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### ST-EP FOUNDATION

#### SEVENTH MEETING OF THE BOARD OF DIRECTORS

Room 35, ICC Berlin, Germany

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15:00hrs.

#### THE ST-EP INITIATIVE: A SUCCESS TO BE CONSOLIDATED

A special United Nations Summit will be held in 2010 on the Millennium Development Goals. Adopted a decade ago and with five years remaining until 2015, the Millennium Development Goals is an ambitious blueprint to cut extreme poverty in half. These Goals as well as the ST-EP Initiative targets the world's bottom billion living on less than \$1 a day. Much has been achieved since 2000, and the objective remains unchanged since its inception.

The ST-EP Initiative, as the cornerstone of UNWTO's efforts to fight poverty, has shown great leadership. 2010 presents the ideal opportunity to analyze past successes and shortcomings and, most of importantly, rededicate all stakeholders involved in the ST-EP initiative towards the achievement of the Millennium Development Goals.

Initially prepared by the President of the ST-EP Foundation, this concept paper was later discussed by the Chairperson and UNWTO Secretariat, and it is intended to take stock of the ST-EP Initiative and of its results. It puts forward various recommendations as to its continuity, its expansion and certain readjustments that seem necessary in the light of the experience acquired. Some of the analyses presented and the recommendations made coincide with the conclusions of the audit of the ST-EP Foundation, which France's *Cour des comptes* carried out at the end of 2008.

#### Background

1. As a continuation of the UN Millennium Summit in 2000 and on the occasion of the United Nations Summit on Sustainable Development held in Johannesburg in 2002, the World Tourism Organization (UNWTO) stated its intention to contribute to the achievement of the Millennium Development Goals. Convinced that tourism, if developed in a sustainable manner, could effectively contribute to poverty reduction in the world, in particular for the 49 least developed countries (LDCs), it presented an initiative called "*Sustainable Tourism as an effective tool for Eliminating Poverty*" (ST-EP). In 2003, the General Assembly of the Organization, meeting at its 15<sup>th</sup> session in Beijing, China approved the Initiative, which in the meantime had been warmly welcomed by the Secretary-General of the United Nations. Later discussions within the Secretariat and the working groups of six countries (Brazil, Indonesia, Italy, Jordan, Nigeria, and the Republic of Korea) commissioned by the Executive

Council in December 2004 during its 74th session proposed that besides the 49 LDCs eligible projects could be implemented in Small Island Developing States (SIDS) and in regions and geographical areas under particular poverty conditions within non-LDCs developing countries.

2. With the aim of carrying out the ST-EP Initiative and to obtain voluntary contributions, including private ones that would not be necessarily attracted by the UNWTO's nature as an intergovernmental institution, the Secretariat and the working groups studied the establishment of a Foundation, initially envisioned to be based in Geneva. At that time, a member country, the Republic of Korea, generously proposed to host the Foundation in Seoul and to support its operation, a decision that has been strongly supported by Mr. Ban Ki-moon, then Minister of Foreign Affairs of the Republic of Korea, currently serving as UN Secretary General. An agreement in this regard was signed in September 2004 between the Republic of Korea and the World Tourism Organization, which in the meantime had become a specialized agency of the United Nations, on the establishment of the Foundation headquarters in the Republic of Korea and the Korean Government's seed fund of US\$ 5 million.

3. The ST-EP Foundation was conceived to serve as the linchpin of the Initiative. The Council of Governors, provided for by its Constitution, was intended to bring together high-level figures who would contribute their support and their influence. The Board of Directors, composed of member countries, and among them the principal donors, was entrusted with the administrative and financial management of the entire structure, with the Department of Development Assistance of the UNWTO Secretariat being responsible for the technical execution of the projects.

4. Other partners associated themselves with ST-EP, in particular, the Netherlands Development Organisation (SNV), which had identified tourism as one of the priorities for its action, and the Ministry of Foreign Affairs of Italy, a long-time partner of the UNWTO in the field of education and training, which expressed on this occasion its intention to reorient its support more directly towards poverty reduction. An agreement linking the UNWTO, SNV and the Foundation was signed in 2007, on the occasion of the General Assembly in Cartagena de Indias, Colombia specifying the roles and functions of each party.

