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A STRATEGIC PLAN FOR THE ECONOMIC DEVELOPMENT OF THE KARAKOL, KYRGYZSTAN AREA PRELIMINARY REPORT

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**A STRATEGIC PLAN FOR THE ECONOMIC DEVELOPMENT OF
THE KARAKOL, KYRGYZSTAN AREA
PRELIMINARY REPORT**

INTRODUCTION

The economic development of any emerging nation depends to a great extent on the careful and focussed analysis of both natural and manmade resources that are available in any given location. Unlike several highly advanced nations with large service sectors, in a developing country the value-addition activities of manufacturing, processing, assembling and repairing of stated products must be allowed to flower to their fullest extent, so that the multiplier effect of their direct jobs can more rapidly involve the maximum number of people in meaningful occupations. Too often, it is nearly forgotten that a service sector is meaningless unless it has something or someone to service!

Experience has shown repeatedly that the most basic and effective activities are those that, in the early stages of an emerging nation's efforts to achieve economic self-sufficiency, contribute directly to the gross domestic product via efforts to add value to raw materials or semi-finished products or components. In an evaluation of these potentials, it is critical to bear in mind that the *scale* of any such activity must be at a level that the people can handle without a wrenching change from any existing norm. Hence, it follows that, along with attempts to develop industries at the micro level, there must be a concomitant effort to institute corollary training programs that would prepare the participants to engage in the chosen economic or industrial activity effectively. This parallel effort itself must be carefully nurtured to enable the skills levels to rise along with the complexity of the activities formulated. Then alone can one set the stage for a sustainable degree of economic development that would serve as a foundation for future economic growth and diversification.



The case of Karakol, Kyrgyzstan, is an interesting example of a plenitude of natural resources juxtaposed against a paucity of regional cash flow. The most extreme example of this dichotomy is the fact that the Republic has an overwhelming surplus of hydroelectric power production, side by side with a brutal shortage of transportation fuels such as gasoline and diesel, which have to be imported under very difficult conditions and which drain the regional treasury of already scarce cash, causing balance of trade difficulties that are exacerbated by the lack of offsetting exports. This condition represents quite a challenge that must be imaginatively met so that the situation may be improved in a reasonable time frame.

The report that follows seeks to set out the broad guidelines for a Strategic Development Plan for the Karakol Region that can be implemented in stages to evolve into a full-blown Program of Development for the eventual sustenance of a growing economy, with more opportunities for all involved - from agricultural to industrial - activities that are designed to enhance the overall economic good in a reasonably cost-effective manner. It is heartening to note that the extent and type of aid that has been committed to this end by several outside sources and agencies augurs well for the future of this Republic, that has so bravely set its sights on the evolution of a true free-market economy against some formidable odds.

FUNDAMENTAL CONSIDERATIONS

In concert with the basic decision taken by the President of Kyrgyzstan to embark upon the path of free enterprise, the Karakol Oblast (province) took an equally bold step forward by establishing the framework for a Free Economic Zone (FEZ), with several business and fiscal inducements to permit businesses to establish themselves with a minimum of regulatory burdens. This idea will bear fruit in time to come, but its full implementation must necessarily await the prior restoration of certain important existing businesses that have intrinsic value and whose speedy restoration would immediately have a beneficial effect on the economic progress sought. As is true elsewhere, one must exercise a great deal of objectivity in selecting the businesses that deserve to be rescued and restored, noting especially that their job-creating potentials can only be realized if functions like marketing and financial management are deliberately added to their already proven production skills.



Thus the first requirement in the shift from a command to a market economy is the restoration of the concept that every business needs to be market-driven, not edict-directed, to achieve its maximum potential. In the Karakol FEZ, many businesses were visited and detailed conversations held with their top management in order to determine which of them were worthy of assiduous efforts at rescue and restoration and which others would necessarily have to await the general economic upturn before something meaningful could be done about them.

The second requirement in the shift towards market orientation is that *accurate and usable market data* needs to be generated by all available means to evolve into a picture sufficiently detailed and up-to-date to permit corporate planning for production of needed goods and services. Where certain goods are already being produced to serve a few markets at any level, these situations must be carefully nurtured, so that the development of a sufficiency of viable markets may help restore production to near previous levels, creating more cash flow, jobs and payrolls in the process. If logical extensions of these markets also obtain as a result of careful market research and development, so much the better for job creation and/or expansion. The first priority, nonetheless, must go towards incorporating a marketing and management planning function into the existing production function, so that goods are made for the market, not vice versa.

