

Policy Paper

Tourism Sector in Georgia

2020



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SECURITY PROGRAM

Policy Paper

Tourism Sector in Georgia

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Abbreviations

CTHRC - the Canadian Tourism Human Resource Council

DMO – Destination Marketing Organization

EU – European Union

EUR – European Euro

GDP – Gross Domestic Product

GEL – Georgian Lari

Geostat - National Statistics Office of Georgia

GNTA - Georgian National Tourism Administration

GoG – Government of Georgia

HBOR - Croatian Bank for Reconstruction and Development

ICT - Information and Communications Technology

MEPA - the Ministry of Environmental Protection and Agriculture of Georgia

MoESD – the Ministry of Economy and Sustainable Development of Georgia

MOH - The Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia

MRDC - the Mountain Resort Development Company (MRDC)

MRDI - the Ministry of Regional Development and Infrastructure of Georgia

NACHPG - the National Agency for Cultural Heritage Preservation of Georgia

NBG – National Bank of Georgia

NFA – National Food Agency

NGO – Non-Governmental Organization

OECD - Organisation for Economic Cooperation and Development

PMCG - Policy and Management Consulting Group

PPP - Public-Private Partnership

SMEs – Small and Medium Enterprises

TIER - the Tourism Industry Events Response Group

TPC - Tourism Policy Council

TTAB - the Travel and Tourism Advisory Board

UK – United Kingdom

UNWTO – United Nations World Tourism Organization

USAID - United States Agency for International Development

USD – United States Dollar

VAT – Value-Added Tax

VET - Vocational Education and Training

WG – Working Group

WTTC - World Travel & Tourism Council

1. Introduction

The “Tourism Sector in Georgia” policy paper has been developed by Policy and Management Consulting Group (PMCG) under the USAID Economic Security Program. The aim of this document is to identify the key economic policy/regulatory challenges in Georgia’s tourism value chain and to facilitate dialogue between private and public sectors including a wide spectrum of civil society and political representatives.

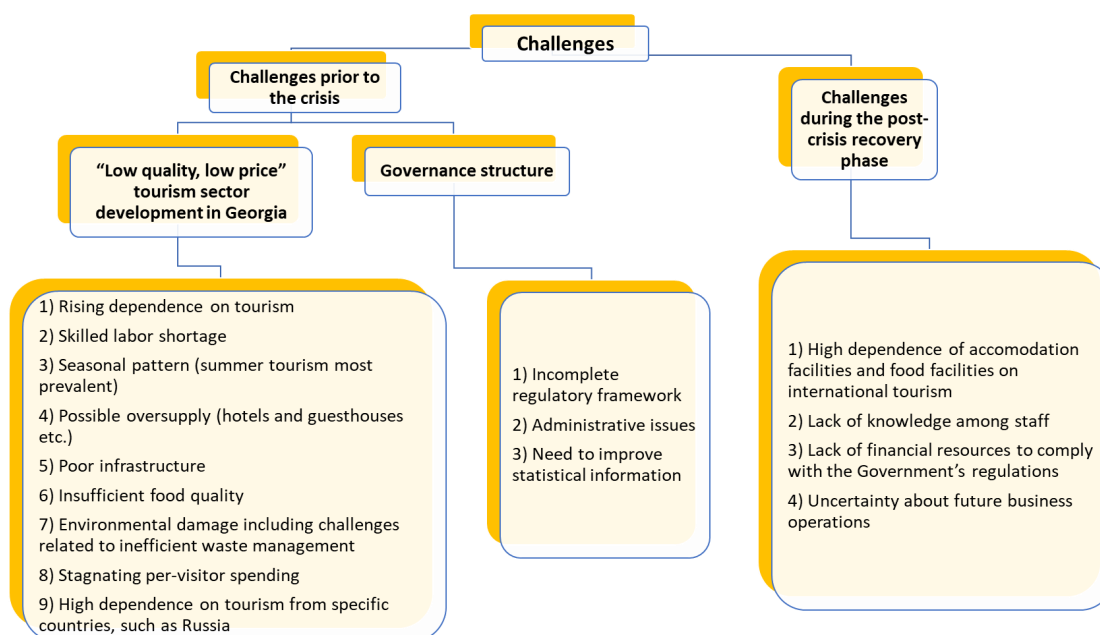
The policy paper is structured as follows: first, it provides an overview of the importance of the tourism sector in the Georgian economy, including its role, expenditures of international visitors in Georgia, hotel price dynamics, and seasonal and regional patterns. It also analyses the policy challenges that existed prior to the COVID-19 crisis from the perspectives of different stakeholders (including from the private sector, government and donor organizations) and reviews the government response to these challenges.

Second, based on the gleaned perspectives of stakeholders (private sector, government and donor organizations) the policy paper analyzes the impact of COVID-19 on the tourism sector in Georgia, outlines sectoral needs during the crisis, assesses the government response, and identifies gaps between sectoral needs and government response.

Third, and again with the perspectives of stakeholders in mind, the policy paper outlines the main challenges during the post-crisis recovery phase and reviews the international best practice in terms of handling the COVID-19 crisis and planning the recovery process.

The document concludes with policy recommendations for challenges that existed prior to the crisis (12 challenges in total) and those to emerge during the post-crisis recovery phase (4 challenges in total). Challenges that were around prior to the crisis are divided into two sub-groups: *low-quality and low-price tourism sector development in Georgia* (9 challenges in total) and *governance structure* (3 challenges in total).

Graph 1: Challenges identified in the course of the research



From the 16 identified challenges, three were prioritized by representatives of the private sector and government, as well as donors, and were studied in-depth. These three challenges are listed below (with corresponding recommendations):

- Skilled labor shortage (prioritized by donors) – Recommendations entailed enhancing cooperation between tourism value chain companies and educational and VET institutions by developing innovative models of engagement, conducting promotional campaigns to popularize certification programs, and designing and activating online training programs for selected occupations.
- Poor infrastructure (prioritized by private sector representatives) - Recommendations entailed re-defining infrastructure development as a priority, creating an infrastructure development prioritization tool, enhancing inter-regional tourism infrastructure planning, creating synergies between infrastructure projects, tourism development, as well as regional, local and rural economic growth.
- Uncertainty about future business operations (prioritized by government) - Recommendations entailed supporting businesses in the tourism industry to operate at low cost during the recovery, extending existing support schemes, promoting domestic tourism, and elaborating exit and recovery plans.

2. Methodology

The following methods have been applied during the research:

- Desk research (analyzing relevant statistics, articles, documents, etc.);
- Field research (in-depth interviews, online survey, working group meeting).

2.1. Desk research

To provide an overview of the importance of the tourism sector in the Georgian economy, the first stage entailed gleaning secondary data from different sources, including the National Statistics Office of Georgia and the Georgian National Tourism Administration (GNTA), as well as PMC Research Center's Hotel Price Index data. In addition, various articles, documents, and studies were analyzed.

2.2. Field research

The desk research was followed by fieldwork, which consisted of:

- In-depth telephone interviews with different stakeholders in the tourism value chain;
- Survey of representatives of the accommodation and food and beverage sectors;
- Working group consultations including meeting with and surveying working group members.

2.2.1. In-depth telephone interviews with different stakeholders of the tourism value chain

In the course of conducting the research, stakeholder mapping in the tourism value chain was carried out. This endeavor involved the following steps:

- Consulting the USAID Economic Security Program team to determine key private sector stakeholders (industry leaders, business associations/clusters, etc.) and relevant government agencies;
- Conducting desk research to identify government and non-governmental agencies working in/related to selected value chains;
- With the help of PMCG's network and the PMCG team's experience in PPD projects, identifying relevant players in the private sector and civil society, as well as sector/subject-matter experts;
- Generating a preliminary stakeholder matrix, ranking parties by their interest in the tourism industry and their power to influence changes therein.

After mapping had been completed, in-depth telephone interviews with different stakeholders in the tourism value chain including representatives of the private sector (companies and associations) and government, as well as donors, were conducted during April 2020.

A special questionnaire was developed for this purpose, covering the following topics:

- The most important economic policy issues before the crisis;
- The impact of Covid-19 on the tourism value chain during the crisis;
- The impact of Covid-19 on the tourism value chain during the recovery phase.

In total, 25 interviews were conducted (detailed information is provided in Annex 1: List of Interviews).

Table 1: Distribution of in-depth interviews according to stakeholder type

	Stakeholder	Number of interviews
1	Private Sector (companies and associations)	11
2	Government	9
3	Donors	5

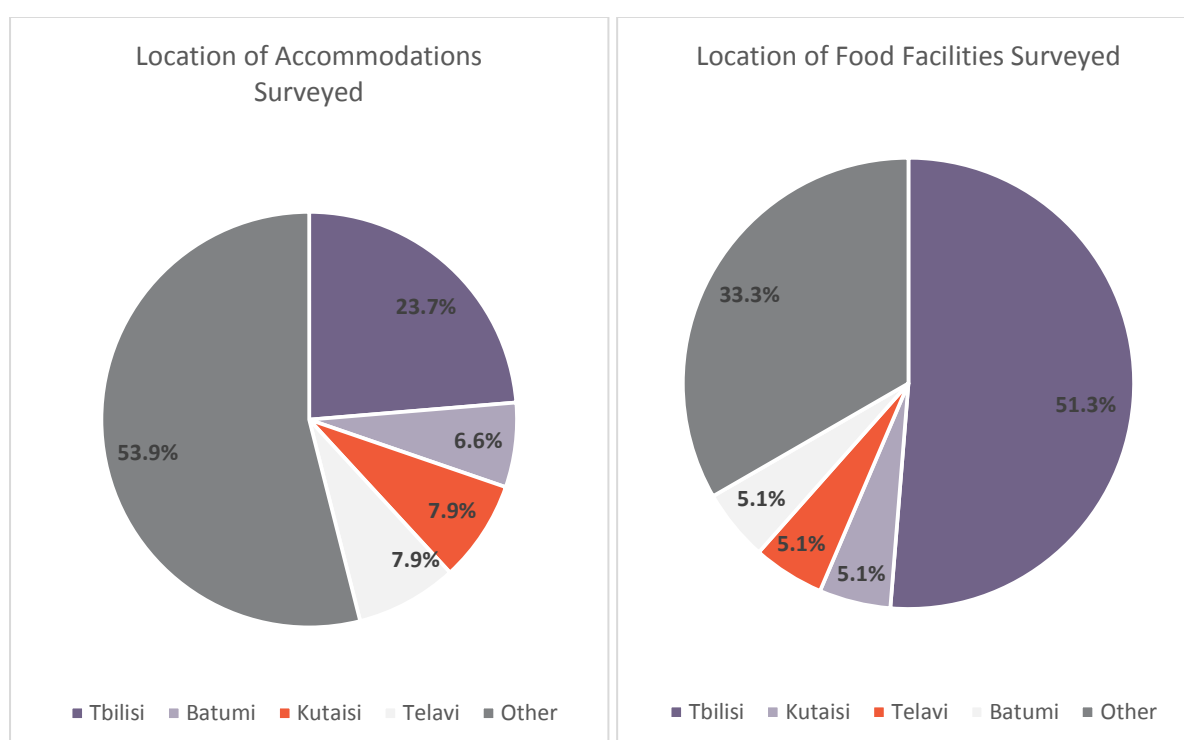
2.2.2. Survey of representatives of accommodation and food and beverage sector

To assess the impact of the Covid-19 pandemic on accommodation and food and beverage services, PMC Research Center developed a questionnaire and conducted an online survey to gauge the current status of the accommodation and food and beverage sectors in Georgia.

Overall, 77 responses were collected from the survey on accommodation facilities, while 39 responses were obtained from the survey on food and beverage facilities. Of the 77 surveyed accommodation facilities, 41 were classified as hotels, 30 as guesthouses, five as hostels, and one as “other”. Of the 39 surveyed food and beverage facilities, 22 were classified as restaurants, 13 as cafés, and four as “other”.

Of the 77 surveyed accommodation facilities, 18 (23.7%) were situated in Tbilisi, while of the 39 surveyed food and beverage facilities, 20 (51.3%) were located in Tbilisi. A detailed regional distribution of the surveyed facilities is provided below:

Graph 2: Regional distribution of surveyed facilities



2.3.3. Working group consultations

Working group consultations entailed meeting and survey of working group members.

- Working group meeting

Based on the stakeholder mapping and following the in-depth interviews, a thematic working group was created. Working group (WG) members, of which there were 33 in total, included representatives of the private sector, government, and donor organizations (a detailed list is provided in Annex 2).

Table 2: Distribution of working group members by stakeholder type

	Stakeholder	Number of representatives
1	Private Sector (companies and associations)	18
2	Government	10
3	Donors	5

On June 26, a working group meeting was held online in which results of the research were presented to and discussed with the WG members.

- Survey with WG members

After the working group meeting, to rank the 16 issues identified in the research according to priority, a scorecard was designed and sent to WG members. They were each asked to rank the issues from 1 to 16, assigning 1 to the issue they considered to be the highest priority for the tourism sector and assigning 16 to the issue they deemed the lowest priority.

In addition, to assure a level playing field for different groups of stakeholders, three groups - public sector representatives¹, private sector representatives², and donors - were separated and assigned a quota of one prioritized issue each. On the due date, 17 valid answers were collected. By collating the rankings given by WG members in their respective groups, the priorities of the three groups of stakeholders were ranked accordingly.

¹ DMOs were included in the public sector.

² Included associations and NGOs.

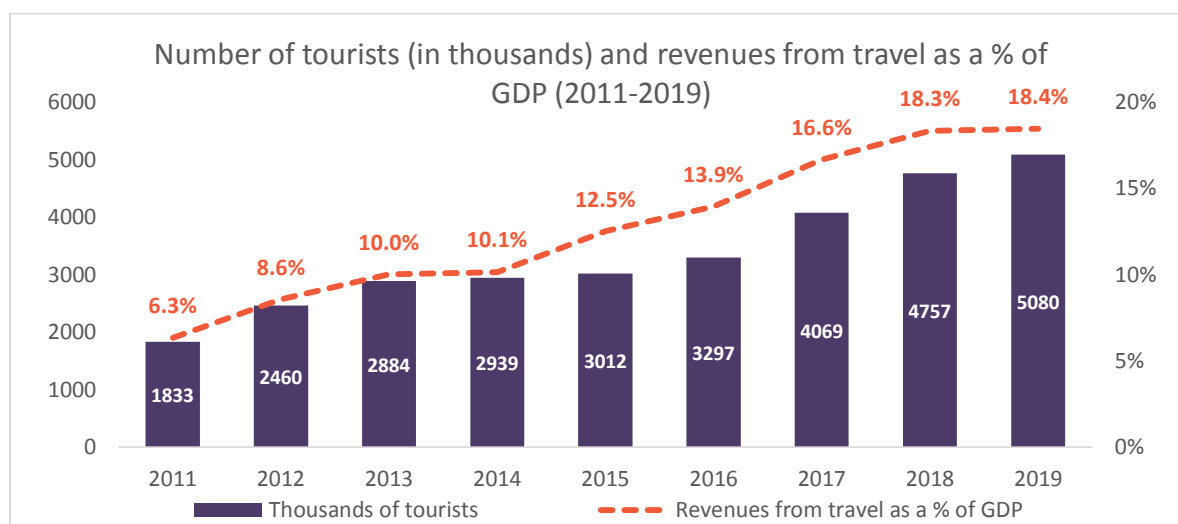
3. Georgian tourism sector prior to the crisis

3.1. Tourism sector overview in Georgia

3.1.1. The role of the tourism industry in the Georgian economy

The importance of the tourism industry in Georgia to the national economy has risen markedly over the past decade, as both the number of tourists³(tourists defined as international travellers with overnight stay) and revenues from travel⁴ have grown dramatically. In particular, revenues from travel amounted to \$3.268 billion (18.4% of GDP) in 2019, which represented a 242% increase compared to the corresponding figure in 2011⁵. As for the number of tourists, this figure amounted to 5.08 million in 2019, which is an 177% increase compared to 2011.

Graph 3: The role of the tourism industry in the Georgian economy



Sources: The GNTA and the NBG

To grasp the importance of tourism in the national economy, one should look at its contribution to GDP. Based on the methodology applied by the National Statistics Office of Georgia (Geostat), the contribution of tourism-related sectors to GDP was 8.1% in 2019. However, the total contribution to GDP as measured by the World Travel & Tourism Council (WTTC), which tries to capture the spillover effects of tourism, could be a more relevant indicator. The total contribution of the Georgian tourism sector to GDP in 2019, according to WTTC methodology, amounted to more than a quarter (26.3%), which was slightly below the same indicator in 2018 (27%). This measure captures the rise of tourism's importance over the past decade more accurately than the measurement applied by Geostat. The contribution, according to Geostat, has stayed relatively stable, ranging from 6.2% to 8.1%, the while WTTC's total contribution to GDP indicator more than doubled from 2011 to 2019 (a 127% increase), with an average yearly growth rate of 11.1% over this period.

³ Georgian National Tourism Administration's (GNTA) definitions of international travelers, visitors and tourists:

*An international traveler is someone who moves between different geographic locations for any purpose and any duration. This excludes foreign citizens who are Georgian residents and includes Georgian citizens who are foreign residents.

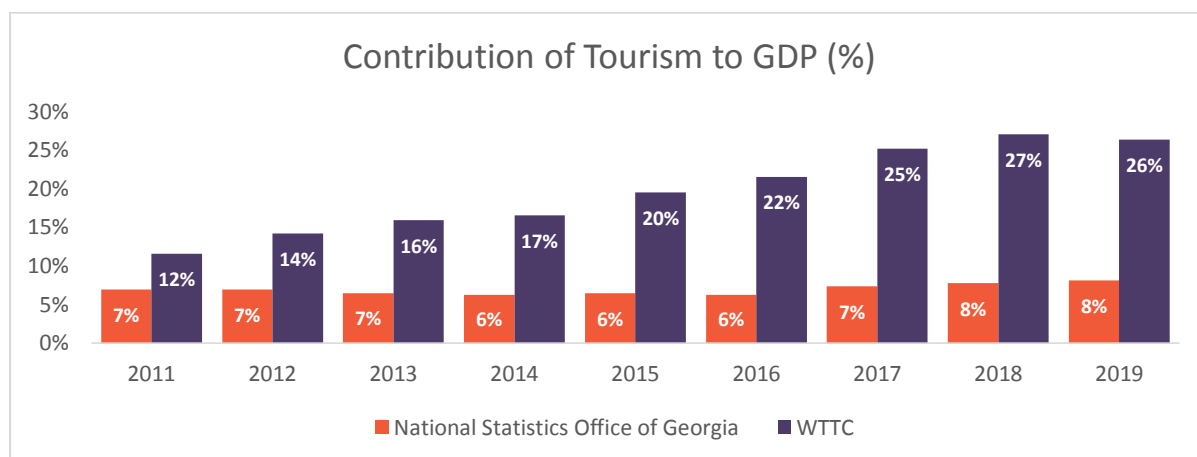
*An international visitor is a traveler taking a trip to a main destination outside his/her usual environment, for less than a year, for any purpose (business, leisure or other personal purpose) other than to be employed by a resident entity in the country or place visited. The usual environment of an individual, a key concept in tourism, is defined as the geographical area within which an individual conducts his/her regular life routines. For the purposes of defining "usual environment" in Georgia, travelers conducting 8 or more trips are excluded from the data.

*A visitor (domestic, inbound or outbound) is classified as a tourist (or overnight visitor) if his/her trip includes an overnight stay.

⁴ "travel export" is one of sections in Balance of Payments

⁵ To further illustrate the extent of dependence on tourism, revenues from travel in 2019 equated to 95.3% of the total tax revenues for the state budget in 2019.

Graph 4: Direct and indirect Contribution of tourism to GDP

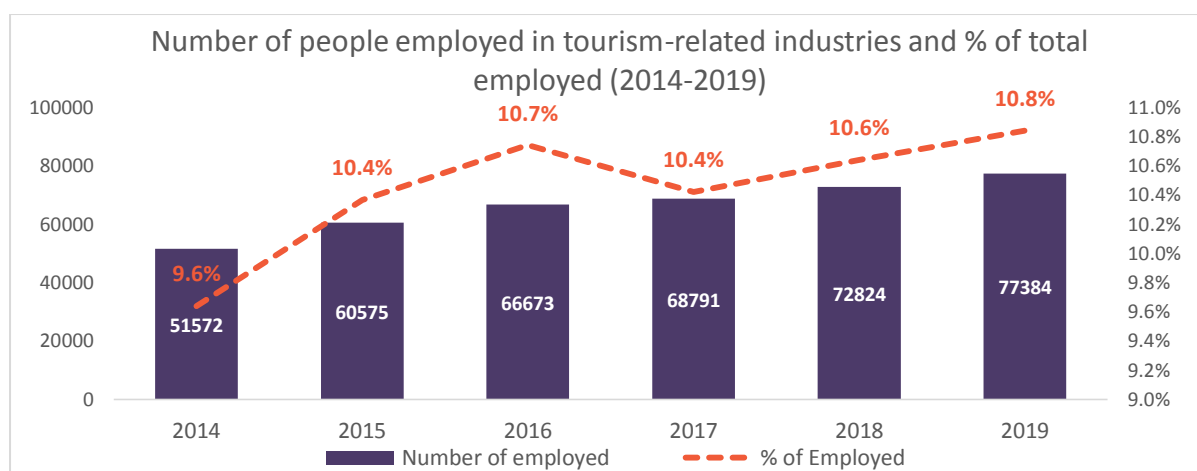


Sources: The GNTA, Geostat and the WTTC

The significance of the tourism industry has been rising with respect to employment in Georgia as well. From 2014 to 2019, the share of people employed in tourism-related industries⁶ out of all employed persons grew from 9.6% to 10.8%, while the actual number of people employed in these industries grew from 51,572 to 77,384, which is a 50% increase (with an average yearly growth rate over this period of 8.6%).

If self-employment is considered, tourism plays an even more significant role in the Georgian economy, with 44% Georgian labor force being self-employed persons in 2019. Moreover, 38.1% of the labor force is occupied in the agricultural sector, of which a sizable number of self-employed farmers could in some way be involved in the tourism sector value chain. Furthermore, many actors in tourism industry remain unidentified. For example, according to the GNTA, there are just 2,575 registered entities that provide accommodation services in Georgia, but there are 14,852 such properties listed on Booking.com.

Graph 5: Contribution of tourism-related industries in employment



Source: Geostat

3.1.2. Expenditures of international visitors in Georgia

Average total expenditure per visit, average duration of stay, and average daily expenditure per visit in Georgia (by country of origin)

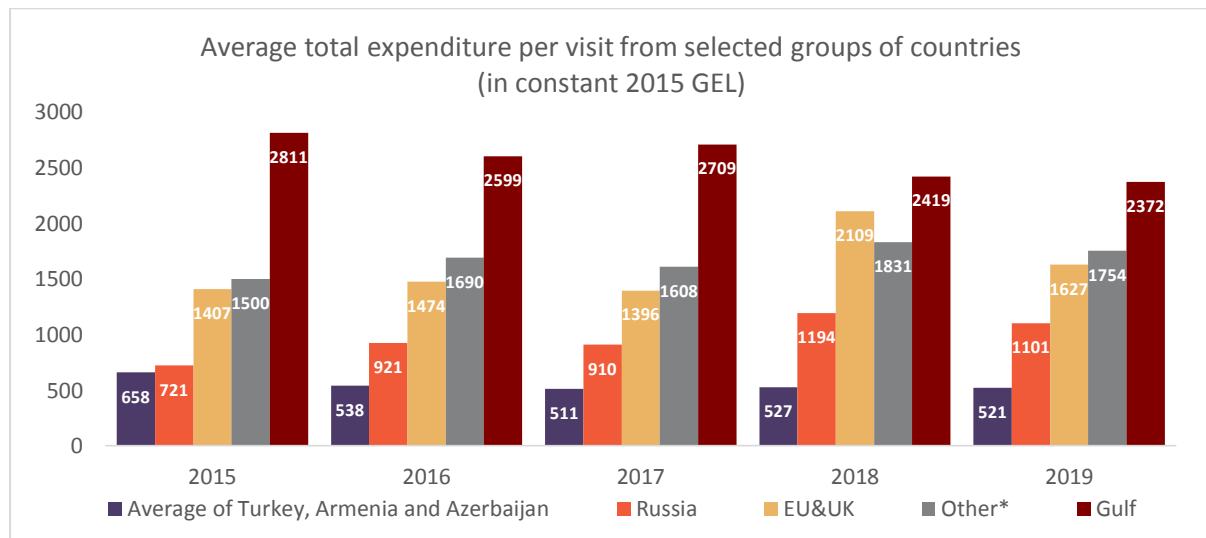
Several groups of countries were identified and analyzed in terms of the expenditures of visitors therefrom in Georgia. In terms of total spending per visit, visitors from Gulf states⁷ spent the most each year,

⁶ List of industries related to tourism, according to GNTA are: Land transport and transport via pipelines and water transport; Air transport; Accommodation; Food and beverage service activities; Travel agencies, tour operator reservation services and related activities.

⁷ Gulf states include: Bahrain, Kuwait, Iraq, Oman, Qatar, Saudi Arabia and United Arab Emirates.

followed by “other” countries⁸ and then the EU (including the UK). Visitors from Russia were the second-lowest in terms of spending per head, while the average expenditure per visit from visitors from Turkey, Azerbaijan and Armenia was the lowest.

Graph 6: Average total expenditure per visit from selected groups of countries



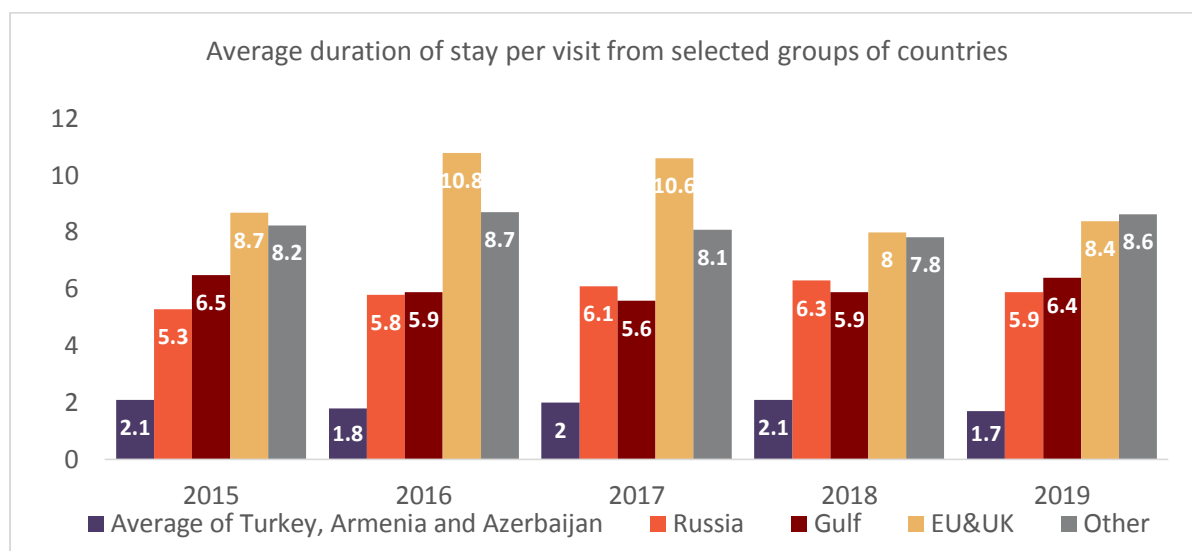
Source: The GNTA

In order to capture how much is gained from each additional visitor for each additional day spent in Georgia, it is important to analyze daily expenditure per visit. Based on a survey of international visitors conducted by Geostat, the average stay per visitor varies significantly according to which group they belong to. Visitors from the EU and the UK, as well as those from “other” countries tend to stay the longest in Georgia, with an average of 8.4 days and 8.6 days in 2019, respectively. This could imply that the purpose of visit for the majority of visitors from these groups is mostly to have a vacation. While the same could be true for Russian visitors, they tend to stay for a shorter period, with an average stay of 5.9 days in 2019. Visitors from Georgia’s other three neighboring countries (Armenia, Azerbaijan, and Turkey) tend to spend the least time in the country, with an average visit of 1.7 days in 2019. While there are no significant trends to report for any country group in this period, it is perhaps worth noting that the average visit duration for visitors from the EU and the UK has dropped from 10.6 days in 2017 to 8 days in 2018.

