Eighty-fifth session
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Provisional agenda item 3

REPORT OF THE SECRETARY-GENERAL

Note by the Secretary-General

In the attached document the Secretary-General submits his report to the Members of the Council for consideration.
REPORT OF THE SECRETARY GENERAL

INTRODUCTION

This eighty-fifth session of the Executive Council is, without doubt, a very special one, for several reasons.

Firstly, because it takes place in the midst of a deep economic and financial crisis that is affecting all sectors of economic activities and all regions of the world, though in varying degrees. Tourism is one of the sectors that has been hit by the crisis; I will, therefore, devote some time of this presentation to this issue which, I am sure, is of concern to all Member States of our Organization, and the Executive Council should be duly informed of the impacts it is having, of the actions being taken by the Secretariat, and adopt whatever decisions it deems appropriate.

The session is also special in that it takes place in Sub-Saharan Africa, a region which has been attracting, at last, the attention of the international community more significantly during the first decade of the new century, and which is receiving better and more assistance for its social and economic development. The tourism sector of African nations has also been attracting attention, thanks to an increased awareness about the rich natural and cultural heritage that these countries possess and to the better political and security conditions now prevailing in most of the region. The Organization has also given stronger attention to Africa over the last few years and the proposed Programme of Work for 2010-2011 that you will examine during this session will further reinforce the support to this continent.

Finally, the session is also special because the Executive Council is called upon to designate a candidate for the post of Secretary-General of the Organization, after almost 13 years of being under the able leadership of Francesco Frangialli. Notwithstanding the great accomplishments he has left for the Organization and for the tourism sector as a whole, UNWTO as all other organizations needs to take stock of its achievements, to acknowledge in shortcomings and to re-engineer itself. It needs to adjust its management practices to the needs of evolving times, and to adapt its structures and operations to become more effective and responsive to new situations. The tourism sector and UNWTO are no exception to this rule. Given the rapid growth of tourism in recent years and the challenges it will have to face to come out of the current crisis stronger and healthier, the new Secretary General will have a formidable task in front of him, for which he will require a combination of deep knowledge of the sector, negotiating and conciliatory abilities, an inspiring vision for the future of tourism and a strong leadership capability to introduce in the UNWTO the necessary changes without losing the accumulated knowledge and expertise it has developed over its 34 years of existence.

In particular, much progress has been made over the last couple of years in addressing the Members’ needs through a more integrated approach, making a more efficient use of our limited financial resources and increasing the productivity of our small team of dedicated staff in the Secretariat. Mechanisms have been put in place for improving internal coordination, for reducing unnecessary expenses, for ensuring a better integration within the UN system, for expanding our external sources of funding to allow for more development assistance projects in the field, and to enhance internal management and administration procedures.
The tasks ahead are numerous and the changes introduced need to be systematically continued and completed during the next biennium. In doing so, the new administration can rely on the enthusiasm and expertise of the staff, which has now a clear understanding of the challenges the Organization has in front of it. It can also use the clear guidelines provided by the United Nations, through its Joint Inspection Unit, which has produced its first report on UNWTO since we joined the UN system, and which you will consider later at this session. But most importantly, it can count on its with more vigilant and legitimately demanding Member States, which are becoming more aware of their ownership of the Organization and of the fact that the Secretariat should be fully at their service. The exhaustive consultation and discussion process undertaken since February 2008 with all Members of the Organization, individually and collectively through the Regional Commissions, for the formulation of the next Programme of Work that you will consider during this session is evidence of this new sense of engagement.

I. SITUATION OF WORLD TOURISM

World Tourism in Face of the Global Economic Crisis

Since the previous session in Madrid last October, the international financial and economic situation has deteriorated significantly. The deep financial crisis has hit the global economic activity in an unprecedented manner and much beyond what was anticipated. After repeated shocks to the financial system and continual downwards revisions to economic indicators, it is now clear that the world economy has entered a serious recession in spite of the extraordinary responses from governments around the world.

According to the latest projections by the International Monetary Fund (IMF), world GDP is expected to contract for the first time since World War II (-1.3%). Advanced economies will experience their sharpest decline in 60 years and prospects for recovery before mid-2010 are receding. In the USA, where the crisis emerged for the first time, the economy is forecast to contract by 2.8% while the impact is expected to be even higher in the euro area (-4.2%) and in Japan (-6.2%).

This crisis has struck at a time of significant global interdependence, affecting advanced and emerging countries in a truly global way. Activity in emerging economies, which initially seemed to be more resilient, is expected to expand in 2009 before recovering gradually in 2010. The World Bank estimates that 94 out of 116 developing countries have faced slower growth as energy and commodity exports go dramatically down in both volume and price, remittances decline quickly and external borrowing becomes harder. Some economies will suffer severe setbacks with serious risks, in particular for poorer countries.

