



Central Asia Regional Economic Cooperation Program

ABEC Tourism Master Plan

Supplementary Document VI

Demand Forecasts and Scenarios

Disclaimer: The views expressed in this publication are those of the authors and do not necessarily reflect the views and policies of the Asian Development Bank (ADB) or its Board of Governors or the governments they represent. ADB does not guarantee the accuracy of the data included in this publication and accepts no responsibility for any consequence of their use. The mention of specific companies or products of manufacturers does not imply that they are endorsed or recommended by ADB in preference to others of a similar nature that are not mentioned.

Contents

| | | |
|---|---------------------------------------|---|
| 1 | Proposed Strategy and Scenarios | 3 |
| 2 | Tourism Demand Forecasts per Scenario | 8 |

1 - Proposed Strategy and Scenarios

Recommendation: a stage based approach

| | | |
|---|--|--|
| <p>Initial phase: Develop first priority markets while improving the product and structures</p> <p>2020</p> | <p>Second phase: Develop second stage markets; consolidate product and brand</p> <p>2024</p> | <p>Third phase: Consolidate developed markets, develop third stage markets and increase capacity</p> <p>2029</p> |
|---|--|--|



- Initial phase:**
- Improve the experience of the current visitors
 - Establish the legal, institutional and regulatory capacity and elements for an enhanced product to first and second stage markets;
 - Establish standards of quality, implement them
 - Define investment priorities, promote the priority-1 investments, and establish funding support mechanisms to private sector
 - Promotion focused on improved experience of current product and priority markets
 - Develop the priority markets, fostering trade relationships, air traffic and investment

- Second phase:**
- Promote enhanced product (after first priority investments are in place) to priority-2 and second stage markets;
 - Consolidate product enhancement and improvement initiatives;
 - Increase pace of investment and initiatives
 - Protect and consolidate the brand (through quality standards, adequate training, business practices, etc.)

- Third phase:**
- Increase pace of investments (priority-3);
 - Consolidate quality assurance;
 - Increase promotional spending;

1 - Proposed Strategy and Scenarios

- **Non-reform dependent.** Are the priority projects that are not reform dependent to be performed. Are fundamentally driven by private sector, or if the public sector within the current frameworks.
- **Policy contingent.** Are priority projects that are dependent from policy choices and decisions to be effectively performed.
- **Reform dependent.** Are priority projects that require reforms to allow them to produce effective results

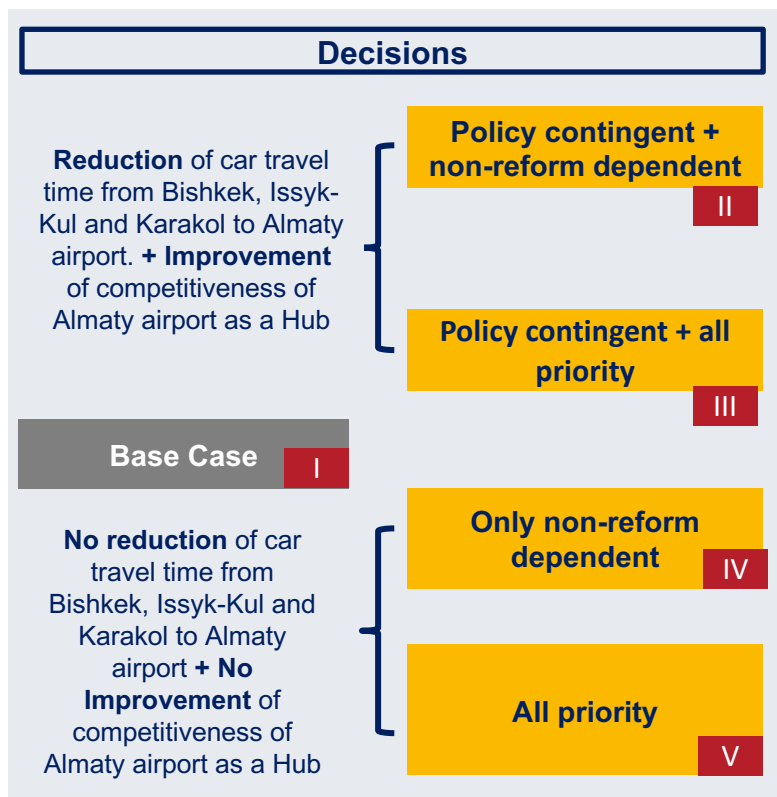
| Priority projects in Kazak side of ABEC | Type project |
|--|----------------------|
| Almaty trade fair ground | Non-reform dependent |
| Medeu- Shymbulak: incremental investments by incumbent | Non-reform dependent |
| Turgen ethno village museum | Non-reform dependent |
| Oi Qaragai ski resort (private sector) | Non-reform dependent |
| Kegen city sewage system | Non-reform dependent |
| Kolsay lake enhmcmements | Non-reform dependent |
| Silk road signage | Non-reform dependent |
| Almaty – Issyk kul road (KAZ side) | Policy contingent |
| Improved border crossing procedures and conditions (KAZ side) | Policy contingent |
| Development of improved hubing conditions at Almaty Airport + stopover | Policy contingent |
| Develop Almaty city centre to cater for high profile chinese luxury shopping | Reform dependent |
| Development of a virtual "Free Economic Zone" for foreign luxury shoppers | Reform dependent |
| Relevant points of interest: in Kazak part of ABEC | Reform dependent |
| Butakovka – pioneer resort | Reform dependent |
| Turgen ski resort area + panoramic restaurant w/ lifts | Reform dependent |
| Improved sewage system around ski resorts and waste water treatment unit | Reform dependent |
| Charyn canyon area | Reform dependent |
| Yining river trails (+ connectivity with Charyn river | Reform dependent |
| Turgen- Almaty –Taraz | Reform dependent |
| Charyn- Almaty trails | Reform dependent |
| Infostructure of digital tourism enhancement KZ | Reform dependent |
| Capacity building Kazakh Tourism Agency | Reform dependent |
| Creation of tourism investment fund in KZ | Reform dependent |
| Digital promotion campaig | Reform dependent |

