



# The Role of the Egyptian State in Supporting the Tourism Sector during the Pandemic

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## Introduction

The tourism sector has been affected in all countries by the repercussions of the COVID-19 pandemic crisis. Global air traffic has stopped, and as a result, a major depression has occurred in the tourism movement. This negatively affected millions of people working in this vital sector around the world.

In Egypt, tourism contributes a large share of the Egyptian Gross Domestic Product (GDP), and is the largest source of foreign currency and job creation. The pandemic has already turned into a national economic crisis in many developing countries whose GDP depends heavily on tourism revenues. At present, the tourism sector is suffering a major recession, as millions of people working in the tourism sector have lost their jobs.

Most governments around the world worked to mitigate the economic impact of the emerging coronavirus (COVID-19) pandemic, and the Egyptian government has provided much assistance to support the tourism sector since the start of the COVID-19 crisis, represented in financial support and strong backing for companies and tourism workers.

It is worth noting that the tourism sector in the world will not be able to fully recover until after the medical emergency is controlled, and travel bans are lifted safely.

## COVID-19 Pandemic and Global Tourism

Tourism is one of the most important economic sectors, not only on the international level but also on the national and local levels. This is due to its ability to achieve growth and economic and social development for local communities, given the overlap of its activities with many industries and other sectors.

According to the World Tourism Organization (UNWTO), the number of tourists in the world reached 1.33 billion in 2017, which rose by 4% in 2018 to reach 1.4 billion tourists. It rose again by 4% in 2019 to reach 1.46 billion tourists<sup>1</sup>. Concerning global tourism

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1) The World Tourism Organization, UNWTO World Tourism Barometer – Special focus on the impact of Covid-19, May 2020.



revenues, according to UNWTO, revenues rose from 1.3 trillion dollars in 2017 to 1.45 trillion dollars in 2018, and finally reached 1.48 trillion dollars in 2019<sup>2</sup>.

Tourism supports one in ten jobs, as well as provided jobs for millions in both developing and developed countries. UNWTO confirmed in 2019 that the number of tourist arrivals reached (1.5 billion), but the COVID-19 pandemic came in late 2019 as a severe blow to global tourism, costing it huge losses at all levels. The crisis is unprecedented in terms of size and breadth, as all parts of the global tourism sector have been affected.

During the year 2020, the number of international tourist arrivals decreased by up to 78%, which put 100 million direct tourism jobs at risk. Small companies are more at risk, as they bear 80% of global tourism. UNWTO is keen on the return of the tourism sector to its previous glory before the pandemic, and is working to help countries to push forward in this direction.

## **The Economic Importance of the Tourism Sector**

The tourism sector is one of the important sources of national income and foreign currency for the Egyptian economy, Because Egypt has many tourist attractions.

Statistics indicate that tourism revenues were severely affected during the years (2013-2016) as a result of the decrease in the number of tourists. According to the previous figure, the following becomes clear:

- Tourism revenues recorded their lowest decline in 2016 when they amounted to only 6 billion dollars.
- Due to the increase in the number of tourists from 2017 to 2019, tourism revenues increased in 2017 to reach \$7.7 billion, an increase of 28% over 2016.
- Tourism revenues continued to increase after that, rising to 12.6 billion dollars in 2019.

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2) Salwa Mohammed Masri: The implications of the emerging coronavirus crisis on the Egyptian tourism sector, National Planning Institute, Cairo 2020



Egyptian tourism was booming during 2017 and 2018, reaching its highest levels during the 2019 tourism season, during which Egypt achieved \$12.6 billion, but the outbreak of the COVID-19 pandemic turned things upside down.

Although all indications were that the global tourism sector will continue to grow in 2020 by 4% like the previous year, the new Coronavirus, which appeared in late December 2019, stopped the global tourism movement and turned all the scales, causing huge losses in most countries of the world.