The global economic crisis has already translated into rising unemployment levels. The situation may become worse during the year as measures being deployed by many governments worldwide will take time to impact on the job market and any economic rebound will probably not be enough to create a significant number of jobs before end 2010. As the economic activity keeps being held back by a collapse in business and consumer confidence, households have started to restrain spending especially on durables and leisure, and businesses are cutting back on investment, in the anticipation of a prolonged period of poor prospects for jobs and profits.
One of the major challenges amidst the current crisis is the imperative of not losing sight of the longer-term challenges of poverty alleviation, employment and climate change. In a moment of such significant uncertainty and volatility, both public and private stakeholder have a responsibility to continue and even reinforce the efforts towards a more sustainable development and support for poorer countries, which see their improvement over the last decade threatened by the current crisis. We should not forget our obligation toward the poorest countries in the faster development of their economies, and in seriously responding to climate change.

It is clear that this is a global crisis that needs global solutions and increased international cooperation. As underlined by the United Nations Systems Chief Executive Board meeting early last month “International cooperation is crucial. The crisis is multidimensional and calls for policy coherence at global, regional, and national levels. Stakeholders should build on the current momentum of intensified multilateral cooperation in order to promote a fully inclusive framework of global governance.”

**Impact on Tourism**

Though tourism has so far been less impacted than many other sectors, the global economic crisis is taking its toll on destinations around the world. Overall, international tourist arrivals in 2008 grew by 2% – down from 7% in 2007, which was the fourth year of consecutive strong growth in world tourism. But, actually much of this increase was due to the strong performance of the first half of the year. As a result of the extremely volatile world economy (financial crisis, commodity and oil price rises, sharp exchange rate fluctuations), the last six months showed an abrupt shift in trend. The 5% increase recorded between January and June 2008 gave way to a 1% decline in the second half of the year. Growth was actually negative in the last six months of 2008 in Europe (-3%) and in Asia (-3%), where the drop was even more significant given its double-digit growth in 2007 and strong showing in the first part of the year (+6%). For the year as a whole, all regions were still positive except Europe, which suffered stagnation in arrivals. Overall, the best performances were registered in the Middle East (+14%), Africa (+5%), and the Americas (+3%).

However, these results reflect international tourist arrivals only, for which comprehensive data is currently available. For domestic tourism, which is highly important for many destinations, UNWTO expects that it will show more or less similar trends. As for results of international tourism receipts, which will be presented at a later stage, the experience of past years suggests that in times of crises receipts tend to be harder hit than arrivals.

If the economy keeps deteriorating, we expect international tourists arrivals to stagnate or even decline during this year to -2%. But, there is still a high degree of uncertainty. As the economy deteriorates further, the current forecast may be revised downwards. Along with the North America, Europe will be the most affected region in terms of overall tourism results as most of its source markets are already in, or entering into, recession. In Asia and the Pacific, results are expected to be positive, although growth will continue to be much slower compared with the region’s performance in recent years. The same applies to Africa, Latin America and the Middle East.

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1 Data as of mid April 2009.
UNWTO Response

Over the last few decades, tourism has experienced various setbacks, and faced severe natural and man-made crises. Through it all, the industry demonstrated a remarkable resilience and always came out stronger and healthier. This juncture, however, seems to be different. This crisis is truly global and its parameters are still in many ways unclear.

Against this background, the Secretariat is increasing its efforts to provide the sector, and in particular the Members, with the necessary support to help them endure these challenging times. UNWTO response is focused on three interrelated pillars:

- **Resilience:** following the decision of the Council at its meeting last October, the Tourism Resilience Committee (TRC) has been set up to support the sector’s immediate response by providing a framework for better market analysis, collaboration on response and medium-term policymaking. The core group of the TRC will meet on 21 May in Egypt and the Committee itself, which has met twice this year (in January and March), is open to all members and key industry partners and aims to be a focal point for crisis analysis and response for the tourism sector around the world. The Committee is expected to hold its next meeting by late June/early July in Madrid. A pivotal meeting will be held at UNWTO General Assembly in Kazakhstan in October 2009, where a comprehensive Road Map for Recovery will be presented.

- **Stimulus:** the Secretariat is urging governments to put tourism at the core of their stimulus packages because the jobs and trade flows from a strong tourism sector, as well as business and consumer confidence in travel, can play a big part in recovery. We need to stress that spending on tourism can pay massive returns across entire economies due to the sector’s significant contribution to job creation and exports generation.

