

THE IMPACT OF COVID-19 PANDEMIC ON THE TOURISM SECTOR IN ALBANIA AND OPTIONS FOR A SUSTAINABLE RECOVERY

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Abstract: Tourism is considered by all as one of the most important sectors of our economic system, with a direct and indirect impact of up to 20% of GDP. The study of World Travel and Tourism Council in 185 countries of the world finds out that tourism constitutes 10.4% of global GDP; 10% of employment, 6.5% of total global exports and has had a contribution of 3.9% of global growth in 2018. Tourism is also considered a re-balancing factor thanks to the growth that is able to put in motion different productive sectors as a result of the multiplier effect it has on income and employment. But nowadays, like many other sectors of the economy, it is considered the most affected one by COVID-19: with a decrease of 30% of global flows and a decrease of 60% in the Albanian economy. Given this situation, the objective of this paper will be studying the impact of COVID-19 on our economy and the economic policies that can be undertaken to launch this priority sector for the country's economy. The methodology used in this paper is a descriptive statistical analysis and qualitative data. It is expected that the tourism sector to be the most affected one and that economic policies related to tourism can connect this sector with agro-processing industry transforming it to a new dimension and creating regional brands.

Keywords: tourism sector, political economy, economic development

1 INTRODUCTION

Human history is characterized by infectious disease that has caused millions of deaths, ranging from Plague Disease or Spanish Flu, (Strielkoeski, 2020). As a result of Spanish Flu, an estimated number of 21 million people in 4 months have lost their lives, the same number with the victims of World War I in 4 years (Oxford et al., 2002). The pandemic

caused by a corona virus does not occur for the first time. It can be mentioned here the acute respiratory syndrome SARS which first started out in Guandong province in China in November 2002 and then started to spread out at a fast pace in 26 different countries around the world (Wilder-Smith, 2006).

In such conditions, the World Health Organization declared Guangzhou and Hong Kong high-risk tourist destinations (Jamal and

Budke, 2020). This led to a slowdown of tourist's number from other areas (Zeng et al., 2005). Unlike SARS, the COVID-19 virus is much more aggressive and has a fast dispersal worldwide.

The tourism sector and businesses operating in this industry, have been deeply affected by COVID-19 which was declared a pandemic on March 12, 2020 (WHO, 2020).

Due to the pandemic, employment loss in the transport and tourism industry is projected to be 100.08 million worldwide (Statista, 2020). The pandemic has had not only an economic impact, but also a political and social one (Cohen, 2012). The solutions adopted by different countries to deal with the situation have been heterogeneous (Pinguillem and Shi, 2020), however 2 policy lines can be identified; strengthening sanitary structures and a lockdown to isolate the virus (Hamzelou, 2020; Pinguillem and Shi, 2020). The latter, in addition to the debate on positive or non-positive effects on the human lives' preservation (Sardar et al., 2020), had a very serious impact on the economy and tourism.

Tourism in Albania is one of the main factors that contribute to the country's economy. According to data from the ETTC, in 2019 our country has received about 5.7 million foreign tourists. As a result, the contribution of the tourism and transport sector to Albania's GDP in 2019 was 27.3%, while the direct contribution of the tourism sector to the country's GDP in 2018 was 4.6%.

In 2019 the tourism sector has contributed to about 286,000 new jobs. While in 2020, the tourism sector had a value decline of about 50%. The number of daily visitors fell by 60% in the summer of 2020.

Hotels in Durres have worked with only 40% of their potential. Based on this situation, this paper studies the impact that this pandemic has had on the Albanian tourism industry so far and the economic policies that have been undertaken, as well as those that might be suggested as suitable in such a situation.

The paper is organized in two sections. The first section deals with the impact of the pandemic on the economy and tourism, starting from a general standpoint (globally) and continuing with the case of Albania.

While the second part deals with the economic policies undertaken so far in our country to support the economy and tourism, as well as those pursued in some other countries of the world. The paper ends with some final conclusions.

1.1 The impact of COVID-19 on the tourism industry

Travel and Tourism is one of the most critical sectors in the global economy, which in 2019 accounted for \$ 2.9 trillion of GDP; this is the highest contribution by sectors to GDP, 29% of world services exports and 300 million jobs worldwide (Gamage et al. 2020; UNWTO, 2020). The tourism sector has the highest economic contribution in developing countries (Gamage et al. 2018) and developed countries and is one of the fastest growing economic sectors worldwide. Specifically in 2018, the number of international tourist arrivals worldwide has resulted in 1.4 billion.

In Albania, the direct and indirect contribution of tourism exceeded 15% of GDP (INSTAT, 2020) being considered as the primary sector for the inflow of foreign currency in the country. The sector suffered a real shock from the Covid-19 pandemic and the measures taken to face the spread of the virus.

