

# **Tourism: A Macroeconomic Stabilizer in Nepal's Economy? Analysis of the Impact of COVID-19 on Tourism and Policy Implications: A Case Study of Upper Mustang, Nepal**

**A research conducted as a part of the Daayitwa Nepal Public Policy Fellowship - 2021 together with the National Planning Commission (NPC)**

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Sincerely yours,

Tashi Wongdi Gurung

Daayitwa Nepal Public Policy Fellow 2021

## **EXECUTIVE SUMMARY**

From the very beginning, policy makers, tourism practitioners, and even consumers have gravely underestimated the duration as well as the global and local impacts of COVID-19 on tourism. Even after almost two years since the outbreak of the COVID-19, the majority of the world is still high and dry amidst an ongoing global pandemic. This outbreak is so unique and nothing like we have experienced before. There is new information developing each and every day. Experts in different coherent fields do not have a proper and full understanding of the scenarios and the effects of the crisis, let alone policy makers and tourism stakeholders which implies an unprecedented impact on the tourism industry. There are ample studies on the pandemic outbreak on the tourism industry, but most of them are, as scholars would say, “opportunistic papers” with hasty conclusions. In addition, there is a lack of empirical studies on the impact of COVID-19 on the tourism industry in general and non-existent on the Himalayan region such as Upper Mustang. This report is an attempt to explore the negative impacts and the nature of the impacts of the pandemic on tourism in Nepal using Upper Mustang as a case study. As a response to the COVID-19 crisis, understanding the potential impacts of the pandemic on the ground will be instrumental in designing evidence-based policies aimed at post-COVID economy recovery, capacity building, and operational sustainability. The primary objective of this project is to understand the economic impacts of COVID-19 specifically on the tourism industry and identify policy gaps in the fiscal policy to boost the tourism industry in Nepal post-COVID-19. The report addresses the effectiveness of current tourism policies and the need for the amendment of existing policies based on effectiveness in terms of accessibility and implementation. Some of the policies recommended are as follow:

- Tourism policy should be planned properly and be adaptive to changes. Should not be ad hoc based.
- Tourism policy should emphasize domestic tourism.
- Tourism policy should be geared towards sustainable tourism infrastructure development not just for the sake of development, but with sustainable tourism at the core.
- Tourism policy should clearly accentuate the importance and urgency of diversifying and extending various forms of tourism to achieve the full potential.

## TABLE OF CONTENTS

<b>INTRODUCTION</b>	<b>4</b>
<b>PROBLEM STATEMENT</b>	<b>5</b>
<b>RESEARCH QUESTIONS</b>	<b>5</b>
<b>LITERATURE REVIEW</b>	<b>6</b>
<b>METHODOLOGY</b>	<b>14</b>
<b>POLICY DOCUMENT ANALYSIS:</b>	<b>14</b>
<b>RESULTS</b>	<b>15</b>
QUANTITATIVE RESULTS	16
QUALITATIVE RESULTS	19
<b>DISCUSSION</b>	<b>30</b>
<b>CONCLUSION</b>	<b>31</b>
<b>POLICY RECOMMENDATIONS</b>	<b>31</b>
<b>REFERENCES</b>	<b>33</b>
<b>ANNEX I</b>	<b>35</b>
<b>ANNEX II</b>	<b>48</b>
<b>TABLES</b>	
<b>Table 1: Profile of participants</b>	<b>15</b>
<b>Table 2: Predictor/Response variables</b>	<b>16</b>
<b>Table 3: Yes/No Responses</b>	<b>17</b>
<b>Table 4: Villages of Upper Mustang</b>	<b>19</b>
<b>FIGURES</b>	
<b>Figure 1: Map of Nepal, Mustang, Upper Mustang</b>	<b>6</b>
<b>Figure 2: Interactive Map of Upper Mustang</b>	<b>7</b>
<b>Figure 3: International Tourism Arrival</b>	<b>9</b>
<b>Figure 4: Yes/No Responses</b>	<b>9</b>
<b>Figure 5: Number of Hotels in Upper Mustang</b>	<b>10</b>
<b>Figure 6: Trends of Hotels in Upper Mustang</b>	<b>10</b>
<b>Figure 7: Stats of Awareness of Restriction</b>	<b>18</b>
<b>Figure 8: Stats of Awareness of Permit Fee</b>	<b>18</b>
<b>Figure 9: Stats of Fairness of Permit Fee</b>	<b>20</b>
<b>Figure 10: Percentage of Locals Who are Aware that Upper Mustang is a Restricted Area</b>	<b>24</b>

<b>Figure 11: Percentage of Locals Who are Aware of the Permit Fee</b>	<b>25</b>
<b>Figure 12: Percentage of Respondents on Whether 500 USD is a Fair Amount for Permit Fee</b>	<b>26</b>

## INTRODUCTION

The general and emerging consensus among economists, scholars, and practitioners is that the ultimate purpose of macroeconomic policy is to ensure stable economic growth and welfare. Over the course of several decades, the views about macroeconomic policy and its practices have changed remarkably. Keynesian macroeconomic theory, around which Nepal's macroeconomic policies have been based, argues that the fiscal policy is much more effective to the economy than the monetary policy. At the time of crisis and economic hardships, however, it is important to acknowledge the failure of macroeconomic policies and examine the rethinking of the constitution of macroeconomic policies. In the case of Nepal, rethinking the role of tourism in macroeconomics, in the wake of a global pandemic COVID-19 is not only promising, but also a binding commitment.

According to the United Nations World Tourism Organization (UNWTO), tourism continues to expand and become the largest and fastest growing economic sector in the world. The positive effect of tourism on economic growth is uncontested as tourism contributes to taxes, revenues, investments, employment opportunities, new infrastructures, human capital, technology and so on. For developing countries like Nepal, tourism development can lead to economic growth, even more so when any other economic sector aggregate is producing marginal results and macroeconomic policies are not able to stimulate economic growth as expected. According to the World bank database that analyses the International Tourism Receipts (ITR) and GDP from 2007 to 2011, the relationship between tourism and GDP was found to be positive. Vanegas (2018) found that a 1% sustained growth rate in tourism development predicted an increase in the GDP of Nicaragua. Brau et al 2013 found out, from a sample of 143 countries, that the countries with the highest GDP growth are the ones most accessible to tourism. Like most developing countries, GDP is the preferred measurement of economic growth. GDP, notwithstanding some of the criticisms for not being able to capture some phenomena, is the most suitable and important measure of economic progress especially when it comes to generating wealth. In the case of Nepal, tourism development has the merit of explaining the macroeconomic trends or the lack thereof. In the year 2019, tourism contributed to 7.9% of Nepal's GDP amounting to Rs. 240.7 billion in revenue. Tourism in Nepal has clearly contributed to the growth in GDP. GDP is also the key macroeconomic indicator.

Economists and scholars alike have consensually concluded that broad macroeconomic stability is necessary for sustained economic growth. In the case of Nepal, the tourism industry has the potential to contribute the most to the country's GDP and hence a macroeconomic stabilizer. From a macroeconomic point of view, there needs to be substantial investment in tourism infrastructure and promotion to ensure sustainable development of tourism and warrant a positive return on investment. Louca (2006) and several economic researchers have worked on identifying the nature of the relationship between government fiscal policy on tourism expenditure and economic growth. Sinclair (1998) claimed that an increase in tourism expenditure will eventually benefit the country. While economists following Keynesian theory view the importance of expenditure from both public and private sectors in tourism is essential to ascertain a wise level of economic activity.

There is a direct impact of tourism development on economic growth and its linkages with macroeconomic policies. Despite the emergence of many important facets of merging macroeconomic policies especially in developing countries, the linkages have been not researched.

For developing countries like Nepal, tourism development can lead to economic growth, even more so when any other economic sector aggregate is producing marginal results and macroeconomic policies are not able to stimulate economic growth as expected. In the wake of a global pandemic it is important to assess the impacts of COVID-19 on the tourism economy in Nepal. It will be crucial to evaluate the existing policies and make amends with consideration of best policy practices that have worked well elsewhere. In this report, the impact of COVID-19 on the tourism economy in Upper Mustang will be discussed as a case study and evidence-based policy recommendations informed by the lessons learned from Upper Mustang, but with consideration of being generalizable across Nepal will be provided.

## **PROBLEM STATEMENT**

In the wake of the global COVID-19 pandemic, the world economy is gravely impacted. For developing countries like Nepal, the economic impact is even more devastating. The economic consequences of the pandemic in Nepal are projected to be most acute to the youth while the unemployment rate spikes as a result of unprecedented disruption in the labour market. For years to come, the economic scar and the lasting impact of the pandemic are expected, the COVID-19, however, presents a silver lining: a resilient recovery of the economy. Post-COVID-19, Nepal will have an opportunity to transform the economy profoundly by re-evaluating the fiscal policy and spur innovative evidence-based policies in the tourism sector. This research will explore the economic impacts of COVID-19, the nexus of fiscal policy, labor market, and the tourism industry on the road to economic recovery post-COVID-19. This research is an attempt to address just that by focusing on the fiscal policies in the tourism sector. This case study will focus on Upper Mustang, Nepal. The traditional approach in decision-making and policy formulations in Nepal has been top-down with little to no involvement of stakeholders. Using a case study will allow an opportunity to employ a bottom-up approach with maximum involvement of local stakeholders for whom the policies are geared towards.

## **RESEARCH QUESTIONS**

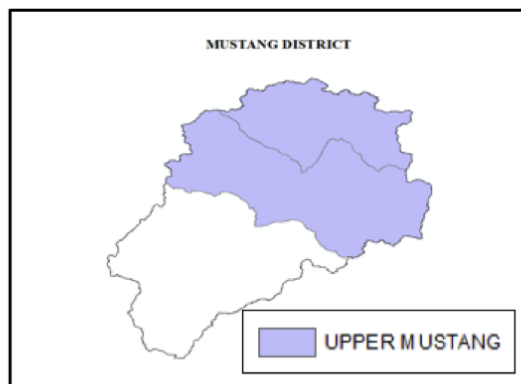
The primary research questions this research will address are:

1. What are the potential impacts of the COVID-19 pandemic on the economy and specifically tourism in Nepal?
2. Is there a policy gap in the tourism sector? If so, what fiscal measures should be deployed to combat the economic crisis post-COVID-19 and to sustain economic growth in the long run? (This will address the effectiveness of current fiscal policies in the context of tourism and recommendations will be provided (keeping the labour market as primary focus) on the amendment of existing policies based on effectiveness in terms of accessibility and implementation)
3. How can tourism enable the labour market that has been disastrous post-COVID-19? What are the key issues in the tourism industry that contribute to disabling the labour market?

## Fellowship Engagement Plan

- Policy Document Analysis (All the available fiscal policies in the tourism sector will be analysed. Special focus will be given to the policies before and after covid-19).
- Survey Questionnaires/Interviews/Participant Observations (based on the situation and feasibility. Upper Mustang will be the focus of the case study. Questions will focus on the effectiveness of the existing policies and the need for new policies)

## LITERATURE REVIEW



### UPPER MUSTANG AND ITS HISTORY

Upper Mustang is situated in Nepal's northern border with China which was previously Tibet (see fig. 1). Upper Mustang, a rain shadow, falls under the region of the Tibetan Plateau and the elevation ranges from 2,800 meters to 6,500 meters. Upper Mustang is semi-arid and has extremely low rainfall with a desert-like climate. The temperature of Upper Mustang has been rising at a higher rate than that of other regions as well as that of the global average over the course of the last 100 years (Gentle & Maraseni, 2012). The constant wind (because of low pressure up in the plateau), low rainfall, and intense sunshine makes this part of Tran-Himalayan zone very arid, harsh, and rugged. Lomanthang, the largest village in the Upper Mustang is considered the desert of Nepal with annual precipitation below 160mm (Ford, 2013). The Upper Mustang has 27 villages in total divided into two rural-municipalities: Lomanthang Rural Municipality and Lo-Ghekar Damodarkunda Rural Municipality. The people of Upper Mustang call themselves "Lowa". Lo- means north in Tibetan language and "Lowa " refers to the people of north in Tibet. From here on the region of Upper Mustang will be referred to as "Lo". The language they speak is called "loba", which is a dialectical version of Tibetan language. The lowa people practice Tibetan Buddhism. The district of Mustang is divided into two distinct though related geo-socio-political enclaves: Upper Mustang and Lower Mustang.

Figure 1a. Map of Nepal, Mustang and Upper Mustang Nepal.

