

# Sustainable tourism in the Mediterranean<sup>1</sup>

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<sup>1</sup> This region is defined as those Mediterranean partner countries of the EU-27 that are part of the Union for the Mediterranean (UfM). They include: Albania, Algeria, Bosnia and Herzegovina, Croatia, Egypt, Israel, Jordan, Lebanon, Mauritania, Monaco, Montenegro, Morocco, the Palestinian Authority, Syria, Tunisia and Turkey. Libya is included in this report as it is an observer state. Because its *per capita* income is above the EU-27 average, Monaco is not included in this discussion.

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# Introduction

The Mediterranean region, including both the northern and southern shores, is the principal tourist destination in the world. Consequently, tourism plays a vital role in the economies of the region, acting as a significant source of economic growth and employment, while also making a positive contribution to a country's external balance of payments. This report analyses the role of sustainable tourism in the Mediterranean, with special reference to the local and regional context in which they operate. In doing so, it: (1) outlines the significance of tourism for the countries of the Mediterranean; (2) examines the main challenges facing tourism in the region, especially in the context of the Arab Spring, and how these challenges impact on local and regional authorities; (3) describes the role of the different agencies that are currently engaged with tourism issues in the Mediterranean, providing an outline of their programmes and initiatives; (4) examines the role of local and regional authorities in tourism in the Mediterranean; and, finally, (5) presents key recommendations and proposals to improve the environment for sustainable tourism in the Mediterranean, suggesting areas where the UfM, national governments, the EU, local and regional authorities, and other organisations might act most effectively to meet the challenges facing the region.



# 1. The role of tourism in the Mediterranean

The wider Mediterranean (i.e. including EU countries) region is the world's leading tourist destination.<sup>2</sup> Tourism is mainly concentrated in the coastal areas, which receive approximately 30% of international tourist arrivals.<sup>3</sup> The most widely-used tourism development model applied to the region is based on seaside summer holidays and the attainment of quantitative goals. Of the total 46 000 km of coastline, 25 000 km is urbanised and coastline urbanisation is estimated to have already exceeded a critical limit. Over 80% of tourists visiting the Mediterranean come from Europe, mostly from northern and western countries. Germany is the largest market, followed by the United Kingdom, France and Italy. Spain, France, Italy, and Greece receive almost 80% of Mediterranean tourism. The Mediterranean receives around a third of the total income of global tourism.<sup>4</sup>

Within the wider Mediterranean region, the Mediterranean countries have, over the past two decades, recorded the highest growth rates of inbound world tourism. The economic performance of tourism in the Mediterranean countries has been astonishing given the security risks, natural disasters, oil price hikes and economic uncertainties of the region. The financial crisis of 2008-2009 had no major impact on this growth, which confirmed the resilience of tourism and the huge potential of the Mediterranean countries in this sector. This trend was, however, abruptly interrupted in early 2011 during the Arab Spring, but is likely to resume when the situation stabilises.

This tourism growth in the Mediterranean partner countries contrasts with the weaker rates of growth of tourism in the EU member countries of the Mediterranean northern rim during the same period. In 2010, the tourist industry in the Mediterranean countries represented, directly and indirectly, 10.9% of gross domestic product (GDP) on average, confirming its key economic importance for these countries (WTO, 2012).<sup>5</sup> Nevertheless, these aggregate data conceal huge differences across countries. As Figure 1 illustrates, the share

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<sup>2</sup> This report employs the definition of tourism used by the United Nations World Tourism Organization (UNWTO) as the sum total of industries, such as construction and infrastructure, transportation, accommodation, food and beverage services, recreation and entertainment, travel agencies, tour operators and a large share of handicraft activities, culture and heritage, etc.

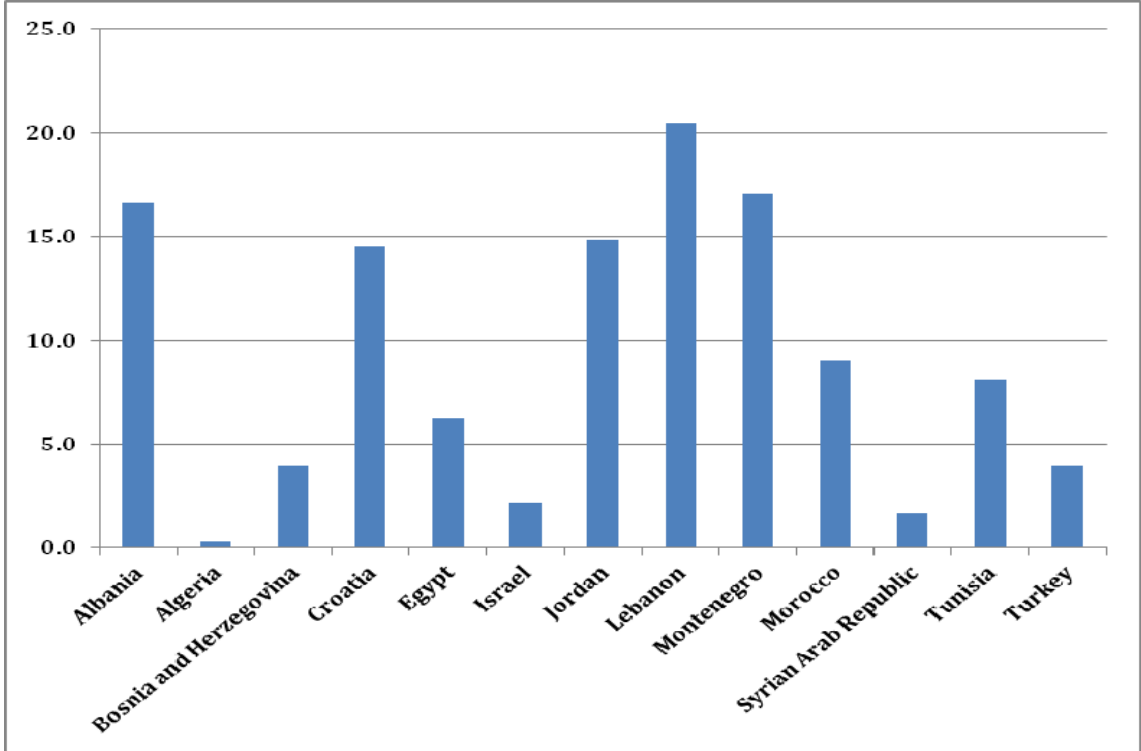
<sup>3</sup> See the WWF 'Tourism Threats in the Mediterranean' report for general background, at: <http://www.monachus-guardian.org/library/wwftou01.pdf>.

