

INTRODUCTION

Tourism is believed to have an impact on people in areas where it is practised. A large portion of the tourist expenditure comes out due to poor intersectoral linkages of the local economy with tourism. While the concept of modern tourism demands the creation of diversified and multi-faceted linkages and coordinated packages of location-specific products and programmes, the local economy has not been able to realise the full potential of tourism, given the unique characteristics of the local areas. The scope of the study is a higher category tourist area, the Annapurna Conservation Area (ACA), based on the willingness to pay and the demand for quality products and services (Wells 1993). The products and services being supplied from tourism are accommodation, transport, and so on. A large part of the income generated in local areas as well as the country. Little is known about the intersectoral linkages on the varied dimensions of such packages.

Evidence indicates that a large part of the money spent by tourists in the Annapurna Conservation Area (ACA) continues to leak out. Currently, all the money spent on entry fees is deposited as an endowment fund to support the administrative and operating costs of development activities in the area. Tourism operators, accommodation, meals, wages, and on other items, but our study shows that it can be effectively retained in the local areas as goods and services. It can be made to provide goods and services to the visitors. Additionally, some of the income consumed by the local people has to be improved and spending the income on these items to fulfil consumption and other needs gives rise to the multiplier round of linkages. Proper investigation of all these issues requires disaggregation of tourist spending and their relative shares in the overall share of tourism benefits within the community. Depending on the information available, it is also possible to disaggregate the information on the trends in resources made available to manage the valuable income-generating natural resources.

OBJECTIVES

The study aims to estimate the magnitude of tourist expenditure made in the Annapurna Area and the magnitude of income that is retained locally. The multiplier round of linkages has been addressed, while linkage formation is not done due to lack of information. The understanding can provide useful information to assist in the formulation of programmes and policies that help maximize retention of tourist spending in local areas.

INTRODUCTION

Tourism is believed to be an important source of employment and income for rural people in areas where it is practised. Experiences so far, however, reveal that a large portion of the tourist expenditure carried out in mountain areas actually leaks out due to poor intersectoral linkages of the local economy with tourism. While success of mountain tourism depends on the push it can provide and the complementarity of conditions it can create for sustainable development of mountain areas, unfortunately tourism in Nepal has not been seen in terms of these multi-faceted linkages and coordinated packages of location-specific policies and programmes. Nor has the government been able to realise the full economic value of tourism, given the fact that the areas visited by tourists in the Nepal Himalayas are unique. As a unique resource not easily available in other parts of the world, scope exists for capturing a higher consumer surplus from foreign tourists without fear of competition, based on the willingness to 'pay' and the provision of high quality products and services (Wells 1993). As a result, whatever economic benefits are being realised from tourism are based on tourist expenditure on food, accommodation, transport, and so on. A large part of this income leaks out of the local areas as well as the country. Little is known, in a quantitative sense, about the varied dimensions of such leakages.

Evidence indicates that a large part of the money spent by tourists in Annapurna Conservation Area (ACA) continues to leak out. Currently, all the revenue from entry fees is deposited as an endowment fund to support the administrative and operating costs of development activities in the area. Tourists spend on accommodation, meals, wages, and on others things, but not all of this income can be expected to be fully retained in the local areas as many purchases have to be made to provide goods and services to the visitors. Additionally, many items consumed by the local people have to be imported and spending from tourism income on these items to fulfill consumption and other needs gives rise to a second round of leakages. Proper investigation of all these issues requires disaggregation of tourist spending and their relative shares in the overall share of retention of benefits within the community. Depending on the information available, it is also possible to disaggregate the information on the trends in resources made available to manage the valuable income-generating natural resources.

OBJECTIVES

The study aims to estimate the magnitude of tourism expenditure made in the Annapurna Area and the magnitude of income that is retained locally. Only the first round of leakages has been addressed, other leakages cannot be addressed due to lack of information. This understanding can provide useful information to facilitate the formulation of programmes and policies that help maximise retention of tourist spending in local areas.

The objectives of the study are:

- to estimate the magnitude of tourism expenditure made in the Annapurna area and the magnitude of income that is retained locally;
- to compare the estimated annual expenditure on managing environmental conservation in a specific area and to relate it to tourist spending in that area; and
- to analyse and identify the interventions and activities required to reduce the leakages of tourist income and maximise local retention of tourism income.

SAMPLE

A survey was carried out in late 1994 in the Ghandruk and Ghorepani areas of the Annapurna region. Visitors residing in different lodges, as well as the group tourists camping in the area, were randomly selected and asked to fill out a pre-structured questionnaire. In addition, 40 lodges and 40 households were also surveyed during this period. The present study uses information given by the 40 visitors interviewed to estimate tourist spending while in the Annapurna area (Banskota and Sharma 1995b). The present study will focus more on the expenditure made by visitors which accrues as gross income to the lodge and non-lodge communities in the area. By making deductions from the gross income; an estimate is made of the net tourism income retained within the area. The basic parameters used in the study are in most cases derived from the survey results and other relevant sources are referred to in the text.

METHODS OF ANALYSES AND ASSUMPTIONS UNDERLYING INCOME AND EXPENDITURE ESTIMATIONS

In an attempt to estimate tourist spending and its retention within the Annapurna area, information based on a case study survey is used and is supplemented with secondary sources of information. The daily average expenditure made by visitors when multiplied by the number of tourists gives the total tourist spending. Daily expenditures made by tourists take into account the different accommodation facilities used by FITs and group tourists (GTs), expenditure on meals (breakfast, lunch, and dinner), payment as paying guests, drinks purchased during the trek, and other local expenses, e.g., handicrafts and payment to porters. The expenditure made by tourists accrues as (gross) income to lodges, the local community, porters, and to the ACAP area through the conservation area fee. All these various expenditures made by the visitors has been taken into account. On the lodge and community side, an estimate of their average annual expenditure has been derived to estimate the magnitude of the tourism income that is retained locally, based on some simplifying assumptions. Specific details on the assumptions made are provided below.

