

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Economics**



**Bachelor Thesis**

**Tourism in Kazakhstan: *Problems and Prospects of Development***

**Kamilla SMADYAROVA**

© 2018 CULS Prague

# CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

## BACHELOR THESIS ASSIGNMENT

Kamilla Smadyarova

Economics and Management

Thesis title

***Tourism in Kazakhstan: Problems and Prospects of Development***

---

### **Objectives of thesis**

The main objective of the thesis is to consider the current situation of tourism development in Kazakhstan and identify existing problems the industry presently faces in its progression. Evaluate issues such as underdeveloped tourist infrastructure, weak provision of the industry, staff and customer service satisfaction, lack of a positive tourist image in worldwide markets to provide possible solutions for developing.

### **Methodology**

Theoretical part: using methods such as abstraction, descriptive methods, inductive reasoning.

Practical part: using quantitative (statistics, econometrics) and qualitative (questionnaires, interviews) data description methods.

**The proposed extent of the thesis**

40 – 60 pages

**Keywords**

Kazakhstan, tourism, development, problems, economic growth, Nazarbayev, Astana.

---

**Recommended information sources**

Arinova M.N. Problems and prospects of development of medical tourism in the Republic of Kazakhstan, 2015  
Azar V. I., Tumanov S.Yu. Economy of the tourist market. Institute of International Tourism, 2015  
Balabanov IT, Balabanov AI Tourism Economics. Tutorial. -M.: Finance and Statistics, 2010  
Bektimirova N.N. Aspects of attractiveness in the tourist product of Kazakhstan. Almaty, 2015  
Birzhakov, M.B. Introduction to tourism. Edition 9th, revised and enlarged. – St. Petersburg: Gerda Publishing House, 2014  
Concept of tourism development in the Republic of Kazakhstan to Provision of Government of the Republic of Kazakhstan, 2013

---

**Expected date of thesis defence**

2017/18 SS – FEM

**The Bachelor Thesis Supervisor**

Ing. Petr Procházka, Ph.D., MSc

**Supervising department**

Department of Economics

Electronic approval: 5. 3. 2018

**prof. Ing. Miroslav Svatoš, CSc.**

Head of department

Electronic approval: 6. 3. 2018

**Ing. Martin Pelikán, Ph.D.**

Dean

Prague on 14. 03. 2018

---

### **Declaration**

I declare that I have worked on my bachelor thesis titled "Tourism in Kazakhstan: *Problems and Prospects of Development*" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on 14.03.2018 \_\_\_\_\_

### **Acknowledgement**

I would like to thank Ing. Petr Procházka, MSc, Ph.D. for his guidance and help during my bachelor thesis research.

# **Cestovní ruch v Kazachstánu: Problémy a perspektivy rozvoje**

## **Souhrn**

Hlavním cílem této bakalářské práce je popsat vlastnosti a vyhodnotit hlavní problémy a uplatnit vlastní nápady, jak zvýšit úroveň rozvoje cestovního ruchu v Kazachstánu.

První část je věnována definici cestovního ruchu a jeho klasifikaci. Uvádí také hlavní oblasti a jejich turistický potenciál na území Kazachstánu.

Druhá část popisuje hlavní problémy, kterým čelí současný turistický průmysl Kazachstánu a možné perspektivy vývoje. Dopad celosvětové výstavy EXPO-2017 je podrobně popsán v následující části: zdůraznil hlavní výsledky výstavy týkající se přilákání nových turistů do země. Trend a analýza SWOT jsou také uvedeny v následující části.

**Klíčová slova:** Kazachstán, cestovní ruch, vývoj, problémy, ekonomický růst, Nazarbayev, Astana, EXPO-2017, WTO, SWOT analýza

# Tourism in Kazakhstan: Problems and Prospects of Development

## Summary

The main aim in this bachelor thesis is to describe features and evaluate main problems, applying own ideas how to increase the level of tourism development in Kazakhstan.

First part is dedicated to the definition of tourism and its classification. Also mentioned main regions and theirs' touristic potential on the territory of Kazakhstan.

Second part is describing main problems Kazakhstan touristic industry's facing for now and possible prospects of development. Impact of worldwide Exhibition EXPO-2017 is detailed in the following part: highlighted main results of the Exhibition regarding attracting new tourists to the country. Trend and SWOT Analyses are also featured in the following part.

**Keywords:** Kazakhstan, tourism, development, problems, economic growth, Nazarbayev, Astana, EXPO-2017, WTO, SWOT Analysis

# Table of Contents

<b>1</b>	<b>Introduction .....</b>	<b>10</b>
<b>2</b>	<b>Objectives and Methodology .....</b>	<b>11</b>
2.1	<b>Objectives .....</b>	<b>11</b>
2.2	<b>Methodology .....</b>	<b>11</b>
<b>3</b>	<b>Literature Review .....</b>	<b>12</b>
3.1	<b>Main concepts and tendencies of the phenomenon of tourism .....</b>	<b>12</b>
3.1.1	Definition .....	12
3.1.2	Types and forms of tourism .....	14
3.1.3	The impact of tourism on the economy .....	16
3.1.4	Kazakhstan and its tourism potential .....	18
3.1.5	The current situation of the tourism industry in the Republic of Kazakhstan .....	20
<b>4</b>	<b>Practical part .....</b>	<b>26</b>
4.1	<b>Expo-2017 as an industry’s rescuer .....</b>	<b>26</b>
4.1.1	Future energy in Astana .....	26
4.1.2	Impact of the exhibition .....	27
4.1.3	Kazakhstan after EXPO-2017 .....	28
4.1.4	Trend Analysis of accommodated tourists in Kazakhstan .....	30
4.2	<b>Current situation and problems of tourism infrastructure .....</b>	<b>32</b>
4.2.1	Main problems affecting tourism development .....	32
4.2.2	Prospects of industry’s development .....	37
4.2.3	SWOT Analysis .....	39
4.2.4	Future prospects of development .....	41
<b>5</b>	<b>Conclusion .....</b>	<b>44</b>
<b>6</b>	<b>References .....</b>	<b>45</b>



## List of figures

Figure 1: Types and Forms of Tourism .....	14
Figure 2: Tourists Arrivals.....	17
Figure 3: Provided hotel services on the territory of Kazakhstan.....	23
Figure 4: Travel and Tourism direct contribution to GDP in Kazakhstan.....	27
Figure 5: The value for International tourism, number of arrivals in Kazakhstan in previous years .....	32
Figure 6: The value for International tourism receipts (USD) in Kazakhstan.....	33

## List of tables

Table 1: The Top-10 most popular CIS cities, autumn 2017.....	28
Table 2: Number of served visitors in accommodation establishment.....	30
Table 3: Parameters of Trend function .....	31
Table 4: Seasonal Indexes – quarters’ means .....	31
Table 5: VALUE 1 and VALUE 2 compilation .....	34
Table 6: SWOT Analysis of tourism in Kazakhstan.....	39

# 1 Introduction

In terms of market relations, tourism is one of the most dynamic sectors of the economy. High rates of its development, large volumes of foreign exchange earnings actively influence various sectors of the economy, which contributes to the formation of its own tourism industry. An important advantage of the tourist industry is that, with relatively small investments, it allows you to immediately get income, while providing quick turnover of funds.

The tourism industry is multifaceted and includes many services designed to attract customers: hotels, tourist firms, clubs, fitness centers, sports fields, etc. Tourism is one of the largest employers in the world, providing jobs for a large number of people: from professionals directly to the tourism industry to transport, accommodation facilities or entertainment establishment workers. Significant the impact of social function of tourism, especially this function is manifested in developing or small countries, where tourism is often the main source of budget revenue.

In the Republic of Kazakhstan, tourism at the present stage is at a stage of rapid growth. All types of tourism are actively developing. It is also necessary to note the positive dynamics in the hotel industry, where both quantitative and qualitative growth occurs. Every year the numbers of tourist firms and people employed in tourism increase. But, despite the overall positive development trend, Kazakhstan's tourism faces certain problems. The touristic cluster in the country for a long time remained secondary and was financed by a residual principle. Tourism was not paid attention to as an economic branch, although the resources were more than sufficient. Now tourism is one of the seven priority clusters of Kazakhstan's economic development. Tourism is the development tool, which can allow to Kazakhstan to enter the international market with a competitive end product.

## **2 Objectives and Methodology**

### **2.1 Objectives**

The main objective of the thesis is to consider the current situation of tourism development in Kazakhstan and identify existing problems the industry presently faces in its progression. Evaluate issues such as underdeveloped tourist infrastructure, weak provision of the industry, staff and customer service satisfaction, lack of a positive tourist image in worldwide markets to provide possible solutions for developing.

### **2.2 Methodology**

In theoretical part using methods such as:

- abstraction,
- descriptive methods,
- inductive reasoning.

In practical part applying:

- quantitative (statistics, econometrics),
- qualitative (questionnaires, interviews) data description methods.

## 3 Literature Review

### 3.1 Main concepts and tendencies of the phenomenon of tourism

#### 3.1.1 Definition

Is it possible to unequivocally answer the question what the interpretation of "tourism" includes? For some, tourism is associated with kilometres traversed by untrodden trails, with a tent and sincere songs by the fire, for others – expeditions to historical places, for the rest - trips to foreign countries all over the world. And they are all right, because tourism is extremely diverse.

Today tourism is perceived as the most mass phenomenon of the 20th century, as one of the brightest sensation of our time, which really penetrates into all spheres of our life and changes the surrounding world and landscape. Tourism has become one of the most important factors of the economy, so people consider it not just as a trip or vacation. This concept is much broader and represents a combination of relationships and the unity of the connections of phenomena that accompany a person in travel.

