

# Chapter 1. Tourism trends and policies for recovery

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This chapter covers recent tourism trends, and associated developments in tourism governance and policy, set against the backdrop of the COVID-19 pandemic and Russia's war in Ukraine. It is based on policy and statistical inputs from OECD member and partner countries. The chapter outlines the economic and social consequences of the tourism crisis triggered by the pandemic and examines the key recovery challenges and outlook ahead, including in the context of increasingly uncertain economic and geopolitical context. The role of governments in supporting a sustainable, resilient and inclusive tourism recovery is set out, and tourism policy priorities, reforms and developments are analysed with examples of country practices highlighted.

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## Tourism trends in times of crisis and recovery

Tourism is being seriously challenged by the depth and duration of the crisis triggered by COVID-19. Restrictions on the movement of people hit the tourism economy at its core, leading to a near-complete cessation of tourism activity around the world at the height of the pandemic. The combined economic and health impacts made this a crisis like no other in terms of the size of its impact and duration. The consequences have been devastating for local communities, regions and tourism businesses, 85% of which are SMEs.

Just as the tourism economy was starting to rebound from the pandemic, Russia's war in Ukraine has dealt a fresh blow to recovery prospects. This is creating new uncertainties for the tourism recovery. With the impacts of the pandemic still lingering, the war is dragging down growth and putting additional upward pressure on prices amid tightening labour markets. Already fragile tourism businesses are faced with rising energy, food and other input costs, and the cost-of-living crisis is putting pressure on consumer spending power, with discretionary items like tourism on the front line of potential cuts.

The strong bounce in tourism seen in many countries in 2022 was built on the back of pent-up demand but shows signs of faltering. The economic and geopolitical climate is putting stress on the sector, creating a very uncertain outlook. As tourism navigates these challenges, existing and new structural weaknesses are being aggravated, while large-scale social, economic, political, environmental and technological trends continue to impact the sector.

As governments address these critical challenges, transformative policies are needed to set tourism on a path to a more resilient, sustainable and inclusive future. Co-ordinated, forward-looking action across all levels of government, and with the private sector, is needed more than ever to support a sustainable recovery of tourism businesses and destinations across the tourism ecosystem. Action is also needed to prepare for future shocks, stay ahead of the digital curve, support the low-carbon transition, and promote the structural transformation needed to build a stronger, more sustainable tourism economy.

### ***COVID-19 crisis highlighted tourism's role as a driver of economic prosperity***

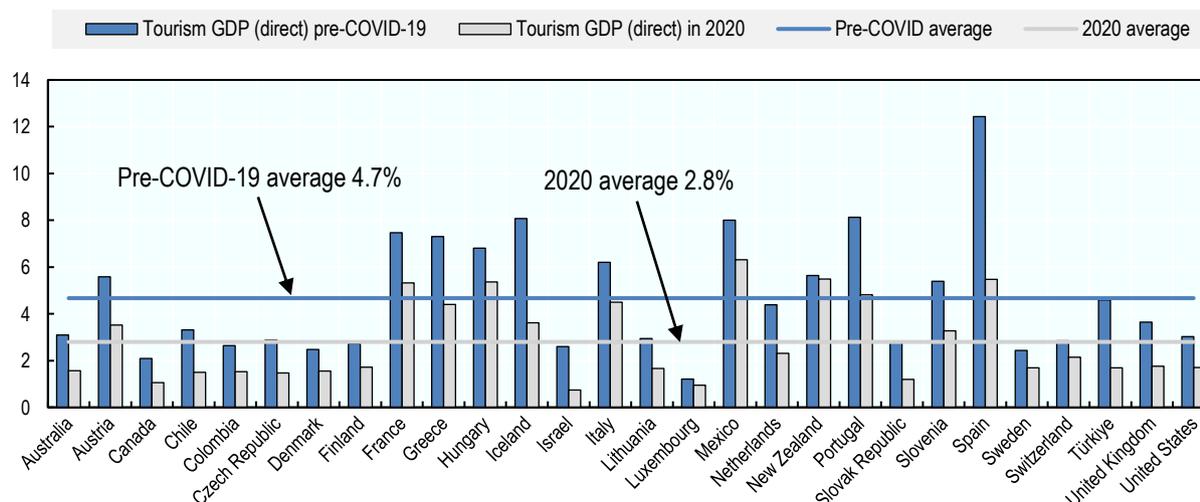
Tourism is a driver of economic prosperity, and the crisis has been an important reminder of the vital role tourism plays in global, national and local economies. Before the pandemic, the tourism sector directly contributed 4.4% of GDP and 6.9% of employment, and tourism generated 20.5% of service-related exports in OECD countries, on average. The sector is a key part of a growing services economy, generating income and foreign exchange, creating jobs, stimulating regional development, and supporting local communities. In many countries, tourism was growing at a faster rate than the national economy before the pandemic.

The unprecedented shock from COVID-19 saw the average direct contribution of tourism to GDP fall to 2.8% in 2020 across OECD countries with data available<sup>1</sup>. This equates to an average decline of 1.9 percentage points compared to pre-COVID-19 (Figure 1.1).

The direct economic impact of the tourism sector is far-reaching and has knock-on consequences for the wider economy. Countries with a sizeable tourism sector pre-COVID-19, such as Iceland (8.1% of GDP), Mexico (8.0%) and Portugal (8.1%), have experienced some of the biggest declines in the sector's direct contribution to GDP, and in overall GDP (Figure 1.2). OECD analysis shows that the pre-pandemic size of the tourism sector better explains cross-country differences in GDP impacts in 2020 than exposure to any of the other sectors considered most vulnerable to COVID-19, or the average stringency of wider country lockdown measures during 2020 (Rustelli and Turner, 2021<sup>[1]</sup>). These impacts are also highly localised. Places where tourism is a large part of the local economy are particularly adversely impacted, such as Corsica in France, the Ionian Islands in Greece and the Balearic and Canary Islands in Spain, as well as the Algarve region in Portugal (OECD, 2022<sup>[2]</sup>; OECD, 2020<sup>[3]</sup>).

**Figure 1.1. Direct contribution of tourism to selected OECD countries, pre-COVID-19 and 2020**

As percentage of GDP, 2019 (or latest available year pre-COVID-19) and 2020



Note: Tourism Direct GDP is the preferred indicator. Pre-COVID-19 is 2019, or latest available pre-pandemic year.

Tourism Direct GVA data is used for Canada, Colombia, Denmark, Finland, Greece, Hungary, Israel, Italy, Lithuania, the Netherlands, New Zealand, Portugal, Switzerland, Türkiye, United Kingdom and United States.

Spain includes direct and indirect effects.

France refers to Internal Tourism Consumption as a percentage of GDP; data is based on constant price shares.

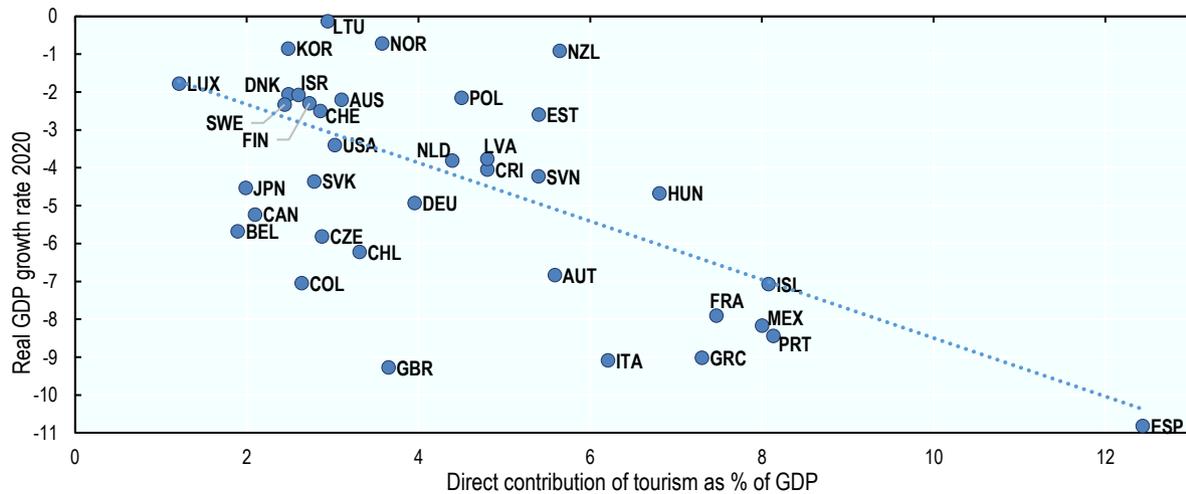
Source: Tourism Statistics (Database)

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The indirect impacts of tourism are also significant, owing to linkages to upstream sectors. OECD estimates from before the pandemic indicate that more than one-third of value added generated in the domestic economy through tourism comes from indirect impacts, reflecting the breadth and depth of linkages between tourism and other sectors (e.g. food production, agriculture, transport, business services) (OECD, 2019<sup>[4]</sup>).

Job retention schemes helped mitigate the impact of the pandemic on tourism employment, but labour shortages and skills gaps risk constraining the recovery. Tourism's share of total employment fell to 4.3% in 2020 across reporting OECD countries<sup>2</sup> that prepared a Tourism Satellite Account, down 0.8 percentage points across this group of countries compared with pre-COVID-19, on average. However, these supports did not reach all workers, including some self-employed workers such as tour guides and informal workers in the sector. The disruption in the sector also led many workers to seek more stable employment opportunities in other sectors. In the first quarter of 2022, employment in accommodation and food services was, on average, 9.0% below its pre-COVID-19 level (OECD, 2022<sup>[5]</sup>).

**Figure 1.2. Correlation between the direct contribution of tourism pre-COVID-19, and GDP growth in 2020, selected OECD countries**



Note: Tourism Direct GDP is the preferred indicator. Pre-COVID-19 is 2019, or latest available pre-pandemic year.

Tourism Direct GVA data is used for Canada, Colombia, Denmark, Finland, Greece, Hungary, Israel, Italy, Lithuania, the Netherlands, New Zealand, Portugal, Switzerland, Türkiye, United Kingdom and United States.

Spain includes direct and indirect effects.

France refers to Internal Tourism Consumption as a percentage of GDP; data is based on constant shares.

Source: OECD Tourism Statistics (Database) and OECD Economic Outlook (Database)

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### ***Recent rebound in international tourism raised hope of a demand-driven recovery***

International tourism was decimated by the crisis, with the recovery in 2022 driven by pent-up demand and the lifting of travel restrictions in most countries. The closure of international borders and introduction of travel restrictions saw international tourist arrivals worldwide plummet by 72% to 409 million in 2020, with only a marginal improvement in 2021 (UNWTO, 2022<sup>[6]</sup>). This dramatic drop in international tourism flows followed six decades of consistent growth. The latest available data indicates that globally, international tourism flows recovered to almost 60% of pre-pandemic levels by July 2022. International tourist arrivals almost tripled during the period from January to July 2022 compared with the same period in 2021. Europe and the Middle East led the recovery (with arrivals reaching 74% and 76% of 2019 levels, respectively), followed by the Americas and Africa. Arrivals in the Asia Pacific region, however, remained 86% below 2019 levels by July 2022 (UNWTO, 2022<sup>[6]</sup>).

OECD countries are playing a driving role, but the recovery varies significantly across countries as governments adopt different approaches to reopening. International tourist arrivals to OECD countries fell by 68% in 2020 to 262 million, on average – slightly below the fall globally. The small improvement recorded in 2021 (up 16% to 303 million) outpaced the global average (up 9%), and available evidence indicates this has continued into 2022. OECD countries welcomed two out of every three international tourist arrivals in 2021 (68%, up from 57% in 2019). This reflects the different response measures taken by governments and the earlier reopening of cross-border tourism in Europe in particular. The accelerated roll-out of vaccinations in most OECD countries also played a key role. Countries in the Asia Pacific region adopted tighter cross-border travel policies, and these are still being unwound. For example, Japan reopened fully to international tourists on 11 October 2022.

