

ECONOMIC POLICY NETWORK

Policy Paper 9

BUILDING CONFIDENCE IN TOURISM THROUGH CRISIS MANAGEMENT

Rabindra Adhikari

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Prepared for:

Economic Policy Network
His Majesty's Government of Nepal/ Ministry of Finance
Singha Durbar, Kathmandu, Nepal
Tel: 977-1-4211353
E-mail: epn@mof.gov.np
Website: www.mof.gov.np

and

Asian Development Bank
Nepal Resident Mission
Srikunj, Kamaldi, Ward No. 31
P.O. Box 5017, Kathmandu, Nepal
Tel: 977-1-4227779
Fax: 977-1-4225063
E-mail: adbnrm@adb.org
Website: www.adb.org/nrm

Submitted by:

Nepal Association of Tour Operators (NATO)
P.O. Box 12866
Kathmandu, Nepal
Tel: 977-1-2002143
Fax: 977-1-4418999
E-mail: natonepal@wlink.com.np
Website: www.nepaltouroperators.org

This report has been prepared by Mr. Rabindra Adhikari, Tourism Specialist.

Inputs from various stakeholders during interactions at NATO, Advisory Committee meetings, and the workshop organized by the EPN Focal Unit have been incorporated in the report. The names of people met during the interactions are included in appendix 2 in this report.

Foreword

Economic Policy Network (EPN) is an undertaking of His Majesty's Government of Nepal (HMG/N) since August 2004 with an Asian Development Bank (ADB) technical assistance (TA) to develop and institutionalize an open, responsive and result oriented economic policy formulation process based on sound economic analysis and dialogues with the partnership of public and private sector, academia, and independent professionals, to support and consolidate the Government's economic policy reforms on poverty reduction strategy. The initial focus has been in the areas of macroeconomic management, trade, investment, employment, infrastructure, tourism, agriculture, and regional development through four thematic advisory committees chaired by the secretaries of the respective implementing ministries, and guided by a high-level steering committee. The present study is an outcome of the initiative under the Advisory Committee for Economic Policy on Tourism, Agriculture, and Regional Development chaired by the Secretary of the Ministry of Culture, Tourism, and Civil Aviation.

In view of the ongoing conflict in the nation, and the adverse effect it has had on the tourism industry in Nepal, the study was commissioned to analyze the causes of crises and propose ways to manage crises effectively to build tourist confidence. The scope of the study covers more than just responding to the effects of the present insurgency in the sector and includes responding to natural calamities and other crises as well. The recommendations are the outcome of consensus reached among major stakeholders through various consultations and the EPN workshop. I hope the findings and recommendations will be helpful for policy makers for future reforms.

I would like to thank the Nepal Association of Tour Operators (NATO) for leading the study, and Mr. Rabindra Adhikari for carrying out the study on their behalf. I also thank all those who have provided inputs for the report during the interactions at NATO, the advisory committee meetings, and the EPN workshop. The work of the Advisory Committee for Economic Policy on Tourism, Agriculture, and Regional Development is to be commended for selecting the issue and for following through with the study. I would also like to appreciate the entire EPN team for their hard work. I also thank the former Steering Committee chairperson (the then Chief Secretary of HMG/N) Dr. Bimal Prasad Koirala, for his guidance during his tenure. Last but not least, I would like to thank the ADB for supporting this initiative.



Dr. Champak Prasad Pokharel
Member
National Planning Commission
His Majesty's Government of Nepal
[Chairman—EPN Steering Committee]

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Nepal Association of Tour Operators (NATO) is pleased to conduct the study on “Building Confidence in Tourism through Crisis Management” under TA No. 4288-Nep. of Asian Development Bank. We express our sincere thanks to the Asian Development Bank, Ministry of Culture, Tourism and Civil Aviation (MOCTCA) and the members of Establishing Economic Policy Network, who entrusted NATO and provided an opportunity to carry out this research – the need of an hour. The report has been prepared on the basis of present situation analysis of the status of tourism in Nepal.

This report was prepared by Mr Rabindra Adhikari, who was selected on the basis of meritocracy and past experiences from the list of consultants forwarded by Nepal Association of Tour Operators (NATO) to the ADB/EPN. We appreciate Mr. Adhikari for his efforts to prepare this report, which is far more than a one-man-month work.

The study on ‘Building Confidence in Tourism through Crisis Management’ is the right choice for any research in tourism at this hour, especially because Nepalese tourism is reeling due to cumulating domestic and international incidents for the last couple of years. We have not been able to cope up with these unfortunate incidents and have also failed to win the confidence of foreign tourists and tour operators. The recommendation of this report, if fully complied, can prove vital in regaining the lost glory of the country.

This report is an outcome of intensive study on the nature of crisis in Nepal, series of meetings with tourism experts, Focus Group Discussions (FGD) at the NATO secretariat and a workshop conducted by NATO on May 24th, 2005 at Hotel Del Annapurna with various experts. We sincerely thank Mr. Sushil JB Rana, Secretary at the MoCTCA, Dr Champak Pokharel, Team leader of EEPN and Mr. Shanker Prasad Koirala, Member secretary, EEPN advisory committee and Joint Secretary at MOCTCA for their constant inputs and suggestions. We appreciate the supports provided by prominent figures in tourism industry including Mrs. Yankila Sherpa, Member of National Assembly, Mr. Dipendra Purush Dhakal, former tourism secretary, Mr. Prachanda Man Shrestha, former Director General at Department of Tourism, Mr. Sarada Prasad Tirtal, Joint Secretary at MOCTCA, Mr. Mohan Khanal – Managing Director of Royal Nepal Airlines Corporation, Mr. Tek Bahadur Dangi, CEO of Nepal Tourism Board (NTB), Mr. Subash Nirola, Director of NTB, Mr. Yogendra Shakya, Tourism Entrepreneur, Mr. Arun Rana, Associate Project Specialist at EEPN, Mr. Gopal Tiwari, Journalist at The Himalayan Times, Mrs. Chhaya Sharma, Principal of NCTTM, Mr. Bishnu Upreti, Conflict Specialist and Mr. P K Adhikari Chairman of COMAT.

We also express our sincere thanks to Vice president of NATO Mr. Rajiv Malla, Honorary Secretary of NATO Mr. Ashok Pokharel, and Executive members of NATO Mr. Yadav Khanal, Mr. Manohar Rana, Mr. Sikhhar Prasai, and Mr. Bikrum Pandey, without whose active involvement, this report would not have taken this shape. Thanks as well to the team at NATO secretariat – Mr. Satyendra Timilsina, Senior Consultant, Mr. Sushil Neupane, Executive Secretary and Mr. Birkum Simkhara.

Basant Raj Mishra
President
Nepal Association of Tour Operators

List of Abbreviations

ASA	Air Service Agreement
CAAN	Civil Aviation Authority of Nepal
DDC	District Development Committee]
DOA	Department of Archeology
FY	Fiscal Year
GOs	Governmental Organizations
HMG	His Majesty's Government of Nepal
IA	Indian Airways
Li	Local Institutions
MOCTCA	Ministry of Culture Tourism and Civil Aviation
NATO	Nepal Association of Tour Operators
NGOs	Non-governmental Organizations
NPC	National Planning Commission
NTB	Nepal Tourism Board
NTDB	Nepal Tourist Development Board
PCIA	Peace and Conflict Impact Assessment
PIA	Pakistan International Airways
RNAC	Royal Nepal Airlines Corporation
RTC	Responding to Conflict
SAARC	South Asian Association of Regional Cooperation
SARS	Severe Acute Respiratory Syndrome
SASEC	South Asia Sub-regional Economic Cooperation
SQ	Singapore Airways
TG	Thai Airways
TRPAP	Tourism for Rural Poverty Alleviation Program
VNY	Visit Nepal Year
VDC	Village Development Committee
WTO	World Tourism Organization

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Annexes

Background of the study on Building Confidence in Tourism through Crisis Management

Crisis cannot be analyzed in isolation. The paper has thus tried to establish a relationship between conflict and crisis. Any uncared conflict within and among organizations create crisis, and if unresolved on time it escalates to violence. Crisis management, thus should not be limited within the rescue activities, but should also include the process of conflict transformation. If the conflict within an organization if not cured on time, may change into crisis. The paper discusses some aspects of crisis in tourism and tries to identify the tools to analyze crisis and its components.

The TOR of the study is given in Annex I.

1. Objective.

The objective of the study is to

- Analyze the effects of crisis on tourism industry.
- Study how different stakeholders in tourism are presently dealing with the crisis.
- Propose how consumer, economic and environmental reactions are better understood and
- Propose ways to prepare for meeting the situation and succeed in the crisis situation.

2. Methodology Used.

The methodology used to prepare the report is as follows;

- Review the documents on problems and prospects of tourism including the government tourism policy.
- Interactions with various stakeholders including the subject matter specialists.
- Organization of a participatory workshop for developing Policy Action Matrix and getting inputs for Public- Private flow chart.

Executive Summary

In spite of the importance of tourism in the national economy and the efforts made to develop the country as secure, dependable and attractive travel destination, Nepal had to face many uphill in promoting tourism and marketing it as favorable destination. Tourism is one of the few industries highly vulnerable to any uncertainties. Having vulnerable character, crisis of any nature and at any level - national, regional or international - produces negative impact on tourism market. Nepal has been experiencing the effect of such vulnerability in tourism with increasing frequency since late 90s.

Awareness on the need of planned tourism development is seen from the very beginning of the development history of Nepal. Various steps were taken to promote tourism in the country and institutionalize it as reliable foreign currency earning source and in promoting employment within the country. However the crisis of different nature has been affecting tourism in the country.

Besides the international and regional causes of different nature, the political instability after the restoration of democracy, frequent street demonstrations, Maoist insurgency, negative and exaggerated press coverage about the law and order situation of the country, the pollution, deteriorating condition of national heritages and threat to remove them from world heritage sites, unplanned urbanization of Kathmandu valley, the ailing condition of national flag carrier are some examples of crisis generating factors at the national level.

The loss of market has generated severe competition among tourism related service organizations – Hotels, Travel Agencies, Trekking Agencies, and Tour Operators. The unhealthy internal competition has reduced the service charge at the cost of their quality. Most of the tourism infrastructures instead of generating revenue are running at operating cost. In nutshell, the decreased number of visitors has induced quality deterioration in tourism services and vice-versa.

Besides the real political crisis, the situation is further aggravated by the media reports. The Indian press project Nepal as anti-Indian country and leaves no mercy to blow up the issue and create story about ISI connection. Such exaggerated projection was enough to create alarming situation among the Indian visitors. The sporadic incidents of little importance on the safety and security of the tourists are normally blown up to larger scale. Media have been playing important role to create or escalate crisis in tourism of the country.

Considering at the increasing level of competition it has to face in global market to sell the product that used to be its unique in the past, a suitable brand to distinguish the country from other mountainous and culture rich destinations is felt necessary for motivating tourists to visit Nepal.

Nepal Tourism Board (NTB) where majority of the members are from private sectors is playing an important role in marketing and promotion of tourism in Nepal since the beginning of 1999. NTB constituted under NTB Board Act 1997, has been carrying out the promotional activities in the targeted markets involving the private sectors in all its functions.

Partnership approach to decision making in planning marketing activities involving industry representative associations and the private sectors has been the marketing strategy of NTB. It also intends to expand this approach beyond Nepal to include international tour operators and main market carriers and initiate joint marketing activities with them.

Tourism potential can only truly be realized in peace and stable condition. Despite the existing political uncertainty within the country and emerging competition in the region, the performance of the last two years provides some rays of hope for future growth of tourism in Nepal. Marketing the destination in a professional, integrated and strategic way in coordination with the government and private sectors could revive the lost market.

Considering the magnitude of crisis the tourism marketing industry is facing, it is difficult to develop fully crisis responsive marketing strategy at the moment. However, the effort from joint public-private initiative has helped to mitigate the crisis to an extent and bring tourists into the country. Nepal has been striving hard to regain the lost market and crisis in the country sidelined the target of receiving one million tourists by 2009.

The government has constituted High Level Crisis Management Committee to deal with the crisis situation in the country. However, the high level committee has not been effective, in the sense that it has neither developed the working modalities nor identified the sphere of activities even after a year of its existence..

The Maoist insurgency in Nepal is often interpreted as a crisis of poverty and underdevelopment. Nepal is a society with acute horizontal inequalities that has made it more vulnerable to violent conflict. Highly unequal societies are often more politically unstable. Poverty has created an environment in which violence has been able to flourish. Poverty and prolonged economic stagnation have undermined the legitimacy of successive governments and ultimately of the democratic system itself

Although most work to date has been undertaken in the area of strategic conflict analysis and planning, it is recommended that conflict-sensitive tools are required to support the full program and project cycle from analysis to implementation, monitoring and evaluation.

In general the crisis management can be broken down into following four distinct phases identification, preparation, response and recovery. PCIA should be done to assess the conflict situation for tourism promotion in the country.

Recently tourism in Nepal has come through series of hardships and is still suffering due to the absence of proper crisis handling mechanism. While it is of sure that it can thrive only in a situation of peace and stability, like other industries, enhancement of tourism depends on constructive vision, a strong political will, trained manpower, effective and well planned marketing and promotional activities. Nepal Association of Tour Operators enlists following issues that are most pressing for a face-lift of Nepal's ailing tourism industry from a crucial crossroads.

- Campaign to regain lost confidence
- Invite foreign media and tour operators on familiarization trip
- Initiate economic and tourism diplomacy
- Develop Crisis Management Cell to make it more effective
- Develop Media network for disseminating Positive News and establish information centers on the trunk routes
- Declare Tourism as the National Industry and include it under essential service sector
- Waive out VAT threshold for tour operators
- Separate tour operators and operations and Bonding
- Provide facilities to upgrade the fleet of tour operators
- Make suitable amendment to the aviation Policy, Strengthen RNAC
- Strengthen NTB, Facilitate tourists at the airport
- Promote investment through SMEs

Chapter I

APPRAISAL

1.1 The Concept and Essence.

The flora and fauna of Nepal including the snow capped high altitude mountains have been thrilling the people all around the globe. The mystical Himalayan Kingdom has been the destinations of many people as it offers unparalleled natural beauty, the innate hospitality of friendly people with their unique customs and traditions, the year round pleasant climate and the living monuments. The country possesses immense potential to lure the general and special interest visitors from all around the world. For the reason, it is found that high percentage of the tourists who have visited Nepal, wish to return to this country again and again.

The history of modern tourism in Nepal is more than fifty years now. In a developing country like Nepal, where the concept of modern tourism was not even born, the government had to take initiatives in the matter of developing, planning, promoting and marketing of tourism in the past.

Tourism development has been one of the top priorities of His Majesty's Government of Nepal. Since the beginning of its development plan, the government has been incorporating tourism as one of the priority sector to be developed for recognizing the country abroad and earning foreign currency. Starting from 1956 onwards- the first development plan came into effect – various institutional arrangements were made to promote tourism in the country.

A significant organizational change in tourism occurred in December 1998. Nepal Tourism Board and Civil Aviation Authority of Nepal replaced the Department of Tourism and the Department of Civil Aviation respectively. The government's role now is limited to regulate and facilitate the private sector initiatives in tourism promotion and marketing. The recent initiatives of the Government is directed towards the diversification of tourism to new areas, address the issues of tourism promotion more effectively and efficiently, involve private sectors to promote tourism and develop linkages between tourism and other sectors of economy.

In spite of the importance of tourism in the national economy and the efforts made to develop the country as secure, dependable and attractive travel destination, Nepal had to face many uphill in promoting tourism and marketing it as favorable destination. Tourism is one of the few industries highly vulnerable to any uncertainties. The World Tourism Organization (WTO) has officially acknowledged the vulnerability of tourism industry and has identified three main damaging factors – consumer confidence in the safety of air travel, uncertainty about near future and global economic recession.

Having vulnerable character, crisis of any nature and at any level- national, regional or international- produces negative impact on tourism market. Nepal has been experiencing the effect of such vulnerability in tourism with increasing frequency since late 90s. The Shangri-La image of the country was shattered by one article in international news magazine and Hritik Roshan episode was enough to damage the peaceful image of the country. The hijacking of one international flight from Kathmandu airport on 26 December 1999 is the most significant crisis events in the history of tourism in Nepal. The Royal Palace incidence of 2001 and political disturbances including “*Bandha*” and frequent street demonstrations in

Kathmandu have been fueling the fire. Repeated emergency declarations have also been creating confusion among the visitors and the law and order situation of the country has always been under question.

