

Tourism Policy Review and Institutions¹

Introduction

Over the years, the tourism industry has received a great deal of attention. There was a master plan for the development of this industry as far back as 1972. Many policies and rules and regulations were created to bring positive changes in this sector. New institutions in the public and private sectors have developed over the years. Given that the tourism industry is a multi-sectoral concern, its linkages with policies and institutions in the public and private sectors become important. The discussion below elaborates on these and other policy and institutional issues related to tourism.

Overview of Tourism Policy

Tourism became an important sector in the Nepalese economy in 1959 with the establishment of the Department of Tourism during the first Five-year Plan period. It was only in the Third Plan period, however, that an objective to increase the number of incoming tourists and foreign exchange earnings was stated. To meet these objectives, the policy's major focus was the establishment of hotels and extension of aviation facilities, in view of the 20,000 arrivals projected until the end of the Third Plan (1965-70).

The Fourth Plan period (1970-75) sought to enlarge the scope of tourism with trade as an important source of increasing national income and foreign exchange earnings. However, this initiative was not backed by adequate and clearly formulated policies. Also, no clear strategies were laid down to accomplish the objective.

The Nepal Tourism Master Plan (1972), formulated during the Fourth Plan period, put forward a comprehensive set of policies to promote tourism immediately and in the future. The subsequent periodic plans have been largely guided by the Master Plan and have focussed on major areas identified in the

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Master Plan. The Fifth Plan (1975-80) focussed on the preservation of historical, cultural, and natural attractions of the kingdom to promote tourism and sought to spread its growth in other potential areas, apart from the Kathmandu Valley, where tourism was mostly concentrated.

The Sixth Plan (1980-85) also drew heavily on the Master Plan recommendations. The main objective of the plan was to increase foreign currency reserve to improve the balance of payment situation by increasing the number of tourists and the duration of their stay. Emphasis was also given to encourage the establishment of import substitution industries in the tourism sector and to enhance employment generation through growth and expansion of tourism.

The Seventh Plan (1985-90) also emphasised retaining maximum foreign currency earnings from tourism to improve the balance of payment situation, creating more employment opportunities and diversifying tourism activities to potential areas with basic infrastructural facilities. It was during this plan period that the need to protect and conserve environmental, historical, religious, and cultural resources was first laid down. This plan also continued to place importance on the main objective of the Sixth Plan, namely, the promotion of import substitution industries.

The current Eighth Plan (1992-97) places emphasis on promotion of environmental, historical, and cultural assets through tourism promotion and on developing linkages between tourism and other sectors of the economy, among other things. To increase the number of visitors to Nepal, a liberal sky policy has been adopted. Diversification of adventure travel destinations within Nepal, spreading benefits of tourism to local communities, and involving non-government organisations (NGO) and local people in monitoring and managing adventure sites are other notable points of the eighth plan document.

Critical Review of Nepal's Tourism Master Plan (1972)

Since tourism policies to date have been mainly guided by the Tourism Master Plan, it is necessary to highlight some of the important features of this Plan. The Plan was the first serious attempt to lay out a comprehensive policy framework for the tourism sector. The Plan formulated programmes into two phases: Phase One (1972-1975) and Phase Two (1976-1980). Originally designed for implementation during a decade, it provided guidelines and objectives to the sector during its earlier formative stage. The plan proposed five different types of tourism in Nepal, namely:

- sight-seeing tourism,
- trekking tourism,
- 'Nepal style' tourism,
- recreational tourism, primarily from India, and
- international pilgrimage tourism.

The primary markets for these tourism products were thought to be Western Europe and the USA, with Japan, Australia, Scandinavia, etc, in the category of secondary markets.

Kathmandu was seen as the nerve centre of tourism activities. To increase the duration of tourist stay, sight-seeing tours east and west of the valley and the development of resort areas with appropriate recreational facilities were recommended. Places of high natural and cultural interest were envisaged for integration into 'westward' and 'eastward' sight-seeing tours. The destinations for the westward tours included the Gorkha, Pokhara, Tansen, Lumbini, and Chitwan circuits, with emphasis on the development of infrastructural and superstructural facilities, including resort activities. Similarly, the destinations for the eastward tour included a circular tour of Kathmandu, Namche Bazaar, Janakpur, and Chitwan. Due to the absence of a circular road network, tours by small aircraft were recommended.

Priority was placed on the development of pilgrimage centres at Lumbini, Muktinath, Barahachhetra, and Janakpur. Similarly, the development of national parks in Langtang, Khumbu, Annapurna, and Dhaulagiri was suggested for promotion of adventurous mountain tourism.

Resort area development, with the provision of basic infrastructure, was envisaged for various locations in Kathmandu, Pokhara, Tansen, Lumbini, Chitwan, Gorkha, etc. For remote, attractive places, such as the Khumbu, Langtang, and Annapurna regions, the development of mountain lodges was also emphasised. In addition, often remote places, such as Dailekh, Dhankuta, Ramechhap, Rara, and so on, were considered for resort development in the longer run. The Plan also recommended conservation and management of natural and environmental resources, including the protection of wildlife.

Emphasis was also placed on the preservation of monuments and the rich cultural tradition of Kathmandu Valley and the development of mountain view points on its periphery. The need for investment flows from the public and private sectors was envisaged: from the public sector for necessary in-

infrastructure and from the private sector for industries such as accommodation facilities. The government was supposed to play a leading role in decentralising tourism and opening up accommodation in places where the private sector would have difficulties.

On the institutional front, the Master Plan recommended the establishment of the Ministry of Tourism and Culture as an authoritative body for overall planning, promotion, and development of tourism. It was suggested that the functions distributed among the then existing organisations of the Department of Tourism, Department of Archeology, Department of Forestry, Department of Immigration, and Ministry of Foreign Affairs be brought under the proposed ministry. It was also suggested that ecological surveys and measures for the conservation and promotion of traditional music, dance, customs, and festivals be carried out.

