Development Prospects of the Tourism Sector in Kazakhstan and the Kyrgyz Republic

Including Almaty–Bishkek Economic Corridor

By

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Abstract

The study focuses on the prospective development of the tourism sector in the framework of the implementation of the Almaty–Bishkek Economic Corridor (ABEC) in the post-COVID era.

Assessment of the impact of COVID-19 on tourism growth and the economy in Kazakhstan and Kyrgyzstan revealed that, depending on the duration of travel restrictions and the shutdown of borders, gross value added (GVA) in tourism in Kazakhstan would decline in 2020 ranging from 31.1% to 49.6%, the number of international tourists from 57.7% to 81.2%, and GDP from 1.4% to 2.2%. In Kyrgyzstan GVA in tourism would decline from 35.8% to 42.7%, the number of international tourists from 73.6% to 87.9%, and GDP from 3.8% to 4.6%, respectively. It was noted that the negative impact on Kyrgyzstan's economy was more pronounced. Based on analysis results, including the impact of COVID-19, different scenarios were developed and the prospects of the tourism sector in Kazakhstan and Kyrgyzstan and in ABEC regions of the two countries in the period 2020-2030 were considered.

Taking into account the negative consequences of the coronavirus infection in the tourism industry, it was assumed that recovery would be protracted owing to the lasting impact on consumers and firms as travelers remain risk averse and consumers have less disposable income amid widespread job losses. According to the baseline scenario assuming that restrictions related to COVID would be terminated by the end of the third quarter of 2020, tourist numbers and GVA in the tourism sector are expected to return to pre-crisis levels after 2025. In view of the difficult financial situation and high debt burden, a rather modest growth of tourism in Kyrgyzstan is expected in the forecast period (average growth rate in 2025-2030 of 3% annually), while growth rates of the tourism sector in Kazakhstan are projected in 2026-2030 at 6.3% annually. In order to compensate for the negative consequences of the coronavirus pandemic and to expedite recovery, there is a need to develop special programs for supporting the tourism industry and to work energetically on the implementation of main reforms and investment projects envisaged in the framework of ABEC.

Keywords: Almaty–Bishkek Economic Corridor, tourism, coronavirus pandemic.

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1. Introduction

Today tourism is one of the fastest growing industries and an important segment of the global market. The last decade has seen extraordinary growth in tourism. In spite of the multiple challenges and shocks – including natural disasters and economic crisis, from which the world until last year was still recovering – tourism, although vulnerable, has always bounced back, proving its resilience and capacity to rebound. International tourist arrivals worldwide grew by 4% in 2019 to reach 1.5 billion. The year 2019 was the tenth consecutive year of sustained growth since 2009; the average growth rate was 5.1%. Growth in international tourist arrivals (+3.8% in 2019) continued to outpace the world economy (GDP growth +3.0%).[1] According to the World Travel & Tourism Council (WTTC), in 2019, the direct, indirect and induced impact of travel and tourism accounted for US$8.9 trillion contribution to the world's GDP: US$1.7 trillion visitor exports and US$948 billion capital investment (4.3% of total investment).[2] The UN World Tourism Organization (UNWTO) estimates that by 2030, 1.8 billion people are expected to travel to well-known cities, popular resorts and historical and cultural monuments, the income from hotel services will amount to approximately US$2 trillion, and 550 million jobs will be created in the tourism sector. [3]

In Kazakhstan and Kyrgyzstan, tourism has been growing fast in the last five years: in Kazakhstan, international tourist arrivals in 2015-2019 increased 1.4 times, while in Kyrgyzstan this statistic more than doubled. The average growth rate of GVA in tourism in the last five years was 18.8% in Kazakhstan and 11.9% in Kyrgyzstan. However, Kazakhstan and Kyrgyzstan, both of which have unique natural resources, cultural heritage, historical monuments, including those located on the stretch of the Great Silk Road, have a high potential for tourism development, which is largely untapped. The mountain range between Almaty and Lake Issyk-Kul has great capacity to attract international tourists. Developing this mountain region can spur connected winter sport investments such as ski resorts in Kazakhstan and Kyrgyzstan. Linking winter sport facilities with summer tourism opportunities around Lake Issyk-Kul can potentially reduce seasonality and investment risks by establishing attractive conditions for year-round tourism flows. [4]

Therefore, in the framework of the Almaty–Bishkek Economic Corridor (ABEC), the idea is to create conditions for the development of a region of internationally competitive tourism within ABEC. ABEC is the pilot economic corridor under the Central Asia Regional Economic Cooperation (CAREC) Program. It has been supported by CAREC since 2014.[5] ABEC is envisioned to be an integrated, dynamic, and diversified economic region, driven by export-oriented activities, focused on knowledge-intensive services, agribusiness, and tourism. The corridor will synergize the comparative advantages of the two cities and surrounding regions and integrate them into one economic space that exploits agglomeration, scale, and specialization benefits.

Realizing the existing opportunities for intensive development of most competitive segments of tourism, ABEC will ensure sustainable employment growth and the development of related sectors of the economy, as well as increase the flow of investment in the national economy. According to the ABEC Tourism Master Plan approved by governments of both countries, in order to improve infrastructure including that of new touristic clusters in ABEC regions, a number of investment projects are envisaged for implementation in 2020-2030. The total volume of investment is

[1] UNWTO. World Tourism Barometer, Volume 18, Issue 1, January 2020.
[2] https://wttc.org/
[3] https://www.unwto.org/
[4] Almaty–Bishkek Economic Corridor Tourism Master Plan. ADB, 2019.
[5] The CAREC Program is a partnership of 11 countries—Afghanistan, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Mongolia, Pakistan, the People's Republic of China (the PRC), Tajikistan, Turkmenistan, and Uzbekistan.

estimated at $3.3 billion dollars – $1.9 billion in Kazakhstan's part of ABEC and $1.4 billion in Kyrgyzstan's part.[6]

Thus, the principal objective of the research is to assess the prospective development of the tourism sector in the framework of the implementation of ABEC in the post-COVID era. In particular, this research investigates the development of tourism in Kazakhstan and Kyrgyzstan using the opportunities of ABEC. The impact of COVID-19 on tourism growth and the economy in Kazakhstan and Kyrgyzstan was assessed in order to understand emerging trends in the post-COVID era and to take into account the consequences of the pandemic on the economy. Based on analysis results, including the impact of COVID-19, different scenarios were developed and prospects of the tourism sector in the period of 2020-2030 in Kazakhstan and Kyrgyzstan and in ABEC regions of two countries were considered. The consideration of supposed scenarios will support strategic planning of the development of tourism and other related sectors of the economy. Based on research results, recommendations were made about necessary action plans for the governments of Kazakhstan and Kyrgyzstan.

2. Literature review

A number of ADB reports and articles by national experts focus on the current situation, existing problems in the tourism industry in Kazakhstan and Kyrgyzstan, and some issues of the development of ABEC. The leading role in the development of tourism within ABEC is assigned to the system of tourism clusters as defined in the ABEC Tourism Master Plan (the Master Plan).[7] The Master Plan identifies the most significant investment projects, as well as the necessary steps for the implementation of tourism initiatives. In addition, a detailed analysis of the current situation in tourism in the ABEC region was carried out, in particular tourism assets, products and segments, and promising segments of tourism. The Master Plan defines the following spatial planning. The idea proposed is to connect two routes of the Silk Road - Silk Road 1 (Urumqi–Almaty–Bishkek–Taraz) and Silk Road 2 (Kashgar–Naryn–Osh). Currently, the commercial value of this part of the Silk Road around Almaty and Bishkek has not yet been fully exploited. Linking the two Silk Road branches in ABEC would open up many tourism opportunities for the region.

According to the ADB report (*Improving education, skills, and employment in tourism*, 2019) the success of a tourism destination in ABEC is attributed to the joint efforts of both countries in developing and promoting it as a top destination of choice for tourists around the world. To fully exploit the potential of ABEC, investments in hard and soft infrastructure are required. This report measures the tourism skills gap in ABEC and identifies skills as a major constraint for this fast-growing and employment-intensive sector. So, the skills gap analysis identifies an annual shortfall of about 8,500 in the skilled workforce in tourism occupations, which has dire implications for tourism service quality. This skills gap is structural in nature as the region lacks both semi-skilled and higher qualified tourism professionals. To address this binding constraint for tourism development in ABEC, the authors suggest a long-term twinning-project with an internationally renowned tourism education center of excellence. The report suggests several measures to address the skills gap and to promote internationally competitive and sustainable tourism development in ABEC. For example, private sector investments can establish tourism centers of excellence in ABEC. Governments can also develop tourism education; this option would assess the viability of rehabilitating existing colleges and universities in ABEC into a network of tourism education providers. For example, in Kazakhstan, a network of a vocational college and two universities in Almaty, a university and a college in Taraz, and a university and a college in Taldykorgan could be identified and established. In

[6] Almaty–Bishkek Economic Corridor Tourism Master Plan. ADB, 2019.
[7] The governments of Kazakhstan and Kyrgyzstan approved ABEC Tourism Master Plan.

Bishkek, Chui, and IssykKul, three colleges, and two universities could complement such a network of education institutions. This issue is very important for determining the prospects of tourism in ABEC.

According to Sarieva Zh.I. (2019), the tourism service in Kazakhstan does not meet global standards. Many problems exist in the tourism infrastructure and the business environment, in the education system and in legislative framework. Petrenko E.S. et al. (2019) focused on the problems of the tourism market: underdeveloped infrastructure, lack of investment, lack of qualified personnel, low level of service, high prices in the market of tourist services. Therefore, to implement the previously adopted strategic plans for the development of the tourism industry in Kazakhstan in the future, removing administrative barriers in the activities of tourism entities, there is a need to improve the current legislation of Kazakhstan regulating tourism activities. By permission of alienation of forest fund lands with equivalent transfer to the state forest fund of territories of private forest funds on the principle of "hectare per hectare" it is possible to solve the problem of providing land plots for building tourist projects on the territory of forest funds. According to Petrenko E.S. et al. (2019), stimulating investment in the tourism industry is made possible by lowering the threshold for obtaining preferences, such as exemption from customs duty for import tourist-class vehicles and equipment. According to Medieva G. et al. (2017) the key factors of low competitiveness tourism are the systemic lag of Kazakhstan in the technological field, the absence of individualization of tourism products, the ineffective use of global tourist information and communication resources, and the weak implementation of software products (specialized tourist portals, online versions of professional tourist publications). Daribaeva A.K. et al. (2016) focus on tourism cluster in Almaty. Particular attention is paid to the importance of the development of ecological tourism in the country as the most promising segment. The role of marketing is very important for the development of tourism, given the characteristics of complex marketing and especially for tourist activities. So, one of the recommendations is to use broad marketing opportunities for tourism development in Kazakhstan.

There were also a number of research papers and articles studying the current state of the tourism industry and identifying the problems of tourism development in Kyrgyzstan. Nazgul Jenish (2017) examines the current state of the Kyrgyzstan tourism sector and identifies major obstacles impeding its dynamic and sustainable growth. She noted that Kyrgyzstan is far from realizing its tourist potential owing to its underdeveloped infrastructure and poor marketing. The limited choice and low quality of tourist products compounded by its short seasonality are also hampering growth in the sector. A series of recommendations aimed at addressing these constraints is provided. The research paper also analyzes key value chains in the tourism sector and suggests that local communities at tourist sites receive an insignificant share of the proceeds. In addition to public sources of data, the study is based on the results of a tourist firm survey conducted with key stakeholders in the tourism sector. Yilmazel S. (2018) in her study showed that, in terms of ensuring the safety of tourism, the activities of public civic organizations and local governments are most important. Cooperation between travel agencies and local governments ultimately brings profit to travel agencies, improvements to local infrastructure and benefits to the population. It enables the replenishment of local budgets, strengthens the local economy, and provides employment opportunities for the local population. Research conducted by Sarieva Sh.K. (2017) regarding domestic tourism in Kyrgyzstan indicates a high level of profitability and investment attractiveness of tourism. Calculations for 2011 to 2015 show that the share of domestic tourists ranged from 87.7% to 79.6% of the total number of tourists. The analysis carried out by Bekboeva M.A. (2016) showed that the following economic factors play an important role in the development of the tourism market in Kyrgyzstan: attracting foreign and domestic investment in tourism; construction and modernization of infrastructure; the degree of development of the transport network; promotion and implementation of a tourist product; quality service for tourists; informational support and statistics; system of training and retraining of personnel. It is necessary to create organizational and legal, coordinating, analytical and expert working groups to activate state policy in the field of tourism development related to the implementation of specific investment and infrastructure tourism projects and formation of tourism clusters.

This brief literature review shows that there are no studies assessing the medium and long-term prospects of tourism in the ABEC region, in particular macroeconomic indicators that are important for assessing the role of the tourism sector for economic growth, employment in Kazakhstan and Kyrgyzstan. In addition, there are no works evaluating the impact of COVID-19 on tourism development in Kazakhstan and Kyrgyzstan. Thus, the objective of this research is to determine the prospects for development of the tourism sector in the ABEC region, especially in the post-COVID period.

3. Analysis of challenges and opportunities in tourism sector development

3.1. National experts' survey

This research investigates the opinion of national experts in the field of tourism. The experts' survey provides a unique assessment of the current situation in tourism in Kazakhstan and Kyrgyzstan and in the framework of implementation of ABEC. The national experts were selected based on their competence in the tourism industry, in particular within the framework of ABEC. The survey was conducted using a questionnaire, a copy of which is available in Annex 1. The questionnaire contains questions divided into six parts:

- The legislative framework for the regulation and support of the tourism industry
- The institutional structure for the development of tourism
- Training in the tourism industry
- Infrastructure for tourism development
- Prospects for the development of tourism
- ABEC Tourism Master Plan

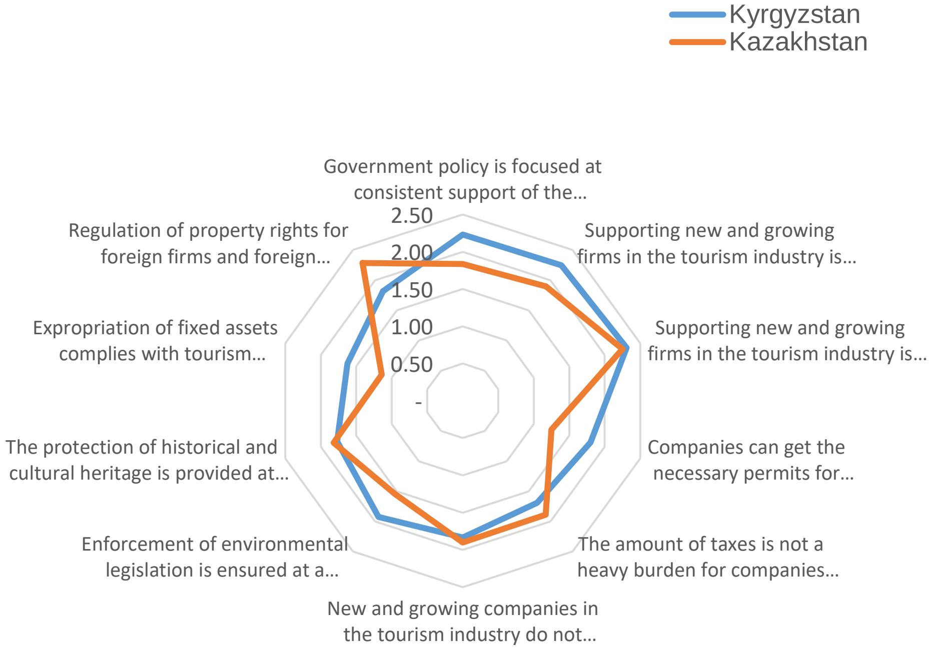
The average value of the responses collected from respondents was taken into account during evaluation of opinions by category. Rating scales range from 1 to 3: completely agree (3), partially agree (2) and totally disagree (1). National experts had used Likert scales from 1 (“totally disagree”) to 3 (“completely agree”) to rate each proposed statement. Neutral scales “I don’t know” and “not applicable” were excluded from the score sheet. A total of 26 experts took part in the survey: 13 national experts from Kazakhstan and 13 from Kyrgyzstan. National experts were from academia, the business sector, and government agencies. The experts from Kazakhstan who participated in the survey included: representatives of the Committee of the Tourism Industry of the Ministry of Culture and Sports of the Republic of Kazakhstan, Kazakh Tourism (a state company affiliated with the Ministry of Culture and Sports), Department of Tourism of the National Chamber of Entrepreneurs of the Republic of Kazakhstan “Atameken”, Tourism Faculty of the Eurasian National University named after L.N. Gumilyov, Department of Recreational Geography and Tourism of Kazakh National University named after Al-Farabi, Laboratory of Geography of Tourism and Recreation of the Institute of Geography of the Republic of Kazakhstan. The experts from Kyrgyzstan who participated in the survey included: representatives of the Tourism Department under the Ministry of Culture, Information and Tourism of Kyrgyz Republic, Kyrgyz Tourism State Enterprise, Institute of Economy, National Academy of Science, Kyrgyz National University named after Jusup Balasagyn, State University named after Arabaev, touristic associations and agencies and independent experts.

3.2 The legislative framework for tourism development

The first part of the questionnaire contains questions about state policy for supporting the tourism industry, estimation of a permitting system for starting business in tourism, enforcement of environmental legislation, the protection of historical and cultural heritage, and regulation of ownership of foreign firms and foreign citizens. National experts of Kyrgyzstan gave a high assessment of the legislative framework. Thus, the experts highly appreciated the government's consistent policy of supporting the tourism industry (average value of the responses is 2.5) and local authorities to support new and growing firms in the tourism industry (2.3). It means the experts "completely agree" with the statements in the questionnaire (Annex 1). The government's policy focus on consistently supporting the tourism industry is less rated (1.8) in Kazakhstan. The experts point out the problem of obtaining permits for construction within a week (1.25). At the same time, the Kyrgyzstan experts estimated the permit system to be slightly above the average level (1.8). It means the companies can receive permits for construction within a week. The difficulties of travel agencies with state bureaucracy were assessed at the same level (1.8). It means experts from Kyrgyzstan "partially agree" with following statement "New and growing companies in the tourism industry do not have excessive difficulties with state bureaucracy."

In the opinion of the experts, the size of taxes for companies operating in the tourism industry is not a heavy burden in Kazakhstan (1.9) and in Kyrgyzstan (1.7), as experts from both countries "partially agree" with this statement. The situation with compliance of expropriation of real estate with the practice of developed countries is worse. It means experts from Kyrgyzstan "partially agree" (1.6) and experts from Kazakhstan "totally disagree" with the following statement "Expropriation of real estate complies with tourism practices in developed countries." According to expert assessment, there is no problem in regulation of the property rights of foreign firms and foreign citizens in Kazakhstan for the development of tourism (2.3). It means experts from Kazakhstan "partially agree" with following statement "Regulation of ownership of foreign firms and foreign citizens does not create problems for the development of tourism."

Figure 1: Expert assessment of the legislative framework

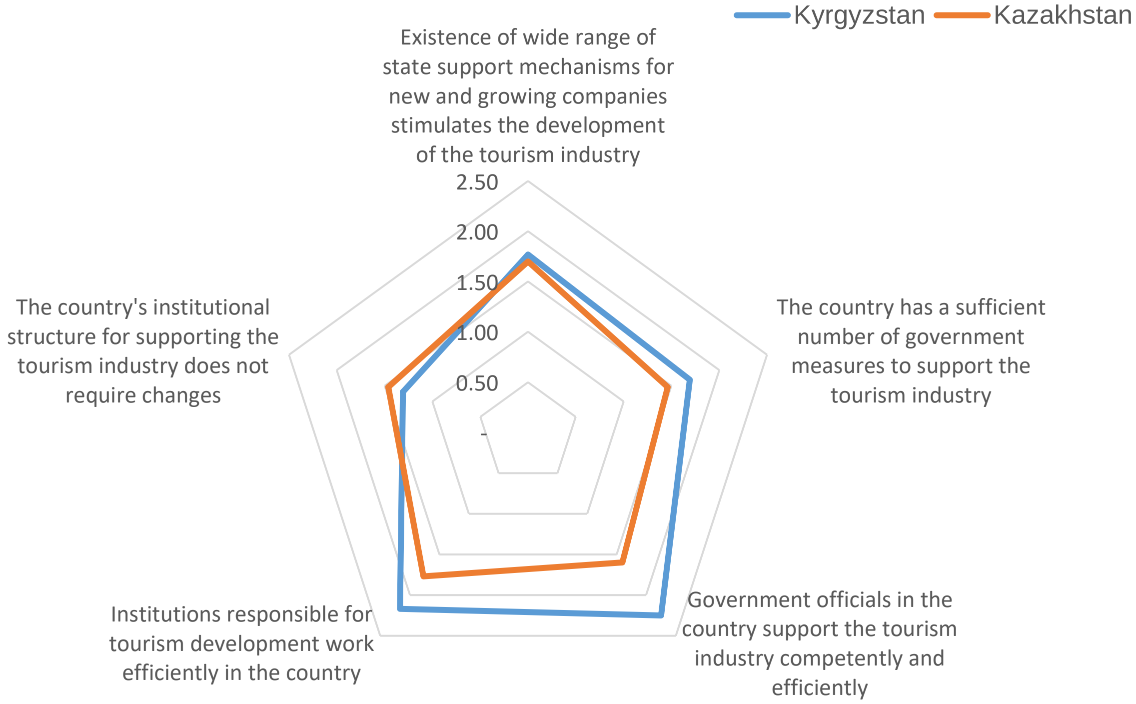


Source: compiled by the authors according to the results of an expert survey
Note: Rating scales range from 1 to 3: "3" means "completely agree", "2" means "partially agree", "1" means "totally disagree."

