



Terms of Reference

Consultancy for Development of SME-Based Tourism Project

1. Background

Tourism is a crucial sector for Nepal's economy, contributing about 6.7%¹ to the GDP, boosting foreign exchange earnings, creating jobs and income, and promoting cultural and natural heritage. In 2019, tourism and the hotel industry accounted for 6.7% of Nepal's total employment. The sector saw significant growth until the COVID-19 pandemic, peaking at 1.2 million tourists in 2019. By 2023, Nepal's tourism showed promising recovery, attracting over 1 million international tourists. The government has targeted to bring 1.6 million tourists in fiscal year 2024/25.

Before COVID-19, the main sources of tourists were India (16.5%), China (13.1%), and the United States (7.83%). Post pandemic data from 2021 indicate that India (21%), China (11%), and Europe and the US combined (19%) remained significant sources of tourists. Notably, domestic tourism has been growing, contributing 56% to the industry's total revenue of 240.7 billion NRP in 2018. Most tourists visit Nepal for holiday pleasure (over 65%), while trekking and religious tourism each account for less than 20%.

Strategically located between China and India, Nepal has significant untapped tourism potential. However, according to the Nepal Economic Forum², average spending per visitor decreased between 2015 and 2021, even as the average length of stay increased. To maximise economic benefits, Nepal should target regional and domestic tourists. This has also been a focus of the government with priority given to the development of tourism destination and products in the bordering cities. Domestic tourism, driven by young Nepali, has shown strong revenue potential. Additionally, sectors like meetings, incentives, conferences, and exhibitions (MICE), and religious and cultural tourism, are underdeveloped.

Recognising tourism's value, the Government of Nepal included "development and expansion of quality tourism services" as one of nine transformation drivers in its fifteenth five-year plan (2018-2023). The government has also announced Nepal Tourism Decade (2023-2032) aiming to bring 3.5 million tourists in the next 10 years. The goal of this campaign is to increase tourist spending, create jobs, increase tourism sector's contribution to national Gross Domestic Product and to bring tourist numbers to pre-pandemic levels.

In the federal context of Nepal, the provinces play a crucial role in tourism development, with varying levels of private sector investment. According to Nepal Rastra Bank³, Bagmati Province leads with 68.13% of the total loan disbursement in tourism sector. Gandaki and Lumbini provinces follow with 10.42% and 11.50% respectively, reflecting their significance in trekking and religious tourism. Other provinces like Koshi, Madhesh, Karnali, and Sudurpaschim received lower investments, indicating potential for growth through targeted initiatives. These provinces could greatly benefit from targeted developmental initiatives to enhance their tourism offerings and attract more tourists, which would boost local economies and create jobs. Additionally, provinces such as Koshi and Madhesh have declared this fiscal year as a tourism year, signalling their commitment to developing this sector. By focusing on these less invested provinces, there is an opportunity to promote more balanced tourism

¹ Tourism and Economic Growth in Nepal, Economic Review Volume 23_2, Nepal Rastra Bank, 2011. The figure of 3% does not fully consider tourists, mainly from India, who entered Nepal without visa, or domestic tourists.

² Nepal's Tourism and Hospitality Sector. Challenges and Opportunities Post-Covid-19, July 2023.

³ Banking and Financial Statistics, Nepal Rastra Bank, April 2024.



development, encourage sustainable tourism practices, and diversify tourism products across Nepal.

Furthermore, development partners have played a crucial role in promoting tourism in hilly and mountainous areas, with a focus on conservation, rural inclusion, and post-earthquake and pandemic rehabilitation. Local communities and microenterprises have been the primary beneficiaries of these initiatives. Additionally, international development agencies such as the World Bank, Asian Development Bank (ADB), and United Nations (UN) have supported the government through various policy support initiatives aimed at developing the tourism sector. The World Bank has facilitated the implementation of tourism concessions in protected areas or national parks. Similarly, the ADB has assisted the government in conducting the Sudhuraschim Integrated Economic and Tourism Development Study, which will inform the development and enhancement of future tourism infrastructure projects. The UN, in collaboration with the Nepal Tourism Board, has implemented the Sustainable Tourism for Livelihood Recovery Project and developed a National Tourism Strategy Plan. Likewise, the USAID Trade and Competitiveness project focuses on supporting high-value tourism experiences, enhancing productivity and service quality, providing market-based financial services, creating jobs and income, and facilitating investment and policy reforms.

