

LATVIAN TOURISM DEVELOPMENT IN THE CONTEXT OF REGIONAL SUSTAINABILITY

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Abstract. The problem of the research is maintaining the sustainability of tourism development in the regions of Latvia, taking into account COVID-19 pandemic impact and instable economic situation. The aim of the research is to analyse existing prerequisites of the sustainable tourism development and conformity of adopted measures to support tourism enterprises. The tasks of the research include analysis of existing industry indicators, supportive measures and strategical vision of long term development. The research question is to consider if short-term proposed measures and long-term strategical plans are enough to ensure the development and sustainability of the tourism industry in the country and its regions. The major differences exist in the tourism industries of different EU states and that there is no single solution for all. Existing UNWTO tourism recovery strategies as well as existing Latvian state short term supportive measures and long term strategical vision provide only partial solutions to a problem. However, the situation changes dynamically and requires a new kind of evidence-based policy to establish continuous sustainable tourism industry development in the post COVID-19 era taking into consideration state and regional existing prerequisites for industry development in the country.

Keywords: COVID-19, pandemic, tourism, sustainability, development.

JEL code: F63, L26, L83, O1

Introduction

Tourism sustainability is an intensively discussed topic in the XXI century, the interest in research in this field increased dramatically due to the unpredictable impact of the COVID-19 pandemic and vulnerability of the industry at the global level. Still, the sustainability of an industry should be analysed in a linkage with socioeconomic and environmental preconditions, leading to appropriate strategies' elaboration and implementation at the regional level.

The problem of the research is maintaining the sustainability of tourism development in the regions of Latvia, taking into account COVID-19 pandemic impact and instable economic situation. The aim of the research is to analyse existing prerequisites of the sustainable tourism development and conformity of adopted measures to support tourism enterprises. The tasks of the research include analysis of existing industry indicators, supportive measures and strategical vision of long term development. The research question is to consider if short-term proposed measures and long-term strategical plans are enough to ensure the development and sustainability of the tourism industry in the country and its regions. Thus, the hypothesis of the research is – the analysis of existing tourism industry indicators and the implemented supportive measures will help to propose additional actions in an order to establish the sustainability of the industry vulnerable because of the crisis caused by the COVID-19 pandemic and global economic downturn. Diverse sources are used for the analysis, such as international theoretical issues of the science society, global and state statistical indicators, reports of the public bodies. The object of the research is an entrepreneurial activity within the tourism industry in Latvia. The subject of the research is short-term supportive industry measures and long-term strategical vision elaborated in an order to ensure sustainability and development of the tourism industry in Latvia. Methods of the research – quantitative and qualitative primary and secondary data analysis, including modern literature analysis and statistical indicators. The benefits of the research are obvious for tourism industry decision-makers, public bodies at all levels, tourism-related disciplines educators.

Research results and discussion

The discussion about tourism development in the context of regional sustainability is linked to entrepreneurial activities impacting a region and existing human resources. According to Zekan et al.: "this impact must be within the region's ecological limits and, in parallel, within the region's social and economic limits in order to ensure adequate supporting functions for the population living and acting in the region related to tourism, this means that regions should learn as much as possible about the impacts of tourism on their local destinations to be able to develop solid and adequate policies for tourism development" (Zekan B. et al, 2022).

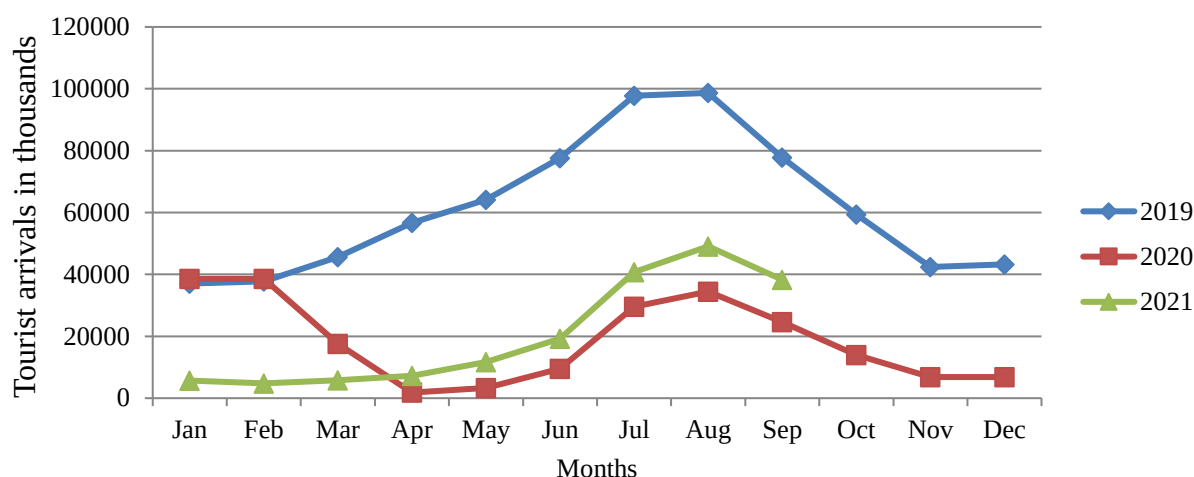
The Covid-19 pandemic has negatively impacted the many different sectors of tourism, ultimately causing the world industry to shut down for almost two years. Through various efforts have been made since June 2020 to reopen the industry, most sectors continue to struggle and the UNWTO has acknowledged tourism as one of the hardest-hit industries (Collins-Kreiner N., Ram, Y., 2021). Crises are a regular occurrence in tourism (Dolnicar S., Zare, S., 2020). Many destinations are affected by natural and human-made crises and, over the years, have developed tactics and strategies of resilience and mitigation (Ritchie B.W., Yaing J., 2019). The crisis stemming from the Covid-19 pandemic, however, has been different and unique in many ways. First, the decline in travel, hospitality, and tourism has been worldwide (UNWTO, 2020). Second, the economic collapse has been more dramatic. Third, the ongoing crisis has the potential to cause fundamental modifications in many tourism segments. And fourth, the end of the crisis is nowhere in sight (Collins-Kreiner N., Ram Y., 2021).

