
UNLOCKING MOZAMBIQUE'S TOURISM POTENTIAL: FROM UNDERSTANDING THE SECTOR'S COMPLEXITIES TO CREATING INVESTMENT OPPORTUNITIES

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IFC's SEATIP, the South East African Tourism Investment Program, aimed to accelerate private investment in the tourism sector in Mozambique, using tourism routes as a platform for tourism development.

SEATIP was launched in 2003. The program was directly executed by CAF and was not part of APDF, IFC's former TA facility for Africa. SEATIP was funded in two separate phases with Dutch Trust Funds, totaling approximately US\$200,000. The program rented an office close to the Ministry of Tourism in Maputo and was staffed with a program manager, an analyst and an assistant. All staff were hired as Short Term Consultants.

With the establishment of PEP Africa in July 2005, SEATIP was taken over by PEP Africa. Shortly after this, it was decided that the program would be discontinued under IFC's management. A last SEATIP phase, SEATIP Restructuring, with a budget of US\$40,000, was launched, aiming to transfer the leadership of the program to the Ministry of Tourism. Simultaneously, IFC prepared for its follow-on Tourism Sector Program - the Mozambique Anchor Tourism Investment Program - that aims to proactively create investment opportunities in coastal tourism aligned to the SEATIP tourism routes.

This paper describes how the broad scope of SEATIP, although necessary to set the stage for tourism development, needed to be reshaped into a more investment focused program. The paper provides useful lessons learned from SEATIP and shows how they were incorporated in the design of the follow-on program, the Mozambique Anchor Tourism Investment Program.

SEATIP HELPED UNDERSTAND THE SECTORS COMPLEXITIES


SEATIP was originally launched as a program aiming to accelerate public and private sector investment in sustainable tourism in Mozambique, using tourism routes as a platform for tourism planning and development.

SEATIP developed the concept of the 'Great Africa Route', a tourism route uniting Mozambique's southern coastline with the Kruger National Park and other tourism highlights in South Africa as well as Swaziland. Central to the Route is its 'bush-beach' connection, linking the nature-based tourism experience of the hinterland with the unique experience offered by Mozambique's tropical coastline.

SEATIP has provided critical research into the enabling environment for tourism in Mozambique. It confirmed the immense opportunity represented by Mozambique's extraordinary resource potential. At the same time it made the many constraints facing the sector explicit. The difficult and troublesome availability of land, and the lengthy and at times not transparent land application and licensing procedures have repeatedly chased away quality investors. As a result, Mozambique has failed to attract many quality investors. Realized investments are often small, not necessarily backed-up by experienced and professional operators and in many cases not confirm best-practices in the industry. The quality of the created product in general does not match the quality of the environment. Hence, the sector has also not delivered upon its objectives for jobs creation and community participation.

Although based upon a powerful concept, SEATIP never delivered tangible results. SEATIP has no doubt been an important catalyst in placing tourism higher up the development agenda of donors and government. SEATIP was one of the first donor supported programs in Mozambique that entirely focused on tourism development. It played a catalytic role in the recognition that tourism can indeed play an important role in poverty alleviation and rural development. And it made the many facets of tourism development explicit. But, despite having a great vision, SEATIP never managed to actually deliver upon its promises.

Box 1 – The SEATIP approach



The SEATIP Objective:
Accelerate public and private sector investment in well-planned and sustainable tourism in Mozambique, using tourism routes as a platform for tourism planning and development.

SEATIP was very comprehensive and involved multiple implementation components:

1. Integrated Development Planning and Sustainable Tourism Development
2. SME Participation and Linkage Programs
3. Community participation
4. Investment promotion and facilitation
5. Investment enabling environment for tourism
6. Marketing of tourism routes
7. Regional integration
8. Financing of sustainable tourism projects

LESSONS LEARNED FROM SEATIP

It is essential for sector focused TA to be clearly embedded in the national context - Despite being fully in line with Government strategy, there was never a clear ministerial counterpart to the SEATIP implementation unit. Tourism Routes and Regional Integration are key themes in the national tourism strategy and SEATIP directly addressed these national focal points for Mozambique's southern region. Government has always supported the concept, but no formal agreement between SEATIP and the Ministry of Tourism existed. As a result SEATIP remained 'floating' in between the various departments of the Ministry and the program had no real mandate.

