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Sustainable Development Goals Discourse in Cultural Tourism: Financial Mechanisms for Inclusive Growth in Georgian Regions

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Abstract

Cultural tourism offers Georgia a strategic opportunity to advance the **Sustainable Development Goals (SDGs), particularly SDG 8 (Decent Work and Economic Growth) and SDG 11 (Sustainable Cities and Communities)**. This study aims to identify how cultural tourism can become a financial driver for inclusive growth in Georgia's regions. The research employs a mixed-methods approach, combining quantitative and qualitative analysis. Quantitative data (2015–2024) were obtained from Geostat, the Georgian National Tourism Administration, the World Bank, and ENPARD reports to analyze revenue trends and investment levels. Qualitative data were collected through seven (n=7) in-depth semi-structured interviews with experts from the banking sector, international organizations, and small and medium-sized enterprises in the tourism industry to identify systemic financial barriers. Additionally, a comparative case study was conducted in **Mtskheta** and **Svaneti** to assess the activation of economic resources and local community participation. The findings confirm that cultural tourism in Georgia could generate an additional **\$100–150 million** in annual revenue with the support of sustainable infrastructure and local entrepreneurship. The example of Mtskheta demonstrates a successful public-private partnership

(PPP) model, where local participation increased the share of local revenues to 45%. In contrast, an analysis of Svaneti shows that, despite high demand, growth is constrained by a lack of infrastructure and limited access to financing: only 32% of local entrepreneurs utilize international grants. The study recommends the creation of regional tourism development funds and decentralized governance with local participation to ensure equitable revenue distribution and the long-term sustainability of Georgian tourism.

Keywords: Sustainable Development Goals (SDGs); Cultural Tourism; Inclusive Growth; Local Investments; Financial Instruments; Public-Private Partnerships

Introduction

Cultural tourism represents a strategic opportunity for Georgia to advance the Sustainable Development Goals (SDGs) by linking heritage protection and inclusive economic growth. Our country is distinguished by its unique culture and location, over 8,000 monuments, 3 UNESCO World Heritage Sites, 8 intangible cultural heritages, 8,000-year history of wine culture, regional diversity (Ministry of Culture of Georgia, 2023). Despite this rich potential, the economic benefits derived from cultural tourism are unevenly distributed, and local communities often lack access to financial resources and decision-making processes. At the same time, it is still unclear to what extent cultural tourism can foster local investment, reduce regional disparities, and enhance inclusive development. This article aims to determine how cultural tourism can become a financial driver for strengthening local communities, small and medium-sized businesses, and attracting investment, especially in rural and less developed regions.

The study is based on the identification of existing financial mechanisms, including public-private partnerships, regional grant programs such as ENPARD, and the role of the Georgian National Tourism Administration in financing sustainable tourism.

In addition, the study considers SDG 8 (decent work and economic growth) and SDG 11 (sustainable cities and communities) as the main guiding framework. The article examines the relevance of tourism development to these goals and analyzes Georgia's tourism policy in this regard.

By analyzing the cases of Mtskheta and Svaneti, the article shows both successful models, as well as challenges and potential for scaling up. The study concludes with policy recommendations aimed at supporting decentralized investments and strengthening participatory governance in tourism planning.

Literature Review

The realization of the Sustainable Development Goals (SDGs) in the tourism sector has become part of the global discourse, especially since the UN 2030 Agenda was launched with the goal of building sustainable, inclusive and economically resilient societies. In this context, cultural tourism is considered one of the main tools that not only serves economic growth, but also the preservation of cultural heritage (UNWTO, 2018).

General studies show that cultural tourism plays a particularly important role in the economies of developing countries, as it creates jobs, increases small entrepreneurship and contributes to the reduction of regional inequalities (Richards, 2016; OECD, 2020). The development of inclusive tourism, where local communities directly participate and benefit from tourism activities, is considered one of the crucial conditions for sustainability (Ashley & Mitchell, 2009).

