

## **COVID-19 Pandemic and Tourism Sector in Ethiopia**

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### ***Abstract***

*The outbreak of Corona Virus caused massive damage on Ethiopian economy. In order to save human life caused by the pandemic, travel restriction and stay-at-home advice was ordered. As a result, the tourism sector is one of the highly affected economic sectors in the country. This paper intends to assess the effect of COVID-19 on tourism sector in the country. The assessment was made based on the summative assessment result of sub sectors including accommodation, transport, food and beverage, entertainment, and other connecting operators. These sub-sectors are naturally demanding human mobility and close social interaction. The study found that hotels occupancy rate was reduced from 80-85% to less than 5%, transportation particularly international air travel stopped, SME's around the tourism sector lost their market, financial service providers linked to the industry ceased, and employees and customer behavior changed a lot. The study recommends that integration and cooperation of the actors in the sector as a solution to save the sector from the pandemic impact.*

**Keywords:** *COVID-19, Crises, Industry, Pandemic, Tourism*

## **1. INTRODUCTION**

Since emerged in Wuhan, China, Corona virus has been spreading across the globe and as of June 1, 2020 more than 6.1 million cases and around 371, 857 deaths. Arrived late in Africa, COVID 19 infected more than 146, 996 people and caused 4, 222 deaths in 53 countries. In Ethiopia, according to the report of Ministry of Health in Cooperation with Public Health Institute, as of June 1, 2020 more than 1, 257 cases, 12 deaths, and more than 200 recoveries were reported (Ministry of Health, 2020).

This unprecedented outbreak caused massive destruction on the global economy by affecting global supply chain integration, travel, human behavior, the leadership, and commodity markets. In advanced economies, including China and the euro area, the fall in commodity prices, reduced tourism activity, shortage of supply of good & services, and other impacts have been witnessed. According to International Monetary Fund (IMF, 2020) prediction, due to the pandemic advanced economies GDP fall by 3% and World Trade Organization (WTO) (2020) expects a contraction of world trade by 13% in best case scenario or 32% in the worst case scenario. In Africa, besides loss of human life, business operation of various sectors such as manufacturing, service, construction, and tourism are highly affected. African economic growth, as per the prediction of Economic Commission for Africa (ECA, 2020), decreases to 1.8 percent in the best case scenario and a contraction of 2.6 percent if the worst case happen.

In Ethiopia, as the number of cases of COVID-19 slightly increased, the government has declared lockdown causing hindrance of human mobility and any social interactions. This government decision and its consequence have adversely affected all economic sectors in general and the Tourism sector in particular. By its nature tourism is an industry that drives people to travel (national and international) for recreation and leisure, and many more purpose. It is also a wide-ranging industry, which includes accommodation, transport, food and beverage, entertainment, and other connecting operators. The summative impact COVID-19 on these sectors explains the current situation of tourism in Ethiopia.

Although reports are coming out from different media outlets, further evaluation was required to reveal the effect of the unprecedented pandemic on the sector and provide the possible solutions. So far no study is conducted on the issue. Now, it is time to respond the mentioned gap through rapid assessment of the effect of Corona Virus on tourism sector and provide insight for actors in the sector to make a decision and for researchers to conduct further investigation.

## **2. MATERIALS AND METHODS**

This study used descriptive research design in order to assess the influence of COVID-19 on tourism sector in Ethiopia. According to Kothari (2004), in descriptive research, the researcher can only asses what has happened or what is happening. This study intended to highlight the context of tourism sector before COVID-19 and then onwards. The study has adopted qualitative research approach. According to Hoepfl (1997), qualitative research method can be used to gain new perspectives on issues few or little is already known, or to gain more information that may be difficult to convey quantitatively. Corona virus brings a new challenge to businesses and its

real impact is yet to be discovered. This study provided quite significant qualitative information on the influence of the pandemic on tourism sector.

The study used both primary and secondary source of data. The primary data were collected from business leaders, government officials, & experts in the field through interview. Secondary data were obtained from document review of various reports and research results focusing on the tourism sector. The interview was unstructured, conducted via phone and email exchanges. The participants in the interview were selected on purposive sampling bases and sample size was determined by saturation point. This means at the point no new information is forthcoming, it was determined that the sample is saturated and no further responses are required (Creswell, 2009). Document review was also conducted to collect data from official reports from Ministry of Culture and Tourism, business discussions on some media outlets, and expert opinions published in magazines as well as bulletins.