### **Implementation of the Initiative**

5. The actual developments of the Initiative can be assessed based on three criteria: the funds collected and the mobilization of the partners; the projects prepared and implemented; and the training and awareness-raising actions carried out to complement the Initiative.

6. The mobilization of the partners bore its fruits. The three principal contributors mentioned above, the Republic of Korea, the Netherlands and Italy, were joined by other actors, in different forms and in different capacities: the French Ministry of Foreign Affairs, the Government of the Special Administrative Region of Macao (China), a Chinese operator in the food sector and international organizations such as IUCN-Netherlands. Memoranda of understanding have been concluded with the Spanish Agency for International Cooperation (AECID) for funding of projects in Cambodia, Mali and Namibia. Local support was likewise obtained. All in all, without counting contributions in kind, the funds raised by the ST-EP Initiative from the start, for the execution of its actions, can be estimated at some US\$ 10 million, out of which US\$ 7 million had been spent as of 31 December 2009.

7. 187 ST-EP projects have been identified through missions conducted in 26 countries. Based on this preparatory work, 90 projects (87 at the national level in 31 countries and 3 for the benefit of the West Africa and Southern Africa subregions) have been executed or are in the process of being executed. The vast majority of these projects are located in LDCs, slightly half of them in sub-Saharan Africa (44), the others in Central America and in the Andean region (28), South and South-East Asia (16) and Europe (2).

8. The training and awareness-raising actions necessary for the promotion and success of the Initiative have been considerable. Eighteen regional or national seminars and training workshops as well as several large forums have been held, with a total of some 1,500 beneficiaries. Research work, of limited scope has been undertaken to assist the progress of the Initiative; two exercises for the evaluation of the implementation of the projects (SNV and Germany's GTZ on behalf of the Foundation) have also been carried out. Three additional awareness-raising fora will be organized in 2010 in different parts of the world, financed through the Foundation.

### **Specificity and complexity of the ST-EP Initiative**

9. The ST-EP Initiative was ambitious from the outset, owing to its very nature. It consisted in bringing together multiple partners, both public and private, around an appealing yet difficult objective: the creation of jobs and activity for the benefit of vulnerable groups (young people, women, unskilled workers, members of indigenous communities) of countries and regions that lag the most in development, by relying on the development of a complex sector – tourism – that in order to flourish needs the simultaneous presence of a set of favourable factors (easy access, positive image, adequate infrastructure, safety and security, satisfactory conditions in terms of hygiene, education and levels of training...) which are often absent precisely in these countries, regions or communities.

10. The Initiative – in the course of its implementation – has proven to be equally complex, due to the multiplicity of actors and the diversity of the activities undertaken and of the products to be created (nature and cultural tourism, ecotourism and sports/discovery tourism, handicraft production, rural and village tourism). With a ST-EP project, it is advisable to work on the creation of certain light infrastructure elements (visitor reception, standard accommodation, points-of-sale of artisanal products), the training of local actors, the financing of small enterprises or individual operators, or the tourism organization of the host destination.

11. The very nature of these projects (very different from that of large tourism developments on coasts or mountains) give them a limited financial dimension (US\$ 75,000 on average); this constraint rules out direct execution by the UNWTO and makes it necessary to turn to intermediary structures (generally NGOs).

12. Lastly, the ST-EP Initiative relies on the garnering of external contributions (with the UNWTO itself not contributing to it out of resources obtained from the contributions of its members, but only – and in a limited manner – using surpluses that it generates through its technical cooperation activities). Therefore, it proved advisable to ensure that a lasting balance is maintained among five principal components: the mobilization of its contributors, the identification of projects through preparatory missions, the execution of such projects in the field, the complementary awareness-raising and training actions, and evaluation and assessment of projects. If one of these components becomes too far out of synch with the others, the system becomes unbalanced: it is equally unsatisfactory to have too many identified projects waiting for funding, a situation which may generate various frustrations, as it is to have too many resources waiting to be used owing to technical constraints inherent to the execution of a multiplicity of small complex projects, a situation that runs the risk of discouraging financial partners.