<sup>4</sup> On the development of tourism in the region in depth and detail, see Robert Lanquar's report for CEPS 'Tourism in the Mediterranean: Scenarios up to 2030', available at: [www.ceps.eu/ceps/download/5948](http://www.ceps.eu/ceps/download/5948).

<sup>5</sup> Statistical data in greater depth and detail may be found in the UNWTO's yearbook, available at: <http://www2.unwto.org/en/publication/yearbook-tourism-statistics-data-2006-2010-2012-edition>.

of inbound tourism expenditure in individual countries ranged from a high of over 20% in Jordan to near zero in Algeria.<sup>6</sup> The weight of tourism – defined as the activities of traditional tourism providers (e.g. accommodation, transport, etc.) plus tourism-related investment, public spending and export of goods – includes both direct and indirect effects through tourism supply chain spending. The total contribution of travel and tourism to GDP is likely to be almost three times greater than its direct contribution. Moreover, the changes in the relative importance of the tourism sector must be seen in relation to the overall economic development of the country and the growth of other sectors. In Israel, for instance, the share of tourism fell from around 8% of GDP in 1990 to just over 6% of GDP in 2010, reflecting the maturity of the tourism sector and the fact that other economic sectors – especially high-tech sectors – have grown faster than tourism. In Algeria and Libya, on the other hand, the development of the tourism sector must be seen against the backdrop of a rapidly-growing energy sector. In Egypt, Jordan, Morocco and Syria, the growth of tourism has been faster than growth in other sectors, resulting in its growing share in the economy.

**Figure 1:** Inbound tourism expenditure (percentage of GDP), 2010 (or most recent year)<sup>7</sup>



Source: World Tourism Organization (2012)

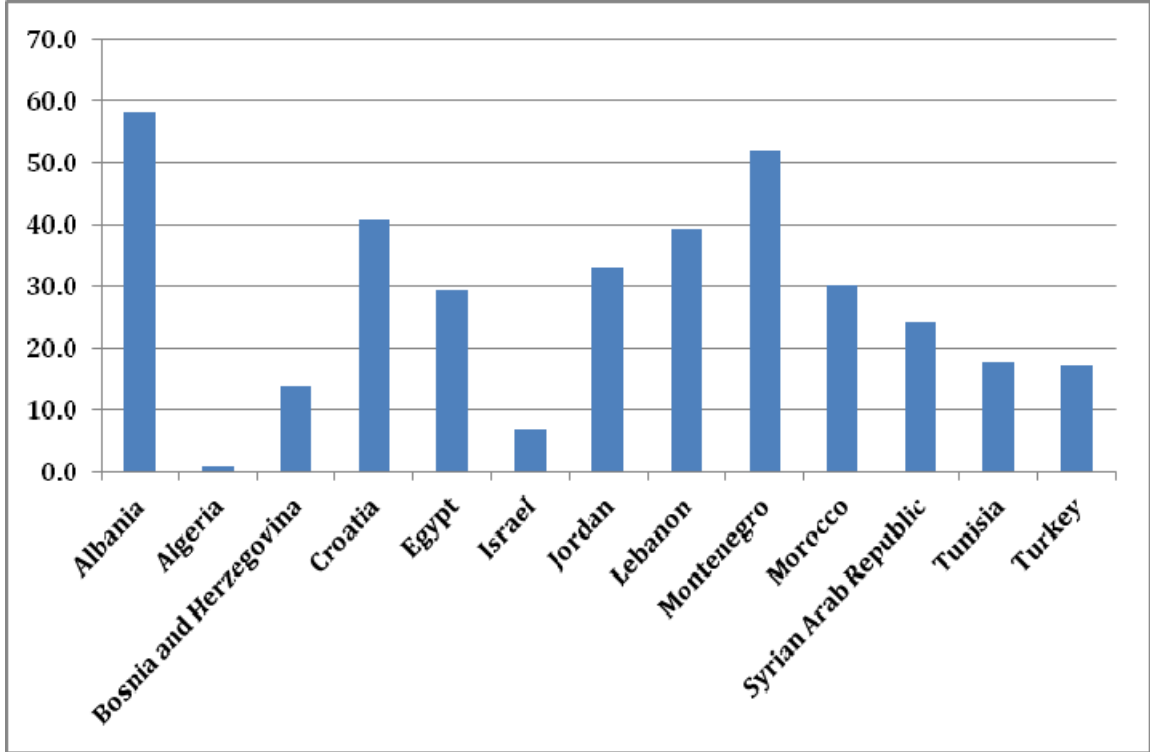
<sup>6</sup> See Robert Lanquar’s report for CEPS ‘Tourism in the Mediterranean: Scenarios up to 2030’, available at: [www.ceps.eu/download/5948](http://www.ceps.eu/download/5948).

