BRINGING THE POOR INTO THE EXPORT PROCESS: NEPAL CASE OF TOURISM EXPORT AND POVERTY REDUCTION

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Introduction

Nepal is a land locked county, situated between China and India. About 25 million people occupy geographically diverse land, size of Greece. Unlike other South Asian countries Nepal was never part of any foreign empire and this made Nepal socially, culturally very independent and unique.

Nepal is one of less developed countries (LDC), official statistics in 1996 estimated more than 40 percent of the population living in poverty, based on poverty line of US\$ 1 a day earning per person. Ten years later, this figure has dropped down to 31 percent. If this trend continues, Nepal can achieve another 20 percent in poverty reduction by the year 2015 without difficulty, meeting the Millennium Development Goals of reducing poverty by half.

This success has been achieved in most difficult of the circumstances. Economic growth has slumped in Nepal, due to the violent insurgency for the last ten years and the conflict has been intensifying gradually. For the last five years, GDP growth has been average 3 percent, near about one-third GDP growth compared to neighbours like China and India.

The success of being in track of poverty reduction has been achieved due to export of human resources, goods and tourism.

Nepal geographical diversity, unique culturally heritage and friendly people have made it one of favourite tourism destination in the world. Among the world ten tallest picks Nepal is home of eight, compete northern frontier is bordered by great Himalayas. This has positioned Nepal in to the BBC's 50 places to visit before you die list.

Tourism export is strong element of Nepalese economy and a key player in foreign exchange earner. Significance of tourism in national economy has been well established, but it has not yet received equal treatment to merchandise export. Merchandise export receives various incentives from the Government; tourism is not considered export on the government policy.

Poverty is wide spread and more dense average 50% in remote mountainside compared to 4% in Kathmandu the capital of Nepal. In Nepal more about 90 percent population live in small villages and this is where the poverty wide spread.

These remote mountainsides are the places where tourists go for trekking, rafting and mountaineering. Therefore, Nepal is implementing village level strategies on tourism export. This has the potential to reduce poverty in these parts, bring speedy economic growth and social transformation.

Nepal is trying to implementing right tourism export strategy to bring rapid economic growth in villages where the poverty is wide spread, thus reducing overall poverty level

Tourism export and Nepal

Tourism is termed as one of remarkable socio-economic phenomena of the twentieth century. It developed from activities enjoyed by some wealthy people in the beginning of the 20th century to largest business sector by the end of that century. In 2006 travel and tourism is expected to generate US\$ 6,477.2 billion of economic activity. It will account for 10.3 per cent of the world total GDP and 8.7 per cent of the total employment.

In 2005, international tourist arrival exceeded 808 million, worldwide growth of 5.5 percent. This growth was achieved despite threat of terrorism, natural disaster, high oil price and avian flu scare. Free market economy has created new wealthy population and more and more people have money and desire to travel. Liberalisation policy in air transport in most of the countries has eliminated airline monopoly, rising competition among the airlines. International airfares to the developing countries have declined despite rising oil prices.

For developing countries, tourism is very important export and major contributor to foreign exchange earnings. Tourism is ranked among top three in economy of fifty poorest countries in the world. Its importance in developing countries economy and instrument of poverty reduction has been recently recognised. Tourism export can play a major role in poverty reduction. It is foremost service sector export in LDCs, generates employments, and supplements other economic activities.

Sustainable tourism export in these countries can translate into poverty reduction directly and help environmental protection. The key to tourism export in poverty reduction is that unlike other economic sector poor people have ownership of resources. It can be developed as a sustainable enterprise for the poor people, contributing to their economy development

In 1962 over 6000 tourist visited Nepal and by 1999, this figure reached little less than half a million, highest in any LDC at the time. Nepal is famed for natural beauty, cultural and artistic heritage. The geographical diversity is such that elevation of world highest point to near sea level altitude is found in span of 150 kilometres and with climatic conditions ranging from arctic to subtropical. This climatic diversity has given Nepal variety of ecosystems, lush green tropical jungle and white water rivers. The natural beauty is supplemented by rich cultural heritage. This has made Nepal one of attractive tourist destination in the world.

