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ECONOMIC COST OF CONFLICT IN MOZAMBIQUE

ASSESSING THE ECONOMIC IMPACTS OF RENEWED CONFLICT ON THE TOURISM SECTOR

APRIL 2014

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FOREWORD

This assessment and report was commissioned by SPEED in collaboration with ACIS to provide a basis for meaningful discourse amongst stakeholders in the tourism sector around the cost and impact of renewed conflict on the tourism industry's performance.

PREFACE

UNDERSTANDING THE DATA

Statistics on tourism published by Mozambique national agencies (e.g. National Institute of Statistics (INE) / Ministry of Tourism (MITUR) / immigration authorities and estimates from international agencies based on national data (e.g. the World Bank and the World Travel and Tourism Council) create an inconsistent and unclear picture of the industry in the country. Efforts have been made through the World Bank's Transfrontier Conservation Area program to improve the data collection and analysis of tourism arrivals, but there is limited understanding and data collection in the provinces, and mistrust between the private sector and data collection agencies about how information will be used. Despite this, by cross referencing the more recently published national statistics with verified¹ destination level assessments and observed trends, it is possible to develop a relatively credible picture of the industry and its economic impacts as well as identify the key dynamics and performance trends.

This report presents a high level overview of the potential and assessed economic impact of the renewed conflict on tourism in Mozambique.

CONSIDERATIONS

The strength of the analysis is somewhat undermined by the unreliability of the basic statistics upon which the financial models have been built. Equally, the accuracy of this assessment is limited by the depth of the research possible within the time frame and scope of the assessment.

Building an accurate picture of the total possible cost of continued conflict to the sector which should include loss of income to state agencies through fees, concessions, Private, Public Partnerships (PPP), taxes and Foreign Direct Investment (FDI), national investment capital as well as a more extensive picture of the value chain impacts to the national economy should be undertaken within a larger assessment of the general constraints affecting the tourism performance and the total potential loss to the economy if

¹ Verified with operators by the consultant as a part of separate studies conducted between 2007 and 2013

remedial measures are not taken as well as identifying ways to address the identified issues and constraints.

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ABBREVIATIONS

BANP	Bazaruto Archipelago National Park
CPI	Centre for the Promotion of Investments
CTA	Confederation of Trade Associations
DINATUR	National Directorate of Tourism (Dirrecao Nacional de Turismo)
DNI	Direct National Investment
EIA	Environmental Impact Assessment
EU	European Union
FDI	Foreign Direct Investments
FEMOTUR	Federation of Tourism Associations
GDP	Gross Domestic Product
GoM	Government of Mozambique
IFC	International Finance Corporation
INATUR	National Institute of Tourism (Institute Nacional de Turismo)
INE	National Institute of Statistics (Institute Nacaional de Estaticicas)
MICE	Meetings, Incentives, Conferences and Exhibitions
MITUR	Ministry of Tourism
ODI	Overseas Development Institute
PATI	Priority Area for Tourism Investment
PPP	Private / Public Partnerships
SMPTD	Strategic Master Plan for Tourism Development
SSS	Sun, Sea and Sand
TFCA	Trans Frontier Conservation Areas
UNWTO	United Nations World Tourism Organization
VCA	Value Chain Analysis
VDMTP	Vilankulo District Master Tourism Plan
VFR	Visiting Friends and Relatives
WB	World Bank
WTTC	World Travel and Tourism Council
ZIT	Tourism Interest Zone (Zona de Intresa Turistico)

EXECUTIVE SUMMARY

Executive Summary

This report aims primarily to assess the impact of renewed conflict in Mozambique between late 2013 and the first quarter of 2014 on the tourism industry's performance and to estimate potential impacts on the future growth of the sector. The assessment is based on a desk review of current literature and statistics and a field survey of tourism operators in Vilankulo District.

1.1 The Mozambican Tourism Sector

Tourism is unique as a sector in the extent of its diversified economic impact potential. The tourism industry directly and indirectly creates the need for a wide variety of products and services (e.g. construction materials, food, and craft). Compared with many other sectors, tourism provides a growth market for countries with a high incidence of poverty, in which they have comparative advantage. Mozambique's tourism demand is largely based on its biodiversity, unique cultural heritage and the relative under-commercialization of its natural assets. Due to its proximity to South Africa, Mozambique currently captures a significant portion of its international leisure market share as an add-on destination for visitors to South Africa. However, it is increasingly being seen as a stand-alone destination for world travellers with a preference for environmentally-responsible tourism.

The tourism supply in Mozambique is centered on two key market segments, Business and SSS (Sun Sea and Sand) leisure. Statistics on tourism published by Mozambique national agencies and estimates from international agencies based on national data create an inconsistent and unclear picture of the industry. Constraints in evaluating such data have conditioned the development of the report. However, wherever possible detailed analyses have been undertaken and assumptions clearly indicated. Based on available data since 1992, international tourist arrivals to Mozambique have increased from around 240,000 in 1999 to around 470,000 by 2004, before increasing sharply to just under two million visitors by 2008 (an annual growth rate of about 13%). This rapid growth peaked in 2009 after which the industry has experienced a sharp decline in arrivals and been in decline from that time.

The latest statistics from World Travel and Tourism Council (WTTC) indicate that leisure spending accounted for 55.7% of total tourism spending in Mozambique with business spending accounting for 44.3%. Although this demonstrates a shift towards leisure as the main national tourism market, compared to neighbouring countries where the leisure segment accounts for upwards of 70% of tourists, Mozambique's leisure market potential appears not to be fully realized. Equally the percentage of leisure travel does not appear to have increased significantly within the industry's overall growth, indicating that there are constraints adversely affecting the uptake of Mozambican leisure products.

Mozambique has succeeded in attracting a significant tourism investment in recent years resulting in an increased and relatively diversified tourism offer in comparison to the scope of the national industry prior to 2004. However, despite a call for foreign and national investment in Mozambique's tourism sector by the Government realization of such investment throughout the country has been hampered by several key constraints including: excessive bureaucracy, persistent corruption, difficulties in securing land tenure for

development, land usage conflicts, lack of infrastructural and administrative support and restricted access to financing.

In 2011 the National Directorate of Tourism indicated that by the end of 2010 there was a nationwide total of 4,736 tourist establishments of which 1,269 were accommodation, 3,340 were restaurants and bars and 127 were travel agencies. The directorate indicated that the country's tourism sector provided 37,550 beds in 2010, and directly employed around 40,000 workers on indefinite contracts, 56% of which were women. The estimated average spend per trip is \$230 for foreign travellers and \$140 for domestic travellers. WTTC statistics for 2013 indicate that the value of tourism investment per annum in Mozambique is 180 million USD with tourism investment accounting for 5.8% of the total investment in the country. This investment is projected to grow by 4.7% in 2014 and at an average of 3% per annum thereafter for the next 10 years.

1.2 The Case of Vilankulo

The case study of Vilankulo district shows that 85% of all goods and services supplied within the Municipality of Vilankulo were destined for consumption by the tourism industry in 2007 - 2011. Each operational bed was estimated to have contributed US\$ 3,411.50 per annum to the local economy in 2005. The total number of operational beds in 2005 was 1,150 which when added to local spending by activity operators (dive, boat, tours etc.) indicates that the total estimated contribution of tourism to the local economy in Vilankulo in 2005 was approximately US\$ 4.1 million. The value per annum / operational bed rose to US\$ 4,093.80 in 2007, representing a 20% increase in value. This corresponded with a general increase in standards of facilities over the same period.

Findings from this report show the extent of the decline in tourist arrivals and the depressed state of the tourism industry in Vilankulo indicating that the local industry is currently in crisis. The average reported occupancy rate in 2013 was 10% of the annual averages achieved between 2010 and 2011. Operators reported a 50% drop in business over the peak season (December – January) in comparison to previous years. The average occupancy rates being achieved across all market segments in Vilankulo in March of 2014 was 5 to 10% in comparison with 35 – 60% in 2011. All respondents indicated that planned expansions and additional investments have been postponed indefinitely pending recovery of the sector. Respondents reported spending reductions of staff by 30 – 50% in 2014 if tourism does not recover to pre 2012 levels within 6 months. Rack rates have been reduced in 50% of the establishments surveyed by between 10 and 25% and have remained at 2011 rates at the remaining establishments despite exchange rate fluctuations and inflation.

The impacts of this decline was clearly being felt by the local commercial operators, impacting suppliers along the value chain and although assessment of their sales was outside the scope of this assessment, it holds that if tourism is down to 10% of its 2011 levels, that the buying power of the sector which previously accounted for 85% of all local purchases, is similarly depressed. In addition to the drop in arrivals and occupancy rates the operators reported across the board a significant drop in per trip spending by their guests. The impacts of this trend include reduced uptake of local services and activities.

1.3 Potential Causes of Tourism Downturn

Mozambique as a whole and Vilankulo in particular, has enjoyed 10 years as an emerging destination, during which time it has been selling above its market value on the basis of its unexplored, unique and new destination status. However as international travellers increasingly seek value for money destinations in the wake of the economic crisis, Mozambique's leisure products have begun to experience a sharp decline in market position and occupancy rates.

It appears that factors which have been affecting tourism growth at a systemic level and which have not been addressed or resolved are now culminating in "Mozambique Fatigue". This term is used by tour operators who are now reluctant to book clients to Mozambique destinations on the basis that clients encounter higher rates of dissatisfaction, lower levels of service, higher instances of harassment and lower perceived value for money in Mozambique than in comparable destinations such as Mauritius, Seychelles, Kenya or South Africa. The term also incorporates operators fatigue with operators listing significant barriers to establishment and operation including high levels of bureaucracy and corruption, high costs of inputs, low levels of available expertise and their effective exclusion from collective management of the destinations in which they invest and operate.

1.4 Renewed Conflict as a Factor

While the renewed conflict was cited by survey respondents in Vilankulo as one factor affecting the tourism performance, it was not seen by any to be the primary cause of the currently state of the tourism industry in Vilankulo. 20 % of operators reported some travel agents or tour operators cited the conflict as a reason for cancellation of bookings and 20% of operators reported clients cited the conflict as a reason for cancellation of bookings. 10% of operators reported that the conflict had interrupted their supply of goods. In fact analysis of international press coverage of the renewed conflict indicated that most (95%) coverage was limited to regional press. The press articles largely claimed travel remained safe for tourists and encouraged travellers not to cancel year end reservations. While 5 European countries had listed travel warning to their citizens all security warning listed crime and kidnapping above conflict in terms of risk factors for travellers. Given the isolated reporting it is unlikely that the conflict has been a factor of much consequence in the decision making of mid to high end fly-in leisure tourists of mainly European origin.

Regional press coverage would have the highest impacted on the self drive, regional tourist demographic which accounts for an estimated 30% of inbound tourism. Extensive coverage of the conflict on national press will likely have impacted the 3 main segments of the domestic tourist market which account for 99% of the total domestic market.

1.5 Other Factors

During the December 2012 / 2013 peak season, travellers attempting to enter Mozambique from South Africa via the Ressano Garcia border post faced up to three day waits during which they were unable to leave the entrance queues and return to South Africa. News of the situation was reported daily by SABC for an entire week. In addition major road works have been underway since early 2013 on the N4 between Nelspruit and Maputo adding up to 4 hrs to the journey which previously took a total of 3 hrs. News coverage regarding the delays and poor road conditions have been widely published in South Africa.

Beyond the border travellers face sections of poor quality roads, regular reported harassment by traffic police and poor driving conditions with little or no rescue services. These factors in combination would

appear to have a greater influence on travellers opting to visit Mozambique as their regional self-drive destination. In addition exchange rate fluctuations against regional currencies in the past 12 months and the high cost of living in Mozambique also make Mozambique a significantly less attractive destination to regional travellers than in previous years. The extensive use of social media means that previous travellers' experiences are immediately accessible by those considering travel to the area. As a result constraints such as travel difficulties, cost, and perceived poor levels of service, corruption and harassment have likely contributed to the decrease in uptake of Mozambique's tourism offering to a greater extent than the recent conflict.

1.6 The Cost

Based on the modelling in this report, in which there is an overall average decrease in tourism spending of 26% it is possible to extrapolate on the WTTC figures to estimate that overall value chain spending by tourism operators would have been reduced by a minimum of approximately 3,250,000 USD over the period November 2013 to January 2014. Assuming a decrease of 0.1% of arrivals (by trip) this equates to a 26% reduction in tourism spend and a loss of 1.7 million USD in IVA alone with further fiscal impacts to be noted in corporate and individual income taxes.

1.7 Conclusions

Assessing the potential economic impacts of continuing armed conflict on the tourism sector's performance is not an easy task. Should the armed conflict continue or escalate the impacts are unlikely to remain constant in terms of the estimated percentage decrease of visitors and income generation. The reality is that continued armed conflict is likely to result in a spread of incidents to locations other than the isolated areas currently affected. If this should occur, there is a high possibility that tourists would become increasingly aware of and potentially affected (directly and indirectly) by the conflict and as such higher levels of impacts would be felt. Within the bigger picture, continuing conflict does not represent the greatest threat to tourism in the geographical area studied. Further evidence would need to be gathered about both effects of the conflict on other parts of the country and the overall picture for tourism around the country to gain a fuller picture.

Given the extent and magnitude of the identified constraints affecting tourism and the resulting downturn in performance reported prior to the conflict, there are clearly more systemic issues affecting the industry that require attention and intervention. However, as an element of the overall operating conditions, continued conflict is a significant threat to the industry's recovery and growth. While it is clear that conflict does not current account for the overall downturn in tourism in Mozambique it is equally clear that it has had a significant impact on certain tourism destinations and certain market segments. Should the conflict continue or escalate, it has the potential to become a primary and defining factor in the collapse of the industry national wide.

INTRODUCTION

OVERVIEW

The purpose of this paper is to assess the impact of renewed conflict in Mozambique between Feb 2013 and Feb 2014 on the tourism industry's performance and estimate potential impacts on the future growth of the sector. The assessment is based on a series of interviews undertaken with a sampling of tourism operators in the Vilankulo District which has been used as a destination level case study, a review of the most recently published tourism statistics and literature and reports on the current state of the tourism industry in the country, coupled with some projections of what the potential impacts of continued conflict could mean for the industry. Much of the comparative analysis draws on statistical data and analysis conducted by the consultant over previous years and is used to provide context and trend indicators.

