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Covid – 19 Impact on Tourism Sector, Response, Policy Innovation

Rezart Prifti
Ph.D. Head of Department, Department of Economy, Entrepreneurship and Finance, Barleti University, Tirane, Albania
E-mail: fin.dep@umb.edu.al

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Abstract

The tourism industry is one that mostly relies on the freedom of people to move, as such it was the most affected globally. This pandemic, caused by the COVID- 19 virus, has shaken the entire industry including airline transport and every other kind of transport, hotels, restaurants, tour operators, agencies, and others. In times of crisis usually are taken extreme measures, and history has shown to reward the bold reformers and swift managers. Albania falls in the category of “highly reliant” tourism countries, with GDP, employment, and development contribution reaching substantial numbers. However, its response to this crucial sector has not been at the expectations and par with sector’s strategic relevance. It is important to emphasise that this crisis put forth and amplified structural issues that the industry has. It is imperative to define a clear vision for tourism in Albania, strategic infrastructure development not just based on road networks, sector clustrification based on demand and types of sub-sector products, financial instruments tailored for the industry, immediate integration of education system for skilled workers in different levels, digitalisation projects, and foremost competent and accountable institutions. The economic, social and cultural effect of this sector, if well managed, will be immense for Albania for the next two decades.

Keywords: tourism, Covid – 19, innovation, policy, tourism strategy.
Jel codes: Z32, Z38

1. Introduction

Tourism in Albania is one of the most important sectors, providing 21.2% as a total contribution to GDP, 8,5 % as direct contribution to GDP, 254,3 jobs/000’s or 22,2% of total employment, and almost 48,2% of total exports in visitors spending according to 2019 and onward data (INSTAT, 2022). Moreover, it receives around 6,5 million of international tourism trips and a total injection of around 700 million Euros in real business travel and tourism spending. Even though during recent years its contribution fluctuated, the tendency has been on the rise, suggesting a consolidation of the industry and market orientation in the forming. During 2020, these values experienced a slight drop bringing direct contribution to 8,67% and total contribution to 26,97% (INSTAT, 2020).

Tourism expenditures for more than a decade have been, on average, one fourth of total imports in the country, and the direct contribution to total employment in the country maintained a steady pace of 8,0% for several years. Despite its stability in total employment contribution, its direct contribution to employment growth has seen a negative trend since 2017, showing poor growth dynamics and a sign of structural problems. This sector is the main source of income for many micro and small enterprises, and in some areas is the only economic activity, especially in rural and remote Albania. Moreover, it creates opportunities for women and youth across the country. In addition, the industry helps Albania by generating a substantial transfer of skills and experience much needed for the knowledge accumulation process and absorptive capacity building of country operators in the market. It also generates cultural and social value by providing identity, sense of belonging and legacy creation. The hit in the industry comes in a time when Albanian operators were building an identity and exploring their authenticity model through market orientation techniques. The World, therefore, Albania, is going through an unprecedented crisis due to the pandemic of COVID -19 (IMF, 2020), and we need an urgent comprehension of the sector to shape an adequate policy response to support this substantial industry the Albanian economy and prepare for the long-term recovery.

2. Literature Review

Data shows that in 2020 international tourism declined by 60%(OECD, 2020a) . Travel tourism is among the most affected, associated with a massive fall of international demand due to travel restrictions and closed borders(Mulder, 2020). Albania, as an upper-middle income country, is a tourism dependent economy, since the industry provides a considerable proportion of GDP and employment power. Travel tourism is among the most affected, associated with a massive fall of international demand due to travel restrictions and closed borders. The

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World Tourism Organization, an agency of the United Nations, reports that international tourist arrivals, referred to the number of tourists staying overnight, fell by a whopping 900 million in 2020 compared with 2019, putting it in financial terms a loss of revenues of US 935 billion (WTO, 2023). The World Tourism Organization, after surveying sector businesses around the world puts as the main factors weighing on recovery (by relevance): travel restrictions, slow virus containment, economic environment, lack of coordinated response among countries, low consumer confidence, and slow flight resumption. For the European market the survey showed the same response, only higher scores of relevance on travel restrictions.

COVID- 19 pandemic has considerably affected the global economic, political, and social systems. Strategies putting health above all such as: physical distancing, travel bans, lockdowns, self-mandatory quarantines have heavily affected the economies, especially tourism industry (IMF, 2019, 2020).

Literature suggests that the tourism sector due to its vulnerability to various environmental, political, and socio-economic risks, it is more prone to bounce back (IMF, 2019; Rodríguez-Antón & Alonso-Almeida, 2020). Despite its resilience, it is not immune to structural and transformational changes. The Economist (2021) reports that previous disruptions have shaken the industry for better regarding the public, this might be the opportunity again if carefully managed (The Economist, 2021).

On a separate note, let's put into perspective two notions about pandemics effects. Firstly, literature suggests, based on previous historic events, that crisis development evolves in three phases: the incubation period, outbreak period, and recession period (Škare et al., 2021). The timeframe of this process historically has been within a year, and if they were a few events coupled together the period prolongs into two years. Secondly, if we take a note on historic events trying to define the magnitude of COVID- 19 pandemic, as a virus it is not the deadliest one. Table 1 shows the correlation of deaths and infections of ten deadliest virus outbreaks since 1967. It is clearly noticeable that there is a high correlation among the two variables. However tautological it might seem, analysing the items in detail we see that the two most widespread outbreaks by infections are H1N1 (2009) and the COVID- 19 (2020), but yet are the least deadly. This analysis is for public health policies, and it is not the subject of this paper. However, the economic impact of one of the most widespread viruses comes from its specificity that it has in spreading in time, space, and geography.

Table 1. Historic Perspectives on Pandemics

Outbreaks	Infections	Deaths	% Raport
Marberg (1967)	466	373	80,04
Ebola (1976)	33577	13562	40,39
Hendra (1994)	7	4	57,14
H5N1 bird flu (1997)	861	455	52,85
Nipah (1998)	513	398	77,58
SARS (2002)	8096	774	9,56
H1N1 (2009)	762630000	284500	0,04
MERS (2012)	2494	858	34,40
H7N9 bird flu (2013)	1568	616	39,29
COVID -19 (2020)	1930979	120074	6,22

Source: (Škare et al., 2021)

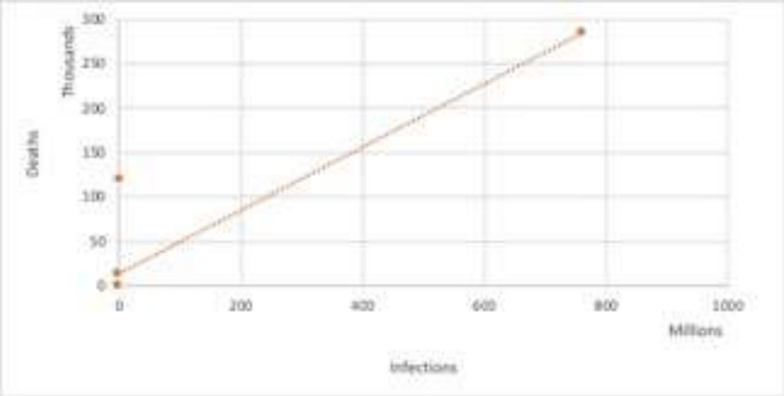

Figure 1. Field: Infections and Field: Deaths appear highly correlated.

