

Facilitating Large-Scale Tourism Resorts in Mozambique

The Tourism Investment Generation Approach

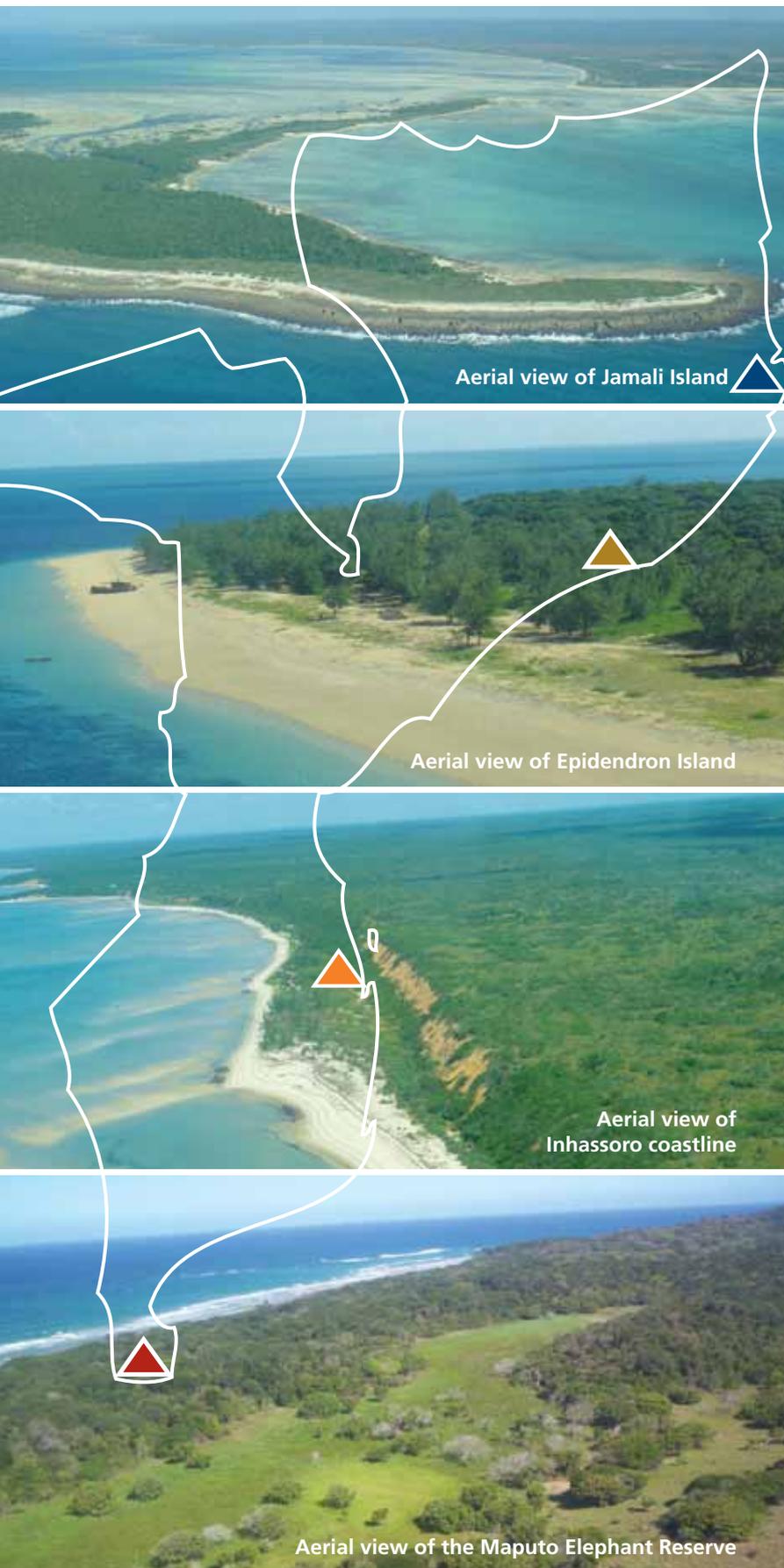


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The World Bank Group
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For more information contact:
Investment Climate Advisory Services
1818 H Street, NW
Washington, DC 20433

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About the Anchor Program

The Mozambique Tourism Anchor Investment Program is a pilot Investment Generation program implemented by the World Bank Group's Investment Climate Services through IFC. The program aimed to improve the investment climate in the tourism sector by facilitating strategic investments in select protected and coastal areas, as well as through focused reforms in the regulatory environment. The program responded to a request from the Tourism Ministry to assist the government of Mozambique in the development and implementation of a framework for tourism investment facilitation in the country.

The Program was launched in January 2007 and ended, following multiple program extensions, on March 31, 2011. The Program's main counterparts were the Mozambique Tourism Ministry and the National Tourism Institute (INATUR). Program donors include the African Development Bank, Denmark, Ireland, Japan, Switzerland (SECO) and the Netherlands.

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Acronyms

CPI	Investment Promotion Agency
DUAT	Direito de Uso e Aproveitamento de Terra (Land-Use Title)
FUTUR	National Tourism Fund
GAZEDA	Cabinet for the Development of Special Economic Zones
GOM	Government of Mozambique
IFC	International Finance Corporation
IGA	Investment Generation Approach
IGEPE	Institute for the Management of State Participations
INATUR	National Tourism Institute
IRS	Integrated Resort Scheme
MITUR	Tourism Ministry
MOU	Memorandum of Understanding
MTAIP	Mozambique Tourism Anchor Investment Program
NGO	Non-governmental Organization
PATI	Priority Area for Tourism Investment
SEATIP	South East Africa Tourism Investment Program
SME	Small Medium Enterprise
TFCA	Transfrontier Conservation Area
WBG	World Bank Group
ZIT	Tourism Interest Zones

Abstract

Mozambique has a wealth of natural tourism assets. With 2,700km of tropical coastline, about 15% of the country classified as “protected areas”, and a vast range of cultural assets and experiences, the country has all the elements to develop into one of sub-Saharan Africa’s top tourism destinations. Still, tourism growth has been slow and erratic, and the sector has not realized its potential. A lack of sustainable tourism developments of sufficient scale has been blamed for the sector’s slow growth. International investors have avoided investing in Mozambique’s tourism sector because of difficulties perceived in the investment environment, which involve lengthy and poorly understood procedures and difficult access to land.

To focus future growth and development, the Tourism Ministry issued a Strategic Plan for Tourism Development in 2003 that identifies Priority Areas for Tourism Investment (PATIs). The ministry, however, had limited resources to develop and market tourism investment opportunities and asked IFC in 2005 to help facilitating tourism investment. In response, IFC’s Investment Climate team supported the development and implementation of the Mozambique Tourism Anchor Investment Program (MTAIP).

This case study describes how the program’s Investment Generation Approach was used to foster the development of large resorts in Mozambique. The approach combines efforts to facilitate investment and improve institutional structures and regulations. Over a four-year period the Mozambique Tourism Anchor Investment Program prepared and marketed two large resort sites and supported the development of an improved regulatory framework for resort tourism and mechanisms for the government to allocate land for tourism development. These interventions made provisions for employment generation, social infrastructure, and the creation of local supply chains. Unfortunately, realization of the investments was curtailed in early 2009 due to the global economic crisis. However, in late 2011 renewed interests arose in the resort sites and the government of Mozambique, through the ministry of planning and development, signed in January 2012 a \$1 billion investment agreement with an international developer for one of the anchor sites.

In Mozambique, the Investment Generation Approach was also applied to secure private sector investment in an eco-lodge in a protected area. A separate case study, *Facilitating Tourism in the Maputo Elephant Reserve*, describes its application to this area.



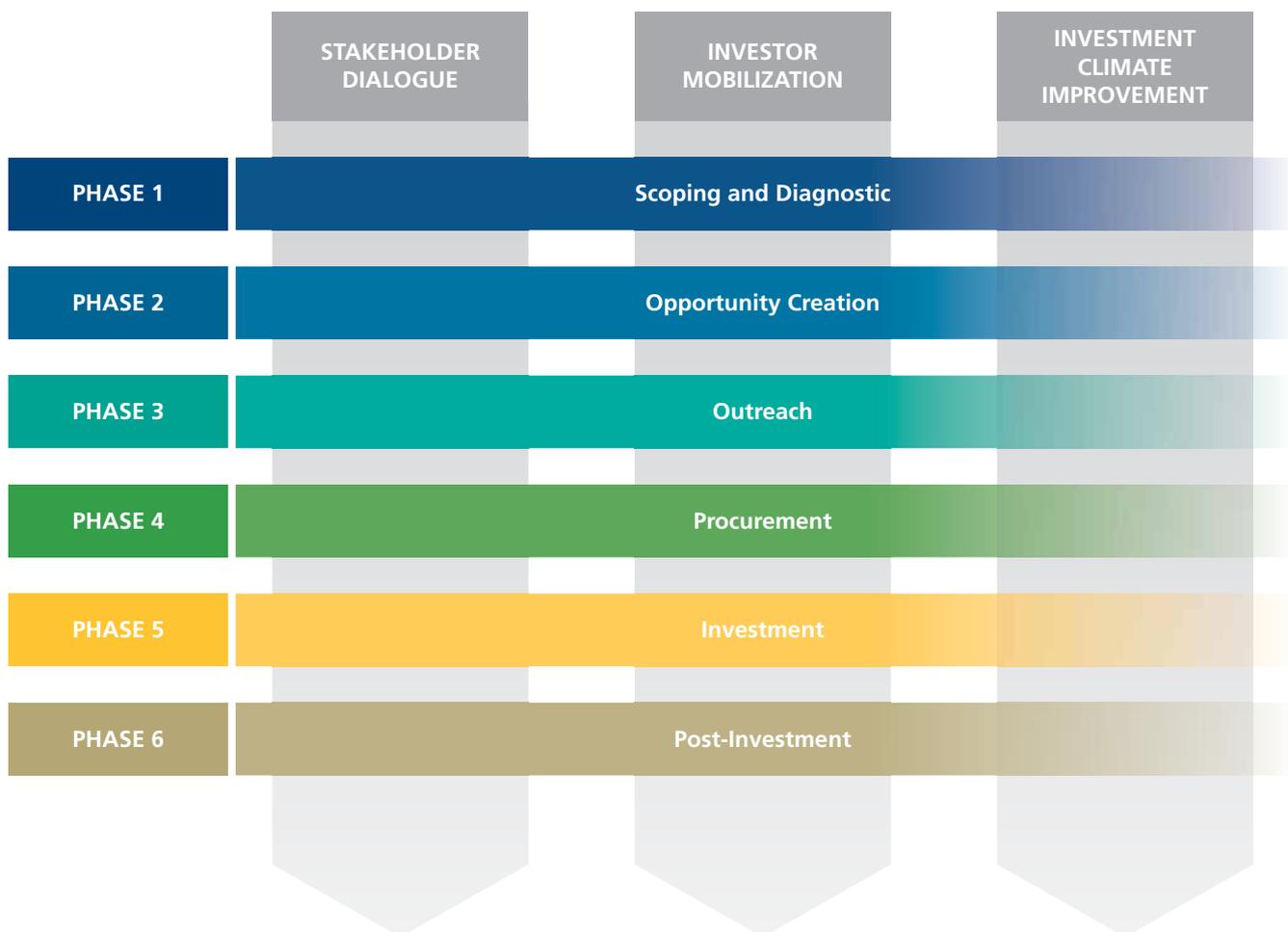
1. The Investment Generation Approach

The Investment Generation Approach (IGA) is developed by IFC's Investment Climate Advisory Services and piloted in the tourism sectors of Mozambique, Madagascar, and Sierra Leone. This case study describes how it was used to guide the investment facilitation process for resort sites in Mozambique. A separate case study, *Facilitating Investment in the Maputo Elephant Reserve*, describes how the approach was used to secure private sector investment in an eco-lodge in a protected area in southern Mozambique.

1.1 Using the Investment Generation Approach

"Anchor investments" are strategic investments in carefully selected locations that catalyze further investment by developing primary infrastructure, exhibiting investor confidence, and generating market demand for further development. These investments also boost economic and social development. Anchor investments can be large or small but are strategic in their capacity to realize national development objectives.