Expenditure Per Visitor

Tourist expenditure is composed of expenditure on accommodation, food, payment to porters, purchase of drinks, fruits and handicrafts, and the conservation area fee.

Expenditure made by visitors is further grouped into community and lodge incomes. Gross lodge income consists of accommodation and food expenditure made by visitors in the lodges. Gross community income (non-lodge gross income) consists of expenditure made by visitors in the form of camping charges, as paying guests, porter wages, and other local expenditures on drinks and handicrafts. The conservation area fee is also treated as part of the community income.

Accommodation Expenditure

Lodge

Private lodges are the main accommodation facilities available to trekkers visiting the conservation area. FITs generally use lodges for accommodation, and this expenditure accrues as gross accommodation income to the lodges.

Camping

GTs generally use tents and thus have to pay camping charges. This expenditure is assumed to accrue as gross income to the community or to non-lodge owners. It is also possible that lodges rent camp grounds to pitch tents. However, since this information is not available, all income that accrues from camping charges is assumed to be a part of the community income.

Paying Guest

Some FITs and GTs also use private homes for accommodation. The rates (food and accommodation) charged to paying guests are assumed to be equivalent to the rates charged by the lodges. This income is also assumed to accrue to the community.

Food Expenditure

Visitors (FITs) were asked to provide information on the meals they had taken, the price of meals, as well as the average frequency of meals they had eaten to derive visitor expenditure on meals. Information on breakfasts, lunches, and dinners was collected separately. The per visitor, per day food expenditure is the sum of expenditures on breakfasts, lunches, and dinners made by visitors in lodges. The prices for meals as reported by FITs are used to derive food expenditure for visitors who use private homes.

Other Local Expenditure

In addition, visitors (both FITs and GTs) were asked to provide information on the expenditure they made during the trek on various things such as tea, soft drinks, fruit, handicrafts, and so on. This is a lump-sum expenditure made by visitors.

Porters Hired and Wages Paid

FITs and GTs hire different numbers of porters and some visitors do not hire any porters. The wages paid to porters also differ between FITs and GTs and different wages are paid to male and female porters. Furthermore, not all porters hired at the beginning of the trek are retained throughout the entire length of the trip. The assumptions regarding porters hired and wages paid can be summarised as follow (Banskota and Upadhyay 1989).

- Two FITs hire one male porter.
- Only 15 per cent of the FITs hire porters.
- Three porters are hired for every two members of a GT.
- Two-thirds of all the porters hired are males and one-third are females.
- On an average male porters are paid Rs 275 per day and female porters are paid Rs 85 only. The higher wages paid to male porters are because, besides porters, males are hired as cooks, kitchen boys, guides, and sirdars and the wage rates reflect the average paid to different male porters.

Conservation Area Fee

All visitors have to pay the Conservation Area Fee of Rs 650 and this is also treated as part of tourist expenditure in the area accruing to the community.

Total Visitors

Here, the total number of visitors that visited the Annapurna area reported by the KMTNC is used. The survey data provide information on the percentage distribution of trekkers that used lodges and camped, as well as those that stayed as paying guests. This distribution was then applied to the aggregate data given by the KMTNC. The total number of visitors visiting the Annapurna area have been distributed into FITs (55%) and GTs (45%).

Total Visitor Expenditure

The average expenditure per FIT and GT is first derived based on the above assumptions from the survey data and is then multiplied by the total number of visitors to the Annapurna

area in 1994 (Annapurna Conservation Area Project, Annual Progress Report 1994) to obtain total visitor expenditure. This total expenditure is the gross income that accrues to lodge-owners and the community.

Lodge and Community Expenditures

Obtaining detailed information on the different expenditures made by the lodges and the community was not possible and requires a detailed survey and resources. Secondary sources are used to provide a rough approximation of the total expenditure made by the community and lodges to obtain an estimate of the tourism expenditure that is retained locally.

In order to obtain lodge expenditure, estimates provided by the Nepal Rastra Bank (NRB 1988) are used. Local expenditure accounts for 82 per cent of the gross income. In other words, 82 per cent of the gross lodge income estimated from the survey data is assumed to be in the form of lodge expenditure. The resulting expenditure is then assumed to be distributed over the food (67%), wages and salaries (19%), energy (9%), and others (5%). A large part of the expenditure on food and energy leaks out of the area. The details on these parameters are provided in NRB (1988).

Retention of Lodge Income

The major items of expenditure made by lodges are on food, energy, salaries, and others. Of the total expenditure made on food by lodges (67% of lodge expenditure), 75 per cent is assumed to be spent on food imports. This is based on information collected from the lodges on the magnitude of major food items imported. Firewood and kerosene are the major energy sources used by lodges, although some lodges, especially those in Ghandruk, also use electricity and LPG. Kerosene is becoming a popular alternative to firewood in some areas, but it is not likely to replace firewood for many years to come. Although large quantities of firewood are consumed by lodges even in Ghorepani and Ghandruk, over time, with the many awareness programmes introduced by ACAP, people are beginning to understand conservation. Judging from the results obtained from the survey, it is estimated that about 35 per cent of the total energy bill actually leaks out from the area in the form of kerosene imports annually. The amount spent on firewood is nearly three times higher and is assumed to be fully retained locally. Most of the Annapurna area is many days walk from the road and transporting kerosene would add to its cost, thus making kerosene relatively unaffordable for many lodges. Additionally, as inaccessibility (from the road) increases, firewood prices decrease and, although quantities consumed may be higher, the total expenditure on firewood may not increase to the levels observed in Ghandruk and Ghorepani. Some places in the Annapurna area have electricity, and it is assumed that the income from electricity is also retained locally.

