



Tourism sector support for Covid-19 recovery in Ukraine

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Overview

The Covid-19 pandemic dealt a huge blow to the global travel and tourism sector, with nearly all countries swiftly introducing travel restrictions in a bid to curb the spread of the virus. In Ukraine, the tourism industry, which is dominated by small and medium-sized enterprises (SMEs) and an important employer, felt the impact immediately. The State Agency for Tourism Development (SATD) was tasked with devising an effective policy response to aid the sector's recovery. Building on its expertise in the SME sector and on previous collaboration in the Ukrainian tourism industry, the European Bank for Reconstruction and Development (EBRD) supported the SATD in analysing the impact of the crisis and developing a National Tourism Action Plan. The plan proposed several solutions to support SMEs during the pandemic and to help prepare for recovery, including a government tourism voucher scheme, state financial support for hospitality-sector SMEs and their employees, an easing of the rules governing tourism businesses and hotel classification, streamlined quarantine safety measures and a dedicated online Covid-19 support platform for SMEs in the sector. The analysis also identified structural weaknesses in need of improvement.

Ukraine's Covid-19 tourism-sector policy response supported by external partners

The effects of the Covid-19 pandemic were particular swift and acute for businesses in the hospitality sector. The rapid development and implementation of widespread safety protocols were crucially important in curbing the spread of the virus. In most countries, including Ukraine, a combination of time pressure and enormous uncertainty led to sweeping restrictions, which often failed to take into account the specific nature of some businesses. Most travel and tourism businesses were closed temporarily at the start of the pandemic. According to the 2020 World Travel and Tourism Council (WTTC) report, the tourism sector accounted for 5.9 per cent of Ukraine's gross domestic product and employed up to 1 million people in 2019 (about 6.2 per cent of total employment).¹

Micro-, small and medium-sized companies, which make up around 90 per cent of all companies in Ukraine's hospitality sector, were particularly hard hit, as they are generally more vulnerable to economic shocks. Moreover, the pandemic hit the tourism sector at a time when it was slowly improving (international tourism receipts amounted to 4.1 per cent of total goods and services exports in 2019 compared with 3.5 per cent in 2014). At the same time, the pandemic also interrupted a period of growing competitiveness in the hospitality sector – Ukraine had posted the fastest rate of improvement of all Eurasian countries² as defined in the Travel & Tourism Competitiveness Index between 2017 and 2019, rising 10 places to rank 78th out of 140 countries globally.³

¹ See WTTC (2020).

² Russia, Georgia, Azerbaijan, Ukraine, Armenia, Kazakhstan, Tajikistan, and the Kyrgyz Republic.

³ See WEF (2019).

The [State Agency for Tourism Development of Ukraine \(SATD\)](#) was tasked with formulating a national tourism action plan to counter the effects of the pandemic. Formed in early 2020, the agency lacked the capacity and practical expertise to set strategic priorities at national level. Given the urgency of the task at hand, the SATD sought support from external partners. Building on previous work in the Ukrainian tourism sector, the EBRD partnered with the SATD and supported it in designing the policy response.

The EBRD submitted its final report to the SATD in March 2021. The agency's subsequent Action Plan for 2021 included some key recommendations from the EBRD report, such as the introduction of a comprehensive tourism statistics system, better regulation of tourism operator licensing and systemic improvements to the Law on Tourism in Ukraine. The key findings and recommendations also fed into the tourism and hospitality section of the [Ukraine National Economic Strategy 2030](#).

The EBRD's support builds on vast experience in supporting SMEs in Ukraine, as well as previous involvement in developing the hospitality sector. The EBRD has been assisting SMEs in Ukraine since 1997, through its local and international advisory services on various topics, including marketing, digitalisation and operational efficiency. To date, the Bank has supported more than 1,200 advisory projects in the country. It has been working with the government –

and with the SATD since its establishment – to develop the hospitality sector. In November 2019, the EBRD, with the support of the Hotel & Destination Consulting (HDC) company, developed a [Roadmap for a Competitive Development of the Ukrainian Travel and Tourism Industry](#). Finalised a few months before the pandemic hit, the report assessed the current setup, performance and potential of the Ukrainian tourism and travel sector and put forward a three-year action plan to develop it and increase its competitiveness, with a special focus on SMEs.

