

Facilitating Tourism Investment in the Maputo Elephant Reserve

The Tourism Investment Generation Approach



Investment Climate Advisory Services | World Bank Group



In partnership with:



Copyright © 2012
Investment Climate Advisory Services
The World Bank Group
1818 H Street, NW
Washington, DC 20433
All rights reserved
Manufactured in the Republic of South Africa
First published in March 2012

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

The material in this publication is copyrighted. Requests for permission to reproduce portions of it should be sent to the Investment Climate Advisory Services of the World Bank Group at the abovementioned address.

About the Investment Climate Advisory Services of the World Bank Group

The Investment Climate Advisory Services of the World Bank Group helps governments implement reforms to improve their business environment, and encourage and retain investment, thus fostering competitive markets, growth and job creation. Funding is provided by the World Bank Group (IFC, MIGA, and the World Bank) and more than 15 donor partners working through the multidonor FIAS platform.

Disclaimer

This publication is a product of the staff of the World Bank Group. The findings, interpretations and conclusions expressed in this volume do not necessarily reflect the views of the Executive Directors of the World Bank Group or the governments they represent. The World Bank Group does not guarantee the accuracy of the data included in this work.

About the Anchor Program



The Mozambique Tourism Anchor Investment Program was 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 of the regulatory environment. The program responded to a direct request from the Ministry of Tourism to assist the government of Mozambique in the development and implementation of a framework to facilitate tourism investment.

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

Acknowledgements

This report was prepared by members of the Mozambique Anchor Program Team, Peter John Massyn (consultant), Michelle Souto (program coordinator), Irene Visser (program manager), and Hermione Nevill (consultant). The team would like to thank its long-term consultants, Rita Casimiro, Delano Caras and Etna Correia, who were an integral part of the Anchor Program team. Throughout the program they provided input on the development of the Anchor Investment Generation Approach as well as its application in the Maputo Elephant Reserve. The team would also like to acknowledge the important role its counterparts at the Ministry of Tourism played in the realization of the Anchor Program, specifically in the Transfrontier Conservation Area and National Department for Conservation Areas (DNAC) units, as well as the Reserve's management team, the Peace Parks Foundation, and the National Tourism Institute. It would specifically like to thank HE Fernando Sumbana Junior, Jorge Ferrao, Mohammed Harun, Gilberto Vicente (in memory), Albino Mahumane, the Maputo Special Reserve Management Team, and the Peace Parks Foundation Team in the MSR for their continued support and engagement. The team would also like to thank (ex) IFC managers and staff that helped in realizing the program and provided support throughout. Specifically the team would like to thank Bernard Chidzero, Nigel Twose, David Bridgman, Babatunde Onitiri, Emmanuel Nyirendiri, and Shaun Mann. Thanks also to all the program's consultants and colleagues in the Maputo, Johannesburg, Nairobi, and DC offices that supported the program throughout its life.

Contents

INTRODUCTION	5
1. THE INVESTMENT GENERATION APPROACH	6
2. PREPARING FOR INVESTMENT	8
2.1 The Maputo Elephant Reserve	8
2.2 Conditions, Location and Access	9
2.3 Assessing the Site	11
2.4 Identifying Barriers to Investment	12
2.5 Developing an Investment Strategy	13
2.6 Mobilizing the Anchor Team	14
3. PROMOTING THE INVESTMENTS	16
3.1 Building a Target Investor List	16
3.2 Investment Promotion Strategy	17
3.3 Investment Promotion Materials	18
3.4 Implementing the Strategy	18
4. PROCURING THE INVESTMENTS	20
4.1 Phasing and Timing	20
4.2 Direct Negotiations for Ponta Milibangalala	21
4.3 Concession Structure	22
4.4 The Competitive Tenders	24
4.5 Institutional Arrangements	26
5. INVESTMENT CLIMATE REFORMS	28
5.1 Regulatory Reforms	28
5.2 Investment Procurement Toolkit	29
5.3 The Investment Climate Library	29
6. LESSONS LEARNED	30
6.1 Stakeholder Dialogue	31
6.2 Investor Mobilization	32
6.3 Investment Climate Reform	33
7. CONCLUSION	35



Acronyms

AZC	Ahi Zamene Chemucane
DNAC	National Department for Conservation Areas
FUTUR	National Tourism Fund
GOM	Government of Mozambique
IFC	International Finance Corporation
IGA	Investment Generation Approach
IGEPE	Institute for Management of State Participation
INATUR	National Tourism Institute
MER	Maputo Elephant Reserve (Maputo Special Reserve is also known under this name)
MITUR	Ministry of Tourism
MOU	Memorandum of Understanding
MSR	Maputo Special Reserve
MTAIP	Mozambique Tourism Anchor Investment Program
NGO	Non-governmental Organization
PATI	Priority Area for Tourism Investment
PPF	Peace Parks Foundation
REI	Request for Expression of Interest
RFP	Request for Proposal
SME	Small Medium Sized Enterprises
TFCA	Transfrontier Conservation Area

Introduction

The Investment Generation Approach (IGA) was 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 secure private investment for an eco-lodge in the Maputo Elephant Reserve in southern Mozambique. A separate case study, *Facilitating Large-Scale Tourism Resorts in Mozambique*, describes its application at two resort sites elsewhere in the country.

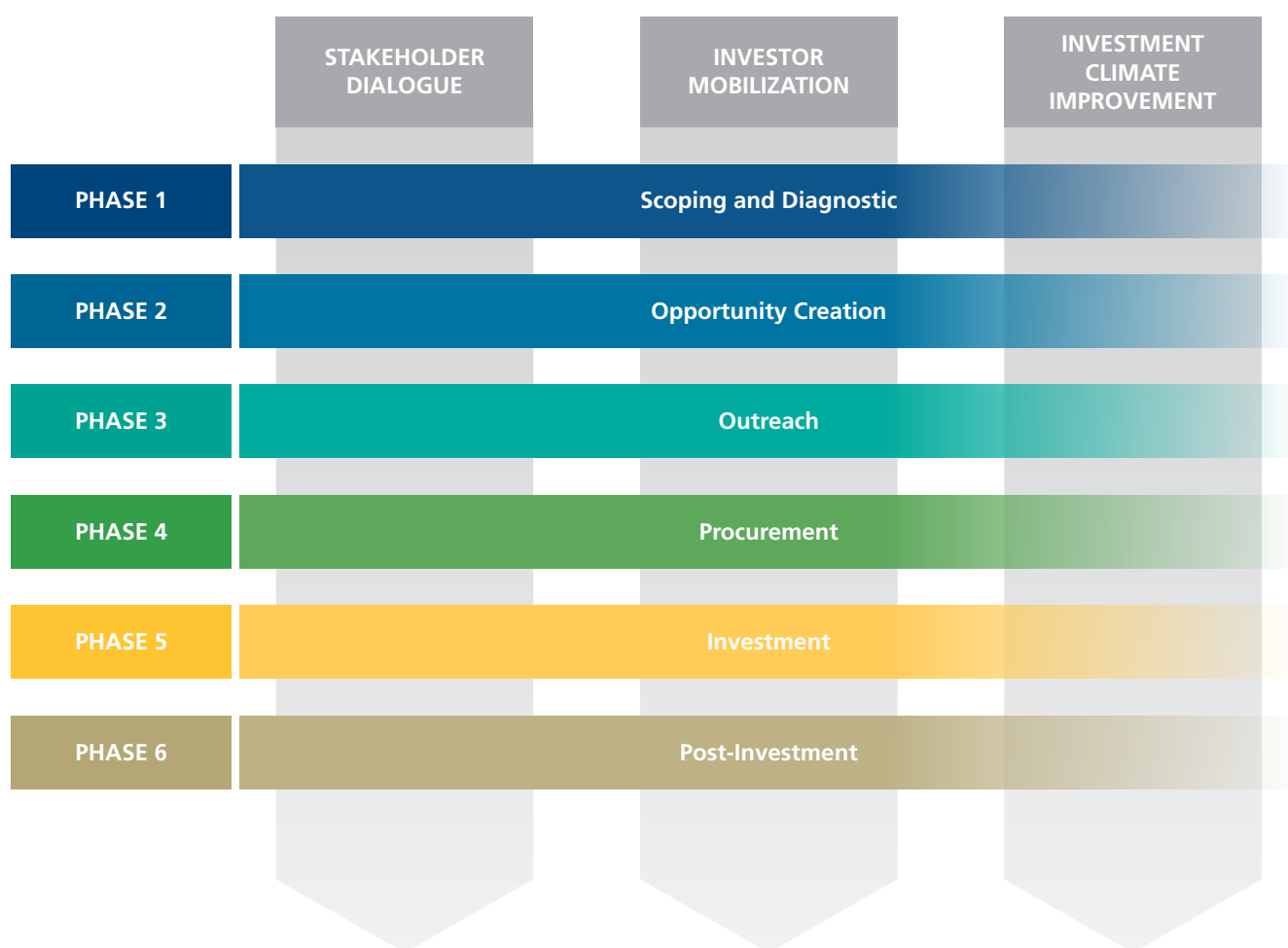
- *Chapter One – The Investment Generation Approach:* Provides an overview of the IGA including its typical phases and workstreams.
- *Chapter Two – Preparing for Investment:* Introduces the Reserve, describes its selection as an anchor site, the subsequent preparation of an investment strategy and, finally, the creation of a team to implement the program.
- *Chapter Three – Promoting the Investments:* Describes how the Reserve's opportunities were promoted to the investment community and the tools developed and used by the team.
- *Chapter Four – Procuring the Investment:* Describes the investment-procurement process. It considers the timelines, phases, concessioning structures, and mechanisms used to implement and coordinate the process.
- *Chapter Five – Investment Climate Reforms:* Identifies areas for improvement in the investment climate and the actual reforms the program helped realizing.
- *Chapter Six – Lessons Learned:* Outlines lessons learned during the program.
- *Chapter Seven – Conclusion:* Presents a brief conclusion, arguing that the Reserve process was successful not only in securing investment despite the global economic downturn, but also as a catalyst for responsible, rule-bound investment procurement elsewhere in Mozambique's protected area system.