Annual payments in the form of wage and salaries to persons employed by the lodges (which constitutes 19% of the lodge expenditure) are assumed to be fully retained locally.

Lodges also spend on linen, quilts, mattresses, etc. There is no systematic record of this type of expenses.

Retention of Community Income

The conservation area fee which all visitors have to pay is assumed to be fully retained locally, although the fee is currently set aside as an endowment fund. Tourist expenditure accruing to the community is grouped into food and other non-food components, the latter being composed of camping charges, accommodation in private homes, porter wages, ACAP fees, and other local expenses. The community also spends on food imports, but the amounts spent by the community are not likely to be as large as those spent by the lodges. The "Multi-Purpose Household Budget Survey (1988) provides an idea of the expenditure pattern of households in Nepal (NRB 1988). Households in mountain areas have been selected to represent the community in the Annapurna area. The average household expenditure on imported food and non-food as a percentage of total expenditure is derived from the NRB results. This percentage is two per cent for food and 26 per cent for non-food (NRB 1988).

Porter income is first adjusted before applying the leakage factor to non-food components. Not all porters are hired from the area. As a result, all porter income cannot be treated as accruing to the community. It has been assumed that 59 per cent of the porters hired are from the local area and 41 per cent are from outside the area (Banskota and Upadhyay 1989). The income accruing to only 59 per cent of the porters is treated as part of the community income and a leakage factor of 0.28 is applied to reflect an additional leakage based on the NRB survey.

On the whole, some basic methods and assumptions underlying expenditure and income retention estimated for FITs and GTs separately can be summarised in the box.

DISCUSSION OF RESULTS

Visitor Characteristics

Trekkers are generally categorised into either free independent trekkers (FITs) or trekkers whose trips are fully organised by local travel or trekking agents, including meals and accommodation (Lama and Sherpa 1994). Most trekkers visiting the area were Europeans (80%), followed by Asians (10%). The distribution of the trekkers by nationality does not vary much between FITs and GTs. About 53 per cent of the trekkers surveyed in the study area were FITs and the remaining were GTs (Table 13). Of the total visitors surveyed, 55 per cent were females and 45 per cent males. The FITs interviewed were comprised of an equal percentage of male and female trekkers, whereas among the GTs, female trekkers constituted a relatively larger share (62%). Each FIT and group trekker surveyed had come in a group and the average group size of the FITs (3) was about one-third that of group trekkers (8) (Table 13). Mean trekking days for FITs totalled about 14 days and for GTs about 17 days. Asian tourists spend on an average

Tourism Expenditure Accruing to Lodges	= Expenditure on accommodation + expenditure on meals
Tourism Expenditure Accruing to the Community	= Expenditure on (camping + private homes) + Meals as Paying Guests + Expenditure on drinks, fruits, handicrafts, etc + porter wages + ACAP Fee.
Total Tourist or Visitor Expenditure	= Tourism Expenditure Accruing to Lodges + Tourism Expenditure Accruing to Community
Lodge Expenditure	= 0.82 * Tourism Expenditure Accruing to Lodges
Lodge Food Expenditure	= Lodge Expenditure *0.67
Lodge Wages & Salaries	= Lodge Expenditure *0.19
Lodge Energy Expenditure	= Lodge Expenditure *0.09
Lodge Other Expenditure	= Lodge Expenditure *0.05
Total Lodge Expenditure	
Leakage from:	
1. Food	= 0.75 per cent of food expenditure
2. Energy	= 0.35 per cent of energy expenditure
3. Others	= 0.26 per cent of other expenditures
Total Community Expenditure	
Leakage from:	
1. Community Food Import	= Tourism Expenditure on Food Accruing to Community *0.02
2. Community Non-food Expend	= Tourism Expenditure on Non-food Accruing to Community*0.26.

Table 13: Percentage Distribution of Trekkers by Continents and Sex

Trekkers	Europe	Australia	USA	Asian	Male	Female	Average		% of Trekkers
							Night	Size	
Independent	77.3	9.1		13.6	52	48	13.77	2.73	53
Group	83.3	5.6	5.6	5.6	38	62	16.61	7.89	47
Total	80.0	7.5	2.5	10.0	45	55	15.19	6.33	100

one week only. Also, the number of trekking days for male trekkers was found to be relatively higher than that of female trekkers among both the FITs and GTs. The age group distribution of trekkers indicates that a large majority of trekkers in both groups falls into the 19-35 age group, followed by the 36-50 age group, and finally the 51 plus age group.

Private lodges, camping, and private homes or paying guests are the main accommodation facilities available to trekkers visiting the conservation area. Some trekkers use a combination of these facilities (Table 14). Group trekkers reported the maximum use of tents (i.e., camping) and lodges, whereas FITs reported a maximum

Table 14: Percentage Distribution of Visitors Using Different Facilities and Distribution of Visitor Nights by Type of Accommodation Facilities Used

Visitors' Category	Lodge	Tents	Private Homes
Percentage Distribution of Visitors Using Different Facilities			
Independent	9.00	0.00	2.45
Group	1.67	11.06	1.89
Total	5.70	5.35	2.20
Percentage Distribution of Visitor Nights			
Independent	77	1	19
Group	7	81	12

Visitors reported use of a combination of different facilities. For example, FITs reported camping besides using lodges and private homes. Likewise, GTs had used lodges as well as private homes

use of lodges and private homes. The FITs mostly used lodges (77%) for accommodation, whereas the group trekkers used tents most of the time (81%). Both FITs and GTs were found to use other types of accommodation besides lodges and tents. Also note that both FITs and group trekkers had spent a small percentage of their stay as paying guests in private homes (Table 14).

