



AFRICAN DEVELOPMENT BANK GROUP
GROUPE DE LA BANQUE AFRICAINE
DE DEVELOPPEMENT

Economic Diversification Support Project

Tourism specific investment policy and supporting incentive package

Tourism investment strategy and implementation plan



Acronyms

BEDCO -	Basotho Enterprises Development Corporation
GDP –	Gross Domestic Product
GoL –	Government of Lesotho
ITF –	Incentive Task Force
LNDC -	Lesotho National Development Corporation
LTDC –	Lesotho Tourism Development Corporation
MSME –	Micro, Small and Medium Enterprises
MTEC –	Ministry of Tourism, Environment and Culture
MTI –	Ministry of Trade and Industry
SADC –	Southern African Development Community
SME –	Small and Medium Enterprises
TDF -	Tourism Development Fund
TDZ –	Tourism Development Zone
WTTC –	World Tourism and Travel Council

Table of Contents

Acronyms	1
1 Introduction	3
1.1 Purpose	3
1.2 Methodology	3
1.3 Background information	4
1.4 SWOT Analysis	8
2 Tourism Investment and Incentive Strategy	9
2.1 Vision	9
2.2 Investment approach	9
2.3 Incentive strategic lines	11
2.4 Proposed incentives and investment packages	12
2.5 Characteristics of the tools, incentives and investment packages	13
2.6 Tools to improve the Investment Climate	14
2.7 Specific incentives for increase enterprise competitiveness	20
2.8 Long term sustainability	29
3. Organization of the institutional framework	35
3.1 Step-by-step of the implementation process	38
PHASE#01 – Preliminary preparation of the organizational framework	39
PHASE#02 – Implementation of the incentive program	42
3.2 Important issues for the success of the implementation of the strategy	44
4. Risk management Aspects	47
5. Monitoring and Evaluation of the Strategy	49
5.1 Monitoring	49
5.2 Evaluation	49

1 Introduction

This Strategy and Implementation Plan are supporting documents to guide the implementation of the “Tourism Specific Investment Policy and boost the ‘incentive package” programme. This document aims to support and further define the Tourism Specific Investment Policy document and outline implementation parameters and the required institutional support framework to ensure that tourism investment is successfully realised.

It sets out, from an investment perspective, key growth areas, core investment focus, tourism investment projects or value chains, suggested economic incentive packages, management institutional structures and funding needs and approaches. The strategy outlines the implementation institutional framework to the policy as well as risk mitigation factors.

1.1 Purpose

This strategic plan is a management tool and means of communication and internal motivation to implement the Tourism Specific Investment Policy.

The specific objectives of both the process and outcomes of the Tourism Investment Strategy and Implementation plan are:

- Articulate the realistic vision and values for the future of tourism investment in Lesotho, to be embraced by all internal and external stakeholders;
- Engender a common mission to drive tourism investment performance;
- Provide a framework on which annual operational plans at departmental and individual levels can be derived;
- Identify and provide an institutional framework that actively implements the plan;
- Understand the risks of the plan,
- Provide a monitoring and evaluation framework.

MTEC/LTDC intends to use this Tourism Investment Strategy and Implementation Plan as a road map for setting the direction and pace on implementing the Tourism Specific Investment Policy. The primary objective of the strategy is to enable MTEC/LTDC to effectively implement the Tourism Specific Investment Policy.

1.2 Methodology

Document review SADC

The process leading to the development of this “Tourism Investment Strategy and Implementation Plan” is based on the results of the study commissioned by the Ministry of Tourism, Environment & Culture/ Government of Lesotho to identify gaps in both national and international tourism investment in Lesotho and build a strong tourism specific investment policy and incentive packages for an improved uptake of existing and new tourism investment opportunities.

This “Tourism Investment Strategy and Implementation plan” is based on the outcomes of the study carried out by the Consultant regarding tourism investment incentives in 5 countries within the SADC region. Those countries being, South Africa, Zimbabwe, Tanzania, Botswana and Namibia which produced a benchmarking and SWOT analysis that in turn outlined best practices that could be easily transferred to Lesotho.

Local consultations with Tourism stakeholders

Local consultations and an in-depth study of the Tourism industry in Lesotho was carried out. One to one interviews with local tourism stakeholders were also completed and a stakeholder co-generation workshop was held in July 2018 in Maseru to discuss the ‘Tourism Specific Investment Policy and Supporting Incentives Packages’, involving participants from the private and public sectors and institutions concerned with tourism in Lesotho.

1.3 Background information

Main outputs of the analysis of the situation

Based on WTTC data, direct contribution of travel and tourism industry on SADC GDP in 2017 has been 19,4 billion USD, equivalent to 2,8% of total GDP. This value is estimated to increase by 3,9% in 2018. While, considering the total¹ contribution to the GDP, the situation is even better. WTTC data recorded more than US\$ 53 billion generated by the Travel and Tourism industry in SADC Region, equivalent to 8,2% of total GDP. For 2018, WTTC estimates a growth equivalent to 3,9% for the direct contribution and 3,7% for the total contribution.

Considering Lesotho and the other selected Countries for the SADC benchmarking analysis, the WTTC data show that the travel and tourism industry in Lesotho is the one that records the highest contribution to the national GDP (6,3% and 13,8% respectively for direct and total contribution to the GDP). However, the estimated Travel and Tourism GDP growth for 2018 is the smallest compared to the other Countries referring to the direct contribution (only 1,7%) and one of the smallest referring to total contribution (2,3%, better only than Zimbabwe).

Travel and Tourism Investment

Based on WTTC data, tourism stakeholders invested around US\$ 9,1 billion in SADC region in 2017, equivalent to 6,2% of total investment. The estimated growth for 2018 is around 3%, while the estimated annual growth for the next 10 years will be around 4% per year. In 2028 the WTTC estimates total travel and tourism investment for around US\$ 14 billion in the Region, equivalent to 6,6% of total investment.

The analysis by Country shows that stakeholders invested only around US\$48 million in Lesotho in 2017, however it is the Country with the highest estimated investment growth for 2018 (+11,3%). In addition, Lesotho will rise an annual investment growth equivalent to 4,7% for the next 10 years, reaching around US\$81 million of travel and tourism investment in 2028, equivalent to 7,9% of total investment in the Country.

¹ Total contribution includes direct, indirect and induced revenues generated by Travel and Tourism Industry

World Travel and Tourism investment Ranking

Finally, considering the absolute value and relative contribution for 2017, the real growth 2018 and the long-term estimated growth 2028, the ranking of Lesotho compared to the rest of the World and the selected Countries of SADC Region, the situation can be resumed as follows:

With only US\$48 million of travel and tourism investment in 2017, Lesotho was ranked 160 out of 182 Countries. The world average is US\$48 billion and only South Africa is the SADC Country that does better.

The situation is much better if we consider the relative contribution (%) compared to the total investment for each Country. In this case, Lesotho is ranked 74 with 7,3% of total investment realized in the travel and tourism industry. This value is higher than the average in the SADC, however, it is smaller than Namibia, Tanzania, Botswana and South Africa.

Considering the estimated investment growth for 2018, Lesotho is ranked first in the world with 11,3%. This is very important signal, especially because, despite the several constrains identified by local stakeholders during the meetings and interviews with the Consultant, it means that tourism stakeholders are beginning to gain interest in investing in the tourism sector in Lesotho.

Finally, the long-term term estimation referred to the travel and tourism investment in Lesotho are still very positive, considering that Lesotho is raked 62, with an annual estimated investment growth of 4,7%

Travel and Tourism Competitiveness Index

Finally, in this section, the Consultant has analyzed the Travel and Tourism Competitiveness Index, elaborated by the World Economic Forum, for Lesotho and the other selected Countries of the SADC region. The aim of this analysis is to prioritize the investment policy on those issues where Lesotho seems to be less competitive compared to the other Countries in the Region.

The analysis shows that Lesotho ranks lower than many of its competitors in the SADC region, ranking 128 at global level with an average score of only 2,84.

The average travel and tourism investment in the SADC region is US\$ 40.1 per person. In Lesotho tourism investment per person is almost half of the regional average at 21.6%-Zimbabwe and Tanzania both invest less (almost 6 US\$ per person).

Main results of stakeholder interviews and meetings

Interviews were carried out with the Ministry of Tourism, Culture and Environment; The Ministry of Trade and Industry (Economic Diversification Support Management); the Lesotho Tourism Development Corporation (LTDC); the Development Corporation (LNDC); the Ministry of Finance; Basotho Enterprises Development Corporation (BEDCO); and, the Lesotho Chamber of Commerce and Industry (LCCI).

A further interview was carried out with a potential inward investor by telephone and some email feedback was obtained from the South African Department of Trade and Industry.

Key findings that emerged from the interviews

- [Awareness](#) - There is little awareness of the potential positive impact of tourism development on inclusive (for both genders) sustainable development in Lesotho. Among many of those that do think of the impact of tourism, it is often in terms of large hotels and large infrastructure development initiatives such as major hotels and airports, rather than local community engagement, regional employment creation, and social, economic, and cultural upliftment, this needs to be addressed.
- [Domestic tourism](#) - Even less appreciated than the potential role of tourism in general, is the role and importance of local/ domestic tourism in socio economic development within Lesotho in encouraging regional employment and in supporting the development of international tourism. This will require initiatives aimed at, among other things, sensitizing the population of Lesotho to their own touristic heritage, increasing education and training in tourism.
- [The Lesotho Tourism Product Offer and Promotion](#) - The LTDC is making good progress in defining and elaborating Lesotho's tourism offer. For future development of the tourism offer, it is important that Special Development Zones for tourism can be readily demarcated and the procedures for doing so are clear and transparent. There should also be an appropriate incentive package to encourage entrepreneurs to undertake tourism development projects in such zones and support infrastructure development and provide a useful additional source of funds for training, product development and promotion.
- [Cross-border visitors and the absence of tourism infrastructure](#) - A recurring theme throughout the interviews was that visitors from neighboring South Africa enter Lesotho having had their visit organized from a base somewhere in the Republic, using all their own equipment, vehicles, and even food and accommodation brought with them, to enjoy the splendors of Lesotho. There was a common view expressed that access to the tourist assets in such cases should be controlled/ regulated and managed, in a way that the local population can benefit as well as the tourists and the tour operators/ managers. This could be done through for example licensing or concessions.
- [Property ownership](#) - The question of property ownership was often raised in the interviews. The resulting economic viability for investing in projects can be problematic and stifle interest in investing in tourism in Lesotho.
- [Tourism assets are underutilized](#) - The result of the abovementioned factors is that the world-class tourism assets in Lesotho are often underutilized and do not generate the potential returns for the population in terms of social and economic benefits.
- [Concessions](#) - The question of concessions for managing tourist assets was raised several times and need to be 'worth the while' for investors, enough to cover initial investment cost and material, and on-going operating costs, etc.
- [Designated tourist areas](#)- A useful idea that was mentioned several times, and is also applied in other SADC countries, is the use of specially designated areas for tourism

development where, if applied for on a project basis, special incentives for investment in the tourism industry would be available on approval of the projects.

