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STUDY OF THE EFFECTS ON THE PRIVATE SECTOR - TOURISM AND HOSPITALITY

affected by the health and economic crisis caused by
the COVID-19 pandemic, with recommendations in
dealing with the economic effects



СТОПАНСКА КОМОРА
НА МАКЕДОНИЈА
ECONOMIC CHAMBER
OF MACEDONIA



СОЈУЗ НА СТОПАНСКИ
КОМОРИ НА МАКЕДОНИЈА
ВОДЕЧКА МАКЕДОНСКА ДЕЛОВНА МРЕЖА

Notice:

The study was prepared by Kristijan Dzambazovski and Dejan Metodijeski, in cooperation with the Platform for Public-Private Dialogue consisting of the Economic Chamber of Macedonia, the Economic Chamber for Information and Communication Technologies - MASIT, the Economic Chamber of North-West Macedonia and the Macedonian Chambers of Commerce. The study was prepared in coordination with EPI CENTAR International with the support of the American people through the United States Agency for International Development (USAID). Opinions expressed in this study on the effects on the private sector - tourism and hospitality, affected by the health and economic crisis caused by the COVID-19 pandemic, with recommendations for dealing with the economic effects, belong to the authors and do not reflect the views of the United States Agency for International Development or the Government of the United States of America.

Skopje, May, 2020

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LIST OF ABBVREATIONS

UNWTO	United Nations World Tourism Organization
WHO	World Health Organization
APST	Agency for Promotion and Support of Tourism
ME	Ministry of Economy
WTTC	World Travel and Tourism Council
EC	European Commission
SARS	Severe Acute Respiratory Syndrome
SSO	State Statistics Office
COVID-19	Coronavirus disease 2019
GDP	Gross Domestic Product
IATA	International Air Transport Association
OECD	Organization for Economic Cooperation and Development
ZAMP	Music Copyright Protection Association
FHI	Fund for Health Insurance



INTRODUCTION

Tourism is one of the fastest growing sectors in the world economy.

According to the United Nations World Tourism Organization (UNWTO), the number of tourists in 2019 on the international level reached 1.500 million. In 2018, tourism spending was at 1.700 billion US dollars, and the tourism industry accounted for 10% of the global gross domestic product (GDP). One in ten employees in the world is employed in this sector.

Both internationally and in our country, the statistics related to tourism in the past decades have consistently shown positive indicators.

In North Macedonia, the data related to the number of tourists and overnight stays in 2019 is as follows: the number of tourists is 1.184.963, of which 427.370 are domestic tourists, and 757.593 are foreign tourists; and the number of overnight stays in 2019 is 3.262.398, of which 1.684.627 are domestic tourists, and 1.577.771 are foreign tourists.

Despite all the positive social, cultural, and economic impacts of tourism, it is still the most "sensitive" activity to implications such as military actions, terrorism, natural disasters, and catastrophes, as well as the spread of various diseases that limit or prevent tourists from traveling. The COVID-19 crisis that erupted in late 2019 led to the declaration of a global pandemic by the World Health Organization (WHO). The spread of the virus restricted movement of people in all destinations around the world. The pandemic (spread of disease in large territories) and the change in people's living habits have led to the stagnation of the economic activity in the entire economies.

The main goal of this study is to explore the effects on the tourism and hospitality sector that is affected by the health-economic crisis caused by the COVID-19 virus and offer recommendations to deal with the economic consequences.

To achieve the study's objective, we analyzed the country's tourism and hospitality sector; researched the international experiences in dealing with this crisis and the measures taken in the country, related to the tourism and hospitality sector. In the study, based on the conducted research (surveys and interviews), we made recommendations for the short-term and long-term measures to deal with the COVID-19 crisis.

1. METHODOLOGY OF THE STUDY

This study aims to research the effects of the health and economic crisis caused by the COVID-19 virus on the tourism and hospitality sector, with recommendations to deal with the financial outcomes. To achieve the objective of the study, we analyzed the tourism and hospitality sector of North Macedonia. For the analysis, we used appropriate methodology, as presented in diagram 1 below.

STEPS TAKEN DURING THE PREPARATION OF THE STUDY. The actions taken during the preparation of the study are the following: Meetings and definition of activities for the preparation of the study; Development and distribution of an electronic survey questionnaire for the tourism and hospitality sector; Conducting telephone interviews for the tourism and hospitality sector; Review of relevant literature and internet research; Writing the study.

Diagram 1. Steps in the preparation of the study



RESEARCH METHODS. To prepare the study, we used various research methods and instruments, such as analysis of the content of European and world studies related to crises in tourism and recommendations of relevant institutions in the field of tourism and health concerning COVID-19; analysis of strategic documents and legislation related to the tourist and hospitality activity in the country; analysis of statistical reports related to hospitality and tourism in the country; an electronic survey of representatives of the tourism and hospitality sector in the country; conducting interviews with representatives of the tourism and hospitality sector in the country; analysis of relevant literature and internet sources; etc.

SECONDARY SOURCES OF DATA. The study also used secondary data sources by consulting relevant literature in the field of tourism and hospitality related to COVID-19 and online materials. The Internet provided materials such as publications related to tourism crises and various measures taken by countries around the world in dealing with the COVID-19 situation in the tourism and hospitality sector, subject to analysis in the study. It also used data from the State Statistical Office, which refers to the analysis of the country's tourism and hospitality sector, as well as data from other state institutions. The main method used in the secondary research is content analysis. Content analysis is a research method used to evaluate the content of the research phenomenon systematically; in our case, it is the range of COVID-19 coping measures in the tourism and hospitality sector.

PRIMARY SOURCES OF DATA. The primary data sources collected through the research related to this study comes from the electronic survey questionnaire and telephone interviews. For the needs of the study, EPI Center and the Economic Chamber of Macedonia surveyed companies from the tourism and hospitality sector. They compiled an electronic

questionnaire with 35 questions, where 64 companies took part in the survey. The survey took place in the period 13-30.04.2020, and the questionnaire was distributed to companies by e-mail. The questionnaire is an annex to this study.

The phone interviews took place in the period 21-30 – 04.2020. During the study, 26 representatives were interviewed (in higher company positions with many years of experience). They came from the tourism and hospitality sector, such as hotels, travel agencies, restaurants, transport companies, private accommodation, tourist guides, spa centers, wineries, sports and recreation facilities, etc. The average length of the interview was 40 minutes. The purpose of the interviews was to gain in-depth knowledge of the study's needs, mostly for the measures to deal successfully with the COVID-19 crisis in this sector. The 20-item interview questionnaire is attached to this study. The study involved the interviewing of six foreign tour operators, to obtain information about future circumstances in tourism. The interview questionnaire containing nine questions is attached to the study.

Based on the collected data from the primary and secondary researches, the study offers measures and recommendations for further activities related to dealing with the COVID-19 crisis in the tourism and hospitality sector.

2. INTERNATIONAL EXPERIENCES FROM THE TOURISM AND HOSPITALITY SECTOR IN RELATION TO THE COVID-19 CRISIS

A review of the relevant contemporary literature related to tourism and crisis management (the outbreak of SARS in 2003, also coronavirus) showed that many authors have dealt with this issue internationally, and professional literature in the field is available. Worldwide, several international and regional organizations are dealing with the tourism and hospitality sectors and have issued statistical data related to this activity. These institutions and organizations also release recommendations for coping with the COVID-19 crisis in the tourism and hospitality sector. For this reason, the study has included international experience and data from the World Travel and Tourism Council, the European Commission, and other sources. The crisis with COVID-19 affected the tourism industry, which is "the most vulnerable." The first measure taken by countries around the world was to restrict the movement and travel of people and to close hospitality facilities. North Macedonia used a small number of accommodation facilities for "state quarantine," and a small part of the hospitality facilities functioned as food delivery (catering).

Undoubtedly, the crisis will lead to changes in people's daily living and travel habits. The travel of elderly tourists will also be reduced, which for health reasons will also affect the number of trips in the future. After the crisis, the tourism and hospitality sector will include measures such as increased hygiene, social distance, capacity limitation in hospitality facilities, beach hygiene, travel in smaller groups, reduction of transport capacity, and introduction of "COVID passport" etc.

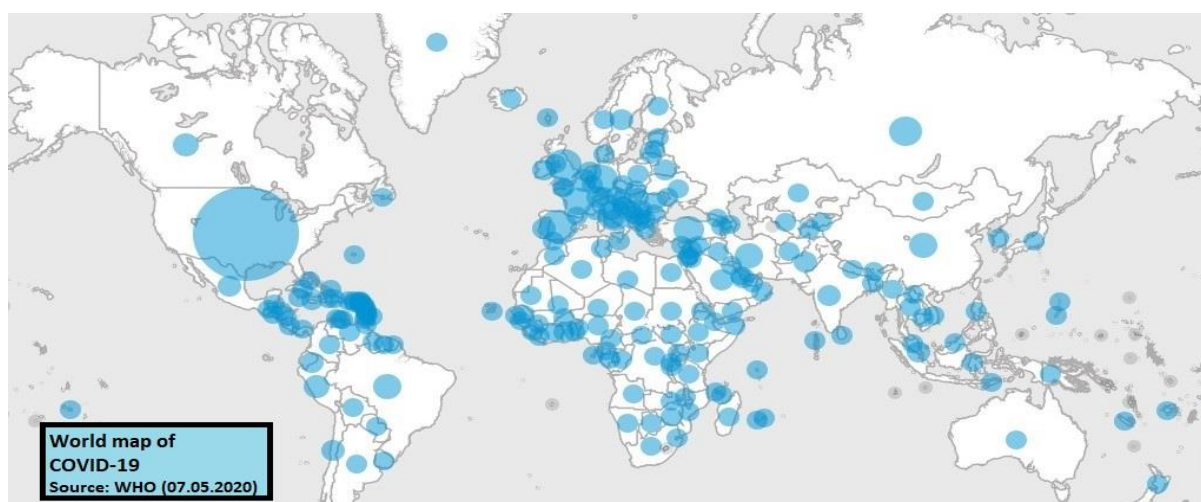
HISTORICAL REVIEW. Throughout history, the spread of infectious diseases and viruses has been unknown to humanity. Larger pandemics, such as the plague in the Middle Ages, the Spanish Flu in the first half of the last century, led to restrictions on lifestyle, travel, and tourism. However, in these historical periods, tourism was not treated as a separate sector. Historically, in the country's most famous tourist destination, in the city of Ohrid, the St.

Nicholas Bolnicki Church served as a hospital and quarantine for travelers coming to the town. The outbreak of the Variola Vera epidemic in the 1970s in the former Yugoslavia was also one of the challenges faced by some of today's generations.

In recent years, there has been an increase in the number of infected people worldwide, with diseases like the bird flu and the swine flu. The connection between tourism and coronaviruses has also existed in the past. The most recent examples are from 2002-2003 with the SARS epidemic (also a coronavirus like COVID-19). The SARS epidemic caused reduced tourist activity in several countries across Asia and Canada. For this reason, the existing literature increased the volume of studies and research related to the measures taken by destinations. These publications cover the losses in the tourism sector. They also analyze the implemented measures at the national and regional levels leading to the prevention of the spread of the epidemic, followed by the hospitality facilities' actions and the development of crisis management strategies. These coronavirus-related experiences, even during the 2020 pandemic, made these destinations more "ready" than destinations such as Italy, Spain, France, and the United States, which are among the largest generators of international tourism both for incoming and outgoing.

The challenge posed by the COVID-19 crisis is one of the largest (social and economic) in human history. The text below provides an overview of the international experience in the tourism and hospitality sector.

Since the outbreak of the COVID-19 crisis, several international online meetings, conferences, and panel discussions were organized to find appropriate measures and take steps to address the tourism and hospitality sector successfully. According to The Organization for Economic Cooperation and Development (OECD), in terms of actions taken by countries involved in the COVID-19 crisis and tourism, there are three categories of measures: protection of people (tourists and employees in the tourism sector); business sector (survival of tourism and hospitality companies through a package of actions); and sectoral policy (coordination of the tourism and hospitality sector and its recovery, promotion).



RECOMMENDATIONS FROM THE UNITED NATIONS WORLD TOURISM ORGANIZATION (UNWTO). UNWTO is the most important international organization that treats the tourism and hospitality sector globally. It's also directly linked to other organizations in the United Nations. There is almost no country in the world that is not a member of this organization. Its

goal is to improve the status of world tourism and its future development. The organization predicts a 20-30% drop in tourism in 2020 compared to 2019, due to the COVID-19 crisis. The organization, through its Committee on Global Crisis in Tourism, outlines 23 active recommendations, divided into three key areas:

First key area - Crisis management and impact mitigation: Recommendations include job retention, support for self-employed workers, liquidity, promoting skills development and reorganization of taxes, fees, and travel, all related to tourism regulations. It provides recommendations because there are prospects for a global economic recession. Given its labor-intensive nature, tourism will be hit, with millions of jobs at risk, especially women and young people, as well as marginalized groups.

Second Key Area - Providing Stimulus and Accelerating Recovery: This package of recommendations emphasizes the importance of providing financial incentives, including favorable tax policies, lifting travel restrictions as soon as health authorities allow, reducing procedures for visa liberalization, strengthening marketing and consumer confidence to a speedy recovery. The recommendations also emphasize placing tourism at the center of national recovery policies and action plans.

Third Key Area - Preparations for Tomorrow: By emphasizing the unique ability of tourism to grow locally and nationally, the recommendations call for greater emphasis on sustainable tourism development and activities based on "lessons learned" from this crisis. It recommends that governments and the private sector should plan and prepare for future crises.

RECOMMENDATIONS FROM THE WORLD TRAVEL AND TOURISM COUNCIL (WTTC). WTTC is a relevant international organization in the field of tourism with many regional and continental institutions members. The organization's website clearly shows the measures that different countries have taken for the tourism sector concerning COVID-19. The analysis shows that other countries have taken additional steps to deal with the situation. They vary depending on the tourist development of these countries, the share of tourism in GDP, and others

Table 1. Potential losses in the tourism sector (jobs and GDP share)

Region	Loss of jobs (in millions)	Loss in GDB (billion dollars)
Asia	-63.4	-1,041.0
Europe	-13.0	-708.5
Africa	-7.6	-52.8
America	-14.1	-790.9
North America	-8.2	-680.7
South America	-4.7	-83.8
The Caribbean	-1.2	-26.4
Middle East	-2.6	-96.2
World	-100.8	-2,689.4

Source: WTTC

WTTC's forecast for the COVID-19 crisis is a potential loss of 100 million jobs and 2.694 billion dollars from world GDP, due to reduced travel and tourism. WTTC's recommendations (aimed at the governments), which refer to the tourism sector, are as follows: reduction of travel

barriers and facilitation of procedures (visas, etc.), facilitation of fiscal policies (reduction of travel fees), support for the business sector (tax exemptions) and support to destinations (increased budget for promotion, development of tourism products, etc.).

RECOMMENDATIONS FROM THE EUROPEAN COMMISSION. The European Commission points out that tourism is essential for the continental economy. The Commission is in constant contact with the European Union members' tourism ministers through the Joint Tourism Committee. The European Union is taking measures that would complement and strengthen actions taken by the member states of the Union and relate to companies' liquidity, fiscal standards, grants, subsidies, loans, passenger rights, and tourist packages.

RECOMMENDATIONS FROM THE INTERNATIONAL AIR TRANSPORTATION ASSOCIATION (IATA). Considering that in 2018, 57% of international tourists worldwide used air transport, this study also takes into account the recommendations of IATA. The association has prepared a set of manuals (guides) when traveling by air. These recommended manuals are meant for a variety of stakeholders, such as passengers, airline staff, airport staff, and more.

MEASURES TAKEN IN THE COUNTRIES OF THE REGION. Similar to other countries around the world, European countries, including countries in the region, are also dealing with the COVID-19 crisis in a different way.

Table 2. Ministries in charge of tourism in selected countries in the region

Country	Ministry in charge of tourism	Website
Greece	Ministry of tourism	http://www.gnto.gov.gr/
Bulgaria	Ministry of tourism	http://www.tourism.government.bg/
Croatia	Ministry of tourism	https://mint.gov.hr/
Serbia	Ministry of trade, tourism and telecommunication	https://mtt.gov.rs/

Source: Official websites of the institutions

The official websites of the institutions in charge of tourism in selected countries in the region show that these countries have undertaken measures, compiled statistics, assessed losses in the tourism sector, promotional campaigns for destinations, and the like.



3. ACTIVITIES OF THE GOVERNMENT OF THE REPUBLIC OF NORTH MACEDONIA RELATED TO THE TOURISM AND HOSPITALITY SECTOR AS A CONSEQUENCE OF THE COVID-10 CRISIS

HEALTH MEASURES. The Government of North Macedonia took the first concrete measure to prevent the spread of COVID-19 in the form of closure of educational institutions, which led to a decision to release some parents (one of which family) - from work obligations. It followed after the state of emergency in Debar and Centar Zupa and later the general statewide emergency. Among the first measures was the closure of catering facilities and shopping malls, followed by a ban on movement, which, depending on the development of the pandemic, covered different time intervals. As part of the health and safety measures, the government closed border crossings and the airport except for strictly defined categories of passengers, for transit and cargo vehicles, and a requirement was introduced for transporters to provide special permits. It also introduced further occupational safety measures that helped keep the distance between workers. Followed by recommendations for manual work, including personal protective equipment - masks, gloves, etc. Demand for higher hygiene standards (access to water, soap, waste management, disinfectants, etc.).

