



Strengthening Governance in the Economic Sector

A STUDY ON THE MARKET CHAIN OF TOURISM IN RARA

स्थानीय सरकार सबलीकरण



The Asia Foundation

The Australian Government – The Asia Foundation Partnership in Nepal



HRITI FOUNDATION

TOWARDS PROSPEROUS KARNALI

STRENGTHENING THE GOVERNANCE IN THE ECONOMIC SECTOR

**A STUDY ON
THE MARKET CHAIN OF TOURISM IN RARA**

HRITI FOUNDATION

2024

Published by:

Hriti Foundation

December 2024

Birendranagar-08, Surkhet, Karnali Province Nepal

Tel.: (+977)-083521564

E-mail: info@hriti.org

website: www.hriti.org

Layout & Design: Roshan Dhwoj Basnet

Cover Photo: Anjan Karki

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This publication is published with the support of the Subnational Governance Program implemented under a strategic partnership of the Australian Government Department of Foreign Affairs and Trade and The Asia Foundation. The views expressed in this publication do not necessarily represent the views of the Australian Government or The Asia Foundation.

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Executive Summary

Geographically, Karnali Province is the largest province in Nepal, and it is known for its rich culture, adventure tourism, and pristine natural attractions. The major attraction of the province is the largest lake in Nepal, Rara Lake which is considered the heart of Karnali for its breathtaking views and crystal-clear water.

Despite appealing tourist destinations, Karnali faces challenges in attracting and retaining large numbers of tourists due to limited accessibility and infrastructure. The contribution of the tourism industry to the GDP of Karnali province remains minimal, which was 3.44% in 2018/19 AD (2075/76 BS).¹

Hence, this study aims to highlight the existing challenges and barriers limiting the growth of the tourism sector in Karnali with a major focus on Rara. The study identifies four core constraints limiting the growth of the tourism industry in Karnali province, which are inadequate infrastructure, lack of hygiene and hospitality in the hotel industry, lack of incentives for travel agencies and limited government initiatives and promotion.

Further, this paper emphasizes the need for effective promotion and branding of the 'Jumla-Rara' circuit rather than promoting Rara as the sole destination. The paper addresses the government efforts in the sector, highlighting the key strategies and goals mentioned in the 10-year tourism master plan of Karnali province government. Subsequently, addressing the existing challenges in the tourism industry of Karnali province, the study also incorporates strategic action plans to tackle the obstacles in the system, by providing incentive to various actors in the value chain resulting to improved environment and facilities for the tourist's arrival. It specifically highlights the need to incentivize travel agencies to promote Rara and other tourist destinations in the province and persuade a greater number of national and international tourists for the visit. This could significantly increase the tourist flow resulting in an increase in income generation.

Likewise, it provides a few recommendations regarding potential policy reforms and strategic interventions for supporting the system level changes. Hence, the objective of the study is centered towards increasing the tourist flow in the region, leading to an increase in income generation.

Introduction

Tourism is considered as one of the largest and fastest growing economic sectors around the globe; it contributes about 10% of global GDP.² Additionally, the sector creates employment as well as business opportunities, uplifting the living standard in the region. For a country like Nepal, tourism holds immense potential of a major contribution in driving economic growth of the country. According to the latest data, tourism contributes about 6.7 per cent to Nepal's gross domestic product.³ The diverse natural landscapes, cultural heritage, museums & historical monuments and UNESCO world heritage sites makes Nepal an attractive destination among both national and international tourists.

Karnali province being a largest province of Nepal (Areawise), is known for its rich culture, adventurous landscape, holy places and pristine lakes and waterfalls. The province has high potential of tourism, given its notable potential for development of hill stations, river sports, skiing, trekking and many other adventures.⁴ Among multiple tourist destinations in Karnali province, Rara lake is one of the major attractions for both domestic as well as international tourists.

Rara lake; Nepal's largest lake situated at an altitude of 2980m is the heart of Karnali. With the length, breadth and depth of 5.2 km, 2 km and 0.167 km respectively, Rara Lake covers an area of 10.8 square kilometres and is known for its clear blue water.⁵ Further, the Kailash Circuit pilgrimage route passes through the region, which is highly regarded by both Buddhists and Hindus for its spiritual significance and stunning mountain views. The Sinja Valley, where the Nepali language originated, is also significant historically and archaeologically. Karnali is a hidden gem for nature enthusiasts, hikers, and those looking for off-the-beat-path experiences because of these attractions as well as the region's unspoiled wilderness and cultural diversity. Furthermore, Raskot in Kalikot, Panchadeval, Pachal Falls (highest waterfall of Nepal), along with Nepal's highest human settlement- Bhot are a few more tourist destinations in the province.⁶

The study, however, is particularly centred on the development of tourism in Rara. There have been multiple articles and research written about the Rara lake and its significance. The literature on Rara lake also covers the scope of national as well as international tourists in Rara. So far limited studies have addressed the challenges in the tourism sector in Karnali province limiting the tourist's inflow in the region. Therefore, the study aims to highlight the existing challenges and barriers limiting the growth of tourism sector in Karnali with major focus on Rara. This paper also emphasizes the need for effective promotion and branding of the 'Jumla-Rara' circuit rather than promoting Rara as the sole destination.

- 2 World Travel & Tourism Council. (n.d.). *Travel & tourism economic impact*. Retrieved [March 3, 2025], from <https://wttc.org/research/economic-impact>
- 3 Prasain, S. (2024, June 10). Nepal's tourism paid for 1.19 million jobs in 2023. The Kathmandu Post. Retrieved from <https://kathmandupost.com/money/2024/06/10/nepal-s-tourism-paid-for-1-19-million-jobs-in-2023>
- 4 Shreshtha H.P. (2024, March 25). Tourism Can Be A Catalyst For Change in Karnali Province. Republica. Retrieved from <https://myrepublica.nagariknetwork.com/news/tourism-can-be-a-catalyst-for-change-in-karnali-province>
- 5 Rara National Park.(ND).Department of National Park and Wildlife Conservation. Retrieved from. <https://dnppwc.gov.np/en/conservation-area-detail/73/> (2025, January 10)
- 6 Karki, R. (2021, January 9). *Karnali ra paryatan* [Karnali and tourism]. *Setopati*. Retrieved from <https://www.setopati.com/blog/226093>

Methodology

The study utilizes the Market System Development approach, for mapping the core constraints limiting the tourist inflow in Karnali province through analysis of the information collected. The information included in the study was gathered through desk research, stakeholder consultation meetings and key informant interviews (KIIs). The process follows identification of the core constraint in the tourism industry in Karnali province, followed by identification of the root cause of the problem. Thereafter, the study uses strategic framework of Market System Development to identify the necessary changes in the tourism industry.