Figure 1: The Six Phases of the Investment Generation Approach



Achieving the IGA's goal typically involves six phases, starting with a scoping and diagnostic exercise and concluding with post-investment support (see above). Cutting through all six phases are three vertical workstreams:

- *Stakeholder dialogue* involves building the capacity of counterpart institutions and coordinating with partners and other interested parties at national, provincial, and local levels.
- *Investor mobilization* constitutes the core process of the approach: investor identification, investment outreach, and conclusion of deals.
- *Investment climate reform* entails identifying and improving regulatory and other constraints to investment, specifically those needed to conclude the envisioned deals.

Anchor investments in tourism take the form of one of five types of accommodation:



Eco-lodges are built in conservation areas where the natural environment is a main tourism attraction. Such developments have low impact and density, and are environmentally sustainable. They are subject to stringent environmental impact assessments and should demonstrate environmental best practices in design, construction, and operations.



Resorts are large developments in areas where infrastructure and the natural environment can sustain larger numbers of tourists. Such developments are typically in coastal destinations and may involve a range of mixed-use components such as hotels, residences, golf courses, and shopping.



Business hotels include short-term residential accommodation and conference facilities. Such developments are usually in or near urban centers with a critical mass of business demand and services.



Heritage hotels are built in areas of cultural significance (such as World Heritage Sites) that can attract investments in accommodation. New or historical buildings can be used as hotels, preserving cultural heritage while generating investment.



Leisure hotels are boutique offerings catering to tourists in both rural and urban areas. Such developments are typically in or near established tourism attractions and differ from resorts because of their smaller scale and fewer components (that is, they are not mixed-use).

Once these anchor accommodations have been built, networks of tourism operators and supporting infrastructure, services, and supply chains are established, making an area a tourism destination and providing the associated benefits for development (Box 1).

Box 1: Typical Benefits of Anchor Investments in Tourism

- Foreign direct investment
- Jobs
- Tourism and infrastructure development
- Government revenue (through taxes or as shareholders)
- Preservation of conservation areas and cultural heritage
- National prestige and image building
- Improved enabling climate for tourism investment
- Spin-off growth in investment locations
- Opportunities for formal economic participation for communities and local Small and Medium sized Enterprises (SMEs)
- Spin-off investment in social infrastructure (such as schools, hospitals, etc.)

1.2 Applying the IGA to Mozambique

Successfully implementing an anchor investment in a given location requires several criteria to be met to ensure the investment is right for the investor and the location. Mozambique met all entry criteria for the IGA and thus government and IFC started implementing the approach through the Mozambique Tourism Anchor Investment Program.

1.2.1 A Picture of Potential

Mozambique has a wealth of natural tourism assets, with 2,700km of tropical coastline, wide beaches, coral reefs, about 15% of its land classified as protected areas, and a consistently warm, sunny climate. Over the centuries Portuguese, Arabic, and African influences have fused to create a uniquely Mozambican culture, reflected in architecture, cuisine, language, art, and music that differentiate the country from its English-speaking Southern African neighbors.

Stretching the length of the country, Mozambique's striking white beaches are considered some of the most attractive in the world, with many rare and endemic species such as dugongs, manta rays, and whale sharks thriving in the undisturbed marine environment. Rehabilitation of the country's protected areas is putting Mozambique back on the map as a major wildlife destination, and offers both investors and tourists a unique opportunity to combine wildlife and coastal experiences.

1.2.2 A Need for a More Structured Approach to Attracting Tourism investment

The government of Mozambique created the Tourism Ministry in 2000 in recognition of tourism's potential role in advancing economic growth and development. Tourism is seen as a way to create employment, advance economic growth, and reduce poverty. However, IFC research prior to program inception confirmed that tourism investments had been ad hoc, relatively small, and often not backed by experienced tourism professionals. As a result, the sector did not generate many jobs nor had much economic impact.

Many international investors stated they avoided investing in Mozambique's tourism sector because of the difficulties perceived in the investment environment. These include lengthy and poorly understood procedures to access land and secure the necessary investment approvals. Many investors said they are unwilling to deal with the hassles imposed by multiple procedures and institutions. Based on its research and interviews, the team concluded that international investors are much more likely to invest in Mozambique's tourism sector if they would be presented with investment-ready opportunities.

In the Strategic Plan for the Development of Tourism in Mozambique (2004-2013), the Tourism Ministry identified the need for large-scale investments in 18 Priority Areas for Tourism Investment (PATIs). But the ministry and the investment-promotion agency (CPI) had limited resources to develop and market tourism investment opportunities. Thus in 2005 the ministry asked the Investment Climate Advisory Services of the World Bank Group (WBG) to help attract tourism investment.



Map 1: Mozambique's 18 Priority Areas for Tourism Investment



The Strategic Plan for the Development of Tourism in Mozambique (2004-2013) identified 18 Priority Areas for Tourism Investment (PATIs). But it was also evident that no implementation framework existed to realize investments in these PATIs.

It was anticipated that facilitating anchor investments in these PATIs would foster wider investment, industry links, and infrastructure development – reducing some of the perceived barriers to entering Mozambique's tourism market.

The Mozambique Tourism Anchor Investment Program would therefore focus on the development of a framework to realize tourism investment in selected PATIs.

1.2.3 The IGA's Fit for Mozambique

Successfully implementing an anchor investment in a given location requires several criteria to be met to ensure that the investment is right for the investor and the location.

Client demand: The government had asked IFC's Investment Climate team for help with developing a framework for attracting tourism investment in 2005. The government had already made tourism a policy priority and had developed the high-level policy instruments to guide tourism investment (namely its 2003 Tourism Policy and Strategy and the PATI framework as presented in its 2004 Strategic Plan for the Development of Tourism).

Country fit: Mozambique is a good fit for the broader strategic goals of IFC's Investment Services and Advisory Services. It is a less developed country and it already partnered with the WBG in the tourism sector in other tourism programs – these included a multiyear support program to Mozambique's Transfrontier Conservation Areas (TFCAs) and an earlier engagement under IFC's SEATIP Program, a short-term advisory program that had analyzed the tourism sector in Mozambique over a two year period prior to the Anchor Program.

Industry demand: Earlier WBG engagement (under the SEATIP and TFCA Programs) showed that there was private sector demand for Mozambique's tourism assets. Also interviews held during tourism investment conferences during program preparation confirmed industry interest in Mozambique's tourism sector.

Market failure: Mozambique's wealth of undeveloped tourism assets as well as the constraints to investing in and developing these assets had been well documented. It was evident that without a structured intervention as proposed by the Anchor Program, Mozambique would fail to attract high-level investment matching the quality of its natural resource base.

Asset fit: Mozambique's key natural tourism assets – pristine beaches, rich marine life, cultural heritage, growing cities – could have supported any of the five types of accommodation promoted by the Investment Generation Approach: eco-lodges, resorts, business hotels, heritage hotels, or leisure hotels. In line with the country's strategic tourism objectives and early industry feedback, resorts and eco-lodges looked most promising.

With Mozambique having met all the entry criteria for the IGA, the IFC and the government agreed to apply the approach in selected coastal and protected areas through the Mozambique Tourism Anchor Investment Program (MTAIP).

2. Launching the Program

The Mozambique Tourism Anchor Investment Program sought to stimulate tourism growth and investment by taking a practical, hands-on approach to developing projects in selected tourism areas. This goal was achieved by identifying, planning, packaging, and marketing investment opportunities while providing solutions to administrative and regulatory constraints to tourism investment.

Initiating the program required that all parties involved go through a variety of processes to secure internal and external approvals, agree on goals, mobilize resources, assign responsibilities, and plan the detail of the program. Together, these activities made up the first phase of the IGA, the Scoping and Diagnostic Phase.

2.1 Further Defining the Program's Concept and Formalizing Collaboration

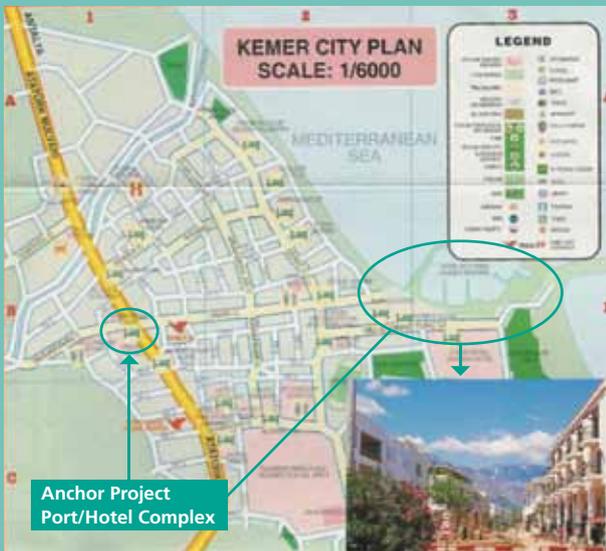
Building on their existing relationship, the government and IFC's Investment Climate team engaged in discussions on the goals and the design of the proposed program. Based on the country's asset base and the government's strategic objectives, it was decided that the program would focus on generating investments in two types of accommodation products: resorts and eco-lodges. This decision, along with a broad proposal for the institutional structure for program management, was presented to a wide range of industry stakeholders in December 2006.

At this stage stakeholders had limited understanding of the precise definition and practical concept of integrated resorts. As part of the stakeholder presentation, the concept was described in detail (Box 2).



Box 2: The Concept of Integrated Resorts

Integrated resorts, also known as mixed-use developments, are a relatively new phenomenon in tourism, owing much of their success to booms in property values in various locations around the world. Integrated resorts can vary in size, scope, and configuration and can include components such as hotels, residences, golf courses, shopping, marinas, and sporting and entertainment facilities. Large integrated resorts typically cover a land area exceeding 1,000ha. They typically have a business and leisure focus and are inland, on the coast, or on reclaimed land. Such developments build up over a number of years and can involve various developers in primary or secondary roles.



Pros

- Attract foreign direct investment
- Develop key infrastructure
- Make direct and indirect contributions to the economy
- Raise a country's international image
- Catalyze tourism sector development
- Scale of developments means that some investment climate barriers such as infrastructure are not an issue
- Provide social benefits if properly managed
- Create supply chain links if properly managed

Cons

- Often self-contained and may fail to increase tourist spending in surrounding areas
- Often profits are repatriated
- Potential environmental degradation due to their scale

Integrated resorts are common in the Middle East (Abu Dhabi, Bahrain, Dubai, Qatar, Turkey), North Africa (Egypt, Morocco, Tunisia), Europe (Ireland, Portugal, Spain), Asia (Singapore, Thailand), and increasingly in sub-Saharan Africa (Mauritius, South Africa).

The launch of the program was well received by local stakeholders, including members of the Tourism Association, Conservation NGOs and members of government. It generated broad support and understanding of the integrated resort concept among critical stakeholders. The workshop also resulted in the creation of a first list of potential sites for inclusion in the program.

Cooperation between the IFC and government was formalized in January 2007 when the two entities signed a memorandum of understanding (MoU), with the government represented by the Tourism Ministry. This memorandum indicated both parties' willingness to cooperate in promoting high-quality tourism in Mozambique and laid the groundwork for the program's implementation plan.

2.2 Conducting a Sector Diagnostic to Design the Program

The program was further shaped by a sector diagnostic that analyzed the supply side of Mozambique's tourism industry. Activities included a literature review and interviews with government representatives, country experts, and tourism operators and associations. Intelligence was also gathered from earlier IFC-supported studies and existing knowledge among the team.

Early investor feedback and industry interviews conducted at tourism fairs and conferences indicated considerable demand for developing both integrated resorts (particularly for investment firms from the Middle East) and eco-lodges in protected areas (from regional operators). The information gained also confirmed the widespread perception that Mozambique's tourism investment climate is difficult. Key deterrents were a lack of available land and perceived difficulties in acquiring land-use rights.

Map 2: The four Anchor Sites of the Mozambique Tourism Anchor Investment Program



Institutional analysis confirmed tourism's economic potential and the presence of a strategic framework (the PATI framework as introduced in Chapter 1) to guide its development. It was anticipated that facilitating anchor investments in these Priority Areas for Tourism Investment would foster wider investment, industry links, and infrastructure development – reducing some of the perceived barriers to entering Mozambique's tourism market.

