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Almaty–Bishkek Economic Corridor Support Phase 2

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For the Asian Development Bank

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Asian Development Bank



Almaty–Bishkek Economic Corridor

Joint Accommodation Classification System for Kazakhstan and the Kyrgyz Republic and its Implementation Mechanism



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In Kazakhstan: Committee for Technical Regulation and Metrology of the Ministry of Trade and Integration of the Republic of Kazakhstan; JSC "National Company "Kazakh Tourism"; JSC "National Center for Expertise and Certification"; Kazakhstan Institute of Standardization and Metrology (Kazstandart); National Chamber of Entrepreneurs "Atameken"; Kazakhstan Tourist Association; Kazakhstan Association of Hotels and Restaurants; Eurasian Tourism Association; Kazakhstan Association of Camping, Tourism and Caravanning; Radisson Hotel Astana; Rixos President Astana; Ethno Hostel; Evergreen Hostel; and Tomiris Hostel.

In the Kyrgyz Republic: B Hotel; Raduga Resort; Association of Resorts of the Kyrgyz Republic; Karakol Destination Marketing Organization; Guest House "Altyn-Oimok"; Guest House "Matsunoki"; HoReCa Association; Hotel "Kaprize"; Hotel Olimpia; Hotel "Ambassador" and "Solutel"; JSC "Tourism Development Support Fund"; Kyrgyz Association of Tour Operators (KATO); Kyrgyz Community Based Tourism Association (CBT); Project "Promotion of Energy Security and Sustainable Growth through Increased Energy and Resource Efficiency in Tourism SMEs in the Kyrgyz Republic (PERETO)"; Resort Hotel "Marco Polo"; Sanatorium "Avrova"; Kyrgyz Center for Standardization and Metrology; Yurt Camp "Almaluu"; and Yurt Camp "Bel-Tam".

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Abbreviations

ACS	Accommodation Classification System
ABEC	Almaty–Bishkek Economic Corridor
ADB	Asian Development Bank
B&B	Bed and breakfast
CAREC	Central Asia Regional Economic Cooperation Program
CBT	Community-based tourism
COVID-19	Coronavirus disease 2019
CoM	Cabinet of Ministers of the Kyrgyz Republic
DMO	Destination marketing/management organization
EU	European Union
GSTC	Global Sustainable Tourism Council
GDP	Gross domestic product
HVAC	Heating, ventilation, and air conditioning
HACCP	Hazard analysis and critical control points
HI	Hostelling International
HSU	Hotelstars Union
KTA	Kazakhstan Tourist Association
OTA	Online travel agency
SDGs	Sustainable Development Goals
TSC	Transboundary Steering Committee
UNWTO	United Nations World Tourism Organization

Note: In this publication, "\$" refers to United States dollars, "KZT" refers to Kazakhstan tenge, and "KGS" refers to Kyrgyz som.

EXECUTIVE SUMMARY

The proposed joint Accommodation Classification System (ACS), developed within the framework of the Almaty–Bishkek Economic Corridor,¹ is based on a detailed assessment of other countries' ACSs and international best practices. The proposed ACS is aimed at both travelers and accommodation establishments. Besides those two main user categories, the new joint ACS will also serve the travel trade, investors, construction companies, equipment suppliers, international hotel chains, and all involved government agencies.

The new joint ACS is unique due to its flexible design, regularly updated classification criteria, and adaptation of the criteria to local conditions. The legal framework developed in parallel with the implementation mechanisms is an indispensable part of the system, enabling its functioning in ABEC countries. The legal protection of star ratings is a crucial prerequisite for successfully establishing the new classification system on the domestic and international markets. The expected outcomes of introducing the new joint ACS within the two countries are (i) to raise the quality standards of the hospitality sector, (ii) to empower accommodation businesses, (iii) to improve visitor satisfaction levels, and (iv) to stimulate the competitiveness of Kazakhstan and the Kyrgyz Republic as tourism destinations.

The objectives of the project included developing (i) a methodology and administering a survey for representatives of the hotel business, the expert community, and guests; (ii) a model of the classification system for accommodation facilities for the two countries and an ecosystem; (iii) an implementation mechanism for each country; (iv) an application prototype for a digital platform; and (v) the drafting of a legal and regulatory framework for the launch and operation of the ACS.

The classification system is based on the 21 HOTREC principles, and criteria are revised every five years; the current standards are valid from 2020–2025. There are 257 criteria in 23 categories. There are two classification criteria types: mandatory and optional, with each fulfilled criterion yielding points. The introduction of points-based classification provides accommodation providers with the flexibility to decide how they want to collect points based on the needs of their guests and the character of their business. The criteria catalog consists of a mixed system with minimum criteria that must be fulfilled per category. The following symbols are proposed for the new ACS: (i) stars for hotels, (ii) tulips for guest houses in Kazakhstan and Edelweiss for the Kyrgyz Republic, and (iii) Shanyraks and Tunduks for other accommodation types.

Implementation mechanism models were developed in line with the current government structures, proposed new bodies such as the National Coordinator in Kazakhstan and the Secretariat in the Kyrgyz Republic. Implementation mechanisms include an application procedure by the accommodation provider, administration, assessment, awarding, and appeal. A proposed Transboundary Steering Committee will ensure the joint nature of the system between the two countries and address the issues of changes in the classification standards, variations, intellectual property rights, approving ACS branding, etc.

A third Phase is recommended as the primary implementation stage of the project. It may include: (i) working out financial models for stimulating measures and a package of incentives for businesses, including tax benefits; (ii) preparing legal provisions for stimulating measures; (iii) developing a digital platform with integrated self-assessment tool, mobile application, automatic scoring, processing of submitted applications, face recognition of inspectors and GPS

¹ <https://www.almaty-bishkek.org/>.

tracking tool; (iv) launching the work of the national ACS operators (coordinators); (v) conducting capacity building activities for national ACS operators' staff, inspectors and accommodations providers; (vi) preparing detailed inspection guidelines; and (vii) collaborating with sector associations on popularizing the ACS among its members, accommodation providers, and guests.

1. INTRODUCTION

1.1 Background

1. The Almaty–Bishkek Economic Corridor (ABEC) is the pilot economic corridor under the Central Asia Regional Economic Cooperation (CAREC) program. The vision for ABEC is that the two cities and their surrounding regions can achieve far more together than either can accomplish alone. ABEC is guided by the Intergovernmental Council, chaired by the Prime Minister of the Kyrgyz Republic and the Prime Minister of Kazakhstan. The Council created the ABEC Subcommittee, a regular official meeting of the two national governments, regional governments, and private sector representatives co-chaired by the Kazakh vice-minister of National Economy and the Kyrgyz deputy minister of Economy and Commerce.

2. Some key challenges in the CAREC region include that hospitality services are provided mainly through SMEs, except for some international hotel chains. Often, SMEs do not possess the resources or the know-how to implement quality standards. Developing and implementing harmonized service quality and environmental standards aligned with international best practices are vital to raising the region's competitiveness as a global tourism destination and attracting tourists from high-spending markets. Implementing a star system for accommodation voluntarily would allow tourists to understand the expected quality level before booking intuitively.²

3. The study included two parts. In the first part, the authors (i) addressed the current accommodation classification systems (ACS) of Kazakhstan and the Kyrgyz Republic, (ii) provided a comparison of the two systems, and (iii) summarized stakeholders' views of the current ACS and their expectations from the new ACS. In the second part, the description of the new joint ACS of Kazakhstan and the Kyrgyz Republic is presented, including (i) guiding principles for a new joint ACS, (ii) a proposed accommodation typology, (iii) the classification criteria, (iv) the main classification system components, and (v) an action plan for the implementation of the joint ACS.³

Kazakhstan

4. The need for an update of the current ACS in Kazakhstan was noted several times by business representatives of the tourism sector at different discussions to raise the hospitality sector's quality standards and improve visitor satisfaction levels. Therefore, the authorized body in the tourism industry initiated the development of the accommodation classification system under the framework of ABEC.

5. Kazakhstan's current accommodation classification system is voluntary and regulated following the Tourist Accommodation Classification Rules, approved by the Minister of Tourism and Sports dated 11 November 2008 No. 01-08/200 and other laws and regulations (as provided in this report). The Rules specify the main objectives, organizational structure, minimum requirements, and procedures for determining an accommodation category (points-based assessment).⁴

² [CAREC Tourism Strategy 2030](#). *Strategic Pillar 2: Quality and Standards*. ADB. December 2020.

³ [ABEC Report](#). *Almaty–Bishkek Economic Corridor Support*. Proposed Joint Accommodation Classification System for Kazakhstan and the Kyrgyz Republic. November 2021.

⁴ Tourist Accommodation Classification [Rules](#). *Order of the Minister of Tourism and Sports*. 11 November 2008 No. 01-08/200.

6. While the rules clearly define minimum hotel requirements, they are missing other types of accommodation, such as motels, campsites, tourist camps, guest houses, rest houses, and boarding houses. Most importantly, the norms and requirements of the Rules have never been revised and updated since 2008.

7. The participation of accommodation businesses in the current classification scheme is meager. Of 2,294 hotels operating in Kazakhstan in 2022 (data from January to September 2022), only 131 had been classified. Moreover, there has been a steady decline in the number and share of hotels with star ratings (from 16.2% in 2016 to 6.9% in 2021). During January–September 2022, 79.2% of visitors stayed in hotels, from which only 23% chose hotels with a star rating (11% in 5-star hotels, 12.2% in 4-star hotels).⁵

8. The review of the current accommodation classification system shows that the system is based on outdated criteria and no longer reflects the needs and preferences of guests. A points-based system provides flexibility but is vague and open to interpretation by the inspector. There has been no mechanism in place to periodically review and modernize the system despite the radical changes faced by the hospitality industry over the last 25 years. Another weakness is the lack of control and monitoring that allows businesses to freely use star ratings without fearing repercussions, thus offering no incentive to apply for official accreditation.

9. Nowadays, the hotel classification is run by private certification companies accredited by the National Centre for Accreditation of the Committee of Technical Regulation and Metrology of the Ministry of Trade and Integration of the Republic of Kazakhstan. The system is based on quite detailed criteria about the building, facilities, and equipment of accommodation establishments and has a limited emphasis on service quality and the guest experience. Private sector stakeholders emphasized the latter.

10. As was revealed at the consultation meeting, one of the most reputable certification bodies is the JSC "National Center for Expertise and Certification" (NCEC), formerly a government body responsible for certification.⁶ Currently, NCEC has 16 branches across the country.

