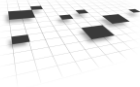


**Development Bank of South
Africa**

Mtwara SDI – Preparation
of a Private Investment
Strategy for Tourism

Output 1 – Compilation of
baseline information



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1 Mozambique

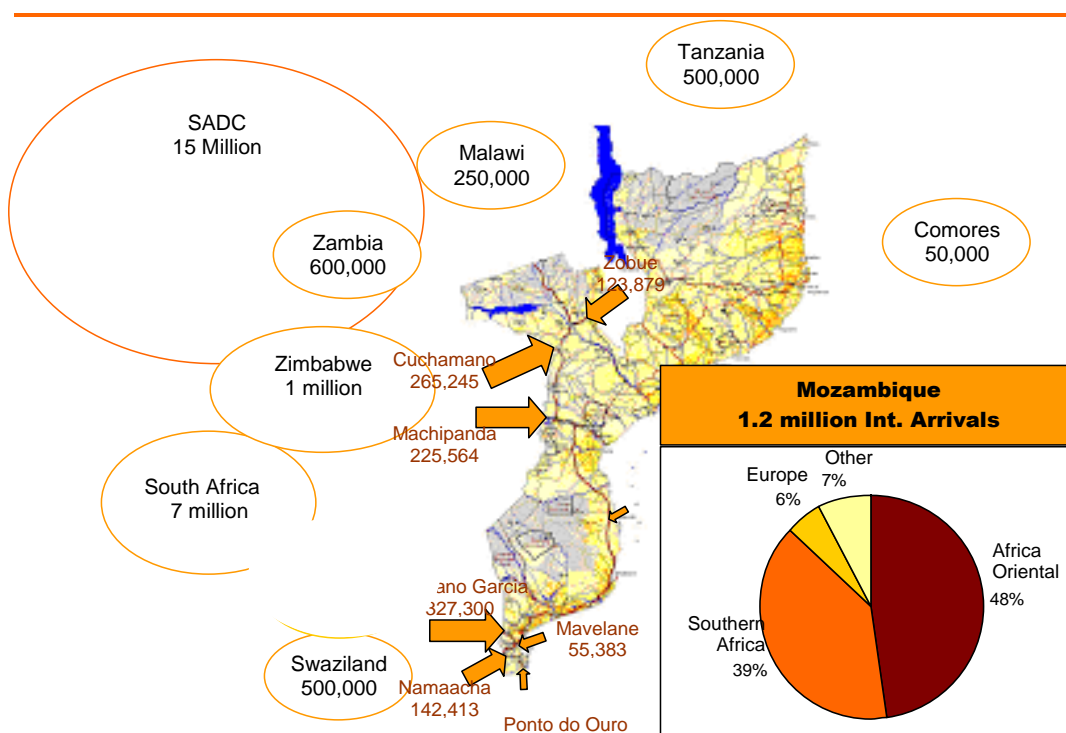
1.1 Product

The key strengths of Mozambique as a tourist destination lie in the quality of its beach product, the exotic ambience and cultural profile of the Country and in its diversity of wilderness areas. Mozambique is one of the few countries in the World that can offer a full spectrum of beach, eco-tourism and cultural products.

Tourism potential remains however unrealised. Growth has been rather uncontrolled and numerous social, economic and ecological problems have arisen, including poor infrastructure provision, expensive and low-capacity forms of transportation, especially air transportation, lack of skilled human resources, weak institutional capacity and poor marketing of the Country in regional and international markets.

1.2 Statistics

Since the early nineties Mozambique has been slowly recovering its tourism industry. Though physical proof of increased tourism activity and related product development is evident, it is difficult to measure and analyze the real impacts of tourism on the local economy, as the availability and reliability of statistics is problematic. The building of national capacity to collect and analyze tourism data is a priority for the Ministry of Tourism, however existing capacity remains limited and the reliability of data remains questionable. In 2003 Mozambique submitted for the first time its tourism data, referring to the year 2002, to the World Tourism Organization (WTO). The following graphic illustrates the performance of tourism in Mozambique relative to SADC and neighbouring countries. It also illustrates the number of visitor arrivals at major border posts.



The contribution of tourism to national Gross Domestic Product (GDP) is relatively low. Tourism contributed approximately 1 per cent of national GDP in 2002 (Ministry of Planning and Finance) and accounted for less than 1 per cent of total revenue registered by the Country's one hundred largest companies in 2001 and 2002 (KPMG 'The 100 biggest Companies in Mozambique'- 2001 and 2002 report).

Mozambique received 1,166,472 international arrivals in 2002. The 2002 arrivals are almost a factor of three higher than the 2001 arrivals (404,093). The most likely explanation for this remarkable increase is that in 2001 only arrivals at Mozambique's southern border posts were counted and analyzed while the 2002 arrivals are based upon returns from 12 border posts across the Country. The majority of arrivals are from Africa (88 per cent), with low numbers of international arrivals (Europe 5.7 per cent, Americas 1.2% and Asia 0.9 per cent). Main source markets are shown in the table below.

Top 5 source markets for Mozambique in 2002		
Country	Visitors	Share
South Africa	408,636	35.0%
Zimbabwe	291,903	25.0%
Malawi	257,862	22.1%
Swaziland	48,816	4.2%
Portugal	22,410	1.9%

Source: MITUR

Traditionally tourism to Mozambique has stemmed from South Africa. Arrivals statistics show South Africa, Zimbabwe and Malawi as the main source markets, accounting jointly for over 80 per cent of total arrivals, a large proportion of these arrivals are transit traffic or on business related visits.

The proximity, relatively easy access, trade and the position of Mozambique as a traditional tourism destination are the principal drivers behind the prominent position of South Africa as a source market. International tourism to Mozambique is limited with only Portugal providing any significant number of visitors, due principally to colonial ties and the presence of friends and family in Mozambique.

Market estimates for southern Mozambique indicate that South Africa accounts for approximately 80 per cent of total demand at mid-range lodges, and 50 per cent of luxury hotels and resorts. Lodge owners do however report growth in international tourists, specifically back-packers, diving and the affluent visitors to upmarket beach and island resorts.

