journalists, and influencers to increase their knowledge and exposure to the region. Regularly monitor and evaluate the effectiveness of marketing efforts to make data-driven adjustments and maximize the impact of promotional activities.

**Sustainable Tourism Development-** Support projects focused on sustainable tourism practices, including eco-friendly accommodations, waste management systems, and preservation of natural and cultural heritage sites. Encourage the adoption of responsible tourism principles to minimize the adverse impact on the environment and local communities.

**Entrepreneurship and Small Business Support-** Provide grants or financial assistance to local entrepreneurs and small businesses in the tourism sector. This could include funding for establishing or improving accommodations, restaurants, tour operators, and other tourism-related enterprises. During this process, ensuring a fair selection of projects that focus on the needs of the sector, along with equitable distribution of grant information, is of paramount importance. In addition, it is recommended to provide consultations during the grant application process and offer capacity-building programs for entrepreneurs. Finally, the initiatives should seek to foster partnerships between local businesses and communities to promote economic growth and empower the local population.

**Research and Development-** Allocate funds for research initiatives to explore the region's untapped potential, such as balneological tourism offerings and identifying new tourist routes and destinations. Support studies on the impact of tourism on the local economy, environment, and social dynamics to inform future development strategies.

**Community Engagement** - Encourage the active participation and engagement of religious minority communities in tourism development projects. Support initiatives that promote their inclusion in decision-making processes, capacity building, and preserving their religious and cultural heritage. This will foster a sense of ownership, pride, and empowerment among religious minority groups, leading to sustainable and inclusive tourism development.

**Collaboration and Partnerships:** Facilitate collaboration between public entities, private sector stakeholders, and local communities. Encourage the establishment of partnerships that promote knowledge sharing, resource pooling, and joint efforts in promoting and developing the tourism sector in the region.