The Kyrgyz Republic

11. A hotel classification scheme has been in place in the Kyrgyz Republic since 1995 but only operated voluntarily. However, the current classification criteria are inconsistent with market conditions and trends. International experts highly recommend a standard system of classification to provide an indicator to consumers and intermediaries on the standards to be found at individual establishments. The tourism sector is highly competitive, and national tourism authorities monitor the sector's competitiveness by introducing a quality assurance system. As the hospitality sector represents a fundamental tourism component, quality standards must be monitored and enforced effectively by applying standards that reflect the country's authentic tourism offer and excellence.⁷

12. In the past few years, the issue of the classification of accommodation facilities has been included in the relevant government documents in the tourism promotion section. The Kyrgyz Center for Standardization and Metrology (KCSM) under the Ministry of Economy and Commerce

⁵ Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, *Statistics. Statistics on Tourism: 2016, 2021, and 2022*.

⁶ JSC "National Center for Expertise and Certification".

⁷ United Nations World Tourism Organization (UNWTO). 2019. *Development of a Hotel Classification Scheme in the Kyrgyz Republic: Mission Report*. Madrid: UNWTO.

was not able to find a positive reaction from the private sector after the adoption of "Accommodation Classification System" as the standard, GOST 28681.4-95, promoted by the Interstate Council of the CIS countries on 29 June 2004 as well as several other national standards specifically developed for classification. The KCSM has prepared the current accommodation classification system for standardization and metrology. It has some inconsistencies with current trends in the world tourism industry that might impact the quality-of-service development in the future. In addition, the market is not very aware of the current standards' existence and the benefits of ratings.

13. The Department of Tourism under the Ministry of Culture, Information, Sports, and Youth Policy of the Kyrgyz Republic carried out some work between 2010 and 2012. It developed a draft regulation on the state classification system of collective accommodation facilities in the Kyrgyz Republic. This draft included more modern classification requirements than the current Classification standard developed in 1996. However, given legal restrictions according to the Regulation on the Activities of the Department of Tourism, it was noted that the Department of Tourism could not carry out classification work and issue a certificate of conformity to accommodation facilities. Thus, this initiative and the draft document were rejected.

14. Standards are primarily adopted from the standards of the Russian Federation. They are termed National Standards for various types of accommodations in the Kyrgyz Republic, and their criteria refer to the legislation of the Russian Federation. The only standard that does not refer to the legislation of other countries but has common requirements complying with international standards is the Standard (GOST 28681.4-95) adopted by CIS countries, including the Kyrgyz Republic, in 2004. However, most of the criteria of this GOST are outdated and do not comply with the trends and requirements of the market.

15. The current ACS scheme in the Kyrgyz Republic is not reliable according to the private sector.⁸ The current ACS of the Kyrgyz Republic is not transparent. Only a few people are aware of the existence of some standards, but the criteria and conditions of assessment are not clear. The assessment procedure is complicated and bureaucratic.⁹

1.2 Benefits of a new joint ACS

16. A new joint ACS in Kazakhstan and the Kyrgyz Republic will not only benefit tourists and accommodation providers by supporting expectations management. Still, they will also support tourism government authorities in further developing the hospitality and tourism sector and aligning services with international standards. It will benefit investors in making decisions. ACS acts as an indicator not only to customers and service providers but also to tour operators and travel agents on the standards to be expected and value for money offered. As the tourism and hospitality sectors are highly competitive, government authorities can employ the ACS as a quality assurance system and compete with other tourism destinations in the world arena.

⁸ For instance, KATO (Kyrgyz Association of Tour Operators) members highlighted the mistrust standards of the KCSM after they certified one of the Soviet design hotels in Bishkek – Hotel "Dostuk" as a 5-star hotel in 2008. No tour operators had accommodated their guests at the "Dostuk" Hotel due to its ruined infrastructure leftover from Soviet times.

⁹ Only for learning about the criteria of standards, an accommodation provider must: (i) apply paper-based documents for receiving hard copies of standards to the KCSM office; (ii) pay at the precise bank, called "RSK Bank" physically, spending time in a long queue, each standard costs approximately \$6; (iii) bring the receipt of payment from the bank to the KCSM office; and (iv) wait for approval and receive a copy of the standard.

17. The ACS may boost both countries' tourism and hospitality sectors by making them more transparent to domestic and international travelers. In addition, the economic benefits will also include increased tourism-generated profits and a strengthening geopolitical integrity of the two Central Asia states within ABEC. Another benefit that accommodation facilities may enjoy is that international online booking platforms such as booking.com recently started requiring official certificates of assessment and rating by a specific category level if they want to indicate their ratings for selling rooms.

18. The criteria of the new joint ACS have included principles of sustainable tourism, energy and resource efficiency, women empowerment, and an inclusive approach for all, creating accessibility for employees living with disabilities and tourists with disabilities.

19. The new joint ACS will be transparent and accessible for free. Accommodations can go to a special web page to do the self-assessment first and decide if they want to be assessed officially. The national coordinator, via the secretariat's support, will promote appropriately in the market, highlighting the benefits of assessment and rating the facility. Since the new National ACS of the Kyrgyz Republic will have criteria related to a green economy and sustainable tourism principles, including energy and resource efficiency practices, accommodations may enjoy a 50% discount from the property tax according to the Tax Code of the Kyrgyz Republic endorsed in January of 2022, where the article 409 states the decrease of property tax for buildings complying with energy and resource efficiency standards by 50%.

1.3 Approach and Methodology of ACS Development

20. The approach to developing the new Joint Accommodation Classification System in Kazakhstan and the Kyrgyz Republic included (i) the collection and analysis of existing materials on ACS from previous studies; (ii) conducting brainstorming sessions within the multidisciplinary group of experts—experts in tourism and experts in law; (iii) carrying out face-to-face meetings with stakeholders; (iv) receiving feedback on criteria from accommodation providers; (v) finalizing a list of criteria for a new joint ACS; (vi) online consultations with classification managers in CIS countries, such as Azerbaijan; (vii) presenting project results to stakeholders and obtaining their feedback; and (viii) incorporating stakeholders' feedback into the final report, etc.

21. The methodology of the study includes both secondary data collection and analysis and primary data collection and analysis. Primary data collection was conducted in two parts. The first part included conducting an online survey of three groups of stakeholders—businesses in the hospitality industry, guests, and the experts' community. The second part included interviews during face-to-face meetings with hoteliers, managers of hostels, yurt camps, guest houses, and sector association representatives.

22. The survey was carried out in order (i) to assess the level of sector familiarization with the ACS and the level of trust in potential national ACS operators among stakeholders, (ii) to identify preferred incentives for businesses to get a classification, and (iii) to find out if international expertise in the implementation of ACS in both countries is needed. The survey was available for stakeholders for three weeks. There were approximately 4,500 survey recipients from both countries.

23. Representatives of the hospitality sector did not demonstrate full familiarity with ACS, which in the future may create additional difficulties in the project implementation process and

require other resources aimed at training and development in this area. According to the consultant team's survey, only 73.9% of hotel business representatives are familiar with the current accommodation classification system in Kazakhstan and the Kyrgyz Republic.

24. One of the key questions in the questionnaire is about the issue of incentives that can encourage representatives of the hotel business to go through the classification procedure. Respondents could choose up to three answers. The answers to this question pointed to another "gap" in the perception of economic reality between the hotel business and the expert community. The most popular incentive for hotel business representatives is tax incentives for enterprises that have passed the classification (received "stars"). Table 1 shows the detailed answers by groups of respondents.

Table 1: Preference of Incentives by Three Target Groups in Kazakhstan and the Kyrgyz Republic

Incentives	Hospitality Businesses		Expert Community		Representatives of Tourist Businesses	
	KZ	KG	KZ	KG	KZ	KG
Subsidizing the cost of the hotel business to "get a star" at the initial stage	15	11	11	6	5	3
Transition to mandatory classification in the future	10	12	8	17	6	2
No need to obtain other mandatory certificates and pass control from regulatory authorities	11	4	7	5	4	2
Improving relationships and understanding with clients	14	7	7	23	5	2
Tax Benefits for Classified Businesses	23	13	5	11	3	5
Information and marketing support from the National System and Classification Operator	10	7	11	17	3	3
Improving the quality of customer service	14	12	8	19	9	6
Other	–	1	3	–	1	–

Notes: KZ = Kazakhstan, KG = Kyrgyz Republic. The total number of answers is 381. Each respondent had an opportunity to select up to three options. The numbers highlighted in green are the most significant values in the column, and the numbers in red are the least significant ones.

Source: ADB Consultant's estimates.

25. The study of trust in the institutional analysis framework is a determining factor for identifying priority areas for development. Business representatives could not provide a qualified response to questions about the levels of trust (on a scale of 1 to 10) since most respondents chose a rating of "5" for all categories of organizations that may in the future receive the rights of a coordinator of the national ACS, which indicates either the indifference of the respondents or their uncertainty. Most of the respondents, however, in Kazakhstan showed the highest level of trust in JSC "National Company "Kazakh Tourism"- 6.2 out of 7, in the Kyrgyz Republic; in a new independent association or self-regulatory organization, it was 6.3 out of 7.

26. As was hypothesized, market participants highly appreciated the importance of attracting international experts and organizations for the classification system's national operator (coordinator) activities for placements (training of experts, audit, launch of the operator's actions). In both Kazakhstan and the Kyrgyz Republic, the median value of the importance of attracting

international experts is 8. The average value is slightly higher in the Kyrgyz Republic—7.1, compared to 6.9 in Kazakhstan.

27. According to the opinion of foreign visitors to Kazakhstan and the Kyrgyz Republic, the following criteria need to be taken into consideration:

- (i) "Ensure that every rated hotel has good internet, showers with hot water, comfortable beds, and offers breakfast, even with additional pay. Those not meeting these criteria should not be rated at all."
- (ii) "Service quality and security are essential."

28. Due to the short life span of the project, the following activities were not addressed by this study and required implementation in Phase III of the project. They include but are not limited to:

- (i) formation of a transboundary committee and its first meeting under the intergovernmental working group,
- (ii) development of a detailed incentive package for accommodation providers,
- (iii) drafting actual legal regulations for introducing incentives for businesses that will classify under the new framework, for example, tax benefits,
- (iv) preparing legal regulations for subsidizing the first several years of launching new joint ACS,
- (v) conducting public hearings of draft legal regulations developed in this Phase II of the project as they require lengthy administrative procedures,
- (vi) obtaining official approval of draft legal regulations by the Governments of Kazakhstan and the Kyrgyz Republic is not included within the timeframe of Phase II of the project,
- (vii) testing the ACS criteria in regions,
- (viii) consolidating efforts of all parties involved,
- (ix) developing digital platforms and an application for inspectors, etc.

