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KFW

SUSTAINABLE TOURISM SECTOR

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Executive Summary

The adventure tourism sector in Northern Pakistan presents a number of potential investment opportunities. The opportunities presented in this sector brief are by no means comprehensive. There may be many other areas that we have been unable to fully explore within the limited scope of this project. The primary areas in which we see scope for investment are:

Activities	Description
	Adventure
Ziplining	Ziplining is a comparatively new phenomenon in GB and KP, and has proven to be extremely popular with visitors. Generally located in easy-access areas near to well-paved roads, ziplining caters to the mass tourism market. The number of ziplines has increased over the past few years – there are now ziplines at Nagar (at the base of Rakaposhi), Malam Jabba (Swat), Booni (Chitral), and FCNA Sports Complex Gilgit. The most obvious investment opportunity is simply funding a new zipline venture, though there may also be opportunities to invest in businesses that provide digital ticketing services, improved parking facilities, equipment supply and maintenance.
Water Sports	Water sports have gained in popularity over the last few years in KP and GB. With an abundance of open water and rivers, there is considerable potential to develop further water sports activities. The main activities at lakeside venue are diving, jet skis, pleasure cruises and parasailing. There may be opportunities to develop waterparks, offering a range of activities that are currently not on offer, including kayaking, snorkeling, flyboarding, blob-jumping, banana boating and jetpacking.
Eco-Lodges	Interviews with small tour operators showed a need for eco-lodges to cater to the demand for accommodation. The majority of hotels in the region are simply designed to accommodate large volumes of people, and are designed with little consideration for the environment. Eco-lodges have been established recently by UNDP and the KP government, with great success, and there are plans to continue expanding the footprint of these sites with more lodges.
Women-Led Tour Operators	There are a small number of companies providing tours for women-only groups. There is small, but growing demand for these services. Women feel safer travelling with female guides in groups comprising only women. Small businesses could use investment to buy/rent commercial property, vehicles and equipment, and for marketing purposes. This is likely a small investment opportunity, suitable for the start-up investment window, as the volume of tourists seeking these services is still comparatively small.
Other sports	**Mountain bike touring** could be considered viable. In Hunza, for example, there are networks of gravel and dirt tracks that run alongside existing roads, creating alternative routes for bike touring without requiring technical skill to navigate. Local bicycle hire companies already exist, but tend to offer poor quality and poorly maintained bicycles unsuitable for this type of touring. Fat bikes and

	electric/fat bikes have both a novelty and practical appeal for potential customers. Electric bikes in particular would appeal to a wider market, requiring lower levels of fitness. Similarly, it would be perfectly feasible in a location like Phander, to create a business that provides personal or group **canoes, rafts, kayaks and paddleboards** for single day excursions down the river. The initial investment amount to purchase equipment would be comparatively low, and there is little infrastructure required to maintain the fleet of vessels, or the vehicles needed to transport them and the customers to and from the drop off and collection points.
Support Services	
Washrooms	There is currently a lack of public washroom and sanitation facilities at tourism destinations across GB and KP. This creates pressure on already-overstrained existing facilities in petrol stations, and encourages people to make use of outdoor spaces. The lack of safe and clean washroom facilities deters women, families, the elderly and people with disabilities from visiting tourism areas. AP could consider investing in a business that provides premium washroom facilities. Using current market rates gleaned from interviews, we provide an estimate of costs and profits per individual washroom unit.
Parking	Mass tourism and overcrowding at key tourist destinations within KP and GB cause considerable traffic congestion. Parking facilities are currently provided by local landowners for a small fee, but are haphazard and poorly organized. A well-situated park-and-ride or park-and-hike facility could help alleviate traffic congestion around these sites. Costs would vary significantly depending on the size of the plot of land and the expected volume of traffic, and would need to be clearly articulated in an investment pitch to AP.
Green Energy	The tourism sector is energy hungry. As the number of tourists continues to grow, so too will energy consumption. Given the harsh mountainous conditions, power outages are not uncommon, and most businesses run back-up generators, incurring additional running costs. There is therefore a dual incentive for investing in businesses that can supply or install **solar energy** or **hydel power** equipment.
Waste to Energy	There is a critical need for waste disposal and recycling solutions in KP and GB. Municipal services currently struggle to keep apace the volume of waste generated by high volume tourism, leading to unhygienic and unsightly refuse dumps in areas of outstanding natural beauty. We see opportunity to invest in companies that are able to address this issue by, for example, converting waste to Liquid Natural Gas (LPG). Converting waste material into LPG would have a direct impact on levels of deforestation and make LPG available at a lower cost for hotel owners and local communities.

We offer three key recommendations:

1. **AP should issue calls for applications to solve specific challenges in order to encourage innovation.** The pressures of mass tourism in GB and KP are considerable, whether it is access to public washrooms, accumulation of litter, or traffic congestion. AP should issue calls for applications to solve these problems. Each call could correspond to an individual problem. Each call should contain a specific problem statement, which applicants will be required to address. AP would then apply the same rigorous selection criteria as usual in choosing which businesses to fund. This would ensure that all applications are *de-facto* aligned with AP's social and environmental priorities and would help address some of the structural issues that impact on the environment.

2. **AP should develop a toolkit to assess the environmental impacts of applicants' business models during the initial screening stage.** AP currently lacks a standardised format for assessing whether businesses are eco-friendly. Such a toolkit would enable AP to filter investment pitches early in the process. The toolkit could also be used to develop specific eco-performance indicators, ensuring that successful funding applicants actively work towards green targets as they progress towards scale.

3. **Build a social and environmental impact reporting framework.** AP's 'headline' results figures currently showcase *jobs created, follow-on investment* and *enterprises invested.*[1] The strength of these figures is that they can be ascertained relatively easily from individual businesses and aggregated at portfolio level. However, this misses an important opportunity to showcase the positive social and environmental impacts of these investments. Businesses themselves may wish to report against social and environmental indicators as this could open opportunities to pitch for funding from other impact investors. The impact framework could record a variety of indicators ranging from the basic (number of women employed, number of female-led initiatives) to the more complex (quality of life indicators, environmental outcome indicators etc.).

[1] https://accelerateprosperity.org/impact

1. Introduction

1.1. Overview

Aleph Strategies was commissioned by KfW on behalf of Accelerate Prosperity to conduct an adventure tourism market study in Pakistan. This Sector Brief is the final report of the exercise, presenting a consolidated analysis of trends in adventure tourism, a snapshot of the sector in Pakistan, and a summary of potential investment opportunities. Recommendations are provided at the end of this report to help guide AP's future investment decisions, and to provide AKF with a prioritised set of actions to stimulate social and economic development through the tourism sector.

Accelerate Prosperity (AP) wishes to invest in start-ups and Small and Growing Businesses (SGBs) working in the adventure tourism sector in Pakistan. In line with its foundational mandate, AP invests in businesses with a particular focus on those that are: run by/for women, have an eco-friendly approach, are tech-enabled, and create employment and income for local communities. AP sits comfortably within the Aga Khan Development Network's (AKDN) wider tourism promotion work, which seeks to promote entrepreneurial spirit and draw investments into local areas.[2] This study lays the groundwork for propelling growth in one of AP's priority market segments: adventure tourism.

1.2. Objectives

There were four primary objectives in this research project:

1. identify innovative and disruptive business opportunities that are currently untapped with a special focus on young entrepreneurs and female-led enterprises.
2. outline trends and best practices for innovation in sustainable tourism at the local, regional, and global levels.
3. identify key constraints to the growth and development of startups and SGBs within the tourism industry.
4. produce a tourism sector brief that will aid AP's training and financing efforts within each sector.

This study focussed on two prime tourist destinations in the north of Pakistan - Khyber Pakhtunkhwa (KP) and Gilgit-Baltistan (GB).

[2] https://www.akdn.org/what-we-do-tourism-promotion

Table 1: Basic Definitions

Financial feasibility	We apply this term to describe the likelihood of profitability based on several factors, including whether there is a gap in the market for a product or service, and whether there is adequate demand. If there is sufficient data available, we may be able to estimate the approximate market size and payback period.
Disruptive / innovative	Businesses that provide new services / products to the market, changing the way people and businesses behave and interact. In the study, we identify opportunities in the market where such solutions could be envisioned. The report does not identify specific innovative or disruptive business models or solutions.
Eco-friendly / sustainable	Businesses that provide services or products that address or alleviate pressures / threats on the local environment.

2. Trends in the Tourism Industry

The potential for adventure tourism in Pakistan has long been recognised, and it continues to receive accolades from travel writers and commentators.[3] Tourism is general is big business for Pakistan as the figure below illustrates.

Figure 1: Contribution of Tourism to the Economy in Pakistan[4]

Tourism in Pakistan (2019)		
5.9% of national GDP	6.2% of national jobs	USD 852m from foreign revenue

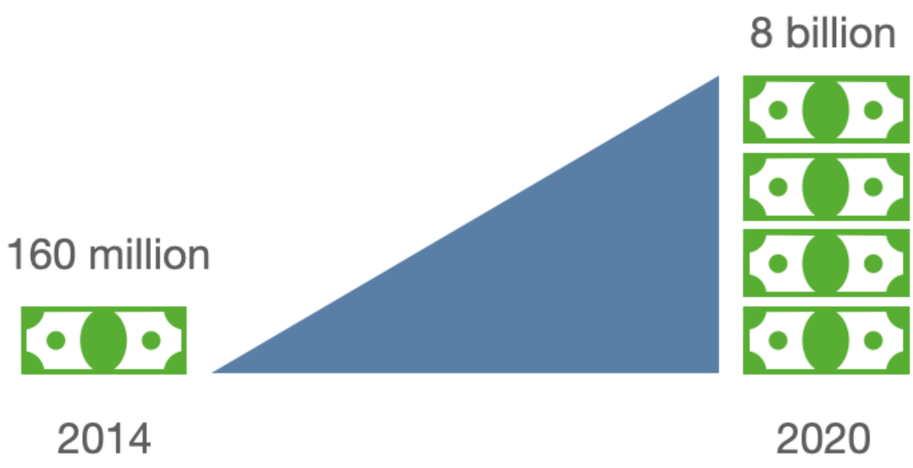
In prioritising investments in adventure tourism, AP is well aligned with global trends. Following the COVID-19 pandemic, domestic and international tourism markets were amongst the most severely impacted. Hard data is unavailable and we urge caution when relying on the following statistics. One estimate calculates a loss of around USD 20bn to the Pakistan economy due to a slump in tourism.[5] The World Bank's data suggests that international tourism expenditures alone dropped from 3 billion in 2019 to 1.25 billion in 2020.[6] Hotel bookings across the country dropped

[3] https://www.lonelyplanet.com/news/pakistan-top-backpacker-destintion; https://images.dawn.com/news/1184213
[4] Government of Pakistan, Pakistan Board of Investment (2020): Tourism Sector Profile, p.4
[5] Mohammad, N. et al. (2020): Potential Economic Impacts of COVID-19 on Tourism Industry of Pakistan: A Review. Social Science 16 (2): 601-611
[6] https://data.worldbank.org/indicator/ST.INT.XPND.CD?locations=PK

from 95% to 40% in the period January-March 2020.[7] Data from the World Bank illustrates that tourism's contribution to total imports to Pakistan dropped from 5.2% in 2019 to 2.4% in 2020.[8] Another source estimates that KP alone could experience a loss of USD 20m in annual revenues.[9]

