

Tourism and Payments for Environmental Services: The Outlook for a Stronger Business Case to Develop Rural Tourism in Bhutan



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Tourist information board showing the way. Photo: Nanda Ritsma.

This article highlights some of the opportunities and challenges of introducing tourism as a mechanism to pay for environmental services provided by local communities living in a protected area in Bhutan. The pilot rural tourism project in Jigme Singye Wangchuck National Park offers an alternative income for villagers alongside traditional agricultural activities. Tour operators are willing to pay local communities for tourism services that ultimately put a halt to encroachment of forested areas, including maintenance of trekking trails and garbage management. These costs associated with tourism and natural resource management have previously not been internalised by the private sector and/or tourists. This project demonstrates the importance of involving the private sector in product identification, development and management of a tourism product or service to guarantee market access.

Background

Only opening up for tourists in 1974, Bhutan has adopted a cautious approach towards tourism that favours low volume with high yields. The underlying emphasis is on the protection of Bhutan's unique culture and natural resources. Tourists that visit the country have a strong interest in

Bhutan's unique nature and culture, have money to spend, and almost 82% are 36 years of age or older (TCB 2009). The number of tourists has grown significantly in the last five years (from around 6000 in 2002 to almost 28,000 in 2008).

The Royal Government of Bhutan (RGoB) operates international tourism through a centralised system charging a minimum daily tariff of US \$200 for more than 20 years (and with a lower minimum daily tariff before that). After deducting a royalty and taxes, the government transfers the remaining amount to a local tour operator who organises an all-inclusive package for the visitor. The royalty of US \$65 and other tourism taxes provides the government with an important source of income. It is estimated that the government's income from tourism makes up 4% of the country's income (US \$115 million in 2004). This national revenue is spent on free health and education programmes for Bhutan's citizens (17%), nature conservation (11%) and other local development programmes (30%, Rinzin 2007).

The RGoB identified tourism as a priority economic sector in its Ninth (2002-2007) and its current Tenth Five Year Plan (2008-2013). It was felt that a new approach to tourism development was needed that would increase tourism overall, diversify products and services for tourists, stimulate increased involvement of local communities and provide employment opportunities around the country. Diversifying the economic base for renewable natural resources through tourism development has also been set as a priority by the RGoB (in the 10th FYP). Community-based tourism was proposed as a possibility by the tourism industry in Bhutan (DoT 2005).

Nabji - A pilot on community managed tourism development

As the viability of community managed tourism was not known in Bhutan, RGoB decided to pilot a project at the beginning of the 9th FYP. The Netherlands Development Organisation SNV was requested to support the Tourism Council of Bhutan (TCB), Nature Conservation Division (NCD) and the Association of Bhutanese Tour Operators (ABTO) with the development and implementation of a pilot.

The Nabji trail was selected as the pilot area by the research team of TCB, NCD, ABTO, SNV staff and a consultant in close consultation with the private sector. Selection was based on marketability for its high ecological, historical/cultural significance, which allowed for the creation of a new attractive winter trekking trail that connects to an existing tourism circuit. Secondly, the trail offered potential benefits for local people living along the trail and would support the park authority's conservation efforts.

The trail goes through low-altitude broad-leafed forest and cultivated fields (between 1000 and 1500 metres) and sits inside Jigme Singye Wangchuck National Park in Trongsa district, central Bhutan. It connects six villages located at the fringe of the park with an estimated 1600 inhabitants. Most of the people are subsistence farmers, and an estimated 23.3% of the villagers did not earn any cash income prior to the introduction of tourism (DoT 2007). Cultural highlights include visits to small mountain villages inhabited by the ethnic Monpa people; natural highlights include possible sightings of an endangered primate, the Golden Langur (*Trachypithecus geei*) and the Rufous-necked hornbill (*Aceros nipalensis*).

Overall, the trek was set to offer benefits to the communities and the country, including:

- Greater awareness, appreciation, and protection of natural and cultural resources among both villagers and visitors.
- A test model for learning how to successfully apply the community tourism approach to Bhutan's unique landscape and culture.
- Provision of tangible rural community assistance through training, education, improved infrastructure and facilities, and modest cash revenue.
- Enhancement of Bhutan's reputation for high value/low impact tourism (Hummel 2005).

The pilot in action: demand and supply

The five or six day Nabji trail was initiated in 2005 and opened officially in 2006, with funding from the Small Grant Fund of the Global Environmental Facility (GEF) and further technical assistance in implementation and marketing from SNV. Many Bhutanese tour operators have incorporated the Nabji trail within their programme (more than 26 have sent a tour group since the trail's opening¹), drawing attention to its special qualities as the first private sector coordinated, but community run trek in Bhutan.

