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RESEARCH CENTRE

Navigating Opportunities:

Future of Key Tourism Sector in Gandaki Province

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**Background paper on
Tourism sector in Gandaki Province**

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Introduction

Gandaki Province serves as a key tourism hub in Nepal, with Pokhara declared as the tourism capital on March 17, 2024. This declaration emphasizes the province's strategic role in the national tourism sector and its economic contribution, supported by its diverse natural, cultural, historical, and religious resources. The province's policies and programs for the fiscal years and also reflected this focus.

The periodic plan of Gandaki Province¹ identifies natural, cultural, adventure, and spiritual tourism as key areas for development, with other reports also noting the importance of business and religious tourism. However, the absence of a clear categorization of tourism subsectors has led to difficulties in accurately assessing and aligning the economic contributions of these sectors. Key informant interviews (KII) with officials from the Ministry of Tourism have underscored this issue, highlighting it as a significant challenge that affects studies, budget allocation, and prioritization efforts.

For this study, four tourism subsectors have been identified based on official documents and reports, including the Periodic Plans of Gandaki Province, which set out long-term strategies, and Annual Plans and Programs, which establish short-term goals. Additionally, various tourism-related reports and a recent economic report from Nepal Rastra Bank (NRB) have provided relevant data and insights. The paper will examine the following four main tourism subsectors in Gandaki Province:

1. Natural Tourism: Involves rafting, bungee jumping, trekking, and hiking.
2. Cultural Tourism: Focuses on initiatives such as homestays and agri-tourism.
3. Religious Tourism: Centers on spiritual well-being and pilgrimage.
4. Entertainment Tourism: Encompasses activities like resort stays, sightseeing, shopping, and clubbing.

Tourism as Economic Driver:

Based on data from the National Statistics Office for 2023/24², the tertiary sector has shown notable growth across Nepal's provinces. Gandaki Province leads with a growth rate of 5.33%, surpassing the national average of 4.50%. This rate is higher compared to Gandaki's primary sector (3.28%) and secondary sector (3.29%), reflecting a significant shift towards service-based activities.

¹ Planning Commission Office, Gandaki Province. (n.d.). गण्डकी प्रदेशको प्रथम पञ्चवर्षीय योजना [First Five-Year Plan of Gandaki Province]. Planning Commission Office, Gandaki Province. http://ppc.gandaki.gov.np/downloadfiles/गण्डकी-प्रदेशको-प्रथम-पञ्चवर्षीय-योजना_compressed-1712140846.pdf
Planning Commission Office, Gandaki Province. (2024). दोस्रो पञ्चवर्षीय योजना आधारपत्र २०८० [Second Five-Year Plan Base Document 2080]. Planning Commission Office, Gandaki Province. <http://ppc.gandaki.gov.np/downloadfiles/दोस्रो-पञ्चवर्षीय-योजना-आधारपत्र-२०८०-1712120788.pdf>

² Government of Nepal, Office of the Prime Minister and Council of Ministers, National Statistics Office. (2024). National Accounts of Nepal 2023/24: National Report. National Statistics Office. https://giwmscdnone.gov.np/media/pdf_upload/National_Account_of_Nepal_2023-249_National_Report.pdf

Provincial GDP Growth rates by broad Economic Classification, 2023/24

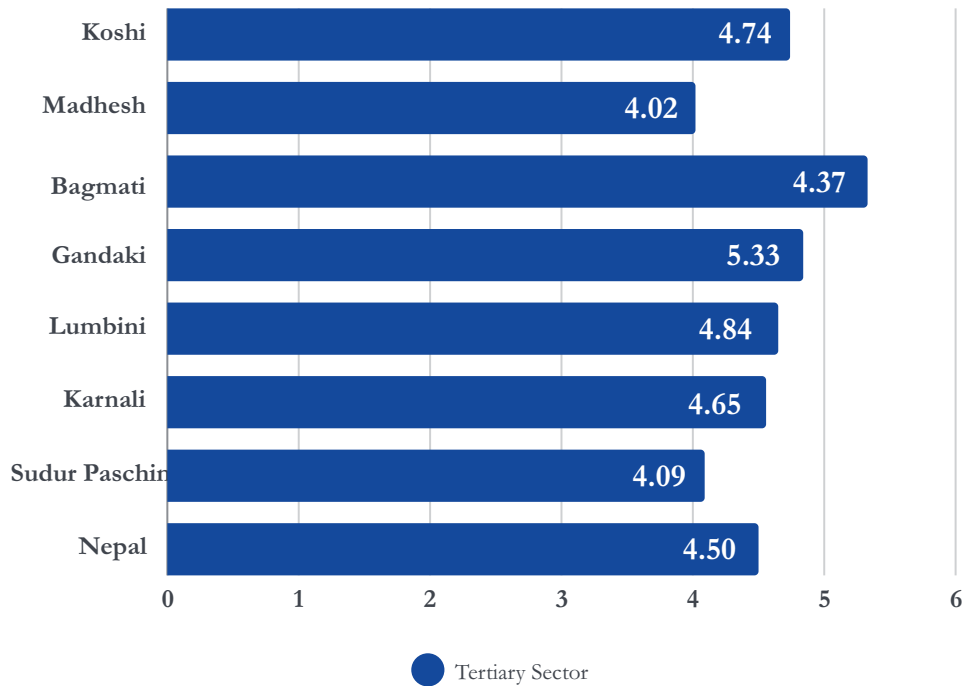


Figure 1, Contribution of Tertiary Sector in Seven Provinces of Nepal

As per the Gandaki Province Economic Survey 2081³, in fiscal year 2079/80, the service sector, largely driven by tourism, accounted for 56.60% of Gandaki Province's GDP, surpassing the national average. For 2080/81, the service sector's contribution was projected to increase slightly to 56.80%.

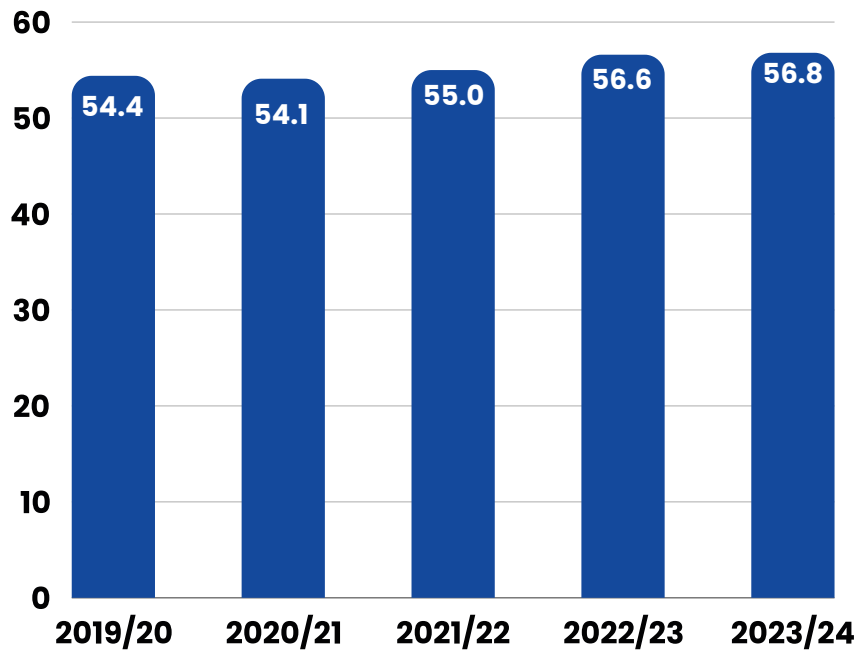


Figure 2, Contribution of Service Sector in Gandaki Province from Fiscal Year 2019/20 to 2023/24

³ Ministry of Economic Affairs, Gandaki Province. (2024). गण्डकी प्रदेश सरकार, प्रदेश आर्थिक सर्वेक्षण, जेष्ठ २०८१ [Gandaki Province Government, Provincial Economic Survey, Jestha 2081]. Ministry of Economic Affairs, Gandaki Province, Nepal.

https://mof.gandaki.gov.np/media/publication/files/गण्डक_परदश_आर्थिक_सर्वेक्षण_२०८१_परकशत_मत_२०८१०३०१_compressed.pdf

Accommodation and hospitality services, key components of the tourism industry, were expected to contribute 4.7% to Gandaki Province's GDP in fiscal year 2080/81.

