

Policy Considerations on Tourism Development in Nepal and Emerging Possibilities

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Summary

According to the UN World Tourism Organization, travel and tourism is the third-largest industry in the world, with US\$1.5 trillion receipts (2019) that decreased roughly by 63% due to the coronavirus pandemic in 2020. Nepal is no exception to this trend. Tourism revenue fell to US\$ 376 million in 2020 from US\$ 671 million in 2019 as per statistics published by the Government in 2020.

Global focus now is on building back better; this is an opportune moment for Nepal to rethink new possibilities and explore innovative ideas to augment industry receipts by targeting the nouveau-riche in emerging source markets and improving service quality.

Re-thinking travel and tourism industry should equally take into account the ageing population (i.e., the silent generation, Baby Boomers, and GEN-X), a pool of potential target retirees, intending to leave their home countries for a peaceful, comfortable, and healthy living environment elsewhere. The government may, thus, wish to develop areas of new attractions to lure travellers from neighbouring countries like India, Sri Lanka, Bangladesh, Thailand, and China as well as from the developed world.

Introduction

Almost two years of the COVID-19 pandemic has nearly collapsed the global tourism industry; some countries are slowly beginning to come out of the doldrums; others, such as Nepal, have a long way to

go. Moreover, the pandemic scuppered the Government's "*Visit Nepal 2020*" campaign

before it even commenced, and it has disrupted the tourism driven economic sector in the country.

Tourism was a major source of foreign currency revenues in Nepal contributing to 10.4% of GDP as of 2019 which fell to 6.7% in 2020.¹ This share of contribution is lower than overseas remittances of US\$ 8 billion which is 24% of GDP.² This phenomenon has significantly impacted local businesses and the domestic job market.

According to World Travel and Tourism Council (2017), the tourism industry in Nepal supported over one million people and provided many local communities additional means of earnings. However, tourism receipts in Nepal were US\$ 701 million in 2019³ while it was US\$ 3.6 billion in Sri Lanka,⁴ US\$ 30 billion in India, and US\$ 3.2 billion in Maldives⁵ although the government claims Nepal is a top tourist destination.

However, Nepal is one of the cheapest destinations in the world. Per capita average tourism receipt in Sri-Lanka⁶ in 2019 was US\$ 174 when it was only US\$ 48 in Nepal.⁷ If we are to continue with the policy of promoting least-cost destination focusing on arrival numbers, it will not generate more revenues.

The government data⁸ shows tourists mainly prefer three activities: leisure holidaying, adventure sports like mountaineering and trekking, and cultural pilgrimage. In 2018, the bulk of the visitors came for pleasure holiday trips (70%). About 66% of the foreign visitors preferred visiting national

parks and conservations sites, while 2.4% chose trekking (with the highest number heading to Humla), and about 32% of the visitors to pilgrimage sites. The top six source markets were India (17%), China (13%), USA (8%), Sri Lanka (6), United Kingdom (5), and Thailand (4%). On average about two to three percent each from Australia, South Korea, Germany, France, and Japan visited Nepal.

A new trend was noted as more visitors were from Myanmar (4%), followed by Malaysia and Bangladesh comprising of two percent each, showing promising new emerging source markets. Among the visitors 53% were male and 31% were from the 31-45 age group.

Tourist arrivals during 2016 -2019 period reached an average of one million except in 2015 when Nepal experienced a major earthquake, with three successive high magnitude aftershocks,⁹ the arrivals figure fell to 465,000. The peak recorded was in 2018 and 2019 nearing 1.2 million arrivals. This could rise upward if arrivals can be sourced from the emerging source markets.

Mountaineering is a popular sport in North America and Europe, and most climbers are¹⁰ from the United Kingdom, France, the United States, Germany, Spain, Switzerland, Russia, Austria, Italy, Poland, Norway, Netherlands, and Canada. But the numbers are not high.¹¹

Mountaineering expeditions from Australia, China, Japan, India, and South Korea also dominated the numbers originating from Asian countries. Principal destinations, as always, have remained the Everest, Amadablam, and Manaslu.

