

CASE STUDIES ASIA

CASE STUDY 1

BHUTAN'S TOURISM ASSOCIATIONS LEAD THE WAY

Author: Paul Rogers & Kyle Alexander
Country: Bhutan
Sector: Pro-Poor Sustainable Tourism

CHALLENGE

Tourism is a key income earner for Bhutan. Between 2000 and 2009, Bhutan's international tourist arrivals more than tripled, as did gross annual tourism earnings - to over \$31 million a year. Within this context, SNV Bhutan's Pro-Poor Sustainable Tourism Programme has two key goals: a) to ensure an increasing proportion of the total tourist spending reaches the poor; and, b) to increase the total revenue generated and captured. Engaging with the private sector in these goals is fundamental to success.

The private sector tourism market encompasses a diverse range of industry actors and entrepreneurs, including transport and accommodation providers, in-bound and out-bound travel agents and tour operators, financial institutions, restaurants and retail outlets, local communities, entertainment centres, handicraft producers and tour guides. Each of these actors has a role to play in pro-poor sustainable tourism. As in other industries, it is also common practice for each sub-sector to establish its own association. Associations are formed for various reasons, most often to share strategic information and to lobby and assert their members' interests.

While Bhutan's tourism industry has grown rapidly in recent years, many private sector actors are still small businesses in an early phase of development. Consequently, their associations are still at an embryonic stage, and struggle to meet members' needs. This presents a variety of commercial and industry sustainability challenges, most visibly in matching the expectations of sophisticated source market tour companies and tourists, who demand increasingly high levels of social and environmental performance. How does a small, family-run hotel in Paro come to understand the principles of pro-poor and sustainable tourism, or convincingly demonstrate that it maximises the sourcing of local produce, provides opportunities for the poor and is reducing its environmental footprint? Or, why should a Thimphu based tour operator pay its membership dues, if its association is failing to deliver practical guidance to improve business performance or to clearly articulate its members' concerns?

As Bhutan's tourism industry has grown, the country's nascent tourism associations have each found themselves under growing pressure to develop and deliver services of value to their members, and to support the longer-term sustainability of the industry.

Having recognised that each sector specific tourism association faces similar challenges, SNV Bhutan identified an opportunity to bring together the different associations under a single platform, to collectively address and mainstream the triple-bottom line demands of pro-poor and sustainable tourism. SNV's engagement in this area contributes valuable synergy with the work SNV undertakes at the destination development level in rural eastern and western Bhutan.

CLIENTS

Four associations approached SNV Bhutan for guidance and assistance.

Association of Bhutanese Tour Operators (ABTO)

Bhutan has 600+ licensed tour operators of which around half are considered to be operational. ABTO was established in 2000 and currently has around 300 members, approximately 150 of which are in good financial standing as association members. It has a full-time general secretary and a small number of salaried staff. To compensate for a shortfall in members fees, ABTO has

previously secured external grant funding. However, it is now firmly focused on the need to become self-financing through membership fees, and all parties recognise that improved service delivery and organisational efficiency are central to ABTO's survival. ABTO also recognises that collaboration with other industry partners is a prerequisite to greater government and stakeholder support for sustainability initiatives across the sector.

Hotel Association of Bhutan (HAB)

Established in December 2007, HAB is administered by one part-time office assistant. The association has around 50 members but only a small proportion are paying members. According to the *2009 Bhutanese Tourism Monitor*, Bhutan has 109 hotels registered to receive international tourists, although just 12 hotels account for around 35% of all bed nights. The hotel sector suffers from a series of problems, including a lack of skilled labour and poor understanding of quality service requirements. Improvements in product service quality are needed to meet the demands of an expanding sector.

Handicrafts Association of Bhutan (HaAB)

HaAB was established in December 2005 and currently has one full-time programme manager. The association has 56 members, although only a very small proportion of these are paid-up members. HaAB has been trying to represent the needs of its members but has lacked direction and sustainable funding sources. SNV has been working with HaAB since mid 2009 to provide advice on the development of a strategic plan to enable it to become member driven and financed, and to help realise the handicraft sector's high potential to alleviate poverty.

Guide Association of Bhutan (GAB)

Formed in February 2009, GAB is Bhutan's newest tourism-related association and currently has some 120+ members. While GAB has worked hard to screen its members to ensure quality and professionalism, there is some concern regarding the quality of guides more generally within the industry, who fail to engage in key issues affecting the sector and its ability to alleviate poverty. The key challenges facing the association are to motivate new members to join GAB and to engage and further professionalise its members. The importance of this latter point cannot be understated as tourists to Bhutan are wealthy, educated and informed visitors paying a minimum of \$200 per day: they demand reliable and informed guides that cannot only impart cultural and historical information, but also demonstrate and engage in responsible tourism practices and debates. This critical issue has emerged as a threat to Bhutan's exclusive high-value, low-volume image.