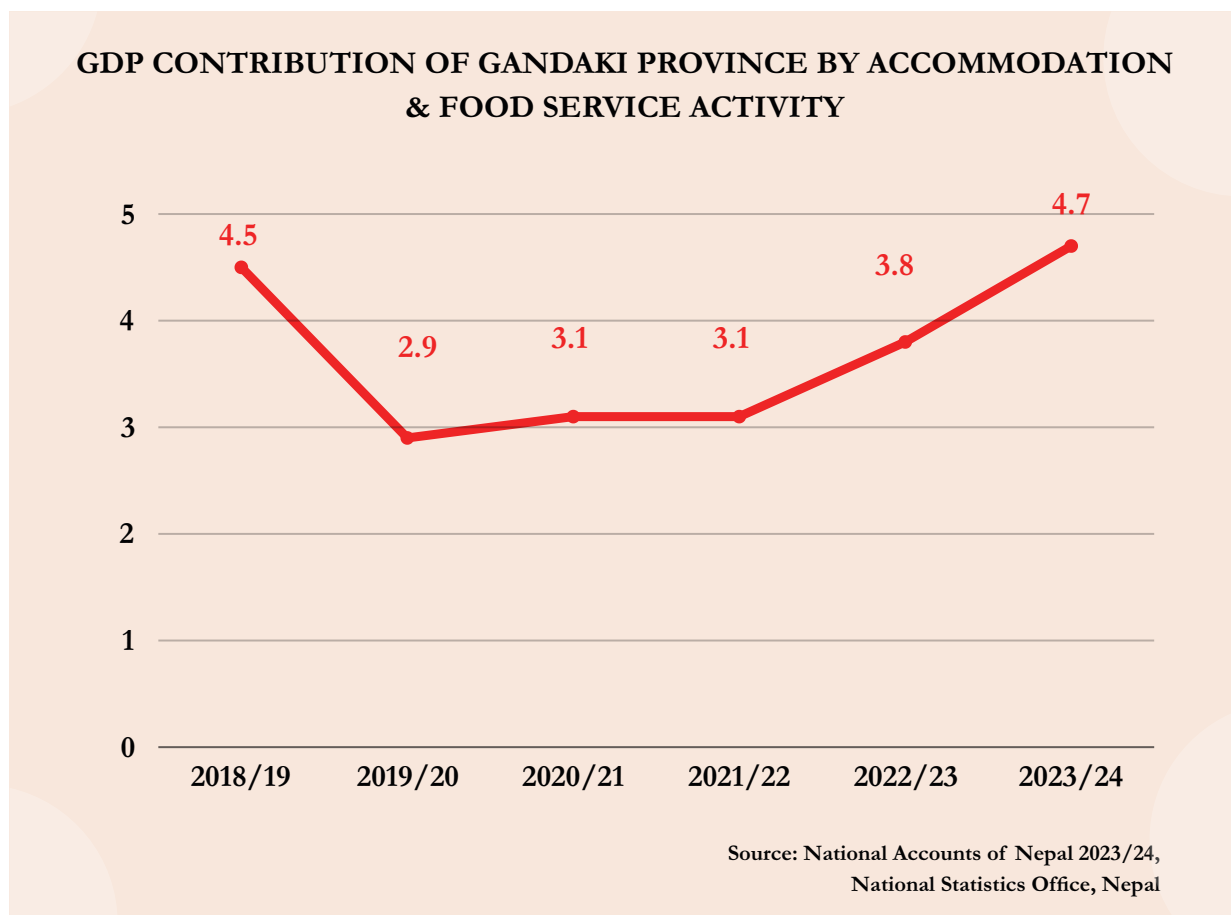


Figure 3, Contribution of Gandaki Province by Accommodation & Food Service Activity

However, this figure appears to contradict the larger contribution of the service sector to GDP. The discrepancy arises from the fact that tourism is not properly isolated as a distinct category within the service sector. Tourism-related activities are spread across various subsectors, including transportation, retail, and cultural services, making it challenging to accurately quantify tourism's specific contribution to the province's GDP. This lack of precise categorization makes it difficult to substantiate claims about tourism being the major contributor to the Province's GDP, despite its known significance to the local economy.

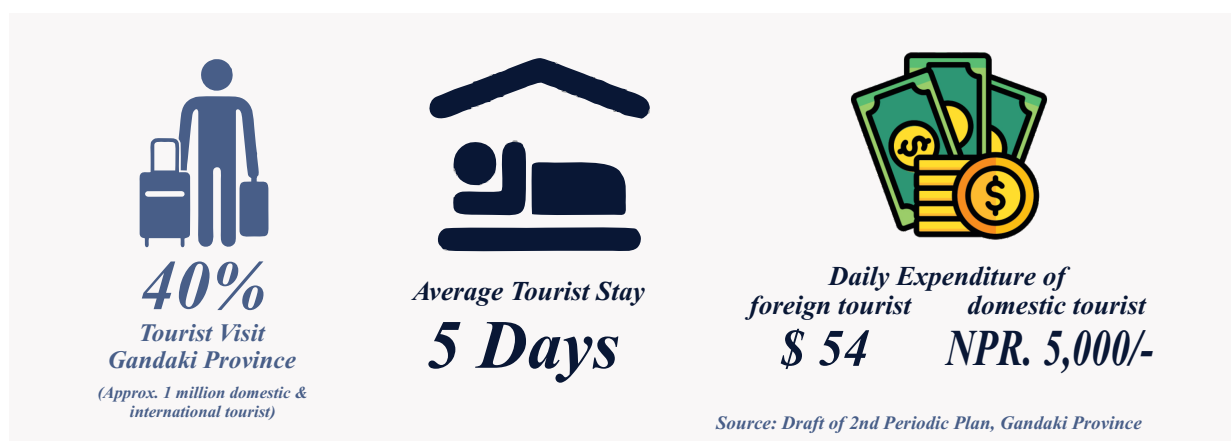


Figure 4, Tourist & Expenditure Pattern in Gandaki Province in Average Stay

The First Five-Year Plan of Gandaki Province set ambitious goals to boost tourism's contribution to GDP from 10% to 15%, with a long-term target of 40%. The service sector's contribution to provincial GDP was projected to rise from 56.60% in fiscal year 2079/80 to 56.80% in 2080/81, signaling the sector's growing importance in the province's economy, particularly in tourism and hospitality. In 2023, tourist arrivals in Gandaki Province increased by 15% from the previous year, reaching about 250,000 and generating an estimated \$50 million in tourism-related revenue, contributing 4% to the province's GDP according to the 2022/23 annual economic survey⁴. The First Periodic Plan⁵ anticipated that the tourism sector would employ 65,000 people, contribute 15% to GDP, and see the hotel and restaurant sector contributing 30% to national gross production. The plan's preamble also highlighted that around 40% of tourists visiting Nepal choose Gandaki Province, with an annual influx of approximately 1 million domestic and international tourists. These tourists typically stay for five days, with foreign visitors spending \$54 per day and domestic tourists spending Rs. 5,000 per day. The plan projected that tourism would contribute 15% of total employment and 10% of the province's GDP. The service sector's steady growth and the strategic focus on enhancing tourism and hospitality services align with global trends, underscoring the critical role of tourism in driving economic growth in Gandaki Province.

Infrastructure and market dynamics:

According to the Economic Survey of Gandaki Province for the fiscal year 2022/23, The number of foreign tourists visiting the province increased from 1,04,429 in the fiscal year 2021/22 to 2,45,749 in 2022/23. This trend indicates a growing interest in the region's tourism sector. It is anticipated that this upward trajectory will continue, with projections suggesting further increases in tourist numbers for the current fiscal year 2023/24.

	2018/19	2019/20	2020/21	2021/22	2022/23
Indian	120938	44809	2236	84740	198182
Others	178037	83839	1177	19689	47567
Total	298975	128648	3413	104429	245749

Figure 5, Number of Tourist Entering Gandaki Province from Fiscal Year 2018/19 to 2022/23

According to ICCRD, the tourism sector is categorized into five distinct data sets as of the end of fiscal year 2023/24. Tourism and trekking agencies are recognized as separate entities providing different services. However, the categorization does not include any explanation or standards for hotels, lodges, and restaurants, leaving a gap in the assessment of these key tourism facilities.