The third basic requirement is that, as markets begin to develop over time, quality control measures need to be greatly revised and upgraded, such that the old attitude of "produce and let the goods be sold by somebody else: this is what we make and will continue to make without change" is replaced by a modern market-driven attitude of "we will produce what the market demands, at the highest permissible quality level commensurate with price and competitiveness".

BUSINESSES IN THE KARAKOL FEZ WORTHY OF RESCUE

Some eight businesses were visited for detailed examination of their situation and their prospects for continued viability: They were:

A Brick-Making Plant

A Building Materials (Tiles) Plant

An Electrical Appliances and Full-Spectrum Metalworking Plant



- A Leather and Vinyl Products Factory for Shoes and Other Consumer Items
- A Sewing and Knitting Factory
- A Thermal-Springs Sanatorium
- A Milk and Cheese Dairy
- The Kyrgyz Airways Plane Fleet

Of these, the Brick Plant, the Building Materials Plant and the Dairy were judged to be almost totally dependent upon a broad-based business upturn, hence not suitable candidates for immediate assistance towards restoration. The Thermal-Springs Sanatorium, a service enterprise, was similarly judged to be a succeeding-phase situation, not conducive to immediate uplift, as was the Milk and Cheese Factory, although this Milk and Cheese Factory could increase in significance once the more basic manufacturing industries were restored. The Electrical Appliances, Leather and Vinyl Products, Sewing and Knitting Factories and the Kyrgyz Airways Plane Fleet were considered to be of sufficient economic importance to warrant immediate assistance towards their restoration. It should be noted that the case of the Kyrgyz Airways Plane Fleet is of sufficient importance in the Tourism section of the Karakol FEZ Development Plan to warrant separate treatment, as shown in the Tourism Report, attached.

Each of the businesses deemed worthy of immediate restoration efforts is now summarized below.

A. Electrical Appliances and Metalworking Factory

This factory has been in business in one form or another since the mid-twenties and currently manufactures a line of small electrical appliances such as hot plates, table-top ovens, sewing-machine pedal controls and a small selection of injection-molded parts for other factories, e.g. telephone handsets. At its peak, it employed over 400 people in eight separate departments and sent its final products all over the former USSR. Today, employment is down to a mere 45-50 persons, large parts of the plant are empty (one certain space of 20,000 square feet being attempted to be leased to others) and production is down to just the immediate territory in markets.



Quality control of the products still being made is certainly adequate for the five-republic region of Central Asia and a minimum volume of these products continues to be sold outside Kyrgyzstan, although currency conversion difficulties stand in the way of greater exports. It appears that some of the other republics, notably Turkmenistan and Uzbekistan, do not acknowledge the validity of the Kyrgyz "SOM", the unit of currency, and thus recouping of sales payments becomes a next-to-impossible task.

Production capacity of products still being manufactured appears to be adequate enough to sustain a nearly four-fold expansion of production, once viable markets are found and the means to recover sales income firmly established for exports. All of this has been accomplished without the least evidence of organized marketing efforts, certainly a positive indication of the quality and inherent demand for these products. It is this factor that is significant in the judgement to attempt to rescue this plant, an important contributor in potential to the increase in jobs in the Karakol FEZ region.

A final factor in favor of such rescue and restoration is that the plant has adequate (although old) machinery to turn out a variety of other plastics molded products as well as metal fabrication under contract for others, if markets could be developed in a reasonable time frame.

B. Leather and Vinyl Products Factory

This plant is also a long-established operation that manufactures a line of ladies and men's shoes and boots, in addition to products such as handbags, shopping bags, belts and purses, of both leather and vinyl plastic. The plant is currently operating at about 25% of capacity, thanks to the inherent lack of working capital with which to maintain the purchases of needed raw materials. The management of this plant talked frankly about how hard it was to compete in the markets of Bishkek, for instance, against the organized and far better financed groups of Chinese brokers who would snap up all available supplies of leather and hides - produced in the Bishkek area - by the time that this plant's purchasing managers could even put in a bid. The same held for supplies of vinyl sheets.