As a descriptive design, this study used content analysis as a method of data analysis. As noted by Geoff (2005), content analysis is an effort to enumerate qualitative data by noting, for example, frequencies of events, words, actions and so on. Hence, this study intended to assess the general situation of tourism sector and what happened to the sector with the outbreak of COVID-19 pandemic first announced in Ethiopia. The data collected via interview and document analysis are synthesized together in order to generate the results of the study.

### **3. RESULTS AND DISCUSSION**

#### ***3.1 Tourism Sector before the outbreak of COVID-19***

The growth of tourism has had an economic, environmental and social-cultural importance. In terms of this, it has long been one of the fastest growing industries in the world. Evidence shows, at the end of 2019, it was a huge global business that account for 10.4 percent of global GDP and 10 percent of global employment. In Africa, the growth of the sector and its contribution were comparatively in a wonderful position. It was frequently registered as one of the key growth drivers of the continent's economy, contributing 8.5% (or \$194.2 billion) of the GDP in 2018; from 8.1% and 7.8% in 2017 and 2016 respectively (Jumia, 2019). This growth record placed Africa as the second-fastest growing tourism region in the world, with a growth of 5.6% in 2018 after Asia Pacific and against a 3.9% global average growth rate. The sector also directly and indirectly provided employment for about 24.3 million people in 2018, accounting for approximately (6.7%) of total employment (Jumia, 2019). Moreover, the sector also contributes to environmental protection and sustainability as well as socio-cultural integration.

Linked to the context of Ethiopia, a report from Ethiopian Tourism Organization (ETO) shows that the sector has tremendous growth over the last few years. One indicator of growth of the sector is the number of international tourist arrivals in Ethiopia. To put this in numbers, according to data from World Bank (2017 as cited in Altes, 2018), the number of tourist arrivals has grown from 596, 341 in 2012 to 933, 344 in 2017 as shown in figure 1 below.



*Data Source: World Bank (2017) as cited in Altes (2018)*

Figure 1: The growth of International arrivals to Ethiopia

The growth of the tourism sector brought multi-dimensional contribution to national economy in terms of GDP, and employment. The direct contribution of tourism sector to GDP has increased from 51.3 billion birr (USD 2.26 billion) which is 4.1 percent of the total GDP in 2015 to \$7.4 billion in 2018(9.4% of Ethiopia's total economy). In terms of employment, according to the report of World Travel & Tourism Council (2019), the industry contributes 2.2 million jobs or 8.3% of the total employment. It also shows the sector represents 61 percent of Ethiopia's exports in 2019. The other dimensions of contribution that Ethiopia benefited from the sector are socio-cultural integration and knowledge spillover effects. The mentioned contributions of the sector were expected to increase further because of human mobility as the result of rapid advancement of transportation and communication technology and improvement of hospitality service facility.

### **3.2 COVID-19 and Tourism Sector in Ethiopia**

Tourism sector is one of the sectors massively hit by spread of Corona virus in Ethiopia. As corona virus is emerged in Wuhan, China, and spread to the rest of the world and causing toll of human life, governments and institutions (like WHO) declared travel restrictions as well as human gathering by giving priority to human life. In addition, as COVID 19 is transmitted from people to people in various ways, the public lost its confidence to appear in public gatherings like cultural events and occasion which contributed to loss of income and markets for the sector. Thus, supply and demand in the sector is completely collapsed resulting a high adversarial effect on sub-sectors such as the hotels, transport, food and beverage, entertainment, and other connecting operators.

Looking at the current performance of the hotel from accommodation sub-sector gives us the clear picture of the impact of the pandemic. According to interview conducted by the Reporter Magazine with Aster Dawit, Catering and Tourism Training Institution (CTTI) director and Fete Woldesenbet, President of the Ethiopian Hotel and Related Service Provider Employers' Association, hotels occupancy rate reduced from 80-85% before the outbreak of the Corona virus to 50% immediately after the first case was announced on March, 2020 (The Reporter, 2020). The same source also added that, in April, very few hotels are operating with only 2-5% of the capacity while 80% of hotels in Addis Ababa are in the way to shutting down and thus, they are

