

Transfrontier Conservation Areas (TFCA) and Tourism Development Project (TFCATDP)

Study of Economic Potential of Tourism in Mozambique

REPORT

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1. Introduction

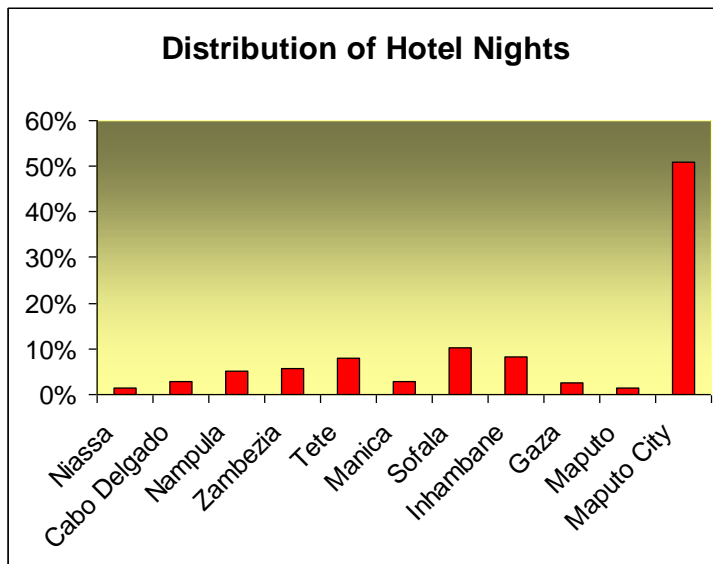
This Report presents a quantitative assessment of 'The Economic Potential of Tourism Development in Mozambique' over the coming ten years - the year 2015 was taken as the timeframe for the numbers (See Appendix 1A for the TOR). The potential for tourism in Mozambique is well acknowledged from many sources. The policy and the strategic plan (SPDTM - Strategic Plan for the Development of Tourism in Mozambique) are clear. A new Tourism Law has been put in place, a basic framework law, which is a good instrument for developing other regulations.

The context for this report is the work of the TFCA Unit in the Ministry of Tourism (MITUR). The TFCAs are now linked up with the development of tourism in Mozambique so that their remit is concerned with both conservation and economic development through tourism. A further context for this report is the work of SEATIP (South East Africa Tourism Investment Programme), which within Mozambique is assisting, in the Government's overall sector programme PROTUSC (Programme for Sustainable Tourism and Conservation).

2. Demand

International tourist arrivals to Mozambique are around 400,000 per year, and the industry has some 14000 beds in tourist accommodation around the country. Contribution to GDP from tourism is estimated at 1.2%, that is to say, around US\$ 40-50 million. Total monetary GDP was US\$ 3.6 billion in 2002.

Figure 2.1



Tourism is heavily focused upon Maputo City. Half of the hotel nights in the country occur in Maputo. No other destination within Mozambique remotely approaches this dominance. Sofala and Inhambane are down in the 10% range.

The prime tourism leisure flows are road tourists coming through Ponto do Ouro, numbering around 20,000 per year, virtually all South Africans (See

Appendix 2A for the statistics). Some 50,000 South African road tourists are coming per year through Ressano Garcia. The longer haul international leisure markets number in the low thousands, mostly coming through Mavalane airport, but also there are international tourists on a regional tour travelling in by road. There are other smaller flows of South African road tourists through Namaacha and other border posts. There are small numbers coming through airports such as Pemba airport. There is a large flow of arrivals transiting Mozambique between Zimbabwe and Malawi (though current conditions make this an unpredictable flow, but the flow is not of

large economic significance at a national level). Overall the present tourist traffic is modest but the opportunities are potentially considerable.



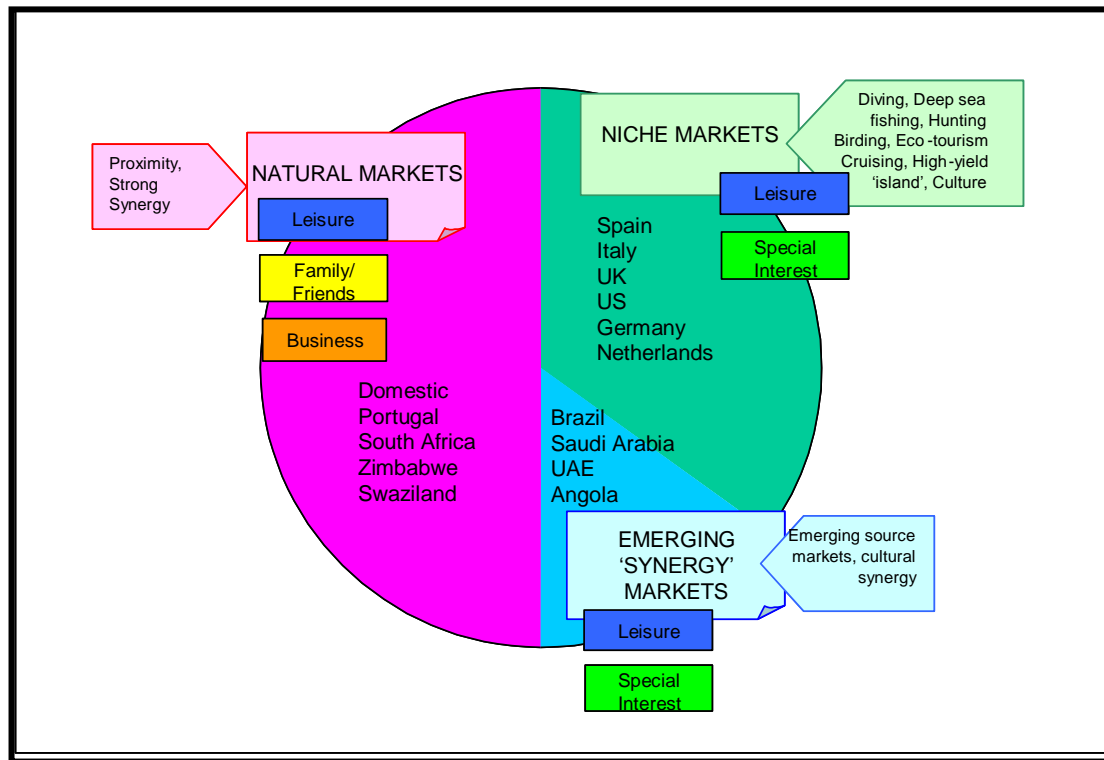
A major growth in Mozambique's tourism will mean that there has to be a significant shift away from tourists coming by road and towards tourists coming by air. Tourist entry by air has to become the major part of leisure tourism for the numbers in Mozambique to grow to substantial levels.