The plant was presently operating on what was left of the purchases of raw materials made during the last days of the USSR, a store that was being inexorably depleted by the passage of time. The tragedy in this situation is that the products are in sufficient demand to enable much greater production levels, if only the ability to buy raw materials can be significantly enhanced by proper working capital availability, in the face of the Chinese competition mentioned above. There is no doubt that the people involved at this plant know their materials and qualities, their design parameters and their final-product quality control needs. They are in an unequal fight in the raw-materials marketplace and deserve all possible assistance to restore themselves to their previously held position in these product lines.

C. Sewing and Knitting Factory

Almost an identical situation to that of the Leather Goods Factory above is that of the Sewing and Knitting Factory, with the same constraints as to raw-materials purchasing ability, marketing constraints outside of Kyrgyzstan due to currency inconvertibility and the need to expand their sources of raw materials to keep up with changing fashion demands for the types of products that they make. This plant manufactures a line of women's dresses, children's outfits, men's jackets, and assorted knitted sweaters and pullovers for all customers. The management of this plant is sufficiently grounded in the parameters of sourcing and marketing, for a change, but is frustrated by the utter lack of working capital and the inability of the banks in the area to be accommodating to their particular needs.

Quality of the goods made here is uniformly good, sometimes excellent, and their use of wool and cotton fabrics, with some polyester fabrics, indicative of a good fashion sensitivity in the marketplace. Their designer criteria appear to be adequate for markets both within and outside of the Central Asian region. This has been recognized by a Japanese group to the point where, at present, the Japanese are assisting in the installation of modern, high-speed knitting machines for short-run sweater and pullover work (short-run: an industry term meaning that a limited number of pieces are producible before a design and/or color change is introduced).



Several samples were offered to the visiting team and initial indications are that these products could sell reasonably well in the markets of the Northeast USA and in certain of the Mountain states as well. Workmanship is good, finishing details could be better but are well within their capabilities to achieve under proper guidance and the overall health of this business could be significantly improved in the reasonably short term (say, over a year to eighteen months) by proper guidance in sourcing, marketing and fashion flexibility.

PLAN FOR EXISTING BUSINESSES

As a result of the above, it is felt that a plan of uplift could be implemented along the following lines for each of the above businesses.

A. FEASIBILITY STUDIES

Concise yet comprehensive Feasibility Studies must be conducted to ascertain how and where best to restore markets and production levels - over time - to some 70% to 80% of previous levels. Key components of these studies should include:

1. Actual market possibilities, short and long term. Short term possibilities, if cogent enough, should be followed by a request for trial orders to gauge the seriousness of intent of the putative buyer(s)
2. Actual sources of raw materials purchases that could be *affordably* exploited to allow final production without undue interruption
3. Adequate working-capital financing arrangements, with initial capital grants if necessary or loan possibilities in any event at reasonable cost and terms of repayment
4. Provisions for the distribution of the final products in regional and other markets, including an objective inclusion of foreign-exchange arrangements such that the U.S. Dollar could be used as an intermediate currency if need be.



B. JOINT VENTURE PARTNER SEARCHES

A concomitant search for suitable Joint Venture partners should be conducted to develop true partnerships that could buttress purely local efforts, such that the restoration period may be shortened in order to fulfil the stated objectives, via the provision of adequate technology, marketing and financial management support in each case.

If the above efforts are properly structured and professionally implemented, each of the above businesses should be able to revive its fortunes to where, in a period of from one to three years, some 40 to 60, and perhaps up to 80, jobs in each business could ensue over a five year period, the speed of development being primarily a function of how soundly the conclusions of each Study are applied to the business in question and how steadfastly these changes are maintained as an integral part of business practice.

NOTE: Implicit in all of the above is the installation of on-the-job training programs, to inculcate into the management an adequate sense (presently almost entirely absent) of marketing and financial management, so that adherence to plan for the proper conduct and progress of the business may replace a hit-or-miss regime that seems to be prevalent. All of this will take time, but patience and persistence should eventually produce hoped-for results.

NEW BUSINESS POTENTIALS - SELECTED FOOD PRODUCTS

A. BOTTLED POTABLE WATER FOR EXPORT

Inquiries from the Middle East and elsewhere have sparked the desire to produce bottled water in relatively large quantities for Export. Packaged plants to render spring water suitable for bottling are readily available in the U.S.A. and attempts should also be made to find a suitable Joint Venturer to enable the proper launch of the business for a final product that meets all international standards. Investment in such a plant is quite modest and could start at a level small enough for the immediately attainable market, because expansion of capacity in this field is really quite simple and trouble-free.