- The Kazakh side of ABEC has more independent private sector projects than in Kyrgyz Republic, being it the main reason why more non-reform dependent projects were identified in Kazakhstan.
- Policy contingent projects are mostly related with the air hubs systems proposed and their deployment. In Kazakhstan it is the Almaty Hub, and in Kyrgyz Republic the development of a regionally based LCC capable of strongly develop the movement of people within the region at affordable prices and high frequencies.

1 - Proposed Strategy and Scenarios

| Priority projects in Kyrgyzs side of ABEC | Type project |
|---|----------------------|
| Bishkek city urban improvements | Non-reform dependent |
| Support to Manas Airport | Non-reform dependent |
| Silk road signage | Non-reform dependent |
| Capacity building Tourism Agency in KG | Reform dependent |
| Creation of tourism investment fund in KG | Reform dependent |
| Bishkek trade fair ground | Reform dependent |
| Development of a joint LCC airline with TJ+UZ | Policy contingent |
| Almaty – Issyk kul road (KYG side) | Policy contingent |
| Improved border crossing procedures and conditions (KYG side) | Policy contingent |
| Resolve issue of open coal mining in Karakeche | Reform dependent |
| Relevant points of interest: in Kyrgyz part of ABEC | Reform dependent |
| Trail around Issyk-Kul lake | Reform dependent |
| Seawage and solid residue collection and treatment Krkl | Reform dependent |
| Improved regulation and regulatory management for resort sewage | Reform dependent |
| Correction of illegal appropriations on Issyk-kul shore | Reform dependent |
| Development of Concession resorts | Reform dependent |
| Improved trails around Barskoon waterfalls | Reform dependent |
| Improved Jeti-Ögüz trails and valley | Reform dependent |
| Improved trails connecting Issyk-kul with KZ | Reform dependent |
| Digital promotion campaign | Reform dependent |
| Road improvements + winter snow removal service Krkl | Reform dependent |

1 - Proposed Strategy and Scenarios



Sources of assumptions: Authors

I. Base Case. Corresponds to the current situation as it is, with current plans and strategy in all its forms. Business as usual. Growth in KYG and and KAZ domestic growth according to WTTC estimations from 2019 to 2040. Foreign tourist arrivals growing at the level of WTTC estimations up to 2030, and beyond that by half the growth rate from the previous period in volume and none in spending, as a result of product saturation without renewal.

