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Ministry of Tourism

Government Actions to Promote Tourism in Eilat and Plans for its Economic Development



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Background

Eilat is the most peripheral local authority in the State of Israel, located at the southern tip of Israel bordering on Egypt and Jordan approximately 350 km from central Israel. Tourism is the city's main economic sector, which is highly sensitive to social, economic, political, security, environmental, health and technological trends. For years, tourism in Eilat has been facing stiff competition from the neighboring cities of Aqaba, Jordan and Taba, Egypt, and from other destinations in the Mediterranean Basin and in Europe that attract Israeli tourists. Because Eilat is a resort city without employment diversity, its economic resilience is threatened whenever the tourism sector is adversely affected. Over the years, attempts have been made to contend with these difficulties through plans to strengthen tourism and develop additional economic sectors in Eilat.



Key figures

Cluster

1–2

Eilat’s ranking in the peripherality index (the most peripheral local authority).

90%

Of the jobs in Eilat are in the tourism sector (directly or indirectly).

45.6%

The ratio of job seekers in Eilat during the covid-19 pandemic (April 2020) – the highest ratio in Israel.

11,000

Hotel rooms in Eilat were closed in March and September 2020 due to the covid-19 pandemic.

0

Number of new hotels built in Eilat over the last 18 years.

3

Major tourism ventures in Eilat that have been underway for 9 to 17 years have still not been completed.

750 meters

Out of approximately 12 km. of Eilat’s coastline, have been defined as declared beaches (approximately 6.25%).

2,480

Road accidents occurred on Route 90 (the main route to Eilat) from 2003 to August 2020, which resulted in 251 fatalities and 7,790 injuries, including 769 seriously injured.

Audit actions








From 2017 to 2020, the Office of the State Comptroller intermittently audited several of the government’s planning and implementation initiatives over the last decade to promote tourism and economic development in Eilat. These included the extent that three major tourism projects in Eilat have been completed; actions to vacate sections of the IDF Navy base in Eilat in order to expand its territories for residential housing and tourism; and actions to develop the transportation routes to Eilat by installing railway tracks and upgrading Route 90. In addition, the audit examined **the impact of the covid-19 pandemic in 2020 on the tourism sector and on Eilat in particular**. The audit was performed in the Prime Minister’s Office, in the Ministry of Tourism, in the Ministry of Finance and in the Ministry of Defense. Supplementary examinations were performed in the Eilat Municipality, in the Ministry of Culture and Sport, in the Ministry for the Development of the Negev and the Galilee, and in the National Economic Council in the Prime Minister’s Office. Supplementary examinations were performed in the Israel Land Authority, in the Israel Government Tourist Corporation, in the Israel Government







Eilat Foreshore Development Company, in the Ministry of Transportation and in the IDF. Some of the findings were updated in December 2020.

Key findings

-  **Comprehensive strategic plan** – Eilat has limited sources of employment and its principal employment sector is tourism. approximately 90% of the jobs in Eilat directly or indirectly relate to the tourism sector and approximately one quarter of the entire workforce is employed in the hotel sector alone. Consequently, Eilat is highly sensitive to crises and emergencies. In the years 2009–2017, various government authorities attempted to promote a comprehensive strategic plan to improve Eilat’s situation, but their efforts were ineffective as the discussions about measures that need to be taken and resource allocation were never completed. The government authorities engaged in this issue were unsuccessful in deciding which alternative should be promoted and their efforts did not generate operational decisions or even a government resolution in this regard.
-  **Promoting the city of Eilat** – Since the 2016 strategic plan to promote the city of Eilat was never approved or implemented, the fundamental problems that Eilat is facing were never resolved – primarily, its economy and its heavy dependence on the tourism sector. The entire issue was postponed until a government resolution regarding Eilat was passed in 2019.
-  **The government resolution of 2019** – The government resolution passed in 2019 regarding a multiyear plan for Eilat included, inter alia, tourism and non-tourism projects proposed years ago. Furthermore, the government resolution only instructed that preliminary actions be taken to promote the projects which, in themselves, are insufficient to lead to any project implementation.
-  **Eilat during the covid-19 pandemic** – When the global covid-19 pandemic hit Eilat during the first half of 2020, the city was dependent upon one sector, the tourism sector, which is highly sensitive to crises of this type. It had no significant additional economic sectors that it could rely on during this challenging period.
-  **Sports center and convention center** – Three government resolutions passed over the last nine years about transforming Eilat into an international sports hub have still not been fully implemented. This is due to disagreements among government ministries about budgeting the project, engineering problems relating to geological conditions discovered at a late stage and project cost increases. Furthermore, the construction of a convention center in Eilat is still at the starting line – more than a decade after commencement of discussions about it. This despite the fact that the government



authorities involved recognized the importance of the project to the city and its development.

-  **The eastern lagoon** – Approximately 15 years have gone by since 2004, when the decision was made to market the sale of plots along Eilat’s eastern lagoon. Only in May 2019, marketing of the first three lots finally began. The audit found that alternatives for treating the lagoon’s poor water quality and sediment problems have been mishandled for years and consequently, no decision has been made about the best alternative for resolving these problems.
-  **The Eilat railway venture** – Although the government has passed resolutions to construct a railway to Eilat, the project has been delayed in the planning or analysis stages for a decade. The planning stage of the entire route of the railway to Eilat has yet to be completed and the statutory plan for the railway’s entire route has not been approved.
-  **Route 90** – The relevant authorities have known about the inherent dangers on Route 90 for many years and the dire need to upgrade the road. From 2003 to August 2020, there were 2,480 accidents on the route, most of which were serious head-on collisions. The audit found that insufficient actions have been taken to properly eliminate the dangers that drivers face on this road.
-  **Vacating of the IDF Navy base** – There is a consensus among the relevant authorities that the IDF Navy base that extends over an area of coastline and over part of the city hinders Eilat’s development. Nevertheless, although discussions about fully or partially vacating the base have been held within various forums during the past 15 or so years, they have been inconclusive and have not contributed to vacating or downsizing the base.



