

Value Chain Analysis as a Kick Off for Tourism Destination Development in Maputo City.

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Abstract.

In 2009 SNV coordinated a Tourism Value Chain Analysis (VCA) of Maputo City. The study had three objectives: (1) to identify clusters for pro-poor tourism development¹, (2) to analyze current economic impact from tourism with particular focus on how revenues are distributed through the local economy, and (3) to get the interest of major stakeholders in evidence based discussions on key questions such as: Where in Maputo is tourism showing evidences of development? What income does tourism generate for the Maputo economy? Which tourism activities impact most on the poor? How does tourism bring benefits to the poor by creating jobs and business opportunities? And finally, what enabling environment is needed to enhance sustainable and pro-poor tourism development?

The VCA process was conducted in a participatory way. The findings of the Value Chain Analysis were presented and debated in a multi-stakeholder platform, where key actors reflected, discussed and engaged in joint action funding and implementation. As this process unfolds, awareness about the importance of dialogue and mutual cooperation for effective destination management (including governance) is created. At the same time, structural bottlenecks for destination development are identified and key actions implemented in co-funding and collaborative bases.

This paper describes how the SNV Value Chain Analysis provides a solid base for establishing Tourism Destination Development Approach as a useful framework to promote knowledge based dialogue and multi-stakeholders collaboration, looking forward to unseal tourism contribution to economic development and poverty alleviation in Maputo City. The authors hope that this experience will inspire similar approaches in other destination areas.

Key Words: Value Chain Analysis, Tourism Clusters, Tourism Destination Development, Tourism Destination Governance, Multi-stakeholders Cooperation, Sustainable Pro-poor Tourism.

¹ Clusters: here understood as geographic agglomerations of formal and /or informal businesses operating in the same sector and through which synergies can be achieved for local pro-poor tourism development.

Introduction.

In Maputo, Mozambique's fast growing capital, tourism is proving to be a major player in the economy. According to the Ministry of Tourism, in 2008, this activity was the third source of foreign earnings, after international cooperation grants and exports. This is in part the result of a positive momentum where the Mozambican political and social stability have contributed to an important national economic recovery.

In this scenario tourism has found in Maputo a solid base on which to grow and increase its importance as a driver for economic development and poverty alleviation. At the same time, however, there is a lack of capacity at local level to lead tourism development processes that can tap into Maputo's growing attractiveness to provide local tourism development opportunities. Maputo is also perceived at national government level as a model or reference for innovation in tourism development policies and practices. This tourism destination is a reference for other provincial capitals that are looking forward to strength their technical staff, and it can provide examples that enable other provinces to gain confidence in tourism in order to find their own path for tourism development.

Certainly, credit for this growth is due to the energy and determination of members of the main key tourism associations, mainly the South of Mozambique Hotel Association, the National Travel Agents Association, the Ministry of Tourism, the National Institute of Tourism and the Maputo Municipal Council. But it would have been hard to achieve the current tourism development experience without the advisory, partnership and energy of a respected nongovernmental organization that leads one of the most ambitious Sustainable Tourism Development Programs world wide, SNV – Netherlands Development Organization.

Maputo tourism development process with SNV support is one example of a Destination Development Approach based on strong technical knowledge (Value Chain Analysis) and muti-sectorial dialogue and collaboration.

Literature Review.

SNV - Tourism Destination Development Approach.

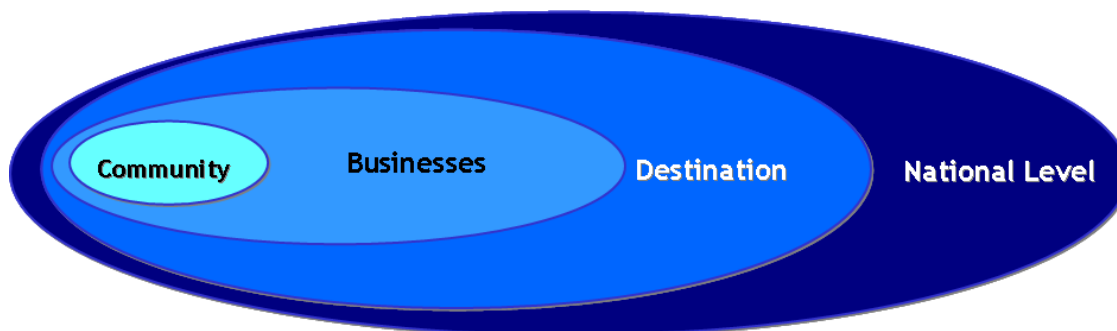
The SNV approach for pro-poor tourism development in Africa is based on the understanding of tourism as a labor intensive sector that provides high employment opportunities especially at the bottom of the pyramid, promotes income distribution and is generally supported by a wide range of SME's that integrates its value chain, in particular at local level.