### **The positive results obtained**

13. The development of the ST-EP Initiative has reinforced the evident advances of the LDCs in the area of tourism over the past five years. The international arrivals and foreign-exchange earnings of these countries have not only grown faster than the world average, but have also outpaced the growth of other developing countries. Given the modest size of the means deployed, it would be presumptuous

to say that ST-EP is the reason behind this performance, but it is indisputable that it has played a supporting role.

14. Five particularly positive elements that have emerged since the ST-EP's official launch in late-2005 deserve to be highlighted.

15. The ST-EP concept itself has been very favourably received by the international community. The Initiative was regarded as a logical corollary to the UNWTO's transformation into a specialized agency, and to its commitment as part of the United Nations system to the global effort to reduce poverty. The two Secretaries-General of the United Nations and both Administrators of UNDP who have served during this period have supported the principle of the Initiative, even though the system as such has not yet contributed materially, for the time being.

16. Even more important: it has been proven that the concept works in the field, and this despite the constraints inherent to the nature of the programmes in question, as recalled above. At the end of completed projects, visitors have materialized ... Tangible benefits for the host village communities have been obtained in numerous countries, thus creating in those countries a consensus regarding the continuation and development of the Initiative. The purely "commercial" private sector does not regard ST-EP as an unfair competitor, but rather as a complement, or even as an opportunity for the extension of their own activities.

17. The Foundation in Seoul has rapidly become operational. Thanks to the support of the Government of the Republic of Korea, and the dedication of its Chairperson, a small but effective international team is in place with overhead costs modest relative to expenditure on operations.

18. Even beyond the 90 projects of the UNWTO financed by the different funding agencies and formally branded "ST-EP", the concept has become popularized and disseminated. There are many developmental aid institutions, whether bilateral or multilateral that, independently of the UNWTO but taking inspiration in ST-EP, are funding and executing similar projects. In certain cases (for example, that of the Asian Development Bank), these projects include infrastructure-related elements (access roads, renovation of accommodation establishments and tourism sites...) that, unfortunately, the UNWTO's ST-EP projects are unable to take on at this time. In other cases, the existence of a ST-EP project has prompted local public authorities to expedite the necessary complementary investments.

19. Lastly, the ST-EP Initiative possesses undeniable growth potential. Major countries that are now only marginally involved, such as France or China, seem willing to commit to it. Italy would be ready to expand its support; and, the regional government of the Flemish Community of Belgium has already committed funds to the Initiative. Other potential public-sector partners, as well as private ones, are worth approaching.

### **Desirable avenues of expansion**

20. The scope and the modalities of action of the ST-EP Initiative deserves to be studied and expanded, specifically in four principal areas.

21. While evaluations have been carried out on the administrative and financial management of the projects, no substantial academic-type research has been conducted at this stage in order to draw lessons from the experience acquired, and as the case may be, to put forward adjustments regarding the modalities of action. Such research work should be conducted by the UNWTO Secretariat with the possible support of the ST-EP Foundation, UNWTO Themis Foundation, the Education and Science Council.

22. Certain ST-EP projects appear to be not very different from those that have been traditionally executed by the Department of Development Assistance of the UNWTO (generally funded by UNDP), even if, in these cases, the Initiative's added value is not evident. Greater attention, for example, should be given to capacity building among local individual entrepreneurs and small and medium-sized enterprises that produce and market "responsible" or "fair" tourism products. A microcredit component for these entrepreneurs and enterprises should generally be put into place such as the small grants fund already established through the partnership between UNWTO, the ST-EP Foundation and IUCN Netherlands, bearing in mind that internationally originated source of microfinance would normally take time to be established in any given country due to formalities and procedures that must be carried out before it becomes available.

23. Some LDCs are small developing islands, and many of these countries and territories find in tourism one of their few opportunities for economic progress and diversification. Some of these archipelagos or islands with strong tourism potential are likewise threatened by the consequences of global warming (higher sea level, coral bleaching) and must, as much as possible, adapt to the new environment, including aspects concerning their tourism industry. The ST-EP Initiative, for the time being, has not yet involved these countries. It should take such countries into account, especially by implementing actions aimed at increasing the portion of the added value generated by tourism activity that stays within the island economies which are generally not highly diversified.

