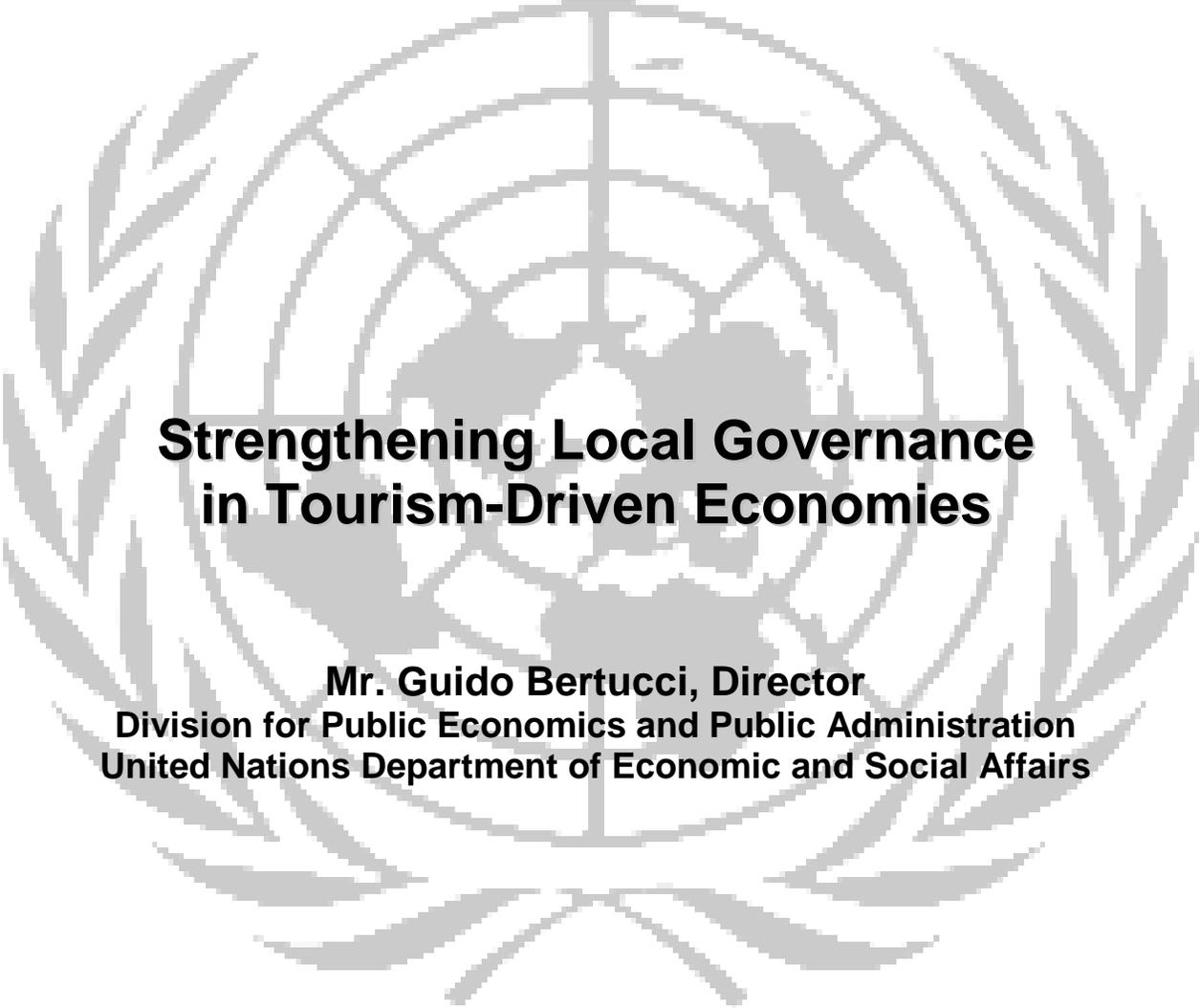


**Statement prepared for the  
International Colloquium on  
Regional Governance and Sustainable Development  
in Tourism-driven Economies**

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**Strengthening Local Governance  
in Tourism-Driven Economies**

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United Nations Department of Economic and Social Affairs**

**Cancun, Q.R., Mexico - 20- 22 February 2002**

Your Excellency, Mr. Joaquin Ernesto Hendricks Diaz, Governor of the Quintana Roo State; Ms. Magali Achach de Ayuso, President of the Benito Juarez Municipality; Mr. Carlos Flores, Head of the Presidential Office for State Planning and Regional Development of the Federal Government of Mexico; Excellencies, Ladies and Gentlemen,

It is a great honour and pleasure for me to be here today and welcome the representatives of Governments, international organizations, and the business community who gathered to participate in this important meeting. We are pleased to be guests of the great nation of Mexico, and of the beautiful city of Cancun.