In order to stimulate tourism capacity to benefit the poor, SNV understands it is necessary to work in tourism destinations, where there exists or will shortly exist, a sufficient critical mass of tourism investments, to justify interventions that can bring substantial and sustainable work and entrepreneurship opportunities that will benefit the poor.

Having this in consideration, SNV works toward the implementation of a destination development model or framework, that can help (1) bring a common vision to stakeholders about the challenges to engage in a sustainable destination development process, and (2) a simplified model that can bring a better understanding of the tourism development process, having at the core of this systemic approach the local community. (SNV, 2009)

The following model illustrates the relation among each component of the destination development framework and the current areas where SNV can play a strategic role providing advisory services and bringing in knowledge to enhance and influence pro-poor and sustainable tourism development.

Tourism Destination Development Approach



Source: Adapted from Mercotur

Value Chain Analysis Conceptual Overview.

According to Kaplinsky (2001) and Wood (2001), Value Chain Analysis (VCA) describes the full range of activities which are required to bring a product or service from conception, through the different phases of production (involving a combination of physical transformation and the input of various producer services), delivery to final consumers, including all process that added value to the productive process.

From an analytical point of view, the value chain analysis perspective is useful because of its ability to identify the activities providing higher value and how economic revenues flow within the productive chain. Value chain analysis focuses on the nature of the relationships among the various actors involved in the chain, and on their implications for development such as sustainability and competitiveness. (Humphrey & Schmitz, 2002), (Giuliani, 2005)

Considering this conceptual Framework, VCA can be perceived as an analytical tool that can be used to understand economic trends within a specific productive chain, recognizing value added at different stages of the delivery process. Giuliani (2005)

For tourism destination development, the typical value chain is the combination of services that contribute to the delivery of the tourism product/ experience (tour organization, accommodation, catering, entertainment, transport), in which local organizations (formal and informal).

For SNV value chain analysis is a tool that permits a deeper look into economic flows and distribution within the tourism destination. Through this understanding, interventions can be planned in order to improve pro-poor benefits and sustainable development through the strength of destination governance and the implementation of economic mechanisms.

Types of value chain interventions at destination level that can enhance benefits for sustainable and pro-poor tourism development may include (Adapted from, Giuliani, 2005):

- **Volume Increase:** More demand, more sales of tourism packages, food&beverages, crafts, etc.
- **Upgrade processes:** Better coordination and communication within, and between stakeholders (e.g. artisans, farmers)
- **Upgrade products:** Providing better quality service, products related to market demand
- **Add value:** through the diversification of product and service offers, sustainable development, reduction of transaction costs through technology and clusters development.
- **Reduce barriers to entry:** Through micro-credit, entrepreneurship development and facilitating access to technology.
- **Strength Innovation:** Through public-private partnerships, private cooperation and investments in research.
- **Increase Local Linkages:** By fiscal stimulus packages to enhance private sector buy from local suppliers and invest in local work force.

Value chain analysis aims to provide an understanding of how the tourism economic flows operate, what share of tourism expenditure reaches different groups of people in the destination, and to segment through the analysis, poor people, young people or/ and women for example.

Through this segmentation it is possible to identify short, medium and long term potential interventions that could increase the economic benefits of any or all of these target groups, or even contribute to the general competitive development of the tourism destination itself.

The tourism value chain generally integrates five productive activities or segments: accommodation, bars and restaurants, travel agencies and tourism operators, transports, and shopping. Within each segment, various supply chains can be distinguished and analyze (SNV, 2009).



Source: SNV

Approach - Connecting People's Capacities.