The Master Plan provided the first comprehensive guidelines for policy and programmes in the tourism sector. Its emphasis on developing qualitative tourism and projecting Nepal as a destination on its own merits called for a sustained and concerted effort on the part of the government and the private sector. However, without adequate and proper planning, tourism took a haphazard course of development because of the failure to foster a strong partnership between the public and private sectors. As noted by the 1984 Master Plan Review, the main impediment to the plan's implementation was due to the fact that "*the government at large [sic] failed to share its responsibilities in directing and promoting tourism in a planned manner.*" Infrastructural facilities to diversify tourism to important market segments, as noted earlier, were not laid properly to meet the needs of the time. The private sector invested in all the places with tourism potential, and markets began to develop in accordance with the dictates of the buyers. This demand-induced development resulted in an uncontrolled development and proliferation of low-cost and low-quality establishments. While Kathmandu became increasingly crowded, the other sight-seeing places, e.g., Pokhara, Tansen, Gorkha, Lumbini, and so on, were neglected. In mountain tourism also, Annapurna, Khumbu, and Langtang became over-exposed, causing increasing pressure on their scarce natural resources. Other regions with comparable attractions were not developed because of the failure of the government to open, regulate, and control tourism. International pilgrimage tourism is still in an incipient stage of development despite the presence of world-renowned heritage sites like Lumbini and Janakpur. Wildlife tourism has been limited to Chitwan basically, although, after many years, it has begun to extend to the reserves in Bardiya and Shuklaphanta.

The Master Plan recommended the development of supply-guided 'Nepal-style tourism' to give Nepal an independent and unique destination status. It emphasised providing a mixed recipe of comfortable, natural, and cultural sight-seeing along with a variety of 'soft' or 'hard' adventure products, as per the physical stamina and time disposition of the traveller. But the infrastructural back-up and imaginative/innovative endeavour needed to create alluring supply-guided tourism are seriously lacking. All adventure market segments, including wildlife, trekking, and rafting, were started by expatriates and blindly emulated by Nepalese entrepreneurs. Although the Master Plan emphasised supply-guided tourism development, the tourism development that has taken place in Nepal has so far been essentially demand-induced development.

The Ministry of Tourism, established in 1977 according to the recommendation of the Master Plan, has not become an effective central government body to look after the vital issues and challenges in the field of tourism. Rather than focussing on policy, planning, and coordination, it has implemented simple plans and programmes that fit under the jurisdiction of the Department of Tourism. It has only added to the bureaucracy but not provided the effectiveness and efficiency envisaged in the plan. In view of this, the 1984 review recommended two other institutions to address the highest policy-level need for coordination as well as for autonomy and flexibility at the implementation level. However, such institutions were set up only in 1992 in the form of a Tourism Council and a Tourism Development Board, and they are yet to begin functioning.

It seems that most of the recommendations contained in the 1972 Master Plan have yet to materialise conceptually and functionally. The government has to play a pivotal role in the decentralisation of tourism, regulating and monitoring the qualities of products, and marketing the destinations internationally, whereas the private sector has to create a mix of products unique to Nepal more imaginatively. In fact, when the Asian Development Bank was approached by HMG in 1990 for cooperation in tourism, it was not asked to prepare another Master Plan, as stipulated in the 6th Five-year Plan, but to formulate concrete action plans to achieve the goals.

The Nepal Tourism Development Programme

The Nepal Tourism Development Programme (NTDP), prepared in four volumes by Touche Ross management consultants on behalf of the Asian Development Bank, has recommended the overall development of this sector. It has reviewed

existing plans and policies and suggested timely modifications for the sustainable use of tourism resources. It provides action plans for tourism development and recommends the strengthening of institutional capacities.

The study has meticulously reviewed past studies, including the 1972 Master Plan and its 1984 review. It has also analysed market trends, market segments, and the functions and capabilities of tourism institutions and associations in the public and private sectors. It has assessed the environmental issues related to tourism and suggested key strategies to strengthen institutional capabilities, international marketing, and education and awareness in the tourism sector. The major output of the study is a set of action plans recommended for the growth and promotion of the tourism sector in the short and long run. The action plans are expected to:

- release bottlenecks in Nepal's tourism industry,
- increase tourist expenditure, and
- establish Nepal as a premium tourist product.

The action plan covers over 50 projects that can broadly be categorised into the following:

- infrastructure,
- tourist attractions,
- accommodation,
- technical assistance, and
- economic linkage.

Depending upon the nature of the project and the locality of implementation, the action plans can be implemented by either the government, the private sector (including foreign investors), or NGOs.

The immediate output of the ADB study has been a US\$ 10.4 million, ADB-funded Tourism Infrastructural Development Project which seeks to upgrade some of the existing tourism infrastructure in Pokhara, Kathmandu, and Gorkha, with a view to enhancing the quality of tourist products available in these destinations. This five-year project, being carried out under the Department of Tourism, aims to upgrade the Pokhara airport and the Pokhara-Sarangkot access road and to carry out the environmental improvement of the Pokhara

and Gorkha conservation areas, specifically in the vicinity of Ram Krishna Ganesh Tole and the lower area in Gorkha. The development of a small Phewa lakeside footpath and garden is another activity being undertaken under the project. Two tourist service centres, one each in Kathmandu and Pokhara, will be constructed, and the physical facilities at the Hotel Management and Tourism Training Centre (HMTTC) will be upgraded.

One interesting aspect of this project is the development of a model ecotourism circuit on the Pokhara-Ghalegoan-Siklis trekking route. The ecotourism project seeks to improve trails, provide alternative sources of energy such as mini-hydro and kerosene, conserve and preserve cultural and natural resources, and to pave the way for local communities to benefit from tourism. Community-managed lodges and camp sites and handicraft promotion will be focussed upon as direct income-generating activities for local people, whereas broader linkages among resource bases and tourism will be a longer-term goal.