The longer duration of stay for visitors from the EU and the UK and “other” countries could indicate that visitors from these categories tend to either travel with family or engage in cultural, gastronomical or adventure tourism, all of which takes more time than just sightseeing or seaside recreation, which are more common among Russian visitors to Georgia. As for visitors from Armenia, Azerbaijan, and Turkey, many of their visits are business trips (including essential shopping) or short-term tourism, such as Turkish visitors staying in Adjara for one or two nights to spend time in casinos.

⁸ “Other” countries include: Australia, Belarus, Canada, China, India, Iran, Israel, Japan, Kazakhstan, Korea Republic, Philippines, Switzerland, Ukraine, Egypt, and United States.

Graph 7: Average duration of stay per visit from selected groups of countries



Source: The GNTA

The average number of days spent by one visitor, calculated from all groups of countries combined, ranged between 3.4 and 4.3 days over the period of 2015-2019, with the lowest number of days (3.4) coming in 2015 and the highest (4.3) being in 2017. In 2018 and 2019 the figure decreased marginally, by 0.1 days each year, compared to 2017.

	2015	2016	2017	2018	2019
Average stay of a visitor to Georgia (in days)	3.4	3.9	4.3	4.2	4.1

Table 3: Average stay of a visitor to Georgia

Source: The GNTA

The increase in average days spent from 3.4 in 2015 to 4.3 to 2017 could be explained by a falling share of visitors from Turkey, Armenia and Azerbaijan, who tend to spend less time in Georgia when visiting.

Based on total tourism expenditure, the number of total visitors, and average daily expenditure and the average daily expenditure per visit from selected groups of countries can be calculated and analyzed. In order to capture inflation effects, expenditures were indexed to year 2015 using CPI inflation. When analyzed without separating visitors into categories, the average daily expenditure per visit started at GEL 227 in 2015, falling to its lowest point in 2017 (GEL 191), before rising again in 2018 (to GEL 236) and remaining steady the following year (GEL 231 in 2019). When daily expenditures are converted to USD, there can be observed a strong descending trend since 2015.

This observation, coupled with the fact that both revenues from travel and the number of visitors have been rising significantly, could indicate that Georgian tourism industry has been growing due to the growth in the number of visitors who tend to spend less on average per day.

Table 4: Average daily expenditures in GEL and USD

	2015	2016	2017	2018	2019
Average daily expenditure of visitors in constant 2015 GEL	227	204	191	236	231
Average daily expenditure of visitors in constant 2015 USD	100	86	76	93	82

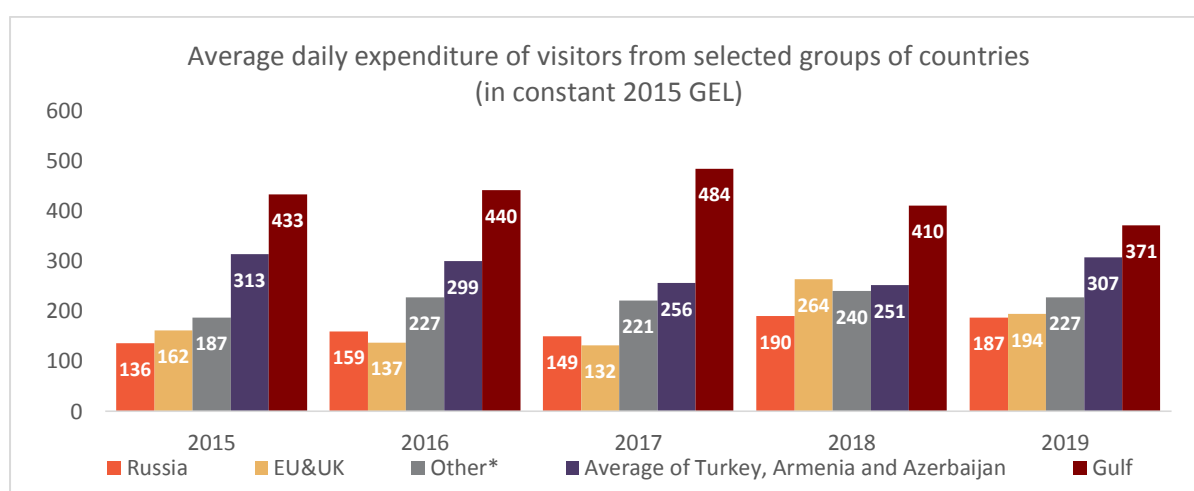
Source: The GNTA

The results, when analyzed in separate groups of countries and in GEL, imply that visitors from the Gulf states have the highest daily expenditure. In 2019, a visitor from one of the Gulf states spent approximately double that of a visitor from Russia.

For all years in this period except 2018, the second-highest country group in terms of average daily expenditure is visitors from Armenia, Azerbaijan, and Turkey. Breaking this down further, separate analyses of each country shows that this is mainly attributable to the high daily spending of visitors from Turkey, which surpassed the daily expenditures of visitors from Gulf states in each year of the covered period. The most probable explanation for this is the popularity of gambling venues in Batumi among Turkish visitors. Meanwhile, the daily expenditures of Armenian visitors are somewhat comparable to those of “other” countries, while the daily expenditures from Azerbaijani visitors are comparable to those of Russian visitors.

Average daily expenditures in GEL have been rising over the period of 2015-2019 for visitors from the EU and the UK and from Russia, while these have been relatively stable for visitors from “other” countries. Daily spending of visitors from “other” countries has been consistently higher than that of visitors from the EU and the UK and from Russia. The relatively low daily expenditure of visitors from the EU and the UK can be explained by their tourism preferences, as many of them prefer rural tourism, thus avoiding staying at expensive hotels and visiting expensive sites. In addition, this allows them to stay for longer periods.

Graph 8: Average daily expenditure of visitors from selected groups of countries



Source: The GNTA

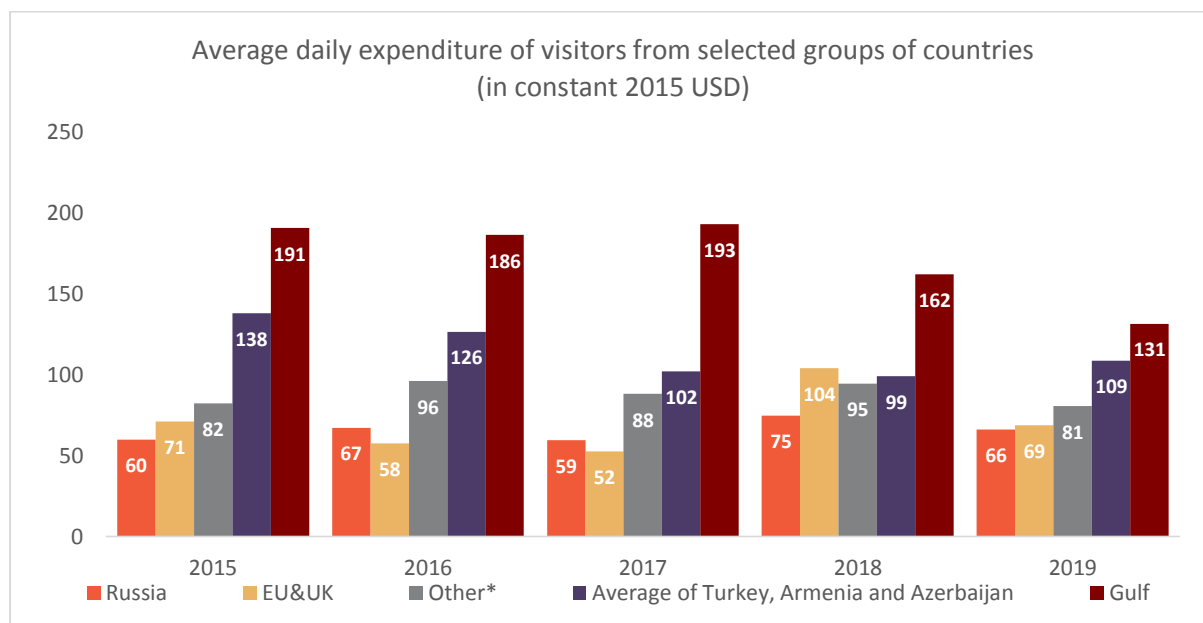
When expenditures are converted to USD⁹, a trend of falling daily expenditure of visitors from Armenia, Azerbaijan, and Turkey becomes evident. Furthermore, daily expenditure of visitors from Gulf states has been decreasing over the past two years, falling from US\$193 in 2017 to US\$131 in 2019. There are various possible explanations for this, some of which are more concerning than others: 1) Visitors from these countries have not changed their behavior over time and still tend to spend their money on the same things. If so, the only explanation for the fall in daily expenditure would be a fall in the prices of Georgian products and services, which would be somewhat worrisome; and/or 2) Visitors from these countries have changed their habits and have come to engage in activities that require less spending. This explanation, if true, would be less worrisome. However, the stable figure of average days spent by visitors from these two country groups provide little support for the second explanation. Moreover, the USD figures show that the growth in daily expenditure of visitors from Russia is mostly due to the depreciation of the GEL as this indicator remains relatively stable in USD.

It is also worth noting that the average daily expenditure of visitors from the EU and the UK in 2018 was much higher compared to other years, in both GEL and USD. There are two plausible reasons for this. First of all, total expenditure of visitors from EU Member States nearly doubled (a 95% increase compared to 2017) and the number of average days spent decreased from 10.6 to 8 days. Together, it seems, this

⁹ It is important to analyze the expenditures in both GEL and USD as visitors might plan their visits in one of the following two ways: 1) They do not plan upfront and spend as much as they need in the destination country, in which case GEL expenditures are relevant; or 2) They plan upfront that they are going to spend X amount of money on their vacation, doing the planning/budgeting in their own domestic currency. In this case, USD expenditures could be more pertinent.

resulted in considerably higher average daily spending in 2018, albeit further analysis is needed to verify these possible explanations.

Graph 9: Average daily expenditure of visitors from selected groups of countries



Source: The GNTA

Share of visitors by groups of countries, and the rising dependence on visitors from Russia

The respective proportions of visitors from selected groups of countries contributing to the total number of visitors revealed some interesting trends. The group of visitors from Armenia, Azerbaijan, and Turkey has the highest share, however this share has declined from 65% in 2015 to 52% in 2019. Nevertheless, the total number of visitors from this group has been relatively stable over this time period. While the share of visitors from the EU and the UK remains modest, its growth rate is notable, with a 54.5% increase from 2015 to 2019.¹⁰ The share of visitors from Gulf states has been negligible, amounting to just 1.5% in 2019. However, its growth rate has been significant, with its share more than doubling from 2015 to 2019.

As for Russia, there has been significant growth in both the number of visitors and in the share of expenditures in total expenditures over the period of 2015-2019, with both figures nearly doubling over this period. The Georgian economy's vulnerability to a dependence on Russian visitors was exposed in 2019, when Russia issued a ban on its citizens traveling to Georgia in June 2019, which contributed significantly¹¹ to a subsequent 17% depreciation of the GEL against the USD in July 2019 compared to the same month of the previous year.

¹⁰ The analysis of foreign visitors' expenditures by selected countries shows that total expenditures of Russian tourists are the highest among countries, and that it has been on the rising trend in the period of 2015-2019, which has been slowed relatively in 2019 due to the flight ban in Georgia. Dependence on Russian visitors on Georgian economy was attested in 2019, when the Russian travel ban on Georgia in June 2019 resulted in approximately 17% year over year depreciation of GEL in terms of USD in July 2019.). On the other hand, it is worth noting that even while dependence on one particular country has been growing over time, the degree of diversification of Georgian tourism is also getting higher, as expenditures from other countries have had even steeper positive trend over the same period. Total expenditures by visitors from the EU are also on the rise, however it amounted just 56.5% of expenditures by Russian tourists in 2019.

¹¹ National Bank of Georgia; Annual report to the parliament 2019 - <http://www.parliament.ge/ge/ajax/downloadFile/136469/1-6037>

Graph 10: Rising dependance of tourism on Russia



Source: The GNTA

However, it is worth noting that even while Georgia’s dependence on visitors from one particular country has been growing, there are signs of increasing diversification as well. More specifically, the share of visitors from countries except its four neighbors (Armenia, Azerbaijan, Russia, and Turkey) has increased from 20.4% in 2015 to 28.6% in 2019.

3.1.3. Hotel price dynamics in Georgia

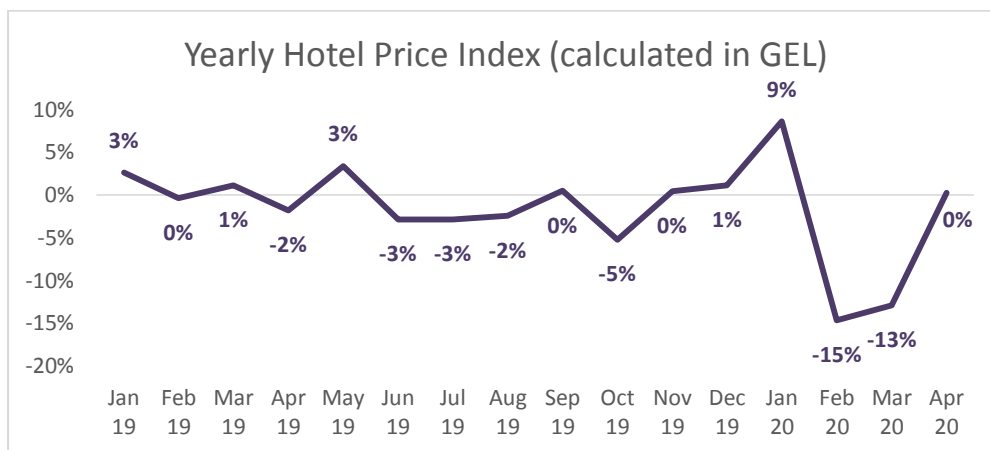
PMC Research Center conducts monthly research on accommodation prices according to booking.com and publishes the Hotel Price Index, which serves as an indicator of average price changes in hotels and guesthouses. Additionally, the average prices of 3, 4, and 5-star hotels, as well as guesthouses, are monitored and analyzed. The aforementioned data are collected, and then categorized and analyzed region by region.

Yearly Hotel Price Index

When yearly hotel prices in Georgia are analyzed, a pattern of decreasing prices can be observed. In 2019, only four months (January, March, May, and December) recorded a price increase, compared to the corresponding period in 2018, and the increases were very modest. This trend can be partially explained by the Russian travel ban, which started from June 2019, and appeared to have the effect of decreasing prices by 2-3% in each summer month (June, July, August) of 2019.

As for 2020, in January there was an increase in hotel prices (9%) compared to January 2019, which was attributed to the 18.9% year-on-year increase in tourist inflows. Due to the Covid-19 pandemic, prices in February and March fell dramatically, by 15% and 13% respectively, while the removal of a sizable number of hotels from booking.com in April effectively meant the index went unchanged.

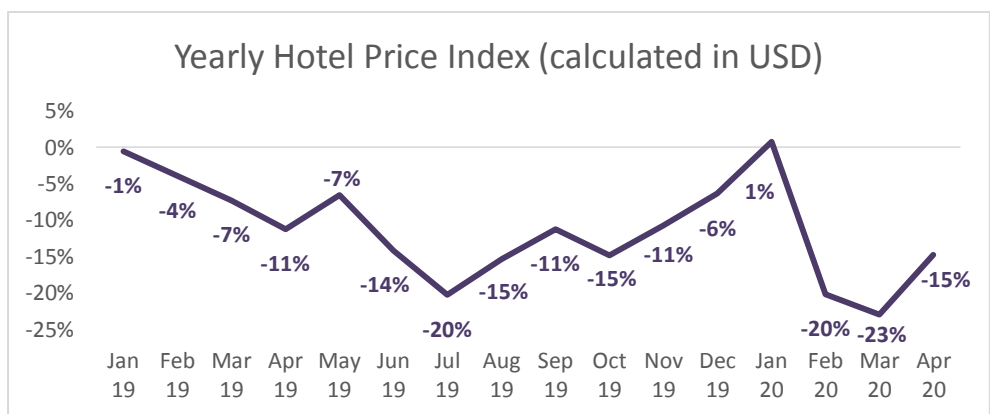
Graph 11: Yearly Hotel Price Index (in GEL)



Source: PMC Research Center

However, as visitors tend to look at hotel prices in USD, it would be more relevant to analyze the index calculated in USD. And, according to such calculations, the situation is gloomier. Overall, a downward trend in hotel prices is evident, with the prices falling by more than 10% in seven months of 2019, compared to the corresponding period in 2018, with the biggest fall coming in July. While these double-digit percentage falls can be explained by a negative exogenous shock, a strong negative trend is still apparent.

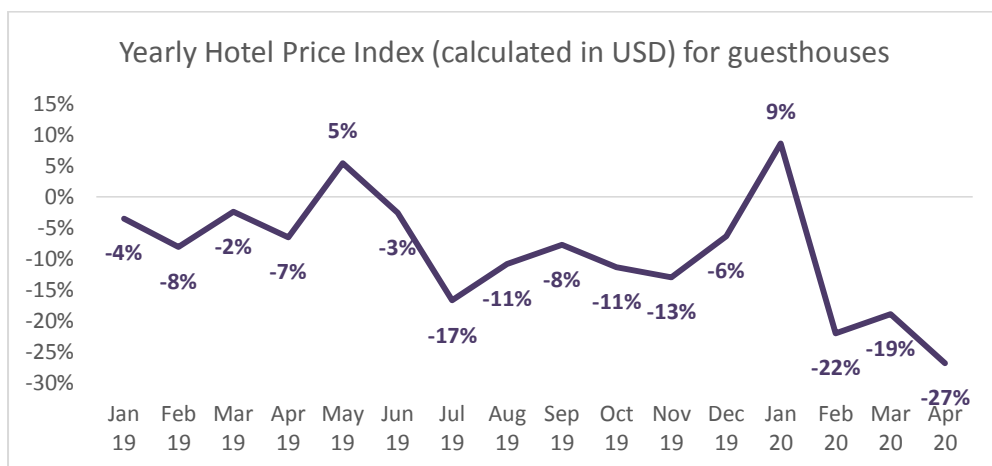
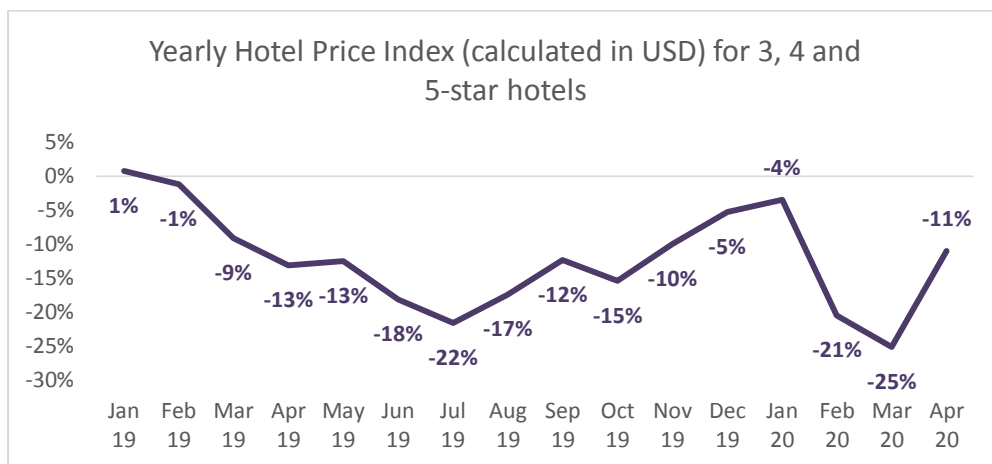
Graph 12: Yearly Hotel Price Index (in USD)



Source: PMC Research Center

A similar downward trend is observable when yearly changes in hotel prices are analyzed based on subgroups of 3, 4 and 5-star hotels and guesthouses. However, the downward momentum is more evident for 3, 4 and 5-star hotels than for guesthouses as, out of the 12 months in 2019, hotel prices decreased by more than 10% in eight of those months compared to the previous year, while double-digit percentage falls occurred in only four months of 2019 for guesthouses.

Graph 13: Yearly Hotel Price index (in USD) for 3,4 and 5-star hotels and guesthouses



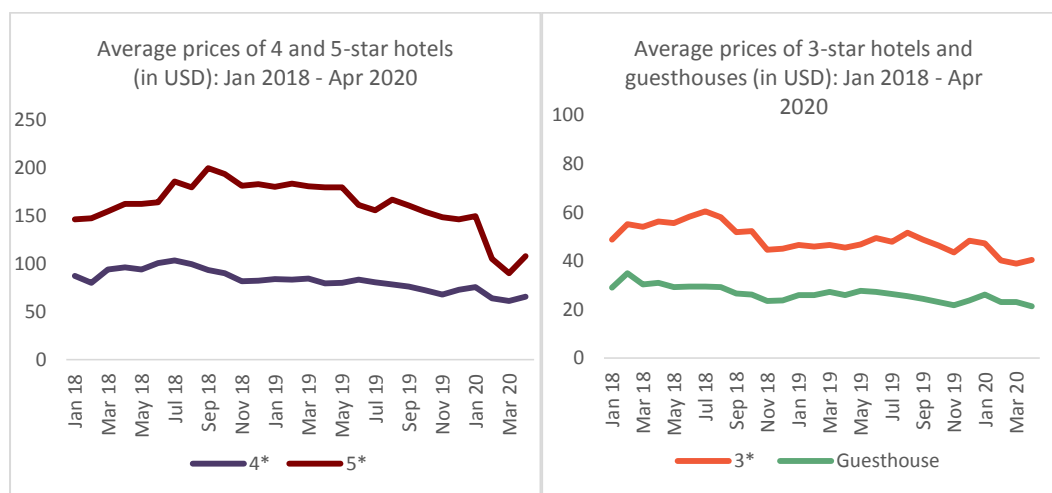
Source: PMC Research Center

Average Accommodation Prices

The pattern of decreasing accommodation prices over time is also evident when the average prices of the 4 types of accommodation are analyzed. After reaching a peak average price of US\$200 in September 2018, the price of 5-star hotels declined to US\$161 within a year (-19%). A similar trend can be observed in the average prices of 3 and 4-star hotels, as well as for guesthouses.

The falling average prices of hotels over the past two years could be attributed to several reasons. The most obvious of these is the Russian travel ban imposed in June 2019, however there are further factors to bear in mind as well. In light of the increasing demand, manifested by both increased spending and the increased number of tourists over the covered period, prices would have increased because if the supply of hotels had stayed the same. Thus, the decline in prices could be partly explained by an oversupply of hotels in Georgia.

Graph 14: Average prices of 4 and 5-star hotels (on the left) and of 3-star hotels and guesthouses (on the right)



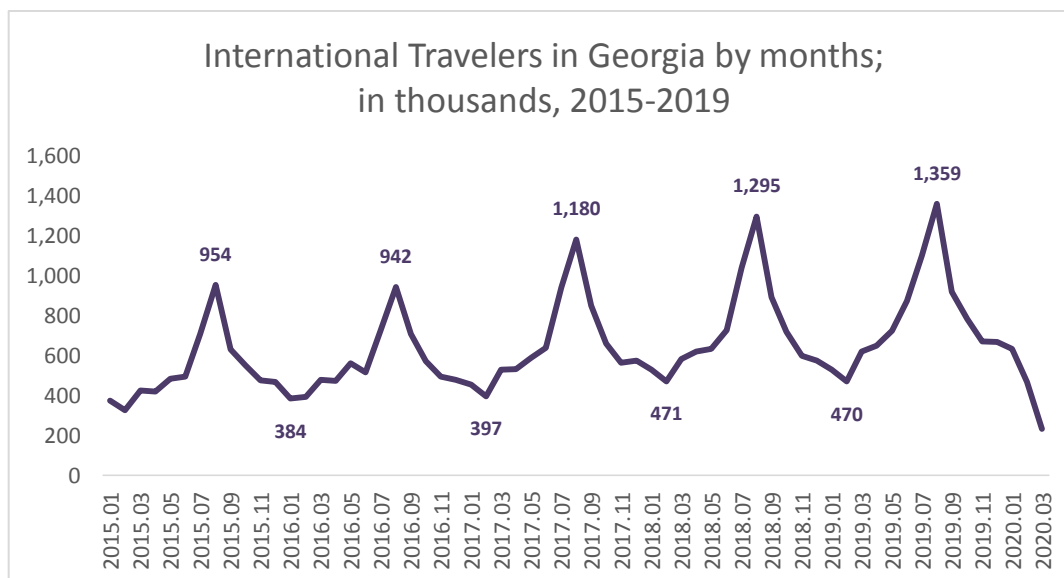
Source: PMC Research Center

The problem of a possible oversupply is also illustrated by the number of entities providing accommodation services in Georgia. The number of accommodations registered officially, according to the GNTA, has increased from 1966 in 2017 to 2575 in May 2020, representing an increase of 30% in the space of just two years. More strikingly, the number of hotels and guesthouses listed on booking.com increased from 2629 in September 2017 to 5590 in May 2020, meaning that this number has more than doubled in a period of less than three years.

3.1.4. Seasonal patterns in the Georgian tourism industry

It is worth noting that the tourism industry in Georgia is characterized by fluctuating seasonal patterns. Over the period of 2012-2019, the number of tourists visiting Georgia peaked in August and reached its lowest point in February. However, over the period of 2014-2019, the average annual growth rate of the number of international visitors was 8% for both December and January, while it was just 1 percentage point higher in summer (June, July, August) (9%). Thus, the growth of winter tourism over this period has been comparable to the growth of summer tourism. However, on average, 2.8 times as many foreigners visit Georgia in August compared to February. Furthermore, the gap between August and February is not narrowing, which indicates the need for more diversification in the tourism industry to attract more winter tourists.

Graph 15: Seasonality in Georgian tourism



3.1.5. Regional patterns in the Georgian tourism industry

When analyzed region by region, Adjara experiences the highest seasonality in terms of both number of visitors and prices. In Tbilisi, the problem of possible oversupply is much more pronounced, as the prices of accommodation, especially 4 and 5-star hotels, have been experiencing a downward trend. When two regions with popular winter resorts, namely Samtskhe-Javakheti and Mtskheta-Mtianeti, were analyzed, the same seasonal pattern (more tourists in summer than in winter) was still evident, which indicates that the number of tourists traveling to Georgia specifically to go skiing is still relatively low. Nevertheless, rising accommodation prices during the ski season can be observed in these regions, which could indicate that the demand for hotels is growing during this period, and could mean that additional accommodation will be needed if demand continues to increase.

3.1.6. Accomplishments, challenges and opportunities in the tourism industry

Accomplishments:

- Significant growth of the sector – A 242% increase in USD revenues from tourism and 177% increase in number of tourists over the past decade. The average yearly growth of expenditure of tourists over the period of 2015-2019 amounted to 9.2%.
- Increasing diversification – The number of visitors from all countries except Georgia's four neighbors (Armenia, Azerbaijan, Russia, and Turkey) has increased from 20.4% in 2015 to 28.6% in 2019, thus showing that Georgia is receiving a more diverse range of tourists in terms of nationality.
- Increase in number of visitors from groups of countries associated with high total expenditure per visit – The number of visitors from the EU and the UK, and Gulf states, two country groups that have the highest total expenditure per visit, have increased over the past decade (four-fold for the EU and the UK; and 142-fold for Gulf states).
- More visitors with high daily expenditure – The number of visitors from Gulf states, who have been found to spend the most daily when analyzed as a group, has increased 142-fold over the past decade, and by 203% over the period of 2015-2019.

Challenges:

- Rising dependence on tourism - Tourism is one of the most prominent and fastest-growing sectors in the Georgian economy, accounting for 8.1% of GDP directly and 26.3% indirectly in 2019, and recording an average yearly growth of 14% over the past decade. This makes the country's economy highly vulnerable to any shock that restricts tourism.
- Stagnating average daily expenditure – The overall average daily expenditure expressed in GEL has been stable over the period of 2015-2019, while it has declined when expressed in USD.
- Low average daily expenditure among groups of countries with highest total expenditure – Some of the groups of countries with the highest total spending per visit that are targeted by marketing campaigns most frequently (e.g. the EU and the UK) did not record a high average daily spend per visit when analyzed as a group. This calls for further analysis of average daily expenditures on a country level, which could indicate the need to rethink which countries should be targeted by marketing campaigns.
- Rising dependence on visitors from Russia - There has been a trend of growing dependence on visitors from Russia over the past decade. Both the number of visitors and average expenditure per visit by Russian visitors have been increasing. The Russian travel ban in 2019 exposed the significance of this dependence, with the significant depreciation of the GEL and plummeting hotel prices in the summer of 2019.
- Possible oversupply of accommodation - The downward trend in hotel prices, which is evident nationwide but is most pronounced in Tbilisi, suggests an oversupply of accommodation.
- Seasonal patterns (summer tourism most prevalent) - Clear seasonal and regional patterns indicate that most tourists visit Georgia in summer, making tourism-related industries seasonal, and thus presenting challenges with respect to permanent employment.

