Economic Opportunities and Job Creation: Tourism Sector

DRAFT FOR DISCUSSION

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1. Sector overview

Lebanon’s geographic location on the Mediterranean Sea, its diverse climate and its cultural heritage of over 10,000 years have contributed to making the country a prime destination for tourism in the region. With a unique mix of cultures, climates, and natural sceneries, the tourism sector is one of the pillars of the Lebanese economy. Lebanon is famous for being the only country in the region with four seasons yearly, and stunning archaeological and historical sites. Lebanon also enjoys attractive events and festivals yearlong and a high caliber of hotels, restaurants, night clubs, theaters and luxury shopping.

The performance of the tourism sector is highly dependent on the political and security stability in the country and the region. The World Tourism and Travel Council (WTTC) calculated tourism’s direct contribution to GDP at 7.6% in 2014, and total contribution\(^1\) of 21.1% in the same year\(^2\). National accounts data published by CAS show the hotel and restaurants contribution to GDP of 1,890 billion LBP in 2013 (around 3%). However, tourism’s contribution is not limited to hotels and restaurants, with parts of wholesale and retail trade, transport, financial services, real estate, health and social care, etc. also attributed to tourism.

<table>
<thead>
<tr>
<th>Table 1. Annual change of direct and total contribution of travel and tourism to GDP, 2009-2014 (percentage)</th>
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<tbody>
<tr>
<td>2009</td>
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<tr>
<td>Direct contribution to GDP</td>
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<td>Total contribution to GDP</td>
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Source: WTTC

The sector’s growth was until recently largely due to the inflow of tourists from the Arab countries (441,000 visitors in 2014\(^3\)), Europe (449,000 visitors), the Americas (225,000 visitors) and the rest of the world (240,000 visitors) and contributed greatly to the economy in the past couple of decades.

<table>
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<th>Table 2. Inflow of tourists, 2008-2014 (Millions)</th>
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<td>Year</td>
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<td>Inflow of tourists</td>
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Source: Beirut International Airport website

Visitor’s exports, which represent total spending by international tourists was estimated to have generated 10,572.8 billion LBP in 2014, almost half of the 2010 contribution of 19,873 Billion LBP. Tourism in Lebanon has in fact suffered from a slowdown since 2010, with tourist inflows decreasing due to main reasons:

- The travel restrictions to Arabs caused by political tensions with Lebanon

\(^1\) Total contribution of travel and tourism to GDP encompasses in addition to the direct contribution to GDP, other final impacts, capital investments, government collective spending, imported goods from indirect spending, and induced impact

\(^2\) Travel and tourism economic impact 2015 Lebanon, WTTC

\(^3\) UNWTO, compendium of tourism statistics, 2016
- Travel warning issued by numerous countries advising their constituents not to visit Lebanon due to security concerns

In addition to warnings, the closing of land travel routes through Syria, due to the ongoing Syrian conflict, has also limited access to Lebanon for tourists coming in from Jordan, Iraq and Iran to name a few of the neighboring countries. Arrivals by air, water and land decreased, according to UNWTO statistics from 2,183,000 visitors in 2010 to 1,355,000 in 2014\(^4\). This decline in the number of tourist is also reflected in the hotel occupancy rates. Since 2014 nonetheless and despite the unstable geopolitical environment, tourism has picked up again, slowly but steadily due mainly to the development of internal tourism which relies on local demand.

**Table 3. Hotel occupancy rate, 2008-2015 (Percentage)**

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<tr>
<th>Hotel occupancy rate</th>
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<td>55</td>
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<td>58</td>
<td>54</td>
<td>51</td>
<td>52</td>
<td>56</td>
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Source: MoET

Lebanon’s tourism sector is divided into **two main types of tourism**: Beirut-centered tourism, with reliance on hotels established in the capital and the main other cities, and rural tourism whereby the experience is more centered on exploring Lebanon’s traditional villages and rural areas. Accommodation in rural areas consists of boutique hotels and rural accommodation operated by people from the villages, offering an authentic experience.

