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Challenges, policies and governance of the territories in the post-covid era

Desafíos, políticas y gobernanza de los territorios en la era post-covid

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EXTENDED ABSTRACT

Title: Impact of the COVID-19 Pandemic on Croatia's tourism sector

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Abstract: The aim of the study was to see if the tourism sector in Croatia, in terms of revenue, would return to pre-pandemic levels by 2023. Another objective is to examine the possibility of reaching the EU average in terms of gross value added from tourism by 2026.

Tourism in Croatia until 1990, when Yugoslavia collapsed, brought in the largest share of the state's foreign exchange earnings. It was mainly concentrated on the Dalmatian coast and in Istria, where there were numerous spas and seaside resorts.

Inside the country there was relatively little tourist traffic. The armed conflicts associated with the break-up of Yugoslavia significantly reduced tourist traffic. The civil war devastated a large part of the tourist infrastructure, also historic cities like Pula, Split and Dubrovnik, full of tourist attractions, were severely damaged. Since 1997, the tourist industry is slowly being rebuilt and Croatia is becoming an increasingly popular tourist destination. There are 3 main centres of interest in Croatia. The first, and also the largest, is the entire Croatian coast of the Adriatic Sea. The other two are much smaller, but also enjoy great interest from travelers. These are the capital city of Zagreb and the Plitvice Lakes. The least visited region is Slavonia.

The Adriatic coast brings many tourists mainly because of its blue warm water, sunny weather, beautiful beaches and varied landscape. The whole area was first ruled by the ancient Romans in the past, and then from the late Middle Ages until the end of the 18th century under Venetian influence. Both left behind many historical

monuments, which also attract many tourists. Less interest in the eastern part of Croatia is due to the war which took place here only 15 years ago. Even today, because of this, many areas are depopulated and there is high unemployment. There are no major tourist attractions which could attract tourists and therefore the area is poor in tourist facilities.

In 2008 Croatia was visited by 11 206 807 tourists, of which as many as 9 415 105 were foreign tourists (84.0% of all tourists). As far as the form of organisation of tourist trips is concerned, 65.3% of trips were organised by tourists on their own, and in 34.7% they used the services of organised forms. Most foreign tourists came from Germany (as many as 1 547 735 tourists). Looking through the prism of recent years, one can observe a slight increase in the number of tourists in Croatia until 2008.

Afterwards, however, the country was visited by slightly fewer tourists. This decrease in the number of visiting tourists can be explained by the global economic crisis. In 2005, the structure of Croatian GDP was as follows: 60.8% - services, 31.8% - industry and 7.4% - agriculture. Tourism is a very important part of the economy in Croatia and is part of the most developed economic branch, namely services. Before the war with Serbia, tourism accounted for one third of the national income. Today, this branch of the economy accounts for 25% of GDP, so it is a very important source of income for the Croatian state. It is also worth mentioning that Croatia has about 4.5 million inhabitants and last year it was visited by almost 10 million foreign tourists. Since 2010, the number of tourists holidaying in Croatia has increased again. In 2012 it amounted to

11.8 million visitors, while in 2013 almost 12.5 million tourists were already recorded. In 2015 the number of tourists was 14.3 million, and in 2016 it exceeded the barrier of 15 million (15.59 million visitors who spent more than one night in Croatia). The number of Poles who decided to spend their holidays in the country also increased. In 2015 it was 1.8 million. In 2016, the barrier of 2 million tourists coming from Poland was exceeded.

In the Croatian government there is the Ministry of Tourism of the Republic of Croatia, which deals only with issues related to tourism. However, a separate Ministry for Tourism in Croatia is not surprising, since it is a very important component of the entire Croatian economy. The commitment of this ministry can be proved by the introduction of special allowances for disabled tourists. The motto of the Ministry of Tourism is "tourism for everyone".