Source: (Škare et al., 2021)

COVID-19 impact on tourism will not be even in space and time. Its dispersion will mostly depend on government response, health care systems, business dynamics, and the ability to adapt to new realia. Which countries will be hit the most, and which will bounce back first is a matter of dependence of the country's economy on tourism, business operators resilience, the country ability to shape an appropriate response, and the demand dynamics. The overall economic impact of the crisis in travel and tourism industry will vary on country dependance on tourism, and its industry resilience, as well as its system dynamics and demand on the market. Albania, as an upper-middle income country, is a tourism dependent economy, since the industry provides a considerable proportion of GDP and employment power. The travel and tourism industry had become one of the most important sectors globally, hence tourism dependent economies the most affected by the pandemic. The IMF reports that in 1950s only 25 million people took foreign trips, while that number today is 1,5 billion and the sector has grown considerably becoming systemically important (IMF, 2019).

Different reports from the IMF, World Bank, and the World Tourism organization (UN Agency) argue that the sector worldwide is not expected to return to pre pandemic levels until 2023. Literature suggests that past crises affected the economy through idiosyncratic shock channels exposing different sectors, including here the tourism sector. Idiosyncratic shocks are events that happen unexpectedly and result in major life changing circumstances. This seems to be the belief of many experts, organizations, and consultancies, that this pandemic will reshape the economic and socio-cultural order.

However, the COVID-19 pandemic is different due to the nature of its unfolding. The recovery of tourism industry will take more than the usual expected recovery period of 10 to 12 months. For example, reports from The Economist and IMF predict that the airline industry is expected to recover at pre pandemic levels in the third quarter of 2023 - early 2024, and other industry related sectors earlier (IMF, 2020; The Economist, 2021). In Albanian case, there is an industry readiness to jumpstart market operations as soon as restrictions are lifted. Generally, tourism contributions to GDP and to employment is correlated, however in comparison with heavily tourism dependent countries Albania has a more diversified economy that can diffuse the employment and economic shock. In Albania's case the effect of the pandemic was noticed as those employed in the sector lost their jobs.

The resilience of Albanian tourism industry is conditioned by several factors: policy environment for business, health and hygiene, ICT readiness, government prioritization of tourism, international openness, air transport, infrastructure (Mekharat & Traore, 2020). Policy environment for business is critical not only for immediate response to the crisis but most of all for quick business recovery and attracting new investment. The Albanian government has taken several measures; however none so fare industry targeted. Regarding health and hygiene indicators such as number of hospitals, number of beds per thousands, and the number of physicians per thousand the country does not face immediate challenges. Despite the public recognition of the relevance of the sector in the Albanian economy, prioritization in practice has had poor delivery. Government spending for tourism purposes has been mainly in road infrastructure and city regeneration.

Literature shows that countries that will prioritize communication, branding strategy, and information flow will recover faster (Aburumman, 2020; Rodríguez-Antón & Alonso-Almeida, 2020). Moreover, international openness is another factor that defines industry resilience. Visa regulations, air transport agreements and trade agreements

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are certain elements of this factor. However, in the second one appears to be an issue to Albania despite heavy investments on airport infrastructure. In overall, Albania is a country with open entry requirements making it and advantage related with the situation. Lastly, industry resilience is also prone to tourist service infrastructure. In Albania, there is more to be done in relation to quality of tourism facilities and services. Literature suggests that destinations with high quality infrastructure and services are likely to recover sooner than other destinations targeting high end tourists with more propensity to get in the market again.

In response to this crisis the Albanian government has employed a range of instruments to support businesses overall but till not has not taken any industry targeted measure (OECD, 2020b; WB, 2021).

Table 2. On time measures by Albanian Government

FISCAL POLICY
• In 2020 the Albanian government adopted a support package targeting people and businesses as a first response to the COVID-19 pandemic. The combined size of the package was around 345 million Euros (45 billion Lek), or around 2,8% of GDP. • From the total package, the first intervention carried out in 19 March, 2020 was 168 million of Euros (23 billion Lek), or around 1,4% of GDP, was a combination of budget reallocations, public spending increases, and a sovereign guarantee scheme to support businesses. • In 2020 the Albanian government included businesses in a tax deferral scheme. All businesses, except banks, telecommunication, and public enterprises, to delay tax payments for the second and third quarter of 2020. • Another intervention in public spending was carried out on November 2020 (relating the 2021 budget) predicting COVID-19 spending on treatments, salary increases for doctors, and temporary payments for social assistance and unemployment benefits.
MONETARY POLICY
• The Albanian Government through the banking system implemented a “Sovereign Guarantee Fund” amounting up to \$150 million. The amount served as collateral to banks in support for large businesses. The Albanian government in the scheme was to cover the cost of the credit (government pays the interest rate). • The IMF approved and disbursed a \$190,5 million financial assistance for Albania through the Rapid Financing Instrument in order to fill the urgent gap in its balance of payment. • On July, 2020 the Bank of Albania announced a monetary policy measure by setting up a €400 million repo line with the European Central Bank. The ECB announced a nine month extension to the scheme until March 2020.
JOBS & SKILLS
• The Albanian government launched a scheme to protect job loss in the market. There were two categories targeted: the formal sector and the informal sector. The scheme offered to cover part of the reemployment costs of those who lost their jobs during the lockdown. The government measures covered half of the wage (at the legal minimum level) and the full share of employer’s social contribution for a period from 4 to 8 months. Meanwhile, for the informal sector offered to cover the full cost of social contribution for both employers and employees, if they were willing to formalise.

MARKET INTELLIGENCE
• With the collaboration the Sustainable Rural Development, a program implemented by GIZ, the Ministry of Tourism and Environment have undertaken a survey to understand the current situation of tourism operators in order to enable support measures. In addition, while this lines are being written they are preparing a plan for a smooth restart of tourism with concrete tasks for the private sector, government and international donors.
RESTARTING TOURISM
• The Albanian Government has restricted all COVID- 19 travel restrictions.

Source: (OECD, 2020b; WB, 2021)

Albania conducted a quick fiscal response shortly after the lock down started. The response had one effective measure, the so called "war wages" or direct government payment at the amount of the legal minimum wage from 1 to 3 months. Lack of institutional coordination and clear vision of the response focused the resources more on public spending than on targeted support. In addition, line ministries should have identified strategic sectors to give shape to a more efficient intervention to businesses and households, and through coordination should have secured a more effective process. The sovereign guarantee scheme fell short to help small and medium enterprises desperately needing operational liquidity. Local authorities should have coordinated with central government, especially in tourism operating businesses, to include local taxes in the tax deferral scheme or even to make null local taxes during the lock down period. The large business support scheme lacked transparency as requirement of public policy using taxpayer money in extreme overall conditions. Monetary policy measures for the issue related were at its best formal, and not stimulative to markets, businesses, and households. In overall, related with a strategic industry such as tourism for Albania, targeted policy measures were not in place.