The primary source of information collected for the study was key informant interviews (KIIs) including stakeholder consultation meeting. Multiple interview and consultation were conducted with the collaboration among multiple actors involved in the tourism business in Karnali. These actors included:

- Hotel owners
- Homestay operators
- Tourists
- Province and Local government
- Financial institutes
- Transportation authority

The key informant interviews (KIIs) and consultation meetings with the stakeholders were centred on the challenges and risks involved in the sector, effectiveness of government policies and subsidy initiated for the growth of the sector, loan and finances involved. Further, the discussions also focused on scope and need of adventure sports and other tourist distractions around major tourist destinations to retain the tourists for longer duration.

Limitations of the study

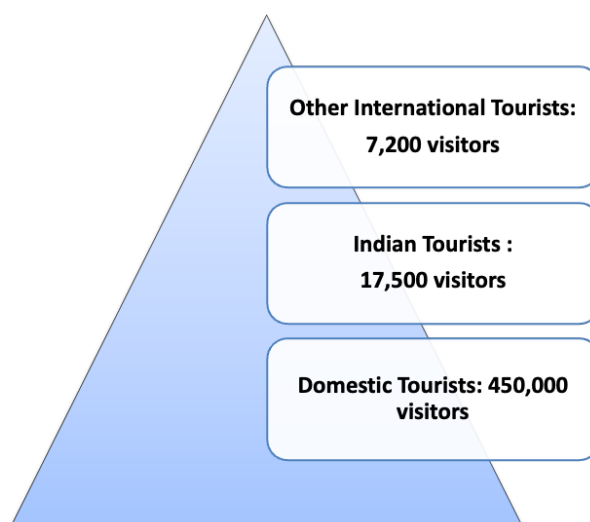
Due to the limitations in availability of the relevant data, the study primarily relies on qualitative analysis of the information collected from the individual stakeholders. Despite the efforts made to collect data from various news articles and other sources, the accuracy of some information provided could be subject to limitations. Additionally, there is the possibility that some information provided by the stakeholders during KIs may be influenced by personal biases.

Moreover, due to a lack of sufficient time and resources for field visits and observations, there is a possibility that the provided information may not fully reflect the current state of tourist arrival in Karnali province. Further, the unavailability of updated information regarding tourist arrival and expenditure pattern in government website limits the study of current situation of tourism industry of Karnali province. Similarly, the study lacks the information regarding preferences and perceptions of international tourists towards Karnali, as the KIs were centred towards domestic tourists.

Current Status

With over 450,000 domestic tourists visiting the Karnali province in 2018/19 AD (2075/76 BS), the province has been heavily relying on the flow of domestic tourists. The second largest group visiting Karnali was Indian tourists, reaching 17,500, in the same year. However, the arrival of international tourists from other nations remains significantly lower, which was 7,200 in 2018/19 AD (2075/76 BS). This is because, Karnali is often looked-at as isolated destination with higher cost of travel.⁷ However, with the growing awareness of the destination, Rara has gained popularity among the domestic tourists, leading to increasing number of domestic tourist arrival.

Figure 1: Tourism Statistics of Karnali Province 2018/19 AD (2075/76 BS)



Source: Karnali Province Tourism Master Plan 2019-2029 AD (2076/77 - 2085/86 BS)

The government of Karnali province, recognizing the limitless potential of tourism industry, introduced a 10-year Tourism Development Master Plan in fiscal year 2019/20 AD (2076/77 BS) for effective management and promotion of tourism in the province. An estimated budget of 12,317.7 million has been estimated for the implementation of the tourism master plan in the five years from 2020/21 AD (2077/78 BS).⁸ With estimated arrival of 1.5 million domestic tourist and 200,000 international visitors from India and other countries by 2029 AD, the master plan projects an annual increase of 12.6% in tourist arrivals. Additionally, it aims to generate 150,000 jobs in sector by 2029 AD.⁹ In contrast to just 5% of international tourists attracted towards the regions, domestic tourism, particularly in Rara, has grown steadily over the years.¹⁰ According to

7 Ministry of Industry, Tourism, Forest and Environment, Karnali Province. (2022). Karnali Province Tourism Master Plan.

8 Hamal, M. (2021, February 21). Karnali Pradeshko dashabarshiya paryatan guruyojana: 12 arba badi lagani aawashyak [Karnali Province's ten-year tourism master plan: Over 12 billion investments required]. Gorkhapatra Online. Retrieved from <https://beta.gorkhapatraonline.com/open/2021-02-21-32421>

9 Ministry of Industry, Tourism, Forest and Environment, Karnali Province. (2022). Karnali Province Tourism Master Plan.

10 Shahi, S. (2024, April 15). Roadblocks to bring in tourists to Karnali. Ekantipur. Retrieved from <https://ekantipur.com/pradesh-6/2024/04/15/roadblocks-to-bring-in-tourists-to-karnali-37-23.html>

Tourist Arrival Survey- 2019 AD (2075 BS), the domestic tourist arrival in Karnali had increased by around 11% in the year.¹¹

Figure 2: Highlights of Karnali Province Tourism Development Master Plan



Source: Tourism Development Master Plan, Karnali Province¹²

However, the province faces several challenges in achieving the goal due to inadequate infrastructure and limited access to these remote destinations. In the year 2024 AD (2080/81 BS), besides domestic tourists, foreign tourists visiting Rara Lake and Shey Phoksundo reached 274 and 576, respectively¹³. To address these challenges, the tourism master plan has been structured in two different phases. While the short term and medium term (2020 – 2024 AD/ 2077/78 to 2080/81 BS) goals are focused on infrastructure development, awareness and market expansion, long-term (2024 – 2030 AD/2081/82 to 2086/87 BS) plan is centred in prioritising operation, maintenance and market management. Hence, the expected annual increase in domestic tourist arrivals is 12.6% and 27% increase in case of Indian and international tourists. The tourism master plan of Karnali province aims to create 150000 job opportunities in tourism industry, of which 40% will be saved for female workers. Over the decades, the master plan targets to establish 1,750 hotels and resorts, an international airport, two regional airports and eight local airports in the province.¹⁴

Figure 3: Targeted Infrastructure Development in Karnali Province over the Decade



Source: Tourism Development Master Plan, Karnali Province¹⁵

11 Setopati. (2019.April 22). Achievements of Rara Karnali Tourism Year-2075 unveiled. Setopati. Retrieved from <https://en.setopati.com/social/144455>

12 Ministry of Industry, Tourism, Forest and Environment, Karnali Province. (2022). Karnali Province Tourism Master Plan.

13 Ministry of Economic Affairs and Planning, Karnali Province Government. (2024). *Economic survey 2080/81*.

14 Ministry of Industry, Tourism, Forest and Environment, Karnali Province. (2022). Karnali Province Tourism Master Plan.

15 Ministry of Industry, Tourism, Forest and Environment, Karnali Province. (2022). Karnali Province Tourism Master Plan.