1. The Investment Generation Approach

The IGA aims to generate strategic (or “anchor”) investments in emerging tourism destinations in line with national strategic objectives. IFC and client governments typically pursue this goal by carefully selecting and preparing sites to attract catalytic investments that would boost wider economic and social development.

The Six Phases of the IGA



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 anchor accommodations have been built, networks of tourism operators and supporting infrastructure, services, and supply chains are established. This makes the area a tourism "destination" and provides the associated benefits for development (See 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
- Spinoff 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)

2. Preparing for Investment

In 2006, the government asked IFC for technical assistance to help securing tourism investment in the Reserve. IFC, then preparing the Mozambique Tourism Anchor Investment Program (MTAIP), responded by proposing that the Reserve be assessed for inclusion in the MTAIP. This chapter describes the preparatory process that followed the request, eventually leading to the selection of the Reserve as an anchor site and the signing of an MOU between IFC and the Tourism Ministry in January 2007. The activities covered in this section span the first two phases of the IGA (Scoping and Diagnostic, and Opportunity Creation).

2.1 The Maputo Elephant Reserve

Mozambique's network of conservation areas covers about 16% of the country's territory. During the colonial period, some of the country's parks were among Africa's top tourism destinations, but the armed conflict, which ended in 1992, depleted much of the wildlife and infrastructure. The government is now restoring these areas with the assistance of donors and conservation-oriented NGOs. Mozambique's conservation and tourism policy framework considers investment by the private sector in tourism infrastructure as a key element in the development strategy for conservation areas. Tourism investment is also considered to promote further regional development and to support income generation to sustain conservation management in the long run.



The Maputo Elephant Reserve is located in the district of Matutuine in the far south of Mozambique. The Reserve and the adjacent marine reserve form one of Mozambique's premier protected areas. The area has global conservation value and represents excellent – but undeveloped – tourism potential.

The Reserve is managed by the Tourism Ministry and forms an integral part of the Lubombo Transfrontier Conservation Area, a trilateral initiative involving Mozambique, South Africa and Swaziland, to promote biodiversity conservation and tourism development. Its main sources of financial and technical support are the World Bank and a regional NGO, the Peace Parks Foundation.

2.2 Conditions, Location and Access

During the preparatory phase, the IFC team undertook a rapid assessment to confirm that the Reserve met the minimum entry conditions for a successful application of the IGA. The Reserve is strategically located close to Maputo, Mozambique's capital city, which is an important source market in its own right. The city is also the major entry point to Mozambique, linked to the populous Gauteng market of South Africa via an excellent transport corridor. Access from other global centers exists via air links. The Reserve also lies on the Lubombo Route, an emerging tourism corridor connecting Mozambique to Swaziland and KwaZulu-Natal in South Africa.

2.2.1 Quality of the Resource Base

The Reserve's tourism potential is widely recognized. With 70,000ha bordering the Indian Ocean, it includes a mosaic of coastal and terrestrial ecosystems, including beaches, bays, coral reefs, grasslands, forests, freshwater lakes, floodplains, and rivers. It also harbors remnant wildlife populations, including about 350 elephant, numerous hippos and crocodiles, prolific birdlife, as well as a variety of antelope and other small game. Although wildlife numbers are low, the Reserve's potential for high-value tourism development is significant. In the short-term, this potential is concentrated along the coastline, but in the long-term it holds the promise of combining exceptional bush-and-beach experiences in a single, accessible, destination.

2.2.2 Investor Demand

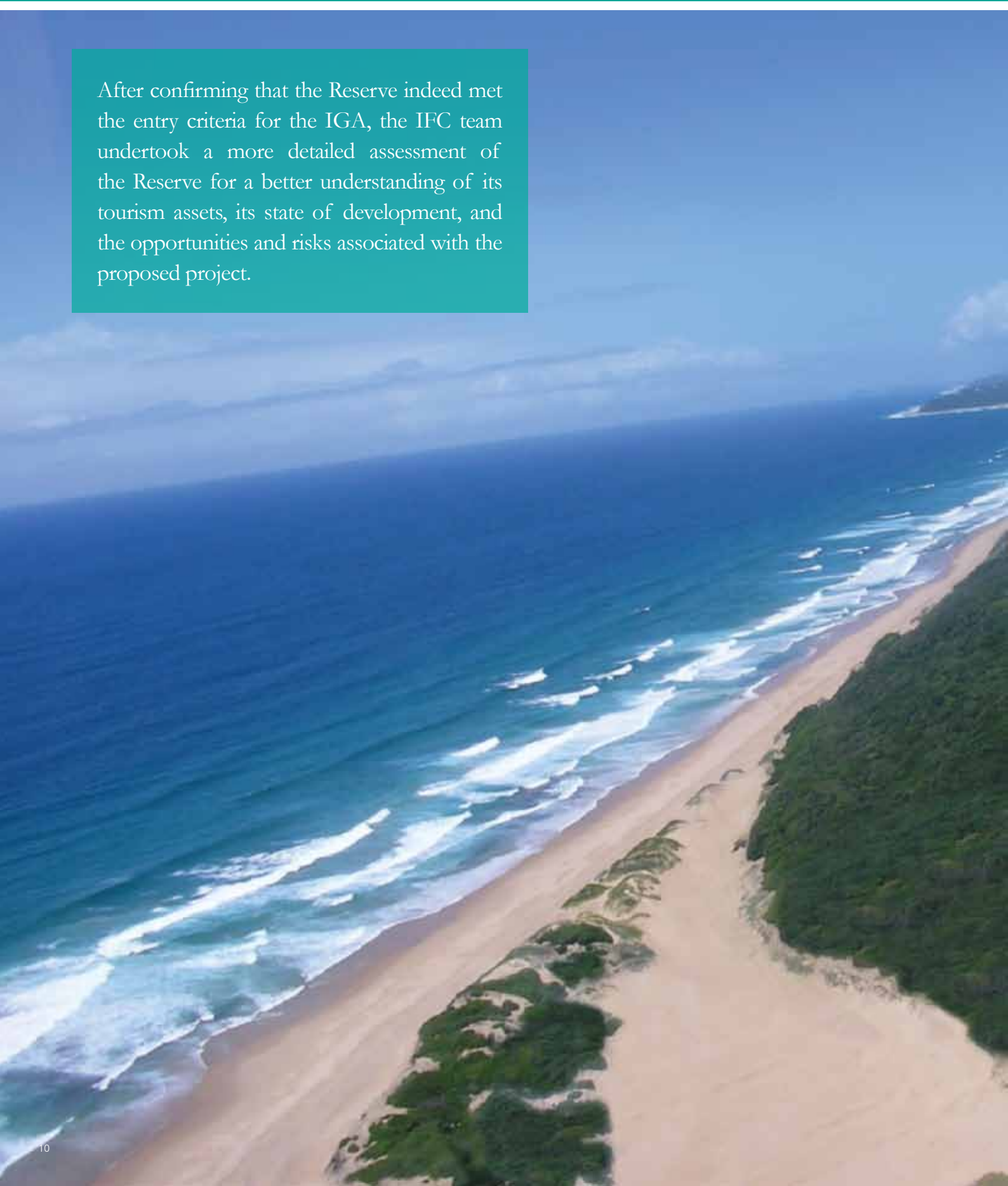
Since the design or conceptualization of the MTAIP in 2006, the IFC team reached out to potential investors to gauge their interest in the Reserve. Feedback, especially on the quality of the natural attractions, was consistently positive. The Reserve was generally perceived as a rare combination of unspoiled land- and seascapes on the doorstep of Maputo and nearby South Africa.

2.2.3 Emerging Destination

Despite its potential as a tourism destination, the Reserve had not yet attracted investment. Except for some basic camping facilities, it had no tourism infrastructure at the inception of the MTAIP and offered virtually no formal economic opportunities to its acutely impoverished residents and neighbors. The Reserve thus had the typical hallmarks of an "emerging destination" – it offered high, but as yet unrealized, tourism potential against a backdrop of government support and regional underdevelopment.



After confirming that the Reserve indeed met the entry criteria for the IGA, the IFC team undertook a more detailed assessment of the Reserve for a better understanding of its tourism assets, its state of development, and the opportunities and risks associated with the proposed project.





2.2.4 World Bank

Since 1993, the World Bank has supported the development of transfrontier conservation areas in Mozambique under the Transfrontier Conservation Area and Tourism Development Project. The Lubombo TFCA is one such area and the Reserve is considered its core asset. Overall, the Transfrontier Project supports the development of the institutional and regulatory frameworks pertaining to protected areas as well as the development of infrastructure and tourism in conservation areas. One of the objectives is to secure financial sustainability for protected areas through private investment that contribute not only to regional development but also generate fees for conservation. The Transfrontier Project welcomed IFC's involvement in the Reserve, specifically its expertise in facilitating private sector investment.

