

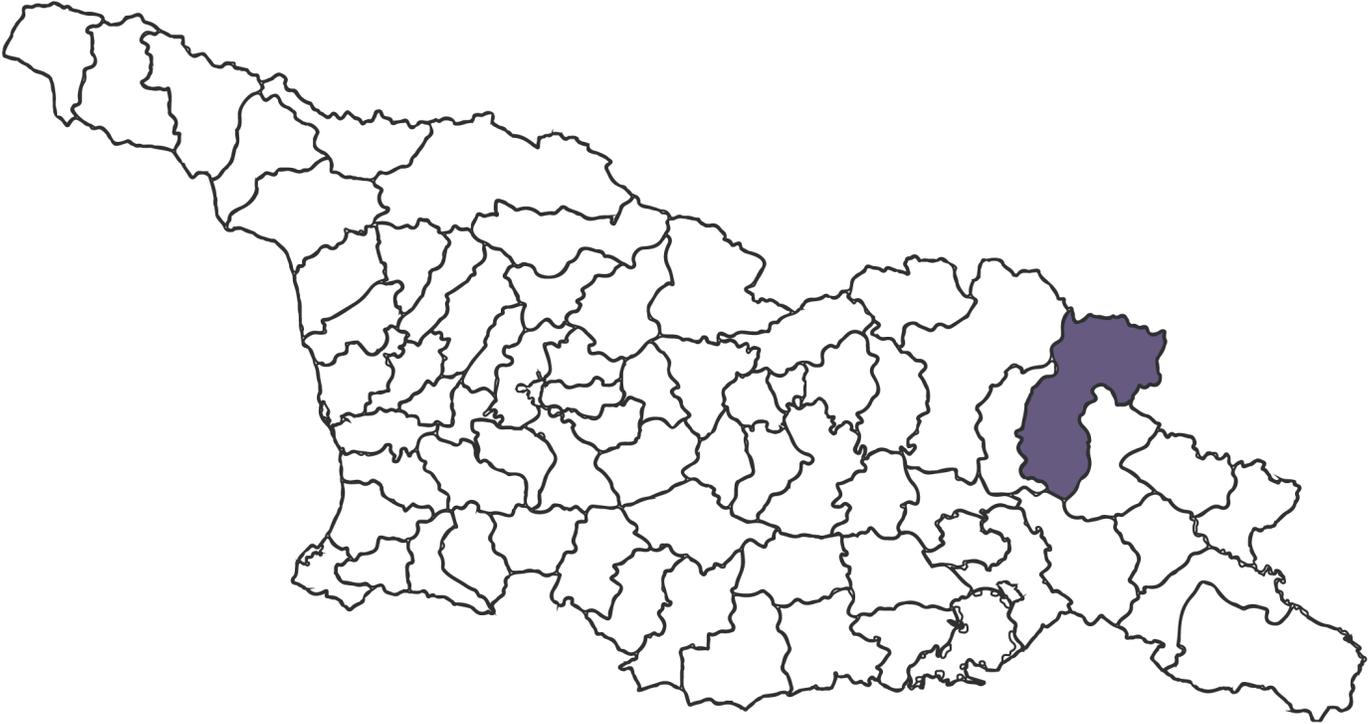


# PRIORITY VALUE CHAINS IN PANKISI VALLEY

WITH FOCUS ON TOURISM AND ANIMAL HUSBANDRY VALUE CHAINS

USAID UNITY THROUGH  
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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 socio-economic 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 integration of ethnic minorities in the value chains and integrating the regional value chains in the national or international value chains.

The analysis of pre-identified high-priority value chains in Pankisi Valley aims to identify gaps in each stage of production/service provision 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 Pankisi Valley value chains into national and international value chains. In particular, the tourism value chain and animal husbandry value chains are assessed as the value chains with the highest development and integration priority, therefore, those value chains are examined comprehensively. Meanwhile, value chains such as beekeeping, sheep farming, corn and potato farming, and collection of non-timber forest products (NTFP) are overviewed briefly as additional important economic sectors present in Pankisi Valley.

In summary, the report is divided into the following sections:

- Research methodology: overviewing the methodology of selection of priority value chains and quantitative and qualitative analysis methods used within the study of value chains in Pankisi Valley.
- Overview of local context: providing the short historical background of Kists in Pankisi Valley, a geographic overview of the area, reasoning behind existing stigmatized opinions on the area, and an overview of previous donor projects aimed at the development of Pankisi Valley communities and economy.
- Tourism value chain in Pankisi Valley: overviewing value chain map, tourist locations, and asset proposition, visitors, and internal actors of the value chain in Pankisi Valley.
- Animal husbandry value chain in Pankisi Valley: overviewing value chain map, and internal actors of the value chain in Pankisi Valley.
- Overview of other priority sectors in Pankisi Valley: overviewing other value chains present in Pankisi Valley. Particularly providing a summary of beekeeping, sheep farming, corn and potato farming, and collection of non-timber forest products (NTFP) value chains.
- External stakeholders: overviewing external actors involved in tourism, animal husbandry, and other priority sectors, providing supporting services and enabling environment for these sectors.
- SWOT Analysis: describing the strengths, weaknesses, opportunities, and threats of the priority value chains in Pankisi Valley.
- Recommendations: providing general recommendations, tourism sector development recommendations, and animal husbandry sector development recommendations.

The objective of this analysis is to offer significant insights and suggestions for activities that can support the sustainable progress of priority value chains. By tackling obstacles, seizing opportunities, and fostering cooperation, the potential of the development of Pankisi Valley and integration of Pankisi Valley value chains into higher-scale national and international value chains can be actualized, thereby stimulating socio-economic growth of the area.

## **2. Research methodology**

For the assessment of priority value chains in Pankisi Valley, desk and field research studies were conducted, analyzing both primary and secondary data. However, prior to conducting the value chain analysis, the priority economic sectors were identified in Pankisi Valley.

### **2.1. Selection of value chains in Pankisi Valley**

The prioritization methodology was developed to identify the value chains that have the highest development and integration potential, considering the regional and sectoral specifics. In particular, individual methodologies were developed for tourism sub-sectors and agricultural/other economic sectors.

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, 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 with local representatives 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 combination of quantitative and qualitative analysis, the high-priority tourism directions were selected for Pankisi Valley. Cultural tourism was identified as the major strength and opportunity of Pankisi Valley, followed by gastronomic and adventure tourism.

The agricultural economic sectors were assessed for their competitiveness and their potential for integrating ethnic minorities, as well as their potential of integrating into the national and international value chains. For assessment and comparison of agricultural value chains, the indicators such as concentration of agricultural products, import substitution potential, and warehouse accessibility were analyzed and scored. The results of this first stage of prioritization scoring, additional extensive desk research, 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). Consequently, the animal husbandry value chain, especially the production of dairy products and meat, was identified to have the highest development and integration potential among all other sectors.

However, it must be noted that value chains such as beekeeping, sheep farming, corn and potato farming, and collection of non-timber forest products (NTFP) were also identified as relevant sectors for the economic development of Pankisi Valley, however, on a smaller scale – both on the initial stage of prioritization and second stage of validation by relevant local stakeholders from Pankisi Valley.

Hence, this study covers a detailed analysis of the tourism value chain, specifically cultural, gastronomic, and adventure tourism, and the animal husbandry value chain, with a focus on the production of dairy products and

meat. In addition to that, other value chains of smaller scale are overviewed shortly to provide a better understanding of the economic pattern in Pankisi Valley.

## 2.2. Desk research

Desk research was conducted to provide an overview of the economic, social, and geopolitical situation and prospects of Pankisi Valley. The quantitative data was sourced from international donor and national reports, history books, and diverse online sources.

In addition to that, statistical data on Pankisi Valley was sourced from national funding programs of Enterprise Georgia and the Rural Development Agency. At this stage of the analysis, the main insights regarding the local context and general economic situation in Pankisi Valley were provided. The findings of desk research are scattered throughout the report, enriching the primary data collected throughout the field research.

## 2.3. Field research

Prior to conducting the field research in Pankisi Valley, individual questionnaires were developed per the identified value chain to better capture the existing situation, challenges, and opportunities in each sector.

In case of the tourism value chain, 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.

In the case of agricultural and other value chains, the questionnaire included questions on current production, production plans, detailed production process, sales and distribution of products, sales prices, costs of production, financing, labor force, and infrastructure.

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 economic sectors and a diverse set of representatives. The following table summarizes the types of local representatives interviewed within the analysis.

Table 1: List of conducted interviews with local businesses

Value Chain	Category	Number of conducted Interviews <sup>1</sup>
Tourism	Accommodation	4
	Food and beverages	3
	Tour operators and guides	1
	Souvenirs and crafts	1
Animal Husbandry	Dairy products	4
	Meat products	1
Other Sectors	Beekeeping	1

<sup>1</sup> Note that some of the respondents were operating in more than one tourism direction, however, to avoid double counting, the number is assigned for the main economic activity of the respondent.

	Other	2
<b>Total number of conducted interviews</b>		<b>15</b>

Based on the collected quantitative data, the report maps the priority value chain actors, describing each type of actor. In addition to that, the report also overviews external stakeholders involved in the value chains, including international donors, NGOs, state institutions, sectoral associations, VET colleges, financial institutions, laboratories, etc.

## 2.4. Research limitations

The given study has several limitations:

- Statistical data is not provided at the community level of Pankisi Valley, therefore, the statistical economic, business, and agricultural data cannot be overviewed throughout the report.
- In addition to that, business register statistics do not provide a full picture of the existing business sector in Pankisi Valley, as some of the businesses operate without official registration.
- Selection bias can be caused due to the fact that the respondents willing to participate in the research generally have favorable perceptions of international donor organizations, therefore may not provide the actual attitude of the community towards such organizations.

## 3. Overview of local context

Pankisi Valley is located in Akhmeta Municipality and is well connected to the municipal center of Akhmeta town (15 km highway) and Tbilisi (123 km highway). It is located in the upper reaches of River Alazani, south of the historic region of Tusheti. There are seventeen villages in Pankisi Valley divided by the Alazani River. The main administrative village is Duisi. Other major settlements include Jokolo, Birkiani, Dzibakhevi, Omalo, and Dumasturi.

