

A framework to inform the formulation of tourism-led business plans for protected areas in Lesotho



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**Maloti Drakensberg
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Table of contents

1	Introduction.....	1
2	Overview of existing protected areas	2
2.1	Introduction.....	2
2.2	Sehlabathebe National Park	2
2.3	Ts'ehlanyane Nature Reserve.....	2
2.4	Bokong Nature Reserve	3
2.5	Liphofung Cave	3
3	Policy context for commercial tourism activities in protected areas	4
3.1	National Tourism Policy	4
3.2	Lesotho National Environmental Policy	4
3.3	Other national environmental legislation.....	4
3.4	Privatisation of tourism assets	5
4	Principles for tourism commerce in Lesotho Parks.....	6
5	Commercialisation through partnerships.....	7
5.1	Rationale	7
5.2	Roles and responsibilities	7
5.3	Establishing an appropriate institution for community participation	9
5.4	Structuring of community private sector partnerships.....	9
6	Guidelines for tourism business development in protected areas	12
6.1	Establish stakeholder participation & empowerment process	12
6.2	Establish tourism business planning process	12
6.3	Undertake investor mobilisation procedure.....	15
6.4	Financial considerations.....	19
6.5	Skills development and capacity building	20
7	Concluding remarks	22
8	References	23

1 Introduction

The Lesotho Government is the custodian of globally significant biodiversity and has prioritised a number of conservation management goals. One of these goals is the establishment of new protected areas and improvement of management effectiveness of existing protected areas. As a signatory to the global Convention on Biological Diversity, the government also seeks to ensure that there is equitable distribution of benefits from natural resources and use of protected areas.

Tourism is regarded as one of the largest and fastest growing economic sectors internationally¹. Demand for tourism experiences in wildlife and protected areas have grown rapidly in the past decade. Notwithstanding the role of tourism is building the public's appreciation of the value of biodiversity, tourism in protected areas is also seen as a mechanism to partly subsidise conservation management costs and generate economic benefits to neighbouring communities.

Tourism development in Lesotho's protected areas should be planned and implemented in a manner that responds to a complexity of factors, such as the strategic policy imperatives of the government, market demand trends and the needs of local communities. Therefore sufficient attention should be applied to strategic and business planning for tourism development for Lesotho's existing and planned protected areas.

Purpose of the document

This document was prepared as part of a short-term assignment for the Maloti Drakensberg Transfrontier Project. The purpose of the document is to briefly highlight important planning issues and methods that need to be considered by conservation management authorities and other stakeholders in planning for tourism enterprise development in protected areas in Lesotho.

The emphasis of the document is to providing guidance on *developing* financially viable and sustainable tourism destinations protected areas rather than providing guidelines on how to *manage* tourism activities and visitor impacts within these protected areas. The latter management issue should be addressed in the reserve management plan for each protected area.

¹ World Tourism Organisation, 2003

2 Overview of existing protected areas

2.1 Introduction

The heathlands, now also known as Alpine tundra, shared between South Africa and Lesotho occur mainly in Lesotho, with a high rate (30%) of endemic plants, making this one of the world's biodiversity hotspots. As a signatory to the 1992 Convention on Biological Diversity, Lesotho is obliged to establish a system of protected areas. The Sehlabathebe National Park is an IUCN Category 2 Park and is over 6,000 ha in extent. Under the auspices of the Lesotho Highlands Water Project, the establishment of the Bokong Nature Reserve, straddling the peaks of Mafika Lisiu, en route to Katse Dam, the Cultural Heritage Site at Liphofung, containing some of the most vivid San rock paintings in the area, and Tsehlanyane Nature Reserve have together more than doubled the land area under conservation in Lesotho. (LHWP)

2.2 Sehlabathebe National Park

Sehlabathebe National Park was established in 1970 as a "Wild Life Sanctuary and National Park" according to the provisions of the now-defunct Game Preservation Proclamation No. 33 of 1951. The creation of wildlife sanctuaries was only vaguely defined and the proclamation was superseded by the National Parks Act of 1975. The date of effect of the Act has been gazetted as 29 June 1987, but SNP was only officially and legally established as a National Park in November 2001. To date it is the only formalised National Park in the Kingdom of Lesotho.

Sehlabathebe National Park (SNP) is situated on the eastern escarpment of the Maloti-Drakensberg at the southernmost tip of the Maloti-Drakensberg Transfrontier Project area on the international border with South Africa. Qacha's Nek is the closest regional trading centre, situated approximately 100km southwest. The village cluster of Sehlabathebe, is located along the western boundary of SNP. Bushman's Nek Border Post and tourism cluster are approximately 15km towards the east in South Africa.

The 6,500 ha SNP borders the Garden Castle Reserve (Cobham to Bushman's Nek) which is part of the Ukhahlamba Drakensberg Park (UDP) World Heritage Site. The range is spectacular with towering peaks of up to 3,300m, deep ravines, sparking cascades and plateaus with over 2,000 species of flowers and trees. Of these 400 species are unique to the Ukhahlamba Drakensberg Park.

Until the designation of TNP and Bokong Nature Reserve, only two protected areas existed in Lesotho, namely Sehlabathebe National Park (6 475 ha) and Masitise Nature Reserve (20 ha). TNP, at c. 5 333 ha in extent is the second largest protected area in the country.

2.3 Ts'ehlanyane Nature Reserve

The Ts'ehlanyane National Park is located deep in the front range of the Maluti mountains, with headquarters at the foot of the Holomo Pass. The reserve owes its origin to the access road to the Hlotse tunnel for the LHWP. This protected area lies at the junction of the Ts'ehlanyane and the Holomo rivers.

Over 5600 hectares of extremely rugged mountain terrain is protected within this park, which includes one of the very few indigenous woodlands in Lesotho. Some of the finest examples of *Leucosidea sericea*, Ouhout, or Che-che, woodland are preserved at the heart of this area, with a number of undergrowth plants that are unique to this woodland habitat. On the banks of the rivers and streams are

stands of berg bamboo, which besides being of significant cultural significance to the Basotho people, provide a habitat for the endangered butterfly species *Metisella syrinx*. The reserve also encompasses a reasonable proportion of mountain “fynbos” with a high degree of endemism. Of the 285 bird species said to inhabit Lesotho, over 70 have been recorded in the park.

