

PANKISI VALLEY VALUE CHAINS

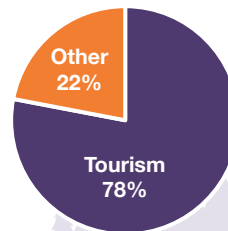
A strong sense of community and self-sufficiency characterizes Pankisi Valley. Social and economic activity is mostly constrained within the valley, with weak linkages and integration to the other parts of the country (such as the municipal center and capital city) and beyond. Each value chain actor is interlinked with other local actors, exhibiting a high level of collaboration with each other, which eventually increases the self-sufficiency of the economy of Pankisi Valley. Therefore, significant effort is required to ensure the integration of the valley into the rest of the country and address the misconceptions and stigmas.



1	Tourism	The majority of economically active households are involved in tourism
2	Animal husbandry	Animal Husbandry - the historical primary activity of Kists, declined due to the absence of grazing land and low interest from youth
3	Beekeeping	Pankisi Honey international reach: Europe (Germany, France), Russia (Grozny, Moscow), Arabic Countries - however at smaller amounts
4	Non-Timber Forest Products	Collecting rosehip (for traditional non-alcoholic beer), nuts, wild berries, mushrooms
5	Corn and potato farming	Constrained by a shortage of land, adverse weather conditions, and insufficient irrigation

Total funding through government programs 2018 – 2023

- Enterprise Georgia - GEL 126 k
- Rural Development Agency - GEL 119 k



Donor organizations

- UNDP
- USAID
- GIZ
- RDA
- KRDF
- EU
- UNHCR
- Enterprise Georgia

Government Funding Structure 2018-2023

Tourism Value Chain

- **Tourism directions by priorities:** Cultural, Gastronomic, Adventure
- **Tourist season:** July – September
- **Visitors come from** Poland, Germany, Netherlands, UK, Belgium, USA, Japan, South Korea, Australia, New Zealand, and Arabic countries - **low presence of domestic visitors.**
- **12 Official Guesthouses**, maximum capacity: **14-16** people
- Food service providers: **1 large restaurant, 1 café**, and guesthouses providing lunch, – all using local products
- **Cultural tours:** visits to mosques, watchtower and amphitheater, Zirk ceremony, feltwork workshops – **12** cultural tour guides
- **Adventure tourism activities:** most popular – horse-riding, followed by camping, walking tours, and biking. Locations: Batsara reserve, Khadori Gorge and waterfall, Alazani river-banks
- **1 certified adventure tour guide**

Animal Husbandry Value Chain in Pankisi Valley

- **No large or medium size milk** processing enterprise.
- **Produced products:** cheese, cottage cheese, sour cream, butter, ghee, and milk.
- **The largest farm in Pankisi Valley owns 30 cows**
- Crossbred cattle – less productive and resilient
- **Lack of adequate housing infrastructure for livestock**
- **1 meat processing plant** – halal beef and poultry sausages demanded by the Muslim population of Georgia and Chechnyans
- **Sales to** Local guesthouses, local markets, directly to tourists, agricultural markets of the capital city.

Strengths

- Unique culture, culinary, and high-quality local produce
- Existence of historically and culturally significant monuments (Amphitheater, Mosques, traditional heritage houses)
- Closeness to natural sights, such as Batsara Strict Natural Reserve
- Existing interest of international travelers and Positive feedback from international travelers
- Online presence of Pankisi Valley as a tourist destination
- Existence of community-based rural and agrotourism
- Proximity to the capital and Kakheti Sights
- Support provided by donor organizations and public entities
- Existence of interest of locals in the tourism sector
- High perceived quality of local animal husbandry products
- Self-sufficiency of local production
- Appropriate road infrastructure connecting villages to Akhmeta, Telavi, and Tbilisi
- Access to natural gas

Weaknesses

- Negative stigma and low level of interest among Georgians about the Pankisi Gorge
- A limited number of food service and accommodation providers
- A low number of qualified mountain and horseback riding guides and language barrier issues
- Lack of information boards on touristic locations and recreational infrastructure and spaces
- Seasonality of the tourism sector
- Grazing and agricultural land shortage due to geographical reasons
- Low potential for economies of scale in animal husbandry
- Low level of openness to or need for outsiders, especially for business purposes
- High level of emigration in the EU
- Abrupt spatial planning of villages
- Infrastructural issues regarding the constant supply of water and electricity, and road infrastructure in villages
- Low level of collaboration between public and private entities

Opportunities

- Further development of community-based rural tourism, adventure, gastro, and cultural tourism facilities and services
- Increasing the number of qualified adventure tour guides
- Organizing regular festivals
- Creation of recreational infrastructure, such as parks, promenades along the Alazani River, stadiums, etc.
- Further tackling of the stigma surrounding the region
- Further marketing of the area as a touristic landmark internationally and domestically
- Increasing the capacity of small-scale farmers and ensuring adherence to standards
- Increasing linkages with other large-scale businesses on a national level
- Development of private-public relations to improve existing problems of the Valley

Threats

- inability to tackle the stigma around Pankisi.
- Continued absence of infrastructure critical for tourism sector development
- Continuation of using outdated practices
- Introduction of new, more productive cow breeds
- Cattle illnesses
- Risk of hail falls and other weather conditions
- Inability to foster integration with Tushetians, Kakhetians, and other ethnic Georgians.
- Continued cases of flooding from the Alazani River
- Continued low level of openness to businesses and investments from outsiders.
- Continued emigration, especially of youth and families

Recommendations:

- Support in digital marketing
- Organizing cultural exchanges with Kakhetians, Tushetians, and other ethnic Georgians
- Entrepreneurship and Small Business Support
- Partnerships development between the private sector and public entities
- Sectoral statistics development
- Further support for the development of community-based rural tourism
- Development of recreational and other tourism-related infrastructure
- Focusing on niche tourism markets
- Organizing regular festivals
- Capacity building of tour guides
- Development of specialized Pankisi produce grocery store in Tbilisi
- Providing capacity-building training sessions for small-scale farmers
- Focus efforts of the animal husbandry sector on catering to local needs arising from developing tourism
- Fostering connections with large enterprises by local farmers
- Support meat-processing enterprises to increase their capacity



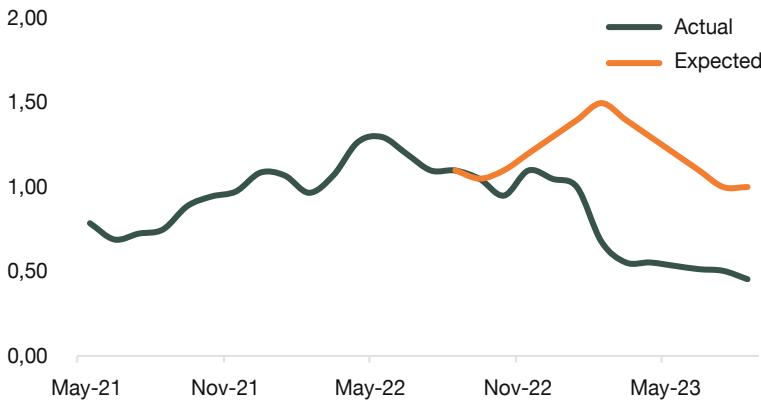
Full report see

WHEAT AND FLOUR VALUE CHAIN IN THE MUNICIPALITIES OF MARNEULI, BOLNISI, GARDABANI, DMANISI AND TSALKA

The wheat value chain is profoundly influenced by meteorological conditions, and in light of the increasingly unfavorable weather patterns for wheat cultivation in Kvemo Kartli in recent years, farmers have encountered mounting challenges on both the demand and supply fronts. A significant portion of the farming community in Kvemo Kartli, particularly those residing outside the Marneuli municipality, find themselves ill-prepared to contend with the repercussions of droughts and floods. Therefore, the implementation of enhanced irrigation systems, water recycling, and drainage infrastructure becomes imperative to sustain the operations of wheat farms under these less conducive climatic conditions.



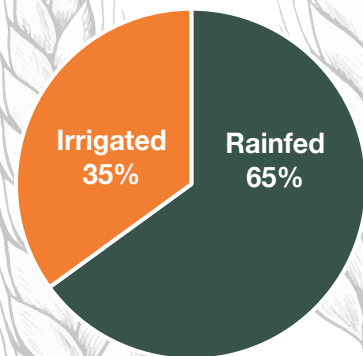
Expected vs Actual selling price of wheat on local market



- Wheat prices have experienced significant volatility in recent years;
- Due to unfavorable weather patterns, regulatory framework and fluctuations on global markets, farmers in Kvemo Kartli had exaggerated expectations of price hikes;
- This discrepancy has created a shortage of wheat breads and surplus of forage wheat.

- The majority of the farmers surveyed, comprising 65% of the sample, predominantly depended on natural rainfall as the primary water source for their agricultural endeavors;
- Low rate of irrigated farms are further complicated by increasing weather anomalies in Kvemo Kartli, with both increased likelihood of droughts and floods;
- During the interviews, it was quite hard to identify which type of wheat the farmers had planted, as some of them used mixed farming, modified crops or had no information about the type of wheat they had planted in the first place.

Farms of Interviewees by irrigation types



Amid declining wheat prices, farmers resort to cost-cutting measures, opting for lower-quality seeds with uncertain origins. Those choosing superior varieties like Amicus, Gallus, Grom, and Koper experience better outcomes. However, the excessive focus on seed type overshadows the importance of proper maintenance practices. With a shift towards forage wheat cultivation, there's a growing concern for quantity over quality. This trend, coupled with shortages of high-quality wheat in Kvemo Kartli, leads to regional mills heavily relying on imported wheat.

SWOT Analysis

Strengths

- Weather Pattern and Location: Kvemo Kartli benefits from a favorable location with an average annual rainfall of 500mm and fertile soil, contributing to agricultural suitability.
- Local Demand: Presence of five medium to large-sized mills within the region reduces transportation costs due to proximity.
- Strong Community Networks: Tightly-knit communities hold potential for cooperation and collective endeavors in the value chain.
- High Yields: Kvemo Kartli demonstrates some of the highest wheat production yields in all of Georgia.
- Diverse Wheat Seed Planting: Fourteen cultivated wheat varieties, including five endemic ones, enhance adaptability and potential for wheat cultivation.

Weaknesses

- Rainfed Farms: Disproportionally high number of rainfed farms causes lower yields and quality, especially during droughts.
- Unknown Seeds: Insufficient information about specific seed varieties diminishes ability to make informed decisions, compromising productivity.
- Storage: Lack of essential storage infrastructure hampers effective management of wheat supplies, impacting sustainability.
- Additional Cost of Irrigation: Geographical separation from melioration canals necessitates expensive water pumps or abandonment of irrigation, increasing operational costs.
- Forage Wheat Predominance: Trend toward forage wheat cultivation prioritizes cost-saving over quality, eroding knowledge and techniques for high-quality wheat.
- Import Dynamics: High-quality wheat imported from Russia poses challenges in price and quality competition for Georgian wheat sector.