An additional tourist export feature of Nepal is being the birthplace of Lord Buddha. About two billion people world over are Buddhist and Lumbini the birthplace of Lord Buddha is most holy pilgrim for them. Nepal the only Hindu Kingdom, is also pilgrim destination of another one billion Hindu population.

Nepal International Tourist Arrivals

1999	2000	2001	2002	2003	2004	2005
491,504	463,646	361,237	215,299	265,600	288,356	277,120

Source: NTB and CBS

It is evident that the decade old insurgency in Nepal is talking its toll on the tourist arrival. However, its contribution to the economy is increasing, as per World Travel and Tourism Council (WTTC) estimate travel and tourism will generate US\$ 1025.3 million of economic activity in Nepal in 2006. Direct and indirect travel and tourism economy is expected to account for 8.2 percent of GDP and sustain 7, 26,000 jobs (6.4% of the total employment)

Gross Foreign Exchange Earning from Tourism Export

US\$ in thousand

1999	2000	2001	2002
168100	166247	140276	106822

Source: CBS

Tourism account for roughly 4 percent of Nepal GDP, 15 percent of the foreign earning and equivalent to 27 percent of total merchandise export. However, tourism is not considered "export" as per the

Government policy. Merchandise export are exempted from Value Added Tax (VAT), and profit from export are free of any kind of income tax, raw materials import to manufacture export goods are also free from any kind of tax or duty, but tourism dose not receive this kind of favourable incentives, VAT is imposed on all the services, profit are taxed, only slight concession on import duty for vehicles and few other goods are granted.

International tourist arrival has decline in Nepal due to escalating insurgent problem. However, even decade long insurgency has not been able to stop tourism sector substantial contribution to the Nepalese economy.

Nepal's strategy in poverty reduction through tourism export

In a survey conducted some time back among the international tourists, two third of them had decided to visit Nepal without considering any other destination. Nearly half of them considered Nepal's scenic beauty and mountains as most important factor for visit. Among the total tourist, more than 25 percent go for trekking and mountaineering.

Nepalese poverty is most wide spread in the high mountain regions; more than 50 percent are poor compared to Kathmandu region's 4 percent. Trekking and mountaineering expeditions are conducted in these high mountain regions. Popular trekking and mountaineering regions have witnessed economic growth and social transformation reducing poverty level significantly.

Tourism is major source of income in popular trekking and mountaineering routes. The economic ripple effect of tourism activities has reached into wider mountain areas. Sagarmatha National Park and Annapurna Conservation Area are foremost example of tourism export reducing poverty, and witnessing rapid social transformation.

Mt. Everest is located in Sagarmatha National Park and is popular trekking and mountaineering destination. Two third of the household inside the park are part of the tourist industry working as guide, porter or lodge, tea house, shop owner. Namche village is gateway to the Mt. Everest base camp trekking route.

Namche at altitude of 11,286 feet, located in the high Himalayan range, with harsh climatic condition and topography, is in Nepal geography region where poverty is rampant exceeding 50 percent. This village is five-day trek from the nearest road and one-day walk from nearest airport. But it is one of wealthiest village in Nepal, once a poor Sherpa rural community has been transformed economically and socially because of tourism.

A Household survey of Namche village of Solu Kumbu District and Juphal village of Dopla District was conducted in 2003 by Tourism for Rural Poverty Alleviation Programme. Namche village is en route of popular trekking tourism destination and Juphal village located in similar geographic area in high mountains in western part of Nepal but without any tourism business.

Difference in income and living standard in these two villages is evident. Tourism is not only helping economic growth, but also supporting environment protection, of the total population less than half dependant in the woods for energy in Namche compare to 99.44 percent in Juphal.

Household income of year 2002

%

Head	Namche Village	Juphal Village
Income less than Rs. 1000	8.63	39.37
Income Rs. 1000 to 30,000	32.15	27.15
Income Rs. 30,000 and above	59.22	33.48

Physical facilities by Household

%

Head	Namche Village	Juphal Village
Telephone	25.88	1.80
Radio	82.35	67.42

Television	25.49	1.35
Rubbish bin	20	0
Modern toilet	27.71	15
Piped water source	71.96	53.57

Source of Energy/ fuel

%

Head	Namche Village	Juphal Village
Wood	45.50	99.44
Kerosene Oil	9.93	0
LP Gas	1.62	0
Electricity	42.96	0

Source: TRPAP

Economic transformation is evident in another popular trekking area in Annapurna region. Social and economic transformation similar to Namche village has taken place in once poor Gurung and Thakali villages in this area. Mahendra Natural Conservation Trust has been able to successfully incorporate conservation, tourism and community sustainable development in these parts.

