



Growing Inclusive Markets

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CASE STUDY

Central Asia • Kyrgyzstan

Creating Value for All: Community-Based Tourism

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Sector • Tourism

Enterprise Class • MSME



Executive Summary

Tourism is a rapidly growing industry throughout the world. It can contribute to poverty alleviation through creating new jobs and providing entrepreneurial opportunities for people from a variety of backgrounds, skills and experiences. Community-based tourism - 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.

Community-based tourism (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 (hereinafter CBT Kochkor) and since then the number of CBT organizations has grown to eighteen.

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 home-stays, yurtas/jailoo tourism¹ and trekking, guided tours of cultural and historic 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 own umbrella organization, the Kyrgyz 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 at the national level.

To implement the innovative CBT business model, four major challenges had to be overcome. First, a lack of sufficient knowledge and skills to develop and provide adequate tourism services hindered its successful implementation. CBTSP Helvetas and KCBTA introduced various training programs to build these capacities within the local communities. Second, potential customers and tour operators had very limited information about CBT products. A number of marketing campaigns were undertaken to increase the awareness of and build trust in the services provided by CBT Kochkor and other CBT groups. The third constraint related to the lack of financial resources among local inhabitants, in particular access to credit. An attempt to solve this issue was undertaken through the establishment of a revolving fund that provided credit to CBT members at lower interest rates. The last constraint continues to be poorly developed physical infrastructure, an issue that needs to be solved in conjunction with assistance of local authorities and potential donors.

Currently, 350 families (approximately 1400 people) are directly involved in Community-based tourism in Kyrgyzstan. CBT members are now thinking of ways to expand their

¹ A *yurta* is a portable, felt-covered, wood lattice-framed dwelling structure traditionally used by nomads in the steppes of Central Asia; *jailoo* means summer pasture.



services for tourists. For example, two members of CBT Kochkor have established new CBT groups, CBT Eco-Plus and CBT Jailoo Tourism. CBT brings numerous benefits to the wider community by increasing the standard of living in rural areas, which helps in reducing migration to urban areas. Other businesses that provide ancillary tourism services such as cafés, restaurants, taxis, shops, groceries also benefit from CBT.

Context

COMMUNITY-BASED TOURISM

Ecotourism continues to be a growth sector for the global tourism industry. According to the UNWTO Secretary – General, Francesco Frangiali, “*World tourism has entered into a historically new phase of growth, which began three years ago. In 2005, it broke through the barrier of 800 million international arrivals. Last year, it reached 842 million. This new phase is characterized by a more solid and more responsible type of growth*”.² Given the increased awareness about the importance of environmental responsibility in tourism, Community-based tourism (CBT) is gaining popularity as a strategy for environmental conservation and social inclusion. At present CBT programmes are in place in Bhutan, Bolivia, Brazil, Costa Rica, Ecuador, Ethiopia, Guatemala, India, Kenya, Kyrgyzstan, Laos, Lesotho, Mozambique, Peru, South Africa, Thailand, Uganda, Venezuela, and Zambia.

According to the World Wide Fund for Nature (WWF), “*Community-based Tourism is a form of tourism where the local community has a substantial control over, and involvement in, its development and management, and a major proportion of the benefits remain within the community*”.³ Community members can become involved with tourism development within their communities, and are free to choose the services they offer as well as how they organize CBT. For example, they can choose to build joint community accommodation or provide accommodation in private houses, concentrate on eco-tours or cultural tours, build partnerships with private tourism companies or work independently. What is important is that the involved locals are motivated to conserve their natural habitat and culture for future generations. This will ensure that the community plans tourism activities in a sustainable way.

CBT Kyrgyzstan was inspired by the experience of the Mountain Institute (hereinafter MI), which was established as a not-for-profit in 1972 in West Virginia, where its work focused on experiential and leadership education for West Virginia's youth. MI formally expanded into an international organization in 1987, when it assisted in the establishment of two new protected areas in Nepal and in the Tibet Autonomous Region of China. Through empowering mountain communities and conserving mountain ecosystems, MI ensures that mountains will

² “*Tourism will contribute to solutions for Global Climate Change and Poverty Challenges*”. (2010). Retrieved September 10, 2009, from UN World Tourism Organization: <http://www.unwto.org/index.php>

³ “Community Based Ecotourism: Best practice stories and resources”, The International Ecotourism Society (TIES), Digital traveler and Asia Pasific eNewsletter, September 2006



continue to provide the essential natural, cultural and inspirational resources that are needed for mankind's survival on a healthy planet.⁴

HISTORY OF CBT IN KYRGYZSTAN

The idea of conserving mountain ecosystems was supported by the Swiss Association for International Cooperation, Helvetas. In February 2000, consultants from Helvetas who were working on a CBT Promotion Project⁵ traveled to Nepal to get acquainted with the CBT model so that they could replicate it in Kyrgyzstan. They studied the CBT established in Sirubari village, which was the first CBT model in the world.

Helvetas then helped to initiate the CBT model in Kyrgyzstan. In May 2000 the first CBT group was established in Kochkor village, Naryn province. Today, CBT Kochkor is the leading CBT group in Kyrgyzstan. Kochkor village is three hours away from Bishkek, the capital, and is surrounded by jaiлоos (highland pastures). Kochkor has 15,000 inhabitants, most of whom are farmers and shepherds. Many of them live in yurts (traditional nomad dwellings) on the jaiлоos during the summer. Kochkor is a place where tourists can experience the nomadic way of life, which is an important part of Kyrgyzstan's history and culture.

At the time, fourteen tourism service providers developed a working plan on tourism development in their locations in collaboration with Helvetas' business consultants. The setup and further development of the CBT model was carried out in accordance with the principles of the Mountain Institute Agenda (1997): *“Development of policies and plans must be based on a realistic assessment of the relative social and environmental compatibilities of different touristic and other economic activities, and involve local communities and other stakeholders at all stages from initial definition to implementation.”*⁶

CBT is now implemented by eighteen local communities that operate in six out of the seven regions of the country. Currently around 350 families or 1400 people are involved in CBT activities (please refer to Table A in the annex).⁷

The Kyrgyz CBT groups formed their own association, Kyrgyz Community-Based Tourism Association (KCBTA), which represents and promotes the interests of the members of the association, and provides marketing and training services to them. KCBTA is a key actor in the development of CBT in Kyrgyzstan.

⁴ Welcome to the Mountain Institute . (2010). Retrieved November 2009, from The Mountain Institute: <http://www.mountain.org/>

⁵ Initially, CBT started in Kyrgyzstan with a Women's Promotion Project that was a second component of the “Private Initiative Support Project in Rural Areas” to help rural women in Naryn and Issyk-Kul areas to get familiar with entrepreneurship and motivate them to start their own small projects. Due to the unfriendly environment for rural enterprises (high taxes, bureaucracy, etc.) the project was restructured to focus on tourism as a first priority sector and was renamed as the “Business Promotion Project” (BPP), and then as the Community Based Tourism Support Project, which provided training and consultation for tourism service providers.