Eventually the Program selected four Anchor Sites. The Maputo Elephant Reserve Anchor Site in the far south and the Ilhas Primeiras/Gile Anchor Site in Zambezia Province were earmarked for the development of eco-tourism resorts. The Crusse/Jamali Anchor Site in the northern province of Nampula and the Inhassoro Anchor Site in Inhambane Province were selected for resort development.

The comprehensive diagnostic also revealed a huge amount of existing information on Mozambique’s investment climate and tourism sector. Materials included trade studies, investment climate reports, value chain analyses, and government policies and regulations. The anchor program team realized that this information was of enormous value to existing and new investors and began entering it into a database. The information was indexed and later published as the Mozambique Investment Climate Library, a publicly available database containing more than 250 documents (see <http://www.tourisminvest.org/Mozambique/>).

2.3 Identifying Implementation Partners

After the Tourism Ministry and IFC signed the memorandum of understanding, they had to identify an appropriate institutional body to implement the bulk of the work under the program. Initially there were two candidates: the Tourism National Fund (FUTUR) and the country’s investment-promotion agency (CPI). The ministry expressed a strong desire that FUTUR take on this role.

The Investment Climate team assessed FUTUR’s legal, strategic, and operational structure and found that it was a fit with the investment program’s goals. The review also identified institutional weaknesses in FUTUR and provided recommendations for FUTUR and the Investment Climate team to ensure an effective, productive partnership.

An addendum to the memorandum of understanding was signed in January 2008 and extended cooperation between the Tourism Ministry and the IFC until the end of the program. It also formalized FUTUR’s role as the program’s implementing agent for the resort sites. In late 2008 FUTUR was renamed the National Tourism Institute (INATUR) but continued to be the program’s main institutional counterpart. FUTUR’s transformation into INATUR was partly influenced by the Anchor Program’s identification of the need for an agency dedicated to facilitating tourism investment.

After the program approvals and memorandums of understanding were signed, program resources were mobilized. The Anchor Program mobilized a small team of staff and consultants in IFC’s Maputo office. Simultaneously, counterparts were mobilized in the Tourism Ministry and INATUR:

Box 3: Anchor Program Roles

Program Management and Technical Assistance (IFC’s Investment Climate Team)

- Program manager
- Program coordinator
- Program assistant
- Investment promotion coordinator
- Tourism investment specialist
- Legal adviser
- Other advisers used on a short-term basis such as an institutional specialist, landscape planner, and investment procurement adviser

Government Program Implementation Team (Tourism Ministry)

- Tourism Ministry focal point for donor-supported tourism programs
- INATUR director focal point
- INATUR coordinator and stakeholder manager
- Legal advisers for the ministry and INATUR
- Provincial governors
- Provincial Tourism Directors

Lessons

A more specific memorandum of understanding should have been created with the implementing partner, detailing responsibilities and resources.

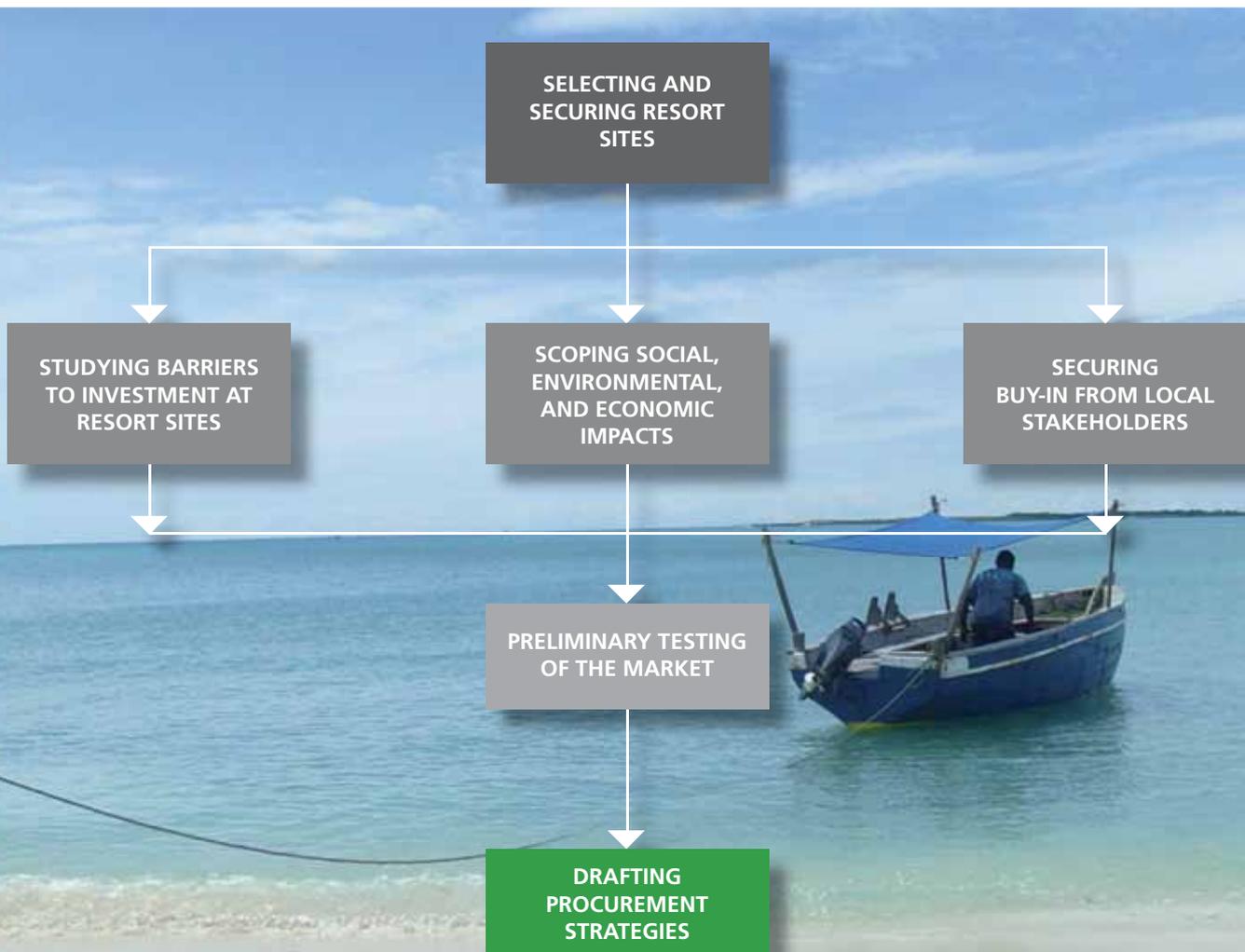
A steering committee from the WBG is required, representing core departments (including Industry Specialists, Investment, Infrastructure Advisory, etc.)

Rather than working primarily with short-term consultants, more IFC Investment Climate program staff need to be mobilized as core team members.

3. Creating Investment Opportunities

Having agreed on the goal of securing investments in large integrated resorts¹, and having formalized cooperation and mobilized teams, the Anchor Program began designing the products that would be taken to the market. These investment opportunities had to be attractive to investors, match government and stakeholder expectations, and above all be free from barriers and restrictions that had so often undermined tourism investments in the country. This process constituted Phase 2 of the Investment Generation Approach (“Opportunity Creation”; see Figure 1) and involved the activities shown in Figure 2 below.

Figure 2: Phase 2 of the IGA – Opportunity Creation



3.1 Selecting and Securing the Resort Sites

Based on the sector diagnostic and industry demand analysis conducted during the scoping and diagnostics phase, the team decided to pursue two types of resorts for the Program: a coastal resort with golfing and a coastal resort without it.

¹This case study describes the IGA process for the resort sites. Note that in parallel the program supported the application of the approach in two Protected Areas in the country. The case study “Facilitating Tourism Investment in the Maputo Elephant Reserve” describes its application in a protected area in southern Mozambique.

3.1.1 The Site Selection Process

A site selection team was mobilized consisting of counterparts and national and international specialists. Team members included a tourism specialist with a background in large resorts, a master planning architect, a local institutional specialist with also environmental and social expertise a government representative, and IFC program management staff. Together the team analyzed the long list of potential sites suggested by the government and stakeholders at the program launch, paying particular attention to those in PATIs. The list was assessed using criteria that the team had designed for resorts. These criteria combined physical characteristics such as site location and features, physical attractiveness, developmental viability, institutional fit, and land ownership status. To indicate their relative importance, each criteria was given a “weight factor” (Table 1).

Table 1: Criteria Used to Guide Site Selection

Sub Category	Weighting
Infrastructure	68
Roads	17
Air	17
Power	17
Water	17
Site characteristics	110
Beach	28
Natural features	82
Development viability	131
Size	33
Access	7
Opportunity	61
Viability	30
Tourism	99
Attractions	28
Supply	39
Demand	19
Access to markets	13
Environmental	55
Sensitivity	35
Impact	20
Social	75
Settlements	20
Resettlement opportunity	25
Impact	30
Land	67
Ownership	55
Cost	12
Institutional	61
Capacity	24
Development planning	20
Support	9
Administrative barriers	8
Total	666



The Anchor Team at work during site inspection

The original long list of 19 potential resort sites, as developed at the launch workshop, was now reduced to sites in two provinces only, the southern province of Inhambane and the northern province of Nampula. These provinces were visited during two separate scoping missions.

The scoping mission identified that many of the sites lacked crucial components of the assessment criteria and recommended six of the sites for complete assessments.

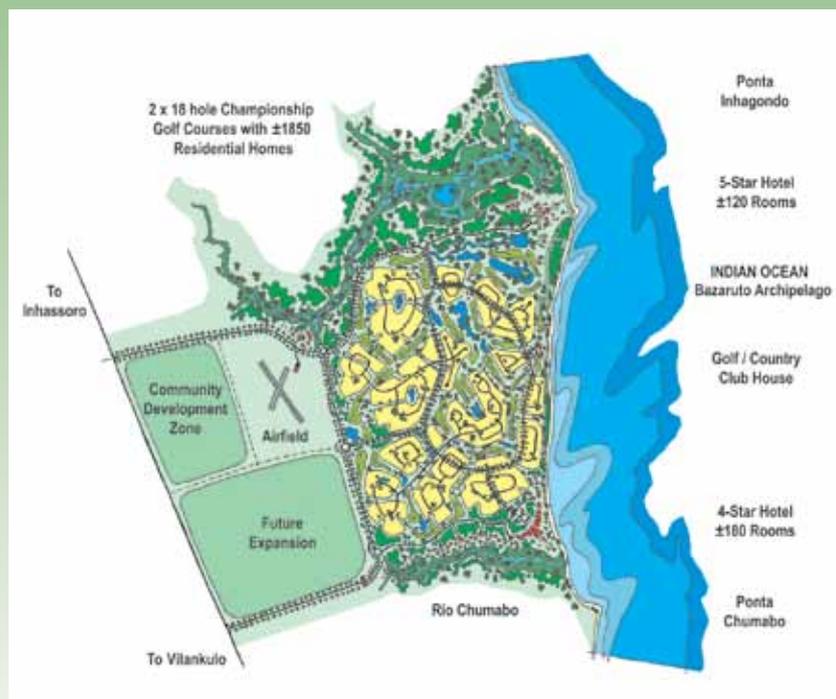
Upon completion of the full assessments, the team recommended a preferred site for both the coastal resort with golf (in Inhambane Province) and the resort without golf (in Nampula Province). For each site a presentation was drawn up that included a high-level development or conceptual plan, describing the type, capacity, and approximate location of hotels, lodges, residences, and other features. The entire site selection process and the concepts for the two selected sites were presented to a second stakeholder workshop. Following the workshop, the Minister of Tourism sent a formal letter to the Anchor Team confirming the selection of the Inhassoro and Crusse/Jamali Sites for inclusion in the Program.

Box 4: Inhassoro Anchor Site Concept

Inhassoro Anchor Investment Site

Integrated Resort with Golfing

With elevated views of the spectacular Bazaruto Archipelago, this 2,750ha mainland coastal site in Inhambane Province is a stunning location for large-scale tourism development. With sandy beaches, dunes, and semiarid woodland ecosystems, the site is bordered to the north and south by spring-fed rivers. The site offers a unique opportunity to develop an exclusive integrated resort in a highly desirable, well-established tourism destination.

