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CHALLENGES OF THE TOURISM SECTOR IN LITHUANIA IN THE CONTEXT OF THE COVID-19 PANDEMIC: STATE AID INSTRUMENTS AND THE EFFICIENCY OF THE TOURISM BUSINESS SUPPORT

Abstract. At the beginning of 2020 Lithuania, and many other European countries, introduced quarantine and began restricting movement across the country's borders. The imposed restrictive measures have greatly impacted and led to the stagnation of tourism sector. Due to the COVID-19 pandemic and travel restrictions, the number of international tourist arrivals sharply decreased. In 2021 the majority of restrictions have been eased due to the decreasing morbidity, but it did not reinstate the tourism into the previous level. According to statistics, the decline in tourist flows in Lithuania in 2021 still continued, albeit the decrease was smaller. The increase in the number of local tourists (especially in 2021) has somewhat compensated the loss of international tourism, but has not changed it. The tourism business is still going through a difficult period.

This article emphasizes the issues of local and inbound tourism business in Lithuania in the context of Covid-19 pandemic. The greatest attention is placed on the instruments proposed by the Lithuanian Government to mitigate the negative consequences of the pandemic on tourism service. The research combines secondary and primary data sources. Secondary data was used for the analysis of official Lithuanian statistics in order to introduce general trends of the development of tourism sector during the last decade. Primary data was received using the methods of focus group and survey (a questionnaire to collect data sets from tourism business enterprises in Lithuania). The statistical

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analysis revealed that the difficult situation was noticed in all fields of tourism sector, however, the main losers of the pandemic were those relying on the international tourist. The analysis of official documents disclosed, that even though the tourism business was able to benefit from the variety of offered governmental aid packages in 2020–2021, the quantity and quality of support was not enough and strongly criticized. Our survey results pointed out the instruments that were most effective among the tourism enterprises. Moreover, from the collected answers we noticed, that at least part of tourism enterprises took the opportunity to use the support not only for compensation of pandemic related costs but also to look forward and the received financial support invested in innovative solutions in the tourism business, so pandemic potentially had some positive effects as well. Also, the survey results reviled that there are considerable opportunities for tourism related development of the nature rich, non-metropolitan regions, though at the moment these activities quite often remain outside the market relations and do not produce new incomes and jobs.
Key words: tourism sector, tourism business, COVID-19 pandemic, state aid instruments, Lithuania.

1. INTRODUCTION

The rapid development of the tourism sector in the 21st century was influenced by the general development trends of the society in Lithuania and around Europe. Tourism became one of the most popular leisure activities and the needs of tourists were constantly growing (State Department of Tourism, 2015). For this reason, Lithuania paid strong attention to marketing and promoting the country as an unexplored destination, a kind of 'terra incognita.' A lot of effort was made to increase the regional competitiveness of tourism enterprises in Lithuania. The measures that had been taken were rather effective and between 2015 and 2019 the tourism sector was steadily and rapidly growing (Lithuania Travel, 2020a).

The COVID-19 pandemic, which spread worldwide at the beginning of the 2020, affected all fields of life (Abbas *et al*., 2021; Aldao *et al*., 2021). The negative influence on the tourism sector was obvious and discussed right at the beginning of the pandemic (Seyfi and Hall, 2020; Škare *et al*., 2020; Gössling *et al*., 2021). Different measures were introduced in countries affected by the pandemic to reduce the spread of the virus (Capano *et al*., 2020; Cheng *et al*., 2020; Moon, 2020; Hale *et al*., 2022). One of the measures that influenced the tourism sector greatly was the restriction of the movement not only between countries but also within them (Tian *et al*., 2020; Dunford *et al*., 2020; Chinazzi *et al*., 2020; Shortal *et al*., 2021). Therefore, 2020 and 2021 became challenging years for many sectors of the economy, especially for tourism (Napierała *et al*., 2020; Lithuania Travel, 2020a; Abbas *et al*., 2021). The introduced restrictive measures have led to the stagnation of tourism sector (Yeh, 2021). Travel by air was damaged the most and was partly replaced by travel by car and other land vehicles (Knezevic *et al*., 2021). Such changes to the modes of available transportation, in combination with various legal restrictions, reduced long range trips and made Lithuania less reachable for tourists from more distant European and other countries worldwide. Due to the COVID-19 pandemic and travel restrictions, the number of international tourist arrivals decreased in Lithuania in 2020 by 73 percent. The moderate decline of international tourism persisted even in 2021 (Statistics Lithuania, 2022). Though a growing number of domestic trips had some positive impact, many tourism service providers have remained in a very difficult position, as the negative impact of the COVID-19 pandemic was prolonged by the conflict in Ukraine. The conflict involves neighbouring countries and creates uncertainty for the future of the whole region. Tourism destinations and timing of domestic tourism trips differ sufficiently from international ones, so the COVID-19 impacts were different in different regions at different time.