ECONOMIC MEASURES. In the recent crisis period, the government took several economic measures: Measure 1 - assisting employers (applicants for financial support) to pay employees their salaries for the months April and May 2020 in the amount of 14.500 denars; Measure 2 - Assistance for athletes; Measure 3 - Assistance for artists; Measure 4 - Monthly salary (cash benefit) for citizens who lost their jobs due to the crisis, in the amount of 50% of the average; Measure 5 - All elected and appointed officials to receive minimum salary of 14.500 denars in April and May 2020; Measure 6 - The presidents and members of the management and supervisory boards of public institutions will not receive compensation for the duration of the crisis; Measure 7 - Assistance for persons in the informal economy - Compensation in the amount of 7.000 denars per household for the unemployed or persons part of the informal economy; Measure 8 – Pause on the Law on Enforcement until the end of June; Measure 9 - Deferral of bank loans; Measure 10 - Reduction of installments and reprogramming of loans in the financial companies and leasing companies; Measure 11 – Deferral of rent payment for users of social housing; Measure 12 - Additional interest-free loans for companies (additional 8 million euros); Measure 13 - 50 million euros cheap loans from the Development Bank of the Republic of North Macedonia placed through commercial banks to protect the liquidity of companies; Measure 14 - Ban on bankruptcy procedures; Measure 15 - Mandatory use of the first part of the annual leave (for 2020), i.e. mandatory completion of the annual leave from the previous year until May 2020, (approved by the employer); Measure 16 - Establishing a substantial COVID-19 fund; and Measure 17 - Reduction of copyright fees.

MEASURES FOR TOURISM. Since the beginning of the COVID-19 crisis, the business sector held several meetings through the Chambers of Tourism with representatives of state institutions responsible for tourism and hospitality, where they discussed measures on how to deal successfully with the COVID-19 crisis. Some of the direct actions are the postponement of the validity of tourist vouchers until 31.12.2021, an extension of the validity of the license for hospitality and tourism, and the importance of categorizing accommodation and food and beverage facilities. Most of the Government's measures apply to the overall economy, but some are for certain sectors, such as tourism. The exemption from fees for the Association for the Protection of Copyrighted Music (ZAMP) is another measure.

COORDINATION BODY FOR TOURISM. At the initiative of the Agency for Promotion and Support of Tourism (APST), the government set up a coordinating body to prevent possible damages in the tourism industry due to COVID-19. The coordinating body meets regularly and as needed. It's composed of 12 members from the five chambers of economy, tourism associations, APST, and representatives from the Ministry of Economy (ME). The Coordinating Body proposed the Director of APST to represent the tourism industry in the Coordinating Body of the Government of the North Macedonia, which would strengthen coordination and timely exchange of information between the tourism industry and state institutions. The coordinating body for tourism shares and applies the recommendations of the WHO and further emphasizes the assessment of possible harm from the Coronavirus in the tourism industry. The coordinating body aims to propose measures to deal with the crisis successfully.

FUND FOR TOURISM. The Ministry of Economy has provided funds for direct support to the tourism sector through the Tourism Fund, which has already been established but will be active after the crisis (during the recovery period). It will directly support the tourism sector with 95 million denars. The government will increase these funds in the coming period following the damages suffered by the companies.



4. STATISTICAL DATA FOR THE TOURISM AND HOSPITALITY SECTOR

Statistical data on tourism show a steady increase in growth in the past years. For better visibility of the statistics, they are presented tabularly and through charts. The statistics related to the tourism and hospitality sector refer to the number of tourists and overnight stays, the number of business entities, the structure of enterprises in the industry, and the number of employees. The research indicates the need to introduce a Tourist Satellite Account to obtain detailed information about the tourism and hospitality sector and its share in the economy.

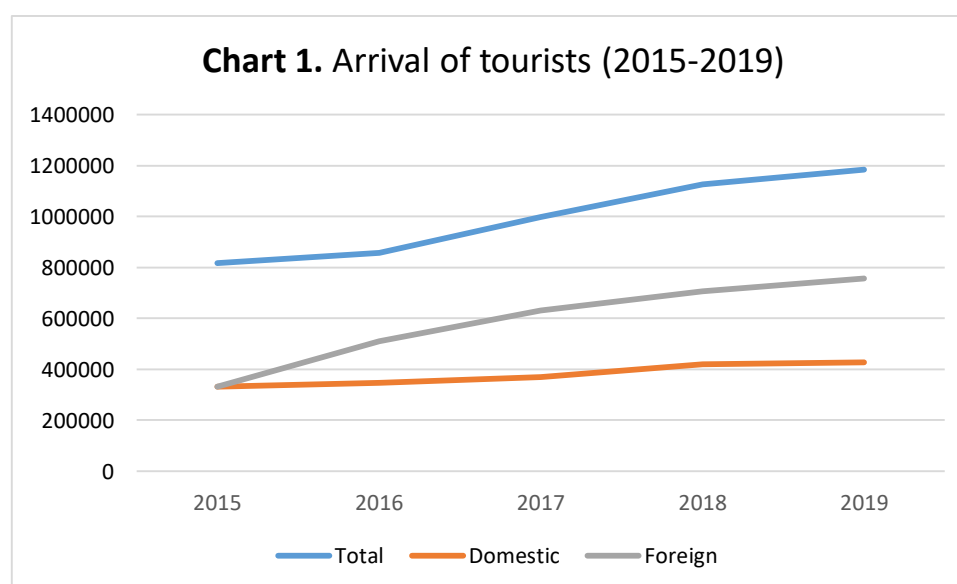
NUMBER OF TOURISTS AND OVERNIGHT STAYS. One of the most critical data in the tourist statistics is the number of tourists and the overnight stays.

Table 3. Number of tourist arrivals (2015-2019)

Tourists	Total	Domestic	Foreign
2015	816067	330537	485530
2016	856843	346359	510484
2017	998841	368247	630594
2018	1126935	419590	707345
2019	1184963	427370	757593

Source: MAKStat – database

Table 3 and Chart 1 shows that the number of tourists in recent years has continued to grow. In 2015 the number of tourists was 816.067, and in 2019 it grew to 1.184.963. As for the domestic tourists, their number in 2015 was 330.573, and in 2019 it was 427.370.



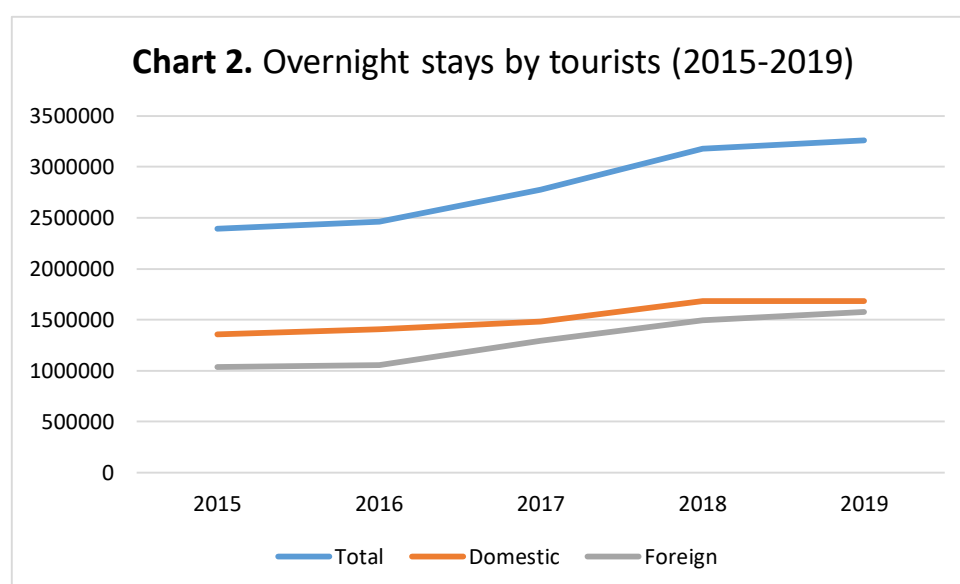
In 2015, 485,530 foreign tourists visited our country, while their number in 2019 was 757.593. We can conclude that in the last five years the number of foreign arrivals has been increasing, while the number of domestic tourists, although increasing, is still unsatisfactory.

Table 4. Number of overnight stays of domestic and foreign tourists (2015-2019)

Tourists	Total	Domestic	Foreign
2015	2394205	1357822	1036383
2016	2461160	1407143	1054017
2017	2775152	1480460	1294692
2018	3176808	1685273	1491535
2019	3262398	1684627	1577771

Source: MAKStat – database

Regarding the number of overnight stays in the analyzed period (Table 4 and Chart 2), we can say that in 2015 there were 2.394.205, and in 2019 the number grew to 3.262.398. Domestic tourists in 2015 achieved a total of 1.357.822 overnight stays, and in 2019 the number was 1.684.627. On the other hand, foreign tourists in 2015 reached a total of 1.036.383 overnight stays, and in 2019 that number was 1.577.771. The increase in the number of overnight stays made by foreign tourists is noticeable. In this regard, we need a comprehensive analysis of required measures to extend the stay of domestic tourists, but also maintain the trend of increasing the number of overnights spent by foreign visitors.



NUMBER OF BUSINESS ENTITIES AND STRUCTURE OF ENTERPRIZES IN THE SECTOR.

According to official data from SSO, the facilities for accommodation and food services, are registered as limited liability companies or shareholder companies, followed by a sole-proprietor and other types of entities running a business.

Table 5. Number of companies in the tourism and hospitality sector (2013-2017)

	2013	2014	2015	2016	2017
Accommodation facilities	266	287	300	288	305
Activities for preparation and service of food	3740	3806	3922	3954	3899
Travel agencies, tour operators and other booking services as well as other related activities	269	282	274	280	290
Total	4275	4375	4496	4522	4494

Source: MAKStat – database

In the total number of enterprises from the tourism and hospitality sector, as can be seen from Table 5, the largest share is taken by the activities preparation and service of food, followed by accommodation facilities and travel agencies, tour operators and booking services, as well as other related activities.

Table 6. Turnover from companies in the tourism and hospitality sector in million denars (2013-2017)

	2013	2014	2015	2016	2017
Accommodation facilities	3572	3553	3973	4094	4765
Activities for preparation and service of food	9754	10658	11711	12836	13686
Travel agencies, tour operators and other booking services as well as other related activities	5292	5566	6126	5837	6813
Total	18618	19777	21810	22767	25264

Source: MAKStat – database

The companies that prepare and service food, followed by travel agencies, tour operators and other booking services, as well as activities related to them, have the largest share in the turnover from enterprises in the tourism and hospitality sector (expressed in million denars as can be seen from Table 6). The accommodation facilities are in third place.

Table 7. Structure of companies in the business of accommodation and food service activities according to the number of employees (2015-2019)

Year	Employees 1-9	Employees 10-19	Employees 20-49	Employees 50-249	Employees 250 +
2015	3665	313	120	28	1
2016	3683	321	129	35	/
2017	3623	331	137	38	/
2018	3637	311	151	41	/
2019	3992	301	170	39	/

Source: MAKStat – database

Most of the companies in the business of accommodation and food service are micro, small, and medium enterprises. The majority are companies have 1-9 employees, followed by companies with 10-19 employees, and companies with 20-49 employees. Concerning the structure of companies, the least represented are those with 50-249 employees, and in 2015 there was only one large company with over 250 employees.

NUMBER OF EMPLOYEES. The number of employees in the tourism and hospitality sector is shown in Table 8.

Table 8. Number of employees in the tourism and catering sector (2014-2018)

	2014	2015	2016	2017	2018
Accommodation facilities	4138	4476	4466	5025	4783
Activities for preparation and service of food	15938	16992	18584	18048	18415
Travel agencies, tour operators and other booking services as well as other related activities	1186	1254	1267	1318	1357
Total	21262	22722	24317	24391	24555

Source: MAKStat – database

According to the number of employees in the tourism and catering sector, as can be seen from Table 8, the largest share is taken by the companies for preparation and food service, followed by accommodation facilities. Travel agencies, tour operators, other booking services, and related activities are in third place.

AVERAGE GORSS SALARY PER EMPLOYEE. According to official SSO data, the gross salary per employee paid by the facilities for accommodation and food service in the country, in 2015, was 21.958 denars, 22.483 denars in 2016, 23.442 denars in 2017, 25.831 denars in 2017 and 26.876 denars in 2019.

TRADITIONAL MARKETS. In North Macedonia, the main destinations that attract tourists are lakes, mountain resorts, spa centers, wine regions, and Skopje. The largest number of domestic and foreign tourists visit the two most important destinations in the country, namely Ohrid and Skopje. Tourists tend to stay longer in Ohrid is due to organized vacation, and tourists who visit Skopje remain for a shorter period (tourism-related to business activities). Table 9 shows the number of tourists and overnight stays from selected countries, which points out the traditional markets. The table includes countries that contributed to more than 10.000 visits in 2019.

Table 9. Number of tourists and overnight stays by selected countries (2015-2019)

Country	2015		2016		2017		2018		2019	
	Tourists	Overnight stays	Tourists	Overnight stays	Tourists	Overnight stays	Tourists	Overnight stays	Tourists	Overnight stays
Bulgaria	29314	52748	36982	63275	45958	79370	52659	89028	55880	93208
Germany	17939	37270	17067	35979	23544	46899	30173	62238	34342	66277
Greece	38829	64176	40504	66654	44931	74272	40947	65926	57578	82958
Italy	12444	26730	11515	23554	11124	23125	13403	27330	13757	28622
Kosovo	13950	28690	17070	34379	17494	36857	24014	48167	25079	50055
Poland	17054	36126	12268	29593	22281	73064	34575	126613	35611	127968
Romania	8070	17113	9256	17128	15044	27936	16727	31218	18984	33439
Slovenia	11463	22873	9971	20640	12815	24904	16890	32896	17954	33443
Serbia	43613	85042	50145	93782	53121	100692	57460	100520	59567	106103
Turkey	90857	135255	105738	152748	129708	185628	111667	166620	112472	165459
The Netherlands	32217	169413	23960	127535	26889	141675	27918	136663	31481	159909
Croatia	15135	30770	13318	26758	15860	30139	23829	46005	25553	52134
Sweden	5617	13134	6495	14986	8557	18931	11530	26624	11188	25366
Spain	3151	6371	3659	6705	6012	12531	6303	11608	10184	18095
USA	10186	23046	11495	29096	15163	33968	17916	37623	18285	37034
Israel	4754	11291	8983	28664	7967	23730	10767	31216	12436	37180
China	7256	10656	6565	9814	9435	13908	13724	17442	13635	18121

Table 9 shows that traditionally North Macedonia is mostly visited by tourists from Turkey, who make the most overnight stays. Subsequent traditional markets are the neighboring countries such as Bulgaria, Greece, Serbia, and Kosovo. Besides the neighboring countries in the region, the Netherlands is another conventional market for the North Macedonia (since decades ago). In the past five years (2015-2019), there has been an increase in the number of tourists from countries such as Poland, Spain, Italy, Sweden, Romania, and others. The table shows two countries that are potentially growing tourist markets, namely the United States and China.