With requests for assistance coming from each association, SNV identified an opportunity to begin mainstreaming improved social, environmental and pro-poor performance across the whole industry as a viable business approach for all actors to follow, as opposed to something that one or two enlightened tour operators and hoteliers struggle towards.

SNV's approach enabled it to support an improved environment for private sector enterprise development – a key driver for sustainable job creation and livelihoods enhancement – and to simultaneously engage a wide range of individuals and enterprises in pro-poor tourism issues and practices. This was identified as a cost effective approach to achieve impact at scale, and as a way of adding additional value to SNV's destination development programme in Bhutan.

SNV first began working with ABTO in 2005 to support training and curriculum development and with HAB in 2006. In response to the trust generated by these initiatives and SNV's close relationship with the Tourism Council of Bhutan (TCB), SNV was approached by TCB and ABTO with a request to provide leadership training to a wider group of tourism private sector representatives in order to bring the different stakeholders together. As a first step, SNV conducted a leadership training needs assessment which also sought to identify opportunities to bring associations together. It was only after this and a number of consultative meetings that the first phase of a sector wide *Responsible Business in Tourism Programme* was initiated.

Early activities included rapid capacity assessments with each association to identify priority capacity building areas, planning workshops and the provision of direct organisational support. SNV played a key role, for example, in helping GAB to secure Nu1,500,000 (US\$32,500) of start-up funding; develop a three-year

(2010-2012) strategic plan; support the development of an effective membership database; and to introduce guide-employer contracts.

Other activities included: inputs with regards to the utilisation of funds available through Bhutan's *Tourism Development Fund*; management assistance with respect to a *Business Development Skills* training targeted at tour operators (with key modules on the business case for responsible tourism); and information and knowledge sharing, most notably the distribution of an SNV Asia commissioned report entitled *The Market for Responsible Tourism Products*.

Central to the vision, momentum and direction of the initiative was the staging of two three-day intensive working sessions that included energetic discussions on specific sustainability issues and challenges facing the industry under the banner of the *Private Sector Platform for Responsible Tourism Development*. The first of these was convened in December 2009, with an overarching focus on *personal leadership*, and the second in February 2010, centred upon leadership in terms of *managing teams*. These working sessions for key elected association representatives served to build confidence and bring structure to and between the associations.

A key milestone concluding the initial phase was the coming together of the four associations under the formal umbrella of the *Committee of Tourism Associations*. A signing ceremony setting out a charter for the committee was signed in July 2010. Development of the charter was made possible through SNV's appointment of the local capacity builder that had led the development and facilitation of the proceeding working sessions to engage with the associations to agree the specific wording of the document. Highlights of the charter include commitments to collectively implement responsible and sustainable tourism initiatives, and working procedures to initiate and jointly carry forward policy dialogue with the Royal Government.

A second phase of the *Responsible Business in Tourism Programme* began in September 2010 and will conclude in February 2011. This phase provides continued technical support to two associations: the *Guide Association of Bhutan* and the *Handicrafts Association of Bhutan*, and technical assistance (where requested) to support the *Committee of Tourism Associations* in its activities. In addition, under this phase, SNV recruited a female Bhutanese intern to undertake direct engagement with private sector enterprises. The intern benefited from advisor time spent coaching and mentoring and she became able to participate in internal and external training.

OUTCOME

Through the *Responsible Business in Tourism Programme*, SNV Bhutan has ensured the poor (and their role in tourism product and service provision) receive increased recognition, stimulating frontrunner companies to take active steps to extend opportunities to the poor. Advancing these frontrunners will increasingly act as examples for their peers and will facilitate wider recognition of pro-poor tourism products and services.

More generally, it is envisaged that a significant proportion of tourism related businesses will start to effectively respond to the broader business case for socially and environmentally responsible tourism, by modifying existing products and services and by developing new ones. It is however recognised that this approach takes time and will not be achieved overnight. It requires a process whereby pro-poor practices must first be reinforced through demonstrable business success and competitive advantages.