Even though Mozambique is endowed with considerable tourism resources, nonetheless the competition from other destinations will be relentless. The demand for Mozambique's tourism products exists both in neighbouring countries (e.g. South Africa), and in the long-haul international markets (mostly Europe). Mozambique has a miniscule share of the long-haul markets. The real issue is how well and how competitively can Mozambique develop the supply of products to sell into these markets.

Competitiveness is a key issue because there is a mistaken notion (not by the

key investors or managers in the industry) that Mozambique can make progress in tourism without worrying about price competitiveness or productivity competitiveness. Tourist products in Mozambique will have to be as good, indeed preferably better, than those in other destinations. Also they will have to be price-competitive and all services will have to be productivity competitive. This is a key challenge for Mozambique in taking up the opportunities that exist, and in meeting the competition. The competition should not be underestimated - resorts in Mauritius and Maldives, safari lodges in Serengeti, and Etosha - the list is almost endless, not forgetting South Africa, both a market and a competitor for Mozambique.

The Strategic Plan for the Development of Tourism in Mozambique (SPDTM) undertook a market analysis and identified a series of priority market segments, described as natural, niche and emerging (as shown in the Figure below).



Currently, a marketing plan is being drawn up for the Ministry of Tourism, which will refine the demand picture. The requirement for Mozambique to match its competitors cannot be underestimated in these priority segments (See below – all formidable competitors).

Key Leisure Markets	Key Competitors for Mozambique
South African market	
(road access)-wanting seaside products	South Africa itself
(air access)-wanting seaside products	South Africa itself, Mauritius
International Markets - Europe, USA, Middle East, Far East	
- wanting seaside products including luxury islands	East Africa, Indian Ocean Islands
- wanting wildlife products including eco-tourism	African neighbours, Southern Africa. East Africa
- wanting culture products	South Africa, Southern Africa
Niche Markets	
Diving	Indian Ocean
Birding	Southern Africa
Hunting	Other African
Adventure	Southern Africa
Cruising	Indian Ocean
Deep-sea fishing	Indian Ocean

3. Supply

There are a whole range of supply issues that will have to be addressed in order to meet these challenges.

Air transport

Air transport will be key. It looks likely that the dominance of Johannesburg airport as a hub for Southern Africa will continue (even though there is some de-hubbing now taking place in the USA, this has been a powerful trend over the last decade - See Appendix 3A). This means that the opportunities for Maputo as a major entry point for long-haul traffic will be limited. So air tourism in Mozambique will have to develop as a mix of: -

- Short-haul flights connecting through to Maputo from tourism sites in the country;
- Short-haul flights to and from the tourism sites to the hub of Johannesburg airport, the long-haul hub for Southern Africa – some reduction in costs of transiting and changing through Johannesburg could be pushed for;
- The possibility of long-haul charter flights into Pemba (after an expansion of the airport) in the north, if Pemba/Quirimbas (PQ) can develop into a major tourist destination. This would involve some liberalisation of attitude on the part of the Mozambique authorities towards allowing charter flights;
- Encouragement of general aviation to support the low-volume high-price segment of the industry; and
- Encouragement of the links to neighbours where there may be the opportunities for connections or even extensions of long-haul flights (e.g. Dar es Salaam, Lilongwe, may be even Nairobi, the second of the three major hubs in Africa. The third is Cairo)
- Exploring the idea of other connections between points in South Africa and points in Mozambique, as well as considering Nelspruit as an entry point for Mozambique, even though in RSA

Some people call for an increase in competition through open skies - the intention being to reduce prices to the traveller (which can be exceptionally high). Overall there is a need for the airlines to work closely with the tourism industry.

Roads and other infrastructure

Improvements are continually taking place to the Mozambique road network. Currently, tourists arrive mainly with 4WD vehicles. More paved roads open up the market, because of reduced travel costs - both in operating the vehicle and the vehicle capital costs.

There are large economies of scale in the provision of infrastructure such as roads to accommodation & resorts, electricity supplies, water supplies and waste disposal. This factor argues strongly for coordinated development in special tourism development areas where advantage can be taken of these economies. Self-provision is fine on a small-scale, where one is selling a product to a consumer market that can pay the price to cover the costs (e.g. upscale wildlife lodges). But it remains small-scale, and thus employment tends to be small-scale.