I would like to begin by congratulating and thanking the Governor of the State of Quintana Roo, Mr. Joaquín Ernesto Hendricks Díaz, for his vision, leadership and generosity that made this event possible. I would also like to express my gratitude to the members of the Cabinet of the State of Quintana Roo and to all the staff of the Organizing Committee for their professionalism, continued commitment and hard work in preparing this meeting.

I am very pleased that we have this opportunity to discuss and exchange experiences and ideas on decentralization and the importance of strengthening local governance in regions whose primary economic activity is tourism. As you all know, tourism is one of the largest and fastest growing industries in the world: 4.4 per cent of the world's Gross Domestic Product (GDP) flows directly from tourism, which employs over 200 million people. Given its increasing economic relevance and its impact on local development, this Colloquium is extremely useful in providing support to policy development and management of the many aspects of tourism-driven economies.

It is widely recognised that the tourism industry can provide great opportunities in terms of economic growth, higher levels of employment, and development. At the same time, however, it also presents challenges. In fact, if the tourist industry is not subjected to clear rules and standards, it can have negative impacts on local sustainable development. It can result in the

degradation of the environment, through improper exploitation and/or depletion of natural resources, which ultimately affects the sustainability of tourism itself. Another challenge related to this type of industry is how to deal with global fluctuations in the demand for tourist services. A region that ties its economy mainly to tourism needs to have in place a strategy to counteract the negative effects of sudden international economic or political crisis that may halt or diminish tourism activities. Furthermore, tourism, if badly handled, can contribute to the disruption of the historical, cultural, and natural heritage of local communities, which in the end may hinder the future development of tourism itself. This is in part due to the fact that "attractiveness" of a destination is often closely linked to the natural, historical and cultural heritage of a specific region. In fact, its primary commodity is not something produced by an industry. Its objective is in essence to promote the best aspects of a community and its territory, as well as to encourage foreign direct investment. In this sense, one may say that the opportunities and challenges that tourism carries in its trail are unique to this type of activity.

The first question then is how to promote tourism and ensure at the same time that it is a vehicle for growth and development, which is sustainable. In other words, how to seize the opportunities that tourism can bring to a country, while minimizing its potentially adverse effects in the short and long term. In this regard, a healthy governance environment seems to be the most important factor in making tourism a successful activity for sustainable development, and specifically three governance aspects:

- 1) Effective and transparent political institutions, which are accountable, allow for political participation and representation, and are responsive to citizens' needs and demands.
- 2) A coherent and consistent set of policies and a regulatory framework, which addresses the diverse aspects of tourism in a holistic way.
- 3) Partnerships between the State, the private sector and civil society. Because the tourist industry affects many dimensions of the economic and social life of a community, and because no single actor, either public or private, can solve on its own all the diverse

problems related to tourism, partnerships are particularly important in bringing together all the actors involved and in allowing for discussion, mediation and constructive collaboration.

The second question is what level of government is best suited to deal with the challenges of tourism and to manage effectively local natural, financial and human resources, security issues, adequacy of infrastructure, basic services and the impact of tourism on community life. In view of the fact that tourism is an economic activity which is deeply linked to a particular territory and to local variables, central governments are not always suited to manage the complexities of this industry and its impact on the economic and social environment. In many cases local governments seem to be in a better position to cope with issues related to the tourist industry for a number of reasons. They have direct knowledge of the strengths and weaknesses of the region, they are more aware of the opportunities and challenges of the business community, and are able to respond in a timely manner to major changes or problems which affect the territory of a community or its people.

Thus, promoting decentralization and strengthening local governance can allow greater representation and participation of all stakeholders in the decision-making process, as well as closer involvement of citizens in the policy process. In fact, there is a growing consensus that decentralization is not only an important condition for achieving sustainable socio-economic development, but also a fundamental ingredient for good governance. It can also be instrumental in providing services that respond more closely to the needs of the local population, including the business community. In brief, decentralization, which has come to occupy a prominent role in the debate on sustainable human development, is viewed as an important means of achieving a more democratic and participatory approach to governance.