Table 1.1. International tourist arrivals in OECD and partner countries, 2019-21

	Type of indicator	2021	Growth rate 2019 to 2020	Growth rate 2020 to 2021	Growth rate 2019 to 2021
		Thousand	%		
Australia	Visitors	246	-81%	-87%	-97%
Austria <sup>1</sup>	Tourists	12,728	-53%	-16%	-60%
Belgium <sup>1</sup>	Tourists	2,313	-73%	28%	-66%
Canada	Tourists	3,062	-87%	3%	-86%
Chile	Tourists	190	-75%	-83%	-96%
Colombia	Visitors	2,123	-69%	52%	-53%
Costa Rica	Tourists	1,347	-68%	33%	-57%
Czech Republic	Tourists	3,768	-73%	-4%	-74%
Denmark	Tourists	7,047	-60%	19%	-52%
Estonia	Tourists	801	-69%	-22%	-76%
Finland <sup>1</sup>	Tourists	807	-73%	-10%	-75%
France	Tourists	48,395	-54%	16%	-47%
Germany <sup>1</sup>	Tourists	11,688	-69%	-6%	-70%
Greece	Visitors	15,246	-78%	106%	-55%
Hungary	Tourists	6,973	-58%	5%	-56%
Iceland	Tourists	698	-78%	44%	-68%
Ireland <sup>2</sup>	Tourists	2,700	-78%	29%	-71%
Israel	Tourists	397	-82%	-52%	-91%
Italy	Tourists	26,888	-61%	7%	-58%
Japan	Visitors	246	-87%	-94%	-99%
Korea	Visitors	967	-86%	-62%	-94%
Latvia	Tourists	478	-67%	-25%	-75%
Lithuania	Tourists	948	-67%	1%	-67%
Luxembourg <sup>1</sup>	Tourists	756	-50%	44%	-27%
Mexico	Tourists	31,860	-46%	31%	-29%
Netherlands <sup>1</sup>	Tourists	6,248	-64%	-14%	-69%
New Zealand	Visitors	207	-74%	-79%	-95%
Norway <sup>1</sup>	Tourists	1,435	-76%	3%	-76%
Poland <sup>1</sup>	Tourists	9,722	-60%	15%	-54%
Portugal	Tourists	6,345	-76%	51%	-63%
Slovak Republic <sup>1</sup>	Tourists	576	-65%	-33%	-77%
Slovenia <sup>1</sup>	Tourists	1,832	-74%	51%	-61%
Spain	Tourists	31,181	-77%	65%	-63%
Sweden	Tourists	..	-74%	..	..
Switzerland <sup>1</sup>	Tourists	4,390	-69%	19%	-63%
Türkiye	Tourists	29,925	-69%	88%	-42%
United Kingdom	Visitors	6,194	-73%	-44%	-85%
United States	Tourists	22,100	-76%	15%	-72%
Brazil	Tourists	..	-66%	..	..
Bulgaria	Visitors	7,188	-60%	45%	-43%
Croatia <sup>1</sup>	Tourists	10,641	-68%	92%	-39%
Indonesia	Tourists	1,546	-74%	-61%	-90%
Malta	Tourists	968	-76%	47%	-65%
Montenegro <sup>1</sup>	Tourists	1,554	-86%	343%	-38%
Morocco	Tourists	3,722	-79%	34%	-71%
Peru	Tourists	444	-79%	-50%	-90%
Romania <sup>1</sup>	Tourists	841	-83%	85%	-69%
Saudi Arabia	Tourists	3,477	-76%	-16%	-80%
Serbia <sup>1</sup>	Tourists	871	-76%	95%	-53%

	Type of indicator	2021	Growth rate 2019 to 2020	Growth rate 2020 to 2021	Growth rate 2019 to 2021
		Thousand	%		
South Africa	Tourists	2,256	-73%	-19%	-78%
<b>EU27</b>		218,512	-66%	21%	-59%
<b>OECD members</b>		302,829	-68%	16%	-63%
<b>World<sup>3</sup></b>		446,000	-72%	9%	-70%

Notes: For more information, please see the country profiles.

Tourists: International tourist arrivals (excluding same-day visitors).

Visitors: International visitor arrivals (including same-day visitors).

<sup>1</sup>Data from supply side surveys.

<sup>2</sup>Data for Ireland is estimated for 2020 and provisional for 2021.

<sup>3</sup>UNWTO data (World Tourism Barometer, Statistical Annex, September 2022).

Source: OECD Tourism Statistics (Database).

The shock has been unprecedented even in countries that saw the smallest falls in international arrivals in 2020, with inbound tourism remaining significantly below 2019 levels through 2021. For example, international tourists to Mexico declined by almost half (46%) in 2020, despite an open border strategy and the third-highest number of arrivals among OECD countries. Australia, Canada, Israel, Japan and Korea saw declines of more than 80% in inbound arrivals in 2020, with Australia, Chile, Japan and New Zealand recording further declines of more than 80% in 2021. Canada saw a slight improvement in arrivals in 2021 (up 3%), while several other countries, including Greece (up 106% in 2021), Spain (65%) and Türkiye (88%), experienced a stronger rebound during 2021, and into 2022. A breakdown of international tourist arrivals to OECD member and selected partner countries is provided in Table 1.1.

Many OECD countries have seen a strong recovery in 2022 driven by demand coming into the northern hemisphere summer, but this recovery is uneven. In January 2022, international tourism remained 54.6% below the same period in 2019 across reporting OECD countries, on average. This improved month-on-month, reaching 19.9% below 2019 levels in July 2022. In Europe, Denmark, Greece, Luxembourg, Portugal, Slovenia and Spain recorded arrivals in excess of 2019 levels in this month. This contrasts strongly with countries bordering Russia and Ukraine, where arrivals remain significantly down, including Estonia (down 30%), Finland (32%), Latvia (33%) and Lithuania (44%). Tourism to countries in the Asia Pacific region was also at least 40% below pre-pandemic levels in July 2022, including Australia (down 44%), Japan (95%) and New Zealand (44%).

The top tourism destinations and markets have shifted around the world, reflecting the uneven impact and recovery across countries. International tourist arrivals to Mexico and Türkiye overtook the United States, and together with France, Italy and Spain, these five destinations received almost 38% of worldwide arrivals in 2021 (UNWTO, 2022<sup>[6]</sup>). The People's Republic of China also dropped out of the top five destinations, and at the time of writing, remains closed to international tourists. Outbound travel similarly remains restricted from China, previously the world's largest outbound market and a powerhouse of the global tourism economy.

The drop in international tourism spending has been less pronounced than the drop in visitor flows. However, this should be interpreted with caution, as it may be influenced by a range of factors, including exchange rates, purchasing power and long-stay visitors already in market. Tourism was the fifth-largest traded services sector globally in 2019. In 2020, international travel receipts fell by 63.0% to USD 548 billion, down from almost USD 1 483 billion in 2019, and remained 58.1% below pre-COVID-19 levels in 2021 (USD 621 billion) (UNWTO, 2022<sup>[6]</sup>). OECD countries accounted for two-thirds (67.2%) of global travel receipts in 2020, up from 61% in 2019. Table 1.2 provides a summary of international travel receipts (exports), expenditure (imports) and the travel balance for OECD and partner countries.

Table 1.2. International travel receipts and expenditure in OECD and partner countries, 2019-20

USD, Millions

	Travel receipts		Travel expenditure		Travel balance	
	2019	2020	2019	2020	2019	2020
Australia	45,709	25,822	35,989	6,766	9,720	19,056
Austria	22,941	13,848	11,602	4,483	11,339	9,365
Belgium	8,908	6,608	18,758	13,011	-9,850	-6,403
Canada	29,776	13,506	35,349	12,081	-5,573	1,425
Chile	2,303	413	2,459	540	-157	-128
Colombia	5,682	1,568	4,935	1,358	747	210
Costa Rica	3,989	1,328	1,036	243	2,953	1,085
Czech Republic	7,303	3,628	5,889	3,423	1,414	205
Denmark	8,652	3,965	10,038	5,630	-1,386	-1,665
Estonia	1,744	591	1,546	598	197	-7
Finland	3,726	1,264	5,680	1,677	-1,955	-412
France	63,508	32,564	50,542	27,777	12,966	4,787
Germany	41,806	22,080	93,243	38,868	-51,438	-16,788
Greece	20,351	4,933	3,072	906	17,279	4,027
Hungary	7,305	3,205	2,749	1,157	4,556	2,048
Iceland	2,678	659	1,572	524	1,105	135
Ireland	6,478	1,879	8,256	2,366	-1,778	-487
Israel	7,600	2,500	8,154	1,804	-554	696
Italy	49,595	19,797	30,338	10,939	19,257	8,858
Japan	46,054	10,701	21,265	5,501	24,790	5,200
Korea	20,867	10,276	32,739	16,092	-11,872	-5,816
Latvia	1,015	432	749	303	267	129
Lithuania	1,493	579	1,389	542	104	37
Luxembourg	5,785	4,797	3,631	2,764	2,155	2,033
Mexico	24,573	10,996	9,881	3,475	14,692	7,521
Netherlands	19,729	10,016	23,124	8,175	-3,394	1,841
New Zealand	10,533	5,751	4,300	1,444	6,233	4,307
Norway	5,855	1,564	16,513	3,700	-10,658	-2,135
Poland	14,013	8,199	9,286	5,266	4,727	2,933
Portugal	20,476	8,812	5,736	3,133	14,740	5,679
Slovak Republic	3,203	1,292	2,589	1,269	614	24
Slovenia	3,183	1,370	1,679	820	1,504	551
Spain	79,709	18,506	27,778	8,650	51,931	9,856
Sweden	9,193	4,373	14,366	6,172	-5,173	-1,799
Switzerland	17,950	9,064	18,753	9,557	-803	-494
Türkiye	29,813	10,221	4,108	1,040	25,705	9,181
United Kingdom	52,724	18,822	70,616	21,601	-17,893	-2,780
United States	198,982	72,481	132,271	34,159	66,711	38,322
Brazil	5,995	3,044	17,593	5,394	-11,599	-2,350
Bulgaria	4,287	1,624	1,826	1,039	2,461	585
Croatia	11,773	5,238	1,763	763	10,010	4,475
Indonesia	16,911	3,312	11,308	1,653	5,603	1,658
Malta	1,897	417	530	128	1,367	289
Montenegro	1,224	166	58	30	1,166	136
Morocco	8,187	3,848	2,176	1,113	6,010	2,735
Peru	3,819	794	2,818	744	1,001	50
Romania	3,578	1,431	6,001	3,026	-2,424	-1,595
Saudi Arabia	16,431	4,036	15,140	8,533	1,292	-4,497

	Travel receipts		Travel expenditure		Travel balance	
	2019	2020	2019	2020	2019	2020
Serbia	1,604	1,245	1,806	1,115	-201	130
South Africa	8,390	2,607	3,141	928	5,249	1,679
EU27	424,911	182,135	343,794	153,581		
OECD	905,203	368,408	731,979	267,810		
World <sup>1</sup>	1,483,000	548,000	1,483,000	548,000		

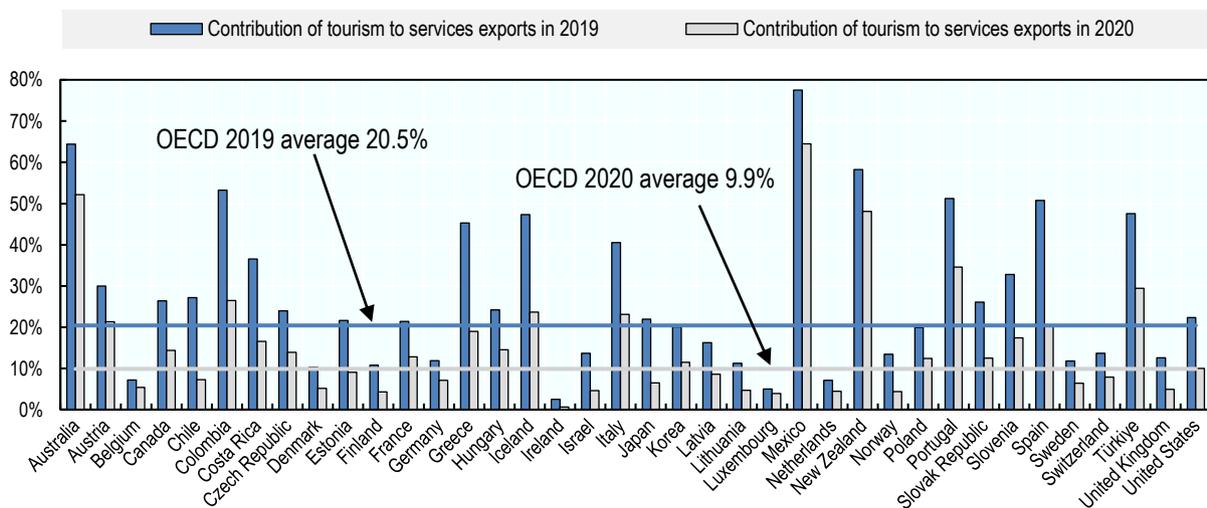
Note: For more information, please see the country profiles.

<sup>1</sup>UNWTO data (World Tourism Barometer, Statistical Annex, September 2022).

Source: OECD Tourism Statistics (Database).

Tourism accounted for 77c of every USD 1 of lost revenue from the decline in service exports in OECD countries in 2020. This increases to 90c in every USD 1 when passenger transport receipts are included. Tourism's share of services exports for OECD countries fell from 20.5% in 2019 to 9.9% in 2020 on average. All OECD countries experienced a decline, but this was more pronounced in countries like Colombia, Greece and Spain. Luxembourg, Belgium, the Netherlands and Ireland have been relatively less impacted, as tourism accounted for less than 10% of services exports pre-pandemic (Figure 1.3).

**Figure 1.3. Contribution of tourism to service exports, 2019-20**



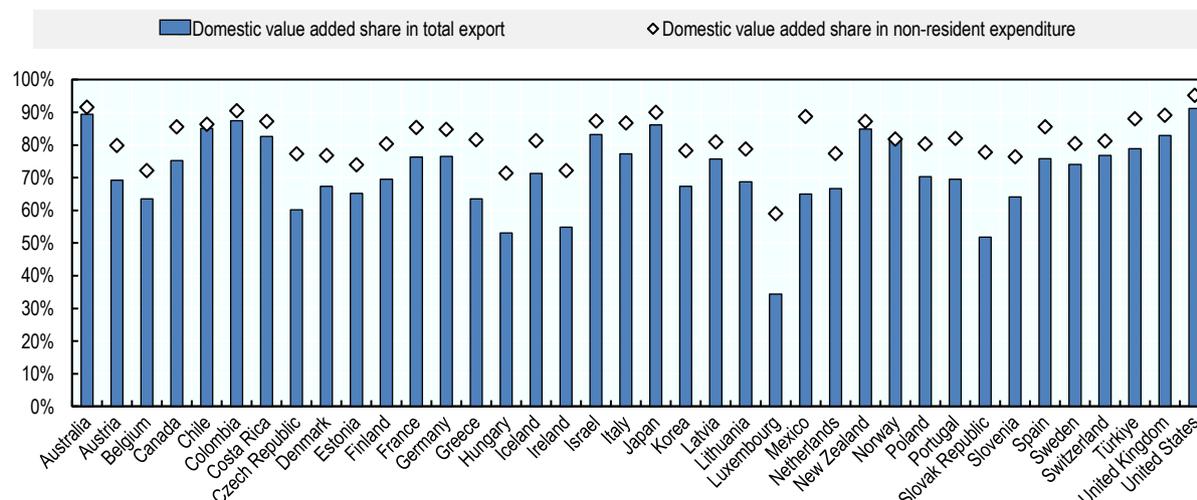
Source: OECD Trade in services by partner country (Database), extracted September 2022.