For the government's objective of increasing tourist arrivals and generating additional receipts, travel and tourism policy rethinking is required to attract visitors from emerging source markets while alluring nouveau riches, leisure-seeking holidaying visitors

and business travellers from prime source marketing areas.

Policy Options

Tourist arrivals data¹² of the past decades show that visitors from European countries, North America and Australia have largely unchanged while arrivals from emerging source markets Thailand, Myanmar, Malaysia, Sri Lanka, South Korea, and Bangladesh have increased. Tourism promotion in these source market countries could be beneficial than mere focus on traditional markets which have not contributed to higher number of arrivals.¹³ But again, most Asian visitors might not be enthusiastic about mountaineering expedition and adventure trekking with exception of limited interests from India, China, and South-Korea.

Apart from generating multiplier economic effects, tourism could also become an important venue for the promotion of community's history, culture, and religious traditions. If this sector is better organized focusing on the qualitative aspects of the industry,¹⁴ it could foster better understanding between people of different identities and regions and develop awareness and respect for each other's cultures, traditions, and heritage. Tourism would positively impact on economic and social aspects of community contributing to sustainable development through societal harmony while enriching cross-cultural understanding. The Government of Nepal should prioritize tourism development strategies with fresh lenses.

Nepal is blessed with a mosaic of multicultural local traditions, rich attractions, and cultural heritage beyond having some of the world's highest mountains. Nepal has stunningly beautiful and unparalleled landscape in a natural setting of low rising hills to medium to high Himalayan range. However, this potential has not been fully explored and developed due to restrictions on foreign direct investments (FDI) for

development of world class travel destinations for high spending business and leisure-seeking travellers, like in other ASEAN countries. The restrictions on FDI should be removed for development of historical locations and other recreational facilities for inviting high spending visitors, including development of retirement villages for pensioners and those who may aspire retirement life in peaceful and serene natural environment at the foothills of majestic Himalayas.

Nepal's traditional tourism interest continues to focus on adventure tourism with mountaineering expeditions and trekking. The Government data¹⁵ show this emphasis has neither delivered high numbers of visitor nor increased foreign currency incomes. On the contrary, excessive reliance on mountaineering expeditions and adventure promotion has resulted in adverse perception emanating from the worldwide television images of amateur travellers clogging the Mt Everest trail during the 2019 season. This has not only produced a negative perception about government's environmental priority, but also demonstrated shortcomings in organizational and management skills within the industry. Rethinking policies to change this are necessary.

A significant part of the modern history of Nepal is linked with Kathmandu Valley which is endowed with a rich tradition and heritage. According to research findings Kathmandu Valley lies on alluvial soil, which is highly susceptible liquefaction,¹⁶ making the valley like a floating ship on high sea and exposing the national capital to disastrous future earthquakes. In addition to preventing the possibility of colossal human tragedy, this situation warrants preservation of crafts, culture, arts, traditions, temples, and stupas which are gradually disappearing under rising clouds of unfettered modernization and urbanization of the valley. Serious consideration should be given by the Government for exclusive development of the valley into a prime travel destination by

restoring its historical and architectural glory. However, to turn Kathmandu Valley into a world class tourism destination, it must first consider shifting the national capital Kathmandu out of the valley to a stable site. India, Pakistan, USA, Brazil, Canada, Egypt, Indonesia, and Myanmar have all done so for various reasons.

Policy Recommendations

The Government of Nepal should consider a combination of the following policies through a comprehensive tourism masterplan:

1. Study the feasibility of **relocating the national capital** away from Kathmandu Valley to another suitable new location.
2. **Develop pilgrimage and national heritage sites**, national parks, and conservation areas, with due consideration to preservation of environment and eco-systems to attract high spending visitors.
3. Develop Nepal as a world class **retirement destination** in collaboration with international entrepreneurs to attract people over 50+ years and who are financially self-sufficient.
4. Finally, consideration could be given to the theme of "**Reinventing Oriental Cultural and Spiritual Circuit**" incorporating pilgrimage sites that are linked with the spirit of Nepal's diverse cultures and traditions stretching from Janakpur Dham, to Devdaha, to Kapilavastu, to Siddharthanagar, to Lumbini, to Doleshwor Mahadeva temple, and to Pashupatinath temple for spiritual enlightenment of visitors, from Asian countries and beyond. This travel circuit could be enlarged by incorporating additional sites such as Ayodhya and Sarnath, to Bodhgaya in Northern India.

