



WORLD TOURISM ORGANIZATION

**GENERAL
ASSEMBLY**



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REPORT OF THE SECRETARY-GENERAL

Note by the Secretary-General

In accordance with rule 5(1) of the General Assembly's Rules of Procedure, the Secretary-General submits his report on the situation of international tourism, the state of affairs of the Organization, as well as on the activities of the Secretariat.

REPORT OF THE SECRETARY-GENERAL

INTRODUCTION

1. This eighteenth General Assembly in Astana, Kazakhstan, is special for many aspects. Firstly, because this is the first time that we celebrate it in this part of the world, in a country mixing European and Asian cultures in a unique and vibrant manner; in a country crossed by the ancient silk routes but, at the same time, stamped by modernity and innovation, as everybody would have certainly noticed at his/her arrival in the impressive capital city of Astana.

2. Secondly, current times are special and critical: we are at a crossroads because of external events, like the economic crisis and the global challenges of environmental and sanitary natures. This is the subject of the general debate of our Assembly, and the reinforced presence of private stakeholders of the tourism sector today is certainly an excellent asset to find the right way forward. We are also at a crossroads for internal reasons: the UNWTO will engage, in the next four years, in a progressive reform process of its operations and management.

3. Thirdly, General Assemblies with elections are always special, particularly when, like today, a new Secretary-General is to be designated, after almost 13 years of Francesco Frangialli's leadership. Today, the General Assembly will appoint, under the Executive Council's recommendation, the Secretary-General for the period 2010-2013.

4. This report presents a summary of the current economic outlook, its impacts on tourism and the UNWTO response to it. It also summarises the other main activities undertaken by the Organization during the biennium 2008-2009. Finally, it provides an overview of the current administrative and financial situation of the Organization.

I. SITUATION OF WORLD TOURISM

5. The current economic situation is certainly the most difficult one since the 2nd World War. Tourism has indeed rarely been in such difficult situation in the last fifty years: suffering from the global economic downturn and from major uncertainties due to the influenza A (H1N1), the sector must respond and adapt, at the same time, to what are certainly the major challenges of the current and coming years: poverty alleviation and climate change.

6. **Tourism in 2008:** after a very sound start, with worldwide growth in international arrivals averaging nearly 6% in the first six months, demand fell harshly by 1% between July and December 2008. For 2008, international tourist arrivals reached 922 million and international tourism receipts US\$ 944 billion.

7. **Tourism in 2009:** as expected, the trend registered in the second half of 2008 has intensified in 2009 - international tourist arrivals fell by an estimated 7% during the first seven months of this year under the impact of the global economic crisis, and in some destinations of the effects of the influenza A(H1N1) outbreak. For the entire year 2009, international tourist arrivals are forecast to decrease by between 6% and 4%. Growth is projected to be negative in all regions, except in Africa. In many destinations, the performance of the domestic market, though better than that of the inbound markets, has not been sufficient to compensate for the falling international demand.

8. The latest economic prospects indicate that the world economy may have bottomed out and may be starting to emerge from this unprecedented recession. Although much uncertainty persists, there are signs indicating that also in the tourism sector the lowest point may have been reached. Data on international tourism for the month of July shows a relative improvement over previous months (arrivals declined by 4% as compared to – 10% in May and – 7% in June) and other industry indicators, such as IATA's on air traffic, seem to corroborate this trend. It does not mean that difficulties are behind us, but we can be confident about the future of tourism and its capacity to adjust to a new environment and to rebound.

9. As far as H1N1 is concerned and as stated by the World Health Organization (WHO), limiting travel and imposing travel restrictions would have very little effect on stopping the spread of the influenza A(H1N1) virus, but would be highly disruptive to the global community, including tourists. However, WHO has also pointed out that influenza viruses are well known for their instability. The future development of the influenza A(H1N1) virus remains uncertain and the severity of the pandemic can change considerably over time and differ according to countries, location and population segments. Staying informed is therefore important.