- [Financial incentives](#) - The question of financial incentives for tourism has been under discussion in Lesotho since the development the 1994 tourism masterplan. All interviewees were supportive of the development of incentives for the tourism industry.
- [Non-financial incentives](#) - Non-financial incentives can also make an important contribution to a project's success, for example through support in applying for work permits for non-residents, applications for duty rebates, and applications for financial support, the one-stop shop principle is an important form of non-financial support.
- [Community involvement](#) - In developing responsible and sustainable tourism, involvement of the local community is seen as a critical success factor. A generic legal organization structure should be developed and adopted to facilitate such joint participation for example in developing Special Tourism Development zones.
- [Supporting a more entrepreneurial culture](#) - Several interviewees also stressed that to support tourism development, a more entrepreneurial-oriented approach to business administration needs to be supported in Lesotho.

1.4 SWOT Analysis

The objective of this SWOT analysis is to identify the internal and external factors that are supportive or unfavourable to achieving the Tourism Specific Investment Policy and Incentive Packages and is a strategic part of the planning process that has outlined both the policy and this strategy.

Strengths	Weaknesses
<ul style="list-style-type: none"> → Growing tourism arrivals → High literacy rate → Undiscovered destination with Tourism potential → Improved road and infrastructure network in external areas of Lesotho → Basotho cultural identity → LTDC existing promotional agency for tourism investment 	<ul style="list-style-type: none"> → Small domestic market / → Weak financial institutions (risk averse) ready to finance tourism investments → Weak Air transport linkages with source market → Restrictive land ownership policy → No tourism training institutions for technical skills → Lack of training incentives → Limited protected natural tourism areas. → Stakeholders lack of trust in tourism authorities → Insufficient resources of LTDC for promoting investment → Limited coordination in developing the tourism destination areas by different ministries
Opportunities	Threats
<ul style="list-style-type: none"> → Many underdeveloped tourism assets → Existing unused tourism developments → High altitude suitable for sport tourism investments → Unique Basotho culture and handicrafts → Quality assurance programme → Rich Cultural heritage sites within and around the key tourism destination areas → Several important tourism development projects being carried out → Improved collaboration with SA Tour Operators to create economic benefits for Lesotho - including Levy Tax etc 	<ul style="list-style-type: none"> → Unstable political environment, subject to frequent changes → Limited direct aviation transport with source markets → Uncontrolled and unprotected tourism sites → Damage and pollution of countryside of uncontrolled 4x4 and motorbikes routes → Congested, inefficient and slow border crossing → Lack of connectivity (lack of good roads and infrastructure in internal mountain areas) → Low visibility of tourism sector as a source of employment and business creation

2 Tourism Investment and Incentive Strategy

2.1 Vision

The vision for this strategy is to make Lesotho a top tourism investment destination in the SADC and beyond, with a growing, vigorous and dynamic economic sector that brings social and economic benefits to all Basotho, notably via the generation of jobs, income and successfully positioning the Kingdom as a must visit destination.

The goal is to transform Lesotho into one of the most competitive tourism destination for tourism investment in Southern Africa, which means being competitive in training and skills development, being the Country of choice for prospective investors, achieving high levels of interaction between stakeholders, the development of more innovative, market-driven tourism investment products and in aggressive and tactical tourism marketing.

2.2 Investment approach

In general, investment in the tourism industry means the creation of capital or goods capable of producing other goods or services within the tourism industry which could increase profits in the private sector or lead to regional revitalization and economic growth for the public sector. Considering the present situation in Lesotho, the tourism investment model is based on the following three types of investors: Strategic Investors (SI), Government Investors (GI), and Financial Investors (FI)

Fig#1: Typology of Tourism Investors



Source: elaborated by the Consultant

The status and role of each investor is determined by the purpose and nature of each specific tourism investment.

a) Strategic Investors (SI)

These are individuals or firms that invest in tourism development projects to operate and manage or co-manage tourism businesses. Some examples of these investors are: tourism businesses, real estate developers specializing in planning, large national and multinational chains (e.g. hotel / restaurant chains), etc.

b) Government Investors (FI)

These are national and/or local governments and their institutional bodies interested in stimulating the social and economic development of a tourism destination. These are the key-actors in the investment process stimulating the private sector to invest in tourism through different incentives: direct incentives (tax and financial incentives, etc.) and indirect incentives (legislation, training, promotion and awareness campaign to stimulate investors, etc.). Some examples of these investors in Lesotho are: the Ministry of Tourism, the Lesotho Tourism Development Corporation, the Municipality of Maseru, etc.

c) Financial Investors (FI)

These are individuals or firms that invest in tourism development projects for a dividend. Typical examples of these kind of investors are: banks, insurance companies, private asset management companies, REITs (real estate investment trusts), PEF (private equity fund), venture capitalists and business angels, etc.

This model is based on the full participation of the private sector in tourism investments. It means that most of the incentives offered to private investors should be considered as a tool to stimulate their investments in the tourism sector. With exception of local rural communities, where some incentives could finance 100% of the tourism investment idea, for all other beneficiaries (national and international enterprises, individual investors, etc.) the incentives should be conceived as a tool to stimulate a co-participation of the private sector in financing the tourism investment.

Finally, the present tourism incentive strategy is not aimed at large infrastructures that Lesotho needs to fully develop the tourism industry. These infrastructures, such as highways roads, airports, etc. which were highlighted by all stakeholders interviewed, should be developed directly by the national Government and local authorities, and not by the private tourism enterprises.

As stated by all tourism stakeholders and considering the WEF Travel and Tourism Competitiveness Index, tourism infrastructure is extremely weak in Lesotho and need to be improved or developed. Their development will surely support and stimulate tourism investors to invest in the tourism industry and for this reason major infrastructure development should be considered as a prerequisite to the tourism investment policy and incentive packages.

2.3 Incentive strategic lines

Considering the problem affecting the present tourism industry in Lesotho, the incentive packages will be focused on the following strategic lines:

- Development of the quality and competitiveness of the present tourism enterprises: tourism entrepreneurs will have the opportunity to access financial resources to improve the quality of their services and infrastructures, at the same time increasing their competitiveness in the tourism market. Training and technical assistance, equipment and furniture are an example of activities that can be developed through these incentives.
- Development of a “coopetition” process: Coopetition refers to the idea that two enterprises simultaneously cooperate in some activities, such as membership of tourism circuits, marketing activities, etc., as they compete with each other in, for example, selling their services to the same tourism markets and segments. Due to the particular characteristics of the tourism product, the tourism enterprises need to work together (to collaborate) even if they are competitors. For this reason, the activation of a coopetition process involving the tourism enterprises in Lesotho is considered a strategic line and specific incentives will be addressed to stimulate collaboration and aggregation among tourism enterprises.
- Valorisation and optimization of the tourism investments already made by the Government: this strategic line is to optimise the investments already made by the Government for the development of tourism accommodation (chalets and lodges mainly in Basotho style) in the main tourism destinations in Lesotho. Many of them have not yet attracted definitive investors and so the present incentive strategy will include a specific fund to stimulate investors to make a PPP with the Government for managing and rehabilitating one or more of these infrastructures.
- Development of new tourism services: this strategic line is focused on developing the present tourism chain of production, especially in those destinations where tourism services are very limited. The tourism incentives will stimulate tourism enterprises to invest in new services, especially tour operators, transport, etc.
- Strengthening of institutional stakeholders: collaboration is needed, not only for private stakeholders, but also for public institutions, to develop the best investment climate for investors. The management model of the tourism investment and incentive programme is the most important issue for the success of the investment strategy.
- An innovative information and transparency process: this strategic line is oriented to generate trust from investors. If investors feel assisted and have all the information they need to evaluate the risks and benefits of their investments, then it will be easier to convince them to invest. Based on this assumption, specific tools, such as web-page, newsletter and information and technical assistance services, must be developed by the investment strategy. Access to this information, including regulation of the incentives, budget availability, administrative procedure, etc., must be easy for all interested investors and the evaluation process of the incentive requests submitted by investors has to be transparent.

2.4 Proposed incentives and investment packages

Based on the outputs of the analysis, interviews, SWOT analysis and the best practices in other SADC Countries, the Consultant has identified specific incentives and investment packages on which the Tourism Investment Policy has been focused, and that are outlined in detail in this strategy.

For a clear understanding of the present strategy, it is important to focus attention on the financial mechanism of the incentive and investment packages proposed by the Consultant. Based on the analysis of the SADC countries and on international best practice, the financial mechanisms used to support incentives and investment packages should be listed as follows:

- a. Tourism levy applied to tourists visiting the Country (it is the so called “tourism tax”).
- b. Visa fees paid by international tourists (many Countries around the world are sensitively eliminating or reducing Visa fees to stimulate tourists to visit their country).
- c. Tourism levy applied to tourism enterprises (it is a very controversial levy because in many countries it is seen as an unconstitutional levy, as it is only applied to tourism enterprises).
- d. Generation of a (different) tourism fund(s) taking financial resources from all taxes paid by enterprises and individual in Lesotho.