3. Data & Methodology

The methodology used in this paper is a synthesis review of research based on international industry reports, latest academic publications, consultancy reports and industry developments world-wide. In addition, a survey polling industry operator is used to measure their perception on the matter and assess their needs within the operational context with the sole objective of proposing policy solutions (Zou et al., 2020). The polling questionnaire was based on a study by (Zou et al., 2020), modified by the author based on Albanian context. The analysis includes already taken policy measures and takes in consideration developments till the day this paper is done. The paper starts with a contextual analysis of Albanian economy and its reliance on the tourism sector, its importance and weight on the overall economy, then with a sectorial analysis detailed in numbers, the COVID-19 impact, further with the analysis of the survey, and lastly with policy recommendations and conclusions. The survey sample measuring impact from COVID - 19 for this paper is made up of a wide variety of tourism businesses across Albania. The survey was distributed through channels of Albanian Tourism associations and other business councils as well. In addition to the survey, we conducted interviews with stakeholders related with the industry. The survey was designed based on well-reviewed literature and it was divided in several taxonomies.

The first taxonomy includes a variety of demographics variables measuring location, turnover, number of employees, etc. The second taxonomy is made up of a question measuring the sentiment of tourism operators regarding the future as if COVID- 19 were not to happen. The third taxonomy assesses their perception on the impact of COVID- 19 and lock down measures. The fourth taxonomy is made up of variables assessing measures that businesses took with their own resources and capacities to forth come the crisis. The fifth, asks them about government response measures. The sixth, assesses accommodation productivity and the next one barrier to productivity. The eighth taxonomy measures human capital capacities and barriers and the next one innovation progress. The tenth, is a question asking about their international orientation and collaboration with international partners. The eleventh taxonomy is made up of a variety of questions assessing competition in the market and competitors moves. The twelfth, assesses their needs in regard with the situation and how do they prioritise them. The last one is an open-end question asking for feedback of the industry due to the fact that as practitioner they have firsthand information from the terrain and better knowledge of the processes.

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As unforeseen events unfolding, historical models and trends are to fail in their predictive power of explaining the "new" with the "old way" or old explanatory models. Such studies should advance knowledge for informing, encouraging, and shaping crisis enabled transformations. Responding appropriately with this knowledge means taking appropriate policies and measures to shape value systems, institutional logics, business objectives, and socio-cultural patterns.

Figure 2. Taxonomies of the surveying instrument

4. Sectorial Overview

Worldwide tourism is one of the major economic sectors. In world range it is the third-largest export category, right after fuels and chemicals, and according to 2019 data accounted for 7% of global trade. In Albania it is also one of the major economic sectors and considering GDP and total employment contribution makes Albania a highly tourism dependent country. In Albania the largest sector by contribution to GDP is agriculture with 19,3%, followed by construction with 14%, trade 13,5%, and tourism by around 10%. To put it in perspective, the graph below shows direct and total tourism contribution to GDP of Albania and the EU average from 2008 to 2019. As previously stated, tourism is a key generator of economic growth, exports, foreign exchange, and employment. Since 2014 to 2020, nonresident foreign tourist expenditures in Albania accounted for 47% of total exports of goods and services. Since 2009, it contributed an average of 8% of direct employment in relation to the total economy-wide job market. It provided social cohesion and identity for a sector that for more than a decade has been struggling.

In addition to the real contribution, tourism as a cross cutting industry affects many aspects of the economy, especially when it it a systemic growth provider. There are outside activities that benefit from tourism processes and depend on the sector, meaning that its real contribution goes further. Tourism empowers cities and drives their societies by contributing to locals, coastal and remote communities with professionals, students, women, despite creating lower skill jobs. On the subject, many intangible cultural and heritage events such as festivals, gatherings and tours have been postponed at their best, and even halted in some cases. Handicraft products have stalled their production and markets were closed.

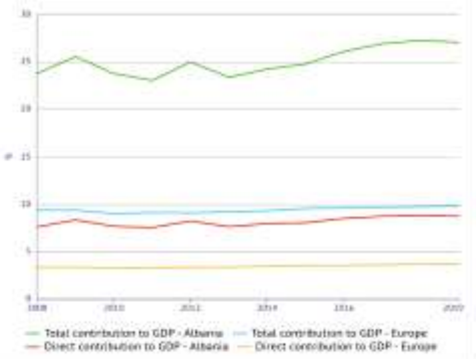

Figure 3. Tourism to GDP contribution (total and direct in %)

Source: (OECD, 2020a)

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Moreover, it affects the airline industry as passenger flights have drastically fallen. Accommodation and lodging revenues collapsed as well due to poor demand and movement restrictions. It is difficult for hotels to sustain for this long their revenue losses, thus job losses. Lastly, tour operators found their selves also in a difficult position. Statistics shows that on average tour operators were expected to lose 27% of revenue in the first three months of 2020 and 66% of it in the next three months. VAT costs and other taxes are an additional cost to their revenue streams. Tour operators first response was cutting wages and letting go many of their employers. To add more to the perspective of the sector several factors illustrated with data are substantial to fathom its relevance and dynamics.

The number of departures from Albania compared with the average of the EU, the average of lower middle-income countries, the average of OECD countries, Bosnia and Herzegovina, Croatia, and North Macedonia, is the lowest even when compared with lower middle-income countries. It can be interpreted in several ways. Firstly, in comparison with other countries Albania has had a underdeveloped and monopolized airline industry, and with the latest investments it will hopefully change and the market will be liberalized. Secondly, the low number of departures might be a sign of weak power of consumption if taking in consideration family budgets. One other side of the perspective is that the low number of departures in comparison with the higher number of landings of foreign tourists helps the trade balance and regulates the inflow of foreign currency.

Figure 4 draws a clear perspective of Albanian tourism receipts as a share of exports from 2008 to 2019. Despite fluctuations for more than a decade the trend had been consistent in its minimal values showing a clear relevance of the sector for the whole economy and structural factors of the economy keeping such high inflows. Hard to interpret at this point, whether they are good or bad structural factors in the long run. Figure 5 shows tourism expenditures as a share of total imports. Despite historical, apparently cyclical fluctuations related with historic events, it shows a stable tourism expenditure and in correlation with the total GDP contribution.