Opportunities:

- High-spending countries – Turkey is the leading country in terms of the average daily expenditure of its visitors per visit, while the Gulf states are not far behind. Thus, identifying the specific needs of high-spending visitors from these countries, and developing the capacity to satisfy these needs better, could be a fruitful endeavor.
- Seasonal and regional patterns indicating growth potential for winter tourism – The capacity for winter tourism in Georgia remains largely unexploited, as there are significantly more visitors in summer than in winter, even in the regions most renowned for their ski resorts. Nevertheless, rising hotel prices in these regions in winter months could indicate a rising demand for accommodation and other services in these regions, meaning that the corresponding development of such services could be profitable.

3.2. Policy challenges prior to the Covid-19 crisis: Stakeholders' perspectives

3.2.1. Private sector perspective

Main problems/challenges highlighted by the private sector representatives	Description of challenges
Skilled labor shortage	<ul style="list-style-type: none"> The qualification of staff, their corporate ethics, and their level of education were all identified as challenges in the tourism sector. These issues applied not only to the staff of hotels and restaurants but also to staff of transportation companies and other stakeholders in the tourism value chain. There is also a gap between what the private sector needs and what educational institutions teach their students.
Poor infrastructure	<ul style="list-style-type: none"> The tourism sector's infrastructure needs improvement. Roads to mountainous villages need to be upgraded, while the infrastructure of many Georgian resorts is in poor condition. Tourists are generally not satisfied with the quality of roads, some elements of the ski infrastructure, as well as gas, water and electricity.
Insufficient food quality	<ul style="list-style-type: none"> The quality and safety of food remains a problem that afflicts the tourism industry. Georgian restaurants and cafes generally do not meet international standards.
Environmental damage, including challenges related to inefficient waste management	<ul style="list-style-type: none"> The natural landscapes in Georgia are becoming polluted, partly due to people being irresponsible about garbage disposal.
Low per-visitor spending and high dependence on tourism from specific countries, such as Russia	<ul style="list-style-type: none"> Per-visitor spending in Georgia is low compared to its peer countries. Many tourists visiting Georgia seek to do so on a budget. Consequently, this has caused a price war in the market whereby, to attract tourists, hotels and restaurants seek to gain a competitive advantage by lowering their prices. Quality of service can be overlooked or neglected as a result of this focus on price. The Georgian tourism sector is highly dependent on Russian tourists. That brings a high level of vulnerability to the hotel industry in Georgia.
Incomplete regulatory framework	<ul style="list-style-type: none"> <i>Non-regulated professions:</i> for instance, the occupation of mountain guide in Georgia is not a regulated profession. According to the views of the representatives of this sector, mountain tourism is associated with high risks and therefore this profession must be regulated as it is in many EU countries. Moreover, the qualifications of mountain guides must be recognized by the competent authority in the country. Currently in Georgia, anyone can work as a mountain guide and this leads to the existence of many unqualified workers in the Georgian market. Due to this lack of qualification, the service prices are low. Representatives of the Georgian mountain guides association think proper regulation of this profession would make Georgia more attractive to international tourists and would increase revenues from mountain tourism. Currently, international tourists prefer to use guides from abroad in Georgia instead of hiring local ones, because they are not suitably assured about their professionalism. <i>Immigration policy:</i> the immigration policy for citizens of various countries including India and China could be simplified. After 2018, the entry into Georgia for citizens of various countries became problematic due to stricter border controls being imposed. Tourists were often denied entry to Georgia and were deported. This, not surprisingly, has a negative effect on the tourism sector, and a lot of reservations were cancelled

	subsequently.
Administrative issues and complex coordination mechanisms	Administrative issues: <ul style="list-style-type: none"> • According to the conducted interviews with the representatives of the tourism value chain associations, the industry is constantly burdened by bureaucratic issues, and this hinders the development of the field.
	Complex/inflexible governance structure: <ul style="list-style-type: none"> • The GNTA struggles to make decisions quickly as it is significantly dependent on the Ministry of Economy and Sustainable Development of Georgia (MoESD) under the existing complex and bureaucratic governance system.
	Lack of effective coordination mechanisms (tour operators, gastronomy, etc.): <ul style="list-style-type: none"> • There is an insufficient level of coordination among different ministries and bodies including the MoESD, the Ministry of Environmental Protection and Agriculture of Georgia (MEPA), the Ministry of Regional Development and Infrastructure of Georgia (MRDI), and the GNTA. • To advocate policy issues, representatives of the gastronomy field have to communicate with different ministries and state agencies, like the MEPA, MoESD, the GNTA and sometimes the National Intellectual Property Center of Georgia.

3.2.2. Governmental perspective

No major tourism policy challenges prior to the pandemic were provided by the representatives of governmental agencies during the interviews. The issues they mentioned were mostly associated with the implementation of tourism policy, including infrastructure development, technological modernization, the transition of Georgia to becoming a year-round tourism destination, the implementation of new projects and initiatives in Public-Private Partnership (PPP) format, and the positioning of Georgia as a destination in EU markets. On a regional level, the implementation of defined regional tourism policy and strategic directions in PPP format, the development of tourism infrastructure, strengthening the sector’s potential via development of new products, capacity building of tourism sector employees, and standardization issues were all underlined as challenges.

3.2.3. Donor perspectives

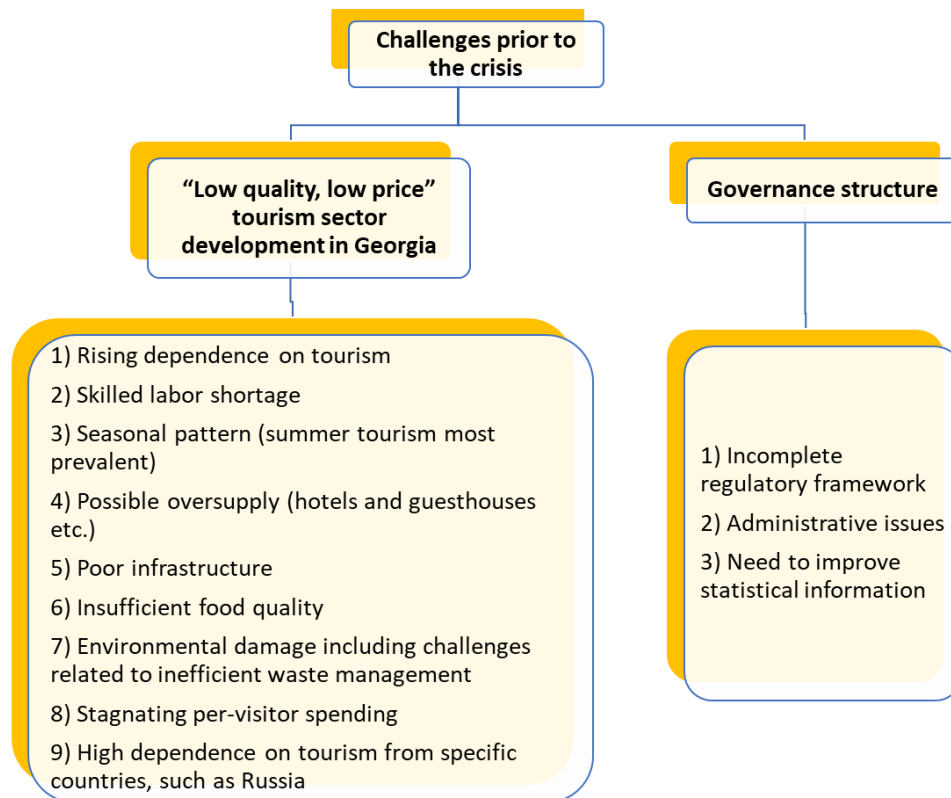
Representatives of international donor organizations cited various major challenges including the absence of tourism law, lack of certification of individuals employed in the sector, the absence of unified standards for assigning respective quality ratings to the hotels, inadequacy of tourism services in the country, as well as free access to many attractions free of charge and the foregoing of potential revenues therefrom. The non-existence of specific legislation hampers the regulation of tourism sector players. Therefore, the sector’s development is rather chaotic. In addition, there is a need to improve statistical information to enable the private sector to adapt and plan activities based on reliable statistics.

3.2.4. Summary

Based on desk research and interviews with stakeholders, 12 separate challenges that characterized the tourism sector prior to the crisis were identified. The tourism sector in Georgia has been developed in a relatively unregulated environment and the progress has been rapid, which has contributed to the following two developments: 1) The emergence of mass tourism in Georgia, arguably transforming the industry into one of “low quality, low price” (in other words, a volume-oriented tourism industry); and 2) The progress of the tourism sector has been too quick, and the governance of the sector has struggled to keep up with this pace of development, resulting in various regulatory and governance problems“?

The 12 identified challenges were matched to the above-described two developments in the tourism sector in Georgia. The list of challenges prior to the crisis under the two sub-categories are presented in a graph below:

Graph 16: Challenges prior to the crisis



Policy challenges prior to the crisis	Interrelated underlying causes	Description of challenges highlighted by the respective stakeholders and found in the desk research
“Low quality, low price” tourism sector development in Georgia	Rising dependence on tourism	<ul style="list-style-type: none"> Tourism is one of the most prominent and fastest-growing sectors in the Georgian economy, accounting for 8.1% of its GDP directly and 26.3% indirectly in 2019, and with average yearly growth of 14% over the past decade. In addition, revenues from tourism amounted to US\$3.268 billion (18.4% of GDP) in 2019, which represents a 242% increase compared to the corresponding figure in 2011 (6.3% of GDP).
	Skilled labor shortage	<ul style="list-style-type: none"> Qualification of staff, their corporate ethics, and their level of education were all cited as challenges in the tourism sector. This applies not only to the staff of hotels and restaurants, but also staff of transportation companies and other stakeholders in the tourism value chain.
	Seasonal patterns (summer tourism more prevalent)	<ul style="list-style-type: none"> Strong seasonal patterns indicate both the need for, and the potential of, tourism diversification to encourage more winter tourism.
	Possible oversupply (hotels and guesthouses etc.)	<ul style="list-style-type: none"> The downward trend in hotel prices, which is evident nationwide but is more pronounced in Tbilisi, suggests an oversupply of accommodation facilities.
	Poor infrastructure	<ul style="list-style-type: none"> Tourism sector infrastructure needs improvement. In particular, roads to mountainous villages need to be upgraded, and the infrastructure of Georgian resorts is generally in poor condition. Tourists are generally not satisfied with the quality of roads, some elements of the ski infrastructure, as well as gas, water and electricity. Moreover, the quality of some ropeways is considered low.
	Insufficient food quality	<ul style="list-style-type: none"> The quality and safety of food remains a problem afflicting the tourism industry. Georgian restaurants and cafes generally do not meet international standards.
	Environmental damage including challenges related to inefficient waste management	<ul style="list-style-type: none"> The natural landscapes in Georgia are becoming polluted, due in part to people being irresponsible with garbage disposal.
	Stagnating per-visitor spending	<ul style="list-style-type: none"> Per-visitor spending in Georgia is low compared to its peer countries and has been stagnating since 2015 in USD. Tourists visiting Georgia generally seek to do so on a budget. Consequently, this has caused a price war in the market whereby, to attract tourists, hotels and restaurants seek to gain a competitive by reducing prices. The quality of service is often overlooked due to this fixation on prices.

	High dependence on tourism from specific countries, such as Russia	<ul style="list-style-type: none"> • There a growing dependence on visitors from Russia over the past decade, as both total and average expenditure of Russian visitors have been increasing. This leaves the hotel industry in Georgia somewhat vulnerable in the event that Russian visitor numbers decline.
Governance structure, regulatory framework, administrative issues, and coordination mechanisms	Administrative issues and complex coordination mechanisms	<p>Administrative issues:</p> <ul style="list-style-type: none"> • According to the conducted interviews with the representatives of associations engaged in the tourism value chain, the industry is constantly is burdened by bureaucratic issues, which hinders the development of the field. <p>Complex governance structure:</p> <ul style="list-style-type: none"> • The Georgian National Tourism Administration (GNTA) struggles to make decisions quickly as it is significantly dependent on the MoESD. <p>Complex coordination mechanisms (tour operators, gastronomy, etc.):</p> <ul style="list-style-type: none"> • The MEPA, the MRDI and the GNTA. • The field of gastronomy is not the subject of any specific state structure. Accordingly, when it comes to advocating policy issues, the representatives of this field have to communicate with different ministries and state agencies, like the MEPA, the MoESD, the National Intellectual Property Center of Georgia.
	Incomplete regulatory framework	<ul style="list-style-type: none"> • The absence of tourism law hampers sustainable development of the tourism sector, as well as the adoption of respective standards in service delivery, and regulation of relevant professions to enhance the security of tourists. As a result, the tourism sector's development is chaotic. • There is a need for certification of individuals employed in the sector. The absence of respective certification mechanisms negatively affects the quality of the services provided and international perceptions of Georgia as a secure and reliable destination for visitors. • The absence of unified standards for assigning respective quality ratings to hotels hampers competition and means imperfect information is being fed to potential visitors. • <i>Non-regulated professions:</i> for instance, the occupation of mountain guide in Georgia is not a regulated profession. • <i>Immigration policy:</i> the entry policy for citizens from countries like India and China could be simplified.
	A need to improve statistical methods	<ul style="list-style-type: none"> • There is a need for reliable statistics to enable the private sector to adapt and plan activities in an evidence-based manner. Poor sectoral statistics hamper the formulation of tourism policy, the definition of strategic priorities, and the ability of the private sector to adjust to current or anticipated shifts in market demand.

3.3. The Government's responses to challenges prior to the Covid-19 crisis

3.3.1. Draft Law on Tourism

The draft version of the Tourism Law defines the state tourism policy, establishes entrepreneurial activity regulation and coordination principles in the sector, imposes high standards for customer rights protection and regulation of contractual relations. The definitions in the draft legislation are in line with the respective definitions of the UNWTO, EU Directives, and EU Member States. It stipulates the functions and liabilities of authorized bodies and cooperation mechanisms between state and local governance institutions, and introduces the Advisory Council of the GNTA and the Destination Management Organizations (DMOs). The draft law establishes the rights and obligations of tourists, and lays out clauses designed to safeguard their security.

The draft law implies a mandatory requirement for tourism service providers to register in the Register of Economic Activities of the National Agency of Public Registry, and defines types of tourism industry activities, tour operators, tour agents and their activities, as well as liabilities with regard to the insurance of tourists and preserving their security. It provides rules for the insurance of tour operators' business risks and obligations of tour operators on assisting tourists. The draft law also defines tourist guides, regulations, and the professional certification of mountain, skiing, and alpine guides and the rules for safety certification. It also provides definitions of accommodation facilities, and defines Destination Management Organizations (DMOs) and rules regarding their establishment and functions.

The draft law deals with rules on granting licenses to mountain tourist guides, regulates associated transactions, defines the authorization for issuing the licence and conditions for licensee activities. It defines special rules for the activities of mountain guides, the list of documents to be submitted for obtaining the license, additional requirements for the mountain guides, stipulates the rules for making decision on granting the license, checking the conformity with license conditions, defines the duration of the license and rules for its termination and abolition. The legislation will also define the license fee and rules for running a license registry.

3.3.2. Draft Law on Agritourism

The draft law on Agritourism establishes the general principles of agritourism activities and support measures, as well as regulating activities with regard to granting agritourism status and defining the responsibilities of respective participants. The goals of the draft law are to develop agritourism, to support employment of rural populations, to develop farm enterprises, to improve the competitiveness of the agricultural sector and the popularization of unique regional products and cuisine.

The draft law regulates the roles and responsibilities of municipalities, the GNTA, defines state support measures for the development of agritourism, and stipulates obligations of agribusiness enterprises.

4. Impact of Covid-19 on the tourism sector in Georgia

4.1. Scope of the crisis and its preliminary impact on the tourism sector in Georgia

4.1.1. Private sector perspectives

Challenges during the crisis	Description of challenges
No. of cancelled reservations	<p>In most cases, in hotels, reservations were cancelled up until the end of June 2020.</p> <p>Representatives of the tourism industry expect the number of tourists to remain low during the recovery phase (compared to the previous year). Such an expectation is based on the following assumptions/factors:</p> <ul style="list-style-type: none"> • Potential visitors will be afraid to travel; • Potential visitors will have less money; • Many countries have advised their citizens who are over 60 years of age not to travel even after the crisis (this age group provided a significant number of customers for tour operators, many of whom were attracted to Georgia for eco and cultural tourism).
Decreased revenues / turnover	During the crisis period, the expected reduction in revenues in the tourism sector compared to the previous year is close to 100%. Most of the companies in tourism-related industries still have costs to cover like utility bills, staff salaries, and rent.
Terminated employment contracts	During the crisis period, the expected reduction in the number of employees in the tourism sector, compared to the same period of the previous year, is 80%-100%. The crisis is expected to affect women and youth employment in particular, as a significant proportion of the staff in the tourism value chain are women and youth. Most companies are unable to pay salaries to their staff, albeit some managed to do so until the middle of April. Companies generally lack a crisis management plan to maintain their staff. Meanwhile, many companies expect that it will be easy to recruit new staff after the crisis, as there will be more unemployed people looking for work.
Reduced investments	During the crisis period, the expected reduction in terms of volume of investments in the tourism sector compared to the same period of the previous year is close to 100%.
Difficulties in credit payments	Due to their decreased revenues, companies in tourism-related industries have been facing difficulties in making credit payments. They have used the offer made by commercial banks to postpone credit payments for three months, however they will still have to pay more eventually and the three-month period of relief is considered insufficient.
Difficulties in tax payments	Due to their decreased revenues, companies in tourism-related industries have been facing difficulties in paying taxes. Most have used government-initiated support, namely the deferral of taxes until November, however some have difficulties in paying taxes related to copyright and utility bills. Moreover, companies generally consider the tax deferral insufficient.
Difficulties related to procurement of goods and services	Most companies in the tourism value chain, especially medium and large companies, have faced difficulty in fulfilling their commitments to purchase goods and services. Many companies have been unable to pay distributors selling products in the agricultural sector or manufacturing sector. Some of companies, through a Farmers' Association distribution company, have bought products from farmers, but currently these farmers are not able to sell their products directly to hotels.

4.1.2. Governmental perspective

The tourism sector is experiencing a severe crisis due to the ongoing pandemic. International travel, local tourism activities, catering and restaurant services essentially stopped as the whole tourism industry reached a standstill. The tourism industry players – hotels, restaurants, air carriers, tourism companies, and cultural and natural tourist attractions - have faced the unprecedented crisis stemming from the complete cancelation of all of their activities.

It might be assumed that international brand hotels will be more resilient to the crisis and thus more able to retain core staff, while small hotels will face more severe and immediate problems. With regard to restaurants, there is a perception that adapting to accept delivery service orders may save them, but for many this can only partially compensate for their losses. This is because individuals spend more money when they are physically in the actual restaurant, rather than when they order a delivery. Micro-tourism companies, guides, tour operators and transportation companies are also facing serious difficulties. The main problem for Georgian airports during the crisis is the fixed costs necessary to preserve infrastructure, and it has been suggested that the postponement or abolition of taxes might be worth considering for airports during this time. The burden of the crisis is further aggravated by commercial loan liabilities of tourism value chain companies towards the commercial banking sector. In the short run, after a gradual recovery of their activities, the tourism value chain companies will still face difficulties in attracting financial resources due to the depletion of demand.

The severity of the tourism sector crisis will largely depend on how long the pandemic lasts. Even in the event of a gradual easing of restrictions, the tourism sector will still have to operate at a reduced capacity caused by the following factors:

- The ability to attract international tourists from target markets will depend on the epidemiological situations in their respective countries of residence;
- Potential visitors will be more cautious and reluctant to partake in international travel;
- Initially, for most countries the emphasis will be on internal tourism, but in most cases, and certainly in Georgia, that will not fully compensate for the losses incurred from the absence of international visitors;
- New guidelines on international travel, social distancing, disinfection and other measures aimed at ensuring safe travel will require additional investments in time and resources from tourism industry actors, thereby limiting their occupancy rates. The new measures may further discourage individuals from traveling.

All of the above will result in employment rates reducing, liquidity problems, and pausing or cancellation of planned projects and investments.

4.1.3. Donors' perspectives

The Covid-19 crisis eventually brought a halt to all tourism activities, leaving tourism infrastructure and sites, into which notable investment had been made, sitting idle. On a macro level, the country lost an important source of foreign currency generation and tax receipts from this sector.

By the beginning of May 2020, the sector was only experiencing the early stages of the crisis. The crisis is expected to persist for the rest of 2020 and the magnitude of its effects will depend on its duration, as well as possible further waves of infection, and the knock-on impact on motivation of individuals to travel, perceptions of security, and the epidemiological situations in neighboring countries. Indeed, Georgia might not welcome international tourists for the rest of the year, and domestic tourism will not be able to offset the losses brought by no international tourists coming to the country. Nevertheless, some small rural tourism entities supplementing their agricultural activities with some tourism might be able to survive without the foregone tourism revenues.

The most urgent challenge for tourism companies concerns the subsidization of commercial loan liabilities. If these cannot be subsidized in some way, many private sector players might go bankrupt and the country

may be left with an insufficient supply to meet the revived demand for tourism services in the wake of the crisis.

4.2. Sectoral needs during the crisis

According to the forecast of the *Georgian Tourism Industry Alliance*, the needs of the tourism sector value chain during the crisis can be distributed into the following categories:

- Introducing tax benefits
- Supporting communication with financial institutions and subsidizing interest rates
- Implementing hygiene and safety standards
- Developing a communication strategy for international and domestic markets
- Other measures

Introducing tax benefits

Short-term support measures:

- *Suspension of income and property taxes*
Companies in tourism-related industries require income and property taxes to be suspended for 12 months. Moreover, companies need to declare a moratorium on property tax due for 2019 before the crisis subsides (if property tax for 2019 has already been paid by a company, it could instead serve as an advance payment for 2020-2021).
- *Equalize utility tariffs to tariffs for natural persons or decrease the tariffs*
For small businesses involved in tourism-related industries, especially guesthouses, small wineries, restaurants, wine bars, and wine and souvenir shops, most of which operate on a seasonal basis, utility tariffs (electricity, gas, water) should be equalized to match the tariffs for natural persons for 12 months. If equalization of utility tariffs is not possible, they should at least be decreased.
- *Abolition of the pension tax*
Private sector companies need to be exempt from the pension contributions for 12 months.
- *Reduction of taxes*
If the Georgian government cannot suspend income and property taxes for 12 months, private sector companies in the tourism industry need these taxes to at least be reduced for 12 months.
- *Removal of alcohol excise tax*
Companies in the tourism industry, in order to lower their costs, need the alcohol excise tax to be removed for 12 months.

Permanent support measures:

- *Increase the minimum threshold for VAT*
Private sector companies require that the minimum threshold for VAT be raised to GEL 1 million to alleviate the strain on small and medium-sized businesses.
- *Abolition of VAT on primary agricultural products*
Private companies in the catering and accommodation sector require VAT to be scrapped on locally-produced agricultural products (which are purchased for processing).
- *Halving / cancelling income and pension contributions for employees with student status*
Enterprises in the tourism industry require income and pension taxes for employees under 25 with student status to be halved or cancelled.

Supporting communication with financial institutions and subsidizing interest rates

Short-term support measures:

- *The extension of the deferral period for loans*
Private sector companies require that deferral of loans be extended until at least the end of August 2020.
- *Commercial bank interest subsidies for existing loans*
Due to the increased interest rate caused by the initial deferral of loans by commercial banks, companies require the Government to subsidize the increased bank interest payments.
- *State guarantee mechanisms and loan interest subsidies for new loans*
Tourism sector companies, in order to continue functioning, need to cover the operational costs of renewal, for which they require support in the form of state guarantee mechanisms and the subsidization of interest on loans.

- *Interest rate subsidies with the involvement of state guarantee mechanisms*
To incentivize guesthouses, family wineries, travel companies, and restaurants, low-interest loans (2%-3%) must be provided.
- *Loan interest subsidies for tenants*
One of the most pressing problems is the issue of tenants who have taken out loans to cover their lease commitments, and loan interest subsidies are necessary to support such persons or objects.

Implementing norms of hygiene and safety

Short-term support measures:

- *Implementation of hygiene and safety norms*
With the involvement of the MoESD, GNTA, the Mountain Resort Development Company (MRDC), and the National Food Agency (NFA), special standards/requirements are to be set. These standards must guarantee the safety of tourists. A certification program is to be implemented, and tourism industry companies who fulfil its requirements are to be certified.
- *Trainings for tourism sector companies regarding implementation of safety norms*
Trainings are to be provided for people employed in the tourism sector on Covid-19 and the observance of hygienic norms. Large businesses will be able to do the training themselves, while small ones would not and would require state assistance in this regard.
- *Establishing rules for arriving tourists*
Special rules/requirements to be established for incoming tourists in accordance with international standards. This will help the country to remain a safe place for tourists.

Developing communication strategies for international and local/domestic markets

Short-term support measures:

- *Marketing – international tourism campaign*
Investing in the marketing of Georgia as a safe and healthy destination to visit will be essential once the recovery process starts. According to the private sector representatives, during the process of recovery Georgia will need the number of arriving tourists to be high, so the campaign has to be oriented toward countries from where large numbers of tourists would be allowed to travel.
- *Marketing - national tourism campaign*
During the recovery process, the Georgian government has to be more focused on promoting national/local tourism, and a corresponding communication plan has to be developed.

Other measures

Short-term support measures:

- *Subsidizing local tourism*
Subsidizing local tourism would encourage people living in Georgia to holiday domestically and help local tourism concerns in the process.
- *Data collection – statistics of people who lost their job due to Covid-19*
The Government should collect data including on how many people have lost their jobs due to the pandemic, and which positions they held/lost. The collection of such data will help to get people back to work once the recovery process starts.

Long-term support measures:

- The Government of Georgia (GoG) has to work on improving the infrastructure of its main tourism destinations, especially in and near its winter resorts.

4.3. Government response to the crisis

4.3.1. Stage 1

The tourism sector has been recognized as one of the most vulnerable sectors of the economy from the very start of the crisis, and measures to alleviate the negative impact on businesses in the sector were taken as early as March 13. Specifically, all entities operating in tourism-related industries (including hotels and restaurants, travel agencies, transportation companies, organizers of excursion activities¹²) were issued a relief package, the aim of which was to keep GEL 100 million in the economy, and to benefit 18,000 taxpayers and more than 50,000 employees.

¹² https://www.rs.ge/Default.aspx?sec_id=6493&lang=1

Additionally, starting from March 23, the MoESD introduced a subsidy program, which entails the co-funding of interest payments on loans for six months for registered accommodation facilities that have 4-50 rooms at their disposal and have taken out a loan for building/renovation purposes.¹³ The initiative targeted about 2,000 hotels overall.

4.3.2. Stage 2

The second stage of interventions included the provision of indirect support measures to the tourism sector. To mitigate the overall impact of the crisis, the GoG introduced the Anti-crisis Economic Plan¹⁴ on April 24. The total budget of the plan amounted to GEL 3.5 billion. The following are interventions in the course of the plan that affect businesses operating in the tourism industry:

1. The unemployed and employed in the informal sector are to receive financial assistance:
 - Unemployed people who previously received a salary on a contractual basis and lost their jobs after the declaration of a state of emergency were to receive GEL 200 per month for a period of six months.
 - Employees or the self-employed in the informal sector will receive a one-time payment of GEL 300 if their loss of income can be justified.
2. Employers are to receive the following state subsidies for each job preserved:
 - For salaries under GEL 750, for a period of 6 months, full exemption from income tax.
 - For salaries up to GEL 1,500, income tax exemption for the first 750 GEL.
3. In order to provide financial resources to businesses, the Government is planning to double VAT returns.