The development of cultural tourism in Georgia (especially through the use of heritage sites) can directly contribute to the goals of SDG 8 (by increasing regional employment) and SDG 11 (through the conservation of historic cities). A critical problem is the lack of infrastructure in rural areas (UNWTO, 2022).

Studies conducted in Georgia (World Bank, 2019; USAID, 2022) highlight the growing potential of cultural tourism, but also show systemic problems such as insufficient infrastructure, a low-skilled workforce, and centralized planning, which limit inclusiveness and long-term benefits.

To ensure the long-term sustainability of cultural tourism in Georgia, it is essential to maintain a balance between heritage conservation and visitor accessibility and infrastructure development. In addition, capacity building and training in the cultural tourism sector are needed to improve the quality of visitor experience (World Bank, 2024).

The Georgian National Tourism Administration's forecast statistics for 2024 and 2025 show that the tourism sector is making a significant contribution to the country's economy (GNTA, 2024). However, the level of tourism development varies across regions, indicating the need for more in-depth development of regional tourism policies and investments. In addition, the Georgian National Tourism Administration's Tourism Strategy 2015-2025 aims to sustainably develop the tourism sector, improve infrastructure, and protect cultural heritage, which will help attract high-value tourists and strengthen the economy (GNTA, 2015).

Cultural tourism research in Marneuli, Bolnisi, and Dmanisi municipalities highlights the development of the cultural tourism value chain and the importance of local community engagement in the tourism sector (PMCG, 2023).

The rapid expansion of tourism worldwide has highlighted the need for areas like Svaneti to preserve their natural beauty and unique cultural heritage. It is particularly important to note that, if development is not controlled, the delicate balance between ecology, local customs, and present-day needs may be disrupted. The Svaneti DMO plays a stimulating role, facilitating the evolution of a tourism industry in the region that is fully consistent with its physical and cultural landscape (Svaneti Tourism Development Association, n.d.). More than 25% of tourism revenues in Georgia are generated from cultural assets, but only 30% reach local communities. Proposes decentralized management as a solution (World Bank, 2021).

According to the ISET research institute, tourism sector reforms, including tax incentives for agritourism and wine tourism services, aim to diversify and improve the quality of tourism services.

According to the UNESCO Policy Monitoring Platform, Georgia's cultural tourism development policy emphasizes cultural heritage protection and development strategies, which include the creation of unique and authentic visitor experiences.

Financial instruments, such as public-private partnerships (PPP), EU programs (ENPARD, EU4Culture), and grants from international development agencies, are used in a number of countries to finance cultural tourism and involve communities in it. This approach has not yet been fully implemented in Georgia, although pilot projects launched in Mtskheta and Svaneti show that a community-based, investment-oriented approach is possible (GIZ, 2021).

Additionally, the development of tourism based on local investments requires the strengthening of mechanisms such as: financial access to communities, knowledge sharing, income distribution mechanisms and direct community participation in tourism management (Scheyvens, 2007; Novelli, 2020).

Academic discourse on sustainable tourism emphasizes that economic growth alone is insufficient for regional development unless it is underpinned by an inclusive framework (Novelli, 2020). Scholars argue that to achieve SDG 8 and SDG 11, cultural tourism must move beyond "mass tourism" models and toward community-based tourism (CBT), where local populations retain control over land and cultural heritage sites (Scheyvens, 2007). This is consistent with the "pro-poor tourism" approach, which prioritizes net benefits for the poor rather than simply expanding the sector (Ashley and Mitchell, 2009).

The academic literature notes the critical problem of the "leakage effect," whereby a significant portion of tourism revenue leaves the local economy due to foreign ownership and centralized supply chains (Chaitanya & Swain. 2024). In the Georgian context, research shows that while cultural

assets generate significant income, only 30% reaches local communities. To address this issue, scholars propose decentralized management and the integration of local small and medium-sized enterprises (SMEs) into the global value chain through digital storytelling and niche branding. Furthermore, synergy between public-private partnerships (PPPs) and participatory governance is seen as a crucial factor in ensuring that infrastructure development does not degrade the very cultural heritage it is intended to promote.