Pankisi population is predominantly Kist, an ethnic group of Chechen roots, who have been living in the Valley since the 19th century. The native language of the Kists is Chechen (Kist dialect), however, almost all Kists speak Georgian. Ethnic Georgians and ethnic Ossetians form the minorities of the Valley.

Many Kists have recovered their roots in Chechnya, with considerable cultural and economic ties to Grozny still existing. Kists are predominantly Sunni Muslims, however, there are two mosques in the village, each serving different sub-branches of Sunni Islam.

Pankisi Valley is characterized by a strong sense of community and self-sufficiency. Social and economic activity is mostly constrained within the Valley, with weak linkages and integration to other parts of the country. There are no supermarket chains, bank service centers, or other organized services in the Valley, thus, economic linkages with Akhmeta are stronger. Linkages with Tushetians are also relatively stronger.

Even though the Valley has been calm and peaceful now, the Valley has been involved in various crises in the 90s and the 00s and few individual cases in the 10s. In the late 90s, Georgia received around 9,000 Chechen asylum seekers due to a mass influx of people because of the second Chechen war. Due to strong ties with Kists, the majority settled in Pankisi. However, most of these refugees have returned to their homes or moved to Europe. In the 00s and beyond, several individuals left Pankisi and joined various terrorist organizations, and their Kist origin has been well-publicized. In the early 00s, frequent allegations of strong linkages of the region with international terrorist organizations were made by Russian officials. Due to these events and several

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<sup>2</sup> Note that all respondents were interviewed regarding beekeeping, sheep farming, potato and corn farming, and collection of NTFPs.

well-publicized special operations in 2012 and 2017<sup>3</sup>, the perceptions of the safety of Pankisi Valley in the general public of Georgia is quite low.

To ensure the integration of the Valley into the rest of the country, as well as to address the misconceptions and stigmas, a plethora of donor organizations have been working in the Valley. USAID has been particularly active in the region, with most interventions through USAID Zrda Activity and USAID Pankisi Community Links Activity. As a result, strong community organizations and NGOs have been formed in the Valley. The active involvement of women in such organizations and in the tourism sector is quite notable.

#### **4. Tourism value chain in Pankisi Valley**

##### **4.1. Tourism value chain map**

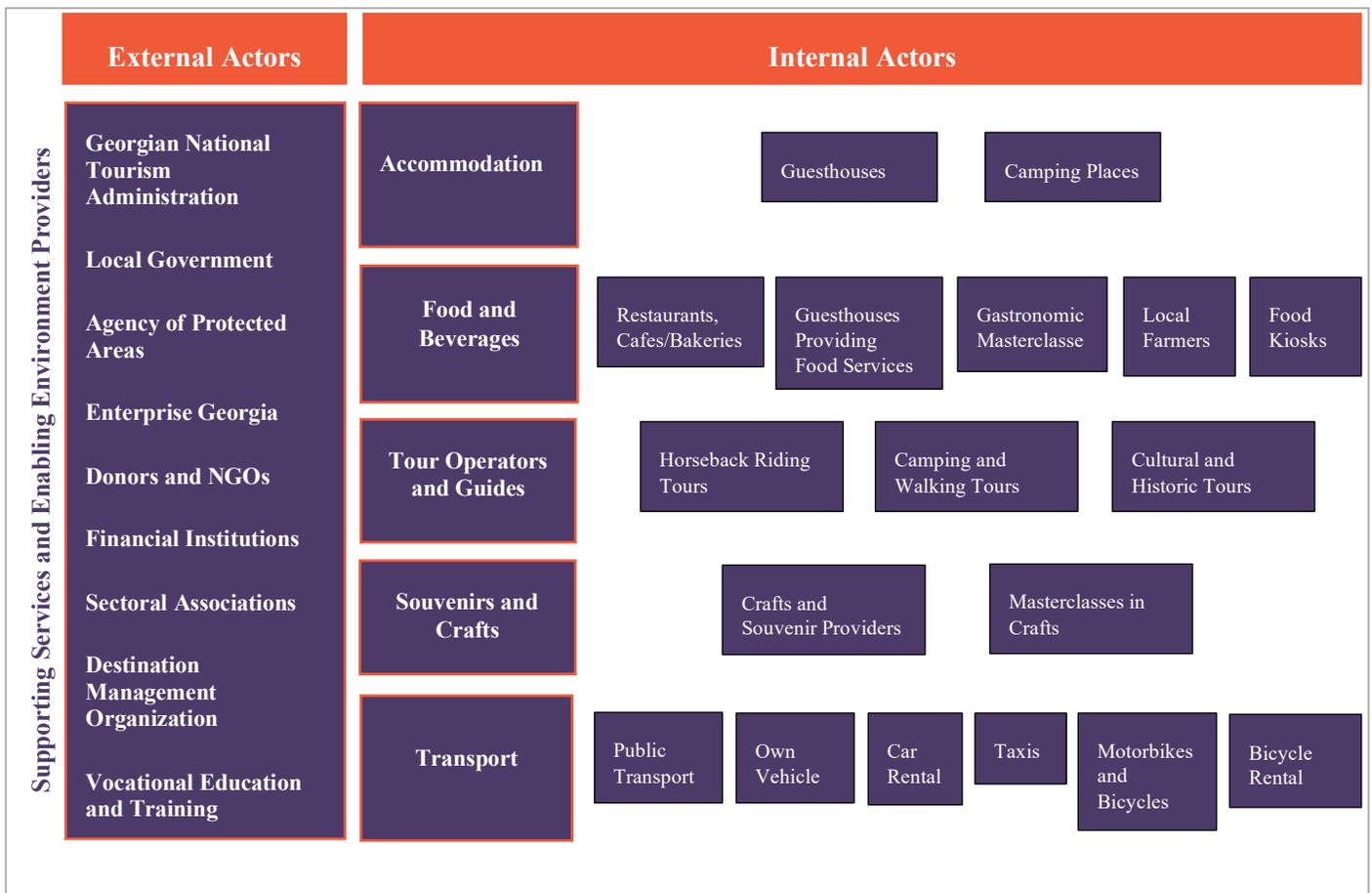
Tourism is the major economic sector present in Pankisi Valley, benefiting job creation, revenue generation, the preservation of cultural and natural heritage, also incentivizing the development of local agricultural production. Notably, each value chain actor is interlinked with other local actors, exhibiting a high level of collaboration with each other, which eventually increases the self-sufficiency of the economy of Pankisi Valley.

The following diagram summarizes tourism value chain actors in Pankisi Valley, covering both internal and external actors actively involved in the tourism services provision process.

Diagram 1: Tourism Value Chain in Pankisi Valley

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<sup>3</sup> “The Situation of the Kist Community and the Chechens”, Danish Immigration Service and Danish Refugee Council, 2018



Source: Field Research

A detailed overview of each type of actor, their linkages with other players and external stakeholders are presented in the following sections. Additionally, niche tourism sub-sectors are also discussed within the following sections, covering a wide range of tourist products such as cultural tourism, rural tourism, eco-tourism, and gastronomic tourism. These directions offer opportunities to display the local foods, cooking customs, and farm-to-table experiences of the region. Apart from that, adventure tourism also acts as a major touristic product for visitors of the Pankisi Valley, considering the natural attractiveness of the area and opportunities in the provision of diverse adventure tourism activities.

#### 4.2. Tourist locations and asset proposition

Pankisi Valley is one of the most culturally unique places in Georgia, which is also known for its natural attractions and landmarks. The following section summarizes the tourist locations and assets of Pankisi Valley.

##### Cultural heritage

Pankisi Valley provides an opportunity for visitors to get acquainted with Kist culture, their traditions, and Sufi religion. The main cultural sights of Pankisi Valley include the new and old mosques of Duisi, St. George’s Church, Duisi watchtower, Amphitheatre, and WWII Memorial, Vainakh tower house in Jokolo, traditional heritage houses, especially in Omalo and Dzibakhevi, Kist cemeteries and ancient ruins, some of which date back to 13<sup>th</sup> century.

One of the important traditional ceremonies in Pankisi Valley is Zirk ceremonies, which take place at the Old Mosque every Friday and is open to visitors. The Zik ceremony is performed by women moving around the circle while chanting, singing, and clapping hands.

The ethnographic museum also operates in Duisi, displaying traditional artifacts and objects, such as crafts tools, coins, feltwork, and other ethnographic objects. However, the museum is only accessible to visitors with a prior appointment.

As mentioned above, Kist handicrafts such as feltmaking are another important cultural asset of the Valley. Felt is utilized to make hats and coats for shepherds, as well as for creating decorative wall hangings and small souvenirs. A lot of these designs incorporate symbols from the Chechen and Kist traditions. In addition to that, locals also engage in the making of crafts and souvenirs from wood and clay.

Notably, considering the cultural and religious differences, visitors are advised to dress appropriately<sup>4</sup> while visiting Pankisi Valley and follow the rules of entry to the mosque due to the respect towards locals and their religion.

### **Gastronomic heritage**

Kist cuisine combines Chechen and Georgian culinary traditions. Generally, products used in the preparation are fully locally grown and produced. Dairy products such as butter, cheeses, creams, and yogurts are common products of households. Therefore, the use of local produce increases the touristic value of gastronomic dishes of Pankisi Valley, as well as creating strong linkages with local farmers and tourism service providers.

Specialty dishes include Chaabilgish (Cjecjen Khachapuri stuffed with pumpkin) and Zhizhig Galnash (dumpling-noodles), Heul (crisp-fried dough cake with honey), Niiti Khinkali (nettle dumplings), Ahar Khudar (cornmeal porridge).

Apart from traditional dishes, Pankisi Valley also provides its visitors with unique non-alcoholic beer made with Rosehip, locally.

### **Natural attractions**

Batsara Strict Nature Reserve and Tusheti National Park are adjacent to Pankisi Valley, therefore increasing the natural attractiveness of the area and providing a foundation for diverse adventure tourism activities, such as hiking, horse-riding, and mountain biking.