However, as the pandemic receded, adventure tourism was one of the leading recovering market segments within the tourism industry globally, according to online search activity.[10] The tourism sector has experienced an uptick in activity throughout Pakistan in the past three years. Within the Asia-Pacific region, Pakistan ranks as one of the most improved tourism industries – up 2.9% since 2019.[11] Unlike other countries in South Asia, which are heavily reliant on foreign tourist[12], the industry in Pakistan is geared towards domestic tourism, creating a more resilient market. Additionally, foreign development assistance flowing to the tourism industry has grown significantly since 2014, as shown in the figure below.[13]

Figure 2: Growth in Foreign Development Assistance to the Tourism Sector



Though accurate data is hard to find, anecdotal evidence from interviews with tour operators working in northern Pakistan and media reporting suggest that domestic tourism increased

[7] National Tourism Coordination Board: Strategy to Help Mitigate the Socioeconomic Impact of COVID-19 on Pakistan's Tourism Industry, p.5
[8] https://data.worldbank.org/indicator/ST.INT.XPND.MP.ZS?locations=PK
[9] Khan, A. et al. (2021): Impact of Covid-19 on Tourism and Economy of Pakistan. Cross Current International Peer-Reviewed Journal on Humanities and Sciences. Vol. 7, Issue 5
[10] World Travel & Tourism Council (2021): Investing in Travel and Tourism, p. 8
[11] World Economic Forum, Travel & Tourism Development Index 2021: Rebuilding for a Sustainable and Resilient Future
[12] Asia Development Bank (2022): Supporting Post-Covid-19 Economic Recovery in Southeast Asia, p.x
[13] OECD Development Assistance Committee, Creditor Reporting System

significantly due to foreign travel restrictions.[14] While this initial surge can largely be attributed to the concerns and issues around travelling abroad during the global pandemic, this trend has not subsided as travel restrictions eased, a trend reported across the region.[15] Additionally, foreign tourism in Pakistan has also increased following the rise in popular travel-bloggers documenting their experiences. We highlight specific trends within Pakistan's tourism industry collated into three main themes: ecotourism/sustainable traveling, gender equality and the empowerment of women, and technology.

2.1. Ecotourism/sustainable traveling

There is growing expectation amongst younger generations for eco-friendly tourism experiences. The Asia Development Bank reports a regional trend of 'conscious consumption'[16] – so-called Generation Z and Millennials have higher expectations that tourism experiences should be environmentally friendly compared to older generations. It remains to be seen how this plays out in Pakistan, but with 64% of the population under the age of 30[17] we may begin to see shifts in attitudes towards tourism, with people turning away from mass-tourism experiences towards greener alternatives. Certainly the prevalence of 'eco' branded resorts visible in places like Hunza suggest this is already starting to take effect.

There is growing interest in large-scale land development to provide greater accommodation/attractions for tourists to the Khyber Pakhtunkhwa and Gilgit-Baltistan regions. Due to increased interest in the attractions in these regions, demand for the development of adventure parks, ski resorts and water parks, largely from the government, has also grown.[18] This growing demand can be attributed to the domestic tourism market and includes the increased demand for luxury hotels and "eco-lodges". The increase in development has also prompted investment by international development agencies - such as UNDP - to enter the market as a way to support local economic development.[19]

Increased tourism has led to increased waste with little to no regional capacity to address the burden. There is little infrastructure in either KP or GB to manage the large volumes of waste and

[14] https://www.aa.com.tr/en/asia-pacific/coronavirus-travel-bans-boost-pakistans-domestic-tourism/2375206 ; https://macropakistani.com/tourism-in-pakistani-fma/
[15] UNWTO (2022): Covid-19 and the Future of Tourism in Asia and the Pacific, p.xiv
[16] UNWTO (2022): Covid-19 and the Future of Tourism in Asia and the Pacific, p.xi
[17] Reported in Dawn (2022): https://www.dawn.com/news/1709346
[18] Semiotics (2018), Economic Revitalization of Khyber Pakhtunkhwa Final Report and Master Plan; USAID (2011). "Swat Tourism: Sector Recovery & Development Strategy"
[19] https://www.undp.org/pakistan/projects/eco-tourism-camping-villages-project

litter that accumulate at tourism hotspots or at the side of major roads. Single-use plastic bottles, food wrappers and beverage cans are an all-too-common site at many destinations, causing harm to the local environment.

2.2. Tourism and gender equality

The tourism sector provides good opportunities for women's employment and enterprise ownership. The tourism industry in Pakistan has seen an increase in initiatives, from both the public and private sector, to increase women's economic empowerment in Pakistan through the tourism industry.[20] There are, for example, initiatives within large hotel chains for increasing the percentage of women in their workforce.[21] Furthermore, there is a small, but rising interest in women-only tour groups, led by female tour guides and company owners, such as the Mad Hatters and the Asian Guides. Anecdotal evidence from interviews with tourism stakeholders in Pakistan, and our own desk-based review have found an increase in women's participation in the tourism industry, whether through online blogging and travel writing, or operating women-focussed tour groups. One female-led tour operator (Mad Hatters) noted a steady increase in the volume of female domestic tourists travelling to GB for multi-day excursions. As such, women-led tour agencies have become more popular in catering to the needs and desires of such groups.

Wellness and yoga retreats are of increased interest amongst women-only tourism groups. Interviews with stakeholders in the tourism sector in Pakistan report a growing trend in wealthy domestic tourists travelling to northern parts of Pakistan for wellness retreats and spas. Women still face a variety of social constraints to independent multi-day travel, but observers within the market note a rising number of yoga-retreats, corresponding to a steadily growing demand.

2.3. Technology and Pakistan's tourism industry

Growing trend towards digitalization throughout Pakistan. This trend has seen mobile phone connections rise to upwards of 184 million new connections throughout the county.[22] This has implications for Pakistan's tourism sector in particular with a rise in online booking platforms and

[20] Khyber Pakhtunkhwa Ecotourism Strategy 2021-2026; and IFC, "Serena Hotels Takes Leadership Role in Tackling Barriers to Women's Employment in Pakistan"
[21] IFC, "Serena Hotels Takes Leadership Role in Tackling Barriers to Women's Employment in Pakistan". https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099708008082219442/idu000dbb5640d9d2042040ab500e76ab95cd98b; and https://themadhatters.pk/about/
[22] I2i (2021), Pakistan Startup Ecosystem Report 2021

the increasing role of social media in promoting adventure tourism within Gilgit-Baltistan and Khyber Pakhtunkhwa.[23]

Social media use is heavily contributing to the rise in foreign travellers - especially among women. The rise in travel blogs written by women travelling alone in Pakistan has led to a rise in other women following suit.[24] Additionally, social media has benefited Pakistan's tourism market by highlighting ability to undertake travel for foreigners throughout Pakistan in what has largely been considered an unsafe country since September 2001.

2.4. Wider Trends

Opening of new tourism markets –the China-Pakistan Economic Corridor (CPEC) has influenced the tourism market due to the amount of investment that the CPEC is projected to entertain (upwards of USD 62 billion) through 2030.[25] While various projects under the overarching umbrella of the Belt and Road Initiative (BRI), and subsequently the CPEC, are still underway, it is clear that infrastructure development is a main priority.[26] In doing so, the Pakistan Government has committed to the creation of a tourism corridor between Pakistan and China. The expected result of both internal infrastructure upgrades and a dedicated Pakistan-China tourism corridor would certainly see an influx of foreign tourism, specifically into the northern regions such as Khyber Pakhtunkhwa and Gilgit-Baltistan.[27]

Additionally, there is potential for Pakistan to see a different type of tourism market – **business tourism.** As the CPEC continues to grow and connect the two countries, it is envisioned that Pakistan becomes a regional economic hub.[28] This would lead to greater amounts of visitors throughout Pakistan's urban areas especially with the expected completion of the High-Speed Rail that would run through the north of Pakistan to the south, connecting China with the Arabian Sea.

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[23] https://www.envpk.com/digitalizing-tourism-industry-in-pakistan-trends-challenges-and-recommendations/
[24] https://www.theguardian.com/news/2020/nov/12/western-travel-influencers-social-media-pakistan-politics; https://www.forbes.com/sites/breannawilson/2019/10/11/this-popular-solo-female-travel-vlogger-thinks-pakistan-could-be-the-worlds-1-tourism-destination/; and https://timesofindia.indiatimes.com/india/Travelling-solo-a-hit-among-women/articleshow/46489073.cms
[25] Mardell (2020), "The BRI in Pakistan: China's flagship economic corridor". https://merics.org/en/analysis/bri-pakistan-chinas-flagship-economic-corridor
[26] Garcia and Rahman (2022). "What the China-Pakistan Economic Corridor Tells Us About the Belt and Road Initiative". https://thediplomat.com/2022/04/what-the-china-pakistan-economic-corridor-tells-us-about-the-belt-and-road-initiative/
[27] Mahmood S, Ali G, Menhas R, Sabir M (2022) "Belt and road initiative as a catalyst of infrastructure development: Assessment of resident's perception and attitude towards China-Pakistan Economic Corridor". PLoS ONE 17(7): e0271243. https://doi.org/10.1371/journal.pone.0271243
[28] F. Manzoor and Wei, L (2018). "A Review of China- Pakistan Economic Corridor and Tourism Opportunities".

3. Market Assessment

3.1. The Adventure Tourism Sector in Pakistan

3.1.1. What does the sector look like?

There is considerable potential for adventure tourism in northern Pakistan. With spectacular landscapes, rich wildlife, and diverse cultural heritage, it provides a unique blend of attractions for a multitude of different visitor experiences. The provinces of GB and KP experience a high volume of domestic tourism*. Interviews found that it is not uncommon for businesses to base their entire revenue model on income generated mainly over festive holidays such as Eid*. Foreign tourism is growing steadily, though security concerns still hamper growth. Further details can be found in the *Literature Review Annex* at the end of the report.

In broad terms, the market caters to two types of tourism – high-volume short stay trips and low-volume long-stay trips. The former comprises package tours for large groups, typically staying in the larger hotels close to the main tourism hot spots, near the main transportation infrastructure. The latter comprises small groups or individuals travelling independently or through bespoke / boutique operators, often, though not exclusively, in remoter or harder to reach areas.

The market is highly seasonal, with peak numbers of domestic tourists arriving during the summer to avoid the heat of southern provinces. Winter tourism is still nascent, but interest is growing, particularly amongst domestic tourists. The region's endowment of mountains provides a perfect environment for high-altitude mountain sports, skiing, ski-trekking, ice-climbing, and even ice-skating. There are currently two ski resorts, Malam Jabba (Swat, KP) and Naltar (GB). Yet poor roads conditions and frequent avalanches make travel during the winter highly precarious and deter many would-be tourists from travelling here.

Figure 3: Case Study: Markhor Adventure

Owner: Inayat Yugvi, a local of Skardu with 18 years of experience in corporate sector.

