UNIVERSITY OF CENTRAL ASIA
GRADUATE SCHOOL OF DEVELOPMENT
Institute of Public Policy and Administration

Tourism Sector in Kyrgyzstan: Trends and Challenges

Nazgul Jenish

WORKING PAPER #42, 2017

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Abstract

This paper examines the current state of the Kyrgyz tourism sector and identifies major obstacles impeding its dynamic and sustainable growth. Kyrgyzstan is far from reaching its tourist potential due to its underdeveloped infrastructure and poor marketing. The limited choice and low quality of tourist products compounded by their short seasonality are also hampering growth in the sector. A series of recommendations aimed at addressing these constraints are provided. The paper also analyses the key value chains in the tourism sector, and finds that local communities at tourist sites receive an insignificant share of the proceeds. In addition to public sources of data, the paper draws on the results of a tourist firm survey conducted by the Institute of Public Policy and Administration, UCA, and extensive interviews with key stakeholders in the tourism sector.

Key words

Tourism, Kyrgyzstan, Kyrgyz tourist value chain analysis

JEL Code: Z32; Z38

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Abbreviations

CBT	*Community Based Tourism*
CIS	Commonwealth of Independent States
FDI	Foreign direct investments
GDP	Gross Domestic Product
GKR	Government of the Kyrgyz Republic
KATO	Kyrgyz Association of Tour Operators
KCBTA	Kyrgyz Community Based Tourism Association
KNSC	Kyrgyz National Statistical Committee
MICE	Meetings, Incentives, Conferences and Events
OECD	Organization for Economic Co-operation and Development
VFR	Visit-Friends-Family
WTTC	World Travel & Tourism Council
UNWTO	UN World Tourism Organization

1. Introduction

Nestled between the magnificent Tien-Shan and Pamir-Alay Mountains, Kyrgyzstan is blessed with a stunning variety of landscapes and ecosystems including lofty mountain peaks and glaciers, alpine pastures and lakes, flower-covered valleys and rivers, arid canyons and semi-deserts. Moreover, Kyrgyzstan boasts a rich historical and cultural heritage encompassing Asian nomadic traditions and many ancient civilizations along the Silk Road.

Despite this abundant natural, historical and cultural endowment, tourism remains a rather marginal sector of the Kyrgyz economy with an estimated 3.9% share of the national GDP and 3.7% share of the total employment in 2016.[1] Kyrgyzstan trails behind its neighbors and main competitors on most performance indicators, including the number of foreign tourists and receipts per international arrival. This is despite the fact that Kyrgyzstan is uniquely positioned to benefit from the rapidly growing number of people from neighboring China and relatively nearby India seeking tourism opportunities abroad. With the increasing global awareness about Kyrgyzstan and a small but rising number of foreign tourist arrivals, the prospects for growth in the country's tourism sector are encouraging.

With this in mind, it is evident that tourism in Kyrgyzstan holds considerable potential for generating revenue and jobs from largely untapped demand and resource bases. As a labor-intensive sector, tourism could also help to alleviate poverty, if benefits from the sector are distributed equitably. Meanwhile, an increase in the number of foreign tourists would boost and diversify the country's exports. Finally, the strong multiplicative effect of tourism activities could spur growth in other sectors of the Kyrgyz economy. For instance, according to the World Travel & Tourism Council (WTTC), each job created in the Kyrgyz tourism industry creates, roughly, three more jobs in related industries.

The purpose of this study is to analyze the current state of the Kyrgyz tourism sector, to identify key obstacles impeding its dynamic and sustainable development, and to develop recommendations for improvement. This report draws on both primary and secondary sources of data. Primary data was obtained through extensive interviews with key stakeholders in the tourism sector. To gather views on the possible reform of the tourism sector, a survey of tourism firms was conducted (see Appendix for the participants and survey questions). Secondary data was collected from a variety of sources, including official publications and decrees of the Kyrgyz government, the Kyrgyz National Statistical Committee, the World Tourism Organization and the WTTC, as well as from studies commissioned by various government agencies and international organizations.

Following on from the current introductory section (Section 1) this paper is organized as follows: Section 2 provides an overview of the tourism sector in Kyrgyzstan; Section 3 analyzes firm-level performance and generic value chains in the tourism sector; Section 4 summarizes key issues and constraints within the sector; and a more in-depth assessment of selected critical constraints, as well as recommendations aimed at remedying these constraints, is given in Section 5.

The author would like to thank Shoola Dzhumaeva, Dilbara Kirbasheva, and Maria Iamshchikova for their assistance in conducting the tourism firm survey. The views and opinions presented in this paper are those of the author and do not necessarily reflect those of UCA.

[1] World Travel &Tourism Council. Travel and Tourism. Economic Impact 2017. Kyrgyzstan

2. Overview of the Tourism Sector in Kyrgyzstan

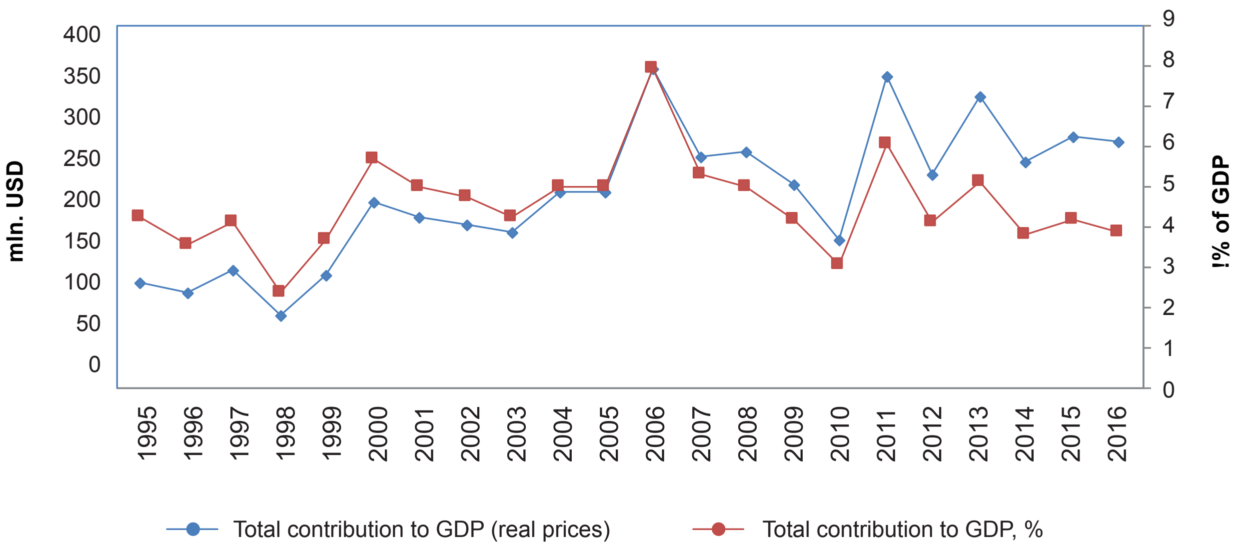
The analysis in this section is based on the statistical data produced by the UNWTO and WTTC, unless stated otherwise. These organizations supply a longer time series and employ a methodology which is different from that of the Kyrgyz National Statistical Committee (KNSC). Specifically, the WTTC and WTO account for both direct, indirect[2] and induced[3] contribution – the sum of which is referred to as total contribution – of tourism to GDP and employment. The KNSC reports only the direct contribution of tourism, which explains the data discrepancies between these sources. Moreover, the WTTC/WTO standardized nomenclature allows for consistent cross-country and regional comparisons.

The paper focuses only on inbound tourism, i.e. foreigners visiting Kyrgyzstan; outbound tourism, i.e. Kyrgyz residents travelling to other countries, is beyond the paper's scope.

2.1. Macroeconomic Indicators and Trends

Following a period of robust initial growth in the late 1990's and early 2000s, the Kyrgyz tourism sector has experienced stagnation and even a slight decline since 2011, both in absolute and relative terms, as measured by contribution to GDP and employment (Figures 1 & 2).

Figure 1. Total contribution of tourism to GDP, 1995-2016

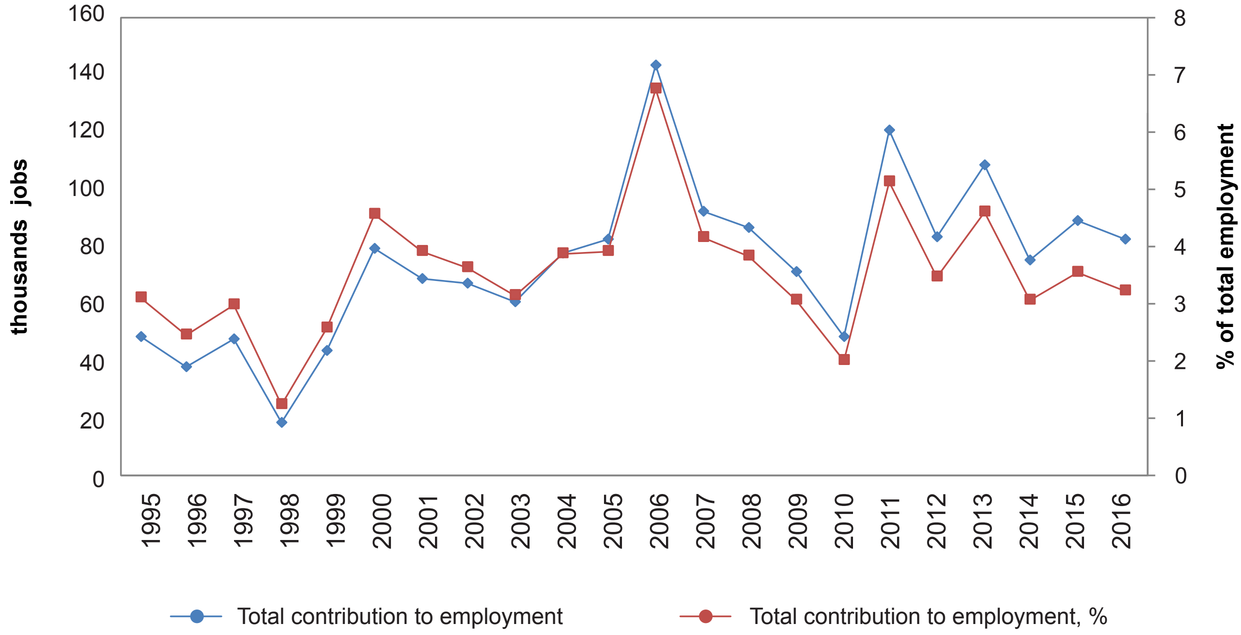


Source: World Travel & Tourism Council. "Compendium of Tourism Statistics, Data 2011-2015", accessed online June 21, 2017 https://tool.wttc.org

[2] Indirect contribution includes government spending on tourism promotion, capital investments by other sectors in the tourism infrastructure, and supply-chain effects, i.e., purchases of domestic goods and services by the tourism sector as inputs to its products.

[3] Induced contribution is the broader contribution by those employed directly or indirectly by the tourism sector.

Figure 2. Total contribution of tourism to employment, 1995-2016



Source: World Travel & Tourism Council. "Compendium of Tourism Statistics, Data 2011-2015", accessed online June 21, 2017 https://tool.wttc.org

In 2011-2016, the sector's total contribution to GDP hovered around an average of 4.5% and its total contribution to employment fluctuated around an average of 4.3%, see Table 1.[4]

Table 1. Selected macroeconomic indicators for Kyrgyz tourism sector

	2011	2012	2013	2014	2015	2016
Total contribution to GDP, mln. US$ (real prices)	342.4	234.4	322.1	248.7	277.4	271.2
As share of GDP, %	6.0	4.1	5.1	3.8	4.2	3.9
Total contribution to employment, thousand people	123.1	90.7	112.0	83.3	95.1	89.7
As share of employment, %	5.4	4.0	4.9	3.6	4.0	3.7
Tourism exports5 mln. US$ (real prices)	283.2	339.5	460.0	366.5	425.4	426.4
As share of total exports, %	9.1	13.3	17.1	15.0	17.6	16.5
Capital investments, mln. US (real prices)	60	60	60	60	70	70
As share of investments, %	4.7	3.4	3.4	3.0	3.7	3.8

Source: World Travel & Tourism Council. "Compendium of Tourism Statistics, Data 2011-2015", accessed online June 21, 2017 https://tool.wttc.org

4 The KNSC estimates the tourism's contribution to GDP in 2016 at 4.7%, which is higher than WTTC's estimate.

5 Tourist exports may exceed tourism's total contribution to GDP because the latter is adjusted for imports.

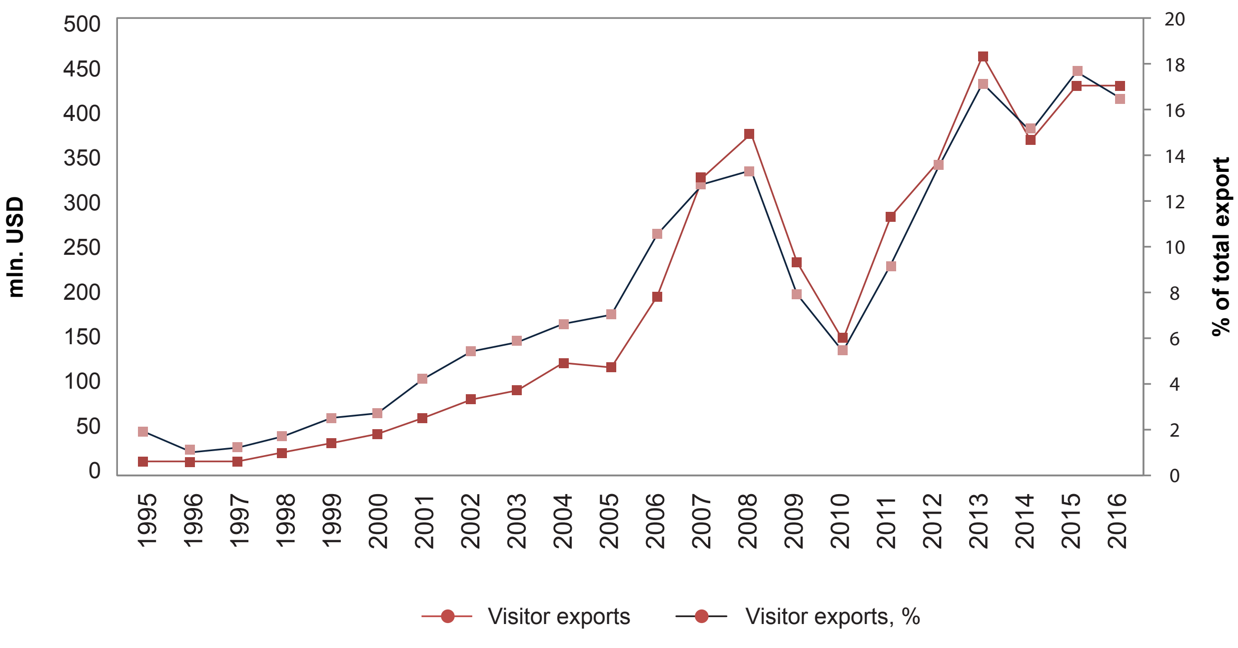
The above figures in the above tables measure tourism's total contribution to the economy, as defined by the WTTC, and show the indirect effect of tourism on related sectors. For comparison, tourism's direct contributions to GDP and employment in 2016 amounted to only 1.4% and 1.2%, respectively. This implies that each dollar of direct spending on tourism services generates, roughly, three additional dollars in related industries, reflecting tourism's multiplicative effect.

