



ALMATY-BISHKEK ECONOMIC CORRIDOR TOURISM MASTER PLAN

DECEMBER 2019



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Notes:

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On the cover: **Tourism Facilities at Lake Issyk-Kul**. A scenic view from Cholpon Ata in Kyrgyz Republic toward the Tian Shan mountain range (photo by Kenishi Hashimoto).

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Abbreviations

ABEC	Almaty–Bishkek Economic Corridor
CIS	Commonwealth of Independent States
IRTD	institution responsible for tourism development
PPP	public–private partnership
PRC	People’s Republic of China
MCIT	Ministry of Culture, Information, and Tourism of the Kyrgyz Republic
MCS	Ministry of Culture and Sports of the Republic of Kazakhstan
TDPA	Tourism Development and Promotion Agency
VFR	visiting friends and relatives

Executive Summary

The Almaty–Bishkek Economic Corridor (ABEC) has an exceptional heritage and a wealth of culture and nature. This combination results in a high potential for tourism development, which is largely untapped. The mountain range between Almaty and Lake Issyk-Kul has great capacity to attract international tourists. Developing this mountain region can spur connected winter sport investments such as ski resorts in Kazakhstan and the Kyrgyz Republic. Linking winter sport facilities with summer tourism opportunities around Lake Issyk-Kul can reduce seasonality and investment risks by establishing attractive conditions for year-round tourism flows. This ABEC tourism master plan was developed to capture these benefits.

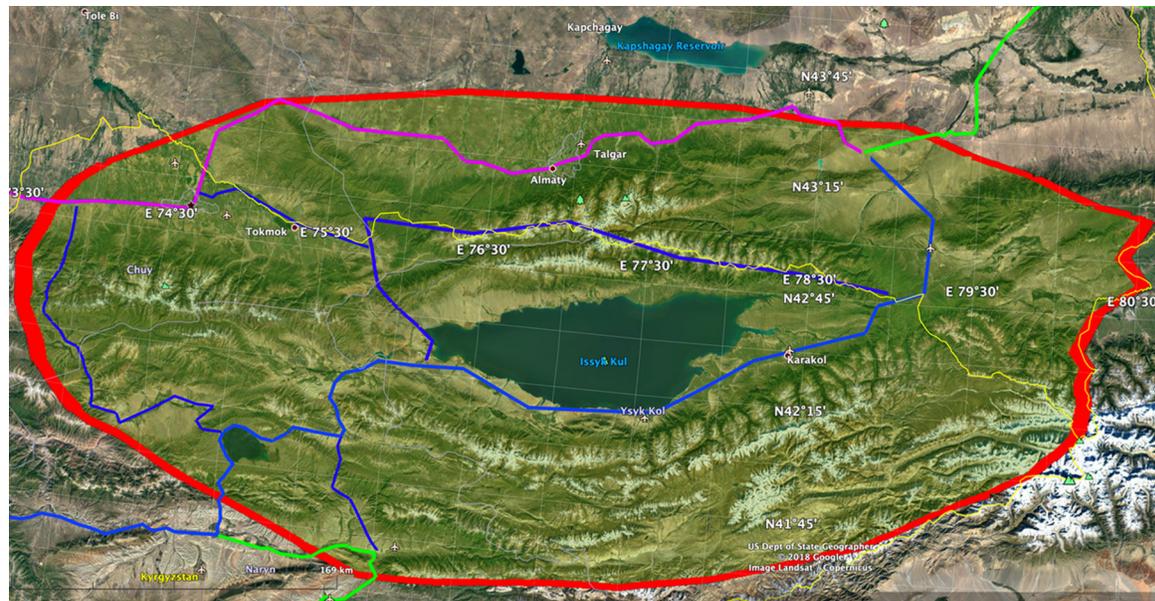
This master plan aims to structure the development of an internationally competitive tourism region within ABEC. It describes the overall framework for the development and operation of the ABEC common tourism area, including (i) a vision and conceptual framework for the area, which optimizes the available resources (natural, human, technological, financial, and immaterial); (ii) ownership and organization of the common area; and (iii) development plan for land use and allocation of tourism activities as well as hard and soft infrastructure, considering social and environmental safeguards.

Based on high-level demand projections and using various scenarios of project implementation, the master plan identifies the most important investment projects and estimated operating costs that will require prioritization and the necessary investments from both the public and private sectors. The master plan distinguishes between different types of investments that are reform-dependent or can be implemented within the existing frameworks, and the source of financing using public or private funds or a combination of both through public-private partnerships (PPPs).

The project area map and its regional connectivity elements (Map A) depict the proposed tourism development concept for the region, which is based on the following axis:

- Connecting the north and south branches of the Silk Road with two bypasses crossing the region, making this system the key integrating element of the various proposed clusters (Map 1 and Map 2) of tourism development.
- The vital existing assets of Almaty City and Bishkek for business tourism and Issyk-Kul for sun and beach represent the primary motivation of foreign and domestic arrivals today. These assets should be enhanced and used to leverage other segments (ski, nature and soft adventure, cultural) to increase the number of nights spent in the region by current visitors and develop new markets with other primary visitor motivations (particularly city-break and stopovers) to enlarge the visitor base.
- To implement this concept, it is necessary to (i) develop an air hub in Almaty, (ii) make the cities of Almaty and Bishkek highly attractive for city-break visitors by promoting shopping as a complementary feature, (iii) reduce the travel time between the airport and Issyk-Kul and Bishkek, and (iv) implement a restructured institutional framework accompanied by reforms to accommodate PPP management.

Map A: ABEC Tourism Project Area and Regional Connectivity



- ABEC Tourism Project Area
- Silk Road from the People's Republic of China
- Proposed Silk Road Bypass: Shonzhy/Charyn, Turgen, Almaty, Bishkek, Taraz
- Proposed Silk Road Bypass: Shonzhy/Charyn, Kegen, Typy, Issyk-Kul, Bishkek, Song-Kul

ABEC = Almaty–Bishkek Economic Corridor.

Sources: Authors and Google.

Finally, this master plan recommends various reforms for strengthening the relevant public tourism institutions. An adequate legal and institutional framework should entail comprehensive mandates for spatial development of the identified cluster and regulatory powers of the institutions responsible for tourism development (IRTD) in each country. Immediate next steps for both governments include

- defining the levels of commitment they are willing make toward policies and reforms to realize the master plan in terms of resources and funding;
- selecting projects and reform package (see section 6.3);
- choosing a strong development partner to (i) help structure the PPP deals, advising the governments in designing the concessions and dealing with reputable international players in the field that can implement, operate, and market large-scale tourism infrastructure projects; (ii) assess risks and contingent liabilities emanating from developing such landmark projects as an honest broker; (iii) support the implementation of necessary reforms; and (iv) manage the design and financing of project-related public and private investments; and
- committing to transformative tourism projects and start pre-feasibility studies for the identified packages.

Current Tourism Situation in the Almaty–Bishkek Economic Corridor Region

1

1.1 Tourism Assets, Infrastructure, and Accessibility

1.1.1 Tourism Assets, Products, and Segments

1. The ABEC region is characterized by mountain ranges, lakes, and cultural heritage sites that underline its significant tourism potential. It is among the top 10 highest growing tourism destinations worldwide.¹ Based on its natural and cultural resources, it can cater to diverse tourist segments and experiences: adventure tourism; recreational tourism; cultural tourism; agritourism and ecotourism; wellness and spa tourism; and meetings, incentives, conferences, and events tourism.

2. Currently, the tourism products in the ABEC region mainly include business, recreation, and health. The two most relevant products are business in Almaty and beach tourism at Issyk-Kul Lake, with only Almaty enjoying international quality standards. The ABEC region is currently undergoing a process of broadening its variety of tourism products. A vast majority of tourism assets are situated in rural areas and at high altitudes, while soft adventure tourism offers numerous activities such as trekking, hiking, horseback riding, biking, or wildlife viewing. Cultural tourism, such as *yurt* (traditional tent) camps, ethnic food, hunting with eagles, ethnic games, and music complete the large and popular offer of natural and cultural activities proposed in the whole area.

3. Extreme sports and hard adventure tourism such as mountain and rock climbing, canyoning, rafting, and paragliding are currently underdeveloped because they require special equipment and highly skilled professional guides. However, hard adventure tourism revenue has steadily increased over the years. Business tourism (i.e., meetings, incentives, conferences, and events) is limited by the lack of relevant hotel capacity that meets international quality standards, and the underdevelopment of event organizing skills in general and in staging trade shows in particular, where a high potential exists in relation to city tourism.

1.1.2 Transport and Accessibility

4. Generally, there are various public and private transport options (e.g., railways, highways, airports, buses, or taxis) and well-developed roads in large cities like Almaty and Bishkek, but the countries' rural areas have considerable access constraints. Therefore, ensuring accessibility is an immense challenge that requires continuous improvement to meet the increasing mobility demand. Transport planning must especially ensure last-mile accessibility and links among the different modes of transport.

¹ World Travel and Tourism Council.

5. Transport in Kazakhstan and the Kyrgyz Republic is severely constrained by both countries' topography. In addition to this major issue, road quality is highly variable and international boundaries require time-consuming border formalities in poor infrastructure conditions. Air transport—bearing in mind that most foreign visitors to the region arrive by air—lags behind in route options and frequency, and also suffers from high costs, unsatisfactory regulatory practices, and poor fit-for-purpose conditions at airports. Following is a more detailed discussion of these air transport challenges:

- The great majority of foreign tourists arrive by air to the region (see Supplementary Document I, section 2). As the major gateway to the region, Almaty International Airport is mainly designed for domestic point-to-point traffic and some limited international transfer operations. Public transportation beyond taxi services is almost nonexistent. To process a substantial increase in passenger traffic, investments to augment the terminal's carrying capacity need to be generated. If Almaty is envisioned to be the most important gateway of Central Asia, then large-scale investments will be required for building a new terminal, aprons, developing airside operations, and improving accessibility to the city center of Almaty as well as to Bishkek and Issyk-Kul.
- Manas International Airport has very few airline routes and its resident carriers are small in size. This is due to the lack of competitive domestic air carriers, with the exception of Air Manas—a subsidiary of Turkey's Pegasus Airlines LCC—which operates only two aircraft and over a few routes. Recently, the Kyrgyz government introduced an open-skies policy based on fifth freedom traffic rights, with the expectation of increased air traffic and new route openings. This important step needs to be complemented with an adequate and effective regulatory regime to allow appropriate transparency and effective cost reductions for prospective new operators.
- Air travel rates in the region are very high in relation to travel time and when compared with international rates (see Supplementary Document II). The main reasons are non-airline related costs such as passenger taxes, ground handling, landing charges, en route charges, and fuel taxes for foreign airlines. Most of these costs are imposed on foreign-owned airlines to protect domestic carriers, and most countries of the region follow the same logic.

1.1.3 Infrastructure

6. Many resorts in the ABEC region were built during the time of the former Soviet Union. These resorts are still owned by different trade unions and are often in a derelict state. Trade unions usually lease their resorts to private entrepreneurs looking for quick profits, which results in insufficient investments for maintenance and repair of the facilities. This is particularly the case for thermal and balneological assets.² Furthermore, investors willing to take over the facilities and rehabilitate the assets with a longer-term perspective are often discouraged by the unwillingness of owners to negotiate long-term contracts and the insistence of governments to enforce minimum quality standards.

7. Municipal infrastructure and services in the provinces, including electricity, water supply, sanitation, and waste disposal, fall short of international standards. The water supply and sanitation systems at the regional and local levels are outdated and overloaded. For example, in some places around Issyk-Kul Lake, liquid household wastes ooze to the surface while garbage is scattered throughout the beach.

8. Private resort owners certainly try to create conditions for tourists' comfortable stay. However, they cannot afford to build modern treatment facilities. This issue should be addressed by municipalities within national frameworks and with the support of funding mechanisms.

² Balneological assets are natural or mineral waters that have healing properties or provide therapeutic value through bathing.