This report looks at the tourism performance trends leading up to the recommencement of conflict in 2013 to identify preexisting factors and the influences driving trends. The aim of this assessment was to then assess the current tourism performance in such a way as to isolate the extent to which the conflict has influenced sector performance and through which to calculate the cost of the conflict on the sector separately to that of other influencing factors and general trends. In order to build a clear picture of the industry pre and during conflict, it was necessary to review previous reports and findings of tourism focused studies to augment the limited and often inaccurate and contradictory tourism statistics available nationally. As such this report draws extensively on verified information contained in sector related reports which are cited and referenced throughout this study for the purposes of comparative analysis. It is equally important to look at tourism from the macro through to micro level in order to clearly understand the complexities of the multipliers and the weight of their influence on economic performance along the value chain. Therefore, this report is structured in such a way as to develop accurate conclusions by building economic models based on cross sourced and cross reference material, data and findings.

THE TOURISM ECONOMY AND ITS IMPACTS ON THE HOST COMMUNITY, THE NATIONAL ECONOMY AND DEVELOPMENT GOALS

Tourism is unique as a sector in the extent of its diversified economic impact potential. Tourism as an industry directly and indirectly creates the need for a wide variety of products and services (e.g. construction materials, food, and craft). Compared with many other sectors, tourism provides a growth market for countries with a high incidence of poverty, in which they have comparative advantage (WTO, 2004). This diverse industry incorporates a range of economic opportunities that impact on many sectors including transport, communications, infrastructure, education, security, protected areas, health, immigration, customs, and accommodation. Tourism is an attractive industry to developing countries, as

the start-up costs and barriers to entry are generally low, while income may flow quickly under favourable strategic and marketing conditions (Spenceley, 2003).

Income derived from tourism, which impacts directly on the national economy, comes from numerous sources, including general income, business and development taxes, and more specific tourism-related charges such as airport taxes, activities licenses, bed taxes and visa fees. Taxes and levies can also be raised locally, and used within local communities (e.g. local licensing fees, charges on development or levy on bed nights). Where income is earned from admission to a state facility, like a national park, a proportion can be used for community benefit or local poverty reduction projects (WTO, 2004).

COMMUNITY LEVEL INCOME POTENTIAL

Tourism also has the potential to generate income directly for communities in places where they live. Tourism's community income stream potential lies in four main areas (DFID, 1999; Ashley, Roe and Goodwin, 2001):

- Tourism is a *diverse industry*, which increases the scope for wide participation of different stakeholders and businesses, including the involvement of the informal sector;
- The *customer comes to the product*, which provides considerable opportunities for linkages (e.g. souvenir selling) to emerging entrepreneurs and small, medium and micro-enterprises (SMMEs);
- Tourism is *highly dependent upon natural capital* (e.g. wildlife and culture), which are assets that the poor may have access to - even in the absence of financial resources; and
- Tourism can be more *labour intensive* than other industries such as manufacturing. In comparison to other modern sectors, a higher proportion of tourism benefits (e.g. jobs and informal trade opportunities) go to women.

ADDITIONAL BENEFITS OF TOURISM

BIODIVERSITY CONSERVATION

Conserving biodiversity and nature is particularly important for the tourism sector, because the beauty of the natural environment, clean beaches and pristine coral reefs attract visitors. Their conservation benefits the reputation of a tourism destination, and provides excellent promotional opportunities through photographs. Basically, conservation makes good business sense (Spenceley and Bashain, 2010). Tourism can have fundamental impacts on biodiversity conservation for a number of reasons, including the following:

- *Tourism can generate revenue in areas of high biodiversity* such as protected areas (PA), and help to make them economically viable (IUCN, 1993; UNEP, 1996, 2000; Weaver 1999). Both use- and non-use values are potentially recoverable from PAs (Pearce and Moran, 1994);

- *Tourism can raise public support for conservation* since it can provide environmental education to visitors and local people. Tourism can also generate direct employment and catalyse economic opportunities for local people. Beneficiaries may consequently perceive a direct value from biodiversity, which may provide incentives to conserve natural areas (Goodwin, 1996);
- *Tourism can be less environmentally damaging than other revenue generating industries* based on natural resource use, including forestry, slash and burn agriculture, pastoral farming and wood collection (Collins, 1998; Ross and Wall, 1999);
- *Tourism may be one of the few economic activities suited to take place within conservation areas located on marginal land* (Netboy, 1975); and
- *Tourism based on natural resources can theoretically be sustainable* if its impacts are managed and mitigated. Other industries based on non-renewable resources have a limited life span that may only continue until the exploited resource is exhausted (e.g. mining) (Spenceley, 2003).

PRO-POOR INCOME

The United Nations World Tourism organization cites seven key ways in which the tourism industry can preferentially benefit the poor in the destination areas. These are (WTO, 2004):

- Employment of the poor in tourism enterprises
- Supply of goods and services to tourism enterprises by the poor or by enterprises employing the poor
- Direct sales of goods and services to visitors by the poor (i.e. in the informal economy)
- Establishment and running of tourism enterprises by the poor - e.g. small-, medium- and micro-, sized enterprises (SMMEs), or community based enterprises (in the formal economy)
- Tax or levy on tourism income or profits with proceeds benefiting the poor
- Voluntary giving/support by tourism enterprises and tourists
- Investment in infrastructure stimulated by tourism also benefiting the poor in the locality, directly or through support to other sectors.

FOREIGN INCOME GENERATION

Tourism as a product, constitutes an export on the basis that it is the sale of nationally produced goods (hotels, car rentals, goods and the overall tourist experience) to foreign consumers who pay for the products using foreign income. In an emerging market such as Mozambique with limited production and

exports base, tourism is a key generator of foreign revenues. Significant care must therefore be taken in addressing taxation issues to ensure that export promotion is not impaired. It is a delicate balancing act, which must avoid unfair leakages on the one hand and discriminatory penalization on the other.

PRESERVATION OF CULTURAL ASSETS & PATRIMONY

Cultural heritage tourism is important for various reasons; it has a positive economic and social impact, it establishes and reinforces identity, it helps preserve the cultural heritage, with culture as an instrument it facilitates harmony and understanding among people, it supports culture and helps renew tourism (Richards, 1996). By valorizing (monetarily and perceptively) tangible and intangible assets amongst communities, cultural tourism has the potential to generate community based income and generate funding for the protection of the assets upon which the trade is based, thus providing both social and economic benefits at a localized and national level.

TOURISM POLICY AND LEGISLATION

The Government of Mozambique (GoM) has taken a series of actions to promote the tourism sector, including creating a separate Ministry of Tourism (MITUR) in 2001 and adopting a Tourism Policy and Implementation Strategy (2003) (Republic of Mozambique, 2003).

The *Tourism Policy and Implementation Strategy of 2003* defines the high-level tourism objectives, identifies the focal points for government intervention and provides tactical guidelines on how to optimize and operationalize its competitive edge (Republic of Mozambique, 2003).

The *Tourism Law of 2004* sets down the legislation that applies to tourism activities, public sector activities directed at promoting tourism, suppliers of tourism products and services, tourists and consumers of tourism products and services (ANRMPC, 2010).

The *Tourism Interest Zones - Decree 77/2009* sets out the framework for declaring Tourism Interest Zones (ZITs) are areas which are created, in particular, to incentivize tourism investments, developments and activities and are a legally constituted instrument and regulated.

The *Tourism Law* is currently being updated and awaiting approval at the Council of Ministers, regulations in line with the revised legislation will then be drafted before the new legislation takes effect. This process is ongoing and no fixed date has been cited for application of the revised legislation.

TOURISM MASTER PLANNING & DEVELOPMENT

The Strategic Plan for the Development of Tourism in Mozambique (SPDTM) incorporates a vision for 2020, that Mozambique will be 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 (SPDTM, 2004).

Table 1: Strategic plan for tourism approach to tourism resources

Resource	Strategy	Explanation
Coastal and Marine Resources	Capitalize	Mozambique's vast coastline, tropical beaches and warm waters and rich coastal and marine resources are of exceptional quality and unique in southern Africa. Mozambique should capitalize on this position in product development and marketing. At the same time conservation and protection of the fragile coastal and marine resources should be a priority.
Wildlife and Nature Resources	Develop	To be able to compete in Southern Africa markets, Mozambique must develop its nature and wildlife based tourism product. Efforts should be focused on (re)building the resources and infrastructure, promoting investments in conservation areas, developing human resources and restocking wildlife.
Cultural and Man-Made Resources	Capture	Mozambique's cultural identity, determined by its heritage, people and history, differs significantly from other countries in southern Africa and is one of the country's key tourism assets. Mozambique must cherish these differences and use them to 'flavour' its 'blue' and 'green' product lines, as well as to develop a specialized 'orange' or cultural product offering.

Source: SPDTM 2004

Eighteen (18) areas have been identified as Priority areas for Tourism Investment (PATIs), of these seven (7) areas have subsequently been declared as Tourism Interest Zones (ZITs) by the Council of Ministers.

PROFILE OF THE MOZAMBIKAN TOURISM DEMAND & OFFER

Mozambique's tourism demand is largely based on its incredible marine and in land biodiversity, its unique cultural heritage and the relative under-commercialization of its natural assets. Due to its proximity to South Africa, Mozambique currently captures a significant portion of its international leisure market share as an add-on destination for visitors to South Africa. However, it is increasingly being seen as a stand-alone destination for world travelers with a preference for environmentally-responsible tourism. (Batey 2011)

The tourism supply in Mozambique is centered on two key market segments, Business / Meetings Incentive, Conferencing & Educational (MICE) and Sun Sea and Sand (SSS) leisure. There is a well-established demand within the regional leisure market, particularly from South Africa, for self-drive, low

to mid-range facilities. This is well catered for in the southern parts of the country. The fly-in / mid to high end leisure market is dominated by European visitors and is primarily distributed around the central and northern parts of the country, with small clusters of destinations in the south. The business centres of Maputo, Beira, Tete and Nampula are host to the highest concentrations of business focused facilities.

POTENTIAL FOR IMPACT OF CONFLICT ON TOURISM

In approaching the question of potential and assessed impacts of conflict on tourism in Mozambique, it is worth contextualizing the issue in terms of other international destinations which have felt the effects of conflict on their tourism industries and understanding the approach used in calculating the costs within these locations.

According to E. Neumayer (2004), the following are primary factors for consideration;

- With global tourism generating receipts of U.S.\$476 billion in 2000 and growth rates above 5% per annum (World Tourism Organization 2002), tourist destinations have a lot to lose if they lose their attraction to tourists.
- Although Europe and Northern America are still by far the main tourist destinations, the developing regions in the world increase their market share rapidly.
- Many developing countries derive a much higher share of their gross domestic product (GDP) from tourism receipts than developed countries.
- Developing country regions, where tourism is growing fastest, have much to benefit from providing low-skilled and labor-intensive tourism services that can provide an income stream that is steadier than the volatile receipts from natural resource extraction (Levantis and Gani 2000).
- Tourism represents an important contribution to economic development in many developing countries (see Sinclair's 1998 comprehensive survey).
- Developing country regions are also more vulnerable because they represent the main locations of violence.

The paper goes on to state that "economic theory in the tradition of Lancaster (1971) predicts that tourists consume certain characteristics of a tourist destination rather than one single good. Unless these characteristics are very specific to the country and highly valued, tourists will easily switch to another destination if faced with violence. For example, a country whose main attractions are a warm, sunny climate with nice beaches will find itself vulnerable to events of violence because tourists can easily enjoy similar attractions in other countries without the risk of encountering violence. For this reason, it does not matter that the likelihood of being seriously affected by an event of violence is perhaps smaller than being struck by lightning, for example, because even the smallest likelihood can be sufficient to prompt tourists to choose a different destination. As Richter and Waugh (1986, 231) put it, tourism is frequently an early casualty of internecine warfare, revolution, or even prolonged labor disputes. Even if the tourist areas are

secure . . . tourism may decline precipitously when political conditions appear unsettled. Tourists simply choose alternative destinations.

Even where a country's characteristics are highly valued and not easily substitutable, attacks on tourists can substantially hurt a country's tourism industry as Egypt experienced in the 1990s. For a number of reasons, events of violence are likely to affect tourism both contemporaneously and with lagged effects.

Enders, Sandler, and Parise's (1992) time-series analyses of the impact of terrorism on tourism in Spain and other Western countries suggest that often 3 to 9 months pass before tourist arrivals decrease drastically. Because tourists are sensitive to the negative image of a tourist destination, events of violence can affect a tourist destination long after the event has passed and stability has, in effect, been restored. Tourism will only bounce back to its before-violence level if the negative image is eradicated from the tourists' minds. Depending on how sustained the period of violent events and the negative media coverage have been, this might take years. Countries with a negative image due to past events of violence often attempt to improve their image with aggressive advertising campaigns to portray themselves as entirely safe destinations."

ESTIMATION METHOD

The highest standard applied economic approach to calculating and quantifying cost of conflict on a tourism value chain by country are based on a theoretical model of tourism demand and an estimate model of impact requiring empirical and verified data sets for demand, income of tourists; relevant characteristics of the tourism population, such as size, education, amount of leisure time, and so on, the relative cost of tourism in the destination; the fare costs to reach the destination, the destination's general attractiveness to tourists and the extent of political violence. (Such a formulation is in line with the general economic literature on tourism demand -see Crouch 1994, with the only variation being the addition of violence as another factor.

It is interesting to note that in accordance with the above modelling, the paper goes on to conclude that with a one standard deviation increase in either of the two conflict measures decreases tourist arrivals by 22%. A substantial increase in human rights violation has the strongest effect at 32%. The paper concludes that "the short-term effect is often considerably smaller than the long-term effect, suggesting that lagged effects are important. The long-term effects of human rights violation and our two conflict measures are of similar importance: a substantial increase lowers tourist arrivals by around 27% in the long run." In summary the paper suggests that "tourists are sensitive to events of political violence in their holiday destination because such events jeopardize a relaxed and unconcerned holiday. Analysis suggests that policy makers in tourist destinations are rightly concerned about safety and stability. Substantial increases in political violence lower tourist arrivals in the long run by about one-quarter in our global sample. Interestingly, however, those mildly dependent on tourism receipts are more vulnerable to the impact of political violence. The reason for this is probably that these countries have few unique characteristics and can therefore easily be replaced by other more peaceful holiday destinations with similar characteristics."

TOURISM SECTOR PRE - CONFLICT PERFORMANCE & TRENDS

NATIONAL LEVEL TOURISM INDICATORS

BACKGROUND

In approaching the study on the Cost of Conflict to the Mozambican Tourism Sector, the aim was to quantify the likely economic impacts directly attributable to the conflict and identify other factors affecting the industry's performance and the noted trend of decreasing tourism prior to the conflict.

SOURCE OF STATISTICS EMPLOYED

The scope of the study (15 days with 5 days field work) required that the researcher used the only available statistics for national level tourism data such as;

- total number of foreign arrivals
- percentage of arrivals that were business / leisure / other travelers
- total tourism receipts
- percentage of tourism income to GDP
- total value of tourism investment approved and total number of jobs created by tourism.