(No)Reduction of car travel time + (No)increased competitiveness of Almaty Airport. corresponds to **choice** of Improving the **border crossing** conditions and speeding formalities, to build an all year round reliable road between Almaty and Issyk-Kul, foster the Almaty air hub, and development of a regional LCC between Kyrgyz Republic, Tajikistan and Uzbekistan. **These are the policy contingent projects.**

II. Policy contingent + non-reform dependent. All policy contingent and non-reform dependent priority projects are implemented. compared to **I.** (base case), foreign arrivals and spending increase faster in Kazakhstan than Kyrgyz Republic in the entire period.

III. Policy contingent + all priority. All policy contingent and all priority projects are implemented. compared to **I.** (base case), foreign arrivals and spending grow equally and robustly in both countries during the entire period.

IV. Only non-reform dependent. No policy contingent and only non-reform dependent projects implemented. This creates an environment to foster foreign and domestic tourist arrivals and spending at half the variation rates of scenario II compared to the base case during the entire period 2020-2040.

V. All priority. No policy contingent and all priority projects implemented. This creates an environment to foster foreign and domestic tourist arrivals and spending at half the variation rates of scenario III compared to the base case during the entire period 2020-2040.

1 - Proposed Strategy and Scenarios

Table of assumptions of the various scenarios – Kazakhstan and Kyrgyz Republic

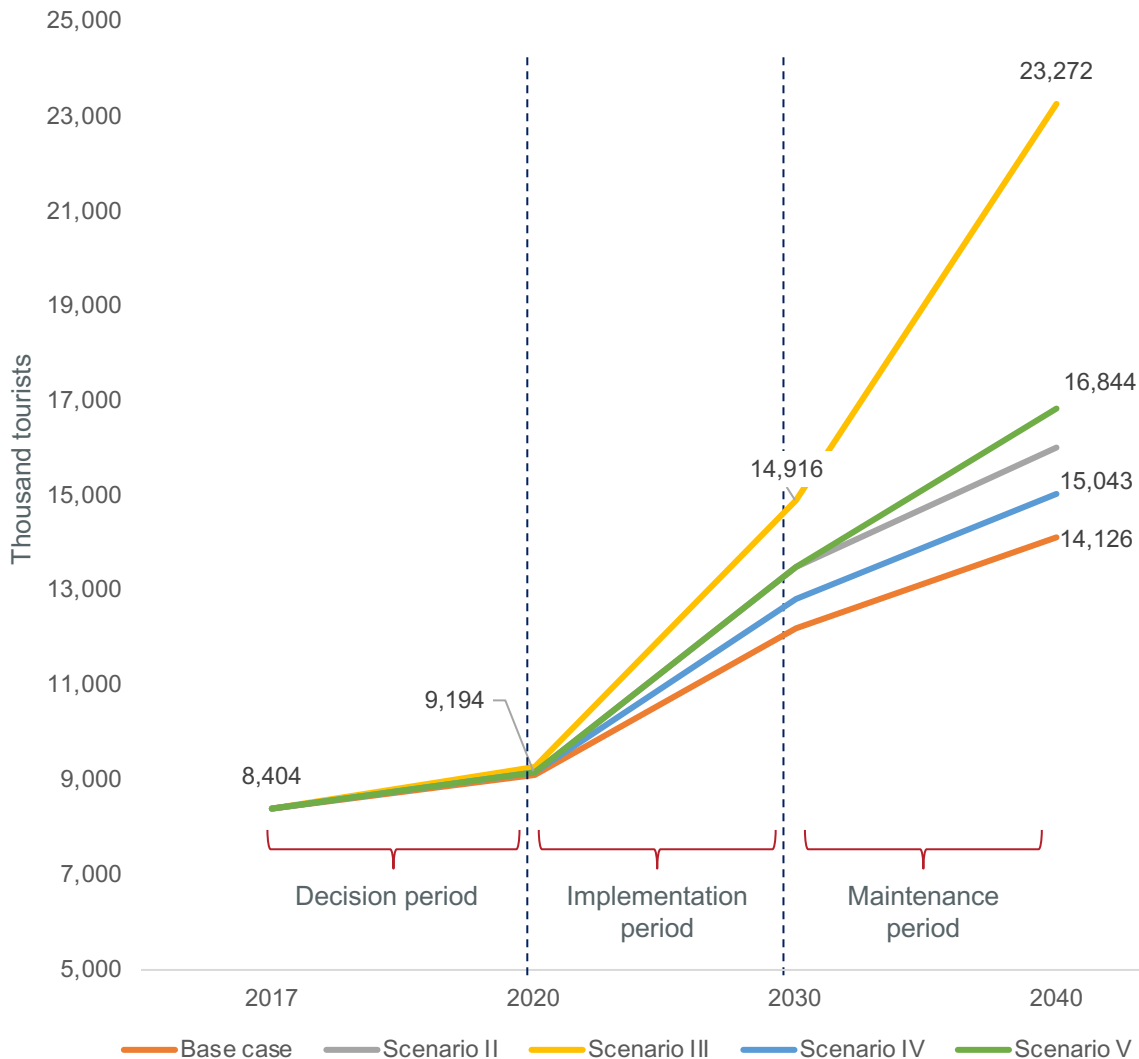