24. The majority of the world's population now lives in cities, and the phenomenon of urbanization is not slowing down. Consequently, the development of urban tourism has been one of the major forces driving the transformation of the world tourism industry over the course of the past several years, especially in Asia. Now, all of the ST-EP projects to date have been carried out in rural areas. As in the case of small islands, it would be advisable to define and implement a specific methodology for this type of destination, whether already highly tourism-oriented metropolises (Mexico City, Rio de Janeiro, Cairo, Bangkok...), or – more importantly – large built-up areas that have hitherto been only lightly visited but which possess, in themselves or in their nearby surroundings, real potential (Jakarta, Calcutta, Abidjan, Nairobi, Addis Ababa...), so as to also target very low income communities in urban areas of both LDCs and developing countries.

### **Shortcomings experienced**

25. Relative to its ambitions at the outset and to initial expectations, the ST-EP Initiative and its Foundation, along with its undeniable successes, has experienced several shortcomings, from which lessons should be drawn. Various objectives that were set initially have not been achieved or only marginally.

26. The principal shortcoming certainly has to do with the difficulty up to the present of the ST-EP Initiative to mobilize private funding. However, through its commitment to the achievement of the UN Millennium Development Goals, the ST-EP Foundation attracted significant funding from private donors. Most of these contributors opted to support projects that are not directly related to tourism and the ST-EP concept. This was mainly due to the absence of accurate information on the impact and effectiveness of ST-EP Projects, as well as a lack of awareness of sustainable tourism as a proven tool for eliminating poverty. For example, the Foundation's Thank You Small Library project, a grassroots educational initiative, has successfully attracted private funding, as education is a proven poverty fighting tool.

27. The second shortcoming concerns the ST-EP Foundation, which has not succeeded in positioning itself as the obligatory channel for public contributions to the Initiative as a whole. While the example given by the Republic of Korea has undoubtedly had a positive effect in prompting other partners to join the initiative, these partners have generally opted to act through direct voluntary contributions to the UNWTO.

28. The principle, suggested in 2007 by the then-UNWTO Secretary-General with the aim of simplifying procedures and structures, of considering the Board of Directors of the Foundation as simultaneously exercising the function of a subsidiary organ of the Executive Council called the Committee on poverty reduction, has not become operational. The low level of participation in this Board of Directors, its system of political designation by the regional commissions of the Organization and the absence of other important partners have not allowed it to function as envisaged at first. The Board of Directors has, in practice, also taken the place of the Council of Governors, which was never constituted, and did not have the capability to provide the impetus that was expected to be obtained from the Council of Governors. The durations of the terms of office of the members of the Board of Directors were extended formally for two years at 86<sup>th</sup> session of the UNWTO Executive Council in October 2009 in Kazakhstan in order to enable the Board of Directors to review possible changes for the Foundation.

29. Lastly, the diversity of financing mechanisms and the circulation of the funds allocated to the Initiative between the Foundation and the UNWTO Secretariat, along with the unclear sharing of responsibilities between these two bodies, has led to operational issues. In particular, it has not been possible to establish a "consolidated" financial account of the receipts and expenditures incurred by the Initiative, which is indispensable in order to assess its extent and effectiveness, and above all, to show each of the major financial partners that they are not isolated and that their respective contributions have an encouraging effect on those of others.

### **Proposals for change in the mechanisms of action of the ST-EP Initiative**

30. The first priority is to ponder the weak ability to mobilize private resources for an economic and social objective that, while having great appeal *a priori*, has not yet been perceived as such. It is true, that tourism, if considered in the light of its aspect as recreation and leisure for privileged classes, is not perceived by potential donors as a great environmental or humanitarian cause. But poverty reduction is, and it is undeniable that tourism development has the capability to contribute to it. It is therefore advisable to think about ways to facilitate this understanding, as well as the communication strategy to be used (approaching a multiplicity of donors that could be interested, or seeking a single privileged partner). In any case, UNWTO Secretariat is strengthening its capacity of resource mobilization by the creation of a devoted programme for this purpose which will add to the efforts of the ST-EP Foundation to seek for more funds to the Initiative both from private and public potential partners in spite of the still ongoing economic and financial crisis.