1.3 Plant

Mozambique registered 660,000 room-nights in approximately 360 establishments in 2003. The Country has a total lodging capacity of approximately 12 500 beds, of which less than 5 000 beds are of a 'luxury' standard equivalent to 3 star and upward. The predominant form of tourism remains business related. Maputo as the main centre of commerce and government accounted for over 50 per cent of total registered room nights and guests in 2003 and for over 70 per cent of total revenues in 2003. The Capital offers about 33 per cent of the total national supply of beds and the majority of the 'luxury' beds.

Tourism in southern Mozambique is mainly oriented towards self-catering cottage type of accommodation, with the exception of Bazaruto/Vilankulos and some developments on Barra Beach near Inhambane. The accommodation sector in Central Mozambique is almost exclusively business and trade oriented. Room supply in the North is minimal and highly focused upon a few isolated high yield resorts in the Quirimbas Archipelago and Pemba in Cabo Delgado.

Distribution of tourism over the regions					
	Maputo	South	Centre	North	Total
Arrivals	55,383	491,451	617,364	1,821	1,166,019
Roomnights	335,744	124,076	100,150	104,405	664,375
Guests	163,051	50,483	55,076	47,266	315,876
Number of Beds	4,121	4,025	1,741	2,700	12,587
Receipts (US\$)	27,330,091	4,241,599	3,470,141	2,536,084	37,577,916
Investment (US\$)		243,927,622	73,732,797	1,042,095,073	1,359,755,492
Arrivals	4.7%	42.1%	52.9%	0.2%	1,166,472
Roomnights	50.5%	18.7%	15.1%	15.7%	664,375
Guests	51.6%	16.0%	17.4%	15.0%	315,876
Number of Beds	32.7%	32.0%	13.8%	21.5%	10,511
Receipts	72.7%	11.3%	9.2%	6.7%	37,577,916
Investment (1998-2003)		17.9%	5.4%	76.6%	1,359,755,492

Source: MITUR, data refer to the year 2003 except for investment (total period 1998-2003)

The lack of accommodation in Mozambique, particularly in the North is a major limiting factor on tourism growth. The North of Mozambique has less available beds than Nelspruit, a small provincial centre in South Africa which has XXXXX (Mpumalanga Province has 2446 available rooms and 5196 beds, Statistics South Africa, Statistical Release P6441). Investment in new plant is a requirement if the Country is to achieve its tourism potential and maximise the impact of the sector on employment creation.

1.4 Accessibility

Maputo International Airport is the gateway to Mozambique for regional international flights. It is also the major "hub" for domestic air services. Various charters operate from South Africa to the Inhambane Coast. Within Northern Mozambique, Pemba is emerging as the most utilised international airport with scheduled flights from Dar-Es-Salaam and Mayote (Comores).

Beira serves the central region of the Country. Outside of these primary airports the network becomes sporadic and facilities basic. The following table shows the supply of airports in Mozambique.

Air Access to Mozambique		
Primary Airports	Secondary Airports	Airstrips and Aerodromes
Maputo	Inhambane	ChimoioXai-Xai
Pemba	Vilankulos	Various airstrips at destinations including:
Beira	Nampula	Metengula, Massingir, Bilene,
	Nacala	Ponto do Ouro, Bazaruto
	Lichinga	Archipelago, Quirimas
	Tete	Archipelago, Reserva de
	Quelimane	Niassa, Lago de Niassa (Cobue), Gorongosa

There are six airlines currently operating in Mozambique. LAM, which is owned by the Government, is the national carrier and the only airline that offers domestic, regional and international routes. The main international route operated by LAM (Maputo-Lisbon) has recently been suspended due to financial problems. The route is temporarily being operated by TAP. Other than this service, the vast majority of interanational air access to Mozambique is to Maputo through Johannesburg in South Africa (3-4 flights per day on LAM and South African Airways during the week and 2-3 on weekends). LAM also offers flights from Johannesburg to Pemba (usually with a stop in Maputo).

LAM has traditionally dominated domestic traffic, but recently competition has arisen on main trade and tourist routes. A northern Mozambican scheduled network (including Nampula, Nacala, Lombo (Ilha de Moçambique), Cuamba and Pemba) was started in 2003 by SAR, a local air company. With limited equipment and marketing resources available they stopped scheduled flights and operate now as a charter only. STA offers scheduled flights to and from Manica, Tete and Maputo. A new airline, Air Corridor, is operating since mid 2004 from Maputo to destinations in northern Mozambique, including Nampula, Pemba and Quelimane. A charter company (Air Pelican) offers flights from Johannesburg to Inhambane and Vilankulos.

While the cost of air travel within Mozambique has historically been high compared to international standards, fares have dropped dramatically with the introduction of competition. LAM now offers special tariffs such as, Super Jacto and Jacto Popular for all domestic destinations at competitive prices (conditions apply). A return ticket Maputo-Pemba (Cabo Delgado) or Maputo-Lichinga (Niassa) now costs about US\$ 300 (Super-Jacto) or US\$ 375 (Jacto Popular) compared to previous fares of about US\$700.

The opening of the Maputo Corridor from Johannesburg to Maputo has significantly improved road access to Mozambique from South Africa. The Capital and its surrounds are accessible from Johannesburg within 8 hours drive time. Ease of road access has stimulated both tourism and investment in real estate across the South of the Country. The Southern beaches at Xai Xai (3 hours), Bilene (2.5 hours) and Inhambane (6 hours) are all easily accessible from Maputo. The main road north of (EN1) is in good condition as far as Vilankulos. Access to more remote beaches remains problematic and only the beaches at Tofo and Vilankulos in Inhambane Province and Bilene and Xai-Xai in Gaza can be reached without a 4x4. Access to southern Mozambique via KwaZulu-Natal and onto Ponto do Ouro is by dirt road that requires heavy 4x4 vehicles access from Maputo is still by 4x4 only and the 125 km trip takes more than 4 hours.

Road access from Zimbabwe into central Mozambique (Beira and Tete) via Machipanda and Manica is good. These roads are predominantly used for commercial and domestic traffic as leisure tourism in central Mozambique is virtually inexistent.

Any assessment of access to Mozambique must take into account the size of the Country, the length of its coastline (approximately equivalent to driving from Portugal to Italy) and topographical suitability for road construction. Much work on the road network has been undertaken in the populous and economically strong southern part of the Country. There still remains much to be done, for example bridges across the Zambezi at Caia, across the Rovuma connecting Mozambique and Tanzania at Ngomana, and from Maputo across the bay to Catembe remain proposals. Such initiatives are a priority and reflect the position of government on infrastructure provision. Against such a background, access from South Africa to the North of the Country will be by air into the foreseeable future and recognition of this fact provides considerable direction to future tourism planning in the Mtwara Corridor area.