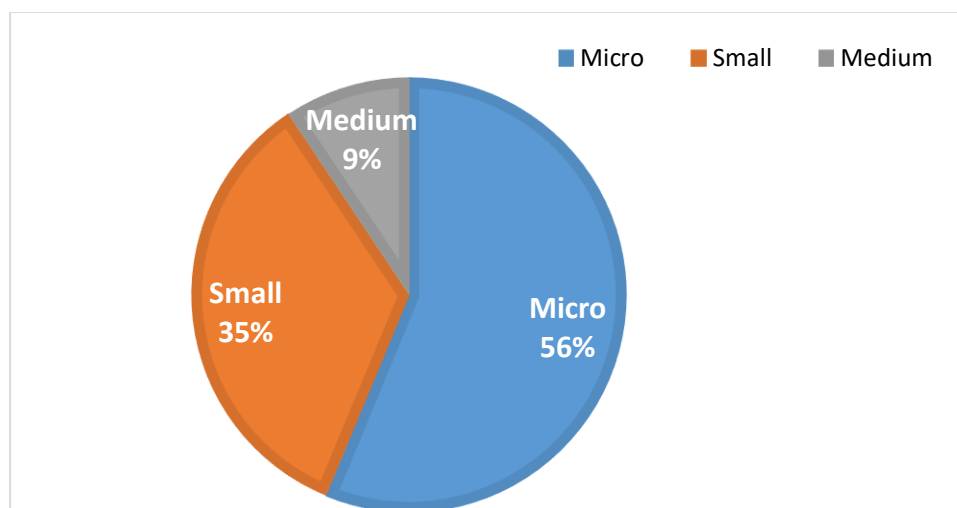
RESEARCH ANALYSIS



5. ANALYSIS OF THE SURVEY QUESTIONNAIRES IN THE TOURISM AND HOSPITALITY SECTOR

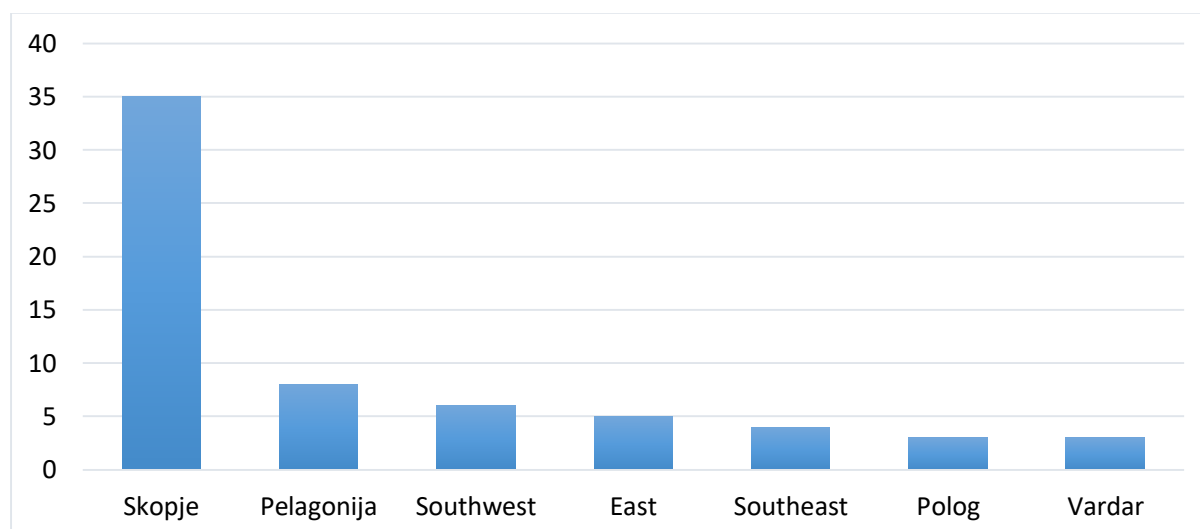
The analysis of the survey questionnaire was done on the issues that we consider to be of particular importance for the research and the objectives of the study. The sample of the conducted survey was made in accordance with the structure of the enterprises in the tourism and hospitality sector.

Diagram 2. Size of the companies that took part in the survey



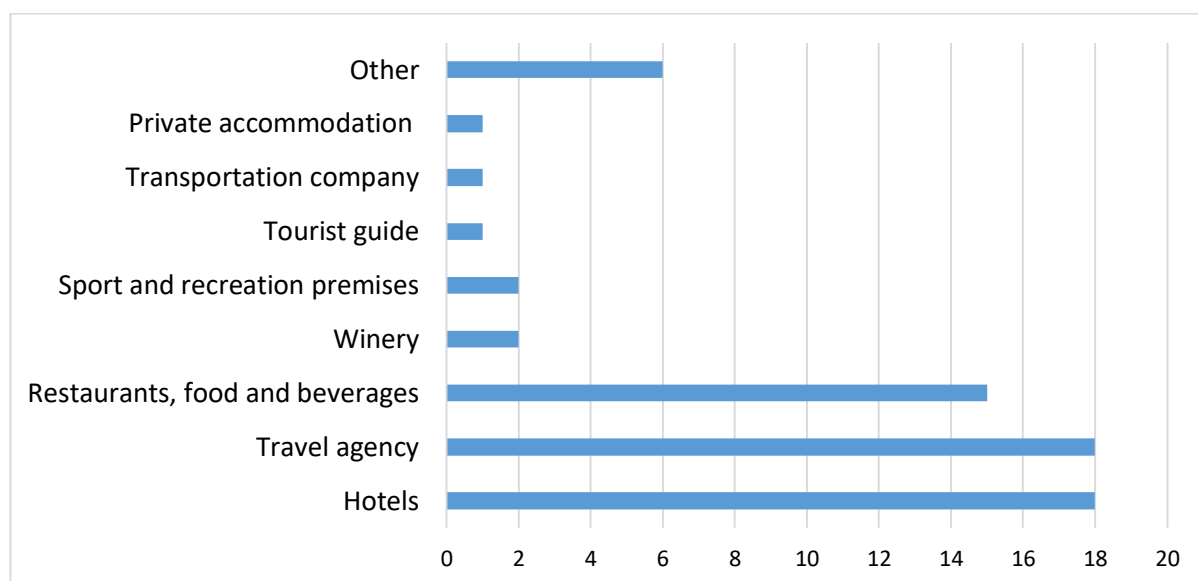
The sample of the survey results presented in Diagram 2 shows that most of the respondents are micro-enterprises with up to 10 employees or 56%. Followed by 22 small enterprises with employees between 11-50 or 35%, and six medium enterprises with employees between 51-250 or 9%. Large companies with over 250 employees did not participate.

Diagram 3. Company Headquarters (Region)



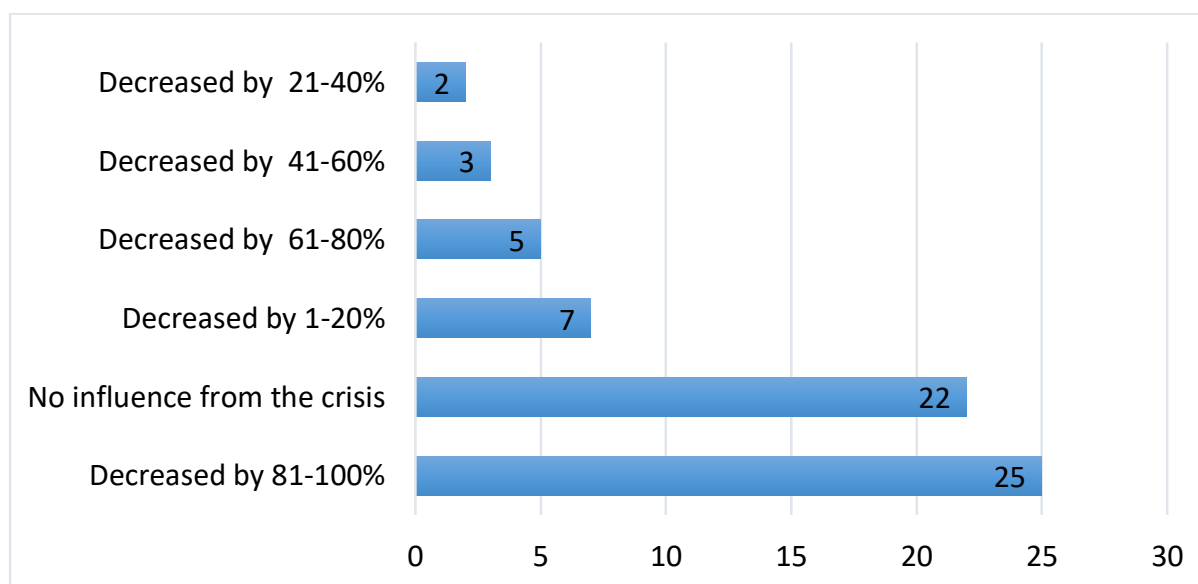
Most of the respondents have their headquarters in the Skopje region, 35 companies or 55%, followed by 8 companies in the Pelagonija region or 13%, 6 companies in the Southwest region or 9%, 5 companies in the East region or 8%, 4 companies in the Southeast region or 6%, 3 companies in the Polog and Vardar region or 5%.

Diagram 4. Company activity



It seems that hotels and travel agencies (18 companies or 28%) have the largest share among respondents in terms of their activity, as well as restaurants and food establishments (15 companies or 23%). They are followed by two wineries and sports facilities, one private accommodation, a transportation company, and a tour guide. It means that the largest share in the research is taken by the companies that have activity profiles that make up the basic economic system of tourism.

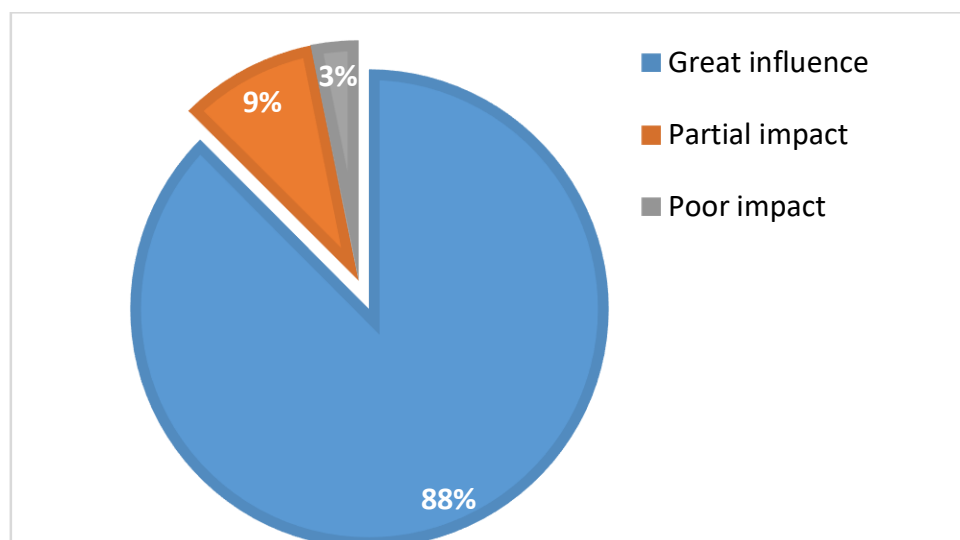
Diagram 5. Consequences of the COVID-19 crisis that directly impact the number of employees in companies



Regarding the number of employees, COVID-19 made an impact in reducing the number of employees in 42 companies from a total of 64 that participated in this study, which makes up 67% of the respondents. In 25 companies that make 39% of the number of employees, their number decreased between 81-100% as a result of COVID-19. In 7 companies or 11% of the respondents, the number of employees decreased between 1-20%. In 5 companies or 8% of the respondents, the number of employees decreased between 61-80%. In 3 companies or

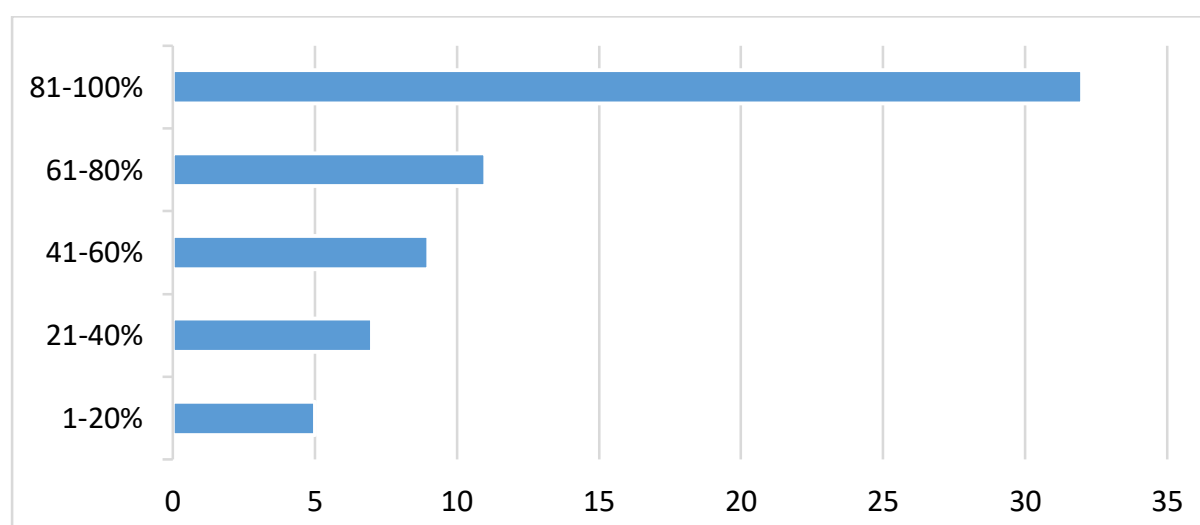
5% of the respondents, the number of employees decreased between 41-60%. In 2 companies or 3% of the respondents, the number of employees decreased between 21-40%. Of the remaining 22 companies or 34%, the COVID-19 crisis has not yet affected the number of employees. It seems that the companies that responded that the problem has not still affected them are medium-sized enterprises.

Diagram 6. Consequences of the COVID-19 crisis on the direct impact of company liquidity



Asked whether the consequences of COVID-19 had a direct impact on the liquidity of their companies, 56 respondents or 88% answered that the implications of the crisis significantly affected the company's liquidity, 6 companies, or 9% answered that the impact is partly on liquidity. In contrast, only 2 companies responded that the effect on liquidity was weak. It indicates the seriousness of the consequences and difficulties in dealing with the tourism sector crisis, which suggests the need for state intervention to support companies in the tourism sector.

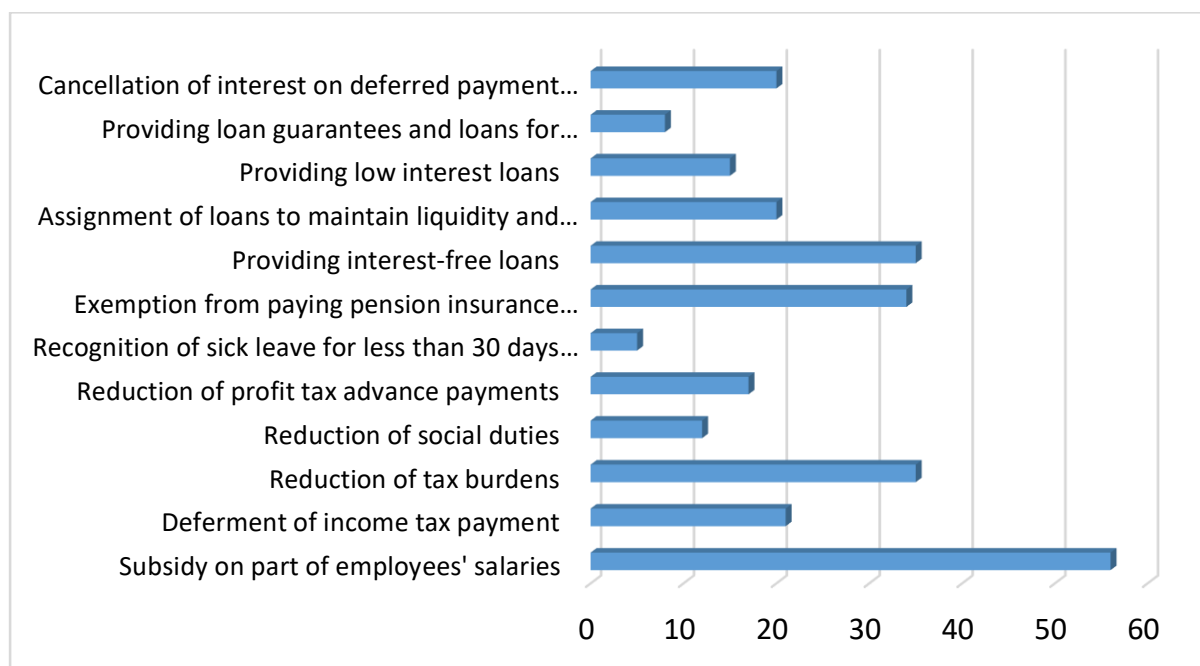
Diagram 7. Estimates of losses in the first quarter of 2020 due to COVID-19 crisis compared to the first quarter of 2019



The first quarter of 2020 marked a decline in the revenues (compared to the first quarter of 2019) for 32 companies or 50% of the respondents (81% -100% decline). For 11 companies or

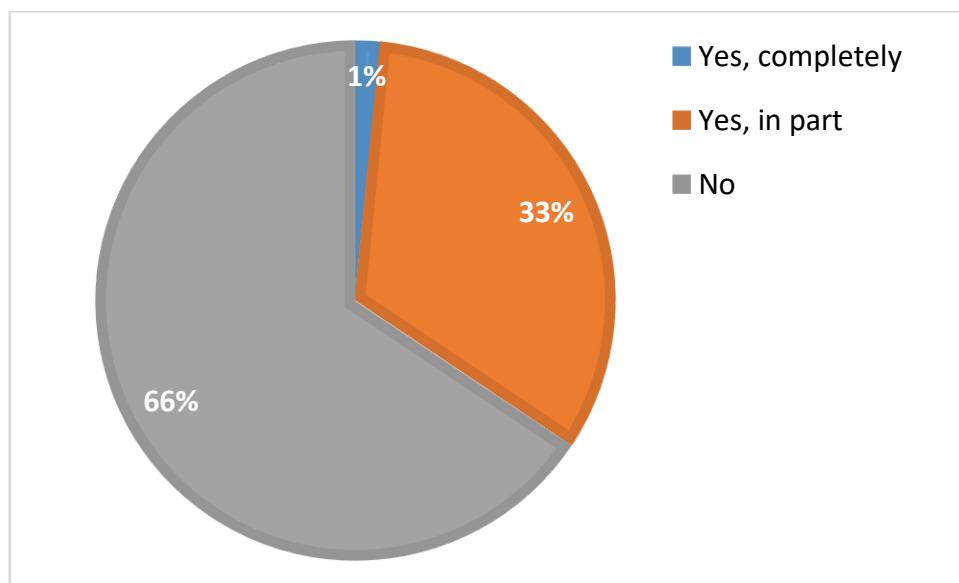
17%, the decline was between 61-80%. For 9 companies or 14% of respondents, the decline was between 41-60%. For 7 companies or 11% the decline in income was between 21-40%. For 5 companies or 8%, the revenues fell between 1-20%, which is a more considerable decline in turnover based on tourism since the decline in 2001.