Thus, the literature review demonstrates that inclusive and sustainable cultural tourism only achieves maximum results when policies, financial mechanisms and community engagement work synergistically. In the case of Georgia, there is still significant space for cultural tourism to become a driving force for inclusive economic transformation.

Methodology

This study is based on a mixed-methods approach, which combines quantitative and qualitative analysis to comprehensively explain the financial potential of cultural tourism in the context of sustainable development. The chosen approach allows for the simultaneous assessment of economic trends, the operation of financial mechanisms, and the degree of community involvement in Georgia.

1. Data collection was carried out through two main channels: a. Quantitative data were retrieved from official statistical sources (Geostat, Georgian National Tourism Administration, World Bank, ENPARD reports), which reflect the growth rate of the tourism sector, revenues, local investment levels, and employment rates in 2015-2024. Based on this data, specific percentages were calculated (e.g., revenue potential, regional distribution of funding).

Qualitative data were processed through in-depth interviews with tourism experts. The interviews aimed to identify financing mechanisms, problems, and lessons learned for SMEs operating in the cultural tourism sector, which were then used to interpret the quantitative data.

2. Case Study Approach: The Mtskheta and Samegrelo-Zemo Svaneti regions were purposefully selected as zones with high potential for cultural tourism, where specific initiatives are already underway. Both cases were analyzed using the following criteria:
 - Economic activation of cultural resources;
 - Degree of community involvement;
 - Sources and structure of funding;
 - Existence of sustainable infrastructure;
 - Income distribution mechanisms.

The comparative analysis of the cases allowed us to identify successful practices (Mtskheta) and challenges (Svaneti) for developing scalable models.

3. Analytical framework: The study is based on the concept of sustainable development (Brundtland Report, 1987) and uses an inclusive growth framework, which emphasizes the fair distribution of economic benefits and equal access to financial resources. The analysis integrates the UNWTO Tourism Sustainability Indicators and the OECD “Sustainability Framework for Cultural and Creative Sectors”.

Research results and analysis

Economic potential and current situation

The study found that Georgia’s cultural tourism sector has high financial potential for inclusive growth and regional development. According to the National Tourism Administration (GNTA), tourism revenues in 2024 were expected to exceed \$4.4 billion, representing an annual growth rate of 7.3% (GNTA, 2024). In 2023, tourism revenues were \$3.5 billion, of which cultural tourism accounted for approximately 28%. The study models suggest that this sector could generate an additional \$100-150 million in annual revenues if infrastructure upgrades, product diversification, and support for community entrepreneurship are implemented.

Key Challenges for Developing Inclusive Cultural Tourism

Despite high growth potential, cultural tourism in Georgia faces systemic constraints that hinder inclusiveness and long-term sustainability.

First, significant pressure remains on cultural heritage sites. Tourist flows are highly concentrated in a small number of locations (Mtskheta, Uplistsikhe, and the Svaneti towers), accelerating physical degradation, reducing the quality of visitor experience, and increasing maintenance costs.

Second, limited local community participation and income retention weaken the impact of inclusive development. According to the World Bank (2021), only approximately 30% of tourism revenues reach local communities. Interview data confirm that local residents are primarily employed in low-income activities, while high-income segments remain dominated by external or centralized actors.

Third, limited access to finance remains a significant barrier for small and medium-sized enterprises (SMEs). A Bank of Georgia survey (2023) shows that 61% of small and medium-sized enterprises (SMEs) have not applied for loans for tourism infrastructure development, primarily due to high interest rates and collateral requirements. As a result, local businesses are unable to modernize services, implement digital tools, or diversify tourism products.

Taken together, these issues exacerbate regional inequalities and hinder cultural tourism's ability to function as a driver of inclusive economic growth.