The popular circular route to Pankisi Fortress starts from Khalatsani village and runs for 4.6km round-trip, taking around 2.5 hours to complete. Some trails lead to Khadori Gorge, which is well-known for its waterfall. Khadori waterfall is easily reached from Birkiani village, even on foot. In addition to that, other easy hiking trails include the hike up to Duisi Panorama viewpoint.

The horse-riding treks cover a variety of natural attractions and can range from short day trips throughout the villages of Pankisi Valley along the Alazani River, overnight trips to Batsara Nature Reserve (including Tbatava mountain plateau), and multi-night trips from Pankisi Valley to Tusheti. Notably, trips to Batsara Nature Reserve can be arranged through the Agency of Protected Areas of Georgia. Officially, Batsara Nature Reserve allows visits for educational, non-manipulative scientific research and monitoring purposes due to the need for the preservation of the unique flora and biological diversity of the area<sup>5</sup>.

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<sup>4</sup> For instance, men are advised to wear long trousers and avoid wearing shorts, while women are advised to wear relatively non-revealing clothes, such as miniskirts. Apart from that, guesthouses ask the visitors to enter the house without shoes. The rules of entry to the mosque include all the above-mentioned guidance.

<sup>5</sup> <https://apa.gov.ge/en/protected-areas/cattestone/bawara-babaneuris-daculi-teritoriebis-administracia>

### 4.3. Visitors

According to the field research, the absolute majority of visitors of the Pankisi Valley are foreigners<sup>6</sup>, while domestic visitors<sup>7</sup> only amount to only a small portion of total visits. International visitors often come from Europe, however, respondents mention a wide range of source countries. In particular, the inflow of visitors was especially noted from Poland, Germany, the Netherlands, the UK, and Belgium. Other countries include the USA, Japan, South Korea, Australia, New Zealand, Lebanon, Romania, Czech Republic, Austria, France, Slovakia, Norway, and Italy. Throughout the past 2-3 years, the inflow of visitors from Arabic countries became more present, however, still on a smaller scale. According to respondents, Russian tourists do not visit the area. On the other hand, Chechens (Russian citizens) are often visiting this area, according to respondents. Generally, visitors choose to stay in Pankisi for up to 3 days and try to engage in a diverse variety of touristic activities, including gastronomic, cultural, and adventure activities. However, it should be noted that the diversification of tourism products may lead to an increase in the average length of stay of visitors and, therefore, increase the welfare of the Pankisi community collected through tourism.

Noteworthy, during the pandemic, the marketing strategies of local tourism providers shifted towards domestic travelers. However, the level of interest of Georgians was still low, which could be attributed to the stereotypical attitudes towards the Kist region and lack of confidence in safety issues.

The types of visitors are also diverse. In Pankisi Valley, you can find various types of visits, including those for couples, families, groups, and individuals. Therefore, visitors of all age groups are present, however, with a larger share of relatively younger visitors. Notably, in some cases, families with very young kids also chose Pankisi Valley as a destination location.

According to respondents actively involved in the tourism sector of Pankisi Valley, the pattern of interest is different among the countries. For instance, Norwegian visitors are often interested in bicycle tourism, and Italians are more inclined towards cultural and horse-riding touristic activities. Germans, Polish, and English visitors are interested in horse-riding tours, while visitors from the USA choose cultural tours. Despite the preferences, considering the smaller size of the Pankisi Valley and its versatility, the majority of the visitors still try to get the full experience and include many types of touristic activities throughout their visit.

Frequent return visits are a common trend among visitors to Pankisi Valley. This is further accentuated by the recommendations made by the visitors to their friends and acquaintances. In addition to that, specific visitors such as bikers and hikers share their positive experiences within their own communities, further popularizing Pankisi Valley to other travelers. Notably, visitors often base their interest in the area on the information from travel bloggers about Pankisi Valley and their contributions towards marketing this tourist location.

### 4.4. Accommodation

The accommodation sector in Pankisi Valley is mainly concentrated in Duisi and Jokolo villages. Based on the database of the Tourism Development Department of Akhmeta Municipality, currently, twelve accommodation

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<sup>6</sup> Currently, the International Visitor Survey does not include statistical information regarding the number of international visitors in Pankisi Valley, therefore the section on visitors only includes qualitative information collected through field research.

<sup>7</sup> Currently, the Domestic Visitor Survey does not include statistical information regarding the number of domestic visitors in Pankisi Valley, however, information is given on Akhmeta municipality, which encompasses a broader area, including Tusheti Villages, and is not representative of dynamics relevant to Pankisi Gorge. Still, throughout 2016-2022 years, the share of Akhmeta municipality in total domestic visits ranged from 0.1% to 0.4% with an average of only 39.5 thousand domestic visits per year.

service providers - guesthouses are present in Pankisi Valley<sup>8</sup>. According to respondents, the most active guesthouses are the ones located in Duisi and Jokolo villages<sup>9</sup>. Apart from these three most popular and active guesthouses, other locals also provide accommodation services to visitors, mainly in Duisi, Jokolo, and Dumasturi villages. However, the number of active guesthouses is not large and consistent<sup>10</sup>. The majority of the currently active guesthouses in Pankisi Valley were founded through financial assistance from donor organizations, mostly USAID, and local public funding opportunities, particularly programs of Enterprise Georgia.

Existing guesthouses have the capacity to host a maximum of 14-16 people each. During the tourist season, these guesthouses are almost always fully occupied, and occasionally, they even have to utilize their own accommodation spaces for larger groups. In some cases, neighboring houses are used when they cannot accommodate these larger groups, a practice common among all surveyed guesthouses. In general, the length of stay of visitors ranges from 1 to 4 days.

Table 2: Number of rooms and maximum capacity of interviewed guesthouses

Guesthouse	Number of rooms	Maximum capacity
Guesthouse “Melissa” in Duisi	4 rooms	16 visitors
Gusetthouse “Leila” in Jokolo	5 rooms	15 visitors
“Nazy’s Guesthouse” in Jokolo	4 rooms	14 visitors
Guesthouse in Birkiani	3 rooms	8 visitors

Source: Conducted interviews

Shared bathrooms are a standard feature in all of these guesthouses. Notably, in major settlements (Duisi and Jokolo), the surveyed guesthouse representatives have not mentioned any issues regarding the accessibility to water, however, the respondent from Birkiani noted that they sometimes encounter issues with a constant supply of drinking water. This issue is consistent with the results of the previous community needs assessment conducted in Pankisi Valley<sup>11</sup>. The issues with the sewage system were not observed throughout the analysis.

Regarding other general infrastructure, the mobile phone connection and mobile internet were not mentioned as an issue by the respondents, however, still, they seldom encountered issues with constancy of WiFi connection at their guesthouses.

Guesthouses use various booking methods, with Booking.com being the primary platform used, although Airbnb is also used but less frequently as they do not receive many bookings from this source. Some bookings are made via telephone, and they maintain a presence on social media platforms like Facebook and Instagram. Notably, some guesthouses sometimes receive visitors who happen to pass by without a prior booking. While two major guesthouses have websites<sup>12</sup>, they are less commonly used for booking purposes.

<sup>8</sup> <https://akhmeta.gov.ge/ge/saojaxo-sastumroebi>

<sup>9</sup> <https://www.pankisiValley.com/plan-your-trip/places-to-stay>

<sup>10</sup> Currently, according to the national business register, only two accommodation service providers are active and registered in Pankisi Valley (extracted 13.09.2023), however, some of the guesthouses may be operating without official registration.

<sup>11</sup> PMC RC, Research Report – Community Needs Assessment in Pankisi Valley (2021)

<sup>12</sup> <https://nazysguesthouse.com/>; <https://guesthousemelissa.ge/>

Interviewed accommodation service providers mention that they are actively receiving reviews from their visitors both verbally and on booking platforms. The feedback on services provided by guesthouses is almost always positive, as all the visitors are informed previously regarding issues that may be problematic for some visitors (such as shared bathrooms). The relatively negative feedback is only received from domestic visitors, according to the respondents<sup>13</sup>.

As mentioned above, demand for accommodation is consistently high, and all interviewed guesthouses express a strong desire to expand their capacity to meet the growing demand from international visitors. However, the main challenge they face in this expansion effort is access to financial resources. Throughout the field research, one of the respondents mentioned that as the existing grant programs they are aware of often do not provide funds for construction projects, they are unable to create additional spaces for their visitors.

Notably, in the winter season, these guesthouses are closed due to low demand and the high cost of maintenance. The peak tourist season is from July to September, with October and November also being relatively busy. During autumn, domestic visitors tend to be more active, according to one of the respondents. It's worth mentioning that Georgian visitors are generally more discerning and demanding, according to the majority of the respondents.

During the peak season, these guesthouses generally employ assistants for cleaning and cooking, typically women. Notably, all of the guesthouses are family-run businesses. Respondents did not mention any issues regarding the recruitment of seasonal staff locally in accommodation and food service provision directions.

In addition to lodging, these guesthouses also offer food services that can include breakfast, lunch, and dinner, depending on the visitor's preferences. Some guesthouses also offer additional amenities such as board games (e.g., backgammon, chess) and even sports equipment like badminton. One guesthouse also started offering a conference hall for non-governmental organizations, donors, and embassies based on observed demand.

Some guesthouses have adjusted their pricing strategies compared to the pre-pandemic prices. They increased accommodation and breakfast/lunch prices due to high maintenance costs and rising input product prices. However, others maintained their initial prices despite increased costs, aiming to attract low-budget visitors.

Guesthouses actively collaborate with tourist agencies (both with foreign and Georgian companies) and other local<sup>14</sup> businesses, including fellow guesthouses, adventure tourism service providers, cultural guides, transportation services, and local farmers for sourcing dairy, meat, and honey products. In Pankisi Valley, guesthouse hosts are often the main source of information for visitors regarding cultural norms, sightseeing, existing tourist services, adventure and cultural tours, horseback riding, bike rental, transportation means, and local produce.

#### **4.5. Food and beverages**

The food and beverage sector in Pankisi Valley plays a pivotal role in catering to the preferences of visitors, who are primarily drawn to local cuisine prepared using locally sourced ingredients, especially dairy products, and meat. Currently, the food services are provided by restaurants/cafes, bakeries, food kiosks/groceries, and guesthouses. There is currently only one large restaurant in Pankisi Valley, one café is also present in Duisi

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<sup>13</sup> In this sense, the situation in the Pankisi accommodation sector is similar to the national experience, as the demand and expectations of domestic visitors are generally higher compared to international visitors.