<sup>7</sup> Data is unavailable for Gaza and the West Bank, and Mauritania, and these statistics come from the UNWTO’s yearbook, available at: <http://www2.unwto.org/en/publication/yearbook-tourism-statistics-data-2006-2010-2012-edition>.



Direct and indirect tourism employment, including jobs indirectly supported by the industry, significantly contributed around 12% of overall employment in the region in 2010 (WTO, 2012).<sup>8</sup> However, the growth in tourism employment is slower than the increase in international tourist arrivals. As well as supporting employment – something that it is of added importance in countries which on the whole suffer from chronically high levels of unemployment and underemployment (especially youth unemployment) – inbound tourism expenditure also plays a significant and overwhelmingly positive role in many countries’ balance of payments because of the importance of tourism in total exports of goods and services (see Figure 2). Put simply, without tourism receipts, many countries of the Mediterranean region would have to reduce imports of goods and services dramatically to restore a sustainable external balance.

**Figure 2:** Inbound tourism expenditure (percentage of exports of goods and services), 2010 (or most recent year)<sup>9</sup>



Source: World Tourism Organization (2012)<sup>10</sup>

However, a wide range of indicators also show that the Mediterranean countries rank rather low internationally in all the sub-indexes concerning tourism, i.e. the regulatory framework, business environment and infrastructure and human,

8 See the UNWTO’s yearbook, available at: <http://www2.unwto.org/en/publication/yearbook-tourism-statistics-data-2006-2010-2012-edition>.  
 9 Data are unavailable for Gaza and the West Bank, and Mauritania.  
 10 The full dataset may be found at: «the UNWTO’s yearbook, available at: <http://www2.unwto.org/en/publication/yearbook-tourism-statistics-data-2006-2010-2012-edition>.

cultural and natural resources in tourism. Thus, while progress has been impressive in recent years, much important work remains to be done if tourism is to continue to play an important role in the economic, social and environmental development of the region. In this respect, local and regional authorities have an important part to play in ensuring that they continue to enjoy the benefits in the future.

### **The importance of tourism for local and regional economic development**

Tourism is one of the most effective ways of redistributing wealth, as it moves money into local economies from other parts of the country and overseas. It brings income into a community that might not otherwise be earned. Tourism can affect local and regional communities in three main areas: the local economy; local social and cultural life; and the local environment.

#### *Local economic effects*

The economic effects associated with tourism can take a number of forms, including:

- *increased employment* may be associated directly with tourism, such as tour guides or managerial positions in hotel complexes, or in supporting industries like food production or retail suppliers;
- *increased spending* in local and regional communities generated from visitors or tourism can directly and indirectly promote the viability of local businesses.
- *economic diversification* is, for many local and regional communities, an insurance policy against hard times in other sectors of the economy. By offering an additional means of income, tourism can support a community when a traditional industry is under financial pressure, particularly where that community relies heavily on a single industry. This is of added importance in some Mediterranean countries that are reliant either on energy exports or on the production of a limited range of goods;
- improved *infrastructure*, including roads, parks, and other public spaces, which are often developed both for visitors and local residents through increased tourist activity in a region;
- *small and medium enterprises (SMEs)* are integral to economic development but are often poorly developed in the Mediterranean region. Higher volumes of tourism are associated with increased SME activity

and entrepreneurship more generally, especially in service industries associated with tourism (e.g., tour guides, bars and restaurants, etc.).

There are, however, some negative economic effects on local and regional communities associated with tourism:

- *excessive dependence* on tourism can be bad for local and regional economies if there is a wider economic downturn. In this sense, while developing tourism can be useful in fostering economic diversification, local and regional authorities should be mindful of developing other industries, too, and avoid swapping one form of economic dependency for another;
- *adverse political developments* that are not necessarily associated with local and regional economies can cause a disproportionate reduction in tourism. This was often the case during the Arab Spring, when most of the major social and political upheavals took place away from popular destinations. Nevertheless, tourism in the region declined, even in areas and countries not directly affected by political turbulence.

#### *Local social and cultural effects*

Community identity and pride can be sustained (or in some instances, regenerated) through tourism. A positive sense of community identity can be reinforced and tourism can encourage local communities to maintain their traditions and identity. When tourism brings rapid economic growth it can often raise the profile of local and regional communities, stabilising out-migration and reducing the tensions associated with high levels of youth unemployment. However, large influxes of temporary visitors, and the sometimes excessive use of cultural and civic assets, can all pose a threat to an area's social fabric.

#### *Environmental effects*

The quality of the environment, both natural and man-made, is essential to tourism.<sup>11</sup> However, tourism's relationship with the environment is complex since many activities can have harmful environmental effects. Many of these effects are related to the construction of general infrastructure such as roads and airports, and of tourist facilities, including resorts, hotels, restaurants, shops, golf courses and marinas. Tourism also has the potential to exacerbate other negative environmental processes, such as climate change and desertification. The

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<sup>11</sup> More information on these threats may be found in the WWF's Tourism Threats in the Mediterranean report at: <http://www.monachus-guardian.org/library/wwftou01.pdf>.

negative impact of tourism development can gradually destroy the environmental resources on which tourism depends. Local and regional authorities are at the forefront of efforts to mitigate the negative consequences of tourism. On the other hand, tourism has the potential to create beneficial effects for the environment by contributing to environmental protection and conservation. It is a way to raise awareness of environmental values and it can serve as a tool to finance protection of natural areas and increase their economic importance.