The park is reached by a 32km-gravel access road that leaves the main A1 route 8km south of Butha Buthe. Tourism facilities include a campsite, dormitory type accommodation and conference facility, 4-bed rondavels and a 10-sleeper guest house. A stone hiking hut is also at the start of the 39km hiking trail that links Ts’ehlanyane National Park with the Bokong Nature Reserve.

Maliba mountain lodge is a new exclusive upmarket lodge currently being built within the nature reserve and which is due to commence trading on 1 September 2008. The lodge has 6 en suite rooms with luxury finishes. The lodge is owned by a private sector consortium which obtained a lease agreement and relevant permits from the government.

2.4 Bokong Nature Reserve

The Bokong Nature Reserve comprises 1970 ha and straddles the northern access road at the top of the Mafika Lisiu Pass between Pitseng and Ha lejone, on the way to the Katse Dam. At more than 3,000 meters above sea level, the reserve is one of the highest nature reserves in Africa. An impressive visitors’ centre has been developed on the edge of a 100m cliff overlooking the Lepaqa Valley to educate visitors on the ecology of the highlands. A rustic hiking camp and a network of walks and trails are available in the reserve. The 2-day 39km hiking trail that traverses the alpine plateau and down into the Ts’ehlanyane National Park also starts/ ends here.

The reserve contains extensive afro-alpine wetlands in the sources of the Bokong river and the Lepaqa stream as well as vast grasslands. Limited areas of heath lands are conserved. There are excellent opportunities here to view the bearded vulture and a number of other bird species endemic to the afro-alpine zone. Reasonable populations of vaal rhebuck still occur on the plateau grass and heath lands and the whole area abounds with colonies of the endemic ice rat, which is heavily predated by all the small and medium mammalian carnivores and avian raptors in the area.

2.5 Liphofung Cave

The Liphofung cave is the smallest of Lesotho’s reserves at about 4 hectares. The cave is in fact a large overhang in the Clarens sandstone, which is a typical feature of the Lesotho lowlands region. Originally used by the San and other Stone Age people, the walls contain important rock art and a rich archaeological deposit of Stone Age implements occurs on the floor. This particular site lies in a tributary stream valley of the Hololo River just off the main route from Butha-Buthe to Oxbow and Mokhotlong. Access is by means of a newly constructed concrete road and is passable for all vehicles. A small visitor’s centre incorporating a display of Basotho culture and San rock art has been developed, along with ablution facilities and a small shop. The site is proving to be a popular destination with school groups and tourists en route to Oxbow. Overnight accommodation is available in rondavels and camping is permitted. A number of community-based activities are available, such as pony rides and traditional performances.

3 Policy context for commercial tourism activities in protected areas

3.1 National Tourism Policy

The National Tourism Policy (2000) provides the overarching framework in which tourism growth and development should take place. The mission statement elucidated in the policy states that government seeks to “...use tourism as the main contributor to growth and well being of the people of Lesotho, through the development of a dynamic, competitive and customer-driven industry...”

Captured in the policy are two key principles, namely that:

- Tourism development shall be public sector led and private sector driven, and
- Government shall provide the enabling environment for the development of the industry

The emphasis of both the vision and the mission statements is that local people should directly benefit from tourism development. This is further echoed in the policy in that it states that tourism should:

- Respect the cultures and values of the Basotho people,
- Conserve the environment,
- Allow the Basotho people, particularly the rural communities, to become real partners in the industry.

Thus conservation of the environment and the participation of rural communities in tourism are seen by the Government of Lesotho as central elements of tourism development.

3.2 Lesotho National Environmental Policy

The overall goal of the national policy on environment is to achieve sustainable livelihoods and development for Lesotho. Certain policies focus on sustainable use and state that the government should implement the principle of optimum sustainable yield in the use of natural resources, and should foster community management and revenue sharing from sustainable utilization of natural resources on customary and public land.

One of the key strategies for national parks and other protected areas states that local communities should be involved in the management of gazetted areas and that authorities should ensure equity sharing with the concerned communities from tourism generated revenue.

3.3 Other national environmental legislation

A variety of other national policies deal, either directly or indirectly, with the environment and the conservation of biodiversity and use of natural resources. Amongst others these policies are:

- Environmental Act, 15 of 2001
- The Action Plan to Implement Agenda 21
- The National Environmental Action Plan (1989)
- The National Environmental Policy (1996)
- The National Strategy on Lesotho's Biological Diversity: Conservation and Sustainable Use (2000)
- 20-year strategy for the Maloti-Drakensberg Transfrontier Conservation Area
- The National Livestock and Range Management Policy (1996)
- Vision 2020

3.4 Privatisation of tourism assets

Although there is currently no specific legislation pertaining to the private sector use of state assets, Lesotho encourages private operators to enter into concession or lease agreements for new and existing facilities under terms and conditions specific to each concession agreement. The Government is committed to supporting public private partnerships (PPPs), and particularly encourages development proposals that link with the local communities.

4 Principles for tourism commerce in Lesotho Parks

Tourism principles are the fundamental, long-term values or ideology around which tourism authorities and managers should plan and implement tourism-related activities. All role players should respect and subscribe to national tourism principles. The tourism principles for the draft Sehlabathebe Tourism Business Plan were synthesised from national and regional policy and plans of government and specifically tourism and environmental authorities. These principles are re-produced below with adaptations. These principles could in essence be applied to any other protected area in Lesotho.