The first type has been greatly affected over the past few years. The latter, rural tourism has blossomed. The Ministry of Tourism reports rural hotels and accommodations to have been highly booked throughout the summer and high season periods of 2016. The clients have been, in addition to tourists visiting the country, Lebanese themselves seeking to enjoy new experiences in the country.

The sector is broadly divided into **two main subsectors**: the hotels, on the one hand, and the restaurants and other food and beverage establishments, on the other. Hotels registered with the syndicate of hotel owners in Lebanon showed the existence of 416 hotels, 53% of which are in Mount Lebanon and 24% in Beirut, while the sample selected for the food and beverage establishments showed that 33% were located in Mount Lebanon and 30% in Beirut\(^5\).

Lebanon’s hotels have approximately 23000 rooms present mostly in Beirut and Mount Lebanon (9000 rooms in Beirut, 10000 rooms in Mount Lebanon, and around 4000 rooms in the rest of the country), a total number which is very low compared to other touristic countries in the region, making the country more adapted to niche tourism.

While the hotels have been affected during the past few years by the political and security developments in the region, **the food and beverage business** is still flourishing, although it is noted that there is a movement of migration of restaurants from one area to another in the country every few years and thus the actual number of jobs created and lost is unknown.

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\(^4\) UNWTO Compendium of tourism statistics, 2016

\(^5\) Employment needs assessment study in the hospitality sector (restaurants and hotel), NEO, 2001
The travel and tourism sector accounted directly 114,000 **jobs in the Lebanese labour market** in 2014, which amounts to 7.4% of total employment, and indirectly 313,000 jobs, which represents 20.3% of total employment\(^6\). These jobs are estimated to be mainly in the food and beverage services, followed by accommodation and travel agencies in smaller numbers\(^7\).

Lebanese staff in the tourism sector are very professional, technical education for tourism is of a high level. Lack of attractive job opportunities has drained Lebanese specialists and technicians in the past decade, and in general the level of labour in the sector has suffered as a consequence. However, given new opportunities and decent work and pay, Lebanese skills will return to Lebanon. Lebanese, Syrians and workers from other nationalities are employed in both the hotel and restaurant sectors. While Lebanese hold jobs which require direct contact with the customer and concern cooking, Syrians and workers from other nationalities are mostly employed in what is referred to as the back kitchen and cleaning services. Some reports do note replacement of Lebanese labour with Syrian workers, especially in areas outside of Beirut in an effort to reduce costs.

Sector experts estimate that the sector has the ability to recover very quickly (there are opportunities for a quick re-start of the hotels sub-sector) once the situation is calmer in the region, but in the meantime heavy reliance on internal tourism and innovation to stimulate it are required.

### 2. Government priorities

Lebanon does not have a comprehensive strategy for the tourism sector. The Ministry of Tourism developed though a Rural Tourism Strategy, and as well launched a number of major initiatives to boost tourism in the country. Also, the Ministry has led and coordinated promotional campaigns to position Lebanon on the touristic map and maintain its position as a touristic destination, and to support touristic activities in-country, notably through supporting international and local festivals.

Special initiatives undertaken by the Ministry of Tourism include:

- **The Lebanese diaspora tourism promotion** programme (Ana), which targets 14 million Lebanese abroad and encourages them to visit Lebanon at least once in their lifetime.
- **The Phoenicians’ Route Initiative**, which aims to develop and promote cultural tourism itineraries along 18 Mediterranean countries and more than 80 towns of Phoenician-Punic origin and culture.
- **The ‘Authentic Shouf’ advertising campaign and website** www.authenticshouf.com to promote the Shouf region and unveil its authentic side and shed light on its many environmental, historical and cultural assets, from its coastal beaches to its cedars, and its most important religious landmarks and heritage sites.
- **The five-year Rural Tourism Strategy (2015)** aims to enhance economic opportunities in rural areas through improving the competitiveness of the rural tourism value chain.,

The Government has prioritized the conservation and development of archeological sites and their urban surroundings throughout the past decade. The Council for Development and Reconstruction (CDR) has

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\(^6\) WTTC, 2015  
\(^7\) Rural tourism value chain assessment report, USAID, 2014
implemented projects focused on five important sites in Byblos, Baalbek, Tripoli, Tyr, and Saida. This approach has been validated by the economic return on investment in cultural heritage; for every US dollar invested in cultural heritage in Lebanon, US$ 7 of additional economic activity are created.