## 2. The main challenges facing tourism in the Mediterranean

The tourist industry in the Mediterranean, and, indeed, elsewhere, is faced with a number of key challenges that will influence its longer-term development and success. These challenges effectively set the agenda for public policy action and include: (1) managing globalisation and changing markets; (2) appreciating the economy-wide impact of tourism; (3) combating climate change and sustainability; (4) harnessing the knowledge economy; (5) strengthening human resources; and (6) managing the impact of political change in the region (i.e. the Arab Spring). Local and regional authorities have a key role to play in effectively meeting all these major challenges.

The concept of *globalisation* relates both to the process by which economic markets, technologies and communications become progressively more international over time, and also to a wide variety of social and other issues. For example, the deeper liberalisation of international trade regimes and the reduction in barriers to all forms of international exchange enabled the current global crisis to spread like wildfire among the world's financial institutions, triggering the worst global recession for 60 years. These same freedoms also facilitate the empowerment of the consumer via access to global knowledge through the Internet, and ensure that changes in international commodity prices through rapidly rising demand from emerging markets now take place almost instantly. Tourism has to operate in this new global economy. It has to confront the challenges to the competitive advantage that this rapid spread of information and the economic impact of globalisation bring.

Tourism is, of course, both a significant player in the globalisation process (through the rapid expansion of new destinations, new demand, and new markets) and strongly influenced by globalisation. For tourists, it has brought easier access across borders with reduced barriers to trade and travel owing to the liberalisation of transport. The impact of strong economic growth in many developing countries, liberal economic policies, dramatic changes in the efficiency and cost of transport, and a growing global middle class (now estimated at more than 2 billion people)<sup>12</sup> with rising living standards, have created a new dynamic in international tourism flows.

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<sup>12</sup> See Homi Kharas, 'The Emerging Middle Class in Developing Countries', the Brookings Institute, available at: <http://siteresources.worldbank.org/EXTABCDE/Resources/7455676-1292528456380/7626791-1303141641402/7878676-1306699356046/Parallel-Sesssion-6-Homi-Kharas.pdf>.

Globalisation is the new economic and social reality within which tourism has to operate. The tourism industry by its very nature is both vulnerable to the changing market realities that globalisation brings and also a major beneficiary of globalisation given the right adaptation strategies. In parallel to these global trends, tourism markets have also been changing and will continue to change. The explosive growth in outbound tourism from new markets, especially China, the Russian Federation and India, is bringing changing patterns of travel flows and demand. These require new marketing and servicing skills and appropriate product development, something that is often best achieved at the local and regional level. Simultaneously, in developed countries, changing social values, lifestyles and demographics are leading to profound social changes which are increasingly reflected in changes in tourism demand.

The effects of these changes can be seen in the growing fragmentation of tourism markets, and in the emergence of new niche markets (e.g. retired travellers in developed countries; health tourism in developing countries). In developed economies, for example, holidays for singles, retired people and money-rich/time-poor short-break travellers are developing into major market segments in addition to the traditional annual family holiday. Other emerging niches include adventure, active and higher involvement experiences, indulgent and luxury travel, a search for unique experiences and demand for authenticity. Customers are increasingly experimental, willing to try new products, foods and attractions, and are unwilling to give a second chance to destinations providing poor products or services.

Globalisation is likely to continue to encourage the growth of business travel with the increasing mobility of business and growth of global enterprises employing growing expatriate workforces. Meetings, incentives, conventions and exhibition travel will continue to be a high growth segment. Time-poor business travellers will seek to combine business and leisure trips. Tourism policy development at both national and local level needs to be structured to respond to such changes.

Tourism also makes an *economy-wide* contribution to activity in virtually every industry across the economy. The process by which the consumer (the visitor) comes to the product (the destination), consumes identifiable tourist products and also incurs normal day-to-day living expenses in that destination is unique among traded goods and service markets. The wide-ranging nature of the products and services consumed by tourists presents particular issues which are not common to other product markets. In addition, tourism has negative social effects in areas as diverse as crime, health, congestion, land and other prices, and urban amenities.

Tourism creates vital forward and backward linkages with other sectors of the economy. Consequently, tourism has very many stakeholders and means that governments have to address both horizontal issues (across agencies responsible for transport, infrastructure, regional development, immigration and customs, education and training and so on) and vertical issues (from national through to provincial, regional and local levels of government) in the design and execution of tourism-related policies and programmes. Furthermore, the structure of the industry is heavily weighted towards SMEs operating in highly-competitive markets. Such firms typically have little capacity for longer-term planning, research or strategic development. They generally produce and sell only one component of the tourism product. The complex web of stakeholders in the tourism industry creates a fragmented structure that governments can find hard to serve through general policy measures. That is why local and regional authorities are often best placed to provide targeted and effective policy interventions.

As a consequence, governments are increasingly recognising that tourism requires a complex set of mutually-supporting infrastructure, policy and planning decisions, formulated at both national and local level, if the broad nature of tourism's benefits is to be realised and potential costs managed. While tourism remains an essentially private-sector activity, some governments accept that they have a substantial role to play in addressing market failures which emerge from tourism's fragmented SME-based structure. It also becomes clear that tourism can bring wider economic and social benefits to destinations and, especially, can help to sustain local and regional communities.

