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REPORT OF THE SECRETARY-GENERAL

Note by the Secretary-General

In the following document, the Secretary-General submits his report to the Executive Council for the consideration of its Members.

REPORT OF THE SECRETARY-GENERAL

This report will deal with three subjects:

- the situation of the tourism market in 2006
- developments at the World Tourism Organization since the sixteenth session of its General Assembly in Dakar, and
- the outlook for our Institution for the next two years.

1. THE WORLD TOURISM MARKET IN 2006

Over the first several months of 2006, international tourism continued the upturn it experienced in 2005, during which it grew by some 5.5% in terms of arrivals and breached the symbolic figure of 800 million. This represents remarkable growth in the turbulent environment that has existed during the past several years: 100 million more in three years!

The strong performance of the world economy (the International Monetary Fund recently revised its global growth forecast for the current year from 4.3 to 4.9 per cent) constitutes the principal factor of this positive trend, which can be observed in all parts of the world in varying degrees: from "moderate" in western Europe, to "extremely strong" in Asia-Pacific.

Three major uncertainties continue to cast a shadow on this trend toward sustained growth but none of them, for the time being, seems to constitute any fundamental threat to such growth.

The first source of uncertainty has to do with terrorist attacks, which continue to target foreign visitors or tourism facilities, the latest being the attack in Dahab, in Egyptian Sinai. More than ever, tourists are becoming routine targets of terrorist groups seeking publicity for their sad acts. But it should be noted that the market now reacts less brusquely and more rationally than in the past to this kind of difficulties, with consumers becoming better at weighing their options by simply taking into account security concerns along with other considerations when choosing their destinations. As a result, the impact of such attacks is decreasing. International cooperation also contributes to this. When times are hard, our Organization serves as a vector of solidarity among its members. Little by little, destinations are realizing that in a crisis situation, they stop being competitors and become partners. The same is true in the face of natural disasters such as the tsunami in South-East Asia, the hurricanes in the Caribbean, or the recent earthquake in Yogyakarta in Indonesia.

The spectacular rise in the price of crude oil, given its impact on aviation fuel, constitutes the second potential risk, with world prices reaching or surpassing 70 dollars a barrel, and with all signs indicating we are dealing not with an "oil shock" like the ones that have occurred in the past, but rather the advent of a lasting phase in the history of the world economy characterized by structurally high energy prices. Nevertheless, we should put things in perspective. Although in nominal terms the price of a barrel has reached an unprecedented level, in real terms it is still below the highs reached in the early 1980s and at the beginning of the 1990s. In fact, the approximately 40 dollars that a barrel of oil cost in 1980, at constant prices in terms of purchasing power (after deflating current prices by the consumer price index), amounts to about 94 dollars today.

A recent UNWTO study confirms that, under the current conditions, the effect on the tourism and air transport industries is only moderate with the exception of North American airlines that were already in a weakened state before this situation emerged, and airlines of many developing countries that do not have the financial capacity to hedge against untimely hikes by means of advance purchases.

Finally, the third reason for concern is the possibility of a human pandemic of avian flu. At the current--epizootic--stage, however, this fear only marginally affects tourism travel. The UNWTO's message that travelling, even to places where bird populations may be affected, entails no risk as long as the recommendations issued by health authorities are observed, seems to have been heard.

It seems that over these past few years, non-tariff barriers to travel have become more important than purely economic or trade-related obstacles, and the Secretary-General recently had an opportunity to meet with the Director-General of the World Trade Organization. The SARS epidemic did more damage than the rise in crude oil prices or the tsunami in South-East Asia. The main difficulties today have to do with worries about the risk of an attack during a trip, the multiplication of security restrictions, stricter visa-issuance rules, restrictive immigration practices, and the unreasonable proliferation of "travel advisories" issued by governments to deal with it, a problem that we discussed at length at our Assembly in Dakar.

In these conditions, and despite these obstacles, it remains reasonable to forecast growth in international arrivals of between 4 and 5 per cent for 2006. It should be noted that this is in line with the long-term trend, as estimated in 1995 in the UNWTO's "Vision 2020". The conclusions of this long-term forecast thus remain largely valid, looking beyond the short-term effects of the different kinds of shocks that have marked the past several years.

The need to travel for leisure, business, health or even for religious purposes is now deeply ingrained in our modern society, which tends to solidify tourism demand and gives our industry the capability to overcome all the obstacles it encounters on the path of growth.