⁴ Office of the Chief Minister and Council of Ministers (OCMCM), Gandaki Province Government, Provincial and Local Governance Support Programme (PLGSP), Provincial Programme Implementation Unit (PPIU). (2023). *Gandaki Province Government Annual Progress Report 2079/80 (2022 23)*. <https://plgsp.gov.np/sites/default/files/2023-09/Gandaki%20Annual%20Progress%20Report-%202079-80%20%282022-23%29.pdf>

⁵ Planning Commission Office, Gandaki Province. (n.d.). गण्डकी प्रदेशको प्रथम पञ्चवर्षीय योजना [First Five-Year Plan of Gandaki Province]. Planning Commission Office, Gandaki Province. http://ppc.gandaki.gov.np/downloadfiles/गण्डकी-प्रदेशको-प्रथम-पञ्चवर्षीय-योजना_compressed-1712140846.pdf



Figure 6, No. of Tourism Infrastructure of Gandaki Province by ICCRDP, Kaski till the end of 2080

The tourism infrastructure data for Gandaki Province shows concentration in Kaski district, centered in Pokhara. This aligns with Pokhara's status as Nepal's tourism capital. Kaski accounts for 89% of accommodations and over 98% of travel and trekking agencies in the province. The data indicates a disparity in tourism development across the province. The number of trekking guides and agencies highlights the focus on adventure tourism. The low count of water adventure businesses suggests an underdeveloped sector. This data demonstrates Pokhara's role in Nepal's tourism industry and indicates potential for growth in other districts of Gandaki Province.

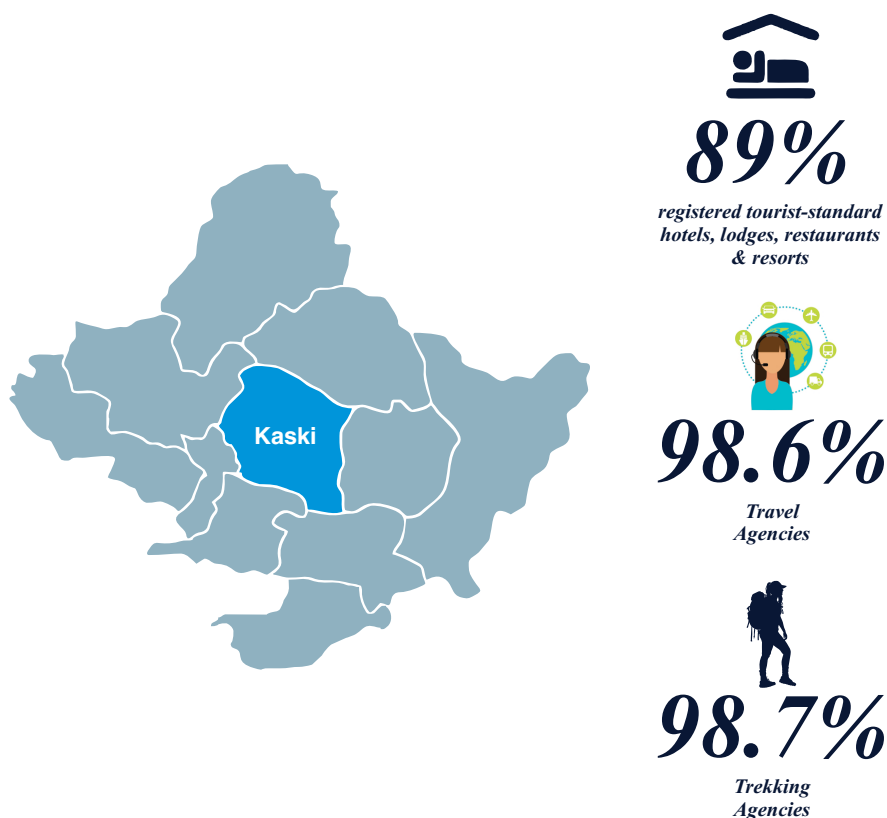


Figure 7, Centralization of Tourism Infrastructure in Kaski, Gandaki Province

In contrast, the districts of Gorkha, Tanahu, and Nawalpur lack registered tourism services, indicating limited tourism infrastructure in these areas. Districts such as Mustang, Manang, Myagdi, and Lamjung show moderate levels of tourism activity, with Mustang having 16 tourist-standard establishments and Manang with 10. Myagdi and Lamjung have fewer establishments but still contribute with a mix of hotels and trekking services.

Parbat and Baglung districts have minimal registrations, with Parbat having 5 hotels and 2 guides, and Baglung having 3 hotels and 4 guides. Syangja has some activity with 4 travel agencies, 3 trekking agencies, and 6 guides, but lacks tourist-standard hotels.

Market trends indicate a segmented tourism industry in the region, as detailed in a Special Study Report for FY 2023/24 by the Research Unit of Nepal Rastra Bank's Pokhara Office⁶. The study focused on six districts in Gandaki Province, with Kaski receiving particular emphasis due to its high tourist arrivals and developed infrastructure. Kaski accounted for 55% of the sample, followed by Manang and Mustang at 15% each, and Myagdi, Gorkha, and Nawalparasi (East) at 5% each.

Data was collected through questionnaires administered to selected tourists and group discussions with tourism entrepreneurs at the Nepal Rastra Bank's Pokhara office. The analysis utilized descriptive methods, including averages, percentages, tabulation, and charts via Microsoft Excel.

The study faced several limitations, such as focusing on easily accessible locations due to geographical challenges, which restricted the field survey to six districts. Out of 400 tourists surveyed, 16 responses were excluded as outliers, leading to the analysis being based on the remaining 384 responses. Additionally, analyzing itemized expenses for tourists using package deals was challenging, so the study focused on independent travelers. Resource constraints also meant that the study might not fully represent the broader tourism sector.

The report highlights that the average tourist stay in the region is 12 days, with a daily expenditure of NPR 8,355.29 (USD 62.89). Tourists on package tours spend more, averaging NPR 11,866.09 (USD 89.31) per day, compared to independent travelers who spend an average of NPR 7,217.31 (USD 54.32) daily. The research also indicates a strong potential in the trekking sector, as a significant portion of tourists are engaged in trekking activities.



Figure 8, Average tourist Expenditure in Gandaki Province by NRB report

Given the findings, it is clear that there is a need to align government-funded research with the categorization of tourism products. Since entertainment, business tourism, and other categories are not mentioned in the Periodic Plan of Gandaki Province or in its annual policies and plans, focusing on these segments could enable the government to better target infrastructure and marketing efforts. This alignment would help to more effectively match tourist preferences, optimize resource use, and support the sustainable growth of Gandaki Province's tourism industry.

⁶ Nepal Rastra Bank. (2024). गण्डकी प्रदेश भ्रमण गर्ने विदेशी पर्यटकहरूको बसाई तथा खर्चको प्रवृत्ति विशेष अध्यन प्रतिवेदन आ.व. २०८०/८१ [Special Study Report on the Stay and Spending Patterns of Foreign Tourists Visiting Gandaki Province, FY 2080/81]. <https://www.nrb.org.np/contents/uploads/2024/07/Final-Report.pdf>

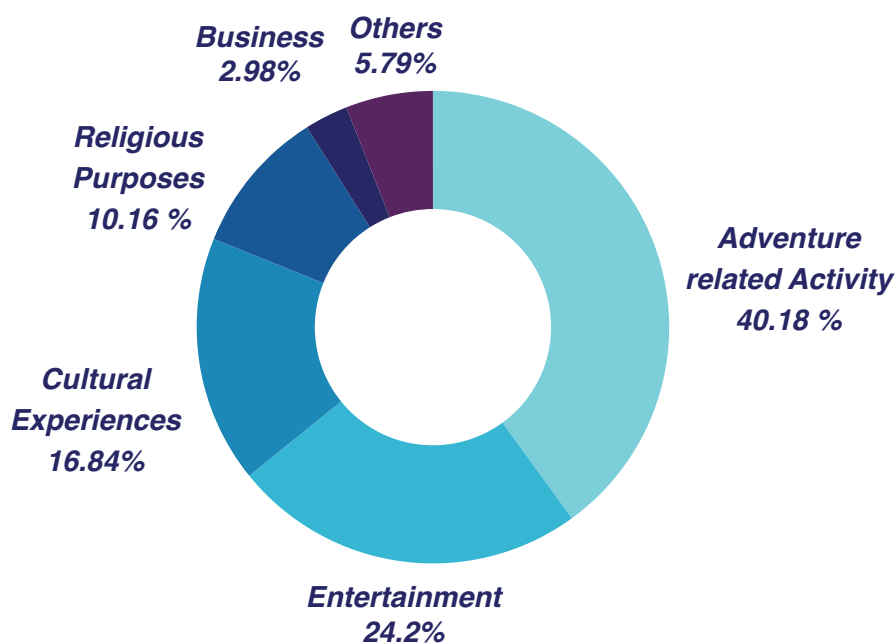


Figure 9, Percentage of Tourist in Gandaki Province for different purpose

Policies and program:

Gandaki Province has prioritized tourism as a key driver of economic growth and development. This analysis compares the First Periodic Plan (2076/77-2080/81)⁷ and the Second Periodic Plan (2081/82-2085/86)⁸, examining their strategies, targets, and budget allocations for the tourism sector.