Office: Skardu

Caters to: local and international tourists interested in the original beauty of Baltistan for adventure , trekking, hiking and to experience local life , food n culture .

Tour group size: Average size is 7 and average stay is 6 days. Has served a group size of 35 and the longest stay by a group was for 18 days.

Number of groups a year: 32
Price range: 50k Per person per trip

Summary

Markhor Adventure, established in 2019, is a full service adventure platform taking care of your end to end travels and making them memorable for life based at a small village Yugo in in District . It provides services including travel, lodging, food and above all experiences of a relaxing family hangout.

It is like living in a true Balti village at a purpose built resort and shepherd huts. The tourists may experience hiking, fruit picking, cooking, village walk, pond swimming, stone piling, livestock raising, and eating local food. It's slogan of Yoga at Yugo has been highly praised by the visitors.

The clientele of Markhor is increasing since 2019 and it has turned into a festival at the village where children and women loves to be part of it. Inayat collaborated with a local school to train the children in becoming a tour guide in future by taking them along the tours and educating them about the local history and hospitality. Also encouraging women entrepreneur to make local food, handicraft and other products

Marketing

- Use social media platforms such as Facebook, Instagram, YouTube and other online free services .
- Consider that paid advertisement on social media platforms and establishing market linkages would help in getting more clients that may be interested in village tourism.

Challenges

- Convincing tourists to visit new, unknown tourist destinations, and drawing people away from the traditional tourist hotspots.
- Arranging facilities at a remote place with no internet and mobile connectivity.
- Hard to find skilled and professional workers in remote village locations.

Concerns about the future

- The existing tour operators not supporting adventure resort of our kind rather relying on a few popular sites that results in congestion at the popular sites as well as monotonous for the tourists
- No serious effort being taken to conserve the local traditions, culture, food and beauty of Baltistan rather the focus is on building luxurious hotels
- Very few local guides and tour operators in GB so they are not aware of the local details of the region.

Extreme sports, such as white-water rafting, kayaking, paragliding, and mountain biking remain relatively underdeveloped, with very few providers catering to these activities.

Market actors tend to fall into seven basic categories: hotels and accommodation; package tour operators; boutique tour operators; adventure parks; activity providers and online booking platforms.

Adventure parks are a comparatively new phenomenon and speak to the demand for easy-access thrills and experiences for the mass tourism market. In Swat alone several have been developed in the last few years[29]. Typical facilities include Ferris wheels, pirate ships, drop tower rides, amusement slides, swings, and train rides that attract a reasonable number of visitors. Ziplining has also gained popularity and around 10-12 ziplines have been installed in the past couple of years in several sites.

In addition, there are support services catering to the needs of the tourism market. These include laundry services, air and ground transportation, energy providers, public washrooms and parking (see also figure 3 below).

[29] These include Swat Green Valley Adventure Park, the Swat Fun Land Adventure Park, the Aryana World Amusement Park

Figure 4: Tourism Eco-System in Pakistan

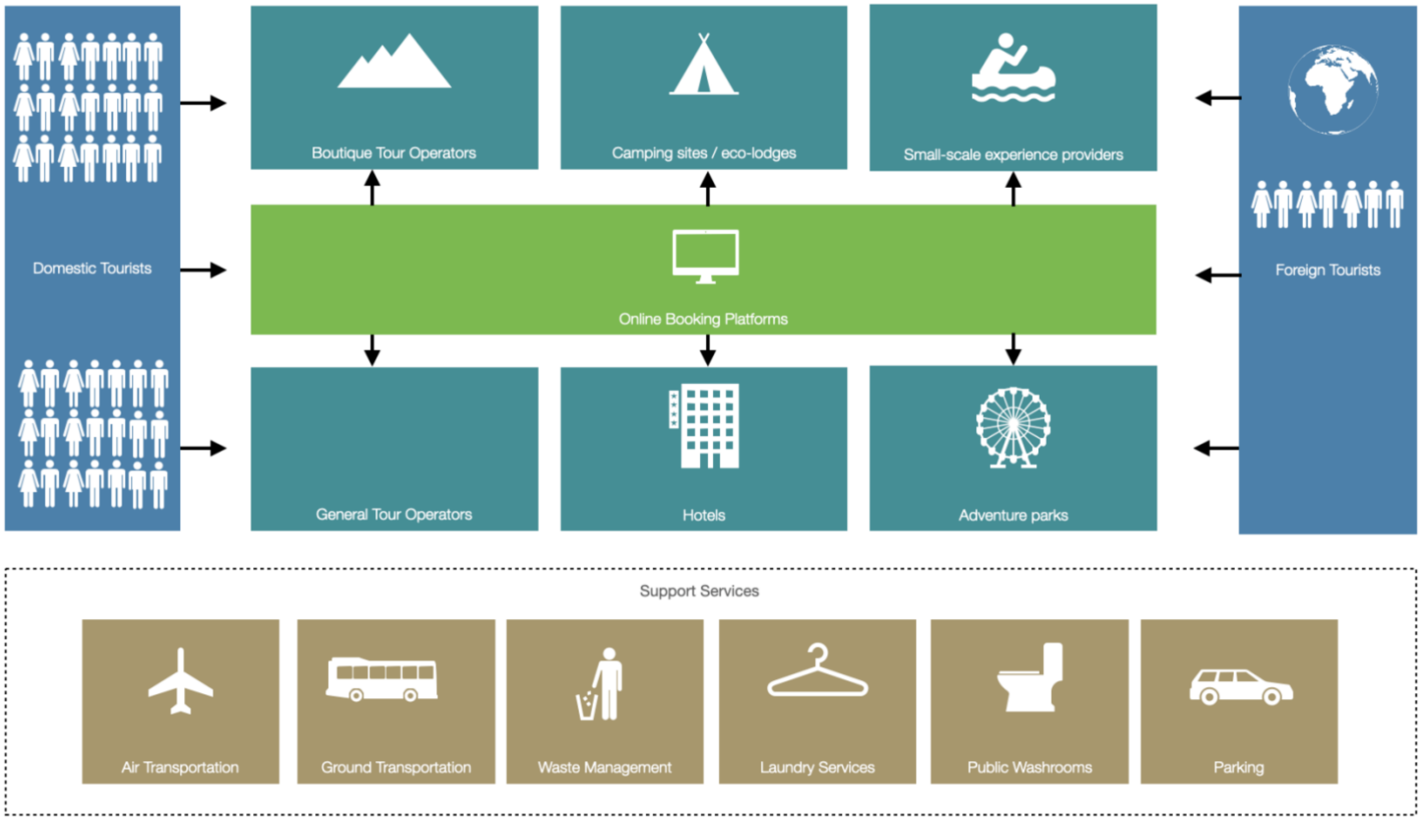

Figure 5: Snapshot of businesses working in the adventure tourism market in Pakistan

3.1.2. What is the size of the market?

It is difficult to judge accurately the current size of the tourism market in GB and KP as the data we found through our interviews with government officials, and through online searching tends to be out of date and varies significantly. Data at district level is generally not available, with some exceptions in KP.[30] The figures below provide a conservative estimate of market size based on the most up-to-data figures available. Though we cannot independently verify the accuracy of this data, it provides a useful basis for scrutinising the commercial claims made by future investment applications from potential start-ups working in this space.

[30] Specific and up-to-date data regarding market size in the tourism sector for Gilgit-Baltistan (GB) and Khyber Pakhtunkhwa (KP) is varied at times and limited at best. In general, this makes it difficult to formulate clear real-time market size and estimated growth. Specific disaggregated data showing the foreign versus the domestic tourism market size is extremely limited and data that does exist is largely confined to 2018 and prior.

Khyber Pakhtunkhwa

Estimates for the tourism market size in KP vary significantly. There is no data for the adventure tourism sector specifically. In 2018, the figure was estimated to be as high as 20 million a year.[31] This figure was touted again in a tourism sector analysis the same year, commissioned by the KP Government, which estimated on this basis that the total revenue generated by tourism for KP was PKR 368.5 billion (USD 3,350,094,545).[32] The Khyber Pakhtunkhwa government estimates that USD 300 million is generated annually by the province's four most popular destinations of Galiyat, Naran, Kaghan and Kumrat alone.[33]

Further evidence from fieldwork highlights that most of the tourists visiting the above destinations in KP are domestic tourists with low spending and shorter stays. This is congruent with other data indicating that domestic tourists to the region in 2018 spent on average PKR 10 000 per day, for an average trip duration of two days.[34]

Table 2: Estimates for visitor numbers and expenditure

Destination[35]	Estimated Annual Arrivals in 2018	Average Stay (days)	Average spending per tourist per day (PKR)	Estimated economic contribution (PKR)
Galliyat (Abbottabad)	2.5 million	1.18	11,488	34 billion
Naran/ Kaghan Valley (Mansehra)	1.5 million	1.81	11,756	32 billion
Kalam (Swat)	400,000	1.87	11,214	8 billion
Kumrat (Upper Dir)	50,000	2.05	7,217	760 million
Total	4.45 million			75 billion

[31] https://nation.com.pk/26-Apr-2018/a-blooming-tourism-industry

[32] This high figure is calculated by Semiotics thus: "in KP, it can be estimated that with a market size of around 20 million visitors, who on average stay 1.63 days and spend Rs. 11,304 per day, tourism contribution to the KP economy per annum is at least around Rs. 368,510,400,000 (or US$ 3,350,094,545 with a rate US$ 1= Rs. 110). See: Semiotics (2018): *Khyber Pakhtunkhwa Tourism Sector Analysis*. P.90

[33] https://kptourism.com/uploads/images/downloads/1591723331921Tourism%20Fact%20Sheet%20V-2%20June%2009,%202020.pdf

[34] World Bank, https://documents1.worldbank.org/curated/en/935681561946547674/pdf/Pakistan-Khyber-Pakhtunkhwa-Integrated-Tourism-Development-Project.pdf

[35] Semiotics (2018): *Khyber Pakhtunkhwa Tourism Sector Analysis,* viii

Interviews with local officials yielded data illustrating a slight uptick in visitor numbers, but no further financial information was forthcoming. Factoring in annual inflation, in addition to the increased tourist numbers, it seems reasonable to assume that the market size has grown since 2018. However, in the absence of further corroborating evidence, we urge caution, and suggest that a **market size of USD 3,350,094,545 is treated as a working hypothesis for the tourism sector as a whole.**

Gilgit-Baltistan

In Gilgit-Baltistan disaggregated data on foreign versus domestic visitors is more readily available – however this does not include data towards estimated revenue. Specific data from GB indicates that 1.4 million domestic and 6,212 foreign tourists visited the region in 2018.[36] The number of tourists was affected due to COVID-19 pandemic, but the numbers show significant growth with an estimated 700,000 tourists returning to GB in 2021[37] even as the area was locked down for most of the summer season. It is expected that these numbers will grow over the next couple of years. Evidence gathered from the Directorate of Tourism Gilgit Baltistan indicates that the tourism numbers may be starting to make a recovery to pre-pandemic levels:

Table 3: Foreign and domestic tourist arrivals in GB provided by Directorate of Tourism in GB

	2017	2018	2019	2020	2021	2022 (till Sep 2022)
Number of Arrivals	800,000	1.4 million	1.05 million	635,000	823,000	200,000

Interviews with stakeholders indicated that the average number of days spent by tourists in GB is higher than KP because of long travel distances - it was reported that average stay ranges between –7-10 days. Spending is also high as cost of traveling and living is higher than the tourist destinations in KP. It is estimated by the Director of Tourism in GB that a domestic tourist spends around PKR 45,000 per visit and a foreign tourist spent around PKR 100,000 per visit that results in an annual economic contribution of around PKR 37 billion based on tourist arrivals in 2021. **At current exchange rates, this represents an estimated annual market size of USD 167, 379, 344.**

[36] Karim, Rehmat & Shah, Attaullah & Ali, Ghulam & Ali, Karamat & Ali, A. & Shah, Ghulam-Muhammad. (2021). "Estimating The Economic Contributions of Tourism Sector By Using Tourism Satellite Account (TSA) In Hunza-Nager District Of Gilgit Baltistan-Pakistan". *International Journal of Scientific & Technology Research*.