Although financially a little less attractive for tour operators, the trek is currently the number eight best selling trek (of around 25 officially approved treks) in 2008.² Tour operators are interested to buy, because they get:

- A 'unique experience' consisting of low altitude cultural trekking in a rich natural environment, with the opportunity to closely engage with local people - much in demand by tourists.
- A product they can sell in the winter season when other treks are inaccessible due to snow, and can be adapted in length according to the wishes of the tourist (4, 5 or 6 day trekking or an overnight visit at the first village along the trail).



The village Guide talking to tourist. Photo: Nanda Ritsma.

¹ ABTO (2009) Personal communication

² TCB (2009) Personal communication



Porters in Nabji. Photo: Nanda Ritsma.

Conservation and development

Supported by the park staff and local leaders, the locally elected Tourism Management Committee (TMC) members spearheaded the development of infrastructure (basic campsites and renovation of parts of the trail) by involving villagers in construction work. Training was given in basic business skills such as book keeping and tourism service skills such as hygiene, sanitation, cooking, serving and guiding and the importance of collecting and disposing of garbage.

Once the trail was open, the TMCs were responsible for the management and monitoring of visiting tour groups and the Village Development Fund (VDF). The VDF was established as a community facility, collecting the campsite fees which are restricted to expenditure on community development, including, amongst other activities, the introduction of alternative energy sources and its associated equipment, and the financing of compensation schemes for damage done to harvests by wildlife. Conservation efforts in the park focus on phasing out forest grazing and *tseri* (a slash-and-burn technique) as well as the promotion of sustainable supplies of forest products (especially wood) to stop encroachment into the forested areas.

Assessing the impact

Before project implementation, TCB provided baselines and has since been monitoring the pilot through yearly household surveys. The first findings show a clear increase in the level of income from tourism, leaving only 2% of the interviewed households in 2009 without any income generated from tourism related activities (see Figure 1). In the first year (2006-2007) in total US \$10,000 was generated in the five villages along the trail. In 2008-2009, this increased to US \$12,000.

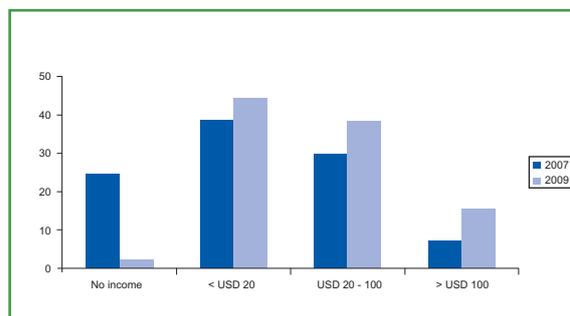


Figure 1: Income generation from tourism (per annum, in % of total number of households)

Villagers indicated that they earned the highest income from portaging and cultural performances.³ In comparison, the study shows that revenues from sales of vegetables do not generate a significant amount due to poor quality and quantity. Local guiding services are also shown to be a specialised task involving only a small number of people (one or two people per village). According to feedback received from tour operators, these are the main areas that need improvement.

The future for rural tourism initiatives in Bhutan

ABTO's involvement was the perfect bridge between the public and private sector, between tour operators, tourists, and governmental departments and the donor agency. ABTO ensured that it was demand-driven and made product marketing relatively straightforward. It created awareness among tour operators of the strict regulations which govern visits to the park and the higher price they had to pay for trekking inside JSWNP. Based on tour operators' recommendations, ABTO also mobilised extra resources to improve products and services in the first years of operations. The importance of involving the private sector in identifying, developing and the marketing of new products in the context of Bhutan has been shown in this pilot.

The approach for developing nature based attractions -while learning from the pilot - is a tourism initiative in which local people are active participants as land managers/users, conservators, decision-makers, entrepreneurs and employees. This could be through a community co-operative running a campsite or joint-ventures between private sector entities and local people, with funding redirected into priority community development and conservation of local culture and natural resources. The aim is for residents to have a say in decisions over tourism development in their area and work with private sector stakeholders to develop opportunities for employment, enterprise and skill development. Planning is done jointly, with support of local administrators. Entrepreneurial activities are encouraged to be taken up by local individuals in close collaboration and preferably in partnership with national tourism stakeholders.

Discussions are currently ongoing as to what extent TCB could facilitate rural tourism development through a soft loan facility for the private sector to set up projects that contribute to the sustainable development of the tourism industry in Bhutan. Proposals will be subject to key sustainability criteria, with an emphasis on conservation. The intention of the facility is to overcome barriers to development such as the existence of costs that cannot necessarily be internalised by the private sector such as

³ Campsite fees also provide a good source of revenue, but are directly paid into the Village Development Fund.

management of natural resources (maintenance of trails) or compensation for pollution (waste management).

The pilot project shows that communities can benefit from sustainable tourism development, but this benefits from being private sector led from the outset. PES mechanisms were implicitly included in the Nabji case, and might be more explicitly included in future product designs.

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