3.3 Institutional structure for tourism development

National experts of the two countries evaluated the institutional structure for the development of tourism almost equally. Experts agreed that both in Kazakhstan and in Kyrgyzstan government support of new and growing companies encourages tourism development at a sufficient level (1.8). It means experts from Kyrgyzstan and Kazakhstan "partially agree" with following statement "A wide range of government support for new and growing companies sufficiently stimulates the development of the tourism industry." Nevertheless, experts from Kazakhstan and Kyrgyzstan believe that the institutional structure supporting tourism requires changes (1.4 and 1.3 respectively). Experts from Kyrgyzstan agree that government officials provide support for tourism competently and efficiently (2.25), while experts from Kazakhstan measure this indicator lower (1.6). It means experts from Kyrgyzstan "partially agree" and experts from Kazakhstan "totally disagree" with following statement "Government officials support the tourism industry competently and efficiently."

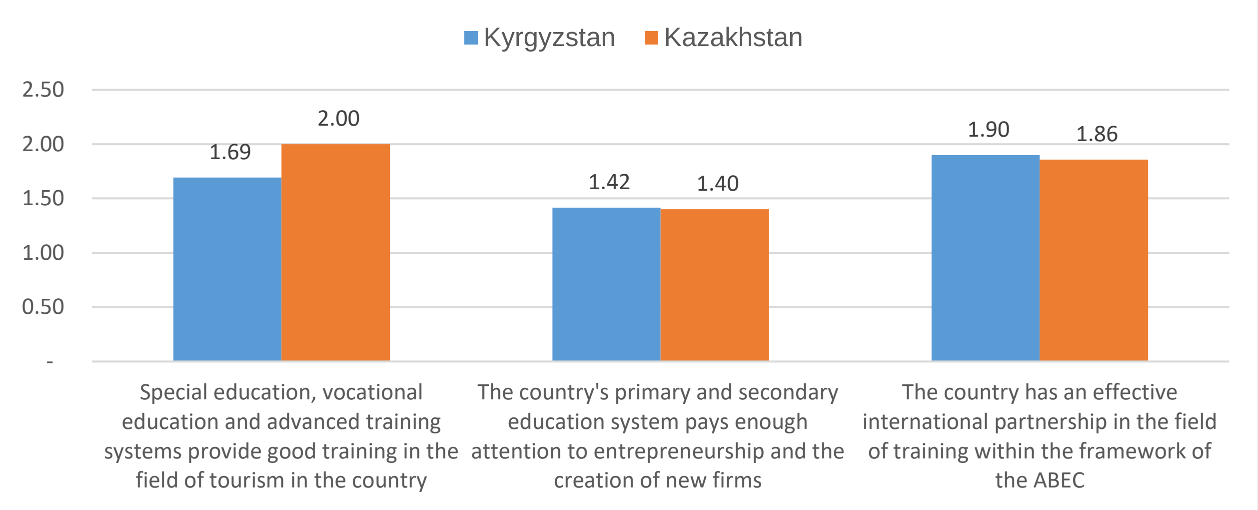
Figure 2: Expert assessment of the institutional structure for tourism development



Source: compiled by the authors according to the results of an expert survey
Note: Rating scales range from 1 to 3: "3" means "completely agree", "2" means "partially agree", "1" means "totally disagree."

3.4 Training for the tourism industry

Figure 3: Expert assessment of training for the tourism industry

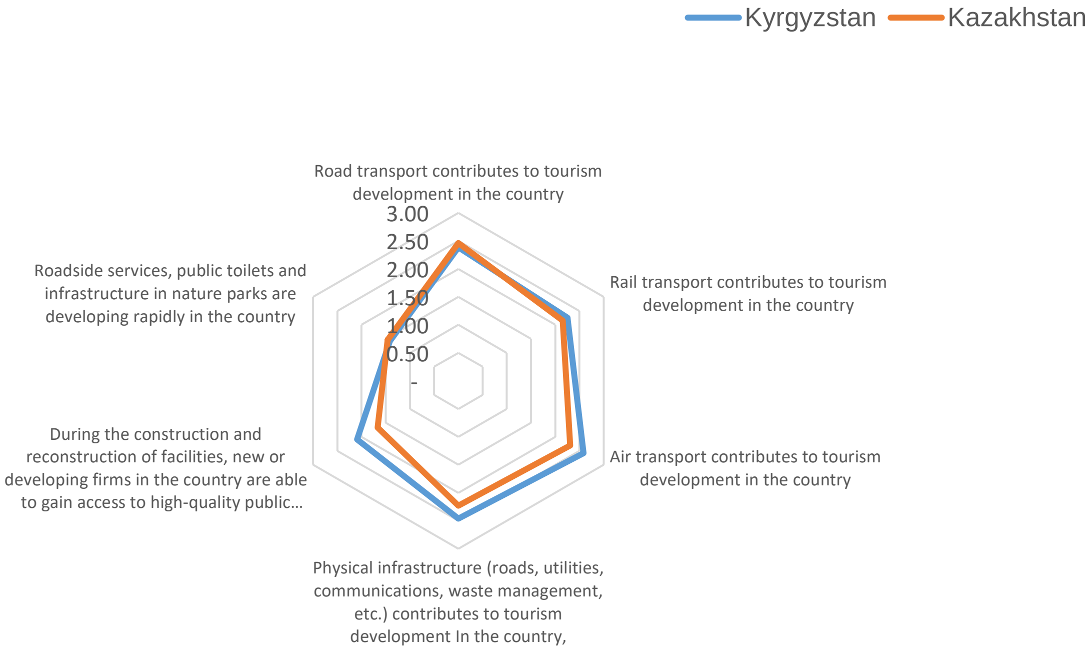


Source: compiled by the authors according to the results of an expert survey
Note: Rating scales range from 1 to 3: "3" means "completely agree", "2" means "partially agree", "1" means "totally disagree."

Experts from Kazakhstan and Kyrgyzstan do not agree that the country's primary and secondary education system pays enough attention to entrepreneurship and the creation of new firms (1.4 in both countries).

3.5 Infrastructure for tourism development

Figure 4: Expert assessment of the infrastructure for tourism



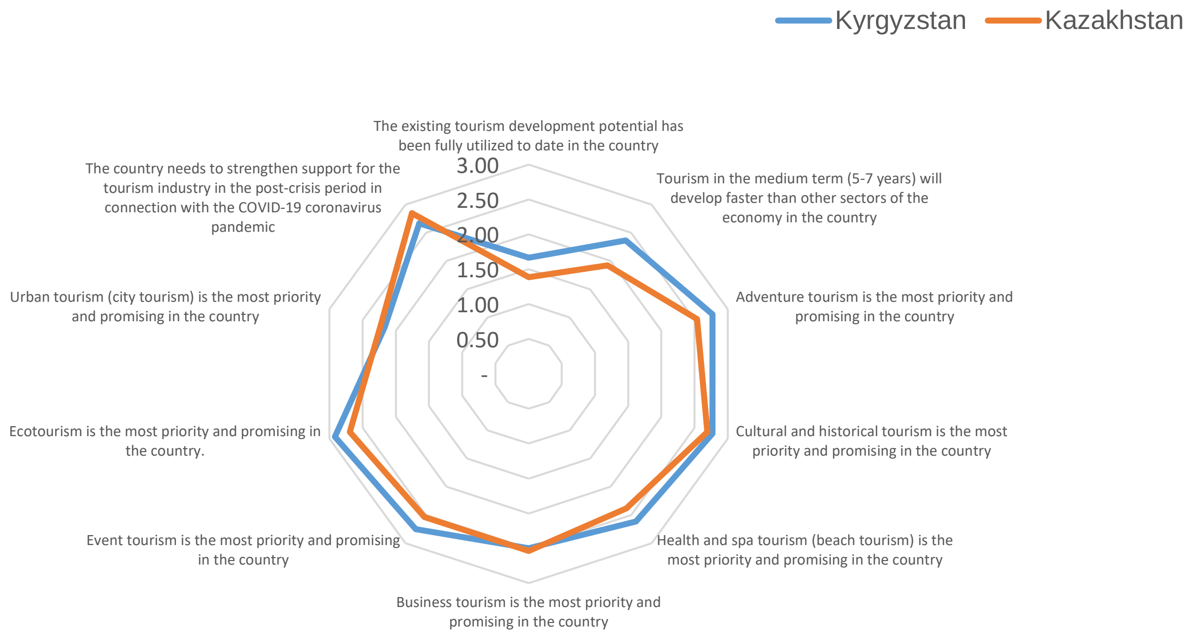
Source: compiled by the authors according to the results of an expert survey
Note: Rating scales range from 1 to 3: "3" means "completely agree", "2" means "partially agree", "1" means "totally disagree."

Experts from Kazakhstan and Kyrgyzstan praised air transport (2.3 and 2.5 respectively), physical infrastructure for tourism development (roads, utilities, etc.) (2.3 and 2.4 respectively). Experts from both countries assess that the situation with roadside services and public toilets is worse (1.4). It means that experts from Kazakhstan and Kyrgyzstan "totally disagree" with the statement "Roadside services, public restrooms and infrastructure in nature parks are developing rapidly." The state of the infrastructure plays a key role in the development of tourism; in this regard, it is necessary to assess its condition based on expert opinion.

3.6 Prospects for tourism development

Experts agreed that it is necessary to strengthen tourism support in the post-crisis period because of the spread of COVID-19 (Kazakhstan 2.9, Kyrgyzstan 2.7). It means that experts from Kazakhstan and Kyrgyzstan "completely agree" with the statement, "Post-crisis tourism industry needs to be strengthened in response to the COVID-19 coronavirus pandemic." Experts also agreed on the prospects for the development of such types of tourism as ecotourism, event tourism, business tourism, health, cultural, historical and adventure tourism, all of which are promising. The experts place the potential of city-tourism slightly lower (2.2). In both countries, the existing tourism potential has not yet been fully utilized (Kyrgyzstan 1.6, Kazakhstan 1.4).

Figure 5: Expert assessment of the development prospects for tourism

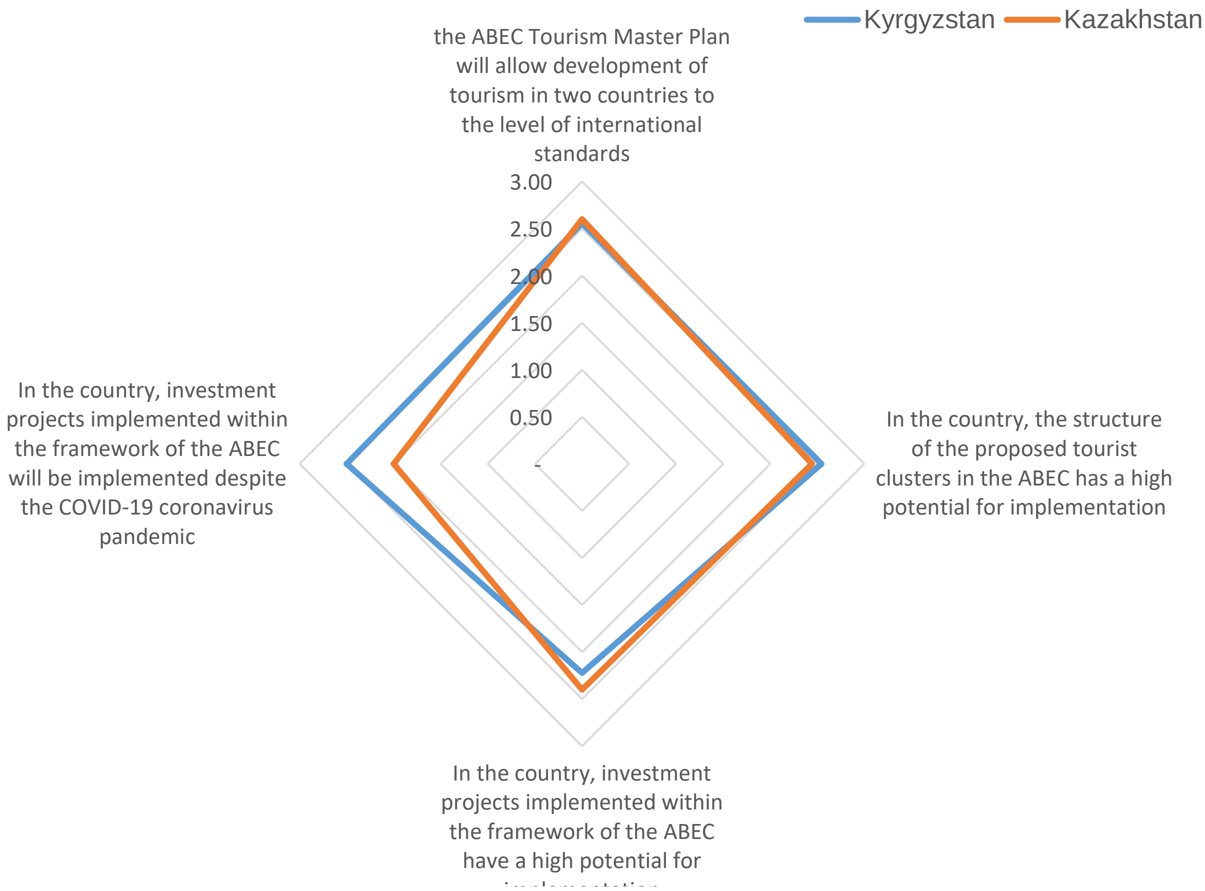


Source: compiled by the authors according to the results of an expert survey
Note: Rating scales range from 1 to 3: "3" means "completely agree", "2" means "partially agree", "1" means "totally disagree."

4. ABEC Tourism Master Plan

Experts from Kazakhstan and Kyrgyzstan believe that implementation of the ABEC Master Plan will support the development of tourism in both countries (2.4). Therefore, the tourist clusters in ABEC have a high potential for implementation (2.4). Experts from Kazakhstan are more pessimistic about the implementation of ABEC investment projects in connection with COVID-19 than experts from Kyrgyzstan (Kazakhstan 2.0, Kyrgyzstan 2.5). In general, national experts of both countries representing government assess ABEC positively, while representatives from academia and business indicate existing problems.

Figure 6: Expert assessment of the ABEC Tourism Master Plan



Source: compiled by the authors according to the results of an expert survey
Note: Rating scales range from 1 to 3: "3" means "completely agree", "2" means "partially agree", "1" means "totally disagree."

In addition, during the survey national experts from Kazakhstan and Kyrgyzstan were requested to name three factors hindering the development of tourism and three factors contributing to the development of tourism. Experts answered the question in a questionnaire "Factors hindering the development of tourism in the country" (Table 1) and "Factors contributing to the development of tourism in the country" (Table 2). All answers mentioned by experts without a threshold number were included in Tables 1 and 2 respectively.

Table 1: Barriers to tourism development indicated by experts

Barriers	Kazakhstan	Kyrgyzstan
Infrastructure is not developed	✓	✓
Corruption of government servants	✓	✓
Absence of an effective concept of tourism development	✓	
Lack of qualified personnel	✓	✓
Environmental problems		✓
No investment	✓	✓
No political will	✓	✓
Legislation		✓
Weak government financial support	✓	
COVID-19		✓
High prices for leisure services	✓	
Poor transport accessibility	✓	
Lack of skills in the population		✓
Absence of opportunity to submit some permission documents for organizing tours online		✓
Weak air connectivity, inadequate availability of direct air routes connecting Kyrgyzstan with major tourism markets		✓
Poor knowledge of English		✓
Low level of service	✓	
Weak marketing	✓	
The lack of a wide banking network throughout the territory		✓
Lack of sufficient funds for country marketing in foreign countries		✓
Bureaucracy		✓
Weak management at the state level	✓	

Source: compiled by the authors according to the results of an expert survey

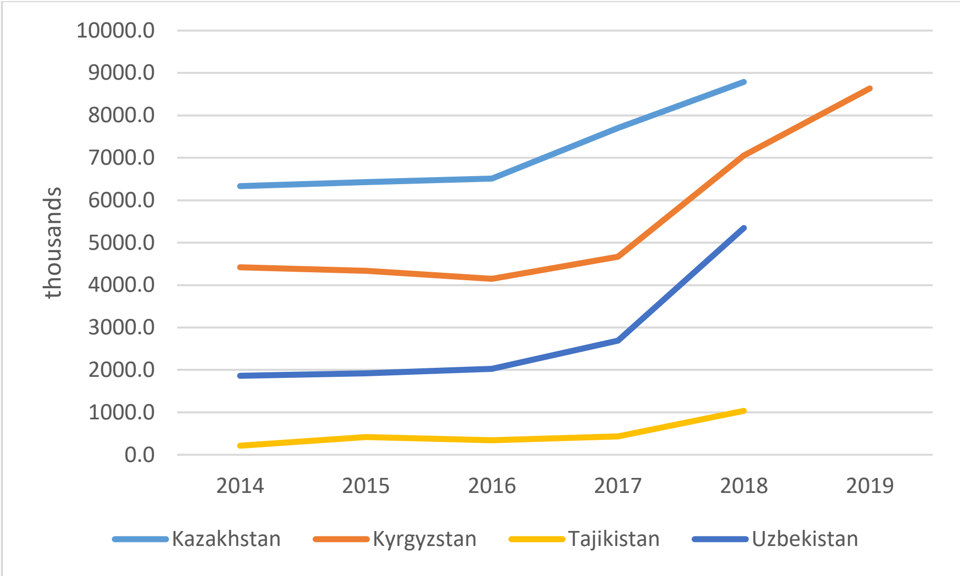
Table 2: Contributors to tourism development identified by experts

Contributors	Kazakhstan	Kyrgyzstan
Sufficient natural and recreational potential	✓	✓
Licensing of guides, tour operators	✓	✓
Visa-free regime		✓
Branding taking into account national specifics	✓	
Services level improvement	✓	
Foreign direct investment in business projects	✓	✓
Sustainable political stability and open foreign policy	✓	✓
State assistance to tourism development		✓
Promotion of tourist activities (state support)		✓
Open skies policy	✓	
Features of national culture and history		✓
Development of cashless payments	✓	
Interesting business opportunities		✓

Source: compiled by the authors according to the results of an expert survey

5. Analyzing current trends in the main segments of tourism in Kazakhstan and Kyrgyzstan

Figure 7: International tourist arrivals[8] in Central Asia



Sources: UNWTO. Yearbook of Tourism Statistics. Data 2014–2018, 2020 Edition; Statistics agencies of Kazakhstan and Kyrgyzstan.

In Kazakhstan, Kyrgyzstan and other regional countries in the last five years the number of international tourist arrivals has been growing. One of the important changes in the region can be explained by reforms initiated in Uzbekistan and the opening up of border crossings for international travelers and for Uzbekistan citizens since 2017. Arrivals in Uzbekistan doubled in the last five years from 2.7 million in 2017 to 5.3 million in 2018.[9] The number of arrivals to Kyrgyzstan increased from 0.7 million in 2017 to 4.7 million in 2019, an increase of 4.0 million.

5.1 Impact of tourism sector development on economic growth

Travel and tourism is a key sector for economic development and job creation throughout the world. In 2019, the sector's total contribution to the global economy reached US$8.9 trillion (equaling 10.3% of global GDP).[10] Tourism encompasses a wide range of products and services, including, among others, transportation, accommodation, food, and entertainment services. This demand adds up to the domestic demand with an impact on the economy and job creation. The tourism sector also creates demand and employment in non-tourism sectors of the economy, such as agriculture, construction, manufacturing, retail, and trade, and intra-sectorial demand. Tourism demand for public goods contributes to the improvement of the general provision of infrastructure for the local population, for instance, roads, airports, water, sanitation, and energy. These activities contribute to national wealth and to the income of individuals and their households. In addition, tourism-induced economic activities enlarge tax and import tariff revenues for national governments. Revenues and employment generated in the tourism sector may help to finance existing social and health insurance schemes. Furthermore, international tourism as an export category provides hard foreign currencies to destinations and impacts positively on the balance of payments. Methodological notes

[8] International arrivals are related to international visitors with respect to the country of reference taking a trip for less than a year, for any main purpose (business, leisure, or other personal purpose) except those employed by a resident entity in the country visited. https://www.unwto.org/glossary-tourism-terms

[9] UNWTO. Yearbook of Tourism Statistics. Data 2014–2018, 2020 Edition.