Nepal has been striving against the crisis situation and is marketing the destination under difficult conditions. The increment of tourists in 2003 and 2004 as against 2002 and increased revenue generation are some positive indications for future market. Confidence building through mitigating conflict for continuing activities related to tourism destination marketing is the need of time. NTB established for encouraging private sector initiatives in tourism promotion is expected to enhance the organizational capacity of meeting the challenges faced by tourism in the country.

Crisis planning and implementation in mitigating impact of crisis have been the important aspect of crisis management. This paper makes an attempt to highlight the risk factors with their cycles and tools for developing conflict sensitive tourism plans and programs. This paper has tried to analyse the effect of crisis on the tourism industry in Nepal and find ways to handle the crisis correctly and collectively. The paper has attempted to identify the types and nature of crisis and suggest some policy improvements that are necessary to minimize the impact on tourism due to the present conflict situation in the country.

1.2 Brief Sketch of Present Status of Tourism in Nepal.

Although tourism in Nepal began formally after 1950, it existed informally even before that. The geographical survey team used to travel the mountain range via British India long before the benefit from tourism was realized. However, the era of modern tourism in Nepal began only after the establishment of democracy in the country. The successful climbing of Annapurna in 1950 and conquest of Everest in 1953 not only helped to introduced Nepal to the world but also explored the possibility of promoting the country as a center for mountain tourism. The know-how about the country began to spread with more tourist arrival and building up of more infrastructures in the country. The crawling growth of airlines, in the mean time, played an important role in the history of Tourism promotion in Nepal.

The National Tourist Development Board (NTDB) was first established in 1957 as a process of initiating planned tourism development. It was the first government attempt to institutionalize tourism industry at the national level. The Department of Tourism was established under the Ministry of Industry and commerce in 1959. A separate Ministry for Tourism was established in 1977.

As a process of institutionalizing tourism development activities through active initiation of private sector, Nepal Tourism Board (NTB) and Civil Aviation Authority of Nepal (CAAN) were established and the Department of tourism and Department of Civil Aviation were dissolved. This has limited the government's role more on regulatory and facilitation functions and private sector is now endowed with more responsibilities in decision-making process than ever.

Awareness on the need of planned tourism development is seen from the very beginning of the development history of Nepal. The First Development Plan (1956-61) realized the importance of tourism in Nepal and aimed at developing it as an important tool for popularizing Nepal and earning foreign currencies. Diversification of tourism, infrastructure

development for tourism promotion was initiated during the Second Development Plan (1962-65).

A ten-year tourism master plan was prepared during the Fourth Development Plan (1970-75). The Master plan came into effect in 1972. It focused basically with : assuring improvements in sites with tourist's attraction, managing necessary facilities in selected sites and providing adequate publicity to attract tourists to Nepal. In 1984, the master plan was updated and extended for a period of two years. The promotional aspect of tourism and institutional development were given priority in the updated version. In brief, the focus on development plans has always been to improve infrastructures in identified tourist centers, preserve national heritages and promote Nepal as a destination of international tourism.

The role of private sector was limited to produce goods and services needed for tourism industry till the end of the Seventh Plan (1985-90). The Eighth Plan (1992-97), which came into effect after the reinstatement of democratic political system in the country, laid a strong emphasis on the role of private sector in tourism, particularly in the promotion of cultural heritage, management of trekking routes, high quality service provisions, etc. The plan has envisaged increasing the length of stay with active involvement of private sector in improving the service quality.

It was during the eighth plan period that liberal sky policy was adopted and private sectors were encouraged to operate air services, both, domestic and international. This provision was made under the National Civil Aviation Policy, which came into effect during the same plan period.

The Ninth Plan (1997-2002) targeted to establish tourism as one of the important sectors of the national economy. For the first time, the plan has realized the importance of sharing the benefits from tourism with local community and visualized to extend it to rural areas. The plan aimed at tying up conservation of national heritages to income earning opportunities and to institutionalize them through community mobilization. This was in fact, the initiation of benefit sharing concept through community involvement in tourism. Effective marketing in the international arena to establish Nepal as major tourist destination was also visualized in the plan.

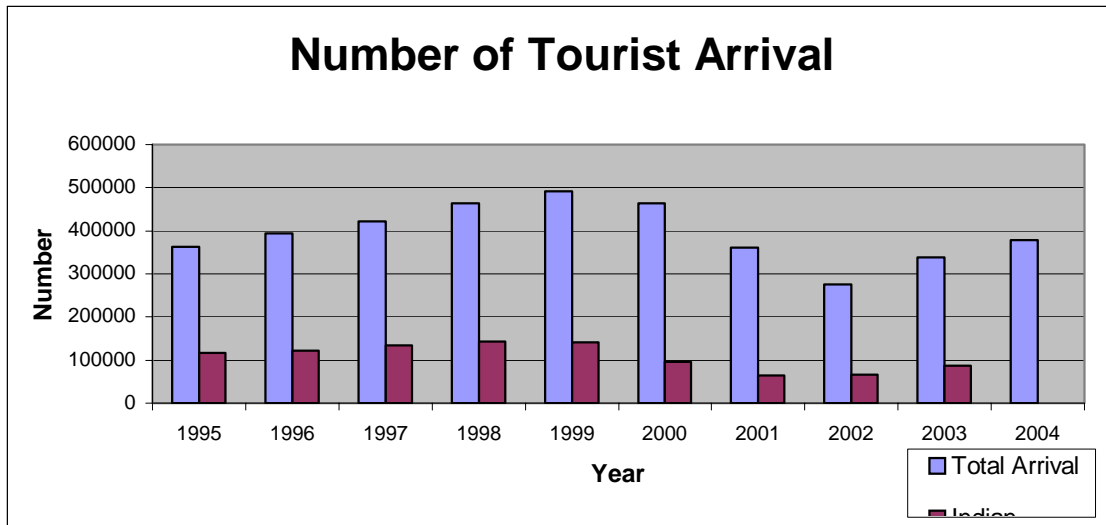
The first three years of the plan period experienced increase in tourist arrival. The domestic airlines were given permission to start their services abroad. Civil Aviation Authority and Nepal Tourism Board were established during this period. Renovations of some important areas enlisted in World heritage list were completed. User's groups in coordination with local bodies were formed to conserve cultural heritages.

The basic objectives set forth in the Tenth Plan (2002-2007) for tourism promotion in the country are sustainable and qualitative promotion of the tourism sector, conservation and preservation of historical, cultural, religious and archaeological heritages and render air transportation services easily accessible, secure, standard and reliable. A set of strategy to achieve these objectives has been developed. The involvement of non- governmental and private sectors is envisaged in all major tourism related activities directed toward achieving the set objectives.

Nepal has been one of the world's most popular tourists-destination. The status of tourism in Nepal is measured in terms of numbers of tourist arrivals. The number of visitors is found to

increase from 45000 in 1970s to just under half a million in 1990s. The table-1 below provides the pattern of number of tourists who visited Nepal during the last ten years. Between 1999 and 2002, a continuous decline is observed in visitor numbers. Some positive sign of improvement is seen in 2003, where the number of visitors including the Indians has increased substantially in comparison to the previous years. The increasing trend is found maintained in 2004 however; the statistics show some decline in Indian tourists.

Table 1

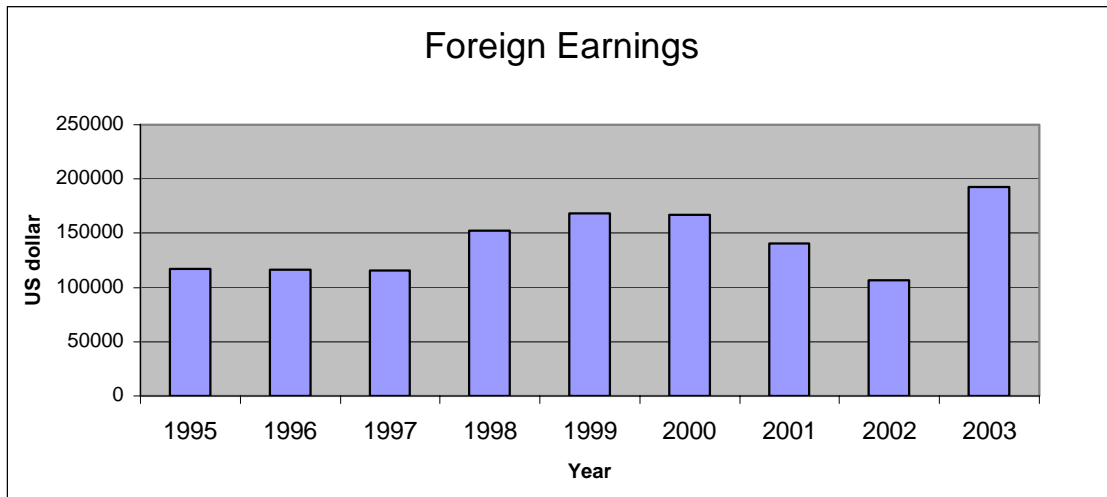


The average length of stay of tourists visiting Nepal in 1990s was 10.13 days. It came down to 7.9 days in 2002 and increased to 9.6 days in 2003. The trend is difficult to assess annually; however, in average the length of stay of tourists in Nepal has always been in between nine and ten days.

Ironically, the annual visitor expenditure survey is not conducted in Nepal. NTB has estimated visitor expenditure as 31 \$ per day or 727 \$ per trip in 2001. The figure went down to 512 \$ in 2002 and increased to 740 \$ in 2003^β. It is found that the rise and fall of the total revenue generation from tourism follows the same trend as the number of visitors in the country. The following table-2 provides gross foreign exchange earnings from tourism in the last nine years.

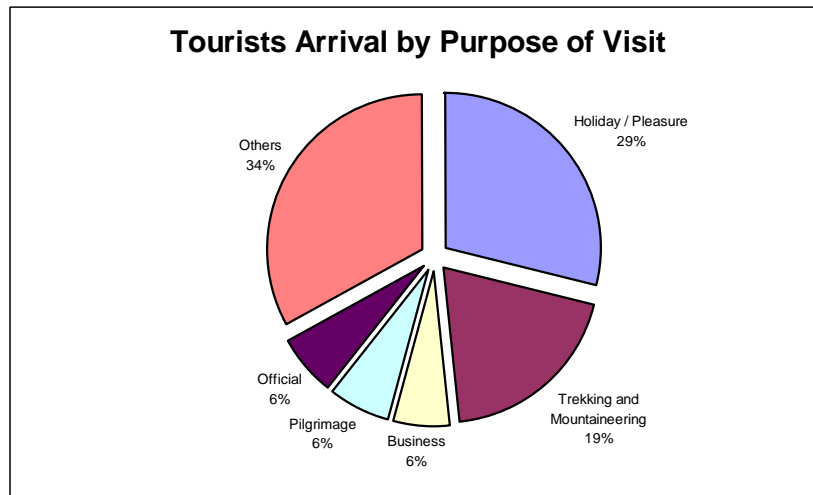
^β Source: Tourism Market Strategy 2005-20, TRPAP.

Table 2



Visitors arriving for holiday and pleasure purpose counted up to 90 percent of the total tourists received in late 60s or early 70s. It has been decreasing continuously since then and is found to be 29 percent in 2003. The percentage of tourists visiting for the purpose of trekking and mountaineering has been more or less constant (between 21 and 25 percent of the total arrivals) from 1993 to 2001. It is observed that tourists under holiday and pleasure and trekking and mountaineering categories made up 80 percent of the total visitors, however it dropped to 40 percent in 2002. The year 2003 experienced the lowest (48.4 percent) of the total tourist's arrivals under these two headings. Visitors coming for business, pilgrimage and official purposes are found more or less constant during this period. The following table-3 provides the tourists arrivals by purpose of visit for the year 2003.

Table 3



1.3 Prospects of Forecasting Causes and Effects of Crisis.

The nature of crisis and the level at which they appear may differ under different situations. Generally the nature of crisis can be political, social, economic, natural and managerial. Crisis of any nature can appear at national, regional and international levels. Crisis of any nature and at any level is enough to affect tourism to a greater degree.

The political instability after the restoration of democracy, frequent street demonstrations, Maoist insurgency, negative and exaggerated press coverage about the law and order situation of the country, the pollution, deteriorating condition of national heritages, unplanned urbanization of Kathmandu valley, the ailing condition of national flag carrier are some examples of crisis generating factors at the national level. Because of these factors tourism marketing is facing severe problems causing frequent changes in the trend of tourist arrival in Nepal.

The overflow of tourism related service organizations – Hotels, Travel Agencies, Trekking Agencies, and Tour Operators - have created a situation of excessive competition within the country. The unhealthy internal competition among the private entrepreneurs has reduced the service charge at the cost of their quality. Nepal under the condition has become a visiting place for budget travelers who for the sake of price are ready to take some degree of risks. The country has now become a paradise for backpackers. Most of the tourism infrastructures instead of generating revenue are running at operating cost, the return of investment for many of them has become a wild dream. Neither those budget travelers who come to Nepal at under-cut rate make any contribution to the national economy of the country. In nutshell, the occurrence of above situation is a clear indication of the quality deterioration of tourism marketing and less return from the tourism investments thereby have been negating the value of tourism of the country for the causes of deteriorating tourism condition of the country and overflow of service organizations.

It is obvious that the aviation and tourism go together. The impact on one affects the other. The ailing condition of the only national flag carrier Royal Nepal Airlines (RNAC) has always been a crisis situation for smooth growth of tourism in Nepal. The Nepalese air is open to many international carriers today. Many of them operate during the peak tourist season. The unreliable services of RNAC, decreasing numbers of value tourists, under occupancy during low tourist season, are some factors responsible for causing irregularities in air services in Nepal.

The hijacking episode resulted suspension of all Indian Airlines flight to Kathmandu on the ground of insufficient security in the airport for six months. The incident also damaged the peaceful image of Nepal due to negative propaganda in Indian press in regard to the safety and security condition in the country. Immediately after the incident the Indian tourists decreased by 38 percent in 2000 in comparison to the previous year. Lack of connection with Indian cities not only decreased the Indian tourists but also reduced non-Indian tourists coming via India. (See annex 3)

The royal palace incident of 1 June 2001 became the top story of the news centers worldwide. Tourist in the month of June, immediately after the incident, went down to 13,030 as against 26933 in June of 2000. Although the arrival of tourists were stabilizing in the latter part of the year, November 2001 saw another outbreak of violence and the visitors number halved again in comparison to the same period of previous year. Any favorable condition developed within

country has realized stabilization and even growth of tourism and violence aftermath reducing the number drastically down. The year 2003 was not completely crisis free, however, attempts to establish normalcy in the country is reflected in the number of tourist arrivals that has exhibited the increment by 22.7 percent over 2002.

The emergency declaration of February 2005 is expected to reduce the arrival of tourist. According to NTB source tourists' arrival in April 2005 has gone down by 38 percent in comparison to the same period last year.[‡]

The global focus over Afghanistan against terrorism after 9-11 incident in the US had an effect on tourism in the region. This caused sudden reduction in numbers of tourist arrivals after November 2001 and the effect in Nepal continued for the whole of 2002.

The attack on Indian parliament on 13 Dec. 2001 resulted the suspension of PIA flight to Kathmandu because of air space sanction between India and Pakistan. The tension between the two arch rivals -India and Pakistan- made the region most vulnerable to travel for the whole of 2002.

The Bali bombing case of Oct. 2002, out break of SARS in South East Asian countries with highest numbers of victims recorded in Hong Kong and China, deterred tourist to visit the region. The war against Iraq, the Tsunami incident is further deteriorating the situation of tourism in Nepal.

1.4 NTB and Present High Level Tourism Crisis Management Committee and Cell

The concept of involving private sector in tourism development emerged while establishing NTB under the NTB act of 2053 BS. The act has entrusted following statutory responsibilities to the Board.

- To develop and introduce Nepal as attractive tourist destination and promote the industry while working for the conservation of natural, environmental and cultural resources.
- To work to increase GDP and foreign exchange income with employment opportunities in the country.
- To develop Nepal as a secure, dependable and attractive destination by establishing a respectable image of the country in international travel and trade community.
- To conduct research and get implemented and promote and develop tourism industry.

NTB, though is facing difficult period since the beginning, has to move forward with a broader mission of destination promotion. The absence of output oriented management system within an organization does not allow monitoring the effects of an incident in tourism directly. NTB has been focusing on program based management system and for the reason it should change its strategy to make it output oriented.