B. JAMS, JELLIES AND CONSERVES

A good market appears to exist in the Kyrgyz as well as other Central Asia regions for a line of jams, jellies and conserves based on the excellent grades of berries (e.g. blackberries) and fruits (e.g. apricots, pears, etc.) grown in the FEZ region. Again, technology for this effort is available at modest cost, and here again the development of a suitable Joint Venturer should possess the usual advantages already outlined.

GENERAL NOTE: Any and all other new business potentials or projects submitted, whether they be on the FEZ list or not, should be planned for initial evaluation along the criteria of economic feasibility, market need, capital availability and access to production equipment as well as quality control. Each project that survives this type of examination may then be advanced via more detailed studies to the implementation stage.

SPECIAL NOTE ON HYDROPOWER DEVELOPMENT

The Karakol Urban area currently receives almost the entirety of its electricity from an electricity monopoly located in Bishkek, being transmitted a distance of some 469 Km in the process. The nature of the transmission system is such that a significant portion of the electricity is lost in route through what is known as "I squared R" losses to the atmosphere. The electricity is high-priced and inhibits the development of many activities that cannot afford these prices.

The request has been made to the RTI Team to urgently commence the study of some 10 or 12 rivers in the Karakol area to determine whether their combined potential may yield a large measure of electrical capacity that can then be delivered to the destinations over much shorter distances, indeed almost "next-door" compared to the present situation. It is felt that all available technical assistance should be welcomed from whatever source towards the solution of this problem, while keeping clearly in mind that the need is urgent and cannot be held dependent upon some distant large-scale project that may not be realized until a few years have gone by.



Our recommendation is that a concise Feasibility be commenced to determine locations for a Pilot Project, with one river and one site being activated to yield actual measurements of the parameters that lead to hydropower production. No matter that such production would be a fraction of that required in toto, it is emphasized that a start must be made to solve this problem, considered to be of a very high priority by the management of the Karakol FEZ. It is pointed out that the equipment for such a Pilot Project is already at hand and has been personally examined by the Economic Advisor to the MFM Project and pronounced adequate for a demonstration installation.



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FACTORS IN THE DEVELOPMENT OF TOURISM IN KYRGYZSTAN

Introduction

A recent assignment in Kyrgyzstan to survey the needs of a viable tourism industry afforded the opportunity to observe first-hand the many natural attractions of this beautiful and relatively isolated country and to note the many infrastructural and facility requirements that would have to be in place to support, facilitate and promote a viable tourism activity.

The Kyrgyz are a remarkably resilient and handy people who have come through a 70-year period of harsh domination with their humor and their optimism admirably intact. The world has watched in wonder as the Kyrgyz opted overwhelmingly for the adoption of a free-market economy. In the specific case of the Eastern end of the Republic, truly dynamic and forward-looking leadership has established a Free Economic Zone (FEZ) at Karakol, a city steeped in antiquity yet moving towards tomorrow with zest and confidence. It is because of this optimism that Karakol - the logical starting point for the best in nature in Kyrgyzstan deserves all possible support in its quest to create a better life for its people than has been the case for over seven decades.

This paper seeks to identify the critical needs that must be met if tourism is to gain a firm foothold in the Karakol area and, by extension, in the entirety of the Yssyk-Kul Oblast (province) of Kyrgyzstan.

Infrastructural Factors

If tourists to Kyrgyzstan came from just the five-republic region around Central Asia - Kazakhstan, Uzbekistan, Turkmenistan, Tajikistan and, of course Kyrgyzstan - much of this paper would be irrelevant because the standards and demands of such tourists are currently more or less adequately serviced by present facilities. It is the international tourist, however, that has both the means and the desire to explore this fabled land and, for such a tourist, many necessities are almost totally lacking, from access to lodging to food choices to information.



The success of any tourism program depends heavily upon four fundamental factors:

- Access
- Lodging
- Food Choices
- Information

Taking these in turn, but not necessarily in order of importance, one can summarize the gaps in the picture that must be filled in a reasonable time span if tourism is to be a valid contributor to the area economy. Our emphasis in this respect is on the Yssyk-Kul Oblast that includes Karakol.

A. Access

The hardy tourist would probably find getting to and from Karakol an adventure in itself, what with roads that are much in need of repair, occasional and unpredictable air service into the little-used airport at Karakol and difficult paths to many of the area mountains, streams, valleys and meadows of breathtaking beauty.

