



## **Background note on Covid-19 and Tourism sector in the PAM region**

### **Introduction**

Tourism, including its related supply industries and services, is one of the economic sectors first and most heavily affected by the COVID-19 in the Mediterranean region and in the whole world. The sector has already experienced a collapse of demand and an exponential surge in unemployment, putting many small and medium-sized enterprises at risk of survival.

**In the northern shore of the Mediterranean,** The European Union is the largest region in the world in terms of international tourism receipts. In 2019, tourism-related spending in the EU reached 427 billion Euros, representing 6.2% of the EU's total exports. Tourism represents 10% of the EU's GDP and provides jobs for almost 12% of employees. Last year, the Travel & Tourism sector provided for more than 2.7 million jobs, showing how intrinsic and important the sector is to the European economy.

In southern Europe, where recovery from the 2008 crisis relied to a significant extent on tourism, the sector is vital to national economies. It accounts for 20% of GDP in Greece, 18% in Portugal, 15% in Spain and 13% in Italy, according to the World Bank. Spain was the world's second most-visited country in 2019, with nearly 84 million tourists.

**Considering the MENA region,** according to the Arab Tourism Organization, the tourism sector represents an average of 14.2% of the GDP of the Arab countries as a whole.

### **I. Impacts of Covid-19 on Tourism in the PAM region:**

Recently, the UN's World Tourism Organization (UNWTO) estimated that the pandemic would result in global international tourist decline between 20-30% in 2020, down from an estimated growth of 3-4 % forecast in early January. This negative prediction will then translate into a net loss of between USD 30 and 50 billion in spending by international visitors. The World Travel and Tourism Council has warned that, with this horizon, up to 75 million jobs worldwide are at risks.

The European Commission estimates that hotels and restaurants in the region will lose half of their income this year. In Europe, airlines' passenger revenue will drop by USD 76 billion year-on-year, second only to that of the Asia Pacific region.

Italy, Spain and France — the three EU countries most heavily affected by COVID-19 — together accounted for half of the total nights spent by non-residents in the EU in 2018, according to Eurostat. Tourism revenues fell by 95% in Italy and 77% in Spain in March 2020, according to the UBS banking group. The Italian National Tourism Agency forecasts a Euro 20 billion fall in income compared to 2019.

An estimated 13 million jobs in Travel & Tourism are at risk in the EU. For example, Greece is vulnerable as over a third of the business economy workforce was employed by the tourism sector in 2017. It was followed by Cyprus (20%) and Ireland (14 %).

Countries in the Western Balkans are among the most exposed to the projected collapse in tourism revenues this year. In many of these countries, tourism accounts for some of the largest shares of GDP across the wider Southeast Europe and Eurasia area, based on a global survey by the World Travel and Tourism Council (WTTC) published in 2018. Tourism — taking into account both direct and indirect effects — accounted for 26.2% of GDP in Albania, 25% in Croatia, 23.7% in Montenegro and 12.1% in Turkey. Similarly, as in the EU, the projected loss in jobs is catastrophic.

The tourism sector in the MENA region has lost, from January until the end of March 2020, about USD 25 billion in tourism revenue and USD 8 billion in Arab airlines revenue, and USD 12.96 billion in investments in the tourist sector, according to the Arab Tourism Organization.

There is a concrete risk of losing permanent and seasonal jobs in the tourism and travel sector throughout the region. **For instance**, the Governor of the Central Bank of Tunisia stated, in mid-April 2020, that the tourism sector in the country is threatened with losing 400 thousand jobs. The Egyptian Minister of Tourism recently stated that the pandemic has already affected nearly three million Egyptians working in this sector.

In Jordan, the Head of the Tourism Promotion Authority recently stated that the percentage of losses in the tourism sector has already reached 50%. The Palestinian Minister of Economy, Khaled Al-Osili, stated that the losses of the tourism sector, only in March 2020, had exceeded USD 10 million. In Israel, the Head of the hotel association stated that the expected closure of Israel's borders to foreign tourists will immediately cost the sector some USD 1.7 billion.

#### **Dangerous indicators:**

- Tourism revenues fell by 95% in Italy and 77% in Spain in March 2020.
- 13 million jobs in Travel & Tourism are at risk in Europe.
- The tourism sector in the Arab countries has lost about \$45 billion in three months.

## II. Measures and efforts for the recovery:

European governments have requested the Commission to work as a matter of priority towards a common EU approach, which provides temporary flexibility and liquidity, and ensures a fair balance of interests between tour operators and consumers.