The provincial government has estimated 12.31 billion NPR for the first five years of the plan, allocated for infrastructure development and tourism management as poor road condition remains the major obstacle for the tourism industry. As per the announcement of the provincial government, a budget has been allocated for development of infrastructural facilities at the 101 different tourist destinations (including 79 locations identified by province government and 17 by the federal government).¹⁶

Table 1: List of Programs/Policies for Tourism Development in Karnali Province

| Program/policy | Description |
|---|--|
| Infrastructure Development Subsidy (2076/77 – 2085/86 BS) | The Karnali Province government has planned on providing financial support for the development of tourism infrastructure in different tourist destinations of the province. The program aims to create employment opportunity for locals along with tourism facilities through establishment of hotels, restaurants and road networks. |
| Reduced tax rate for tourism businesses (2076/77 – 2085/86 BS) | The tourism-related businesses like airlines, hotels, restaurants and travel agencies are benefited with the reduced tax rates. This is done with the aim of attracting investment and promoting the tourism industry, through increased investment and expansion of such businesses. |
| Community Participation and Local Tourism Benefits Maximization (2076/77 – 2085/86 BS) | The project is a key component of the Karnali Province Tourism Master Plan, aiming to engage local communities to promote local culture and gain tourist attraction and ensure the economic benefit of local communities through tourism. The program incorporates the promotion of local products and services, along with local culture, art, festivals to diversify the economy of the regions. |
| Rara lake Tourism (2076/77 – 2085/86 BS) | The project aims to enhance the infrastructure around Rara lake to facilitate better tourist experience. The objective of the project is to increase the tourist inflow leading to greater revenue generation. The province government has initiated the construction of approx. 14 km long cycle track around Rara lake, with the allocated budget of Rs452.9 million. The objective of the project is to promote tourism and allow the tourists to enjoy the scenic beauty of Rara lake, cycling through the track. ¹⁷ |

16 Rastriya Samachar Samiti. (2019, July 11). 101 tourist destinations declared in Karnali State. MyRepublica. Retrieved from <https://myrepublica.nagariknetwork.com/news/101-tourist-destinations-declared-in-karnali-state/>

17 Shahi R.B.(2024. February 14). Bicycle track construction around Rara Lake moving at a snail's pace. Thekathmandupost. Retrieved from. <https://kathmandupost.com/karnali-province/2024/02/21/cycle-track-construction-around-rara-lake-moving-at-snail-s-pace>

| | |
|---|---|
| Shey Phoksundo Area Development (2076/77 – 2085/86 BS) | The primary goal of the program is to develop the Shey Phoksundo area into UNESCO World Heritage Site. The program aims to preserve natural and cultural heritage of the region and promote sustainable tourism practices by investing in improved tourism facilities making Shey Phoksundo a must-visit destination. |
| The Rara National Park (RNP) and its buffer zone management plan (2076/77-080/81 BS) | The Rara National Park (RNP) and its buffer zone management plan aims to conserve the park's biodiversity, promote tourism, and improve the livelihoods of local communities. The plan is based on a participatory approach that involves local stakeholders. |
| Rara Lake Ramsar Site Management Plan (2021-2025 AD) | The plan provides a framework for the long-term management of the Lake's natural resources. The vision of the Site Management Plan, defined by stakeholders, is: "The ecological integrity of the Rara Lake Ramsar Site is conserved and/or restored and local people are benefitted through the wise-use of wetland resources. |
| Karnali Province Tourism Master Plan (2020/21 to 2029/30 AD) | It aims to promote sustainable socio-economic development in the Karnali Province while preserving its natural and cultural heritage. Which includes various strategies to sustain tourism infrastructure, improve accessibility, and promote the unique attractions of Karnali Province. |

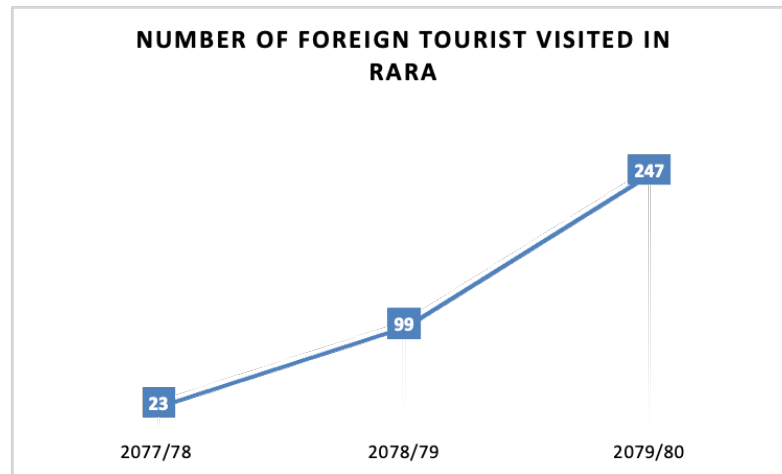
Following the arrival of 11000 domestic tourists in 2022/23 AD (2079 BS), Rara National Park determined the entry fee of NPR 100 per head. In the same year, 26 tourists from SAARC countries visited Rara National Park, along with 183 tourists from other nations. Hence, the entry fee for SAARC country nationals and foreign nationals has been determined at 1500 NPR and 3000 NPR respectively.¹⁸ This reflects the contribution of tourism in increase in revenue for the government, besides private businesses.

During the year 2023 AD (2079/80 BS), more than 4,500 tourists visited Rara, in between the month of Shravan to Kartik. According to Rara National Park, 4490 domestic tourists along with 96 international tourists (including 24 from the SAARC countries) visited Rara during the four months reaching a total of 4611 tourists. In the same year, the inflow of a huge number of domestic tourists was recorded during the Dashain-Tihar holidays resulting in income generation of NPR 1.2 million during the period.¹⁹ This reflects the increasing popularity of Rara as tourist destination among domestic tourists. However, the number of international tourists visiting Karnali is relatively lower. Thus, major income generation from the tourist industry of the region seems to be contributed by domestic tourism.

18 Silwal R.(2023.December 10). Rara welcomes over 4,500 tourists in four months.Nepalnews. Retrieved from. <https://nepalnews.com/s/travel-tourism/rara-welcomes-over-4500-tourists-in-four-months/>

19 Silwal R.(2023.December 10). Rara welcomes over 4,500 tourists in four months.Nepalnews. Retrieved from. <https://nepalnews.com/s/travel-tourism/rara-welcomes-over-4500-tourists-in-four-months/>