1. Statistical overview

Regarding tourism situation analysis in the EU area, it is obvious that the travel restrictions introduced during the coronavirus pandemic have destroyed the tourism industry, which is making a significant contribution to the EU economy. It was estimated at the end of 2020, that revenues for hotels and restaurants were expected to fall by 50%, for tour operators and travel agencies by 90%, and for cruise companies and airlines by 90% (European Parliament, 2020). Europe is a major travel destination in the world, and the situation is particularly acute in EU countries whose economies are heavily dependent on tourism, such as Spain, Italy, France and Greece. Many travellers had difficulty returning home, while tourism businesses are still facing serious liquidity problems due to an increase in claims for cancellation due to very few new bookings. In particular, air carriers are under unprecedented pressure which still remains.

The coronavirus (COVID-19) pandemic had a major impact on travel and tourism throughout Europe, with overall international tourist arrivals falling by 97 % in April 2020 over the same month of 2019. Travel to and from countries was restricted as the virus spread, resulting in a sharp drop in arrivals across the region. As of September 2021, international tourist arrivals rose over the previous year, reaching around 38 million. However, this figure was still far below pre-pandemic levels (Statista, 2022).

Latvia as a state has also suffered from the pandemic impact. As it was said in September 2020 by the Minister of Economics of the Republic of Latvia J. Vitenbergs: "the tourism industry is currently on the verge of bankruptcy due to the fight against the spread of Covid-19 infection and the introduction of restrictions. The sector has virtually come to a standstill, with international passenger flows being disrupted, which is having a direct impact on the hotel and tour operator sectors, and the tourist season has entered, with a significant reduction in domestic travel. There is a high risk of insolvency in the industry" (Ekonomikas ministrija, 2020).



Source: Statista, 2022

Fig. 1. Change in international tourist arrivals in Europe due to the coronavirus (COVID-19) pandemic from January 2019 to September 2021 (in 1,000s)

Perhaps the most telling figures are those about the number of hotels, guesthouses, and other accommodation facilities that were actually open for business in 2020. At the end of 2019, there were 847 hotels in Latvia, but at the end of 2020, there were just 700. Similarly, the number of guesthouses declined from 507 to 460 during the same period and the number of campsites dwindled from 19 to 16. While hotels were able to offer 13 000 beds in 2019, that number fell to 9 000 in 2020. The total number of visitors accommodated by hotels plummeted from 2 393 000 to 1 113 000 (Latvian Public Broadcasting, 2021).

2. Sustainable tourism development in Latvia in COVID-19 era: short-term supportive measures

In regards to the influence of COVID-19, continuous economic downturn, unstable political situation, it was decided by the Ministry of Economics of Latvia to implement the following long-term and short-term measures to recover tourism development and to achieve its sustainability.

Short-term measures, implemented by the Ministry of Economics of Latvia in coordination with the European Commission were adopted in July 2020. The state subsidized the tourism sector staff salaries with EUR 19.2 mln, to overcome the effects of the COVID-19 crisis. Additionally, the government allocated 3.8 million EUR for marketing tourism activities (Helmane, 2020). Shortly, the amount of 30% state social insurance support is contributed to entrepreneurs. It was planned that the program should support up to 7156 tourism-related companies with a total number of 69988 employers. Accordingly, marketing compensation measures should contribute to tourism-related companies' participation in international exhibitions, conferences, and the development of international communication activities.