It must be said that policies concerning the different dimensions of tourist activities also seem to benefit when local governance institutions are strengthened. The need to preserve the environment, to generate and manage financial resources in ways that help develop the best potentials of a community, to manage diversity and to provide an enabling environment for the

promotion of local entrepreneurship call for greater involvement of local authorities. Tourism policies involve typically different levels and different functions of government. For example, while the functions of public order and safety are typically the responsibility of the central government, other functions related to education, infrastructure and regulations—key enabling factors for tourism entrepreneurship and business creation—seem to be best managed by local authorities, who have the advantage of being close to the market (tourists), to the private service providers (local businesses), and to the citizens (local culture). Local governments also have a day to day understanding of the natural environment situation; in many countries natural resources are the key feature that attracts tourists. Further, local governments are in a better position to formulate and implement policies and regulations, which allow the private sector to operate effectively. This is so because tourism, as many economic activities, depends on such factors as local initiative, adaptability and capacity; basic infrastructure to facilitate business activity; a supportive legal and regulatory framework; and the ability to mobilize necessary resources and respond rapidly to the ever-changing environment.

In order to promote tourism within the framework of sustainable development, local policies must be coordinated and supported by national policies. In fact, a clear and effective multi-layered system of governance in tourism-driven economies is vital in ensuring an integrated approach to development. Vertical co-ordination, i.e. co-ordination between central and local government is as important as horizontal co-ordination, i.e. co-ordination between policies and programmes regarding the various functional areas of the tourist industry at the local level. Striking a balance between the needs of the business community, the requirements for the preservation of the environment and the need to preserve the historical and cultural heritage require a holistic approach to development.

Having in place transparent and accountable political institutions, both at the central and local levels, as well as effective policies are not enough to strengthen tourism-driven economies. Partnerships between local government, the private sector and civil society also play an important role in the achievement of economic, social and environmentally sound development goals. The views that either the State alone or the market alone could generate development have

been dismissed by concrete facts. Just as the concept centering on the omnipotence of the State was erroneous, reality has proven that the market has a great potential but that without solid institutions and regulations it can generate far-reaching imbalances. This has resulted in a new wave of questioning on how to achieve a different balance among the State, the market, and the other important actor, civil society. It has also led to the understanding that the State and the market are not competitors, but that, as underlined by the United Nations Secretary-General Kofi Annan, both need to work as strategic partners in development together with civil society. The contribution that civil society can give to solving social problems and the need for a more participatory approach to development makes it an invaluable partner in governance. Partnerships between the State, private sector and civil society can prove to be very important in policy-making processes regarding the protection of the environment, work conditions, and social safety nets.

It must be said, however, that there is not one-size fits all solution or recipe for the successful management of the tourist-industry. What responsibilities should be assigned to the central government and what instead to regional authorities depends on many circumstances and can be decided only case by case. In fact, although decentralization is being implemented in many countries, the degree of decentralization and the functions that are decentralized varies widely across regions, reflecting differences in their history, culture and their legal, political and administrative structures.

Regardless of how responsibilities are divided among central and local government levels, what is greatly needed today in tourism-driven economies is strengthening the capacity of local governance institutions. In fact, countries that tie their economies primarily to tourism can greatly benefit from it only if central and local governments, in partnership with the private sector and civil society, have the capacity to deal with its many challenges and act in synergy.

Our intent today is to promote the exchange of experiences and ideas on precisely the importance of reinforcing local governance in regions that have tied their economy to the tourism industry.

To this end today, in the first session of the meeting, leading international experts will address a number of relevant issues, namely 1) fiscal decentralization and its implication for tourism; 2) fostering local entrepreneurship; 3) sustainable tourism, environmental protection and natural resources management; and 4) management of cultural interaction. The second session, this afternoon, will present state-of-the-art training methodologies on nurturing the entrepreneurial spirit and on managing inter-cultural diversity. Tomorrow morning, during the third session, leading practitioners from different countries and continents will present a number of regional case studies. In the afternoon, in the fourth session, an ad-hoc committee will draft preliminary conclusions and recommendations, while arrangements will be in place for interested participants to hold bilateral meetings. In the fifth session of the Colloquium, that will take place on Friday morning, the Governors will share with participants their views on the most relevant issues and challenges faced by regions that have tied their economy to the tourism industry and identify policies, institutions and programmes aiming at reinforcing local governance in these regions. Conclusions and recommendations will then be presented, discussed and adopted, before a closing ceremony will officially conclude this event.

I have every confidence that the discussions that will take place during this Colloquium will enhance our understanding of these issues and provide support for policy development and capacity-building of local governance institutions in tourism-driven economies. In that spirit, please accept my best wishes for a successful meeting.

Thank you for your attention.