Opportunities

- Enhanced Production Potential: Remarkable increase in wheat yields over the past two decades presents an opportunity to triple production.
- Enhanced Quality: Diverse agricultural methodologies and techniques can improve wheat quality, making it more suitable for bakeries.
- Enhanced Coordination and Planning: Strategic timing of wheat sales can transform financial performance, emphasizing the need for better planning and synchronization with market demand.

Threats

- Impact of Climate Change: Escalating temperatures and irregularities in rainfall patterns pose significant challenges to wheat production.
- Influx of Inexpensive Wheat into the Market: Georgia becomes a cost-efficient avenue for selling North-Caucasian wheat, flooding the market with economically priced wheat.
- Ambiguous Regulatory Environment: Uncertain timelines for enforcing regulations create risk, discouraging long-term investments and affecting strategic planning.
- Declining Interest in Wheat Production: Anticipation of unstable prices and struggles to sell wheat at a profitable rate may lead to discontinuation of wheat production.

Recommendations for Farmers

- Choosing more optimal seeds for higher yields.
- Improve production practices for success.
- Harvest rainwater for sustainable irrigation.
- Rotate crops for soil health and yield.
- Use minimum tillage for soil improvement.
- Compost for soil health and sustainability.

Recommendations for Public Entities

- Targeted language training for more effective integration.
- Enhancing labor skills through vocational trainings and specialized courses.
- Promote co-financing for diverse farming.
- Seek international expertise for modernization.
- Improve irrigation access for efficiency.
- Ensure stable regulations for wheat markets.
- Establish common wheat storage facilities.

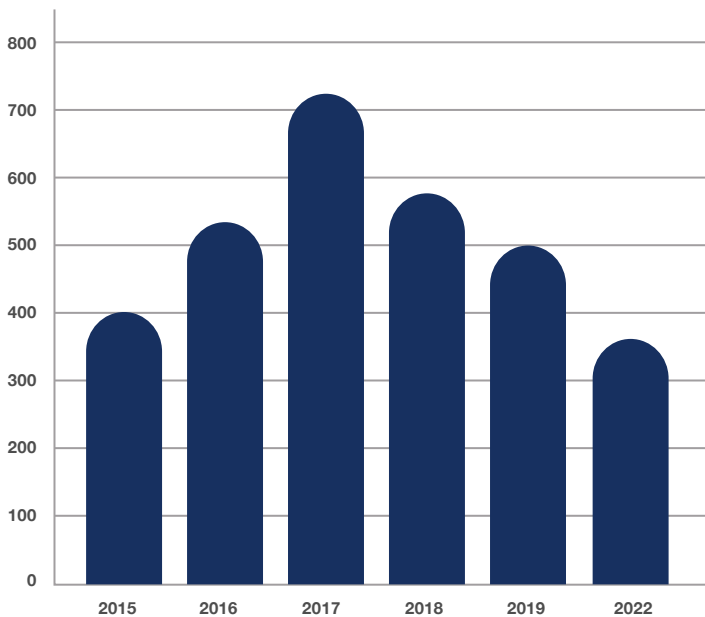


ADVENTURE TOURISM IN AKHALTSIKHE, AKHALKALAKI AND NINOTSMINDA

The adventure tourism value chain in Akhaltsikhe, Akhalkalaki, and Ninotsminda faces hurdles that limit its potential. Challenges include a scarcity of certified activity providers and insufficient transportation networks, restricting diverse experiences and visitor mobility. Communication gaps arise from language barriers among older residents, while inadequate tourism infrastructure and low regional awareness further impede growth. Collaborative efforts within this value chain are crucial for addressing these challenges, fostering sustainable adventure tourism, and driving economic development in these municipalities.

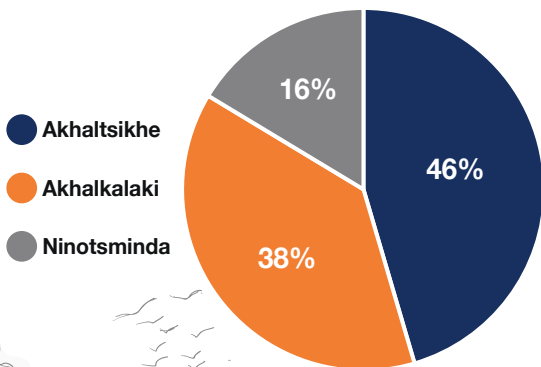


International Visits to Samtskhe-Javakheti in thousands, 2022

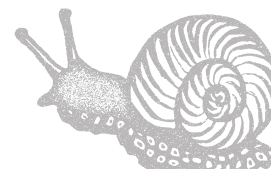
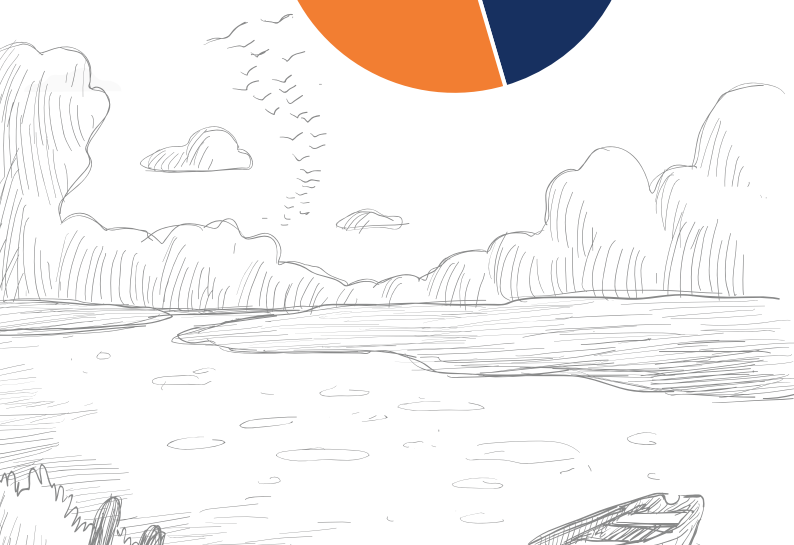
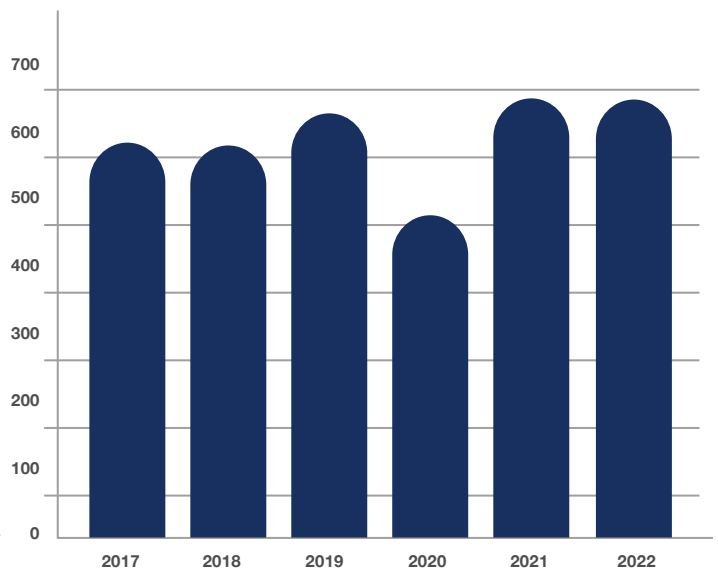


- Samtskhe-Javakheti hosted 352 thousand visitors, making up 7.7% of Georgia's international visitors and ranking fifth among its 11 regions for international visitation.
- The primary sources of these international visits were Russia (20%), Saudi Arabia (11%), Kazakhstan (10%), UAE (5%), and Israel (5%).
- Rest and recreation drew the highest number of international visitors to Samtskhe-Javakheti, accounting for 73% of visits, followed by the VFR segment at 23%.
- Regarding domestic visits, Samtskhe-Javakheti received 648,744 visitors, comprising 4% of total domestic visits and ranking ninth among regions.
- International stays in the region totaled 1 million nights, contributing 3% to Georgia's overall count, with an average stay of 3.2 nights for international visitors.
- Domestic visitors significantly contributed with 2.2 million nights spent, accounting for 7% of domestic stays in Georgia, with a similar average stay duration.
- Georgia recorded 0.9 million visitors to its protected areas, marking a 53% increase but still below the 2019 levels.
- Javakheti ranked 16th among 25 protected areas, attracting approximately 5,340 visitors, predominantly domestic guests.

Domestic Visits to Target Municipalities, 2022



Domestic Visits to Samtskhe-Javakheti in thousands, 2022



SWOT Analysis



S

- Rich variety of bird species;
- Abundance of lakes with diverse fish species;
- A variety of attractions and activities;
- Diverse local community;
- Alpine flora and fauna;
- Diversity of national and ethnic gastronomy;
- National park and nature reserves;
- Abundance and variety of cultural objects sights;
- Ecologically clean products of high quality;

W

- Limited visitor awareness about municipal tourism resources, especially in Akhalkalaki and Ninotsminda.
- Language barriers hampering effective communication with tourists.
- Inadequate marketing efforts from both the government and private sector.
- Scarce information on adventure activities, particularly in Akhalkalaki and Ninotsminda.
- Shortage of certified tour guides and activity providers.
- Underdeveloped tourism infrastructure, notably in Akhalkalaki and Ninotsminda.
- Sparse cultural events and festivals, especially in Akhalkalaki and Ninotsminda.
- Insufficient directional signs and tourism signposting for attractions.
- Lack of tourism infrastructure near attractions.