4.3.3. Stage 3

On May 7, the Government started a series of presentations on sector-specific anti-crisis plans, with the first targeted sector being the tourism industry.¹⁵ The whole budget of the program was announced at GEL 200 million, while the program also provided approximate dates for the reopening of the tourism industry, with domestic tourism scheduled to resume on June 15 and foreign visitors scheduled to be accepted from July 1¹⁶. More specifically, the plan included:

- Exemption from property tax in 2020 and deferral of income tax until the end of 2020. This is an extension of the measure implemented in stage 1.
- Subsidies of 80% of bank loan interest payments for the first GEL 5 million of loans for every hotel with an annual turnover of up to GEL 20 million, which covers around 3,000 hotels. This is a modification and an extension of the measure implemented in stage 1.
- Inclusion of restaurants in credit guarantee schemes. In the process of restructuring bank loans, this measure offers to provide a guarantee for 30% of existing loans and for 90% of new loans.
- Provision of support in the introduction and implementation of UNWTO safety recommendations.
- Subsidies for travel agencies and guides on co-participation fees for tourism fairs and international travel, aimed at promoting Georgia as a tourism destination. Moreover, the initiative to support guides includes retraining of guides and providing them with free entrance to museums, protected areas, etc.

¹³<http://www.enterprisegeorgia.gov.ge/ka/%E1%83%A1%E1%83%98%E1%83%90%E1%83%AE%E1%83%9A%E1%83%94%E1%83%94%E1%83%91%E1%83%98/%E1%83%97%E1%83%90%E1%83%9C%E1%83%90%E1%83%93%E1%83%90%E1%83%A4%E1%83%98%E1%83%9C%E1%83%90%E1%83%9C%E1%83%A1%E1%83%94%E1%83%91%E1%83%98%E1%83%A1-%E1%83%9B%E1%83%94%E1%83%A5%E1%83%90%E1%83%9C%E1%83%98%E1%83%96%E1%83%9B%E1%83%98-%E1%83%A1%E1%83%90%E1%83%9D>

¹⁴ http://gov.ge/index.php?lang_id=GEO&sec_id=541&info_id=75972

¹⁵ http://www.economy.ge/uploads/files/2017/news/2020/final_tourism_presentation.pdf

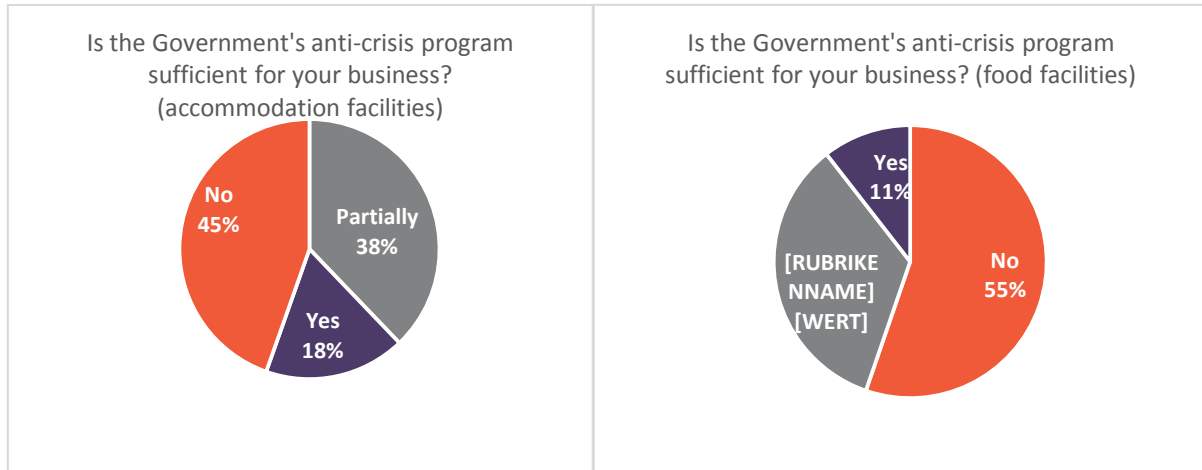
¹⁶ As of middle August 2020, the plan to re-open the country from July has not materialized

4.4. Gaps between sectoral needs and government response

According to the survey conducted by PMC Research Center in June 2020¹⁷, only 18% of surveyed accommodation facilities thought that the anti-crisis measures taken by the Government were sufficient for their business, 45% state that it is strictly not enough, while 38% think that it is partially sufficient.

Regarding food facilities, only 11% of surveyed businesses thought that the anti-crisis measures taken by the Government were sufficient for them, while 55% think support measures are not enough for them, and for 34% the measures are partially enough.

Graph 17: Sufficiency of GoG's anti-crisis program



Source: Survey

Some additional anti-crisis measures that were not included in the initial anti-crisis plan and are required by the representatives of both accommodation facilities and food facilities include:

Accommodation facilities

- Temporary suspension of VAT payments;
- Loan deferral extended to 1 year;
- Financial support in order to adhere to the recommendations issued by the Government;
- Awareness-raising campaigns about government regulations and support mechanisms.

It is worth noting that 7.8% of respondents stated that they were not benefiting from the currently available support mechanisms.¹⁸

Food facilities

- In agreement with the commercial banks, additional deferral of the interest payment period or partial subsidy;
- Deferral of utility bills deferral;
- Financial support to adhere to the recommendations issued by the Government; and
- Awareness-raising campaigns about government regulations and support mechanisms.

¹⁷ For more information see Annex 2: Survey Methodology.

¹⁸ One explanation was provided by a respondent who stated that they are not eligible for an interest subsidy as the loan was taken out by them as an individual and not by their accommodation facility.

5. Main challenges during the post-crisis recovery phase

5.1. Government perspective on the post-crisis recovery phase

Based on the feedback gleaned from interviews, from the *governmental perspective* the recovery process will take 1-1.5 years if there is no second wave of infection. The accomplishment of the safe epidemiological recovery of Georgia from the Covid-19 crisis will be important, but it will not of itself secure the recovery of the tourism sector. All actors in the tourism value chain will face problems in the recovery phase. Small hotels, family hotels, small tourism agencies, and guides will face significant difficulties during the recovery, while restaurants should be able to overcome challenges more easily. The tourism industry and the behaviors of travelers will change after the pandemic. The demand for services of large hotels might fall and small hotels might be considered more attractive. Meanwhile, outdoors tourism will become more attractive, while the meetings, incentives, conferencing, and exhibitions (MICE) sub-sector will shrink. In the short run, tourism will only be expected in small groups.

Based on the feedback gleaned from interviews, from the *governmental perspective* the design and adoption of new rules for the accommodation sector will require active PPP. Integration of guidelines will require investments in terms of time, financial resources, and managerial capabilities throughout the process. Thus, the provision of additional support to the private sector in the form of financial, educational, and material means, especially for small hotels and family guesthouses, will be required. Governmental agencies have some work experience in standards improvement and are well-positioned to deal with specific requirements. Meanwhile, regional DMOs may play a supportive role in the introduction of guidelines, providing certain financial support and overall monitoring of the process. For the National Agency for Cultural Heritage Preservation of Georgia (NACHPG) and the MRDC, security standards were already a priority for visitors prior to the pandemic. Both institutions will thus double their efforts to comply with new health guidelines. The Labor Security Department of the NACHPG will be responsible for the adoption of such guidelines. The Agency will need to re-train relevant employees and devote special attention to indoor visitor centers.

Based on the feedback gleaned from interviews, from the *governmental perspective* it is possible that government subsidies will be required as the private sector will not be able to deal with the crisis independently. Non-monetary measures might include provision of support for education and training of respective employees and assistance in the adoption of safety technologies.

According to feedback from the interviews, from the *governmental perspective* the communication of new standards will require coordinated efforts on the part of both public and private sectors. Communication regarding border-crossing points shall be led by the central government, while other aspects may be covered by regional and local institutions and/or private sector actors. The relevant communication strategies will be defined following the adoption of new rules.

The interviews also revealed that, from the *Governmental perspective*, considering the decrease in arrivals of international tourists during the pandemic, the role of domestic tourism in the industry's value chain has become important. At the initial stage of easing lock-down measures, the motivation to travel domestically is likely to be high, while visits of international travelers will be scarce. Many Georgians are not well-traveled in their own country and a targeted communication campaign might generate demand for domestic tours. Decisive factors in the stimulation of internal travel would include price policies, products and packages designed and offered by the private sector players, and the readiness and financial capacity of Georgian citizens to travel. New product offers in this respect might include family tours to mountainous areas or to cultural and historical sites.

5.2. Donors' perspectives on the post-crisis recovery phase

According to the interviews, from the *donor community's perspective*, the recovery of the tourism industry and a return to pre-crisis levels will take 3-4 years. The industry will face a decreased demand for its services and the process of recovery will depend on: the emergence of a vaccine or effective treatment for

Covid-19; the level of general caution of individuals towards travelling; the epidemiological situations in target markets; the adoption of new security guidelines at border-crossing points, as well as by air carriers, hotels, restaurants, transport services, and cultural and entertainment sites; the readiness of tourism business operators to adjust to a new reality; and the successful positioning of Georgia as a safe destination. The likely structural shift in the tourism industry will see a decline of mass tourism, and more demand for outdoors tourism and activities, and adherence to regulations regarding social distancing and disinfection. These developments will naturally limit the number of visitors.

There might be a need for a temporary shift in the countries targeted by Georgian tourism marketing campaigns, considering the severe epidemiological situation in Western Europe. Marketing campaigns may instead focus on neighboring states and unexplored markets such as the former Yugoslavia, Romania, Bulgaria, and Hungary.

It was found in the course of the interviews that, from the donor community's perspective, the new guidelines for hotels, restaurants, and transportation means will likely entail requirements regarding disinfection, social distancing, and rules regarding the entry to and exit from various sites. Of course, additional efforts will be necessary to introduce, adopt and enforce such new rules. For hotels, the guidelines will vary according to their size. The new standards might require some complex measures such as legislative requirements with 2-year transition periods and certification procedures. International brand hotels might be able to adopt new guidelines relatively smoothly, while for local small and medium-sized hotels this might be a more challenging task. The introduction of limits on the quantity of people allowed in hotels, restaurants and transport means will affect the profitability and capacity to break-even of businesses. Hotels were operating at low profit margins even before the crisis, and the new regulations will increase their costs.

The feedback from interviews showed that, from the *donor community's* perspective, financing of the adoption of new guidelines, especially for small and medium-sized businesses, will be an additional challenge for companies already hit hard by the crisis. Many businesses will not be able to obtain commercial loans in the amount required. In this regard, support from the Government may come in the form of subsidies to cover utility costs, loan forgiveness, subsidized or preferential loans, or activation of grant components. Non-monetary measures might include temporary fixing of rents, provision of support to donor organizations through training programs, and the supply of essential means for complying with security standards.

The interviews revealed that, from the *donor community's* perspective, effective implementation of introduced measures will require the obedience and cooperation of visitors. Active and targeted communication will be important in this process and diverse means may be activated, through which the resources of central, regional and local authorities would be deployed. At the international level, a multi-language campaign may be developed and implemented. Respective flyers would be handed to visitors arriving by air. Meanwhile, the domestic communication campaign inside the country would be disseminated through television, radio, and social media. Social advertisements on the new rules and the desired behavior of visitors shall be developed, and tourism sector players would need to supply relevant information of this kind on-site.

According to the interviews, from the *donor community's* perspective, the stimulation of domestic tourism would require an understanding of which market segments could actually afford to travel and to identify the requirements and expectations of such potential visitors. Many Georgians have become accustomed to traveling abroad for vacations in recent years. Given the fact that such options will be heavily restricted for the time being, as well as the common perception that holidaying in Georgia is safe, many Georgians may wish to spend their vacations in Georgia. If such domestic tourism is to flourish, it is essential that tourism-related businesses offer a pricing policy which is well-tailored for Georgians. Additionally, a clear marketing campaign encouraging Georgians to holiday in their own country and perhaps visit parts of it they have never before seen is another consideration.

5.3. Private sector perspectives on the post-crisis recovery phase

In May 2020, the GoG developed recommendations/regulations for accommodation facilities, food facilities and tour operators/guides. Companies in tourism-related industries will only be allowed to resume working after they have been inspected and have been found to be in compliance with the established regulations¹⁹.

In order to assess the impact of the Covid-19 pandemic on accommodation and catering services, PMC Research Center developed a questionnaire and conducted an online survey of accommodation facilities and food facilities in Georgia (for more details, see Annex 2).

5.3.1. Accommodation sector

5.3.1.1. Recommendations / regulations for accommodation facilities provided by the GoG

The recommendations/regulations for accommodation facilities issued by the GoG are presented in the table below:

Table 5: Recommendations/regulations for accommodation facilities provided by the GoG

	Recommendations/Regulations	Accepted Rules
1	Measures to be taken in the workplace by the hotel administration	Includes: thermos screening; video screening; maintenance of social distancing in hotel's common areas; posting clearly visible statements about Covid-19 preventive measures; availability of hygienic facilities for employees and guests; observance of rules for cleaning and disinfecting the hotel area; adherence to rules regarding placement of disposable containers; provision of natural ventilation (or artificial ventilation); and placement of transparent protective barriers at points of interaction.
2	Requirements for hotel catering facilities	Includes: observance of rules for switching to an individual catering method; using disposable tablecloths; adherence to specific rules regarding the bar area; adherence to rules for the pre-booking system; offering a disposable menu; correct determination of safe distance between tables/chairs; correct determination of maximum number of guests at each table; and provision of staff and guests with hand sanitizer.
3	Requirements for hand-washing dishes	Includes: the allocation of a special zone in the kitchen, where the dishes will be washed and dried; and the observance of special conditions regarding the washing of dishes.
4	Requirements for proper operation of dispensaries	Includes: provision of continuous supply of soap and disinfectant solution dispensers, hand dryers, disposable napkin dispensers, and similar equipment.
5	Requirements for linen	Includes: adherence to collection rules and washing rules for linen; ensuring the suitable flow of technological processes for processing linen in the laundry facilities; and the development an appropriate washing program.
6	Requirements for outdoor and indoor swimming pools	Includes: provision of quality water in accordance with the hygienic requirements for pools; recirculation/renewal of water; correctly determining the maximum number of people per 6 m ² ; provision of towels in accordance with washing rules; maintenance of safe distances between deckchairs; and adherence to cleaning rules for spaces surrounding swimming pools.
7	Requirements for sports and entertainment centers in hotels	Includes: observance of rules regarding prohibition of children's entertainment zones, the operation of gyms, and the operation of entertainment and sports zones; and adherence to rules regarding cleaning processes for outdoor facilities dedicated to billiards, tennis and other sports or forms of entertainment.
8	Requirements for cleaning	Includes: adherence to rules regarding cleaning hotel rooms;

¹⁹ <https://www.matsne.gov.ge/ka/document/view/4883653?publication=0>

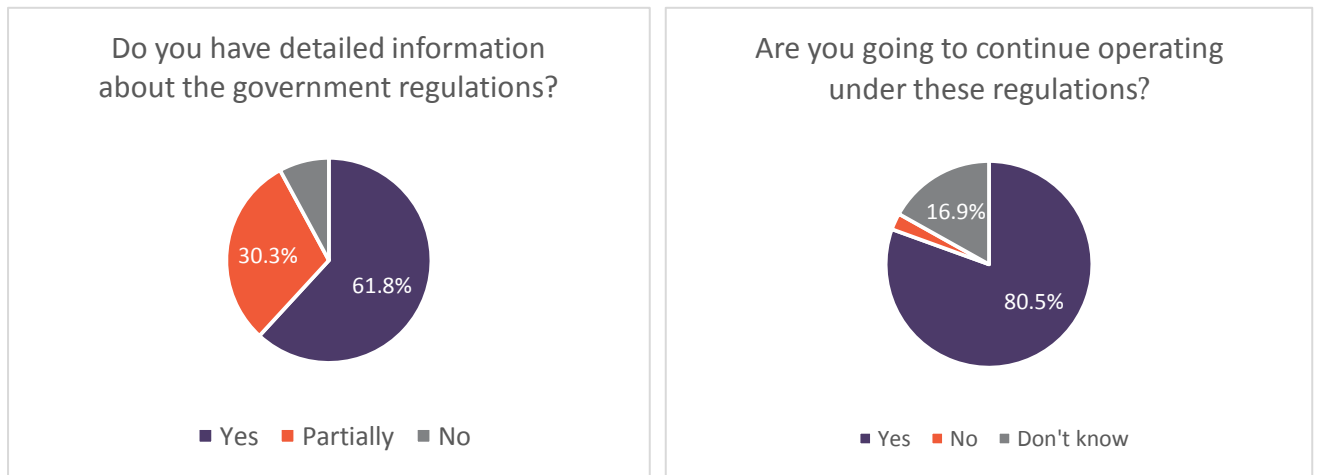
		observance of rules regarding disinfection; and observance of rules regarding the provision of personnel with training and special equipment.
9	Requirements for employers	Includes: observance of rules regarding staff equipment; adherence to rules regarding waste management; providing accurate information to general staff and hotel cleaning staff on hygienic practices and safety precautions.

5.3.1.2. Readiness of the sector

According to the surveyed accommodation facilities, 61.8% had detailed information about the government regulations, 30.3% of them had partial information, and 7.9% did not have any information.

From the surveyed accommodation facilities, 80.5% plan to continue operating under these regulations, 16.9% had not decided yet, while 2.6% were going to operate.

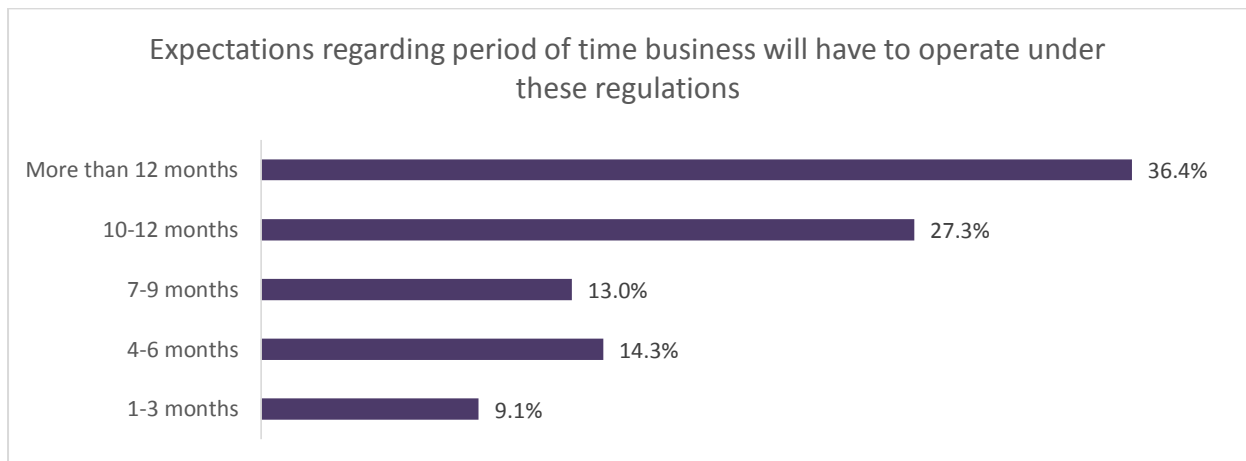
Graph 18: Information about government regulations (on the left) and plans to continue operating under the regulations (on the right) for accommodation facilities



Source: Survey

Most of the surveyed businesses expected that they will have to operate under these regulations for more than 12 months, while only 9.1% expected the duration to be between 1-3 months.

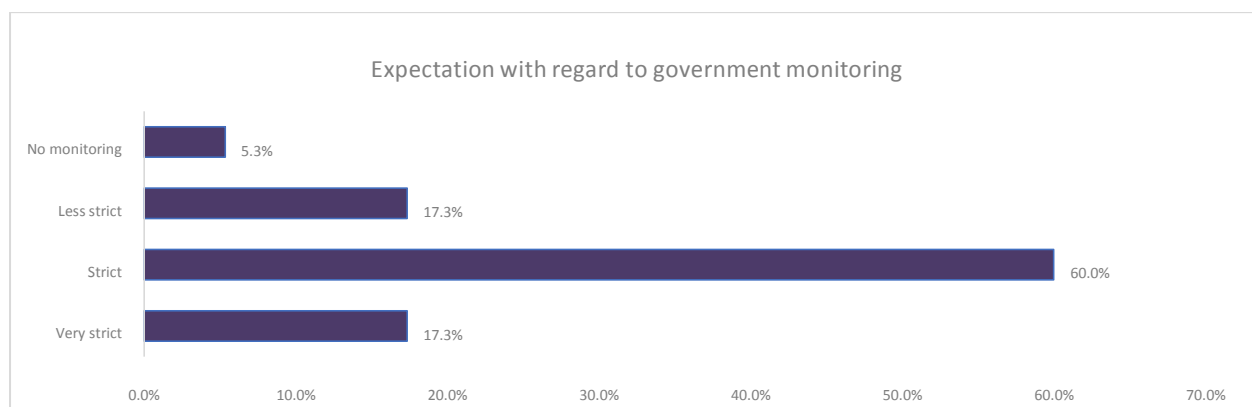
Graph 19: Expectations regarding period of time business will have to operate under the regulations



Source: Survey

Most of the surveyed businesses (60%) expected that the monitoring of regulations by the Government will be strict. Only 5.3% of respondents thought that such monitoring would not be conducted at all.

Graph 20: Expectation with regard to government monitoring

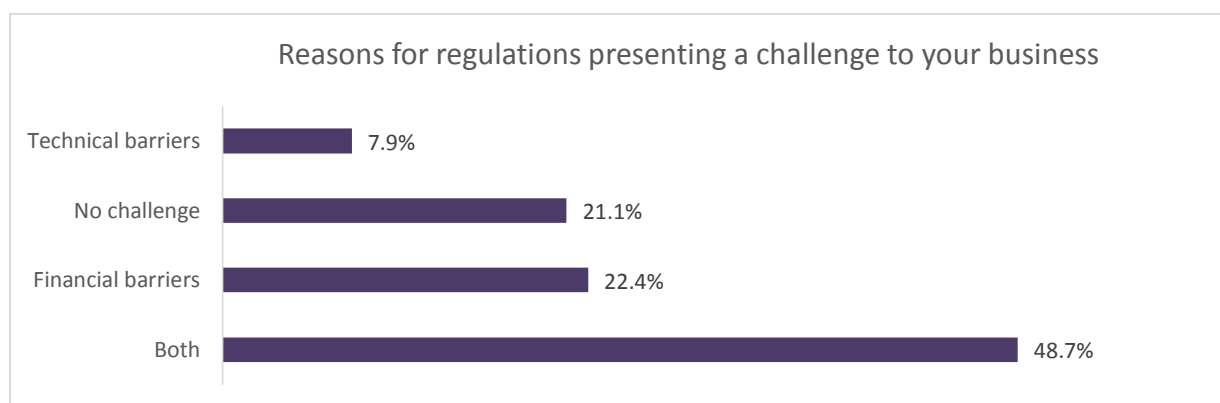


Source: Survey

Most challenging regulations/recommendations and accepted rules according to survey results

For most of the surveyed businesses (48.7%), the government regulations represent a challenge, mostly due to factors related to both technical and financial barriers.

Graph 21: Reasons for regulations presenting a challenge to the accommodation facilities



Source: Survey

According to most of the surveyed businesses, the following regulations were cited as especially challenging:

- Measures to be taken in the workplace by the hotel administration
- Requirements for hotel catering facilities
- Requirements for employers
- Requirements for hand-washing dishes
- Requirements for cleaning

Detailed information about the regulations is given in the table below.

Table 6: Breakdown of surveyed accommodation facilities who think that government regulations are challenging and those who do not

Regulations/recommendations	Is this particular set of regulations going to be challenging for your business?
-----------------------------	--

	Yes, or Partially (percentage of surveyed businesses)	No (percentage of surveyed businesses)
Measures to be taken in the workplace by the hotel administration	84.4%	15.6%
Requirements for hotel catering facilities	76.3%	23.7%
Requirements for employers	56.8%	43.2%
Requirements for hand-washing dishes	53.2%	46.8%
Requirements for cleaning	48.1%	51.9%
Requirements for proper operation of dispensaries	37.3%	62.7%
Requirements for linens	24.7%	75.3%
Requirements for outdoor and indoor swimming pools	17.5%	82.5%
Requirements for sports and entertainment facilities in hotels	13.2%	86.8%

Source: Survey

In terms of accepted rules, the following were pointed out to be the most challenging for the surveyed businesses (the 10 most frequently mentioned rules in each aspect (technical barriers and financial barriers) are presented in the table below):

Table 7: Most challenging rules for surveyed accommodation facilities

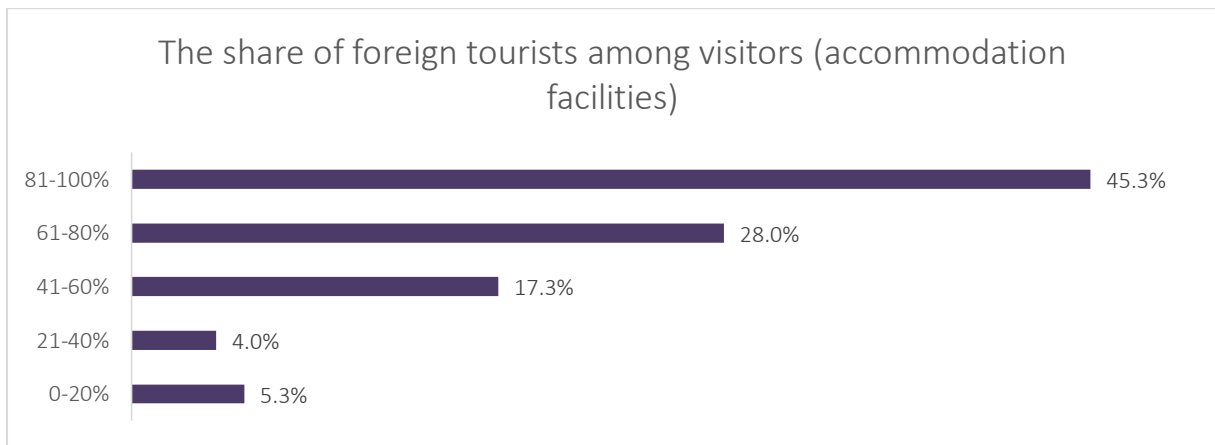
	Accepted Rules	Technical Barrier	Financial Barrier
1	Cleaning / disinfecting surfaces of the hotel area in the required manner at least three times a day, as well as every two hours for surfaces that are often touched by hotel visitors or staff.		
2	Switching to the individual catering method or installing a protective transparent barrier at Swedish tables (where applicable) and keeping a safe distance with appropriate indicators.		
3	Maintaining social distancing in the hotel's common areas (not less than 2 m).		
4	Allocating a special kitchen area where the dishes will be washed and dried.		
5	Special conditions for washing dishes.		
6	Provision of the following personal protective equipment for kitchen staff: disposable medical masks; special uniforms; special thick gloves (multiple); eye protection (goggles or face shields); and special closed footwear.		
7	Staff/visitor thermo-screening or video screening		
8	Ensuring a distance of not less than 1 m between customers at each table (for public catering facilities with closed space).		
9	For guests queuing, pre-determining their location (by marking the floor and keeping their distance).		
10	The employer is obliged to equip all staff with the following personal protective equipment: masks; gloves; goggles and/or face shields (if necessary); and any other necessary special clothes.		
11	Provision of individual protection for janitors including: disposable medical masks; special uniforms; special thick gloves (multiple); eye protection (goggles or face shields); and special closed footwear.		
12	Placing disposable containers to be used by any person in the hotel area, which will be covered with disposable plastic packaging.		

13	Provision of hygiene facilities for employees and guests		
14	Placing transparent protective barriers in the reception (in case of employees' relations with third parties).		
15	If/when a technician / engineer is needed in the customer's room, they must be equipped with appropriate individual protective equipment (face shields / goggles, masks, gloves, etc.).		
16	Offering a printed (disposable) menu to guests or placing disinfectant on the menu board for hygienic hand washing where an electronic menu is offered.		

Dependence on international tourism

For most of the surveyed accommodation facilities (73.3%), the share of foreign tourists among their visitors ranged between 61% and 100%, while for only 5.3% of respondents was the share of foreign tourists between 0 and 20%.