9. Roadside services, public toilets, and infrastructure in natural parks also require the close attention of these governments. In natural parks, garbage collection and the condition of public toilets are a serious challenge, while roadside services are either absent or inadequate for tourists.

1.2 Tourism Flows and Markets

1.2.1 Tourism Flows

10. Kazakhstan is a much larger tourism market than the Kyrgyz Republic both in terms of domestic and foreign tourists (Table 1). At the country level, Kazakhstan had more than 15 million tourists while the Kyrgyz Republic generated less than 6 million in 2017. For the ABEC region, this plan estimates a total of 8.4 million tourists, where the majority visit the Kyrgyz part of ABEC. This is relevant, as the figure includes approximately 2 million Kazakhs visiting the Kyrgyz Republic and 1.3 million Kyrgyz tourists visiting Kazakhstan. Assuming that all of these tourists exclusively visit the region, there would be only 300,000 foreign visitors to the Kazakh side of ABEC and 1.6 million foreign tourists visiting the Kyrgyz side.

Table 1: Tourism Flows in the Countries and in ABEC

Tourism Flows and Spending	2013	2014	2015	2016	2017	CAGR 2013/2017 (%)
	('000)					(%)
Country Tourism Flows						
Kazakhstan	12,451	11,527	12,596	13,710	15,166	5.1
– Tourists domestic	5,610	5,194	6,166	7,201	7,465	7.4
– Foreign inbound	6,841	6,333	6,430	6,509	7,701	3.0
Kyrgyz Republic	4,442	4,177	4,437	4,207	5,945	7.6
– Tourists domestic	1,366	1,328	1,386	1,277	1,377	0.2
– Foreign inbound	3,076	2,849	3,051	2,930	4,568	10.4
ABEC Tourism Flows					8,404	
Kazakhstan					3,648	
– Tourists domestic					2,083	
– Foreign inbound					1,565	
Kyrgyz Republic					4,756	
– Tourists domestic					1,102	
– Foreign inbound					3,654	
Country/Region \$ Spending/Trip						
Kazakhstan					\$470	
– Tourists domestic					\$174	
– Foreign inbound					\$863	
Kyrgyz Republic					\$483	
– Tourists domestic					\$122	
– Foreign inbound					\$592	

CAGR = composite average growth rate.

Source: Authors' calculations.

11. The strength of tourism in Kazakhstan is its domestic market, while for the Kyrgyz Republic it is the foreign inbound tourism market. Neighboring countries are the largest source of tourists to both countries and ABEC (Supplementary Document I, section 3), while the Russian Federation is the second source of incoming foreign travelers, particularly from the eastern part of the country. The People’s Republic of China (PRC) is a relevant source market for Kazakhstan, particularly for business purposes, while Western Europe and North America are important source markets for the Kyrgyz Republic.

1.2.2 Mode of Arrival, Length of Stay, Spending, and Value-Added

12. The mode of arrival of foreign tourists varies significantly in both countries (Supplementary Document I, section 2). In Kazakhstan, road and rail are the main modes representing 90.2% of foreign arrivals, while air is most relevant for the Kyrgyz Republic, with 51.8% of all foreign arrivals.

13. The motivation for traveling to the Kyrgyz Republic is primarily for business (41%), followed by leisure (33%), and visiting friends and relatives (VFR) at 24%. For Kazakhstan, the primary motivations are VFR (47%), business (27%), and leisure (22%). The motivations for traveling have direct influence on the type of tourist lodging choices. In Kazakhstan, local lodging (homestay and home and apartment rentals) represent 71% of all overnight stays, while licensed hotels and motels account for 27%. In the Kyrgyz Republic, local lodging has a 30% share of foreign tourists, while hotels and resorts have around 65%.

14. The average length of stay in the ABEC region relates directly to the purpose of visit and source markets. The most similar tourism indicator between the countries is the length of stay of domestic visitors: 1.8 nights in Kazakhstan and 1.7 nights in the Kyrgyz Republic. In all other segments, there are substantial differences between these countries (Supplementary Document I, section 2). In Kazakhstan, leisure tourists—irrespective of whether or not they were coming from Commonwealth of Independent States (CIS) countries—and VFR tourists stay 4.5 nights on average. In the Kyrgyz Republic, with a different visitor profile, international tourists stay 7.5 nights on average in Lake Issyk-Kul, with its sun and beach facilities. Culture, soft adventure, and VFR motivate tourists to stay 10 nights. Hard adventure and extreme sports visitors stay 21 nights, and business travelers 2.5 nights.

15. Analyzing their spending patterns, domestic tourists spend \$174 per day in Kazakhstan and \$122 in the Kyrgyz Republic, while foreigners spend \$863 per trip in Kazakhstan and \$592 in the Kyrgyz Republic.³ The disproportionate number of foreign tourists among total inbound tourists visiting the Kyrgyz side places average tourist expenditure at \$483 per day compared with \$470 for Kazakhstan. Daily spending also varies by mode of transport and market segment. In Kazakhstan, it ranges from \$98 per day for domestic tourism to \$358 per day for the business tourists, international visitors being the biggest spenders. In the Kyrgyz Republic, average daily tourist spending ranges from \$23 per day for VFR to \$291 for business travelers. This reveals a substantial difference in spending patterns and cost of tourism services between countries, and ultimately between their tourist profiles, particularly with regard to international tourists.

16. For the Kazakh part of ABEC, the most important segment is international business with \$378 million (37% of total), followed closely by domestic visitors (\$318 million, or 31% of total). The Kyrgyz part of ABEC has Issyk-Kul tourists representing \$322 million (37%) of the total tourism value-added, followed by the business segment with \$254 million (29%).

³ Data sets in Supplementary Document I, section 2.

1.2.3 Most Attractive Market Segments to Develop

17. **Core segments.** To develop the tourism industry, it is necessary to have in place unique products which are in high demand, like sun, beach, and business products. Under this assumption, Issyk-Kul and Almaty city are the two most important tourism assets in ABEC. In the region, visitors from the business and sun and beach segments are largely untapped yet have the potential to be developed further and used as catalysts to cultivate other tourism segments and products around additional ABEC tourism assets such as soft adventure and culture, with the purpose of extending the length of stay of the current core tourism segments and create new markets.

18. The business segment has significant opportunities in the region, particularly for Almaty, if the city enhances its air hub potential. Almaty has substantial hotel capacity that is at par with international quality standards, and an economy with higher income levels than the remaining Central Asian countries. Additionally, it is ideally located for hosting international trade fairs and events due to its vicinity to neighboring and very large economies such as the PRC, the Russian Federation, and India. Bishkek also offers some attractive opportunities for the business segment, particularly for trade fairs.

19. Almaty and Bishkek are both cities with substantial potential to develop the city-break tourism market. This market typically involves a couple or a small group of friends who go on a 3-day/2-night brief weekend escape from their regular schedules. This market is quality-demanding, price-sensitive (particularly with air transport), and dependent on offerings in culture, soft adventure, gastronomy, city trails, experiences with nature, and shopping (particularly high fashion and luxury goods). Both Almaty and Bishkek enjoy unique features that allow them to be highly attractive destinations for year-round city-break potential.

20. **Segment and quality targeting.** This master plan suggests that an adequate mix of tourism product and market development needs to occur in relation to domestic, regional, and far-international source markets. The tourists arriving from the wealthiest countries of Europe, East Asia, Oceania, Middle East, and North America are the highest spenders, but are also the most demanding in terms of quality facilities and services. Currently, the region can offer only a few products with the required standards. Additionally, such visitors from far distances potentially come only once in their lifetimes to a destination such as ABEC, but their word-of-mouth and feedback on social media are very important mechanisms to attract more tourists. A poor experience will most certainly jeopardize future arrivals from the same source markets, even if high promotional budgets are deployed. On the other hand, a positive experience will contribute to sustainably growing flows of tourists.

21. **International tourists.** For international tourists outside the region, the Silk Road in general and ABEC in particular are perceived as exotic for mainstream source markets, with many international tourists visiting several countries in the region. A mix of offerings related to culture and soft adventure complemented by health and wellness, food, and shopping features are capable of triggering interest among a substantial proportion of international tourists, as adventure travelers are increasingly seeking to experience destinations as “temporary locals.” They are searching for a personal connection, a way for locals and visitors to interact amicably around shared experiences. On the other end, improvements in quality and accessibility should be able to attract a greater number of tourists with higher spending potential, including those from neighboring countries.

22. **Regional tourists** from neighboring and CIS countries have close cultural and geographic ties with the ABEC region, are more open to visit the region, and can partly accept lower quality standards, albeit requiring appropriate discounts to compensate for the perceived reduction in quality. The CIS market today is the business base of international tourist arrivals to the region, representing 78% of all international arrivals to Kazakhstan and 67% of the Kyrgyz Republic. The risk of losing the current market base is not an option,

and broader tourist offerings to increase the experiential value is thus worth considering. These travelers are inclined to make various visits to the region in their lifetimes.

23. **Domestic tourists** are capable of generating the highest frequency and reducing the seasonality effects. Currently, the domestic market is relatively strong in Kazakhstan, but with very little spending per tourist. In the Kyrgyz Republic, the international market segment is stronger than the domestic segment. Fostering the domestic market with the appropriate offerings, particularly for families, couples, and activity-based groups will generate more and frequent weekends at the tourist sites around Issyk-Kul for the citizens of Bishkek. This can generate year-round revenues for the tourism-related businesses in those areas, which can then be complemented by income from regional and international tourists. Without domestic or regional tourists, these establishments will go out of business; and without local establishments and tourism products, the experiences of international visitors will not be as rich as they could be in the ABEC region.

24. **Turning distance into an advantage.** The focus on distant international source markets requires unique products for large-scale segments, requiring important investments in long-haul air transport, adequate accommodation that adheres to international standards, and effective marketing and promotion. The development of pristine natural, historical, and cultural tourism destinations often associates with a sizable diaspora, efficient infrastructure, site rehabilitation, quality standards, strong promotional efforts, and the primary role of international air transport, such as the case of Peru and India. Relevant cases of a successful development of historical and cultural destinations is directly related to the strategic development of an air hub. For example, Oman is developing tourism centered around its historical heritage anchored on the city of Muscat and leveraging the international expansion of Oman Air as its long-haul full-service product and SalamAir as its low-cost carrier for regional operations. The aim is to compete with Dubai by offering a differentiated cultural tourism product.

25. Successful destinations centered around their natural heritage are either located close to large-size and wealthy issuing markets (e.g., Ireland to the UK, New Zealand to Australia), or are geographically located between large-size economic blocks, using such location to develop an air hub development strategy and offer stopovers to boost tourism (e.g., Iceland and Hawaii). The ABEC region enjoys a unique geographic position since it is halfway between Western Europe and Northeast Asia while also being close to important markets like India, Pakistan, the Middle East, and CIS countries. The development of an air hub in the region would allow for the emergence of stopover tourism, with a unique product capable of competing with Dubai or Istanbul. The master plan team estimates that around 10 million persons travel every year between Western Europe and Northeast Asia, of which gaining a small market share could be transformative for tourism in ABEC.

26. **Developing complementary segments.** Particularly important are segments that expand the seasonality in the region, where activities such as skiing, sailing, horseback riding, mountain biking, and golf play important roles. Such sport tourism activities imply varying levels of participant knowledge and skill while also requiring the availability of adequate equipment and facilities. For example, the Kyrgyz Republic can be very attractive to hard adventure tourists. This market does not require high promotional investments, but adding value to the experience requires sport tourism operators to craft well-targeted campaigns and site development initiatives (e.g., making available highly trained and skilled guides, providing logistics support and/or equipment rentals).⁴

⁴ To foster the emergence of complementary businesses related to major sectors, there are the examples of the European Union countries, particularly Italy, Spain, and Portugal, where the national governments have set up European Union-sponsored investment funds available to small- and medium-sized enterprises, where access and grant awards criteria were subject to comprehensive promotional campaigns to reach the targeted businesses through workshops organized with the associations of small- and medium-sized enterprises per sector. For example: https://www.parlementairemonitor.nl/9353000/1/j9vvi5epmj1ey0/vkcjho9g2plr?ctx=vg9pk3qd26zl&v=1&tab=1&start_tab0=120 (accessed on 9 October 2019).