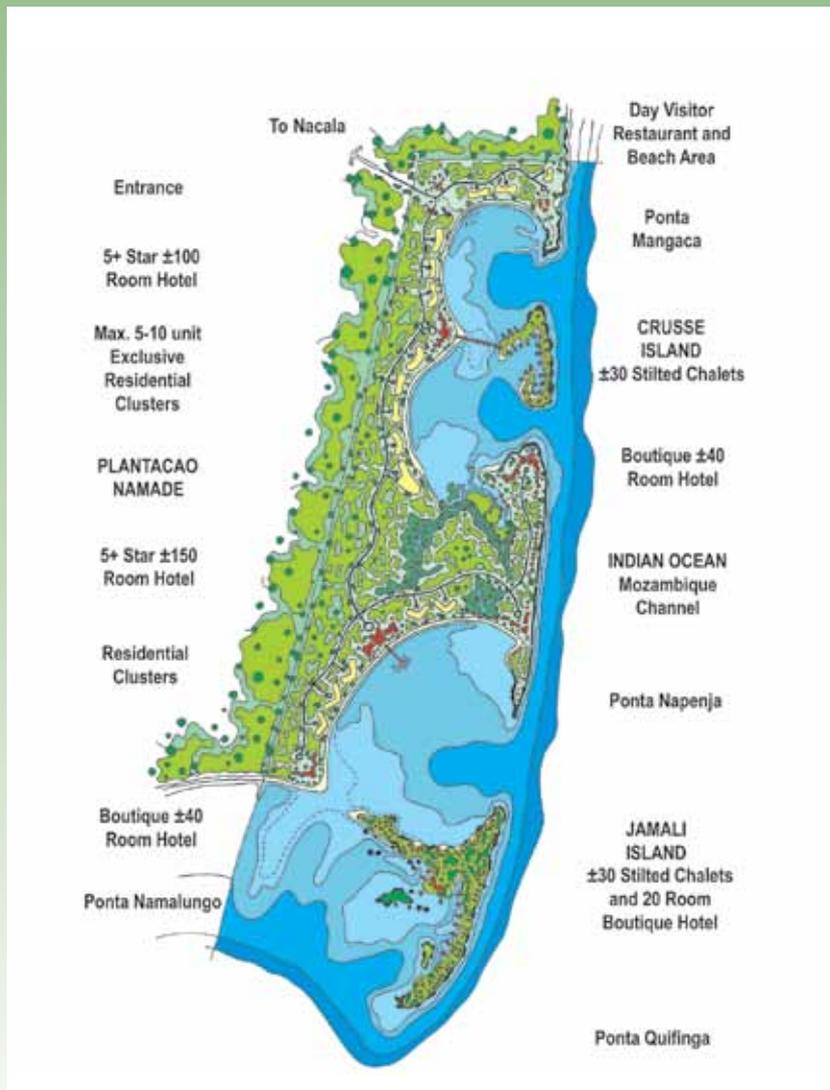


Box 5: Crusse/Jamali Anchor Site Concept

Crusse/Jamali Anchor Investment Site

Integrated Resort without Golfing

Situated along the warm, azure waters of the Indian Ocean, this pristine 1,750ha site of scalloped bays and two small islands in Nampula Province was selected for the development of an exclusive resort. A short boat ride from the 15th century World Heritage Site of Ilha de Moçambique, the site offers enormous potential for creating clusters of boutique hotels, a marina, stilted chalets, areas for tented camping, and high-end residences.



Lesson

Careful site selection is crucial to the viability of a development, with easy access to land ownership probably the most significant issue in Africa. This issue should be addressed at the start of the process by choosing sites free of land-ownership issues.

3.1.2 Securing the Resort Sites

Once the two sites were selected, responsibility for their official demarcation and registration lay with INATUR. It was decided that the land-use-rights (known as DUATs; Direito de Uso e Aproveitamento de Terra) for the sites would be requested by INATUR. Obtaining a DUAT in Mozambique involves a long process – a major and well-documented barrier to investment. Prior to initiating the formal land-registration process, the Anchor Program ensured that local and provincial authorities supported the program and met with the provincial governors and directors to advance the process. Still, the process was hindered by the absence of a mechanism for the government to register land for economic development, meaning INATUR had to apply for the land like any other investor.

In Mozambique land is owned by the state. Before a DUAT can be issued, communities living in and adjacent to the concerned areas need to be consulted and should give their support to the proposed development plans. In most cases financial compensation is required for loss of access to land and resources. Compensation amounts are well defined in land-allocation procedures and, given the significant size of the land involved and the many people living on the proposed resort sites, compensation was relatively high. In the face of this considerable cost INATUR could not pay the communities up front. While the DUAT for the Crusse/Jamali site was provisionally awarded, the Inhambane provincial government decided not to issue one for the Inhassoro site before the community was duly compensated.

Having spent about 18 months on the land registration process, it became evident that final DUATs could not be issued to INATUR. This meant a new solution was needed to allow the government to secure land for tourism development. In response, the Anchor Team developed a legal instrument that allows the ministry to reserve land for tourism development. The Tourism Interest Zones Regulations, approved in December 2009 (Decree 77/2009), now allows the government to reserve land of strategic importance for tourism development (Box 3).

Box 6: Regulation on the Designation of Tourism Interest Zones

The Anchor Program team helped the Ministry of Tourism draft a decree that allows for the designation of Tourism Interest Zones (ZITs) across Mozambique. This regulation, approved by the Council of Ministers in 2009, follows from the 2004 Tourism Law, which says that areas with special natural, cultural, or historical characteristics can be reserved for tourism development. In 2010, the Council of Ministers approved the first granting of ZIT status to the Inhassoro and Crusse/Jamali Anchor Sites.

3.2 Studying Barriers to Investment at the Resort Sites

Identifying and where possible eliminating or reducing barriers to investment is a key part of the Investment Generation Approach. The project team identified such barriers through:

- Extensive desk research of existing literature, initiated during the Scoping and Diagnostics Phase and eventually resulting in the Investment Climate Library.
- Formal and informal interviews with potential investors – the industry demand analysis that also occurred in the previous phase.
- Practical experience with the site selection and land registration process undertaken by the program.

Issues that emerged through this three-part effort that were pertinent to realizing the resort developments are shown in Table 2.

Table 2: Key Challenges for Investments at the Proposed Resort Sites

Challenge	Details
Land availability	No investment-ready land had been earmarked or made available for tourism development, making it difficult for investors to identify suitable, available land. Though the government's 2003 Strategic Plan for Tourism Development identifies PATIs and the 2004 Tourism Law allows it to designate zones of tourism interest, both instruments were not yet operational.
Subdivision of land and transfer of land-use titles (DUATs)	The two Anchor sites cover large tracts of land that would need to be split up and developed by secondary developers once each site's master development is complete. Under the existing legal framework the transfer of land-use titles is possible, but only after the construction of value-add infrastructure.
Tenure length	Investors considering investing considerable amounts in large developments did not feel comfortable with the 50-year renewable lease, particularly since most of their developments were to be phased in over 10 or more years.
Community compensation and upfront payments	As part of acquiring a DUAT, local communities need to be compensated for the loss of their land, property, and other assets. For these projects the registering body – the program's state implementing partner, INATUR – was responsible for paying these fees, yet could not raise the funds until project investments had been finalized. This would also be the case for most investors outside the Anchor Program, who would need to secure financing based on project approvals and feasibility studies – which is challenging until land rights are secure. For the Inhassoro Anchor site the DUAT process was cancelled because the fees were not provided by the deadline.
Absence of model to screen and form partnerships with strategic investors	Once investors have expressed interest in a given opportunity, there is no formal mechanism through which the government can determine whether the land or project should be awarded to them, and on what terms. This is a critical barrier and formed a large part of subsequent work in the program.
Absence of formal mechanism for government to register or reserve land	The rules for registering land in Mozambique also apply to the government, meaning that it is required to develop land within five years. Moreover, no mechanism existed to reserve land until it can be most effectively developed.
Absence of model for the government's commercial participation in tourism	The government expressed a desire to remain commercially involved in some of the tourism developments, to generate revenue and maintain some control over product diversification in the sector (particularly the different components of mixed-use developments). No model existed to structure this involvement.

In total more than 100 potential barriers to investment were identified. These issues were categorized and prioritized based on their significance for blocking investments and the ease of removing them (Table 3). The issues were presented to the government and other stakeholders, and it was agreed to tackle them in the next phase.

Both of the proposed resort sites are large (about 2,750ha for the Inhassoro Site and 1,750ha for Crusse/Jamali), located in sensitive coastal areas, and have communities living on them. Given the scale of the proposed developments, it was crucial to ensure that they did not generate negative social and environmental impacts.



Local fishermen on the beach in Crusse/Jamali



A local bar or "baraca" in Inhassoro



Child in Inhassoro

Table 3: Priority Issues Involved in Developing a Tourism Investment in Mozambique

Issue	Elements
Land	Identifying land for investment
	Obtaining a DUAT
	Making tenure arrangements
	Subdividing and transferring land
	Conducting planning and speculation
	Working with local communities
Access and infrastructure	Ensuring availability of roads
	Ensuring availability of air transport services
Institutional capacity	Ensuring communication and coordination
	Developing supportive policies and regulations
	Promoting privatization and generating investment
	Capacity to process investment transactions
Fiscal benefits	Lack of incentives for large tourism investments

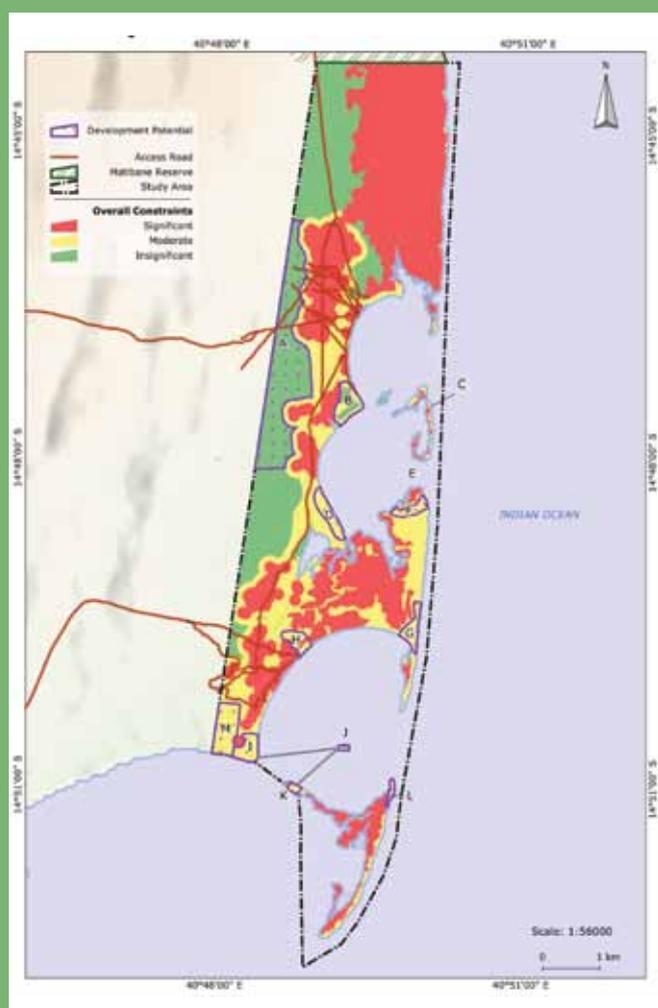
3.3 Scoping Social, Environmental, and Economic Impacts

3.3.1 Social and Environmental Scoping

Both of the proposed resort sites are large (about 2,750ha for the Inhassoro Site and 1,750ha for Crusse/Jamali), located in sensitive coastal areas, and have communities living on them. Given the scale of the proposed developments, it was crucial to ensure that they did not generate negative social and environmental impacts. As noted, environmental and social expertise was integrated in the initial site selection team to identify any high-risk issues at an early stage. It was recognized that a more comprehensive scoping would be necessary but was initially not provided by the Program in the expectation that the eventual investor would conduct a complete environmental impact assessment. As a result, the initial site development concept plans were developed based only on broad data. These were later taken to the market and tested as concepts, with an emphasis that all developments would be subject to full environmental impact assessments.

