

# AFD's ECONOMIC NEWSLETTER

## Tourism and Development

### Contents

- 2 • Measuring the role of tourism in the economy
- 4 • Improving the quality of seaside tourism in southern Mediterranean countries: what strategy should be adopted?
- 8 • Intervention in the tourism sector: the role of donors
- 9 • Promote sustainable tourism in the Mediterranean, regional Workshop, Plan Bleu, Sophia Antipolis, France, 2-3 July 2008

### DISCLAIMER

The articles in AFD's Economic Newsletter are published under the sole responsibility of their authors. They do not necessarily reflect the official views of Agence Française de Développement or of the French government.

### EDITORIAL

The tourist industry has grown considerably, driven by factors such as paid holidays and the development of rapid, inexpensive means of transport. The annual number of tourists worldwide rose from 25 million in 1950 to 903 million in 2007. According to the World Tourism Organisation (UNWTO), the flow of tourists generated €625 billion in revenue in 2007. However, the growth of the industry raises a number of problems related to environmental and social risks, which are liable to be exacerbated by tourism. That being the case, should tourism be regarded as a vital component of development strategies, or should its growth be held in check because tourism will always have an environmental cost?

Tourism offers an excellent illustration of the issues surrounding sustainable development. For some countries, it is a major economic activity and important source of revenue (nearly 20% of GDP in Morocco and Cambodia). Its growth also gives countries – not only developing countries but also industrialised countries like France and Italy – a powerful incentive to manage their natural and historical heritage in a sustainable manner, as well as to upgrade the industry's organisation, logistics and service quality. They need to develop suitable accommodation capacity, get the local private sector involved (which tour operators do not always do) and enter a virtuous circle of sustainable development (for example, the quality of the Mediterranean Sea's water benefits the local population as well as attracting tourists), without defiguring local communities and their environments (Ethiopia has an exceptional cultural and natural heritage that is poorly developed and exploited). Most importantly, however, tourism itself often confers value on natural and cultural heritage: the value of a site is measured among other things by its ability to attract and accommodate visitors. Despite the risks it entails, tourism is thus essential to the existence and conservation of the value of various forms of heritage.

This contradiction can and must be managed. Indeed, this is the very meaning of "sustainable tourism", an expression that refers to the resources and practices that can make it possible to manage cultural and natural heritage in an ecologically sustainable and economically profitable way, and that define a balance between the exploitation of this natural and social capital, its conservation, and social and economic development. The example of Luang Prabang in Laos, where donors are working in cooperation with European and Laotian local authorities, attests to the significance of this approach and to the fact that projects including all these dimensions can succeed.

Pierre Jacquet  
AFD Chief Economist

# Measuring the role of tourism in the economy

Grégoire Chauvière le Drian  
AFD/DTO/TJF  
Jean-Raphaël Chaponnière  
AFD/GOE

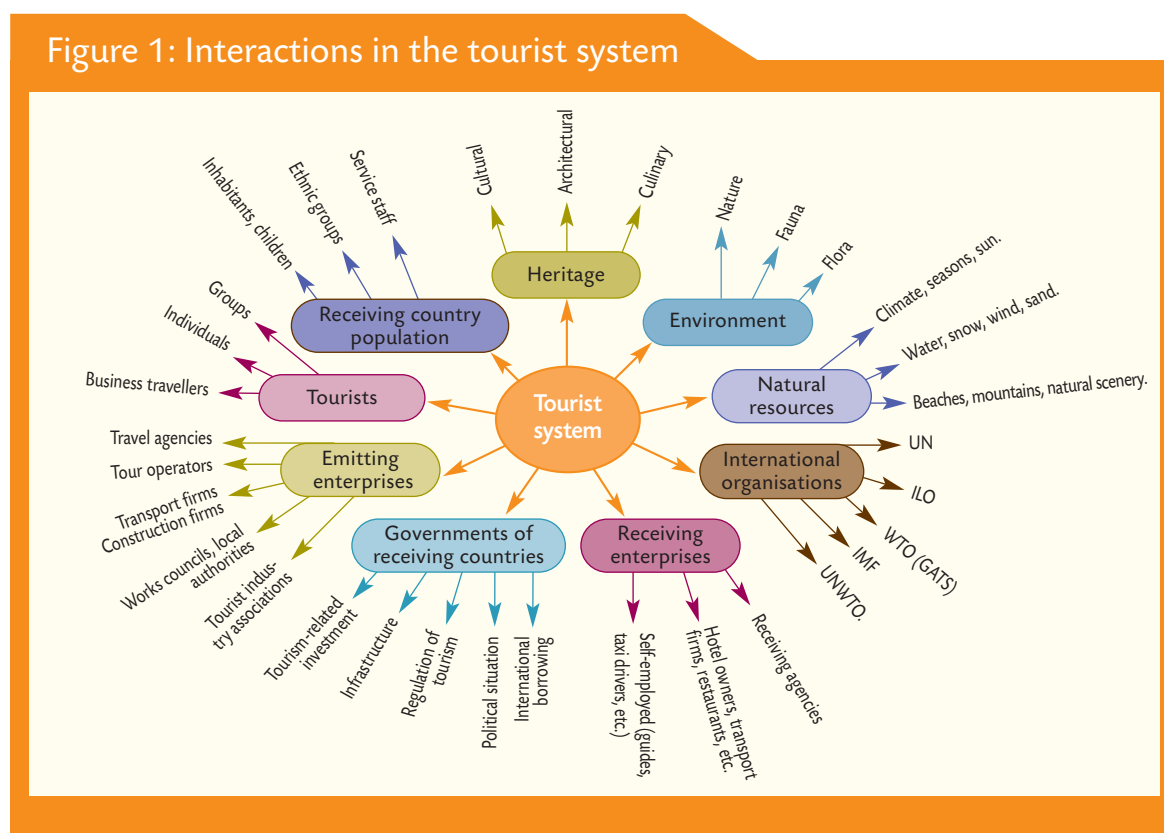
Globalisation is not merely a matter of the free flow of goods and capital. The movement of persons has also grown in spectacular fashion, as shown by the increased number of international tourists<sup>(1)</sup>.