⁶ (Welcome to the Mountain Institute , 2010)

⁷ However, the number of families or members in each CBT organization fluctuates over time due to different reasons: changing number of tourists, voluntary withdrawal from CBT group or exclusion from the CBT because of violation of the rules agreed among the CBT group members.



TOURISM IN KYRGYZSTAN

Tourism has been recognized as a sector with great potential for contributing to the country's economy and helping to alleviate poverty, especially in the remote rural regions. However, tourism accounted for just 4.6 % of the gross national product in Kyrgyzstan in 2007.⁸

During the Soviet period, the country was closed to foreigners. Consequently, international tourism did not exist before 1991. During the second decade of Kyrgyzstan's independence, tourism began to be shaped by international exposure, a consumer-driven focus and an emphasis on indigenous culture. However, most tourism was concentrated on the northern shore of Issyk-Kul Lake (an alpine lake that is one of the main attractions for Kyrgyz and Russian tourists) as well as in the capital Bishkek.⁹

Kyrgyzstan combines an unpolluted natural alpine habitat with preserved nomadic traditions and a rich cultural heritage. Community-based Tourism (CBT) products and services in Kyrgyzstan have thus been designed to appeal to visitors looking for ecotourism, cultural tourism, and soft adventure tourism, while at the same time conserving the natural environment of the country.

POVERTY IN KYRGYZSTAN

Although the economy has stabilized and grown in recent years, Kyrgyzstan is one of the poorest countries in the world. Out of the 5.4 million inhabitants¹⁰ of Kyrgyzstan, almost 40 per cent live below the poverty line¹¹. Poverty affects more women than men. About two thirds of Kyrgyzstan's population lives in rural areas.¹² The level of poverty in rural areas is significantly higher (51%) than in urban areas (30%).¹³ Farmers typically do not have sufficient training in agricultural techniques and lack access to marketing channels, as well as financial services that would allow them to invest capital in improving their farms, livestock or starting other small enterprises.¹⁴

Given the rural face of poverty in Kyrgyzstan, the CBT model is based upon a new and sustainable approach towards rural poverty alleviation. Its advantages are that it depends upon outside sources of revenue rather than domestic purchasing power and requires relatively

⁸ National Statistical Committee of the KR, 2007

⁹ Gul Berna Ozcan. 2008. Surviving uncertainty through exchange and patronage networks: a business case from Kyrgyzstan.

¹⁰ Publications. (2010). Retrieved September 10, 2009, from Central Intelligence Agency: <https://www.cia.gov/library/publications/>

¹¹ In 2007 the poverty level in Kyrgyzstan was 963 Kyrgyz soms (KGS) per month and the extreme poverty level was equal to 640 soms¹¹ (USD1= 43,7196 KGS). Source: National Bank of Kyrgyz Republic, available November 5, 2009 http://www.nbkr.kg/index.jsp?res=high&scr_res=1024

¹² World Bank. 2007. Kyrgyz Republic Poverty Assessment. Volume 1: Growth, Employment and Poverty.

¹³ Kyrgyzstan. (2010). Retrieved September 10, 2009, from Encyclopedia of the Nations: <http://www.nationsencyclopedia.com/economies/Asia-and-the-Pacific/Kyrgyzstan>

¹⁴ IFAD in the Kyrgyz Republic. (2010). Retrieved September 10, 2009, from Rural Poverty Portal: <http://www.ruralpovertyportal.org/web/quest/country/home/tags/kyrgyzstan>



minimal investment capital. Moreover, the CBT model is environmentally responsible if properly managed.¹⁵

Business Model: Making CBT Work in Kyrgyzstan

CBT BUSINESS MODEL

“My work within the CPT Kochkor gave me an understanding that the good condition of the environment and the actions to support the ecological sustainability will benefit local people twice. First, tourists are ready to pay for an opportunity to experience the nature they have not seen. Second, better ecology means a healthy life style for local people. There are two reasons for establishing CPT Plus Eco. Our CBT is a Kochkor-based CBT, but we work with poor people from a mountain small village next to Suusamyр valley”.

Ms. Bugalcha Nishanova, former CBT member and Founder of the Public Association “CBT Plus Eco”

CBT groups consist of local tourism service providers (individuals and families from the local community) and representatives of local authorities. CBT service providers include drivers, guides and owners of guesthouse, yurts and horses. Besides CBT groups, there are two main actors involved in the CBT business model: Tour operators (TO) and KCBTA. Tour operators sell tour packages and products (national games, carpet making shows etc.) to foreign tourists and direct them to CBT groups. Tourists can also buy CBT services and products directly from KCBTA or at the local CBT group office. Besides providing services for tourists, the CBT business model aims at generating income for rural families, while preserving the natural environment and cultural heritage of the country.

CBT KOCHKOR

One of the main goals of CBT Kochkor is the improvement of the living conditions of people in remote areas through the development and promotion of wholesome and sustainable ecotourism. Their mission is to promote *“responsible travel to natural areas, which conserves the environment and improves the welfare of the local people”*.¹⁶ At present CBT Kochkor has 30 member-families. Each of these families represents small tourism enterprises specialized in providing different types of tourism services such as accommodation in houses or yurts, guides, transport services or horse rentals etc. CBT Kochkor develops local trekking

¹⁵ KCBTA has developed an Ecotourism Organization's code of conduct that provides guidelines for all involved in ecotourism activities.

¹⁶ What is eco tourism? (2010). Retrieved September 10, 2009, from Eco-Resorts: <http://www.eco-resorts.com/Eco-tourist.php>



and horseback riding tours. So far they have developed about 20 different tours with durations ranging from 1-7 days around Kochor and neighboring jaiolos.