Diagram 8. Measures the government must take in order to stabilize companies quickly and to retain the majority of workers



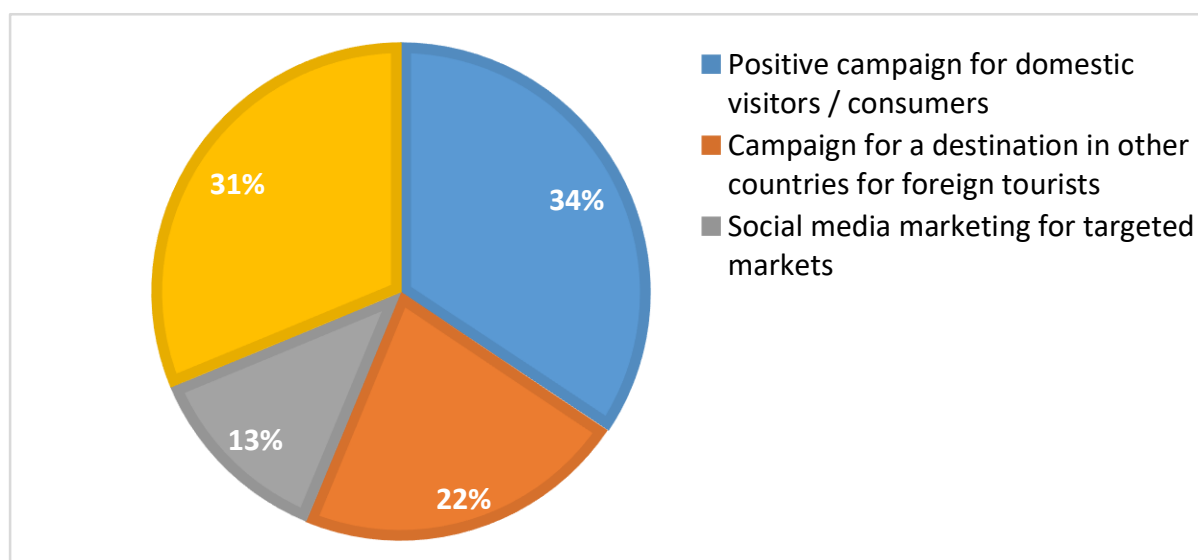
When asked what measures the state should take to help stabilize the operations quickly and retain most of the employees, the respondents had the opportunity to choose more answers. The majority of them, 56 companies or 87%, decided on subsidizing the salaries of employees. 35 respondents or 55% of the total number of respondents believe that interest-free loans and reduction of tax burdens will help retain employees. 21 respondents or 33% believe that delaying the payment of income tax will help retain employees. 20 respondents or 31% believe that loans are needed to maintain liquidity and working capital and abolish interest rates on deferred loan payments. 17 respondents or 27% of participants demand a reduction in profit tax. 15 respondents or 23% believe that providing low-interest loans will help deal with the situation. 12 companies or 19% believe that the reduction of social benefits is necessary. 8 respondents or 12% answered that the provision of a loan guarantee and a loan for working capital would help keep employees. Finally, 8% believe that the sick leave under 30 days by the FHI should be accepted.

Diagram 9. Measures by the state regarding the tourism and hospitality sector for better handling of with the consequences of the COVID-19 crisis



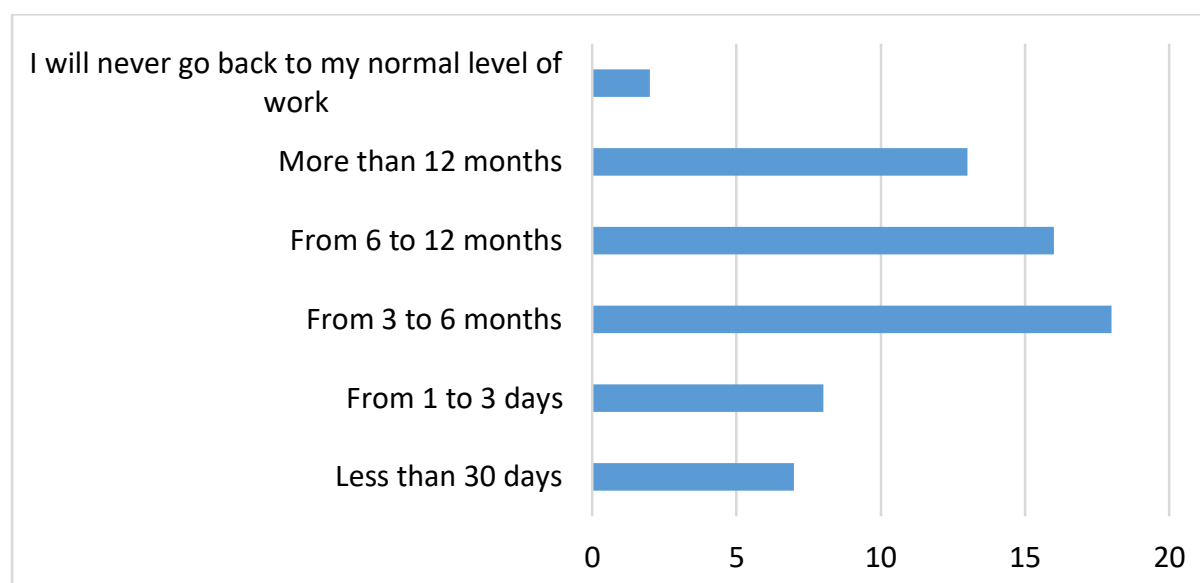
Asked whether the measures taken by the state regarding the tourism and hospitality sector helped to deal more efficiently with the consequences of the COVID-19 crisis, 42 respondents or 66% said that the measures did not help. 21 respondents or 33% of respondents said they partially helped. Only 1% of respondents replied that the actions altogether helped.

Diagram 10. Promotional activities by the state in the tourism and hospitality sector would help better management of the consequences of the COVID-19 crisis.



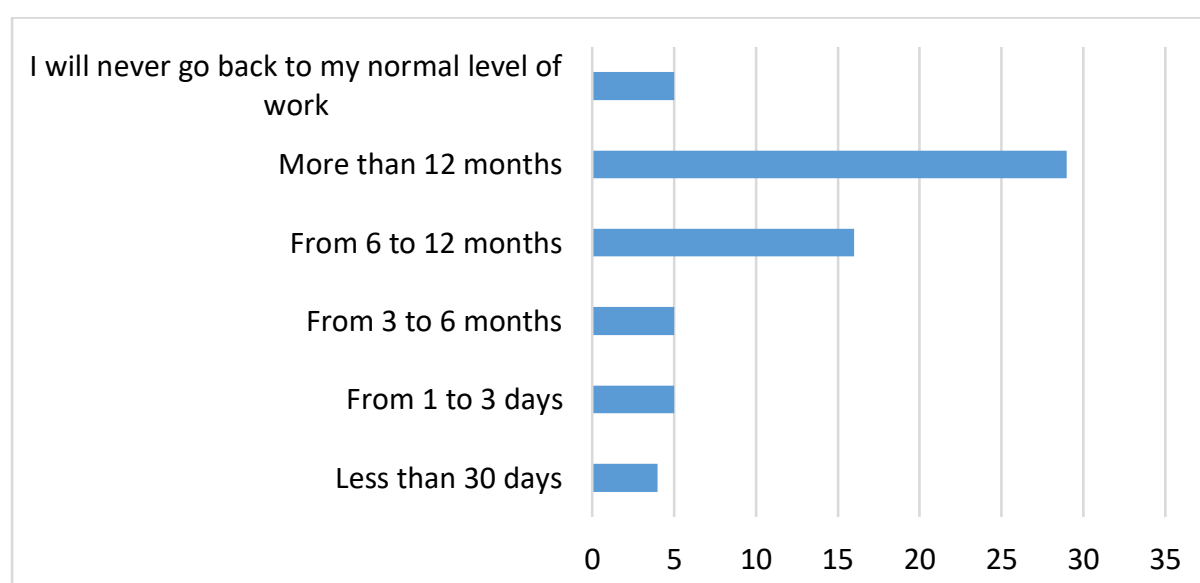
Regarding the question of where the state should direct the promotional activities, 22 respondents or 34% believe that it should be a positive campaign to encourage domestic tourism. 14 companies or 22% believe that the aim of the campaign should focus on other countries. 8 respondents or 13% believe that the focus should be on social media marketing for targeted markets. It seems that a large part of the respondents, i.e., 20 companies or 31%, think that another type of promotion would be useful.

Diagram 11. The time needed for the return to regular operation if the COVID-19 crisis ends by the end of June 2020.



The crisis caused by COVID-19 will result in a slow and challenging return to the usual work dynamics for all participants if the crisis ends by June 2020. 18 respondents or 28% will need 3 to 6 months after the end of the crisis to be able to return to their normal level of work. 16 respondents or 25% of participants will need 6 to 12 months. For 13 respondents or 20% will take more than 12 months to return to regular work. 8 respondents or 12% will need between 1-3 months. 7 of the survey participants or 11% will be able to return to normal work level within a month. 2 respondents answered that they would never be able to return to everyday work.

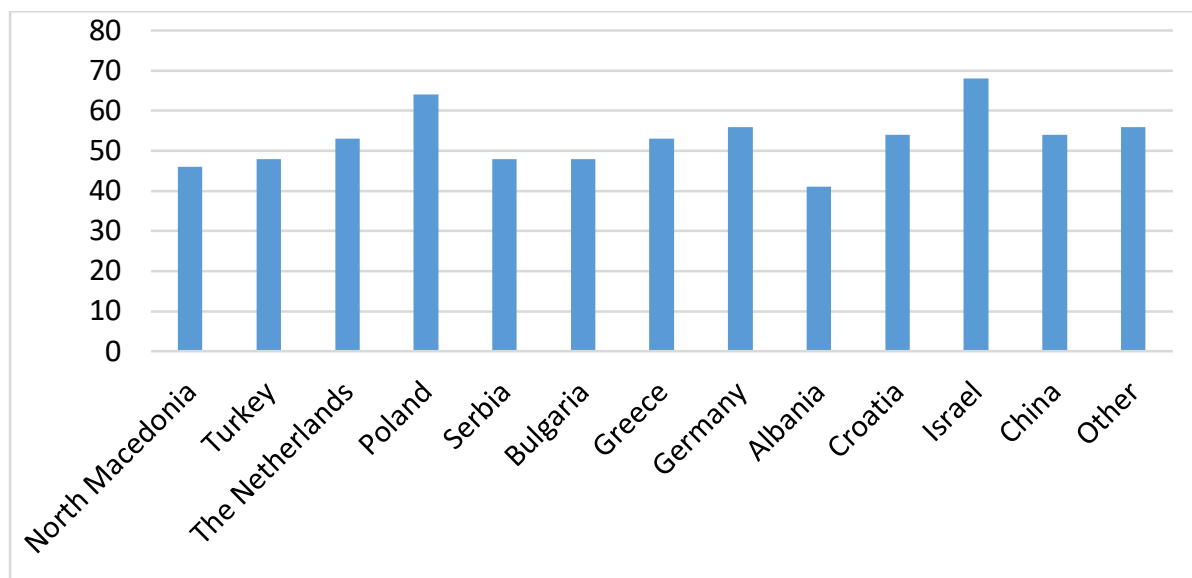
Diagram 12. Required time to return to normal operation if COVID-19 crisis ends by 2020



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20% will take more than 12 months to return to regular work. 8 respondents or 12% will need between 1-3 months. 7 of the survey participants or 11% will be able to return to normal work level within a month, while 2 respondents answered that they would never be able to return to everyday work.

Diagram 13. Decrease in the number of tourists in 2020 as a result of the COVID-19 crisis



Due to consequences of COVID-19, respondents expect the largest decline of tourists in decades starting with 68% from Israel, 64% from Poland, 56% from Germany, 54% from China, 54% from Croatia, 53% from the Netherlands and Greece, and 48% from Serbia, Turkey, and Bulgaria. North Macedonia by 46%, Albania by 41%. In comparison, the respondents expect decrease in tourists from other countries at 56%.

Diagram 14. Canceled reservations (monthly) as a direct consequence of the COVID-19 crisis

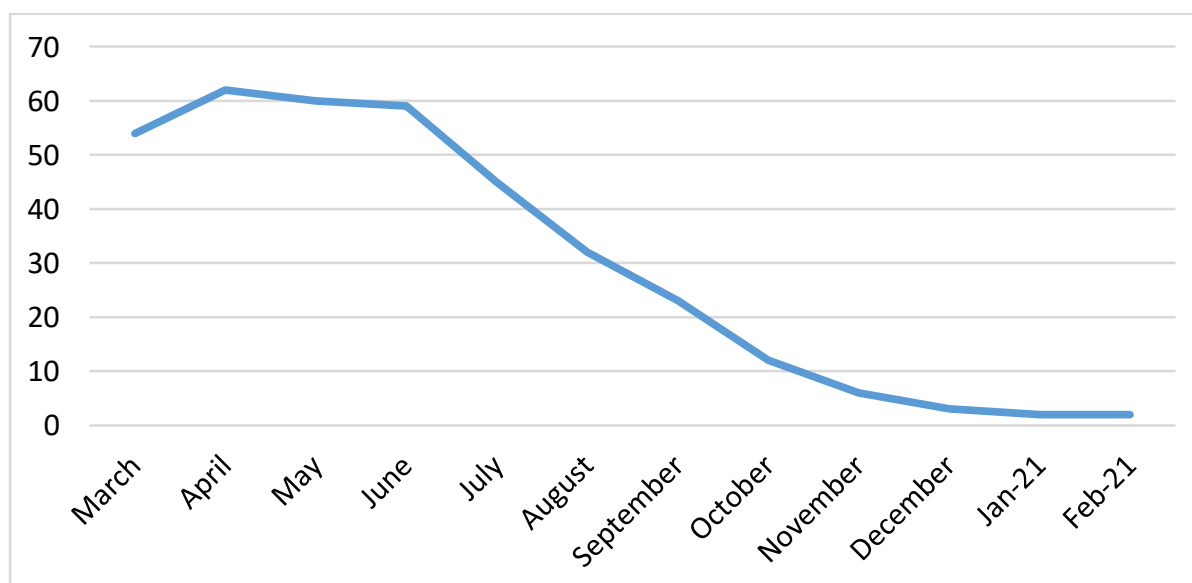
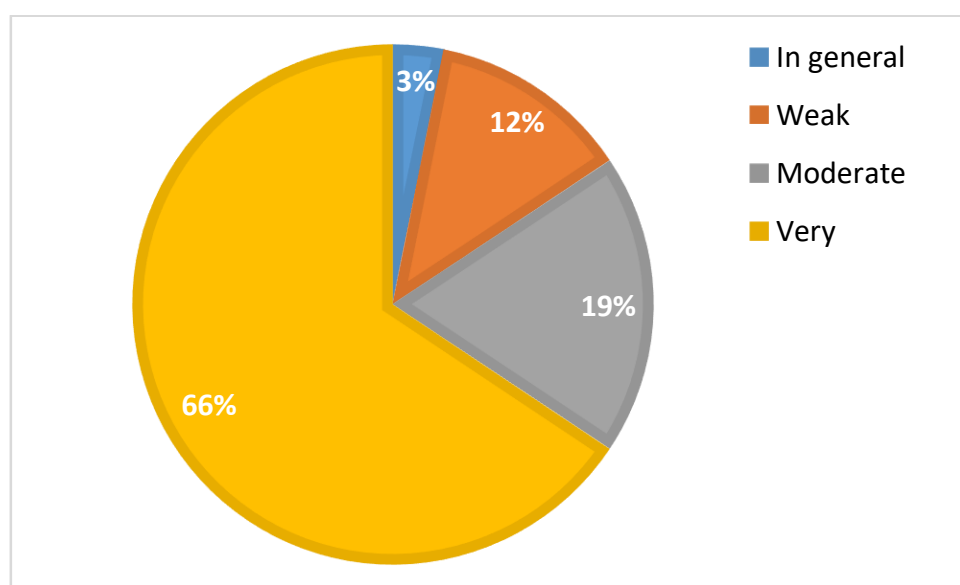


Diagram 14 shows the canceled reservations curve as a result of the COVID-19 crisis. It shows that the cancellations of reservations in the tourism and hospitality sector, according to the respondents have the highest marks in March (second half of the month), April, May, June,

and from the beginning of July to February 2021 there is a decrease on cancellation of reservations.

