

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, was launched in 2003, and aimed to accelerate private investment in the tourism sector in Mozambique, using tourism routes as a platform for tourism development.


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.

Box 1 – The SEATIP Approach



THE 'GREAT AFRICA ROUTE'

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

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 confirmed 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 on its objectives for job creation and community participation.

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

LESSONS LEARNED FROM SEATIP

It is essential for sector-focused advisory services to be clearly embedded in the national context.

Despite SEATIP's 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. The government has always supported the concept, but no formal agreement between SEATIP and the Ministry of Tourism existed. As a result, SEATIP "floated" in between the various departments of the ministry, and the program had no real mandate.

Lesson learned: In programs where the government is an important counterpart, it is essential to achieve up-front institutional commitment to the program through the appointment of a counterpart institution and a formal agreement outlining respective responsibilities.

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 advisory services staff, under APDF at the time, had no formal role at all in program design or implementation. In the view of the Mozambican stakeholders, a short-term consultant acting as the program manager represented IFC. On various occasions this led to situations where elevated expectations of IFC and the SEATIP program were created but IFC was unable to deliver.

Lesson learned: Clear leadership and responsibility within a single IFC department with advisory service expertise are important to ensure a program is properly managed and embedded in IFC. Programs cannot be implemented solely by short-term consultants. Implementation should be undertaken primarily by IFC staff.

An IFC advisory services program can't be the answer to all the 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, and community participation. SEATIP not only tried to understand all these issues; it also tried to provide solutions to them.

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

Lesson learned: In sector-focused advisory services, 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 advisory service 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 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 to the controlled development of the sector. With no clear institutional mandate or 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 advisory service 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 purposeful 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 Investment 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 proactive project development in selected tourism zones supported by complementary advisory services 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, while 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 in three phases: The first phase – Site Selection and Detailed Design - was launched in September 2006. This phase will select the three project sites and 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 in 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 advisory services 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. First, it addresses the “business enabling environment” with a 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 be fully integrated in the program through the SME Linkage component. The program is 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 complementary to the World Bank–supported Trans-frontier Conservation Areas Tourism Development Program (TFCA-TDP), which focuses on the creation of TFCAs in southern Mozambique. It acts upon recent studies of the World Bank’s Foreign Investment Advisory Services group – the Tourism Value Chain Analysis and Tax and Licensing study. And it will work closely with the Mozambique SME Investment Program, potentially creating leads in the tourism sector for the program’s consideration.
- **Management of scope and expectations** – The program’s main goal is 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. The program is not an investment facility, nor is it a solution to all the problems the tourism sector faces, and it will not be marketed as such.

CONCLUSION

IFC’s approach to advisory services in the tourism sector in Mozambique has evolved from understanding the sector’s complexities to creating actual projects and investment opportunities. SEATIP made the tourism opportunity explicit, but it also demonstrated that a broad advisory services program that addresses multiple development constraints in a relatively large geographic area does not necessarily translate into 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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