The pandemic has caused a major shock to the global and the European Union's economies in general, and Lithuania is no exception. Therefore, a coordinated and appropriate economic response of all countries is essential to mitigate the negative effects of the COVID-19 outbreak (National Audit Office, 2021). In this paper, the main aim is to pay greatest attention to instruments proposed by the Lithuanian Government to support the tourism business and to the efficiency of the state aid offered as assessed by tourism enterprises. This paper emphasizes the issues of domestic and inbound tourism business in Lithuania. The results of the paper could be used as recommendations for more effective measures for a future crisis.

The paper is structured as follows. The next section concentrates on the introduction of a methodological background, highlighting the theoretical approaches to the tourism sector and COVID-19 pandemic issues. Next, the data and methods used in the analysis are explained. The third section introduces a brief analysis of the main tourism indicators that presents the general trends of local and inbound tourism business development in Lithuania. Further, the paper focuses on the evaluation and explication of legal documents declaring state aid measures, indicating governmental aid instruments and programs issued to support the tourism business. Following this in-depth secondary data analysis, the primary data of the research is presented stressing the results of the comprehensive sampling and emphasizing the answers of respondents concerning the expedience and efficiency of the offered state aid measures. Finally, we provide concluding remarks.

2. METHODOLOGICAL BACKGROUND

2.1. Theoretical approaches

During the pandemic, the tourism sector had become a major beneficiary benefiting from the general economic stimulus and support measures provided by governments. The World Tourism Organization has tried to collect various responses from countries and international policy to mitigate the effects of the COVID-19 crisis in the travel and tourism sector (UNWTO, 2022c). Most countries have responded with different support measures. The immediate and urgent response consisted of fiscal relief and financial support for SMEs and self-employed workers, another group of measures aimed at the promotion of job retention and liquidity of SMEs, and the final package of measures was related to restarting tourism and the promotion of domestic tourism (UNWTO, 2020). However, UNWTO noticed that a key challenge has been the need to ensure that support reached the actual economy (UNWTO, 2020). OECD (2020) also provided analysis for governments' responses to facilitate recovery in the short, medium, and long terms.

At first, governmental support had been focused on the immediate response and mitigation of the impact of the crisis, e.g., to protect visitors and employees and ensure business continuity following the imposition of containment measures (OECD, 2020). Broad stimulus packages for the economy often included some liquidity injections and fiscal relief (e.g., through loans, tax holidays or postponements, and guarantee schemes). Practical measures and solutions intended for tourism differed from country to country, and the speed of recovery has depended on global health issues and economic developments.

However, beyond the immediate priority of mitigating the impact of COVID-19, there is a need for the tourism sector to re-evaluate resilience strategies and prepare for future crises. On the one hand, the post-pandemic period is the period to examine the efficiency of various crisis management policies applied by national governments and international organisations (Gearhart *et al*., 2022). On the other, it is a good time to take stock of short and long-term aid measures taken during the crisis. Sharma *et al.* (2021) have indicated that governments have become significant players in the tourism economy by offering various financial support measures. However, governments should strike a balance between economic support and response to public health imperatives preventing the collapse of health systems and mass deaths (Higgins-Desbiolles, 2020).