Graph 22: The share of foreign tourists among visitors in accommodation facilities

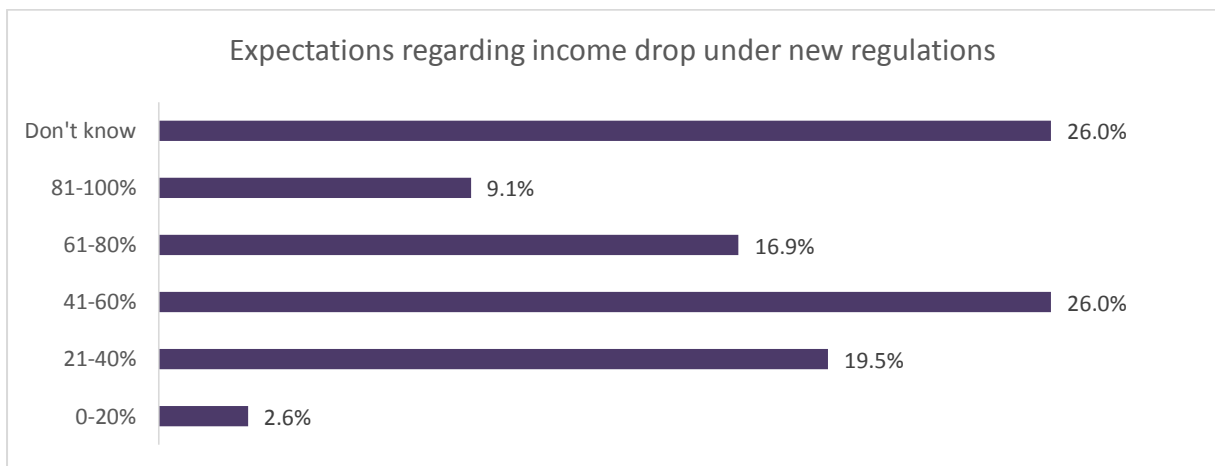


Source: Survey

Expected decrease of income due to the regulations

The majority of surveyed accommodation facilities (26%) either expected a decrease in their income of 41-60% or they could not predict how these regulations would affect their income (26%).

Graph 23: Expectations regarding income drop under new regulations for accommodation facilities



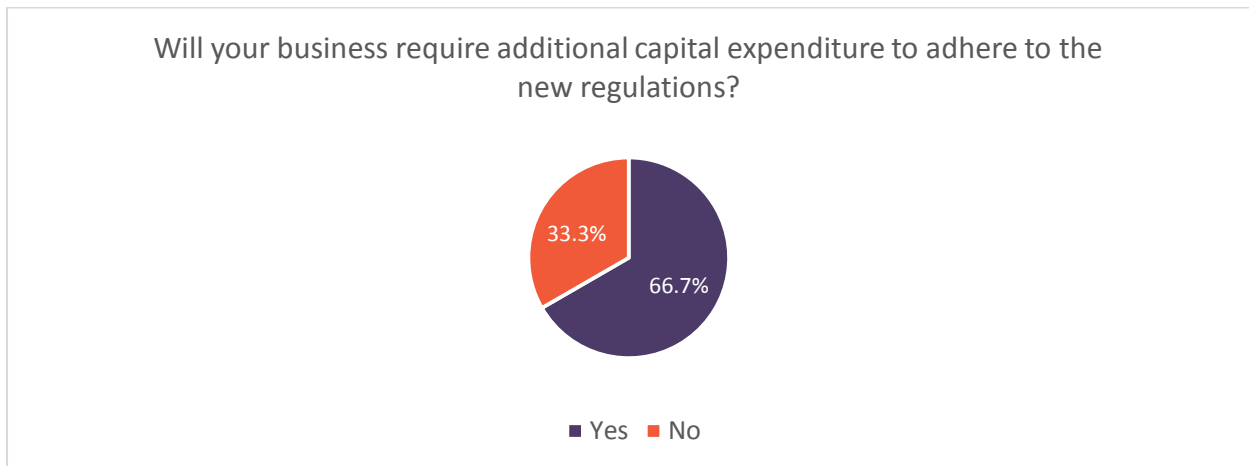
Source: Survey

Expected increase of costs due to the regulations

Most of the surveyed businesses expected that their operating costs would increase, including fixed and variable costs.

Regarding capital expenditure, 66.7% of surveyed businesses claimed to need additional capital expenditure in order to follow the regulations, while for 33.3% such expenditure would not be required.

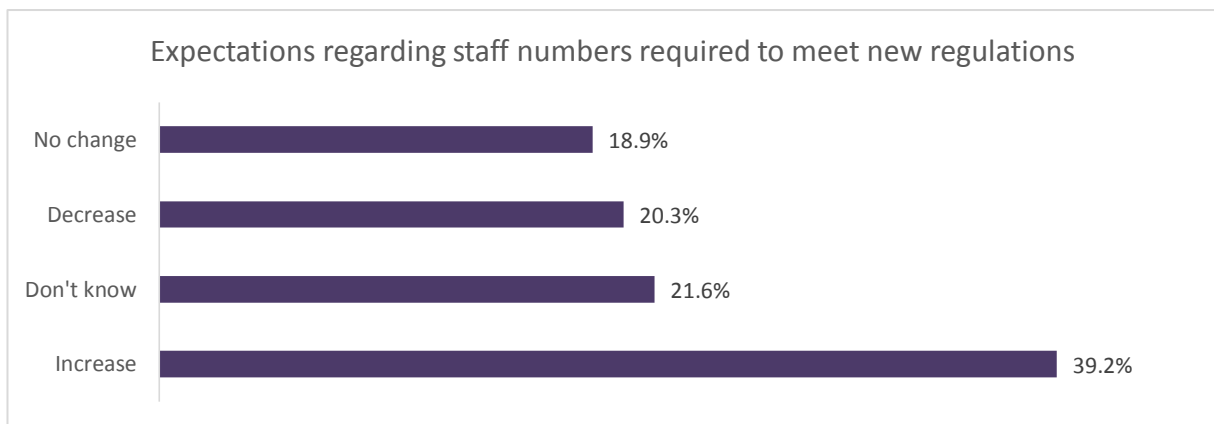
Graph 24: Additional capital expenditures to adhere to the new regulations for accommodation facilities



Source: Survey

In terms of staff numbers, 39.2% of surveyed businesses expected they would need more staff to operate under these new regulations.

Graph 25: Expectations regarding staff numbers required to meet new regulations for accommodation facilities

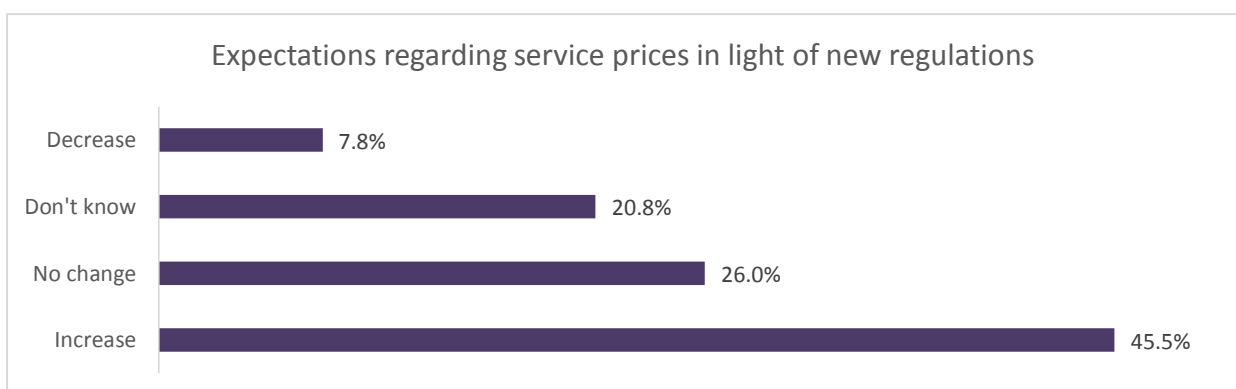


Source: Survey

Expected increase of service prices due to new regulations

In the case of service prices, 45.5% of surveyed businesses expected the prices of their services to increase because of the new regulations.

Graph 26: Expectations regarding service prices in light of new regulations for accommodation facilities

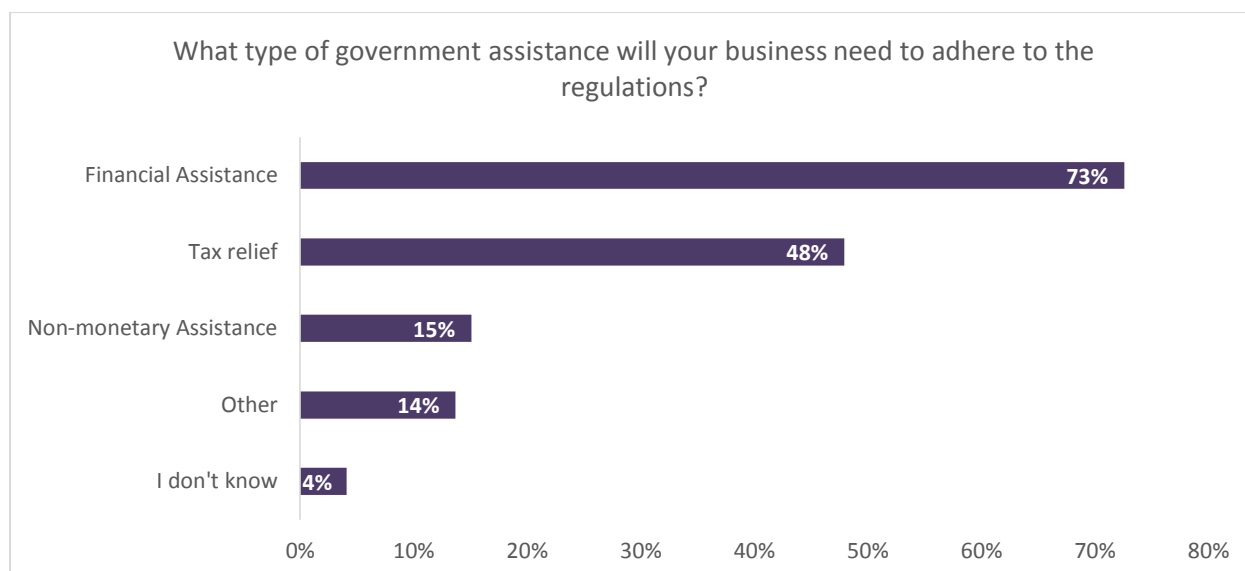


Source: Survey

Type of government assistance required by accommodation facilities from to adhere to new regulations

For the surveyed food facilities, the types of government assistance most required to adhere to the regulations were financial assistance (73%) and tax relief (48%).

Graph 27: Types of preferred government assistance in order to adhere to the regulations (accommodation facilities)



Source: Survey

To sum up, under these regulations most of the surveyed businesses claimed to expect the costs of their operations to increase (as they expect an increase in staff numbers, an increase in capital expenditure, and increase in fixed costs and variable costs) and that their income would decrease by 41-60%. In addition, due to the increased costs, most of surveyed businesses expected their service prices to be increase.

5.3.2. Food and beverage sector

5.3.2.1. Recommendations/regulations for food facilities issued by the GoG

The recommendations/regulations for food facilities issued by the GoG are presented in the table below:

Table 8: Recommendations/regulations for food facilities provided by the GoG

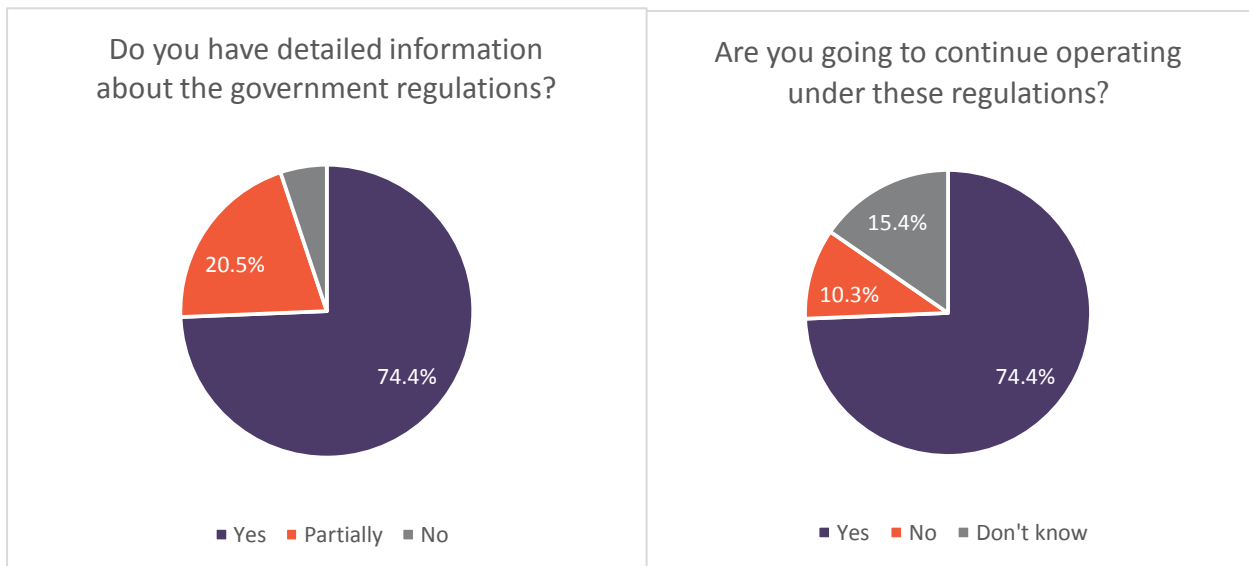
	Recommendations/Regulations	Accepted Rules
1	Requirements for security and reservation system	Includes: adherence to rules regarding the pre-booking system; thermo-screening and video screening; observance of rules on providing information on preventive measures to consumers; controlling the number of customers and employees; placement of disinfection barriers; installation of a protective transparent barrier; and making cashless payments available.
2	Requirements for the placement of tables, chairs and customers	Includes: correct determination of distances between tables/chairs; correct determination of the maximum number of customers at a table; offering menus in the prescribed form (disposable or electronic); adherence to rules regarding the bar area; adherence to rules regarding the pre-booking system; and providing hygiene facilities/equipment to guests.
3	Requirements for hand-washing of dishes	Includes: the allocation of a special zone in the kitchen, where the dishes will be washed and dried; and observance of special conditions regarding the washing of dishes.

4	Requirements for tablecloths and napkins	Includes: observance of the rule on using single table covers or a total ban on covers (if applicable); and observance of rules regarding collection of used napkins.
5	Requirements for cleaning and disinfection	Includes: observance of rules on cleaning and disinfection measures; and conducting additional instructions for personnel responsible for cleaning.
6	Requirements for employers	Includes: adherence to rules regarding making statements on COVID-19 preventive measures; providing customers with items necessary for hand hygiene; providing employees with protection; ventilating work spaces; making provisions for centralized washing of special clothes; and monitoring the implementation of the recommendations set by the Government.

5.3.2.2. Readiness of the sector

According to the surveyed food facilities, 74.4% had detailed information about the government regulations, 20.5% of them had partial information, and 5.1% did not have any information. Of the surveyed food facilities, 74.4% of them plan to continue operating under these regulations, 15.4% had not decided yet, while 10.2% will not continue operating.

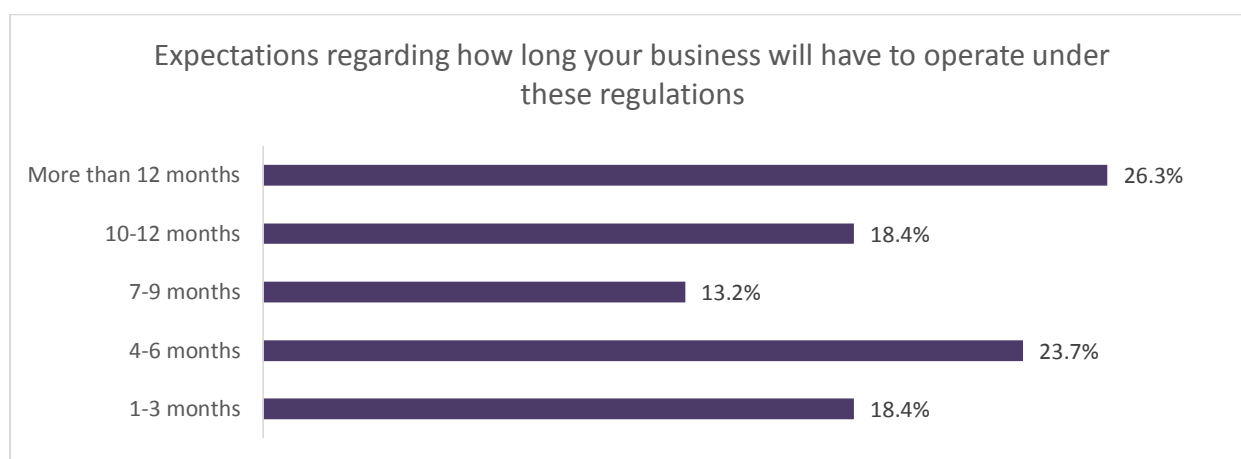
Graph 28: Information about government regulations (on the left) and plans to continue operating under the regulations (on the right) for food facilities



Source: Survey

Of the surveyed food facilities, 26% expected that they would have to operate under these regulations for more than 12 months.

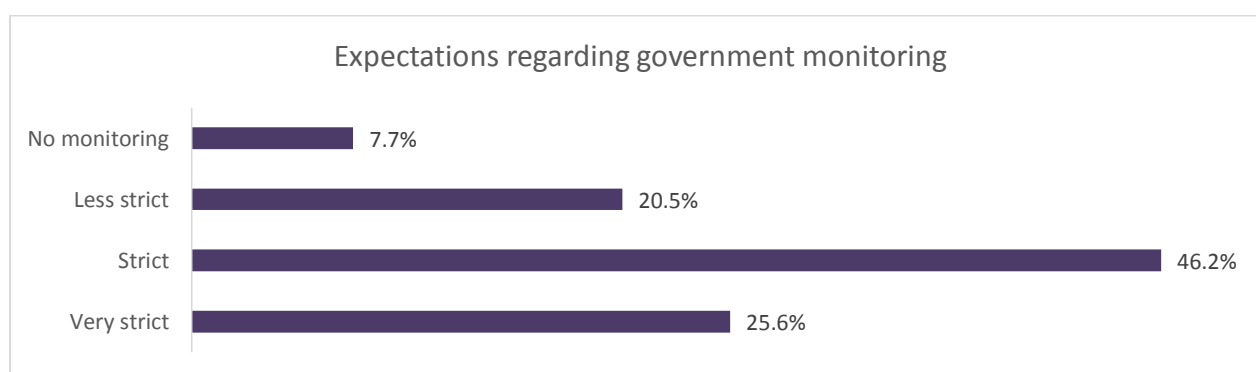
Graph 29: Expectations regarding how long your business will have to operate under these regulations for food facilities



Source: Survey

Of the surveyed businesses, 46% expected the monitoring of regulations by the Government to be strict. Only 8% of surveyed enterprises thought that such monitoring will not be conducted.

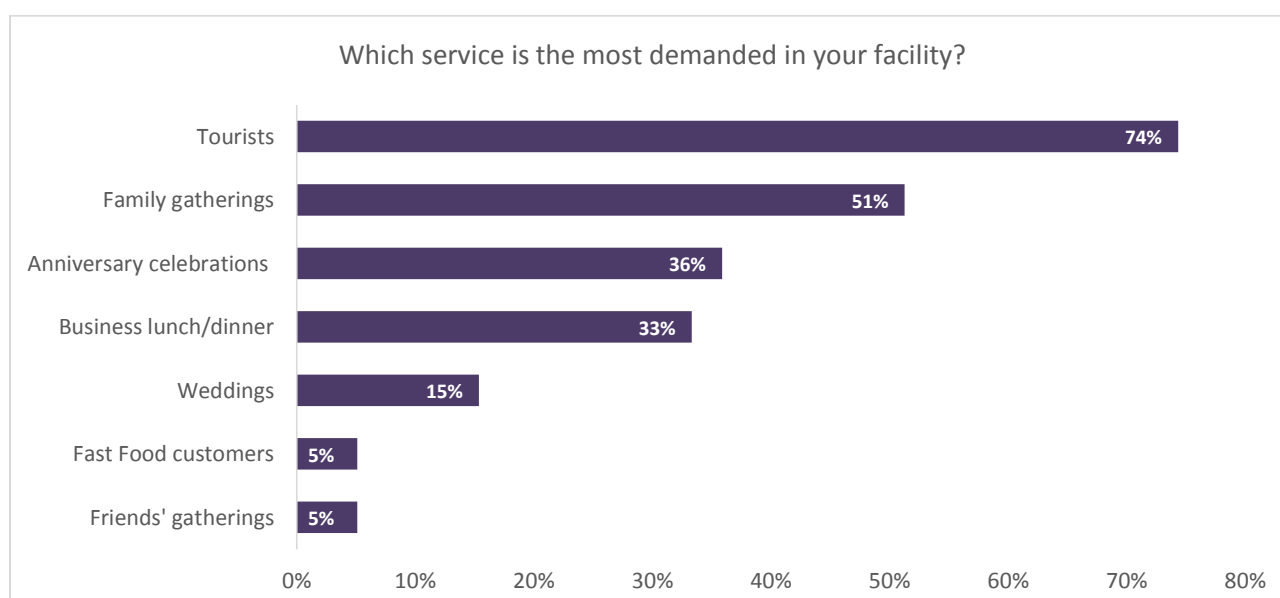
Graph 30: Expectations regarding government monitoring (food facilities)



Source: Survey

Usually, for food facilities, their most common types of guests are tourists (74%) and family gatherings (51%). The least common types are friends' gatherings (5%) and fast food customers (5%).

Graph 31: Types of customers for food facilities

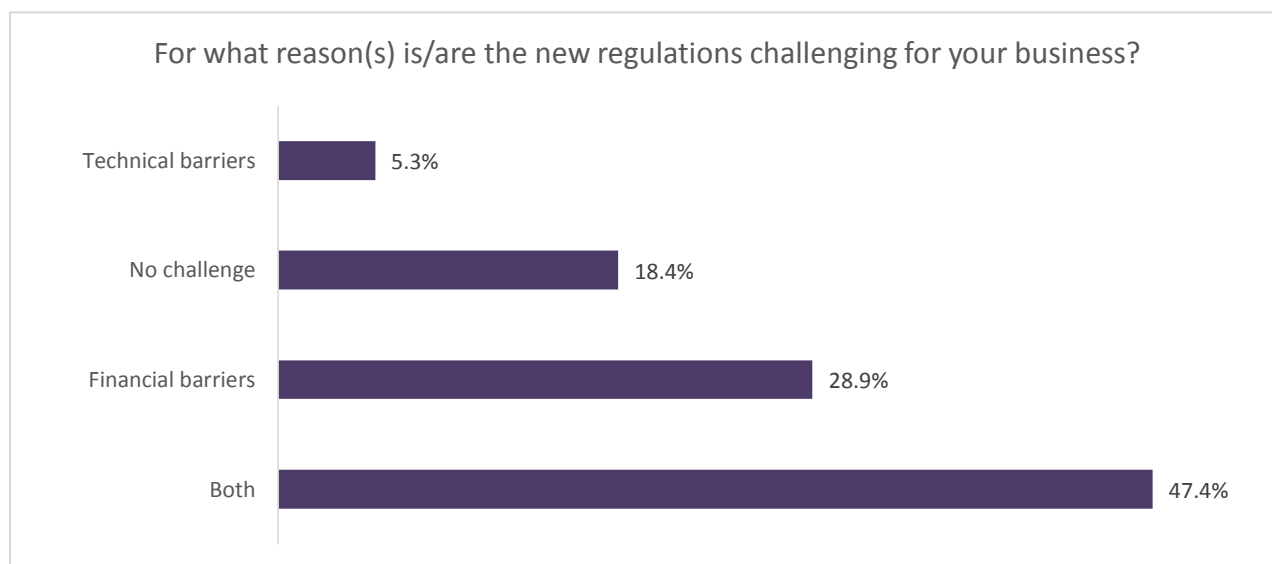


Source: Survey

Most challenging regulations/recommendations and accepted rules according to survey results

For nearly half of the surveyed food facilities (47.4%), the government regulations are expected to be challenging due to both technical and financial barriers.

Graph 32: Reasons for regulations presenting a challenge to the food facilities



Source: Survey

Most of the surveyed businesses cited the following regulations as most challenging:

- Requirements regarding security and reservation system
- Requirements regarding placement of tables, chairs, and customers
- Requirements for hand-washing of dishes

Detailed information about the regulations are given in the table below:

Table 9: Breakdown of surveyed food facilities who think the regulations issued by the Government represent a challenge for them and those who do not

Regulations/recommendations	Is this set of regulations challenging for your business?	
	Yes, or Partially (percentage of surveyed businesses)	No (percentage of surveyed businesses)
Requirements regarding security and reservation system	76.9%	23.1%
Requirements regarding placement of tables, chairs, and customers	74.4%	25.6%
Requirements for hand-washing of dishes	53.8%	46.2%
Requirements for tablecloths and napkins	41.0%	59.0%
Requirements for cleaning and disinfection	51.3%	48.7%

Requirements for employers	57.9%	42.1%
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Source: Survey

In terms of accepted rules, the following rules were pointed out as being the most challenging for surveyed businesses (the 10 most frequently mentioned rules in each aspect (technical barriers and financial barriers) are presented in the table below):

Table 10: Most challenging rules for surveyed food facilities

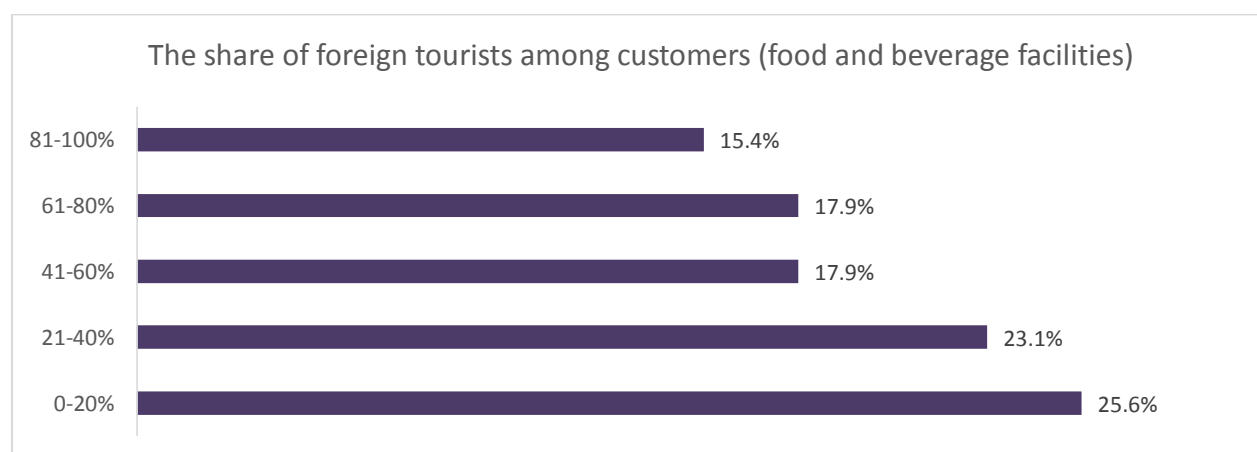
	Accepted Rules	Technical Barrier	Financial Barrier
1	A pre-booking system.		
2	Provision of a distance of not less than 1 meter between customers at tables (in catering facilities with closed space).		
3	Provision of closed spaces with natural ventilation. If this is not possible, provision of artificial ventilation by increasing the concentration of air entering from outside, and circulating in and out; establishment of relevant engineering control.		
4	Special conditions regarding the washing of dishes.		
5	Controlling the number of customers and employees.		
6	Ensuring that the area provided for one person is at least 2.25 m ² (in catering facilities with closed space).		
7	Marking of tables and distances.		
8	The determination of suitable distances between tables (2 meters).		
9	The determination of suitable distances between chairs (1 meter).		
10	Thermo-screening and video screening.		
11	Determination of the maximum number of users at a table.		
12	Rules on providing employees with protection.		
13	The rules regarding menu provision.		
14	Rules for cleaning and disinfection.		
15	Rules regarding installation of a protective transparent barrier.		
16	Rules for providing customers with items necessary for hand hygiene.		
17	Rules regarding table coverings.		

