

MTMSD 2022**I International Conference «Modern Trends in Governance and Sustainable Development of Socio-economic Systems: from Regional Development to Global Economic Growth»****REVIVAL AFTER THE COVID-19 PANDEMIC: TOURISM
RENOVATIONS IN THE REPUBLIC OF KABARDINO-
BALKARIA**

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Abstract

The article discusses the advantages of the cluster approach as an effective tool for reviving tourism after the pandemic. Over the past few decades, the role of the tourism industry has significantly increased in its importance for the world economy, bringing profit and creating new jobs. But despite its importance this sector is extremely unstable and subject to changes. The outbreak of the COVID-19 coronavirus syndrome in addition to the devastating health hazards of the population of all the world countries caused serious damage to the tourist industry. The authors analyse the experience of one of the subjects of the North Caucasus Federal District-the Republic of Kabardino – Balkaria with the aid of different methods of theoretical research, as well as geographical monitoring and cartographic research, mathematical-statistical, sociological and economic assessment methods. In accordance with the measures of state support, many tourist organizations of Kabardino-Balkaria were able to receive subsidies and loans, tax reductions, prolongation of the terms of advance payments, property tax exemption, microloans and guarantees at reduced rates. The project, implemented by the management company of JSC “Northern Caucasus Resorts”, integrates such investment projects as a recreational complex “Elbrus”, tourist and recreational cluster “Chegem Waterfalls”, mountain tourist and recreational balneological complex “Jly-Su”, all-season resort “Upper Blue Lakes”, the resort of federal significance Nalchik and the cluster of “Atazhukinsky Park”, - is one of the priority strategic state projects aimed at sustainable socio-economic development of the region.

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1. Introduction

Over the last decades the tourism industry impact to the world economy has significantly increased. In 2018 alone, the global tourism sector grew by 3.9% and contributed to the world economy \$ 8.8 trillion and 319 million job vacancies (Kukanja et al., 2020). Nevertheless, despite its economic importance this sector is extremely unstable and largely subjected to political, economic, social and environmental changes (Kolchugina, 2011). Thus, on January 30, 2020 the World Health Organization announced officially an outbreak of severe acute respiratory syndrome of the COVID-19 coronavirus (Gaffney & Eeckels, 2020; Yang et al., 2020). In addition to the devastating health problems, the global pandemic has hit the entire world economy and the international tourism industry in particular. To limit the spread of the disease, governments around the world have introduced various restrictions (social distancing, travel restrictions, borders closure, public lock-downs, etc.), which have suspended economic activity and caused a new global recession. According to some experts, the COVID-19 pandemic consequences for the world economy will be much more serious than those of the Great Depression of the 1930-s and the global financial crisis of 2008 (Fernandes, 2020; Yeh, 2020). By some estimates, due to the pandemic crisis, the global poverty level should increase up to 0.5 billion people (about 8% of the world population) (Sumner et al., 2020), and the revenue contraction will globally increase up to 20%.

According to the Organization for Economic Co-operation and Development, before the pandemic on average the tourism sector provided 4.4% of GDP, 6.9% of employment and 21.5% of export of services in the OECD countries and 6.5% of world exports. However, the data can be significantly higher for some countries where tourism is the main driver of business operations and economic activity, such as France (7.4% of GDP), Greece (6.8%), Iceland (8.6%), Mexico (8.7%), Portugal (8.0%) and Spain (11.8%). Though the European Commission enabled several instruments on EU level for the most affected countries and each member state adapted its own measures in order to reduce the destructive impact of the pandemic, it is quite obvious that the scenarios are not promising, and the situation may worsen due to ripple effects that can lead to subsequent crises, for example, humanitarian or debt (Păunescu & Mátyus, 2020).

