A rich endowment in natural and cultural heritage gives the Himalayan region a comparative advantage in nature-based mountain tourism. Small pockets of tourism such as the Everest and the Annapurna regions in Nepal have performed well and contributed to improving the livelihoods of many a mountain family. But despite tourism’s positive impacts in such areas, many poor and secluded groups have been unable to benefit.

In Sirubari, tourists interact with local people and immerse for a few days in the village’s way of life. Kamal Banskota
decided to distribute visitors across available guestrooms. Income leakages were minimised as tourist guestroom operators imported less and guestrooms and toilets, furniture, and handicraft shops used mostly local materials and sold local products.

Under the ‘village tourism model’ visitors in groups of between two and four live with their host families and spend two nights on average with their hosts. The village tourism product, as currently practiced, offers visitors an opportunity to experience the traditional culture of the Gurung people first hand. Visitors usually take their meals with their host family. Meals are typical Nepali style with a strong village character. Visitors travel around the village to see the lifestyle of the villagers and their culture and way of life. The following morning, the visitors usually travel to the Thumura Hills for sight-seeing. Evenings are programmed for cultural shows and dance. The next day, after breakfast, tourists begin their journey back to Pokhara.

**Economics of guestroom establishments**

A most interesting feature of village tourism is the economics of investment in guestrooms and toilets. Villagers themselves are the small investors. Members of TDM made investments to upgrade rooms in their homes and constructed toilets so they can host tourists. Some owners invested in two-room guestrooms that can accommodate four guests at a time; others in single room (two-guest) accommodation.

ICIMOD and partners conducted a survey of village tourism operation in Sirubari in late 1999. During the survey year, an average guestroom owner in Sirubari accommodated 12 tourists and received Rs 1,000 per tourist for two nights stay. Average income per guestroom was Rs 12,000, compared to average investment and annual operating cost per guestroom of Rs 50,299 and Rs 10,422, respectively. The upfront investment costs when amortised under alternative lending terms provide annual repayment cost to a guest room owner. For example, if the base investment cost (Rs 50,299) is financed at 18% annual interest rate over a five-year loan maturity period, the annual repayment to a guestroom owner is Rs 15,989. In other words, the guestroom owner would find difficulty in recovering investments. However, if a more favourable lending term of 10 years at 16% interest is applied, annual costs decrease to Rs 10,345 - barely sufficient to recover the investment.

Since the guestroom owner faces both an upfront fixed investment cost and annual operating costs, net income per guestroom owner is total annual tourism income minus annuity of fixed investment cost, amortised over different lending terms. Since the current level of income was not sufficient to meet the full cost (Rs. 10,422 + annual repayment Rs 15,989), alternative income determinant scenarios which play around change in price, increase in visitor numbers and duration of stay per guestroom were assessed. Given the tariff structure agreed upon by the TDMC and NVR for the guestroom, owners, to recover their costs, length of visitor day has to increase from the present two nights to four nights, and tariff rates must increase by 20%.

**Can the villagers afford to invest?**

A fundamental question important to address is whether the initial investment cost borne by an average guestroom owner in Sirubari (Rs 50,299) is within the reach of an average mountain household. If rural households willing to invest in and build guestrooms have access to institutional credit, it is essential to know the affordable size of annual loan repayment (annuity) rate that a rural borrower will be able to bear given the level of income in the area. A typical household in Nepal spent Rs 35,834 in 1996, based on the National Living Standards Survey (1996), out of which it is assumed the household will spend about one-third (Rs 10,750) on loan repayment. With this level of income, the affordable loan that can be amortised varies anywhere from Rs 33,617 (at an interest rate of 18% and loan maturity period of 5 years) to as high as Rs 51,958 (16% interest rate and loan maturity period of 10 years). What this exercise illustrates is that the present level of investment cost for making a

Village tourism creates markets for local products and services.
guestroom is within the reach of an average rural household if comfortable lending terms are offered.

**Summing up**

The village tourism model in Sirubari is a new and novel concept and experience. Even without prime tourism assets such as the snow-capped mountains found in the Annapurna area, Sirubari has been able to develop a new tourism product that relies entirely on what the villages have and what they do on a daily basis. They have been able to share tourism benefits with the occupational groups by involving them in the welcome and farewell ceremony for visitors. Sirubari as a village is, however, very different from the typical village one finds in Nepal. It has a strong social capital base because of its rich Gurung culture and strong sense of solidarity. As already indicated, many people in the village have joined the army and have sent back remittances. To build good houses and village infrastructure, the Gurung community had invested good money. Not many villages in Nepal have resources to invest in infrastructure or in rooms and toilet facilities. However, the analysis indicates that the initial investment cost for making guestrooms is within the reach of average rural households if credit facilities are available under comfortable lending terms.

The study results further indicate that if tourist numbers can be increased and if loans can be provided to villagers, village tourism can be a viable source of income. The size of the tourism market (visitor numbers and duration of stay) has to be fairly assured to establish economic links with the local production system to generate wider impacts. If numbers cannot be increased, tariff rates that match investments need to be designed.

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**Center for Environmental and Agricultural Policy Research, Extension and Development**

The Center for Environmental and Agricultural Policy Research, Extension and Development (CEAPRED), established in April 1990, is considered one of the pioneer non-government organisations in the area of rural poverty alleviation in Nepal.

The Center's activities are mostly in the areas of community development, off-season vegetable production, forest resource management, and other income generating activities for the socioeconomic empowerment of poor and rural households. Over the last 15 years, CEAPRED has implemented 53 different programmes and projects in 33 districts covering 307 VDCs and 10 municipalities. The Center has worked with over 70,000 households through 2,230 groups. Cash income earned by participating households through production and marketing of vegetables is Rs.2.1 billion. Income from the production and marketing of vegetable seeds is estimated at Rs.14.6 million. Similarly, income earned by participating households through livestock products is approximately Rs.1.4 million. CEAPRED has also facilitated the construction of 41 cooperative buildings and collection centres, 238 irrigation schemes, 142 drinking water schemes, 4738 improved toilets, 2405 improved cook stoves, 30 grinding mills or ghatta, and one school. In the area of institution building, the Center has facilitated the formation, formal registration, and operation of 20 multi-purpose cooperatives, 51 marketing cooperatives, and 18 savings and credit cooperatives, 2 district unions. CEAPRED also carries out occasional policy studies.

At present, CEAPRED is implementing 12 programmes and projects in 18 districts, mostly in the mid and far-western development region of the country. It has a total of 248 full-time staff of whom 24 are senior professionals. About 25% of the staff are women.

CEAPRED's head office building is located at Shanti Basti, Lalitpur. In addition to essential facilities, the Center also has a seed laboratory and a seed processing unit.

Income realised from vegetable cultivation has contributed to improving the living standards of villagers. The overall impact on food security after meeting domestic consumption needs has been uplifting.