O

- Strengthening destination promotion and marketing efforts;
- Exploring the traditional bread making in Akhaltsikhe municipality as a unique cultural and gastronomic niche;
- Analyzing the potential of the local winemaking culture in Akhaltsikhe municipality;
- Improving infrastructure and enhancing accessibility for tourists;
- Rehabilitating regional roads, including Akhaltsikhe-Batumi- a valuable opportunity for enhanced connectivity and transportation infrastructure;
- Fostering sustainable and inclusive tourism practices;
- Supporting entrepreneurship and facilitating business development in the tourism sector;
- Promoting sustainable adventure tourism practices that prioritize environmental conservation, community engagement, and responsible visitor behavior;

T

- Global threats such as pandemics and wars;
- High expenses for communal taxes;
- Losing cultural authenticity;
- Adverse impact on nature from improper tourism infrastructure;
- The lack of interest in tourism business from the local population;
- Language barriers remain a significant obstacle, impeding effective communication and engagement with tourists;



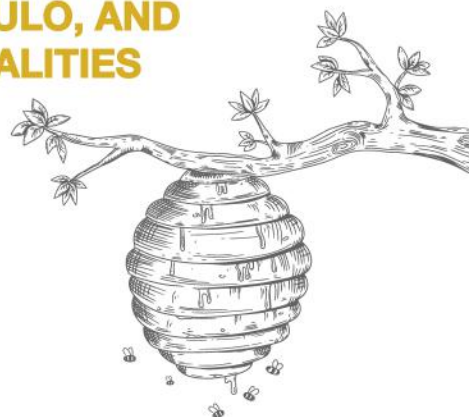
Recommendations:

- Allocate more funding to municipalities to enhance basic amenities like road infrastructure, public restrooms, and waste management.
- Enhance road connectivity to neighboring tourism destinations for improved accessibility
- Support developing and promoting sustainable ecotourism and adventure tourism initiatives in the region, capitalizing on natural sites and diverse attractions.
- Support capacity-building programs and training opportunities for local guides and activity providers to ensure high-quality tourist services.
- Assist guides and activity providers in their certification processes, particularly for specialized areas like birdwatching.
- Fund initiatives promoting sustainable practices in the tourism sector, such as waste management programs and energy-efficient infrastructure.
- Support initiatives that promote cultural events, festivals, and traditional activities to showcase the local culture and attract tourists interested in cultural experiences.
- Promote the development of a culinary niche, including traditional and minority cuisine, and organize farmers' markets during peak tourist seasons.
- Encourage investment in tourism-related businesses by providing financial incentives and support.
- Explore ideas to overcome the region's seasonality, such as organizing an annual winter festival and ice-fishing competitions.

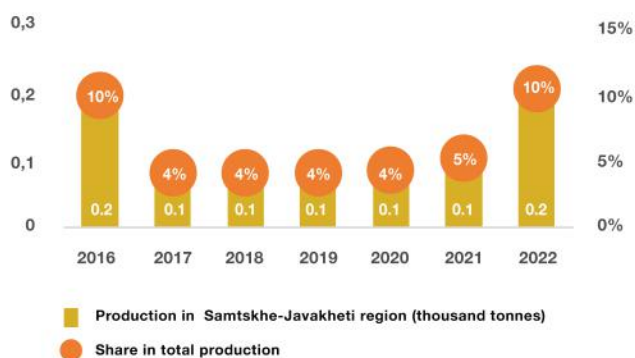


BEEKEEPING VALUE CHAINS IN KEDA, SHUAKHEVI, KHULO, AND AKHALTSIKHE, AKHALKALAKI, NINOTSMINDA MUNICIPALITIES

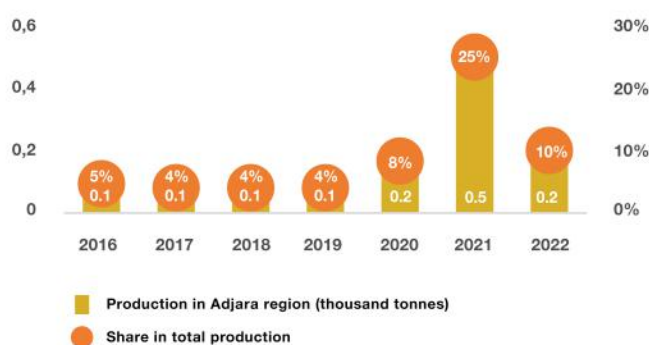
Beekeeping is a Priority Economic Sector in selected municipalities of Adjara and Samtskhe-Javakheti. Beekeepers in selected municipalities of Adjara and Samtskhe-Javakheti are engaged in diversified agricultural activities. Some of them pursue cattle breeding, wine making, fruit growing, and fishing. A number of the beekeepers are also employed by public and private organizations and regularly receive salaries. For most of the interviewed individuals, beekeeping represents a traditional family business passed through generations.



Samtskhe- Javakheti



Adjara



Labor force: Mainly men are involved in beekeeping – a family business. If locals are hired for assistance daily pay is 70GEL. Ethnic minorities are less involved in national value chain due to language barriers.

Produced products: Alpine honey and Meskhetian honey. Other products (used in family consumption – very low level of commercialization): bee milk, mother bees, propolis, wax, honey vodka, pollen, chow, bee venom

Honey draining period - generally once a year – July – end of August

Sales

- local and international individuals – stable buyers
 - Price GEL 20-30 per kg
- non-branded markets and re-sellers
 - Price GEL 10-12 per kg

Key sectoral stakeholders in target Samtskhe-Javakheti municipalities:

- Georgian Beekeepers Union
- Beekeeper's Club of Samtskhe-Javakheti (70 members)

Labor force: Mainly men are involved in beekeeping – a family business. If locals are hired for assistance daily pay is 50GEL. No notable barriers for religious minorities.

Produced products: Chestnut honey, lime honey or their mix, Jara Wild Honey. Other products (used in family consumption – very low level of commercialization): wax, propolis, homogenate of male bee, bee milk, honey vodka

Honey draining period – generally once a year – mid July – end of August

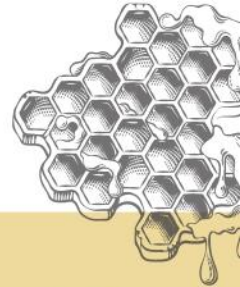
Sales

- local and international individuals – stable buyers
 - Price GEL 20-25 per kg
- non-branded markets and re-sellers
 - Price GEL 10-12 per kg
- larger processing enterprise in Adjara – “Agro Keda”, which is a factory of “Kakhetian Traditional Winery”
 - Price GEL 11-12 per kg
- Generally, not cooperating with aggregators due to low purchase prices (Price GEL 6-8 per kg)
- In early 2000s, some beekeepers were exporting to Turkey

Key sectoral stakeholders in Adjara municipalities:

- Georgian Beekeepers Union,
- Jara Beekeeper's Association (24 members),
- Beekeeping Business Association of Adjara (120 members),
- VET Black Sea College in Adjara





S

- Biodiversity and beekeeping traditions
- „Jara“ honey and Ninotsminda Alpine Honey
- Respective knowledge and experience
- High-quality honey produced by experienced beekeepers
- Good conditions and environment for the production of high-quality honey
- Positive export dynamics
- Export experience of Jara honey to Japan
- State and international donor support programs for the beekeeping sector
- Existence of processing enterprises and associations in Adjara
- Growing tourism sector and associated potential to increase sales

W

- Lack of knowledge and experience on diseases
- High prices on honey production inputs
- Lack of financial resources
- Irresponsible attitude of beekeepers and associated risks of spreading diseases
- Harsh winter conditions in Khulo municipality
- Low purchasing prices from aggregators and processing enterprises
- Lack of honey plants
- Lack of knowledge on the procedures for obtaining bio certification and its benefits
- Lack of quantity of high-quality honey to meet international demand
- Absence of laboratory services in Adjara and Samstkhe-Javakheti

O

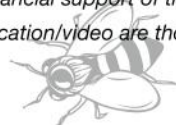
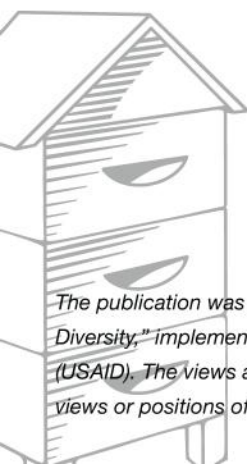
- Technological modernization and transfer of knowledge
- Penetration to export markets, including Turkey
- Branding and Packaging of Honey
- Increase of production of other bee products
- Further development of agrotourism sector
- Development of apitourism
- Active cultivation of honey plants
- Engagement of youth in beekeeping business
- Improved marketing of beekeeping products, including participation in international fairs and exhibitions
- Continuous government and donor support to beekeeping sector
- Increasing local and international demand on honey

T

- Uncontrolled bee nomadism
- Spread of new bee diseases
- Incineration of agricultural crops
- Varroa disease
- Spread of American Foulbrood
- Migration of population to the cities
- Climate change, global warming
- Continued incineration of agricultural yields against various insects

Recommendations:

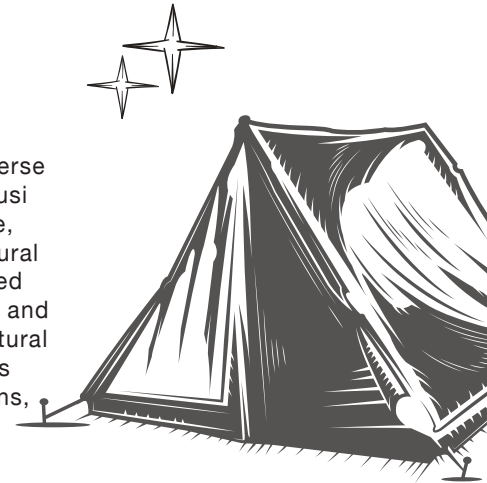
- Further Strengthening Existing Beekeeping Associations – can be directed towards the development of new services to the members, elaboration of analytical and informational periodicals, and transfer of knowledge and experience from similar successful associations of EU member states.
- Facilitate Linkages between Beekeeping and Tourism Sectors – may include the development of api houses and facilitating connections with tourism service providers.
- Support Beekeepers in Honey Branding and Packaging
- Implement Targeted Marketing Campaign
- Improve Access to Beekeeping Technologies
- Support Jara Beekeeper’s Association in the Creation of Honey Processing Enterprise - the creation of the enterprise will enhance the adoption of modern processing technologies, intensify cooperation between the association members, increase the volume of produced honey and enhance export competitiveness.