2. MODEL OF THE NEW JOINT ACCOMMODATION CLASSIFICATION SYSTEM

2.1. Model of the New Joint Accommodation Classification System

29. The model of the new joint ACS is based on the 21 HOTREC principles, which are revised every five years.¹⁰ Although hotel classification is not obligatory in most countries, over 22,000 are classified within the Hotelstars Union (HSU). HSU serves as the interface for official star ratings with data suppliers, OTAs, and review platforms. For instance, TripAdvisor uses the HSU star rating in 18 European countries. Hotelstars' brand is internationally protected. Participating hotels are obliged to comply with the terms of use and, in case of downgrade/revocation, to use the logo/brand of the new star rating or to desist from using it.

30. The proposed ACS criteria were tested on various sites in this project's Phase II. There are 257 criteria in 23 categories. There are two classification criterion types: mandatory and optional, with each fulfilled criteria yielding points. The introduction of points-based classification provides accommodation providers with the flexibility to decide how they want to collect points based on the needs of their guests and the character of their business. All criteria are presented in Annex 1.

31. Mandatory criteria per category guarantee the standard level. On the other hand, the voluntary criteria allow the accommodation business to offer guests additional services while

¹⁰ https://www.wko.at/site/hotelsterne/21_HOTREC_principles_3.pdf.

prioritizing the classification. These criteria are based on the existing classification systems of Kazakhstan and the Kyrgyz Republic and international best practices, particularly the Hotelstars Union standards. Criteria are summarized in Table 2 below:

Table 2: Joint Accommodation Classification Categories and Criteria for Hotels

No.	Category	Criteria	Examples of Criteria
1	Staffing and working conditions	1–11	Staff number, staff training, minimum qualifications and foreign languages spoken, staff restaurant, locker and shower facilities, uniforms, and name badges.
2	Surrounding area	12–20	Landscaping, parking space, lighting, etc.
3	Building exterior	21–22	State of the façade, signboard
4	Entrance	23–27	Weather protection for arriving vehicles, ramp, sufficient space for busses to approach, air curtain, etc.
5	Character of accommodation	28–32	State of interiors, heritage building, traditional housing, special architectural features, special accommodation concept
6	Fire safety, security, and emergencies	33–40	Fire detectors, sprinklers, extinguishers, emergency exits, emergency lighting, closed-circuit TV at entrance points.
7	Power and water supply	41–46	Power generator, hot water supply, water treatment plant, offering drinking water in the room
8	Heating, ventilation, and air-conditioning (HVAC)	47–55	Air-conditioning and heating in public spaces and guest rooms, clean air provision, and smoking area.
9	Telecommunications and Internet connection	56–61	Telephone services, Wi-Fi and wired Internet access, coverage of the building (guest rooms and public spaces)
10	Stairs, elevators, and corridors	62–66	Elevator availability, corridor, staircases, and elevator door width to fit a wheelchair.
11	Reception, lobby, and arrival/departure	67–92	Size and hours of operation, seating, online check-in/out options, range of services, safe deposit boxes, luggage handling, luggage storage, contactless payment, taxi call, concierge services, business center, soundproofing, etc.
12	Public toilets	93–99	Capacity and size, facilities, amenities, and wheelchair-accessibility.
13	Room types, sizes, and condition	100–112	Size and room types, wheelchair-accessibility.
14	Sleep experience	113–139	Beds dimension, pillow options, size and treatment of mattresses, bed linens, black-out curtains, soundproofing, etc.
15	Bedroom features	140–168	Size, furniture, closet, equipment, power sockets, window treatments, in-room safe, minibar, iron, etc.

No.	Category	Criteria	Examples of Criteria
16	Private bathroom	169–194	Size, fixtures, mirror, lighting, ventilation, towels, toiletries, etc.
17	Kitchen or kitchenette (in apartments and studios)	195–203	Oven, refrigerator, cooking utensils, etc.
18	Housekeeping	204–214	Daily cleaning procedure, frequency of linen change, evening turndown, etc.
19	Foodservice	215–229	Safety (HACCP), hours of operation, size, and capacity, special dietary requirements (halal, vegan, etc.), restaurants, child-friendly arrangements, room service, etc.
20	Function space	230	Size
21	Leisure features and other criteria	231–243	Swimming pool, leisure activities, facilities, training sessions, kids' activities.
22	Sustainability	244–248	Energy and water consumption, recycling, waste-water treatment, change of linen upon demand, use of locally produced products, etc.
23	Guest feedback, web presence, and certifications	249–257	Complaint management system, analysis of guest reviews, website, environmental, disinfestation, halal, and quality management certifications.

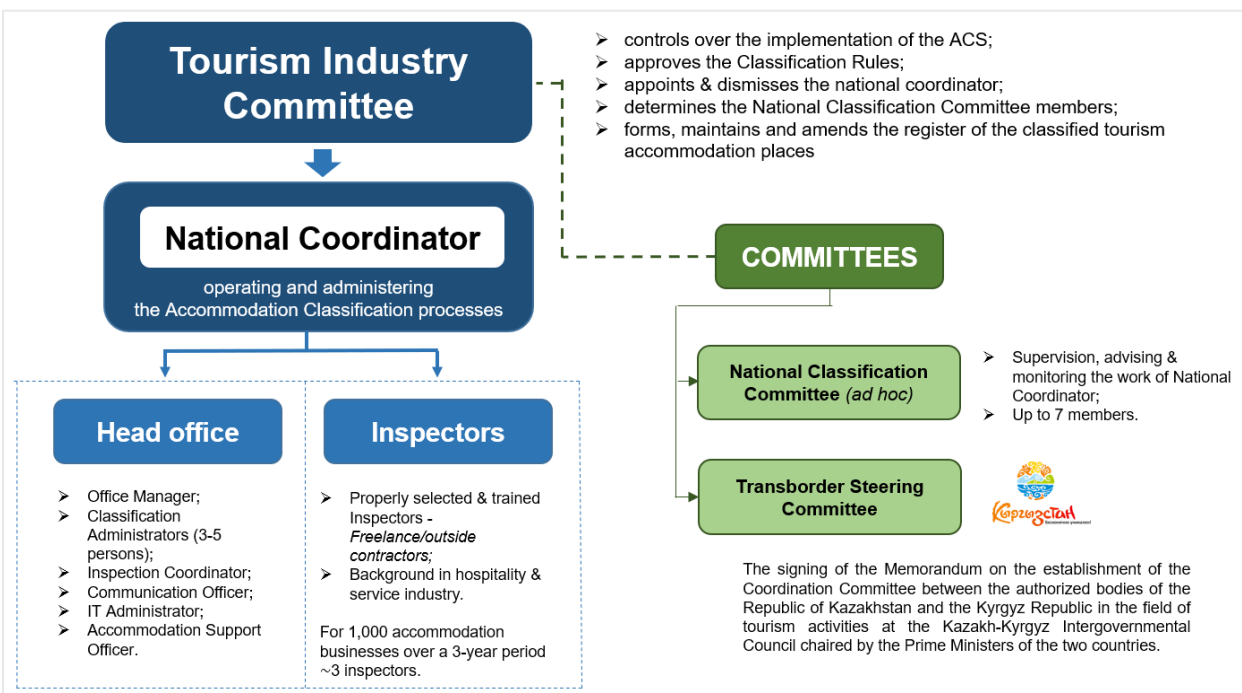
Source: ADB Consultants.

32. The ACS was inspired by the Austrian Hotel Classification—a mixed system with minimum criteria that must be fulfilled without fail, a minimum number of points, and additional points. This mixed system results in the number of stars to be awarded. The same principle was employed in the proposed joint ACS.

33. Implementation mechanism models were developed in line with the current government structures and proposed new bodies such as the National Coordinator in Kazakhstan and the Secretariat in the Kyrgyz Republic. The main principles for the developed implementation mechanisms are (i) maximum use of IT, (ii) transparency of the system to avoid possible corruption, and (iii) understandable and quick processes to make the whole experience for accommodation providers as simple and effective as possible.

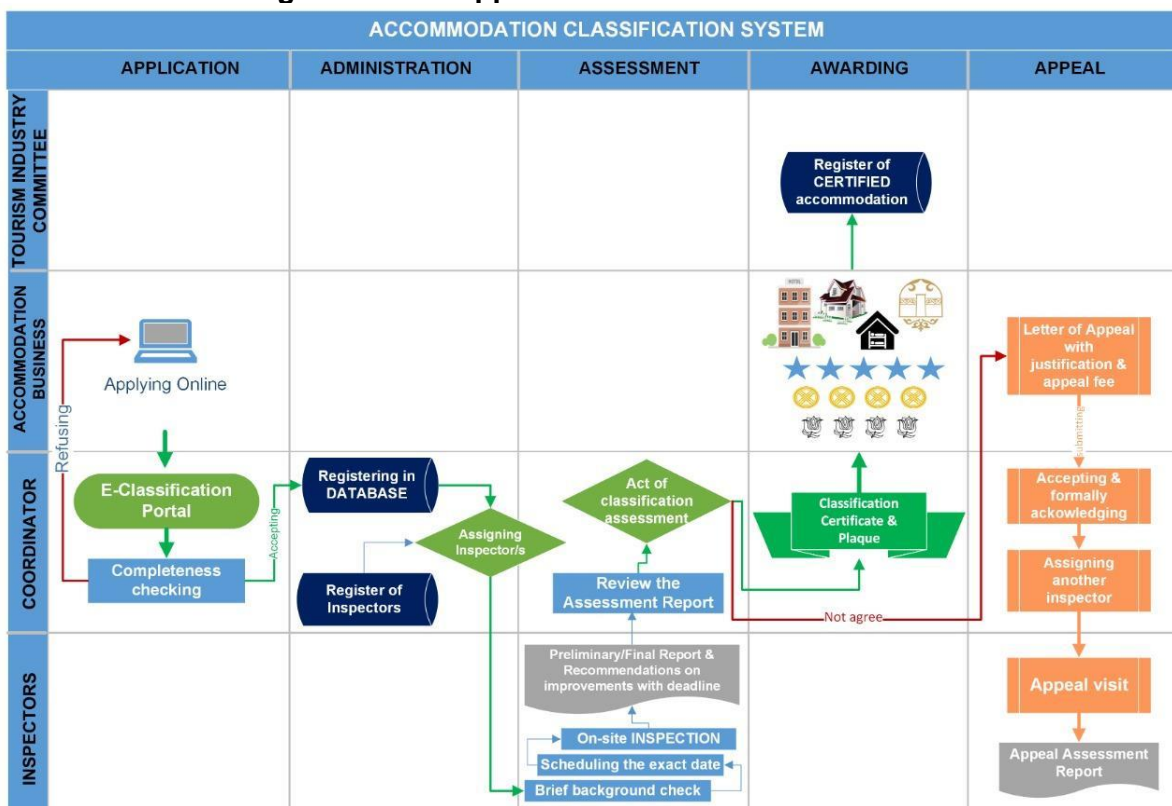
34. Implementation mechanisms include an application procedure by the accommodation provider, administration, assessment, awarding, and appeal and are like the classification process currently in place in Austria but adjusted to countries' specifications. Implementation mechanisms are shown in Figures 1 and 3. The ACS application process in Kazakhstan is presented in Figure 2. Detailed descriptions are given in Annexes 2 and 3 of the report.