First Periodic Plan (2076/77-2080/81)

The First Plan ranked tourism as the fourth leading indicator of provincial prosperity, setting ambitious targets for 2080/81:

- Employment: 65,000 jobs in tourism
- GDP Contribution: 15% from tourism sector
- Tourist Arrivals: 800,000 foreign and 1.2 million domestic tourists

Key Strategies

1. Linking tourism with local agricultural production
2. Developing tourism infrastructure and products
3. Enhancing income and employment through tourism
4. Strengthening international tourism engagement

Major Projects

- Fewa Lake conservation (Budget: 492 crores)
- Pokhara-Dedgaun-Dumkiwas, Triveni road development (Budget: 440 crores)
- Homestay development and capacity building

⁷ Planning Commission Office, Gandaki Province. (n.d.). गण्डकी प्रदेशको प्रथम पञ्चवर्षीय योजना [First Five-Year Plan of Gandaki Province]. Planning Commission Office, Gandaki Province. http://ppc.gandaki.gov.np/downloadfiles/गण्डकी-प्रदेशको-प्रथम-पञ्चवर्षीय-योजना_compressed-1712140846.pdf

⁸ Planning Commission Office, Gandaki Province. (2024). दोस्रो पञ्चवर्षीय योजना आधारपत्र २०८० [Second Five-Year Plan Base Document 2080]. Planning Commission Office, Gandaki Province. <http://ppc.gandaki.gov.np/downloadfiles/दोस्रो-पञ्चवर्षीय-योजना-आधारपत्र-२०८०-1712120788.pdf>

Second Periodic Plan (2081/82-2085/86)

Objectives and Projections

The Second Plan adopted a market-oriented approach, projecting:

- Service sector GDP contribution: Increase from 56.03% (2079/80) to 57.08% (2085/86)
- Hotels and restaurants GDP contribution: Rise from 3.87% (2079/80) to 4.81% (2085/86)

Key Initiatives

- Developing Pokhara as a major tourist capital
- Promoting districts as distinct tourist destinations
- Establishing multi-tourism villages
- Implementing Tourism Service Fee Operational Program

Major Projects

1. Pokhara Ring Road Construction
2. Great Machhapuchhre Trail and Annapurna Base Camp Footpath Development
3. Chapekot Ramdanda Tourism Development
4. International Yoga and Meditation Center Construction
5. Modibeni Dham Religious Tourist Area Development

Specific allocations in 2024/25 fiscal year:

- "Koseli Ghar" local product promotion: NPR 46 million
- Mukti Marg route feasibility study and construction: NPR 10 million

The comparison reveals a shift from broad infrastructure development in the First Plan to more targeted, market-driven initiatives in the Second Plan. Both plans emphasize sustainable tourism and local economic integration, but the Second Plan shows a more refined approach to market demands and revenue generation through tourism services.

Annual Tourism Budget and Programs:

The provincial government declared 2019 as "Internal Tourism Year," 2020 as "Neighboring Country Tourism Year," and 2022 as "Pokhara Tourism Year," aiming to attract 2 million tourists by 2022. To support this goal, the province government prepared a province-level tourism master plan and developed a provincial tourism policy. Programs included tourism infrastructure development, tourist data management, homestay management assistance, footpath maintenance and expansion, and beautification efforts.

The tourism budget in Gandaki Province has seen a significant decline over recent years. In the fiscal year 2019/20, the Ministry of Industry, Tourism, Forest, and Environment received 6.32% of the total budget. This share decreased to 5.29% in 2020/21. By 2021/22, following the separation of ministries, the allocation for tourism dropped sharply to just 1.50%. In 2022/23, the tourism sector's share slightly increased to 1.73%. Overall, the budget allocation for tourism has reduced substantially from 6.32% in 2019/20 to 1.73% in 2022/23, reflecting a decreased focus on tourism in the provincial budget.

The provincial budget of Gandaki Province for the fiscal year 2024/25⁹ emphasizes a strategic focus on market-oriented production, sustainable tourism, entrepreneurship, and industrial development. This analysis delves into the specific allocations and initiatives aimed at promoting these sectors.

Tourism Development and Promotion

- 1. Tourism Promotion Programs:** The budget emphasizes increasing the influx of domestic and foreign tourists through a collaborative promotional program with the private sector. By creating and marketing various tourism packages under the campaign "home first and foreign first," the province aims to enhance its tourism appeal both locally and internationally.
- 2. Development of Tourism Satellite Destinations:** A significant budget has been allocated for developing 11 tourism satellite destinations in collaboration with Pokhara, a major tourist hub, and surrounding local levels. This initiative is intended to distribute the benefits of tourism more evenly across the province, ensuring that emerging destinations receive adequate support.
- 3. Protection and Upgrading of Trekking Footpaths:** Recognizing the importance of trekking tourism, the budget includes provisions for the protection, development, and upgrading of trekking footpaths in iconic regions such as Annapurna, Manaslu, Dhaulagiri, Machhapuchhre, and Mardi. The "Protection of Footpaths - Promotion of Tourism" campaign reflects a commitment to maintaining the quality of trekking routes, which are vital for sustaining the trekking tourism sector.
- 4. Religious Tourism Promotion:** The budget earmarks funds for the promotion and development of major religious sites within the province, such as Gajendramoksha Dham, Muktinath, and Manakamana. By enhancing these sites, the government aims to tap into the growing religious tourism market, attracting more pilgrims and tourists.
- 5. Homestay and Rural Tourism Development:** The "Go Homestay and Enjoy Local Art Culture" program is a key initiative in the budget, with funds allocated for infrastructure development and capacity-building in homestays. This approach integrates rural tourism with local production and employment, offering tourists an authentic experience while boosting the local economy.
- 6. Cycling Tourism Infrastructure:** The budget highlights the construction of lake-to-lake cycling routes in Jomsom, Vandipur, and Pokhara, promoting cycling as a sustainable tourism activity. The "Round Fewa View Fewa" program is given high priority, reflecting the province's focus on diversifying its tourism offerings.
- 7. Mountain Climbing Training Programs:** To bolster adventure tourism, the budget allocates funds for training programs related to mountain climbing. Additionally, the

⁹ Gurung, T. (2024). आर्थिक वर्ष २०८१/८२ को बजेट वक्तव्य [Fiscal Year 2081/82 Budget Speech]. Ministry of Economic Affairs, Gandaki Province.
https://mof.gandaki.gov.np/media/publication/files/बजेट_वक्तव्य_२०८१_८२_final.pdf

province plans to honor and encourage local climbers, fostering a culture of adventure tourism.

Sustainable Forest Management and Environmental Conservation

- 1. Forest Sector Contribution to Economic Development:** The budget plans to formulate and implement laws and guidelines that support the forest promotion system, aiming to increase the forest sector's contribution to the province's economic development.
- 2. Climate Change Adaptation and Biodiversity Conservation:** To mitigate climate change impacts, the budget provides for enhancing local communities' adaptive capacities and promoting climate-sustainable development. The development of Marsyangdi, Kaligandaki, and Seti Madi watershed areas for various purposes (city, agriculture, tourism, and industrial corridor) is also highlighted.
- 3. Human-Wildlife Conflict Mitigation:** A budget has been allocated for establishing a Zoological Park and Wildlife Rescue Center in Kaski, aimed at managing human-wildlife conflicts and providing relief and rescue services for affected wildlife.
- 4. Agroforestry and Watershed Management:** The budget supports the expansion of national priority herbs and non-timber forest products and promotes agroforestry on public and private lands. The "One Community Forest One Pond Program" will continue, focusing on groundwater recharge and wildlife habitat water provision.
- 5. Urban Greening Initiatives:** Lastly, the budget emphasizes urban greening through the "Green Urban Campaign," which will be implemented in partnership with local levels to maintain a healthy environment in urban areas.

In the fiscal year 2023/24¹⁰, the Gandaki Province government undertook several initiatives aimed at promoting tourism, fostering industrial development, and generating employment. These initiatives were aligned with the overarching goal of enhancing the province's economic potential while preserving its natural and cultural heritage.

Tourism Promotion

Development of Tourist Infrastructure: The province embraced the principle of "Strong Tourist Infrastructure, the Basis of Development of Gandaki Province" and aimed to position Gandaki as a major tourist hub in Nepal. This was achieved by developing natural, cultural, religious, environmental, and adventure tourism areas, as well as by protecting and promoting historical heritage sites. These efforts were carried out in collaboration with the private sector.

