COVID-19 and Tourism in Nepal: Opportunities for New Pathways

ASIA'S PATH FORWARD

By Posh Raj Pandey | 25 September 2020
INTRODUCTION

Flip through any important official or political document, whether the Constitution of Nepal, the election manifestos of political parties or a development plan of the government, tourism seems a magic wand for socio-economic transformation and development in Nepal. As the country is blessed with magnificent snow-capped mountains, beautiful flora and fauna, remarkable trekking routes, rich cultural and religious diversity and sacred temples and monasteries, these documents are full of the arguments for Nepal’s competitive advantage in tourism.

The United Nations World Tourism Organization (UNWTO) defines tourism in a broader sense as a complex sector that covers travel for both business and leisure that has multiple backward and forward linkages into diverse sectors of the economy.1 Cognizant of such economy-wide linkages, the Nepali government’s fifteenth development plan recognizes tourism as a major source of foreign exchange and investment and a key driver for reducing poverty and improving living standard of people by generating employment and business opportunities. The planning document also appreciates the role of tourism sector in driving prosperity, reducing inequality, and empowering women and marginalized groups of the society.2 The government, in token of recognition of the importance of the industry, declared this year ‘Visit Nepal 2020,’ dedicated to the tourism industry. Officially launched on January 1, 2020, Visit Nepal 2020 aimed to attract 2 million tourists, generate $2 billion revenue and create thousands of new jobs.

Following the declaration of COVID-19 as a pandemic by the World Health Organization (WHO) on March 12, economic and social crises ensued. Countries adopted non-pharmaceutical measures such as lockdown, social distancing, travel and mobility bans, stay at home instructions, self- or mandatory-quarantine, curbs on crowding etc. to contain infections. Such measures have arrested global travel and tourism. The World Tourism Organization (UNWTO) estimates that globally, international tourist arrivals decreased by 56 percent and USD $320 billion in exports from tourism were lost in the first five months (January to May) of 2020.3 For the year 2020, international tourist number is projected to decline from 58 per cent to 78 percent, which would translate into a drop of USD $910 billion to USD $1.2 trillion in

3 UNWTO, World Tourism Barometer. Vol 18, Issue 4, July 2020 Update. available at https://doi.org/10.18111/wtobarometereng
global export revenue from tourism. It also puts 100-120 million direct tourism jobs at risk, many of them women, youth working informally in micro, small and medium sized enterprises (MSMEs).\(^4\) UNWTO expects international tourism to recover by the second half of 2021 but warns that tourism is facing unprecedented challenges and an existential threat from the impact of COVID-19 globally.\(^5\)

Although the first imported COVID-19 case was detected as early as 23 January, Nepal was cautious about enforcing containment measures, including complete or partial lockdowns, and did so with significant time lags. Visit Nepal 2020 was put on hold on March 3. On-arrival visas for nationals from five countries - China, Iran, Italy, South Korea, and Japan - were suspended on March 10, and for another three countries - France, Germany, and Spain - on 13 March. On March 14, all on-arrival visas were suspended, including those for Non-Resident Nepalese (NRN).\(^6\) On the same day, all permissions for mountaineering expeditions were suspended.\(^7\) All domestic and international flights and long-distance transport services were suspended starting March 23. On 24 March, Nepal went into a national lockdown which was lifted on 22 July. But prohibitory orders imposed by chief district officers in more than half of the districts including Kathmandu, the capital city, continue to bar the public from coming out of their houses except for emergency work.\(^8\) Although the government has made a decision to resume international flights in a few countries from September 1, domestic flights will remain suspended until September 15.\(^9\) Of all the major economic sectors, the tourism sector has been worst-hit by such measures. This essay attempts to assess the impact of COVID-19 on tourism sector of Nepal and proposes restarting strategies for sustainable tourism growth.


\(^{5}\) Op. cit.


Nepal’s tourism industry had experienced an annual growth of 7.1 percent in the flow of international tourists during the last fifteen years, despite being badly hit by the devastating earthquake in 2015. The Ministry of Culture, Tourism and Civil Aviation reports that about 1.2 million tourists visited Nepal in 2019, an increase of 2 percent from 2018 (Figure 1). Out of total tourist arrivals, India and China account for more than one third of the total tourist inflow and five countries account for more than 50 per cent of arrivals, as shown in Figure 2. Of the total number of tourists visiting Nepal in 2019, the highest number of tourists visit Nepal for holiday/pleasure (65 per cent) followed by trekking and mountaineering (17 percent) and pilgrimages (14 percent).\(^{10}\)