The government considered the Reserve a strategic but underdeveloped tourism asset. Mozambique's National Tourism Strategy (2004) identified the Reserve as a priority area for tourism investment (PATI) – one of 18 such areas earmarked as focal points for tourism growth and investment. The government also recognized that it lacked the means to develop and market the area effectively. Consequently, it turned to its international partners, requesting the World Bank to assist with the development of the protected area (via the Transfrontier Project) and the IFC to help with the attraction of private investment (via the MTAIP).

2.3 Assessing the Site

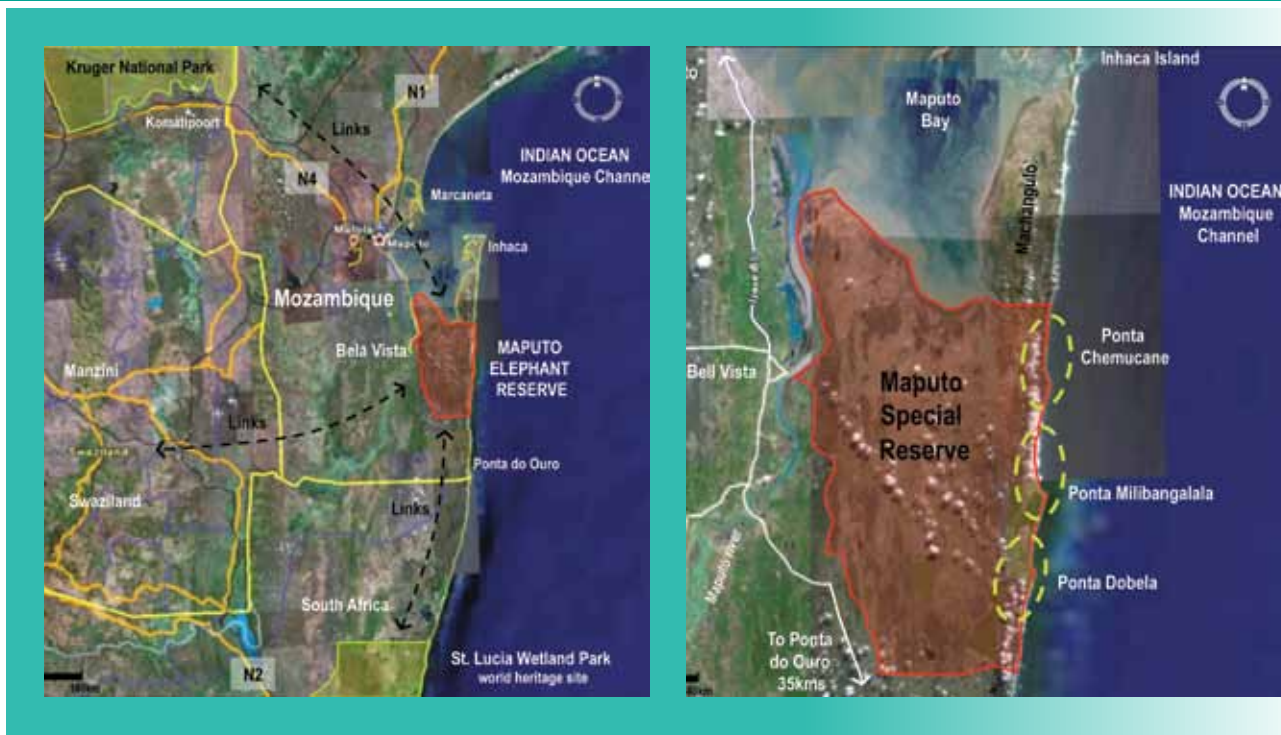
After satisfying itself that the Reserve met the entry criteria for the IGA, the IFC team undertook a more detailed assessment of the Reserve for a better understanding of its tourism assets, its state of development, and the opportunities and risks associated with the proposed project.

2.3.1 Fieldwork

A field assessment, conducted in February 2007, endorsed the Reserve's attractiveness as a tourism asset and investment destination. The survey confirmed that the Reserve offered excellent potential for high-value tourism: it combined a world-class coastline with growing wildlife populations. In the short term, while wildlife numbers recovered, development would focus on the seaboard. Coastal assets included a spectacular virgin coastline combining rocky bays with wide, sandy beaches and outstanding marine resources, including unspoiled coral reefs and large marine species such as whales, dolphins and sea turtles.

The team identified three sites along the coastline for a first round of investment: Ponta Chemucane in the north, Ponta Milibangalala in the center, and Ponta Dobela in the south. It appraised each site's location, access, infrastructure, physical characteristics, and social dimensions. These findings fed into an investment procurement strategy for the Reserve, which is described overleaf.

Initial Tourism Investment Sites in the Maputo Elephant Reserve



2.3.2 Legal Study

Following the field assessment, a legal due diligence checked the availability of the three sites, reviewed the required licences and procedures for tourism investment in conservation areas, and assessed possible land-use conflicts in and around the Reserve.

This study, conducted in the first quarter of 2007, presented information about a proposed deepwater port and associated industrial zone in the same district. The “concession area” associated with the proposed port initially overlapped with the Reserve and included (partially) the sites of Ponta Milibangalala and Ponta Dobela, but later shifted to Ponta Techobanine, approximately 10km south of the Reserve. Legally, the port concession had expired and needed re-approval from the Council of Ministers before it could be resuscitated. Nevertheless, this posed a risk because some potential investors felt that the mere suggestion of a large-scale industrial project so close to the Reserve threatened the area’s attractiveness and integrity as a conservation and ecotourism asset.

2.4 Identifying Barriers to Investment

At the start of the program, Mozambique lacked a clear framework for private investment in conservation areas. Building on the work of the legal review, the IFC team identified the main barriers to investment in conservation areas. The idea was for the program to use the investment-facilitation process to build the government’s capacity and promote reforms to reduce the difficulties associated with investment in conservation areas.

At the outset, the team identified the following regulatory and policy concerns:

- All commercial activities in conservation areas had to be granted a “special licence”, but this instrument had not been regulated, resulting in uncertainty about its legal status and the procedures for its award.
- The absence of a formal concessioning framework for investment in Mozambique’s conservation areas created uncertainty and undermined investor perceptions about the government’s ability to execute tenders in these areas.

- The government expressed a desire to become commercially involved in some tourism developments in conservation areas in order to generate revenue and maintain control over product diversification and implementation, but there was no broadly accepted model for such participation.
- Likewise, although there was a strong political desire to increase local community benefits from conservation-based commerce, there was no clear model for achieving greater community participation.
- Although the government had developed a fee structure to fund conservation, it did not cover revenue from private investment in protected areas, nor did it ensure that conservation areas generating the most revenue received proportional reinvestment.
- Although the coastal stretch adjacent to the Reserve was widely perceived to have major conservation and tourism value, it was not formally protected and therefore vulnerable to degradation in the long run.

2.5 Developing an Investment Strategy

Based on the site assessment, legal study, market research, and widespread discussion, the team developed an investment procurement strategy for the Reserve designed to attract quality private investment at the three sites identified for short-term development.

The strategy reflected important principles anchored in government policy (such as the Tourism Policy and Implementation Strategy of 2003). These principles included the desire to build national capital and ensure the participation of local communities. To meet these objectives, one of the three sites was earmarked for a community partnership and a second for national investment.



The strategy recommended that tourism development in the Reserve be phased. In general, private partners should be identified via competitive and transparent tenders targeted at different types of investors (see Box 2). The strategy did keep open the possibility of direct awards to potential investors, but only in exceptional circumstances.

If successful, the three lead investments were expected to raise the profile of the Reserve, establish it as a regional tourism destination, and boost investor confidence – triggering further investment in the area and Mozambique’s other conservation areas. The initial projects would also create opportunities for local socio-economic development, community partnerships, improved public infrastructure, and income for park management, thereby contributing to the long-term sustainability of conservation.

Box 2: Proposed MER Investment Profiles

- *Ponta Chemucane*: a regional operator with an established portfolio of African eco-lodges, experience with community partnerships, and a global marketing and sales network.
- *Ponta Milibangalala*: an international operator with a high-profile brand and a global marketing and sales network.
- *Ponta Dobela*: a domestic operator with a presence in Mozambique’s tourism sector and majority-owned by Mozambican nationals.

The strategy also emphasized the need for integration with the Reserve’s management plan, which was being prepared at the time. Important issues included the zoning of tourism developments, the relocation of public facilities and access routes to give concessionaires greater exclusivity, the regulation of visitor use, and the channeling of tourism revenues into the conservation management of the Reserve.

The investment procurement strategy was extensively discussed and formally approved by the Tourism Ministry in mid-2007.

