Inception Report

Zambeze Valley, Mozambique
Sustainable Development of competitive Tourism and Hospitality services

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1 Introduction and background

This inception report is prepared on request of *Agencia do Valle do Zambeze* (ZVDA) and is the first deliverable in a foreseen strategic collaboration with Breda University of Applied Sciences to support the strategy of the agencia in supporting the growth of a competitive private tourism and hospitality (T&H) sector in its region, as well as facilitating the enabling public environment of the same.

This inception report is based on analysis of secondary data as well as interviews with representatives of public as well as private sector, sustained in each of the four provinces that include the Zambeze Valley. Data were collected during a mission of 8 days in the region, where a total of 18 interviews were sustained with public and private actors in the T&H industry. All interviews were structured as open conversations, together with local delegates of ZVDA. The methodology of our work may be visualized as **3 interlinked thematic work streams** relevant for future development of the Zambeze valley T& H industry:

- *Travel trends and demand* for tourism services: initial assessment of potential visitor markets for Zambeze Valley, taking into account the country tourism strategy;
- *Supply* of tourism services: initial assessment of current supply of T&H services in the 4 provinces that relate to the Zambeze Valley;
- Unlocking the potential for *creative innovation,* complementing the national tourism strategy.

The report is structured in five sections. After this introduction in the next paragraph, a preliminary analysis on the Mozambique and Zambeze Valley T&H industry will be presented. Subsequently we will present our findings on demand as well as supply for T&H services. In the next section we will present our impressions on the potential for creative innovation and the last section includes a proposed approach to activate this potential.

2 Tourism and Hospitality in Mozambique and Valle do Zambeze

In order to describe the Mozambique landscape of Tourism and Hospitality (T&H) industry, we base ourselves on a widely used definition of the World Travel and Tourism Council[1].
WTTC calculates the direct economic impact of tourism based on the revenues related to visitors from the following five industry categories: accommodation services, food and beverage services, retail trade, transportation services, cultural sports and recreational services. For calculating employment, WTTC includes employment by hotels and accommodations, travel agents, airlines and other passenger transportation services (excluding commuter services), as well as activities of restaurant and leisure industries directly supported by tourists. This direct contribution of Tourism to a country's GDP reflects the 'internal' spending on Travel & Tourism, i.e. the total spending within a particular country on Travel & Tourism by residents and non-residents for business and leisure purposes. This also includes 'individual' spending by the government on Travel & Tourism services directly linked to visitors, such as cultural (e.g. museums) or recreational (e.g. national parks).
For Mozambique, the T&H industry is one of the main sources of foreign currency and export revenues. To spur its growth, the government already prepared an excellent tourism strategy in 2015 (2016-2025)[2] containing a clear vision on the ways to exploit the potential of this industry. We will not repeat the situation analysis that was prepared for this strategy, but zoom into the area of the centre of Mozambique, which is the focus of our analysis.

Mozambique is facing tough competition as a tourism destination: the World Economic Forum[3] ranks Mozambique 122nd in the global tourism competitive index. It improves considerably, rising 8 places, and ranking 122nd. The strengths of Mozambique's competitiveness is its natural resources and its very open visa policy (8th). According to WEF, the country rose in 2017 through improvements in ICT readiness (123rd, up 11 places), resulting from increased mobile phone usage, by reducing taxes and charges on air transport, and by placing more value on its natural resources.
Mozambique has slightly increased the surface of protected areas and has managed to improve the awareness of its outstanding natural resources (73rd), ranging from safari parks to pristine beaches and islands.
The country's environmental sustainability is positive (64th) and the amount of threatened species is low. WEF also mentions risks such as the lack of water treatment systems and deforestation, resulting from illegal logging. Tourism potential in Mozambique remains largely untapped. Infrastructure (121st), human resources (129th), and health and hygiene conditions (136th) are all factors that require significant investments and would generate substantial returns for the tourism sector, but also for the country's overall competitiveness and productivity.
When connecting the tourism strategy to the Valle do Zambeze, it includes one of the main national priority areas for tourism development : the Gorongosa/ Chimanimani destination. It also proposes to extend the Gorongosa park and develop the Maromeu wetland reserve as a new tourism area. As ca be seen later, from our interviews in this inception mission, this last Maromeu development appears as one of the feasible and interesting approaches to explore in collaboration with ZVDA.
Also, the Beira rail and road corridor are recognized as a major growth influencer, which is expected to generate more and more demand for extended business tourism services.