As the gravity of the coronavirus became obvious, radically changing the tourism industry around the world, the Ukrainian authorities and the EBRD, supported by the same consulting firm, revisited some of the key areas of the Roadmap. They published an [update of the Roadmap](#) in May 2020, updating the situational analysis and re-focusing the priority action plan to help the travel and tourism industry cope with the crisis. Particular attention was paid to aiding and developing systemic solutions for SMEs in tourism, given their critical role in increasing employment and enhancing overall innovation. The same EBRD and HDC team subsequently lent more direct support to the SATD in formulating the National Tourism Action Plan in response to the Covid-19 pandemic.

Methodology and findings of the EBRD-supported National Tourism Action Plan

Various approaches were used in formulating the report, written between September 2020 and March 2021. Building on its previous work, the EBRD examined the existing legal and regulatory framework for the tourism sector in Ukraine, analysed available data sources, interviewed a number of local and external experts and stakeholders, and reviewed international policies and practices that could be effective in coping with the crisis, given the structure of the tourism sector in Ukraine.

The report identifies sectoral governance shortcomings that exacerbated uncertainty during the pandemic and contributed to an acute inability to plan business activities. An overarching tourism plan encompassing national, regional, and local government levels and clarifying the roles of each public institution was lacking. Moreover, the rules governing all sector stakeholders needed to be transparent and easily applied.

The report proposed several solutions to support SMEs during the crisis and to help prepare for recovery, drawing on measures implemented by countries around the world. The previously implemented measures did not differentiate between SMEs in the tourism sector and those in other sectors. The report, therefore, suggested more targeted support for SMEs in the severely affected hospitality sector. First, existing measures should be adapted to the needs of tourism businesses. Financial and administrative support could be offered to affected SMEs by introducing new lines of credit or additional criteria and by simplifying the application process. Second, a web platform for SMEs in

the tourism sector should be created, to serve both as a portal for Covid-19 information and for advertising or selling various tourism offerings. Third, the country could introduce a "Ukraine Card", whereby employers could avail of tax deductions for employee travel within Ukraine and the state could subsidise domestic travel for certain residents, such as retirees and children, to compensate for the reduction in international tourism. Other options included the introduction of soft measures to help hospitality firms, such as extending outdoor terraces for restaurants and cafes into public spaces where possible.

The report outlined several other proposals to support the tourism sector. First, it cited a need to re-evaluate the priorities of the previous tourism strategy and determine the new starting point, taking into consideration the impact of Covid-19 and building on proposals from the Roadmap. Second, Ukraine's tourism statistics needed to be improved. This would require the involvement of a number of different institutions, as well as close inter-agency coordination. Third, there was a need for greater involvement by regional representatives in major national strategies. The introduction and clear definition of the rules for public-private partnerships in the development of Ukrainian tourism would also be beneficial. Lastly, the country's tourism legislation should be amended to reflect the new situation on the ground and needs of the hospitality, travel and leisure sector.

Lessons learned

Early engagement with the SATD and ongoing communication facilitated the project. The EBRD worked closely together with the agency from the outset. Good communication and close coordination were key to the successful collaboration and were pursued in both internal meetings and at public events. Events were prepared jointly to ensure a coordinated approach and common messages.

The mix of international experts and Ukrainian tourism specialists ensured the right combination of global best

practices and local knowledge. The local specialists contributed with on-the-ground experience, while the international experts carried out an in-depth analysis of policies put in place by other countries around the world. The country-specific knowledge the international consultants had gained during their previous assignment to develop the Roadmap for tourism development in Ukraine proved invaluable.

References

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