[37] https://www.brecorder.com/news/40110512

3.1.3. Investment trends in the adventure tourism sector

It is difficult to assess investment trends in Pakistan's adventure tourism sector given the dearth of data available for such an undertaking. Indeed, Pakistan's own Board of Investment website and tourism sector briefing lack data on investment in the sector.[38] On the basis of our interviews, and available online material, we see three investment trends:

- **Infrastructure** – There is clearly a large volume of investment earmarked for large-scale infrastructure development in northern Pakistan. The Government of KP is proactively seeking investment for the development of integrated economic zones / tourism parks. It is unclear how much funding they seek, but given the proposed scale of the land and infrastructure development required, this would likely include many multi-million-dollar investments.[39]

- **Online booking platforms** – A scan of investments in tourism start-ups in Pakistan shows that that considerable funding is directed towards online booking platforms. For example, BookMe.pk raised USD 8m; MYTM, based in Lahore raised USD 7m; Sastaticket.pk in Karachi raised USD 2m.[40] This aligns closely with analysis from the World Bank, which shows that 25% of all start-up deals concluded between 2015 and 2019 in Pakistan, were in the e-commerce sector.[41]

- **Eco-tourism** – One interviewee working with the local KP government stated that they and UNDP intend to invest in expanding the network of eco-lodges in the region, though as above, there are no figures to assist in quantifying what this would entail in dollar value, nor any indication of whether investment / funding has been secured.

3.2. Barriers to Entry and Growth

Start-ups and SGBs in Pakistan's adventure tourism market face a variety of general and specific problems:

- **Ease of doing business** – Barriers exist for nascent businesses including significant challenges surrounding enforcing contracts, getting electricity, and registering property.[42]

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[38] https://invest.gov.pk/tourism-and-hospitality
[39] Government of Khyber Pakhtunkhwa (2022): Integrated Tourism Zones (ITZS) Pitch Presentation
[40] https://tracxn.com/explore/Online-Travel-Startups-in-Pakistan
[41] World Bank (2019): Pakistan Startup Ecosystem Report, p.26
[42] World Bank (2019). *Doing business in Pakistan*.

For women, the extra barrier of registering property (largely centred around difficulties securing loans and land ownership rights (see below)) provide an additional hinderance to doing business.

- **Lack of proper infrastructure** – There is limited public infrastructure such as waste management systems, hospitals, and clean water, which hamper tourism growth.[43] However, recent investments of development aid – most notably a World Bank loan of USD 7 billion in 2020 – has looked to address the infrastructure challenges; this is in addition to a specific World Bank programme valued at USD 70 million from 2019 to build infrastructure and strengthen institutions within the tourism industry in the Khyber Pakhtunkhwa region.
- **Poor transportation infrastructure** - Specific transportation barriers remain that require redress in order to continue a positive growth trajectory within the industry. These barriers include a need to improve the safety of existing roads and improving the general interconnectedness of roads throughout the country. Additionally, the unreliability of the airline infrastructure places an undue burden on travellers – both foreign and domestic – booking holidays within the country.
- **Lack of technology-specific infrastructure** – Limited tech infrastructure places a critical burden on entry and growth of the industry. Limited internet connectivity throughout the region inhibits communications and create further barriers to market businesses online.
- **Unreliable / limited availability of power** – Unreliable power grids and infrastructure leading to frequent power outages inhibit greater numbers of tourists, domestic tourists in particular, who are looking for luxury long-term stays. This means that hotels and any potential attractions cannot provide reliable services to those utilising it.
- **Lingering security concerns** – Negative security perceptions, largely attributed the region as a whole post-2001, limit opportunities for market growth for foreign tourists. While this does not show to affect the domestic tourism market, businesses that look to attract foreign tourists and investors face an increased challenge towards convincing that demographic that rural regions are safe to travel – especially for foreign women.
- **Women face significant hurdles compared to their male counterparts when developing a business**. These include: [44]

[43] Financing sustainable tourism in Khyber Pakhtunkhwa. https://cdpr.org.pk/wp-content/uploads/2018/02/Financing-Sustainable-Tourism-in-Khyber-Pakhtunkhwa.pdf
[44] OECD Social Institutions and Gender Index, https://www.genderindex.org/wp-content/uploads/files/datasheets/2019/PK.pdf

- *Difficulties to acquire loans* – legal systems allow for men and women to have the same rights in this area; however, banking regulations still require two male guarantors in addition to often a lack for women to produce the necessary collateral to secure a loan.[45]
- *No government implemented framework for gender equality in the workforce* – this means that ensuring gender equality and women's empowerment is at the discretion of individual businesses.[46]
- *Social pressure and traditional gender roles* – there is an enduring perception, particularly in rural areas, that women should remain at home to look after children and keep house. Women who wish to pursue an economic venture may be faced with domestic pressures that discourage them from doing so.[47]

- **Limited opportunities for women's involvement in the workforce** – women's involvement in established tourism sectors leads to a greater positive correlation in the empowerment and economic security of women.[48] However, limited attention in general to women's economic empowerment within Pakistan and limited fora in which to highlight this remain a barrier to increased involvement by women. There are some organisations and businesses within Pakistan's tourism sector that are looking to address this. For example, the Serena Hotel chain has implemented programmes to upscale the percentage of women within their Pakistan-based workforce.[49]

4. Investment Opportunities

Interviews with tourism sector stakeholders have identified a board range of areas in which there is scope to invest in start-ups and small and growing businesses. The opportunities we identify are by no means exhaustive, and represent areas in which there is space / need / demand for specific services or products. We do not provide a business case for each area, as this would require a greater investment of time and resource than was available for this study. We note the

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45 World Bank (2013), Are Pakistan's women entrepreneurs being served by the microfinance sector?, Washington, https://books.google.be/books?id=JX0xAAAAQBAJ&printsec=frontcover&source=gbs_ge_summary_r&cad=0#v=onepage&q&f=false

46 OECD Social Institutions and Gender Index, https://www.genderindex.org/wp-content/uploads/files/datasheets/2019/PK.pdf

47 Yunis, M., et al. (2019): Enablers and Constraints of Women Entrepreneurship in Khyber Pukhtunkhawa, Pakistan: Institutional and Feminist Perspectives Sustainability, 11(1), P. 17

48 Jackman, Mahalia (2022) : The effect of tourism on gender equality in the labour market: Helpmate or hindrance?, Women's Studies International Forum, ISSN 0277-5395, Elsevier, Amsterdam, Vol. 90, Iss. (Article No.:) 102554, https://doi.org/10.1016/j.wsif.2021.102554; and Shaista Jabeen, Farid Ahmad. " Culture and Barriers to Women's Entrepreneurs in Pakistan". International Journal of Research in Business Studies and Management, vol 5, no. 10, 2018, pp. 21-29.

49 IFC, "Serena Hotels Takes Leadership Role in Tackling Barriers to Women's Employment in Pakistan". https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099708008082219442/idu000dbb5640d9d2042040ab500e76ab95cd98b

typical investment amounts that AP provides for start-ups and SGBs in Tier 1 and Tier 2. None of the opportunities below would require financing for amounts exceeding these figures.[50] Furthermore, recognising AP's emphasis on supporting catalytic businesses – those that serve an eco-system of market actors, we present a number of opportunities that would cater to a range of different needs and customers within the tourism market. Where financial data is available or can be estimated, we suggest potential pay-back periods. Where this is not possible, we simply outline the possibility for a business venture.

In the absence of reliable, up to date information about tourism numbers for the specific areas we highlight below, we are unable to provide a calculation of potential market sizes, beyond the overall volume of tourism we highlight in the previous section of the report. As noted, considerable effort was undertaken to gather this data through our engagement with local government tourism authorities and though extensive online searching.

The opportunities we identify broadly fall into two categories: adventure activities, and wider support services. The adventure activities are generally less well evidenced by hard data, as they tend to be comparatively nascent. The financial data for the support services is stronger, enabling us to make more robust assumptions about potential loan payback timeframes and price points. Moreover, the opportunities we identify in the support services are aimed specifically at addressing the eco-friendly priority of AP's investment ethos.

Adventure Activities

4.1. Ziplines

Ziplining is a comparatively new phenomenon in GB and KP, and has proven to be extremely popular with visitors. Generally located in easy-access areas near to well-paved roads, ziplining caters to the mass tourism market. The number of ziplines has increased over the past few years – there are now ziplines at Nagar (at the base of Rakaposhi), Malam Jabba (Swat), Booni (Chitral), and FCNA Sports Complex Gilgit. The highest zipline of Pakistan is also claimed to be installed at

[50] Taken from: *Accelerate Prosperity Overview:*

Tier 1: Accelerate Prosperity (AP) Leads	Tier 2: AP or Industrial Promotion Service (IPS)
○ Seed capital < USD 10k ○ Startup capital USD 10k < USD 20k ○ SGB capital USD 20k < USD 50k	○ SGB growth capital USD 50k < USD 100k

Kaghan valley (Mansehra KP) that is 1.7 Km long. A zipline may cost from PKR 30 million to PKR 100 million to install depending upon the length and support structure (towers, lifts, safety nets, reinforcements, equipment, etc.). This would likely be the highest cost associated with the zipline, assuming ownership of the land, or permission to use the land on which the zipline is situated. The prevailing charges for a ride range from PKR 500 to PKR 3,000 and it may earn around PKR 200,000 on a busy day. The most obvious investment opportunity is simply funding a new zipline venture, though there may also be opportunities to invest in businesses that provide digital ticketing services, improved parking facilities, equipment supply and maintenance.

4.2. Water Sports

Fieldwork interviews found that water sports have gained in popularity over the last few years in KP and GB. With an abundance of open water and rivers, there is considerable potential to develop further water sports activities.

The water sports activities at Harnoi (District Abbottabad KP) and Khanpur Dam Lake (District Haripur KP) are good examples. The main activities at these locations are diving, jet skis, pleasure cruises and parasailing. Similarly, in GB, it was observed that small boats and jet skis have been made available by local communities at the lakes of Upper Kachura (Skardu) and Attabad (Hunza) and they are doing good business. Only those who own land on the lakeshore, or those displaced by the creation of the lake (in the case of Attabad) are permitted to operate a business on the water. These boat owners have formed associations to organize the community and protect their rights. Interviews with these groups found great appetite for upgrading/expanding the available fleet of boats and safety equipment, and to introduce new activities such as kayaking and snorkeling. As these lakes are easily accessible, it is safe to assume a reasonably high volume of custom from visitors to the region.