Mountain Tourism Policy

One of the key points of every tourism policy adopted in the periodic (5 year) Plans is the diversification of tourism to all potential tourist sites in a phase-wise manner. But there has been no commitment to priority setting in a time-frame. There is no tourism development area declared as yet in the mountain regions, or, for that matter, even in the Kathmandu Valley. When basic infrastructure, such as roads, drinking water, communication systems, etc, reach areas rich in potential for nature tourism or man-made heritage, tourists start visiting such areas, and the private sector provides services and facilities to cater to tourist needs (i.e., demand driven). This is basically the way sight-seeing tourism has been diversified to Pokhara, Tansen, and Lumbini. On the mountain tourism front, subsequent policies have emphasised the promotion of trekking and mountaineering activities and the diversification of these products to remote areas of the country. Mountain areas closer to Kathmandu and Pokhara, apart from the Manaslu region, have seen an impressive growth in trekking, mountaineering, and rafting activities over the years. Various trekking trails and side trails have been developed, modest services and facilities have been created by the local people, and camping grounds have been set up for group tourists, both through government and local efforts. The Rara and Jumla areas have been open for a long time, but the Kanchenjunga area was only opened up five years ago to group tourists. These areas are visited by fewer numbers of tourists because access to these places is not easy, and they are far from the main tourist hubs of Kathmandu and Pokhara.

Mountaineering regulations are often changed without any survey/research or consultations with specialists. One new regulation stipulates that only one team will be allowed on each route per peak every season, but the routes were arbitrarily designed on the basis of past attempts by foreign teams. There are many cases of breaking the 'one route one team' rule by the concerned ministry. Even after the steep hike in royalties (Chapter 3), monetary deposits for garbage management is an unnecessary hassle for the mountaineering teams. If provisions like the garbage deposit are necessary, what is the role of a liaison officer? it is asked. The involvement of the local community in garbage management was recently started in the Khumbu area. The garbage regulation in Khumbu is a half-hearted measure, since there is no such rule for trekkers who far outnumber the mountaineers. Visitor education and awareness at the local level with regard to litter and pollution are poor and unorganised. Certain discerning agencies and individuals observe environmentally friendly practices on their own volition, but for others who defy rules or who are careless about environmental pollution, there are no mechanisms for monitoring. The Sagarmatha Pollution Control Project in Khumbu and the Annapurna Conservation Area Project in the Annapurna area are making headway with environmental causes. They need to be further strengthened and such institutions need to be created in other areas where garbage management is still lacking.

In newly-opened trekking areas that are sensitive natural and cultural environments, quotas fixed for maximum permissible trekkers per season are not based on empirical study. An increase in quota is often made when the demand increases and pressure is exerted by adventure outfitters in Kathmandu. The opening of new destinations or routes for adventure is never declined on the basis of a careful survey, nor are mid-term surveys conducted to assess the impacts. Studies to assess the actual carrying capacity of each adventure tourism area have not been undertaken yet; because of this, many traditional places have deteriorated in quality.

Even in the traditional mountaineering and trekking areas, there is a shortage of alternative fuel sources such as mini-hydro, solar panels, and kerosene. Consequently, the consumption of scarce fuelwood for cooking, heating, and boiling water is rampant. If part of the revenue earned from these areas was ploughed back for development and conservation such problems would not arise. The indigenous culture of the local people, a major reason for the tourists' attraction to the mountains, is also declining due to a lack of awareness among the people, who appear to be opting to emulate Western ways.

Major Rules and Regulations Pertaining to Tourism

Tourism Act, 2035 B.S.

The regulation and control of tourism industries and activities, particularly mountaineering, is broadly guided by the Tourism Act of 2035 B.S. under which various regulations pertaining to various sub-sectors are in effect.

The Tourism Act consists of six chapters, of which the first is devoted to a description of various terminologies used in the Act. The second chapter, concerned with travel and trekking agencies, clearly stipulates that a licence is necessary to open a travel or trekking agency. Unlicensed activities are liable to punishment, which includes the closure of operations and a fine. The Act makes it mandatory for legitimate agencies to conduct business in convertible foreign currency only through the Nepal Rastra Bank. The Department of Tourism is given the authority to suspend or punish agencies failing to abide by the provisions of the Act.

Rules Pertaining to Hotels and Lodges

The hotel, lodge, restaurant, and bar section of the Act stipulates the categories of such establishments. Only hotels, lodges, restaurants, and bars registered with the Department of Tourism (DOT) can use standard symbols, letters, or any other symbols designed by the DOT and can strike agreements with foreign agents in connection with providing their services and facilities to tourists. These industries need to inform the DOT about the charges they levy on their services and facilities to tourists. Unregistered industries under this heading are not entitled to publicity as tourist standard establishments. Failure to abide by the regulations is subject to warning, suspension for a stipulated time, or a fine as specified in the regulations.

Mountaineering Rules

Under the rules, climbing permits are mandatory for all mountaineering teams attempting to scale any of the Himalayan peaks available for the purpose, against the payment of a specified royalty. Rules are laid out for reporting the progress of the expedition through a government-deputed liaison officer and for the hiring of mountaineering support staff, including *sirdar*, high altitude porters, cooks, and base-camp staff. For the safety and well-being of the Nepalese staff attached to a mountaineering expedition, there are provisions for personal health checks and insurance against accidents. Similarly, there is a

provision for emergency rescue arrangements through a representative agency in Kathmandu. The duties and responsibilities of the team leader, liaison officer, and *sirdar* are specified. There is a strict provision for keeping the environment clean during the course of the expedition. The news of the expedition's progress should be reported first to the Ministry of Tourism. In recognition of mountaineering as a distinct adventure activity, all climbing members and staff working at base-camp or above are required to carry certificates from their respective alpine clubs. The Ministry can authorise Nepal Mountaineering Association to issue climbing permits for a fixed number of peaks. No expedition team can change the climbing route without written approval from the Ministry of Tourism. Damage to the environment and its pollution are liable to punishment. Similarly, climbing attempts without a permit and any action or behaviour in defiance of the regulation are punishable.

Provision of Tour Guides

Persons wishing to work as tour guides should obtain a licence from the Department of Tourism. The licence should be periodically renewed and its holder is expected to adhere to the code of conduct stipulated in the regulation. Any action or behaviour defying this regulation is punishable by fine.