Figure 1: ACS Implementation Mechanism in Kazakhstan



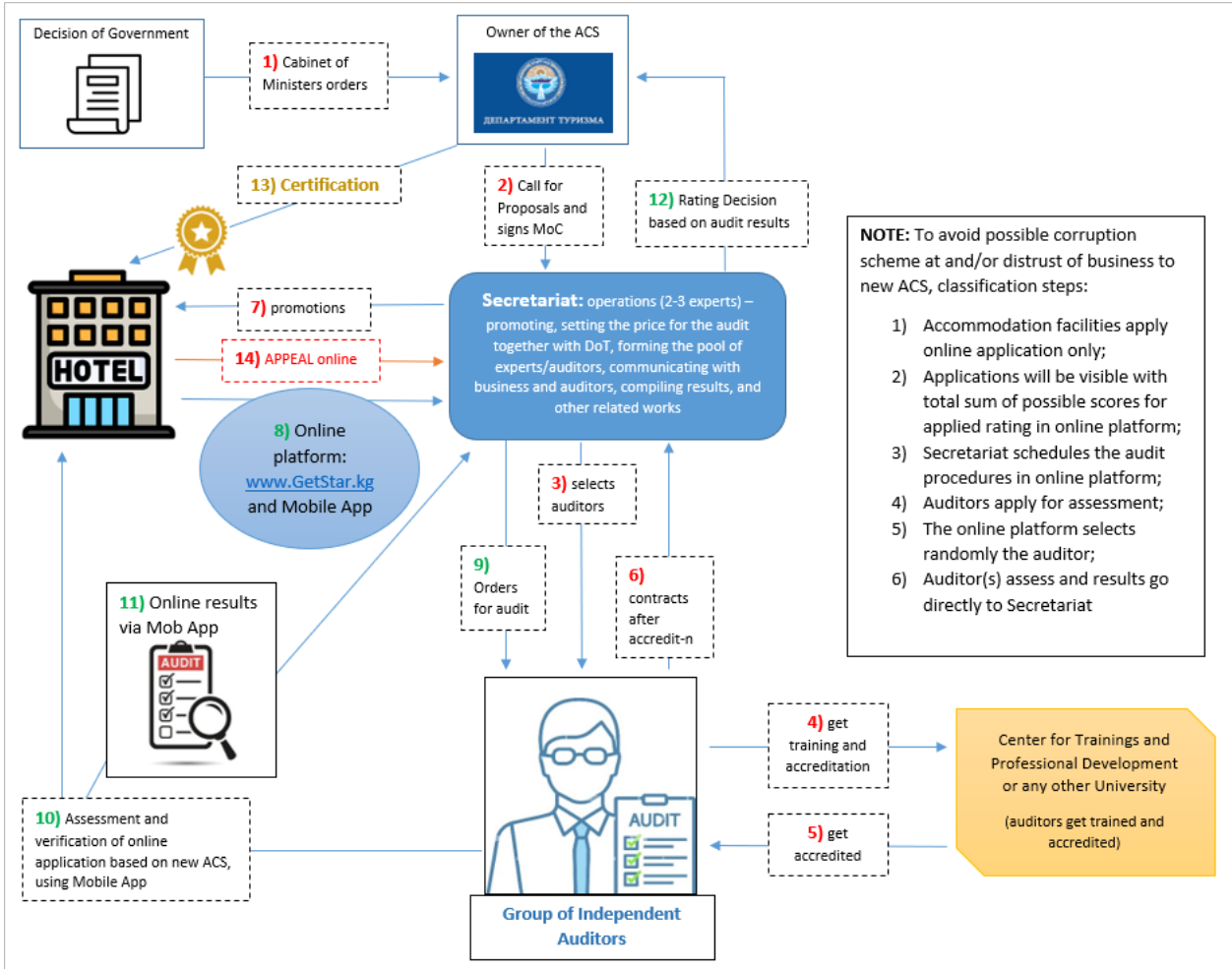
Source: ADB Consultants.

Figure 2: ACS Application Process in Kazakhstan



Source: ADB Consultants.

Figure 3: ACS Implementation Mechanism in the Kyrgyz Republic



Source: ADB Consultants.

35. The Global Sustainable Tourism Council (GSTC) created a set of standards for various industries in tourism and hospitality globally. It developed an industry criteria catalog for hotels and accommodations, reflecting the corresponding SDGs.¹¹ The process of developing the criteria was designed to adhere to the standards-setting code of the ISEAL Alliance, the international body providing guidance for creating and managing sustainability standards for all sectors. Relevant ISO standards inform that code. GSTC, on its end, is not the assessor/inspector for an accommodation operator but conducts accreditations for certification bodies.¹²

36. With the trend of preference for green, eco-friendly accommodations, global travelers, especially Gen Z,¹³ would be more likely to book accommodation if they knew it was eco-friendly. These can be incredibly lucrative for hotels—travelers of green hotels tend to stay three days

¹¹ [GSTC. GSTC Industry Criteria.](https://www.gstccouncil.org/certification/gstc-accredited-certification-bodies)

¹² [https://www.gstccouncil.org/certification/gstc-accredited-certification-bodies.](https://www.gstccouncil.org/certification/gstc-accredited-certification-bodies)

¹³ [https://globalnews.booking.com/bookingcom-reveals-key-findings-from-its-2019-sustainable-travel-report.](https://globalnews.booking.com/bookingcom-reveals-key-findings-from-its-2019-sustainable-travel-report)

longer than other guests, and 47% will pay more for a sustainable product.¹⁴ Various hotel eco-certifications have gained a particular reach globally or regionally and were analyzed during the project by the experts.

37. To maintain the ACS and keep it up to date, a Transboundary Steering Committee is proposed to be established by both countries. The Committee will ensure the joint nature of the system between the two countries and address the issues of changes in the classification standards, variations, intellectual property rights, approving ACS branding, etc. All these issues must be developed in Phase III of the project if approved.

2.2. Classification Categories

38. The following symbols are proposed for the new ACS: i) stars for hotels, ii) tulips for guest houses in Kazakhstan and Edelweiss for the Kyrgyz Republic, and iii) Shanyraks and Tunduks for other accommodation types. The star symbols are popular in both countries and well-perceived by guests; therefore, they were chosen for hotels. Kazakhstan Tourist Association currently uses tulips in the classification of guest houses. They are employed as this type of accommodation provider to ensure continuity and avoid chaos. CBT currently awards Edelweiss in the Kyrgyz Republic and can be inherited by the new ACS. To include authentic traditional elements to ACS, Shanyraks and Tunduks will be used to classify conventional types of accommodation such as yurts, campsites, and hostels. Classification categories are presented in Figure 4.

Figure 4: Symbols for Different Types of Accommodation in a Joint Accommodation Classification System for Kazakhstan and the Kyrgyz Republic



Source: ADB Consultants.

¹⁴ https://www.washingtonpost.com/lifestyle/travel/with-eco-friendly-travel-more-popular-than-ever-approach-green-claims-with-skepticism/2017/05/18/617cfef2-358f-11e7-b373-418f6849a004_story.html?noredirect=on.

2.3. Inspection Results for Kazakhstan and for the Kyrgyz Republic

39. During inspections, the team faced the following issues: (i) full occupancy of hotels and tight schedules of members of staff to meet with the members of the team, (ii) lack of understanding of ACS benefits, (iii) lack of access to all information by hotel representative required for pilot inspections, (iv) off-season closures of some accommodation establishments, and (v) low interest in hotels and lack of hotel top management permission. However, all types of accommodations were included in pilot inspections, and team members received valuable insights according to the type. These are all reflected in the list of criteria.

40. On the classification criteria for hotels. The suitability of the present classification criteria was field-tested by conducting pilot inspections for different types of accommodation:

- (i) The requirements of the criteria of each category are analyzed, and different conditions are discovered.
- (ii) The criteria were assessed given all related legal requirements and carefully coordinated with national regulations to ensure that transversal issues are coherent.
- (iii) Pilot inspections revealed the weaknesses that hotels need to address, not just for getting classified but for offering a decent guest experience.
- (iv) Most of the unfilled criteria can be quickly addressed by the hotel (such as toiletries and decorative items on beds) and are proof of poor planning.
- (v) It should be noted that there were some limitations due to the high occupancy in October-November
- (vi) In addition to the pilot inspections, the detailed classification criteria list was presented or sent to stakeholders for feedback. Written feedback is received from the Kazakhstan Association of Hotels and Restaurants and the Kazakhstan Tourist Association in Kazakhstan, sanatorium Aurora, and Goluboy Issyk Kul in the Kyrgyz Republic.
- (vii) Additional meetings in Kazakhstan were organized with the General Director of Radisson and the Guest Relations Department Director of Rixos (Accor) in Kazakhstan, the General Manager of Ambassador Hotel, and the General Manager of B Hotel in the Kyrgyz Republic.
- (viii) The feedback shows that some criteria are excessive and have been adjusted accordingly.

41. The classification criteria were adjusted according to compliance with national regulations, de facto use in accommodation establishments, provisions for people living with disabilities, and contribution to SDGs.

42. **Compliance with national regulations.** The classification standards should reflect and comply with the minimal legal requirements. However, based on the voluntary nature of classification application, specific criteria establish additional requirements that could go beyond the national requirements.