### EC guidelines for the recovery of the tourism and travel sector

**On 13 May 2020, the European Commission has presented a package of guidelines and recommendations to help Member States gradually lift travel restrictions and allow tourism businesses to reopen. The key elements are:**

**However none of these EC recommendations are binding, something that alarms airlines:**

*“We needed strong leadership from the Commission, with unambiguous and identical rules for all airlines, big and small. We got the opposite. The EC is even promoting market distortion”, said Sylviane Lust, Director General of Airlines International Representation in Europe.*

### For tourists and travelers: the European Commission states five main measures:

- 1) Travel restrictions should be first lifted between countries and regions with similar epidemiological conditions. That would mean two countries experiencing a similar low caseload and infection rate would establish ‘travel corridors’ between them. The Commission stressed the principle of non-discrimination in this regard. For example, Austria could establish a travel corridor with Germany, but it would have to let in any EU citizen residing in Germany, not just Germans.
- 2) Restoring transport services across the EU, keeping in mind the need to monitor and limit contact between passengers and transport workers, and passengers themselves, reducing, where feasible, the density of passengers.
- 3) Safe resumption of tourism services through epidemiological evidence; sufficient health system capacity being in place for both local people and tourists; ensuring robust surveillance and monitoring and testing capacity and contact tracing.
- 4) Applying guidelines to ensure cross-border interoperability among all tracing apps, so that citizens can be warned of a potential infection by coronavirus when they travel in the EU.
- 5) On the contentious issue of travel vouchers, the EC recommends to ensure that vouchers become a viable and more attractive alternative to reimbursement for cancelled trips in the context of the current pandemic, which has also put heavy financial strains on travel operators. The voluntary vouchers should be protected against insolvency of the issuer, with a

**Airlines for Europe (A4E), Airlines International Representation in Europe (AIRE), European Regions Airline Association (ERA), and the International Air Transport Association (IATA), representing the collective interests of European airlines, said in a statement that,** *“unclear and non-binding EC recommendations will create further confusion for airlines and passengers at a time when clear, decisive regulatory action is urgently needed.”*

minimum validity period of 12 months, and must be refundable after - at most one year - if not redeemed.

**For tourism businesses, the EC aims at supporting Europe's tourism sector by:**

- 1) Ensuring liquidity for tourism businesses, in particular SMEs, through guarantee schemes for vouchers and further liquidity, to support companies in the transport and travel sectors. as part of EU funding, the EC has made available up to €8 billion in financing for 100,000 small businesses hit by the crisis, with the European Investment Fund.
- 2) Saving jobs with up to €100 billion in financial relief from the SURE programme (European instrument for temporary Support to mitigate Unemployment Risks in an Emergency)\*, in addition to partnerships between employment services, social partners and companies to facilitate reskilling, especially for seasonal workers
- 3) Connecting citizens to local tourism offer, promoting both local attractions and Europe as a safe for tourist destinations, through encouraging a digital transformation of tourism services to offer more choice, and building a sustainable, innovative and resilient European tourism ecosystem.

**European countries' policies on reopening the borders**

There is still no agreement between European countries on a common approach on reopening internal borders between European Union countries and reopening borders with the outside world. Each country adopts different measures.

<b><u>COUNTRY</u></b>	<b><u>MAIN SPTEPS</u></b>
<b>Austria</b>	<ul style="list-style-type: none"> <li>▪ Borders are due to open with Germany, Switzerland, Liechtenstein, Czech Republic, Slovakia and Hungary on 15 June.</li> <li>▪ Health certificate required on entry, stating that the traveler does not have coronavirus; those without a certificate must self-isolate for 14 days.</li> </ul>
<b>Belgium</b>	<ul style="list-style-type: none"> <li>▪ Aiming to reopen to international tourists by 15 June, and is likely to make an announcement by the end of May.</li> </ul>
<b>Bulgaria</b>	<ul style="list-style-type: none"> <li>▪ No date announced for borders reopening to non-essential travel.</li> </ul>
<b>Croatia</b>	<ul style="list-style-type: none"> <li>▪ Some border crossings on major routes are open for limited traffic.</li> <li>▪ No date announced for borders reopening to other tourists.</li> </ul>
<b>Cyprus</b>	<ul style="list-style-type: none"> <li>▪ Airports and seaports will begin “resuming operations in stages” between 9 June and 13 July.</li> </ul>
<b>Czech Republic</b>	<ul style="list-style-type: none"> <li>▪ Borders with Austria and Germany due to open by 15 June.</li> <li>▪ Transit is permitted with proof of residence and onward travel. Domestic travel permitted</li> </ul>
<b>Denmark</b>	<ul style="list-style-type: none"> <li>▪ Transit is only currently permitted for those with a “worthy purpose”, such as</li> </ul>

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\* - On 02 April 2020, The Commission has proposed a new instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE). It will allow for a financial assistance up to EUR 100 billion in the form of loans from the EU to affected Member States.