Tourism is a type of movement which involves people travelling and staying in places outside their normal environment for leisure, business or other purposes. At first glance, the concept of "tourism" can seem accessible. Everyone at least once travelled somewhere, read articles about tourism in newspapers, watched television programs about other people's journeys or used the advice and services of tourist agencies while planning their vacations. However, for scientific and educational purposes it is very important to determine the relationship between the components of tourism as a branch of the national economy<sup>1</sup>. (Tourism glossary, gdrc.org, 2016) Although various interpretations of this notion have appeared in the development of tourism, the following criteria have particular importance in determining this phenomenon:

***Change of place.*** In this case, a trip that takes place outside the usual environment is considered. However, tourist cannot be acknowledged as a person who travels daily between home and work or study, as these trips do not go beyond their usual environment.

***Stay elsewhere.*** The main condition here is that the place of stay should not be a place of permanent or extended residence. In addition, it should not be related to work and pay. This nuance should be taken into account, because the behaviour of a person engaged in work is different from the behaviour of a tourist and cannot be classified as tourism. Another condition is that travellers should not be in the place they visit for 12 consecutive months or

more. A person who is or plans to be for one year or more in a certain place, from the point of view of tourism, is considered as a permanent resident and therefore cannot be called a tourist.

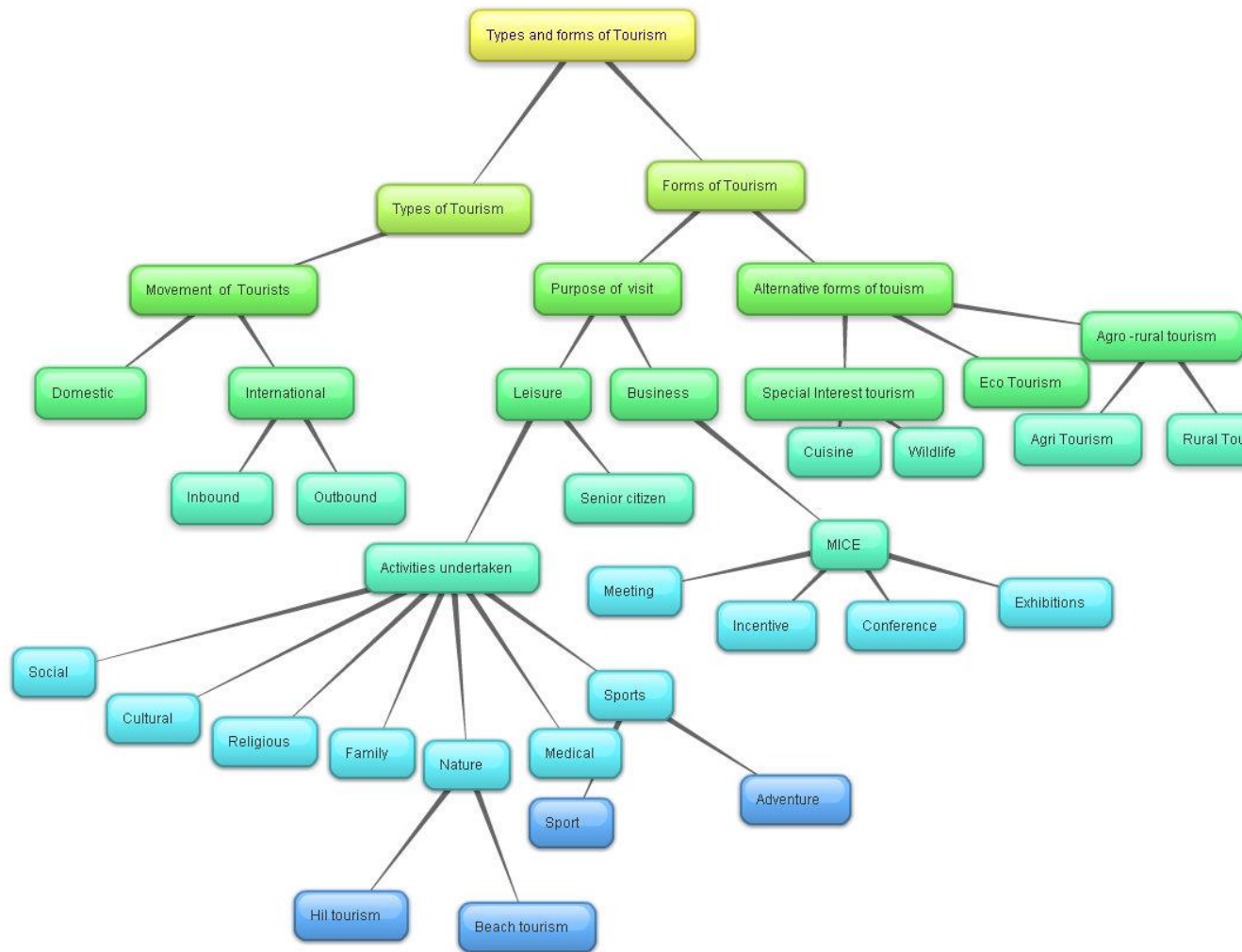
***Labour wage from visited places' sources.*** The essence of this criterion is that the main purpose of the trip should not be the performance of activities paid from the source in the visited place. Any person who enters a country for a work which is paid from a source in this country is considered as a migrant, not a tourist of this country. This applies not only to international tourism, but also to tourism within one country. Everyone travelling to another place within the same country (or to another country) to carry out activities paid from a source in this place (or country) is not considered a tourist of this place.

Three of these criteria are forming the basis for the definition. Thus, tourism is a set of relations, connections and phenomena accompanying the trip and stay of a person in places that are not his permanent or extended residence and are not related to his work activity<sup>2</sup>. (P. Mason, *Tourism Impacts, Planning and Management*, *Butterworth-Heinemann*, 2003)

This generalized definition can in some cases be supplemented and specified. It is necessary to pay attention to the terminology. In many languages, the word "tourism" has been used for a long time and came from the expression "a Great Tour." The "Great Tour" meant originally a study tour. It was committed in the XVII-XVIII century by young representatives of the nobility. And in the XIX century such trips have become popular among other segments of the population. The purpose of travel was to get acquainted with other people's cultures. As in the past centuries - at the time of the "Great Tours", today the main purpose of tourism is exploring other countries, establishing contacts and mutual understanding between people.

### 3.1.2 Types and forms of tourism

Figure 1: Types and Forms of Tourism



Source: Tourism classification, oer.nios.ac.in, 2015

At first sight the classification above may seem confusing and complicated. The way it is. However, for a better understanding, let's highlight the main factors and types of tourism.

As a sign that allows to classify travel by type of tourism the best is to use motivational factors. Given below classification should be based on the main motive that prompted a person to go on a trip. Although the motives are not always determined unequivocally, there are six types of tourism in the system of its management.

**Tourism for recreation.** This type consists in a short or longer rest for the purpose of physical or psychological recovery of the body. In addition, this group includes resort rest, whether natural properties of soil, climate and sea water are used to treat or restore strength.

**Tourism for the purpose of studying culture.** Tourism, focused on the knowledge of foreign culture, is divided into cognitive and pilgrimage. Cognitive tourism encompasses visiting historical, cultural or geographical attractions. Tourists traveling with a cognitive purpose are

most often interested in the social and economic relations of the countries they visit. The purpose of pilgrimage tourism is to visit places of special religious significance<sup>3</sup>. (A. Mikos v. Rohrscheidt, *KulTour.pl, Poznań*, Religion as a subject of cognitive interest to tourists, 2013)

**Social tourism.** As a public tourism trips are made to visit relatives, acquaintances or friends and also club tourism. Club tourism differs in that travellers are consciously integrated into groups. Grouping takes place when there are interesting people in the entertainment or sport programmes.

**Sports tourism.** That type includes trips with the purpose of active participation in sports events, as well as trips that are passive in participating in the Sports competitions.

**Economic tourism** - trips made from professional and commercial interest: visiting exchanges, exhibitions, fairs, etc.

**Political tourism** is divided into diplomatic tourism, participation in congresses and also tourism associated with political events and actions.

Sometimes the need of concretization of tourism in its forms arises due to the different length of travel (*long and short trips*). In this case, as the main criterion for such a classification is chosen the length of stay in the trip. If the journeys differ according to such an external criterion as the length of stay, then it allows to say that these trips are related to different forms of tourism. There are many opportunities to distinguish the forms of tourism: by external criteria for the origin of tourists, by organizational form, by duration of stay in the trip, according to the age, depending on vehicles, by season.<sup>4</sup> (F. Yorke, Classification of tourism purposes, 2013)

**Forms depending on the origin of the tourists.** Depending on the origin of the travellers tourism is divided into internal and international (in this case the word "origin" refers not to the nationality or place of birth of a person, but to his place of residence and work).

**Forms depending on its organization (organizational form)** Depending on the forms of organization distinguish lump-sum (providing a set of services for one cost) and individual tourism. A lump-sum tour is a standardized, pre-arranged package of tourist services. Individual tour has those features that the tourist organizes and carries out by his own. Such tours are also called single.

**Forms depending on the length of stay.** A very important feature of the given form is classification, depending on the length of stay. Long trips are usually supplemented by short trips. Short trips include transit trips, day trips and short-term tourism. Transit tourism means stopping tourists on their way to their destination. One-day tourism - this tour lasts a day light: they do not assume a stopover for the night. A particularly important form of short

tourism is short-term tourism. Short-term tourism includes business and weekend trips. Regardless of whether trips are made for business or personal purposes, their average duration is 2-4 days, i.e. they include a minimum of one, maximum - three nights.

***Forms depending on the age of travellers.*** In classifying the forms of tourism, the age of travellers is also taken into account. According to the age scale, the following groups of tourists are identified:

- children travelling with their parents;
- youth (tourists aged 15-24 years);
- relatively young, economically active people aged 25-44 years;
- economically active people of medium (45-64 years) age, usually travelling without kids;
- pensioners (65 years and over).

***Forms depending on vehicles.*** Depending on the vehicle used to move tourists from one place to another, the following forms of tourism are distinguished: air tourism, bus, railway, road and sea.