Various studies related to the impact of COVID-19 on tourism and the possible transformations of the tourism sector started in early 2020. Research can be divided into several areas. The first focus has been research on tourism trends and renewal scenarios after the end of the COVID-19 pandemic (e.g., Zhang *et al*., 2021, Lew *et al*., 2022). A second focus is research on tourism adaptation and opportunities during a pandemic (Collins-Kreiner and Ram, 2021; Liutikas, 2021). Another focus is related to studies on the impact of a pandemic on the tourism sector (Hall *et al*., 2020; Higgins-Desbiolles, 2020; Škare *et al*., 2020), and the last focus is the analysis of the problems of post-pandemic tourism sector renewal (Sharma *et al*., 2021; Hussain and Fustè-Fornè, 2021; El-Said and Aziz, 2022). Many authors perceive the COVID-19 pandemic also as an opportunity to change former trends making tourism much more sustainable and resilient in the future (e.g., Benjamin *et al*., 2020; Brauder, 2020; O'Connor and Assaker, 2021).

A number of studies on tourism have investigated crisis management strategies and tourism resilience (Lew, 2014; Butler, 2017; Prayag, 2018; Cheer and Lew, 2018; Hall *et al*., 2018; Filimonau and De Coteau, 2020). However, the current COVID-19 pandemic is perceived as having more long-lasting consequences than the previous crises (Higgins-Desbiolles, 2020). The analysis of government response and the evaluation of the measures intended to support the travel and tourism sector during the COVID-19 pandemic could be attributed as the fourth area of the tourism research in the context of the COVID-19 pandemic. Some studies (Volgger *et al*., 2021; Wong and Lai, 2021) have already tried to fill the gap of testing the effectiveness of various support measures in the tourism sector.

The designed measures used by the government are determined by various factors. Elgin, *et al*. (2021) have noticed that governments seeking re-election tend to respond more aggressively to catastrophic events by adopting expansionary policies to improve the economic situation. However, this motivation could contradict the policies of monetary authorities (Elgin *et al*., 2021), whereas potential beneficiaries may want even more support.

It is important to pay attention to the regulation of state aid in EU countries. According to the EU, a company receiving government support may gain a distortive advantage over its competitors (European Commission, 2022a). The EU requires prior notification of all new state aid measures. Such exceptions exist as aid covered by a Block Exemption, *de minimis* aid or aid granted under an aid scheme already authorised by the Commission. However, on 19 March 2020 the European Commission approved a State Aid Temporary Framework that made the rules more flexible for companies that needed support because of the crisis caused by the outbreak (European Commission, 2022b).

Tourism stakeholders in various countries have been discussing the future of tourism. Long-term support measures could be related to the transformation of the tourism sector, the application of innovations and investments in new technologies, and the promotion of sustainable or environmentally friendly tourism. From the perspective of effective management, there is a need to ensure that the sector will be ready to resume and continue innovating and transforming (OECD, 2020). Effective support could make structural changes and address expectations of tourism sector. Diversification and a shift to more sustainable tourism models could help shape the recovery from a future crisis.

2.2. Methods and data used

The study is based on quantitative and qualitative data analysis. Secondary quantitative sources have helped to indicate major tourism sector development trends and governmental responses (legal documents have been analysed). The analysis of primary data, which has been acquired during a focus group discussion and a survey of tourism enterprises, provided opportunities to establish the response of tourism stakeholders to ongoing challenges and governmental support.

The secondary source of data for the analysis includes official statistics (Eurostat, 2022; Statistics Lithuania, 2022; UNWTO, 2022a) on tourism business indicators. In order to gain an understanding of the development trajectories of the tourism sector in recent decades, statistical indicators were analysed and presented in the paper in the following chapter. The paper mainly discusses the development trends of inbound and local tourism indicators. Also, apart from statistical data, EU and Lithuanian legal documents were another essential secondary source of information. A review of literature, related to COVID-19 tourism sector policy, was also performed. The detailed analysis of officially available instruments that were proposed and introduced by the Lithuanian government as a state aid measure created a background for further study where respondents provided their opinions about the effectiveness of these support measures.