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Tourism exports are economically important, as they generate value added in the economy, directly and indirectly. Analysing tourism from a trade in value added approach shows that tourism expenditure (using non-resident expenditure as a proxy) generates bigger impacts on the domestic economy than overall exports. Data from the OECD Trade in Value Added (TiVA) data base show that on average across OECD countries 89% of tourism exports reflect domestic value added in OECD countries, compared with 81% for overall exports.

**Figure 1.4. Domestic value added generated by tourism expenditure in OECD countries**

Domestic value added/export ratio for non-resident expenditure and for the total economy



Note: Non-resident expenditure as a proxy for tourism expenditure.

Source: OECD Inter-Country Input-Output, 2019

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### ***Domestic tourism has helped sustain the sector, but cannot compensate for the loss of international tourism***

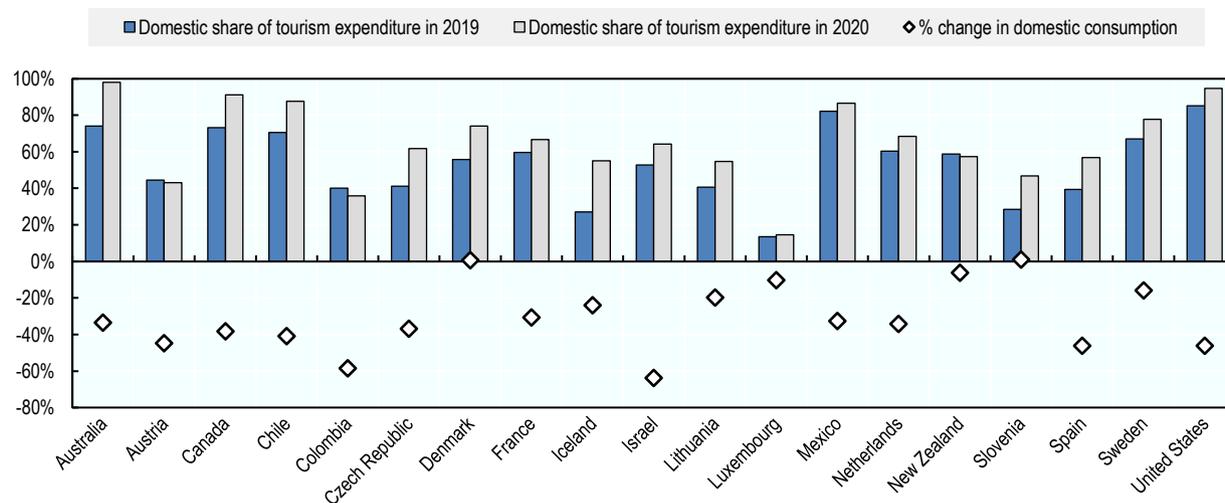
Domestic tourism was also hard hit by the pandemic but has fared better than international tourism. The easing of localised and domestic restrictions in the middle of 2020 saw domestic tourism activities resume earlier than international tourism in many countries. This led to a pick-up in domestic tourism, in part reflecting restrictions on international travel. It also led to a renewed focus on domestic tourism and recognition of its importance, as destinations and businesses looked to mitigate the loss of international markets. This has been supported by increased domestic marketing, travel vouchers and subsidies to stimulate domestic tourism demand.

Long an important driver of tourism, domestic demand has provided a lifeline to many jobs and businesses since the start of the pandemic but does not compensate for the loss of international markets. Even as recent as 2021, domestic overnight trips were still 19.1% below pre-COVID-19 levels among OECD countries with data<sup>3</sup>. Indeed, only Denmark, Iceland, Luxembourg, Norway, Sweden and Switzerland saw increases in domestic overnight trips in 2020. In 2021, domestic tourist trips exceeded 2019 levels in Belgium, Finland, Lithuania and Slovenia. In all other OECD countries, domestic trips remained below pre-pandemic levels.

The importance of domestic tourism varies considerably by country, and with it the exposure of destinations and businesses to the loss of international visitors. Domestic tourism is the main stay of the sector in most OECD countries. Before the pandemic, residents were responsible for 75% of tourism expenditure, on average. However, this share is significantly lower in countries like Estonia, Hungary, Iceland, Luxembourg and Slovenia, where domestic tourism represented less than 30%, leaving the tourism sector in these countries more exposed to drops in inbound visitor flows. This compares with countries like Australia, Canada, Chile, Germany, Japan, Mexico, the United Kingdom and the United States, where domestic tourism represented over 70% of internal tourism consumption before the pandemic.

The generally lower impact on domestic tourism saw its share of total tourism consumption increasing in most OECD economies (Figure 1.5). In the case of Australia, Canada and the United States, domestic tourism increased to more than 90% of total tourism expenditure during the pandemic.

**Figure 1.5. Domestic tourism consumption in selected OECD countries, pre-COVID-19 and in 2020**



Source: OECD Tourism Statistics (Database).

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### ***Uncertain outlook for tourism recovery brings new challenges***

The tourism recovery in 2022 has exceeded expectations for many countries. Based on a survey of OECD and partner countries on the latest tourism performance and recovery outlook to inform the preparation of this chapter, almost half of responding countries reported that tourism has performed better than expected in 2022, with many of these countries recording strong domestic results. A rapid return of domestic tourism, pent-up demand, pre-bookings and unused travel vouchers helped to boost recovery prospects for 2022. However, in most of these countries tourism performance remains below (three-fifths of countries) or significantly below (one-fifth) 2019 levels.

The lifting of sanitary restrictions and intra-regional travel boosted the strong tourism performance in Europe, supported by exchange rate fluctuations. The comparatively weaker Euro against the US dollar made European destinations more attractive to visitors from the United States in the lead-up to the peak European summer tourism period, helping to boost demand. In the first six months of 2022, on average across EU countries with data, arrivals at accommodation establishments were 17.5% below the same period in 2019, improving month-on-month as international tourism demand returned (Eurostat, 2022<sup>[7]</sup>). This contrasts with countries like Australia, Korea and New Zealand, where international tourism remains relatively low.

Expectations for the tourism recovery in many OECD countries have been delayed, with domestic tourism now expected to recover by 2023, and international tourism taking up until 2025 or beyond. While more than half of responding countries reported that domestic tourism has already fully recovered, or is expected to recover by the end of 2022, more than a third do expect a return to 2019 levels until 2023. Two countries expect the full recovery of domestic tourism to take until 2024 or 2025 due to the uncertain economic outlook. International tourism recovery is expected to take longer. Just over one third of countries expect international tourism to fully recover by 2023, while another third do not expect recovery until 2025 or

beyond. Of OECD countries, Denmark, France and Türkiye report or anticipate a full recovery in 2022. Croatia also reports a full recovery to 2019 levels in 2022.

The OECD survey of recent tourism performance and outlook for recovery highlights the shift in focus as the tourism sector faces many challenges, beyond the pandemic, with countries in particular highlighting the impact of global inflation and price rises on tourism businesses and tourist spending. Economic insecurity, energy constraints and labour shortages are also barriers to the recovery. While travel restrictions are lifting, geopolitical uncertainty and the absence of key source markets due to COVID-19 and Russia's war in Ukraine is also expected to impede the tourism recovery in some countries. The restart of international tourism also brings unforeseen challenges which risk constraining the recovery, including for example, processing backlogs for visas and travel documentation.

Russia's war in Ukraine has dealt a blow to the economic recovery, as the impacts of the pandemic still linger, with significant consequences for tourism. Recent macroeconomic estimates show that global GDP growth is projected to remain subdued in the second half of 2022, before slowing further in 2023 to 2.2% (OECD, 2022<sup>[8]</sup>). The war has also triggered a cost-of-living crisis, affecting people worldwide. Inflationary pressures are now broadening beyond food and energy, with businesses throughout the economy passing through higher energy, transport and labour costs to consumers. This is sapping growth and will impact real incomes and curb spending, weighing down on the tourism sector's nascent recovery from the pandemic (OECD, 2022<sup>[8]</sup>).

Countries neighbouring Russia and Ukraine have seen a slower recovery in 2022 compared with elsewhere in Europe, and the war is casting a shadow over the tourism outlook. Estonia, Finland, Latvia and Lithuania all reported remaining below or significantly below 2019 levels in 2022. Domestic tourism has already recovered in Estonia and Finland, but for international tourism is not expected until 2024 or 2025 for all four countries. Beyond the loss of tourist flows, tourism businesses in these and other countries have been stepping in to provide accommodation and jobs for Ukrainians fleeing the war. Countries such as Poland are also experiencing labour shortages as Ukrainians working in the tourism sector have returned to Ukraine.

Inflationary pressures are likely to further impact the aviation sector. ForwardKeys, which tracks air travel booking patterns, estimated that intra-European flight bookings were 5% lower during the summer of 2022 due to disruption in the aviation sector, including through labour shortages (ForwardKeys, 2022<sup>[9]</sup>). Total employment in the sector is expected to remain below pre-pandemic levels for some time. Oil and fuel price inflation is exacerbating these challenges, as well as eroding consumer purchasing power.

Governments must continue to closely monitor this situation amid growing concerns of a 'false dawn', as there is a risk that recovery may stall rather than consolidate in the coming months. European countries are expected to be hardest hit by the economic crisis, with greater exposure to the war through energy imports (OECD, 2022<sup>[10]</sup>). The full impacts are yet to play out as winter approaches. Airline financial performance is expected to improve in all regions in 2022, but North America is the only region expected to return to profitability this year (IATA, 2022<sup>[11]</sup>). At the same time, the opportunity to optimise the strength and quality of the recovery should not be missed, including to accelerate the green and digital transitions.

### ***Recovery plans bring opportunities for more resilient, sustainable and inclusive tourism***

The crisis triggered by COVID-19 presents a unique opportunity to rethink tourism policy and take steps so the measures put in place today can shape a more resilient, sustainable and inclusive tourism economy for the future. This includes tackling the consequences for and of climate change and the depletion of natural capital; the energy crisis could help to accelerate the transition to more sustainable models of energy consumption and rethink tourism infrastructure to ensure it can adapt to climate change and natural disasters. More needs to be done also to enable all tourism stakeholders to benefit fully from digital

opportunities and deliver more equitable and inclusive benefits to everyone engaged in and impacted by the sector, including through providing decent work opportunities in the sector.

This calls for the mainstreaming of sustainability into the strategic direction for tourism, supported by effective policies and implementation structures to develop and manage tourism sustainably, across all levels of government. Many sustainability issues are best tackled at the local destination level to address diverse and specific needs, with broad stakeholder engagement and involvement of local tourism communities. Co-ordinated multi-level and multi-stakeholder policy approaches are needed to support this, along with improved capacity of government at all levels, and the private sector.

Securing a robust and stable tourism sector in uncertain times can promote a job-rich recovery, support fragile tourism businesses, particularly SMEs, and benefit local communities. The pandemic has led to a greater focus on the resilience of tourism. This comes at a time when shocks are becoming more frequent, and businesses and governments are required to continually respond. Chapter 2, *Building Resilience in the Tourism Ecosystem*, analyses policy approaches to support the recovery and enhance the resilience of the tourism economy for the future. It considers actions to boost tourism recovery prospects, tackle the long-term consequences of the crisis, and better prepare for future shocks, while encouraging the shift to more resilient, sustainable and inclusive models of tourism.

Sustained and transformative action is needed to promote a green tourism recovery, if the sector is to play its part in climate action. The halt in tourism at the height of the pandemic has allowed the sector to rethink the tourism offer. Governments, businesses, tourists and communities have been provided with an opportunity to consider the environmental impact of tourism and how it might be mitigated. Chapter 3, *Promoting a Green Tourism Recovery*, examines policy approaches to support the recovery of the tourism economy in a green and environmentally sustainable way, while delivering benefits to local communities and economies.

Continued progress is needed to improve the evidence base for tourism planning, policy and decision-making, to move to more sustainable, resilient and inclusive models in the future. Governments need to commit to these principles through future-focused and evidence-based policies. Effective policy making, planning and management all rely on the availability of robust evidence, preferably in the form of reliable and timely data that is sufficiently disaggregated and comparable. The pandemic has reinforced the urgency to have new tourism data measures and complementary data sources to react quickly under uncertainty, and this will be more evident as governments look to measure new sustainable policies.