According to the UNWTO, the annual flow of tourists rose from 25 million in 1950 to 900 million in 2007, and is forecast to rise to 1.6 billion in 2020. Long-term (1950-2007) growth in the number of tourists has been about the same as that of trade in goods, though it displays a more regular upward trend.

Tourism was a European invention and remains a European business. European countries attract and "emit" the most tourists in the world. In terms of both number and

percentage, more Germans travel abroad on holiday than do the nationals of any other country. Tourism is also growing in the emerging countries, which began by developing their domestic sectors and are in turn becoming tourist-emitting countries (7 million Indians and 47 million Chinese in 2007). China could become the world's largest emitting country by 2020. Many tourists from the emerging countries visit their neighbours: Russians account for a substantial proportion of tourist arrivals in Turkey, while China and Korea are the leading sources of tourists to Vietnam and Cambodia respectively. Tourism brings in foreign exchange and creates jobs. The fact that it also provides opportunity for many objectionable pursuits (money laundering, over-exploitation of tourist sites, sexual tourism, environmental damage, etc.) does not outweigh the sector's potential, which is rooted in the multidimensional nature of tourism and the complexity of the interactions it entails.

Figure 1: Interactions in the tourist system



Source: El Alaoui, F. (1999), *le tourisme équitable, mémoire de recherche ESG*.

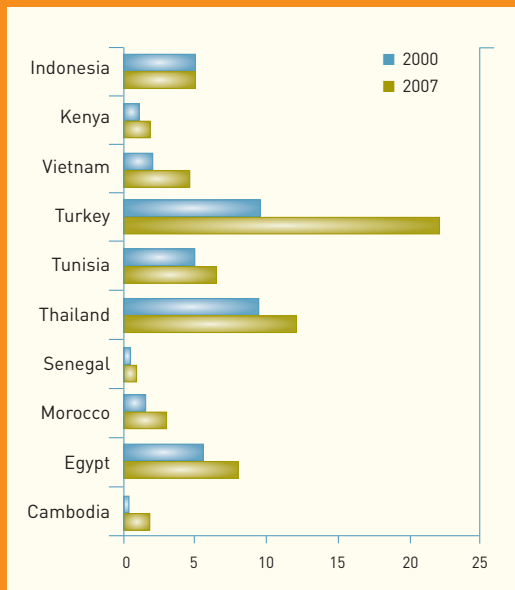
(1) Tourists are defined as visitors who travel to a foreign country for more than one day and less than 12 months for purposes not related to the exercise of an activity remunerated from within the place visited. This definition excludes excursionists (less than one day).

These interdependencies make it difficult to measure the importance of tourism in the economy. To paraphrase Solow, “we see tourists everywhere except in the GDP statistics”. The fact is that the GDP share of tourism is difficult to measure because, unlike some other sectors, it does not provide a standard product to consumers. Although tourists certainly “consume” restaurant meals and bed-nights in hotels and campgrounds, the demand that they exert on the receiving country’s economy is highly diversified, as they purchase a variety of goods (food, souvenirs) and services (transport fares, car rentals, telephone, etc.). To assess the impact of tourism, one

must also consider public and private current expenditure (promotional campaigns, operating expenditure of tourist offices) and investment spending (construction, infrastructure). The goods and services consumed by tourists may be either produced locally or imported. Clearly, then, measuring the impact of tourism on an economy is a rather complex proposition. Once the demand exerted by tourists has been identified, input-output tables can be used to determine the value added generated by the sector. In a second step, the spillover effects of this demand are analysed in order to measure the value added of spinoff activities.