There may be opportunities to develop waterparks, offering a range of activities, following the precedent created by Flyboardpk in Lahore. Here, tourists can experience **Flyboarding** (PKR 14,850/hour), **blob-jumping** (PKR 500/jump), and **banana boating** (PKR 750/hour), among other activities. **Jetpacking** could also be considered. High purchase costs, and concomitantly high ride costs for jetpacking and flyboarding may limit the volume of customers (recalling that average daily spend for domestic tourists is around USD 44/day). Manufacturers like X-Jetpacks in the US retail complete jetpack kits for USD 5995, excluding import duty for Pakistan. For this reason, it may make better commercial sense for these activities to be accompanied by high-volume low-cost rides, such as waterslides, banana boating and blob-jumping. For existing businesses, the greatest costs would be associated with equipment purchase, as many of the sports are new to the area. For the creation of new waterparks, we would anticipate a greater investment of capital in the purchase/rental of land and the construction of facilities (café, changing rooms, lavatories etc.), with equipment purchase representing a comparatively smaller investment amount.

4.3. Eco-lodges and Homestays

Interviews with small tour operators showed a need for eco-lodges to cater to the demand for accommodation. The majority of hotels in the region are simply designed to accommodate large volumes of people, and are designed with little consideration for the environment. Eco-lodges have been established recently by UNDP and the KP government, with great success, and there are plans to continue expanding the footprint of these sites with more lodges.

Eco-lodges can play an important role in helping to diffuse large conglomerations of tourists around popular destinations, and offer family and female friendly accommodation solutions away from busy and overcrowded hotels. The set-up costs for eco-lodges vary considerably depending on the quality of the construction material. Lighter summer tents could be employed in the warmer months, but Mongolian-style yurts or prefabricated wooden lodges would provide a more durable solution, providing longer usage during cooler times of year. According to the UNDP, wooden prefabricated lodges are currently only available in Estonia, where specific wood-treatment is required to ensure durability. High import costs associated with these lodges suggest that there could be a lucrative business model in Pakistan if wood treatment can be conducted in-country.

The advantage of eco-lodges and homestays over large hotels is that they can provide direct income for local communities, who can themselves set up and manage the lodges. Similarly, we see an opportunity for a marketing business that aggregates homestay options in local houses. Currently, this does not appear to exist. Interviews with small tour operators found that it is difficult to find quality homestays in GB and KP, as they are often poorly marketed. The success of international companies that provide this type of service illustrates the utility of this service. Tentrr, for example, has witnessed a 5-year 79% search growth and has been described as one of the most disruptive businesses in the tourism sector.[51]

[51] https://explodingtopics.com/blog/travel-startups

The price point for homestays could be benchmarked against eco-lodges, providing a more cost-effective alternative to larger hotels. The Hunza Glamping Resort in GB and Open Sky Glamps at Kalam, Swat in KP illustrates the unit cost for customers. Catering to a largely domestic market, the resort offers a luxurious four-person geo-dome tent for around USD 65 night (around USD 16 per person). In a similar price bracket, wooden and fibre glass camping pods at Gabeen Jabba (Swat), Thandiani (Abbottabad), Shogran (Mansehra), etc. in KP are offered for USD 14-22 per person per night.

The initial cost outlay for creating a so-called 'eco-village' or 'eco-resort' would be significant if the land is not already owned by the grant applicant. We would therefore only endorse investments in such a venture if it were to be located near a tourism destination. The highest costs associated with the establishment of eco-lodges would be the purchase of the lodges themselves. Land development requirements would be minimal as these sites are intended to have a light environmental footprint.

Figure 6: Case Study: Oshu Thang Hotel

Oshu Thang Hotel

Minapin, Nagar, Gilgit

Owner: Israr Shah Syed who has been serving the hospitality industry at Nagar for the past few decades.

Office: Minapin, Nagar

Caters to: Tourists looking for a peaceful and traditional hotel and traditional food of GB.

Tour group size: All age and gender.

Number of visitors a year: More than 2,000

Price range: PKR 5,000 per person per day

Summary

Oshu Thang Hotel at Minapin Nagar, Gilgit is a small hotel but constructed in an environmentally friendly manner. The old trees in the hotel area have been preserved to create a tranquil atmosphere. The hotel is known for its traditional food served in a traditional manner. Foreign and domestic tourists regular come here to eat and stay.

In collaboration with Roomy Group, the hotel has established Yurts on the grounds, providing accommodation to tourists without damaging the local environment.

The preferred route to Rakaposhi base camp starts with a trek from the village of Minapin that sits along the Minapin riverbank above the confluence of Hunza and Minapin rivers. Many trekkers prefer staying a Oshu Thang Hotel on their way to Rakaposhi base camp.

Marketing

Oshu Thang Hotel mostly markets through word of mouth by its visitors. It is known to usual visitors of Nagar but increased focus on social media marketing would help to bring in more clients.

Challenges

The major challenge is to find ways and means to promote and attract tourists in trekking, hiking, visiting base camps of peaks, visiting rivers and streams, fishing, etc.

The owners worry that the traditions and culture of GB are being eroded and forgotten with the passing of time and replaced with urbanization.

Concerns about the future

- Recently, a national cricket stadium has been established in Nagar that would result in an unprecedented and uncontrolled flow of tourists during match days, exacerbating existing litter and congestion problems.
- The owners are very concerned about the unregulated construction of hotels that cater to mass tourist groups. Unregulated construction of hotels that would damage environment

4.4. Women-led tour operators

There are a small number of companies providing tours for women-only groups. Anecdotal evidence from interviews with some of these providers illustrates a small, but growing demand for these services. Information platforms such as Travel Girls Pakistan, which provide information and inspiration for female travellers, are indicative of this trend. Women feel safer travelling with female guides in groups comprising only women. Small businesses could use investment to buy/rent commercial property, which would comprise the greatest cost, as well as vehicles, equipment, and marketing. Companies like the Mad Hatters are more or less dedicated to providing female-only tourism experiences. Others, like The Asian Guides provide this as a core part of their wider service offering. In either case, this is likely a small investment opportunity, suitable for the start-up investment window, as the volume of tourists seeking these services is still comparatively small.

Figure 7: Case Study - The Mad Hatters

THE MAD HATTERS

Owner: Aneeqa Ali - MBA with 10 years experience in the corporate sector

Office: Islamabad and Hunza

Caters to: Predominantly foreign female tourists

Tour group size: max.12

Number of groups a year: 6-8 during the tourism season

Price range: US $900-2500 p/

Summary

The Mad Hatters is a boutique travel company offering bespoke tours to foreign and domestic tourists. It is a small and dynamic company with a growing client base. Most excitingly, The Mad Hatters provides women-led tours for women-only groups.

There is growing demand for women-led tour groups. When The Mad Hatters was founded in 2017, the company intended to service both men and women, but the owner quickly found that her tours were being fully booked out by female tourists. Now this is the main type of customer.

Marketing

The Mad Hatters does very little direct marketing, relying instead on informal social media partners based around the world to spread the word. This enables The Mad Hatters to reach like-minded clientele who read travel blogs from people with shared values.

Challenges

The biggest challenge for The Mad Hatters is finding experienced female tour guides and homestays for their groups. Therefore established the Root Network to build a supply of homestays in local communities.

Concerns about the future

- Unregulated mass tourism and overcrowding
- Underdevelopment of potential tourism sites in general, leading to congestion
- The (un)availability of quality family-friendly homestays
- Lack of Pakistani high-altitude tour operators

4.5. Other adventure opportunities

There are a number of opportunities for high-octane and extreme sports in both KP and GB. As illustrated with the ziplining above, domestic tourists are willing and able to afford easy-access thrills and experiences. Therefore, activities like jet-packing are, in principle, perfectly feasible. However, activities for which there is a higher skills requirement, such as white water rafting or extreme mountain biking are unlikely to find a significant market amongst domestic travellers, at least while these activities remain comparatively under-explored in Pakistan. Indeed, the few providers who offer these extreme experiences tend to provide them only as 'add-ons' or as part of a wider package of products. Incredible Pakistan, for example, facilitated an international expedition of renowned white-water kayakers from Skardu to Gilgit, making an award winning documentary film in the process. Even with this level of publicity, the white-water tours remain a small part of the business, which also provides more traditional trekking and cultural tourism options.

By comparison, milder variants of these activities, such as **mountain bike touring** could be considered viable. In Hunza, for example, there are networks of gravel and dirt tracks that run alongside existing roads, creating alternative routes for bike touring without requiring technical skill to navigate. Bike tour operators in the UK – such as Redspokes Adventure Tours – charge around USD 2600, exclusive of flights, for a 15-day bike tour. Redspokes is no longer operating tours in Pakistan due to security concerns, so there may be a gap in the market. Local bicycle hire companies already exist, but tend to offer poor quality and poorly maintained bicycles unsuitable for this type of touring. Stockists in Islamabad sell high-quality mountain bikes, at prices starting from USD 700. Fat bikes and electric fat bikes are also available (USD 1500 and up), which have both a novelty and practical appeal for potential customers. Electric bikes in particular would appeal to a wider market, requiring lower levels of fitness. Investment would be required to purchase equipment and establish a facility (shop / workshop) to store and maintain the bikes. This would represent the greatest costs to a new business as the network of trails themselves are largely in place. More specialist trails could be developed for technical and extreme riding experiences, which would incur significant costs, but as noted above, there is likely limited appetite for this at the moment.

Similarly, it would be perfectly feasible in a location like Phander, to create a business that provides personal or group **canoes, rafts, kayaks and paddleboards** for single day excursions down the river. There is little/no white water, and there are plenty of existing restaurants on the river bank to provide sustenance. Inflatable and rigid kayaks, canoes and rafts are readily available in Pakistan, as is the necessary safety equipment. The initial investment amount to purchase equipment would be comparatively low, and there is little infrastructure required to maintain the fleet of vessels, or the vehicles needed to transport them and the customers to and from the drop off and collection points. As with mountain biking, the highest cost to existing businesses wishing to expand their portfolio of adventure activities would be the purchase of equipment. For those establishing a new business, the highest costs would be associated with the purchase or construction of a suitable shop and workshop.

Figure 8: Case Study - The Asian Guides

The Asian Guides
ASIA'S EXCEPTIONAL EXPERIENCE

PAKISTAN YOUTH OUTREACH

KARAKORUM EXPEDITIONS

Owner: Mirza Ali and Samiya Mirza

Offering: online booking platform, guided tours, high altitude, technical climbs (including summits), vocational training, women-led tours for female groups.

Summary

Entrepreneurs Samiya Mirza and Mirza Ali run a trio of organisations: a high-altitude expedition company (Karakoram Expeditions), a youth training NGO for mountain guiding (Pakistan Youth Outreach) and a new online booking platform for adventure tourism (the Asian Guides). It is hard to characterise the business model, but it illustrates the kind of vibrant, committed and exciting enterprise that exists in the adventure tourism sector.