27. **De-risking large ski resort investments.** Ski-related tourism can attract international tourists, complement city-break tourism, and expand seasonality. But ski resorts require high upfront investments and greatly depend on revenues throughout the year from their real estate developments and ski lift charges. Real estate revenues are a direct function of the attractiveness of the closest settlements for second homes and the existing facilities for weekends (e.g., golf, spas, trails, ski slopes, and horse trails), and the rental values of the property to tourists. Ski lift charges occur throughout the year, and particularly in the winter for skiers, where profitability is a result of the sites' attractiveness for both skiing in the winter and sightseeing and other activities during other seasons.

28. The ski market is highly dependent on the frequency of visits; it is thus crucial that the resort is close to a sizable urban area capable of generating many day or half-day visits. In the same manner, a significant proportion of the costs (mostly fixed) should be covered by the high frequency of local visitors, seconded by regional tourists who come typically in families or groups for 1 week during the season. Travelers from distant regions will come for skiing if the quality is outstanding, the brand is strong, and the cost is affordable (a large proportion of the cost being airfare). For a stopover arrangement, international tourists would favor traveling through Almaty or Bishkek for a few days of ski experience. Additionally, tour operators providing ski holidays would be able to attract substantial numbers of tourists. Air transport, if not regular, can be costly for ferry flights over long distances; in which case, only large-scale tour operators would have the capacity to operate over an entire ski season.

29. **Considerations for de-risking large-scale public–private partnership concessions.** Government should consider PPPs with businesses that can contribute to tourism development such as casinos (gaming) and concessions of mineral drinking water. There are several examples—particularly in Europe—where these concessional arrangements were essential to developing tourism facilities in remote areas that would not be profitable otherwise (e.g., Monaco, Baden Baden, Evian mountains, Estoril, Cascais). The bottling and distribution of mineral drinking water can be very profitable; multinational companies frequently look for concessions in this industry. Drinking water concessions are relevant since both Kazakhstan and the Kyrgyz Republic have access to the Eurasian Economic Union market and are close to the Chinese market. Furthermore, these concessions could have an additional promotional effect for the region, depending on the branding of the mineral water concessionaire. Another example would be a casino license that can add revenue streams for the developer of tourism facilities, utilizing PPP modalities, in situations where profitability of planned tourism facilities is projected to be limited. Casinos offer an opportunity for the region, particularly due to its proximity to the PRC, the largest gaming market in the world. However, casinos will require quite strong and effective regulatory measures and controls by the authorities.

1.2.4 Most Attractive Foreign Markets to Target

30. The results of a methodology that was applied to identify the foreign tourist target markets for the ABEC region are depicted in Table 2 and based on the criteria of geographic and cultural vicinity, average outbound growth rates in the last decade, size of the outbound tourism market, and average tourist spending per trip (see Supplementary Document I, section 3). Three tiers were thus identified according to priority, with countries in the first tier including the PRC, United Arab Emirates, the Republic of Korea, and Iran.

Table 2: Ranking the Attractiveness of Foreign Inbound Tourism Markets for ABEC

Market	Vicinity (1)	CAGR (2)	Size (3)	Spending (4)	Score (5 = 1x2x3x4x5)
People's Republic of China	3	4	4	4	192
United Arab Emirates	4	3	4	4	192
Republic of Korea	3	4	4	3	144
Iran	3	4	3	3	108
France	2	2	4	4	64
Germany	2	2	4	3	48
India	3	2	2	4	48
Russian Federation	4	1	4	3	48
United Kingdom	2	2	4	3	48
United States	1	3	4	4	48
Australia	1	3	3	4	36
Hong Kong, China	3	1	3	4	36
Ireland	2	3	2	3	36
Japan	2	2	3	3	36
Moldova	3	4	1	3	36
Pakistan	3	4	1	3	36
Canada	1	2	4	4	32

First priority

Second stage

Third stage

CAGR = composite average growth rate.

Source: Authors' calculations.

31. The initial phase of market development should be focused on the first-priority foreign tourist markets while improving the existing tourism products and structures. The general objectives of this first phase are the improvement of current visitors' experiences and the establishment of legal, institutional, and regulatory capacity. Specifically, elements for an enhanced tourism product offering should be identified, quality standards and implementation plans established, priority investments and funding mechanisms to support the private sector defined, and the promotional efforts on improved experiences of current product and priority markets conducted.

32. The second phase involves the development of key Western European markets—Germany, France, the United Kingdom, the Russian Federation, and India—to consolidate these tourism products and the ABEC brand. This phase should focus on promoting the enhanced product (after first-priority investments are in place) to priority and second-stage markets, consolidating product enhancement and improvement initiatives, increasing the pace of investment and initiatives, and protecting and strengthening the brand through quality standards, adequate training, and improved business practices.

33. The third phase should focus on progressing to third-stage markets (United States; Canada; Australia; Hong Kong, China; Ireland; Japan; Moldova; and Pakistan), enhancing the markets that have been developed in the previous stages, making investments to increase capacity, rationalizing the quality assurance system, and substantially increasing the promotional spending.

1.3 Digital Performance

1.3.1 Digital Performance in Kazakhstan

34. Kazakhstan has three main publicly owned websites handling its tourism, all with minimal traffic, indicating little interest: (i) [kazakhstan.travel](#) is the least performing site, although its visitors have interest in its content; (ii) [visitkazakhstan.kz](#) is the best traffic performer, although visitors find less interest in it than in the others; and (iii) [visitalmaty.kz](#), which is the major website for the region, with less traffic than [visitkazakhstan.kz](#), but is much more effective in communication and content.

35. Domestic traffic dominates all three websites, indicating that locals and foreigners using local servers are the main searchers of information. Each has a different profile of source country visitors, indicating different drivers of attention in different source countries, such as news and blogs.

36. The mix of social media traffic generated to each website varies substantially; Facebook leads [kazakhstan.travel](#), [Vkontakte](#) leads [visitkazakhstan.kz](#), and [CouchSurfing](#) leads [visitalmaty.kz](#), reflecting a clustered preference of the visitor profiles of each site and their engagement with the destination, especially for [kazakhstan.travel](#) where referrals (28.30%) are an important traffic generator (for more information see Supplementary Document 1, section 5).

1.3.2 Digital Performance in the Kyrgyz Republic

37. The Kyrgyz Republic has two main publicly owned websites handling its tourism: [kyrgyzstantravel.net](#) is the better performing site, and generates more interest (i.e., duration of visit) and propensity for mobility than [discoverkyrgyzstan.org](#). For both sites traffic is mostly organic. For example, [kyrgyzstantravel.net](#) enjoys some social media engagement and counts most of its traffic from domestic sources, while [discoverkyrgyzstan.org](#) has most of its traffic scattered and from overseas, without any social media engagement. Both have very high bounce rates (i.e., lack of retention) on the websites.

1.3.3 Regional and International Best Practices

38. In the region, most digital presence is incipient and generates little value in terms of visitor inducement. As the region's official tourism website, [visitkazakhstan.kz](#) has the highest traffic per month with around 75,000 visitors (based on September 2019 data).

39. On the other hand, [azerbaijan.travel](#) has been growing its traffic steadily in the past few months, generating higher interest from its audience and lower bounce rates, despite its lower traffic numbers (below 15,500 monthly visits).

40. The largest difference among both websites is the audience: the Kazakh website is geared toward the domestic visitor (71% of traffic), while the website of Azerbaijan is geared to the foreign visitor (70%). For reference, [visitnorway.com](#) conducts digital promotion of similar tourism products offered by the ABEC area. Not only is it capable of effectively promoting the country and its tourism products, but the site also can induce travelers to visit the country and generate direct bookings.⁵

⁵ Interviews performed by the project team.

2 Legal and Institutional Framework

2.1 Establishing the Legal Framework for Tourism Development

41. Tourism development is highly dependent on the legal framework in place, since policies can either hinder or foster the growth of the industry. This master plan identifies six elements that are the most important to consider in this regard (for more information, see Supplementary Document III):⁶

- **Expropriation of real estate.** Tourism development depends on appropriate land use. It is crucial to have clear rules on where assets can be developed, which regional and urban planning instruments are to be deployed, which institutions make these decisions, and how the public interest can be safeguarded when, for example, fair solutions have to be found for the expropriation of real estate plots, where neither the state nor the private owner can take advantage of each other.
- **Foreign ownership.** Many tourism projects are both strategic and risky, particularly in the early stages of development, such as the case of resorts and marinas where real estate is particularly important as a revenue stream. Proprietary knowledge of development is an important asset, not only to generate successful investments and ventures, but also to induce demand and provide international quality references for tourists in countries that have no quality standards and assurance mechanisms implemented. Many multinational companies invest in joint ventures with local companies, but many others require ownership of the assets. Hence, foreign ownership of land and assets is an important tool for tourism development in a country.⁷
- **Passage rights.** Adventure and natural heritage-based tourism requires people to pass through private properties, particularly in organized trekking, hiking, biking, and horseback riding trails. Passing through requires rights and obligations for both the landowners and the tourists, which need to be reflected in the law.
- **Construction permits.** Tourism and construction are profoundly linked. By definition, a tourist needs to spend at least one night at a destination, and this underlies the importance of lodging and hospitality in tourism development. Developing a tourism destination requires clear rules not only in terms of land use throughout the territory for tourism purposes, but also the rules and process of (re)construction permits and priority types of permits in regard to where the assets are to be located. Quite important

⁶ Implementation of the proposed legal changes are interrelated with establishing a Tourism Development and Promotion Agency (see section 2.2.3). The concept for the proposed agency would need to involve a comprehensive action plan to implement wide legal and regulatory changes to ensure its effectiveness.

⁷ Long-term leases could be an option; however, for resort developments where real estate sales are key revenue sources, long-term leases would be perceived by investors as a hindrance, since their business is also to transmit property to either nationals or foreigners after it has been developed.

also are the rules related to urban development, such as the style, colors, and materials that ultimately define coherence and harmony of aesthetics, a highly appreciated feature by tourists.

- **Environmental and natural heritage protection.** Sustainability of tourism is fundamentally dependent on effective protection of the environment and the natural heritage, particularly for a destination that has high potential for adventure and nature-related activities. Such protection needs to be evident in the laws and in their effective enforcement as it is critical for tourism development (for more information, see section 5.4).
- **Protection of historical and cultural heritage.** A country can develop inclusive tourism with good levels of appropriation of value by its various communities if it is serious in protecting its historical and cultural heritage, both in material and immaterial forms. Such protection, in the same manner as the environment and the natural heritage, needs to be reflected in the laws and especially in their enforcement, for a tourism destination to be developed and internationally competitive.