Although no economic sector was able to avoid losses, the tourism industry was perhaps the most seriously damaged. According to UNWTO data, in January-October 2020 the number of international tourist trips decreased by 72% compared to the same period of the previous year, which led to financial losses of US \$ 935 billion, which is more than 10 times higher than the losses due to the global economic crisis of 2009. In the Asia-Pacific region the number of arrivals decreased by 82%. In the Middle East, a decrease of 73% was recorded, in Africa there was a drop of 69%. International arrivals to Europe and America fell by 68%. And a very low demand for outbound travel still remains (Prayag, 2020). However, according to UNWTO, some major markets, such as the United States, Germany and France, have shown some tentative signs of recovery in recent months. At the same time in some major markets, such as Chinese and Russian ones, the demand for domestic air travels has mostly returned to a “pre-pandemic” and continues to grow. The decline in international tourism for 2020 is equivalent to the loss of about 1 billion arrivals and 1.1 trillion US dollars. This sharp drop in the international tourism could lead to an

estimated economic loss of more than \$ 2 trillion in global GDP, which is more than 2% of global GDP in 2019 (Qiu et al., 2020).

In May 2020 UNWTO published three scenarios based on the gradual opening of national borders and travel restrictions lifting on different dates, indicating a decrease in international tourist arrivals by 58-78%. Considering that international tourist flows decreased by about 85% in July and 80% in August, the results of the international tourism industry are currently between scenarios 1 (-58%) and 2 (-70%). International travelling almost completely stopped after the closure of most borders at the end of March, and the number of arrivals decreased by 97% in April and by 96% in May. After some destinations gradually opened during the summer season, these figures rose slightly up to -80% in July and -77% in August. However, as sickness cases have become more frequent, many countries have re-introduced or clamped travel restrictions, which led to a decrease in the number of arrivals by 80% in September and by 83% in October. By the beginning of December, most of these restrictions had not been let down, although some countries turned from the policy of the total lock-down to expedient restrictions. However, other major international travel markets, such as Chinese, remained completely closed. So, 2020 ended with a general decrease in the number of international tourist arrivals by 70-75%, which fell under scenarios 2 and 3.

According to the informational and legal web portal Garant.Ru, Russian tour operators, travel agents, carriers and other tourist market participants suffered serious losses after passing “four stages of the industry development in a pandemic”: “fear and panic” (when no one knows what the epidemic will turn into, and what to expect); “complete darkness” (search for solutions); “fluctuation of the candle flame”(hints to the way out); “light at the end of the tunnel” (not the way out yet, but the right direction) (Klyuchevskaya, 2020). And although the touristic sector of Russia does not have the opportunity to plan rationally its future activities yet due to the fact that adaptation to the new economic conditions is quite painful, many companies are working on solving problems and making plans to get out of the current crisis.

In May 2020 RF government announced on the Federal Agency for Tourism website the adoption of a number of supporting actions for tourism industry enterprises. We mean subsidies for tour operators for compensation of losses related to air transportation, access to the personal responsibility fund of the tour operator, a contribution to the reserve fund of the Association of assistance to tourism for 2020, deferral of accounting and industry reporting, reimbursement of airline expenses, refund for canceling and rescheduling events, renewal of licenses, financial assistance to the citizens of the Russian Federation staying abroad, interest-free loans and grants for salaries, urgent needs, utility payments, subsidizing access to borrowed funds at a preferential rate, deferred rent payments, bankruptcy moratoriums, tax sanctions, inspections, tax holidays, reduction of insurance premiums, exemption from personal income tax, and a number of others .

A set of measures for the development of the tourism industry after the COVID-19 pandemic was also proposed by civil society organizations that developed a program for the development of the industry in the following areas: visa policy, hotel business, transport infrastructure, national identity and public catering (Afanasyev & Afanasyeva, 2020). Taking into account the fact that in 2019 alone the industry brought 3.4% of GDP to the Russian economy, civil society organizations suggest the proposed measures

will create favorable conditions for the export of tourist services and will bring several trillion rubles a year to our economy; level off the enormous losses for the industry in the current crisis; create a strong tax base, independent of energy prices; contribute to creation of job vacancies; strengthen the image of Russia; raise the interest in the culture and language of Russia; create incentives for attracting foreign investments .

We consider that one of the most perspective regional scenarios for the revival of tourism after the pandemic is the development of a single tourist and recreational complex in the Republic of Kabardino-Balkaria, which has already been embedded in the strategy of its socio-economic development and can make a significant contribution to the growth of the gross regional product (Goncharova & Khaleeva, 2019).

2. Materials and Methods

As the research objectives include the search for effective resilience measures to ensure the revival of tourism industry after the Covid-19 pandemic via the development of the tourist and recreational complexes (on the example of the republic of Kabardino-Balkaria), we made use of different theoretical and empirical methods.