- Tourism development in and around protected areas in Lesotho should be market-driven and enterprises established should be commercially viable,
- Tourism development within protected areas will be government led, private sector driven and empowering for neighbouring communities,
- Where possible, tourism enterprise in protected areas should subsidise the cost of conservation management activities,
- Neighbouring communities, who have been directly affected by the establishment of protected areas, have the right to participate in tourism development within these areas and to receive economic benefits there from through innovative partnerships with Lesotho Authorities and the private sector,
- Protected areas will develop their unique tourism attractions within the constraints of regional and park-specific management plans, taking careful consideration of biodiversity management requirements, land use zones and the need to preserve aesthetic landscapes.
- Management and operation of commercial opportunities within protected areas should be undertaken by the private sector where possible, which is better equipped to run these facilities than state institutions.
- Tourism products, facilities and services in protected areas should be of a high standard and competitively positioned.
- Tourism products inside protected areas should be integrated where possible with tourism products surrounding the park, especially for the benefit of neighbouring communities.
- Protected areas under the auspices of the state should serve a wide range of markets, including Basotho domestic visitors, foreign holidaymakers and special interest groups.

5 Commercialisation through partnerships

5.1 Rationale

The policy and planning context for protected areas in Lesotho requires that tourism is private sector driven as well as community empowering. Due to historical and contemporary entitlements of neighbouring communities to resources in protected areas and the stated need to substitute unsustainable livelihood options of some communities with non-consumptive activities, it has become a strong imperative that mechanisms are created to allow neighbouring communities to benefit economically from tourism commerce in and around the Park. On the other hand, there is pressure on protected areas to generate their own revenues to subsidise the cost of conservation management. The challenge is to commercialise competitive attractions through tourism partnerships that provide economic benefits to government, community partners and the private sector. The remainder of this chapter reviews the potential for innovative partnerships between these parties to achieve this.

5.2 Roles and responsibilities

Government agencies, community participants and the private sector generally have typical roles and responsibilities in commercial partnerships around tourism assets. In state parks, the government usually fulfils the role of creating and enabling environment for enterprise development whilst maintaining the duties of conservation management. The private sector is often the provider of accommodation and visitor services as well as the retail seller. It also usually undertakes site promotion and advertising. Community based groups and entrepreneurs are increasingly partnering with established private sector players to carry out private sector responsibilities.

These roles and responsibilities may include the following for each party:

Government

- Provide an enabling environment for the commercial activity to take place, for instance through providing a concept plan for a business opportunity, obtaining environmental and development approvals for the opportunity and preparing a fair and transparent process to establish contractual arrangements,
- Develop limits of acceptable change and constraints for developments,
- Provide concessionary loans that enable partnerships with disadvantaged groups to take place, including rebates and incentives for private companies to enter into partnerships with the rural poor,
- Provide grants for community entities to enter into joint ventures with the private sector on an equal footing,
- Appoint independent transaction advisors for communities entering into negotiations with a private partner,
- Establish programmes to promote skills development and transfer from established businesses to community members and local small businesses,
- Provide technical support to communities that want to enter into partnerships in nature tourism with private companies (creating the enabling conditions for partnerships without becoming directly involved in the operational aspects of such businesses),
- Provision of bulk infrastructure for business ventures such as roads, water, electricity, sewage and telecommunications,
- Maintain responsibility for environmental protection, security and enforcement.

Private sector

There are several reasons why the private sector may be well placed to deliver specialised services and products, namely that it:

- Is more easily able to adapt to changing markets, needs and conditions,
- Often has more flexibility in labour contracts,
- Is often freer to innovate and respond quickly,
- Can more easily raise capital and other funds,
- Has more freedom in setting price levels,
- Is not hedged around by the constraints of government policy.

Despite the many different combinations that exist, in general the private sector is expected to take on the following functions in the tourism partnerships².

- Participate in conceptualising and designing the lodge and hospitality facilities,
- Investing in furniture, fittings and equipment of leased facilities,
- To run commercially viable and competitive profit making businesses,
- To provide efficient and effective marketing strategies for attracting tourists to the businesses concerned,
- To make a healthy rate of return on the capital invested in such businesses but also to pay market-related rentals to owners of the land on which the enterprises are developed, either government or community,
- In return for the profits made; to carry much of the risk including operational costs that are associated with the start up and operation of nature tourism businesses of this nature,
- To adopt procurement policies that outsource many non-core activities of the tourism enterprise, such as security, laundry, vegetable gardens, building maintenance, tour guiding and cultural tourism activities, to local small businesses,
- To pay responsible wages and implement basic conditions of employment and other labour legislation that exists in the country concerned,
- To conduct appropriate skills transfer programmes that allow local people to take up posts at all levels of the enterprise including in middle and senior management and not to simply work as menial labourers in the business,
- To provide mentoring and support to local entrepreneurs whose small businesses receive contracts for outsourced business activities,
- To ensure that all environmental policies, guidelines and impact mitigation measures are properly carried out,
- Ensure safety and security of visitors in collaboration with government and local communities.

Community

- Organise themselves into representative groups and structures that will take advantage of the management and administration of eco-tourism business,
- Participate in the identification of tourism products, resources and attractions for tourism development,
- Actively exploit opportunities for training, awareness building financing and incentives for tourism,
- Take up management and ownership positions in tourism partnerships where appropriate and take up preferential procurement opportunities,
- Seek representation in national district and regional tourism bodies,

² Wild Coast Tourism Development Manual, De Beer, 2004

- Ensuring that any obligations in commercial agreements pertaining to community activities, such as constraints to resource use, distribution of monetary benefits and communication with broader constituencies are effectively implemented,
- In collaboration with government and the private sector seek to provide a safe and secure environments for tourists.

5.3 Establishing an appropriate institution for community participation

Throughout Southern Africa, a number of different legal entities have been established to represent communities in tourism and other commercial activities in protected areas and wild lands. Entities such as Trusts, Conservancies, or Communal Property Associations have elected their own management committees and have formulated legally recognized constitutions.³ These organizations have the authority to make rules, approve developments, to enter into partnership with the private sector, receive revenues, and decide on benefit allocations. These entities can shape the future of communities in ways that are sustainable, innovative and entrepreneurial.

Community Trust

Trusts have been used in many tourism projects in Southern Africa as successful legal vehicles to represent community interests and participation in commercial activities and other development projects. A Trust can be used for the following purposes:

- Hold or own land and assets for its members,
- Enter into commercial transactions on behalf of its members such as purchase agreements, leases, contracts and concessions,
- Manage property on behalf of its members,
- Develop, manage and sustain business enterprises,
- Develop shared rules for operating as a group of diverse interests.