- **Green Economy:** we are urging stakeholders to place tourism at the forefront of the transformation to the Green Economy contributing with carbon-clean operations, jobs in environmental management and energy-efficient building.

Tourism is a highly resilient sector that will return to strong growth when the overall economic crisis abates; it can contribute more than others to poverty alleviation, climate response and a Green New Deal. Therefore, we have recently launched a seven point Roadmap for Recovery, highlighting the message that Tourism means Jobs, Infrastructure, Trade and Development. The Secretariat is strongly promoting this message, namely on the occasion of the G-20 leaders meeting last April in London. We urged world leaders to take note of this message and to include tourism as a key component of their economic stimulus programmes and the Green New Deal. We believe tourism can and will play a big part in bouncing back from recession.
Many countries are already developing stimulus measures to mitigate the effects of the crisis on tourism realizing that it can be a key driver of economic recovery. Among those measures are the increment of tourism promotional budgets, namely focusing on nearby and the domestic markets as those are expected to be more resilient, but most importantly measures in the area of fiscal and monetary policy are also being implemented. Some destinations are reducing taxes and improving travel facilitation, recognizing that it is now crucial to remove all obstacles to travel, especially taxation or over regulation, while others have developed systems to support financially the enterprises operating in the sector and the development of infrastructure. Others should follow suit.

We are urging all governments and the private sector to support our Roadmap for Recovery as tourism has a significant potential to support short term stimulus actions as well as longer term transformation to a green economy, coherent with development and climate imperatives.

I wish to inform you also at this time about UNWTO’s active involvement in the response to the challenges of the current influenza A (H1N1) alert, and our activities to ensure that tourism is effectively positioned in the global UN-led response. I also want to assure you that our work in this area is handled simultaneously with our response to the economic recession, climate and poverty challenges as well as our General Programme of Work.

Since we have been preparing for any crisis event for the past three years, we actioned matters from the onset at three levels:

1) **Inside the UN-system**: We are engaged in the top-level coordination effort with the World Health Organization (WHO), the International Civil Aviation Organization (ICAO) and the United Nations System Influenza Coordination (UNSIC) to make sure that tourism interests and concerns are effectively factored in the decision making process. You will note that the WHO does not recommend at this stage any travel restrictions as they have very little effect on the spread of the virus and this remains our central public positioning on this issue.

2) **With Member States**: We immediately activated our Influenza Focal Point structure, which was put in place for Avian Flu preparedness, reminding all Focal Points of the guidelines and lessons learned from our regional simulation exercises and bringing them up-to-speed on the UN-response. We continued over the last ten days to provide detailed information and recommendations based on the engagement with WHO.

3) **With the Industry**: We immediately convened the Tourism Emergency Response Network (TERN), which consists of peak Global Travel and Tourism Network Associations, both public and private across all sectors of the industry. We are continuing this very close engagement with the industry as the situation develops.
This form of targeted communications with the Influenza Focal Points in our Member States and the Tourism Industry was chosen as the most suitable and effective means of sharing the information with you while avoiding unnecessary public attention or public statements. The global travel and tourism sector is highly sensitive to events of this nature and requires therefore a careful approach. UNWTO has been extensively preparing for this kind of situation largely as a result of the Avian Flu preparedness as instructed by the Executive Council in 2006.

At this moment, the situation from a health perspective, is still uncertain - according to the WHO. However, the extensive preparedness work of the UN system, of which UNWTO is an integral part, reaffirmed confidence and helped avoid unnecessary repercussions on the tourism sector.

II. OTHER ACTIVITIES UNDERTAKEN SINCE OCTOBER 2008

Apart from devoting an important part of our time and efforts to the crisis, the Organization has continued implementing the Programme of Work 2008-2009 as originally planned and approved by the General Assembly in November 2007. You have received a detailed account of the activities undertaken during 2008, and you will have the opportunity during this session to further examine this matter. In very brief terms, the activities planned have been fully implemented, while in some areas additional activities have been added to respond to Members’ requests without incurring additional expenditure.

Over 80 technical events were held during 2008, with the participation of several thousand tourism officials of Member States plus many other experts and private sector representatives. These technical conferences, seminars and workshops served not only to exchange views, disseminate best practices and reach conclusions and recommendations for further work by UNWTO and by NTAs; they also constituted a key mechanism to train tourism officials in specific subject areas, and allow them to establish contacts and networks with their counterparts in other countries.