Identifying critical uncertainties to mitigate possible issues and take advantage of opportunities will be important for governments and businesses as tourism recovers. Ongoing changes and external forces will continue to influence travel behaviours. Considering the different critical uncertainties can inform decisions on the supports the sector may require to rebuild stronger, fairer and greener. For example, price impacts could see the trend to *go local* consolidated as people look to reduce transport costs. They could also amplify existing issues, including seasonality and lack of dispersal as the number of trips are reduced, and visitors look to make their limited holidays count in the summer or winter months and at 'bucket list' destinations. Some critical uncertainties for tourism are presented in Box 1.1, including the impacts of long-term trends like the digital and green transitions.

### Box 1.1. Critical uncertainties for shaping a resilient and sustainable tourism future

Recent and ongoing crises are significantly impacting consumer preferences and business structures, accelerating existing trends (e.g. digitalisation) and leading to the emergence of new behaviours (e.g. momentum around domestic tourism). Strategic foresight approaches that consider the ‘known unknowns’ can help policy makers to better understand and better prepare for the future. Key questions to consider include:

- Will Russia’s war in Ukraine have long-lasting impacts on tourism?
- Will the energy crisis and higher fuel costs lead to long-lasting changes in travel patterns?
- Will social trends toward sustainability accelerate the greening of tourism businesses and consumer behaviours?
- Will climate action create winners and losers in tourism, and who will they be?
- Will tourism destinations return to a growth-at-all-costs model, or shift to more sustainable models of tourism?
- Will labour shortages and skills gaps continue to hinder the tourism recovery?
- Will business travel return to previous levels, and what will it look like in the future?
- Will city tourism return amid the newfound desire for nature-based experiences?
- Will tourism businesses of all sizes benefit from digital opportunities, or will the gap continue to widen with tourism SMEs left behind?
- How will technological advances shape tourism experiences and behaviours in the future (e.g. long-haul travel, space tourism, virtual tourism)?
- Will access to tourism experiences broaden for a more inclusive and accessible sector?

## Strengthening the governance of tourism to respond and support recovery

The COVID-19 crisis has been a call to action to governments, at all levels, and to the private sector, to respond in a co-ordinated way, and has highlighted the importance of integrated tourism policy approaches to support recovery. Governments at all levels, and the private sector, need to be better prepared and have the capacity to react and adapt quickly. This requires more robust risk assessment and crisis response mechanisms, and closer co-ordination across government and with the private sector, to ensure general measures address the needs of the tourism sector (or, at a minimum, do not unnecessarily adversely affect the sector) and that specific measures are well targeted. The pandemic has also brought about a need to co-ordinate with health authorities, a relatively new area of engagement for tourism.

Governments were required to take unprecedented steps to mitigate the impact on the economy, including tourism, while responding to the health crisis. Delivering well-targeted and accessible support as quickly and efficiently as possible to tourism businesses, workers and visitors has been vital for the recovery of the tourism economy. This has required policy makers and the private sector to move quickly and adapt to the changed operating environment. The increased recognition of the importance of tourism at the highest levels of government, as well as the importance of international co-operation, has supported the response.

Specific governance arrangements vary across countries, depending on factors including the system of government. In most OECD countries, responsibility for tourism at the national level is situated within the economic development or trade and industry ministries. Other common partnerships include those with regional development, culture or sport. Responsibility for tourism has recently moved to the Ministry of Labour and Economy in Austria, for example, while in Iceland, the tourism portfolio recently moved to the

Ministry of Culture and Business Affairs. Perhaps recognising the importance of the tourism economy, Italy created a dedicated new Ministry of Tourism in 2021.

In general, the changes in tourism governance arrangements since the start of the pandemic have not been structural but have taken place instead through the development of ad hoc taskforces and other frameworks to increase collaboration and co-ordination across government, levels of government, and with the private sector. Countries should seek to build on these experiences and take forward the approaches successfully used during the pandemic to tackle future challenges facing the tourism sector. This will provide momentum for more innovative and integrated approaches to tourism development in the future and support the sustainable development of tourism and ensure the sector is better prepared for future crises.

### ***Strengthening co-ordination and capacity across government for agile, targeted policies***

Tourism presents an interdependent ecosystem of industries. This creates additional complexity in the policy making process requiring strong co-operation between multiple government actors. The wide and varied nature of the tourism ecosystem means the quick and effective provision of sectoral support from the start of the pandemic required strong collaboration across government, both horizontally and vertically. This has been particularly essential to respond to the pandemic, and now in the face of the cost-of-living crisis, to ensure that new policies aligned with existing and planned economy-wide measures, and that targeted support measures were adequate for the needs of the tourism economy.

It also means that tourism policy makers have had to co-ordinate with health colleagues to a far greater extent than in the past, and in many cases for the first time. This has required quick upskilling, creating new networks and building trust. In Italy, for example, tourism policy makers worked closely with health colleagues to promote the tourism recovery, providing information to support the tourism experience and developing “Covid-free tourist corridors”. Malta collaborated with the Ministry for Health to understand the COVID-19 situation and the policy initiatives to address it. The Czech Republic worked with the Ministry of Health in the design of enabling conditions for tourism services to operate during the pandemic and will maintain this relationship to promote medical tourism.

Greater recognition of the importance of co-operation has led to many countries to formalise these ad hoc communication structures for horizontal and vertical co-ordination moving forward. The main purpose of these groups is to integrate tourism into broader national strategies and policy frameworks and ensure that tourism issues are addressed more broadly. However, some structures have been developed to address specific longstanding issues within the sector.

Germany created the national platform “Future of Tourism” as a central instrument for further developing a national tourism strategy (Box 2.6). This is to be overseen by a steering committee with high-ranking members of the relevant ministries responsible for developing the key points for the national tourism strategy and agreeing on a working programme for the Federal Government. The platform will expand to include representatives of the sixteen federal states and stakeholders of the tourism sector early in 2023.

The Czech Republic has taken an issues-based approach. The new Tourism Development Strategy 2021-30 supports greater co-ordination of tourism development and integration of tourism issues into other national strategies and policy areas. This includes a range of bilateral meetings and thematic working groups on key issues like visas and transport, economic diplomacy, financial support mechanisms, cultural and heritage tourism and sustainable tourism. The Czech Republic has also introduced a co-ordination platform to aid inter-ministerial and interdisciplinary co-ordination, which also allows for the collection of regional feedback on marketing activities and product development.

Greece has concentrated on preparedness rather than reaction by developing, within the framework of the UNWTO Technical Assistance Programme, a Tourism Crisis Management Plan and a Crisis

Communication Strategy covering a wide range of potential crises that can impact tourism, including health, environmental, economic, and societal crises. These plans aim to increase the effectiveness and agility of the Greek tourism sector in responding to future challenges.

### ***Enhancing engagement with the private sector***

The private sector is a key stakeholder in tourism policy making. There was already a growing recognition of this before the pandemic. However, the fragmented nature of the tourism economy, made up of different branches with sometimes competing interests, makes it a challenging sector for policy makers to engage with. Since the beginning of the pandemic there have been many good examples of close co-operation between government and the private sector, and with civil society – at local, national and international levels. The opportunity now exists to bring forward these experiences, to tackle future tourism policy challenges.

#### **Box 1.2. Taking forward public-private sector co-operation – selected country approaches**

**Estonia:** The Tourism Advisory Board consists of the Ministry of Economic Affairs and Communications and Ministry of Culture, the Tourism Board, professional tourism associations, destinations and major gateways, which will meet twice annually. It was developed after the success of a regular roundtable during COVID-19, which has also been continued as an informal meeting style.

**Finland:** A High-Level Working Group on Tourism was established in September 2021. Chaired by the Ministry of Economic Affairs and Employment, it comprises relevant ministries, regional councils, state administrations, regional tourism organisations, travel companies, research and educational institutions and organisations. The Working Group will serve as an expert advisory body on strategy related to tourism development through 2028. It will also monitor and assess the sector's operating environment and current phenomena and support the preparation of tourism policy measures.

**Ireland:** The Hospitality and Tourism Forum was created in October 2020 to provide structured engagement between the private sector and relevant government departments. Its purpose is to allow key issues of relevance to the sector to be discussed, with a view to identifying practical (national or local) government and private sector action.

**Netherlands:** A national taskforce on leisure and tourism was formed to strengthen the co-operation between national government and industry stakeholders. The short-term objective of the task force was to respond to the COVID-19 crisis and restart tourism. Medium and long-term objectives include a robust co-operation for a resilient and sustainable tourism and hospitality sector. The Taskforce is also responsible for progressing the joint action agenda on Perspective 2030, the national tourism strategy.

**Poland:** The Tourism Experts Council is a continuation of the Council of Experts, developed in 2021. Council tasks are to: identify and provide advice on tourism issues; propose systemic solutions; present proposals and provide advice on legislative initiatives; and initiate activities to enhance sustainable development, competitiveness and innovation. It will also provide inputs for the new medium and long-term programmes related to the transformation and development of tourism.

**Switzerland:** An advisory group consisting of tourism stakeholders, entrepreneurs, government officials, tourism associations, the cantons and the academic community will oversee the implementation of Switzerland's federal tourism strategy. This will ensure the tourism strategy is implemented in a targeted and group-oriented manner.

Many countries set up tourism taskforces or advisory groups consisting of both public and private sector actors. In Morocco, for example, public and private actors came together at national and regional levels to

establish a joint plan to revive the tourism sector for 2020-22. The Tourism and Morocco Post COVID-19 Plan includes 21 measures to adapt to new market realities, anticipate changes in the consumption patterns of tourists and take advantage of new opportunities.

The increased level of constructive co-operation between the public and private sectors may be one of the positive legacies to emerge from this crisis (OECD, 2020<sup>[11]</sup>). Many countries are now building on the legacy of collaboration during the pandemic by formalising longer-term collaboration structures. These government and private sector groups are being utilised to drive strategic direction, create action plans for national strategies, and provide advice on programmes for long-term development in the sector. Several country-specific examples are set out in Box 1.2.

At the international level, the International Civil Aviation Organisation Council Aviation Recovery Taskforce, for example, brought together public and private representatives, including public health authorities, to provide practical, aligned guidance to governments and industry operators to support a co-ordinated restart of the international air transport sector (ICAO, 2021<sup>[13]</sup>). Events like the OECD Global Forum on Tourism Statistics, Knowledge and Policies are also providing a platform for the tourism community to work together to support recovery and develop a common transformation agenda for the tourism economy.

The private sector has also taken the lead in this area, with one international example being the World Travel and Tourism Council Tourism Recovery Taskforce created to bring together policy makers and the private sector on a global scale. The recent creation of an Informal Tourism Contact Group by *Business@OECD* is a further example that is feeding into OECD work on tourism.

Trust and collaboration between government, the private sector and civil society are essential to tackle resilience and sustainability challenges (OECD, 2021<sup>[14]</sup>). It is important to learn from and build on these innovations, to take this forward to respond to future tourism challenges. This will also be key in the shift to a greener, digital tourism economy.

### ***Promoting international and multilateral co-operation to boost recovery***

The crisis has highlighted the complexity and interdependence of the global tourism system. Solid multilateral co-operation and institutions have never been more important. Countries need to work together, as the actions taken by one government have implications for travellers and businesses in other countries, and for the global tourism system. Countries need to develop collaborative systems across borders to safely resume travel, restore traveller and business confidence, stimulate demand and accelerate tourism recovery. More efficient international co-ordination systems are also needed to respond to future shocks.

During the pandemic there were many examples of increased bilateral co-ordination, for the establishment of safe travel corridors between countries. Estonia, Latvia and Lithuania introduced the Baltic ‘travel bubble’ in 2020, allowing free movement without any self-isolation obligations of citizens and residents between the three countries, as infection rates in the three neighbouring countries were similar. Regional co-operation is also playing a role, including through more formalised groups.

Reflecting the increased recognition of the importance of tourism at national level, tourism is high on the global agenda. There has also been increased attention on tourism at the multilateral level, including at the highest levels in the OECD and other international institutions. The OECD, United Nations, World Bank, World Trade Organisation and others issued calls for action to support the tourism recovery and take the opportunity to shift to more sustainable, inclusive and resilient models of tourism for the future (OECD, 2020<sup>[11]</sup>; UN, 2020<sup>[14]</sup>; World Bank, 2020<sup>[15]</sup>; WTO, 2020<sup>[16]</sup>). The first High-Level Thematic Debate on Tourism at the UN General Assembly took place in May 2022.

There have also been additional efforts to co-ordinate across these international institutions and countries, through for example the OECD Initiative on International Safe Mobility (Box 1.6). The UNWTO-led Global

Tourism Crisis Committee brought together representatives from countries and international institutions, including the World Health Organisation, OECD, ICAO, International Maritime Organisation, the European Commission, as well as private sector representatives from International Air Travel Association (IATA) and Cruise Lines International Association.

The creation of a formal G20 Tourism Working Group under the G20 Saudi Arabia Presidency in 2020 has further spurred co-ordinated action at the international level, and has continued under the Presidencies of Italy in 2021 and Indonesia in 2022 (e.g. G20 Rome Guidelines for the Future of Tourism, G20 Bali Guidelines for Strengthening Communities and MSMEs as Tourism Transformation Agents), with commitments secured in subsequent G20 Leaders Declarations to support tourism recovery. Other international institutions have also expanded their work and collaboration on tourism, including Asia Pacific Economic Cooperation (APEC), Association of South East Asian Nations, the Asian Development Bank and the European Union. The APEC Tourism Ministers, for example, recently endorsed Policy Recommendations for Tourism of the Future: Regenerative Tourism (APEC, 2022<sup>[18]</sup>).