1.5 Highlights of tourism development strategy

'The National Tourism Policy and Implementation Strategy' (April 2003) and 'The Strategic Plan for the Development of Tourism in Mozambique' (November 2004) are the two official tools approved by Government to guide the development of the sector within the next decade. The Vision shown below will direct the development and growth of tourism in Mozambique to 2020.

By 2020 Mozambique is Africa's most vibrant, dynamic and exotic tourism destination, famous for its outstanding beaches and coastal attractions, exciting eco-tourism products and intriguing culture, welcoming over 4 million tourists a year.

Conservation is an integral part of tourism and the combined benefits constitute a significant contribution to National GDP bringing wealth and prosperity to communities across the Country.'

Source: Tourism Vision 2020 – Strategic Plan for the Development of Tourism in Mozambique

The Strategic Plan indicates three platforms for development, namely (1) the Priority Areas for Tourism Investment (PATIs); (2) the Transfrontier Conservation Areas (TFCAs) and Conservation Areas (CAs); and (3) the Tourism Routes and Circuits. These will form the focus for Government planning and resource allocation in tourism development. A total of 18 PATIs are located throughout the country in both coastal and hinterland areas. Type 'A' PATIs already have some level of tourism development and tourism infrastructure reflecting existing demand. Priorities in these areas are controlled development, integration of development plans among sectors, development of human resources and marketing of existing and new products. Type 'B' are PATIs that have been selected because of their high tourism potential and/or their strategic location, but have no significant levels of tourism development at the present time. The priorities for these areas point towards infrastructure improvement, destination planning and investment promotion.

Emphasis is placed upon tourism routes as an important instrument for tourism development and marketing. Routes are 'visitor journeys' that provide linkages between destinations (PATIs and TFCAs) within Mozambique and into SADC. Circuits refer to regional (between countries) tourism movement and reflect the strategy to promote regional integration. Routes and circuits have been identified for the three regions of Mozambique and are illustrated in the diagram overleaf.

management has facilitated access to donor funds and the marketing strength of the concept has been proven to be very appealing to tourists, investors and the like. Accordingly the proposed Selous/Niassa TFCA between Tanzania and Mozambique and marine TFCA connecting the southern Tanzanian coast with the Quirimbas Arquipelago can be instrumental in sourcing finance for conservation management and to position the region at the centre of donor and investor's interest.

1.7 Historical pattern of tourism investment

As a prospective investment sector, tourism appears to be doing relatively well. It accounted for 16 per cent of total investment applications in Mozambique over the last five years (period 1998 – 2003) (CPI, Investment Promotion Centre). This makes tourism, with a total investment of US\$1,3 billion, the third largest sector for investment in the Country, after Industry (33 per cent) and Energy and Natural Resources (18 per cent) with an investment portfolio equivalent to US\$260 million per annum or a total of 5,200 new rooms per annum at a cost of US\$50,000 per room. Examples of proposed investments in 2002 and 2003 are shown below.

Approved Projects in 2002 and 2003 in Tourism		
	2002	2003
Approved Projects	68	80
Rooms	590	857
Beds	1148	1912
Employment	530	1191
Total Approved Investment (US\$)	65,102,000	51,926,000
Licensed beds	967	722

Source: CPI and DINATUR (licensed beds)

The North is the preferred destination for prospective investors and accounted for more than 75 per cent of all approved investment applications over the last five years. The centre attracted the lowest investment over the same period. Cabo Delgado was the number one province for investment applications while Maputo and Inhambane rank at respectively the second and third place.

The reality is that not all approved investment projects actually go ahead and actual investment levels are considerably lower than the approved investment as reported in CPI

statistics. No official data on actual investment in tourism exists, but DINATUR (Direcção Nacional de Turismo), the entity within the Ministry of Tourism responsible for licensing new tourism enterprises, keeps records of licensed establishments and beds. In 2002, 976 beds were licensed, while in 2003, 722 beds were licensed. Such numbers represent a very small injection into the national economy in comparison to other sectors such as tobacco, mining and forestry. Mozal itself employs just over 1000 people (exact number: 1083 for 2003). BETTER EXAMPLE: Alfa segurança, the Country's largest security company, number 49 in the KPMG top 100 companies ranking, employs almost 4000 people and is the second employer of the country, while the Hotel Polana, ranking at 54 in the same list, only employs 319 people. If we assume that 2 people are employed per bed then a total of 1,444 new jobs were created by tourism in 2003. The Ministry of Tourism estimates that the tourism sector employed in the year 2004 almost 32,000 people, this is up from 25,000 in 2000. (MAYBE NOT PUT IN LAST SENTENCE IT SEEMS A LOT, GIVEN THE FACT THAT TOTAL BEDS ARE ABOUT 12,500, IS ALOST 3 PEOPLE PER BED)

If tourism is to contribute in any significant manner to national economic growth then it will require a "quantum leap" in imaginative and innovative solutions across a broad spectrum of issues including air access, infrastructure provision, marketing and investment promotion.

1.8 Conclusion

In 2002 UNCTAD identified Mozambique as one of the 10 FDI front-runners in the World among the Least Development Countries. That year, Mozambique attracted US\$406 million, more FDI than any other non-oil producing LDC in the World. Mozambique has come a long way as a country in a short space of time. It is a stable, functioning democracy with a track record of fiscal and macro-economic responsibility.

Tourism has been identified as a priority economic sector and numerous initiatives and ideologies are being promoted around the sector. The Country undoubtedly has potential as a tourism destination, its challenge however is to convert this into tangible sectoral investment and employment creation. The new National Tourism Policy and Strategy is an important starting point. It places emphasis on private sector investment, air access, environmental conservation and the responsibilities of government in the creation of a stable and functional operational environment for business.

2 Northern Mozambique

2.1 Introduction

Geographically Cabo Delgado and Niassa Province in Northern Mozambique form part of the Mtwara Development Corridor area. The North of the Country is being promoted as a relatively unspoilt 'tourism jewel'. The rich historical past of Ilha de Mocambique and the Island of Ibo, the marine life and beauty of the Quirimbas Archipelago, one of the most beautiful island groups in the world, the wilderness of Niassa Reserve and the unique biodiversity of Lake Niassa provide a tourism experience exceptional in both quality and diversity.

