

FROM STRATEGY TO ACTION: DEVELOPING GEORGIA'S TOURISM

Tamar GAMSAKHURDIA, Maka PIRANASHVILI, Maia MELADZE

Abstract

The article underlines the fact that tourism is an important economic activity in most countries around the world and it also is an integral part of international economic relations. The importance of the tourism is growing and directly referred to relations between states, social, educational, economic spheres. The Georgian National Tourism Administration is now putting an emphasis on quality over quantity. This is all part of the Georgian National Tourism Strategy 2025. The aim is to attract a higher spending segment of tourist, and the increasing number of Russian and Middle Eastern visitors is the result of these activities. This article discusses the national tourism development strategy that is an instrument to develop further the sector in order to take full advantages of Georgia's potential and position as a rich, diversified and high quality destination. financial resources obtained from tourism cannot be reflected in the country's economy, since Georgia has almost no domestic production and eventually it comes out that foreign tourists, while visiting Georgia finance the economy of other countries.

Key words

tourism development strategy, tourism industry, visitor spending, tourism policy, growth of income.

JEL Classification: Z32, Z38, O18

Introduction

Tourism appears to be one of the largest industries in the world, for the development of which the existence of appropriate touristic infrastructure and services is important. At the same time, the investment in this field of economics is very profitable in long-term perspective and the state should support its development. Tourism is one of the largest, most profitable and dynamically developing fields in the modern world economy. Namely, tourism is one of the main generators of currency movement. In recent years a tendency of the growth of tourists' number is observed in the developing countries, which promotes the accumulation of revenue and the increase (rise) of living standards.

1. Georgia Tourism Strategy

Travel & Tourism's influence on the economic and social development of a country can be different: opening it up for business, capital investment, creating jobs and entrepreneurialism for the citizens and defending heritage and cultural values. It is known, that the sector has as direct economic impact, as well significant indirect and induced impacts. The UNSD approved Tourism Satellite Accounting methodology

quantifies only the direct contribution of this sector.¹ WTTC recognizes that Travel & Tourism's total contribution is much larger, however, and purposes to capture its indirect and induced impacts.² To make clear its effect, however, governments and businesses around the world require accurate and reliable data on the impact of the sector. Data is required to assist, on the one hand, assess policy makers to govern industry development and, on the other hand, to provide knowledge to make successful Travel & Tourism investment decisions.

At the same time there is no doubt that a high competition in tourism field takes place at the world market and therefore it is for the establishment of its own place, the development of the strategy, which should be relevant to the international standards is necessary. And, most importantly that the short- and long-term goals in this strategy should be focused on the support of the development of sustainable economy in the country.

It should also be noted that the Georgian government allocate funds for the private sector from the state budget and will continue to support tourism until the number of tourists reaches 11 million. Also

¹ International Recommendations for Tourism Statistics 2008. (IRTS 2008). <http://unstats.un.org/unsd/tradeserv/tourism/manual.html>

² The World Travel & Tourism Council (WTTC) .Travel & Tourism ECONOMIC IMPACT 2016 WORLD. <https://www.wttc.org/-/media/files/reports/economic%20impact%20research/regions%202016/world2016.pdf>

noteworthy the introduction of the tourism zones by the state for expansion of investment opportunities in touristic infrastructure. The following preferential terms are acting there: during 15 years an investor is exempt from the obligations of property and profit taxes established by the Georgia's tax code. The investor is also exempt from the obligation of payment of construction permit fees. The appropriate land plot area will be transferred to the investor at a symbolic price – 1 GEL. Additionally, with the collaboration with the Georgian Partnership Fund the investment in the tourism sector is possible. The Fund offers the investors co-financing and collaboration.

Georgia has only recently developed a long-term strategy for its tourism industry. For many years, the country had a vision, certainly – but not yet a clear and well-designed strategy that it could implement and monitor.

The country's tourism strategy was developed by the Government of Georgia over the course of one year with support from the World Bank Group to all tourism stakeholders. The entire process involved an extensive consultation process and in-depth dialogue with a wide range of organizations and individuals from national and local governments, tour operators, investors, protected areas and heritage site managers, hotel owners, tourism educators, and citizens representing all walks of life.

The design of the strategy also included interviews with key public and private sector opinion leaders and decision makers. Consultations were held with the industry professionals, aimed at identifying key challenges to tourism development and prioritizing ideas for addressing them; and drafting action plans for the implementation of those ideas.