Tourism's share in exports has experienced even higher volatility than its share in GDP or employment, swinging between 9.1% and 17.6% in 2011-2016 (see Table 1). Generally, tourism exports followed a steep upward trajectory from 1995 to 2008, soaring to US$374 million in 2008 (Figure 3). Thereafter, tourism exports were dealt a blow, first, by the global financial crisis of 2008 and then by internal political instability in 2010. The sector recovered by 2013, surging to US$460 million (17.1% of total exports).

Without political instability and emergencies to blame, the export volatility in 2011-2016 could be explained by a lack of either an established image or effective branding of Kyrgyzstan in the international tourism markets. In addition, the sharp devaluation of Russian and Kazakh national currencies during the currency crisis of 2015-16, which eroded the purchasing power of their populations, also contributed to a reduction in the number of tourists coming to Issyk-Kul Lake from CIS countries.

Capital investments into the sector have remained more or less stable, averaging US$63 million per year and accounting for about 3.7% of the total capital investments. FDI into Kyrgyzstan reached US$8.3 million in 2015. The largest share of FDI came from Russia (59.7%), followed by the United Arab Emirates (22.4%), South Korea (8.2%) and the USA (7.9%).

Figure 3. Tourist exports (foreign spending), 1995-2016



Source: World Travel & Tourism Council. "Compendium of Tourism Statistics, Data 2011-2015", accessed online June 21, 2017 https://tool.wttc.org

By and large, Kyrgyzstan's tourism sector compares unfavorably with those of its neighbors, particularly Kazakhstan and Russia, and its main competitors offering similar tourism products to the same origin markets, such as Turkey. In 2014, there were 2.8 million international arrivals to Kyrgyzstan, gleaning US$143 per arrival. Such low per arrival receipts are primarily due to low prices and the short duration of the average visit.

Kyrgyzstan's international arrivals indicators fall short of those for Kazakhstan, a main competitor in the segment of cultural tourism (e.g. Silk Road), and Russia, a main competitor in the leisure market. Not surprisingly, Kyrgyzstan pales in comparison with Turkey, a major rival in attracting Russian and Kazakh tourists in the "Sun, Sand and Sea" vacation market (Table 2). Kyrgyzstan also ranks low in other tourism indicators such as total contribution to GDP and to employment.

Table 2. International benchmarking, 2014

	Intl arrivals, mln visitors	Receipts per arrival, US$	Share of GDP, %	Share of employment, %
World Average	5.3	1,304	9.9	9.4
Turkey	39.8	974	13.8	9.2
Russia	32.4	600	4.9	4.5
Kazakhstan	4.6	373	4.8	4.7
Kyrgyzstan	2.8	143	3.8	3.6

Sources: WTTC Compendium of Tourism Statistics, Data 2011-2015 and KNSC, 2016. Tourism in Kyrgyzstan, 2011-2015

In summary, the growth of the Kyrgyz tourism sector has stalled and has been unable to fulfil its potential. According to some experts, Kyrgyzstan is realizing only 15-20% of its tourism potential. There seems to be ample room for vigorous growth in the Kyrgyz tourism sector, provided that both external and internal conditions do not change dramatically. This conjecture is supported by the WTTC projections, forecasting the sector's total contribution to GDP to grow at an annual rate of 7.9% and its total contribution to employment to grow at an annual rate of 2.0 % from 2017 to 2027.

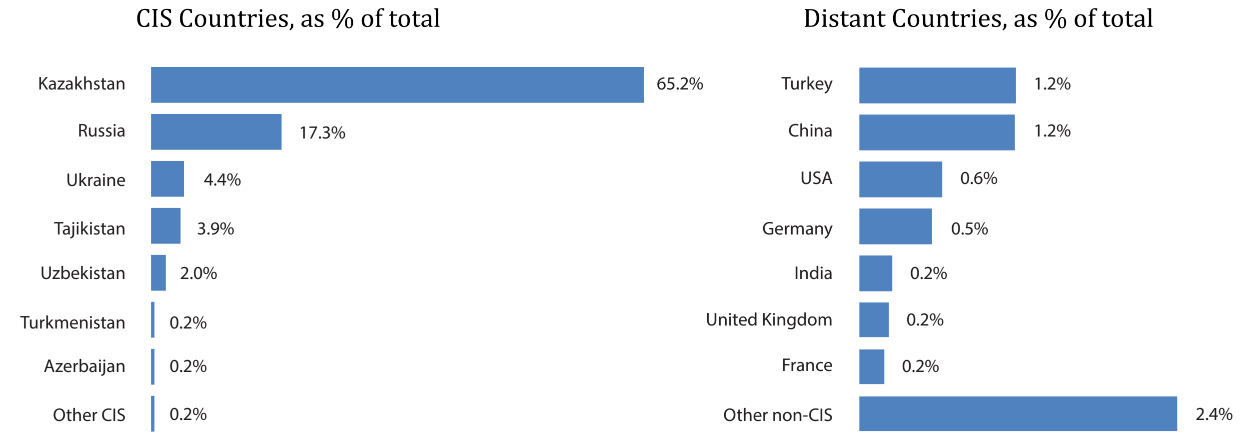
2.2. Characteristics of Tourists

This section examines the demand-side characteristics, namely the volume and structure of tourist flows, and their distribution by origin country, mode of transport and purpose of visit. Domestic tourist flows are not analyzed in detail as they are not the focus of this paper.

In 2015, the number of international arrivals in Kyrgyzstan reached 3.1 million. Their geographic distribution is presented in Figure 4. As expected, visitors from other CIS countries such as Kazakhstan, Russia, Tajikistan, Ukraine and Uzbekistan feature prominently in the arrival list, followed by Turkish, Chinese and Indian visitors.

The majority of travelers come either on business or to visit their friends and relatives. Therefore, they do not contribute substantially to leisure tourism, except for Kazakh and Russian tourists. The number of international students from India has recently risen, as has the number of workers and businessmen from China and Turkey.

Figure 4. Geographic distribution of foreign tourists, 2015



Source: KNSC, 2016. Tourism in Kyrgyzstan, 2011-2015

In contrast, visitors from more distant countries are predominantly leisure tourists, mainly arriving (in decreasing order) from the USA, Germany, the UK, France, Japan and South Korea. The vast majority (about 75%) of foreign tourists arrive by air. About 21% of tourists, mostly from Kazakhstan, arrive by road and about 4% by train.[6]

In general, the international arrivals data is collected by the Kyrgyz Border Control Service. The data lumps together leisure, business and visit-friends-family (VFR) tourists, as well as foreigners who enter the country for purposes different than tourism. As such, this data is fraught with errors, and may well overstate the true volume of inbound tourism.

The KNSC provides data only on leisure tourists, estimated at 1.265 million or 41.5% of total international arrivals in 2015. According to the tourist survey conducted by SIAR,[7] VFR tourists account for about 21% of total international arrivals. This information allows us to estimate the share of business tourists at 37.5%.

The distributions of foreign tourists by origin countries, mode of transport and purpose of visit shed light on relative weights of tourist products demanded by visitors, and thus provide important insights for efficient aligning of the offered tourist products with the demand. First, the dominance of business and VFR tourists, with a combined share of 59%, implies shorter stays and hence lower per arrival receipts. In fact, the average stay duration for business tourists is about 2-3 days, while it is 7-8 days for leisure tourists.

Table 3. Primary purpose of visit, 2015

	International arrivals, thousand people	Share
Total	3,050	100.0%
of which:		
Leisure	1,265	41.5%
Business[8]	1,145	37.5%
VFR	641	21.0%

Sources: 1. KNSC, 2016. Tourism in Kyrgyzstan, 2011-2015. 2. SIAR, 2012. Study of the tourism sector of the Kyrgyz Republic

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6 SIAR Research and Consulting, 2012. Исследование туристической отрасли Кыргызской Республики

7 Ibid.

8 Author's estimates

Second, business and VFR tourists typically make their own travel and accommodation arrangements, rather than buying combined packages from travel agents. Aside from air tickets, the main tourism products in this segment are accommodation and food. Third, according to the SIAR survey, 58% of leisure tourists also make individual travel arrangements, and procure tours and other products separately from tour operators. The role of tour packages and group tours is therefore modest. Fourth, air transport is the leading mode of transportation for both business and leisure tourists. This represents the bulk of the tourists' expenditure, which is, for the most part, earned by foreign airlines.

As for leisure tourism, the most demanded tourist product is vacations at Issyk-Kul Lake, which attracts tourists mostly from the CIS countries, e.g. Kazakhstan, Russia and Uzbekistan. The next most popular product is cultural and adventure tours, preferred by tourists from European countries, the USA and Japan. The most popular adventure products are trekking, climbing, biking, horse-riding, rafting and skiing. Many cultural tourists visit several other Central Asian countries and China as well as part of a Silk Road tour.

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2.3. Characteristics of Tourist Firms and Products

This section investigates the supply-side characteristics including the number, size, geographic distribution and specialization of tourism firms, as well the types of tourism products offered.

According to the KNSC, there were 10,360 registered entities operating in the tourism sector as of 1 January 2016, a 40% increase compared to 2011. Among these entities, incorporated firms accounted for 31%, while the remaining 69% were self-employed businessmen. This highlights the predominance of micro- and small-scale businesses.

The number of incorporated tourism firms rose by 22% from 2,579 in 2011 to 3,158 in 2015. Table 4 shows the distribution of firms by location and type of service.

Table 4. Distribution of tourist firms by type and location, 2015

	Tourist & travel firms	Resorts, sanatoria, other recreation facilities	Hotels, guestrooms	Restaurants, cafeteria	Nature parks and reservations	Total
Bishkek city	1,669	52	94	355	0	**2,170**
Osh city	152	16	11	9	0	**188**
Issyk-Kul oblast	204	137	26	9	3	**379**
Jalal-Abad oblast	59	36	10	13	4	**122**
Chui oblast	92	23	3	19	2	**139**
Naryn oblast	54	11	4	4	3	**76**
Osh oblast	22	10	3	n/a	3	**38**
Batken oblast	12	8	5	1	2	**28**
Talas oblast	10	4	1	1	2	**18**
Total	2,274	297	157	411	19	3,158

Source: KNSC, 2016. Tourism in Kyrgyzstan, 2011-2015

About 73% of tour operators and travel agencies are based in the capital city of Bishkek, followed by 10% in Issyk-Kul oblast and 7% in the city of Osh. Nearly half (46%) of all resorts and other recreational establishments (pansionats, tourism bases, sanatoria) are located at Issyk-Kul Lake. Batken and Talas oblasts are significantly short of tourism activities compared to other regions. Bishkek dwarfs all other regions in terms of number of hotels (60% of total) and restaurants (86% of total). An overwhelming majority of tourism firms (87%) are privately-owned.

The type/specialization of tourism firms is typically determined by the type of tourism products they sell, perhaps with the exception of travel agents and tour operators. These companies offer a broader spectrum of services, ranging from visa support and booking/sale of air tickets to land transportation and accommodation to organizing tours and events. The distribution of firms that participated in our survey by type of service is shown in Figure 5.

Thus, the majority of tourism firms are small-sized firms. Akin to the foreign tourist arrival data, the tourism sector employment data (e.g. total of 8,444 employees in 2015) supplied by the KNSC is dubious, as it seems to significantly underestimate tourism sector employment. In our tourism firm sample, the number of full-time employees was 31 on average. Figure 6 presents the distribution of the surveyed firms by number of full-time employees.

In general, the number of employees of tourism firms varies from one to several hundred. The largest share (30%) of all tourism workers is employed by sanatoria and resorts. The average salary in the tourism sector amounted to 9,497 soms or US$147 in 2015, based on an average exchange rate of 64.5 soms to US$1. There is also a sizeable informal segment in the tourism industry, for which data is largely unavailable. The predominance of self-employed businessmen, who pay flat taxes or "patent" fees, as well as small firms, explains the minuscule share (0.08% in 2015) of the tourism sector's tax contribution to total tax receipts.

Figure 5. Distribution of surveyed firms by type of service

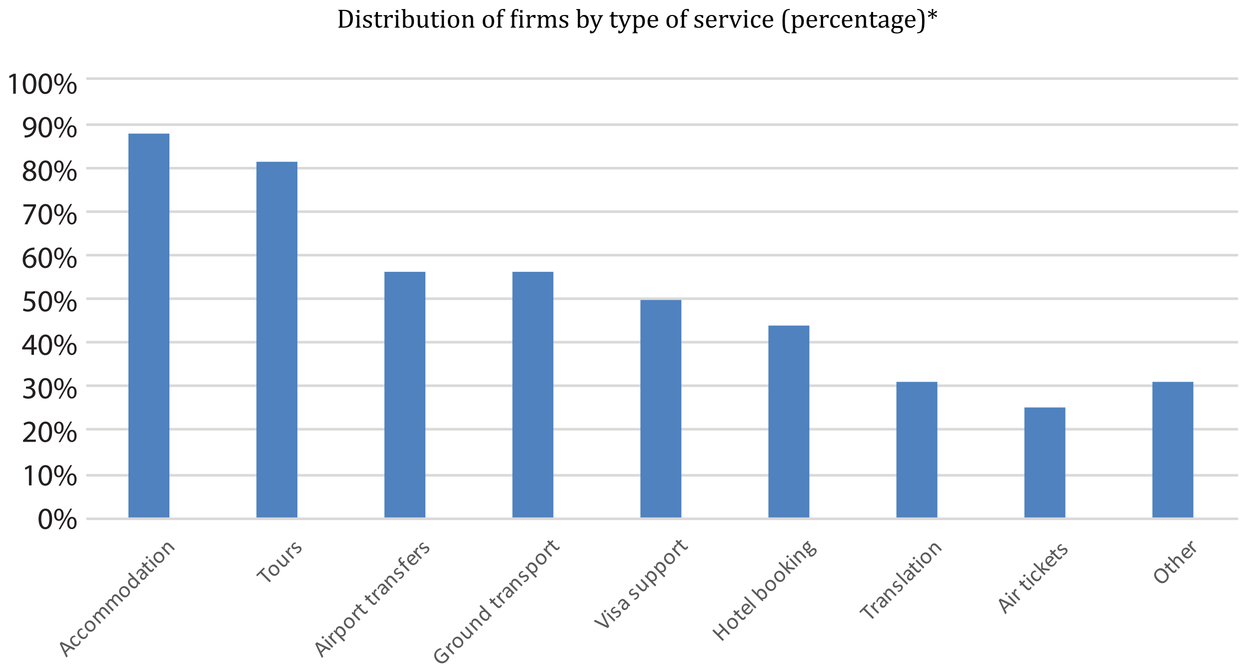
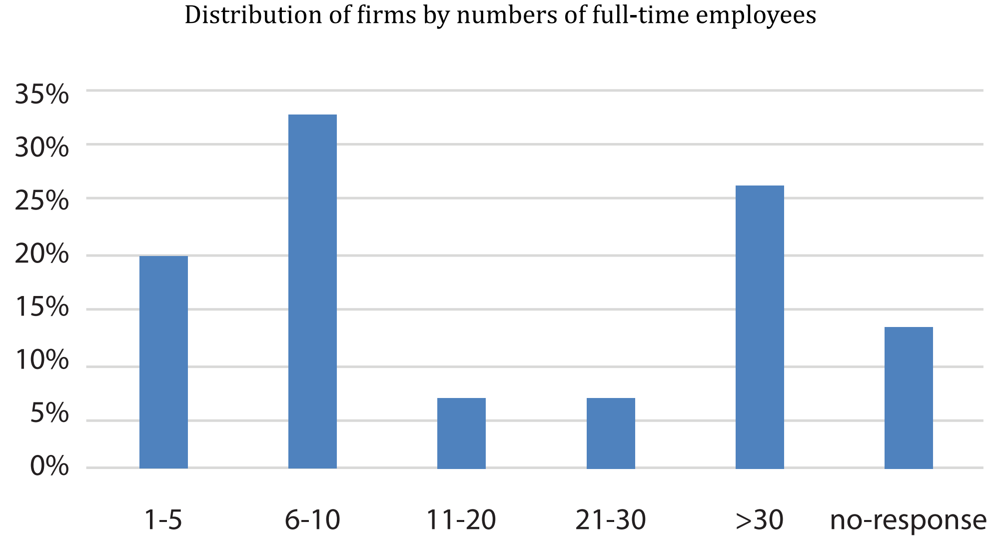


Figure 6. Distribution of firms by number of full-time employees



In terms of financial performance, Table 5 contains the revenues of tourism firms for 2015 broken down by specialization and location. Clearly, tour operators and travel agencies are most active in the capital city of Bishkek and Issyk-Kul province, accounting for 63.4% and 31.6%, respectively, of the total receipts. Their total revenue amounted to 1,356.9 billion soms or US$21 million in 2015. Issyk-Kul province tops the resort-sanatoria revenue list with about US$10 million (84.2% of the total). Jalal-Abad province is the second largest provider of resort services with US$1.03 million (8.6% of the total). The shares of other regions are negligible. Hotels and guestrooms received around US$50 million in 2015, with Bishkek (78.9%) and Issyk-Kul province (11.2%) accounting for the largest shares.