Figure (1): The number of tourists in Egypt 2010-2019

### **The Egyptian Tourism Crisis during the COVID-19 pandemic.**

The Egyptian tourism sector achieved significant growth in 2019. It came close to the growth achieved during 2010. This was a great accomplishment taking into account the different economic, political and security conditions that tourism has been subjected to since the January 25, 2011 revolution. Tourism revenues recorded 12.6 billion dollars in 2019 compared to 11.6 billion dollars in 2018. An increase of 8%..<sup>(3)</sup>

Unfortunately, the emergence of the new Coronavirus in Egypt in March 2020 limited these expectations. The COVID-19 pandemic robbed the tourism sector of about 70% of revenues during 2020 as the number of tourists declined to 3.5 million tourists. The Egyptian tourism revenues fell to about 4 billion US dollars for the whole of 2020.

### **The Suffering of Workers in the Tourism Sector during the COVID-19 crisis**

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<sup>(3)</sup>The Central Bank of Egypt, the monthly statistical bulletin, various numbers and the Central Authority for Public mobilization and statistics - Egypt in the figures for 2020.



Today, the world is experiencing an unusual situation as a result of COVID-19 that will inevitably constitute a major turning point for all countries. This is not only a result of the extreme danger it poses to health and life, but also because of its economic and social repercussions which have a direct effect on all international transactions.

All countries were forced to take a set of precautionary measures: "isolation and quarantine/ social distancing/ travel ban", which caused the stagnation of the global economy and the emergence of an unexpected global economic crisis. It obstructed production, supply and air transport across the world, weakened the global demand, isolated countries, placing some under quarantine and others under curfews. This hit the sectors of finance, aviation, transport and tourism in the world with heavy losses.

The impact of the repercussions was greater and more serious, especially on developing countries and the Arab region. Economists expected the average per capita income will decrease by 3.6%, causing millions of people to fall into extreme poverty this year.

The tourism sector has gone through many crises during the past years. The Coronavirus crisis could be considered the most insidious crisis ever. It is exhausting state institutions and destroying the global economy. The Egyptian tourism sector had the greatest share of suffering. In recent years, the Egyptian government and people have endured many crises for Egyptians in general and the tourism sector in particular.

The "Coronavirus" has led this vital sector to enter a dark tunnel again. It caused the entire sector to stop, amid expectations of a real catastrophe that would lead to the displacement of about three million workers in the field of tourism in Egypt, in addition to material losses estimated at billions of dollars if the closure period continues for a long time, according to experts and officials

The current conditions have prompted companies to reduce their employees' salaries by 40%, in an attempt to reduce the final losses.

"The damage to the tourism sector from the COVID-19 crisis is the biggest damage that occurred in the history of Egyptian tourism, greater than at any time because aviation has stopped and aviation is the main means of access to the Arab Republic of Egypt. It all stopped, and therefore all tourism activity stopped, except for domestic tourism, which returned in mid-May 2020."



The tourism revenue has stopped. It is estimated at one billion dollars every month, which completely stopped from mid-March 2020, losing Egypt 3 billion dollars in income.

The crisis for workers in the tourism sector is not the result of just the COVID-19 crisis, it has been accumulating for many years. There are major axes of the crises of the Egyptian tourism sector (ministries, state agencies, tourist facilities, investors, lobbies, and workers in the tourism sector).

Tourism has now completely been halted after the suspension of flights and closure of airports, awaiting with the world what will happen in the coming period.

Workers in the Egyptian tourism sector live in a state of anticipation and anxiety. About 3 million Egyptians working in the tourism sector, according to official estimates, suffer from the cessation of tourism, which constitutes about 20% of the country's GDP. This threatens the ambitions of the Ministry of Tourism, which was seeking through the structural reform plan to have at least one person from each Egyptian family work in the tourism sector.

It is worth noting that about 60% of workers in the sector are self-employed and work for a daily wage, making them even more vulnerable in this crisis.

The tourism sector is suffering billions in losses now. The cost of operating a tourist facility is not small. If the situation continues, a large number of Egyptians will be left jobless. No tourist facility owner will be able to pay the workers' salaries for more than two months, with the cessation of tourism.

The tourism sector is in a state of confusion and panic due to the COVID-19 crisis. The crisis hit the tourism companies listed on the Egyptian Stock Exchange. This prompted companies and experts to expect big losses at the end of this year due to the decline in their occupancy to zero rates, in light of the suspension of air traffic and domestic tourism.