2.6 Mobilizing the Anchor Team

IFC and the Tourism Ministry jointly implemented the MTAIP. IFC’s Program Officer responsible for the tourism sector managed the program preparation. Following the signing of an MoU between IFC and the Tourism Ministry, a small team of staff, consultants and government counterparts was mobilized. As the program advanced, new team members were added as needed. While the roles and individuals varied over time, the Reserve’s core team consisted of the following positions:

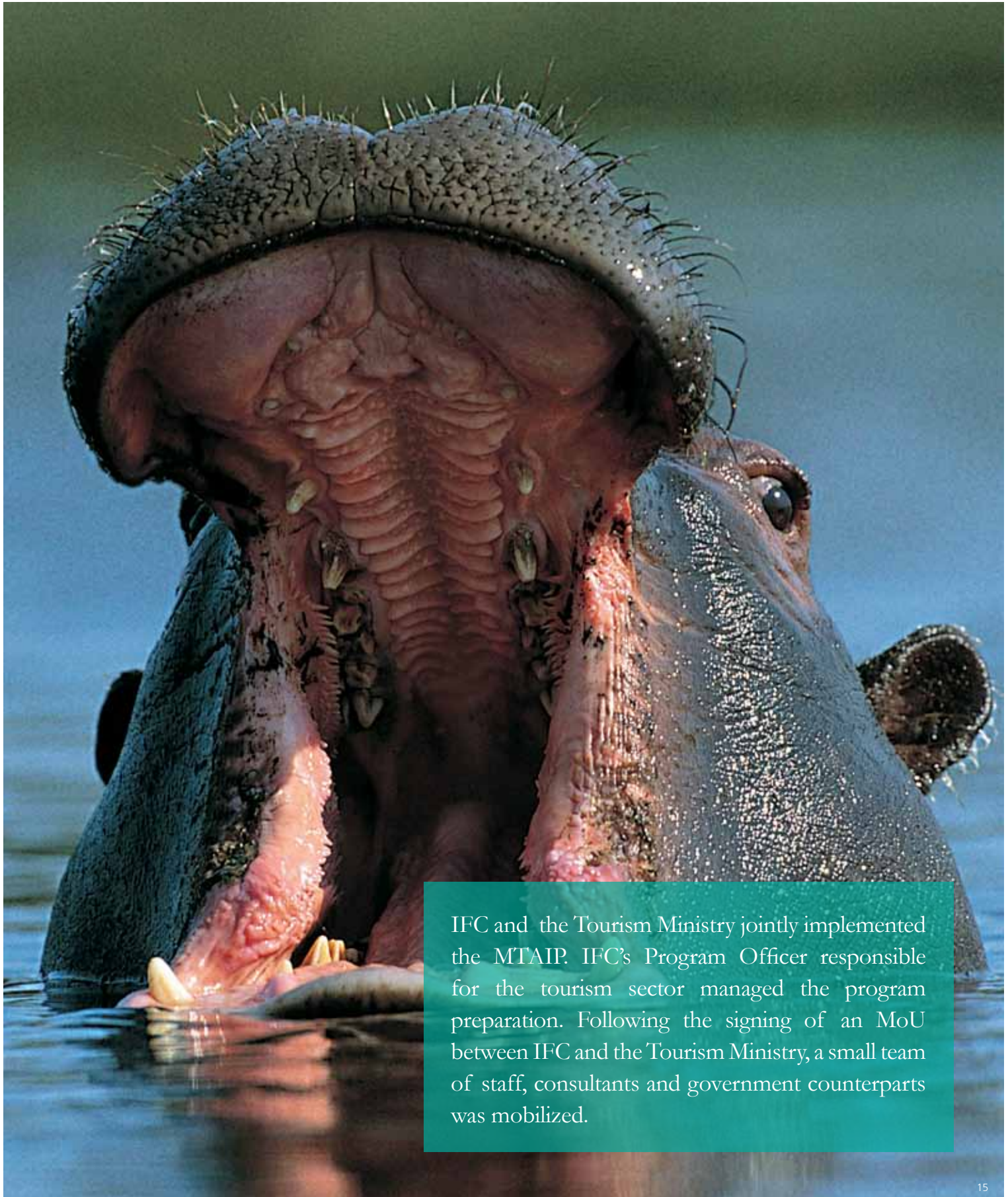
IFC Team

- Program manager
- Program coordinator
- Program assistant
- Ecotourism specialist
- Legal adviser
- Investment promotion coordinator

Government Team

- Tourism Ministry focal point for the MTAIP
- National Tourism Institute Director
- National Tourism Institute Technical Coordinator
- Tourism Ministry focal point for the Reserve tenders
- Reserve Support Coordinator (paid by IFC)
- Investment Procurement Adviser (paid by IFC)
- Reserve Chief Warden & technical advisers

The core team also worked with a large group of stakeholders from the government and various NGOs, as well as national and regional specialists and IFC management.



IFC and the Tourism Ministry jointly implemented the MTAIP. IFC's Program Officer responsible for the tourism sector managed the program preparation. Following the signing of an MoU between IFC and the Tourism Ministry, a small team of staff, consultants and government counterparts was mobilized.

3. Promoting the Investments

In this chapter we describe how the MER investment opportunities were promoted to the international investment community and what tools were developed and used by the team. Activities described in this chapter fall in Phase 3 of the IGA (Investor Outreach). It is important to note that these activities were not implemented strictly chronologically. Investment outreach had started even prior to the formal program launch and continued during the entire program implementation peaking at the formal launch of the tender.

From the outset, the Anchor Team engaged with the investment and tourism business community by attending conferences and industry events and disseminating a regular program newsletter. Feedback from the private sector was helpful in designing the program, selecting the sites, developing investment climate reforms, and testing the viability of the proposed anchor investments. This outreach was significantly increased during the investment promotion phase, directly marketing the anchor investment opportunities and raising Mozambique's profile as a destination for tourism investment.

3.1 Building a Target Investor List

Based on the profiles identified in the investment procurement strategy, the Anchor Team created a target database of national, regional, and international investors. Individuals, companies, and organizations were selected from the contacts the team had made through event and conference networking, and from those who had learned about the program from the quarterly newsletter. In addition, the team researched private concessions in conservation areas elsewhere in Africa and added successful investors and operators to the target database.

Details of correspondence, phone calls, meetings, and other interactions were logged into the database and continually updated. In addition, investor interest was mapped to specific sites (often overlapping due to interest in more than one), as was information on "no continued interest" or "undecided interest" for each investor.



3.2 Investment Promotion Strategy

The Anchor Team determined that regional and international investors' appetite for the Chemucane and Milibangalala investment sites was concentrated in South Africa or could be reached through South African media and events. National investors for the Dobela site would need to be reached using a local approach. Thus the team focused on promotional activities in these regions.

The investment promotion strategy then identified key messages to be promoted:

- Mozambique is a viable tourism investment destination with enormous potential, abundant natural attractions, and real "packaged" opportunities.
- The Reserve is an exciting, pristine, high-potential tourism development site.
- The Anchor Program is turning these opportunities into realities.
- The Anchor Program is a partnership between IFC and the government of Mozambique.
- Now is the time to invest in Mozambique.
- Mozambique is an emerging destination, with continual progress being made on new legislation, regulation, and investment.

Prior to formal launch of the investment promotion strategy, much of this messaging had already been delivered informally through the direct negotiations with a high-profile international investor for Ponta Milibangalala (see paragraph 4.2). Despite the failure of that deal, the tight-knit ecotourism community in southern Africa was well aware of the opportunities in Mozambique and of investors' interest in them. This kick-started a process of image change in Mozambique and gave the Reserve opportunities considerable credibility.

Still, to disseminate these messages in a more structured way to the target audience required identifying various platforms and media. The database of stakeholders and potential investors grew steadily, and the quarterly program newsletter provided updates. A tourism and investment media database was also established, as were partnerships with other entities that were useful for promoting investment opportunities at no cost.

Box 3: No-cost Partnerships Used to Promote Investment

- TourismROI (<http://www.tourismroi.com>), a tourism investment website pitching thousands of opportunities
- Chambers of commerce
- Mozambican high commissions
- The Investor, a weekly Maputo-based news summary with 5,000 subscribers
- TravelMole, a tourism news email sent daily to subscribers
- ETN News, a tourism news email sent daily to subscribers
- EProp News, a South African-focused e-newsletter

It was decided not to create a website to provide information about the sites at this stage because interest levels were likely to be low and would not justify the additional expense. But a schedule of events was created, focusing on those in sub-Saharan Africa, and funds were allocated to produce promotional materials such as brochures, posters, and presentations.

3.3 Investment Promotion Materials

The Anchor Team produced a series of promotional materials that were attractive, investment-savvy, and persuasive. They were visually appealing (including high-quality photographs and images), of high quality, and provided convincing data. The team produced a variety of materials, each with a different purpose (see Table 1).

Table 1: Promotional Materials Prepared for the Reserve

Material	Language	Quantity	Audience
Tri-fold program brochure	English and Portuguese	3,000	All
Newsletter	English and Portuguese	Quarterly	General database (>1,500 subscribers)
Brochure about sites	English and Portuguese	1,500	Investment community
Pull-up banner	English and Portuguese	4	All
Posters	English	3	All
Technical information manual about sites	English	Electronic format & printed on demand	

The tri-fold brochures and the banners were aimed at providing stakeholders with an overview of the program, while the site brochures and posters were targeted at investors to raise Mozambique's profile and sell the sites. Brochures were disseminated at conferences, and were designed to pique the interest of investors so they would request more information. This strategy worked well, as it eliminated the need to print technical information in bulk and enabled the team to monitor interest levels for individual sites.

All the materials were widely adopted by the Tourism Ministry, the National Tourism Institute, and the provincial government. The Ministry disseminated about a third of the materials and requested several reprints to accommodate demand at its own (non-IFC) events. The newsletter proved particularly valuable in keeping stakeholders up to date, announcing key launch dates and tender deadlines, and testing investor interest. Over the duration of the program there were more than 200 requests to subscribe to the newsletter, widening the net of potential investors.

3.4 Implementing the Strategy

Having drawn up a list of key events and media platforms from which to disseminate the marketing message, the Anchor Team decided to launch the sites at a high-profile event where it could capitalize on congregations of international investors and media. It was decided that the 2008 Arabian Hotel Investment Conference in Dubai was a good opportunity, especially given that a high-level team representing the Mozambican Tourism Ministry and IFC was already attending for the simultaneous launch of the resort sites. The program agreed to participate as a sponsor.