Source: Survey

Dependence on international tourism

For more than half of the surveyed food facilities (51.2%), the share of foreign tourists among their visitors is between 41% and 100%.

Graph 33: The share of foreign tourists among customers for food facilities

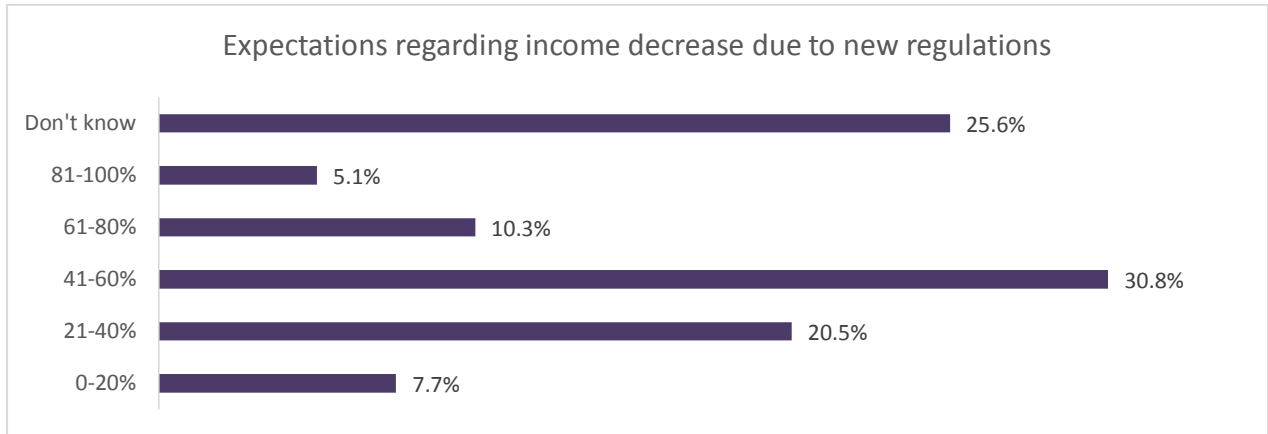


Source: Survey

Expected decrease of income due to the regulations

Like accommodation facilities, several surveyed food facilities (30.8%) either expected a decrease in their income of 41-60% or they did not know how these regulations would affect their income (25.6%).

Graph 34: Expectations regarding income decrease due to new regulations (food facilities)



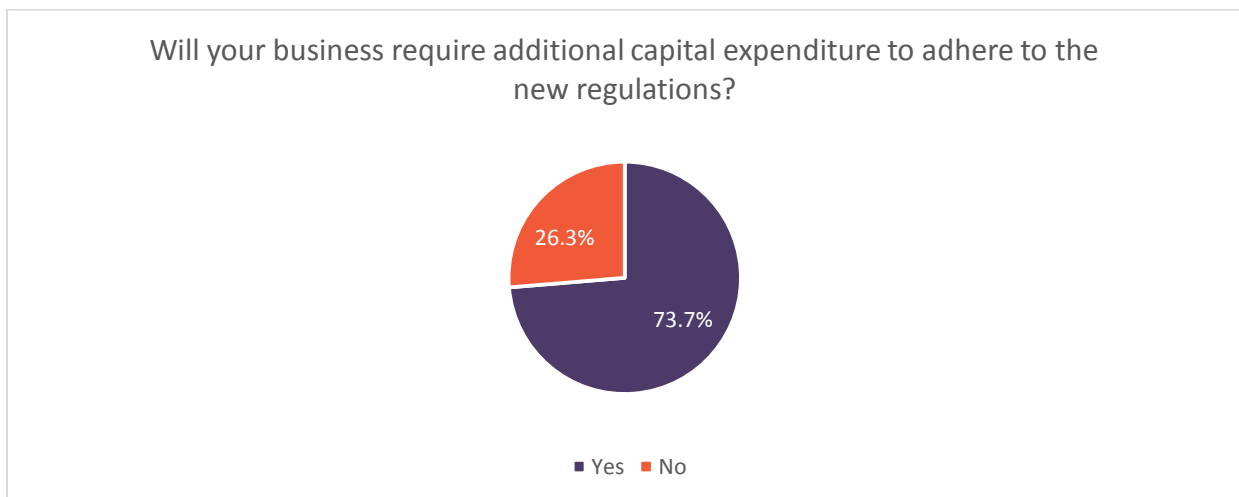
Source: Survey

Expected increase of costs due to the regulations

Similar to the accommodation facilities, most of the surveyed businesses expected their operating costs to increase, including fixed and variable costs.

Regarding capital expenditure, 73.7% of surveyed businesses claimed they would need additional capital expenditure to adhere to the regulations, while for 26.3% such expenditure would not be required.

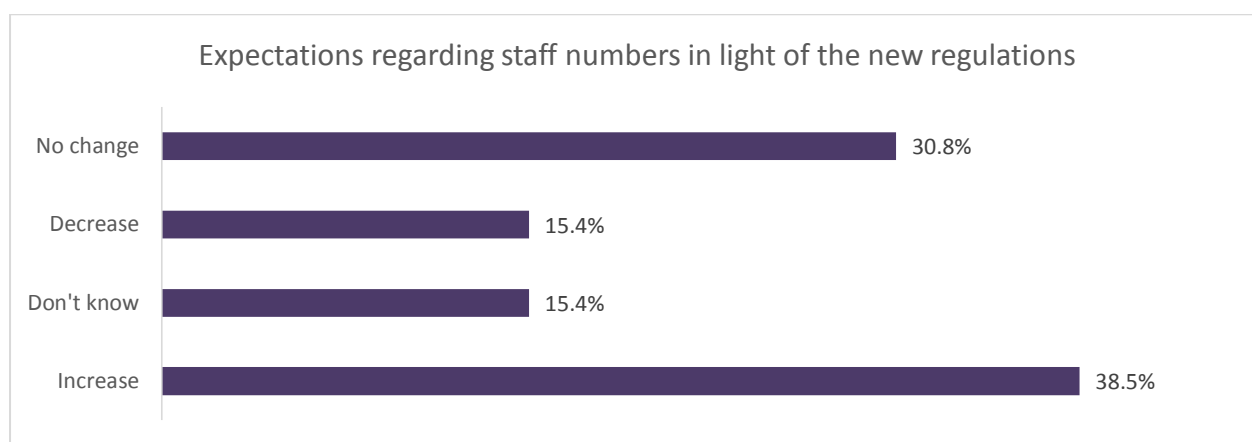
Graph 35: Additional capital expenditures to adhere to the new regulations for food facilities



Source: Survey

In terms of staff numbers, several surveyed businesses (38.5%) expected they would need more staff to operate under these regulations, while 30.8% expected that there would be no change in staff numbers.

Graph 36: Expectations regarding staff numbers in light of the new regulations for food facilities

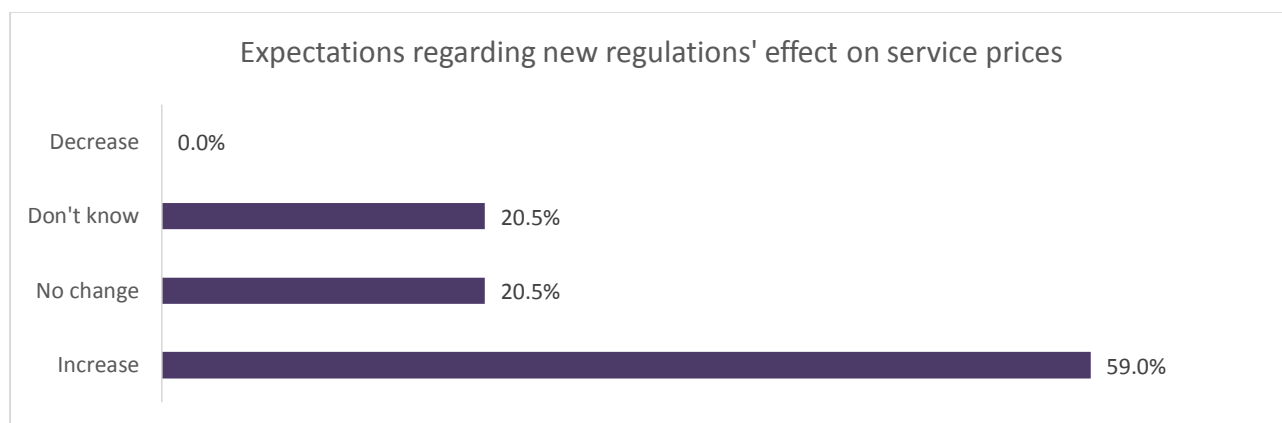


Source: Survey

Expected increase in service prices due to new regulations

In terms of service prices, the majority (59%) of surveyed businesses expected that the prices of their services would increase because of the new regulations.

Graph 37: Expectations regarding new regulations' effect on service prices for food facilities

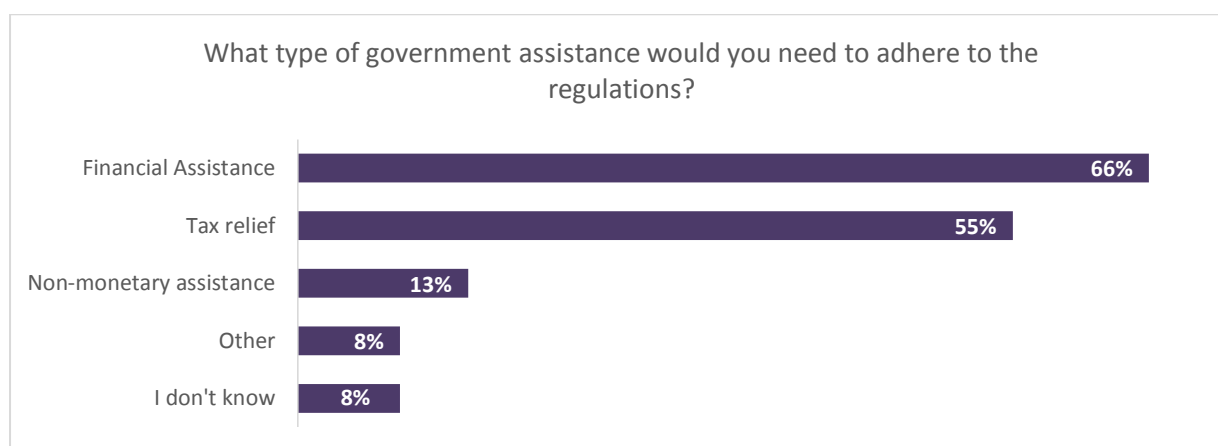


Source: Survey

Type of government assistance required by food facilities to adhere to the regulations

For most of the surveyed food facilities, the types of government assistance needed in order to adhere to the new regulations were financial assistance (66%) and tax relief (55%).

Graph 38: Type of government assistance required by food facilities to adhere to the regulations for food facilities



Source: Survey

To sum up, as was also the case for accommodation facilities, under the new regulations most of the surveyed food facilities expect their operating costs to increase, as they will need initial capital expenditure to follow the regulations. Moreover, most businesses expect to have to increase their staff numbers because of the regulations, and they either do not have any expectations towards additional monthly variable costs or expect increase of such costs due to these regulations. Most of the surveyed businesses expect that their income will decrease by between 41% and 60%. Meanwhile, due to their increased costs caused by the new regulations, most of the surveyed businesses expect that their service prices will increase.

5.4. International Best Practice

For international case studies, we have reviewed the experiences of a selection of small EU Member States, in which the tourism sector is a significant contributor to GDP, employment, and service exports. Specifically, the quartet of Estonia, Slovenia, Croatia, and Greece have been assessed with respect to their tourism strategies and priorities, their handling of the Covid-19 crisis, and their respective plans for the recovery process. It is hoped that this will bring additional insights to Georgia when it comes to the recovery of its tourism sector and its future modernization.

5.4.1. The Role of the Tourism Industry in National Economies

In 2017, the tourism sector in **Slovenia** contributed EUR 2.3 billion to the country's GDP (5.3% of its total GDP). Moreover, when taking into account direct and indirect impacts, tourism's contribution to GDP was estimated at EUR 3.6 billion (8.4% of total GDP). In 2018, its tourism exports amounted to EUR 2.7 billion and represented 34% of the country's total service exports. In the same year, Slovenia's tourism industry employed 68 150 individuals, which represents 7.7% of total employment for the country.

The tourism sector is also considered as an important contributor to **Estonia's** competitiveness, exports, economic growth, and employment. In 2017, tourism contributed 7.8% of Estonia's GDP, while the tourism sector was responsible for 4.3% of total employment. In terms of exports, Estonia's tourism sector accounted for 30% of the country's service exports, and 10.2% of its total exports.

In Croatia, tourism contributed an estimated 19.6% of the country's GDP in 2018. In the same year, the tourism industry directly employed 86 600 individuals, equivalent to 6.6% of the country's total employment. In 2016, inbound tourism accounted for 86.3% of total tourism consumption in Croatia. The tourism industry in this country is mostly of a seasonal nature, with high concentration in the summer months, and the majority of its inbound tourists are from European countries.

Finally, tourism is a hugely important sector in **Greece's** economy. It accounted for 20.6% of the country's GDP in 2018 and employed 381 800 individuals, which represented 10% of total employment that year. In the same year, travel exports accounted for 43.3% of total service exports. Greece received 33.1 million international tourists in 2018 alone.

5.4.2. Tourism Sector Governance and Strategy

In **Slovenia**, the development and implementation of national tourism policy is the responsibility of the Ministry of Economic Development and Technology. The Slovenian Tourism Board is responsible for marketing, tourism information, market data, coordination of product development, market research and engagement of stakeholders. In the process of strategic planning, the Ministry regularly consults with industry organizations. In addition, cross-governmental cooperation is practiced with regard to different sectoral policies and legislation related to the tourism industry.

In 2017, the Slovenian government adopted a strategy for sustainable growth of the country's tourism sector for the period of 2017-2021. It includes the following six strategic objectives:

- ✓ Development of a new organizational structure for tourism, dividing the country into four macro destinations and 35 lead destinations. The master plans for the four main destinations are under development, with a focus on education and training, green and innovative tourism products, enhancing digital promotion, marketing of similar destinations and geographically linked exceptional tourism experiences;
- ✓ Streamline the institutional and legal framework;
- ✓ Invest in new and existing accommodation facilities and tourism-related infrastructure;
- ✓ Invest in training and education;
- ✓ Strengthen land-use planning;
- ✓ Support small tourism businesses.

In **Estonia**, the coordination of the national tourism policy is the responsibility of the Ministry of Economic Affairs and Communications. The Ministry defines tourism policies and programs, oversees their implementation, drafts respective legislation and regulations, allocates national and EU funding for tourism development programs, and cooperates with national and regional tourism organizations, industry stakeholders and networks in the process of long-term tourism policy development. Principal organizations involved in policy development here are the Estonian Travel and Tourism Association, the Estonian Hotel and Restaurant Association, the Estonian Rural Tourism Organization, Estonian Spa Association, and the Estonian Convention Bureau. The Estonian Tourism Board - part of Enterprise Estonia Agency - is responsible for tourism policy implementation. The Board plays an important role in strengthening destination management organizations, co-ordination of tourism product development, and ensuring a high quality of tourism services.

Estonia is in the process of developing the Tourism Development Program for 2021-2024. The program will be directly linked to the "Estonia 2035" strategy, the Transport and Mobility Strategy 2030, as well as rural development, cultural and other relevant policies. The program will likely include the following priorities:

- ✓ Support the development of new business models in tourism SMEs;
- ✓ Increase the uptake of digital technologies, solutions and competences;
- ✓ Promote effective data management;
- ✓ Strengthen destinations and destination management organizations (DMOs);
- ✓ Improve the diversity of offers;
- ✓ Secure better direct flight connections;
- ✓ Continue to focus on MICE tourism;
- ✓ Simplify accommodation sector regulations.

Looking ahead, the emphasis will be on strengthening DMOs, developing a digital visitor registration system to reduce the administrative burden, simplifying communication with the Estonian government (and especially Statistics Estonia), enhancing the quality of data for monitoring and analysis, and providing better data for tourism businesses on tourist traffic and accommodation capacities.

In **Croatia**, the Ministry of Tourism is responsible for the development of the sector's strategy and policy. The National Tourism Board reports to the Ministry and is responsible for the country's promotion as a tourist destination. The Ministry cooperates closely with the Chamber of Economy, the Chamber of Trades and Crafts, and professional tourism and hospitality associations. At regional and municipal levels, county

and city tourism departments deal with accommodation classification and service permits. From 2020, regional bodies will be responsible for strategic planning and development, research, and marketing. Moreover, local bodies will enjoy increased operational control regarding product development, information, and distribution.

The current tourism development strategy runs until 2020 and preparatory work on the development of a new strategy is underway. The strategy will include measures to address the following weaknesses in Croatia's tourism sector:

- Lack of workers;
- Building overdevelopment in some coastal areas;
- Congestion and waste management;
- Seasonality and unbalanced geographical spread.

Currently, the Ministry of Tourism is addressing the challenges by taking the following measures:

- ✓ Allocation of funding to educational institutions to attract vulnerable groups to the labor market;
- ✓ Facilitation of public infrastructure development and public visitor attraction development to encourage diversification;
- ✓ Research and cooperation with Croatia's Sustainable Tourism Observatory to address the impacts of intensive tourism development.

In **Greece**, the development of tourism policy, legislation, a strategic marketing plan and the improvement of the sector's competitiveness all falls under the responsibility of the Ministry of Tourism. The Ministry works closely with other ministries and tourism bodies, including the Association of Tourism Enterprises and the Research Institute for Tourism. The Chamber of Hotels acts as the statutory advisor to the Government for tourism. Overall, 14 regional tourism offices operate under the Ministry, of which the total budget was EUR 63.7 million in 2018. The National Tourism Organization of Greece implements the marketing strategy of the country and has 16 offices abroad.

Tourism sector development is guided by a strategy covering the period of 2014-2020. According to its mandate, the Ministry of Tourism supports the diversification of tourism products, the upgrading of infrastructure, and the embedding of the tourism sector into the local economy. The National Tourism Organization's Tourism Marketing Plan 2019-20 distinguishes the competitive advantages of 13 regions and proposes a range of dynamic packages, combining well-known destinations with new, emerging destinations, and offering travelers a variety of tourism choices throughout the year.

In its next strategy, sustainable tourism is expected to be a top priority, with congestion caused by overcrowded tourist areas representing one of the key challenges in this regard.

5.4.3. Anti-Crisis Measures

Anti-crisis measures in **Slovenia** were focused on postponement of tax payments²⁰, exemption from health and pension contribution for employees, and credit schemes in order to maintain corporate liquidity. On May 20, the Government of Slovenia declared a third package of measures to mitigate effects of the pandemic²¹. The tourism sector has been provided with compensation for laying-off workers in hotels, holiday homes, recreational vehicle parks, restaurants, travel agencies, organizers of exhibitions and fairs, operators of arts facilities, casinos, and tourist transport companies whose revenue will decrease by more than 10% compared to 2019.

In March 2020, **Estonia** launched a EUR 2 billion support program. The plan included the following initiatives: loan collateral initiatives; tax debt deferral; tax incentives; and the suspension of pension system payments.

²⁰ Taxpayers have two options: postpone the payment of their liabilities for up to 24 months or to pay the liability in (a maximum of) 24 monthly instalments due to an inability to gain income as a result of the COVID-19 epidemic. This measure is applicable also for income tax pre-payment and withholding tax. The postponed payment or payment in instalments, related to this measure, will not be subject to late payment interest

²¹ <https://www.gov.si/en/news/2020-05-20-government-adopts-the-third-anti-corona-package/>

The Government of Estonia decided to allocate EUR 250 million in income support for affected employees. Employers had to apply for compensation from the Estonian Unemployment Insurance Fund, for support covering salaries of a two-month period between March 1 and May 31 and disbursements were to be performed until June 30. Employees whose volume of work or remuneration decreased by at least 30% on account of the crisis were eligible to receive such support payments. Overall, 70% of employees' gross salaries were generally paid (but no more than EUR 1000 per month).

On April 28, the Government of Estonia approved a EUR 25 million aid package for the tourism sector²². The Ministry of Economy and Communication, through Enterprise Estonia, offered direct support to accommodation facilities, catering facilities, travel companies, tourist attractions and tourism service providers engaged in nature tourism, cultural tourism, and active leisure services. The amount of support offered per company ranged between EUR 2,000 and EUR 60,000, depending on the applicant's field of activity, size, loss of revenue, amount of labor tax paid, and its crisis durability. In total, EUR 1 million was allocated to assist tourism companies in Saaremaa, Hiiumaa, Vormsi, Ruhnu, Kihnu, Muhu, and Manija. Direct subsidy measures are temporary, one-off payments. Taking into account the limited budgetary support and the large number of eligible companies, this support was to be issued on a first-come-first-served basis until funds ran out. Applications opened from the beginning of May.

In addition, Estonian tourism enterprises are also eligible to apply for support from other components of Enterprise Estonia, as well as the Rural Development Foundation and the Unemployment Insurance Fund.

On April 24, the Government decided to increase share capital in state-owned enterprises to stimulate an economic revival. The share capital of Nordica (national airline) was increased by EUR 30 million, while Eesti Raudtee (Estonian Railways) rose by EUR 10 million, and Saarte Liinid (shipping company) was enhanced by EUR 3 million²³.

Croatia activated general anti-crisis measures on March 17. These included:

- ✓ Deferral of taxes;
- ✓ A three-month moratorium on liabilities to the Croatian Bank for Reconstruction and Development and commercial banks;
- ✓ Issuing loans to pay wages, suppliers and to reschedule other liabilities;
- ✓ The establishment of new financial instrument "COVID-19 loans" for SMEs;
- ✓ The activation of additional financial sources through the SMEs Agency to ensure the availability of working capital for businesses;
- ✓ Payment of 100% of minimum net wages in companies where employers did not lay off their workers.

The second set of measures were adopted by the Government at the beginning of April and raised the minimum net wage contribution payable to troubled companies by EUR 535, taking over of payment of social and pension contributions (EUR 200 per employee²⁴), and allowing companies to postpone VAT payments until they receive payments for outstanding invoices.

In addition to general economic measures, the Ministry of Tourism initiated the following steps:

- ✓ Postponement of tourism association membership fees;
- ✓ Postponement of tourism tax payments for private renters;
- ✓ Provision of support for working capital financing and liquidity improvement programs for vulnerable tourism businesses; and
- ✓ Suspension of tourist land-use concession fee payments.

Furthermore, laws were amended to give the Ministry of Tourism authority to regulate on certain issues given the special circumstances brought about by the pandemic. Accordingly, a number of by-laws are being elaborated on the following issues:

- ✓ The use of vouchers for reimbursement;
- ✓ Tourist tax and payment deadlines;

²² <https://www.mkm.ee/en/news/government-approves-eu35-million-aid-package-entrepreneurs>

²³ <https://www.mkm.ee/en/news/estonia-will-direct-43-million-euros-national-airlines-railways-and-shipping-companies>

²⁴ Overall, over 3 months period 8.5 billion Kuna will be allocated for preserving jobs.

- ✓ Postponement of mandatory re-classification of accommodation facilities;
- ✓ Financing of tourism boards.

On April 16, the Ministry of Tourism and the Croatian Bank for Reconstruction and Development (HBOR) signed an agreement on the provision of EUR 80 million credit to support the availability of liquid assets for tourism sector companies. This credit line was expected to support job preservation, cash flow, and the restart of business activities. Potential credit users were to include businesses that mortgaged their property and have insufficient funds for collateral purposes. The loan applications are directly submitted to the HBOR and can span up to five years. A zero interest rate will be applied for the first three years before increasing to 1.5% in years four and five.

In **Greece**, the Government announced a four-month deferral of VAT and social security payments for the worst-affected companies in March 2020. A EUR 500 million scheme designed in collaboration with the EIF was meant to address the financing needs of SMEs.

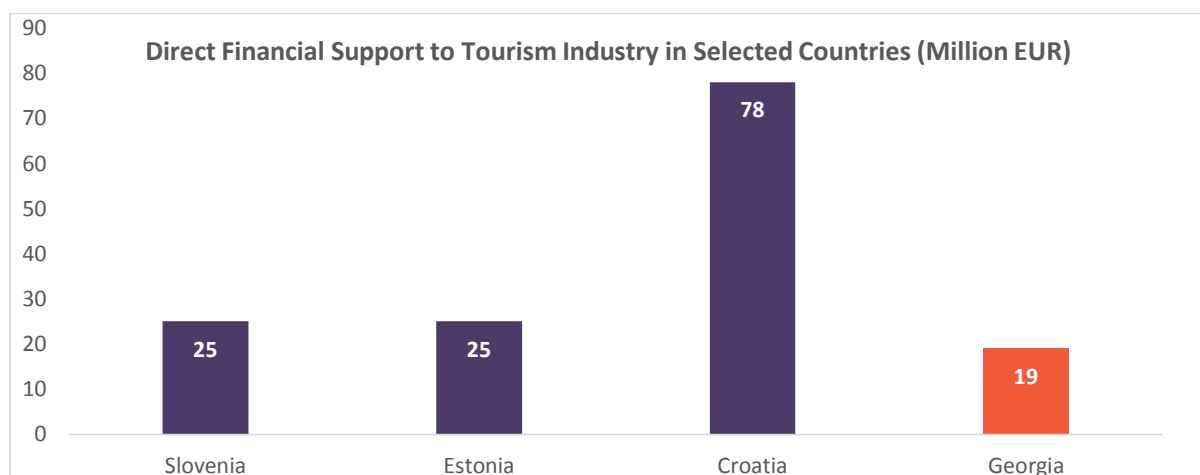
The Ministry of Tourism set up the Crisis Management Committee for Coronavirus that collects information on tourism market developments, elaborates stimulation packages, sets programs designed to promote the country as a tourist destination, prepares plans for the recovery of Greek tourism in international markets, and participates in international initiatives. The Ministry also set up an open communication line for tourism operators, businesses and market representatives to address emerging issues.

The Ministry, in cooperation with the Greek National Tourism Organization and Marketing Greece, launched an online platform called “Greece from Home” with the support of Google. The platform was aimed at reinforcing the country’s positive image during the Covid-19 pandemic, retaining the interest of potential visitors in the process. As part of this initiative, several hours’ worth of videos featuring popular figures promoting Greece was released on YouTube.

According to the initiative of the Ministry of Tourism, tourism enterprises and airlines in Greece were able to reimburse their customers by issuing 18-month-long vouchers in an effort to mitigate the effects of cancellations due to the pandemic. If a tourism enterprise is obliged to return amounts paid in advance to the customer, it may offer 18 months voucher instead of a refund.

Direct financial support to tourism industry in selected countries are presented in the graph below:

Graph 39: Direct Financial Support to Tourism Industry in Selected Countries



5.4.4. Re-opening Measures and Relevant Innovations

In May, Slovenia introduced a voucher scheme for all Slovenian citizens. People over 18 received EUR 200, while those aged below that received a EUR 50 electronic voucher. The vouchers can be redeemed until the end of 2020 for overnight stays in hotels, holiday homes, campsites, tourist farms and other short-

stay accommodation facilities. The Financial Administration will reimburse the service provider with the respective amount within eight days of the stay. State aid in this form amounts to an estimated EUR 345 million, while the multiplier effect is estimated to be EUR 172 million. In addition, Slovenia's Enterprise Fund and Regional Development Fund provide soft and quick loans between EUR 5000 and EUR 50000 for tourism and other industries. The Slovenian government also expanded its incentive scheme for job creation, with incentives granted to companies whose investment leads to the creation of at least ten work positions in the manufacturing or service sector, or at least three work positions in research and development, within three years. An additional condition here is that the investment should not be lower than EUR 12 million in manufacturing, EUR 3 million in the service sector, and EUR 2 million in research and development.

As part of an innovation in response to the Covid-19 crisis, **Slovenians** were able to procure future services through a website offering support to local businesses unable to operate during the crisis. The services that could be bought included products and services related to food and drink, tourism, beauty and health, retail, and crafts. Initially, 270 bidders were registered to offer their products and services. The website offered brief introductions of the providers and their products, offers, and references. Vouchers in the sums of EUR 100, EUR 200, and EUR 500 could be purchased by sending an e-mail or by calling the providers directly²⁵.