	<p>people from neighboring countries returning home.</p> <ul style="list-style-type: none"> <li>▪ The Danish government will decide on border control and travel advice by 1 June</li> </ul>
<b>Estonia, Latvia and Lithuania</b>	<ul style="list-style-type: none"> <li>▪ Currently, only tourists from within this “travel bubble” of Baltic countries are permitted entry.</li> </ul>
<b>Finland</b>	<ul style="list-style-type: none"> <li>▪ No date announced for borders reopening to non-essential travel.</li> </ul>
<b>France</b>	<ul style="list-style-type: none"> <li>▪ Borders due to reopen, initially with Switzerland and Germany, from 15 June.</li> <li>▪ A health certificate stating that the traveler does not have coronavirus will be required on entry until at least July (with an alternative of 14 days’ self-isolation).</li> </ul>
<b>Germany</b>	<ul style="list-style-type: none"> <li>▪ Borders due to reopen, initially to Switzerland, France and Austria, from 15 June.</li> </ul>
<b>Greece</b>	<ul style="list-style-type: none"> <li>▪ Borders reopening to international tourists on 1 July at the earliest.</li> <li>▪ all arrivals must self-isolate for 14 days on arrival.</li> </ul>
<b>Hungary</b>	<ul style="list-style-type: none"> <li>▪ Borders with Austria could open by 1 June. Limited flights are operating</li> </ul>
<b>Iceland</b>	<ul style="list-style-type: none"> <li>▪ The government expects to “start easing restrictions on international arrivals no later than 15 June”. (Borders have remained open to Schengen countries.)</li> <li>▪ A health certificate will be required on entry, with the alternative of 14 days’ self-isolation.</li> </ul>
<b>Italy</b>	<ul style="list-style-type: none"> <li>▪ Borders are due to reopen to tourists on 3 June.</li> </ul>
<b>Luxembourg</b>	<ul style="list-style-type: none"> <li>▪ Borders open with Germany.</li> </ul>
<b>Malta</b>	<ul style="list-style-type: none"> <li>▪ No date announced for borders reopening to non-essential travel or tourists.</li> </ul>
<b>Netherlands</b>	<ul style="list-style-type: none"> <li>▪ Borders are open tourists from Schengen countries and essential travel.</li> </ul>
<b>Poland</b>	<ul style="list-style-type: none"> <li>▪ Borders are likely to be open to international tourists from 13 June.</li> </ul>
<b>Slovenia</b>	<ul style="list-style-type: none"> <li>▪ A phased reopening to neighboring countries is likely – the border with Hungary could be open by 1 June.</li> <li>▪ All arrivals from outside the EU must self-isolate for seven days and provide proof of accommodation.</li> </ul>
<b>Spain</b>	<ul style="list-style-type: none"> <li>▪ A de-escalation process is gradually reopening the country in stages until the end of June.</li> </ul>
<b>Sweden</b>	<ul style="list-style-type: none"> <li>▪ Borders are open to EU countries (but are closed to residents of some non-EU countries until 15 June at the earliest).</li> </ul>
<b>Switzerland</b>	<ul style="list-style-type: none"> <li>▪ Border crossings to and from Germany, France and Austria due to reopen from 15 June.</li> </ul>

On 20 May 2020, the EU Ministers of Tourism EU held a Video conference to coordinate the gradual lifting of travel restrictions and allow tourism businesses to reopen, while respecting the necessary health precautions. They welcomed the guidelines and recommendations presented by the Commission on 13 May, as a necessary first step for the recovery of the tourism sector.

More specifically, ministers expressed strong support for a number of principles that should govern such recovery, such as:

- close coordination at EU level,
- gradual, step-by-step approach,
- decisions based on sound epidemiological data,

- non-discrimination,

In the same context, ministers encouraged the Commission to carry out its plans to create **an interactive website**, which will make available to the public real-time information on the conditions and measures in place in each member state concerning tourists.

**For the MENA region**, on 1 April, the Arab Tourism Organization, the Arab Civil Aviation Organization and the Arab Air Transport Association decided to form a **regional strategic team** that includes representatives of these institutions, plus those involved in the tourism and travel sector in the Arab world. The team has the mandate to identify a series of practical measures and plans that would support the return of Tourism to play its natural role in sustainable development and encourage Arab governments to adopt these measures.