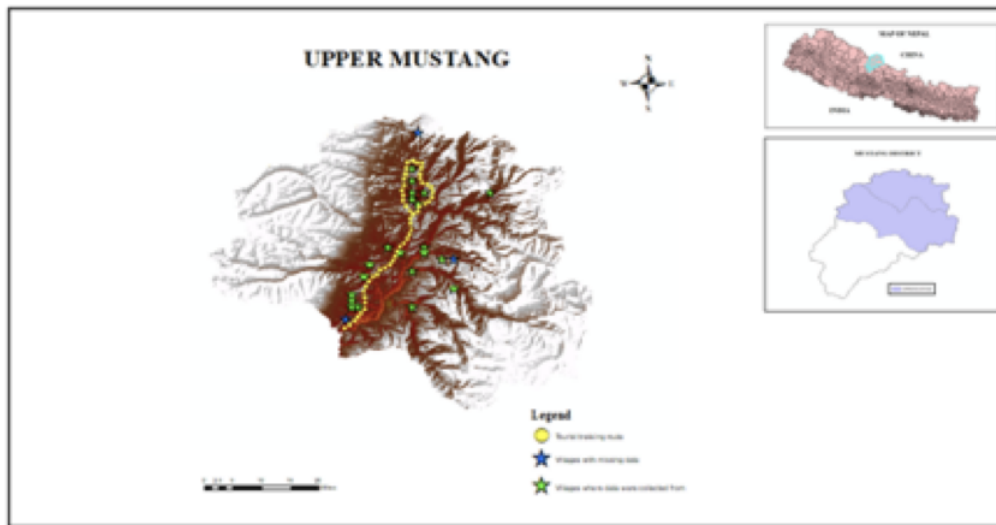


Figure 1b. Interactive Map of Upper Mustang Nepal with the trekking route and villages.

The culture of Lower Mustang is more attuned with those of Tamang. Tamang people are considered to be the largest Tibeto-Burman ethnic group in Nepal. Majority of the people in lower Mustang are Thakalis. The region of Lower Mustang originates from the “Thak Kohla” region which are a series of valleys along the Kaligandaki river. The language Thakali people speak are very similar to the Tamang language, but totally different from the lowa language. The Thakali people practice both Hindu and Buddhist. Apart from the distinctive culture, there seems to be legal demarcation between Upper Mustang and Lower Mustang after the inception of tourism which will be discussed later.

The local King of Upper Mustang had a certain degree of internal autonomy and this power was vested mostly in Upper Mustang. This could be attributed to the socio-cultural history of the origin of Upper Mustang. In 1789 King Prithivi Narayan Shah conquered numerous small kingdoms including Mustang. After annexation, Mustang became a dependency of the Kingdom of Nepal. Even after Mustang was conquered, the local king of Mustang maintained close ties with the Shah kings. Despite the promulgation of the Act to abolish the petty kings and principalities in 1961, the king of *Lo* retained the title “*Raja*”, was given limited authority, traditional rights, and even the rank of colonel and equivalent salary that enabled and perpetuated elite-centric rules, rights, and norms (Chalaune, 2009:119). The King of *Lo* is revered highly and often given the stature of a god, Lord Buddha specifically. In 2008, the Nepal monarchy was abolished in Nepal and the government transitioned to a secular federal democratic republic. Even as Nepal navigates through a larger political transition, the former king of *Lo* and his family retain strong local cultural, political, and socioeconomic authority in Upper Mustang. At present, the King of *Lo* still is recognized by the people of *Lo* and plays a significant role culturally and traditionally.

At times popularly referred to as a “Lost Kingdom of Nepal” and “Forbidden Kingdom of Lo”, Upper Mustang has a rich recorded history that dates as far back as the 7th century. The geo-positionality of Upper Mustang along an important historical trade route made it a major corridor for trans-Himalayan trade as well as an area with constant border conflicts between various political entities. Subsequently, Upper Mustang became a breeding ground for the continual rise of new powers and the decline of the old, followed and caused by numerous wars and invasions. In highlighting the tumultuous history of Upper Mustang, Ramble and Vinding (1987:9) stated that, “neighbouring powers have through the past millennium controlled the area: Tibet from the 7th to the 9th century; Gungthang from the 13th through the 14 century; Jumla in the 16th century; Ladakh in the 17th century; Jumla in the 18th century; and Gorkha from the end of the 18th century.”

Until recently, Mustang was one of the most remote, extremely isolated, and economically impoverished districts in Nepal. The total population of Mustang district, according to the census of 2010 is 14,356. The total population of Upper Mustang is listed at 5,395 which could be much higher than the actual population. The census of Nepal, specially in the rural areas, is noted for its unreliable information. The census may not have accounted for the population that shifted to southern Nepal or outside the country, which is a big portion of the population. The literacy rate of Upper Mustang is listed at 33% which is well below the national average of 54.1%. Limited livelihood options, lack of infrastructure, unfavorable geographical location, and isolation from the central government, has resulted in Upper Mustang in an impoverished region.

### **TOURISM IN UPPER MUSTANG**

The region of Upper Mustang is known as “The Forbidden Kingdom” and Lomanthang, the historical capital as “The Ancient Walled City”. Upper Mustang has been a very popular destination for foreigners and even more for domestic tourists (see fig.3). The number of tourists inflow in Upper Mustang mimics the trend at national level (see fig. 2). The trend at the local level mirrors the trend at national level in terms of the number of tourists. The composition of major tourist nationalities, however, are not similar (see fig. 4 and fig. 5). What makes the Upper Mustang region a very favorable and popular tourism destination is the exquisite landscape and its unique culture. The beautiful rugged landscape offers majestic and eye catching views of the glorious mountains like Dhaulagiri and Annapurna, sky caves, canyons, etc. There are numerous places in Nepal and along the range of Hindu Kush Himalayan range that offer equally impressive natural scenic panorama, however, what is exclusive to Upper Mustang is the unique religion, culture, and its history associated with Tibet. Upper Mustang is now the only place where pure Tibetan culture exists today (since the invasion by China, Tibet has gone through massive cultural transformation). The 14th Dalai Lama, the spiritual and religious leader of Tibet in exile, stated that, “If you want to know what Tibet was like before the invasion of China, go to Lo”. The untouched temples, monasteries, shrines, sky caves where monks used to meditate centuries ago, colorful festivals and red-robed lamas, the kingdom preserves not only the daily vernacular of Buddhist ethics, but a unique heritage of Tibetan religious art (NTC report, 2012).

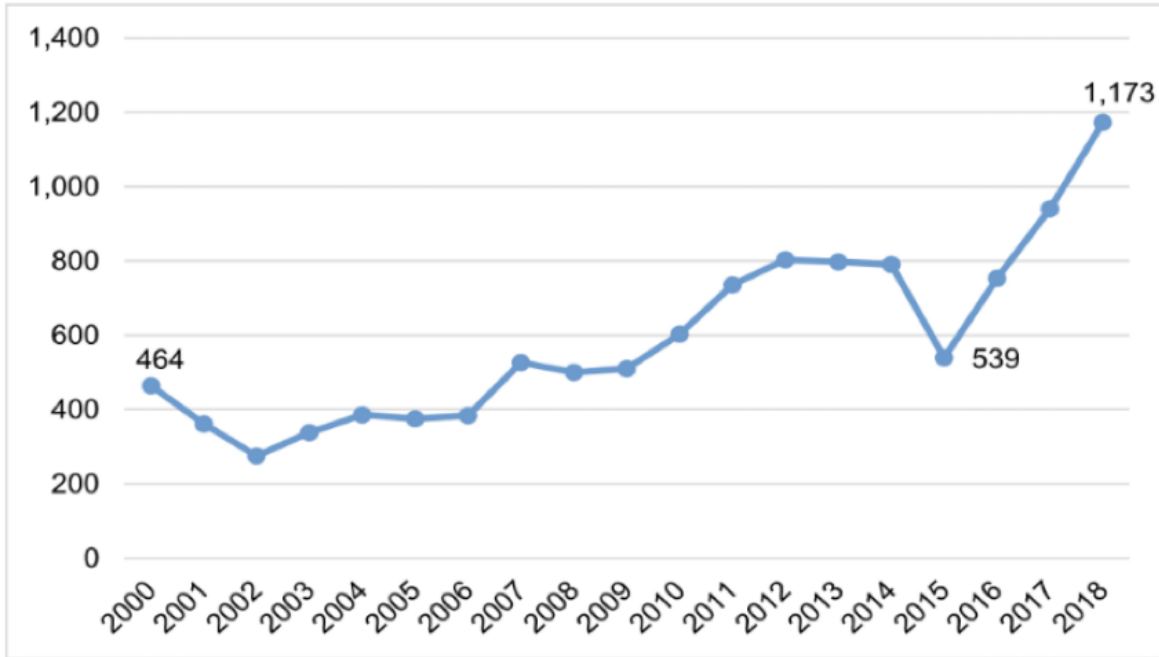


Figure 2. International tourism arrival (thousand persons) Source: Analytical Tourism Report (2020)

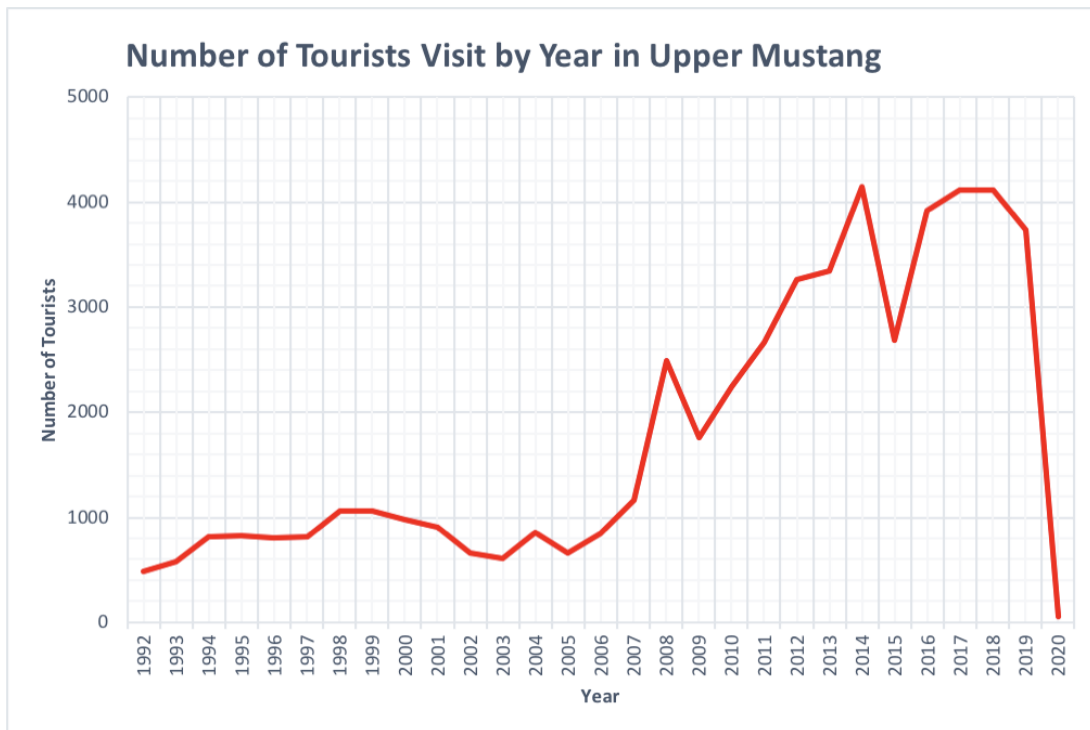


Fig.3 Number of tourists in Upper Mustang since 1992 when the area first opened to foreigners. (Source: ACAP, Lo-manthang)

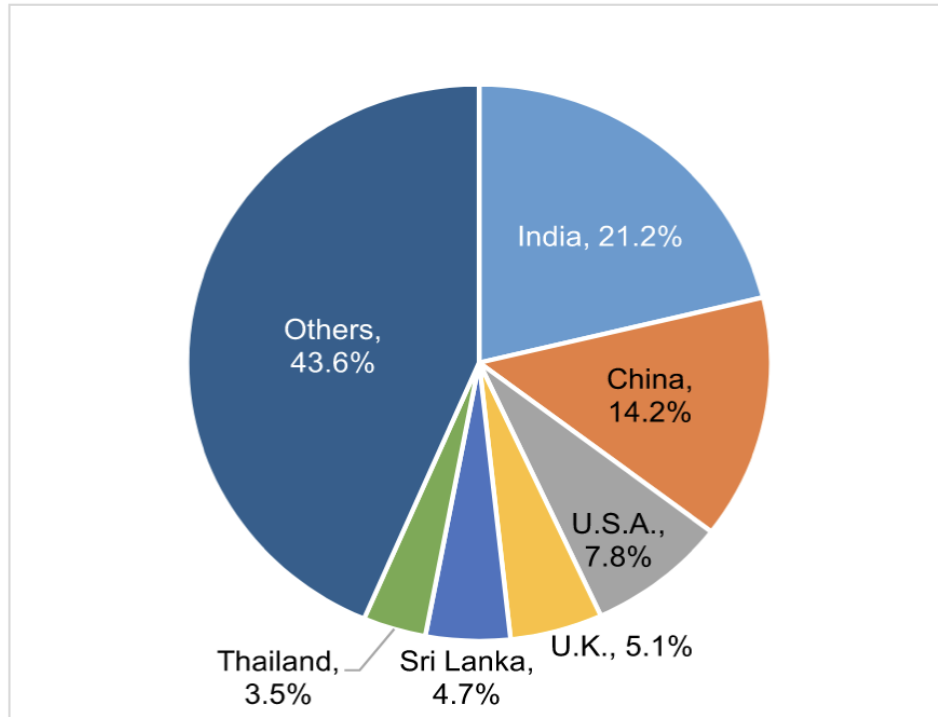


Figure 4. Tourism arrival by major nationalities in Nepal in the year 2018 (Source: Analytical Tourism Report 2020)