The application of a financial mechanism does not exclude the others, and often Governments apply two or more financial mechanisms at the same time.

Concerning the financial mechanism of the tourism investment incentive packages proposed by the present tourism investment strategy, the Consultant has taken into account that the National Government of Lesotho is already working on the application of a specific levy on tourists and the creation of a Tourism Development Fund (TDF). The creation of this TDF is an important factor for generating financing for many of the proposed incentives.

Based on this assumption, the tourism incentives for Lesotho are grouped as follows:

- A.** Tools to improve the Investment Climate: they can be considered the key conditions for the implementation of the tourism investment policy. They are very important to raise awareness among potential investors and orienting the investments in specific areas. These actions are as follows:
 - A.1 Tourism Business Facilitation Services (One Stop Shop)
 - A.2 Tourism Development Zone
- B.** Specific incentives for increasing enterprise competitiveness: these are all incentives that will help tourism enterprises to be more competitive, increasing their quality and diversifying their tourism services. These incentives are as follows:
 - B.1 Tourism Business clusters for promotional and marketing activities
 - B.2 Tourism SME funding
 - B.3 Specific Fund for Public- Private Partnership incentives

- C. Long term sustainability:** these incentives aim to improve skills and competences of human resources and involve local communities in the tourism industry, stimulating a long-term sustainable development of the tourism sector. These incentives are as follows:
- C.1 Training incentives for tourism businesses
 - C.2 Incentives for local community tourism projects

2.5 Characteristics of the tools, incentive packages

This section details all characteristics of each tool and tourism incentive composing the Incentive Tourism Strategy, including the following information:

- ✓ General characteristics
- ✓ Justification
- ✓ Objectives
- ✓ Beneficiaries
- ✓ Conditions for accessing incentive
- ✓ Efficiency and cost benefit analysis (expected results)
- ✓ Organisational arrangements (activities and institutional framework)
- ✓ Timelines and ceilings
- ✓ Sustainability

2.6 Tools to improve the Investment Climate

A.1 Tourism Business Facilitation Services (One-Stop-Shop)	
Characteristics	<p>This is a very important tool to simplify access to the tourism incentive opportunities offered by the Government of Lesotho. The services to be provided by this One-Stop-Shop to tourism investors are as follows:</p> <ul style="list-style-type: none"> - <u><i>Procedure simplification</i></u>: the potential investor can apply for a specific incentive directly to the One-Stop-Shop, the One-Stop-Shop staff will be responsible for submitting applications for various permits, controls and licences required (i.e. for opening a tourism business) to the various ministries for authorisation. This will help simplify and speed up the application process. - <u><i>Information point</i></u>: this service can be provided directly by the One-Stop-Shop staff, as well as on their webpage. Potential investors will be able to find out and download all information about all tourism incentives and investment packages for the tourism sector. - <u><i>Technical assistance</i></u>: the One-Stop-Shop, through an accredited group of experts, can supply technical assistance to the investors to help them apply for incentives. The costs of this technical assistance will be paid for by the investor (i.e. tourism business). For example, if a tourism business must provide a business plan, the One-stop-shop will provide a list of accredited business advisors who can help the tourism business develop this plan. - <u><i>Transparency</i></u>: this should be a pillar of the entire incentive system and will help highlight the transparency requested by the Government and stimulate investors to invest in the Lesotho tourism industry. . This action includes: i) newsletter every three months informing potential investors and other stakeholders about the tourism incentives, available budget for the year, best practices of investors that have already used the incentives, interviews with relevant stakeholders about the tourism incentives, list of the beneficiaries that have accessed incentives, etc.
Justification	<p>This service does not currently exist for the tourism industry in Lesotho, while the Ministry of Trade and Industry has already organised a One-Stop-Shop helping and providing information to all potential investors (for all economic sectors) such as information on work permits for foreign workers, specific incentives, etc.</p>
Objectives	<p>To develop a practical tool that contributes to a friendly investment climate for national and international investors.</p>
Beneficiaries	<p>All potential tourism investors (national and international enterprises,</p>

	individuals, and all other tourism stakeholders)
Conditions for accessing incentive	No restrictions are applied. All potential investors can access the One-Stop-Shop
Efficiency and cost benefit analysis (expected results)	It is expected to assist at least 200 potential investors per year and to reach around 1.000 interested stakeholders per year with the newsletter.
Organisational arrangements (activities and institutional framework)	<p>As already mentioned, the Ministry of Trade and Industry of Lesotho already has an operating One-stop-shop, however, it does not directly include the tourism sector.</p> <p>Considering the need to develop this service for the tourism sector in Lesotho, it is suggested that a special Tourism Unit is created within the One-Stop-Shop managed by the Ministry of Trade. This Tourism Unit will be managed by two representatives of the LTDC that will provide services to tourism investors. Considering the institutional framework, the activities to be implemented for the organisation of this tool are as follows:</p> <ul style="list-style-type: none"> - Agreement with the Ministry of Trade and Industry for the integration of specific services for tourism businesses into the One-Stop-Shop - Selection and training of two LTDC representatives who will work in the Tourism Unit of the One-Stop-Shop - Organization of the Tourism Unit (equipment and furniture, etc.) - Development of the information material and tools (webpage, social network pages, newsletter format, brochures, etc.) - Organization of the technical assistance service, including: i) selection of local experts who can be contracted by investors to help them to prepare business plans etc to access incentives; ii) training of the selected experts; iii) organization of an expert data-base including all information about the topic of specialization; agreement with the LTDC and signature of a protocol of ethics to be followed by all experts involved in the technical assistance activities.
Timelines and ceilings	This service will be permanent and will start as soon as all incentives are organised.
Sustainability	The tourism business facilitation services will be financed by the Tourism Development Fund.

A.2 Tourism Development Zone

Characteristics

A Tourism Development Zone (TDZ) is a specially demarcated area where specific tourism incentive or tax break is applied. The aim of a TDZ is to centre tourism development on one or more specific area and encourage local and international investments, an increase in tourism related attractions and support businesses and local community development.

The advantages of a TDZ are special tax breaks and specific incentives to be applied to businesses within the demarcated area, these incentives will be more favourable than similar incentives in the rest of Lesotho. The objective is to encourage tourism development and local community involvement within the TDZ.

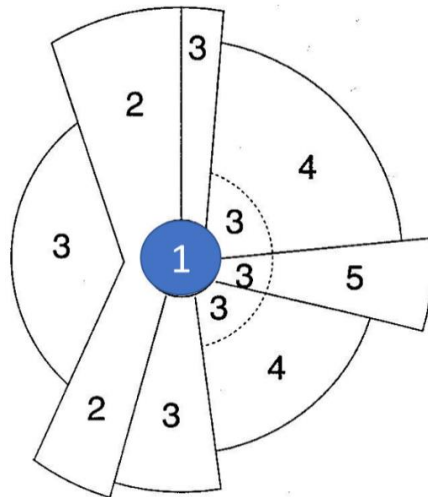
The incentives within the TDZ should be as follows:

- Tax incentives: revenue tax at 10% instead of 25% for the first 5 years of business operation
 - Marketing incentives: 50% funding for marketing activities by TDF instead of 20% etc
- Upon submitting written requests to MTEC/LTDC:
- A maximum 40-year investment period for an investment value equal or greater than M80 million
 - A prospecting investor who is in the process of conducting a project specific feasibility study be allowed a maximum of 6 months withholding period
 - The investor will be allowed a period of 1 year for commencement of the project

The difference between incentives within the TDZ and the rest of Lesotho should be discussed in detail among the representative authorities.

The tourism centrality (see n.1 in the figure below) can be an important tourism attraction or a strategic zone including different tourism attractions and services, and the TDZ has the aim to facilitate the development and organization of the tourism services that are all around the identified centrality (n. 2, 3, 4 and 5 in the figures).

Development model based on the tourism centrality



Specific incentives that must be applied within the tourism development zones, all proposed by the present Tourism Investment Policy and incentive packages, are:

- Tourism Business clusters for promotional and marketing activities
- Tourism SME funding
- Training incentives for tourism businesses
- Specific Fund for Public-Private Partnership incentives
- Incentives for local community tourism projects

For the definition of the tourism areas to be classified as a Tourism Development Zone, it is very important to:

- consider the priority tourism zones as identified by the Tourism Master plan of Lesotho (currently under implementation);
- precisely define the area included in the TDZ (borders of the tourist zone);
- identify the specific needs of the tourism zone, to identify which incentives should be used by local tourism investors

Justification

Tourism development zones, both big and small, are a successfully proved international practice and have been integrated in several countries across Africa. This idea was enthusiastically welcomed by stakeholders during the Co-generation meeting held in Maseru.

Another important reason for the creation of TDZ in Lesotho, is that it will create the opportunity to finish and use some of the tourism investment project (such as lodges) that have been carried out over the last few years and unfortunately are unused or vacant.

Objectives	<ul style="list-style-type: none"> • stimulate a coordinated and tourism-oriented development of strategic zones within the Country • encourage private sector investment • development of resources and amenities • local community training and employment
Beneficiaries	<p>There are a range of beneficiaries for this incentive, firstly the local communities within the TDZ will benefit from the increase in employment opportunities and training programmes, they will also benefit from improved amenities such as roads, electricity etc.</p> <p>Other beneficiaries are the tourism businesses. New entrepreneurs as well as already existing entrepreneurs in the TDZ will have access to the necessary incentives to run new businesses and/or to strengthen the existing ones within the TDZ.</p>
Conditions for accessing incentive	<p>All tourism businesses to be created or reinforced must be located within the tourism development zone area and must be part of the category of touristic services considered a priority by the TDZ.</p>
Efficiency and cost benefit analysis (expected results)	<p>Considering that the Tourism Master Plan of Lesotho is identifying the priority tourism areas in the Country and their related needs in term of tourism infrastructures and services to be developed, there are no costs for the identification and need analysis of the TDZ. The GoL should only create the legislation framework needed to declare these tourism areas as TDZs.</p> <p>Considering the tourism incentives for the TDZ, the estimates for each LSL invested by the Government in the TDZ, the private sector will invest a minimum of LSL 20.00.</p>
Organisational arrangements (activities and institutional framework)	<p>MTEC and LTDC, in collaboration with other related ministries such as the Ministry of Local Government, will be responsible for identifying the possible areas to be proclaimed as Tourism Development Zones.</p> <p>The activities for the development of the TDZ are as follows:</p> <ul style="list-style-type: none"> • selection of the priority tourism areas as defined in the Tourism Master Plan of Lesotho (TMPL) • identification of the specific needs of the priority areas in terms of new tourism services to be created/organized, existing tourism services to be improved, infrastructures to be developed, etc. (all this information should be already provided by the TMPL) • definition of the TDZ regulation, including: <ul style="list-style-type: none"> - geographic borders of the TDZ - type of tourism business to be financed (e.g.: depending on the specific needs of the TDZ, they should be hotels, farm stays, B&B, travel agencies, restaurants, entertainments, etc.)