forecasted to lose \$35 million per month. In April, report shows that 88% hotels in Addis are forced either to shut down or reduced service due to lack of occupancy arising from COVID-19 pandemic and the remaining 12% are being used as isolation centers (Daily News, 2020) This leads to loss of jobs which increase unemployment in the country. Moreover, according to a business discussion held on LTV Ethiopia, 82% of hotels in Ethiopia have bank loans and banks are expecting them to re-pay their debt. Due to above discussed reasons hotels are not performing in full capacity and unable to generate income. Hence, they are not in a position to pay their loans and even salaries for workers if this crisis continues more than three months. Added to these, they are also expected to pay utility expenses (like electricity, telephone, & water supply), and taxes which jeopardize their operation causing total collapse of the business. Similarly, transportation is the key contributor of the economy in general and the tourism sector in particular. At normal situation Ethiopian airlines, for example, 5.7% of the nation GDP valued at 4.2 billion dollar and about 1.1 million jobs will impact the tourism industry. After spreading of COVID-19, because of Visa restrictions, grounded flights, prevailing lockdowns, travelers cancelling their current as well as future visit schedules are significantly hindering the Tourism industry benefits flows from the transportation sector. According to International Air Transport Association (2020), the economic impacts of the COVID-19 pandemic in Ethiopia pertaining to the airline industry and allied businesses cost the country some USD 1.2 billion and affect more than 323,000 jobs. On the press released (March 21, 2020) by Twolde G/Mariam, CEO of the Ethiopian Airlines, revealed that the airline registered loss of \$190 million because of seizing flight from 80 countries. As of April 8, 2020, the airline announced that it lost \$550 Amid COVID-19. The demand of local passenger flight also reduced to 50%. Land transport restriction made by the government has also highly affected the sector. This loss is directly or indirectly shared by the tourism sector.

Small and medium sized enterprises, which make up around 80% of the tourism sector, such as connecting services (like travel agents and tour operators), entertainment, cafeteria, beauty salons, supermarket, catering, pastry, bar and café, night clubs, etc are now about seizing their operations due to the outbreak of COVID-19. Consequently, millions of Ethiopians are endangered including those vulnerable communities who rely on tourism sector as a means to their livelihoods.

Financial service providers, linked to the tourism industry, like insurance and banks which offer service-related financial protection during emergency situations and currency exchange are also adversely affected as the influence posed by COVID-19 unfolds. In addition, tourism colleges and training centers are also affected and temporarily closed. This hinders the production of trained human power to the sector. Moreover, the colleges and training centers lost revenue which is generated from their services while they are incurring expenses like rent, tax, utilities, and paying salary.

As this challenging time persists, employees and customers may even face emotional and psychological issues. These issues are associated with threat and risk perception which commonly occurred during and after crisis like COVID-19. Threat Perception is one of the central emotional responses as a result of fear of this pandemic. Employees and customers, of the sectors, are in the state of negative emotions resulting from the threat posed by contagion which

is affecting buying decision of customers and employees working behavior. According to interview held with Aster Dawit, CTTI director, 25% of customers perceive that they will be infected with Corona virus if they go to hotels and other recreational centers. If the crisis lasts for longer, organizations in the sector are forced to a complete shutdown and their employees will perceive risk of job insecurity due to unknown future fate. An emotional response to a risky situation can influence thinking making employees frustrated and frightened.

In order to ease the effect of the pandemic on Tourism sector, government and other stakeholders have been taking various measures. For instance, the government decided to lend 3.3 Billion Birr to Hotels and tour operators as bail out finance so that they can cover salary and operational expenses (Ethiosports, 2020). The source indicated that some 1,300 hotels and 500 tour operators have requested for some 6.6 billion birrs in bailout financing. However, responding to the request, the 3.3-billion-birr soft loan, via NBE, is based on a six-month impact analysis that banks should provide for their clients' financial needs, explicitly to address salary and operational expenses. Private Banks like Enat Bank, Wegagen Bank, Abay Bank and Dashen Bank had also decided to reduce interest rate and reschedule loan for tourism sector. For example, Wegagen Bank also announced that a 53 percent interest rate cut to hotel, tourism and tour operators and Dashen Bank in its part also cut different kind of service charges and interest rates to the sector (Capital Ethiopia, 2020). Ministry of Culture and Tourism in collaboration with other stakeholders had also supporting the sector by initiating advertising. The new national tourism recovery plan which is projected to help revive the sector quickly as COVID-19 status goes down, according to Ministry of Culture and Tourism (Ethiopian Press Agency, 2020). The news added that the plan jointly prepared by Ministry of Culture and Tourism, Tourism Ethiopia, Hoteliers and Tour Operators Associations, was ratified by a national committee established for this purpose. In addition, some hotels also started shifting their employees to alternative activities such as involving workers in cultivating vegetables in open spaces.