Table 1: Description of one of the various tours organized by CBT Kochkor

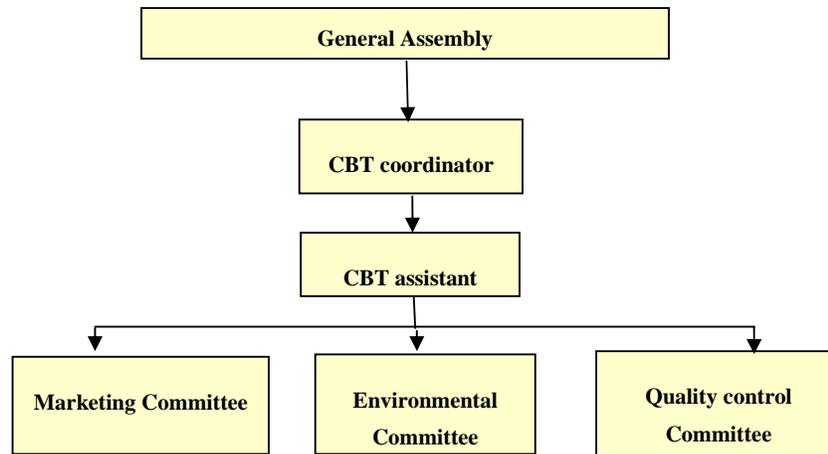
<p>“Explore the Lake in a Chest”</p> <p>Category: Trekking / Horseback Duration: 2 days Level of Difficulty: Moderate. One pass has gradient steep; serpentine rising, stony path, slippery path in a rainy weather, especially at the cliffs. Best Season: From 20 May before shepherds wandering Requirements: trekking boots, weatherproof warm clothes, hat, sunscreen, tent, sleeping bag, and sleeping pads, some horse riding skills</p> <p>Köl-Ükök Lake is nestled between two steep slopes in the Terskei Ala-Too Mountains. The steep surrounding slopes give Köl-Ükök its name, which means “lake in a chest”. The water is sweet and cold, and reaches a maximum depth of 17m. The area is home to marmots, badgers, wolves, jackals, foxes, hares, and mountain goats or the cry of an eagle, hawk or griffin live here. Around the lake the diversity and originality of flowers – from forgot-me-not to legendary edelweiss – will enchant you. From the mountains in surroundings, one can get a panoramic view of 9 lakes, including renowned Yssyk-Köl and Son-Köl lakes as well as smaller ones (Ara-Köl, Köl-Ükök and others).</p> <p>Itinerary: Kochkor – Kara-Suu village – Ters_tor jaiolo – Kol-Ukok Lake</p> <p>Day 1. Transfer by car from Kochkor to Kara Suu village - 9 km (another option: to Isakeyeva village). Continue by horse to the Ters-Tor jaiolo. Lunch in a yurt. Wander around the jaiolo. See the shepherds’ way of life. Here you can see cows and horses being milked and will be able to watch bread being prepared. Overnight stay and dinner in a yurt Day 2. Breakfast. 2 hours on horseback to the Lake in a chest. Rest on the lakeshore. Lunch in yurt. You will try local food. Travel back to Kochkor.</p> <p>Source: http://cbtkyrgyzstan.kg/tours/CBTKochkor</p>

The group also controls the quality of tourism services, promotes certain tourist destinations, and raises awareness among the local population on environmental issues through organizing events and round tables and giving lectures at schools.

All the joint activities of the CBT group are planned at the General Assembly that takes place once a month. The General Assembly (GA) consists of all CBT members and serves as its governing body. The GA elects the members of the Marketing Committee that is responsible for the marketing of the region and CBT products, the Environmental Committee that is responsible for raising awareness about environmental issues and the Quality Control Committee that is responsible for quality control of tourism services and products. The GA hires the CBT coordinator and his/her assistant who are responsible for all operational issues.



Figure 1. Organizational Structure of CBT Group Kochor



Source: Author

CBT Kochkor has its own office in the center of the village that also operates as a tourist information center. The office has requisite communications facilities and also has a separate conference room for meetings and trainings.

Positive experiences for tourists with the services provided by CBT Kochkor are essential for the long-term viability of the group. As a result, a CBT accreditation system was introduced by KCBTA to ensure quality assurance as well as to provide a broad range of CBT products and proper information for the same. The quality standards were developed for guest houses, yurta services, drivers and guides. KCBTA provides accreditation of these tourism services once a year with the involvement of tour operators and CBT groups.

FINANCIAL MODEL

All CBT groups including CBT Kochkor have their own CBT Fund. The main sources of CBT income are commissions from selling tourism products. The amount of a commission depends on the way tourists get in touch with individual tourism service provider.

If a tourist directly approaches a service provider, the service provider gets 92% of the price of the service. The proportions accruing to the CBT fund, KCBTA and taxes are 4%, 1% and 3% respectively (figure 1). If a tourist books the services through a CBT group, 14% goes to the CBT fund, the service provider gets 82% of the revenue, 1% goes to KCBTA and 3% towards taxes. If a tourist books the service through KCBTA, the service provider receives 77% of the revenue, KCBTA gets 11%, the CBT group gets 9% and 3% are taxes.

In all three cases, the individual services provider gets the highest share of the revenue – which is in line with the objective of the CBT model to generate income for rural populations.

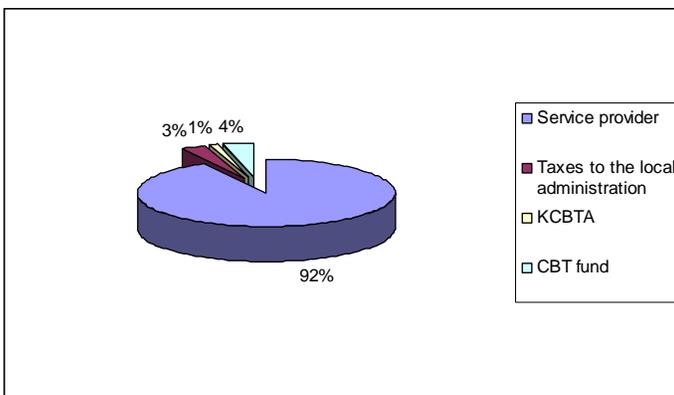
Broken down by specific services, the biggest share of income for CBT groups accrues to bed and breakfast (B&B) services in houses and yurts (69%). Other income generating activities



are transportation (7%), food (10%), souvenirs (3%), guides (3%), horse rentals (6%) and other services (25%)¹⁷. Greater attention needs to be focused on the further development of tours, improvement of CBT services and to increasing the range of the tour products and services. This will help to increase the number of nights tourists spend in the villages and thus also the economic impact of tourism.

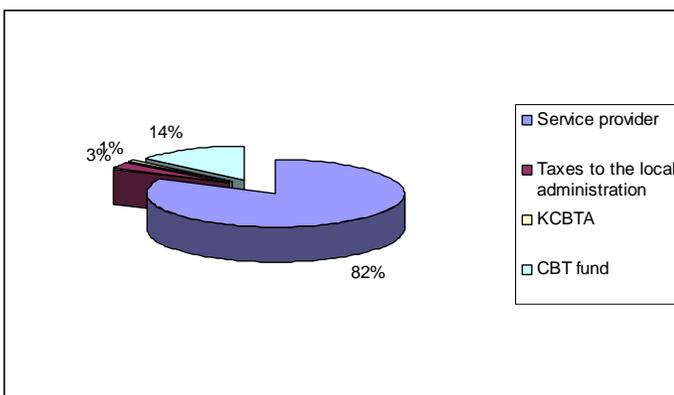
The commissions account for about 70-80 % of the total income for the CBT groups and the remaining 20-30 % comes from membership fees, sales of postcards, maps and the rental of tourism equipment such as tents, sleeping bags and other items.