ALL data is published yearly by the Ministry of Tourism and the figures used in the study were the latest set of data, released in February 2014. Statistics on tourism published by Mozambique national agencies and estimates from international agencies based on national data create an inconsistent and unclear picture of the industry. Constraints in evaluating such data have conditioned the development of the report. However, wherever possible detailed analyses have been undertaken and assumptions clearly indicated. The means of data collection cited above, does not provide disaggregated stats concerning high /medium / low end travelers and as such weighted averages have been applied to the market segments based on the reported average number of days per segment to try to create a more realistic picture of the value of each segment and thus the extrapolated cost of lost spend in the greater economy.

MODELING FOR USE IN PROJECTED ECONOMIC IMPACTS

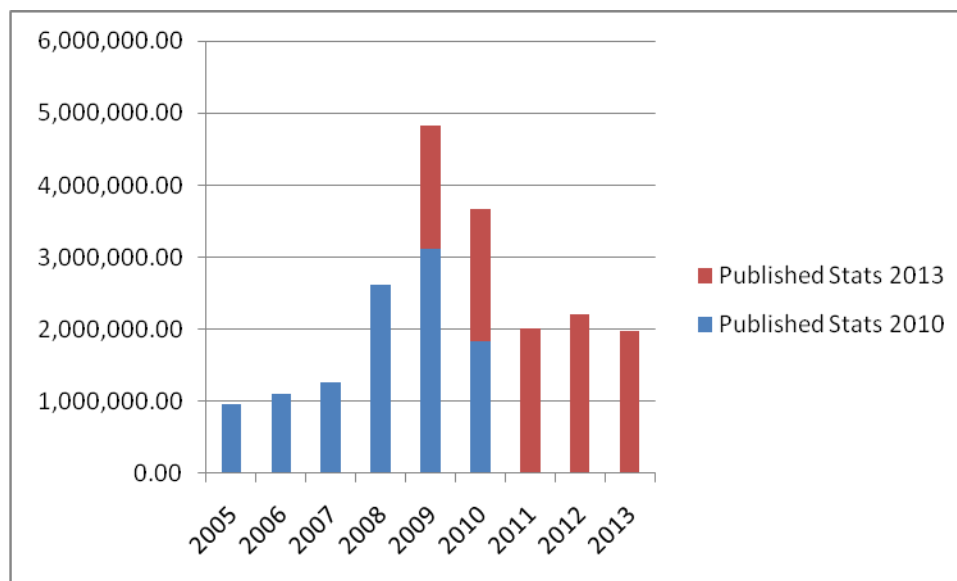
The below estimates provide an example of the means of establishing weighted averages for use in the modeling. The below example of per trip / per segment spending for foreign tourists shows a weighted average of 230 USD spend per trip for foreign visitors. This is likely **LOWER than the actual spend** but it should be noted however that if the below values are applied to the total number of arrivals by sector reported by MITUR, the total foreign spend that results for the leisure and business segments alone is considerably higher than the total foreign visitor spend reported by MITUR and WTTC (approximately 370 million vs. 293 million USD for the same period).

INDICATORS

NUMBERS OF VISITORS

Since the restoring peace in 1992, international tourist arrivals to Mozambique have grown rapidly from around 240,000 in 1999 to around 470,000 by 2004, before increasing rapidly to just under two million visitors by 2008 (an annual growth rate of about 13%). This rapid growth peaked in 2009 after which the industry experienced a sharp decline in arrivals. It is important to note that there is a large discrepancy between figures published by MITUR in 2010 and 2013 in respect of arrival numbers for 2009 and 2010. These are depicted below (Figure 1). Despite the discrepancy of the figures, the trend remains accurate in indicating that the sector peaked in 2009 and has been in decline ever since.

FIGURE 1: INTERNATIONAL ARRIVALS AND OVERNIGHT VISITORS IN MOZAMBIQUE



Source: INE / Immigration statistics

SOURCE MARKETS AND TRENDS

In 2006, according to the Foreign Investment Advisory Service (FIAS) Tourism Value Chain Analysis, the share of inter-continental travelers of total arrivals was approximately 10% in Mozambique compared to approximately 60% for the rest of Africa (FIAS, 2006). According to data published by the Ministry of Tourism (MITUR) in 2011 based on Immigration statistics for 2010, this had risen to 27.6% representing a significant growth in the intercontinental markets but still a comparatively low market share in the context of regional destinations.

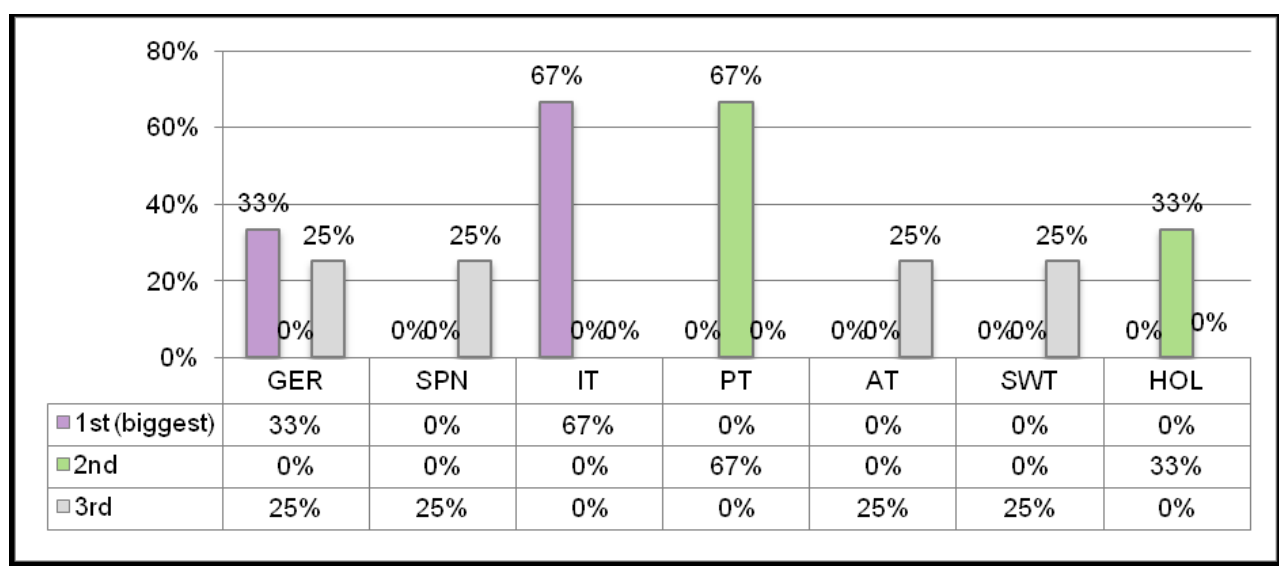
TABLE 2: INTERNATIONAL ARRIVALS BY COUNTRY OF ORIGIN

Continents/ Countries	2010	2011	2012	2013	(%) Countries/13
AFRICA	1.465.793	1.584.095	1.580.523	1.411.327	71,7
South Africa	946.583	950.941	971.868	872.017	44,3
Malawi	228.092	215.374	264.723	236.385	12,0
Zimbabwe	147.06	151.264	198.021	176.823	9,0
Swaziland	39.016	140.884	64.096	67.007	3,4
Other African Countries	237.396	125.632	81.815	59.096	3,0
AMERICAS	102.041	106.67	135.488	120.984	6,1
USA	61.825	36.228	76.603	68.403	3,5
Other Countries in the Americas	40.216	70.442	58.885	52.582	2,7
ASIA	28.211	33.293	28.661	25.593	1,3
EUROPA	219.089	284.493	444.506	396.921	20,2
UK	50.420	70.442	57.322	51.186	2,6
Portugal	25.810	67.214	86.504	77.244	3,9
Germany	23.409	11.625	11.985	20.94	1,1
Other Countries in Europe	119.45	135.212	288.695	247.552	12,6
All Other Countries	21.009	4.089	16.675	14.89	0,8
Total	1.836.143	2.012.640	2.205.853	1.969.716	100,0

Source: INE/Immigration statistics

With specific reference to the leisure market, a 2009 assessment² of inbound tour operators and hotel operators indicated that Europe was the key market region. Within Europe the most important country markets are Italy, Portugal, Germany and Holland (see Figure 2)

FIGURE 2: RANKING OF MAIN EUROPEAN COUNTRIES OF CLIENT ORIGIN BY INBOUND TOUR OPERATORS



Source: Sinnotts, 2009. Note on above: GER – Germany, SPN – Spain, IT – Italy, PT – Portugal, AT – Austria, SWT – Switzerland, HOL – Holland

MARKET SEGMENTS

According to data released by Immigration in 2011, in total over 70% of tourists arrivals in 2010 were motivated by specific personal or business reasons, while only 23% of tourists visit Mozambique with leisure, recreation and holidays as their primary purpose. The latest statistics from WTTC indicate that leisure spending accounted for 55.7% of total tourism spending with business spending accounting for 44.3%. It must be noted however that within this definition of leisure all domestic tourism and foreign tourists registered as “Visiting Friends and Family” have been included in the leisure accounting. So although this demonstrates a shift towards leisure as the main national tourism market, compared to neighboring countries where the leisure segment accounts for upwards of 70% of tourists³, Mozambique’s leisure market potential appears not to be fully realized. Equally it does not appear to have increased significantly within the industry’s overall growth, indicating that there are constraints adversely affecting

² ITC JP Tourism Study (E.Sinnott 2010)

³ FIAS 2006

the uptake of Mozambican leisure products. South Africa, with a share of 44% of all visitors to Mozambique, accounts for the bulk of Mozambique's regional traffic. This is composed of both business and leisure segments but it must be noted that of the leisure segment, South African travellers are primarily drive-ins, staying at mid to low level facilities and therefore while they represent the bulk of the arrivals they do not account for the bulk of the tourism generated revenues. The information contained in Table 3 is interesting because of the major growth between 2008 (2.6 m) and 2009 (3.1 m), followed by a drop to almost half in 2010 (1.8 m). In light of the global financial crisis and the overall slump in tourism during this period, and anecdotal indications that tourism declined during this period, there seem to be major problems with the data.

TABLE 3: FOREIGN ARRIVALS IN MOZAMBIQUE BY REASON FOR VISIT

Reason for Travel	2004	2005	2006	2007	2008	2009*	2010	2011	2012	2013
Conferencing	131,000	175,000	310,000	351,000	177,169	624,838	1,078,036	618,416	437,210	311,767
Leisure	254,000	275,000	214,000	261,000	1,251,757	1,094,913	405,164	1,009,762	1,450,245	1,294,996
Visiting Friends & Relatives	85,000	128,000	140,000	159,000	350,432	504,402	198,680	150,994	194,895	252,671
Religion	-	-	-	-	2,132	-	31,213	120,540	20,844	12,564
Health	-	-	-	-	33,525	-	4,802	1,834	9,381	14,425
Hikers	-	-	-	-	136,475	162,173	-			-
Other	241,000	376,000	430,000	488,000	665,934	724	118,248	111,094	93,278	83,293
Total arrivals	711,000	954,000	1,095,300	1,259,000	2,617,424	3,110,272	1,836,143	2,012,640	2,205,853	1,969,716

Source: INE/Immigration statistics. *2004 to 2009 Data is based on figures published in 2010.

SECTION 2

VALUE OF TOURISM TO THE NATIONAL ECONOMY

NATIONAL PERFORMANCE INDICATORS

INTERNATIONAL TOURISM RECEIPTS

The data relating to tourism receipts from the two most prominent sources (MITUR and the World Bank) show significant discrepancies in total reported values. While this may be attributable to the inclusion of airline travel in the WB figures (MITUR does not stipulate if airfares are included in their published values) what is most significant is the difference in trend indicators. Whereas the MITUR data indicates a continuing rise in revenues between 2009 and 2012, the WB data show a decline (see Table 4 below). Numerous field assessments with tourism operators provide findings in support of the WB indication of a decline and not growth in receipts.

TABLE 4: INTERNATIONAL TOURISM RECEIPTS

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

Source: WB (<http://data.worldbank.org/indicator/ST.INT.XPND.CD>) / MITUR

Note: (*) Projections – Projected Data

The projected figure of 222.8 million USD in foreign expenditure for 2013 in the MITUR data is based on the Tourism Satellite Account, however the WTTC published the figure of 294 million USD as the value realized for 2013.

ESTABLISHING LENGTH OF STAY & AVERAGE SPEND

The published statistics regarding average length of stay and expenditure, key indicators to this assessment are widely inconsistent and often contradictory. According to data published by MITUR in 2014 the average length of stay was 1.7 nights in 2013, indicating a significant drop from the annual average of 2.7 published in 2011. These figures are however in stark contrast to additional statistics published by INE in 2011, which indicated an average length of stay as 7 nights in 2010. It therefore becomes necessary to weight the published data with indicators obtained through operator level sampling. Assessments undertaken in 2011 and 2013 by the consultant with a sampling of hotel operators, travel agents and tour operators throughout the country and across the different segments indicated that in fact the average length of stay for business and leisure tourists was 2 and 5 nights respectively.

It is critically important to note that statistics in regards to the volume of each tourism segment (ie business vs leisure) are captured at the border entry posts and therefore do not differentiate or disaggregate within segments. As such business tourism numbers refer to all examples from truck drivers delivering goods to Mozambique to business people staying at high-end hotels. Similarly no distinctions are recorded regarding levels of leisure tourism and as such weighted averages have been used to calculate base and high road estimates. These weighted averages presented below, draw on national stats and operator averages to calculate a mean average of spend across the segments to define a weighted average spend per trip by market segment.