Lesson learned: In programs where Government is an important counterpart, it is essential to achieve upfront institutional commitment to the program. Always insist on a formal agreement between the IFC and the main institutional partner outlining respective responsibilities and make sure a clear counterpart is appointed.

Direct management by long-term IFC staff is essential for program success

SEATIP was implemented by Short Term Consultants only. Although the program was an IFC program, no IFC staff were involved in daily management and IFC's specialized TA staff, under APDF at the time, had no formal role at all in program design or implementation. A Short Term Consultant, acting as the program manager, represented, in the view of the Mozambican stakeholders, IFC. On various occasions this led to situations where elevated expectations of the IFC and the SEATIP program were created, on which IFC was unable to deliver.

Lesson learned: Clear leadership and responsibility within a single IFC department with TA expertise is important to ensure a program is properly managed and embedded in the IFC. Program implementation can not solely be by STCs. Program implementation should be primarily by IFC staff.

An IFC TA program can't be the answer to all problems a sector is facing

The SEATIP concept was very comprehensive in its set-up. The original concept addressed issues as broad as marketing, institutional coordination, planning, investment promotion, community participation and so on. SEATIP did not only try to understand all these issues, it also tried to provide solutions to all of these.

Many of the issues identified by SEATIP were already addressed by existing Government programs. The IFC is not a national institution with the authority to address overall sector issues. Many of the activities originally articulated under SEATIP had also not much to do with IFC's core capacity as a catalyst for private sector development. Overall, the program was over ambitious and unfocused.

Lesson learned: In sector-focused TA, do not try to incorporate all issues in one single IFC program. It is important to fully understand the sector and the problems it is facing, but when it comes to program design, stay close to IFC's key strength: understanding private sector needs, developing strong projects and mobilizing investment.

Geographical focus is essential for tourism sector TA programs to be successful

Tourism is spatial in nature, tourists move from entry points along routes to destinations. SEATIP, using tourism routes as a platform for tourism development, followed the inherent spatial nature of tourism. Tourism development is further dependent on the overall development of a specific area, such as infrastructure provision, availability of transport and other services, and the availability of skilled human resources. The existence of sound planning procedures is critical for tourism to thrive. SEATIP correctly identified the lack of sound planning frameworks in Mozambique as a key deterrent for the controlled development of the sector. With no clear institutional mandate nor alignment, combined with the large program area, SEATIP did not manage to influence planning procedures or infrastructure provision in the program area.

Lesson learned: When designing technical assistance programs that aim to stimulate tourism development limit as much as possible the physical size of the program area.

Understanding investment constraints does not automatically generate investment leads. IFC is perceived primarily as an investment institution. Despite SEATIP's focus on analysis and facilitation, many stakeholders wanted it to be an investment program. The name, South East African Investment Program was a misnomer, strongly suggesting that the Program could actually invest in tourism projects. IFC was also hoping to generate leads for its own investment through the program. However, there was no special credit line or incentives available to any investment projects coming out of SEATIP. Leads were evaluated as per normal IFC credit criteria and despite some being strong SME opportunities, none led to an IFC investment.

Lesson learned: Be clear about the scope of as program and manage expectations. If generating investment is a goal, consider including a purpose made financial solution.

THE MOZAMBIQUE TOURISM ANCHOR INVESTMENTS PROGRAM AIMS TO CREATE INVESTMENT OPPORTUNITIES

SEATIP provided important insights in the sector's complexities and confirmed the economic opportunity represented by the tourism sector. However, it also proved that a more focused, more investment oriented approach is required to unlock the sector's potential.