The Minister of Tourism, a speaker during the plenary session, launched all the anchor sites (including the Reserve sites). The program team staffed the exhibition stand and disseminated press releases, and the minister conducted several interviews. Throughout the three-day event, the team met interested investors, answered questions, and distributed promotional materials.

After the conference the Tourism Ministry received four formal letters from investors interested in the Reserve sites. One even expressed its intent to invest in the Reserve in a letter addressed directly to the President of Mozambique.

The team then organized a more targeted regional launch at Indaba in Durban, South Africa (the largest tourism fair in Africa). Contacts made at Indaba eventually resulted in two expressions of interest from high-profile eco-lodge investors.

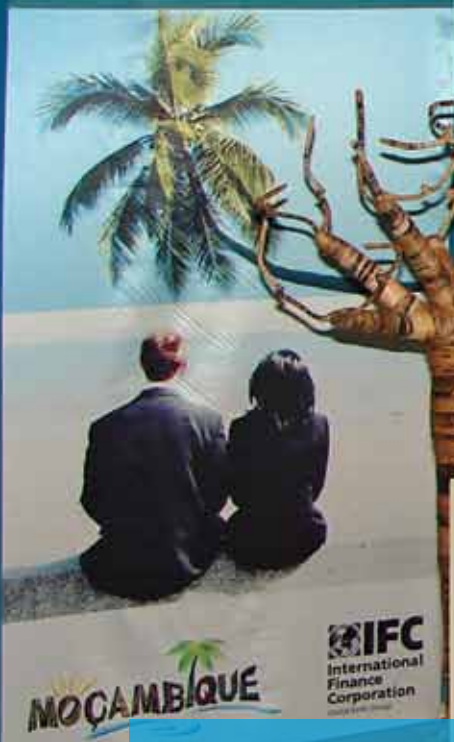
In all, about 15 tourism investment conferences and forums were attended over the program's life. The team recognized the importance of regular participation on the "event circuit" to present a credible, consistent image – "Mozambique is open for business" – and to gain regular updates on investor requirements and potential barriers to investment.



Mozambique Tourism Anchor Investment Program

FACILITATING HIGH-QUALITY TOURISM
INVESTMENT IN MOZAMBIQUE

- Eco-tourism
- Tourism Resort
- Integrated Resort



The tri-fold brochures and the banners were aimed at providing stakeholders with an overview of the program, while the site brochures and posters were targeted at investors to raise Mozambique's profile and sell the sites.

Mario Sevene of INATUR at the Mozambique stand at the Arabian Hotel Investment Conference in Dubai in 2008.

4. Procuring the Investments

This chapter describes the procurement phase of the IGA as it was implemented in the MER. The procurement phase of the IGA evolved over a long time. It started with direct negotiations for Ponta Milibangalala in early 2007, included the launch of a competitive tender for all three Reserve sites in late 2008, and culminated in the signing of an MOU with a private partner for one of the sites in 2011. It involved various alterations to the concession structures, formal government approvals, and the shaping and implementation of institutional procedures for the tender evaluation and negotiations.

4.1 Phasing and Timing

One of the goals of the program was to encourage a uniform approach to the procurement of investment, not only in the Reserve but also throughout the country's protected area system. This involved developing standards, templates and procedures that could be applied consistently in the Reserve and elsewhere. Given the unsettled environment identified during the scoping phase and the consequent need to promote investment climate reforms, the MTAIP recognized the need to take calculated risks. The Anchor Team felt that a "real" investment process was needed to promote reforms and enforce decision-making throughout the various layers of the government. From experience, we knew decisions would not be taken, and reforms would therefore not follow, based on an abstract approach that dealt only with "theoretical cases". But such a hands-on approach to institutional development and regulatory reform was always going to be difficult. Coordinating the various levels of government – especially the technical and political areas – proved challenging. There were unforeseen political revisions to decisions taken at the technical level, resulting in delays and changes to structures and procedures already announced. Despite the challenges, the MTAIP had by program-end achieved one investment commitment (with two others pending) and several substantial institutional gains.

The following timeline sketches the sequence of the main events and decisions affecting the Reserve's investment process:

Table 2: Project Timeline

Date	Description
May 06	Start of regional and international investor outreach
Jan 07	MOU between Ministry of Tourism and IFC re MTAIP Start of direct negotiations for Ponta Milibangalala
Sep 07	End of direct negotiations for Ponta Milibangalala
May 08	International launch of Anchor Sites (including MER)
Dec 08	Launch of Reserve Tender (Phase 1: Requests for Expressions of Interest)
Apr 09	Prequalification of bidders (end of Phase 1)
Oct 09	Council of Ministers approval of concession contracts and structure Launch of Phase 2 of Reserve Tender (Request for Proposals) Signage of Services Agreement between Ministry of Tourism and IFC to support Investment Procurement Process for the MER
Nov 09	Official site visit
May 10	Evaluation of Proposals
Aug 10	Official Approval of Partnership Agreement for Ponta Chemucane
Nov 10	Signing of Concession Agreement between Tourism Ministry and Ahi Zamene Chemucane for Chemucane
Mar 11	Signing of MOU between AZC and private partner regarding Ponta Chemucane Program End
May 11	Signing of Concession Agreement between Ministry of Tourism and Mozaiko de Indico for Ponta Milibangalala and Ponta Dobela

4.2 Direct Negotiations for Ponta Milibangalala

Before the MTAIP had formally started, a reputable international firm with an established presence in southern Africa had expressed interest in Ponta Milibangalala. During 2006 meetings were held in Maputo and Johannesburg, and at the investor's European headquarters. By the end of that year, the investor had formally expressed its intent to develop an eco-lodge at Milibangalala and its desire to secure an agreement through direct negotiations with the government. At the time, the government justified the use of direct negotiations on the grounds that a high-profile lead development in the Reserve would boost investor confidence, triggering increased interest in the remaining sites.

At the outset of the MTAIP, the Tourism Ministry requested IFC assistance with these negotiations. IFC consented and, over the next year, assisted with the drafting of a formal request for proposal, official communications, site visits, proposal evaluation, negotiations, and the drafting of an MOU between the government and the investor.

During the negotiations, the investor sought various assurances from the government, especially regarding the proposed deep-water port (see paragraph 2.3.2). Failure to secure such assurances, coupled with the high cost of developing a five-star eco-lodge in a deteriorating global economic environment, resulted in the withdrawal of the investor in mid-2008.





The investment strategy for the Reserve had earmarked Ponta Chemucane for a “community-private partnership” but did not specify the details of such an arrangement. The Anchor Team supported the Tourism Ministry in defining the structure of the partnership.

4.3 Concession Structure

The concessions structure reflects the main parties that hold ownership and/or concession rights to the concession areas. This structure evolved for all three concession areas over time and the program provided support to design and implementation of these structures.

4.3.1 The Two-Tiered Approach

At the start of the Reserve tender in late-2008, all three concession sites were envisioned to be direct concessions between the state and private investors procured through an open and competitive bidding process. In October 2009, almost a year after the launch of the tender, a decision by the Council of Ministers led to a fundamental change of concession structure for all sites. In support of a stronger commitment to national ownership of productive assets, the Council awarded (Resolutions 51, 52 & 53 of 2009) the Chemucane concession rights to Ahi Zamene Chemucane (AZC), a legal entity representing local residents in and around the site. It also awarded the concession rights for the two southern sites, Dobela and Milibangalala, to “Mozaico do Indico”, a newly created joint stock company owned by two state entities (IGEPE, the Institute for Management of State Participation and INATUR, the National Tourism Institute). The Council’s resolutions allowed the two concession holders (AZC and Mozaico) to enter into partnerships with private firms, subject to approval by the Tourism Ministry. But it did not specify the terms of such partnerships or whether the partners had to be secured through transparent and competitive procedures.

By the time this change came about, the pre-qualification phase of the Reserve tender had already been concluded. In the interests of time and continuity, the Tourism Ministry made the pragmatic decision to continue with the already-initiated competitive bid at all three sites. After some deliberation, the Anchor Team decided to continue its support of the process, and proceeded with the implementation of the second phase of the tender. The change in concession structure was communicated to the pre-qualified bidders, some of whom – especially the larger international firms – withdrew their interest, arguing that the move away from direct concessions did not meet their expectations.

4.3.2 A Community Partnership for Ponta Chemucane

The investment strategy for the Reserve had earmarked Ponta Chemucane for a “community-private partnership” but did not specify the details of such an arrangement. The Anchor Team supported the Tourism Ministry in defining the structure of the partnership. The Anchor Team reviewed regional experience – mainly in South Africa, Namibia and Botswana, where community involvement in tourism was well evolved – and proposed two scenarios (see Box 4). The first option involved a direct concession from the state to a private firm with a high level of commitment to local participation and benefit; and the second involved a two-tiered structure whereby the state would grant the concession to the local community, who in turn enters into a partnership with a private firm to develop and operate the business. Given the local community's lack of experience and the need to reduce perceived risk to attract quality investment, the Anchor Team initially recommended the first option: a direct concession to a private firm at Ponta Chemucane. The team believed that deriving commercial rights from an intermediate party and not directly from the state – especially a community association of uncertain capacity and stability – would exacerbate investor concerns about tenure security, thus elevating already high perceptions of risk. Although the two-tiered approach had been pioneered successfully elsewhere in the region, these concerns and the fact that Mozambique was in the very early stage of developing its eco-tourism sector and had virtually no experience in community-private partnerships, made the indirect approach too risky, in the team's view. Nevertheless, after the Council's decision in October 2009 (see para 4.3.1), the second scenario became a *fait accompli* and the Anchor Team set about implementing it.