***Forms depending on season.*** Depending on the period of the year, winter and summer tourism is different. Seasonal classification of forms of tourism shows fluctuations in demand for tourist services during the year. The time in which the maximum number of trips is made is called the tourist season, the period of the recession of travels is the off-season. Tourist seasons in different regions may not coincide<sup>5</sup>. (Cathy A. Enz. Hospitality Strategic Management: Concepts and Cases 2nd Edition, *Published by Wiley*, 2010)

At first glance, it may seem that there is not much difference between forms and types of tourism. In both cases travel is grouped according to certain points of view. The difference is that the types vary in motivating travellers, i.e. by internal factors, and the forms of tourism depend on external reasons and impacts, which is very important for management.

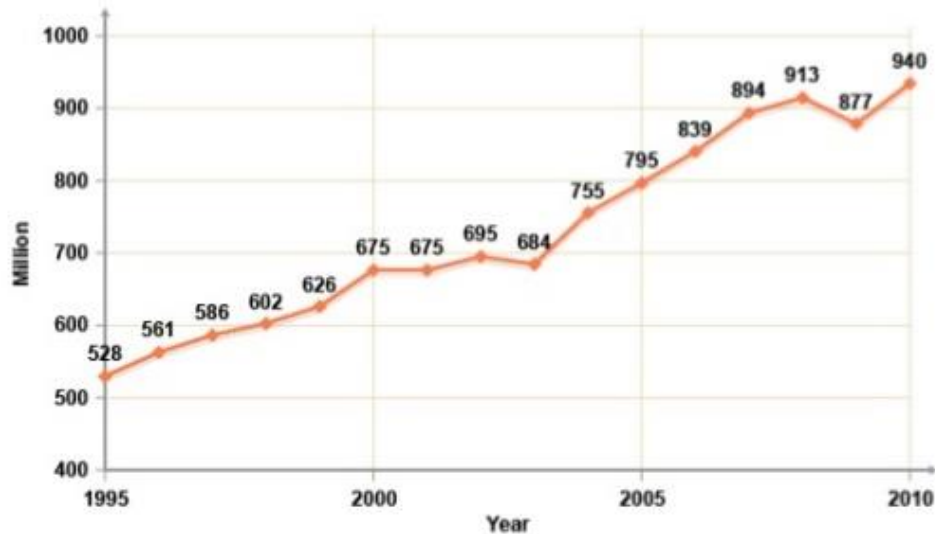
### **3.1.3 The impact of tourism on the economy**

Tourism is one of the leading and most dynamic sectors of the economy. International experts refer modern tourism to the branch of the world economy, which does not know the recessions. In many countries, tourism plays a significant role in the formation of the gross domestic product, creating additional jobs and providing employment for the population, as well as boosting the foreign trade balance. The pace of tourism development is growing steadily. So, if in 1950 the number of tourists around the world was 25 million people and the



turnover of tourism industry - \$ 2.1 billion, then in 1987, according to the World Tourism Organization, these figures were \$ 363 million and \$ 150 billion, respectively. According to data for 2002, the number of tourists in the world exceeded 500 million people with a turnover of about \$ 250 billion. Despite this, international tourism accounts for no more than 10% of trade turnover.

Figure 2: Tourists Arrivals worldwide



Source: International tourists' arrivals, World Tourism Organization UNWTO, 1995-2010

Recently, tourism has become one of the most profitable businesses in the world. The importance of tourism is constantly growing as a source of foreign exchange earnings and expansion of international relations. The sale of raw materials depletes the country's energy resources, and the tourism industry operates on renewable resources. Tourism, comparing to other economic sectors, has a stronger multiplier effect. It directly affects 32 sectors of the economy (travel agencies, all types of transport, hotel complexes, food systems, holiday homes, sanatoriums, national crafts, national parks and much more). In addition - this is every ninth job in the world production<sup>6</sup>. (Azar V. I., Tumanov S.Yu. Economy of the tourist market. Institute of International Tourism, 2015)

The tourism industry brings direct revenues, while tourism spending affects on many levels of the economy by creating not only direct but also indirect employment. It also provides foreign currency earnings and while supplementing the state budget assists small and medium-sized businesses, stimulates the development of handicraft production, expands the consumer market for goods and services, which contributes the economic development of regions that do not provide for any other commercial or industrial base. It is more expedient

for developing countries to develop the sphere of services, since the restoration of production requires the investment of considerable money. In this respect, tourism can act as a non-productive sphere. The importance of tourism for the social and economic development of society is characterized by the following data: the total cost of domestic and international tourism is 12% of the world's gross national product, annually more than 1.5 billion domestic and international trips are attended by one third of the world's population. International tourism accounts for 7% of total world exports and 25-30% of world trade in services each year. The annual growth of international tourism is 4.0%, and in the future it will become the leading export industry in the world<sup>7</sup>. (Tourism – an economic and social phenomenon, unwto.org, 2016) The development of the tourism industry is due to a number of factors:

- availability of tourist and recreational resources in the country;
- development of all enterprises and industries which are directly or indirectly related to tourism;
- attraction of foreign currency from abroad with the development of inbound tourism;
- making a profit at low cost;
- no cost of purchasing the primary factors of production;
- development of small and medium-sized businesses which are providing the population with job places;
- increase of the service sector;
- formation of the image and the country's fame for the whole world community.

#### **3.1.4 Kazakhstan and its tourism potential**

Kazakhstan is a huge country in the center of Eurasia, where the East and the West merged under the infinitely blue sky in unique harmony! Tourist routes of Kazakhstan are an explosion of feelings, revelation and blending with nature. Kazakhstan is a unique nature where paradoxically combined rivers, lakes with sultry deserts and singing sands, proud peaks of mountain ranges with divinely green oases.

The tourist potential of recreational resources, historical and cultural heritage allows to the republic to harmoniously integrate into the international tourism market and achieve intensive development of tourism in the country. This will ensure a steady increase in employment and incomes of the population, stimulate the development of related industries and increase the flow of investment in the national economy. The tourism industry in the Republic of Kazakhstan at the state level is recognized as one of the priority branches of the economy. So, in the implementation of the provisions of industrial-innovative development

of the country's economy, the leading role belongs to the cluster system, in particular to the tourist cluster. Development of this industry has a huge potential because of the existing modern trends whether tourists, who have studied and travelled the most famous resorts of the world, are striving to those countries where the tourist sector is just beginning to develop. From this position, the attractiveness of Kazakhstan is growing.

The head of state N.Nazarbayev noted the need to develop a plan for the creation and development of a tourist cluster. In the framework of cluster initiatives, it is important to attract investments for the development of tourist infrastructure:

- will be created conditions for the construction of a network of hotels, caravanserais on the section of the Great Silk Road and other significant tourist routes;  
based on proposals for investment projects was formed a regional base. At the initial stage, 90 investment projects were collected and analysed 11 of them were the most topical for a total of \$ 386 million, which were directed to provide state support to the Kazyna Sustainable Development Fund;
- the concept for the creation of modern multifunctional tourist centers of the world level in Almaty (South), Akmola (Center) and Mangistau (West) oblasts was developed, which was approved by the Head of State and the Government of the country. The planned amount of investment attraction under these projects is more than 30 billion US dollars.<sup>8</sup> (Tourism as a new driver of economic growth in Kazakhstan, primeminister.kz, 2017)

There is a tourism development concept existing in the Republic where it is noted, that tourism can have three positive effects on the economy of the country. Firstly, to ensure the inflow of foreign currency and to have a positive impact on such economic indicators as the balance of payments and total exports. Secondly, it helps to increase the employment of the population. In the third, tourism industry contributes to the development of the country's infrastructure.

At the present stage of tourism development, Kazakhstan is becoming more attractive for businessmen, sportsmen, scientists, extreme adventure lovers, as well as for people who are interested in the history and the present days of the countries located on the Great Silk Road. One of the most attractive places for tourists from abroad are the Kazakh mountains. Mountain-skiing bases in Almaty (Chimbulak, Almaty, Tabagan, CSKA), and East-Kazakhstan regions (Emerald Altai, Altai Alps). In addition to natural attractions, as was mentioned before Kazakhstan is rich in historical and cultural monuments which are located

on the Great Silk Road and had its worldwide importance. The organization of transit tours on the Great Silk Road is especially urgent, as it will give Kazakhstan an opportunity to enter the zone of interest of such countries as Japan, Malaysia, China, Korea, as well as European countries. With the aim of reforming and developing the tourism industry in Kazakhstan, the Government has developed and approved the Tourism Development Program until 2020<sup>9</sup>. (Bektimirova N.N. Aspects of attractiveness in the tourist product of Kazakhstan. Almaty, 2015) The main goal of this program is the creation of a competitive tourism industry to ensure employment of the population, stable growth of incomes of the state and the population due to the increase in the volumes of inbound and inland tourism. The main directions in the development of international tourism are the expansion of international tourist relations and the implementation of intergovernmental agreements in the field of tourism.

### **3.1.5 The current situation of the tourism industry in the Republic of Kazakhstan**

Without any doubt, the Republic of Kazakhstan is developing rapidly in a market economy, but mainly the oil and metals industries are privileged, while for tourism, it is still only at the stage of a protracted genesis. The entire infrastructure of the service and tourism sector remains at the level that was laid down during the Soviet Union and, unfortunately, does not develop at all. In some cases it develops by individuals, not by the state. The state, of course, tries, work on various programs for the development of tourism in the country, but few people answer for their implementation. And in general, in order to develop Kazakhstan as a strong tourist region, it is necessary first to improve the infrastructure, simplify the rules for crossing the border, or at least to establish a clear work of the migration service. Along with the old hotels, the outdated automobile base, the unprofessional organization of food services, the lack of qualified personnel can be attributed to the shortcomings of the infrastructure.