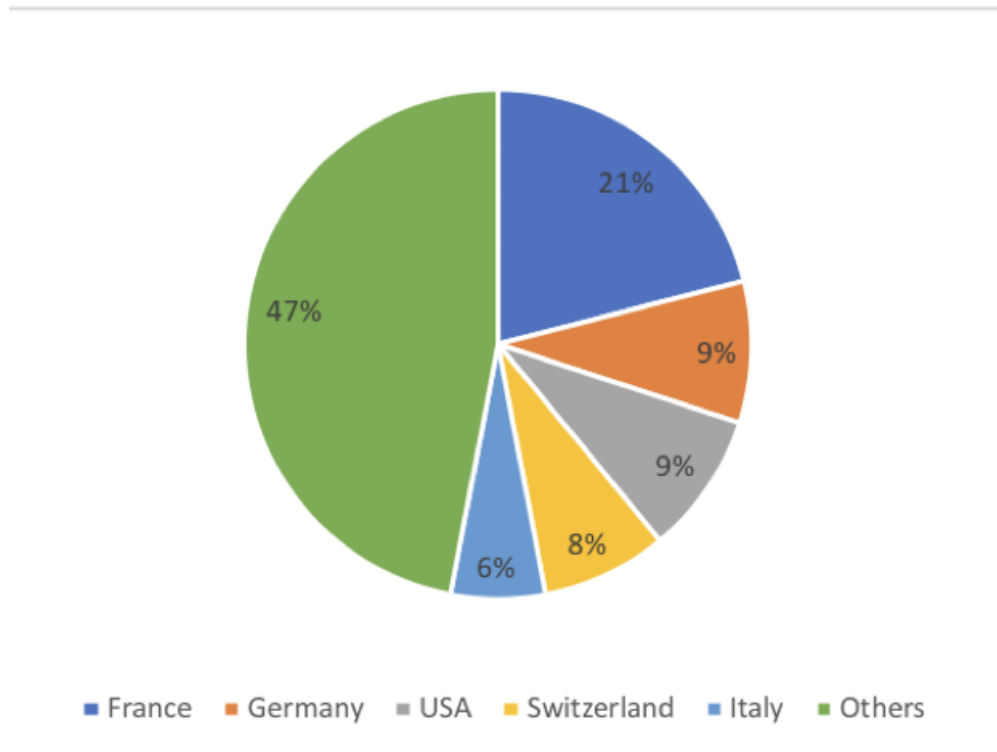


Figure 5. Tourism arrival by major nationalities in Upper Mustang in the year 2018 (Source: ACAP)

Until 1992, Upper Mustang was totally isolated from the rest of the world. No foreigners were allowed to enter the region of Upper Mustang. Foreigners were allowed to enter the district of Mustang, but not beyond a certain point which was considered the defining boundary between Upper Mustang and Lower Mustang. There could be several reasons why it was closed to foreigners. As aforementioned, Upper Mustang has historical and geographical links with the autonomous region of Tibet. When China invaded Tibet, a lot of Tibetans fled the country to seek refuge in the neighboring countries Nepal and India. Along with regular people, a lot of insurgents chose the route through Upper Mustang. Politically being a part of Nepal, but close enough to Tibet, Upper Mustang became a choice of camping sites for the insurgents. The insurgents camped in various locations of Upper Mustang for nearly two decades with support from CIA allegedly. The rumor is that after the US president Richard Nixon visited China in the 1970s, the CIA withdrew its support for the Tibetan guerrilla. The government of Nepal also faced political pressure from China to take action on the Tibetan guerrilla camp operating from Upper Mustang. Finally, in 1974, the Nepal government sent military troops to urge them to surrender and engage in a war if resisted. That was the end for the Tibetan guerrilla in Upper Mustang, however, some survivors still live as refugees in two refugee settlements in Mustang. Some people attribute the restriction of foreigners in Upper Mustang to this unique geo-political factor. Whereas, some attribute it to the conservation of the fragile culture that could be under threat if it was opened to the outside world.

Before 1950, Nepal was totally isolated from the external world. Agriculture was the primary source of revenue. The government of Nepal opened its door to the outside world in the form of tourism in early 1950 (Gurung & DeCoursey, 2000). After several decades, the tourism industry saw rapid growth and has been the number one industry since the mid 90s. However, the beneficiaries of tourism have been limited to few concentrated urban areas and few popular rural destinations such as the Sagarmatha (Everest) region, Annapurna region, and Chitwan National Park (Gurung & DeCoursey, 2000). After the Ranas' rule, Nepal's politics has vastly transformed, but the restoration of democracy in 1990 has been significantly notable in modern politics. The newly restored democratic nation placed great emphasis on rural development since 80 percent of the country was rural. With the success of tourism unequivocally conspicuous, the use of tourism to alleviate poverty and promote rural development was obvious. This was the consequence based on the successful model of community-based mountain tourism primarily in the Annapurna region and Sagarmatha regions (Gurung & DeCoursey, 1994). The opening of previously restricted areas to the outside world has become a trend in the 90s.

In March 1992, Upper Mustang was officially open to the outside world. However, tourists interested in visiting Upper Mustang were required to obtain a permit before they could enter the region. Revenue generation was the dominant motive for opening Upper Mustang (Gurung & DeCoursey, 2000). Initially, the cost of permit was \$700 for 10 days per tourist. If the tourists are in the region beyond 10 days, they would have to pay \$70 for each additional day. Later, around 2005-2005, locals protested that the amount was too high and the number of tourists was going down. Several locals went to the unit office, took over the office, and did not let any tourists enter. Later, they decided to lower the entry fee to \$500. This permit fee is different from the conservation fee which is discussed later. The total number of tourists allowed to visit was set to 200 tourists per year. Realizing the increasing demand of tourists, the number increased to 400 tourists per year just after two months. Six months later, the number of tourists allowed to visit

increased to 1000. At present, there is no limit to the number of tourists that can visit Upper Mustang. It is not known when the number of tourists per year was increased to an unlimited number.

Annapurna Conservation Area Project (ACAP) a branch of King Mahendra Trust for Nature Conservation (KMTNC) which later became National Trust for Nature Conservation (NTNC) after the end of monarchy in Nepal. NTNC was first established in 1982 by a legislative act as an autonomous and non-profit organization mandated to work in the field of nature conservation in Nepal. NTNC has three conservation area projects: Manasalu Conservation Area Project (MCAP), Gaurishankhar Conservation Area Project (GCAP) and ACAP. When ACAP was first launched in 1986, it became the largest undertaking of NTNC and the first conservation and protected areas in Nepal. Annapurana Conservation Area (ACA) claims to be the first protected areas that allow residents to own private property and live within the boundaries while maintaining their traditional rights and access to the use of natural resources. In addition, ACA further claims to be the first protected area to refrain the use of army assistance to protect the dwindling natural resources. To operate ACAP, NTNC does not receive any financial assistance from the government of Nepal, but ACAP reserves the rights to conservation fee in the region of their operation which is their main source of revenue. It should be noted that the \$500 from each tourist is not the entry fee ACAP collects. The revenue generated from Upper Mustang goes to the department of immigration. The fee that ACAP collects is more like a conservation area fee which is about \$50. All the tourists entering Mustang district have to pay that, but only tourists visiting Upper Mustang have to pay an additional \$50 per day in addition to the conservation fee.

ACAP also depends on national and international donors to raise additional funds. ACAP has seven conservation unit offices to manage ACA effectively. One of the units is located in Lomanthang, Upper Mustang. Upper Mustang came under the jurisdiction of ACA in 1992. While the primary focus of ACAP has been poverty alleviation and integrated agricultural development in other regions, its primary focus in Upper Mustang has been the management of controlled tourism and to promote heritage conservation which is the major tourist attraction. With the success of tourism in the Upper Mustang region, the primary goal of ACAP with the implementation of sustainable tourism was to: 1) to maintain the constant flow of tourists, 2) to minimize tourist's impact on the environment and culture, and 3) develop local tourism-based enterprise. Realizing the importance of local participation, ACAP developed various local groups like local development committees and Ama Samuha (mother's group) in different villages. These groups have limited authorities when it comes to decision making, but those are limited to their village. For instance, the Ama Samuha of Lo-manthang banned gambling in the village of Lomanthang and they mandate a monetary fine if anyone is found to gamble. ACAP set the following rules for tourists in Upper Mustang:

1. You have to obtain an entry permit from the department of immigration in Kathmandu. The permit fee is \$500/person for the period of 10 days.
2. You need to be accompanied by a licensed guide at all times once you enter Upper Mustang.
3. The minimum number of tourists is two excluding the guide.
4. You have to check in at the check post and show your permit and a valid identification that matches with the information in the permit.
5. You cannot light a campfire.
6. Bring everything back you take. This is referring to the waste.
7. Do not disturb, hurt, or remove wildlife or plants.

In addition to these rules, ACAP has listed some best practices for the tourists which they call codes of conduct. These are considered informal norms and they are below:

1. Choose lodges/hotels that use alternatives to wood for cooking. To save fuel, order the same meal for all the members of your group.
2. Use safe drinking water or purify yourself instead of buying bottled water.
3. Use toilets wherever possible. In the wild, stay at least 150 meters away from water sources and bury your waste.
4. Do not buy items made from wildlife products.
5. Adopt local custom wherever and whenever possible. Try to speak Nepali or local language to the best of your ability. Save caress for private moments.
6. Respect privacy: ask for permission before taking pictures of people or religious sites. 7) Ask for permission before entering houses uninvited.
7. Leave antiques where they belong.
8. Discourage begging and encourage fair dealing.

Since the advent of the tourism industry, Upper Mustang has been a very popular destination for foreign tourists and domestic tourists alike. On the one hand, the industry, while still at a nascent stage, has alleviated household economic stress through diversification of livelihood options. On the other hand, it is also attributed to rapid socio-cultural change, stress to the environment, and vehemently threatened the rich and unique, but fragile culture. Several scholars have attributed these negative impacts to lack of planning, ad hoc approach, isolation from the central government, weak and duplicitous regulation, unclear jurisdiction, and so on (Shackley, 1994,1995,1996; Banskota & Sharma, 1998; Gurung & DeCoursey, 2000; Nepal, 2000, and Heredge, 2003). Regardless of the reasons, rapid growth in tourism has resulted in negative socio-cultural, economic injustice, environmental consequences, and institutional ramifications which are overlooked, undermined, or blinded by the instant cash economy. New levels of economic inequities and injustice are emerging.

## **METHODOLOGY**

1. Policy Document Analysis (In progress)
2. Policy Documents Analysis and review of best practices of other countries
3. Case study of Upper Mustang: Survey Questionnaire
4. Evidence-based policy/pragmatic recommendations

## **POLICY DOCUMENT ANALYSIS:**

A list of indicators is considered while analyzing the policy documents of Nepal and to conduct an in-depth comparative analysis.

List of indicators for Comparative Policy Analysis NEPAL

GDP Ranking = 107th  
 GDP per capita = \$732.3  
 HDI = 145  
 Democracy Index = 124  
 Gender Gap Ranking = 110  
 Corruption Perception Index Ranking = 130  
 Percentage of rural population= 80%  
 Population = 28.7 million (0.39% of world population, 0.027% share of global carbon emission)  
 Agrarian Country  
 Climate Risk Index Ran by German Watch = #19  
 Most affected people by COVID-19 = Indigenous people

A list of general indicators to analyse the policy documents of Nepal tourism policy. These indicators are listed in no particular order of importance.