Georgia Tourism Strategy 2015-2025 is a 10-year vision and strategic plan for increasing the value and importance of tourism for the benefit of the country's economy and ultimately its citizens. It contributes to the achievement of the World Bank Group twin goals in Georgia. The plan was formulated through a partnership between the government and the private sector with a view to maximizing tourist satisfaction, diversifying market and products, increasing the size and profitability of the industry in a sustainable way, and maximizing opportunities for job creation.

The strategy strives to achieve eight strategic objectives:

- 1) Respect, enhance, and protect Georgia's natural and cultural heritage;
- 2) Create unique and authentic visitor experiences centered on those natural and cultural assets;
- 3) Enhance competitiveness, through delivery of world-class visitor services,;

- 4) Attract higher spending markets, through increased and more effective marketing and promotion;
- 5) Expand and enhance Georgia's ability to collect and analyze tourism data and measure industry performance;
- 6) Expand public and private sector investment in the tourism sector;
- 7) Enhance the business environment, to facilitate increased foreign and domestic investment;
- 8) Build partnerships between government, industry, non-governmental organizations, and communities that will be needed to achieve all of the above.

The purpose of the Strategy is to create a road map increasing the value, profitability, and sustainability of Georgia's tourism industry. It also aims to define and implement a plan for converting Georgia's tourism assets into world-class tourism products and visitor experiences that will attract tourist from some of the world's highest spending travel markets, including the European Union, North America, and East Asia.

This process was supported by research and analysis provided by the GNTA, the World Bank, and other organizations and individuals. It included interviews with key public and private sector opinion leaders and decision makers and workshops with a broad range of industry professionals aimed at identifying key challenges to tourism development; collecting, refining, and prioritizing ideas for addressing them; and drafting action plans for implementation of those ideas.

2. Development of Georgia's tourism

The aforesaid is due to the fact that in the period of 2009-2013 in Georgia the rate of tourism growth was the highest in the world. Particularly, the total number of visitors increased by 300% - from 1.5 to 5.4 million (see below the scheme), and the revenues from the tourism increased by slightly faster rate – approximately from 745 million to 1.8 billion dollars. In 2015 Georgia received 1.936 billion dollars from International tourism, which was more than 8% (149 million about 5 times lags behind the average of 2010-2013 dollars), as compared with the revenues in 2014. The rate of revenues obtained from tourism is increased as compared with 2014, but it lags behind the average indices of 2010-2013 about 5 times.³

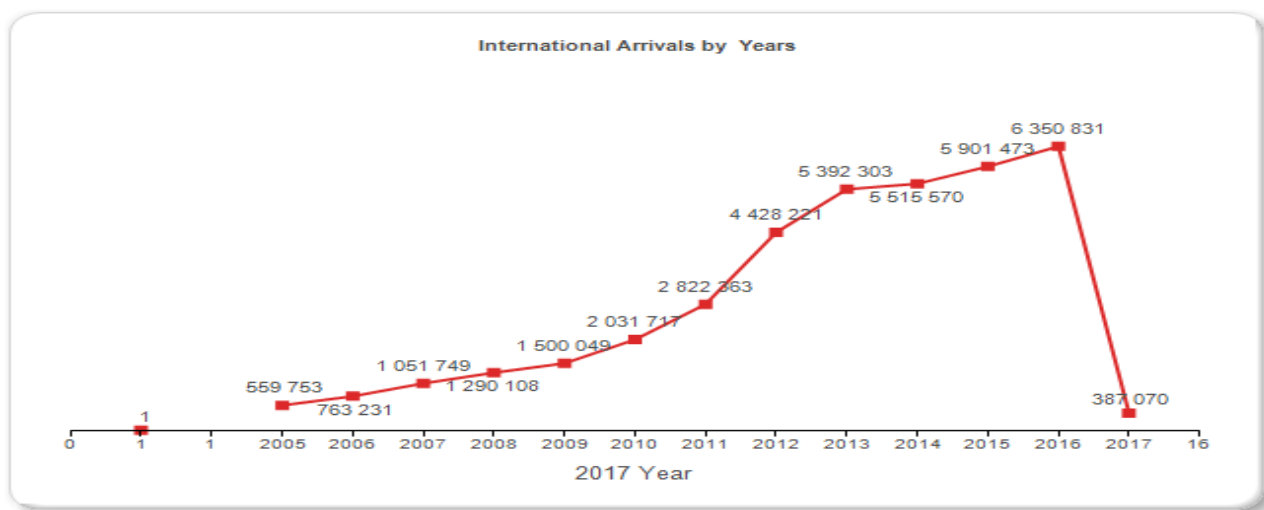
The number of tourists visiting the country in 2016 had increased by 7.6 percent from 2015. 6,350,825 international visitors arrived in Georgia last year,