Table 5. Revenue by type of service and location in 2015, millions of Kyrgyz soms

	Tourist & travel firms	Resorts, sanatoria, other facilities	Hotels, guestrooms	Restaurants, cafeteria	Total
Bishkek city	860.9	--	2,532.2	4,264.5	**7,657.6**
Osh city	52.3	5.3	100.4	992.7	**1,150.7**
Issyk-Kul oblast	429.1	648.1	360.5	223.3	**1,661.0**
Jalal-Abad oblast	--	66.3	115.4	1,211.9	**1,393.6**
Chui oblast	6.1	28.1	35.4	610.6	**680.2**
Naryn oblast	2.2	2.6	11.5	32.9	**49.2**
Osh oblast	3.0	18.9	12.8	498.9	**533.6**
Batken oblast	--	--	10.1	368.4	**378.5**
Talas oblast	3.3	--	33.5	109.7	**146.5**
Total	1,356.9	769.3	3,211.8	8,312.9	13,650.9

Source: KNSC, 2016. Tourism in Kyrgyzstan, 2011-2015

The capacity of hotels and resorts appears underutilized or utilized unevenly, during the year. For instance, the total capacity of hotels in 2015 stood at 6,420 beds, while only 359.600 bed-night services were provided, which gives an average occupancy rate of 59 nights per year or 15%. This rate is only slightly higher for Bishkek hotels (64 nights per year or 18% occupancy rate).

The total number of beds in registered resorts, sanatoria, pansionats, tourism bases and other tourism facilities reached 31,476 in 2015. A total of 1,437,772 bed-night services were delivered in 2015, resulting in 45 nights per year (a 12.5% occupancy rate). However, since most resorts are active only in the three summer months, a more accurate occupancy rate would be 50% in the peak season. To summarize, the accommodation and recreational tourism capacities are largely underutilized. The low occupancy rate, stems from the brief duration of the tourism season in Kyrgyzstan.

Finally, there are several professional associations in the Kyrgyz tourism sector. Kyrgyz tour operators formed an association called the Kyrgyz Association of Tour Operators (KATO), bringing together 34 tour operators and travel agents and three educational institutions. Its mission is to promote the Kyrgyz tourism industry and to protect the rights of its members. Moreover, the Kyrgyz Community Based Tourism Association (KCBTA) unites 15 local communities, and has the objective of improving living conditions in remote mountain regions by developing a sustainable and wholesome ecotourism model. It was established in January 2003 with the support of Swiss Helvetas.

2.4. Government Policies and Infrastructure

In general, there are three types of legal-normative acts and regulatory policies governing the Kyrgyz tourism sector: sector-specific legislation, including the Law on Tourism and decrees of government bodies in charge of tourism; laws regulating resources used by, but extending beyond, the tourism sector, such as Land Code, Forest Code, Law on Ecology etc.; and general, inter-sectoral laws and regulations, governing the administrative, financial and operational functioning of tourism firms, including Tax Code, Customs Code, Law on External Migration, Law on Visa Regime etc. Below, we discuss the first group of laws and some laws and policies in the third group to the extent that they pertain to the tourism sector.

Recognizing the potential benefits of tourism discussed in Section 1, the Government of the Kyrgyz Republic (GKR) views the tourism industry as a priority sector capable of propelling the country's economic development. Since 1995, the GKR has adopted a multitude of normative-legal acts, regulatory policies, programs and action plans concerning the tourism sector, which has been implemented with varying degrees of success.

Considerable progress has been made in the liberalization of the sector's legal and regulatory framework. First, regarding specific licensing of tourism activities, Article 7 of the Kyrgyz Republic Law "On Tourism" was repealed in 2003.[9] Second, the Law "On normative-legal acts of the Kyrgyz Republic" relaxed the sector's overall regulatory environment by abolishing some outdated legal acts. Third, tourism firms are now subject to 10% corporate income tax, which is lower than in most neighboring countries (e.g. 20% in Kazakhstan). Moreover, many

[9] Law of the Kyrgyz Republic No 218, 21 October 2003

smaller tour agents work under a special tax arrangement called "patents", through which self-employed businessmen pay fixed fees instead of corporate or personal income taxes.

Overall, the legal-regulatory framework for the tourism sector is fairly unrestrictive. However, it is either outdated or not properly enforced. For instance, the existing law on tourism, first adopted in 1999, has now become obsolete. It does not respond to the evolving realities of the tourism sector. Notably, the law contains no provisions regulating high-risk, extreme types of tourism such as alpinism, skiing, diving and helicopter tours.

Furthermore, Section IV of Law on Tourism on tourists' safety and insurance policies is brief and impractical. It does not stipulate enforcement mechanisms, and the national market for foreign tourist life insurance is almost non-existent. Tour operators are not required to have a bank guarantee or set-aside funds to cover emergency costs. Foreign tourists typically come with life and medical insurance policies bought in their own countries, which often turn out to be insufficient to cover emergency costs, e.g. medical evacuation. Meanwhile, professional standards and norms governing the work of tour guides, translators and other specialists are scarce. All of these shortcomings have resulted in a hazardous and chaotic situation in the industry, which may have contributed directly or indirectly to the injuries and deaths of foreign tourists.[10]

In terms of border control, Kyrgyzstan has, in general, tourist-friendly immigration and customs policies. In 2012, the citizens of 45 countries were exempted from needing a Kyrgyz visa for a period of up to 60 days, which led to a notable rise (about 30%) in the number of non-CIS foreign tourists over the previous year. Kyrgyzstan compares favorably in this regard with its Central Asian neighbors, particularly Uzbekistan,[11] which imposes visa requirements on all foreign nationals except citizens of some CIS countries. Nevertheless, tourists from several potentially profitable origin countries are required to enter with a visa. To further boost inbound tourism and to diversify origin markets, it would seem reasonable to relax visa requirements for more countries, particularly those considered to have high potential. The introduction of an electronic visa (E-Visa) processing system would further facilitate and expedite the entry of foreign tourists.

Despite some progress in the legal-regulatory and immigration areas, reforms in tourism infrastructure and transportation are still sorely needed. Air transport is the main mode of access to Kyrgyzstan for foreign tourists. Yet, Kyrgyzstan ranks very low (127th) in the World Bank's Air Connectivity Index.[12] There are only four international airports, and only four air carriers operate regular international flights to Kyrgyzstan, namely Aeroflot, Turkish Airlines, Air Astana and China Southern Airlines. There are no direct flights from major European markets, including Germany and the UK. Kyrgyz airlines offer a limited number of regular domestic and international charter flights to nearby countries. The small airport in Tamchy at Issyk-Kul Lake is active only in the summer season. Thus, Kyrgyzstan needs, first and foremost, to expand and diversify its air connectivity.

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10 https://rus.azattyk.org/a/28580930.html

11 Following Kyrgyzstan's suit, Kazakhstan has recently removed visa requirements for some developed countries.

12 J.-F. Arvis, B. Shepherd. The Air Connectivity Index. Measuring Integration in the Global Air Transport Network. World Bank, June 2011

The road transportation routes are in a poor state despite massive investments having been made in their renovation because of poor maintenance. The rehabilitation of the country's major road arteries, such as Bishkek—Osh, Bishkek–Naryn—Torugart and Osh—Batken—Isfana, financed by ADB, World Bank, EU, EBRD and Chinese government loans, have somewhat improved access to tourist sites in Naryn and Osh provinces. However, the roads in the Issyk-Kul oblast remain largely dilapidated. In 2015, the GKR began renovating the Balykchi—Tamchy—Cholpon-Ata—Korumdu road, a major route on the northern shore of Issyk-Kul Lake. The renovation remains incomplete due to financial problems and corruption. This delay is likely to discourage many Kazakh and Kyrgyz tourists from spending their vacations there in the near future.

Problems concerning road transportation are exacerbated by the lack of appropriate signposts, GPS navigation, rest stops, and motels. Moreover, many resorts and pansionats, that were built in the Soviet era and owned by various trade unions, are in a state of disrepair tatters. The trade unions typically lease their resorts to private businessmen, who pursue quick profits and have no interest in investing in the maintenance and renovation of the properties. The municipal infrastructure and services at the provincial level, including electricity and water supply, sewage and garbage collection, do not meet international standards either.

To tackle these and other problems, the GKR recently adopted the Program for the Development of Tourism Sector till 2020.[13] This comprehensive program lays out a set of reforms targeting all major problem areas ranging from tourism marketing and infrastructure to developing tourism clusters to training tourism sector personnel. In particular, the Program envisages the modernization of airports and other key infrastructure sites as well as the launch of new domestic flights, all of which require major funding and may therefore be difficult to realize. As was the case with some previous government programs, there is a risk that many of the suggested reforms will remain mere paper declarations.

Finally, in 2016, the Parliament of the Kyrgyz Republic initiated extensive revision of the Law on Tourism. A draft of the revised law, developed by a stakeholder working group consisting of representatives of relevant government agencies and tour operators, is now discussed in the Economic and Fiscal Policy Committee of the Parliament. The law was to be presented to a general session of the Parliament before the summer break this year, however, this did not happen. There is still a great deal of unresolved issues and disagreement on this draft law.

The disagreements mainly concern accreditation of tour operators and certification of tour guides. In order to ensure service quality and the safety of tourists, one of the main proposed changes in the law involves mandatory certification of tour guides, especially those engaged in hard adventure and extreme sports tourism. It is envisaged to set out industry-wide standards for each specialization, and on that basis, to carry out certification of guides and other tourism specialists. These standards would be modeled upon the international standards of UNWTO, but adapted to suit the local conditions.

The responsibility for certification would rest with tour operators, who would be expected to give appropriate training to their employees so that they can pass certification exams. To date, a number of tour operators already have their own training centers for guides. To be

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13 Decree of the Government of the Kyrgyz Republic No 192. On the Program for the Development of Tourism Sector till 2020. Bishkek, 11 April 2016

eligible to grant certification, tour operators themselves would have to obtain accreditation from a relevant government agency.

Moreover, the revised draft law contains clauses on mandatory life and medical insurance for foreign tourists arriving in Kyrgyzstan. In essence, tour operators and travel agents would bear greater responsibility for the safety of their customers. Yet, no effective financial instruments for insurance, such as bank deposits and set-aside funds, are envisioned in the latest draft. In order for the law to be effective, these mechanisms should be clearly specified.

The suggested reforms triggered heated debate among tour operators and agents, some of whom are staunchly opposed to the proposed changes. The accreditation and certification proposals have been opposed on grounds of cost, complexity and the lengthy amount of time required to train professional guides in the mountaineering and skiing specialties. Mandatory insurance, which would entail substantial costs for tourism firms, also attracted a lot of resistance. As a result, the proposed legal changes are at a standstill.

3. Key Value Chains in the Tourism Sector

There are various tourism services and destinations in Kyrgyzstan, which are packaged by tourism companies in a myriad of different ways. The existing tourism value chains are grouped into three broad categories based on the type of core tourism product rather than itinerary or destination. These value chains are: 1) Issyk-Kul Lake beach tourism; 2) cultural and soft adventure tourism, including eco-tourism; and 3) extreme sports and hard adventure tourism. These categories account for the bulk of the tourism sector's revenue and reflect the broad spectrum of tourism activities in Kyrgyzstan. The segment of business tourism, also known as Meetings, Incentives, Conferences and Events (MICE) is underdeveloped and, therefore, not analyzed in this paper.

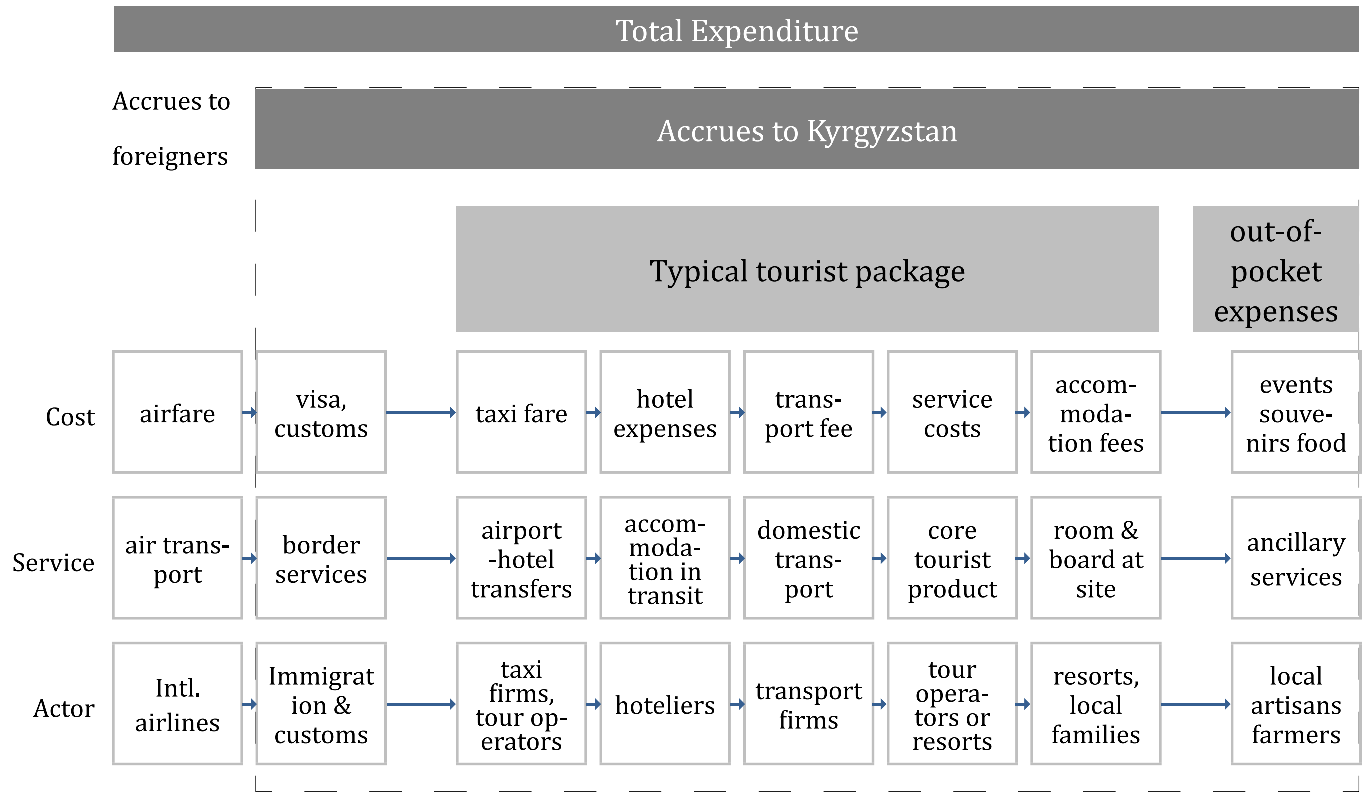
These three value chains fit the generic value chain framework depicted in Figure 7, which serves as a point of departure for our analysis. The framework breaks down the cash flow by economic actor and stage in the production process, revealing major bottlenecks and their relative weights along the value chain. This approach thus allows reforms to be targeted on critical constraints and economic actors. The framework consists of parallel flows of (i) tourism services, (ii) associated costs, and (iii) economic actors delivering these services. These components are specialized and estimated for each of the three value chains below.