Despite the pandemic and numerous challenges, Croatia was one of the leading tourist destinations in the Mediterranean in 2020. Commercial and non-commercial accommodation and sailing charters were responsible for 7.8 million arrivals (37% of 2019 results) and 54.4 million overnight stays (50% of 2019 results) in 2020. Croatia is fully prepared for the start of tourism, and the borders are open to foreign visitors. The country provides safety and health conditions not only for tourists, but also for citizens and all stakeholders along the travel chain. There is no doubt that the pandemic has hit the tourism sector hard and changed the travel paradigm forever. However, it can and must learn from this crisis by addressing the challenges through creative and innovative solutions. Peaceful and pleasant surroundings and product authenticity are the new ingredients of luxury for which guests are willing to pay more. Beautiful nature, culture and safety, which come first in the Safe stay in Croatia project, are good prerequisites for the guests' interest. One way of responding to this change was to implement the Safe stay in Croatia project. In cooperation with the Croatian Institute of Public Health, safety protocols were defined throughout the travel chain. The project covers accommodation providers, airports, railway stations, ports and marinas and tourist attractions. This has brought the entire tourism industry into compliance. The Ministry of Tourism and Sport awards the "Safe Stay in Croatia" certificate to interested parties that meet clear epidemiological criteria. This certificate enables tourists to more easily identify places and entities that have adopted national and global epidemiological standards.

Vaccination of tourist workers has also begun. This is part of an effort to make Croatia a safer tourist destination. Vaccination is particularly important given the nature of the work carried out by tourist workers and the many contacts they make on a daily basis. Vaccination also reduces the possibility of possible disease outbreaks caused by intensive tourist traffic. In addition to vaccinating tourism workers and the Safe stay in Croatia project, Croatia has also taken other measures. These include more affordable PCR tests and rapid antigen tests that visitors can perform before returning home.

Testing facilities have also been opened for tourists. Antigen tests for Visitors will be co-financed by the Republic of Croatia. 20 million kuna have been allocated for this purpose. In addition, a better and more diversified tourist offer has been put in the spotlight, which ensures a high level of safety for visitors to the Republic of Croatia away from the crowds. We are talking about measures through which another message is sent to tourists that Croatia is a desirable tourist destination, offering safety, a pleasant stay and authentic experiences. Due to special circumstances, the Ministry of Tourism and Sports has approached the provinces with a proposal to reduce the tourism fee. At the moment we have about 30 cities and municipalities that are interested in lowering it. These include Dubrovnik, Split and Zadar. Taking into account the special conditions and uncertainty in the tourism industry, the Ministry of Tourism and Sports will reduce the flat tourist fee and the tourist contribution for private renters by 50 percent in May and, as agreed within the industry, also the fee rate for sailors by 20 percent.

The authors are confident that the tourism sector will seize the opportunities arising from the increased allocation of European funds by participating in as many green and digital transformation projects as possible and creating competitive tourism products. The Government of the Republic of Croatia has helped and continues to help the tourism sector from the very beginning. With measures to ensure the preservation of jobs and liquidity of businesses, it has managed to preserve them. Although tourism facilities are still not operating at full capacity, we hope that they will soon return to a fuller range of services.

In the longer term, the aim is to increase the number of tourists compared to previous record years, while spreading tourism more evenly across Croatia and throughout the year. We will also aim to achieve equal or higher total revenues. Notwithstanding the pandemic, which has left a deep mark on tourism, we must look to the future. Before the pandemic, we started reforming the legal framework to professionalise the system of tourist communities, recategorise private accommodation, regulate health tourism or tourist areas. Reforms will continue in line with our strategic objectives. We have started preparing a new ten-year Sustainable Tourism Development Strategy and a seven-year National Sustainable Tourism Development Plan, which will be closely linked to the new European budget.

The fact that the pandemic has "emptied" all destinations that were burdened by mass tourism, and that the European Union has made a decisive turn towards sustainability, means that we have the preconditions to move away from the current model and use the available funds to change for the better. Over the next seven years, Croatia will have twice as much funding at its disposal compared to the 2014-2020 budget period, with a total of around €24 billion, of which the European Union budget share will be €12.9 billion. Ensuring the resilience of the tourism sector is extremely important to us. In this context, Croatia will have at its disposal almost EUR 6 billion in non-repayable grants from the Recovery and Resilience Mechanism, which will be used to finance investments and reforms to accelerate recovery and increase the resilience of the economy. The National Recovery and Resilience Plan defines the use of these funds, with tourism as one of the most affected sectors having a special place in it. We will invest in the recovery of tourism, strengthening its competitiveness and resilience,

respecting the guidelines set out by the European Commission, namely investing in sustainable development, green projects and digitalisation.

The authors are convinced that the tourism sector will seize the opportunities of the increased European allocation by participating in as many green and digital transformation projects as possible or by creating competitive tourism products.

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JEL codes: **R1; R5; R58**