[‡] Kantipur, Daily News Paper from Kathmandu. 3 May 2005.

Incidents of some misfortunes in the country and increasing concern over the security of tourists have drawn the attention of MOCTCA. Having realized the importance of crisis mitigation and rescue operations to assure safety among the tourists and making provision of the prompt and reliable information flow system, the government has established a high level Tourism Crisis Management Committee under the chairpersonship of Hon. Minister of Culture, Tourism and Civil Aviation, in 2003. The committee is comprised of ministries whose activities are related both to security and tourism. Representatives from security agencies and private sectors are also included in the committee. The objectives of the committee are to maintain high image of the country by managing resources, adopting proper work policy, coordinating various rescue operations and providing information during or immediately after crisis. The committee also conducts program to avert crisis to possible extent. Basically its objective is to prepare for pre-crisis situation.

The functions of the committee are as follows.

- To formulate and approve rules and regulations regarding tourism related crisis management;
- To coordinate with GOs, NGOs and different concerned actors for resolving crisis
- Provide directives and support to related or subordinate organizations in managing crisis.
- To review, monitor and evaluate the crisis situation and actions taken during the crisis.

The Ministry has also established Tourism Crisis Response Action Unit and placed it under NTB. The fifteen-member action unit is represented by different organizations engaged in tourism related business including the security people and the executive chief of NTB as its convener. The functions of the action unit are;

- To coordinate with concerned principal or subordinate agency whenever tourism related crisis situation arises.
- To collect and update information concerning tourism related crisis.
- To disseminate information regarding tourism related crisis situation.
- To monitor activities related to crisis management.

Though the formation of the high-level crisis management committee under MOCTCA and Tourism Crisis Response Action Unit under NTB has been there for more than a year now, but practically they have not been able to deliver the effective services for which they are established. These cells, in fact, had to play pro-active role in building up the country's image. The other countries having situation like ours, have successfully handled the crisis in an effective manner and developed capacities to attract more and more tourists[□]. Crisis management cell if is made functional the impact of crisis could be reduced the way other countries have been doing. Besides its budgetary constraints, the cell at the moment is running special bus services between the airport and the hotels to transport arriving and out going tourists in the name of crisis management.

[□] source; Interview of B.R. Mishra, President NATO, The Rising Nepal, 3rd May 2005.

Chapter II

EFFECT OF CRISIS IN TOURISM INDUSTRY

2.1 Nature of Present Crisis in Tourism.

Nepal has been virtually monopolizing the mountain tourism in the region for long. Other countries in the Hindu Kush region have begun to promote mountain tourism similar to those of Nepal. Countries in the region and outside have started to offer similar packages to promote mountain tourism in their respective countries. The opening of competitive markets that Nepal was monopolizing earlier has created situation necessary to contest to promote mountaineering and trekking in global market. Consumer research carried out for NTB in 2000 showed that images of Himalayan Mountains are the first to attract visitors to Nepal. Almost 20 percent of all tourists come to Nepal for trekking and mountaineering. Pollution in the area and security questions on trekking routes has posed a threat in marketing Himalayan Mountains of Nepal.

Every departing visitor survey so far indicates that ‘smiling people’ are the greatest resources for Nepal’s tourism industry; however these very people are not getting the benefits from tourism. Neither any effort is made to convince the general people that tourism indeed has strong backward linkages, and thus, they do benefit from the tourists coming in. The indifferent attitude of local community towards tourism has forced to centralize tourism related management functions. Non-involvement of local community in service provision has made tourism to concentrate on limited areas.

There are numbers of newly identified tourist destinations. But none of them were practically developed as tourist sites. Unbalanced attention for the development of tourists sites have provided limited options to the visitors and hence confining their movement to focused areas. As for example Royal Chitwan National Park has above 59 percent of the total visitors (non Nepali), while Royal Bardia National Park received just above 2 percent of the total National Park visitors even at the normal period, in 2003^ε. The same nature of variation applies for highland parks or wild life reserves. The unplanned and area focused tourism development concept has created a situation of unequal tourist distribution within the country.

Many of our archeological and heritage sites have come under tremendous pressure of human encroachment. The displacement of local people due to conflict situation in the country is increasing threat to these heritages. Besides the fact that culture tourism is one of the main segments of Nepalese tourism product, increased and unplanned settlement of threatened people in more secured areas, which in many cases are tourist's destinations, including the heritage sites, is deteriorating the situation further.

The rapid growth of service infrastructures within the country has invited undue competition among the service providers especially during the crisis period. This has induced quality deterioration and negated the value of tourism of the country.

The political circumstances in the country particularly after 1995, was never favorable for tourism development. Activities such as usual changes in the elected government, frequent street demonstration from opposition, holding election pre-maturely, Anti-Indian demonstration, hijacking of an aeroplane, Royal Palace incident, emergency declaration etc.

^ε Source: Nepal tourism Statistics 2003, NTB

continued providing poor messages about Nepal in the globe affecting destination marketing. The minimum figure of arrivals recorded in 2002 is responsible for these factors.

The armed revolution declared by Maoist has posed serious threat to law and order situation of the country and affected tourism to large extent. The demand for donation from tourists, tour operators, and business enterprises has created a scary environment in tourism with some cost elevation. The armed movement has created serious crisis situation in the promotion of tourism in Nepal, besides the fact that the rebels possess some soft attitude toward tourists.

Apart from the real political crisis, the situation is further aggravated by the media reports. The Indian press project Nepal as anti-Indian country and leaves no mercy to blow up the issue and create story about ISI connection. Such exaggerated projection was enough to create alarming situation among the Indian visitors. The sporadic incidents of little importance on the safety and security of the tourists are normally blown up to larger scale. Media have been playing important role to create or escalate crisis in tourism of the country. An article in prominent Indian news magazine- India Today- under the title 'Nepal game plan' with the story of ISI presence in the country had the most negative impact.

The National, Indian and International media are equally responsible for disseminating negative image about Nepal for various reasons.

2.2 Analysis of the present situation

(a) Marketing.

Brand name of Nepal as a premium tourist product always existed in the world and tourists in increasing numbers continued to come into the country to explore its unique products. Nepal has been earning its distinct tourism identity and was recorded as the world's fifth-most exciting destination. Because of its premium products as outdoors and adventures; nature and wild life; cities and leisure, Nepal was also projected as a distinctive destination for many holiday seekers. Beautiful landscape and mountains, rich culture, friendly people and low cost base are main strengths of destination Nepal.

Recovering and expanding the volume and value of tourism by focusing on inherent product strength, repositioning as a varied and multi-faceted destination with world class cultural and special interest products and improving the seasonal and spatial distribution of visitors and foster the growth of new tourist areas have been the basic tourism marketing strategy for Nepal. The strategy is developed to achieve growth, both in value and volume markets.

Considering at the increasing level of competition it has to face in global market to sell the product that used to be its unique in the past, a suitable brand to distinguish the country from other mountainous and culture rich destinations is felt necessary for motivating tourists to visit Nepal. Branding also planned to carry parallel to product development strategy for bridging the gap between the expectations and findings of the visitors.

The possibilities of exploring new market areas at different levels are always there. Growth of tourism among the Asian countries, especially in the East-Asia region is likely to continue increasing. Nepal has already started receiving tourists from countries like Malaysia, P.R. of China, Rep. of Korea, Thailand and Singapore. NTB has developed marketing strategy for these countries. Resource constraints seem to be a major hurdle in promoting tourism in these

potential countries. It is estimated that NTB requires at least \$ 5 million^ψ annually for delivering market growth effectively. The revenue collection from 2 per cent tourism tax (changed to 500 Rs. Per every foreign nationals departing from the Airport in Kathmandu) depends upon the number of tourist arrivals and a vicious circle is formed between the visitor numbers and the revenue generation.

With progressing economy and increasing numbers of middle class people, countries around Nepal, particularly India and China are the potential tourist markets for tourism promotion in Nepal. Special programs should be launched to promote destination marketing in these countries where the potential tourists are increasing. Target should also be made to market tourism in economically progressing countries in south and Southeast Asia.

Nepal Tourism Board (NTB) where majority of the members are from private sectors is playing an important role in marketing and promotion of tourism in Nepal since the beginning of 1999. NTB constituted under NTB Board Act 1997, has been carrying out the marketing activities in the targeted markets involving the private sectors in all its functions.

Partnership approach to decision making in planning marketing activities involving industry representative associations and the private sectors has been the marketing strategy of NTB. It also intends to expand this approach beyond Nepal to include international tour operators and main market carriers and initiate joint marketing activities with them. Learning best marketing practices from other national tourists boards, developing a tourism brand, a national destination marketing website, monitoring tourism related media are some of the important planning strategies developed by NTB.

(b) Tourists Arrivals.

Tourism in Nepal has experienced several ups and downs in the past. However, the time series analysis for the last 15 years shows an average growth of 3.85% per annum in the visitor's arrival as against eight percent target as set by NPC. The foreign exchange income during the same period has increased by 7.96% on an average annually^γ.

The year 1999 with nearly half a million tourists arrival, is a record year from tourism point of view. The numbers kept declining for three consecutive years and reached to 275,468 in 2002. The total arrival of tourist for the year 2003 and 2004 are recorded as 338,132 and 379,027 respectively. It is observed that except for the year 1993, where tourist arrival decreased by about 13 percent, the arrivals was constantly increasing till 1999. Crisis in tourism is observed from the year 2000, when tourist arrival began to decline.

Though Nepal is suitable all over the year for tourism, the number of tourist arrivals indicates September, October, February, March and April as peak tourist season and June and July as low- tourist season.

Despite the objective of bringing 100 thousand additional tourists in every five years, Nepal has been continuously losing the numbers every year for the last four years i.e. since 2000. Some green signals are observed in the years 2003 and 2004 even though the increment is far

^ψ Tourism Marketing Strategy for Nepal 2005-20, TRPAP NEP/99/013

^γ Crises - ridden Nepalese Tourism by Dipendra Purush Dhakal, paper presented in WTO conference in Kathmandu

below the targeted figure. Tourism, which used to contribute about 4% in the national GDP during the FY 1994-95, has now come down to the level of about 3% in 2003^o.

The preliminary survey indicates a sharp decline in the number of tourist arrivals in the first four months of 2005. The figure released by NTB shows that the number of tourists who entered Nepal by air was down by 38 percent in comparison to the same period of the previous year.

India, in terms of numbers, is by far Nepal's most important source market. It has consistently been the biggest producer of international visitor arrivals. In an average the annual number of Indian visitors alone counts near about 25 % of the total visitors. Indian tourists unlike others are short-term planners and having easily accessible and similar culture with favorable weather, India is a potential volume market for Nepal. They come to Nepal particularly during summer when other markets are low. However, the first four months of 2005 shows that arrival of Indian tourists was down by 33 percent in comparison to the same period of 2004.

Tourists from Asian countries counted 59 percent in 2003 and in an average Nepal have been receiving more than 50 percent of the total tourists from the region and around. Tourists from Western Europe and North America accounted 35 percent in 2003 and the annual visitors from these areas are found to be about 40 percent in average[≡].

The year 1999 is a golden year in the history of tourism in Nepal as the number of arrivals reached to nearly half a million. Since then the number of tourists has been declining except for the year 2003 where the number of arrivals have gone to 336,081. The year 2004 also does provide positive trend in tourist's increment with 379,027 arrivals. Considering the country situation and level of efforts used for the promotion and marketing of tourism, definitely the volume of tourists' arrival in Nepal cannot be considered low. However, a setback is observed in achieving the target set earlier that Nepal will have three quarters of a million visitors in 2010

(c) Length of Stay

The average length of stay of visitors in Nepal was 7.9 in 2002 and has gone up to 9.6 in 2003. This figure is far less than what it was in 90s. It is found that the drop from 10 to 13 days of average stay to 9.6 is likely due to concentration of destination to few places. Indians though are largest in numbers; their length of stay was comparatively low counting 7.2 as against 16 to 17 days of Australians and some west Europeans, in 2002. The increase in length of stay of Indian tourists to 9.9 in 2003 is one of the reasons for increased national average from 7.9 in 2002 to 9.6 in 2003.

Dispersion of tourists to different parts of the country is a prime factor to increase the length of stay. Development of products that meets the needs and expectations of priority markets and that helps to disperse visitors geographically and seasonally throughout Nepal should be the basic objective of tourism planning in increasing the length of stay of visitors in the country. .

(d) Employment

^o Source: Annual Operation Plan 2004-05, NTB

[≡] Source: Nepal Tourism Statistics 2003, NTB

Tourism has developed as a major source of employment. Lack of proper statistics does not allow assessing the employment situation correctly, however, people in tourism sector employed full or part time basis is assumed to be around 200 thousands. This figure does not count the people engaged in business or enterprises that have spatial linkages with tourism. A recent study* estimates that each tourist in South Asia supports 3.5 jobs directly and 1.5 jobs indirectly. Based on this finding the total employment generated by tourism in Nepal can be assessed to be around 1.5 million. This figure is far more than what is presently being assessed. However, in the existing situation when several employees are either fired or retained with the deferred or reduced salary, the employment must have substantially gone down including those engaged indirectly.

(e) Airlines

Aviation has a special role in tourism industry in a country like Nepal where 90 percent of the inbound tourists visit by air. The managerial problems appeared in the National Flag Carrier, Royal Nepal Airlines, have caused to pull out its flights from Europe sector. Damaged by frequent political interventions, the state run airline is in critical condition. During late 90s almost all the international airlines recorded increased passengers number, but it was RNAC that recorded decrease by three percent.^H

The National Flag Carriers play a vital role for of tourism development of a country. RNAC besides its limitations has contributed much in field of tourism marketing in the past. The growth of RNAC attaches special importance for a landlocked country like Nepal. For whatever reason, the continuous declining condition of the airlines is also responsible for creating the present crisis in tourism. Cancellation of Europe flight has made a direct impact on tourism. With small fleet of aeroplane, the survival of the airlines has come into question

Nepal has signed Air Service Agreement (ASA) signed with 32 countries so far. ASAs have availed more than 4.2 million seats annually in the international sector. Thus 80,566 seats are made available for Nepal on weekly basis. □. Four new international airlines, namely Gulf, Transavia, Austrian and Condor introduced direct flights to Kathmandu from Abudhabi, Amsterdam, Vienna and Munchen respectively in 1998. TG, PIA, SQ and Qatar increased their flight frequencies the same year. Domestic airlines under private sector were permitted for the first time in the Nepalese aviation history to conduct international flights. The bilateral agreements signed with different countries provide 4.2 million seats annually in the international sector of which only 21% is utilized so far^F

Besides various efforts from the public and private sectors in promoting tourism in the country, the aviation status is still volatile. Lufthansa stopped its Kathmandu flight in May 1997. RA's problem regarding leasing of additional plane was escalating. Global economic recession was a major crisis-contributing factor. The movement of Nepali workers outside the country has made airlines business presently viable. The statistics show that the available seats in an average are partially used, however the seats available may not be sufficient during the peak season. The seasonal variation does not allow ensuring aviation marketing.

* SASEC Tourism Plan 2004 (draft) covering Bangladesh, Bhutan, North East India and Nepal, Tourism Resource Consultant.

^H Trapped Travel Trade by N.S. khadga, An article published in New Business age Oct.2001

□ Crises - ridden Nepalese Tourism by Dipendra Purush Dhakal, paper presented in WTO conference in Kathmandu

^F Ibid

Due to the crises situation in Nepal, five airlines of international repute stopped their operations bringing the number of on-line international operators down to 11 in 2003. The occupancy rate of the available airlines seats being very low many airlines were bound to cancel their flights to Kathmandu. The situation is quite anomalous. There are shortages of seats available during peak season and surplus in low season. Hence, there is a need to synchronize the ASA process with the marketing strategy of the country.

(f) Infrastructure Development.

Starting almost from zero level, Nepal had to strive hard to establish necessary infrastructures for tourism in the last fifty years. Tourism emerged as a lucrative business as the numbers of visitors steadily began to rise up. Level of service demands, both in quality and quantity increased during this period. Investment in private sectors began to mushroom as they found it more secured sector to venture, in comparison to other. It demonstrated especially in 1989-90 that when many other industries had hard time to survive, tourism was flourishing. Thus tourism attracted many local and foreign investors causing a rapid growth of service infrastructures.