Conclusion

Nepal remains a desirable travel destination also for tourists from non-SAARC¹ countries, but the challenge will be to organize and manage the industry sustainably with consideration for protection of environment, preservation of eco-systems, and economic growth.

Economic growth in Asian countries is gradually changing traveller profiles and trending.¹⁷ It is unlikely that mountaineering expeditions and trekking alone will deliver increased revenues as more visitors from Asia showed leisure holidaying interests at locations shrouded with pristine natural surroundings of national parks, conservation locales, and other intriguing historical, religious, and inspiring cultural heritage sites.

The government would want to explore innovative initiatives attracting visitors from large source markets, like China, India, Thailand, Malaysia, and South Korea. The travel and tourism sector is a very competitive industry in international markets requiring rethinking combined with aggressive market strategy, creativity, and quality services delivery.

With the revival of economies and improvement in public health services the pace of the tourism industry will pick up, albeit slowly and differently in the post-COVID-19 era of the new normal in global

travel environment. Development of travel and tourism market must be in focus, as the governments around the world embark on resuscitating the industry.

Opportunities abound but the tourism industry must remain zoomed over the horizon on how to motivate and attract inbound travellers realistically and earn additional revenues. If the government is unable to reorganize its narratives on industry's revival beyond traditional source markets, by only promoting Nepal as a cheap tourism destination, it will fail to achieve its primary target of generating increased revenues. It must, therefore, explore other possible avenues and new market sources for sustainable growth of the industry, including high-paying visitors and quality tourism.

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Footnotes:

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2. World Bank Data, (www.Data.Borlbank.org/indicator/BX.TRF.PWKR.GD.ZS?view=chart)

¹ South Asian Association for Regional Cooperation.

3. World Bank Data, International Tourism, Receipts for travel Items.
(www.data.worldbank.org/indicator/ST.INT.TVLR.CD)
4. Sri Lanka Tourism Development Authority Report, 2019.
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6. Sri Lanka Tourism Development Authority Report (ASR), 2019, Page 12-13.
7. Government of Nepal, Ministry of Culture, Tourism & Civil Aviation. 2020. *Nepal Tourism Statistics*, page 81.
8. Nepal Tourism Statistics-2019, The Government of Nepal, Ministry of Culture, Tourism & Civil Aviation-2020.
9. Three earthquakes struck Nepal during 2015. The first one on 25 April in Gorkha with 7.8 magnitude, followed by two high intensity aftershocks of 6.6 and 6.7 magnitude within 24 hours. Again, on 12 May 2015 another earthquake of 7.3 magnitude shook the South-West of Kodari (source: Britanica.com)
10. Nepal Tourism Statistics 2019 (p, 42) show only 197,786 persons were trekking/mountaineering out of total arrivals of almost 1.2 million in 2019.
11. Ibid, data analysis, from page 51-61, show only 16.5% were for trekking/mountaineering as compared with 65.5% (or 778,173 persons) who were for holidaying pleasure.
12. Government of Nepal (Ministry of Culture, Tourism & Civil Aviation). 2020. *Nepal Tourism Statistics 2019*. Kathmandu.
13. Ibid, page 42.
14. World Economic Forum Index, The Travel & Tourism Competitiveness Report 2019 edition, Enabling Environment Index, Policy and Enabling Conditions & Infrastructure. The ranking analysis of 140 countries puts Nepal 131st in Ground/Port Infrastructure, 126th in Tourist Service Infrastructure, 102nd in Cultural Resources and in Business ICT Readiness, 134th in Environmental Sustainability, 106th in Health/Hygiene, 108th in ICT Readiness and 113rd in Business Environment (www.reports.weforum.org/travel-and-tourism-competitiveness-report-2019/country-profiles/#economy=NPL).
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