The revenues of tourism companies during 2020 amounted to about 10% of the revenues that they were achieving before the pandemic in February of the previous year. It is clear that the tourism companies' sector was most affected by the COVID-19 pandemic, as Umrah and Hajj trips stopped completely, as well as the decline in companies bringing in tourism from abroad.



Companies operating in religious tourism have suffered greatly since last year, and have suffered great financial losses due to the cancellation of Umrah trips during the months of Rajab, Sha'ban and Ramadan, and the suspension of Hajj trips for Egyptians last season. No trips have been organized so far for Umrah or Hajj. During the COVID-19 pandemic, tourism companies bore the salaries of workers during the last period

### **Precautionary measures for the Egyptian tourism sector.**

Egypt has taken many decisions and measures to confront and limit the effects of the COVID-19 pandemic, which had its effects on the tourism sector, the most important of which are the following decisions:

- Suspension of air traffic at all Egyptian airports from March 19 until the end of May 2020.
- Allowing tourist delegations present in Egypt during the flight suspension period to complete their tourism programs and return to their countries at their travel dates on their previously scheduled trips.
- Sterilization of all hotels and tourist facilities during the period of suspension of tourist trips.
- Closing restaurants, cafes, cafeterias, cafes, casinos, amusement parks, clubs and commercial centres from 7 pm until 6 am until March 31, 2020.

The COVID-19 pandemic was the main reason for taking many precautionary measures related to the tourism sector to counter the effects of this pandemic.

- Implementing the rules approved by the Ministry of Tourism per the guidelines of the World Health Organization as a condition for receiving guests, and providing high-quality personal protection tools for workers and guests "disinfection and sterilization tools, masks, gloves...etc.",
- Cleaning and disinfecting all surfaces in public areas every hour, having the maximum load of the elevator 50% of its capacity, and providing hand sanitiser in the reception area and various facilities at all times.
- Checking-in the guest electronically or with single-use pens. Guests will also be sterilized before entering and leaving the hotel, and guests will have their temperature measured every time they enter the hotel.





- Banning buffet service completely, prohibiting the shisha, measuring temperatures for restaurant diners, leaving a distance of no less than two meters between dining tables and one meter between each person at the table "a maximum of 6 chairs", relying on single-use eating utensils "as much as possible", and placing sterilizers and sanitizing napkins on every dining table.
- Maintaining and disinfecting of swimming pools regularly, and the maximum concentration of chlorine "5 mg/l" and bromine "10 mg/l" is allowed, to deactivate the virus.
- Disinfecting the area around the beach and swimming pools after each guest and after the end of the operating time, leaving a distance of not less than two meters between the sunbeds, and handing over the used towels on the beach in the rooms.
- Disinfecting surfaces every hour in gyms and spas, disinfecting the entire gym area after using the guest, taking care of the distance between devices, prohibiting the use of jacuzzi, sauna, steam and massage sessions, cleaning and disinfecting all bathrooms inside the gym every hour, prohibiting showering there and not accepting visitors from outside the hotel.
- Requiring each hotel to provide a clinic and a resident doctor in continuous coordination with the Ministry of Health, and a small hotel "or hotel room" will be allocated for quarantine for minor and non-critical cases and suspected cases, and the presence of hospitals near the hotel or resort.

### **The Egyptian President's Decisions to Support Tourism**

The country has lived through difficult times in light of the outbreak of COVID-19. The economic conditions of the Egyptian citizen were severely affected. Tourism was the most affected sector. After the tourism companies lost their sources of income, presidential support came to aid and preserve companies and workers in the tourism sector due to the global crisis; a lifeline to save the Egyptian tourism industry.

The support and backing of President Abdel Fattah Al-Sisi were represented in the issuance of several decisions, all of which are in the interest of the tourism sector, perhaps the most prominent of which are:

- Continuing works on various projects related to tourism activity, as well as dropping the real estate tax on hotels and tourist establishments for 6 months.



