



TOURISM IN MENA: A STRATEGY TO PROMOTE RECOVERY, ECONOMIC DIVERSIFICATION AND JOB CREATION

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Introduction:² As countries across the Middle East and North Africa (MENA) continue to recover from the economic and political volatility associated with the Arab Spring, how can they leverage their unique historical, geographic, and cultural assets to promote growth through tourism? How can tourism strategies in the region promote public-private partnerships, creating jobs and economic linkages, particularly for the large numbers of unemployed youth in the region?

Often described as the cradle of civilization, the MENA region boasts rich cultural assets, and is the historical origin of major religions including Christianity, Judaism, and Islam. This cultural heritage, coupled with the region's rich natural wonders, has made tourism a critical sector for economic and social development in the region. Tourism is a vital source of foreign exchange earnings, infrastructure investment, and cross-sectoral linkages. Even more importantly, the sector is a key source of job creation that can help MENA countries move from low value manufacturing into higher value-added service oriented activities.

However, due to ongoing economic and political uncertainty associated with the recent revolutions in the region, tourism arrivals declined in 2011 by 9% to 72 million, a decrease of 6.6 million visitors (United Nations World Tourism Organization - UNWTO 2012). Given this volatility, strategic reforms are needed to ensure tourists return to the region.

Recent political developments also provide important demand-side opportunities. As many countries in the region transition to new governments, economic reforms can be undertaken to liberalize the sector, breaking down monopolistic market structures that prevent new entrants and stifle innovation. Similarly, there are new opportunities to develop a full-suite of tourism services (ecological, cultural, and religious tourism), moving away from the "sun, sand, and sea" approach certain countries in the region have adopted. Effective reform in the sector will require structural and regulatory changes that promote competition, strategic investment in infrastructure, targeted marketing, and a focus on training to address labor-skill mismatches, particularly for women and youth.

Tourism's Strategic Importance to Economic and Social Development in MENA: Tourism remains a vital source of economic growth in the MENA region. In 2011 the sector directly contributed an estimated \$107.3 billion to GDP (4.5% of total). Visitor exports contributed \$93 billion (8.1% of total exports), and \$48.9 billion in investments (7.45% of total investment) to the region. Tourism is considered a major source of foreign exchange, and is important for balance-of-trade purposes. In

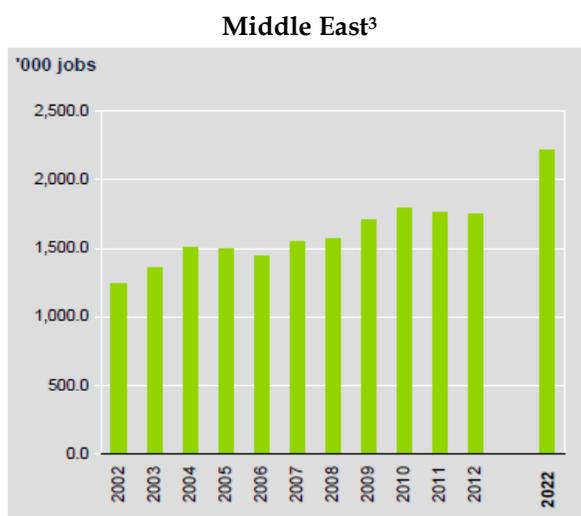
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Jordan, for example, tourism is considered the main source of foreign exchange earnings after remittances from overseas Jordanians. Tourism is also an important generator of employment (see figure 1), particularly in higher skilled service-oriented positions (translators, guide operators, curators, etc.). In 2011 the sector directly accounted for over 4.5 million jobs (6.75% of total employment) in the MENA region (World Travel and Tourism Council - WTTC 2012). 10% of the Egyptian population depends on tourism for their living, while in Tunisia tourism contributes to 7% of overall GDP, employing 400,000 people (UNWTO 2010). The sector is also an important source of economic diversification, particularly for the Gulf countries that are heavily reliant on oil revenues.

Tourism often connects local and rural communities to outside markets, providing avenues for unique local products such as art and textiles to find lucrative markets abroad. Developing cultural and eco-tourism sub-sectors such as trekking, desert tourism, and home stays can help connect these products to outside markets. Responsible development of these sub-sectors can bring needed revenues to local communities while promoting and protecting their unique social and cultural assets.

