



BUDGET
RECOMMENDATIONS
FOR

TOURISM SECTOR



SAMRIDDHI
FOUNDATION

BUDGET RECOMMENDATIONS FOR
TOURISM SECTOR

submitted By



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F O U N D A T I O N

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Snapshot of measures that can be taken to support the tourism industry

Issue on notice	Recommendation	Rationale behind recommendation
Expected shortfall in working capital of tourism-based enterprises that is likely to severe their operational capacity during the post-pandemic period	<p>Provide exemption in corporate income tax for tourism-based enterprises for a period of two to three years recognized as the ideal period required for the industry to recover.</p> <p>Allow Workers of the tourism sector registered in the Social Security Fund to withdraw all amounts deposited so that subsistence level can be met even when hotels and restaurants cut back on salary.</p>	<p>Providing corporate income tax exemption for tourism-based entrepreneurs shall further ease payment of loans for tourism-based enterprises as they can divert their money reserved for future tax obligations towards payment (though partially) of interest rate on loans that they are expected to take in order to meet their working capital requirements. Moreover, allowing employees to withdraw the full amount deposited in the SSF can help reduce retention costs for the moment providing much needed liquidity.</p> <p>Such measure coupled with reduced interest rate already finalized by the government can assure needed cash flow injection in order the provide necessary push for the enterprise to regain momentum</p>
Increased airfare around the globe following the need to reduce fleet capacity per flight in order to abide by the new safety guidelines shall significantly increase the cost of travel for tourists arriving via air	Reduce in Air Fuel taxes and VAT in ground handling charges along with removal of tourism service fees and visa fees.	Reduction of charges can relieve tourists from the added cost of travelling thereby, i) signalling to the tourists that Nepal is putting in an effort to making travel to Nepal cheaper by forgoing government taxes and fees, and ii) making Nepal a competitive destination for travel and leisure. Such measure can help the Nepalese tourism industry bounce back quickly
The unique advantage of religious tourism that needs to be leveraged	Set budget for, and coordinate with respective state governments for state flagship programs (like maternity hospitals in State 2 (Janakpur) and State 5 (Rupandehi)), additionally conditional grants can also be allocated to the respective states	<p>The idea is that these hospitals can be marketed as places where a couple can give birth to their child in the birthplace of Sita or Buddha, respectively.</p> <p>Similar strategic selling points can be identified in other states and such programs can be implemented.</p>

<p>Need to revitalizing tourism circuits, specifically, the Buddhist Tourism Circuit that can significantly contribute towards generating improving tourist revenue conversion and length of stay.</p> <p>This ambitious concept in the can be complemented with few decisions in the current policy and program document of the Federal government to establish meditation and conference center with capacity to hold five thousand participants at once in Lumbini in along with the programs to execute Lumbini and Ramgram area improvement masterplan.</p>	<p>Enable extension of the Buddhist Tourism Circuit to pilgrimage destinations of Buddhist faith in Kathmandu Valley in where tourists can experience prized circumambulatory pilgrimage of two World Heritage Sites being Swayambhu and Bouddha followed by further extending the circuit until the former theocratic city of Lhasa replete with numerous monasteries representing Buddhism faith in Tibet all via land-route.</p> <p>In here we specifically focus on land-route to execute this extension in order to allow this concept to feature an alternative to air-based travel likely to face disruptions amid expected rise in air fares as discussed in the previous sections.</p> <p>Immediate measures that can be taken by the government:</p> <ol style="list-style-type: none"> 1. Government should work towards ensuring expedited and hassle-free visa process and testing procedure while strengthening cross-border security measures at least all relevant immigration points that fall within the route of Trans-Himalayan Tourism Circuit 2. Ministerial-Level Committee platform between Nepal, India and China should be established specifically for the purpose of floating hurdles, disputes and resolutions between member countries for ensuring uninhibited operationalization of Trans-Himalayan Tourism Circuit. 3. Meanwhile, a secretariat should also be established and dedicated for working towards identification of new potentials and opportunities for greater returns for tourism industries of all involved countries, and also to forge partnerships with local level organizations in order to materialize concrete conservation projects at the heritage sites. 	<p>Generating a greater Trans-Himalayan Tourism Circuit can generate a large pilgrimage tourism-based economy providing diverse experience of Buddhism pilgrimage between varying cultures established in diverse environments covering a huge range of altitude in this sacred edge of the world.</p> <p>Also, extending the circuit northwards via land-routes can be particularly beneficial for the tourism industry of Nepal as it also provides the opportunity to draw high spending Chinese tourists arriving in Lhasa for pilgrimage purpose towards the Buddhism Tourist Circuit through the northern border points of Rasuwagadi and Kodari while presenting alike destinations in Kathmandu Valley.</p> <p>In fact, the trend appears to be already in the momentum as Chinese tourist to Lumbini is observed to have increased by 71.81% (to 1.28 million) whereby in 2019 alone approximately twenty thousand Chinese tourists (i.e., double the number of Chinese tourists arriving in 2015) were observed to have entered from the Rasuwaghadi border point</p>
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<p>The need to leverage on land-based tourism as an alternative category of market while disruptions can be expected on air-based tourism.</p>	<p>Allocate sufficient amount of budget for making land-based entry/exit points capable of providing proper and adequate services for tourists arriving via land.</p> <p>For that purpose, following areas can be specially looked into</p> <ol style="list-style-type: none"> 1. Digital presence of all immigration offices needs to be upgraded in order to make them able to communicate important information (for instance, code-of-conduct for conducting safe tourism) with tourists willing to visit Nepal 2. Staff at entry/exit points need to be trained enough to specifically handle queries regarding safety-related concerns that may be expected from potential international tourists. 3. Provide top-notch infection testing infrastructure for all immigration points receiving tourists so that the waiting time for tourists is made competitive without compromising on the quality of tests. 4. Facilitate compartments that receive tourists enough to make tourists convenient while waiting to necessary legal and medical screening procedures. <p>All discussed measures need to be kept in concern while the government pledges to upgrade Tourism Facilitation Centres</p>	
<p>Only seven out of ten land-based entry/exit points are seen to have functioning immigration office. At least, entry points that are of strategic value as an alternative route for tourists to enter via land needs to be have immigration offices that provides full-fledged immigration services</p>	<p>Immigration offices should be open at all land based immigration points to facilitates the sustainability of the tou</p>	<ol style="list-style-type: none"> 1. Allowing tourists to also arrive via land based immigration point allows much needed alternative gateway for tourists arriving from the eastern front of the southern border apart from immigration point at Kakadvitta.

<p>There are no mountain flights operating from the domestic airports at the southern belt of the country.</p> <p>As such, provisions should be made to at least enable mountain flights from the south-eastern belt of the country.</p>	<p>Short and direct mountain flights to North-eastern mountain ranges of the country, specifically from the airport in the vicinity of Biratnagar should be allowed to contribute towards the tourism industry of Eastern Nepal</p>	<p>Enabling short and direct mountain flights to mountain ranges at least in the north-eastern mountain ranges of the country via domestic airport in Biratnagar can become a promising selling point in the south-eastern belt that has the potentiality to draw Indian tourists arriving from the Indian side of the Indo-Nepal border to experience entertainment-based tourism during their short-stay.</p> <p>The statement is made on the grounds that Biratnagar city is strategically located at the south-eastern frontier of the country from where the northern edge of the country hosts famed peaks as Mt Everest, Mt Makalu, and Mt Kangchenjunga forming the north-eastern mountain ranges.</p> <p>All in all, adding mountain flights in the list of this specific category of entertainment tourism might increase length of tourist stay for only half a day but shall generate a substantial revenue conversion.</p>
<p>Airline industry in Nepal is largely affected by the problems existent in Civil Aviation Authority of Nepal</p>	<p>Unbundling of CAAN into two entities namely: Nepal Air Service Authority and Civil Aviation authority as two separate entities for Air Navigation service provider and Regulatory body. To this regard Bills relating to air service authority and civil aviation authority must be prioritised.</p>	<p>Unbundling can result in removing some of the problems existent in the airlines industry help with the improved aviation safety and the ban placed on Nepalese Airline by the European Union.</p>
<p>Domestic tourists are restricted from plying in green number plate (tourist vehicles) owing to the definition of tourist vehicles as per the Motor Vehicles and Transport Management Act, 1993</p>	<p>Amend provision in Motor Vehicles and Transport Management Act 1993 and harmonisation of other related laws within the first quarter of the next fiscal year.</p>	<p>Tourist vehicles mostly offer better services and form a part of the tourism industry which could use the much-needed boost from an increase in the number of passengers as a result of the removal placed on domestic tourists.</p>
<p>The need to establish a guidance mechanism for tourists as an aspect of code-of-conduct for safe tourism.</p>	<ol style="list-style-type: none"> 1. Classify states and districts based on the situation of the contagion in order to guide and advise the tourists to visit certain destinations where the likeliness of contagion is virtually none 2. Establish checkpoints at entry and exit points of States and districts with the sole purpose of testing for infection 	<p>Such measures are necessary to create an additional layer of precaution in order to avoid relapse of contagion from within the border. Such measures also help build confidence among tourists (esp. domestic tourists) who often travel independently with less guidance from professional tour operators</p>

<p>Building products to increase length of stay and tourist revenue conversion.</p>	<p>Enable airports in the southern strip of the country to conduct mountain flights, specifically, for the airport in the vicinity of Biratnagar, as the mountain flights can become a promising selling point for the local economy of Biratnagar that is already at strategic location to offer entertainment based tourism to Indian tourists arriving from the State of Bihar at short distance. This statements steps upon the fact that eastern mountain range in Nepal hosts unchallenged view of mountain range that feature famed peaks as Mt Everest, Mt Makalu, and Mt Kangchenjunga.</p> <p>Of course, as previously stated opening Immigration offices at border point in Biratnagar is prerequisite.</p>	<p>Tourists coming in from the southern border can spend an additional half a day in Nepal.</p>
<p>Airport Management</p>	<p>Privatise, or outsource to private management companies, management of airports.</p>	<p>While the government will need to focus heavily in other sectors like health, such arrangements can help government share the burden of managing airports via public private partnerships. International experience shows that airport management is one of the areas that can be easily and effectively outsourced to private companies. International experience also shows that quality and efficiency of service delivery has grown as a result of such privatisation/ outsourcing.</p>
<p>Lack of Proper data</p>	<ol style="list-style-type: none"> 1. A detailed information bank with exhaustive statistical data would be required. 2. Specifically, the successful delivery of domestic tourism survey and Tourism Satellite Account needs to be expedited 	<p>Extending and formatting tourism statistical data into a systematized, and detailed information bank would help even the entrepreneurs and investors of this industry to locate patterns of tourism inflow, interests and tourist demands over the seasons, progress of new ideas in the market and assist them to tap into profitable opportunities in this industry.</p>

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1. Contribution of Tourism Industry in the Nepalese economy

Nepal's tourism industry has always been a high priority for the overall economic development. Tourism's natural order has been able to utilize the natural resources and local empowerment in various parts of the country. While this comparative advantage has taken us a long way even after the devastating earthquake in 2015 and postponement of Visit Nepal Year (VNY) 2020, there is much hope that the industry will revive again post nationwide lockdown.