Ensuring strong collaboration across these groupings and maintaining the momentum of tourism work streams, even in times of 'normality', provides important avenues and momentum to advance work to build a resilient and sustainable global tourism ecosystem. The European Commission is seizing this opportunity through a collaborative co-creation process to develop and secure action commitments to support the Transition Pathway for Tourism - a plan for the tourism ecosystem detailing key actions, targets and conditions to achieve the transition and long-term resilience of the sector (Box 1.3).

### Box 1.3. Toward a green and digital transition of tourism in the European Union

The European Commission's Transition Pathway for Tourism, launched in February 2022, was developed through a co-creation process with tourism actors, incorporating workshops, stakeholder meetings and a survey (which included responses from 200 stakeholders from 24 EU Member States plus Norway and the United Kingdom) into the design process. The Transition Pathway for Tourism followed the updated European Commission's Industrial Strategy of 2021.

The tourism transition pathway aims to accelerate the green and digital transition and to increase the long-term resilience of the tourism sector. The transition pathway calls on the whole tourism ecosystem to implement measures, targets and conditions in 27 areas, including to:

- Invest in circularity to reduce energy, waste, water and pollution, and at the same time to better meet the increasing demand for sustainable tourism.
- Enhance data sharing practices to allow for new innovative tourism services and improve the sustainable management of destinations.
- Invest in skills to ensure the availability of a qualified workforce and attractive careers in the ecosystem.

The European Commission has now moved to implementation and invited tourism stakeholders to present their commitments to the transition for tourism. The objective is to encourage all stakeholders in the tourism ecosystem to play their part in the initiative. Collaboration processes are designed for co-implementation and monitoring of measures facilitated by an online stakeholder collaboration platform.

Source: EC Transition Pathway for Tourism (European Commission, 2022<sup>[19]</sup>).

### ***Developing strategies amid uncertainty to shape a sustainable and resilient recovery***

Before the tourism crisis triggered by COVID-19, OECD work highlighted the importance of implementing a long-term and sustainable vision for tourism, supported by forward-looking strategies and action plans. As tourism recovers, governments face the challenge of balancing short-term recovery needs with longer-term strategic objectives. While the pandemic highlighted weaknesses (new and existing) in the tourism ecosystem, the slowdown it precipitated also presented an opportunity to address these in the recovery, and for the longer term. Policy interventions now must already take this into account as the sector navigates the recovery from COVID-19 while addressing new challenges arising from the changed economic and geopolitical environment, if the opportunity is not to be missed.

The development of new tourism strategies in countries provides an important chance to address this. Many OECD countries were in the process of creating or updating their long-term tourism strategies at the beginning of the pandemic. While the pandemic led to some strategies being delayed, countries have also considered it an opportunity to reshape their new and existing strategies to reflect the new operating environment and optimise the strength and quality of the recovery. Some countries, including the Czech Republic, Italy, Japan and Latvia, have responded to the uncertainty by implementing shorter-term recovery strategies or action plans, typically covering two-to-three-year timeframes.

Many countries have also adopted long-term strategies during 2022, typically spanning to 2027 or 2030. In the United States, the National Travel and Tourism Strategy 2022 focuses on promoting the United States as a premier destination grounded in the breadth and diversity of its communities, and fostering a travel and tourism sector that drives economic growth, creates good jobs, and bolsters conservation and sustainability (Box 1.4). Other countries that have recently introduced, or are developing, new long-term tourism strategies include Australia, Croatia, Denmark, Finland, France, Greece, Hungary and Israel.

There is also evidence of countries seeking to incorporate a more flexible approach to strategic tourism planning and development. The United Kingdom, for example, adopted a two-pronged approach, with the first aim to recover back to 2019 levels, while longer-term, strategic aims include objectives to encourage greater regional spread, support the business events sector, build greater sector resilience, and increase accessibility and sustainability. Hungary developed a revised Tourism 2.0 Strategy in 2021, incorporating the impacts of COVID-19 and the lessons learned through the first three years of the National Tourism Development Strategy 2030.

Sustainability remains a strategic pillar and strong focus for tourism policy development. There is evidence of an increased focus on climate change mitigation and adaptation in countries like Italy and the United States. Italy is currently developing a new Strategic Plan for Tourism 2023-27 and is exploring the use of behavioural insights to encourage more sustainable and environmentally friendly behaviours for tourists and businesses, and better match the product offer to tourists. Switzerland, launched a new three-year “Swisstainable” Strategy in 2021, aiming to become the world’s most sustainable tourism destination.

Portugal has developed a comprehensive 2020-23 Sustainable Tourism Plan, with a practical focus on encouraging sustainable actions by tourism businesses. These include reducing energy consumption and adopting circular economy solutions, relevant training and skills development, support for sustainable construction techniques and improved water efficiency at golf courses. The Estonian Tourism Strategy 2022-25 includes a vision that ‘Estonia is a smart and green destination that offers an integrated visitor journey and a sustainable tourism product.’ Sustainability programmes have also been developed in Belgium, with Flanders adopting the Travel to Tomorrow: Recommendations for Tourism Policy 2019-24 plan, and Romania developing a Strategy for Ecotourism Development.

### Box 1.4. National Travel and Tourism Strategy 2022 in the United States

The National Travel and Tourism Strategy 2022 aims to support broad-based economic growth in travel and tourism across the United States, drawing on engagement and capabilities from across the Federal Government. The Federal Government will work to implement the Strategy under the leadership of the Tourism Policy Council and in partnership with the private sector, aiming toward an ambitious five-year goal of 90 million international visitors spending approximately USD 279 billion annually by 2027.

The Strategy follows a four-point approach:

- **Promoting the United States as a travel destination:** Leverage existing programmes and assets to promote the United States to international visitors and broaden marketing efforts to encourage visitation to underserved communities.
- **Facilitating travel to and within the United States:** Reduce barriers to trade in travel services and make it safer and more efficient for visitors to enter and travel within the United States.
- **Ensuring diverse, inclusive, and accessible tourism experiences:** Extend the benefits of tourism by supporting the development of diverse products, focusing on under-served communities and populations. Address travel and tourism businesses' financial and workplace needs, supporting destination communities as they grow their tourism economies. Deliver world-class experiences and customer service at federal lands and waters that showcase the nation's assets while protecting them for future generations.
- **Fostering resilient and sustainable travel and tourism:** Reduce travel and tourism's contributions to climate change and build a travel and tourism sector that is resilient to natural disasters, public health threats, and the impacts of climate change. Build a sustainable sector that protects natural resources, supports the tourism economy and ensures equitable development.

Recent strategies also consider the idea of value over volume, digitalisation, and workforce issues. These are key drivers in the implementation of Austria's Plan T - Masterplan for Tourism, which was developed before the pandemic with a focus on quality rather than quantity and a culture of co-operation. Australia's THRIVE 2030 strategy includes an '*industry led, government enabled*' action plan that works towards a resilient, sustainable, innovative, and competitive visitor economy, with a focus on unique and high-quality products and growing a secure and resilient workforce.

As existing recovery strategies expire and countries develop new long-term strategies, these will need to be under-pinned by concrete action plans and resources for implementation.

### ***Resourcing response and recovery efforts***

Delivering on the ambition and strategies for tourism requires resources. Tourism both contributes to government revenues and benefits from government expenditure. The complexity of the sector means it is challenging to precisely identify the level of public funding supporting the sector – this has been amplified since the start of the pandemic with the wide-scale introduction of whole-of-economy measures and support for SMEs (OECD, 2020<sup>[19]</sup>).

### Box 1.5. Multifaceted support to respond to the COVID-19 pandemic – selected country approaches

**Australia:** In addition to economy-wide assistance, targeted visitor economy support included Business Events Grants (AUD 56 million) to reinvigorate the business travel sector, the Consumer Travel Support Programme (AUD 258 million) to assist businesses including travel agents, inbound tour operators and outbound tour operators, and support for nine regions highly reliant on international tourism via the Recovery for Regional Tourism programme (AUD 50 million). The Tourism and Aviation Network Support programme was introduced to support the aviation sector and drive domestic tourism.

**Austria:** The tourism sector was supported with several measures administered by the Austrian Bank for Tourism Development including guarantees for bridging loans (cap: EUR 1.6 billion), support for event organisers (cap: EUR 300 million), support for package travel organisers (cap: EUR 300 million) and EUR 10 million to incentivise hospitality businesses to invest in open-air seating. Furthermore, there was support for landlords of private accommodations and farms that offered accommodation services, and a tax relief package, including VAT reductions for accommodation food and drink tax reductions (to 5%). A restart bonus supported part-time employment caused by lower occupancy to top-up salaries in the visitor economy.

**Canada:** Tourism businesses received an estimated CAD 23 billion in emergency support. In addition to broad programmes such as the Canada Emergency Response Benefit and the Canada Emergency Wage Subsidy, multifaceted COVID relief programmes such as the Tourism and Hospitality Recovery Programme, the Hardest Hit Businesses Programme, the Local Lockdown Programme, and the Canada Recovery Hiring Programme were implemented with supports to tourism business extended until May 2022.

**Morocco:** Support to employees of tourist companies and guides was provided through a monthly flat-rate allowance, tax exemptions on additional remuneration of employees and the establishment of social cover for tourist guides. Morocco also postponed social security contributions and debt repayments for tourism businesses and provided a partnership agreement to accelerate the development of tourism SMEs in the Souss-Massa region.

**Slovak Republic:** Established a framework through their Tourism Support Act for the creation of state aid schemes and minimum aid for the tourism sector (totalling EUR 100 million). Offering aid to tourism businesses who suffered revenue losses of 40% or more in 2020, the aim was to maintain employment and ensure the competitiveness of tourism businesses.

**Slovenia:** Ten packages and a special intervention law were implemented to mitigate the effects of the pandemic, preserve jobs and alleviate corporate liquidity problems. The measures included cash transfers, grants, tax relief, payroll support, loan guarantees for SMEs and tourist vouchers for citizens to boost domestic tourism. Approximately 3.7 million vouchers were redeemed across 2020 and 2021, valued at almost EUR 393 million.

The tourism sector has benefited significantly from these wider economic support measures as well as substantial sector-specific support, such as business grants and loans, regional support, support for niche products and programmes to boost consumer demand. Canada estimates that from the onset of the pandemic to April 2022, the tourism and hospitality sector received an estimated CAD 23 billion in support through federal emergency programmes. Examples of other programmes introduced by governments in response to the COVID-19 pandemic are presented in Box 1.5.

During the pandemic, international marketing budgets were frequently cut or diverted to domestic marketing, and operating budgets for some tourism authorities were impacted by the loss of tax revenues

(e.g. tourist, bed and passenger tax). In Greece, a “Tourism for All” programme introduced in 2020 aimed to boost domestic tourism demand, through subsidised stays in hotels and other accommodation. In total, EUR 100 million has been allocated to finance the programme between 2020 and 2025.

For the 2020-21 budget cycles, many countries reported an increase in their core tourism operating budgets. In addition to tourism business supports, marketing is a key driver of this increase in the short-term. In 2021, Visit Sweden’s budget allocation included an additional SEK 20 million for domestic marketing, while Destination Canada received CAD 100 million for marketing initiatives in 2021. The United States is providing USD 250 million in relief funding to Brand USA for the fiscal year 2022 to fill a gap in the funding stream due to reduced international visitors. The Estonian Tourist Board funding for development activities has increased from EUR 2.0 million in 2021 to EUR 11.5 million in 2022.

Some countries also invested funds to increase internal capacity. In the 2022/23 budget New Zealand provided an additional NZD 8 million for tourism data and policy, for example, while Australia earmarked AUD 4.8 million to improve tourism data and analysis.

In the European Union, countries are also being supported by additional funds, including within the frame of the Recovery Plan for Europe and the Next Generation EU. Poland for example has tourism specific projects funded by EU structural funds, including the EU Green Deal in the period 2021-27. In Slovenia, the tourism sector is also benefitting from NextGen EU and React EU funds. Under the Tourism Flagship projects, the EU Technical Support Instrument 2022 is supporting the recovery and reform agenda in seven countries – Croatia, Greece, Italy, Malta, Portugal, Slovenia and Spain – to build more sustainable, resilient and digital tourism ecosystems. These projects are focusing on reforms and improvements, including to tourism data and statistics with a focus on the tourism satellite accounts, the development sustainable tourism indicators, governance and destination management tools, and SME supports and digitalisation of the tourism ecosystem.

Many budgets, especially those at the regional and destination level, remain uncertain. Amid the uncertain outlook for tourism, the sector is likely to require ongoing support through this period to ensure that it not only survives but can align to the future strategic objectives for the sector.

## Tackling policy priorities for the tourism recovery

The recovery of the tourism sector comes with new and existing challenges. The pandemic led to severe declines in tourism, exposing underlying weaknesses in tourism development models and the wider tourism economy. Initial priorities to encourage and facilitate recovery began with restoring consumer confidence and the operating capacity of businesses, together with restoring the safe mobility of people and supporting businesses financially. A further priority is to address severe workforce shortages to meet the return of tourism demand, and the need for renewed investment in the sector to attract visitors. While these are essential for the sector to rebuild, it is important to consider where the sector should be in the future, ensuring that it builds back better. Governments and businesses must act now so that the short-term actions for recovery have long-term strategic benefits for the sector.