Feasibility Studies and Infrastructure Construction: Budget allocations were made for the feasibility studies and infrastructure development of potential tourist trails and spots such as the Annapurna Trail, Machhapuchhre Trail, Dhaulagiri Trail, Millennium Trek, Dr. Harka Gurung

¹⁰ Gandaki Province Government, Ministry of Economic Affairs. (2080). वार्षिक विकास कार्यक्रम २०८०/८१ [Annual development program 2080/81]. https://mof.gandaki.gov.np/media/publication/files/वरषक_वकस_कर्यकरम_फइनल_2080-81.pdf

Trail, and others. Additionally, feasibility studies for new tourist trails in the Himalayan and hilly regions, including areas like Manvu, Kashigaon, and Dhunche-Chumchee, were initiated.

Establishment of "Koseli Ghar": To boost tourism and extend tourists' stays, a budget of NPR 46 million was allocated for establishing "Koseli Ghar." This initiative aimed to build infrastructure for the "One Province Constituency: One Model Homestay" program and facilitate the sale and distribution of local products, including handicrafts, woodwork, and sculptures. The program was expected to create jobs and increase local income.

Promotion of Tourist Attractions: In collaboration with the private sector, the province allocated funds for promoting Gandaki's tourist attractions in both national and international markets through digital and print media. These efforts were intended to significantly increase tourist traffic in key areas, particularly in Pokhara.

Religious Tourism Development: The budget emphasized the protection and promotion of famous religious, historical, cultural, and natural sites within the province. Efforts were made to attract international tourists through visits by religious gurus to significant pilgrimage sites.

Muktimarg Feasibility Study: A budget of NPR 10 million was allocated for the detailed feasibility study and construction of the Muktimarg, a route connecting Lumbini, Muktinath, and Kailash mountain, in coordination with other provinces.

Tourism Information Center: To assist tourists in planning their journeys, a "Tourism Information Center" was established, providing comprehensive information about the natural, religious, cultural heritage, and tourist sites within Gandaki Province.

Five-Year Strategic Plan: With the aim of creating employment opportunities, a budget was allocated to develop a "Five-Year Strategic Plan" by the Ministry of Industry and Tourism. This plan focused on enhancing technical efficiency and entrepreneurship through vocational, skill-oriented, and capacity development training programs in rural and underprivileged communities.

Challenges & Recommendations:

Challenge:

- **Regulatory Ambiguities:** Section 4 of the Gandaki Province's Tourism Act¹¹ details the classification of travel and trekking agencies, with corresponding facilities provided by the provincial government based on these classifications. However, the Act does not specify the criteria for these classifications, leaving it unclear whether they are based on service quality, agency size, or the types of services offered. This lack of clarity has led to confusion in the industry. The absence of clear rules, processes, and categorization criteria has similarly affected the implementation of similar provisions in the 1997 amendment to the Federal Tourism Act of 1978.

Additionally, in Nepal, travel and trekking agencies are required to register separately as distinct entities, even though global trends in adventure tourism typically allow for a single

¹¹ Gandaki Province Government. (2079). गण्डकी प्रदेश पर्यटन ऐन, २०७९ [Gandaki Province Tourism Act, 2079]. Published by Gandaki Province Government. <https://motics.gandaki.gov.np/?p=45414>

registration. This dual registration requirement raises questions about its necessity and efficiency. For instance, data from the ICCRPD¹² of Gandaki Province indicates that by the end of the fiscal year 2080/81, 464 travel agencies, 240 trekking agencies, were operating in the province. This highlights the complexity and potential redundancy in the current registration system, which may not align with international practices and could contribute to challenges faced by agencies in the region.

Recommendation

Establishing clear criteria for categorizing travel and trekking companies is essential, as it provides a foundation for assessing the quality and range of services they offer. This classification not only helps customers make informed decisions but also improves the overall efficiency and convenience of the travel booking process. The provincial government should take the initiative to define specific criteria for classifying travel and trekking agencies under this Act. During the amendment process, this provision should be clearly articulated to remove any ambiguity. Furthermore, detailed guidelines on agency classification should be included in the accompanying regulations and directories to ensure consistency and transparency.

Additionally, the provincial government should work closely with the central government to align the provincial Act with the broader federal framework. This collaboration will help ensure that the provincial legislation is well-integrated with the central Act, providing a coherent legal structure that effectively guides the classification and regulation of travel and trekking agencies across the province.

- **Foreign Currency Regulations:** Section 7 of the Act requires travel and trekking companies to conduct business with foreign visitors in a manner that ensures payments are made in convertible foreign currency as designated by the Government of Nepal. All foreign currency transactions must be processed through the Nepal Rastra Bank. However, this requirement poses challenges for travel and trekking firms, particularly for routine services like selling a bus ticket to a foreign visitor, where dealing in foreign currency can be cumbersome. This mandate can impede travel agents' ability to provide high-quality services. While ensuring payments in convertible foreign currency is a sound practice, applying this requirement to every service, regardless of its scale, can actually diminish the quality of tourist services in an effort to increase foreign exchange. Obtaining a license for foreign currency transactions is a complex process, and the regulations—such as the need to deposit the money in the Rastra Bank within 24 hours—are not business-friendly¹³. In contrast, hotels, restaurants, lodges, bars, and resorts are not obligated to conduct transactions in convertible foreign currency for the services they provide to foreign tourists. This creates an apparent bias in the Act, favoring these establishments over travel and trekking companies, and is discouraging for the latter's business operations.

¹² Tourism Office, Kaski. (n.d.). *Tourism Office, Kaski Pokhara-08*. Retrieved August 27, 2024, from <https://tourismkaski.gandaki.gov.np/#1625139109735-f2e0cbfc-e2c3>

¹³ Nepal Rastra Bank, Statistics Division, Economic Research Department. (2021). *Financial access in Nepal: Exploring the features of deposit accounts of A, B, C class BFs*. <https://www.nrb.org.np/contents/uploads/2024/07/Final-Report.pdf>

Recommendation

Government policies and legislation should incorporate provisions that benefit businesses (Turok, 2010). Tourism-related enterprises, such as travel and trekking companies, play a crucial role in shaping a positive image of the destination through their direct interactions with tourists. When developing regulations, the government should focus on facilitating these businesses in delivering their services more efficiently (Liu et al., 2020). Therefore, the Act should include a provision allowing travel and trekking companies the flexibility to bypass foreign currency requirements for simple transactions, such as purchasing bus tickets. Implementing this change could address the inconsistency in foreign currency transactions between hotels, resorts, and travel and trekking companies. Additionally, effective communication with the Nepal Rastra Bank is essential to introduce measures that simplify foreign currency transactions for travel and trekking agencies.

- **Conservation over utilization:** Fragmentation in governance and unclear jurisdictional roles within the Annapurna Conservation Area Project (ACAP)¹⁴ pose significant threats to its long-term success, particularly within Gandaki Province. The lack of coordination and conflicting policies between federal, provincial, and local governments has led to challenges in effectively managing the ACAP, including issues related to resource allocation, waste management, and community participation. The power struggle between local governments and Gandaki Province over the management of the Annapurna Conservation Area Project (ACAP) further exacerbates these challenges, risking the success of community-based conservation efforts and the sustainability of tourism in the region.

Recommendation

To address the challenges posed by fragmented governance within the Annapurna Conservation Area Project (ACAP), it is essential to establish clear roles and responsibilities for federal, provincial, and local governments, ensuring that each level of government has well-defined and complementary duties aligned with conservation and community development goals. Strengthening collaboration and communication between these governmental levels is critical to harmonizing policies and avoiding conflicts, particularly in areas like resource allocation and waste management. Enhancing transparency in revenue-sharing and empowering local communities in decision-making processes will foster greater ownership and support for conservation efforts, mitigating the growing resentment among locals. Additionally, the development of integrated waste management infrastructure and responsible trekking¹⁵ facilities should be prioritized, with active involvement from local communities to ensure sustainable tourism practices. The Gandaki Provincial Government's efforts to assume greater jurisdiction over the ACA should be pursued with strong federal support, allowing for region-specific strategies while maintaining national conservation standards. Regular monitoring and evaluation of conservation initiatives will be crucial to adapting policies to the evolving needs of the region, ensuring the long-term success of the ACAP.