Distribution of Visitor Expenditure

Expenditures made by visitors on accommodation, food, other local expenses, and porter wages are sources of gross income to the lodges and community. Visitors' expenditure could be the main source of income for the lodges, whereas for the community there could be other more important sources of income.

Table 15 provides information on the accommodation rates, meal prices, and porter wages paid by FITs. It is assumed that GTs also pay the same prices as FITs if they decide to use the local facilities. Almost all FITs use the local lodges and hence accommodation expenditures are simply the rate charged per night, per bed-times nights spent. The mean accommodation rate per night is Rs 56. These rates do not vary much among the lodges in both Ghorepani and Ghandruk as indicated by their respective low standard deviations.

FITs eat at the lodges, but not all eat all three meals. About 90 per cent of the FITs reported that they had used lodges to eat their meals, whereas 72 per cent of the group trekkers had reported meals were served to them by the agents who had arranged the

Table 15: Average Accommodation and Meal Prices Paid and Other Expenses

(in Rs)

	Accom	Break.	Lunch	Dinner	Local	Food
Mean	56	35	48	33	284	284
Std	32	30	33	29	257	86

Source: Survey data

trekking trip. The frequency of visitors using local lodges for food has direct implications on the income of local lodges. When meals are prepared and served by trekking agents, as in the case of group trekkers, local people or lodges make little profit, except for the raw food items purchased locally. Both groups of trekkers reported spending on drinks (coke, tea, handicrafts, etc) during their treks and the average expenditure made by both groups of trekkers was about the same.

Information on wages and porters hired was not uniformly provided by the visitors. FITs do not hire many porters during their trek. Group trekkers were not able to provide information on the number of porters hired, and information was collected from their support staff. The wages paid by FITs and group trekkers vary modestly with FITs paying on an average Rs 275 per day and GTs paying Rs 168 per day for a male porter. About one-third of the GTs also reported hiring female porters and paying on an average Rs 85 per day.

A majority of the visitors indicated that the prices charged were reasonable. A small percentage of the visitors indicated that meal prices were high. A majority of the visitors indicated that both meals and accommodation quality were fairly good. A similar response was also obtained in the case of hygiene and sanitation conditions in the facilities used by visitors (Table 16).

Table 16: Visitors Comments on Meals, Room Quality, and Hygiene and Sanitation

(in %)

Comments on	Independent			Group		
	Good	Fair	Bad	Good	Fair	Bad
Food	57.1	42.9	-	57.1		42.9
Rooms	23.8	71.4	4.8	-	75.0	25.0
Hygiene & Sanitation	38.1	47.6	42.9	42.9		14.3
	Fair	Low	High	Fair	Low	High
Price of Meals	9.5	28.6	6	85.7		-
Price of Lodging	-	26.3	73.7	-	50.0	-

Note: - indicates no response.

The expenditure made by tourists is disaggregated in several different ways. First, the expenditure is divided in terms of FITs and GTs over the different items of expenditure. Second, the expenditure accruing to lodges and the community and the average contribution by FITs and GTs are highlighted. Finally, a picture of aggregate expenditure is provided.

Average Expenditure per Visitor

Table 17 provides detailed information on expenditures made by an average FIT and GT during their entire stay in the Annapurna region as well as the distribution of the expenditure. An average FIT was found to spend Rs 4,280 relative to the average expenditure made by the GTs of Rs 7,635. Average daily expenditure of an independent

Table 17: Visitor Expenditure Pattern and Its Distribution

(Rs in '000')

	Acco m	B-fast	Lunch	Dinner	Food	Local	Wage	Fee	Total	Per Trek ker
FITs										
Lodges	17454	9800	11813	14055	35668	0	0	0	53122	2273
Per cent	32.86	18.45	22.24	26.46	67.14	0.00	0.00	0.00	100.00	NA
Per cent	84.89	77.88	83.23	75.90	78.75	0.00	0.00	0.00	53.10	53.11
Community	3107	2784	2380	4462	9625	12352	6638	15192	46913	2007
Per cent	6.62	5.93	5.07	9.51	20.52	26.33	14.15	32.38	100.00	NA
Per cent	15.11	22.12	16.77	24.10	21.25	100.00	100.00	100.00	46.90	46.89
Total	20561	12583	14193	18517	45293	12352	6638	15192	100036	4280
Per cent	20.55	12.58	14.19	18.51	45.28	12.35	6.64	15.19	100.00	NA
Per Fit	880	538	607	792	1938	529	284	650	4280	NA
GROUP										
Lodge	510	478	4674	4674	9827	0	0	0	10337	541
Per cent	4.93	4.62	45.22	45.22	95.07	0.00	0.00	0.00	100.00	NA
Per cent	13.17	16.13	1222.2	1467.2	268.18	0.00	0.00	0.00	7.62	7.63
			5	3						
Community	3872	2963	382	319	3664	14852	100845	12429	135662	7095
Per cent	2.85	2.18	0.28	0.23	2.70	10.95	74.34	9.16	100.00	NA
Per cent	88.37	86.11	7.56	6.38	27.16	100.00	100.00	100.00	92.92	92.93
Total	4382	3441	5057	4993	13491	14852	100845	12429	145999	7635
Per cent	3.00	2.36	3.46	3.42	9.24	10.17	69.07	8.51	100.00	NA
Per GT	229	180	264	261	706	777	5274	650	7635	NA

Note: Magnitudes of expenditures in Rs are provided in the first row of each block. The second and third rows show row and column sum percentages, respectively. NA means not applicable.

trekker for accommodation, breakfast, lunch, and dinner exceeds that of a group trekker as expected, since FITs depend on local facilities and GTs, who bring most of their food and tents, do not depend on local facilities. The average expenditure made by FITs for accommodation and food is almost three times that of the expenditure made by an average GT, but, on the other hand, the average expenditure on porter wages made by a GT is significantly higher than that made by a FIT³. Also note that, among the three meals, expenditure on dinner accounts for the largest share among the FITs. The share of other local expenditures made by GTs is slightly greater than that made by FITs. Finally, the Conservation Area Fee accounts for 15 per cent of the total FITs' expenditure and eight per cent of the GT expenditure.

