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Cost of Conflict on the Mozambican Tourism Sector

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Cost of Conflict to Tourism in Mozambique

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Introduction & Context

- Renewed conflict in parts of Mozambique has impacted the country's economic landscape.
- The objective of this assessment was to ascertain the extent to which the conflict has impacted tourism.
- Tourism is a key economic sector.
- Aims: quantifying costs of conflict on tourism; overview of tourism sector performance; identify factors impacting the sector.

Approach & Methodology

- Desk review of literature and statistics on tourism, press coverage of conflict & tourism related matters
- Field analysis of tourism in Vilankulo
- Constraints – statistics are conflicting, lack of data – conditions development of report
- Vilankulo selected as case study: major leisure hub, representative cross-section of tourism segments and products, performance data available from 2006 onward

Overview of Tourism the Profile in Mozambique

Mozambique has two key market segments:

Leisure

- Leisure tourism demand largely based on biodiversity, unique cultural heritage and relative under-commercialization of natural assets.
- Leisure tourism currently captures a significant portion of its international leisure market share as an add-on destination for visitors to South Africa.
- Mozambique is increasingly being seen as a stand-alone destination for world travellers with a preference for environmentally-responsible tourism.

Business

- Business tourism market more extensive than leisure tourism market
- Focused in the business and development hubs / cities around the country
- The business market caters to both international and domestic demand.

Tourism Trends & Performance Indicators

International Arrivals

- International arrivals to Mozambique doubled 1999 – 2004, increased sharply to two million visitors by 2008 (annual growth rate 13%)
- Growth peaked in 2009
- Sharp decline 2009 – 2013 estimates for arrivals in 2013 is 1.9 million

Contribution to GDP

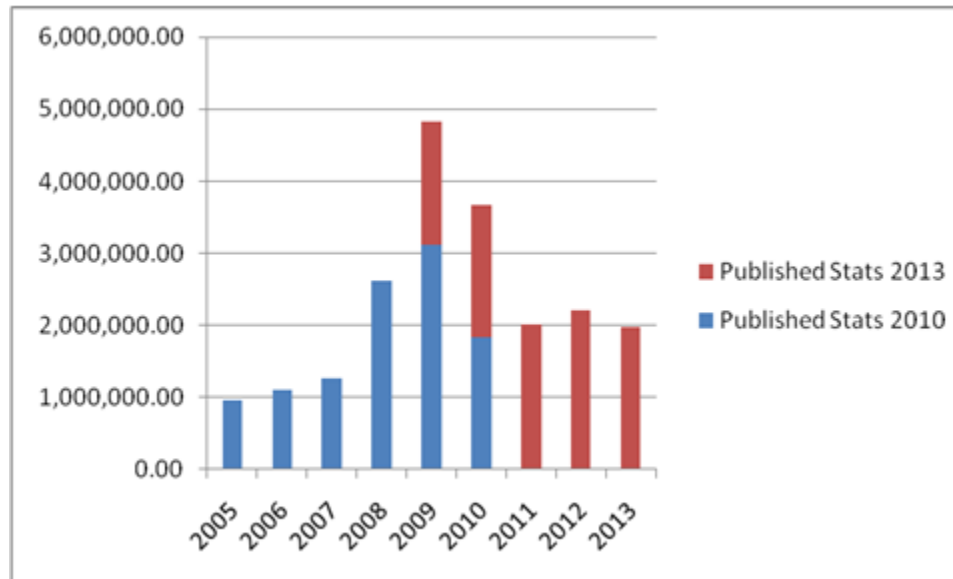
- Contribution to GDP in 2013 was MZN13.9bn (3.2% of GDP) (significantly lower than the 5.6% projected)
- Forecasted to rise by 4.0% to MZN14.5bn in 2014

Investment (FDI)

- DINATUR reports 2005 - 2010 approved tourism investment of US\$1.19 billion
- Both DINATUR and CPI report minimal dip in investment during world economic crisis
- Trends on the ground suggest the majority of planned investment 2008 – 2009 not realized, still pending or downscaled significantly.

Tourism Statistics 2005 - 2013

International Arrivals 2005 - 2013



International Receipts from Tourism

Source	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*
MITUR	95.3	129.6	139.7	163.4	190	195.6	197.3	231.1	248	222.8
WB						247	260	256	230	

General Factors Affecting Tourism Trends

Bottlenecks to investment

- Difficulties with land acquisition, licensing and investment incentives
- Lack of implementation of national strategies (marketing opportunities; facilitation of investment at local level)
- Return on investment (cost of doing business too high, lack of infrastructure, access, basic services)

Bottlenecks to tourism growth

- Air access - few direct flights, bad connections, uncompetitive net rates, limited ticketing facilities for internal flights
- Comparative cost / value of tourism itineraries and services (versus other similar destinations)
- Infrastructure - road network, road conditions and safety
- Visa requirements (too expensive and timely to acquire)

General external threats to tourism

- Climate change changing travel patterns
- Global financial crisis and the Euro crisis limiting EU/US travel

Vilankulo Case Study

- Average annual occupancy rate 2013 approximately 10% of the annual rates for 2010 and 2011
- 50% drop in business over the peak season (Dec/Jan) 2013-2014
- Average occupancy in March 2014 was approximately 5 to 10% in comparison with 35 – 60% in 2011
- Buying power of the sector previously accounted for 85% of all local purchases, leading to decrease in retail and wholesale sales of goods and consumables of approx 60%
- Significant drop in per trip spending by guests including reduced up take of local services and activities
- Complex set of factors affecting and driving this trend