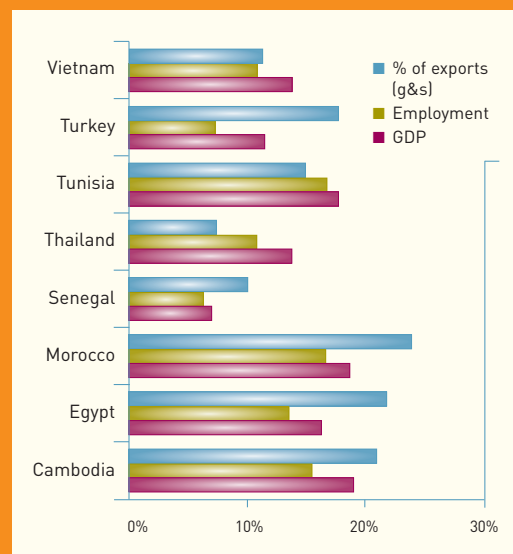
### ■ Tourism in the countries where AFD operates (2007)

Figure 2:  
Arrivals (millions) in 2000  
and 2007



Source: UNWTO, World Travel and Tourism Council, and CHELEM database (CEPII).

Figure 3:  
Share of tourism in GDP,  
employment and exports  
of goods and services



From 2000 to 2007, tourist arrivals increased strongly in Cambodia, Turkey, Vietnam and Egypt, but stagnated in Indonesia, the scene of several terrorist attacks (Figure 2). When the tourism satellite account method is used for these countries, it shows that demand from tourists (Figure 3) accounts for 15 to 20% of GDP in Cambodia, Egypt, Morocco and Tunisia, and a more modest share

in the more diversified economies (Turkey, Vietnam). As tourist demand stimulates labour-intensive activities, tourism has roughly the same impact on employment as it does on GDP (Figure 3)<sup>(2)</sup>. Thus, tourism can be much more important to the economy than is indicated in the official figures for the “hotels and tourism” sector, which often attribute only 3 to 5% of GDP to this item.

(2) The World Travel and Tourism Council estimates the number of jobs linked directly and indirectly to tourism at respectively 1.0 and 1.8 million in Egypt, 0.6 and 1 million in Turkey, 0.5 and 0.9 million in Morocco, and 0.2 and 0.4 million in Tunisia.

In all but a few countries in the South, tourism is one of the main revenue-makers among the services export industries. In several AFD partner countries (Morocco, Cambodia, Egypt), it accounts for more than one-fifth of all revenue from goods and services (Figure 3). Tourism is a dynamic sector that can create income-generating activities.

### For further information

OECD (2000), *Measuring the Role of Tourism in OECD Economies*, OECD, Paris.

Froger G. (ed.), *Les touristes dans les Suds*, Ellipses, forthcoming.

## Improving the quality of seaside tourism in southern Mediterranean countries: what strategy should be adopted?

**Hélène Djoufelkit-Cottenet**

AFD/RCH

**Abdelhakim Hammoudi**

INRA-ALISS and ERMES-University of Paris II

Developing countries on the southern shore of the Mediterranean count heavily on tourism to stimulate economic development <sup>(3)</sup>. Although some countries in the region have made real progress, the results have not lived up to the hopes invested in the sector <sup>(4)</sup>. One of the reasons often mentioned is that these countries are specialised in lower-end seaside tourism <sup>(5)</sup>. Considering the region's natural resource endowment, this seems a rational choice. Moreover, this type of tourism lends itself easily to "industrialisation", which is regarded as an absolute necessity in the region <sup>(6)</sup>. With a few minor exceptions, seaside tourism remains the preferred development model, although diversification of tourist products is under consideration <sup>(7)</sup>.

Developing international tourism requires investment, new skills, detailed information on demand and proficiency in the various businesses making up the tourism chain. These resources are not always available in developing countries. The comparative advantage stemming from their natural endowments is therefore shared with

foreign firms that offer these vital skills and functions, namely air transport and the intermediation of travel agencies, tour operators (TOs) and other distributors. Developing country authorities have relatively little manoeuvring room to influence international competition in the industry, as the competitive structure is dominated by large companies.

The positioning of these countries' tourist offerings accentuates the negative effects of the unequal balance of power between upstream and downstream. Lower-end seaside products attract customers with low willingness to pay and are subject to fierce international competition among TOs, most of which are based in tourist-emitting countries. The competitive environment prevailing in the sector forces operators to set very low prices. This cut-throat competition obliges TOs in turn to use all their negotiating power to force price concessions out of local operators. TOs have an advantage in this respect due to the fragmented structure of the upstream industry (local firms providing tourist accommodation, restaurants, activities, transport, etc.) and, often, to excess hotel capacity <sup>(8)</sup>. The competitive conditions on this market segment (lower-end seaside tourism) thus exacerbate the contentious relations between the upstream and downstream ends of the sector. The price

(3) This article is based on the study "Tourism and Development" conducted for the Agence Française de Développement by Riadh Ben Jelili and Abdelhakim Hammoudi. The study covered Algeria, Egypt, Lebanon, Libya, Morocco, Tunisia, Turkey and Syria (AFD Working Paper 71).