Box 4: Options for Community Participation at Ponta Chemucane

► **Option 1 - Government awards the concession directly to a private partner under an arrangement that ensures a high level of community benefit.**

Under this scenario, the site would be tendered competitively, and bidders required to present a community participation plan covering specified elements including ownership, employment, training, local procurement, and social investment. Community participation would be emphasized during the proposal evaluation, but the details would be left up to the bidder.

This option reduces investors' perceptions of risk because the concession rights derive directly from the state. It also avoids the high transaction costs and institutional problems that often beset community partnerships. It relies on the government to structure, monitor, and, if necessary, enforce community empowerment by the private partner. If structured properly, the approach could ensure a high level of local benefit by incorporating the private party's commitments into its concession contract with the government. These commitments would thereby become contractual obligations that could be enforced during the project's lifetime.

► **Option 2 - Government awards concession to a legal entity representing the community.**

This entity would then procure the services of a private firm to finance, develop, maintain, operate, and market the project. The community would receive a concession fee from the partner who would also be responsible for paying land taxes. A variation involved the community raising the finance and developing the lodge before appointing a private firm to equip, maintain, operate, and market it. The community would receive a larger fee in the latter case, but also carry more risk because it had invested capital in the lodge.

This option ensures a high level of local participation because the concession is vested in the community. But it requires strong local capacity because the community has to enter into sophisticated legal and commercial relationships with the state and a private firm. Given local capacity deficits, this arrangement would require considerable ongoing support. It also increases investor risk because the private party's rights are derived from the community and not the state. This is exacerbated by perceptions that community entities are generally unstable with weak capacity, raising the spectre of unacceptably high transaction costs.

4.4 The Competitive Tenders

With the MITAIP's preparatory phases completed and having established that there was considerable interest in the Reserve's investment opportunities, the three sites were finally tendered in late-2008. The process kicked off with a "pre-announcement" at two high-profile regional events: the Boundless Conference (held in Johannesburg in October 2008 as part of the regional Transfrontier Conservation Area initiative), and the World Tourism Organization's Ecotourism Seminar (held in Maputo in November 2008). The formal launch of the tenders for all three sites followed in December 2008, using advertisements in selected media, a press release, and a local press conference.

The tenders involved two stages: an "Expression of Interest" or "Pre-qualification Phase" where applicants had to demonstrate the necessary credentials for pre-qualification before being invited to prepare full-scale proposals for their selected sites in a "Proposal Phase".

4.4.1 The Pre-qualification Phase

During the pre-qualifying phase, applicants were invited to express interest in one or more of the Reserve sites. A call for Expressions of Interest was published in a local newspaper and several international media outlets. These ads, the program newsletter, and press releases sent out generated about 40 inquiries for further information. A formal "Request for Expressions of Interest" was then issued to each party, inviting it to register its interest and demonstrate that it had the necessary competence, resources and experience to develop, operate and market one or more of the Reserve sites. In particular, an applicant had to demonstrate that it met the criteria set for one or more of the sites in the Reserve's Investment Procurement Strategy (see para 2.5).

The Technical Committee (see below) convened in mid-March to evaluate the 17 formal Expressions of Interest received by the deadline of February 27, 2009. Eight applicants demonstrated the necessary credentials and were duly pre-qualified to proceed to the next stage of the tender.

4.4.2 The Proposal Phase

During the second stage, each pre-qualified applicant (now called a bidder) would be invited to submit a proposal for the development, operation and marketing of the site (or sites) for which it had successfully qualified. The invitation would be extended through a formal "Request for Proposal", providing details of each project and explaining the rules governing the tender, as well as the procedures for the preparation, submission and evaluation of proposals.

Mainly because of a protracted political debate that resulted in the structural changes described in paragraph 4.3.1 above, there was a long delay between the conclusion of the pre-qualification phase and the issuing of the Requests for Proposals. The Requests for Proposals were issued in October 2009, almost a year after the launch of the first phase of the tender. The long elapse time combined with the economic downturn then gathering pace internationally as well as concerns about the changes in concession structure caused three of the pre-qualified applicants to withdraw from the tender. A fourth bidder continued participating but withdrew shortly before the end of the proposal preparation period.

At the end of April 2010, three proposals were received – one for Ponta Chemucane, which had been earmarked for a community partnership, and two for Ponta Dobela, which had been reserved for a national investor. No proposal was received for Ponta Milibangalala, which had been considered the prime site and was reserved for an international investor. The failure to attract a proposal for Milibangalala was certainly affected by the uncertainty created by the procedural delays and structural revisions described above, exacerbated by the international economic climate.

In May 2010, the Technical Committee convened to assess the three proposals. The proposal for Ponta Chemucane exceeded the minimum criteria, and the committee recommended that the AZC enter into formal negotiations with the bidder.

The two proposals for Ponta Dobela were evaluated by the Technical Committee but both had procedural flaws. The Ministry of Tourism cancelled the tender and continued negotiations outside of the formal tender process.



The visits, hosted by the Reserve's administrative team, were well organized and involved extensive stakeholder participation. A two-day agenda involved a day of presentations about the process as well as the ecology and communities in the Reserve, followed by a day of visits to the three concession areas.



Negotiations and Closure

Based on the recommendations of the Technical Committee, the AZC – assisted by a coalition of NGOs – entered into formal negotiations with the preferred bidder for Ponta Chemucane. An MOU setting out the parameters and timeline for negotiations was concluded and, after intensive negotiations, a partnership agreement was finally signed in March 2011 and the project entered the development phase. No closure has been achieved for the Dobela and Milibangalala sites during the Anchor Program's time span. At program closure in March 2011, Mozaico was still negotiating with one of the parties that tendered for the Dobela Site, while negotiations with a new entity were continuing for Milibangalala.

4.4.3 Investor Site Visits

Before the official tender launch, site visits were conducted in an informal way in response to requests from various entities. Post-launch, formal site visits were organized, first for investors who qualified during the Expression of Interest phase and then for those who proceeded to the proposal stage.

The visits, hosted by the Reserve's administrative team, were well organized and involved extensive stakeholder participation. A two-day agenda involved a day of presentations about the process as well as the ecology and communities in the Reserve, followed by a day of visits to the three concession areas. These visits were compulsory for all pre-qualified bidders.



4.5 Institutional Arrangements

At the outset of the MTAIP, no formal institutional mechanism existed for the coordination of the Reserve Investment Procurement Process. The Anchor Team played an important role in aligning the various donors, NGOs and government agencies – at ministerial, provincial and district levels – active in the Reserve. This approach raised awareness about the program and its goals and ensured active involvement by all stakeholders.

The program faced a major challenge in working with so many people and institutions, all representing different viewpoints and interests. The team recommended the creation of a steering committee to be charged with decision-making, and a working group responsible for day-to-day coordination. Establishing these structures took time; a formal technical team, charged with planning and evaluation, was established only shortly before the formal launch of the competitive tender. Prior to this, coordination of activities continued through various informal platforms and individuals appointed in the Tourism Ministry. Once the technical team was operational, progress and meetings occurred regularly and the process became more streamlined.

The main individuals and bodies for tender coordination included:

4.5.1 Tourism Ministry Focal Point

A focal point-person in the Tourism Ministry was responsible for overseeing technical work (including the preparation of tender documents and organization of team meetings), guaranteeing government input into the process, and the presentation of final outputs for ministerial approval. When the tenders were launched in December 2008, the Ministry nominated this person as the bid officer for the tenders, responsible for coordinating all tender-related activities and official communication with investors.

4.5.2 Mozaico and AZC Bid Officers

Following the Council of Ministers' approval of the two-tiered concession structure for all three sites, bid officer responsibility moved from the Tourism Ministry to the two concessionaires (Mozaico and AZC); Mozaico appointed its executive director and the AZC an official of the Foundation, the NGO supporting the Chemucane community under the transfrontier process.

4.5.3 Tender Support Coordinator

Given all the institutional complications and fragmented responsibilities, along with the practical difficulties of managing tenders for three sites simultaneously, IFC contracted a support coordinator in October 2008 to assist the bid officers in administering and coordinating the tender process. The support coordinator helped prepare the final tender packages, communicated with bidders, reported on developments, coordinated the technical team, maintained records, organized official site visits and briefing sessions, updated the tender manual, and ensured that agreed procedures were followed.

4.5.4 Technical Team

The Technical Team was mobilized shortly before the launch of the tender in late-2008. The six-member team integrated park management with eco-tourism, community, environmental, and financial expertise. A senior, IFC-paid advisor chaired the team; other members included two staff of the Peace Park Foundation, two staff of the Tourism Institute and one IFC-paid eco-tourism specialist. The Technical Team was responsible for all documents and procedures related to investments. Its duties included defining the procedural and technical rules governing the tender, drafting the formal documents, and evaluating the expressions of interest and investment proposals. It prepared a detailed manual, setting out rules, procedures and timelines, which (after approval by the AZC and Mozaico boards) became the main instrument regulating the tenders. The team held regular meetings and generally functioned well.

4.5.5 Tender Observers and Advisers

Whereas the Technical Team was the formal body charged with tender coordination, many other individuals observed and/or advised on the process. These included IFC, Tourism Ministry and Tourism Institute staff not formally part of the team (such as the legal adviser and program management staff). AZC members also participated in many of the key meetings as observers.