³ <http://stats.gnta.ge/Default.aspx>

which is 449,731 more than the year previous. The greatest number of tourists hailed from Azerbaijan (1,523,075, an increase of 9.3%), followed by Armenia (1,496,246, an increase of 1.9%) and Turkey (1,254,089 – a decreased of 9.9% from last year).

1,037,564 Russian tourists visited Georgia in 2016, which is a full 12% more than in 2015, while visits from Ukraine increased by 21.8%, amounting to 172,631 people. The year-on-year statistics for visitors from Europe also show positive signs.

Figure 1:



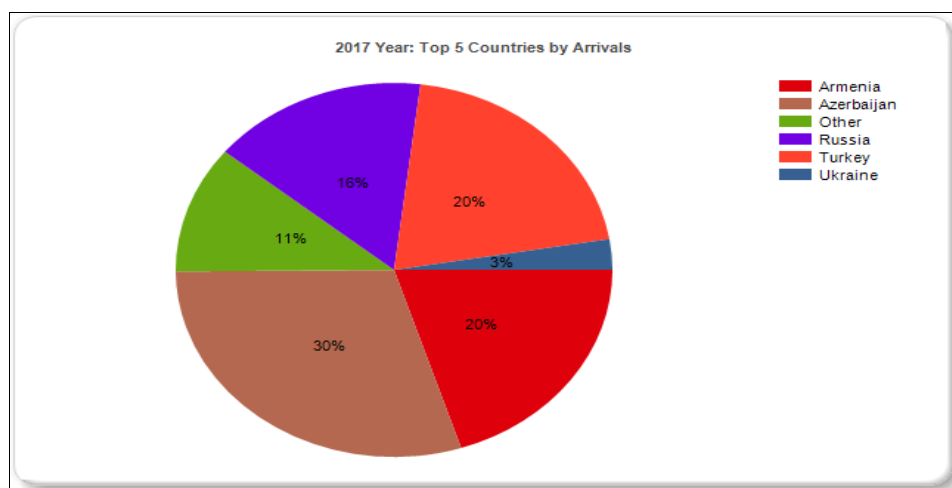
Source: National Bank of Georgia

The total number of travelers from Lithuania, Latvia, Czech Republic, Bulgaria and Germany has all significantly increased. An exceptional increase in tourism was observed from the following countries: Iran (+485%), India (+ 199%), Saudi Arabia (+ 116%), the Philippines (+ 89%), Oman (+ 75%), and China (+46%) The income from international tourism has also increased, amounting to USD 1.7 billion in

three quarters of 2016. That represents USD 177 million more than figures from the previous year.

2017 Year Number of international travelers: 387 070 The same period last year: 323 159. Increase over the same period last year: 19.8%. Top 5 countries by the number of arrivals: Azerbaijan (115 527), Turkey (79 042), Armenia (77 528), Russia (62 075), Ukraine (10 232).