The Investment Development Authority of Lebanon (IDAL) promotes and provides support to attract and generate foreign and local investments in the tourism sector. IDAL support for foreign investment includes a generous package of incentives (e.g. exemption from corporate income tax, reduction on work, residence and construction permit fees) and single window assistance.

3. Challenges facing the sector

The touristic sector in Lebanon faces many challenges, chief amongst which is the instability at the security level both in the country and in the region. But other issues also hinder the development of the sector and have been reported in meetings held with experts and other published reports and presented below.

Transport and transportation:

According to all experts in the sector, the main challenge facing tourism is the problem of transport and transportation. Transportation problems are (1) external and cover problems that relate to access to the country, which is currently restricted by land, and costly by air, and (2) internal at the level of the lack of efficient public transportation system (low quality, high cost). Transport is an essential component of tourism by definition, providing connections between regions, and connecting attractions, accommodation and select destinations. The capacity, efficiency and connectivity of transport can therefore play a significant role in the sustainable development of tourism. However in Lebanon, the transport sector continues to suffer from poor infrastructural system.

Considerable work needs to be done to allow for tourist access to the country and to improve the transport situation; the main sites outside of Beirut are quite dispersed and access to them is costly, especially for individuals traveling on a budget which limits the number of visitors to the country. In addition to cost, (1) no clear information is given with respect to departure time and schedule from the two main bus stations Cola and Charles Helou stations, (2) lack of wide spread bus stations, (3) lack of functioning train stations and (4) a lack of clear pricing system for taxis.

Marketing and positioning Lebanon on the touristic map:

Lebanon’s image around the world needs to be well reflected and marketed to attract increasing numbers of tourists to the country. Lebanon continues to suffer from the lingering hangover of the civil war and the current internal and regional conflicts. Some areas in the country remain risky, but for the most the situation has been as stable as in many countries around the globe. An accurate reflection and portrayal of the situation to promote Lebanon as a touristic destinations is critical to support the sector. The Ministry of tourism has already started implementing such initiative which still requires scaling up.

USAID’s assessment of rural tourism also notes a (1) lack of availability of printed promotional material, with the brochures available being not user friendly and (2) a lack of tourist information
centers in the region. Both issues directly impact marketing efforts and the placement of Lebanon on the touristic map.

Environmental concerns
Growing concerns with respect to the environment are surfacing in Lebanon, from the garbage situation that has lasted for over a year to air and water pollution concerns due to waste dumping, traffic congestion, destruction of natural resources and other bad environmental practices.

Environmental concerns have a direct effect on tourism as it is causing the deterioration of nature in numerous touristic areas such as Byblos, which is suffering from erosion of the archeological site, traffic congestion and air pollution, Sidon, which suffers from seawater, air and noise pollution, lack of green spaces and traffic congestion, and Baalback which suffers in addition to the above, of illegal waste dumping and burning at the mercury temple site.

Hygiene and quality issues in restaurants
Despite the food safety campaign undertaken by the Ministry of Public Health, reports of food poisoning and other health-related issues are still surfacing, and concern for the quality of food served in restaurants around the country is increasing and is affecting demand, according to expert reports. The Ministry of Tourism conducts continuous visits and assessments to determine the quality of food served. The Ministry reported many violations linked to either the quality of raw materials used in the preparation of food (milk, vegetables and meat, specifically; problem which is exacerbated due to the lack of traceability of goods) or to the quality standards used during the preparation and preservation of meals. Certifications of quality are still lacking.

