



The European Union
for Georgia
ENPARD



Research

KHULO MUNICIPALITY TOURISM DEVELOPMENT PLAN

The document was prepared in the framework of the project “Rural Development and
Diversification in Khulo Municipality”

Content:

1. Outline of assignment objectives, methodology and expected results
2. Overview of the Georgian National Tourism Strategy 2015-2025, presenting current status by statistics and economic indicators;
3. Overview of the tourism development in Adjara region according to the regional tourism strategy 2015-2018.
4. New opportunities for tourism development
5. Trends to be considered for tourism development
6. Value add approach
7. Type of recommended project investment
8. Assessment of local tourism development opportunities through the consultation with LAG (SWOT) and workshop results
9. Examples of the trail planning
10. Proposed tourism action plan for LDS for Khulo municipality

Annexes:

Annex 1: List of the strategic planning documents

Annex 2: Examples of the trails in Khulo municipality

Annex 3: Examples of entrepreneurship and services in community based tourism

Annex 4: Recommended investment – small grants and contributions per facilities

ხულოს მუნიციპალიტეტი



1. Outline of tourism consultant's assignment:

Tourism development expert has been contracted by PMC Georgia on short term assignment (12 working days, including 3 days of site visit and workshop with LAG). Objective of assignment is to elaborate opportunities and propose action plan to be contributed in to the Local Development Strategy for Khulo municipality.

Step 1: detail review of the relevant documentation including LDS obtained from the main national actors (see annex: 1)

In addition, contributing international best practices and presenting case examples of the similar investments taking place around other touristic regions of Georgian mountain (example of Kazbegi municipality. (see annex: 3,4).

Step 2: Site visit to Khulo municipality: conduct site-visits to the recommended locations and lead workshop with LAG members, representatives of municipal government, tourism local entrepreneurs. Together with project team visit potential sites and valleys were some of the future tourism trails planned (see annex 2); Assess level of touristic services and present recommended actions to be considered for the local development strategy; give a talk about tourism experiences in other regions of Georgia (Kazbegi, Tusheti, Svaneti).

Finding of the site visits are reflected in the recommended action plan.

Step 3: Drafting report including findings after site visit, reflecting documents and interviews held during the assignment. Prepare draft action plan towards to the use of grant funds potentially provided through the RDF. Delivering draft report to PMC team to be integrated in the LDS.

2. Outline of the Georgian National Tourism Strategy 2015-2025

The purpose of the Georgian Tourism Strategy 2025 (elaborated in 2014) was to create a road map for increasing the value, profitability and sustainability of Georgia's tourism industry.

The goal is to define and implement a plan for transforming resources and assets into the world-class tourism products, destination sites and create visitor's experiences that will attract tourists from the region as well as from the world highest spending travel markets, including EU, North America, Middle east and Asia. As a result, increase number of international visitors' expenditure, contributing to the national economy and local development.

National strategy main indicators defined for the 2015-2025 (in 2014)

National strategy targets planed by 2014	2015	2025
International visits	5,515,559	11,000,000
International tourism revenue	1.8 bl.\$	5.500 bln. \$
Share direct in GDP	6%	6.7%
Job's crated by tourism	180.000	335.000
Average expenditure per visit	320 \$	500 \$
Length of stay per visit – days	4.3	5.3
Direct foreign investment in tourism	559 ml. \$	910 mln. \$
Visits from neighborhood countries	88%	80%
WEF tourism competitiveness index	66	35

Considering WTTC (World Tourism & Training Center) Country travel and trade report 2017 shows accretion of the increase of planned indicators. Georgia is one of the fastest tourism growing country over the globe – According to the UNWTO nominated as a one of the 10 best destination countries to visit!

Visitors statistic and economy WTTC country report Jan 2018	2016	2017
International visits and y/y growth	6,360,503 +15%	7,554,936 +18%
Tourists with overnight stay (+24 hours) and y/y growth	2,720,970 +57%	3,500,000 + 28.8%
Tourism total contribution USD	2,16 bln	2,7 bln
Direct contribution in GDP	8.1%	7,1%
Number of states with free visa	98	98
Direct flights to the countries	90	90
Number of registered hotels/GH and y/y change	1,945 High growth	2,100
Registered double rooms (hotels and B&B)	27,366	33,000
WEF tourism competitiveness index	70	67

Countries of the origin of visitors:

Country	2017	y/y 2016-2017
Armenia	1,718,000	+14,8%
Azerbaijan	1,694,000	+11,2%
Russia	1,392,000	+34,1%
Turkey	1,246,000	-0,8%
Iran	0,322,838	+118%
Arab States and Gulf Counties	0,056,247	+164%

Growth of the number of visits by length of stay:

Tourists with more than 24 hours stay	3,478,932	+ 46%
Transit	1,687,289	+ 22%
Less than 24 hours stay	2,388,175	+ 32%

Visitors from EU states growth +15%;

Top five EU countries: Poland, Germany, UK, Greece, France

Priority interest and areas for visit: Adjara – leisure and holiday; Kakheti – wine and culture; Mtskheta-Mtianeti – mountain and adventure; etc...

3. Overview of the tourism development in Adjara region

Visitors and origin:

Adjara region is one of the top destination benefiting regional economy by receiving more than 2.5 mil. visitors with the recreation and travel purpose. Those are the guest coming mostly for the sea side leisure holidays, also combined with business trip, travel and FRV.

Service sector is the main industry generating 17% of GDPs, with direct employment contribution 10%, dominantly related to the sea holidays and hotel/hospitality industry. Other sectors of tourism activities – such as mountain adventure, cultural tours, health tourism, eco-tourism in the national parks of Machakhela and Mtirala, tours in the PA Kobuleti and Kintrishi, pilgrimage along the first Christians “rout of St. Andrew”, etc. are rather underdeveloped and possess significant recourses to be considered for future.

Statistics presented in the strategy document shows total international visitors number annually (reported by Adjara state tourism department):

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015
Visitor *thousand	0.14	0.18	0.28	0.38	0.43	0.59	0.83	1.62	1.56

Main countries and Y/Y growth by origin (2014): Kazakhstan (106%), Belarus (53%); Armenia (+36%), Azerbaijan (+29%), Poland (+29%), Russia (+21%), Ukraine (13%), Israel (9%).

Tourism infrastructure in accommodation:

Network of the brand hotels is well developed in Ajara region and together with hotels registered provides 15426 in total by 2015. In addition, there are private B&Bs offering accommodation along the coastal zone with estimated total over the 12,000 beds.

Number of the rooms in the hotel per municipality:

municipalities	# Rooms	# Beds total	# hotels
Batumi	4939	10250	225
Kobuleti	1795	4233	77
Khelvachauri	317	842	17
Shuakhevi	17	39	2
Keda	3	8	1
Khulo	27	54	3

Source: Adjara state tourism department

Occupancy rate of the hotel is very much depended on seasonality, in average 40%. Extension of the tourism season is the only one opportunity to increase annual occupancy rate.

Main facts in figures:

GDP distribution per sectors of economy.