The methods of theoretical research included analysis and synthesis, structural-system approach and modelling. The most effective empirical methods used were: geographical monitoring and cartographic research, as well as mathematical-statistical, sociological and economic assessment methods.

We also use data of tourists' arrival from different countries and regions to the republic of Kabardino-Balkaria from 2014 to 2021. The data are obtained from the Ministry of resorts and tourism KBR. Additionally, we have included the Ministry of Economic Development of KBR and the Northern Caucasus Resorts' investment projects' data to compare and underpin the results with the previous source.

3. Results and Discussion

The spread of the new coronavirus infection and the need to adopt a number of restrictive economic and social measures became a real challenge for Kabardino-Balkaria. Almost all key industries and enterprises that are of the fundamental importance for the republic economy suffered greatly.

The tourism industry is a strategic area for the republic. First of all, this is due to the numerous tourist and recreational resources that provide facilities for different types of tourism - medical and wellness, cultural and educational, ecological, gastronomic, rural, skiing, etc. The highest mountain peak in Europe Elbrus has become an exclusive tourist brand of Kabardino-Balkaria. It includes more than 220 enterprises, about 16,000 places of accommodation, and more than 5,000 employees. In the period of 2014-2019 the number of tourists to the republic more than doubled and reached 602,000 people. Unfortunately, in 2020, due to the pandemic restrictive measures to prevent the spread of a new coronavirus infection these figures dropped by 11.5% to 540, 000 tourists. As in the whole world, the tourist industry of Kabardino-Balkaria became one of the most affected sectors of the economy (table 1).

Table 1. Indicator of the tourist and recreational complex of the KBR

Indicator	2014	2015	2016	2017	2018	2019	2020
Tourist flow of the KBR, thousands of people	247,7	261,1	300,0	457,3	552,3	602	540

Thus, in accordance with the measures by the Government of the Russian Federation to support small and medium-sized businesses, 108 tourist enterprises of the republic were able to receive state subsidies and loans at 2% per annum. Russian tourist business as a severely affected industry was also supported by tax reductions, prolonged periods of advance payments, a property tax exemption, a set of measures to provide microloans and guarantees at reduced rates.

Efforts to minimize the consequences of the coronavirus infection taken during the past year have already had a beneficial effect. According to the results of the first quarter of 2021 the tourist flow to the republic was over 240,000 people, which is 70 % higher than the same period last year. Of course, the growth of the tourist flow must not be associated only with the closure of foreign destinations. The all-round efforts of recent years to develop sufficient domestic infrastructure, to improve security and quality of services provided also play a significant role. Besides, we can only welcome the implementation of measures to subsidize tourist trips, the state-run tourist cash back program, developed by the Government of the Russian Federation. All tourist destinations of the republic are currently showing a steady increase in attendance.

Now Kabardino-Balkaria has chosen the cluster approach implementation to develop its tourist and recreational zones. The main one is the vicinity of Mt. Elbrus as a special economic zone of tourist and recreational type. The controlling management company of JSC “Northern Caucasus Resorts” has been implementing a project to create an all-season tourist and recreational complex “Elbrus”. In 2020, a new 1,515 m piste from “the Gara-Bashi” station to “the Mir” station was built which lessened the load to the skiing area and increased the attractiveness of the resort. During the period of 2021-2024, JSC “Northern Caucasus Resorts” is planning to construct 4 new cableways, 12 pistes of about 12 km length, 800 new parking places for visitors’ cars, a service center, as well to improve Azau Meadow and to install an electricity grid for skiing. The amount of 9.5 billion rubles financing for this stage of the project has already been included into the federal budget. For 2024 - 2025 it has been planned to build 8 more cableways and 18 new ski pistes of about 21 km length. These measures will make it possible to turn Elbrus into one of the largest ski areas not only in Russia but in Europe (table 2).