The evidence in Mozambique is that the country urgently needs high levels of employment of local people. As such it has to look for larger projects that can be price competitive. To be price competitive, it will be necessary to look for economies in costs wherever these can be obtained.

Land

Even though the State owns all land, much of it has been made available along the coast for use as holiday homes, either for personal use or small-scale renting. In turn this has led to a lucrative informal market in land-use rights (considered a safe and saleable asset, but not acceptable as collateral by banks). The profitability comes from acquiring a large site and then on-selling smaller plots. In general, the plots are scattered and represent a highly inefficient use of the land. Buyers buy 'cheap' and hope to sell 'dear'. If they succeed in selling dear, largely it is because of the inherent natural attractiveness of the site or there has been some new public provision of infrastructure. The State (and thus the local people) gain little from this exercise, the profitability goes in either consumer surplus to the consumers or in producer surplus to the suppliers of facilities and services (both are mainly foreigners). The situation is further exacerbated by local officials who see the opportunity to cut themselves into any profits from the land or the operation on the land.

The current situation argues for a radical overhaul of how sites are made available for tourism. Again this argues for special tourism development areas where the procedures can be streamlined to achieve the economic goals wanted by Mozambique, namely: -

- High employment of locals;
- A proper rent accruing to local people for the use of the land (fair to the locals and fair to the capital provider);
- Efficient use of all infrastructure, so that Mozambique can become a price-competitive destination.

The reason for emphasising special tourism development areas is that, what can be achieved in a small area, which is all that is needed for built-tourism facilities, is often far more than can be achieved country-wide.

Institutions and Human Resources

There are large weaknesses in

- the institutional set-up for tourism development (weak operational governance, little proactive planning);
- the availability of a management cadre for taking forward tourism development (there are outstanding managers but very few of them);
- the skills in the labour force for working in tourism (very low productivity).

These weaknesses largely take away competitive edge from Mozambique.

Whilst in the long-term it is necessary to tackle these deficiencies on a countrywide basis, in the short-term it could be handled through special tourism development areas, which can deal with these deficiencies (labour training programmes, contract-in foreign management, special institutions for tourism development areas).

Private sector investment

Tourism investments under the auspices of the CPI over the last decade have involved foreign investment for 70% or so of the projects. Partly this reflects the lack of capital within the Mozambique system. Local borrowing from the banks is exceptionally costly (15% plus in real terms) and makes it very difficult for a local entrepreneur to raise loan capital in that way. The outcome of this is that capital has to come either from those people with capital already in Mozambique or from foreign investment. It looks likely that a substantial development of the tourism industry in Mozambique is bound to involve a substantial investment by foreign parties.

Looking in more detail at typical projects as in Table 3.1, the pattern emerges that typical tourism projects have a capital cost of around US\$ 1 million; they are 70% financed by foreign investment and 70% by debt finance. The employment potential is typically 29 employees per project at a cost of around US\$ 24,000 per employee.

Table 3.1 - The scale of typical newbuild and rehabilitations

Type of Project	Foreign Investment %	Debt Finance %	Total Investment per project US\$ millions	Employment to be created per project	Capital Cost per employee US\$
Newbuild	80	67	0.9	28	26000
Rehabilitation	0	73	1.1	32	20000
All	70	70	1.0	29	24000

(Note: The Median has been used for the typical project and the typical statistic)

The scale of the typical project is relatively small. Whilst there are large projects, it looks likely that it will be necessary to actively seek larger projects, if the Government wants to make more significant inroads into job creation for local people.

Public investment

The Report argues that the most efficient way forward for a large development of tourism in Mozambique is to have special tourism development areas, which have special conditions pertaining to them. Infrastructure is provided on a scale that allows economies of scale to be enjoyed. This begs the question of where does the capital come from to provide the infrastructure. Whilst there are many sophisticated ways of providing finance for infrastructure, essentially it has to involve a public sector instigation of some sort. Opportunities in this could exist for donor support with loan capital. Whilst this may sound like a rerun of World Bank/IADB projects such as Nusa Dur, Cancun etc, the scale here is far smaller (Nusa Dur was all 400+ room hotels), but the principles are very similar. The driving intention in having special tourism development areas (TDAs) or Integrated Development Planning (IDPs that are highly respected) is to help Mozambique be competitive.

Carrying Capacity/Limits to acceptable change

Carrying capacity looks like being a problem wherever there are substantial coastal developments. Just as one example of the problems, the evidence is that tourism development along the Mozambique coast attracts in local settlements, immigrant fishermen etc. Very quickly there is pressure from over-fishing. Quickly the maximum sustainable yield is exceeded and this creates a problem for the local people. This is just one problem - see Appendix 3C for a series of issues at the site/local level. Again the solution to these problems argues for some sort of enforceable control. Again this may argue for special tourism development areas where some sort of control can be exercised by a suitable institution, or it can argue for IDPs that enjoy a wide level of support and respect.

4. Growth Scenarios for Tourism

Many scenarios for what could happen in Mozambique could be put forward. But three scenarios are put forward here. The first scenario is essentially a continuation of the current situation, which can be broadly described as the '*continuing pioneer industry*' scenario. Development will be slow and will produce the lowest results in terms of economic benefits.

The second scenario is one where a number of individual initiatives are undertaken, so it is more proactive than the low scenario, but it still lacks the overall coordination that the high scenario will encompass. This could be seen as a medium scenario. Economic benefits are higher but costs will probably be up as well. This could be described as the '*core initiatives*' scenario. A central feature of this scenario is the integrated development planning (IDP) process.