2.1.1 Legal Framework in Kazakhstan

42. In Kazakhstan, the most important legal elements for tourism development can be described as follows:

- **Expropriation of real estate** is possible only if two conditions are met: (i) in exceptional cases of state needs, among which are the implementation of concession projects such as those that protect natural areas or promote health improvement and recreation; and (ii) subject to an equivalent refund at market prices defined by an independent appraiser. This is in line with the practices of tourism-developed countries.
- **Foreign property ownership.** Foreigners cannot own industrial or residential property with the following exceptions: permanent residence status for individuals, or through the ownership of national legal entities, even if controlled by foreign individuals or legal entities. However, foreigners are prohibited to own farmland, land in the state forestry fund, and land in the country's border zones. This policy regime thus does not pose problems for tourism development, except where agritourism ventures or projects located in state forestry fund plots are concerned.
- **Passage rights.** Individuals can only pass freely if the properties are not fenced or not signaled as prohibited passage without permission. Also, foreigners need permission from the Ministry of Internal Affairs for passage within frontier zones. This regime is not in line with international best practices, particularly in regard to trails. Specific legislation needs to be changed to address this issue to accommodate both the private owners' and users' interests, particularly with regard to issues of trail maintenance.
- **Construction permits.** The main regulators are regional governments (*oblasts*). Promoters need to present requirements that projects are compliant with national and local regulations to obtain a construction license, which is valid up to 3 years. This is in line with most developed tourist destinations; however, local-level regulations that establish tourism-oriented guidelines such as aesthetics, materials, and colors are not yet in place. Additionally, the law and regulatory enforcement is weak (e.g., the rules for demolition with residue collection and coverage of treatment costs in cases of illegal construction). This requires both regulatory improvements and government efforts in implementing them.
- **Environmental protection** in Kazakhstan is insufficiently enforced, despite a well-developed legal framework. The root causes of such insufficiency are the limited powers of the state environmental inspectors and environmental entities, and the lack of effectiveness of enforcement bodies. Safeguarding natural heritage sites is provided through the prohibition of business activities that expand into protected areas. Though state parks administer protected areas and are considered an

environmental and scientific organization, lack of funding has caused inertia for these institutions. A significant institutional arrangement for national parks, particularly in regard to what businesses and recreational activities they should be concerned with, as well as their funding challenges need to be addressed (see Supplementary Document VII).

- **Protection of historical and cultural heritage.** The Ministry of Culture and Sports (MCS) regulates the sector but lacks representation in the regions, while inadequate funding and resources, deficient legal instruments, overlapping of functions, and disinterest among relevant government agencies results in a general lack of law enforcement. Historical–cultural assets are subject to a special protection regime upon their identification as, and inclusion in a list of, significant monuments. To foster tourism development, it is necessary that improvements in this legal regime take place, particularly with regard to identifying what these immaterial assets are and what agencies are tasked to protect them.

2.1.2 Legal Framework in the Kyrgyz Republic

43. In the Kyrgyz Republic, the most important legal elements for tourism development can be described as follows:

- **Expropriation of real estate** is possible only if mandatory conditions are met: (i) in exceptional cases as listed in the land code (i.e., environmental protection and protection of historical and cultural heritage assets), and (ii) subject to an equivalent refund at market prices. There are, however, no criteria on how market prices are appraised, making the appraisal process practically impossible. Tourism development requires this issue to be resolved following, for example, the established mechanism in the Kazakh legislation.
- **Foreign property ownership.** There are certain provisions for foreign firms and individuals to own industrial or residential property and land, except where farmland or forests are concerned. Still, there are several issues that provide a high level of uncertainty among foreign-owned assets, such as the overlapping of state functions among various national entities and regional authorities, insufficiency of property protection mechanisms, lack of coordination between state bodies and local authorities, and less-than-uniform restrictions on property rights to land plots across legislation. Important legal coordination and redrafting work needs to be put in place to bring transparency and certainty to the issue of foreign investment and asset ownership.
- **Passage rights.** Individuals can only pass freely if the properties are not fenced or not signaled with prohibition of passage. This suboptimal situation inhibits tourism development, particularly the completion of trails. Legislation needs to be changed to address this issue and accommodate both the private owners' and trail users' interests in a structured and organized manner, particularly when it comes to trail maintenance and safeguarding.
- **Construction permits.** The main regulators are territorial bodies on architecture and construction. Tourism promoters need to present requirements for projects compliant with national and local regulations to obtain a construction license (but still subject to coordination by and approval of state authorities). The process is long and bureaucratic, and coordination between national and local bodies could be improved. This regime is generally in line with most countries that have developed tourism sectors; however, local-level tourism-oriented regulations that establish aesthetics, materials, colors, etc., are still not in place in the Kyrgyz Republic. Additionally, regulation and its enforcement are weak, including those for demolition with residue collection and treatment cost coverage in cases of illegal construction. This requires updates in government regulation and a seriousness in implementing them. As an example, despite a law establishing a limit of 300 meters from the Issyk-Kul shore where no

construction is permitted, various hotels and resorts have appropriated public domain—especially the beach—and proceed with business as usual as if they own the land, even inhibiting passage or use. The law is ignored and this practice is followed repeatedly. For tourism to develop and for spatial planning to be effective, these laws have to be enforced.

- **Protection of natural, cultural, and historical heritage.** The definition of natural heritage objects and the criteria for their insertion in the national cadaster as legislated is not explicit, leading to the current legal uncertainty. Additionally, the available regulations are not properly administered. Amendments to the law are thus urgent, as it is vital to include both material and immaterial natural and cultural assets, definition, criteria of inclusion, process of evaluation and selection, in the management of the national cadaster. Regarding environmental protection for sustainable tourism development, the issue of enforcement remains despite the presence of relevant legislation.

2.2 Institutional Framework

44. Institutions responsible for tourism development (IRTD) are typically public organizations that govern the sector in most countries, while tourism organizations are normally created to undertake marketing efforts and other specific activities. According to the United Nations World Tourism Organization, tourism organizations in less developed tourism economies tend to answer directly to IRTDs, whereas those in more developed economies tend to be more autonomous, public–private entities. Some countries do not have separate tourism organizations and IRTDs. While there is significant variation in structures and roles played by various countries' IRTDs and tourism organizations, some key responsibilities are common between these groups, as seen in best practice cases: marketing and public relations; data gathering and market research; product development and events; sector coordination and partnership building; capacity building and quality enhancement; licensing and standards; policy and planning; investment promotion; and infrastructure development.

45. The most successful cases have required political will from policy makers and administrators to develop the sector, while key elements include the governance model chosen and private sector participation in the decision-making process.

2.2.1 Institutional Framework in Kazakhstan

46. The institutional architecture of the tourism sector in Kazakhstan has three levels: national, regional, and local. At the national level, tourism-related institutions have three layers: the Ministry of Culture and Sports (MCS), through one of its branches, is the first layer, while the Tourism Committee is the second layer. At the regional level, each of the 17 regional governments and cities significant to the republic (i.e., Nur-Sultan, Almaty, and Shymkent) have their own tourism department that serves as the third administrative layer. There are also tourism divisions at the district level.

47. The government's main functions are policy formulation, planning and implementation, the adoption of regulations, and administrative supervision over the MCS and city governments. It can enforce powers of cancellation or suspension of the actions and validity of acts of ministries, city governments (*Akimats*), and other executive state bodies, making the appropriate proposals for consideration by the president.

48. The MCS is responsible for policy implementation, approval of regulations, elaboration of planning documents, state control, and sector coordination. It can delegate to the Tourism Committee the functions of policy implementation; development of regulations, standards, and planning documents; capacity

building; quality enhancement; sector coordination; state control (compliance); control over Kazakh Tourism National Company, market research; events; and promotion. As for enforcement powers, MCS can cancel or suspend the acts of the Tourism Committee, while the committee itself can only suspend the license of tour operators in cases of noncompliance. The Tourism Committee can also delegate the following functions to the Kazakh Tourism National Company, which is a quasi-public entity: marketing and promotion, information support (market research), partnership building, and proposal development on capacity building and quality enhancement. However, it has no enforcement powers. *Akimats* have the same functions as the MCS, Tourism Committee, and Kazakh Tourism National Company in their areas, since they are also responsible for issuing licenses to tour operators, collecting statistics, and citing state regulation on the protection of tourist resources. Yet they have no enforcement powers; as representatives of the president and the government, they can only submit proposals to both on issues of public administration.

49. This institutional arrangement confirms the challenges identified thus far: the lack of law enforcement and regional representation, which constrains tourism development in Kazakhstan. Most countries with highly developed tourism sectors began improvements by clustering the development and promotion functions under the same institution. After the tourism products have been developed and consolidated, these countries then opted to separate the development and regulation functions from marketing and promotion efforts into different institutions, which eventually entered cooperation agreements with private entities.

2.2.2 Institutional Framework in the Kyrgyz Republic

50. The institutional architecture of the tourism sector in the Kyrgyz Republic—similar to the structure in Kazakhstan—has three layers: national, regional, and local. At the national level, there is the Ministry of Culture, Information, and Tourism (MCIT) with its Tourism Department. The second layer is at the regional level, where only the Issyk-Kul region has its own tourism department, while all other regions have an office of the authorized representative of the government for all areas including tourism. The third layer is the State Tourism Company (STC), which reports to the Tourism Department of the MCIT.

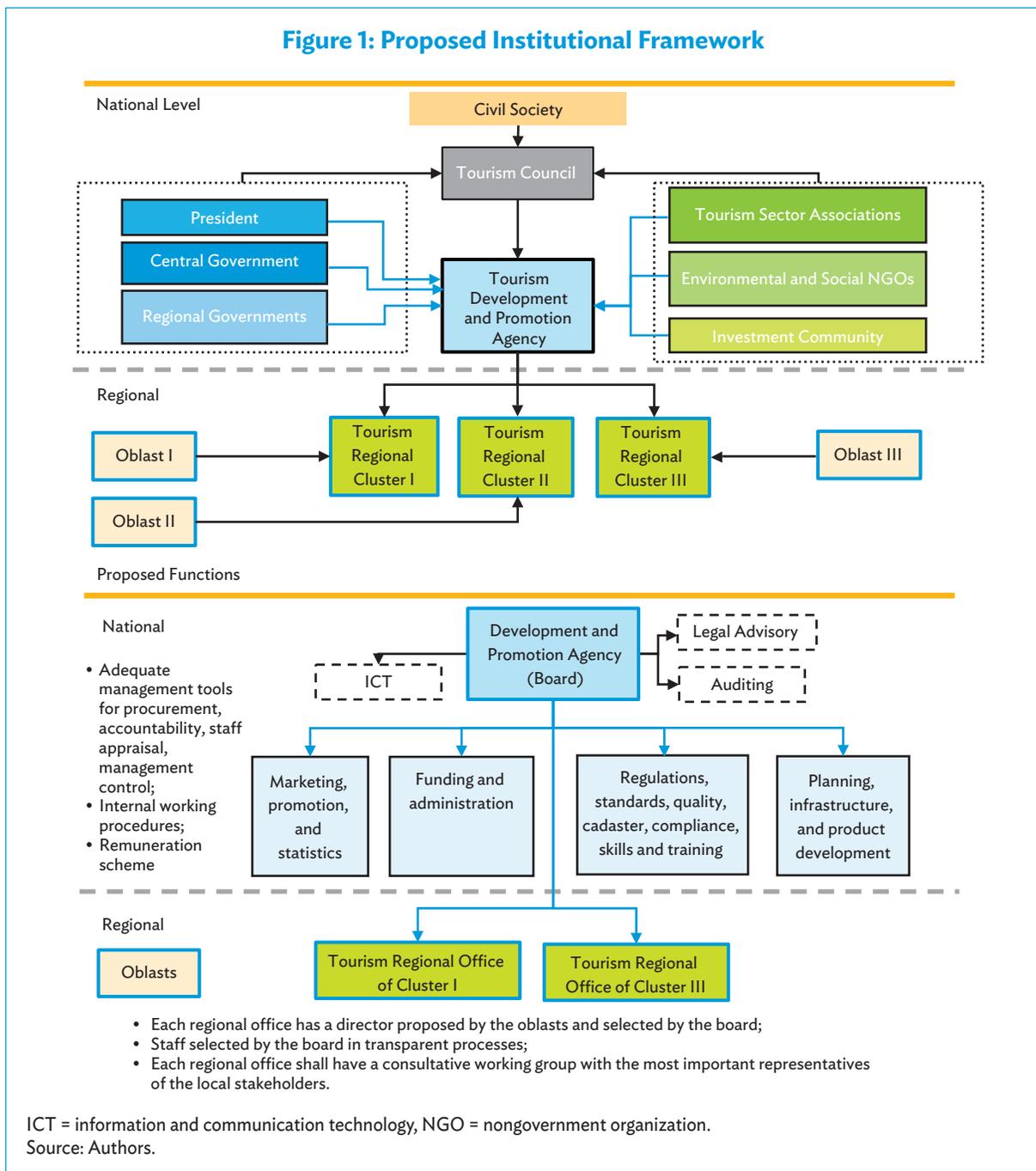
51. The government's main functions are policy formation, planning, and implementation; adoption of relevant regulations; and control over MCIT and local state administrations. It can enforce powers of cancellation for acts of ministries, state committees, administrative bodies, authorized government representatives in regions, and local state bodies.