43. Some critical criteria required further investigation and consultation meetings and included: i) access issues for persons living with disabilities, ii) eco criteria, for example, the use of disposable containers, iii) the use of decorative items such as runners or bed throws, iv) currency exchange services, v) hygienic showers in bathrooms, etc.

44. **Runners or bed throws.** The proposed hotel classification requires the following: «Everything an arriving guest finds on their bed must be clean and hygienic; any decorative items

or bed throws that are not being washed before the arrival of each guest are strictly prohibited». However, many hotels use decorative items, bedspreads, or runners. It is questionable whether they were cleaned or not after every guest. It is recommended to define the criteria as *optional*: «Not using any decorative items or bedspreads that are not washed before the arrival of each guest is encouraged.». Many hotels are unwilling to remove runners because sometimes tourists ask the hotel for them, or they may be a part of the room design (Photo 1, all photos Woodward D.).

45. **Mini toiletries or refillable dispensers.** For environmental reasons (reducing plastic waste and preventing waterway pollution), many large international chains (IHG, Marriott International, Accor Hotels) have already started to get rid of single-use mini toiletries. In 2019, InterContinental Hotels Group (IHG) ran to undertake such a move.¹⁵ In California, USA, its government passed a law in 2019 banning the mini toiletry bottles that go into effect in 2023 for hotels with more than 50 rooms and in 2024 for smaller ones.



Photo 1. The use of decorative items for beds in Hotel A in Almaty, Kazakhstan.



Photo 2. Bathroom in a hotel in Almaty with refillable soap dispenser, Kazakhstan.

46. In the framework of the classification system, hotels are encouraged to switch to larger refillable dispensers. It should be noted that in Almaty and Astana, international hotels and local hotels managed by international top management have already used refillable dispensers. However, experts said that the issue is a little controversial, and bulk dispensers make the bathroom's appearance much cheaper and do not look aesthetically pleasing over time (Photos 2 and 3).

¹⁵ "Mini toiletries to be removed from Holiday Inn owner's hotels". 30 July 2019. <https://www.bbc.com/news/business-49163456>.

"New York hotels may soon have to ditch environmentally unfriendly mini toiletry bottles". 26 April 2021. <https://www.nydailynews.com/news/politics/new-york-elections-government/ny-ny-hotels-may-ditch-single-use-plastic-bottles-20210426-sryqkwjlfsvlogazbhgw74nq-story.html>.

47. **Access for people with special needs.** There is little focus in hotels in Kazakhstan and the Kyrgyz Republic on accessibility. Nowadays, many hotels do not provide conditions for people with limited mobility. Some hotels provide a ramp, elevator door, and cabin; corridors are wide enough to fit a wheelchair and wheelchair-accessible rooms. However, the rooms are not specially equipped for people with limited mobility moving with wheelchairs, hearing impaired, or blind. It reflects the lack of appreciation of the needs of travelers with reduced mobility and should be addressed as a matter of inclusive society and a business opportunity. Therefore, accessibility criteria remain mandatory (Photo 4).



Photo 3. Shower gel and shampoo dispensers. B Hotel. Bishkek, the Kyrgyz Republic.



Photo 4. Proper installation of the ramp for persons living with disabilities in Hotel B in Almaty, Kazakhstan.¹⁶

48. Accommodation providers already use an eco-friendly approach. For example, the guest house Matshunoki in Karakol separates waste into three categories – glass, paper, and plastic. (Photo 5. Woodward D.). Almaluu Yurt Camp in Bokonbayevo village, the Kyrgyz Republic, installed solar panels and used alternative energy sources for guests' needs. (Photo 6).

49. Where a guest/tourist stays in a home hosted by a local resident, the classification standards for hotels cannot be fully applied to guest houses. For example, guest houses in the Satty village of Almaty region have minimal amenities and seasonal operations and are located in the state's national nature park.

50. Nowadays, the Kazakhstan Tourist Association (KTA) voluntarily certifies guest houses according to the Rules for assigning criteria and classifying guest houses of the Republic of Kazakhstan, which the KTA Council Meeting's Protocol approves. The Rules were developed

¹⁶ [SN RK 3.02-06-2018](#). State standards in the field of architecture, urban planning and construction building regulations of the Republic of Kazakhstan «Hotel Design».

based on the National Standard 2851-2016, «Tourist and excursion service. Guest houses. General requirements».¹⁷ Criteria are grouped into 13 categories.



Photo 5. The use of containers for waste separation in Matsunoki Guest House, Karakol, the Kyrgyz Republic.



Photo 6. The use of solar panels in Almaluu Yurt Camp, Bokonbayevo village, the Kyrgyz Republic.

51. An expert group of at least three people is formed for certification. KTA issues a certificate that "*confirms that the guest house applies all requirements of the Standard*". The certificate is valid for two years. Certified guest houses are entered into the Register, available at <https://hospitality-kazakhstan.kz/>.¹⁸ The certification cost is KZT5,000 (\$11). Guest houses are awarded three levels of quality and a certain number of points:

- golden (5 tulips) = 300–400 points;
- silver (3 tulips) = 201–299 points; and
- bronze (1 tulip) = 180–200 points.

52. An analysis of the Rules allowed us to draw the following conclusions: (i) although mandatory requirements are defined, the result of the assessment is given by the points scored for all criteria and with recommendations; (ii) each criterion, even including the mandatory ones, yields a specific number of points; (iii) incomplete fulfillment of only three requirements is allowed; (iv) criteria are repeated; (v) there are exterior criteria that have no influence on the rating and do not touch the comfort of the accommodation; and (vi) not all guest houses that are included in the Register meet the mandatory requirements. As of 15 February 2022, the register of certified guest houses consists of 60 guest houses.¹⁹

¹⁷ Unified State Fund of Regulatory Technical Documents. Tourist and excursion services. [Guest Houses](#). General requirements. Designation: ST RK 2851-2016.

¹⁸ Website of the Ecotourism Information Resource Center of Kazakhstan Tourism Association.

¹⁹ Ecotourism Information Resource Center of KTA. [Register](#) of certified guest houses in the Republic of Kazakhstan.

53. By considering the work done by KTA and its certification system with tulip rating, the guest house classification system is developed and aligned with the best international practice accordingly. Currently, KTA is carrying out an EU project that aims to implement Travelife accommodation sustainability certification in the tourism sector in Kazakhstan.²⁰

54. **On classification criteria for sanatoriums.** During inspections in the Kyrgyz Republic, it was revealed that sanatoriums occupy a large niche in the country, most of which is part of the Soviet Union heritage. Some of them, for example, Goluboy Issuk Kul, are under the patronage of trade unions. Aurora is under the patronage of the President's Office. Classification criteria for sanatoriums require further investigation in Phase III of the project, further consultations with the Kyrgyz Association of Sanatoriums and Resorts, and meetings with the sector, guests, and the government.

55. In Kazakhstan, sanatoriums are under the patronage of the Ministry of Healthcare. As suggested by the Kazakh Tourism JSC, they are an essential segment and should be considered. Still, the Ministry of Healthcare regulations govern them and, therefore, should not be included in the present ACS. The Azerbaijan Hotel Association confirmed the same principle.

56. **On classification criteria for yurts and yurt camps.** Yurt camps in Kazakhstan are not as popular as in the Kyrgyz Republic. Foreign visitors to the Kyrgyz Republic enjoy the authentic atmosphere of the yurt, its unique shape, and the traditional food served. During summer, the yurt camps reach a capacity of 100%. Classification criteria for yurts are developed by the principles of tourists' safety (for example, lock on every door, lack of animals on the territory of the yurt camps), conveniences provided to tourists considering outdoor conditions, cleanliness, and proper nutrition.

57. **On classification criteria for hostels.** Hostels in most countries are left uncategorized as they cater to a different clientele, offer minimal services, and mostly lack restaurants or dining facilities. It is, therefore, not a goal for most hostel operators to become star rated. However, a well-known network defined a set of standards: Hostelling International (HI), formerly the International Youth Hostel Federation. Founded in 1932, it comprises around 80 (numbers vary according to source) national youth hostel associations and about 4,000 affiliated hostels. HI has nearly 4 million members and almost 40 million overnights per year. It is an affiliate member of UNWTO.

58. The quality assurance program of HI, the so-called Assured Standards Scheme, lists minimum criteria and is monitored by HI's inspection team carrying out unannounced visits and sending mystery shoppers.²¹ The most important standards revolve around reception, comfort, cleanliness, safety, and privacy. No stars are awarded; mere membership requires fulfillment of the criteria.

²⁰ Kazakhstan Tourist Association. [Projects](#) on sustainable tourism.

²¹ <https://www.oejhv.at/en/about-us/quality-and-standards/>.

3. LEGAL FRAMEWORK FOR ENABLING AND SUPPORTING NEW JOINT ACCOMMODATION CLASSIFICATION SYSTEM IN KAZAKHSTAN AND THE KYRGYZ REPUBLIC

3.1. Approach and Methodology to Developing the Legal Framework for ACS

Kazakhstan

59. The subject matter of the research is the existing legal and institutional grounds for the relationship between the stakeholders of the classification system of touristic accommodation establishments in Kazakhstan.

60. Researching the existing legal framework of the classification system shall allow for defining the obstacles and impediments in the legislation that need to be addressed to implement the suggested ACS effectively. Therefore, the methodology used for this report is a way of exploring and addressing the unsettled questions or issues that appeared before the government and touristic society, seeking an effective system for further elaboration.

61. For that, the analytical and applied legal research here is devoted to:

- (i) Describing the facts and current state of the legal system (the normative acts/regulations applicable to the classification process, the mandates of the critical stakeholders in the classification process, including the applying businesses and the assessment bodies). The focus of the descriptive research is to understand the current system.
- (ii) Revealing and identifying the gaps in the legislation by comparing the regulations with the approaches and models suggested in the ABEC Support Proposed Joint Accommodation Classification System for Kazakhstan and the Kyrgyz Republic. This is also based on interacting with the key stakeholders of the process, i.e., the Committee of Tourism Industry, JSC "Kazakh Tourism," and the hoteliers consulted by the team.
- (iii) Analyzing and suggesting the solution to the revealed gaps and obstacles by elaborating recommendations on enabling effective implementation of the ACS and drafting the new regulations and amendments to the existing law.

The Kyrgyz Republic

62. The primary methodology for preparing the legal analysis was analytical desk-based research of the current Kyrgyz legislation that allowed us to find the most relevant legislative and subordinate acts regulating tourist activities, identify the power of the authorized state bodies regarding the ACS, and the Phase I report.