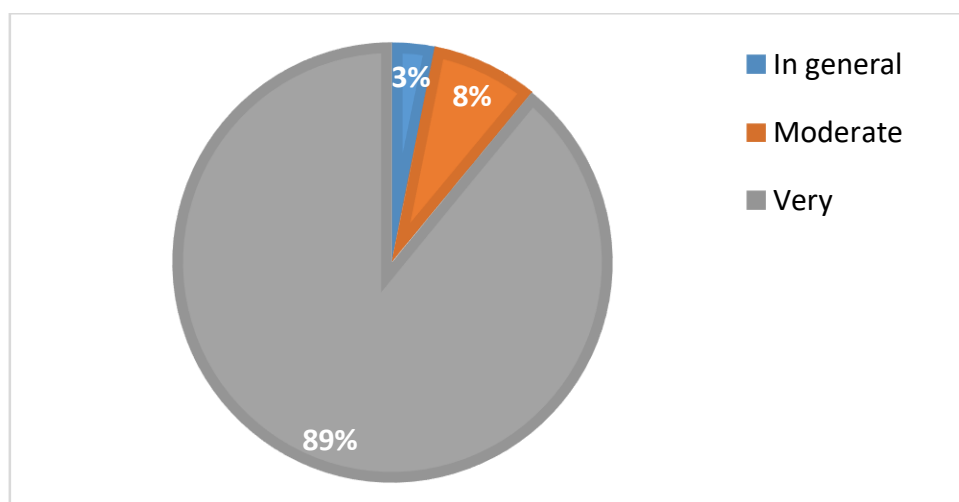
As early as March, cancellations of hotel reservations and travel agencies began immediately after the announcement of the COVID-19 world pandemic. Reservations for March got canceled in 89% of hotels. Bookings for April, May, and June got canceled in almost 100% of hotels. For July, 89% of the hotels that took part in the survey had group cancellations. Reservations for 69% of hotels got canceled also for August. Cancellations by 50% of the respondents for September, 34% for October, and 17% for November. It is important to note that there are cancellations even in December and January 2021. The situation is almost identical for the travel agencies dealing with incoming tourism. For March, April, May, and June, we have a similar problem with restaurants and tourist guides. They also have massive cancellations until July, and in the following months, there is a minimal number of cancellations.

Diagram 15. Concerns about the reduction of market activities by domestic tourists

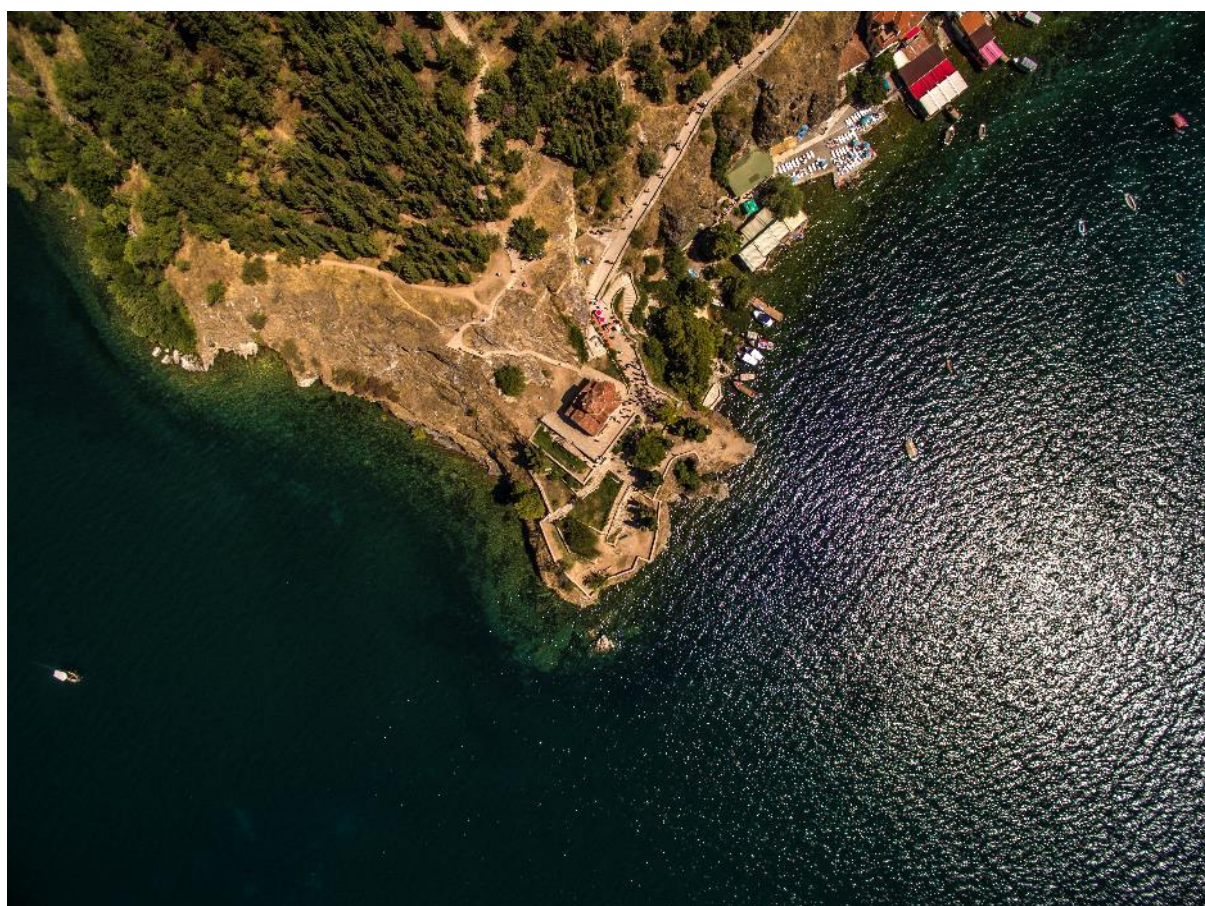


Regarding the reduction of the activities on the domestic tourist market, most of the respondents, 42 or 66% are very worried, moderately worried 12 or 19%, 8 respondents or 12% are relatively concerned, and 2 respondents or 3% are not worried at all.

Diagram 16. Concerns about declining market activity of foreign tourists



Regarding the reduction of activities on the market of foreign tourists, most of the respondents, 57, or 89% are very worried, moderately worried 5 or 8%, and 2 respondents or 3% are not worried at all.



6. ANALYSIS OF INTERVIEWS WITH THE TOURISM AND HOSPITALITY SECTOR

We analyzed the interviews with representatives of the tourism and hospitality sector according to comments of respondents in several areas. The interview covered 27 respondents, of which 11 hotels, 5 travel agencies, 3 restaurants, 2 transporters and 2 tourist guides, one representative from an airport facility, spa center, and rural household – rural tourism.

Conclusions from the interviewed respondents on issues related to the **effects of the COVID-19 crisis on the supply and demand of tourism services and products:**

- The 2020 COVID-19 crisis has catastrophic consequences for the tourism and hospitality sector with massive losses for companies.
- Cancellation of planned events and manifestations. A small number of online conferences.
- Dismissal of bus arrangements until July, and air arrangements until August.

Conclusions from the interviewed respondents on issues related to the **tourist economy's and government's measures:**

- Most of the companies have reorganized their operations, reduced salaries, dismissed or reduced staff, used vacations, and taken hygienic measures.
- Companies in the tourism and hospitality sector have not developed business plans to deal with crises.
- Companies find government measures for the economy in the tourism and hospitality sector such as minimum wage and loans, to be useful, but with the recommendation that they are overdue, with poor application conditions, administrative difficulties and insufficient (indicate the need to increase deadlines and improve conditions)
- Respondents suggest the following measures in response to the COVID-19 crisis: cancelation of green card, insurance and technical inspection for transport companies; introduction of hourly payment system; non-refundable compensation due to inability to work; employee contributions (6 months to 1 year); salary subsidies; subsidies for tourists; higher loans with lower interest rate and repayment period; exemption from overhead costs; VAT exemption; exemption from contributions based on foreign exchange inflow.
- Companies are worried about the additional marketing costs arising from the crisis.

Conclusions from the interviewed respondents on issues related to the **Government's promotional campaign:**

- Respondents believe that it is necessary to conduct a promotional campaign for domestic tourism as compensation for lost markets.
- APST's promotional activities should focus on the countries in the region, Europe and traditional markets

Conclusions from the interviewed respondents on issues related to the **Tourism Policy in the country:**

- Respondents believe that domestic tourism should be subsidized
- There is a need to expand the subsidy measure, increase the budget for subsidies, and cover all countries with equal support for bus and air arrangements.
- Respondents believe that the law on tourism should be adapted to modern trends in tourism, to include insurance of travel agencies, define the competence of institutions in tourism, ways of supervision and control in tourism and catering.
- Respondents believe that the state should have a mechanism for dealing with this type of crisis in tourism and a develop strategies for dealing with tourism problems.
- Respondents believe that training and pre-made plans are needed to deal with this type of crisis in tourism and hospitality.
- Respondents believe it is necessary to establish a special tourism fund to be used during similar crises in the future.

Conclusions from the interviewed respondents on issues related to **Other issues and predictions for the future:**

- Respondents have split views whether the COVID-19 crisis will affect prices in the future; some believe that prices will remain the same, some that prices will rise, and some believe that the costs of tourism and hospitality services and products will be reduced.
- According to the respondents, there will be a change in the behavior of consumers/tourists in the future; there will be a change in the culture of travel and behavior, there will be a change in the age structure of tourists (reduced number of adults involved in tourist travel).
- Respondents believe that new tourist products and services will be introduced
- Prices for transport services and travel time will be increased.
- Respondents believe that we will have a competition from the countries in the region
- Hygienic conditions will be increased, and health and safety protocols will be developed for work in the tourism and hospitality industry.

7. ANALYSIS OF CONDUCTED INTERVIEWS WITH FOREIGN TOUR OPERATORS

The subject of the interviews was the foreign tour operators who have offered charter bus or air arrangements in their bid. The purpose of the interviews was to get an idea about the perception of North Macedonia, as a tourist destination from a travel organizers' point of view. Then to obtain data on international tourism trends as a result of the health crisis caused by COVID-19, but also to get opinions and insights regarding the current policy of supporting the destination and proposals for maintaining the destination of the market in the countries where their activity is registered. The participants in the interview are tour operators from The Netherlands, Poland, France, and Bulgaria. The respondents are from countries that are traditional markets of North Macedonia and generate significant tourist turnover. We analyzed the answers in several areas.

Conclusions from the interviewed respondents on issues related to **perception regarding North Macedonia and the region with the COVID-19 pandemic**

- Respondents believe that North Macedonia and the region are not perceived as a hotbed for COVID-19. However, in their view, it is crucial for the perception of the destination, the image of the health system and the capacity of the state, the government to organize and implement effective controlled health protocols.
- According to the respondents, the government's promotional activities should emphasize the success of the health system and the implementation of quality health protocols.

Conclusions from the interviewed respondents about the **trends in international tourism.**

- Respondents believe that the process of market recovery will begin in 2021. They consider that the speed at which a particular market destination will be positioned will depend on the airport and border protocols. They expect demands for arrangements up to 600 km from the departure point.
- Respondents believe the the tourims with personal transportation will have advantage. Bus trips will take place at reduced capacity of up to 50% and with shorter distances. Respondents believe that the bus arrangements will be the most affected, which will reach the level of 2019 because it mostly represents cultural tourism arrangements in which the structure of tourists includes the most affected category of elderly, and the distance is difficult to implement.
- For air arrangements similar to bus arrangements, reduced passenger capacity is expected with more complex travel procedures. Sales of arrangements for 2021 will likely fall by more than 10% compared to 2019, for destinations that will offer increased quality for the same or lower prices than in 2019 and a friendlier environment.
- Regarding the impact of the COVID 19 crisis on the prices of the arrangements, the respondents believe that the costs will be approximately the same or lower up to 25%. They think that it will be dictated by the blow that will be inflicted on the economy.
- According to the respondents, the main competitors of North Macedonia as a tourist destination will be the Mediterranean countries - Greece, Turkey, and other Balkan countries such as Montenegro, Serbia, and Bulgaria. It is interesting that, according to respondents, due to the health crisis, the new emerging competitors are Egypt and

Spain. They say that North Macedonia's advantage is the price that must be maintained in terms of quality health protocols to strengthen the competitiveness of the destination.

Conclusions from the interviewed respondents regarding the **Support of the destination for maintaining the level of competitiveness.**

- The position of the respondents is that at this moment, the most important thing is to maintain the subsidies that they consider as a vital advantage of the destination compared to other destinations. Respondents believe that in an era of intensive information development, even before the COVID 19 crisis, there was a need to simplify the closer criteria for applying by technological development and modern trends. According to the respondents, the support through subsidies can be crucial for successful positioning of the destination, especially in conditions when other countries announce high subsidies for charter, passenger, and marketing support for the destination in an amount from 20 thousand euros to 250 thousand euros.
- Respondents believe that currently, the level of support for the destination, such as subsidies and joint marketing will be vital for maintaining markets, especially since destinations such as Greece and the Balearic Islands are already developing programs for 50-50 marketing.
- Respondents believe that other support measures that will contribute to the maintenance of the destination are: increased marketing activities with an emphasis on natural resources, healthy food, traditional agriculture; introduction of mandatory health safety protocols for hotels, buses, and restaurants; provision of two free (subsidized) local programs for tourists that will help them get in touch of local culture, traditions, and food.

8. ASSESSING AND ANALYZING THE EFFECTS OF THE CRISIS ON THE TOURISM AND HOSPITALITY SECTOR

To deal with the consequences of the health crisis, the Government of North Macedonia has adopted a series of preventive health and economic measures. The degree of effectiveness of the efforts depends on their combination and the coordination of fiscal and monetary policies.

An adapted and timely monetary and fiscal policy can maximize the effectiveness of measures and impact in dealing with the health economic crisis caused by COVID-19. Efficiency in the implementation of standards can play a significant role in the effectiveness of the adopted measures. It requires specific, unambiguous, and real application conditions for effective implementation. The volume of funds must correspond to the objectives of the steps, i.e., the amount projected to support the companies is available to all those to whom they support, and the availability of measures is crucial. The tourism and hospitality sector are one of the most affected by the health pandemic caused by COVID-19. It points to the need for specially designed measures and support for the most affected sectors to preserve jobs, achieves liquidity in companies, and prevent financial debt consolidation as an essential target.

We have considered two scenarios presented in three different levels of economic response: the essential criterion is the level of effectiveness of state interventions in the economy through measures and policies aimed at avoiding spiraling economic depression presented in the matrix below. The role and significance of each component of the scenario are determined with the help of survey questionnaires and interviews conducted on a total of 90 entrepreneurs from the tourism sector.

The economic response, which includes specially designed measures for the tourism and hospitality sector, provides sufficient funds for broad support to companies in the industry, consists of a simple procedures, and efficiency in implementation is considered a highly significant economic response.

The economic response, which includes measures to support the whole economy (not specially designed efforts), with limited funds, bureaucratic procedures, and with high criteria, we consider it a partially effective economic response.

As insufficiently effective economic response, we consider the slow reaction and untimely adoption of measures, selective support of companies, slow and complex procedures.

Matrix 1. Possible scenarios according to the length of the health pandemic and the level of effectiveness of the economic response

Effectiveness of economic response	Scenario 1: End of pandemic by June 2020	Scenario 1: End of pandemic by 2020
Highly effective economic response Strong fiscal and monetary policy, broad economic measures for the whole economy. Specially targeted measures towards the most affected sectors. High efficiency in implementing the measures. Simple conditions and small bureaucracy. Availability of measures to the real sector Preserved sector capacity. Small tremors in management structures in companies. Large bond debt. Moderate economic depression.	Effects The health crisis is under full control. There are no closed hotels, travel agencies, restaurants. Very fast recovery of supply and demand. Moderate bond borrowing. Lost jobs 5-10%. Moderate government borrowing. A small drop in GDP.	Effects The health crisis is under control. Bankruptcy proceedings and closing of facilities in smaller number of hotels, travel agencies. A small number of lost jobs up to 15%. Faster recovery of supply and demand. High government borrowing. Big drop in GDP. * The government is extending the duration of the pandemic
Partly effective economic response Good fiscal and monetary policy. Extensive economic measures for the whole economy. Solid efficiency in the implementation of measures. Higher application criteria. Moderate bond borrowing. Significant loss of sector capacity. Moderate shocks to management structures. Moderate economic crisis	Effects The health crisis is under full control. Limited number of closed hotels, travel agencies, restaurants. Rapid recovery of supply and demand. Moderate bond borrowing. Moderate job losses of up to 25%. Moderate GDP decline.	Effects The health crisis is under control. Significant number of bankruptcy proceedings and closure of facilities hotels, travel agencies, restaurants. Significant number of lost jobs up to 40%. Slow recovery of demand and supply. Moderate government borrowing. Big drop in GDP. * The government is extending the duration of the pandemic
Poorly effective economic response Weak fiscal and monetary policy. Insufficient measures. Untimely measures. Low indebtedness. Deep economic crisis	Effects The health crisis is under full control. Significant number of bankruptcy proceedings and closure of facilities hotels, travel agencies, restaurants. Significant number of lost jobs up to 50%. Slow recovery of demand and supply. Low government borrowing. Big drop in GDP.	Effects The health crisis is under control. Closing most hotels, travel agencies, restaurants. Most jobs are lost 80-100%. Very slow recovery of demand and supply. Low government borrowing. Big drop in GDP. * The government is extending the duration of the pandemic