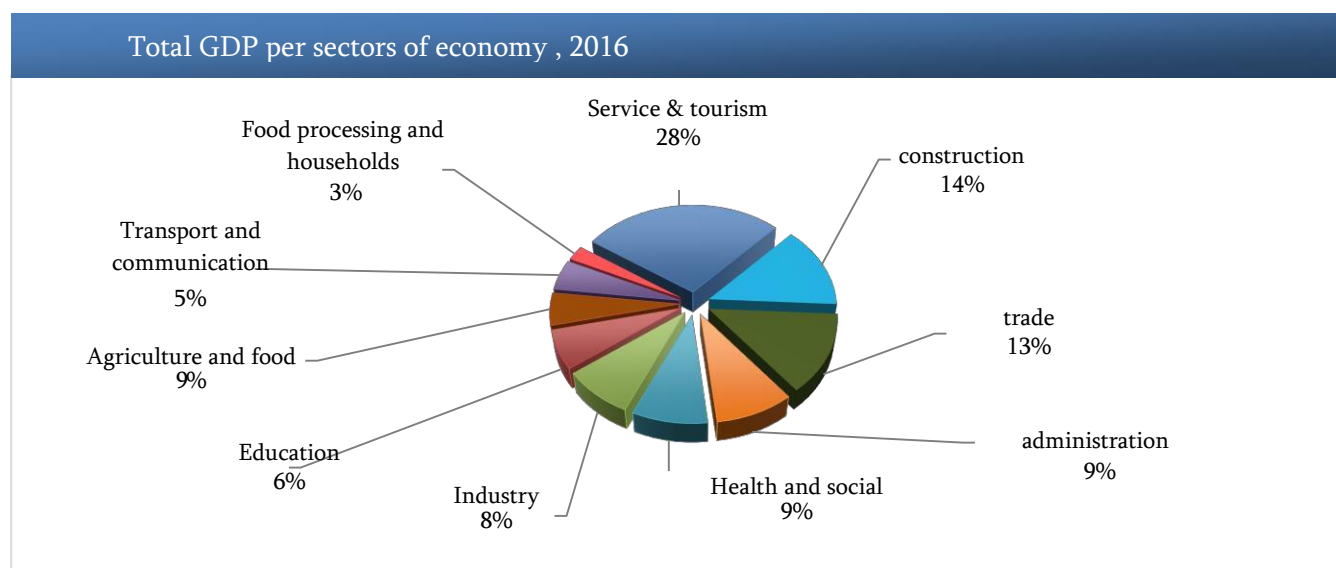


Diagram presents great value of tourism services in the regional economy.

Employment:

Total employment (registered) for 2016 is 189,400 persons, 56% of the total population 340,000. This includes registered employment by number 164,900 persons as contracted (services) jobs 75,200 (46%) persons and self-employment 89,700 persons (54%). Official unemployment is 13% (source: Georgian statistics office).

Economy of tourism: hotels and restaurants

Hotels and food and beverage 2016 (y/y growth 30%)					
	2012	2013	2014	2015	2016
Turnover in ml GEL	95	119.9	134.1	170.9	225.3
Production (services delivered) in ml. GEL	99.3	119.3	137.2	170.0	246.1
Jobs created persons.	4 109	5 826	6 002	6 082	6 510
Salary in average per. year in mln GEL	420.2	358.4	362.3	553.1	644.7
VAT paid in ml. GEL	39.9	50.5	59.4	87.2	130.4

Source: Geo Stat (Georgian state statistics office)

Visitors statistics in brief by State department of Tourism, Adjara AR, 2016:

Registered number of visitors at the accommodation places (hotels, guest houses, rent apartments) in 2016 total number of visitors – 871455; including Georgian (domestic tourists) 472861; international tourists – 394594.

Tourists/visitors number per month-season:

January-March:	147856
April – June:	267607
July-September:	348161
October-December:	107831

Top 10 countries by visits by 2016:

Turkey - 78000, Russia – 55700; Ukraine - 45280, Israel - 41355, Azerbaijan - 31326, Iran - 24864, Armenia - 22855, Poland - 11975, Belarus - 8841, Kazakhstan - 8137.

Accommodation objects (hotels and accommodation registered): – 348 objects; 18277 beds.

Border crossing statistics 2016:

Total: 1 415 211 visitors;

Border crossing by land (Sarphi) – 1 262 799;

Batumi airport – 129 718

Sea port Batumi - 22649

Source: state department of tourism, Adjara AR, 2016 report.

Population by municipality:

Municipality	1989			2002			2014		
	total	town	village	total	town	village	total	town	village
Adjara	392.7	181.8	210.9	375.8	166.8	209.0	334.0	184.8	149.2
Batumi	136.6	136.6	0.0	122.2	122.2	0.0	152.8	152.8	0.0
Keda	19.9	1.2	18.7	20.1	1.3	18.9	16.8	1.5	15.3
Kobuleti	88.1	33.1	55.0	88.0	31.7	56.3	74.8	28.6	46.2
Shuakhevi	25.1	0.9	24.2	21.8	1.0	20.9	15.0	0.8	14.2
Khelvachauri	83.6	8.8	74.8	90.9	9.5	81.3	51.2	0.0	51.2
Khulo	39.4	1.1	38.3	32.8	1.1	31.7	23.3	1.0	22.3

4. Khulo municipality and new opportunities for tourism development

New development opportunities:

One of the main objectives of the regional tourism strategy is diversification of the tourism products offering to the visitors new experiences by visiting not only sea shore, but inviting them to discover beauty of the Adjara mountains, visiting hidden villages with authentic culture and folklore, traveling through the national parks with amazing rich biodiversity, enjoy powder skiing and ski-touring in the newly established international ski-resort “Goderdzi” at 2300m. and distanced from the sea only 80km.

However, according to the regional statistics 2014 Khulo municipality only received 0.4% of the total number of visitors received by Adjara region. That should be the first target to change by attracting visitors from sea areas to visit mountain villages, enjoy short trip to the national parks and resort destinations.

The most comprehensive and recent document presenting development strategy of region and describing condition of Khulo municipality are:

- “Strategic development plan for Adjara region 2016-2021” GiZ/PMCG
- “Khulo municipality socio-economic development strategy 2012-2022” presented by Union of Youth Scientists (supported by EU local development support program, 2011).

With total population of 32,000 people, and considering major socio-economic parameters considering very little income per. household/person, limited agricultural land (average of less than 900sq.m. per person) Khulo represents of municipality with emerging economy and with great needs of diversification of local economy. The new approach should consider intensive

use of the alternative economies including service sector linked with the framework opportunities in transport, energy, services sector and primarily valorizing growing opportunities for the rural community based tourism development.

Framework conditions supporting tourism in the municipality:

There are four major framework opportunities defined as great supporting factor for local economic development and particularly for tourism industry development:

Opportunity 1:

Improve road connection between Khulo and the sea coast area and attract more visitors during the high season. There are clear trends to expect even further growth of the number of sea-leisure visitors in the coming years that needs to be consider as an important source market for the short visits to the mountain destinations. As for today (municipal statistics Khulo) number of the tourists visited Khulo is only 0.4% of the total number of visitors in Adjara region.

Recommended approach:

- a) Develop local authentic tourism image of “Adjara mountain holiday” based on beauty of the landscape, pristine environment, clean rivers and deep forest, local hospitality and cuisine;
- b) Offer short day tours to enjoy “escape from the crowded sea beach” to diversity travel experiences and enjoy mountain spirit of holiday.
- c) Select proper facilities and package 2- 3 days’ tour offering mountain walks, river activities, ethnographic tours with comfortable stay at the mountain villages in combination with sea-holidays.

Important precondition: improvement of the road quality connecting Khulo with the seaside area. Road pavement is in bad condition due to the construction of hydro engineering systems along the Adjaristskli river.

Opportunity 2:

Well-developed network of the protected areas (National Parks Mtirala and Machakhela, protected areas, Goderzi botanical garden) has a great value to attract tourists. National parks became an important driver of the eco-agro tourism by creating interest to visitors and benefiting local communities by opportunities to establish competitive services, been located outside of Parks boundaries; There are no NP directly connected to Khulo municipality, however beauty of valleys, virgin forests, deep canyons and traditional rural landscape gives an opportunity to develop network of trails including sections for hiking, mountain-biking, rafting, horse-riding as well as ski-touring in winter.