The vast majority of tourists arrive in Kyrgyzstan by air. Airfares constitute a sizeable portion (about 28%-50%) of total tourist expenditure for the value chains analyzed below. However, such expenditure is almost entirely paid to foreign air carriers. State and private air companies operate international flights to a limited number of countries including Russia, China and Turkey, of which many are charter flights carrying local businessmen, mostly small shuttle-traders.

Moreover, there are no direct flights from major origin markets in Europe, except for the Istanbul—Bishkek flight operated by Turkish Airlines and the Moscow—Bishkek flight operated by Aeroflot. Therefore, tourists from distant markets make their own arrangements for connecting flights and pay directly to foreign airlines. Thus, the air transport component of the value chain represents a major bottleneck for the Kyrgyz tourism sector: not only are there very few flights, but the airfares paid for these flights stay outside the country.

Government fees (e.g. customs, visas) levied at the border are either modest or not applied to many tourists. Visa requirements for a short stay (up to 60 days) have been abolished for nationals of 45 countries, including major origin countries such as the USA, the UK, Germany and France. Nationals of other countries can obtain a single-entry tourist visa upon arrival at Manas airport for US$40-70. These fees make up a small share (about 1.5-2%) of the total tourist expenditure (see Figures 10 and 12 below).

Figure 7. Foreign tourism value chain framework



The remaining components of the value chain depend on the core tourism product, and are often bundled in a package sold by tour operators. These include ground transfers to and from the airport, hotel stays in Bishkek or Osh, domestic travel to, and room & board at, tourist sites, the cost of tours and fees of guides and other support staff. The cost of travel packages is determined by the fees charged by local service providers and the commission earned by tour operators. The only expenses tourists have to pay out of their own pocket are for food, handicrafts, souvenirs and additional activities.

Accommodation and food catering services in major transit cities, e.g. Bishkek and Osh, are found in all three value chains. They account for about 5-7% of the total tourist expenditure of the value chain. The number and capacity of hotels, resorts, and food catering facilities are discussed in Section 2. The quality of these services varies widely. According to a foreign tourist poll conducted by SIAR, 74% of visitors rated the quality of Bishkek hotels as “Excellent”, “Good” and “Satisfactory”, while the remaining 26% were unsatisfied with the services. In Osh, these figures were very similar. Unsurprisingly, both the subjective tourist ratings and the actual quality of accommodation deteriorate as one moves from big cities to provincial towns and villages. A similar downward pattern is observed for restaurants and food catering services. In general, these two tourism products are of a reasonable standard, and do not pose a major challenge for the development of the Kyrgyz tourism sector. There is however a limited supply of modern, economy-class accommodation in big cities to meet the growing demand for budget tourism, largely sought by backpackers who cannot afford to stay in expensive hotels.

The costs presented in the following three sections are the market averages for most common, representative tourism products/packages currently offered in the Kyrgyz market. The actual costs of packages or vacations may vary widely depending on the airfare class, tourist group size, hotel scale, itinerary and out-of-pocket expenses.

3.1. Issyk-Kul Lake Beach Tourism

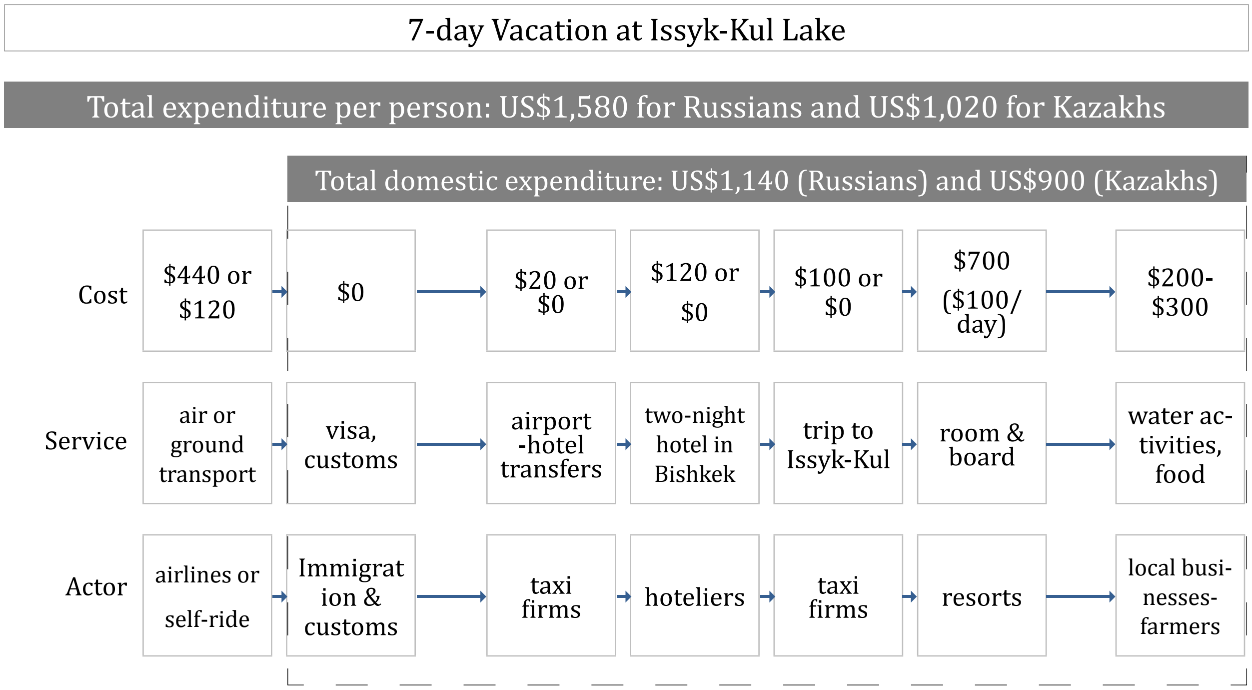
Summer tourism to Issyk-Kul Lake, which falls under the category of resort-recreational tourism, internationally referred to as “Sun, Sand and Sea” tourism, is the most popular tourism product in Kyrgyzstan. It attracts thousands of foreign vacationers, mainly from Russia and Kazakhstan, and accounts for about 90% of total tourism sector receipts in Kyrgyzstan. It is a short-season tourism product with peak activity in July and August.

The value chain shown in Figure 8 refers to a seven-night stay for one person at a three-star, average-priced Issyk-Kul resort or pansionat, providing lodging, meals, and some entertainment. There are two main groups of foreign tourists in this segment: tourists from Kazakhstan; and tourists from other CIS countries (mainly Russia). Kazakh tourists usually drive their own cars to Issyk-Kul, while tourists from elsewhere generally fly to Bishkek and then use road transportation to go to the lake. Self-driving Kazakh tourists spend around US$120 (including fuel costs and traffic police fines) on the Almaty—Cholpon-Ata—Almaty round-trip. The airfare expenses for tourists from other CIS countries are estimated at US$440, which is the average Aeroflot fare for a round-trip from Moscow to Bishkek in the summer season.

Nationals of Kazakhstan and other CIS countries do not require visas, and typically do not declare any money or goods subject to custom fees. Thus, no government border fees and taxes are recouped. Aside from Kazakhs, tourists usually stay for two nights in Bishkek while transiting to and from Issyk-Kul. Hotel rates are an average of US$60 per night at a medium-scale hotel or guesthouse in Bishkek. These tourists then use land transport contracted either through a travel agent or directly through a taxi company to reach their destination at Issyk-Kul Lake. This segment of the trip costs roughly US$50 one-way.

The core tourism product – full room and board at a three-star Issyk-Kul resort – costs, on average, $100 per night in a standard room, totaling US$700 for a seven-night stay. This amount covers three meals a day and access to the beach. Spa services, mineral baths and other medical treatments are usually not included, unless it is a specialized sanatorium like “Aurora”, “The Kyrgyz Seaside” or “Blue Issyk-Kul”. Finally, vacationers spend, on average, US$200 per person on additional food (as resort meals may be insufficient) and activities such as aqua-biking and para-gliding, which are procured from local businessmen and farmers.

Figure 8. Issyk-Kul Lake vacation value chain

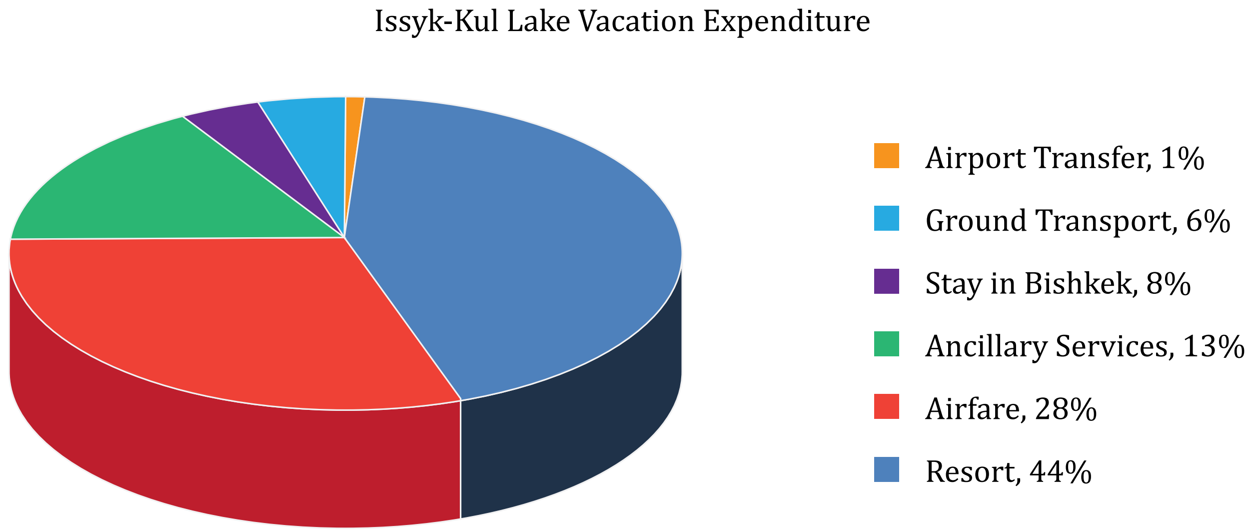


The quality of accommodation and services at many Issyk-Kul resorts leaves much to be desired. Vacationers are left beleaguered by numerous inconveniences, including no or poor Wi-Fi connection, no swimming pool, bland food, low-quality furniture, low-quality restrooms, frequent disruptions in electricity and hot water supply, and uncooperative staff. Furthermore, many tourists complain about scant choice of complementary tourism activities and services, such as excursions, baby-sitting and children's entertainment, and night-time events. Indeed, the limited choice and poor quality of services is one of the major constraints in the "Room & board" component of the value chains depicted in Figure 8. Environmental pollution is another concern as there is no regular garbage collection on the beaches, while sewage and cattle waste are sometimes dumped close to tourism sites.

All of these limitations render Issyk-Kul Lake's price-quality ratio high compared to rival destinations in Turkey and Spain. For example, four- or five-star resorts in Antalya (Turkey) sell for, on average, a rate of US$130-150 per night, which usually includes breakfast and dinner, and the above-cited amenities that are absent at Kyrgyz resorts. This disparity between price and quality combined with the difficulty of access makes Issyk-Kul resorts less competitive than their Turkish counterparts. This problem is the single most important factor depressing the demand for Issyk-Kul Lake beach tourism, which cannot be offset even by the beauty and pristineness of its nature.

The breakdown of the total Issyk-Kul vacation expenditure is shown in Figure 9. To summarize, about 72% of the total value generated by Issyk-Kul vacations is accrued to Kyrgyz businesses, of which about 80% is earned by Issyk-Kul province businesses and residents. Resorts – the core tourism product – account for 44% of the total value-added. Local farmers, artisans and other businessmen, providing ancillary services, appropriate around 13% of the total value-added, which is greater than for other types of tourism products discussed below.

Figure 9. Issyk-Kul beach tourism expenditure per person (Russian tourists)



3.2. Cultural and Soft Adventure Tourism

Given the diversity of tourism products in this category, two representative packages – one at the low-end of the price spectrum and the other at the high-end – are considered. Both packages are nine-day/10-night cultural tours of Kyrgyzstan. Cultural tourism is mainly pursued by visitors from non-CIS countries. The second, more expensive tour is priced at US$2,550 per person. The itinerary is Bishkek – Chichkan – Jalal-Abad – Kazarman – Naryn – Kochkor – Karakol – Cholpon Ata – Bishkek. No discounts are given based on the group size. The package covers a one-night hotel stay in Bishkek, accommodation and meals at guesthouses at each point of the itinerary, ground transportation, English-speaking guide, falconry demonstration and museum entrance fees.

The price of the first package[14] fluctuates, depending on the group size, from US$1,320 per person for a group of two to US$690 per person for a group of seven to eight. This is currently the cheapest tour on the market. The itinerary is Bishkek— Chon Kemin – Karakol – Jeti-Oguz – Kochkor – Son Kol – Kyzyl Oi – Bishkek. Accommodation prices are based on double occupancy per room. The charge for an additional single room as part of this group fare is US$65. The trip involves a two-night stay at a three-star hotel in Bishkek, and seven nights of accommodation and meals at guesthouses, yurts or homes at each point of the itinerary. Included in the price are land transportation in mini-vans, a multilingual guide, a felt craft show and museum entrance fees.

The second, more expensive tour is priced at US$2,550 per person. The itinerary is Bishkek – Chichkan – Jalal-Abad – Kazarman – Naryn – Kochkor – Karakol – Cholpon Ata – Bishkek. No discounts are given based on the group size. The package covers a one-night hotel stay in Bishkek, accommodation and meals at guesthouses at each point of the itinerary, land transport, an English-speaking guide, a falconry demonstration and museum entrance fees.