1. Roads: At present, when one lands at Almaty Airport in Kazakhstan (to the immediate North of Kyrgyzstan), one faces a round-about journey of 9-10 hours by road (ca. 440 miles) from Almaty to Bishkek (the Kyrgyz capital) and thence to Karakol along the northern shore of Lake Yssyk-Kul, one of nature's truly magnificent inland lakes, 106 miles at its longest, 33 miles at its widest and water depths reaching down to 2,500 feet at its deepest. This lake never freezes, being fed by thermal springs as well as by some 30 rivers emptying into it, though none flow out.

It would be nice if this route were to be along a modern, all-weather road, so that sightseeing along the way may be fully enjoyed. At present, the road demands driving concentration throughout and is thus a constraint upon easy passage.

A mountain road runs from Almaty, over the Range, to Karakol. The Kazakh portion of this road (total distance ca. 400 km or 250 miles) is quite adequate and permits average speeds of some 50-60 mph to be sustained without undue strain. The Kyrgyz portion, however, is some 100 km (62.5 miles) in length and is, in a word, primitive. The improvement of this road to at least a U.S. Farm-to-Market road standard would be a most significant and worthwhile task, as it would render the journey to Karakol a matter of some 5 hours, replete with spectacular scenery, and enable the entire Yssyk-Kul Oblast to be more readily accessible.



2. Air Service: At present, there is nominal air service between Karakol and Almaty, provided largely on demand by Kyrgyz Airways, using YAK-40 or AN-28 twin turboprop planes of ancient Aeroflot vintage. Fares are wildly unpredictable, ranging from a low of \$30 one way if the plane is full to \$700 round trip if less than three passengers are flying that trip, with in-between fares being negotiated case by case!

A considerable amount of time was spent in investigating these factors and we include herein the finds and recommendations that ensued. It is strongly felt that these recommendations need to be speedily implemented, if tourism is to flourish in the Yssk-Kul Oblast.

Present Airport Status

1. Main runway: Ca. 2,000 m (6,650 feet)
2. Traffic - Two (2) light (25 passenger) planes ferrying between Almaty and Karakol. Pilots being taught "Aviation English" to international standards prior to full certification for international flights. K to A: \$12.00 A to K: \$32.00 - if the plane is full. If not, individual fares can reach \$700 round trip. Note: K: Karakol; A: Almaty.
3. Landing fees at Almaty are much higher than at Karakol.
4. There are at present 9 plane engines being repaired in Poland. When independence arrived, all Soviet support was withdrawn immediately and Kyrgystan was left unable to pay to have the engines returned. Repair costs are at \$30,000 per engine and transport back to Karakol is estimated to cost another \$4,000 per engine. Thus, the total bill to bring 9 engines back is \$306,000.00.

If these engines can be re-installed, four more planes could go into service, making a total of eight (8) planes available to Kyrgyz Airways commercial use. We discussed this situation in some detail with the Chief Engineer and the Chief of Maintenance at Karakol Airport. They seemed to feel that, as long as there was not a concrete demand for that many planes or flights, nothing should be done for the moment. However, two external factors would tend to have a bearing on this situation:

- a) The Chinese from Tien Shan have repeatedly expressed serious interest in buying these planes, because they are very short of aircraft and the YAK and AN are ideal for mountain work. The Kyrgyz feel very strongly negative towards these overtures, since both ethnic and traditional animosities are heightened by the record of the Chinese arbitrarily snatching chunks of territory from neighboring countries, e.g. Tibet, Northwest India, etc.



- b) Kyrgyz Air apparently has absolutely no one with any marketing or promotional experience in developing viable routes for the airline among the five former Soviet Socialist Republics of Kyrgyzstan, Kazakhstan, Turkmenistan, Uzbekistan and Tajikistan (hence forth referred to as the KKTUT Region).

In view of the above, it is recommended that the following actions be taken:

1. A feasibility study be undertaken to determine how much of a viable market exists for Kyrgyz Air to draw from the KKTUT Group for both business and tourist traffic. The study should emphasize the advantages of the Karakol Region in particular, as a business and tourist location, tying in with the Karakol Master Plan for the FEZ development.
2. One or more appropriate U.S. Agencies be approached for financing the entirety of the 9-engine repair, return and re-installation effort, in exchange for free flights to authorized and cleared agency personnel around the KKTUT region, until the entire sum has been thus repaid.