A "whole of government" framework for tourism policymaking is therefore to be encouraged in order to extract maximum economic and social benefit from the tourism sector. This has been highlighted by the impact that globalisation has had on tourism demand, transport, information, and vulnerability to external shocks. In turn this has introduced a new imperative for the promotion of dialogue, cooperation and partnerships among multiple stakeholders, within government, the private sector and local communities.

*Climate change* presents an important challenge to the world economy and society with huge potential implications for travel and tourism, with or without effective mitigation or adaptation measures by governments. Tourism is estimated to contribute up to 5.3% of global anthropogenic greenhouse gas emissions, with transport accounting for about 75% of this.<sup>13</sup> On the positive side, however, the growing awareness of the importance and potential of green jobs – the promotion through government policies of lower-carbon activities and

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<sup>13</sup> On these environmental effects see the OECD's report on Tourism Trends (2010), available at: <http://www.oecd.org/dataoecd/22/15/46754816.pdf>.

the more efficient use of energy – offers tourism an opportunity to adapt its operating practices and to participate in the expansion of “green collar” jobs, which are seen as a major growth opportunity for global employment in the years to come.

Tourism is particularly exposed to the predicted direct effects of climate change such as sea-level rises, changes in ocean currents, the increased prevalence of desertification, higher temperatures, changes in precipitation patterns and the frequency or intensity of extreme weather events. Such effects can lead to a loss of biodiversity and to impact on the natural and built environment and tourism-related infrastructure. Other effects may relate to the health and safety implications of heat stress, the spread of tropical diseases and the potential loss of key brand icons and images. Particularly vulnerable are coral reefs and island beach and dive resorts.

Climate change and its implications for tourism mean that the tourism industry has to become even more closely concerned with the broad environmental sustainability of its own actions. The environment that tourists wish to visit plays a key role in determining the viability and attractiveness of tourist destinations. Climate change presents the possibility of a dramatic widening and escalation of environmental threats. This comes at a time of heightened public awareness and demands for stronger measures to protect environments. In the face of these growing pressures tourism remains critical to the economic well-being and often the survival of many local and regional communities, since a tourist destination often includes the local community surrounding it. Tourism’s importance for the economic health of local residents is obvious in such destinations.

The sustainability of a destination depends on the ability of the diverse range of stakeholders, across levels of government, business and local communities, to work together to implement suitable measurement and regulatory instruments for ensuring community- and environment-friendly outcomes. Increasingly, governments are looking to integrate social, environmental and economic objectives into the planning and development of appropriate tourism and environmental management strategies which address longer-term perspectives. This highlights again the critical importance of a “whole of government” approach to tourism policy, recognising not just wealth and economic growth objectives but also environmental, social and cultural considerations.

Globalisation, especially through its effects on information flows and the spread of computer and Internet-led technologies, has led to the development of the so-called “*knowledge economy*”, where real competitive advantage lies in information, knowledge and human skills. Tourist destinations need to recognise



and adapt to these changes.<sup>14</sup> In a knowledge economy, tourism intelligence needs to be better organised, coordinated, analysed and shared among stakeholders in order to strengthen the efficiency of public actions at all levels. The extension of information resources to the tourist industry through better use of research-based intelligence (on issues such as market trends, for example) is one area where public policy interventions can make a useful contribution.

The Internet has fundamentally changed the international tourism industry and its interactions with consumers. All categories of firms, large and small, from anywhere in the value chain, can now communicate directly with their customers. Also, whereas the consumer used to be outside the value chain, they are now at the heart of it. The consumer now has direct access to the supply side. Consequently, it is now the consumer who “governs” the tourism value chain. Consumers have a wide range of ways to identify their product choice. They can move from direct to indirect travel distribution channels, benefit from relative online cost transparency, make informed comparisons and sometimes even name their price for the tourist product they want.

A key challenge now facing public and private stakeholders in tourism is therefore to ensure that the quality of the information provided to the consumer is fully competitive with the consumer’s next best option. Those who position themselves most effectively in the value chain will be those best able to benefit from the flow of information to and from the consumer, thereby enhancing their market position.

Labour market issues and the *quality of human resources* are of fundamental importance for tourism development. The provision of appropriate education and training schemes is a key area for the promotion of innovation and for the achievement of productivity improvements in the tourism industry. In labour markets the tourist industry faces a number of challenges, including:

- difficulty in attracting the best employees and in retaining and developing them over the longer term;
- a constant need for new skills to meet changing tourism trends;
- failure to deal effectively with labour or skills shortages may impede tourism’s growth, because poor quality can diminish productivity and damage the industry’s competitiveness.

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<sup>14</sup> Internet technologies have empowered consumers, providing them with unparalleled access to information on travel and tourist products and the ability to bypass traditional intermediaries, comparison shop and construct their own product packages. Tourism has been a leading sector in adopting information and communications technology to assist visitors; Internet booking and marketing capabilities are advancing well beyond online booking to artificial intelligence.

Despite the effects of the ongoing economic slump, the long-term prospects for tourism growth are good and the need to attract, train and retain high-quality labour is central to the industry's longer-term growth. Within the education and training system there is a need to upgrade the skills of tourism-sector workers, for several reasons:

- to raise the industry's productivity;
- to equip tourism-sector workers to respond to the realities of the knowledge economy;
- to ensure that skills exist in areas such as sustainable tourism and in the increasingly important area of green practices within the industry.<sup>15</sup>

Education and skills development is important for all tourist destination countries, but in low- and middle-income countries like most of those in the Mediterranean education and skills training will present a very large challenge, particularly in those countries experiencing the most rapid tourism growth. Developed countries, facing increased competition from lower wage competitor countries and increasing pressure on service quality standards, will also be forced to pursue training and skills development as a means of increasing productivity if they are to maintain competitiveness. In tourism, the predominance of SMEs among tourism service providers presents particular challenges in terms of ensuring that training and skills improvement programmes are available to smaller businesses.