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14 The names of tour operators are not disclosed for obvious reasons.

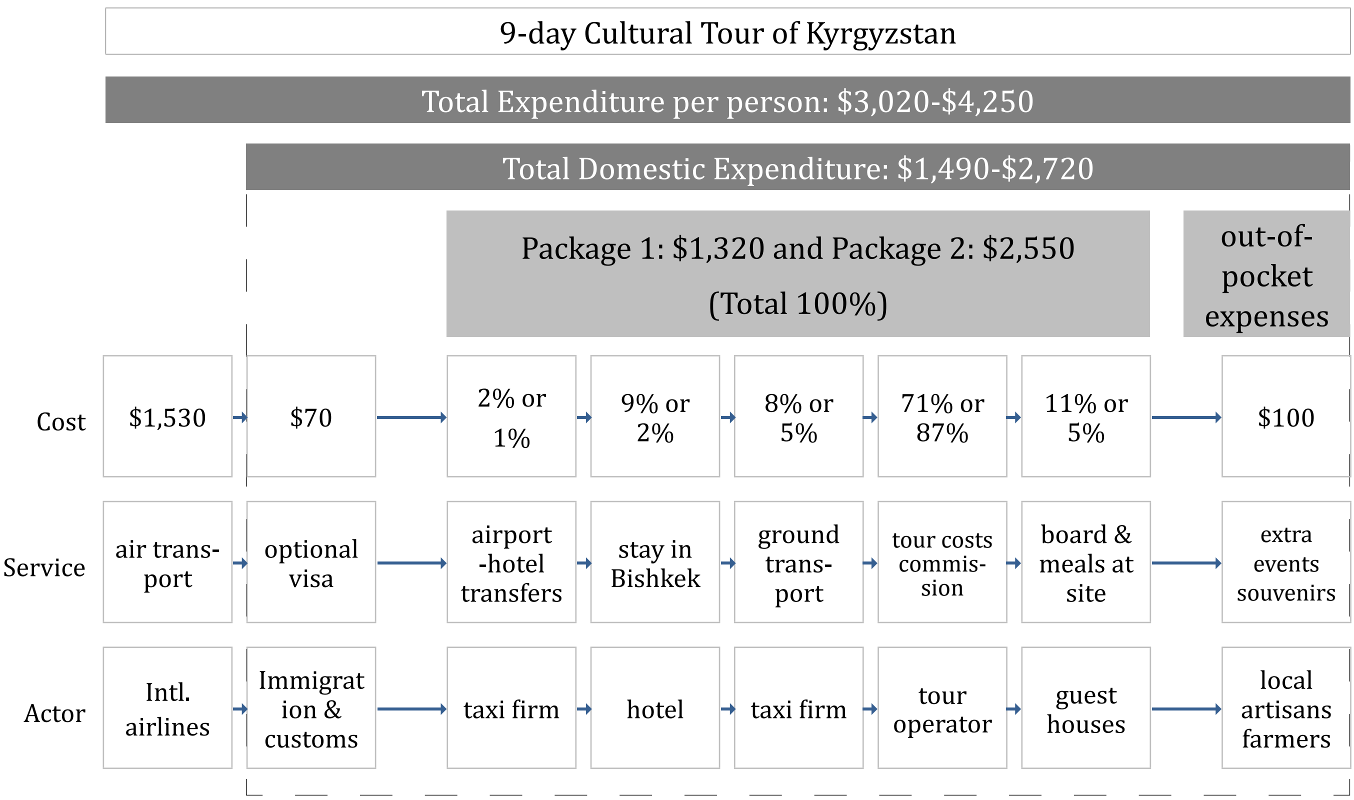
The value chain for these two tour packages is depicted in Figure 8. The airfare is estimated based on an economy-class round-trip from Frankfurt to Bishkek via Istanbul with Turkish Airlines, priced at 1,364 Euros or US$1,530. This is considered to be representative for the majority of tourists arriving from European countries. Visa costs are not applicable to tourists from OECD countries. For other countries, the rate is set at US$70.

The remaining costs, except out-of-pocket expenses, are lumped together in the tourism package sold by the tour operator. Therefore, an exact breakdown across different activities is unavailable. Nevertheless, one can infer their relative weights using the prevailing market rates for each service. The percentages shown in Figure 10 are approximate shares of each service in the total tour package value.

For instance, room & board at guesthouses or homes in rural areas is estimated at US$20 per night, and a hotel in Bishkek is estimated at US$60 per night, accounting for 11% and 9% respectively of the total cost of the first package. Clearly, the actual costs may differ depending on the location(s) and quality of accommodation.[15] Similarly, airport transfers and ground transportation are estimated at 2% and 9% of the first package's value. The rest of the package, about 71%, is accrued by the tour operator and covers the wages of guides, event costs and commissions. The relative shares for the second package are also shown in Figure 10.

In general, tour packages may offer various optional activities such as trekking, hiking, horse-riding, biking, wildlife watching and demonstrations of local culture such as tasting ethnic food, hunting with eagles, and ethnic games and music. These are typically out-of-pocket expenses for tourists. Out-of-pocket expenses are estimated conservatively at US$100 per person (or roughly US$15 per day) based on the SIAR tourist poll.

Figure 10. Cultural and soft adventure tourism value chain

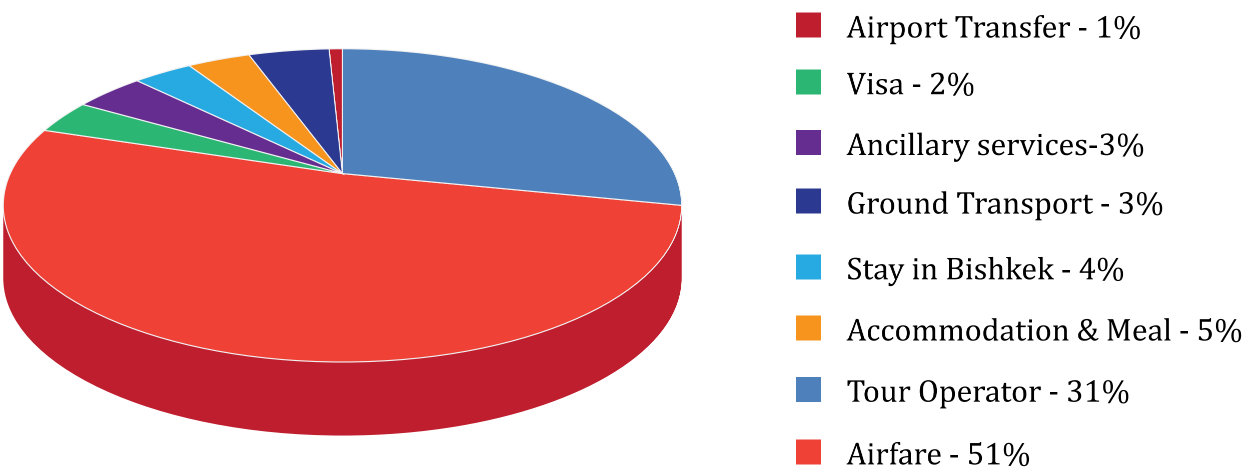


15 These are notional estimates. No claims are made about the actual costs of individual companies.

The latter poll also identified some significant problems encountered by foreign tourists. Among the most frequently raised issues were the poor quality of services, including accommodation, restrooms, food and guides. As one might expect, provincial towns and villages suffer from a lack of suitable showers, restrooms and other amenities. This is a systemic infrastructural problem, which requires significant investment and economic growth in the country as a whole. However, improving the quality of food and guide services would not demand such investment, and could be addressed by tour operators and relevant government agencies. Specifically, the existing system of higher education and vocational training of tourism industry specialists should be reformed to reflect the actual needs of the tourism sector.

Figure 11 presents a breakdown of total tourist expenditure on cultural and soft adventure tourism. The airfare constitutes a large share (51%) of the total expenditure for tourists from distant countries, money which does not directly benefit Kyrgyzstan. The second largest component (31%) is the costs (e.g. for guides) and commission of tour operators supplying the core tourism product. Most operators, including their guides and drivers, are based in Bishkek. Therefore, local communities and businesses appropriate around 6-8% of the total value. Community-based eco-tourism businesses obtain a slighter larger share of the value.

Figure 11. Cultural tour expenditure per person (Package 1)

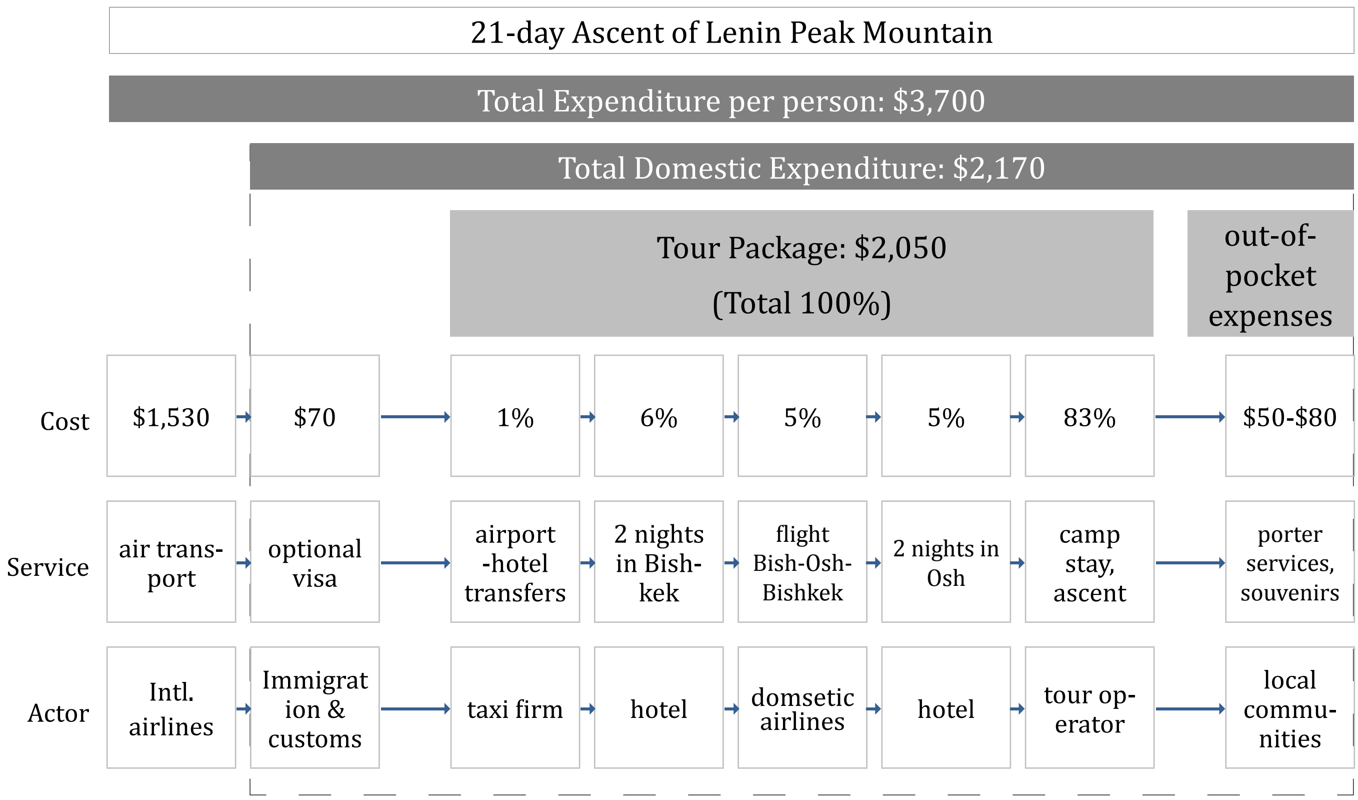


3.3. Extreme Sports and Hard Adventure Tourism

Relatively few tour operators offer hard adventure or extreme sports tours as these require special equipment, safety arrangements and professional guides. However, hard adventure tourism's share in the total tour operators' revenue has steadily increased over the years. The main hard adventure tourism products include mountain and rock climbing, skiing and snowboarding, helicopter-skiing, rafting and hunting tours.

This section analyzes a typical package involving an ascent to Lenin Peak Mountain (7134m), located on the border of Kyrgyzstan and Tajikistan in the Pamir-Alay Mountain chain. This 21-day package is priced at US$2,050 per person. The itinerary is Bishkek — Osh – Lenin Peak Camp – Osh—Bishkek. The package covers a two-night hotel stay in Bishkek, a two-night hotel stay in Osh, 17 nights of accommodation in double-occupancy tents and meals at Achyk-Tash base camp, a boundary zone permit, equipment and the services of a professional guide. The package also includes some sightseeing in Osh. The value chain is depicted in Figure 12. Again, the breakdown of the package costs is purely notional.

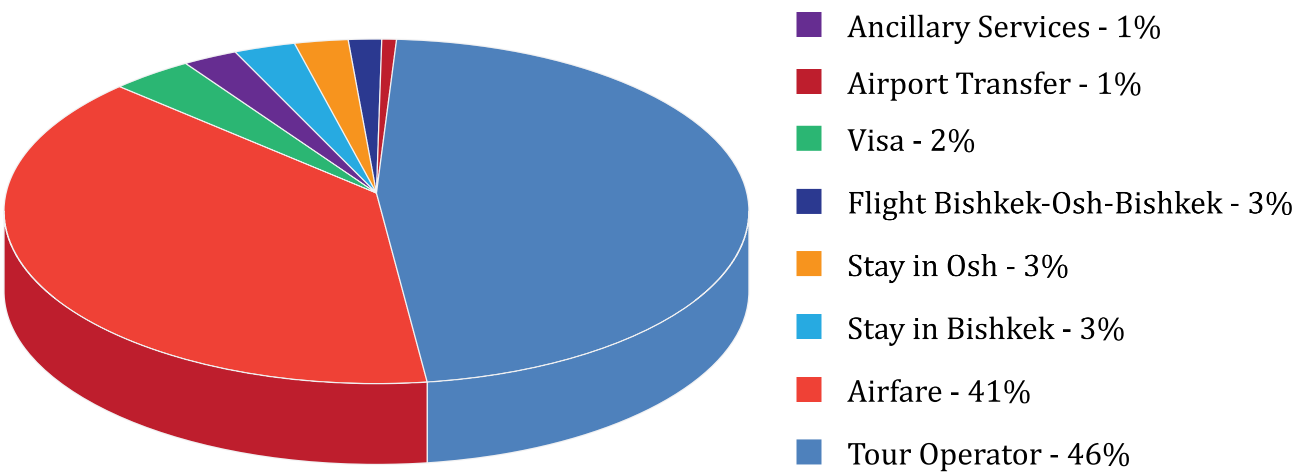
Figure 12. Hard adventure tourism value chain



The airfare, airport-hotel transfer and visa costs are the same as for cultural and soft adventure tours. The main difference lies in the core tourism product, alpinism, which requires special equipment and meals, acclimatization and hence a longer stay at a mountain camp. Therefore a higher percentage of the package value (about 83%) is appropriated by tour operators. In addition, this particular itinerary involves an additional two-night stay in Osh, in transit to and from the mountain camp. The typical mode of transportation from Bishkek to Osh is a domestic flight operated by one of the Kyrgyz air companies. A return ticket from Bishkek to Osh costs, on average, US$100 per person. Out-of-pocket expenses, estimated at US$50-80, include a porter's service for extra luggage, medical and life insurance, food and souvenirs.