Figure 2: Top five countries by arrival

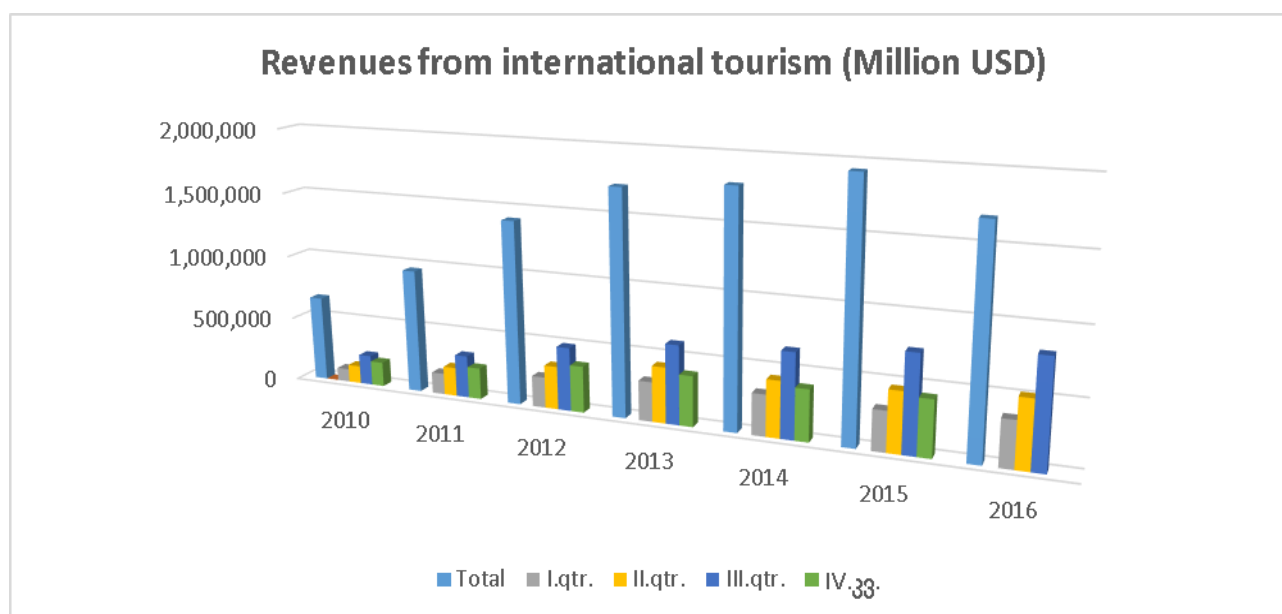


Source: National Bank of Georgia

What is evident, however, from this data is that the average spending per visitor is below the global average. In order to increase visitor spending, several opportunities can be exploited – including the development of more diversified and high-quality

tourism products, enhancing visitor experiences and improving service quality – ultimately creating a world-class tourism destination that stimulates international demand beyond Georgia’s neighboring countries.

Figure 3: Revenues from international tourism



Source: National Bank of Georgia

The National Strategy envisaged increasing the income received from international tourism from \$1.8 billion USD, which Georgia receives today, to \$5.5 billion USD per year. In particular, the goal was for each one visitor to spend \$500 per day, up from the \$320 currently spent while visiting Georgia. Georgia also seeks to increase the number of visitors to 11 million per year. Initially the National Strategy wanted to see an 80 percent increase in the number of tourists from Georgia’s neighboring countries, and to double the number of tourists from Western Europe, Asian and North American countries.

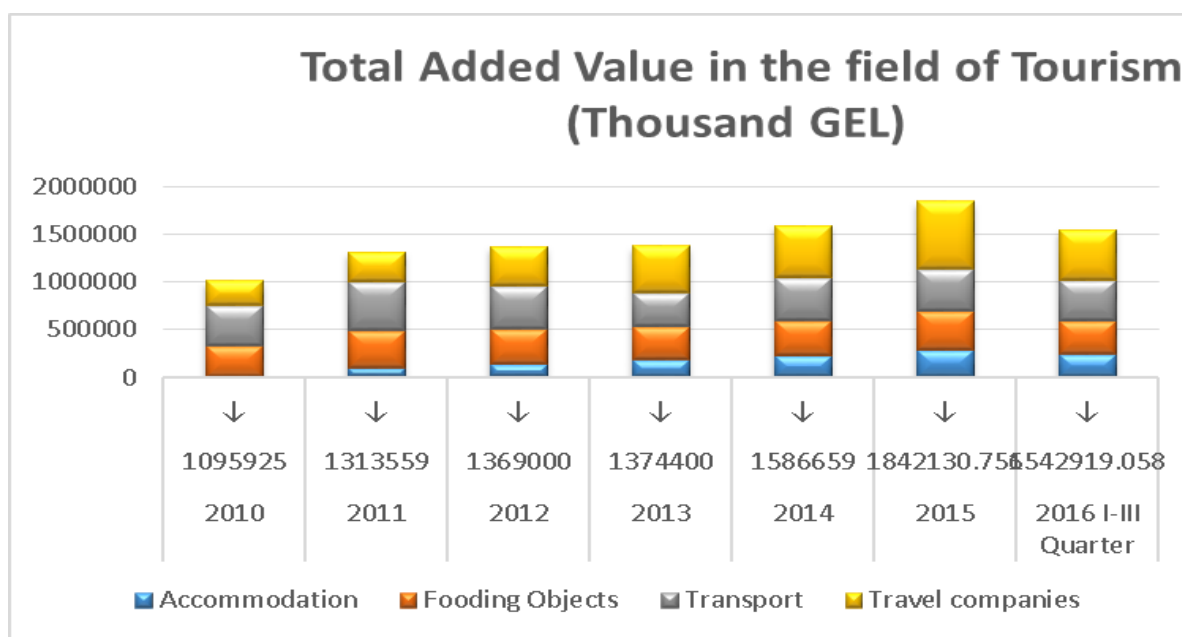
Georgia also will work to increase Foreign Direct Investments (FDIs) flowing into the tourism sector by 63 percent – a growth from today’s \$559 million to \$910 million per year. Furthermore, the tourism sector must contribute 6.7 percent of Gross Domestic Product (GDP) to the economy, up from the six percent it contributed today.