Finally, the possibility of political change in the Mediterranean countries has revealed itself as a key challenge for the future. Most of the countries in the Mediterranean region possess institutionally underdeveloped governance structures. While many countries of the Mediterranean can be described as democracies in procedural terms, and the Arab Spring provides grounds for optimism on their future trajectory, the *substantive* element of democracy and good governance more generally is less developed in most cases. This element of a democratic polity is the most complicated to develop and will require both time and dedication in the aftermath of the momentous events of 2011.

Turning to the effect of the region's recent political changes on tourism, although the events associated with the Arab Spring tended to take place away from major tourist destinations, this sector did prove to be particularly sensitive

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<sup>15</sup> The introduction of a culture of life-long learning is one area to which attention needs to be paid in order both to raise skill levels within tourism and enhance career development opportunities, thereby making it easier to retain key staff.

to political instability, with damage to the tourism industry in some affected countries, both in terms of visitors and investment. Initial evidence presented by the World Tourism Organization indicates that:

- during 2011, receipts from tourism declined in Egypt and Tunisia by up to 1% of GDP;<sup>16</sup>
- according to Egypt's tourism minister, revenues from tourism last February were 80% below 2010 levels. In March, this number fell by 60% and in April by 35%. Tourism revenues were estimated to have fallen by 25% for the whole of 2011, although recent estimates by the Egyptian government indicate a gradual recovery in this sector;
- in Tunisia, tourism receipts to the end of April 2011 dropped by 48% in comparison to 2010. Recent estimates point to a fall of 51% in income from tourism and 39% in the number of tourists during the first half of 2011;
- although estimates are not available for Syria, the tourism industry, which accounted for around 12% of employment and GDP, continues to be greatly damaged by the persistence of intense political instability.

It is to be anticipated that as the region bounces back from last year's momentous events, tourism will recover significantly. The challenge for local and regional authorities in the southern Mediterranean is to be ready when it does so.

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<sup>16</sup> All the statistics on the effects of the Arab Spring on tourism are explained in greater depth and detail in Robert Lanquar's report for CEPS 'Tourism in the Mediterranean: Scenarios up to 2030', available at: [www.ceps.eu/ceps/download/5948](http://www.ceps.eu/ceps/download/5948).



### 3. Key organisations that deal with tourism in the Mediterranean

Because the importance of tourism for the development of the Mediterranean is widely acknowledged, there are already some important agencies operating in the region with the aim of supporting the development of sustainable tourism. Key organisations include:

- **The Union for the Mediterranean (UfM)**<sup>17</sup>

The Union for the Mediterranean is a multilateral partnership that encompasses 43 countries from Europe and the Mediterranean Basin: the 27 Member States of the European Union and 16 Mediterranean partner countries from North Africa, the Middle East and the Balkans. Created in July 2008, the aim of the Union is to promote stability and prosperity throughout the Mediterranean region.

While tourism is not one of the six main projects launched by the Union for the Mediterranean, several initiatives do directly impact on the tourist industry. For example, the *de-pollution of the Mediterranean* project affects environmental governance in tourist areas, while the *maritime and land highways* project aims to increase and improve the circulation of commodities and people throughout the Euro-Mediterranean region by improving its ports and building highways and railways, something of particular importance to tourism in the region. Finally, because most of the local firms serving the tourism industry are small and medium-sized enterprises, *the Mediterranean business development initiative* is of notable importance. The purpose of the initiative is to promote small and medium-sized enterprises from the Mediterranean partner countries by "assessing the needs of these enterprises, defining policy solutions and providing these entities with resources in the form of technical assistance and financial instruments."

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<sup>17</sup> More information on the UfM can be found at: <http://www.ufmsecretariat.org/>.

- **The European Investment Bank (EIB)<sup>18</sup>**

Since October 2002, the European Investment Bank's operations in the Mediterranean partner countries have been brought together under the Facility for Euro-Mediterranean Investment and Partnership (FEMIP). In line with the European Neighbourhood policy **for the Mediterranean**, FEMIP aims to help the Mediterranean partner countries meet the challenges of economic and social modernisation and regional integration by financing private sector ventures, whether local initiatives or foreign direct investment (FDI). To this end, FEMIP offers loans; private equity; and technical assistance, in many cases to SMEs. After the launch of the Union for the Mediterranean in July 2008, FEMIP was entrusted with the task of coordinating and supporting the implementation of the two priority initiatives adopted in Paris (the de-pollution of the Mediterranean, and the maritime and land highways project). During the joint ministerial meeting of the ECOFIN Council and FEMIP held on 7 October 2008 in Luxembourg, the EIB was invited to step up its support for Mediterranean private sector businesses in line with the Mediterranean Business Development Initiative.

Other international organisations that may offer funds or technical assistance to firms associated with the tourism industry in the Mediterranean include the European Bank for Reconstruction and Development (EBRD) and the International Financial Corporation (IFC)/World Bank.