A Board of Trustees, elected by the community, governs a community Trust. The Trust will be registered with the Master of the High Court upon formation and will be regulated and controlled by a Trust Deed, setting out all powers, functions and rights of the Trust.

The Community Trust can act as a vehicle for receiving proceeds from the tourism activities and disbursing benefits to the same community. It can also receive donations on behalf of and for the benefit of the community. The governance structure of the Community Trust will reflect the representation from all sections of the community and should have *ex officio* representation by government and traditional authorities.

At the appropriate time the community will need to produce annual accounts and submit these for adoption to its Annual General Meeting. The form of annual accounts that is required and whether they need to be independently examined or audited by an accountant qualified to audit, will depend on the requirements of the community trust's constitution and the level of its annual income.

5.4 Structuring of community private sector partnerships

There are numerous ways in which community-public-private partnerships can be structured. The structure of the partnerships is to a large part influenced by the ownership and management arrangements for the land and the underlying tourism asset. On state land, of course also influenced by policy and developmental objectives of the government authority.

³ Community based management of Eco-tourism in Lesotho, 2005

In many cases the land and wildlife assets are owned and managed by the state and safari lodges are concessioned out to the private sector. In some cases land and related resources are owned by communities but is managed by state agencies while commercial operations are concessioned out to the private sector. In other cases land and wildlife assets are entirely owned by the private sector as are the commercial lodges that exist on this land.

The following table illustrates some of the combinations currently in operation in the major wildlife and protected areas in Southern Africa. Each of these different ownership and management patterns allows for a range of different linkages and partnerships to be set up between varying combinations of the community, private and public sectors.

		Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Land	Ownership	Public	Public	Public	Public	Public	Public
	Management	Public	Public	Private	Public	Public	Public
Lodge	Ownership	Public	Public	Private	Private & community	Public/Community	Community
	Management	Public	Private	Private	Private	Private	Private

For the purpose of this report, three potential models are elaborated below for protected areas in Lesotho.

Model 2: Tourism facility leased to the private sector

In this model, the Lesotho authority or delegated agency enters into a 10-year lease agreement with a private partner for the tourism facility, such as state owned lodge. A monthly rental is paid by the private partner to the authority. The contract holds preferential employment and skills development conditions that favour the neighbouring community. In addition, a community levy is charged on each bed occupied per night. As a variation to this option, the private partner may be obliged to offer an equity share of the business to a community Trust.

Discussion: This option passes control over lodge operations from the government to the private partner. The lease is relatively short due to the fact that the private party does not invest in building the resort or camp facilities. The partner will only be required to invest in the “softs”, namely furniture, décor and equipment. The lease provides an incentive for the operator to run the business as efficiently as possible so as to maximise the return on investment.

Although this option may improve the performance of the lodge business, it still retains the relatively low community empowerment characteristics in that there remains a low sense of community ownership of the asset. However, the variation whereby the community gains an equity share of the business improves the empowerment profile of the deal. In this instance, the community become a part owner in the operating entity and share in the benefits (through dividends) as well as business risks. It is acknowledged that hospitality-operating businesses are relatively high risk and may not generate any return on investment for the community Trust.

Model 5: Back to back lease with Development Company (government/ community)

Applying this model, a Development Company is established to design, build and ultimately own the lodge. The two shareholders in the development company will be a government agency and the community Trust. It is assumed that the community negotiates a share of the grant finance for the lodge that equates to a 50% equity share in the Development Company. The Development Company enters into a long-term lease of 40 years with the Government. The Development Company then enters into a sub-lease with a suitably qualified private operator. The private partner pays a monthly rental (or a percentage of turnover) to the Dev. Co. for the use of the facilities and the Dev. Co pays a lower monthly rental for the land to the government. The sub-lease holds preferential employment and skills development conditions that favour the neighbouring community. All parties need to abide with the provisions of the reserve management plan. As with the first model, a variation to this option is that the private partner may be obliged to offer an equity share in the *operating business* to the community Trust or other community entity (in addition to their equity share in the Dev. Co)

Discussion: This model is empowering for community and demonstrates tangible co-management of the Park. It should reduce risk of community mismanagement due to the government bringing capacity and accountability to the Development Company. The private partner still takes on most of the business risk, through its investment is mainly in soft and working capital.

Model 6: Back to back lease with community Trust

This model was employed by the North West Parks and Tourism Board, who deliberately chose to grant a prime site in the Madikwe Game Reserve as a concession to the local Lekgophung community.

The community trust has a 45-year lease over the site and pays a market-related rental to the government conservation agency. The trust raised all the capital required to build the lodge and this was achieved via a grant from donors. The community thus assumes all the risk for the construction and financing of the lodge, although this risk is softened by the relatively large amount of grant finance that was mobilized. In return for taking this risk, the private operating company pays a market-related management contract fee to the community trust that owns the lodge.

Because it takes little risk, the private operating company receives only a 10-year lease to operate and market the lodge. At the end of this period, the private party can negotiate to renew its lease. The private company is obliged in terms of its subcontract with the community trust/ownership company to run a skills development programme, employ a majority of its staff complement in all sections of the lodge from the local community and to provide work for local small businesses. These arrangements are reflected in the diagram below.

Discussion: The community trust is highly empowered because it is the owner of the concession and the lodge developed on the site granted by the government conservation agency. The government continues to receive a market-related concession fee, which is similar to that paid by privately owned lodges in the Madikwe Game Reserve. The community receives a bundle of financial benefits which includes a rental or management fee from the operating company, wages and contracts to local small businesses. If a skills development programme is carried out by the authority before the granting of this concession, most of the staff compliment can be made up of local people.

6 Guidelines for tourism business development in protected areas

6.1 Establish stakeholder participation & empowerment process

Neighbouring communities generally have historic entitlements to natural resources in protected areas. Furthermore, these communities have limited local economic development options. Attractions in protected areas provide an opportunity for local communities to benefit from tourism enterprise activities associated therewith.