Market Opportunity

The high-altitude guiding industry is dominated by Nepali sherpas in Pakistan, resulting in considerable lost potential income for local communities in GB and KP. Karakoram Expeditions offers the only all-Pakistani outfit, generating employment for people from local communities. In addition, Asian Guides is starting to operate female-led tour groups, and started to train licensed female guides to address growing demand.

Challenges

The bar to market entry for tour guides is low. Anyone can call themselves a local tour guide. The quality of tours on offer therefore varies considerably. The Asian Guides report that customers are often approached by other (non-qualified) guides who want to steal their custom.

Giving Back to the Community

Through Pakistan Youth Outreach, Samiya Mirza and Mirza Ali train 12-15 people each year for free in mountain guiding. The course typically lasts 10 days, and provides young locals with the necessary skills to work as guides in the tourism industry. Occasionally, non-locals are accepted on the course, and they are expected to pay a small fee or contribution to the course. The aim is to gradually build a culture of mountain sports amongst local communities, generating interest in, and a capacity to deliver, mountain sports activities, including winter sports.

Support Services

4.6. Washroom Facilities

There is currently a lack of public washroom and sanitation facilities at tourism destinations across GB and KP. This creates pressure on already-overstrained existing facilities in petrol stations, and encourages people to make use of outdoor spaces. The lack of safe and clean washroom facilities deters women, families, the elderly and people with disabilities from visiting tourism areas.

Fee paying premium washroom facilities are already proving to be popular on Pakistan's national motorways, such as those established by Oil Marketing Companies (OMC) Hascol. A similar model could be envisaged for tourism hot-spots in GB and KP, as well as along key arterial transport infrastructure such as the Karakoram Highway. The Government of KP has already introduced prefabricated toilets in order to address this issue in an economical and timely manner. Furthermore, the Government is also keen to partner with private investors on public private partnership (PPP) mode[52] in providing this facility.

AP could consider investing in a business that provides premium washroom facilities. Using current market rates gleaned from interviews, we provide an estimate of costs and profits per individual washroom unit.

Table 4: Estimated payback period for a single washroom unit

Description	Estimated Figures
Number of visitors per day during weekends (summer season of 7 months)	50
Number of visitors per day during week days (summer season of 7 months)	20
Number of visitors per day during weekends (winter season of 5 months)	20
Number of visitors per day during week days (winter season of 5 months)	0
Charges per person during summer season (PKR)	100
Charges per person during winter season (PKR)	50
Number of visitors per year	8,120
Annual revenue from charged visitors (PKR)	728,000
Annual expenses (utilities, supplies, caretaker/cleaner, etc.)	480,000
Annual Income from branding/ advertising space	300,000
Total Annual Profits	1,080,000

[52] https://kptourism.com/uploads/images/kite/1652421443868-final-version-of-tors_hiring_of_consultancy_firm_for_identification_of_suitable_locations,_preliminary_design_and_ppp_feasibility_for_establishment_of_executive_washrooms-in-kp.pdf

Cost of Unit[53]	2,500,000
Simple Payback period (years)	3.3

For existing businesses or landowners, the greatest cost would be the conversion of existing facilities or the construction of new buildings to house the washrooms. For those who do not own land, the acquisition or rental of a suitable plot would likely incur the highest cost as a proportion of the investment required.

4.7. Parking Zones

Mass tourism and overcrowding at key tourist destinations within KP and GB cause considerable traffic congestion. The roads leading to destinations like Malam Jabba (Swat KP), Upper Kachura lake (Skardu GB), Shangrilla Lake (Skardu GB), Naran (Mansehra KP) are blocked for hours during peak tourism season. Parking facilities are currently provided by local landowners for a small fee, but are haphazard and poorly organized. A well-situated park-and-ride or park-and-hike facility could help alleviate traffic congestion around these sites. Parking prices vary considerably, and could fall anywhere between PKR 100 and 500. Establishing such a site would require an initial cost outlay for the purchase of adequate land, and a bus/minibus for transportation to the tourist site. Costs would vary significantly depending on the size of the plot of land and the expected volume of traffic, and would need to be clearly articulated in an investment pitch to AP. Land acquisition would likely represent the highest proportion of costs associated with this opportunity unless a suitable plot is already owned.

4.8. Green Energy

Solarization of Hotels and Tourist Facilities. The tourism sector is energy hungry. The development of large hotels, restaurants and the support services that supply them (including laundry, internet, catering, fuel stations and medical clinics), consumes a large volume of energy. As the number of tourists continues to grow, so too will energy consumption. Given the harsh mountainous conditions, power outages are not uncommon, and most businesses run back-up generators, incurring additional running costs.

[53] Cost of unit is as per prevailing rate of establishing a Pre fabricated toilet.

In line with AP's ambition to promote eco-friendly tourism, there is therefore a dual incentive for investing in businesses that can supply or install solar energy equipment. The solution is more suitable for GB due to lower rainfall than tourist destinations in Swat and Hazara, KP. GB receives solar radiation greater than 4 kWh/m2/day from April to September making it suitable for solar power development[54].

A basic comparison of cost and returns is provided in the table below, which shows that the system normally provides payback within 5 years with a life of 10 years for the batteries and 25 years for the solar panels. The rate per unit is assumed to be PKR 30 but as rates are expected to increase, the payback periods below may be ever shorter for the investors than expected.

The Government of KP is planning to launch a scheme for industries with power consumption higher than 25KW where it will provide solar system free of cost and charge a fixed rate in the range PKR 25 - 35 per unit that is expected to be a source of revenue for Government as well as attract investment because of the expected cost saving and reliable power supply for the private sector. The Government itself could therefore be a potential client for a solar energy company. Interviews with the Swat Chamber of Commerce indicated that there could be in the region of 100 hotels interested in solar energy. We cannot verify this figure, but it illustrates a reasonable appetite for alternative energy supply.

Table 5: Estimated costs and payback period for hydel based on open-source market rates from current providers

Option No[55].	Capacity	Type	Estimated Cost (PKR)	Expected Payback Period	Comments
1	5KW	On Grid	1,300,000	6.5 years	A 5KW Off Grid system generates around 550 units of electricity per month that saves around PKR 200,000 per year recovering cost of system within 6.5
2.	5KW	On/Off Grid[56]	1,700,000	6.5 years	
3.	10KW	On Grid	1,800,000	5 years	
4.	10KW	On/Off Grid	2,400,000	5 years	
5.	25KW	On Grid	3,500,000	4 years	
6.	25KW	On/Off Grid	6,500,000	5 years	

[54] Alternate energy source selection in Gilgit Baltistan Pakistan using geographical information system and analytical hierarchy process. International Journal of Energy and Water Resources (22 May 2020)
[55] The calculations are based on market rates received from different suppliers
[56] The On Grid / Off Grid (Hybrid) facility is only available in the areas where the facility of Net Metering is provided by Power Distribution Companies

7.	50KW	On Grid	7,500,000	4 years	years. The period is lesser for higher capacity units.
8.	50KW	On/Off Grid	12,000,000	5 years	

The highest cost associated with this opportunity is the initial purchase price and installation of the solar panels.

Hydel Power Units for Hotels and Tourist Facilities. With an abundance of streams and rivers throughout both provinces, hydel power could provide an exciting commercial venture. Existing businesses in the tourism sector would benefit from low cost, uninterrupted power supply, and reduced reliance on back-up generators. There is precedent for a hydel power company in KP. A hydel power model was piloted in Shangla where major users of the power produced by the unit during daytime were service providers (ironing, tailoring, baking, and shops) while hotels, restaurants and residences used it at nights.

Table 6: Estimated costs and payback period for solar based on open-source market rates from current providers

Option No[57]	Capacity	Estimated Cost (PKR)	Expected Payback Period
1	5KW	500,000	2.5 years
2.	10KW	800,000	2 years
3.	20KW	1,400,000	1.8 years

A basic analysis of current rates shows that investments can be recovered in a comparatively short time – 2 years – with a lifespan of a decade. The only limitation with hydel power is the need to be relatively close to a water source. Interviews with local tourism officials and hotel owners associations suggest that there could be around 50 hotels from GB and KP would opt for this scheme if funds are provided with soft terms. As with the demand for solar power above, we treat this figure as an illustration of demand, rather than an accurate estimate of the potential customer base. Similarly the highest cost associated with this opportunity is the initial purchase price and installation of the hydel power units. Further costs could be incurred if land purchase is required, though if the hydel unit is a shared asset, there may be opportunities for cost-sharing between users.

[57] Figures are based on discussion with owners of recently installed micro hydel units

4.9. Waste to Energy

Though this is not strictly speaking a core opportunity within the adventure tourism sector, there is a critical need for waste disposal and recycling solutions in KP and GB. Municipal services currently struggle to keep apace the volume of waste generated by high volume tourism, leading to unhygienic and unsightly refuse dumps in areas of outstanding natural beauty.

We see opportunity to invest in companies that are able to address this issue. One such solution is being provided by 'Greenovation', who are converting waste into energy in the form of Liquified Petroleum Gas (LPG). Businesses in GB and KP rely on Liquefied Natural Gas (LNG) or firewood for cooking and heating purpose, with detrimental impacts on the environment. Converting waste material into LPG would have a direct impact on levels of deforestation and make LPG available at a lower cost for hotel owners and local communities.

The project is going to cost PKR 20 million for one unit with a production capacity of around 400,000 Kgs annually. The business model is to purchase waste material from scavengers or waste management companies and process it into LPG that is sold in the market. The escalation in prices of gas may further improve the financial returns of the project keeping its environmental benefits aside. The payback period of the project is 2 years to run on full production but as waste production is low in winters at the tourist destinations it may be extended to 4 years. The highest cost associated with this opportunity is likely to be the unit cost for a processing plant. Non-premium land could be secured at competitive rates as this does not need to be located in a prime tourism location.

Innovation and disruption

In addition to the opportunities we identify above, the adventure tourism market presents an exciting space for innovative and disruptive ideas. By definition, these ideas are elusive and require an entrepreneurial mindset. Three examples below illustrate the types of opportunity that could be seized upon with the right business model for the context:

- **Personalised trip planning platform.** A review of online literature of disruptive start-ups in the tourism sector illustrates that the majority are to be found in the tech sector – often variants of the same theme, namely online personalised booking platforms. We find no such platforms catering to tourism in northern Pakistan. In India, Pickyourtrail provides an online booking platform for 'do it yourself (DIY)' travellers, which enables customers to design bespoke tour packages. This would be well suited to Pakistan's adventure tourism market, which offers such a broad variety of experiences and locations. In a similar vein, Wonderlog provides a platform to create personalised itineraries and to store useful trip-related data. Both businesses have been touted as 'startups to watch' in the travel industry*.

- **Personal safety alarm app** – Concerns about harassment may deter many female tourists, both foreign and domestic. Zecure has developed an app that converts a standard smart phone into a personal alarm beacon, offering a degree of protection for individuals who feel unsafe or threatened. Such an app could find use amongst tourists travelling in remote parts of northern Pakistan. The key limitation would be mobile reception, but the technology could be worth piloting through a small start-up grant.