Table 1: Summary of structural barriers to t inclusive cultural tourism in Georgia

Indicators	Evidence	Development Impact
Pressure on cultural heritage	Concentration in Mtskheta, Uplistsikhe, and Svaneti	Site degradation; deteriorating visitor experience
Share of community income	Only 30% of revenues reach the local level (World Bank, 2021)	Low inclusiveness; weak local investment
Access to funding	61% of SMEs avoid loans (Bank of Georgia, 2023)	Limited innovation and business expansion
Lack of qualified personnel	Interview data (n = 7)	Poor service quality; limited opportunity for profitability
Centralized government	Dominance of GNTA and national funding	Weak regional autonomy

Case Study: Mtskheta – A Scalable Model of Inclusive Growth

Mtskheta Municipality is a successful and scalable cultural tourism model based on a public-private partnership (PPP) and structured engagement with the local community.

The integrated development program was implemented with co-financing from the European Union and the Georgian National Tourism Authority. This program combined infrastructure upgrades at the Svetitskhoveli and Samtavro cultural heritage complexes with the creation of local craft and wine cooperatives that directly interact with visitors, thereby reducing intermediary losses.

The central innovation of the Mtskheta model is a revenue-sharing mechanism, through which a certain portion of tourism revenues is reinvested in community projects such as school renovations, restoration of cultural heritage sites, and public spaces. As a result, the local share of tourism revenues increased to approximately 45% (interview data, 2024), significantly exceeding the national average.

The example of Mtskheta demonstrates that, with the alignment of financial instruments, public structures, and governance mechanisms, cultural tourism can act as a driver of inclusive regional development. This model offers a viable template for replication in other regions of Georgia with high cultural tourism potential.

Case Study: Svaneti -- Potential and Obstacles

Svaneti, despite its unique cultural landscape (UNESCO Tentative List) and high level of tourism demand, faces serious challenges that limit its financial potential:

- **Infrastructure deficit:** The region lacks adequate roads, water supply and waste management systems, which limits the number and duration of visitors.
- **Lack of financial resources:** Local entrepreneurs do not have access to specialized financing. Only 32% of respondents (focus group participants) have used international grants (e.g., ENPARD) for business development.
- **Seasonality:** Tourism is mainly concentrated in the winter season, which creates instability in income.

Nevertheless, there are small examples of success in Svaneti, such as ENPARD-funded agritourism projects that have helped local families diversify and increase their incomes. These examples demonstrate the potential of the region if infrastructural and financial barriers are overcome.

SME Perspectives: Expert Assessment

The quantitative results were complemented by in-depth semi-structured interviews with experts in the cultural tourism and SME finance sectors (n = 7). The interviews revealed a number of interrelated operational and strategic constraints that hinder the growth and inclusiveness of cultural tourism enterprises.

Experts unanimously identified limited access to finance as the most critical barrier limiting investment in innovation, infrastructure, and digital technologies (Respondent #1; Respondent # 3). This is consistent with the results of a Bank of Georgia survey (2023), which shows that 61% of SMEs have not applied for tourism-related loans.

Additional barriers include a shortage of skilled personnel, particularly in foreign languages and service management (Respondent #1; Respondent #2), weak strategic partnerships that hinder individual enterprises from creating complete value chains and joint tourism products (Respondent #3), and bureaucratic complexity and regulatory instability that hinder long-term investment (Respondent #4; Respondent # 6).

To overcome these constraints, experts emphasized the importance of targeted financial instruments, including specialized loans, grants, and tax incentives (Respondent #3), as well as improved transport, digital, and communications infrastructure (confirmed by the example of Svaneti). They also emphasized the need to simplify regulations to improve the business environment (Respondent # 4; Respondent # 6).

At the same time, respondents emphasized that SME success also depends on entrepreneurial initiative and strategic vision. Recommended actions include specializing in niche tourism markets such as religious, gastronomic, and agritourism (Respondent # 2), creating and digitally

marketing authentic cultural experiences through platforms such as Instagram and Airbnb Experiences (Respondent # 4), and actively participating in professional networks, exhibitions, and associations (Respondent # 5). Overall, expert opinions confirm that cultural tourism can only act as a driver of inclusive growth through coordinated action between government agencies, financial systems, local communities, and entrepreneurs.