The crisis in Tourism has now resulted into an over supply of services because it could not grow to the expected heights. The figure shows that there are now about 888 hotels with approximately 36 thousand beds which are enough for accommodating more than a million tourists every year whereas the maximum number of tourists arrival was under half a million mark in 1999 and has decreased to around 300, 000 in a year. Similarly, 487 trekking and 656 Travel agencies are also facilitating the organized travel in the country*.

In short, the circumstances developed during the last six years in tourism is a clear indication of the quality deterioration and low return on the tourism investments thereby inviting the undue competition and negating the value of tourism of the country.

(g) Administration

Major administrative adjustments were made to enter Nepal into modern tourism era. NTB was established with new concept of initiating public-private partnership in tourism and Department of Tourism, the Government agency, was closed in December 1998. Similarly Department of Civil Aviation was converted into an autonomous body and Civil Aviation Authority of Nepal (CAAN). NTB from the very beginning of its early stages has been facing the marketing challenges and has realized that partnership with experienced private sector tourism industries both in national and international fronts is inevitable to promote destination marketing at the international level. The board has been carrying out the promotional activities in the selected target markets, involving the private sector in all its marketing activities. The board meets its financial expenditure from the tourism tax, which is collected at the airport, from the foreigners departing from Kathmandu.

The high-level crisis management committee comprised of numbers of ministries related to tourism intends to achieve necessary coordination in dealing with emergency or incident of any unwanted nature posing any threats to the safety of tourists. The media center under NTB disseminates necessary information to concerned agencies in case of any rescue operation required. It also dispatches news regarding the incidence. The committee has managed airport

* Ibid

to city bus service to tourists during *Bandha*. Besides these limited activities the high level crisis management cell is more or less dysfunctional in managing crisis related issues.

There are many stakeholders in tourism. The opportunity of partnership development for learning the best practices is always open. The unhealthy competition among the entrepreneurs does not allow exchanging learning. South Asia Sub-regional Economic Cooperation (SASEC) has identified enhancing product quality and human resource development as key sectors to support for destination marketing through the provision of better services. Enhancement of the capacity of tourism industry through human resource development is basically an important factor of tourism promotion.

.2.3 Background of crisis development in tourism in Nepal

Tourism potential can only truly be realized in peace and stable condition. Despite the existing political uncertainty within the country and emerging competition in the region, the performance of the last two years provides some rays of hope for future growth of tourism in Nepal. Marketing the destination in a professional, integrated and strategic way in coordination with the government and private sectors could help to revive the lost market. The role of NTB is fundamental in bringing the different actors together for tourism promotion.

The stalemate caused by the bilateral problems in renewing the trade and transit treaty between India and Nepal in march 1989, can be cited as first ever crisis faced by the country in managing development activities including tourism. Because of the crisis created by the stalemate the Indian tourists decreased in F.Yrs.1988-89 and 89-90 by 21 percent and 10 percent respectively[√]. The crisis period, which lasted for about fifteen months, was basically a period of shortages including food and petroleum products. Besides some efforts by the government to mitigate the effects of the stalemate, the shortages of essential commodities had severe impact on the provision of tourism services and hence on the arrival of tourists, the Indians in particular.

Postponement of Indian Airlines flights to Kathmandu after the incident for a prolonged period induced serious crisis in tourism of Nepal. The one sided decision of the airline occupying a substantial share of 26% of the total traffic to Nepal, created a massive shortage in availability of air seats for Nepal bound tourist. The charge against Nepal by Indian press for allowing ISI to conduct its activities against India from Nepal, further deteriorated the situation. Such coverage even did greater damage to tourism from negative propaganda by the media in India about the security situation in Nepal.

The royal palace massacre stunned not only the nation but also created a chaotic situation and increased security concern among international visitors. This incident had impressed a long lasting negative impact on the country's image at the international levels.

The Maoist movement possess a soft attitude towards tourists however, their activities has always been the issue of prime concern in marketing Nepal abroad.

[√] Nepal Tourism Statistics 2003

The 9-11 incident of USA, the Gulf War, Afghanistan war, and the economic recession in international market coupled with the domestic political turmoil caused after June 1 royal Palace incident instigated retardation in tourist flow at a faster rate.

The first five months of 2001 had experienced a decline of only 7% on the monthly average, as compared to the same period last year, which increased to 37% between June to December. A net loss of tourism receipt for the country due to these events is calculated at US\$ 27million.^ϕ

The regular *bandhs*, strikes, and street demonstrations organized by different political parties have deteriorated the peaceful image of the nation. Imposition of emergency has further worsened the situation of tourism in Nepal. The total arrivals in 2002 decreased and reached to a level of arrivals that was in par with the level of 1991. The natural catastrophe due to Tsunami, outbreak of SAARS in the region has been creating crisis situation in tourism in Nepal. The emergency declaration in the country is expected to decrease tourist arrivals further.

The Tenth Plan document in analyzing the problems and challenges of tourism mentions that the following major incidents have affected the tourism industry in the country.

The suspension of Indian Airline flights following the hijacking of one of its flights that took off from Kathmandu;

- The tragic Royal Palace incident of June 2001;
- The Afghanistan war and 9-11 incident of USA
- The frequent *Bandhs* and strikes announced by different political parties and nation-wide imposition of emergency,

In addition, the tourism industry in Nepal is constrained mainly by lack of development of new tourist spots, lack of coordination in program and actions between government and private sectors and within the private sectors, less availability of international air seats caused by the termination of Europe flights by RNAC and reduction of number of flights by international airlines, unreliable rescuing services and leisurely communication media and lack of resources and initiatives to preserve and conserve living heritages of the country. The deteriorating air and water quality of Kathmandu Valley is equally responsible for creating crisis situation in the country. Besides the government policy to promote private sector in operating international air flights and involve communities in maintaining and managing the heritage sites, the progress made is negligible so far.

2.4 Present Initiatives.

Considering the magnitude of crisis the tourism marketing industry is facing, it is difficult to develop fully crisis responsive marketing strategy at the moment. However, the effort from joint public-private initiative has helped to mitigate the crisis to an extent and bring tourists into the country. NTB to that extent is playing important role to promote tourism in Nepal during the difficult time. Nepal at the moment is striving hard to regain the lost market and crisis in the country has sidelined the target of receiving one million tourists by 2009.

^ϕ Crises - ridden Nepalese Tourism by Dipendra Purush Dhakal, paper presented in WTO conference in Kathmandu.

NTB as a public private partnership organization was constituted under private sector initiatives. As an apex organization it has aimed at the wider mission of destination promotion besides the limited resources.

After the resumption of Indian Airlines flights to Kathmandu in June 2000, a special package in cooperation with private sector in the name of “Festival of Light” was designed to regain confidence of Indian visitors. The campaign faced setback at its very early stage due to the royal palace incident.

The successful hosting of SAARC summit in January 2002, which got good media attention, has helped to create better destination image. An international campaign in the name of “Destination Nepal” was launched the same year. The objective of the campaign was to revive tourism through effective international promotion and creating extensive domestic awareness. The program failed to achieve the objective for the escalating armed violence in the country.

NTB jointly with national flag carrier, RNAC, introduced Fly-n-Win scratch card scheme to attract tourists coming through Indian ports. Similarly, NTB and IA jointly launched Indian Airlines (IA) holiday package. Major five-star hotels in Nepal launched “Summer Getaway” program. “Pasupati Darsan” program was launched to attract south Indians for visiting Nepal. NTB in support of private sector also conducted familiarization trips to prominent Indian media and travel trade people.

Considering the national and regional situation, Nepal has begun to focus more on regional tourism market rather than long haul markets. Increasing numbers of middle class Indians and people in other South Asian countries having interest and capacity to tour outside their countries has made Nepal to change its market focus from long haul to the region.

Having realized social and economic disparity to be the major reason for violent revolution in Nepal, the government initiated community based tourism program for using it to reduce rural poverty. Tourism for Rural Poverty Alleviation Program (TRPAP) contributes to poverty alleviation through sustainable tourism development that is pro-poor, pro-environment, pro-rural communities and pro-women. Started from September 2001, the program covers 48 VDCs of six districts of Nepal. Broadly this is an attempt to involve local community in tourism promotion through making them aware of the economic importance of tourism in the country. This is expected to complement rural poverty by tourism and sustain both of them. However, care should be taken that such development interventions do not increase the false expectations among the beneficiaries.

In an effort to draw the attention of international media, Mt. Everest Golden Jubilee Celebration was organized to mark the 50 th year of ascending the highest peak. This has helped to disseminate positive image of the country worldwide.

The government has opened up new peaks for climbing, relaxed restrictions to many protected areas of the country, and has amended rules and regulation to ease trekkers and mountaineers. Visa regulations are also relaxed and accordingly visa fee is waived for those tourists who come for a period of three days or less. It is also waived for tourists from SAARC countries and China.

The government has constituted High Level Crisis Management Committee to deal with the crisis situation in the country. The committee is to coordinate with concerned national mechanism in case of any emergency that threatens the safety of tourists or poses risk for their free movement. However, the high level committee has not been effective, in the sense that it has neither developed the working modalities nor identified the sphere of activities.

According to an official in NTB the present marketing campaign of buy three and get one free package launched jointly by NTB, RNAC and Cosmic Air in India and Bangladesh has been helping to attract tourists from these countries. The impact of the program looks small enough to create market of sizeable scale,

2.5 Some Major Issues in tourism

The followings are key issues identified in the review of tourism performance of the country:

- The political unrest has direct impact on tourism in Nepal. Restoration of peace being important factor for tourism growth, the present trend of ups and downs in tourist arrivals will continue unless an amicable political solution is achieved.
- Sharp decline in tourists visit is observed whenever crisis arises. The slow growth is observed after the crisis is subsided. However, it does not reach to pre-crisis number. Emergency declaration in the country has already made impact on tourism.
- Problem in diverting the tourists in some tourist sites outside Kathmandu or limiting the trekking routes for security reason has made impact on culture and nature tourism. In addition to the reduction in number of days of tourists' stay, it has also produced negative impact on the established image of the country.
- There is lack of professional and concentrated effort to capture the market that is increasingly being more competitive and recapture the lost business.
- India is important source in terms of number and Japan as higher spending tourists. Likewise tourists from some west European countries are important for longer stay. NTB has tried to develop client specific marketing strategy to increase both the volume and value of tourists and optimize the benefit from them, however practical implementation strategy is found missing.
- Long-term potential marketing strategy is developed but the implementation of those strategies developed is a challenge both financially and managerially.
- Under utilization of tourism infrastructures developed within the country has created undue competition among the industries. The situation will continue to exist unless the volume of tourists increases. The value tourists being good consumer play equally important role to avoid such undue competition. Tourism growth is measured in terms of number of arrivals. Little attention is being paid for the promotion of quality tourism.
- A branded strategy to destination marketing is missing. Absence of such branded promotional approach has been creating undue competition in limited market.
- Investment in market research and promotion is inadequate. Uncertain and inadequate marketing budget do not allow promoting tourism to expectation. The current tourism tax policy (Collection of Rs. 500 from every tourist departing from the airport) may not help to meet the marketing cost unless the tourist numbers increases exponentially.
- Programs to build confidence among the international tour operators and advisors are not enough to create vibration in the global market.

- The hostile attitude of international media towards the country is possible to change only through constant persuasion. Constant publicity about the situation in Nepal and news about any incident concerning tourism from concerned agency through a reliable media in time helps to discourage other agencies to distort the news.
- Undue competition among the private sectors within the country has created lose-lose situation.
- Benefit from tourism being limited to certain industries, majority of the people have indifferent attitude. Initiation of TRPAP has visualized the concept of community involvement in the promotion of nature tourism, the concept has scope to widen to other sectors, such as heritage protection, bring down level of pollution etc.
- Lack of information in many sectors of tourism still prevails. Tourism Strategy in the past was developed on the basis of available data. Research for tourism promotion in the country is equally important and strategy developed on the basis of research findings provides exact picture of tourism status of the country.
- There are limited provisions for enhancing the capacity of people working in private sectors for tourism promotion. Satisfaction through quality service provision is possible to achieve only through the enhancement of the capacity of these people.

2.6 The Way out

In tourism, the desired level of tourist arrivals is generally achieved through appropriate interventions in prospective tourist generating market. The negative publicity about the situation of the country in international media has hit the tourism industry in an unprecedented way besides the fact that those who visit Nepal term it a safe destination. Under the situation it does not allow the intervention of tourism marketing effectively. Hence, the best approach would be to hold and consolidate existing markets rather than exploring new markets. Immediate steps should be taken to assure the potential tourists interested to visit Nepal but having no confidence due to twisted and partly exaggerated media report and travel advisories. Sharing of experiences of those tourists who have been to Nepal will work to regain confidence of those people who besides their interest are unable to come for fear. Hence, publicity of the experiences of the visitors is required in large scale to gain confidence of the coming tourists.

Prompt, authentic and reliable information regarding the existing situation of the country may support to regain confidence among those who are in confused stage. Presently, the destination image is combined with the political situation of the country. The real situation should be made available to all concerned, promptly and reliably. The media campaign by tourism sector in isolation will hardly be effective for wide dissemination of precise and accurate information. Access to international communication network and developing integrated media approach for promoting national image is hence essential for regaining confidence of tourists interested to visit Nepal. Inviting reputed journalists and tour operators from major tourist generating markets in a familiarization tour to Nepal may help to expose the real situation of the country.

Tourism has always been a major foreign currency-earning sector. It is the only single activity to employ more than 0.3 million people directly and nearly equal number indirectly. It has spatial linkages with majority of other economic activities. As regards ascertaining the

actual benefit of tourism to the national economy, HMG should adopt Satellite Accounting of the Tourist Dollar and not base it merely on straight accounting.

Tourism promotion in Nepal is still not getting national priority. Hence, it should be developed into a national industry and included under essential services acts. In fact, the government decisions, its actions should be made compatible to tourism promotion.

Whenever crisis appears in tourism, it has been a tradition that all stakeholders including the destination representatives come together and develop some approach to come out of the crisis on an ad hoc basis. Such joint effort is required to be institutionalized. The slow growth of tourism after November 2003 against the backdrop of ongoing conflict is an example that if tourism is properly managed and promoted it will be less responsive to the conflict. NTB's crisis management cell could play an important role not only to mitigate the effect of crisis but also develop programs to avert it. Intensification of public-private initiative to deal with crisis is necessary to develop at various levels- National and Sub-national.

The high-level crisis management cell is constituted under MOCTCA, with an action unit under NTB. The unit should be empowered with defined functions and authorities in order to make it effective during the crisis and assuring tourist about their safety. A work manual is necessary to activate such unit and enable them to assess the situation and act during crisis.

Tourism is a very vulnerable industry and is sensitive to any uncertainty. Any doubt on individual security in the destination or in the region affects tourism to a great degree. Disturbance of any form- social, economic or political- in the originating country equally affects tourism in the global level. Prompt services of travel advisors could help to avoid the disturbances and continue the tour.

Besides the political problems, the uncertainty caused by frequent Bandha in the country is the major cause for cancellation and even avoiding Nepal from the marketing brochure of the tour operators. The unplanned Bandha not only deprives the tourists from visiting the places of their interest but stress them with unnecessary worry of missing their international flight. For the purpose the industry be placed under essential services acts.

Politics is not just the only reason of crisis in the promotion of tourism in Nepal. The pollution of Kathmandu valley, the deteriorating conditions of our national heritages, the degrading nature and poverty at the local level are man made crisis situation creating problems in destination marketing. We have to protect the world heritage sites, some of which are already enlisted in the endangered list. Preservation of such heritages are very important for tourism promotion in the country.

Policy implementation has always been a major problem in the development history of Nepal. NTB as public private initiative has important role to play in implementation. The board as an autonomous body should assess the output and adjust the working modalities for maximum outputs. The member secretary being chief executive officer, the performance of the CEO should be assessed on the basis of the achievements. Tourism in Nepal largely depends upon the situation in India or the countries in the region. Any uncertainty in India or negative propaganda from Indian press or the crisis in the region is enough to cramp tourism business in Nepal. Use of international and regional media for disseminating authentic information about the real existing situation of the country should be the primary promotional tools to recover tourism from crisis.

A well-organized tourism marketing strategy applicable particularly in the changed context is missing. It is essential that the government, NTB and the private sector should come together to market the destination in a professional and strategic way. All the resources and institutions available outside Kathmandu and those who are friends of Nepal should be mobilized to launch destination campaign. NTB should learn from the experiences of other countries in the region about how they are marketing.