Later on in the process it was decided that a detailed environmental and social study would help the government set parameters and requirements for the investments during the negotiation and procurement phases. Thus an Environmental and Social Scoping was commissioned to provide baseline information and strategic analysis of the risks and opportunities associated with the environmental and social aspects of tourism development in the integrated resort sites, and to map procedures for formal environmental impact assessments.

Box 7: Environmental and Social Constraints to Resort Development at Crusse/Jamali Site



Map 3: Map showing results from social and environmental scoping for Crusse/Jamali Site

Recommendations Related to the Natural Environment

- Any developments in the Crusse/Jamali Anchor tourism site must be underpinned by a sustainability framework
- The marine environment is relatively degraded and any development will need to focus on rehabilitating the coral reefs and near-shore environments within the various bays.
- It is recommended that fishing and the harvesting of marine organisms within the bays by local communities be stopped, and that alternative community based initiatives are established to replace the presently unsustainable harvesting of marine life.
- It is recommended that in the first instance only areas that have been mapped as having low or moderate constraints are developed. Areas of high constraints should not be developed due to their ecological sensitivity.
- Further research and the development of a ground water model to determine recharge rates is required before sustainable yields of groundwater can be determined.
- Further investigation of the potential for a jetty and elevated boardwalks needs to be undertaken prior to incorporating these options in to any development concepts.
- It is further recommended that various forms of low technology mariculture activities is undertaken within the area to compensate for the loss of marine resources that are currently being harvested on an unsustainable basis.

Recommendations Related to the Social Environment

Prior to the start of any follow-up project on the Site, it is recommended that a social support program is designed and initiated that prepares the population by:

- Improving existing but threatened livelihoods (farming, diseases in cassava and cashew trees, coconut palms, fishing techniques and market skills).
- Equipping the population with the skills they will need to benefit from the opportunities created by the Program (e.g. literacy, bricklaying, carpentry, hospitality).
- Supporting the emerging of micro-enterprises which will positively engage the population with the Program through income generation.
- Improving the living conditions of the local population by investing in safe water supply, education and health facilities.

3.3.2 Economic Impact Scoping

High level economic projections were prepared for both sites to better understand their potential direct, indirect, and induced economic impacts. The forecasts were split into two parts: impacts from construction and from operations. Once the resort sites are operational, visitors will spend money on a range of services including transportation, retail goods and services, restaurants, and groceries, creating and supporting economic activity and jobs in the surrounding areas. The findings of the economic forecasts are summarized below.

Box 8: Economic Forecasts for Inhassoro and Crusse/Jamali Resorts

Inhassoro Resort

Total development cost
\$863-million over 10 years

Employment

- *Construction:* 3,593 construction jobs to be created
- *Operations:* 18,796 direct, indirect, and induced jobs to be created once the resort is fully operational in 2018, with 7,550 direct jobs

Contribution to GDP

Direct, indirect, and induced contributions to GDP will be \$72-million during construction and \$410-million during operations in 2018, for a total of \$482-million (4.3% of Mozambique's projected GDP in 2018)

Taxes

The resort is expected to pay \$412-million in taxes between 2008 and 2018 and \$69-million in 2018

Tourism earnings

Foreign exchange earnings from visitor spending are expected to be \$1.36-billion between 2009 and 2018

Crusse/Jamali Resort

Total development cost
\$250-million over 10 years

Employment

- *Construction:* 1,040 construction jobs to be created
- *Operations:* 6,648 direct, indirect, and induced jobs to be created once the resort is fully operational in 2018, with 2,560 direct jobs

Contribution to GDP

Direct, indirect, and induced contributions to GDP will be \$11-million during construction and \$156-million during operations in 2018 (1.4% of Mozambique's projected GDP in 2018)

Taxes

The resort is expected to pay \$145-million in taxes between 2008 and 2018 and \$22-million in 2018

Tourism earnings

Foreign exchange earnings from visitor spending are expected to be \$553-million between 2009 and 2018

Lesson

This kind of economic forecasting was very useful in getting buy-in and support from stakeholders – especially the Council of Ministers – because it tangibly showed the potential developmental impacts of the Anchor Program.

3.4 Securing Buy-In from Local Stakeholders

Having designed the program, selected the sites, and reached agreement on the most pressing investment climate issues effecting realization of tourism investment in the sites, most stakeholders were aware of the program and its goals. But the program realized that a more systematic approach was needed to continue building local support and ownership to ensure that local views were built into processes and solutions.

The team conducted a stakeholder mapping exercise to identify the key audiences for the program. Stakeholder groups were defined as the government, WBG, domestic tourism industry, global tourism industry, local and provincial governments, local supply chain businesses, local communities, and donors and non-governmental organizations. The team then began communicating information about the program, its goals, and progress through a quarterly newsletter.

In addition, local “Anchor Champions” at site level were appointed to support the program on the ground. For both sites the provincial directors of tourism were chosen to play these roles, given their strong positions as trusted local figures. The directors worked closely with their appointed counterpart in INATUR, which was responsible for overall institutional stakeholder management – particularly in driving internal processes in government such as legal reforms, land allocation and the required lobbying. Spearheaded by INATUR, various seminars and workshops were held throughout the program at regional and national levels. Community interaction was spearheaded by INATUR, while implementation was coordinated by the “Anchor Champions”.

Lesson

It was assumed that as a state entity, INATUR would provide reassurance and effective stakeholder management at local level. But because INATUR was highly centralized and entirely based in Maputo, relationships at site level were often strained and not maintained with enough frequency. In addition, local and provincial governments have substantial power over project approvals, and without a more permanent local presence it was sometimes difficult to obtain buy-in from local governments. A more permanent local-level presence dedicated to the Anchor Program would have been more beneficial.

3.5 Preliminary Testing of the Market

Having selected and secured the two resort sites and designed concepts for their development, the team needed to test the appetite of their likely markets and gather information to guide their procurement strategies. To do so, the team extended the industry demand analysis from the previous phase, focusing on a more targeted group of investors and developers. Using the industry contacts built up through the quarterly newsletter and regular attendance at industry events and conferences, the team monitored and recorded general feedback on the concept of resorts in Mozambique. It then compiled a database of potential investors based on those and other experiences, internet research, and networking. The Anchor Team emailed and called those investors from the database that had the experience and financial capacity to undertake developments of this size and type. These investors were approached with the concept plans for each site.

Responses to this preliminary outreach were registered in the investor database. Meetings were then held with selected prospective investors to gauge their level of interest and to gain an understanding of their experiences and expectations with land access and government facilitation. Among the issues addressed were land tenure and ownership, structure of compensation for land and investment deals with governments, development models used, infrastructure needs, incentives and taxes, procurement processes, and government expectations. The meetings helped shape the procurement strategy, deal structuring, and investment promotion strategy.

Lesson

At this stage, with limited formal marketing materials and no solid procurement structures, it was difficult to hold the interest of potential investors. Investors did not feel comfortable sharing sensitive information about their practices and experiences without getting something more concrete in return. The formal interview approach did not work well and ultimately took the form of informal conversations at industry events. Providing some indicative financial models for the investment opportunities would have been a more compelling approach.



Bay at Crusse/Jamali



Local fishermen in canoes in Crusse/Jamali



Dhows at Crusse/Jamali

Investors provided some notable feedback at this testing stage that influenced the procurement strategy and reinforced issues to be tackled in the Investment Climate:

- They were open to different fees or compensation structures for land, ranging from fees to shareholdings. Different ways of assessing land value were also discussed.
- Many investors considered access to infrastructure, an international airport, and tourism markets crucial to investments of this type.
- Typical prerequisite incentives were discussed, including tax holidays, investment incentives, duty waivers on imports during development, and relaxed immigration laws for real estate buyers and investors.
- Land ownership issues and the impossibility of “freehold” arrangements were discussed. Though the absence of freehold arrangements were not necessarily considered a deal breaker, it was cited as a constraint – especially when selling real estate.
- Investors indicated a general commitment to aiding local communities and a willingness to pay social development fees and/or otherwise support community development.
- Almost all prospective investors stipulated that they would most likely not participate in a competitive tender for resort sites process due to Mozambique’s lack of demand for tourism projects and weak tourism sector.

Investors interested in Mozambique and the Anchor sites broadly approved of the mix of concepts and features. The team used these findings to inform the procurement strategies.

3.6 Drafting Procurement Strategies

3.6.1 Supply and Demand Side Analysis

Investment procurement strategies had to be defined to secure the most suitable types of investments for each site. The strategies were informed by supply and demand side information:

- **Supply side:** components included the physical characteristics of the sites (size, assets, and the like), provision of and access to infrastructure and the need for investors to provide infrastructure, and the environmental and social strengths and weaknesses of the sites.
- **Demand side:** components included strategic priorities for tourism development in the wider area, the level of demand for tourism projects and investments, the stage of development of the tourism sector, and preliminary feedback from the market.

3.6.2 Criteria for Investor Screening

The team developed criteria defining investor profiles for both sites, keeping them broad enough to include a wide range of companies but restrictive enough to ensure that only primary developers would comply:

- The property development or holding company must have paid-up capital of at least \$500-million.
- Developers must have a property portfolio exceeding \$5-billion.
- Developers must have experience in developing integrated resorts larger than 1,000ha, involving more than \$500-million in development costs, in developing countries, in environmentally sensitive areas (especially wildlife and coastal areas), and with experience in working with the public sector in developing tourism projects.
- Investors must be active in or expanding into Africa, with interest shown in Mozambique.
- Investors must have a strong brand and international marketing capacity that can be harnessed to build tourist and investor confidence in Mozambique.
- Investor development goals will be in accordance with or greater than the conceptual master plan (developed by the Anchor Team) for the designated site.
- Investors must be willing to support the social and economic development of local communities.

These criteria were designed to secure master developers for the sites that could then work with secondary developers for smaller sections within the overall area, thus reducing risks for the master developers and increasing their potential investment returns.

3.6.3 Investment Procurement Options

The team then drafted a strategy that produced three possible procurement options for investors: limited tender, direct negotiation, and express tender (Table 4).

Table 4: Possible Procurement Options for Investors

Option	Description	Pros	Cons
Limited tender	A full tender process for a limited number of candidates: The opportunity will be advertised and investors will submit expressions of interest. The team will then apply the selection criteria and only shortlisted candidates will receive requests for proposals. The proposals will provide detailed information and be evaluated by government representatives, with technical assistance from INATUR and the Investment Climate team based on stringent evaluation criteria. Winners will be selected and contracts drawn up and signed.	<ul style="list-style-type: none"> Most transparent process. The stringency of the criteria means that a limited number of target investors will comply. 	<ul style="list-style-type: none"> Competitive process makes it less attractive to some investors because it reduces the chances of success. No opportunity for negotiating, which means that tender documents have to be comprehensive, covering all eventualities. Can be costly; full feasibility studies with master plans for developments of this scale can cost \$250,000. Can be very lengthy due to the extensive nature of the tender documents. There is a significant risk that some promising investors will not bid.
Express tender	<p>A "lighter" tender process for a limited number of candidates:</p> <p>The opportunity will be advertised in the international press for investors to submit expressions of interest. The team will then apply the selection criteria and shortlist potential candidates, who will receive requests for proposals. These will request less detailed information than the limited tender and will not require detailed feasibility studies.</p> <p>An evaluation committee will rank candidates based on stipulated criteria, and the highest-ranked candidate will conduct a full feasibility study and submit a detailed proposal. Direct negotiations then take place and a deal is agreed. If a deal is not agreed, the process moves to the next highest-ranked investor.</p>	<ul style="list-style-type: none"> Likely to be the preferred model because it enjoys some of the advantages of the other two formats and is likely to best meet the differing requirements of the various stakeholders: investors, the government, and WBG. Faster than a full tender process, with the winner announced and the decision to negotiate coming earlier in the process before conducting full feasibility studies and full tender bids. More open, competitive process than direct negotiation and less open to external criticism. 	<ul style="list-style-type: none"> Due to the limited amount of information required in tender submissions, this process could be open to criticism, and make it more difficult to determine a preferred bidder. The negotiation process may be criticised after a winning bidder has been awarded.
Direct negotiation	Involves taking a short list of interested primary developers and selecting the best candidate based on the evaluation criteria. The highest-ranking investor will then conduct a full feasibility study and submit a proposal to the government. The project team will also conduct a market and financial feasibility study to guide and strengthen its negotiating position. Thereafter direct negotiations would start and a deal will be concluded. If a deal is not concluded, the next highest-ranked investor will be approached.	<ul style="list-style-type: none"> Relatively simple, quick, and direct. The process can be concluded in two to three months (no time wasted on unsuccessful bids). Preferred by some investors, especially the highest-ranked investor. Understood and generally accepted by investors, as it is common when acquiring privately owned projects and in some cases when dealing with publicly owned ones. Greater flexibility for the government; on areas that cannot be clearly defined or are overly complex, solutions can be reached through negotiation. Significantly reduces the amount of work required to prepare detailed tender documents. 	<ul style="list-style-type: none"> Open to external criticism about transparency and favoritism because the methodology and criteria used to select the investor can be seen as subjective and limited. Due to the lack of competitiveness, the deal reached may not be the best. Considerable emphasis is placed on the feasibility study by the project team; a weak study can undermine the team's negotiating position. Risk of choosing an unsuitable investor is potentially greater. If the deal is not agreed, the process has to be repeated by approaching a new investor, which is very time consuming for the government.