Tensions between protected areas and neighbouring communities are commonplace throughout the world. These tensions can result in direct threats to biodiversity management objectives and tourism operations in these areas. It is strongly encouraged that authorities proactively engage neighbouring communities to facilitate their meaningful participation in conservation management and economic development activities. In practice, there is a continuum of stakeholder participation from consultation and information sharing on one end, to establishing ownership and decision-making rights on the other end. Within Lesotho's developmental and historical context, community participation should lean towards the latter.

Community Conservation Forums (CCFs) have been established in some communities near protected areas to allow them to participate in conservation management and resource use activities in these protected areas. Meaningful participation in tourism development should be one of the main functions of the CCF. A tourism committee should be established under the auspices of the CCF to engage protected area authorities and the tourism industry on tourism-related matters.

As described above, a legal entity will be required to represent the community in business transactions and agreements. The CCF or similar community structure could be converted into a Trust for this purpose. Government should provide technical support to the Trust and promote its role in tourism development activities in and around the protected area.

6.2 Establish tourism business planning process

Approach

Many protected areas include a tourism plan as just one of the many chapters in the overall management plan. The plan is often formulated by an ecologist or protected area manager with a limited background in tourism development or management. However, tourism planning requires specific skills and ability to analyse and interpret tourism market intelligence. Reliable tourism planning is often critical due to large financial investment and procurement decisions that need to be made on tourism assets.

Protected area managers may rely on either a tourism management plan or a tourism business plan to guide tourism and recreation related activities in their protected area. Tourism management plans usually concentrate on tourism management issues, whilst business plans are most often used to build a business case, and provide a road map, for new developments in the area. Both types of documents are forward-looking and should be regarded as 'living'. In other words, the planning event should be seen as an ongoing process and should be updated on a periodic basis such as every two to three years. The structure and nature of the plan will to a large extent be determined by the nature and complexity of issues that the plan is addressing. This section will look at the key elements that should be covered in a tourism business plan for protected areas.

Situational analysis

This exercise should provide a comprehensive review on the economic, environmental and political status of the park, thereby providing a baseline from which to undertake forward planning. This section should firstly construct a planning framework that guides tourism development, through synthesising and interpreting the relevant provisions of relevant laws, policies and plans that affect tourism development in that particular area.

The conservation status and biodiversity value of the study area should be understood and zonings and environmental management guidelines taken into consideration. GIS maps may enhance the planning process. Environmental opportunities and constraints should be recorded and environmental issues pertaining to tourism development identified.

A spatial analysis of the destination from a tourism perspective is required to understand tourism flows in the region and visitor choices around access to the area. An understanding of the spatial relationships between visitor distribution nodes and primary and secondary attractions is also important (for instance, to estimate the volume and type of tourist that would visit a proposed attraction).

Estimate limits of acceptable change

An exercise to estimate the tourism carrying capacity and limits to acceptable change is an essential foundation around which to plan future tourism development.

Carrying capacity is a concept which is not just about the environment's ability to cope with the additional impact of tourist traffic but also the socio-economic impacts and impacts on the overall tourism experience. If capacities are exceeded the result may be a destruction of the tourism product itself. Threshold levels can be measured in terms of physical deterioration of the environment, damage to the ecosystems, social irritation in the host community and the quality of the tourism experience.

Measuring carrying capacity is a very inexact science and more recently, eco-tourism planners are concerned with Limits of Acceptable Change (LAC). This approach establishes how much change in key indicators is acceptable. Indicators are selected and the site(s) are monitored to assess the level of impact.

Develop goals and objectives

Tourism planning requires a strategic and goal orientated approach. Choices need to be made to create the right balance between biodiversity, financial and social development objectives⁴. *Goals* can be defined as broadly stated social purposes for which a protected area is established, whilst *objectives* are more explicit statements of what is to be accomplished. Goals and objectives should address the following elements:

- Rationale for tourism development (eg subsidise cost of conservation and/or create low impact substitutes for other natural resource uses),
- Type and scale of tourism development,
- Target markets (eg upmarket only or include facilities for local tourists),
- Extent and nature of benefit sharing (between government, community and private sector),
- Limits of acceptable change,
- Desired level of social and economic impact,

⁴ For instance, the environmental authority prioritised the establishment of an environmental centre at Sehlabathebe National Park before the establishment of a 60-bed lodge, presumably because the environmental education objectives outweighed the revenue earning objectives.

- Operational and service standards,

Understand the tourism market and trends

In order to more accurately assess the viability of possible tourism business opportunities it is necessary to develop a good understanding of the tourism market in the study area. The purpose of this activity is to describe accurately market behaviour for both foreign and domestic tourists, associated trends and growth patterns at the national and local levels as well as forecast of future tourism demand.

The purpose of the supply side analysis is to develop an accurate understanding of:

- Tourism establishments in the area
- Tourism infrastructure and services
- Tourism assets and attractions (existing and potential)

It is recommended that a detailed survey of a representative sample of accommodation establishments and tour operators in the destination be undertaken to accurately assess and verify the level of occupancies in the accommodation facilities, the standards of accommodation, level of employment, current financial viability and extent of infrastructure.

All tourism is measured and described by statistics on volume and impact. It is important for measurement, statistics and reporting, that standardized definitions of tourism be used.

Site analysis

Protected area managers often assume the inherent tourism development potential or commercial viability of a protected area, without appraising this potential in any detail. The fact of the matter is that not all protected areas have the attributes or the attractions to compete in the tourism market.

A comprehensive appraisal of the protected area should identify the competitive advantages of the destination, its weaknesses as a tourism destination, realistic development opportunities and threats to sustainability (SWOT analysis). Its unique selling proposition should be identified that will differentiate it from competitors in the market place.

A useful exercise in appraising the potential of the protected area of a specific node in the area is to compare it with similar competing destinations (for instance, Sehlabathebe National Park with Golden Gate Highlands National Park. This exercise not only provides an indication of competitiveness but also provides indications of potential product development options for the area. Some of the elements that can be compared are:

- Access from main transport corridors and tourism distribution points
- Size of the protected area
- Facilities & infrastructure
- Main attractions
- Wildlife and biodiversity attractions
- Main recreational/ special interest activities
- Type of accommodation/ no of rooms
- Service levels
- Rates

Conceptualisation of enterprise development opportunities

This exercise is based on the assessment of the tourism market above and the attributes and opportunities of potential development sites in the protected area. This exercise identifies and elaborates product development opportunities that are possible in the project area and matches them to market segments that have demonstrated demand. The process will investigate how new market segments can be attracted to the area given the identified tourism attractions and will explore the requirements for product and destination building in order to attract these market segments.