Additionally, Switzerland has launched the Trail Based Tourism Development Project (TTDP) to achieve the following outcomes: 1) Collaboration between Koshi Province, local, and federal governments to develop culturally rich, environmentally friendly trail-based tourism destinations, and 2) Engagement of community members, micro entrepreneurs, and SMEs in such tourism. Furthermore, the World Bank and Swiss Agency for Development and Cooperation (SDC) is jointly supporting the government in preparing a sectoral investment plan for Tourism development. Switzerland supports projects promoting market oriented technical and vocational education and training (TVET), digital innovation, and access to finance and business development services for SMEs. Through economic cooperation, Switzerland aims to attract its private sector to partner with Nepali companies in the tourism sector.

Switzerland's comprehensive approach includes support for SME growth, political and administrative federalisation, and economic decentralisation, especially in secondary and tertiary cities. This strategy aims to leverage potential for creating jobs and boosting income, ultimately fostering sustainable economic growth in Nepal.

In this context, SDC is requesting proposals from the national entities to conduct a scoping study in Koshi, Madhesh and Lumbini Provinces with intervention options for SDC, and – in a second step – design a project, aiming to support systematic development of tourism enterprises in Nepal.

The assignment shall be guided by the following assumptions (which may be revised throughout the assignment):

- a) Focus primarily on regional and secondly on domestic tourism, as Nepal is bordering two of the largest evolving tourism markets in the world.
- b) Tourism development supported by SDC shall be green, resilient and inclusive.
- c) Focus on and support to SMEs, their economic ecosystem, viable products, interaction with provincial and municipal governments.
- d) Experiential, SME-based tourism shall be a focus of the project.
- e) Support shall be rendered fully in line with the assignment of functions to the three spheres of Government in the spirit of the Constitution
- f) The tourism intervention shall strengthen and complement SDC's engagement in the employment and income domain.
- g) Private sector engagement, including to the extent possible from Swiss private sector, shall be encouraged in the project.



2. Objectives and scope of the assignment:

The consultancy assignment shall have two major parts:

Part 1: Scoping study and option papers for SDC tourism development engagement in Nepal:

- I. This part focuses on the strategic engagement of SMEs in the tourism sector, leveraging insights from the Koshi, Madhesh and Lumbini provinces, including the national initiatives and programmes to foster equitable growth and innovation in tourism products and services. The key tasks include:
 - a. **Tourism Trends and Development for Tourism SMEs:**
 - Analyse the flow of tourism in Koshi, Madhesh, and Lumbini provinces with focus on regional and domestic tourists. Identify peak and off-season periods, enabling SMEs to tailor their offerings.
 - Study national and regional tourism trends, emphasising on the niche of Koshi, Madhesh, and Lumbini. Propose targeted interventions tailored to the economic potentials and needs of these provinces for the new SME-based tourism project.
 - Identify opportunities for local partnerships between SMEs and larger tourism operators to create integrated tourist packages that highlight unique attractions of the targeted provinces.
 - Provide surveyed analysis to understand the preferences and behaviours of tourists visiting Koshi, Madhesh, and Lumbini. Focus on spending patterns, travel motivations, and preferred experiences.
 - Identify key gaps or problems in the tourism value chain within Koshi, Madhesh, and Lumbini. Explore potential for tourism SMEs to innovate and diversify offerings, focusing on market and product development that aligns with emerging trends and local cultural authenticity.
 - Explore the potential for promoting cultural and heritage tourism in these provinces, focusing on unique local traditions, festivals, and historical sites.
 - Assess the training needs of tourism SMEs and develop frameworks that enhance the overall sector, particularly focusing on building the capacity of SMEs to deliver high quality, sustainable tourism experiences that attract both regional and domestic tourists.
 - b. **Destination Improvement and Sustainable Tourism Practices:**
 - Assess the current state of transportation, accommodation, and tourist facilities, and propose the needed improvements to enhance experiences for regional and domestic tourists.
 - Propose strategies for the service-oriented improvement aimed at enhancing their appeal and accessibility, while prioritising environmental sustainability.
 - Analyse the opportunities to promote community-based tourism initiatives that involve local communities in tourism activities, ensuring locally distributed economic benefits and cultural integrity.
 - c. **Provincial Tourism Sector Strategy Analysis:**
 - Assess tourism strategies, policies and fiscal allocation, including taxes, subsidies and private investments of Koshi, Madhesh and Lumbini to identify contribution of tourism SMEs to provincial and local economies and areas for economic improvement.



d. Entry Points for SDC:

- Identify strategic entry points for SDC to design an eight-year programme with impactful interventions, focusing on gender equality, economic inclusion and sustainability.
- Propose areas where SDC can add unique value to the tourism sector of Nepal, including leveraging Swiss tourism expertise and facilitating investments.
- Advise SDC on the geographic / province focus of the proposed intervention.