These options were presented to the government and it was immediately decided that the longer limited tender process was inappropriate for the sites given the limited number of interested investors.

It was agreed that the final procurement method would be chosen based on levels of investor interest once the opportunities had been officially launched in the market. If more than one qualifying investor was interested, a competitive process would be used in the form of the express tender. If not, direct negotiation would be used.

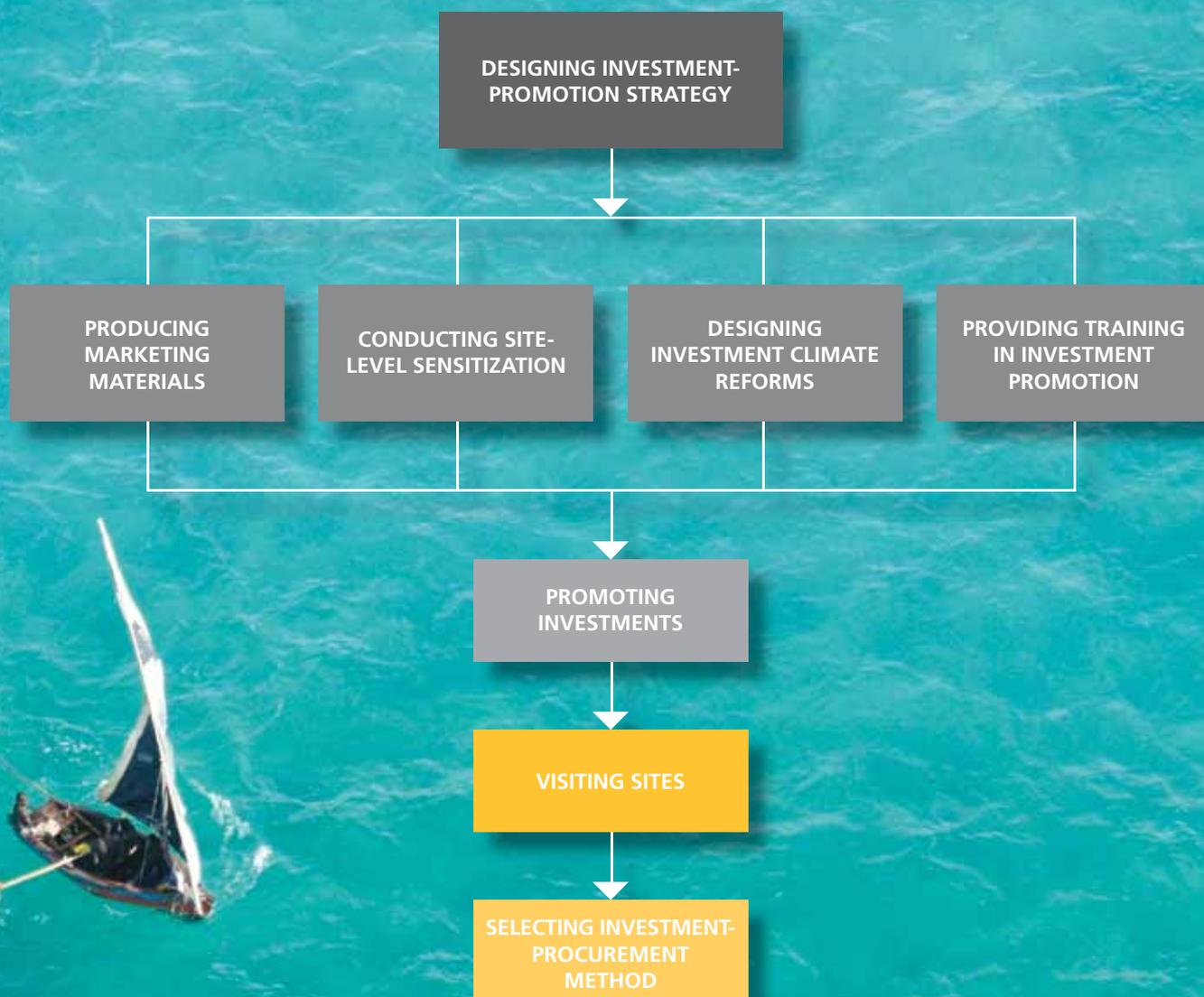
Lesson

Due to the perceived issues with the investment climate and the lack of development of the tourism sector and tourism-related infrastructure, investors interested in developing tourism industries and large integrated resorts in developing countries are in high demand. Countries offering the most viable investments with the most favourable operating conditions and the best, easiest terms are most likely to secure investments. Long, detailed and expensive competitive bidding processes are unlikely to prove successful in such environments.

4. Promoting Investment Opportunities

Having selected the sites, identified investment barriers, received positive market feedback, and drafted options for procurement, the next step for the team was to launch the sites in international markets. This activity was complemented by further stakeholder engagement and solutions designed to ease the investment barriers. Phase 3 of the Investment Generation Approach, "Outreach", involved the steps outlined in Figure 3.

Figure 3: Phase 3 of the IGA – Investor Outreach



4.1 Designing the Investment-Promotion Strategy

Based on the conceptual master plans, the expectations of the government, and the investor criteria, an investor profile was already defined for each site in the previous phase. Thus the investment-promotion strategy had to be geared towards investors meeting these profiles. The team recognized however that only a very selected group of investors – particularly developers – would strictly meet the program criteria. Thus, with a view to help spreading the message, the target audience for the investment-promotion campaign was defined broader. Various groups were identified: regional (African) hotel investors and operators, regional investment and development funds, international hotel chains and hospitality companies, resort and property developers, and multilateral investment funds and banks.

Lesson

It was not uncommon for the program team to be contacted by tertiary groups such as architects, construction companies, or golf course designers for more information about site opportunities. Such groups, though not part of the core target audience, are useful in mobilizing their client bases to assess opportunities and perform needed introductions.

Investor pre-engagement activities and market testing found that the most investor interest in the two proposed resort sites was from the Middle East (which has substantial experience in developing integrated resorts), South Africa, and, though in smaller numbers, Europe. Thus the investment-promotion strategy focused on the target list of investors in these areas.

Because of the differences between the two sites but the similarities between the desired investor profiles, the team decided to launch and promote Inhassoro and Crusse/Jamali at the same time to avoid duplicated efforts and offer a more diverse portfolio.

Reaching the target audience required identifying various platforms and media. The database of stakeholders and potential investors was steadily expanded and the quarterly newsletter consistently sent to provide general updates. In addition, a tourism and investment media database was established, as were partnerships with various entities useful in promoting investment opportunities at no cost (such as chambers of commerce).

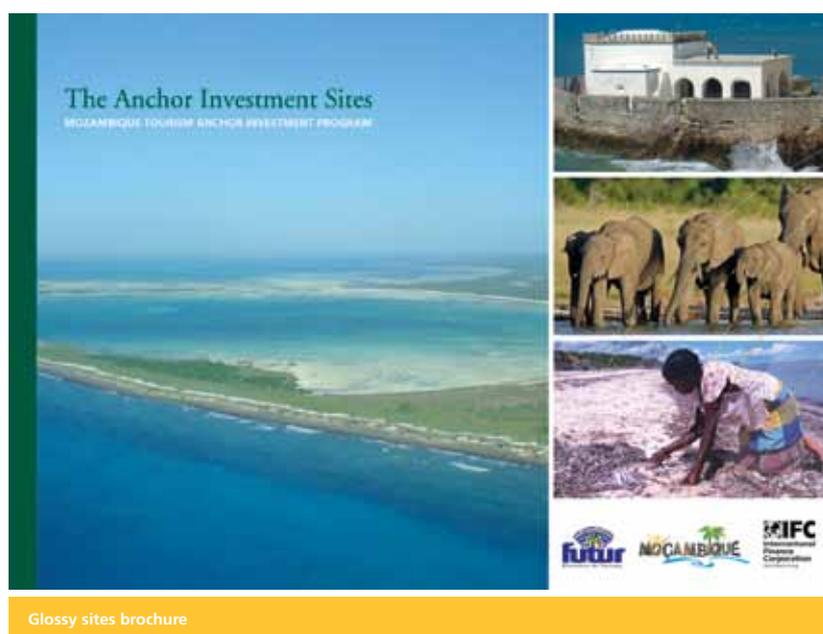
4.2 Producing Marketing Materials

Guided by the investment promotion strategy, the Anchor Team developed a series marketing materials that were attractive, persuasive, of high quality, and investment-savvy. The focus was on reaching target investors through events and through direct outreach and mailings (through the database and newsletters). The team decided not to create a website about the sites at this stage because interest levels were likely to be low and would not justify this expense. But a schedule of events was drawn up, with a focus on events in the Middle East and Africa, and funds were allocated to produce marketing materials such as brochures, posters, and presentations. The team produced a variety of materials, each with a different purpose (Table 5).

Table 5: Marketing Materials Prepared for the Two Sites

Material	Language	Quantity	Audience
Program brochure	English and Portuguese	3,000	All
Pull-up banner	English and Portuguese	4	All
Poster	English	3	All
Sites brochure	English and Portuguese	1,500	Investment community
Newsletter	English and Portuguese	Quarterly	General database (more than 1,500 subscribers)
Technical information manual about sites	English	Electronic format, printed on demand	Investors who expressed interest

The program brochure and banner were aimed at a variety of stakeholders to provide an overview of the program, while the poster and sites brochure were more specifically targeted at investors to raise Mozambique's profile and sell the sites. The dissemination strategy for the sites brochure focused on the team's presence at conferences and was designed to pique the investor interest in the opportunities featured so that they would request more information. This strategy worked well because it meant there was no need to print extensive technical information in bulk, and it enabled the team to monitor levels of interest in each site based on requests.



Glossy sites brochure



Poster

All the marketing materials were produced in English (for the global audience) and Portuguese (for the domestic audience) and were widely used at the local level by the Tourism Ministry, INATUR, and the two provincial governments involved in the sites. The ministry disseminated about a third of the materials and requested several reprints to accommodate demand at events not supported by IFC. The quarterly newsletter was also a valuable tool in keeping stakeholders up to date, announcing key launch dates and tender deadlines and testing investor interest in the market. Over the duration of the program there were more than 200 requests to subscribe to the mailing list, widening the net of potential investors.

Lessons

There was much debate over official ownership of the marketing materials – and, indeed, the entire investment-promotion exercise – in terms of logo branding and institutional references.

World Bank Group logos

The Anchor Team believed that the initiative was a joint program, so all branding and ownership would contain the logos of the Ministry of Tourism and IFC. This approach had advantages and disadvantages. Several investors said IFC's prominent association was what had led them to consider the opportunity. But this association significantly raised expectations and posed a reputational risk to IFC in ensuring that the resulting investments were flawless and fully transparent, something that IFC does not necessarily control.