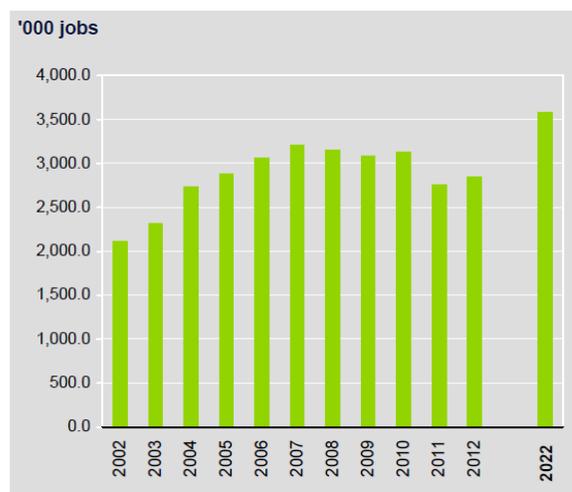
Figure 1: Direct Contribution of Travel and Tourism to Employment in MENA



Source: WTTC 2012

³ The World Trade and Tourism Council (WTTC) defines the Middle East as Bahrain, Iran, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, UAE, and Yemen

North Africa⁴



Source: WTTC 2012

Tourism and the Arab Spring: International tourist arrivals in the MENA region rose from 34 million in 2000 to 79 million in 2010, making the region one of the fastest growing tourism destinations worldwide (UNWTO 2011). The tourism sector suffered significant drops in volume due to the Arab Spring revolutions and ongoing economic and political uncertainty (see figure 2). International tourism arrivals declined by 8.4% to the Middle East (reaching 55.4 million) and by 6.5% to North Africa (reaching 17.1 million) in 2011 (UNWTO). Tourism revenues were down about 30% in Egypt and 45% in Tunisia (World Bank GEP 2012; UNWTO 2012). The decline led to significant contractions in employment, exports, and investments. Marketing the region has also become challenging as images of unrest continue to dominate media headlines. Tour operators have been wary to promote the region given this volatility. Nevertheless, the sector is expected to rebound by 3% in 2012 (WTTC 2012). This rebound, however, is anticipated to be highly unequal (for example accommodation reservation rates will grow by 13.2% in Qatar and -20.5% for Syria) and is increasingly uncertain, given ongoing economic and political unrest (WTTC 2012). Tourist arrivals for the first four months of 2012 increased by only 1% (Sambidge 2012).

⁴ The World Trade and Tourism Council (WTTC) defines North Africa as Algeria, Egypt, Libya, Morocco, and Tunisia

Figure 2: Middle East: Foreign Visitor Exports and International Tourist Arrivals



Source: WTTC 2012

Addressing Market Bottlenecks and Realigning Strategy:

Given ongoing economic and political uncertainty in the region, attaining sustained growth and recovery in the tourism sector will require a renewed commitment by authorities to address the strategic, operational, and regulatory bottlenecks in the sector that prevent competition and growth. Development of the sector in the region often lacks strategic focus, with many countries beset by outdated regulatory and administrative structures that impede market entrants, strategies that fail to integrate local communities, and underdeveloped infrastructure that prevents lucrative sub-sectors from flourishing (for example eco-tourism).

Re-Aligning Sectoral Strategies:

Tourism strategies in the MENA region must invest in the full spectrum of ecological, historical, and religious assets the region has to offer. This implies shifting focus somewhat from the “sun, sand, and sea” approach in many countries in the region towards offering experiences that weave beaches with historical sites, culinary and artistic offerings, and natural wonders (parks and reserves). In certain instances this implies moving from “externally driven” tourism patterns to “internally driven” cultural tourism that focuses on strengthening local standards. Providing value-added services that accurately meet demand will help attract higher value and repeat visitors. Strategic government investments in marketing and branding internationally can help ensure this product offering is effectively communicated to

potential travelers. Focusing on value-added service can also create robust economic linkages, ensuring tourism revenues are widespread within local communities rather than concentrated among small numbers of private-sector or government entities.