A steering committee headed by the Office of the Prime Minister and comprised of the Israel Land Authority, the Ministry of Defense and the Ministry of Finance reached agreements in principle in October 2020 to downsize the IDF Navy base in Eilat. Signing an agreement in this regard, will enable Eilat to increase the municipal and tourism potential along its southern coastline.





Key recommendations



Transforming Eilat into a city that offers its residents high standards of service and of increasing Eilat’s resilience require the ability to cope with crises that threaten its economy. It is recommended that the government and the Eilat Municipality develop additional economic sectors in Eilat and create diverse employment opportunities for its



residents. Consequently, the city will not be dependent upon the tourism sector. In order to contend with the intensifying competition in the tourism sector, the audit also recommended that the government and the Eilat municipality continue to diversify employment opportunities and update and improve the tourist experience in Eilat.

-  To get the most out of the multiyear plan outlined in the government resolution of August 2019, and considering that previous resolutions concerning Eilat have not been implemented, it is recommended that the government consider the need to devise a mechanism for monitoring and controlling the plan's implementation. It is also proposed that the government consider initiating "supplementary measures" (as stated in this resolution) and the possibility of including all of the projects that have been repeatedly recommended over the years in the multiyear plan in order to improve Eilat's ability to contend with the challenges that it is facing.
-  The eastern lagoon project, the convention center project and the sports complex project have not progressed beyond preliminary stages due to deficient handling and budgetary and planning obstacles. All of the authorities involved in these projects should collaborate in order to accelerate the elimination of these obstacles and take action to promote these projects, each authority within its spheres of responsibility. These projects can contribute significantly to Eilat's development, its tourism sector and its economy.
-  The government resolution of August 2019 appointed a steering committee tasked with downsizing the IDF Navy base in Eilat. The committee should finish drafting all components of the agreement in this regard and verify that the parties to the agreement approve it. This will enable its implementation and making decisions about the next stages needed to implement this project.
-  The government ministries and all other relevant authorities should implement the decisions made by them with regard to construction of the Eilat railway and upgrading of Route 90. They should define the contents of these projects including national priorities, transportation, economic and social considerations, implementation stages and modes of financing, performance timetables and the mechanisms needed to ensure their implementation.
-  The audit has raised enumerate reasons for the delays in completing tourism projects in Eilat. It is recommended that the cabinet secretariat consider ways to instruct government ministries submitting proposed resolutions to the government for financing a construction project in a local authority, to incorporate data in the proposed resolution about the planning feasibility of the proposed project. They should also indicate whether an approved and valid urban building plan exists for such a project. If at issue is an economic project, the cabinet secretariat should instruct the government ministries to attach an opinion on economic viability to their proposal. This will avoid a situation whereby the government resolves to approve a national construction project, and



allocates it funds from the various ministries, and subsequently, project implementation becomes stalled, inter alia, due to the lack of required data.



Considering the importance of Eilat's coastline to its tourism potential and its development and the consequential need to make additional sections of its southern coast and adjacent area as accessible as possible, all relevant authorities should continue taking the necessary actions in this regard.

Eilat's key difficulties and weaknesses, 2010–2015

90% of the jobs in Eilat are dependent upon the tourism sector



The annual population growth in Eilat (1.1%) is lower than the national average (1.9%)



The most peripheral city in Israel



The number of foreign tourists in Eilat at the end of the 2010s was lower than at the beginning of the 2010s



Rate of payment increase in Eilat (11%) is lower than the national average (14%)



Annual job growth rate in Eilat (1.8%) is lower than the national average (2.8%)





Summary

Eilat has unique features, including geographic remoteness from central Israel and its character as a tourism and resort city whose economy is almost entirely dependent upon the tourism sector, without any additional significant economic growth engines. For more than a decade, Eilat has been contending with an aging tourism infrastructure, competition from resort cities in other countries and with difficulties pertaining to the city's remoteness. All of these factors pose a constant threat to Eilat's economic stability and its residents' livelihood. Attempts to promote large-scale, multidisciplinary national plans for Eilat over the last decade – which could open up new economic growth engines in Eilat – have not led to any action. Consequently, Eilat is exposed to risks deriving from its and its residents' dependence on a single sector – tourism. This threat materialized in 2020 due to the covid-19 pandemic, causing high unemployment and an acute economic crisis in the city. Actions to ensure implementation of the multiyear plan outlined in the government resolution of August 2019 and implementation of all other projects affecting Eilat should be taken, including preliminary actions. These will enable development of new economic sectors to reinforce Eilat's resilience. The government authorities involved in this matter should therefore take action – each within its spheres of responsibility – to enable implementation of the multiyear plan and all other government resolutions regarding Eilat. This will advance the city towards its defined objectives, leverage its inherent potential and create new growth economy engines, while strengthening its positioning as an attractive tourism destination.