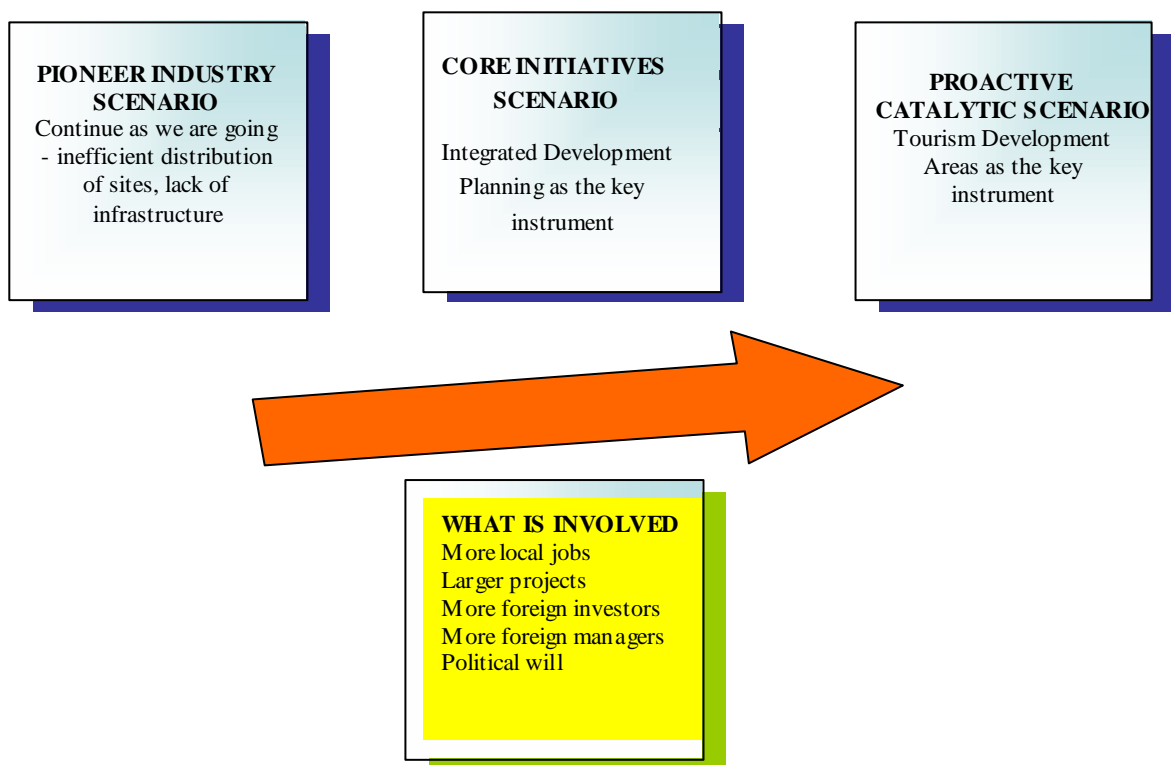
The third scenario, seen as the high scenario, envisages a highly co-ordinated plan (IDP) to grow the industry particularly in physical tourism development areas (TDAs), which is the key instrument for bringing about growth, together with the necessary regulatory and institutional instruments to do so. It produces the highest economic benefits and keeps costs down because of its high control/ catalytic capabilities. It also requires a high level of political will and a high level of foreign involvement (capital and management). It can be described as the '*proactive catalytic*' scenario.

In practice, scenarios are never an entirely separate set of decisions or courses of action. Essentially these three scenarios go from using instruments that are 'carrying on as we are' (low scenario) through to 'introducing the IDP as a key instrument' (medium scenario), through to 'introducing TDAs (with IDP) as the key instrument' (high scenario).

The broad aim in the third, and to some extent in the second scenario, is to reach a much more controlled/catalytic business environment brought about by the Government which is aimed at:

- Reducing risks for the capital investor, so we improve the quality of the investor;
- Making Mozambique price and productivity competitive; and
- Creating an enabling environment for the investor and the operator.

The broad aim is to see a shift away from the speculative investor interested in 'cheap' land, with little capital, but taking high risks. and seeking enormous returns on his/her small equity. We want to see a shift to high quality investors with substantial capital willing to invest large amounts of money in larger projects and seeking reasonable returns (because of lower risks). Also they should be willing to pay a reasonable rent for the land because they don't need the exceptional returns to compensate for the exceptional risks. In this way there is some recovery of money to the local people that is currently lost in producer surplus and consumer surplus. The shift to larger projects and higher quality investors will produce what is really needed in Mozambique, which is employment for the local people.



The Tourism Policy itself lays the groundwork for the general approach proposed here. One of the most telling statements in the policy is as follows: -

'However, only being a niche player is not sufficient for the country to create required economic and social benefits. Mozambique has to focus and prioritise the delivery of a mix of projects that will make it a global player and create the environment for different scales of project.'

In essence this is a key issue, which the Government has to address. There are many wonderful small projects, often based in natural areas (See Appendix 4A), but there is a need to widen this product portfolio with larger projects, which mostly are going to be adjacent to the seashore. Larger projects bring more employment but also they can

be capable of higher productivity and more efficient use of infrastructure. There is a place for both the large and the small, but the large is much more difficult to develop.

For this reason the second and third scenarios are mainly concerned with where one can develop larger projects in a sensible and sustainable manner. Larger projects need a wide portfolio of facilities in terms of types of tourist accommodation (See Appendix 4B for Vilankulo/Bazaruto), types of tourist attractions, infrastructure support etc. By contrast, small projects can often be very highly targeted in terms of customers, and self-sufficient in their operating requirements, but often at high unit costs.