Perhaps the most relevant of these events has been the V International Conference on Tourism Statistics: Tourism, an Engine for Employment Creation, held last March in Bali, with the generous support of the Government of Indonesia. Nearly 500 participants from 66 countries examined the new recommendations for collecting and processing tourism statistics, before concentrating their attention on the employment implications of tourism, and how to maximise its potential for creating more decent job opportunities in the sector. The Conference also served to strengthen our cooperation with the International Labour Organization and the OECD in various areas.
In the field of direct support to Members, the Organization has continued the implementation of quite a large number of technical assistance projects, all of which are funded with extra-budgetary resources. During the biennium 2008-2009, UNWTO has completed or is currently involved in 13 development assistance projects (with a total budget of around 5.3 million USD). In addition, 8 MDG projects with UNWTO participation are currently underway; furthermore, we are currently negotiating funds for a further 5 MDG projects which, if successful, will imply that UNWTO will have managed to obtain some 10 million euro from the MDG Fund for assisting countries in their tourism development efforts linked to the achievement of the Millennium Development Goals. The Regional Africa coastal development project funded by GEF and the one on Climate Change and Tourism in small islands, continue their development normally. Finally, 72 smaller size STEP projects are being executed by UNWTO, with the contribution of some external partners. All in all, UNWTO is currently undertaking development assistance projects in 55 Member States, certainly the largest ever number.

During 2008, over 250 short-duration field missions were undertaken by UNWTO senior officials and by external experts commissioned by the Organization. These missions responded to specific requests and invitations by Members, and served to either provide direct advice on tourism policy or legislative matters, or to prepare terms of reference and obtain the funding for potential development assistance projects, or to review progress in the implementation of projects, or simply to assist the NTA in improving the image of tourism or getting further support to it from Parliament, the Head of State, the Ministry of Finance or the international press. This is a remarkable increase in our direct support to Members with respect to previous years, which we have managed to undertake with the same limited budget allocations.

Finally, it is worth mentioning that the Organization has widened its reach to global audiences through a better communications policy and expanding its presence in as many fora as possible.

III. FINANCIAL AND ADMINISTRATIVE SITUATION OF UNWTO

In spite of the difficult economic times that we are witnessing since the summer of 2008, the Organization has managed to remain financially sound and to fulfil its obligations with Members and with the staff. A prudent expenditure policy has been applied at the Secretariat lately, minimizing administrative and programme related costs whenever possible, while financial control mechanisms have also been strengthened. The internal coordination mechanisms for programme activities put in place since mid-2007 have also now become common practice and allowed significant savings and cost reductions, while permitting to expand the services provided to Members.

It is worth noting in this respect that the success achieved by the Secretariat in raising extra-budgetary funds for development assistance activities has been crucial in the expansion of services to Members, without having to increase the regular budget and the Members’ contributions to UNWTO.
The 2009 exercise has commenced well, with Member States fulfilling their dues earlier than in the year before. Up to the end of March, 57 per cent of the Member States’ contributions had been received, and if other income sources are considered, such as publications, arrears and sundry income, the percentage goes up to 71 per cent, which provides reasonable assurance that the Organization will be able to navigate through the current year undertaking all its planned activities. We will review all such related issues in the following items of the agenda.

With the arrival of the new Director of Administration and Finance, a thorough revision aiming at strengthening administrative procedures has been put in place in the last three months and is being gradually implemented. This review included a SWOT analysis of the different areas of the Secretariat, particularly those referred to in recent reports received from the Organization’s Auditors, including the Joint Inspection Unit. Identified risks and challenges have been prioritized through extensive internal consultation processes, leading to the preparation of an action plan for the different administrative and financial areas of work. The implementation of the action plan is being closely monitored by the Management Team.

The main purpose behind strengthening administrative process is to enable the Organization to fully discharge its Financial Regulation 13, requiring the Secretary General to establish internal control mechanisms that ensure efficient and transparent financial administration. This is done in accordance with accepted good financial management practices. Additional aspects of the framework include the update of accounting standards, the outlining of ethical, reporting and documentation criteria and the review of procurement practices.

Good progress has also been made in the implementation of a new model for authorization of transactions and delegation of authority.

It is expected that the outcome of this process is the shaping of a new results-based culture for the Organization. This culture is fostered through strengthened internal processes demanding leadership, efficiency and accountability from its players. Some results are already becoming evident. The submission, for the first time ever, of a report by a representative of the Staff Association to the Executive Council, and the contents of such report, are good examples of the changing attitudes of staff and management.

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As stated at the outset of my remarks, this is indeed a special session. This Organization is today at a crossroads, and whichever direction it takes, major transformations are anticipated to enable UNWTO to embark on the new decade as a fresh, forward looking and engaging Organization.