<sup>14</sup> In this context, local businesses encompass the businesses from Pankisi Valley. However, on a smaller scale, collaboration cases were mentioned with businesses from nearby villages of Kakheti, including Tusheti villages. Meanwhile, respondents did not mention any strong relationships with businesses from more distant regions of Georgia and the capital city.

village. Some bakeries, where visitors can buy Kist, Georgian, and other bakery goods are also available in villages, especially in major settlements such as Duisi and Jokolo. Meanwhile, small food kiosks, where visitors can buy basic groceries and snacks are present in all Pankisi Valley settlements with the largest store located in Duisi.

The emergence of a relatively large restaurant in 2023 in Duisi village marked a significant development in the dining landscape of Pankisi Valley. Prior to this establishment, guesthouse owners predominantly provided lunch and dinner services to visitors. The need for such a restaurant became evident as visitors, especially larger groups of up to 30 people, required a dedicated dining space that guesthouses lacked the capacity to provide. This restaurant can now accommodate up to 150 people and experiences high demand for traditional dishes like Khinkali, local Khachapuri, and Zhizhig Galnash.

The restaurant actively collaborates with local producers, including the producer of non-alcoholic rosehip beer native to Pankisi Valley, as well as meat, vegetable, and dairy farmers. It also serves as a gathering place for locals and has a strict no-alcohol policy, maintaining a lively atmosphere with music. Plans are in place to offer pre-made dishes for immediate purchase, and pricing is kept competitive. Notably, the restaurant owner and manager is a woman, and the restaurant employs up to 10 women, all under the age of 45, and cultural restrictions do not impede women from serving tables alongside men.

Bakeries are another integral part of the Valley's food scene, primarily operating on demand. However, some bakery owners recognize the potential for internal dining spaces, which they currently cannot provide due to financial constraints. According to some of the respondents, for them, this represents an opportunity for development and local employment.

Despite the emergence of restaurants, guesthouses still hold a niche market for visitors interested in food services provided directly in local homes, catering to those less inclined towards the classic restaurant environment. Additionally, some guesthouses offer culinary masterclasses and workshops, though this is not widespread due to limitations in infrastructure and space. Interestingly, with assistance from USAID, a local chef has published a cookbook featuring recipes for local cuisine and actively provides masterclasses based on tourists' interests in dishes from this book on the premises of guesthouses or her own house. Apart from that, one of the respondents mentioned that a noteworthy culinary attraction in the Valley is the preparation of Khinkali, a popular Georgian dumpling, using local meat. This specialty has garnered fame, even reaching certain groups domestically (in Tbilisi).

Remarkably, many guesthouses have their own gardens for growing vegetables and fruits, as well as cattle for meat, ensuring that they utilize their own produce in their culinary offerings during the season. This inclination towards self-sufficiency is a common practice among all respondents involved in food service provision. As a result, they rarely need to go to Akhmeta town for shopping needs, as they can readily obtain all necessary products from local producers or grocery stores.

An important contributor to the local food and beverage sector is the producer of local non-alcoholic rosehip beer from Omalo village. This product, rooted in traditional knowledge, has undergone modern manufacturing and branding, largely supported by international donor organizations and national agricultural projects. While 60% of the total production is distributed within Pankisi Valley, the remaining 40% is sold in Tbilisi, including in bars, restaurants, and several chain supermarkets. However, the product has yet to gain widespread recognition beyond the region, which is one of the most critical issues for the producer currently. This business is in some sense also tied to tourism, as guesthouses often recommend it for tastings, and the owner provides lunch and excursion services for his visitors. Future plans include developing new products like lemonade made

from dried fruits, expanding production, introducing pasteurization equipment, and supplying more chain supermarkets.

Finally, it must also be mentioned that the food sector in Pankisi Valley accommodates visitors with specific dietary preferences and needs, including vegans, vegetarians, and other dietary requirements, ensuring a diverse and inclusive culinary experience.

#### **4.6. Tour operators and guides**

Tour operators and guides play an important role in providing a large variety of tourism services in Pankisi Valley. The level of connections with local actors, such as local guides, and various tourism service providers, and incoming tour operators is assessed to be high. Additionally, collaboration extends to national tour operators and locals, however with a considerably smaller scale due to low demand from domestic visitors.

Horse riding tours stand out as one of the most demanded organized tours in Pankisi Valley. Currently, the Valley can provide one certified local guide, accompanied by an experienced non-certified horseback riding tour guide. Despite their presence, the demand for these services often exceeds their capacity, leading to instances where they have to decline offers. These leading guides can accommodate up to 25 interested tourists on tours and even provide lunch services after the excursions. Typically, the tours offered range from 4 days in duration, although there are cases where tours to Tusheti can extend to 8-10 days. In such instances, Pankisi guides collaborate with Tusheti guides, ensuring a seamless experience for visitors transitioning between regions. These tours are promoted through social media platforms like Instagram, word-of-mouth recommendations, and collaborations with incoming tour operators.

For local mid-level/assisting adventure guides, language proficiency is a notable consideration, with only the certified guide proficient in English. This guide has further development plans to acquire certification as a walking adventure guide, in addition to his existing horseback riding guide credentials. Furthermore, the guide offers full hiking equipment for up to 6 visitors, which was acquired through the Zrda project of USAID.

Batsara tours are also a feature in the Valley's tourism offerings, along with walking tours, which attract visitor interest. While biking tours and bike rentals are appealing, however, the resources for providing such kind of rental services are of a small scale.

Adventure tours primarily cater to international visitors, with domestic tourists making up only 5% of the customer base. The majority of visitors come from Germany, Poland, France, the USA, the Netherlands, and the UK, with an age demographic generally below 45, and a noticeable presence of women. The tourism season typically starts in May, although there is an emerging demand for winter tours, especially from Poland.

Cultural tours represent another facet of the Valley's tourism landscape, featuring young cultural guides who have received training in English (Roddy Scott Foundation) and French (French Embassy), as well as in-depth knowledge of local cultural facts from the Pankisi Valley Tourism Development Association (PVDTA). Currently, 12 guides actively provide cultural tours for visitors, with expectations of six more individuals joining this group. However, it's worth noting that while more young people are becoming involved in this activity, some leave the Valley for higher education or job opportunities in the capital city or abroad with their families.

Cultural tours may also encompass unique experiences like honey tours, where visitors visit the Dumasturi small honey factory and sample local honey. Similarly, tours are organized to the rosehip beer factory in Omalo. Traditional folklore tours and masterclasses are also available in Pankisi Valley, typically arranged through guesthouse hosts, offering visitors a rich and immersive cultural experience.

#### **4.7. Souvenirs and crafts**

Based on the insights gained throughout the field research, workshops in feltmaking for tourists can be arranged on demand by two main craftswomen present in Pankisi Valley. It must be noted that the workshop space that is currently provided by craftswomen is in need of renovation. However, the lack of finances stands as the main obstacle. Apart from that, language can also be an issue when providing masterclasses to international visitors. Currently, young students and family members help the main specialists in the provision of such services, as the level of English language knowledge is considerably high in school children, which can be attributed to the courses provided by Kakheti Regional Development Foundation (KRDF).

Regarding the types of visitors interested in workshops, respondents mention that visitors from diverse countries, especially Europe, visit their workshop spaces. The source of information for tourists is often based on recommendations from other visitors and from accommodation service providers. Additionally, Georgian visitors are also interested in local feltmaking techniques and traditions. The demand for such kind of services is high throughout summer and spring.

Felting products include felt cloaks, ornamental rugs, slippers, hats, jackets, and other souvenirs. All of these are made using traditional methods and often incorporate traditional ornaments. Craftswoman often works on orders from different customers, including folklore groups, restaurants, hotels etc. Currently, the pricing of the products is adequate for both the side of the consumer and producer. Despite the high demand and interest from the consumers, feltmakers mention the issues regarding the inputs supply, such as increasing prices and lack of supply of wool, and inaccessibility of other needed products in the region.

In addition to craftsmakers workspaces and homes, accommodation service providers often act as a sales point for souvenirs and crafts produced in Pankisi Valley. The public school of Jokolo and Duisi is also another point of distribution for crafts to interested visitors.

In addition to that, the KRDF training center also specializes in felting and clay/ceramics courses for young individuals. The crafts and souvenirs made by the students are also showcased to tourists and are accessible to purchase. Notably, in some cases, tourists buy local produce like branded honey as a souvenir.

#### **4.8. Transport**

Pankisi Valley is easily accessible from Tbilisi, and it can be reached in approximately 2.5-3 hours. Public transport is available directly from Tbilisi to Pankisi Valley twice a day. Alternatively, visitors can reach Pankisi Valley either from Akhmeta or Telavi using regional transport. Notably, regional transport drivers are knowledgeable of major guesthouses in Pankisi Valley, therefore, they can also provide instructions to travelers to reach their accommodation destination. However, it must also be mentioned that Taxi services can also be used by travelers, which can often be arranged by accommodation hosts on demand from their visitors.

Despite the availability of public transport, according to respondents, visitors often choose to use their own vehicles for transportation or use rental services from the capital city. Notably, the road infrastructure to Pankisi Valley is appropriate for all types of vehicles, however, in case of offroad trips to reach some sights such as Khadori waterfall and internal village roads, it is more convenient to travel with a 4WD vehicle. When demand arises, locals can provide taxi services even to remote locations for visitors. These services are mainly arranged with the help of guesthouse representatives. In some nonfrequent cases, visitors travel by their motorbikes and bicycles to reach Pankisi Valley.

For internal transportation, apart from using private vehicles, bicycle rental services are available for visitors by guesthouses. Guesthouse owners can also arrange village-to-village taxi services for their visitors if needed. Otherwise, the best way to get around is on foot, as most major landmarks are within walking distance of Duisi

and Jokolo. Notably, public transport between villages was not mentioned throughout the analysis, which could be attributed to the clustered locations of villages in Pankisi Valley.