To illustrate the order of magnitude of this "swap" arrangement, let us assume that the total effort would amount to some \$500,000. At an average fare, round trip, of ca. \$250 throughout the KKTUT Region, that makes for 2,000 "trip seats" as available space for the exclusive use of the financing agency personnel, including approved contractors and sub-contractors.

3. There should be a stipulation that, for the duration of the "trip seats" availability, the principal use of such trip seats should be to promote the Karakol FEZ throughout the KKTUT Region, thus enabling the implementation of several key aspects of the karakol FEZ Master Plan. Equally important, there should be a corresponding stipulation that the Karakol FEZ officials and other directly involved personnel utilize this opportunity to promote Karakol in all its aspects.
4. An allowance of ca. U.S. \$0.15 per seat-mile should be established for the working-capital needs of Kyrgyz Air during this period, in the form of a "soft" loan at ca. 10% p.a. interest. Thus, the 2,000 trip seats flown an average distance of 10,000 miles per year would total 20,000,000 seat-miles. Hence, the working-capital amount to be financed would be \$3,000,000 a year. This amounts to ca. \$6.25 per trip seat per trip.

Conclusion

The airplane project appears conceptually feasible under the proposed "swap" arrangement, but must be fully checked out and all economics fully confirmed before implementation.



B. Lodging

Access without adequate lodging suits only campers and back-packers but does not encourage many others. The present state of lodgings in Karakol is parlous indeed, with facilities that have seen no improvement since their construction several decades ago. There is only one sizeable hotel in downtown Karakol and it is almost entirely unsuitable for any tourist coming from outside the Central Asia region. Room furniture, bathroom fixtures, general sanitation and overall appearance are in urgent need of top-to-bottom modernization, to such an extent that it is the generally considered opinion of the Tourism Directorate officials that only new construction would fill the bill, renovation being economically unaffordable. One tends to agree completely with this evaluation.

As to other accommodations, a government-owned guesthouse in a pleasantly wooded setting in another part of town is superficially adequate but still leaves very much to be desired as regards furniture, bathroom fixtures, general sanitation and cuisine.

In both places, the service people have never had any exposure to true tourist service and hence - though certainly not purposely - are inclined to be surly, arbitrary and reluctantly compliant with most requests. One is reminded of Henry Ford's famous remark concerning car choices: "You can have any color, as long as it is black!"

Currently, the plans for promoting tourism in and around Karakol require a minimum of 200 motel-type rooms and another 100 rooms in refurbished or newly-built Bed-and-Breakfast (B&B) establishments, this latter seeming to be the increasing choice of persons who enjoy adventure or eco-tourism. Indeed, a "pilot" B&B establishment has been newly launched in Karakol and is receiving heavy custom and favorable comment.

Around Lake Yssyk-Kul, several resorts were under construction at one time but since the Soviet dissolution were abruptly abandoned. Further investigation of three such showed that almost all of these resorts were started with something other than hotelling in mind, and hence any attempt to finish the job would encounter a thicket of ownership and liability problems.

One really outstanding resort, called familiarly the Aurora, is at Cholpon Ata, a lake community some 90 minutes by road from Karakol and thus outside the boundaries of the Karakol FEZ. However, it is the most up-to-date facility in the region and is currently suffering from very low occupancy (20-25%).

C. Food

Kyrgyz cuisine is interesting and varied, but nowhere can one sample this variety as a matter of course. All the hotels and working resorts will put on veritable feasts *on order only*, the rest of the time staying with soups and stews of drab and monotonous nature - a sure turn-off for any visitor from outside the Central Asia region.



Meat availability is poorly organized and it has been proven that the meat served on any given day could be beef, mutton, horse or dog. Vegetables are plentiful and varied in this predominantly agricultural region, but most of them simply do not get to table, except of course specifically ordered in advance. The same holds for fruits, jams and jellies.

D. Information

It is only extremely recently, in fact during the actual period of this visit, that a reasonably good brochure was compiled on available nature tours out of Karakol or Bishkek, from efforts of the Karakol Directorate of tourism. Much remains to be done, but a start has been made.

Dissemination of such information to places outside Central Asia is still extremely sparse. A meeting between a Kazakhstan tourism company and the Karakol FEZ Tourism Director was arranged to exchange ideas and explore avenues of possible cooperation and turned out to be highly upbeat and productive. Several brochures and other information were left with the Karakol FEZ Tourism office and a specific request was made of the author of this paper to assist in organizing some "sneak preview" tours to promote the areas jointly. The Kazakh group is interested in increasing air service between Almaty and Karakol and is going to remain in close contact.