TABLE 5: FOREIGN & NATIONAL TOURIST EXPENDITURE ESTIMATES – TRIP SPEND

Low Road Estimates						
<i>USD / Person</i>	Weighted Average Spend			Totals		
Market Segment	Accom	Food	Other	Daily Spend	Avg No Days	Avg Trip Spend
INTERNATIONAL						
Business	50	20	15	85	2	\$170.00
Leisure - Low / Self Drive	20	10	3.8	33.8	4	\$135.20
Leisure - Mid level	45	25	20	90	3	\$270.00
Leisure - Highend	180	15	80	275	3	\$825.00
DOMESTIC						
Business	20	15	10	45	2	\$90.00
Leisure - Low / Self Drive	5	5	5	15	2	\$30.00
Leisure - Mid level	15	20	10	45	2	\$90.00
Leisure - Highend	250	20	50	320	2	\$640.00

High Road Estimates						
USD / Person	Weighted Average Spend			Totals		
Market Segment	Accom	Food	Other	Daily Spend	Avg No Days	Avg Trip Spend
INTERNATIONAL						
Business	100	80	50	230	2	\$460.00
Leisure - Low / Self Drive	75	30	20	125	5	\$625.00
Leisure - Mid level	100	30	20	150	5	\$750.00
Leisure - Highend	350	100	200	650	3	\$1,950.00
DOMESTIC						
Business	100	40	20	160	2	\$320.00
Leisure - Low / Self Drive	45	20	10	75	4	\$300.00
Leisure - Mid level	60	30	20	110	3	\$330.00
Leisure - Highend	350	100	50	500	2	\$1,000.00

The above estimates provide a weighted average of 230 USD spend per trip for foreign visitors. It should be noted however that if the above values are applied based on the MITUR number of arrivals by sector the total foreign spend that results for the leisure and business segments alone is considerably higher than the total foreign visitor spend reported by WTTC (approximately 370 million vs. 293 million USD). By applying high road estimated values to the same data set and increasing the number of days per trip in line with operated averages as opposed to national statistics, the result is 798 USD weighted average for leisure and 460 USD weighted average for business.

The above indicates a 111 USD per person / trip spend weighted average for Domestic tourism. It is interesting to note that according to the most recent WTTC statistics, domestic tourism spending accounts for 63.4% of the total tourism spend with 36.6% of the total attributed to foreign tourists. This is likely due to the sheer volume of “domestic tourism” which is defined by MITUR (and thus figures captured for) all people who;

- All the travelers who travelled for any reason and to any point of the country, at a distance equal to or greater 50 Km, out of their usual environment.
- Any individual travelled more than 50 km away from their usual environment , more than once , was recorded as tourists for each trip (up to a maximum of three times) ***However, expenditures for travel were considered during all trips reported by the respondent .***
- During the reporting period, approximately 4.1 million people living in Mozambique, made at least one trip within the country and if we consider that some of these tourists made more than one trip, the total number of “tourists ” captured is more than 6.3 million.

Again by applying higher daily spend values and extended days per trip in line with the operator averages, the high road estimates above provide a 310 USD weighted average for leisure and 320 USD average for business.

CONTRIBUTION TO GDP

McEwan (2004) estimated that 80-85% of tourist spend goes to GDP through taxes, investment and money circulation. Estimates of the contribution that tourism makes to GDP from the World Bank indicate relatively constant rates of between 2.0% and 2.4% of GDP between 2005 and 2008 (see

Table). In 2008 the WTTC estimates that the share of GDP was closer to 2.9%, compared with 25.8% of GDP in the Seychelles, 5.1% in South Africa, 5.6% in Zimbabwe, 5.1% in Tanzania and 4.9% in Kenya (WTTC, 2011b).

TABLE 7: DIRECT TOURISM CONTRIBUTION TO GDP (%)

Year	2005	2006	2007	2008	2009	2010*
%	2,1	2,0	2,3	2,2	2,0	5,6

Source: World Bank

According to the WTTC's latest data, the direct contribution of Travel & Tourism to GDP in 2013 was MZN13.9bn (3.2% of GDP). This is forecast to rise by 4.0% to MZN14.5bn in 2014. This primarily reflects the economic activity generated by industries such as hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). But it also includes, for example, the activities of the restaurant and leisure industries directly supported by tourists.

TOURISM INVESTMENT

Mozambique has succeeded in attracting a significant tourism investment in recent years resulting in an increased and relatively diversified tourism offer in comparison to the scope of the national industry prior to 2004. However, despite a call for foreign and national investment in Mozambique's tourism sector by the Government of Mozambique (GoM), realization of such investment throughout the country has been hampered by several key constraints including: excessive bureaucracy, persistent corruption, difficulties in securing land tenure for development due to administrative blockages and a dual system of land usage allocations (traditional vs. titled) leading to land usage conflicts, lack of infrastructural and administrative support and restricted access to financing.

CAPITAL INVESTMENT IN TOURISM IN MOZAMBIQUE

The National Directorate of Tourism (DINATUR) and the Centre for Promotion of Investment (CPI) separately publish tourism investment data annually. In comparing the figures from these two key sources it is clear that there are massive discrepancies between reported totals of approved investments, highlighting the inconsistency of published data between different sources, in respect of the sector. Of greater even consequence is the fact that neither of the institutes, nor any other government entity is tracking the actual (versus approved) volumes and values of realized investment and job creation through the tourism sector. DINATUR reported that between 2005 and 2010 tourism investment worth US\$1.19 billion was approved. For the same period, CPI published data on approved tourism investments, which estimates a higher level of investment and different numbers of jobs created to that of DINATUR (see Table 3). Both entities reported only a minimal dip in investment during the world economic crisis when trends observed on the ground indicate that the majority of planned investment during that period (2008/2009) was either not realized, was still pending or had been downscaled significantly.

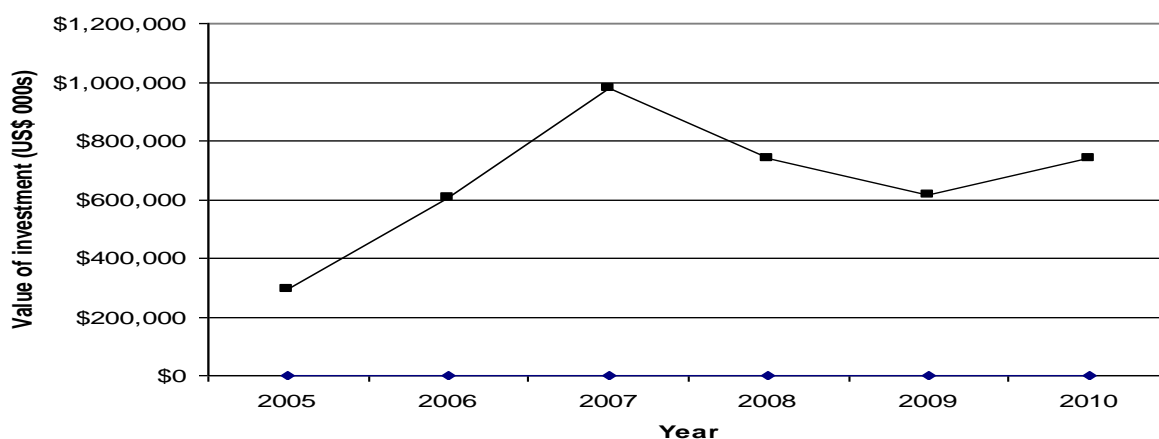
Therefore, while the statistics below provide a general overview of the national tourism investment approved they do not accurately reflect the value of investment realized.

TABLE 8: TOURISM INVESTMENT PROJECTS (ACCOMMODATION, TOUR OPERATORS & TRAVEL AGENCIES)

Description	2005	2006	2007	2008	2009	2010		2011	2012	2013	
DINATUR data							Var (10/09) %	MITUR data			Var (13/12) %
Proposals considered (US\$ '000s)	169	194	171	265	249	403	61,8	409	426	510	19.7
Proposals approved (US\$ '000s)	95	113	133	237	231	380	64,5	367	359	510	42
% approved	56,2%	58,2%	78%	78,9%	92,8%	94,3%	...	89.7	81	100	23.4
Rooms	2.704	2.899	8.04	7.756	6.422	4.893	-23,8	4440	5781	5431	-6.1
Beds	2.951	5.411	15.618	13.205	12.452	9.357	-24,9	9272	15063	9258	-38.6
Employees	2.232	4.173	17.936	5.448	4.879	4.502	-7,7	8173	5710	7228	-26
Value (10 ³ USD)	293.8	607.9	977.2	739.6	615.98	740.9	20,3	540	640	871.1	36.1
CPI data	2005	2006	2007	2008	2009	2010	Var (09/08) %	MITUR data			Var (13/12) %
								2011	2012	2013	
FDI Total (US\$) (US\$ '000s)	83,972.40	76,629.60	138,714.80	124,699.30	73,972.60	-	-40,7	35,721.00	66,091.10	34,660.90	-52.0
IDN Total (US\$) (US\$ '000s)	2,914.30	3,459.40	7,177.30	17,352.10	43,779.20	-	152,3	14,499.05	32,133.80	42,949.13	33.6
Loans and supplies	88,721.80	327,065.97	126,295.60	49,134.40	146,377.60	-	197.9	44,942.36	225,539.20	19,792.57	-87.7
Total (USD) (US\$ '000s)	175,608.50	407,155.00	272,187.6	191,185.80	264,129.40	-	38,2	95,162.41	323,764.10	97,402.60	-30.0
Employment	3,967	3,120	4,952	2,836	2,264	-	-20,2	1,318.00	3,135.00	1,521.00	-50.0

Limited available statistics means that it is difficult to ascertain the value of realized tourism investment in Mozambique. DINATUR releases information on the value of proposals considered and approved (and the number of associated rooms, beds and employees anticipated). However, there are no official figures for actual investment and construction, and real jobs that materialized. For example, DINATUR reported that between 2005 and 2010 that tourism investment worth US\$1.19 billion was approved. This investment was proposed to generate 25,478 rooms, with 58,994 beds and 39,170 jobs over the five year period. However, the calculations of total value are not equal to the sum of considered and approved proposals, and the data implies that there was only a slight drop in investment proposals during the global financial crisis period. The data also does not reveal what investments have actually been made, which implies a weakness of tracking investment proposals in the sector.

Figure 3: Approved Capital Investments



In addition, the CPI publishes data on proposed tourism investments, based on information that estimates a higher level of investment and different numbers of employees (see Table 8). It is also worth considering that any investments approved in 2010 would not equate to operational beds and jobs until at least 2012. This is due to the time it takes to obtain the licenses, environmental impact assessments, and investment allowances etc that are required. Based on data from MITUR, WTTC, it is estimated that Mozambique attracted a total tourism investment of approximately 180 million USD in 2013.

REALIZED TOURISM DEVELOPMENT AND EMPLOYMENT CREATION

According to statistics released by DINATUR, and published in Noticias (Aug 20th 2011), the result of tourism investments by 2010 equated to a nationwide total of 4,736 tourist establishments of which 1,269 were accommodation, 3,340 were restaurants and bars and 127 were travel agencies. The directorate declared that the country officially had 37,550 beds in 2010, and that the sector directly employed around 40,000 workers on indefinite contracts, 56% of which were women.

According to statistics released by MITUR in 2014, the total number of operational beds rose steadily over the period of 2009 to 2013 and are aligned with the numbers published by the Directorate in 2011 (see table 9).

TABLE 9: NUMBER OF OPERATIONAL BEDS

Category	2009	2010	2011	2012	2013	Var. % (13/12)
4 to 5 Star	3.278	---	---	---	---	---
3 Star	3.281	---	---	---	---	---
2 Star	4.684	---	---	---	---	---
Other	7.169	---	---	---	---	---
Total	18.412	37.55	38.461	40.800	45.403	11,2

Source: MITUR 2014

OVERVIEW OF THE IMPACTS OF TOURISM ECONOMY

An overview of the tourism economy in Mozambique, compiled from the WTTC's tourism satellite accounts, is indicated in Table 10 below.

TABLE 10: GROWTH IN TOURISM IN MOZAMBIQUE

MOZAMBIQUE GROWTH (MZN bn, nominal prices)	2008	2009	2010	2011	2012	2013	2014f
1. Visitor exports	4.6	5.9	7.5	7.7	8.1	8.8	9.1
2. Domestic expenditure	8.6	9.4	7.7	10.6	13.3	15.1	17.1
3. Internal tourism consumption (= 1 + 2 + government individual spending)	13.2	15.2	15.2	18.3	21.4	23.9	26.3
4. Purchases by tourism providers, including imported goods (supply chain)	-5.5	-6.3	-6.4	-7.6	-8.9	-10	-11
5. Direct contribution of Travel & Tourism to GDP (= 3 + 4)	7.6	8.9	8.8	10.7	12.5	13.9	15.3

Other final impacts (indirect & induced)							
6. Domestic supply chain	4.6	5.3	5.3	6.4	7.5	8.3	9.1
7. Capital investment	2.1	2.5	3	3.7	4.5	5.4	6
8. Government collective spending	0.6	0.7	0.9	1.1	1.2	1.3	1.5
9. Imported goods from indirect spending	-0.4	-0.5	-0.7	-1.1	-1.2	-1.4	-1.6
10. Induced	3	3.4	3.5	3.9	4.6	5.1	5.6
11. Total contribution of Travel & Tourism to GDP (= 5 + 6 + 7 + 8 + 9 + 10)	17.5	20.4	20.7	24.7	29.2	32.7	36
Employment impacts ('000)							
12. Direct contribution of Travel & Tourism to employment	237.1	251.3	216.5	234.4	257.1	273	277.5
13. Total contribution of Travel & Tourism to employment	561	591.5	537.2	572.8	681.9	717.8	724.9
Other indicators							
14. Expenditure on outbound travel	3.9	5.3	8.5	7.2	6.3	8	9.2

Source: WTTC, 2014

SECTION 3

VILANKULO CASE STUDY

CONTEXT

In order to balance the known discrepancies in the national level data, a case study was undertaken during field work in March of 2014 in the leading leisure tourism hub in the country; Vilankulo.

As there were no instances of conflict in a high value tourism areas, with the exception of Gorongosa National Park (which at the time of the assessment was closed to the public and therefore not assessable or accessible) and specifically no conflict reported in the Vilankulo District, the area was selected as the appropriate case study location for this assessment on the basis that as a destination it;

- has a diversified tourism offer which is representative of the country's overall offer – including high-end / conservation area based tourism through to mid and lower level product offers
- has a well-established leisure tourism market share, (iii) has available data dating back to 2007 collected by the consultant and verified with the local operators for comparative analysis.

The aim of the case study was to identify the extent of decline of the tourism performance, attribute the factors driving the decline, assess the potential economic losses resulting from the decline along the local value chain and ascertain what percentage of that could realistically be as a result of the conflict vs. other systemic issues.

OVERVIEW OF THE DESTINATION

The area as a whole competes in the regional market with destinations such as the Seychelles, Mauritius and Madagascar as a world class tropical marine activity / diving-based tourism destination. The District of Vilankulo is a Priority Area for Tourism Investment (PATI) as declared by the government in the 2004 Strategic Management Plan for Tourism Development (SMPTD). Though mainland Vilankulo is separated from the BANP by the bay of Vilankulo, the two destinations are largely interdependent in that they share the same marine assets and similar tourism offer and are serviced by the same supply chains and international airport and as such can be assessed as a single tourism hub.

