

# Institutional Analysis of Tourism in Upper Mustang, Nepal

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## 1 Part I: Static Analysis - Collective action

Upper Mustang is situated in the northern border of Nepal and China. 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. It has semi-arid and has extremely low rainfall with desert like climate. The rugged landscape evokes a mystical and exotic image for tourists because of its unique landscapes and rich cultural heritage of the traditional Tibetan Buddhism. The people of Upper Mustang speaks Tibetan dialects and practices Tibetan Buddhism. Before the inception of tourism industry, the people of Upper Mustang subsisted on only three occupations; agriculture, animal husbandry, and trans-Himalayan trade. Upper Mustang is a protected area under Annapurana Conservation Area (ACA) where residents are allowed to own private property and live within the boundaries while maintaining their traditional rights and access to the use of natural resources. Recently, the tourism industry in the Himalayan region of Upper Mustang, Nepal has grown rapidly. The industry, while still at a nascent stage, has alleviated household economic stress through diversification of livelihood options, but also has exposed the environmental landscape and cultural institutions to several negative impacts. The landscape (natural) and culture (man-made) are the key resources as they are the primary reasons tourists come to Upper Mustang. The problem of commons as a result of the exponential growth in tourism is the problem of unique over-appropriation (degradation of natural systems, cultural values, and economic implications), provision of soft (norms, rules, and regulations) and hard (roads, trekking routes, hotels etc.) human-made infrastructure, and monitoring sanctions associated with tourism Annapurna Conservation Area Project (ACAP) is a non-profit organization that oversees the tourism activities in Upper Mustang. Based on the source document, there is insufficient information on whether this case

This case is not a part of the original CPR database.

### 1.1 The Commons Dilemma

- **Potential over appropriation / poor coordination of appropriation.** The common dilemma arises as the number of tourists increase exponentially. There is problem of overuse (over-appropriation), free-rider, and monitoring. The problem of over-appropriation is inevitable when the resource is non-excludable. Tourism resources are non-excludable because one cannot be excluded from enjoying the natural landscape and unique culture of Upper Mustang. However, because of increase in tourists results in the congestion externalities and damage to the resources. With the boom in tourism industry, the number of tourism-oriented businesses in Upper Mustang has increased exponentially. Now, there are several hotels, coffee shops, and gift

shops in villages that did not have any just few years ago. Even more hotels, shops, restaurants are under construction. The population of Upper Mustang is already low and the local people do not have the human capital to meet the demand. Hence, a lot of people from southern Nepal are migrating to Upper Mustang for work, mostly construction work. In some villages, there are more non-natives than natives. With the increase in tourism, there increase in number of workers. This influx of tourists and labors have caused stress to the resources of Upper Mustang, primarily water resources. There is scarcity of water because there are more users now. In addition, there is problem of pollution. Traditionally, there were no bathrooms and toilets did not require water. Today, every other new house has multiple rooms with attach bathrooms and modern toilets. This causes shortage of water. Before tourism, Upper Mustang barely seen waste, because every wasted would be recycled or decomposed. Today the waste is not decomposable, there is no recycling plant or proper waste management facilities, and hence, the villages are polluted with plastic bags, water bottles, and metals.

With the construction of roads, the trekking trails are congested with off-road jeeps, tractors, and motor bikes. Apart from the pollution and diminishing the natural beauty, it disturbs the tourists who payed hundreds of dollars to trek in peace. Especially during the tourist season, there are not enough hotels to accommodate the tourist traffic. Tourist traffic, pollution, modernization, influx of dusty vehicles, and overflow of migrants have depreciated the value of majestic Upper Mustang. In addition, there have been problem of conflicts among locals regarding businesses. With a lot of tourism-oriented business, local have to compete for customers and often times they get into conflict. Recently, with the growth of tourism industry, blinded by instant cash economy, the cut throat competition for tourism-oriented has diminished the social fabric of Upper Mustang for which they were known for which they were popularly known all across the country. There is a problem of free-rider because users (locals and tourists) have no incentives to contribute in investing for the maintenance of quality of resources as they can enjoy the benefits without contributing.

In addition to over-appropriation problems, there is critical problem of monitoring. ACAP does not have enough resources to monitor tourism activities. There is only one check post in Upper Mustang where tourists can check in and validate their permit. There are several incidents reported where the tourists were travelling without permit. It is easy to avoid the check post. Once the tourists are beyond the check post, there is no monitoring of any tourist activities. Lack of monitoring is a problem that has not been acknowledged. A news article reported that authorities have reported that thieves have plundered tens of thousands of Nepalese antiquities that are worth millions of dollars since 1980s. A lot of these antiques are from Upper Mustang. There are rules to which tourists are expected to abide by, however, because of lack of monitoring incentivizes tourists, they once in a while are caught breaking rules. If a tourist is caught without a permit, that tourist is taken to the police station. Once, the tourist is taken to police station, he/she will be mandated to pay the permit fee which is the same amount as regular fee. There is no additional sanction. In addition to the monitoring problem, there is the problem of graduated sanctions as well.