An average FIT spends Rs 4,280 in the Annapurna region, and this includes the Conservation Area Fee as well. Of this total spending, food (45%) and accommodation (21%) together account for 66 per cent. Within food, dinner accounts for the maximum share, followed by expenditure on lunch and breakfast. Local expenditure and porter

³ Although the expenditure made by a GT on porter wages appears to be high, this is not the case if examined minutely. For example, if two porters are hired for 10 days (which is less than the average duration of stay by an average GT), at an average wage rate of Rs 275 per day, the total expenditure on wages works out to be Rs 5,500.

wages account for 12 and seven per cent respectively of the FIT expenditure and, finally, the conservation fee accounts for a small 3.9 per cent of the total expenditure (Table 17).

Likewise, an average GT spends Rs 7,635, about 1.8 times more than the average expenditure of a FIT. The distribution pattern of this expenditure is totally different from that of FITs. Payment of porter wages alone accounts for about 69 per cent of average GT expenditure locally. The Conservation Area Fee accounts for about nine per cent, other local expenses account for 10 per cent, and this leaves 12 per cent expenditure on food and accommodation. This low level of expenditure on food and accommodation in the case of the GT is obvious, since both these arrangements are made by the trekking company. Such expenditures are not accounted for in the analysis.

Income Accruing to Lodges and the Community

FITs

Table 17 shows the total expenditure made by FITs that accrues as gross income to lodges and the community. Of the total estimated FITs' expenditure of Rs 100,036 thousand, 53 per cent accrues as gross income to the lodges and 47 per cent accrues as gross income to the community. The lodges realise 33 per cent of this gross income in the form of accommodation charges and 67 per cent in the form of meal charges.

On the other hand, FITs also contribute to the community through their expenditure in the form of camping, paying guests, other local purchases, payment to porters, as well as the Conservation Area Fee. The distribution of these expenditures is on food and accommodation (27%), other local expenses (26%), wages (14%), and the ACAP fee (32%). The total of all these expenditures is Rs 46,913 thousand and it comprises about 47 per cent of the total FITs expenditure that accrues as gross income to the community.

GT

There is a disparity in the expenditure patterns of FITs and GTs, with GT's expenditure being more biased towards the community. The total annual expenditure made by GTs in the area is estimated to be about Rs 145,999 thousand, of which only about eight per cent accrues as gross income to the lodges and the remaining 92 per cent accrues as gross income to the community. Details are highlighted in Table 17. The bulk of GT expenditure that accrues as income to the community is accounted for by the payment of wages to porters. The Conservation Area Fee accounts for only about nine per cent of the total GT expenditure. The three expenditure items, namely, wages, fees, and other local expenses taken together account for about 96 per cent of the total expenditure that accrues as gross income to the community.

Table 18: Percentage Distribution of Visitor Expenditure and Gross Income Accruing to Lodges and Community

(Rs '000')

	Accom	B-fast	Lunch	Dinner	Food	Local	Wage	Fee	Total	Per Trekk er
Total Lodge	17964	10278	16488	18729	45495	0	0	0	63459	1493
Per cent	28.31	16.20	25.98	29.51	71.69	0.00	0.00	0.00	100.0	NA
Per cent	72.02	64.14	85.65	79.67	77.39	0.00	0.00	0.00	25.79	25.79
Per Lodge	78	44	71	81	197	0	0	0	275	NA
Community	6979	5747	2762	4780	13289	27204	107483	27621	182576	4297
Per cent	3.82	3.15	1.51	2.62	7.28	14.90	58.87	15.13	100.0	NA
Per cent	27.98	35.86	14.35	20.33	22.61	100.0	100.0	100.0	74.21	74.21
ACAP Area	24943	16025	19250	23510	58784	27204	107483	27621	246035	5790
Per cent	10.14	6.51	7.82	9.56	23.89	11.06	43.69	11.23	100.0	NA

Finally, Table 18 provides an aggregate picture of the expenditures made by both FITs and GTs that accrue as gross income to the lodges and community. What the Table indicates is that of the total estimated annual expenditure of Rs 246,035 thousand made by visitors in the Annapurna region in 1994, lodges accounted for about 26 per cent and the community accounted for about 74 per cent. An average visitor spends about Rs 5,790, of which Rs 1,493 accrued as gross income to the lodges and Rs 4,297 accrued as gross income to the community.

Accommodation accounted for about 28 per cent of the gross income of the lodges and the remaining was accounted for by meals. With respect to the community, accommodation and food accounted for only about 11 per cent of the visitors' expenditure. Wages accounted for about 59 per cent of the total community income, other local expenditure and the ACAP fee together accounted for the remaining 30 per cent of visitor expenditure. Finally, an estimate of the annual gross income per lodge has also been made and is provided in Table 18.

The results indicate that FITs directly support the local lodges through their expenditure on accommodation and meals in a more significant way than the GTs. On the other hand, GT expenditure is more diffused throughout the community, although they contribute in a much smaller way to the local lodges. Although the amount that accrues as gross income to the community is seen to be large, the leakages from this area of income are also believed to be high.