#### **METHODOLOGY FOR CASE STUDY**

To understand the impacts of COVID-19 on tourism in Nepal in general and using one of the top tourist destinations Upper Mustang, this research employed the method of a survey questionnaire as a primary data collection technique. This survey questionnaire was informed by comprehensive literature review. The survey consisted of multiple-choice questions and was frequently supplemented by open-ended follow-up informal interviews to accommodate greater clarification and nuance to reflect people’s experiences. The survey questions aimed to understand the economic, environmental, and socio-cultural impacts and the state of current management of tourism in Upper Mustang and the impacts COVID-19 had(has) on the tourism industry. Upper Mustang has 27 villages in total. For this study, the local participants were randomly selected from among the 24 villages. Participants were required to fill out a written consent form and were introduced to the nature and objectives of this study. To enhance the inclusivity of the study, participants of various ages, genders, education backgrounds, and professions were approached. The total number of participants was 116.

#### **Profile of participants**

Gender	Male	Female	
	58	58	
Age	Young Adults (19-40)	Adults (41-60)	Senior (60 and above)
	44	55	17

Education	Below High School	High School Above	Religious Studies	No Education
	32	15	8	61
Profession	Farming	Tourism-oriented	Tourism Farming, & Trade	Others
	44	19	20	33
Village Elevation (in feet)	Low (10,000-12,000)	Medium (12,000-14,000)	High (14,000-16,000)	
	35	74	7	

*Table 1. Profile of survey participants.*

## RESULTS

It is clear that the number of tourists increased exponentially after 2007 even though Upper Mustang was open to the outside world in 1992 (see fig. 3). There could be several reasons for this trajectory. First, before 1992, Upper Mustang was unknown to the world. Tourists around the world are not aware of the existence of this place. Until the early 2000s, the slow increase in the number of tourists could be attributed to lack of advertisement and promotions. Between 2000 and 2007, two major reasons for the slow increase in the number of tourists could be attributed to the political turmoil that Nepal went through. The country was under civil war or popularly known as the Maoist Conflict from 1996-2006. The only two places that Maoist did not infiltrate were Mustang and Kathmandu, the capital of Nepal. However, there is only one international airport in Nepal and that is situated in Kathmandu. If an individual wanted to visit Mustang, he/she should go through Kathmandu and several other Maoist occupied districts which may be dangerous. During that time, several countries including the USA listed Nepal in a black list and advised not to travel to Nepal for security reasons. And also, infrastructure wise, it is difficult to reach Mustang because of the lack of accessible roads. In 2006-2008, the civil war ended and Nepal was no longer a dangerous country for tourists. Also, the development of motor roads started around that time which made the travel of tourists more convenient. The tourism industry has since boomed once the motor road reached Mustang district in 2007-2008 and the stability of peace in the country. However, in 2015, Nepal was hit by a massive earthquake of magnitude 7.8 which resulted in massive destruction of infrastructure throughout the country. Consequently, the number of tourists visiting Mustang and Nepal decreased, but started increasing after until 2019. After the advent of COVID-19 in the latter part of 2019, the tourism industry collapsed and the number of tourists visiting Nepal in general and Upper Mustang in particular dipped to zero and that continued until September of 2021.

## QUANTITATIVE RESULTS

The results of the survey were categorized into binary data. For each survey question, there were four possible choices: yes, no, neutral, and I don't know. Those four choices were categorized into two binary categories, one with "strong opinion =1" and another with "weak opinion = 0". If an individual answers

either “yes” or “no” then that individual is deemed to have strong opinion, otherwise the individual has weak opinion. The “strong opinion” category is further sub-categorized into “yes = 1” and “no = 0”. After sorting the survey responses into categorical binary data, a chi-square test in statistical software “R” was used to analyze the data. To determine if the response variables have any relationship with the predictor variables, the significance of p-value was examined. The predictor variables were age, gender, education background, profession, village, and village elevation. The responses to economic, socio-cultural, environmental, and status of current management were categorized accordingly. The questions regarding the impacts were clear, whereas the questions reflecting the local opinion on current status of tourism industry after the advent of COVID-19 were further referenced by asking about the satisfaction of the current regime, how the governments at different levels (municipal, province, and central) could assist in the time of crisis, and whether there should be enforcement of restricted area fees (RAF).

Predictor & Respond Variables (Opinion)	X-squared	DF	p-value
Village VS Economical Impact	49.254	23	0.0001153
Village Elevation VS Economical Impact	6.0134	2	0.04946
Village VS Cultural Impact	43.783	23	0.005585
Village Elevation VS Cultural Impact	43.457	22	0.004144
Village VS Environmental Impact	36.201	23	0.03935
Village Elevation VS Environmental Impact	35.28	22	0.03621
Village VS Effective Management	42.869	23	0.007178
Village Elevation VS Effective Management	42.869	22	0.004898
Gender VS RAF	15.183	1	9.758e <sup>-05</sup>
Education VS RAF	11.821	3	0.008021
Village Elevation VS RAF	33.677	22	0.05296

*Table 2. Relationship between predictor and response variables based on opinions.*

Table 2 above is the summary of the results after performing the chi-square test for the category of strong opinions. Only the relationships between categorical variables with P-value < 0.05 are deemed statistically significant and thus are represented in the table. Out of six predictor variables (age, gender, education background, profession, village, and village elevation), only village and village elevation showed a positive relationship with significantly less p-value for economic, socio-cultural, environmental impacts of tourism. In addition, village and village elevation showed a positive relationship with the effective management, but not with the question regarding the enforcement of restricted area fees (RAF). For the RAF, gender, education background, and village elevation showed positive relationships. The p-values of age and profession were greater than 0.05 with all the response variables, hence, there is no statistically significant relationship.

Predictor & Respond Variables (Y/N)	X-squared	DF	P-value
Profession VS Economic Impact	26.553	3	7.306e <sup>-06</sup>
Village VS Economic Impact	55.755	23	0.0001531
Village Elevation VS Economic Impact	55.755	22	9.27e <sup>-05</sup>
Gender VS Effective Management	7.8022	1	0.005218
Education VS RAF	8.7245	3	0.03319

*Table 3. Relationship between predictor variables and strict “Yes/No” responses.*

The response data were further subdivided into strict “yes/no” categories. While the opinion category registered the responses with strong opinion and weak opinion, the “yes/no” category only registered responses that were strong. Table 3 presents an exclusive summary of the results of sub-category with strict “yes/no ” responses that were statistically significant. The p-value of profession, village, and village elevation in response to the economic impact were statistically significant. The p-value of gender versus the response to effective management and education versus RAF were statistically significant as well. In this sub-category, age did not show any relationship with the responses.

The Chi-Square test is instrumental in determining if there is a statistical association between variables. In cases like this where there are independent and dependent variables, the association shows that the independent variables have influence on the dependent variables. After the Chi-Square test, I conclude that village and village elevation have influence on whether the participants have strong opinions about the economic, socio-cultural, and environmental impacts of tourism during COVID-19, primarily in the beginning of 2020 till the end of 2021. In addition, these variables also have influence on the participants’ opinions about the effectiveness of existing tourism management. Gender, education, and village elevation were found to be crucial factors that influenced whether the participants had strong opinions about the enforcement of RAF. For the sub-category, of strict “yes/no”, profession, village, and village elevation of participants have influence on whether they think tourism has positive economic impact or not. Only the gender of the participants had influence exclusively when they were asked if the existing tourism management is effective or not. Likewise, only education seems to be the important variable when the participants were asked if the RAF should be enforced or not. Hence, the key finding from this survey result is that the locals have various degrees of opinion about the impacts of tourism in general. And that their perceptions depended on and varied in relation to different kinds of impacts: economic, socio-cultural, and environmental impacts. It also varied when asked about the effectiveness of current tourism management and whether the RAF should be maintained. Factors like age, gender, educational background, and profession were found to have no influence on the local perception while the village they are from and the elevation of their village were vital to their perception of tourism impacts.

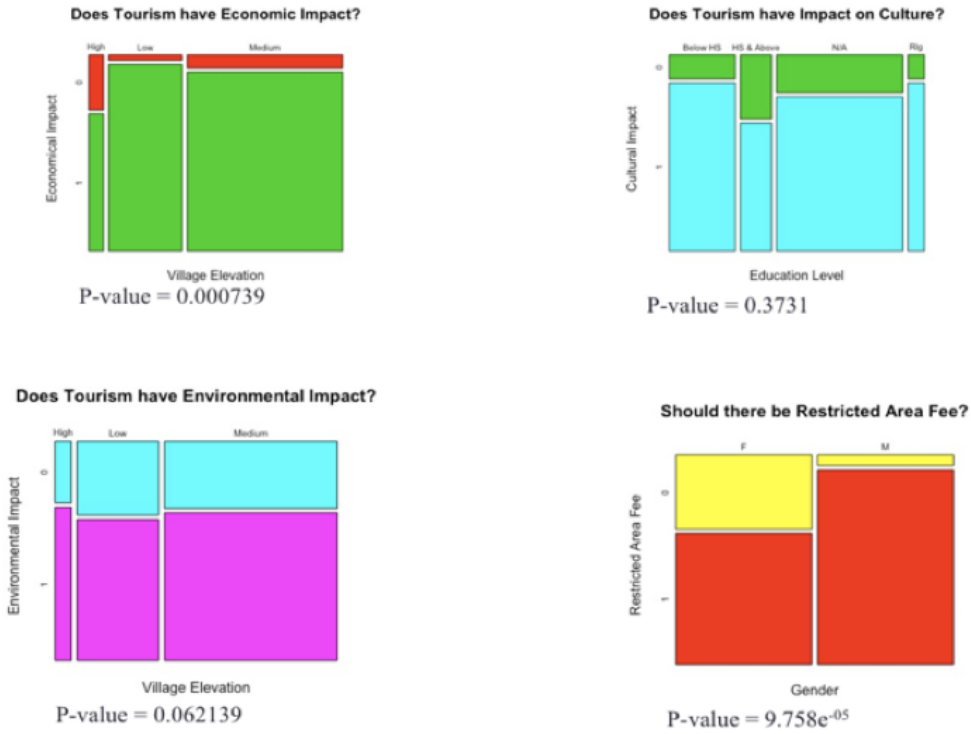


Fig 6. Opinions of locals on the impact of tourism post COVID-19.

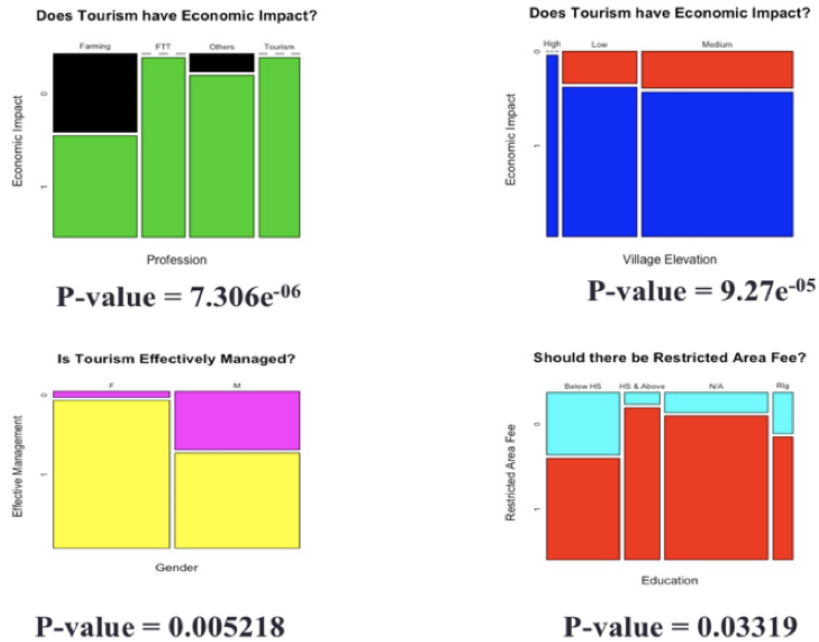


Fig 7. Strict “Yes/No” response of locals on the impacts of tourism post COVID-19.

## QUALITATIVE RESULTS

From the survey results it is evident, in the wake of a global pandemic, that all of the respondents were impacted. What the survey results are unable to explain is how different individuals/households are impacted by COVID-19. Survey results are a good indicator of the preliminary results, but fail to provide any details or explanations. The qualitative data sheds light on the details on the nuances and provides explanations to the survey responses. Qualitative analysis reveals that the economic impacts of COVID-19 on individuals and households vary depending on many factors. Even though it can be argued that no one has been immune to the impacts of COVID-19, it is clear that some individuals face a severe degree of the impacts compared to others based on many factors: primarily gender, socio-economic status, types of profession, etc.