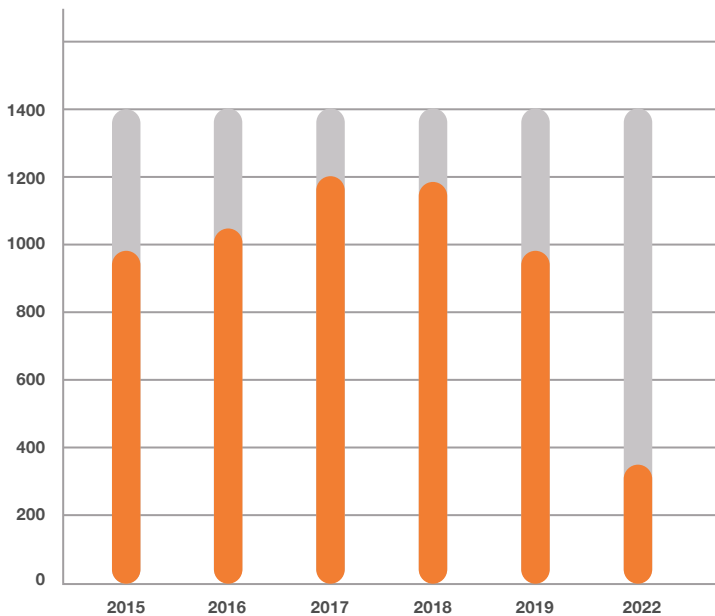
Full report see

CULTURAL TOURISM VALUE CHAIN IN MARNEULI, BOLNISI AND DMANISI MUNICIPALITIES

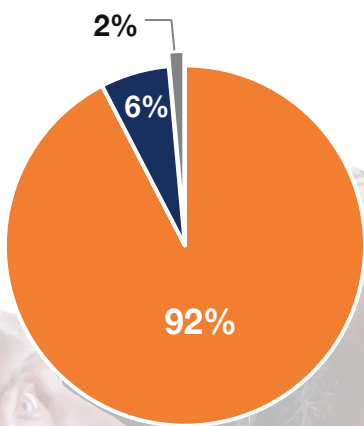
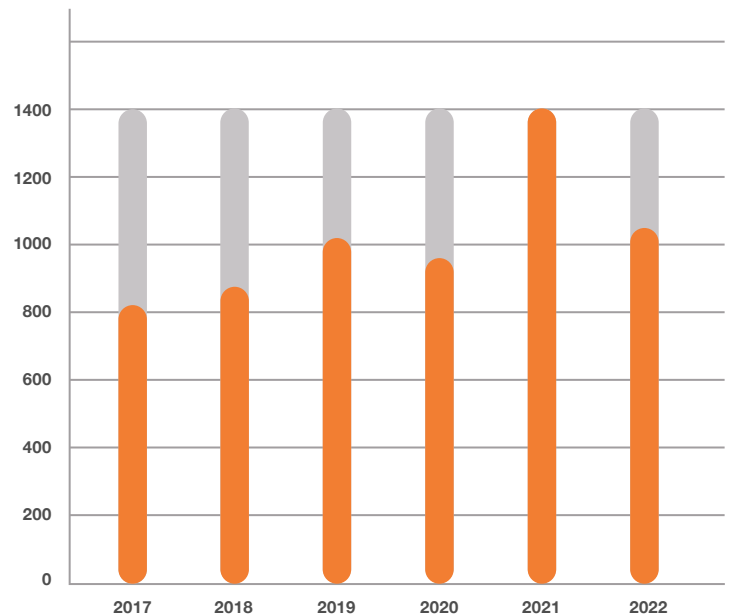
In Kvemo Kartli's Bolnisi, Dmanisi, and Marneuli municipalities, cultural tourism reveals diverse prospects. Dmanisi's historical depth offers archaeological marvels, attracting history enthusiasts. Bolnisi's blend of nature and heritage, with Sioni, Tsughrughasheni, and Kveshi Castle, creates an enchanting backdrop. Marneuli, rich in ethnic diversity, fosters a distinctive cultural identity. Collaboration among stakeholders becomes pivotal in unveiling Marneuli's untapped potential. Accommodation, culinary experiences, tours, and transportation providers shape and deliver cultural immersion. However, challenges persist, especially in Marneuli's limited cultural resources and language barriers, impacting ethnic minorities. Leveraging strategic locations and nearby attractions could transform these hurdles into opportunities. Ethnic compositions, with Azerbaijan majorities, pose linguistic barriers, emphasizing the need for language inclusion strategies.



International Visits to Kvemo Kartli in thousands, 2022



Domestic Visits to Kvemo Kartli in thousands, 2022



● Marneuli ● Bolnisi ● Dmanisi

International Visits to Target Municipalities, 2022

- Kvemo Kartli welcomed a total of 1.6 million visitors. Among them, 363,500 were international visitors, constituting 23% of the total visits, while domestic visits amounted to 1,251,000, making up 77% of the total visits.
- The majority of visitors to Kvemo Kartli came from Armenia (66%), followed by Russia (20%), Azerbaijan (7%), and Kazakhstan (2%).
- When it came to reasons for visiting Kvemo Kartli, the largest share (43%) of international visitors came for visiting friends and relatives, followed closely by those who came for shopping (39%). Only 8% visited for rest and recreation purposes.
- In terms of specific areas, Marneuli led domestic visits with 68,114, followed by Bolnisi with 40,588 and Dmanisi with 22,244 visits in 2022.
- Marneuli was particularly notable for hosting 42% of international tourists, showcasing its strategic location and diverse ethnic communities, which attracted visitors for various purposes like visiting friends and relatives (VFR) and business travel.
- International visitors spent a total of 971,000 nights in Kvemo Kartli (3% of Georgia's total nights) with an average stay of 2.7 nights. Meanwhile, domestic visitors spent 1.7 million nights (5% of domestic stays), averaging 1.3 nights per visit.
- Marneuli accumulated 1 million nights, with 52% from domestic visitors. The average stay was 2 nights for domestic visitors and 1.8 nights for international visitors.



Strengths

- Rich cultural and historic heritage with diverse tourist attractions.
- High-quality, eco-friendly agricultural products.
- Diverse tourism potential, including cultural, agrotourism, and recreational opportunities.
- Strategic location near Tbilisi, Tbilisi Airport, Azerbaijan, and Armenia, enhancing tourism prospects.
- Intersection of major transport routes.
- Presence of international roads and railways.
- Beautiful natural landscapes.
- Multicultural society with diverse cuisine offerings.

Opportunities

- Exploit the tourist potential of the cross-border region
- Exploit cultural richness, eco-friendly products, and varied climatic conditions to expand cognitive, cultural, and agrotourism.
- Use proximity to key destinations like Tbilisi and neighboring countries for increased tourist traffic.
- Leverage international roads and railways for cross-border adventures and cultural exchanges.
- Invest in accommodation, skilled guides, and tourism facilities.
- Enhance cultural facilities and recreational spaces
- Improve roads, water supply, sewage systems, and general infrastructure for better accessibility.
- Expand internet access to tap into the digital tourism market

Weaknesses

- Insufficient accommodation units.
- Shortage of skilled labor in the local hospitality industry.
- Lack of tourism awareness and income generation within municipalities.
- Scarcity of qualified cultural guides.
- Deficiency of trained multilingual personnel in museums.
- Limited cultural and recreational amenities.
- Poor road infrastructure affecting accessibility.
- Lack of thematic souvenir shops.
- Low cooperation among value chain actors.
- Limited public transport accessibility

Threats

- The lack of interest in tourism business from the local population;
- Low number of international and domestic visitors;
- Language barriers remain a significant obstacle, impeding effective communication and engagement with tourists;

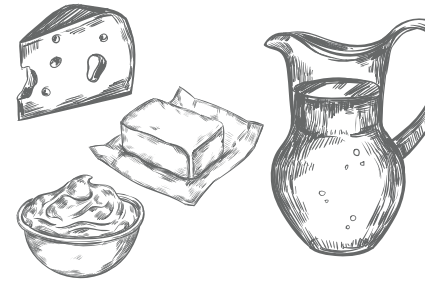
Recommendations:

- Establish a Destination Marketing Organization (DMO) that unites public and private stakeholders to harmonize tourism efforts, enabling strategic marketing and destination management.
- Encourage the development of niche tourism segments, like wine tourism and archaeological tourism, to diversify visitor profiles and reduce the impact of seasonality.
- Foster cross-border cooperation with neighboring regions and countries to harness the untapped potential of shared tourism experiences and cultural exchanges.
- Invest in crucial infrastructure development, including sewage systems, public toilets, and tourism facilities, to enhance visitor comfort and convenience, fostering a welcoming environment.
- Prioritize enhancing local road infrastructure to improve accessibility to tourist sites, reducing transportation challenges.
- Support language training programs targeting the older generation, eliminating language barriers to facilitate effective communication with tourists and enhancing their experience.
- Support efforts to raise awareness among residents and businesses regarding the region's tourism potential, emphasizing its role in generating additional income.
- Support the local hospitality industry by addressing infrastructural challenges in hotels, cafes, bars, and entertainment facilities, enhancing the overall guest experience. This support may include grants for renovations, modernization, and the adoption of sustainable practices.
- Allocate resources for modernizing local museums with VR, AR, audio guides, and interactive displays, enriching the visitor experience.
- Promote themed souvenir shops in tourist areas, featuring local cultural heritage and collaborating with artisans for unique, authentic items.

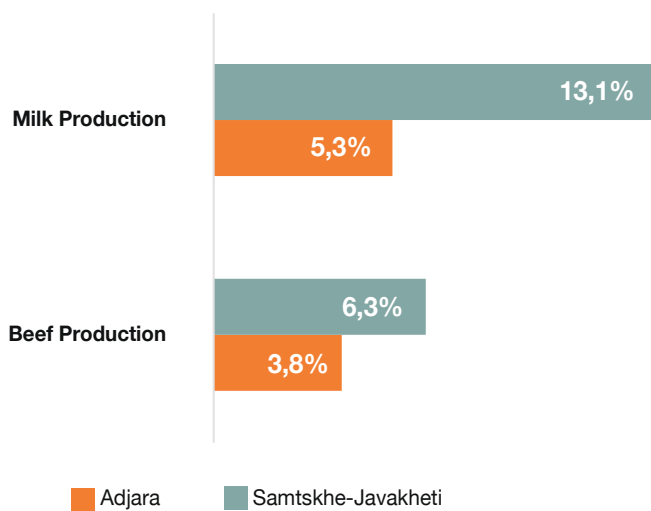


DAIRY VALUE CHAIN IN AKHALTSIKHE, AKHALKALAKI, NINOTSMINDA AND KHULO MUNICIPALITIES

The dairy industry in the target municipalities is shaped by the region's mountainous terrain and high-quality alpine grass. Most farms are self-sufficient in animal feed, with some importing from neighboring regions. Livestock production varies geographically, with Ninotsminda and Akhalkalaki focusing on dairy and Akhaltsikhe specializing in beef. The predominant farm ownership structure consists of smallholdings, but a significant portion of dairy production occurs on larger-scale farms. Integrated processing plants are common due to the scarcity of processing facilities in remote areas and high transportation costs.



Production Share



Milk production yields:

- Samtskhe-Javakheti and Adjara make up 18.3% of Georgia's cattle, with dairy production at 18.4%, but yield variations exist.

Vertical Integration in Dairy Farms:

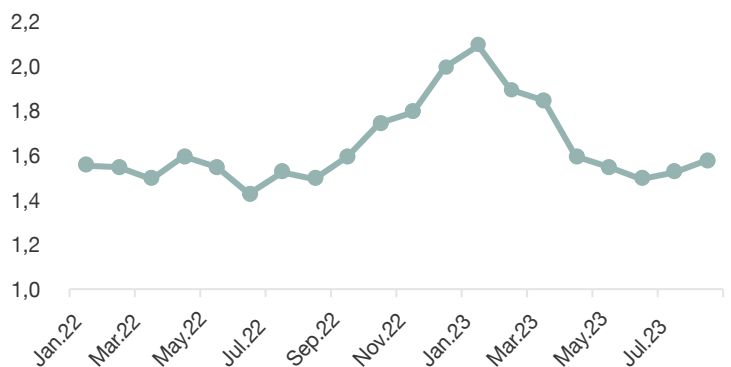
- Dairy farms opt for vertical integration in sparsely populated areas, decreasing efficiency.