Miscellaneous Headings

This section is concerned with the control of tourists' purchase of merchandise, need to periodically report by travel/trekking and hotel industries to the Department of Tourism, restriction on authorisation to other persons or companies to work on behalf of a licence-holding company, etc. The need for regular information in case of changes is also stipulated. There is a provision regarding the delegation of authority to use duties and responsibilities stipulated in the act.

Regulations Under the Tourism Act

There are three major regulations pertaining to details of particular aspects of the Tourism Act, 2035 B.S.

- (1) Travel and Trekking Agents' Regulation, 2037 B.S.
- (2) Regulation pertaining to hotels, lodges, restaurants, bars, and tourist guides, 2038 B.S.
- (3) Mountaineering Expedition Regulation (with amendment), 2036 B.S.

The Travel and Trekking Agents' Regulation makes three key stipulations:

- i) a specified number of technically-sound personnel to be hired by every company seeking to run a travel/trekking agency;
- ii) a bank guarantee of a specified amount is to be deposited with the Department of Tourism; and
- iii) a pledge to earn annually a stipulated amount of foreign currency (US \$ 30,000 for trekking and US \$ 15,000 for travel agencies) and to report periodically to the Department in the given format is required.

Under the regulations concerning hotels, etc, there is a provision for hotel classification from One-to Five-star plus tourist standard on the basis of available rooms, services, and facilities. Only those hotels or restaurants registered with the Department of Industry on the recommendation of the Department of Tourism are entitled to obtain a standard classification licence against the payment of specified fees.

The mountaineering regulation include elaborate details on applying for a climbing permit and on providing a route map and royalty fee. It stipulates the terms and conditions to be fulfilled by a mountaineering team and facilities that HMG can provide for it. It specifies wages and gear to be provided to the Nepalese staff members attached to the team, and the details, duties, and responsibilities of all the persons in the team. It also contains details about the environmental codes to be observed by the team as well as about the periodic reporting to the Ministry that is to be carried out by the liaison officer.

The rules and regulations pertaining to mountaineering are elaborate, and all the activities under it are controlled by the Ministry of Tourism and Civil Aviation. A liaison officer is deputed with each mountaineering team to control unauthorised activities, and he reports to the Ministry during the course of the expedition.

The rules and regulations pertaining to trekking are much weaker. Trekking agencies bear the responsibility, if anything, in the place of rules and regulations for group tourism. In areas where FITs are allowed, there is no provision for or practice of making local people responsible or responsive with regard to resource conservation - both natural and cultural.

Though not incorporated clearly in policy, the practice of area classification for trekking has been in vogue since the early 90s. Traditional trekking areas

include the Annapurna and Khumbu, or the Sagarmatha, region; Langtang, Rara, etc, are both for groups and FITs. Ecologically-sensitive remote mountain areas, with an ancient culture, included in which are Manaslu, upper Dolpa, and upper Mustang, are open for trekking on a controlled basis. The annual quota of visitors to these areas is fixed, and a liaison officer accompanies tourist groups that visit such areas. The fee for these areas is higher - substantially higher in the case of upper Dolpa and Mustang (US\$ 70 for the first 10 days and US \$10 per day per person thereafter).

A system of ploughing back has been announced for these areas. Upper Mustang has already been receiving part of the revenue proceeds annually for its development and conservation. The Sagarmatha Pollution Control Project is also receiving part of the revenue for the garbage management and environmental improvement programme it launched. Until now, WWF has supported the project. Once it pulls out, the possibility of sustaining the project with local resources has to be explored

Tourism Institutions

Some of the key public and private institutions directly or indirectly involved in tourism are discussed in this section.

Public Sector Institutions

Ministry of Tourism and Civil Aviation

Functionally, the Ministry of Tourism and Civil Aviation (MTCA) is the apex body in the country's tourism administration. It was created in 1977, following the recommendation of the Master Plan to create an organ of government which would be "*responsible for key activities related to tourism including comprehensive development planning and analysis, implementation and execution, and promotion.*" In view of the authoritative government structure of the time, a National Tourism Organisation of this kind was recommended over a corporation-like body.

Ideally, the Ministry's role is to formulate policy and planning on the one hand while maintaining inter-ministerial coordination in the planning and implementation of projects on the other. In actual practice, the duties and

responsibilities of the Department of Tourism and the Ministry are often duplicated, with a vague demarcation of actual responsibilities. The affairs of the World Tourism Organisation (WTO) are looked after by the Ministry, while the Department looks after the affairs of the Pacific Asia Travel Association (PATA). The new organisation chart has shifted the executive function of mountaineering to the Department of Tourism, but, in fact, it is still being handled by the Ministry of Tourism. International promotion activities are being executed in a similar manner by both Ministry and Department. Planning, monitoring, and evaluation in the Ministry are only a ritual with the Ministry only formalising documents prepared by the Department. The Ministry is busy with simple day-to-day administrative procedures, fulfilling the formalities of the Tourism and Civil Aviation Departments, RNAC, and HMTTC as a parent organisation. The absence of delegation of authority and decentralisation of responsibilities creates confusion and delays when problems or opportunities arise.

Frequent rotation of employees in various sections, as shown in the organisation chart, and the transfer of old, experienced staff members to other ministries and departments, result in low morale and a lack of confidence on the part of the employees in their assigned jobs. The leadership is too frequently changed and the direction and vision capability at this level never mature.

The training needs of the employees are never assessed and there is no practice of retaining employees who have undergone relevant training or obtained academic degrees under scholarships provided by various bilateral and multilateral agencies. There is no indication of enhanced working performance by employees in the organisational setting. The development budget allotted for the tourism sector, including the Department of the Ministry, is quite low. For the fiscal year 1993/94, the combined total budget was Rs 121.738 million. For the Civil Aviation Department under the Ministry, it was Rs 625.898 million.