The primary data was collected using two ways: during a focus group discussion and by completing in-depth questionaries. The main criterion behind the selection of respondents for the focus group was their expertise (work experience, active involvement in tourism business, and leading position). The focus group discussion occurred at the beginning of February 2022 and involved 10 tourism business experts, including representatives of the Ministry of Economy and Innovation, Lithuanian tourism association, Lithuanian guides union, the head of the tour operator enterprise, guides, and other experts. The data collected is qualitative; it was transcribed and analysed. The focus group discussion lasted for three hours and the representatives shared their experiences, challenges, and problems related to the COVID period, and they named future forecasts, visions, and expectations towards the government.

Another step was comprehensive sampling. The questionnaire survey was implemented in two ways: in-person at the Adventur tourism exhibition (February 2022) and via telephone and e-mail (February and March 2022). The research involved different types of tourism business enterprises (tour operators, specialised guides, walking/ bike-riding/ boating tours organisers, etc.), working in the field of inbound and local tourism. The questionnaire consisted 7 closed, 12 semi-closed and 19 open-ended questions. In total, 95 questionnaires (sample size) were sent to eligible tourism enterprises located in different Lithuanian cities and regions. Some enterprises reclined to fill the questionnaire due to its length and comprehensiveness, others refused to answer indicating the intense working period after COVID-19 as the main reason. One more group of rejections was related to suspensions (or bankruptcy) of enterprise activities. Therefore, eventually the sample consisted 52 completed questionnaires (which accounts for 54.74 percent of eligible tourism enterprises), compiled in an Excel spreadsheet, and analysed. The answers of the respondents were grouped and clustered into tables. Such clustering helped us exclude similarities and differences of the mentioned opinion points by the respondents, and also count the percentages of answer points and present them in tables in further chapters.

The questioners and the focus group discussion were based on the same question groups in order to collect the widest possible range of views and opinions from different tourism experts on similar issues. The questions were structured into five main groups: general evaluation of the situation, state (governmental) aid, innovations, local tourism and regions, sustainability, and climate change. In general, the questionnaire consisted of 38 questions. In this article, the greatest attention was paid to the first two and the fourth group of questions, and especially to the answers to the questions that discussed the governmental aid instruments, their benefits, and efficiency.

The primary data collected enabled us to better understand the situation of tourism business from the inside and the problems that the COVID-19 outbreak caused for tourism enterprises.

3. THE GENERAL TRENDS OF THE TOURISM SECTOR IN LITHUANIA

The tourism sector was among the fastest growing economies during the whole 21st century, but the increase was especially fast during its second decade, when most important tourism indicators increased approximately twofold (Fig. 1) (Statistics Lithuania, 2022). The growing numbers of tourists, trips, and tourism service providers were especially evident in the international tourism sector, while the trends of domestic tourism were mostly stable, which also meant that investments in the tourism sector were growing, a lot of new hotels were under construction when the pandemic struck. The situation changed drastically in 2020, when the COVID-19 pandemic made its decisive impact, first of all, on international travel conditions. The number of foreign tourists in 2020 decreased more than threefold (from 1.74 to 0.53 million). The decrease in Lithuanian tourists was only 15% (Statistics Lithuania, 2022). Naturally, similar trends were evident in tourist trips (Fig. 1).

Such changes in tourism flows have made certain visible though less drastic impacts on the tourism economy. The decrease in the number of accommodation establishments was first recorded in 2020, when the number of accommodated tourists dropped twofold (from 3.64 to 1.89 million). Obviously, the drop was caused by the diminishing number of foreign tourists, whose share among the accommodated persons also dropped twofold (from 52.2% in 2019 to 26.7% in 2020) (Statistics Lithuania, 2022).

As in most countries, in Lithuania the major suppliers of tourists were neighbouring nations: Belarus, Russia, Poland, Latvia, and Germany (Statistics Lithuania, 2022). The new trend of recent years, i.e., the growing numbers of tourist from Ukraine as growing labour migrations, resulted in much better air connections with this country. The non-EU states of Belarus and Russia constituted more than a quarter of all inbound tourists, which had major consequences in the context of COVID-19-related travel regulations.