The current scenario in the country is shown in bold

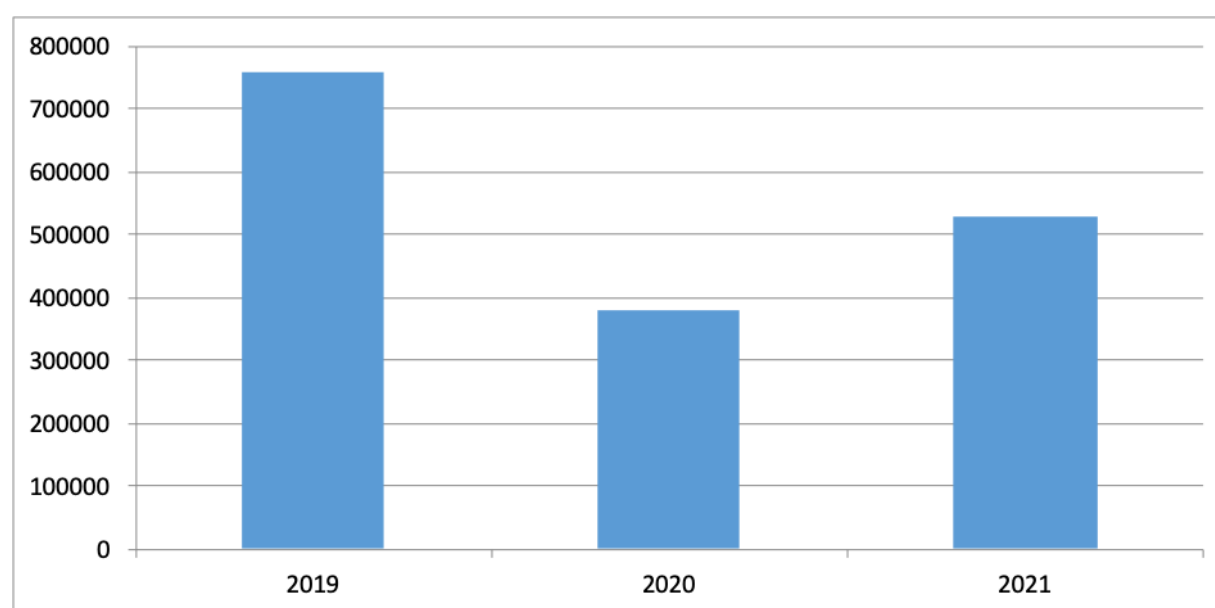
	Measures limit the impact of COVID-19
	The measures mitigate the impact of COVID-19
	Measures do not reduce the impact of COVID-19

The matrix shows two possible scenarios for the sector at different levels of economic response, followed by projected revenues from the industry based on relevant assumptions about the quality of solutions that will be an economic response to the crisis by the Government of North Macedonia. The answers of the participants regarding the measures taken so far are quite mixed, assessed as useful and in the right direction, but delayed and insufficient with bureaucratic burdens and lack of sectoral measures intended for tourism. According to the processed data results, scenario 1 is currently underway in North Macedonia with a partially effective economic response, marked with bold in the matrix.

SCENARIO 1: END OF THE PANDEMIC BY JUNE 2020

The first scenario assumes that the health crisis will be under full control by June 2020. International flights will operate again from both state airports from July 2020, while the global tourism market will begin to stabilize. Still, with a reduced number of arrivals for over 50% for July, we expect a reduction in the gap every month, which will lead to the complete market stabilization by end of the year. We also expect a total decline of over 35% of foreign tourists for the period of June-December 2020 or above 50% for the calendar year 2020, taking into account the first two months when the world health crisis had not yet been declared.

Diagram 17. Arrivals of foreign tourists according to Scenario 1 for the period 2019-2021.



HIGHLY EFFECTIVE ECONOMIC RESPONSE

This scenario is the most favorable according to which the state adopts and implements highly effective economic measures with the primary task of preserving jobs, maintaining the liquidity of companies, and avoiding companies from the tourism and hospitality sector to sink in debts.

The measures will achieve the goal for which they are designed; specific models are available for the tourism and hospitality sector. The measures are effectively implemented through simple procedures; almost all companies that make up the basic economic system survive; lost jobs are between 5- 10%, the state voluntarily waives or subsidizes 2.25 million euros for employee contributions in the sector. The supply and demand are recovering quickly; the country will be heavily indebted to bonds; there is a small decline in gross domestic product for the current 2020. The tourism industry is recovering in time and returning to levels in 2019 in 2023.

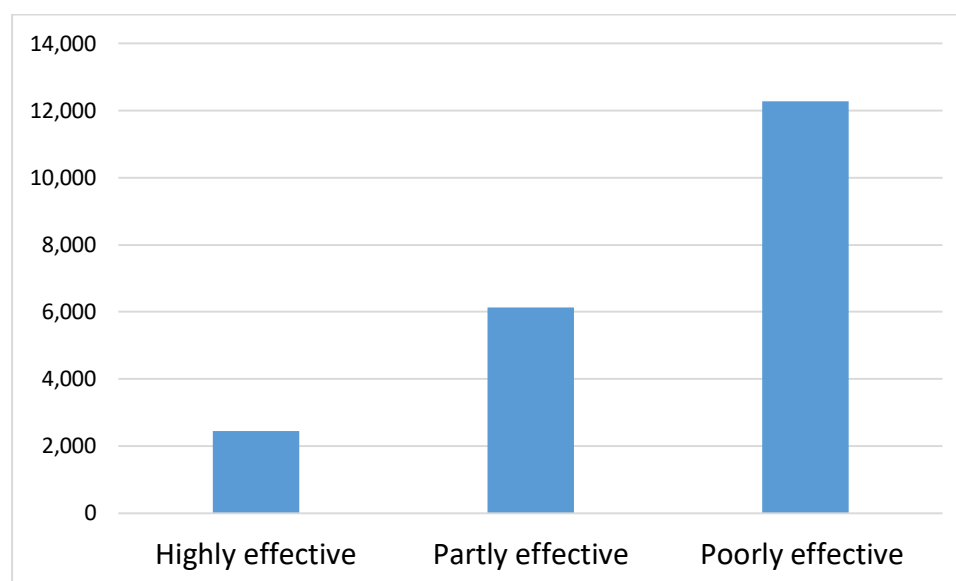
PARTIALLY EFFECTIVE ECONOMIC RESPONSE

According to the announced health measures, trends, and undertaken economic efforts and analyzed data from the research while the study was being prepared, we have grounds to consider the country's economic response as partially effective. In this case, the measures taken by the Government achieve partial effectiveness. Most travel and hospitality companies are expected to apply for financial assistance through a complicated procedure and high standards. Some of the companies from the tourism sector are expected to use the measures for financial support. Liquidity is on the verge of sustainability; a limited number of tourism companies are opening liquidation proceedings and losing jobs by up to 25%. The government will not be able to count on 600 thousand euros' monthly income based on employee contributions. The supply and demand are recovering reasonably quickly; the government will be moderately indebted with bonds. We expect a moderate decline in gross domestic product for the current 2020. The tourism industry is recovering and returning to levels of 2019 in 2024.

POORLY EFFECTIVE ECONOMIC RESPONSE

According to this scenario, the government does not react in time, and the measures are partial; they are implemented slowly and through complicated procedures. The allocated funds are not enough. Measures are not available for most companies. A significant part of tourism enterprises are in the process of liquidation. Jobs are lost at 50%; the state will not be able to count on a monthly income of 1.2 million euros based on employee contributions. A slow recovery follows in the chain of supply and demand. Low government debt and a sharp drop in GDP. The tourism industry is recovering slowly and returning to levels of 2019 in 2025. The following diagram 18, presents a simulation of the assumed number of lost jobs according to the level of effectiveness of the economic response by the state for scenario 1.

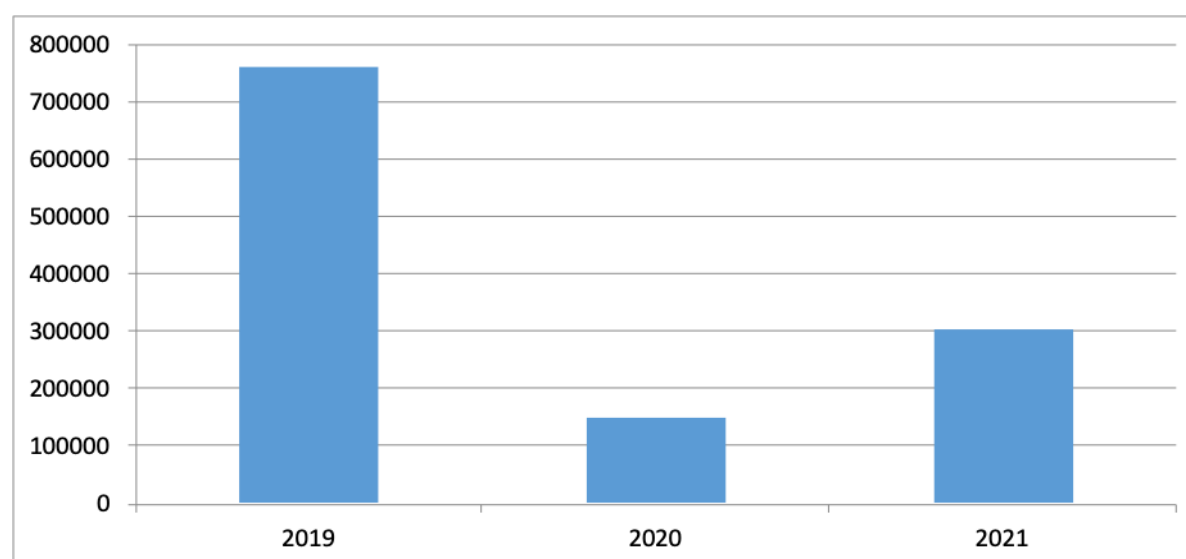
Diagram 18. Simulation for the number of lost jobs in the tourism-hospitality sector according to the level of effectiveness of the economic response in Scenario 1



SCENARIO 2: END OF THE PANDEMICS BY THE END OF 2020

The second scenario assumes that the health crisis will continue until the end of 2020. It means that the health crisis will be controlled but will continue until the end of 2020. This will practically leave the companies in the tourism sector without economic activity for 2020. Airlines will resume regular flights in July, but with procedures and in a way that will significantly complicate travel and reduce the capacity of all transportation means by up to 60%. If the health crisis continues until the end of this year, there will be no charter flights towards North Macedonia in 2020, so we can expect a decrease in the number of tourists by 2020 by 80%.

Diagram 19. Arrivals of foreign tourists according to Scenario 2 for the period 2019-2021.



HIGHLY EFFECTIVE ECONOMIC RESPONSE

The government will adopt and implement highly effective economic measures with the primary task of preserving jobs, maintaining the liquidity of companies, and avoid companies from the tourism and hospitality sector to sink in debts. The measures will achieve the goals. Specific measures are available for the tourism and hospitality sector; the measures are effectively implemented in a simple procedure. Most companies that make up the basic economic system of tourism survive, and jobs are lost at 15%. The government will retreat, i.e., subsidize 2 million euros per month for employee contributions in the sector. The supply and demand are rapidly recovering; the country will be heavily indebted to bonds; there is a significant decline in gross domestic product for the current 2020. The tourism industry is recovering in time and returning to the level of 2019 in 2025.

PARTIALLY EFFECTIVE ECONOMIC RESPONSE

This case assumes that most of the tourism and hospitality companies apply for financial assistance through a complicated procedure and high criteria. Some of the companies from the tourism sector will use financial support measures but will not maintain liquidity. Many companies will start bankruptcy proceedings and lay off employees; lost jobs are over 40%. The government will not be able to count on 1 million euros monthly income based on employee contributions.

Renewal of supply and demand in the medium term; the government will moderately issue bonds; there is a large decline in gross domestic product for the current 2020. The tourism economy is in a difficult situation, and a slow recovery process is following without particular prospects for success in 2021. The tourism industry is recovering and returning to the level of 2019 in 2026.

POORLY EFFECTIVE ECONOMIC RESPONSE

The government does not react in time, and the measures are partial. They are implemented slowly, through complicated procedures, and the allocated funds are insufficient. Measures are not available for most companies. Mass layoffs, social crises follow. The government will not be able to count on 2 million euros in monthly income based on employee contributions. There will be a prolonged recovery of supply and demand: low government debt and a sharp drop in GDP. The tourism industry is slowly recovering and returning to the level of 2019 in 2027. Diagram 20 shows a simulation of the assumed number of lost jobs according to the level of effectiveness of the economic response by the government for scenario 2.

Diagram 20. Simulation for the number of lost jobs in the tourism-hospitality sector according to the level of effectiveness of the economic response according to Scenario 2.

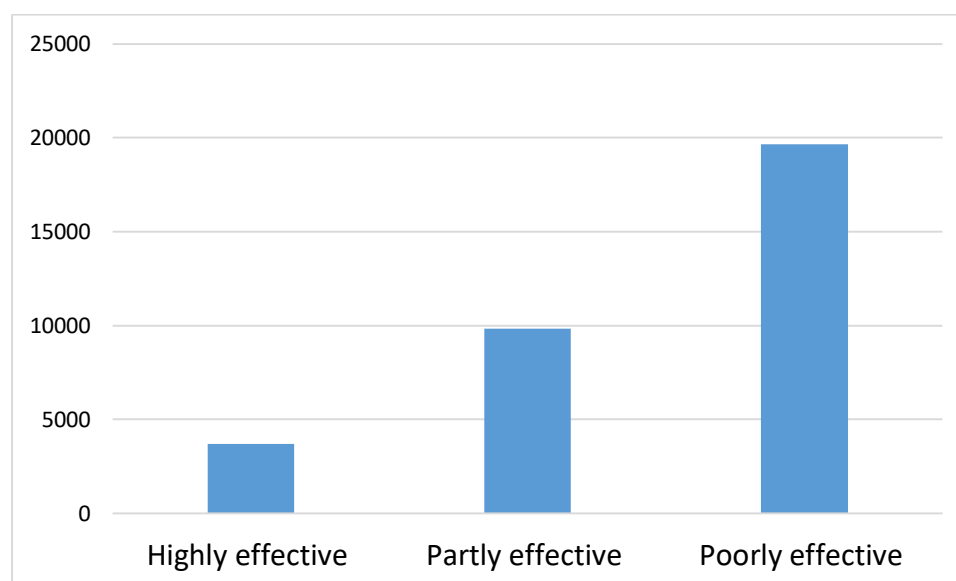


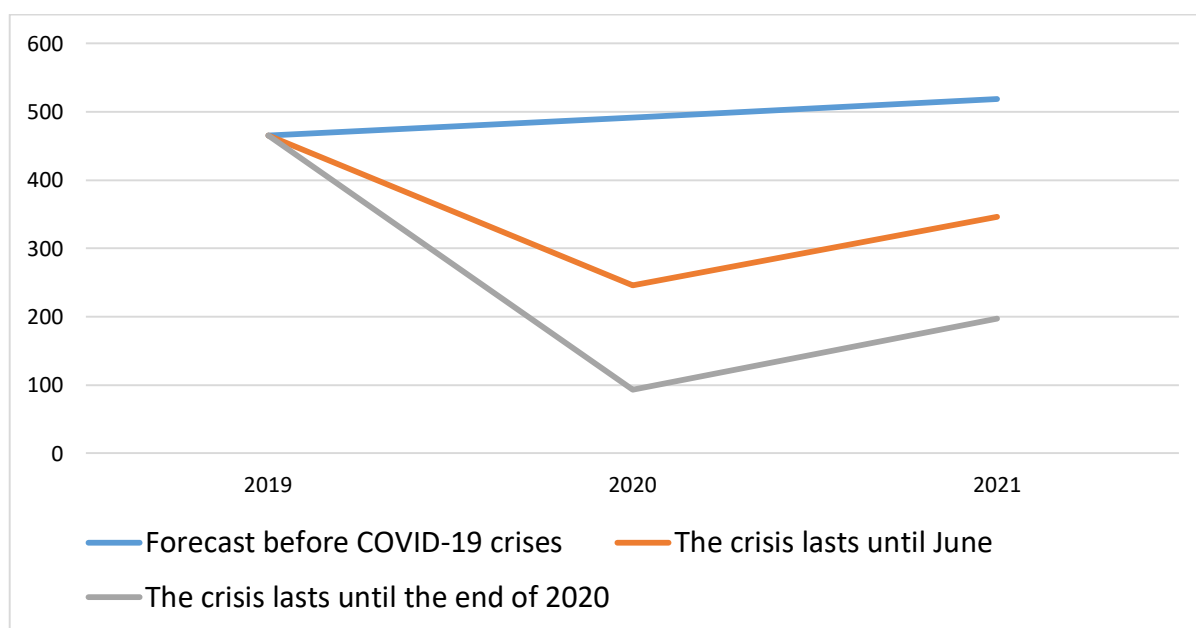
Table 10 shows the turnover based on tourism for 2019. It makes a forecast of North Macedonia's performance as a tourist destination, i.e., the expected turnover based on tourism for 2020 and 2021, based on expectations before the COVID-19 crisis. It gives a forecast if the health crisis is under full control by June and a prediction if the health crisis is under complete control by the end of the year. The estimates are based on collected and processed data from a survey questionnaire and interviews with relevant representatives of the tourism-catering sector.