In a multi-disciplinary sector like tourism, inter-linkages with different public sector line agencies for infrastructural build-up and with the private sector for services and facilities to be provided to tourists are essential. However, this aspect is very poorly maintained and the coordination initiatives start only when the situation reaches crisis proportions, e.g., the pollution in the Khumbu region. The Ministry has not been able to become a policy and planning organ for the tourism sector but has rather dwindled into an additional bureaucratic tier in a simple decision-making process.

Department of Tourism

The Department of Tourism is an older institution than the Ministry, as it was established in the early sixties, but it does not even have its own building. Most of the staff problems pertinent to the Ministry apply equally to the Department also. The main function of the Department is to execute the tourism plans and programmes and to regulate and control the tourism industry. The tourism sector's action plans consist of simple activities such as providing minor infrastructural facilities to resort areas or improving the conditions of some tourist areas.

Until the launch of the Tourism Infrastructure Development Project (TIDP) in the fiscal year 1992/93, with a loan of US\$ 10.4 million from ADB, no such ambitious infrastructure-related project was ever undertaken by the Department of Tourism. Mostly, the Department carries out the regulatory task of licensing travel and trekking agencies, hotels, resorts, and tourist and trekking guides and facilitates the industries established under the Tourism Act, 2035 B.S. Its role in destination promotion is limited to participation in some of the international travel trade fairs jointly conducted with the Royal Nepal Airlines' Corporation and some other private sector industries. Apart from licensing, facilitation, supervision, and control of industries, it has no other serious function in influencing or motivating the private sector. The job of issuing trekking permits is entrusted to the Department of Immigration and the execution of mountaineering activities is still undertaken by the Ministry of Tourism.

The Department is basically a recommendation body for the facilitation of the tourism industry. It does not have the authority even to register tourism organisations - the Department of Industry does that on the Department's recommendation. Following delicensing of several categories of industries, including most of the travel trade, the Department's new role has not been worked out. Many of the problems, such as pollution and shortage of infrastructural facilities, are vital issues for tourism, but the Department seems to have no say on these issues. The relationships with the concerned government departments and the private sector are not guided by vision and persuasion. The responses from the Department are often a result of compulsion from pressures created from the sector.

Department of Civil Aviation

The Department of Civil Aviation (DCA), established under the Ministry of Works and Transport in 1965, was brought under the Ministry of Tourism in

1982, primarily in consideration of the civil aviation's paramount importance in the growth and spread of tourism to district locations in and outside the country. The department implements all projects and programmes related to civil aviation development, including airport construction and improvement and air transport communication and control, and it maintains relations with international agencies like IATA. It currently administers Tribhuvan International Airport and 42 other domestic airports throughout the country. There is a proposal to convert it into the Civil Aviation Authority, with more autonomy and freedom from bureaucratic red tape.

Department of National Parks and Wildlife Conservation

The Department of National Parks and Wildlife Conservation (DNPWC) administers Nepal's national parks and preserves, which constitute around 13.9 per cent of the total land area. Established under the Ministry of Forests and Soil Conservation in 2037 B.S., this department administers eight national parks, five wildlife preserves, and two conservation areas. With wildlife safari adventures becoming increasingly popular in various geographic locations, especially in the *terai*, the DNPWC's role as an organisation to protect wildlife and manage and administer park regulations is clear cut. Its connections with tourism are vital since the economic use of the protected areas is possible only through tourism. The coordination of this department with the Tourism Ministry or Department does not appear to be effective.

Department of Customs and Tax

These departments provide duty concessions and tax holidays or rebates to travel and tourism industries on the recommendation of the Department of Tourism. Hence, their role in motivating the growth and spread of tourism industries is noteworthy. Hotels and resorts can import various equipment at five per cent customs' duty during their construction phase and during expansion of facilities. Travel and trekking agencies are also entitled to similar duty concessions on selected items such as computers, faxes, telephone systems, etc. From the fiscal year 1993/94, hotels and travel agencies have been able to import a certain number of tourist buses at a 50 per cent duty concession.

National Planning Commission

The National Planning Commission (NPC), under the chairmanship of the Prime Minister, is the apex body for central government planning, monitoring, and evaluation. Annual plans and programmes to be launched through all line

agencies of the government have to be approved by the NPC. Different members look after sectoral policies, plans, and programmes, and the tourism sector is intertwined with the industrial sector. Policy adjustments and plans and programmes that integrate the tourism sector to other development sectors are coordinated by the NPC and hence can play a key role in the growth and diversification of tourism.

Other Agencies

Among other agencies, the Ministry of Forest and Soil Conservation works towards conserving the forest resources and biodiversity of Nepal to enhance the appeal of the landscape to tourists. The Department of Archeology, under the Ministry of Education and Culture, administers the man-made heritage sites and maintains and manages such sites for tourism. The Royal Nepal Airlines is the national flag carrier and was established in 1958 and brought under the Ministry of Tourism and Civil Aviation in 1982. It flies to European, South Asian, ASEAN, and East Asian destinations; these include London, Paris, Delhi, Bombay, Calcutta, Dhaka, Karachi, Bangkok, Singapore, Hong Kong, and Osaka. About 58 per cent of incoming tourists take a Royal Nepal flight from one of these places. RNAC also flies to all internal destinations, facilitating the movement of tourists within Nepal. The limited fleet and seating capacity of RNAC used to discourage tourists wishing to visit various destinations in the kingdom in the past, but this constraint has been alleviated by three private domestic airlines and three helicopter services providing services.

The Nepal Rastra Bank plays a substantial role in supervising, monitoring, and controlling foreign currency earning sectors. The bank exercises its influence in the field of foreign exchange permits and transactions and adjusts regulations pertaining to foreign exchange, according to changing needs. The travel industries now have the full authority to open foreign currency accounts without surrendering the exchange to the bank. However, for the use of foreign currency from the accounts, the bank has to be informed and control is maintained through a simplified procedure.

Nepal Industrial Development Corporation (NIDC) is a semi-public sector agency charged with promoting the industrial development of Nepal by means of loans, loan guarantees, and shares. NIDC has been extending loans to tourism industries, especially capital-intensive hotel projects in the tourist areas of Nepal. While considering loan projects in the tourism sector, NIDC entertains only those industries that have been registered on the recommendation of the Department of Tourism.