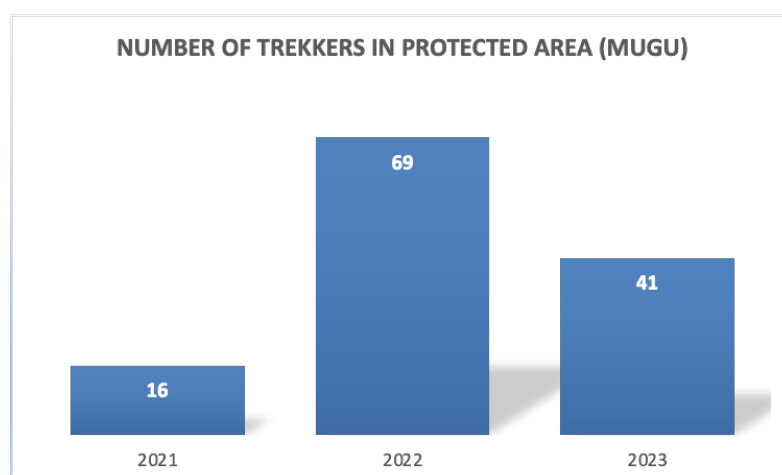
Figure 4: Tourist Inflow in Rara



Source: Nepal Tourism Statistics 2021,2022,2023 AD

Nevertheless, a number of foreign tourists visiting Rara, increased drastically over the years, going from 23 in 2020/21 AD (2077/78 BS) to 274 in 2022/23 AD (2079/80 BS). Consequently, the number of trekkers trekking through the trails in protected areas of Mugu has also gone up from 16 trekkers in 2021 AD (2077/78 BS) to 41 trekkers in 2023 AD (2079/80 BS).²⁰ This could be due to the promotion of a trekking trail connecting Jumla to Rara, in recent years. The data reflects the growing appeal of Rara as a tourist destination among international tourists. Though a number of international tourist arrivals in Rara in the year 2020/21 AD (2077/78 BS) is notably lower, the number seems to be rising exponentially in the post-pandemic period. Moreover, the accessibility of the region has improved, with enhanced road conditions. With effective promotion and infrastructure development, Rara has a significant scope in reaching its true potential in the tourism sector.

Figure 5: Number of Trekkers in Protected area (Mugu)

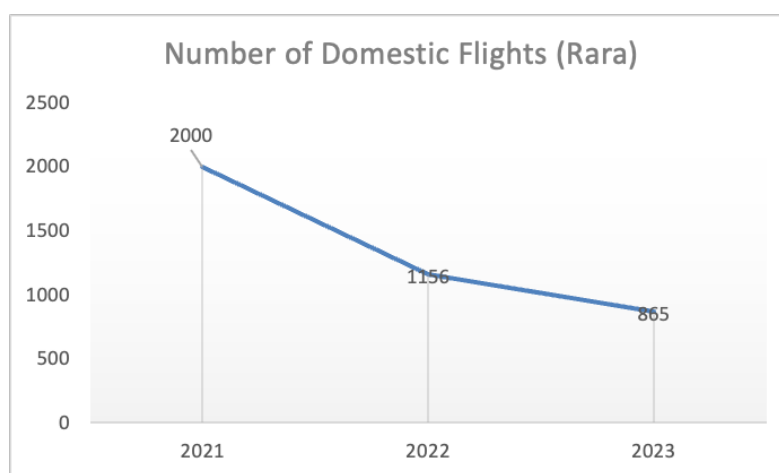


Source: Nepal Tourism Statistics 2021,2022,2023 AD

20 Source: Ministry of Culture, Tourism and Civil Aviation (MOCTCA). (2021). *Nepal Tourism Statistics 2021,2022,2023*. Kathmandu, Nepal: Government of Nepal.

Between 2021-2023 AD, the number of domestic flights in Rara has decreased significantly by 56.75%, going from 2000 flights in 2021 AD (2077/78 BS) to 865 flights in 2023 AD (2079/80 BS).²¹ One of the primary reasons leading to a decrease in the number of flights to Rara is limited number of operational aircrafts in private airlines. As, the number of operational aircraft has decreased, airlines direct flights to cover multiple destinations as per the passenger's demand during the season. Subsequently, seasonal demand for the flights has led the airline to withdraw the flight to Rara during the off-season leading to decrease in flight frequencies. This is because of the higher operation cost, which makes it unfeasible for the airline to operate during the off-season. Moreover, foggy and windy weather conditions in the rural airports remains a significant challenge for maintaining regular flight schedules.²²

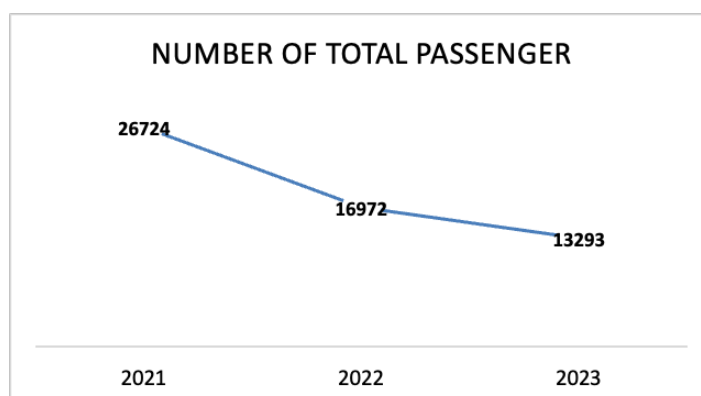
Figure 6: Number of Domestic Flights (Rara)



Source: Nepal Tourism Statistics 2021,2022,2023 AD

While the data reflects a decrease in total number of passengers in the three years (2021-2023 AD/ 2077/78 to 2079/80 BS), the average passenger per flight has increased over the period. This suggests that drop in number of passengers could be directly connected to the reduced number of flights, rather than the decrease in overall demand. However, the overall demand of the flights substantially remains seasonal, with a significant rise in a number of passengers during peak season. Additionally, increased demand from passengers during the season is mostly for one-way travel. As a result, airlines are reluctant to continue the flights besides the peak-season, which is specifically from the month of October to December.

Figure 7: Number of Total Passenger

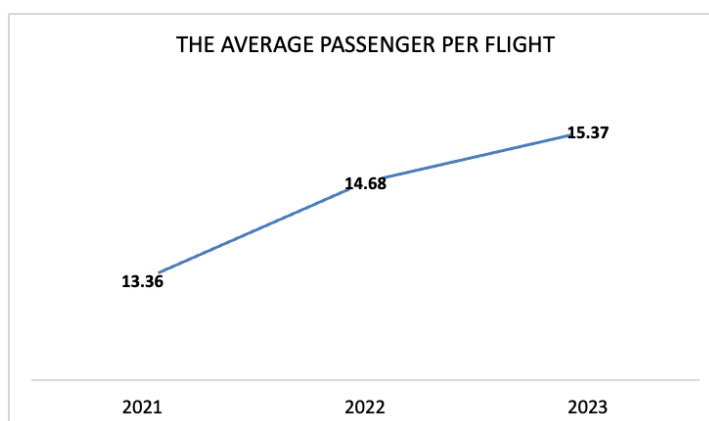


Source: Nepal Tourism Statistics 2021,2022,2023 AD

21 Source: Ministry of Culture, Tourism and Civil Aviation (MOCTCA). (2021). *Nepal Tourism Statistics 2021,2022,2023*. Kathmandu, Nepal: Government of Nepal.