Veterinary Services Challenges:

- Severe shortage of professional veterinary services in Akhalkalaki, Ninotsminda, Akhaltsikhe, and Khulo municipalities.

- **The annual yield rates of dairy cows in Adjara - 1326 liters, and in Samtskhe Javakheti 1621 liters, 4-5 times lower compared to the EU countries.**
- Most farms are family-owned small holdings with many **low-yielding breeds, grazing-based farms, and negligent nutrition feeding.**
- the manufacturing cost of a kilogram of „Karkhnuli“ **cheese made from raw milk** amounts to approximately **GEL 16-18**, whereas the same **cheese made with powdered milk costs GEL 14.**
- The primary destinations for Georgian dairy **exports** are **Armenia, the United States, and Canada.**

Raw Milk Price in the Region



On the downside, farmers face challenges in **controlling product destinations and pricing** due to reliance on local intermediaries. Despite these issues, the region produces high-quality dairy products sold both locally and internationally. The primary industry challenge lies in overcoming **competition from abundant milk powder products**, which have driven down milk and cheese prices and impacted dairy farming profitability.

Strengths

- **Abundant natural resources:** Ample grazing land, favorable climate, and water resources support livestock production.
- **Cultural heritage:** Rich tradition in livestock rearing and dairy production for unique, traditional products.
- **Local demand:** Significant local market for meat and dairy products provides initial sales and growth opportunities.
- **Potential for export:** Strategic location near the Armenian border opens export opportunities for meat and dairy products.
- **Strong community networks:** Close-knit communities foster cooperation among value chain actors.

Opportunities

- **Growing consumer demand:** Increasing awareness and demand for safe, locally sourced products cater to a niche market.
- **Tourism potential:** Natural beauty and cultural heritage attract tourists, supporting agri-tourism initiatives.
- **HoReCa linkages:** Rising tourism allows farmers to supply the HoReCa sector with dairy and beef products.
- **Government support:** Focus on agricultural development provides access to funding, technical assistance, and policy support.
- **Collaboration with research institutions:** Partnerships facilitate the adoption of innovative technologies and best practices.
- **Export potential:** Expanding international demand offers opportunities to diversify revenue streams.
- **Direct linkages with supermarket chains:** Establishing direct connections to avoid uncompetitive markets.
- **Horizontal integration:** Larger farms with higher reach and finances can sell directly to high-end consumers.

Recommendations for Farmers

- replacement of native breeds
- implementation of new breeding methods such as artificial insemination
- starting financial bookkeeping for cost minimization
- introduction of confinement farms for increased productivity and lower risks
- improving diet and including energy-rich ingredients in livestock's diet
- packaging products for better recognition of high-quality products
- integration of business models horizontally instead of vertically
- increasing care for land management to avoid over-grazing
- hiring professional veterinarians instead of relying on family members
- implementing higher quality and safety standards other than HACCP.

Weaknesses

- **Limited infrastructure:** Inadequate processing facilities, outdated equipment, and weak transportation hinder production and distribution.
- **Lack of value addition:** Focus on primary production limits opportunities for higher-value products.
- **Limited market linkages:** Insufficient integration and weak market information systems challenge connecting with buyers.
- **Skills gap:** Absence of specialized training in quality control, marketing, and value chain management poses competitiveness challenges.
- **Sprawl:** Larger farms in isolated areas exacerbate transportation and labor deficits, sometimes requiring relocation.
- **Traditional farming methods:** Reluctance to adopt newer approaches preserves unique cultural heritage.
- **Lack of AI:** Absence of advanced breeding methods like artificial insemination hampers achieving high yielding rates.
- **Language barriers:** Disincentivizes supermarket chains from purchasing local dairy and beef products.

Threats

- **Competing imports:** Influx of cheaper imported products threatens the local industry.
- **Disease outbreaks:** Livestock diseases can impact production, trade, and consumer confidence.
- **Climate change:** Environmental challenges affect livestock health, forage availability, and overall production.
- **Regulatory constraints:** Evolving regulations and compliance requirements burden small-scale producers.
- **Limited access to information and technology:** Lack of channels and technology hinders innovation.
- **Decreasing population:** Falling population rates may lead to declining demand for local products and labor force.

Recommendations for Public Entities

- language trainings for ethnic minorities
- development of business plan writing skills
- facilitation of connections between farmers, processors in the targeted municipalities and supermarket chains
- improving co-financing incentives to cover productivity goals, implementation of foreign expertise
- incentivizing supermarket chains to initialize first purchase of goods from target municipalities, which, if successful, should become financially feasible for both parties.



DAIRY VALUE CHAIN IN MARNEULI, BOLNISI, DMANISI, TSALKA AND GARDABANI MUNICIPALITIES

The dairy sector in Kvemo Kartli is the largest among Georgia's regions, constituting 22.1% of the country's dairy production. This prominence is not solely due to the sector's size but also reflects its high efficiency. However, it's essential to note that dairy production characteristics vary significantly in Marneuli, Dmanisi, Tsalka, Gardabani, and Bolnisi, especially considering the dominant ethnicities.

The north-western regions of Kvemo Kartli, influenced by mountainous terrain and proximity to the capital, host large processors and a few sizable dairy farms. Unfortunately, household farms have stagnated due to factors like diminishing productivity, expensive feed, and a lack of breeding cattle. Consequently, some resort to unethical practices, such as mixing milk powder and water into milk, limiting processors' capabilities.



Largest producer:

- Kvemo Kartli produced one of the largest shares of beef and dairy products by region.

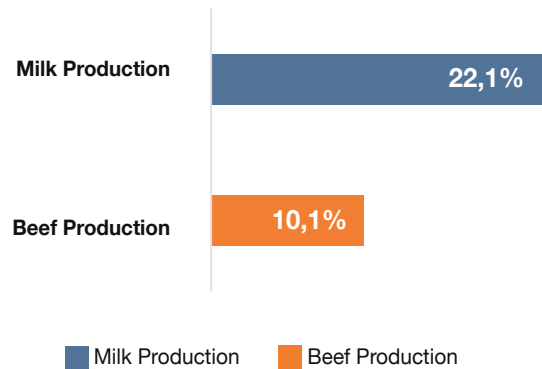
Challenges in Agricultural Practices:

- For the majority of small-scale farmers, not only are modern practices financially inaccessible, but even those who can afford them often lack the necessary knowledge and expertise to implement them effectively

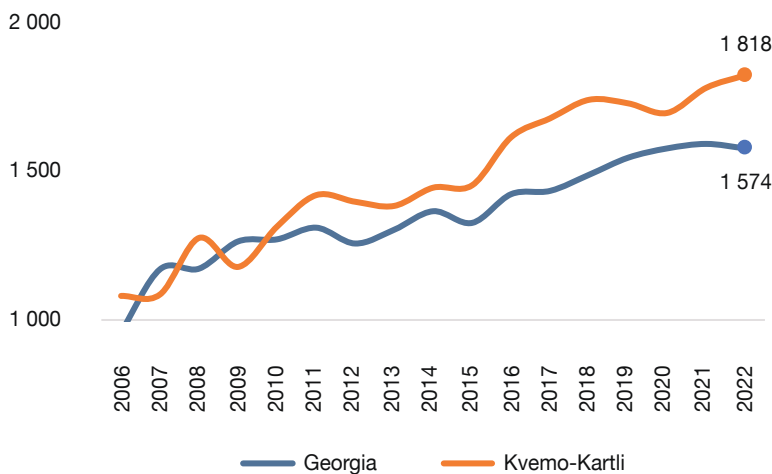
Quality control in Kvemo Kartli:

- Maintaining consistent milk quality poses an ongoing challenge for the processing plant of the region.

Production Share

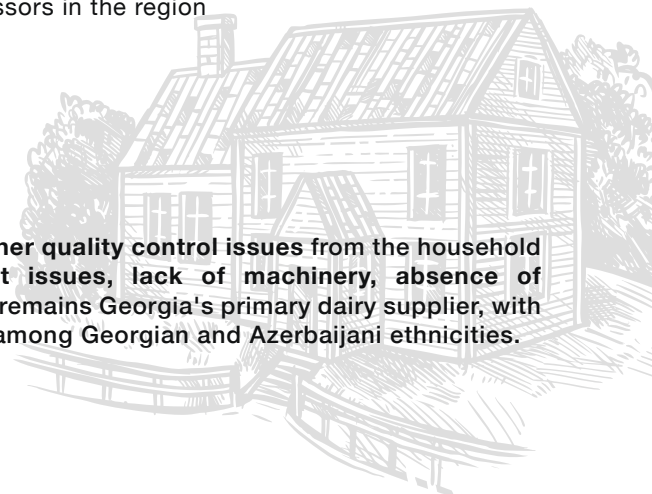


Dairy Cow Yields (liters per year)



- The **average yields** per dairy cow **increased by more than 68%** compared to the levels of 2006.
- The **disparities in farm sizes** are much more than in other regions of Georgia.
- Processing plants opt to purchase **milk powder at nearly half the price of raw milk**, resulting in a significant reduction in the overall costs of milk and cheese production.
- The unregulated use of antibiotics and the presence of heavy metals in cow's milk are noteworthy concerns of milk processors in the region

In the eastern part of Kvemo Kartli, other challenges arise, including **higher quality control issues** from the household side., and limited economic integration opportunities. **Management issues, lack of machinery, absence of bookkeeping** are more prevalent. Despite these obstacles, Kvemo Kartli remains Georgia's primary dairy supplier, with the potential for increased productivity, product quality, and inclusivity among Georgian and Azerbaijani ethnicities.



S

- **Abundant natural resources:** Ample grazing land, favorable climate, and water resources support livestock production. Export Potential: Strategic location near the Azerbaijan border opens avenues for meat, dairy, and live cattle exports.
- **Extensive Commercial Farms:** Large-scale farms preserve genetic purity through artificial insemination.
- **Rich in Natural Resources:** Abundance of grazing lands, favorable climate, and water resources ideal for livestock.
- **Robust Local Demand:** Sizable local market in Marneuli provides a solid foundation for sales and future growth.
- **Proximity to the Capital:** Farms within 50 km of Tbilisi minimize transportation costs accessing the capital.
- **Prominent Milk Processing Facilities:** Region boasts substantial processing plants, even in mountainous areas, with some offering transportation services.
- **Favorable Labor Market:** Azerbaijani ethnic settlements offer readily available, competitively priced

W

- **Machinery Shortage:** Cessation of machinery subsidy program increases animal feed farming costs and inefficiencies.
- **Language Hurdles:** Azerbaijani-speaking population faces language barriers hindering collaboration with Georgian farmers.
- **Preservation of Traditional Farming Methods:** Preference for traditional methods hinders innovation.
- **Reluctance to Invest in AI:** Farmers hesitate to invest in artificial insemination despite its proven benefits.
- **Breeding Cattle Shortage:** Increased live cattle exports decrease breeding cow population, raising livestock farming costs.
- **Distrust in Pure-Breeds:** Previous issues with pure-breeds lead to farmer distrust.
- **Milk Quality Concerns:** Farmers compromise milk quality by adding powder and water.
- **Labor Shortage in Georgian-Speaking Areas:** Declining population leads to costly Georgian labor shortage.