Reported Factors Affecting Tourism Growth & Performance

	Issue	Specifics	Level of Impact	
			Short Term	Long Term
1	Cost of Product vs. Value of Offer	Airfares	H	H
		Exchange Rates	H	M
		Value for Money of Product	H	H
		Cost of Doing Business / Supply	M	M
		Government Fees Visas & National Parks	H	M
2	Harassment of Tourists	Traffic Police	H	H
		Local Attitude to Tourists	M	H
3	Operator Harassment & Fatigue	Corruption at local level	H	H
		Unreliable Support Mechanisms	M	M
		Lack of skilled employees	H	H
4	Economic Recession	Limited Travellers in Highly Competitive Market Locally	H	L
		Limited Source Markets in Highly Competitive International Market	H	M
5	Safety & Security	Local Security - Theft & Attacks	H	M
		Renewed Conflict to the North	M	M

Findings I

Direct Impacts: Estimated direct loss of income by tourist spend between Nov 2013 - Jan 2014 period.

Segment Affected	% of Tourism	Est % Aware of Conflict	Est % of whom cancelled	Est # of Trips /Segment over 3 month (Taking into account peak season)	Value of Avg Spend / Trip	Est # of Cancelled Trips	Est Total Loss of Tourist Spend
Foreign		23.8					
Business	44.3	50	10	47,964	\$170	2,398	\$407,695.31
Leisure Mid	15	20	5	72,843	\$270	728	\$196,677.11
Leisure Self Drive	30	80	50	145,687	\$136	58,275	\$7,907,897.15
Segment Total							\$8,512,269.57
Domestic		76.2					
Business	8.8	100	10	137,752	\$90	13,775	\$1,239,768.00
Leisure Mid	10	100	5	45,410	\$90	2,271	\$204,346.29
Leisure Self Drive	89	100	2	134,717	\$30	2,694	\$80,830.31
Segment Total							\$1,524,944.61
Total Estimated Loss of Tourist Spend Between Nov 2013 and Jan 2014							\$10,037,214.17

Findings II

Indirect Impacts:

- Based on overall average decrease in tourism spending of 26% therefore using WTTC figures overall value chain spending reduced by 3,250,000 USD between Nov 2013 - Jan 2014

Tax Revenues:

- Decrease of 0.1% of arrivals (by trip) equates to 26% reduction in tourism spend represents a loss of 1.7 million USD in IVA alone
- Further impacts will be noted in corporate and other taxes
- Loss of 3.25 million USD in downstream spending represents an additional loss of 5.53 million USD in IVA on lost sales.

Findings III

TOURISM INVESTMENT

Direct Impacts:

- WTTC / MITUR expect ongoing tourism investment growth 2013 – 2014
- Field assessment indicates planned expansion of existing facilities affected by overall decline in tourism

Indirect Impacts:

- Delays / cancellations of planned development has substantial impact on the wider economy. Each operational bed equates as follows:

Value Chain Indicators (USD, nominal prices)	2013 in USD	Per Bed / Annum
1. Visitor exports	198,224,786,908	4,365,896
2. Domestic expenditure	325,480,205,664	7,168,694
3. Internal tourism consumption (= 1 + 2 + government individual spending)	523,704,992,573	11,534,590
4. Purchases by tourism providers, including imported goods (supply chain)	217,802,543,640	-4,797,096
5. Direct contribution of Travel & Tourism to GDP (= 3 + 4)	305,902,448,933	6,737,494
Other final impacts (indirect & induced)		
6. Domestic supply chain	183,541,469,360	4,042,497
7. Capital investment	110,124,881,616	2,425,498
8. Government collective spending	29,366,635,098	646,799
9. Imported goods from indirect spending	-29,366,635,098	-646,799
10. Induced	112,572,101,207	2,479,398
11. Total contribution of Travel & Tourism to GDP (= 5 + 6 + 7 + 8 + 9 + 10)	714,588,120,707	15,738,786
Employment impacts ('000)		
12. Direct contribution of Travel & Tourism to employment	200,427,285	4,414

Conclusions

- Leisure tourism in steep decline (especially self drive)
- Business tourism less affected
- Domestic tourism too poorly monitored to be able to accurately assessed
- Whether decline in leisure sector is attributable to conflict is difficult to quantify using available data but field work and modeling show some likely impacts
- Conflict has adverse affect on certain segments (self drive and domestic)
- Conflict likely impacts tourism investment and investor confidence - but no statistics available to quantify unrealized, deferred or cancelled investment
- **BUT larger systemic issues directly causing general decline in tourism**

Recommendations I

Data collection and Application

- Develop assessment model to monitor the tourism value chain
- Accurately and consistently track tourism performance and growth

Monitoring of Tourism Indicators & Performance

- Real time monitoring to enable responsive solutions in partnership with operators

Acknowledgement of systemic constraints

- Create task force to deal with them

Create Destination Management Organizations

Recommendations II

Where conflict is the issue;

- Assess value chain implications at points of conflict and mitigate
- Strengthen INATUR capacity to respond to disruptive events with timely marketing and accurate information campaigns aimed at key market segments
- Ministry of Tourism capacity to intervene in media to provide reassurance



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