[1] WTTC, 2017 Economic Impact of Tourism in Mozambique, 2017
[2] Government of Mozambique: tourism strategy 2016-2025.
[3] WEF tourism competitive index 2017

3 Demand: potential visitor segments in Zambeze Valley

In 2017, visitor number to Mozambique are expected to grow by 11.3%, and the country is expected to attract 1,790,000 international tourist arrivals[4]. This is still far away from the peak in 2012 (over 2,1 million visitors), but the negative trend has been reverted clearly last year. In 2017, foreign investment in tourism and travel is increasing again with 2.2%. Most interested investment parties are coming from China and South Africa. Investments are expected to further grow by 3.0% pa over the next ten years to MZN17.6bn in 2027.

Holiday and vacation travel spending (inbound and domestic) represents 34.1% of Travel & Tourism GDP in 2016 (MZN15.7bn) compared with 65.9% for business travel spending (MZN30.3bn). All market segments in tourism are growing: business travel spending is expected to grow by 6.3% in 2017 to MZN32.2bn, and rise by 6.7% pa to MZN61.8bn in 2027. Leisure travel spending is expected to grow by 8.5% in 2017 to MZN17.1bn, and rise by 5.2% pa to MZN28.3bn in 2027. Growth is driven by cross border African (Zimbabwe, Malawi, Zambia South Africa) visitors. Also, the segment of Africans coming for holiday/vacation purposes, though still small (5%), is growing fast.

The tourism ministry of Mozambique has approved a long term national tourism strategy fort he period 2016-2025. This strategy gives a clear overview of challenges as well as opportunities for development. When zooming into the area of Zambeze, related to the national strategy, the following table summarizes 4 market segments that have been identified for exploring future growth:

1. The *'high end' Gorongosa park visitor* (ecotourist and nature lover) and the *Maromeu ecotourist explorer.* These are both tourists that come from outside Mozambique and are looking for a unique ecotourism wildlife experience.
2. The *cross border transit visitor.* These are business people that might extend their stay, because they are attracted by certain events or activities that take place alongside or near the Beira corridor.
3. Traditional *backpackers.* The region is unexplored and includes a lot of challenges. This will attract a specific group of regional backpackers that are not looking for standard solutions but explicitly look for unpaved and new experiences. The region around Zambeze offers wide opportunities for these tourists.
4. International *temporary migrant workers.* These could reside in Tete, or in other areas such as Beira, where their mainly industrial, mining or transportation companies might be operating. These (Chinese, Indian, South African or other nationalities) workers are staying for a longer period of time and require a set of leisure facilities in cities and areas around.

The following table presents an overview of products that could be offered to these market segment. These can be seen as complementary to the national strategy that has not analysed indepth the various market opportunities.

[4] WTTC, 2017

Table 1: Zambeze Valley visitor segments

Visitor segment	Growth potential	T&H Development needs
"High end" Gorongosa Park visitor Potential Maromeu ecotourist explorers	Increased numbers /length of stay by offering 1) Diversified, high quality (unique) leisure experiences ("Livingstone on the river" or "Maromeu wetland virtual and real tour") 2) Improved local accessibility 3) Improved transport services, travel agents, car rental etc.	Extend boundaries National Park Gorongosa Investments infrastructure towards Maromeu Eco-tourism product diversification (Zambeze river) Marketing / business development Gorongosa Park Create /communicate storylines (digital /virtual reality) SME business development (travel agents, Food and beverages) Training of T&H staff
Cross border transit visitor	Increase length of stay and daily spending by: 1) Improved quality, diversified range hotel services 2) Diversification and improved quality of restaurants and dining services *alongside the Beira-Zimbabwe corridor*	- Investments in Hotels and restaurants alongside the Corridor - SME business development (hotels, F&B) - Training of T&H staff
Backpacker	Increase numbers and their experience by: 1) Improved local transport , travel agencies 2) Improved visa arrangements 3) Higher quality (cheap) accommodations 4) Leisure and recreational activities (festivals)	- Create and innovate leisure activities (concerts, events) - Promotion Zambeze as unexplored destination - SME business development (travel agents, hostels)
Temporary migrant worker Domestic middle class	Increase domestic spending by: 1) Improved local transport 2) Innovative leisure and recreational services 3) Diversification of restaurant / dining services	- Investments in local transport services - Development of (adventure) leisure like hiking, climbing, (river)water sports - SME business development - Training of T&H staff

4 The T&H private sector in Zambeze Valley: disconnected value chains and quality concerns

In order to assess the quality of supply of T&H services, it is best to use a **value chain approach** to understand T&H subsectors in selected geographical areas. This allows the programme to analyze all stakeholders that manage the visitor "cash flow and income stream". Services delivered by informal and smallest (micro-enterprises) businesses at the **bottom of the value chain** (tourguides, taxidrivers, small restaurants, transport companies) may be better secured through a **joint understanding with larger (formal) players in the chain** (hotel chains, transportation companies and tour operators) that have long term fixed investments at stake.