As a first step in this process meetings were held with leaders of the Ministry of Tourism in order to introduce the idea of the VCA for a better understanding the tourism sector in Maputo as well as for an opportunity to promote dialogue among local stakeholders, who thus far had very little engagement in issues related to destination governance.

Three months of study, analysis, debates and communication² (C4D), resulted in attracting the attention of key leaders, in particular the Minister of Tourism, the President of Maputo Municipality and the President of the National Tourism Association who got convinced that tourism development contributes to “*showing results*”.

At the same time, the results from this VCA made it possible to identify concrete actions for value chain and destination development, in order to capitalize on all efforts and to keep on track with the development process that had started three months earlier.

The process which was started as a small initiative by SNV and the Ministry of Tourism has now grown into a wider platform involving at the moment, 38 different institutions, among them international agencies (UNESCO, ITC, ILO,) that found in this platform an opportunity for networking and for creating synergies regarding the UN – Program for Cultural and Creative Industries for Mozambique.

With growing interest of different government and private organizations, a multi-stakeholders platform was established that initially functioned as an informal VCA consultative group. Later, after a reflection process based on trust and small but solid achievements, the group received the recognition of the Ministry of Tourism and the Mayor of Maputo City, and became the Maputo Tourism Consultative Group - MTCG.

² To know more about C4D actions, follow the Mozambican “Capital” Magazine and the Blog www.federicovignati.blogspot.com

Presently the MTCG has the participation of 25 core members representing 12 organizations and also has the collaboration of partners involved in activities that are co-managed and in some cases, co-financed by the MTCG members.

All members of the MTCG agree that the Maputo Tourism VCA has acted as a mechanism for engaging different parties, each contributing with experience and evidence, in healthy debates and developing and sharing local knowledge and solutions. These activities were based on three main principles:

- Open and continued participation, based on mutual trust;
- Pro-active communication as a key element for voicing ones' opinions;
- Focus on results.

The VCA in the Maputo tourism destination has thus managed to launch, as a strategic action, a process in which people's capacities are mobilized and connected to focus on pro-poor tourism development challenges.

The VCA study created appropriate conditions and facilitated the actors and stakeholders, under the guidance of SNV, to establish other and more complex dialogues in order to take pro-poor tourism initiatives forward.

Although implementation activities in Maputo are still at an initial stage, the current positive environment represents a huge opportunity for development of the tourism sector. Among the strategic results (outcomes) achieved:

- Active interest of the national tourism policy makers in learning from and taking forward this experience of Maputo Destination Development in other provinces and destinations.
- Consolidation of the MTCG as a consultative public-private organ to the Maputo Municipal Government;
- MTCG has been able to stay on track in the facilitating public-private dialogue and partnerships; it has identified funds for a communication plan for the marketing of Mozambique in the South African market, and also for the Maputo Tourism Observatory market intelligence project.
- Establishment of the Maputo Tourism Observatory for collecting and analysis of relevant information that supports the MTCG;
- Tourism Product Development benefiting the community of Mafalala through the promotion of local culture and organization of walking tours.

The big challenge ahead is to identify critical factors to maintain these achievements and sustain the ongoing dynamic in the Ministry of Tourism and MTCG.

Maputo Tourism General Figures and Pro-poor Impact

The VCA analysis was debated and validated in meetings with MTCG members, where the following economic figures about Maputo tourism destination³ were identified:

- ✓ US\$ 95 millions revenues through direct tourism spending;
- ✓ Pro-poor income of 8%;
- ✓ 333.000 visitors (per year);
- ✓ 81% of tourism activity is linked to Business Tourism and Events;
- ✓ 70% of tourist have visited the city twice;
- ✓ 75% stay for more than 3 days;
- ✓ 44% of the market is domestic (148.000 visitors);
- ✓ Tourism generates 4000 jobs directly (benefiting 20.000 people);
- ✓ 35% of the workers are female;
- ✓ 71% of workers come from poor families;
- ✓ 7 tourist clusters in expansion;
- ✓ Main sector activities: accommodation, bars & restaurants, shopping transport, travel agencies and Arts & Crafts
- ✓ Principal local suppliers: beverages, artisans, eggs, chicken and fish suppliers;
- ✓ 25.000 indirect beneficiaries.