In **Estonia**, the Government permitted visits to open-air museums and exhibits in outdoor spaces from May 2. The visits were to be allowed for groups of a maximum of 10 visitors, providing they followed the 2 + 2 rule. The service provider had to ensure the availability of disinfection equipment, while entry to indoor areas was prohibited. Fines in the amount of EUR 2000 were to be imposed on service providers in cases of non-compliance. Meanwhile, one of the innovations to emerge as a result of the "Hack the Crisis" hackathon was the creation of a workforce sharing platform entitled "Share Force One"²⁶ that connects businesses through a temporary workforce exchange. This was created to assist companies with idle human resources and those which were short of personnel.

At the end of May, **Croatia** launched a new website for the facilitation of visitors' entry to the country. Foreign citizens were advised to submit information in advance via the entercroatia.mup.hr website to save time at border-crossing points. Visitors were obliged to submit information about their place of stay in Croatia, as well as their mobile number and e-mail address either at the border-crossing points or on the website in case certain institutions of Croatia need to contact foreign visitors for epidemiological reasons²⁷.

Even in times of crisis, Croatia's Ministry of Tourism continued its capacity-building efforts with respect to tourism sector employees. On June 9, a EUR 8 million grant agreement was signed with the Regional Competence Center – Opatija Hospitality High School for the supply of educational courses in hospitality and tourism. In total, EUR 52 million is being allocated to six competence centers, with 85% of the investment from the European Social Fund and 15% from Croatia's Ministry of Tourism.

Greece has been very successful so far in its handling of the Covid-19 crisis, and this something it will use to promote the country. Hotels are to reopen gradually. Detailed plans on the specific rules are being elaborated by tourism experts, health professionals, and the Ministry of Tourism. Cafes and restaurants with outside seating were reopened from June 1, with social distancing rules to be observed. To ensure safe travel, a pan-European test may be introduced. However, if the European Commission cannot introduce such measures quickly, Greece elaborated its own rules and reach agreements with individual states.

On May 20, the Government of Greece presented the "Restart Tourism" plan, according to which the country was to welcome international tourists from June 15²⁸. The country has elaborated protocols for tourism businesses and for the protection of visitors. Greece will not require any coronavirus tests or quarantine measures on the part of international visitors. Its emphasis is on the safety of tourism industry employees and visitors, and strengthening the health infrastructure in tourism destinations. The latter entails the provision of tests, more doctors, and quarantine areas where necessary. The promotion of domestic tourism will be supported via advertising campaigns and a social tourism holiday program. The

²⁵ <https://oecd-opsi.org/covid-response/slovenians-can-buy-vouchers-for-future-services/>

²⁶ <https://shareforceone.ee/en/>

²⁷ <https://mint.gov.hr/news-11455/new-web-site-launched-to-facilitate-entry-into-croatia-for-foreign-citizens/21288>

²⁸ <https://greekcitytimes.com/2020/05/21/greece-announces-restart-tourism-plan/>

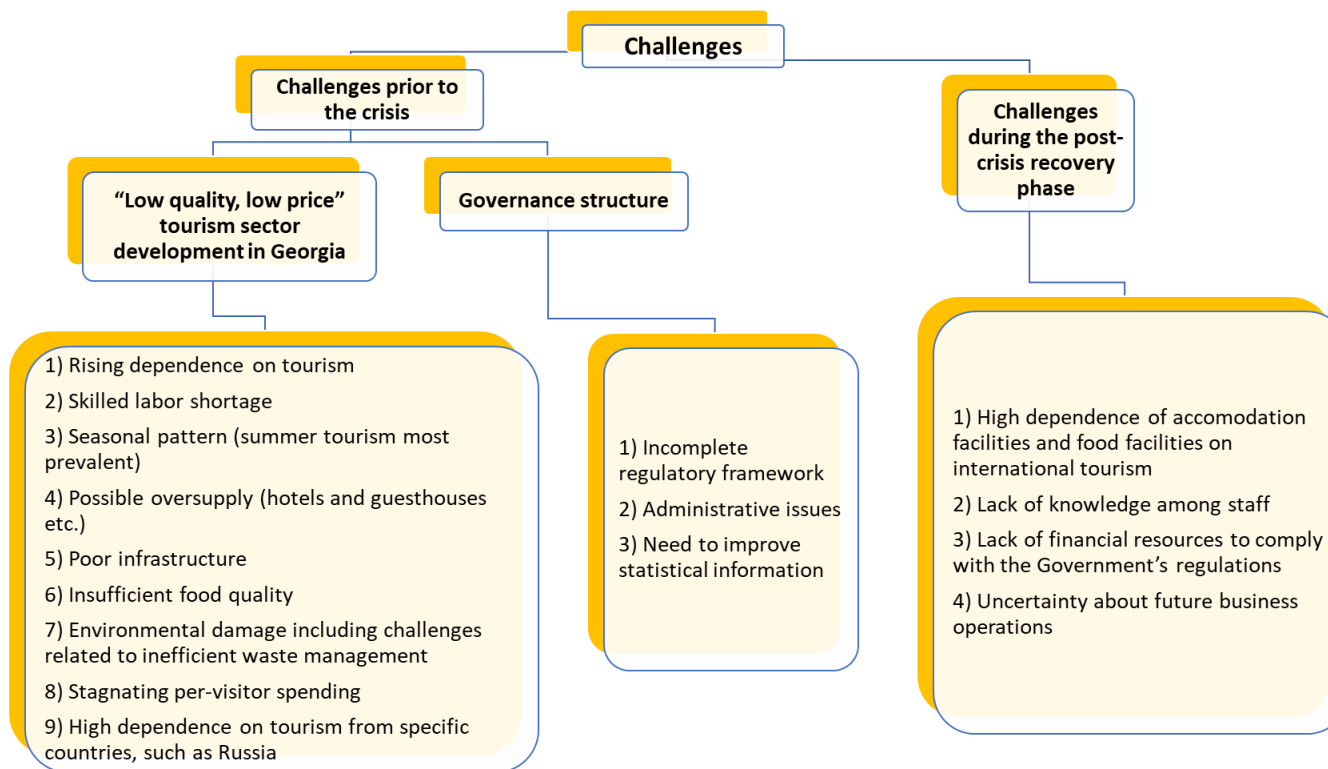
program, which is to serve around 250 000 Greek beneficiaries, will entail EUR 30 million investment, and will provide EUR 120 e-vouchers for a minimum 4-night stay at selected Greek hotels. For private sector employees, EUR 300 corporate travel vouchers will be available. The Ministry of Tourism estimates 1 million overnight stays arising from its domestic tourism initiative. The country will also launch a EUR 23 million campaign to attract international tourists from selected markets.

6. Recommendations

6.1. Summary of challenges

In chapter 3 of the paper, challenges prior to the crisis were identified from desk research and interviews with stakeholders. Based on the surveys of accommodation facilities and food facilities, as well as the interviews with stakeholders, four additional challenges during the post-crisis recovery phase were identified. A summary of all identified challenges is provided in the graph below.

Graph 40: Summary of challenges in the tourism sector in Georgia



Moreover, working group members prioritized three challenges out of the 16 identified challenges, after each sub-group of working group members had been entitled to name one challenge. The top 3 challenges for each sub-group of the WG are presented in the table below.

Table 11: Top 3 challenges for each sub-group of the WG

Top 3 for the public sector	Top 3 for donors	Top 3 for private sector
1) Uncertainty about future business operations (recovery phase)	1) Skilled labor shortage	1) Poor infrastructure
2) Environmental damage including challenges related to inefficient waste management	2) Rising dependence on tourism	2) Skilled labor shortage
3) Incomplete regulatory framework	3) Poor infrastructure	3) High dependence on tourism from specific countries, such as Russia

These three prioritized challenges will be analyzed in a more comprehensive manner in the following chapter of the paper.

6.2. Policy Recommendations for Sustainable Tourism Development in Georgia

The tourism sector in Georgia has developed without much intervention from the Government, making the sector volume-oriented. Even before the pandemic, this was becoming an issue for the long-term sustainability of the sector. The Covid-19 pandemic has forced tourism sectors worldwide to shift their focus from volume to value, and Georgia is no exception here. The goal is to limit the virus’s spread and one of the main ways of doing so is restricting the movement of tourists. Thus, although the sector is being hit hard by the crisis, the pandemic also provides an opportunity for both the private and public sectors to collaborate in redirecting the tourism sector’s development from high-volume low-quality tourism, to low-volume high-quality tourism. All of the specific recommendations presented in this paper have been devised with this issue very much in mind.

Recommendations for the two prioritized challenges out of 12 issues identified under the sub-group of “challenges prior to the crisis” are given in the table below. Both of the prioritized challenges are identified as underlying causes of the development of a “low quality, low price” tourism sector in Georgia.

Policy Challenge	Description of Challenges	Proposed Policy Change	Proposed Activity
Poor infrastructure	<p>The tourism sector’s infrastructure needs improvement. Roads to mountainous villages need to be upgraded, while the infrastructure in and around Georgian resorts is in poor condition.</p> <p>Tourists are not satisfied with the quality of roads, skiing infrastructure, gas, water, and electricity. Moreover, the quality of some ropeways is low.</p>	Re-define infrastructure development prioritization process. ²⁹	<ul style="list-style-type: none"> • Create an infrastructure development prioritization tool, that will assist in prioritizing critical areas and will support national, regional and local governments in making decisions regarding infrastructure modernization. The experience of the Tourism Infrastructure Fund (TIF) of New Zealand might be helpful to refer to here when addressing infrastructure challenges. The purpose of the TIF is to support tourism infrastructure development in localities where tourism growth is putting pressure on existing infrastructure or where potential growth is constrained by inadequate infrastructure. The TIF has clearly stipulated eligibility criteria, restrictions and assessment criteria for the prioritization of applications³¹. For example, in order to meet eligibility criteria, local councils must pass at least one of the following tests: <ul style="list-style-type: none"> ○ Visitor rating unit ratio > 5 ○ Revenue from tourism in the region < 1 billion NZD per annum; or ○ Has reached its lending limit with the Local Government Finance Agency. <p>The assessment criteria includes the following pillars in the prioritization of infrastructure projects: the extent to which the project addresses infrastructure capacity constraints related to visitor numbers; the extent to which the project</p>

²⁹ Similar actions are already reflected in GNTA’s action plan.

³¹ <https://www.mbie.govt.nz/assets/tourism-infrastructure-fund-eligibility-purpose-eligibility-and-assessment-criteria.pdf>

		Enhance inter-regional tourism infrastructure planning and create synergies between infrastructure projects, tourism development, as well as regional, local and rural economic growth ³⁰ .	<p>supports the attraction of visitors to a region; value for money; the likelihood of the project happening without support; financial constraints of the applicants; funding contributions of applicants; the extent to which other funding options have been investigated; and the balance of visitor and resident demand for infrastructure.</p> <ul style="list-style-type: none"> • In 1990s, Norway launched rural economic development project by creating synergies between its road network, its natural landscape, and tourism development. The resulting National Tourist Routes network is an example of how smart infrastructure planning and development can boost tourism in regions. The network consists of 18 selected stretches of road from north to south and passes some of the country's most beautiful natural landscapes. Along each stretch, viewing points, modern architecture rest areas with modern architecture and artwork have been constructed. The objective of the initiative is to attract international and domestic tourists, to inspire the development of tourism services to meet increased demand, and to support the development of villages and towns in rural areas³². • Ireland's long-distance touring route, the Wild Atlantic Way, stretches along its Atlantic coast. The overall aim of the project is to develop a long-distance touring route that will attract more overseas tourists to more of Ireland's west coast. The project encourages increased visitor numbers, longer stays, improved linkages between various attractions and activities, improved infrastructure along the road, and the steering of visitors toward less-visited areas.
Skilled labor shortage	Qualification of staff, their corporate ethics, and level of education, were all cited as challenges in the tourism sector. This applied not only to the staff of hotels and restaurants but also to staff of transportation companies and other stakeholders in the tourism value chain.	Enhance cooperation between tourism value chain companies, and educational and VET institutions by developing innovative models	<ul style="list-style-type: none"> • The Government, in cooperation with DMOs and the private sector, may support the creation of a Tourism Skills Taskforce under the GNTA, that would serve as a main bridge in adapting educational programs of the universities and VETs to the needs of the private sector.³³ Similar institutional models were designed and implemented in Iceland and Canada. Tourism Skills Center Iceland, which was established in 2017, has two main functions: cooperating with the formal school system to better adapt study programs to the needs of the private sector; and increase on-site training activities of tourism companies³⁴. In 2018, the Skills Center concluded 40

³⁰ Similar actions are already reflected in GNTA's action plan.

³² <https://www.nasjonaleturistveger.no/en>

³³ Similar activities are already reflected in GNTA's action plan.

³⁴ <https://haefni.is/tourism-skills-center/>

		of engagement.	<p>training contracts with over 70 companies and more than 2000 individuals were trained (OECD, 2020). Meanwhile, to identify capacity problems in the tourism sector, the Canadian Tourism Human Resource Council (CTHRC)/Tourism HR Canada³⁵ cooperates with private and public sectors and other stakeholders to identify and implement common solutions. Together with regional and local partners, the CTHRC is responsible for the strategic management of the national system of competency standards and professional certification in the tourism industry. The CTHRC also works on the development of training and consulting solutions that promote tourism careers and collects best practices in order to support enhanced visitor experiences through quality service and hospitality. Elsewhere, the training organization of the New Zealand service sector – ServiceIQ - has developed regional roadmaps for New Zealand’s major visitor centers to help in matching supply and demand for skills, to better connect different parts of the tertiary sector, to provide information to young people on potential employment opportunities, and to adapt in order to meet future skills needs.</p> <ul style="list-style-type: none"> • Conduct promotional campaigns to popularize certification programs among actors in the different parts of the tourism value chain.³⁶ To address labor demand and supply gaps in Finland’s tourism industry, the Finnish government launched the <i>Matkailudiili</i> program in 2018 to improve employment and recruitment prospects in the tourism sector. Respective measures were implemented to improve the image of the tourism sector and to strengthen co-operation between tourism value chain stakeholders. Several pilot projects were implemented to enhance access to tourism employment and to support active cooperation between public services and private recruitment agencies, including training programs for job-seekers, marketing campaigns targeting potential employees, initiatives to employ workers from other sectors (e.g. forestry) during the peak tourism season, and digital platforms and training. The intervention resulted in increased co-operation between relevant stakeholders, knowledge of tourism training and employment opportunities, increased interest in the tourism jobs and improved understanding among the national employment services of the sector’s circumstances, business needs, and employee requirements. • Design and activate online training programs for selected occupations.
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³⁵ <http://tourismhr.ca/about-us/>

³⁶ Similar activities are already reflected in GNTA’s action plan.

			<ul style="list-style-type: none"> • Even in times of crisis, Croatia’s Ministry of Tourism continues its capacity-building efforts for tourism sector employees. On June 9, a EUR 8 million grant agreement was signed with the Regional Competence Center – Opatija Hospitality High School for the supply of educational courses in hospitality and tourism. In total, EUR 52 million is being allocated to six competence centers, with 85% investment from the European Social Fund and 15% from Croatia’s Ministry of Tourism.
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Policy recommendations for other challenges under a sub-group of “challenges prior to the crisis” are presented in the table below.

Policy Challenges Prior to the Crisis	Interrelated Underlying Causes	Description of Challenges	Proposed Policy Change	Proposed Activity
“Low quality, low price” tourism sector development in Georgia	Rising dependence on tourism	Tourism is one of the most prominent and fastest-growing sectors in the Georgian economy, accounting for 8.1% of GDP directly and 26.3% of GDP indirectly in 2019, and with average yearly growth of 14% in the past decade. Moreover, revenues from travel amounted to US\$3.268 billion (18.4% of GDP) in 2019, which is a 242% increase compared to the corresponding figure for 2011 (6.3% of GDP).	Support the spread of the tourism sector’s positive effects across the local, regional, and national economy. ³⁷	<ul style="list-style-type: none"> • Enhance tourism sector linkages with primary agriculture, agricultural manufacturing, light manufacturing, ICT, consultancy services and other sectors by elaborating and implementing targeted linkage programs. • Link tourist attractions to export opportunities. Hal’s (2017) study³⁸ on the role of inbound tourism in export growth concluded that exporting is an additional channel through which tourism can positively affect economic activity and growth. An increase in the number of international tourists leads to increased exports of various products like processed foods and some consumer goods. According to the study, a 10% increase in tourism flows leads to 4.9% export growth for processed foods and beverages from the tourism destination to the home country of the tourists. • To digitize tourism services, develop and implement collaborative digital voucher schemes supporting strategic cooperation between tourism and ICT value chains. In Estonia, an innovation voucher scheme enables SMEs to develop innovative solutions for development, and to gather knowledge on technologies. Beneficiaries can benefit from expert advice to implement changes. Supported

³⁷ Similar actions are already reflected in GNTA’s action plan.

³⁸ <https://halshs.archives-ouvertes.fr/halshs-01524530/document>

				<p>activities here include consulting regarding product and service development, production and technology, carrying out feasibility and cost-benefit research, as well as the development and implementation of technology solutions³⁹. In order to apply for the support, entrepreneurs must define a development obstacle that requires expert advice and/or technology to overcome. In the next stage, the entrepreneur selects a cooperation partner from a pre-selected list, develops a project plan in cooperation with the selected partner, fills an application form and submits an e-application to the Enterprise Estonia e-portal.</p> <ul style="list-style-type: none"> • The future focus in Estonia will be on strengthening DMOs, the development of a digital visitor registration system to reduce the administrative burden, simplified communication with government (especially Statistics Estonia), better quality of data for monitoring and analysis, and better data for tourism businesses on tourist traffic and accommodation capacities.
	Seasonal patterns (summer tourism more prevalent)	Strong seasonal patterns indicate both, the need and the potential to diversify toward year-round tourism	Diversification of Tourism Industry and Supply	<ul style="list-style-type: none"> • Develop seasonal marketing campaigns highlighting the attractiveness of tourism products for each season: Winter in Georgia (skiing, celebration of Christmas and new year, chacha tours, specific winter cuisine, (Rachuli Lori, Khinkali, other hot dishes) winter sightseeing, etc.); Spring in Georgia (flowering season, health benefits, beauty of springtime in mountains, etc.); and Autumn in Georgia (autumn scenery, grape harvesting and wine making, harvesting of other fruits & vegetables, etc.). • Support diversification toward less seasonally-dependent products (health, wellness, wine, etc), and establish a task force for the promotion of medical tourism in Georgia: <ul style="list-style-type: none"> ○ Identify task force members (MoESD, The Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia (MOH), GNTA, health practitioners, etc.); ○ Compile health tourism statistics in Georgia; ○ Identify sub-sectors attracting most tourists in the healthcare sector;

³⁹ <https://www.eas.ee/teenus/innovation-voucher/?lang=en>

				<ul style="list-style-type: none"> ○ Identify target markets for the promotion of Georgia as a health tourism destination; ○ Map, plan and create health tourism clusters in Georgia; ○ Design marketing campaign showcasing health tourism offers and destinations (high quality and low price, history of health tourism sub-sector (e.g. sanatoria), current status of development, etc.). ● Latvia's experience in health tourism might be helpful here. The country considers health tourism as a route to improving the competitiveness of its tourism sector as a whole. Health tourists tend to stay longer and their travel decisions are not directly related to the given season. At a policy level, the legal framework for resort operators and destinations was developed and procedures for granting and annulling resort status were elaborated accordingly. The main outcome of the established regulatory framework has been increased municipal interest in developing resort infrastructure, as well as the attraction of investments to the sector and constant environmental monitoring. In 2014, Latvia's Health Tourism Cluster served 18 000 international medical tourists (mainly from Russia, Belarus, Scandinavia, and Germany). Their average stay was 4-5 days and their average daily expenditure was EUR 150. To further develop the medical tourism sub-sector and to increase exports of medical services, the Medical Tourism Development Coordination Council was established in 2019. The Council adopted an action plan that includes three main goals: ensure sustainability; define target markets; and establish the image of Latvia as a leading country for health services (OECD, 2014, 2020).
	Possible oversupply of accommodations (hotels and guesthouses etc.)	The downward trend in hotel prices, which is evident nationwide but is more pronounced in Tbilisi, suggests an oversupply of accommodation facilities.	Provide incentives for accommodation facilities to improve the quality of their services	<ul style="list-style-type: none"> ● Diversify offers by introducing innovative concepts of accommodation (e.g. spa hotels). ● Research worldwide accommodation trends and identify innovations that might be plausible in Georgia.
	Food quality standards are insufficient	<ul style="list-style-type: none"> ● The quality and safety of food remains one of the main problems 	Design and activate various support	<ul style="list-style-type: none"> ● Introduce the from-farm-to-table concept. ● Accelerate gradual introduction of international standards at policy support

		<p>related to the tourism industry.</p> <ul style="list-style-type: none"> Georgian restaurants and cafes do not generally satisfy international standards. 	<p>mechanisms to improve food standards</p>	<p>level.</p> <ul style="list-style-type: none"> Support Georgia’s restaurants in acquiring international quality standards via co-financing mechanisms. Design and implement a digital voucher scheme for the digitization of restaurant and cafe services. Stimulate demand for higher quality food products by raising awareness about the need for quality assured food products via informational campaigns.
	Environmental damage	<ul style="list-style-type: none"> The natural landscape in Georgia is becoming polluted, partly due to irresponsible waste disposal. 	<p>Elaborate innovative policies, administrative measures and PPP formats to address environmental challenges and transform Georgia into a “green tourism” destination⁴⁰</p>	<ul style="list-style-type: none"> Research and analyze potential impacts on different destinations and elaborate policy and administrative measures to support sustainable tourism. Promote PPP for sustainable tourism. Set sustainability goals and agree on commitments to be made by government and private sector. Diversify tourism flows, to steer some tourists away from polluted areas. Enhance the capacities and role of DMOs in promoting sustainable tourism in their regions. Develop financial products for the purpose of greening the tourism value chain. <ul style="list-style-type: none"> In Mexico, a pilot program was implemented, supporting hotels to deploy green energy solutions. The project included technical advice, and training on, and financing for, the acquisition and installation of solar heating systems. The program offered long-term loans at fixed interest rates. Public guarantee and interest rate subsidies were also provided. In 2017, the program supported the installation of 2.5 million square-meters of solar heating systems, equivalent to 3 000 hotel rooms. The development of alternative financial products for the tourism sector is pivotal for the stimulation of investments in green growth. This might include innovative offers from commercial banks, or non-bank financial instruments such as asset-based finance (e.g. leasing, asset-based lending, factoring, purchase order finance, warehouse receipts), alternative debt mechanisms (crowdfunding, securitised debts, corporate or

⁴⁰ Similar actions are already reflected in GNTA’s action plan.

				<p>covered bonds), peer-to-peer lending, and hybrid instruments. For example, the global crowdfunding platform TravelStarter supports individuals and businesses to raise funds for tourism- and travel-related projects. Travelstarter offers two types of funding: fixed funding, whereby the entrepreneur only receives financing if the funding goal is reached; and flexible funding, whereby the entrepreneur receives any funds that are raised, but pays a higher fee (9% instead of 4%) if they do not reach their funding goal.</p> <ul style="list-style-type: none"> • Develop educational products regarding green tourism and its benefits for the private sector. • Start to develop a “smart destination” concept at a national level and enhance competition between regions and localities to acquire smart destination status. A smart destination is an innovative tourism destination, which deploys modern technologies for the sustainable development of tourism attraction, facilitates the interaction of visitors with their surroundings, increases the quality of experience, and improves the quality of life of local residents. Spain is implementing a smart destination project fostering innovation, sustainability and competitiveness at the local level via the deployment of ICT. Destinations seeking smart destination status must implement a strategy aimed at more sustainable use of natural and cultural attractions, the creation of innovative resources, and the improvement in efficiency of production and distribution. • The sustainability of the tourism sector would be enhanced by policies promoting the use of clean energy by tourism value chain enterprises and the adoption of circular economy practices among value chain actors. The policy interventions may include programs for the introduction and installation of solar panels at hotels and restaurants, the gradual renewal of transportation company parks by hybrid, electric and other alternative fuel vehicles, the elimination of food waste, and the introduction of sustainable washing and cleaning practices. Such policy measures may reduce costs for tourism value chain actors in the medium and long run, create jobs, reduce negative environmental impacts, and promote Georgia as a destination adherent to green tourism practices.
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				<ul style="list-style-type: none"> • Prioritize spatial planning when expanding current tourism infrastructure and developing new infrastructure.
	Stagnating per-visitor spending	Per-visitor spending in Georgia in USD has been stagnating since 2015. Tourists visiting Georgia tend to do so on a budget. Consequently, a price war has ensued in the market and the emphasis on quality has lightened as a result. Currently, to attract tourists, hotels and restaurants focus on prices as the main way of gaining a competitive advantage.	Promote types of tourism that rely on high quality to attract higher-spending tourists ⁴¹	<ul style="list-style-type: none"> • Advertise types of tourism such as wine, gastronomy, health, recreational and winter tourism (as opposed to adventure and seaside tourism). • Identify specific sets of countries from which tourists demand high-quality services and target these markets accordingly. • Incentivize all actors in the tourism value chain to improve the quality of their service by providing incentives via programs that reward innovation.
	High dependence on tourism from specific countries, such as Russia (hotels and guesthouses)	There has been a growing dependence on visitors from Russia over the past decade, as both total and average expenditure of Russian visitors has been increasing. This leaves the hotel industry in Georgia vulnerable to shocks preventing or restricting travel from Russia.	Diversification of marketing targets ⁴²	<ul style="list-style-type: none"> • Implement pilot marketing campaigns in previously unexploited source markets (Balkan states, Bulgaria, Romania, etc.); • Target EU Member States, as well as Norway and Switzerland; • Direct marketing campaigns at specific countries with high average daily expenditure (e.g. Turkey, Gulf states, the UK etc.); • Identify activities and services popular among high-spending visitors in order to improve these services in the future (possible example: visitors from Turkey – casinos; visitors from Armenia – shopping (possible solution: shopping mall near the border); • Develop a methodology to prioritize particular source markets and implement pilot projects.
Governance structure, regulatory framework, administrative issues and	Incomplete regulatory framework	<ul style="list-style-type: none"> • The absence of a tourism law hampers the sustainable development of the tourism sector, and the adoption of respective service standards. • <i>Non-regulated professions</i> (e.g. 	Streamline and adapt a regulatory environment that supports the further	<ul style="list-style-type: none"> • Conduct an RIA on a tourism law. • Design PPP formats to define certification requirements and procedures.

⁴¹ Similar actions are already reflected in GNTA's action plan.

⁴² Similar actions are already reflected in GNTA's action plan.

coordination mechanisms		<p>the occupation of mountain guide in Georgia is not a regulated profession). The security of tourists is compromised by a lack of regulation of respective professions. As a result, the development of the tourism sector is chaotic.</p> <ul style="list-style-type: none"> • There is a need to introduce certification of individuals employed in the sector. The absence of respective certification mechanisms negatively affects the quality of services and the Georgian tourism sector's international perception as a secure and reliable destination for visitors. • The absence of unified standards for assigning respective quality ratings to hotels, that hampers competition and supplies imperfect information to potential visitors. <p><i>Immigration policy:</i> Simplify entry requirements for citizens of certain countries including China and India</p>	development of the sector ⁴³	
	Administrative issues and complex coordination mechanisms	<p>Administrative issues:</p> <p>According to the conducted interviews with the private sector representatives in the tourism value chain are constantly faced with bureaucratic barriers, which hinders</p>	Streamline administrative procedures ⁴⁴	<ul style="list-style-type: none"> • Conduct business process analysis of bureaucracy in the tourism sector and introduce renewed processes accordingly.

⁴³ Similar actions are already reflected in GNTA's action plan.

⁴⁴ Similar actions are already reflected in GNTA's action plan.