Develop & assess feasibility of tourism development concepts and projects

Once a tourism product development concept has been formulated, it is imperative that the feasibility of the proposal is tested and that critical success factors are identified *before* detailed design, budgeting and procurement takes place.

The feasibility should be addresses at three levels:

- Market feasibility: This assessment should confirm market demand for the proposed product or service and confirm that the product will be competitive in the market place.
- Economic feasibility: This assessment should develop revenue and expenditure assumptions and input factors as a basis for exploring different operational scenarios (for instance using different occupancy and pricing variables). The economic feasibility is aimed primarily at establishing whether revenue is likely to exceed expenses in the long run and to assess the business risk associated with the development concept. The analysis will also consider the return on investment given the business risk.
- Operational feasibility: This assessment should consider whether the role players have the financial and technical management capacity to operate the proposed venture. It will also assess whether infrastructural and logistical requirements for the operation can be met.

The findings of this exercise should be presented to role players who would decide on whether to proceed with detailed business planning activities.

Detailed business planning

Detailed business planning will involve detailed design and operational planning, costing and estimating bills of quantities etc. This stage should also encompass detailed operational planning and related exercises such as staff recruitment and skills development.

It is strongly recommended that for business opportunities that require a partner from the private sector, the partner is appointed before detailed business planning take place. Business development should be private sector driven. Private operators will bring creative and operational experience to the table and will design a business venture and tourism product based on their own competitive advantages and strengths.

6.3 Undertake investor mobilisation procedure

Setting the rules

Chapter 5, which covered tourism partnership arrangements, stated that investment processes that result in community-public-private-partnerships should be founded in government policy and strategies. In South Africa, there is a comprehensive manual of procedures and legal regulations for privatising state assets⁵. In Lesotho, the guiding framework for private sector investment is currently evolving as

⁵ RSA National Treasury PPP Toolkit for tourism

new policy imperatives are enacted and as outputs from initiatives such as the Private Sector Competitiveness Project.

The overarching policy and planning context for protected areas in Lesotho requires that tourism is private sector driven as well as community empowering. The government currently provides for different forms of concession and lease agreements depending on site-specific circumstances. According to the Lesotho Tourism Concessions Manual,⁶ these may range from agreements that evolve from a sub-lease of land on which the concessionaire will construct and operate facilities and services at their own expense and responsibility through to concessions that provide for concessionaires to operate existing facilities owned by the Lesotho authorities.

The Concessions Manual confirms that Lesotho encourages local and foreign investors to develop and operate innovative and exciting new facilities that both broaden the appeal of Lesotho as a tourist destination and provide for increased high quality facilities. Although the government has identified priority investment opportunities, it also encourages unsolicited proposals. The Government is committed to supporting public private partnerships (PPPs), and particularly encourages concession proposals that link with the local communities. The government's expectation of the exact nature of community participation in these transactions remains vague or at least undefined at this time.

Pre-requisites for the investor mobilisation process

The most successful investor mobilisation exercises are usually ones that have well-packaged projects. A well-packaged project is one that has a clearly defined and competitive business opportunity, demonstration of low external risks (such as crime and adjacent land uses), well organised partners, secure land tenure and at least in-principle regulatory support for the project. The main elements required before an investor mobilisation procedure should commence are:

- Community understanding and support for project
- Approved business plan or detailed development concept
- Environment and development authorisations (at least in-principle)
- Legal entity established to represent community
- Agreement among stakeholders on CPPP model and concession procedure

Mobilise resources and support

The investor mobilisation procedure requires special skills and sustained effort to avoid the pitfalls described. It is important that government allocate sufficient human resources and time to facilitating the project and to create a supportive environment for the partnership to develop.

In addition to internal resources, it is recommended that a qualified consultant be appointed to provide transaction advisory services to the project. The transaction advisor would provide technical assistance throughout the investor mobilisation process, including formulating tender documentation and facilitating negotiations between the community and the selected private sector partner.

Design tender process

The Lesotho Tourism Concession Manual provides guidelines for designing and implementing a tender for private sector investment. Legislation relating to the concessioning of public assets should also be incorporated into the tender process.

⁶ Carl Bro Intelligent Solutions, October 2006

A private sector partner should be selected through a competitive and transparent procedure. The Lesotho Concession Manual indicates that either a one or two-stage procedure be employed to find an appropriate partner, depending on the circumstances. A public call for Expressions of Interest and the establishment of a short-list may precede a second stage where short listed candidates are invited to submit detailed proposals. In cases when the government has clarity on the development concept, it can exclude the first stage and immediately launch a formal tender. It is recommended that significant investment opportunities be advertised both nationally and internationally.

Establish tender evaluation committee

A multi disciplinary tender evaluation committee should be appointed that comprises members from government, community representative institutions and professional experts. The role of the evaluation committee is to evaluate both the call for expressions of interest and the call for detailed proposals. One of the first tasks of the committee will be to agree on evaluation criteria for the tender. The Concessions Manual provides an example of a weighted evaluation table to guide evaluations. The evaluation committee may be reconstituted as a monitoring committee for the negotiation of the partnership with the preferred partner and to monitor the partnership once it is implemented.

Prepare prospectus and technical documentation

The completed business plan should be used to prepare a short project prospectus that contains all the important information about the project for investors. The prospectus should include *inter alia* the project objectives, development concept, business opportunity, community expectations, partnership arrangements and guidelines for interested investors.

Tender documentation should be formulated for the investor mobilisation process.