Depending on the lockdown period even individual scenarios followed by different states, led to a shock of the international tourism sector by 60-80%. In Albania, referring to the data of INSTAT (2021) as well as the statements of various representatives of the tourism associations, it turns out that there has been a decrease of about 50%.

According to data from the World Tourism Organization (UNETO, 2021) the number of daily

global visitors fell by 72% during January-October of 2020 compared to last year. According to the representatives of the hotel and tourism association in Albania, the number of daily visitors for tourism fell by 60% during the summer of 2020.

Also, during the same year, at a global level, there were about 900 million less tourists resulting in a loss of \$ 935 billion in this sector. This value is 10 times higher than the loss in 2009 under the influence of the global economic crisis.

While in Albania, the loss according to the Ministry of Tourism for 2020 is estimated to be between 1 and 1.5 billion Euros.

According to INSTAT (2020), during the period June-August, practically throughout the summer season, the number of nights spent in hotels and similar accommodation facilities in our country, has decreased by 900 thousand, or about 50%.

This ranks Albania among the 10 countries with the greatest damage caused by the pandemic in the summer season in Europe, more precisely in the 9th place.

At a continental level, Asia and the Pacific experienced an 82% drop in arrivals in January-

October 2020. The Middle East recorded a 73% decline, while Africa experienced a 69% decline in the same period. International inflows to Europe and America fell by 68%.

A problematic issue for tourism is not only the year 2020. In fact, throughout 2020 it was thought that with the start of population vaccination there would be a return to normality.

But while the first quarter of 2021 has passed, vaccination in Albania (2.1%) as well as globally (5.26%) has not made much progress (Ourworlddata, 2021).

Vaccination is considered important to increase the confidence of citizens and to enable their free movement by opening all borders. Referring to a study of UNWTO (2021) there are three scenarios for the recovery of tourism and its return to 2019 levels (Figure 1). Scenario 1: tourism recovery will take 2½ years (until mid-2023). Scenario 2: the return to the state of 2019 will come only after 3 years (end of 2023). While scenario 3, (Figure 2) which is also the most pessimistic scenario, predicts that the situation will return to normality only after four years or at the end of 2024.



Figure 1. Tourist International Inflows 2020
Source: UNWTO, 2021

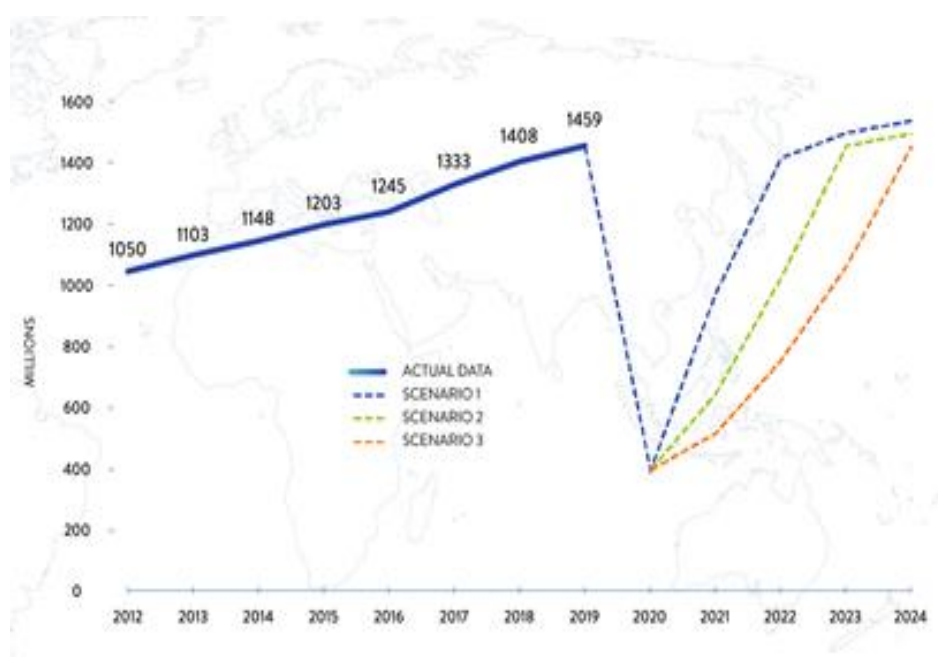


Figure 2. Scenarios 2021-2024, International Tourist's Arrivals

Source: UNWTO, 2021

Depending on these scenarios, the economic growth of the country will fluctuate. This happens first of all, considering the direct impact that the tourism sector has on country's economy or "exports".

Secondly tourism is a sector with high employment intensity and contributes to 6.9% of the average employment of European countries. In Albania, its contribution to employment goes up to 10%. While during the peak of the season, employment in this sector reaches up to 17.7%. Employment is also one of the main factors that stimulate consumption and economic development in general, so it is assumed that if the tourism sector does not recover quickly, the entire economy will also recover slowly.