- **Potential under-provision of public infrastructure.** There is problem of provision as the number of tourists increase. There are water sources, but not infrastructure

to bring those water into the villages. There are not enough hotels for tourists to stay, especially during busy tourist season. With the construction of road on the original trekking trail, there is need for alternate trekking route where tourists can trek without the disturbances from motor vehicles like noise pollution and air pollution. With the increased influx of tourists, guides, porters, and migrant laborers, there is increased in waste, but not infrastructure to manage the waste. Apart from hard human-made infrastructure provision problem, there is a problem of soft-human made infrastructures as well. Initially, there were rules to avoid the problem of over-appropriation. There was limit in the number of tourists that can visit in a year. In addition, each tourist has to pay 500 US dollars for a period of ten days to enter the region of Upper Mustang. A licensed guide is required to travel and there should be minimum of two tourists excluding the guide. These are the rules to avoid over-appropriation, because the tourists limit, the expensive permit fee, expense to hire a guide, and the need of a travel companion. After realizing the increased demand of tourists, the limit on the number of tourist visit per year was changed to the unlimited number of tourists which raises the problem of over-appropriation. There are no rules to avoid the problem of monitoring and free-riding.

## 1.2 Biophysical Context (IAD)

- **Natural infrastructure.** Upper Mustang lies in the northern Nepal in the region of the Tibetan Plateau. This region is sheltered behind the Tibetan Plateau making it a rain shadow. The elevation ranges of this region ranges from 2,800 meters to 6,500 meters. Upper Mustang is semi-arid and has extremely low rainfall with 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. 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. Lo-manthang, the largest village in the Upper Mustang is considered the desert of Nepal with annual precipitation below 160mm.

Winter in this region are harsh as there is heavy snow fall, chilling wind, and the temperature drops significantly. Tourists are suggested not to visit during monsoon. The weather in monsoon are usually cloudy and the mountains are invisible because they are blocked by the clouds. In addition, the rise in the water level in rivers and landslides destroy the trekking routes. Furthermore, majority of the locals migrate to warmer place either in the southern Nepal or India. There is lack of human capital to operate tourism-oriented businesses that are necessary to accommodate tourism needs.

- **Human-made infrastructure.** Just over a decade ago, the main source of transportation were horses and mules. With the development of unpaved/graveled roads, the main source of transportation at present are trucks, tractors, and jeeps. Trucks and tractors are used primarily for transporting supplies and for construction purposes. Jeeps are used to transport people. To accommodate increasing number of tourists, several hotels were built in the past 10 years and there are more under construction. In addition, there is an attempt to build alternate trekking trail as the original one is being turned into motor road.

### 1.3 Attributes of the Community (IAD)

- **Social Infrastructure.** The total population of Mustang district, according to the census of 2010 was 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 people of Upper Mustang speaks Tibetan dialects, practices Tibetan Buddhism, and often times identify themselves as Historically from Tibet, but politically from Nepal. Socio-culturally, the entire region of Upper Mustang is homogenous. Before the abolishment of monarchy in Nepal in October 2008, the king of Upper Mustang had limited legal authority. For instance, the local people would have to work at the royal farm before they could work on their own farm. After the end of monarchy in Nepal, the limited authority the king had was ceased by the new democratic republic government of Nepal. However, the King of Lo still is recognized by the people of Lo and has plays significant role culturally and traditionally. Currently, the head of the monk, Rinpoche, kin of royal family, and people with immense wealth are influential.
- **Human Infrastructure.** There is not enough information to infer about human infrastructure. The literacy rate of Upper Mustang is listed at 33 percent which is well below the national average of 54.1 percent. Majority of the residents of Upper Mustang are engaged in agriculture, animal husbandry, petty trade or tourism-oriented business.

### 1.4 Rules in Use (IAD)

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. ACAP is responsible for overseeing tourism activities in Upper Mustang.

#### 1. Position Rules:

- The chief of ACAP is appointed from the head office in Pokhara, a metropolitan city.
- The members of local development committee are elected by the resident of each village.
- Ama Samuha (mothers group) is a committee where all the mothers and women in general are eligible members, but the president of the group has to be elected.
- The chief monk is appointed by the spiritual and religious leader currently refuging in India.

#### 2. Boundary Rules:

- Informal rule: Only local residents can buy or purchase property.
- Only tourists with permit can enter the region of Upper Mustang.

- Only a Nepali citizen licensed guide can lead a group of tourists.
3. Choice Rules:
    - Tourists cannot burn campfire.
    - Tourists have to bring all the waste with them.
    - Tourists are not allowed to hurt, disturb, or remove wildlife or plants.
  4. Aggregation Rules:
    - Members of local development committed are elected by the residents.
    - The president of Ama Samuha is elected by members. All the members must be women.
  5. Payoffs Rules:
    - If a tourist is caught without a permit, that tourist is taken to the police station.
  6. Scope Rules:
    - There is no information on scope rules in this case. If there is, then it is really hard to determine because the outcome in this case is not clear.
  7. Information Rules:
    - There is no information on information rules.

## 1.5 Summary

Before the introduction of tourism, people of Upper Mustang subsisted on only three occupations: agriculture, animal husbandry, and petty trans-Himalayan trade. The Upper Mustang region of Nepal has long been a tourist destination, especially for the westerners. Once popularly known as a Lost Kingdom of Nepal, this region is located in the rain-shadowed with harsh climatic conditions, but evokes a mystical and exotic image for tourists because of its unique landscapes and rich cultural heritage of the traditional Tibetan Buddhism. The region was isolated and remote, and more importantly, tourism was heavily restricted by the Government of Nepal until the turn of 21st century because of its unique geopolitical factors. In March 1992, Upper Mustang, was officially open to the outside world. Tourism definitely has lot of positive impacts, but there are negative impacts as well. The negative impacts are amplified when tourism is not managed properly. Tourism is a promising industry for the region of Upper Mustang if properly managed. Currently, the existing tourism system is at the risk of imposing more cost than benefits. The institutional arrangements are feeble, not effective, and limited. To enjoy the fruition of tourism for a long time while maintaining the natural beauty of majestic landscape and unique culture, the problem of over-appropriation, provision, and monitoring should be addressed.