31. Secondly, it is necessary to clarify the way the ST-EP Initiative is run. The unity of conception of the Initiative should be reaffirmed. For this purpose, a clear distinction should be introduced between the definition of the strategy of the Initiative which should remain under the direct responsibility of the UNWTO, and, its implementation of various projects and activities which could be conducted in a diversified manner. As the issue of poverty alleviation is intrinsically linked to that of sustainable development, it would be quite fitting for the UNWTO's Sustainable Development Committee, a subsidiary organ of its Executive Council, to direct the Initiative as a whole instead of the Committee on Poverty Reduction, to decide what its orientations are to be, to monitor the progress of its implementation and the fine-tuning of its methodology, and to evaluate performances and results. To this end, the President of the ST-EP Foundation and the Chair of its Board of Directors, representing the

other members of the Board of Directors, would participate as members of the aforementioned Committee and would thus contribute to the strategic decisions concerning the Initiative. For their part, beginning with the application stage, the Development Assistance Department and ST-EP Foundation would cooperate on the selection of ST-EP Projects to be voted on by the Foundation's Board of Directors.

32. The implementation of ST-EP activities and projects would be carried out in a diversified manner: by UNWTO itself, through the ST-EP Foundation, and through other appropriate channels, such as NGOs and various funds established with partners in given countries and regions.

33. The Foundation will have to revise its Constitution in order to affirm its autonomy. While keeping the support of the Republic of Korea, it must be able to remain within the sphere of influence of the UNWTO and to continue to benefit from the moral authority of the latter in all things that have to do with the relationship between tourism and poverty while technical and contexted links must be strengthened. But it would be advisable for the Foundation to be independent from the UNWTO, and that the UNWTO, for its part, not to be considered as a controller of the Foundation.

34. At this point the Board of Directors could consider a substantial broadening of possibilities for the operations of the ST-EP Foundation whilst keeping its focus on the issue that originally motivated its creation, that of poverty elimination, but not only *"through sustainable tourism programmes and projects"* as defined in the Preamble of its Constitution, but rather *"especially through sustainable tourism programmes and projects"*, remaining and reaffirming its commitment to the achievement of the Millennium Development Goals. Such an expansion should be constructed so as to diversify the possible sources of funding, types of projects and executing partners, as achieved by Thank You Small Library, as well as to increase the value perception of the Foundation to the Korean Government, to the UN system and to the international community.

35. In this spirit, the ST-EP Foundation, utilizing the means it might receive from the Korean Government or from other sources and donors, would be able to carry out new activities in other areas and types of projects, though eventually not directly related with the fight against poverty through tourism but still within the framework of the Millennium Development Goals. On the other hand, when the ST-EP Foundation selects projects that are in line with the endeavours and methodology of the Initiative, as it would be established by the Sustainable Development Committee, it would be up to it to entrust the execution of such projects to the Department of Development Assistance of the UNWTO. *Mutatis mutandis*, the Foundation, vis-à-vis the Organization, will play the role of an external funding entity, in the same capacity as, for example, UNDP. But this does not mean that it would only be a mere financing instrument, as in such a situation its very existence would hardly have any greater justification. On the contrary, it would reinforce its role as the entity in charge of the promotion of the Initiative, especially through the participation of its officials in the Sustainable Development Committee, as well as its function of fundraising.

36. To this end, the Council of Governors would be abolished and the composition of the Board of Directors should be revised so as to include the UN Secretary-General or his/her representative, who now is in the Council of Governors, and other prominent figures, both Korean and international, representing tourism and developmental assistance. From 2012 onwards (as these changes must be submitted to UNWTO's General Assembly to take place in the Republic of Korea in 2011), they would no longer be designated by the vote of a UNWTO organ. The President of the Foundation would continue to be a person who is independent from the UNWTO (but, in line with the logic of the proposed change, the current constraint requiring the absence of links with the Korean Government could be eliminated). The President would be elected by the Board of Directors in the same manner as the Chair of the Board. The Foundation would carry out its own financial and human resources administration independently.