Sagarmatha and Annapurna regions are the example of tourism reducing poverty in the remote mountain areas. Sagarmatha and Annapurna are small geographical region that has benefited from tourism export. If this success can be replicated in all of Northern border with high Himalayan range, where the poverty percent is the highest, poverty will be significantly reduced in Nepal.

New strategy is to link tourism and poor people to create sustainable tourism, it can meet goal of poverty alleviation and well as conservation, contributing to income of rural poor and giving them opportunity to stay in the village and promote overall development.

To reduce poverty through tourism export, Nepal has adopted village level approach. Trekking routes extends from few days to a month of walk in the most remote of the places in Nepal. New trekking routes are being developed and village out side the popular trekking route are packaged to showcase their unique way of live and culture, creating new tourism products.

Tourism in the mountain cannot only reduce poverty in highland rural areas, but can play much larger role of country overall sustainable development and poverty reduction. Mountain provide water supply to the lowland, forest there help conserve soil and water and maintain ecosystem, prevent landslides and floods in the mountains and hills well as in the low land. Deforestation, landslides and floods are one of reason for poverty in the highland and highland population migration to the lowland urban areas, aggravating urban problems and poverty.

Sustainable development in the mountain region reduces migration, improves ecosystem, conservation and reduces deforestation, landslides and floods, reducing migration and poverty.

Annapurna Conservation Area Project (ACAP)

The Annapurna region is one of most popular trekking and mountaineering destination in the world. More than 42,000 (2004) tourists visited this 7,629 sq.km area situated in mid-western part of Nepal, bordering Tibet (TAR, China). This region is rich in biodiversity; it has 474 species of birds, 1226 flower plants, 102 mammals 39 reptiles, and 22 amphibians and is home of hundred thousand people. This region also has world's largest rhododendron forest, world's highest lake and deepest gorge.

The tourism began in the early 60's and the local villages benefited from the economic activities of tourism. With the rise of tourist, this fragile region diversity and resources were under pressure due to population growth and poverty, soon environmental degradation started with deforestation and pollution.

In 1986, ACAP was initiated as pilot project in Ghandruk a small village in the region for integrating nature conservation and community development. Success of this pilot project lead in 1992 to Annapurna region being notified by the Government as conservation area. This is the largest

conservation protected area in Nepal, the management of this protected area was handed over to King Mahendra Trust for Nature Conservation a Nepali NGO, which had started the ACAP pilot project.

The Integrated Conservation and Development Programme (ICDP) model of conservation was developed and tested in ACAP, now this mode of conservation has become role model for other developing countries. Unlike other National Park or protected area security forces are not deployed to protect natural resources, local population live inside the area, have access to natural resources and manage traditional rights.

This project has successfully incorporated tourism, conservation, sustainable development, education, health, and empowerment. Project has itself been self-sustainable by the tourist entry fee of the conservation area.

The reasons for success of the project in tourism are:

- Conservation and Sustainable development: Annapurna region is popular because of its picturesque landscape, flora and fauna. If this condition degrades the destination will lose its attraction for tourism business, population using the natural resources will be adversely affected, increasing migration and poverty. So the focus is in conservation and sustainable development.
- 2. Leakage reduction: Tourism service providers are given managerial and technical skills to offer better services, increasing satisfaction level of the tourist and charge higher fee. Minimum standard of services has been set, reducing unhealthy competition. Reducing waste by encouraging using local products. Most of Tourist buy drinking water from Water Stations along the trekking routes and refill their flask, contributing to the local economy and reducing garbage, instead buying PET bottled water. The strategy of encouraging present environment sensitive tourist for local product consumption for environmental reason can be vital for leakage reduction and is good for the environment. Tourism area is made safe and with the service of emergency evacuation. This can encourage trekkers not to use tour companies and directly buy services and products from the locals, significantly reducing leakage.
- 3. Participatory Management: The Project has build capacity of local institutions and the people to manage and implement programmes, the role of ACAP, is of facilitators. The Conservation Area Management Committee, which is formed in each village, is delegated with the responsibility of conserve, manage, and utilize all the natural resources within its own village. Ultimate goal is to manage conservation area by the local people themselves with little intervention from the Government or any other institutions.
- 4. Community Development: The project conducts education, health and gender equality programmes. This project has also started Women's Entrepreneurship in Tourism (DWET) programme, which aims to increasing household income and empowering women while improving level of service delivery to the tourist. To enhance women participation on income generation, is programme has established day care centre for small children so the mothers for small children can also engage in income generation and self-improvement activities. Enlarging role of women to income generation is having positive effect as this can increase household income and escaping the poverty cycle.
- 5. Tourism Development: This programme has packaged the destination as eco-friendly tourism. The community and the environment is not be degraded by tourism but the opposite. Brochure and publicity materials, information post, visitor's centres, local museums, hotel and tea house management trainings, trekking guide trainings and eco-camp sites are developed.

This project relies mostly on grassroots level local participation. Traditional rights are protected and local institutions are part of the decision-making, managing natural resources and tourism development. This has been the reason for Annapurna Conservation Area still being one of most popular trekking destination in the world.

Village Tourism Programme

Development of Trekking tourism in Nepal was demand driven, Annapurna and Khumbu gradually become popular among the trekkers and tourist stated to multiply. Local resident slowly began to offer various services to the trekkers, gradually developing well-serviced trekking routes.

In the rural region, economic and financial benefit of tourism was limited to the trekking routes, other village outside the route ware left out of any benefit from the tourism activities. And in these popular trekking routes the competition for business is heavy, price and profit has very much gone down, very little of the earning is retained in the village. To overcome this problem, concept of village tourism was developed in Nepal.

Sirubari was one such village out of trekking routes, residents of this village had seen the economic benefits of tourism in villages in routes of trekking tourism. People in this village were proactive and were lobbying with the Government authorities for inclusion of their village in tourism sector. The Government did not have any tourism sector support mechanism at that time, it was up the private business to develop Sirubari as tourism product. Group of tourism entrepreneurs foresaw developing Sirubari as attractive tourism product a viable business opportunity. They incorporated Nepal Village Resorts Pvt. Ltd. to develop and market Sirubari as tourism destination.

Following were the reason for Nepal Village Resorts Pvt. Ltd. selecting Sirubari as new tourism product:

- Location: Sirubari was located on 1700 meters above the sea level. Unlike regular trekking routes, there was no danger of acute altitude sickness at this altitude. This village was only few hours trek from the nearest road. The climate is pleasant round the year. Location was one of major factor for selection. This product with more cultural overtone was to be targeted at middle age customers with more disposable income who could not venture on rigorous trekking holidays.
- 2. Village Attractiveness: Village was traditional one, without any influence of modernization. The traditional way of life, culture and products were the principal attraction. In the Village, way of life was similar to their forefathers, but most of the men in the village were in Nepal, India and UK army and old men were pensioners, who were more adoptive to positive changes.
- 3. Local Support: The people in the village were very enthusiastic and ready to undertake necessary changes to make village a tourism destination. They were keen to participate and create home stay programmes and make village more attractive and clean.

The reasons for success of Sirubari village tourism are:

- Local people involvement: The local villagers were proactive, they were interested to bring tourism business in to their village, so were more adoptive to new ideas and initiate actions. Tourism Development and Management Committee (TDMC) was formed headed by the chief of local government. This Committee had representative from Mothers Group, Fathers Group, Youth Club and other groups. It developed rules and regulation on standards of guest rooms, hygiene, allocation of guest rooms on rotational basis, quality of meals, snacks and all the activities of the guests.
- Benefiting the local economy: More than 50 percent of receipt from the tourism was retained in the village. This was many folds higher than the tourism receipt retained in the regular trekking routes. Several household provided bed and other services to tourist guests, spreading the economic benefit.
- Less leakage: There were no hotels or any other infrastructure created by outsider. There
 was no outside investment in the village, all the guest beds and services were provided by the
 village residents, and mostly local products were used. There was less leakage of tourism
 earnings.