Figure 2: Service booked through provider



Source: Author

Figure 3: Service booked through CBT group

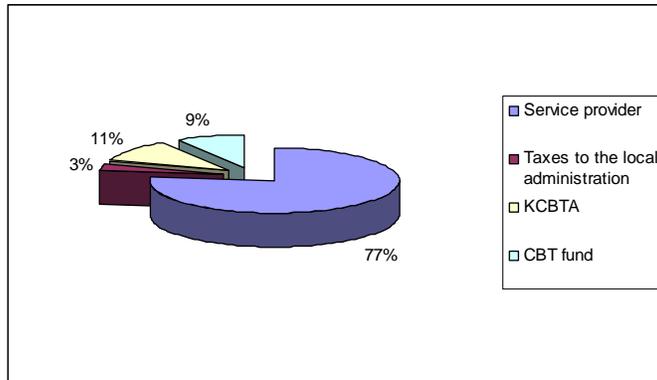


Source: Author

¹⁷ Several services can be provided simultaneously.



Figure 4: Service booked through KCBTA



Source: Author

Actors

KYRGYZ COMMUNITY-BASED TOURISM ASSOCIATION (KCBTA)

The main actor supporting the development of the CBT business model in Kyrgyzstan is Kyrgyz Community-based Tourism Association (KCBTA) “Hospitality Kyrgyzstan”. KCBTA was founded in 2003 by seven CBT groups including CBT Kochkor with the support of Helvetas. KCBTA aims to incorporate CBT into the mainstream tourism industry in Kyrgyzstan. Today the association is an umbrella association that includes 18 CBT groups and a 5-group association of shepherd families. It supports the development of new or existing CBT groups throughout the country, enhancement of rural tourism infrastructure and growth in living standards of local communities through income generation and job creation. It lobbies for the interests of rural tourism providers, conducts trainings for service providers and sells CBT products. In addition, the Association facilitates information exchange and the development of regional and cross-border products and services to increase access to other Central Asian countries and foster regional cooperation.

KCBTA is now the leading organization for the CBT network in Kyrgyzstan and therefore its sustainable development is key for the growth of CBT organizations. Continued financial sustainability of KCBTA is critical towards this purpose. The main income sources of KCBTA are the following: income from trainings, sales of tourist souvenirs and products, membership fees, commissions from booking activities and rental of tourism equipment. Besides these income sources, KCBTA still depends on donor funding for about 70 % of its income, whereas CBT groups are fully independent. For better performance and efficient implementation of its mission KCBTA has to strive for financial independence. This could involve strengthening KCBTA’s commercial operations by selling tour packages at airports and creating an easy system of booking CBT tours by tourists. The other two aspects of sustainability, namely operational and institutional sustainability are not problematic since



KCBTA has trained and well qualified staff and it is acknowledged by private tourism businesses and the Government as a reliable partner.

RURAL INHABITANTS

Rural inhabitants play a prominent role in the CBT business model. Besides providing direct tourism services, they also supply other goods and services to tourists, for instance through the operation of local grocery stores, handicraft retail, etc. The engagement of rural inhabitants is a key ingredient to the success of the CBT model.

For example, two members of CBT Kochkor established two new tourism non-governmental organizations: CBT Eco – plus and CBT Jailoo Tourism.

HELVETAS - CBTSP

From the beginning CBT in Kyrgyzstan has been supported and facilitated by the Community Based Tourism Support Project (CBTSP), implemented and facilitated by Helvetas – A Swiss Association for International Cooperation. CBTSP provides rural tourism entrepreneurs with marketing support and training through the start-up and growth phases of their business development. It is therefore instrumental in the CBT business model success in Kyrgyzstan.

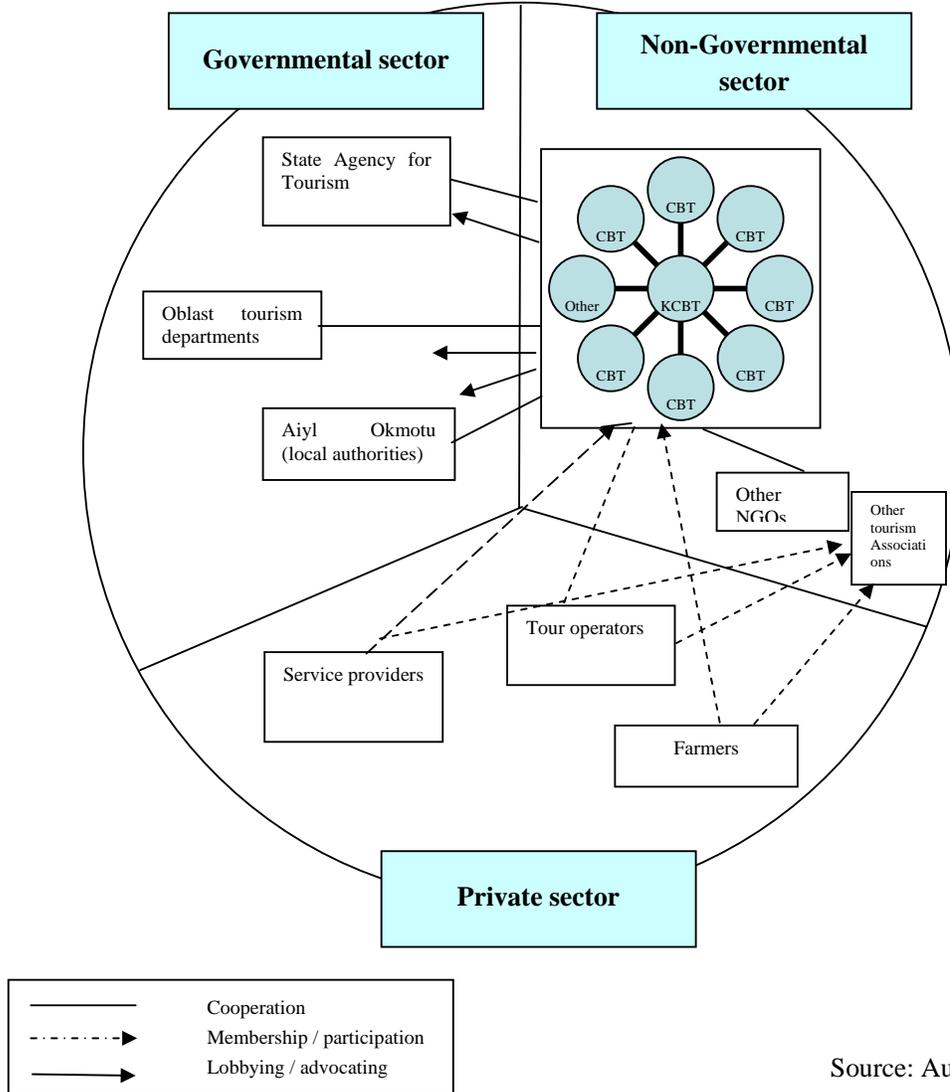
ORGANIZATION FOR SECURITY AND CO-OPERATION IN EUROPE (OSCE)

The OSCE Center in Bishkek provides valuable support to CBT development in Kyrgyzstan and replication of the CBT model in its neighboring countries as Kazakhstan, Tajikistan, Uzbekistan and Turkmenistan, primarily through supporting and leveraging KCBTA.