In the case of Upper Mustang, the degree of economic impacts can be dictated by three primary factors:

1. Location of the village
2. Livelihood Strategies, and
3. Remittance

### LOCATION OF THE VILLAGE

As aforementioned, Upper Mustang consists of 27 villages. Out of 27 villages in Upper Mustang, majority of the villages (12) do not fall on the trekking route or are not exposed to tourism whereas 15 villages fall on the trekking trail or are exposed to tourism (See fig 1). It should be noted that all the villages in the Upper Mustang region have the appeal to attract tourists, but the majority (12) of the villages have been in the shadow and that could be attributed to the lack of promotion for points of attractions. Out of the 15 villages, where there is a tourist presence, only five villages are considered to be major destinations because tourists spend at least a night there whereas tourists only make a pit stop in the remaining 10 villages. The villages are categorized into three groups based on the tourists presence (see the table below).

<b>Major Destinations</b>	<b>Pit Stops</b>	<b>No Tourists Presence</b>
Lomanthang	Chunkar	Dhey
Tsarang	Ghiling	Ghara
Ghami	Zaite	Kimling
Dhi	Dhakmar	New Dhey
Chhoser	Namgyal	Nyamgdo
	Tama Gaun	Nyanol
	Yara	Phuwa
	Marang	Surkhang
	Ghara	Tangya

	Samdzong	Thinkar
		Chunjung
		Dhey

Table 4. All 27 villages of Upper Mustang were categorized based on their exposure to tourism.

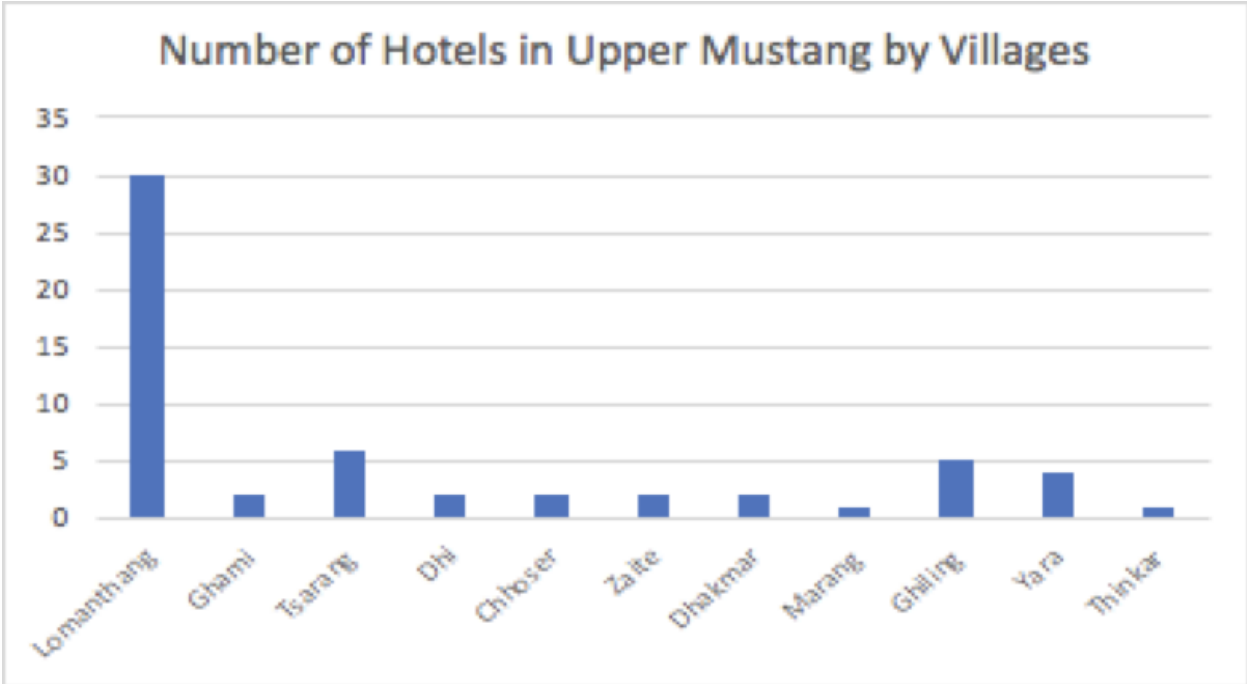


Fig 8. Number of hotels in Upper Mustang village-wise.

It is important to categorize the villages because the degree of economic impacts of COVID-19 depends on which category the village falls into. The villages under the category “Major Destinations” are impacted the most as they depend on tourism heavily compared to the villages under the other categories. Currently there are 61 hotels in the entire region of Upper Mustang. All the hotels are located in the villages that have some level of exposure to the tourism industry (See Fig. 8). It is important to note that most of the locals of Upper Mustang that transitioned their livelihood strategies or diversified their livelihood strategies to tourism-based ones are the locals from the villages that have a tourist presence. Subsequently, the economy of the villages depend on the flow of tourists. With the tourism industry crashing in the wake of a global pandemic, the people from villages that depended on tourism suffered the most as there was no mobility and the economic activities ceased.

*“It felt like a curse. It was difficult for my brother and his family because they own hotels. What good is a hotel if there are no tourists? It was a very difficult phase for them. It was not as bad for me because I farm. I, personally, was impacted because the price of everything went up. Everything was expensive because the border was closed.”*

- Resident of Tsarang

Even though the locals from villages with no exposure to tourism did not suffer as much as the villages that were exposed to tourism. They were not immune to the spillover impacts of COVID-19. As the border from both sides (India and China) closed, there were shortages of goods that locals needed on a regular basis. In addition, people of Upper Mustang migrate to southern Nepal (Pokhara and Kathmandu) during winter for two major reasons: 1) To escape the brutal cold winter and 2) To engage in a seasonal businesses where they go to southern Nepal and/or India to engage in seasonal trade, mostly selling sweaters. The seasonal trade is a way for the locals of Upper Mustang to bag in some extra cash to buy essentials for summer. With the border shut and strict lockdown regulations, locals could not travel outside their village.

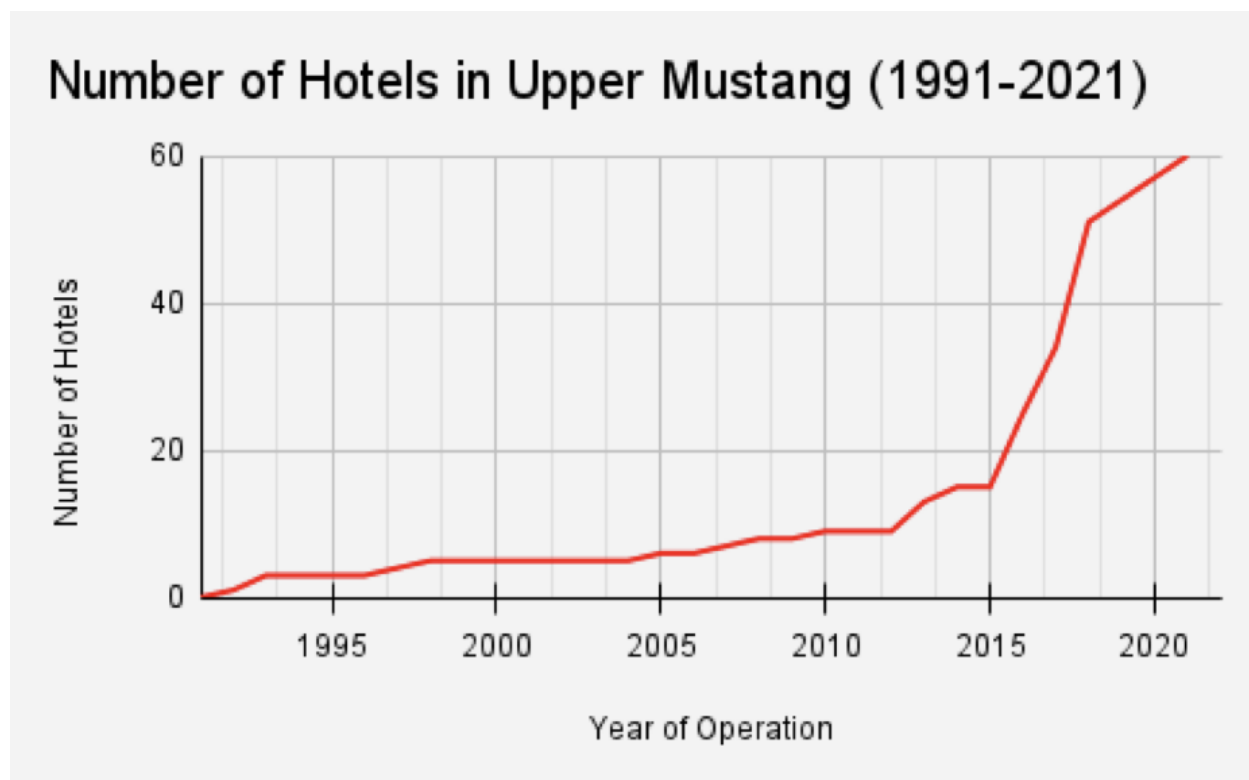
*“ It was definitely strange. We could not go to Pokhara for seasonal trade. That is our way of surviving winter and earning a little extra income because we do not have farm work in the winter. That is it. I feel bad for the villages where they were expecting tourists. What we went through is nothing compared to what they had to go through during lockdown.”*

*- Resident of Dhey*

## **LIVELIHOOD STRATEGIES**

Another determining factor that dictated the degree of economic impacts to the locals of Upper Mustang is the livelihood strategies in which an individual or the household is engaged in. The survey results clearly indicated that everyone is impacted by the global pandemic. The qualitative data, however, precisely revealed how the level of the economic impact varied depending on many factors amongst which the profession of the individual or the livelihood strategy of the household stood out. It is important to note that profession and the livelihood strategy refers to the primary source of income to an individual or the household, therefore, they could be interpreted as being used interchangeably.

Until recently, Upper Mustang was one of the most remote regions in Nepal. Unfavorable geographical location, isolation from the central government, and geo-political sensitivity has led Upper Mustang to be an economically impoverished region. As per the latest census data, the literacy rate of Upper Mustang is 33% which is well below the national average of 54.1%. Subsequently, the people of Upper Mustang have limited livelihood opportunities and mostly relied on subsistence. In addition, the recent effects of climate change and the increase in the frequency and intensity of natural calamities like flooding, landslide, and unpredictable rainfall have discouraged the locals to completely rely on agriculture and animal husbandry. Tourism-oriented livelihood, while still vulnerable to the effects of climate change, are not nearly as vulnerable as farming or raising livestock and are the primary choice of the locals in the form of livelihood strategy. The advent of the tourism industry post 1992 has alleviated the household economic stress through diversification of livelihood options. There was not a single hotel in Upper Mustang before 1992. Today, Upper Mustang has 61 hotels and the trend suggests that the number of hotels will continue to increase exponentially holding other factors such as risks and uncertainties constant (See Figure. 9).



*Figure 9. Trend of increasing hotel numbers in Upper Mustang as of 2021*

The individuals or households that were most severely impacted by COVID-19 are the ones who solely engaged in tourism-based livelihood strategies as they did not have another source of income. There were individuals/households who had diversified their livelihood strategies and were impacted more than those who had nothing to do with tourism-based livelihood, but impacted less than those who solely depended on tourism. By diversifying their livelihood strategies, individuals/households have another source of income to rely on when the tourism industry crashes.

*“We did not get any tourists at all. It was very difficult for us to get by because I rented my horses to tourists. We have no other source of cash income. We just farm. Thank god we do not have a hotel. Those folks, who own hotels, suffered a lot.”*

*- Resident of Ghami*

The Nepal government declared the year 2020 as a tourism year and promoted heavily at the international level with the tag “VISIT NEPAL 2020.” Locals from Upper Mustang were hopeful and were preparing for an unprecedented number of tourists which exacerbated the impact of COVID-19.

*“ There were zero tourists starting April 2020. I spent more money than usual because we were expecting more tourists because of the VISIT NEPAL 2020 campaign. The loss would not have been as much if it was just another year.”*

*- Hotel Owner, Lo-Manthang*

Individuals who were not involved in tourism-based livelihood activities were not as severely impacted by the COVID-19. They were, however, impacted indirectly as the economic activities came to stand still while the entire country was under lockdown. It is also important to keep into consideration that the percentage of locals of Upper Mustang not engaged in subsistence or tourism based livelihood only make up for 11% of the population.