II. Facilitate stakeholder discussions to validate and prioritise interventions supported by SDC:

- Conduct in cooperation with SDC workshops to present and review findings of the scoping study with the key stakeholders.
- Discuss options presented and foster agreement on the strategic objectives, key areas and geographic scope to be addressed.

Part 2: Development of project document for SME-based tourism project for the first four-years (phase I):

- I. This part of the consultancy assignment will systematically craft a project document for a four-year initial phase. The tasks are designed to embed deep strategic insights derived from the scoping study and align with policies, stakeholder interests, and the Swiss Cooperation Programme (2023-2026) in the given format:

a. Context Analysis:

- Conduct a thorough examination of the economic, social, and environmental contexts of Nepal's tourism sector, with details on the focal provinces, focusing on political, policy and programmatic landscape.
- Analyse the implications of Nepal's federal structure on tourism development, identifying opportunities and challenges, particularly for empowering provincial and local governments and supporting the private sector through enabling business environment.
- Assess the current socio-economic factors affecting tourism to identify areas for sustainable development and SME integration.

b. Stakeholder Analysis:

- Map out key national and provincial stakeholders and their activities including government authorities, local communities, private sector actors, and international development partners.
- Analyse their roles, influence, and expectations from the tourism sector to design engagement strategies that align with the project's goals.

c. Intervention Strategies:

- Considering the scoping study and selected provinces, propose specific intervention strategies focused on enhancing tourism-SMEs' capabilities, marketing, product development, sustainable tourism practices and needed stakeholder collaboration.
- Justify each interventions strategy with insights from the context and stakeholder analysis, including risk and mitigation measures to ensure feasibility and entry points for SDC.
- Put strategic focus on the cooperation programme, synergies within the private sector development portfolios and possible partnerships with Swiss tourism companies for the exchange of know-how and investment.
- Identify systemic barriers and opportunities and develop strategies to include transversal themes in the project's intervention strategy.



d. Theory of Change:

- Develop a clear Theory of Change that outlines the expected pathways for achieving the project's long-term objectives.
- Provide details on how the interventions will lead to desired outcomes on the selected provinces such as systemic transformation, sustainable growth of tourism SMEs and their increased participation creating opportunities for sustainable jobs and income.

e. Project Planning, Implementation and Monitoring Framework:

- Develop a detailed implementation plan that includes timeline, indicative workplan and budget allocation.
- Establish a governance structure that reflects federal state building principles, ensuring inclusive decision making that represents the interests of all the stakeholders.
- Design a monitoring plan that will track the effectiveness of interventions, including indicators for assessing impacts on economic growth, social inclusion, environmental sustainability, and stakeholder satisfaction.

f. Frameworks Condition and Policy Advocacy:

- Recommend policy support or changes and advocate for regulatory frameworks that support sustainable tourism development and enhance SME competitiveness in the selected provinces.
- Coordinate with various levels of government to ensure that policies are aligned and conducive to achieving the project's goals.

II. Facilitate buy-in from relevant stakeholders:

- Consult the project concept relevant Government organisations, private sector associations and actors and other stakeholders; Integrate results into a revised conceptualisation of the project.

3. Methodology

The methodology for this consultancy assignment is designed to provide a robust framework for in-depth analysis, stakeholder engagement, and innovative project design. The scoping study for this assignment will be carried out in the provinces and will integrate qualitative and quantitative methods to ensure a comprehensive understanding of the challenge and opportunities in the sector for designing effective interventions.

a. Literature Review and Secondary Research:

- Conduct a systematic review of existing literature, including academic research, industry reports, government publications, policies and previous project evaluations related to tourism in Nepal and similar contexts.
- Public frameworks and documents on tourism and its ecosystem prepared at federal, provincial and municipal level.
- Strategic frameworks and project documents of SDC in Nepal and globally.
- SDC good practice documents, tools and guidelines related to tourism, private sector development, gender, governance, and project cycle management.

b. Consult with key stakeholders:

- Develop and administer structured surveys and conduct interviews with a wide range of stakeholders, including SMEs, government officials, local communities, and tourists.
- Organise field visits to the selected provinces to assess and identify potential entry points for project design.

- Facilitate workshops and focus group discussions with key stakeholders to gather diverse perspectives on tourism market development, destination improvement and sustainable practices in tourism.
- Establish mechanisms for ongoing feedback throughout the project scoping and documentation phases to ensure inputs are consistently incorporated.