- Directing the Central Bank to study the provision of bank financing for tourism and hotel facilities, so that it is allocated to finance the operational process to retain employment at a reduced interest.
- Raising the efficiency of the infrastructure of tourist facilities, so that they are fully prepared to receive Egyptian and tourist visitors as soon as the crisis subsides.
- Launching the initiative to replace and renew tourist hotels and tourist transport fleets.
- Providing a supporting loan to the sector with a grace period of two years, in addition to examining the possibility that the Ministry of Finance bears some of the financial burdens on the civil aviation sector to support it in dealing with the repercussions of the current circumstances.
- Taking a package of measures to support companies and establishments in the affected sectors, by allowing them to pay their tax returns in 3 instalments ending on June 30 of this year, as well as postponing the payment and instalments of the real estate tax on those companies and establishments for 3 months, without calculating any fines or late interest on deferred or instalment payments during that period.
- Disbursing financial support to workers in the tourism sector in monthly payments of a minimum of 500 pounds, and the total first payment amounted to more than EGP 200 million for 192,558 workers in 2,764 tourist establishments.  
The second and third instalment that was disbursed amounted to more than EGP 371 million for about 175 thousand working in 2,655 tourist establishments.  
The total amount disbursed to the tourism sector in 5 payments as a result of the effects of the Coronavirus pandemic amounted to more than EGP 878 million.

This support reflects the extent of the state's belief, led by the President, in the importance of the tourism industry, its influential contribution to the recovery of the national economy and it being the main source of foreign currency. It is linked to more than 70 economic activities and other industries that are all reviving with the recovery of the tourism industry, making it the most capable of creating job opportunities, whether directly or indirectly. This is reflected in the unprecedented relentless support from the state for the tourism sector during the era of President Sisi, given the continuing challenges facing the sector.



These decisions contribute to supporting the tourism sector's ability to meet the major challenges it suffers from due to the continuation of the COVID-19 pandemic, and preserve the basic components of the tourism sector to launch as soon as the pandemic subsides.

## **The Government's Mechanisms to Support Tourism**

Since the beginning of the pandemic, the Egyptian government has reassured the tourism sector of its continued support for the directives of President Abdel Fattah al-Sisi. It has issued several decisions during the first wave of the coronavirus. The most important for companies, and tourist is the postponement of the payments of the consumption of electricity, gas, and water, government fees for services, or utilization fees, and the payment of all debts owed for periods before the Corona crisis. The government has also provided subsidies for workers in the sector estimated at 100% of the basic wage of workers, benefitting nearly 300,000 employees of tourism companies, fixed and floating hotels, establishments, and tourist restaurants. The Egyptian government also provided loans with 5% interest to support workers and employers in the tourism sector to pay salaries and rents, provided that the loan period is 3 months.

The government is giving all its support to the tourism sector, not only in the face of the Coronavirus, but also all the crises that the sector is going through. It stressed the state's keenness to support it in all forms until it recovers and returns stronger and better than it was before.

### **Economic support measures for the tourism sector and related sectors**

- The Central Bank's decision to postpone the payment of all obligations and loan instalments, even personal ones, for 6 months.



- The payment of EGP 41.8 million, the value of the rest of the state's proceeds from the profits of the Holding Company for Tourism and Hotels for the past year, has been postponed.
- Coordination between the Ministry of Tourism and the Egyptian Tourism Federation to implement an initiative to support the vulnerable groups in the tourism sector, such as the owners of horse carriages and small boats in various tourist sites.
- A crisis fund was established to support workers in the tourism sector, aiming to support hotel workers, tour guides and workers in companies, tourist facilities and various bazaars to save them in times of crisis.

Decisions were issued by the Ministerial Committee for Tourism and Antiquities meeting held on March 28, 2021, regarding mechanisms to support the tourism sector during the Coronavirus crisis.

**The decisions included mechanisms to support the tourism sector, and the following was approved:**

- Continuing to exempt the estates used as tourism facilities and affiliated with the Ministry of Civil Aviation from real estate tax until October 31, 2021.
- Continuing to defer the payment of some government fees owed by hotel and tourist establishments (except for Cairo and Giza), including the fees for the river marinas, and the usufruct fee of state property for the marinas on the Nile banks, in addition to the fees for the renewal of desalination plant licenses owed on hotel and tourist establishments
- Continuing to reduce fees for landing and accommodation (50%) and ground services (20%) at airports in tourist governorates.
- Continuing to postpone the payment of a percentage of the dues for the monthly consumption of electricity, gas and water, until the end of next October, as well the previous debts.
- Postponing the payment date of debts and dues on hotel and tourist establishments resulting from the COVID-19 pandemic (since April 2020), which was previously scheduled for 36 months. Thus, the starting date is November 1, 2021, instead of May 1, 2021.