2. THE WORLD TOURISM ORGANIZATION SINCE THE GENERAL ASSEMBLY IN DAKAR

During this session, a report will be given on the activities conducted by the UNWTO since its last General Assembly, within the framework of its programme of work for 2006-2007. The several months since the Assembly have been particularly active for the Organization and its Secretariat.

The principal event was undoubtedly the holding in April in Madrid, at our invitation and that of the Spanish Government, of the United Nations Chief Executives Board and various parallel meetings. This CEB session, which was an undeniable success thanks, in particular, to the notable support of the host country, has contributed to increasing the visibility of our Institution within the system. The UNWTO is not only perceived as the newest and smallest of the specialized agencies, but also--as underlined by Secretary-General Kofi Annan in his remarks to our staff on this occasion--as an institution entrusted with a big mission in a major economic sector, whose contribution to the achievement of the Millennium Development Goals may well be a decisive one.

It should be noted that in addition to the heads of agencies and programmes, nearly all of whom were present, these meetings were also attended by the Managing Director of the International Monetary Fund (IMF), the Director-General of the World Trade Organization (WTO), a Vice-President of the World Bank, the Prime Ministers of Norway and Pakistan, and other important figures.

Among the other notable events and activities were:

- the UNWTO's participation in the tourism fairs of Madrid (FITUR) and Berlin (ITB), accompanied by the holding of various meetings and technical seminars, in particular, in Berlin, the first session of the Destination Council, the ST-EP Forum, and the first meeting of the Board of Directors of the ST-EP Foundation (with the second scheduled to be held in Quito immediately before the Executive Council);
- the holding of four regional commission meetings: Europe (Kazakhstan), Americas (Uruguay) ; Africa (Mali) and East Asia and the Pacific - South Asia (Macao, China), the first two of which were accompanied by a technical conference and the latter by a ministerial summit;
- the holding of two TOURCOM conferences: in Bamako, Mali in May, and in Rosario, Argentina in June, for the corresponding regions of the world;
- various meetings and activities related to the subject of ethics in tourism and solidarity tourism (participation in the conference on solidarity tourism in Chiapas, Mexico, in April, meeting of the World Committee on Tourism Ethics in Bangalore, India, in June, seminar on ethics in tourism in Ecuador, immediately preceding the present session of the Council;
- meetings of different committees at the Headquarters (Statistics in March, Quality Support and Trade in April, the Programme Committee and the Committee on Budget and Finance in May);
- different meetings and seminars of the Affiliate Members and of the Education Council, as well as the awards ceremony of the Ulysses Prizes, in late May-early June in Madrid;
- the conferences in Yogyakarta, Indonesia, on "tourism and culture" in February; in Vilnius, Lithuania, on "the consequences for tourism of European Union enlargement", and in Tehran on "tourism and handicrafts" in May;
- the Working Group established by the General Assembly for risk prevention and crisis management, which met twice--in Paris in February and in Madrid at the start of June--with another technical meeting also held in Paris in May. A report on this important subject as well as on the UNWTO's preparations for a possible avian flu pandemic will be given in the course of the present session of the Council, which is to adopt the action plan submitted by the Working Group on this subject.

On the occasion of the abovementioned meeting of the Programme Committee, the preparation of the general programme of work for 2008-2009 was begun. It would be desirable for as many member countries as possible to express their wishes in this regard.

The financial situation of the Organization at the start of 2006 is favourable. As of 17 May, 62 per cent of expected contributions had been collected (as compared to 59 per cent at the same date in 2005); 29 per cent of expenditures had been made (as in the preceding year) and 350,000 euros of contribution arrears had been collected, representing half of the total expected for the year.

3. OUTLOOK FOR THE UNWTO

Immediately after the Members of our General Assembly did me the honour of re-electing me to a new term of office, I presented in Dakar what I consider to be our three challenges for the near future: putting our poverty-reduction initiative firmly on track, completing our representativity, and seeing through the generational change in the Secretariat staff.

Over the past several months, significant advances have been made in our ST-EP initiative. The members of the Board of Directors of the Foundation are already in place and have been meeting; a provisional chairman and a director have been designated; the procedure for the designation of the members of the Board of Governors has been initiated. All of this is to be carried out on the margins of this session of the Executive Council. The Secretary-General and the Head of the Sustainable Development Department visited Seoul to verify the smooth launch of the activities of the Foundation with the support of the Government of the Republic of Korea.