These figures reveal Maputo as the most important tourism destination in Mozambique, in terms revenues (US\$ 95 m), pro-poor impact (8%), and tourism visits (333.000). It also reveals tourism activity as a major area for entrepreneurship development and job creation, currently offering 4000 direct jobs.

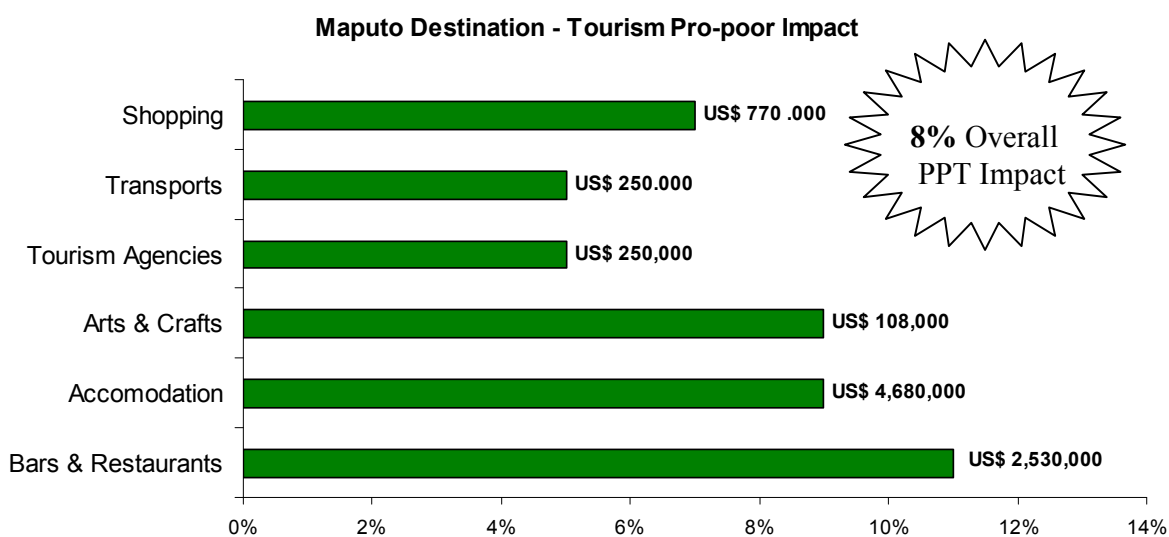
The study brought in to evidence that a huge part of the tourism demand (40%) is mainly from Mozambicans. These data provoked an energetic debate within the Ministry of Tourism and the MTCG, regarding the importance of the “new” domestic market that is taking shape after six years of consecutive 5% economic growth in the country.

The main economic activities within the tourism sector are: Accommodation with the biggest share in income (54%), followed by Bars & Restaurants (21%), Shopping (12%), Transport (6%), Travel Agencies (5%) and Arts & Crafts (2%).

Although the tourism private sector is mainly made up of SMEs, the study also shows that the “national” beverages sector which is controlled by the big water, beer and soft drinks multi-national corporations, receives through tourism enterprises US\$ 3.3 million dollars or 57% of the total sector spending in beverages. This information has brought into the picture of the tourism economy that big enterprises also need to be involved as partners in pro-poor and inclusive business activities.

The following graph⁴, illustrates how tourism revenues are distributed through tourism main activities, and how much of this income benefits the poor. The average pro-poor income amounts to 8% over all sectors (about US\$ 26 million; or almost US\$ 6500 per person)

⁴ This numbers are under continued evaluation as soon as national 2009 figures are published by the Ministry of Tourism.



Through a detailed evaluation of each of the economic activities that integrate the Maputo Tourism Value Chain, and after a good understanding of its growth capacity and potential, it became possible to understand and to discuss different options for value chain development, not only related to the increase of the “size of the cake” but also, “the increasing of the slice” that benefits the poor.