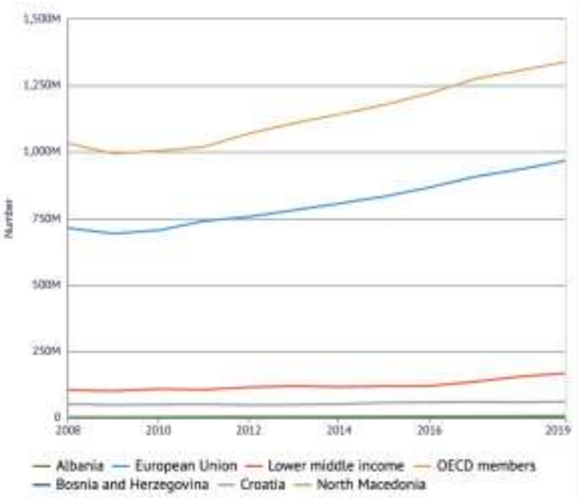

Figure 4. Tourism to GDP contribution (total and direct in %)

Source: (OECD, 2020a)

The analysis of a clear sectorial review has many other indicators such as: percentage share of internal travel & tourism consumption, internal travel & tourism as share of internal consumption, etc. However, to make the puzzle of a sectorial overview and to emphasise it importance to the Albanian economy the graph below makes the puzzle more insightful. Direct contribution of travel & tourism to employment as percentage of GDP is a relevant indicator. Historic data show that after a sharp fall in 2009 the trend has had a considerable and stable growth til 2018, reaching a stagnation in 2019, also known as best year in tourism of Albania. The stagnation is related with many factors. One of the most important is the saturation of labor market in Albania. In 2019 due to emigration and lack of educational capacities the sector found it difficult to contribute to the growth dynamic of employment.

In 2019, there were a total of 1405 accommodating structures operating in the Albanian market, with an increase of 6% compared to 2018 (INSTAT, 2020). As we can observe from the graphic there has been a significant increase in camping grounds and trailer parks as an alternative way of tourism and also being a cheaper one than staying in hotels or similar facilities. While hotels and tourist resorts have seen a slight increase of around 10%, apartments, bungalows for guests and other similar spaces have dropped by 20% compared to 2018. Such decline might be

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affected by the need of people to either find less costly accommodation or the need to have service in place, which from the three categories, only the hotels provide. We were able to extract the data for the same categories and period, also for the countries of European Union (United Kingdom included). Although the average annual increase compared to Albania is less than 3 %, the average number of accommodation operators is 18 times higher than in our country. As of 2019, each country of European Union lists on average 25627 tourism structures, which also indicates the level of European market consolidation compared to ours. Data shows that a hotel room is comprised on average of two beds and based on the figures, in 2019, there are 13 rooms and 31 beds available per 1000 citizens or 30 rooms and 71 beds per 1000 visitors. In 2019, in the sector were added 105 new hotel structures and 3274 rooms, as such the existing structures have invested in new accommodating spaces to support the increase in demand.

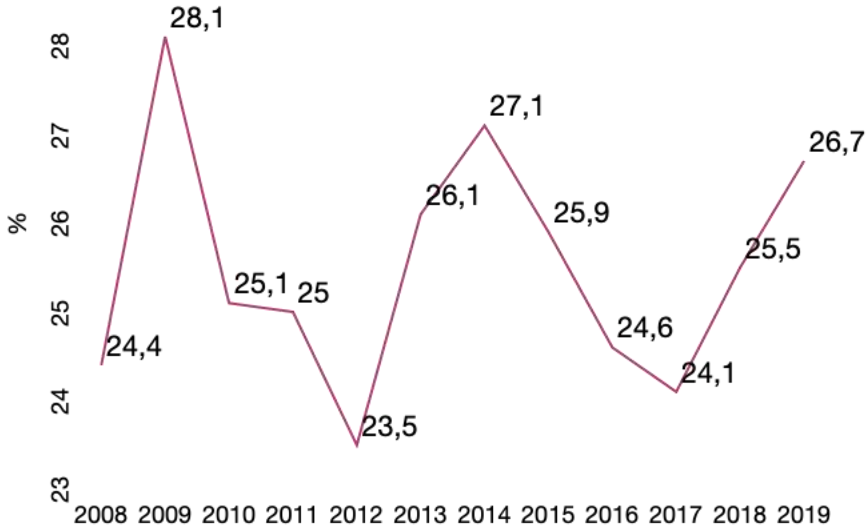

Figure 5. Tourism expenditures as a share of total imports

Source: Author data based on Albanian Institute of Statistics Publications

5. Analysis and Results on COVID – 19 Impact

This section of the paper analyses data collected on tourism operators all around Albania comprised of 59 *of tourism business organisation falling under the small and medium enterprise category* distributed geographically all over Albania from Tirana, Vlora, Saranda, Shkodër, Durrës, Dibër, Gjirokastër, Përmet, Kukës, Tepelenë, Vermosh, etc,

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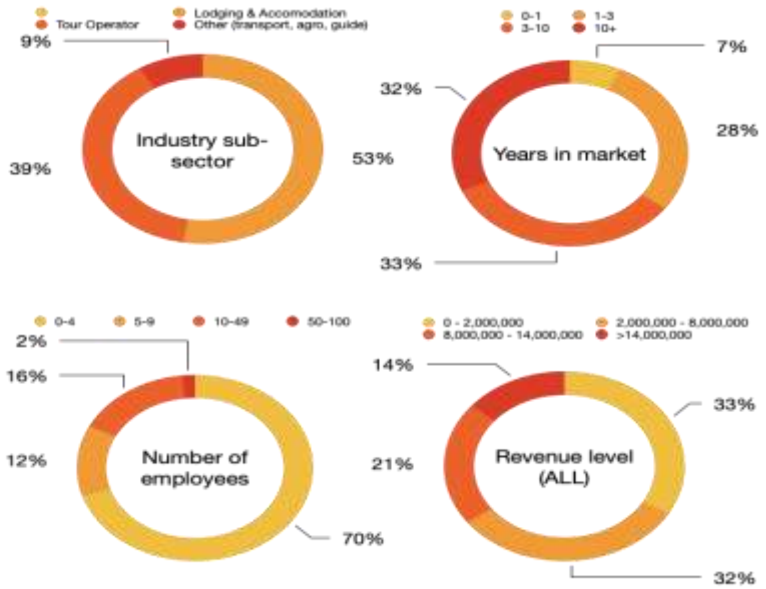
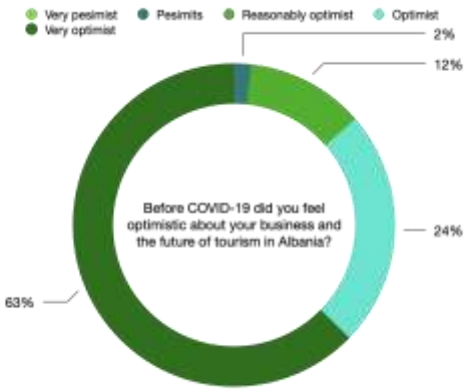
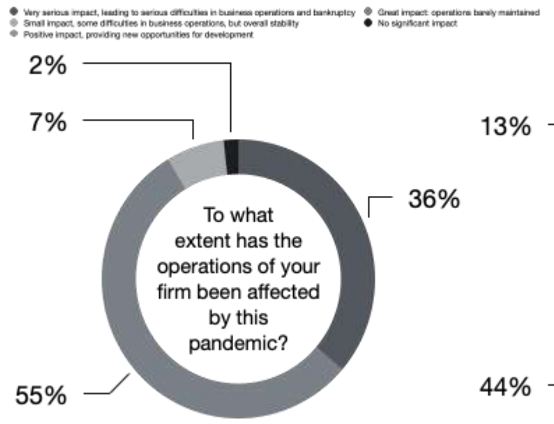
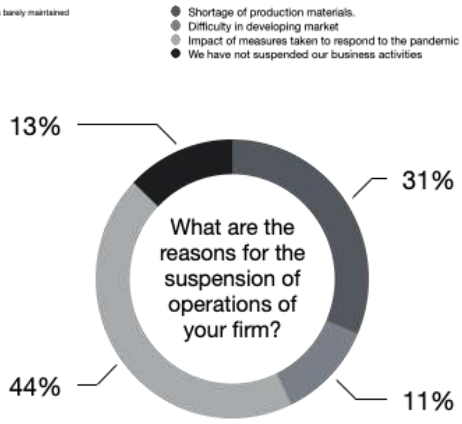