The tender documentation should make provision for the submission of the following information from applicants:

- Financial capacity: The ability of the partner to secure adequate finance, provide a viable cash flow model etc,
- Operational capacity: The capacity, experience or track record in managing logistics and transport, hospitality operations, etc,
- Marketing capacity: Evidence that the partner has existing marketing capacity and track record with similar markets.
- Broad base BEE and skills development capacity

It is important that a weighted list of criteria is developed as part of the technical documentation to assist the evaluation committee to evaluate proposals. In addition to the capacity requirements mentioned above, proposals should also be measured in terms of how they contribute to a number of categories, namely:

- Employment: Number of direct and indirect jobs
- Income: Net cash flows to the community from concession fees and royalties
- Employment equity: Provision for local people, women, youth, disabled and career development opportunities
- Ownership: Provisions for community equity in the development and operating companies
- Business linkages: Creation of opportunities for SME linked to the anchor business
- Skills development: Internal and external skills development initiatives
- Corporate Social Investment: Investment in community development, for instance contributions to improvements to school infrastructure, health and welfare projects, scholarships etc

Procure preferred private sector partners

Following the approved tender procedure, the preferred private sector partner should be selected. According to the Concessions Manual, the best bids, with recommendations, are submitted to the Board of the particular Lesotho Authority for final approval.

Provision should be made to allow for negotiation of details in proposals submitted with preferred partners and the right to enter into negotiations with second or third placed applicants if negotiations with the first placed applicant fails.

The Concessions Manual states that full confirmation of financial security should be required at this point. The concessionaire will be asked to present a full Operating Plan, which will be an addendum and material to the contract, before negotiations are finalised. At an early stage of the negotiations, the various elements and benchmarks that must appear in the draft Operating Plan will be identified.

Negotiating the partnership agreement

A comprehensive lease agreement and/ or concession agreement between the private partner and the community should be negotiated. This needs to be carefully facilitated by the Lesotho Authority and the transaction advisor.

Important issues to be covered by the negotiations should include:

- The duration of the lease or concession (medium or long term and renewal options)
- The structure of the lease/ concession fee (eg fixed versus % of turnover)
- The lease fee and timing of payments
- Types of economic activities permitted
- Scope of operations and use of assets
- Any obligations for either party to invest in the business
- Responsibilities for repair, maintenance and improvements of assets
- Employment of community members
- Transfer of improvements at the end of the lease
- Skills development and empowerment obligations and targets
- Damages to assets or improvements
- General community development projects
- Support to SMEs
- Conditions for termination

The Operating Plan

As discussed above, there are many different forms of partnership models, each resulting in different types of concession agreements. The Concession's Manual recommends that to simplify the actual lease or concession agreement, the operational details of the partnership be included in a separate operating plan that is attached to the lease/ concession agreement. This allows a flexible format that can be tailor made to the circumstances of each partnership. The Manual provides an example of a typical operational plan, which should inform the contracting authority. The Operating Plan should be seen as a practical document to ensure compliance with mutually agreed practices and to guide the parties in the harmonious operation of the Concession Agreement.

Opportunities for skills development and broad based BEE

Experience has demonstrated that as part of structuring CPPs, programmes should be put in place to ensure that much needed training and experience are transferred to members of the local community in

respect of all levels of employment. This ensures long-term empowerment and allows for business linkages with emerging enterprises.

It is usually possible to identify a number of SME development opportunities as part of the process of designing and negotiating a CPP. With the assistance of an appropriately structured support programmes to train local entrepreneurs, these entrepreneurs can develop their own businesses in response to a guaranteed demand from the core tourism enterprise.

A skills development framework should be outlined in the partnership agreement and training responsibilities allocated between the private and public sector. The allocation will depend on the final business model, but the private sector is usually expected to lead in financing and implementing a skills development programme. Training should cover skills development courses, mentorship, learnerships and familiarisation trips.

Regulation of partnerships and shareholder agreements

Partnerships that have been established require the partnership's agreements to be carefully monitored and regulated to ensure that the empowerment and other objectives of the partnership are met. In general, the monitoring arrangements to ensure that the empowerment contracts are properly implemented depend on the capacity and commitment of government or civil society organizations. Experience has shown the following:

- Little effort and resources are allocated to the monitoring and regulation of the implementation of the venture and compliance with partnership agreements.
- Community entities require extensive technical and legal support in the implementation of their partnership with their private partners.
- When this support is present, private partners are most likely to deliver on their contractual obligations to their community partner.

6.4 Financial considerations

The IUCN guidelines for protected areas state the importance of finance in the sustainability of protected areas. The reality is that many protected area management agencies have insufficient funds to respond properly to the demands of tourism and conservation. Currently, most governments do not fund protected areas fully and the trend is downward with most countries currently experiencing budget decreases.

Against a background of generally declining government funds for protected areas, tourism development is often seen as a panacea for funding short-falls. However, tourism is a fickle industry subject to uncontrollable externalities. New projects are often characterized by high risk and low rates of returns. In some instances, protected areas have limited tourism potential or severe access challenges.

The IUCN guidelines state that tourism revenues should be seen as a just one source of income for protected areas and should not be seen as a substitute for grant finance from government for conservation, education and recreation management.

Funding

Protected areas can generate funding from *inter alia* the following sources:

- Entrance fees
- Operation of tourism accommodation facilities
- Lease or Concessions fees from outsourced tourism operations
- Traversing rights

- Licences
- Donations or foreign aid
- Retail
- Food sales

Tourism revenues

Tourism revenues can be generated from ⁷:

Increasing the number of visitors: Increasing visitation is risky unless the financial benefits from the visitors exceed their costs. It may increase other impacts, some negatively.

Increasing the length of stay: Increased length of stay provides more opportunity to sell local products and services.

Attracting high spend market niches: Different marketing tactics may bring in consumers with strong abilities to spend.

Increasing purchases per visitor: Offering more locally-made goods for sale, available directly and indirectly to the visitor, helps increase visitor expenditure and local incomes.

Providing accommodation: The costs of overnight accommodation are relatively large and are paid for locally. Local lodging also increases expenditures on meals, and local goods and services.

Providing guides or other services: Since much tourist activity in protected areas is information intensive, there are usually good opportunities for guide services.

Hosting events: Artwork, crafts and festivals based on local culture can increase local economic impact.