2.2 Key destinations

The Vision is rather idealistic but does provide an important platform from which tourism growth and development in the Region can be moved forward.

Vision for tourism in Northern Mozambique

Northern Mozambique will be Mozambique's most exclusive destination. Marketing and product development initiatives should strongly feature the exclusive and unique character of Northern Mozambique. Exclusive small resorts will arise along the coast and islands of Cabo Delgado. 'Icons' of the North are Pemba, the Quirimbas, Ilha de Moçambique, Reserva de Niassa and Lago Niassa. Exclusive eco-tourism (adventure, birding, hunting, lake based) to be developed mainly in remote areas of Niassa and Cabo Delgado Province.

Source: Strategic Plan for Tourism Development for Mozambique

Tourism potential in Northern Mozambique is largely based upon the pristine natural environment. The region has a number of 'icons' which are likely to form the backbone of future tourism development. These include:

- **Lake Niassa** – the "Lake of Stars" as recognised by David Livingstone could be one of the highlights of tourism in Mozambique and a focal point of economic cooperation within Malawi. It has remarkably clear water against a backdrop of mountain escarpment, white sand beaches, wildlife, unique marine life and traditional culture. To date, there are a few tourism operators along the Lake shore. The lake shore is virtually pristine and has potential for exclusive lodge, backpacker/overland and lifestyle adventure products.
- **Niassa Reserve** – is considered one of the most important tourism resources in northern Mozambique. The Reserve offers potential for eco-tourism and adventure tourism including hunting, but requires significant infrastructure investment. Attractions include Mecula Mountain with its sacred hot springs, unique biodiversity, the Lugenda River with its link to Livingstone and the slave route.

- **Pemba** - the largest town in Northern Mozambique, offers a historical coastal mix of Portuguese, African and Islamic culture. The town is located at the mouth of a large bay equivalent in size to San Francisco Bay in California. In the old town, several local markets and art galleries or 'cooperativas de arte', offer an excellent collection of local arts and crafts, including the famous Makonde sculptures and locally made silverware. Only 5 kilometres from Pemba is Wimbe Beach, a white sandy beach with clear blue waters, recognised as one of the best beaches of Africa. Colourful reefs can be reached by foot or swimming for snorkling and diving.
- **Quirimbas National Park** - north of Pemba was established in 2002. The Park has a terrestrial component of approximately 6,000 square kilometres and incorporates a diversity of forest types, including miombo, acacia savannah, coastal thicket, tropical forest, mangrove and many rare and endangered plant types and a wide range and growing number of wild animals, including elephant, leopard, buffalo, lion and the African hunting dog. The Marine Park is approximately 1,500 square kilometres and incorporates the Quirimbas Archipelago, which includes 11 islands lying close offshore and stretching 100 kilometres along the coast. Over 50 genera of corals have been recorded and the park includes the St. Lazaro Bank – a world class game fishing area some 42 kilometres offshore.
- **Ibo Island** – has religious, military and cultural buildings remaining from various historical periods some of which date to the 17th century, including the S. Joao Baptista Fortelesa, an impressive fort used as a prison during colonial times.

The above destinations encompass a significant area and there has been a historic requirement for more clear identification of short, medium and long term destination priorities and also a more coherent approach to zoning, which is currently non-existent.

2.3 Priority Zones and Routes

2.3.1 Priority Areas for Tourism Development in Northern Mozambique

The Priority Areas for Tourism Investment (PATIs) were designed to provide greater focus for tourism development in Mozambique. The relevant PATIs in the North are:

Priority Zones for Tourism Investment Northern Mozambique				
Zone	Type	Name & Location	Key Products	Market segments
14	A/B	Ilha de Moçambique–Nacala Zone – Includes Baia de Macambo in the south to Baia de Memba in north Nampula Province	Culture Sun, sand & sea Water sports	International leisure Regional leisure Niches
15	A/B	Pemba – Quirimbas Zone – includes Pemba Bay, to Ilha de Materno and marine and terrestrial parks of the Quirimba National Park in Cabo Delgado Province	Sun, sand and sea Water sports Culture	International leisure Regional leisure Niches
13	B	Guruè Tourism Zone – in Zambezia Province	Adventure Eco-tourism Culture	Domestic leisure International and regional niches
16	B	Northern Cabo Delgado Coastal Zone in Cabo Delgado Province including Palma and Mocimboa da Praia	Sun, sand and sea Water sports Culture	International leisure Regional leisure Special interest
17	B	Lake Niassa Tourism Zone – in Niassa Province – includes lake shore from Metangula to Cobue, eastward into Manda Wilderness	Eco-tourism Water sports Special interest	International leisure Regional leisure Special interest
18	B	Niassa Reserve Zone – in Niassa Province	Eco-tourism Culture Special interest	International special interest

Initial emphasis with the above is to be placed on Pemba, Quirimbas and Ilha de Moçambique. This provides strategic direction to the focus of the MtDC initiative but once again the areas are significant and there is a requirement for identification of anchor projects in the short, medium and long term. For purposes of the MtDC initiative there are also strategic reasons related to trade and investment on Lake Niassa that could elevate the area around Metangula to priority status.

2.3.2 Tourism Routes in Northern Mozambique

The National Tourism Strategy makes reference to tourism routes in the North of the Country as shown in the following table.