The Bazaruto Archipelago National Park, encompasses 5 islands (Bangué, Magaruque, Benguerra, Bazaruto and Santa Carolina) and lies between 15 and 20 km off shore of Vilankulo and covers an area of

1,430 km².⁴ The BANP was proclaimed as a national park in 1971 and is currently managed by WWF conservation teams and Mozambique's National Parks Administration. The archipelago is one of the most unique and diverse marine environments left in the world. The Municipality of Vilankulo is located in the northern part of the Inhambane Province, approximately 800km north of the capital city of Maputo.

TOURISM DEVELOPMENT PRE 2011

Consistent and extensive international press⁵ and destination promotion in international markets between 2005 and 2010 has produced tangible growth of the number of high-end international tourist visiting the Vilankulo District and BANP. Prior to 2007 tourism on the Vilankulo mainland catered to a primarily regional market (South Africa and Zimbabwe) and was characterized by lower and mid-range facilities while the BANP was an exclusively a high-end destination based on the low volume / high value criteria for development in the BANP.⁶

Whereas in 2006 approximately 61%⁷ of tourist facilities were rated as lower and mid-market, rapid assessment during the field work in 2011 indicates that approximately 90% of all available beds on the mainland are now in the mid- to high-end category and that the facilities themselves constitute a much more sophisticated product within those categories than was previously the case. The BANP currently attracts high income world travellers with a preference for culturally and environmentally responsible destinations. The area is close enough to the game reserves of Botswana and Kruger National Park to make it a relevant link between bush and beach tourism for the intercontinental traveller and its destination appeal is bolstered by being rated as one of the top ten “unspoilt” tropical world-wide destinations.

National tour operators⁸ indicate that this region is the destination of approximately 65% of all high-end tourists visiting the country with the balance being distributed among the Quirimbas and other coastal destinations in the north of the country. Although there are no disaggregated figures available which indicate the total number of high end visitors country wide, the above percentage is useful in determining the location as the premier destination of this market segment.

⁴ www.panda.org

⁵ Numerous articles have consistently appeared in publications such as the Tatler Magazine, Condénaste, Sunday Times (London and New York) and British Airways In-Flight Magazine among others.

⁶ Vilankulo District Tourism Baseline Study (Thompson & Batey 2007)

⁷ Vilankulo District Tourism Baseline Study (Thompson & Batey 2007)

⁸ Dana Travel & Tours, Mozaic Tours, Vilankulo Events Management.

ECONOMIC PERFORMANCE

ASSESSING THE SECTOR

As is the case at national level, statistics published by the national agencies in respect of tourism in the Vilankulo district are extremely limited in scope and accuracy. However, the Vilankulo and BANP tourism industry was closely monitored between 2006 and 2008 by an independent consulting team in the context of evaluating its value, growth and impacts on its performance as a part of the SASOL environmental impact assessment (EIA) for off-shore seismic surveys to determine the extent of natural gas deposits in the vicinity.

The baseline data collected in 2006 /2007 was verified by industry and public sector stakeholders together with further sampling surveys conducted by the consultant in August of 2011 provides additional data forming a relatively reliable baseline against which to track current trends based on the 2014 rapid assessment. In addition to the above, significant baseline information specific to the area was gathered during the inception and preparation phases of the Vilankulo District Master Tourism Plan (2009). Findings of the VDMTP have been used in this assessment as a means of validating stakeholder statements and for comparative needs analysis purposes.

BACKGROUND TOURISM DATA FOR THE LOCATION (2005 AND 2010)

The Inhambane Province, in which the Vilankulo District is situated, has registered the second highest number of tourists received by location per annum (after Maputo City) since statistics have been tracked, with a reported average of a 7% of the national tourism share between 2005 and 2010 across the province as a whole.⁹ The Vilankulo and BANP area accounted for the majority of the arrivals in the province between 2005 and 2011

⁹ MITUR Data 2011

TABLE 11: ESTIMATES OF VOLUMES OF TOURIST ARRIVALS 2005 - 2010

Location	2005 ACTUAL	2007 ACTUAL	2010 Projected	2010 Adjusted Est.
Vilankulo	27,577	26,185	154,840	109,500
BANP	32,564	47,012	171,018	58,400
Total	60,141	73,197	325,858	167,900
Nat total	954,000.00	1,259,000.00	1,836,143.00	1,836,143.00
% of total	6.3%	5.8%	17.7%	9.1%

Source: Vilankulo Tourism Additional Study (2008) & Field Data (2011)

TOURISM CONTRIBUTION TO THE LOCAL ECONOMY

Reported findings indicated that 85% of all goods and services supplied through the Municipality of Vilankulo were destined for consumption by the tourism industry in 2007¹⁰. Based on findings of an interim assessment (Batey 2011), the figure remained accurate in 2011. Reported operational spending by tour operators (using tax authority records and operator surveys), calculated tax on revenues generated, and down-stream spending, each operational bed was estimated to have contributed US\$ 3,411.50 per annum to the local economy in 2005¹¹. Based on calculations of the total number of operational beds in 2005 (1,150) and additional local spending by activity operators (dive, boat, tours etc.) the total estimated contribution of tourism to the local economy for that year was approximately US\$ 4.1 million.

The value per annum / operational bed rose to US\$ 4,093.80 in 2007, representing a 20% increase in value. This corresponded with a general increase in standards of facilities over the same period. Assuming a 30% increase in spending per operational bed and activity (accounting for annual inflation and increased standards) between 2005 and 2011 and a total of approximately 1400 operational beds in 2011¹², the annual contribution to the local economy from tourism was estimated at US\$ 6.5 million in 2011.

¹⁰ SASOL Vilankulo District Tourism Baseline Study (Thompson & Batey 2007)

¹¹ SASOL Vilankulo District Tourism Baseline Study (Thompson & Batey 2007)

¹² Extrapolated from the Evaluation of Tourism Infrastructure in the Municipality of Vilankulo (Macuacua 2009) and assessed numbers collected in field research in 2011

TOURISM EMPLOYMENT IN THE VILANKULO DISTRICT

Based on verified employment figures and salary declarations within the district, in 2007 tourism provided 1,189 direct full time positions and contributed approximately US\$ 2.4 million in taxable income to the local economy as a result of these jobs. Whereas over 90% of management staff was foreign in 2006, as of 2011 an average of 45% of management positions were held by nationals earning an average of US\$ 1,027 per month.

The Vilankulo District Tourism Master Plan (VDTMP) cites tourism as the single largest employer accounting for 46% of all formal employment on the mainland; and assessments made in 2008 indicate that tourism accounted for 90% of formal employment on the BANP islands.

CAPITAL INVESTMENT IN THE DISTRICT

There are no consolidated national figures for the total value of capital investment in tourism in the Vilankulo and BANP areas. However, based on assessments made in 2007¹³ approximately US\$ 179 million had been invested, with a further US 43 million pending on expansion of existing entities and approved developments. Given the large scale developments which have subsequently been approved in the area (including 2 resorts in the BANP and the creation of the Inhassoro Anchor Investment Site to the north of Vilankulo), further capital investment could foreseeably double if all currently approved projects are realized.

CURRENT STATE OF TOURISM

During the course of the field assessment for this report in 2014 the extent of the decline in tourist arrivals and the depressed state of the tourism industry became clear. Through interviews with a sampling of operators intended to capture a snapshot of the industry by including facilities catering to all demographics, a clear picture emerged indicating that the local industry is currently in crisis.

- Average reported occupancy rate of operators in 2013 was approximately 10% of averages achieved between 2010 and 2011
- 50% drop in business over the peak season (Dec – Jan) in comparison to previous years.
- Average occupancy rates achieved across all market segments in March of 2014 was approximately 5 to 10% in comparison with 35 – 60% in 2011.
- Significant drop in per trip spend, resulting in reduced up take of local services and activities threatening the viability of the activity and cultural entrepreneurs in the location
- All operators indicated that they would have to reduce their work forces by 25-50% if trading levels did not return to 2010 levels within 6 months

¹³ Vilankulo District Tourism Baseline Study (Thompson & Batey 2007)

The average reported occupancy rate of operators in 2013 was approximately 10% of the annual averages achieved between 2010 and 2011. Based on interviews and held in March of 2014, operator in the destination, which historically has its peak season between Dec and Jan, reported a 50% drop in business over the peak season in comparison to previous years. The average occupancy rates being achieved across all market segments in the Vilankulo District in March of 2014 was approximately 5 to 10% in comparison with 35 – 60% in 2011. The impacts of this decline was clearly being felt by the local commercial operators, impacting the sales of suppliers along the value chain and although assessment of their realized sales was outside the scope of this assessment, it was established with commercial operators that with tourism volumes down to 10% of the 2011 levels, that the buying power of the sector which previously accounted for 85% of all local purchases, is similarly depressed, resulting in a decrease in retail and wholesale sales of goods and consumables in the region of 60% across the board.

The main supplier of goods to the tourism sector in Vilankulo concluded that the tourism uptake of supply products is currently at 25% of its peak in 2009 and that it has been in decline since 2010. In addition to the drop in arrivals and occupancy rates the operators reported across the board a significant drop in per trip spending by their guests. The impacts of this trend include reduced up take of local services and activities and threaten the viability of the activity and cultural entrepreneurs in the location. While the magnitude of the decline in tourism and its downstream impacts in the Vilankulo area cannot be overstated, the complex set of factors affecting and driving this trend equally must not be over simplified.

FACTORS AFFECTING TOURISM PERFORMANCE

During the course of the field assessment in 2014, operators and local stakeholders were asked to identify the top 5 factors positively and negatively affecting the tourism performance in order of importance. The ranked results (see Table 17 below) clearly indicate a range of systemic issues;

TABLE 11: POSITIVE FACTORS INFLUENCING TOURISM PERFORMANCE IN THE AREA

	Issue	Comments	Level of Impact	
			Short Term	Long Term
1	The attraction of the BANP Islands	USP of the surrounding area	H	H
2	Previous Reputation	Well established as a Destination	M	L
3	Mozambique as a Destination	Coastal Africa with facilities but still appealingly adventurous	L	H
4	Unique Culture	Language, Cuisine, Culture unique regionally	L	H
5	Existing Infrastructure	Relatively well developed tourism infrastructure	H	M

TABLE 12: NEGATIVE FACTORS INFLUENCING TOURISM PERFORMANCE IN THE AREA

			Level of Impact	
	Issue	Comments	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

SWOT ANALYSIS OF INTERNAL & EXTERNAL FACTORS INFLUENCING THE TOURISM PERFORMANCE IN VILANKULO

The following SWOT analysis was conducted in respect of internal and external factors influencing the current tourism sector performance, opportunities for its enhancement and potential risks to the sector. The SWOT incorporates the issues identified by respondents to numerous surveys in the District area between 2007 and 2014 and the findings of the most recent assessment with stakeholders.

TABLE 13: SWOT ANALYSIS

STRENGTHS		WEAKNESSES	
<i>INTERNAL</i>	<i>EXTERNAL</i>	<i>INTERNAL</i>	<i>EXTERNAL</i>
Exceptional biodiversity and natural assets and unique environment with international draw / appeal	Existing brand knowledge amongst certain target markets & recognition of uniqueness of destination	Limited effective environmental management	Low level of government funding to manage environmental conservation
Extensive existing tourism facilities	Solid individual marketing of facilities across mediums and markets	Suboptimal occupancies / performance amongst existing operators	Lack of destination marketing / Package options
Relatively good existing infrastructure (int. airport, road links to north & south, electricity supply etc)	Existing connections through international hubs (JHB / Maputo)	High cost of air access and services, substandard internal roads, municipal services	Low level of government funding to drive infrastructural development /improvements to support tourism operations (telecoms, health & security, cost effective services etc) and Vilankulo town in poor aesthetic condition
Range of accommodation & activities offer relatively diversified tourism offer	Appeal to different market segments	High cost of accommodation & low level of service standards (against regional norms)	Perceived by consumers as overpriced destination
		Lack of hospitality training centres - operators need to train staff on the job.	No nationally accredited standards or curriculum for tourism training

Dynamic, committed and collaborative private sector operators		High levels of corruption at local and provincial level / low level of tourism awareness & expertise amongst tourism related officials	Perceived investment risks – high
Unique cultural heritage and history		Limited community engagement in tourism value chain	Tourists experience conflict with local residents (theft, aggression, etc)
		Restricted local supply chains	
		Costs and time required for visas on entry	
		High operating costs for tourism enterprises (licensing fees, operational overheads etc)	
OPPORTUNITIES		THREATS	
<i>INTERNAL</i>	<i>EXTERNAL</i>	<i>INTERNAL</i>	<i>EXTERNAL</i>
Potential to further develop niche tourism products (MICE, Nature based, SAVE Tourism, cultural tourism)	International trends in demand for nature based, inclusive tourism increasing	Effective exclusion of private sector and local communities in destination management	Restrictive investment & trade regulations / Aggressive & excessive interpretation of regulations

Packaging product offerings	International demand for value for money destinations	Poor inter-sectoral communication / collaboration	Little political will to drive improved collaboration between sectors / transparency
Develop community based products	International interest in culture based activities	High levels of corruption and apparent lack / implementation of tourism master plan	Limited controls and accountability between national and district level government
Improve destination management through cooperation & coordination of operators / government / communities	International donor support options	High perceived investment risk	Land tenure issues, limited investment incentives
		Local security (crime & theft issues)	Renewed armed conflict north of Vilankulo
	Bush beach linkages for tourism routes (Kruger National Park - Limpopo - Banhine - Zinave - Vilanculos)	General low level of education of locally recruited staff, and lack of experience of working in service industries	

Mozambique as a whole and Vilankulo in particular, has enjoyed 10 years as an emerging destination, during which time it has been selling above its market value on the basis of its unexplored, unique and new destination status. However as international travelers increasingly seek value for money destinations in the wake of the economic crisis; Mozambique's leisure products have begun to experience a sharp decline in market position and occupancy rates (Batey 2012).

CONCLUSIONS

It is clear from the findings of the SWOT and specifically from the emphatic instance of the survey respondents that the factors which have been affecting tourism growth at a systemic level and which have not been addressed or resolved are now culminating in what many are calling “Mozambique Fatigue”. This term was coined by the tour operators who are now reluctant to book clients to Mozambique destinations on the basis that experience has shown that clients encounter much higher rates of dissatisfaction, lower levels of service, higher instances of harassment and lower perceived value for money in Mozambique than in comparable destinations such as Mauritius, Seychelles, Kenya or South Africa. The term however has come to incorporate the operators fatigue as well in respect of the seeming endless challenges they face in establishing, operating and growing their businesses in the context of high levels of bureaucracy and corruption, high costs of inputs, low levels of available expertise and their effective exclusion from collective management of the destinations in which they invest and operate.