Some Arab countries have already individually taken measures related to preserving the liquidity of the tourism businesses and preventing the risks of bankruptcy of the travel companies, through loans and guarantees.

For example, the Egyptian government has adopted **some measures** in this regard, such as:

- Postponing the payment of all receivables on tourist facilities for a period of 3 months, without fines or delay benefits.
- Providing bank financing with reduced interest for tourist facilities, in order to retain the labor.
- Paying emergency fund benefits for regular labor in the tourism sector.

**In Jordan**, the Ministry of Tourism announced a package of measures to revitalize tourism institutions, including:

- Exempting owners of tourist facilities from fees and fines resulting from renewing licenses for the current year.
- Supporting the tourism sector by 30 million Jordanian dinars (\$42 million).

### **III. Scenarios for the future**

#### **❖ International Tourism 2020 Scenarios:**

Current scenarios point to possible declines in arrivals of 58% to 78% for the year. These depend on the speed of containment and the duration of travel restrictions and shutdown of borders. The following scenarios for 2020 are based on three possible dates for the gradual opening up of international borders:

- Scenario 1 (-58%) based on the gradual opening of international borders and easing of travel restrictions in early July
- Scenario 2 (-70%) based on the gradual opening of international borders and easing of travel restrictions in early September

- Scenario 3 (-78%) based on the gradual opening of international borders and easing of travel restrictions only in early December.

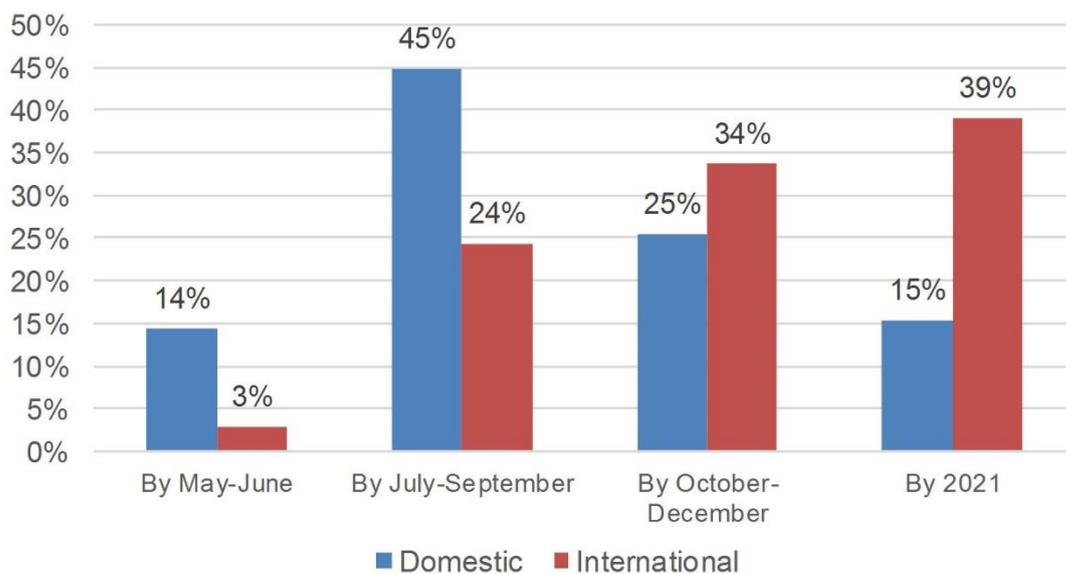
**Under these scenarios, the impact of the loss of demand in international travel could translate into:**

- Loss of 850 million to 1.1 billion international tourists.
- Loss of US\$910 billion to US\$1.2 trillion in export revenues from tourism.
- 100 to 120 million direct tourism jobs at risk.

- **Experts see recovery in 2021:**

Domestic demand is expected to recover faster than international demand according to the UNWTO Panel of Experts survey. The majority expects to see signs of recovery by the final quarter of 2020 but mostly in 2021. Based on previous crises, leisure travel is expected to recover quicker, particularly travel for visiting friends and relatives, than business travel.

**When do you expect tourism demand in your destination will start to recover?**



The estimates regarding the recovery of international travel is more positive in Africa and the Middle East with most experts foreseeing recovery still in 2020. Experts in the Americas are the least optimistic and least likely to believe in recovery in 2020, while in Europe and Asia the outlook is mixed, with half of the experts expecting to see recovery within this year.

**When do you expect international demand for your destination will start to recover?**