In 2007, OSCE supported KCBTA in initiating the development of the Central Asian CBT network, whose main objective was to establish a marketing channel for delivering CBT products to international and Central Asian markets, such as Kazakhstan, Tajikistan, Uzbekistan and Turkmenistan. Within the framework of “Central Asian CBT development” KCBTA organized and provided a situation analysis and feasibility study in each country, developed recommendation on CBT development and organized necessary trainings. As a result, the CBT model was initiated in the respective countries and counterparts were identified and selected from each country. Together with local stakeholders from each country, KCBTA developed regional tour products that connect neighboring CBT groups and countries.



Figure 5: Actors



Source: Author



Implementing CBT in Kyrgyzstan: Challenges and Solution Strategies of an Innovative Business Model

In implementing an innovative business model such as CBT, the actors involved needed to overcome various constraints in order to make this new model work.

The first constraint that had to be overcome was the limited access to information and education. Most people living in the rural areas lack sufficient knowledge and skills to be able to develop and run adequate and sustainable tourism services. The same was true for tourism service providers, since tourism was not commonplace in the rural and remote areas of Kyrgyzstan. Capacity building of local communities was done with the support of partners, in particular Helvetas' CBTSP and KCBTA. People were taught foreign languages, computer skills, basic business management skills, quality standards in tourism, appreciation of their own local culture and environment and conflict resolution for tour guides and family service providers. For instance at CBT Kochkor, the CBTSP project organized and provided training in hospitality, tourists' expectations, quality standards, marketing, business planning, simple accounting and legal issues. Over the course of five years, 20 training programs were organized for CBT Kochkor alone, in which a total of 317 people took part. To make the project more sustainable, the CBTSP project also built up the capacities of KCBTA staff and some CBT members in training skills. From 2005, KCBTA and CBT groups have been able to conduct training programs on their own.

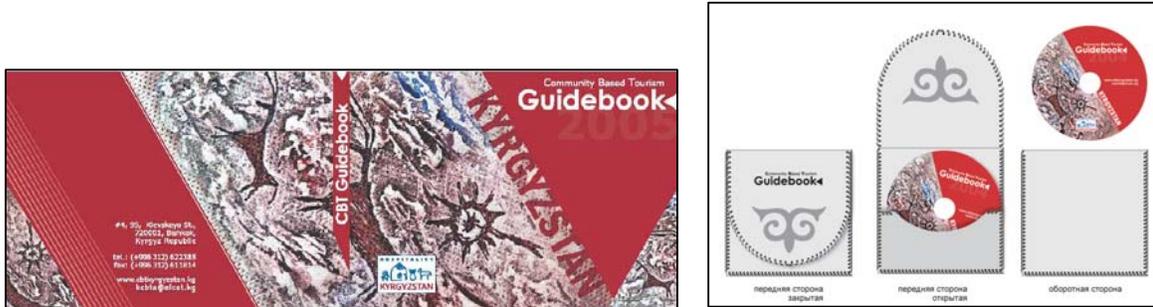
At the beginning all the training programs were conducted free of charge. In 2003 CBT members were asked to provide free accommodation for trainers and a symbolic payment of about 1 USD per training. Since the CBTSP project completed its technical support in 2005 KCBTA and CBT groups currently provide the trainings on an on-demand basis themselves. For example, CBT Kochkor organized and provided training programs for home stay and yurtas owners on different types of cuisine.

Another constraint for CBT development in general and CBT Kochkor in particular was that potential tour operators (TOs) and customers had limited information about CBT products, services and providers. As a result, many Tour Operators did not trust CBT groups. In order to solve this issue, CBT groups undertook a number of steps to build trust among the TOs, which was done through presentations, field trips and the involvement of the latter in the product development and quality monitoring cycle. In addition, KCBTA has conducted marketing campaigns for the promotion of CBT group activities. KCBTA created a website that simplified access to CBT services for TOs and individual tourists both within and outside the country. Brochures about CBT activities were distributed to tourists directly by CBT Groups as well as through TOs, various fairs and exhibitions. KCBTA also conducted several field trips for Tour Operators, the State Committee on Tourism, Sport and Youth, as well as representatives of the media. Finally, a CBT guidebook for tourists was developed in both print and CD formats (presented below).

KCBTA also participated in tourism fairs in Berlin, Almaty and Bishkek.



Figure 6. A CBT Guidebook in print and CD formats



Source: KCBTA

A significant achievement of CBT in Kyrgyzstan was the promotion of its services in the Lonely Planet Travel Guidebook series. The travel guide describes CBT as the reason why Kyrgyzstan is the best place for budget travel in Central Asia and yurts are described as the highlight of Central Asian tourism.

CBT groups also face a lack of access to financial resources, such as credit and other financial services that are not available for rural inhabitants. According to a survey conducted in 2003 among 6 CBT groups, rural inhabitants providing various types of tourist services reported a need for credit to improve the quality of their facilities (yurts, houses, bathrooms etc.) in order to attract more tourists. When service providers were asked what kind of external help they needed to implement their plans, the majority of respondents referred to access to credit (41 respondents), training in language or business skills (34) and marketing support (33). As a result, CBT groups with the support of CBTSP established their own Revolving Fund that is used for providing credit to CBT members at interest rates that are lower than those offered by banks, microfinance institutions and credit unions in the region.¹⁸ At present CBT Kochkor has a Revolving Fund with about 10,000 USD that is used for offering credit to CBT member at an interest rate of 18% per year. The process of applying for a loan is simple, since the borrower only has to fill in an application and there is no requirement of collateral. As a result, 80% of CBT members have received a loan at least once, at an average loan amount of about 600 USD. The credit is used mostly for business development, but sometimes also for other purposes such as the education of the CBT members' children or improvements to their homes. The repayment rate of 100% indicates the prevalence of trust and strong social ties between group members.

CBT groups also face problems with poorly developed physical infrastructure such as bad road conditions, poor sanitation systems and irregular electricity and water supply. For

¹⁸CBTSP supported the process of Revolving Fund establishment with trainings and consultations on Revolving Funds business plan development, administration of Revolving Funds, including internal rules for Revolving Funds. Based on the developed business plans CBTSP gave small grants to CBT groups for the establishment of Revolving Funds. The amount of the grants depended on the number of CBT members in the organization and on the results they achieved. On average the grant amount was 3000 USD.



example, CBT Kochkor faces problems with the supply of clean drinking water for tourists at the Song-Kul Lake, one of the most popular tourist destinations in Kyrgyzstan. However, the problem is beyond the control of the CBT group and requires involvement of the local state authorities and potential donors. Consequently, CBT with the support of KCBTA is raising this issue at different levels by organizing policy dialogues and applying for donor funding.