63. To get a sense of some of the practical issues, the team conducted several interviews with specific industry associations (KATO, HORECA) and key stakeholders (Department of Tourism, Standardization and Metrology Centre (KyrgyzStandard), Fund on Support of Tourism Development, JSC). Their inputs were mainly on the practical issues and lessons learned on voluntary certification of tourism accommodation, authorized state bodies' work, expectations of the owners and key managers of the hotels, guest houses, and other means of accommodations. In contrast, the focus of this analysis was on the legal framework. However, the practical angles

highlighted the impact of legal weaknesses, and the interviews showed how and why the existing legal framework was not always efficient and respected.

3.2. Current Legal Regulations

Kazakhstan

64. The current accommodation classification system also covers the certification process of the classified business, which is regulated under various legal acts of different levels in the hierarchy of legal actions and in multiple fields.

65. The laws of the Republic of Kazakhstan occupy a higher level than the normative acts (including rules and regulations, approved either by the act of the government or other authorized state bodies). Therefore, the rules and standards listed are derivative from the laws and are intended to expand the provisions of the laws while not contradicting them. The list of legal acts and regulations in Kazakhstan includes (i) Tourism Law, (ii) Classification Rules, (iii) Rules of Assessment, (iv) Law on Technical Regulation, and (v) Interstate and National Standards. Details of these legal regulations are provided in Appendix 2.

The Kyrgyz Republic

66. Over the last few years, the tourism legislation in the Kyrgyz Republic has become extremely permissive, with no strict requirements and prohibitions. Considerable progress was made in 2003 when licensing requirements for tourism activities were abolished as the government recognized that, in general, tourism activities were not subject to high health and environmental risks. Licensing was not an efficient mechanism of control and monitoring.

67. Nowadays, the legislation is quite outdated and needs to be brought in line with the best practices and international standards to introduce new mechanisms and tools for boosting tourism development, and ACS is one of them.

68. The current legal-normative acts and regulatory policies governing the Kyrgyz tourism sector consist of (i) sector-specific legislation, including the Law "On Tourism," Cabinet of Ministers' resolutions aiming at sector development and promotion; (ii) legislation regulating resources used by the tourism sector, such as Land Code, Forest Code, Environmental Legislation, etc.; and (iii) cross-cutting laws and regulations, governing the administrative, financial and operational functioning of tourism companies, including Tax Code, Customs Code, Visa Regime Law, etc. The group of laws and policies to the extent that they pertain to the ACS introduction in the Kyrgyz Republic are shown in Appendix 3.

3.3. Gaps and Limitations

69. Based on the analysis of the current legislation, some of the most pressing challenges seem to be preventing businesses from getting the certification under the acting classification system. Overall, the interim classification system is not popular in the tourism industry, and a few classified hotels are presented in the internal market. Therefore, for the effective implementation of the ACS, the following critical legal problems must be addressed:

Kazakhstan

- (i) **Inconsistency of the classification system and overregulation.** The current legal framework demonstrates a lack of a harmonized approach. All the legal requirements of the businesses are fragmented into various acts and regulations of the different levels and fields. The legal rules applied to the accommodation classification process contain overlapping and duplicative provisions that could confuse the applicants for classification. For example, Classification Rules and the Rules of Assessment regulate the same subject. However, in practice, the confirmation bodies are governed by the Rules of Assessment, which do not mention any mandatory application of the Classification Rules upon assessment. Instead, the confirmation bodies begin the assessment based on national standards (i.e., provisions of the National Standard 1141-2002 «Tourist and excursion service. Accommodation facilities. Classification and general technical requirements»). Thus, the Rules of Assessment seem to make the Classification Rules redundant and inoperable.
- (ii) **Absence of control and sanctions for misuse of the classification and misleading the tourists (clients).** Based on the legislation of Kazakhstan providing the voluntary nature for classification, there are no sanctions set for the accommodation businesses for (i) the absence of classification and (ii) misuse of the classification stars. Although it is not recommended to make the system mandatory, there should be legal consequences for accommodation establishments using the star ratings and categories from the system not implemented in Kazakhstan, which was not authorized for usage after the classification process.
- (iii) **Unclear process of application by the businesses. Unclear and outdated criteria.** The business wishing to apply for the certification has no plain and explicit legal provisions explicitly and transparently addressing all the issues on the certification (assessment) process. The conditions of the Classification Rules outline the process without giving much detail and merely refer to another normative act that has been invalid since 2021. The businesses have no procedure, and the addressee to complain or appeal during or after the classification process, except for the conventional ways of resolving the conflicts (i.e., mediation or court). Classification criteria must also be updated to address the hospitality sector's current trends and future needs. There should also be clear guidance for applying the requirements in the Classification Rules and national standards, indicating which criteria are mandatory for specific categories and ratings and which are additional.
- (iv) **Lack of regulation regarding the credibility of the expert auditors' professional capacity in the accommodation certification field (classification).** There is no total assurance that the experts provide assessment services, having precisely a necessary level of expertise in hospitality and tourism accommodation. Provided that only a few experts specialize in touristic accommodations classification and have relevant education, the quality of the assessment should be increased by developing legal requirements for expert auditors admitted to the classification process. The procedure of hiring the experts and background information on expert auditors eligible to provide assessment is also not publicly available.

- (v) **Weak monitoring and administration over the classification (assessment) process.** Neither tourism state bodies nor businesses with expertise and knowledge of the area are involved in the classification process (they are not administrators of the system and have no mandate in administrating, monitoring, or otherwise influencing the process). Basically, the current assessment of touristic accommodations is not in the sphere of competence of the touristic state agencies or professional associations in hospitality. The absence of the requirements of involving the coordinator of the process from the touristic industry results in a lack of monitoring mechanisms.
- (vi) **The status of the national ACS operator is not defined in the legislation.** Based on the discussions at the level of interstate communications, there are some grounds to believe that JSC's "Kazakh Tourism" is potentially seen in the role of the national ACS operator. However, the mandate and functions of the ACS national operator must first be developed in the Tourism Law.

The Kyrgyz Republic

- (vii) **The specific provision on ACS should be included in the Kyrgyz Republic Tourism Law to make the work on developing and introducing the National ASC legitimate and effective.** The Department of Tourism has initiated an extensive revision of the Law on Tourism. A draft of the revised law, developed by a working group of representatives of relevant government agencies and all interested stakeholders, is now being discussed in the President's Administration. The revised law includes a provision stating that *the National ASC shall be conducted voluntarily according to the procedures approved by the Kyrgyz Republic Cabinet of Ministers*. The law shall be presented to a general session of the Parliament by the end of 2022. Once adopted, it will speed up the ACS's approval and introduction process.
- (viii) **The ACS must be approved at the level of the Cabinet of Ministers to become the national system in the Kyrgyz Republic.** In 2009, the Kyrgyz Department of Tourism developed and approved the Regulation on Unified State Accommodation Classification System dated 18 August 2008 #45, which was later repealed by a new Law "On Normative Legal Acts of the Kyrgyz Republic" (article 36). The new Law prohibited state agencies' development and adoption of mandatory legal regulations, including the Kyrgyz Department of Tourism.

For the joint ACS to be launched, the following gaps and limitations in legal regulations need to be addressed:

- (ix) The identification of the National Operator for Accommodation Classification System (ACS) as the owner and responsible body of the classification process: The National Operator for Accommodation Classification System (ACS) as the owner and ultimate responsible body for the classification process should be identified and authorized by the Kyrgyz Republic Cabinet of Ministers.

Currently, several organizations could be considered for the role of the National Operator:

Table 3: Identification of Strengths and Weaknesses of Potential ACS Operators in the Kyrgyz Republic

National ACS Operator	Pros	Cons
The Department of Tourism under the Ministry of Culture, Information, Sport and Youth Policy of the Kyrgyz Republic	<ul style="list-style-type: none"> (i) state-authorized body in the field of tourism; (ii) the status of the state-authorized body allows the evaluation of accommodation facilities and the issuance of relevant official documents; (iii) sustainable body (despite changes in the structure of the government, will remain the successor of the previous state body); and (iv) has the authority to make changes in tourism legislation. 	<ul style="list-style-type: none"> (i) the need to coordinate and make decisions on their departmental issues through the Ministry of Culture, which is not a line ministry for tourism development (however, it is expected that the Department will be moved under the Ministry of Economy and Commerce soon); (ii) lack of additional staff who can be responsible for ACS and, the low capacity of the current staff; and (iii) to get payments directly from the hotels, the Department should include these paid services in the Unified List of State Services and agree on payment amounts with the Antimonopoly Committee.
The Kyrgyz standard (KS)	<ul style="list-style-type: none"> (i) conducts voluntary certification of hotels and other accommodation facilities since 2009; (ii) has a list of approved standards for different types of accommodation facilities; (iii) has a permanent staff to carry out the certification procedure; (iv) has a training center for training of potential appraisers; and (v) has the right to receive payment for its services. 	<ul style="list-style-type: none"> (i) KS does not have exceptional knowledge of the tourism sector, and the main sphere of its activity is different (not tourism); (ii) current hotels are reluctant to use the certification mechanism because of KS's reputational risks; (iii) the current certification mechanism is burdensome and inefficient; (iv) KS's standards need to be analyzed and updated; and (v) the assessment of accommodation facilities is beyond KS's direct competence. It should be conducted not only for compliance with the standards but rather more broadly—for compliance with the criteria for the classification of accommodation facilities.
Fund on Support of Tourism Development, JSC (established by the Resolution of the Cabinet of Ministers of the Kyrgyz Republic #	<ul style="list-style-type: none"> (i) the working body of the National Council for Tourism Development in the Kyrgyz Republic; (ii) has the ability to bring to the meetings of the Council the issues that need to be addressed once every three months; (iii) has broad authority in the field of tourism development; and 	<ul style="list-style-type: none"> (i) a newly established company (most likely to replace the State Tourism Enterprise (slide 16 of Master Plan 2021); (ii) given the practice of forming such state companies in the Kyrgyz Republic, there is no confidence in its institutional stability and long-term sustainability; (iii) conflict of interest (the Fund operates as a commercial tourist company, which won't be able to

National ACS Operator	Pros	Cons
128 dated 11 March 2022)	(iv) has the right to receive payment for the provision of evaluation services.	provide an impartial and objective opinion); (iv) It is a "one-man show". The Fund's existence and governance depend on one person—its President.
Business Association	(i) A self-regulatory organization; (ii) is interested in developing and strengthening the association by providing services on behalf of the state; (iii) has trustful relationships with the owners of hotels and other accommodation facilities; and (iv) has the right to receive payment for the provision of services.	(i) weakness and lack of credibility among the hotels and other accommodation facilities; (ii) budget is based on modest membership fees; (iii) are kept on the enthusiasm of one or two leaders (there might be no stability once the leaders decide to leave the associations); and (iv) the lack of capacity and resources; currently, several business associations may compete with each other.