O

- **Enhancing Milk Quality:** Stricter quality control measures can reduce adulteration, improving overall milk quality.
- **Tourism Potential:** Natural beauty and cultural heritage attract tourists, offering prospects for agri-tourism ventures.
- **Bridging the Gap Between Industrial and Household Farms:** Untapped potential for small-scale farmers to learn from larger counterparts and access needed machinery.
- **Rising Consumer Demand for High-Quality Products:** Growing demand for safe, locally sourced meat and dairy products presents opportunities for value chain participants.
- **Diversifying Cheese Production:** Processors eager to expand cheese production to cater to consumer preferences.

T

- **Diminished Reputation:** Use of powdered milk and water tarnishes the reputation of household farmers, risking discontinuation of purchases.
- **Risk of Contaminated Products:** Limited quality assessments may lead to hazardous products, damaging the region's agricultural reputation.
- **Declining Livestock Farms:** Increasing costs, inability to acquire breeding cattle, and low milk prices strain farmers, leading to farm closures and decreased milk supply.

Recommendations for Farmers

- Increased quality control
- Antibiotic record keeping
- Transition to confined farming for those owning large number of livestock
- Proactive land management
- Substituting indigenous breeds with non-native ones
- The adoption of modern breeding techniques like artificial insemination

Recommendations for Public Entities

- language trainings for ethnic minorities
- Development of business plan writing skills
- Facilitation of connections between farmers
- Processors in the targeted municipalities and supermarket chains
- Improving co-financing incentives to cover productivity goals
- Implementation of foreign expertise
- Incentivizing supermarket chains to initialize first purchase of goods from target municipalities, which, if successful, should become financially feasible for both parties.

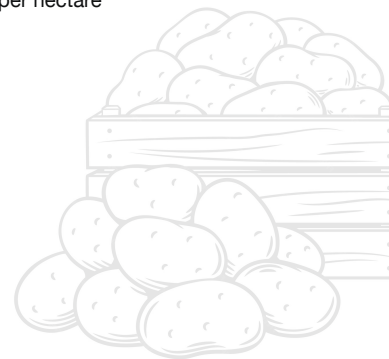
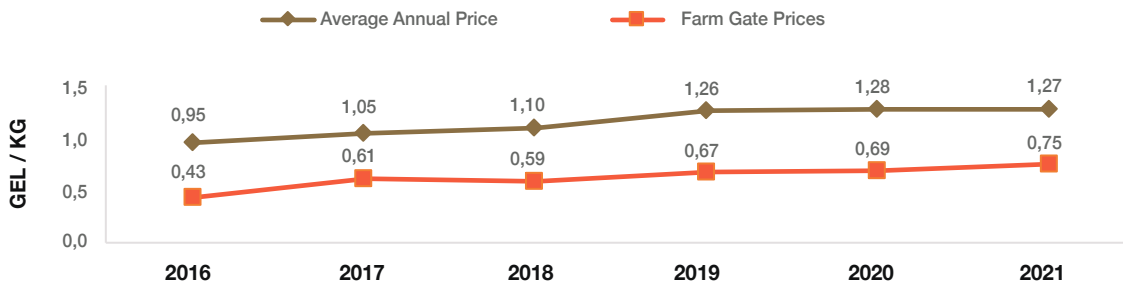
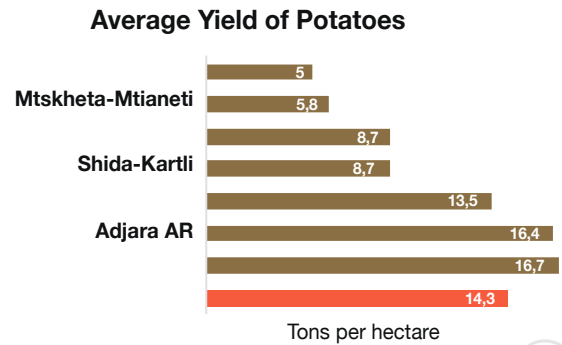
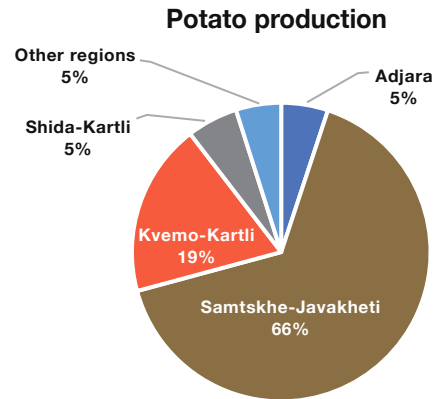


POTATOE VALUE CHAIN AKHALTSIKHE, AKHALKALAKI, NINOTSMINDA, MARNEULI, BOLNISI, DMANISI, TSALKA, AND KHULO MUNICIPALITIES

Lack of knowledge among potato farmers regarding modern, highly productive growing and care methods, limited awareness about essential practices such as soil analysis, crop rotation, seed selection, fertilizer and pesticide use, potato processing opportunities, and financial literacy are the main challenges in target municipalities.



- Samtskhe-Javakheti stands out as the leading potato producer in Georgia, followed by Kvemo Kartli and Adjara.
- Common potato varieties in target municipalities include Jelly, Picasso, Agria, Arizona and Arnova.
- Most land plots owned by farmers in target municipalities are small and fragmented.
- Like Georgia, target municipalities rely on low-quality potato seeds which significantly reduces yield as well as quality of potatoes.
- Harvesting requires on average 30-40 worker per hectare daily.
- Production is organized in a gender-specific manner - Men are primarily involved in activities such as plowing, cultivating while women predominantly participate in picking and sorting potatoes.
- Most farmers in target municipalities rely on their cellars for potato storage.
- Most farmers sell potatoes directly at the farm gate.



- The "Association Akhalkalaki Potato" operates actively in Akhalkalaki with 250 farmers as its members.
- Potato-producing farmers can join the Georgian Farmers Association, Biological Farming Association Elkana, and the Association of Business Consulting Organizations of Georgia (ABCO).
- In the target municipalities, there are a total of eight educational institutions that provide Vocational Education and Training (VET) programs In Akhaltsikhe municipality, mostly concentrated in Akhaltsikhe, Marneuli and Dmanisi municipalities. Out of these colleges, only "Opizari" in Akhaltsikhe provides a short-term potato program, in collaboration with Elkana and the Information-Consultation Center

Rural Development Agency

Entreprise Georgia

USAID

Austian Development Agency

International Potato Center

SWOT Analysis

Strengths

- Suitable climate for potato production
- Potato production tradition
- Diverse varieties of potatoes
- Favorable soil structure
- Variety of potato types
- Available water resources
- State and international donor support programs for the potato sector
- Existence of potato association in Akhalkalaki

Opportunities

- Increased access to high-quality potato seeds
- Increased access to modern equipment and machinery
- Development of storage and processing facilities
- Development of cross-border trade relations
- Improving linkages within the potato value chain
- Starting production of organic potatoes
- Potato packaging and branding
- Opening the road from Khulo to Akhaltsikhe (increase sale opportunities for Khulo)
- Government program (RDA) and USAID program
- The good entry point for low-skilled rural youth, women, and minorities

Weaknesses

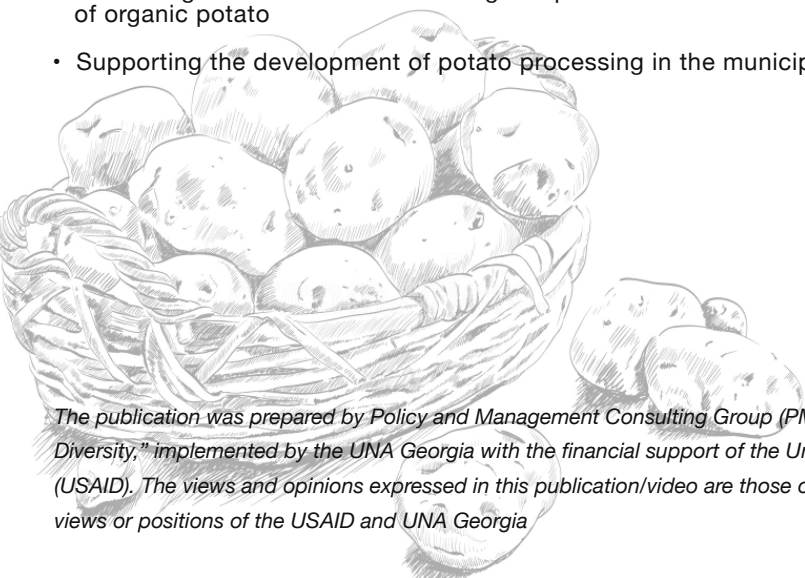
- Limited access to high-quality seeds due to their high price
- Absence of certified seed producers
- Limited pesticide and fertilizer options in remote villages
- Insufficient and outdated modern machinery and equipment
- Poor irrigation infrastructure
- Scarce human resources due to the aging farming population, high emigration rates
- Lack of knowledge about modern (highly productive) potato growing and care methods among farmers
- Farmers' limited awareness of the importance of soil analysis
- Farmers' limited awareness of crop rotation practices
- Small-sized and fragmented land plots
- Lack of access to finance
- Inadequate storage facilities with proper ventilation for potatoes
- Lack of processing facilities
- High price variation of potatoes

Threats

- Spread of pests and diseases
- Risk of soil erosion/damage
- Climate change
- Loss of harvest due to natural disasters and no insurance mechanisms used by farmers.
- Market competition (competition from imported potatoes)
- Aging population due to internal and external migration
- Unstable economic situation

Recommendations:

- Promoting the establishment and growth of certified seed producers to enhance seed quality and accessibility.
- Strengthening collaborative Linkages between supermarkets/hypermarkets in Georgia and local potato producer farmers in target municipalities of Samtskhe-Javakheti and Kvemo Kartli
- Promoting the establishment of energy-efficient storage enterprises in target municipalities of Kvemo Kartli and Samtskhe-Javakheti
- Enhancing farmers' access to agricultural machinery and equipment for increased productivity
- Strengthening the existing potato association in Akhalkalaki
- Enhancing farmers' awareness of organic potato cultivation and technologies and promoting public awareness of the importance of organic potato
- Supporting the development of potato processing in the municipalities of Kvemo Kartli and Samtskhe-Javakheti