	<ul style="list-style-type: none"> - activities that will be financed (e.g.: development of new tourism infrastructures such as hotels, etc., rehabilitation of the existing ones, job creation, marketing activities, legal assistance for the organization of tourism networks, training, etc.) - Beneficiaries (individual investors, national and international companies, etc.) • Organization of a working group comprising representatives of LTDC, and representatives of both the tourism and environment departments of MTEC (two full time employees) that will manage and monitor the TDZ. This working group would be organised by the LTDC Investment Promotions Department • Approval of the TDZ regulation and the decree for the legal nomination of the TDZs in Lesotho • Awareness campaign to inform all tourism public and private stakeholders interested in investing in the TDZs
Timelines and ceilings	<p>The legal constitution of the identified TDZ should take no longer than 10-12 months. This estimate is based on stakeholder consultations and the definition of timeframe required to recognise and declare the TDZ.</p> <p>To underpin long-term investment, TDZs would have to be proclaimed for 30+ years, with possibility of extension for additional periods of 10 years.</p>
Sustainability	<p>The long-term sustainability of the TDZ will be linked to their potential to operate in the absence of a strong investment tourism promotion policy. Once the TDZs' sustainability improves, the incentive levels can be slowly reduced, after giving due notice to that effect.</p>

2.7 Specific incentives for increase enterprise competitiveness

B.1 Tourism Business Clusters for promotional and marketing activities Tourism SME funding	
Characteristics	<p>The competitiveness of a tourism destination depends by its ability to put together and organise tourism services and attractions that attract national and international tourists. For this reason, collaboration between tourism entrepreneurs and other tourism stakeholders that supply tourism services and make tourism attractions available is very important.</p> <p>This incentive intends to stimulate tourism entrepreneurs and other local tourism public and private stakeholders to organise a form of aggregation (association, cooperative, cluster, group of interests, etc.) that can be composed by only private tourism entrepreneurs and/or private – public stakeholders. In addition, these aggregations can be organised by tourism product (i.e.: adventure tourism, winter tourism, ecotourism, etc.) and / or geographical area (Maseru, etc.).</p> <p>Some typical examples of these kind of aggregations are: “the Silk Road”, “La Ruta del Tequila” etc.</p> <p>This incentive consists in providing grants and technical assistance to new and existing aggregations operating in Lesotho as follows:</p> <ul style="list-style-type: none"> - <u>Grants for start -up of business clusters</u>: this action refers to new tourism clusters / aggregations. In this case, a group of entrepreneurs and tourism stakeholders will be assisted to conceptualise and launch tourism aggregations (clusters, associations, etc.). The grant will cover 100% of the costs for legal registration of the clusters / aggregations and technical assistance to conceptualise and design a specific business plan. - <u>Grants for digital marketing and/or promotional material</u>: this action refers to clusters / aggregations already existing in Lesotho. The grants will cover up to 40% of total investment needed by each selected project and will not exceed LSL 450,000. A tourism aggregation can submit a detailed marketing investment proposal, including activities for digital marketing, design and distribution of promotional material, advertisement, etc. - <u>Technical assistance for promotion and marketing activities</u>: this action consists in providing specialised technical assistance to tourism SME aggregations who need help to diversify their tourism supply (new tourism products, services, tourism segments and markets), activate quality programs, identify a tourism brand that can be used not only for repositioning the aggregation in the market, stimulate the quality improvement of their tourism services and design digital (and more in general) marketing tourism strategies and action plans, etc. this technical assistance will be provided by a group of experts selected by the MTEC / LTDC. The incentive will cover the training costs of up to 60% of total

	project budget for an amount not exceeding LSL 375,000.
Justification	<p>There is a very limited collaboration between tourism stakeholders in Lesotho and there are not competitive aggregations in the Country. The present incentive will have several benefits for the Government, and can be listed as follows:</p> <ul style="list-style-type: none"> - Stimulating the development of aggregations: the MTEC and the public sectors will have the opportunity to reduce the number of representatives who collaborate in a destination. Depending on the number of members of a tourism aggregation, in Lesotho, it could be that only one representative represents hundreds of SMEs. - Marketing actions are not defined and implemented individually by the tourism stakeholders, with the risk that they contradict each other; a benefit of this incentive is that marketing will be defined and implemented by stakeholders. - 100% grant for start-up of business clusters does not have to be considered as a cost for the Government, but as a tool to invite entrepreneurs to register their tourism businesses following the present legal requirement in Lesotho. - This action will encourage all tourism destinations in Lesotho to invest in digital marketing
Objectives	<ul style="list-style-type: none"> - To stimulate the organization of at least 10 tourism clusters / aggregations over the next three years - To stimulate small and medium tourism enterprises (SMEs) to work together to increase their marketing abilities and competitiveness - To stimulate the development of a participative process involving all local SMEs and public stakeholders.
Beneficiaries	All micro, small and medium tourism enterprises working in Lesotho that are organised (or would like to be organised) as a tourism aggregation (association, cluster, cooperative, etc.). They can be new (start-up) as well as existing enterprises.
Conditions for accessing incentive	<ol style="list-style-type: none"> 1) The aggregation must be registered in under Lesotho legislation. 2) Each aggregation must submit a detailed project and financial proposal, including the following information: <ul style="list-style-type: none"> - Name and details of the legal representative of the aggregation - Specification of what financial typology they are applying for (grant for aggregation constitution, grant for marketing activities, technical assistance) - Short description of the project idea, including details about the activities that must be implemented - Detailed definition of the working plan, including information about who does what for the implementation of all project activities - Definition of the investment budget detailing all costs for project implementation - When applying, declaration on the co-funded part of the project,

	<p>specifying how the financial resources will be made available. (proposals with higher co-financing by the tourism aggregations will be prioritised)</p> <p>3) Submission of project proposals by the same aggregation is admitted only if carried out in different years and for different grants (start-up, digital marketing, technical assistance).</p> <p>4) A tourism aggregation must be composed by minimum 10 tourism enterprises and including three different tourism business (i.e. accommodation, restaurants, transports, tour guides, tour operators, etc.)</p>
Efficiency and cost benefit analysis (expected results)	<p>The estimated impact of the present incentive in the first three years of activity is as follows:</p> <ul style="list-style-type: none"> - Creation of 12 new tourism enterprises aggregations (clusters, associations, cooperatives, etc.) - n.30 tourism aggregations using grants for digital marketing and technical assistance - Minimum 250 micro, small and medium tourism enterprises benefiting from the incentive (it is because; the same aggregation can apply for different grants of the same incentive).
Organisational arrangements (activities and institutional framework)	<p>The management of the incentive should be under LTDC responsibility with the assistance of the MTEC and the activities for its implementation should be as follows:</p> <ul style="list-style-type: none"> - Selection and organization of n.5 experts that will compose the Evaluation Committee (in charge of evaluating the project and financial proposal for financing). These experts will be paid for each project evaluated and its costs are covered by the incentive itself as administrative costs - Agreement with Universities and other tourism experts for technical assistance activities (organization of a data base of experts to be involved in providing technical assistance to the tourism aggregation) - Tourism aggregations can apply to the present incentive when calls are published by submitting their proposals online to the “One-Stop-Shop” - The Evaluation Committee must evaluate a project proposal in maximum 2 months after submission by the applicant - The implementation of each project cannot exceed 12 months after approval
Timelines and ceilings	<p>The incentive duration should be at least three years.</p> <p>Estimated available yearly budget for the incentive is around LSL 14 million (equivalent to around 15% of the estimated financial resources of the TDF).</p>
Sustainability	<p>The present incentive should be funded by the TDF.</p>

B.2 Tourism SME funding	
Characteristics	<p>This action outlines an incentive to encourage Tourism SME development in Lesotho and improve access to finance for micro, small and medium-sized enterprises.</p> <p>Lesotho presents a limited number of tourism businesses and this will need to be increased to meet the needs of a developing tourism industry. The diversification of the tourism offer in Lesotho will allow room for growth and the development of new tourism businesses. Incentives should be available to all tourism SME, but specific attention should be given to Tour Operators. The Consultant suggests financial incentives (combination between guarantee to facilitate access to bank loans and grants) to help create more Lesotho owned SMEs and strengthening the existing ones.</p> <p>The incentives will finance the following:</p> <ul style="list-style-type: none"> - The creation of a new SMEs / tour operator by an individual or a company (Start-up) - The strengthening of existing SMEs / tour operators - Incentives for Tour operators to invest in equipment, vehicles, machinery etc - Commercialization Activities <p>This is through a range of instruments:</p> <ul style="list-style-type: none"> - Bank guarantee: or incentives in the form of a reduction in bank costs and as a guarantee of an investment against the banks - 80% covered by TDF. - Micro-finance for SME Start-ups - 80% covered by the TDF, 20% covered by SME - Specifically, for existing and newly established inbound TTOO Duty rebates of 70% and capital allowances of 70% to purchase necessary equipment such as 4x4's, generators, etc.
Justification	<p>SMEs often have issues regarding accessing finance due to insufficient collateral, problems with cash flow, weak or non-existent credit histories, etc. which justifies specific support. Whereas, one of the main problems identified by both public and private stakeholders during the data analysis phase of this project, is the fact the South African tour operators have the monopoly of the market within Lesotho, often cleaving little or no economic benefits for the Lesotho economy. One of the reasons for this can be explained by the lack of national based tour operators and their inability to be competitive with their South African counterparts.</p> <p><i>“There are around 9 active tour operators in Maseru and 5 in the districts (mostly hotels/lodges or guest houses owners offering guiding services).”</i></p>