4. Tourism Product base on profitability: The tourism product was developed as profitable business venture, no financial grants, donation or subsidy were used. Therefore, no costly infrastructures were created. Guest rooms were created in existing house with little investment by the village households, sanitary and rubbish disposal of the village was done by the village government with active participant of the villagers. So there were no external influence on the project and decisions were based on profitability, sustainability, and benefit to the local community.

The developments of tourism have contributed substantially to the live of Surubari population. Village is clean and hygiene, sanitary and rubbish disposal system is in place. Village is now connected with electricity and telephone connection. New dirt road has been built, now there in no need to walk four hours to reach the village, other trails were developed, Community Hall and viewing tower has been constructed. Part of resources for these development works came from district and central government, but seed money was generated by profit from tourism.

With participation of NGOs trainings and programme were implemented to improve life of the village people. Smokeless cooking stoves and biogas plants were built reducing consumption of woods and improving life of villagers, vegetable faring projects were implement to supplement income of village residents.

In 2001, Sirubari Village Tourism Project won PATA Gold Award in Heritage and Culture category. This prestigious Pacific Asia Travel Association award was presented a 51st Annual Conference in Malaysia.

Sirubari has been a success, and with development of this role model Nepal Village Resorts Pvt. Ltd. is developing similar concept of village tourism in three more locations in Lamjung, Kaski and Solu Khumbu.

Tourism for Rural Poverty Alleviation Programme

Tourism for Rural Poverty Alleviation Programme is focused on rural poor population of the country; especially lower cast groups, ethnic minorities and women who live below the poverty line. This programme aims to increase standard of living and achieve sustainable tourism development. It also hopes to develop institutional mechanisms to ensure sustainability of tourism activities through improve decision making, management, implementation and operation.

Annapurna Conservation Area Project, Village tourism project were developed in Nepal without any foreign agency assistance. Tourism for Rural Poverty Alleviation Programme is based on "Pro Poor Tourism" concept. This US\$ 5.2 million project is supported by United Nation Development Programme (UNDP), Department of International Development (DFID, UK), Netherlands Development Agency (SNV Nepal) and implemented by Nepal Government.

At the time of formulating the programme Government of Nepal, Nepal Tourism Board, UNDP and SNV were influenced by success of ACAP, as a result this programme was designed as tourism focused rural development with strong conservation and backward and forward economic linkages

This programme is implemented in six tourist destinations districts through District Government, village government, community organization, user group, NGO's and entrepreneurs. During formulation of the programme study was conducted to identify commercially viable tourism development sites that could also contribute to poverty reduction and sharing of economic benefit to more people.

This programme is developing new products, taking tourist to places where they did not go previously, enable poor people in these part through training, enterprise support, local government assistance development to benefit economically more from tourism business. In Lumbini birthplace of Lord Buddha, only Lumbini was visited by the tourists but the programme has developed "Buddhist Circuit" creating new destination in Lord Buddha family palace, and mother's birthplace. Now tourists visit these new destinations, poor people in these places are given trainings and enterprise support to benefit from the new opportunity.

Success of Sirubari village tourism is also replicated in this project and several such mode of village tourism is developed. Home stay and village tourism similar to Sirubari is developed by this programme and marketed to target customers by Nepal Tourism Board.

This programme has been successful on implementing total package, from identifying potential commercially viable destination, business enterprise support, trainings, and development.

The following features were adopted to reduce poverty through tourism:

- 1. The economic empowerment of poor in the programme area.
- 2. Empowerment of women
- 3. Sustainable and impartial right in natural resources, especially women, disadvantages groups and minorities
- 4. Programme implementation by strengthening local community group, local government, NGO's and user group.

This project was started in 2001 when the inflow of tourism started to decline in Nepal. So the programme effect in reducing poverty can not be measured yet. However, this programme has effectively replicated Annapuran Conservation Area Project tourism-environment- sustainable community development and Sirubari Village tourism concept.

Nepal success in development has been through community group, micro-credit and finance mobilization. This programme has also adopted this approach for tourism and community development projects.