- Continuing the disbursement of subsidies to workers in the tourism sector from the Emergency Fund of the Ministry of Manpower until October 2021.
- Approving the extension of the guarantee provided by the Ministry of Finance for EGP 3 billion for the initiative of the Central Bank of Egypt to support maintenance and operating expenses in hotel and tourist facilities until December 31, 2021.

### **Tourism promotion using modern technologies:**

The Ministry of Tourism and Antiquities launched an initiative under the slogan "Explore Egypt from Home" which won the praise of the international press. <sup>(4)</sup>

It launched virtual tours and guided trips to archaeological sites and museums through the official pages of the Ministry of Tourism and Antiquities on the Internet, and on social networking sites (Facebook, Instagram and Twitter). This included tours of the hierarchical group of King "Unas" and the tombs of "Maha" and "Wahi" in Saqqara, and a presentation of Masterpieces of Islamic art. It also had a guided tour of the Grand Museum

It also started the health safety sign for hotels, which was approved by the Ministry of Tourism and Antiquities. It which be available in all hotels wishing to operate as it indicates their application of the rules and conditions approved by the Council of Ministers and international health standards.

The stage of coexistence with the pandemic: The decision of the Council of Ministers, through a tripartite meeting between the ministers of aviation, tourism and health, to allow the resumption of domestic tourism and the operation of hotel facilities at 25% capacity as of May 15, 2020, rising to 50% as of June 1, 2020. All hotels must take all precautionary measures, maintain disinfection and sterilization of all work areas, and set guidelines in all workplaces for health safety and preventing the spread of infection.

The Egyptian Tourism Federation contacted a team of international experts to prepare a long-term strategy for the development of the tourism sector.

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<sup>(4)</sup> Al-Ahram Electronic Portal, international newspapers and news agencies praise the initiative of the Ministry of Tourism and Antiquities "Discover Egypt from Your Home", April 24, 2020.



The Egyptian government's support for tourism during the COVID-19 pandemic continues to this day...

## **Conclusion**

The Egyptian tourism sector contributed directly and indirectly to the GDP by about 12% during 2019. It is expected that this percentage will decrease this year due to the outbreak of the COVID-19 pandemic.

The tourism sector also contributes to creating many direct and indirect job opportunities, as the number of workers in the tourism sector is estimated at 3 million workers (direct and indirect employment). This represents about 10% of the total workforce.

The effects of the outbreak of the emerging Corona Virus (Covid-19) pandemic in most countries of the world continue to extend and expand to include many economic activities and financial markets. Many major global events have been cancelled to limit the spread of the virus, or due to the imposition of travel restrictions imposed by many countries, such as the suspension of airlines, which led to airlines and tour operators incurring huge losses.

Because of the pandemic, the tourism sector is currently in a state of stagnation and complete paralysis. Despite the efforts of many dysfunctional countries to mitigate the economic impact of this virus, the tourism sector will not be able to recover until after this virus is controlled and the ban on travelling is safely lifted.

It should be noted that the longer this health crisis continues, the more difficult it will be for many tourism activities to continue, especially small and medium-sized companies that make up a large percentage of the tourism sector.

## **Economic support measures for the tourism sector and related sectors**

- Providing a supporting loan to the sector with a grace period of two years, in addition to examining the possibility that the Ministry of Finance bears some of



the financial burdens on the civil aviation sector to support it in dealing with the repercussions of the current circumstances.

- Directing the Central Bank to study the provision of bank financing for tourism and hotel facilities, so that it is allocated to finance the operational process to retain employment at a reduced interest.
- The Central Bank's decision to postpone the payment of all obligations and loan instalments, even personal ones, for 6 months.
- Postponing the payment of the real estate tax due on tourist establishments for 3 months and allowing it to be paid in instalments for the previous periods through monthly instalments for 6 months.

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