	<p><i>Reportedly, only 2, at maximum, would meet the standards of international ground/tour operators.”</i></p> <p><i>(Review of Tourism Policy and Legal Framework and Development of a National Tourism Masterplan – Tourism Sector Diagnostic – May 2018 – Keios Development Consulting)</i></p> <p>By increasing the number of tour operators and especially improving the capabilities of existing TTOO, Lesotho will be able to increase the economic resources produced by this sector</p>
Objectives	The main objective of this incentive is to meet gaps in financing activities faced by SMEs in Lesotho, therefore encouraging an increase in tourism specific SME's, with a special focus on increasing the capacity and number of tour operators.
Beneficiaries	The beneficiaries of these incentives are all micro, small and medium tourism businesses across Lesotho with emphasis on improving the inbound Tour operator segment – both existing and new.
Conditions for accessing incentive	<p>Conditions for access this incentive are:</p> <ul style="list-style-type: none"> - All Existing Tourism SME's must be legally registered in Lesotho - All Existing Tourism TTOO must registered in Lesotho - Those applying for incentives to start a new business TTOO inbound must be Lesotho Nationals. - Each SME or individual wishing to start a new business must submit a detailed project and financial proposal including, at least, the following information: <ul style="list-style-type: none"> - Name and details of the legal representative of the tourism SME or individual wishing to start a new tourism business - Description of the project idea, including details about the activities that must be implemented - Detailed definition of the working plan, including information about who does what for the implementation of all project activities - Definition of the investment budget detailing all costs for project implementation - When applying (i.e. grant), declaration on the co-funded part of the project, specifying how the financial resources will be made available. (of course, proposal with higher co-financing by the group of enterprises will be prioritised)
Efficiency and cost benefit analysis (expected results)	<p>The estimated impact of the present incentive in the first three years of activity is as follows:</p> <ul style="list-style-type: none"> - Creation of 40 new tourism SMEs - Creation of 20 new TTOO - Business assistance to 30 SMEs

	<ul style="list-style-type: none"> - Strengthening and increasing the competitiveness of the 9 existing TTO
Organisational arrangements (institutional framework)	<p>The management of the incentive should be under LTDC responsibility with the assistance of the MTEC and the activities for its implementation should be as follows:</p> <ul style="list-style-type: none"> - Selection and organization of experts that will compose the Evaluation Committee (in charge of evaluating project and financial proposals for financing). These experts will be paid for each project evaluated and its costs are covered by the incentive itself as administrative costs - Tourism aggregations can apply when calls are published submitting their proposals to the online “One-Stop-Shop” - The Evaluation Committee must evaluate a project proposal in maximum 2 months after submission by the applicant - The implementation of each project cannot exceed 12 months after approval <p>An important role will be played by LTDC in the selection of projects and approval considering the role it plays in tourism promotion and the acquired knowledge of target markets.</p>
Timelines and ceilings	<p>Estimated available yearly budget for the incentive is around LSL 28 million, (equivalent to around 30% of the estimated financial resources of the TDF).</p>
Sustainability	<p>This incentive will be funded by the TDF.</p>

B.3 Specific Fund for Public- Private Partnership incentives

Characteristics

This incentive consists in the implementation of a PPP to encourage investment in existing sites which are ready or nearly ready to open to the public. The PPP should have a minimal duration of 20 years; however, the investor has the right to sell its part to other investors starting from the 10th year after PPP signature. At the end of the contract time, the incentive will not be applied anymore, however both parties have the right to:

- Continue the PPP under newly developed regulations (i.e.. both partners share the revenues, the investor should pay an annual rent to the Government, etc.)
- one of the two partners (or both) leave the PPP, selling its part to the other partner or to another investor

Referring to the speech by the Minister of Finance and to available information provided on the LTDC website regarding investment opportunities, several key sites for tourism investment have already been identified. These sites must be the main starting point for tourism incentives as many of these sights are ready for operation or need minimal investment to be launched.

This incentive is addressed to companies in exchange for managing existing tourism facilities already developed by MTEC/LTDC for a specific period and investment in amenities. To access these specific incentives, the managing company would have to invest in local amenities such as roads, etc. These specific incentives are:

- tax deductions: Tourism companies interested in managing one or more of the selected tourism facilities will have a 50% tax deduction on what is established by the Lesotho law on revenues and cost of the personnel.
- specific loans: considering the need to develop new infrastructures or improve the existing ones to make the selected tourism facilities more accessible for tourists, or more competitive in terms of services to be supplied, 50% of the present incentive will be used to provide (through a national bank) a loan to cover the development of basic infrastructure (roads, electricity and water supply, sewer system, etc.) and other facilities needed to improve the quality (and investment interest) of the tourism infrastructure (i.e. to develop additional hotel rooms, parking service, swimming pool, rehabilitation of the present infrastructure, etc.).
- Bank guarantees: the other 50% of the financial availability of this

	incentive will be used to help investors to access bank loans by providing a bank guarantee. Authorised costs to access to this incentive are: equipment (i.e.. furniture for bedrooms, toilettes and all other spaces, kitchen, cold storage, decoration, products and materials to improve the energy efficiency and isolation of the infrastructure, etc.).
Justification	As analysed by the Consultant, there have been many tourism facilities and infrastructures developed by the Government over the last few years that are not currently being used (many of them in a state of neglect); while, if well managed, could facilitate the development and diversification of the present tourism supply in Lesotho. This is a priority underlined by all tourism stakeholders, including the LTDC.
Objectives	<ul style="list-style-type: none"> - To diversify the present tourism supply - To active important tourism infrastructure developed by the Government and as of yet unused by the tourism industry - To stimulate investors to invest in and manage existing tourism infrastructures developed MTEC / LTDC
Beneficiaries	All national and international tourism companies interested in managing one of the selected tourism facilities that are included in this incentive.
Conditions for accessing incentive	All national and international tourism investors must submit a detailed tourism business plan including, at least, the following information: <ul style="list-style-type: none"> - Name and details of the legal representative of the investor - Detailed financial statement proving the financial soundness of the investor - Detailed description of the project idea, including details about activities that must be implemented, drawings and pre-feasibility study of the infrastructure to be developed, etc. - Detailed definition of the working plan, including information about who does what for the implementation of all project activities - Definition of the investment budget detailing all costs for project implementation - Definition of what kind of incentive the investor is applying for (tax deduction, loan, and bank guarantee). The investor can access all three incentive typologies with the same project proposal
Efficiency and cost benefit analysis (expected	The estimated impact after 5 year of incentive implementation is to develop PPP for at least 50% of the tourism infrastructures / facilities listed above and the creation of at least 200 new tourism jobs.

results)	
Organisational arrangements (activities and institutional framework)	<p>MTEC/LTDC will constitute a technical committee inline with Lesotho law and if needed LTDC may form a technical Incentive committee as a sub-committee of the LTDC Board.</p> <p>Definition of the legal framework for tax deduction, loan and bank guaranty to apply to the tourism investors</p> <p>The team shall have a working relationship with relevant institutions e.g. national financial institutions and banks for providing loans and bank guarantee</p> <p>Dissemination of information to the public and prospecting investors through promotion activities and distribution of information material, including brochures videos, 3D pictures, etc.</p>
Timelines and ceilings	<p>The preparation of this incentive will take 12 months, including organization of the internal task force, agreement with the banks, etc. While, the incentive should have a minimal duration of 10 years.</p> <p>Finally, the estimated available yearly budget for this incentive is around LSL 18.7 million (equivalent to around 20% of the estimated financial resources of the TDF). Around LSL 3.7 million should be used for the administration and promotion of the incentive, while around LSL 15 million should be used for loans and bank guarantees. Tax deduction is not considered in this budget because it is seen as a as lower tax revenue by the Government.</p>
Sustainability	The present incentive is funded by the TDF.

2.8 Long term sustainability

C.1 Training incentives for tourism businesses	
Characteristics	<p>Subsidy for training in tourism skills while in-work through courses or external programs.</p> <p>This incentive consists in making the following opportunities available to the tourism enterprises in Lesotho:</p> <ul style="list-style-type: none"> • <u>Grants for short term training programs /activities</u>. Training courses with a duration from 3 to 8 months. Tourism enterprises will have access to the present incentive as follows: <ul style="list-style-type: none"> - As individual business which applies to participate in a specific training program proposed by the Government (MTEC/LTDC) in collaboration with a national and/or international university (or specialised training institution) - As group of enterprises (minimum 5) that propose / organize their own training program in collaboration with a university or an accredited training institution <p>The grant cannot exceed 40% of total project costs and cannot be more than LSL 75,000 for individual business or LSL 450,000 for groups of businesses.</p> <ul style="list-style-type: none"> • <u>Tax reduction on employee salaries for long term internal training programs / activities</u>. This incentive applies to an individual enterprise or a group of enterprises who submit a Training Master Plan for their enterprise with a minimal duration of 5 years. For each employee involved in this “long-life training”, the tourism enterprises will benefit from 25% taxes reduction per year. The training courses included in the Training Master Plan could be those offered by the Government or can be also identified directly by the beneficiaries in collaboration with national and/or international universities.
Justification	<p>An integral part of the tourism offer of any country is the high level of tourism services provided. Without fully trained staff in all aspects of the tourism sector the tourism offer in Lesotho will struggle to distinguish itself from regional competitors and increase the number of satisfied visitors (an important factor for word of mouth/ social network promotion). By developing specific incentives for tourism training, tourism businesses can provide workers that meet international standard and therefore improve the overall tourism offer.</p>