Tourism has both direct economic as well as a significant indirect and induced contribution to the economy.\(^{11}\) The tourism sector contributes 6.3 percent share of total foreign exchange earnings and


\(^{11}\) Direct contribution is the GDP generated by tourism industries, including hotels, travel agents, tour operators, airlines and other passenger transport services, as well as the activities of restaurants and leisure industries that deal directly with tourists. Indirect contribution includes the contribution to GDP and jobs from capital investment spending by tourism industries, government spending in support of general tourism activities and purchase of domestic goods and services directly by tourism industries as inputs to their final tourism output. Induced effect is the broader contribution to GDP and employment of spending by those who are directly or indirectly employed by tourism industries. See [https://wttc.org/Research/Economic-Impact](https://wttc.org/Research/Economic-Impact)
directly contributes 2.2 percent of Gross Domestic Product (GDP). However, growing linkages between tourism and the rest of the economy imply that the indirect contribution of tourism is much higher. If its indirect contributions are also considered, then its share in GDP increases to 6.7 per cent and its share in total employment turns out to be 6.9 percent.

Tourism has propelled growth of accommodation business, including homestays in far-flung areas that provide self-employment and backward linkage opportunities. In 2019, there were 1,289 registered accommodation companies and these provided about 43,999 beds (international five star to tourist standard lodgings), and 389 homestay units. Similarly, the number of registered travel, trekking and rafting companies was 3,680, 2,764, and 81 respectively. In addition, Nepal has licensed 4,200 tour guides, 17,625 trekking guides, and 266 river guides who mostly work seasonally as freelancers.

**IMPACT OF COVID 19**

Nepal has thus far avoided a severe health impact from the pandemic, as of August 31 there were 240 confirmed cases per million and the case fatality rate (CFR) was 0.58 per cent. However, the effect on the economy, especially the travel and tourism sectors, is expected to be devastating. With the adoption of non-medical interventions to contain the spread of COVID infection, the travel and tourism sectors have come near to standstill by the third week of March. The flow of international tourists dropped by 73.3 percent in March compared with the same period of the previous year and by almost 100 percent from April onward, in contrast to an 8.6 percent increase in 2019.

![Figure 3: Tourist inflows (% change over the same period of previous period)](source)

Source: Nepal Rastra Bank

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12 Ministry of Culture, Tourism and Civil Aviation, Nepal Tourism Statistics 2019, Kathmandu, Nepal. 2020
14 Ministry of Culture, Tourism and Civil Aviation, Nepal Tourism Statistics 2019, Kathmandu, Nepal. 2020
percent increase during the first six months of 2019 (Figure 3). Because of the tourism sector’s supply linkages in goods and services and its strong multiplier effect, it is estimated that the negative impact of COVID-19 on the economy could be as much as three times the loss of tourism receipts.\textsuperscript{16} The survey conducted by Nepal Rastra Bank, the central bank of Nepal, shows that 91 percent of hotel and restaurants and 76 percent of transport enterprises were not operational after the outbreak of COVID-19 while economy-wide closure rate of enterprises was 62 per cent. As a result, hotel and restaurants laid off more than 40 percent of the workers and transport enterprises laid off 18 percent.\textsuperscript{17} This may lead to an increase in poverty and inequality and reverse nature and cultural conservation efforts.\textsuperscript{18}

**OPPORTUNITIES FOR NEW PATHWAYS**

Despite the fact that tourism industry is highly vulnerable to numerous environmental, political, and socio-economic risks, it has previously shown its resilience, as seen in the aftermath of the Maoist insurgency or the great earthquake of 2015. The nature and intensity of COVID-19, however, indicates that this crisis is different, and could lead to profound and long-term structural changes to tourism as a socio-economic activity and industry.\textsuperscript{19} Nonetheless, the crisis also provides unprecedented opportunities to redefine the tourism sector’s relationship with nature, climate and the economy and to transform the sector.\textsuperscript{20} The following initiatives may contribute to substantial, meaningful and positive transformation of tourism in post-COVID-19 era, in addition to implementing and communicating health protocols.