## **5. Animal husbandry value chain in Pankisi Valley**

### **5.1. Animal husbandry value chain map**

While being a historical primary activity of Kists, the animal husbandry value chain in Pankisi Valley lacks scale and sophistication. The region's limited land availability has resulted in most families maintaining only a few cows. The largest farm in Pankisi consists of approximately 30 cows. There are no medium or large-scale milk processing plants in the community, with sales confined to retail sales in local community (including guesthouses), local markets (Akhmeta market), and in some cases Tbilisi markets. Most farmers follow outdated practices, own local and low-productive breeds of cows, don't use combined feed and have inadequate housing and infrastructure. While there is a meat processing plant in Pankisi, it fails to meet local demand due to lack of capacity.

Despite many challenges and low potential for large-scale production, the animal husbandry value chain plays a significant economic role in Pankisi, providing primary income and employment opportunities for the local population. There have been important donor interventions tackling some of the key issues in the VC. Further supporting local producers to increase capacity and quality to cater to the needs of the expanding tourism sector would ensure the development of the value chain in Pankisi Valley.

### **5.2. Key inputs for production**

#### **Livestock Breeding and Acquisition**

In Pankisi, livestock breeding flexibility is limited, partly due to the limited land area and challenging mountainous terrain, limiting the opportunity for large-scale expansion of the sector. Mostly, farmers use crossbred cattle (mixed breeds), which are less productive and less resilient compared to pure breeds. However, farmers believe that mixed breeds used by locals, while not highly productive, are well-suited to the region's environmental conditions. However, several interviewed enterprises are considering acquisition of more productive foreign breeds. One notable practice in the community is the seasonal movement of cattle into the nearby mountains during the summer months, followed by their return to lower elevations for the winter. This nomadic approach allows for efficient use of available pasture resources.

#### **Feed and Nutrition**

Local feed resources, such as wheat, barley, alfalfa, and other feed, rather than purchased combined feed, are the primary sources of nutrition for livestock in Pankisi. Some farmers produce their makeshift combined feed from various grains. The community relies on traditional feeding practices, and the adoption of modern techniques is limited. However, this reliance on local feed sources makes the Pankisi Valley for the most part (with additional feed needed in winter) self-sufficient in providing sustenance for their cattle.

One of the interesting arrangements related to feed and nutrition involves cattle herders (in most cases, Tushetian cattle herders) who take care of cows during their seasonal movement into the nearby mountains. In exchange for their caretaking services, these herders receive half of the milk produced during this period. At the end of the summer, they provide the cow owners with cheese (in most cases, Tushuri Gudis Cheese) made from their share of the milk. This arrangement not only supports the care of cattle in the mountainous terrain but also underscores the communal nature of agriculture in Pankisi. It promotes cooperation among community members and serves as a form of compensation for the labor and resources invested in livestock care during the summer months.

## **Healthcare and Veterinary Services**

Pankisi benefits from available veterinary services, especially in Akhmeta. While veterinary services are accessible, there is potential for greater utilization of these services among the local farming community. Most veterinary practices are being undertaken by the farmers themselves, who mostly lack competency in providing such services. Encouraging farmers to leverage veterinary services more effectively could improve overall herd health and productivity.

## **Animal Housing and Infrastructure**

A significant challenge in Pankisi is the lack of adequate housing and infrastructure for livestock, which becomes particularly problematic during the harsh winter months. There are no confinement and feedlot farms in Pankisi, and most farmers keep their cattle in makeshift cowsheds near their home and use open farms.

### **5.3. Milk and Dairy Processing**

The processing of dairy products in Pankisi is limited. The community lacks major or medium-sized milk-processing facilities, leading to a reliance on traditional methods. The farmers produce dairy products, such as cheese, cottage cheese, sour cream, butter, ghee, and milk. These are typically sold to local guesthouses but also to local markets or the municipal market in Akhmeta, with some producers also managing to provide their produce in the agricultural markets of Tbilisi. The packaging used for these products is often basic and lacks sophistication.

The dairy sector primarily serves local demand, including the needs of the buoyant tourism sector. The production of traditional Georgian dairy products, including Gudis cheese, is a notable aspect of Pankisi's dairy industry. At the moment, the demand for modern and larger-scale milk-processing facilities does not exist, and it is unclear whether farmers would be able to partner with such enterprises if they existed (due to inexistence to quality standards for small farmers).

### **5.4. Meat Processing**

There is one relatively large meat-processing plant in Pankisi, which is working at its full capacity. The technology lines in the factory are outdated, and the capacity is not sufficient to meet the demand. The processed products include beef and poultry sausages, both boiled and steamed.

Due to religious considerations, the factory produces certified halal products (with respective packaging). It follows respective procedures while slaughtering the animals (also, there is no separate slaughterhouse in Pankisi). Products are demanded in all parts of Georgia with Muslim populations, but predominantly is still sold on the very local markets (including guesthouses). Most visitors from Chechnya also buy the produce in large quantities when they return home. There have been cases of demand from abroad (Turkey, Azerbaijan, other Muslim countries) as well, but due to lack of capacity the enterprise has not been able to accept those deals. The international demand for halal products presents a significant opportunity for expansion if processing facilities can meet the required standards and capacity.

Due to its uniqueness in the local market, the company's product faces little to no competition from locals. Some representatives of the guesthouses have highlighted the high quality and superior taste of the company's products. According to the owner, producing halal meat products requires using some of the best parts of the animal, while large-scale producers use leftover parts to produce similar products (sausages), making their products much cheaper, however, lower in quality and taste.

The company employs five people (all men, due to the specifics of the job), including the owner, who is directly involved in all parts of the process, including distribution. The company's technologist is hired for just one day of the week, receiving GEL 350 per day. Due to outdated equipment, the sausages are wrapped manually.

Apart from the lack of capacity, the absence of packaging corresponding to the needs of larger retail chains is another key issue. The enterprise would benefit from receiving support in the direction of branding and packaging.

#### **5.4. Sales and Marketing**

Despite the primarily subsistence-based nature of many farms, dairy products are an essential source of income for the local community. The sales are limited to local sales, and can be grouped in the following categories:

- *Local guesthouses* are a significant outlet for the sale of dairy and meat products. Most producers have long-term linkages and informal agreements with certain guesthouses. Apart from guesthouses, *local restaurants* also have similar relationships with certain producers.
- Those who produce an excess of dairy and meat products often sell them in *local markets*, including the municipal market in Akhmeta. The sales at these markets are typically informal, with limited use of sophisticated packaging. The local population is the primary customer base.
- Some producers sell their products *directly to tourists* in the Valley. Many of these tourists come due to recommendations from the guesthouses they are staying at. Pankisi's emerging tourism sector presents a major growing market for dairy products.
- Some producers venture into the larger market of Tbilisi, to sell their products in different *agricultural markets of the capital city*. However, this requires transportation and is not a primary sales channel due to distance and logistical challenges.

#### **6. Overview of other priority sectors in Pankisi Valley**

In addition to the main high-priority sectors, tourism and animal husbandry, other sectors were also identified as interesting sectors for Pankisi Valley development. Beekeeping comes next as another priority sector in Pankisi Valley. Sheep farming, corn and potato farming, and collection of non-timber forest products (NTFP) were also identified as relevant sectors for the economic development of Pankisi Valley, however, on a much smaller scale.

As mentioned above, the beekeeping sector holds a prominent position in the economic landscape of Pankisi Valley, following tourism and animal husbandry sectors. The main beekeeping product is honey. Collection of honey typically occurs once a year in mid-August, although some beekeepers engage in two honey harvests, one at the end of spring and another in summer. Additionally, small quantities of bee milk and beeswax are also produced by locals.

Seasonal hive migration is a common practice in Pankisi Valley, often involving relocation near the Batsara reserve. However, beekeepers mention challenges related to road infrastructure and transportation when moving beehives from one location to another.

In addition to that, beekeepers face rising costs for essential inputs such as medicines, equipment, and other necessities. Unfortunately, since 2022, the region, like much of Georgia, has grappled with significant bee losses attributed to diseases associated with bee mites.

The price of honey in the area typically ranges from 25 to 30 GEL per kilogram. The product is sold both to domestic consumers and international consumers. Local honey producers often supply their products to major

guesthouses, strengthening the connection between different sectors in the region. Notably, one local producer has successfully established a branded honey product in Dumasturi, actively selling their goods to tourists.

The honey produced in Pankisi Valley finds its way to international markets, with a notable presence in European countries like Germany and France, as well as Russia (including Grozny and Moscow). These products are often shipped in packages weighing 10-20 kilograms, utilizing postal services or checked-in luggage, facilitated by the support of relatives and acquaintances. Interest in local honey extends beyond Europe and Russia, with demand noted from Turkey and Arabic countries. Some producers have successfully exported their honey to Turkey with the assistance of collectors.

The KRDF played an important role in supporting local beekeepers by enabling them to initiate their businesses and enhance their skills. While some beekeepers face limitations in expanding their production due to various constraints, others express willingness to scale up, contingent on the availability of financing. Finally, respondents indicate a growing interest in beekeeping, both in terms of supply and demand. Therefore, beekeeping in Pankisi Valley is expected to remain and develop as a priority economic sector, benefiting the local community and attracting more interest from local entrepreneurs.

Meanwhile, other sectors that were identified as potentially interesting sectors face limitations in Pankisi Valley, making them less economically viable. The scarcity of agricultural and grazing lands, coupled with a high population density, constrains the development of large-scale agriculture in the region. However, most locals engage in small-scale farming to ensure their self-sufficiency, with the majority of their products being sold either locally or in Akhmeta town, increasing the self-sufficiency of Pankisi Valley as a whole.

Sheep farming, once prevalent, has significantly declined in scale in Pankisi Valley, resulting in a partial scarcity of the associated agricultural products. For instance, the price of sheep cheese has surged in recent years, reaching almost 50 GEL per kilogram, according to respondents. However, the prospects for its revival remain limited due to the absence of grazing lands and a decreasing interest in this form of agriculture by locals, especially youth.

Similarly, corn and potato farming is constrained by the shortage of available land, as well as adverse weather conditions (including damaging hailstorms), and insufficient irrigation. Most Valley residents cultivate corn and potatoes solely for their families, and interest in farming, especially among the younger generation, is notably low.