Recommended approach:

Build close partnership to learn experiences how to plan nature trails from the National Parks and protected areas. Consider involvement of the neighborhood communities, offering travel services

(guiding, transport, food) and accommodation places (small hotels, guest houses, village houses and huts). Overall objective is to create “win-win” cooperation by offering tourists package tours combining nature eco-agro tourism activities. It is at most important to develop “destinations places” along the trails benefiting from the local hospitality in the remote villages.

Opportunity 3:

Goderdzi is the newly developed resort located in the territory of Khulo municipality. Resort ski-lift facilities includes two new ropeways (gondola and 6 sits chairlift) with capacity around 2000 pers/hours, that is sufficient to service around 3000 skiers a day, between the altitude 1700 – 2300m. In 2018 two small lifts (“ti-bar” lift and carpet lift) for beginners will be finished. Development of the accommodation facilities at the ski-mountain resort is one its way as it is a flagship tourism project for Adjara government. With new private investment of 80 mln. GEL international standard resort hotel and lodges will be built in 2018-2019 and will create about 500 jobs and accommodation places for 435 visitors. Currently, accommodation capacity is very limited to the 6 cottages with total 80 beds and several local guesthouses in the village Danispireuli (nearest settlement to the ski-resort).

Recommended approach:

Development of the new mountain resort Goderdzi is offering great experience for powder snow ski-snowboard riders in the winter and for summer holidaymakers to enjoy sports activities in the remote mountains. Resort is a strong “engine” to boost development of eco-adventure and agro-tourism in the neighborhood communities and particularly all along the road section from Khulo to Goderdzi resort (about 25km).

With its perfect snow condition, long winter season, wide slopes, mix forest and alpine meadows and unlimited opportunities for ski-touring and cat skiing it became popular winter destination for those who enjoy snow and ski holidays in the remote areas. Local villages will have great opportunity to adapt original houses to the small guest houses (type of “ski-shallet”), offering overnight, meal, transport, guiding, horse rent, etc..

Resort will create various job opportunities for locals, such as administration staff, ski-instructors, ski-lift staff, ski-pist grooming machines drivers, hospitality staff (cafes, restaurants, hotels, etc). Today, Goderdzi ski resort is a part of Georgian mountain Resort Development Company (state company) with only 28 staff.

Opportunity 4:

Complete Reconstruction of the Goderdzi pass and motorway connecting Samtskhe-Javakheti region with Adjara region. Government of Georgia is investing into reconstruction of the last section of the road connecting Khulo and Adigeni (16 km) and with it will open new comfortable and short connection between two regions of Georgia. Opening of the comfortable highway across the Goderdzi pass will substantially shorten the travel distance between Batumi and Armenian border at Bavra, road to Tbilisi via Akhaltsikhe and Borjomi. As a result, by connecting touristic destinations in Samtskhe-Javakheti and Adjara new touristic trail will appear “on the radars” of the travel groups offering to gain unique experiences traveling through the diverse landscape, visiting

authentic villages, learning different cultures and enjoying real mountain adventure doing mount-biking, wastewater rafting, ski-tourism or trekking. At the end of journeys', the rest at the sea beach will be rewarded pleasure.

Recommended approach:

Increasing of the road traffic will stimulate local trade and services. A few local communities located along the road will become destinations itself. Properly planned investment needed to support creation of the small catering units, road restaurants, small hotels, marketplaces along the road. As a next step, training in hospitality services, small business planning and improvement of the basic housing facilities will be needed. As results, communities will benefit a lot from new economic opportunities providing accommodation and catering services for travelers' groups.

5. General trends to be considered for tourism development:

The following trends recommended to be considered, while targeting to the tourism and rural development in mountainous regions of Adjara:

- 1). Global shift of travelers interests towards to the unexplored destinations and “experience based travel”, that includes more “active adventure & cultural experience based travel” in a shorter period of time (3-5 days).
- 2). Consider domination of individual and self-organized trips of friends and family's groups against the large package tours; increase of self-planning travel itineraries according to the individual thematic and adventure interest. Determining factor to make a trip is accessibility to the destinations and availability of the proper accommodation facilities at the villages;
- 3). Support local service providers offering their services and facilities using on-line booking systems, sharing with potential visitors' information about destination places, considering destination “content” and thematic interests;
- 4). Be prepared for fast increase of the number of travelers along the road together with accomplishment of the rehabilitation of Goderdzi path and extension of operations at the Goderdzi ski-mountain resort (new hotels, ski-lifts, guiding, renting, etc).
- 5). Consider increase of international and domestic visitors (Georgians and residents of Batumi) interested to enjoy short-weekend tours and enjoy seasonal recreation holidays. Expect growth of the visitors from the new emerging regional markets such as Iran, Arab countries, Middle east, Caucasus and CIS;

To meet all these challenges, LAG of the Khulo municipality will need substantial technical assistance to integrate tourism opportunities into the local development strategy and action plan, target financial resources to the best “quality destination places” and support local entrepreneurs in establishing of the quality services (accommodation, meal, guiding, transport) destination places and tourism products.

6. Value chain approach:

Mountainous remote areas in developed countries benefiting a lot from the local tourism development, (example of Georgia, regions of Kazbegi-Gudauri; Tusheti-Akhmeta; Mestia-Svaneti) that provides major cash income to the local community, create jobs and directly stimulating local entrepreneurship by establishing SMEs as guest houses, food & beverage, transport, guiding and other suppliers chain.

Strengthening of partnership and cooperation between all players in the value-chain is a bases of the successful and sustainable cooperation (According to the UNWTO one direct employment in tourism creates at list 4 indirect employments though the supply value chain).

Having limited focus on the rural community based eco/agro tourism, major clusters of the tourism activities identified for Khulo municipality are:

- Ethno-cultural tourism, based on authenticity of Adjarian peoples' traditional life-style well preserved in the mountainous villages in combination with historic and religious heritage and traditional wooden architecture of the villages;
- Summer Mountain and adventure tourism, based on nature assets, landscape diversity and opportunities to experience various outdoor activities such as: mount-biking, trekking, river white-water sports;
- Winter ski-snowboarding riding and ski-touring, with great opportunity of powder skiing by heli-skiing and "cat-skiing" around Goderdzi resort, village Kedeli and village Beshumi.

Value add chain and distribution of visitors expenditure (general practices):

Tourism products created by tour-operators/local vendors include all elements of tourism services interlinked to each other as a "value chain". According to the international experience and local practices the distribution of visitors' travel expenditure along the "chain" is follow:

Components of services rural/agro-nature tourism	Expenditure %	Value per/p in GEL	Delivered by	Needs of investment
Accommodation at Guest house	25%	50	Local	High
Guide-interpreter, outdoor guides.	15%	20	Local	High
Transport	15%	30	National	Moderate
Meal and drink/shopping	20%	40	Local	Low
Souvenirs	5%	10	Local	Moderate
Tour-operator	10%	30	National	Low
Taxes	10%	20	State	Low
Total p. person/day		200		

7. Type of the recommended project intervention:

According to the local Tourism Information Center number of visitors increased from year to year, but is very low (140 visitors only in April 2018). Observed local skills, quality of services and standards of accommodation, as well as financial resources required for competitive development in the municipality is very low and will not be sufficient to achieve development objectives, without external technical and financial support provided through the RDF (Rural Development Fund). Having say that, chain of actions needs to be considered: starting with identification of the chain of destinations (those are locations with exceptional “Adjarian mountain spirit” authentic, attractive and with “experience based” activities), promotion, training, investment and management.