| Key variables | I - Base case | | II - Policy contingent + non-reform dependent | | III - Policy contingent + all priority | | IV - Only non-reform dependent | | V - All priority | |
|--|---------------|-------|---|------------|--|-----------|--------------------------------|------------|------------------|------------|
| | KAZ | KYG | KAZ* | KYG* | KAZ* | KYG* | KAZ* | KYG* | KAZ* | KYG* |
| Policy contingent projects implemented | X | X | ✓ | ✓ | ✓ | ✓ | X | X | X | X |
| CAGR of 1 day visitors 2020-40 | 0.9% | 0.9% | 0.9% | 0.9% | 0.9% | 0.9% | 0.9% | 0.9% | 0.9% | 0.9% |
| % of WTTC estimates for volume | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% |
| % of WTTC estimates for spending | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% |
| CAGR # Foreign tourists 2020-2030 | 2.45% | 3.29% | +30% | +30% | +60% | +60% | +15% | +15% | +30% | +30% |
| CAGR # Domestic tourists 2020-2030 | 2.10% | 3.92% | +30% | +40% | +60% | +80% | +15% | +20% | +30% | +40% |
| CAGR \$ spending foreign tourists 2020-2030 | 1.05% | 1.41% | +15% | +15% | +30% | +40% | +8% | +8% | +15% | +20% |
| CAGR \$ spending domestic tourists 2020-2030 | 0.90% | 1.68% | +10% | +5% | +25% | +15% | +5% | +3% | +12.5% | +7.50% |
| CAGR # Foreign tourists 2030-2040 | 1.23% | 1.65% | +15% | +15% | X3.0 | X3.0 | +8% | +8% | X1.5 | X1.5 |
| CAGR # Domestic tourists 2030-2040 | 1.05% | 1.96% | +15% | +20% | X3.0 | X3.0 | +8% | +10% | X1.5 | X1.5 |
| CAGR \$ spending foreign tourists 2030-2040 | 0.00% | 0.00% | 0.60% a | 0.80% a | 1.40 % | 2.0% | 0.30 %a | 0.40 %a | 0.70 %a | 1.0% a |
| CAGR \$ spending domestic tourists 2030-2040 | 0.00% | 0.00% | 0.50% a | 0.90% a | 1.20 % | 1.90 % | 0.25 %a | 0.45 %a | 0.60 %a | 0.85% a |