*“ I am a painter. So, I did not lose my job or anything. I worked the whole time (referring to the lockdown). But most of my clients are hotels. So I did not get my payment on time. I understand what they are going through.”*

*- Painter, Chhoser*

## **REMITTANCE**

Migration scholars that have studied Upper Mustang and Mustang in general conclude that Himalayan communities from Mustang are not new to migration (Gurung, 2021 and Amburgey, 2021). People from high-altitude villages have engaged in migration for generations to survive and thrive in harsh environments. Over time, these strategies evolved and now the migration of the locals of Upper Mustang include global hubs like Paris, France and New York City, the USA. In the past two decades the number of people from Upper Mustang that have migrated to NYC has increased exponentially and the trend seems to mirror in the case of Paris more recently. Today, there are barely any households in Upper Mustang that do not have a family member or a close relative working abroad. 86 percent of the respondents have at least one family member in the USA or France. There are many reasons for Mustangis to migrate abroad, but the single most overriding reason is employment opportunities. Subsequently, many locals of Upper Mustang rely on remittances.

There is an intrinsic connection between having a family member or relative abroad and the degree of economic impact in the wake of a global pandemic. Having a family member or a close relative abroad means an individual/household has remittance to fall back on. It should be kept into consideration that reliance on remittances is proportional to the closeness of kinship. For instance, having an immediate family member abroad means the remittance is a steady source of income for the family. Having a relative abroad does not necessarily mean a steady source of income in the form of remittances, but more of a safety net in times of difficulties, depending on how close the relationship is. Either way, having a relative or family member is a form of reassurance during the time of crisis. The impact of COVID-19 on individuals with immediate family members abroad were not as severe as on the individuals with no immediate family members abroad or distant relatives.

*“During the times of lockdown, the only problem for us was that we could not go anywhere. I rely on remittance for survival. My children sent me money before COVID, they sent me during COVID, and they will send me after COVID, at least I hope. The only problem is inconvenience. We could not go anywhere.”*

*- Resident of Thinkar*

For those who did not have immediate family members, they did not have remittance to rely on. They were more vulnerable and susceptible to the economic impacts of COVID-19. There are layers of vulnerability that dictate the susceptibility to the economic impacts. Individuals/households who were

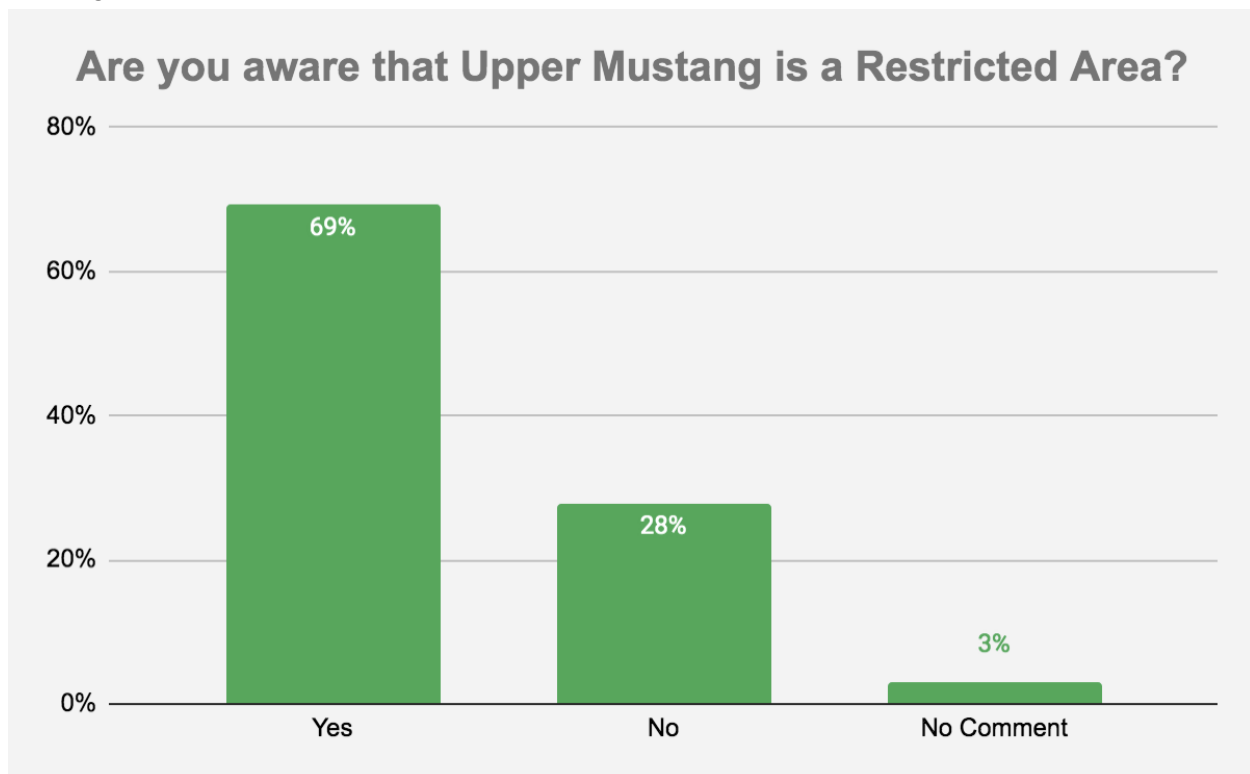
engaged in solely tourism-based livelihoods and who did not have family members sending them money from abroad were most severely affected by the COVID-19.

*“These past two years have been so disastrous. The financial loss is enormous. No business at all. The government did do anything. I have relatives abroad, but how can you ask for such a big sum? They send me some money occasionally, mostly during festivals, but that’s pocket change. If this continues for another year, I will have to sell my hotel.”*

*-Hotel Owner, Lo-manthang*

## INSTITUTIONS

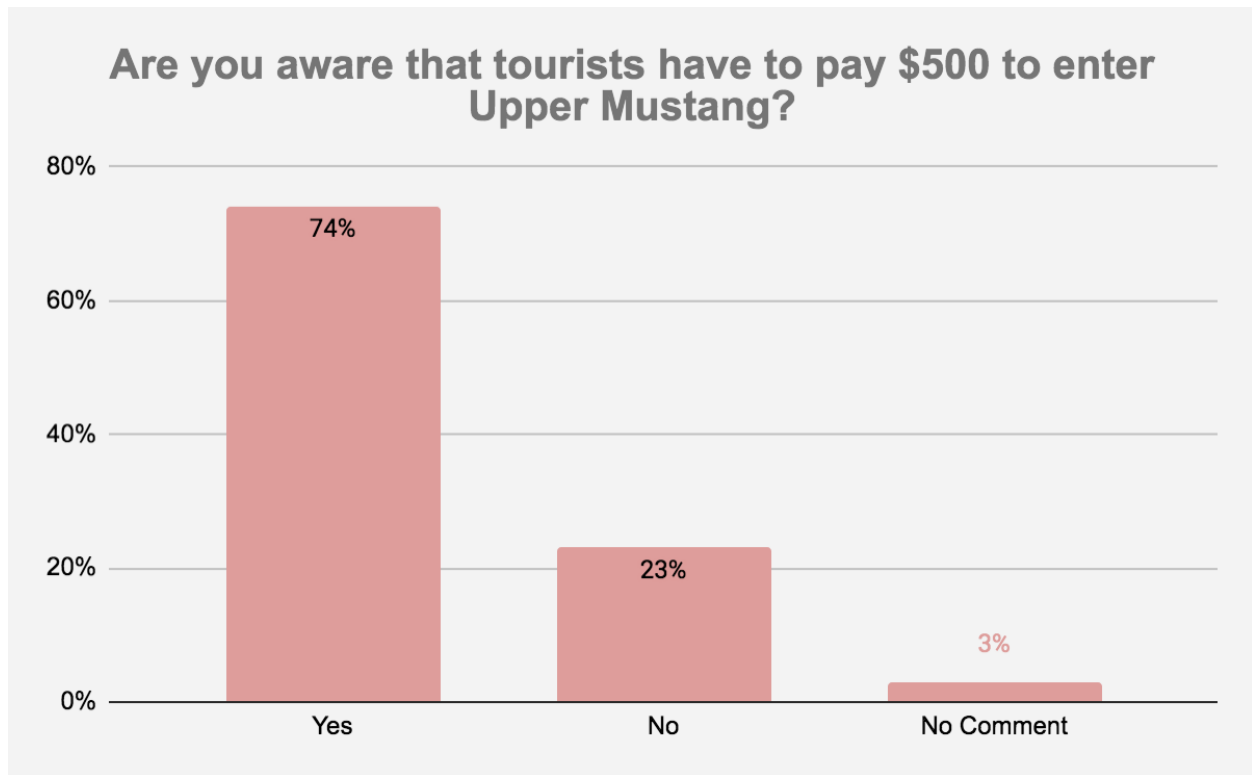
As aforementioned Upper Mustang is a restricted area opened to tourism only in March 1992. Being a restricted area, Upper Mustang is subjected to certain rules and regulations that are subjected to only protected areas: foreigners have to pay \$500 just to enter Upper Mustang, need to have mandatory licensed guide, and need to travel/trek in a company of minimum two individuals excluding the guide. According to a report by Gurung (2020) only 30 percent of the locals of Upper Mustang are aware that it is a restricted area. At the time of this research, 69 percent of the participants are aware that Upper Mustang is a restricted area.



*Figure. 10 percentage of locals who are aware that Upper Mustang is a restricted area.*

28 percent of the participants are still unaware that Upper Mustang is a restricted area and three percent did not want to comment. Even after 29 years since Upper Mustang opened its door to foreigners, locals are oblivious to the policies. Whether the locals are not doing their part by not staying abreast to the institutional changes or the concerned government is failing to raise awareness is a topic outside this

research, but it is certain that there are major gaps in the policy. When asked about Restricted Area Fee (RAF), most (74%) of the participants were cognizant of the amount foreigners were required to pay to enter Upper Mustang (See Fig. 11).



*Fig. 11. percentage of locals who are aware of the permit fee*

One of the most controversial topics in the context of tourism in Upper Mustang, since its opening to international visitors in 1992, has been the permit fee. The subject of permit fee is perhaps one fundamental aspect that is responsible for the prominent divisive opinion amongst the locals of Upper Mustang. According to the pilot research by Gurung (2018), the percentage of locals who favor the status quo regarding the permit fee mirrored the percentage of locals who opposed the status quo. On the one hand, are the locals who are the proponents of the status quo and believe that \$500 is a fair amount as a permit fee. On the other hand, are the locals who are the opponents of the status quo and believe that \$500 is not a fair amount as a permit fee. The key argument of the proponents seems to be that \$500 is necessary to maintain the value of the region. The proponents believe that if an individual values what Upper Mustang has to offer, they will pay \$500. They also believe that the \$500 permit fee acts as a filter that will only allow tourists who can afford popularly referred to, in the words of the locals, as quality tourists. The opponents, however, believe that \$500 is a hefty amount and not everybody can afford that much money just for permit fees. The opponent's main point is that the \$500 permit fee acts as a barrier and limits the number of tourists. Essentially the debate is of quality versus quantity. The proponents favor the quality tourists whereas the opponents favor the quantity.

The advent of COVID-19 has turned the world upside down. Needless to say that the global pandemic has dramatically changed our ways of lives and so has our thinking. In the context of tourism in Upper

Mustang, it is evident that locals have drastically changed their opinion compared to pre-COVID-19. When asked if 500 USD is a fair amount as permit fee, only 28 percent of the respondents responded that it is fair, 46 percent responded that it is not fair. Ten percent of the respondents did not have any strong opinion whereas four percent did not want to comment.