Therefore, to expect significant economic growth through the community tourism development requires to undertake complex measures in the following areas of intervention:

1. Study and inventory of tourism destinations and recourses; as a results elaborate catalogue information about most tangible recourses, define at list one top-market destination place in selected four directions, select contacts of local service providers having pre-conditions to deliver competitive services.
2. Training/capacity building: Technical support targeted to the capacity building in hospitality businesses, agro-tourism, adventure sports guiding and local tour packaging. Specific subject of the trainings for local gust house owners/small hotels: design and standards of the facilities, basic business planning, hospitality services, promotion using on-line booking platforms, etc.
2. Investment in improvement of establishing of the “destination places” and market the very best: includes: consolidation of information about sites to visit, plan the trails, define outdoor activities and needed trainings and equipment, use traditional and on-line social media supporting marketing activities; participation in regional tourism fairs (Batumi, Tbilisi), organizing FAM (familiarization) trips for travel operators, outdoor athlete and media team.
3. Support LAG management board, municipal administration and local tourism stakeholders to harmonize tourism development plan and activities with the local development strategy document. Activity plan will serve as a bases of “investment road map” for tourism to be considered for the use of Rural Development Fund of the project.
4. Investment thorough the small grants for improvement of public infrastructure around destinations, improvement of accommodation facilities and services. Investment thorough competitive grants program should stimulate local entrepreneurship.

Recommended range of the small grant investment into local community based tourism:

The most appropriate form of investment considering tourism development objectives and local financial capacities is the combination of the technical aid support component (through the service contracts) and support local entrepreneurship through the small grants program. Service contracts and small grant beneficiaries should be selected according to the competitive selection process. Grant agreement should consider contribution of the at list matching fund (up to 30% in cash) as well as in-kind contribution. Eligible applicant can be local guest-house owner interested to extend property by adding new service facilities (shop, kitchen, dining room, cafeteria) or increase existing ‘bed capacities’ by adding rooms/ to the existing house.

One of the great value of tourism development is connected with traditional “Adjarian villages” and remarkable architecture of wooded houses. This is the heritage which needs to be respected and preserved. Therefore, as one of the pre-condition for any investment into modification of traditional dwellings is that applicant should be responsible architectural design and construction permit together with proper business plan.

The recommended range of the small grants per beneficiary should be in the range of 10,000 - 25,000 USD with 30% matching contribution.

Supporting micro-entrepreneurship in the village			estimated visitor's expenditure per services in USD		
recommended investment per unit for accommodation USD			average size utilities	costs in USD	number of beds
investment per bed/person in...	Rehabilitation of existing one	Extension of existing construction	price per/p in village hotel ***	50	60
Small Hotel	8000	25000	price p/p guest house	25	12
guest house	4000	10000	hostel/dormitory hut	10	15
hostel-dormitory	3000	6000	meal	10	
recommended investment per tourism facility in USD			Transport	15	6
type of enterprise	in existing building	new construction	souvenirs per visit	12	
restaurant/café in the village	12500	25000	outdoor equipment rent per day	10	6
Food store / shop	7500	15000	travel services	10	
travel shop /rent of outdoor equipment	7500	15000	day expenditure at hotel	107	
souvenirs & crafts shop	7500	15000	day expenditure at GH	82	

8. Assessment of the local tourism development opportunities

LAG workshop, WOT analyses and workshop feedback.

Tourism Consultant conducted site visit to Khulo municipality (April 27-29) and held the workshop with LAG, tourism industry representatives and representatives of the local municipality on April 28.

At the workshop Consultant presented national tourism strategy 2015-2025, case examples of the successful CBT (community based tourism) projects directly contributing to the local socio-economic development (case-example Kazbegi, Tusheti, Svaneti).

After “Questions and Answers” and discussions the results were incorporated into the SWOT analyses for Khulo municipality.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Perfect geographic location between sea resorts and mountain resort areas; • Extremely rich biodiversity; • Natural resources and attractive landscape • Cultural and Historical heritage and Hospitality • Beautiful lakes and rivers (green lake, black lake, rivers....) • Goderdzi ski-mountain resort developed by central government; • Strategic motor road connecting sea costal area, Adjara mountains, Samtskhe-Javakheti region, Turkey and Armenia. • Cultural authenticity of Adjara region: • Traditional wooden architecture and dwellings preserved mostly in mountain villages (Gorjomi valley, village Tago, etc); • Tradition of craftsmanship, cuisine, fruits, honey, shaps, etc... • Close location with the sea shore and booming tourism at Black sea. 	<ul style="list-style-type: none"> • Lack of infrastructure (mainly roads) at the destination sites; • Lack of professional experiences in service sector: hospitality skills, outdoor guiding skills, destination management skills • Lack of management and administration skills to engage marketing, promotion and destination management; • Extremely limited number and low quality of accommodation places, such as guest houses and only very few registered small hotels; • No entertainment and other tourism activities • Natural hazards risks to be considered • Limited skills on tourism management and events organization at municipal level. • Lack of financial resources and investments • Lack of education (no foreign language skills, limited service knowledge) • Lack of (or poor quality) infrastructure (cafes, cinema, entertainment places, etc.) • Lack of education in natural disasters & no natural disaster plan • Lack of strategic plans (sectoral & municipal level) • Lack of adequate infrastructure including transport, communication & internet • Non-existing sewage system & waste management (recycling) • Weaknesses with emergency services and rescue system

Opportunities	Threats
<ul style="list-style-type: none"> • Use opportunity to develop small guest-houses around ski-mountain resort Goderdzi; • Capacity to provide accommodation for 500 to 600 persons during the next 3-5 years. • Opportunity to develop network of Local suppliers of food, transport services, guides, meal • Attract tourists from the attract visitors from sea costs; • Development of different tourism service and offers: 3 clusters – ethno cultural; nature-adventurer, snow and skiing. • Develop at list three destination sites: 1). Rehabilitate village Tagi as a destination connected by cable car with Khulo; 2). Valley Khihani: museum, monastery of Skhalta, Khihani fortress; 3). Goderdzi ski-mountain resort and network of mountain huts around • Develop Network of Adjarian mountain huts – shepherds life. 	<ul style="list-style-type: none"> • Merging of Traditional hospitality and hospitality industry. • Risks associated with threats with authenticity and cultural identity. • Lack of local service skills and understanding of visitors’ expectation and service requirements; • Climate change / global warming and unknown implication of the climate changes on the tourism operations. (more rains, more very hot days, etc) • Natural disasters and unregistered building and construction sites. • Very low income to the workers stay on Khulo municipality. • Overall political situation. • Access to financial resources • Lack of the local agro-products • Non-existing rescue and insurance needed for outdoor activities and sports.

As a result of the site visit and discussions three main thematic clusters were identified:

- Ethno cultural and sightseeing tours;
- Summer recreation and outdoor, with heightened trend-sports activities
- Winter ski-resort operation and extension of these activities.

It is recommended to be focused on tourism destinations development in four geographical locations - valleys: 1. Khulo & village Tagi; 2. Khihani valley with Shalta monastery and fortress Khihani; 3. Ghorjomi valley and villages with traditional wooden architecture; 4. Goderdzi ski-mountain resort and the pass Goderdzi).