At the moment, there are several promising projects in the country within the framework of the tourism development program in various regions. First of all, it is planned to equip the existing recreation areas in Almaty, South-Kazakhstan, North-Kazakhstan and East-Kazakhstan regions. A great emphasis was being placed on the reconstruction of the "pearls" of the mountain slopes - Medeu and Chimbulak. The incentive for this were the Asian Winter Games. Also, Akmola, Aktobe, West Kazakhstan, Mangystau oblasts have great potential<sup>10</sup>. (Bektimirova N.N. Aspects of attractiveness in the tourist product of Kazakhstan. Almaty, 2015)

**Akmola region** also known as a bird paradise: nowhere in Kazakhstan does the steppe appear in such a diverse form as in here. Sary Arka is a golden cradle - this is the name of Kazakhs in this region in the heart of Kazakhstan. Stretched over 2371 sq. km. Tengiz and Korgalshynsky lakes, known by the rich world of flora and fauna, represent an opportunity to enjoy the untouched beauty of nature<sup>11</sup>. (R.Madedova, Tourism Development in Kazakhstan, LAP LAMBERT Academic Publishing, 2013) Ornithologists from all over the world come to study the species of birds that live here. Towering to the north of Astana (capital of Kazakhstan), granite rock massifs with pine forests and mirror lakes enchant the view with their picturesque and peculiar view. Here in the Borabai region - also called Kazakhstan's Switzerland - there is a sanatorium and health resort complex that hosts tens of thousands of tourists. The other neighbourhoods of Kokshetau are also breath-taking and unique for tourist trips.

**Aktobe region** is a natural treasury of minerals: The vast steppe and salty desert stretching between the southern foot of the Ural Mountains and the Aral Sea is the territory of the Aktobe region. The region with an arid climate and stingy vegetation keeps in its bowels huge reserves of minerals. Unique archaeological finds since the days of nomadic culture and, above all, rich and diverse deposits of minerals make this region unique. Here, oil and gas, chrome, copper, nickel, cobalt, titanium, zirconium, brown coal, phosphorus, gold and coal are mined and partially processed.

**Almaty region (Zhetysu)** is located between Balkhash and Tien Shan and counts as the most attractive region for tourists in Kazakhstan. Numerous mountain valleys of the Ili Alatau, turbulent mountain streams, waterfalls, lakes, glaciers, snow-covered marble top of the northern chain of the Tien Shan, rugged Zhetysu river, reeds in the Ili delta and Balkhash lake, cut by Charyn Canyon, Altyn Emel National Park with its sandy hills and meadows, the lake near the Dzungar gate - will impress everyone. Khan-Tengri - the northernmost peak of the world with a height of almost 7000 meters majestically rises in the southeast of the region, on the border with China and Kyrgyzstan. Everyone will find a rest here, whether it's walking, climbing, skiing, heli-skiing, mountain biking, rafting, ornithological and botanical hikes. The rich cultural heritage of the region can be traced through numerous ancient monuments, such as rock carvings of Tamgaly Tas (UNESCO's listed world cultural heritage), widespread burial mounds, excavations of ancient sites since the Great Silk Road in the valleys in the south of Balkhash Lake. Taldy-korgan is a regional center located at the foot of the Dzhungar Alatau<sup>12</sup>. (Tuzova N. G. Tourist passport, as a form of promotion of tourist services of municipal bodies // Modern scientific technologies. – 2014)

***The East Kazakhstan region*** extends from the densely forested mountains of the Kazakh part of the Altai to the spacious plain of the Irtysh, which is flowing from China and carries its waters to the Siberian Ob (Russia). The landscape diversity of the region makes it extremely attractive for tourism. The Kazakh Altai with its peak - the legendary Belukha mountain on the border with Russia, which is the tallest mountain in Siberia with an altitude of 4506 m, is an interesting goal not only for alpinists. Belukha from time immemorial was venerated by Siberian shamans as a saint. Buddhists consider the area around Belukha as a Shambhala. Lake Markakol in the extreme east of the region and the Western Altai were recognized as protected areas. Here are found the most diverse representatives of the animal and plant world. In the floodplain of Kazakhstan's Altai there are attractive places for traveling like the huge lake Zaisan, the strange-colored clay deserts on its shores, the Tarbagatay mountains, the granite mountain range Kalba and etc. The Kazakh Altai, also called the Rudny Altai, is extremely rich for mineral resources. That's why the regional center Oskemen is the center of non-ferrous metallurgy<sup>13</sup>. (Birzhakov, M.B. Introduction to tourism. Edition 9th, revised and enlarged. - St. Petersburg: "Gerda Publishing House", 2016)

***Western Kazakhstan*** - little Europe in the steppe. A large area of this territory, west of the Ural River, belongs to Europe. However, it is not noticeable on the landscape. As here in the Caspian lowlands dominated by semi-desert, desert and steppe, mostly very flat, with a mean flora, sometimes covered with salt lakes that dry up in the summer and leave the white crust. The Ural River, flowing from the mountains of the same name in Russia and strives to the Caspian Sea, is framed by floodplain forests wriggles through endless steppe. The regional center of Uralsk on its banks - the most ancient city of Kazakhstan - is also the economic hub of rich oil, natural gas and soil region. The enterprises of mechanical engineering and processing of agricultural products appeared here already in Soviet times. The proximity to the main trade partner of Russia increases the economic potential of the city<sup>14</sup>. (Factors of Kazakhstan attractiveness. General review. National agency of export and investments "KAZNEX INVEST". Ministry of investments and development. 2016)

***Mangistau region*** is a unique peninsula in the Caspian Sea. Wild beaches, quaint coastal rocks and mountains of the clam shell limestone, a variety of fossils from prehistoric times, ancient and mysterious underground mosques, caves for meditation and the remains of caravanserais of the era of the Great Silk Road, snow-white cemeteries and mausoleums and arid steppes broad – all this make the Mangistau region on the peninsula Mangyshlak especially recommended for tourists. Kazakhstan, realizing the potential of this area, began to

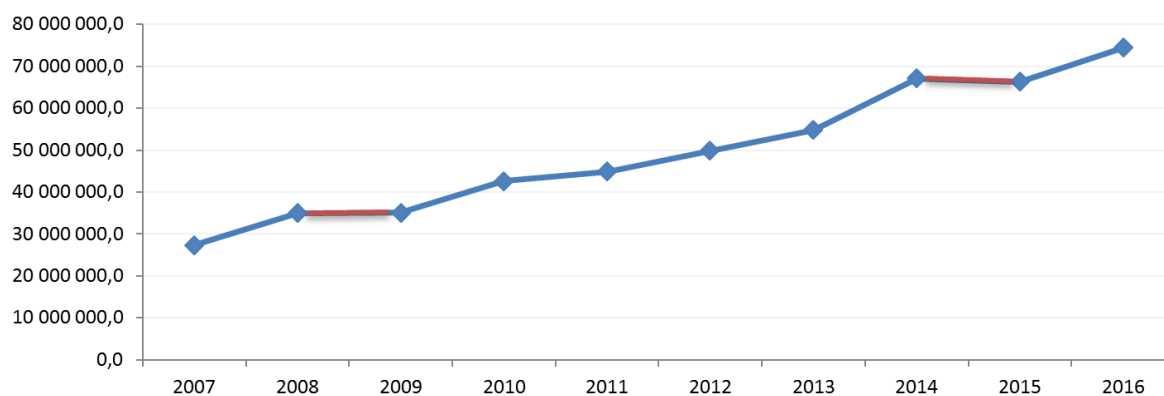
develop tourist routes and create the necessary infrastructure for this. Nevertheless, the territory's most frequented visitors are enthusiasts and nature lovers. In the largest reserve of Kazakhstan located on the Ustyurt plateau can be found mouflons and Persian gazelles, griffons, bustards, desert hedgehogs, turtles and landscapes "like from another planet" which fascinate visitors who embarked on a long and tedious way passing the oil fields and camel herds in the solitary Terrain. The young regional center of Aktau (formerly Shevchenko city) on the high shale coast of the Caspian Sea is developing rapidly. Here grows a modern city, the center of the region, due to its rich oil and natural gas deposits with other mineral resources, has a great future.

Undoubtedly, the Republic of Kazakhstan has good prospects on the international tourist market. For example, the development of Kazakhstan as a ski resort has a positive impact on Russia, because it is the most reliable neighbour of this country and they are friendly exchanges of their tourists. The development of the tourist potential of Kazakhstan will allow to produce a greater tourist exchange. After all, most Kazakhstani tourists go to medical treatment in Belokurikha, Gelendzhik, Anapa, Sochi, and not in foreign resorts<sup>15</sup>. (Birzhakov, M.B. Introduction to tourism. Edition 9th, revised and enlarged. - St. Petersburg: "Gerda Publishing House", 2016)

Given the inadequate development of the tourism infrastructure, as well as the limited financial resources, it is necessary to prioritize the construction of a network of hotels, guest houses and motels as well as campsites within the framework of the Eurocamp project at the regional level aimed at building a three-, two- star class guest houses.

