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REPORT OF THE SECRETARY-GENERAL

Introduction

1. This eighty-eight session of the UNWTO Executive Council is the first to be held after the 18th session of the General Assembly (October 2009, Astana, Kazakhstan). It is a good opportunity to renew the Secretariat's full commitment to work closely with UNWTO Members in order to make the Organization stronger and better prepared to face rising challenges.
2. The present report briefly addresses the following subjects:
 - A. The challenging times we are in, as well as updates on recent developments in the tourism sector;
 - B. UNWTO's responses, focussing on the activities undertaken since the last General Assembly;
 - C. The implementation of the main activities carried out since Astana and those now included in the Programme of Work 2010-2011;
 - D. The financial situation of UNWTO for 2010; and
 - E. The current restructuring process of the UNWTO Secretariat.

A. Challenging Times

3. **Overview of the year 2009:** As foreseen in the reports presented in Astana on the first nine months of the year, 2009 is now confirmed to have been one of the toughest years for the tourism sector as a result of an unprecedented global economic crisis coupled with the A (H1N1) influenza epidemic, as well as several earthquakes and natural disasters. International tourist arrivals fell by 4% to 880 million, whereas receipts were somewhat more impacted (-6% to US\$852 billion/€611 billion). Though this is a disappointing result for an industry accustomed to continuous growth, it is also a sign of comparative resilience given the extremely difficult economic environment that characterized 2009. This becomes evident, for example, when compared with an estimated 12% slump in world trade.

4. On the other hand, several destinations have seen domestic tourism withstand the crisis better and even grow significantly during 2009, often with the support of specific government measures aimed at leveraging this trend. This was the case in many countries, like China, Brazil and Spain, where the domestic market, representing a large share of the total demand, contributed to partially offsetting the decline in international tourism.

5. **Regional Outlook for 2009:** Africa (+3%) was the only region in the world to register growth in international tourist arrivals in 2009. The other regions registered declines: 6% in Europe, 5% in the Americas and in the Middle East and 2% in Asia Pacific. In terms of international tourism receipts, similarly, all regions had negative

results in 2009: the Americas (-10%), Europe (-7%) and Africa (-6%) had the sharpest declines, whereas international tourism earnings in the Middle East (-3%) and in Asia and the Pacific (-1%) were less affected.

6. **The first quarter of 2010:** Recent results suggest that recovery is underway, and even somewhat earlier and at a stronger pace than initially expected. The 2% upswing registered during the last quarter of 2009 in terms of international tourist arrivals worldwide was already a welcome shift in trend after 14 months of negative growth. Initial data for 2010 seem to confirm this positive tendency. In the first quarter of 2010, growth was positive in all world regions, led by Asia and the Pacific (+10%) and Africa (+7%). Information for the three countries of the Middle East that have reported data up to end March also point to a strong rebound in the region. The pace of growth was slower in Europe (+3%) and in the Americas (+3%), the two regions hardest hit by the global crisis and where economic recovery is proving to be comparatively weaker.

7. Though there is a clear improvement on the negative results of 2009, this growth must be considered with caution as it compares with the worst months of the global economic crisis at the beginning of last year. On the whole, international tourist arrivals totalled 119 million during the first two months of 2010, up 7% on 2009, but still 2% below the value of the record year of 2008.

8. **Forecast for 2010:** In light of these figures and given the overall economic situation—the IMF forecasts that the world economy will grow by 4.2% this year following a decline of 0.6% in 2009¹—UNWTO forecasts 3% to 4% growth in international tourist arrivals in 2010. By region, Asia and the Pacific is expected to show the strongest rebound given its renewed economic dynamism. Growth is also expected to return to the Middle East, while Africa will continue showing positive results. Europe and the Americas are likely to grow at a more moderate pace. The recent air traffic disruption in European airspace, though impacting significantly on the industry, namely on the airlines, is not expected to alter UNWTO's initial forecast for 2010 regarding international tourist arrivals: UNWTO estimates that the closure of a major part of European airspace between 15 and 20 April might have caused a loss of less than half a per cent of the yearly volume of international tourist arrivals in Europe and 0.3% of the total count for the world.²

9. Though the global economy seems to be evolving better than expected, **some structural negative aspects still persist** and many downside risks remain. They are principally related to:

- a. the fact that recovery is regionally uneven with growth driven mainly by emerging economies while still sluggish in most advanced economies and mainly public sector driven;
- b. the high levels of unemployment, namely in major tourism source markets; and
- c. the potential increase in taxation, as well as the phasing out of stimulus measures, as a consequence of growing public debt.