52. The MCIT's main functions are policy implementation, development of draft normative legal acts, crafting of strategic documents, capacity building and quality enhancement, events and promotion, and market research. It does not have enforcement powers. The State Tourism Company is responsible for implementing tourism policy at the state and regional levels; developing the market for tourism-related services; attracting investment in tourism infrastructure, assets, and state-owned businesses; and carrying out commercial tourism activities. It also does not have enforcement powers.

53. This similarity in institutional architectures also breeds the same problem for the Kyrgyz Republic (with the exception of its *oblasts*), which is inadequate law enforcement. Only the government has enforcement powers, which consist of revoking acts. Law enforcement is not a responsibility of any of the institutions involved in tourism, where infringement penalties and issuances seem to be neglected.

2.2.3 Proposed Revisions to the Institutional Framework

54. This master plan proposes a similar institutional arrangement for both countries, as shown in Figure 1 and discussed further in Supplementary Document III. This proposal comprises two critical aspects: balanced governance as well as clear functions and responsibilities. This proposal—anchored on the creation of a Tourism and Development Promotion Agency (TDPA)—will be framed in one model that can be implemented for each country but will require separate feasibility studies. The scope of such a study should consider at



least the following elements: (i) an in-depth governance model with detailed description of the roles, powers, nomination entities and profiles, terms of mandate, and frequency of meetings; (ii) an organizational chart with headcount per organizational unit, professional profiles of each staff position, management control system of the planning instruments (i.e., strategic plans and annual budgets), a performance appraisal system, and grid of remuneration of staff; (iii) detailed requirements and budgeting of information and communication technology systems; (iv) a 5-year activity plan and budgeting; and (v) funding of the activity, including the development of own revenue sources and those from the state budget on multiyear terms.

55. The rationale for such an agency comprises three major arguments: (i) the best and most motivated people are hard to find and to attract them, remuneration packages have to be attractive, thus requiring the institution to be independent from civil service regulations; (ii) institutional flexibility and prompt responsiveness require agility, which goes against the long and complex processes common to government bureaucracy; and (iii) the agency would be outside the ministerial hierarchy and hence would have powers and independence for effective coordination with the various levels of the government and the private sector. Reporting directly to the president and prime minister would give the agency the required political powers to develop the tourism sector and attract private investors.

2.2.3.1 Governance

56. Governance is the single most critical element that accommodates the sector's key stakeholders—the private sector, the public sector, and civil society—with appropriate balance. In this regard, the proposed agency needs to adopt the following governance principles: accountability, transparency, responsibility, and commitment.

57. The proposed TDPA also needs to consider the following important elements:

- **Direct reporting.** The agency needs to answer directly to the prime minister and the president. It shall concentrate on implementing tourism policies and advise both offices on tourism policy issues for their decision.
- **Leadership.** The choice of agency leader should be based on political clout and prestige. The leader of the proposed TDPA shall have extraordinary credentials, have national and international reputation, and stand above domestic politics. Possible leaders may include former heads of state who command a broad consensus within society and are capable of mobilizing government agencies and private sector representatives.
- **Membership.** The tourism council members who shall oversee the proposed TDPA should include representatives from the state bodies, nongovernment stakeholders, and prominent private citizens. From the state bodies, there should be one representative for the president, one for the prime minister, and one for each *oblast*. From nongovernment stakeholders, there should be representatives from the private sector, the investment community, and relevant civil society organizations. Prominent citizens such as athletes, actors, and artist should also be invited to participate actively in the council. This representation across multiple sectors helps bring tourism to the center of society's development agenda, incentivizes younger people to follow career paths in tourism, and entices nationals to visit their countries' own tourist sites and welcome foreigners.
- **Oblasts should be represented as the agency's nonexecutive board members.** The regions, which are at the core of tourism product development, should be represented at the board level as nonexecutive members to help link economic benefits, poverty reduction, and social cohesion. This framework would allow a greater law enforcement capability, while fostering appropriate tourism-driven urban and regional planning in all *oblasts*.

2.2.3.2 Functions and Responsibilities

58. The proposed TDPA shall have appointed board executives based on professional experience, national prestige, knowledge of the sector, and consensus-building capacity. The board members' composition should also be odd-numbered, with a chief executive officer who is responsible for each of the following functional areas: (i) marketing, promotion, and statistics; (ii) funding and administration; (iii) regulations, standards, quality, cadaster compliance, skill building and training; and (iv) planning, infrastructure, and product development. The TDPA shall have at its disposal the following resources to pursue its mission and objectives: an adequate number of skilled staff; appropriate management tools for procurement, accountability, staff appraisal, management control, internal working procedures, and a remuneration scheme (fixed and variable according to results and objectives). Details of these elements should be included in the feasibility study as proposed earlier. The regional offices should be set up according to relevant tourism clusters, which may include more than one *oblast*. Each regional office should have a consultative working group comprised of key local stakeholder representatives.

3 Spatial Conceptual Planning for Tourism Development

3.1 Rationale

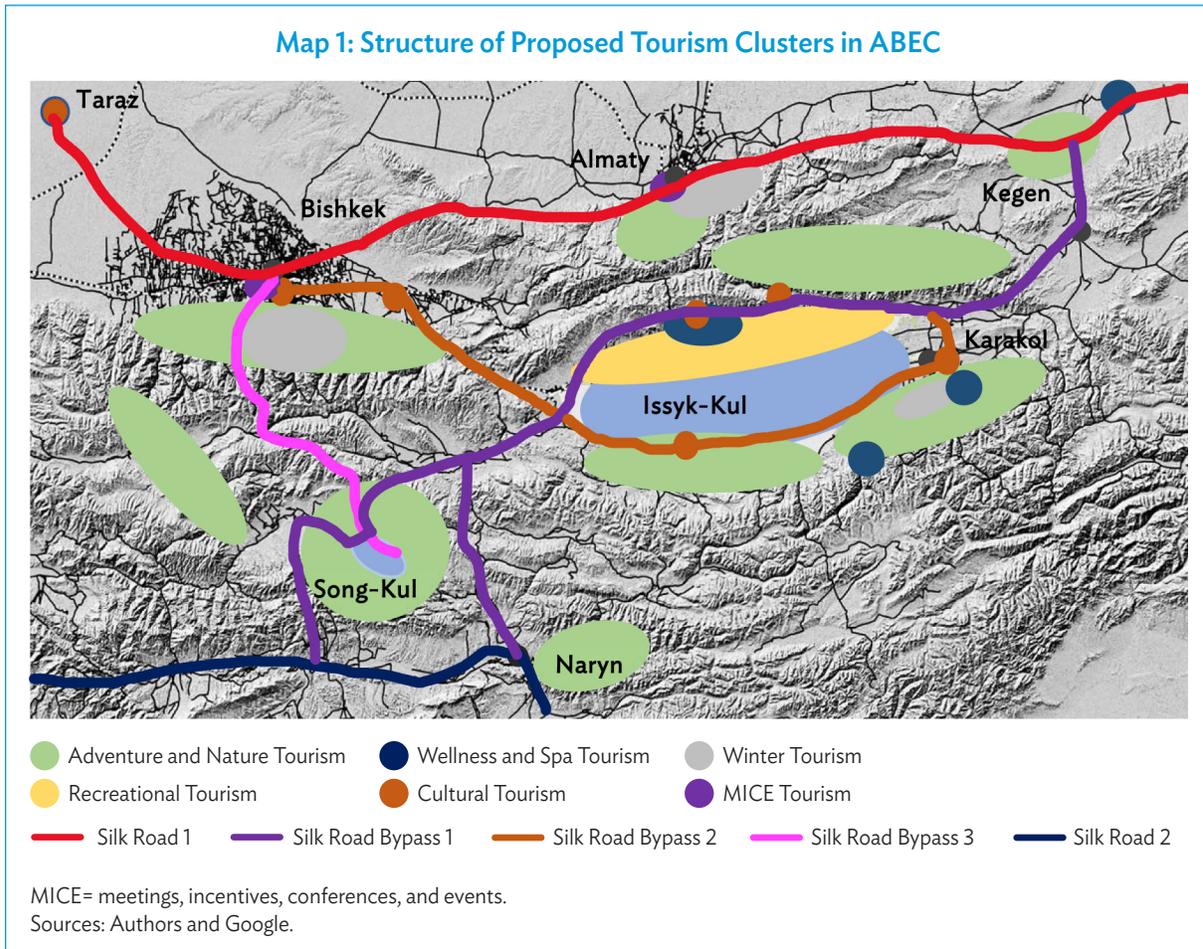
59. Tourism spatial planning provides an integrated, structured, and coherent master concept that connects the various existing and proposed tourism assets into marketable tourism products that have potential (see Supplementary Document IV for the comprehensive spatial planning report).

60. Spatial conceptual planning follows six steps: (i) identifying the key strengths of the region in terms of market attractiveness for tourism, studying the international markets terms of trends, size, opportunities, growth rates, and value drivers for tourists; (ii) characterizing each relevant market segment, understanding tourist behavior by analyzing per-trip tourist spending, average length of stay, and site surveys, and assessing the available projects in the region, including their environmental, social, and cultural constraints; (iii) defining the planning criteria and principles that are applicable to the region; (iv) actual spatial planning and identifying the potential projects, their associated investment, and operating costs; (v) forecasting demand under various scenarios related to required reforms; and (vi) mapping the projects according to typology (i.e., policy dependent, reform-dependent, and nonreform-dependent; see Supplementary Document V), nature (i.e., private, public, or PPP), and prioritization according to the projects' potential added value and feasibility.

3.2 Main Concepts of the Proposed Spatial Plan

61. The integrated concept of tourism development clusters is shown in the executive summary (Map) and Map 1, and discussed more comprehensively in Supplementary Document IV, section 6. The Silk Road 1 (Urumqi–Almaty–Bishkek–Taraz) forms the northern route, which connects the clusters of eastern Kazakhstan, Turgen, Almaty, Bishkek, and Taraz. This route continues west toward Shymkent, Tashkent, Bukhara, Samarkand, and further to Istanbul. Currently, the commercial value of this part of the Silk Road around Almaty and Bishkek has not yet been exploited and its tourism circuits have only a few visitors. By improving the cluster of the eastern and western part of ABEC and implementing the proposals cited in this master plan, it will be possible to attract domestic families on weekends while catering to an increasing number of foreign tourists with potential to stay one night in each part of the region. The eastern part of Kazakhstan can also benefit from Issyk-Kul visitors who go for a 1-day tour.

62. The Silk Road 2 (Kashgar–Naryn) continues west toward Osh, possibly connecting with the Pamir Highway or (as this master plan proposes) linking the two Silk Road branches in ABEC, which would open up many tourism opportunities for the region. The primary connection would be through Song-Kul/Balykchy–Bishkek, during the main season from June to August and alternatively via Naryn–Balykchy–Cholpon Ata/Karako–Kegen.