Ministry logos

It was decided to replace the Tourism Ministry's crest with Mozambique's "brand logo". This approach would help reinforce the country's image abroad more than an unrecognizable ministry identity.

Partner logos

It was agreed that in the local market the logo of FUTUR (later INATUR) was widely recognized and held considerable weight. Thus it was used on all stakeholder communications and for the more internally focused trifold brochure and banners. But it was decided that, to avoid confusion and a clutter of logos, FUTUR's logo would not be used in more internationally-orientated marketing materials. Such materials used only the IFC and country brand logo.

4.3 Conducting Site-Level Sensitization

In the build-up to the launch of the investment-promotion campaign and potential site visits, the team recognized that momentum had to be built on existing stakeholder management activities to ensure that local institutional and community support existed at the site levels.

Already knowledgeable about the program from their participation in the site selection process, the Anchor Champions continued to present the program to local stakeholders and maintained an important physical presence during field missions. During property and tourism developments a lot of speculation is common, and local communities often interact with and are approached by prospective investors. The presence of local institutional figures reassured communities about the institutional role of the program and avoided the team's consultants being mistaken for developers or investors.

To ensure that Anchor Champions felt engaged, the team consistently invited them to planning meetings in Maputo, paying for their travel and accommodation costs. It also ensured that they had sufficient marketing materials in Portuguese to help present a professional image of the program and elevate its status among local stakeholders.

Interactions with local communities were led by INATUR and implemented through facilitation by the Anchor Champions. This involved a number of field missions to the sites to conduct community consultations and facilitate greater understanding of the site conditions and social context at grassroots level. Interaction with communities by INATUR continued throughout the program.

4.4 Designing Investment Climate Reforms

During the earlier phases of the IGA, investment climate barriers for tourism investment had been identified. Solutions towards addressing these barriers were by now identified and Anchor Team and its institutional counterparts worked towards their adoption. The Anchor Team, led by its legal adviser and tourism specialist, created six strategic investment climate outputs focused on eliminating investment barriers at national and site levels (Table 6). These include the overarching "Anchor Program Model" for tourism zones and the agency for management thereof, as well as five specific Investment Climate solutions:

Lesson

Though much was learned from international case studies on the development of integrated resorts, differences in the laws of each country had to be considered for the local context. A thorough understanding of Mozambique's past, new, and planned legislation, and of the tourism development environment, was required before it was possible to develop an integrated resort scheme able to provide financial benefits to the government, deliver social and economic benefits to communities, and attract developers and investors.

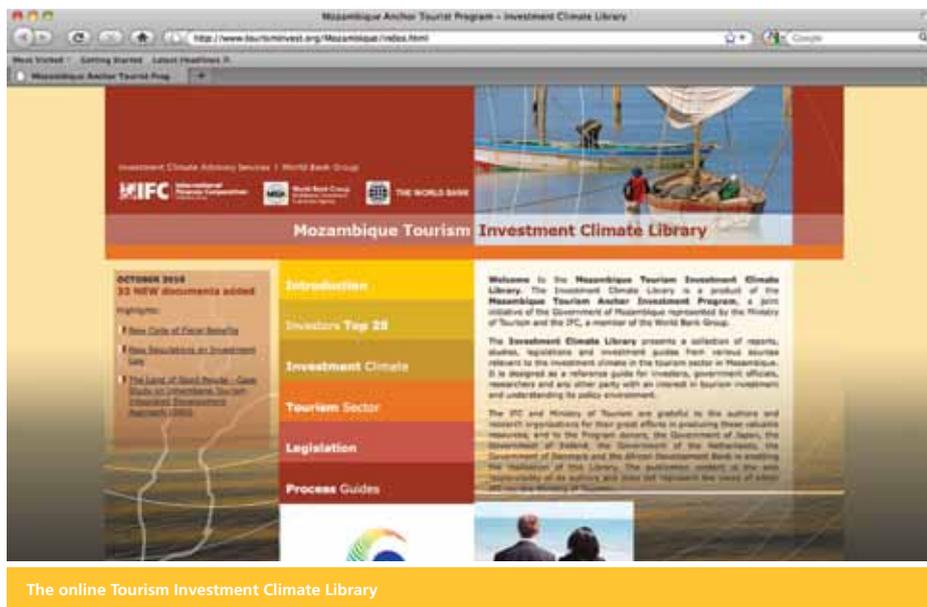


Table 6: Anchor Program Investment Climate Priority Issues and Solutions

	Issue	Solution
Land	Identifying and reserving land	Anchor Program model (agency and zone) Tourism Interest Zones
	Obtaining a DUAT (land-use title)	Anchor Program model (agency and zone) Tourism Interest Zones
	Tenure	Integrated Resort Scheme
	Subdivision and transfer	Integrated Resort Scheme
	Planning and speculation	Integrated Resort Scheme
	Local communities	Anchor Program model (agency and zone) Integrated Resort Scheme
Access and infrastructure	Roads	Anchor Program model (agency and zone)
	Air transport services	Anchor Program model (agency and zone)
Institutional capacity	Communication and coordination	Anchor Program model (agency and zone) Investment Climate Knowledge Library
	Policy and regulation	Anchor Program model (agency and zone) Investment Climate Knowledge Library Integrated Resort Scheme Tourism Interest Zones
	Privatization and investment generation	Integrated Resort Scheme Anchor Program model (agency and zone) Guidelines for dealing with unsolicited bids and direct negotiations
	Transactional capacity	Concession framework Guidelines for dealing with unsolicited bids and direct negotiations
Fiscal benefits	Lack of incentives for large tourism investments	Integrated Resort Scheme

- Anchor Program model (agency and zone):** The structure of the Anchor Program is a zone and agency model. Throughout program implementation, the Anchor program worked towards the realization of tourism zones and establishing institutional structures to steer tourism investment. This zone and agency model provides solutions to problems of institutional capacity and focuses on availability of land (zones) and the establishment of institutional capacity to manage these zones. The Anchor Program piloted this entire process and this influenced the establishment of INATUR, the program's counterpart, as the dedicated agency for tourism-investment facilitation.
- Tourism Interest Zones (Zonas de Interesse Turístico, or ZITs):** From the outset the Anchor Program sought to provide practical tools to tourism investment in the country's PATIs (Priority Area for Tourism Investment). PATIs were introduced in Mozambique's national tourism strategy and sought to focus available resources for tourism growth and development in 18 selected zones. However, no legal instruments existed to reserve land for tourism development within these zones. Initially the Program sought to secure land within PATIs for the two resort sites through regular DUAT applications, but after failure to obtain permanent DUATs, the program realized more solid mechanisms needed to be in place. The approval of Decree 77/2009 to the Tourism Law for the declaration of Tourism Interest Zones by the Council of Ministers now provides such a mechanism. Now the Tourism Ministry, through INATUR, can seek to reserve land specifically for tourism development in PATIs and other strategic zones.

- Integrated resort scheme:** The Anchor Program introduced the integrated resort scheme in mid-2008 to resolve many of the regulatory and legal issues for the two Anchor sites – particularly land tenure, subdivision, investment incentives, social development fund fees, and facilitation and management fees for government. Based on best-practice models in the region (such as in Egypt and Mauritius), consultants and government officials conducted an intensive desk-based study of Mozambique’s legal environment, interviewed stakeholders, and visited integrated resorts in Mauritius and South Africa. The resulting guidelines for integrated resorts are designed to attract foreign direct investment, generate revenue, and increase control over tourism development. The Anchor Program then drafted various amendments to existing laws to allow for the establishment of such a scheme. Approvals followed, including the Council of Ministers’ approval of the integrated resorts concept in Investment Law Regulation (Decree 43/2009). This foresees the attribution of Special Economic Zone status to integrated resort projects, a Code of Fiscal Benefits (56/2009), and the Tourism Interest Zones Regulations (Decree 77/2009). An additional decree to establish a comprehensive Integrated Resort Scheme was also drafted but at print of this case study approval is still pending.



- Investment Climate Knowledge Library:** This database of more than 250 documents is a valuable resource for the government, consultants, and investors. The Anchor Program has made this resource public to reduce information barriers, increase transparency, and reduce the risk of duplication in research and reports. The program launched the library in August 2009 at <http://www.tourisminvest.org/Mozambique/> – it is also available on CD.
- Guidelines for dealing with unsolicited bids and direct negotiations:** These guidelines provide direction on responding to, screening, negotiating with, or ending interactions with bidders (unsolicited or prequalified). They were developed by the transaction adviser contracted by the Anchor Program for the Tourism Ministry.

Investment Climate Reforms Catalyzed by the Program include:

- Creation of a new Tourism National Institute (INATUR) in charge of tourism development and investment facilitation in ZITs and Anchor sites.
- Approval of the Tourism Interest Zones Regulations which foresee that areas with special natural, cultural or historic can be reserved for tourism development (Council of Ministers Decree n° 77/2009).
- The declaration of the Inhassoro and Crusse/Jamali Anchor sites, occupying 2,750 and 1,750ha of pristine coastland , as the country's first Tourism Interest Zones (Council of Ministers , 24th Ordinary Session, of 13th July 2010).
- Approval of the Investment Law Regulation which allows individual Integrated Resort projects to apply for Special Economic Zone status (Decree n° 43/2009).
- Approval of the terms and conditions for three tourism concessions in the Maputo Elephant Reserve (Resolutions 51,52,53/2009).

4.5 Providing Training in Investment Promotion

Learning through experience was a consistent component of the Anchor Program, and the Investment Climate team and Tourism Ministry teams were jointly engaged in all activities, including investment promotion. As part of these efforts, INATUR led stakeholder management activities and IFC's Investment Climate team led strategy execution, event planning, and marketing material production – though both sides were equally represented at public events, fairs, and conferences.

Formal learning and training exercises were not conducted, but a member of INATUR did participate in a week-long investment policy and promotion training course in Naivasha, Kenya, organized by WBG's Investment Climate Advisory Services.

Lesson

More formal training and greater sharing of responsibilities would have given the government more ownership and understanding of the process, particularly in terms of disseminating messages to the media and communicating with investors.

4.6 Promoting the Investment Opportunities

With all the steps in place, the team was ready to bring the opportunities to the market. The team decided that the launch of the opportunities would best take place at a high-profile event where Mozambique could capitalize on congregations of international investors and media. Given that the Middle East was the main target market, it was decided to launch the program at the 2008 Arabian Hotel Investment Conference in Dubai. The program agreed to be a conference sponsor under the name of Mozambique Tourism Anchor Investment Program (not as IFC or Tourism Ministry) and sent a delegation of eight people, including the Tourism Minister and IFC's country manager.

The Minister launched the sites during a plenary session and conducted several interviews with the media, while the rest of the team staffed an exhibition stand and issued press releases. Throughout the three-day event the program team met interested investors, answered questions, disseminated marketing materials, and conducted semi-structured market interviews to advance the draft procurement strategy.



Minister Sumbana and the Anchor Team meet investors in Dubai

Lesson

High-profile participation from individuals such as the Minister of Tourism elevated the status of the program's participation and opened doors to major investors. This strong show of government commitment to tourism developed was acknowledged and welcomed by prospective investors.

The Mozambican presentation was extremely successful in promoting the program, particularly because Mozambique was perceived a "new" tourism destination and one of only three countries represented at the event (other exhibitors were companies and organizations). The event helped enormously in raising the country's profile as a destination for tourism investment. After the launch the Minister invited six promising leads to site visits. In addition, about 20 requests were received for further information, along with four informal expressions of interest.

A regional launch was held a few days later at Indaba, South Africa, Africa's largest tourism fair. The commitment of Mozambique and the Anchor Program was reinforced by subsequent attendance and participation at six other international and local events. During the program's lifespan the team participated in more than 15 international tourism fairs and conferences.

Each of these events resulted in new investor contacts and engaged the project team in direct dialogue and communication (predominantly by email) to follow up and secure interest from contacts. All of this correspondence was logged for future reference and to safeguard the transparency of the promotion process.

Lesson

Consistent interaction with investors and presence on the "conference circuit" was invaluable in building relationships and developing interest.