Numerous project funded in Nepal by the international donor have questionable implementation and outcome. They also do not have any mechanism to sustain continuation of positive effect of the project. This programme has overcome these obstacles by adopting approach already successful in other project like ACAP and Sirubari and implementing programme through District government, giving permanent arrangement to carry out the programme even after the project ends.

Poverty Alleviation through Tourism

The most commendable component of poverty reduction through tourism is economically disadvantage people them self have the resources to export - rich cultural heritage and natural environment. Out side catalyst need to identify what they have and assist them.

"Pro Poor Tourism" is an impudent term use to denote poverty alleviation through tourism. Happy, content and self-sufficient people who have rich cultural heritage, abundance natural resources cannot be just grouped in to "Poor" and their effort to utilize their resources termed "Pro Poor Tourism".

The successful implementation of Annapurna Conservation Area Project, Village tourism and TRPAP concept has shown that a programme can succeed with grass root level participation, traditional rights of the people being respected and local institutions being strengthened. Following condition enhances contribution of tourism to poverty reduction:

- 1. People Participatory: Has to be managed by the local people, role to the outsider has to be of facilitators.
- 2. Conservation: Tourism cannot be stand-alone development, it has to be tied with conservation and sustainable development.
- 3. Product packaging: Identification of suitable tourism products in rural community and developing business mode and creating complete supply chain for that product.

- 4. Commercial viable: The product developed must be commercially viable for the start.
- 5. Reducing leakage: Encouraging consumption of local product and services for sustainability, environment and waste reduction. Developing rural supply chain.
- 6. Limited infrastructure: Infrastructure build up should be minimum and few that are needed should be financed by stakeholders, if from grants, mechanism for cost recovery has to be implemented.
- 7. Product differentiation: Tourism product must be different from each other, should develop a niche market to command higher price, and also set some kind of pricing standardization.

Annapurna Conservation Area is home of more than 1, 00, 000 people, this region with high mountain, where poverty was dense. Success of this project has encouraged Government to handover more conservation areas to NGO's and replicate the success of ACAP in other parts of the country.

Sirubari has a limited impact because it is a single village, but this model in now successfully replicated by TRPAP and the private company, which started this project is planning such venture in other parts of Nepal.

Replication of successful project in other parts of the county can have significant reduction of poverty in Nepal.

Conclusion

Bigger the business sector, larger will be its impact. Tourism is big business, it will account for 10.3 per cent of the world total GDP and 8.7 per cent of the total employment generating US\$ 6,477.2 billion of economic activities this year. No other business sector can match business volume of tourism, not even petroleum, chemical or automobile.

Countries where poverty is wide spread have limited resources. They do not have resources to participate in petroleum, chemical or automobile industry, but they have resources for tourism export. Tourism is one such common resource available to most counties where poverty is dense. Because of that tourism is among the three leading export of fifty poorest countries in the world.

Tourism is an important contributor in the economy but its importance still not recognized or still not considered as export in some of the counties National Policy. This indicates that policy makes have myopic view when interpreting export.

Contribution of tourism to the alleviation of poverty in the rural areas can be evident in Namche, Namche and Juphal both geographically similar, far way from roads and with harsh climatic condition, one with tourism business and other without, have enormous differences in earning and standard of living.

Poverty can be best addressed by taking the project where the poor are- in the rural community. They already have limited sustainable resources at place of their residence, and additional benefit from the tourism will supplement their income. Empowering women in decision-making and economic activities will also significantly increase household income.

Tourism is multidimensional product, development of tourism necessitate roads, communication, security, education, health, sanitation and natural environment. Poor population benefit from these new developments in their region.

Higher tourism receipt retention in the rural area will contribute to poverty reduction more. Village tourism can retain up to 50 percent receipt in the village, developing well-organized supply chain for products and services can reduce leakage in tourism earnings.

Developing environmental awareness can produce dual benefit; it can reduce leakage by encouraging using local products and services, and reducing waste, garbage, and environmental degradation. If environment condition degrades, destination will lose its attraction for tourism business, population

dependent on natural resources will be adversely affected, increasing migration and poverty. Strategies to encourage tourists to be environment sensitive and motivate to consume local products and services for environmental reason can be vital for leakage reduction and environment sustainability.

Developing well-formulated tourism export strategy in rural region can effectively help reduce poverty, protect cultural heritage and conserve natural environment.