Objectives	The objective of this incentive is to train various major tourism sector staff and managers to provide Lesotho tourism business with fully qualified staff.
Beneficiaries	Local tourism enterprises will be the direct beneficiaries of the present incentive, however national and international tourism institutions (colleges and universities) should be involved as strategic partners.
Conditions for accessing incentive	<p>Only tourism enterprises (accommodation, restaurants, tour operators and travel agencies, tour guides, transports, entertainments, attractions, handicraft associations, etc.) can apply for this incentive. Each individual enterprise or group of enterprises must submit a detailed project and financial proposal including, at least, the following information:</p> <ul style="list-style-type: none"> - Name and details of the legal representative of the tourism enterprises or group of enterprises - Description of the project idea, including details about the activities will be implemented and how and where the personnel will be trained - Detailed list of all personnel that will be trained (including name, surname, ID number, year of birth, address, etc.) - Detailed definition of the working plan, including information about who does what for the implementation of all project activities - Definition of the investment budget detailing all costs for project implementation - Declaration on the co-funded part of the project, specifying how the financial resources will be made available. (proposals with higher co-financing by the group of enterprises will be prioritized)
Efficiency and cost benefit analysis (expected results)	<p>The estimated impact per year of the present incentive is as follows:</p> <ul style="list-style-type: none"> - Around 2,000 employees trained - Around 10 groups of stakeholders involved in the project per year
Organisational arrangements (institutional framework)	<p>The LTDC should be responsible for the implementation of the activities for the organization and implementation of this incentive, which are:</p> <ul style="list-style-type: none"> - Organization of a detailed database with training universities and institutions, specialised in tourism, that should be involved in the present incentive - Agreement with the universities and other specialised training institutions to provide training - Definition of the training courses - Definition of the control and monitoring tools that will be used to

	<p>control that the beneficiaries are effectively implementing / attending the training activities (i.e. registry of participants, photos during the courses, copy of the training materials, visits of monitors, etc.)</p> <ul style="list-style-type: none"> - Organization and training of the MTEC / LTDC staff that will be responsible for controlling the correct implementation of the training activities by the beneficiaries - Selection and organization of experts that will compose the Evaluation Committee (it will be in charge of evaluating the project and financial proposals for financing). These experts will be paid for each project evaluated and its costs are covered by the incentive itself as administrative costs - Beneficiaries can apply to the present incentive anytime during the year submitting their proposals to the “One-Stop-Shop” - The Evaluation Committee must evaluate a project proposal in maximum 30 days after submission by the applicant
<p>Timelines and ceilings</p>	<p>The organization of the incentive should take around 1 year, including agreements with universities, definition of the training courses and organization of MTEC internal staff who will be responsible for monitoring of the training activities.</p> <p>After this first year, the incentive should be implemented on permanent basis.</p> <p>The estimated available yearly budget for the incentive is around LSL 14 million, (equivalent to around 15% of the estimated financial resources of the TDF).</p>
<p>Sustainability</p>	<p>The present incentive is funded by the TDF.</p>

C.2 Incentives for local community tourism projects	
Characteristics	<p>An important factor for the development of experience tourism in Lesotho is represented by the local Basotho community, focusing on traditional artisans, handicrafts and local knowledge and culture.</p> <p>This sector is especially important for tourism development in the interior areas of Lesotho and represents added value to the competitive sustainable tourism offer.</p> <p>With these factors, small community-based entrepreneurs will be stimulated to improve their production and to create new market outlets by including or selling their product in key tourism circuits or Tourism development zones.</p> <p>This incentive will include three specific areas:</p> <ul style="list-style-type: none"> - Promotion and enhancement of registered Basotho artisans for tourism purposes: incentive will finance the creation of personalized product packaging, improvement of premises, studies and research to enhance the historical value of Basotho traditions for the tourism market. The fund will guarantee 90% of outlined costs, the remaining 10% will be covered by the artisan / artisan business - Development of initiatives that involve Basotho artisans as tourism attractions: this incentive will fund artisans who wish to convert their premises to receive tourists and other visitors (e.g. provide tours of their premises, demonstrations of productions, tasters etc), this will allow these artisans to be included in organised tours of Lesotho, developed and promoted by in-bound TTOO and by the artisan themselves. The TDF will cover 90% of costs and the remaining 10% will be covered by the applicants - Promotion of Basotho culture and history to tourists - guides, exhibitions spaces, traditional and cultural exhibitions (dance, song etc) and demonstrations. This incentive will encourage officially registered cooperatives and associations to promote Basotho culture to tourists, within the setting of tourism villages, tourism exhibitions, tourism development zone or other key points of tourism interest in Lesotho. This incentive will be financed 100% by the TDF. <p>This fund only applies to legally registered companies within Lesotho.</p>
Justification	<p>The cultural heritage preserved by local communities is an important 'product' that should be enhanced and promoted to assist the unique tourism offer in Lesotho. The inclusion of artisans, small artisan businesses and cultural entrepreneurs, cooperatives and cultural associations will help enhance and at the same time protect Basotho culture.</p>

Objectives	<p>This incentive has the following objectives:</p> <ul style="list-style-type: none"> - Promote local artisans, handicraft and cultural operators as an important part of the Lesotho tourism offer. - Promote modernization and innovation of these businesses which will allow them to become part of the tourism offer - Promote beneficiaries to enhance Basotho cultural identity - Train the artisans to welcome tourists in their shops or workshops
Beneficiaries	<p>All legally registered artisans, small artisan businesses and cultural entrepreneurs, cooperatives and cultural associations working in Lesotho with particular attention to those residing in rural areas and highlighting specific traditions of local Basotho communities. This incentive should reward forms of business aggregation that involve several companies working as associations or cooperatives.</p>
Conditions for accessing incentive	<p>Each aggregation must submit a detailed project and financial proposal, including the following information:</p> <ul style="list-style-type: none"> - Name and details of the legal representative of the aggregation - Specification of what financial typology they are applying - Short description of the project idea, including details about the activities that must be implemented - Detailed definition of the working plan, including information about who does what for the implementation of all project activities - Definition of the investment budget detailing all costs for project implementation - When applying, declaration on the co-funded part of the project, specifying how the financial resources will be made available. <p>Proposals submitted by associations or cooperatives must include at least 5 artisans representing different types of craft production which represent the local cultural identity.</p>
Efficiency and cost benefit analysis (expected results)	<p>The estimated impact of the present incentive in the first three years of activity is as follows:</p> <ul style="list-style-type: none"> - Funding of 50 small artisans per year for a total of 150 over three years - 20 associations or cooperatives financed each year for a total of 60 over three years
Organisational arrangements (activities and institutional)	<p>The management of the incentive should be under LNDC responsibility and the activities for its implementation should be as follows:</p> <ul style="list-style-type: none"> - Selection and organization of n.5 experts that will compose the Evaluation Committee, including an expert in social development projects

framework)	<p>(it will be in charge to evaluate the project and financial proposal for financing). These experts will be paid for each project evaluated and its costs are covered by the incentive itself as administrative costs</p> <ul style="list-style-type: none"> - Artisans can apply to the present incentive when calls are published by submitting their proposals to the online “One-Stop-Shop” - The Evaluation Committee must evaluate a project proposal in maximum 2 months after submission by the applicant - The implementation of each project cannot exceed 12 months after approval
Timelines and ceilings	<p>The incentive duration should have to be at least three years.</p> <p>Estimated available yearly budget for the incentive is around LSL 14 million, (equivalent to around 15% of the estimated financial resources of the TDF).</p>
Sustainability	<p>The present incentive is funded by the TDF.</p>

3. Organization of the institutional framework

Considering the Tourism Incentive and Investment Strategy, different stakeholders will act together under LTDC coordination. These stakeholders will be as follows:

Table#1: List of stakeholders to be involved in the Tourism Investment and Incentive Strategy

Stakeholder	Role
1. Ministry of Tourism, Environment and Culture (MTEC)	- Collaboration with the LTDC for the definition of the regulation of all incentives, TDZ and organization of the Tourism Unit to be integrated in the One Stop Shop and their approval by the Government.
2. Ministry of Finance	- Collaboration with the LTDC for the monitoring of the available financial resources of the TDF
3. Ministry of Trade and Industry	- Collaboration with the LTDC for the integration of the Tourism Unit in the One Stop Shop
4. Ministry of Local Government and Chieftainship 5. Ministry of Development Planning	- Collaboration with the MTEC and LTDC for the identification and regulation of the Tourism Development Zones
6. Ministry of Education and Training	- Collaboration with the LTDC for the identification and collaboration of the Universities and other training institutions to be involved for the training incentives
7. Lesotho Council for Tourism	- Collaboration with the LTDC for the definition of the incentive regulation and the evaluation of the proposals submitted by the investors to access incentives

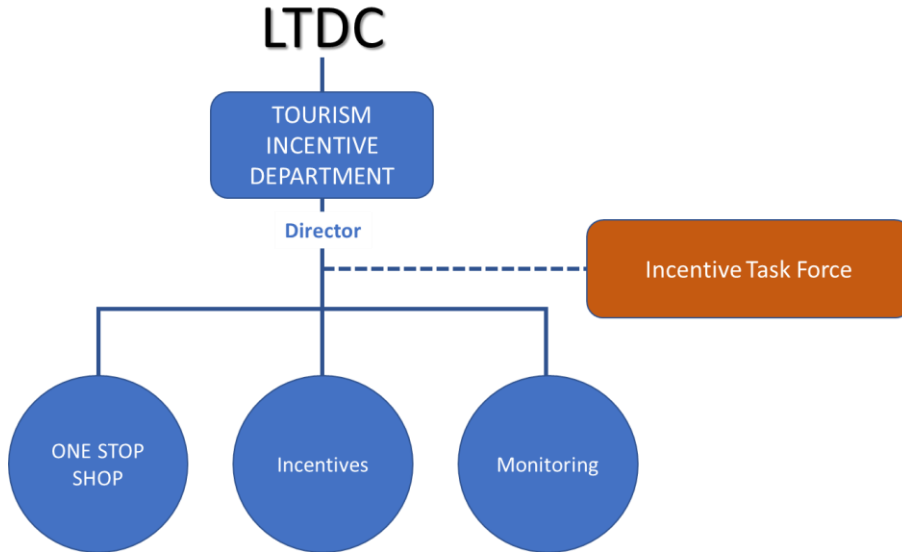
The participation of a plurality of stakeholders needs an important coordination effort. As already said before, this coordination will be part of the LTDC mandate, however, based on recognised international best practices in Europe, Africa and Asia, analysed by the Consultant, the organisation of an **“Incentive Task Force”**. is highly recommended

The Incentive Task Force will be composed of, at least, one representative for each stakeholder identified above and its main duties should be as follows:

- ✓ Contributing to the full participation of each involved institution. In this sense, the IFT is an important tool to increase awareness among all institutions on the importance of the tourism investment and incentive policy and strategy.
- ✓ Collaborating with the LTDC for the implementation of all activities requested by the tourism investment and incentive strategy, especially referring to the information, transparency and monitoring systems.
- ✓ Finally, the IFT should suggest the organization of new incentives depending on new needs expressed by tourism investors over the coming years.