Table 2. Milestones for the development of ski infrastructure until 2025

Indicators	2013-2020	2020-2024	2024-2025	Total
Number of cableways, pcs.	1	+ 4 5	+ 3 8	8
Length of cableways, m	1 686	+ 4 207 5 893	+ 3 790 9 683	9 683
Number of ski pistes, pcs.	1	+ 11 12	+ 6 18	18
Length of ski pistes, m	1 515	+ 11 311 12 826	+ 8 985 21 811	21 811

One more project being implemented by JSC “Northern Caucasus Resorts” in the vicinity of Mt. Elbrus in Kabardino-Balkaria is a construction of an all-season mountain tourist and recreational balneological complex “Jyly-Su”. The resort has a direct transport connection with Kislovodsk and can develop cross-functionally with the Caucasian Mineral Waters Resorts. The project involves 3 tourist accommodation zones: a tourist sports complex, a ski complex and a Balneological complex and is planned to be implemented in 3 stages in the period of 2021 - 2029. It will help to create more than 1,000 new job vacancies and provide a tourist flow of 160,000 people per year. The total amount of funds needed to create a highly efficient and competitive complex is about 33 billion rubles, and more than 7.0 billion rubles will be allocated for the construction of external supporting infrastructure - gas supply networks, electricity networks, communication networks, sewage treatment plants, parking lots, and modern highways construction. Currently, extensive works to determine the boundaries of the district of mountain and sanitary protection of the Jyly-Su medical and recreational area are being taken and a draft territory planning is being developed.

Another investment project of great promise is a construction of the all-season tourist and recreational cluster “Upper Blue Lakes” in the Chereksky district of the Kabardino-Balkaria Republic. The cluster will consist of a 6 km length ski piste, 4 km length gondola-type cableway, 5 tourist infrastructure objects, including accommodation, food and beverage facilities, tourist and leisure centers. The total amount of funds needed to create the cluster will amount up to 3,8 billion rubles, and of which 1,2 billion rubles will be spent on engineering infrastructure. The project will create 300 new jobs and increase the tourist flow by 70,000 people per year. The total amount of funding for the project is 240 million rubles.

All these cluster approach projects were devised to attract investment within the framework of public-private partnership. In order to study the possibility of implementing them, the Government of Kabardino-Balkaria sent applications to the Ministry of Economic Development of the Russian Federation and the Federal Agency for Tourism for participation in the state program “Economic Development and Innovative Economy”.

Another high-potential recreational object is the tourist cluster of “The Chegem waterfalls”. The territory is literally “packed” with objects of environmental, architectural, spatial and memorial value. But large-scale tourist infrastructure facilities are not supposed to be developed here. The main task is to raise the popularity of the existing environmental attractions, unique natural and archaeological zones, to promote leisure and family tourism, hiking and motor-car routes and partly extreme sports. In the future, the cluster should be visited by at least 100-150 thousand tourists per year. The key problem that needs to be solved is improving transport accessibility. This is the only large-scale area of potential recreational specialization that does not have an asphalt roadway. The highway construction will allow involving the cluster objects of significant tourist interest in the unified system of recreational zoning of the republic.

One of the competitive advantages of Kabardino-Balkaria is its extensive network of sanatorium-resort institutions. As part of the development of the Resort of Nalchik, there is a possibility of the investment project “The tourist and recreational cluster Atazhukinsky Park” implementation, aimed at the integrated improvement of the resort city by means of the construction of new and modernization of existing sanatorium-resort and tourist facilities, reconstruction of the mineral pipeline, engineering

communications and transport infrastructure. This will make a significant contribution to increase the sanatoriums capacity up to 10,000 and the number of tourists up to 150,000 people annually. The total amount of funds needed will be about 12 billion rubles. In order to study the possibility of this project implementation, the Government of Kabardino-Balkaria sent an application to the Ministry of Economic Development of the Russian Federation for participation in the state program “Development of the North Caucasus Federal District”. In addition to the possibility of including these investment projects in the existing federal state programs, the launch of the national project “Tourism and the Hospitality Industry” will also be of great help.

We also use data of tourists’ arrival from different countries and regions to the republic of Kabardino-Balkaria from 2014 to 2020 (72 months). The data are obtained from the Ministry of resorts and tourism KBR

Additionally, we have included the Ministry of Economic Development of KBR and the Northern Caucasus Resorts' investment projects' data to compare and underpin the results with the previous source.

4. Discussion

The main goal of Kabardino-Balkaria (as well as of any other entity of RF trying to develop domestic tourist industry) for the period up to 2025 is to ensure the growth of the tourist flow, in our case - up to 1 million visitors per year. There is also an urgent need to increase the efficiency of the therapeutic resort centers, to create large investment projects and attract new investments to the industry, to increase the quality of services provided, to develop new modern tourist destinations and to promote them in the Russian and international tourist markets. Thus, turning to the problematic issues and obstacles in the investment component of the tourist and recreational sphere of the republic, it is necessary to focus on the questions that are of equal relevance for all the North Caucasus Federal District as a whole.