Undue internal competition among private sectors has created lose-lose situation and it should be avoided. A code of conduct applicable to all stakeholders should be developed to avoid such competition.

Market research and publicity in international market are capital-intensive activities. The present funding mechanism may not allow meeting the cost required. Partnership marketing concept on cost sharing basis may support to initiate tourism marketing more aggressively. Importance of community involvement for sustainable development at the local level has been realized long before. Initiation of program like TRPAP could play an important role to involve community in tourism promotion through nature conservation. External funding agencies should be invited to alleviate rural poverty and integrate the local development program with tourism promotion activities.

Chapter III CONFLICT

3.1. Analytical context on working in crisis

As crisis affected-areas pose significant challenges in pursuing development-programming goals, development actors face different alternatives. In fact, when there is crisis, there are three options of involvement for these actors, namely:

Working *in* crisis,

Working *on* crisis,

Working *around* crisis.

Working *in* crisis relates to agencies that attempt to develop crisis-sensitive and principled approaches to conduct development activities in crisis-affected areas. This approach is primarily interested in 'mitigating crisis-related risks so that programs are not negatively affected by or have an adverse effect on the dynamics of violent conflict.'^I

Working *on* crisis refers to activities that are explicitly focused on crisis mitigation and peace building, as distinct from development activities that may have positive benefits for crisis mitigation as a positive side effect.^{II}

Working *around* crisis describes projects and organizations that adopt a strategy of avoiding crisis issues and the-affected areas including relocating project activities and staff, or not implementing new projects in crisis zones. Working around the crisis is understood to exacerbate crisis by increasing inequality between have and have-not areas, and by depriving crisis-affected areas of basic livelihood support.^{III}

The present situation of tourism in Nepal demands for the involvement of the concerned agencies- the policy makers, implementers, tour operators, private enterprises and local communities- to work in crisis. In other words, it is a unified attempt to develop crisis sensitive approaches to promote tourism. Projecting the nature and magnitude of would be crisis, planning to mitigate foreseen crisis related risks, preparing for handling the crisis and prompt action while dealing with it are some important steps to be followed while working in conflict. In order not to be influenced by violence, care should also be taken that tourism promotion activities should not enter into the dynamics of violence.

3.2. Understanding conflict

It is natural to have conflict in human society. Human civilization progresses, if conflict is timely managed positively. If not, the conflict in the society may change into crisis, which may finally escalate to violence. Conflict within or among organizations may not necessarily be negative; it is also a necessary condition for an organization to move ahead. Avoiding the risk of moving conflict towards the unwanted situation (violence) is conflict management.

^I Haneef Atmar and Jonathan Goodhand, "Coherence or Cooption? Politics, Aid and Peacebuilding in Afghanistan", 2001 and Canadian Centre for International Studies and Cooperation, *Peace and Conflict Impact Assessment (PCIA) Sahakarya Project*, Appendix 2, September 2002, p.3

^{II} Centre for International Studies and Cooperation, supra, note 3.

^{III} Supra note 4.

There are different models to understand conflict, one such model is the Conflict Coin Model. See Annex 4-A for detail.

3.3 Conflict Assessment

The objective of conducting conflict assessments is to improve the effectiveness of tourism policy and programs in contributing to conflict prevention and reduction and hence restore normal conditions for regular growth of tourism. Conflict assessment can be used to assess:

- Risks of negative effects of conflict on tourism programs;
- Risks of tourism programs or policies exacerbating conflict;
- Opportunities to improve the effectiveness of development interventions in contributing to conflict prevention and reduction;

Conflict assessment can focus on individual projects and programs or at a strategic level to focus on a country or region. The approach should be to map out the conflict and current responses to it and to identify future policy and program options. Conducting a country level conflict assessment has been a valuable means of developing more strategic approaches for contributing to conflict reduction, in collaboration with other actors. The key stages of conflict assessment are given in Annex-4 B.

3.4 Indicators for analyzing Conflict

Security: Conflict related deaths, human rights abuses, and outflows of refugees, crime, role of security forces, legacies of past conflict, weapons, gender perspective, tourists' security.

Political: Representation of Government, freedom of expression, popular participation, contested territory, capacity of judiciary.

Economic: Competition over shared resources, nature of war economies, socio-economic disparities, trade policies and transparency.

Social: Marginalized groups, local disparities, exploitation of ethnic and other differences, tolerance of cultural differences, presence or absence of cross cutting social organizations.

Other Issues: Population affected impact of conflict on developmental objectives, regional risk

3.5 Conflict Resolution

In summary, conflict-related development programs stand to make a contribution to peace if they are mainstreamed and implemented in a coherent, coordinated and effective manner, in order to have a positive impact of development initiatives. Tourism as a source of income for many possesses higher degree of acceptance from people at various levels provided they are oriented and exposed to the environment. The development activities under tourism need to be reinforced by, long-term approach, capacity building, appropriateness of tools used, decision-making and project management and comprehensive approaches. See Annex 4C for detail.

3.6 What is PCIA

We find different definition of Peace and Conflict Impact Assessment (PCIA), however the one by Kenneth Bush is found to be most relevant of all.

"Peace and Conflict Impact Assessment is a means of assessing the ways in which an intervention may affect or has affected the dynamics of peace or conflict prone region"^{IV}

Conflict being dynamic in nature, is a factor of time and situation. For this reason, there are no fixed rules and strict frameworks for PCIA tools. PCIA, itself is a self-evolutionary and flexible process, which has to be designed to the necessities as demanded by time and situation. The process should address the issues and incorporate participation of stakeholders involved in conflict. The important approaches of PCIA are open participatory consultations; indicators or issue based analytical frameworks and self-monitoring and impact assessment. Therefore for the purpose PCIA in tourism should be developed with following concept.

The PCIA is a set of tools that assesses the elements that cause and / or potential cause conflict, and identifies the ones that support to overcome them. The PCIA provides ways to optimize benefits from the interventions to all its beneficiaries.

Hence, set of PCIA tools is required to be developed on the basis of the nature of the conflict and the actors involved. See Annex 4D for detail.

3.7 Poverty, Development and Conflict:

The Maoist insurgency in Nepal is often interpreted as a crisis of poverty and underdevelopment. This analysis however is too simplistic and poverty by itself is rarely a cause of conflict. Nepal is a society with acute horizontal inequalities that has made it more vulnerable to violent conflict. Highly unequal societies are often more politically unstable. Poverty has created an environment in which violence has been able to flourish. Poverty and prolonged economic stagnation have undermined the legitimacy of successive governments and ultimately of the democratic system itself.

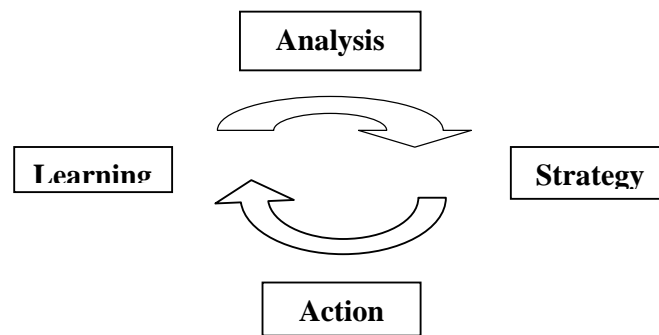
Although, no one has yet looked at the social and economic cost of the conflict, it is clear that it is undermining the limited development gains of previous decades. The conflict imposed by Maoist has been deterring tourism industry negatively both in the home and abroad. The present crisis in tourism may be due to the absence of tourism promotion strategy addressing the diverse situation in which different stakeholders have to respond for common objective.

Indicator approaches that seek to identify a range of conflict risks and propose policy options can also have greater relevance in tourism programs and project planning. Indicator based approaches can assist at all stages of the project cycle from planning to evaluation, provided appropriate indicators and flexibility in approaching the issues is adopted.

Although most work to date has been undertaken in the area of strategic conflict analysis and planning, it is recommended that conflict-sensitive tools are required to support the full program and project cycle from analysis to implementation, monitoring and evaluation.

^{IV} Bush, Kenneth, Hands on PCIA, Oct.2003

Responding to Conflict (RTC), a British based NGO, has characterized the main stages to be informed by a conflict perspective in the following way.



This model is more useful in providing training to conflict- prevention and peace-building practitioners, covering a range of activities including conflict analysis, policy influence and direct negotiation^V.

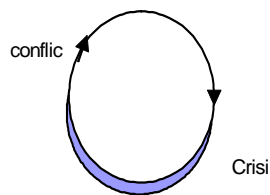
3.8 Capacities to meet challenges^{VI}

Organizational capacities, policy and programming capacities and relationship building are some parameters for measuring capacities to meet challenges. See Annex –4E for detail.

3.9 What is crisis?

Crisis, for the purpose, is the situation that has the potential to affect long-term confidence in an organization or a product, or which may interfere with its ability to continue operating normally. Conflict within the society or organization is natural. Except for the nature all crisis arises from conflict. Any unattended or poorly attended conflict may develop into crisis. Uncared crisis may escalate conflict to higher degree and in turn the crisis becomes more complex or even violent. The circle continues to rotate and in each rotation the magnitude of crisis continues increasing, if not cared properly.

Crisis-Conflict Cycle



^V Source: Conflict-Sensitive Approaches to Development:- Gaigals C. et.al.-a review of Practice-International Alert, Saferworld and IDRC,2001

^{VI} Source: Nepal conflict Assessment –DFID- occasional paper- 2000

Weaknesses and threats within any organization are obvious, and if not resolved on time they develop into crisis. Caring causes of conflict on time could avert crisis of this nature and prevent it to be more complicated. Unlike in natural crisis, the concerned organization has time to manage the conflict and prevent to change it into crisis and mitigate the effect. The intensity of crisis under this situation depends upon the managerial capacity of the organization concerned.

Tourism in Nepal for various reasons has already entered into the stage of crisis. It should not be limited to rescue operations. Conflict of any nature within an organization is highly vulnerable to create crisis. The perception and behavior of the concerned stakeholders unless changed, the crisis will continue to persist even after the positive change in the environment. Proper planning, effective management and appropriate implementation tools could help to mitigate loss and support to create confidence among the tourists (consumers) and the tourism industries (producer).

3.10. Types of Crisis

The following are the types of crisis generally found to affect tourism;

A. Natural

Earthquake, Flood, Fire, Avalanche, Epidemic, Landslides, Storms, Medical epidemic etc is some example of natural crisis. Such crisis may appear suddenly, the early warning preventive measures may or may not work to mitigate crisis of these nature.

B Man Made

Terrorism, War, Civil / Political unrest, Riots, Political actions, Personal harassment, Hijacking, Kidnapping, Murder, Aircraft crash, Surface transport accident, hotel fire etc are prominent causes of man-made crisis.

3.11 Escalating a Crisis;

Incident of any nature can evolve crisis. There are numbers of factors that support to escalate crisis. Confusion, lack of confidence and delayed services unnecessarily escalates crisis. See Annex –4F for detail. .

3.12 The phases of crisis management

In general the crisis management can be broken down into four distinct phases.

- (I) Identification**
- (II) Preparation**
- (III) Response and**
- (IV) Recovery**

The details are given in Annex –4G

3.13 Crisis in Nepal's Image

Topics such as environmental degradation, pollution, child labour, girl trafficking, gender equity, governance system etc drew the attention of international mass media. The negative views, based on partial truth, of the mass media about the economic, environmental and social situation of the country have been damaging Nepal's Sangrila image to a substantial extent. The political situation developing within the country coupled with such publicity has further deteriorated the destination image of the country.

Series of unwanted and unimagined happenings like hijacking of an aero plane, the royal palace massacre, the Maoist movements, the frequent government changes, regular political demonstration in Kathmandu street and the declaration of emergency has virtually changed Nepal's destination image to different perspective. Bombing, killings, kidnappings, *Bandh* (closure) have become the prominent and regular features of the news about Nepal. The exotic, peaceful and hospitable characteristic of the country for which the people in the world were familiar with, is regularly getting tarnished.

Crises in the Gulf, Iraq War, 9-11 incident, Hijacking of Indian Airlines plane flying from Kathmandu to Delhi, political situation of Afghanistan, SARS are some major international or regional factors creating crisis in tourism promotion in Nepal.

Nepal as a poor and landlocked country is entangled in problems of its own. Even a small and complicated issue is enough to create significant crisis in its normal creeping speed of development. Its dependency on trade and transit over others and vulnerable topography is enough to convert simple problems into more complicated. Thus, Nepal can be termed as the country, which has to live always with the crises keeping up with any type of hardships may it be at local level, or of the bigger scale.

Though the country is vulnerable to crisis, the efforts in the past have always been to rectify the negative impact as some attention is found given in post crisis rehabilitation. The crisis situation is dealt in ad hoc and individual basis. Pre-crisis preparedness is virtually non-existent.

The change in image of the country, among the potential visitors, has affected tourism industry of Nepal. The role of media being the most important one, the tourism industry in Nepal is in crisis, as the mass media of originating countries are found remaining strongly negative about Nepal. In addition to negative media campaign, series of unwanted happenings in the recent past like hijacking of airplane departed from Kathmandu airport, royal massacre, Maoist attack of now and then, *Bandha* (closure), hijacking etc. have become the regular feature of the news about Nepal.

3.14 What is risk.

For the purpose we define risk as 'the perceived extent of possible loss'. Different people will have different views on the impact or the loss from a particular risk - what may be a small risk for one person may destroy the livelihood of someone else.

3.15 Risk Analysis

Risk analysis is meant for:

- Reducing uncertainty when making project decisions
- Focusing attention on the high-risk areas of the project
- Providing visibility into risk exposure at all project levels
- Proactively mitigating risk to stay in control of the project
- Tracking risk mitigation actions and responsibilities

Risk Analysis is a formal framework that helps to assess the risks that organizations face. A good risk analysis will help to decide what actions to take to minimize disruptions to schedule plans. It will also help to decide whether the strategies used to control risk are cost-effective. The risk management is a necessary step for anticipating the unexpected. See Annex –4H for detail.

3.16 Communication Strategies

Prompt access to media at the time of need is very important to minimize distortion or damage or misunderstanding from some unwanted happenings. Media being an important tool for communication, an environment of mutual respect and trust is to be maintained with the people working in media through appropriate public relation techniques. Focusing on tourism, the destination image of a country is normally established through^M:

Mass media: News, views and write-ups in newspapers, journals, magazine etc. help to get the impression about the country. TV and radio are more effective media in influencing the viewers or listeners.

Performances: Talk program, cultural show, exhibition, feature film are some other means for creating image of tourism destination.

Events: Political, social or cultural events, natural disaster also may draw the attention of potential visitors and create a certain image of the destinations.

Contacts: Person to person contact is effective means of creating an image of tourism destination though it is limited in scale.

Mass media and contacts have been playing important role in promoting destination image of the country. The crisis of tourism in Nepal is mainly due to exaggerated news about the situation of the country. The negative attitude of media towards the happenings of Nepal has been the prime cause of present crisis situation in tourism.

The communication strategy is given in Annex –4 I

3.17 Reputation Management

Integrity and reputation are the only real assets held by partners in professional services firms; when one is lost, everything else follows. For that reason, every firm or business

^M Nepal's Destination Image; An article by P.M. Shrestha, New business age : May 2002

enterprises must develop a plan to prepare for the day its corporate integrity-or that of its professionals-is threatened.

The global pressures to control corporate wrongdoing are intensifying. In the current climate, the conduct and competence of professional services firms are increasingly under the microscope.

Most often, a crisis is marked by several recognizable characteristics such as does it affects the everyday life of the organization, are there real and lasting risks to the firm's image and reputation; does it possess the potential to affect the bottom line and can the pressure intensify dramatically. Great crisis management is a critical part of great reputation management

It is important to remember that, while the media may precipitate a crisis, the crisis will never be solved in the media. The causes of a crisis are also found inside the organization: unhappy or dishonest staff, bad management, a high-risk culture or poor risk-management processes, or failures in product quality control. For professional services firms, there is often the added risk that the problem is hidden within a client's business

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Chapter IV

POLICY-ACTION MATRIX

4.1 The Policy Issue

The crisis in tourism, both in National and International front has made its future uncertain. In addition to the natural crisis, tourism is highly sensitive to recession, disturbances or any other similar nature and political situation of both the originating and receiving countries. Disturbances in the region or around the country also affect tourism to a great extent. In the context, access to media for correct information flow is very significant in tourism business as it is based on capability of communication and presentation. Negative propaganda about the situation of Nepal has been tarnishing the image of the country. Prompt, reliable and accessible media center for disseminating correct and clear information at the time of need supports to avoid confusion and stop publication of exaggerated news.