Brief outline of each area and specific character of the destinations:

1. Town Khulo and village Tagi: Khulo is an administrative hub. Due to the chaotic urban development Khulo as settlement has no chance to become a touristic destination (unless no major urban improvement will take place). However, as administrative center it will play a role of the logistic hub. The best touristic destination connected with Khulo is village Tagi, with its outstanding location and extraordinary transport connection - hanging ropeway with length of 1780m. It is the best destination site and needs to be in the focus of project investment. If properly made investment will support preservation of traditional Adjarian wooded houses in the village Tagi site will become a top touristic destination for tourists interested with cultural experience and nature beauty; There are a few local “tourism related” initiatives already seen on site. It is highly recommended to improve quality of intervention by investing in site design (village plan), local awareness to preserve historic appearance of the houses and hospitality training. Highly recommended!

2. Khihani valley including historic-memorial museum in the village Skhalta, Skhalta monastery and Khihani fortress; Valley is attractive to explore it with various adventure travel opportunities – mount-biking, horse riding in combination of 4wd and hiking; It is essential to create a “destination location” concentrating on first stop at Skhalta monastery and local museum of Selim Khimshiashvili and Khihani fortress as an end destination. A few small guesthouses already exists and needs to be explored and enforced by project.
3. Ghorjomi valley with traditional villages and opportunity develop trail connected with Bakhmari resorts in Guria region “off-road trip to the ethnographic villages”; The main attraction “brand” of the valley should be traditional villages with wooden architecture. It is recommended to select village with most authentic appearance, select a traditional house and turn-it into the “destination place” by offering to the guests’ traditional food, crafts and drink.
4. Goderdzi ski-mountain resort with its winter and summer activities itself is a destination place. Project could support extension of the resort area by promoting villages Danispireuli, Beshumi, and Goderdzi pass, Botanic garden, and connecting Adjara with Samtskha-Javakheti region.

5. Proposed tourism action plan to the Local Development Strategy of Khulo municipality

Considering current situation in Khulo municipality it is recommended, that project considers complex set of actions to be implemented within the scope of the project for tourism development. That might include actions listed below to be implemented by using internal recourses, service contracts and small grants.

Activities are clustered into five main groups:

- | | |
|-----------|--|
| Action 1: | Assessment of Tourism Recourses and select destination places for development: Identification of existing tourism sites, trails, define top destination places, critically assess available services, development opportunities and needs; |
| Action 2: | Set-up marketing and promotion activities: produce promotional materials to promote Mountainous Adjara and particularly destinations located in the territory of Khulo municipality; elaborate and implement marketing action plan. |
| Action 3: | Conduct training and capacity building program in hospitality businesses, outdoor guiding and interpretation services. |
| Action 4: | Support in establishment of the local DMO (destination management organization) as executive unit for coordination of tourism initiatives under the supervision of LAG |
| Action 5: | Small grants program supporting local initiatives and entrepreneurship by improvement of tourism facilities around destinations: public facilities at the destination places and private properties for accommodation and catering. |

Recommended activities are presented below in the table, indicating time period based on assumption, that project implementation period is 3 years and overall allocated budget for tourism component is about 1 ml GEL.

Objective	Inventory and destination development Tourism development in Khulo municipality
<u>Action 1</u>	Identification of destination places and assessment of Tourism Recourses. Inventory of service providers and tourism facilities.
<i>Rationale (why this action?)</i>	Destination places are the “drivers” of tourism development. The good knowledge of the available resources and a critical assessment of competitive advantages is a starting point to create tourism products required by market. Multiple factors determining tourism products should be considered while selecting the top destinations;
<i>Scope (what need to be done)</i>	Define and describe top destinations along the selected. Actions needed: a) to identify the best destination places and connect them into the trails. b) Inventory of tourism service providers, describe travel facilities, assess quality and needs for improvement. c) Elaborate “content” and authentic positioning of the primary destination places. d) Collect information and create tourism database.
<i>Target beneficiaries (who are they? maybe also #)</i>	Communities living along the proposed trails and around the destinations; travel operators and individual travelers interested to visit sites; Resort company operating ski-mountain resort; local museums, heritage sites and acting monasteries.
<i>Outputs and outcomes</i>	Optimize investment activities by targeting investment into most promising locations; create content and descriptions to be used for promotion and marketing; Select best locations and vendors to minimize risk of the small grant investment LAG will establish local team (DMO) to inspect and document conditions of the trails/destinations.
<i>Responsible bodies</i>	LAG and DMO team by using internal resources or service contract.
<i>Timing</i>	Immediate / 1 year activities; months 1-6
<i>Estimate of financial allocation</i>	10% of overall budget allocated for the activity

Objective	Marketing and promotion Tourism development in Khulo municipality
<u>Action 2</u>	Marketing and promotion activities: Define authentic images, “content-story” and attractive actions. Produce promotional materials, videos, etc. to promote mountainous Adjara and particularly destinations located in the territory of Khulo municipality; Elaborate and implement marketing action plan including local events-festivals, and participation in tourism fairs and expos.
<i>Rationale (why this action?)</i>	Create an image of Khulo and Adjara Mountains as a place of “new discovery”, where ancient history, authentic traditions, virgin nature and new adventure opportunities make unforgettable experience slogan - “Adjara Mountain Experience”
<i>Scope (what need to be done)</i>	Create variety of promotional products using traditional print “image-making” publication, but use more with innovative on-line social-media channels - making short videos about adventure trend-sports in combination with sharing cultural experiences; create “blogging news”, sharing info between destinations and people, put images and media online, etc. Present promotional materials to the national and regional fairs. Set-up promotional concept conducted within DMP.
<i>Target beneficiaries (who are they? maybe also #)</i>	International travel companies, in-bound travel operators, promoters of the local destinations, local service vendors, public institutions sharing promotional info to the public, etc.
<i>Outputs and outcomes</i>	Increase awareness and create slogan “Adjara Mountain Adventure”. Increase day and short stay visitors number from the sea coast area, increase interest of individual travelers to visit Adjara, Increase presence on Adjara region in the tour operators travel itineraries.
<i>Responsible bodies</i>	LAG and DMO team contracted promotional company
<i>Timing</i>	Short to Mid-term, months 6-18
<i>Estimate of financial allocation</i>	10% of overall budget allocated for the activity.

Objective	Training and capacity building Tourism development in Khulo municipality
<u>Action 3</u>	Conduct training and capacity building program in hospitality businesses, outdoor guiding and interpretation services.
<i>Rationale (why this action?)</i>	To great extend local population of Khulo municipality are agrarians and has no experience in tourism. Therefore, training and capacity building is vital prerequisite for successful investment into tourism, meaning that it is highly competitive service industry. Tourism activities benefiting local development should be based on agro-tourism, eco-tourism, adventure tourism concepts.
<i>Scope (what need to be done)</i>	Specific skill to be created through intensive trainings and capacity building exercises are: a). Hospitality industry (small hotels, guest houses, catering); b). outdoor adventure travel guiding (trekking, biking, horse-riding, river rafting, skiing); c). cultural sights interpretation and ethnography.
<i>Target beneficiaries (who are they? maybe also #)</i>	Local vendors-service providers: owners of accommodation places and catering units; experience outdoor local guides; traditional craftsmen's; destination site supervisors and museum staff.
<i>Outputs and outcomes</i>	Increase quality of experiences, increase standards of hospitality services, insure safety of outdoor travel; As a results, create attractive image of the destination and attract more visitors.
<i>Responsible bodies</i>	Invited experts, travel companies with experiences of training, vocational education units in the municipality, DMO team. Partner and supporters: ski-company "Goderdzi", acting hotels from the regions, formal vocational education system.
<i>Timing</i>	Short to Mid-term, months 12-24
<i>Estimate of financial allocation</i>	20% of overall budget allocated for the activity.