In 2018, the contribution of travel and tourism to GDP for Nepal was 7.9 % (World Travel and Tourism Council, 2019). While we still do not have exact numbers of employment generation or revenue generated by this industry, we can conclude that efforts from both the private sector and the government sector have been made to support Nepalese Tourism Industry. Despite, the true potential of the industry has not been realized if not hindered in some areas.

Ongoing Programmes in Tourism pre-lockdown

With the aim to make the Visit Nepal Year (VNY) 2020 successful, the Ministry of Culture, Tourism and Civil Aviation (MoCTCA) had been planning the following:

- Organizing the Global Tourism Ministers' Conclave in collaboration with United Nations World Tourism Organization under the theme New Year in Nepal
- Promote the VNY logo on boarding passes, baggage stickers and visa stamps for domestic and international flights
- Launching the One Nepali Send One Foreign Friend campaign in association with the Non-Resident Nepali Association (NRNA) and VNY Secretariat
- Organizing the Tourism Investment Summit for completing the work of Tourism Satellite Account, providing tourism-sector related skill-based training and installing the GPS tracking system for securing the mountaineering sector and making it more reliable.

Source: Ministry of Culture, Tourism and Civil Aviation, 2019

Nepal India China Expo (NICE) was scheduled to be held in February this year. Which, in a nutshell, would have been the first tri-nation expo to bring the stakeholders and organizations of the tourism industry together in the three different countries to focus on diverse untapped tourism opportunities enabling multipurpose tourism in the Trans-Himalaya region. It was believed that this expo would be adding much value to the VNY 2020 campaign while promoting and integrating Nepal into the greater Trans-Himalayan tourism destination.

Meanwhile, Gautam Buddha International Airport in Bhairahawa and Pokhara Regional International Airport were expected to start operations in the beginning of 2020 in hope to attract a significant volume of foreign tourists willing to travel to Lumbini and Pokhara, two tourist destinations enriched with natural, cultural, and pilgrimage destinations. Furthermore, hoteliers and other members of the tourism value-chain were also very hopeful about South Asians tourists visiting Nepal in Year 2020 following the success of South Asian Games 2019 in Nepal.

2. Tourism trend before the pandemic

Efforts had been made to increase the dimensions of tourism and travel experience in Nepal in the past few years. And, the Nepal Government had officially released a list of 100 tourist destinations for VNY 2020 while exploring new opportunities in areas of spiritual pilgrimage tourism and agro-tourism. Speaking of Spiritual & pilgrimage tourism, it has always been effective in retaining tourists in all seasons of the year. Meanwhile, the specific strand of agro-tourism, i.e., Coffee tourism is also on the rise whilst more than 27,000 households are involved in coffee farming in 42 districts of the country (National Tea and Coffee Development Board, 2019). Likewise, there were increased attractions of domestic tourists towards trekking & mountaineering, and experts believed that Nepal could be the next hub for Meeting, Incentive, Conventions and Exhibition (MICE) tourism while leveraging on business and international conferences. Although Nepal is a possible destination for both backpackers and high-end travellers, it is no doubt that the Nepalese tourism industry is struggling to meet sufficient tourism revenue absorption. Meanwhile, the dipping of tourism revenue from NPR 67.09 billion in FY 2017/18 to NPR 47.58 billion in FY 2018/19 followed by shortening length of stay of international tourists in each year makes the context even worse. Having said, there is a list of reasons behind disappointing revenue figures and limited revenue absorption per tourist observed in the Nepalese tourism industry. The list begins with an under-infrastructure international airport with no duty-free outlets followed by lack of competitive event management to conduct festivals somewhere down the list. Also is the fact that there are not enough spending avenues as much as there are potential tourism destinations. In fact, until Nepal is categorized as a budget destination not much progress can be expected in areas of tourism revenue and revenue absorption.

In May 2019, since the country did not have any mechanism to calculate the contribution of tourism to the economy, generation of income, and record of domestic tourism, Nepal Tourism Board (NTB) and United Nations Development Program (UNDP) signed an agreement to develop the Tourism Satellite Account Framework. Later in July the same year, it was announced that the National Planning Commission (NPC) would be doing a domestic tourist survey, since there was no proper record that identified the domestic tourists and revenue generated through them.

Visit Nepal 2020 and its mismanagement

Visit Nepal 2020 was a long-awaited campaign which aimed at bringing 2 million tourists in the country by 2020 (Tourism Vision, 2020). This campaign was especially important to drive the potential of tourism to greater heights as a greater resource for economic development.

Even before the launch of Visit Nepal 2020, many tourism entrepreneurs and stakeholders were doubtful about the country's pledge to attract 2 million visitors. Unkempt roads, lack of proper infrastructure, and investments were already a problem, and setting a high target never solved any of these issues.

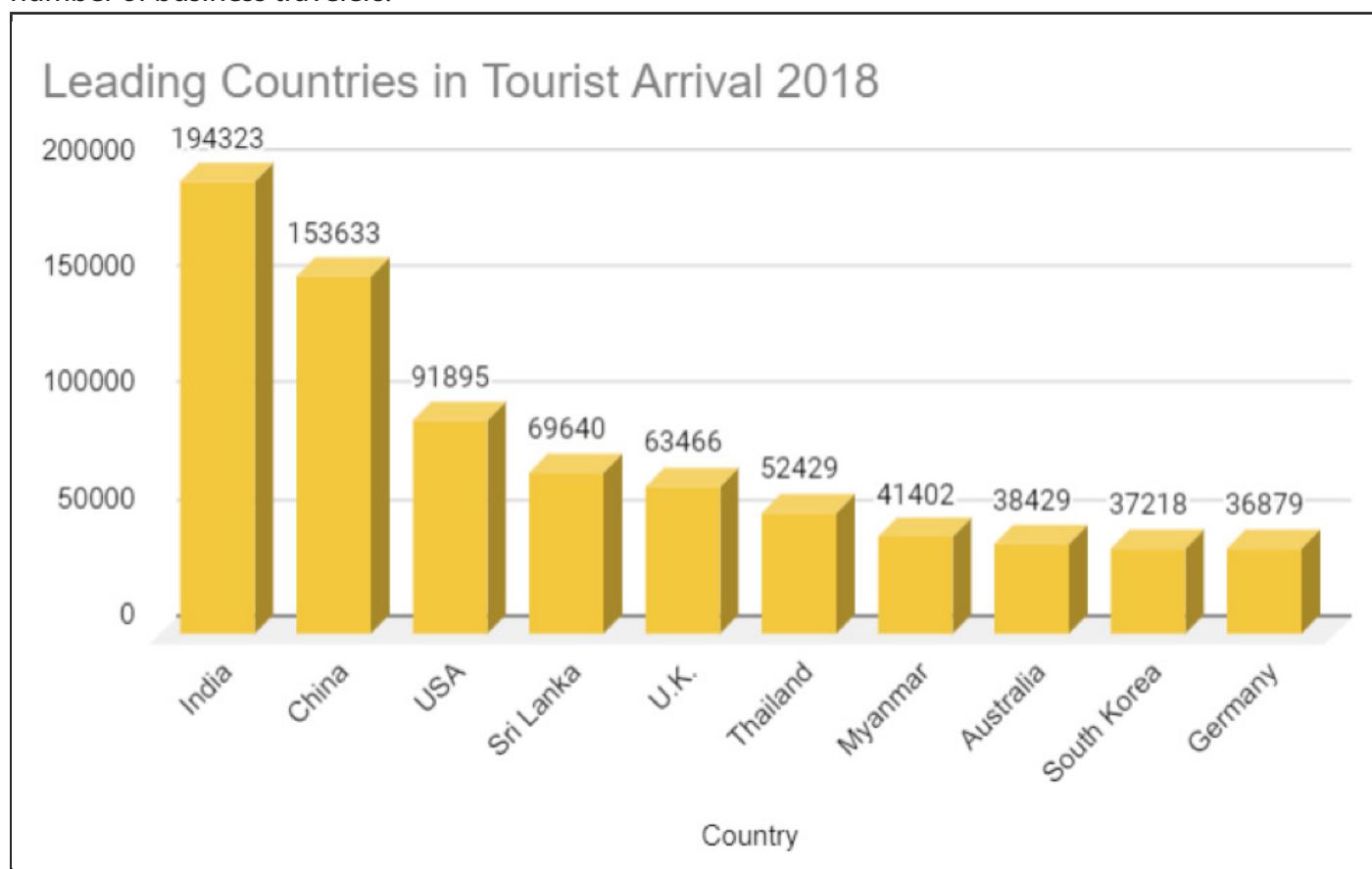
The promotion of this particular campaign by the NTB delayed and left many loose ends. Thus, making it difficult for the stakeholders to believe that the resources were being allocated and utilized in the optimal way.

Similarly, problems like lack of reach of the NTB towards every branch and possibility and potential of the campaign were prevalent, while tax collection also became much of a hassle since tourism-based work responsibilities was divided among the State governments by the MoCTCA. As such few States including Karnali were unable to collect and record State tourism data even after 2020 had already begun (My Republica, 2019)

Furthermore, the launch of the Yeti statue as the mascot of VNY 2020 in various parts of the country to celebrate this campaign added much to the controversy as the mythical beast was believed to be “misrepresented” or “a plan that was not properly thought upon”. Similarly, elephant polo, a popular tourism sport in Nepal and adventures like elephant riding were much criticized on social media and were haunted by the connotations of animal cruelty.

Types of Tourism, Tourists and Travel

The greatest number of tourists arriving in Nepal came from India, then China and then the US. In 2018, the purpose of visit of tourists was led by pleasure, then by trekking and mountaineering, followed by pilgrimage (Nepal Tourism Statistics, 2018). In the recent years Nepal has also been able to attract quite a number of business travelers.



Source: Nepal Tourism Statistics (2018)

Leisure Tourism

Tourists majorly visit Nepal for recreational purposes, a trend that has been established since decades. This tourism can include visiting places known for their natural beauty or cultural richness. Spiritual tourism also adds much value to this category. Nepal’s brand is closely related to themes of peace and serenity where tourists want to look away from their daily mundane lives and enjoy a relaxing getaway.