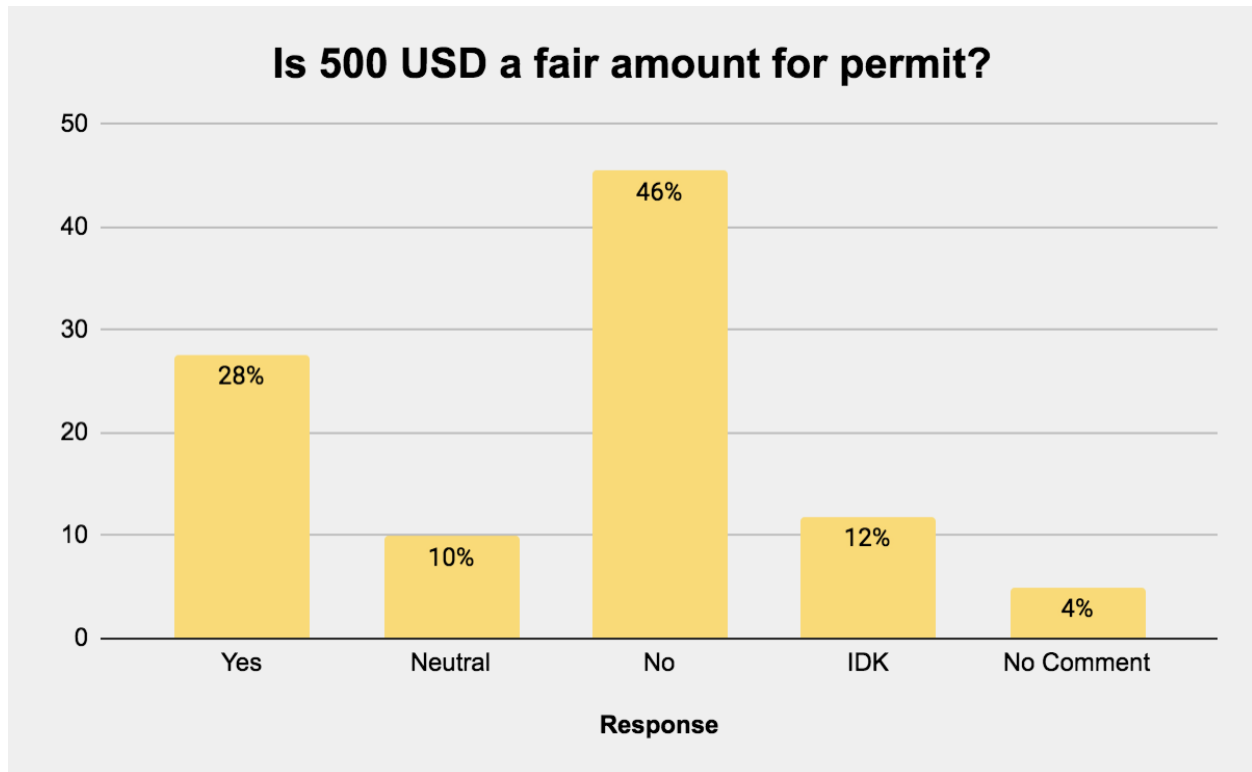


Fig. 12. percentage of respondents on whether 500 USD is a fair amount for permit fee

Almost two years after the start of COVID-19 pandemic which has not only claimed millions of lives around the world, but has also changed the ways in which people think. After the declaration of COVID-19 as global pandemic by WHO on March 11, 2020, the tourism industry of Nepal and particularly of Upper Mustang have been left high and dry. Subsequently, the urgency to welcome tourists and resume economic activities was palpable. Locals of Upper Mustang were concerned more about the quantity of the tourists rather than the quality of the tourists which was not the case prior to COVID-19.

*“The permit fee is ridiculously expensive. \$500 just to enter Upper Mustang? Can you imagine how the locals would benefit if that \$500 was spent on actual local businesses? We need to lower the fee so we can get more tourists.”*

- Resident, Chhosar

*“I think we would get a lot more tourists if we did not have a permit fee at all. With \$500 they (referring to tourists) can travel all over Upper Mustang easily. We need more tourists now more than ever. We need to make up for the past 2 years without business”*

- Hotel Owner, Dhi

*“We cannot be selfish. \$500 is a lot of money even for foreigners. I am sure they (referring to foreigners) were impacted economically by COVID-19. In that case if we are charging \$500 just to enter, they will go to other places where there is no permit fee. At the least, we should lower the permit fee. Maybe \$250 is good. I think.”*

*- Hotel Owner, Lo-manthang*

*“I am okay with \$500. I know there will be fewer tourists, but that \$500 is to maintain the value of our place. Our place is sacred, you know? What I am curious about is where does all that money go? If that revenue is utilized properly, I am sure no one will be against it. I hope it does not go straight to the pockets of corrupt politicians. Haha”*

*- Resident, Tsarang*

In addition to being duplicitous, unclear, weak, and based on ad hoc approaches, a lack of transparency is undermining tourism policies in Upper Mustang. This problem is hardly limited to the tourism industry and certainly not only in Upper Mustang, but across sectors and throughout the country. A lack of transparency has kept locals under a shadow casting more doubts on the intent of the policy and making it harder for the public to evaluate what’s being done. 100 percent of the respondents had no clue what happens to the revenue collected as permit fees. There has to be transparency and locals should know how the revenue from the permit fee is being utilized. It is the responsibility of the government to make sure there is transparency and accountability. It is also the responsibility to make sure the locals are aware of the policies and the purpose of the respective policies. Policy literacy is missing big time and it is eminent that the government or concerned agency resolve that. When asked about how the government helped the locals during the pandemic, the responses were limited to the distribution of relief materials.

With the noble purpose of assisting the various enterprises including tourism, the government of Nepal has designed monetary policy accommodating the provision of long-term repo facility. To help small enterprises sustain and recover post-COVID-19, the government reduced the interest rate by 5% (Ulak, 2020). The locals of Upper Mustang, however, are not cognizant of those provisions. According to Nepal Rastra Bank (NRB) Monetary Policy for FY 2020-21, banks are required to increase their loans to priority sectors, which includes tourism as well, to 40 percent from 25 percent by 2024. In the context of Upper Mustang, the locals are not aware of any provisions from the government. It is clear that none of the enterprises in Upper Mustang have relied on loans from the bank or the government. The goal of fiscal policy is to boost the economy and influence economic conditions, ultimately promoting strong sustainable growth and reducing poverty. What good is a fiscal policy when the target population for which the policies are geared towards are unaware. In such a situation, the fiscal policy remains limited in white papers.

## **YOUTH EMPLOYMENT**

According to Asian Development Bank Report (2019), the tourism industry in Nepal directly contributed to more than 200,000 people throughout the country (ADB, 2019). Politicians, scholars, entrepreneurs are quick to claim the potential of the tourism industry in providing employment opportunities. There has been an unprecedented increase in the volume of Nepali youth headed abroad for employment. According to Nepal Labour Migration Report 2020 published by the Ministry of Labour, Employment and Social Security, Nepal Government has approved 110 countries for labour migration through recruitment

agencies and has issued over 4 million labour approvals since 2008/09. Disclaimer: the current population of Nepal is 28.6 million which means almost 15% of Nepali youth are working abroad. It is evident that Nepalese, primarily youth, are out-migrating at an exponential rate. The most pressing issue driving youth out of the country has been the lack of employment opportunities in Nepal.

Pre COVID-19, tourism showed promising prospects of generating prosperity across the country by creating jobs and ultimately resolving the employment crisis.

COVID-19 has led to a collapse in the tourism industry which has left many Nepali youth in limbo. In the context of Upper Mustang, the crashing of the tourism industry has not only left the economy high and dry, but have also shaken the confidence of few youths who dared to not go abroad for employment opportunities. As mentioned earlier, youth of Upper Mustang are migrating abroad at an alarming rate for employment opportunities. Those who stayed behind with the hope of doing something in their own country resorted to tourism. Tourism provided hope for those few remaining. Lack of support from the government and the looming tragedy of the tourism future in the wake of a global pandemic have altered the decisions of many youths.

*“I thought I would do something in my own land, in my own motherland. I took pride in telling people that I am doing something in my own country. I took pride in telling people that I am not going abroad like so many other young people from our village. I am rethinking my decision. I feel like I should have gone abroad. I heard the government takes good care of its people in times of crisis.”*

*- Hotel Owner, Lo-manthang*

*“If this continues, I would have to go abroad. I have to make sure my children are fed, and they get proper education. If we do not get tourists by next May (tourist season), I will go to the USA or France. You would understand when you have children of your own.”*

*- Hotel Owner, Tsarang*

Not only the locals of Upper Mustang are devoid of employment opportunities, but so are the many youths that migrated to Upper Mustang for employment opportunities. As aforementioned, the tourism in Upper Mustang was taking off. With the growth in the tourism industry, Upper Mustang was able to provide employment opportunities to many Nepalese youth from other remote regions. As youths from Upper Mustang migrate abroad for employment opportunities, the lack of manpower in Upper Mustang presented unique opportunities for youths from other remote locations. Youths from underprivileged districts like Rolpa migrate to Upper Mustang to work as drivers, cooks, and other labour-oriented jobs. The collapsing of tourism in Upper Mustang has spillover effects on the economic conditions of outsiders who resorted to Upper Mustang for employment.

*“ We used to have a cook and a driver. We had to let them go. What else could we do? There were no businesses, no tourists. We kept them as long as we could. But after a while it got very difficult for us to sustain ourselves let alone pay others. So, with a very heavy heart, we had to let them go.”*

*- Hotel Owner, Lomanthang*

*“My son was doing his college in Pokhara, but the school closed. So he came to the village and learned how to drive and now we do not have a driver. We do not have any guests so we do not need to cook. For*

*now I will cook for myself. Hopefully there will be more tourists in the future, then we will find a good cook from Kathmandu or Pokhara.”*

*- Hotel Owner, Ghami*

## **DISCUSSION**

The overarching goal of this research was to analyze the impact of COVID-19 on the tourism sector in Upper Mustang. In addition to the survey, qualitative data were collected through in-depth and semi-structured interviews. A majority of the participants have not had the opportunity for education and the few who had the privilege of education were not confident that they fully understood the survey questions. Given the researcher's identity and positionality, the researcher was able to translate each question carefully into the local variant of Tibetan, and explained each question before filling out the survey for all the participants. Although time-consuming, these extra steps presented an opportunity for an open-ended follow-up informal interviews, which, in turn, provided greater clarification and more nuance and variation to people's opinions on the topic of tourism. The findings from the survey results, for the most part, concur with the information from open-ended interviews.

The survey results showed that locals have varying opinions about the impacts COVID-19 on tourism. While some factors influenced their opinions more than others, it was not anticipated that age, gender, educational background, and profession would have less influence on their perception of tourism impacts than village and village elevation. The supplemental information and the qualitative results suggest that locals from the villages that benefit directly from tourism are more likely to have a strong opinion on its impacts. It is important to note here that out of 27 villages in Upper Mustang, only a few, eight to be specific, are situated along the trekking route/motor road. Most of the villages are either at a distance from the route or they are not located where tourists are likely to stop for refreshments or stay. These villages benefit the least or do not benefit at all. The few villages that are located on the trekking route where tourists stop for refreshments or spend the nights are the ones that benefit directly. With this information, the results from the survey make more sense. For instance, if a local is from a village where there is no tourist activity or the one that doesn't benefit from tourism, then that local is unlikely to have a strong opinion on the impacts of COVID-19. Even if the local does have an opinion, his/her age, gender, education background, and profession are less likely to influence this opinion compared with village location. However, the assessment is different from the locals or from villages that are located along the trekking route and directly benefits from tourism. In that case, the age, gender, education, and profession may have greater influence on opinions than those from other villages.

There are few limitations to this data. The data collected are from 24 out of 27 villages in Upper Mustang. Out of three un-accounted-for villages, one is a settlement with just four households and had no residents at the time of the data collection. The other two villages were missed because of time constraints and lack of accessibility. These two villages were so isolated that it would take the researcher four days of walking back and forth to collect data. In addition, the increase in sample size could improve the quality of the data. Only 116 locals participated in the survey. Some villages had as few as two participants. One key lesson from this study has to do with the identification of variables. The data on household income and the proximity of the villages from the trekking route could be instrumental to improving data quality. These shortcomings will be taken into serious consideration for future data collection.

This research took place in the midst of an ongoing global pandemic. Overall impacts of COVID pandemic are impossible to comprehend conclusively as new information is still rolling in and as the situation unfolds. To provide a wider perspective and conduct a deeper analysis of the impacts of COVID-19 pandemic's impact on tourism in Nepal and subsequently in Upper Mustang,

## **CONCLUSION**

The economic impacts of COVID-19 have gravely affected the general economy of Upper Mustang and Nepal in general. The tourism industry, however, has been hit hardest as the shift to tourism based livelihood strategies has exponentially increased in the past decade. It is clear that there is the direct impact of tourism development on economic growth and its linkages with macroeconomic policies. Despite the emergence of many important facets of merging macroeconomic policies especially in developing countries, the linkages have been not researched. This research is an attempt to address just that by focusing on how the COVID-19 impacted the tourism industry in Upper Mustang and the role of fiscal policies in the tourism sector. The traditional approach in decision-making and policy formulations in Nepal has been top down with little to no involvement of stakeholders. Using a case study will allow an opportunity to employ a bottom up approach with maximum involvement of local stakeholders for whom the policies are geared towards.

The tourism industry, even though it is not a panacea, has the potential of providing an enabling environment for citizens, particularly the youths, to be employed and undertake entrepreneurial ventures. The advent of the tourism industry in the near future after the end of the COVID-19 pandemic, if managed effectively, has the potential to contribute significantly to the country's economy, motivate the youth to engage, and even appeal the return of those away from home.

## **POLICY RECOMMENDATIONS**

As a response to the COVID-19 crisis, understanding the potential impacts of the pandemic on the ground will be instrumental in designing evidence-based policies aimed at post-COVID economy recovery, capacity building, and operational sustainability of the tourism industry. Based on findings from the case study of Upper Mustang, but with considering for entire country of Nepal, a policy analysis of the existing tourism policies of Nepal and on the comparative analysis of tourism policies and best practices that have worked well in the comparable mountainous regions of tourism dominated countries, below are some policy recommendations to strengthen the tourism policy in Nepal.