Tourism in Iraq: There are over 60,000 historical and religious tourist sites in Iraq, with some dating back to 10,000 years B.C. Tourists travelling for religious purposes constitute 90% of the overall sector. There are 4,000 tourists per weekday to the pilgrimage cities of Najaf and Karbala. This number swells to 10,000 on the weekends. The sector’s potential is not limited, however, to religious sites. Eco-tourism is ripe for development given the country’s diverse physical landscape which includes woods, lakes, mountains (in Kurdistan) to vast deserts in the South and West. With regard to cultural tourism, the National Gallery of Iraq, with its 28 galleries, is the largest in the Middle East. Regional towns such as Hatra boast archeological sites from the Hellenistic period. Regulators in the country recently placed a 4,000 daily cap on the number of Iranian tourists allowed to enter the country because they lack the

There is also a need to reach beyond European and other international target markets to foster domestic and regional tourism. Domestic travel spending generated 45.3% of direct travel and tourism GDP in the Middle East compared to 54.7% for visitor exports (WTTC 2012)⁵. In Egypt, despite instability, the domestic market is set to expand 7% in 2012 to reach 19.3 million visitors (\$20.40 billion) (Euromonitor International 2012). The sector is forecast to increase 3% in 2012 (18.4 million visitors) and 10% annually for an estimated 88 million visitors to the region by 2020 (WTTC 2012). The vast majority of regional tourists visit the holy cities of Mecca and Medina and hail from Egypt, Bahrain, Kuwait, Qatar, and the UAE. Supporting regional

⁵ **Visitor exports:** spending within the country by international tourists for both business and leisure trips, including spending on transport; **Domestic Travel & Tourism spending:** spending within a country by that country’s residents for both business and leisure trips.

tourists can increase arrival volumes needed for sustained growth while minimizing volatility during periods of economic and political uncertainty.

Although varying widely across the region, infrastructure deficiencies continue to hamper tourism growth. Transport infrastructure, maintenance of tourist sites, health and hygiene levels, and security still weigh on the development of the sector. The region could benefit from improved public management of tourist sites, which hold great potential but are often poorly preserved and under-managed. Public budgets in the region rarely allow adequate resources for up-keep and management of tourist sites. Targeted government investment can yield handsome dividends since many tourist sites are self-sustaining once established – for example desert tourism.

Eco-Tourism: Jordan's Royal Society for the Conservation of Nature (RSCN) is an independent voluntary organization devoted to the conservation of Jordan's natural resources. Established in 1966 under the patronage of Her Majesty Queen Noor with the late King Hussein, RSCN is responsible for protecting wildlife and wild places and is one of the few voluntary organizations in the Middle East with such a public service mandate. The organization's principal activities take the place of traditional tourism ministries in other countries, and include establishing protect areas to safeguard the best wildlife and scenic areas, enforcing government laws to protect wildlife, and raising awareness of environmental issues through educational programs. The organization has had a number of important achievements including establishing six protected areas within Jordan covering over 1200 square kilometers.

Cross-Cutting Issues: Promoting Women and Youth Employment and Addressing the Skills Gap: Given the variety of jobs tourism creates cross skills levels - from facilities maintenance to curators, architects, and city managers - and the sector's ability to promote economic development in rural communities, the sector is well placed to employ youth and women. However, in many MENA countries, there are acute shortages of labor trained

in tourism-related customer service, with language skills, and sufficient professionalism. The World Bank Education for Employment (E4E) program estimates that in Jordan there is a 3,000-15,000 labor shortage of housekeepers, waiters, and receptionists. Moreover, socio-cultural factors may make it difficult for women to work in the sector. In much of MENA there is a preference for women to stay at home, and in some communities there is a cultural wariness around working in tourism. Strategic investments are needed in tourism-related vocational training, work-readiness programs (internships), and language schools for women and youth to take advantage of these employment opportunities. Skills upgrading is particularly important in rural areas, where literacy and formal education are low. Also, labor policies must be reviewed to ensure that the hiring of recent graduates is incentivized rather than stymied.

Conclusion: MENA's tourism sector offers a set of winning propositions, including sustainable job creation, community empowerment, service-oriented linkages, and economic diversification. Given the significant drop in tourism associated with ongoing political uncertainty and economic stagnation, policymakers in the region must prioritize effective investment to address key industry bottlenecks. The revolutions in the region also offer a new opportunity to address market inefficiencies and develop alternative forms of tourism such as ecological, cultural, and social tourism. Effective reform in the sector will require structural and regulatory changes to promote competition, strategic investment in infrastructure and marketing, and a renewed focus on training to address labor-skill mismatches.

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