[10] https://wttc.org/Research/Economic-Impact

to every UNWTO publication usually provide explanation on how direct impact, indirect impact and induced impact are calculated.[11]

Direct impact, indirect impact and induced impact

Direct impacts: represents the GDP generated by activities that directly deal with tourism such as hotels, travel agents, airlines, and tour operators as well as restaurants and other activities that cater to tourists.
Indirect impacts: impacts which accrue owing to the activities undertaken by the sector, and are a function of the following three different factors:

1) Capital investment in tourism: includes capital investment within all sectors that are directly involved in the tourism industry as well as spending by enterprises in other sectors on tourism assets such as transport or accommodation.
2) Government spending for tourism: government spending to support the tourism sector, which can include both national and local spending. Activities include tourism promotion, visitor services, administration etc.
3) Supply chain effects: these represent the purchase of domestic goods and services, as inputs to the production of their final outputs, by enterprises within the tourism sector.

Induced impacts: represents the wider contribution of tourism through the expenditures of those who are directly or indirectly employed by the tourism sector.

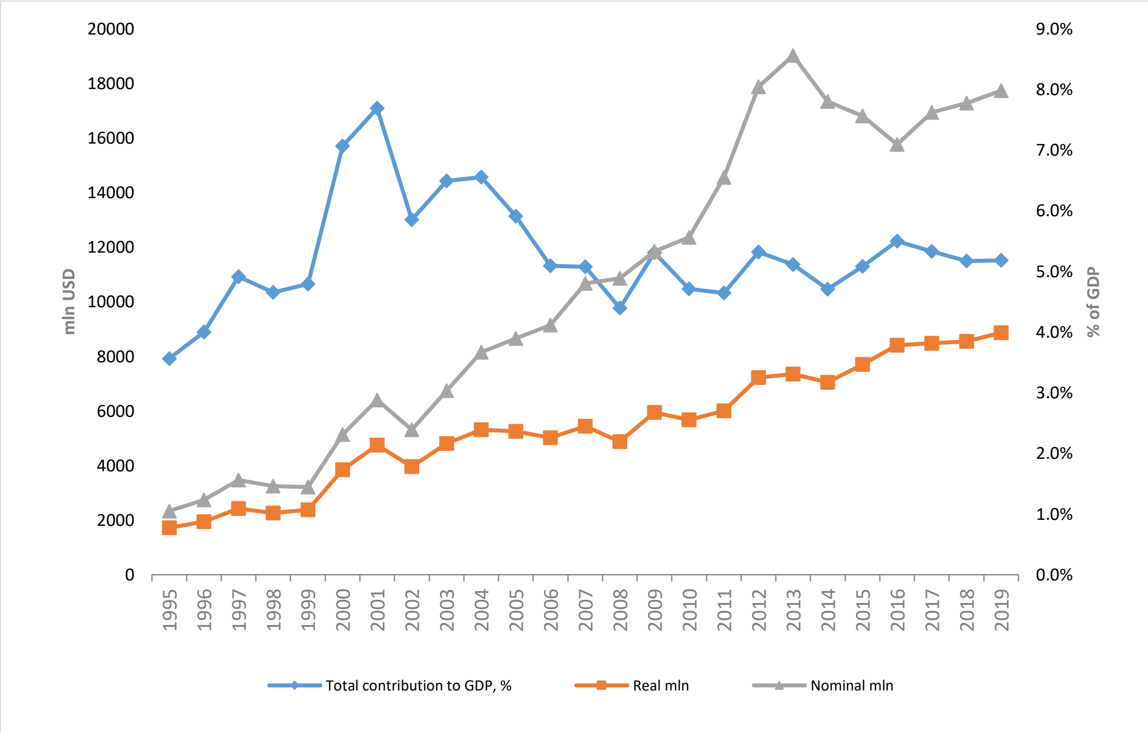
Source: WTTC. Travel and Tourism Global Economic Impact and Trends 2020, June 2020.

[11] WTTC. Travel and Tourism Global Economic Impact and Trends 2020, June 2020

Contribution of tourism to GDP

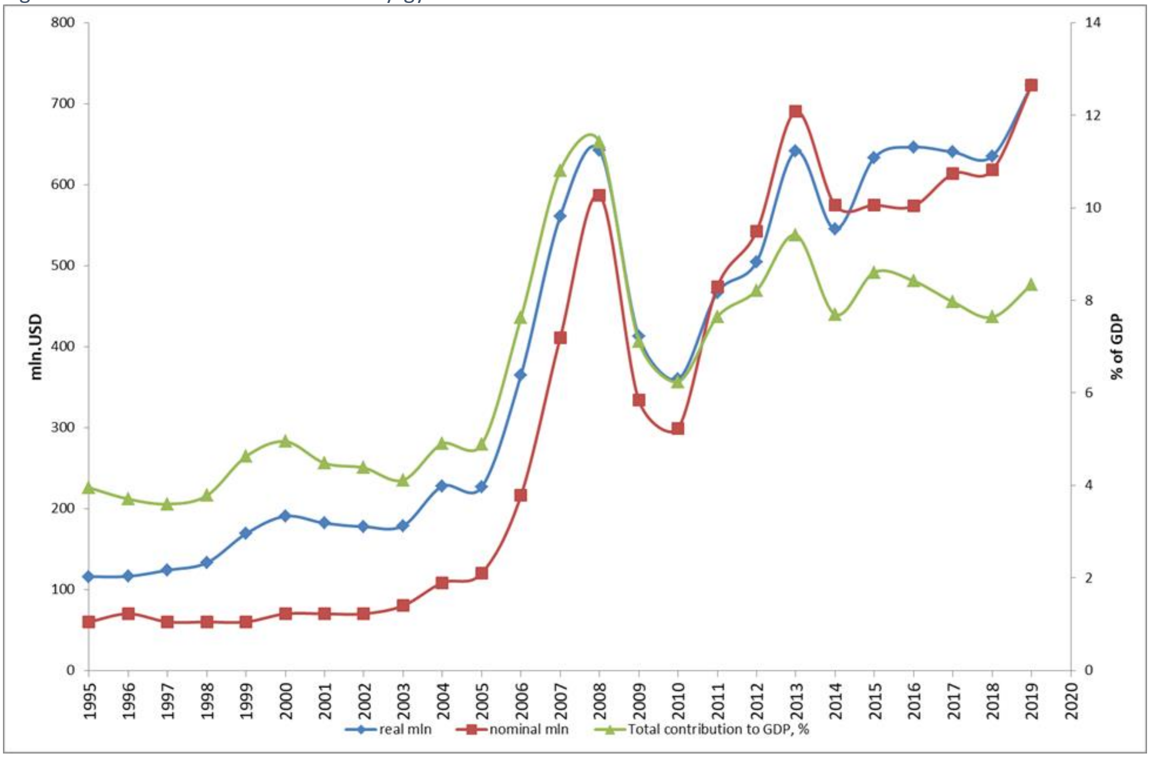
Kazakhstan tourism has not yet made a significant contribution to the country's economy. According to the WTTC methodology, the total contribution of tourism in 2019 to the total GDP of Kazakhstan amounted to 5.2% ($8.8 billion).

Figure 8: Total contribution to GDP in Kazakhstan



Source: WTTC
Note: GDP generated directly by the travel and tourism sector plus its indirect and induced impacts. Real 2018 prices.

Figure 9: Total contribution to GDP in Kyrgyzstan



Source: WTTC

Figures 8 and 9 measure tourism's total contribution to the economy, as defined by the WTTC, and show the indirect effect of tourism on related sectors. As indicated in Table 3, tourism's direct contribution to GDP in Kazakhstan and Kyrgyzstan in 2019 amounted to 1.9% and 3.9% respectively. This implies that each dollar of direct spending on tourism services generates more than two additional dollars in related industries, reflecting tourism's multiplicative effect.

As can be seen from Table 3, the direct impacts of tourism on GDP range from 1.5% contribution to GDP (in the Russian Federation) up to 4.1% (in Turkey). Total GDP contribution ranges from 4.5% in Uzbekistan up to 11.3% in Turkey. Using figures for regional neighboring countries (Table 3) for the GDP impacts of tourism, both direct and total, we can see that indirect impacts on GDP are, in all cases, twice as high as direct impacts. This means that tourism is not just important for its direct contributions but also through its links to other economic activities and other sectors of the economy as the direct impacts spill over into other productive sectors.

Table 3: Direct and total GDP contribution of tourism in selected regional countries, 2019

Country	Direct Contribution of Tourism to GDP (%)	Total Contribution of Tourism to GDP (%)	Ratio of Total to Direct Impacts
World	3.2	10.3	3.2
Turkey	4.1	11.3	2.8
Kazakhstan	1.9	5.2	2.7
Kyrgyzstan	3.9	8.3	2.1
Russian Federation	1.5	5.0	3.3
Tajikistan	2.6	6.4	2.5
Uzbekistan	1.8	4.5	2.5

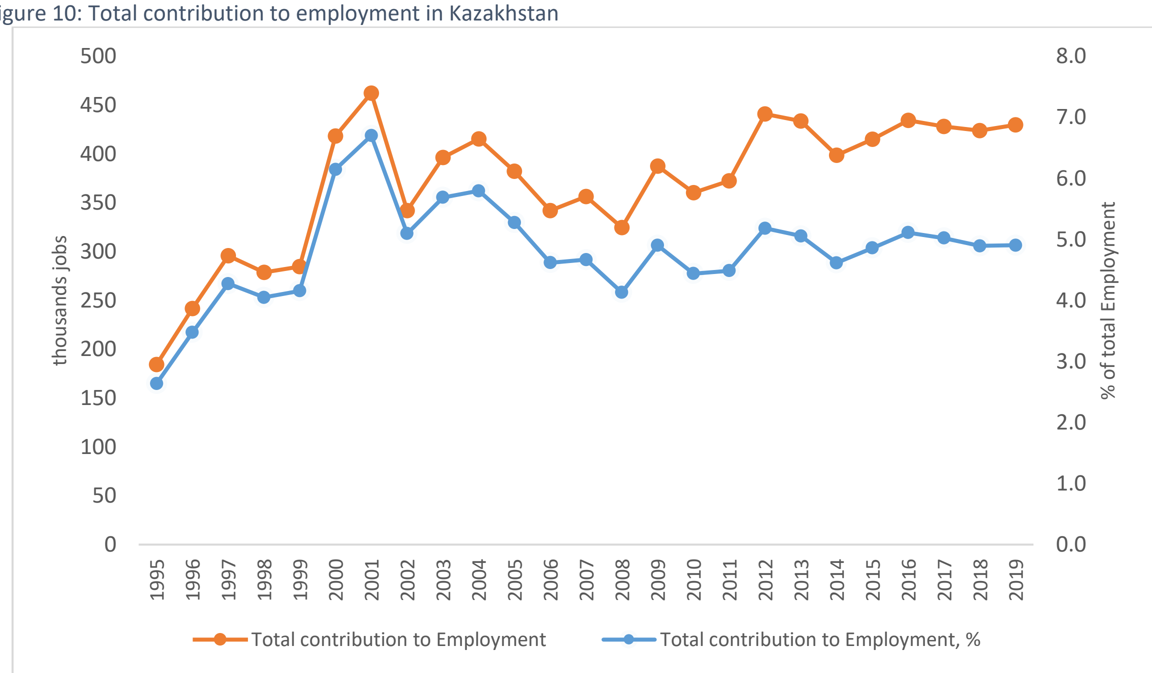
Source: WTTC

Kyrgyzstan's indicators of direct and total contribution to GDP outpace indicators of Kazakhstan and some regional neighboring countries such as the Russian Federation, Tajikistan, and Uzbekistan. With regard to Tajikistan and Uzbekistan, it may reflect a better performance of the sector in Kyrgyzstan. However, the difference with regard to oil and mineral producing Kazakhstan as well as the Russian Federation can largely be explained by the specific character of these two countries' economies in which an essential part of GDP as well as revenue is generated by the oil and minerals sector.

Contribution to employment

Travel and tourism is one of the leading job creators across the world, with 330 million jobs supported by the sector. This represents 10.0% of all employment, or one in every ten jobs worldwide.[12] Total contribution to employment in Kazakhstan and Kyrgyzstan (both direct and indirect) in 2019 amounted to 4.9% and 8.5% respectively. In total, the tourism industry employs 430,000 people in Kazakhstan and 209,000 people in Kyrgyzstan.

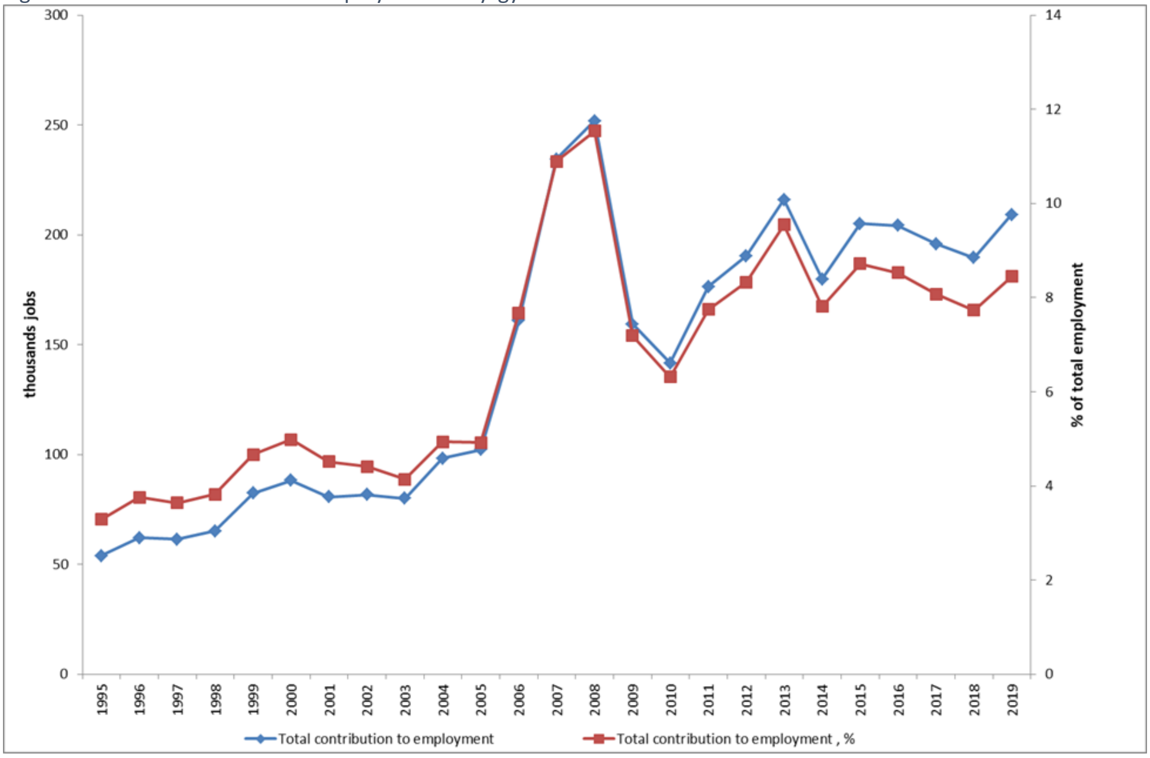
Figure 10: Total contribution to employment in Kazakhstan



Source: WTTC

[12] WTTC. The importance of travel and tourism in 2019. March, 2020

Figure 11: Total contribution to employment in Kyrgyzstan



Source: WTTC

Tourism's direct contribution to employment in 2019 amounted to 1.7% in Kazakhstan and 3.6% in Kyrgyzstan. This implies that the indirect impact on tourism services supports the creation of two additional jobs in related industries, reflecting tourism's multiplicative effect. Table 4 shows the impact of tourism on direct and total employment in selected regional countries. The data shows that direct contributions range from 1.6% in the Russian Federation to 3.6% in Kyrgyzstan, while total employment from tourism (including indirect employment) ranges from 4.6% in Uzbekistan to 9.4% in Turkey.

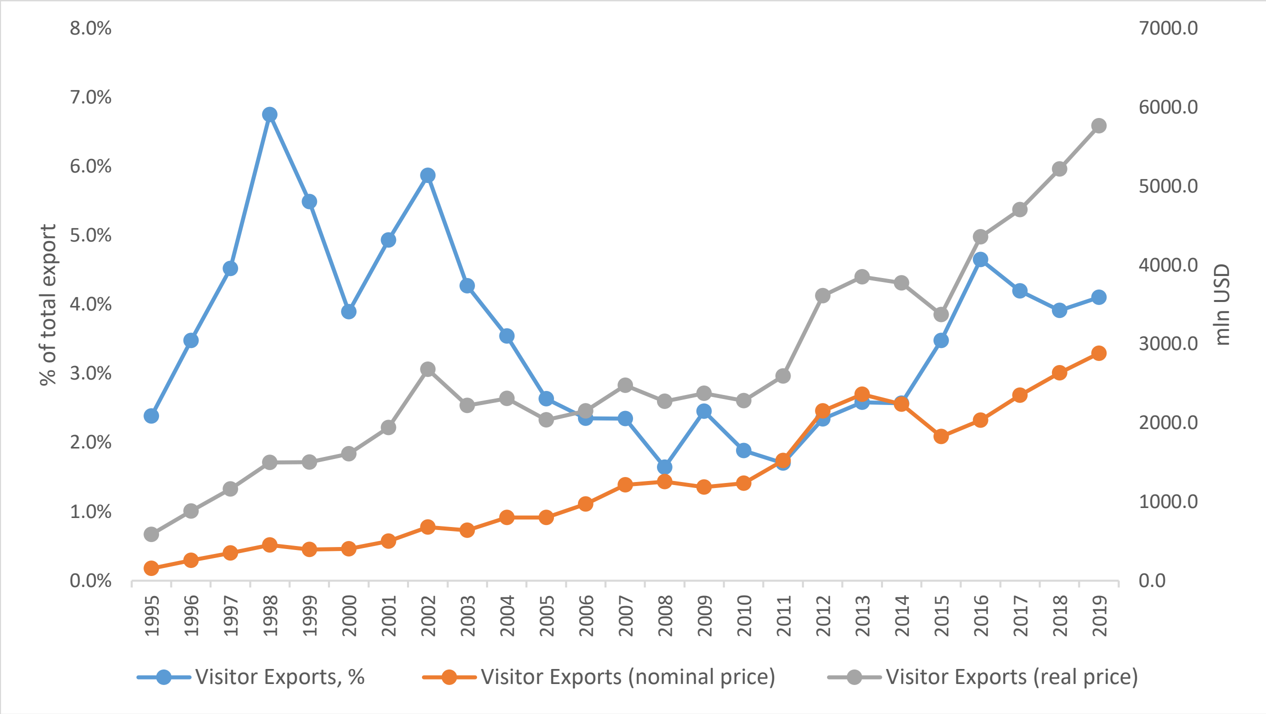
Table 4: Direct and total employment contribution of tourism in selected regional countries, 2019

Country	**Direct Contribution of Tourism to Employment (%)**	**Total Contribution of Tourism to Employment (%)**	**Ratio of Total to Direct Jobs**
World	3.8	10.4	2.7
Turkey	3.1	9.4	3.0
Kazakhstan	1.7	4.9	2.9
Kyrgyzstan	3.6	8.5	2.4
Russian Federation	1.6	5.6	3.7
Tajikistan	2.4	6.6	2.8
Uzbekistan	1.7	4.6	2.7

Source: WTTC

Kyrgyzstan's indicators of direct and total contribution to employment outpace the indicators of Kazakhstan as well as of regional neighboring countries like the Russian Federation, Tajikistan, and Uzbekistan. The export of tourism services in Kazakhstan amounted to $2.9 billion, which is 4.1% of total exports.