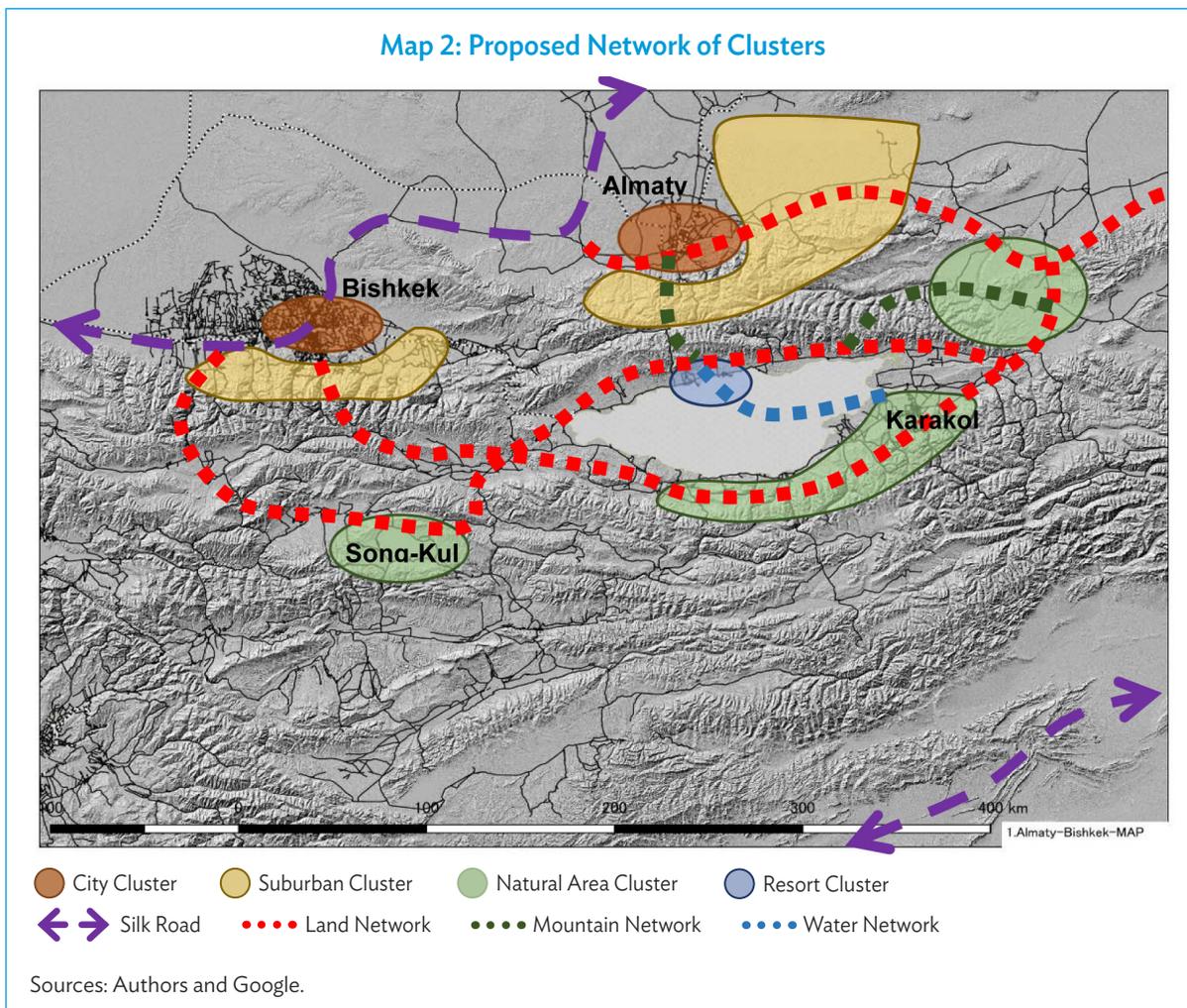
63. The bypass system connecting the two branches of the Silk Road would complete the connectivity across the various ABEC clusters, making it one unique destination both on its own and as part of the larger Silk Road. This potentially triggers several different circuit possibilities for cultural and city-break tourists; adventure-driven tourists interested in culture and/or wellness; and ski (alpine and cross-country) tourists in the winter, coupled with shopping and wellness.⁸

64. The bypass system and the development proposals are designed for individuals who organize visits independently or through tour operators and shall offer design packages of 1-day visits (around Almaty or Bishkek cities; summer vacations around Cholpon Ata, Almaty city, eastern Kazakhstan, southern Issyk-Kul); weekends of 2-days; long weekends of 3 days to 1 week; or 14-day circuits that start and/or end in the region.

⁸ Other options include city-break tours with wellness, golf, ski and soft adventure; extension of business trips to include possibilities for shopping, golf, ski, culture, soft adventure, and wellness; hard adventure with culture, sun, and beach; sun and beach with culture, wellness, golf, and soft adventure; and stopover programs from 1 to 7 or even 14 days in the region at no additional cost to the passenger for city, sun and beach, golf, culture, shopping, adventure, ski, and wellness, offered year-round.

3.3 Proposed Tourism Cluster Development

65. This master plan proposes four different kinds of clusters. Map 2 shows the layout of the tourism cluster proposal comprising two city clusters (Almaty and Bishkek), two suburban clusters, each situated around its respective city cluster; three clusters of natural areas (Song-Kul, Balykchy–Karakol, and Kolsay–Charyn/Chundja); two resort clusters (Tamchy and Cholpon Ata); and three ski clusters (Almaty/Turgen, Bishkek, and Karakol).



66. Our proposal for the **city cluster of Almaty** is to create an outstanding city-break destination in Central Asia through an harmonious flow of tourists in green and blue (water-related) across relevant cultural, shopping, and entertainment experiences, communes with nature in the nearby mountains, and an attractive and convenient environment for trade shows, meetings, and conventions.

67. The proposal for the **Almaty area cluster** focuses on 1-day trips for local residents and visiting tourists, with several year-round activities for individuals, groups, and families, ranging from skiing, hiking, biking,

horseback riding, trekking, and rural, cultural, gastronomical, and nature-related experiences. It is also geared toward weekends in the green for tourists who value nature and relaxing environments throughout the year, either as a second home location or simply as a destination for occasional visits.

68. The proposed **Kazakh eastern cluster** is structured around a spa and/or resort area in Chundja and a rural or ecotourism area around the Charyn canyons and Kolsay lakes. The purpose of the proposals is to develop conditions for increased international and domestic tourist demand among individual travelers, families, or groups who will be able to stay in the region at least 1 night in adequate accommodations while choosing from various activities offered year-round. The key markets are nationals who are weekenders and travel in small groups and with families; international tourists in organized groups; summer vacationers to Issyk-Kul for 1-day trips; and Chinese tourists en route to either the Kyrgyz Republic or Almaty who will visit, gamble, or seek other forms of entertainment, in competition with Macau, China.

69. The proposed **Jambyl cluster** is designed with the same objectives as the Kazakh eastern cluster but focused on developing historical and cultural offerings. Accessibility is poor, requiring good connections to Bishkek, Shymkent, and Almaty, and the historical assets need substantial investments. The master plan therefore proposes to focus on the domestic and regional market first, with the imperative to invest in immaterial cultural festivals that can attract tourists, leading to increased weekend family escapes from the major cities of Almaty, Bishkek, and Shymkent.

70. The **Bishkek city cluster** concept is designed around green and blue experiences within a culturally rich, entertaining, and relaxing atmosphere that is designed to attract city-breakers; pre-adventure travelers; business travelers; and ski, golf, and adventure enthusiasts. This is integrated with the **Bishkek area cluster**, catering to the same profile of customers as the Almaty area cluster.

71. The **Song-Kul** cluster should focus on its highly protected and pristine natural resources and promoted as a unique lifetime experience, given that it is only accessible from June to August (for more details, see Supplementary Document IV, section 6.5).

72. The **Balykchy-Tamchy cluster** is intended to be the gateway to Issyk-Kul and an intermodal mean to arrive from Issyk-Kul, connected via the Tashkent-Shymkent-Taraz-Bishkek-Tamchy-Balykchy railway, a potential boat cruise and/or scheduled international quality bus services to Cholpon Ata and Karakol. The cluster shall have resorts, golf, agritourism experiences, bike and horseback riding, lake cruises, water sports and fishing, sun, and clean and safe beaches.

73. The **Cholpon Ata cluster** is focused around the same elements as Balykchy, with additional mountain soft adventure activities complemented with wellness and spa, golf, and sailing (for more details, see Supplementary Document IV, section 6.7).

74. The **Karakol cluster** in the southern shore of the Issyk-Kul Lake provides a wide range of landscapes, activities, and tourist interests, ranging from agritourism, sun, beach, and sailing, ski, hiking, biking, trekking, hard adventure, spa and wellness, and culture.

4 Investment Projects

4.1 List of Projects by Type and Priority

75. The total volume of estimated investments is \$3.25 billion spread across three priority levels (1, 2, and 3), and classified across three project types: policy-contingent, reform-dependent, and nonreform-dependent. Supplementary Document V shows a detailed list of proposed investments arranged by country and typology. Table 3 summarizes these investments.

Table 3: Summary of Investments by Type, Component, and Priorities

Project Type	Feasibility	Public Investment	Private Investment	Private Share in PPP	Total Investment	%
			(\$ million)			
All ABEC region	181.0	1,016.6	202.0	1,850.7	3,250.2	100.0
Policy-contingent	70.4	602.4	50.0	493.3	1,216.1	37.4
Reform-dependent	94.0	313.2	0.0	1,357.4	1,764.5	54.3
Nonreform-dependent	16.6	101.0	152.0	0.0	269.5	8.3
Kazakhstan	99.1	773.7	132.0	872.4	1,877.2	57.8
Policy-contingent	47.9	526.4	0.0	352.8	927.1	49.4
Reform-dependent	37.9	159.3	0.0	519.6	716.8	38.2
Nonreform-dependent	13.3	88.0	132.0	0.0	233.2	12.4
Kyrgyz Republic	81.9	242.9	70.0	978.3	1,373.1	42.2
Policy-contingent	22.5	76.0	50.0	140.5	289.0	21.0
Reform-dependent	56.1	153.9	0.0	837.8	1,047.8	76.3
Nonreform-dependent	3.3	13.0	20.0	0.0	36.3	2.6
Priority 1	70.5	656.8	20.0	492.3	1,239.6	38.1
Priority 2	57.2	317.5	182.0	462.3	1,019.1	31.4
Priority 3	53.3	42.3	0.0	896.0	991.5	30.5

ABEC = Almaty–Bishkek Economic Corridor, PPP = public–private partnership.

Source: Authors' estimations.