As a first step in this, we present in the table below, an overview of the 4 provinces that connect to the Zambeze river and their current tourism profile.

Table 2: Overview of tourism 4 provinces Zambeze Valley

Item	Tete	Zambezia	Manica	Soffala
Province tourism destination profile	Coal mining province, extraction, rail road, hot and dry region. Limited cultural resources. Entry gate for business travellers and migrant workers Cahora Bassa and national park in development	A large diverse province, with a large coastline and Quelimane airport as entry gate for domestic travellers. Fishing communities, known for shrimps production. River valley with many options for develoment	Business corridor area for international travellers and trucks moving from Beira port to the west and viceversa.	Mixed region including urban industrial harbour (Beira) and national park Gorongosa. Hub for ecotourism and transit visitors.
Main market segments	Migrant workers Domestic businesspeople Ecotourists (national park)	Domestic business tourists for short retreats and conferences Domestic and international leisure visitors for gastronomic and other events Some (international) beach tourists	Businesspeople Truckdrivers and transit visitors (International) migrant workers	(international) businesspeople, migrant workers. Eco-tourists (Gorongosa park, Maromeu)
Market size	App. 8.000 per year, avg stay 1-2 nights	App. 8.000 per year, avg stay 3-7 nights App. 35.000 local visitors festivals Carnaval/ Zalala	App. 16.000 per year, avg stay 1 night	App. 50.000 per year, avg stay 2 nights
Main products	Zambeze river experience Mining history Some big animals / safari Some local events	Gastronomy, beach, festivals (Carnaval, Zalala). Ecotourism related to the Zambeze river delta	Limited. Some festivals.	Some festivals Beira (shrimps) Gorongosa park (7.000 per year)

Secondly, throuugh the interviews we have sustained with the private sector in the four provinces, we could get a first appreciation of the quality of T&H services offered. These impressions are presented in the following table.

Table 3: summary of findings interviews: capacties of private sector

SMEs in Value chain	Tete	Zambezia	Manica	Soffala
Accommodation	Good hotel offering, but low hotel occupancy rates (10%) Demand for leisure activities to satisfy migrant workers Negative image of government as client Low skill level of local staff Hotel managers lack skills to make profit	Good offer, but too capacity to host conferences City center abandoned by local businesses Large informal sector Some new investments. Options for homestay	Corridor Beira. Shortage of good rooms, bad quality and service. Government as most important client not trusted. Need for good staff and management and marketing skills. No industry collaboration.	Good level in Gorongosa park, No spirit of collaboration Need for skilled staff. Hotel capacity ok in Beira but variety is limited. No online presence in Beira New Chinese investments in large hotel 188 rooms.
Food and beverage	Need for support in creative leisure concept development (gastronomy) Lack of good trained staff	Good gastronomy culture No high class restaurants, closed on Sundays. Lack of cooks, hotel staff	Only one good restaurant, No industry collaboration. Public tourism sector of low capacity.	Beira:good varied offer. Several food festivals (shrimp festival). No online marketing and promotion
Domestic transportation	(International) air connectivity available but airport in bad shape	No local transport Airport in reasonable condition, domestic flights	No airport, no local transport, fully car dependent	Absent, Gorongosa park misses clients because of limited accessibility.
Arts, entertainment and recreation	No offer Need for creative business concepting and innovation	Good festivals but limited, promotion of Carnaval, Festival Zalala, gastronomy festivals	Absent, some smaller festivals (Cabeza de Velho). Limited business skills, innovation skills	New concepts missing, limited capacity to innovate and create

From the interviews it becomes clear that two main constraints are mentioned regularly:
lack of creative, innovative and entrepreneurial business skills and
low skills levels of hotel and tourism workers.