While the renewed conflict was cited by many of the respondents as a factor affecting the tourism performance, it was not deemed by any of the respondents to be a primary cause of the currently crippled tourism industry in Vilankulo. As one respondent, an operator with more than 20 years experience in the area put it, “the renewed conflict is just the icing on the cake”.

The findings of the above assessment and presented in the SWOT analysis for the Vilankulo area are highly reflective of and precisely in line with national level assessments of factors affecting the tourism industry throughout the country as can be seen in the below summary of finding of previous USAID national assessments which cite the following as the key challenges that need to be overcome to promote sustainable growth of the tourism sector:

Bottlenecks to investment (USAID, 2008):

- Difficulties associated with land acquisition, licensing and investment incentives
- Lack of strategic planning implementation (marketing of opportunities and facilitation at local level of investment realization)
- Perceived value of potential return on investment (cost of doing business too high, lack of infrastructural requirements to support travel, access, basic services such as electricity, health, roads etc)

Bottlenecks to tourism growth (USAID, 2008):

- 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 > improved road network, road conditions and safety
- Visa requirements (too expensive and timely to acquire)

General external threats to tourism (USAID, 2008):

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

The GoM have made major inroads in establishing structures to support the resolution of some of the critical barriers including the establishment of institutes to support investment marketing and facilitation in the tourism sector (INATUR), the creation of a publicly held company to facilitate PPPs for infrastructural investments in Tourism Interests Zones (Moziaco de Indigo) and master planning and zoning of strategic tourism areas are partially complete (northern arc is completed while other areas such as Inhambane are underway.) Coupled with the creation and extension of protected areas and National Parks and Reserves, the efforts to date have established a framework for addressing many of the identified constraints. However, high levels of political will, significant reduction of corruption and larger sums of infrastructural investments will be required to fully realize initiation of investments on the scale required and to support the performance needed to see the projected potential returns. (Spenceley & Batey 2011)

SUMMARY OF THE FINDINGS

The rapid assessment amongst operators in the Vilankulo District in the 1st quarter of 2014 produced significant additional findings regarding the change of status of the tourism sector performance and the factors influencing this trend;

- 2013 / 2014 Occupancy rates have fallen to between 5 and 10% of annual achieved rates in 2011
- Planned expansions and additional investments have been postponed indefinitely pending recovery of the sector in 100% of respondents who had expansion plans at the end of 2011
- Respondents report pending reduction of staff compliments by 30 – 50% in the coming year if tourism does not recover to pre 2012 levels within 6 months
- Rack rates have been reduced in 50% of the establishments studied by between 10 and 25% and have remained at 2011 rates at the remaining establishments despite the exchange rate increases and inflation in an attempt court travellers
- 20 % of operators reported some travel agents and or tour operators cited the conflict as a reason for cancellation of bookings
- 20% of operators some reported clients cited the conflict as a reason for cancellation of bookings
- 10% of operators reported that the conflict had interrupted their supply of goods

PROVINCIAL LEVEL FINDINGS

INHAMBANE CITY & SURROUNDS

- One reported incident of armed conflict in the Maxixe region of Homoine was reported to have resulted in cancellation of up to 95% of prepaid European based tourists at one resort in the Inhambane area
- A general rate of cancellation (across the board) of approximately 60% of bookings over the Dec 2013 high season was reported by the Provincial directorate of Tourism for the Inhambane area, however the source of the figures was not stipulated.
- A statement by the Association of Hotel and Tourism representative confirmed that a drastic drop in arrivals estimated to be in the region of 60% was noted during this period and would seem to confirm the official statement from the Provincial Directorate.
- Another operator located approximately 100 km south of Inhambane (in the Inharrime District) reported a total cancellation of all bookings between Dec 10th 2013 and June 2014 and attributes these to the removal of foreign nationals' families from Maputo and / or travel bans within the provinces for foreign nationals residing in Maputo (which account for 95% of their market base) by development agencies and large businesses in response to both the conflict and the extensive kidnappings / attacks in the capital city.

While a comprehensive analysis of the driver of this trend and baseline cause for the cancellations has been undertaken as of yet, it is clear that the Inhambane area has been particularly prone to impact probably due to its proportionally high self-drive / south African source market.

EVIDENCE OF KNOCK ON EFFECTS

- Accao Agraria Alema (WHH) has been operating in the Vilankulo / Mabote / Inhassoro area for over 10 years employing 23 staff with an annual development budget of 1 million USD. Following the referenced attack on the police station at Homoine (approximately 150 km to the south), the decision was taken in Germany to close all projects (planned and underway) and all staff were let go. WHH does not plan to restart in the area until the situation is stabilized.
- Supply lines between Chimoio and the Vilankulo District have been disrupted due to the conveyance section between Rio Save and Chimoio and as such supply of products from the north for consumption (primarily chickens, some meat products and building materials) has been affected.
- Informal interviews with the soldiers at army check point which has been established approximately 30 km north of Massinga since December of 2013 indicates that while no foreign tourists have been directly assaulted, the presence of the check point has served to cause concern amongst tourists travelling to Vilankulo. Numerous cases of tourists returning from the convoy departure area of Rio Save, believing it was too dangerous to travel further north based on information obtained at the departure area were reported by the soldiers.

Section 4

THE COST OF RENEWED CONFLICT ON THE TOURISM SECTOR

In order to effectively assess the impacts of the conflict on the tourism sectors performance over the period of 2013 / 2014, it is necessary to look at; the actual incidents as they occurred; the reported version of the incidents; the reach of the reporting to the different potential tourism source markets; the extent and content of the coverage relating to the conflict; other critical factors affecting tourism over the same period of time in such a way as to distil the probable levels of impact on performance. With this established it becomes possible to assess with some level of accuracy, the cost of the impact using the findings of the rapid assessment in the case study area and applying industry trends and value established over a longer period.

The below sections aim to build this picture in a clear manner using conservative estimates and industry norms to generate projections and assessments.

INCIDENTS OF CONFLICT

The events and incidents of conflict that have taken place between 2013 and 2014 are contentious and reports vary widely. In an attempt to provide an overview of the reported incidents as context against which to assess the impacts, a listing compiled by an independent source and published by mozambicanhotels.com have been annexed (Appendix 1) hereto for reference purposes.

As a direct consequence of the conflict in the Rio Save and Muxungue areas (approximately 180km north of the Vilankulo District) the main highway EN1 has suffered periodic periods of closure and may only be traversed currently under the protection of armed convoy. This convoy has been attacked on numerous occasions and has resulted in casualties including in at least one instance a foreign tourist travelling with an overland tour group. The closure and disruption to this route from the north of the country to the south and as the main tourist route between Zimbabwe and tourism destinations in the south, has had a direct impact on the volume of travel and thus the tourism realized along this route. Furthermore, Gorongosa National Park, which has been the scene of some of the most intense conflict, has been closed to tourists and parks administration since the end of 2013.

REPORTING ON THE CONFLICT

Review of international press coverage of the renewed conflict through online research (see Appendix 2 for a full listing of sites visited and Appendix 3 for a full listing of articles reviewed) produced evidence of extensive coverage, but said coverage was largely limited to regional press outlets. The top search results indicated:

- 95% of the coverage was posted on regional press outlet websites
- 5 European / N. American countries had listed travel warning to their citizens
- All security warning listed crime above conflict in terms of risk factors for travellers
- The articles largely claimed travel remained safe for tourists and encouraged travellers not to cancel year end reservations
- The articles were largely academic in nature
- News articles emphasised the attacks as being non specific to tourists

CONCLUSIONS

A. THE EXTENT OF IMPACT OF CONFLICT REPORTING ON TRAVEL REALIZED

The reach of the press coverage regarding the renewed conflict in Mozambique was largely limited to regional audiences through South African based publications and news outlets such as GetAway Magazine and News 24. This coverage would have the highest impacted on the self drive, regional tourist demographic which is captured in this assessment as the “Leisure Self-Drive” under the foreign tourist segment and to a lesser extent the “Business” and “Leisure – Mid” demographics which accounts for an estimated 30%, 44.3% and 15% respectively. Additionally extensive coverage of the conflict on national press will have had a high level of impact on the 3 main segments of the domestic tourist market namely; Business (57%), Leisure Self-Drive (37%) and Leisure Mid (0.4%) markets which accounts for an estimated 99% of the total domestic market.

Limited reporting in the international, mainstream media¹⁴ was noted during the media research and can be assumed to have been picked up by a portion of potential international tourists. However, given the isolated reporting it is unlikely that the conflict has been a factor of much consequence in the decision

¹⁴ BBC News and CNN articles were found during the internet audit

making of mid to high end fly-in leisure tourists of mainly European origin. Where there may have been some impact is through the international travel warning issued by many of the European and North American governments in respect of travel to Mozambique. However it is worth noting that even within these travel advisories, the conflict is mentioned as a secondary factor after that of the recent kidnappings and crime levels in general.

B. THE REAL COST OF THE DECLINING INDUSTRY AND THE FACTORS RESPONSIBLE

Who knows about the conflict?

The press coverage regarding the renewed conflict has been most prominent within the media accessed by the self drive, regional tourist and the domestic tourists from all segments. There has been relatively little coverage accessible by or aimed at the international markets. Therefore it can be assumed that the mid to high end foreign tourism has been relatively unaffected by the conflict. As such, the decline of tourism in these market segments cannot realistically be attributed to the conflict.

What tourism segment is most directly affected by the conflict?

The market segments most affected by the conflict (self – drive low and mid range, regional tourists) have registered a steep decline, specifically over the peak holiday season (Dec) which is included in the assessment period. It stands to reason that self drive traffic from regional neighbors such as Zimbabwe and Malawi to tourism hubs such as Vilankulo and Inhambane would have been directly affected by the road closures and conflict zone at Muchungwe and as such a representative proportion of tourism would have been a direct loss. However, while it is true that a proportion of travelers from South Africa would have been deterred by the conflict, it is in fact much more plausible that other factors are responsible for the major decrease in peak season numbers in the southern parts of Mozambique during the 2013/2014 season.

What other factors have affected travel by this segment?

During the December 2012 / 2013 peak season, travelers attempting to enter Mozambique from South Africa via the Ressano Garcia border post faced up to three (3) day waits during which they were unable to leave the entrance queues and return to South Africa. News of the situation was reported daily by SABC for a full week.



South Africa / Mozambique Border December 2012

Although Dec 2012 was an extreme situation, the borders have become notorious amongst travelers for regular delays of 12 or more hours during holiday periods.

In addition to this, major road works have been underway since early 2013 (and continue to date) on the N4 between Nelspruit and Maputo adding a up to 4 hrs to the journey which previously took a total of 3 hrs. News coverage regarding the delays and poor road conditions have been widely published in South Africa. Beyond the border delays lay many kms of bad roads, regular harassment by traffic police and extremely poor driving conditions with little or no rescue services before travelers reach their destinations. These factors in combination would appear to have a much greater influence on travelers opting to visit Mozambique as their regional self drive destination.

In addition to the above, the exchange rate increases against regional currencies in the past 12 months and the high cost of living in Mozambique also conspire to make Mozambique a significantly less attractive destination to regional travelers than in previous years. Within the context of modern culture and the extensive use of social media, the experiences of previous travelers to a destination are immediately accessible by those considering travel to the area. Through websites such as Trip Advisor, private pages and blogs, detailed accounts of service levels, product quality, ease of travel and safety are shared instantly amongst travelers and potential travelers. In an increasingly competitive international market place for tourism with informed consumers seeking cost effective destinations, it stands to reason that many of the constraints identified by the SWOT analysis and mentioned in this section have contributed to the decrease in uptake of Mozambique tourism offer to a far greater extent than the recent conflict.

How can we estimate what percentage of the tourism decline is attributable to the conflict in the context of overall tourism decline?

By making reasonable assumptions regarding the percentage of demographics directly aware of and influenced by news of the conflict and cross referencing this awareness with urgency of travel (business needs / pre-bookings, etc) it is possible to model the estimated value of the loss of tourism directly apportionable to the conflict.

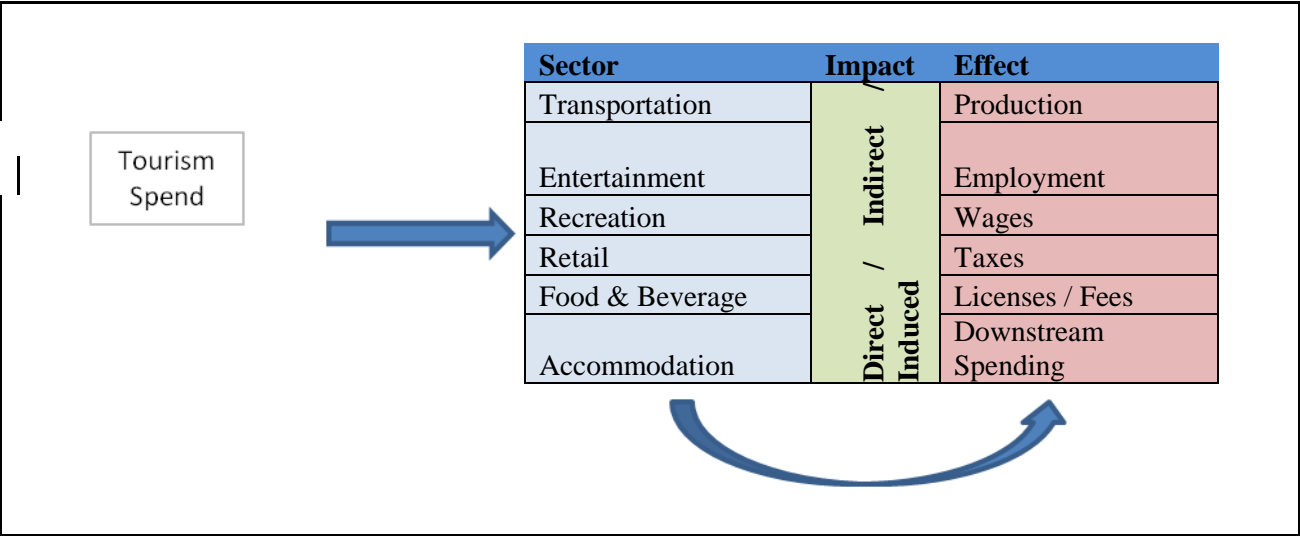
COSTS ATTRIBUTABLE TO THE CONFLICT

TOURISM VALUE CHAIN

The tourism value chain, downstream spending and secondary economic impacts of tourism on the greater economy including gains through local spending of tourism wages are often under estimated or not included in the accounting of the tourism economy. Failure to include these multipliers results in a significantly undervalued accounting of tourism's impact within a destination and on the national