The Tourism Policy also sets out the key principle of how to organise the development of areas: -

'For sustainable growth and a balanced development of tourism, it will be necessary to promote, wherever possible, detailed plans for land-use especially in areas with high potential for tourism development.'

5. Priority Areas for Government Assistance in the next ten years

The priority areas for development are going to be argued for from the perspective of the third (and high) scenario. But equally they can be scaled back to the second and first scenarios.

The underlying premises in this argument are that:

- (a) Mozambique is a vast country and it will be necessary to focus upon selected physical areas for tourism development, in order to avoid 'dissipation of Government resources' and in order to avoid 'disappointing outcomes' for the local people;
- (b) Mozambique's financial situation is very fragile and this again argues for a concentration of infrastructure investment in selected areas; and
- (c) Mozambique as a tourist destination will have to be price competitive and productivity competitive with its formidable competitors - from Mauritius to Zambia, not forgetting South Africa. There is a mistaken view that this is not necessary. To be competitive it is necessary to be very focused in your investments.

Priority areas include: -

Maputo City (a 'must see' capital city)

Already Maputo has more tourism than anywhere else in Mozambique but it is a location that should have much more. Maputo should be a 'must see' capital city not only for people in the region but also for long-haul international tourists doing a regional circuit in Southern Africa. Maputo also has several excellent tourism/hotel managers in the City, who are able to make things happen. There needs to be a Maputo City Tourism Plan encompassing the nearby areas such as Inhaca Island, and daytrips/weekend trips further afield such as to Lubombo TFCA and the Greater

Limpopo TFCA. Maputo City becomes not only a destination but also a market for other destinations within Mozambique.

It is not necessary to develop the whole City but to pick off a few small areas that can be turned into something very attractive - the seashore, the Avenida Julius Nyerere, Catembe beaches etc. This would need to be decided by the tourism industry and by the City authorities. It should be limited to something that can be attainable, so it should not be too big or too grandiose.

In the context of such a tourism plan for Maputo the convention/ incentives market should provide an attractive segment. Maputo can make a significant penetration because of its considerable appeal - with its good quality and well managed hotels, nearby island resorts, daytrips to wildlife attractions, and its capital city ambience and tourist facilities (more will have to be built/ developed/ enhanced).

There is a huge opportunity there, tapped to some extent by key hotels such as the Polana, Holiday Inn and Cardoso, but largely ignored by the authorities.

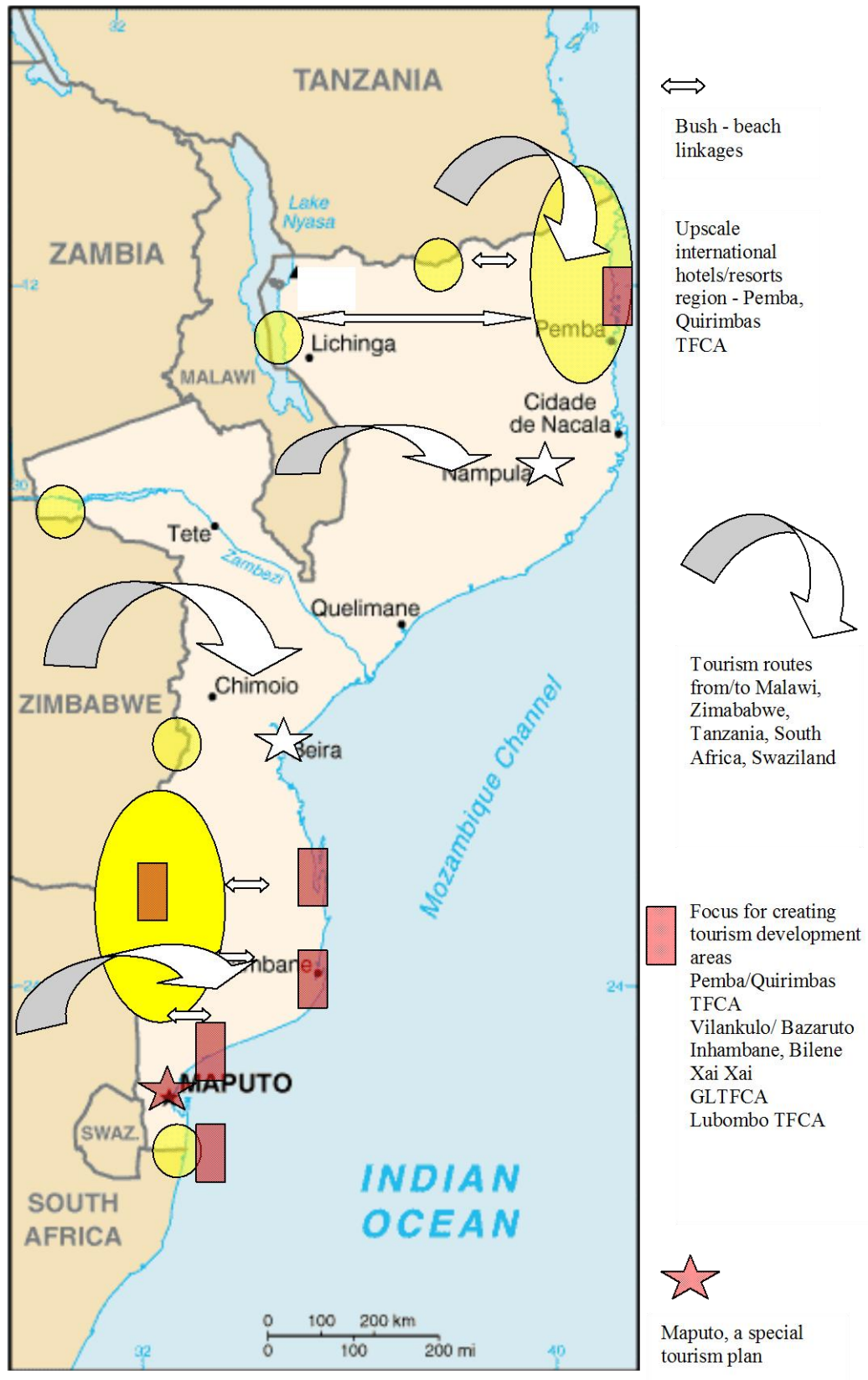
Pemba/Quirimbas TFCA (PQ) (a marine TFCA)