		<p>the development of the sector.</p> <p>Complex governance structure:</p> <p>The GNTA struggles to make decisions quickly.</p>	<p>Streamline and adapt governance structure to respond to current challenges</p>	<ul style="list-style-type: none"> • Conduct business process analysis of the GNTA and the MoESD, identify gaps, and introduce renewed processes to address problems accordingly. To improve national coordination in tourism, some OECD countries have created the following platforms: <ul style="list-style-type: none"> ○ Denmark has a National Tourism Forum, chaired by the Minister of Industry, Business and Financial Affairs. The forum members include the chair of VisitDenmark, two members from Danish regions, one member from local government, two members representing the tourism industry and a tourism researcher. ○ In Finland, an inter-ministerial working group on tourism meets several times a year. In addition, there is a tourism cooperation group, operating since 2016, consists of 35 industry leaders from different branches of tourism. ○ In 2016, France created the Inter-ministerial Tourism Committee, which meets regularly, under the authority of the Prime Minister, with specific pre-ordained agendas. Such an approach makes it possible to mobilize different departments in pursuit of priority projects, such as training, investment or promotion. ○ In the United States, the Travel and Tourism Advisory Board (TTAB) consists of up to 32 private sector representatives from companies and organizations, who are appointed to provide policy input to the Secretary of Commerce. In addition, the Tourism Policy Council (TPC) is an inter-agency council established by law for the purpose of ensuring that the nation's tourism interests are properly considered in federal decision-making. Its main function is to coordinate national policies and programs of federal agencies that have a significant effect on travel and tourism, recreation, and national heritage resources. It reviews and responds to the TTAB's recommendations. ○ In Slovenia, a new organizational structure for tourism was established, dividing the country into four macro destinations and 35 lead destinations. The master plans for the four main destinations are under development, with a
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				focus on education and training, green and innovative tourism products, enhancing digital promotion, marketing of similar destinations and geographically linked exceptional tourism experiences.
		<p>Complex coordination mechanisms (e.g. for tour operators and food facilities):</p> <ul style="list-style-type: none"> • Insufficient level of coordination among different ministries like the MoESD, the MEPA, the MRDI and the GNTA. <p>To advocate policy issues, representatives of the gastronomy field have to communicate with different ministries and state agencies, including the MEPA, the MOESD, the GNTA and sometimes the National Intellectual Property Center of Georgia.</p>		<ul style="list-style-type: none"> • Conduct business process analysis of relevant actors, identify gaps, and introduce renewed processes to address problems accordingly.
	A need to improve statistical information	<ul style="list-style-type: none"> • There is a need for reliable statistics to enable the private sector to adapt and plan activities in an evidence-based manner. Poor sectoral statistics hampers the formulation of tourism policy, the definition of strategic priorities, and the ability of the private sector to adjust to current or anticipated shifts in the market demand. 	Improvement of tourism statistics in accordance with public and private sector demand ⁴⁵	<ul style="list-style-type: none"> • Identify good tourism statistics examples to follow, initiate twinning projects, and support the improvement of Georgia's tourism statistics. • Research the demand among the private sector for improved tourism statistics and support the implementation of respective projects to improve quantitative data. • Activate cooperation between the tourism value chain and Geostat.

⁴⁵ Similar actions are already reflected in GNTA's action plan.

6.3. Recommendations for the Covid-19 recovery phase

6.3.1. Support tourism value chain enterprises in the adoption of new security guidelines⁴⁶

The adoption of new security guidelines shall be a joint action undertaken by central, regional and local governments, DMOs, international donor organizations, and the private sector. Draft laws on tourism, agritourism and mountain tourism guides are still under discussion, in which articles regarding safe tourism shall be integrated based on the new security guidelines.

The adoption of new guidelines will require the elaboration of financial schemes to support private sector compliance. Subsidized loan schemes or grant components targeting the adoption of new guidelines shall be reflected in respective private sector support programs implemented by the Georgian government.

It will be equally important to strengthen the capacities of the private sector in implementing new guidelines. This will require the intensive training and dedication of respective employees to adopt and internalize guidelines and to keep Georgia's tourism industry safe. An initial option might be to launch an intensive training-of-trainers program, to be elaborated in close cooperation with the donor community. Trained and certified professionals may cover all of Georgia's regions and teach staff of specific enterprises (some of them even at actual sites of business activities).

The implementation of guidelines will require targeted efforts with respect to transferring, adapting and using respective techniques and technologies. Here, again, technical assistance to identify, adapt and internalize modern technologies and to train tourism sector staff on their deployment will be very important.

Supporting the adoption of guidelines will contribute to the long-term resilience of Georgia's tourism industry. The tourism value chain will be better prepared to respond to future epidemiological and other crises, thus supporting the country's economic security.

6.3.2. Communication Strategy on New Rules and Guidelines for the Tourism Value Chain⁴⁷

Even if security guidelines are perfectly designed and enforced, visitors will still need to be well-informed. An initial step in good enforcement would be a massive communication campaign to spread information about the new rules and the behaviors expected from visitors. The development of a corresponding strategy shall be guided by the central government, with the GNTA assuming a leading role. The inclusion of the private sector, regional and local authorities, DMOs and other stakeholders in this endeavor will be essential. The implementation of a communication strategy shall be more de-centralized, putting regional and local authorities, DMOs, and tourism information centers in frontline roles, closely cooperating with tourism enterprises. The means of communication would be television, radio, social networks, social advertisements, printed materials, and banners at popular tourism infrastructure sites. The regular collection and analysis of information regarding the implementation of the new measures, including travelers' feedback, will be crucial for the further improvement of the rules.

6.3.3. Stimulation of Domestic Tourism⁴⁸

Domestic tourism promotion could ease the negative impact being felt by the tourism industry because of the pandemic and suspension of international travel. Considering the relatively positive outlook within Georgia in terms of infection rates, the promotion of internal tourism shall become a priority in the short term at least. While the central government may lead the process of elaborating respective policy measures, DMOs, and other regional and local tourism authorities shall lead the process of promoting respective regions and sites conducive to internal tourism. They shall design and offer respective packages

⁴⁶ Similar actions are already reflected in GNTA's action plan.

⁴⁷ Similar actions are already reflected in GNTA's action plan.

⁴⁸ Similar actions are already reflected in GNTA's action plan.

and products in close partnership with private sector players, and advertise their offers throughout the country. The concept of safe travel shall be prevalent in the newly-developed offers. This would be particularly important for DMOs and regional/local tourism authorities, as this will contribute to their institutional development.

Local tourism voucher schemes might also be elaborated and implemented. Such schemes may cover families on a low income or could be designed as a sort of gratitude campaign, thanking and rewarding frontline workers in the Covid-19 crisis, including doctors, epidemiologists, police, military personnel, and other professionals.

6.3.4. Digitization of the tourism industry

The online presence of tourism value chain actors will be decisive in the marketing to and attraction of local and international visitors, as well as different segments of consumers, and diversifying tourism markets. The deployment of different online platforms creatively describing and showcasing destinations, announcing unique offers, explaining safety measures, obtaining consumer feedback and other relevant information will all support the sustainability of tourism value chain actors and enhance the attractiveness of particular villages, municipalities, and regions. In addition, in the post Covid-19 period, implementation of smart hotels, smart restaurants, and other similar concepts in the tourism value chain will be rational and are likely to be praised by consumers. Traditional smart elements of concepts shall be supplemented by health security and infection-aversion mechanisms.

The short- and medium-term policy response to addressing digitization challenges might entail: (1) special grant schemes for the development and adaptation of smart ICT solutions; and (2) innovation voucher schemes designed for tourism value chain actors, supporting them to cover expenses associated with the creation and development of online content and developing smart solutions. With the assistance of innovation vouchers, tourism sector companies may hire ICT companies or freelance professionals to assist them, while the vouchers would be co-financed by the State and payable to the suppliers of ICT services.

6.3.5. Recommendations for specific challenges during the recovery phase

The recommendations for prioritized challenges identified under the sub-group of “challenges during the recovery phase” are given in the table below.

Policy Challenge	Description of Challenge	Proposed Policy Change	Proposed Activity
Uncertainty about future business operations	The surveyed accommodation facilities and food facilities expect a decrease in their income and an increase in their costs due to the new regulations. A substantial portion of the surveyed accommodation facilities (26%) and food facilities (30.8%) expect a decrease of income of between 41% and 60%.	Support businesses in the tourism industry to operate with low costs during their recovery	<p>1) Free zone for hospitality: extend following support schemes in order to make sure healthy firms in the tourism value chain do not go bankrupt⁴⁹:</p> <ul style="list-style-type: none"> • Utility bills deferral or adjustment of rates; • Temporary suspension of VAT; and • Decrease of VAT tax rate. <p>2) Elaborate an “exit plan” and “recovery plan” for the industry, including clearly defined timeframes for each activity within the respective documents. The plans should be informed by best international practices, which should be applied as much as plausible to the Georgian reality. The documents should be created by a public-private task force, including all stakeholders of the industry, led by the GNTA⁵⁰.</p> <p>Some examples of international best practices in this direction are listed below:⁵¹</p> <ul style="list-style-type: none"> • Ireland’s Department of Transport, Tourism and Sport established a COVID-19 Tourism Monitoring Group, made up of industry stakeholders, state tourism agencies, and department officials. The group, which has met regularly since the crisis began, is monitoring the disruption to the sector, facilitating the rapid share of information and assisting in the formulation of a recovery plan. • In the United Kingdom, the Tourism Industry Events Response Group (TIER) is the key forum for gathering information on the impact of and response to the pandemic, and share with the Government any practical advice as soon as it becomes available. TIER is a group chaired by VisitBritain, comprising key tourism industry organizations, businesses, DMOs and government bodies, including the Department for Digital, Culture, Media and Sport. It provides a forum for industry to raise concerns, challenges and observations to be discussed by the UK Government. • The Latvian Ministry of Economics developed a crisis plan for tourism in cooperation with NGOs in tourism-related sectors and related

⁴⁹ Similar activities are already reflected in GNTA’s action plan.

⁵⁰ Similar activities are already reflected in GNTA’s action plan.

⁵¹ Retrieved from OECD: <https://www.oecd.org/coronavirus/policy-responses/tourism-policy-responses-to-the-coronavirus-covid-19-6466aa20/>

			<p>governmental subordinated bodies such as the Consumer Rights Protection Centre, the State Revenue Service and as well as the Ministry of Finance and the Ministry of Transport.</p> <p>3) To compensate for some damage to the sector, promote domestic tourism by developing voucher schemes⁵²:</p> <ul style="list-style-type: none"> • Provide vouchers and develop team-building events for people employed in the public sector; and • Develop a voucher scheme for specific groups of people including children, families with many children, firms, etc.⁵³ <p>4) In order to ensure the liquidity and solvency of firms, actively engage in the negotiation process with the banking sector to provide further deferrals of interest payments and elaborate “Covid-19 loans” (Croatia) with special accessible rates for firms in distress.</p> <p>Croatia’s Ministry of Tourism and the HBOR established a EU 80 million credit line to support the availability of liquid assets to tourism sector companies. Loan application, if accepted, will be honored for up to five years and a zero interest rate will be applied for the first three years.</p>
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The policy recommendations for the remaining three challenges from the sub-group of “challenges during the recovery phase” are presented in the table below.

Policy Challenges during the Crisis	Interrelated Underlying Causes	Description of Challenges	Proposed Policy Change	Proposed Activity
Achievement of quick V-shaped recovery	High dependence of accommodation facilities and food facilities on international tourism	Accommodation facilities and food facilities in Georgia are mainly dependent on international tourists. According to a survey conducted in June 2020 by PMC RC, 45.3% of surveyed accommodations reported that more than 81% of their clients were foreigners, while only 9% of the	Promote domestic tourism ⁵⁵ (according to the survey, 63% of surveyed accommodations believed that	<ul style="list-style-type: none"> • Producing promotional videos about Georgia. • Marketing campaigns encouraging Georgians to spend their holidays in Georgia. • Developing voucher schemes: <ul style="list-style-type: none"> ○ Providing vouchers and developing team-building events for people employed in the public sector; ○ Developing a voucher scheme for specific groups of people (like children, families with many children, firms, etc);

⁵² Similar activities are already reflected in GNTA’s action plan.

⁵³ For more details, please refer to recommendations to the issue „High dependence of accommodations and food facilities on international tourism”

⁵⁵ Similar actions are already reflected in GNTA’s action plan.

		<p>surveyed accommodations stated that the share of foreigners among their customers was less than 40%. For food facilities for more than half of the surveyed businesses (51.2%), the share of foreign tourists among their visitors was between 41% and 100%. Despite borders for international visitors starting to open from July, according to the UNWTO international tourist numbers could fall by around 60%-80% for 2020⁵⁴.</p>	<p>stimulating domestic tourism would affect their business positively or partially positively, while in the case of food facilities this number amounted to 50%).</p>	<ul style="list-style-type: none"> • Providing public transport ticket discounts for Georgian tourists; • Providing free or discounted tickets for Georgian tourists in all museums, protected areas, and in other tourist zones; • Supporting businesses in the tourism sector to develop marketing strategies; • Cleaning events organized by municipalities; • Informational campaigns in educational institutions about different historical sites in Georgia; <p>Some international examples in correspondence of this challenge include:</p> <ul style="list-style-type: none"> • An innovative measure in Slovenia entails a voucher scheme granted to all Slovenian citizens. People over 18 receive EUR 200, while those under 18 receive EUR 50 electronic vouchers. These can both be redeemed by the end of 2020 for overnight stays in hotels, holiday homes, campsites, tourist farms, and other short-stay accommodation facilities. The Financial Administration will reimburse the service provider with the respective amount within eight days of the stay. The amount of state aid in this form is estimated at EUR 345 million, while the multiplier effect is estimated to be EUR 172 million; and • To promote domestic tourism in Greece, advertising campaigns and a social tourism holiday program have been launched. The latter program, to cover around 250 000 Greek beneficiaries, amounts to EUR 30 million and involves the provision of EUR 120 e-vouchers for a minimum 4-night stay at a selected Greek hotel. For private sector employees, EUR 300 corporate travel vouchers will be available.
	<p>Lack of knowledge among staff in the tourism industry about new regulations</p>	<p>The regulations imposed by the Georgian government are new for the tourism sector, representatives of which do not have experience and knowledge in following such regulations. Moreover, according to the regulations, the owners of businesses in the tourism industry are required to conduct trainings for their</p>	<p>Provide tourism businesses with coaching about new regulations⁵⁶</p>	<ul style="list-style-type: none"> • Organize informational meetings about new regulations for representatives of accommodation facilities and food facilities. • Provide trainings free of charge for the staff of accommodation facilities and food facilities.

⁵⁴ <https://www.unwto.org/news/covid-19-international-tourist-numbers-could-fall-60-80-in-2020>

⁵⁶ Similar actions are already reflected in GNTA's action plan.

		staff regarding the requirements.		
	Lack of financial resources to comply with the Government's regulations	According to a survey conducted in June 2020 by PMC Research, for accommodation facilities and food facilities some of the accepted rules imposed by the Government present challenges due to the financial burden. For accommodation facilities and food facilities, these burdensome rules relate to: thermoscreening or video screening; placing transparent protective barriers; cleaning / disinfecting; provision of personal protective equipment for staff; and printed menu requirement.	Provide financial support to adhere to government regulations	<ul style="list-style-type: none"> Finance the costs specifically emerging from new regulations (protective barriers, disinfection materials, special equipment for staff, etc.) by co-financing interest rates on loans.

Annex 1: List of interviews

	Name	Position, Organization	Contact Information	Interview Date	
1.	Shalva Alaverdashvili	Founder, Georgian Hotel, Restaurant, and Café Federation	shalvadevi@hotmail.com	591 454 040	8 April 2020
2.	Maia Sidamonidze	Owner, Hotel Terrace, Tourism Professional	m_sidamonidze@hotmail.com	591 703 170	8 April 2020
3.	Alejandro Palomar	Owner of Duende Hotels	apalomar@duendehotels.com		9 April 2020
4.	Levan Qoqiashvili	Executive director, Gastronomic Association of Georgia	levan.qoqiashvili@gmail.com	577 770 733	13 April 2020
5.	Nata Kvachantiradze	Chairperson, Georgian Tourism Association (GTA)	nata_kvachantiradze@yahoo.com	577 734 686	13 April 2020
6.	Mamuka Burduli	Founder of Jomardi Adventure Club	mam.burduli@gmail.com	599 141 160	13 April 2020
7.	Ia Tabagari	Director, GITO Association of Incoming Tour Operators	iatabagari@gitooa.ge	599 581 175	14 April 2020
8.	Davit Rakviashvili	President, Mountain Guides Association	datunarakviashvili@gmail.com	599 507 399	14 April 2020
9.	John Wurdeman	Owner, Lost Ridge Inn and Living Roots	jwurdeman@pheasantstears.com	599 534 484	14 April 2020
10.	George Welton	AMCHAM Tourism Committee Members	g.welton@amcham.ge	593 217 283	15 April 2020
11.	Olaf Malver	Owner and Founder, Danieli Winery Ltd	olaf@danieliwinery.com		16 April 2020
12.	Niko Tevdorashvili	Agency for Protected Area Development / MoAEP	niko@tevdorashvili.com	551 100 008	9 April 2020
13.	Severian Gvinepadze	Principal Manager, EBRD	gvinepas@ebrd.com	577 737 737	5 May 2020
14.	(1) Lela Potskhverashvili; (2) Miranda Aghapishvili	Head (1) and Deputy Head (2) of International Relations and Analytical Department, Mountain Resorts Development Company	l.potskhverashvili@mrg.gov.ge m.ghapishvili@mrg.gov.ge	599 183 587 (Miranda Aghapishvili)	6 May 2020
15.	Nikoloz Antidze	General Director, Cultural Heritage Agency	antidzenikoloz@gmail.com	577 270 030	6 May 2020
16.	Brian King	Chief of Party, USAID ZRDA	bking@zrda.ge		7 May 2020

17.	(1) Nino Khazalashvili; (2) Davit Mumladze	Project Manager (1) and Executive Director (2), Samtskhe-Javakheti DMO	nin.khazalashvili@gmail.com davitmumla@gmail.com	598 155 504 (Nino); 577 773 221 (Davit)	7 May 2020
18.	Tamar Archuadze	Head of United Airports of Georgia	t.archuadze@airports.ge		7 May 2020
19.	Tinatin Gvenetadze (Philip Steinheim recommended meeting her)	Programme Expert, Cluster Development Tourism, GIZ	tinatin.gvenetadze@giz.de	577 292 654;	7 May 2020
20.	Gerard Schaumberger (Tamar Chelidze recommended us to meet him)	Austrian Development Agency	Gerhard.schaumberger@ada.gv.at		7 May 2020
21.	Levan Tsulaia	Executive Director, Samegrelo-Zemo Svaneti DMO	ltsulaia1@gmail.com	595 373 330	8 May 2020
22.	Tiniko Khanjaliashvili	Executive Director, Kakheti DMO	tkhanjalia@gmail.com	599 001 221	11 May 2020
23.	Tengo Gogotishvili (Tamuna Namicheishili recommended us to meet him)	Urban Development Specialist, World Bank	tgogotishvili@worldbank.org		12 May 2020
24.	Rusudan Mamatsashvili (Presentation of initial findings)	First Deputy Head, GNTA	r.mamatsashvili@gnta.ge	0 32 243 69 99	16 June 2020
25.	Giorgi Bregadze (Presentation of initial findings)	Head of Research and Planning Department, GNTA	g.bregadze@gnta.ge	551 080 893	16 June 2020

Annex 2: List of working group members

#	Name	Sector	Position	Phone	Email
1	Maia Sidamonidze	Private Sector	Owner, Hotel Terrace, Tourism Professional	591703170	m_sidamonidze@hotmail.com
2	John Wurdeman	Private Sector	Owner, Lost Ridge Inn and Living Roots	599534484	jwurdeman@pheasantstears.com
3	Valeri Chekheria	Private Sector	Chief Executive Officer, Adjara Group	577323299	valeri.chekheria@adjaragroup.com
4	Otar Berishvili	Private Sector	GM Rooms Hotel Tbilisi	577 323222	
5	Jordi Kuijt (or Georgian Representative)	Private Sector	CEO Silk Road Hospitality and Chair of the Georgia Business Tourism Association	595882888	jordi.kuijt@silkroad.ge
6	Archil Tsintsadze	Private Sector	Technical Leader, Adventure Tourism School	551008131	Archil Tsintsadze <achitours@gmail.com>
7	(Charlotte Emborg) Nene Samniashvili	Private Sector	Caucasus Travel / Georgian Hospitality Group	577202603	charlotte.emborg@ghg.ge
8	Nick Erkomaishvili / Guram Klibadze	Private Sector	Founder/Director, Explore Georgia	599557400	nick@exploregeorgia.com
9	Tamuna Guledani	Private Sector	CEO, M2 Hospitality	577570083	tamuna.guledani@m2hospitality.ge
10	Elene Otarashvili	Private Sector	GM Tsinandali Collection	591555333	
11	Nana Tsertsvadze	NGOS	Deputy CEO, Business Association of Georgia (BAG)	599294459	ntsertsvadze@bag.ge
12	Shalva Alaverdashvili	NGOS	Founder, Georgian Hotel, Restaurant, and Café Federation	591454040	shalvadevi@hotmail.com
13	Levan Qoqiashvili	NGOS	Executive director, Gastronomic Association of Georgia		levan.qoqiashvili@gmail.com
14	Nata Kvachantiradze	NGOS	Chairperson, Georgian Tourism Association (GTA)	577734686	nata_kvachantiradze@yahoo.com
15	Ia Tabagari (Mariam Shakarashvili)	NGOS	Director, GITOA Association of Incoming Tour Operators	599581175	iatabagari@gitoea.ge

16	George Welton (Nini Kapanadze)	NGOS	AMCHAM Tourism Committee Members	593217283	g.welton@amcham.ge
17	Lina Jikia	NGOS	Amcham		
18	Mariam Kuchuloria / Nino Ushikishvili	NGOS	European Business Association		
19	Tinatin Gvenetadze	Donors	Programme Expert Cluster Development Tourism, GIZ	577292654	tinatin.gvenetadze@giz.de
20	Tengo Gogotishvili	Donors	Urban Development Specialist, World Bank		tgogotishvili@worldbank.org
21	Ketevan Tchumburidze (Brian King)	Donors	Deputy Chief of Party, USAID ZRDA		kchumburidze@zrda.ge
22	Nino Chokheli	Donors	General Director, Cultural Heritage Agency	577 403092	
23	Paata Shaniashvili	Donors	Chief of Party, USAID Department of Interior Project		pshanshiashvili@gmail.com
24	Nikoloz Antidze	Public	General Director, Cultural Heritage Agency	577270030	antidzenikoloz@gmail.com ;
25	Tamar Archuadze	Public	Head of United Airports of Georgia		t.archuadze@airports.ge ;
26	Keti Chukhua (Tornike Zirakishvili)	Public	Enterprise Georgia / MoESD	597750707	t.zirakishvili@gmail.com
27	Irakli Chirakadze	Public	Director, Mountain Resort Development Company	599515515	ichirakadze@gmail.com
28	Rusudan Mamatsashvili	Public	Deputy Director, GNTA	591407528	r.mamatsashvili@gnta.ge
29	Giorgi Bregadze	Public	Head of Analytical Department, GNTA	551080893	g.bregadze@gnta.ge
30	Niko Tevdorashvili	Public	Agency for Protected Area Development / MoAEP	551100008	niko@tevdorashvili.com
31	Miranda Aghapishvili	Public	Deputy Head, International Relations and Analytical Department, Mountain Resorts Development Company	599183587	m.aghapishvili@mrg.gov.ge
32	Levan Tsulaia	DMO	Executive Director, Samegrelo-Zemo Svaneti DMO	595 373 330	ltsulaia1@gmail.com
33	Tiniko Khanjaliashvili (Manana Inashvili)	DMO	Executive Director, Kakheti DMO	599001221	tkhanjalia@gmail.com

Annex 3: Survey of accommodation facilities and food facilities in Georgia

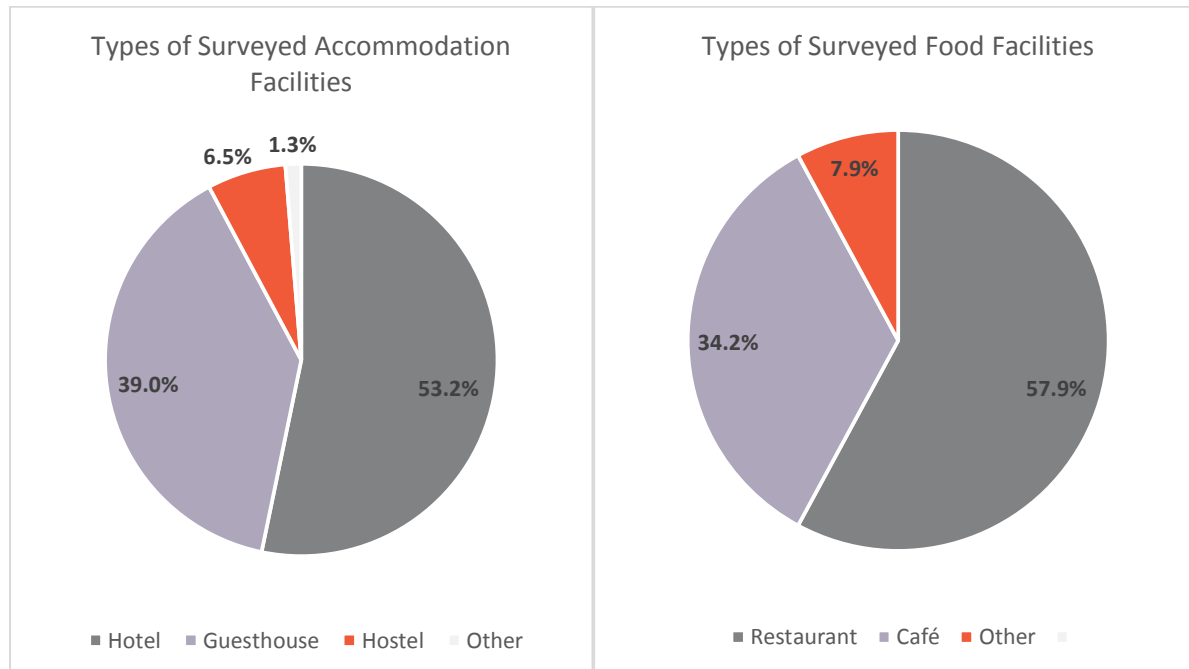
In order to assess the impact of the Covid-19 pandemic on accommodation and catering services, PMC Research Center developed a questionnaire and conducted an online survey of accommodation facilities and food facilities in Georgia. The email addresses of 5349 facilities were identified from various sources. A detailed list of sources is listed in the table below:

	Accommodation facilities	Food facilities
PMC Research Center's Hotel Price Index	188	0
GNTA Database	1385	0
Geostat Business Register	1156	2202
Yell.ge	0	391
Georgian Tourism Association	27	0
Total	2756	2593

Emails asking each recipient to fill-out a survey in a Google form were sent to each identified recipient. However, due to an error in the source data, a sizable number of emails were not delivered. The initial emails were sent on June 1, with the deadline for recipients set at June 8. On June 8, a reminder was sent to each respondent, extending the deadline by two days until June 10. Eventually, 77 responses were collected from the survey of accommodation facilities, while 39 responses were obtained from the survey of food facilities.

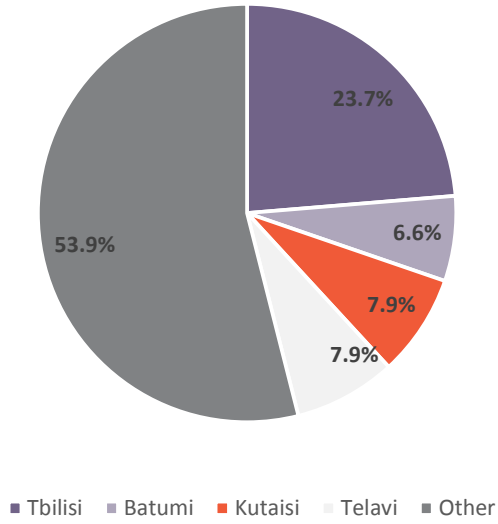
Out of 77 surveyed accommodation facilities, 41 were identified as hotels, 30 as guesthouses, five as hostels, and one as “other.”

Out of 39 surveyed food facilities, 22 were identified as restaurants, 13 as cafés and four as “other.”



Of the 77 surveyed accommodation facilities, 18 (23.7%) were situated in Tbilisi, while of the 39 surveyed food facilities, 20 (51.3%) were located in Tbilisi. A detailed regional distribution of surveyed facilities is presented below:

Types of Accommodation Facilities Surveyed



Types of Food Facilities Surveyed