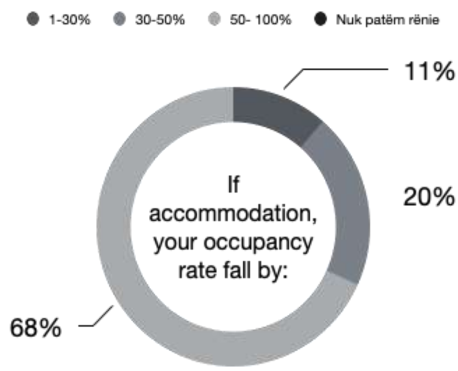
The demography of the polling sample is illustrated below and appears balanced in respect to revenue, number of employees, years in market, and industry sub-sector. In addition, we added a question regarding representation of gender in management of these businesses and it appears that a little more than 1/3 of the sample size has female representation in management and there is plenty of room for improvement toward raising this ration in favor of female gender. The following represents a visualized representation of the sample size and contextual synthesized analysis of all variables categorized in taxonomies. *Data was collected during May 2021 and some questions refer to the time frame since full lock down and some questions target the last operating revenue year.* Before we get into any component analysis, we used a question to measure the tourism operator's sentiment before the covid and in a scenario if it did not happened. We can see that more than 86% of respondents were quite enthusiastic for their future in the market, and industry overall, thus reflecting the growth trend that the industry was experiencing.

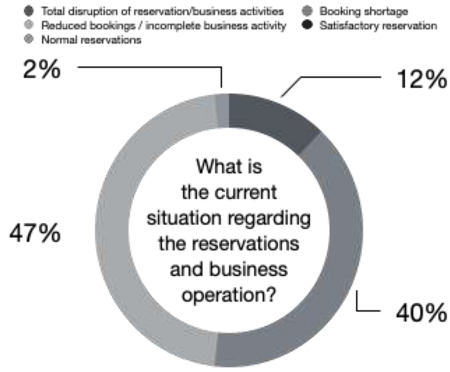


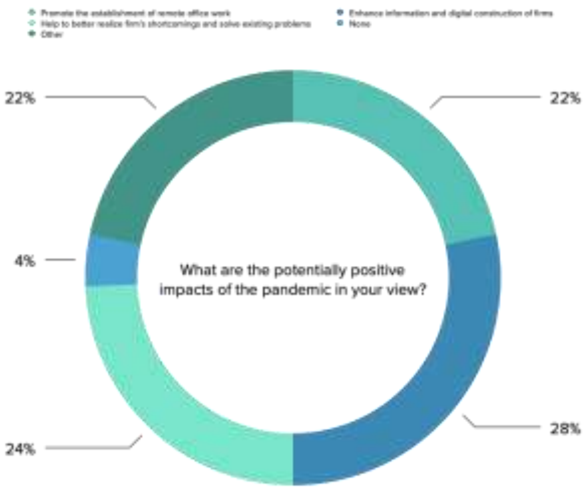
The Pandemic Impact. This section visualises and analyses the impact that the COVID-19 pandemic had on tourism operators in several dimensions. Overall, almost 91%, report that this pandemic has effects like serious difficulties in business operations to leading almost to bankruptcy. On reasons to suspend operations of their businesses, almost half of respondents report that it was a direct pandemic effect related with measures to respond to the crisis, another 30% report that the reason was shortage of production materials, and only 14% of them report that have not suspended their business operations.











The sub-sector of logging and accommodation operators, they respond that almost 90% of them experienced falling occupancy rates from 50 to 100%. The data complies with almost 90% of them reporting either total disruption of reservations or booking shortage. Both data are relevant to the analysis of revenue streams and cash operations. We further try to measure their sentiment related with the surroundings and their firm development. More than half of the respondents reported that the economic situation in their city/town/village reduced significantly. It is interesting that in this question just a bit less than a half of them reported the economic situation not changing or improving slightly. This is hard to interpret without other industry data cross examination. However, during the pandemic businesses such as groceries and a bit later transport experienced relatively good growth. Regarding to what extent they expect the pandemic will affect their businesses data shows that the balance of income and expenditure will be most hit, followed by straight losses and lower profit margins. Lastly, we ask a question assessing for optimism in the situation and lessons potentially learned about whether they saw any positive thing from the experience. Surprisingly, they see an opportunity toward digitalization trend reflected in support toward information and digital transformation of their businesses. Another reflection relates with sizing business shortcomings and solve them for a better future rebound. In addition, they also embrace the trend of today related with remote office working. Lastly, there is 1/4 of the sample size that does not see anything positive at all.

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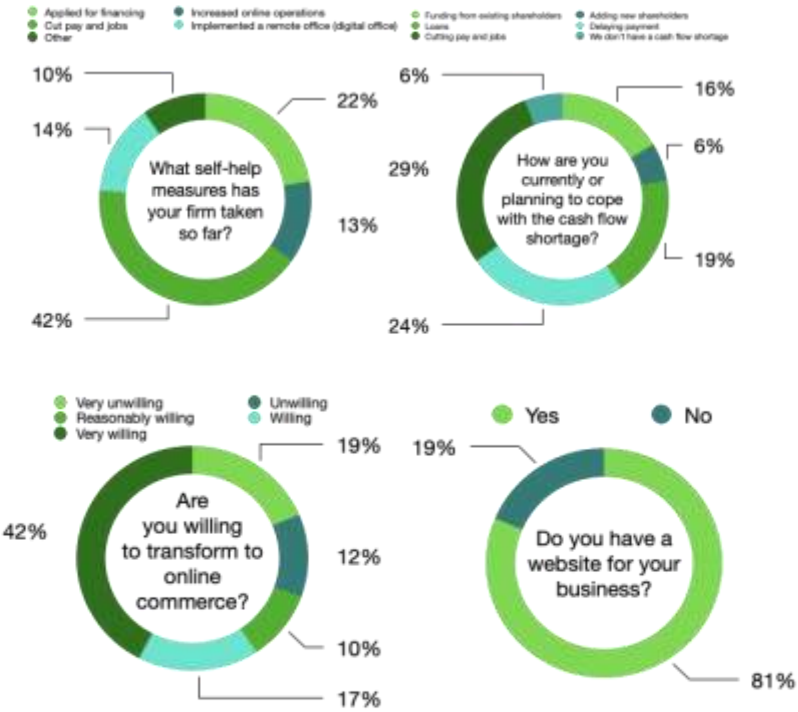
Business reaction toward the crisis is the next taxonomy. We start with a question assessing self-measures taken by tourism operators to cope with the situation, their plans on the issue and whether they are willing to transform to global digital trends. The first self-taken measures of tourism operators as a response to the crisis is cutting pay and jobs. This reflects the immediate measure and the heavy implications that it has in the economic chain overall. Currently to cope with the situation in continuance they plan to further cut pay and jobs and delay payments. This has enormous chain reaction in the economic cycle damaging further consumption and household's budgets.