B. UNWTO's Responses to the Crisis

10. In view of this situation, the UNWTO Secretariat has not slowed down the pace of its activities related to crisis recovery, which started, as you may remember, with the creation of the Tourism Resilience Committee (TRC) in October 2008.

11. The TRC has now met four times. In Astana, last October, where the third meeting took place, the Organization endorsed the *Roadmap for Recovery* and encouraged its wide promotion as a strong tool to make the voice of tourism heard and to put tourism higher in policy agendas.

12. During the 4th TRC Meeting, held at ITB Berlin last March, participants focused on three major areas:

¹ International Monetary Fund, World Economic Outlook, April 2010

² See in annex: *Tourism Emergency Response Network (TERN) Statement on the Air Traffic Disruption in European Airspace* and press release on *Air Traffic Disruption across Europe*

- a. First area, the **update of market information** on the state of the economy and its impact on tourism, which required continuous collaboration of all members with other relevant international bodies;
- b. Second area, the **promotion and dissemination of the *Roadmap*** at the widest possible spectrum: The Secretary-General has presented the *Roadmap* at meetings held with Prime Minister Zapatero of Spain, President Zuma of South Africa, President Türk of Slovenia and President Lula of Brazil and other high-level officials. Likewise, it has been the focus of UNWTO interventions at major global and regional forums such as the Boao Tourism Forum in China (March 2010) and the *European Tourism Stakeholders Conference*, held in Madrid (April 2010), as well as during WTM in London, FITUR in Madrid and ITB in Berlin.
- c. Third area, the **effective implementation of the Roadmap**, following the examples, among others, of countries such as Jamaica, Brazil, Cambodia and Colombia, which shared with the Committee the measures implemented in these countries to mitigate the impact of the crisis. The lessons learned from these experiences, as well as from over 70 countries, are compiled in the *Report on the Implementation of the Roadmap for Recovery* published by the Secretariat.

13. In addition, two major member-driven initiatives served the purpose of promoting the Roadmap:

- a. The first initiative is the member-driven **T.20 Initiative**, which gathers the tourism ministers of the world's major economies. This innovative initiative is not formally linked to the G20 or its institutional structure. There are, however, strong synergies between the T.20 and G20 agendas, not least the economic recovery, employment, the green economy, trade and investment, and development. The first meeting of the T.20 held in Johannesburg at the end of February was a key opportunity to debate tourism's valuable contribution to the economic stimuli required for the global recovery and the longer-term 'green' transformation. The T.20 will meet again later in October (dates to be confirmed) at the invitation of the Republic of Korea.
- b. The second initiative is the work being carried out by the **Spanish Presidency of the European Union (EU)** to position tourism in the framework of the EU, resulting in the Madrid Declaration, a challenge that now has new opportunities in the context of the Lisbon Treaty.

14. One of the conclusions we can draw from all the work undertaken in relation with the recovery from the economic crisis is that it has brought a unique opportunity to place tourism on the global agenda as a sector that can deliver on **jobs and economic growth**.

C. Implementation of the Programme of Work 2010-2011

15. In addition to the programmes related to the response to the economic crisis introduced in this report, a number of other important activities have been implemented since the last General Assembly, particularly during the first months of 2010.

16. The report on the Implementation of the Organization's Programme of Work 2010-2011 presented to the Programme Committee late April, provides a comprehensive description of the activities carried out in the first quarter of 2010. Among those, some activities are worth highlighting:

- a. **Main Events:** Major events have been held since the General Assembly in October:
 - the Ministerial Summit held during WTM in London in November 2009,
 - the INVESTOUR Forum for Africa and the UNWTO/EXCELTUR Leadership Forum held during FITUR last January in Madrid,
 - the UNWTO/South Africa International Summit on Tourism, Sport and Mega Events, which took place at the end of February, 2010 in Johannesburg, and
 - the Sixth World Congress on Snow and Mountain Tourism held in Andorra in April.

Other UNWTO regional seminars and workshops have taken place, the detail of which are presented in the corresponding report.

- b. **Publications and studies:** All areas of activity are covered by the recently produced publications and those under preparation. Many have been undertaken in the framework of strategic partnerships, like:
- the manuals on market trends and marketing developed with the ETC³,
 - the *Green Economy and Tourism Report* within the *Green Economy Initiative*, in close collaboration with UNEP
 - the *Strategic Paper on Tourism and the G 20*, and
 - an important manual on *Energy Technologies for the Hotel Sector in Europe* funded by the EU.
- c. **Technical cooperation and development assistance:** Several major projects are underway including technical cooperation projects in over 20 Member States, eleven of which are in the framework of the Spanish MDG Achievement Fund (MDG-F) and 44 ST-EP projects in all regions (see details in the corresponding documents and addenda regarding the 2008-2009 and 2010-2011 Programmes of Work).
- e. The Secretariat has also given support to countries suffering from natural disasters, especially to **Haiti**. After the terrible earthquake, UNWTO joined many stakeholders in assistance for the progressive recovery of the country and launched the dedicated *Montego Bay Initiative*.