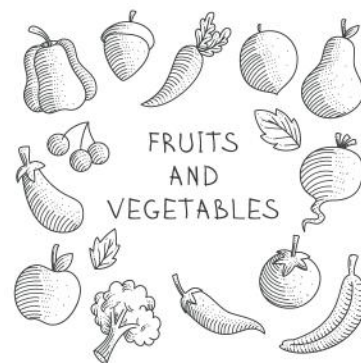
The publication was prepared by Policy and Management Consulting Group (PMCG) within the Program "USAID Unity Through Diversity," implemented by the UNA Georgia with the financial support of the United States Agency for International Development (USAID). The views and opinions expressed in this publication/video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



Full report see

PROCESSING AND PRESERVING OF FRUITS AND VEGETABLES VALUE CHAIN ANALYSIS

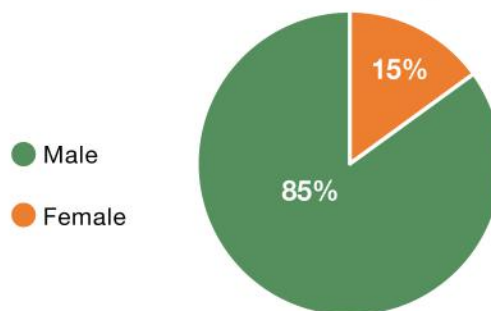
Processing and preserving fruits and vegetables value chain in Marneuli and Keda was selected as having high development potential in line with the project objectives. There are two critical players in the processing and preserving of fruits and vegetables value chain in the target municipalities of Marneuli and Keda: “Marneuli Food Factory (MFF)” in Marneuli and Agro Keda in Keda.



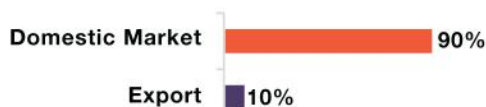
Marneuli

- “Marneuli Food Factory” has **business linkages with approximately 150 farmers** for sourcing primary agriculture products.
- “Marneuli Food Factory” sources **90-95% of fruits and vegetables from Kvemo Kartli Region**
- In 2022 “Marneuli Food Factory” produced **up to 5 million jars** of various products
 - ✓ Tomato paste,
 - ✓ Cucumber marinade,
 - ✓ Vegetable brines,
 - ✓ Sauces,
 - ✓ Adjika,
 - ✓ Fruit jams
- **Manual work dominated** in harvesting fruits and vegetables.
- “Marneuli Food Factory” and its subsidiary “Marneuli Agro” hire up to 350 people per year. **73%** of the labor force are ethnic **Azerbaijanians**.
- Most of the employees are females.

Labor Force Distribution by Gender MFF and Marneuli Agro



- Most of the products are sold in Georgia



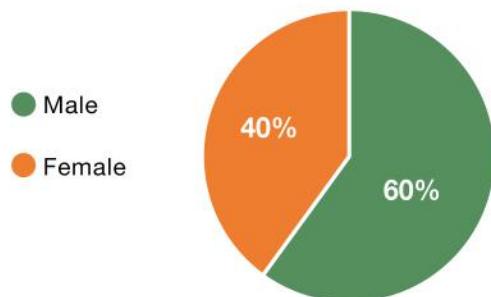
Distribution of Sales Channels in MFF

- 60% of the export goes to the USA and 40% to the EU states.

Keda

- “Agro Keda” sources fruits and vegetables mostly from outside of Adjara
- “Agro Keda” produces around 400,000 bottles of various products annually.
 - ✓ Sauces,
 - ✓ Adjika,
 - ✓ Honey,
 - ✓ Jams,
 - ✓ Confiture
- Manual work dominated in harvesting fruits and vegetables.
- 50% of the Agro Keda employees are Muslims,

Labor Force Distribution by Gender Agro Keda



- Most of the products are exported



Distribution of Sales Channels in Agro Keda

- Products are exported to Israel, Poland, Russian Federation, USA, Latvia, and Azerbaijan.



SWOT Analysis

Strengths

- Preferable conditions to grow fruit and vegetables;
- Good quality local natural agriculture products;
- Positive cooperation experience between local farmers and food processing companies;
- Constant efforts to introduce new innovative products in processing enterprises;
- Rising export competitiveness and increased export demand for processed products;
- Penetration to new markets, such as Australia, New Zealand, Japan and Cuba;
- Increasing demand on the domestic market;
- DCFTA, FTA's with Turkey, China, CISs;
- Positive attitude towards Georgian products on the local market.

Weaknesses

- Low productivity of Georgian farmers;
- Prevalence of manual work in primary agriculture activities;
- Absence of quality standards in farms;
- Absence of regional agriculture and food sector associations;
- Lack of motivation of the younger generation to be engaged in agriculture activities;
- Weak cooperation between the VET institutions and processing enterprises;
- Insufficient production inputs (fruits and vegetables) to meet increased demand on export markets;
- Unstable municipal transport services
- Insufficient knowledge of the Georgian language among ethnic minorities;
- Absence of locally produced inputs for processed enterprises, such as labels, jars, and bottles.

Opportunities

- Job creation opportunities in primary agriculture and food processing activities;
- Investment in the creation of more food processing companies that will create additional linkages with local farmers;
- Increased participation in state-supported programs;
- Opportunities to replace labor work with modern harvesting and processing technologies;
- Import substitution.

Threats

- Unfavorable weather conditions;
- Rising salaries of contract workers;
- Decreased quantity of produced primary agriculture products;
- Increased migration;
- Increasing import;
- Increasing cost of labor;
- Disruption of exports due to unstable geopolitical environment.

Recommendations:

- Improve Access to Agriculture Technologies;
- Support Processing Enterprises in Technological Upgrading;
- Support Creation of Food Industry Associations and Clusters;
- Improvement of Marketing and Branding Skills of Farmers;
- Promote Agricultural Education and Enhance Cooperation with VET Institutions;
- Support the Creation of Cooperatives for Technology Sharing;
- Create Financial Literacy Programs Tailored for Farmers.

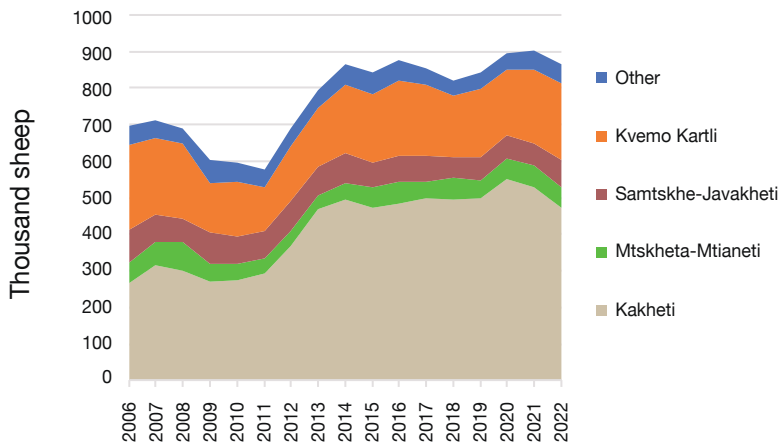
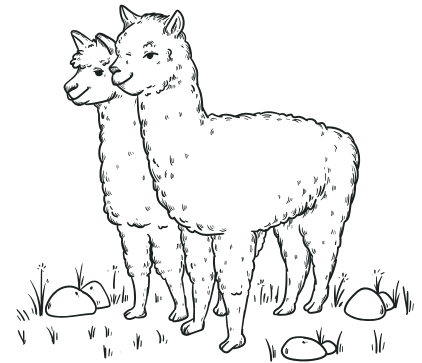
The publication was prepared by Policy and Management Consulting Group (PMCG) within the Program "USAID Unity Through Diversity," implemented by the UNA Georgia with the financial support of the United States Agency for International Development (USAID). The views and opinions expressed in this publication/video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



Full report see

SHEEP VALUE CHAIN IN SAMTSKHE-JAVAKHETI AND KVEMO KARTLI

The sheep value chain, integral to rural life in Kvemo Kartli and Samtkhe-Javakheti, spans meat, wool, dairy, and live sheep products. The sector significantly impacts local economies. Notably, shifts in pastureland and animal feed dynamics have occurred, from rising feed prices to changes in pastureland renting policies, leading to increased leasing costs for grazing lands. Challenges in the wool industry have arisen, with farmers struggling to achieve profitable sales due to factors like reduced international demand, suboptimal wool quality from native Georgian sheep breeds, and the rise of alternative materials in the market.



- Approximately 190 thousand sheep in Kvemo Kartli and 67 thousand in Samtkhe-Javakheti,
- The issue of insufficient pasturelands has become increasingly critical, driven by a notable rise in the cost of feeding sheep over the past three years.



- Farmers in Kvemo Kartli sell rams and lambs alive, focusing on Muslim-majority areas for halal meat demand.
- Over 95% of sheep go to international markets through collectors and exporters.



- Non-profitable practice of wool production.
- Manual shearing used due to electricity absence.
- Costs range from GEL 2 to 5, influenced by labor type.
- Most farmers dispose of wool, with limited value



- Limited demand for sheep milk in the regions.
- Georgian cheeses like Chogi, Kalti, and Guda, and Armenian Lori cheese are crafted.
- Production to a third of potential due to the challenges in milking techniques and labor scarcity

Most common sheep breeds in the region

	Ram Weight	Lambing Rate	Milking Potential	Endurance over distance	Present in regions
Tushuri	40	100%	High	High	Both Kvemo Kartli and Samtskhe-Javakheti
Imeruli	30	250%	Medium	Medium	Same as Tushuri, but considerably lower rates
Javakhuri	55	100%	Low	Low	Akhalkalaki and Akhaltsikhe municipalities
Samicoarsewool & Baldas	60	150%	High	Low	South-Eastern villages in Ninotsminda Municipality

In contrast, the dairy and live meat segments have seen positive trends, both domestically and internationally. The diversity of Georgian sheep breeds has boosted live sheep exports to destinations like Azerbaijan and Gulf countries. However, evolving market dynamics, favoring larger sheep and a shift towards selling by weight rather than quantity, pose challenges that the sector must adapt to address effectively.

Strengths

- **Breed Variety:** Farmers actively utilize at least four distinct sheep breeds in target municipalities, each with unique advantages.
- **Local Demand:** Consistent demand for live sheep in Kvemo Kartli driven by religious ceremonies and traditional festivals.
- **Long Lasting Tradition:** Deeply ingrained commitment to sheep farming grants remarkable resilience, even in challenging circumstances.
- **Alpine Area:** Sheep grazing at higher altitudes yield superior quality milk, enhancing success for intensive sheep dairy farms.
- **All Year Round Pastures:** Kvemo Kartli offers plentiful pasture lands for year-round utilization, while Samtskhe-Javakheti provides cost-effective summer pastures.
- **International Recognition:** Georgian sheep widely exported to Gulf countries, well-recognized and appreciated without additional marketing efforts.