Considering the present LTDC organigram, the Consultant suggests creating an Incentive Committee to be integrated in the LTDC organization as follows:

Fig#2: Organigram of the new Tourism Incentive Committee within the LTDC



Source: elaborate by the Consultant

The new Tourism Incentive Committee of the LTDC will be organised in three Units as follows:

- **Unit#01:** this Unit (called Tourism Unit) will be integrated into the present One Stop Shop managed by the Ministry of Trade and Industry. Two representatives of the LTDC will work in this new Tourism Unit providing information and assistance potential tourism investors. Their main duties will be as follows:
 - ✓ Organization of all information material for investors.
 - ✓ Management of webpage dedicated to tourism incentives.
 - ✓ Collaboration with all involved stakeholders to decide and prioritise what kind of information will be provided, and by which means
 - ✓ Organization of awareness and communication campaigns addressed to tourism stakeholders and potential investors.
 - ✓ Collaboration with the LTDC for the formulation of the annual budget and the implementation of the policy of transparency.
 - ✓ Finally, this Unit will also be responsible for the organization of an **Annual Forum on Tourism Incentives** promoted by the Government of Lesotho. This Annual Forum will aim to: i) increase awareness among all tourism stakeholders on the present tourism investment and incentive policy and strategy of the Government of Lesotho; ii) outline and update on what has been done during the year; iii) stimulate investors to invest in the tourism sector in Lesotho.

- **Unit#02:** this Unit (called Incentives Unit) will be responsible for the organization and implementation of all tourism incentives composing the tourism investment and incentive strategy. The working staff should be composed of three employees specialised in procurement procedures and their main duties should be as follows:
 - ✓ Organization of all incentives identified by the present tourism investment and incentive strategy.
 - ✓ Organization and launch of the call for proposals to invite investors to apply for specific incentives, evaluation and selection of the incentive requests submitted by investors.
 - ✓ Collaboration with the Monitoring Unit to control the implementation of the activities and costs analysis.
 - ✓ Collaboration with all involved stakeholders to conceptualise and identify new incentives that could be integrated in the tourism investment and incentive strategy.

- **Unit#03:** this Unit (called Monitoring Unit) will be responsible for controlling and monitoring the incentives and their financial resources. The working staff should be composed of two employees specialised in audit and monitoring procedures and their main duties should be as follows:
 - ✓ Daily monitoring of the use of the financial resources assigned to the tourism incentives.
 - ✓ Collaboration with Unit#2 in the evaluation of incentive requests submitted by investors, and, referring to the respect of the potential financial and administrative criteria requested of the investor in order to benefit from the incentives.
 - ✓ Realization of the Annual Monitoring Report to be submitted to the Director of the Tourism Incentive Department and validated by the LTDC and MTEC.

Additional activities of the Tourism Incentive Department of the LTDC should be as follows:

- a. **Awareness campaign:** addresses institutional and private stakeholders with to inform them about the new tourism incentives and investment policy and strategy and its status of implementation. The awareness campaign should include:
 - a quarterly seminar addressed to the involved institutional stakeholders to inform them about the implementation status of the incentives and the impacts generated on local and national economy
 - round tables organised with private and institutional stakeholders to inform them about the new Tourism incentives and investment policy and strategy and, in the coming years, to discuss improvements of this policy and strategy
- b. **Training activities** addressed to the members of the Incentives Task Force and other stakeholders regarding the characteristics and administrative procedures related to the tourism incentives.

Based on the proposed organizational structure, the Tourism Incentive Committee personnel should be made up of 10 people as follows:

- n.1 Director
- n.1 Director's Assistant
- n.1 Director's Secretary
- n.2 Communication specialists (with preference to one communication specialist and one digital / social media communication specialist) who will be delocalised at the One Stop Shop organised by the Ministry of Trade and Industry.
- n.3 Procurement Specialists
- n.2 Audit and Monitoring Specialists

3.1 Step-by-step of the implementation process

To facilitate the implementation process, the Consultant has elaborated a matrix where the activities have been organised in two phases. The first phase refers to the implementation of the organizational activities (including the organization of the involved stakeholders, the creation of the Tourism Incentive Committee, etc.); while the second phase refers to the launch and management of the incentives themselves.

PHASE#01 – Preliminary preparation of the organizational framework

ID	Activity	Specific actions	Stakeholders	Implementation time
1.	Approval of the Tourism Incentive and Investment Policy and Strategy	<ul style="list-style-type: none"> - Submission of the Tourism Incentive and Investment Policy and Strategy to the Government of Lesotho by the MTEC - Approval of the Policy and Strategy 	LTDC MTEC Government of Lesotho	Months 1-3 from implementation of the strategy
2.	Organization of the Tourism Incentive Committee (TIC)	<ul style="list-style-type: none"> - Agreement MTEC / LTDC for the integration of the TIC into the organizational structure of the LTDC - Agreement with the Ministry of Trade for the activation of a Tourism Unit into the One Stop Shop - Allocation of financial resources for the operation of the first two years of the TIC - Selection of the personnel - Physical organization of the offices where the TIC works 	LTDC MTEC MTI <i>Once the working team of the TIC is fully operative, all activities will be implemented by them.</i>	Months 3-5
3.	Organization of the Incentive Task Force (ITF)	<ul style="list-style-type: none"> - Agreement with all Ministries and other institutional and private stakeholders involved in the Strategy - Selection of the representatives that will make up the ITF - Launching of the ITF 	LTDC / TIC MTEC And all other involved stakeholders (listed in table).	Months 1 – 5
ID	Activity	Specific actions	Stakeholders	Implementation time
4.	Definition of the TDZ	<ul style="list-style-type: none"> ✓ Based on the outputs of the Tourism Master Plan of Lesotho, identification and selection of the TDZ 	LTDC (TIC) MTEC	Months 5 – 6

		✓ Definition of the specific incentives and benefits to be applied in the TDZ	ITF	
5.	Definition of the Tourism Incentives	✓ Working groups LTDC – MTEC – MIF for the detailed definition of the identified incentives and annual financial allocation for each incentive	LTDC MTEC MIF ITF	Months 5 – 7
6.	Preparation of information materials	<p>✓ Organization and development of all information material to be used to inform and increase awareness among tourism stakeholders and investors, including at least the following tools:</p> <ul style="list-style-type: none"> • Web-page to be used at One Stop Shop and social network pages • Brochures and flyers about the Tourism Investment and Incentive Policy and Strategy and details about each incentive • Investment maps • Posters • Newsletter 	LTDC (TIC) ITF	Months 7 – 9

ID	Activity	Specific actions	Stakeholders	Implementation time
7.	Internal training	<ul style="list-style-type: none"> ✓ Definition and development of training materials ✓ Internal training to the TIC staff and ITF representatives about the tourism investment and incentive policy and strategy, with specific details about the incentive packages ✓ Additional training to the personnel of the involved stakeholders (directors and other functionaries) to improve awareness 	LTDC (TIC) <i>Collaboration with some national universities and/or training experts is suggested for the implementation of the training activities</i>	Months 9 – 12
8.	Technical Assistance (TA)	<ul style="list-style-type: none"> ✓ Definition of the topics where technical assistance to potential investors is needed ✓ Agreement with national Universities and identification and selection of a group of experts (around 20 people) that will be able to provide TA at the potential investors ✓ Individual agreements with each selected expert ✓ Organization of an internal expert's database, including all information about the selected experts 	LTDC (TCI) ITF Universities Individual experts	Months 9 – 12
9.	Public launch of the incentive program	<ul style="list-style-type: none"> ✓ Promotional campaign to launch the Incentive program, through traditional tools (radio, TV, newspapers, specialised magazines, etc.), digital tools (web-page, social networks, etc.) and the organization of seminars and meetings (e.g.. Annual Forum on Tourism incentives and Investments in Lesotho) 	LTDC (TIC)	Month 12

PHASE#02 – Implementation of the incentive program

ID	Activity	Specific actions	Stakeholders	Implementation time
1.	Evaluation of the project proposals submitted by investors	<ul style="list-style-type: none"> ✓ Organization of an evaluation committee composed by representatives from LTDC (TIC), ITF and additional evaluators, if needed ✓ Launching of the call for proposals. (This does not apply if the incentive is based on a “permanent open call” ✓ Evaluation and selection of the best proposals for accessing incentives 	LTDC (TIC) ITF (representing all stakeholders listed in Tab#1 of the present document) Additional experts (if needed)	Starting from month 13 and for the entire duration of the incentive programme
2.	Permanent advertisement	<ul style="list-style-type: none"> ✓ Agreement with newspapers and specialised magazines for an annual campaign to promote the incentive program 	LTDC (TIC)	Starting from month 13 and for the entire duration of the incentive programme
3.	Transparency	<ul style="list-style-type: none"> ✓ Organization of periodic information seminars (each three months) where stakeholders can know about: the main results of the incentives program, the implementation status of the activities, the government policy and strategy about tourism incentives and investments. ✓ Monthly newsletter to be sent to all interested stakeholders and made available on the online webpage, including information about the incentive program and its impacts and results 	LTDC (TIC)	Starting from month 14 and for the entire duration of the incentive programme

ID	Activity	Specific actions	Stakeholders	Implementation time
4.	Monitoring	<ul style="list-style-type: none"> ✓ Control of the procurement activities ✓ Permanent monitoring of the financial resources available for the incentives ✓ Impact analysis of the incentive program 	LTDC (TIC) MIF	Starting from month 14 and for the entire duration of the incentive programme
5.	External training	<ul style="list-style-type: none"> ✓ Agreement with national universities and other training institutions ✓ Definition of the training courses that could be provided to the investors ✓ Organization of a database of trainers that could be used by investors in their training projects 	LTDC (TIC) Universities and other training institutions	Starting from month 14 and for the entire duration of the incentive programme

3.2 Important issues for the success of the implementation of the strategy

Based on the Consultant's experience and suggestions of some stakeholders, the following issues are important for the implementation of the Tourism Incentive and Investment Strategy.

a) Communication and Stakeholder participation

During the Co-generation workshop and meetings with local stakeholders, participants recognised that stakeholder involvement is important. The strategic plan and policy can only be regarded as a helpful tool if it is largely accepted by the public it serves and is well understood by both public and private stakeholders.