Figure 12: Total contribution to exports in Kazakhstan

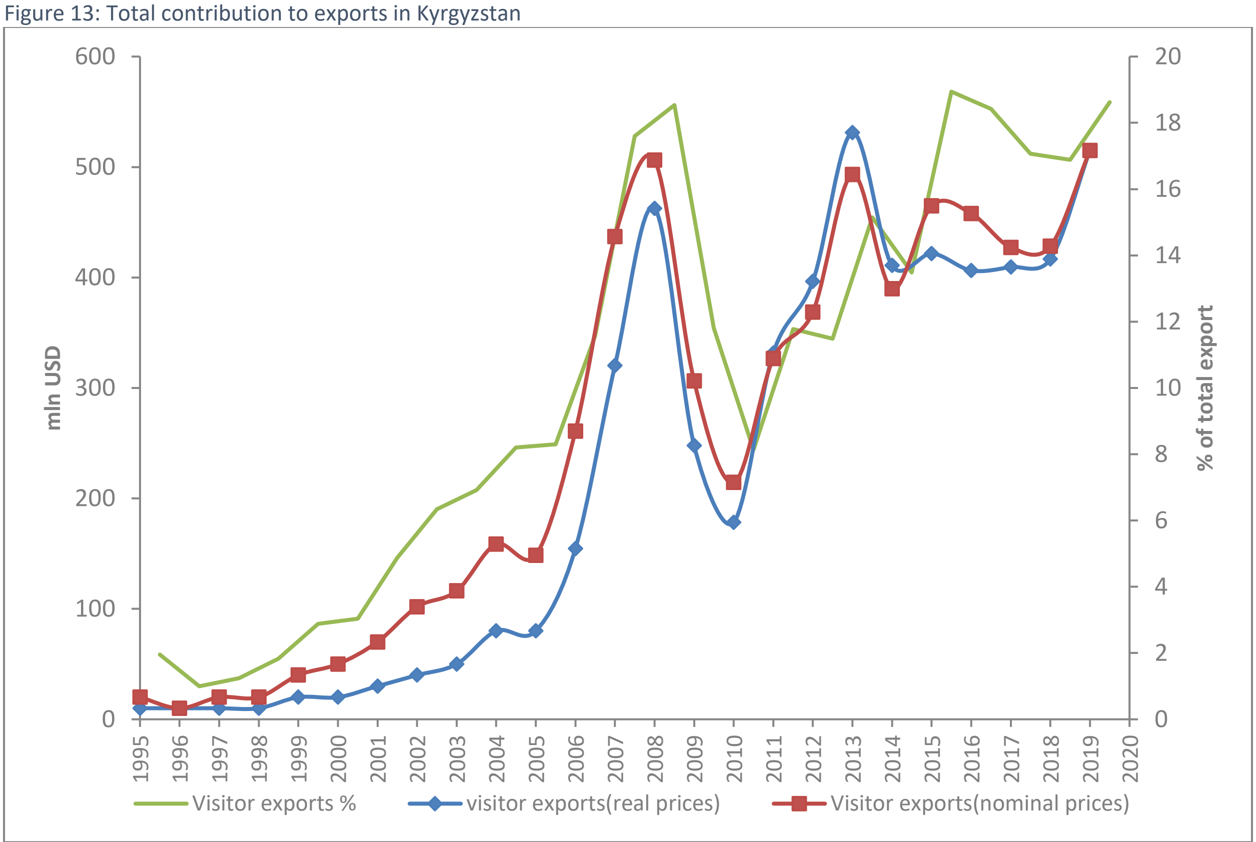


Source: WTTC

Note: Real 2018 prices. Visitor exports (foreign spending) – spending within the country by international tourists for both business and leisure trips, including spending on transport, but excluding international spending on education.

The export of tourism services in Kyrgyzstan in 2019 amounted to $515.1 million or 18.6% of total exports.

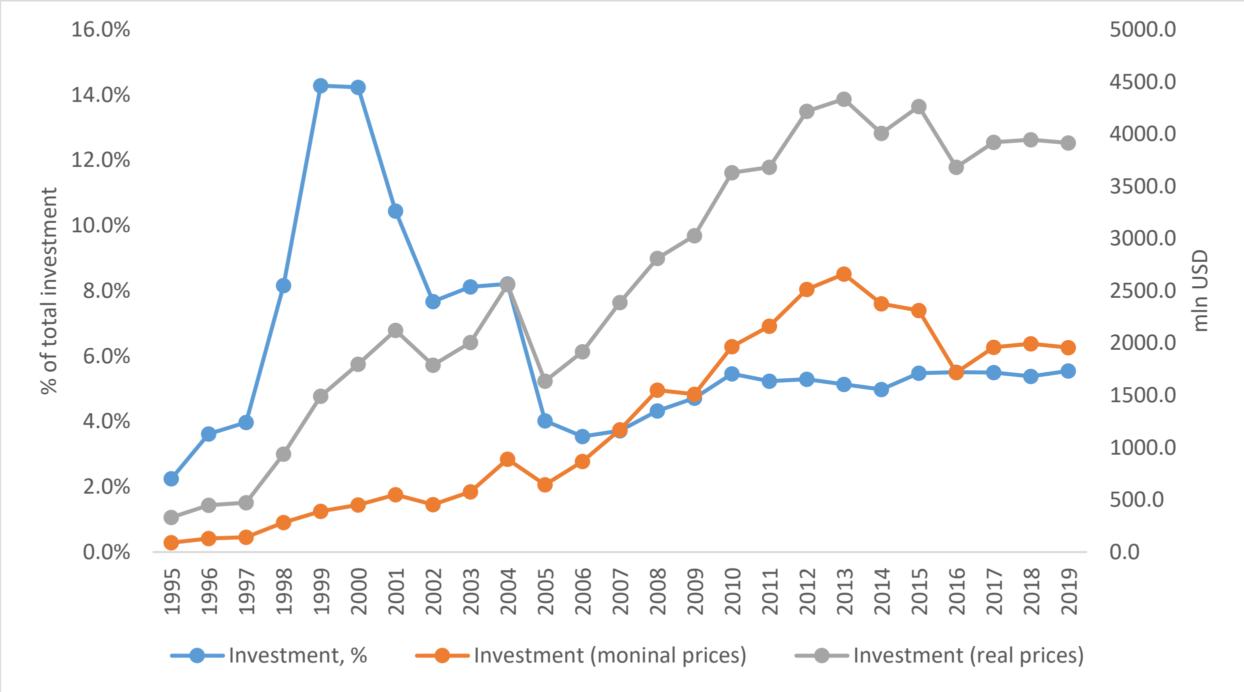
Figure 13: Total contribution to exports in Kyrgyzstan



Source: WTTC; Note: Real 2018 prices.

The tourism sector accounts for 5.5% of total investment in Kazakhstan, or $2 billion.

Figure 14: Capital investment[13] in Kazakhstan

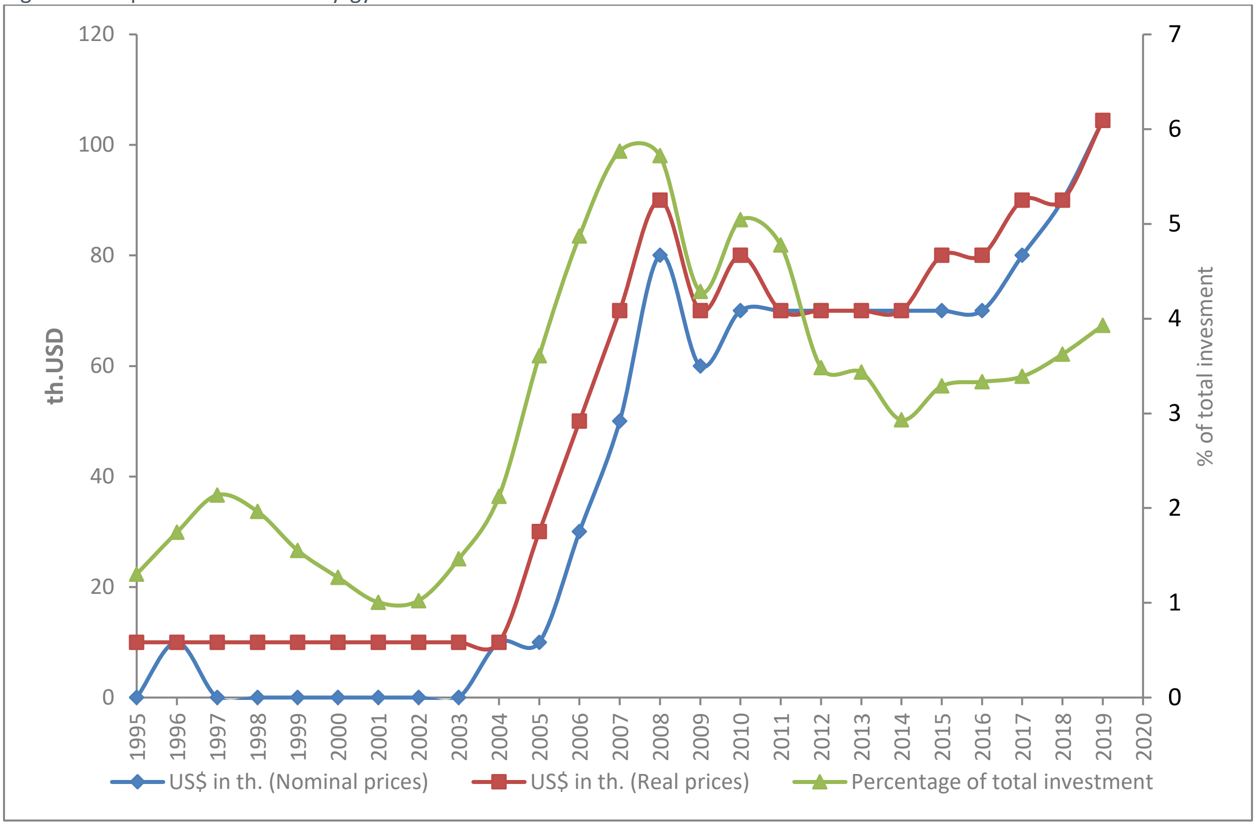


Source: WTTC
Note: Real 2018 prices.

In Kyrgyzstan, capital investment in the tourism sector amounted to $104.4 million, or 3.9% of total investment.

[13] Includes capital investment spending by all industries directly involved in travel and tourism.

Figure 15: Capital investment in Kyrgyzstan



Impact on incomes

Estimating the impact of tourism on income is problematic owing to the limited evidence on income and wage effects on a global level.[14] Overall, available data from case studies in different regions shows a positive impact on incomes as well as on both livelihoods and poverty.

One of the examples shows a history of developing community-based tourism (CBT) activities in Kyrgyzstan.

ABEC Region Tourism Assets

A vast majority of tourism assets are situated in rural areas and at high altitudes, while soft adventure tourism offers numerous activities such as trekking, hiking, horseback riding, biking, or wildlife viewing. Cultural tourism, such as yurt (traditional tent) camps, ethnic food, hunting with eagles, ethnic games, and music complete the large and popular offering of natural and cultural activities proposed in the whole area.

Source: AMEC Tourism Master Plan. ADB, 2019

In Kyrgyzstan, the development of cultural and soft adventure tourism, including ecotourism, is important for economic and social development in most regions, including remote areas as it generates incomes for rural families and reduces migration to urban areas. Growing ecotourism services sector include CBT activities including jailoo (summer pasture) tourism as well.

[14] Alberto F. Lemma. Tourism Impacts: Evidence of Impacts on Employment, Gender, Income. Overseas Development Institute, 2014

5.2 Community-based tourism

CBT[15] – a type of tourism that is owned and managed by the local community – has emerged as a mechanism to facilitate tourism activities in many developing countries, including Kyrgyzstan, whose government also recognizes tourism as a promising economic sector. CBT was introduced to Kyrgyzstan by the Swiss Association for International Cooperation, Helvetas, and was well supported by local communities. The first CBT group was established in May 2000 in Kochkor village (CBT Kochkor), and since then, the number of CBT organizations has grown to 18.

The main objective of CBT groups in Kyrgyzstan is to promote sustainable community-based ecotourism services that offer tourists unique experiences, generate incomes for rural families and preserve the natural and cultural heritage of the country. Among the services that CBT groups provide to tourists and tour operators are booking services for homestays, jailoo (summer pasture) tourism and trekking, guided tours of cultural and historical sights, handicraft demonstrations and sales, car rentals, and miscellaneous tourist information. The provision of these services is the main source of income for individual service providers and CBT groups. In 2003, local CBT groups formed their umbrella organization, the Kyrgyzstan Community Based Tourism Association (KCBTA), a non-profit membership organization for the further development and coordination of tourist activities within the country. The association provides marketing and training services to its members and represents their interests on a national level.

Jailoo tourism

Jailoo (summer pasture) tourism originated in Kyrgyzstan in the late 1990s, when local tour operators started to offer tourists from western countries the opportunity to experience the life of a mountain shepherd in a yurt. Yurt camping is now included by most travel agencies in their services. Tourists spend a week on a mountain pasture, eat flat bread and lamb, drink koumiss (fermented mare’s milk), and sleep on the floor of a yurt. The lack of benefits of civilization is compensated for by the unique lifetime experience of memorable walks in the mountains, clean air, a night sky strewn with the stars of the Milky Way, and immersion in the local ethnic culture.

CBT is now implemented by 15 local communities that operate in six out of the seven regions of the country. Currently, about 300 families or 1200 people are involved in CBT activities. The total number of tourist nights served by CBT groups in 2019 was 21,000, and income earned amounted to $0.75 million. CBT brings numerous benefits to the wider community by increasing the standard of living in rural areas, which helps to reduce migration to urban areas. Other businesses that provide ancillary tourism services, such as cafés, restaurants, taxis, shops, and groceries, also benefit from CBT. An important achievement that has come about from the startup of CBT activities in Kyrgyzstan is that this kind of ecotourism – jailoo tourism – has become very popular after 20 years and it is notable that it is implemented not only by CBT members but also by a large number of independent service providers.

Of the total volume of services provided by the provinces in 2019, 36.1% were accounted for by three regions, which are part of ABEC – Almaty city, Almaty region and Zhambyl region. An analysis of the number of visitors served by regions and resort areas of Kazakhstan for 2017-2018 (data for

[15] Sources: UNDP. Creating Value for All: Community-Based Tourism, Bishkek, 2010; Kyrgyz Community Based Tourism Association

2019 has not yet been published) showed the following: 2.4 million people or about 34% of the total number of inbound and domestic visitors are in Almaty city, Almaty region and Zhambyl region.

Table 5: Visitor numbers served in ABEC regions of Kazakhstan in 2018

	Number of entry and internal visitors	including			The number of "self-organized" entry and internal visitors
		visitors in hotels and other accommodation	vacationing in sanatorium organizations	visited protected areas	
Kazakhstan, total	7 062 769	5 526 864	299 091	1 236 814	4 851 381
Almaty region	**1 106 545**	**809 794**	**10 034**	**286 717**	**462 762**
- resort area	793 234	519 797	965	272 472	132 791
Zhambyl region	**131 930**	**120 936**	**10 994**		**284 510**
Almaty city	**1 120 991**	**1 084 991**	**36 000**		**375 072**
- The resort "Shymbulak"	28 393	2 770	25 623		4 016

Source: Committee on Statistics of the Republic of Kazakhstan

The Kyrgyzstan Tourism Development Program for 2019-2023 determines the key areas of tourism development in Kyrgyzstan. The purpose of this program is to increase the contribution of the tourism sector to GDP to 7% in 2023. At the same time, it is planned to increase the number of foreign tourists entering Kyrgyzstan in 2023,[16] up to 6 million people. An analysis of the number of visitors served by ABEC regions and resort areas of Kyrgyzstan for 2017-2018 showed that 468,200 people or about 62.4% of the total number of inbound and domestic visitors recorded in ABEC regions including Bishkek city, Chui region and Issyk-Kul region.

Table 6: Visitor numbers served in ABEC regions of Kyrgyzstan in 2018

	Number of entry and internal visitors	including			The number of "self-organized" entry and internal visitors
		visitors in hotels and other accommodation	vacationing in sanatorium organizations	visited protected areas	
Kyrgyzstan	749 931	384 898	287 194	77 839	-
Issyk-Kul region	277 646	23 212	230 820	23 614	473400
- resort area	277 646	23 212	230 820	23 614	473400
Chui region	38 365	15 047	21 845	1 473	**-**
Including Ala-Archa and Chon-Kemin	-	-	-	1 473	**-**
Bishkek city	152 186	152 186	-	**-**	**-**

Source: National Statistics Committee of the Kyrgyz Republic

In both countries, the majority of tourists are foreigners. In 2019 citizens of Uzbekistan, the Russian Federation, Kyrgyzstan, Azerbaijan, and Germany visited Kazakhstan.

[16] According to the National Statistics Committee of the Kyrgyz Republic

Figure 16: Percentage of visitors entering and leaving Kazakhstan and Kyrgyzstan

Note: Data are average shares over the 2016-2018 period
Source: Oxford Economics, national sources and UNWTO.

6. Assessment of prospective sector development in the framework of implementation of ABEC

ABEC 2030

ABEC is envisioned to be an integrated, dynamic, and diversified economic region, driven by export-oriented activities, focused on knowledge-intensive services, agribusiness, and tourism. Light and select other manufacturing is also encouraged without necessarily expected to be export-based growth drivers. By 2030, the corridor will consist of two dense urban agglomerations, Almaty and Bishkek, within a functionally diverse region. The two cities will integrate wide areas of tradable economic activities such as advanced health and tertiary education services, logistics and transport services, and other information and communication technology (ICT) and knowledge-based services, as well as agribusiness. Apart from the two growth nodes, smaller cities and rural areas will be linked by effective transport solutions and ICT infrastructure, allowing them to benefit through agribusiness development, food processing, and improved access to private and public goods and services.

The corridor will synergize the comparative advantages of the two cities and surrounding regions, and integrate them into one economic space that exploits agglomeration, scale, and specialization benefits to compete with other regional and international centers of economic activity in the Eurasian Economic Union and beyond. Tight connectivity and spatial coordination will integrate the corridor; advanced knowledge and technology will be applied for commercial use through improved links between universities and industry, which in turn will inform the development of human skills. Infrastructure in the form of a high-speed rail linking Almaty and Bishkek into a daily commuting relationship and an improved network of rural roads will provide spatial integration. Further, a rich, cooperative ecosystem of knowledge, institutions, and investments sustaining the growing needs of the corridor will rest on partnerships of the private sector, governments, and international institutions.

Source: CAREC Program. Growing Together: Almaty–Bishkek Corridor Initiative Investment Framework, October 2016.

6.1 ABEC region tourism development

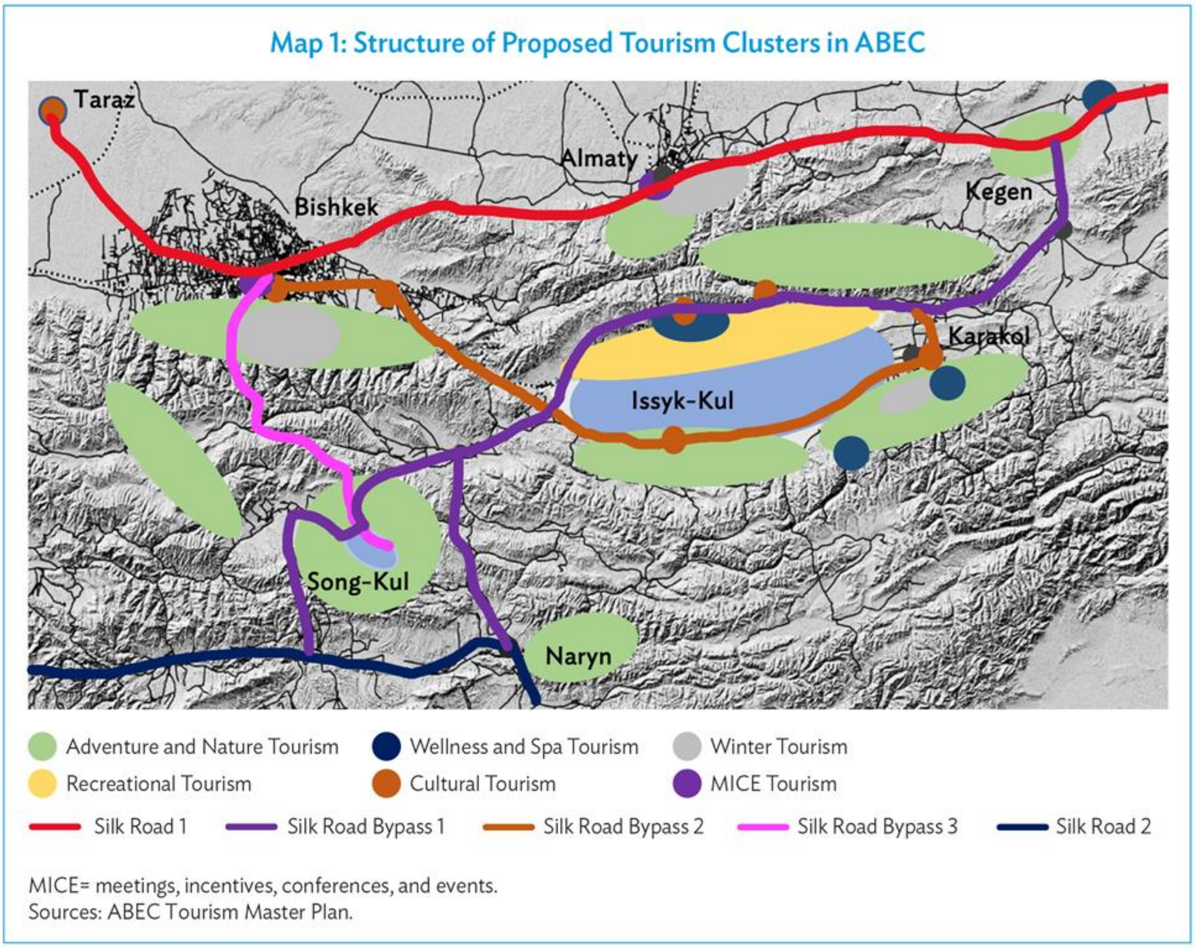
In order to assess the prospects of tourism sector development in ABEC, the main points and projections of the ABEC Tourism Master Plan were considered.[17] The aim of the master plan is to structure the development of an internationally competitive tourism region within ABEC. It proposes the overall framework for the development and operation of the ABEC common tourism area, including (i) a vision and conceptual framework for the area, which optimizes the available resources (natural, human, technological, financial, and immaterial); (ii) ownership and organization of the common area; and (iii) development plan for land use and allocation of tourism activities as well as hard and soft infrastructure, considering social and environmental safeguards. A concept of spatial development of the tourism sector in the period up to 2030 presented including regional connectivity elements and identified clusters. As noted earlier, the idea proposed in the master plan is to connect two Silk Road routes - Silk Road 1 (Urumqi–Almaty–Bishkek–Taraz) and Silk Road 2 (Kashgar–Naryn–Osh). Connecting the two branches of the Silk Road would complete the connectivity across the various ABEC clusters, making it one unique destination. Moreover, improved connectivity and infrastructure would lead to integrated markets in ABEC.