LODGES AND COMMUNITY EXPENDITURES AND INCOME RETENTION

Lodges have to spend on a variety of things to cater to the tourists. Many different kinds of food have to be purchased. Energy has to be purchased and wages to the employees have to be paid. Thus, four sources of expenditure made by lodges have been taken

into account given the information available from the NRB on the share of lodge expenditure on food, energy, salaries, and others.⁴

Most lodges are managed by family members, only a few hire people. Lodges hire different numbers of people during the peak and slack seasons. An average lodge provides employment to about 7.5 people each year. Females comprise about 55 per cent of the employees in the lodges. Most lodge employment (75%) is undertaken by family members and local labour is hired (25%) to meet peak season demands. An average lodge was reported to hire 1.12 males and about 1 female in a year. The information reported by the NRB is very similar to the findings of the present survey and since the present survey did not have adequate information on the wages paid by the lodges to different employees, the results reported by NRB have been used. Moreover, while wages are an expenditure of the lodges, this accrues to the community. Table 19 provides the retention of lodge income calculated based on the assumptions already discussed, which is about 55 per cent of the total tourist expenditure that accrues to lodges.

Table 19: Lodge Expenditure Pattern and Income Retention

	Food	Salary	Energy	Other	Total
Distribution of Expenditure	34,864	9,887	4,683	2,602	52,036
Local Retention	8,716	9,887	3,044	1,951	23,598
% Retention with savings	NA	NA	NA	NA	55
% Retention without savings (%)	25	100	65	75	45

Note: Savings refers to income (18%) referred to in the text.

On an average, lodges spend 82 per cent of the gross income on various items. Food accounts for the largest share of this expenditure (67%), followed by salaries (19%), energy (9%), and other expenditures (5%). The retention of this expenditure on salaries can be assumed to be very high as most employees will be from within the area. Food expenditures also leak out substantially from within the local area. An idea of lodge-owners' responses to the origin of major food items is provided in Table 20. On an average, 75 per cent of the lodge expenses on food are estimated to leak out from the area based on the results reported in Table 20.

Some details on energy expenditure made by the lodges were obtained from the field. The main sources of energy for the lodges are firewood, kerosene, electricity, LPG, and solar panels. Use of solar energy and LPG has only just begun. Note that expenditure on solar energy is the cost of installing a solar panel and is a fixed cost. Other energy costs are variable. In calculating the net income, the fixed cost incurred to obtain solar panels is not accounted for. Table 21 provides information on the relative share of

⁴ Lodges also have to purchase linen, other manufactured materials, as well as furniture. Information is not available on these expenditures and hence they are not accounted for. Thus, local retention of income by lodges will be lower than that implied in the present discussion. See NRB 1989 for more details.

Table 20: Sources of Possible Leakage from Tourist Generated Income

(in %)

Items	Ghorepani		Ghandruk	
	Local%	Import%	Local%	Import%
Rice	0.00	100.00	3.18	96.82
Flour	4.12	95.88	48.41	51.59
Bread	14.71	85.29	42.42	57.58
Vegetables	85.25	14.75	79.09	20.91
Meat	75.00	25.00	81.94	18.06
Eggs	0.00	100.00	1.14	98.86
Milk	0.00	100.00	21.14	78.86
Fruit	0.88	99.12	0.00	100.00
Jam/Butter	0.00	100.00	0.00	100.00
Furniture	90.29	9.71	85.45	14.55
Cloth/Drinks/Mattresses	5.56	94.44	0.00	100.00
Total	23.59	76.41	31.91	68.09

Table 21: Share of Average Annual Energy Expenditure per Lodge

	Shares %
Firewood	54
Kerosene	36
Electricity	1
LPG	8
Average (Rs)	19,171

Table 22: Source of Community Income and Its Retention

(Rs in '000')

	Food	Accommodation	Porter	Other	Fee	Total
Without Fee						
Income	13,289	6,979	107,483	27,204	0	15,4955
Retention	13,024	5,164	45,658	20,131	0	83,977
% Retention	98	74	42	74	0	54
With Fee						
Income	13,289	6,979	107,483	27,204	27,621	18,2576
Retention	13,024	5,165	45,658	20,131	27,621	11,1599
% Retention	98	74	42	74	100	61

variable energy expenses per lodge. Expenditure on firewood accounts for the largest (54%) variable energy expenditure made by lodges, followed by kerosene (36%), although lodges in Ghorepani spend more on firewood than lodges in Ghandruk (see the first report in this volume for more details on energy use).

The expenditure incurred by the community has been derived based on the assumption made previously and the results are provided in Table 22. The community expenditures have been derived under two scenarios, namely, first treating the ACAP fee as part of the community income and, second, not treating it as part of the community income. Table 22 provides estimates of the community income that is retained locally under these two scenarios. Under the without ACAP fee scenario, visitors' expenditure accruing to the community is estimated at Rs 154,954 thousand (at 1994 current prices) of which about 54 per cent is estimated to be retained locally (a retention of 98% from food expenditure and 50% from non-food expenditure). When the Conservation Area Fee is taken into account (second scenario), community income is Rs 182,575 thousand, of which 61 per cent is estimated to be retained locally (a leakage of 42% from non-food and 2% from food expenses).

OVERALL RETENTION OF TOURIST SPENDING

The overall retention of tourist-generated lodge and community incomes is presented in Table 23. The magnitude of retention is found to be almost equal among both the community (54%) and lodges (55%), when the ACAP fee is not considered as part of the community income. However, if the fee is considered to be part of the community income, the retention scenario changes somewhat, with higher retention reflected in the community (61%). If the total income retention for the Annapurna area as a whole is considered (lodge+community) then the retention rate is about 60 per cent when the

Table 23: Overall Retention of Lodge and Community Income

	(Rs in '000)		
With fee	Lodge	Community	Total
Tourist Income	63,459	182,576	246,035
Per Cent	26	74	100
Total Expenditure	52,036	182,576	234,612
Per Cent	22	78	100
Retained	35,021	111,599	146,620
Per Cent	24	76	100
Total Retention as % of Income	55	61	60
Without fee			
Tourist Income	63,459	154,955	218,414
Per Cent	29	71	100
Total Expenditure	52,036	154,955	206,991
Per Cent	25	75	100
Retained	35,021	83,977	118,998
Per Cent	29	71	100
Total Retention as % of Income	55	54	54

fee is treated as part of the income. Alternatively, when the fee is not treated as income, the overall retention is about 54 per cent.