¹⁴ Khadka, D. (2019). Responsible tourism discourse and practices in Nepal's Annapurna Conservation Area. *Himalayan Tourism Review*, 13(2), 141-159. <https://doi.org/10.1080/14747731.2018.1516574>

¹⁵ Uchitel, O., Levine, A., & Manning, P. (2017). Responsible tourism discourse and practices in Nepal's Annapurna Conservation Area. *Journal of Sustainable Tourism*, 25(1), 78-99. <https://doi.org/10.1080/09669582.2016.1206113>

- **Tourism Crisis Management and Communication:** Tourism crisis management and communication present significant challenges in Gandaki Province. Tourist rescue operations are often hindered by government regulations; for instance, helicopter rescues in the Annapurna Conservation Area Project (ACAP) require written approval from the Home Ministry. Furthermore, there is no clear emergency contact point for tourists, and specific hospitals or safe locations for their safety have not been designated. As a result, trekkers in the Annapurna region frequently face weather-related emergencies, exacerbated by the lack of access to real-time weather updates, as highlighted in a 2022 study by the International Centre for Integrated Mountain Development (ICIMOD)¹⁶. The problem with fake rescues in Nepal involves tour operators, helicopter companies, and hospitals colluding to scam insurance companies by conducting unnecessary helicopter rescues and medical treatments. These intermediaries exploit tourists by staging emergencies or exaggerating minor ailments, resulting in inflated insurance claims. This fraudulent activity has tarnished Nepal's reputation as a tourist destination.

Recommendation

To address the delays in rescue operations due to bureaucratic hurdles and to enhance tourist safety one effective solution is to include rescue insurance coverage in the visa fees for trekkers. By incorporating a standard insurance fee into the visa cost, all tourists would automatically be covered for emergency rescue operations. This approach would streamline the process, reduce delays caused by administrative procedures, and ensure that immediate medical evacuations and emergency assistance can be provided swiftly. Additionally, it would alleviate financial concerns for trekkers and enhance overall safety standards within the trekking routes in the province. For the safety and security of tourists coming for adventure activities, it is recommended to establish a dedicated emergency response unit. This unit should be clearly identified and widely communicated to tourists as the primary contact for urgent situations. Additionally, create an easily accessible emergency contact system, including a 24/7 helpline and clearly marked emergency stations along trekking routes. Training local guides and trekking agencies to handle emergencies and provide immediate assistance would also be beneficial. Ensuring that this system is well-publicized and integrated into the overall tourist information provided will enhance safety, reduce response delays, and improve rescue procedure.

- **Data Crunch:** Lack of data keeping on tourist entry and exit in Gandaki province led to significant inaccuracies in information, for e.g.: Tourists exiting from the Gandaki Province through any travel means are more than tourists entering and there is no means of triangulation in data of tourist entry and exit. Data's unavailability and inaccuracies impact the development, policy-making, and agenda-setting processes, hindering effective planning and resource allocation. These data gaps undermine the ability to accurately assess tourism trends, forecast needs, and implement strategies to promote sustainable tourism and regional development. Consequently, it affects the overall efficiency and effectiveness of tourism management and governance in the province.

According to our key informant, the Ministry of Tourism previously collected data on tourists entering Gandaki Province via roadways through an informal collaboration with police officials at Tanahu's Abu Khairani and Syangja's Baryang, two border points of the province. However, because this collaboration was unofficial and the Ministry was unable

¹⁶ International Centre for Integrated Mountain Development (ICIMOD). (2023). *Annual report 2022* (ICIMOD Report No. 1038). <https://lib.icimod.org/record/36391> <https://doi.org/10.53055/ICIMOD.1038>

to incentivize the border police, the initiative could not be sustained. It has now been five years since this practice was discontinued, and as a result, we lack data on tourist arrivals and departures, leading to significant gaps in the overall data needed for tourism development.

Recommendation

It is recommended for the Ministry of tourism to continue the collaboration with OCMCM under the PSPLG project for the centralized EMIS system for the centralized data collection of tourism movements within the province. The centralized database would collect and maintain comprehensive records of tourist activities, routes taken, and emergency contact details. This data bank would facilitate better planning and allocation of resources for development and programs, enhance safety measures, and enable more effective management of tourism infrastructure. Additionally, implementing real-time updates and access for relevant authorities would help in responding to emergencies promptly and in making informed decisions for future tourism development.

- **Expensive package:** A Special Study Report for FY 2023/24¹⁷ by the Nepal Rastra Bank Pokhara Office's Research Unit reveals that 46.88 percent of tourists arrive in Nepal with packages booked through international travel companies. This trend is contributing to lower foreign exchange earnings for Nepal, largely due to the lack of collaboration and understanding within the regulatory bodies concerning air tax policies. The imposition of the 13% VAT on international air services¹⁸, without a cohesive strategy to integrate local agencies into the global tourism market, is further exacerbating this issue by driving tourists to opt for international providers. This not only diminishes the revenue potential for local travel businesses but also hinders the overall economic benefits that could be derived from tourism in Nepal. The 13% VAT not only contradicts fundamental taxation principles and international commitments but also directly impacts the competitiveness of Nepal's tourism industry, creating a significant barrier to attracting international visitors and sustaining local businesses. This situation underscores the need for the Nepali government to reconsider the VAT on international air services to ensure that local travel and trekking agencies can remain viable and competitive in the global market.

Recommendation

To address the challenges posed by the 13% VAT on international air services and its impact on Nepal's tourism sector, it is recommended that the government revise its VAT policy to exempt or reduce the tax on international air travel. This would make Nepal a more competitive destination for tourists, aligning with global taxation principles and international commitments. Additionally, fostering collaboration between local travel agencies, international companies, and regulatory bodies is crucial. The government should also establish a comprehensive framework that integrates local agencies into the global tourism market, ensuring better foreign exchange retention. By addressing these issues, Nepal can enhance the competitiveness of its tourism industry and increase economic benefits.

¹⁷ Nepal Rastra Bank. (2024). गण्डकी प्रदेश भ्रमण गर्ने विदेशी पर्यटकहरूको बसाई तथा खर्चको प्रवृत्ति विशेष अध्ययन प्रतिवेदन आ. व. २०८०/८१ [Special Study Report on the Stay and Spending Patterns of Foreign Tourists Visiting Gandaki Province, FY 2080/81]. <https://www.nrb.org.np/contents/uploads/2024/07/Final-Report.pdf>

¹⁸ Sherpa, S. (2024, January 31). VAT on airfares plunge ticket sales by 40pc. The Himalayan Times. <https://thehimalayantimes.com/business/vat-on-airfares-plunge-ticket-sales-by-40pc#:~:text=KATHMANDU%2C%20JANUARY%2030,on%20airfares%20by%20the%20government>

- **Ministerial Crunch:** The implementation of Gandaki Province's first periodic plan is significantly hindered by a severe shortage of human resources within the Ministry of Tourism, as highlighted by key informant interviews (KII). The central government's lack of recognition of the provincial demand for public servants exacerbates this issue. The shortage of staff is delaying critical projects outlined in the periodic plan and annual policy, such as the "Local Product Networking App," the "Province Tourism Master Plan," and the enforcement of tourism standards. This manpower crunch not only impedes progress on initiatives like the "Lake Park & Leisure Center" but also threatens the long-term growth of Gandaki Province's tourism sector.

Civil servants in Nepal are categorized¹⁹ into five groups, contributing to the staffing challenges. First, those on deputation from the federal government lead provincial and local administrative wings but are not under the control of elected officials. This has resulted in persistent vacancies, with about one-third of chief administrative officer positions remaining unfilled due to frequent federal transfers²⁰. Second, civil servants transferred to provincial or local levels after 2019 under federal restructuring face uncertainties about their career progression and benefits. Third, employees hired on temporary contracts by provincial and local governments post-2017 often lack substantial authority and legal standing, having been appointed through non-competitive processes. Fourth, those hired for permanent local positions before the 2015 constitutional change have statuses similar to temporary staff. Finally, those recruited under new provincial civil service laws adopted after 2020 face varying terms and conditions across provinces. According to the Ministry of Tourism, there is a demand for 162 public servants within the ministry and related institutions. Currently, 55 positions are filled by permanent staff, 55 by temporary employees, and 52 positions remain vacant, highlighting a significant staffing gap that affects the ministry's operational efficiency and ability to implement tourism projects effectively.

Recommendation

The central government should prioritize the creation of new laws concerning civil service, enabling provincial governments to exercise concurrent powers to enact and implement their own laws, while also delegating authority to the provinces. Currently, there is no provision for the appointment of first and second-level officers. The government should establish effective laws and create opportunities that can help curb brain drain. It is essential to maintain efficient and impartial government operations to attract interest from the private sector towards public service. Both the central and provincial governments must focus on retaining citizens and offering civil servant's attractive benefits that justify their efforts. Additionally, while 45% of positions are currently filled based on inclusivity, this quota may need to be adjusted if vacancies remain unfilled, allowing more open competition. The practice of promotions and transfers based on political influence must be strictly monitored and eliminated.

