

### **USAID/MOZAMBIQUE TOURISM PROGRAM – Statement of Objectives**

#### **PURPOSE**

USAID/Mozambique is considering the design and implementation of a tourism program that contributes to poverty reduction both directly, by generating measurable economic benefits (jobs and investment), and indirectly, by demonstrating the positive effects of economic liberalization, and which can be replicated in other locations and in other sectors of the economy.

#### **BACKGROUND**

##### **USAID Mozambique:**

USAID/Mozambique has a new country strategic plan (CSP) for the period 2004 to 2010. The plan has several Strategic Objectives (SOs) where USAID will focus its efforts, one of which is SO7: Labor Intensive Exports Increased. SO7 is concerned with creating a favorable operating environment for business and has several activities underway that are designed to remove constraints to private sector investment and employment. Examples of constraints to business are pervasive red tape and corruption, unnecessarily restrictive labor laws, low human skills and capacities, insecure land tenure, and poor infrastructure.

The SO7 program combines general policy analysis, advocacy and implementation at the national level with more focused work in specific sectors of the economy. USAID directly works to achieve poverty reduction through economic growth utilizing a program of reforms to the business enabling environment, with success to be measured by increased investment and employment in target areas.

##### **Government of Mozambique:**

The overall objective of the Government of Mozambique's development program is a reduction of poverty to be achieved through rapid and sustained economic growth.

Tourism is a priority sector for the Government of Mozambique, which recently adopted a *Strategic Plan for the Development of Tourism (2004-2013)* and updated the national tourism law.

**Tourism sector:**

Tourism is the fastest growing sector of the Mozambique economy, partly because tourism is more forgiving of higher cost structures and partly because of Mozambique's unique natural endowment - Mozambique has great potential for economic growth, in large part because of a long and pristine coastline. As a sector, it offers significant labor-intensive long-term growth potential, and is less sensitive to modest currency overvaluation than commodities.

Key aspects of the tourism sector situation include:

- Coastal areas are world class, and complement regional tourism marketing efforts.
- Rich history and culture, with Ilha de Mocambique, Ibo, and other cultural sites.
- Healthy, intact eco-systems and biodiversity, with several large protected areas.
- Donor support, with potential to leverage USAID/Mozambique's efforts with large World Bank/IFC program.
- Several existing frameworks for private tourism investment – Spatial Development Initiatives (SDIs), Transfrontier Conservation Areas (TFCAs), Elephant Coast Development Authority, etc.
- Close ties to Johannesburg hub, with South Africa generating most tourist arrivals nationally for the near term; although in the north, the opening of the Nacala airport could increase overseas tourist arrivals via Malawi and Tanzania or directly from Europe.
- Existing and successful cruise ship market.
- Weak financial services sector, making access to capital and cost of capital a constraint.
- South Africans presently dominate investment in Mozambique's tourism sector.
- Transportation and communications infrastructure is limited (in extent and capacity), particularly in the north where geographically focused activities will take place.
- Formal land tenure systems are prone to red tape and corruption.
- Investors seeking land for development are faced with complicated and time consuming procedures, which vary unpredictably depending on location, size, and other factors.
- Long-term concessions, once granted, are not recognized by the banking sector as collateral for purposes of getting financing.

- Human skills and capacities are weak in the public and private sectors. In particular, levels of education, skills training, and public participation for women are low compared with those for men.
- There are a number of training and capacity building programs focused on the tourism sector, although their effectiveness may be questioned.
- Reliable and accurate statistics are rare in Mozambique.
- Summer temperatures and humidity are high.
- Malaria and other tropical diseases are a concern, and seasonal rains interfere with overland and air travel, occasionally for extended periods.
- Portuguese is the official language and proficiency is essential, particularly outside of Maputo.