The retention of tourism income estimated in this study should be taken as an upper limit. In the first place, the leakages taken into account are only first-round leakages. Further expenditure and, hence, leakages have not been taken into account. Also, it is likely that not all the Conservation Area Fee will be retained. It is difficult to provide an estimate of the leakages that occur in the other rounds of expenditure due to lack of information.

COMMUNITY AND TOURISM LINKAGES

The information about purchases made by lodges provides some idea of the extent of linkages between tourism and the local community. One way of judging this linkage is by analysing the food imports made by the lodges. Many food items that can be grown locally can be supplied to the lodges. Imports are considered to be purchases made by lodges (and local households) from outside the area. The higher the degree of imports, the higher will be the leakage, implying a low level of retention of tourism income within the local community, and, hence, a low multiplier effect. Although not all forms of purchases can be made locally, many perishable items can be produced locally to cater to the tourists.

Lodge owners can purchase food items from the local communities or, in an agricultural setting such as the study area, could supply from their own sources. Thus, the imports of basic food items would be low. Lodge owners were asked to provide information about the share of expenditure on different items, giving the source of purchase (local or import) in order to understand the extent to which the lodges depend on the local community to cater to tourists (see Table 20).

Rice is a prime food item for catering to tourists. Lodge owners indicated that almost all the rice is imported from Pokhara, despite it being grown locally. Other food items that can be produced locally but are currently imported are flour, bread, eggs, and milk. Most manufactured goods cannot be produced locally and have to be imported.

Therefore, based on the information presented above, the link between tourism and community development is not very strong. It should be noted that about 50 per cent of the group tourists purchase most of their food items in Pokhara. The scope for strengthening tourism and community linkages can be realised if many perishable food items were to be produced locally and their supply assured. This would lead to a greater scope for retaining a larger share of tourism income locally.

ANNAPURNA CONSERVATION AREA FEE AND ANNUAL ACAP EXPENDITURES

ACAP has encouraged local participation in resource management, and this is different from other protected areas where resource management and protection is carried out

directly by the government. The Conservation Area Fee charged to visitors is retained in the endowment fund and interest earned is being locally invested alongside other grants raised by ACAP. This reinvestment of the Conservation Area Fee has in itself brought about an integration of tourism, local community development, and resource management.

An estimated sum of Rs 27,621,100 accrued in the form of Conservation Area Fees (Rs 650 per tourist multiplied by the total number of tourists visiting the area (Annex 1)) in 1994 and constitutes about 11 per cent of the total tourist spending in ACAP. Table 24 provides the direct annual expenditure made by ACAP to manage the conservation area over the last three years (1992/93 -1994/95). Details are provided in Annex 2. ACAP's annual expenditure increased from Rs 36.79 million in 1992/93 to Rs 63.46 million in 1994/95⁵. During this short period, it is observed that the share of programme expenditure has declined from about 80 per cent in 1992/93 to about 45 per cent in 1994/95. Operating costs and capital investments are increasing. Also the programme expenditure made by ACAP in 1994/95 is almost equal to the

Table 24: Annapurna Conservation Area Project Expenditure

	1992/93	1993/94	1994/95
Personal/administrative	6,132 (17)	12,418 (20)	29,756 (47)
Capital expenditure	1,426 (4)	1,649 (3)	5,077 (8)
Programme expenditure	29,239 (79)	48,045 (77)	28,635 (45)
Total	36,797 (100)	62,112 (100)	63,468 (100)

Source: Obtained from KMTNC, Kathmandu Office.

Note: Figures in parentheses are in percentages (rounded off)

Conservation Area Fee collected and the overall expenditure by ACAP in the same period is lower than the estimated tourist spending. For example, overall tourist spending in the ACAP area was Rs 246 million (in 1994) which is almost four times higher than the overall expenditure made by ACAP during the same year (i.e., Rs 63.5 million). In other words, the overall expenditure by ACAP in 1994/95 is only about 25 per cent of the overall expenditure of visitors.

Expenditure on conservation area capital investment and operating costs (staff salaries, administrative costs, maintenance costs, and so on) constitutes the direct costs of conservation. Experiences from other protected areas indicate that such direct costs of managing valuable natural resource are many times (as high as five times) higher than

⁵ Total ACAP expenditure in 1994/95 excludes institutional development support expenses (Rs 9520,000) and is not taken into account in Table 24 (Annex 2).

managing valuable natural resource are many times (as high as five times) higher than expenditure by tourists for the sake of enjoying these assets. Indirect costs should, however, not be overlooked.

Indirect costs of conservation include such things as damage caused by the existence of the conservation area and are usually borne by the local community—for which generally no compensation is paid, e.g., damage caused to protected wildlife. There is neither an estimate of this indirect cost, nor any mechanisms for compensation.

Another issue relates to the *ad hoc* nature of setting the Conservation Area Fee. Are tourists paying more or less to enjoy the unique attributes of the Annapurna area? This is a question that has not been scientifically addressed. The unique attributes of the Annapurna area are scarce and theoretically must command a high price. It is important, therefore, to understand how much tourists are willing to pay to enjoy this unique natural area. When visitors were asked whether their trip had been enjoyable and if it met their expectations, the answer of more than ninety-four per cent was in the affirmative and only five per cent of independent trekkers were disappointed (Table 25). This information provides scope for exploring the willingness of the tourists to pay more.