Trekking and Mountaineering

Adventure tourism has been led by attractions in trekking and mountaineering. Our landscape and natural beauty help to facilitate the adventurous experiences that international tourists demand. 2018 saw hundreds of climbers eager to climb Mount Everest and many other legendary peaks in Nepal. Other adventure sports like bungee jumping, paragliding and water sports also add to the excitement of travelling in Nepal.

Pilgrimage Tourism

Nepal consists of a number of religious places especially in the case of Hinduism and Buddhism. Hindus from all over the world, especially from India travel to Nepal to worship in temples like Pashupatinath, Muktinath and Manakamana. These travels usually spike during the festival season. In Buddhism, various monasteries provide retreats that Buddhists prefer to seek. These tourists also visit the country and the birthplace of Buddha, Lumbini, on the occasion of Buddha Jayanti.

Travelling

In 2018 nearly 18% of total tourists arrived from land (Nepal Tourism Statistics, 2019). Most of these arrivals are from India, as travelling by road to Nepal is financially convenient. The recent spike in arrival of Chinese tourists has been observed, and a certain number of them prefer to travel across the border by road as well. Apart from this, international tourists who are on a combined vacation, entering one country after another in a single vacation also prefer to travel by land.

3. Impact to the host countries right before the pandemic:

Even before the lockdown had been implemented in the country, the flow of Chinese tourists had already begun to decline amid the influence of the pandemic in China. Later, visitors from India and Europe decreased because of similar reasons. Bookings were cancelled or postponed, preparations were left useless, and businesses went from welcoming tourists to calculating their losses.

When the lockdown itself paralyzed employees and entrepreneurs of the tourism industry, millions of rupees were lost in a matter of weeks. Not to mention, the industry drifted away from its campaign target day by day. No doubt, lockdown has severely affected the Nepalese tourism industry, and the hotels have been hit the hardest. In fact, the hotels in Nepal have jointly decided to shut down for six months effective April 13, 2020 (Hotel Association Nepal, 2020).

But, because the VNY 2020 campaign was already off to a bad start, this economic lockdown may provide NTB to look at their current plans and projects instead of blaming the shutdown as the reason behind the campaign's failure. Enterprises in the tourism sector will have to first survive, then revive and then thrive, a strategy that will probably push their recent developments back by a few years even. Airlines may even have to merge in order to make it out of this crisis alive. (Rajan Pokhrel, CAAN, 2019)

4. The anticipated post-pandemic trend

The post Covid-19 situation is going to change consumer's travelling behaviour. What was once regular or the beginning of a new trend to experiment, is going to be re analyzed, shrinking the possibilities and interest of the travelling culture worldwide. This, while crippling some sectors, may bring about the changes that are much needed.

When there is a fear of being put in quarantine right in the middle of a vacation, travel wishlists shrink. Visiting multiple countries for more than 15 days, which was a common travel practice will now be risky, and therefore will reduce the global tourism patterns. On the other hand, risking a short term quick vacation would be easily feared, and this puts both travellers and the travelling industry in a dilemma.

Business travels will eventually decrease. As some businesses are convinced that expensive trips abroad need not be conducted frequently, many countries who stand as an exemplary hub for these trips including Nepal may face huge losses. Reduced demand in these business trips will be followed by reduced demand in destination weddings, mega events, concerts, international conferences, etc.

As air-fares along with many other travel fares are going to go up, it is expected that people who prefer to keep their travel budget short will be very reluctant in planning any recreational trips. More thought will be put into choosing accommodations. Travellers will prefer to look into the hotels and brands that they can recognize and can trust for maintaining all the health and safety regulations. Compromised hotel facilities on a budget will be less attractive.

Crowded cities will be less of a hype while nature-based tourism will be on the spotlight. Road trips will certainly be on the rise, as it means less contact with other people, low-budget travel and more privacy. With the ongoing discussions that are taking place both inside and outside the government, there are various trends that both tourism entrepreneurs and travellers are anticipating.

5. Rebranding the Country for the post-pandemic period

While the VNY campaign has been postponed until further notice, this time gives us an opportunity to take a step back and analyse our tourism potential. It is high time that we evolve from traditional tourism like mountaineering and trekking, while strategizing a high-end luxurious tourism package. Globalization has made a tourist from any place visit any other with the most of convenience and Nepal should have been ready for that kind of competition even before 2020.

Furthermore, the global economic lockdown has “allowed nature to breathe”, convincing us that even tourism leaves its own deadly carbon footprint. The Himalayas are at rest and so are the rivers, and any upcoming tourism strategy should be able to maintain and protect these natural resources. Mountain tourism needs much attention as campsites and paths need to be improved while tonnes of rubbish still need to be removed from the area. Sustainable tourism should be the way forward.

Nepal’s idea of limited tourism should also be expanded. Cities like Pokhara and Kathmandu are important attractions, but we need to look into other unexplored sites. For the sake of the campaign, 100 tourist attractions all over the country were identified, and the government further added that they would be facilitating only those destinations whose progress is good enough. This decision not only hampers the progress of possible destinations, it also leads to disproportionate allocation of resources since all the destinations need to be analyzed and researched upon properly to unleash their real potential.

Towards Visit Nepal Decade

Since plans for the Visit Nepal 2020 have been postponed, the government is making efforts to analyse the possibility of a decade-long campaign with the same goals. Considering how their performance was earlier this year, the decade long campaign does not seem like a good idea, but with enough research and right decisions, a decade long tourism campaign not only attracts visitors for a very long period of time, it also helps revive the tourism industry by attracting the interests of stakeholders and entrepreneurs.

Nepal as a Coronavirus-Free Zone

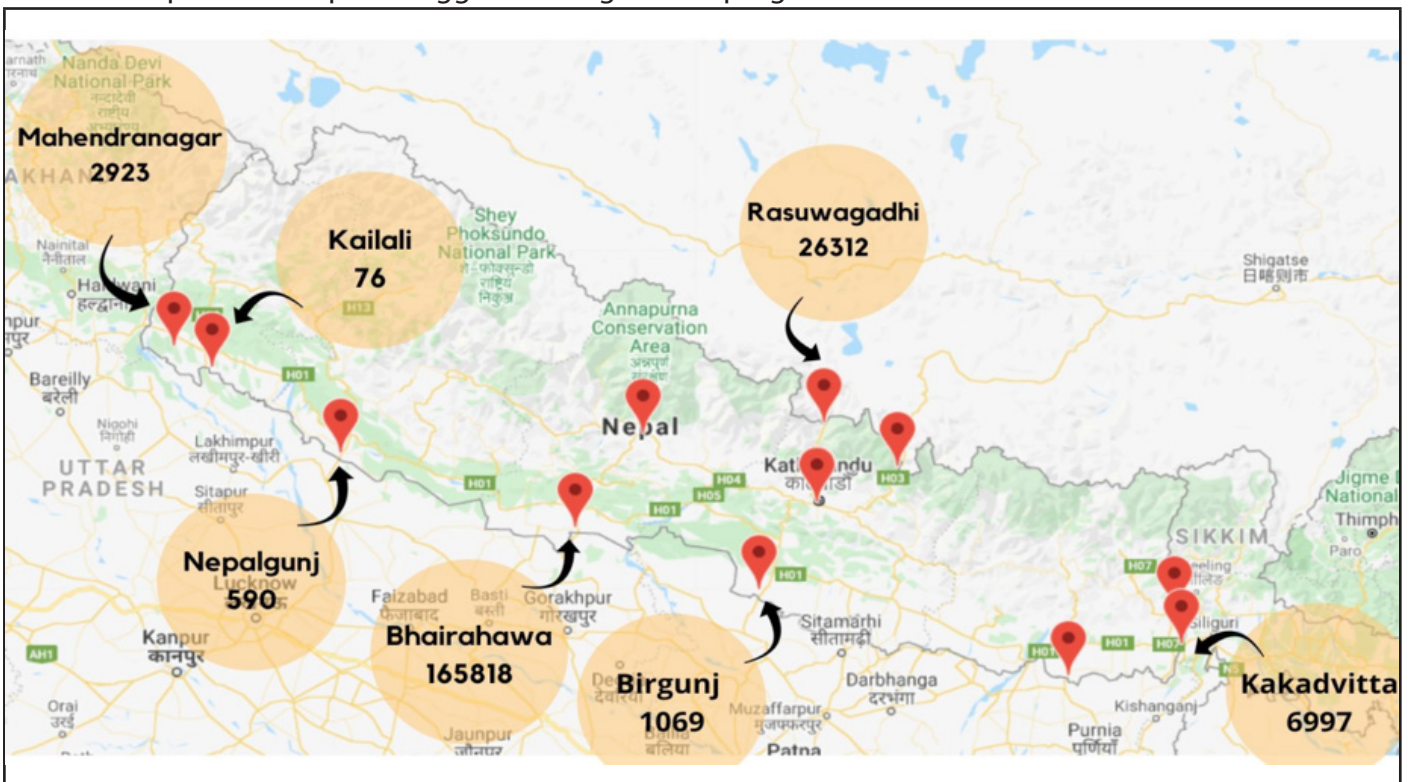
If Nepal can successfully control its coronavirus-infected population, a time will come when the economy will open and there will be zero cases, the best time to declare Nepal as a coronavirus-free zone. Additionally, Nepal’s sincere attention toward following the safety and health procedures can also increase both global and domestic tourist’s confidence towards visiting parts of the country.

6. Strategic and legislative background of Nepalese Tourism Industry

Nepal has adopted a method of periodic planned development aided by National Vision and Strategy documents. In the tourism sector, the Government of Nepal (GoN) has increased its investment over the years through its annual budgetary expenditure program. The direction of policy and regulatory framework for the tourism sector is currently shaped by the ten-year long-term strategy in the form of National Tourism Strategic plan 2016-2025. The action plan is to be adopted in two phases over two consecutive five-year periods. Phase 1 focuses on improving the existing services offered in the tourism sector. These include, formation of new policy, harmonization of laws, strengthening of related institutions, and improvement in services across the tourism sectors among others. The second phase will focus more on expansion on the plan implemented in phase one.

Tourism Policy, 2008, Civil Aviation Policy, 2006, and Tourism Vision 2020 are also in existence. Although the action plan calls for the formulation of new Tourism Policy and Civil aviation policy, till date no such policies have been enacted. Moreover, the guiding principle in relation to the tourism sector in Nepal remains the ten-year Strategic Plan and Vision 2020 which calls for increase international tourist arrivals to Nepal to 2 million by 2020 and expansion of economic opportunities and increase in employment opportunities in the tourism sector to 1 million by 2020.