The government has made policy reforms in creating conducive atmosphere for tourism promotion within the country. The formation of NTB, waiving of visa fee, involvement of local community in maintaining and constructing tourism related infrastructures, liberalization in sky policy, introduction of private sector airlines in domestic and international services, tying up of rural poverty alleviation program with tourism, introduction of tourism tax are some policy interventions from the government to revive tourism in the country. However there is lack of crisis management policy for quick response of crisis events, both at the national and international levels. The hostile attitude of the international media has to be subsided and policy in dealing with media is urgently needed. The crisis management committee and the media center under NTB have not been able to meet the magnitude of the problems tourism is facing now. Unless the competitive marketing strategies are floated in the international market and aggressive marketing campaigns to counter negative publicity is launched, it looks hard to convince the tour operators and the tourists to visit Nepal.

The increasing undue competition among the private sectors for getting major share of the shrinking market have been the basic problem in tourism promotion and extracting benefits from it. None of the tourism related private sector organizations have been able to self regulate themselves in maintaining quality tourism. Their associations rather are to promote and create pressure to meet their commercial demand. A huge gap exists between the price tag and the actual cost they charge for their services causing compromise in quality. Effective binding regulation to all operators within the prescribed rules may support to alleviate the competition.

The infrastructures for the provision of various services were created to accommodate the tourists as projected earlier. Presently the occupancy of the hotel bed is not more than 25 percent of what is available. The situation of travel agency, trekking agency and other service industries are more or less the same. The increased bargaining power of the labour and competition within the limited market has led to a situation where the chances of these industries to run in profit are very low. Many industries have thus adopted the strategy of survival by cutting their operation cost. Such actions definitely cost the quality of services they provide.

There is representation of private sectors in NTB. With NTB into existence, the private sector can now play the lead role in travel- trade industry. The formal bureaucratic character that

NTB secretariat has developed may not allow it to address the market needs effectively and efficiently particularly at the implementation level.

The crisis management unit placed under NTB is expected to support it particularly in mitigating crisis effectively. However, the unit does not seem to have realized the gravity of work it has to face during crisis and about the required degree of preparedness it needs before crisis. Immediate steps are necessary to activate the unit and develop environment to assure tourists for their safety within the country.

RA, the national flag carrier, still plays an important role in bringing tourists into the country besides its ailing condition. Unless the national carrier becomes strong, it is difficult to revive tourism in the country. In a situation where 70 percent expenditure of an average Nepal bound tourist goes to airline, the shambles in RNAC has cost the nation in generating revenue from tourism. In addition to the national policy to promote private sectors in airlines business their growth in the provision of external services is very slow at the moment.

4.2 Policy Improvements

Any unattended conflict changes into crisis and crisis if not resolved properly may escalate to violence Conflict within or among organizations being the root cause of crisis, should be perceived with great care before it changes into crisis. Hence, crisis management covers activities to mitigate crisis after it emerges and dealing of conflict potential to change into crisis.

The tourism Industry, being the largest foreign currency earning as well as employment generating industry of Nepal, has proved itself as one of the most important industries of economic viability and scope of growth. It is competitive and multi-dimensional not only because of its economic activities but also for its far reaching trickle down effect that helps many people, even those living in the remotest part of the country. Tourism in Nepal has come through series of hardships and is still suffering due to the absence of proper crisis handling mechanism. While it is of sure that it can thrive only in a situation of peace and stability, like other industries, enhancement of tourism depends on constructive vision, a strong political will, trained manpower, effective and well planned marketing and promotional activities. Nepal Association of Tour Operators enlists following issues that are most pressing for a face-lift of Nepal's ailing tourism industry from a crucial crossroads.

- 1 Campaign to regain lost confidence:** Nepal's tourism image was constantly deteriorating for the last couple of years, mainly due to lacking peace and security situation in the country and frequently called “Bandhs”. Now with the changed political scenario, not just that people are sensing better security, but have begun defying “Bandhs”. This positive development needs to be carried out for a campaign to rebuild the lost confidence. A high-power delegation should work at war-footage for the same and organize number of programs targeting the high-tourist generating countries. We should not delay any further to convince foreign tour operators and international media in tourist generating countries that Nepal has developed the situation quite alright for tourists to visit. This will help not only to improve the deteriorating image of Nepal in the immediate and short term but also to improve the entire economy in the long term.

2. **Invite foreign media and tour operators on FAM trip:** One another way to gain the confidence of foreigners is to organize familiarization trip to Nepal. In the past, several FAM trips have been organized. The organization of some more trips at this hour would prove to be crucial. In the changed scenario of Nepalese politics, it is of utmost urgency to convince foreign media and tour operators that everything is going smooth inside the country and tourists are enjoying a better vacation than before.
3. **Economic and tourism diplomacy:** Nepalese Ambassadors to different countries have not been as vigilant as they should be during the period of crisis. They have not just been able to counter the distorting news, but have also failed to use the diplomatic relationship. For instance, after the recent political changes most of the countries revised their travel advisories urging their citizens not to travel to Nepal, but hardly any Nepalese Ambassador has put forward their effort for the revision of travel advisory, even after the situation returning back to normalcy.
4. **Functioning of Crisis Management Cell:** In no way, the functioning of crisis management cell has matched the expectations made during its establishment. The current form of crisis management cell has become a complete failure and thus needs a revamp in both set-up and functioning mechanism. An action-oriented authoritative crisis management cell, with a defined job description and full authority is what the private sector is looking for. Crisis management cell should consist of high profile and effective people who will be available 24 hours a day and is supported by a secretariat that will open 24 hours a day, 365 days a year.
5. **Proper Dissemination of Positive News:** Concerned authorities have not been able to disseminate the positive news that occasionally comes in the tourism front. Rebels have time and again vowed for safety of tourists and have acted the same. We have heard of instances where stranded tourists have been arranged a transfer even during the so-called strikes outside the valley, however such news are hardly been made public. We must highlight positive aspects and counter baseless and negative media coverage.
6. **Establishment of information center on the trunk route:** From the tourism perspective, the land routes connecting Kathmandu with Pokhara, Chitwan and Lumbini are the trunk routes. The reliable tourist information centers need to be established at several points within these routes, especially at this crucial hour, when the flow of information has not been as smooth as it used to be in the past. The center would not just help to make aware of tourism movement in the highways, but will also support to help tourists, if stranded in any case. These routes should be opened without any hindrances and also be equipped to provide basic tourism services.
7. **Declare Tourism as the National Industry:** Amongst the three prominent sectors of Nepalese economy – tourism, hydroelectricity and foreign employment – the tourism industry is effective in maintaining spatial linkages with other sectors of economy and boasts the capability of ensuring returns in the short run as well. Despite these facts the tourism industry has neither been declared the national industry nor has been treated under the essential services act. Declaration of tourism as a national industry and providing incentives accordingly would encourage further investment, ensuring better services for tourists.

- 8. Tie up poverty alleviation program with tourism:** Poverty alleviation being the main theme of development objective of the country, tying up economic development activities of tourism with poverty alleviation is inevitable. The smiling people being basic assets of tourism industry of the country restoration of the smiles in the face of the general public through the initiation of resource sharing should be one of the basic activities of tourism promotion. Increased community participation in the restoration of national heritages and maintaining peace and tranquility in the country helps to sustain tourism industry.
- 9. VAT threshold needs to be waived:** His Majesty's Government for its part has to make sure that those who sell travel or deal with tourists should not be penalized further by bringing them under the VAT umbrella, if they are paying taxes. Waiving of VAT will not only support to increase the revenue of the country but will also make sure that genuine Tour Operators and valued tax payers and those that generate maximum employment in the country are not penalized by having to work under a 13 per cent price disadvantage. The differences in VAT policy on the basis of annual turn over are creating conflict among the organizations working in tourism sector.
- 10. Separation of tour operators and operations and Bonding:** Those who are already carrying the burden of promoting Nepal on an individual basis, the NATO members for example, must be recognized. Tour Operators and Travel Agents must be considered as two different categories of activities. Those who just sell the tickets and those who operate tours must be treated differently. Tour Operators comparatively have greater obligations towards their clients whose once-in-a-life time vacation are entrusted to them and associations like NATO must be at the forefront to ensure that the trust placed upon them is not broken in any way. For the purpose, NATO has to work out a way of bonding tour operators financially to satisfy any genuine claims that may arise against one of its members by customers or overseas tour operators. Just as those who are authorized to handle Chinese tourists must deposit a bank guarantee of five hundred thousand rupees, tour operators should now be bonded with Rs 2.5 million bank deposits.
- 11. Provide facilities to upgrade the fleet:** Tour Operators, to large extent, have already invested billions of rupees in transportation equipment and this need to be constantly upgraded to meet the demands of a very sophisticated clientele. Improved quality service from the tour operator is necessary to influence tourist who have a kind of hidden fear due to crisis situation. HMG has been providing certain facilities in vehicle import since few years. Those vehicles imported under the facilities have now been running for over 10 years and are too old to carry tourists and are being costlier to maintain. HMG is now supposed to look forward in receiving a plan to revitalize the tour operators' fleets through NATO. Such actions will also contain safe guards against the misuse of facility provisions.
- 12. Make suitable amendment to the aviation Policy:** Short-term measures can be taken to encourage charter operators to bring their flights to Nepal. Provision of additional incentives to those already operating their flights to Nepal for mounting extra flights or increasing their capacity by paying 25% of the applicable landing, parking and navigation fees for such extra flights should be made. This will mean no reduction in present total revenue generation; rather it will increase the utility of the airport with added benefits to CAAN. It also complements the total economy of the

country to a large extent. Longer-term solutions can be to woo large, global airlines to add Kathmandu to their network.

- 13. Strengthen RNAC:** We have to realize the fact that every successful tourism destination has a strong national carrier behind it. Strengthening of Royal Nepal Airlines is thus primarily an important factor to promote our destination. The ritual of running around to find replacement aircraft every time one of its own fleet goes for maintenance must come to an end. The uncertain and irregular service for whatever reasons, particularly the last hour cancellations provide negative message to the world. RNAC at the moment has no options but to increase its fleet and provide regular and reliable services for ensuring its passengers to reach their destinations.
- 14. Strengthen NTB:** Until the recently, the promotional activity of the Nepal Tourism Board was marred by limited resources. However, with the revised provision of collecting tourism fee at the airport, the NTB might not have the same problem any more. The funds need to be utilized most effectively with the diversion of NTB's marketing strategy from event marketing to comprehensive consumer marketing. Since we are passing through the crisis situation, NTB should focus to bring about changes in people's perception and those of major tour operators and whole-sellers abroad in order to make them include Nepal in the list of their holiday destinations.
- 15. Facilitate tourists at the airport:** In order to facilitate the arrivals and departure of the tourists, upgrading of the services available at the arrival and departure points at the airport including those of the customs and immigration offices is required. Tour Operators through their organization could be mobilized to ease the passage of tourists into and out of the country including at the airports by providing them permission to meet and greet and see off tourists inside the airport premises. Such actions in a manner will leave a lasting good impression about the hospitality of Nepalese people on the tourist.
- 16. Investment promotion through SMEs:** Tourism is in bad shape now, but none would deny of its tremendous potentiality in Nepal. We are, in fact, in need of small scale but with wider prospects investment in tourism sector, especially at the local level. We thus need to promote tourism investment in Small and Medium Enterprises (SMEs) so as to encourage grass-root level investment and help capital formation. Such investments also help to increase value added from tourism industry. Tying up tourism with poverty alleviation program basically reduces crisis caused by poverty at the national level.

4.3 Policy Action Matrix.

Policy	Activities	Indicators	Time Frame*	Responsible Agencies
1. Campaigning for regaining lost confidence	1.1 Constitute an action committee under NTB to maintain PR at international level and promote destination campaign.	1.1.1 A high-level action committee is constituted.	Immediate	MOCTCA and NTB
	1.2 Develop tools to disseminate existing real situation of the country.	1.2.1 Numbers of tools are developed.	Short term	NTB
	1.3 Develop confidence among tour operators at the national and international levels through the provision of developed tools and pursue them for selling the destination.	1.3.1 Frequent contacts with tour operators are maintained through different information sharing mechanism.	Short term	NTB and NATO.
	1.4 Invite tour operators and prominent media people for FAM tour. Organize their visit to the place of their interest.	1.4.1 Fixed numbers of tours are organized.	Immediate	NTB, NATO, RNAC and HAN.
	1.5 Develop system to share the experiences of out going tourists and disseminate their version through different media.	1.5.1 Frequent news coverage regarding the experience of out going tourists are published in national and international newspapers or magazines.	Short term	NTB.
	1.6 Enhance the capacity of existing media center under NTB so that it can flow information of any incident promptly and reliably and make its services available round the clock.	1.6.1 A well-equipped media center with round the clock service is established.	Immediate	NTB
	1.7 Gain the confidence of local media so that they do not distort the news of any incident. Use them to maintain good rapport with international media.	1.7.1 The attitude of the media is positive. No false or inflated news with intention to defame the country are published	Short term	NTB, HMGN

<p>2. Starting Economic and tourism diplomacy</p>	<p>2.1 Develop Nepalese embassy and counselor offices in major tourist generating countries as effective tourism promotion centers, particularly during the crisis period. 2.2 Enable the embassy and the counselor offices to organize and participate in tourism marketing activities. 2.3 Support the embassies and counselors offices to develop them as contact points for tour advisors. 2.4 Establish a prompt information networking system between the missions abroad and the media center in Kathmandu. 2.5 Select appropriate organizations or individuals in foreign countries and appoint them as representatives of Nepal with the help of embassies and consulates for tourism promotion.</p>	<p>2.1.1. Tourism cell in the embassies are opened. 2.2.1 Fixed numbers of destination marketing activities begin to take place. 2.3.1 Tourism desk in embassies are installed. 2.4.1 Regular information begin to flow. 2.5.1 Major destination centers will have tourism promoter.</p>	<p>Medium term Medium term Medium term Short term Long term</p>	<p>MOFA, MOCTCA. NTB, NATO, Embassies, MOFA Embassies, MOFA, NTB Embassies, NTB. MOCTCA, MOFA, NTB, NATO.</p>
<p>3. Reorganizing crisis management cell.</p>	<p>3.1 Establish task specific crisis management units under the high-level crisis management committee. 3.2 Establish technical committees under crisis management unit. 3.3 Define functions, roles and responsibilities of each unit and technical committee and empower them for discharging their responsibilities effectively. 3.4 Develop information networking system with tourist centers within the country. 3.5 Enhance the capacity of people under the units and the cells.</p>	<p>3.1.1 The crisis management cell and unit under it are re-organized. 3.2.1 Technical committees are established. 3.3.1 The functions, role and responsibilities of each unit and individual are defined. 3.4.1 Networking system is established. 3.5.1 Training programs are conducted.</p>	<p>Immediate Short term Short term Medium term Long term</p>	<p>MOCTCA, NTB. MOCTCA, NTB. MOCTCA, NTB, NTB NTB</p>

	<p>3.6 Develop code of conduct applicable to tourism business to discourage unhealthy practice and competition.</p> <p>3.7 Establish tourist booths in major trunk roads and enable them to share information</p> <p>3.8 Establish branch offices in all major tourist centers outside Kathmandu.</p> <p>3.9. Define the role of all concerned agencies and their functions during and after crisis.</p>	<p>3.6.1 A code of conduct is prepared and applied.</p> <p>3.7.1 Major points are identified and booths are established.</p> <p>3.8.1. Branch offices are established in major tourist cities.</p> <p>3.9.1 A work directory is published.</p>	<p>Short term</p> <p>Immediate</p> <p>Long term</p> <p>Immediately</p>	<p>MOCTCA, NTB</p> <p>NTB.</p> <p>NTB, MOCTCA, NTB, Tourism Associations</p>
4.Declare tourism as national industry	<p>4.1 Incorporate tourism industry under essential services acts.</p> <p>4.2 Provide industry status to the tourism sector with all the services and facilities that the industry is entitled to.</p> <p>4.3 Develop policies to make national development programs more tourism sensitive.</p> <p>4.4 Develop general policy for the provision of necessary supports to enhance the capacity of private sectors on equal footing</p>	<p>4.1.1 Decision comes into action.</p> <p>4.2.1 Acts and regulations are amended.</p> <p>4.3.1 Tourism sensitive factors are considered while implementing development projects.</p> <p>4.4 The irregularities in the service provision is eliminated and the conflict among the organizations will resolved</p>	<p>Short term</p> <p>Medium term</p> <p>Long term</p> <p>Long term</p>	<p>HMG, MOCTCA</p> <p>HMG, MOCTCA</p> <p>HMG, MOCTCA, NTB</p> <p>MOCTCA, NTB</p>
5.Tyiing up poverty alleviation with tourism development programs.	<p>5.1 Conduct awareness-raising programs for local community regarding the importance of tourism in major tourist centers and trekking routes.</p> <p>5.2 Expand the area coverage of TRPAP with more intense activities.</p> <p>5.3 Develop participatory approach through local community mobilization in producing sellable goods and services locally.</p>	<p>5.1.1 Awareness raising programs in major areas are launched.</p> <p>5.2.1 TRPAP is expanded to more districts.</p> <p>5.2.2 More VDCs are covered from the present six districts.</p> <p>5.3.1. Cottage industries are promoted in tourist centers and around trekking routes.</p>	<p>Short term</p> <p>Long term</p> <p>Long term</p>	<p>NTB (TRPAP), LIs, Communities, NTB, LIs.</p> <p>NTB.</p> <p>HMG, MOCTCA, NTB</p>