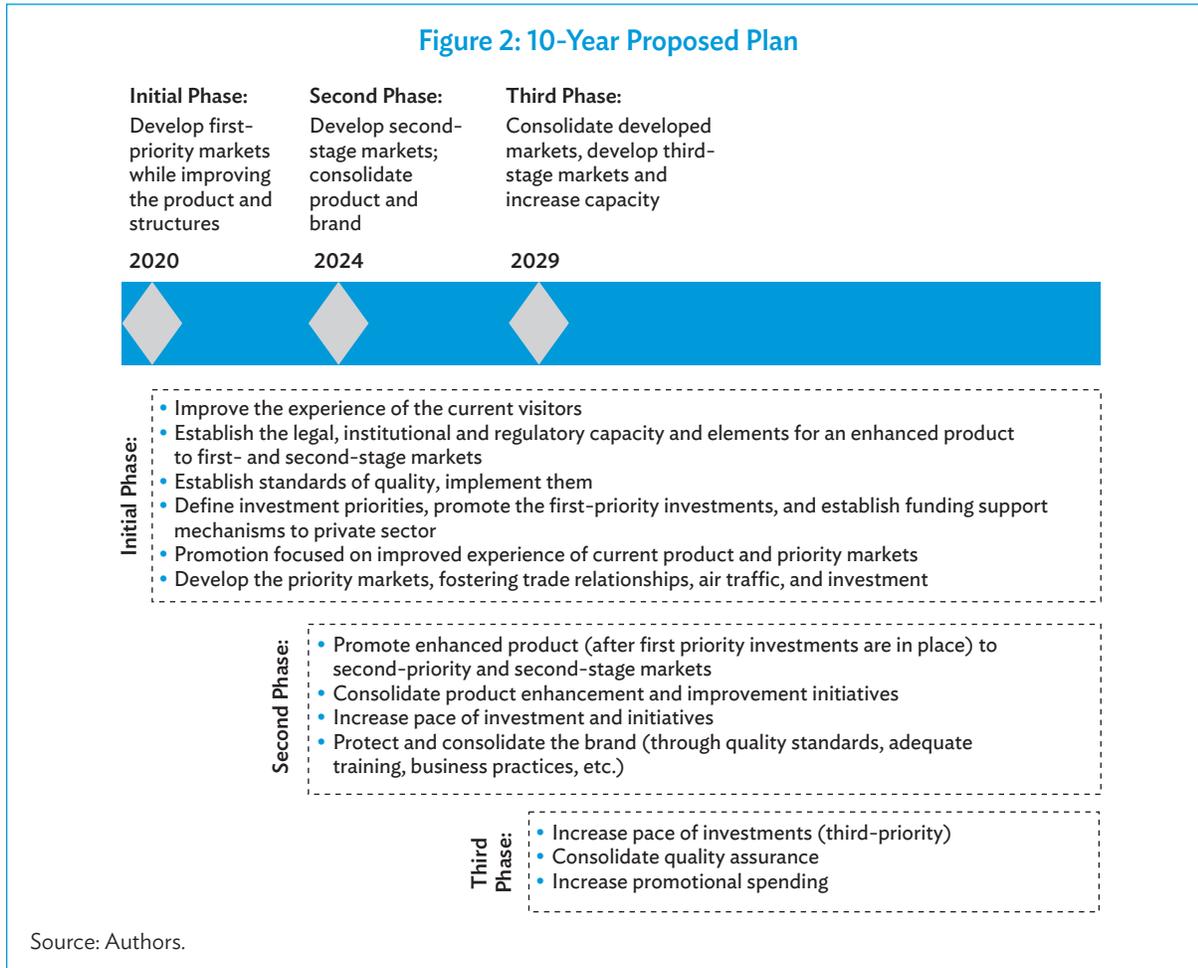
76. Policy-contingent projects are priority projects that are dependent on policy decisions. Without political will from policy makers and administrators, those projects are simply delayed or not realized. These are typically transformative projects that will shape the structure of tourism destinations for decades to come. Such types include cross-border projects (rapid and easy cross-border procedures, a direct Almaty–Issyk-Kul road, and improvements to the roads close to the borders to include winter cleaning services), aviation-related projects transforming Almaty into a highly attractive city-break destination, and, the implementation of an effective institutional framework with adequate funding, resources, and management tools (see section 3.2.3).

77. **Reform-dependent projects** are priority projects that require reforms to produce effective results, as they provide stability and foresight to private investors and economic agents. Examples of reform areas include trails where passage rights are not clearly defined in the law, foreign direct investment regulations without clear mandates on land ownership, PPP laws where incentives are not aligned with sector requirements, and law enforcement agencies not obligating all players to comply. If effective IRTDs are not in place to manage tourism development and sector PPPs effectively and function without law enforcement powers, investor confidence cannot be expected.

78. **Nonreform-dependent projects** are usually private sector-driven priority projects. In case these projects are public sector-led, they can be implemented without changing current legal and regulatory frameworks.

79. The projects in this master plan have been classified according to priorities. The first-priority projects are related to the development of Almaty city tourism products for the business and city-break tourist segments, the air hub in Almaty, strategic improvements in air transport in the Kyrgyz Republic, and the cross-border projects in ABEC, as all these can feed the air hub and the meetings, incentives, conferences, and events market segment. Also considered first priority is institutional strengthening and reforms in legislation (e.g., improvements in aviation regulations allowing Almaty International Airport to flourish) that can spur tourism development via foreign direct investments and PPPs. These projects shape the “skeleton” of ABEC tourism destination development (i.e., second-priority projects need first-priority projects to be implemented). Second-priority projects will become the “main organs” of the destination and are key for the attractiveness of ABEC as a tourism region provided these are implemented coherently and systematically. Finally, third-priority projects can be considered as “tissues and flesh,” as these eventually tend to drive a dynamic tourism destination development process and help improve the overall tourist experience over time. Due to resource constraints, third-priority projects are neither possible nor desirable to be implemented at the same time as second-priority projects.

80. Supplementary Document I (see section 6 and Figure 2) shows the proposed development plan for implementation in three phases and a total planning horizon of 10 years. This approach is aligned with the understanding that tourism development is a long-term endeavor that moves in cycles. Each cycle comprises three periods: (i) a decision period, when policy makers establish priorities and fund allocations; (ii) an implementation period, when the most valuable projects start first, followed by second- and third-priority projects that accelerate the rate of growth; and (iii) a maintenance period corresponding to natural reinvestments while new innovative projects are set forth.

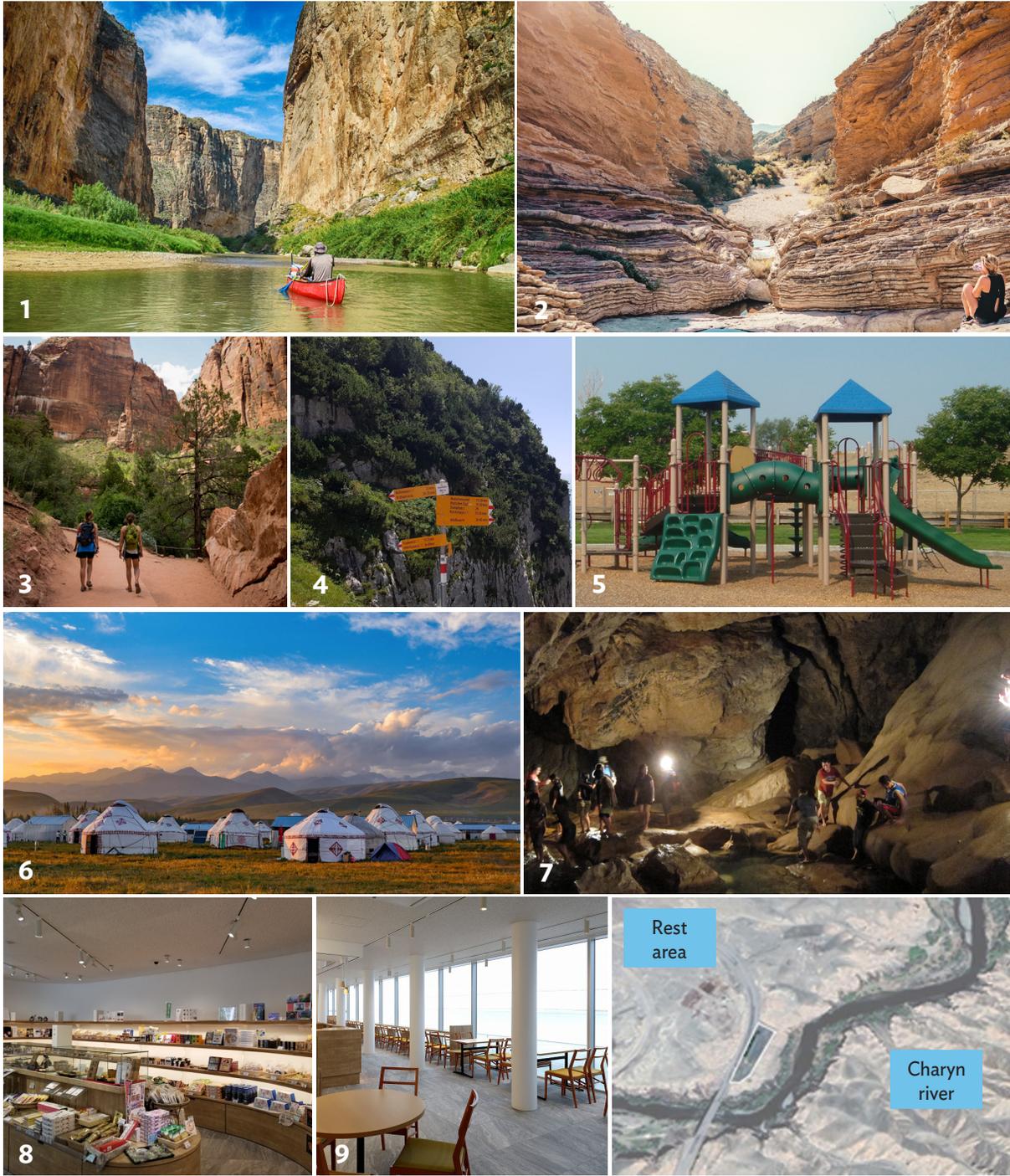


4.2 Rationale for Public–Private Partnerships and the Concept of Key Points of Interest

81. Generally, remote areas that are far from cities receive very few visitors if “key points of interest” are not well developed and marketed. Families that are willing to spend weekends venturing into these remote places discover that these areas often lack comfortable or appropriate options for accommodations in integrated resting places and tourist support centers with clean toilets. The existence of such “key points of interest” are critical to allow visitors to spend more money in the region and entertain the possibility of spending at least 1 night close to the sites.

82. Sites with potential for overnight visits include the Charyn area in the Kyrgyz Republic and the Kolsay Lakes area in eastern Kazakhstan. Currently, these areas receive only a few daily visitors, and trip costs are high. Potential exists in targeting families from Almaty to discover the region, which would allow foreign visitors to increase the total number of visits.

83. Options for area development can include establishing simple rest areas where children can play after spending a few hours as car passengers, setting up car service areas that offer clean toilets, and providing kiosks



Examples and rationale of a public-private partnership scheme for “key points of interest”: Concession schemes allow for private investment, maintenance, and promotion for rest areas, facilities for canoeing and rafting, hiking trails, lodging and hospitality, signage, and yurt camps.

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featuring local products for sale and/or for obtaining relevant tourist information. An integrated “key point of interest” can also be developed that aggregates the best assets at the location and complements these with common resting areas and lodging and hospitality options for different visitor segments.

84. The “key points of interest” are highly suitable for PPP and concessional schemes. Government can gather the best concepts for developing these areas and mandate compliance with a set of desired requirements, particularly regarding minimum quality service provision standards, while granting exclusivity for development in a particular area around the site. The private operator or concessionaire would be obligated to perform adequate maintenance of public goods (e.g., trails) according to state requirements; in return, the operator would enjoy exclusive rights to the location for its investments to pay off.

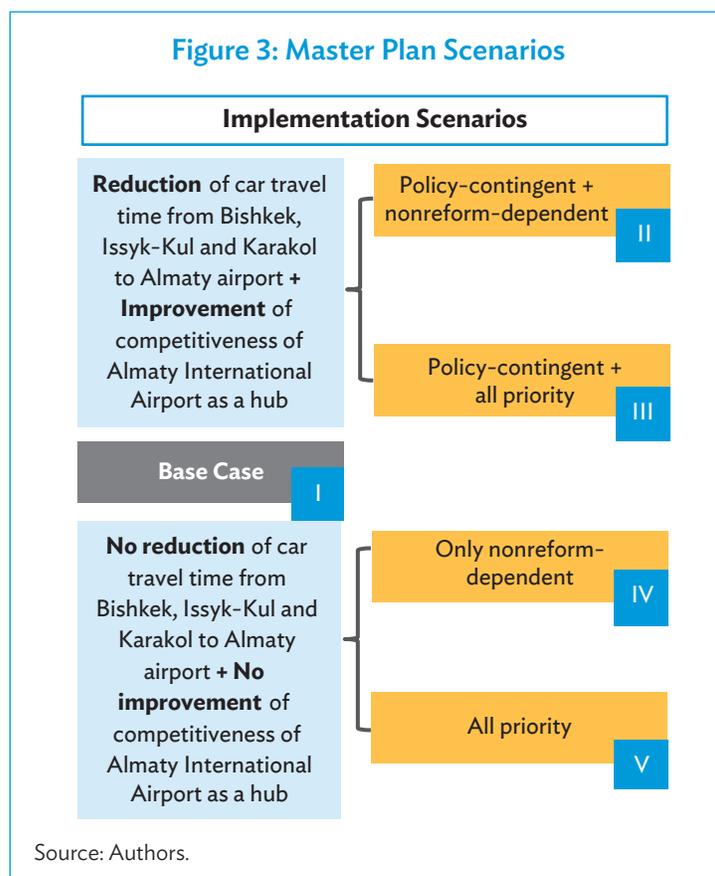
85. The “key points of interest” could be developed into a network and promoted by the proposed TDPA, thus reinforcing the strength of the PPP and inducing demand, which can generate positive effects for private operators.