In order to support the arrival of tourists, GON has also worked on upgrading ten land-based tourist arrival destinations. Works with regards to establishment of tourist facilitation center have been the key initiatives taken in this regard and seven land-based entry points are fully operational. In relation to air-based tourism, GON has undertaken the initiative to upgrade the only existing international airport in Nepal with the support of donor agencies. Much progress has been made as per the annual report of the MoCTCA and Civil Aviation Association of Nepal (CAAN). Equally CAAN has also undertaken works to upgrade existing domestic airports and reports suggest that significant progress has been made.



Source: Nepal Tourism Statistics (2018) & Department of Immigration (2020)

The map shows air and land entry/exit points in Nepal, and the number of tourists that specifically arrived via seven functional land-based entry/exit points taking 2018 as a reference year. The data depicts significant disparity in the volume of tourists entering from the land-based entry/exit points, whereby, at the extreme, entry/exit point based in Bhairawa received 2,181 times more tourist's volume in comparison to that of entry/exit point based in Kailali. The extensive disparity in the volume of tourists received by entry/exit points signify the necessity to capacitate the entry/exit points in receiving tourists accordingly. As such, resources can be diverted to entry/exit points in accordance to tourist traffic that each entry/exit point is expected to receive in a given year.

Likewise, the initiative of adding three more international airports has been a welcome decision. Works for Pokhara International Airport and Gautam Buddha International Airport constructed with the help of international lending institutions have almost completed, although the recent pandemic is likely to delay the completion date. Additionally, Nijgadh International Airport is also set to be built through the model of Public Private Partnership (PPP) whilst Investment Board of Nepal (IBN) has also issued a Request for Proposal (RfP) to Zurich International AG. Regardless, disputes relating to the environmental impact of the project however are yet to be settled before the project could proceed. Furthermore, GoN has also formulated a committee titled Nepal Airlines Corporation Suggestion and Reform Committee (NACSRC), which submitted its detailed report. Implementation of the suggestion provided seems crucial for the proper and efficient operation of Nepal Airlines Corporation (NAC) at this point. In addition, the privatization of NAC although only a small percentage, accession to Montreal convention and the preparation of new Civil aviation law have been some of the key steps taken to realize the goals envisioned in Vision 2020 and as part of strategies of the ten-year action plan.

GoN also has made several efforts in quality control and standardization. Homestay working procedure, 2010, Hotel standards, 2013, Tourism Industry Service Delivery Directive, 2013 outline MoCTCA's efforts towards improving the quality of tourism services available in Nepal. In addition to directives and standards, GoN has also offered incentive schemes time and again to promote investment in this sector. Some of the major incentives include mandatory provision for providing sponsors for employees of profitable public institutions and of Banking & Financial Institutions falling under Class A and Class B to practice domestic/internal tourism. Furthermore, in order to utilize alternative means of investment available, GoN through IBN has started the concept of Project bank. The Project bank maintained by IBN consists of a list of projects that can be implemented with the PPP model. Numerous projects have been identified for the tourism sector which if implemented can help boost the tourism sector in the long run.

Likewise, in order to increase tourist arrivals, and as a part of its marketing and promotional strategy to promote Nepal as a tourism destination, GoN has initiated several programs including Visit Nepal 2020, and has concluded promotional activity in countries that account for the major tourists in Nepal. More essentially, proper representation in international fares has been a primary means to support promotion of Visit Nepal 2020.

Custom duty exemptions have also been provided to the tourism industry under different headings. One such exemption is the import of vehicles to be used for purposes of transportation of tourists. Such vehicles carry green license plates that distinguish their category. However, only foreign tourists are allowed to travel in such vehicles owing to the problematic definition of Tourist vehicles as provided in the Motor Vehicles and Transport Management act 1993.

For many years, the lack of proper mechanism to collect data pertaining to the tourism sector has hindered the formulation of plans and policies. A noteworthy step pertaining to this problem has been the initial assessment and study of use of Tourist Satellite accounts with the help of United Nations World Tourism Organization (UNWTO), which if implemented it could help provide proper data for policy makers to study.

7. Assessing the status of Nepalese tourism industry in Post-pandemic situation and recognizing the measures that can be taken

Following the need to abide by the social-distancing measures in public zones, travelling via air will not be the same after the pandemic. The new standard of hygiene and sanitation to be maintained among the passengers in aircrafts is likely to significantly shrink the global supply of airline seats in comparison to that of the pre-pandemic era. Because, airlines will have to seat passengers such that they are at a safe distance apart, and therefore, will have to operate their airplanes below full capacity. International Air Transport Association (IATA) expects airlines to operate at nearly 40 percent lower capacity if the middle seats have to be eliminated. Meanwhile, the price of airfare is also likely to hike substantially whilst markets correct to the new equilibrium. IATA, for instance, expects airfares to soar by 54 percent for travellers in Asia-Pacific region. As a result, the repercussion is likely to be felt heavily in the tourism sector in years to come (Ouyang & Lee, 2020)

Tourism sector, in the meantime, is already amongst the sectors that are hit hardest by the spread of Covid19 around the globe. And, to cushion the disruption in the tourism sector following the rise of airfares, tourism entrepreneurs, governments, and other concerned stakeholders should expedite necessary steps and measures. Particularly, in Nepal, there are numerous measures that the Government can take during the upcoming budget speech to preserve the price competitiveness and also improve the global and regional revenue share of Nepalese tourism industry. Whilst the tourism sector across the globe is likely to remain in state of upheaval during the early years of the Covid19 aftermath, it also remains a worthy opportunity for the Nepalese tourism industry to reshuffle its position and claim larger share of global and regional tourism market by adopting a range of deregulatory and market enabling policy interventions.

Eliminating tax and non-tax headings to reduce cost of tourism:

On such ground, intervention can be taken to compete with other touristic destinations by devising strategies that can lower the cost of tours in Nepal, and maintain price competitiveness. And, one of the ways to do so is by reducing various fees which tourists have to pay to the government. Tourists have to pay visa fees before or right after they arrive into Nepal. Such fees can be completely excused. Similarly, there are various other government mandated fees which can be exempted. This will not only reduce costs to the tourists but will also give them a sense that Nepal is making efforts to attract tourists. This will definitely send a positive message to the potential traveller and tourists around the world.

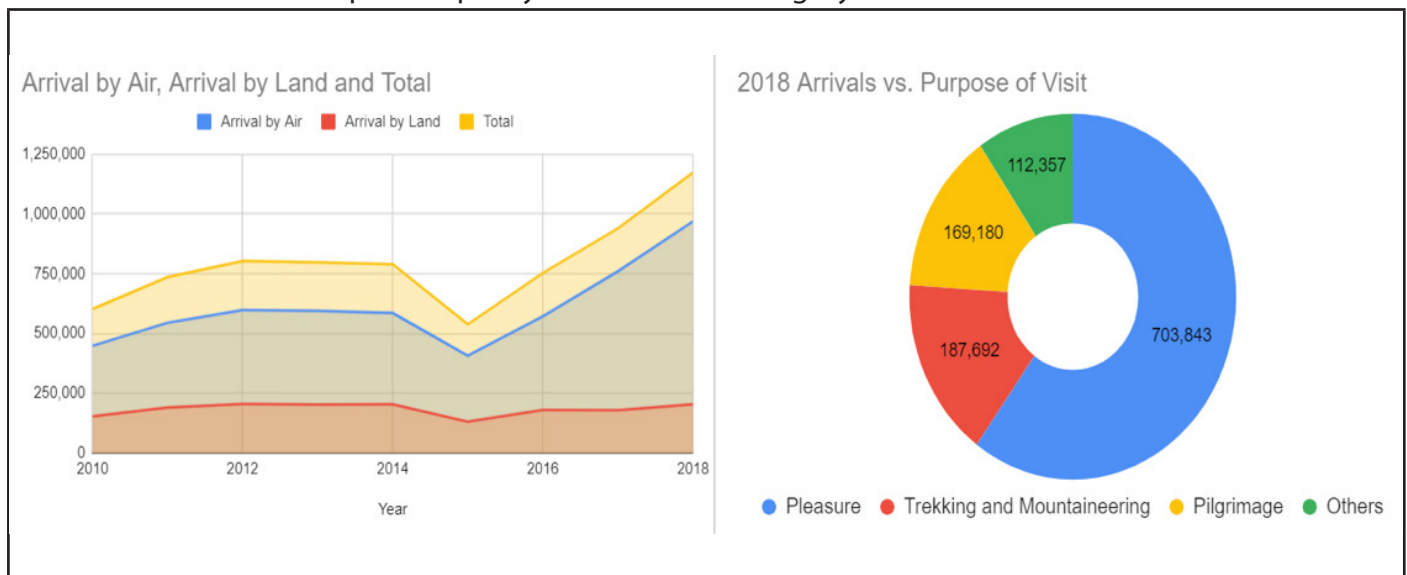
Similarly, there are other areas related to taxations that can be amended in order to achieve price competitiveness. Of which, Value added tax (VAT) charges levied on ground handling services provided by NAC can be completely scraped. VAT charges on ground handling services are not imposed on ground handling services in any SAARC or developed countries. Adding VAT charges would further increase the burden of operating flights in Kathmandu. VAT on ground handling and double taxation should be removed in the next budget. In addition to VAT for ground handling, taxes are levied on all amounts received while selling tickets, which in itself include tax and service charges levied by the GoN and other destination countries. A similar problem of double taxation is faced by tour operators as the tax charges included in the individual services are taxed on in the package (total turnover) as a whole as well. The upcoming budget should also look into these matters.

Likewise, tax on air fuel has led to an increase in air ticket prices in Nepal. Exempting airlines from air fuel tax can also help reduce the cost of travelling to Nepal.

Leveraging on land-based tourism

Encouraging high-spending international tourists to also arrive via land can be an effective hedging measure to cushion the disruptions that is expected in the category of tourism market arriving via air. This is especially important in the aftermath of covid-19. Social distancing measures invoked now may have a lasting impact at least for a while, as such people may tend to avoid long distance travelling via air. Therefore it becomes imperative to ease land based travel and focus should be given on attracting tourists from our neighbouring countries.

As of now, tourists arriving from the southern border points of the country are dominated by conservative tourists with religious motives arriving for the sole purpose of visiting limited pilgrimage sites in the country. Such nature of tourism that has historically pronounced our land-based tourism market has limited the revenue absorption capacity of this market category.