Recent large investments by the Rani Group have continued to confirm the potential there for developing this area as a tourist destination in its own right. US AID has an assistance programme coming up there. This could be a good platform for carrying out a feasibility study into the scale and type of tourism that could be supported there. If a substantial tourist destination is possible there, then it may be useful to consider upgrading Pemba airport and enabling long-haul charter flights from Europe and other source markets into Pemba. Charter flights would transform the level of the potential, though it is recognised that there are risks in being dependent upon a relatively few charter flights per week, and one would want to avoid losing the scheduled connections e.g. to Dar es Salaam or Maputo. Consideration must be given to a full IDP and indeed a full TDA.

Vilankulo/Bazaruto (a world renowned resort destination)

Already this area has shown its tourism potential, and whilst there are problems at the moment especially with governance, it is an area that could be the focus for a full IDP and a full TDA. It has the mix of tourist attractions that could allow a wide portfolio of accommodation products from basic accommodation through to luxury accommodation, from mainland resorts to exclusive island getaways. It has access by air and road and it has products such as island cruising. It ought to be a major resort on the Indian Ocean, known worldwide for its attractions.

FIGURE 5.1 – PRIORITY AREAS FOR GOVERNMENT ACTION



Lubombo TFCA (marine TFCA)

Development continues to take place around the Lubombo TFCA and clearly such development needs to be brought into a properly planned framework. There have been several exciting proposals put forward for development within the TFCA that involve the local community. The urgent action is to have a plan (IDP or even TDA) and to start developing the projects in the plan.

Greater Limpopo TFCA

Encompassing the greatest wildlife park in the world, GLTFCA has to develop tourism facilities within Mozambique that can match in quality those in the Kruger. The prime roles for the GLTFCA are to be part of the bush-beach linkage for Maputo and the resort areas in Gaza and Inhambane as well as a destination in its own right for the South African market and for international tourists on regional circuits.

Regional Circuits

Air services are needed to support the regional circuits that can be developed by the tourism industry. For those travelling by vehicle there is a need for

- Definition of the regional circuit
- Places to stop for the night
- Tourist attractions to visit enroute (not necessarily large attractions)

Mozambique has to further open up at least one regional circuit/tourism route with each of its neighbours - Tanzania, Malawi, Zambia, Zimbabwe, South Africa, and Swaziland.

None of these circuits should be particularly costly to open up.

Other priorities

Whilst the list so far appears to be long, it nonetheless misses out many areas. But this will be a choice that the Government of Mozambique will have to make. Other areas for 'Government assistance' will come next. That they are not on the list does not mean that they cannot make progress 'under their own steam', so to speak.

Within this priority list there are one or two others that could be added, including: -

Ilha de Mocambiques
Inhambane

But the 'dissipation of resources' should be 'top of mind' in making these decisions.

6. Quantifying the economic potential of tourism

The difficulties with the tourism statistics are well known, and MITUR and INE have programmes to improve the situation. MITUR and INE have to work towards establishing Tourism Satellite Accounts (TSAs). At a minimum the following surveys

will be required – inbound visitor survey, tourism establishments survey and household survey (See Appendix 6B).

Working within the restraint that the current statistics have to be treated with some caution, nonetheless one can indicate broad orders of magnitude as to what may be involved.

The quantifiable benefits from tourism can be described as: -

Macroeconomic

Foreign exchange earnings

Contributions to GDP

Government revenues

Personal

Local employment

Local incomes

Table 6.1 – Quantification of Benefits and Costs - 2015

Items	Scenario	1. Pioneer industry	2. Core initiatives	3. Proactive catalytic
BENEFITS		US \$ m	US \$ m	US \$ m
Inbound Tourism Expenditure, say = gross forex earnings		180	290	440
Local Incomes		145	230	330
Local Employment (Direct) - No.		45,000	60,000	75,000
Local Employment (Direct, indirect and induced) – No.		120,000	195,000	275,000
Contributions to GDP		1.5%	2.4%	3.4%
COSTS				
Additional Capital costs per year for accommodation		30	55	85
Additional infrastructure capital costs per year		20	20	25

Note: These figures apply to the impact of Inbound Tourism Expenditure

Of course, there are many costs that can occur at a local level as outlined in Appendix 3C.

But also, there are many other benefits such as improved infrastructure for local people brought about by tourism development. Mention should also be made of the linkages that can be developed between the tourism industry and its local suppliers that can be highly beneficial in improving local employment and local incomes (e.g. agriculture, forest products, fisheries, handicrafts etc.). The IDP process should enable this aspect to be looked at from the start, and appropriate formulae designed that allow these linkages to large local suppliers but also to SMMEs, where this is economically and socially appropriate.