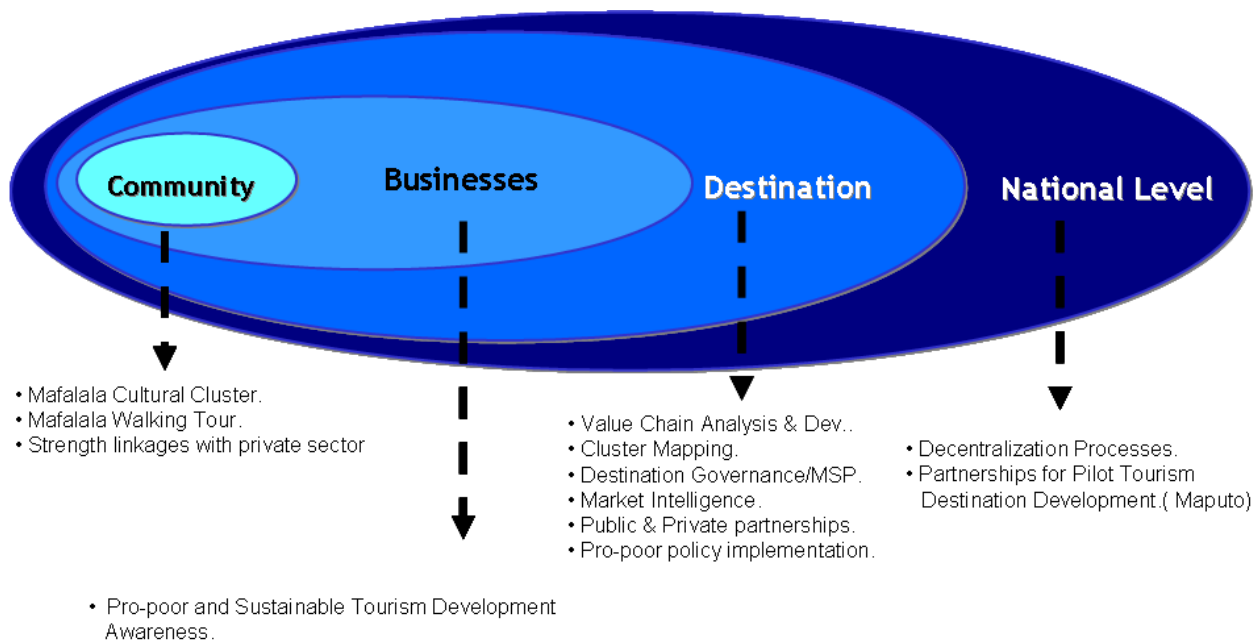
From Value Chain Analysis to Tourism Destination Development.

When the VCA was concluded a number of action proposals were discussed concerning the core operations of the MTCG, including a formal MTCG management structure.

Through the MTCG destination development is starting to take shape. With many needs and proposals for development support interventions, it was necessary to debate and set priorities in order to focus people’s energy to the right issues, and guarantee that MTCG shows concrete results.

The figure below illustrates an overview of activities that currently constitute the Maputo destination development approach. It shows how communities and businesses in a destination are inter-dependent, and have to work together to make the destination attractive, sustainable and competitive.

At national level, Mozambique’s tourism industry is made up of various destinations, which all have similar dynamics as those in Maputo. It is important to note that all destinations are at different stages of success and development, and that they offer a wealth of knowledge, experiences and best practices that can be shared, discussed and explored for mutual learning and upscaling.



Although this is an important step toward the sustainability of the MTCG, and the ongoing pro-poor tourism development initiatives, it is important to maintain balance between the upcoming political interests and the main need to keep on track with a strong focus on actions on the ground and results.

b) Establishment of the Maputo Tourism Observatory

MTCG has developed a market intelligence initiative to produce updated market information on a permanent monthly basis. This initiative is expected to support Small and Medium business development and a more effective destination management of Maputo.

The Maputo Tourism Observatory is a MTCG initiative; financed through an investment fund led by the Southern Mozambique Tourism Association, the Department of Economic Activities of Maputo Municipality, the National Tourism Institute (the executive arm of the Ministry of Tourism), the Polytechnic University, and the African Banking Corporation.

c) Development of Maputo Tourism Cluster Map

Cluster analysis is a very important instrument for tourism development. The geographical picture provided by a tourism cluster analysis helps stakeholders understand important issues related to a competitive tourism development strategy, while at the same time it helps identify a potential tourism cluster. (Vignati, 2008)

The cluster mapping of Maputo resulted from an active involvement of 24 tourism and urban development experts from 6 major government organizations (national and municipal), universities and private sector interested in Maputo tourism development.