Source: Nepal Tourism Statistics (2018)

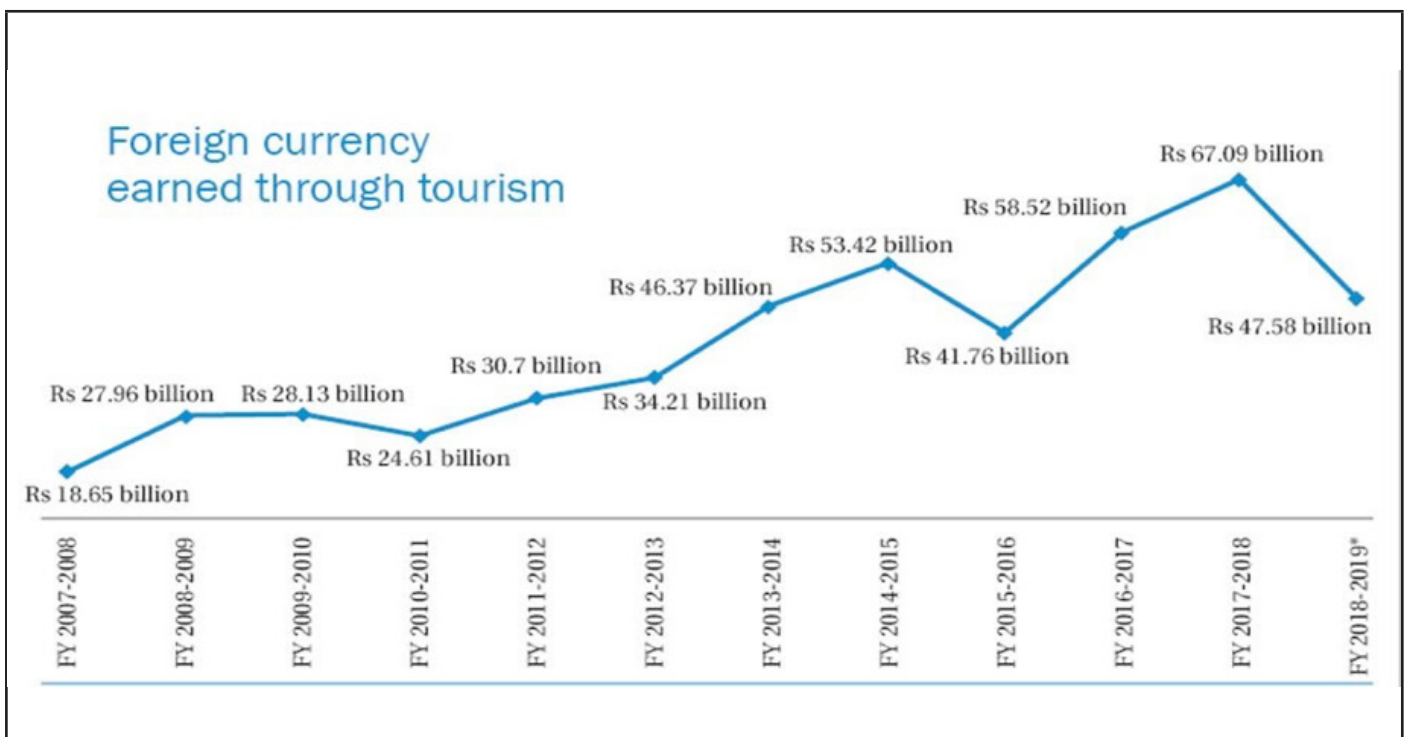
The figure depicts the proportion of international tourists that arrive via land and air in conjunction with the purpose of visits. As it can be seen from the figures, international tourists arriving via air significantly dominates the means by which international tourists arrive in Nepal, whereas pleasure remains as the most common purpose for tourists arriving in Nepal.

In the meantime, leveraging on the North-South road corridors that is expected to connect all southern border points to the northern Himalayan districts of the country allowing access to tourism destinations and activities across all altitudes can be a vital platform to draw international tourists willing to practice multipurpose tourism. While these corridor road projects are still on progress, these infrastructures retain the potentiality to encourage high-spending tourists willing to travel diverse destinations along the trans-Himalaya trail and engage in diverse tourism activities to also arrive via the southern border points. Importantly, this upturn in land-based tourism can allow this category of market to also contribute towards attaining increased tourism revenue absorption by promoting multipurpose tourism whilst the industry suffers limited revenue conversion.

Karnali corridor, an aspect of the North-South Corridor traversing State 5 and Karnali is a corridor connecting pilgrimage destinations of Northern India from the southern immigration point at Nepalgunj until the edge of the Himalayan districts of Karnali replete with high altitude tourism hotspots, socio-cultural treasures, and archaeological ornaments of remote Khas people and the Khas empire. Importantly, the corridor is also a bridge connecting the Northern states of India with majority of populations with Hindu faith to Kailash-Mansarovar at Ngari prefecture of Tibet.

The entire corridor passes alongside the scenic destinations at all altitudes of mid-western region of Nepal in along with places that carry archaeological and cultural significance of the remote Khas civilization that undoubtedly reckons the potentiality of the corridor to offer nature and culture based tourism to the category of tourists entering via land in this part of the Trans-Himalayan destination. As such, the potentiality of the corridor to alleviate poverty concentrated in the western hinterlands of the country by also leveraging on rural tourism appears promising.

Not to mention, the corridor also offers the opportunity to package all destinations within the range of the corridors as a grand destination that may be followed by marketing campaigns promoting such. As such, Karnali and Gandaki replete with tourism destination with diverse significance can be converted into regional/state destinations highly feasible for land-based tourism over the infrastructure of their respective corridor routes. In fact, the proposed regional destination may as well be packaged with tourism hotspots in Northern states of India from where significant volume of domestic and international tourists plying in the region can be drawn northwards.



Source: My Republica (2019)

Figure shows steep decline in tourism revenue in FY 2018/19 from the last fiscal year. The trend can be expected to intensify following the outbreak of pandemic. Therefore, increasing tourism revenue

absorption capacity whilst the sector itself is at vulnerability is paramount in order to sustain the sector revenue.

On this footing, land-based tourism can be presently regarded as containing the potential to also cushion the expected dent in the Nepalese tourism industry amid anticipated hike in international airfares. In fact, the market of international tourists arriving via land is a major opportunity to uplift the tourism economy in the remote western hinterlands of the country that retain under-ventured tourism hotspots of which the access for tourists is likely to be eased substantially following the completion of western aspect of the North-South road corridors. Meanwhile, the land-based tourism may as well feature inclusive development whilst much cannot be anticipated from the conventional market of international tourists arriving from air until the foreseeable future.

Given the significance of the category of tourism market arriving via land to at least defend the Nepalese tourism economy during the post-pandemic period, there are few measures that the government should undertake in order to encourage this diversification while the threat of contagion is not completely obliterated.

First and foremost, the Department of Immigration, and the concerned ministry should focus on establishing immigration offices in all ten land-based immigration point whilst it is acknowledged that only immigration offices in only seven entry/exit points are functional or available in terms of fulfilling visa procedures. Most of the land-based immigration points that receive international tourists are only clustered in western and central region of the county, leaving only immigration points at Kakadvitta at the eastern front. Therefore, a fully function immigration point at the newly inaugurated Integrated check post in Biratnagar will be help facilitate the revival of the tourism sector in the days to come.

Furthermore, the immigration point at Biratnagar can be made more advantageous by allowing domestic airlines located at the southern belt of the country to conduct direct mountain flights as an option for entertainment tourism for a specific category of tourists arriving from the neighboring northern states of India for a very short stay. At least, enabling short and direct mountain flights to mountain ranges in the north-eastern border of the country via domestic airport in the vicinity of Biratnagar can significantly boost entertainment tourism in this region of the southern belt that involves Indian tourists arriving form the Indian side of the Indo-Nepal border to experience night-life entertainment that are restricted in their jurisdiction. The possibility of providing mountain flights from Biratnagar domestic airport would in fact become a promising selling point within the category of entertainment tourism for Biratnagar as the city has always been one of the strategic locations at the southern frontier of the country while northwards from the city hosts famed peaks as Mt Everest, Mt Makalu, and Mt Kangchenjunga composing the mountain range in the north-eastern belt of the country.

Most importantly, adding mountain flights in the list of this specific category of entertainment tourism might increase length of tourist stay for only half a day but shall generate a substantial revenue conversion. Second of all, the immigration department and all immigration offices at the border points should be made capable of clearly informing and communicating the code-of-conduct for conducting safe tourism to all potential tourists who are planning to arrive in Nepal or have already reached the border points. This statement stands on the expectation that the government will soon formulate the code-of-conducts for tourists arriving via different means for different purposes to follow certain preventive procedures in order to avoid relapse of contagion during the post-pandemic period. Likewise, the immigration department and the offices should also be made ready to handle torrent of queries arriving via different communication mediums from international tourists willing to learn about the code-of-conduct, entry

requirements, safety, and all other necessary information that tourists might solicit in order to practice safe tourism during the post-pandemic period. In order to handle such tourist queries, the physical and online communication platform and help desks of immigration offices at border point needs to be improved. At present, the online presence of all immigration offices are limitedly interactive while other immigration offices (including the one located in Biratnagar) does not function at all.

Finally, immigration offices at border points should be provided with high-end testing infrastructure with the purpose of making the infection testing process convenient and swift without compromising on the rigor of the test for international tourists arriving via land. This argument is relevant as ease of entry is expected to be a significant factor that shall determine the success in drawing international tourists during the post-pandemic era. As immigration procedures have been made more stringent across the globe in order to avoid the spread of the virus, tourists in the coming days are likely to decide on visiting a certain destination also based on the ease of entering the country.

Hence, with the aid of improved testing infrastructure, waiting time for international tourists should be made competitive while also making sure that the waiting tourists are treated in a hospitable manner. After all, a quality tourism experience should ensure hospitality for tourists whenever possible.

The provided two recommendations should be necessarily addressed by the Tourists Facilitation Centres (TFC) that are pledged to be established at ten land-based entry/exit points with the purpose of easing and simplifying tourists' experience arriving via land as per mentioned in the ten-years tourism strategic plan. While the TFCs are expected to be established at all entry/exit points, the program is likely to ease tourists arriving from all land-based entry/exit points.