In accordance with the regulations of the Cabinet of Ministers No. 455 "Procedure for Granting Support to Economic Operators in the Tourism Sector Affected by Covid-19", enterprises in the tourism sector since July 2020 have been able to receive a one-time grant from the state to compensate employees for their salaries, the amount of which depends on the amount of taxes paid. The grant is to be awarded to micro and small, medium, and large companies (LR Cabinet of Ministers, 2020). The support program is administered by the Latvian Investment and Development Agency (LIAA).

However, most of the tourism and hospitality industry representatives find this state support inappropriate asking to increase the amount of granting and compensate up to 100% of social insurance. Representatives of the Latvian Travel Agents and Operators Association mentioned 95% of tour operating

activity decrease in 2020 thus insisting that kind of tourism activity to be additionally supported (Dienas Bizness, 2020). The contribution to the Latvian GDP in 2019 was 4%. In 2020, the total decrease of contribution of the tourism and hospitality sector to GDP was most dramatic among industries and consisted of 38.1%. Pandemic especially impacted the development of the hospitality sector (53% decrease) and catering sector (32.6% decrease) (CSP, 2021). Despite the fact that it is planned to lift travel restrictions in March 2022 as well as to void other existing limitations, the recovery of the industry should take time. During that period entrepreneurial activity should be continuously supported.

Table 1

State support measures for tourism industry in Latvia due to COVID-19 pandemic impact and companies meeting the criteria

Types of economic activities to be supported (company to be registered by March 1st 2020 and to be eligible for support)	Criteria of eligibility to apply for state support	Number of companies within industry of tourism meeting the criteria
• Accommodation in hotels and similar accommodation; • Accommodation in guest houses and other types of short-term accommodation; • Operation of camping sites, recreational vehicle parks and caravan parks; • Operation of other accommodation; • Restaurant and mobile food service activities; • Off-site catering to order; • Other catering services; • Operation of bars; • Renting and leasing of other machinery, equipment and tangible goods; • Professional, scientific and technical services; • Travel agency services; • Tour operator services; • Other reservation service and related activities; • Organization of meetings and trade fairs; • Activities of cultural institutions; • Operation of amusement and recreation parks; • Other amusement and recreation activities.	• Revenues from economic activity have decreased by 30% in one month between April and June 2020 compared to the corresponding month of 2019 due to the Covid-19 crisis; • On the day of submission of the application there are no debts of taxes (fees) exceeding 1000 EUR (except for tax payments for which an extension of the payment term has been granted); • An agreement on voluntary payment of taxes has been concluded or an agreement has been concluded.	7356 companies with a total of 61,988 employees with an average gross salary of 626 euro per month.

Source: elaborated by authors, based on the Cabinet of Ministers of the Republic of Latvia, 2020

3. Sustainable tourism development in Latvia under COVID-19 impact: long- term vision

On February 13, 2020, Latvian Tourism Vision 2021-2027 was presented by the Ministry of Economics. It contains a plan of sustainable tourism development during the years 2021-2027. The main priority targets of the strategy are: increase of overnights stays of the foreign travellers, decrease of seasonal impact, total foreign travellers expenditure increase. The vision is accompanied by the action plan (Ruskulova M.L., Kalniņa I., 2020). Besides the definitive impact of the COVID-19 pandemic, the following factors should be taken into consideration achieving continuous and sustainable Latvian tourism development, thus ensuring its overall competitiveness among neighboring countries (Lithuania, Estonia):

- world economic downturn, political implications, change in global and local economic conditions;
- change of travellers' habits (booking on the go, smart tourism, customization of services, interest in sustainability, individualization etc.);
- return on investment is far from contributed to all of the applied efforts;
- shortage of workforce, especially qualified, especially in regions.

The aim of long-term strategy is defined as follows: "sustainable tourism development through achievements and promotion of tourism products, innovations based on local values and lifestyles, creation of significant and attractive experience by strengthening international competitiveness" (Ruskulova M.L., Kalniņa I., 2020).

As a result of the adopted vision for strategical development during the next 8 years it is expected to achieve the following results:

- an increase of revenue within the industry of tourism (hospitality and catering sectors including);
- development of qualitative and innovative products (also in regions);
- the rise of the domestic traveling and related expenditure;
- an increase of international investments (also in regional infrastructure);
- a decrease of shadow economics role in the industry at all levels.

The main aim of the adopted vision is to achieve the digital transformation of the industry and increase its contribution to the GDP of the state.

Among the most competitive products for regional tourism development there can be mentioned:

- nature tourism and related activities;
- MICE sector;
- health tourism;
- heritage, and creative tourism.