Non-Timber Forest Products (NTFPs) are traditionally collected by households in the region. These products encompass a variety of resources, including rosehip, hawthorn, wild blueberries, wild blackberries, wild cherry plums, walnuts, chestnuts, mushrooms, and wild herbs (wild mint, marjoram, St John's wort, and linden). Rosehip and hawthorn are collected for the local rosehip non-alcoholic beer factory located in Omalo. Occasionally, some of these products are sold in Tbilisi, as their prices are generally higher (as observed with blueberries and blackberries) in the capital city rather than in Akhmeta town. Mushrooms are predominantly sold within Pankisi, according to the respondents, however, it is probable that some collectors also chose to sell mushrooms in larger cities. However, despite the region's abundant natural resources, locals display limited interest in converting NTFPs into value-adding businesses, viewing it primarily as optional seasonal work.

## **7. External stakeholders**

The following section summarizes external stakeholders involved in the priority value chains of the Pankisi Valley, with the majority of stakeholders operating in the tourism sector. The selection of important external stakeholders providing supporting services and an enabling environment includes both public and private entities.

**Georgian National Tourism Administration (GNTA)** – The GNTA's primary goals and objectives revolve around formulating and implementing state policies for tourism development in Georgia. In the context of Pankisi Valley, GNTA actively collaborates with both local government and tourism sector representatives. Notably, GNTA organized the marking of the tourist route in Pankisi Valley and was actively involved in the preparation of Pankisoba Festival throughout the past few years. Generally, tourism sector representatives from Pankisi Valley assess the relationship with GNTA positively, however, there are still unresolved issues that need the assistance of large-scale institutions such as GNTA. Particularly, according to respondents, it is crucial for GNTA to provide initiatives regarding the marketing campaign aimed at removing the existing stereotypes on the unsafety of Pankisi Valley and increasing the interest of domestic visitors towards Pankisi Valley, a general PR campaign for information dissolution regarding the Pankisi Valley as a unique part of Georgian tourism map to ensure the further development of tourism sector in this area.

**Destination Management Organization (DMO) “Visit Kakheti”** – DMO was established in the region in 2019 by the mayors of all municipalities of Kakheti region and the administration of the state representative in Kakheti Region. Currently, the DMO acts as a supporting institution for the tourism sector in Pankisi Valley. In particular, DMO aims to popularize the area and acts as an information-sharing entity for people involved in the tourism sector. Apart from that, they also ensure the representation of Pankisi Valley tourism sector representatives in various sectoral and non-sectoral (for instance, management and marketing) training.

**Akhmeta municipality** – Akhmeta municipality<sup>15</sup> is among the important enabling actors for private sector development in the Pankisi Valley area as they provide a major infrastructural environment and changes within the region. According to the respondents, road infrastructure connecting the villages is good and accessible for any type of car, however, they mention that they do not have any information regarding the plans of the local government for within-village streets reconstruction. Apart from that, one of the respondents mentioned communication and collaboration issues with Akhmeta municipality representatives regarding their lack of responsiveness on issues communicated by locals and the involvement of businesses in the organization of the local festival – Pankisoba. Therefore, the development of private-public dialogue on a local level poses an important opportunity for sector development, as well as a challenge.

**Agency of Protected Areas** – Batsara Strict Nature Reserve is a protected area in Pankisi Valley on the bank of Alazani River and it borders Ilto Managed Reserve and Babaneuri Strict Nature Reserve. These protected areas are managed by the Agency of Protected Areas and are of interest to tourists coming to Pankisi Valley. 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. Despite the existence of planned visits to Bastara Reserve, some of the respondents mentioned the need to modify the status of the Batsara protected area to ensure more availability, accessibility, and minimal tourist infrastructure for interested visitors, without threatening the preservation of biodiversity of the area.

**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 business establishment and providing grants and co-financing opportunities. Some of the businesses in Pankisi Valley<sup>16</sup> were supported by the Micro and Small Business Support (MSBS) program. Notably, throughout 2018-2022,

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<sup>15</sup> Note, that the Economic Division of Akhmeta Municipality includes a separate department for Tourism Development, Foreign Relations, and International Projects Department, which is responsible for tourism development in the municipality, including Pankisi Valley. For further information, regarding the structure of the municipality, refer to the following source - <https://akhmeta.gov.ge/ge/meriis-struktura>

<sup>16</sup> Statistics were provided and filtered by seventeen villages of Pankisi Valley.

out of a total of 12 beneficiaries, 9 were those involved in the tourism sector and the total funding amounted to GEL 89 thousand. Just one enterprise involved in agriculture was financed through the program. Additionally, within the Business-Universal Program, only one enterprise was funded in Pankisi Valley, also operating in the tourism accommodation sector.

Table 3: Tourism sector beneficiaries of the Micro and Small Business Support (MSBS)

Type of enterprise	Number of beneficiaries	Total grant amount	Average grant amount per beneficiary
Accommodation service providers	4	35,835	8,959
Food service providers	2	21,290	10,645
Beverage producers	1	13,880	13,880
Craft producer	1	8,000	8,000
Recreational services providers	1	10,000	10,000
<b>Sum</b>	<b>9</b>	<b>89,005</b>	<b>9,889</b>

Source: Enterprise Georgia

**Rural Development Agency** – Rural Development Agency (RDA), operating under the Ministry of Environmental Protection and Agriculture, actively supports Georgian farmers with various programs. While several beneficiaries were funded in Pankisi Valley, none of them were involved in the animal husbandry or tourism sectors.

**Donor Organizations and NGOs** – Donor organizations are well-represented in Pankisi Valley Area, and they have been providing supporting activities towards socio-economic development of the region. One of the largest programs of the area – Zrda Project was implemented by Chemonics Georgia and funded by USAID. Other donor organizations include UNDP, UNHCR, and GIZ, Embassies of Estonia, Denmark, Great Britain, and France. These projects included financial support towards local entrepreneurs, especially in the tourism sector, and skills development/capacity building activities.

Other important actors in the Pankisi Valley are NGOs. "Kakheti Regional Development Foundation" (KRDF) is a non-entrepreneurial, non-commercial legal entity, which was founded in 2008 with the support of the Norwegian Refugee Council (NRC). KRDF the United Nations High Commissioner for Refugees (UNHCR) programs in the Pankisi gorge for years. Throughout its existence, KRDF has been providing active assistance for tourism sector representatives as well, including capacity-building activities. KRDF also provides spaces for traditional crafts making and is involved in organizing vocational courses for youth and not only.

Roddy Scott Foundation (RSF) is also an important non-governmental actor for tourism sector development. RSF provides English courses to more than 200 students in four villages within the Pankisi Gorge, which removes the language barriers between youth and international visitors of the region.

As for the animal husbandry sector, it has also received support from international donor organizations, both in the past and ongoing. USAID Zrda Activity was also one of the main contributors to the development of selected farmers, with the USAID Pankisi Community Linkages project also contributing positively. Earlier, UNDP has supported the development of the VC in Akhmeta, however, the beneficiaries from the Pankisi Valley were lacking. Activities of other nationwide projects, such as Safety and Quality Investment in Livestock (SQIL), and The Dairy Modernization and Market Access Project (DIMMA), support the overall development of the VC in the country, thus positively contributing to the VC in the Pankisi Valley as well. Several beneficiaries from Pankisi Valley also received milking machines and milk quality assessment equipment from the SQIL project.

Related to skills development, respondents mention the Georgian Center for Strategy and Development (GCSD) and the Rondeli Foundation (Georgian Foundation for Strategic and International Studies – GFSIS) as organizations actively involved in the skills development of locals from Pankisi Valley. Considering the inexistence of vocational education institutions in this area<sup>17</sup>, the abovementioned organizations act as major vocational and non-formal education providers for the local businesses involved in the tourism sector.

**Pankisi Valley Tourism Development Association (PVTDA)** - Non-governmental organization founded in March 2018 by Kist women to develop and promote sustainable ecotourism and Kist culture in Pankisi Valley, Georgia. The association is actively working on the elimination of stigmas and stereotypes regarding the Pankisi Valley and aims to promote tourism development in this region. This association also acts as an information source for international and domestic visitors regarding the existing tourist services in the area, including accommodation, food, workshops, adventure, and cultural tours. Notably, in 2019, PVTDA worked in partnership with USAID Zrda to produce the first Kist cookbook called "Kisturi Tabla". PVTDA is also actively involved in training cultural tour guides.

**Social Enterprise Alaverdi Blue** - One of the most recent activities focused on the development of the animal husbandry VC has been implemented by Alaverdi Blue, a social enterprise which was founded by Bridge, an NGO which is also based in Alaverdi, and which is a spin-off organization of Oxfam in Georgia. Initially, they selected rural tourism as a target sector, however, later they focused their efforts on dairy production. Alaverdi Blue’s trademark initiative is organizing a Cheese Tour in Kakheti. Ten family entrepreneurs and cheesemakers, including three families in Pankisi Valley, represent the cheese tour. Cheese route tours include cheese and other dairy production masterclasses, where visitors are welcome either to observe or participate in the process. Greater recognition of the route and more tourist activity will translate into additional income for family entrepreneurs and cheesemakers. The partner families of the cheese tour received necessary equipment for cheese and dairy production, including equipment for upgrading their amenities for hosting visitors. Other important activities by the organization includes development of demonstration facilities, provision of free access to milk quality assessment equipment, provision of technical trainings in dairy production, organizing and financing study tours for beneficiaries (e.g., in Poland) and finally, organizing an annual cheese festival in Alaverdi.

**Elkana** – Elkana is an organic farming and rural tourism network on a national level. The aim of the organization is an improvement of the socioeconomic conditions of the Georgian population and environmental protection through the fostering the development of sustainable organic farming and increasing self-reliance of the rural population. Notably, respondents mentioned the support received from Elkana both in direction of capacity building and micro-grants/financing.

**Financing institutions** – Kakheti has 6 banks, less than half of the operating banks in Georgia, while only 3 of them are located in Akhmeta. Though Kakheti is well represented with branches and service centers of the banks, with 75 of them, Akhmeta has 6. However, it must be noted that the service centers are not located in Pankisi Valley, only one ATM machine is present in community center of Pankisi (Duisi).