Conclusions and Recommendations

A. Conclusions

The combination of factors outlined above and the work necessary to lift their status to internationally acceptable standards are representative of many another area of the developing world wherein nature takes precedence over manufactured amusements for the sake of tourism.

It is emphasized that tourism is probably the only activity that confers on the host community an economic benefit in the form of a "whole dollar." The tourist is not at all interested in any "return on investment" and what is spent on recreation and enjoyment is wholly conferred upon the destination. This simple fact is indeed the driving force behind the considerable investment that public and private entities pour into tourism, their returns being then manifested in increased jobs, payrolls, taxes and even tourist-goods industries such as local arts and crafts.

One can thus conclude from the above that the key factors of access, lodging, food choices and information all require substantial and reasonably rapid improvement if tourism is decided upon as an economic good.



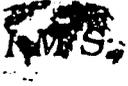
The second conclusion is that a certain minimum level of anticipatory investment in facilities and amenities must also be put in train, if the information that is disseminated is to be attractive enough to draw visitors.

The third conclusion is that significant outside assistance is a sine qua non to initiate the whole process, as regional resources are practically non-existent for the purpose. As a corollary to this, outside assistance from public or supra-national agencies could most usefully concentrate on infrastructure, while private enterprise goes after accommodations and means of entry and exit (i.e. air service).

Taken together, these four factors should be addressed simultaneously for maximum impact, so that the velocity of tourism development is not so slow as to lose out to more proximal destinations for most developed countries.

B. Recommendations

1. Develop an accurate inventory of all touristic locations, together with their facilities and amenities; prices; access; special features for group accommodations; transportation arrangements and the like, in both the Karakol FEZ and Yssyk-Kul Oblast regions.
2. Produce a full Tourist Information Package, preferably multilingual, consisting of Brochures and Videotapes, for dissemination to travel agencies, tour operators, tour consolidators and others in the industry, both in and out of the Central Asian region. Already, certain European tour organizations are actively promoting adventure tours that include the Yssyk-Kul region, with Karakol as the center. This beginning needs to be expanded via FEZ initiatives.
3. Initiate a Facilities Improvement Program for existing hotels with the help of suitable Joint Venture partners that can aid in a reasonably rapid upgrading program once the tourist program is operational. Particular attention should be paid to sanitation and accommodation features, so that visitors from outside the Central Asia region may not be prematurely turned off by the state of the existing facilities.
4. Organize Travel-Agent, Tour Operator and Hotelier visits to the area, to promote potentials and increase exposure to the natural attractions available. Follow-up should include reservations tie-ins with selected airlines such as Turkish Air, Lufthansa, etc., for greater ease of destination planning.
5. Give high and sustained priority to the improvement or replacement of the "Mountain Road" that links Karakol directly with Almaty to obviate current route via Bishkek. A Feasibility Study to derive optimum Engineering Economics for the finally chosen route would be highly desirable and is recommended. World Bank or similar financing should also be vigorously pursued for this purpose. This one improvement alone should greatly accelerate the access to Karakol, until the Karakol Airport Development Program is completed (see below)



6. Conduct a detailed Feasibility Study to determine all possible and attainable destinations from Karakol to other Central Asian countries, such that the link-up with Kyrgyz Airways may be heightened in several locations. Extensive conversations with the Airport management and operating personnel have revealed a need for the restoration of planes currently devoid of engines. These engines can be restored and returned for installation over time and a method is currently being studied for same.

Results Sought

- A. A minimum of Two (2) Motels, each of about 75-100 rooms, to be in place over a two to three year period.
- B. Complete and up-to-date Tourism Package readied and distributed in six to nine months from start.
- C. Commencement of "Mountain Road" project engineering studies within six to nine months from Plan approval, for road completion in not more than two years after the study is adopted for implementation.
- D. Commencement of Air Traffic Potentials Study for Kyrgyz Airways to increase passenger load factors and initiate regular service to selected points, principally Almaty for the time being, others as soon as warranted, once the planes are fully certificated to international standards and pilot training in "International Aviation English" is complete. This program is under way now.
- E. As a special Demonstration Project, arrange to have the existing Ski Lodge and Ski Lift repaired, refurbished and placed in good condition to accomodate those who could use such a facility during the ski season.



F.J. Spencer
President