Table 10. Estimated income on the basis of tourism in millions of euros, estimates for 2019 and forecasts for 2020-2021

	2019	2020	2021
Forecasts before the COVID-19 crisis	465	492	519
The crisis lasts until June	465	246	346
The crisis lasts until the end of 2020	465	93	197

Table 10 shows that before the announcement COVID-19 health pandemic, the forecast for tourism was: a steady increase in revenues of 492 million euros for 2020 and 519 million euros for 2021. After the announcement of the global health crisis, forecasts are far lower, with 246 million euros, which is a loss of tourism revenue by as much as 50% for 2020. Revenue of 346 million euros or 35% losses for 2021 from the previously forecasted income in tourism if the crisis is fully controlled by June 2020. If the situation continues after June and lasts until September or until the end of 2020, the expected tourism revenue for 2020 will fall below the historically lowest tourism revenue since the beginning of the 21st century with 93 million euros or a loss of 399 million euros. It represents a loss of over 80% compared to the previously projected income for 2020, i.e., the 197 million in revenues for 2021, a 60% decrease compared to the previously projected income from tourism.

Diagram 21. Estimated income on the basis of tourism in millions of euros, estimates for 2019 and forecasts for 2020-2021.



The diagram presents a simulation of expected tourism revenues for 2020-2021 in case the crisis is under full control by June 2020, i.e., in the second scenario if the crisis lasts until the end of 2020.

9. PROPOSED MEASURES FOR THE SECTOR TOURISM AND HOSPITALITY

In a case where the tourism situation is harrowing and complex, it is difficult to imagine that a measure can compensate for the pandemic consequences of COVID-19, primarily due to the volume of problems that have arisen. Already the problems are increasing, and we are entering a critical period. For which a new set of economic measures will be necessary.

To ensure the economic survival of companies from the tourism and hospitality sector and maintain a balance between demand and supply in the labor market, we must adjust the package of measures and the conditions for their use, especially in terms of duration of assistance, the number of loans that companies need to achieve liquidity, exemption from fees as contributions and other encumbrances that cannot be covered without economic activity, as well as all other expenses that the government cannot count on, if companies do not have economic activity.

SHORT-TERM MEASURES FOR THE DURATION OF THE CRISIS

First, it is essential to provide short-term quality measures that will ensure economic survival for companies and preserve their internal structures and employees. We need to be prepared to accept the argument that the tourism and hospitality sector has closed doors, and for two months now, companies have had no income to cover the costs.

The consequences of improperly designed measures, especially for short-term actions, can lead to - loss of 20.000 jobs, rapid reduction of production capacity in tourism, and loss of the tourist destination in countries that are traditional markets for us. Therefore, it's a priority to apply of the following measures:

- financial support for employee contributions for the months for which the net salary support is provided.
- continuation of 14.500 denar salary subsidy for June 2020, followed by the decision if the extension of support measure is still needed
- to provide direct support to the liquidity of companies through special lines for financing the sector.
- to facilitate the conditions for applying to maintain the liquidity of the companies.
- to provide a fund intended for granting non-refundable assistance as compensation for the period in which the tourism sector is unable to operate.
- to stop insurance obligations and technical inspection of buses for non-working transportation workers.
- reduction of utility prices for companies in this sector for 2020.
- exemption or freezing of all municipal duties and taxes for this sector during 2020.
- In order to plan the marketing of the tourist destination, the State Statistical Office should adjust the statistics regarding the display of the number of overnight stays of domestic and foreign tourists by country of origin, by municipalities, by months – these data to be shown by category of accommodation capacity of overnight stays.
- the approved interest-free loans should be in the amount of the shown expenses in the final account of the companies from the tourism and hospitality sector, and the return of the interest-free loans should start on 01.06.2021 in the amount of expenses in 2019.
- The legal Decree for the application of the law on the tourist activity during the state of emergency ("Official Gazette of RNM" No. 80 of 27.03.2020), should include an

adjustment to explain the regulation and to take it considering the destination to which the voucher refers when issuing a new value voucher.

It is crucial to provide sufficient financial resources to achieve the goal, but also the speed to which these measures will be implemented.

MEASURES FOR THE RECOVERY OF THE SECTOR IN THE MEDIUM- AND LONG-TERM PERIOD

We propose certain recommendations to support businesses in tackling the challenges of the COVID-19 crisis and develop a constructive discussion between stakeholders in the private and public sectors, such as tourism chambers and business associations, companies, financial institutions, and the government.

Recommendations include ways to respond to the crisis in the short term and accelerate recovery in the medium and long term after the pandemic is under full control.

INCREASED PROMOTION OF NORTH MACEDONIA AS A TOURIST DESTINATION

Stakeholders can jointly contribute to the sectoral efforts to promote the Republic of North Macedonia as a tourist destination. It can be done in the form of a joint marketing campaign to confirm that for the Government of North Macedonia, the tourism sector remains high on the agenda.

The Agency for Promotion and Support of Tourism can lead this initiative and, through the Council, create promotional campaigns in response to the crisis caused by COVID-19.

- To strengthen the promotion in the countries of the region in a geographical radius of 600 km. According to conclusions from the analyzed answers of respondents who participated in the study, the budget for promotion of North Macedonia is insufficient. The funds intended for the promotion are modest for a country that aspires to be a tourist destination (According to the National Strategy for Tourism Development 2016-2020, our country has the lowest budget for tourism marketing in the region). Marketing activities in the countries of the region can have a positive effect, by mitigating the negative consequences caused by the COVID-19 pandemic. It is necessary to significantly increase the media presence or marketing activities in order to see increased tourist turnover from the regional markets. The international agreement concluded with Greece opens the possibility for promotional activities in the southern neighbor, which should be taken into account when preparing the program by the Agency for Promotion and Support of Tourism. In order to achieve noticeable results, we propose budget increase for promotion.
- To strengthen the promotion in the European countries that are traditional markets for North Macedonia. According to a previously approved activity plan, foreign tour operators who have announced arrangements for North Macedonia and are investing in marketing campaigns should be supported by 50-50 marketing. The international tour operators that will apply for marketing must have an agreement with a Macedonian travel agency which possesses license A. We suggest 600,000 euros for this purpose.
- Financial support for travel agencies in their marketing activities aimed towards incoming tourism. Through a simple application, according to a previously established manual for determining the closer criteria. With maximum accepted amounts and ratio in participation, 50-50, provided by public announcements with submitted programs

and defined activities acceptable for marketing. We suggest 300.000 euros for this purpose. The institute (co-participant) should provide application training.

In the coming period, it will be crucial to maintain and strengthen relations with major foreign tour operators with whom we have traditional cooperation through direct communication at all levels (including the Agency for Promotion and Support of Tourism and the Ministry of Economy) during the COVID-19 crisis. The same applies to relations with airlines operating in and from North Macedonia.

STIMULATION FOR THE DOMESTIC TOURISM

Domestic or internal tourism is of great importance for tourism and the national economy and therefore requires permanent support and campaigns to encourage it.

Although the internal potential is not enough to offset the lost turnover generated by foreign tourists, it can still help reduce the negative consequences, for which we recommend:

- To consider the introduction of special subsidized arrangements. The Government of North Macedonia, through the Ministry of Economy, should provide value vouchers in the total amount of 20 million euros intended to support domestic tourism. The value voucher will be issued for 5 day-arrangements directly in hotels that have applied for the measure in the competent institutions or through the licensed travel agencies which have applied for the measure at the Ministry of Economy or directly in the categorized accommodation capacities that have applied and registered for the measure in the Ministry of Economy. We recommend a 100 euros' voucher (in denars). This measure will help all companies that make up the basic economic system in tourism, but also the most affected and have low incomes.
- To conduct an intense campaign to encourage domestic tourism. This measure can be implemented through the Macedonian Television and Macedonian Radio. We recommend that a public call be made to other media outlets by lendign their contribution through the donation of advertising space.
- All planned trips, excursions, conferences, events funded by state or municipalities, including public enterprises and educational institutions, should take place within North Macedonia. This measure should be followed by a recommendation with the same content for all non-governmental organizations and the real sector. This measure will not produce fiscal implications. This measure should be active until the performance of the destination from 2019 is achieved.

SUPPORT FOR JOBS IN TOURISM

The government of North Macedonia has adopted a set of economic measures for the entire economy through a decree on financial support with which companies affected by the crisis will receive support in the amount of minimum wage for April and May to help keep jobs. However, to avoid reducing the number of employees in the tourism sector for the following period, it is necessary to consider a new set of measures.

- Subsidizing the employee contributions in the sector for 2020 for the enterprises in the tourism-hospitality sector. For illustration, this measure will require the government to voluntarily allocate 2.25 million euros per month from projected income based on employee contributions in case of a highly effective economic response from scenario

1 of this study or to forcibly give up 2 million euros per month at the low effective economic response from scenario 1. The advantage of a highly effective economic response is that with fairly the same fiscal implications as during low effective economic response, it will achieve the highest goal: to preserve jobs, prevent social crises and maintain production facilities, and structure companies from the tourism-hospitality sector.

- subsidizing contributions of new employees for tourism-hospitality enterprises for the period after the health crisis until reaching the performances from 2019. This measure aims to accelerate the stabilization of demand and supply in the labor market, i.e., to quickly put into operation the economy of people who have lost their jobs due to the crisis caused by COVID-19.
- Introduction of flexible working hours and reduced working hours, considering the possibility of registering employees based on their working hours instead of monthly engagement. This measure aims to regulate the labor market in tourism, and especially in hospitality. One of the characteristics of tourism and hospitality North Macedonia is its emphasis on seasonal work. In certain calendar periods (low season) of the year with a reduced workload, the tourist-hospitality employees (full-time) are not able to work the minimum required 40 hours per week to meet the conditions for a monthly salary. In contrast, in other calendar periods (high season) in case of increased workload, they work much more hours for which they justifiably expect compensation for their additional engagement. At the same time, with such an approach, it will be possible to regulate the engagement of the seasonal workers or those working for a daily wage, thus providing correct timesheets and payment of their contributions. In this way, a balance will be achieved between the productive forces and the production relations, labor will be rewarded correctly, and it will achieve the highest goal, to discourage the undeclared turnover in the hospitality industry. The study showed that some employers are forced to provide undeclared turnover in the absence of staff, and increased workload, with most workers not accepting regular registration and regular payments, i.e., preferring cash payments. This measure will further contribute to the budget and reduce the amount of undeclared turnover and engagement.
- to organize and conduct professional development training for employees in the tourism and hospitality sector. Within the Ministry of Economy's regular program activities, emphasis should be placed on improving staff and retraining deficient professions.

TAX BREAKS AND OTHER FORMS OF GOVERNMENT SUPPORT

Given the scale of the consequences that the tourism economy is facing, it will require measures to rebuild the sector, help maintain companies' liquidity and boost sales. In the following period, after putting the health crisis under full control, it will be crucial to keep companies fit, without affecting their production capacity. When international tourism is strongly hit, the government support through administrative instruments such as subsidies and other financial instruments of support is of the highest importance for positioning North Macedonia as a tourist destination. Equally important for this type of support, the application process must be implemented through specific, unambiguous, and simple procedures that will be in line with modern information technology, efficient administrative processing of applications, and rapid implementation of decisions regarding applications.

The following recommended measures for the period after the health crisis is put under control are:

- Subsidized interest on loans from commercial banks in the long run (low interest rates)
- Expanding subsidies for foreign tourists (expanding the geographical scope)

When we are faced with a shock of unprecedented proportions, supporting the destination through administrative and financial instruments is crucial. The subsidy is an essential organizational tool that can mitigate the decline and help to speed up the supply, but also to maintain the balance between supply and demand. If we take into account that North Macedonia, as a tourist destination, even before the crisis needed subsidies to maintain competitiveness with other tourist destinations, we can conclude that the need for such support is increased to the highest level. To enable the development of events according to a more favorable scenario, we recommend that the amounts for subsidies should be equal for all countries or 65 euros per tourist, and the condition for obtaining them is 5 overnights instead of the previous 3 overnights. After reaching the destination performance of 2019, the same should be revised (in the markets where effects have been achieved). The amounts should be successively reduced in consultation with foreign partners, while the reduced amount should be converted to increase the marketing budget to maintain and improve the market position. Given the previously described scenarios, this measure does not require additional budget funds and will not cause fiscal implications. Instead it will provide increased subsidies and efficiency in the institution's operations while serving as a vital tool for conquering new markets. The same adaptation should be made for subsidized arrangements with other types of transportation means. In this case, for 2021, it is necessary to project the same budget for subsidies as in 2019.

- to simplify the subsidy procedure using modern information technologies (to eliminate unnecessary conditions and improve the quality of the text for determining the application criteria). It means that we need an immediate adjustment of the manual for the manner, type, and amount of subsidies to be put into operation as early as 2021. The manual requires excessive documentation that is difficult to fulfill. It leads us to a situation where it is challenging to present the subsidizing model to foreign tour operators, which in turn results in the very difficult or impossible acquisition of new partners or new markets. Proof of this is the insignificant number of new applicants from new markets. Adjusting the manual on the method, amount, and type of subsidy can be done through a straightforward procedure. Given the complexity of the situation, according to the processed information obtained from the interviewed foreign and domestic tour operators, part of the necessary documentation according to the actual manual has been exceeded. It is an unnecessary burden on the criteria for exercising the right to subsidize, especially in an era of intensive technological and information development; where these interventions are simple. The urgency of this measure stems from the fact that in this complicated situation, as a competition to certain regions, Greece and Spain are already developing subsidy measures with simplified application conditions.
- reduction of VAT on hospitality services from 18% to 5%. This measure can be considered as a temporary or permanent measure. If we take into account that the tax revenues from the hospitality sector will be far below the income in 2019, it is good to have a reduction of the tax burden until the moment of reaching the level of 2019. The

destination needs to move out of the crisis in a condition that will not disrupt the production capacity and supply. It is a precondition for the rapid consolidation of the sector and to discourage the gray economy.

- tax breaks or subsidies for all capital expenditures taken by hotels to upgrade or expand their technical base during the COVID-19 pandemic for 2020 and 2021 and tax incentives or subsidies for investing in technology and equipment for the duration of the COVID-19 pandemic. The measure aims to encourage financially sound entrepreneurs to strengthen their production capacity or expand their material-technical base. Data from the interviewed respondents shows that the destinations that can provide higher quality for the same or lower price will have an advantage. It's difficult to imagine that steps will be taken in this direction without this type of stimulation.
- allowing employers not to pay K-15 for 2020. In conditions of economic shock, the payment of K-15 is a big burden for the companies. Therefore, we recommend that employers be exempt from paying K-15 for the current year.

RECOMENDATIONS FOR REFORMS IN TOURISM

During this research, from the interviews conducted with the chambers and the businessmen from the tourism sector, we noticed several weaknesses in the current situation in the tourism system.

Currently, the main body responsible for tourism and policy-making in tourism is the Ministry of Economy, i.e., sector for tourism and hospitality within this ministry that prepares the strategic documents for development. In contrast, the Agency for Promotion and Support of Tourism is responsible for promoting North Macedonia as a tourist destination and increasing the competitiveness of the Macedonian tourism product through the promotion and support sectors. At the same time, APST is responsible for implementing the program for subsidizing tour operators. Other institutions are responsible for supervision and control, such as the market inspection when it comes to accommodation facilities and local governments when it comes to private accommodation. The categorization of the hotels is done by the Ministry of Economy, while the APST is responsible for the categorization of the camps. With this setting, APST is something between an incomplete Ministry of Tourism and a National Tourism Organization. In terms of tourism development, the distribution of competencies between the two institutions, APST and the Ministry of Economy, is not precise enough. Solving more complicated issues such as auto camps, mountain lodges, needed in the tourist offer or creating conditions for the development of tourism in rural areas, becomes an unresolved issue.

As a result of this situation in times of crisis, certain weaknesses of the system were particularly pronounced. We can see that the functional structure of tourism between the national, regional, and municipal levels is completely missing, i.e., a connection between large, medium, and micro levels. If it remains unnoticed, it will be an eternal obstacle to the development of tourism in North Macedonia.

Based on the results of the research, we propose a reform in the tourism organization that will include a correction of the law on tourism. It is integrated as an integral part of a new law to encourage the development of tourism on the model of several European Union member states.

The new legal solution should include a mechanism that would automatically activate in the event of a crisis.

In its content, it is necessary to clearly and unambiguously determine the competencies of the institutions. The new law in its general provisions should precisely:

- regulate the planning and implementation of policies to encourage tourism development,
- organize the implementation of tourism policy at the national level,
- provide planning, organization, and implementation of policies for the promotion of tourism development at the tourist region level and provide tourist tax and other means for implementing the policy for promoting the development of tourism at the national level and the level of the tourist region.

This law would integrate the existing law on tourist activity, which will regulate the conditions of the activity during the organization and sale of tourist packages, as well as the law on a tourist tax.

The main goal of this law would be to create a favorable environment for efficient and effective development of Macedonian tourism by encouraging partnerships between tourism service providers, travel associations, municipalities, and the government during strategic planning, design and marketing of Macedonian tourism in the large, medium and micro level. Regarding the implementation of policies for the promotion and development of tourism, the law should establish the tourism strategy as an essential document for planning the development of tourism as a foundation for other development policies and define its scope. Then to determine who will be the client, who will be consulted, who will propose the draft and who will adopt this document.

This law will outline other strategic documents that will align the tourism development strategy.