### ***Ensuring safe and seamless mobility, to restore traveller confidence and demand***

Tourism depends on the mobility of people. Providing the right conditions to facilitate travel is both a short and long-term requirement, involving measures to foster traveller confidence and enable safe and seamless mobility. Providing seamless and safe travel experiences was already an issue high on the tourism policy agenda before the pandemic and is an integral part of a resilient and inclusive tourism recovery, while also addressing the sustainability agenda.

Travel restrictions put in place to prevent the spread of COVID-19 effectively shut down the tourism system. Recent experience has shown the complexity of lifting these restrictions and getting the interdependent

parts of this system back up and running smoothly, especially in a complex sector like aviation. Building visitor confidence in these actions has been needed to encourage people that it is safe to travel, and assure recipient countries, communities and workers that it is safe to receive travellers (OECD, 2021<sup>[21]</sup>).

A key issue has been virus testing and vaccine recognition, through a co-ordinated approach to ensure that measures do not unnecessarily impede or create obstacles for travellers or remain in place longer than strictly necessary. The return to travel through opening borders and lifting restrictions has been facilitated through the administration of health certificates and vaccination monitoring. Countries have implemented this through vaccination passports for travellers, safe tourism certification programmes for businesses and safe travel zones for cities and countries.

For example, Türkiye introduced the Safe Tourism Certification Programme, which defines and advises an extensive series of measures to be taken regarding transport and accommodation. In Morocco, the Welcome Safely label was set up in collaboration with the health authorities. This includes an online platform to assist accommodation operators in Morocco in adhering to compliance measures. Greece introduced the Health First certification label to certify the compliance of tourist accommodation establishments with the mandatory government-issued health protocols against COVID-19.

Indonesia launched the Cleanliness, Health, Safety and Environmental Sustainability protocol which provided training and certification to prepare for the reopening of the tourism sector post-pandemic. The protocol developed into several handbooks ranging from hotel safety protocol to specific destination models that can be applied to tourism businesses. There is also a certification programme which is renewed annually and has certified almost 12 000 tourism businesses.

The EU Digital COVID-19 Certificate is valid in all EU countries and 49 non-EU countries at time of writing (European Commission, 2022<sup>[22]</sup>). This allows for the safe crossing of borders, as well as the use of hospitality services in many countries, by showing proof of recent vaccination or recovery from COVID-19. Online platforms like the EU Reopen map and UNWTO/IATA dashboard have also provided information to travellers on travel restrictions and health requirements to facilitate mobility. These schemes remain in place as waves of the pandemic continue. It will also be important to take forward the learnings and experiences from the COVID-19 response to prepare for future health events.

Experience during the pandemic has underlined the need for transparency, consistency and clarity in decision-making and communications about travel. This requires close engagement and co-ordination between governments, tourism, health experts and transport bodies, together with the private sector. The multinational dimension of travel also requires co-operation between countries in tackling safe mobility issues (OECD, 2021<sup>[21]</sup>). Co-ordinated action and collaboration on agreed standards and the interoperability of systems and technology can help to improve the traveller experience whilst enhancing safety and security, which are especially critical in times of crisis (OECD, 2020<sup>[23]</sup>).

This has been the driving force behind the OECD Initiative for Safe International Mobility, endorsed by OECD Ministers, which has sought to co-ordinate the work across governments at the national level, between international organisations and with the private sector during the pandemic (Box 1.6). A High-Level Meeting on Safe International Travel brought together both health and tourism decision makers to discuss and identify areas where action could be taken to accelerate safe international travel, facilitate and sustain the return of cross-border travel to pre-pandemic levels and improve preparedness against future global crises.

Extending the focus beyond the safe reopening of travel, and the wider tourism system, to consider the importance of seamless mobility is important for the recovery, and for the future, facilitated by digital technologies. Seamless travel provides a smooth, efficient, safe and enjoyable travel experience from a traveller's point of origin to a destination, within the destination, and back again (OECD, 2020<sup>[24]</sup>). Restoring consumer confidence in the reliability of the system and integrating digital solutions at borders to simplify travel remain key areas of consideration.

### Box 1.6. OECD Initiative for Safe International Mobility

OECD Ministers endorsed an initiative to promote safe international travel during the COVID-19 pandemic, including a safe travel blueprint and a temporary international cross-sectoral forum for knowledge sharing. The forum has allowed governments and stakeholders to share information in real-time on plans and approaches to facilitate travel. The blueprint promotes greater certainty, safety and security in travel as re-opening occurs. It builds on existing initiatives and aims to increase interoperability between travel regimes. It is implemented by countries on a voluntary basis.

A High-Level Meeting on Safe International Travel, hosted by Spain and the OECD in July 2022, brought together ministers, deputy ministers, and high-level authorities mainly responsible for the sectors of health, tourism, and foreign affairs. In the context of international travel, participants identified several issues where improved coordination would be required in order to make international travel safer and easier for travellers. Participants committed to recognise a set of common principles and procedures.

The Chair's Statement highlighted: the impact of the crisis on tourism, the interoperability of digital systems for health certificates recognition among different international approaches for demonstrating vaccination and testing status; responding to new variants of concern by ensuring co-ordinated, evidence-informed and risk-based approaches to travel regulations; the development of a co-ordinated set of risk-based criteria for international mobility; and how such criteria might evolve for use in future pandemics to promote appropriate health measures for travel and advance consistency in policies on international travel.

Source: OECD (2022), High-Level Meeting on Safe International Travel (OECD, 2022<sup>[25]</sup>).

### ***Supporting fragile tourism businesses to navigate the recovery***

Tourism is a highly fragmented and diverse sector, composed of many different branches, and dominated by micro, small and medium-sized enterprises, which represent around 85% of businesses in OECD countries. These small tourism businesses co-exist with, and are often heavily dependent on, each other and the large tourism businesses that structure the sector. The crisis exposed the interdependent nature and fragilities of the tourism economy. What happens in one part of the tourism ecosystem, such as aviation and tour operators, can have profound follow-on effects through the tourism value chain.

The complex tourism system was shut down for an extended period of time through the pandemic and is now facing new challenges and ongoing uncertainties stemming from economic slowdown and Russia's war in Ukraine. Through the shutdown period, tourism businesses benefited from extensive and unprecedented government support. This has included a mix of whole-of-economy support measures (e.g. employee support, tax reductions, business grants or loans) and sector-specific support.

This government support has been essential in protecting and enabling many tourism businesses to survive. However, as pandemic restrictions have been lifted, so too have most of these business supports. Many tourism businesses are in a fragile situation and face ongoing challenges, including limited cash reserves, increased debt, labour and skills shortages and operational uncertainty. This is being compounded by significantly higher prices, energy constraints and an expected sharp slowdown in the economic recovery.

A strong demand-driven recovery in 2022 has helped to boost the cash flows of tourism businesses but may not be enough to maintain these businesses moving forward. As pent-up demand dissipates and the rising cost-of-living crisis starts to put pressure on discretionary tourism budgets, the outlook is highly uncertain, and many tourism businesses are already looking ahead to 2023 with caution.

In this context, tourism businesses will likely require continued support through the recovery phase. Temporary fiscal measures are being used to cushion the immediate impact of higher food and energy costs for consumers and businesses, but these should be balanced against the need to lower energy consumption, limit further demand stimulus at a time of high inflation and ensure debt sustainability (OECD, 2022<sup>[10]</sup>).

Future support needs to shift from survival mechanisms toward support for the recovery and investment for the future, including for the green and digital transition. As visitors return and travel certainty is restored, businesses can move away from support mechanisms and return to unassisted operating. However, there is a risk that recent positive performance in the sector will see mechanisms removed, leaving businesses to face future disruptions without support.

Business support was one of the most common interventions throughout the pandemic. Countries like Italy and Spain have also acknowledged the need to provide ongoing certainty to businesses by extending their support. For example, Italy has created a national tourism fund that provides tapered funding through 2024 (Box 1.7).

### **Box 1.7. Fund to support tourism under the National Tourism and Resilience Plan in Italy**

The Unique National Tourism Fund was created under the Italian Budget Law for 2022, with a budget of EUR 120 million for the period 2022-23 and EUR 40 million for 2024. This Fund looks to rationalise measures aimed at attracting and promoting tourism in the national territory, supporting operators in the sector in the process of mitigating the effects of the crisis and boosting production and employment in synergy with the measures provided for in Italy's National Recovery and Resilience Plan. The purposes of the Fund include: i) the adoption of safeguarding measures for economic operators in the sector to be able to exploit the potential of the sector in the face of the effects of systemic or sectoral crises, ii) concentrating measures in favour of operators for which conditions remain that limit the ordinary possibility of carrying out productive and working activities, and iii) the promotion of tourism development policies capable of producing positive economic and social impacts on the territories concerned and for the productive and social categories involved.

Businesses took action to adapt their operations to remain viable through the pandemic. This included: managing cash flow and accessing government support to protect businesses; promoting COVID-safe business operations; adapting business models and service offerings; pivoting operations to cater to new markets; supporting the pandemic response effort (OECD, 2020<sup>[12]</sup>).

They must now take action to react to the changing future. Adopting operating models that respond to changing consumer demands, especially digital and sustainable practices, will be imperative. Governments will need to provide support, especially to SMEs, as this transition takes place.

### ***Tackling labour and skills shortages to rebuild the tourism workforce***

Tourism is a highly labour-intensive sector and offers strong potential to support a job-rich recovery for people of all ages and skill levels, including young people, women and migrants. At the same time, the sector is highly dependent on quality human resources to develop and deliver a competitive tourism offer, and to adapt and benefit from the green and digital transitions. Tourism trends and wider transitions are changing the nature of work and highlighting the need to upskill and reskill the tourism workforce to adapt to changing consumer and business needs.

However, the disruption caused by COVID-19 led tourism workers to leave the sector for job opportunities elsewhere in the economy. Tourism workers benefited significantly from the general employee/employment support packages introduced by countries, as well as from targeted supports for

the tourism sector. However, these supports did not reach all workers in the sector, including some self-employed and informal workers. Despite this, tourism's share of total employment fell in all reporting countries, and recent OECD analysis highlights that labour supply shortages in hospitality and tourism in November 2021 were more severe than before the pandemic in around 60% of OECD countries (OECD, 2022<sup>[5]</sup>). This has made it a critical and immediate challenge for the tourism economy.

Workforce shortages have also been exacerbated by longstanding issues impacting the ability of the sector to attract and retain workers (e.g. job insecurity, salary levels, career prospects). Increasing labour market tightness is making it difficult for tourism to compete for the required workforce in a competitive global job market (OECD, 2022<sup>[5]</sup>). This was further amplified by the rapid increase in tourism demand coming into the summer peak season period in the northern hemisphere in 2022, which could not be well anticipated by the sector, given the ongoing uncertainty linked with the pandemic and the geopolitical environment.

The inability of tourism businesses to attract and retain the labour and skills needed for a strong tourism workforce is having a noticeable impact on the sector's recovery. For example, employment in the aviation sector is expected to remain below the pre-pandemic level for some time. Pre-work requirements like recruitment, training and security checks have presented a well-publicised challenge for the aviation industry in 2022 (IATA, 2022<sup>[11]</sup>). The interconnected nature of the tourism ecosystem means that shortages experienced in the aviation and transport sectors have critical flow-on effects for all tourism businesses.

To attract the necessary workforce, the sector needs to address longstanding issues in terms of wages, working conditions and reputation. This has been acknowledged through the incorporation of workforce pillars in the recovery plans and long-term strategies developed by many OECD and partner countries, including Australia, Austria, Belgium Wallonia, Estonia, France, Germany, Greece, Lithuania, Poland, Slovak Republic, Slovenia, Spain, Sweden and the United States.

It is also a focus of the European Commission's Transition Pathway for Tourism, which aims to increase fairness and equality in tourism jobs while developing and renewing tourism education in partnership with the industry and education providers (European Commission, 2022<sup>[19]</sup>). Goals include:

- Strengthening the attractiveness of the tourism sector and knowledge of the diversity of jobs and professional opportunities.
- Facilitating recruitment, particularly in jobs with significant needs for the coming seasons and in view of the major events to come.
- Attracting more young people to training courses leading to these professions.

The EU Pact for Skills – Skills partnership for the tourism ecosystem was launched in 2022 as a partnership to promote joint actions to improve existing skills (upskilling), provide new skills (reskilling) and address labour shortages.

Governments are aware of the issues that workforce shortfalls create for the sector, but may find it challenging to alter the dynamics of the wider labour market, particularly after such a systemic shock. Promoting the acquisition of skills, competencies and qualifications for tourism workers throughout their working lives is at the heart of a human-centred approach to crisis recovery and the future of work (International Labour Organisation, 2022<sup>[26]</sup>). Improving skills levels, enhancing qualifications, supporting training and developing recruitment initiatives are all ways countries are encouraging talent into the sector (Box 1.8). Action on these issues is needed to support recovery in the short term, but also to ensure a pipeline of new workers coming into the sector via education and training routes in the coming years.

The private sector also must play its role in addressing the labour and skills issues in the tourism sector. Businesses need to consider their action to address internal influences. Global hotel chains like Accor, IHG Hotels and Resorts, Marriott International and Hilton have also recognised the issue, acknowledging

that low pay and career prospects are likely to have played a role in current shortages. They are taking steps to increase work and recruitment flexibility and career development.

Small tourism businesses are also taking steps, for example, in re-organising shift patterns and raising wages in the hospitality sector to be more attractive to workers. However, tourism SMEs do not have the capacity and resources to replicate the structures of large enterprises. It may be possible to learn from larger players in the sector or to adapt some practices for use in SMEs, either at the enterprise level or through public-private support programmes. Large enterprises also interact with many SMEs in the tourism value chain, and there may be mutual benefits from working closely on human resource issues.