Figure 3: Provided hotel services on the territory of Kazakhstan

**GRAPH OF PROVIDED HOTEL SERVICES**



Source: Eurocamp project, kursiv.kz, 2007-2016

The global reservation system “AbacusInternational” together with the Tourism Industry Department of the Ministry of Investment and Development of the Republic of Kazakhstan organized a marketing research within the framework of KITF 2015. Its goal was to analyse the opinions of foreign and domestic experts in the tourism industry and assess the current state and prospects for the development of the tourist industry in Kazakhstan. The survey involved representatives of 94 domestic and foreign companies, 20 of which are travel agencies, 37 tour operators, 10 state and public organizations, 16 hotels, 5 air carriers, 6 media representatives, educational institutions and others. The representativeness of respondents in the context of countries and regions is as follows: Europe and the Middle East - 32%, Asia - 7%, America - 2%, CIS countries - 15%, Kazakhstan (except Almaty) - 14% and the host city Almaty Represented 34% of the respondents<sup>16</sup>. (kitf.kz, 2015)

Despite some decline in certain segments of tourism, the mood of many market experts on the eve of the tourist season is restrained and is oriented towards a positive perception of the situation. The reasons are quite clear, entrepreneurs always try to assess the situation positively and are looking for opportunities, despite the existing obstacles. The reason for the ambitions and positive attitude in tourism can be the fact that more than half of the respondents represent foreign countries that look at Kazakhstan as a market that needs to be conquered and mastered by pursuing an aggressive marketing policy. Last year showed the shortcomings and problems of the domestic tourism market. As a result of the study, it was found out that 4 out of 94 respondents or about 4% consider the situation on the tourist market of Kazakhstan as unsatisfactory. 23% of respondents consider the situation in the market to be satisfactory. More than 56% of survey participants assess the situation of the tourist market is good. The remaining 14% of representatives of travel companies evaluate the industry's capabilities perfectly. The traditional question about the possibilities of developing inbound tourism revealed that 18% of respondents assess the prospects of this segment as very good, 30% - good and 26% consider them as satisfactory. 13% - evaluate the existing perspectives as very weak and 3% do not expect any progress at all.

The priority of the development of inbound tourism, of course, for today is the most sharply discussed topic in the country, as it is considered as the most profitable form of replenishment of the balance of payments in the form of direct currency earnings from arriving to Kazakhstan tourists. Talking about outbound tourism, the prospects for its development look more optimistic: 25% consider them very good, the majority 55% - medium, for 16% they seem to be satisfactory and 4% of the responses were pessimistically minded. It is this kind of tourism in Kazakhstan that dominates the structure of incomes of



tourist companies for many years, most likely, it is almost impossible to immediately unfold the trend in favor of inbound tourism without serious systemic actions in the short term.

The development of domestic tourism and the saturation of the market with the domestic offer of tourist services is the most urgent and can serve as a substitute for travel to other countries. As for the experts' opinion on domestic tourism, all participants here see significant growth potential, but the opinions mostly concentrated in a moderate position, arguing more likely with its existing problems of tourism infrastructure and the accumulated unresolved issues in the development of this sector of the economy. As the survey showed, 12% of respondents consider the prospects for domestic tourism to be very good, 37% - average and 29% - as satisfactory and 15% think they are unsatisfactory. 5% consider the situation to be extremely bad for the industry.

The next set of questions was aimed at identifying the most common types of tourism and getting an assessment of experts about the potential for their growth for the next 2-3 years. Experts chose more than one option, so it's worth mentioning the most popular answers.

1. The most promising types of tourism are 2 segments, which thus occupy up to 90% of the market share. It was not a surprise that the majority of respondents chose again outbound tourism - namely mass package vacation abroad, formed by tour operators. With 43% of votes popularity is gaining independent or individual (unorganized) tours and 45% of respondents voted for overseas tours.
2. The second most popular category was led by business tourism or corporate travel with 55 expert preferences. Business trips - 32% of the answers and 27% accounted by the growing segment of MICE in Kazakhstan (Meetings, Incentive Business Trips, Events and Conferences).
3. Also, the high rating was led by medical tourism with 25% of respondents' preferences. The topic of medical tourism appears periodically in the press, and the KITF exhibition (Kazakhstan International Exhibition "Tourism & Travel") was devoted to the medical topic since 2014<sup>17</sup>. (Arinova M.N. Problems and prospects of development of medical tourism in the Republic of Kazakhstan. Karaganda: *Publishing house of the University of Karaganda*, 2015)

The absolute obstacle for the full development of tourism in Kazakhstan is the lack of proper infrastructure and the high cost of tourist services and their components: airplane tickets, hotel accommodation and excursion services. This, in fact, did not become a loud surprise, since the low level of infrastructure and the need for its development has been

spoken in the country many times, including representatives of central state bodies and local executive administrations in the person of akimats.

## **4 Practical part**

### **4.1 Expo-2017 as an industry's rescuer**

#### **4.1.1 Future energy in Astana**

On June 12, 2012, the official presentation of Astana was in Paris at the 151st General Assembly of the BME, during which the President of Kazakhstan addressed to the delegates with a video message. In his speech, Nursultan Nazarbayev guaranteed the concentration of maximum efforts for the successful implementation of the project. The theme declared by Kazakhstan's capital - "Energy of the future" - is devoted to alternative sources of energy and "green" technologies. On November 22, 2012, during the secret ballot of representatives of 161 member states of the IBE, Astana was given the privilege: its application was supported by 103 countries. In April 2014, the President launched the official starting of construction of the exhibition complex, located near Nazarbayev University. The World Exhibition in Astana lasted 3 months. About 100 countries and more than 10 international organizations were able to take part in it. With first calculations were expected that more than 2 million people will come to visit the exhibition<sup>18</sup>. (EXPO-2017, akorda.kz, 2016)

There are two types of international exhibitions EXPO. The Worldwide Universal Exhibition, held every 5 years (the last was in 2015 in Milan, next in 2020 in Dubai), and a specialized international exhibition held between the main universal. EXPO 2017 falls under the category of a specialized international exhibition. In addition to the scale and significance of the difference, the countries participating in the Worldwide Universal Exhibition construct facilities at their own expenses, and in a specialized one, at the expense of the host country. Kazakhstan spent about 3 billion dollars for holding the first EXPO exhibition in the CIS countries.

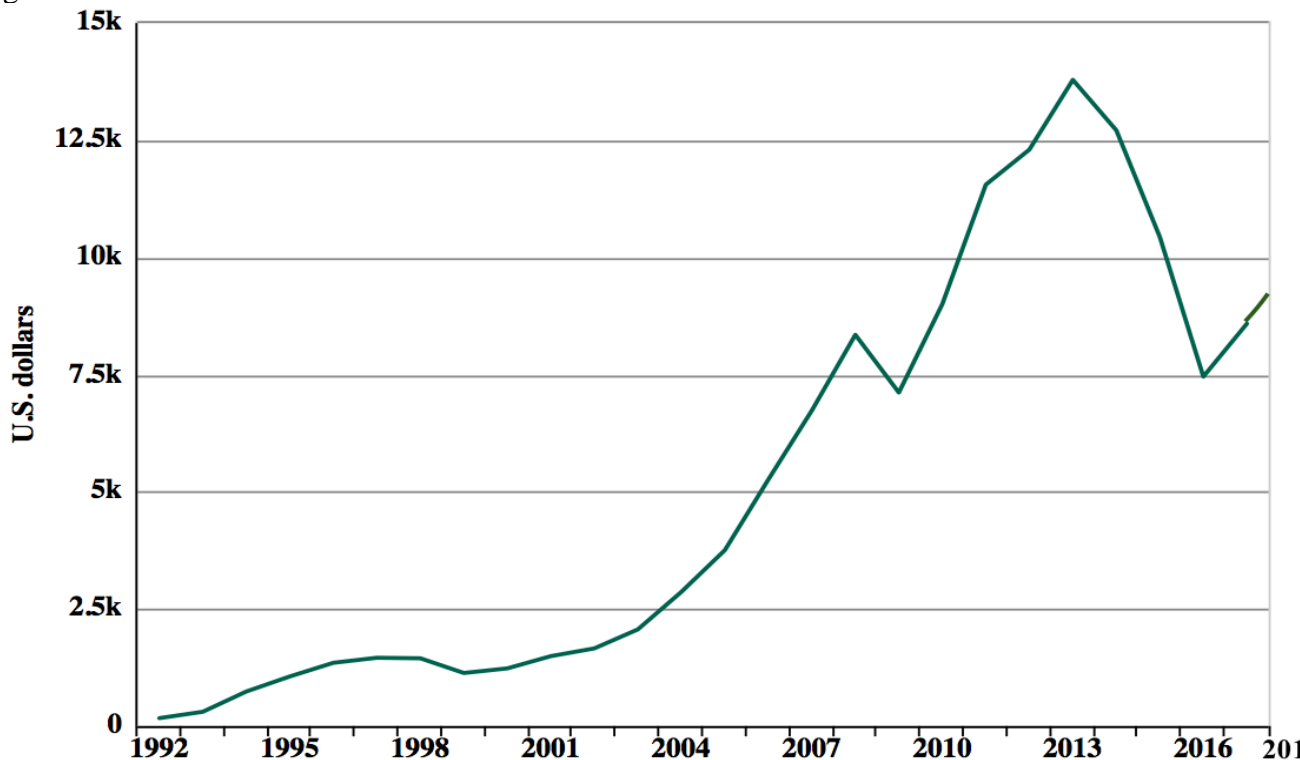
#### 4.1.2 Impact of the exhibition

The beneficial effect of EXPO-2017 was felt by all sectors of the economy of Kazakhstan, and, first of all, tourism and energy. This conclusion was made by foreign experts after discussing the report of Akhmetzhan Yesimov, Chairman of the Board of the National Company "Astana Expo-2017", at the 162nd session of the International Bureau of Exhibitions:

“The holding of the exhibition gave a powerful impetus to the development of "green" technologies - many of the presented developments have been adopted and are already being introduced into production. EXPO also influenced on supporting small and medium-sized businesses. Entrepreneurs were able to not only earn, but also establish business contacts with colleagues from around the world. And, of course, the exhibition gave a huge impetus to the development of the tourist cluster of the republic. Kazakhstan has become more recognizable to travellers around the world and at the same time has gained immense experience in organizing a large-scale international event. “

The effect of EXPO 2017 permeated all spheres of Kazakhstan's economy. The preparation and holding of the exhibition contributed to GDP growth. For 9 months of this year, it grew by 4.3 percent. The growth in the output of small and medium-sized business grew by 70 percent.