4.5.6 Evaluation Panels

Whereas the Technical Team was responsible for the day-to-day implementation of the tenders, final decision-making was vested with the boards of the two principal concession holders (AZC and Mozaico). These bodies had the power to ratify recommendations from the Technical Team or refer them back for reconsideration.

5. Investment Climate Reforms

This chapter describes the activities and results of the investment climate reform pillar, one of the three cross-cutting work streams of the MTAIP. Activities evolved from identification and analysis of investment climate issues in the earlier phases (see para 2.4) towards design and implementation of regulatory reforms towards the end of the program.

5.1 Regulatory Reforms

At the start of the Anchor Program, Mozambique lacked a clear policy and regulatory framework for private investment in conservation areas. The program used the Reserve investment process first to identify the main barriers (see para 2.4) and then to build government capacity and help develop a more coherent investment framework. Throughout the program, regulatory changes deemed essential to the investment process in the Reserve were identified and reforms advocated. In some cases, short-term measures were needed to enable the immediate goal of securing investment in the Reserve. Where appropriate, longer-term reforms were also identified and advocated.

Thus, the program catalyzed a series of regulatory reforms that have paved the way for further investment in Mozambique's conservation areas. These include institutional and contractual measures to structure private and community participation in conservation areas. They also include initiatives to ensure the reinvestment of concession revenue in the management of conservation areas, as well as the formal protection of the coastal stretch adjoining the Reserve. The latter was particularly important in signaling the government's commitment to conservation and ecotourism as the preferred land-use option for Matutuine District.

The table below describes the main tourism investment issues identified by the program as well as the interventions used to achieve reforms.

Table 3: Key Tourism Investment Issues and Interventions by the MTAIP in the Reserve

Issue	Intervention
<p>Lack of clarity on the role of special licences in awarding tourism concessions in conservation areas.</p> <p>To operate in conservation areas, all activities had to be granted a special licence. But special licences had not been regulated, so their legal status and the procedures for their award were unclear.</p>	<ul style="list-style-type: none"> The program designed a concession structure not dependent on special licences whereby the state awards development and business rights to "head concessionaires", using agreements approved by the Council of Ministers (Resolutions 51,52,53/2009). For the Reserve, these concessionaires represent the local community in Chemucane (AZC) and the state at Dobela and Milibangalala (Mozaico). These entities are empowered to enter into partnerships with private investors (procured through competitive tenders) to implement the projects.
<p>No framework for awarding commercial concessions in conservation areas.</p> <p>The absence of a formal concessioning framework for investment in Mozambique's conservation areas created uncertainty and undermined investor perceptions about the government's ability to execute tenders in these areas.</p>	<ul style="list-style-type: none"> The program developed guidelines for dealing with unsolicited bids and direct negotiations, which define how to screen, respond to, negotiate with, or terminate bidders (unsolicited or prequalified). The program supported the development and approval of a national conservation policy and strategy (Resolution 64/2009). The program was also an active member of the Conservation Group, an informal dialogue and policy-influencing mechanism active in conservation, which catalyzed a conservation policy that defines principles for investment in conservation areas as a way to secure financial and conservation sustainability. The program recognized that these were largely short-term measures designed to enable the Reserve tenders and that long-term reforms were needed to entrench the gains. It therefore recommended that regulations be drawn up to govern the award and management of tourism concessions in conservation areas, based on some of the elements applied in the Reserve.
<p>No model for community participation in tourism concessions in conservation areas.</p> <p>There is a strong political desire for increased community participation in commercial concessions in conservation areas, but no set model for achieving such participation.</p>	<ul style="list-style-type: none"> The program piloted two approaches for community participation: <ul style="list-style-type: none"> At Ponta Chemucane, the state granted concession rights to a community legal entity (AZC), which then formed a partnership with a private investor. At the two sites where concessions were granted to a state-owned company (Milibangalala and Dobela), the program pioneered an approach that requires private bidders to commit to wide-ranging community benefits including ownership, employment, training, procurement, and social investment. The community development agenda was integrated into each stage of the tenders, awarded a heavy weighting in bid evaluations, and entrenched contractually in the concession and partnership agreements. This set a best-practice example for future replication at other sites. The program recommended that the national conservation policy and regulations referred to above set standards and procedures for community participation in conservation area concessions.

<p>No model to generate income from tourism investments in conservation areas.</p> <p>The government had a fee structure in place so that revenue from conservation areas would fund their protection and development, but the system did not cover revenue from private investment in conservation areas. Furthermore, it was not structured to ensure that conservation areas generating the most revenue receive proportional reinvestment.</p>	<ul style="list-style-type: none"> The program piloted an approach that requires investors to pay market-based fees for commercial concessions. Since the state cannot receive such additional fees, it was agreed that an intermediate entity would hold a "head concession" and collect fees from the commercial operation, with 80% of the revenue earmarked for reinvestment in the Reserve. The program also influenced the promulgation of Decree 15/2009, formalizing the distribution of revenues derived from conservation areas and securing a fair share to communities and conservation management. In the long term, the program recommended that the new state agency for protected areas (proposed under a separate initiative) be empowered to set and receive market-based fees for commercial concessions in conservation areas and to distribute such income in a way that ensures a significant percentage is reinvested in the area where it was generated. This is necessary to ensure sustainable funding for conservation areas and to build local incentives for sound conservation management.
<p>Absence of official conservation status for the coastal stretch adjacent to the Reserve.</p>	<ul style="list-style-type: none"> Along with other stakeholders, the program advocated official conservation status for the coastal stretch adjoining the Reserve. This was particularly important given the uncertainty created by the proposed deepwater port on the Reserve's southern boundary. The advocacy was successful and eventually resulted in the formal establishment of the Ponto do Ouro Partial Marine Reserve (Decree 42/2009), which now protects the entire Matutuine coastline (including the Reserve). This was deemed a strong signal of the government's commitment to conservation and ecotourism as the preferred land-use option for Matutuine District.

5.2 Investment Procurement Toolkit

One of the outcomes of the Reserve process was a standardized set of procedures and template documents. These were collected and published as an "Investment Procurement Toolkit" which the Mozambican authorities could apply at other sites with little modification. It included the procedures manual referred to above, templates for advertisements in national and international media, standardized tender documents (including REIs and RFPs), tender evaluation tools, sample contracts and more. A great advantage of the process was that the "toolkit" was not just a set of abstract documents; the government had co-developed the materials through hands-on implementation of an actual tender, and therefore had a genuine sense of ownership complemented by experience born of practical application.

5.3 The Investment Climate Library

Finally, the Anchor Program developed innovative tools to overcome the information barrier affecting many investors interested in Mozambique's tourism sector. Throughout its lifespan, the program compiled documents related to the country's investment climate, the Reserve, and other relevant data. The program made this resource public – in the form of an online Investment Climate Library at www.tourisminvest.org/Mozambique – to remove communication barriers about processes, increase transparency, and reduce the risk of research and report duplication.

Investment Climate Library Website



6. Lessons Learned



Members of the MER Anchor Team from left to right: Neusa Xavier (program assistant), Michelle Souto (program coordinator), Irene Visser (program manager) and Etna Correia (tender support coordinator).



The MTAIP provided many useful lessons, particularly for facilitating investment in environments where investor confidence is low and tourism policy incomplete. This chapter presents highlights and lessons learned from the three cross-cutting workstreams of the IGA (stakeholder dialogue, investor mobilization, and investment climate reform).

6.1 Stakeholder Dialogue

Formalizing stakeholder roles and decision-making was one of the greatest challenges throughout the program. As the tender process advanced and the need for technical evaluation and decision-making bodies became clear, most of these issues were overcome. It is recommended that future investment facilitation processes adhere to the following principles:

1. Define framework conditions and roles at program inception (advisory services agreement)

An advisory services agreement between IFC and its government counterparts, clearly defining roles and setting performance conditions, should be signed at the start of similar programs. The agreement may require amendments as conditions shift, but in complex environments, a clear, upfront agreement is vital to define framework conditions and ensure accountability between parties.

2. Agree on procurement process and key elements of concessions (investment procurement strategy)

Joint development and approval of an investment strategy are essential to the delineation of investment processes. This document should clearly define agreed procurement methods and procedures, investor profiles, and key elements of concessions (such as structure, size, period, fees, and required partnership arrangements). The strategy should be appended to the advisory services agreement to ensure compliance by future investment procurement processes.

3. Ensure stakeholder coordination and program leadership (steering committee and working group)

Working with many different institutions and people constrains decision-making. Establishing a steering committee charged with decision-making, and a working group responsible for day-to-day coordination of program activities, should be mandated by the advisory services agreement and implemented at the outset. Without such structures, decision-making may falter, contributing to delays and uncoordinated outcomes.

4. Cultivate strategic leadership to build political support (political champion)

In unsettled environments, senior program leaders need to invest extraordinary effort in cultivating political support. It is important to appoint a senior political champion to ensure coordination between the technical and political levels in government. This role should be formalized through the advisory services agreement.

5. Ensure administrative efficiency and integrity (tender support coordinator)

If program partners are inexperienced or lack capacity, a support coordinator should be appointed to assist government counterparts (and others) in administrative and technical matters related to tenders. This role is vital to ensuring the efficiency and integrity of tenders and to building the capacity of inexperienced partners.