Opportunities

- **Increased Exports to More Lucrative Markets:** Opportunity to expand exports to more lucrative markets, particularly in Saudi Arabia.
- **Increased Production of Dairy Products:** Opportunity to enhance dairy production potential by introducing milking-capable breeds, diversifying production.
- **Implementing New Breeds in Farms:** Scope for farmers to embrace new opportunities by introducing readily available local breeds.

Weaknesses

- **Lack of Labor:** Decline in population leads to skilled worker shortage and expensive hiring of shepherds.
- **Unusable Products:** Predominant marketing of live sheep, meat, and wool presents challenges in achieving favorable profitability.
- **Overgrazed Pastures:** Shifts in pastureland ownership may lead to overgrazing and land degradation.
- **Expensive Maintenance:** Inflation in pasture land prices and rising costs of animal feeds escalate maintenance expenses.
- **No Direct Access to Final Markets:** Lack of control over destination and pricing of goods, operating without a clear and transparent system, undermines trust in the sheep sector.

Threats

- **Significant Shortage of Pasturelands:** Challenges in affordability and participation in land auctions may lead to overgrazing and repurposing of pasturelands.
- **Damaging Reputation in Export Markets:** Concerns about dishonest practices by collectors and exporters may harm the reputation of Georgian sheep in Gulf countries.
- **Increased Competition:** Rise in exports of live sheep from African nations increases competition for Georgian sheep in Gulf markets.
- **Changing Markets:** Growing demand for larger-sized sheep in Gulf countries may challenge Georgian farmers accustomed to selling lighter sheep.

- Setting the optimal size for farms to minimize costs per sheep
- Changing approach towards sheep farming with more emphasis on maximizing profit and less emphasis on traditional lifestyle
- Increasing milking hygiene for the farmers to be able to sell milk
- Timely vaccination to avoid sheep loss
- Pricing sheep by their weight.

Recommendations for Farmers

- Incentivizing farmers to establish cooperatives as funding requirement
- Sharing international experience with local farmers who employ traditional approaches
- Introduction of new breeds to the region
- Improvement of the infrastructure between the pasture lands
- Offering alternative winter pens for farmers who are risking losing winter pens due to proximity to cultural sites and other environmental reasons

Recommendations for Public Entities



TOURISM VALUE CHAIN IN KEDA, SHUAKHEVI AND KHULO MUNICIPALITIES

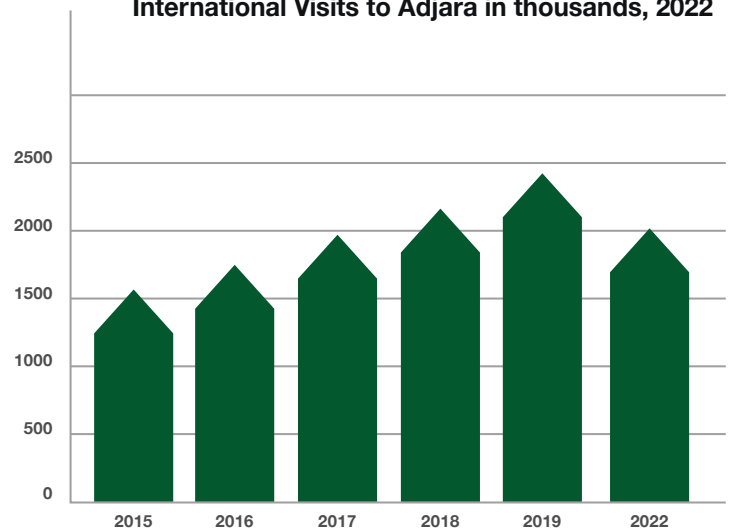
In Keda, Shuakhevi, and Khulo municipalities of Adjara, tourism fuels socioeconomic growth, particularly through adventure tourism. Despite their natural allure for activities and cultural experiences, challenges persist. Limited amenities and infrastructure, especially in Khulo and Shuakhevi, impede visitor experiences. Enhancing accommodations, activity offerings, and transportation infrastructure is pivotal. Stakeholder collaboration, sustainable development, and marketing strategies remain key. With the support of international partners, addressing these challenges will be instrumental in unleashing the region's full tourism potential and fostering sustainable growth



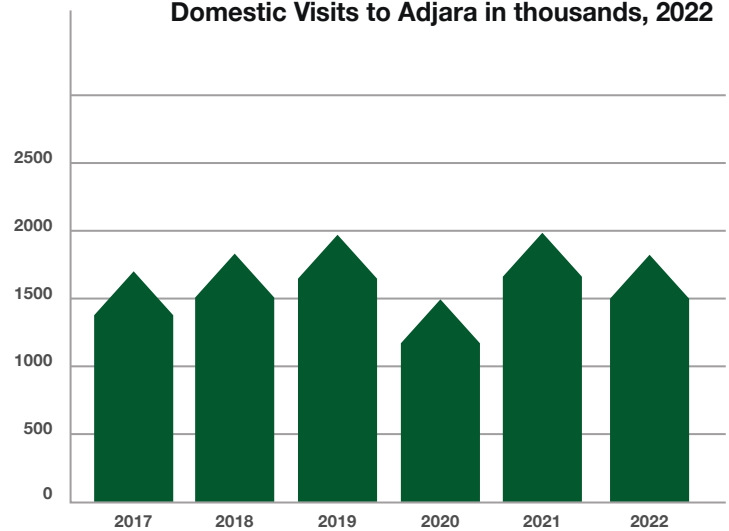
Tourism in Figures 2022

- Adjara hosted 3.9 million visitors in 2022: 53% international (2.1 million) and 11.2% domestic (1.8 million).
- Keda led domestic visits in Adjara with 72,338, followed by Khulo (52,722) and Shuakhevi (44,136).
- International visits in Georgia recovered by 61% in 2022 compared to 2019, with a 91% recovery in Adjara and 93% in Batumi.
- International visitors spent 9.7 million nights in Adjara in 2022, averaging a stay of 4.4 nights, while domestic visitors totaled 3.7 million nights (average stay: 1.74 nights).
- The largest share of visitors to Adjara were from Turkey 39%, Russia 19%, Israel 6%, Ukraine and Saudi Arabia 4%.
- Most of the international visitors visited Adjara for the purpose of rest and recreation 77%, Followed by VFR segment 12%, business and transit to other country were 4% respectively.
- Keda attracted 72% of visitors among the three municipalities, with Khulo at 19% and Shuakhevi at 9%.
- Keda experienced an 87% recovery in 2020 and 34% growth by 2022 from pre-pandemic levels, while Khulo and Shuakhevi faced slower recoveries.

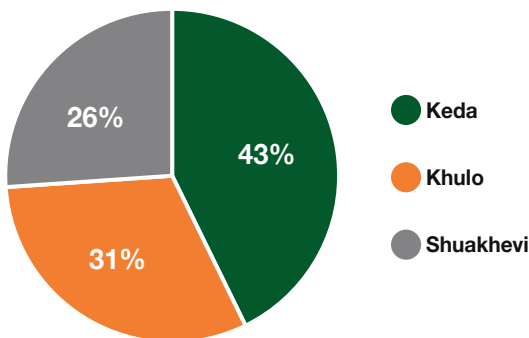
International Visits to Adjara in thousands, 2022



Domestic Visits to Adjara in thousands, 2022



Domestic Visits to Target Municipalities, 2022



SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Diverse tourism options: adventure, gastronomy, eco-agro, culture, wine. • Proximity of some tourist locations to Batumi • Unique nature, views and landscapes • Ideal getaway from Batumi • Ecologically clean local products such as honey and dairy products • Existence of Winter Resort Goderdzi • Presence of Alpine Botanical Garden • Wide range of Adventure Activities in Keda • The proximity to protected areas • 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 	<ul style="list-style-type: none"> • Infrastructural issues with the roads to villages, Batumi – Goderdzi, and Akhaltsikhe-Khulo road connecting Tbilisi to Selected municipalities in Adjara, including Goderdzi Ski Resort • Infrastructural issues with electricity, water, and natural gas, especially in villages of Selected municipalities in Adjara. • Seasonality of some tourism services due to infrastructural issues. • Lack of finances noted by local tourism sector actors. • Limited local interest in tourism due to social benefits, traditional beliefs regarding women's employment in service industries, and better opportunities in Batumi. • 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)
Opportunities	Threats
<ul style="list-style-type: none"> • create and promote new tourist routes in Adjara, incorporating hidden gems in selected municipalities. • Explore agrotourism and gastrotourism prospects in Keda, Shuakhevi, and Khulo. • Tap into ethno-tourism potential, especially in Ghorjomi Gorge. • Boost related sectors like agricultural development for food-based tourism and bike repair services for cycling tourists. • Mountainous Adjara is gaining attention from public entities as a tourist hotspot. • Enhance tourist experiences by providing entertainment services, especially in Shuakhevi and Khulo, to prolong their stays. • Identify and capitalize on opportunities in balneological tourism offerings. 	<ul style="list-style-type: none"> • High precipitation/snow and risk of other natural disasters, such as landslides • Chaotic development of tourism infrastructure, especially accommodations • Further increasing input prices • Further outflow of the labor force to cities and other countries • Adverse impact on nature from improper tourism infrastructure • Postponed completion and potential concerns over sustainability and low quality of the Akhaltsikhe-Batumi road construction • Disruption of guide services by Russian migrants creating an internal market for fellow Russian travelers

Infrastructure Development: Prioritize funding for improving roads, especially Batumi-Goderdzi and Akhaltsikhe-Khulo routes, along with electricity, water, and natural gas infrastructure.

Diversification of Tourism Activities: Encourage a wider range of tourism experiences, particularly in Shuakhevi and Khulo, including agrotourism, gastrotourism, and ethno-tourism.

Tourism Policy and Regulation: Develop and enforce regulations to ensure sustainable tourism development, particularly in accommodations, and to preserve the natural environment.

Stakeholder Collaboration: Establish communication channels between information centers and the private sector to facilitate seamless information delivery and collaborative initiatives.

Capacity Building: Support training programs for tourism service providers to address the need for more finances and labor force in the local tourism sector.

Sustainable Tourism Development: Promote projects focused on sustainable tourism practices, including eco-friendly accommodations and waste management systems.

Entrepreneurship and Small Business Support: Provide grants or financial assistance to local entrepreneurs and small businesses in the tourism sector, ensuring equitable distribution of information and fostering partnerships with communities.

Tourism Promotion and Marketing: Allocate resources for effective marketing, focusing on unique selling points and promotional materials to increase awareness about diverse tourism options.