In terms of needs within Mozambique, the key requirement looks to be ‘jobs for local people’. The World Bank quotes that 3.7 million new workers are projected to enter the job market by 2010. To find economic activity for such numbers is a challenge. Tourism can contribute to this challenge, as also it can contribute to poverty alleviation through the provision of jobs and local incomes.

7. The Role of the TFCAs in the Tourism Growth Scenarios

The TFCAs are crucial to the development of tourism in Mozambique. It is difficult to generalise about the TFCAs because they are fundamentally different in terms of their roles because of their locations and because of their tourism assets. In broad terms, one can divide the TFCAs into: -

- those on the coast (e.g. Quirimbas, Lubombo), whose future will be governed by the coastal developments envisaged within or alongside the TFCA
- those that are inland but will serve Tourism Routes (e.g. Chimanimani, Greater Limpopo)
- those that are inland but will serve other market centres, such as cities or resorts

Some TFCAs can fall into more than one category.

Much stress has been laid upon Mozambique having to remain competitive. To achieve this, not only do the tourism products have to meet market requirements in terms of product differentiation, product quality but also in price competitiveness. The TFCA role becomes more and more important through the years. It represents both the exceptional wildlife and terrestrial nature experiences that will complement the marine experiences.

The opportunity for Mozambique in developing its tourism is to look in the longer term for good returns to its exceptional environment/ecology. The premises for this are

- (a) that tourists will pay for exceptional experiences as long as they feel that the Government and the destination have been genuinely trying to do their best in conservation. By contrast, arbitrary taxation is usually resented.
- (b) that Mozambique’s marine environments and its parks (with flora, fauna and wildlife) will be perceived as even more exceptional within a number of years

The key role of the TFCAs is to put Mozambique into the frame where it can charge for its work in conservation. This will require effective work in the marine and terrestrial parks including anti-poaching measures and proper conservation of both marine and terrestrial parks/ reserves.

An attempt has been made in Table 7.1 to indicate the scale of possible Government income from different means of taxation/levies/ charging. The likely order in which such charges/levies can accrue as Government income is:

- Taxes on consumption (such as VAT)
- Bednight levies in areas of exceptional environmental/ecological significance
- Concession fees for sites, mostly tourist accommodation, in exceptional areas

Other charges tend to be less significant and are mostly user charges. One charge that Mozambique could consider is the foreign car charge within the country, as occurs in Namibia. It can be argued that this charge is reasonable in that the foreign car doesn't pay road taxes within Mozambique and therefore doesn't contribute to the costs of the road.

What must be avoided is going for 'vexatious taxation' which is taking money for no real purpose (e.g. visa fees seem excessive – US\$ 120 for a multiple entry business visa)

Table 7.1 – Possible Government Revenues from Conservation Linked Tourism

Possible Government Revenue Source	Potential Government Revenues in a high scenario	Examples of where this has been achieved
Tourist bednight levies	Say US\$ 3 per night in tourism areas. Could realise up towards US\$10 million per year.	Maldives
Concession charges	If land can be released in an auction manner it should be might be possible to get as much as up to US\$ 2000 per bed per year. Could realise up towards US \$10 million per year	Maldives
Taxes on tourist consumption expenditure	With consumption expenditure going up towards US\$ 450 million in a high scenario, this could realise up towards US\$ 10-15 million. It depends on exemptions.	Botswana
Park entrance fees, airport fees	These are really user charges for services provided, so useful as cost recovery	Kenya, Tanzania, South Africa
Charges for foreign cars	Foreign cars can be charged for their use of the roads, as a contribution to the costs, this could realise \$ 1+ million per year. But it is really a user fee.	Namibia

However the most important aspect is that, apart from consumption taxes, the big financial opportunity for the Government rests with levies/fees connected with looking after the environment/ ecology. Creating the framework for this is the task of the TFCAs over the coming years.

The entire issue of Government revenues and disbursements arising from tourism activities should be subjected to a specific study along the lines of 'sources and application of Government tax/funds' attributable to tourism activities.

8. The role of the TFCA Unit in tourism development

The precise role of the TFCA Unit would have to be worked out in relation to other tourism parties who have a responsibility for planning of tourism related initiatives including the Planning Department in the Ministry of Tourism, the National Parks Authority (DNAC), and the Ministry of Agriculture and others.

Of course, the entire process will be complex. Many issues will need to be resolved, including the appropriate roles of the public and private sectors, the considerable needs for training and local skills enhancements, and the buy-in by other Departments, Ministries and authorities. The capabilities within MITUR for shifting from an organisation in planning mode into an organisation able to operate also in implementation mode will need to be looked at.

The TFCA Unit is changing emphasis from a conservation role to a 'tourism and conservation' role. In this there is an urgent need to initiate economic development in some TFCAs (e.g. Greater Limpopo) and by contrast to bring illegal development under control in some others (e.g. Lubombo).

There is also a need to illustrate to local people (including politicians) the benefits of planned tourism development. That planning can bring both profitability to the private developer as well as benefits to the local people (jobs, local incomes, shared infrastructure, mitigation through forward planning of any losses/changes for the local people).