Sources of assumptions: Authors

Notes: *-Percentage points relative to the base case scenario; a- absolute value for GAGR

2 - Tourism Demand Forecasts per Scenario

Policy contingent projects are the most difficult to implement, but are key in generating the highest number of tourist arrivals in the long term



- Tourism development is a very long term endeavour in cycles*. Each cycle comprises three periods:
 - **Decision period** when Policy makers decide on the priorities of fund allocations.
 - **Implementation period.** Most valuable projects start first, followed by second and third tier projects which accelerate the rate of growth
 - **Maintenance period.** natural reinvestments, while new innovative projects are set forth.
- The scenario that generates most tourist arrival in ABEC region is **Policy contingent + all priority**. The gap is only some 1,4 million tourists to scenario V (the second highest tourist generator) in the first 10 years (implementation period), but in the maintenance period (2020-2040) it widens substantially to more than 6 million arrivals.
- **The most important projects to be implemented are the policy contingent**, as they are the most transformative with longer term impacts and benefits in the ABEC region.
- **Reforms are very important** to allow the implementation of multiple projects which would not be feasible otherwise.

Source: Authors

2 - Tourism Demand Forecasts per Scenario

Tables of assumptions and results of the various scenarios – Kazakhstan and Kyrgyz Republic

I Base Case

| Base Case | # Tourists Kazakhstan | # Tourists Kyrgyz Republic | \$ spend Kazakhstan | \$ spend Kyrgyz Republic |
|----------------------------|--------------------------|----------------------------------|------------------------|--------------------------------|
| Source market CAGR 2018-30 | | | | |
| Foreing inbound | 2.45% | 3.29% | 1.05% | 1.41% |
| Domestic | 2.10% | 3.92% | 0.90% | 1.68% |
| Source market CAGR 2030-40 | | | | |
| Foreing inbound | 1.23% | 1.65% | 0.00% | 0.00% |
| Domestic | 1.05% | 1.96% | 0.00% | 0.00% |

Official data

Estimates

Forecasts

| in ABEC | 2017 | 2018 | 2019 | 2020 | 2030 | 2040 | CAGR 20-40 |
|-------------------------------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|
| Base Case: # tourists ('000) | 8,404 | 8,601 | 8,853 | 9,112 | 12,185 | 14,126 | 2.22% |
| Kazakhstan | 3,648 | 3,710 | 3,793 | 3,879 | 4,845 | 5,419 | 1.69% |
| - Tourists domestic | 2,083 | 2,144 | 2,189 | 2,235 | 2,751 | 3,054 | 1.57% |
| - Foreign inbound | 1,565 | 1,566 | 1,605 | 1,644 | 2,094 | 2,365 | 1.84% |
| Kyrgyz Republic | 4,756 | 4,891 | 5,059 | 5,233 | 7,340 | 8,707 | 2.58% |
| - Tourists domestic | 1,102 | 1,135 | 1,179 | 1,225 | 1,800 | 2,185 | 2.94% |
| - Foreign inbound | 3,654 | 3,757 | 3,880 | 4,008 | 5,540 | 6,522 | 2.46% |
| \$ spending/trip | | | | | | | |
| Kazakhstan | \$470 | \$470 | \$475 | \$480 | \$538 | \$542 | 0.60% |
| - Tourists domestic | \$174 | \$176 | \$178 | \$179 | \$198 | \$196 | 0.45% |
| - Foreign inbound | \$863 | \$872 | \$881 | \$890 | \$988 | \$988 | 0.52% |
| Kyrgyz Republic | \$483 | \$490 | \$496 | \$503 | \$573 | \$570 | 0.63% |
| - Tourists domestic | \$122 | \$124 | \$126 | \$128 | \$152 | \$152 | 0.84% |
| - Foreign inbound | \$592 | \$600 | \$609 | \$617 | \$710 | \$710 | 0.70% |

II Policy contingent + non-reform dependent

| Policy contingent + non-reform dependent | # Tourists Kazakhstan | # Tourists Kyrgyz Republic | \$ spend Kazakhstan | \$ spend Kyrgyz Republic |
|--|--------------------------|----------------------------------|------------------------|--------------------------------|
| Source market CAGR 2018-30 | | | | |
| Foreing inbound | 3.19% | 4.28% | 1.21% | 1.62% |
| Domestic | 2.73% | 5.49% | 0.99% | 1.76% |
| Source market CAGR 2030-40 | | | | |
| Foreing inbound | 1.41% | 1.89% | 0.60% | 0.80% |
| Domestic | 1.21% | 2.35% | 0.50% | 0.90% |

Official data

Estimates

Forecasts

| in ABEC | 2017 | 2018 | 2019 | 2020 | 2030 | 2040 | CAGR 20-40 |
|--------------------------------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|
| Scenario II # tourists ('000) | 8,404 | 8,601 | 8,853 | 9,194 | 13,482 | 16,021 | 2.82% |
| Kazakhstan | 3,648 | 3,710 | 3,793 | 3,904 | 5,209 | 5,925 | 2.11% |
| - Tourists domestic | 2,083 | 2,144 | 2,189 | 2,249 | 2,944 | 3,319 | 1.97% |
| - Foreign inbound | 1,565 | 1,566 | 1,605 | 1,656 | 2,265 | 2,605 | 2.29% |
| Kyrgyz Republic | 4,756 | 4,891 | 5,059 | 5,290 | 8,273 | 10,096 | 3.28% |
| - Tourists domestic | 1,102 | 1,135 | 1,179 | 1,244 | 2,122 | 2,678 | 3.91% |
| - Foreign inbound | 3,654 | 3,757 | 3,880 | 4,046 | 6,151 | 7,419 | 3.08% |
| \$ spending/trip | | | | | | | |
| Kazakhstan | \$470 | \$470 | \$475 | \$481 | \$549 | \$586 | 0.99% |
| - Tourists domestic | \$174 | \$176 | \$178 | \$179 | \$198 | \$208 | 0.74% |
| - Foreign inbound | \$863 | \$872 | \$881 | \$892 | \$1,005 | \$1,067 | 0.90% |
| Kyrgyz Republic | \$483 | \$490 | \$496 | \$503 | \$579 | \$623 | 1.07% |
| - Tourists domestic | \$122 | \$124 | \$126 | \$128 | \$153 | \$167 | 1.33% |
| - Foreign inbound | \$592 | \$600 | \$609 | \$619 | \$727 | \$787 | 1.21% |