In addition, experts note a lack of qualified labour in the country for this sector at all levels of the trade; contact with customers, food preparation, food quality, sanitary control… This problem is deepened by the lack of training for hospitality and tourism in the country.

High operating costs
Tourism suffers from the same high operating costs as the other productive sectors in the country. The high cost of land, labour, capital and infrastructure (including water and electricity) strain the cost structure. Main cost-cutting strategies in hotels, for example, target maintenance and staff expenses. Hence, to compensate for low tourist revenues and to decrease costs, businesses tend to cut employment as one of their crisis management strategies or adopt seasonal employment.

As the Ministry of Tourism attempts to regulate the sector, informality is expanding. In addition and following the Syrian crisis (and the influx of refugees to the country), there are reports regarding the ownership of Syrians illegally setting up food and beverages establishments (with lower costs of labour), creating competition with Lebanese enterprises.

Protection and maintenance of touristic sites
Notwithstanding progress made in the protection of natural sites and historic sites (including the national land use master plan), challenges remain. Lebanon’s rich history comprises many sites which are recognized UNESCO World Heritage Sites (Anjar, Baalbek, Wadi Quadicha, Forest of the cedars

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8 Lebanon’s Hotel Industry: Suffering from Political Unrest but with High Growth Potential – Oct 2016
of God, Tyre) and others which could be added to the list. Unfortunately, lack of investment in the sector has resulted in poor maintenance and upkeep and improvement of these sites, which are deteriorating and causing a loss at the level of the world heritage and not only the Lebanese heritage.

Sites are poorly kept at all levels from basic amenities such as road access, parking lots, and clean and functional restrooms to structural problems whereby some sites present safety hazards and crumbling structures. Information about the value and content of the historical site are also absent, badly presented or not well maintained.

4. Donor assistance in the Tourism sector

Below are summarily reviewed donor support initiatives to the tourism sector in Lebanon.

The Cultural Heritage and Urban Development Project in Lebanon, is a loan support initiative co-financed by the World Bank, French Agency for Development, the Italian Cooperation and implemented by the Council for Development and Reconstruction (CDR). This project seeks to improve the conservation, and management of the country's cultural heritage, and economic regeneration of Lebanese historic cities (Byblos, Baalbeck, Tyr, Saida and Tripoli). With a view to promoting tourism, activities include rehabilitation of historic city centers, and urban infrastructure improvements that will upgrade public spaces, and as well preserve monuments and historic buildings. Other components consist of archaeological sites conservation, and management, institutional strengthening through complementary technical assistance, and capacity building of national institutions.

The rural tourism value chain assessment in Lebanon supported by USAID through the Lebanon Industry Value Chain Development project (LIVCD): In collaboration with stakeholders in rural tourism, this initiative aims to increase the importance of rural tourism as a means of generating income for the rural population. Additional assistance include support to the Ministry of Tourism to provide tourists with an interactive website and help them plan itineraries and plot driving routes (with more than 20,000 points of interest in Lebanon), support to help improve the quality of cottage inns in rural areas, and collaboration with Souk el Tayeb to support heritage food events celebrating local culinary and agricultural traditions.

Rehabilitation of the Beirut National Museum through support from the Italian government (USD 1,132,200); this initiative contributed to the modernization of the museological strategy and to the implementation of a new display for the basement of the National Museum of Beirut. Additional assistance from the Italian government also includes support to the development of religious tourism in Lebanon (USD 460,000), rehabilitation of Khan el-Eshli (Caravanserai) in Saida Old City (USD 1,665,000) and support to conservation of the Chamaa Castle Conservation in South Lebanon (USD 770,000).