### Box 1.8. Initiatives to enhance workforce skills and recruitment – selected country approaches

**France:** A communications campaign in 2022 targeted young people aged 16-25 years who are looking for a job or undergoing professional retraining, with a budget of EUR 8 million. The campaign looks to strengthen and perpetuate jobs and skills in the sector to improve the attractiveness of tourism employment. An amplification mechanism is also planned by mobilising all the local institutional players, including schools, training institutions, employment centres, prefectures, regions, professional federations, and the private sector.

**Hungary:** A campaign to promote employment in the tourism sector aims to encourage students facing a career choice or retraining to choose tourism and hospitality, with short films, image videos and a new website.

**Ireland:** A new recruitment marketing and awareness campaign was launched in early 2022 to attract people to the sector. Additional initiatives include the creation of a Learning Hub to provide free high-quality, self-directed learning courses to upskill staff and build business capability, and a new Employer Excellence Programme is being developed to support businesses to drive employee engagement and build workplace appeal.

**Malta:** A EUR 5 million online training programme aims to develop the skills of the tourism workforce and the tourism product. It seeks to ensure that tourism employees have the skills necessary to deliver a high-quality experience to Malta's visitors.

**Peru:** An online educational platform launched in 2021 provides access to training and certification on topics related to business, digital tools, innovation and commercial intelligence. The Virtual Classroom has more than 5 000 users nationwide.

**Poland:** A special law easing access to the labour market has been introduced, making refugees from Ukraine eligible for employment even if they did not have a work permit or a population registration number.

**Portugal:** The Programme "Training + Next" was implemented in January 2022 and aims to train 75 000 professionals over three years, free of charge and adapted to the local needs of each municipality throughout the territory. The programme will implement upskilling and reskilling processes that contribute to adding value to the local business fabric and their respective territories and functions as an instrument to attract talent, including qualifying people from other sectors or unemployed people. Content will be adapted to the diversity of tourism companies and the sector's future needs.

Co-operation between governments and the tourism sector opens up opportunities to create better solutions to this long-term issue and should be explored. For example, the Australian Government is investing in "The Hub" – a portal run by the Australia Accommodation Association – to support new and existing travel and tourism workers seeking to connect to education, employment and other information about building a career in the visitor economy.

The strength and resilience of the sector will depend on its ability to transform itself, which will require the sector to recruit and develop the necessary skills for its future workforce. Tourism lags other sectors in the adoption and use of advanced new technologies. Portugal has recognised the change in the levels of qualifications required by tourism businesses, and is investing in innovative equipment and infrastructure to position the teaching of tourism at a higher level and allow training to be adapted to the new needs and demands of consumers through the Tourism Innovation Centre.

The green transition will also require a new set of skills to meet the growing demand from environment-conscious travellers. Examples of 'green skills' include conducting energy audits, measuring the sustainability of tourism activities, and training staff on recycling programmes (European Commission, 2022<sup>[27]</sup>).

### ***Focusing investment to support recovery and promote sustainable tourism development***

Action to support recovery and build a stronger, more resilient and sustainable tourism economy for the future will require ongoing investment and the provision of appropriate, necessary and quality infrastructure to meet the needs of the sector and local communities. Governments will need to ensure the sector can resume and keep innovating and transforming, while tourism businesses and destinations need to adjust their offer to respond to digital and other trends, as well as the need for structural and sustainability transformations.

In recent years, successful tourism destinations have established and maintained programmes to attract internal and external direct investment in tourism products and operations and to maintain a public sector budget to support tourism-related services and destination management. The COVID-19 pandemic has placed significant additional strain on these programmes and created additional risk in the sector for investors and lenders (OECD, 2021<sup>[21]</sup>). Russia's war in Ukraine brought a further negative shock and disruption to the world economy, which had a profound and immediate impact on Foreign Direct Investment (FDI) and other capital flows (OECD, 2022<sup>[28]</sup>).

FDI in tourism remained low in 2021 and the first half of 2022. Ongoing geopolitical uncertainty, an inflationary global economy, disruption of international supply chains, increasing workforce shortages and growing pressures on consumers' cost of living has put capital expenditure plans across the tourism sector on hold (UNWTO, 2022<sup>[29]</sup>). This will impact the longer-term investment that is required to provide accommodation, transport and other tourism-related services and the infrastructure necessary to meet demand while enhancing economic, social and environmental outcomes.

Investment and access to finance are needed at the individual business level. Tourism businesses will need support to update service delivery, pivot to alternative markets and adjust business models, take advantage of new opportunities and integrate digital and low-carbon solutions. However, after two years of limited operations and multiple closures, tourism businesses now have limited cash reserves to relaunch and invest in their business, with SMEs facing particular challenges. Investment programmes will be necessary to incentivise actions amid ongoing uncertainty and an already challenging risk profile for tourism.

Many countries acknowledge the need to update and modernise products and develop destinations to meet tourists changing expectations and are taking action to address this. In Canada, for example, the Tourism Relief Fund provides financing for product and destination development (Box 1.9). Spain has introduced a EUR 720 million package for tourism, with EUR 565 million to finance projects that enhance innovation and competitiveness through the greater use of digital technologies, energy efficiency and sustainable practices. In 2022, Chile committed CLP 18 million to promote participation in international tourism investment events, disseminate sector opportunities in priority markets and improve information for investment decision-making. A commitment of this agreement and the Action Plan for Attracting

Tourism Investment 2020-25 is the creation of an international agenda that will consider international tour development and round tables with investors and sectoral workshops, among other activities.

Creating a more sustainable and competitive tourism offering also requires investment in public infrastructure. Mexico has taken a proactive approach by developing tourist bicycle lanes to connect local communities and allowing visitors to travel to natural and cultural destinations. The *Ciclovia Maya*, the largest tourist bikeway in the world, will connect and integrate economic activities for dozens of local communities in the Yucatan Peninsula. This initiative will promote sustainable mobility and ‘zero emissions tourism’.

Successful policy intervention will require significant co-operation and co-ordinated strategies across government, and between different levels of government, as part of a comprehensive national long-term plan, given the length of time needed to realise sustainable development. It also demands the involvement of the private sector and civil society and the sharing of best practices and new ideas between the various actors driving the shift to a new model of sustainable tourism development (OECD, 2021<sup>[21]</sup>).

### Box 1.9. Tourism Relief Fund to support product and destination development in Canada

In Canada, the Tourism Relief Fund provides CAD 500 million to the tourism sector across 2021-23. The Fund comprises CAD 485 million delivered by the Regional Development Agencies and CAD 15 million for a national project component provided by the Department of Innovation, Science and Economic Development. Eligible projects fall under one of two themes:

- **Product Development:** to support projects that enhance tourism experiences, help tourism businesses adapt to the ‘new normal,’ modernise tourism offerings, and encourage the sector to adopt more environmentally sustainable practices.
- **Destination Development:** to support projects that can help communities take advantage of post-pandemic opportunities through strategic planning for medium to long-term investments and supporting destination development.

The national component of the Fund supports pan-Canadian and national stakeholder associations to help their members address challenges at a national level. These include measures to assist in labour market skills development and recruitment, strategies for digital adoption, and bolstering organisational capacity.

The Tourism Relief Fund also includes CAD 50 million dedicated to Indigenous tourism initiatives to support tourism businesses in adapting their operations to meet public health requirements while investing in products and services for future growth.

## Reshaping a more sustainable, resilient and inclusive future for tourism

The crisis is an opportunity to rethink the tourism system, and move toward fairer, more sustainable and resilient models of tourism development. This will require policies that address structural weaknesses that have impeded the sector in the past, and avoid a return to the tourism management and unbalanced development issues facing the sector before the crisis. Policy interventions will also be necessary to advance the digital and low-carbon transitions. Governments need to consider these issues as they design and put in place comprehensive tourism recovery strategies and action plans.

Economic and social factors to be addressed include seasonality of demand, economic leakages, overcrowding and overconsumption, exclusion and inequity, overdependence on tourism, poor remuneration and career prospects and low financial margins. Urgent action is also needed on climate

change, and the mitigation and adaptation measures required of the tourism economy. At the same time, it is recognised that these issues and impacts vary considerably between destinations (OECD, 2021<sup>[14]</sup>). Actions need to be taken to reshape the future of tourism, moving away from a growth-at-all-costs model and towards a competitive, sustainable, digital, inclusive and resilient future.

### ***Promoting the digital transition to benefit all tourism stakeholders***

The evolution and application of digital technologies are profoundly changing the way people live, work, travel and do business, and are transforming and reshaping tourism. However, the resulting opportunities also present challenges to the level playing field, including a growing gap between tech-driven and globally connected tourism businesses and traditional micro and small businesses often characterised by low-tech business practices (OECD, 2021<sup>[21]</sup>).

The pandemic has accelerated many of these trends, and the digitalisation of the tourism sector continues to be a priority for OECD and partner countries. Digital technologies present wide-reaching opportunities to facilitate increased reach to consumers, productivity, and the transition to a more sustainable and inclusive future. Policies are needed to promote equity and inclusiveness, delivering benefits to micro and small businesses and local communities as well as to visitors (OECD, 2021<sup>[14]</sup>). Policies also need to consider the new challenges that digitalisation presents including increase cyber and data security and technical support, particularly for SMEs.

Many countries are encouraging and facilitating the digital transition for tourism businesses. Initiatives include providing new digital platforms, education, digital services and funding. Bulgaria, for example, sees SME digital enhancements as the key to increasing competitiveness and contributing to a green transition. Cross-government collaboration has enabled Bulgaria to transform SMEs in the tourism sector and digitalise cultural heritage as part of the National Recovery and Resilience Plan. Estonia is running master classes in service design and digitalisation of services for tourism companies for the second consecutive year. Greece is also developing a unique electronic register for tourism enterprises (e-MHTE) to improve the quality of services and enhance interoperability with new applications and systems.

Latvia is implementing programmes to support the digitalisation of processes, training of digital skills and development of new digital products. The Tourism Transitions Programme in New Zealand has a similar focus. In Portugal, only 47% of companies in the accommodation and restaurant sectors currently have websites. A new Upgrade Training Programme, part of Portugal's Reactivate Tourism – Building the Future plan, is focused on ensuring businesses are connected as a priority. Serbia has introduced a central information system that combines data on all accommodation providers and accommodation facilities. Canada launched the Canada Digital Adoption Program to support SMEs, including tourism businesses, to capitalise on digital opportunities.

In Lithuania, the TravelTech Sandbox is an online platform to welcome innovators to its growing TravelTech ecosystem, providing the right conditions for sandboxing ideas that can potentially change the market. Iceland has also mapped the digital needs of its tourism companies and developed a digital 'sandbox' – a platform to support innovation in tourism stimulated by partnerships with technology companies.

Digitalisation also provides opportunities to use technology to provide solutions for wider sectoral issues such as the green transition and sustainable tourism management. Sweden has developed a digital knowledge bank and a national monitoring system to move towards greater sustainability in tourism. Italy is exploring medium to long-term solutions by creating a Digital Tourism Hub to connect and promote the country's tourism offer, better manage tourism flows and promote sustainable tourism. It aims to address the high fragmentation of the Italian tourism ecosystem, particularly the regional differences and the gap across different tourism destinations and businesses. Outside of tourism management, Korea is harnessing innovative digital technology to market and provide unique experiences through a metaverse platform (Box 1.10).

### Box 1.10. Developing a metaverse platform for tourism in Korea

To entice the digitally sensitive future generation who are potential tourists to Korea and to raise awareness of Korea as a safe destination, Korea has been exploring the use of new and innovative technology in tourism promotion: the metaverse platform. The metaverse is a virtual space within the digital environment where users can work, play, socialise, and travel. This targets the Gen Z consumer, the generation referred to as ‘digital natives’ who grew up with smartphones and tablets.

Korea has re-created the Han river park on ‘Zepeto,’ an Augmented Reality avatar game platform with over 200 million players worldwide, to provide various digital travel experiences. Players can enjoy water activities that are available on the Han river, such as riding on a yacht, water taxi, tubester (a tube-boat for up to six people), and kayak. Other popular Han river experiences for international tourists are also available, including visiting the night market and enjoying Korean-style fried chicken and ramen on the riverside.

Beyond the 3D virtual experiences within the game, Korea collaborated with the K-pop idol ITZY to better promote Korea as a tourist destination to K-pop fans, hosted multiple cultural events and competitions on the platform, and collaborated with digital influencers to build the interest of future visitors. Korea plans to expand its digital landscape further and re-create more popular tourist attractions, international meetings, incentives, conference and events platforms and online travel agency markets on metaverse platforms.

### *Diversifying the tourism offer and markets to build resilience*

The impacts of the crisis on tourism have been asymmetrical, with some countries, destinations, businesses and people more exposed than others. Better planning and more community engagement are required (OECD, 2021<sup>[21]</sup>). Too many destinations have been over-dependent on tourism, which might have been avoided by seeking tourism growth within the context of broader economic and regional development planning. Tourism value chains become less vulnerable if the businesses involved have access to a range of sources of income. Destinations and businesses with a diversified market base are also generally less exposed to potential market failure.