One of the points of the concern lies in the functioning of Institutes for development. We mean the low-level way they render support and assist the industry providing cash loans at preferential interest rates for the implementation of investment projects. It should be recognized that the procedures for considering investor applications are very time-consuming, unnecessarily bureaucratic and require additional financial expenses from the loan originators (for example, he may be forced to pay for financial and technical audit reports and marketing research performed by specialized organizations, which ultimately give an adverse audit opinion). Sometimes there might be a real incongruity when commercial borrowing turns out to be more attractive than concessional financing from the Institutes for development. This is despite the fact that the North Caucasus Federal District entities have always been in the zone of increased investment risks, and credit organisations approve financing entrepreneurs often only on terms significantly less expedient than on average for the rest of the Russian Federation.

Another important matter to get through is the practical implementation of the national project “Tourism and the Hospitality Industry”. It is assumed that regional budgets will have to provide a significant share of the costs in the form of co-financing within the framework of program activities. The development of tourist and recreational zones within the North Caucasus Federal District assumes unusually high charges for the infrastructure modernization and construction of new facilities. And if the transport and roads are in a satisfactory condition, the same cannot be said about engineering, communal

and energy infrastructures. The national project participation will require additional reserves in the regional budgets, which are already mostly deficit-ridden. Accordingly, regions with better fiscal capacity, which are capable for large investment projects co-financing, will receive competitive advantages.

It becomes quite obvious that by the analogy with other national projects it is necessary to reduce the level of financial participation of regional budgets, or to establish a preferential procedure for co-financing from the budgets of the North Caucasus Federal District entities when implementing projects within the framework of federal programs included in the national project “Tourism and the Hospitality Industry”.

5. Conclusion

It is obvious that the global pandemic of COVID-19 encouraged many tourism researchers all over the world to study the industry resilience to the crises and its impact on individuals, businesses, communities, and nations. Moreover, social costs of tourism as well as appropriate post-pandemic recovery actions by local authorities and tourism organizations should be under discussion not only in science terms but more in terms of their practical application.

It should also be noted that this year COVID-19 has seen a significant increase in the number of experiments in transforming a destination into a digital/virtual experience. According to various analytical agencies, IT companies and travel industry experts, the following trends in digital tourism can currently be talked about:

- i. Personal experience
- ii. Chatbots and artificial intelligence for recommendation systems
- iii. VR and AR to demonstrate an attraction or destination, or as a stand-alone excursion product
- iv. Integration of all elements of the consumer experience in mobile devices
- v. Speech, video, and audio recognition technologies to create offers and facilitate the use of services and security.

Thus, the following cases may be considered for implementation in the Kabardino-Balkaria tourism cluster:

- i. Mobile phone applications interactive guides and navigation applications, e.g., mobile guidebook.
- ii. VR /AR technologies providing a quick and comprehensive introduction to the intended destination. By using virtual reality technologies, the customer can engage not only their visual senses, but also their hearing, smell and touch and receive more accurate data on which to base their travel decisions.
- iii. Neuromarketing for modelling product offers and communications

There is no doubt that all the entities not only of the North Caucasus Federal District but the Russian Federation in general, which have certain recreational potential, are welcoming the advantages of the national project in the field of tourism. This is an effective opportunity to improve the infrastructure of both old and new tourist destinations via the federal center support. Another important tool, in our opinion, should be the measures announced by the President of the Russian Federation in his address to

the Federal Assembly to support the regions and aimed at the long-term sustainability of regional and municipal finances and independence of the regions.

Of course, many representatives of the tourist industry have felt the negative consequences of the pandemic, but the expected decline in the disease rate and federal support give hope that tourism will be able to recover in the very near future. The COVID-19 pandemic is having far reaching impacts to the tourist industry, but despite the fact that the arrival of tourists to Kabardino-Balkaria Republic has reduced by 11,5% in this period compared to the previous data, it created an opportunity for the development of domestic tourism that now target mainly on domestic visitors with the possibility of later expansion to foreign tourists.

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