Members of the Anchor Team (right) engage visitors to the stand (left)



INATUR's Mario Sevene at the exhibition stand



4.7 Visiting the Sites

Having secured tentative interest, the team's next step was to facilitate site visits. Five investor visits were formally facilitated under the program, with two trips to Crusse/Jamali and three to Inhassoro. It was decided early in the program that unaccompanied site visits would not be permitted as the team could not control the quality of the experience (logistics, meetings, etc.) nor protect local communities from unannounced foreign visitors and speculation. However, investors could not be prevented from visiting or flying over the sites, but the team made clear that doing so could jeopardize their bids should they make them.

The team planned itineraries, organized logistics and set up meetings, but did not pay for investors' costs. It is common for investors to fund their scoping missions. Where possible, the team provided at least one member of the IFC team and one from the Tourism Ministry or INATUR as guides, enabling team members to establish a relationship with the investors. The visits typically involved about a day of traveling and flying over the site and included a meal with key stakeholders as well as meetings with government members such as provincial tourism directors, the Minister of Tourism, and in one case the President of Mozambique. The visits provided excellent opportunities to sell both the sites and Mozambique as a destination, so they included visits to nearby attractions, hotels, and historic sites.

Site Visits

Five formal investor visits were facilitated under the program, with two trips to Crusse/Jamali and three to Inhassoro. The visits typically involved a day of traveling and flying over the site and meetings with key stakeholders.



The Anchor Team at work during the site visits

4.8 Selecting the Investment Procurement Method

Having registered levels of interest, procurement methods were formally agreed for each site. The Inhassoro site would be taken to the market on a limited tender, while the Crusse/Jamali site would be a direct but structured negotiation.

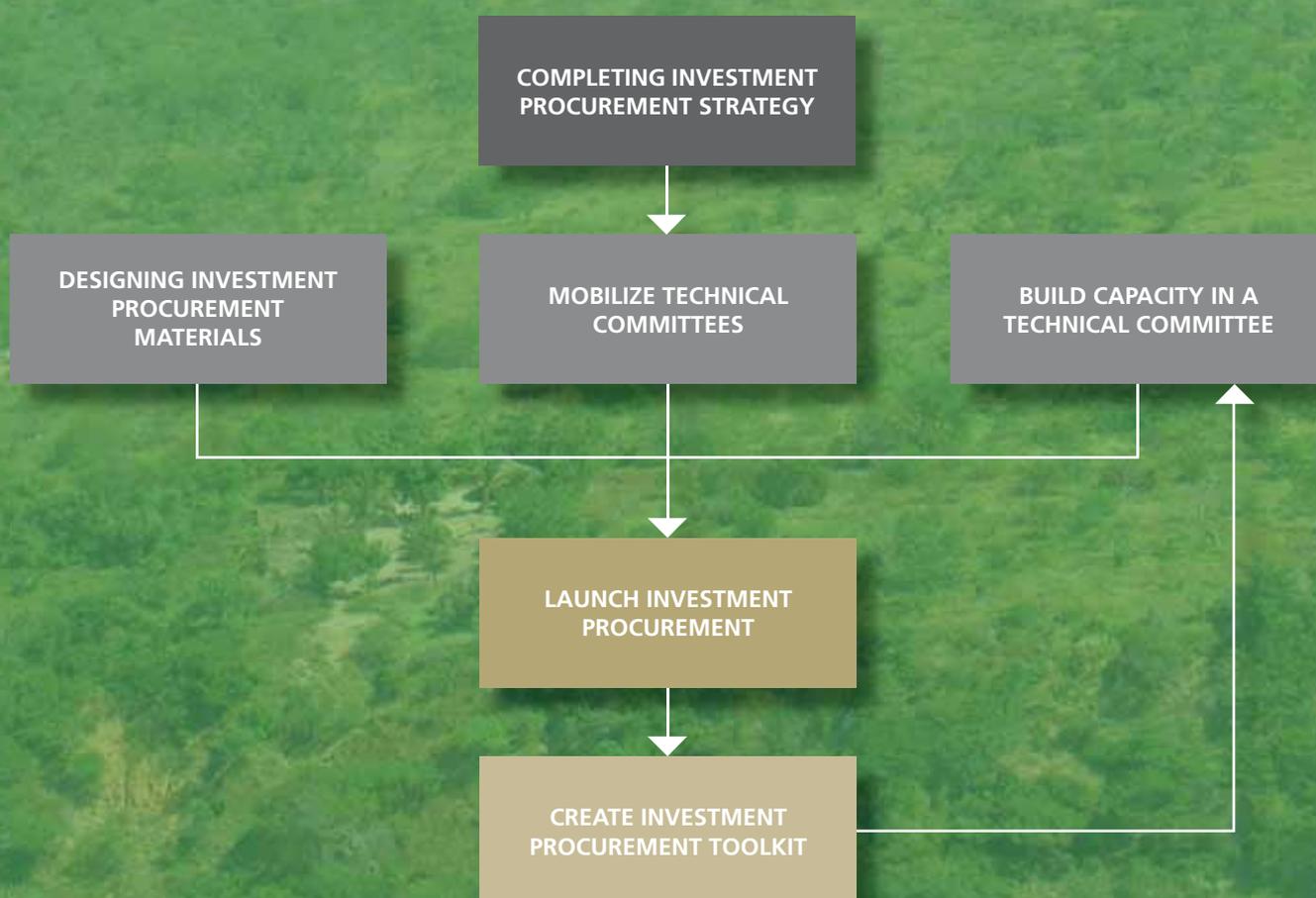
These options were chosen because it was anticipated that there would be more than one investor interested in Inhassoro, and only one for Crusse/Jamali. A direct negotiation for the latter site would be faster and also give the program a quick win to demonstrate to various stakeholders. At this point the team hired an investment-procurement strategy adviser to review the proposed options for the sites and confirm their viability. The adviser also provided strategic advice to the government in implementing the next phase of the process: the investment transaction.

5. Sealing the Deal: The Investment Transaction

Having secured a number of interested investors for both sites that met the investor criteria, the Anchor Program moved to phase 4 of the IGA: Investment Procurement (see Figure 1). Unfortunately implementation of the Investment Procurement Phase was cut short when the global economic crisis hit in 2009.

Phase 4 of the Investment-Facilitation Approach: The Investment Transaction involves the steps outlined in Figure 4.

Figure 4: Phase 4 of the IGA – Investment Procurement



The following paragraphs describe activities executed under this phase for the two resort sites during program implementation and a short summary of activities post IFC-support.

5.1 Investment Procurement for Crusse/Jamali Site

There was considerable pressure from a large Kuwaiti investor to move quickly with the Crusse/Jamali site, and because it was in the team's interest to get a quick win, this site was dealt with first. The investor had already visited the site and met with the President of Mozambique, and submitted a formal expression of interest for eight projects in the country. The investor agreed to push ahead with the Crusse/Jamali opportunity as it was at the most advanced stage of readiness.

The Anchor Team and the Tourism Ministry's investment procurement adviser had already established that the investor met the criteria for developing the site, and the two parties drew up a memorandum of understanding. In late February 2009 a final document had been agreed to by all parties, and the investor's Director for Asset Development flew to Mozambique for the official signing. But on the morning the signing was to occur – committing the investor to about \$200-million in developing the site – the investor withdrew due to the global economic crisis. The crisis took a significant toll on the development of large resorts around the world, and developments of this nature in Mozambique became unthinkable.

5.2 Investment Procurement for Inhassoro Site

Interest in the Inhassoro site also faded as the world grappled with the huge economic downturn, crashing property market, and inaccessibility of credit. The team decided to put the promotion of the resorts on hold until further notice. Some months later, the team received an expression of interest from a group previously unknown to them.

The Tourism Ministry's investment procurement adviser developed a formal process to manage such unsolicited requests, including guidelines, check lists, and template letters for the government to frame negotiations.

Applying these due diligence procedures to the investor in question quickly revealed that there was not a suitable match and the process was terminated.

5.3 Moving Forward After the Global Economic Crisis

With the resort model rendered unviable, the Anchor Program was faced with a dilemma about its investment opportunities. Three options were available:

- Freeze the sites for times with better economic opportunities.
- Abandon the sites and find new, more market-ready ones.
- Repackage the sites into more viable development alternatives.

Having made commitments at the local level, consulted communities, and engaged politicians, the team felt that walking away from the resort sites and waiting for better economic times was not an option. In addition, the program's experience with ecotourism sites showed that there was still a strong pool of credible (smaller) tourism investors and operators in Mozambique. Accordingly, the team decided to freeze the largest resort site (Inhassoro), and considered breaking up the second one (Crusse/Jamali) into smaller pieces, repackage both as ecotourism developments, and present them to the market again. The outcome of the environmental and social scoping for the resort sites will be vital input into this exercise.



Member of the Inhassoro community calculating community compensation

5.4 Post-Program Implementation

No structured investment procurement activities took place directly after the financial crisis in 2009 and 2010. Meanwhile the IFC program was coming to an end and the program had decided to focus its remaining budget on the conclusion of the Maputo Elephant Reserve procurement process and finalization of the key investment climate reforms.

In 2011 INATUR re-launched the Crusse/Jamali Site in a competitive tender. Although a significant number of investors had responded to the Expression of Interest, very few credible bids were received and the tender was cancelled. However, the tender did create a renewed momentum as towards the fall of 2011 two entities expressed interest in the Site and entered in direct negotiations with the Tourism Ministry and INATUR. One of these processes led in early 2012 to the signage of an Investment Agreement between the investor, a European developer with a track-record of similar developments in Europe, Northern African and the far East, and the Ministry of Planning and Development. This agreement foresees an overall investment of over \$1 billion in the Crusse/Jamali Site. At time of print, the parties are preparing initial feasibility studies as well as a submission to the Council of Ministers to request award of Special Economic Zone status to the Site.

No tender has been launched for the Inhassoro Site but over time, various investors have expressed interest for the site. So far, these interests have not yielded firm commitments and contracts.



Mozambique Tourism Minister Fernando Sumbana and Anchor Program Manager Irene Visser receive the AI Award from HE Tourism Minister of Kenya. The Mozambique Tourism Anchor Investment Program won in 2009 and 2011 the "Tourism Program of the Year" award presented by Africa Investor, a leading international investment research and communication group.



6. Conclusion



Under the Investment Generation Approach, Mozambique identified and brought to the market two large tourism resort investment opportunities. At its peak in 2008, the program implemented the country's first professional investment outreach campaign, promoting the Anchor sites to more than 1,200 investors and generating more than 200 leads, 50 expressions of interest, and numerous site visits. The program also developed and distributed various marketing material including a brochure, investor presentations, newsletters, and a broad public relations campaign. These boosted Mozambique's exposure and image as a tourism-investment destination.

Due to circumstances beyond the program's control (2009 global economic crisis), the procurement phase for both resort sites was cut short. Still, this additional time allowed the program to finalize legal and investment climate reforms needed to ensure that large resort investments can be achieved in Mozambique when the global economy recovers.

However, shortly before print of this case study a \$1 billion investment agreement between a European investor and the Ministry of Planning and Development had been announced. The investor cited the readiness of the site (and specifically the availability of the land) and commitment of government, along with its natural attraction and potential for development, as the main reasons it pursued its interest.

The program has generated many useful lessons, most notably the essential requirement for a well-integrated team with clearly defined leaders and responsibilities. Going forward, it is expected that the government of Mozambique – including the Tourism Ministry and INATUR – will champion the replication of the Anchor Approach. In securing these Anchor investments, Mozambique will be able to realize the full social and economic benefits provided by large-scale tourism.

IFC, a member of the World Bank Group, creates opportunities for people to escape poverty and improve their lives. We foster sustainable economic growth in developing countries by supporting private sector development, mobilizing private capital, and providing advisory and risk mitigation services to businesses and governments. This report was commissioned by IFC through its Investment Climate Advisory Services in Africa Department.

Investment Climate Advisory Services in Africa

Mozambique Team

Michelle Souto or Irene Visser

160, Rua Jose Craveirinha

Maputo, Mozambique

Tel: +258 21 483000

Email: msouto@ifc.org or ivisser@ifc.org