Diversifying the tourism ecosystem needs a strategic approach, considering all facets of the tourism offer, including:

- **A varied visitor mix that is not overly reliant on a single source market.** During the pandemic, most countries shifted marketing efforts to increase domestic tourism demand. This was an essential strategy to fill the gap from the loss of the international market due to cross-border travel restrictions. As tourism recovered, countries have embraced the importance of domestic tourism but are also reconsidering the (over) reliance on specific international markets.
- **The dispersal of visitors geographically and seasonally.** Heavy visitation volumes in popular destinations have a negative impact on both tourists and the community. An over-reliance on a single location or season makes the entire tourism ecosystem susceptible to shocks. Countries are looking to create a more even spread of visitors by dispersing visitors to regional destinations or providing new off-peak experiences.
- **A unique and varied product offering is essential for sustainable and resilient tourism.** For example, venue-based activities (e.g. theatre, cinema, museums) were heavily affected by social distancing measures during the pandemic, with immediate impacts on revenues and livelihoods and wider value chains, like tourism (OECD, 2022<sup>[30]</sup>). Inversely, some of these culture-based

products also rely on tourism revenues. By diversifying the product offering to include both indoor and outdoor activities and attractions, destinations would be less impacted by shocks.

Encouraging innovation in the development of visitor experiences and diversifying all areas of the tourism ecosystem will build resilience, better protecting it against future shocks. The tourism offer and product base may need to be adapted to meet new markets. Structural shifts in the market, notably for business tourism, need to be addressed and are evoking new and innovative responses. This is explored further in Chapter 2 on Building Resilience in the Tourism Ecosystem [CFE/TOU(2021)2/PART2].

Countries are adopting several approaches to build a more diversified tourism economy. Slovenia has implemented strategies to increase visitation to popular national parks outside of peak summer periods. The Czech Republic launched a spa voucher scheme to discount stays in spa locations. Croatia plans to build tourism destinations beyond Dubrovnik to reduce reliance on the city.

Innovation stemming from a co-ordinated approach with related sectors could help to create a more diverse offering in destinations. For example, by leveraging the potential synergies between the tourism, cultural and creative sectors, including the ability to leverage the benefits of cultural and creative tourism to address sustainability and to disperse tourists across different cities, towns and places (OECD, 2022<sup>[31]</sup>).

### ***Strengthening the capacity of destinations to manage tourism sustainably***

Before the pandemic, there was already a growing recognition of the need for tourism to be better managed, to deliver development that is economically, socially and environmentally balanced. This has intensified since the crisis, as the return of tourism also brings pressures on destinations. Many resilience and sustainability issues are best tackled at the local destination level, to address diverse and specific needs, with broad stakeholder engagement and involvement of local tourism communities. Co-ordinated policy approaches are needed to support this, along with improved capacity of government at all levels, and the private sector. Many places are placing a new priority on destination management planning, addressing issues such as the geographic and temporal spread of visitation, and involving close consultation with local communities.

A key part of this process involves feeding impacts and experiences from the sub-national level into the development of national tourism plans and strategies, and then developing local and regional plans that align with and support the delivery of desired outcomes (OECD, 2021<sup>[32]</sup>). For example, Colombia's integrated destination management strategy relies on the systemic planning and management of activities, resources and stakeholders involved in the development of tourism in the territory. It includes the definition, execution and follow-up of policies aimed at facilitating the consolidation of the destination. Colombia works with destinations within their territorial context, development needs and individual challenges to develop synergies between local governments, stakeholders, the private sector and communities to achieve sustainability.

Consistent destination management requires adequate funding. However, evidence from countries suggests that destination management also requires:

- **Strong working connections:** robust connections between national, regional and local interests increase the opportunities for long-term success.
- **A clear understanding of roles and responsibilities at each level:** activities such as the delivery of marketing and management measures must be defined with exact roles clearly agreed upon.
- **A jointly agreed plan in place:** this should be a practical, actions-based plan related to the national strategy. It typically has a common vision and clear goals and is focused on a relatively small number of core priorities which are regularly evaluated.

### Box 1.11. New approaches to regional and destination management - selected country initiatives

**Bulgaria:** Nine Regional Tourism Management Organisations' were established in 2018-19. New projects were launched for 2019-22 to support the organisations' functioning and capacity building for effective tourism management at the destination level. These focused on providing support for the creation and functioning of the management organisations and improving the quality of services of SMEs in tourism through the use of ICT and web-based marketing.

**Greece:** New legislation has been introduced to facilitate the establishment of Destination Management and Marketing Organisations (DMMOs) as a critical factor for sustainable management and growth of tourism destinations. The task of the DMMOs is to create a stable and effective co-operation framework between the public and private sectors, thus ensuring continuity in the promotion of tourism products and the quality of services provided. Funded under the Recovery and Resilience Plan, each DMMO will have a Sustainable Tourism Development Observatory to access and monitor data for the integrated planning of tourism strategies.

**Hungary:** A new destination management services network will implement unified management and support the co-operation of local stakeholders to achieve a shared vision for the destination. The aim is for the destination management services to ensure effective communication between local and central levels and within the destination to promote a destination-based approach to product development and successful market entry.

**Netherlands:** The Centre of Expertise Leisure, Tourism and Hospitality (CELTH) has a multi-year "Conscious Destination" knowledge agenda for the hospitality domain based on five urgent themes: living environment, human capital, organisational capacity, smartness and leisure offer. The Conscious Destination strives for an outcome in which tourism has the most positive possible social, ecological and economic impact and leads to the highest possible quality of life, experience and work. The destination level is expressly chosen because that is where all the different sub-sectors and actors come together.

**New Zealand:** Regional Tourism Organisations (RTOs) have traditionally been responsible for promoting their destinations and recently assumed leadership in bringing together local stakeholders to develop destination management plans. The RTOs' destination management work has been accelerated through COVID-19 funding packages and with the support of their membership organisation, Regional Tourism New Zealand.

**Norway:** Regional reforms were initiated in 2020 to give counties renewed roles and wider responsibilities. This is expected to provide a more efficient framework to solve cross-sectoral challenges for the tourism industry's benefit.

The sustainable management of tourism involves the strengthening of local governance structures and giving a strong voice to local communities (OECD, 2021<sup>[14]</sup>). Destination management organisations (DMO) can mobilise stakeholders to work together, creating co-ordinated action in destinations and producing better outcomes for the tourism sector. This includes engaging directly with the local community. Visit Berlin has recently taken a new approach to community engagement by implementing the Citizen Advisory Council for Tourism, which will be made up of two volunteer members from each of the 12 districts to help develop ideas for sustainable and city-compatible tourism (Berlin City, 2022<sup>[33]</sup>).

Actions have been taken by many OECD and partner countries to support destination management by implementing new DMO structures, reviewing existing operating models and providing capacity-building activities for the regions, a strategic focus for many countries (Box 1.11). The United Kingdom undertook

an independent review of their destination management systems and have committed to a number of responses, including a new accreditation system and a new tiered funding model (Box 2.10).

The need to enhance destination management is also acknowledged at the international level. For example, Pacific Asia Travel Association's Tourism Destination Resilience programme combines risk assessment, risk management and adaptive capacity building through 10 online modules which cover steps required for destination resilience and long-term sustainability (PATA, 2022<sup>[34]</sup>).

### ***Improving the evidence base for data-driven decision making***

Improving the evidence base to inform policy and business decisions is a key policy priority. Effective policy making, planning and management all rely on the availability of robust evidence, preferably in the form of reliable and timely data that is sufficiently disaggregated and comparable across destinations and territorial levels. More progress is also needed to better measure the economic, environmental and social dimensions of tourism, and develop timely and robust indicators and tools to monitor the effectiveness of tourism policies and the resilience and sustainability of tourism development.

The pandemic highlighted shortcomings in the existing tourism data and information systems, further strengthening the need for more integrated, timely, comparable and granular data. The lack of robust, comparable and timely data to quantify the impact of the crisis on tourism inhibited evidence-based decision-making for policy makers and businesses. Countries responded by looking beyond traditional survey approaches to capture information in a more timely manner using alternate and complementary data sources. This includes a better use of administrative data sources, anonymised real-time data from mobile phones, transaction data from banks and credit card providers and bookings data (Box 1.12). The European Commission (Eurostat) is also compiling data from four major booking platforms – Airbnb, Booking.com, TripAdvisor and Expedia Group.

The shortcomings in the availability of timely, comparable, granular data in quickly evolving situations mean reliable and consistent indicators are needed to evaluate the effectiveness of programmes and initiatives and monitor progress on tourism recovery and resilience (OECD, 2020<sup>[12]</sup>). This extends beyond the current crisis period, with the measurement of sustainability and resilience through indicators a key priority for countries and international organisations alike. Better data is needed to inform the design and implementation of tourism policies and programmes, and influence the behaviour of consumers and practices of businesses, including for greener outcomes.

Alternate and complementary data sources provide an opportunity for the development of more diverse and timely indicators for decision-making. However, understanding the challenges and balancing the trade-offs of potential data sources is essential, and the best long-term solution is likely a combination of new and official data. Alternate data sources can be expensive, and the lack of targeted information may have relatively low utility compared with survey data, especially for the compilation of official economic statistics like the Tourism Satellite Account. Access is a further challenge.

The renewed interest in data and data sharing has been one of the opportunities presented through COVID-19. This has created a closer collaboration between government ministries, tourism bodies and national statistical organisations. Brazil has made a wide range of tourism data available through the General Co-ordination of Data and Information. This includes official data produced by the tourism and labour ministries, the federal police, and the Institute of Geography and Statistics, as well as information provided by the tourism associations.

Norway is working on a national monitor, which uses big data and analytical tools to give a more comprehensive view of the tourism sector. Hungary has initiated partnerships with the private sector to exploit similar opportunities, focusing on labour market data for hospitality. At a European level, data and data sharing is an important pillar of the EC Transition Pathway for Tourism.

Maintaining this momentum will be important to not miss this opportunity and continue to build on the current foundations. More timely and comprehensive data is important not only to mitigate future crises, but also to ensure the continued sustainable development of the sector. Linked to this, the development of data and indicators measuring the sustainability of tourism is a focus of much attention at national and sub-national levels, and at the international level. Work is underway to develop and pilot a core set of sustainable tourism indicators at the sub-national level, under Spain's Recovery and Resilience Programme, for example. Eurostat is working to prepare a common set of sustainable tourism indicators, while the EU Tourism Dashboard brings together existing data to understand the country and regional tourism performance under the pillars of digitalisation, environmental impacts and socio-economic vulnerability. The UNWTO, in partnership with UN Statistical Division and leading countries, is developing an international statistical framework for Measuring the Sustainability of Tourism, to guide the production of reliable and comparable data on the social, economic and environmental aspects of tourism.

Significant improvements and innovative data approaches are needed to adapt to the new data environment, meet changing user needs, and enable more effective data-driven policy decisions, including integrating non-conventional data sources and methods into the tourism data ecosystem. Meanwhile, digitalisation has opened up new opportunities to support data-driven policy decisions and meet the policy demand for new, more granular and more timely data in a rapidly changing world.

### Box 1.12. Data-driven policy development and monitoring

To address ongoing information gaps at a time when traditional visitor surveys have become more difficult to maintain, countries have resorted to new data sources to track the performance of tourism (including recovery prospects) and develop policy. A survey of OECD and partner countries in 2022 found that more than half of respondents were utilising new data or experimental methods to measure the performance of tourism. The most common data types included:

- **Bank or credit card transactions data:** being utilised or initiated by Austria, Denmark, Estonia, Greece, Hungary, Italy, Korea, New Zealand, Portugal, Spain and Sweden.
- **Tracking aviation bookings or performance:** being utilised by Austria, Canada, Czech Republic, Denmark, Estonia, Finland, Hungary, Italy, Malta and Portugal.
- **Tracking hotel bookings or performance:** being utilised by Austria, Denmark, Estonia, Finland, Hungary, Italy, Malta and Spain.
- **Administrative data:** monthly survey (Serbia), border crossing and visa information (Canada, Costa Rica, Spain and the United States) and pension services data to measure employment (Croatia, Estonia).
- **Mobile positioning data:** being utilised or piloted by Austria, Denmark, Estonia, Hungary, Indonesia, Portugal and Spain.

Canada has developed a composite index to track a more holistic measure of tourism activity against previous levels. Italy is looking to utilise behavioural insights to understand and influence sustainable behaviours for tourists and tourism businesses.

To understand future performance, nine countries were considering forecasts (either internally developed or purchased). The majority of these expect tourism to return to 2019 levels in 2024 or later.

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## Notes

<sup>1</sup> Reporting countries: Australia, Austria, Canada, Chile, Colombia, Czech Republic, Denmark, Finland, France, Greece, Hungary, Iceland, Israel, Italy, Lithuania, Luxembourg, Mexico, Netherlands, New Zealand, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Türkiye, United Kingdom, United States.

<sup>2</sup> Reporting countries: Australia, Austria, Canada, the Czech Republic, Denmark, Finland, Israel, Lithuania, Luxembourg, Mexico, Netherlands, New Zealand, Sweden, Switzerland and the United States.

<sup>3</sup> Reporting countries: Australia, Austria, Belgium, Canada, Chile, Colombia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Latvia, Lithuania, Luxembourg, Netherlands, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Türkiye and United States.



**From:**  
**OECD Tourism Trends and Policies 2022**

**Access the complete publication at:**

<https://doi.org/10.1787/a8dd3019-en>

**Please cite this chapter as:**

OECD (2022), "Tourism trends and policies for recovery", in *OECD Tourism Trends and Policies 2022*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/eb68c169-en>

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