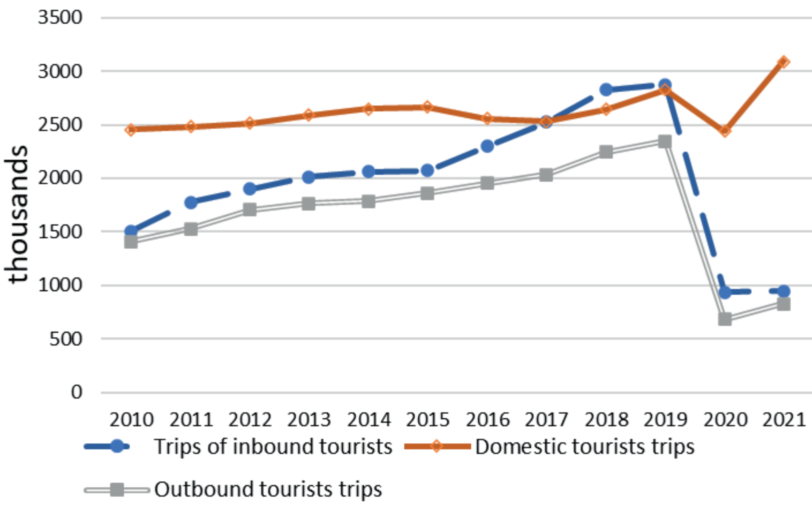

Fig. 1. Number of tourists trips in Lithuania 2010–2021 (2021 provisional data)
Source: authors' own work based on Statistics Lithuania, 2022.

The COVID-19 pandemic has had a clear negative impact on tourism around the world, but the scale of the impact differed between regions. The number of inbound tourist trips decreased by 69% in Europe, while the decrease in North European countries reached 74% (Word Tourism Barometer, 2022). Some recovery of tourism was seen in the EU in 2021 (the number increased by 14%) but this recovery was highly polarised spatially. Southern Mediterranean countries experienced a growth of 57%, while a further decrease was evident in north and west European countries (tourist trips decreased by 30% and 10%, respectively) (Word Tourism Barometer, 2022; UNWTO, 2022). The trends of inbound tourism trips in Lithuania were similar to those in other north European countries (–73% in 2020), though the decrease in 2021 was minimal (–1%). (Statistics Lithuania, 2022; UNWTO, 2022a).

The scale and timing of the decrease could be at least partly explained by the high share of non-EU citizens among foreign tourists because the laxing of travel restrictions has had no effect for tourists from these countries. Vilnius and major seaside and SPA resorts were suffering from the loss of these tourists, while rural tourism was not among important destinations of east European tourists (Kriaučiūnas, 2016). The actual disappearance of Russian tourists already in 2020 could mean that the impact of the Ukrainian war would be less negative for tourism economy that it could have been.

The decision to create a "Baltic travel bubble" in the early summer of 2020, which actually freed traveling between three Baltic countries, has had a positive impact as the number of tourists from these countries increased, but growing opportunities for travel around Europe in 2021 meant that Lithuania became a less popular destination for Latvian and Estonian visitors a year later (Fig. 2). The initiative to repeat the Baltic bubble in 2021 was rejected by the Lithuanian government in 2021 (Macius, 2021).

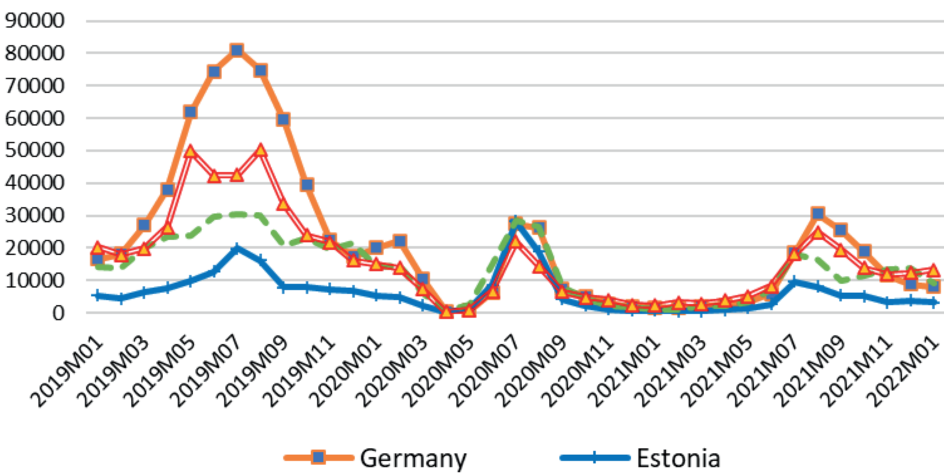

Fig. 2. Nights spent at accommodation establishments in Lithuania 2019–2021. Some key countries

Source: authors' own work based on Statistics Lithuania, 2022.