Purchasing local food and drink: When visitors, park staff and tourism employees consume locally grown food and drink, they provide important income to local farmers. Some leakage of expenditure to sources outside the local area is unavoidable, simply because not all food, supplies and services are produced locally.

Pricing

The allocation of prices for the various programmes and services of parks is a key element of protected area tourism.

Managers should develop a comprehensive and focused rationale for fees, and each rationale must be clearly defined in order to defend against scrutiny from park users and political bodies. In examining pricing schemes for access to protected areas in both developed and developing countries, Brown (2001) concluded that fee prices should be based on visitor demand for access. Managers should choose fee levels that are neither capricious nor inequitable. A range of pricing schemes can be used for protected areas, but flexibility in fee structure is crucial. Very often concerns that increased fees will discourage visitors prove unfounded. One lesson stated by the IUCN guidelines is that tourists are generally willing to pay for quality.

6.5 Skills development and capacity building

The tourism industry is characterised as being complex and risky. It is also very demanding in that consumers usually have a wide range of choices in a competitive market place. The quality of service from tourism businesses is one of the critical factors for success. However, rural communities that are often earmarked as the main source for job positions in tourism operations in remote protected areas are usually characterised as having low education and skills levels.

⁷ IUCN Guidelines for Protected Areas

Within this context, tourism initiatives that are pro-poor should focus on the following areas of support to emerging enterprises:

- Facilitating and supporting skills development through formal government-sponsored programmes as well as on the job mentorship (usually by private sector),
- Establishment of partnerships between emerging small enterprises and established businesses in and around the protected areas, either through formal joint ventures or more informal business linkages such as purchase agreements, marketing agreements and so forth (sometimes encouraged by incentives provided by government),
- Assisting local entrepreneurs to access target markets (for instance through diverting existing pipelines of tourists or through direct marketing support provided by government agencies or the private sector).

The following best practice principals for skills development should be adhered to:

- Skills development should be market driven. In other words, a person should be trained based on the skills requirements of a specific business need,
- There should be a high probability that the person will be sustainably employed after training,
- Skills development programmes should be aligned with the formal qualifications where possible.

7 Concluding remarks

Tourism business planning is often not given sufficient attention in management planning for protected areas. Due to the complex and highly dynamic nature of the tourism sector, sufficient resources and attention should be applied to strategic and tourism business planning for Lesotho's existing and planned protected areas. Tourism planning requires specific skills and ability to analyse and interpret tourism market intelligence. Reliable tourism planning is often critical due to large financial investment and procurement decisions that need to be made on tourism assets.

The policy context for Lesotho promotes tourism development confirms that tourism should be public sector led, private sector driven, respect conservation and cultural values and empower rural communities. The approach and actions of all role players in the tourism industry should collaborate to ensure that these policy imperatives are adhered to.

One mechanism to achieve national policy imperatives and objectives is to establish innovative new commercial arrangements in protected areas. A number of partnership-based models have been successfully implemented in Southern Africa, such as at Madikwe Game Reserve. However the challenge remains for role players to put aside existing models and management paradigms and to embrace these innovative models that strengthen the role of community based partners. The long-term impact on biodiversity of not embracing these modern approaches could be dire as evidence shows that communities become disaffected with peripheral levels of participation.

At the destination level, protected area managers are faced with a number of competing economic demands, such as the cost of conservation, operating public facilities and social development. Choices need to be made to strike the right balance between these competing demands. The challenge is to commercialise competitive attractions in protected areas that generated and fairly distribute economic benefits to government, community partners and the private sector.

Government authorities, however, may sometimes have unrealistic expectations about the revenue generating potential of existing and proposed tourism developments in protected areas. The fact of the matter is that some protected areas have limited attractions and ability to draw tourists. Tourism development plans should be balanced against a realistic appraisal of the tourism development potential of the destination, forecasts of future demand and financial returns and the ability to attract private sector partners.

The most successful exercises to attract private sector partners are those that are well packaged. A well-packaged opportunity is one that has a clearly defined and competitive business opportunity, demonstration of low external risks (such as crime and harmful adjacent land uses), well-organised partners, secure land tenure and at least in-principle regulatory support for the project.

It is strongly recommended that for business opportunities in protected areas that require a partner from the private sector, the partner is appointed before detailed business planning take place. Private operators will bring creative and operational experience to the table and will design a business venture and tourism product based on their own competitive advantages and strengths.

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Annex 1 Potential benefits of tourism in protected areas

	Benefits
Enhancing economic opportunity	<ul style="list-style-type: none"> • Increases jobs for local residents • Increases income • Stimulates new tourism enterprises, and stimulates and diversifies the local economy • Encourages local manufacture of goods • Obtains new markets and foreign exchange • Improves living standards • Generates local tax revenues • Enables employees to learn new skills • Increases funding for protected areas and local communities
Protecting natural and cultural heritage	<ul style="list-style-type: none"> • Protects ecological processes and watersheds • Conserves biodiversity (including genes, species and ecosystems) • Protects, conserves and values cultural and built heritage resources • Creates economic value and protects resources which otherwise have no perceived value to residents, or represent a cost rather than a benefit • Transmits conservation values, through education and interpretation • Helps to communicate and interpret the values of natural and built heritage and of cultural inheritance to visitors and residents of visited areas, thus building a new generation of responsible consumers • Supports research and development of good environmental practices and management systems to influence the operation of travel and tourism businesses, as well as visitor behaviour at destinations • Improves local facilities, transportation and communications • Helps develop self-financing mechanisms for protected area operations
Enhancing quality of life	<ul style="list-style-type: none"> • Promotes aesthetic, spiritual, and other values related to well-being • Supports environmental education for visitors and locals • Establishes attractive environments for destinations, for residents as much as visitors, which may support other compatible new activities, from fishing to service or product-based industries • Improves intercultural understanding • Encourages the development of culture, crafts and the arts • Increases the education level of local people • Encourages people to learn the languages and cultures of foreign tourists • Encourages local people to value their local culture and environments

Adapted from Phillips A (Ed.), Sustainable Tourism in Protected Areas: Guidelines for Planning and Management, IUCN, undated.