(4) The expected self-sustaining process has not yet emerged, as shown by the study cited above.

(5) This is particularly true of Tunisia and Morocco, and is observed to a lesser extent in Egypt and Turkey.

(6) Despite the environmental damage caused by the strategy of mass supply.

(7) See Hammoudi (2008) for an analysis of national development programmes in the region.

(8) Excess hotel capacity is due in part to easy market access for local investors, who have a very sketchy knowledge of the tourist business but believe that it offers a means of quick, easy profits.

concessions wrung from local operators mean that the latter are not rewarded for their efforts to improve quality (renovation of infrastructure, improvements in service, activities, etc.). This situation is gradually degrading the overall image of certain tourist destinations <sup>(9)</sup>. Price concessions can also represent very substantial leakage out of the local economy <sup>(10)</sup>. This effect is exacerbated by the lack of an industry organisation capable of bringing about a more equitable division of the (meagre) value created by the industry. The low prices prevailing on the international market, combined with the power imbalance in the sector, make it much more difficult for the tourism industry to initiate the self-sustaining growth process expected by tourist-receiving countries. This situation is frequently observed and criticised by local operators. It is most acute in the countries most strongly dependent on mass tourism (Tunisia and, to a lesser degree, Morocco and Egypt).

Might the solution be to raise the quality of seaside tourism products? <sup>(11)</sup> Experience suggests that upstream/downstream relationships become less antagonistic as product quality rises. Product differentiation can be achieved by working on the quality of accommodations, staff, transport, entertainment, side activities, etc. When seaside tourism products have a better qualitative positioning, they can attract a wealthier clientele, which should enable receiving countries to capture more revenue and raise the incomes of tourism-related businesses <sup>(12)</sup>. However, this virtuous circle is far from being systematically obtained, as shown by the pitfalls encountered by the southern Mediterranean countries.

To encourage a higher-end positioning, the authorities have targeted the hotel sector, seeking to develop accommodation capacity in the middle and upper end of the range (upgrading of hotel facilities, priority to four- and five-star hotels). Eligibility criteria for the various categories have been reviewed and often tightened. Assistance has been provided for the upgrading and renovation of hotels. Unfortunately, these actions have proven inappropriate in some cases, offer insufficient incentives and are often ineffective. The improvement in hotel quality is not always accompanied by a significant increase in the price of a bed-

night<sup>(13)</sup>; average revenue per tourist has even fallen considerably in certain countries. Tunisia is a good example of this phenomenon. From 2001 to 2003, 62% of the overall increase in this country's hotel capacity was in the four-star category. Undeniable quality improvements have been recorded, with more strict hotel rating criteria and stronger inspection procedures. This strategy has had two opposite effects: on the one hand, an increase in the market share of higher-category hotels (four and five stars), which recorded an increase of over 50% in the number of bed-nights marketed; and on the other, a drop in average revenue per tourist.

On peut avancer comme première explication le choix du A first explanation that may be put forward for this is the choice of the rating system as the main tool for improving the quality of seaside tourism products. This system alone will not bring about a dramatic repositioning of the product or a significant rise in the incomes derived from tourism. The overall quality of a tourist package is also measured by the quality of its many constituent sub-products (transport, restaurants, activities, the environment, shops, architecture, natural scenery, climate, local culture, etc.).

This explanation is not wholly satisfactory. Even if improving accommodations is considered insufficient for substantial qualitative leaps, it should, all other things being equal and to a certain extent, increase tourists' willingness to pay for the "new" product. The poor results actually obtained may be attributed to a combination of at least two other factors.

The first relates to TOs' lack of strategic flexibility as regards the product's international positioning. TOs are forced to adapt to the severe constraints imposed by competition. They have a strategic interest in having a lower-end product at their disposal to segment the market. The bottom-of-the-range seaside product is relatively "homogeneous" and hence substitutable between one destination and another. This property constitutes an advantage in an international context characterised by the resurgence of political and security crises, in which firms are strongly concerned with minimising market risk. Lastly, since seaside products are

<sup>(9)</sup> Deterioration of the image of a given country's hotels can have a number of consequences, including an overall drop in hotel prices (for all categories of hotel) and the concentration of tourist sales in higher-end products.

<sup>(10)</sup> External leakage refers to the proportion of revenue from tourism that is not captured by the receiving economy.

<sup>(11)</sup> For example, the Greek isles, some coastal areas of Egypt that have a good international reputation (e.g. Sharm El Sheikh), and some experiences in Turkey (see below for the example of the Turkish TO Vasco).

<sup>(12)</sup> Building such a clientele requires the right marketing approach and hence some sizeable investments in promotion and advertising. TOs may be reluctant to take this route unless they are given strong incentive to do so. The enabling conditions for such incentives will be discussed below.

<sup>(13)</sup> Much less in the price negotiated between TOs and local hoteliers.



targeted to low-income tourists, they offer some protection to receiving countries when economic conditions are poor (e.g. a recession in emitting countries).