The law will determine for what period this strategic document will be adopted. It will determine how many years a new strategy will be adopted or revised. Consequently, it will evaluate the essential document for conducting tourism policy, which would be a document for implementation within one year and will identify short-term goals, measures, and activities followed by guidelines for the following years:

- promotional programs,
- renovation or construction of new tourist infrastructure,
- programs to strengthen the sustainability of tourism,
- staff development program for tourism needs,
- programs and campaigns to enrich the tourist culture, and
- international cooperation programs.

It is necessary to define sources of funds in the implementation of tourism policy and the criteria that will enable the allocation and distribution of incentives for tourism development. Consequently, to avoid multiplying the institutions' responsibilities, the law must determine and regulate the responsibility of the institutions to organize and implement the tourism policy with precise distribution of duties between the ministry responsible for tourism and other ministries and their bodies. Later, the Agency for Support and Promotion of Tourism would perform administrative tasks.

At the same time, the law would incorporate the law on the establishment of ASPT. It would have an improved version, but it would also regulate which legal entities could make an assessment and evaluation of the effects of the strategy and tourism through public procurement and tourism policy and who would be responsible for oversight.

In terms of planning, organization, and implementation of tourism promotion and development policy, the law should regulate the responsibility for implementing strategic interests vertically by government, ministry, region, and municipality. Then, it will determine the source of funds for financing the municipalities that would be engaged in the development of tourism, such as concessions, tourist tax, etc.

In terms of improving the quality of the tourist product and dampen the unfair competition, the law should envisage an inspection responsible for tourism (separate or specialized within the market). It will supervise the application of the laws and other regulations arising from the Law on Tourism, the Law on Hospitality, the Law on Temporary Residence Fee, as well as some competencies from the Law on Tourist Development Zones and the Law on Auto Camps. Tourist inspectors would control all legal and private entities providing accommodation, food and beverage services, performing tourism and hospitality activities, and collecting temporary accommodation fees.

The adoption of a legal solution that integrates all other laws that treat the sector supplemented with reform solutions will be a precondition for the development of tourism in North Macedonia and an essential instrument for reducing the so-called gray economy in tourism.

ANNEXES

ANNEX 1. Electronic sectoral questionnaire

001. Company size:

001.Up to 10 employees (micro)

002.11 to 50 employees (small)

003.51 to 250 employees (medium)

004.More than 250 employees (large)

*) Please select one answer

002. Company headquarters

001.Northeast

002.Skopje

003.Eastern

004.Polog

005.Vardar

006.Southwest

007.Southeast

008.Pelagonia

*) Please select one answer

003. What is your business activity:

001.Hotels

002.Private accommodation

003.Travel agency

004.Transport Company

005.National Park

006.Tour guide

007.Camping

008.Restaurants, catering facilities and bars

009.Wineries

010.Cultural institutions

011.Sports and recreation facilities

012.Spa facilities

013.Rural household

014.Rent a car

015.Other

*) Please select one answer

004. To what extent do the consequences of COVID 19 have a direct impact on the number of your employees:

001.I have not been influenced by the crisis

002.It has decreased by 1% - 20%	<input type="text"/>
003.It has decreased by 21% - 40%	<input type="text"/>
004.It has decreased by 41% - 60%	<input type="text"/>
005.It has decreased by 61% - 80%	<input type="text"/>
006.It has decreased by 81% -100%	<input type="text"/>
007.The number of employees has increased	<input type="text"/>

*) Please select one answer, according to your predominant businessactivity

005. Do the consequences of COVID 19 have a direct impact on the delay/cancellation ordered goods/contracts:

001.no impact on operations;	<input type="text"/>
002.poor impact on operations;	<input type="text"/>
003.partial impact on operations	<input type="text"/>
004.big impact on operations	<input type="text"/>

*) Please select one answer

006. Do the consequences of COVID 19 have a direct impact on the payment of demands/orders:

001.no impact on the payment	<input type="text"/>
002.poor impact on the payment	<input type="text"/>
003.partial impact on the payment	<input type="text"/>
004.big impact on the payment	<input type="text"/>

*) Please select one answer

007. Do the effects of COVID 19 have a direct impact on your productivity:

001.no impact;	<input type="text"/>
002.poor impact	<input type="text"/>
003.partial impact;	<input type="text"/>
004.big impact	<input type="text"/>

*) Please select one answer

008. Do the effects of COVID 19 have a direct impact on your liquidity:

001.no impact	<input type="text"/>
002.poor impact	<input type="text"/>
003.partial impact	<input type="text"/>
004.big impact	<input type="text"/>

*) Please select one answer

009. Do the consequences of COVID 19 have a direct impact on your logistics and distribution:

001.no impact	<input type="text"/>
002.poor impact	<input type="text"/>
003.partial impact	<input type="text"/>
004.big impact	<input type="text"/>

*) Please select one answer

010. Do the consequences of COVID 19 have a direct impact on your administrative functioning - obtaining documents from state institutions:

- 001.no impact
- 002.poor impact
- 003.partial impact
- 004.big impact

*) Please select one answer

011. What measures have you taken (or planning) as a result of COVID 19?

- 001.Arranging some of the employees to work from home;
- 002.Reduction of working hours;
- 003.Laying off some of the employees;
- 004.Laying off all employees;
- 005.Monthly pay cuts;
- 006.Unpaid dividend;
- 007.Closing part of the production processes/capacities;
- 008.Closing the entire production process/capacities;
- 009.Cancellation of planned production and orders;
- 010.Adjusting and improving the sanitary and technical operating conditions;
- 011.Debt reprogramming and increasing credit loans;
- 012.Organizing alternative delivery of products to end customers
- 013.Stop paying bonuses and rewards
- 014.Working in shifts

*) This question allows a choice of more than one of the options offered. Please choose maximum 3 of them

012. Do you have the ability to customize your work independently of the workspace, through online platforms:

- 001.Yes, completely
- 002.Yes, partially
- 003.No

*) Please select one answer

013. Compared to the first quarter of 2019, how do you estimate your losses in the first quarter of 2020 as a result of the COVID 19 crisis?

- 001.I have not been influenced by the crisis
- 002.1% - 20%
- 003.21% - 40%
- 004.41% - 60%
- 005.61% - 80%
- 006.81% -100%
- 007.My operations are in positive

*) Please select one answer

014. How much do you think the sales in 2020 will decline, as a result of the COVID 19 crisis?

- 001.I have not been influenced by the crisis
- 002.1% - 20%
- 003.21% - 40%
- 004.41% - 60%
- 005.61% - 80%
- 006.81% -100%
- 007.My operations are in positive

*) Please select one answer

015. How much do you think your profitability will decrease in 2020 as a result of the COVID 19 crisis?

- 001.It will not have an impact
- 002.1% - 20%
- 003.21% - 40%
- 004.41% - 60%
- 005.61% - 80%
- 006.81% -100%
- 007.Profitability will increase in 2020

*) Please select one answer

016. How much do you think the number of your employees will be reduced in 2020 as a result of the COVID 19 crisis?

- 001.It will not have an impact
- 002.1% - 20%
- 003.21% - 40%
- 004.41% - 60%
- 005.61% - 80%
- 006.81% -100%
- 007.The number of employees will increase

*) Please select one answer

017. Do you expect problems concerning your liquidity?

- 001.Yes, in the next 15 days
- 002.Yes, in the next 15-30 days
- 003.Yes, in the next 30-60 days
- 004.Yes, in the next 60-90 days
- 005.Yes, in the next 90-180 days
- 006.Yes, in the next 180 days
- 007.No, I don't expect any problems with my liquidity

*) Please select one answer

018. What measures do you think the state should undertake to help stabilize your business quickly and keep the majority of your employees?

- 001.Subsidy on part of employees' salaries
- 002.Deferral of income tax payment
- 003.Reduction of tax burdens
- 004.Reduction of social benefits
- 005.Reduction of fringe benefits from the profit tax
- 006.Approval of sick leave for less than 30 days by the Healthcare Fund
- 007.Exemption from paying pension insurance contribution
- 008.Providing interest-free loans
- 009.Granted loans to maintain liquidity and working capital for companies
- 010.Providing low interest loans
- 011.Providing a loan guarantee and a loan for working capital
- 012.Cancellation of interest on deferred payment of loans
- *) This question allows a choice of more than one of the options offered. Please choose one or more of them

019. Did the measures adopted by the Government, with special emphasis on the tourism and catering sector, have helped you to better deal with the consequences of the COVID-19 crisis?

- 001.Yes, completely
- 002.Only partially
- 003.No

*) Please select one answer

020. Which of the following promotional activities in the tourism and catering sector would help you to better deal with the consequences of the COVID-19 crisis?

- 001.Positive campaign for domestic visitors / consumers
- 002.Campaign for promoting national destinations, dedicated to foreign tourists
- 003.Social media marketing for targeted markets
- 004.Other

*) Please select one answer

021. If the COVID-19 crisis ends by the end of June 2020, how long do you think it will take you to return to the standard level of operations?

- 001.Less than 30 days
- 002.From 1 to 3 months
- 003.From 3 to 6 months
- 004.From 6 to 12 months
- 005.More than 12 months
- 006.I will never go back to my standard level of work
- 007.We expect this crisis to have a positive impact on our operations
- 008.This crisis does no influence whatsoever on my work

*) Please select one answer

022. If the COVID-19 crisis ends by the end of 2020, how long do you think it will take you to return to the standard level of operations?

001.Less then 30 days	
002.From 1 to 3 months	
003.From 3 to 6 months	
004.From 6 to 12 months	
005.More then 12 months	
006.I will never go back to my standard level of work	
007.We expect this crisis to have a positive impact on our operations	
008.This crisis does no effect whatsoever on my work	

*) Please select one answer

023. What percentage of the total number of visits / clients of your company participate in the following markets?

001.North Macedonia%	
002.Turkey %	
003.Netherlands %	
004.Poland %	
005.Serbia %	
006.Bulgaria %	
007.Greece %	
008.Germany %	
009.Albania %	
010.Croatia %	
011.Israel %	
012.China %	
013.Other countries %	

*) Please specify a full number from 1 to 100 to give a percentage statement of the client / visit structure in each of these destinations. The total amount should be 100%

024. To what extent do you expect your company's visits / customers to decrease in 2020 as a result of the COVID 19 crisis?

001.North Macedonia%	
002.Turkey %	
003.Netherlands %	
004.Poland %	
005.Serbia %	
006.Bulgaria %	
007.Greece %	
008.Germany %	
009.Albania %	
010.Croatia %	
011.Israel %	

012.China %

013.Other countries %

*) Please fill in for all the markets where you expect reduced visits / customers, by filling out % of reduced number of your guests for each country separately. Specify a whole number from 1 to 100 to give a percentage statement for each destination where your business is affected.

025. Please select the month(s) for which you have cancellation reservations as a direct consequence of the COVID 19 crisis?

001.March

002.April

003.May

004.June

005.July

006.August

007.September

008.October

009.November

010.December

011.January 2021

012.February 2021

*) This question allows a choice of more than one of the options offered

026. What is your expected income for 2020 taking into account the COVID-19 crisis?

001.From 1 to 50.000 EUR

002.From 50.000 to 250.000 EUR

003.From 250.000 to 1.000.000 EUR

004.more than 1.000.000 EUR

*) Please select one answer

027. What are your approximate losses (in %) as a result of the canceled reservations due to the COVID 19 crisis?

001.Fill in (%)

*) Please fill in a whole number

028. Given the COVID-19 crisis, how concerned are you about reducing domestic market activity by domestic tourists?

001.Not at all

002.Not much

003.Moderately

004.Very much

*) Please select one answer

029. Given the COVID-19 crisis, how concerned are you about reducing foreign tourist activity?

001.Not at all

002.Not much

003.Moderately

004.Very much

*) Please select one of the answers

030. Given the COVID-19 crisis, how concerned are you about increased competition?

001.Not at all

002.Not much

003.Moderately

004.Very much

*) Please select one answer

031. Given the COVID-19 crisis, how concerned are you about reducing the output price?

001.Not at all

002.Not much

003.Moderately

004.Very much

*) Please select one answer

032. Given the COVID-19 crisis, how concerned are you about the additional costs of marketing?

001.Not at all

002.Not much

003.Not much

004.Very much

*) Please select one answer

033. Given the COVID-19 crisis, how concerned are you about reduced interest / requests for reservations?

001.Not at all

002.Not much

003.Moderately

004.Very much

*) Please select one answer

034. Given the COVID-19 crisis, how concerned are you about canceling future events?

001.Not at all

002.Not much

003.Moderately

004.Very much

*) Please select one answer

035. Given the COVID-19 crisis, how concerned are you about the need to conquer new markets as a substitute for the traditional markets that you have lost?

001.Not at all

002.Not much

003.Moderately

004. Very much

*) Please select one answer

ANNEX 2. INTERVIEW QUESTIONNAIRE

Questions: **Effects of the COVID-19 crisis on supply and demand for tourism services and products**

- What effects will the COVID-19 crisis have on tourism in 2020 in terms of supply and demand for tourist services and products (arrangements, accommodation, hospitality) by domestic and foreign tourists?
- How will 20202 unfold in terms of organizing events and conference activities? Do you think online conferences will replace classic conferences?
- How will the COVID-19 crisis affect the air arrangements to North Macedonia? How will the COVID-19 crisis affect the bus arrangements to North Macedonia?

Questions: **Measures taken by the tourist economy and the state**

- What measures are you taking to overcome the situation? Has your company developed a business plan to deal with crises?
- What measures/regulations taken by the Government for the economy in the area of tourism and catering do you find useful?
- What measures/regulations taken by the Government for the economy at the part for tourism and catering sector you find insufficient?
- What other economic measures do you think will help during the COVID-19 crisis?
- Are you concerned about the additional marketing costs arising from the crisis? Recommendations?

Questions: **Promotional campaign by the state**

- Do you think it is necessary to conduct a promotional campaign for domestic tourism as compensation for lost markets? In what form?
- In which direction should the promotional activities of ASPT move - which markets?

Questions: **Tourist policy**

- Do you think that domestic tourism should be subsidized?
- Is there a need to expand the subsidy measure?
- Do you think the law on tourism is adequate? If the answer is no, what part do you think it should be changed?
- Do you think that the state should have a mechanism for dealing with this type of crisis in tourism?
- Do you think that you need training and pre-made plans to deal with this type of crisis in tourism and catering?
- Do you think it is necessary to separate a particular part of the income of the tourist economy that would be kept in a special fund and used for similar crises in the future?

Questions: **Other questions and predictions for the future**

- How do you expect the process of renewal of the international tourist market to take place in the next two years? What changes will take place in the tourism market? How will the COVID-19 crisis affect the prices of tourism products and services for the next two years? Which destinations will be the competition of North Macedonia as a destination?
- Some other aspects that are not mentioned, and you think are important for tourism and catering in times of crisis? Recommendations and successful crisis management practices?

ANNEX 3. INTERVIEWS WITH THE REPRESENTATIVES OF THE MANAGEMENT OF THE COMPANIES FROM THE TOURISM AND HOSPITALITY SECTOR

	Company	Activity
1	Drim (HOTAM)	Hotel Management
2	Alexander Palace	Hotel Management
3	Montenegro	Hotel Management
4	Makedonija Turist (SKM)	Hotel Management
5	Bistra and Epinal	Hotel Management
6	Ambasador	Hotel Management
7	Vip	Hotel Management
8	Continental	Hotel Management
9	Sileks	Hotel Management
10	Aurora	Hotel Management / Travel Agency
11	Popova Kula	Hotel Management / Winery
12	Balkan Prime Tours (NAITAM)	Travel Agency
13	Fibula	Travel Agency
14	Atlas (SKTM)	Travel Agency
15	Simonium Travel	Travel Agency
16	Savana	Travel Agency
17	Marger	Food and Drinks
18	La Tana	Food and Drinks
19	Uranija	Food and Drinks
21	Amerit	Transport
22	MT Travel	Transport
23	Tourist Guide (BALKANIA)	Tourist guide
24	Tourist Guide (ZTV)	Tourist guide
25	TAV (SSKM)	Airport
26	Katlanovo Spa	Spa Center
27	Ranco and Vanco of Kata	Village Resort

ANNEX 4. INTERVIEW QUESTIONNAIRE FOR FOREIGN TOUR-OPERATORS IN REGARD TO THE FUTURE DEVELOPMENT OF THE TOURISM

1. Is North Macedonia and the region perceived as COVID-19 hotspot in your country?
2. How will the process of restoring the international tourist market unfold in the following years?
3. How will the COVID-19 crisis affect the travel arrangement prices in the following 2 years?
4. How will the international tourism, in a situation of economic recession, change in the following 2 years?
5. Which countries will be Republic of North Macedonia's competition as a tourist destination?
6. Specify the sequence of reactivation of the travel arrangements according to the type of transport (Automobiles/individual arrangements, bus, airplane)?
7. Does the existing subsidy model require modifications?
8. Do you require heightened marketing activities in your market?
9. Which other support measures may improve the placement of North Macedonia as a tourist destination in your market?

ANNEX 5. INTERVIEWS WITH REPRESENTATIVES OF FOREIGN TOUR-OPERATORS

	Company	Country
1	Kompas	The Netherlands
2	Corendon	The Netherlands
3	Bohemija	Bulgaria
4	TUI	The Netherlands
5	Rainbow Tours	Poland
6	Voyage Sud Monde	France

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