The implementation of the strategy needs the collaboration of many institutional and private stakeholders, it means that communication and information activities implemented by the LTDC (TIC) will be important to engage the other needed stakeholders. The organization of the ITF, composed by a representative of the most important stakeholders involved in the tourism incentive and investment strategy, will facilitate the collaboration between the institutional stakeholders. And, for this reason, the LTDC (TIC) should pay attention to actively involve the ITF in the implementation of the incentive strategy.

b) Engagement of the potential investors

The One Stop Shop will have a very important role in the engagement of the potential investors, and it needs to, not only inform investors about the tourism incentive policy and strategy and the characteristics of the tourism incentives, but also providing them with specific services. For this reason, the Tourism Unit of the One Stop Shop should provide, at least, the following information / services:

- ✓ Construction permits costs and procedures
- ✓ Land cost and acquisition procedures
- ✓ Relevant licenses inventory, costs, and procedures
- ✓ Relevant taxes, levies and custom duties, and procedures
- ✓ Labour costs and regulations including expatriate labour regulations
- ✓ Utility costs and connection procedures
- ✓ Communication costs and connection procedures
- ✓ Names and contacts of support institutions, lawyers, notaries, accounting firms, financial institutions and construction companies
- ✓ Inventory of relevant policies, laws and regulations
- ✓ Inventory of relevant tourism potential investment projects reports (research by accounting firms, development partners, and others)
- ✓ Provide news feed for the sector
- ✓ Ensure that queries are responded to in time
- ✓ Facilitate and organise investor visits to help investors to validate the information they have received by: i) planning itineraries for the visiting investors; ii) making local recommendations and bookings; iii) arranging meetings based on investors' preferences; iv) showing investors, the market, the sites and the competition

c) Organization of a network of strategic partners both locally and internationally to enhance service delivery

LTDC (TIC) should work to develop, establish and maintain a network of investment partners to enhance service delivery. The list of the partners may include:

- ✓ Government partners
- ✓ Private sector groups
- ✓ Existing investors
- ✓ Local authorities
- ✓ Foreign embassies and development partners

d) After care for successful investors

Investor management needs the LTDC (TIC) to ensure full and effective implementation of the investment by taking care of the investors from initial contact to successful conclusion and beyond. Once the investment project is up and running, the LTDC (TIC) should be in regular contact with the investor; a happy investor is likely to reinvest and serve as an ambassador for promotion.

This can be done by:

- ✓ Finding out about the progresses, successes and challenges faced by the investors
- ✓ Communicating success through testimonials or success stories

e) Rules for consideration

It is essential that incentive policies are accompanied by a set of rules that prohibit or limit their abuse to ensure credibility for the incentives and the implementing bodies and guarantee results for each action. Deterrent measures are therefore one of the main ways to define the tools to be used and at the same time represents the key to obtaining important collateral results for the development of the tourism economy. The main deterrent / reward policies will be applied through a system of "rewards" in order to obtain incentives quicker and can be outlined as follows:

Table: Possible ‘reward system’ for Incentives

Area	Limits/Restrictions	Desired effect
Employment	Beneficiary companies must ensure a minimum number of employees residing in Lesotho; the higher the percentage of Lesotho based employees determines a greater score in obtaining the incentive	Guaranteed employment increase in the tourism sector
Women and Youth	The incentive requests from beneficiaries must contain fair employment guarantees between men and women and encourage the integration of unemployed young people into work.	Respect for the national gender policy and significantly reduce unemployment
Environment	Infrastructures and investments in general must be subject to rules on environmental protection and preservation; the instruments adopted by businesses or projects will score higher than those without similar policies.	Sustainable investments and positive impact on environmental protection
Internal production	Projects that foresee the use, where possible, of the national production of goods and services will be rewarded	Increase of knock on effects on the local economy
Time frame	A minimum period of investment will be defined in the parameters for obtaining each specific incentive, especially for foreign investors. A guarantee system must be included, so that if an investor abandons a project before the end of the outlined time frame, they must repay the funds received	Guarantee the permanence of investments
Aid Intensity	Define the percentage of public co-financing, stimulating certain sectors with higher percentage rates.	Define the action to adopt, arriving at a max of 75% Aid investment and 25% beneficiary investment

4.Risk management Aspects

Key risks identified together with summary evaluation and proposed strategic responses are outlined below. Only tourism-specific responses have been incorporated in the following tables.

The Potential Risk	Risk level	Tourism Strategies
Inability to attract investment	Low	Provide investment environment that effectively attracts investments and provides programs which include opportunities, incentives and facilitation. Market Lesotho`s tourism investment incentives locally and abroad
Damage to natural environment through insensitive development by investors	Moderate	Identify and ensure appropriate regulation and management of protected areas Adopt and apply principles of sustainability throughout the tourism sector
Financial recession in investor source markets or significant shift in exchange rate with key source markets	Moderate	Ensure diversity of markets and market segments without excessive dependencies. Accelerate new focus of emerging and new markets and segments (Asia and Middle East)
Insufficient funds in the Tourism Development Fund to finance incentives and other critical investment programmes	Moderate	Government to consider allocating additional financial resources from its consolidated revenue to MTEC/LTDC for investment programmes
Lack of financial support from local bank to local investors (bank loans)	High	Engage local financial institutions (banks) in considering supporting tourism investors with loans. An agreement between Government / banks for the organization of a guarantee fund to be used by national investors could also help
Political instability in the country may scare away potential tourism investors and visitors	Low	Lesotho is doing political reforms that will bring stability and peace in the country
Increased competition from other tourism	High	Constantly monitor all competitive

investment destinations		initiatives and consider appropriate responses Ensure that growth concentrates on the unique selling points of Lesotho and that these are not eroded by poor planning and lack of co-ordination between Ministries
-------------------------	--	---

5. Monitoring and Evaluation of the Strategy

The implementation of the Tourism Investment Strategy will need a monitoring and evaluation process to guarantee its regular implementation by the tourism stakeholders, the achievement of the planned objectives and to verify the need to integrate the implementation strategy.

5.1 Monitoring

LTDC (TIC) shall monitor the progress of the implementation by continuously tracking built-in systems of milestones of activities and outputs of the implementation plan.

The milestones for the implementation of the Tourism Investment Strategy and Incentive Packages are as follows:

- Acceptation of the tourism investment policy by the Government of Lesotho
- Organization of the Tourism Development Fund to be used for financing the incentive packages and the other activities of the investment strategy
- Agreement with the MIT for the integration of the Tourism Unit in the One-Stop-Shop
- Development of the legislation framework for the activation of the tourism incentives
- Organization and implementation of the Incentive Task Force, involving all tourism stakeholders

5.2 Evaluation

The evaluation process is a critical issue for the Lesotho tourism investment policy and incentives packages, as these steps will help the LTDC to learn about successful investments and shortcomings. Valuable lessons can be learnt which can influence the successful identification and implementation of future investments to meet the needs of the growing tourism industry in Lesotho. Considering the present incentive packages, the most important indicators to take into consideration for the evaluation process are as follows:

Incentive package	Indicator	Means of verification
One Stop Shop	At least 200 investors assisted per year by the Tourism Unit	Register of the Tourism Unit
	Delivering of the newsletter to at least 1,000 potential investors per year	Number of downloads of the newsletter made at the web-page
Tourism Development Zone	Relation between the LSL invested by the Government with those invested by the private sector. Relation is: 1:2	Project proposals submitted by the investors
Tourism Business Clusters for promotional and marketing activities	Creation of 12 new tourism enterprises aggregations (clusters, associations, cooperatives, etc.)	Register of the LTDC (TIC)

Tourism SME funding <i>Timing: the first three years</i>	30 tourism aggregations using grants for digital marketing and technical assistance	Number of project proposals approved
	Minimum 250 micro, small and medium tourism enterprises benefiting from the incentive (<i>it is because; the same aggregation can apply for different grants of the same incentive</i>)	Register of the LTDC (TIC), including the list of all tourism enterprises that have benefited from the incentive
Tourism SME funding <i>Timing: the first three years</i>	40 new tourism SMEs	Register of the LTDC (TIC)
	20 new TTOO	
	Business assistance to 30 SMEs	
	Strengthening and increasing the competitiveness of the 9 existing TTOO	

Incentive package	Indicator	Means of verification
Specific Fund for Public-Private Partnership incentives <i>Timing: the first five years</i>	At least 50% of the tourism infrastructures (accommodation) developed by the Government are managed by private investors	Number of PPP signed
	At least 200 new tourism jobs have been created	Interviews with the involved enterprises
Training incentives for tourism businesses <i>Timing: the first three years</i>	Around 2,000 employees trained	Interviews with the involved enterprises
	Around 10 groups of stakeholders involved in the project per year	Number of project proposals approved
Incentives for local community tourism projects <i>Timing: the first three years</i>	Funding of 50 small artisans per year for a total of 150 over three years	Number of project proposals approved
	20 associations or cooperatives financed each year for a total of 60 over three years	Number of project proposals approved