Support to protecting and conserving culture heritage in Lebanon: UNESCO has also supported national institutions in the preservation and safeguarding of Lebanese cultural heritage, with the aim to promote cultural pluralism, and achieving sustainable peace and economic prosperity. This included the

9 Cultural Heritage and Urban Development Project, CDR, 2012
launch of “#UNITE4HERITAGE” campaign that aims to raise awareness about the urgent need to protect cultural heritage in times of peace as well as in time of war as part of fostering cultural diversity and engaging local communities in protecting their heritage. UNESCO has further provide support for Baalbek, Wadi Qadisha…

5. Opportunities

This section presents opportunities for tourism job creation and growth in the short and medium terms (not in order of priority), aligned with the priorities and initiatives of the Ministry of Tourism and as well with other assistance frameworks.

To create jobs and achieve sustainable growth in the tourism sector, key is a comprehensive and multi-disciplinary approach in planning and implementation.

- **Public-private partnerships:** Promote and support **public-private partnerships for tourism sector development**, for infrastructure development and provision of services to promotional efforts. Tourism works best when the public sector and private sector (and local stakeholders) work together for common objectives. PPP and tourism can be applied to public goods (national heritage, urban regeneration, etc.) and to private goods and services (hotels and resorts, events, etc.). It can significantly contribute to a sustainable tourism programme and a broader tourism development strategy. **Reinforce and develop sector coordination is key** to foster public-private sector cooperation among key national and international stakeholders. The establishment of a new **national tourism council** was suggested (under private sector management). The Conseil National du Tourisme (CNT) performed remarkably well in the 60’s and 70’s.

- **Tourism development strategy:** Develop a **national tourism sector strategy**, with emphasis on tourism product development and innovation.

- **Tourism niche markets:** Promote Lebanon, using creative approaches, as a **touristic destination including domestic tourism**, especially for **niche markets**, such as medical tourism, cultural tourism, religious tourism, gastronomy tourism, wine tourism, eco-tourism, etc. **Supporting value chains with high value added**, will further enhance and develop tourism in niche markets. Lebanon’s famous cuisine/traditional food, religious diversity, quality of healthcare services, diversified scenery and available outdoor activities need to be capitalized to further develop key niche tourism in the country. Specializing in niche tourism markets could adjust to the high cost structure in the country and will allow for growth in the sector and increase in employment, independently from the competition with neighboring mass tourism regions.

  **Gastronomic/food tourism,** is an extremely important Value chain ‘growing food to plate’. Linking food heritage and tourism is a key opportunity in Lebanon. International websites, such as [www.travelandleisure.com](http://www.travelandleisure.com), identified Beirut as the number one destination for food, which is a reputation the country as a whole can build on to attract tourists. It will require that food quality and hospitality practices are maintained and enhanced, and promotion efforts continued.
Developing trails for tourism: Develop further LMT and trails in different regions for each of the specific niches, such as wine trails, religious trails, and archeological trails. The trails will help develop productive sectors in the area and link different producers, both at the horizontal and vertical levels. They will also allow the Ministry of Tourism and private tour operators to promote holidays targeted around those trails. Finally, the development of trails will contribute to the decentralization of tourism and regional development of areas outside of the main cities, and thus promote sustainable rural development, job creation and growth in all regions.

Rural tourism: Scale up assistance to develop rural tourism. Rural tourism has been picking up as a touristic interest for both locals and international visitors in the past few years. Developing local tourism action plans would help connect tourism to local development. This approach can ensure sustainable rural tourism. Government to cooperate with the local authorities, organizations.

Key opportunities include:
- Promotion of rural destinations and clusters of villages to attract tourists and increase the length of stay,
- Support building quality rural accommodation capacity
- Support to rural municipalities and communities to engage in rural tourism planning and development,
- Use of technology in promotion campaigns and maps location services,
- Partnership with media for targeted promotional campaigns,
- Partnership with private sector to improve access to financing (i.e. commercial banks),
- Incentive programmes including discounts for national and international students

Increasing rural tourism is not though without some risks, with environmental concerns linked to scaling up this kind of tourism if unsupervised. An increase in tourists in rural areas puts a strain on the environment there (water resources, uncontrolled adventure tourism such as ATV and off road vehicles pollution...). Proper planning and supervision are needed to accompany the development of rural tourism, in line with the strategy developed by the ministry of Tourism.