Creating Value for All: Economic Results

ECONOMIC RESULTS OF CBT IN KYRGYZSTAN

The total number of tourists using CBT services in 2008 was 9,260, a 13 fold increase from 2000 (718 tourists). The total turnover increased from 7,983 USD in 2000 to 250,554 USD in 2008. These numbers indicate the growing popularity of CBT in Kyrgyzstan (Table 1).

Table 2. Number of tourists and total income of CBT for 2000-2008

Year	Number of tourists	Person/days	Income, som	Income, USD	Exchange rate
2000	718	No data	380'975	7'983,55	47,72 som/\$.
2001	2'332	6'657	1'627'621	33'600,76	48,44 som/\$.
2002	2'292	4'655	1'196'526	25'495,97	46,93 som/\$.
2003	4'373	7'266	3'285'292	75'195,51	43,69 som/\$.
2004	4'860	8'914	3'870'988	90'022,98	43 som/\$.
2005	5'172	9'309	3'985'386	96'033,39	41,50 som/\$
2006	5'812	9'818	5'412'172	140'575,89	38,50 som/\$
2007	7'747	11'620	6'402'001	177'340,75	36,10 som/\$
2008	9'260	13'890	9'395'775	250'554	37,50 som/\$

Source: Anar Orozobaeva (2008). Kyrgyz Community Based Tourism Association "Hospitality Kyrgyzstan".

However, there are big differences regarding the financial results of different CBT organizations within the country, as can be seen from Table 2. These differences arise mainly due to the different levels of experience of CBT groups in Kyrgyzstan. More remote destinations need more effort and time to be promoted. Also, other factors such as the enthusiasm of CBT members and their willingness to invest their time and resources influence the final results.



Table 3: Number of tourists served by CBT/Shepherd's Life groups in 2007-2008

Organization	Number of tourists		
	2007	2008	Difference, %
CBT Kochkor	1'837	2'562	+ 39,5 %
CBT Naryn	1'146	1'030	- 10, 1 %
CBT Jalalabat	426	552	+ 29, 6 %
CBT Arstanbap	998	1'302	+ 30,5 %
CBT Kara-Suu	55	195	+ 254,5 %
CBT Karakol	779	634	- 18,2 %
CBT Kazarman	134	168	+25,4 %
CBT Talas	105	112	+ 6,7 %
CBT Osh	584	622	+ 6,5 %
Shepherd's Life	651	680	+ 4, 4 %
CBT Tamchy	393	450	+ 14, 5 %
CBT Bokonbaevo	223	118	- 47, 1 %
CBT Kyzyl-Oi	151	372	+ 146, 4 %
CBT Chong-Kemin	57	114	+ 100 %
CBT Alay	52	90	+ 73, 1 %
CBT Sary-Mogol	77	95	+23, 4 %
CBT Kerben	73	19	- 74 %
CBT Batken	6	9	+ 50 %
Total	7'747	9'260	+ 19, 5 %

Source: Anar Orozobaeva (2008). Kyrgyz Community Based Tourism Association "Hospitality Kyrgyzstan".

PERFORMANCE OF CBT KOCHKOR

CBT Kochkor is currently the most successful CBT group in the country, both in terms of the number of tourists served and positive feedback for its services. CBT Kochkor served the highest number of tourists among all CBT groups two years in a row: 1,837 tourists in 2007 and 2,562 tourists in 2008. In addition, CBT Kochkor generated the highest income of all CBT groups - 60,584 USD in 2007 and 98,038 USD in 2008. On average, every tourist stayed in Kochkor about 1.5 days and spent 22 USD per day.

According to the internal monitoring system that analyses clients' feedback, about 90 % of all tourists that visited CBT Kochkor were fully satisfied with the quality of tourist services, the hospitality of the local people and the organization of services. Moreover, in 2008 Kochkor had the highest number of orders by TOs, which accounted for 28.4% of the total.

The convenient location of Kochkor helps in tourists ranking it as their most favored destination in the country (39.2%) as compared to other places such as Osh (12.3%) and Talas (3.1%).



Social Results

SOCIAL RESULTS OF CBT IN KYRGYZSTAN

In the beginning, only a relatively modest number of community members enjoyed an increase in income from CBT activities. However, with increasing demand for CBT products and services by tourists, the benefits to locals have been increasing. During the 2008 tourist season, CBT groups generated 412 direct jobs with an average salary about 40 USD per month. The whole community enjoys indirect benefits from tourism such as improved infrastructure, environmental awareness, and cultural preservation.

Jobs created by CBT businesses, both direct and indirect, include horsemen, cooks, drivers, guides, yurt owners, translators, handicraft masters and folklore musicians. According to a survey conducted in CBT Kochkor in 2005 among 76 CBT service providers, the main source of income for respondents was tourism. Moreover, the survey showed that service providers reinvested their incomes into facilities improvement. Those respondents that reinvested income generated from tourism into their facilities spent as much as 864,150 som, or 20,823 USD, in purchasing new facilities, equipment, furniture, horses, repayment of loans for houses, vehicles, etc.

In addition, rural communities receive indirect economic benefits from tourism related services. Examples include spending on food, supplies, and other necessities for home stays and yurt operations. During special events such as CBT festivals¹⁹ - which on average attract around 20-40 visitors each - the local population is involved in the preparation and running of the festival, and benefits economically from increased tourist spending.

Finally, increased tax payments by CBT group members contribute to the well being of the entire community through redistribution and increased social services.

However, although CBT Groups generate considerable additional income in rural communities, the families that benefit the most from CBT are usually the ones that are economically better off. This can be due to that the need to impose quality standards that restrict larger involvement by poorer households who may not have easy access to credit.

Nonetheless, better-off families who benefit most from CBT activities are also trying to spread those benefits through charity and social entrepreneurship activities targeting the poorest members of their communities. For example, in 2009 different CBT groups provided the following support to the most vulnerable people:

- CBT Karakol bought a kitchen stove, clothing and food for the amount of 3'500 soms (81 USD) for a single old lady, who has low pension and no relatives to help;
- CBT Tamchy bought clothing and school stationary in the amount of 2'000 soms for 2 children, who live with relatives;

¹⁹ This season CBT Kochkor/Shepherd's Life (National Horse Games, Song-Kol Clean-Up), Shepherd's Life (Kyrgyz Köchü Festival and Kyrgyz Traditions Festival), CBT Chong-Kemin (Kyrgyz National Cuisine) and CBT Bokonbaevo (Kyrgyz Wedding and Birds of Prey Festivals) have organized festivals.