Figure 13 shows the relative shares of each service provider for this value chain. The costs of the core tourist product constitute the largest share (46%) of the total value-added, followed by airfare (41%) and hotel costs in Bishkek and Osh cities (3% each). Generally, hard adventure tour operators employ specially trained instructors and guides from Bishkek or from other countries, e.g. Russia and Kazakhstan, and do not create many jobs for local communities. The lack of trained tour guides and instructors is one of the key constraints in the "camp stay, ascent" component of this value chain (see Figure 12).

Figure 13. Hard adventure tour expenditure per person



Moreover, tour operators themselves may be foreign firms. For instance, in their study of Lenin Peak tourism, Watanabe et al. (2009) found that about 80% of tourists visiting Lenin Peak were served by Uzbek tour operators, 15% were served by Russian or Kazakh firms, and only 5% were served by Kyrgyz operators. There are no guesthouses and motels in nearby villages, and the villagers are effectively excluded from tourism activities.

Therefore, only 1-2% of the value, in the form of ancillary services, benefits local communities. Such uneven distribution of the tourism proceeds represents one of the main constraints in this value chain. To mitigate it, the Government should provide professional training to local communities in these hard adventure tourism services. Needless to say, strict safety regulations should be enforced in hard adventure tourism.

Furthermore, because of the absence of an adequate insurance market, domestic tour operators offer no medical and life insurance to hard adventure tourists. Instead, they buy it from international insurance companies, and their policies often underestimate the risks and are insufficient to cover evacuation and other medical expenses. This is an issue that deserves government intervention; adequate insurance policies must be put in place and implemented.

The inequitable distribution of tourism receipts is exacerbated by environmental pollution caused by tourism activities. Watanabe et al. (2009) identified pollution and general environmental degradation of the Lenin Peak Mountain area. According to this study, some 9-21 tons of unutilized garbage had accumulated around Lenin Peak Mountain due to tourism activities. Thus, environmental pollution is another important constraint to consider in this value chain. As a public good, environmental protection is not factored into the value chain, and not addressed by tourism firms.

One possible solution to both problems could be the development of eco-tourism, of which the benefits extend directly to the local communities and environment. Eco-tourism firms, established in part with the support of various donors, are already active and have proved successful in the Kyrgyz tourism market. Their network should be expanded and strengthened.

4. Main Challenges Faced by the Tourism Sector

The value chain analysis and extensive interviews with key stakeholders[16] identified over seventeen issues constraining growth in the Kyrgyz tourism sector, see Figure 14. As seen from the figure, the problems faced by the tourism sector are complex and overarching. They cut across all economic sectors and government institutions. As such, they require a comprehensive and holistic solution. However, for ease of analysis and exposition, we group the problems into six thematic clusters and examine each cluster separately, see Table 6.

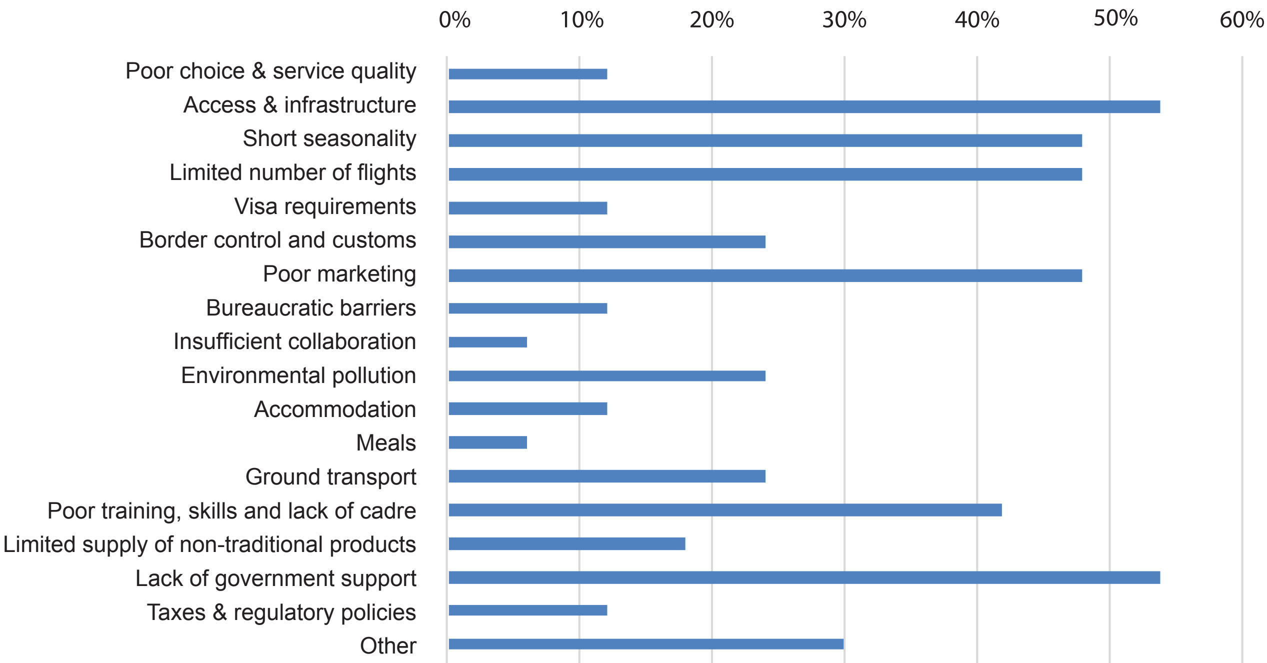
4.1. Difficulty of access and poor infrastructure

Kyrgyzstan is a landlocked country with an underdeveloped infrastructure. The poor and underdeveloped infrastructure can be seen with the naked eye, and is experienced by everyone who travels to the country. It was also cited as a number-one constraint by the polled tourism firms, see Figure 14. Clearly, this problem hinders the development of all sectors of the Kyrgyz economy, not only tourism. As discussed in Section 2.4, air transport is the dominant mode of transport for foreign tourists, and yet, Kyrgyzstan suffers from poor air connectivity, with only four international air carriers operating regular international flights to the country.

Moreover, domestic flights are often delayed or cancelled. Baggage policies and practices are substandard; travelers complain about lost luggage or meagre free luggage allowance. Foreign airlines are unable to issue tickets and check seat inventory on domestic flights. Many international tourists perceive the services and safety of domestic flights as subpar, and are reluctant to fly. In fact, all thirteen Kyrgyz air companies are now blacklisted and banned from flying by the European Union.[17]

Figure 14. Constraints identified by the survey

Constraints, percentage of respondents



16 The list of the interviewed stakeholders is given in Appendix 1.

17 http://knews.kg/2016/06/vse-kyrgyzskie-aviakompanii-vnov-voshli-v-chernyj-spisok-evropejskoj-komissii/

Table 6. Key constraints facing the Kyrgyz tourism sector

No	Issues and Constraints
1.	Difficulty of access and poor infrastructure
2.	Weak marketing and insufficient use of digital technologies
3.	Poor quality of services and inadequate skills of providers
4.	Short seasonality of tourist products
5.	Bureaucratic barriers to start and to run a tourism business
6.	Inequitable distribution of tourism receipts (low share of local communities) and environmental pollution

The roads and other infrastructure, including motels, rest-stops, geographic signs, and navigation systems, are either in a poor condition or absent all together. Despite massive investments in the rehabilitation of the principal highways, the roads leading to major tourist attractions in Issyk-Kul and other provinces remain poor. In many oblasts, there are no signs in English language, motels, pharmacies, first-aid and rest-stops, which makes the travel of self-ride adventure tourists indeed a dangerous adventure.

The oblast and municipal level electric power, water supply and sewage systems are run-down and overloaded. In some places at Issyk-Kul Lake, sewage waste leaks to the ground surface, and garbage is scattered along the beachline. Potable water quality is substandard in Osh and Jalal-Abad oblasts. Electric power supply is irregular in rural areas, and many businesses have to rely on autonomous generators.

These infrastructural bottlenecks severely impair the productivity and revenues of tourism firms by depressing demand for their products and services. Clearly, the problem calls for urgent government intervention – the issue we take up in Section 5.

4.2. Weak marketing and insufficient use of digital technologies

The lack of an effective, appealing branding and positioning of Kyrgyz tourist products in international markets is hampering the growth of the tourism sector since the country's independence. What makes Kyrgyzstan a unique destination? Why one should choose it over other countries? These questions remain unanswered to many foreigners contemplating their visit to Kyrgyzstan. The low level of international awareness about Kyrgyzstan and government's mediocre tourism promotion efforts are seen by a majority stakeholders as a tangible constraint to the development of the tourist sector in Kyrgyzstan, see Figure 14.

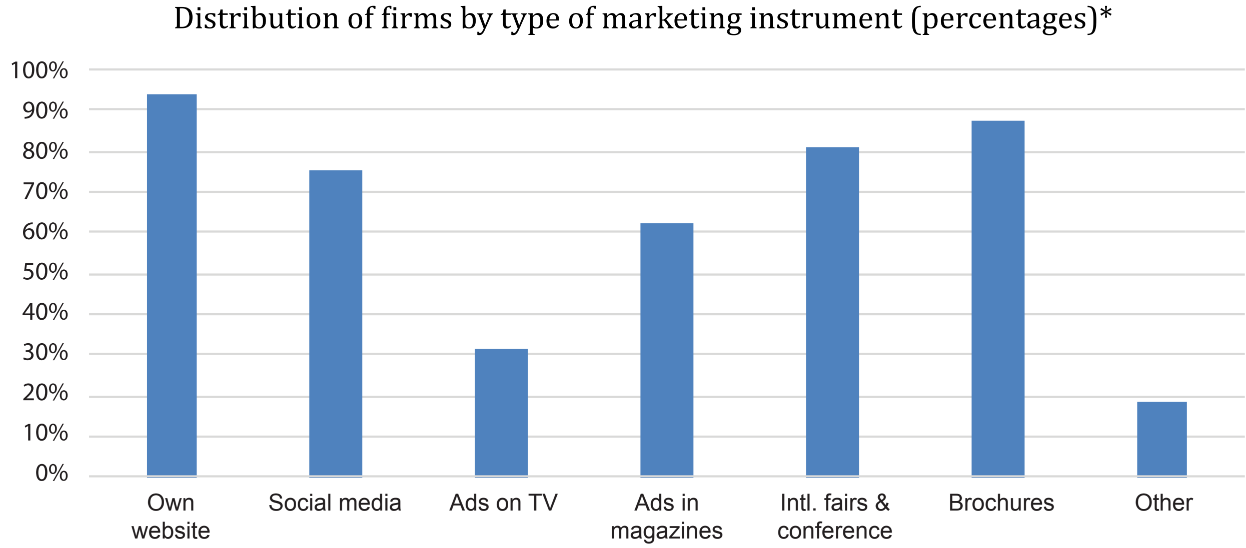
To address the problem, the Department of Tourism of the Kyrgyz Republic has recently begun holding presentations at tourist fairs in Russia, Kazakhstan, China, and Iran. It has also set up an eye-catching country portal for tourism promotion: http://www.discoverkyrgyzstan.org/. However, the promotional activities in more distant and sizeable markets of Western Europe and North America remain limited. Kyrgyzstan's embassies and consulates are not adequately engaged.

Kyrgyz tourist businesses are incurring million dollars of the lost opportunity income due to the poor marketing. This situation is unacceptable given the proximity to the rapidly growing source markets of China, Middle East and South East Asia. For instance, the growing middle-class of China has flooded all main tourist and historical destinations of Europe, Asia and the Americas. Yet, few Chinese tourists visit Kyrgyzstan for leisure. Neither do many wealthy tourists from Middle East come to Kyrgyzstan, who would otherwise be interested in Kyrgyzstan's mountainous landscape, strikingly differing from their homelands. Thus, a lot of potential tourists are simply unaware about the country. If Kyrgyzstan is to become a world-class tourist destination, it needs to tap these high-potential markets.

Furthermore, most Kyrgyz tourist firms have websites and use the Internet to advertise and sell their services. Still, they do not make full use of new digital technologies, including social media such as Facebook, Twitter and LinkedIn. About 75% of the interviewed tour operators are using, to some degree, these technologies. The remaining 25% are completely foregoing these technologies despite the growing share of social networks in the total Internet traffic, see Figure 15.

All these problems are not too costly to fix by concerted efforts of the Government, tour operators and other tourist business. Specific recommendations are provided in Section 5.

Figure 15. Distribution of the surveyed firms by type of marketing Instruments



**categories are not mutually exclusive, i.e., one firm may use several instruments*

4.3. Poor quality of services and inadequate skills of providers

This issue has been raised by many interviewed stakeholders, and is also one of the leading complaints frequently posted by international tourists on various websites. As discussed in Section 3, the limited choice and poor quality of tourist products (e.g. accommodation, food and basic services) severely undermine the competitiveness of the Kyrgyz tourist products in the global markets. Moreover, the country is forgoing potential revenues from nontraditional tourist products that are gaining worldwide popularity, including medical, gastronomical and archeological tourism.

The skills of service providers, too, leave much to be desired. First, many guides in hard adventure, high-risk tourism do not have adequate training, and do not adhere to basic safety rules, putting the lives of tourist at risk. Presently, there are no licensing or certification requirements. Nor is there an institutionalized system for training and attestation of guides. For example, everyone can run a mountain tourism business. The lack of proper training and certification of guides in high-risk tourist activities thus poses serious risks to the health and lives of tourists. Just a simple example: horse-riding guides often put tourists on a horse without evaluating their riding skills and without any protective head gear.

Furthermore, there is a shortage of multilingual guides and interpreters. Aside from English, few tours are offered in other common foreign languages, e.g. German, French or Chinese. Many hotel and resort workers lack appropriate training and skills in the hospitality services, precipitating negative reviews and complaints of foreigners. The short seasonality of tourist activities, involving a high turnover and poor staff quality, further aggravates the problem.

The formal knowledge and practical skills of tourism and hospitality students meet neither the international standards nor the actual needs of the Kyrgyz tourism sector. In 2015, only 332 specialists majoring in "Socio-cultural services and tourism" were graduated from the country's higher education institutions, including the Academy of Tourism, Tourism and Hotel School under the Kyrgyz-Turkish Manas University, and the Bishkek Academy of Finance and Economics. Other of employees come either from the Kyrgyz National State University, Kyrgyz-Slavonic Institute or the American University of Central Asia, majoring in fields different than tourism. As such, they are not equipped with the necessary knowledge and skills. [18] Finally, there is a shortage of professional guides and instructors in hard adventure tourism activities like mountain skiing, alpinism and rafting.

To sum up, the poor quality of services, inadequate training and poor skills of service providers are taking an enormous toll on their bottom lines and the country's tourism exports. More important than the economic toll, these deficiencies jeopardize tourists' safety and lives.

4.4. Short seasonality of tourist products

The harsh continental climate and high altitude curtail the tourist season in Kyrgyzstan. The season at Issyk-Kul Lake for the "sun, sea and sand" product lasts only three months, the season for cultural and adventure tourism is only slighter longer, straddling the late spring, summer and early autumn. Skiing and snowboarding are the only winter tourist activities, and their supply is still limited due to a lack of proper skiing bases, infrastructure and equipment. Business, conference and event tourism, which could mitigate this adverse seasonality, is underdeveloped. For these reasons, a half of the surveyed firms identified the short seasonality of tourist products as a major obstacle.