Upgrading the Buddhist Tourism Circuit to Trans-Himalayan Tourism Circuit:

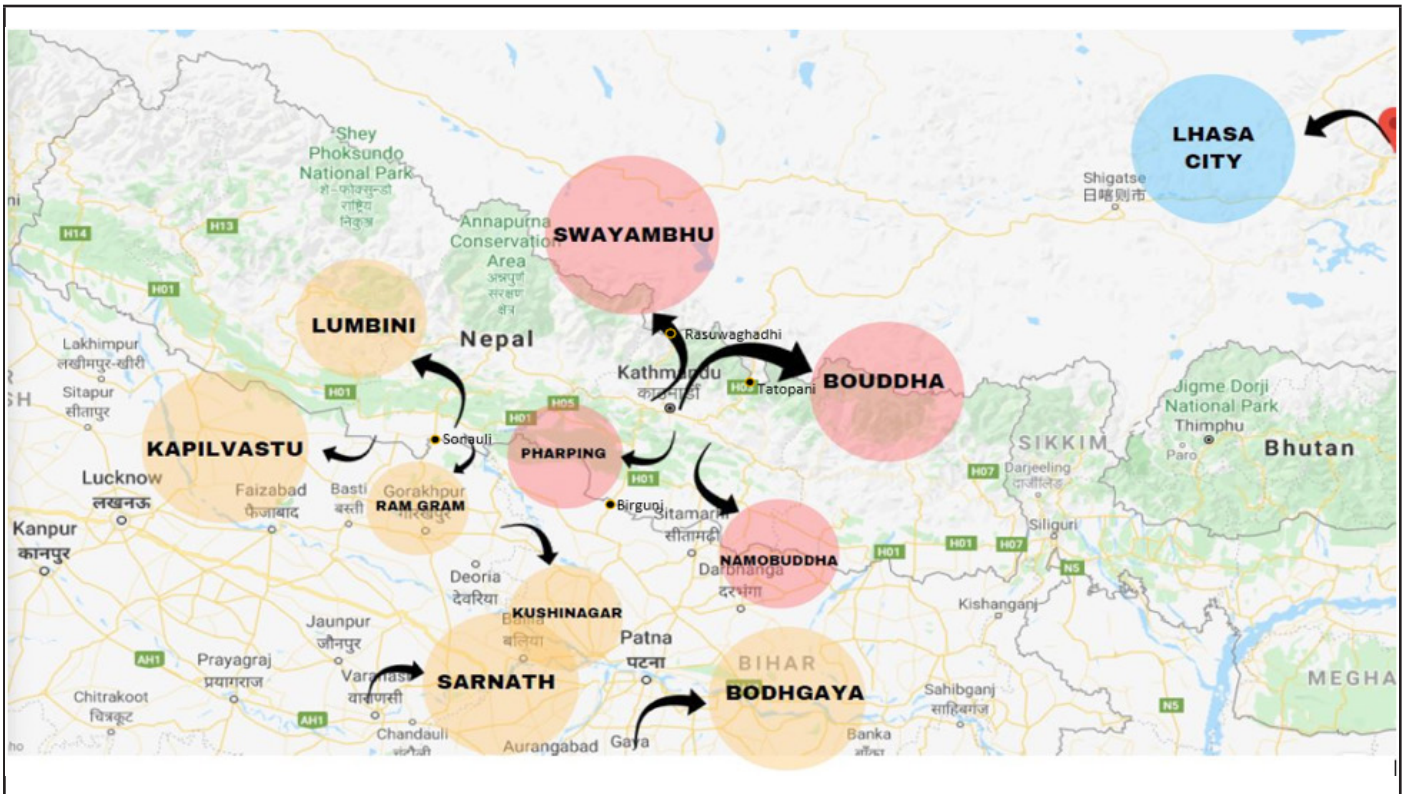
Similarly, though pilgrimage based tourism arriving from the southern border of the country is labelled as the category of market generating least revenue conversion for the industry, this market category nevertheless has significant potential to contribute towards the tourism industry of the country, And of course, with right strategies, the higher revenue conversion rate can be unlocked too.

On such note, pilgrimage routes being Buddhist and Ramayana tourism circuits that stand at the forefront of pilgrimage assets can be taken into account. Revitalizing the tourism circuits by also extending it further north and beyond can create a grander Trans-Himalayan pilgrimage tourism circuit deliberately through the medium of land-based tourism.,

As such, the Buddhist Tourism Circuit that connects Kapilvastu, Lumbini, Bodhgaya, Sarnath, Ramgram, and Khusinagar significant with the life events of Gautama Buddha is only limited to pilgrimage destinations in Bihar, UttarPradesh (UP) and State 5 of Nepal (color coded with yellow in the below figure) generating petty per-capita revenue and short travel span (Nepal Economic Forum, 2017). Instead, these pilgrimage destinations that preserve 2500 years old archaeological monuments of great importance for followers of Buddhism, historian and travel enthusiast alike can be extended to pilgrimage destinations of Buddhist faith in Kathmandu Valley (color coded with red in the below figure) in where tourists can experience prized circumambulatory pilgrimage of two World Heritage Sites being Swayambhu and Bouddha followed by former theocratic city of Lhasa (color coded with blue in the below figure) replete with numerous monasteries representing Buddhism faith in Tibet as Samye Monastery, Drepung Monastery, Yangpachen Monastery, Ganden Monastery, and the Potala Palace itself. Not to mention, manifestation of these pilgrimage destinations into a Trans-Himalayan Tourism Circuit can generate a large pilgrimage

tourism-based economy providing diverse experience of Buddhism pilgrimage between varying cultures established in diverse environments covering a huge range of altitude in this sacred edge of the world.

This ambitious concept in the meantime is already complemented by few decisions in the current policy and program document of the Federal government to establish meditation and conference center with capacity to hold five thousand participants at once in Lumbini in along with the programs to execute Lumbini and Ramgram area improvement masterplan.



The destinations represented in the above figure are only illustrative and not exhaustive. There are certainly numerous pilgrimage destinations significant to Buddhism apart from the Buddhism Tourist Circuit that can be packaged into a form of Trans-Himalayan Tourism Circuit.

Besides, the strategy of extending the circuit northwards via land-routes can be particularly beneficial for the tourism industry of Nepal as it also provides the opportunity to draw high spending Chinese tourists arriving in Lhasa for pilgrimage purpose towards the Buddhism Tourist Circuit through the northern border points of Rasuwagadi and Kodari while presenting alike destinations in Kathmandu Valley. In fact, the trend appears to be already in the momentum as Chinese tourist to Lumbini is observed to have increased by 71.81% (to 1.28 million) whereby in 2019 alone approximately twenty thousand Chinese tourists (i.e., double the number of Chinese tourists arriving in 2015) were observed to have entered from the Rasuwaghadhi border point (Nepal Economic Forum, 2017).

Furthermore, the completion of tunnel way between Kathmandu and Rasuwaghadhi in the near future as part of the Trans-Himalayan Multi Connectivity Network (THMCN) can be expected to further increase the traffic arriving and leaving from Rasuwaghadhi border point, thus also bolstering the greater Trans-himalayan Tourism Circuit (Khatiwada, 2019). On the same note, the upgrade of Arniko Highways through Chinese assistance as part of the THMCN program can create similar progress for tourists arriving and leaving from Tatopani border point (Naya patrika, 2020).

This idea of extending the Buddhism circuit into a greater Trans-Himalayan circuit involves certain measures that the government should pursue in order to make it a successful Tourism Circuit. Here, we shall discuss some measures that the government should take in order to enable pilgrimage tourism in Trans-Himalayan through the medium of land-based travel. We resort only to land-based travel for promoting the trans-Himalayan pilgrimage tourism in order to allow an alternative to air-based travel likely to face disruptions amid expected rise in air fares as discussed in the previous sections.

1. First of all, the entire pilgrimage destinations covering the regions of Tibet, Nepal, UP and Bihar needs to be packaged with itineraries specifically suitable for travelling via land routes and promoted accordingly. As such, it is not suggestive for the government bodies to engage in composing such tour packages as for there are a number of private tour operators capable of generating diverse innovative packages meeting the contemporary tourists needs. Therefore, the role of the government in supporting the extended pilgrimage circuit specifically involves creating essential bilateral negotiations with the neighboring governments in order to make tourism experience swift and convenient for tourists with least immigration procedural hassle at most. It mostly applied for tourists that require to receive on-arrival visas to enter Nepal.

Of course, it is understandable that the idea of simplifying the immigration process cannot be very appropriate during the period when the recent trauma of pandemic would rather incentivize increasing medical testing. But, with the necessary coordination between the borders of the three countries, the testing procedures at specific checkpoints (i.e., at Sonauli, Birgunj, Rasuwagadhi and Tatopani) can be made effective and convenient for tourists specifically plying for Trans-Himalayan pilgrimage tourism. Meanwhile, acquiring tourist visas as a tourist should also fall under immediate priority of all governments and each should work towards ensuring an easy and hassle-free visa process while strengthening cross-border security measures.

2. Ministerial-Level Committee platform between Nepal, India and China should be established specifically for the purpose of floating hurdles, disputes and resolutions between member countries for ensuring uninhibited operationalization of Trans-Himalayan Tourism Circuit. Meanwhile, a secretariat can also be established and dedicated for working towards identification of new potentials and opportunities for greater returns for the people of each country of the alliance and identifying regulatory issues that need to be addressed by the ministerial level committee. While the Ministerial Committee works on bilateral and multilateral issues with the information provided by the Secretariat, partnerships with local level organizations need to be forged in order to materialize concrete conservation projects at the heritage sites. After all, local people and organizations are the most knowledgeable about any site of historical importance, and will be the best suited to work on conservation and promotion of the sites. In addition, local entities around a heritage site are the immediate beneficiaries of conservation and additional tourist inflow. The secretariat could then focus on laying down a pragmatic benefit-sharing framework for all members of the alliance. In doing so, all local groups will have an incentive to work towards preservation and promotion of the heritage. With little help from the secretariat on identifying programs like clean-up campaigns to infrastructure maintenance, local groups can thus be made responsible for their community heritages. This will ensure local engagement for local economic transformations across the region.

Likewise, the secretariat that functions in such a manner will also be frequently updated about more and more of local and bilateral/multilateral issues that stand to hinder smooth functioning of the alliance. It could thus also serve as a platform that continuously identifies and brings to notice of local groups to international governments more issues that need to be resolved to ensure greater benefit for all.

Moreover, approach towards religious tourism must also be changed. There are several sects within the Buddhist community itself. Marketing the Buddhist circuit in similar manner will do very little to attract the many sects within the Buddhist community. Therefore, a detailed research as to the peculiarities of the sects and major attraction points by sect in Nepal must be done, which can further help in developing packages targeted at specific sects.

Additionally, facilitation of international tourists through boards that display directions and information in multiple languages especially the language of the tourists that comprise a significant portion of arrivals is also seen as an area where focus should be given.