The '*Mozambique Tourism Anchor Investments Program*' aims to create investment opportunities. It is basically a project development facility, aiming to create new projects and investment opportunities. During its design a conscious effort was made to avoid the mistakes and problems of SEATIP. This new program plans to stimulate investment in Mozambique's tourism sector by taking a practical, hands-on approach through pro-active project development in selected tourism zones supported by complementary TA in SME linkages and community development. The program will identify, package, promote and market opportunities in three tourism anchor sites to international and national investors, whilst overcoming bureaucratic hurdles (such as licensing and concessions) that are currently impeding the development of a business-friendly investment climate. It is also hoped that the creation of successful tourism projects will have a significant demonstration effect.

The program is a three phased program. The first phase – Site Selection and Detailed Design - will be launched in September 2006. This phase will select the three project sites and will design the institutional as well as management and coordination structure of the program. The second phase will encompass the actual development and marketing of the Tourism Anchor Sites. This phase will have a duration of approximately two years. The last phase – the SME Linkage and Community Tourism Phase, to be launched once investors have committed - will ensure that local SMEs and Communities will effectively participate and benefit from the created opportunities.

The lessons learned from SEATIP provided critical inputs in the design of the Anchor Program as follows:

- **Institutional embedment** – The Anchor Projects will have an institutional home in the Ministry of Tourism. A signed ‘Memorandum of Understanding’ between the Ministry of Tourism and IFC sets out a clear base for cooperation.
- **Geographic and thematic focus** – Aware that it cannot be comprehensive, the program will focus on three areas only and have a specific and limited goal: creating actual projects and investment opportunities.
- **Implementation by PEP Africa** – The program is clearly an IFC Technical Assistance program under PEP Africa. Full time IFC staff will be hired for program implementation and the program will be closely supervised by PEP Africa’s tourism specialist.
- **Fit with IFC strategy** – The Program directly delivers on all three pillars of the IFC Africa Strategy. Firstly, it addresses the ‘business enabling environment’, with focus on access to land and investment authorization procedures. IFC’s second pillar ‘proactive creation of investment opportunities’ is core to the program. The last strategic pillar ‘SME development and support’, will fully be integrated in the Program through the SME Linkage component. The program is furthermore expected to generate investment opportunities for IFC as well as other investors.
- **World Bank integration** – The program is furthermore fully integrated within the World Bank Group portfolio in Mozambique. It is complimentary to the World Bank supported Transfrontier Conservation Areas Tourism Development Program (TFCA-TDP) that focuses on the creation of TFCA’s in southern Mozambique. It acts upon recent studies of the Banks Foreign Investment Advisory Services (FIAS) group – the Tourism Value Chain Analysis and Tax and Licensing study. And it will work in close synergy with the Mozambique SME Investment Program (MSMI), potentially creating leads in the tourism sector for the program’s consideration.
- **Managing scope and expectations** - The Program has as its main goal to attract key industry players in Mozambique’s tourism sector. We expect that the program will have a demonstration effect on the sector as a whole and will lead to an overall increase in quality investment in the sector. The program is not an investment facility, nor a solution to all problems the tourism sector is facing and will not be marketed as such.

CONCLUSION

IFC’s approach to Technical Assistance in the tourism sector in Mozambique has evolved from understanding the tourism sector’s complexities to the creation of actual projects and investment opportunities.

SEATIP made the tourism opportunity explicit, but also demonstrated that a broad Technical Assistance program that addresses multiple development constraints in a relatively large geographic area, does not necessarily translate in tangible results.

The ‘*Mozambique Tourism Anchor Investment Program*’ is focused in scope and geographical area – it emphasizes the creation of tourism projects and investment opportunities at three locations. With valuable lessons learned built into its program design, the program is focused and realistic and designed to make a difference by creating new projects and mobilizing investment in Mozambique’s emerging tourism sector.

About the Author

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