1.2 Economic policies in the framework of priority sector recovery

Various governments around the world in order to deal with the crisis caused by COVID-19

took a series of measures both to cope with it and to stimulate the economy in general. These subsidies globally have generated a debt of \$24 trillion (Institute of International Finance, 2021) while the economic damage that this pandemic has caused to the world ranges from 28 to 33 trillion dollars. For this reason, different countries of the world, except buying vaccines that will cost a total of over 27 billion dollars globally, will continue to support the sectors of the economy in the upcoming months, especially tourism sector that continues to "suffer" the consequences of the pandemic even though it has already been over 1 year since its started.

In addition to immediate measures to support the tourism sector, countries' attention is also shifting to expanding interventions to promote recovery, including the removal of travel restrictions, restoring passenger confidence, remodeling the sector, and informing people about the countries considered as safe places.

This is a complex and demanding task, but it is the main opportunity to promote recovery, especially in countries, regions and cities where the sector represents a significant part of the labor market and business.

The impact of the crisis is felt throughout the tourism ecosystem and the reopening of destinations will require a common approach.

Apart from turning the supply into normal levels, i.e., the tourist structures and the possibility of free movement of people, the recovery of the demand in this sector remains an important aspect. It will take time to recover, given the consequences and links of the economic and sanitary crisis to family incomes and the confidence that travelers have in overcoming the pandemic. This will have a series of implications in a number of sectors of the respective national economies.

Another aspect remains the support and subsidy packages especially for guesthouses or mountain tourism.

The government, in order to help the sector and employment in mountainous areas on the one hand suggests the support of entrepreneurs in this sector while on the other hand can also subsidize services to make them cheaper for consumers (tourists) as the pandemic crisis has generated poverty and income reduction.

Therefore, it is suggested that more should be done to keep the sector ahead even when both usable space and demand (number of tourists) have been reduced.

Referring to the OECD study (2020), different countries have implemented different solutions among which can be mentioned:

- In Norway, VAT for the transport and tourism sector has been reduced by 33%.
- In Poland a tourist guide has been drafted which includes also the anti-covid rules.
- In UK, a Job Retention Scheme has been implemented in a Coronavirus

framework where entrepreneurs and small businesses can receive up to 80% of the employees' salaries in the tourism sector, in other words up to 2,500 pounds per month.

- In Croatia, in order to support tourism, apart from the guarantee loan fund, the payment deadline of taxes has been postponed for an indefinite time.

In addition to measures taken by different countries, the economic policy of our country can use this crisis as an opportunity to reshape the tourism sector for a future with sustainable development. Tourism should be more ecological and environmentally friendly (Butler, 2018). Aramberri (2017) affirms that: in order for tourism to be sustainable we must have sustainable destinations and a focus on nature. The more interventions in nature, the less attractive it will be for tourists, especially for the elite. Also, environmental pollution and natural disasters cause extreme weather changes in the future which make tourism unsafe (Filimonau and De Coteau, 2020).

In order to develop tourism in our country in the future and to make it more sustainable compared to the period before the pandemic, the structural problems of the sector must be solved; new business models in this sector should be stimulated; the transport problem for many tourist destinations has to be solved; innovation in this sector should be subsidised. A relief for the tourism sector could be the provision of long-term credit lines guaranteed by the government for the restructuring and modernization of the facilities. Another supportive policy would be the use of public funds for Albanian tourism marketing, in other words the creation of the brand Albania for Tourism.

2 CONCLUSIONS

The Covid-19 pandemic caused one of the most severe crises of the last 100 years in

Albania and worldwide. About 71% of firms in Albania reported a decrease in demand and a reduction in sales by almost 52% during the 2 months of lockdown. This led to the closure of over 60,000 jobs in Albania during the period March-June of 2020. The most affected sectors by this crisis were tourism, "fashion industry" and transport.

Based on this situation, this paper analyzed the impact of the COVID-19 pandemic on the Albanian tourism industry and the policies pursued so far as well as those that can be adopted to support the economy and tourism. From this analysis, it emerged that the tourism sector, as in most countries of the world, was the most affected one.

The economic policies launched in Albania have been to some extent in coherence with those taken in different countries of the world, however the support with macroeconomic policies in our country has been moderate compared to other countries.

Although it is among the most affected sectors and is considered a priority for the Albanian economy, in this sector the attention from the government has been low throughout the pandemic. Maintaining distances, not frequenting indoor environments, significantly reducing foreign tourists as well as reducing the budget available to domestic tourists, have all resulted in a significant decline during 2020. Predictions are that even during 2021, the tourism sector will not return to the state it was in 2019 or will need more time.

To face this pandemic, economic policies need to provide more support to tourism both on the supply side (entrepreneurs) and on the demand side (tourists), with instruments that include; increased liquidity, subsidies or stimulating fiscal policies.

In conclusion it can be said that this pandemic in addition to the direct and indirect costs that has caused and will continue to cause, has also led to a change in human

behavior. This, will further prolong the recovery time of this crisis in the tourism sector.

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