- **The United Nations World Tourism Organization (UNWTO)<sup>19</sup>**

The World Tourism Organization is a global body concerned with the collection and collation of statistical information on international tourism. More importantly, the organisation represents public sector tourism bodies from most countries in the world and the publication of its data allows comparisons of the flow and growth of tourism on a global scale. It is a member of the United Nations Development Group. While the UNWTO is not directly involved in funding tourism development projects it does play a role in promoting the development of responsible, sustainable and universally accessible tourism, paying particular attention to the interests of developing countries. The organisation encourages the implementation of the Global Code of Ethics for Tourism, with a view to ensuring that member countries, tourist destinations and businesses

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<sup>18</sup> More information on the work of the EIB in the region can be found at:  
<http://www.eib.org/projects/regions/med/index.htm>

<sup>19</sup> The most comprehensive source of data on tourism in the region is the UNWTO's website:  
<http://www2.unwto.org/en>

maximise the positive economic, social and cultural effects of tourism and fully reap its benefits, while minimising its negative social and environmental impact. The UNWTO is committed to the United Nations Millennium Development Goals, aimed at reducing poverty and fostering sustainable development.





## **4. The local and regional dimension of tourism in the Mediterranean**

Local and regional authorities can and should play an integral role in dealing with the challenges facing tourism across the region. This section briefly outlines the local and regional dimension of creating the conditions for sustainable tourism in the future.

### **Regional responses to globalisation**

Successfully responding to the challenges imposed by globalisation requires action to provide local and regional communities with the information and tools necessary to enable them to adapt to the rapidly changing global tourism market. For example, problems associated with increased awareness of developments on the global tourism market (e.g. legal advice, translations, foreign market analyses, etc.) include insufficient information on changing consumer preferences, an insufficient grasp of differences in cultural and social norms and insufficient language skills. All these deficiencies are common in firms located in the tourist industry. Local and regional authorities can help by providing advice and consultancy, supplying increased flows of useful information to help firms to assess their international competitive positions and accessing relevant policy support. The task for local and regional authorities is thus two-fold: on the one hand they must acquire the information on developments in the global tourist market, while on the other they need to ensure that they make this information available to firms in the tourist industry and provide them with integrated and tailored support. This is clearly an area well-suited to local and regional authorities.

### **Multi-level strategies for integrating tourism and economic development**

Ensuring that tourism in the Mediterranean region is both sustainable and consistent with successful economic development demands a well-coordinated multi-level response, involving broader integration of public policy and governance structures in the areas of tourism and economic development policy. Subnational tourism policies and their integration into local plans can be used to address economic development challenges and social inequalities between regions. Many public organisations are involved in the planning, development, management and marketing of tourism at local level, but few are specifically designed to work in this field. In addition, cooperation between the various stakeholders (local, national and international) is not always satisfactory. Subnational entities often concentrate on competitive development whereas they could develop complementary tourism products. An important challenge is

therefore to set up governance mechanisms to improve the competitiveness and quality of tourism at local level as well as to ensure the coherence and consistency of policy development and implementation. This is clearly a task that demands involvement at local, national and international (e.g. with large tour operators, the EU, etc.) levels, but, if successful, that will ensure sustainable and balanced tourism development and reinforce both the tourism industry's performance and a given destination's competitiveness across the board.

### **The role of local authorities in combating environmental change**

Although the causes of climate change are often beyond the control of local and regional communities, they can play an integral role in implementing measures that enable them to cushion themselves from the negative consequences of climate change. For example, local and regional authorities can: actively encourage the development of community organisations concerned with climate change; speed up promotion of sustainable agriculture (a problem associated with desertification, in particular); promote education on climate change in general, the use of scarce water resources, desertification and land degradation; provide accessible and high-quality public information; initiate the formation of local and central government partnerships; help to improve access to finance for local initiatives aimed at combating the ill effects of climate change and other environmental challenges; and promote a culture of openness to popular participation and the use of local knowledge.

### **The role of local authorities in promoting the knowledge economy in the tourist sector**

It is well known that the single greatest spur to innovation in an economy is increased competition. Local and regional authorities can play a role in promoting competition in the tourist sector, and indeed more widely, by formulating a proactive strategy for fostering entrepreneurship and SME development in the tourist industry. Such a strategy might be composed of several elements well suited to implementation at the local and regional level, including: stimulating technology transfer to SMEs (e.g. ensuring that firms in the industry have basic levels of access to telephone and internet services); providing advisory services on issues ranging from starting a business to marketing services to overseas consumers in the most effective manner possible); creating business incubators; and encouraging networks of local and regional firms, as well as creating professional associations for the exchange of information and best practice. In short, local and regional authorities can use their expertise and local knowledge to help stimulate competition by reducing barriers to entry and exit across the tourism industry. Greater competition at

local level should then enable successful firms to plug into the global knowledge economy and become more competitive.

### **The role of local authorities in improving human capital in the tourist industry**

Tourism is a labour-intensive activity in which much of the tourist's experience of a given destination depends on interactions with local residents and with those working in the tourist industry. Education and training must focus on developing customer-service skills for front-line staff to deliver high quality tourism services to the visitor. Tourism strategies should include long-term planning for the tourism labour market and the provision of education and training programmes to meet the specific skills shortages and to raise the quality and productivity of the industry's workforce. This should be based on active coordination between local and regional authorities, on the one hand, and employers and education providers on the other.

The role of local and regional authorities should therefore focus on improving craft- and skills-based training, which is the greatest need in the tourism sector. Local colleges can be developed which, for example, provide hotel school programmes that help meet training and management needs, or which focus on developing crafts. All too often, national education policies are diametrically opposed to the tourist industry's need for entry-level staff who can be recruited, trained and retained by employers. Employers in the tourism sector continue to find it hard to recruit and retain staff because of the relatively poor rewards and remuneration levels. Therefore, local and regional authorities have a role to play in ensuring that local employers provide better working conditions to ensure higher staff retention levels.