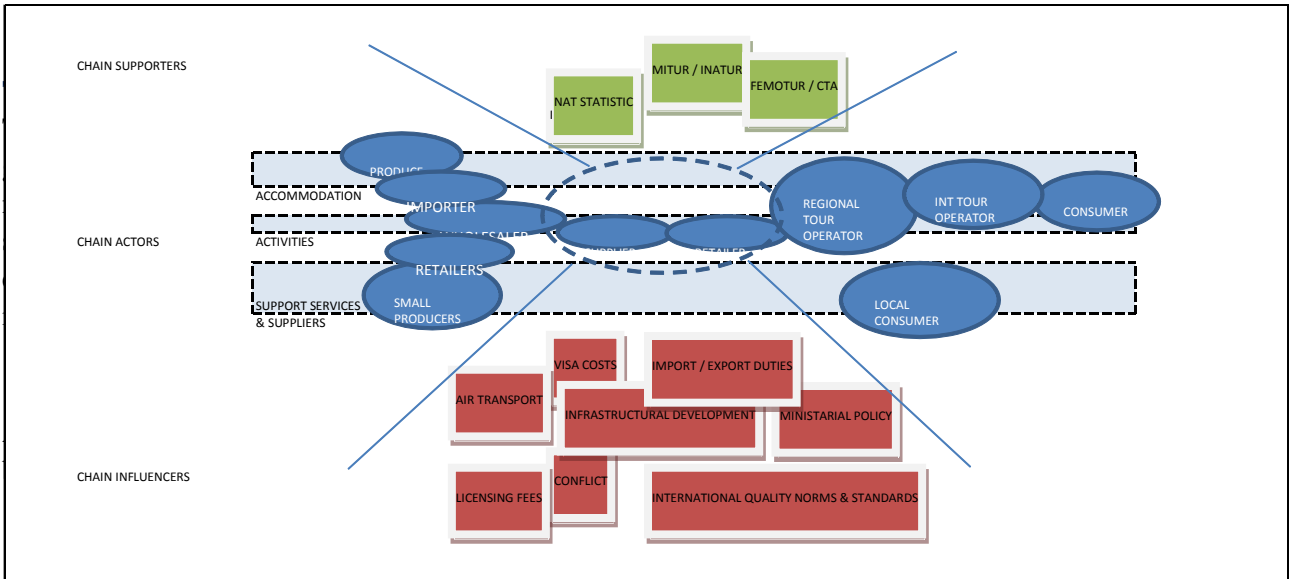
economy. The key multipliers are outlined below and clearly demonstrate the larger scope of economic impacts up and downstream that tourism has the potential to deliver.

Figure 3: Distribution of Tourism Spend



A more detailed breakdown of the tourism value chain is presented below and depicts the forward and backward relationships within the service and supply of tourism as a product;

Figure 4: Tourism Value Chain Map



The above provides clear indicators and multipliers against which to quantify the estimated costs of the impacts against values identified through field level data collection, previous research and verified national values and percentages.

TOURISM PERFORMANCE

Direct Impacts:

The below table models the estimated direct loss of income by tourist spend over the Nov 2013 to Jan 2014 period. Assumptions made include;

- Annual total trips have been divided by 12 to get a monthly average and then multiplied by 4.5 to account for the increased volumes usually achieved over peak season
- No of cancelled trips is derived from applying the estimated % of clients who cancelled against the estimated % who were aware of the conflict against the total number of tourists per segment

TABLE 14: EST COST OF CONFLICT ON TOURIST SPENDING

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

Note: Domestic Tourism Numbers do not include VVF / Health & Religious travel for the purposes of the above calculation.

The same modeling has been conducted below in respect of the high road estimates.

Segment Affected	% of Tourism	Est % of Aware Conflict	Est % of whom canceled	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	\$460	2,398	\$1,103,175.54
Leisure Mid	15	20	5	72,843	\$760	728	\$553,609.65
Leisure Self Drive	30	80	50	145,687	\$625	58,275	\$36,421,781.25
Segment Total							\$38,078,566.44
Domestic	76.2						
Business	8.8	100	10	137,752	\$320	13,775	\$4,408,064.00
Leisure Mid	10	100	5	15,137	\$330	757	\$249,756.58
Leisure Self Drive	89	100	2	134,717	\$300	2,694	\$808,303.12
Segment Total							\$5,466,123.70
Total Estimated Loss of Tourist Spend Between Nov 2013 and Jan 2014							\$43,544,690.14

The above findings indicate a fairly wide variance of the potential direct losses resulting from conflict during the assessment period. This is directly linked to the absence of active monitoring of the tourism sector and larger scale accounting of the tourism value chain in Mozambique. Without more accurate accounting of the full economic impact of the tourism value chain and timely indicators of the sectors performance it is not possible to narrow the real costs to more specific figures. Having noted this it becomes a critical failure of the existing system that full value chain modelling and real time monitoring are not standard data captures as both are necessary to not only define impacts but also devise mitigation strategies specific to events, locations and market segments.

Further to the above, if similar modelling were employed in the Inhambane context, based on the much higher level of indicated impacts (unofficially) attributed to the conflict and or to the Gorongosa region which is known to have been closed altogether in response to high levels of actual conflict within the park itself, the overall modelling would surely produce even high levels of direct losses.

Indirect Impacts:

Based on the modeling above, in which there is an overall average decrease in tourism spending of 26% it is possible to extrapolate on the WTTC figures to estimate that overall value chain spending by tourism operators would have been reduced by a total of approximately 3,250,000 USD over the same period (Nov 2013 to Jan 2014).

Note: This calculation assumes: a 26% expenditure decrease on average (foreign & domestic), applying the same decrease % to the annual total operator spend along the value chain (WTTC 2013) of 10 bill mtn @ a ROE of 30 = 86,666 mill usd / 12 months x 4.5 to account for additional spend of peak season.

Tax Revenues:

Employing the lower level estimates above, a 26% reduction in tourism spend would indicate a loss of taxable income over the period would be similarly affected. This represents a loss of 1.7 million USD in IVA alone and further impacts will be noted in the corporate taxes of the entities at year end.

Further to the above, a loss of 3.25 million USD in downstream spending represents an additional loss of 5.53 million USD in IVA on the lost sales.

TOURISM INVESTMENT

Direct Impacts:

Despite WTTC and MITUR indications that tourism investment is scheduled to continue to grow through the 2013 – 2014 period, the lack of reporting on realized investment vs. approved investment, as well as the timing between approval and realization of development, does not allow for this to aspect to be assessed within the scope of this assessment. However, based on the field assessment it can be stated that planned expansion of existing facilities has been affected by the overall decline in tourism and will remain on hold pending improved circumstances.

Indirect Impacts:

Any delays and or cancellations of planned development must be recognized as having a substantial impact on the greater economy. Each operational bed in country currently equates to the values depicted in Table 15 below;

TABLE 15: VALUE / BED TO DOWNSTREAM SPENDING

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
13. Total contribution of Travel & Tourism to employment	526,984,267	11,607
Other indicators		
14. Expenditure on outbound travel	154,174,834,262	3,395,697

Further to the above, the expenditure linked to development (building materials, loans, construction staff, etc) will also be lost as a direct result of cancelled investment. Based on the finding of the 2014 assessment within the case study area amongst the sample group of operators, all respondents who reported having expansion plans declared them to be either cancelled or on hold pending the recovery of the tourism sectors performance. In addition to the above each operational bed currently equates to 1.06 formal jobs through which an average of 6 people are supported and as such not only are current jobs and livelihoods affected by the decrease in tourism but future job market growth is equally at risk.

POTENTIAL IMPACTS OF CONTINUED CONFLICT

TOURISM PERFORMANCE & INVESTMENT

Assessing the potential economic impacts of continuing armed conflict on the tourism sector's performance is not an easy task. Should the armed conflict continue or escalate the impacts are unlikely to remain constant in terms of the estimated percentage decrease of visitors and in turn income generation. The reality is that continued armed conflict is likely to result in an escalation of events and a spread of incidents to locations other than the isolated areas currently affected. If this should occur, there is a high possibility that tourists would become increasingly aware of and potentially affected (directly and indirectly) by the conflict and as such much higher levels of impacts would be felt.

Within the bigger picture, continuing conflict does not represent the greatest threat to tourism. Given the extent and magnitude of the identified constraints affecting tourism and the resulting downturn in performance reported prior to the conflict, there are clearly more systemic issues plaguing the industry that require attention and intervention. As an element of the overall operating conditions, continued conflict is a significant threat to the industry's recovery and growth. Instances of conflict are catastrophic to the image of a country and its appeal as a leisure tourism destination or location for investment, which in turn drives business tourism. As such, the isolated instances of conflict between late 2013 and early 2014 while they appear to have had a significant economic impact already, may in fact have an increased impact over the lag period and will certainly have an exponentially increased impact should conflict continue.

RECOMMENDATIONS

The recommendations presented herein are a compilation of operator inputs, consultant's proposals and previously identified means of mitigating identified constraints where they apply to the bigger picture perspective of addressing both conflict linked and higher level factors constraining tourism performance and growth

CONFLICT LINKED RECOMMENDATIONS

REQUIRED AREAS OF ADDITIONAL STUDY

- In depth assessment of the value chain implications / points of conflict and mitigations should be undertaken to quantify the costs further and identify the critical points of intervention as a priority
- Localized assessments should be undertaken in the tourism hubs as well as conflict locations (Gorongosa and Inhambane specifically) to engage with local stakeholders in devising strategic action and repair plans focused on the needs of their destinations and linked to their specific market segments.

REQUIRED AREAS OF CAPACITY BUILDING AND SUPPORT

- The ability of INATUR to respond to disruptive events such as conflict (and in future with other potential disruptions such as cyclones, flooding, etc) needs to be strengthened and made a core function of their business planning with both skills and resources allocated annually. INATUR needs to acquire the capacity to respond – in real time – to events which impact tourist arrivals, with timely marketing campaigns aimed at key market segments. INATUR must further foster partnerships with operator organizations at a local level to ensure effective co-management of the planning and implementation of interventions.
- A **formalized** platform of engagement between INATUR and private sector in destination hubs is essential to initiating dialogue, partnering in planning and empowering private sector to effectively support INATUR with industry specific skills which may not already exist within INATUR's permanent staff composite. Formal partnerships can also be leveraged to alleviate some of the costs associated with required actions through cosponsored interventions with private sector. (*see DMO development recommendation elaborated below*)
- The Ministry's ability to intervene in the press (regional & international) with reassurance needs to be leveraged in order to maintain/ restore / repair the country's image as a secure and desirable destination for leisure tourism and tourism investment as a matter of urgency.

GENERAL / HIGH LEVEL RECOMMENDATIONS

While the findings and conclusions of this report demonstrate the presence of major systemic issues constraining tourism they also indicate a relatively positive scenario in which there are viable potential mitigations to address these acknowledged constraints. However, transforming potential interventions into real solutions requires there be sufficient political will to push the agenda forward.

Motivating this would be greatly served by the additional areas of study recommended above. The ability to demonstrate in more complete economic terms, the full weight of tourism within the national economy and the role of tourism in delivering real benefits to local development needs - even and especially within the context of the shift towards an extractive industries based economy - is vital.

Specific areas to be addressed within the scope of additional interventions should include:

DATA COLLECTION, APPROACH DEVELOPMENT & REPLICABLE

- Development of an assessment model to monitor / evaluate along the tourism value chain for ongoing use in tracking and supporting tourism performance and growth
- Monitoring of Tourism Indicators & Performance
- Real time monitoring programme to enable reactive / responsive solutions in partnership with operators Recognition of systemic constraints and effective engagement to mitigate

IMPROVED COORDINATION & MANAGEMENT AT THE DESTINATION LEVEL

The creation of Destination Management Organizations should be supported in tourism hubs with which to partner on task issues, harnessing the capacity of tourism operators to provide direction, input, expertise and ground level management & monitoring. This formalized platform is so essential to all of the recommendations herein, that the approach to enabling their creation should be developed and delivered as the most urgent recommendation of this study.

While the establishment of DMOs is a fundamentally sound and evidently necessary initiative, it must be acknowledged that previous private sector-led attempts at establishing tourism forums and associations at the destination level, through which to engage local government, have had minimal success. Based on interviews with those involved in previous initiatives, this was largely due to limited understanding, willingness and openness on the part of district level government to collaborate with private sector operators. In order to establish credible and effective DMOs within the dynamics of the individual destinations and applying lessons learnt from previous initiatives, extensive technical and financial support would be required in the initial phases of the DMO establishment and operations. Specific requirements would include;

- Technical expertise in key divisions of the DMO such as the Marketing / Tourism Development & Planning/ Infrastructure Development Prioritization and Environmental Management committees in areas such as specialized technical assistance in drafting and devising frameworks and management plans specific to the areas of operation.
- Political will to be fostered, or exerted from national level on local government to ensure meaningful participation of district / municipal level authorities

- INATUR and MITUR must be capacitated to play an effective support and advisory role to the DMO
- Private sector will need to be convinced of the value of participation and not be depended on to fully finance the DMO's development and / or operations
- Local community organizations will need to be capacitated to effectively participate in the destination management process and as members of the sub committees.

Within the context of the identified constraints and opportunities the creation of a destination management organization is a crucial and highly valuable initiative. All of the bottlenecks identified and issues highlighted by local stakeholders could be more effectively addressed through a Destination Management Organization (DMO) as a platform for multi-stakeholder co-management of the destination, as a vehicle through which to engage and lobby central level government on critical policy and funding issues, and as means to enable strategic destination marketing.

The national trend towards decentralization of tourism management and promotion in Mozambique through the creation of PATIs and facilitated under the Anchor Investment, Northern Arc, and TFCA tourism projects and the increased context for, and role of, public-private-community sector partnerships in tourism, requires new, flexible and multi-disciplinary approaches to destination management. The creation of a model for DMO development support therefore presents a unique opportunity to build and foster an approach, methods and mechanisms through which to resolve constraints facing the national industry as a whole at a contained and manageable level. Successful development of such an entity will not only define and enable growth and increased tourism revenues in the hub areas but will in turn provide a model for replication in other existing and emerging destinations nationwide.

A critical component of this recommended intervention is the capacitation of INATUR, through a Business Support Organization Development Programme to be able to foster the establishment of, and secure funding for and support to DMO initiatives in partnership with the destination- level actors. INATUR would fundamentally enhance their relevance as a support agency to the tourism sector through the development of such a model both in times of disruptive events such as conflict as well as over the longer term growth curve.