The next two considerable measures to cope with the future are adding shareholder funding and bank loans. In relation with future trend transformations, almost 60% of respondents are willing to transform to online commerce, and 31% of them are very unwilling despite the fact that 81% of respondents report having a website. Next tourism operators are asked about which policies or measures the government should take to withstand the situation. More than 1/3 of respondents responded that the government should provide subsides for rent, utilities, and post stabilization funds. These are immediate operational costs that keep businesses running on day-to-day basis. Another substantial request is related with more than 1/3 asking for reduction, exemption or postponement of value-added tax, income tax and other tariffs since most businesses were not operational. Another 18% of them asked for measures stimulating consumption.

When asked about current operational pressures they are facing, employee salaries, social security and insurance as a group, and cancellations of reservations and orders made 24% each, followed by payments of accounts payable with 21% and loan repayment with 15%. Taking in consideration the optimistic future of the sector before the COVID- 19 pandemic and the reflective nature in times of crisis we asked them about the impediment that the pandemic had on their innovation pace. Hampering the launch of a new product made 33%, staff recruiting made 30%, and almost 30% was made up by lack of cooperation with other companies to innovate. *The first two come naturally in understanding, but being unable to cooperate with other companies to carry out the innovation process is a symbol of industry maturity. This gives room to play to donor projects with that have in their priorities tourism and rural development*.

Human capital is the Achille's heel of the Albanian economy in overall, but when it comes to tourism the situation appears to be worse. In focus group interviews, tour operators reported that another issue that surfaced because of the pandemic was that during total lock down and after most of the work force switched industry or left Albania, making it more difficult to recall the same people. More than half of the respondents reported that their recruiting plans have changed and will be downgraded. In addition, they think that labor costs have increased, and it is harder through traditional channels to find employees as a result of the crisis. However, 47% of the sample size reported

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that they plan to keep the same level of employment during this year, and roughly 50% of them planned to reduce it from 10% to 50% of the workforce.

Productivity is another component of the assessment tool. It is a topic rarely discussed in Albania tourism industry and operators usually do not deal with hard data. 93% of respondents value skilled staff and believe that it is important for their productivity. 86% report engaging in any kind of activity training, however when it comes to internal formal systems of training only 54% of them have in place such systems. The intensity of training requirements decreases when it comes hiring new staff, only 64% of businesses require new staff to have training and qualifications. On the other hand, businesses value skilled staff in perspective with the competition, 95% of them think that it is important to keep up with the market. Lastly, businesses value equipment investment as an important factor in productivity.

Innovation progress and technology introduction is an important element not only to show a strong market orientation but also it affects how businesses respond in times of crisis. The assessment tool asked businesses what they value more, whether they created new innovations, and how they reacted to cost cutting measures and competition with new product and service lines. Tourism operators value the most for their business's innovation in marketing and promotion, 61%, followed by organizational and management innovation. This fact seems to be natural taking in consideration characteristics of the industry. However, they seem to value less innovation in products and services and processes innovation. This usually comes from a belief that product and services holders value their operations in a high esteem. As a metric for innovative activity usually serves a question asking about a new product or service introduced in the last two year, and 71% report that they did. The two years timeframe takes in consideration the product cycle. However, half of businesses have staff dealing with innovation processes, despite that, more than 80% of them value new product creation as an effective tool to compete and cost cutting changes.

Competition in the sector is another perspective measured to find out how they perceive the industry dynamics. More than 80% see competition as a valuable driver in their conquest for productivity, and almost 70% of respondents see new enterprises as important for their productivity. Almost 45% of respondents see many competitors in the market, and this is confirmed when asked about direct competitors when almost 42% agree that have many direct competitors. The data shows that operators are aware of their competitive context, however there is room for improvement. In addition, what seems to be an interesting fact is that when asked in relationship whether customers are informed about competitor prices and products almost halve of respondents believe that not enough.

International orientation is an important component to assess Albanian tourism operators foreign collaboration and their market orientation in relation with foreign customers and competitors. Almost 50% of tourism operators report that their primary market is both domestic and international, 1/5th reports only international market, and almost 1/3 only domestic market. More than half of them report having relationships with foreign firms, and almost 60% do *fear* competition from foreign markets. Productivity impediments is an important taxonomy of the assessment tool. It touches topics such as staff skills and turnover, government, and public policy.

Almost 60% of respondents recognize that there is an inadequate supply of trained staff and almost 50% of them agree that many firms try to hire workers with the same skills. *This is an important policy implication that derives from many sources. Labor shortages, up-skilling and since they try to hire workers with the same skills makes it easier to target skilling needs*.

Almost 62% do not support the idea that high labor turnover devaluates training efforts. This indicator means that companies recognize that to keep employees they have to provide certain conditions, make their businesses *desirable*, and in the overall despite the circulation the knowledge remains in the industry. This idea is backed up by another indicator. More than 50% of respondents do not support the idea that trained staff will leave to work for competitors.

Public policy and public investment is another topic that affects business sentiment for the future. Almost 80% agree that uncertain future hampers investments. Related with public infrastructure more than 64% of them agree that lack of investment in public infrastructure hampers their business. The idea of public infrastructure appears to be related only with roads, however this is only a fraction of the idea. Even road infrastructure comes associated with networks of connections, management plans, and integration with cities and markets, in addition there is health infrastructure, water and sanitation and electricity. This discussion is not the topic of this report despite the relevance that it has overall in the economy.

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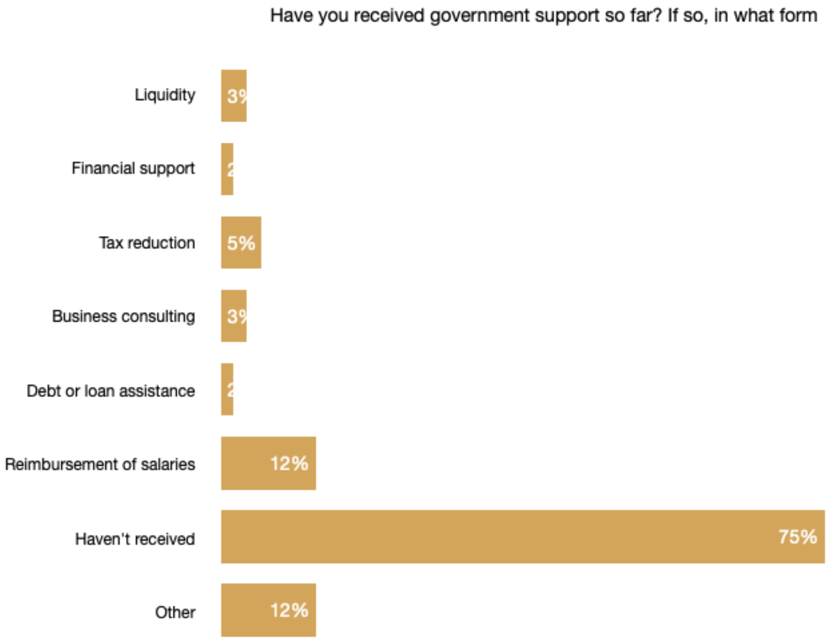
57% of respondents agree that planning regulations are a major barrier to investment. This comes as a paradox since especially in construction of hotel infrastructure there is not a strategic, grand plan, or even a master plan that regulates the vision of how cities should and will be regulated and developed. Most probably, businesses have taken this question as regulations related with business operations such as permits, electricity connections, water connections, and local tariffs and permits, all the above mentioned are characterized by highly corruptive practices and cause market distortion through informality. In overall, almost 70% of tourism operators questioned agree that excessive government regulation causes problems.