- **Female only transportation / booking app.** With the rise in female tour groups and tourists, a travel booking app for female-safe lodging and transportation could find traction, particularly amongst domestic tourists. The app could link to a fleet of vehicles that provide transportation to women and children only. The volume of female tourists is hard to estimate, but anecdotal evidence from interviews and field observations suggest a modest potential market size.

*https://startupsavant.com/startups-to-watch/travel

5. Recommendations

In addition to the opportunities that we outline above, there are three key recommendations that flow from our analysis of the tourism market in Pakistan.

4. **AP should issue calls for applications to solve specific challenges in order to encourage innovation.** The pressures of mass tourism in GB and KP are considerable, whether it is access to public washrooms, accumulation of litter, or traffic congestion. AP should issue calls for applications to solve these problems. Each call could correspond to an individual problem. Each call should contain a specific problem statement, which applicants will be required to address. AP would then apply the same rigorous selection criteria as usual in choosing which businesses to fund. This would ensure that all applications are *de-facto* aligned with AP's social and environmental priorities and would help address some of the structural issues that impact on the environment.

5. **AP should develop a toolkit to assess the environmental impacts of applicants' business models during the initial screening stage.** AP currently lacks a standardised format for assessing whether businesses are eco-friendly. Such a toolkit would enable AP to filter investment pitches early in the process. The toolkit could also be used to develop specific eco-performance indicators, ensuring that successful funding applicants actively work towards green targets as they progress towards scale.

6. **Build a social and environmental impact reporting framework.** AP's 'headline' results figures currently showcase *jobs created, follow-on investment* and *enterprises invested.*[58] The strength of these figures is that they can be ascertained relatively easily from individual businesses and aggregated at portfolio level. However, this misses an important opportunity to showcase the positive social and environmental impacts of these investments. Businesses themselves may wish to report against social and environmental indicators as this could open opportunities to pitch for funding from other impact investors. The impact framework could record a variety of indicators ranging from the basic (number of women employed, number of female-led initiatives) to the more complex (quality of life indicators, environmental outcome indicators etc.).

[58] https://accelerateprosperity.org/impact

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Useful Websites

Adventure Tourism Development Index
Adventure Travel Trade Association
Aga Khan Development Network
Government of Gilgit Baltistan
Pakistan Board of Investment
Pakistan Bureau of Statistics
The Federation of Pakistan Chambers of Commerce and Industry
United Nations World Tourism Organisation (UNWTO)
World Travel and Tourism Council

Annex 1: Methodology

6.1. Desk Review

Aleph conducted a desk-based review of available literature online and documentation generated by interviewees. Specifically, the review aimed to address the following objectives:

- Quantify the size, scope, market demand, and growth potential of the tourism sector;
- Identify global and regional best practices within the innovative and star-tup space in tourism and gauge their relevance/applicability to the entrepreneurial ecosystem of Pakistan;
- Support AP team in desk review of relevant resources (grey literature and websites) to understand market trends, supporting industries, and potential of scalable growth for tourism in Pakistan.

6.2. Primary data collection

Primary data collection proceeded in two parallel work streams: remote interviews and fieldwork.

6.2.1. Remote key informant interviews

Aleph undertook a series of qualitative interviews online with key stakeholders and experts working in the tourism industry in Pakistan and globally. In total, we conducted 10 remote interviews with international and domestic tour operators, independent guides, small business owners and one NGO.

Interviews were semi-structured, using open ended questions to solicit answers across a range of topics. This style of interviewing was well-suited to the exploratory nature of this study and encouraged unexpected angles and insights to emerge over the course of the discussion. Interviews lasted between 30-60 minutes. Interviews covered the following topics:

- *Barriers to entrepreneurism* in the tourism sector whether they are legal, logistical, social or political;
- *Solutions to these barriers* – the role of government, investors and civil society in overcoming barriers;
- *New, innovative or disruptive services being provided* – identification of potential interviewees and case studies;
- *Needs of start-ups and small businesses* working in the adventure tourism sector in Pakistan;

- ***Economic and political outlook in Pakistan*** – how the wider context impacts the development in of tourism in Pakistan in genera.

6.2.2. Fieldwork

We acknowledged that AP would like to explore the hypothesis that winter sports are an underdeveloped asset. A 10-day fieldwork mission was therefore conducted in Gilgit-Baltistan and Khyber Pakhtunkhwa, where winter sports are possible. With the short timeframe available for this work, we elected to travel to high-density popular tourism destinations in each province in order to maximise our exposure to the diversity of tourism activities and stakeholders. In GB, we visited Hunza and Skardu; in KP we travelled to Swat and Chitral.

Figure 9: Map showing approximate fieldwork locations

A highly purposive sampling process was employed in order to focus our lines of enquiry rapidly and avoid purely speculative discussions. Each field mission began with a visit to the local Chambers of Commerce and Industry, and the local Departments of Tourism. 'Snowball sampling' was employed to identify people to interview during the fieldwork. Interviews and meetings were held in person.

6.3. Case Studies

Over the course of the fieldwork and remote interviews, we identified four businesses that provide illustrative case studies of specific phenomenon observed during the fieldwork.

6.4. Limitations

Availability of (reliable) data – There is generally a dearth of accurate data on tourist numbers or tourism-related revenue. Accurate financial data about market size is not available. This was found to be particularly true for untapped market segments, which are, ipso facto, largely under-researched.

Limited geographic scope – Within the resource parameters for this review, we elected to focus on two primary end-destinations for adventure tourism activities: Gilgit-Baltistan and Khyber Pakhtunkhwa. Even within these areas, we do not attempt a comprehensive market mapping exercise, as to do so would require a considerably greater investment of resource, as previous exercises have illustrated. Our research considered areas like Islamabad, Rawalpindi and Karachi only in as much as they are 'entry points' for many foreign and domestic tourists starting their journeys into the norther provinces. We have not explored market opportunities specifically in these areas.

Not value chain mapping – As above, with the resources available for this exercise, we have not conducted detailed value chain maps for each of the market segments we explored. Instead, we are concerned with describing opportunities across a wider range of segments, rather than specific entry points within individual value chains.

Not identifying specific business investment opportunities – We do not recommend individual businesses to invest in. We are not investment advisors and are not qualified to make this kind of recommendation. We have not adjudicated on the validity of business models, nor provided a commentary on the readiness of businesses to accept and process funding. These areas are covered as part of AP's assessment criteria during the application selection process.

Willingness / ability to share sensitive financial information – From experience working with start-ups and SGBs in Pakistan and elsewhere, we know that businesses may be unwilling or unable to share sensitive financial data with external parties. We may therefore have to rely on estimates to judge the financial feasibility of business types if we do not have accurate commercial data on which to model.

Annex 2: Literature Review

In preparing the methodology for this study, Aleph undertook a rapid literature review to situate the project within a wider context. A small number of preliminary qualitative interviews were also conducted with stakeholders working in the adventure tourism sector in Pakistan. Below, we present a number of key concepts that emerged from our reading and conversations.

6.5. Definitions

Adventure tourism – There is no consensus on what constitutes adventure tourism, but there are some basic criteria that guide us in this work. The United Nations World Tourism Organisation (UNWTO) refers to the Adventure Travel Trade Associations' (ATTA) definition of adventure tourism as a trip that includes at least two of the following three features: physical activity, natural environment, and cultural immersion.[59] We categorise adventure tourism activities as *hard* and *soft* in line with AP's own understanding, and the wider travel industry[60]. Hard activities are those that demand a level of unusual physical activity and risk, such as mountain biking, climbing and rafting. Soft activities are those that are less physically strenuous or risky, such as hiking, camping, or yoga.

Financial feasibility – We apply this term to describe the likelihood of profitability based on several factors, including whether there is a gap in the market for a product or service, and whether there is adequate demand. If there is sufficient data available, we may be able to estimate the approximate market size. Further refinements to this definition can be made pending inputs from AP. We do not assess the commercial feasibility of individual businesses.

6.6. Understanding the Tourism Sector

Much has been written about Pakistan's tourism potential. With a truly unique endowment of cultural and natural heritage, Pakistan has drawn visitors from around the world, particularly those with a passion for mountaineering. Yet Pakistan's tourism potential seems never to have been fully realised. Indeed, the latest ranking from the Adventure Tourism Development Index (ATDI) ranks Pakistan 109 out of 163 'developing' countries. Elsewhere in the Himalaya region, other countries fare significantly better, including Bhutan (top 20), Nepal, India and Tajikistan.

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[59] UNWTO (2014): *Global Report on Adventure Tourism*, p.10

[60] Highlands and Islands Enterprise (2015): *Adventure Tourism in Scotland; p.37;* USAID: *Sustainable Tourism Enterprise Development: A Business Planning Approach.*

Like many predominantly Muslim countries, Pakistan's reputation has been significantly undermined following the 2001 attacks on the World Trade Centre, and the subsequent 'War on Terror'. The protracted conflict in neighbouring Afghanistan has undoubtedly taken its toll too, and security challenges within Pakistan itself have at times deterred all but the most intrepid of foreign tourists. Even today, social media is full of 'surprising' videos showcasing Pakistan's welcoming culture, illustrating the continued need for a counter-narrative to enduring negative perceptions.

In spite of this, there are some positive trends emerging. According to Pakistan's Board of Investment, the tourism and hospitality sector contributed an estimated USD 24.3 billion to the country's GDP in 2019. Pre-COVID, the numbers of domestic tourists had increased to 46.07 million in 2016. Foreign tourists – mostly from the US and UK, though increasingly from China – numbered 1.27 million in 2019[61]. The Government of Pakistan realises the potential of tourism and has initiated tourism development activities across the country. This is evident from increased public spending in. the tourism sector, which has resulted in private sector investment. Pakistan is now increasingly being seen as an international tourist destination and it moved up from 89th to 83rd on the global ranking by the Travel & Tourism Development Index (TTDI) 2021[62]. Social media is likely playing a role in driving tourist numbers[63], particularly amongst younger generations who share images and videos of their trips on a variety of platforms, and who use social media for planning their trips.[64] Below we provide a snapshot of the tourism sectors in the two primary research locations for this study, Khyber Pakhtunkhwa and Gilgit-Baltistan.

6.6.1. Khyber Pakhtunkhwa (KP)

Khyber Pakhtunkhwa (KP) is home to a variety of tourism assets through its natural beauty, heritage, culture, and history. It is not only attractive for foreign tourists but also domestic tourists from the same province as well as other parts of the country. The seasonal tourist destinations are located all over the Malakand Division and Hazara Division, with popular hill stations like Galliyat, Kaghan, Naran, Kumrat, Chitral,Thandiani, Kalam, Malam Jabba, Swat, etc. Many other

[61] Pakistan Board of Investment (2020): *Tourism Sector Profile*
[62] TTDI is published by the World Economic Forum (WEF)
[63]Aftab, S. et al. (2019): Role of Social Media in Promoting Tourism in Pakistan. Journal of Social Sciences and Humanities. 58 (1): 103-113

[64] Hussain, K. (2020): *Social media impact on tourism in Pakistan*. Bulletin of Business and Economics, 9(2), 74-84.

sites have tourism potential, but limited access routes and lack of facilities deter greater numbers of tourists from visiting these areas. In southern parts of the province, potential tourist destinations have recently been added with the merger of new districts that used to be part of the Federally Administered Tribal Areas (FATA); including, Tirah, Landi Kotal, Samana, Torkham, Kohi Sufaid, Wana and Shawal, etc.