22 Key Informant Interview

Figure 8: The Average Passenger Per Flight

Source: Nepal Tourism Statistics 2021,2022,2023 AD²³

Revenue Generated by Tourism

Karnali Province government has collected Rs 21.475 million as revenue from some tourism destinations of the province in the last fiscal year 2023/24 AD (2079/80 BS). This included Rs 4.112 million in revenue from the Rara National Park, Rs 9.090 million from Surkhhet Provincial Martyrs Park, Rs 1.150 million from Kakrebihar and Rs 7.114 million from Bulbule Park.²⁴

Initiations by the Karnali Province Government

A huge part of the budget allocated for developing Rara has not been spent for various reasons. In the last five fiscal years till 2023/24 AD (2079/80 BS), most of the budgets allocated by the federal and Karnali Provincial governments have been frozen. For example, in 2021/22 AD (2078 BS), the federal government allocated Rs. 60 lakhs for the construction of a comprehensive tourist information center in Rara and Rs. 80 lakhs for the construction of scaffolding around the lake.²⁵ Similarly, in fiscal years 2018/19, 2019/20 and 2020/21 AD (2075/76, 2076/77, and 2077/78 BS), the Karnali Province government allocated four crore rupees to build a cycle road around Rara Lake, but all the funds were frozen after they were not spent.²⁶

The budget of NPR 10 lakhs has been separated for practical data collection and regulation about tourist arrivals, hotel stays and travels for fiscal year 2024/25 BS (2081/82 BS). It is planned that 10 specific places from Karnali province will be listed and their profiles will be created as tourist destinations in Karnali.²⁷ Even in the provincial government's budget speech, tourism in Karnali and Rara's tourism seems to be given priority. In the three fiscal years from 2022/23 to 2024/25 AD (2079/80 to 2081/82 BS), tourism in Rara appears to have been included in the Karnali Province Government's budget Speech.

²³ Total number of passengers divided by total number of flights.

²⁴ The Himalayan Times. (2024, July 28). *Karnali govt collects over Rs 21 million tourism revenue last fiscal year*. Retrieved January 16, 2025, from <https://www.thehimalayantimes.com/nepal/karnali-govt-collects-over-rs-21-million-tourism-revenue-last-fiscal-year>

²⁵ The Kathmandu Post. (2025, January 5). *Tourists suffer without support as budgets for Rara, Shey Phoksundo sit idle*. Retrieved January 16, 2025, from <https://kathmandupost.com/karnali-province/2025/01/05/tourists-suffer-without-support-as-budgets-for-rara-shey-phoksundo-sit-idle>

²⁶ Ekantipur. (2021, December 17). *छुट्याइएको बजेट पनि खर्चिन्न रारा*. Retrieved January 16, 2025, from <https://ekantipur.com/business/2021/12/17/163970598911864857.html>

²⁷ Officer, Ministry of Industry, Tourism, Forestry and Environment (Stakeholder consultation meeting)

Figure 9: Tourism in the Karnali Province Government's Budget Speech

**Fiscal Year
2022/023 AD
(2079/80 BS)**

- 24. The budget allocation of 24 crore has been made for the road construction from Jumla (Airport – urthukhali – Nyaurighat – Bulbule) to Kalikot (Lalu – Laifu – Kotawada – Rupsa) connecting to Ramaroshan in Sudurpaschim Province, which is popular as tourist route.
- 152. Necessary infrastructure development for tourism will be carried forward, under the implementation of Tourism Master Plan prepared with the aim of preserving and promoting the historical, religious, cultural, and natural tourist sites of Karnali Province. Adventure tourism will be promoted through activities like rock climbing, ultra marathon, paragliding, rafting in Bheri and Karnali river and other adventures with the coordination and collaboration between local governments and the private sector, to attract national and international tourists towards Karnali province.
- 156. The cable car and other infrastructure development will be prioritized in major tourist destinations of the province like Rara, Shey-phoksundo lake, Bulbule, Kupinde lake, Shyarpu lake, Sijha and Limi valley, Kushe patan, Pachal waterfall, Panchakoshi, Kakrebihar, Manma Kotwada. The budget of 14 crore has been allocated for infrastructure development for tourism in Rara.

**Fiscal Year
2023/24 AD
(2080/81 BS)**

- 27. Budget allocation of 1 crore has been made for black topping of the road connecting Talcha airport to the key tourist attraction of the province 'Rara lake'.
- 162. The government will continue its support for regular, accessible and convenient air services from Surkhet to all districts of Karnali province (with airports). Hence, the necessary budget has been allocated to provide incentives to the airlines based on the flight frequency to ensure efficient air services.
- 163. Necessary infrastructure development for tourism will be carried forward, under the implementation of Tourism Master Plan prepared with the aim of preserving and promoting the historical, religious, cultural, and natural tourist sites of Karnali Province. Adventure tourism will be promoted through activities like rock climbing, ultra marathon, paragliding, rafting and other adventures with the coordination and collaboration between local governments and the private sector, to attract national and international tourists towards Karnali province.
- 167. The province government will be coordinating with the federal government for the development of major tourist attractions of Karnali province like Rara and Shey-phoksundo lake. Necessary funds are allocated for eco-friendly homestay and other infrastructure development in Murma village in Rara.

**Fiscal Year
2024/25 AD
(2081/82 BS)**

- 35. capacity development programs to enable hotel owners to diversify their hotel menu, such that tourists are able to consume local and organic agriproducts of the Karnali province. With effective promotion of agricultural tourism, lentils, honey, apple, walnut and indigenous crops farms will be made accessible for visits and tourists will be allowed to buy such local produce from 'Koseli ghar'.
- 70. with the public private partnership, the northern part of Surkhet valley like katkuwa, lade, gothikada and siddhapaila will be developed as hillstations and nearby locations will be promoted as hiking areas.
- 72. budget allocation of 14 crore has been made for the implementation of master plan made for preservation and development of Major tourist attractions of Karnali province like Rara lake in Mugu, Bulbule and chaudhan park in Surkhet and Shyarpu lake in West Rukum.

Sources: Budget Speeches, Karnali Province Government (2079/80 to 2081/82 BS)²⁸

28 Ministry of Economic Affairs and Planning, Karnali Province Government. (2079–2082 B.S.). *Budget speeches: Fiscal years 2079/80 to 2081/82*. (The things mentioned in the provincial government's budget have been translated into English.)