Figure 4: Travel and Tourism direct contribution to GDP in Kazakhstan



Source: Travel and tourism direct contribution to GDP, knoema.ru, 1992-2017

Like all previous exhibitions, EXPO had a significant impact on the development of the tourism industry. Since the whole event started to operate, 4.5 million people have arrived in Kazakhstan's capital, which is almost 2 times more than last year. Due that the city infrastructure of Astana was renovated and reconstructed: new parks, squares, roads and other socially significant objects were built to delight the eyes of the guests and residents of the city. Thanks to the EXPO Exhibition, the most important infrastructure projects were realized: new terminal of the international airport Nursultan Nazarbayev, a modern railway station, unusual restaurants, comfortable hotels and hostels. EXPO by bringing international tourists to region gave a huge impetus to develop hostel business in Kazakhstan.

The TourStat Analytical Agency published a rating of post-Soviet cities of top popularity based on analysis of online tourist accommodation reservation system. Sputnik Kazakhstan relates that for the first time, Astana and Almaty moved to the upper five lines of the TOP 10.

Table 1: The Top-10 most popular CIS cities, autumn 2017

	Approx. amount spent per day, USD
Minsk (Belarus)	79
Astana (Kazakhstan)	85
Baku (Azerbaijan)	78
Erevan (Armenia)	67
Almaty (Kazakhstan)	65
Tashkent (Uzbekistan)	43
Ashgabad (Turkmenistan)	40
Kiev (Ukraine)	56
Chisinau (Moldova)	35
10.Bishkek (Kyrgystan)	32

Source: Compiled by author based on data by TourStat, sputnik.kz, 2017)

#### 4.1.3 Kazakhstan after EXPO-2017

Inspired by the "EXPO effect", the authorities of Astana started to encourage and consolidate the achievements of the exhibition in the tourist sphere. According to the head of

the department for investment and development of Astana, Alisher Abdykadyrov, over a million and a half foreign visitors came to the capital during the exhibition.

“We studied EXPO experience in different countries. One of the challenges for the host country and, first of all for the city, was the preservation of the number of tourists after the exhibition. Naturally, we can not repeat this every year. But in general, we see tourism as a new point of economic growth. An example is the countries of the Persian Gulf, which form a significant share of GDP at the expense of tourism. In this regard, we have prepared our own strategy for the development of this industry. The main target indicator is a million foreign tourists by 2020. We also want to increase the duration of their stay,”- said Alisher Abdykadyrov.

The strategy for the development of tourism in Astana provides for the implementation of three main areas: business, cultural and medical tourism. In Astana nowadays all the infrastructure has been created, in order to hold various congresses and exhibitions of international scale. Also a great chance of developing has urban recreational tourism. If some great event takes place in the city, so that tourists stay longer, it is necessary to increase the numbers of points of attraction, so that people can choose how to entertain themselves during the duration of staying. It can be various museums, parks, the Eastern town, theatres, so that cultural life reigns in the capital. The third direction is the medical tourism. In Astana today there are many serious medical institutions and surgeons of international scale.

Astana demonstrates unconditional growth in all indicators of hospitality infrastructure. In the capital, 201 hotels have been built, and, compared to 2016, their number has increased by one third. The occupancy of rooms doubled. And, which is especially pleasing to the capital authorities: increased tax revenues from hotels and catering facilities. In August it was 170 million tenge. Astana becomes the place of its own "pilgrimage": the demand for tour operators from tourists from near and far abroad has increased by 78%. About 30 thousand users used “AstanaCityPass” as a tourist card. More than 5 thousand people took advantage of the services of double decker buses. Audio guides were used by 12 thousand people from 13 countries of the world (Australia, Malaysia, Singapore, Slovakia, Russia, Azerbaijan, Turkey, Germany, China, Spain, Poland, France, Serbia)<sup>19</sup>. (Astana EXPO-2017 Official website, 2014-2017) The main task for now is to preserve following indicators and attempt to attract tourists to other regions of Kazakhstan.

#### 4.1.4 Trend Analysis of accommodated tourists in Kazakhstan

Using data from National Statistics Committee (Number of accommodated tourists, stat.gov.kz, 2010-2017) Trend function and its predictions were analysed.

Based on Table 2 the Trend function was determined as:

$$y' = 1.236.036 + 50.671t$$

The following parameters displayed after applying linear regression function in SAS Enterprise Guide. Including the seasonal diversity in the following data, by SAS was also calculated the Seasonal Indexes (SI) to perform the prediction for the next period.

Table 2: Number of served visitors in accommodation establishment

Year	Quarter	Acc tourists	t
2010	1	507101	1
2010	2	1145434	2
2010	3	1916297	3
2010	4	2548868	4
2011	1	563561	5
2011	2	1282927	6
2011	3	2124107	7
2011	4	2845832	8
2012	1	593430	9
2012	2	1348738	10
2012	3	2268989	11
2012	4	3026227	12
2013	1	627637	13
2013	2	1482130	14
2013	3	2483063	15
2013	4	3026227	16
2014	1	739789	17
2014	2	1747443	18
2014	3	2918613	19
2014	4	3804447	20
2015	1	736181	21
2015	2	1714594	22
2015	3	2883944	23

2015	4	3802225	24
2016	1	839825	25
2016	2	1825069	26
2016	3	3216957	27
2016	4	4217782	28
2017	1	932603	29
2017	2	2172213	30
2017	3	4107907	31
2017	4		32

Source: Compiled by author based on data from Statistics Committee of Ministry of National Economics of Kazakhstan, 2010-2017

Table 3: Parameters of Trend function

Parameter Estimates					
Variable	DF	Parameter Estimate	Standard Error	t Value	Pr >  t
Intercept	1	1236036	386377	Mar-20	0.0033
t	1	50671	21079	Feb-40	0.0228

Source: Compiled by author using linear regression analysis in SAS Enterprise Guide

Table 4: Seasonal Indexes – quarters' means

Analysis Variable :	
Calculation seasonal index	
Quarter	Mean
1	0.3509342
2	0.7838714
3	1.3065130
4	1.6365020

Source: Compiled by author using linear regression analysis in SAS Enterprise Guide

$y'(32) = 1.236.036 + 50.671 * 32 * 1,637 = 3.890.386$  - accommodated tourists for 4th quarter of year 2017

$y'(33) = 1.236.036 + 50.671 * 33 * 0,35 = 1.821.286$  – accommodated tourists for 1st quarter of year 2018

Made analysis shows that amount of tourists, which has been raising every year, will be keep going up. Expo-2017 increased the brand image of the country and for now main goal for

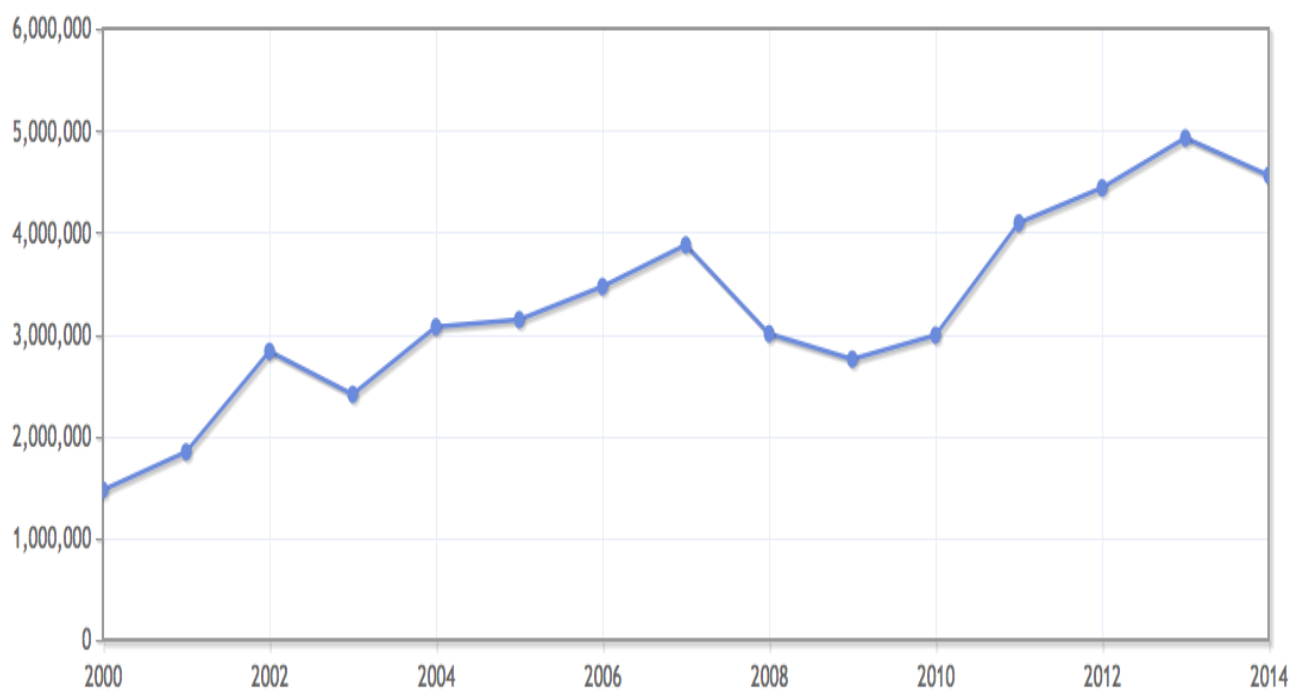
government is to try to keep the level they achieved and do not let to other sectors negatively affect tourism.

## 4.2 Current situation and problems of tourism infrastructure

### 4.2.1 Main problems affecting tourism development

Undoubtedly, EXPO played a significant role in the restructuring of the whole tourist industry, but to fully present the picture of the problem is needed deeper investigation.