Tourism Routes in Northern Mozambique	
Northern 'Costa e Cultura' Coast and Culture Route	Nampula/Nacala - Ilha de Moçambique – Pemba – Quirimbas
	The only short-term route in the North links the UNESCO cultural world heritage side of Ilha de Moçambique with tropical beaches and virgin islands, warm waters and rich marine resources. The eco-tourism opportunities in the Quirimbas complete this discovery journey of Northern Mozambique's treasures.
Swahili Coast Route	Mtwara (Tan) – Palma – Mocimboa da Praia – Quirimbas – Pemba
	A long term opportunity linking the coastal experiences of Mozambique and Tanzania. Success depends on the development of the Northern Cabo-Delgado PATI on the Mozambican/Tanzanian border, the Mtwara Corridor and the southern Circuit in Tanzania. Culture of the regions peoples and rich trading past, the stunning beaches and water sports opportunities are the key elements joined together by this route.
Lake to Coast Route	Pemba – Quirimbas – Reserva de Niassa – Lago de Niassa
	A long term route connecting the warm waters of the Indian Ocean with the fresh waters of Lake Niassa. A consolidated version of this route, Pemba-Reserva de Niassa, joining the pristine beaches of Cabo Delgado with the absolute wilderness of Niassa is already being operated mainly for hunters and other niche markets. Infrastructure is at present a constraint and major investments in roads and air traffic will be necessary. Success also depends upon the development of the Mtwara Corridor.
Northern Discovery Route	Nacala/Ilha de Moçambique – Nampula – Nacala Corridor – Cuamba – Lichinga – Metangula – Reserva de Niassa – Palma – Quirimbas – Pemba – Nacala
	A circular route connecting all the Northern PATIs. The vast distances and lack of infrastructure will require an air network between PATIs. The Nacala and Mtwara Corridors are the transport nerves of the route. The route brings together culture, beach and true wilderness at its very best. An exciting route, but still a long way from delivery.

The proposed routes provide a useful reference point for the MtDC and are an important departure point for a much wider regional network of air, road, lake and sea routes within the Corridor area.

2.4 Plant

The Province of Niassa represents one of the last truly wilderness areas in Africa and tourism development has not been undertaken of any real scale. The Province has the lowest number of beds (2.2 per cent), hosts fewest room-nights (1.2 per cent), attracts the least guests (1.5 per cent) and registered the lowest tourism receipts (0.8 per cent) in the Country (data: MITUR, 2003). Reasons for this performance include a lack of facilities, difficult and expensive access and a low level of awareness in national and international markets. Only one lodge currently exists on the northern shores of Lake Niassa (Nkwichi Lodge) and a small 'lodge' near Metangula (Chuangwa Beach) caters for the domestic and backpackers market.

Tourism statistics of the Ministry of Tourism indicate that Niassa has a supply of 200 beds (2003). This does not take into account the 144 new beds added by the Hotel Girassol (Lichinga) nor the beds in the hunting lodges. An analysis of available data indicates that the actual supply of accommodation is in the range of 500 beds, of which about 66 per cent are in Lichinga, the capital of Niassa Province. A large amount of these beds are in basic guesthouses mainly targeted at the local and regional business traveller.

Accommodation in Cabo Delgado, particularly Pemba has grown steadily over the last few years. The Region now offers a range of accommodation in various budget classes and limited international standard resort accommodation in Pemba and on the islands. The Provincial Directorate for Tourism has registered in 2004 a total of 189 establishments totaling 689 beds. The table below lists the establishments relevant to international tourism, these are all, except one, located in Pemba and Wimbe.

Location	Name	Capacity/ classification	Description
Pemba	Pemba Beach Hotel	62 rooms 5 star	Luxury hotel with restaurant, bar, conference centre, swimming pool, marina with watersports including diving, snorkling, fishing
Wimbe Beach	Nautilus Resort Hotel	35 chalets – 6 and 4 beds 3 star	Newly renovated chalets on beachfront with swimming pool and jacuzzi, a La Carte Restaurant, Bar and terrace, Casino, Dive Centre.
Wimbe Beach	Caracol	25 letting units 3 star	Two story building facing Wimbe beach with basic apartments with small kitchen. No restaurant or other facilities

Location	Name	Capacity/ classification	Description
Wimbe Beach	SAL	8 Bungalows 3 star	Self equipped bungalows. No other facilities.
Wimbe Beach	Russell's	Camping park with 4 cabanas	Camping park with cabanas and caravans and dormitory. Popular with backpackers. Bar
Pemba	Hotel Cabo Delgado		Basic state-owned hotel. Needs renovation.
Pemba	Hotel VIP		
Quirimbas	Quilalea	9 island villas luxury	Exclusive small island resort. Restaurant, Lounge, Water Sports, Island Exploration, Bird Watching, and Excursions to Ibo
Ibo Island	Bela Vista Lodge	7 letting units	Quality accommodation in beautifully renovated old house
Ibo Island	Backpackers		Basic accommodation and camping targeted mainly for backpackers.
Ibo	Matemo Island	Island resort 5 Star	RANI Africa – Opening 2005
Interior	Negomane Safaris	Hunting Camp	
Interior	Kambaco	Hunting Camp	Private Game Reserve, 2 luxury en suite tents, 3 double bungalows, game drives and hunting safaris
Pemba	Various Pensões	Basic accommodation	Basic accommodations mainly for local businessmen and travellers.
Districts	Various	Basic Pensões	Basic accommodations mainly for local businessmen and travellers.

Source: IREA

The availability of accommodation drives visitor numbers. If the total supply of rooms in Northern Mozambique (excluding Girassol) operates at a room occupancy of 50 per cent (less according to many operators), a double occupancy factor of 1.8 and an average length of stay of 3 nights, then the total visitor numbers are in the region of 43,581, equivalent to approximately 120 visitors per day. This is an insufficient number to fill a major commercial aircraft such as an Airbus 340 if consolidated across the Region.

2.5 Accessibility

Access to the North of Mozambique is primarily by air. Pemba Airport is located close to the town centre (4 kilometres) and is served by LAM domestic flights to and from Maputo, Beira and Nampula and international flights to and from Johannesburg (SA), Dar-Es-Salaam (Tanzania) and Mayote (Comores). Pemba is registered as an international airport and can handle planes sizes up to Boeing 737. The secondary point of access to the North is at Lichinga (NOTE: I WOULD NOT SAY THIS, NAMPULA IS THE SECONDARY ENTRY TO THE NORTH, LICHINGA COMES AFTER NAMPULA). LAM flies three times a week between Lichinga and Maputo, with stop-overs in Tete, Nampula or Beira. SAR and Air Corridor offer charter flights within the northern region (including Lichinga, Cuamba Nampula and Pemba). No scheduled flights exist to Lichinga outside of the LAM network. There are also operational air strips in Moçimboa da Praia (also open for international traffic), Montepuez, Metengula, Mueda, Ibo, Quirimba, Saga and Niassa Reserve.