II. UNWTO RESPONSE

10. On the issue of H1N1, UNWTO has worked closely with the WHO and other international and national parties to monitor the impacts of the pandemic and has recommended governments and travellers to regularly check with www.SOS.travel or other reliable resources for the latest updates and information issued by health and travel authorities as the situation evolves. It is important to keep in mind that the current influenza pandemic is the first one, for which the global community has extensively prepared. These preparedness efforts were reflected in the global response to the challenges of the influenza outbreak over the last weeks. Although the spreading of the virus remains a threat, we are confident that our joint work will help us avoid unnecessary repercussions on the travel and tourism sector.

11. Regarding the economic crisis, but also linked with the work on the H1N1, UNWTO has established a special tool: in October 2008, in order to support its Members and help them to take the right decisions, UNWTO created the Tourism Resilience Committee (TRC). This Committee was established, under the Chairmanship of H.E the Minister of Tourism of Egypt, Mr. Zoheir Garranah, to bring together all UNWTO Members and key industry stakeholders. The TRC aims to measure the impacts on tourism of the economic and sanitary crises, thanks to more frequent updates of our Barometer, and to give the right guidance for the sector to recover, taking into account the poverty alleviation and climate change challenges.

12. In the framework of its activities, the TRC established a Core Working Group, under the Chairmanship of H.E. the Australian Ambassador to Spain, Mr. Noel Campbell, to guide the development of a *Roadmap for Recovery*. The *Roadmap* includes a **set of 15 recommendations** based on three interlocking action areas: **Resilience – Stimulus – Green Economy**.

13. History shows that the biggest challenges provide the biggest opportunities. The current crisis brings indeed several opportunities for the sector: a) to reinforce tourism resilience by innovation and a better knowledge, b) to maximize its value in developing countries and c) to rethink the existing growth models towards a greener economy. All of this can happen, provided that we act together, at all geographical levels; and the TRC is the right framework to do it.

14. The issue of the economic crisis and the UNWTO response to it is the central technical topic of this General Assembly. It will be the subject of a separate point in the Agenda, and a specific document will be distributed to all Delegates. Later in this session, under item 8, we will examine and debate about: a) the impact of the global economic crisis on tourism, b) the activities undertaken by the TRC, c) the recommendations included in the Roadmap for Recovery, d) the opportunities brought by the current situation to our sector, and e) the way forward.

III. MAIN ACTIVITIES UNDERTAKEN IN 2008 AND THE FIRST HALF 2009

15. 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. The level of accomplishment of activities has nearly reached full completion in 2008 and we are clearly on schedule in the current year. Activities undertaken are varied and tried to respond to urgent short-term needs, while at the same time complying with one of our major obligations, namely to ensure a long-term sustainable development in all Member States through a more responsible and ethical tourism.

16. Here again, specific documents (under item 11) giving the details of all activities undertaken, as well as their evaluation, are submitted to the General Assembly for its consideration. The following paragraphs aim at drawing a global picture of what has been accomplished since the previous General Assembly in Colombia (2007).

17. First of all, much progress has been made 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, generating synergies among our various fields of action; 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 for enhancing internal management and administration procedures. Since the Secretary-General *ad interim* took up his duties last March, he has tried to improve these management and administrative procedures and he intends to pursue his efforts if the Assembly confirms him as the next Secretary-General. His proposal for a renovated management strategy is submitted to the General Assembly under agenda item 14.

18. Some quantitative indications on the work accomplished since Cartagena are the following: more than 100 technical events on a variety of relevant tourism issues, fully or largely organised by UNWTO, have been held in which participated 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.

19. In the same 18-month period, over 350 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.

20. Some key areas of the work undertaken so far during this biennium are:

21. **Statistics:** The work in statistics and TSA has continued with data compilation, standard-setting and methodological publications; also, numerous technical missions have been conducted in Member States in all regions, including the TSA project for Central America and the capacity building programmes for Africa and Europe. In parallel, a joint work with ILO has started on labour statistics and, in line with this, the most relevant UNWTO event of 2009, the *5th International Conference on Tourism Statistics* has been dedicated to tourism and employment creation. This event was 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 OECD in various areas and to commit ourselves to the ILO **Decent Work** Agenda.