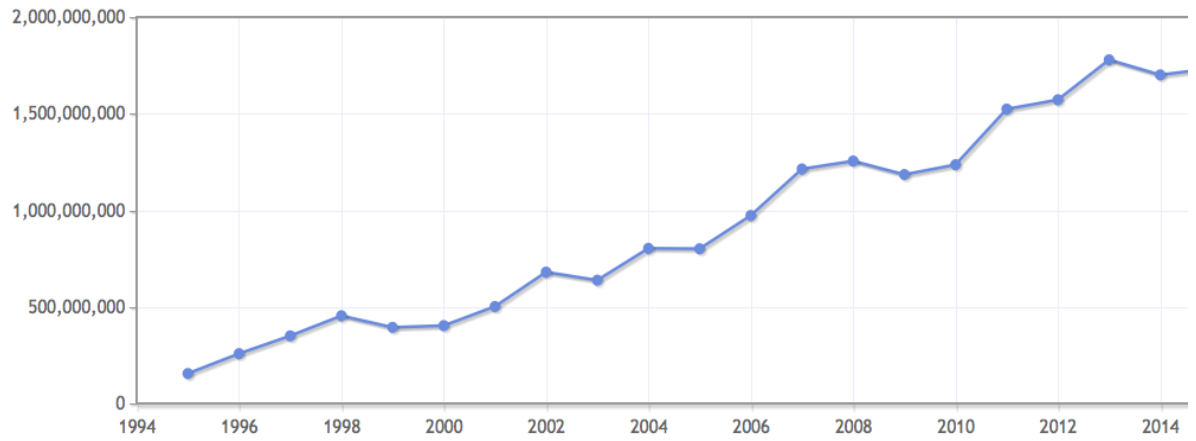
Figure 5: The value 1 for International tourism, number of arrivals in Kazakhstan in previous years



Source: International tourism, number of arrivals in Kazakhstan, indexmundi.com, 2000-2014



Figure 6: The value 2 for International tourism receipts (USD) in Kazakhstan



Source: International tourism receipts, indexmundi.com, 1994-2014

Table 5: VALUE 1 and VALUE 2 compilation

VALUE 1		VALUE 2	
Year	Rate, USD	Year	Rate, USD
2000	1,471,000	2000	403,000,000
2001	1,845,000	2001	502,000,000
2002	2,832,000	2002	680,000,000
2003	2,410,000	2003	638,000,000
2004	3,073,000	2004	803,000,000
2005	3,143,000	2005	801,000,000
2006	3,468,000	2006	973,000,000
2007	3,876,000	2007	1,214,000,000
2008	3,005,000	2008	1,255,000,000
2009	2,755,000	2009	1,185,000,000
2010	2,991,000	2010	1,236,000,000
2011	4,093,000	2011	1,524,000,000
2012	4,437,000	2012	1,572,000,000
2013	4,926,000	2013	1,779,000,000
2014	4,560,000	2014	1,701,000,000

Source: Compiled by author based on statistical data from [indexmundi.com](http://indexmundi.com), 2000-2014)

Analysis of incoming tourist flows to Kazakhstan shows that the republic remains insufficiently attractive for foreign tourists. As for the export of tourist services, Kazakhstan ranks 81st in the world. With regard to availability, price and service level, the tourist services of Kazakhstan are not competitive in the world market and are much inferior to foreign analogues. The current situation is a consequence of the lack of real state support for the

tourism industry. The developed and adopted strategic plans did not stimulate the development of tourism in the country, nor did any state program for the development of the tourism industry be brought to completion. Many of the adopted legal documents remained on paper, not finding practical application in the tourist sphere. The development of tourism in Kazakhstan depends on many factors that hamper its development, such as:

- legal support of the tourist industry;
- passport and visa formalities crossing the state border of the state;
- the level of infrastructure development, as an indicator of the attractiveness of the region;
- the state of recreational resources and the tourist product that can be offered;
- the cost of a tourist product that does not correspond to the quality of the services provided;
- inadequate advertising among foreign tourists.

The development of tourism is greatly influenced by the state of the transport infrastructure. Transport is the link between the individual elements of the tourism industry, which contributes to its development. Most tourists prefer, in terms of reliability and service, the services of foreign carriers, which entails a decrease in passenger traffic on flights carried out by domestic carriers. In addition, the high cost of air tickets increases the cost of the tourist product of Kazakhstan and, accordingly, reduces its competitiveness in the international market. Foreign tourists prefer air transport services - which is 94% of the total number of foreign tourists. Considering that most of the trips are using air transport, it is necessary to update the fleet, expand the geography of passenger air travel, determine a prudent price and tariff policy, improve the quality of service, in order to increase the tourist flow<sup>20</sup>. (Concept of tourism development in the Republic of Kazakhstan to Provision of Government of the Republic of Kazakhstan from February, 28, 2016, № 192.)

#### **4.2.2. Rail transportation as a first step of improving the situation**

In recent years, rail transportation is a popular means of transportation for the bulk of the population of the republic, due to more affordable ticket prices. At the same time, the level of service in trains of JSC "Passenger transportation" does not meet international standards, which also can affect the incoming tourists. High wear and long periods of use of a significant share of the car park cause an urgent need for its replacement and reconstruction. And if the transport support of the tours goes by rail, then the poor tourists will not envy. The railway has the following disadvantages:

1. most of the carriages are in operation for more than 20 years;

2. in many areas, so-called "shop tourists" (illegal sellers inside train) are traveling, which causes a lot of inconvenience - an infinite number of "bauls" (huge bags with offering good or services) is everywhere;
3. the level of training of maintenance personnel in trains is far from the following European standards;
4. the condition of the trains does not allow you to feel comfortable during a trip on such trains, which significantly reduces the number of tourists using railway transport.

All this has a negative impact on its attractiveness and competitiveness. For the development of the transportation the following measures are recommended:

- improvement of existing and construction of new railways;
- use of new (high-speed) trains, in order to reduce the duration of trips between cities due the sizes of the country's territory;
- expansion of routes, including new international communications with far-abroad countries;
- improvement of the infrastructure of existing railway stations in the cities such: Almaty, Kapchagai, Shu, Shymkent, Kyzylorda, Ust-Kamenogorsk, Aktau, Shchuchinsk, Baikonur and border stations (border crossing points)<sup>21</sup>. (Concept of tourism development in the Republic of Kazakhstan to Provision of Government of the Republic of Kazakhstan from February, 28, 2016, № 192.)

#### **4.2.3. Government and its role in sector**

In recent years, motor vehicles have been actively used for tourist purposes. The bulk of tourists are offered to travel by long-distance buses, which are sometimes not very comfortable, hence the quality of the services provided. And so, the state of transport, which must ensure most of the tours around the country, is not at the proper level. The formation of a market economy in Kazakhstan has strengthened interest in the methods of tourist service to the population. The development of this industry and the increasing negative consequences of competition in tourism led to the realization of the need for state regulation of tourism business.

In some countries a competent organization of the tourism industry has made it possible to improve the entire national economy. In these countries, tourism plays a huge role in the formation of the gross domestic product, creating additional jobs and providing employment for the population, as well as boosting the foreign trade balance. Tourism has a huge impact on key sectors of the economy, such as transport and communications, construction, agriculture, production of consumer goods and others, i.e. acts as a kind of catalyst for socio-economic development. Tourism has become one of the most profitable businesses in the

world. It is possible to achieve competitiveness in the world tourism market by developing new forms of economic integration between the state, the tourist business and the population of the country. Therefore, the formation and creation of conditions for the effective functioning of tourist clusters should become one of the priority directions of the state tourist policy. Kazakhstan has a vast territory on which attractive tourist areas are located. However, the tourism industry of the country is characterized by an insufficient level of development. The main problems hampering the development of the tourism industry in Kazakhstan include:

- disunity of participants in the tourism market;
- insufficiently developed regulatory framework;
- inadequately high prices for accommodation with a fairly low level of development of tourist infrastructure.

A necessary condition for eliminating these problems and ensuring sustainable development of the tourism industry is the support of tourism at the state level. The inflated prices for tourist accommodation are a consequence of the inefficient tax policy of the state itself. The state needs principled approaches:

- the dominant role of government authorities in regulating the development of tourism, with the creation of a governing body - the Ministry;
- long-term strategies for sustainable increasing of tourism meaning and created on their basis programs for the development of tourism in the regions;
- research work in this field, analysis of trends in the development and use of stronger marketing technologies;
- strengthening the requirements for ensuring security, applying the latest technologies for the efficient use of tourist resources;
- close interconnection of activities for the development of tourism and measures to protect the environment, cultural and historical heritage;
- effective interaction of state and local authorities in the tourism industry.

#### **4.2.2 Prospects of industry's development**

Also is needed to consider at the state level the development of "social" tourism. The state, in fact, can co-finance the rest of its citizens, issuing for this purpose special securities - tourist certificates<sup>23</sup>.( Guljaev V. G. Tourism: economy and social development. M: Finance and statistics, 2003) The state should actively cooperate with employers, and those, when contributing, to offer such certificates to their employees. It is profitable for a person, because

his spending on rest decreases. This measure, due to the state share in financing, activates domestic tourism. For the development of social tourism, it is necessary to develop its system of Kazakhstan tourist certificates. Experts suggest to set as the main goal of the state policy in the field of tourism is the creation of a highly efficient and competitive tourist cluster in the country. The tourism industry has a great positive impact than a number of other economic sectors. The disunity of the participants in the tourism market, the underdeveloped infrastructure, the lack of investment, the shortage of qualified personnel, the low level of service, high prices in the tourist services market, therefore, it is simply necessary to improve the material and technical base, where special attention should be given to:

- development of the material and technical base of tourism, by attracting domestic and foreign investments, for the reconstruction of existing and construction of new tourist facilities;
- increase of competitiveness in the market of air transportation services, development of passenger traffic in road and rail transport;
- development of a scheme for the prospective location of tourist facilities and development of the infrastructure of the tourist services market in Kazakhstan;
- control over land use and compliance with building standards in the areas of development of tourism business;
- the creation, corresponding to international standards, of a hotel and service complex, as well as a network of tourist complexes, ethnographic museums and recreation areas;
- development in the tourist zones of the relevant infrastructure: telecommunications, water and electricity, sewerage.