A prerequisite for the development of the Buddhist circuit and even Ramayana circuit to this regard is research with regards to total estimated arrival, routes, condition of the routes, and monuments to be visited among other things. The body responsible for these studies is the Nepal tourism board, which works as the advisor to the government in relation to the tourism industry and the marketing agency for the tourism industry. As such capacity of this particular agency must also be strengthened through proper allocation of budget. Additionally Nepal tourism board can also focus on development of new product through proper research if adequate budget is provided.

Prioritizing domestic tourism to hedge disruption in international arrivals

It is reasonable to expect tourists to remain relatively less confident in traveling overseas than traveling within the borders of the country due to perceived lack of awareness and certainty amid the aftermath of pandemic. Besides, even if lockdowns were lifted across the world, crossing borders any time soon will not be very safe, even from a traveller's point of view.

In fact, this issue of safety concern is more relevant in the context of countries like Nepal where the ability and effectiveness of the government to ensure travellers' safety and handle crisis situations is perceived to be weak in comparison to governments of other countries with renowned tourism destinations. Given that, international tourism is likely to face uncertainty and disruption for Nepal in days to come. Therefore, domestic tourism could in fact be the trump cards for the entire Nepalese tourism industry to remain buoyant during the difficult post-pandemic days.

Domestic tourism was targeted in 2016 under the campaign "Ghoom Phir Year" to eradicate the fear of travelling in Nepal post-earthquake and it was effective in saving the tourism industry while it was recovering. Hence, the fellow Nepalese can be expected to revive the industry once again with their love for travelling and exploring new places while they themselves were unwillingly locked in. On such ground, Hometown travel, where people will travel and explore their own hometown without covering much distance, can be relatively insignificant, but nevertheless an interesting addition to the category of market for the tourism industry. Small-scale promotions can definitely be experimented in promoting this niche tourism activity. After all, people would definitely want to move around after the lockdown, and hometown travel can pose as the first stage for travellers to get accustomed to small scale tourism.

Given that the International tourists spent in average of US\$ 44/day in 2018 and stayed in average of 12.4 days during the very year (Himalayan News Service, 2019), the average per capita spending of international tourists (i.e., average spending/day multiplied by average length of stay) can be tentatively calculated at \$545 or NRs 66,179.35 (exchange rate at 7th May, 2020). Likewise, given that NRs 53 billion is expected to raise from 1.8 million domestic tourists in the upcoming period within undefined period (Online Khabar, 2020), the average per capita spending of domestic tourists can be roughly expected at NRs 29,500.

Conclusively, from the rough calculation it can be recognized that per capita spending of international tourists is roughly 2.25 times than that of domestic tourists. At least, considering the assumptions in the calculation, it may be safely regarded that international tourists spend at least twice as much as domestic tourists. However, though international tourists can be regarded as generating considerably higher revenue absorption rate, this category of market is relatively more vulnerable than the category of domestic tourists' market. As such, while disruptions are expected in international tourism market in post-pandemic days, the tourism industry and its relevant stakeholders should regardless concentrate on prioritizing and promoting domestic tourism.

Assuming the significance of domestic tourism for the mentioned reason, the current National Tourism Strategic plan might need to be revised in order to incorporate specific measures to vitalize and prioritize domestic tourism in Nepal. However, during the meantime, there are few quick-fix effective measures that the government can undertake in order to promote domestic tourism. Regarding which, the measure of providing individual income tax exemptions until fifty thousand rupees per person for all citizens as advised by the Chief Executive Officer (CEO) of NTB can be effective. CEO Regmi expects 1.9 million domestic tourists generating NRs 53 billion for the Nepalese tourism economy in putting the income tax exemption measure into effect.

Likewise, general measures as classifying states and districts based on the situation of the contagion in order to guide and advise the tourists to visit certain destinations where the likeliness of contagion is lower may as well be considered to build confidence among potential domestic tourists. Meanwhile, other measures like establishing checkpoints at entry and exit points of States and districts with the sole purpose of testing for infection can be coupled with the above measure in order to make sure that the contagion is not allowed to spread. Whilst such measures are assistive also for international tourists, it reserves significant relevance for domestic tourists because such tourists are often travelling independently without guidance from tour operators provided in packaged tours.

Likewise, enabling domestic tourists to ply green number plated vehicles can be a very effective measure that the government can undertake in order to promote domestic tourism. As vehicles imported for the purpose of only carrying tourists are exempted with 50% of the custom duty applicable to other vehicles, allowing domestic tourists to also ply vehicles of such license can significantly reduce the cost of travel for domestic tourists.

However as of now, domestic tourists in Nepal, although classified as tourists by Tourism Policy, 2008 and subsequent amendment to the tourism act are barred from travelling in green number plate vehicles/ tourist vehicles. Protests from representatives of the tourism industry have time and again ensued calling for changing the existing provision in order to allow domestic tourists to travel in tourist vehicles. The problem follows from the definition of Tourist Vehicles provided in the Motor Vehicles and Transport

Management act 1993, which defines tourist vehicles as registered for transport of foreign tourists. Even though the action plan calls for harmonization of legal provisions, very little has been done. Therefore, it is imperative that all legislation concerning the tourism industry be harmonized to ensure that domestic tourists are allowed to ply green number plated vehicles.

Besides, enabling domestic tourists to ply on green number plated vehicles may also draw this category of market involving most tourists traveling independently under the service of professional tour operators. At least, when the cost of tour packages is likely to be competitive following the decrease in cost of travelling. Meanwhile, the benefit of domestic tourists being catered by the service of professional tour operators come in the form of increased market base for the tour operators, and better experience for tourists as the result of being served by professional tour operators. Hence, creating a win-win situation. Also, the opportunity for domestic tour operators to serve domestic tourists shall also ensure conduction of safe tourism in this category of market as professional tour operators can be expected to be more able to guide domestic tourists to practice safe tourism than tourists themselves when they travel independently.

Exempting corporate income tax for the tourism industry:

We have until yet discussed measures that can be put into effect in order to encourage tourism and preserve the market base of Nepalese tourism industry. But the intensity of the occurred and pending consequences of the pandemic in the Nepalese tourism industry may also warrant specific policy measures to support the service providers of the tourism industry. At present, the tourism industry is struggling to meet working capital requirements as cash-flows have dried up amid economic halt. And therefore, policy interventions can be designed to help the tourism industry to meet working capital requirements so that the tourism businesses can operate at full-capacity.

On such ground, one of the measures that can financially support operations of the tourism industry would be to exempt corporate income tax for the entire value-chain of the Nepalese tourism industry at least until 3 years that tourism industry is expected to require in order to completely recover from the economic set down. As such, the tax exemption measure can be even expected to supplement the policy measure proposed by the Nepal Rastra Bank (NRB) to cut interest rates by 2 per cent in order to stimulate private investments.

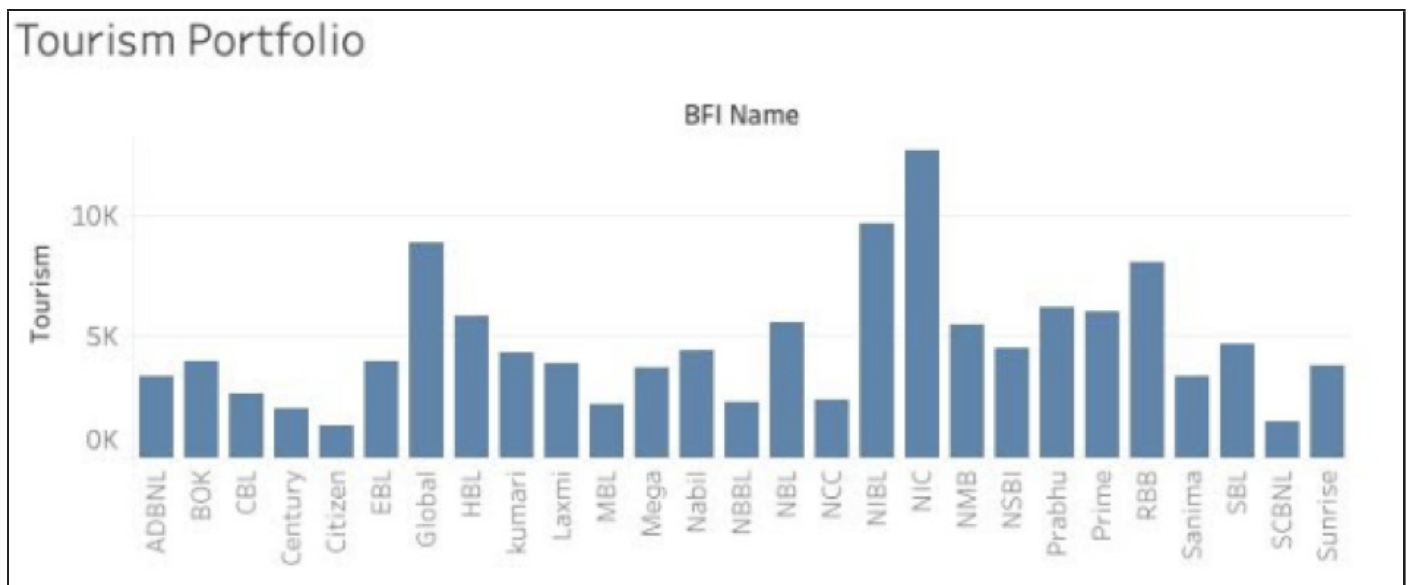
The two measures implemented together can be more effective in supporting the operations of the tourism enterprises on grounds that enterprises can retrieve short-term to mid-term loans in subsidized interest rates to plug their working capital requirements while the reduced interest payments can be met from the liquid asset (esp. in the form of cash or equivalent) retained to pay off the income tax dues. Moreover, the synergistic nature of two measures can also be recognized from the fact that the payments cycles of the overheads (i.e., interest payments and corporate income tax payments) tend to coincide. As such, businesses will be able to meet interest payments by diverting the cash retained for paying tax dues without having to arrange for the payment cycle gaps. In simple terms, the combination of these policy facilities amounts to even more subsidized interest on loans to tourism enterprises.