	<p>5.4 Mobilize local institutions to create and maintain infrastructures that help to promote tourism in their areas.</p> <p>5.5 Support to promote tourism investment in small and medium enterprises in order to encourage local investment and capital formation at the local level.</p>	<p>5.4.1 DDC and VDC incorporate tourism development activities in their annual plan.</p> <p>5.5.1 Group economic activities begin to produce goods and services.</p>	<p>Long term</p> <p>Long term</p>	<p>HMG, LIs</p> <p>HMG, Communities, Tourism Industries</p>
6. Strengthening air services.	<p>6.1 Make suitable amendment to aviation policy.</p> <p>6.2 Ensure a safe and reliable air services for international and domestic travel with necessary infrastructure development.</p> <p>6.3 Develop some domestic airports capacity to handle international flights from the region.</p> <p>6.4 Upgrade the existing conditions of airports in remote areas with priority to those having high tourist movements.</p> <p>6.5 make RNAC services more reliable and safe by increasing its fleet.</p> <p>6.6 Encourage private sector to operate air services in the region</p> <p>6.7 Provide incentives to bring in more chartered flights by reducing aviation fees.</p> <p>6.8 Renew international air agreement to make air seats available as per tourist volume of arrivals.</p>	<p>6.1.1 New aviation policy comes in action.</p> <p>6.2.1 Reliable safety measures are taken in all the airports.</p> <p>6.3.1 A new international airport site outside Kathmandu is identified and equipped.</p> <p>6.4.1 The airports safety measures are upgraded.</p> <p>6.5.1 New fleets are added and operated.</p> <p>6.6.1 Number of private sector operating international flight increases.</p> <p>6.7.1 More chartered flights begin to come.</p> <p>6.8.1. New agreement with ASA is made.</p>	<p>Short term</p> <p>Medium term</p> <p>Medium term</p> <p>Long term</p> <p>Medium term</p> <p>Long term</p> <p>Short term</p> <p>Medium term</p>	<p>MOCTCA, CAAN</p> <p>CAAN</p> <p>MOCTCA, CAAN</p> <p>CAAN.</p> <p>RNAC</p> <p>CAAN, Pvt. Sectors.</p> <p>CAAN.</p> <p>CAAN</p>
7. Conserving and preserving historical,	7.1 Develop strategy and working modalities to involve local community for initiating the protection of national heritages.	7.1.1 Local communities begin to take initiatives to protect national heritages.	Short term	MOCTCA NTB, VDCs Municipalities.

cultural, religious and archeological heritages.	7.2 Develop concept of benefit-cost sharing with local institutions for sustaining the protection process.	7.2.1 Concerned Municipalities, DDC or VDC take responsibility for protection.	Medium term	Municipalities, VDC, DDC, NTB. DOA, NTB and LIs
	7.3 Develop guidelines for the protection of areas under world heritages	7.2.1. Special guideline is prepared and followed.	Medium term	
8.Strengthening NTB.	8.1 Enable NTB to mobilize national and foreign tour operators and friends of Nepal. 8.2 Conduct programs at the vicinity of the major tourists centers and the trekking routes to promote public awareness towards tourism. 8.3 Provide full authority to make decisions within a broad framework of national policy. 8.4 Enable NTB to initiate satellite accounting system.	8.1.1 NTB increases its international contacts.	Short term	NTB
		8.2.2 Communities level of awareness are increased.	Short term	NTB MOCTCA,
		8.3.1 NTB gains full autonomy.	Immediate	NTB
		8.4.1 NTB takes initiatives.	Short term	NTB

Time frame has been classified into:

- a) Immediate: That needs to be completed within next six months from the start of Fiscal year 2062-063 (2005-06)**
- b) Short term: Needs to be completed within the fiscal year 2062-63 (2005-06)**
- c) Medium term should be completed within the fiscal year 2063-64 (2006-07)**
- d) Long term: It can take more than two years**

Chapter V Establishing Crisis management Teams

5.1 Rescue Operations

The basic objective of operating rescue operation is to minimize loss from the crisis. The loss could be minimized if the nature of the crisis can be anticipated before it begins to show its effect. Crisis management for rescue operation hence should focus on assessing the situation and anticipate the gray areas where the chances of arising crisis are high. Necessary timely measures for resolving the issues before the crisis arises should be the primary responsibility of the crisis management teams.

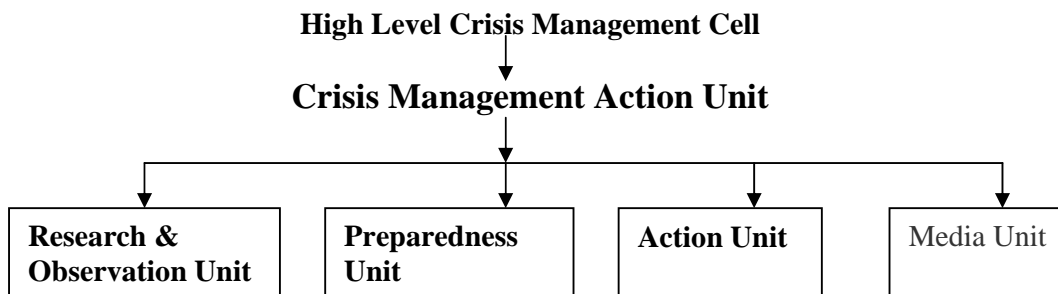
Not all types of crisis can be anticipated. However, timely coordinated actions could minimize the loss. The rescue operation is required to launch without any time loss between the incident and the starting of operations. For the purpose the crisis management team has to be prepared for any time and for any type of rescue work at any place. This is possible only if pre-hand preparation and exercises are done and if the team is placed on alert..

No single institution can technically and financially handle the crisis of any nature by itself. Coordination among the concerned institutions and synchronization in their work is primary requirement for developing effective rescue operation system. The proposed crisis management team could play a lead role in conducting rescue operations particularly when tourists or activities relating tourism are trapped into crisis.

5.2 Set up of Proposed High Level Crisis Management Cell.

The following set up for the cell is proposed.

Proposed Hierarchy of High Level Crisis Management Cell



The functions of each department of the action unit are proposed as follows.

(A) Research and observation unit

1. Assess and analyse the existing crisis situation.
2. Identify conflicting issues, if not resolved on time, is likely to changes into crisis.
3. Develop appropriate tools for mitigating existing crisis.
4. Refer the identified conflicting issues to concerned agencies for immediate actions.

5. Watch national / international rules and regulations and market scenario affecting tourism, whether they are sensitive to crisis.
6. Follow public and private initiatives and recommend for necessary amendments if that tempt crisis in future.
7. Suggest policy reform.

(B) Preparedness Unit

1. Conduct pre-assessment of likely nature of rescue operations.
2. Prepare inventory of existing facilities including the list of organizations that are available in the areas.
3. Maintain rapport with security personnel at various levels.
4. Equip with necessary tools.

(C) Action Unit

1. Mobilize and coordinate rescue operations.
2. Provide or contact concerned organizations to provide necessary services during rescue operations
3. Establish information flow channel.
4. Document lesson learnt.

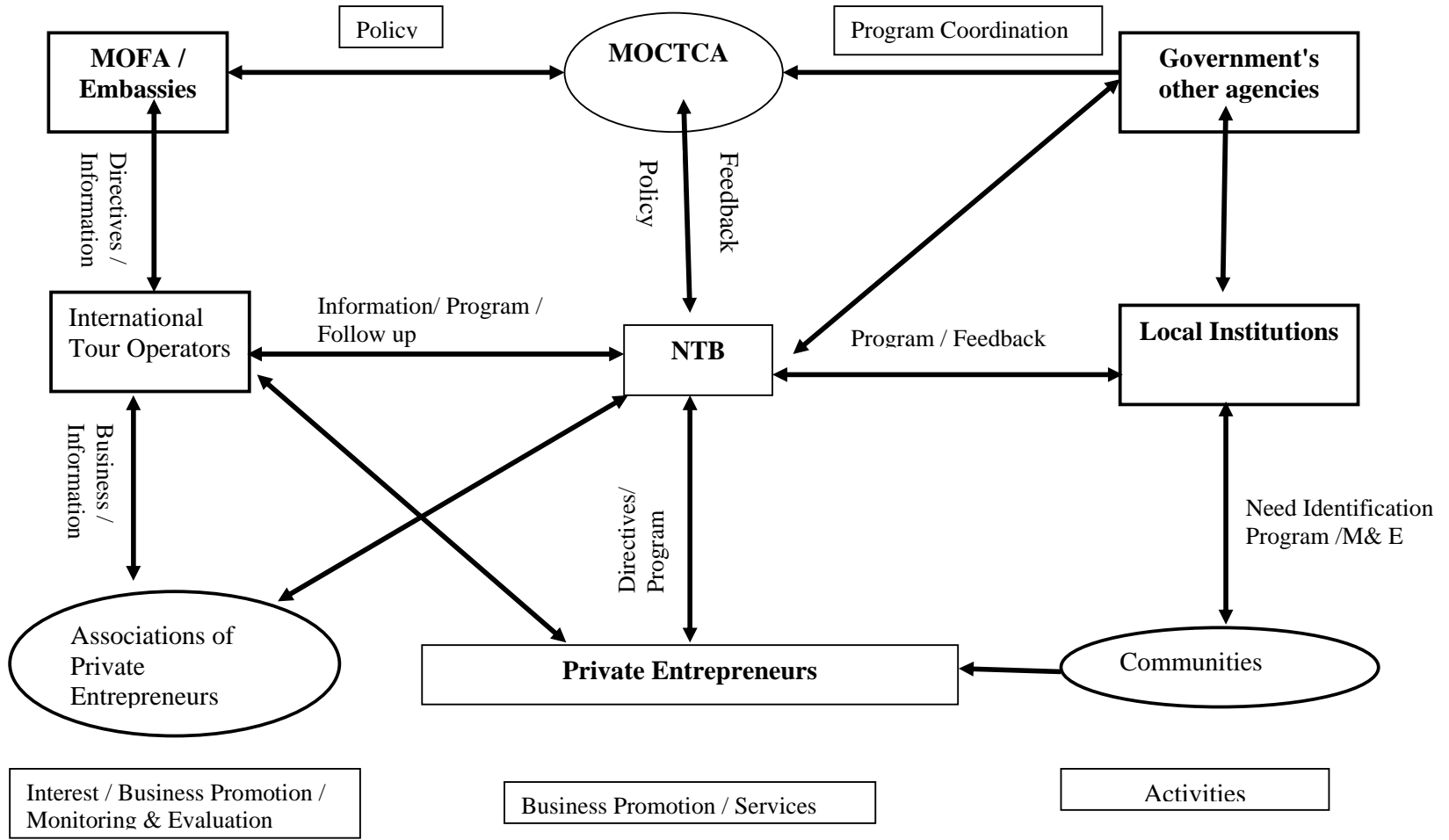
(D) Media Unit

1. Establish network system with major information centers within and outside the country.
2. Edit and develop a complete news bulletin regarding the incident and actions being taken.
3. Be available round the clock.

5.3 Flow of work Between Public and Private Sector

The following diagram proposes the organizational set up for public and private sectors work flow.

Organization Chart



ANNEXES

Annex 1

Terms of Reference:

Study Topic:

Building confidence in tourism through crisis management

This assignment is equivalent to effective one man month. The consultant should establish adequate interactions with various stakeholders including the government agencies while conducting the study.

Task Details:

1. Appraise
 - Concept and essence
 - Brief sketch of present status of tourism in Nepal
 - Identify prospects of forecasting causes and effects of crisis
 - Assess briefly the effectiveness of present High Level Tourism Crisis Management Committee and Cell

2. Analyze the effects of crises on the tourism industry and suggest how the state, NTO and trade associations should collectively handle crises. Suggest how one can better understand consumer, economic and environmental reactions so that they can be better prepared for such incidents and succeed in these turbulent times.

3. Crisis planning and organizational measures
 - Defining crises - Types of Crises - Natural, National and International etc.
 - How Crises escalate and evolve (Crisis Lifecycle)
 - Risk management and its functions
 - Crisis Management cell (make up, financing – internal and external sources)
 - The nature of Crisis Management
 - Phases of Crisis Management
 - Communication Strategies
 - Reputation Management, Marketing and Public Relations guidelines

4. Policy-action matrix
 - Suggest Policy Improvements
 - Define Activities including reporting and monitoring
 - Identify Indicators for measuring activity progress
 - Identify Responsible agencies for activities including reporting and monitoring

5. Establishing Crisis Management Teams
 - a. Set-up and define hierarchies
 - b. Define Functions and Roles of Team members
 - c. Flow of work between Public and Private sectors

6. Report submission/ Presentation:
 - a. Draft report within 30 days from the date of assignment
 - b. Present the draft at the workshop organized by the Advisory Committee and EPN Focal Unit
 - c. Final Report incorporating feedback from the workshop within two weeks of presentation at the workshop

d. Submit one hard and one electronic copy to NATO

Assignment given to: Nepal Association of Tour Operators (NATO)

Contact person: Basant Raj Mishra

Responsible ministry: MOCTCA

Thematic area: Economic Policy on Tourism, Agriculture, and Regional Development

Annex 2

Meetings / Interactions with individuals

- | | |
|-----------------------------|--|
| 1. Mr. S P Trital | Joint Secretary, MOCTCA, HMG |
| 2. Mr. Prachamda M Shrestha | Joint Secretary, MOTAC, HMG. |
| 3. Mr. Subas Niraula | Director, NTB |
| 4. Mr. K. Bhandari. | Officer, NTB |
| 5. Mr. C N Kanel | Training Specialist, TRPAP |
| 6. Mr. B R Mishra | President, NATO |
| 7. Dr. Bishnu Upreti | Conflict Specialist, Friends of Nepal. |
| 8. Dr. P K Adhikary | Chairman, COMAT |
| 9. Mr. D P Dhakal | Tourism Expert. |

List of Participants of the presentation workshop

- | | |
|-------------------------------|---|
| 1. Mrs. Yankila Sherpa | Honorable Member, National Assembly |
| 2. Mr. Sushil J.B Rana | Secretary, MOCTCA |
| 3. Dr. Champak Pokharel | Team- Leader EEPN– Focal Unit |
| 4. Mr. Basant Raj Mishra | President – NATO |
| 5. Mr. Dipendra Purush Dhakal | Former Tourism Secretary |
| 6. Mr. Tek Bahadur Dangi | Chief Executive Officer-Nepal Tourism Board |
| 7. Mr. Arun S Rana | Associate Project Analyst – EEPN- Focal Unit |
| 8. Mr. Rajiv Malla | 2 nd Vice President-NATO |
| 9. Mr. Ashok Pokharel | Honorary Secretary – NATO |
| 10. Mr. Bikrum Pandey | Executive Member – NATO |
| 11. Mr. Manohar SJB Rana | Executive Member – NATO |
| 12. Mr. Sikhar Prasai | Executive Member – NATO |
| 13. Mr. Yadav Khanal | Executive Member – NATO |
| 14. Mr. Mohan Prasad Khanal | Managing Director – RNAC |
| 15. Ms. Chhaya Sharma | Founder Director - Nepal College of Travel and Tourism Management |
| 16. Mr. Yogendra Shakya | Chairman - Hotel Ambassador |
| 17. Mr. Gopal Tiwari, | Business Journalist - The Himalayan Times |
| 18. Mr. Satyendra Timilsina | Senior Consultant – NATO |
| 19. Mr. Sushil Neupane | Executive Secretary - NATO |

Annex 3
Total Tourist Arrivals vs. Indian Tourists

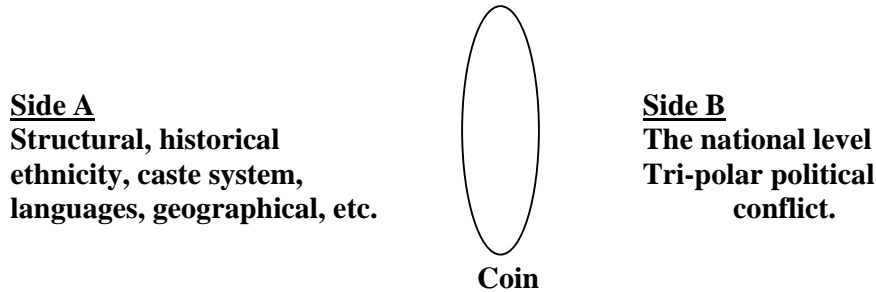
Year	Total Tourist	Indian Tourists	Percent of Indian Tourists
1999	491,504	140,661	28.6
2000	463,646	95,915	20.7
2001	361,237	64,320	17.8
2002	275,468	66,777	24.2
2003	338,132	86,363	25.5
2004	379,027	89,352	23.5

Source: NTB

Annex 4 'A'

The Conflict Coin Model

In the present context of the country, the conflict as a source of crisis can be seen as two sides of the same coin as the following figure suggests:



Conflicts of both sides of coin are interrelated and any change in Side A effects Side B and vice versa. Side A deals with micro level conflict, which comes out of existing societal tensions related to the structural causes existing at grass root level, whereas Side B is macro level conflict operating at the national level. Both sides of the coin is responsible for the existence of present tourism crisis in the country. However, side B of the coin is political issue and effective promotional activities that are more related to side A of the coin, may support to mitigate the negative impact on tourism and maintain national image abroad. In other words interventions in side A of the coin support to improve the situation in side B and vice-versa.