## **5. Proposals on how the environment for sustainable tourism can be improved**

Local and regional authorities, national governments, international tour operators and a wide range of additional stakeholders can work together to improve the competitiveness of their respective regions through a variety of policies, practices and targeted programmes. These policy proposals can be split into groups. The first group includes proposals to improve the wider institutional framework in the tourist destinations of the region so that the business environment is more conducive to the growth of a sustainable form of tourist industry. The second group includes proposals that are relevant to local and regional authorities who wish to promote sustainable tourism in their respective localities.

### **Creating a governance framework that promotes sustainable tourism**

These policies should include the provision of a stable macroeconomic environment, as well as suitably-designed structural policies in areas that impinge on sustainable tourism. These include, but are not limited to, national policies that support employment and education, small- and medium-sized enterprises (SMEs) and entrepreneurship, sustainable development, transport and infrastructure, local development, culture and creative industries, trade and investment and safety and security. In order to exploit the maximum potential of sustainable tourism development, strong public-sector management and a multi-actor system of governance should support tourism, notably by: (1) establishing a comprehensive policy framework; (2) promoting a coherent policy framework through a “whole of government” approach; (3) encouraging a culture of cooperation among tourism stakeholders (including regions from the same country); and (4) implementing evaluation and performance assessment of government policies and programmes affecting tourism development.

## **Local authority initiatives aimed at the promotion of sustainable tourism**

There are a number of appropriate initiatives that can help local and regional authorities, and other stakeholders, to meet the challenges outlined in Section 2 and so promote sustainable tourism in their respective localities. They include:

### **1. Encouraging innovation, productivity-based growth and overall product quality through:**

- the promotion of sharing of both innovative and best practice in terms of organisation, entrepreneurship or process (e.g. new distribution channels) development for a better use of existing capacities, higher labour productivity and rejuvenation of the tourism supply (e.g. new products),
- encouraging SMEs to align their products and services with consumers' expectations through the promotion of high-quality comfort and service standards through tourism accreditations,
- facilitating cooperation, creation of networks and building of clusters in the field of tourism to achieve economies of scale and scope, and
- boosting competition in all areas of the tourist industry – increased competition is the key ingredient in stimulating innovation;

### **2. Building skills and making employment in tourism more appealing, by:**

- influencing improvements in the tourism labour market to create attractive working places,
- increasing the entrepreneurial/management capacity of tourism SMEs through appropriate support and training programmes,
- promoting training and skills development through education and vocational training, on-the-job training and transfer of knowledge from research institutions to practitioners, and
- encouraging partnerships among enterprises to offer better career prospects;

### **3. Enhancing and promoting the specific qualities of each destination, by:**

- developing long-term programmes that promote the authenticity of tourism experiences, through the preservation and enhancement of natural and cultural resources and local cultures,
- supporting destinations in the rejuvenation of tourism offers through appropriate financial, regulatory, and technical measures and by creating a positive business environment to attract investment in tourism, and
- positioning the destination in international markets through new branding techniques and well-targeted advertising campaigns to attract attention and visitors;

### **4. Making tourism development more energy efficient and sustainable, by:**

- stimulating investment in energy efficient travel and tourist facilities and services in order to minimise costs and increase profitability of tourism-related enterprises and industries,
- reducing waste and pollution through better management of tourism-related resources such as climate, water, landscapes and biodiversity, and
- mitigating the impact of greenhouse gases by using technological progress and market-driven mechanisms in the field of tourism-related infrastructure, facilities, operations and processes;

### **5. Reducing obstacles to the development of tourism, by:**

- pursuing air transport service reforms as a way to improve efficiency and reduce costs while maintaining quality of services, and extending regional and international connections,
- supporting, especially in less-developed regions, investment in infrastructure (airports, ports, electricity and water and sewage) and related services (communication, technology) to meet the needs of increasing tourist arrivals, and
- removing unnecessary regulatory and administrative impediments to travel and tourism mobility, and simplifying and harmonising constraints;

## **6. Increasing knowledge of tourism, by:**

- developing and promoting a system of information and statistical tools which cover the wide range of economic, social and environmental tourism-related questions, meet the demand of tourism stakeholders and support business and policy decision-making, and
- raising government and other stakeholder awareness of the nature of tourism's contribution to economies and society, ensuring effective dissemination of research and information to governments and industry stakeholders, e.g. through ICT networks and regular publications.

All six groups of proposals outlined here might be supported through the creation of *local sustainable tourism development agencies*. Such agencies can undertake a variety measures, including: acting as the focal point for coordination between different stakeholders; stimulating technology transfer to tourist industry firms, especially SMEs; providing advisory and legal services; encouraging networks of local and regional firms; and creating professional associations to foster knowledge exchange.



## **6. Summary**

This report has described the importance of sustainable tourism for the countries of the Mediterranean, with special reference to the local and regional context in which tourism takes place. The first section outlined the significance of tourism for the countries of the Mediterranean. Section two identified the main challenges facing tourism in the region. The third section briefly described the role of several important agencies that are currently engaged with tourism-related issues in the Mediterranean region, providing an outline of their programmes and initiatives. Section four gave a brief overview of the type of role that can be played by local and regional authorities in promoting sustainable tourism in the Mediterranean. The fifth and final section presented several key proposals for improving the environment for sustainable tourism in the Mediterranean, suggesting areas where local and regional authorities can, in conjunction with other stakeholders, act most effectively to meet the tourism-related challenges facing the region.