The port of Pemba has recently been rehabilitated with financing from Norway. The inner bay of Pemba is reputed to be one of the largest inland natural ports in the World and can receive and handle large vessels (up to 10.000 tons). Traffic through the port is about 100,000 tons per annum and is made up mainly of timber and general cargo/supplies. The port is managed by CFM (The National Railway and Ports Authority) and there are no plans to change this. Tourist traffic through the Port is limited, although there are increasing instances of yachts and sail boats stopping in Pemba en route from Zanzibar.

The main border post into Tanzania from the Coast is via the Rovuma Delta at Quiongo (approximately 480 kilometres from Pemba). No bridge linkage exists between the two countries and access across the Rovuma is by ferry. Two proposals are currently being investigated, one over the Rovuma near Moçimboa de Praia and an alternative at Negomane near Niassa Province (the Unity Bridge). While a bridge replacing the current ferry system appears most practical at the Delta, the broad river bed at this point will require a long span, thus being very expensive. The alternative at Negomane is likely to be less expensive but the road connections are not in condition to cope with increased traffic.

Niassa can be reached by road from Malawi and the neighbouring provinces, by boat from Malawi and by air from Maputo, Malawi and northern Mozambique. Niassa has 6,000 kilometres of roads of which less than 200 kilometres are asphalted. A good tarred road connects Pemba southward to Nacala (300 kilometres) and Nampula (438 kilometres). The road network is limited and the majority are dirt roads difficult to pass during the rainy season. The Lichinga-Marrupa-Pemba road is currently under construction and should be completed by end of 2005.

The main road border posts between Mozambique and Malawi at Mandimba (Niassa Province) and Milange (Zambezia Province). Entre Lagos (Niassa) is the border post for rail, connecting to Nacala Port. Migration services are also present at the Lake border posts in Cobue and Metangula. None of the border posts issue visas. Metangula, the main centre on the lake, is less than 2 hours travelling from Lichinga over on a good tarred over the first 90

km. Except for Metangula and Chuango (7 kilometres north of Metangula), access to the lake shore is difficult.

Regular lake transport for passengers and cargo is provided by the Ilala Service. The Ilala is a large boat operated by 'Malawi Lake Services' with a capacity of 700 passengers and 2 cars. It operates twice a week along the Malawian and Mozambican shore. The 'Northbound' trip calls at Metangula and Cobue on Saturdays and the 'Southbound' trips on Tuesdays.

2.6 Existing and future markets

The beach resorts in northern Mozambique are mostly marketed as an add-on beach holiday to a typical African Safari or as a leisure holiday destination for South Africans.

There is also interest in the beach product from Southern European markets. Italy is of specific relevance, following the popularity of a similar product in Kenya and Tanzania. The Comoren Islands are a former colony of France and tourism to the islands from France is strong. An existing air link with Mayote already flies in French tourists and French people based on the Island to Pemba. The Comoren Island are small and offer a relatively monotonous experience, linking into this relatively affluent market represent a key opportunity. The beach product in its widest possible sense (i.e. sun, sand, sea, diving, cruising, etc.) in Cabo Delgado has potential, particularly if linked with other spatially related project such as culture (i.e. Ilha de Moçambique, Ibo) and add-ons that create a unique value proposition at a regional level such as the Luangwe Valley, Selous or Zanzibar. Without such a network of linkages, it is unlikely that the beach product is sufficient good to compete at an international level.

Manda Wilderness, the eco-tourism operator on the Northern shore of Lake Niassa, has established a very small international eco-tourism niche, while backpackers are in small numbers starting to discover Lake Niassa, mainly via Malawi. Neighbouring Malawi offers a potential market. Approximately 40 per cent of Manda Wilderness' clients are residents in Malawi (and over 90 per cent travel to Niassa via Malawi). The Malawian market could be developed into a significant source of clients for Niassa with improved access. It is unlikely that Lake Niassa will develop as anything other than a low impact "lodge on the lake of stars" type experience. Opportunities do exist for diversification of the existing market base through greater emphasis on lifestyle and adventure experiences and a more focused approach to product development, infrastructure provision and investment.

The only other relatively developed market in the area is hunting, mainly from the United States, Spain and other European countries as well as South Africa. Hunters are increasingly attracted by the pristine and exclusive hunting environment offered in the hunting areas adjacent to the Niassa Reserve. The future development of Niassa Reserve is likely to be niche market based. Hunting is a strong product and has the space to develop further. The lack of animal sighting and general topography presents a problem for photo safari. The Wilderness experience is a very niche market but could position Nisassa as a unique destination.

2.7 Investment initiatives

The pristine islands and beaches of the Quirimbas Archipelago and the Cabo Delgado coastline are in demand from investors. A number of investment proposals are pending and other investors are on the look out for suitable land. There has however been considerable land speculation exacerbated by a lack of planning and zoning. Current investment proposals are mostly luxury island resorts and a few hotel developments in Pemba itself. Only two projects in Cabo Delgado Province aim at developing inland tourism, both of these involve hunting.

Projects	Localisation	Origin Promoter	Approx investment	Capacity (beds)	Line of Activity
Pangane SARL	Macomia	Italy/Moz	2,000,000	120	Tourism Complex
Reserva Marinha	Quirimbas	RSA/EUA/Moz	1,200,000	20	Tourism Complex
Matemo Island	Ibo	Saudi Arabia	1,725,000		Tourism Complex
Pemba-Magic	Pemba	RSA			Lodge
Pemba Beach Hotel	Pemba	Saudi Arabia	11,000,000	60	Hotel, Tourism Complex
Aldeia Caribo	Pangane Macomia	Moz/Port	4,000,000	62	Tourism Complex
Cox C. Delgado Biodiversity	Palma/Nanga/M da Praia	Moz/France	4,000,000	120	Tourism Complex, Safaris
Pérola de Índico	Pemba	Port			Hotel
Londo Lodge	Pemba Bay	Dutch	1,500,000	12	Tour resort
Pemba Bay	Pemba-Metuge	EUA			Tourism Complex
Tambuzi	M. da Praia	Spain	575,000	16	Lodge
Ilha das Rolas	Quirimbas	RSA	1,200,000		Tourism Complex
Compl.Palma	Palma	Port	150,000	20	Hotel
Compl.Wimbe	Pemba	Jugoslava	1,000,000		Hotel
Lugenda Safaris	Negomano Mueda	Moz/RSA			
Kambako Inv	Nairoto Montepuez	Spain/Moz	1,000,000	11	Safaris
TOTAL			26,000,000	482	

Source: Tourism Department Pemba (2003)

The total of US\$26 million and additional 482 beds works out at a reasonable US\$53,941 per bed or approximately US\$106,000 per room (assuming that a room has two beds). The costs are more realistic than those stated previously but issues of speculation and access to capital will undoubtedly take a toll on a number of the above proposals. If we assume that all are realized then it offers a total bed count in the area of 1200.