Objective	Destination management organization Tourism development in Khulo municipality
<u>Action 4</u>	Establish local DMO (tourism destination organization), as an executive unit under the supervision of LAG.
<i>Rationale (why this action?)</i>	In order to insure long term sustainable development approach, It is very important, that during the course of the project create small executive unit (DMO) under the supervision of LAG and responsible for local execution of tourism development initiatives in the municipality. DMO can be created on request of the project as an integral part of the project team (temporary solution) or based on competitive service contract with selected local organization.
<i>Scope (what need to be done)</i>	Having no local operation capacities at the level of municipality it is recommended, that LAG creates small team (2-3 staff) of competitively selected staff with capacity and experience to support implementation of project activities. It is expected, that during the course of the project local team (DMO) will gain experience and resources to transfer its activities into the DMC (destination management company) at the stage of project accomplishment. The role of the team should be defined by LAG executive board.
<i>Target beneficiaries (who are they? maybe also #)</i>	Local community of Khulo, local tourism vendors and operators, tourists and tour-companies interested to visit and operate in Khulo municipality.
<i>Outputs and outcomes</i>	Increase number of visits. Insure professional and permanent presence of LAG at the tourism fairs and events; increase awareness about mountain Adjara amongst the travel community.
<i>Responsible bodies</i>	LAG, local tourism operators.
<i>Timing</i>	Short to long run, months 6-36
<i>Estimate of financial allocation</i>	10% of overall budget allocated for the activity.

Objective	Small Grants for tourism entrepreneurs Tourism development in Khulo municipality
<u>Action 5</u>	Small grants program supporting improvement of public assets at the destinations and supporting local entrepreneurship.
<i>Rationale (why this action?)</i>	Direct investment facility (small grants) is an important instrument to insure achievement of the project objectives. Direct investment component should be based on competitive selection process, will motivate and enable locals to achieve improvement of facilities and services to make tourism offer competitive to the market.
<i>Scope (what need to be done)</i>	It is recommended to consider two type of small grant applications: 1. Request grant for improvement of public assets around the destination places aimed to improve living environment for local and visitors (improve access road, interpretation and information signage, water and sanitation, public space, toilets, etc); 2. Request grant for improvement of individual entrepreneurship by contributing grant for extension of micro-small businesses, such as accommodation, catering, guide service, transport. Self-contribution in the form of matching fund (25%-50%) should be requested.
<i>Target beneficiaries (who are they? maybe also #)</i>	Local community groups, local NGOs, individuals; Local registered micro-small entrepreneurs, individual entrepreneurs, registered “cooperation”
<i>Outputs and outcomes</i>	Increase of quality and capacity of services; improvement of living environment for locals at the destination sites and for tourists visiting municipality.
<i>Responsible bodies</i>	LAG/DMO, grant recipients.
<i>Timing</i>	Mid to long term, months 12-36
<i>Estimate of financial allocation</i>	50% of overall budget allocated for the activity.

Annexes:

Annex 1: list of the strategic documents reviewed:

6. Local Development Strategies elaborated for the municipalities of Georgia: municipality of Lagodekhi,
7. Local Development Strategies elaborated for the municipality of Borjomi,
8. Local Development Strategies elaborated for the Municipality of Kazbegi,
9. Local Development Strategies elaborated for the Municipality of Dedoplistskari;
10. Georgian National Tourism Strategy 2015-2025; public version/draft.
11. WTTC Country tourism profile - Georgia (statistic and economic indicators of tourism sector in country);
12. Adjara Regional Development Strategy 2015-2018, Adjara government 2014;
13. Adjara AR Regional development strategy 2016-2022 (implemented by PMCG, supported by GiZ);
14. Strategy of socio-economic development of Khulo municipality 2012-2022 (Yang Scientists Union “Intelect”, supported by EU);
15. Project document for the Extension of Protected Area system in Adjara region; tourism development strategies for PA (UNDP) in Adjara region;
16. Assessment of rural agricultural investment capacity and corresponding extension needs. UNFAO, 2017
17. Study of tourism potential resources, trails identification and marking in the mountainous regions of Adjara. GEOLAND ltd, contracted by Adjara government.
18. National Program “Supporting extension and improvement of management of the Protected Areas in Adjara AR”, UNDP GEF PIMS 4732., APA.

Other web sources related to the tourism in Adjara region.

Annex 2: case-examples of the touristic trails in Khulo municipality

Brief description of the popular trails elaborated by company “Geoland” by request of Adjara government in 2015. Illustration of the 4 best trails on the territory of Khulo municipality. Trails could be considered as a source of information for the tourism development plan.

Trail 1: Khulo – Skhalta monastery – Bakibako village – Khihani fortress

Route Start/Finish:	Small Town Khulo/Khikhani Fortress
Route Length:	52,5 km
Duration:	2 Day
Route Type:	4X4/Walking/combined with bike, horse, trekking
Route Seasonal:	not recommended in deep snow.
Difficulty:	challenging
Min/Max m. above sea-level:	512/2220



*Electronic version attached

Trail 2: Khulo –Kedlebi – bridge Uckho (round trip)

Trail connected two municipalities Khulo and Keda.

Route Start/Finish: Small Town Khulo/ Kedlebi

Route Length: 11,5 km

Route Duration: Half Day

Route Type: Car/Walking

Route Difficulty: Easy

Route Seasonal Prevalance: recommended throughout the whole year

Min/Max m. above sea-level: 883/1592

Distance from Batumi: 87km

Cellular network coverage: Completely

The tour begins in small town Khulo by visit to Ethnographical museum.

ROUTE: SMALL TOWN KHULO-KEDLEBI

Route Start/Finish: Small Town Khulo/ Kedlebi
Route Length: 11,5 km
Route Duration: Half Day
Route Type: Car/Walking
Route Difficulty: Easy
Route Seasonal Prevalance: recommended throughout the whole year
Min/Max m. above sea-level: 883/1592
Distance from Batumi: 87km
Cellular network coverage: Completely

The tour begins in small town Khulo by visit to Ethnographical Museum. From Khulo we can choose out of three options:

1. Small town Khulo-Tago cable way, which brings us to Tago Village in 8 minutes. The 5-km road to this village is strongly damaged and the cable way has extremely important meaning. The cable is 1,700 m. long, ascending for 350 m. Riding by this cable way is interesting adventure, full of the impressions and fascinating views.

2. Small town Khulo-Uckho Bridge. The route goes to the north, towards the Okruashvilebi Village by the medium quality country road in the middle of the forest. After Okruashvilebi we get to the Duadzebi Village. The road is mainly going by the slope and little by little descends to the gorge. The Arch-shaped Uckho Bridge connects two parts of Uckho Village with each other. The bridge is newly rehabilitated and is suitable only for walking.