Private Sector

The tourism private sector is organised at various professional levels for forging common interests and undertaking collective bargaining with the public sector.

Nepal Association of Travel Agents

Established in 1966 with the objective of helping the development of tourism and the travel profession; protecting the lawful rights of its members; ensuring a professional code of conduct; and promoting cooperation among travel agents, the Nepal Association of Travel Agents (NATA) is composed of 110 active and 17 associate, allied, and non-resident members. It organises seminars and conferences for the growth and promotion of tourism from time to time and suggests policy changes and adjustments to the concerned public sectors.

Hotel Association Nepal

The Hotel Association of Nepal (HAN) was also established in 1966 with the objective of promoting the hotel industry and protecting the lawful rights of its members. HAN embraces only those hotels registered with the Department of Tourism as its members.

Trekking Agents' Association of Nepal

The Trekking Agents' Association of Nepal (TAAN) was established with the objective of promoting mountain tourism, primarily trekking and mountaineering, in Nepal. The conservation of the mountain environment and the promotion of the welfare of the people living in the mountain regions are among TAAN's objectives. TAAN cooperates with the Ministry of Tourism and Civil Aviation in formulating new policies regarding mountain tourism; with the Hotel Management and Tourism Training Centre (HMTTC) providing basic and medium level manpower training for the trekking industry; and with other NGOs in imparting conservation-oriented knowledge to the field staff of trekking agencies. Occasionally, TAAN also takes part in clean-up campaigns of important mountain trails.

Nepal Mountaineering Association and Himalayan Rescue Association

The Nepal Mountaineering Association (NMA) and Himalayan Rescue Association (HRA) were established in the early seventies. NMA is dedicated to

the cause of mountain tourism, especially mountaineering. It recognises mountaineers and high altitude expedition workers by issuing recognition letters; maintains worldwide contact with alpine associations; and takes part in events related to mountaineering. Lobbying for policy changes or adjustments in mountain tourism and the execution of some high mountain environment cleaning campaigns are some other responsibilities undertaken by NMA. It organises basic and advanced level mountaineering courses at its Manang-based Mountaineering School, besides providing climbing permits for 18 selected trekking peaks, mostly in the Khumbu and Annapurna area. The main objective of the HRA is to reduce casualties in mountain tourism, especially in mountaineering and high altitude trekking. It operates two high altitude clinics at Pheriche and Manang on the most popular trekking trails of Khumbu and Annapurna.

Nepal Association of Rafting Agents

Nepal Association of Rafting Agents (NARA) was established in 1988 with the objective of protecting, developing, and promoting environmentally-conscious river rafting as a major component of the country's tourism industry. There are 58 rafting agencies in its membership. It organises river guide training in association with the HMTTC and an annual rafting picnic to popularise river rafting.

Tourist Guide Association of Nepal

Established in 1989 with the objective of promoting quality tourism experiences for tourists and contributing indirectly to the preservation and upkeep of heritage sites, this association has a membership of 275 from among the licensed guides. It works to spread awareness in the field of tourism.

Restaurant and Bar Association of Nepal

Set up with the objective of upgrading the restaurant and bar business to international standards in 1991, the Restaurant and Bar Association has 67 active members now. It emphasises the need for trained personnel in the restaurant and bar business and collaborates with the HMTTC to organise training for the staff of member establishments.

Tara Gaon Development Board

This was established with the objective of promoting Nepalese culture and traditions for tourism. It is, however, in the process of privatisation because the

private sector is suited to undertaking commercial ventures of the kind promoted by Tara Gaon.

Most of the private sector associations mentioned lack a code of conduct that binds their members in good faith and professional discipline. Even having celebrated their silver jubilees, HAN and NATA seem to be loosely organised in their own capacities. Like the public sector organisations, they lack real initiative except in persuading the concerned government agencies to sanction key areas of their own interest. Tourism in Nepal has been the domain of the private sector with the public sector supporting and facilitating it in the background. A strong partnership between the two sectors and a willingness to work together for quality tourism are necessary.

Grass Roots' Agencies in Mountain Tourism

All the above agencies, public or private, operate at the central level. Until now, no effective institutional mechanism has been forged to look after mountain tourism. Under the outreach training programme of the HMTTC, supported by UNDP/ILO, basic lodge-owners' training has been organised in various locations of the Annapurna and Khumbu since 1987. But this programme is sporadic and has not taken on any institutionalised form to raise the capability of the mountain private sector.

Following the establishment of the Annapurna Conservation Area Project (ACAP) under the King Mahendra Trust for Nature Conservation (KMTNC) in 1987, tourism in and around the Annapurna Sanctuary area has received attention from income-generating activities. People's participation was sought for the conservation of forest resources, fuel-efficient stoves were popularised, and technical and financial support for the development of mini-hydros has been made available for this area. The ACAP also periodically organises lodge owners' training in cooperation with the HMTTC at various places on the Annapurna-Jomsom-Manang trail.

A somewhat similar approach was taken in the Khumbu when the Sagarmatha Pollution Control Project was set up in 1991 with the support of the World Wildlife Fund (WWF). The project mobilised local participation for control and management of litter in the Khumbu and aroused considerable interest on the part of government also. HMG made available a grant of Rs two million for the project in the 1993/94 fiscal year.

The responsibility for conservation and development in newly-opened Mustang has been vested in the ACAP by the Ministry of Tourism and Civil Aviation. A sum of approximately Rs seven million was made available to the ACAP in the fiscal year 1993/94 for the upper Mustang Project.

Apart from these agencies, there are no agencies looking after tourism in mountain areas. From the fiscal year 1992/93 onwards, HMG announced a policy of ploughing back part of the revenue from tourism operations into selected areas for the development and conservation of these areas. The more conscious areas of Khumbu and Annapurna, supported by NGOs and INGOs, have been able to get their share, but other tourist areas, such as Manaslu and Kanchenjunga, have received nothing due to the lack of a management unit. So, a proper management unit (NGOs or INGOs) to disseminate the relevant awareness to local communities is essential for other mountain areas visited by tourists.