The second factor relates to the effects of the skewed balance of power in the industry. TOs may be tempted, instead of raising prices, to keep them unchanged and instead leverage the qualitative improvements in a given class of hotels to capture new market share in this hotly contested segment. In this case, the price concessions made by hotel owners in the higher categories start a chain reaction that lowers prices in all the other categories. If there is excess hotel capacity in the higher categories, these price reductions may be all the greater: when the capacity increase outstrips growth in demand, TOs find themselves in an even stronger position, and the hotels concerned will find it still more difficult to obtain an acceptable price that compensates their upgrading efforts. Calveras and Vera-Hernandez (2002) note the example set by the Spanish authorities, who restricted the expansion of capacity in the Canary and Balearic Islands by prohibiting the construction of new hotels. By adapting capacity to match demand, the destination country helps to bring about a more equal balance of power between upstream and downstream, and thus reduces the ascendancy of the downstream end.

What industrial policy should be adopted? The measures taken to improve the product may run counter to the interactions among tourist industry firms, and countries may thus see their hopes dashed because they have not correctly anticipated the strategic behaviours of these players. Neither drastic strengthening of national hotel rating criteria nor the introduction of financial supports or other fiscal measures can guarantee an improvement in the sector's performance. It is necessary to understand the strategic motivations that determine, from one link in the chain to another, private sector players' responses to public policy: e.g. for a hotel owner, the decision to upgrade; for a TO, the choice of how to position the product on the international market, hotel listings (types of hotels to put under contract), the type of contract selected, the promotional strategy<sup>(14)</sup>, etc.

Few economic studies analyse a reasoning process of this type in a context of strategic interactions of sector players. Those few that do address this question<sup>(15)</sup> stress the importance of TOs' strategic behaviour: the choices that TOs make in response to public regulation largely determine the revenue that the local economy derives from tourism. These studies also emphasise the important issues relating to the organisation of the industry. Government authorities can influence the level of income drawn from tourism by fostering the emergence of structures that are efficient, minimise revenue leakage (leading to more equitable outcomes of upstream/downstream negotiations) and make possible the emergence of a higher value-added tourist industry (offering better-quality products).

How should the industry be organised? Public initiatives should encourage local tourism firms to band together and organise, as this promotes synergies and increases local operators' negotiating power with respect to the dominant TOs. It should be noted that public assistance in the past has generally been provided for upgrading hotels, and more rarely for organisation of the sector. In fact, support for upgrading should be accompanied by efforts to form groups of hotel owners. Aid for upgrading is more efficient and less expensive when provided to the members of an organised association than when it benefits isolated individual entities: the return on the public investment is higher because an organised hotel sector captures more revenue than a fragmented sector.

For more effective public policy on standardisation, support and, more generally, quality improvement, a new public-private partnership needs to be defined. Such a partnership should be based on increased involvement of TOs (especially non-integrated TOs<sup>(16)</sup>) in the quality upgrading policies pursued in these countries. Public authorities must ensure that operators respond in such a way as to further the policy objectives set for the industry. This may require combining incentives with initiatives to elicit responsible behaviour on the part of TOs, both in their relations with local suppliers and in their marketing strategy for the "improved product" (repositioning the product to reflect quality improvement and raising the price accordingly).

(14) For example, many TOs' brochures and other promotional materials give the TOs' own quality rating of hotel accommodations, alongside or instead of the receiving country's rating. Haroutunian et al. (2005) show that TOs may rate hotels lower or, in a few cases, higher than the local classification system. For example, according to these authors, TOs are down-rate hotels in Cyprus and in some regions of Spain, but rate hotels in Egypt higher than in the local system.

(15) See e.g. Calveras et al. (2002), Buhalis (2000), Candela et al. (2003).

(16) Integrated TOs (i.e. TOs that possess their own hotels) are by no means to be excluded from the partnership, as they have business relations with local service providers other than hotel owners. Such service providers are just as important as hotels in determining tourists' perceptions of the package. Non-integrated TOs naturally have a special place in the system, however, since it is through them that the quality image of local hotel accommodations is formed and the incomes of local hotel owners determined.

Although it is necessary to appeal to their sense of responsibility, TOs may, under certain circumstances, have a strategic interest in repositioning the product on the international market. At least two conditions must be met:

- the “new” product must be genuinely capable of attracting a sustained stream of new customers. There must be a sufficient number of such customers, and they must be willing to pay a higher price than that charged in the standardised mass tourism segment. To this end, differentiating factors must be clearly and effectively promoted to consumers (via, for example, a labelling scheme established by the state, a TO brand, etc.);
- capacity must be matched to demand (avoid excess capacity). Otherwise, hotels will sooner or later be forced to accept the cut-rate prices required for listing by the TO, and no TO would have an interest in maintaining a high price.