Table 2: SWOT Analysis: Tourism in Karnali

| | |
|---|---|
| S | <p> STRENGTH</p> <ul style="list-style-type: none"> • Pristine lakes and scenic landscape. • Potential for adventure tourism through -water sports, skiing and trekking routes. • Rich cultural diversity in local communities near tourist destinations. |
| W | <p> WEAKNESS</p> <ul style="list-style-type: none"> • Poor road conditions and unstable transport facilities. • Lack of skilled human resources in upper Karnali. • Limited facilities in hotel industries. • Limited promotion and marketing of local good that could be gain market as souvenirs. |
| O | <p> OPPORTUNITIES</p> <ul style="list-style-type: none"> • Marketing and branding of unpopular destinations. • Scope for tourism businesses like paragliding, bungee jumping and many more. • Government initiatives for growth of tourism industry. • Market for local produce through growth of tourism. |
| T | <p> THREATS</p> <ul style="list-style-type: none"> • Maximum tourist flow towards eastern Nepal due to popularity and better infrastructure development. • Frequent road blockage during monsoon due to landslides |

Source: Analysis of the Information Gathered from Stakeholders' Consultation

Systemic Challenges

Despite its diverse culture and scenic landscape, Karnali province, particularly upper Karnali has remained a difficult choice for the tourist. The region experiences limited tourist arrival due to several challenges in the tourism sector creating obstacles in convenient travel for the tourists.

Figure 10: Systemic Challenge in Tourism Sector, Karnali Province



Source: Analysis of Information Gathered through Stakeholder Consultation

» **Inadequate infrastructure**

One of the major factors limiting the tourism of Karnali province is the lack of infrastructure development. Poor road conditions, inadequate transportation facilities and limited flight availability impact the potential arrival of the tourists wanting to visit Karnali. Moreover, lack of well-facilitated accommodation services hinders the comfort of their travel. Consequently, this causes inconvenience in the travel creating the negative impression among the tourists returning after their visit leading to unimpressive word-of-mouth.²⁹

The Karnali highway is the major road connection, that passes through mountainous territory and steep hills, connecting to northwestern part of Nepal. The highway stretches from Surkhet to Jumla, with the span of 232 km having average travel time of 16 to 20 hours. Similarly, it takes 16 to 20 hours of travel to reach Rara from Surkhet via Karnali highway.³⁰ Due to poor road conditions, transportation cost is comparatively higher than other tourist areas in Nepal, which leads to higher price of products and services in the region. Furthermore, while traveling in private vehicles tourist generally tend to stay in hotel for the night during their journey, resulting to increase in their travel duration and

²⁹ Key informant interview

³⁰ Key informant interview

accommodation expenses. Thus, longer travel duration for reaching the destination tends to negatively impact the tourist's stay at the destination.

Airways is also a transportation option for tourists to visit Rara lake. The most feasible flight for tourists visiting Rara lake is from Nepalgunj to Talcha airport. However, the distance from Talcha airport to lake is approximately 10 km which is most commonly travelled on foot, due to limited road infrastructure. Moreover, limited flights from Talcha airport are another barrier for the tourist arrival to Rara. This makes the return tickets very limited and high flight cancellation rate creates uncertainty for the tourists.³¹ Additionally, due to unavailability of flights to Mugu from Surkhet, most tourist reach Rara without even stepping in Surkhet leading to lower tourist arrivals in Surkhet.

» **Lack of hygiene and hospitality in hotel industry**

Karnali highway though is considered a barrier for tourism sector, it has significantly impacted the region facilitating trade, access to health care, education and other basic facilities. Also, the raw materials and food products required in hotels and other tourist businesses are supplied via Karnali highway to upper Karnali.

While supplying the packaged food to traders in the region, the dealers tend to supply the products near expiration, to avoid the loss. Wholesalers mostly tend to do this as they are aware that locals would not check the expiry date of their products. This leads to availability of increased amount of expired food at one reaches the higher regions. This creates a negative impression on the tourist about the area.

Further, many hotels and lodges in Rara, Jumla and other districts in upper Karnali has limited supply of clean water. Maintaining proper hygiene at the kitchen, bathrooms and rooms with limited water supply becomes challenging for the hotels resulting in compromise in sanitation. As local produce is not enough to meet the demand food and vegetables in most area is supplied from Surkhet or Nepalgunj, which takes a very long duration for perishable good to stay fresh. Additionally, many hotels in the region lack safe food storage facilities, leading to potential food safety issues.³²

Moreover, lack of well-trained hospitality staffs, affects the quality of services and their behaviour towards the hotel guests. Also, due to lack of formal trainings and capacity building, the hotel staffs might fail to understand the expectations and requirements of the guests, which could result in further issues in room hygiene, inconsistent services and food safety.

» **Lack of incentive for travel agencies**

The international tourists enter Nepal from Kathmandu, and they are not willing to pay higher amount to visit Rara when they have the option to visit other similar places at lower cost and better facilities, unless they specifically came to visit Rara itself. Moreover, been located at the farther west, visiting Rara lake or Karnali would occupy longer time of their limited stay in Nepal, leaving them lesser time to visit other places of Nepal. Hence, maximum tourists prefer eastern part of Nepal over western part considering the convenience of the travel, time and money. However, travel agencies are the key actors in the sector holding the power to change that perspective and convince both national and international tourists to visit Rara lake or Karnali province.

31 Stakeholder Consultation Meeting

32 Stakeholder Consultation Meeting

Firstly, travel agencies in Kathmandu does not have the incentive to convince and bring international tourists to Rara lake/Karnali province. They have the potential to promote Rara among their clients. Providing necessary information and historical significance of different places in Karnali, travel agencies can promote 'Mugu-Jumla' tourism circuit. They lack the incentive to take risks on security of their clients and guide them towards Karnali. Also, there is no major activities or attraction capable to extend the tourist's stay for longer period. Moreover, there are very limited number of travel agencies in Karnali, and they don't have strong business connections with the agencies located in Kathmandu or other cities. This makes them unable to extract tourists and bring them to visit Rara or Karnali province. Further, internal/ national tourists often travel independently without any link to the travel agencies. This is because travellers don't have the incentive to pay travel agencies for the services, they can manage themselves, at no cost.

» **Limited government initiatives and promotion**

The tourism sector of Karnali province despite having significant potential of employment and revenue generation has not gained enough attention from province government. Government officials in the Ministry of industry, tourism forestry and environment are more focused on forest section as most of them come from forestry background, hence they tend to have limited focus in tourism sector. Also, there is no practical implementation of government's policies and budget distribution for promotion of tourism in Rara or other tourist attractions in the province.

Government is reluctant to provide hospitality trainings and capacity building of the local youths to make them capable of utilizing the employment opportunities in the areas. Moreover, there is no initiatives from governments towards encouraging travel agencies to promote Karnali as travel destinations among the tourists by incentivizing them through public private partnerships and tax benefits.

However, regardless of the existing constraints and barriers challenging the growth of tourism sector in Karnali province, the future of tourism in Rara has holds great potential. Nevertheless, this requires united efforts of the key actors of the sector including local governments and travel agencies.