Inter-sector linkages: Strengthen/develop linkages between different economic sectors, such as tourism and agrofood, through the use of local agrofood products in lodgings around the country. Innovative ways of linking agroindustry to other sectors such as tourism will contribute to inclusive and sustainable development, and also to promote partnerships between farmers, producers, and restaurants, hotels and other tourism business. Activities can include farm and vineyard tours, and farm stays. The development of linkages with wineries for example develops simultaneously wine production and vino tourism. Identifying and developing value chains with high potential for employment in different sectors is of high interest.

Protection and development of touristic sites: Promote and further develop world-class archeological and historical sites through training and improving management practices and upgrading marketability. This will allow to further develop the strategic concepts for creating and enhancing synergy between the site and the immediate surroundings (Baalbek, Tyr ...) through
urban and communal planning. Adopting a tourism infrastructure approach will enhance the strategic value of the sites and the ability to interest visitors. This would include fund of projects targeting restoration, preservation and upkeep of historic and archeological sites and development of the infrastructure surrounding and leading to those sites. Such interventions are labour intensive and needed to preserve maintain and promote sites which are of high value not only to the country but to the world heritage for what they hold of historic and archeological value. They include but are not limited to: archeological restoration, ensuring cleanness, rehabilitation, proper signage, lighting, first aid facilities, integrated solid waste management practices, etc. Such initiatives help create jobs and growth in the short term, but also, with proper marketing and support for the sector, develop tourism as a whole in the long term. Protecting and preserving the diversity of Lebanon’s natural sites and landscapes will also play an important role in the safeguard of natural resources, in local and rural development and tourism development (e.g. Qornet el Saouda).

- **Technical capacity building**: Prioritize and accelerate vocational training programs, especially for youth and for women. Training on hospitality good practices and on hygiene training in line with the Ministry of Health and Ministry of Tourism requirements are reported to be needed in the sector and will help better promote tourism industries.

- **Guesthouses development**: Support the classification of guesthouses is key to manage and promote further development of the industry. Continue support for the creation of guest houses and other tourism facilities around the country, through soft loans for SMEs, business development support, training, etc., will further promote rural tourism and help in job creation in different areas in the country. Guest houses have registered an increasing number of visitors. Both internal and international visitors are keen on experiencing the authentic rural experience guesthouses offer. These SMEs employ labour at different skill levels and help in promoting sustainable growth in rural areas in Lebanon.

- **Entrepreneurship in tourism**: unlike countries in the region, tourism business incubators are missing in Lebanon. Business incubators can be used successfully for the benefit of start-ups in the tourism sector, such as network incubators, incubators in ecotourism or nature-based incubators. Promote investments in tourism financing is also key to increase employment and sustainability in the sector.

- **Transport**: improve road signalization and availability of tourism maps to further facilitate information access to tourists on routes and means to reach their destinations as well the location of the various touristic sites.

- **Nature tour operators**: support the development of regulatory/institutional frame for nature tour operators to operate in the sector.
The below illustration provides a simplified image of the above identified opportunities presented by implementation time in relation with job creation potential. This figure illustrates the variation between the different types of interventions including those with a high potential to create jobs in the short term but limited structural impact on the growth of the sector as well as opportunities that remove barriers for growth in the longer term but have smaller immediate job creation potential.
Figure 1. List of opportunities in the tourism sector by implementation time and potential for job creation

- Medium Term (3-5 years):
  - Develop tourism sector strategy
  - Promotion campaigns, esp. niche markets
  - Win-win transport improvements
  - TVET technical capacity development
  - Support for the creation of guest houses
  - Strengthen linkages between sectors

- Short Term (0-2 years):
  - Develop trails in different regions
  - Entrepreneurship infrastructure and innovation support
  - Develop niche tourism markets (value chains)
  - Develop further rural tourism
  - Develop further world-class archeological & historical sites
  - PPP for public goods and private goods and services
  - Upkeep, restoration and preservation of archeological and historic sites