D. Report on the Financial Situation for 2010

17. As presented in the Secretary-General's Management Strategy at the last General Assembly (document A/18/14), a prudent expenditure policy has been implemented at the Secretariat, applying cost-saving measures whenever possible, while internal coordination and financial control mechanisms have also been strengthened.

18. An update of the financial situation of the Organization is provided in document CE/88/5(a) with figures as of the end of the first quarter. For the regular budget, inter-annual comparison of income received to that date with total income for the year suggests that income available for 2010 will reach some 95% of the budgeted amount. As in previous years, the Secretariat is proposing a plan of expenditure for the year taking into account this revised income target. The plan of expenditure will be updated in view of the evolution of income and expenditure during the year.

19. The Secretariat is also highly committed to strengthening the efforts to raise extra-budgetary funds for technical cooperation activities as well as for other programmes. The establishment of a dedicated fund-raising programme within the Secretariat is a milestone in this endeavour. This new programme will focus on tapping into extra source of funding which allow expanding the Organization's outreach and the service to Members without increasing the regular budget and the Members' contributions. In this line, the Organization has also received at the end of the first quarter 1.25 million euro in voluntary contributions, linked to specific projects.

20. As for the closing of the previous biennium 2008/2009, overall regular budget implementation was very near to 100 percent, with total expenditures for the regular budget reaching 25.0 million euro which compares with an authorized budget level of 25.1 million euro. Notwithstanding this high level of implementation, the Organization has also provisionally recorded a financial surplus of 0.5 million euro as income received during the biennium reached 25.5 million euro. Concerning projects financed through voluntary contributions, implementation during 2008/2009 reached 8.5 million euro.

21. Other issues brought forward for consideration by the Executive Council pertaining the financial situation of the Organization are: (i) the auditors report on the 2009 accounts, (ii) a proposal for the settlement of Iraq's debt of arrears from membership contributions following mandates received at the Cartagena de Indias and Astana General Assemblies, (iii) a proposed allocation of surplus from the financial period 2006/2007 in line with the mechanism approved at the Astana General Assembly, (iv) a progress report on IPSAS implementation, (v) a progress report on the establishment of an Internal Oversight function, and (vi) the application of Article 34 of the

³ European Travel Commission

statutes and paragraph 13 of the financial regulations to Members. Secretariat proposals on these issues have received favourable assessment by the Committee on Budget and Finance which met in Madrid from 19 to 21 of April in joint session with the Programme Committee, as reflected in the report from the CBF (CE/88/5(d))

E. Restructuring of the UNWTO Secretariat

22. In parallel with the above-described prudent financial management, the Secretariat is undertaking its in-depth restructuring. This process is complex and lengthy; however, some progress has already been made during the first quarter of 2010.

23. In addition to the establishment of the new Management Team presented in Astana, a conversion into a programme-based structure is currently taking place. This structure will be based on three categories of programmes, corresponding to different types of mission and levels of permanence:

- a. **Regional Programmes (RP)**, which cover those activities undertaken by the Organization to discharge its mandate in response to Members' needs. These activities are geographically focused with priority areas reviewed periodically and varying between regions. Regional Programmes will be administered by Regional Directors.
- b. **Operational Programmes (OP)**, which cover those activities directly undertaken to discharge the overall priority areas of the mandate of the Organization at a given time. These programmes are, therefore, time-bound (normally a biennium or the multiples of it) and will have to be periodically and systematically reviewed. Operational Programmes will be administered by Programme Directors or Programme Managers.
- c. **Support Programmes (SP)**: these programmes respond to logistical and administrative needs, and deliver services to the other categories of programmes. Their structure is more permanent; however, they can also be modified if necessary. They will be administered by Programme Chiefs and Programme Managers.

24. Programme directors and programme managers are placed, as appropriate, under the overall supervision of one of the members of the Senior Management Team (Executive Directors). One cross-cutting objective of the programme-based restructuring is to address the critical need for a higher standardization of UNWTO Secretariat's deliverables and services in order to respond to Members' requests with a more flexible, systematic and efficient approach.

25. The restructuring aspects, among many other strategic issues, are set forth in detail in the **White Paper** also submitted to the present session of the Executive Council.