Key findings

The results of the study confirm that cultural tourism can be a financial driver for sustainable development in Georgia, although its potential is not fully utilized due to infrastructural, financial and institutional barriers.

The main conclusions of the study are as follows:

1. Cultural tourism is a significant engine of economic growth, which can generate an additional \$100-150 million in annual income if investment is focused on infrastructure, local entrepreneurship and product diversification.
2. Financial barriers (high interest rates, collateral requirements) limit the involvement of small businesses and communities. To solve this problem, it is necessary to develop specialized financial products for the tourism sector. The survey of experts also reveals that, in addition to these barriers, the lack of personnel, the scarcity of strategic partnerships and bureaucratic challenges also represent significant obstacles for SMEs.
3. The successful model of Mtskheta shows that public-private partnerships (PPP) and active community involvement contribute to equitable distribution of income and sustainable development. This model can be scaled up for other regions.
4. The example of Svaneti shows that infrastructural challenges and lack of financial resources can hinder the development of cultural tourism, even when there is high potential.
5. Increasing inclusiveness requires direct participation of communities in tourism planning and management, as well as the development of revenue sharing mechanisms. Expert opinions also emphasize the importance of proactive entrepreneurs, including the development of niche products, authentic branding and marketing strategies, which complement and strengthen state support.

Based on the research results, we offer the following recommendations:

- ✓ Establish regional tourism development funds that provide specialized financing for small businesses.
- ✓ Strengthen public-private partnerships (PPP) based on the Mtskheta model.

- ✓ Develop tourism infrastructure (roads, communications, waste management) in regions like Svaneti.
- ✓ Involve local communities in tourism planning and management to ensure inclusiveness and equitable distribution of revenues.
- ✓ Strengthen skills development programs and mentoring initiatives to help SMEs improve professionalism, marketing, and financial management, which is one of the key recommendations of the expert survey.
- ✓ Create platforms to facilitate networking and cooperation among SMEs to facilitate the creation of joint products and knowledge sharing.

Implementing these recommendations will help cultural tourism become an engine not only of Economic growth, but also of sustainable and inclusive development in Georgia. As the expert survey proves, success depends on coordinated efforts, where a favorable environment and financial instruments created by the state effectively complement the initiative, innovation and professionalism of local entrepreneurs.

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Appendix: Qualitative Research Methodology – Expert Interviews

Participant Selection and Demographics

Participants were selected using purposive sampling. The study involved 7 experts working in the field of cultural tourism and SME financing in Georgia. The professional backgrounds of the participants include the following sectors: banking sector, state sector, international organizations, consulting/research, and cultural tourism SMEs.

The number of participants was determined by the principle of data saturation – new interviews were stopped after the seventh interview did not generate any new themes or categories for analysis.

The interviews were conducted in a semi-structured format, using the following main themes and key questions:

Topic 1: Financial Environment and Access

- ✓ What are the main financial challenges for SMEs in the cultural tourism sector?
- ✓ What government support programs or policies are in place and how effective are they?

Topic 2: Regulatory and Bureaucratic Environment

- ✓ How would you describe the application process for programs/funding? How bureaucratic is it?
- ✓ What regulatory changes (simplifications) would help businesses grow?

Topic 3: Inclusivity and Community Engagement

- ✓ How inclusive are existing financing mechanisms? Who has access to them and who is left out?
- ✓ What mechanisms (e.g., income distribution, community cooperatives) facilitate inclusive growth?

Topic 4: Future perspectives and recommendations

- ✓ What areas of activity should be prioritized for future policies?
- ✓ What role should different actors (state, banks, international organizations, entrepreneurs themselves) play in overcoming these challenges?

The interviewer was free to change the order of questions and delve into details, allowing participants to share their experiences and perspectives freely, consistent with the principles of a semi-structured interview.