The graph below visualizes responses in relation weather tourism operators have received any government support.



75% of them report not receiving any kind of support. A few have received liquidity and financial support, tax postponement, and salary reimbursements. The specificity and cyclical process of the industry have made that the main measures that the government took during the lock down, not to be at any help for one of the most important sectors of the Albanian economy.

The radar graph is a very illustrative tool of tourism operators needs and what can be deduced as policy. Most of them see as very important financial support for recovery, liquidity and tax reduction or determents. They also value sharing of best practices from other industry businesses. However, one thing that tourism operators do not see as value added are virtual trainings for up-skilling their workforce.

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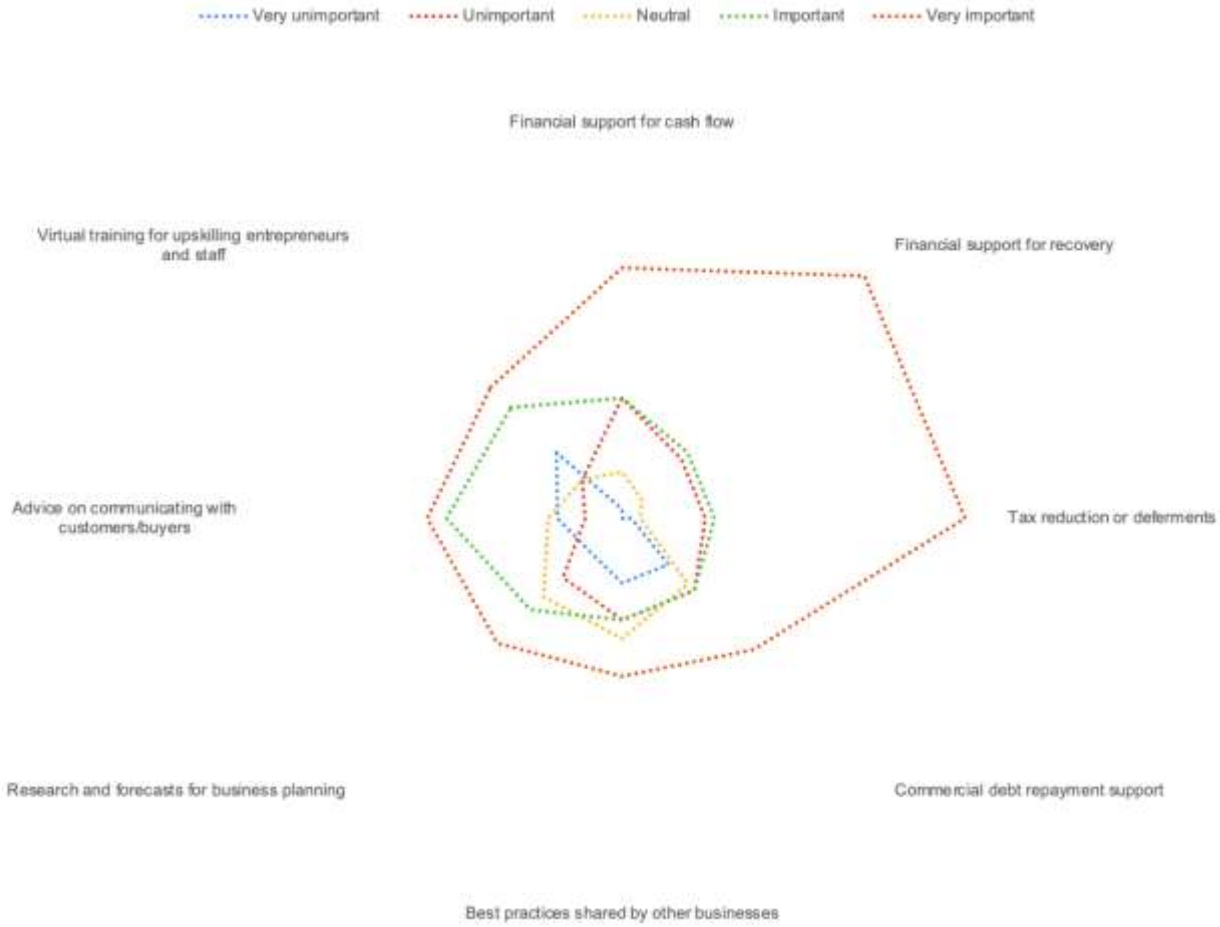

Figure 6. Tourism entreprenurs needs map

An additional tool for the analysis was a set of interviews (focus groups) which was comprised of 4 stars hotels from 50 to 80 rooms, from Korça, Tirana, Dhërmi, etc. Regarding the pre pandemic situation all respondents state that it was promising and optimistic with some of them fully booked from international tour companies. They state that the pandemic has not only hit the 2020 operational year but also for-see a blank future regarding 2021 and 2022 despite the vaccine roll out. They face heavy hurdles regarding skilled staff, and state that the pandemic has exacerbated the problem. Being relatively consolidated players in the market, with considerable investments they argue the need of a grand tourism strategy orientation and diversification of services. All respondents stress the lack of institutional support from government bodies. More than half of them state that operational costs during the crisis have been supplemented by their private funds, savings, or capital from other businesses that they own. The bigger the investment they have, the heavier is the burden that comes from informality, lack of clear tourism strategy and orientation in country scale.

6. Conclusion

Tourism dependent economies, all over the world are working with policy measures to tighten the economic gap that the pandemic has caused by crashing tourism revenues on both households and businesses. Governments have implemented cash transfers, tax reliefs, grants, payroll support, and loan guarantee schemes. According to a McKinsey & Company report most countries have utilised mostly direct stimulus schemes such as grants, debt reliefs and payrolls (Constantin et al., 2020; Sneader & Singhal, 2020).