Source: ADB Consultants.

70. The team believes that the Department of Tourism should be assigned the role of the National Operator of the ACS System. To mitigate the risks related to some limitations caused by its legal status and gaps in national legislation, the ACS Scheme will include the Secretariat as its Technical Body selected through an open tender. The Secretariat will be authorized to receive all payments and use them for promoting the ASC and maintaining its regular work. Although the Secretariat should be identified through an open tender, selecting a reputable Business Association as a Secretariat is preferable. In this case, it will create an impulse to develop the self-regulatory organization concept in the tourism sector.

71. In the case of authorizing any other potential candidates, there is a high risk that from the very beginning, the hotels will not acknowledge the ACS and will be widely criticized and ignored.

72. The Transboundary Steering Committee (TSC). The following issues need to be addressed with its establishment:

- (i) the confirmation of the Kyrgyz Republic and Kazakhstan's political will on the establishment of the Transboundary Steering Committee (TSC);
- (ii) the development of the TSC structure and functionality and their concurrence at the intergovernmental level;
- (iii) the development of the TSC Regulation; and
- (iv) the funding source for the TSC.

3.4. Recommendations for Changes in Legislation for a Functioning ACS

The legal framework is presented in Annexes 4 to 13.

Kazakhstan

73. For the effective implementation of the ACS, the government and authorized body shall focus on the following approaches:

- (i) **Harmonize legislation for classification:** by setting the basis for the existence of a classification system and its stakeholders in one main act, whereas the details and clear classification procedures in another, one second tier/subordinate regulation.
- (ii) **Provide clear prohibition for unauthorized usage of the categories by accommodation establishments and monitoring over the classified accommodation.** This means that only the ACS approved under the Tourism Law and its subordinate regulation, i.e., classification certificates issued by the national operator (coordinator) shall be applied in the territory of Kazakhstan. However, the accommodation establishment should not be prohibited from remaining unclassified. Accordingly, monitoring and control over the classified accommodation establishments should be enhanced on the national operator (coordinator) level and authorized body on touristic activity.
- (iii) Additionally, the **incentive mechanism should be elaborated.** Incentives and government support should be expressed in fiscal incentives - partial exemption from income tax for the accommodation establishments classified, and non-fiscal - rebating the classification fees generally paid by the accommodations. However, this recommendation is not covered in detail by the suggested drafts of amendments to the law and regulation under this report and requires internal additional research and mutual work of the Committee of Tourism Industry and the market at issue.

74. The approaches described above allowed us to draw a summary of recommendations. Based on the analysis of the current legal system of classification, it is recommended to explicitly separate the classification process and obtaining the classification certificate under the Tourism Law and Classification Rules from the general process of all services certification currently provided under the Assessment Rules by confirmation bodies operating under the Law on Technical Regulation. The separation does not suggest excluding the confirmation bodies from certifying the services of the accommodation establishments, i.e., the accommodation providers will still be able to get a voluntary certification of their compliance with the technical documents (the standards that do not provide classification criteria).

75. Amendments are required on the level of the Tourism Law aimed at **increasing the role of the authorized state body in tourism activity and introducing and enhancing the new statuses of a national operator (coordinator), classification inspectors (experts)**, as well as providing for other key elements of the ACS application administration database (E-classification portal), register of the classified accommodations, record of the admitted classification inspectors, etc. Therefore, amendments shall specify the following items:

- (i) prohibition of unauthorized or invalid use of the classification ratings and categories, including based on the classification system not implemented in the Republic of Kazakhstan;
- (ii) system of classification of accommodation establishments shall be elaborated, provided, and monitored by the authorized state body on the touristic activity being

- the owner of the system, whereas the operation of the system may be delegated to the national operator (coordinator) of the classification system;
- (iii) application administration database shall be elaborated for implementation of the classification system and operated by the national operator (coordinator);
 - (iv) the mandate of the authorized state body on touristic activity to appoint and dismiss the national operator (coordinator) of the accommodations classification system;
 - (v) provisions expanding the mandate of the national operator (coordinator) of the classification system to operate the accommodation classification process under the established Classification Rules;
 - (vi) the mandate of the authorized state body on touristic activity to form and maintain the registers of the classified accommodation establishments;
 - (vii) the mandate of the authorized state body on touristic activity to elaborate means of the state support of the classification system, including incentives for the classified accommodation establishments; and
 - (viii) the mandate of the authorized state body on touristic activity is to participate in intergovernmental organizations and committees on the implementation of the accommodation classification system and to elaborate/approve the rules, regulations, and guidance for the stakeholders' classification of the classification system, including the national operator, inspectors, and the accommodation establishments.

76. Amendments are also required on the lower level of subordinate acts, i.e., on the level of the Classification Rules. Based on that, the Classification Rules are recommended to be amended in two directions: 1) to **update the criteria following the best international practices and ACS system, and 2) to provide a detailed and transparent set of rules understandable for every system participant**. For that, it is recommended for the authorized state body on touristic activity to issue a new classification rule replacing the current ones. The new rules shall cover the following procedures:

- (i) administering applications during the classification process;
- (ii) inspectors, and order of appointment of inspectors to the inspectors' register, and assigning of the inspectors to onsite inspection;
- (iii) the procedure of on-site inspection;
- (iv) order of conducting of the periodic assessment and re-evaluation of the awarded classification;
- (v) appeals procedure;
- (vi) usage of the awarded classification certificate;
- (vii) competence and pattern of work of the national operator (coordinator) and of the authorized state body on touristic activity; and
- (viii) description of work of the application administration database.

77. Additional recommendations are presented in respect of **introducing and strengthening liability** for:

- (i) prohibited unauthorized or invalid use of the classification ratings and categories in the Republic of Kazakhstan;
- (ii) prohibited usage of other classification systems and categories by the unclassified under the new classification system for accommodation establishments in the Republic of Kazakhstan, accommodations; and
- (iii) failure to use the awarded classification rating in the media and the internet.

78. The liability provisions should be additionally elaborated on these three directions and incorporated into the Code of the Republic of Kazakhstan On Infractions. Such amendments shall be based on the approved provisions of the Tourism Law.

The Kyrgyz Republic

79. To enable the ACS, the following laws and by-laws need to be addressed: (i) the Tourism Law of the Kyrgyz Republic; (ii) the CoM Regulation on State Accommodation Classification System in the Kyrgyz Republic; (iii) the Code on Administrative Infractions of the Kyrgyz Republic; (iv) a Regulation of the Department of Tourism; and (v) a Unified List of State Services, approved by the Kyrgyz Republic Government Resolution # 85 dated 10 February 2012.

80. **The Tourism Law of the Kyrgyz Republic** should have a provision saying that the National ASC shall be conducted voluntarily according to the procedures approved by the Kyrgyz Republic Cabinet of Ministers (CoM). The CoM should be responsible for the ACS's introduction, and the procedures for ACS functioning should be developed in a separate regulation, which the CoM will approve.

81. **The CoM Regulation on State Accommodation Classification System in the Kyrgyz Republic**, once it's developed, should include the following provisions:

- (i) the ACS should be recognized as one of the legitimate national classification systems;
- (ii) definitions of accommodations should be provided;
- (iii) key stakeholders/participants from the government side and private sector and their roles in the ACS mechanism should be identified;
- (iv) procedures for AC should be provided in detail to introduce the transparent set of rules understandable for every participant of the system and clarify all outstanding questions;
- (v) procedures for inspectors' appointment and their assignment to onsite inspection should be provided in detail;
- (vi) appeal committee's role and functions should be given in detail to make it a workable solution for those who have claims and grievances; and
- (vii) the technical requirements to the National Certificate should be described.

82. **Code on Administrative Infractions of the Kyrgyz Republic.** A provision on prohibition of unauthorized or invalid use of the classification ratings and categories should be added to the Code.

83. **Regulation of the Department of Tourism** should be amended:

- (i) to expand the mandate of the national operator (coordinator) of the classification system to operate the accommodation classification process under the established national ACS;
- (ii) to elaborate means of the state support of the classification system, including fiscal and non-fiscal incentives for the classified accommodation establishments; and
- (iii) to foresee the key criteria for forming fees for ACS assessment.

84. **Unified List of State Services**, approved by the Kyrgyz Republic Government Resolution # 85 dated 10 February 2012, should authorize the DOT to charge fees for ACS assessment.

4. PROJECT CONSULTATION MEETINGS

85. Organization of consultation meetings was carried out in close coordination with the government bodies—the Department of Tourism under the Ministry of Culture, Information, Sport and Youth Policy of the Kyrgyz Republic, Committee of Tourism Industry, JSC "Kazakh Tourism" under the Ministry of Sports and Culture in Kazakhstan.

86. Consultation meetings conducted in both countries proved to be a good platform for receiving stakeholders' feedback on the ACS project. The position of key stakeholders' was clearly articulated, issues related to the implementation of the project were addressed, and constructive suggestions were provided.

87. Consultation meetings in both countries attracted many participants from the hotel sector, including local and international brands, the academic community, sector associations, private certification companies, government and quasi-government sectors, tour operators, and travel agencies.

5. ACS ECOSYSTEM

88. Discussions during consultation meetings allowed us to build an ACS Ecosystem. Consolidated efforts of all players in the ecosystem are needed to ensure the successful launch and operation of the ACS. Developing the ecosystem helped us identify each member's role in ACS. The ecosystem model is presented in Figure 5 and consists of 15 stakeholders. The joint efforts of the following stakeholders form the ecosystem:

- (i) Government bodies and DMO;
- (ii) national operator/secretariat;
- (iii) accommodation providers;
- (iv) guests and guest-review platforms;
- (v) international organizations;
- (vi) investors;
- (vii) consumer rights protection organizations;
- (viii) inspectors/auditors;
- (ix) private certification companies;
- (x) entrepreneurs' associations;
- (xi) tour operators and travel agencies;
- (xii) sector associations;
- (xiii) higher education institutions and TVET establishments;
- (xiv) environmental NGOs; and
- (xv) media and creative industries.

Figure 5: Almaty–Bishkek Economic Corridor ACS Ecosystem



Source: ADB Consultants.