First, sustainability should be the core of growth of all sectors of tourism by addressing climate change and wherever possible, to move towards a circular economy or regenerating economy. One of the key tourism sectors in Nepal is adventure tourism, including trekking, rafting, mountaineering and other adventure activities. This can be restructured by blending natural and cultural experiences to make tourism sustainable. We need to learn lesson from past mistakes of prioritizing quantity over quality,
and destruction over sensible development that can positively influence quality of life and the environment for communities dependent on tourism.\textsuperscript{21} For this to happen, the portfolio of tourism market has to be diversified; tourism infrastructure and service provisions, particularly at remotely located destinations have to be improved; high value tourism destinations have to be developed selectively in contrast to ‘free for all’ destinations, and professionalism has to be built in sustainable tourism practices.\textsuperscript{22}

Second, technology is at the core of the solution for combating COVID-19 and reopening the economy. There has been an increased use of robotics, artificial intelligence, and humanoid robots in delivering materials, disinfecting and sterilizing public places, detecting and measuring body temperature, providing safety and security to contain the spread of COVID-19 in hospitals, airports, hotels, restaurants and community in general.\textsuperscript{23} In addition, big data has been used for fast and real-time decision making. While the potential job losses incurred by the adoption of this technology will be a source of controversy, it is highly likely that the travel and tourism sectors will use new digital technology after the COVID-19 pandemic becomes less serious as digitalization and innovation provide opportunities to scale up operational procedures that make travel safe and seamless and minimize wastes. In addition, it would help enhance the competitiveness and agility of MSMEs to reach customers, provide added value jobs and implement effective health protocols.\textsuperscript{24} It is therefore necessary that the government unveil recovery packages with a special focus to encourage maximum use of new technology, promote digitalization of MSMEs and invest in digital skills.

Third, the success of the tourism sector depends on the adoption of an approach towards building partnerships at all levels, consistent with vertical coordination between the three tiers of government - federal, provincial and local - as well as the adoption of evidence-based policy with a focus on community wellbeing.\textsuperscript{25} It also demands enhanced coordination across sectors supporting tourism.

\textsuperscript{22} Op. cit.
\textsuperscript{25} UNWTO and UNEP, Tourism and the Sustainable Development Goals – Journey to 2030, 2017.
such as air and road transport, technology, trade, investment, education, culture and strong public/private partnership beyond the concept of existing Nepal Tourism Board.

Fourth is the promotion of domestic tourism. One can observe an increasing trend of more than 6 million middle-class Nepalis visiting different parts of the country for trekking, paragliding, rafting, bungee jumping, rock climbing, jungle safari, and sightseeing. Domestic tourism can have a positive economic impact at both the national and local level. It not only creates employment opportunities for the local people but also promotes local entrepreneurship. From a national perspective, it helps balanced regional development, promotes inclusive growth, and reduces vulnerability of the tourism by reducing dependency on foreign tourists.

CONCLUSION

The ‘sudden halt’ in tourism arrivals and receipts caused by the outbreak of COVID-19 will have a devastating impact on the economy and tourism enterprises in Nepal. Based on the previous pandemic, the World Travel & Tourism Council projects that tourism is likely to recover more slowly than other industries, taking perhaps as long as 19 months. In the meantime, the pandemic will have a long-term impact on both supply and demand for tourism. Thus, it is imperative that the Nepali government supports the tourism sector beyond the existing ‘relief package’ (postponement of debt servicing and liquidity support), by enabling tourism enterprises to bring out transformative changes in the industry. Such a recovery package may include support on the use of new digital technology, digitalization of MSMEs, investment in green infrastructure, and development of a professional tourism industry workforce.


Containing the spread of panic is as important as stopping the coronavirus itself,
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Dr. Pandey has more than 25 years of experiences working on issues of trade, economy and development. Currently, he is the Chairman at South Asia Watch on Trade Economics and Environment (SAWTEEE), a think tank working to build capacity of concerned stakeholders in the context of liberalization and globalization and which also works as a consortium of South Asian NGOs. He holds a PhD in Economics, and Master’s Degrees in Business Management and in Economics. Dr. Pandey has served as a Member of the UN Secretary General High-Level Panel on Technology Bank, New York. He is listed in the Indicative Panelist of the Dispute Settlement Body of the World Trade Organization (WTO), Geneva. He is a Member in various high-level committees of the Government of Nepal, including, High-Level Foreign Policy Review Task Force, Board of Trade and Nepal Business Forum. Dr Pandey has also served as an Economic Expert in Prime Minister’s Advisory Board and was a Member of the National Planning Commission, an apex policy making body of the Government of Nepal. He was one of the negotiators for Nepal’s accession to the WTO. Dr Pandey has worked for the UNDP in Nepal on the issues of multilateral trade integration and trade related capacity building. He has also worked as a consultant to UNDESA, New York; Asian Development Bank, Manila; UNESCAP, Bangkok; FAO, Bangkok; ODI, London among others. He was a faculty at the Central Department of Economics, Tribhuvan University, Kathmandu. Dr. Pandey has extensively published on the issues of international trade, macroeconomics and development and presented papers in various international seminars.