[17] ABEC Tourism Master Plan. ADB, 2019.

Furthermore, a set of reforms is proposed for strengthening the relevant public tourism institutions. An adequate legal and institutional framework should entail comprehensive mandates for spatial development of the identified cluster and regulatory powers of the institutions responsible for tourism development in each country. Proposed measures include policy interventions for improvements in safety and security, in border control process, in tourism statistics, development of tourism information centers, development of national tourism organizations, advancement in marketing skills to promote the destination image, development of a land-use zoning plan for the Cholpon Ata area, development of a heritage and Silk Road corridor between Almaty, Bishkek, and Taraz, and others. The integrated concept of tourism development clusters is presented in the master plan. Proposed clusters include:

- Adventure and nature tourism
- Wellness and spa tourism
- Winter tourism
- Recreational tourism
- Cultural tourism
- Meetings, incentives, conferences, and events (MICE) tourism

Figure 17: Map of proposed ABEC tourist clusters



Development of the following clusters representing concentration of tourism activities in a limited geographical area is planned within the framework of ABEC:

In Kazakhstan:

- City cluster of Almaty
- Almaty area cluster
- Kazakh eastern cluster
- Jambyl cluster

In Kyrgyzstan:

- Bishkek city cluster
- Bishkek area cluster
- Song Kul cluster
- Balykchy/Tamchy cluster
- Cholpon Ata cluster
- Karakol cluster

The main investment projects include the development of Almaty air hub, development of Almaty city to a major city break attraction in the region, infrastructure investment including water supply, sewage and solid waste treatment systems in the Issyk Kul area, investment in a railway station and a cruise terminal in Balykchy, winter sport investments such as ski resorts in Kazakhstan and Kyrgyzstan, development of a landside coastal resort in Cholpon Ata, concession resorts in the eastern part of the Issyk Kul area, touristic trails for hiking, biking, and skiing in the mountain area, lakeside and agri-field, developing historical and cultural offerings in the Jambyl cluster, and others. The total investment envisaged in the master plan in 2020-2030 is estimated at $3.25 billion dollars. In the Kazakhstan part of ABEC the total investment towards this figure is expected to be about $1.88 billion. An amount of $872 million will be implemented through PPP schemes, and $773 million will come from public investment. In Kyrgyzstan a total investment of $1.37 billion is expected in 2020-2030, of which $978 million will be implemented through PPP schemes, and $243 million from public investment.

The master plan defines the main features of future tourism sector development in the ABEC area. However, the actual realization of proposed activities and the successful formation of an internationally competitive tourism region depends on many factors and conditions. It depends primarily on the availability of internal and external resources including foreign direct investment as well as government capability of creating an enabling environment and implementing the necessary policy measures. However, starting in March 2020, the COVID-19 pandemic has delivered a global economic shock of enormous magnitude, leading to steep recessions in many countries. Therefore, it is necessary to take into account the economic consequences of the pandemic, which has brought unprecedented levels of uncertainty regarding short- and mid-term outlook globally and regionally.

6.2 Developing scenarios for the period 2020-2030

In order to develop scenarios for tourism development for the period up to 2030, it is necessary to understand emerging trends in the post-COVID era. It was, therefore, decided to consider scenarios for the global economy and for the global tourism sector; and then to consider scenarios for tourism in Kazakhstan and Kyrgyzstan. The COVID-19 pandemic has led to a deep global recession. The pandemic, along with the aggressive restrictions and voluntary restraints on human interaction adopted to contain it, have already led to massive downturns in most economies. Global growth forecasts have been downgraded several times over the past three months. The uncertain course of the pandemic has caused extraordinary economic uncertainty, including about the possible depth and duration of the global recession, and about how different countries will be affected.

The World Bank baseline forecast envisions a 5.2% contraction in global GDP in 2020.[18] Any forecast for the period ahead, however, is subject to unprecedented levels of uncertainty. Risks are firmly tilted to the downside and include a more protracted pandemic and hence a prolongation of mitigation measures, financial crises, a further drop in commodity prices, and a slower recovery owing to lasting impacts on consumers and firms, and a retreat from global value chains.[19] However, the partial and slow reopening of economies, as infections continue to rise, is impeding future growth. Recovery is expected to be slow. According to ADB publication, the global recovery will be protracted, not V-shaped, as normalization will be hampered by continued social distancing, possible outbreak recurrences, a very weak external environment, and disrupted supply chains.[20]

The global tourism sector has been growing steadily in the last decade (2010-2019) with average growth rates of the number of international tourist arrivals at 5.1% annually.[21] However, this strong growth is now under threat after the outbreak of the COVID-19 pandemic, which unfolded in the first quarter of 2020. Tourism activity has been severely affected by sweeping measures to stem the spread of COVID-19, with much of the summer holiday season likely to be lost despite the lifting of restrictions, as travelers remain risk averse and consumers have less disposable income amid widespread job losses. International tourist arrivals saw a decrease of 56% in the first five months of 2020 over the same period of last year, according to data reported so far by destinations worldwide. International arrivals declined by 98% in May, reflecting travel restrictions in nearly all destinations worldwide, amid measures to contain the spread of the COVID-19 pandemic.[22] Prospects for the year have been downgraded several times since the outbreak and uncertainty continues to dominate. According to UNWTO, current scenarios point to a decline in international tourist arrivals between 60% and 80% in 2020.[23] This forecast depends on the speed of containment of COVID-19 and the duration of travel restrictions and border shutdowns.

6.3 Assessment of the impact of COVID-19 on the tourism sector

Kazakhstan

The first cases of the COVID-19 coronavirus infection were detected in Kazakhstan in mid-March. In connection with the declaration by the World Health Organization of the new coronavirus COVID-19 pandemic in order to protect the health of citizens in Kazakhstan, a state of emergency was introduced on March 16, 2020 and the following restrictions were adopted:

- Strengthening the protection of public order
- Limitation of the functioning of large trade objects
- Prohibition of the activities of shopping and entertainment centers, cinemas, theaters, exhibitions and other objects with a large crowd of people
- Introduction of quarantine, implementation of large-scale sanitary and anti-epidemic measures
- Prohibition of holding spectacular, sports and other mass events, as well as family, commemorative events
- Restrictions on entry into the territory of the Republic of Kazakhstan, as well as on exit from its territory by all types of transport

[18] World Bank. Global Economic Prospects. June 2020.
[19] Ibid.
[20] Asian Development Outlook Supplement June 2020. ADB, 2020.
[21] UNWTO. World Tourism Barometer, Volume 18, Issue 1, January 2020.
[22] UNWTO. World Tourism Barometer, Volume 18, Issue 4, July 2020 Update.
[23] https://www.unwto.org/un-tourism-news-12

The tourism industry was the first to suffer, as the country began to close its borders and take strict measures for all those entering. In addition, trade, transport, and other small business service sectors were negatively affected. In April 2020 the economy declined by 8.3% compared to April 2019. In May the decline slowed to 1.6%. However, the weakening of the quarantine in June led to an outbreak of the disease in the country. The Government of Kazakhstan reintroduced restrictive measures and the country's economy declined by 7.6%-9.2% in June-July 2020. In general, the services sector for the first half of the year declined by 5.5%, trade decreased by 10.6%, and transport by 14.6%. The real monetary income of the population and real wages since April show a negative trend of more than 1%.

Government support measures

Kyrgyzstan

Spending on healthcare equipment and hospital capacity
Special payments to health care workers
Tax reductions and deferrals for businesses or population, waived social security contributions
Support for micro or small enterprises
Financial support for self-employed
Transfers or cash handouts to quarantined households, families with children, the elderly or other vulnerable population groups
Extension of loan/interest repayment periods
Approaching development partners for help

Kazakhstan

Owing to the spread of coronavirus infection in Kazakhstan, priority sectors of the economy have been identified, which will be supported by the state in the form of exemption from certain taxes and soft loans.
Tax incentive measures include:

- Property tax (for large commercial properties, shopping and entertainment centers, cinemas, theaters, exhibitions, sports facilities, catering facilities, hotel [hostels] business and tourist activities) - 0% until the end of 2020
- Individual income tax for entrepreneurs working in the generally established manner - 0% until the end of 2020
- Land tax on agricultural lands for agricultural producers - 0% until the end of 2020
- VAT on imports (set-off method) in the agricultural sector for cattle and breeding chickens - 0% until the end of 2020
- VAT reduction from 12% to 8% for 19 positions of socially significant food products
- Exemption from taxes and payments from payroll until October 1, 2020.

The tourism industry has also been included in the list of priority sectors for the provision of government support measures. Thus, tax preferences are provided for the implementation of tourism investment projects in priority tourist zones (exemptions from CIT, property tax, and land tax). These measures will offset the decline in the tourism industry.

CAREC Institute Economic Brief: Hans Holzhacker. Covid-19 and the Economy Prospects, Shocks, and Measures. 26 April 2020
These measures are provided for in the framework of the Comprehensive Plan for the Restoration of Economic Growth of the Republic of Kazakhstan.

Kyrgyzstan

State support measures in selected countries

Many countries have introduced stimulus packages and other policies, including those related to employment, in direct support to the much-impacted tourism industry. In Indonesia, the government, in late February, announced its aim to restimulate tourism by focusing on ten domestic destinations that will receive financial support. The aid package was to include funds dedicated to lowering domestic airfare prices for those destinations by 30% from March to May. During the same period, jet fuel prices and airport charges were to be lowered at nine airports. For six months, the government would subsidize the taxes owed to regional governments by restaurants and hotels located in those ten destinations.

Thailand's government is offering up to 100 billion baht (THB) in soft loans for tourism operators, while debt suspensions and interest rate reductions can be requested by those who do not need fresh funds. The Tourism Ministry will return THB 1.4 billion in deposits to tour companies that registered with the Tourism Department, with each company receiving 50%-70% of their deposit back.

The Government of Spain organized the special funding line by the State Finance Agency for small and medium-sized enterprises in tourism which are affected by COVID-19.

The Government of the United Kingdom allocated one-off cash grants between GBP 10000 and GBP 25000, available for businesses with a property used for hospitality or leisure. Grants depend on the value of their properties and are capped at ratable values below GBP 51000. Businesses in these sectors will also get relief from business rates on property, irrespective of their ratable value.

M. Jefriando and G. Suroyo: "Indonesia announces nearly $750 million stimulus in response to coronavirus," Nasdaq, 25 Feb. 2020
W. Chantanusornsiri: "Finance Ministry earmarks B100 billion for tourism," Bangkok Post, 24 Feb. 2020
https://www.worldbank.org/en/data/interactive/2020/04/14/map-of-sme-support-measures-in-response-to-covid-19

An emergency situation was declared for the whole of Kyrgyzstan on 22 March 2020. Two days later, a state of emergency was introduced in the cities of Bishkek, Jalal-Abad, and Osh, as well as in the Karasuu, Nookat, and Suzak rayons. It was then introduced in Naryn town and At-Bashy rayon. Altogether, the state of emergency directly affected 2.6 million people or 40% of the country's total population. The state of emergency entailed strict limitations on the movement of people and requirements to abide by social distancing rules. This has resulted in the temporary closure of many micro, small, and medium-sized enterprises (MSMEs), along with some larger commercial organizations. Social and hospitality establishments and events in the educational, recreational, and cultural sectors have been either closed or have transferred to remote working modes. The easing of most restrictions after the termination of the state of emergency on 11 May 2020, and the associated activation of economic and social life, were a contributing factor in the mid-June spike in the COVID-19 infection which led to prolonged restrictive measures.

The most affected sectors of the economy are tourism, trade and consumer services, and construction. In Kyrgyzstan, GDP in January to July 2020 declined by 6.1%; the services sector saw a decrease of 17.2%, including construction 8.9%, transport 35.9%, and accommodation and restaurants services 44.8%.[24] A recent study on the impact of COVID-19 in Kyrgyzstan conducted by experts of ADB and UNDP envisaged a GDP reduction of 10% in 2020 as its baseline scenario. The

[24] National Statistics Committee of Kyrgyzstan.

study identified as an important supply shock the reductions in demand for Kyrgyzstani tourism services owing to border closures and reductions in international commercial air travel, as well as falls in disposable income affecting the middle classes in Kazakhstan, the Russian Federation, and Uzbekistan, the countries from which Kyrgyzstan attracts the most foreign tourists.[25]

6.4 Assessment of the impact of COVID-19

An attempt was made to assess the impact of COVID-19 on the tourism sector in Kazakhstan and Kyrgyzstan using macroeconomic models. Approaches to modelling macroeconomic indicators could be considered an attempt to solve a conflict between the understanding that the model would be coherent both theoretically and empirically. Firstly, the modelling results could be explained by the accepted theoretical concept of economic function, and secondly, the model's ability to describe the history of economic development. Using the first approach, a System of National Accounts 2008 was applied, which is a comprehensive, consistent, and flexible set of macroeconomic accounts for policymaking, analysis, and research purposes. To realize the second approach, calculation of coefficients of elasticities between indicators was applied based on econometric models, which play an important role among the economic models applied and developed for macroeconomic analysis and forecasting because they are empirically coherent – that is, they can describe economic history. The effect of the influence of COVID-19 was calculated according to several scenarios depending on its duration.

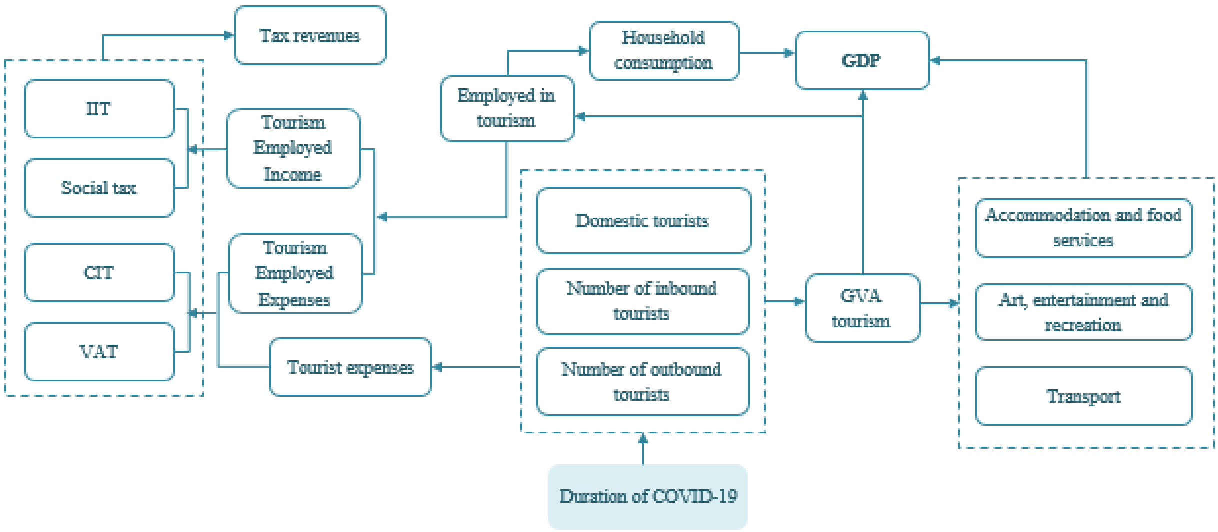
Kazakhstan

The impact of COVID-19 on the tourism of Kazakhstan was assessed, including domestic tourism, inbound tourism, and outbound tourism. The calculations were made in three stages. In the first stage, the loss of GVA in tourism was estimated based on calculations of the change in tourist numbers during COVID-19. This will also have an impact on such sectors of the economy as "accommodation and food services," "art, entertainment and recreation," and "transport." The assessment of the impact of the tourism sector on related industries was carried out using an econometric assessment based on time series by calculating the elasticity coefficients, which shows the degree of quantitative change in one factor when the other changes by 1%. In the second stage, the change in the number of people employed in tourism was estimated owing to the loss of GVA in tourism. It will have an impact on final consumption in the economy. The contribution of the "accommodation and food services," "art, entertainment, and recreation," and "transport" sectors, as well as the volume of consumption, have a combined effect on economic growth.

In the third stage, the calculation of the loss of state budget revenue from tax revenue was carried out. A change in the number of employed people will lead to a decrease in income tax (individual income tax [IIT)), social tax, and deductions. On the other hand, the income of the employed population represents expenditure on consumer goods, which are subject to value added tax (VAT) and as income of enterprises. Using the level of profitability of the sector "wholesale and retail trade" (the ratio of profit before tax to income of enterprises) and income of the population, it is possible to calculate the income from IIT. Losses of tax revenue (VAT and IIT) from reduced number of tourists are determined in a similar way.

[25] COVID-19 in Kyrgyzstan: Socioeconomic and Vulnerability Impact Assessment and Policy Response. ADB and UNDP, August 2020.

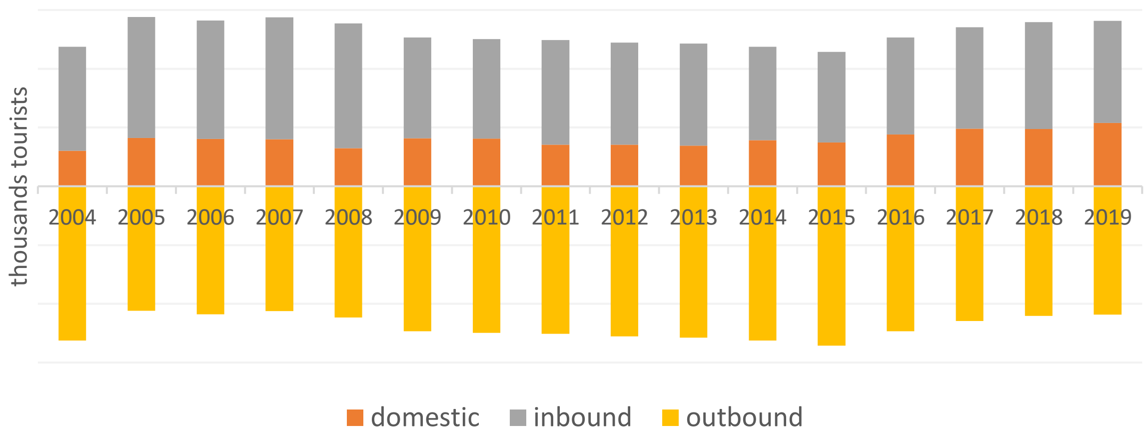
The logical framework of assessment of the tourism sector impact on the economic growth of Kazakhstan (and Kyrgyzstan) is shown as follows:



Note: IIT - individual income tax, CIT – corporate income tax, VAT - value added tax, GDP – gross domestic product, GVA - gross value added

The effect of the influence of COVID-19 was calculated according to several scenarios depending on its duration. The econometric model is available in Annex 2. According to the data of the Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan, the GVA of the tourism in 2018 was 701.1 billion tenge or 1.13% of GDP (increased by 8.4 times compared to 2003). In 2019, the GVA of tourism was 776.1 billion tenge (multiplying the share of tourism in 2018 by the volume of GDP in 2019, which amounted to 68,956 billion tenge). In addition, in 2019 5.3 million domestic tourists were served by hotels and other places of accommodation, 8.5 million inbound travelers entered Kazakhstan and there were 10.7 million outbound tourists. The number of domestic tourists and inbound tourists has grown over the past four years.

Figure 18: Tourist numbers in Kazakhstan[26], 2004-2019



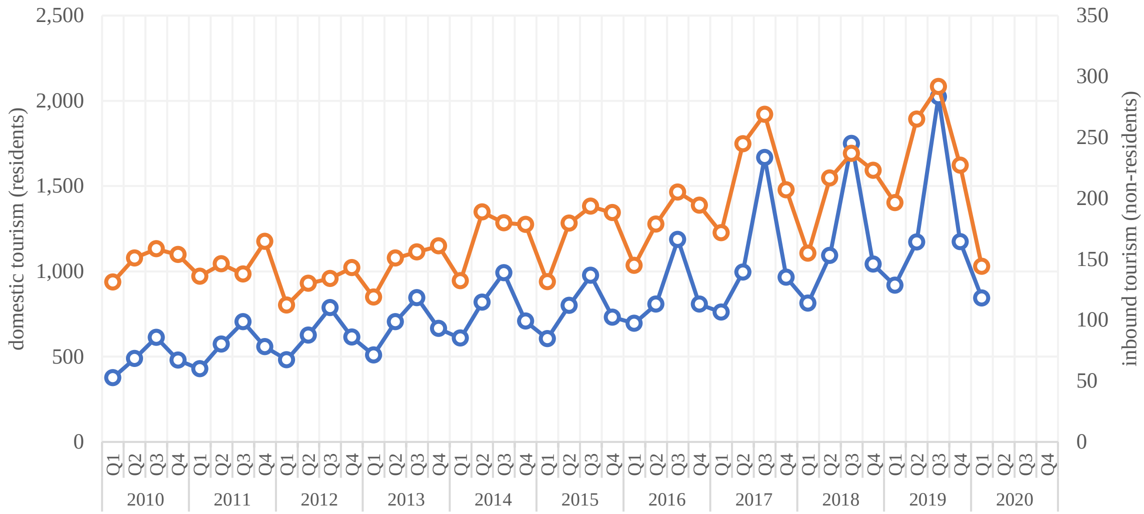
According to model 1 (Annex 2) the coefficients of the number of domestic tourists and inbound tourists show a positive impact with elasticities of 0.78 and 0.90, respectively. The coefficient of the

[26] https://stat.gov.kz/

number of outbound tourists shows a negative impact with an elasticity of 0.51. The elasticity shows the degree of quantitative change in one factor when the other changes by 1%.

The quarterly dynamics of tourist numbers (Figure 19) demonstrate a clearly pronounced seasonality for the past ten years. On average, quarterly seasonality is as follows: in the first quarter the share of tourist numbers is 18.8% of the annual number, in the second quarter 24.4%, in the third quarter 33.2% and in the fourth quarter 23.6%.

Figure 19: Visitor numbers served by accommodation in Kazakhstan, 2010-2020



Note: the data of the Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan was used in modelling.

Scenario 1

The first scenario is based on the assumption that restrictions related to COVID-19 are terminated in the end of the second quarter of 2020.

In this case, taking into account the quarantine period (starting from the second half of March and lasting for almost the entire second quarter), and the seasonal component of the second quarter of tourist numbers, the decrease in the number of inbound tourists was assumed from 8.5 million in 2019 to 6.4 million in 2020. The decrease in the number of outbound tourists was assumed from 10.7 million people in 2019 to 8.1 million in 2020. At the same time, the decrease of outbound tourists indirectly affects domestic tourism, this impact was estimated by model 2 (Annex 2). If the outbound tourist numbers decrease by 1%, domestic tourist numbers will increase by 0.02%. That means that, as a result of the decrease in outbound tourist numbers, domestic tourist numbers will increase by 23,200 people or 0.4% in 2020. Thus, knowing the impact of COVID-19 in the second quarter on tourist numbers, the effect on the GVA of tourism was calculated using model 1. In this case, GVA in 2020 amounts to 667.5 billion tenge or 14% lower than in 2019. This estimate assumes that the flow of tourists will start to recover from the third quarter of 2020. The other two scenarios are based on the assumption that restrictions related to COVID-19 are terminated in the end of the third and fourth quarters of 2020 respectively.

Assessment of the impact of COVID-19 for all three scenarios are presented in Table 7.

Table 7: Scenarios of the impact of COVID-19 on the GVA of the tourism sector in Kazakhstan

Restrictions related to COVID-19 terminated in end of	Reduction of the number of international tourists, %	Number of visitors, thousand people			GVA of the tourism sector, billion tenge
		Domestic	Inbound	Outbound	
Estimated for 2020					
Q2	24.4	5,310.0	6,434.9	8,091.7	667.5
Q3	57.7	5,341.7	3,604.9	4,533.0	535.0
Q4	81.2	5,364.1	1,597.6	2,008.9	390.8
in %, in comparison to 2019					
Q2	24.4	0.4	-24.4	-24.4	-14.0
Q3	57.7	1.0	-57.7	-57.7	-31.1
Q4	81.2	1.5	-81.2	-81.2	-49.6

Further, the impact on such sectors as “accommodation and food services,” “art, entertainment, and recreation,” and “transport” in the GDP structure was assessed using an econometric model 3 (Annex 2). The effect of COVID-19 on Kazakhstan's economic growth according to the different scenarios of termination of COVID-19 related restrictions is presented in Table 8.

Table 8: Scenarios of COVID-19 impact on GDP growth of the tourism sector of Kazakhstan, %

Restrictions related to COVID-19 terminated in end of	Impact of sectors on GDP				Household consumption in the economy	Overall effect on GDP
	Tourism	Transport and warehousing	Accommodation and food services	Arts, entertainment and recreation		
Q2	-0.16	-0.08	-0.04	-0.01	-0.33	**-0.62**
Q3	-0.35	-0.17	-0.09	-0.02	-0.73	**-1.37**
Q4	-0.56	-0.28	-0.15	-0.03	-1.17	**-2.19**

The expenses of those employed in tourism and the tourists represent expenditure on consumer goods, which are subject to VAT and treated as business income. For wholesale and retail businesses, the ratio of profit before tax to business income in 2019 was about 8%. This ratio and population expenditure make it possible to estimate profit before tax, from which the receipts of corporate income tax may be calculated. According to the Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan, the average monthly salary of workers in the tourism sector in 2018 was 95,300 tenge. Owing to lack of data for 2019, wages of tourism workers were indexed for inflation in 2019, the rate of which amounted to 5.4%. Thus, a salary of 100,500 tenge was used in calculating the loss of tax receipts. The expenditure of domestic and inbound tourists in 2018 was 2.6 trillion tenge or an average of 188,900 tenge per tourist. Owing to lack of data for 2019, as well as the estimated wages of tourism workers, they were indexed for inflation in 2019; therefore, expenditures of domestic and inbound tourists in calculations were estimated at 199,100 tenge.

Table 9: Scenario of COVID-19 impact on tax revenues to the budget of Kazakhstan, billion tenge

Restrictions related to COVID-19 terminated in end of	Tax revenues				Final consumption in the economy	In % of state budget tax revenues
	IIT	Social tax	CIT	VAT		
Q2	-0.6	-0.4	-83.3	-50.0	-134.4	-1.5
Q3	-1.4	-0.8	-196.5	-117.9	-316.7	-3.4
Q4	-2.3	-1.3	-277.5	-166.5	-447.5	-4.9

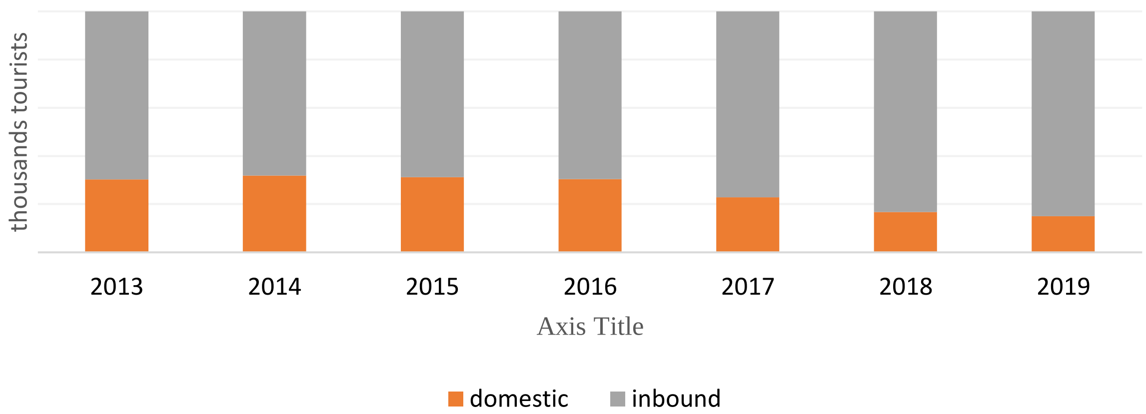
Note: IIT - individual income tax, CIT – corporate income tax, VAT - value added tax, GDP – gross domestic product, GVA - gross value added.

Kyrgyzstan

The impact of COVID-19 on the tourism of Kyrgyzstan was assessed using the same framework as for Kazakhstan.

According to the data of the National Statistics Committee of the Kyrgyz Republic, the GVA of tourism in 2019 was 30.4 billion som or 5.1% of GDP (increased by 22.2 times compared to 2003). In addition, in 2019 the number of domestic tourists was 1.5 million, and 8.6 million inbound travelers entered Kyrgyzstan. The number of domestic tourists has grown in comparison with the number of inbound tourists in the past four years (Figure 20).

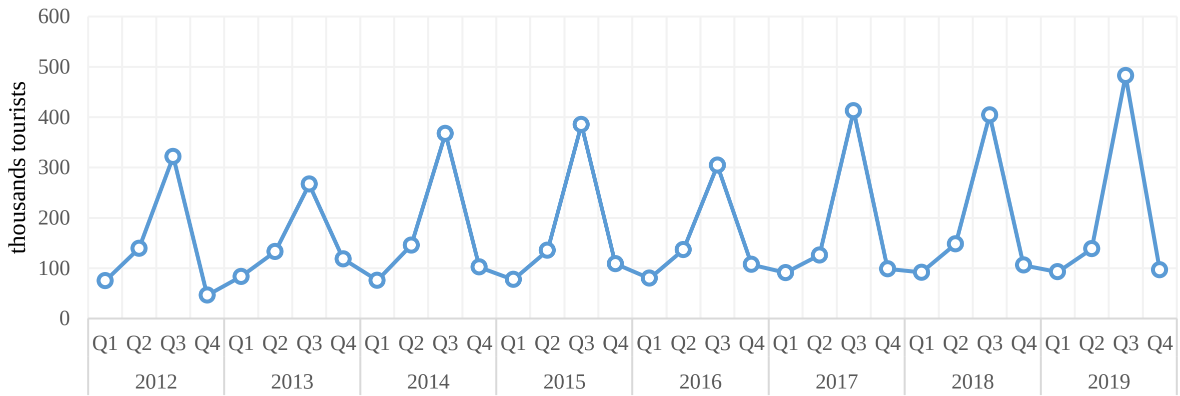
Figure 20: Tourist numbers in Kyrgyzstan, 2013-2019



According to model 6 (Annex 2), the coefficients of the numbers of domestic tourists and inbound tourists show a positive impact with elasticities of 0.95 and 0.74 respectively. The elasticity shows the degree of quantitative change in one factor when the other changes by 1%.

The quarterly dynamics of tourist numbers (Figure 21) demonstrate a clearly pronounced seasonality for the past eight years. On average, quarterly seasonality is as follows: in the first quarter, the share of tourist numbers is 12.1% of the annual number, in the second quarter 20.0%, in the third quarter 53.6%, and in the fourth quarter 14.2%.

Figure 21: Domestic and inbound tourist numbers in Kyrgyzstan, 2012-2019



Scenario 1

The first scenario is based on the assumption that restrictions related to COVID-19 are terminated at the end of the second quarter of 2020. In this case, taking into account the period of the quarantine (starting from the second half of March and lasting for almost the entire second quarter), and the seasonal component of the second quarter of tourist numbers, the number of inbound tourists was assumed to have decreased from 8.5 million in 2019 to 6.4 million in 2020. Outbound tourist numbers were assumed to have decreased from 8.6 million in 2019 to 6.9 million in 2020. At the same time, the decrease of inbound tourists indirectly affects domestic tourism; this impact was estimated by model 7 (annex 2). If inbound tourist numbers decrease by 1%, domestic tourist numbers will increase by 0.11%. Thus, knowing the impact of COVID-19 in the second quarter on tourist numbers, the effect on the GVA of tourism was calculated using model 6. In this case, the GVA in 2020 will amount to 28.8 billion som or 5.3% lower than in 2019. This estimate assumes that the flow of tourists will start to recover from the third quarter of 2020. The other two scenarios are based on the assumption that restrictions related to COVID-19 are terminated at the end of the third and fourth quarters of 2020 respectively.

The assessment of the impact of COVID-19 in all three scenarios is presented in Table 10.

Table 10: Scenarios of the impact of COVID-19 on the GVA of the tourism sector in Kyrgyzstan

Restrictions related to COVID-19 terminated in end of	Reduction of the number of international tourists, %	Number of visitors, thousands		GVA of the tourism sector, billion som
		Domestic	Inbound	
Estimated for 2020				
Q2	20.0	1,498	6,905	27.4
Q3	73.6	1,408	2,276	19.5
Q4	87.9	1,384	1,046	17.4
in %, in comparison to 2019				
Q2	20.0	-2.2	-20.0	-5.2
Q3	73.6	-8.1	-73.6	-35.8
Q4	87.9	-9.7	-87.9	-42.7

Further, the impact on sectors such as "accommodation and food services," "art, entertainment, and recreation," and "transport" was assessed using an econometric model 8 (Annex 2). The effect of COVID-19 on Kyrgyzstan's economic growth according to the different scenarios of termination of COVID-19 related restrictions is presented in Table 11.

Table 11: Scenario of COVID-19 impact on GDP growth of the tourism sector of Kyrgyzstan, %

Restrictions related to COVID-19 terminated in end of	Impact of sectors on GDP				Household consumption in the economy	Overall effect on GDP
	Tourism	Transport and warehousing	Accommodation and food services	Arts, entertainment and recreation		
Q2	-0.50	-0.17	-0.12	-0.02	-0.23	**-1.04**
Q3	-1.82	-0.63	-0.45	-0.06	-0.4	**-3.80**
Q4	-2.18	-0.75	-0.54	-0.07	-1.01	**-4.55**

The expenses of those employed in tourism and the tourists represent expenditure on consumer goods, which are subject to VAT and treated as business income. For wholesale and retail businesses, the ratio of profit before tax to business income in 2019 was about 20.3%. Based on this ratio and expenditures of the population, the estimation was made of profit before tax, from which the receipts of corporate income tax may be calculated. According to the National Statistics Committee of the Kyrgyz Republic, the average monthly salary of workers in the tourism sector in 2018 was 10,900 som. Owing to lack of data for 2019, wages of tourism workers were indexed for inflation in 2019, the rate of which amounted to 3.1%. Thus, a salary of 11,200 som was used to calculate the loss of tax receipts. The expenditures of domestic and inbound tourists in 2019 were 91.5 billion som or an average of 9,000 som per tourist.

Table 12: Scenario of COVID-19 impact on tax revenues to the budget of Kyrgyzstan, million som

Restrictions related to COVID-19 terminated in end of	Tax revenues				Final consumption in the economy	In % of state budget tax revenues
	IIT	Social tax	CIT	VAT		
Q2	-9	-20	-1 598	-1 917	-3 544	-2.9
Q3	-32	-72	-5 870	-7 044	-13 018	-10.7
Q4	-38	-86	-7 006	-8 407	-15 537	-12.8

Note: IIT - individual income tax, CIT – corporate income tax, VAT - value added tax

The assessment of the impact of the COVID-19 pandemic on tourism growth and the economy revealed that, if the COVID-19 restrictions were terminated at the end of the fourth quarter of 2020, GVA in tourism in Kazakhstan would decline by 49.6%, the number of international tourists by 81.2%, tax revenues by 4.9%, and GDP by 2.19%. In Kyrgyzstan, in this case, GVA in tourism would decline by 42.7%, international tourist numbers by 87.9%, tax revenues by 12.8%, and GDP by 4.55% (Table 13). If the COVID-19 restrictions were terminated at the end of the third quarter of 2020, the impact on tourism indicators and economic growth is presented in Table 14.

Table 13: Impact of COVID-19 on tourism indicators and economic growth (Q4)

	Reduction of the number of international tourists, %	**GVA of the tourism sector, %**	**In % of state budget tax revenues**	**Overall effect on GDP, %**	**Household consumption in the economy**
Kazakhstan	81.2	-49.6	-4.9	-2.19	-1.17
Kyrgyzstan	87.9	-42.7	-12.8	-4.55	-1.01

Note: Restrictions related to COVID-19 terminated at end of fourth quarter of 2020

Table 14: Impact of COVID-19 on tourism indicators and economic growth (Q3)

	Reduction of the number of international tourists, %	**GVA of the tourism sector, %**	**In % of state budget tax revenues**	**Overall effect on GDP, %**	**Household consumption in the economy**
Kazakhstan	57.7	-31.1	-3.4	-1.37	-0.73
Kyrgyzstan	73.6	-35.8	-10.7	-3.80	-0.84

Note: Restrictions related to COVID-19 terminated at end of third quarter of 2020

7. Tourism sector scenarios: Kazakhstan and Kyrgyzstan

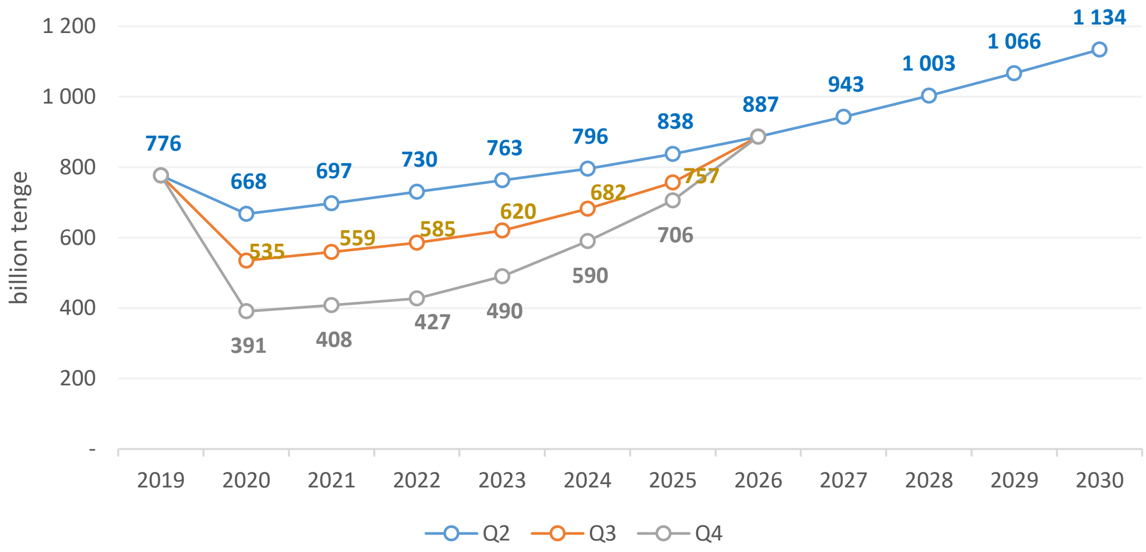
Based on the prevailing situations in both countries, in the region, and globally, as a result of the spread of the coronavirus infection and widespread uncertainty regarding policies in the post-COVID period, two scenarios of tourism development in Kazakhstan and Kyrgyzstan, and in ABEC were assumed for the period 2020-2030.

7.1 Kazakhstan

Baseline scenario

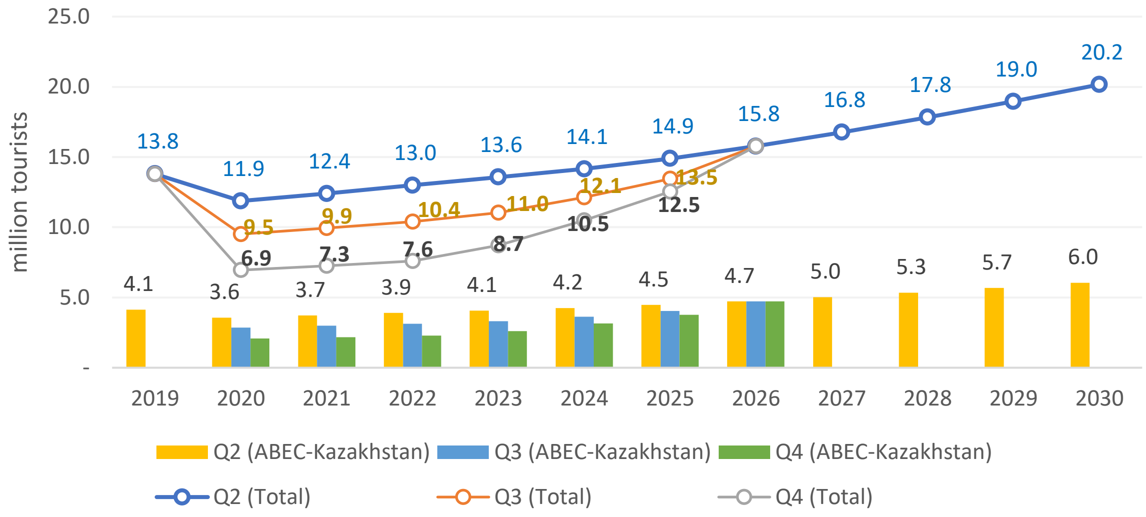
In view of the deep recession of the world economy, it is assumed that the economy will recover within five years with moderate growth at 1% to 1.5%. From 2025, it is planned to gradually accelerate the pace of the economy up to 2.0% to 3.0%. Therefore, global economic growth will have an impact on a moderate recovery on the tourism sector of Kazakhstan. The forecast of the tourism sector until 2025 was modeled on the Forecast of Socio-Economic Development of the Republic of Kazakhstan for 2021-2025 from May 4, 2020 and until 2030 by maintaining economic growth at the level of 6% to 7%. Full recovery by sector and achievement of pre-crisis levels is expected in 2024-2026 depending on the duration of travel restrictions and containment measures.

Figure 22: Baseline scenario forecast of GVA of the tourism sector of Kazakhstan



Note: Q2 reflects scenario based on assumption that restrictions related to COVID-19 are terminated at the end of second quarter of 2020
Q3 reflects scenario based on assumption that restrictions related to COVID-19 are terminated at the end of third quarter of 2020
Q4 reflects scenario based on assumption that restrictions related to COVID-19 are terminated at the end of fourth quarter of 2020
The forecast of tourist numbers is linked to the growth rate of the GVA of the tourism industry until 2030.

Figure 23: Baseline scenario forecast of tourist numbers in Kazakhstan and in ABEC regions of Kazakhstan in 2020-2030

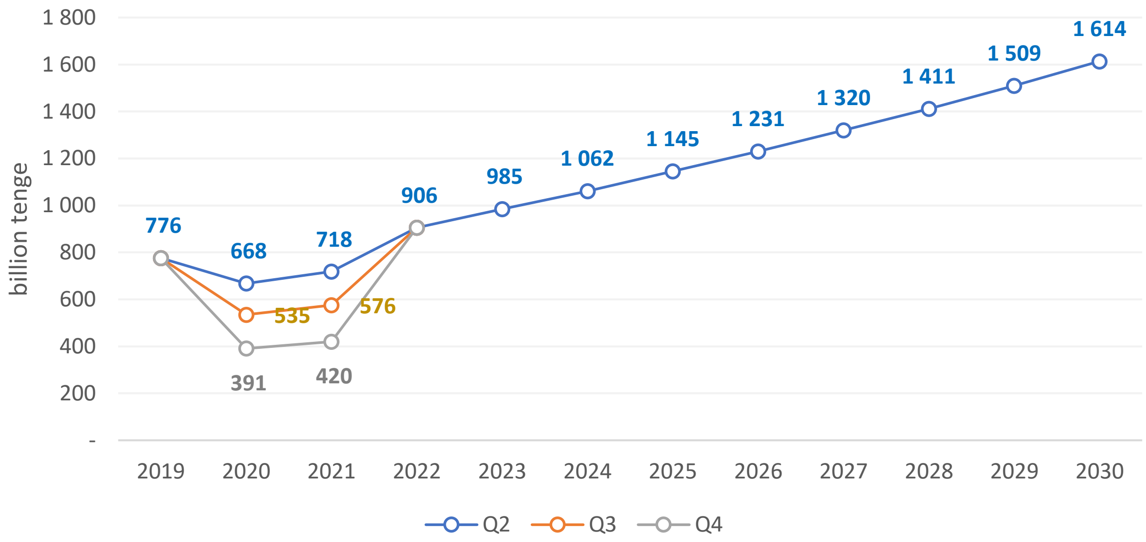


Note: ABEC-Kazakhstan means the number of tourists in ABEC regions of Kazakhstan
Total means the number of tourists in Kazakhstan

Optimistic scenario

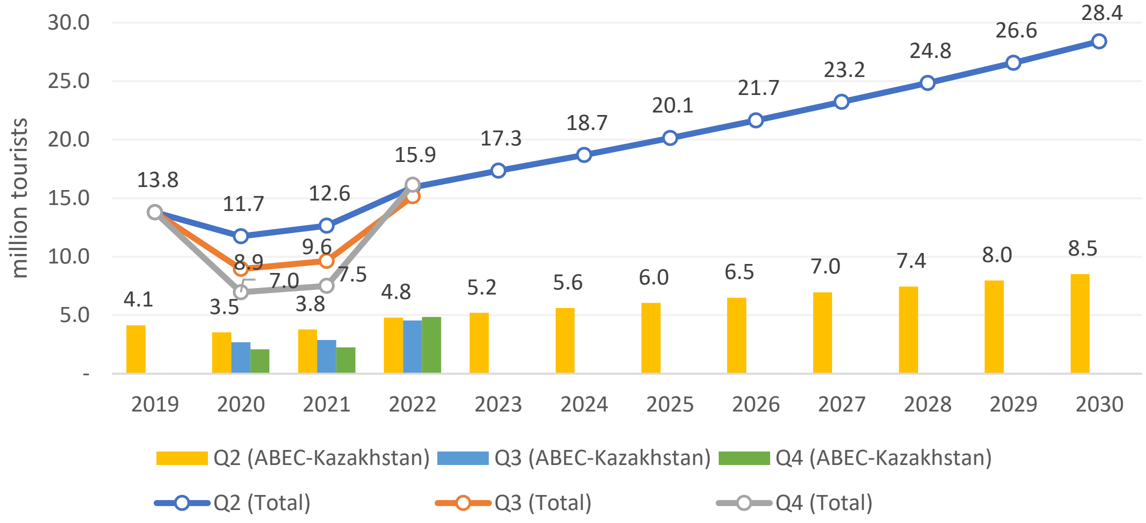
Recovery in the tourist industry will start in 2021, and full recovery and achievement of pre-crisis levels are expected by 2022.

Figure 24: Optimistic scenario forecast of GVA of the tourism sector in Kazakhstan and in ABEC regions of Kazakhstan in 2020-2030



The forecast of tourist numbers in this scenario is linked to the growth rate of the GVA of the tourism industry until 2030. An average share of 30% of the total tourist flow was used to estimate the number of tourists for ABEC.

Figure 25: Optimistic scenario forecast of tourist numbers in Kazakhstan and in ABEC regions of Kazakhstan in 2020-2030



7.2 Kyrgyzstan

In developing a forecast of the tourism sector in the period up to 2030, scenarios of Kyrgyzstan's economic growth were used. The baseline scenario assumes recovery and the achievement of pre-crisis levels starting from 2024, after a sharp decline in the economy of 10% in 2020. Annual growth rates in 2025-2030 are expected to be about 3%. According to the optimistic scenario recovery and achievement of pre-crisis levels in tourism supposed to start in 2022, growth rates in 2021-2022 are expected at 5% to 6%.

Baseline scenario

Figure 26: The baseline scenario forecast of GVA of the tourism sector in Kyrgyzstan

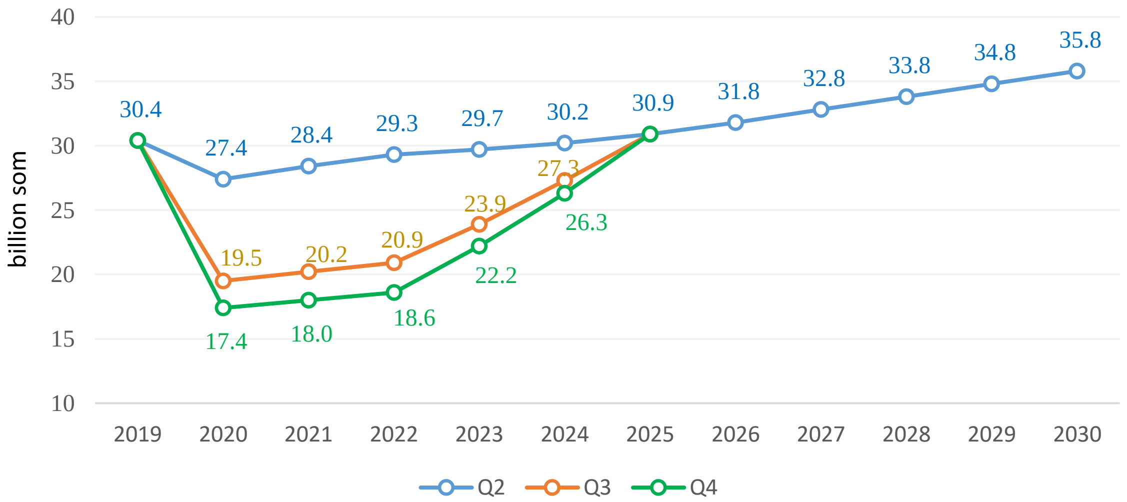
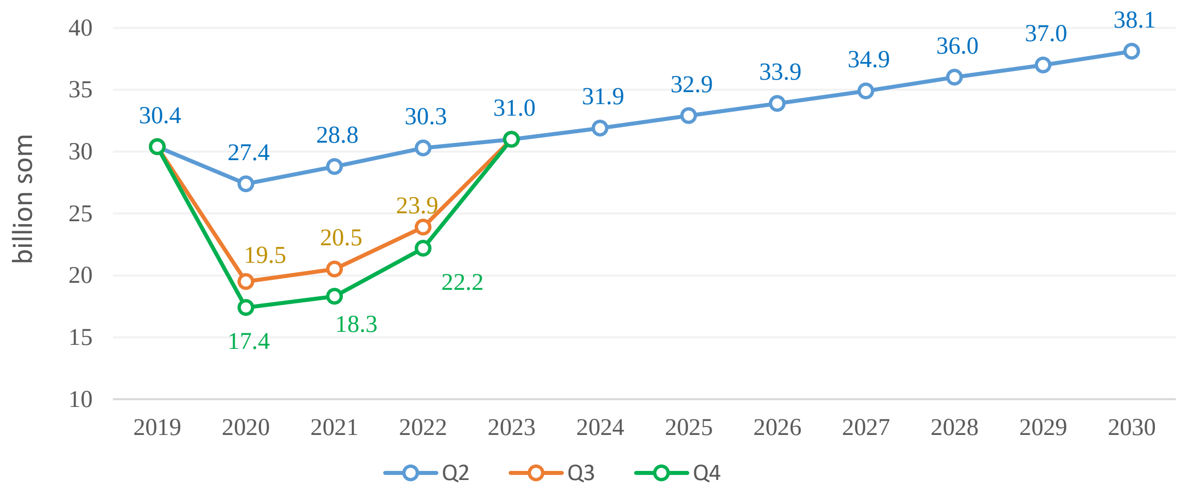


Figure 27: Optimistic scenario forecast of GVA of the tourism sector in Kyrgyzstan



The forecast of the number of tourists in Kyrgyzstan is linked to the growth rate of the GVA of the tourism industry until 2030.

In 2019, tourist flow in ABEC regions of Kyrgyzstan comprised 62.4% of the total number of tourists, and this share was applied to calculate the number of tourists in ABEC regions in the period up to 2030.

Figure 28: Baseline scenario forecast of tourist numbers in Kyrgyzstan and in ABEC regions of Kyrgyzstan in 2020-2030

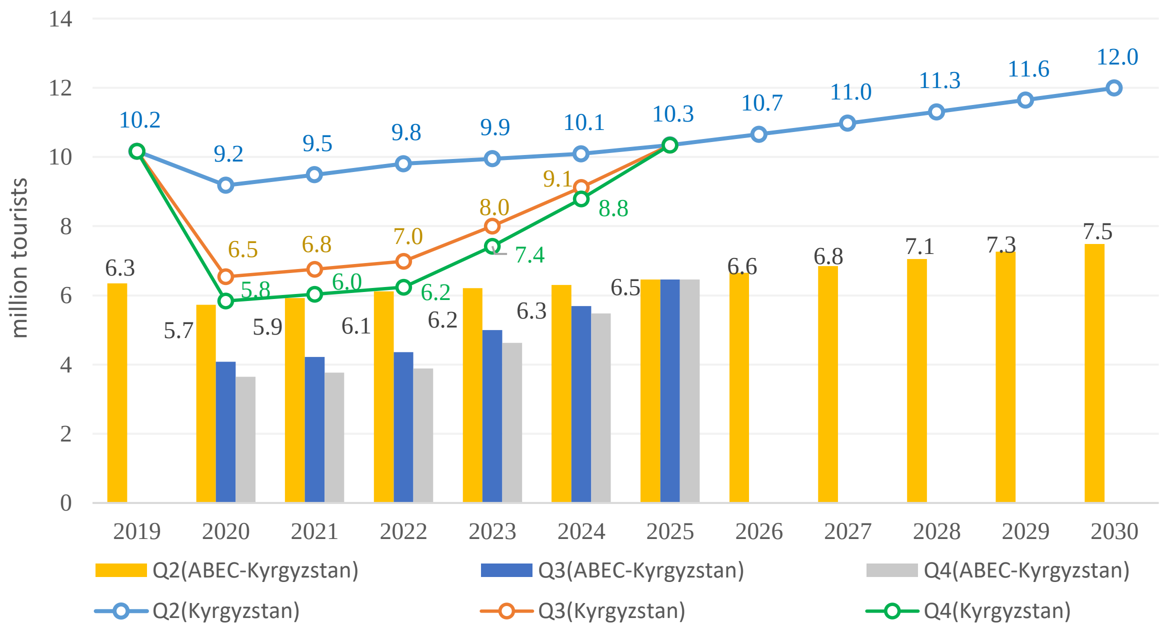
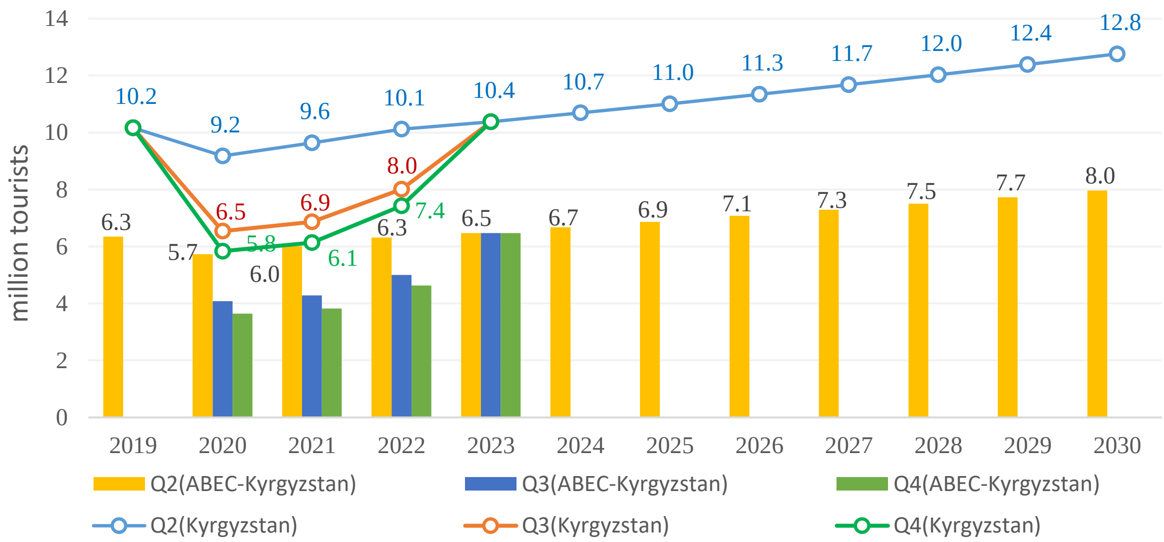


Figure 29: Optimistic scenario forecast of tourist numbers in Kyrgyzstan and in ABEC regions of Kyrgyzstan in 2020-2030



7.3 Summary of forecasting conclusions

1) Because of high uncertainty about the duration of the COVID-19 pandemic, as well as the depth and duration of the global recession, different scenarios were developed; the main distinction between these is in the period of economic recovery. If COVID restrictions cease by the end of the third quarter of 2020, tourist numbers and value added in the tourism sector will return to pre-crisis levels in both countries mostly in 2025.

2) In the protracted recession with falling incomes affecting the middle classes, particularly in neighboring countries, most of the investment projects envisaged in the framework of ABEC would be deferred and implementation of them expected mostly after three to five years.

3) In view of the difficult financial situation and high debt burden, a rather modest growth of tourism in Kyrgyzstan is forecast (average growth rate in 2025-2030 of 3% annually). While the government of Kazakhstan adopted a program providing extensive development of the tourism industry in 2020-2025; therefore, growth rates of the tourism sector in Kazakhstan are projected in 2026-2030 at 6.4% annually.

4) Consideration of the supposed scenarios provides room for a better understanding of the prospective framework for the development of the tourism sector of ABEC in the period up to 2030 and will support strategic planning of the development of tourism and other related economic sectors.

8. Conclusions and recommendations

The COVID-19 pandemic has led to a deep global recession. The pandemic, and the aggressive restrictions and voluntary restraints on human interaction adopted, have already led to massive downturns in most economies. The uncertain course of the pandemic has caused extraordinary economic uncertainty, including about the possible depth and duration of the global recession, and about how different countries will be affected. It is expected that the global recovery will be protracted, not V-shaped, as normalization will be hampered by continued social distancing, frequently observed outbreak recurrences, a very weak external environment, and disrupted supply chains. Tourism activity has been severely affected by sweeping measures to stem the spread of COVID-19, with much of the summer holiday season lost despite the lifting of restrictions in some countries, as travelers remain risk averse and consumers have less disposable income amid widespread job losses. According to UNWTO, declines in international tourist arrivals are expected between 60% and 80% in 2020.[27]

The first cases of COVID-19 in Kazakhstan and Kyrgyzstan were detected by mid-March 2020. The countries adopted strict emergency measures, imposed border restrictions with neighboring countries, and suspended all international and domestic flights. While vital to public health, these measures have significantly impacted countries' economic stability and social fabric. Moreover, despite their severity, these measures could not prevent the deepening of the crisis in both countries, with subsequent surges in COVID-19 infections and deaths. However, the negative impact on Kyrgyzstan's economy was more pronounced. GDP in the country decreased in the first six months of 2020 by 5.3%, while in Kazakhstan the reduction of GDP was 1.8%.[28] GDP in Kazakhstan is forecast to fall by 3% in 2020.[29] In Kyrgyzstan, it is estimated that GDP will fall by 10% in 2020.[30]

Assessment of the impact of COVID-19 on tourism growth and the economy in Kazakhstan and Kyrgyzstan revealed that, if COVID restrictions terminated at the end of the third quarter of 2020, GVA in Kazakhstan tourism would decline by 31.1%, the number of international tourists by 57.7%, tax revenues by 3.4%, and GDP by 1.4%. In Kyrgyzstan, GVA in tourism would decline by 35.8%, the number of international tourists by 73.6%, tax revenues by 10.7%, and GDP by 3.8%.

Based on results of the analysis of the impact of COVID-19, different scenarios were developed and the prospects of the tourism sector in the period of 2020-2030 in Kazakhstan and Kyrgyzstan and in ABEC regions of the two countries was considered. The main distinction between the scenarios is in the period of economic recovery. If COVID restrictions could be terminated by the end of the third quarter of 2020, it is assumed that tourist numbers and the GVA in the tourism sector would return to pre-crisis levels in Kazakhstan in 2026 and in Kyrgyzstan in 2025 (baseline scenario). In view of the difficult financial situation and the high debt burden, the growth of tourism in Kyrgyzstan in the forecast period is expected to be rather modest (average growth rate in 2025-2030 of 3% annually). While the government of Kazakhstan adopted a program providing extensive development of the tourism industry in 2020-2025; therefore, growth rates of the tourism sector in Kazakhstan are projected in 2026-2030 at 6.3% annually (baseline scenario). Consideration of the proposed scenarios enables a better understanding of the prospective framework for the development of the tourism sector of ABEC in the period up to 2030.

The current crisis is unique in terms of the coverage of world economies and industries, and the speed of distribution. The COVID-19 pandemic is also more likely to entail long-term changes in

[27] https://www.unwto.org/un-tourism-news-12
[28] Sources: Committee on Statistics of Kazakhstan; National Statistical Committee of the Kyrgyz Republic.
[29] Navigating the crisis. World Bank, Kazakhstan Economic Update Summer 2020, 2020.
[30] COVID-19 in the Kyrgyz Republic: Socioeconomic and Vulnerability Impact Assessment and Policy Response. ADB and UNDP, August 2020.

public attitudes, policies, working methods, and patterns of consumption. Active state support is needed, therefore, to compensate for the negative consequences of the coronavirus infection in the tourism industry and to overcome the crisis without serious losses.

8.1 Recommendations on state support measures

The governments of the two countries are encouraged to develop special programs in partnership with international organizations for supporting the tourism industry and to focus on the following recommendations:

1) To increase the availability of loans for business entities operating in the tourism sector and to provide other financial stimulus for tourism investment and operations to help keep the sector afloat.
2) Industry representatives favor improved COVID-19 screening at borders and expanded testing for the population as they are worried about an increased risk of infection from domestic and foreign tourists and recognize the need to rebuild consumer confidence to travel. In this regard, new internationally recognized operating standards and protocols need to be introduced, which seek to protect workers, restore travelers' confidence, ensure social distancing, and put in place the necessary cleaning and hygiene standards.
3) To provide training and advisory support for tourism businesses, to enable them to respond to the challenges and threats now being faced in the sector. Furthermore, to assist tourism businesses in meeting social distancing and cleaning requirements in line with the national protocol, and to prepare detailed guidelines for the sector in consultation with the tourism industry and the relevant authorities.
4) To subsidize the costs of business entities operating in the tourism sector for the purchase of appropriate equipment (such as, thermometers and thermal imagers), consumables and to cover other related costs to comply with new operating standards and protocols.
5) To prepare and implement a program of professional webinars and web-based courses, in order to preserve and enrich the human capital of the countries' tourism industry, including hoteliers, travel agents, tour operators, tour guides, and other travel professionals. The information to be focused on practical expert guidance to cope with the corona crisis and planning ahead for the post-corona period.
6) One of the web-based courses will be free online training material on the digitalization of tourism businesses.
7) To launch a campaign aimed at reinforcing the countries' positive image during the COVID-19 pandemic. The campaign, aimed at retaining the interest of potential visitors as well, to also leverage YouTube, Facebook, or other social media tools with videos featuring popular figures like pop singer Dimash Kudaibergen (Kazakhstan) and handball star, famous player, and coach Talant Duishebaev (Kyrgyzstan).
8) To broadcast online virtual tours of sites and attractions around the countries, to raise appetite for visiting the sites, and keep the postponed tours alive in the memory.
9) Useful information is bundled and distributed as, for instance, FAQs about the crisis, and about national and regional government measures to counteract difficulties and to support the tourism sector.
10) Establish interministerial task forces to bring together public bodies and the private sector. These task forces are to work on recovery plans for the post COVID-19 period and to conduct regular surveys.
11) Work on the revision of the national mid-term tourism strategies for the years 2021-2025. It will include updated goals and measures that will be carried out during the recovery phase.

8.2 Recommendations for the tourism sector in ABEC

In a situation of protracted recession and falling incomes affecting the middle classes particularly in neighboring countries, most investment projects envisaged in the framework of ABEC could probably be deferred; with implementation of these projects expected mostly after three to five years.

It is, therefore, proposed that governments work energetically on implementing the main reforms and the investment projects envisaged in the framework of ABEC to ensure prompt implementation of major projects including infrastructural projects. A smooth realization of projects as early as possible will stimulate an increase not only in travel and tour operations, but also in shopping, entertainment, transport, and various other tourism-related service occupations and productive sectors, as well as providing opportunities for job creation and poverty reduction in the ABEC region. To encourage knowledge-generation on economic corridor development in Central Asia and to promote the image of ABEC regionally and globally, the governments of the two countries, international organizations, including ADB and other institutions supporting the CAREC Program, in collaboration with well-known think tanks are recommended to:

1) Support the setting-up of research and studies on the prospects of development of priority sectors including the tourism sector, and on the social-economic impact of establishing major clusters in the framework of ABEC.
2) Discuss these research results in seminars and conferences to contribute to a better understanding of the benefits of ABEC, the first economic corridor to be established in Central Asia.

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Annex 1: Survey template

PROSPECTS OF TOURISM DEVELOPMENT WITHIN THE FRAMEWORK OF THE IMPLEMENTATION OF THE ACTIVITIES OF THE ALMATY-BISHKEK ECONOMIC CORRIDOR

(A national expert survey is conducted in order to collect expert views on tourism development of the Almaty-Bishkek Economic Corridor, each of which will contribute to the development of tourism in Kyrgyzstan and Kazakhstan)

N. B.: All answers are confidential, the use of personal data and / or company data in reports and / or publications is completely excluded

The duration of the survey is about 30-40 minutes.
The statements below evaluate the conditions and level of tourism development in the Almaty-Bishkek Economic Corridor.
Please note the level of development of the factor, which, in your opinion, best describes its state, where
1 = Strongly disagree, 2 = Partially agree, 3 = Strongly agree, 97 = Do not know and 98 = Not applicable.

		(1) Strongly disagree	*(2) Partially agree*	*(3) Strongly agree*	*Do not know*	*Not applicable*
*Theme A: LEGAL FRAMEWORK FOR THE DEVELOPMENT OF TOURISM: **In the country …***						
A01	Government policy is aimed at consistent support of the tourism industry	1	2	3	97	98
A02	Support of new and growing firms in the tourism industry is a priority on the national level	1	2	3	97	98
A03	Support of new and growing firms in the tourism industry is a priority aim on the local government level	1	2	3	97	98
A04	Companies are able to get the necessary permits for the construction within a week	1	2	3	97	98
A05	The amount of taxes is not a heavy burden for companies operating in the tourism industry	1	2	3	97	98
A06	New and growing companies in the tourism industry do not have excessive difficulties with state bureaucracy	1	2	3	97	98
A07	Enforcement of environmental legislation is ensured at a sufficient level.	1	2	3	97	98
A08	The protection of historical and cultural heritage is provided at a sufficient level.	1	2	3	97	98
A09	Expropriation of real estate complies with tourism practices in developed countries	1	2	3	97	98
A10	Regulation of ownership of foreign firms and foreign citizens does not create problems for the development of tourism	1	2	3	97	98
*Theme B: INSTITUTIONAL STRUCTURE FOR TOURISM DEVELOPMENT: **In the country …***						
B01	A wide range of government support for new and growing companies sufficiently stimulates the development of the tourism industry	1	2	3	97	98
B02	There are a sufficient number of government measures to support the tourism industry	1	2	3	97	98
B03	Government officials support the tourism industry competently and efficiently	1	2	3	97	98
B04	Institutions responsible for tourism development work efficiently	1	2	3	97	98
B05	Institutional structure of tourism industry support does not require changes	1	2	3	97	98
*Theme C: TRAINING STAFF FOR TOURISM DEVELOPMENT: **In the country …***						
C01	Special education, vocational education and advanced training systems provide sufficient training in the field of tourism	1	2	3	97	98
C02	The system of primary and secondary education pays enough attention to entrepreneurship and the creation of new firms	1	2	3	97	98
C03	International partnership for training staff within the framework of the Almaty-Bishkek Economic Corridor is effective	1	2	3	97	98

Theme D: INFRASTRUCTURE FOR TOURISM DEVELOPMENT: ***In the country …***						
D01	Road transport contributes to tourism	1	2	3	97	98
D02	Rail transport contributes to tourism	1	2	3	97	98
D03	Air transport contributes to tourism	1	2	3	97	98
D04	Physical infrastructure (roads, utilities, communications, waste management, etc.) contributes to the development of the industry	1	2	3	97	98
D05	During the construction and reconstruction of facilities, new or developing firms are able to gain access to high-quality public services (such as gas, water supply, electricity, sewage, etc.) within a month	1	2	3	97	98
D06	Roadside services, public restrooms and infrastructure in nature parks are developing rapidly	1	2	3	97	98
Theme E: PROSPECTS OF TOURISM DEVELOPMENT: ***In the country …***						
E01	The existing tourism development potential has been fully utilized to date	1	2	3	97	98
E02	Tourism in the medium term (5-7 years) will develop faster than other sectors of the economy	1	2	3	97	98
E03	The listed types of tourism are the highest priority and the most promising:					
	- adventure tourism	1	2	3	97	98
	- cultural and historical tourism	1	2	3	97	98
	- Wellness and spa tourism	1	2	3	97	98
	- business tourism	1	2	3	97	98
	- event tourism	1	2	3	97	98
	- another type (specify which) ____	1	2	3	97	98
E04	Post-crisis tourism industry needs to be strengthened in response to the COVID-19 coronavirus pandemic	1	2	3	97	98
Theme F: GENERAL PLAN ON TOURISM OF THE ALMATY-BISHKEK ECONOMIC CORRIDOR ***(in case you are familiar with the General Plan): In the country …***						
F01	The tourism general plan of the Almaty-Bishkek Economic Corridor will allow tourism to be developed in two countries to international standards	1	2	3	97	98
F02	The structure of the proposed tourist clusters in the Almaty-Bishkek Economic Corridor has a high potential for implementation	1	2	3	97	98
F03	Investment projects implemented within the framework of the Almaty-Bishkek Economic Corridor have a high implementation potential	1	2	3	97	98
F04	Investment projects implemented within the framework of the Almaty-Bishkek Economic Corridor will be implemented despite the COVID-19 coronavirus pandemic					

Name three:	
	1. Factors hindering the development of tourism in the country (B1-B3):
B1	
B2	
B3	
	2. Factors contributing to the development of tourism in the country (D1 – D3):
D1	
D2	
D3	
	3. *Recommendations incentivizing the development of tourism of the Almaty-Bishkek Economic Corridor in connection with the COVID-19 coronavirus pandemic (R1-R3):*
R1	
R2	
R3	

ADDITIONAL INFORMATION

In order to help us get an idea of the experience of our respondents, please answer the following questions:

SEX	MALE (1)	FEMALE (0)

YOUR EDUCATION (NOTE WHICH ONE IS APPLICABLE)		
Technical or vocational	YES	NO
Professional retraining (retraining courses, MBA)	YES	NO
Institute or University Diploma	YES	NO
Academic degree (master, candidate of sciences, doctors of sciences)	YES	NO
Your professional specialization (engineering, business, law, accounting, etc. Indicate your type of activity / area of research)		

How many years in general have you been involved in the tourism industry?		**NUMBER OF YEARS:**	
WHICH OF THE DEFINITIONS SUGGESTED BELOW CHARACTERIZES YOUR BEST? (check all that applicable in the box YES)	entrepreneur	YES	NO
	Investor, financier, banker	YES	NO
	Politician	YES	NO
	State employee	YES	NO
	Business service provider (specify which)________________________	YES	NO
	Lecturer, researcher in the field of tourism, coach	YES	NO
	If other, specify which exactly		

Thank you for participating in the research. Personal information will remain confidential and will only be used for scientific purposes.

Name: ....

Address:...

Phone (including international dialing code)..

E-Mail:..

Annex 2: Influence of COVID-19 on tourism of Kazakhstan, Kyrgyzstan and ABEC

Kazakhstan

A logarithmic regression equation of the following type was used to assess the impact of the number of tourists on the GVA of the tourism sector:

$$Ln(GVA_{tour}) = 0{,}78 * Ln(Int) + 0{,}90 * Ln(Ent) - 0{,}51 * Ln(Lft) - 3{,}49 \qquad (1)$$

GVA_{tour} – GVA of the tourism sector;
Int – Number of domestic tourists;
Ent – Number of inbound tourists;
Lft – Number of outbound tourists.

The statistical characteristics of the model (1) show that 97.1% of the variance is explained by the indicators included in the model. The calculated t-statistics for all parameters of the resulting model indicates the significance of the coefficients below 0.5%. The calculated Darbin-Watson statistics indicate the absence of first-order autocorrelation and have a value closer to two, the adequacy of the model is shown by Fisher's statistics, which is below 0.5% (Table 1).

Table 1. The parameters of the econometric model (1)
Dependent Variable: LOG(GVATOUR)
Method: Least Squares
Sample: 2004 2019
Included observations: 16

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(INT)	0.779745	0.204009	3.822104	0.0024
LOG(ENT)	0.903795	0.334265	2.703826	0.0192
LOG(LFT)	-0.505724	0.187704	-2.694268	0.0195
C	-3.490188	0.902526	-3.867132	0.0022
R-squared	0.971402	Mean dependent var		5.755793
Adjusted R-squared	0.964252	S.D. dependent var		0.596658
S.E. of regression	0.112811	Akaike info criterion		-1.313891
Sum squared resid	0.152715	Schwarz criterion		-1.120743
Log likelihood	14.51112	Hannan-Quinn criter.		-1.304000
F-statistic	135.8681	Durbin-Watson stat		1.722025
Prob(F-statistic)	0.000000			

The coefficients of the number of domestic tourism and inbound tourists show a positive impact with elasticities of 0.78 and 0.90, respectively. The coefficient of the number of outbound tourists shows a negative impact with an elasticity of 0.51. The elasticity shows the degree of quantitative change in one factor when the other changes by 1%.

Scenario 1
First scenario is based on assumption that restrictions related to COVID-19 are terminated in the end of second quarter of 2020.
In this case, taking into account the period of the quarantine (started from the second half of March and lasted for almost the entire second quarter), and the seasonal component of the second quarter of the number of tourists, the decrease of the number of inbound tourists from 8.5 million in 2019 to

6.4 million in 2020 was assumed. The decrease of number of outbound tourists was assumed from 10.7 million people in 2019 to 8.1 million in 2020. At the same time, decrease of outbound tourists indirectly affects the domestic tourism, this impact was estimated by calculating the following elasticity coefficient:

$$E = \frac{\sum(\Delta Lft - \overline{\Delta Lft})(\Delta Int - \overline{\Delta Int})}{\sum(\Delta Lft - \overline{\Delta Lft})^2} \quad (2)$$

E	– Coefficient of elasticity of domestic tourism for outbound tourism;
ΔInt	– Changes of the number of domestic tourists;
ΔLft	– Changes of the number of outbound tourists.

This calculated coefficient shows that, if the number of outbound tourists decrease by 1%, the number of domestic tourists will increase by 0.02%. That means that as a result of the decrease of number of outbound tourists, the number of domestic tourists will increase by 23.2 thousand people or 0.4% in 2020. Thus, knowing the impact of COVID-19 in the second quarter on the number of tourists, the effect on the GVA of the tourism was calculated using the model (1). In this case, the GVA in 2020 will amount 667.5 billion tenge or 14% lower than in 2019. This estimate assumes that the flow of tourists will start to recover from the third quarter of 2020. The other two scenarios are based on assumption that restrictions related to COVID-19 are terminated in the end of third quarter and fourth quarter of 2020 respectively.

Further, the impact on such sectors as “Accommodation and food services”, “Art, entertainment and recreation” and “Transport” in the GDP structure was assessed using an econometric model:

$$Ln(Dep_t) = a + b * Ln\left(GVA_{tour_t}\right) + c * Ln(Dep_{t-1}) + \varepsilon_t \quad (3)$$

$Ln(Dep_t)$	– GVA of “Accommodation and food services”, “Art, entertainment and recreation” and “Transport” sectors;
GVA_{tour}	– GVA of the tourism sector;
b	– Coefficient of elasticity.

Note: “Transport and warehousing” includes activities of land and pipeline transport, water transport activities, air transport activities, warehousing of goods.

- “Accommodation and food services” includes temporary accommodation services, food services.

- “Art, entertainment and recreation” includes activities in the field of creativity, arts and entertainment, activities of libraries, archives, museums and other activities in the field of culture, activities for the organization of gambling and betting, activities in the field of sports, recreation and entertainment.

The econometric model (3) was applied for each sector. The inclusion to the model of a lag variable was necessary to account for other factors. The coefficients of elasticity of industries for the GVA of the tourism amounted to 0.28 for the “Accommodation and food services” sector, 0.09 for the “Arts, entertainment and recreation” sector, and 0.07 for the “Transport” sector.

The obtained elasticity coefficients were applied to determine the effect on the economic growth of Kazakhstan according to the following formula:

$$\Delta GDP_t = \Delta GVA_{tour_t} * wGVA_{tour_{t-1}} + \sum_{Dep}\left(\Delta GVA_{tour_t} * 100 - 100\right) * b_{Dep} * wDep_{t-1} \quad (4)$$

ΔGDP_t – Contribution of sectors of economy (“tourism”, “accommodation and food services", "art, entertainment and recreation" and "transport") to the GDP growth rate, p.p.;

ΔGVA_{tour_t} – Changes in the volume of the tourism sector, %;

$wGVA_{tour_{t-1}}$ – Share of the tourism in GDP for the past year, %;

Dep – "Accommodation and food services", "art, entertainment and recreation" and "transport" sectors;

$wDep_{t-1}$ – Shares of the "Accommodation and food services", "Transport" sectors in GDP for the past year, %;

b_{Dep} – Coefficients of elasticity from the model (3) for the corresponding sectors.

Employment in tourism is about 5-6% of the employed population in the economy as a whole. Changes in the number of people employed in tourism are linked to changes of the GVA of the tourism sector (see model (5).

$$emp_t = emp_{t-1} * \Delta GVA_{tour_t} \quad (5)$$

emp_t – Number of employed in tourism;

ΔGVA_{tour_t} – Changes of the volume of the tourism sector, %.

The elasticity between the employed population in the economy and the final consumption of households in the GDP structure was calculated to determine the decrease in final consumption in the economy due to the decrease in tourism employment – this coefficient amounted to 0.79.

Kyrgyzstan

A logarithmic regression equation of the following type was used to assess the impact of the number of tourists on the GVA of the tourism sector in Kyrgyzstan:

$$Ln(GVA_{tour}) = 0{,}95 * Ln(Int) + 0{,}38 * Ln(Ent) \quad (6)$$

где, GVA_{tour} – GVA of the tourism sector;

Int – Number of domestic tourists;

Ent – Number of inbound tourists;

The statistical characteristics of the model (6) show that 69.2% are described by the indicators included in the model. The calculated t-statistics for all parameters of the resulting model indicates the significance of the coefficients below 0.5% (Table 2).

Table 2. The parameters of the econometric model (6)

Dependent Variable: LOG(GVATOUR)

Method: Least Squares

Sample: 2013 2019

Included observations: 7

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(INT)	0.952182	0.159871	5.955945	0.0019
LOG(ENT)	0.743354	0.138567	2.711987	0.0422
R-squared	0.692025	Mean dependent var		10.01231
Adjusted R-squared	0.133686	S.D. dependent var		0.240895
S.E. of regression	0.089359	Akaike info criterion		-0.9517
Sum squared resid	5.330938	Schwarz criterion		-0.96715
Log likelihood	0.744647	Hannan-Quinn criter.		-1.14271
Durbin-Watson stat	0.743354			

The coefficients of the number of domestic tourism and inbound tourists show a positive impact with elasticities of 0.95 and 0.74, respectively. The elasticity shows the degree of quantitative change in one factor when the other changes by 1%.

Scenario 1

First scenario is based on assumption that restrictions related to COVID-19 are terminated in the end of second quarter of 2020. In this case, taking into account the period of the quarantine (started from the second half of March and lasted for almost the entire second quarter), and the seasonal component of the second quarter of the number of tourists, the decrease of the number of inbound tourists from 8.5 million in 2019 to 6.4 million in 2020 was assumed. The decrease of number of outbound tourists was assumed from 8.6 million in 2019 to 6.9 million in 2020. At the same time, decrease of inbound tourists indirectly affects the domestic tourism, this impact was estimated by calculating the following elasticity coefficient:

$$E = \frac{\sum(\Delta Lft - \overline{\Delta Lft})(\Delta Int - \overline{\Delta Int})}{\sum(\Delta Lft - \overline{\Delta Lft})^2} \tag{7}$$

E – Coefficient of elasticity of domestic tourism for inbound tourism;
ΔInt – Changes of the number of domestic tourists;
ΔLft – Changes of the number of inbound tourists.

Further, the impact on sectors such as “Accommodation and food services”, “Art, entertainment and recreation” and “Transport” was assessed using an econometric model:

$$Ln(Dep_t) = a + b * Ln\left(GVA_{tour_t}\right) + c * Ln(Dep_{t-1}) + \varepsilon_t \tag{8}$$

$Ln(Dep_t)$ – GVA of “Accommodation and food services”, “Art, entertainment and recreation” and “Transport” sectors;
GVA_{tour} – GVA of the tourism sector;
b – Coefficient of elasticity.

The econometric model (8) was applied for each sector. The inclusion to the model of a lag variable was necessary to account for other factors. The coefficients of elasticity of industries for the GVA of the tourism amounted to 0.75 for the “Accommodation and food services” sector, 0.35 for the “Arts, entertainment and recreation” sector, and 0.47 for the “Transport” sector.

The calculated elasticity coefficients were applied to determine the impact on the economic growth of Kyrgyzstan according to the following formula:

$$\Delta GDP_t = \Delta GVA_{tour_t} * wGVA_{tour_{t-1}} + \sum_{Dep} (\Delta GVA_{tour_t} * 100 - 100) * b_{Dep} * wDep_{t-1} \quad (9)$$

ΔGDP_t – Contribution of sectors of economy ("tourism", "accommodation and food services", "art, entertainment and recreation" and "transport") to the GDP growth rate, %;

ΔGVA_{tour_t} – Changes in the volume of the tourism sector, %;

$wGVA_{tour_{t-1}}$ – Share of the tourism in GDP for the previous year, %;

Dep – "Accommodation and food services", "art, entertainment and recreation" and "transport" sectors;

$wDep_{t-1}$ – Shares of the "Accommodation and food services", "Transport" sectors in GDP for the previous year, %;

b_{Dep} – Coefficients of elasticity from the model (8) for the corresponding sectors.

Employment in tourism is about 3-4% of the employed population in the economy as a whole. Changes in the number of people employed in tourism are linked to changes of the GVA of the tourism sector (see model (10).

$$emp_t = emp_{t-1} * \Delta GVA_{tour_t} \quad (10)$$

emp_t – Number of employed in tourism;

ΔGVA_{tour_t} – Changes of the volume of the tourism sector, %.