As such it is suggested that the TFCA Unit urgently select a pilot to illustrate what will happen with such planning (integrated development planning). The obvious candidate is the Lubombo TFCA and within that the coastal area from Ponto do Ouro northwards right up to the peninsula. There are seven advantages in selecting this area as a pilot: -

- A lot of the base planning work has already been done (e.g. Sir Alexander Gibb has done engineering and planning studies there);
- A number of exciting private sector and community schemes have already been put forward (e.g. Robford);
- The Elephant Coast Development Agency is already in place with quite considerable development control powers and reporting directly to the Minister;
- The private sector has already developed projects in the area and is pressing to develop more such schemes – so demand exists;
- Most of the coast is within the Maputo Special Reserve, so there is more extensive control over the land-use;
- Infrastructure exists there (to some extent); and
- A development there would fit within a larger scheme for developing Maputo City both as a tourism area and as a market for surrounding attractions such as Lubombo, and for linking through to the Greater Limpopo TFCA.

It has all the ingredients for enabling a pilot scheme to take off under the auspices of the ECDA with the planning content being provided by the TFCA Unit.

What is needed is a business plan for the pilot that sets out what is to be done, how much it will cost, how it will be funded, where the returns will come from.

Then the land use planning needs to be brought up to date to include those sites which can be made available for concession and, where private sector parties are involved, how the concessions can be auctioned. The full integrated development planning (IDP) would need to take into account the carrying capacity issues - marine and terrestrial – so that these would not be breached. But allowance should be made for the lifting in carrying capacity that can be achieved with good visitor management.

In the meantime, the institutional set-up needs to be put in place so that implementation can move forward quickly.

If all of this can be achieved and the results for both the investors and the local people are good, then there will be a quantum leap in the acceptance of the process of IDP for taking tourism forward. Indeed the further step can be made if the institutional set-up of a special development agency (here, the ECDA) is seen to have been effective.

Also the ECDA is able to substantially improve the conservation picture for both the marine and the terrestrial environments.

9. Returns on TFCATDP

Phase 2 of the TFCATDP will be financed through a GEF Grant (ca. \$10 million) and an IDA Credit (ca. \$15 million). A substantial investment is being put into improving the conservation of the environment and ecology associated with the planning for tourism. As indicated previously the returns from such investment will accrue not only through future charges that can be secured from both tourists (say, bednight taxes) and from the tourism industry (say, through concession fees for sites), but also through the higher prices that can be charged by the tourism operators, thus making them more profitable. The future scale of the tourism industry in Mozambique, where in ten years time it is possible to be talking about inbound tourist expenditure approaching US\$ 450 million per year (in a high scenario), would suggest that an investment of US\$ 25 million in a key initiative that will underpin chargeable tariffs and Government revenues is not 'out of kilter' with the potential. A summary of the probable aspects in the project analysis is shown in the Box below.

However, to realise returns from these conservation activities through tourism, which is perfectly possible, will rely upon a highly-organised development of the tourism industry requiring a high level of political will on the part of the Government.

BOX – SUMMARY PROJECT ANALYSIS

The details of the different components of the project have still to be finalised. Only a broad outline of the economic aspects can be referred to here.

The economic benefits

The proposed project will have a major impact upon the scope for investment in tourism facilities in selected priority locations, by providing a business and operating environment, in which investors can proceed at a reasonable level of risk. In addition the operators can run the private sector businesses in a manner that is seen to be competitive both in price and productivity.

The financial and economic benefit will accrue through growth in facilities but also through facilities being able to charge more than they otherwise would have been able to charge to the tourists.

The proposed project would be expected to positively affect employment as it encourages the growth in the tourism industry in Mozambique. Also it will contribute to the concept of guiding tourism to underpin conservation of the environment – through proper cost recovery, improved management of protected areas, enhancing the local community's share of conservation based revenues and increasing their incentive for conservation of such areas.

A difficulty in quantifying the economic benefits may result from the lagged effects of the project and from the indirect relationships between the technical assistance/institutional development to be provided under the project and the stream of benefits.

Main beneficiaries, Gainers and Losers

The main beneficiaries of the project would be:

- Local people with a direct or indirect involvement with the tourism industry;
- Local communities through induced involvements, ensuring that formulae are put in place to include local populations;
- Tourists, through improved facilities (cost recovery must be put in place, otherwise the benefits are lost to Mozambique in consumer surplus);
- Domestic and foreign investors, through improved investment climate; and
- Government, through improved tax revenues and foreign reserves.

Great care will have to be applied to issues concerning the local population, because there is always the potential for some of the local population to be in with the 'losers' from new tourism development. Censuses and surveys of the local inhabitants could be carried out in order to establish the local populations and their needs.

Costs and Benefits

When the costs and benefits of the proposed project are calculated it is reasonable to suggest that the Net Present Value (NPV) of the cost and benefit flows should be positive at the opportunity cost of capital used in Mozambique. The economic internal rate of return (EIRR) should similarly exceed the discount rate used as the opportunity cost of capital.

Fiscal Impacts

The Government's fiscal position is likely to be positively affected, not only through taxes associated with consumption but also through the introduction of more specific levies associated with recovering costs from tourists. Attribution of how much of the gain in government revenues is due to the proposed project is a matter for estimation and specific judgements.

Replicability

One of the principal benefits of the approach proposed within this report is that, if successful, the approach will give scope for replicability in other tourism locations in Mozambique. So, in principle, the proposed project will establish the ground for such replicability through integrated development planning (IDP). The World Bank has been successful with replicability in locations such as Dominican Republic, Mexico and Turkey.

Sustainability

Trying to ensure sustainability is a hallmark of the IDP approach. Sustainability relates to economic, social and environmental sustainability. The stepping up of the tourism industry in Mozambique should lead to increased growth, improved poverty alleviation and sustainable returns to the economy.