Policy Coordination between Tourism and Other Sectors

In a multi-disciplinary service industry such as tourism, policies and subsequent activities by other agencies have a discernible bearing. Travel and tourism industries use simple agricultural products at one end of the scale to the latest high-tech machines and equipment at the other. Because this sector has a broad spectrum of linkage activities, policy-level coordination of related sectors is necessary for its progress and smooth functioning.

The major agencies with which the travel and tourism sector is distinctly related in its day-to-day activities are the:

- Department of Industry (DOI),
- Department of National Parks and Wildlife Conservation (DNPWC),
- Department of Immigration (DIM), and
- Department of Archeology (DOA).

All travel and tourism industries are required to come into contact with both the DOT and DOI for licensing purposes. In the case of travel and trekking agencies, licenses are issued by the DOT only after the firm is registered with the DOI on its own prior recommendation. The reason for this duplication is not clear. It has certainly created a situation of shifting responsibility between the

two agencies and unnecessary hassle among the firms. If tourism is a distinct industry and a fully-fledged ministry is there to look after it, why are the functions of registration or licensing and monitoring and facilitation not under the same umbrella? In other words, it is essential to establish a one-window system for the tourism sector.

The DNPWC manages and administers eight national parks, five wildlife reserves, and two conservation areas, which cover 14 per cent of the total land area of the country. Tourism in these areas has provided revenue and increased motivation for the cause of conservation. Tourism should, of course, be a by-product of a conservation effort directed to these areas. In view of the increasing number of tourists visiting various protected areas each year, coordination between these two important institutions until now has been ritualistic - the two ministries/departments come in contact with one another only when a private party approaches them in connection with tourism operations in the protected areas. While setting operational tourism policy guidelines in national parks, or fixing the entrance and various other fees for visitors, the views and opinions of the Ministry of Tourism are not known to be sought. In the same way, there is no system of feedback on the impact of tourism in these protected areas.

Tourism operations in mountain areas are controlled through trekking permits issued by the Department of Immigration (DIM). Likewise, the opening of new areas for trekking activities in the mountain areas falls under the Ministry of Home Affairs. The practice of controlling tourist numbers has therefore relied on the simple administrative procedures of the trekking permits, and thus has not helped reduce pressure on fragile areas. In the traditional trekking areas, such as Sagarmatha, Annapurna, and Langtang, the number of trekkers per season is not fixed even though these places have constraints in terms of infrastructure, services, and facilities. There does not seem to be a basis for fixing the numbers either. When mountain areas became degraded because of uncontrolled development, complaints are lodged with the Ministry or Department of Tourism but a system of feedback among the concerned institutions virtually does not exist.

Some rapport between tourism and immigration agencies is seen in the opening and operation of newer areas, including upper Mustang, upper Dolpa, and Manaslu, where the annual or seasonal visitor quota and a variable trekking fee policy rate are stipulated in consultation with the Ministry of Tourism. However, the opening of these ecologically-sensitive areas was not carried out

after consultation between concerned government agencies but was carried out abruptly without any field studies.

A system of central fee collection at the immigration counter has not yet been introduced, and visitors have to pay a park entrance fee to the DNWPC. In fact, the revenue collected by both institutions goes to the central treasury.

The Ministry of Tourism, related ministries, and other agencies have not developed a systematic approach of information sharing and feedback in the entire tourism sector. There is no limit to the numbers or the numbers are fixed arbitrarily in Kathmandu.

New Directions

His Majesty's Government has recently revised tourism policy in order to make this industry more modern and vibrant. Although there is little that can be said until the policy document is translated into action, a brief summary of the new policies is provided here.

Nepal has virtually an unlimited potential in adventure tourism (if managed properly). From the plains to the tip of Mount Everest, adventure tourism could be operated in several interesting ways. In light of this greater potential, the tourism policy stresses

- i) diversifying land, air, and water-based adventure products in various areas;
- ii) diversifying wildlife tourism for experiencing the biodiversity available in the kingdom; and
- iii) opening new peaks for mountaineering and new areas for trekking and expanding cross-border adventure activities between Nepal and neighbouring countries.

Environmental issues are bound to become significant with environmental impact assessment (EIA) almost being mandatory for tourism-related projects in any new area. Community participation for sustainable tourism has been emphasised, and the concept of "ecotourism" has received importance. There are plans to lease out public land to develop environment-friendly resorts.

Development of tourism-related infrastructure will no longer be the domain of the public sector alone. Those in the private sector willing to invest and benefit from such investments will be encouraged. Communities in tourist areas will be encouraged to design and observe local environmental codes of conduct, in lieu of international conventions and national guidelines, codes, and so on, and thus be empowered to forge their own destinies.

The DNPWC manages and administers eight national parks, five wildlife reserves, and 11 national monuments. Under the new policy, research and development have received greater attention than in the past. An ecotourism unit will be set up to promote this important concept and to examine the carrying capacity of various heritage sites, both natural and man-made. Unlike in the past, emphasis has been given to research studies that establish better linkages between tourism and other sectors of the economy, especially agriculture, cottage industries, and import-substituting industries.

The new policy has classified trekking areas according to their level of development, namely, a) ordinary trekking areas with good trails, basic services, and facilities (general trekking areas); b) areas with no basic services, facilities, and not very clearly identifiable trails where tourists can only go with an agency (guided trekking areas); and c) ecologically very sensitive remote mountain areas where trekkers can go with an agency and a government-deputed liaison officer (controlled trekking areas). In order to enhance the quality of village tourism, provisions will be made to strengthen the mobile training unit of the HMTTC. The need for regular public sector investment in conservation and development will be stressed.