The mapping process was implemented through work-shops, based on two Concept Papers developed by SNV, for this specific assignment: (1) The Concept of Tourism Clusters (2) How to analyze tourism clusters?⁵

Seven tourism clusters were identified:

	Cluster	Main Activities	Pro-poor Impact Potential	Development Level
1	Polana	Food, Business Tourism and Shopping	High	Advanced
2	Mafalala	Cultural Tourism	High	Initial
3	Baixa Historica	Food, Business, Night Life and Shopping	Medium	Advanced
4	Marginal	Food, Leisure, Sun & Sea, Night Life and Shopping	Medium	Initial
5	Costa do Sol	Food, shopping	High	Intermediate
6	Inhaca	Sun & Sea	Low	Initial
7	Aterro de Maxaquene	Food, Business	Low	Intermediate

d) Mafalala Walking Tour

As a first priority Mafalala cultural tourism cluster was identified. Mafalala is a poor neighborhood of Maputo and a living museum of Mozambique's traditions (dance, food, house building & religion), and present history.

After the identification of potential local partners, stake-holders and currently on-going development initiatives, SNV is now supporting the development of, the Mafalala Walking Tour as a sustainable cultural tourism product. This pilot initiative is managed by a local association, IVERCA, with close support of other local organizations such as AMAC and Mashaka⁶.

SNV has provided advisory services to IVERCA in order to adjust the current cultural product to focus more on pro-poor objectives while attending to market demand. To do so, SNV is working with IVERCA and AMAC on a wider social inclusion strategy, that will enhance entrepreneurship and an active relationship between tourists and local population, based on solidarity.

In order to increase the demand for the Mafalala Walking Tour, SNV supported a Market Access Strategy based on technical familiarization tours (Fam-Tours) where inbound tourism agencies and operators in Maputo were invited to visit Mafalala and to see the products on offer. The Fam-Tour experience (January 23, 2010) provided exceptional market information which has been used for adjustments of the tourism product, and has opened an important commercial channel for direct negotiations between the community and private sector.

⁵ Papers are currently available in Portuguese language at SNV-Mozambique.

⁶ Machaka is a Local Cultural Development Association.

Additional Fam-Tour initiatives have been organized for journalists, hotel managers and leaders of international cooperation organizations.

For 2011, pro-poor tourism impact could grow from 8% to 14% of total revenues at Maputo destination. This increase is expected to come mainly from Arts and Crafts and Tourism Agencies (in particular inbound/domestic operations).

We estimate that by 2011 tourism will contribute to pro-poor development through:

- ✓ US\$3 million in extra income for the poor;
- ✓ 1600 new direct jobs created;
- ✓ 28.450 people with better quality of life;
- ✓ More transparent and participatory governance environment.

Conclusions

Value Chain Analysis has been identified an effective tool in providing an up-to-date and systemic picture of the tourism economy and its pro-poor linkages in a specific tourism destination. This instrument used next to clusters analysis, have provide local government and other key stakeholders with valuable information for tourism destination development.

VCA when conducted in a open and participatory way, has proved to be an effective and efficient tool for capacity strengthening, for helping build a common understanding of destination economic gaps, and for promoting good dialogue based on constant engagement and validation of data and evidence.

While considering the challenge of managing sustainable tourism in developing economies, it is understood that this research has evidence that this objective may only materialize if stakeholder dialogue and cooperation is active. One way to build an active base relation at multi-stakeholders level is through the confidence that results from successes of taking forward “quick wins”. Another insight is related to the need of overcoming personal agendas and supporting multi-interest agendas, avoiding individual based efforts for collaborative and multi-financed actions, working together to achieve a common goal, which is in this specific case, the sustainable development of Maputo as an attractive tourist destination.

Maputo city and the MTCG in particular will face important challenges in the following months in the identification and execution of next steps for sustainable and pro-poor tourism development. This experience has made it clear that long term and ambitious visions have to go hand in hand with aiming for small but effective steps that keep on one hand, multi-stakeholders collaborations active and on the other hand, may contribute effectively to overcoming destination development challenges to achieve sustainability in the long run.

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