This leads to suboptimal quality of service. The level of service delivery in hotels and restaurants is below standards. Also it could be noted that there is a lack of collaboration between the various SME businesses that are composing tourism value chains. This leads to suboptimal **marketing** activities and absent **online and digital presence.**

Lastly, many private business owners indicate that there is a lack of support from the regional as well as national government especially when it comes to creating **and enforcing** an enabling **legal environment** to operate their business.

5 Preliminary analysis of findings

General findings

The following initial findings have been drawn from the interviews during this inception mission.

A. Development of T&H strategies is **centralized.** This leaves little room for innovation from private SME sector. Even though there are initiatives, the support from government at local level is absent since most decisions that could facilitate tourism are taken in Maputo. The attitude entrepreneurs seem to take is “wait and see”. Also, since decision making takes time, it is not aligned with the dynamic reality of tourism businesses and decisions taken are thus counterproductive to local needs.
B. The inception mission confirms the analysis presented in the Mozambique tourism strategy on capacity of government: institutional capacity in planning tourism is very low. There is no budget for organizing or subsidizing events, tourism offices lack basic facilities such as a decent internet connection or printing facilities. Staff seems to be qualified and of good intention but implementation capacities are limited.
C. The Zambeze Valley region suffers from a negative image of lack of **safety and stability.** If the political and military turmoil continues to exist, no increase of visitor numbers will be expected. There are large risks of **assaults and robbery.** This is also due to the extreme income level of differences in the provinces. Rural population is suffering diseases like malaria and tuberculosis, and in the valley, annual floods are damaging households and infrastructure. Negative image of the region. This leads to an
D. Travel **to Zambeze Valley** from international as well as domestic destinations is relatively costly and difficult. Airports require upgrading and investments in road maintenance and safety are extremely urgent in some areas, if tourism is to benefit. The same counts for public services such as telecommunications, water and electricity services.

Findings related to the T&H business development in Zambeze Valley

The business environment for T&H in Zambeze valley offers many opportunities to develop. Land is available in abundance and there are clear market opportunities for offering, accommodation, restaurant facilities as well as transportation and leisure facilities to visitors.

The main reason that the business opportunities are not picke up by the private sector is the fact that the region is just recovering from a major economic crisis. As a consequence the savings and investment potential of local entrepreneurs is very limited and tourism is perceived as a high risk business venture. Most investments focus on the main economic sectors: trade, agro-exports, logging and mining. Tourism investments are in general seen as unprofitable, especially since visitor numbers to the region have dropped because of the armed conflict during 2015-2016.

Secondly, the private business environment is not conducive to innovations from by SMEs. While analysing the causes, next to government support, the following constraints were mentioned by the private sector:

A. Business skills and entrepreneurial mindset:

- No **creative skills** to develop innovative tourism concepts;
- No generic **managerial skills** in T&H;
- No capacity to develop a consistent and high quality **online (e-) business** presence;
- No knowledge of **regulations that apply to tourism and service industry** (e.g. hygiene, environmental legislations)
- No knowledge of **tourism markets and consumer profiles;**
- No **value chain** connections between hotels, restaurants, local suppliers, absence of **associations**

B. Skills of employees (**Tourism and Hositality staff)**

- Lack of **service and hospitality** attitude;
- Lack of English language skills;
- Basic **cooking and housekeeping** skills;
- Soft skills: customer orientation, English language, friendly client focus;

C. T&H **business development support** services/ training support
- Zambeze Valley has no hospitality skills training center. It would need a local provider that develops and implements business training/ advice and short hotel school skills training courses. There are no centers where entrepreneurs can find support in legal matters, business planning, etc.
- There is no access to financial services. Credit lines exist, but these are not accessible for local T&H SMEs. Access to finance is extremely relevant since the region is recovering from a crisis and requires refinancing facilities for spurring growth at this stage. There are plans for designing a local loan guarantee facility that have not yet been implemented.

Conclusions

The inception mission has highlighted some constraints that especially refer to the Zambeze valley and could be developed further by ZVDA. In order to do so, a first step could be to analyze more deeply the strengths and strong features of the Zambeze Valley tourism businesses, as well as search for the causes of the constraints that the private sector faces. Also this **Zambeze Valley tourism masterplan** could identify the most promising areas and products for future T&H development in Zambeze Valley and make sure that these are aligned with the national tourism strategy. In the following chapter, a proposed approach for developing tourism in the coming 5 years, is presented.