Table 4: Banking entities in Kakheti and Akhmeta municipality

Region/Municipality	Branches and Service Centers	ATMs	Number of Banks
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<sup>17</sup> In Akhmeta municipality, only one vocational institution is present in Kvemo Alvani – “College Aisi”, providing the following courses: felt-making craftsperson, decorative-use fabrics specialist, and veterinary services specialist. However, respondents did not mention the relevance of the college for the area due to the distance from Pankisi Valley and the existence of felt-making workshops locally. For further information on VET programs please refer to the following source: <https://akhmeta.gov.ge/en/node/443>

Kakheti	75	131	6
Akhmeta	6	12	3

Source: National Bank of Georgia

Apart from that, according to the National Bank of Georgia, Kakheti shows relatively lower representation in non-bank financial institutions, with a lower number of branches of lending entities and currency exchange bureaus. However, microfinance organizations are relatively better represented in Kakheti.

## 8. SWOT analysis

The following table summarizes the strengths, weaknesses, opportunities, and threats of priority value chains in Pankisi Valley. Each section is divided into three parts: the tourism sector-related, the animal husbandry sector-related, and the general points<sup>18</sup>.

Table 5: SWOT analysis

Type	Strengths	Weaknesses
Tourism sector-related	<ul style="list-style-type: none"> <li><input type="checkbox"/> Unique culture</li> <li><input type="checkbox"/> Unique culinary</li> <li><input type="checkbox"/> The existence of high-quality local products with unique taste (dairy, beef (raw and processed), honey, non-alcoholic beer, etc.)</li> <li><input type="checkbox"/> Existence of historically and culturally significant monuments (Amphitheater, Mosques, traditional heritage houses)</li> <li><input type="checkbox"/> Closeness to natural sights, such as Batsara Strict Natural Reserve</li> <li><input type="checkbox"/> Existing interest of international travelers in culture, culinary and natural attractions of Pankisi Valley</li> <li><input type="checkbox"/> Positive feedback on tourism services from the side of international visitors</li> <li><input type="checkbox"/> Online presence of Pankisi Valley as a tourist destination showcased both on local websites and international travel blogs.</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Negative stigma among Georgians about the Pankisi Gorge</li> <li><input type="checkbox"/> Low level of interest from domestic visitors</li> <li><input type="checkbox"/> Relatively negative feedback from domestic visitors on tourism services, compared to highly positive feedback from international visitors.</li> <li><input type="checkbox"/> Limited number of food service and accommodation providers</li> <li><input type="checkbox"/> Low number of qualified mountain and horseback riding guides</li> <li><input type="checkbox"/> Lack of information boards on touristic locations</li> <li><input type="checkbox"/> Lack of recreational infrastructure and spaces</li> <li><input type="checkbox"/> Seasonality of the tourism sector</li> <li><input type="checkbox"/> Language barriers with international visitors, especially from the side of the relatively older generation</li> <li><input type="checkbox"/> Nonexistence of public toilets</li> </ul>

<sup>18</sup> Please note that some of the points provided in one sector may also be partially related to the second sector and general points encompass issues that are equally important to the development of economic sectors in the Pankisi Valley.

	<ul style="list-style-type: none"> <li><input type="checkbox"/> Existence of community-based rural and agrotourism</li> <li><input type="checkbox"/> Proximity to the capital</li> <li><input type="checkbox"/> Proximity to key sights of one of the most attractive regions for domestic and international tourists - Kakheti</li> <li><input type="checkbox"/> Support provided by donor organizations and public entities.</li> <li><input type="checkbox"/> English language learning opportunities for youth</li> <li><input type="checkbox"/> Existence of interest of locals in tourism sector</li> <li><input type="checkbox"/> Existence of training/employment (seasonal) opportunities for locals interested in tourism sector</li> </ul>	
Animal husbandry sector-related	<ul style="list-style-type: none"> <li><input type="checkbox"/> High perceived quality of local animal husbandry products</li> <li><input type="checkbox"/> Existence of interest in Kist products from international visitors and Georgians</li> <li><input type="checkbox"/> Self-sufficiency of local agricultural production for Pankisi Valley throughout the harvesting seasons</li> <li><input type="checkbox"/> Strong commercial linkages with Akhmeta.</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Grazing and agricultural land shortage due to geographical reasons</li> <li><input type="checkbox"/> Low quality of cow breeds (usage of mixed breeds)</li> <li><input type="checkbox"/> Low potential for economies of scale in animal husbandry and dairy processing sector</li> <li><input type="checkbox"/> Low level of interest of the youth in engaging in agriculture (more acute) and tourism</li> <li><input type="checkbox"/> Lack of digital presence and marketing for most of the business entities</li> </ul>
General	<ul style="list-style-type: none"> <li><input type="checkbox"/> Strong and active community-based organizations</li> <li><input type="checkbox"/> High involvement of women economic activities including in tourism and agriculture</li> <li><input type="checkbox"/> High interest and past involvement of international donor organizations</li> <li><input type="checkbox"/> Appropriate road infrastructure connecting villages to Akhmeta, Telavi, and Tbilisi</li> <li><input type="checkbox"/> The access to natural gas</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Low integration of the Pankisi Gorge communities into the national level</li> <li><input type="checkbox"/> Low level of openness to or need for outsiders, especially for business purposes.</li> <li><input type="checkbox"/> High level of emigration in the EU</li> <li><input type="checkbox"/> Inability to use credit due to restrictions based on religion.</li> <li><input type="checkbox"/> Abrupt spatial planning of villages</li> </ul>

		<ul style="list-style-type: none"> <li><input type="checkbox"/> Infrastructural issues regarding the constant supply of water and electricity, and road infrastructure in villages</li> <li><input type="checkbox"/> Lack of retail chains, finance organizations, petrol station chains</li> <li><input type="checkbox"/> Information flow issues regarding the financing opportunities</li> <li><input type="checkbox"/> Low level of collaboration between public and private entities, for instance in organizing the local “Pankisoba” festival</li> <li><input type="checkbox"/> Construction waste disposal at the banks of the Alazani River</li> <li><input type="checkbox"/> Resistance to nature-altering investments, such as HPPs</li> <li><input type="checkbox"/> Lack of statistical information on economic sectors</li> </ul>
Type	Opportunities	Threats
Tourism sector-related	<ul style="list-style-type: none"> <li><input type="checkbox"/> Further development of community-based rural tourism</li> <li><input type="checkbox"/> Development of adventure tourism facilities, including camping sites</li> <li><input type="checkbox"/> Diversification of adventure tourism services, including the provision of quad-bike tours</li> <li><input type="checkbox"/> Development of tourist route in collaboration with Tusheti communities</li> <li><input type="checkbox"/> Increasing the number of qualified adventure tour guides</li> <li><input type="checkbox"/> Development of gastro tourism facilities</li> <li><input type="checkbox"/> Development of crafting workshop spaces</li> <li><input type="checkbox"/> Development of selling space for local crafts and products targeting visitors of the region</li> <li><input type="checkbox"/> Organizing regular festivals</li> <li><input type="checkbox"/> Creation of recreational infrastructure, such as parks,</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Inability to tackle the stigma around Pankisi.</li> <li><input type="checkbox"/> Continued absence of infrastructure critical for tourism sector development</li> </ul>

	<p>promenades along the Alazani River, stadiums, etc.</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Further tackling of the stigma surrounding the region</li> <li><input type="checkbox"/> Further marketing of the area as a touristic landmark internationally and domestically</li> </ul>	
Animal husbandry sector-related	<ul style="list-style-type: none"> <li><input type="checkbox"/> Increasing capacity of small-scale farmers</li> <li><input type="checkbox"/> Increasing the quality of products of small-scale farmers, by adhering to modern standards and practices</li> <li><input type="checkbox"/> Popularization of local produce and gastronomy in the capital and beyond</li> <li><input type="checkbox"/> Increasing linkages with other large-scale businesses on a national level</li> <li><input type="checkbox"/> Creating connections with large distributors and retailers of Georgia</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Continuation of using outdated practices</li> <li><input type="checkbox"/> Introduction of new, more productive cow breeds</li> <li><input type="checkbox"/> Cattle illnesses</li> <li><input type="checkbox"/> Risk of hail falls and other weather conditions</li> </ul>
General	<ul style="list-style-type: none"> <li><input type="checkbox"/> Ensuring integration with immediate neighbouring communities, and beyond on a national and international level</li> <li><input type="checkbox"/> Development of private-public relations with an aim to improve existing problems of the Valley.</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Inability to foster integration with Tushetians, Kakhetians, and other ethnic Georgians.</li> <li><input type="checkbox"/> Continued floodings from the Alazani River</li> <li><input type="checkbox"/> Continued low level of openness to businesses and investments from outsiders.</li> <li><input type="checkbox"/> Continued emigration, especially of youth and families</li> </ul>

## 9. Recommendations

In this section of the report, a series of recommendations are presented with the aim to facilitating development and increasing economic integration of Pankisi Valley into larger-scale national and international economies. These recommendations encompass various aspects, including general recommendations covering all priority sectors, strategies specific to advancing the tourism sector, and targeted measures for the enhancement of animal husbandry in Pankisi Valley.

## 9.1. General recommendations

**Support in digital marketing** – To facilitate the development of economic sectors in Pankisi Valley, it is important to establish a comprehensive digital marketing strategy. Despite the existing online presence of Pankisi Valley as a tourist location, the current level of information dissolution is not sufficient for the development of economic sectors in Pankisi Valley on a larger scale. In particular, there are still issues regarding the removal and stereotypes regarding the region, especially from domestic visitors. Additionally, it is also crucial to correctly communicate the information regarding the existing rules within the community without adding negative connotations to invoke additional withdrawal of visitors' interest. Apart from that, Kist cuisine and local agriculture are still in acute need of marketing campaigns. Currently, the digital presence of agricultural products from the Pankisi region is low, highly relying on recommendation-based and word-of-mouth information sharing. Therefore, the information regarding the quality of local produce can be communicated to the larger targeted groups both nationally and internationally. Apart from private sector representatives, some of the entities that can be involved in the international and domestic marketing of Pankisi Valley include GNTA, the DMO of Kakheti, Tourism Development Department of Akhmeta Municipality. The possible marketing support system components may be website development and optimization, social media marketing, partnerships with relevant sector influencers/bloggers, content creation, online advertising, online reviews, and reputation management by encouraging visitors to leave positive reviews on popular platforms. In addition to that, the support in digital marketing can also cover the component of digital training. In particular, digital marketing training and consultancy can be offered to local businesses and farmers to empower them with the skills needed to effectively promote their products and services online.