6. RECOMMENDATIONS

89. Phase I of the project was an essential step in providing some understanding of the current ACS in Kazakhstan and the Kyrgyz Republic, proposing typology, and developing criteria and main classification system components. As was recommended in Phase I of the project, Phase II focused on field-testing the criteria, adjusting them accordingly, and developing a legal framework for enabling ACS in both countries. Phase III is recommended as the primary implementation stage of the project. It may include (i) working out financial models for stimulating measures, including tax benefits; (ii) preparing legal provisions for stimulating measures; (iii) developing and launching the digital platform; (iv) developing mobile applications for inspectors; (v) launching the work of the national ACS operators [coordinators]; (vi) conducting capacity building activities for national ACS operators' staff, inspectors, and accommodations providers; and (vii) preparing detailed inspection guidelines for inspectors.

90. The system is designed as a voluntary system. Hoteliers might not widely adopt the new ACS. In line with the ABEC Tourism Master Plan, the new ACS has to be given monopoly status by law. More importantly, a package of measures will have to be developed, including their benefits for the hospitality industry, and this campaign must be borne by the governments (Committee of Tourism Industry in Kazakhstan and the Department of Tourism in the Kyrgyz Republic, and any other significant public, semi-public, or private corporation).

91. Phase III should comprise the relevant stakeholders to negotiate the distribution of roles and measures. Especially the part of the implementing organization of the ACS is paramount. If that institution does not speak on behalf of the hoteliers or is supported by a strong industry association that does the actual work to attain a critical mass of participants in the medium term (around two years after the ACS launch), it would be challenging to gain momentum at a later stage.

92. It is recommended to initialize Phase III on time as the stakeholders are mobilized and are keen to act on a new scheme. The preconditions to launching Phase III of the project include (i) continuous strong support from the relevant government bodies; (ii) a clear understanding of the ACS benefits by the accommodation providers and their willingness to actively engage in the scheme; and (iii) consolidated actions by all the stakeholders (accommodation providers, government bodies, sector associations, academic community, private certification companies) with one vision to make an ACS a success for the prosperity of both countries. The following recommendations have been developed:

93. **For the Committee of Tourism Industry/the Department of Tourism:**

- (i) to identify a responsible person within the Committee/Department to manage the process further;
- (ii) to circulate the proposed documents with all relevant government bodies (for example, the Antimonopoly Committee) and receive their feedback;
- (iii) to initialize the signing of the MoU between the governments of Kazakhstan and the Kyrgyz Republic on the implementation of joint ACS and forming a transboundary Committee;
- (iv) to secure funding for the implementation of ACS for at least three years;
- (v) to implement the developed legal framework;
- (vi) to enhance the importance of the new ACS by regularly informing high government officials about its benefits and implementation plans;

- (vii) to appoint the ACS operator/coordinator;
- (viii) to provide the ACS operator/coordinator with all the necessary powers and authorities;
- (ix) to carry out the implementation mechanism with the National Operator;
- (x) to support the National Operator with the development of a set of supporting measures for a successful launch of the new ACS (models of free inspections, investment bonuses, access to marketing campaigns by the implementing organization, models of limited tax reductions, etc.);
- (xi) to support the National Operator with the popularization of the new ACS at all levels, including collaboration with the academic community, the media, and other Central Asia states;
- (xii) to support the National Operator in collaborating with international organizations and investors on the launch and functioning of ACS; and
- (xiii) to help the National Operator with other tasks on demand.

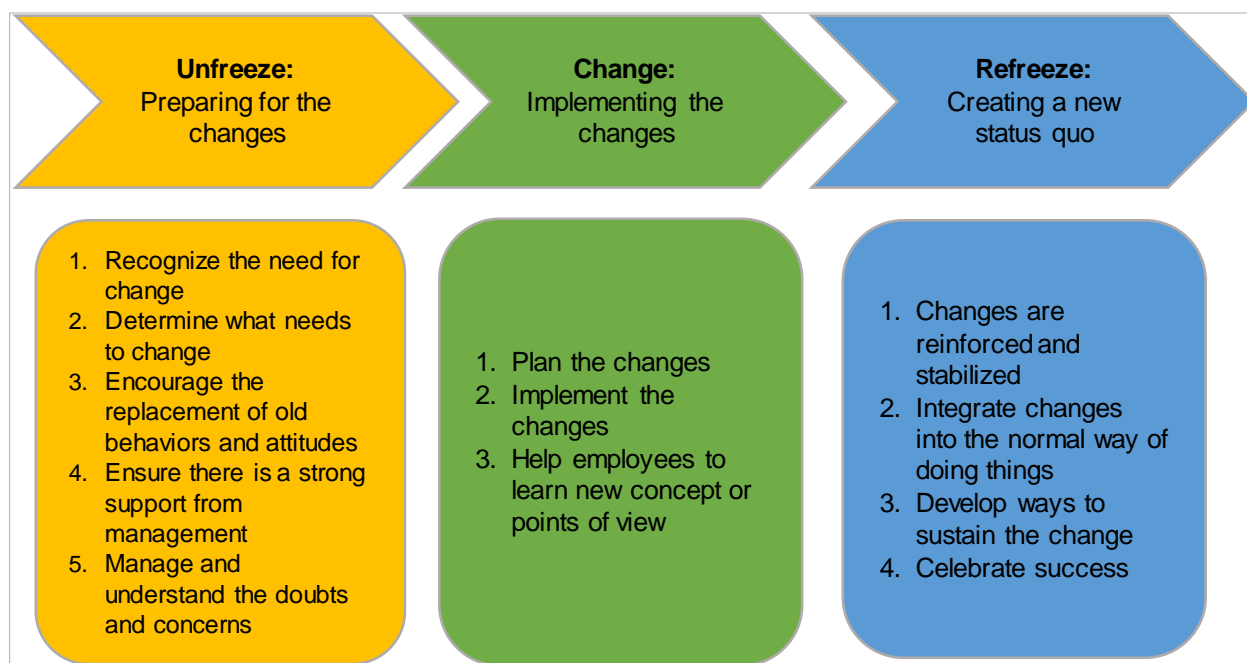
94. **For the National Operator/Secretariat:**

- (i) to form a working group or a National Committee in each country consisting of representatives of all types of accommodation providers, government and quasi-government sector, sector associations, higher education and TVET institutions, media, tour operators and travel agencies, NGOs active in projects on ecology and ecotourism, consumer rights protection organization, entrepreneurs associations, etc. to get support with the project implementation;
- (ii) to carry out the implementation mechanism with the Committee of Tourism Industry/ the Department of Tourism;
- (iii) to test criteria in a large number of hotels in regions as service quality differs from the large cities
- (iv) to develop a communication strategy for the hospitality industry, including e-newsletter, social media channel posts, etc.;
- (v) to develop a set of supporting measures for a successful launch of the new ACS (models of free inspections, investment bonuses, access to marketing campaigns by the implementing organization, models of limited tax reductions, etc.);
- (vi) to define a monitoring and quality assurance mechanism;
- (vii) to collaborate with HSU further on updates, policies on quality assurance, and HOTREC's principles;
- (viii) to regularly review classification criteria and procedures has become the primary survival strategy of classification systems²²;
- (ix) to consider delegating guest houses classification to the Kazakhstan Tourist Association in Kazakhstan and CBT in the Kyrgyz Republic due to their prior successful experience, extensive expertise, and vast network of contacts;
- (x) to have a discussion and collaboration with guest review aggregators on possible integration with the new ACS;
- (xi) to work out the mechanisms for imposing fines for unsanctioned assignment of categories;
- (xii) to develop a sustainable financial model to launch and maintain ACS's functionality;
- (xiii) to develop a Code of Conduct with detailed guidelines for accommodation providers, inspectors, and administrative staff of the National Operator and working group members;

²² D. Koutoulas and A. Vagena. The present and future of hotel star ratings through the eyes of star rating operators. Journal of Tourism Futures. DOI [10.1108/JTF-04-2022-0120](https://doi.org/10.1108/JTF-04-2022-0120).

- (xiv) to develop a package of legal agreement templates to be concluded between national operators and inspectors, potential clients, and other stakeholders;
- (xv) to popularize ACS among accommodation providers, top management, middle management, and employees via marketing campaigns;
- (xvi) to develop a digital platform that includes a self-assessment tool, mobile applications, automatic scoring, processing of submitted applications, face recognition of inspectors, GPS tracking, and so on;
- (xvii) to develop a set of competencies and qualification criteria for inspectors;
- (xviii) to draft TORs for competition for inspectors;
- (xix) to conduct a national competition for inspectors;
- (xx) to compile a database of qualified inspectors;
- (xxi) to train inspectors in criteria assessment and the use of mobile applications;
- (xxii) to build the capacity of accommodation providers in fulfilling the criteria, especially in regions and villages;
- (xxiii) to find synergies with the creative industries sector;
- (xxiv) to develop branding attributes, materials, and merchandising;
- (xxv) to collaborate with international organizations and investors on the launch and functioning of ACS;
- (xxvi) to consider implementing the Change Management model presented in Figure 6.

Figure 6: Kurt Lewin's Change Management Model for Prospective National ACS Operator in Kazakhstan and the Kyrgyz Republic



Source: Lewin, K. 1958. Group Decision and Social Change. In E.E. Maccoby, T.M. Newcomb, and E.L. Hartley, eds. *Readings in Social Psychology*. Holt, Rinehart, Winston: New York. pp. 197–211.

95. For accommodation providers:

- (i) to learn about ACS and its benefits to businesses;
- (ii) to become part of the ABEC ACS network and receive classification under the new scheme;
- (iii) to take an active part in the implementation of the new ACS by participating in surveys, focus group discussions, and consultation meetings;

- (iv) to communicate with the National Operator on the latest updates and make suggestions for improvements of ACS;
- (v) to consider qualifying as inspectors (for most experienced employees);
- (vi) to consider becoming a member of the working group/National Committee;
- (vii) to share the experience with other properties in the network of classified accommodation establishments at meetings, workshops, and conferences; and
- (viii) to improve the quality of services rendered at accommodation establishments.

96. **For higher education institutions and TVET establishments:**

- (i) to educate high-caliber students—future leaders of the hospitality industry in Kazakhstan and the Kyrgyz Republic;
- (ii) to continue taking an active part in the implementation of the new ACS by participating in surveys, focus group discussions, and consultation meetings;
- (iii) to communicate with the National Operator and make suggestions for improvements to ACS;
- (iv) to consider becoming a member of the working group/National Committee; and
- (v) to research ACS and publish research results in national and international peer-reviewed journals.