Very little investment in tourism in Niassa has been realized. Total investment made in eco-tourism and hunting operations has been estimated at around 1.5 million USD. A number of investors are currently pursuing their interest in the Province and proposals of over 10 million USD of investment in tourism are pending.

Existing and known potential investors in Niassa			
District	Name and Status	Type	Appr. Initial Investment
Lago	Manda Wilderness Operational: 2 years	CBRN Initiative and Luxury 14 bed eco-tourism lodge.	\$500,000
Lago	Lipilichi Wilderness Under construction	Proposed 22 bed lodge, 1 x 60 unit resort 1 x 40 bed resort hotel 20 bed health spa	Initial \$5,000000 Increasing over seven year phase
Lago	Chuanga Beach. Operational: 4 years	14 bed low-mid range beach lodge	\$20,000
Lago	Red Zebra Safaris Planned	Proposed diving operation with lodge	\$150,000
Marrupa	Hunting Block C Luwire Operational: 4 years	6 bed luxury hunting camps (x3). 1 Eco-tourism lodge	\$300,000
Mavago	Hunting Block D2 Johan Calitz Safaris Operational: 3 years	1 six bed luxury hunting camps	\$200,000
Mavago	Hunting Block E Niassa Hunting Safaris Operational: 3 years	2 eight bed luxury hunting camps	\$320,000
Sanga	Zambezi Hunters Operational: 3 years	1 eight bed luxury hunting camp	\$250,000

Existing and known potential investors in Niassa			
District	Name and Status	Type	Appr. Initial Investment
Sanga	Lipilichi Wilderness Planned Infrastructure development under construction.	Proposed CBRM initiative plus 8 x 8 bed luxury hunting lodges in Northern section. 48 bed luxury lodge, conference facilities. 6 x 12 bed luxury lodges in southern section	Initial \$5,600,000
Majune	Nungo Safaris Planned 2005	1 x 10 bed luxury eco- tourism lodge	Proposed \$250,000

Source: IBO

The investments outlined above should also be treated with caution. The development at Metengula by Lipilichi Wilderness has credibility as the developer has been involved in a similar project at Vilankulos and it makes sense to link the two projects (NOTE: CAREFUL MENTIONING THIS, THE VILANKULOS PROJECT WAS QUITE CONTROVERSELY AND OPINIONS ABOUT THE LIPIWICHI PROJECT ARE MIXED). Lipilichi could play an important part in assisting the achievement of critical mass on Lake Niassa and could also stimulate other investments such as those proposed by Manda Wilderness in the Cobue area.

2.8 Donor Assistance

Technical assistance, capacity building and financial assistance will be a necessity for the development of the tourism sector given the poor human and financial resource base within the Ministry of Tourism in Mozambique. The increased interest from development partners, in 'pro-poor tourism', as a way of uplifting the living standards among the poor in developing countries, will facilitate interest in cooperation in tourism development projects in Mozambique.

The following donors have existing programs or have shown a strong interest in tourism development in Northern Mozambique:

- **USAID** – USAID is currently preparing for a long-term tourism development program focusing on private sector. The program will have a duration of 4 to 5 years and will be focused on northern Mozambique and is budgeted at around USD 10 million.
- **World Bank /PROTUSC/TFCA** – The World Bank has funded the first phase of the TFCA project in Mozambique that included the institutional development of the TFCA support unit, legal support to facilitate the actual establishment of TFCAs and support in management and infrastructure development in selected TFCAs. The World Bank is currently preparing the second phase of the TFCA program that is likely to last another five years. The World Bank has also given budget support to the Coastal Management Program, implemented with joint DANIDA funding by MICOA (Ministry of Environment).
- **IFC/SEATIP** – The IFC has recently launched SEATIP (South East Tourism Investment Program) in Mozambique. The program aims to support the development of regional tourism between Mozambique, South Africa, Swaziland, Zimbabwe, Malawi and Tanzania. The core of the SEATIP program is the promotion of 'tourism routes'; one 'southern circuit' focusing on integration of southern Mozambique, Swaziland and Mpumalanga and Kwa-Zulu Natal province in SA and one 'northern circuit' focusing on regional tourism in northern Mozambique, southern Tanzania and Malawi. SEATIP will have a private sector focus and will finance soft loans to community project up to the value of US\$100,000 per project (mainly lodges and hotels).
- **Sweden/Malonda/Nakosso** – The Swedish Government is funding private business initiatives through its Malonda Private Sector Development Program in Niassa Province in Mozambique. Although tourism is not a core activity, the program has funded through its Nakosso initiative, a tourism brochure, website and marketing plan for Niassa Province in Mozambique. Nakosso offers legal advise and conflict mediation between private sector and public sector and can assist in investment applications. Malonda supports investment and can offer risk capital and technical advise to investors with appropriate know-how wishing to invest in agriculture, forestry and tourism in Niassa.
- **Irish Aid/Niassa** – The Irish development program is focused on Niassa and Inhambane Provinces, particularly in rehabilitating and building of roads. It is funding the Niassa component of the new road between Lichinga and Pemba, which will improve access to Niassa Province and will speed up tourism development in the northern region.

- **DANIDA/Coastal Management** – DANIDA has embarked on a long-term program with MICOA on Coastal Management. Though the emphasis is on natural resource management, significant focus is on tourism development and coastal zoning. The CDS (Centro de Desenvolvimento Sustentável – CentreCenter for Sustainable Development) is the executing agency undertaking the MICOA project with regards to zoning. The CDS has completed materplans in zones with high potential for tourism.
- **France/Quirimbas** – France is spending 5 million USD on biodiversity conservation and livelihood work with communities in the Quirimbas Archipelago. The World Wildlife Fund (WWF) is their implementing partner.