The Tourism Council, headed by the Prime Minister and represented by other ministers related directly or indirectly to tourism, apart from adequate representation from the private sector, has already been set up. It will coordinate the interests of the tourism sector at the highest policy level and provide timely guidelines and directives to the ministry concerned. The creation of an autonomous Tourism Development Board under it, for implementation of the tourism sector policies and programmes, is also a timely step to address the dynamic needs of this most potential sector. The development of tourism along an 'endemic tourism' line - which believes in the uniqueness and micro-cosmic nature of each tourism destination - is an ideal situation for tourism in Nepal. Each tourism destination within Nepal - big or small, including trekking trails - should have local tourism communities involving people from the public and private sector just as there is a Tourism Council or Board at the centre. Institutionalised communication and the empowerment of such communities would lead to sustainable tourism development in the mountain areas of Nepal.

Issues

Policy Weaknesses and Enforcement

There are many issues and challenges that need to be addressed from the policy side, despite the new policy framework adopted to make the tourism industry a more prosperous and sustainable one.

Ever since the Master Plan, diversification of sightseeing and adventure tourism has been a major thrust of all succeeding policies. In actual practice, sightseeing tourism has concentrated in the Kathmandu Valley alone, with little spill-over in Pokhara and Lumbini. Mountain tourism has concentrated in Khumbu, Annapurna, and Langtang. The situation of infrastructural facilities and proximity to urban tourism centres have been the major guiding factors for the diversification of mountain tourism. No urban sightseeing hubs have been able to develop in the far western and far eastern regions of Nepal so far. As a result, the potential for mountain tourism development in these regions has not been realised. The Manaslu area in the western region has unspoilt charms, but the poor access to the area is not conducive to its development.

Of the four As (attraction, accessibility, accommodation, and activity) needed for a tourist destination, accessibility and activity assume critical importance in the context of Nepal. Attraction in the form of natural or cultural heritage is ubiquitous in the country, but access to these places and activities is a problem. The permission for private airlines to operate under the liberalised economic policies has relieved the constraints of seat capacity to remote mountain areas since 1992, although problems related to landing sites and equipment continue. The government is now prepared to allow the "Build, Operate, and Transfer (BOT) technique to solve this problem of aviation infrastructure.

With the exception of rafting in Trisuli (60 %), which is easily accessible at points along most of its entire length from Kathmandu to Chitwan (hub for wildlife tourism), other rivers with equal potential for rafting development have been constrained by the four As. Modern telecommunication facilities further add to the retarded development of other mountain tourist areas in Nepal.

Concerns over forest degradation and the increased use of firewood have received much attention, but no effective policy to control firewood use has been introduced. Alternative sources of fuel, such as mini-hydros, and solar panels, and so on, also play an important role in maintaining the environmental

balance of the fragile mountain areas visited by tourists. Small hydro plants have recently been established in the ACAP and Sagarmatha areas.

The operation of mountain tourism is centralised, with benefits accruing to a few operators in Kathmandu. The contribution of group tourism to the local economy is not considerable as compared to that of FITs. The proliferation of basic lodges and tea houses on popular trekking trails is due to the perceived demand created by movement of trekkers. Local people have been exploiting scarce forest resources to cater to the demands of trekkers. Because of their low awareness and education, the absorptive capacity of the local people is small. Efforts to raise their efficiency and absorptive capacity are either lacking or inadequate.

Some traditional areas with several years of mountain tourism operation have generated government revenue, but no attention has been paid to ploughing back revenue to set up essential infrastructure such as mini-hydros.

The existing policies and institutional structures are grossly inadequate for linking mountain tourism with other mountain economic activities. Scarce resource are exploited by a few for small gain. Sustainable tourism is being threatened.

The first innovative example of an NGO working closely with local people in conservation and sustainable use of natural resources was in the ACAP. Only recently has the Sagarmatha Pollution Control Project, funded by the WWF and recently by HMG, begun to be effective in garbage control and overall management of tourism resources through community participation. By and large, there are no adequate grassroots' agencies looking after tourism in mountain areas.

Nepal's mountaineering tourism is now suffering from self-glorifying *ad hoc* policy changes. The application procedures for mountaineering are cumbersome. The role of the liaison officer has been poorly defined. The practice of cash deposit for garbage disposal-despite the hike in royalty-and the attachment of a government liaison officer have been negatively perceived as unnecessary inconvenience by mountaineers. Despite periodic hikes in royalties, no additional facilities have been erected at important base camps. The new garbage regulation was clamped on the Khumbu in autumn 1992, in the face of increasing pressure on its environment due to an increase in mountaineering activities and the need to diversify mountaineering to the far west and east of the kingdom. However, there has been no active promotion of newly-opened

peaks by the MTCA in the international market. Despite having more than 6,000 peaks, Nepal has not been able to render this product supply-led because of weak marketing. Opening new peaks should be accompanied by other activities, such as trekking, in corresponding areas. Lowering royalty rates for lesser known peaks could be a selling strategy, but it has not been seriously considered.

Coordination

Tourism is a multisectoral activity that requires strong and effective coordination between various sectors both in the private and public sector. Line agencies often conceive their area of jurisdiction narrowly and attend only to those problems that directly affect their sectoral interests. No effective body has been established to harmonise this situation. Recently, the Tourism Council was envisaged as being able to tackle this problem but this body has not been effective. It lacks information and it needs to be institutionalised. Even in Kathmandu, the economic linkages of the tourism sector with other sectors in the public and private sector are not known objectively enough.

Domestic Tourism

Whatever domestic tourism exists in Nepal is in the form of pilgrimage tourism. The operations of international tourism have had some effect on the travel habits of the Nepalese, however, since the Nepalese have begun to go trekking, rafting, wildlife viewing, etc. As the incomes of the Nepalese begin to grow, domestic tourism has the potential to expand and fill the seasonal gaps. But so far, there has been little effort to promote domestic tourism. Tax breaks, for example, could provide an incentive for promoting domestic tourism.

Finally, setting aside part of the revenue from trek operations for local development and conservation has been announced as a policy; it has actually been put into practice in some areas such as upper Mustang and Khumbu. Notwithstanding, without appropriate planning that is supported by research, the newly generated revenue may not achieve the desired results for the local people.