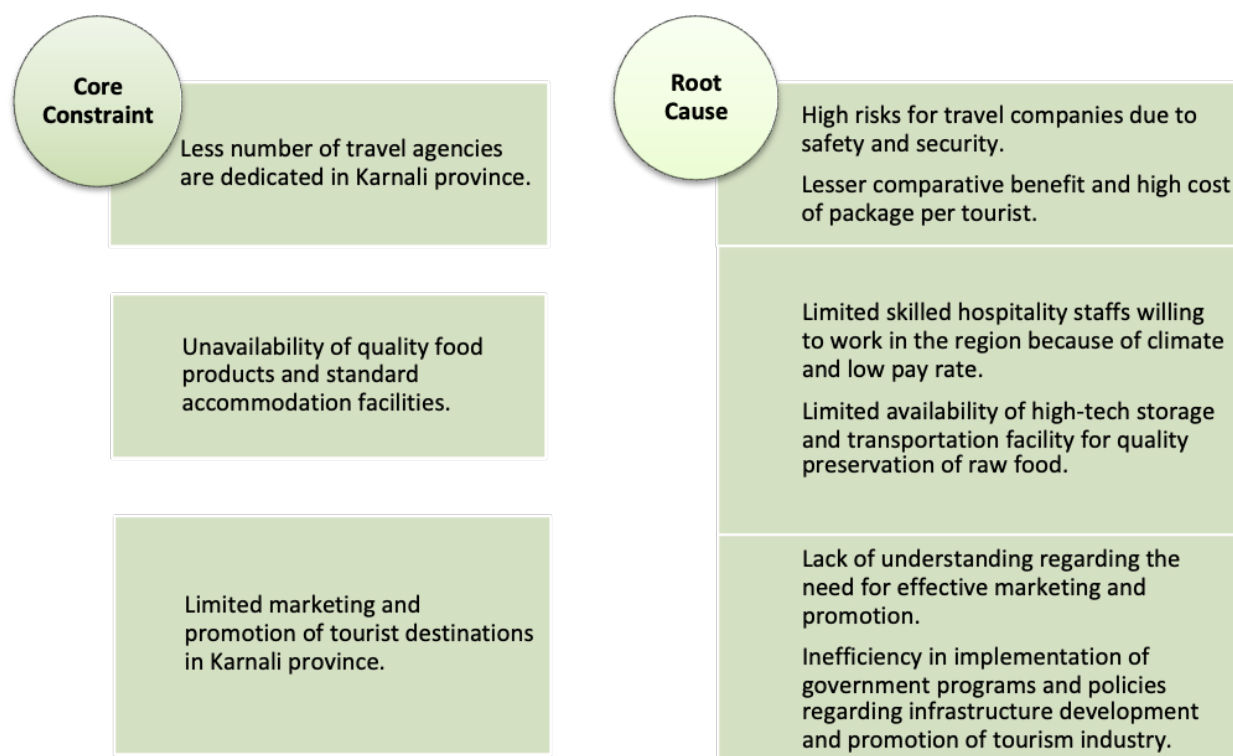
Table 3: Key Stakeholders and Roles

| Actors | Role in Value Chain | Key Challenges |
|----------------------------|--|--|
| Hotels and homestay owners | Hospitality services provider | <ul style="list-style-type: none"> • Limited incentive for the installation of better facilities for tourist accommodation. • Limited tourist arrival during off-season • Lack of skilled hospitality staffs in the region. |
| Travel agencies | Facilitate the tourists throughout their travel and stay | <ul style="list-style-type: none"> • Lack of incentive among domestic tourists to travel through travel agencies. • Promoting Karnali among tourists due to lack of proper transportation and hospitality services. |

| | | |
|--|--|--|
| Local and Province government | Strategic planning and policy formulation | <ul style="list-style-type: none"> • Effective utilization of budget allocated for certain projects or programs. • On-time completion of projects like establishment of cycling track around rara. |
| Airlines and road transportation association | Provide transportation services for travel from one place to another | <ul style="list-style-type: none"> • Geographical and climate challenges • Lack of strict government towards stable airline operation • High operating cost |
| Tourist (Domestic & International) | Travel | <ul style="list-style-type: none"> • Limited availability of standard accommodation facilities. • Poor road conditions and challenging geography. • Requirement of comparatively higher travel cost and time duration to visit Karnali. |

Source: Stakeholder Consultation

Figure 11: Constraint Analysis: Tourism in Rara, Karnali Province



Source: Analysis of the Information Gathered through KIIs and Stakeholder Consultation

Strategic Action Plan

Through strategic action plan to address the existing barriers in the tourism sector of Karnali province, the locals in the region and province can benefited with employment generation, revenue generation and market for local produce and many other.

» **Incentivise tourist to extend their stay in Rara-Jumla circuit**

Limited tourists visiting Rara lake are aware about the other areas they could visit during the same trip. Most tourists travel for multiple days, only to visit and Rara lake and return back straight, whereas most of them are demotivated to travel to Mugu for visiting single destination. This is because they don't have information about the other places like *Pandu Gufa, Kanka Sundari, Pancha Deol, Biraat Durbar* and many more in the same route.³³ Hence, it is essential to promote these areas such that potential tourists are aware about the existence of these places.

Moreover, the steep hills and mountainous topography of Karnali province is fit for tourist activities like bungee jumping, paragliding, rafting and many more making it a perfect attraction for adventure tourism. Introducing these activities and secondary tourist areas near major tourist destinations would automatically lead to longer stay of the tourists, resulting in increased revenue generation in hotels, transportation and other tourism businesses. Therefore, it is necessary to realize the potential of the region and make proper utilization of it. Further, exhibition of community culture on specific days or time could also be an additional attraction for the tourists to extend or plan their stay in a way that they get the opportunity to be a part of it.

Hence, private sector investment in introducing tourist activities in the region could make major difference to the current scenario of tourist stay in Rara. However, significant support from province or local government is essential to stabilize the risk of return on investment.

» **Hotels and resorts provide market for Local produce and manpower**

The local farmers in upper Karnali are discouraged to invest in agriculture or animal husbandry at commercial scale, as they are aware about the lack of market access. Farmers are reluctant to adopt improved agriculture practices, to increase their yield. Provided those local farmers have the market access, they could increase the production as per market demand. Thus, hotel industry in Rara could promote the local produce and food items among the tourists for their organic nature and authentic taste, which would significantly enhance the appeal of the hotel industry, while subsequently supporting the local economy. Additionally, local produced will remain significantly fresh and better nutritional value compared to those supplied from the distance market. Nevertheless, food and vegetables which are locally unavailable can be continued to be supplied from the distant market.

A resort in Gurase 'Dad's pride resort' in Guras Rural Municipality in Dailekh, had observed that, maximum tourist arriving at the resort are Indians and they ask to be served 'Nepali thali' in general. Hence, as all the fresh produce bought at the resort are locally sourced, which has enhanced local economy and provided incentives for farmers to increase the quantity of

33 Key Informant Interview

production. This led to 11% increase in the local revenue compared to the baseline, leading to increased popularity of food served at the restaurant, along with vegetable production of the area.³⁴ Similar, practice can be adopted in other regions of the province.