Table 25: Visitors Overall Trekking Experience

	Independent	Group	Overall
Most Enjoyable	19 (90)	18 (100)	37 (95)
Less Enjoyable	2 (10)	-	2 (5.1)
Total cases	21 (100)	18 (100)	39 (100)

IMPROVING RETENTION OF TOURIST EXPENDITURE: CONSTRAINTS AND SCOPE

The survey data revealed that only 12 per cent of the active population (aged 10 years and above) in Ghandruk were engaged in tourism. Only those households that operated lodges had direct linkages with tourism. Indirect or secondary occupational linkages of household members come through the sale of their agricultural produce or from being occasionally employed in tourist-related activities.

Establishing indirect or backward linkages of the household sector with tourism activities is an essential step for extending tourism benefits to a wider local community. Developing this link will also help minimise tourism income leakage. When asked whether the degree of such indirect occupational linkage with tourism was high, moderate, or nil, only about 10 per cent of the economically active household members employed in the agricultural sector stated that their occupational linkage with tourism was high. The degree of such a linkage was found to be naturally high among those whose major

occupation was business and tourism, but as this group constitutes a relatively low proportion of the total active labour force (11%), the scope for enlarging the retention of tourist spending must come through establishing a strong linkage of tourism with the agricultural base of the rural masses on the basis of the comparative advantage of its hinterland.

Currently, the large majority of households in the area produce food which only meets their bare subsistence needs, and a fairly large per cent still continue to experience chronic food deficit as an annual phenomenon, even after more than a decade of ACAP intervention in the area. ACAP interventions do not appear to be very proactive in addressing the needs of agricultural transformation by supporting a number of income-generating programmes linked to tourism. Many food items that can be produced locally are still mostly being imported from outside. Currently, a small per cent of the households surveyed (8% paddy producing and 16% potato cultivation) dispose of their surplus produce to tourist lodges. Tourism should make the maximum use of locally-produced products and services, and the first step is to improve the local production base.

Thus, there is scope to intensify market-based agricultural produce through crop diversification backed by adequate skills and outreach support. While most of the households surveyed have had access to skills' training and hence perceive improvements in their skills due to ACAP, there are no linkages of such skills to income-generating activities. In other words, skill development programmes are not backed by the provision of broad-based income-generating programmes. This is also reflected in terms of displacement of labour away from agriculture as perceived by over 60 per cent of the households that were surveyed.

All this evidence indicates a fairly weak supply component of tourism with lodges being heavily dependent on the outside economy in catering to tourists, while at the same time a larger percentage of the rural population has not received adequate incentive or opportunities to realise tourism benefits through augmenting their production base. In such a situation, tourism leakages are manifest at multiple levels. On the demand side, tourists are not finding the opportunity to spend on what they are willing to pay more for, e.g., quality and diversified products and services.

It should be realised that there is a limit to how much tourism can contribute to the development of a local area. For the last thirty years, Nepal has not been able to develop new tourism products, except for trekking tourism, and this has largely been created from demand side pressures. Interviews with tourists indicated that not all come to the Annapurna region to trek and over 50 per cent indicated that their main motivation in visiting the area was to enjoy nature. There is enormous scope for developing new tourism products to serve the different interests of tourists, on the one hand, and also to develop manpower to manage these new products. With over ten years of experience, ACAP has been unable to provide any direction in this area. Development of new products does not mean that the old trekking tourism product has to be de-emphasised.

Trekking will always continue to be an integral part of mountain tourism. International tourism trends indicate the scope for tapping new markets as people's concern for the environment and the desire to see nature in her many manifestations are increasing. Nepal and the Annapurna region, with its rich ecological diversity, have the scope to lead Nepal's mountain tourism to more prosperous heights.

It is also interesting to note that over 90 per cent of the visitors surveyed indicated that their visit was most enjoyable as per expectation. This fact, if explored more adequately, will enable us to identify visitors willing to pay more to visit the Annapurna area. Scope exists to tap this large tourist consumer surplus through proper demand management strategy. As most tourists give first rank to viewing scenery rather than to trekking as their motivation for touring in the area, diversification, in terms of both area and product, offers a new opportunity to generate more tourist spending in the local economy. The existing level of tourist information and the marketing strategy of ACAP have to be improved as about two-thirds of the tourists visiting the area are not aware of the retention of the Conservation Area Fee in the destination area.

The additional income generated through a demand management strategy in the form of pricing is not likely to be retained locally unless it is well backed by sound supply management strategies. Currently, ACAP intervention strategies appear to be weak in both respects. While ACAP has been able to improve the social and environmental carrying capacity of the area to some extent, it has paid little or no attention to the economic carrying capacity, so vital for improving the economic conditions of the local people and promoting sustainable mountain tourism.

There is a great deal of scope for improving the retaining capacity of the income earned as well as for improving tourism income accruing to the Annapurna Conservation Area. A great deal of work on the aspects of both demand and supply is necessary. On the supply side, a greater emphasis on improving the productive capacity of the local area in terms of being capable of supplying the local tourism industry with vegetables, meat, eggs, fruit, milk, and other products is needed. Tourism in the Annapurna area is seasonal, and will most likely continue to be seasonal in nature, but there is little doubt that tourism in the area will decrease. Besides developing the local production base, there is a need to develop new tourism products in the area. With over thirty years of tourism history in the Annapurna area, the local tourism industry has not been able to develop and diversify products. ACAP can still play a major role in this respect. The local people's capacity to organise and manage different aspects of the tourism industry and natural resources has been greatly improved, but many still do not seem to have the incentive or opportunity to participate in the tourism industry.