5

Master Plan Implementation

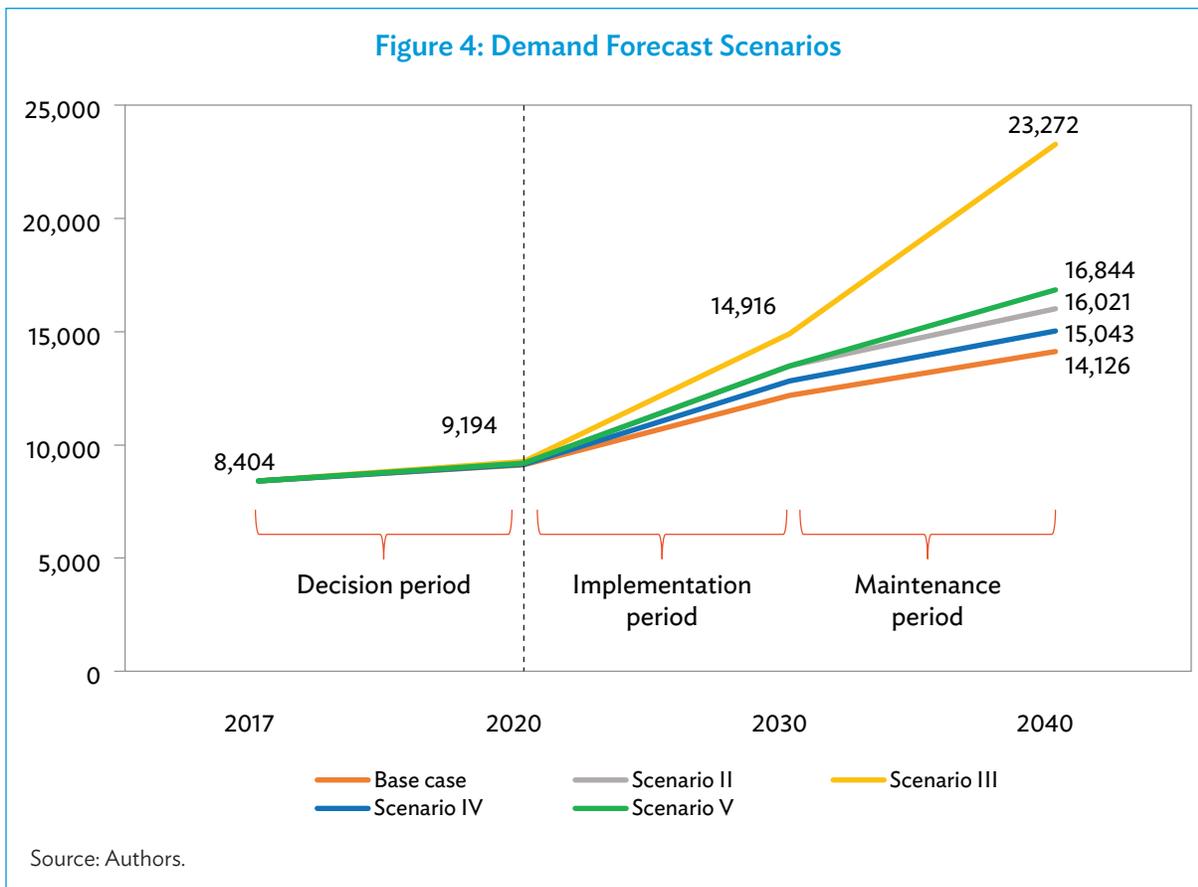
5.1 Master Plan Scenarios

86. The demand forecast scenarios form the basis of the proposed stages for the implementation of the master plan. Supplementary Document VI depicts the demand forecasts in detail. Figure 3 summarizes the five scenarios: (i) **base case** corresponds to the situation as it is, with current plans and strategies proceeding as usual; (ii) **policy-contingent and nonreform-dependent** consists of all policy-contingent and nonreform-dependent priority projects being implemented; (iii) **policy-contingent and all priority** corresponds to all policy-contingent and all priority projects being implemented; (iv) **only nonreform-dependent** projects are implemented (i.e., that no favorable decisions on reforms and policy-contingent projects have been made); and (v) **all priority** corresponds to no policy-contingent projects, but reforms are made and all other priority projects are implemented.



5.2 Demand Forecasts

87. The most important projects to be implemented are the policy-contingent projects, as they are the most transformative and have longer-term impacts and benefits in the ABEC region. Reforms are very important to allow for implementing multiple projects, which would not be feasible otherwise. Figure 4 shows the results of the demand forecasts per scenario. The scenario that generates the most tourist arrivals in the ABEC region is scenario III (policy-contingent and all priority), with the difference being only about 1.4 million tourists when compared with scenario V (the second highest tourist generator) during the first 10 years of plan implementation. However, during the maintenance period (2020–2040), the difference widens substantially to more than 6 million arrivals.



5.3 Implementation Process

88. The master plan identifies the projects, typology, priorities, implementation stages, and investment levels required, and estimates the demand according to the various scenarios defined, all at a high level. As a first step, implementing the master plan requires a cascading downward—from high-level to mid-level—to refine the cost estimates for the clusters. Pre-feasibility studies can further develop the projects to implement the clusters and specify the required reforms.

89. For the mid-level process to proceed smoothly and efficiently, an approach should be followed where a short list of integrated, highly relevant, and impactful projects is selected to form an investment package that could be supported by development partners. Upon defining the package of investments, the following steps should be taken: (i) select a strong partner as exclusive financier and advisor to support all stages of the process; (ii) enter into a memorandum of understanding with the selected partner to cover the process of studying the investment package and defining the amounts to be financed (thus capping the amount of investments and financial support), and require a feasibility study prior to a project's inclusion in the implementation plan; (iii) prepare support documentation and submit to the approving institutions (e.g., the Parliament); and (iv) finalize and sign the contracts. For example, pre-feasibility studies should include steps to develop PPP frameworks, concession design proposals, cross-border investment requirements, risk assessments including risks from bilateral partners, etc.

90. The suggested packages of integrated projects include:

- **Kazakhstan**

Package 1: Transport connectivity comprising the following projects: an alternative direct road between Almaty and Lake Issyk-Kul, border-crossing infrastructure and improvements to reduce processing time of tourists, and the Almaty air hub development;

Package 2: Various projects in Almaty city (e.g., development of a trade fairground with multi-use convention center, and building related management capabilities) to deliver improvements for business, stopover, and city-break markets; and

Package 3: Legal reforms as outlined in section 3, establishment of the TDPA and the Turgen ski resort development as a PPP.

- **Kyrgyz Republic**

Package 1: Support Manas airport and the civil aviation agency in improving its regulatory framework and equipment, and support the implementation of a multi-country, regional, low-cost carrier airline;

Package 2: Establish the National Agency for Tourism Development and affect the suggested legal and institutional changes (see section 3 of this report); and

Package 3: Develop a flagship hillside health and wellness spa resort either in Cholpon Ata or Altyn-Arachan as a PPP or concession.

5.4 Environmental and Social Safeguards

91. The master plan incorporates environmental and social safeguards in its high-level proposals and suggestions through:

- an analysis of the law and regulation (see independent documents on legal analysis) that includes the fundamental requirements for further development and maximum use of tourism resources, and comprising also an assessment of the critical issues of land use and development control, environment (protection, natural and national parks, reserved areas), infrastructure, and technical and engineering requirements. In terms of social issues, attention is to be given to ethno-historical elements and groups as well as existing laws protecting ethnic minorities; and
- a review of existing reports and studies that analyze the environmental and social dimensions of tourism development, emphasizing the need to conform with natural protection and social considerations.

92. Interviews were conducted to validate the existing national, regional, local, and sector plans and assess their implication for regional and urban development. For environmental, social, and infrastructure matters, sector plans, action plans, available policy papers were reviewed, and interviews with national authorities were conducted to identify the requirements, law enforcement capabilities, practices and resources, mechanisms of inspection, construction permits, and licensing of tourism activities. On the region's social issues, interviews were conducted with relevant entities and focused on the policies about minorities, nomadic persons' activities, impact and effect on tourism development, general policy for social development, progress of the policies, and their alignment with United Nations Sustainable Development Goals.

93. Site surveys were conducted as an essential element of the proposals as they served to confirm all the social and environmental analysis previously performed. The social and environmental elements are unique features and assets that differentiate ABEC as a tourism destination, and these should thus be considered as primary factors for development. Tourism development can positively affect the local community (e.g., through increased economic activities), but it can also cause social conflicts. These potential conflicts were carefully studied and locally confirmed.

94. This resulted in the incorporation of both social and environmental issues in each of the spatial planning proposals, where the mitigation elements are already considered in the proposed projects, including capital and operational expenditure estimations. Several of the projects are particularly and exclusively geared to environmental protection as a key priority to develop quality and sustainable tourism as envisioned, while most of the concepts are designed to integrate the tourists with the local communities and culture to allow for differentiated tourism products and a rich tourism experience.

95. The selected projects will require pre-feasibility and feasibility studies and should consider the Asian Development Bank's environmental assessment guidelines. Supplementary Document VII includes a discussion paper on organizing national parks.

6

List of Supplementary Documents

- I – Tourism Flow Analysis
- II – Regional Air Connectivity
- III – Legal and Institutional Frameworks
- IV – ABEC Tourism Spatial Planning
- V – Proposed Investments
- VI – Demand Forecasts and Scenarios
- VII – Discussion Paper on Natural Parks Organization

Supplementary documents can be downloaded from www.almaty-bishkek.org.

Almaty–Bishkek Economic Corridor Tourism Master Plan

In Central West Asia, the area between Almaty in Kazakhstan and Bishkek in the Kyrgyz Republic is home to exceptional heritage and a wealth of cultural and natural assets. The tourism potential is immense, but remains largely untapped. This tourism master plan provides a framework for developing the Almaty–Bishkek Economic Corridor (ABEC) into an international-quality destination. It identifies key investment priorities such as developing ski resorts along the mountain range between Almaty and Issyk-Kul and linking these winter sport facilities with summer tourism opportunities. It also proposes transport infrastructure improvements, including enhancing Almaty International Airport as the major gateway to the region.

About Almaty–Bishkek Economic Corridor

The Almaty–Bishkek Economic Corridor (ABEC) is the pilot economic corridor under the Central Asia Regional Economic Cooperation (CAREC) Program. The motivation for ABEC is that Almaty and Bishkek can achieve far more together than either can achieve alone. The two cities are only 240 kilometers apart with relatively high economic density concentrated in services in the cities and agriculture in their hinterlands. Both Kazakhstan and the Kyrgyz Republic have acceded to the Eurasian Economic Union and the World Trade Organization. CAREC corridors and Belt and Road Initiative routes cross ABEC. The historic Silk Route, mountain ranges, and Lake Issyk-Kul underline the potential for tourism. But trade, especially in agricultural goods and services, between the two countries is below potential, and the region does not yet benefit from being one economic space.

About the Central Asia Regional Economic Cooperation Program

The Central Asia Regional Economic Cooperation (CAREC) Program is a partnership of 11 member countries and development partners working together to promote development through cooperation, leading to accelerated economic growth and poverty reduction. It is guided by the overarching vision of “Good Neighbors, Good Partners, and Good Prospects.” CAREC countries include: Afghanistan, Azerbaijan, the People’s Republic of China, Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan.

About the Asian Development Bank

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members—49 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.



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