This constraint prevents firms from hiring full-time personnel and creating more jobs. Tourism firms also suffer low-season losses from having to maintain basic office infrastructure and to pay fixed costs. It also discourages new investments in hotels, recreational facilities, and other infrastructural objects. Short seasonality thus presents a serious constraint inhibiting continuous cash flows.

[18] The experience of UCA's School of Professional and Continuing Education in Naryn that offers programs such as mountain tour operator, guides training, yurt tourism is worth examining in this regard.

4.5. Administrative barriers to start and to run a tourism business

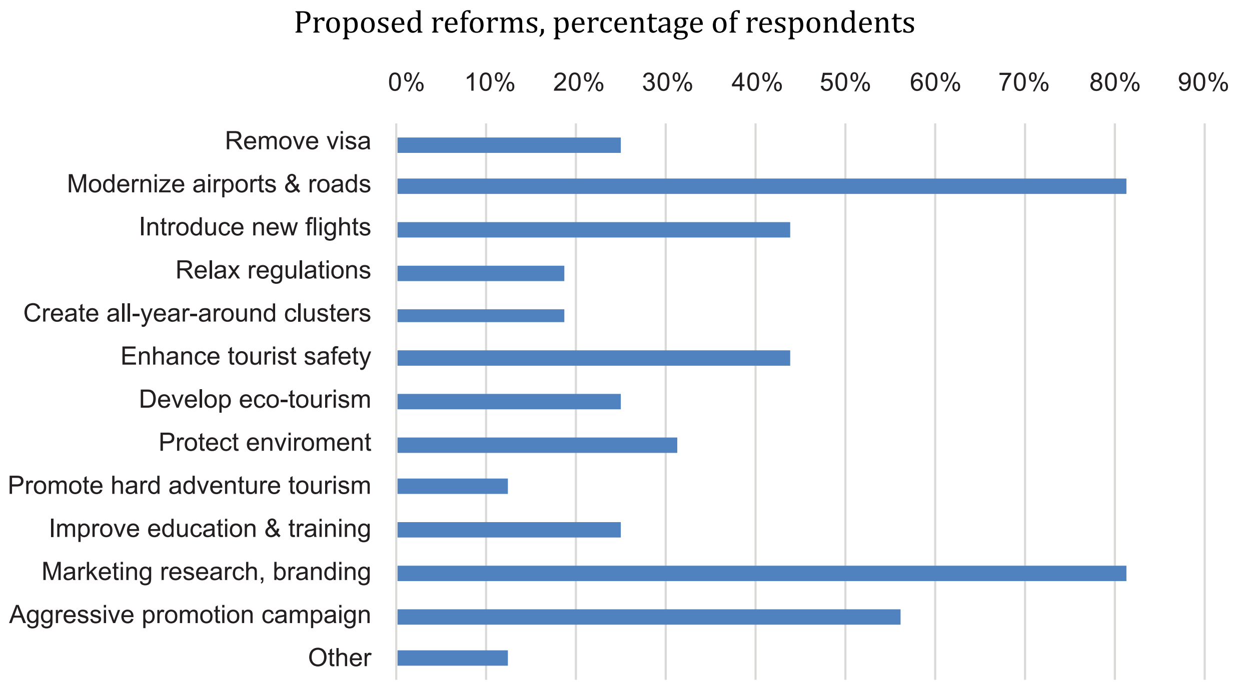
Despite the overall favorable regulatory environment, administrative barriers continue to hinder the start-up and conduct of tourism businesses. First, land itself or land use rights are difficult to secure at popular tourist sites, including the northern coast of Issyk-Kul Lake, Bishkek, and Chui provinces. Second, once land is secured, numerous construction and utility permits (electricity, water, sewage etc.) stifle in the cradle many tourist development projects. When these hurdles are surmounted, sanitary regulations further drain these businesses. Third, property rights are still not adequately guaranteed, deterring many foreign investors. Finally, there is also evidence that some state-run companies, typically affiliated with local authorities, impose entrance fees on some popular tourist sites. For example, entrance fees of 5,000 soms at the Khan Tengri Peak are collected by an eponymous company, pushing foreign alpinists to ascend the mountain from the Kazakh side. All these obstacles thwart growth in the tourism sector. Some measures for clearing these roadblocks are discussed in Section 5.

4.6. Inequitable distribution of tourism receipts and environmental pollution

As shown by the value chain analysis, local communities appropriate only a small share of the tourism proceeds. Community-based groups supplying eco-tourism services enjoy somewhat higher incomes. Typical services that tour operators procure from local families and businesses are limited to home stays, food, handicrafts, horse rentals and services of porters. Except for community-based tourism groups, local people at tourist sites are excluded from higher-value tourist activities like tourist guides, instructors, and drivers.

A public good, environmental conservation is not factored into the value chains and not taken care of by tourism firms either. About a quarter of the polled firms believe that environmental pollution at tourism sites is serious, and is not getting due attention from the local authorities and the central government, see Figure 14. Recommendations for dealing with these problems are provided in Section 5.

Figure 16. Reforms proposed by surveyed firms



5. Recommendations for Strengthening the Tourism Sector

In this section, we propose some measures to address the issues identified in Section 4. These recommendations draw on the survey of the key stakeholders as well as the best international experiences and author's ideas.

5.1. Difficulty of access and inadequate infrastructure

The difficulty of access and inadequate infrastructure are the most pressing issues demanding government intervention. Interviews with key stakeholders indicate a strong need for and an overwhelming support to the modernization of hard infrastructure, see Figure 16. Since airports are Kyrgyzstan's main gateways and, in a sense its business card, the country's four international airports should be modernized. Funding could be secured though public-private partnership mechanisms with foreign investors. The border control, customs, ticketing and baggage policies should be reviewed and optimized. Government should consider relaxing visa requirements for some high potential countries, in addition to the existing list of the visa-exempt countries. An electronic visa (E-visa) system should be introduced and integrated into Taza Koom, new e-government system.

Furthermore, Government should work closely with the International Civil Aviation Organization to lift the EU ban on Kyrgyz airlines, and carry out a feasibility study for establishing regular flights to main source markets in Europe (e.g. Germany) and Asia (e.g. China and India). The rules of international air transportation should be reviewed with the aim of their liberalization and engagement of big international air carriers. This program is being already considered by the Kyrgyz Government, and is known as the "Open Skies" policy.

Government in cooperation with national air carriers should also undertake a feasibility study for launching new domestic flights to some popular tourist destinations in Osh, Jalal Abad and Batken provinces. Alternatively, tour operators and local air carriers should be encouraged to run charters flights in the peak seasons.

Next, the reconstruction of local roads leading to major tourist attractions can be accomplished though public-private partnerships between local authorities, private businesses and foreign investors. The appropriate ancillary road infrastructure, including navigational signs and first aid stops should be put in place.

Finally, the existing programs of the rehabilitation of water supply, sewage and garbage collection systems (funded by donors' loans) should be expanded to cover important tourist centers. This initiative can be financed from existing and new donor loans and grants.

The proposed measures would stimulate both foreign and domestic tourism, and would have a significant multiplicative impact on all economic sectors and all population strata. Specifically, the poor would benefit from the infrastructural modernization through direct and indirect channels. First, any big infrastructure project typically employs a large number of local people, e.g. for construction works. Second, the infrastructural modernization would have spillover effects stimulating all economic sectors, not only the tourism sector. Clearly, the poor are bound to benefit from the overall economic growth induced by the infrastructural modernization.

The potential risks for these reforms are twofold. First, infrastructural projects require substantial funding that could be difficult to mobilize. Second, even if the funding is secured, the investments may not pay off within a reasonable timeframe. Therefore, careful feasibility studies must be undertaken for each project.

5.2. Weak marketing and insufficient use of digital technologies

These constraints could be addressed through the following measures. First, thorough market research should be carried out with an eye on identifying new, high-impact potential tourism markets (e.g. China and India) and respective products. Based on this research, a coherent short-medium term strategy for tourism marketing should be developed. An effective branding and positioning of Kyrgyz tourist products should also be undertaken. Such branding would define a unique image of Kyrgyzstan's tourism that distinguishes it from its competitors. It would also serve as an overarching theme under which marketing of various tourist products and regions would be organized and coordinated. Some efforts in this direction are already underway. An interagency commission under the Government has already prepared a draft Program for building a favorable image and effective positioning of the Kyrgyz tourist sector. The Department of Tourism is now finalizing the document.

Second, promotional material, including brochures, documentaries, video and audio clips, should be designed and disseminated through Kyrgyz embassies, consulates, international tourist fairs, exhibitions, television channels, Internet-based social media and other media outlets. Third, the Kyrgyz Ministry of Culture, Information and Tourism should hold regular annual international conferences, exhibitions and fairs for representatives of foreign businesses and embassies. Fourth, tourist information kiosks should be installed in all airports, border control points, hotels etc. Fifth, Kyrgyz tour operators should work together with travel agents of the neighboring countries, e.g. Kazakhstan, Uzbekistan and Tajikistan, to develop joint Silk Road tours.

Last but not least, the Kyrgyz tourist sector should be integrated into the new e-government system – Taza Koom – promoted by the Government. Tour operators, travel agents, hotels and other tourist businesses could benefit from real-time data and information on most topics of their interest and, in turn, feed-in information on their products, e.g. availability of rooms, tours. Moreover, it would be easier for them to access and use social media and other digital technologies through Taza Koom, especially for tourism businesses in provinces with poor Internet connection. Thus, Taza Koom may serve as a major marketing and business tool for Kyrgyz tourism firms.

The Government could facilitate these reforms by providing overall coordination and ensuring the reform's coherence and consistency. It could also promote Kyrgyz tourism products on various inter-state governmental fora. The Parliament's Budget Committee should ensure adequate funding for these promotional activities from the central and local government budgets. The risks are few since marketing and promotional activities do not require much financing, and will be supported by all stakeholders. The only challenge is effective coordination of these diverse activities to avoid duplication of effort or conflicting goals.

5.3. Poor service quality and skills of service providers

These constraints can be dealt with by concerted efforts of Parliament, various government agencies, including the Ministry of Education, Ministry of Culture, Information and Tourism, tour operators, hoteliers, restaurateurs, and local authorities.

Since the majority of resorts at Issyk-Kul Lake are privately owned, upgrading the quality of their accommodation and services depend on the willingness and finances of individual establishments. Therefore, the choice of policy measures for Government intervention in this area seems limited. As for the resorts that are owned by trade unions or state enterprises, the government could mandate an owner to surrender its resorts to a private company under a concession agreement if the former is unable or unwilling to maintain and to renovate the property. Unlike lease contracts, concession agreements may obligate private companies to carry out necessary investments in the property. However, such measures, which need to be approved by Parliament, could spark an outcry of trade unions and some members of Parliament.

By contrast, Government can be instrumental in improving the training and skills of tourist specialists. First, the Ministry of Education in cooperation with the Kyrgyz Tourist Association and representatives of hospitality businesses should revise the professional standards and curricula both for higher educational institutions and vocational training schools in the field of tourism and hospitality services. A special emphasis should be placed on vocational training focusing on practical skills (e.g. translation, food services, logistics, computer literacy, budgeting, local geography and history) rather than abstract academic knowledge. Internships at tourism firms should also be integrated into the curricula.

Second, in line with the new, draft law on tourism, clear and transparent criteria for accreditation of tour operators and other tourism firms should be developed. Accreditation would enable tour operators to train and to certify tour guides in their respective fields of specialization. Parliament is considering placing the responsibility for accreditation with the Ministry of Economy. Tour operators, in turn, are envisaged to design common, industry-wide professional certification standards based on UNWTO standards.

Third, local communities and eco-tourism businesses should be trained in hard adventure tourism services, for example, as ski instructors, mountain guides, and rescuers. It is critical to enforce strict safety regulations on hard adventure tourism. Parliament should develop the legal-normative basis for life and medical insurance policies for hard adventure tourists.

Furthermore, the existing personnel of tourism firms and community-based eco-tourism businesses should be given on-the-job training in best international practices and standards in their respective fields, e.g. hotel and restaurant business, tour guides, eco-tourism. Partnerships with foreign educational and professional tourism institutions should be fostered. Lastly, the Code of Ethics of a Tourist Service Provider should be adopted by the Kyrgyz Association of Tour Operators.

While Parliament and relevant government agencies seem to support these initiatives, tour operators are less enthusiastic. The suggested reforms would entail considerable costs to tour operators. Moreover, educational institutions may be reluctant to revise their curricula and overhaul their educational processes. Thus, the proposed measures could be opposed by some tour operators and educational institutions.

Nevertheless, if a consensus is achieved, Government and Parliament can spearhead these reforms, by laying down the legal basis (already in-progress) and fund raising. These reforms do not require as much funding as the infrastructural or marketing reforms discussed above, but at the same time, are bound to significantly enhance the quality of tourism services and, more importantly, safety of tourists.

5.4. Short seasonality of tourist products

Short seasonality problem can be mitigated through development of the international conferences and events tourism segment. The World Nomad Games held in 2016 showcased both the capacity and potential demand for this type of tourism services. Of course, a more in-depth and comprehensive analysis of the demand and capacity is warranted. A stakeholder working group, including the Ministry of Culture, Information and Tourism, representatives of big hotels, philharmonic, theaters, sanatoria, needs to be set up to study potential demand and to prepare an action plan for developing the business conferences and events tourism market.

Another way to tackle this problem is to create all-year-around tourist clusters, for example, in Issyk-Kul and Chui provinces, which have abundant touristic resources and better infrastructure. Generally, a tourist cluster is a form of horizontal integration of tourist products into complementary product value chains. Tourist clusters would encompass diverse products and services, all contributing to a core tourist product of the cluster. As such, clusters could realize economies of scale and scope, by optimizing the composition and seasonal distribution of tourism products, and reducing transaction costs through joint use of physical infrastructure, advertising, sales and personnel training.

Tourist clusters would also contribute to regional and local development, and in particular, that of local communities in remote mountainous areas. An alternative to tourism clusters, currently discussed by the tourism sector community, is tourism destinations. Tourist destinations are, roughly speaking, geographic locations supplying certain tourism services and products. They are less comprehensive and less interlinked than clusters.

Issyk-Kul oblast is a good illustration of the concept of tourism clusters. It enjoys milder winters and can host big international conferences, other cultural and sport events in low seasons as well, based on its all-year-around sanatoria and resorts (e.g. "Aurora", "The Kyrgyz Seaside") as well as other objects built for the World Nomad Games in Cholpon Ata. There is also a world-class ski resort in Karakol. Moreover, there are many historical and archeological sites (e.g. petroglyphs, excavated ancient towns), the ethno-cultural center Rukh-Ordo, spectacular mountain gorges such as Jety-Oguz, Grigoryevskoe and Semenovskoe Gorges, thermal and mineral springs – all of which can receive visitors throughout the entire year, if the tourist activities are properly organized and marketed. All these tourism activities and businesses need to be brought together under one cluster to achieve efficiency gains from joint marketing, advertising and package sales of complementary products.