Governments can help to create an alternative market by fostering strategic coordination between the upstream and downstream ends of the industry. The idea is to encourage (non-integrated) TOs to modify their contractual relationship with local suppliers by adding clauses to establish more extensive coordination than is provided for in the standard contract: joint design of a high-quality product meeting the standards of international demand; participation by the TO in paying local

service providers’ upgrading costs; contribution by the TO towards the inclusion of entertainment, excursions, cultural activities, etc. in the package; strict specifications in return for fairer remuneration, etc. For it to be in TOs’ interest, the initiative must meet with a favourable response on the international market and must engender a relatively high willingness to pay among a certain number of tourists<sup>(17)</sup>.

Developing a quality signal (labelling, etc.) and/or implementing an appropriate promotional strategy offer possible ways of achieving this objective. They may require heavy investment, but this could be paid for by the state, at least in the short term. The state could both undertake such investments, as part of an overall quality improvement policy (stronger rating criteria, tax and other incentives for diversifying the components of seaside tourist packages), and contribute substantially to the international promotion of the country’s tourist products. In return, TOs undertake, via a code of good conduct, to act more responsibly in their relations with the upstream portion of the industry (selection of hotels and contribution to upgrading, regular provision of information to tourists about product quality, as part of a promotional policy based on building a new clientele, etc.).

### For further information

Bastakis, C., D. Buhalis and R. Butler (2004), “The Perception of Small and Medium Sized Tourism Accommodation Providers on the Impacts of the Tour Operators’ Power in Eastern Mediterranean”, *Tourism Management*, Vol. 25.

Ben Jelili, R., A. Hammoudi and H. Djoufelkit-Cottenet (2006), “Normative Approach of Upstream-Downstream Relationships in the Tourism Sector: Implication for the Tourism Policy of the South Mediterranean Countries”, Working Paper, Economic Research Forum.

Buhalis, D. (2000), “Relationships in the Distribution Channel of Tourism: Conflicts between Hoteliers and Tour Operators in the Mediterranean Region”, *International Hospitality, Leisure and Tourism Administration Journal*, Vol.1, 1.

Calveras, A. (2003), “Incentives of International and Local Hotel Chains to Invest in Environmental Quality”, *Tourism Economics*, Vol. 9, 3.

Calveras, A. and A.M. Vera-Hernandez (2002), “Quality Externalities in a Vertical Structure: What Is the Impact of Tour Operators?”, *Tourism Economics*, Vol. 11, 4.



(17) Such initiatives can meet with success, as shown by the experience of the Turkish TO Vasco (see Plan Bleu, 2005). Vasco is based in Antalya province and generated added value in the province’s seaside tourism sector by organising excursions into the hinterland for customers staying in the coastal resorts (visits to local markets, learning about the inhabitants’ way of life and the country’s history, etc.). The initiative caught the interest of international TOs, which eventually marketed this product in partnership with the local TO.

## For further information

/...

Clerides, S., P. Nearchou, P. Pashardes (2008), <http://linkinghub.elsevier.com/retrieve/pii/S0167718707000185> "Intermediaries as Quality Assessors: Tour Operators in the Travel Industry", *International Journal of Industrial Organization*, Vol. 26, 1..

Hammoudi, A. (2008), *Public Policy, Private Strategies and Tourism Quality in the South Mediterranean: An Industrial Economics Approach*, Working Paper 71, AFD.

Haroutunian, S., P. Mitsi and P. Pashardes (2005), <http://www.erc.ucy.ac.cy/english/conference2003/TourismHedonic2.pdf> "Using Brochure Information for the Hedonic Analysis of Holiday Packages", *Tourism Economics*, Vol. 11, 1.

Lizzeri, A. (1999), "Information Revelation and Certification Intermediaries", *Rand Journal of Economics*, Summer, Vol 30, 2.

Plan bleu (2005), "Dossier sur le tourisme et le développement durable en Méditerranée", <http://195.97.36.231/acrobatfiles/MTS Acrobatfiles/mts159.pdf>

Poirier R.A. (1995), "Tourism and Development in Tunisia", *Annals of Tourism Research*, Vol. 22, 1.

Sheldon, P.J. (1986), "The Tour Operator Industry: an Analysis", *Annals of Tourism Research*, Vol. 13.

## Intervention in the tourism sector: the role of donors

### Grégoire Chauvière le Drian

AFD/DTO/TJE

International organisations and donors began to include sustainable tourism in their strategies about a decade ago, seeing it as a new development opportunity for poor countries, on condition that they could control the perverse effects of traditional mass tourism.

#### Multilateral organisations

The objectives of the World Tourism Organisation (UNWTO) are to stimulate economic growth and job creation, encourage protection of the environment and cultural heritage, and promote peace, prosperity and respect for human rights. The UNWTO recently launched a Sustainable Tourism – Eliminating Poverty (ST-EP) programme to tackle the problem of severe poverty in the poorest countries through optimal management of the tourism sector. The United Nations Commission on Sustainable Development designated the United Nations

Environment Programme as coordinating agency, with responsibility for implementing Agenda 21 in the tourism sector.