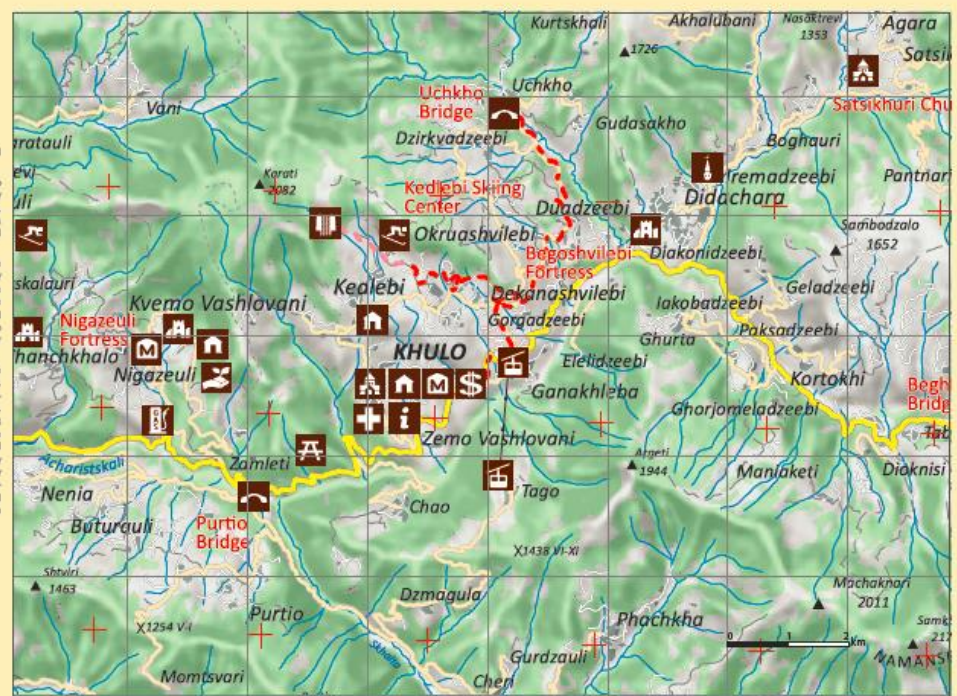
3. Small town Khulo-Kedlebi. This route also leads to the north, towards the Okruashvilebi Village by the medium quality country road in the middle of the forest. After Okruashvilebi we get to the Duadzebi Village. The road is mainly going by the slope and little by little descends to the gorge. The Arch-shaped Uckho Bridge connects two parts of Uckho Village with each other. The bridge is newly rehabilitated and is suitable only for walking.



distance (km)



Department of Tourism and Resorts of Abkhaz A.R. 2014
www.gabatumi.com



SYMBOLS									
	Church/Monastery		Information centre		Automatic teller machine		Seaport		Restaurant
	Fortress		Hotel		Bank		View point		Rural tourism
	Museum		Guesthouse		Gas station		Arch bridge		Wine tourism
	Synagogue		Medical centre		Visitor centre		Camping		Birdwatching
	Mosque		Police		Customs		Picnic area		Natural monument
							Spring		Resort
							Skiing		Ropeway station
							Cave		Hut
							Waterfall		Car, Bus
							Airport		Horse, Walking
									Landmark

Electronic version attached

Trail 3: Khulo – Danispireuli village – Goderdzi resort – lake Mtsvane

Route Start/Finish: Small Town Khulo/Khikhani Fortress

Route Length: 49,5 km

Route Duration: 2 Day

Route Type: 4X4, Bike, Horse, Walking

Route Difficulty: Medium

Route Seasonal Preference: Summer-Autumn.

Min/Max m. above sea-level: 716/2351

Distance from Batumi: 87 km

Cellular network coverage: Completely

The route starts from town Khulo, car drive continues to the Goderdzi mountain resort and footpath trail finished at the Green lake (Mtsvane tba).

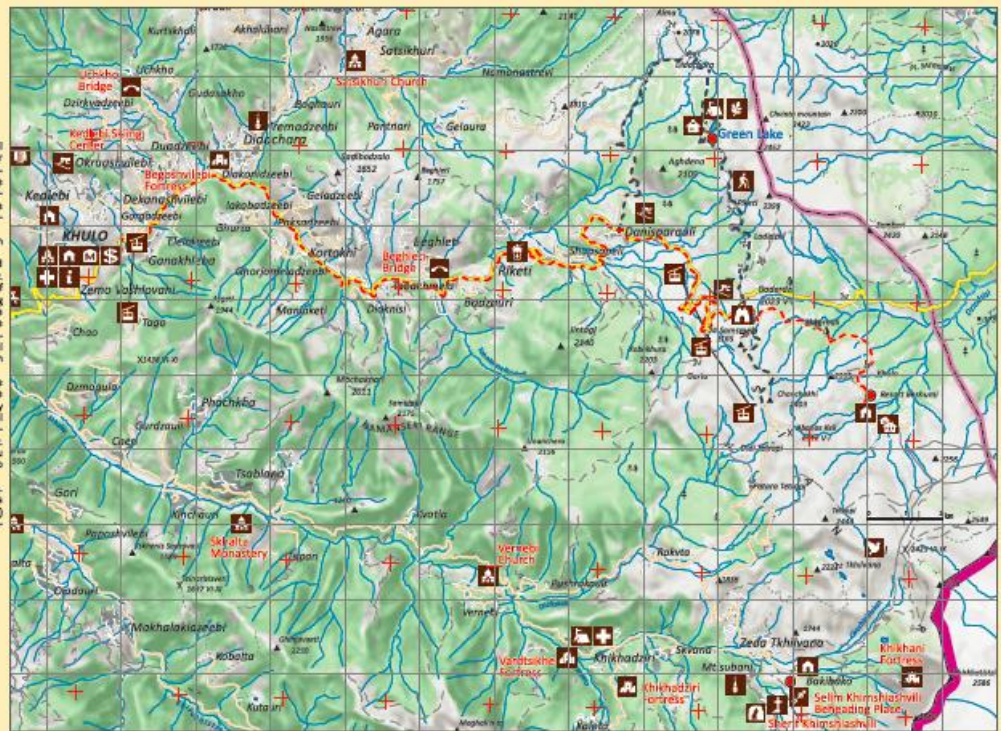
ROUTE: SMALL TOWN KHULO-DANISPARAULI-GODERDZI PASS-MTSVANE (GREEN) LAKE-BESHUMI

Route Start/Finish: Small Town Khulo/Khikhani Fortress
Route Length: 49,5 km
Route Duration: 2 Day
Route Type: 4X4, Bike, Horse, Walking
Route Difficulty: Medium
Route Seasonal Preference: Summer
Min/Max m. above sea-level: 716/2351
Distance from Batumi: 87 km
Cellular network coverage: Completely

The route begins in small town Khulo, continues to the east till Danispauli Village and follows Batumi-Akhaltzike Highway for 22 km. From Danispauli Village we continue towards the Goderdzi Resort by the same road (2.5 km). Goderdzi Resort is the modern downhill skiing destination established in 2012. Currently it is not functioning at the full capacity. In winter, two cable ways are working. They bring us to the height of 2,330 m. By Batumi-Akhaltzike road we get to Goderdzi Pass (5.7 km). Goderdzi Pass is the key point of this route. From here you can continue your journey in three directions:
1. Goderdzi Pass-Mtsvane Lake; the route takes to the north and follows the boundary between alpine meadows and forest cover. In 6 km we come to the croch. Turning right from there we can reach the Green Lake by walking path. We also can continue to the north from the Green Lake and return to Danispauli Village via Didachens. The route can be passed by both, mountain bike and horse.
2. Goderdzi Pass-Beshumi Resort; for 6.5 km we can follow the automobile road. After we pass the summer station Shermali, we come to the picnic place, where Shuamtoeba Fest takes place every first Sunday of August. From here the route brings us to Beshumi resort located at the altitude of 1,850-1,900 m; it starts functioning in mid-June and season lasts till the beginning of September. Here are the lots of cottages and villas. From Beshumi resort you can take the horse-riding and off-road vehicle tours to Bakibako Village (12 km) and Khikhani Fortress (13 km).
3. Goderdzi Pass-Upper Station of Cable Way; distance - 4.1 km. The route goes through the zone of alpine meadows and from its final point (the adjacent area of upper station of the cable way) opens the fascinating panoramic view. From here you can continue your route to Tshilvani and Bakibako Villages (13.5 km).