- Shepherds Life group initiated a program, where disabled people make national handicraft items and souvenirs and Shepherds Life helps to sell them. Shepherds Life already established an agreement with several disabled people and booked some handicrafts items for 2009.

SOCIAL RESULTS OF CBT KOCHKOR

The social benefits from the activities of CBT Kochkor include income generation for rural communities as well as the promotion of ecotourism.

In 2004, CBT Kochkor generated 216 additional jobs (self-employed or not) for people outside the CBT group like porters, horse owners, cooks and guides. Other indirect beneficiaries were handicraft producers who received additional income from the sale of souvenirs to tourists as well as farmers, builders and others.

“In the very beginning I hosted 5 tourists per season. This 2009 season I hosted 50 tourists from 48 countries. We became more active and independent than ever before. We realized that we can do something useful not just for our guests, but for our children and for ourselves. We do our best to uphold our nomad traditions and to give good education to our children. Kids got their first English lessons from the foreigners that visited Kochkor. It inspired them to be active and study well at school. As a result several kids of CBT members stayed with host families in the USA. Other kids found work in the United Arab Emirates.

We don't only want to keep our customs safe, but we wanted to be connected to the world. That is the reason why I got 40,000 soms for credit from CBT Kochkor. I bought computer and equipment for Internet connection. Our guesthouse is the only guesthouse in the village with Internet access.”

Ms. Shailoobubu Bekmurzaeva, Guesthouse owner

Although in general CBT is more likely to benefit those members that are already better off, this does not hold true for CBT Kochkor: Out of thirty-two current CBT members, twenty five are women. All of them belong to traditionally vulnerable groups and they are mostly advanced in years, 16 of them actually being pensioners.

Environmental Results

ENVIRONMENTAL RESULTS OF CBT IN KYRGYZSTAN

To popularize ecotourism, an Ecological Code was developed as a set of guidelines for CBT members and the community in general. It includes ecological and cultural conservation principles as well as principles related to local community development and ecotourism promotion. It was decided to include the Ecological Code as an integral part of any



cooperation agreements that the KCBTA signs with other partners as a guarantee of the environmental sustainability of the CBT model.

CBT Groups are involved in building awareness among local communities on environmental issues through various actions. For example, in 2008:

- Several CBT groups were involved in educating their communities on environmental issues. CBT Arslanbob made presentations to the villagers on waste problems in the village and conducted an ecological tour for 20 schoolchildren. CBT Tamchy provided trainings on ecology to schoolchildren and CBT Alay provided trainings on ecology and CBT concepts for university students and schoolchildren.
- Some CBT groups conducted cleanup activities. CBT Arslanbob and CBT Kara-Suu installed 2 garbage bins in their village, and both groups also cleaned springs and waterfalls to enhance access to pure water. CBT Tamchy regularly cleans the shore of Issyk-Kul Lake and CBT Karakol in cooperation with a local high school conducted cleaning operations in Karakol National Park.
- Some groups have engaged in reforestation and efforts to protect biodiversity. CBT Batken planted a 1.5 ha area with “Aigul-Gul” flower seeds in order to conserve this unique flower and CBT Arslanbob planted trees on a piece of land which was rented by the group from the village government.

ENVIRONMENTAL RESULTS OF CBT KOCHKOR

Most of the income for CBT Kochkor comes from tours to the shore of Song-Kul lake and the number of tourists visiting the lake has been steadily increasing ever year. However, the area around the lake is becoming more and more polluted. As a result, CBT Kochkor annually conducts an ecological campaign devoted to cleaning Song-Kul Lake. This campaign includes tourists, CBT members, service providers and other participants. The campaign has become very popular among foreign tourists, and also has a positive impact on the income of service providers and other local villagers.

In conclusion, CBT helps in improving the economic situation in rural areas by creating jobs and income, and at the same time promotes an environmentally sustainable ecotourism model in Kyrgyzstan.

Looking into the Future

Kyrgyzstan still faces numerous problems such as high levels of poverty in the rural and remote areas of the country, high unemployment rates and high levels of migration.²⁰ CBT Kochkor and the other CBT groups in Kyrgyzstan need to continue focusing on improving quality and developing new services and products for tourists. Each CBT Group needs to pay

²⁰ Different sources estimated that from 600 000 till 1 million citizens of Kyrgyzstan are living abroad – the majority of them originated from the rural areas.



more attention to building capacity within the group to ensure the sustainability of the group. New members who join CBT Groups need to be trained. It is the responsibility of the individual CBT Group to build the capacity of new CBT members as this influences the quality of CBT products and the image of CBT.

Increased attention should be paid to further develop tours and improve CBT services in order to ensure that more people benefit from the CBT business model at the village level. If CBT groups are able to increase the range of their tour products and services they will be able to increase the number of nights tourists spent in their villages and thus also increase the economic impact of tourism development in their region.

One of the main priorities needs to be to increase the profile of Kyrgyzstan as a tourism destination. Kyrgyzstan lacks comprehensive institutional base to develop tourism industry and promote the country as the tourist destination (advertising agencies, research institutes, state agency on tourism, etc). Hence, marketing activities and consequently tourism development is based on individual efforts and not on an overall strategy of development tourism in the country. One of the high-priority objectives in KCBTA and CBT groups' marketing strategy is to establish direct contact with foreign tourists. CBT services need to be marketed and promoted abroad. CBT members need to be involved in tourism conferences, present information in foreign guidebooks, establish multilingual websites and other information materials.

To improve the social and environmental impacts of KCBTA and CBT groups, they need to partner cooperation with development agencies, NGOs, Tour Operators and the local administration. In particular, more attention should be paid to environmental impact management, improvement of physical capacities to accommodate larger tourist groups and assure consistent quality standards among all CBT service providers. Special attention should be paid to the conservation of the natural habitat and cultural heritage of the local communities.