#### **4. CONCLUSIONS**

Beyond toll of human life, the outbreak of COVID-19 pandemic has devastated Ethiopian economy in general and tourism sector in particular. Before the outbreak, the tourism sector has been growing continuously over the past few years and contributing a lot to Ethiopian economy in terms of GDP, employment, and export earnings as it does for many countries in the world. However, as the Corona virus emerged in the world, travel restriction and stay-at-home advice was ordered leading the tourism sector to be highly devastated which naturally requires human mobility and close social interaction. International and home travel restrictions instantly affected the tourism sector through influencing actors in the tourism systems. Contribution from international and home tourists stopped, benefits from meetings and festivals are collapsed. The occupancy rate of accommodation like hotels dwindled to less than 5%. Transportation particularly international air travel has stopped, SMEs around the tourism sector that provides connecting services lost their market. Financial benefits obtained from travellers' life insurance and foreign currency are ceased. The behaviour of thousands of employees in the sector has panicked a lot due the high possibility of losing their jobs.

## **5. RECOMMENDATIONS**

In order to ensure the survival and continuity of Tourism business operations during and after COVID-19 in Ethiopia, the following are some of our recommendations.

The tourism business sub-sectors such as hotels, transport, food and beverage, entertainment, and other connecting operators should work cooperatively and cohesively to overcome the impact of COVID-19 in the business. These actors should also work cooperatively with other sectors like banks and insurance companies in order to manage this crisis. Added to this, sub-sectors should use cost reduction options like capacity reduction in order to cut some expenses (for example utility), voluntary based executive pay cut with boosting their morale, suspending advertisement contracts, introduce cost sharing modalities with employees like creating credit access, and initiate voluntary service by agreeing with employees.

Tourism actors should re-innovate their business models like introducing door-to-door delivery service; providing additional services using existing facilities such as cleaning services for their corporate clients; use tactical pricing strategies like time based discount pricing (lunch and dinner), & BOGOF strategy which means buy one get one free in order to encourage domestic travellers; introduce e-marketing, for example, during post Corona era check-in check-outs will be performed virtually; and shifting employees to alternative activities such as involving workers in cultivating vegetables in open spaces (if any).

Transport service providers, in the industry, should shift their services, for example, to public transportation in cities like Addis Ababa where there is acute problem posing a challenge to implement physical distancing measure recommended by health professionals there by helping to prevent the spread of the virus. With respect to this, government officials should create conducive environment to the extent of easing policy restriction to enable the service providers in shifting their service at least temporarily.

The sector's managers or leaders should have crisis management techniques with developing research based alternative plan that creates system flexibility and capacity utilization options. The managers in the industry should also use the crisis as an opportunity to train their workers and make them ready for long term success after the pandemic is ended. In addition, they have to provide duty of care, which the sector has the legal obligation to ensure the safety or wellbeing of its guest.

Government should give due attention and quick response to integrate as well as coordinate the collaboration among actors in the sector. It should also support this sector by coordinating public and private organizations for possible reduction or re-scheduling of payments such as tax, loan, utility pay, etc until they recover from the crises. In addition, the government should ensure the supply of protective materials such as sanitizers, masks, etc in order to re-build public confidence of the sector. Encouraging domestic visitors through creating awareness on precautionary measures such as wearing masks, keeping physical distance, frequent hand washing, etc as recommended by health professionals can stimulate the operation of the sector.

Academic institutions such as universities, training centers, colleges, research institutes, and others should provide knowledge base advice and support for the sector on how to be successful during and after the Corona virus. Particularly, tourism colleges and training centers should resume learning environment by changing the delivery modality from in-person or face-to-face to on-line options. This effort can be supported by already existing platforms such as application for chat (like telegram), email communication, Face book, YouTube educational lecture videos, etc.

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