The major positive impact of the decrease of international tourism flows was related to the increase of domestic tourism, which generally is more sustainable at least due to shorter distance and more environmentally friendly means of transportation. This trend was evident in the whole of Europe in 2020 as the share of domestic trips increased from 55% to 69% of all tourism trips (Knezevic *et al.*, 2021). Not only the share but also the general number of nights spent in tourist accommodation establishments grew in Lithuania during the COVID-19 years even though travel restrictions were sometimes imposed on cross-municipal journeys. Fortunately, these quarantine restrictions occurred during the off-season period. This, however, increased seasonal fluctuations of tourism, which causes additional problems for tourism service providers. The share of Lithuanians among accommodated persons increased from 52% in 2019 to as much as 79% in 2021 (Lithuania Travel, 2022), but the slightly growing numbers of Lithuanian tourists were not able to compensate for the sharp decrease of foreign tourists in 2020. However, as Figure 3 shows, domestic tourism was the major factor of the growth of accommodation services in 2021 (number of nights spent increase by 13%) (Eurostat, 2022).

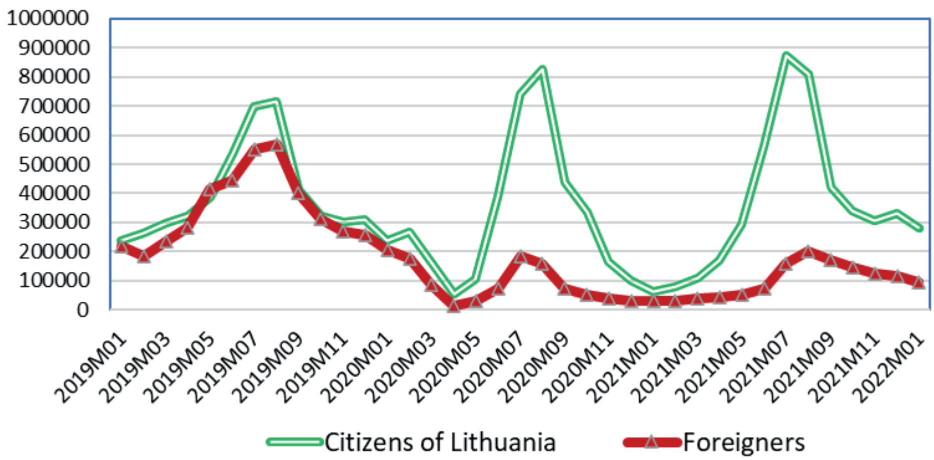

Fig. 3. Nights spent at accommodation establishments in Lithuania 2019–2021
Source: authors' own work based on Statistics Lithuania, 2022.

Finally, while discussing the impact of the pandemic on the tourism economy in Lithuania, we also should mention that the general trends of the sector do not necessarily reflect the trends at the local scale. Tourism enterprises operate in very different regions, and they depend on very different markets. Obviously, the main losers of the pandemic were those relying on international tourism, especially important in the major tourist destinations – metropolitan cities and resorts. While Lithuanian resorts were able to offer their services to Lithuanian guests, big city firms, such as higher-end hotels, had very limited opportunities to shift from their usual customers. Domestic tourism regions, such as rural nature-rich areas, have even benefited from foreign trip restrictions. The data of the state insurance company Sodra on the salaries and employment in hotels around Lithuania confirms this. The employment of the 30 biggest hotels in major cities dropped by 25–30% in March and April 2020 (compared to the same period in 2019), and it remained at that lower level at the begging of 2022. More than 2,000 employees worked there during the high season in 2019 and this number reached only 1,500 in 2020 and 2021. However, this halted period did not make a long-lasting impact on the salary levels in the sector, which grew at a similar pace as in the whole economy. The spring drop in employment in the biggest hotels in resorts was evident as well but reached the usual level already in the summer of 2020 and grew even more in

2021. The fluctuations in employment in hotels in other Lithuanian municipalities were minimal. A visible reduction in the number of employees was evident only in a short period in the spring of 2020, but in general these hotels have lost less than 10% of their staff. Summarising, we may state that so far the tourism economy of metropolitan areas has experienced more severe consequences of the pandemic and related restrictions, and there have not been any signs of a fast revitalisation of the sector so far (Sodra, 2022).