22. As mentioned before, **climate change** is one of the pillars of the UN current agenda and it must also be of concern to UNWTO and included in our programme of work. The *Davos Process*, started in 2007, has gained recognition, especially during the numerous events related to the 2008 World Tourism Day dedicated to the theme: *Tourism responding to the Challenge of Climate Change*. Awareness-raising and dissemination of our message have also been ensured through participation in climate UN events, as well as in regional or national seminars held by Member States on this issue.

23. Recently, a step further has been taken by the Secretariat: in the framework of the “Climate-neutral UN” Initiative, we have calculated our GHG emissions due to our own operations at headquarters and through travelling. This has been done thanks to two calculators: one for air travel emissions developed by ICAO, and another one for all other emissions developed by the UN. Following the UN recommendations and with the clear willingness of leading by example on this issue within the tourism community, the Secretary-General a.i. intends to compensate these emissions through reasonable contributions to carbon offsetting schemes. Our sector must show commitment in the fight against climate change and the Secretary-General a.i. is confident that the General Assembly will approve this responsible initiative.

24. **Facilitation:** At its eighty-third session, the Executive Council noted the consensus formed by the Members of the Working Group created for this purpose, with a view to preparing a draft Declaration¹. This draft was considered during the two subsequent sessions of the Council and was eventually approved. It is now submitted to the General Assembly (under item 20) for its approval. This Declaration constitutes a considerable step by reaching consensus on the following three crucial matters: travel advisories, visa issuance modalities and tourist travel by persons with disabilities and persons affected by the HIV virus. Though the Declaration is not a normative, binding document, it is expected that its application by governments and other tourism stakeholders will further facilitate the movement of tourists across borders.

25. **Tourism policy fora:** All the above-mentioned areas of work constitute concrete elements to be considered and included in national and local tourism policies. While it is necessary to consider each of these issues separately, for practical reasons, it is also indispensable to combine the findings resulting from them in order to produce a complete and updated tourism policy. Global policy fora, like the *UNWTO Sixth International Forum on Tourism for Parliamentarians and Local Authorities* organised in October 2008 in Cebu, Philippines, allowed elected decision makers from many countries to get a deeper insight into the tourism sector and the challenges it faces, helping them to take better informed policy decisions.

26. **Silk Road:** Some major events marked the continuous development of the Silk Road Initiative, such as the Conference held in Tashkent, Uzbekistan, and the two Mayors’ Fora, one held in Republic of Korea this year and the other in Almaty, Kazakhstan, in 2008. And this is precisely why, following a request from the Government of Kazakhstan, the host country, that this session of the Assembly will debate and possibly adopt a Declaration on this issue. The Astana Declaration on the Silk Road may become a keystone in the already 15-year-old history of this Initiative launched in Samarkand, Uzbekistan.

27. **Development assistance:** 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 17 development assistance projects. In addition, UNWTO is actually participating in 10 MDGF Joint Programmes, in eight countries². For the implementation of these Joint Programmes UNWTO has been granted about USD 6.5 million from the Spain-UNDP MDG-Fund. Almost all Joint Programmes will be completed within 3 years, and are giving UNWTO, a non Resident UN Agency, the opportunity to work in countries at

¹ CE/16(LXXXIII)

² Two Joint Programmes in Ecuador, one in Egypt, one in Honduras, two in Nicaragua, one in Panama, one in Senegal, one in Serbia and one in Turkey .

exactly the same level as Resident UN Agencies; thanks to this opportunity and our experience gained in previous years in development assistance, we are able to demonstrate the Organization's know-how and capabilities; in parallel, UNWTO has been invited to take part in UNDAF³ Programming in several countries.

28. 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, over 80 smaller size STEP projects are being executed by UNWTO, with the contribution of several external partners. All in all, during the 2008-2009 biennium, UNWTO has been undertaking development assistance projects in almost 60 Member States, certainly the largest ever number.