**Organizing cultural exchanges with Kakhetians, Tushetians, and other ethnic Georgians** – Organizing group training sessions on various relevant issues can facilitate cross-areal tourism development. Past instances of such training have proven highly effective. Furthermore, an organization that has coordinated similar initiatives has noted that individuals from Pankisi Valley exhibit a notably higher level of engagement and participation when collaborating with members of different communities during these group sessions, compared to when confined to a group exclusively from their own community. Additionally, organizing cultural exchanges will bring communities with diverse backgrounds and facilitate building stronger bonds with others to gain valuable insights that can contribute to collective progress. For instance, such communications can lead to collaborative actions and even the provision of collective services or products by involved participants. Apart from that, this initiative can enable the sharing of successful approaches in agriculture, tourism, and other key sectors, promoting collaborative learning and growth.

**Entrepreneurship and Small Business Support** – Considering the high presence of international donors in Pankisi Valley, local entrepreneurs are familiar with such support mechanisms, including the provision of financial assistance and capacity-building activities. Notably, the issues regarding the just decision-making of donors in the allocation of grants to local businesses are discussed topics in communities. Therefore, it is crucial to provide transparent information and a high level of communication regarding the selection process of beneficiaries to avoid reputational problems and generating tension between local businesses. Moreover, equitable dissemination of information regarding grant opportunities must be prioritized to ensure widespread access. The support mechanisms can include grant allocation for the establishment and enhancement of businesses especially in tourism and animal husbandry sectors. In this instance, it would also be crucial to provide guidance and support through training or consultations to local entrepreneurs to navigate the complexities in business planning and application writing. The support mechanisms can also cover the facilitation of community partnerships to actively encourage and facilitate collaborations between local entrepreneurs and larger-scale businesses. These B2B partnerships can be a tool for harnessing the potential of

local services and production. Notably, these initiatives can also be used to increase the level of market access and export opportunities.

**Partnerships development between private sector and public entities** – To advance economic sector growth in the area, the collaboration between public entities and private sector stakeholders should be facilitated. These partnerships can act as a tool for efficient resource allocation, fostering knowledge sharing, removing communication bureaucratic barriers, and increasing the efficiency of problem solutions on a local level. The Private-Public Dialogue (PPD) initiatives can serve as platforms for discussing challenges, identifying opportunities, and collectively shaping the development plans of the Pankisi Valley. It is crucial to ensure that local communities are active participants in the Multi-Sector Private-Public Dialogue. Their insights, needs, and aspirations should be central to discussions and decision-making processes across various sectors. This can be achieved through the involvement of already existing community organizations in those discussions. The role of experts must also be pointed out as they may be the source of expertise for evidence-based policy and further plan development.

**Sectoral statistics development** – Sectoral statistics development can lead to research-based decision-making and well-informed sectoral progress. For instance, the facilitation of official registration of businesses can yield valuable insights into the quantity, economic activities, geography, and scale of active enterprises in the Pankisi Valley. This can offer an understanding of the economic landscape of the area to facilitate informed decision-making and to monitor the progress of initiatives in the long term. Often, registering becomes more appealing for businesses when official registration is essential for acquiring funds. Other more detailed sectoral statistics can provide much higher understanding of economic sectors and their dynamics.

## **9.2. Tourism sector development recommendations**

**Further support to the development of community-based rural tourism** – Tourism sector development in Pankisi Valley should be focused on rural tourism development as the main tourist proposition of the Valley is founded on the cultural and ethnographic attractiveness of the area to tourists. Therefore, it is important to ensure planned and non-chaotic development of the sector through the conservation of existing cultural value and avoidance of large-scale generic hotel establishments. To enhance the appeal of Pankisi as a tourist destination, it is essential to encourage the establishment of more authentic local guesthouses. Donors can contribute by providing financial incentives, grants, or low-interest loans to individuals interested in opening or expanding such guesthouses. This support should prioritize those who are committed to maintaining the authenticity of their accommodation while adhering to quality standards. By increasing the number of guesthouses or expanding existing ones, a growing number of tourists can be accommodated, in parallel with boosting local revenue and employment opportunities.

To diversify tourism offerings and cater to a broader range of interests, it is also recommended to expand the variety of available services to visitors. This could include initiatives like gastronomy masterclasses, guided tours (horseback, jeep, or foot), cultural workshops, and interactive experiences that immerse tourists in local traditions. Donors can allocate resources to facilitate the development and promotion of these services, ensuring that they align with the preferences and expectations of target tourist demographics. By enriching the array of activities and experiences, tourist engagement can increase leading to the extension of their stays. This approach not only promotes economic prosperity but also showcases the unique characteristics of Pankisi Valley.

**Development of recreational and other tourism-related infrastructure** – To elevate community's tourism appeal recreational and adventure tourism infrastructure tailored to the needs of tourists should be developed. Riverside Promenade along the Alazani River can be created to provide tourists with well-established infrastructure surrounded by green spaces and river landscapes. Tourist-friendly parks and sports and

entertainment stadiums can also accommodate the recreational needs of tourists. Such infrastructure can include playgrounds, picnic spots, entertainment facilities, and spaces for outdoor performances and festivals. The needed infrastructure for the comfort of tourists can also include the creation of public toilets, as currently, the Valley does not provide such places.

It is also important to ensure that the recreational infrastructure is designed with the comfort and enjoyment of tourists in mind. Features such as information kiosks, cultural displays, and visitor-friendly signage can enhance their experience and help them connect with Pankisi Valley's heritage and culture. Information boards and markings on the cultural heritage of Pankisi Valley can provide additional insights for visitors. Those signages can also be used to share information regarding the general rules of visiting Pankisi Valley. Notably, currently, no physical space is provided for tourists, such as an information tourist center, for them to receive information regarding the tourist proposition of the area. The creation of the tourist information center can also serve as a souvenir-selling space, where local crafts-makers can sell their products, as there is a lack of well-designed spaces for selling local crafts and souvenirs.

Other important low-scale infrastructural initiatives can include the creation and marking of mountain trails. Infrastructure can be developed on existing tourist routes as well, integrating lesser-known interesting tourist destinations alongside the Pankisi Valley.

It must also be noted that the engagement of the local community in the development process should also be ensured. This collaborative approach warrants that the infrastructure reflects Pankisi community's values and traditions.

**Focusing on niche markets** - To unlock the full potential of the Pankisi Valley tourism sector, a strategic pivot towards niche markets is preferable to preserve and amplify the touristic value of this area. The specific focus should be directed towards rural, cultural, and adventure tourism. By tailoring offerings to these distinct segments, Pankisi can be positioned as a destination that offers unique and enriching experiences. This entails promoting rural retreats, cultural experiences, and adventure tours in natural landscapes. Therefore, the potential visitors should be targeted based on the proposition of Pankisi Valley. On the Georgian national tourism map, Pankisi Valley should be positioned as a unique location providing a combination of cultural, rural, and adventure offerings.

**Organizing regular festivals** – The development of regular annual festivals can serve as platforms to attract tourists, both on a national and international level. One festival can be held in Pankisi itself, while the other will take place in an initially selected location, such as Tbilisi. These festivals can showcase the cultural heritage, traditions, and hospitality of the Pankisi Valley tourism sector, also providing an opportunity for local farmers to popularize their products. The festival held in the capital city will focus on promoting Pankisi's culture and local products to a wider audience. It can serve as a window into the unique offerings of Pankisi Valley, encouraging people from across Georgia to consider Pankisi as a must-visit destination. Education workshops can also be incorporated into festivals, such as workshops to facilitate cultural exchange to deepen understanding of Pankisi's traditions and everyday life.

**Capacity building of tour guides** - To enhance the quality of guided experiences and ensure the safety and satisfaction of tourists, it is important to support tour guide training and certification programs, with a special focus on adventure tourism, while also targeting cultural tourism. Considering the scarcity of professional adventure guides, existing and potential adventure tour guides should be specialized and certified in activities such as horseback riding, hiking, and wildlife exploration. They should be skilled theoretically, and practically, and should be well instructed in safety procedures and first aid provision. Despite the existence of training of cultural tour guides in Pankisi Valley, additional support can be provided to ensure the certification of tour

guides. These initiatives aim to position Pankisi Valley as a preferred destination for travelers seeking safe and informative journeys into both natural and cultural heritage.

### **9.3. Animal husbandry sector development recommendations**

**Development of specialized Pankisi produce grocery store in Tbilisi** – The store will help intensify linkages with the capital, and increase the popularity of Pankisian products, ensuring a stable demand for local producers. The store should also serve as a dissemination point of tourist information and brochures for Pankisi. Furthermore, the store could develop into a specialized restaurant, serving Pankisian culinary dishes.

**Providing capacity building training sessions for small-scale farmers** – To ensure the transition of farmers from utilizing outdated practices towards integrating modern approaches. These concern all aspects of caretaking of the cattle, starting from breeding and feeding to veterinary needs and production process. Developing demonstration facilities to aid this process is also recommended. While the transition process will prove challenging for most potential beneficiaries, due to lack of interest and resistance to new methods, sustained efforts in providing such training sessions will yield results in the long-term.

**Focus efforts on catering to local needs arising from developing tourism** – While the current amount of local dairy products is sufficient for current demand from local guesthouses and markets, the local farmers should increase their capacities in order to keep up with the expansion of tourism in the community.

**Fostering connections with large enterprises** – By supporting local small-scale producers in increasing the quality and capacity (thus, stability) of their enterprises and products, it becomes possible for them to build connections with larger enterprises, such as major retail chains.

**Support meat-processing enterprise to increase its capacity** – The demand for halal products in Georgia is enough for the expansion of this factory to be justified. Additionally, there is potential for export to other Muslim countries.