On another level, the tourism business associations have strengthened their organisational capacity and as a result are better positioned to effectively represent their members' interests, be more self-sustaining and less dependent upon outside assistance. Moreover, the associations are now working together to collectively resolve sustainability issues facing the tourism industry. In the words of HAB representative Chukie Om Dorji, '*Besides showering on us the knowledge that we had never known before, [the working sessions] broke the boundaries that existed between us. We know each other very well now and this enriches us with the ability to consult each other. This has never happened before.*' An outcome of this new collaboration was the *Committee of Tourism Association's* organisation of a major *World Tourism Day* event, which involved the *Committee*

raising approximately \$8,500 in local funds to convene 29 stalls showcasing tourism products and services in Bhutan. The event was attended by high profile government figures, industry bodies, donors, development agencies and the general public.

In summary:

- the *Committee of Tourism Associations* has been established, with active private sector buy-in;
- the four key tourism business associations have an enhanced level of organisational capacity and knowledge of pro-poor sustainable practices, thereby supporting the continued development of the private sector; and

a local capacity builder has developed a range of new skills and is now able to engage with tourism stakeholders in leadership, responsible tourism and business development issues.

Bhutan's tourism private sector is better informed than ever before – better able to address both individual and collective needs. In terms of measuring this impact, a second rapid capacity assessment of each of the associations will be undertaken in early 2011 to obtain an understanding of the changes in capacities that have taken place over the course of SNV's support to the associations.

There is little doubt that collectively both the public and private sectors are more focused on sustainability and responsible tourism. In time, as the sector continues to grow and expand, this will contribute directly to the government's target figure of 25,000 new jobs in tourism. From another perspective, the government royalty of US\$65 that is collected per tourist per day and other tourism taxes provides the government with a hugely important source of income. Rinzin (et.al, 2007) note this national revenue is spent on free health and education programmes for Bhutan's citizens (17%), nature conservation (11%) and other local development programmes (30%).

The assignment had a life of just over 1½ years, and was itself built upon previous engagement with the associations and a long-term relationship with the Tourism Council of Bhutan. The key lesson learned is that there are no quick wins in pro-poor tourism and the promotion of responsible business practices: it takes time to build trust and constructive relationships with business partners whose time and energy is primarily focused on staying ahead of the competition. Getting each of the industry's private sector associations together is a major achievement in itself, raising awareness and understanding as to how responsible tourism practices and approaches contribute to poverty alleviation and a smaller environmental footprint.

In the journey of getting individual businesses and their associations to understand and buy into the goals of responsible tourism, it can be argued that it was beneficial that SNV did not come to the table with large sums of money for each association: rather, quality relationships have been developed based upon respect and mutually valuing each others' role, knowledge and technical abilities.

It is also important to stress that tourism is an expanding industry in Bhutan. It is labour intensive with proven opportunities to provide incomes and employment that lift the poor out of poverty. In Bhutan, with its unique tariff system, the industry also delivers a direct and an unusually high government income, which is dispersed, for example, to health, education and environment budgets. The efficiency and ability of the sector to directly impact upon and benefit the poor is however limited when left to market forces alone. In the case of SNV Bhutan's initial *Responsible Business in Tourism* initiative, it can be seen that the period of support has been very beneficial. Future support is needed to continue mentoring and advisory processes to: a) deliver more extensive and lasting institutional learning; and, b) establish sustainable mechanisms to deliver impact to the poor at scale.

Quality tourism that is responsible and pro-poor focused requires an informed and professional private sector. Major steps forward to build the capacity of the four key private sector associations have been achieved. Sonam Dorji of ABTO, for example, recognises that the programme has '*...not only give[n] us an opportunity to understand the outside world. More than this, it is an opportunity to look at*

things from others' perspective and understand each other's problems.'

- *Start and end date of contract:* Start June 2009 – end February 2011
- *Consistence of team:* Four SNV advisors provided inputs at various times. One LCB (the Institute of Management Studies) was engaged from November 2009 to July 2010.
- *Number of PP-days already invested and planned to be invested per category (staff/LCB/external consultant):* As per Timetell actuals for first assignment, and assignment agreement commitments for second assignment: PP days: 380 days, LCB days (inc. intern): 94
- *Relevant partnerships:* Institute of Management Studies (as LCB), Tourism Council of Bhutan (as main client); the four associations.
- *Financial resources invested:* €4,400.

Reference

Rinzin, Chhewang, Vermeulen, Walter J. V. and Glasbergen, Pieter (2007)
Ecotourism as a Mechanism for Sustainable Development: The Case of Bhutan,
Journal of Integrative Environmental Sciences, 4:2, 109 – 125