The tourist destinations of Khyber Pakhtunkhwa are visited on a seasonal basis by people from southern provinces during extreme summers, but the potential of winter tourism remains comparatively underdeveloped. This is slowly changing – there are now winter festivals organised by the provincial government; and there is a ski resort in Malam Jaba (Swat District).

KP is known for its rich cultural heritage: the province is not only marked by its Islamic heritage but is also considered home to the Gandhara culture, making it a sacred journey for Buddhists from all over the world. The Kalasha indigenous people, who are the smallest ethnic minority of the country, also reside in Chitral district of KP. The valleys of Kalash are among the most popular tourist destinations for the foreign as well as domestic tourists, as the Kalasha people continue living in a traditional way and following their religious practices and festivities.

KP has witnessed an increase in number of tourists over the years, and in the last year an estimated 8 million tourists visited the five major destinations alone[65], suggesting that the total number of visitors may be much greater than this. The flow of domestic tourists reaches its peak during religious holidays – especially Eid, when in 2021 an estimated 4 million tourists visited the province[66]. The highest number of tourists visited Galliyat (Abbottabad district) - around 3.5 million people. In the last year, foreign tourists numbered around 3,000, with half of them visiting Chitral (mostly to Kalash valleys and Garam Chashma).

The seasonal trend over the year may be estimated as 50% tourists arriving in summer season, 25-30% in spring, 10-15% in Autumn and around 10% in winter. In winter, the numbers increase with the first snow fall while in summer they are dependent upon school summer vacations and other holidays. Foreign tourists are the highest spenders with a daily spending of PKR 20,000 and an average stay of 7 days. On the other hand, the domestic tourist averages at a daily spending of PKR 4,000 with an average stay of 2 days.[67] Domestic tourists travelling from the Punjab and

[65] The destinations include Chitral, Galliyat, Kumrat, Malam Jabba, Kaghan/Naran.
[66] Financing Sustainable Tourism in Khyber Pakhtunkhwa by Consortium of Development Policy Research (CDPR)
[67] Government of Khyber Pakhtunkhwa (2022): *KP Tourist Influx Details*

Sindh provinces spends more and stay for a higher number of days compared to visitors from within KP itself, as the majority of these comprise youngsters of the same age group. The total spending is around PKR 95 billion annually, which could increase with additional facilities and events to promote tourism.

In sum, the strengths of KP's tourism sector are the diversity of touristic assets available, the Government's focus on tourism development, and the growing number of people visiting these places in all seasons of the year. The weaknesses include the lack of data, which makes it difficult for the Government and the private sector to make informed decisions; but also inadequate road connectivity and the fact that many tourist destinations are yet to be made accessible. Over-tourism in the existing destinations is a significant and growing issue, which results in congestion, littering, and pollution.

The threats include the deterioration of security in the tourist areas, and natural disasters such as the recent flood in 2022. Inflation and its effects on prices may also result in reduced spending by tourists. The development of Integrated Tourism Zones (ITZs) provide an opportunity for KP's tourism sector, as they would open up new destinations for people to visit. Four ITZs are proposed: Ghanool (Manshera), Mankyal (Swat), Madaklasht (Chitral), Tahndiani (Abbottabad)[68].

6.6.2. Gilgit-Baltistan (GB)

Gilgit Baltistan (GB) is known as the *Capital of Tourism* and *Jewel of Pakistan* for its abundance of natural and cultural heritage. It comprises around 108 mountain peaks higher than 7,000 meters above sea level, including five of the highest peaks worldwide such as K-2 (second highest), Nanga Parbat and Gasherbrum. GB's religious and cultural diversity is unparalleled, as seen in vibrant and well-attended festivals such as Shandur and Babusar's polo festivals.

GB provides unique opportunities for wildlife lovers to observe rare and endangered species of mammals and birds such as the Marco Polo sheep, blue sheep, snow leopard, markhor, black bear, brown bear, chakor and ram chakor. GB is particularly popular amongst foreign tourists, though in the past couple of years, partly due to COVID-related travel restrictions, the number of domestic tourists has started to rise.

[68] Department of Tourism of Khyber Paktunkhwa (2022): Integrated Tourism Zones. Pitch Presentation. Dubai.

GB's main tourist destinations include Hunza, Nagar, Diamer, Gilgit, Skardu, Khaplu, Shigar, Sadpara, Naltar, Domel, Phandar and Sost. As in KP, visitor numbers are highly seasonal, with domestic tourists travelling north to avoid the heat during summer months. The number of tourists visiting GB is estimated at around 1.5 million[69] a year, though in 2017 this rose to 1.72 million[70]. Anecdotal evidence from interviews suggests that the figures may be returning to pre-pandemic levels, though we have been unable to find data to corroborate this.

The number of foreign tourists is currently estimated to be around 2% of the total number of visitors according to the GB Tourism Department, which is a significant decrease from a high of 30% in 2007. The number of foreign tourists in 2007 was highest at 10,338 (30.31%), which dropped to 4,082 (2%) in 2015[71]. We urge caution when relying on these figures, as there appears to be no systematised process for recording visitor numbers. Nevertheless, they can be seen as indicative of the broader trends.

The tourism sector in GB shares many of the strengths and weaknesses observed in KP, and faces similar opportunities and threats. It has a wealth of diverse tourism assets ranging from its mountains, lakes and rivers to its rich cultural heritage and historical monuments. Here too, the Provincial Government is focused on developing tourism, though there are fewer strategies and plans available online to demonstrate this fact compared to KP. Indeed, there is a great dearth of data related to tourism and the markets in GB compared to KP, which seems to be comparatively better researched. Natural disasters such as the floods in 2010 and 2022 are common, causing significant loss of life and hampering efforts to attract tourists and to maintain accessibility to remoter parts of the province. Furthermore, the rapid expansion of hotels and restaurants is having a negative impact on the visual aspect of many areas, particularly in Hunza, and is creating further pressure on the local environment.

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[69] https://www.geo.tv/latest/361710-tourism-revives-as-up-to-700000-tourists-visit-gb-since-eid-ul-fitr
[70] https://fp.brecorder.com/2017/11/20171128238714/
[71] https://www.researchgate.net/figure/Number-of-foreign-and-domestic-tourists-arrivals-in-Gilgit-Baltistan-2007-2015-Source_tbl2_335545844

Annex 3: Preliminary Mapping of Adventure Tourism Activities

A scan of online literature and preliminary interviews highlighted a broad variety of different types of tourism taking place in GB and Chitral. The map below was compiled during the inception phase of the project and served as a basis for selecting interviews and directing discussions during the fieldwork phase.

	Description	Commercial Conditions					AP Selection Preferences			
		Competition	Demand	Innovative/ disruptive	Catalytic potential	Financial	Female led	Digital technology	Eco-Friendly	Local employment
Questions to ask	What is the activity / service?	How much competition is in this space?	Is there a market for this activity?	Why is this unique/new?	Do businesses in this space address multiple market needs?	What are the chances of making profits or factors that may contribute to profits?	Is the business leadership female?	What are the opportunities for harnessing digital technology?	Are the businesses environmentally friendly?	Do businesses in this space create local employment?
Wellness retreats and spas	Yoga retreats or hiking/yoga tours	Strong competition in Hunza in response to demand. Less developed in Chitral and Skardu	High demand – tours regularly booked out. Predominantly higher-income female (and male) clients from urban Pakistan	Comparatively new in Skardu and Chitral	Unclear – but suspect this is limited.	To be explored further	Yes – strong female leadership and participation	Social media is a key marketing platform.	Low carbon footprint. Emphasis on low impact travel.	Unclear.
Wildlife Photography	Single / multi-day excursions into the mountains to photograph wildlife.	None / very little. This is an underdeveloped market segment	Moderate – high volume of domestic/international tourists. Wildlife relatively unknown. All looking for 'photo opportunities'	No one currently offering this service.	Unclear – could be moderate. Photography could spawn local printing / repair businesses. Could also be added to an enhanced tour package for existing tour operators	To be explored further	Currently few / no businesses offering this service.	High potential here. Cameras and drone equipment needed. Digital platforms to share images.	Highly eco-friendly. Tours operated on foot. Conservation-focused.	High. Local tour guides could facilitate the excursions.
Marketing and communications	Online booking platforms, marketing channels, review aggregators, market comparison sites, etc.	Moderate. Some companies are doing this well. Many highlight weakness of companies to reach target markets, especially foreign tourists	High amongst businesses. Finding information about tourism and tour providers is difficult. Pakistan still struggling with negative international image. Domestic tourists may not be familiar with Pakistan's natural endowment.	No one offering these services	Potentially high if relevant to multiple businesses. Opportunity for advertising revenue.	To be explored further	High potential as can be delivered from office anywhere in Pakistan	High.	High. Limited carbon footprint.	Low

Female led trekking	Tour operator led by women, for women and families	Little competition currently as few companies offer this service or employ female guides	High for single day excursions. Moderate for longer trips, where being away from family / husbands is still unusual. Independent female tourists (mostly foreign) and domestic female groups.	Very few / no one offering this service.	High.	To be explored further	Yes	High. Bookings, marketing and outreach all online.	Yes – low carbon footprint, especially if targeting domestic tourists.	Yes – focus on employing local female guides.
Destination management companies (DMC)	Enterprise that facilitates / provides a range of services / experiences at local level. They are B2B providers.	There are allegedly few / none working in GB. Unclear in KP.	Unknown. Some demand from interviewees.	No current providers.	High – could serve a range of businesses.	To be explored further	None yet. Could be potential here, especially if supporting female enterprises.	High. Online marketing and comms.	Unclear.	High. Local knowledge is the USP for DMCs.
Eco-Accommodation	It includes eco-friendly accommodations for tourists in the shape of pods, hotels, lodges, homestays, etc.	These are few and competing with the traditional accommodations available.	Demand is high because tourists are not able to find decent accommodation during summer seasons and festivals at hill stations.	Few providers	To be explored further	To be explored further	To be explored further	High. Bookings, marketing and outreach all online.	Yes, low carbon footprint	Moderate
Extreme Sports	Bungee Jumping, Zipling, White Water Rafting, etc.	Moderate. Ziplining and White-Water Rafting is becoming available but Bungee Jumping is yet to start.	To be explored further	Few providers and none in case of Bungee Jumping	To be explored further	To be explored further	To be explored further	Social media is a key marketing platform and digital cameras are an asset for presentation	Unclear	Moderate

Chair Lifts/ Cable Cars	Chair Lifts / Cable Cars used for leisure or transportation	Limited competition	The existing projects are very popular among tourists	Few providers	Seems financially lucrative as Galliyat Development Authority (GDA) considered Ayubia Chair Lifts the most profitable entity of the Authority.	To be explored further	To be explored further	Social media is a key marketing platform and modern cameras are an asset for presentation	To Be explored further	Moderate