Many countries have implemented fiscal packages to buffer the effect from the pandemic. Employment in this sector features high levels of informality worldwide, and also atypical work including seasonal, casual, self-employed, etc. To this extent, such nature of work helps the business to adjust in times of turmoil due to the lack of formal rigidity and safety networks imposed by the system. In countries such as Albania, tourism has been important in closing the gap between the poor and the rich, by providing a steady source of income and social

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cohesion. For the crisis to be seen as an opportunity appropriate policies and structural mechanisms should be in place, moreover public support should be coordinated with private support (Škare et al., 2021). Harnessing innovation and digital economy, emphasizing local values, and creating sustainable jobs for all in the industry can be the future of tourism industry.

Due to the sector importance, it is reasonable that every strategy built, and policy recommendation and initiative has to be carefully crafted. Research carried out measuring and predicting this pandemic tourism impacts is relevant to limit economic "casualties", compile, monitor, and make better response strategies. However, it risks bypassing the analysis of structural roots of the sector, its conditions despite the pandemic, and the social structures through which events unfold. There are two kinds of responses as recognized widely by literature and international bodies such as the IMF, World Bank and the World Tourism Organization. The immediate response and the recovery measures.

According to World Bank policy measures, despite if it is an immediate response or a recovery measure, there are caveats to be taken in consideration. Firstly, policy makers should emphasize quality and focus maintenance. The speed and the quality of policy response is crucial for positive outcome during and after the crisis. Secondly, selectivity and additionally makes support better by focusing on comparative strengths, whether it is fiscal policy or straight public expenditure. Thirdly, policy makers should consider poverty levels, inclusion and the impact of distribution. It is absolutely necessary to assess poverty dimension on pre-crisis levels and not only while it deteriorated if it is the case.

Country context and customization of policy is necessary. Fourthly, impact should be monitored while being incorporated in a result framework including post-crisis recovery. Fifthly, financing modalities should be agile. Normal financing procedures is for normal times in normal condition, hence the extraordinary measures. Arranging development policy loans can be of high effectivity. Lastly, partner and institutional coordination is imperative for the whole process. The better the coordination, the better the response, quicker the pain relief of households and businesses, the quicker the economic rebound. It strengthens the system by creating transfer of skills and knowledge and exploit synergies maximizing impact. Keeping in mind these policy principles a clear road map of transformation and policy response has to address several priority areas.

Table 3. Short-, mid-, and long-term strategies are designed based on the taxonomy presented in the figure below.

Action focus	Short	Mid	Long
Public support	Information overflow, create international best practices, collect and automatise data analysis, government grants, wage subsidies,	Tourism data management systems, long term strategy structure, digital transformation,	Idiosyncratic channels resilience, structural reform, hysteresis effect, wide educational programs
Capacity building	Subsidise employment schemes, training programmes, foreign development programmes,	Capilar integration of VET schooling system, Mapping needs and sectorial training and up-skilling	VET system reform, regional mapping of educational institutions, deeper integration
Operational sustainability		Sectorial mapping, structure of operators, division of offering categories	Reform of tourism institutions and agencies
Job creation		Tax rabats	Sustainable tourism schemes

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Liquidity injection	Extraordinary loan programme	Tailored financial solutions	Improve access to finance, digitise services,
Cost reduction	Local tax rebates and tariff reduction		
Tourism offering		Standardisation of services	Terrain control of standards and environmental use.
Infrastucture	Digital Infrastucture		Public health, utilities infrastructure
New tools	Digital transformation	Donor programmes in up-skilling and innovation boosting	Education and awareness prorgams.

Source: Author's based on various sources (IMF, World Bank, World Tourism Organization)

Countries all over the world have taken swift actions protecting economies and tourism resilient ones have taken targeted measures. It is understandable that the number and financial weight of these measures to depend on countries capacities to withstand such measures.

World Bank data shows that high income countries have the highest number of measures. The same data can tell us that world knowledge has set a pattern of the number of measures by type, starting from the most used that is debt finance, tax relief, business cost reduction measures, investment, employment support, support to demand, etc. This self-prioritization of policy measures that we can deduct from simple data extraction has a logical pattern. The reason why debt financing is the first one is based on several principles. Businesses in functioning markets have the best knowledge to utilise resources the most common need is liquidity. In working conditions such need would be fulfilled with an associated cost, however with more lax regulation to financing.

Figure 6 Number of measures by income level

Any other of policy would mess with market efficiency and will not hold on to the principles of reflexivity, equity, plurality, and creativity. Crisis usually amplify existing issues within the business organization and structural economy issues, thus making any money intervention a supply of inefficiency by keeping in the market businesses that will eventually reform later. Tax and business cost reflect the need of optimizing liquidity in times of crisis and such measures give breath to businesses in the short and mid-term. The same principles apply for the following measures also adding country context.

Albania policy response is likely to follow already created patterns, due to common wisdom and previously utilized institutional knowledge on the issue. However, there is a contextual aspect of policy response related with the country specific circumstances. Demand in tourism has been known to rebound quickly, and in this case, it is only dependable on travel restrictions mostly. Recovery for the country will not be even in relation with regions, operators, and sub-sectors, due to differences in capacities, knowledge resources, experience, and geography. Despite its development product reshaping, consolidation and new offering will in the sector will be inevitable.

Since 1993 in Albania, have been ideated, drafted, and presented 4 strategies. The first one was 1993 - 2010, the second 2002 - 2012, the third 2007 - 2013, 2013 - 2018 no strategy at all, 2018 - 2022 remained only a draft due to changes in ministry heads and visions, changes which oriented especially the Albanian seaside to be oriented in real estate property with villas and not with resorts and hotels for a structured well diversified tourism. The 2019 - 2023 strategy was introduced however never implemented due to issues that are not subject of this paper.

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Table 4. Policy Recommendations

Policy recommendations			
Institutions	• Effective communication among institutions, destination management organisations, industry associations • Financial institutions intervention to respond to liquidity measures. • Direct liquidity provision by lo interest tailored loans.	• Support training and employment to forestall job industry switching and layoffs. • Information system to assess periodically and monitor constantly industry needs. • Support sector stability. • Define regions and zoning policies for cluster development. • Target sectorial issues by uplifting institutional responsibilities and actions.	• Public investment in infrastructure such as water, sanitation, energy and environment. • Coordinate stakeholders, donors, partners, and state agencies strategically to reduce systemic inefficiencies. • Simply legislation of tourism sector as a strategic sector. • Tackle heavy corruption and informal market practices. • Shift management capabilities and decision making related with the industry to competent, responsible and knowledgeable institutions.
Agencies	• Liberalise the air transport industry and cost reduction opportunities. • Map the ecosystem to identify sub-sectors. Implement rigid environmental standards.	• Build a long term management strategy at industry level. • Identify and support business initiatives and entrepreneurship by facilitating the process of entering in the market. • Facilitating informal businesses into the system. • Improving international and market orientation processes and expanding access channels. • Introducing digital platforms. • Support sector stability.	

Donnors & Projects	• Development of education, awareness, and VET deeper integration programmes. • Support grant programmes to boost business model innovation, market orientation and service upgrade.	• Implement sustainable skilling and re-skilling programmes. • Digital transformation projects.	
Financial institutions	• Reduce and adapt credit granting protocols.	• Tailor financing options to industry cyclical and operational needs.	

Source: Author's

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