4. Terms of consultancy

The consultancy assignment will be conducted in two parts. The development of project document (part 2) will be contingent upon the prior approval by SDC for the project entry proposal.

The consultancy team will work independently, and be supervised by an SDC programme staff. An advisory group will share experience and guide the consultancy team in strategic, thematic and operational questions, and provide administrative and process related support.

5. Timeline

Deliverable	Due Date
Part 1: Scoping study and options paper	
Publication of the ToR	30/08/2024
Deadline for submission of written questions	15/08/2024
Deadline for submission of technical and financial proposal	30/09/2024
Awarding of contract	29/10/2024
Submission of draft Scoping Study Report, including options paper	31/01/2025
Workshop(s) with key stakeholders to review and prioritise report	27/02/2025
Appraisal of Project Entry Proposal and Decision by SDC to advance to Part II of assignment or terminate	30/06/2025
Part 2: Development of Project Document for Phase I	
Subject to approval of project entry proposal by SDC, commencement of part II of consultancy assignment	15/07/2025
Conclusion of stakeholder discussions	15/09/2025
Submission of detailed project document	31/10/2025

6. Required qualifications of consultancy team:

- Practical and academic background in tourism development, with robust expertise in conducting scoping studies, conceptualising projects, and preparing proposals.
- Solid understanding of the tourism enterprise ecosystem, including the challenges and opportunities it presents, and knowledge of innovative or niche tourism products that cater



to regional and domestic tourists that leverage Nepal's unique geographical and cultural assets.

- Solid understanding and network of private sector stakeholders of the tourism ecosystem.
- Proficiency in analysing and interpreting tourism flow data to identify patterns, seasonal variations, and tourist demographics.
- Capability to forecast future trends and adapt strategies accordingly, utilising advanced analytics and market research tools.
- Robust network with key government agencies, private sector, and other stakeholders to facilitate smooth project design.
- Solid understanding of the functions of three spheres of Government in relation to the tourism sector.
- Solid understanding of systemic barriers and opportunities in the tourism sector, as well as sustainable tourism practices that promote economic growth and community benefits.

7. Instruction for submission of bids

Interested consulting firms with relevant expertise and experience are requested to submit the following:

a. Technical bid:

- An outline of the proposed contents of the scoping study including the understanding of the assignment, the approach and methodology, as well as the proposed work plan/ timetable for the assignment. (max. 6 pages)
- Table of contents of the report.
- CVs of experts conducting the assignment. (max. 3 pages per expert)
- Official organisational registration certificate and proof of organisational work experience.

b. Financial proposal

- A detailed budget, including all costs (fees, travel, workshops etc.) related to the assignment in Nepali Rupees, by using the attached template. The budget should indicate the value of the work required to complete Part 1 and Part 2 of the assignment separately.

The proposal received will be evaluated based on the following headings with the corresponding weights as show in the table below:

Evaluation Criteria	Weight
Understanding of the assignment and proposed methodology	20%
Profile of experts	40%
Workplan and timeline	10%
Financial proposal (fees, value for money, plausibility)	30%

Bids are to be sent by email to the Embassy of Switzerland in Nepal (kathmandu@eda.admin.ch) with "Consultancy for Development of SME-Based Tourism Project" in the subject line. Only complete submissions will be taken into consideration and phone calls will not be entertained. The deadline for submission is 30 September 2024. SDC will award initially a contract for Part 1 only. Upon approval of the entry proposal of the project by the Project Appraisal Committee of SDC, a follow-on contract will be issued as per the terms agreed in the bid process.



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Eidgenössisches Departement für auswärtige Angelegenheiten EDA
Département fédéral des affaires étrangères DFAE
Dipartimento federale degli affari esteri DFAE
Departament federal d'affars exteriors DFAE

Local mandate: Budget

Name consultant/company: Intended duration of mandate:

from: to:

				Total
Code Function/ Designation	Price/ Unit	Unit	Quantity	Costs
1 Remuneration Consultants				
Consultant 1		hour(s)		0.00
		day(s)		0.00
Consultant 2		hour(s)		0.00
		day(s)		0.00
Consultant 3		hour(s)		0.00
		day(s)		0.00
Total remuneration consultants				0.00
2 Travel, accommodation and other (effective costs)				
Travel		trip		0.00
Accommodation		day		0.00
Other reimbursables		day		0.00
				0.00
Total travel expense				0.00
3 Other costs				
Cost of Workshop (with breakdown)				0.00
				0.00
				0.00
Total other costs				0.00
TOTAL COSTS				0.00

(SAP number: 363 200 2170)