IV. ADMINISTRATIVE AND FINANCIAL SITUATION OF UNWTO

29. A specific report on Administrative and Financial matters is presented in document reference A/18/12(a). While detailed description is provided in that document, the following paragraphs present the main highlights regarding these issues.

30. In spite of the difficult economic times that we are witnessing since the summer of 2008, the financial situation of the UNWTO is sound and its management practices follow standards ensuring reasonable levels of accountability and transparency. The coordination of the activities implemented within the Programme of work has been progressively increased, allowing significant cost reductions, expansion of services delivered to members, thanks also to an enhanced quality control. In addition, a prudent financial management, ensuring that expenditures are contained within available income, guarantees the Organization's financial sustainability.

31. At the time of this Assembly, membership is of 154 Full Members and 7 Associate Members. Brunei-Darussalam, Montenegro and Tajikistan became Members at the last General Assembly, and since then, membership has also increased with the accession of Norway in 2008 (former IUOTO Member). Moreover, ratification of Vanuatu's membership is being considered at this Assembly. These new accessions partly offset the withdrawal of the United Kingdom. The Secretary-General, a.i. also wishes to inform the Members that positive contacts have been held with Sweden and Finland (both former Members of IUOTO) and that favorable discussions with the United States of America are ongoing.

32. Income for 2008-2009 is anticipated to reach 24 million euro, taking into account income from contributions in arrears. Expenditures are being kept under close scrutiny to ensure that the final level of expenditure for the biennium does not exceed that figure. Actual income is expected to be lower than budgeted as payment rate of regular members' contributions is anticipated to reach some 85% of the assessed contributions. As shown in the financial report for 2009, this figure is supplemented by payments of contributions in arrears.

³ United Nations Development Assistance Framework

33. Overall budget for the 2010-2011 biennium is proposed at 25,200,000 euro which is a slightly higher amount than that approved for the 2008-2009 biennium (25,110,000 euro) following the implementation of the Executive Council decision of Zero Nominal Growth in Member's contributions during the next biennium. This figure represents a *de facto* negative real growth in the next biennium's budget. In view of financial implementation of current biennium, it is anticipated that activity planning and financial management will have to be strictly enforced.

34. The implementation of extra-budgetary activities during 2008 represented an expenditure of some 5.0 million euro⁴. While extra-budgetary financing may have wide fluctuations from one year to the next, it is expected that the 2008 level could be indicative of the potential for further extra budgetary funding.

35. Notwithstanding the above comments, it is considered there is scope for improvement in administrative and financial management practices of the Secretariat, as pointed out by the Joint Inspection Unit (JIU) in the report of its 2008 audit review. The Secretary-General a.i. believes that addressing the challenges presented in the JIU report is not only a requirement, but it could also be seen as an opportunity to align the Organization with Members' requirements and also to help reducing the pressure imposed by income restrictions. It is in this spirit that administrative and financial reform is being addressed.

36. In daily operations, but particularly with a long-term vision, delay in payments of Members' contributions continues to pose a serious challenge to the Organization by impeding the timely implementation of certain planned activities: A significant portion of income from Members' contributions is not received on time and a fraction of it remains as long term arrears from some Members. While the General Assembly continues to call on the responsibility and solidarity of its Members to meet their financial obligations on a timely manner, income shortfall has negative consequences on the implementation of the programme of work and on the financial status of the Organization. The Secretary General calls upon the responsibility of its Members to address this deficiency.

CONCLUSION

37. The economy seems to show some signs of recovery, but UNWTO should maintain its efforts in measuring the impacts of the crisis on tourism and in leading the sector in the path towards more resilience and sustainability. At the same time, the so far observed sound financial management of the Secretariat will be strengthened and synergies will be sought in order to better serve the Members and give clear guidance to the tourism community.

38. In summary, many challenges are ahead and major transformations are foreseen to enable UNWTO to embark on the new decade as a fresh, forward looking and engaging Organization.

⁴ see CE/85/5(c)