2 - Tourism Demand Forecasts per Scenario

Tables of assumptions and results of the various scenarios – Kazakhstan and Kyrgyz Republic

III

Policy contingent + all priority

| Policy contingent + all priority | # Tourists | # Tourists | \$ spend | \$ spend |
|-------------------------------------|------------|-----------------|------------|-----------------|
| | Kazakhstan | Kyrgyz Republic | Kazakhstan | Kyrgyz Republic |
| Source market CAGR 2018-30 | | | | |
| Foreign inbound | 3.92% | 5.26% | 1.37% | 1.97% |
| Domestic | 3.36% | 7.06% | 1.13% | 1.93% |
| Source market CAGR 2030-40 | | | | |
| Foreign inbound | 3.68% | 4.94% | 1.40% | 2.00% |
| Domestic | 3.15% | 5.88% | 1.20% | 1.90% |

Official data

Estimates

Forecasts

IV

Only non-reform dependent

| Only non-reform dependent | # Tourists | # Tourists | \$ spend | \$ spend |
|------------------------------|------------|-----------------|------------|-----------------|
| | Kazakhstan | Kyrgyz Republic | Kazakhstan | Kyrgyz Republic |
| Source market CAGR 2018-30 | | | | |
| Foreign inbound | 2.82% | 3.78% | 1.13% | 1.52% |
| Domestic | 2.42% | 4.70% | 0.95% | 1.72% |
| Source market CAGR 2030-40 | | | | |
| Foreign inbound | 1.32% | 1.77% | 0.30% | 0.40% |
| Domestic | 1.13% | 2.16% | 0.25% | 0.45% |

Official data

Estimates

Forecasts

| in ABEC | 2017 | 2018 | 2019 | 2020 | 2030 | 2040 | CAGR 20-40 |
|---------------------------------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|
| Scenario III # tourists ('000) | 8,404 | 8,601 | 8,853 | 9,277 | 14,916 | 23,272 | 4.71% |
| Kazakhstan | 3,648 | 3,710 | 3,793 | 3,930 | 5,598 | 7,807 | 3.49% |
| - Tourists domestic | 2,083 | 2,144 | 2,189 | 2,262 | 3,148 | 4,293 | 3.25% |
| - Foreign inbound | 1,565 | 1,566 | 1,605 | 1,667 | 2,449 | 3,514 | 3.80% |
| Kyrgyz Republic | 4,756 | 4,891 | 5,059 | 5,347 | 9,319 | 15,465 | 5.45% |
| - Tourists domestic | 1,102 | 1,135 | 1,179 | 1,262 | 2,496 | 4,420 | 6.47% |
| - Foreign inbound | 3,654 | 3,757 | 3,880 | 4,085 | 6,823 | 11,045 | 5.10% |
| \$ spending/trip | | | | | | | |
| Kazakhstan | \$470 | \$470 | \$475 | \$482 | \$560 | \$653 | 1.53% |
| - Tourists domestic | \$174 | \$176 | \$178 | \$180 | \$201 | \$226 | 1.16% |
| - Foreign inbound | \$863 | \$872 | \$881 | \$893 | \$1,023 | \$1,175 | 1.38% |
| Kyrgyz Republic | \$483 | \$490 | \$496 | \$505 | \$594 | \$711 | 1.73% |
| - Tourists domestic | \$122 | \$124 | \$126 | \$129 | \$156 | \$188 | 1.92% |
| - Foreign inbound | \$592 | \$600 | \$609 | \$621 | \$755 | \$920 | 1.99% |

