

COST OF CONFLICT ON TOURISM SECTOR IN MOZAMBIQUE STUDY

Background Information & Approach to modeling

Background

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

Source of Statistics Employed

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

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

ALL of this data is published yearly by the Ministry of Tourism and the figures used in the study were the latest set of data, released in February 2014.

Statistics on tourism published by Mozambique national agencies and estimates from international agencies based on national data create an inconsistent and unclear picture of the industry. Constraints in evaluating such data have conditioned the development of the report. However, wherever possible detailed analyses have been undertaken and assumptions clearly indicated.

The means of data collection cited above, does not provide disaggregated stats concerning high /medium / low end travelers and as such weighted averages have been applied to the market segments based on the reported average number of days per segment to try to create a more realistic picture of the value of each segment and thus the extrapolated cost of lost spend in the greater economy.

Modeling for Use in Projected Economic Impacts

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

FOREIGN TOURIST EXPENDITURE ESTIMATES – TRIP SPEND

Business	USD Est	Leisure Mid (30% of Total)	USD Est
Expenditure (daily, US\$ p/p)		Expenditure (daily, US\$ p/p)	
Accommodation	50	Accommodation	45
Food and restaurants	20	Food and restaurants	25
Other	15	Other	20
Total	85	Total	90
Average stay (no. days)	2	Average stay (no. days)	3
Spend per visit (US\$ per person)	170	Spend per visit (US\$ per person)	270
Total number of visitors ('000s, annual)	311,767	Total number of visitors ('000s, annual)	388,498
Total expenditure (US\$ million)	53,000,390	Total expenditure (US\$ million)	104,894,460

Leisure - Self drive (60% of Total)	USD Est	Leisure High (10% of Total)	USD Est
Expenditure (daily, US\$ p/p)		Expenditure (daily, US\$ p/p)	
Accommodation	20	Accommodation	180
Food and restaurants	10	Food and restaurants	15
Other	3.8	Other	80
Total	33.8	Total	275
Average stay (no. days)	4	Average stay (no. days)	3
Spend per visit (US\$ per person)	135.2	Spend per visit (US\$ per person)	825
Total number of visitors ('000s, annual)	776,980	Total number of visitors ('000s, annual)	129,497
Total expenditure (US\$ million)	105,047,642	Total expenditure (US\$ million)	106,834,695

A further influence on the national statistics is the inclusion in 2013 of domestic tourism defined as;

- All the travelers who travelled for any reason and to any point of the country, at a distance equal to or greater 50 Km, out of their usual environment.
- Any individual travelled more than 50 km away from their usual environment , more than once , was recorded as tourists for each trip (up to a maximum of three times) ***However, expenditures for travel were considered during all trips reported by the respondent .***

During the reporting period, approximately 4.1 million people living in Mozambique, made at least one trip within the country and if we consider that some of these tourists made more than one trip, the total number of “tourists ” captured is more than 6.3 million.

Approach

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

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

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

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

Conclusions

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

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

However – instances of conflict are catastrophic to the image of a country and its appeal as a leisure tourism destination or location for investment (driving business tourism). As such, the isolated instances of conflict between late 2013 and early 2014 have had a significant economic impact already as per the modelling below and continuation or escalation of conflict will have an exponentially increased impact;

Indirect Impacts:

- Based on the modeling above, in which there is an overall average decrease in tourism spending of 26% it is possible to extrapolate on the WTTC figures to estimate that overall

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

value chain spending by tourism operators would have been reduced by a total of approximately 3,250,000 USD over the same period (Nov 2013 to Jan 2014).

Tax Revenues:

- Assuming the decrease of 0.1% of arrivals (by trip) as modeled, this equates to a 26% reduction in tourism spend then it can be predicted that the loss of taxable income over the period will be similarly affected. This represents a loss of 1.7 million USD in IVA alone and further impacts will be noted in the corporate taxes of the entities at year end.
- Further to the above, a loss of 3.25 million USD in downstream spending represents an additional loss of 5.53 million USD in IVA on the lost sales.

Tourism Investment

Direct Impacts:

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

Indirect Impacts:

- Any delays and or cancellations of planned development must be recognized as having a substantial impact on the greater economy