6 Proposed Approach for Zambeze Valley: private sector led tourism development

Following the results of this 10 days inception mission, we hereby present an approach to ZVDA to support the recovery and future growth of a sustainable tourism and hospitality industry in the Zambeze Valley. Some good best practices of private sector led sustainable tourism strategies can be found in the publication of Fen Wei (2013) and CRC (2010).
Development of a competitive tourism industry in Zambeze Valley will only b e succesful if they are carried forward by a thriving privat sector. Succesful tourism strategies will only work out if they are based on the needs of a SMEs in the T&H sector. Decisions taken on the choice of tourism products, the priority geographical areas for designing accommodation services, transportation services, food and beverage services and leisure services, will only be succesful if they have the support of private sector representatives. Thus, the proposed approach for developing tourism in Zambeze Valley takes a private sector perspective and is based on three main pillars:

A. New products: the importance of ***image and storytelling***

The Zambeze Valley is a unique natural ad cultural area. It offers unspoilt resources to its visitors, a unique biodiversity, a vast number of 70.000 large animals (Gorongosa), and a historical landmark (The Zambeze River), that can be exploited as a tourism attraction.
The Valley is unknown to the large public, its history and stories are untold. The first pillar of development would require the tourism businesses to collaborate and jointly assure that a more positive image of Zambeze Valley is portrayed and communicated to Mozambique and the world. The best technique for this ist o collect the Zambeze history and communicate these stories to the potential interested visitor. Some components for these stories can be seen. Zambeze Valley is:

- A unique natural valley environment
- Offering unique wildlife exploring and birdwatching experiences;
- A historical trade corridor in Africa. The river has transported goods, people, slaves, businessment etc.
- The entrance of Africa's exploration: Livingstone has explored Africa from this area.
- The scenery of many historical battlefields.

One could further develop the images by searching and creating **virtual as well as real-life stories**:

Zambeze Valley Image: The explorers' paradise:

Quelimane:	La Gallina Zambeziana *(Food explorers)*
Zambeze river:	Livingstone and Slave routes *(Colonial explorers)*
Gorongosa/Maromeu:	Unique wildlife *(Eco-explorers)*

B. Strategic choice in markets: focus on ***destinations with potential***

The national tourism strategy elaborated by the government for Mozambique, clearly underlines that tourism is one of the major sources of foreign currency and export revenues. Also, the importance fir tourism for the Zambeze Valley region was confirmed, by including Gorongosa national park and proposing the extension to Maromeu park as development areas.

So primarily, any strategy that ZVDA explores, should **strengthen these two priority destinations**. It seems a logical choice for ZVDA to focus on the development of a competitive **private (SME) T&H sector**.

Secondly, ZVDA could play a role in the **identification and conceptionalization** of tourism destinations with growth potential. These destinations may not be included in the national strategy but could benefit by attracting and serving specific target markets. From the inception analysis it becomes clear that the regions around the cities of Tete (migrant workers) as well as Quelimane (beach tourism) show potential for development.By supporting the existing T&H private sector through business development services and skills development of staff and entrepreneurs, ZVDA would be anticipating further growth of the industry into new areas and thus complementing the national strategy.

Summarized, Zambeze Vally tourism development strategy could focus on the following three areas:

- ➔ Gorongosa area → develop Maromeu
- ➔ Tete area
- ➔ Quelimane area

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A first step to explore the real strengths and weaknesses and the economic potential for development of tourism in these areas would be to identify relevant **tourism value chains.** In order to explore the potential for business growth and job creation, it would thus be recommended to elaborate a **tourism master plan** for the Zambeze region for the coming 3-5 years, that details the actions following the national tourism strategy for each of these three areas.

C. Assure business innovation: ***E-tourism and digitisation***

The last pillar for a tourism development approach based on private sector priorities, would be to work on a strategy for product- , market- and human capital development, that is based on optimizing the opportunities on digitization and e-business. Operational costs of technological innovation have come down, and so have internet costs and the investments required to design online business activities. Especially for emerging destinations this opens up many opportunities for development. It is therefor recommended to not invest in physical infrastructure such as new hotels or large event centers, but instead invest in online platforms, digital communication strategies and support online business models. It is eminent that any strategy chosen by ZVDA should embrace these technology and digitization opportunities.

The approach could be worked out in the following 5 main activities:

1. Tourism master planning and support in decision making
2. Building T&H business skills
3. Building skills of tourism workers
4. Support development of Gorongosa and extension to Maremeu
5. Support public-private tourism dialogues and creation of **destination management associations**

In the following timetable, we have made a draft programme approach for three destination areas, where parallel actions are presented that could be implemented in a systemic way.

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