In order to mitigate the negative pandemic repercussions on the economy (including the tourism sector), the Lithuanian government offered special aid instruments that are further discussed in the following section.

4. GOVERNMENTAL AID INSTRUMENTS ISSUED TO SUPPORT THE TOURISM BUSINESS

2020 and 2021 became challenging years for many economic sectors in Lithuania, but the negative impacts varied greatly. Tourism was among the most damaged sectors and, therefore, it was included in the "List of restricted and indirectly restricted economic activities during the quarantine" (Minister of the Economy and Innovation, Minister of Social Security and Labour, 2020).

Based on UNWTO estimates, the number of international tourists will reach its pre-pandemic level in only 2.5–4 years (Lithuania Travel, 2020a). The inbound tourism organisers underline that the number of orders from international travellers decreased drastically – by even 95% in 2020–2021 (Statistics Lithuania, 2022). On 16 March 2020, the Lithuanian Government declared a national quarantine in Lithuania. People were obliged to stop travelling to and from the countries and territories affected by the COVID-19 outbreak. In December 2020 even the restriction to travel and move inside Lithuania territory (to cross the boundaries of municipalities) was imposed for those who did not have property or jobs in other municipalities. In response to the pandemic situation and stagnation of economic sectors, the Lithuanian Government implemented the "Plan aimed to promote the economy and reduce the effects of the spread of Coronavirus (COVID-19)" (hereinafter "the Plan") (Government of the Republic of Lithuania, 2020). The Plan provided instruments to cover five underlined objectives: (1) ensure the resources needed for the healthcare and public protection systems to function effectively; (2) to help preserve the workplace and the income of the general public; (3) to help businesses maintain liquidity; (4) to stimulate the economy; and (5) to ensure the liquidity of the state treasury. Meanwhile, tourism promotion instruments were covered under the third and fourth objectives and will be discussed in this chapter in more detail.

The main legal basis regarding the approval of the instruments issued by the Government of Lithuania was the EU document "Communication from the Commission: Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak" (European Commission, 2020). The Communication aimed "to lay down a framework that allows Member States to tackle the difficulties undertakings are currently encountering whilst maintaining the integrity of the EU Internal Market and ensuring a level playing field" (European Commission, 2020, p. 4). Also, the legal document indicated the possibilities that states had under EU rules to ensure liquidity and access to financing for undertakings. It is believed that "Targeted and proportionate application of EU State aid control serves to make sure that national support measures are effective in helping the affected undertakings during the COVID-19 outbreak but also that they allow them to bounce back from the current situation" (European Commission, 2020, p. 3). The EU document has introduced several temporary state aid instruments, where four of them are applicable for the tourism business (Fig. 4).

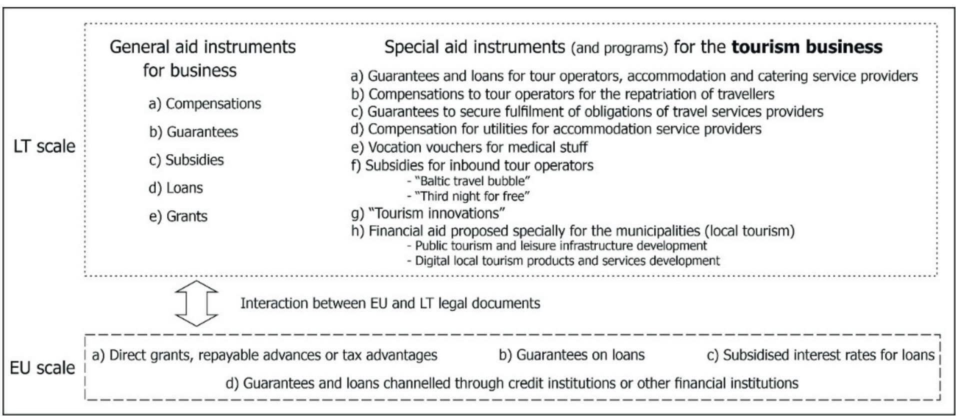

Fig. 4. Aid instruments issued to reduce the effects of the COVID-19 pandemic, ensure the liquidity of the tourism business, and promote the transformations of the tourism sector in general