- **Pride Project in question:** The Gandaki Province government's homestay program, designed to enhance cultural tourism, has encountered substantial challenges in implementation and effectiveness. Since its initiation in 2075/76, the program has seen the

¹⁹ The Asia Foundation. (2024, April 24). *Nepal's new federal civil service bill*. <https://asiafoundation.org/nepals-new-federal-civil-service-bill/>

²⁰ The Kathmandu Post. (2024, March 5). *Nine years after adopting federal constitution, federal civil service law remains elusive*. <https://kathmandupost.com/national/2024/03/05/nine-years-after-adopting-federal-constitution-federal-civil-service-law-remains-elusive>

allocation of approximately 498.3 million rupees across 11 districts²¹. Despite this considerable investment, the program's impact on tourism promotion remains in question. Out of 324 registered homestays in the province, many are non-operational or fail to meet established standards. For example, in Myagdi district, several subsidized homestays, such as those in Mauvaphant and Ranipauwa, exist only in name, with no actual operations beyond signboards. Mismanagement is evident in cases like the Valthum Community Homestay in Syangja, where a 1.5-million-rupee grant intended for community benefits was redirected toward private infrastructure.

The implementation of the program has been fragmented across various institutions over different phases. Initially, the Division Forest Office was responsible for the program's rollout, followed by the Office of Household and Small Industries, then the Tourism Office in Pokhara, and finally the Directorate of Industry, Commerce, and Consumer Protection (ICCRPD). This frequent change in implementing institutions has led to decentralized and distributed reporting and data management, complicating the tracking and evaluation of the program's progress.

Auditor General's reports for 2077 and 2078²² have highlighted several irregularities, such as subsidies being allocated to profitable businesses and funds being spent on non-tourism-related expenditures. For example, the Division Forest Office in Parbat used 942,000 rupees for non-essential items in two homestays, while 1.278 million rupees were allocated for internet connections in nine others. The lack of consistent monitoring and alignment with designated tourist destinations has resulted in ineffective investments, particularly in Syangja district, where 44 homestays received subsidies despite the absence of declared tourist destinations.

The COVID-19 pandemic has further compounded these issues, resulting in many subsidized homestays closing or operating well below capacity, thereby failing to significantly contribute to the province's cultural tourism sector. According to the Office of the Chief Minister and Council of Ministers (OCMCM) monitoring report, progress on homestay infrastructure development remains incomplete, with 36 milestones yet to be achieved. Conversely, the ICCRPD's KII claims that work has been completed, with 34 homestays established across various districts, excluding Mustang and Myagdi, where no applications were submitted. Despite the full utilization of the allocated budget, the absence of comprehensive records or evaluation reports on the completed work underscores a significant communication gap between the two monitoring authorities.

Additionally, key informant interviews (KII) conducted by the Ministry of Tourism reveal ongoing conflicts regarding responsibility for the Pride project. Although the ministry is currently overseeing the project, implementation hurdles are creating tensions. Effective execution requires collaboration among the private sector, other ministries for budgetary support, local governments, and various institutions. The project was only approved at the secretary and counselor levels in fiscal year 2077/78, leading the ministry to believe that the Office of the Chief Minister and Council of Ministers (OCMCM) should assume greater responsibility to ensure better outcomes.

21 Khadka, G. (2024, July 14). Questions about Gandaki's pride: Half a billion has gone in the name of homestay. eKantipur. <https://ekantipur.com/en/news/2024/07/14/questions-about-gandakis-pride-half-a-billion-has-gone-in-the-name-of-homestay-10-38.html>

22 Office of the Auditor General. (2078). महालेखापरीक्षकको वार्षिक प्रतिवेदन २०७८ गण्डकी प्रदेश [Annual report of the Auditor General 2078, Gandaki Province]. <https://oag.gov.np/uploads/files/OBP-महालेखापरिक्षको%20वार्षिक%20प्रतिवेदन,%20२०७८%20गण्डकी%20प्रभाग.pdf>

<i>District</i>	<i>No. of Homestay</i>	<i>District wise Number (in percentage)</i>
<i>Kaski</i>	<i>47</i>	<i>14.5</i>
<i>Gorkha</i>	<i>30</i>	<i>9.3</i>
<i>Tanahun</i>	<i>55</i>	<i>17.0</i>
<i>Nawalparasi (Bardahat Susta Purba)</i>	<i>13</i>	<i>4.0</i>
<i>Parbat</i>	<i>51</i>	<i>15.7</i>
<i>Baglung</i>	<i>33</i>	<i>10.2</i>
<i>Manang</i>	<i>3</i>	<i>0.9</i>
<i>Mustang</i>	<i>4</i>	<i>1.2</i>
<i>Myagdi</i>	<i>12</i>	<i>3.7</i>
<i>Lamjung</i>	<i>26</i>	<i>8.0</i>
<i>Syangja</i>	<i>50</i>	<i>15.4</i>
<i>Total</i>	<i>324</i>	<i>100.00</i>

Figure 10, Number of homestay's in 11 districts of Gandaki Province as per the Economic Survey, 2080, Gandaki Province

Recommendation

To address the challenges in Gandaki Province's homestay program, a comprehensive monitoring and evaluation system is recommended. This system should include establishing clear performance indicators for homestays, encompassing tourist arrivals, occupancy rates, and economic impact. Regular on-site inspections should be conducted to verify compliance with standards and proper use of subsidies. A centralized database should be developed to track all homestay registrations, subsidies, and operational status. Annual audits of subsidized homestays and a periodic reporting system for operational and financial data are crucial. An independent evaluation committee should be established to assess program effectiveness and recommend improvements. Implementing a feedback mechanism for tourist experiences and conducting periodic impact assessments will help measure the program's contribution to local economic development. A rating system for homestays based on compliance and performance, coupled with a mechanism for revoking subsidies or registration for non-compliant entities, will enhance accountability. These measures aim to improve program effectiveness and ensure the homestay initiative achieves its cultural tourism development goals in Gandaki Province.

It is imperative to resolve the conflict of accountability to continue to work on the pride project that aims to attract 20 lakh tourists in the Gandaki province as per the priority of the program as mentioned in the first periodic plan. A key initiative was the conservation and beautification of Fewa Lake in Pokhara, with a budget of 492 crores. This project was expected to create 500 employment opportunities during its development phase and 3,000 jobs from increased tourism afterward. Another significant project was the Pokhara-Dedgaun-Dumkiwas, Triveni Road development, which allocated 4 arba and 40 crores to enhance tourism through improved

connectivity. Among the 12 pride projects of Gandaki Province, the homestay development and capacitating project fell under the purview of the Ministry of Industry, Tourism, Forest and Environment.

To address the communication gap and ensure the successful completion of the homestay infrastructure development under the province's pride project, a series of coordinated actions are recommended. First, establishing a centralized monitoring and reporting system is crucial; this could involve developing a unified digital platform that tracks progress on all milestones with real-time updates accessible to both OCMCM and ICCRPD. This transparency will provide a single source of truth for all stakeholders. Additionally, conducting joint evaluations and site inspections regularly by both authorities will ensure consistency in reporting and help verify the completion of milestones, thereby reconciling any discrepancies. Furthermore, both OCMCM and ICCRPD should maintain comprehensive documentation and records of all activities, budgets, and evaluations, which will facilitate better tracking, accountability, and ease of reference for future audits or assessments. Clarifying the roles and responsibilities of each authority in the monitoring and execution of the project is also essential to avoid overlaps, reduce confusion, and enhance coordination between the two entities. Lastly, regular coordination meetings between OCMCM and ICCRPD should be scheduled to discuss progress, challenges, and corrective actions, fostering better collaboration and ensuring timely resolution of issues. Implementing these recommendations will significantly enhance the efficiency and effectiveness of the homestay infrastructure development project, ensuring that it contributes meaningfully to the province's tourism development strategy.

Growth Enablers:

- **Infrastructure Development:** Ongoing infrastructure projects, including the Pokhara Regional International Airport and various tourism trails, have yet to fully realize the tourism potential of Gandaki Province, which is crucial for boosting tourism promotion. Connectivity, being an essential component of tourism development, needs further enhancement not only in the tourism capital but also in rural areas.