Analyzing the current state of development of the tourism industry, it is possible to propose a number of measures of state support aimed at improving and developing tourism activities in the Republic. The main ones of which are:

- development of tourism services market infrastructure;
- improving the quality of tourism products and education in tourism;
- improvement of the regulatory and legal regulation of the tourist services market;
- improving the management of the development of tourism business;
- improvement of the material and technical base;
- preservation of cultural and historical monuments;
- development of international cooperation.

### **4.2.3 SWOT Analysis**

Table 6: SWOT Analysis of tourism in Kazakhstan

Source: Compiled by autor based on self-made research

**Strengths:**

- favorable geographical position;
- diversity of natural resources;
- variety of monuments of tangible and intangible cultural heritage;
- stable political and domestic situation;
- the state of the labor market;
- rapidly growing gross domestic product;
- possibility of state financing;
- low cost of electricity and construction.

**Weaknesses:**

- low population density - a possible negative impact on the development of domestic tourism, including through a low level of demand for tourism products within the country;
- lack of external financing: insufficient number of external (both public and private) investments in the tourism industry;
- instruments of state support that require further improvement, including encouraging the development of the industry through the introduction of tax support measures, simplifying the entry formalities, improving the land use regime;
- the high prices for air tickets, the absence of national low-budget air carriers, the low number of new inbound air routes from countries that provide a potential influx of tourists, as well as domestic air routes in the direction of key tourism destinations defined in the cluster model of tourism development in Kazakhstan.

**Opportunities:**

Passed in summer EXPO-2017 Exhibition in Astana attracted tourists' interest to the country, which in turn, pushed the government to greater attention and financing of the tourism sector.

**Threats:**

The main threat at the moment is the devaluation of the dollar against the tenge. In the past two years, there have been huge leaps in the exchange rate.



#### 4.2.4 Future prospects of development

The development of the tourism industry in Kazakhstan can lead to tangible results, if the following conditions are met:

1. the proper equipment and commercialization of certain tourist products;
2. an increase in the volume and a reduction in the cost of air services within Kazakhstan, as well as between Kazakhstan and other countries;
3. professional definition and implementation of specific promotional activities.

Based on the above criteria, following can be achieved as "quick results":

- a) the creation of MICE-tourism products in the cities of Astana and Almaty with the priority of international conferences and big events;
- b) the creation of a DMO (*Destination Marketing Organization*) at the national and regional levels implies close interaction with business, ensuring the effective development of the entire system of tourism within the country;
- c) development of several tours in six clusters, as well as throughout Kazakhstan;
- d) conducting online promotion events, including events on leading Internet platforms such as Google Earth and Trip Advisor (tripadvisor.com) and using social networks such as "Facebook" (facebook.com) and "Twitter" (twitter.com).

For realization of large tourist projects and the subsequent management of the created infrastructure facilities, tourist resources there is a need for top tourism specialists, managers. A system of training will be introduced in the form of trainings and courses to improve the skills in tourism for managers of tourism companies and facilities placement sites in order to improve the quality of services and internal management systems. At the same time, taking into account the pace of development of tourism in the country, and also in order to optimally increase the multiplier effect on the economy, it is necessary to simultaneously include in the relevant plans priority development of related sectors, including:

1. the food industry, including national products (food, beverage production);
2. design and building services for the construction of hotel and tourist facilities;
3. the entertainment and leisure industry, including the film industry, the production of entertainment products, toys, entertainment activities, etc.;
4. all kinds of handicraft, including national souvenirs;
5. the food industry, including modern national cuisine.

Tasks for the implementation of the Concept:

- I. creation and development of a competitive tourist product;
- II. planning of tourism development, including in the area of specially protected natural areas;
- III. ensuring the development of the existing and the creation of a new tourist infrastructure;
- IV. the development of a tourist cluster in the regions.

One of the ways to solve these problems will be the development of the Concept of the Draft Law "On Amendments and Additions to the Law of the Republic of Kazakhstan of June 13, 2014" On Tourism Activities in the Republic of Kazakhstan ". The implementation tool for the specific tasks of this Concept is the Action Plan for the implementation of the Concept for the Development of the Tourism Industry of the Republic of Kazakhstan until 2023.

To achieve these goals and objectives, the following implementation periods are proposed:

- **2017-2019:** is the most important, since the success of subsequent periods depends on the performance of work: the adaptation of existing and the creation of new legal measures and institutional mechanisms, including the creation of the National Tourist Office. In this period, tourist clusters will be formed; prepared all the national (large) tourist projects and initiated their construction, stimulated the development of other (small) tourism projects, developed a marketing system, as well as other measures aimed at obtaining quick results. One of the key issues to improve the institutional efficiency of the tourism industry is close integration with the sphere of economy, culture, work with children and youth, social security of citizens, physical culture, sports, education, employment and preservation of natural and cultural-historical resources of the country. From the investment point of view, it is planned to build new accommodation and tourist infrastructure facilities in the framework of the development of anchor and regional tourism projects, including projects with a low level of risk and the possibility of realization in a short time.
- **2020-2023:** further development of domestic and incoming tourism is planned. In this period, it is important to actively promote the country's tourism potential, continue the development of infrastructure, strengthen the human resource potential and implement various marketing activities. At the same time, during this period, the implementation of the 2017-2019 activities will continue, with the diversification of tourist offers and the significant support of small and medium-sized businesses for

the development of tourism projects throughout the country. To increase the investment attractiveness of the tourism industry and ensure the development of the industry as one of the priority sectors of the economy, it is necessary to create modern highly efficient and competitive tourist complexes for the integration of Kazakhstan tourism into the world tourist market. The main indicators of the development of the tourism industry are the number of visitors, the number of overnight stays, as well as the amount of income from tourism. Achieving the goals and objectives of this Concept is determined through the growth of indicators for the development of tourism.

## 5 Conclusion

Certainly assessing the current state of the tourism industry in Kazakhstan, it is necessary to note the main trends of its development. Tourism in Kazakhstan is recognized as a promising direction for the development of the non-oil sector of the economy and is included among the seven national priority clusters. The current stage of tourism development is at a stage of rapid growth. But this rapid rise in the service sector of tourism will satisfy the needs of tourists only in the near future, while at present, the existing infrastructure does not ensure the satisfaction of all the requests of both domestic and foreign tourists. It is necessary to unite the efforts of the state and business structures in order to increase the efficiency of the implementation of the tasks planned in the programs and to take measures to activate public-private partnerships in the form of concessions, contracts, etc.

Anatoly Savichev, a member of the working group on tourism in the Almaty region, talking about future of tourism cluster was paying attention on concretizing the goals of tourism development and motivating people involved in the travel industry: "Everything needs to be translated into figures. We should not abstractly say "let's develop tourism!". The main message of his words is that it is necessary to realize what the meaning of this word and its profitability. In the development of tourism, the participation of an interested business part, as well as proper attention from the government side, is necessary. But if business requests from the state comfortable conditions for work, after when conditions are met and fulfilled, it must be responsible for results and all consequences. It is an ideal structure. Both: in business and in the state people should be interested in development.

Formation and, most importantly, the maintenance of a positive tourist image is the main priority for Kazakhstan in the development of inbound tourism. Of course, the presence of a developed infrastructure, competent personnel and government support of tourism organizations are also important, but without worldwide recognition of the country, all these elements of a developed tourism industry are useless. Therefore, domestic tourism needs to use the rich world experience and its own enthusiasm to start creating an image of Kazakhstan as a new tourist destination. The expansion of tourism at the present stage in the Republic of Kazakhstan demonstrates positive dynamics. But despite this there are certain aspects that hamper more dynamic development. Problems of domestic tourism are characteristic of many developing countries with economies in transition and reflect a situation where little attention is paid to tourism.

## 6 References

- Azar V. I., Tumanov S.Yu. Economy of the tourist market. Institute of International Tourism, 2015
- Arinova M.N. Problems and prospects of development of medical tourism in the Republic of Kazakhstan. Karaganda: Publishing house of the University of Karaganda, 2015
- Balabanov IT, Balabanov AI Tourism Economics. Tutorial. -M.: Finance and Statistics, 2010
- Bektimirova N.N. Aspects of attractiveness in the tourist product of Kazakhstan. Almaty, 2015
- Birzhakov, M.B. Introduction to tourism. Edition 9th, revised and enlarged. - St. Petersburg: "Gerda Publishing House". 6. Vukolov V.N. History and theory of international tourism. – Almaty, 2016
- 1. Vukolov V.N. History and theory of international tourism. – Almaty, 2014
- Tourism of Kazakhstan. Statistical collection of the Agency of Statistics of the Republic of Kazakhstan, 2007–2011, Astana, 2012
- Concept of tourism development in the Republic of Kazakhstan to Provision of Government of the Republic of Kazakhstan from February, 28, 2016, № 192.
- A. Mikos v. Rohrscheidt, *KulTour.pl, Poznań*, Religion as a subject of cognitive interest to tourists, 2013
- R.Madedova, Tourism Development in Kazakhstan, LAP LAMBERT Academic Publishing, 2013
- Factors of Kazakhstan attractiveness. General review. National agency of export and investments “KAZNEX INVEST”. Ministry of investments and development. 2016
- Cathy A. Enz. Hospitality Strategic Management: Concepts and Cases 2nd Edition, *Published by Wiley*, 2010
- Tuzova N. G. Tourist passport, as a form of promotion of tourist services of municipal bodies // Modern scientific technologies. – 2014
- Guljaev V. G. Tourism: economy and social development. M: Finance and statistics, 2003

- B.U. Syzdykbaeva, The Worldwide Event in Kazakhstan EXPO-2017 Astana Exhibition// Bulletin of the ENU named after N. Gumilev University, 2017.- No1.-P.210-216
- Committee on Statistics of the Republic of Kazakhstan. Ministry of National Economy of RK. <http://stat.gov.kz>
- World Tourism Organization <http://www2.unwto.org>
- Tourism glossary <https://www.gdrc.org>