- Tourism policies should not be ad hoc. They should be properly planned and should be adaptive to changes.
- Majority of destination countries like Nepal have always lopsidedly focused on global tourism trends. Domestic tourism should not be ignored.
- Policy makers should focus on the infrastructures to support the demand. Dramatic improvement in tourism infrastructures and service provisions is imperative.
- Infrastructures development should be considerate of its implication on sustainable tourism.
- Policy makers should understand that certain areas are better off without infrastructure to maintain as highly attractive high-value tourism destinations.

- Diversifying and extending various forms of tourism is important.
- Private and public policy support must be coordinated to assure capacity building and operational sustainability of the tourism sector moving forward.
- Future tourism policies should be considerate of the negative impacts of tourism, well-being of society, mitigation of climate change, and involvement of local stakeholders.
- It is imperative that existing tourism policies are reviewed and transformed to deliver efficient, effective and purpose-led support for the sustainable growth and development of the tourism sector.

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## ANNEX I

### SURVEY QUESTIONNAIRE

Dear correspondents, I am a Daayitwa Nepal Public Policy Fellowship 2021. I am placed at the National Planning Commission (NPC), on the topic "Assessing Economic Recovery of Nepal from COVID-19." My research focuses on the impact of COVID-19 on Nepal's economy and specifically the tourism economy. Through my research I will be analyzing the existing tourism policies, and recommend policies to help the tourism stakeholders after the grave impacts of COVID-19 on the tourism industry. Thank you for sparing your valuable time to partake in this survey.

### INTERVIEWEE DEMOGRAPHIC INFORMATION

Name:

Sex:

Marital Status:

Age:

- Young Adults (18 = 40 years)
- Adults (41 - 60 years)
- Senior (61 and above)

Which village are you from?

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Education: (How far did you go in school?)

- N/A
- Attended Primary School (number of years \_\_\_\_\_)
- Attended Secondary School (number of years \_\_\_\_\_)
- Attended High School (number of years \_\_\_\_\_)
- +2 (number of years attended \_\_\_\_\_)
- Bachelors and above
- Religious

How many family members are in your household?

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Who makes the major household decisions?

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Do you have any family members residing outside your village?

- Yes
- No

If yes, how many family members are outside your village?

- \_\_\_\_\_ within Nepal
- \_\_\_\_\_ abroad \_\_\_\_\_

Probe: When did your family member migrate/move?

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What was the main reason for migration? (Please explain)

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Do they send you money and for what purpose? (Please explain)

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What is your profession/occupation?

- Farming
- Livestock
- Tourism
- Farming/Livestock
- Farming/Livestock/Others and Tourism
- Others \_\_\_\_\_

Following questions are only for those who have transitioned/diversified their livelihood strategies to tourism-based livelihood.

When did you transition/diversify your livelihood strategy to tourism-based livelihood? (Applicable to only those who indicated their profession as Tourism or Farming/Livestock/Others and Tourism)

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What did you do before for a living?

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Why did you transition/diversify your livelihood to a tourism-based livelihood? (Explain)

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How did you find the capital investment? (probe: ask if it was dikuti/remittance/loan?)

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How does the decision to transition/diversify your livelihood strategy to tourism-based livelihood occur? (Please explain the process: probe who makes the decision)?

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Think of your total income as 10 fingers. How many fingers would you say you get from tourism?

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Think about your total income again. What is your annual income?

- Low Income (Below 1.02 Lakh NRP)
- Lower Middle Income ( 1.036 - 4.045 Lakh NRP)
- Upper Middle Income ( 4.046 - 12.535 Lakh NRP)
- High Income (12.535 and above Lakh NRP)

**INSTRUCTIONS**

Please read the following statements carefully. For each statement, please delicate your opinion using the scale below:

- 1 = Strongly disagree
- 2 = Disagree
- 3 = Neutral/Undecided
- 4 = I do not know
- 5 = Agree
- 6 = Strongly Agree

LEVELS OF AGREEMENT					
1	2	3	4	5	6
Strongly Disagree	Disagree	Neutral	I do not know	Agree	Strongly agree
None	Low	Moderate	I do not care	High	Highest
Very Poor	Poor	Fair	I am not concerned	Good	Excellent
Never	Rarely	Sometimes	I am not aware	Often	Always
Definitely Not	Probably Not	Possible	I have no idea	Probably	Definitely

**ECONOMIC FACTORS**

Does tourism have a positive impact on your household economy?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

(Please explain)

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Does tourism have a positive impact on your community's economy?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

(Please explain)

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Does tourism have a positive impact on your country's economy?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

(Please explain)

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How satisfied are you with your current income?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

Is your current income enough to take good care of your family?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

Is the cost of living in Upper Mustang reasonable?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

(Please explain)

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Do you receive remittance from any family members/relatives?

- Yes
- No

(Probe: What do you use the remittance money for?)

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How is the relationship between hotel owners and other locals?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

Are you a landowner?

- Yes
- No

Does tourism provide employment opportunities?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

(Please explain)

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Has tourism hindered the outmigration of locals abroad for employment?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

(Please explain)

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Does everyone benefit from tourism economically in Upper Mustang?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

Do only few people benefit from tourism economically in Upper Mustang?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

(Please explain)

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#### ENVIRONMENTAL FACTORS

Are tourism and climate change linked?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

(Please explain)

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Are natural disasters such as flooding more frequent and intense in recent years?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

(Please explain)

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Do natural disasters impact tourism?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

(Please explain)

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Does tourism have a positive impact on the environment in your community?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

Are you satisfied with the water infrastructure/supply?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

Are you satisfied with the waste management in Upper Mustang?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

Does tourism contribute to pollution (waste/water)?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

Does tourism have a positive impact on natural resources?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

(Please explain. Probe: ask how it is impacting and why)

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Is there a balance between environmental conservation and development (infrastructures: roads, buildings etc)?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

(Please explain. Probe: ask if the balance is important)

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Does everyone have to deal with environmental problems?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

(Please explain. Probe: Who are most vulnerable to the consequences of environmental problems)

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Does tourism cause environmental problems?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

(Please explain. Probe: what are some of the negative environmental impacts of tourism)

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Do environmental problems affect your decision making regarding livelihood strategies?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

(Please explain)

### SOCIO-CULTURAL FACTORS

Does tourism have a positive impact on your way of life?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

Does tourism have a positive impact on your cultural values and traditions?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

Please explain how tourism is affecting your cultural values and traditions?

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Has tourism improved your way of living?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

(Please explain. Probe: How? Are there any new skills you learned because of tourism?)

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Does the cultural heritage of Upper Mustang attract tourists?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

Is there a balance between cultural conservation and development (infrastructure: roads, buildings etc)

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

(Please explain. Probe: are they mutually exclusive? Does development mean cultural deterioration?)

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Will the cultural heritage of Upper Mustang attract tourists in the near future?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

(Please explain. Probe: Ask for the rationale)

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Does the impact of tourism on culture affect your decision making regarding livelihood strategies?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

(Please explain.)

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#### INSTITUTIONAL FACTORS

Are you aware of the restructuring of the state to a federal democratic republic of our country?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

Has the introduction of the local government strengthened the local governance system?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

Do the local government (gaupalika) have a role in managing tourism?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

Has tourism increased in recent years ( pre-covid-19)?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

Do you actively participate in tourism related activities?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

Have you participated and exchanged your opinions in the community meetings and events related to tourism?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

(Please explain. Probe how and what)

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Do locals take part in decision making processes when it comes to tourism policies?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

Are the old norms disappearing as the tourism industry grows?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

Are new norms emerging as tourism grows?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

Please explain. )Probe: what norms are disappearing and what are emerging?How have the daily practices/routines changed since you started tourism? Changes in building structures? What is the definition of someone who is successful? )

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What were the norms then when you started?

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Now in 2021 what are the emerging norms?

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Are you aware that Upper Mustang is a restricted area?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

Are you aware that tourists have to pay a permit fee of 500 USD?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

Is 500 USD a fair amount?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

(Please explain. Probe: ask for the reason why?)

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Do you know what happens with the permit revenue?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

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Do the tourism policies impact your decision to transition/diversify your livelihood strategy to a tourism-based livelihood?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

(Please explain. Probe: how and why?)

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What do you think should be done with the permit revenue and why?

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What are the positive and negative impacts of tourism? (Please list a few)

Benefits of tourism	Cost of tourism
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COVID-19 and UNCERTAINTIES

Has COVID-19 disrupted the economy in Upper Mustang?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

Please explain. (Probe: ask how has COVID impacted their daily lives.)

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Has COVID-19 negatively impacted the tourism industry?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

Please explain.

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Will COVID-19 have a lasting impact on tourism in Upper Mustang?

- a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

Please explain (probe: how?)

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Did you get any kind of assistance from the government during COVID-19?

- Yes
- No

Please explain.

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What kind of assistance from the government would be helpful during a global pandemic? (why?)

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Will tourism in Upper Mustang bounce back after the COVID-19 pandemic is over?

a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

Please explain.

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Is tourism in Upper Mustang vulnerable to external shocks? (such as the 2015 earthquake, COVID-19)

a) 1      b) 2      c) 3      d) 4      e) 5      f) 6

Please explain.

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How has COVID-19 impacted your views on the future of tourism in Upper Mustang?

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Would you have transitioned/diversified your livelihood strategy if you had known something like COVID-19 would happen? Please explain.

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Do you want to share anything that we missed? Or do you have any questions?

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## ANNEX II

### TOURISM: A MACROECONOMIC STABILIZER IN NEPAL'S ECONOMY? ANALYSIS OF THE IMPACTS OF COVID-19 ON TOURISM AND POLICY IMPLICATIONS: A CASE STUDY OF UPPER MUSTANG, NEPAL

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#### Consent Form

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Please read this document and ask any questions you may have before agreeing to participate in the study. Tashi Gurung, a Daayitwa Nepal Public Policy Fellow is leading this research together with the National Planning Commission (NPC).

#### Background Information

The primary objective of this project is to understand the economic impacts of COVID-19 specifically on the tourism industry and identify policy gaps in the fiscal policy to boost the tourism industry in Nepal post-COVID-19.

#### What will I be asked to do?

If you agree to participate in this study, we will ask you to participate in an interview. The interview will last between an hour to ½ an hour. We will ask you to discuss a set of questions surrounding tourism in Upper Mustang, with a focus on your experience post COVID-19. You do not need to respond to every question. We may also take photographs of you, some of which may be used, with your consent, for presentation materials like PowerPoint or posters. The interview discussion will be audio recorded to ensure that transcripts of the session are accurate. After sessions are transcribed, recordings will be destroyed.

You must be 18 or older to participate.

#### What are the risks involved in this study?

The risks associated in this study are minimal at the best, and are not greater than risks ordinarily encountered in daily life.

#### What are the possible benefits of this study?

There is no direct benefit but the study may benefit the local community with a prospect of impact in local, regional, and national level.

#### Do I have to participate?

No. Your participation is voluntary. You may decide not to participate or to withdraw at any time. If you decide to participate, you are free to refuse to answer any questions that may make you feel uncomfortable. You can withdraw at any time without negative consequences.

#### Who will know about my participation in this research study?

This study is confidential. We will keep the records of this study private. No identifiers linking you to this study will be included in any sort of report that might be published. Research records will be stored

securely and only members of the research team who have an approved report demonstrating successful completion of training in Social and Behavioral Research Investigations will have access to the records.

If you choose to participate in the interview, you will be audio recorded. Any audio recordings will be stored securely and only members of the research team who have an approved report demonstrating successful completion of training in Social and Behavioral Research Investigations on file will have access to the original recordings. Recordings will be destroyed once they are transcribed.

To ensure accuracy, interview sessions will be transcribed by researchers. Prior to transcription, we will replace participants' names with numbers to protect identities. Following transcription, we will 'clean' the file, removing names used in conversation.

In any reports we might publish, we will not include any information that will make it possible to identify you or your organization, unless you state your preference that we do so by signing at the bottom of the form. Because we have learned that some individuals prefer to have their statements attributed to themselves, we have made provision for that option.

**Whom do I contact with questions about the research?**

If you have questions regarding this study, you may contact Tashi Wongdi Gurung (tashi.gurung@daayitwa.org)

Please let us know if you wish to be part of the study.

By signing below you are agreeing to have your name used

Name: \_\_\_\_\_ Signature: \_\_\_\_\_ Date: \_\_\_\_\_

By signing below you are agreeing to be photographed and have the photographs presented in publication/presentation.

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_