Usual period for income tax payment		Mid-January	Mid-April	Mid-July
Usual period for interest payments*	Mid-October	Mid-January	Mid-April	Mid-July

*Interest payment periods are for non-EMI loans

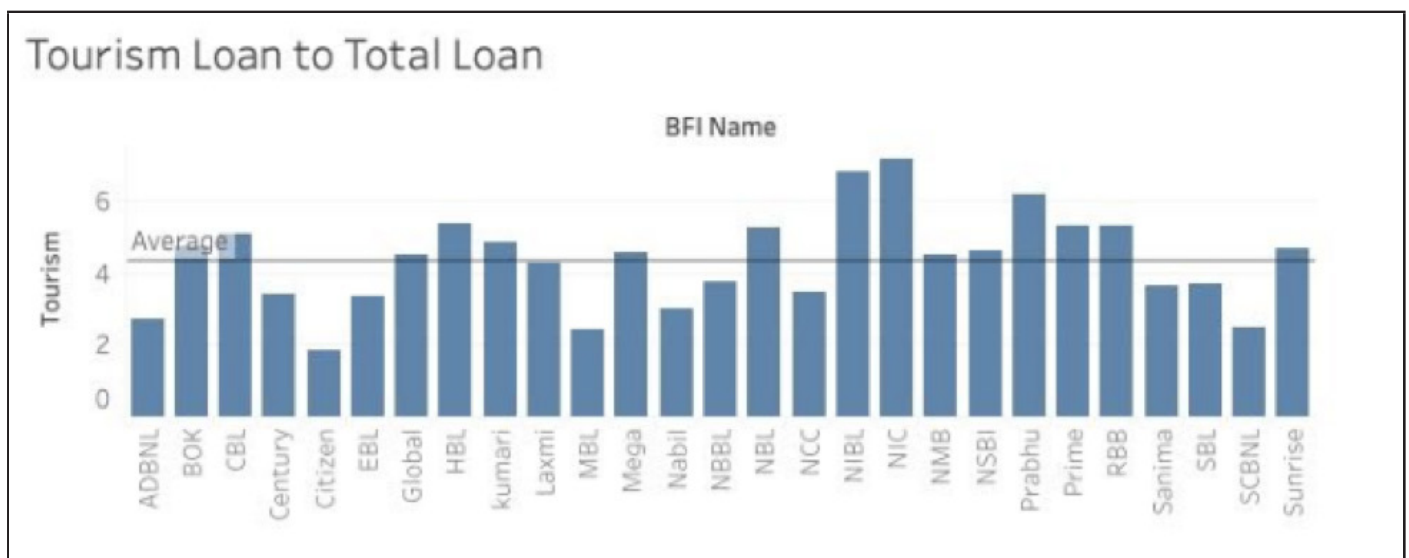
Furthermore, the tendency for the amount reserved for tax payments to meet or exceed the interest payments gradually increases as businesses come closer to earning normal profit following each cash-flow cycle, thus leaving more cash reserved for tax payment that can be diverted to interest payments.

This becomes especially important given the total amount of loans extended to hotels and restaurants. As evidenced from the figure below, a total of NPR 126 billion has been extended as loans to hotels and restaurants. This figure forms four percent of the total loan portfolio of Commercial Banks. Interestingly, this figure does not represent the total amount of loans extended to the tourism industry, loans extended to small and medium enterprises, vehicle purchases may well form the part of the tourism industry. Furthermore, owing to the huge impact felt by the tourism industry it is highly likely that many of the loans extended to the tourism sector become non-performing. As such measures taken by the NRB to reduce interest rates do offer some relief albeit an inadequate one. In line with the same a moratorium on loans might avert the situation to a certain degree, but the accumulation of interests to be paid at a later date might prove to be fatal if other measures to reduce costs especially the one suggested above are not taken.



Source: Authors Calculation based on NRB estimates

Figure in millions



Source: Authors Calculation based on NRB estimates

Additionally, it has also come to light that many hotels and restaurants cannot afford to pay the salary of their employees and have decided to pay only 12 percent of their basic income, a decision that has warranted protest from the trade union. A middle ground in terms of reducing the overhead expenses of business in the tourism sector while maintaining a decent pay for the employees can be attained. Such an effort would require the payment of all funds deposited in the social security fund which accounts to about 31 percent of the basic income of the employee. It is evident that the tourism sector will take a long time (more than other sectors) to recover, therefore focus must be given for the survival of this sector till it sees a surge in tourist arrivals. These efforts are mostly related with the reduction in the overhead expenses of the businesses and the short term availability of working capital, thus a measure with regards to providing the lump sum amount deposited social security fund (in case such amount has been deposited) can help employees sustain their livelihoods while businesses remain shut while simultaneously ensuring the survival of hotels and restaurants through lowered costs. Moreover, in case of those that are not registered in the contributory social security system, unemployment benefits through the amount collected as social security tax prior to the current fiscal year can be made.

Equally important is to treat the tourism industry as a major contributor to the Nepalese GDP. This entails making sure that the tourism industry receives the same benefits as the other industries in relation to electricity tariffs, corporate tax exemptions and tax holidays. Currently, experts and entrepreneurs in the tourism industry are of the opinion that the tourism industry does not see the same treatment as the industries in Nepal, a situation which must change for long-term sustainability.

More essentially, the measures proposed by the National Tourism board, which includes the utilization of social security fund, leave travel concession i.e. the deduction of the amount of money spent on holidays up to a certain amount from the taxable income of a person, decrease in base rate of interests for the tourism industry, deferment in interest payments for at least three years are sufficient measures that can be taken to ensure the survival of the tourism industry.

Improving legislative and Industrial relations front:

While measures concerning the financial aspect of the tourism industry are significant, it definitely is not exhaustive to create an enabling ground for the industry to survive in the post-pandemic period and thrive in the long-term. As such, a few amendments looking into non-financial aspects guiding industrial relations and legislations concerning Tourism industry is necessary.

First of all, an alternative approach to industrial relations that avoids frequent strikes but keeps power of collective bargaining of labours of the tourism industry intact is long overdue. This argument stands in the context whereby the tourism industry has a very feeble labour relations, and is more vulnerable during the difficult days and the days following it. While the government actions have not been very helpful to tourism entrepreneurs and workers alike, the relationship between the two parties without the lack of proper mediating mechanism can paralyze the entire industry in future. In fact, the feeble labour relations have always kept entrepreneurs and owners of the tourism industry vulnerable and worried. For instance, it would not be very hard to understand that the recent white paper submitted by the Hotel Association of Nepal (HAN that recognizes Hotels in Nepal to have spent 40 percent of their income on employees against the global average of 10-12 percentages is also the result of the structure of industrial relations that allow labour strikes to be conducted easily.

Likewise, on the legislative front concerning the airlines sector in particular and tourism sector in general, Nepal Air Service Authority Bill and Civil Aviation Authority bill that have been received very well needs

expediting while smooth transition must be ensured for the newly formed institutions to function properly. After all, unbundling of CAAN, so that the regulator authority and service providing agency for the airlines industry be separated, is indeed promising to improve service delivery in the airlines industry, to this regard the commitment made in the current Policies and Programmes is a welcome change. Moreover, with accession to Montreal Convention, a strong institutional arrangement had always become a necessity for the airlines industry.

Imagining a proper Information Bank for aide of the Nepalese Tourism Industry:

Last but not the least, the development of the tourism industry is not complete without the calculation of its progress. Our most convenient government-issued resources depict only extremely basic data that do not help craft further conclusions or even serve as solid references for the decision makers. Nepal Tourism Statistics, the most reliant source of data in this industry has yet to include the data regarding domestic tourism and even extend its categories of tourism beyond the few just basic ones. Extending and formatting tourism statistical data into a systematized, and detailed information bank would help even the entrepreneurs and investors of this industry to locate patterns of tourism inflow, interests and tourist demands over the seasons, progress of new ideas in the market and assist them to tap into profitable opportunities in this industry. In line with the same, the Ministry of Civil Aviation Culture and Tourism has conducted assessments for the implementation of Tourism Satellite Account as a means for proper data collection. The assessment was conducted with help from the United Nations World Tourism Organisation. However, implementation of TSA has not been achieved as of yet and as means for long term sustainability of the tourism sector timely implementation of Tourism Satellite account can be seen as a prerequisite.

8. Recommendations:

1. The immigration department and all immigration offices at the border points should be made capable of handling queries and effectively communicating the code-of-conduct for conducting safe tourism to all potential tourists who are planning to arrive in Nepal or have already reached the border points.
2. Screening and infection testing process should be made convenient for international tourists arriving via land by providing immigration offices at border points with necessary testing infrastructure that shortens the screening period without compromising on the rigor of the test. Essentially, Standard operating Procedures must also be made that properly incorporate necessary standard.
3. Immigration point at Biratnagar should be made open for tourists arriving via land as soon as possible
4. Nepal Government should engage in creating essential bilateral negotiations with the neighboring governments in order to make tourism experience swift and convenient with least immigration procedural hassle for tourists visiting the conceptualized Trans-Himalayan Tourism Circuit.
5. Ministerial-Level Committee platform between Nepal, India and China should be established specifically for the purpose of floating hurdles, disputes and resolutions between member countries for ensuring uninhibited operationalization of Trans-Himalayan Tourism Circuit.
6. Secretariat needs to be established for working towards identification of new potentials and opportunities for greater returns for the people of each country of the alliance, forging local partnership and identifying regulatory issues that need to be addressed by the ministerial level committee.
7. Proper targeting for religious tourism must be done through adequate research. To this regard, Nepal Tourism Boards budget must also be increased in order to develop packages and products that can be targeted properly.
8. Classifying states and districts based on the situation of the contagion in order to guide and advise the tourists to visit certain destinations where the likeliness of contagion is lower
9. Enable domestic tourists to ply green number plated vehicles
10. Exempt corporate income tax for the entire value-chain of the Nepalese tourism industry at least until 3 years that the tourism industry is expected to require in order to completely recover from the economic set down and in order to minimize the risk of loans extended to hotels and restaurants as being non performing.
11. Amounts deposited in the social security fund can be paid out to the employees of hotels and restaurants which can help minimize the overhead expenses. Additionally, payment of such amounts can help employees maintain a level of subsistence in the wake of the decision by hotel entrepreneurs to pay only 12 percent of the basic salary of the employees.
12. Engage an alternative approach to industrial relations that avoids frequent strikes but keeps power of collective bargaining of labours of the tourism industry intact is necessary
13. Ensure fast-tracking of Nepal Air Service Authority Bill and Civil Aviation Authority bill while also ensuring smooth functioning of the newly formed regulatory and service providing institutions.



14. Exempt visa fees and tourism fees levied on international tourists.
15. Exempt VAT on ground handling charges and taxes on air fuel.
16. Set budget for, and coordinate with respective state governments for state flagship programs (like maternity hospitals in State 2 (Janakpur) and State 5 (Rupandehi))
17. Privatise, or outsource to private management companies, management of airports.
18. Established a well-managed and systematic tourism information system in order to facilitate data regarding tourism on various categories, province and purposes to ensure convenience in crafting further development and tourism promotion plans.

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