The World Bank, the Inter-American Development Bank and other donors provide support to developing countries that embark on tourism management programmes which give more attention to protecting the environment and to the benefits that the local population derives from implementation of these programmes. Examples include biodiversity preservation projects with a tourism component and "cultural heritage" projects.

UNESCO has reaffirmed its determination to link conservation of biodiversity to sustainable tourism, particularly for "world heritage" sites. For example, it helps the 191 member states to formulate policy by rethinking the relationship between tourism and cultural diversity, tourism and intercultural dialogue, tourism and development. UNCTAD has mounted an e-tourism initiative to help developing countries realise

the impact of information and communication technology on the tourism industry and exploit its potential to the full: based on a cooperation between the public and private sectors, the initiative aims to give developing countries the technical resources needed to organise, promote and sell their own tourist products online.

The European Union's position is spelled out in a communication from the EU Commission dated 28 October 1998, entitled "A European Community strategy to support the development of sustainable tourism in the developing countries". Under this strategy, the EU supports governments in the design, planning and management of their sustainable tourism policies: support for human resource development, building national administrative capacity, preservation of the common heritage, upgrading of infrastructure and support to the private sector. The strategy tends to involve a variety of stakeholders, for example by promoting partnership between government and the private sector, while encouraging regional cooperation.

### ■ The French approach

The deputy minister for tourism, responsible for promoting one of the pillars of the French economy, is involved in promotional activities, coordination, etc. At the Ministry of Foreign and European Affairs, the General Directorate for International Cooperation and Development (DGCID) engages in a very wide variety of activities, relating both to the "field" and to awareness raising and networking. Tourism was long regarded as a peripheral sector by the DGCID, but is now seen as a valuable development tool.

AFD's first operations in the tourism sector date from the 1980s, when the Caisse Française de Développement was granting small loans to economic agents, regardless of their sector of activity (agriculture, trade, etc.), many of which were directed to financing hotel construction or renovation. These loans were stopped in the 1990s because of the low return on investment obtained.

Since then, the Agency's operations in this sector, apart from financing hotels, have been enriched by the principles of sustainable development, economic development, social justice and conservation of cultural and natural heritage, as described in the United Nations' Agenda 21<sup>(18)</sup>. An inventory of the activities conducted by AFD Group (Proparco, AFD and the French Global

Environment Facility [FFEM]) offers a panorama of the tourist sector projects processed or considered by the Agency and reveals some interesting issues. It emerges that:

- the **FFEM** supports economic and social development projects in beneficiary countries containing global environmental goods, giving preference to projects that include a capacity building component. The FFEM's strategy is add a tourism development component to projects on the protection or exploitation of biodiversity, as tourism is often key to the sustainability of the project. Nearly 50% of the FFEM's biodiversity projects include a tourism component in their objectives;
- **PROPARCO** has been financing hotels since the 1990s and, drawing the appropriate conclusions from the high loss ratio in the sector, is a strategy to insure against risk, notably through bank credit lines and stronger external guarantees. The firm could continue and diversify its actions by participating in hotel upgrading projects, or could join AFD and the FFEM in projects to develop the value of natural and cultural heritage;
- **AFD** is involved in a wide variety of projects, assigned to the various approaches employed by the operational, technical and strategic departments.

Today, the Agency's interest in promoting an alternative form of development for the tourism sector is all the greater because tourism is approached through its multidimensional nature. Instead of considering the sector exclusively from the standpoint of hotel infrastructure, AFD now seeks to ensure that the growth of tourism has a multiplier effect on all social, economic and cultural activity and generates incomes at all levels, particularly for the local population, while at the same time preserving the environment and protecting ecosystems.

In accordance with this revised view of tourism, AFD operations are now clearly geared towards sustainable development of the sector. AFD projects that include a tourism-related component or that seek, through all of their components, to develop or promote tourism in a given area therefore reflect new approaches that offer constructive lessons for the future. The Agency has a long, rich and varied experience of the sector that points among other things to the need for guidelines, specific tools and the possibility of refocusing efforts around an entity that would build on AFD's cumulative expertise. AFD Group has the capacity required to pursue and step up its activities in the tourist sector.

<sup>(18)</sup> "The tourism sector should be planned and managed in a viable manner and with a view to the long term in order to bring economic benefits and income-earning opportunities to receiving communities and contribute to poverty reduction, conservation of resources and the preservation of cultural heritage."



# 🗨️ Promote sustainable tourism in the Mediterranean, regional Workshop, Plan Bleu, Sophia Antipolis, France, 2-3 July 2008 🗨️

**Constance Corbier Barthaux**  
*Environment and Biodiversity Projects*  
AFD/RCH/EVA

This regional workshop brought together over 60 participants from all the countries on the Mediterranean to share a set of studies commissioned by Plan Bleu, in order to gain a better understanding of the determinants of sustainable tourism in the Mediterranean region and to identify avenues for future action under the Mediterranean Strategy for Sustainable Development (MSSD). (All of the papers are available on the Plan bleu website: [www.planbleu.org](http://www.planbleu.org)).