| in ABEC | 2017 | 2018 | 2019 | 2020 | 2030 | 2040 | CAGR 20-40 |
|--------------------------------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|
| Scenario IV # tourists ('000) | 8,404 | 8,601 | 8,853 | 9,153 | 12,817 | 15,043 | 2.52% |
| Kazakhstan | 3,648 | 3,710 | 3,793 | 3,891 | 5,024 | 5,667 | 1.90% |
| - Tourists domestic | 2,083 | 2,144 | 2,189 | 2,242 | 2,846 | 3,184 | 1.77% |
| - Foreign inbound | 1,565 | 1,566 | 1,605 | 1,650 | 2,178 | 2,483 | 2.06% |
| Kyrgyz Republic | 4,756 | 4,891 | 5,059 | 5,262 | 7,793 | 9,377 | 2.93% |
| - Tourists domestic | 1,102 | 1,135 | 1,179 | 1,235 | 1,955 | 2,420 | 3.42% |
| - Foreign inbound | 3,654 | 3,757 | 3,880 | 4,027 | 5,838 | 6,957 | 2.77% |
| \$ spending/trip | | | | | | | |
| Kazakhstan | \$470 | \$470 | \$475 | \$481 | \$544 | \$563 | 0.79% |
| - Tourists domestic | \$174 | \$176 | \$178 | \$179 | \$197 | \$202 | 0.60% |
| - Foreign inbound | \$863 | \$872 | \$881 | \$891 | \$997 | \$1,027 | 0.71% |
| Kyrgyz Republic | \$483 | \$490 | \$496 | \$503 | \$576 | \$596 | 0.85% |
| - Tourists domestic | \$122 | \$124 | \$126 | \$128 | \$152 | \$159 | 1.08% |
| - Foreign inbound | \$592 | \$600 | \$609 | \$618 | \$718 | \$748 | 0.96% |

2 - Tourism Demand Forecasts per Scenario

Tables of assumptions and results of the various scenarios – Kazakhstan and Kyrgyz Republic

V

All Priority

| All priority | # Tourists | # Tourists | \$ spend | \$ spend |
|----------------------------|------------|-----------------|------------|-----------------|
| | Kazakhstan | Kyrgyz Republic | Kazakhstan | Kyrgyz Republic |
| Source market CAGR 2018-30 | | | | |
| Foreing inbound | 3.19% | 4.28% | 1.21% | 1.69% |
| Domestic | 2.73% | 5.49% | 1.01% | 1.81% |
| Source market CAGR 2030-40 | | | | |
| Foreing inbound | 1.84% | 2.47% | 0.70% | 1.00% |
| Domestic | 1.58% | 2.94% | 0.60% | 0.85% |

Official data

Estimates

Forecasts

| in ABEC | 2017 | 2018 | 2019 | 2020 | 2030 | 2040 | CAGR 20-40 |
|--------------------------------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|
| Scenario V -# tourists ('000) | 8,404 | 8,601 | 8,853 | 9,194 | 13,482 | 16,844 | 3.07% |
| Kazakhstan | 3,648 | 3,710 | 3,793 | 3,904 | 5,209 | 6,159 | 2.31% |
| - Tourists domestic | 2,083 | 2,144 | 2,189 | 2,249 | 2,944 | 3,442 | 2.15% |
| - Foreign inbound | 1,565 | 1,566 | 1,605 | 1,656 | 2,265 | 2,718 | 2.51% |
| Kyrgyz Republic | 4,756 | 4,891 | 5,059 | 5,290 | 8,273 | 10,684 | 3.58% |
| - Tourists domestic | 1,102 | 1,135 | 1,179 | 1,244 | 2,122 | 2,836 | 4.21% |
| - Foreign inbound | 3,654 | 3,757 | 3,880 | 4,046 | 6,151 | 7,849 | 3.37% |
| \$ spending/trip | | | | | | | |
| Kazakhstan | \$470 | \$470 | \$475 | \$481 | \$549 | \$593 | 1.05% |
| - Tourists domestic | \$174 | \$176 | \$178 | \$179 | \$198 | \$211 | 0.81% |
| - Foreign inbound | \$863 | \$872 | \$881 | \$892 | \$1,005 | \$1,078 | 0.95% |
| Kyrgyz Republic | \$483 | \$490 | \$496 | \$504 | \$584 | \$639 | 1.19% |
| - Tourists domestic | \$122 | \$124 | \$126 | \$128 | \$154 | \$167 | 1.33% |
| - Foreign inbound | \$592 | \$600 | \$609 | \$619 | \$732 | \$809 | 1.35% |