Program No. 114 of the 2080/81 policy and program of Gandaki Province²³ focused on enhancing tourism connectivity by strengthening infrastructure and service facilities. This program aimed to improve access to key tourist destinations through the construction of tourism footpaths, following comprehensive feasibility studies in the Himalayan and hilly regions.

The initiative targeted potential hiking and tourist trails such as the Annapurna Trail, Machhapuchhre Trail, Dhawalagiri Trail, Millennium Trek, Dr. Hark Gurung Trail, Rainaskot, Liligkot, Larke Bhanjang Pass, Rani Forest Tourist Area, Round Fewa, and View Fewa circuits. By focusing on these trails and allocating a dedicated budget for feasibility studies and the development of new trails in areas like Manvu, Kashigaon, Dhunchet, and Chumchet, the program aimed to create seamless travel routes and improve overall tourist connectivity.

The successful completion of a 4 km tourism footpath signifies progress in enhancing connectivity, facilitating easier access for tourists to explore the province's diverse attractions. Moreover, the feasibility studies for Tourist Information Centers and Rescue Centers contribute to building a well-connected and supportive tourism network. These

²³ Gandaki Province Office of Chief Minister and Council of Ministers. (n.d.). *Policy and programs for fiscal year 2080/81*. Retrieved August 27, 2024, from https://ocmcm.gandaki.gov.np/list/policy_programe/fy-208081-policy-and-programs

efforts are expected to enhance the tourist experience and encourage greater exploration within Gandaki Province.

- **PRIA:** The Pokhara International Airport, capable of handling 2 million passengers annually, it was anticipated to be a significant growth enabler for the tourism sector in Gandaki Province. The airport facilitated seven international flights, including cargo operations, bringing 215 international passengers to the region and enabling 81 departures. These flights included key events such as the arrival of Sichuan Airlines' flight from Chengdu for the Dragon Boat Race Festival, Druk Air's commercial flight from Bhutan, and the landing of Chinese cargo planes with relief materials. Additionally, Himalayan Airlines conducted a demonstration flight on the airport's inauguration day and later transported domestic passengers. Despite these activities, the anticipated growth in regular international flights did not materialize, limiting the expected boost to Gandaki Province's tourism. While there was an increase in domestic flights, the region's tourism sector did not experience the full benefits projected from the operation of PRIA, reflecting a need for more robust initiatives and coordination to realize its potential as a gateway for international tourists. Enabling the infrastructure is necessary for the holistic tourism development in the region.
- **Communication and safety infrastructure on hiking trails:** A 2023 report by the Trekking Agencies' Association of Nepal (TAAN) highlighted a concerning rise in tourist SOS incidents²⁴, largely due to the absence of adequate communication systems. This gap not only increases the risk to tourists but also deters potential visitors, ultimately hindering the region's efforts to promote tourism. To mitigate these risks, it is recommended that the provincial government invest in establishing reliable communication networks, including emergency response systems, across key trekking routes. Furthermore, the absence of a weather forecasting system on these trails has been identified as a significant threat, particularly in regions like Annapurna, where sudden weather changes are common. A 2022 study by the International Centre for Integrated Mountain Development (ICIMOD) documented multiple weather-related emergencies faced by trekkers, emphasizing the need for real-time weather updates. Implementing a comprehensive weather forecasting system, accessible to both trekkers and local guides, is crucial to prevent such emergencies and enhance safety. Additionally, the province's diverse landscapes mean that many trails pass through wildlife habitats, increasing the likelihood of dangerous encounters with animals. The current lack of risk mitigation strategies and education for both trekkers and locals exacerbates these dangers. It is recommended that Gandaki Province implement measures to manage wildlife interactions, including the installation of warning systems, the creation of safe zones, and the dissemination of educational materials about wildlife behavior and safety protocols.

The first periodic plan of Gandaki province had the program of making 250 tourist information centers by the end of the first periodic plan. 1 tourism information center, and one tourist emergency rescue center.

²⁴ Federation of Trekking Agencies of Nepal (FTAN). (2022). *Market Research Report on Tourist Influencers for Trekking in Nepal*. <https://www.taan.org.np>

- **Accommodation:** Expanding accommodation options, from luxury resorts to budget-friendly homestays, is crucial for supporting tourism growth in Gandaki Province. As per the economic survey 2081, by ministry of finance, Gandaki province, tourism infrastructure is essential to accommodate the increasing number of visitors and improve their experience. For instance, small tourism business loans account for 45% of the provincial economic sector, while small service business loans, which may include tourism-related services, contribute 14%²⁵.

The sector's contribution to the provincial economy has remained stable at 17.53% from 2018/19 to 2023/24. Despite fluctuations in the number of accommodation units—ranging from 21,449 units in 2018/19 to 8,843 units in 2022/23, and rising to 13,265 units in 2023/24—the stability reflects ongoing demand and the importance of maintaining diverse accommodation options.

The First Periodic Plan of Gandaki Province aims to attract investors by creating an investment-friendly environment. This includes offering income tax exemptions to major investors and encouraging bank support for tourism investments. The allocated budget for tourism infrastructure and development projects supports these goals, with a focus on enhancing accessibility and accommodation.

- **PPP:** Public-private partnerships (PPP) have emerged as a crucial growth enabler for tourism development in Gandaki Province, facilitating the implementation of large-scale infrastructure projects that capitalize on the region's religious and cultural significance. This collaborative model, which combines government oversight with private sector expertise and capital, is being utilized to develop state pride projects²⁶ aimed at enhancing tourism infrastructure and attracting visitors. Key initiatives taken by Gandaki province under this approach include the Birethanti-Muktinath Cable Car Construction Project, an 84 km cable car system designed to transport up to 36,000 passengers daily to the revered Muktinath pilgrimage site; the Buddha Mandala Construction Project in Pokhara's Kahundanda, featuring a prayer house for 10,000 people and an 85-meter Buddha statue; and the Phulbari Kahundanda Cable Car Construction Project, linking Phulbari in Pokhara to the Buddha Mandala. These projects aim to develop critical tourism infrastructure, enhance regional connectivity, stimulate economic growth, create employment opportunities, and attract private investment to the tourism sector. By leveraging the PPP model, Gandaki Province seeks to establish itself as a premier tourist destination, driving sustainable economic development through the strategic development of its cultural and religious assets.

²⁵ Ministry of Finance, Gandaki Province. (2024). गण्डकी प्रदेश आर्थिक सर्वेक्षण २०८१.

https://mof.gandaki.gov.np/media/publication/files/गण्डक_परदश_आर्थिक_सर्वेक्षण_२०८१_परकशत_मत_२०८१०३०१_compressed.pdf

²⁶ Planning Commission Office, Gandaki Province. (n.d.). गण्डकी प्रदेशको प्रथम पञ्चवर्षीय योजना [First Five-Year Plan of Gandaki Province]. Planning Commission Office, Gandaki Province. http://ppc.gandaki.gov.np/downloadfiles/गण्डकी-प्रदेशको-प्रथम-पञ्चवर्षीय-योजना_compressed-1712140846.pdf

About Pokhara Research Centre (PRC)

Pokhara Research Centre (PRC) is a research-based non-partisan organization based in Pokhara. Established in 2019, PRC focuses on socioeconomic dimensions of domestic public policy research.

Guided by the motto of "*Economic Freedom with Good Governance*", PRC is following the international principle of individual choice and liberty translated into the equal opportunity of enterprise, rule of law, and the democratic principle of free expression as a tool to design its programs and initiatives; creating positive impact at the province level, through policy reform; PRC works under three broad functional domains; Research, Training, and Advocacy.

PRC's one of flagship program Youth in Policy and Governance Fellowship Programme (YPG Fellowship) aims to train the youth of Gandaki Province in law-making and public policy. The primary role of a PPSP Fellow is to deliver extensive research support to their assigned MP for their parliamentary work. The organization is also focusing on other youth training programs on the free market, entrepreneurship, and economic freedom in the region supported by Atlas.

The organization's core values are; Creating public values, Evidence-based policy-making, and the investment approach to public service delivery. PRC intervenes in areas viz. Enterprise Development, Economic Policy Reform, Governance & Advocacy, and Public Policy Delivery.

The organization has launched programs such as Gandaki Discourse, Political Economic Discussion Series (PEDS), and Formation of Gandaki Leader Circle (GLC) dedicating it to establishing itself as a state-level policy think tank.

Further, PRC is the partner of Atlas Network, Centre for International Private Enterprise, National Endowment for Democracy, United States Embassy in Kathmandu, Samriddhi Foundation, Hriti Foundation, and Bikalpa an Alternative.



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