While local youth in Mugu or Jumla lack proper hospitality trainings and skills, outsourcing well trained staffs from other district is not feasible due to difficult geography and lower pay. Thus, providing trainings and skill development of the local youth is essential for providing better services to the tourists. This could be a win- win situation for both hotel owner as well as the staff, as both the parties will be benefitted with efficient human resource and employment opportunity, respectively.

» **Incentivise tourism industry to provide better hospitality and services**

To uplift the standard of tourism industry, it is necessary that government or tourists themselves provide them the incentive to invest on providing better facilities and infrastructure development. Currently, hotels in rara lack basic facilities like hot water supply, room heaters, well maintained food quality, clean bathrooms and room sanitization, as hotel owners does not have the incentive to make investments. Also, risk on investment returns and longer payback period makes it more challenging to attract third party investors.³⁵

Thus, effective intervention from the government is required to catalyse the necessary changes in the system. The government could provide support through various tax incentives for the tourism businesses or subsidies for upgrading the accommodation facilities. However, effective implementation of such policies is necessary to avoid the misuse of fund. The government initiatives towards capacity building of the hotel staffs and management team can also create drastic difference in the hospitality services. However, public private partnership in uplifting the accommodation and transportation facilities could be an effective method to achieving the common goal. Nevertheless, government focus on waste management, water supply and electricity remain the primary area needing the attention of the government.

34 Key informant Interview

35 Stakeholder Consultation Meeting

Conclusion

Despite its natural and cultural attractions, the establishment of stable and consistent tourism industry has been a difficult task for Karnali province. Nevertheless, challenges in terms of inadequate infrastructure, limited access, and a lack of skilled human resources limit Karnali province from achieving its true potential in the tourism sector. The difficult geography of the region makes road transportation challenging and more time-consuming. Additionally, the number of flights to Rara has decreased in recent years. Though, hotel industry in the region is growing, only limited facilities and services are up to standard. Despite existing limitations and challenges in the tourism industry, the tourist inflow in Karnali has significantly gone up in recent years. A huge number of domestic tourists are attracted towards Rara as tourist destination, along with the increase in international tourist inflow. The increased revenue generation from the tourism industry has highlighted the potential of the sector, attracting government attention to the sector.

The 10-year tourism master plan of the provincial government, focusses on employment generation, market expansion, and infrastructure development, providing a well-planned framework to deal with these problems. Yet, the province government is still lacking in completion of the projects within the planned time duration. The government has been facing challenges in the implementation of the plan.

For the Karnali province tourism to reach its potential growth, the government, local businesses, and the private sectors need to put in combined efforts for the proper functioning of the whole tourism industry. It is essential to make strategic investments for the effective promotion of tourist destinations like Jumla-Rara, infrastructure development and a better standard of hospitality services. Thus, proper implementation of a tourism master plan along with the collaborative efforts of the private sector has the capacity to achieve the expected growth of tourism industry, resulting in increased tourist flow in various tourist destinations of Karnali province.

Recommendations

Government intervention against monopoly: While the guidelines of federal government prohibit running businesses inside the Rara National Park, the existence of a hotel inside the Rara National Park's territory has been an exception, raising concerns about monopoly and fairness. The existing monopoly in Rara has led to dispute among the hotel owners and higher prices of the services for tourists willing to stay near the lake. In this scenario, government should either provide the similar opportunity for other hotels to open inside the territory or take relevant actions to end the current monopoly.

Regulation of tourist flow data: Rather than focusing on strict forest regulations and restrictions, government should shift its focus towards tracking practical data on tourist arrivals, duration of stay, and spending patterns. This will facilitate proper information flow among the hotels enabling better services and assure accommodation for tourists specially during the peak season.

Promotion of trek circuits: To expand tourist stay in Rara/Karnali, promoting adventure tourism and trek route from Jumla to Rara need to be done. Additionally, there is 7 days trek route from Rara lake to Shey Phoksundo in Dolpa. However, these trek route and tourism circuit are known to limited number of people, even inside Karnali province. Hence, these trek routes require a strategic branding campaign for the promotion at national and international level, along with development of proper pathway.

Exhibit local traditions and culture: While promoting the trek routes, the cultural richness of the area can also make a greater impact. The 'Dolfu' village situated at boarder of Mugu and Dolpa can be promoted as cultural centre in between the two districts. Similarly, Sija Rural municipality in Jumla can also be promoted aiming the similar impact.

Annexes

Annex 1: List of Key Informant Interview

| S. N. | Name | Area/ Sector |
|-------|---------------------|--------------------------------|
| 1 | Nirmal Kc | Nepal Air Trip (Travel agency) |
| 2 | Bhuti Rai | Tara Airline |
| 3 | Jiban Pokhrel | Traveller |
| 4 | Poonam Pokhrel | Tourist |
| 5 | Padam Bahadur Shahi | Hotel Business, Suva Hotel |
| 6 | Manjari Shrestha | Summit Airline |
| 7 | Netra Bahadur Bham | Nepal Airline (Talcha Airport) |

Annex 2: Stakeholders Consulted

| S. N. | Name | Designation |
|-------|---------------------|---|
| 1 | Nirak KC | FNCCI, Central treasurer |
| 2 | Upendra Gurung | Section officer, Ministry of Industry, Tourism, Forestry and Environment |
| 3 | Bhim Narayan Kharal | Officer, Ministry of Industry, Tourism, Forestry and Environment |
| 4 | Dil Bahadur Karki | Deputy Secretary, Ministry of Industry, Tourism, Forestry and Environment |
| 5 | Devi Krishna Rokaya | Homestay owner, Rara |
| 6 | Ramesh Rijal | CEO, Dad's Pride Resort |
| 7 | Sushma Giri | Laxmi Sunrise Bank |
| 8 | Bishal Acharya | Province co-ordinator, The Asia Foundation |

| | | |
|----|----------------------|-----------------------------------|
| 9 | Deepak Jaisi | Tourism Activist |
| 10 | Kiran Kishor Sapkota | Environment Activist |
| 11 | Padam Bahadur Shahi | President, FNCCI Karnali Province |
| 12 | J K Neupane | Editor, Karnali Post |



HRITI FOUNDATION

TOWARDS PROSPEROUS KARNALI

Hriti Foundation, a policy think tank in Karnali Province, conducts research, advocacy, and policy recommendations to foster a prosperous Karnali. It organizes the Karnali Utsav Kuda Karnalika policy festival and promotes individual rights and economic freedom.

Hriti monitors government policies, parliamentary actions, and budgets to ensure accountability. It supports provincial and local governments through research, discussions, and workshops, providing policy recommendations based on evidence.

With the shift to federalism, Hriti helps sub-national governments shape policies by bridging policymakers and civil society. It evolved from Tanneri Voice, a youth-led initiative focused on policy solutions, to become a structured think tank.

📍 Birendranagar, Surkhet

☎ 083521564, 9858034426

✉ info@hriti.org

🌐 www.hriti.org