As for the Secretariat, the staffing of the Technical Cooperation service and of the Sustainable Development Department has been reinforced with the support of the French Government and the Netherlands Development Organisation. Coordinators have been put into place in the field, in Africa and in Latin America to ensure the proper execution of development projects and financing rules have been established to serve as a regulatory framework for their actions. The Deputy Secretary-General, Mr. Taleb Rifai, who effectively took on his functions in the month of February, has received the mission of supervising the overall implementation of the ST-EP initiative. The responsibility of the Executive Council and of the Secretary-General shall be to ensure overall harmony and unity, and to see to it that ST-EP activities are carried out through the intermediation of the Foundation (research, communication and partnership activities) or executed directly by the Secretariat itself (project identification missions and execution).

As for the second challenge, regarding the completion of the Organization's composition, it is recalled that it currently has 150 members, including the four new memberships (including that of the United Kingdom) that came about at the General Assembly or which were approved by it.

This trend is continuing. Tajikistan, Trinidad and Tobago, and the Union of the Comoros have announced their intention of joining the UNWTO. Burundi, which had considered withdrawing, has decided otherwise, but the problem of the large contribution arrears accumulated by this country remains unresolved. Regarding the United States of America, contacts continue through various channels (friendly governments, U.S. Affiliate Members of the UNWTO, the United States Representation to the United Nations, United Nations Secretariat). At the request of the Senate Subcommittee on Contributions, a report on the interest of membership in the Organization for the United States and for its tourism industry has been submitted by the State Department to the Congress. Its tone is very positive and the Commerce Department continues to positively support this step. At this point, it seems that financial considerations constitute the only remaining obstacle to a final decision. The Secretary-General is working to utilize these circumstances--which in large part were brought about by us--to achieve an affirmative decision in this regard, although in the current state of affairs, it is not possible to guarantee that such a decision will take place this year.

The third and final challenge is that of the generational change that has begun at the Secretariat with the recent appointment of a new Deputy Secretary-General, and it will continue with the retirement of the Regional Representative for the Americas this year, and those of the Director of Administration, and the heads of the Market Intelligence, Quality, and Sustainable Development Departments next year.

Aside from the need for replacements--through the internal promotion of assets already in the Secretariat and through external recruitments that will also make it possible to further diversify its composition--there arises the problem of managing an organization that has grown bigger, whose responsibilities have been enlarged, whose status has been raised, and whose visibility has become greater.

Let us be clear: the objective is not to replace agility with bureaucracy. "*Small is beautiful*", and in many ways, it has been the fact that its staff has not consisted of more than a hundred persons, its relatively centralized mode of management and its capacity for rapid and sound decision-making, which have been the hallmarks that have distinguished the Organization in the past. This has been observed on many occasions: notably, in the conduct of projects carried out jointly with other institutions of the system, we have shown markedly greater responsiveness than our partners.

We must now try to maintain this competitive advantage as much as possible. At the same time, however, with the growth in the number of members and the volume of activities, our old management model has undoubtedly reached its limits. The institution has now reached a point of diminishing returns. Today, the need for increased coordination and better internal circulation of information is already being keenly felt.

We must be able to evolve in stages and unhurriedly. "*Do not stubbornly try to maintain that which is on its way to collapse, nor be in a hurry to establish that whose arrival seems imminent,*" as Benjamin Constant wrote most insightfully. The time has undoubtedly come to progressively introduce a certain decentralization of decision-making, better horizontal circulation of information, the reinforcement of control mechanisms and internal balances of power, and coordination procedures that facilitate cooperation among the different services and that prevent the duplication of efforts.

The period from 2006 to 2007 will therefore be a time to strengthen the management team of the Secretariat and to revamp its structure, measures that are made both possible and necessary by the changes in the personnel concerned.

The Secretary-General will inform the Executive Council of his intentions in this regard in the course of the present session. An initial stage has already been carried out with the establishment of a team, at the levels of Management and services, in order to better respond to emergencies and crisis situations. A second stage is planned for September 2006 with regard to the areas of communication and information, the Affiliate Members (where a new chief is already in place), the Regional Representation for the Americas, and the Market Intelligence and Promotion Department. The entire restructuring process is expected to be completed by the second half of 2007.