Batumi
Department of Tourism and Resorts of Abkhaz A.R. 2014
www.gobatumi.com



SYMBOLS									
	Church/Monastery		Information centre		Automatic teller machine		Seaport		Restaurant
	Fortress		Hotel		Bank		View point		Rural tourism
	Museum		Guesthouse		Gas station		Arch bridge		Wine tourism
	Synagogue		Medical centre		Visitor centre		Birdwatching		Waterfall
	Mosque		Police		Customs		Picnic area		Natural monument
							Spring		Skiing
							Canyon		Ropeway station
							Airport		Cave
									Grave
									Landmark
									Hut
									Car, Bus
									4X4, Bike, Horse, Walking
									Walking

Electronic version attached

Trail 4: Gomareuli – Chanchkalo – Nogozeuli (Khulo – Kheda municipality)

Route type: Hiking, Horse riding

Length: 9.8 km.

Travel duration: 2 hours

Road type: Asphalted road, ground road, forest road, sledge road

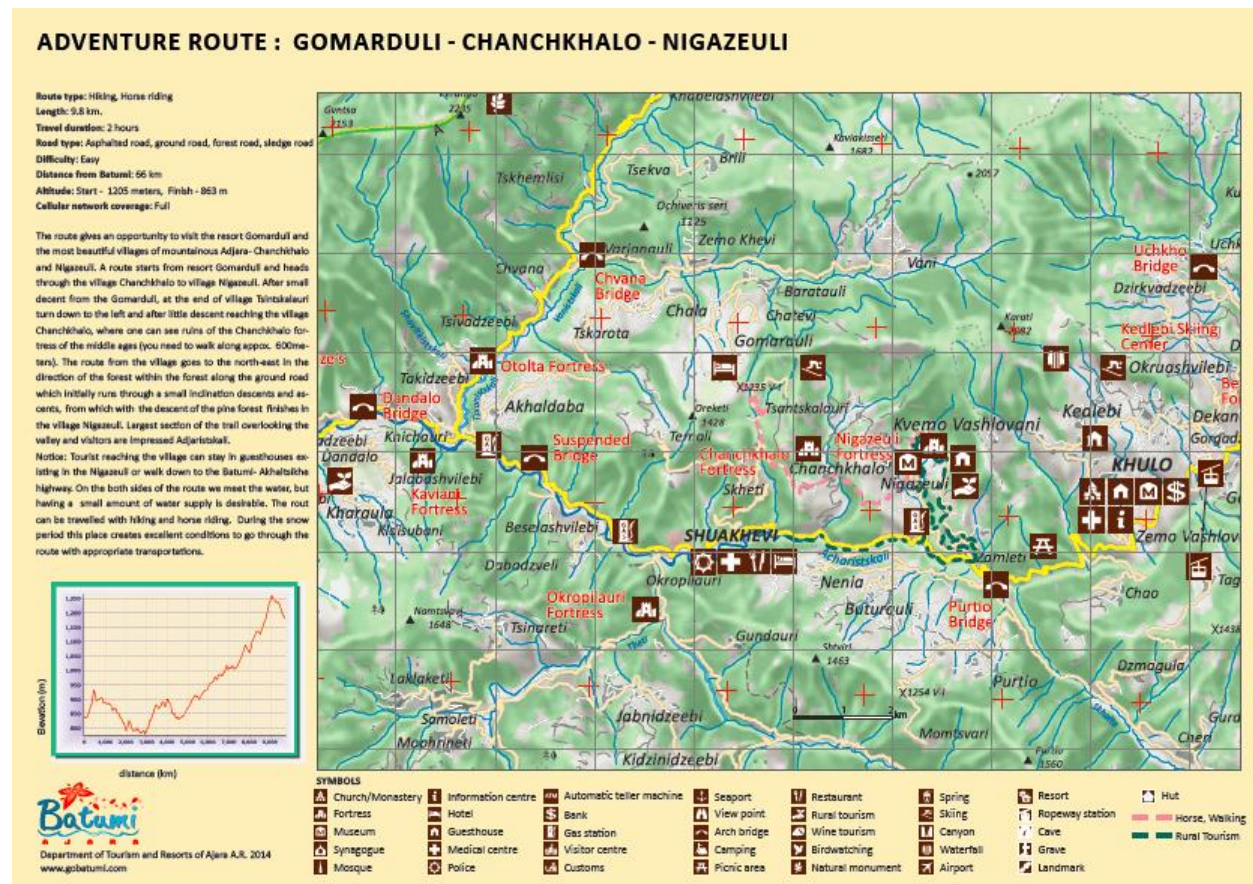
Difficulty: Easy

Distance from Batumi: 66 km

Altitude: Start - 1205 meters, Finish - 863 m

Cellular network coverage: Full

The route gives an opportunity to visit the old resort place Gomareuli and is connected to the Kheda municipality.



Electronic version attached

Annex 3: Examples of entrepreneurship and services in community based tourism

Types of local services	Forms operation	Cost. p/unit Standard costs	Capacity p.unit Visitors number	Requirement	Reference and examples
1.Hiking and sightseeing tour	Individual group	25\$ p/day	Visitors groups 1 – 6 pers.	guiding experience, Language, safety experience	Common practice in Kazbegi and Mestia.
2. Mount. Guide and other adventure sports	Individual qualified guide or Tour company	50-150 \$ p/day	Group with 1 – 4 guests	Guide certificate in Trekking, biking, rafting, safety conditions, language.	Limited number of certified adventure tour leaders; example of Georgian Adventure leaders school ATS.
3. Transport	Individual , local comp.	50-80 \$ p/day	Vehicle – 4 p. Bus – 12 pers.	Safe, comfortable 4 WD vehicle	Business for local owners. Problem is quality and safety of the roads.
4. Catering family business.	Fast food, family meal, Café,	5\$ p/meal 15\$ p/person full board.	12 – 20 persons	Clean and quality local product, location, offering local and international meal.	Demands are much higher and will increase along the motor-road and at the destination places.
5. Accommodation (private and business)	Huts/hostels Guest house Small hotel	5\$ p/night 15\$ p/night 25\$ p/night	4-12 pers. 4-6 beds. 12 – 20 beds.	Traditional dwelling, land, new building as private house	High request for accommodation, quality of standards and element of authentic architecture needed.
6. Handicrafts	Shop and production,	5 – 15 \$ p/visitor	Not limited	Production of crafts	Handicrafts production is low and no shops. There are local crafts producers association to be contacted.
7. Organization of destination development and cultural events (DMO)	Evening entertainment, songs, dances, festivals	5\$ p/person	Not limited	Performance groups, support from municipality, locations, territories and design commit.	It is most needed and do not require large investment. Calendar of the events should be fixed in advance; 6 to 9 months ahead.
8. Local tour operator or destination management organization.	Initiative group, NGO or local ltd	10 to 15% commission on sale.	Not limited	Local company with qualified staff.	Interesting to be developed to insure sustainability beyond of the project investment.

Annex 4: Potential investment – small grants and contributions per facilities:

Proposal for extension of businesses	Applicant	Description	Budget * \$1000	Investment grant up to	Matching fund	In-kind
Guest house	Individual Family /registered enterprise ltd.	Capacity extension to the 8-10 rooms Facilities includes double rooms with toilet and shower, catering.	35-50	50%	30%	20%
Village house	Individual Family, individual entrepreneur	Guest rooms, share kitchen and dining, simple sanitation	15-25	50%	20%	30%
Mountain Shelter, hostel, hut	Individual, association	Trail shelter, stone or wooden construction, Clean and simple overnight	5 – 15	50%	25%	25%
Catering Crafts shop	Enterprise cooperation	Café/dining	10 – 15	50%	25%	25%
Tourism Promotion centers	NGO / private	Marketing, Training, promotion Guide transport	20 – 30	75%	No	25%