The workshop was in two parts: i) assessment of the territorial and environmental impacts of tourism, based on a series of country studies (Morocco, Turkey, Tunisia, Malta, Spain, Croatia) and on studies of accommodation capacity aimed at improving the distribution of tourist flows in time and space; and ii) regional issues linking tourism to sustainable development, based on the four regional studies (review and prospects): tourism and climate change, tourism and biodiversity, recreational boating and cruises in the Mediterranean Sea, jobs and wages in the tourism sector.

#### **These studies reported the following findings:**

**The importance of tourism for the region:** in 2005, the 22 Mediterranean countries accounted for 31% of international tourism, with 246 million visitors (over 85% of whom were European); the trend is one of continued strong growth, with 137 million additional tourist arrivals expected on the Mediterranean shores in 2025.

**Economy, social affairs, employment:** tourism has a strong economic impact (€243 billion in revenue in 2005), and the sector contributes substantially to growth but less so to the distribution of the benefits of growth. It creates jobs both directly and indirectly, although they are low-skilled and poorly paid. Tourism can also promote universal access to basic services, provided that it is

managed from a sustainable development perspective to avoid having enclaves of prosperity coexisting with persistent social disparities and inequality.

**Tourism and climate change:** the tourist industry is a growing emitter of greenhouse gases, mainly through its use of means of transportation. In turn, certain effects of climate change that are particularly marked in the Mediterranean region (a general decline in average rainfall, a temperature increase of 3-4° C on average by 2100, increased frequency of extreme events, rising sea level) will have a strong impact on the sector. If heat waves become more frequent and summer temperatures rise (or if there is a sharp rise in transport prices), Mediterranean areas may become less attractive to tourists.

**Tourism and biodiversity:** tourism can foster better management of biodiversity via the revenue it generates, and conservation is an asset for the development of tourism and the economy as a whole (Port-Cros national park in France generates sales of €107 million, representing 5% of the revenue of the territorial department in which it is located). The Mediterranean coast, however, is rapidly being transformed through human activity, with irreversible damage to natural scenery and loss of natural habitats (dunes, wetlands, etc.) and biodiversity. The economic consequences can also be substantial (for example, Tangiers lost 53% of its tourist bed-nights when the beach virtually disappeared in the 1990s). Although efforts to address the problem are increasing, only five countries have passed legislation concerning the coastline and only three have a specialised agency like France's *Conservatoire du littoral*. Furthermore, there are not enough protected marine areas in the Mediterranean basin.

**Recreational boating and cruises:** the uncontrolled growth of recreational boating poses a genuine threat to marine biodiversity (marinas, recreational fishing, spread of invasive species, destruction of seagrass beds). The sea cruise industry is growing strongly, with cruise ships carrying up to 3,000 passengers and 1,000 crew mem-

bers. But cruises have relatively little impact on employment and the economy in the countries where they call, as most expenditures are incurred aboard and paid to the shipping line. Moreover, this activity is a high CO<sub>2</sub> emitter, generates waste and guzzles water and energy.

As Mediterranean tourism consists primarily of seaside holidays, it has a strong impact on the *quality of coastal waters* (a determinant of the destination's attractiveness) and on scarce *water resources*. To manage these pressures, some countries have taken strong policy action. Tunisia, for example, has set a goal of reducing water consumption per day and per bed from 600 to 300 litres by 2020, through various modernisation and training measures.

This workshop and the research that preceded it confirm the relevance and quality of the network established by Plan Bleu to study this regional issue. The following recommendations were made:

- reduce the negative territorial and environmental impacts, propose more water- and energy-efficient modes of consumption, increase the value added captured by local communities and other stakeholders in developing countries, improve governance in the sector;
- promote innovative, large-scale initiatives concerned with sustainable tourism, which is conducive to social cohesion and to cultural and economic development: eco-tourism, revitalisation of isolated areas, traditional activities, increase in the length of tourist stays, development of domestic tourism, etc.;
- develop partnerships between stakeholders (public, private sector, civil society, the research community, etc.).
- produce accurate information, share it among the countries in the region, and develop forecasting: quantify, assess, model (i.e. modelling of the regional climate), expand economic research.





Publisher: Jean-Michel Severino / Editorial director: Pierre Jacquet  
Editors-in-chief: Jean-Raphaël Chaponnière and Ludovic Cocogne  
Circulation and subscriptions: [lettrec@afd.fr](mailto:lettrec@afd.fr)  
A publication of Agence Française de Développement Group: [www.afd.fr](http://www.afd.fr)  
5, rue Roland Barthes - 75598 Paris cedex 12 / Tel.: (+33) 1 53 44 31 31 / Fax: (+33) 1 44 87 99 99  
ISSN 1763-9123