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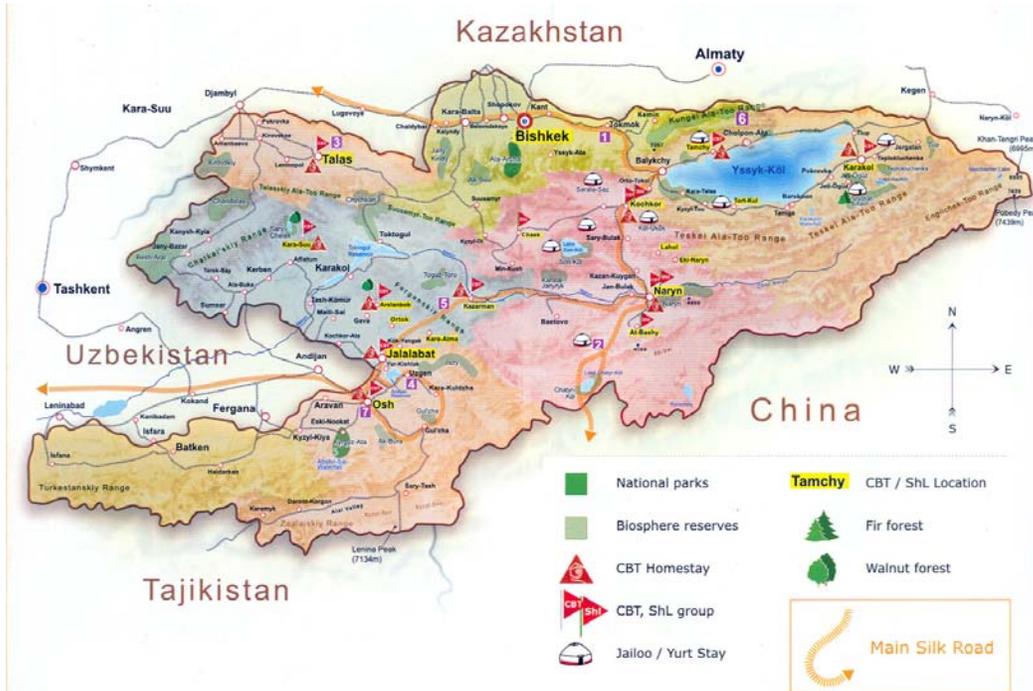


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Annexes

Annex 1. Map of Kyrgyzstan and CBT groups.



Source: Oriental Express Central Asia ²¹

²¹ <http://www.kyrgyzstan.orexca.com/img/kyrgyzstan/map.jpg>. Retrieved on 26 November 2010.



Annex 2. Number of Families Members of the CBT Network

#	CBT groups	Years								
		2000	2001	2002	2003	2004	2005	2006	2007	2008
1	CBT Kochkor	14	41	38	30	32	32	32	32	30
2	CBT Naryn	15	21	22	12	15	13	15	15	12
3	CBT Jalalabat	9	18	20	20	11	13	20	25	22
4	CBT Arstanbap		20	12	20	22	27	29	32	30
5	CBT Karasuu		25	20	11	20	23	23	23	21
6	CBT Karakol		24	15	18	17	20	17	28	16
7	CBT Kazarman			9	11	15	9	8	10	9
8	CBT Talas				14	43	17	16	13	13
9	CBT Osh				16	28	18	14	10	8
10	Shepherds Life					101	101	91	93	87
11	CBT Tamchy						12	12	13	16
12	CBT Bokonbaevo						20	18	14	13
13	CBT Kysyl-Oi						12	13	15	19
14	CBT Chong-Kemin							9	9	7
15	CBT Alai							15	13	11
16	CBT Sary-Mogol							14	15	14
17	CBT Kerben							13	16	13
18	CBT Batken							15	15	6
	Totally	38	149	140	152	304	362	419	381	347

“Hospitality Kyrgyzstan”.

Source: Anar Orozobaeva (2008). *Kyrgyz Community Based Tourism Association*

Annex 3. Ecotourism Organizations' Code Of Conduct

The Kyrgyz Community Based Tourism Association "Hospitality Kyrgyzstan" has developed the following Ecotourism Organizations' Codes of Conduct, which provides guidelines for the tour operators and other ecotourism organizations operating in Kyrgyzstan.

It consists of nature conservation principles and culture conservation principles.

Nature conservation principles:

1. **Awareness of the Impact on Natural Resources.** Be aware of the actual and potential impact of tourism on natural resources and attempt to minimize this impact



- through one's own policies and practices, including: ·Disposing of waste and sewage properly;Reducing natural resource consumption by tourists
2. **Supporting efforts to clean up waste and polluted areas.** Find out about these efforts and support them by, for example, providing money, lobbying governments and businesses, contributing your time and that of your staff, and by encouraging tour clients to support them.
 3. **Using environmental-friendly vehicles.** The transport you choose for your clients makes a difference - choose the means of transport that has the least environmental impact. Try to use non-motorized transport whenever possible.
 4. **Impact monitoring:** Keep the number and behaviour of tours/travelers compatible with the fragility of visited environments and work with protected area managers, the Association's partners and/or other local NGOs to implement impact monitoring plans when possible.

Culture conservation principles:

1. **Supporting Authentic Cultural Exchanges.** Be aware of the actual and potential impact of tourism on cultural heritage and attempt to minimize this impact through one's own policies and practices.
2. **Respecting Cultural Heritage.** Respect the culture and customs of the people whose communities you visit, and make sure that your clients do so as well.
·Give all visitors a thorough cultural briefing before visiting local communities. Where possible hire local lecturers to conduct these briefings. Include information on local customs and traditions and on appropriate behaviour for tourists in the area. Use local "Codes for Tourists" if available.
·Ask permission to take photographs or videotape.
·Ensure that your clients respect religious ground, churches, cemeteries, and other sites with religious or cultural significance and that they do not remove any artifacts.
3. **Respect historic sites and markers.** Make sure that your clients do not remove any artifacts. If access to historic or archaeological sites is restricted, get permission before visiting. Ensure that your clients behave respectfully particularly if a site has religious significance.

Local Communities Development principles:

1. **Partnership with Community-based Ecotourism groups:** Supports Community-based ecotourism groups in developing a sustainable business that contributes to conservation and community development. Subcontracts from small, Community-based enterprises wherever possible and assists them in achieving the appropriate quality standards. Where no Community-based company is available, the tour operator directly employs people living in the areas being visited. Local community members may be employed to deliver all the services to clients, including administration, guiding, transport, meals, lodging and supplies.
2. **Purchases Supplies from the Local Community:** Create additional benefits to the local community by purchasing as many products and services as possible from the community being visited. Encourage your clients to buy locally made handicrafts and products made from wildlife by local people, so long as these products are not made from endangered species and their purchase does not violate the law.



3. **Supports Community Development Financing:** Contributes a proportion of net profits to community conservation and development funds, and/or makes a direct financial donation to the communities being visited. Follows protected area guidelines for entrance fees and concession permits and encourages customers to make contributions to support conservation and community development projects.
4. **Accommodation options.** Choose accommodation compatible with local traditions and that minimize negative environmental impact. Choose lodgings that have effective waste treatment systems, recycles and disposes of non-recyclable garbage appropriately. Where possible, choose accommodation owned, built, and staffed by local people.
5. **Coordination with local communities.** Coordinate with the communities that you will visit so that your visit is welcome and expected.
 - Arrange visits to communities well in advance.
 - Reconfirm your visit, preferably 24 hours in advance and be prepared to pay the community for **costs associated with cancelled visits.**
 - Arrange with the community what you and your clients will do while there.
 - Find out what size of group the community can welcome for the planned activities.



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The information presented in this caselet has been made available to the company in subject to ensure its accuracy and is accurate to the best of the author's knowledge. The views expressed in the caselet are the ones of the author and do not necessarily reflect those of the UN, UNDP or their Member States.

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