Annex 4 'B'

The three key stages of conflict assessment are:-

Stage A Conflict Assessment	Stage B Analysis of Response	Stage C Strategies /Options
Analysis of : <ul style="list-style-type: none"> ▪ Structures ▪ Actors ▪ Dynamics 	<ul style="list-style-type: none"> ▪ Mapping external responses. ▪ Mapping Development Policies and programs ▪ Assessing Impacts on Conflict and peace (PCIA) 	<ul style="list-style-type: none"> ▪ Influencing other responses to conflict. ▪ Developing / Refining tourism policy and program approaches

Conflict assessment consists of the following elements:-

Conflict Analysis		
Structures	Actors	Dynamics
Analysis of long term factors underlying conflict: <ul style="list-style-type: none"> ▪ Security ▪ Political ▪ Economic ▪ Social The steps consists of: <ul style="list-style-type: none"> ▪ Compiling a broad contextual analysis including history, physical, economic features. ▪ Mapping out the sources of conflict. ▪ Identifying the linkages and connections between these sources. ▪ Developing an initial judgment of the key sources of conflict. 	Analysis of conflict actors: <ul style="list-style-type: none"> ▪ Interests ▪ Relations ▪ Capacities ▪ Peace agendas ▪ Incentives The steps consists of: <ul style="list-style-type: none"> ▪ Identifying the critical Actors who influence or are ▪ Affected by conflict. ▪ List all relevant actors and for each of them, analyse the interest, relations, capacities, work agendas, and incentives. 	Analysis of: <ul style="list-style-type: none"> ▪ Long term trends of conflict ▪ Triggers for increased violence ▪ Capacities for managing conflict ▪ Likely future conflict scenarios. The steps consists of: <ul style="list-style-type: none"> ▪ Listing relevant precursor of conflict such as long term trends, short term triggers; ▪ Identifying different factors (dividers, connectors, promoters etc.); ▪ Figuring possible future conflict scenarios

Source: DFID: Conducting Conflict Assessment Guidance Notes

Annex 4 ‘C’ Conflict Resolution

Long term approach:- Structural inequalities within society, such as gross disparities of wealth and equitable power relationships require long-term engagement and a long-term orientation that addresses the full conflict cycle and links short- term emergency measures to long- term programs for maximum sustainability.

Capacity Building:- It is essential to involve communities and local administrations in decision-making and implementation processes to achieve a sense of ownership. Local administrative and management capacities are crucial in sustaining development after the external agencies pull out. At the field level conflict sensitive development policies should translate into support for approaches that reflect and reinforce solid analytical capacity and strong agency-community relationship. The capacity of external agency needs to be reinforced as this is identified as a major limiting factor in program effectiveness.

Appropriateness of Tools used:- The tools, which are used for conflict prevention and peace-building activities should be regularly monitored in order to ascertain their suitability and efficiency. In addition, there is need of comprehensive funding arrangement allowing for the development, piloting, implementation and evaluation of conflict prevention policies and programs.

Decision-Making and Project Management:- In a politically unstable situation, delay in decision making or resource flow damages the project. The procedures for project appraisal and approval need to be streamlined and decentralized to guarantee efficient implementation of peace-building activities. Reporting requirements should give equal importance to program content and to financial accountability.

Comprehensive approaches:- It is clear that the range of analytical tools, frameworks and approaches to peace and conflict sensitive development practice can make an important contribution to the prevention of violence when developed and applied appropriately. However, it is vital that tools are seen as one part of a comprehensive approach and not as a panacea or a substitute for political action. Actors need to work together to supply and encourage change on the wider issues which may be fuelling conflict, such as state oppression, or the impact of international financial institutions or trade policies, while working to reduce inequality and violence of the local level

Annex 4 ‘D’ Peace and Conflict Impact Assessment (PCIA)

DFID suggests that PCIA is a means to ‘improve the effectiveness of development policy and programs in contributing to conflict prevention and reduction’[Ⓔ] PCIA can focus on individual project or sector (tourism in our context) or multi sectoral activities at micro or macro levels. The causes and effects forecasting process should cover the following steps.

Situation Analysis:- This provides the assessment of the existing situation and the intended and unintended impacts of existing plans and programs. This analysis highlights existing conflicting factors among different groups of stakeholders having interest of their own.

Actors’ Analysis- Actors in our context are entrepreneurs, consumers, communities, funding agencies, tourism industries, NTB, government agencies and other organizations who are directly or indirectly related to tourism. The analysis covers the interests, capacities, and incentives of a particular actor and its relation with other organizations or actors. It also analyses the role of the actor, whether it is a connector, divider, promoter or accelerator.

Benefit and Harm Analysis:- This is an impact assessment of running and proposed programs. Impacts can be positive, negative, intended or unintended, and long or short-term. It can be realized at macro, meso or micro levels and can be social, economic, environmental and political in nature. This analysis provides answers to what extent the goal and purpose of the program is in line with the policy needs and priorities and to what extent the activities are tailored or designed to meet the present crisis.

Strategy Development:- This step follows the three analysis steps given above. Strategies and options are identified for crisis resolution and ensuring that current tourism development approach is adjusted to make it conflict sensitive. It helps to develop strategy to promote sense of security among the stakeholders, reduce inter-group disparities or horizontal inequalities among the service providers, follows international norms to develop code of conduct for various stakeholders, encourage private incentives, address poverty and felt needs of particular disadvantaged groups, involves local partner organizations in the district to promote tourism and maintain balance between short-term incentives and long-term structural issues.

Transformation of Strategy Developed into Action: -The final stage is to develop action plan to implement the policy developed in the earlier stage. Policy action matrix with activities, indicators and means of verification is developed with monitoring and evaluation mechanism.

[Ⓔ] DFID, Conducting Assessments, Guidance Notes, January 2002

Annex 4 'E'

Capacities to meet challenges

Organizational Capacities

- a.** The conflict has important implications for how development agencies organize themselves. Incentive systems may need to be changed to place more emphasis on listening and learning from stakeholders and field staffs. More emphasis may need to be placed on having Nepali staffs in decision-making positions. Also the political, ethnic and language profile of staffs needs to be given more attention.
- b.** Tourism industries have developed security management procedures of their own, and adapted their systems and procedures in areas such as banking insurance, salaries, communication so that they can operate more effectively in conflict affected areas.
- c.** An area that may need to be given more thought in the future, based on experience in other areas of conflict is the development of codes of conduct based on humanitarian principles of engagement.

Policy and Programming Capacities.

- a.** Adopt holistic and coherent approach to address conflict at macro level and support to maintain "structural stability".
- b.** Prioritize those programs, which restore or reverse the decline of state capacity that supports democratic rather than violent forms of conflict management.
- c.** Develop mechanisms that allow a faster response.
- d.** Broaden the horizon of tourism into non-conventional and sometimes politically sensitive areas like supporting conflict mediation, security sector reform. Tourism need to be integrated with broader issues of governance.
- e.** Address the program to mobilize the local youths, whose dissatisfaction is prime cause of conflict. Identify "connectors" at the local level and mobilize them.
- f.** Invest more on preparedness and contingency planning.
- g.** Incorporate conflict sensitivity while designing, implementing and evaluating the programs. Focus on distributional issues.
- h.** Develop practical work strategy with defined roles and responsibilities.

Relationship Building

- a.** Maintain coordination/ coherence with other informal groups at various levels.
- b.** Maintain coordination and establish information networking with other organizations at the operational levels

Annex 4 ‘F’

Some factors that come into play in escalating crisis are:

- Number of people involved:** Greater the number of people involved greater is the scale of the crisis.
- Vulnerability of people involved:** The media are more aggressive to cover incidents that affect children, women, marginalized groups, tourists or foreign nationals.
- Prominence of people involved:** Affluent and prominent people or one with significant standing in society can draw the media attention more easily.
- Level of media interest** Media as participants to any conflict as opposed to general mass are always after sensational news and attention
- or their access to the incident:** grabbing headlines. Weaknesses in organization’s response will be reported with little mercy. Any issues that are not accessible to media may escalate the crisis.
- Nature of the incident:** Consequential incident following the one reported earlier draws the attention of media more than an isolated case.
- Visibility:** The modern technology allows the media to transmit the graphic pictures of an incident through out the world within minutes. The visible impact of the incident lasts long.

Annex 4 'G'

Identification: The key to crisis management is to hold capacity to identify a potential crisis and prepare to reduce its impact. Situation Analysis for evaluating likely impact of crisis in tourism supports to device contingency plans and works out how to mitigate the crisis.

Preparation: This covers activities to be ready. Organizations have to evaluate their own capacity to handle the crisis and develop strategic, tactical and communication plan. They should conduct crisis response exercises from time to time for enhancing crisis handling capacities. Vision should be developed to mitigate the impact of crisis through handling it at the earliest possible stage.

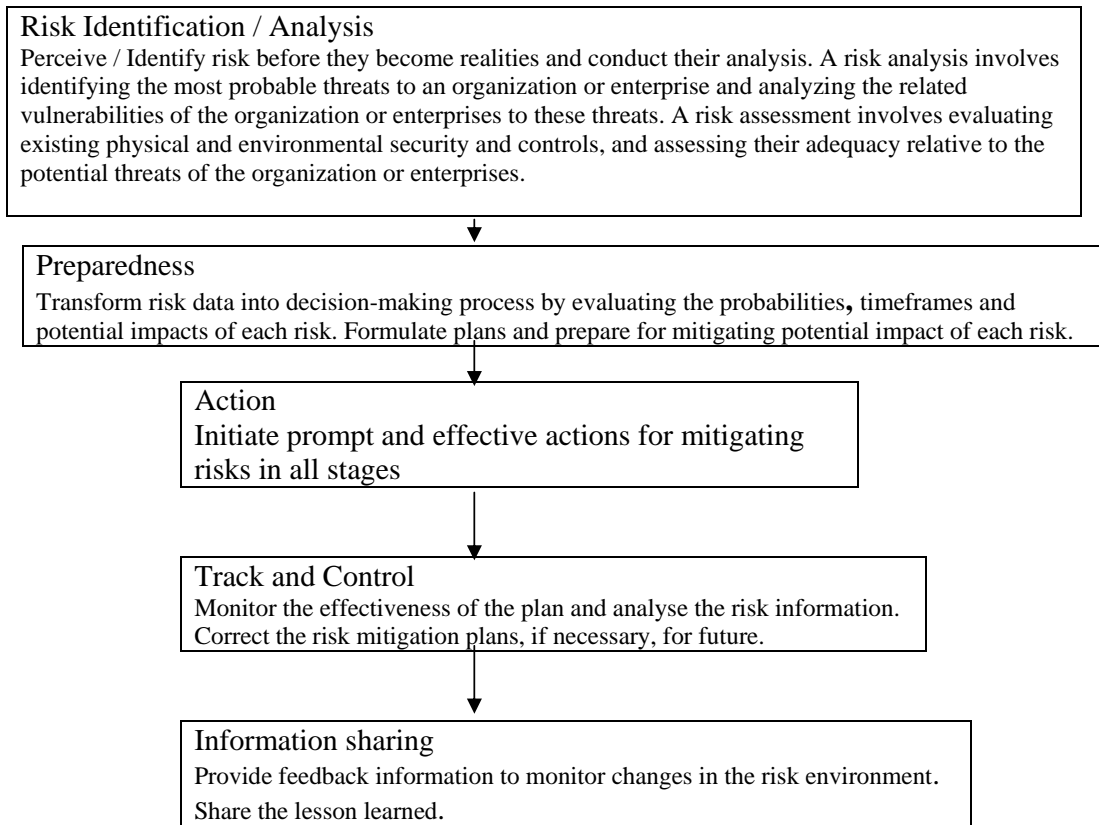
Response: This is prompt aftermath of an event where unforeseen magnitude of chaos might need to handle. Damage control, both in lives and property should be its initial attempt and the communication strategy should immediately come into play. The effectiveness of strategic plan will immediately be apparent whether the nature identified and the strategy developed in the earlier stages is effective or not.

Recovery: Avoidance of crisis is best form of crisis management. However, efficiency of recovery after crisis is measured in terms of time taken to resume pre-crisis situation, the degree of recovery to pre-crisis levels and the additional measures taken to subside crisis in future.

Annex 4 'H' Risk Management

Many entrepreneurs see risk management as the answer for developing our ability to anticipate the unexpected. We can identify and analyze the risk factors in any enterprises and use our ability to manage it. The important issue is to focus in the uncertainties of tomorrow and to be able to identify and handle them. Business success depends partly upon the risk perception.

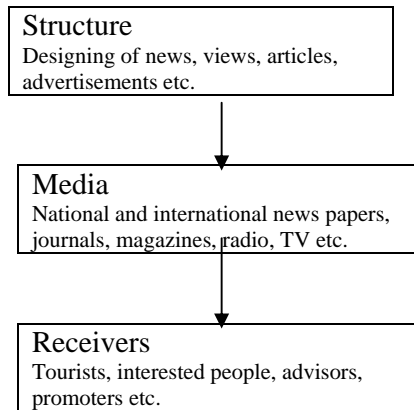
Crisis management is an extension of risk management. Risk management is a pro-active approach where probable risks are assessed and classified. Proper strategies are developed beforehand to deal with those probable risks. Risk management cycle consists of:



Communication as a prime element of risk or crisis management, it must be incorporated in all the steps mentioned above. The prompt and efficient communication response saves faces and business.

Annex 4 'I' Communication Strategy

Communication normally passes through three stages,.



Structure: This is formation of news regarding any incidents, accidents, happenings, warnings actions, events and programs. Reliability and promptness being the essence of such news, constant monitoring of the happenings and updating the development is essential. The technological achievement has made this job more challenging. Structuring news is highly a technical matter; complete and concise information draws the attention of reader or listener.

The content of article, designing of advertisements etc. makes impact on the destination image of the country. The message has to be media friendly. The fact can be presented positively, whatever be its nature. This requires certain techniques.

Media: The modern innovations have made media more competitive. They are always after more reliable and sensational information. They also try to verify the information from various sources. Hence, the media must have all time access to the information source.

Selections of appropriate means of media are necessary for proper information dissemination and make it widely known. A good rapport with media people is a necessary condition.

Receivers: They rely on the information they receive from sources.

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