Similar opportunities exist for the development of tourist clusters in Chui and Jalal-Abad oblast. Chui oblast has some infrastructure for winter tourist activities and sports such as skiing and snowboarding, mineral and thermal springs as well as many historical and archeological sites such as Burana Tower, ancient cities of Balasagun, Suyab and Navekat. Moreover, Bishkek located in Chui oblast can become a conference and events tourism center.

Jalal-Abad province is endowed with some unique natural reserves and historical sites, including beautiful Sary-Chelek Lake, Arstanbap walnut forests, and unique petroglyphs of Saimaluu-Tash and mineral water springs. These resources can be better exploited by forming a tourism cluster of both new facilities and existing tourism infrastructure (5 resorts, 26 hotels, 3 natural parks and reserves, 5 archeological-historical complexes and 5 museums).

Tourism clusters can also be organized around the type of a tourist product rather than a geographic location, or both. For instance, a skiing cluster can connect and jointly market all skiing resorts across the country, or a cluster of cultural-educational, Silk Road tours can pool together all tourism activities in this segment. In fact, in December 2015, the Kyrgyz Government passed Decree No 810 providing for the establishment of a skiing cluster in Issyk-Kul province, which is to become the first, pilot economic cluster to be emulated by other sectors. Moreover, non-traditional tourist products such as medical tourism (e.g. kumyz treatment), archeological tourism and gastronomical tourism, can also be incorporated in tourism clusters.

The Kyrgyz Parliament and Government can support the development of tourism clusters by establishing an appropriate legal-normative basis, securing funding and coordinating activities of various stakeholders: local authorities, tour operators, different tourism businesses and foreign investors. Recently, a government inter-agency committee has put forward for public discussion a draft law on economic clusters. Specifically, the bill clarifies the legal status and functions of clusters. An economic cluster is defined, in a narrower sense than above, as an amalgamation of economic entities located in a certain administrative-territorial unit whose objective is to realize the competitive advantages of joint production and distribution of a key cluster product on this territory. The draft also envisages some tax deductions on capital investments in the cluster and other tax benefits. However, the draft bill still has a long way to go before it takes a final shape and gets passed as a law.

As part of the process of forming clusters, the Government should adopt a unified register of tourism services for tourist clusters, along with their standards, discussed in Section 5.3. Moreover, the Government and Parliament should also raise international awareness and promote international cultural (e.g. song, music) festivals, exhibitions and sport events to be held in Kyrgyzstan. The modernization of infrastructure would also contribute to this goal.

The creation of all-year-around tourism clusters is likely to win support of all stakeholders since it stands to benefit everybody. In particular, it would spur up the development of rural and mountainous regions. In addition to foreign tourism, it would also boost domestic tourism.

5.5. Administrative barriers to start and to run a tourism business

Administrative hurdles discussed in Section 4.5 could be removed by direct Government intervention. For instance, the Government can streamline procedures for obtaining construction and utility permits for tourism objects. Furthermore, the community-based tourism groups could be supported through preferential tax treatment, subsidies and concessional loans. In addition, Taza Koom, a new e-government system, also holds a potential for alleviating these bureaucratic constraints. It could become a one-stop shop for the registration (e.g. land use rights, construction permits, licenses etc.) and operation (e.g. processing payments, access to all relevant information) of tourism firms.

5.6. Inequitable distribution of tourism receipts and environmental pollution

These issues can be addressed through the promotion of eco-tourism and community-based tourist groups as defined by the World Fund for Nature:

"*Community Based Tourism (CBT) is a form of tourism where the local community has a substantial control over and involvement in its development and management; and a major proportion of the benefits remain within the community*".

CBT groups rely on sustainable practices and thereby contribute to the conservation of natural and cultural heritage. They provide tourists with local food, grown using sustainable agricultural practices, authentic accommodation (e.g. yurts), traditional music, art, crafts and cultural practices. Furthermore, most CBT groups are located in remote mountainous areas. Eco-tourism thus contributes to poverty alleviation and inclusive growth in the country by creating and diversifying sources of income for most vulnerable population groups.

In fact, eco-tourism is up and running in Kyrgyzstan. The Kyrgyz Community Based Tourism Association (KCBTA) unites 15 CBT groups. It was established on 3 January 2003 with the support of Swiss Helvetas. There is some evidence of an increasing economic impact of eco-tourism groups on fostering local livelihoods. For example, Watanabe et al. (2009) give the following statistics: in 2008, CBT groups created 412 jobs with an average salary of US$40 per month. Asykulov (2012) notes that Arstanbap (Jalal-Abad oblast) households engaged in eco-tourism earn between US$245 and US$306 per year, which represents, on average, 15-25% of their annual income.

Our survey found that CBT groups serve some 10,000 foreign tourists a year. Assuming an 8-day average stay at a cost of US$20 per day, this generates, on average, an annual revenue of approximately US$1.6 million.

The network of community-based tourism groups needs to be expanded and strengthened. For example, Government could support CBT groups through concessional loans, subsidies and preferential taxes. Government could also participate directly in the establishment of "yurt towns" to be run jointly with CBT groups under public-private partnership arrangements.

Environmental pollution, too, can and must be addressed by the Government. Government should revise the Administrative Code to tighten the regulation and penalties for environmental pollution at tourist sites, national parks and reserves. Local authorities should regularly monitor the environmental situation and enforce these regulations on the ground.

6. Conclusion

The constraints discussed in this paper and recommendations for tackling them are summarized in Table 7. Of course, this is not an exhaustive list. Each of the recommendations requires further elaboration and a detailed action plan to be developed by the relevant government institutions and/or private actors.

Table 7. Key Issues and Recommendations

No	Key Issues	Recommendations	Stakeholders
I.	Difficulty of access and poor infrastructure	Modernize domestic airports;	Central government, parliament
		Optimize airport operations (e.g. border control, customs);	Central government
		Launch new domestic flights;	Business associations, private firms
		Work with the EU on lifting the flying ban on Kyrgyz airlines;	Central government, parliament
		Introduce e-visa system to improve transparency and consistency of visa processing and entry of tourists;	Central government, parliament
		Remove visa requirements for some high-potential countries;	Central government, parliament
		Renovate roads to major tourist attractions through public-private partnership mechanisms;	Central government, parliament, private firms
		Put in place a proper ground road infrastructure, including navigational signs, and rest-stops;	Central government, local governments
		Expand the program of rehabilitation of sewage, water supply and garbage utilization systems to cover main tourist centers.	Local governments, parliament for legislative support, if needed

No	Key Issues	Recommendations	Stakeholders
II.	Weak marketing and insufficient use of digital technologies	Carry out a thorough market research and identify main source markets and products;	Central government, business associations, private firms
		Define an effective brand and image for Kyrgyzstan's tourism;	Central government, local governments, business associations, private firms
		Integrate the country's tourism portal and all tourist firms' websites into the Taza Koom platform to allow real-time information exchange and efficient use of digital technologies;	Central government, business associations, private firms
		Assemble and disseminate promotional material (brochures, video clips etc.) through embassies, social media, television, magazines, and other media outlets;	Central government, business associations, private firms
		Set up information kiosks at airports, border control points, hotels etc.	Central and local governments, business associations, private firms
		Hold annual presentations, exhibitions and fairs for foreign companies and embassies;	Central government, business associations, private firms, donors
		Tour operators should be encouraged to develop joint Silk Road tours with tour operators of the neighboring countries.	Business associations, private firms
III.	Poor quality of services and inadequate skills of providers	Develop common, industry-wide professional certification standards in each tourist specialization based on the UNWTO standards;	Central government, business associations, private firms, donors
		Revise the tourism and hospitality business curricula of higher educational institutions and vocational training schools with emphasis on practical skills and actual needs of the tourism sector;	Central government, educational institutions, business associations, private firms, donors
		Conduct accreditation of tour operators in training and certification of tour guides;	Central government, business associations, private firms
		Launch and monitor the process of certification of tour guides;	Central government, business associations, private firms
		Enhance tourist safety through life and medical insurance and appropriate training of tour guides;	Central government, business associations, private firms
		Deliver on-the-job training in best international practices for tourist professionals in their respective fields of specialization;	Central government, business associations, private firms
		Adopt a Code of Ethics of a Tourist Service Provider.	Business associations, private firms

No	Key Issues	Recommendations	Stakeholders
IV.	Short seasonality of tourist products	Set up a stakeholder working group to study the potential demand and to prepare an action plan for developing the business conferences and events segment;	Central government, business associations, private firms
		Create all-year-around tourist clusters in Issyk-Kul, Chui and Jalal-Abad provinces.	Central and local governments, business associations, private firms
V.	Administrative barriers to start and to run a tourism business	Simplify procedures for obtaining permits and constructing tourist objects;	Central and local governments
		Introduce a preferential tax regime community-based eco-tourism groups;	Parliament, central government
		Create a one-stop-shop for the registration and operation of tourist firms on the Taza Koom platform.	Central government, business associations
VI.	Inequitable distribution of tourism receipts and environmental pollution	Expand the network of community-based eco-tourism groups;	Business associations
		Train the youth near tourist sites in hard adventure tourism services, e.g. mountain guides, rescuers etc.;	Central government, business associations, tourist firms
		Establish a network of "yurt towns" to be run jointly with CBT groups;	Central and local governments, CBT groups
		Revise the Administrative Code to tighten the regulation and penalties for pollution at tourist sites, national parks and reserves;	Parliament, government
		Monitor the environmental situation and enforce the environmental regulation on the ground.	Local governments

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Appendices

Appendix 1. List of the Interviewed Stakeholders

1. The Economic and Fiscal Policy Committee of the Parliament of the Kyrgyz Republic
2. The Ministry of Culture, Information and Tourism of the Kyrgyz Republic
3. Tourism Academy of the Kyrgyz Republic
4. Golden Tulip Bishkek Hotel
5. Novinomad company
6. The Kyrgyz Community Based Tourism Association (KCBTA)
7. The Kyrgyz Association of Tour Operators (KATO)
8. Horizon Travel company
9. Tien-Shan Travel company
10. ITMC Tien Shan company
11. Celestial Mountains company
12. Asia Mountains company
13. Baytur company
14. Explore Asia Travel company
15. Central Asia Tourism (CAT) Company
16. Ak-Sai Travel company
17. Kyrgyz-Turkish Manas University. School of Tourism and Hospitality Business
18. Raduga Resort Center
19. Kyrgyzland company
20. The Kyrgyz Seaside Resort

Appendix 2. Questionnaire for Tourism Firms

1. **What tourism services does your company offer? Mark everything that applies.**
    - Air ticket booking and sale
    - Visa support
    - Hotel booking
    - Airport transfers
    - Ground transportation
    - Accommodation
    - Interpretation/translation
    - Tours
    - Other

If tours or other services, please specify what kind:

2. **What is the legal status/form of your business?**
    - Incorporated/registered firm
    - Self-employed, using license
    - Not registered
    - Other

If Other, please specify:

3. **How many full-time and part-time employees does your company employ?**

Full-time:
Part-time:

4. **How many tourists does your company serve a year? Please provide approximate numbers.**

5. **What is the average duration of stay (in days) of your foreign customers?**

6. **What type of services do you provide to foreign tourists? Mark everything that applies.**
   - Air ticket booking and sale
   - Visa support
   - Hotel booking
   - Airport transfers
   - Ground transportation
   - Accommodation
   - Interpretation/translation
   - Tours
   - Other

If tours or other services, please specify what kind:

7. **Of your customers, approximately how many are foreign tourists and how many are domestic tourists?**

Foreign:
Domestic:

8. **How many months does your firm operate at full capacity?**
   - Less than 3 months
   - 3-4 months
   - 5-6 months
   - More than 6 months

9. **Does your company have a website?**
   - Yes
   - No

10. What marketing/advertising tools does your company use?

- Own website
- Social media: Facebook, Twitter, Instagram, Odnoklassniki, V Kontakte etc.
- Ads on TV
- Ads in newspapers and magazines
- Presentations at international tourist fairs and conferences
- Brochures and leaflets
- Other

If other, please specify:

11. Do you use social media to promote your services, including Facebook, Twitter, Instagram, Odnoklassniki, V Kontakte etc.?

- Yes
- No

12. What are, in your view, the main obstacles impeding dynamic growth of the tourism sector in Kyrgyzstan? Mark everything that applies.

- Poor service quality and skills of service providers
- Difficulty of access and inadequate infrastructure (e.g. airports, roads)
- Short seasonality of tourism products
- Limited choice and poor quality of tourism services
- Limited number of international and domestic flights
- Strict visa requirements
- Harsh border control and customs
- Weak marketing and inadequate use of digital technologies
- Bureaucratic barriers to start and to run a tourism business (e.g. licensing etc.)
- Insufficient collaboration among service providers
- Environmental pollution
- Poor quality of tourist accommodation (e.g. hotels, guesthouses, resorts etc.)
- Poor quality of meals
- Poor quality of ground transport
- Inadequate education and skills of graduates majoring in tourism
- Shortage of well-trained tourism sector workers
- Insufficient funding and support from central and local governments
- Limited supply of non-traditional tourism products (e.g. extreme sports, medical and archeological tourism etc.)
- High taxes and strict regulatory policies
- Other

If other, please specify:

13. What are the main problems reducing foreign tourists' demand for Issyk-Kul vacations?

- Poor quality accommodation
- Lack of amenities (poor showers, restrooms etc.)
- Poor meals
- No entertainment
- Poor general service
- High prices
- Pollution
- No WI-FI, Internet connection
- Other

If other, please specify:

14. Do you think that the local communities at tourism sites benefit from tourism activities?

- Yes
- No

15. Does your company collaborate (e.g. hire to deliver certain services) with local communities or businesses?

- Yes
- No

If yes, please specify the type of services or work that local communities provide to your company.

16. What is your main tourism service or specialization? Please specify.

17. Do you see potential for the future growth of your business? How would you evaluate this potential?

- None
- Low
- Medium
- Excellent

18. Do you think that there is potential to develop the business conferences and events segment of tourism in Kyrgyzstan?

- Yes
- No
- Don't know

19. Do you think that the new e-government platform, Taza Koom, promoted by the Kyrgyz government, can contribute to the development of the tourism sector in Kyrgyzstan?

- Yes
- No
- Don't know

If yes, please specify in what ways Taza Koom can contribute to the development of tourism in Kyrgyzstan:

20. What is the single, most important constraint facing your firm?

Please specify:

21. Do you think that the Government Program on Tourism Development till 2020 is being implemented successfully?

- Yes
- No

If yes, which reforms or measures are successful:

22. How would you evaluate the level of support from, and your cooperation with, central and local governmental agencies?

- None
- Unsatisfactory
- Satisfactory
- Good
- Other

If Other, please specify:

23. What are the three most important reforms that the Government of Kyrgyzstan could undertake to promote the development of tourism? Please select from the list below or write your own answer(s).

- Remove visa requirements on more countries
- Modernize airports, roads and other tourism infrastructure
- Finance renovation of major hotels and resorts
- Introduce new international and domestic flights
- Relax the regulatory environment (e.g. registration, permits, taxes, etc.) for tourism firms
- Create all-year-around tourism clusters
- Increase safety and security of tourists
- Develop eco-tourism
- Promote hard adventure tourism and extreme sports
- Improve higher education and vocational training of tourism sector specialists
- Carry out marketing research, and define an image and brand for Kyrgyzstan's tourism
- Pursue an aggressive marketing and promotion campaign in the international markets
- Integrate the tourism sector into Taza Koom system

Suggested reforms: