

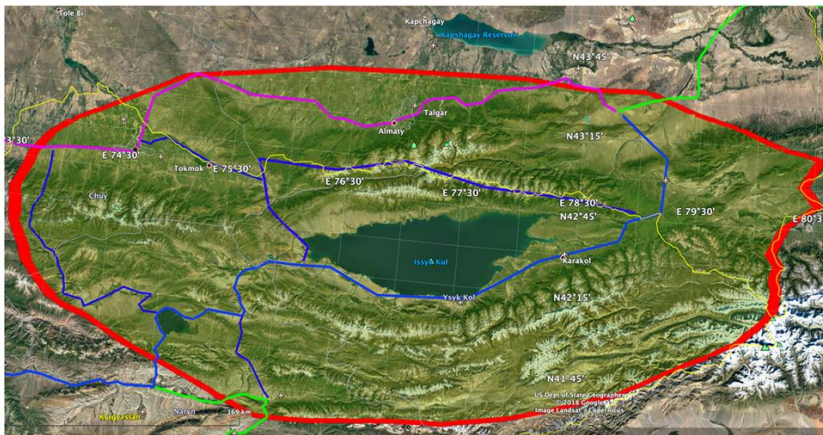


Almaty–Bishkek Economic Corridor: Prospects of Tourism Sector Development

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Nurlan Kulbatyrov, Aizhan Tulepbekova**

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ABEC Tourism Project Area



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Outline

- Almaty–Bishkek Economic Corridor (ABEC)
- Current trends in tourism in Kazakhstan and Kyrgyzstan
- Assessment of impact of COVID-19
- Prospects of tourism development in 2020-2030
- Recommendations

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Almaty–Bishkek Economic Corridor (ABEC)

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Almaty–Bishkek Economic Corridor (ABEC)

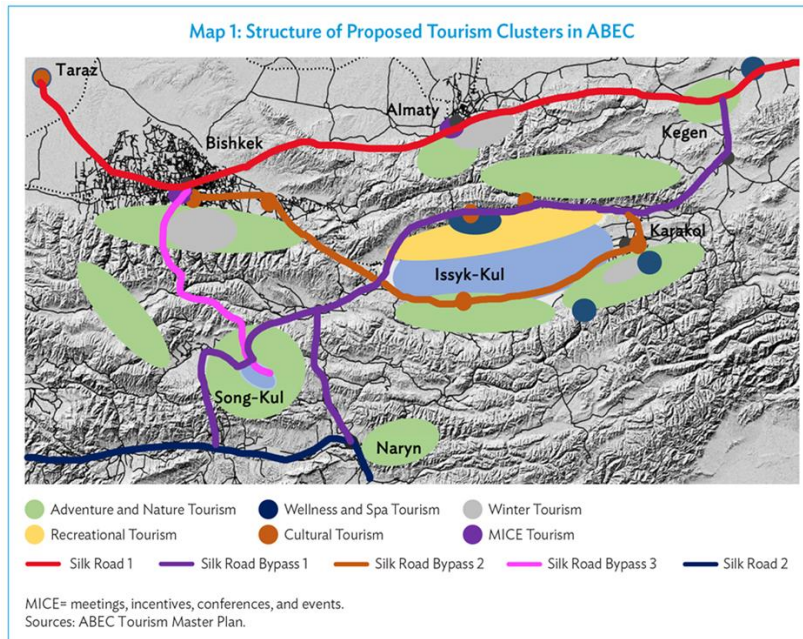
- In 2030, to become an integrated, dynamic, and diversified economic region.
- Comparative advantages of the two cities and surrounding regions integrated into one economic space that exploits agglomeration, scale, and specialization benefits.
- Priority sectors include agribusiness, logistics and transport services, information and communications technology (ICT) and knowledge-based services, tourism as well as advanced health and education services.

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Tourism development in ABEC

- Development of an internationally competitive tourism region within ABEC
- Regional connectivity: Connecting the two branches of the Silk Road : - Silk Road 1 (Urumqi–Almaty–Bishkek–Taraz), and - - Silk Road 2 (Kashgar–Naryn-Osh)
- Proposed clusters include:
 - Adventure and nature tourism
 - Wellness and spa tourism
 - Winter tourism
 - Recreational tourism
 - Cultural tourism
 - MICE tourism (meetings, incentives, conferences and events)

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ABEC Tourism Master Plan main investment projects:

- development of Almaty air hub;
- development of Almaty city to a major city-brake attraction in the region;
- infrastructure investment including water supply, sewage and solid waste treatment systems in Issyk-Kul area, investment in railway station and Cruise terminal in Balykchy;
- winter sport investments such as ski resorts in Kazakhstan and the Kyrgyzstan;
- development of land side coastal resort in Cholpon-Ata;
- concession resorts in eastern part of Issyk-Kul area;
- touristic trails for hiking, biking and skiing in the mountain area, lake side and Agri-field;
- developing historical and cultural offerings in Jambyl cluster, and others.

The total investment envisaged in 2020-2030 is estimated at \$3.25 billion dollars, Of this amount in Kazakhstan part of ABEC - about \$1.88 bln. and in Kyrgyzstan part - \$1.37 bln.

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ABEC legal and institutional framework

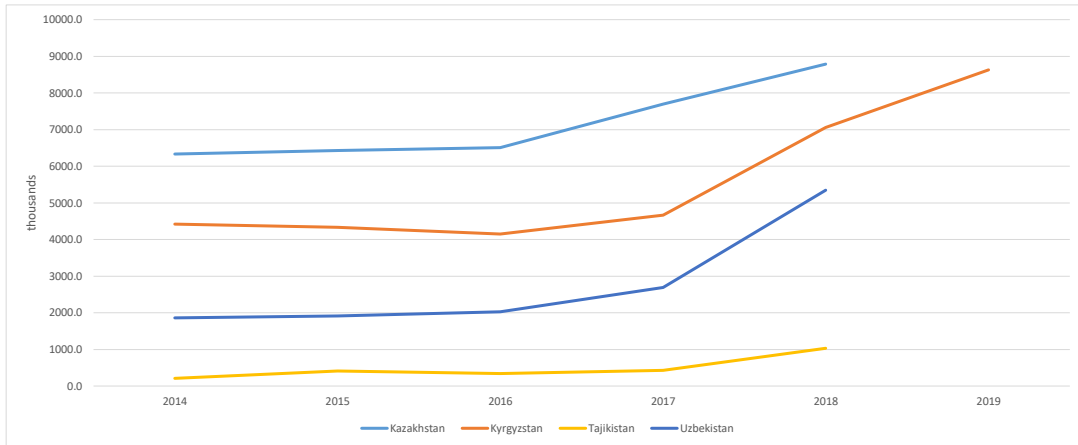
- A set of reforms proposed for strengthening the relevant public tourism institutions
- Comprehensive mandates for spatial development of the identified cluster and regulatory powers of the institutions responsible for tourism development in each country
- Policy interventions for improvements in safety and security, in border control process, in tourism statistics
- Development of tourism information centers, development of national tourism organizations, advancement in marketing skills
- Development of a land-use zoning plan for the Cholpon-Ata area, etc.

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Current trends in tourism in Kazakhstan and Kyrgyzstan

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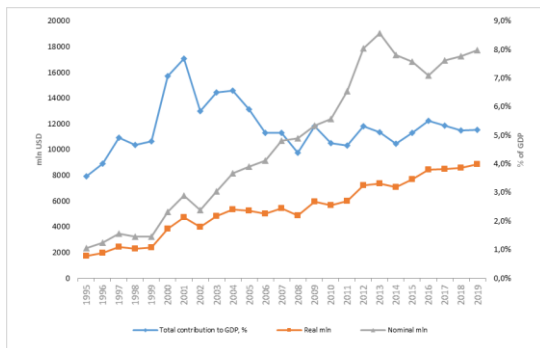
International tourist arrivals in countries of Central Asia



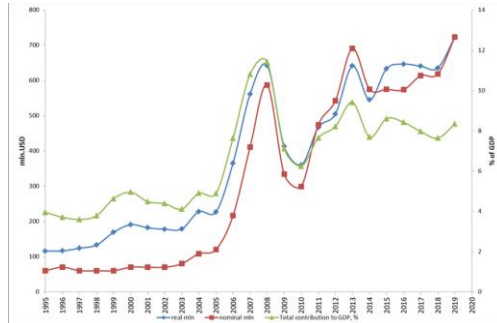
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Total contribution of tourism to GDP

In Kazakhstan



In Kyrgyzstan



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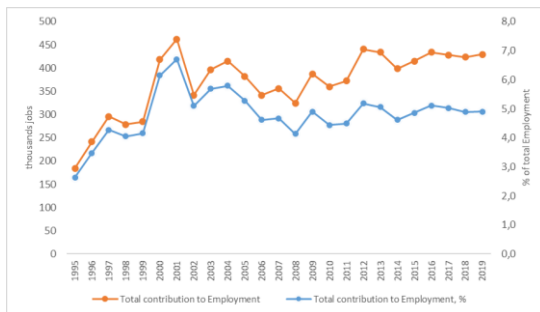
Direct & total GDP contribution of tourism in selected regional countries, 2019

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

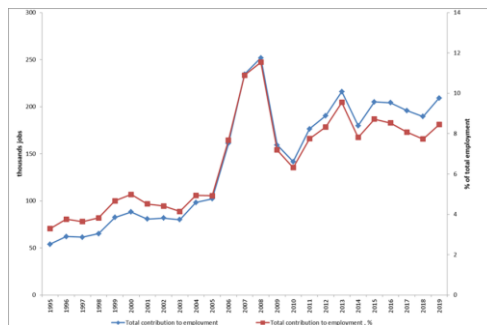
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Total contribution to employment

In Kazakhstan



In Kyrgyzstan



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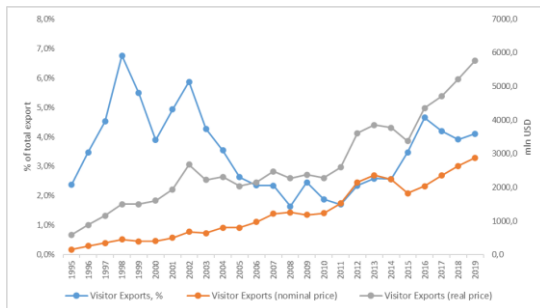
Direct & total employment contribution of tourism in selected regional countries, 2019

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

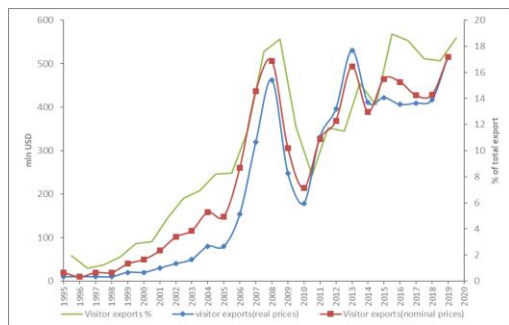
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Total tourism contribution to export

In Kazakhstan



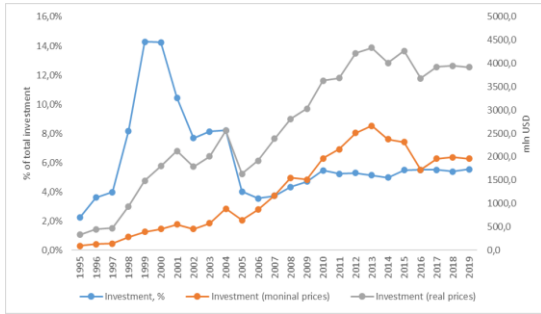
In Kyrgyzstan



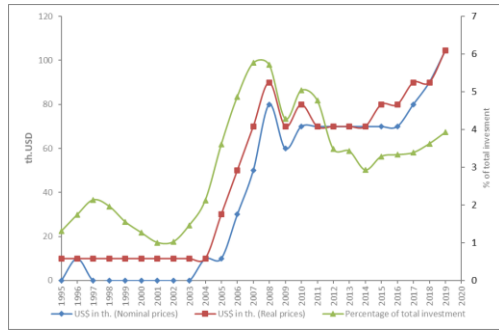
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Capital investment in tourism sector

In Kazakhstan



In Kyrgyzstan



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Assessment of impact of COVID-19

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Developing scenarios for the period 2020-2030

- To understand emerging trends in the post-COVID era
- To consider global economy scenarios and scenarios for global tourism sector
- To consider scenarios for tourism in Kazakhstan and Kyrgyzstan
- The COVID-19 pandemic has led to a deep global recession
- 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

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Covid-19 pandemic in Kazakhstan and Kyrgyzstan

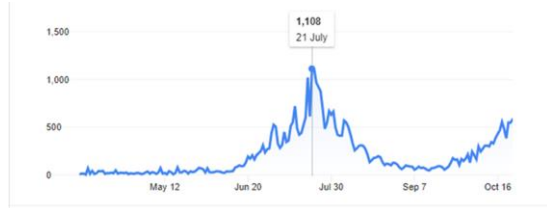
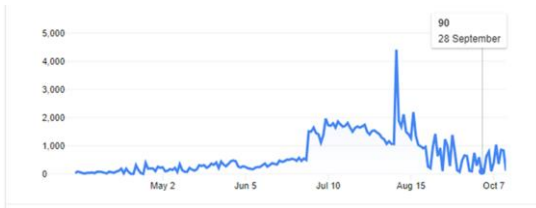
- The first cases of COVID-19 coronavirus infection were detected in both countries in mid-March
- Strict limitations on the movement of people and requirements to abide by social distancing rules
- Easing of most restrictions and the associated activation of economic and social life, were a contributing factor in the following spike in COVID-19 infection which led to prolonged restrictive measures
- The most-affected sectors of the economy were in Kazakhstan, services sector, trade, transport, and in Kyrgyzstan, tourism, trade and consumer services, and construction
- Negative impact on Kyrgyzstan's economy was more pronounced. GDP in the country decreased in first 9 months of 2020 by 6%, while in Kazakhstan reduction of GDP was -1.8%.

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Covid-19 situation in Kazakhstan and Kyrgyzstan

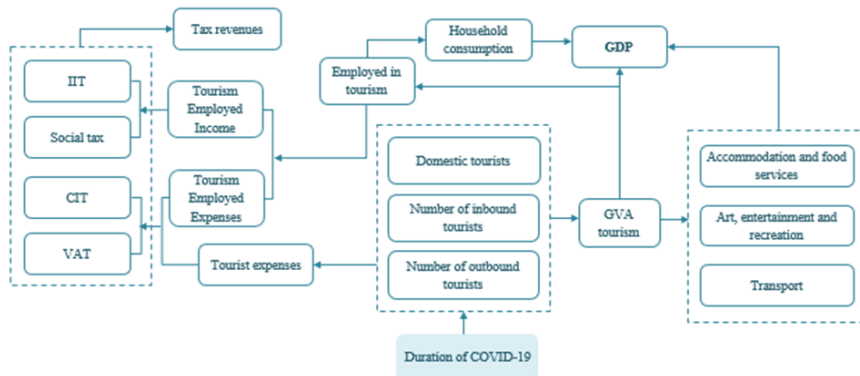
New cases of COVID-19 in Kazakhstan

New cases of COVID-19 in Kyrgyzstan



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The logical framework of assessment of the tourism sector impact on the economic growth



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Assessment of the impact of COVID-19 on tourism

- The impact of COVID-19 was calculated according to several scenarios depending on its duration.
- On the first stage, the loss of gross value added (GVA) of tourism was estimated based on calculations of the reduction of the number of tourists 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”.
- First scenario is based on assumption that restrictions related to COVID-19 are terminated in the end of second quarter of 2020.
- In the case of Kazakhstan, 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. Moreover, decrease of outbound tourists indirectly affects the domestic tourism, this impact was estimated by applying the relevant elasticity coefficient: the number of domestic tourists will increase by 23.2 thousand people or 0.4% in 2020.

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To assess the impact of the number of tourists on the gross value added of the tourism sector a following equation was used:

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

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

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.

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.

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Scenarios of the impact of COVID-19 on the gross value added 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			Gross value added of the tourism sector, bln. 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

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COVID-19 impact on GDP growth in 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

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COVID-19 Impact on Tax Revenues of Tourism Sector in Kazakhstan, bln.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

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Scenarios of the impact of COVID-19 on the gross value added 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, bln. 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

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COVID-19 impact on GDP growth 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

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COVID-19 Impact on Tax Revenues of Tourism Sector in Kyrgyzstan, mln. soms

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

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Impact of COVID-19 on tourism indicators and economic growth in Kazakhstan & Kyrgyzstan

	Reduction of the number of international tourists, %	GVA of the tourism sector, %	In % of state budget tax revenues	Overall effect on GDP, %
Restrictions terminated in end of fourth quarter of 2020 (Q4)				
Kazakhstan	81.2	-49.6	-4.9	-2.19
Kyrgyzstan	87.9	-42.7	-12.8	-4.55
Restrictions terminated in end of third quarter of 2020 (Q3)				
Kazakhstan	57.7	-31.1	-3.4	-1.37
Kyrgyzstan	73.6	-35.8	-10.7	-3.80

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Prospects of tourism development in 2020-2030

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Global economy scenarios and scenarios for global tourism sector

- Partial and slow reopening of economies as infections continue to rise bring about impediments for a future growth. Recovery is expected to be slow. 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.
- Tourism activity has been severely affected by containment measures to stem the spread of COVID19, with summer holiday season in most of countries lost despite the lifting of restrictions, as travelers remain risk averse and consumers have less disposable income amid widespread job losses.

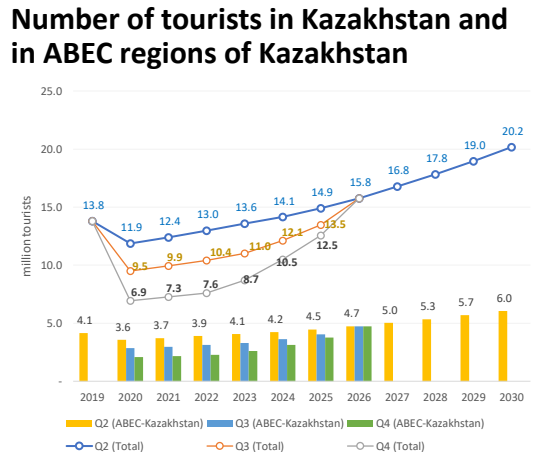
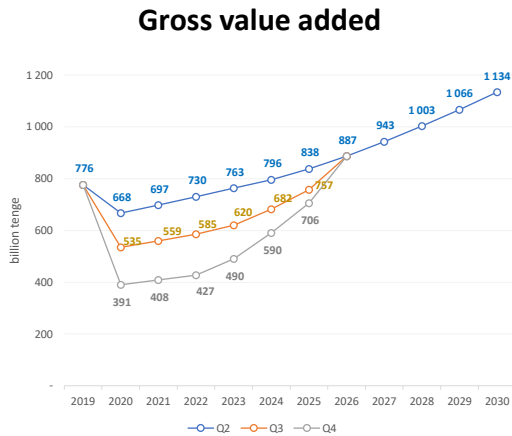
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IMF: GDP Annual Growth Rate (%)

	2019	2020	2021	2021 в % к 2019
Казахстан	104.5	97.3	103.0	100.2
Кыргызстан	104.5	88.0	109.8	96.6
Таджикистан	107.5	101.0	106.0	107.1
Узбекистан	105.6	100.7	105.0	105.7
World	102.9	95.6	105.2	100.6

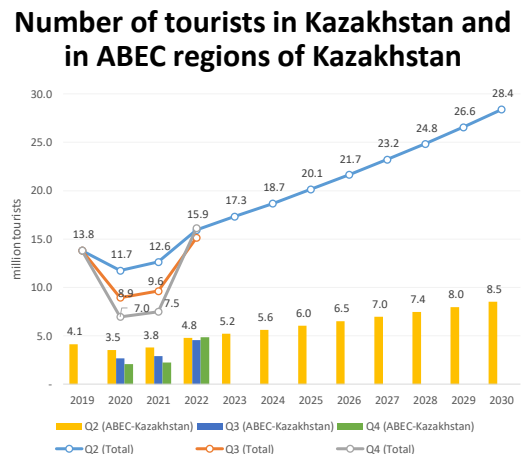
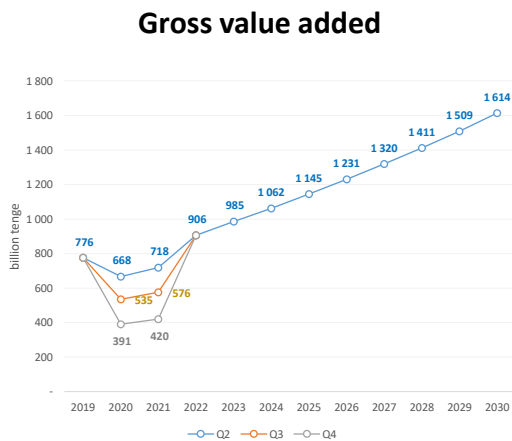
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Baseline scenario forecast of the tourism sector of Kazakhstan



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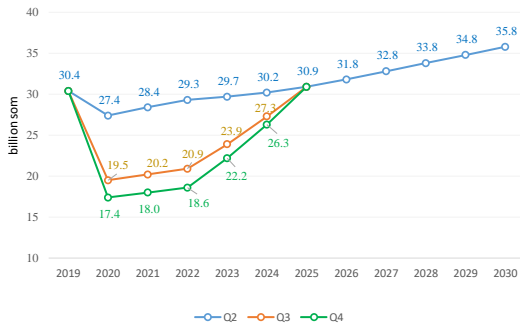
Optimistic scenario forecast of the tourism sector in Kazakhstan



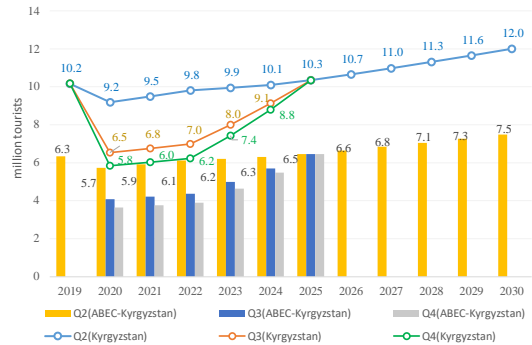
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Baseline scenario forecast of the tourism sector of Kyrgyzstan

Gross value added



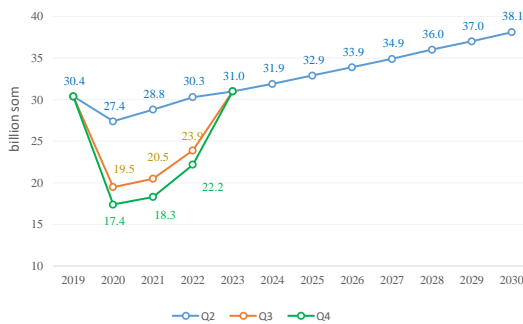
Number of tourists in Kyrgyzstan and in ABEC regions of Kyrgyzstan



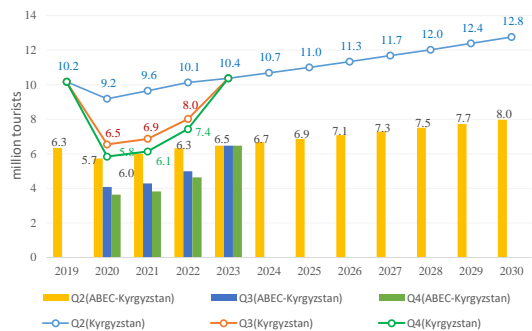
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Optimistic scenario forecast of the tourism sector in Kyrgyzstan

Gross value added



Number of tourists in Kyrgyzstan and in ABEC regions of Kyrgyzstan



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Summary of forecasting

- Main distinction between different scenarios is in a period of recovery of economies. If restrictions related to COVID would be terminated by the end of the fourth quarter of 2020, it is assumed that the number of tourists and gross value added in tourism sector will return to the pre-crisis level in Kazakhstan in 2026, and in Kyrgyzstan – in 2025 (baseline scenario).
- In view of difficult financial situation and high debt burden, a rather modest growth of tourism in Kyrgyzstan is supposed (average growth rate in 2025-2030 of 3% annually). While government of Kazakhstan adopted a program for an extensive development of tourism industry in 2020-2025, and, therefore, growth rates of tourism sector are projected in 2026-2030 at 6.3% annually (baseline scenario). Consideration of proposed scenarios provides the room for better understanding of prospective framework for development of tourism sector of ABEC in the period up to 2030.

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Recommendations on state support measures

- availability of loans for business entities operating in the tourism sector and other financial stimulus
- new internationally recognized operating standards and protocols need to be introduced, to restore travelers' confidence
- training and advisory support for tourism businesses, prepare a detailed guidelines for the sector, in line with the national protocol
- To subsidize the costs of business entities for the purchase of appropriate equipment, consumables and to cover other related costs to comply with new operating standards and protocols
- a program of professional webinars and web-based courses focused on practical expert guidance to cope with the corona crisis and planning ahead for post-corona period

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Recommendations on state support (2)

- One of web-based courses will be free online training material on the digitalization of tourism businesses
- To launch a campaign aimed at reinforcing the countries' positive image during the COVID-19 pandemic
- To broadcast on-line virtual tours of sites and attractions around the countries, in order to raise appetite and keep the postponed tours alive in the memory
- Useful information is bundled and distributed as for instance FAQ's about the crisis and about the national and regional governmental measures to counteract and to support tourism sector
- Establish an inter-ministerial task forces to bring together public bodies and the private sector, to work on recovery plans for the post-COVID-period and conducting regular surveys

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Recommendations on tourism sector in ABEC

- In situation of protracted recession and falling incomes affecting the middle classes particularly in neighboring countries, most of investment projects envisaged in the framework of ABEC could be deferred and implementation of them expected mostly after 3-5 years
- Countries to work energetically on implementation of main reforms and investment projects in the framework of ABEC so that to ensure prompt implementation of major projects including infrastructural projects. Smooth realization of projects as early as possible will stimulate increase not only in travel and tour operations, but also in shopping, entertainment, transport, and various other tourism-related service occupations and productive sectors, and provide good opportunities for job creation and poverty reduction in ABEC region

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ABEC knowledge generation activities

- In order to encourage knowledge generation on economic corridors development in Central Asia and to promote image of ABEC regionally and globally, the governments of the two countries, international organizations, and other institutions supporting CAREC Program, in collaboration with well-known think tanks:
- To support conducting a set of research and studies on the prospects of development of priority sectors including tourism sector, and on social-economic impact of establishing major clusters in the framework of ABEC
- The results of research to be discussed on seminars and conferences in order to contribute to better understanding of benefits of establishment of ABEC, the first economic corridor in Central Asia

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Thank you very much for your attention!

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