Other donors and development partners include Peace Park Foundation, the IUCN, SNV (Dutch Development NGO that has expressed interest in Conservation Management in Nampula Province), TechnoServe (an American NGO focusing on enterprise development) and WWF (Conservation management in the Quirimbas and Bazaruto Archipelago).

Donors and NGOs have the opportunity to play a very important role in the growth and development of tourism in Mozambique, most particularly in the North. To date however their role has been unclear, objectives unknown and communication with main stakeholders at national and provincial level minimized. Donors appear to want to do their “own thing”. Tourism involvement and delivery at the “coal face” has been lacking.

2.9 Key issues

The following are the major issues impacting current and future development in the tourism sector in Mozambique, with particular reference to the North of the Country. These issues have a direct impact on operations and profitability and as a consequence, any investment strategy for the Region.

2.9.1 Access

The North of Mozambique is inaccessible and is likely to remain so into the foreseeable future. Improvements and upgrades are proposed to the road network as discussed previously in previous sections. These will benefit trade and general travel between points in space but are likely to be of only logistical benefit to tourism. Recognition of the importance of access to the Region and its distance from source markets is fundamental to growth and development.

Tourism in the North is almost totally dependant on air access from major source markets and between various complementary products in the wider region. Air lift is a necessity if many of the plans, initiatives and proposals across the Region are to be sustainable or even get started. The development of Pemba has generated air lift into the town that has stimulated investment in tourism and related sectors. The growth of charter travel in the Region as a whole provides positive evidence that demand exists for the different product types, linked as a series of experiences. The total experience remains however expensive with the price of air travel being a major part of the expenses. There is now a requirement for creative solutions around the financing (subsidisation) of charter travel and recognition of the role that volume plays in stimulating investment and lowering the price of access.

2.9.2 Land ownership and utilisation

Mozambique has a land law that does not allow actual ownership of land, but works on the basis of long term leases. All land is officially owned by the State, and private companies can only seek the right to use it.

The legitimacy of land-titles may be questioned in Mozambique and the obtaining of land use rights can be a lengthy, complicated process and generally not transparent. Mozambique also has no standard procedures for tenders and concessions in conservation areas and other high potential tourism zones. Speculation on prime land is rife across the Country and has already caused major issues in the South. It is already beginning in the North, particularly around Pemba and the Quirimbas.

The streamlining of the land allocation process and the standardization of concession agreements and tender procedures should be a priority for the Government in order to attract quality investment in tourism. Immediate assistance to investors in tourism is required to facilitate investment procedures and increase the number of investors in tourism.

Utilisation of land is also a very important issue. Minimal masterplanning has been undertaken across the Country and consideration of use and relativity has been minimal in the North. The lack of planning encourages speculation and opportunism.

2.9.3 Human resources and labour regulations

The labour force in the North is largely untrained. A considerable amount of effort is required to train staff to the level expected by international tourists. The lack of trained staff in Pemba has been a major issue for operators and has had an impact on the profitability of operations. Tourism planning must take into account the requirement of investors for trained personnel. Hotels and lodges are pieces of real estate that do not “magically” materialise. They are built over a period of time thus providing the opportunity for government, private sector and communities to take the initiative with regard to training.

Labour regulations must also be reviewed to reflect the requirement for skilled expatriate personnel to provide initial on-job training and mentor local workers. This is a requirement and is non-negotiable for most investors.

2.9.4 Communication and facilitation

Tourism is becoming an increasingly important part of the economy of Northern Mozambique. There is however a general lack of communication between the various stakeholders in the form of government, private sector and communities and a subsequent lack of understanding of the responsibility and objectives of each party and the role that tourism plays in stimulating investment, creating employment and conserving the environment. There are increasing signs of conflict in areas such as Pemba where the main investor in the town has closed the public beach, crime has increased and harassment of tourists has grown.

Responsibility lies with all parties, perhaps through the intervention and participation of NGOs and donor agencies to focus on education of issues relating to the benefits, costs and impacts of tourism. Through such an approach tourism growth is likely to be more sustainable.

2.9.5 Marketing and promotion

The marketing and promotion of Mozambique as a destination is generally poor. There is a requirement to start from the basics at national level (with a limited budget) and work downward into the provinces. This approach has an impact on the strategy and budget available to regions such as the North.

Marketing is a requirement for existing business in order to survive until a national marketing strategy moves forward. The interest and likely involvement of donors such as USAID in the North provides an opportunity to develop a coherent strategy for marketing that involves print, websites and below the line initiatives such as familiarisation trips, magazine profiles, etc. Partnering with Tanzania, Malawi and Zambia could form an important part of such an initiative.

2.9.6 Immigration and visas

The issue of visas has become less complicated in recent years in the South. The process is relatively straightforward and revolves around a system of buying visas at the border. In the North however visas remain an issue impacting upon the flow of tourists. For example, visas for entry into Mozambique from Malawi and Tanzania must be obtained from the relevant consulate in Lilongwe or Dar es Salaam. This is not convenient and is a deterrent to impulse travelers across the Lake. It also constrains partnership agreements between operators in Mozambique, Malawi and Tanzania.

Uniformity in pricing of visas, convenience and the ability to change plans impact directly on opportunities for regional cooperation and add value to the proposition offered to the marketplace.

2.9.7 Access to capital

In order to attract, and be attractive to investors, projects must be profitable. From our research, it would appear that tourism projects in the North are not a particularly appealing investment option unless the decision is based on emotional, altruistic, lifestyle, strategic or speculative reasons. Few existing projects have performed as a business and/or meet international hurdle rates for investment in tourism real estate in terms of the Internal Rate of Return (IRR) or payback method of project appraisal. Investors will not place equity and banks will not lend if the current situation does not improve. This should be a concern to all involved in the tourism sector in the North.

2.9.8 Licenses and levies

The costs associated with the administration and compliance of all the conditions, procedures and licenses to operate a business are excessive and form a large proportion of the cost of doing business. A lodge requires at least 10 licenses to operate and these can take anything up to 5 years to be issued. Most licenses are issued from Maputo and logistics of follow-up on progress of the application are a challenge for business in the North.

Investors in tourism benefit from exemption from payment of import duties on equipment such as vehicles, boats, computers, etc. The process of obtaining the benefit is laborious and costs more than the actual benefit. The impact of such disbenefits on the cost of doing business are significant.