Regarding to nature tourism and related activities development, in an order to ensure this sector sustainability, diversified approach should be applied. This means regional infrastructure should be developed, taking into consideration accommodation, transportation and attraction possibilities at large. Regional information centres have to be supported by additional granting, getting availability to stimulate development of nature trails, alternative tourism, rural activities with involvement of local entrepreneurs and individuals. Regional education on secondary and tertiary levels within the areas of eco-tourism, sustainable tourism and rural entrepreneurship should be provided, appropriate study programs should be developed, also based on experience of international partners and with the support of EU available funding.

MICE sector needs not only expansion of regional accommodation facilities, but also establishment of modern congress centres, thus ensuring the ability to hold events of international meaning in the country. At the present moment there are no appropriate competitive centres in Latvian regions, able to hold international congresses with several thousands of participants. The largest Latvian conference centre, ATTA centre was opened in 2021, able to hold 5500 participants simultaneously (Riga This Week, 2021). This centre is located in the capital and besides benefits it brings to Riga and to events participants (close location to the airport, attraction sites etc) it is still ignoring needs of regionals in their infrastructure development, thus concentration income within the most prosperous city of the country.

In regards to ensure competitiveness of health tourism services among the Baltic countries offerings, regional recreational infrastructure should be developed, and investments to recovery of sanatoriums are required based on existing Latvian cure traditions and cure sources (muds, hydrogen sulphide containing

procedures) and introducing new services, treatments and activities. This area of tourism services requires highly qualified staff; thus the demand in medical and medical, well-being management administration all levels study programs should be satisfied by educational institutions, also in regions, also based on international cooperation (joint, double diploma programs etc.).

Heritage and creative tourism development could also become a powerful tool in an order to increase regional attractiveness. International tourists flow should be disseminated around the country, average overnights stay should be increased (with average overnights number 4,9 in 2016 it decreased to 4,5 in 2020 (Oficialais statistikas portals, 2021). A targeted aim to be achieved – at least 7 overnights spent around the country's regions. Domestic tourists can also contribute to the development of regional tourism, as it took place during border crossing limitations periods. Still, during pandemic years number of domestic trips has decreased twice (in a year 2019 – 2500.9 thousand travels, comparing to the year 2020- 1366.9 thousand travels) (Oficialais statistikas portals, 2021).

It is obvious that regions and cities of Latvia should be considered for their development as clusters, thus ensuring simultaneous development of their 3 main aspects: static (hospitality and catering companies with appropriate support by public bodies and legislation), dynamic (strategical state and regional decisions of infrastructure development) and active (both private and public bodies efforts on development of attraction places and sights). The strategic partnership between public bodies at all levels, entrepreneurs of the industry, and other stakeholders (as society at large) should be established to achieve the implementation of the long-term vision. According to the strategy findings, 3 main actions are required:

- the strengthening of tourism sector international competitiveness and export promotion;
- attractive tourism offer development in the context of local values and lifestyle, promotion measures of local tourism;
- action within the field of tourism management by deeper attention to the related education and research.

Conclusions and proposals

- 1) To sum up, to the authors recognize that major differences exist in the tourism industries of different EU states and that there is no single solution for all. Existing UNWTO tourism recovery strategies as well as existing Latvian state short term supportive measures and long term strategical vision provide partial solutions to a problem of tourism industry recovery. However, the situation changes dynamically and requires a new kind of evidence-based policy to establish continuous sustainable tourism industry development in the post COVID-19 era taking into consideration state and regional existing prerequisites for industry development in the country.
- 2) Global dynamically changing macro environmental indicators also should be taken into consideration; strategy for international tourists' attraction into the regions of the country should be created based on world tourism industry trends.
- 3) Regarding the existing tourism industry analysis in Latvia, the situation is same dramatic as in other European countries; however, local tourism business representatives aren't satisfied enough by the measures proposed by state's public bodies to minimize pandemic impact and to ensure industry smooth recovery afterwards.
- 4) The vision of industry recovery and development contains formal recommendations. Deeper analysis of the regional indicators, prerequisites, existing infrastructure, human capital resources and amount of investments is required. Regional tourism should be developed with application of cluster approach and with appropriate support of all industry stakeholders.

- 5) The main attention in the development of tourism in the country should be given to the regions, achieving an increase in the number of days of stay of foreign tourists, the interest of local tourists in traveling within the country.
- 6) Tourism resources and infrastructure should be evenly distributed across regions, including the ability to host congresses should be available to businesses not only in the capital.
- 7) In an order to ensure state's competitiveness and industry sustainability, the solid and adequate tactical and strategical measures should be developed. This calls for a highly participatory approach incorporating different stakeholder groups in the regions of the country: from destination management organizations and public bodies to representatives of hospitality industry, tour operators and even local public, affected by the tourism development.

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