APPENDIX

- 1. CALENDAR OF EVENTS**
- 2. LIST OF WEBSITES REVIEWED**
- 3. LIST OF ARTICLES REVIEWED**
- 4. LIST OF STAKEHOLDERS CONSULTED**

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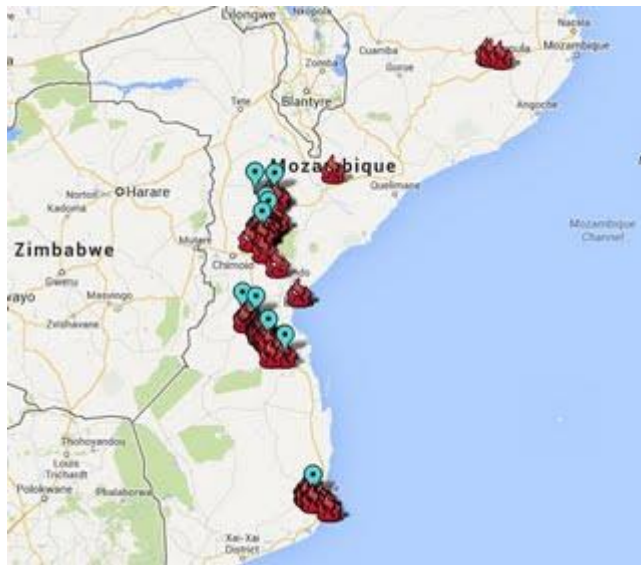
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Annex 1 – Calendar of Events

A Calendar of Events 2013 - 2014



Map from @Verdade Newspaper
Fire indicates confrontation points

11/04/14 - For civilians and visitors life has returned to normal however fighting still continues in rural areas around Gorongosa

01/04/14 - Men believed to be linked with Renamo attacked a train carrying coal from Tete to Beira belonging to Mozambican giant Vale

31/03/14 - Reports of up to 30 guerrilla attacks over the weekend remind us that there is some way to go before real peace is attained

30/03/14 - Continuing stability is maintained and continuing talks between Mozambique's main political parties are progressing

26/03/14 - Populations up around Gorongosa are finally returning to their homes after six months of intensive fighting in that area - the first clear sign that the conflict is finally ending

25/03/14 - Today marks two months since any attack on any civil targets or the important Muxungue - Rio Save military column.

24/03/14 - Calm remains for civilians and tourists countrywide despite continuing military fighting up around Gorongosa and Inhamitanga

18/03/14 - Renamo spokesperson predicts the cease-fire between Renamo and Frelimo will begin at the start of April

07/03/14 - There have been rumours over the last week of attacks on the Muxungue convoy but not a single media source confirms this

25/02/14 - Today marks *one month* since the last civilian attack. With now over four weeks since the last attack on the Muxungue / Save River column common sentiment is that the trouble is over for now. The situation will remain delicate politically until the elections in October but the trouble that crippled the tourism industry in late 2014 appears over for now

21/02/14 - Concessions agreed upon during meetings with Renamo and Frelimo were passed by Mozambican Government today

14/02/14 - Yesterday marked a very important day in talks between Frelimo and Renamo being the first with the presence of five national mediators. Mediators were chosen by both parties

12/02/14 - Stability continues over two consecutive long weekends as the bi-election took place in Gurue with MDM winning another bi-election

10/02/14 - Very positive news to come out of government talks today confirm that both parties have come to an agreement upon the composition of the CNE (National Elections Committee), one of Renamo's main sticking points

09/02/14 - Concerning reports that the FADM are still bombing Mount Gorongosa with heavy artillery despite the positive talks that began two weeks ago

31/01/14 - Continuing positive talks between Frelimo and Renamo provide further hope that the conflict can soon be over. The important request by Renamo that the electoral registration (that began earlier this week) be extended by two weeks was instantly accepted demonstrating that the government is serious about encouraging Renamo to participate in October's Presidential elections.

29/01/14 - In very positive news Frelimo and Renamo have recommenced to talks after two months of stalemate with the important presence of mediators/observers. Also, a Renamo member in Quelimane announced that they would be running in the Presidential elections in October of this year. (Roads that were cut by flood waters are now moving again however very slowly)

25/01/14 - The military column was attacked once more today making a second weekend running of attacks on this column. Complicating travel between the north and south is flood waters that have cut the EN1 at various places between Vilanculos and Inchope

22/01/14 - Increasing reports of Renamo troop buildups around the country, amongst the most concerning near Moatize in Tete

19/01/14 - Another attack on the column this morning and sadly more victims. One a FADM Major.

18/01/14 - The military column between Rio Save and Muxungue was attacked again this morning with two deaths and three wounded

16/01/14 - Sporadic attacks reported, one at a police station in Funhalouro, Inhambane (one Policeman was killed), and another on local shop owners also in Inhambane Province

15/01/14 - After two weeks without an attack the military column between Rio Save and Muxungue was hit today with two victims renowned football players returning from a game. Concerning reports, also, of Renamo build-ups in Niassa, Cabo Delgado, and even Matola in Maputo Province.

13/01/14 - Still no attacks on column since 1st of Jan but fighting has taken place in Homoine district, just outside Inhambane city - the southernmost area of fighting since the war began in October

06/01/14 - No attacks on the column since the first of Jan, but the build-up of Renamo troops near Inhambane city causing a lot of concern, including thousands of families abandoning their homes and fleeing to the city

04/01/14 - Concerning reports of a build up of Renamo soldiers in the district of Homoine (near the city of Inhambane) - the first indication of the war heading further south

01/01/14 - A second morning of attacks on the military column was reported welcoming us into 2014. No casualties were reported

31/12/13 - After weeks of relative calm in the centre of the country the military column was again attacked today. Fighting between government and Renamo troops is still continuing near Gorongosa

17/12/13 - Another attack today on the military column between Rio Save and Muxungue

15/12/13 - More attacks on the military column and more victims. At least one civilian victim this morning along with a number of military deaths.

12/12/13 - More fighting took place around the Muxungue area with more military wounded

11/12/13 - There was more serious fighting around Satunjira with reports that the government was trying to take back the base that Renamo retook earlier this week. Renamo retaking this area is a very serious development proving that the opposition has more potential than previously expected

10/12/13 - The convoy was attacked once again today at around midday once again in the dangerous Muxungue area. Military vehicles providing protection were hit

09/12/13 - An LTM bus travelling between Beira and Maputo was attacked today with three seriously wounded. The bus was riddled with bullets whilst travelling between the dangerous Save River/Muxungue section

05/12/13 - Once again the military convoy was attacked this morning and suspended for the evening due to the dangers with attacks continuing at trenches that have been made in the highway

04/12/13 - Three days of relative quiet despite a win for the opposition party in the municipal election in "the capital of the north" Nampula. Today a Police Station, health post, and the house of the Administrator, were vandalised by armed men in Nhamatanda, near Beira

01/12/13 - A civilian was gravely injured in another attack on the military column this time near Ripembe River. The attack happened at another location where the highway was interrupted by a trench.

30/12/13 - Three days of quiet in the dangerous Muxungue area is broken by another military column being attacked. No reports of civilian injuries but a civilian bus was riddled with bullets. The city of Beira back to relative normalcy.

27/11/13 - Riots in Beira, and a shooting near Muxungue highlighted that things are still not back to normal in Central Mozambique. Riots were provoked by disputed reports of forced army recruitment. The shooting near Muxungue was of a local teacher who was waiting for transport in the dangerous Rio Save - Muxungue strip.

26/11/13 - A bus travelling from Beira to Maputo was attacked in the military column near Muxungue. There were a few reported injured but no fatalities



One of the trenches dug into the EN1 near Muxungue

21/11/13 - There was an attack on a commercial vehicle near the town of Maringue. Two youths, sons of the driver, were killed in the attack on this civilian vehicle.

20/11/13 - After five relatively quiet days there was an attack at the Pungue Bridge. Renamo attacked that FADM vehicle at this bridge while commercial vehicles were not attacked. (Thanks to Nick at Exec Logistics)

Election Day - In summary very calm and organised however a number of reported incidences of violence and fraud.

16/11/13 - A political rally in Beira turned ugly with a few fatalities, and many injured. The government insists that the special forces only shot upon the crowd when they attacked government cars, whilst the opposition (MDM) maintain that it was a peaceful rally that turned into a stampede when special forces started firing live ammunition and tear gas.

The large trench cut into the EN1 is still causing concern as it requires a small detour and armed men are still in that area

15/11/13 - In the first reported attack in four days military were attacked on the dangerous Rio Save to Muxungue section of the EN1. Two men were killed (1 of FADM and the other Renamo) and nine more injured when they had stopped at a huge trench cut into the highway. Transit is currently cut off. Another attack was registered in Nampula Province on the highway that links Nampula with Cuamba. The driver is in critical condition. Authorities affirm that the civilian truck was attacked with the objective of stealing its load (food supplies)

11/11/13 - Gorongosa National Park staff attacked in Park vehicle near Gorongosa, none wounded. FADM forces attacked near Maringue, 4 wounded, 1 fatality. Near Nampula men dressed in Renamo fatigues sacked a business a set fire to building and car.

10/11/13 - Fighting registered between FADM and opposition near town of Gorongosa. Numerous wounded military reported.

09/11/13 - Passenger Bus attacked near Muxungué despite protection from military column. Three passengers wounded by bullets.

07/11/13 - FADM attack house of Village Chief Mangune (Dhlakama's father) near Province of Manica

06/11/13 - At least 8 FADM military killed in fighting around Vunduzi. A Health Post was attacked by men in Renamo uniforms and all health supplies stolen

05/11/13 - Military column attacked again between Rio Save and Muxungue. One civilian killed, and three wounded, including one pregnant woman. More fighting between Renamo and FADM near Maringue - unconfirmed how many casualties. Fighting also reported near Vunduzi with reports of truckloads of casualties being transported to local hospital.

04/11/13 - Military column attacked again between Rio Save and Muxungue. One of the victims was a Jeep that escaped into the bush before rejoining the column. At least two civilians wounded. In the only attack reported so far in the Province of Zambézia. The Renamo position was being attacked by heavy artillery.

03/11/13 - Military column attacked again between Rio Save and Muxungue, no reports of injuries. Further north at River Pungue two vehicles were attacked. There were no reports of injuries but one of the vehicles was torched.

01/11/13 - Military column attacked again between Rio Save and Muxungue, wounded taken to hospital in Vilanculos. Anglo-Australian company recommends family members of workers temporarily return to their countries until situation stabilises.

Source: <http://www.mozambicanhotels.com/tourist-information/travel-safe-in-mozambique>

ANNEX 2 – LISTING OF WEBSITES REVIEWED

Internet Search Results Regarding Renewed Conflict in Mozambique in the International Press



1. 12:27 AM

[ConflictMap.org :: Mozambique - Renamo](#)

file:



7. 12:23 AM

<http://www.iol.co.za/travel/world/africa/confict-threatening-mozambique-tourism-1.1605368#.U0hrRaiSzp0>

www.iol.co.za



8. 12:22 AM

[Confict threatening Mozambique tourism - IOL Travel Africa | IOL.co.za](#)

www.iol.co.za



9. 12:22 AM

[overland truck attached in mozambique - Google Search](#)

www.google.co.mz



10. 12:22 AM

[Google Groups](#)

groups.google.com



11. 12:21 AM

[Mozambican tourism under fire - Times LIVE](#)

www.timeslive.co.za



12. 12:20 AM

[Mozambique armed convoy attacked - 4x4 Community Forum](#)

www.4x4community.co.za



13. 12:17 AM

[Mozambique's Renamo says leader "hunted", gov't cracks down](#)

www.trust.org



15. 12:15 AM

[Attacks threaten Mozambique tourism - Telegraph](#)

www.telegraph.co.uk



[allAfrica.com: Mozambique: Renamo Escalates War, Killing 8 Soldiers & Attacking Health Post](#)

allafrica.com



[articles in Getaway about Mozambique - Google Search](#)

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[Political unrest in Mozambique may impact tourism - Yahoo News South Africa](#)

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ANNEX 3 – LIST OF ARTICLES REVIEWED

Article	Date	Published By
American Government Travel Advisory		
Thosuands of Mozambicans displaced by fighting	08/03/14	AP
US Condemns Violence in Mozambique	31/10/13	Reuters
Think Twice Before Heading off This Festive Season		Getaway Magazine
Attacks Threaten Mozambique Tourism		UK Telegraph
Zimbabwe warn Mozambique's Renamo not to Resume War	23/10/13	BBC
Travellers Warned of Delays on N4 During Easter	10/04/2014	Beeld
Suspected Mozambique Rebels Kill One in Ambush	15/11/13	
Southern Moz Safe for Festive Season Travel	28/11/2013	News 24
Renamo Rebels' Attack Moz Businessman	13/11/13	SAPA
SA Tourists Advised to Be Careful in Mozambique	24/12/13	SAPA
No Need to Cancel Moz Trips	07/11/13	Today's News
Mozambique on the Edge	16/12/13	Guardian Professional
Moz Unrest did not Deter Holiday Makers	15/01/14	SAPA
Mozambique Tourism Under Fire	12/11/13	The Daily Telegraph
Mozambique Crime & Safety Report	20/02/13	US Dept of State
Foreign Travel Advise		
Mozambique Visitors Warned Against Bribes	21/12/13	African Eye
Mozambique's Renamo says leader "Hunted"	30/10/13	Reuters
One Dead in Armed Attack on Convoy in Moz	26/10/13	AFP
Mozambique Still Safe for Travel, Civil War Unlikely	18/11/13	ERM
Moz Violence Worries Government	24/10/13	SAPA
Mozambique Confirms Fresh Clashes	08/11/13	SAPA
Moz Forces Overrun Second Rebel Base	29/10/13	SAPA- AFP
Foreigners Flee Mozambique	10/11/13	Sunday Tribune
Rio Tinto Withdraws Families in Moz	01/11/13	AFP
Tensions Rise Between Mozambique's Former Civil War Foes	22/10/13	SAPA
Conflict Threatening Mozambique Tourism	11/11/13	SAPA- AFP
How Safe is Mozambique		Mozambique Hotels

ANNEX 4 - LIST OF STAKEHOLDERS IN THE FIELD RESEARCH PROCESS

Entities Consulted

Vilanculos Beach Lodge

Beach Bums

Hotel Dona Ana

Casa Rex

Bahia Mar

Casa Cabana

Vila dos Sonhos

Deacra

Golden Sands

Taurus Distributors

Dunas de Dovela

Diversity Scuba Diving

Hotel Tofo Mar

Blue Moon Resort

Casa na Praia

**Associacao de Hoteleria e Turismo de
Inhambane (AHTI)**

Sailaway Dhow Safaris

Big Blue Charters

Ministry of Tourism

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Municiple Councilman for Tourism