Georgia’s high rankings in various subcomponents underline the work that has been put in to increase the country’s competitiveness as a tourism destination. Ease of doing business in Georgia, an investor-friendly tax environment, and ease of hiring foreign labor are among the country’s competitive advantages

highlighted in the index. Georgia is ranked highly in safety/security and health/hygiene - requirements that must be met for a country aspiring to develop a successful tourism industry. Last but not least, the index highlights Georgia’s openness to foreign visitors, ranking its visa regime among the top three out of 141 countries.

The key challenges to further development of Georgia’s tourism industry are also evident in the index. The availability of skilled labor is a challenge in this sector, as indicated by very low rankings across several relevant indicators and confirmed by industry players. The country’s low score in air transport infrastructure rightly underscores the fact that Georgia’s air transport network is in need of further development, especially when it comes to the major Western outbound markets, whose share in the total arrival mix is currently negligible. A low score in the openness of bilateral Air Service Agreements further stresses this issue. This leaves significant upside potential, if air connectivity to these high-value target countries can be improved. Lastly, Georgia has some of its lowest marks under stringency and enforcement of environmental regulations and wastewater treatment.

Figure 4: Total added value in the field of tourism



Source: National Bank of Georgia

At the same time it should be emphasized that the financial resources obtained from tourism cannot be reflected in the country's economy, since Georgia has almost no domestic production and eventually it comes out that foreign tourists, while visiting Georgia finance the economy of other countries. For this we can cite examples of passenger companies. Georgia has only one airline company. The others were unable to compete and closed. But even the remaining company cannot provide an appropriate service. For this reason the tourists prefer foreign airline companies. The same can be said about food and consumer commodities used by foreign tourists. According to experts 50% of consumed food products are imported.

So, it should be mentioned that a half of estimated revenues goes abroad, which for the delay of fund investment in the economy reduces the number of working places in our country and the state budget revenues. In order to get the maximum return and the country achieves a significant increase in the tourism industry, a special attention should be paid to the development of local production. First of all, it means the recovery of proportion between the development of tourism and agriculture.

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Conclusion

It is envisaged that by 2025 Georgia will become well-known as a premier, year-round, high-quality tourism destination – centered on its unique cultural and natural heritage, world-class customer service, and timeless tradition of hospitality.

Georgia will be at the forefront of tourism competitiveness, through strategic investments in infrastructure, education, marketing, and the development of unique Georgian visitor experiences that appeal to high-value markets around the globe.

Thus, it can be said that tourism industry continues to increase in Georgia. The perspective of sector development appears to be quite optimistic. According to the forecast, this industry will create more working places and bring more revenues in the coming years. For the increase of return indices the development of agriculture should take place, as well as the local production of domestic industrial goods consumed in tourism field.

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Contact

Tamar Gamsakhurdia Professor, PhD,
Director of Bachelor's and PhD Program of Business Administration School of Business and Management Grigol Robakidze University
David Agmashewnebeli alley 13th km,
Tbilisi 0131, Georgia
e-mail: gamsakhurdia.t@gmail.com

Maka Piranashvili Associate Professor PhD,
Director of Tourism Program at School of Business and Management Grigol Robakidze University
Associate Professor of Georgian Technical University
David Agmashewnebeli alley 13th km,
Tbilisi 0131, Georgia
e-mail: makapiranashvili@yahoo.com;

Maia Meladze Associate Professor, PhD,
Tourism Program at School of Business and Management Grigol Robakidze University
David Agmashewnebeli alley 13th km,
Tbilisi 0131, Georgia
e-mail: m.meladze@gruni.edu.ge