6. Codify rules and procedures (investment procurement manual)

A detailed investment procurement manual delineates the responsibilities and guides the actions of various stakeholders. It should be mandated by the advisory services agreement and developed at the appropriate stage of the process, taking into account program goals, the national context, and the conditions and needs of specific areas.

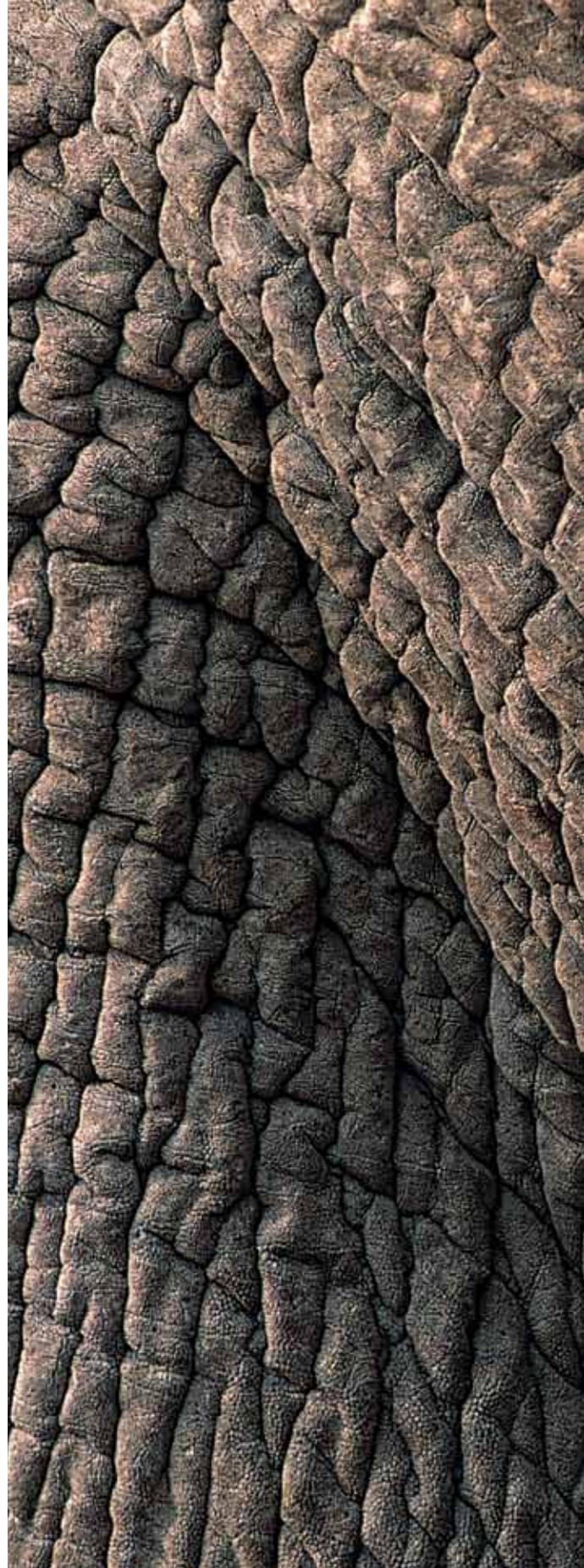
6.2 Investor Mobilization

The Anchor Team's extensive outreach campaign generated significant exposure for Mozambique as a destination for tourism investment and boosted its image. Perceptions of the country and the Reserve were improved, and the team received many invitations from international conferences and magazines to present its findings and achievements. The team attended more than 15 events, reaching at least 5,000 investors and other stakeholders. Interest created in the Reserve led to numerous expressions of interest and unsolicited proposals – one of them leading to direct negotiations. The subsequent formal tender process produced about 20 formal expressions of interest, resulting in so far one investment whereas two further one are still being negotiated at the time of print.

Lessons learned about mobilizing investors include:

7. Codify rules and procedures to deal with unsolicited bids and direct negotiations (Process Manual for Unsolicited Bids and Direct Negotiations)

In an unregulated or under-regulated environment, investors interested in tourism development sites often approach government directly with unsolicited bids or requests for direct negotiations. For anchor-style programs, it is important that the rules of engagement for such approaches be defined at the outset. The Anchor Team quickly learned that the absence of such rules can lead to a protracted process vulnerable to serious and repeated delays. To remedy this situation, the team prepared a Process Manual for Unsolicited Bids and Direct Negotiations, which may become part of the investment procurement manual mentioned above.





8. Define key aspects and secure political endorsement before introducing potential deals to investors

Changing key aspects of offers to potential investors – especially late in the process – can undercut investor confidence. That happened in the tenders for the Reserve, with repeated delays and late changes to the concession structure scaring off several leading investors. Fundamental changes to the investment offer should be avoided by defining the key aspects of the proposed deals early in the process, codifying these in an investment procurement strategy, and securing high-level political endorsement using the tools and approaches referred to above.

9. Present only “cleared” sites to potential investors

Sites should be checked for legal, social, and environmental issues before being presented to potential investors, using the due diligence approach discussed earlier in this study.

10. Be honest about external risks

The Reserve development sites were vulnerable to a range of external risks – particularly the proposed deepwater port on the southern boundary. To build investor confidence, such risks should be identified and communicated early in the process. Inconsistent or evasive communications are more likely to undermine investor confidence than honest discussions of potential risks.

11. Ensure consistent messaging in investor communications

It is vital to ensure consistency in the messages conveyed to potential investors, particularly in situations of low investor confidence such as those faced by the MTAIP in Mozambique. Though this was achieved through a careful mix of media outreach and face-to-face communication, procurement circumstances were drastically altered during the tender process and at certain points there was enormous uncertainty about the way forward. As noted, this affected the timeliness and clarity of investor communications and ultimately caused some bidders to withdraw.

6.3 Investment Climate Reform

Based on its experience with the Reserve, the Anchor Team identified the following lessons for supporting investment climate reform:

12. Systematically identify investment climate reforms, distinguishing between essential, short-term interventions and desirable but non-essential long-term measures

In an unsettled policy and regulatory environment, an investment facilitation process influences the development of a more coherent investment framework – but it also faces significant risks related to the absence of clear frameworks and procedures. In such circumstances it is useful to distinguish between measures essential to securing the immediate needs of the investment process and other reforms that are not essential in the short term but nevertheless desirable to improve long-term conditions.

13. To manage risk, formalize agreement on essential reforms early in the program cycle and monitor implementation

Essential measures – what needs to be fixed to enable implementation – should be identified early in the program cycle and formally agreed upon. This could be through an amendment to the advisory services agreement that identifies the legal instruments needed to achieve reforms and specifies roles, procedures, and timelines. As the program unfolds, the progress of essential reforms should be monitored against the agreement to enable informed decisions based on ongoing assessment of the risks associated with implementation in an unregulated environment.

14. Collect, manage, and disseminate investment climate data (Investment Climate Library)

The Anchor Team soon realized that the lack of accessible, coordinated information about Mozambique’s tourism sector was a major barrier to investment. In such contexts a database of documents related to the national investment climate, investment sites, and other relevant information should be collected, centrally maintained, and disseminated to prospective investors.

15. Ensure consistency, transparency, and ongoing learning (Tourism Concession Toolkit)

Using the Maputo Elephant Reserve as a pilot, the Anchor Program compiled a Tourism Concession Toolkit that includes guidelines and templates on managing competitive investment procurement processes in conservation areas. This toolkit should be used to guide similar processes in other sites and updated as more experience is gained.

16. Actively manage the politics of reform

Essential investment climate reforms usually require political support, often from the highest levels of government. Senior program leaders may have to make extraordinary efforts to cultivate such support. This process may also have to extend to other levels where support for reform is needed from other stakeholders, such as industry associations, communities, NGOs, and other donors.

17. Lobby other stakeholders using whatever platforms are appropriate

To build a supportive environment for investment climate reform, projects should lobby influential groups such as NGOs, donors, and industry representatives active in the targeted sector. For example, the Anchor Team participated in the Conservation Group, an informal dialogue and policy-influencing mechanism of the government, donors, and NGOs active in conservation efforts. This group catalyzed key policy reforms advocated by the program.



7. Conclusion



Just after the formal closure of the program in May 2011 an agreement between the AZC and a private firm was signed, paving the way for an investment of approximately \$3-million and creating 50 jobs in one of Mozambique's least-developed areas. The Milibangalala and Dobela investment procurement processes have not been completed under the program. The international financial crisis and the rapid deterioration in tourism markets during the latter stages of the MTAIP no doubt contributed to this outcome. But it was also a result of the delays and shifting priorities that accompanied a program that proved to be a steep learning curve for the Mozambican government. However, at print of this case study in early 2012, Mozaiko, concession holder for the two concessions, is still in negotiations with private partners for both sites and hopefully soon further investments can be announced.

That the program generated any investment amidst the deepest recession in 50 years is a significant achievement in its own right. But it also generated many valuable insights and instruments that go beyond immediate investment. Already the program has served as a model for similar investment drives elsewhere in Mozambique. A \$20-million, 200-bed eco-lodge investment secured at the Ilhas Primeiras in Zambezia Province used the process, templates and standards developed at the Reserve. And the approach is set to spread further as the Ministry of Tourism solicits investment at other parks under its jurisdiction. The successes at the Reserve and Ilhas Primeiras have paved the way not only for the implementation of similar programs at other parks in Mozambique but also for more general reform of the country's conservation and tourism sectors. As a consequence, Mozambique is much better positioned to benefit as the tourism sector recovers and investor interest returns after its recent slump.

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