Source: authors' own work based on legal documents presented in the chapter.

Even though different instruments offered various forms of aid to support the internal market, the main conditions that enterprises had to meet were rather similar (European Commission, 2020; Minister of the Economy and Innovation 2020a; Minister of the Economy and Innovation 2020a, 2020b, 2020c). The enterprises that applied for the state aid had to meet special requirements. First of all, they were obliged to prove based on official documents and registered financial reports that they were not in difficulty at the end of 2019 (before the pandemic's outbreak). Also, some instruments were separated and dedicated exclusively to small and medium enterprises (SMEs) or only to big companies. Each form of aid was granted based on a scheme with an estimated budget, and the maximum amount of the possible aid for the enterprise was defined. Furthermore, the state aid had the official and clearly declared deadlines (that in some cases it could have been extended).

In the Lithuanian case, two of five objectives that were established in the Plan were directed towards business and tourism. The proposed aid instruments were managed and implemented by several governmental institutions (Invega, Lithuania Travel), the Agency for Science, Innovation and Technology (MITA), and administrations of municipalities, where the Ministry of Economy and Innovation played the leading role.

The Plan provided for the loans to be granted as a matter of urgency, deferring, or rescheduling taxes on an agreed schedule without charge. Also, there was the declared intention to suspend the process of recovering the tax arrears, to exempt taxpayers from fines, and to make it possible to defer the payment of personal income tax. Furthermore, in the Plan there were aid instruments involved that enabled one to defer or reschedule the payments for consumed electricity and natural gas to the state company Ignitis (the main provider of gas and electricity in Lithuania). Additionally, the duties for municipalities in accordance with the aid instruments were also mentioned in the Plan. Municipalities were suggested to consider the pandemic situation and exempt businesses from commercial real estate, land taxes, and allow the enterprises to postpone or reschedule payments for the heating and other services (Government of the Republic of Lithuania, 2020).

Most businesses affected by the pandemic could only benefit from general aid instruments offered by the state, whereas the tourism sector had access to both general measures (tax deferrals, loans, compensations, subsidies, etc.) and measures intended exclusively for them (Fig. 4). The general aid instruments could be classified into several main groups which could be subdivided into smaller and more detailed subgroups (Government of the Republic of Lithuania 2020; Invega 2022a, b). The aid instruments could only applied for by those business enterprises that were included in the “List of restricted and indirectly restricted economic activities during the quarantine” (Minister of the Economy and Innovation, Minister of Social Security and Labour, 2020).

As the figure Fig. 4 indicates, the special aid instruments for the tourism business differed in terms of their scales, formats, and budgets. Tour operators could apply for *loans* that made it possible to reimburse tourists for cancelled trips, while the accommodation providers and catering institutions using state offered loans could cover their basic costs (Minister of the Economy and Innovation, 2020a). Another state aid program for the tourism enterprises consisted of offering insurance guarantees (Minister of the Economy and Innovation, 2020b). The purpose of the program was to offer a guarantee for covering a part of the insurance or guarantee benefit paid by the insurance company under a surety insurance contract. With this aid program, the state sought to maintain the tourism business viability and to share the risk with the insurance and financial enterprises that helped tourism firms. Also, the government proposed an aid instrument in the form of compensations to tour operators for the repatriation of travellers (Minister of the Economy and Innovation, 2020c). With this program, the intention was to help financially the tourism enterprises to transport tourists from abroad after the pandemic situation was announced. The most recent aid programs were provided by the Ministry of the Economy and Innovation in February 2022 and are still under governmental consideration. One of the proposed projects offers partial compensation for utilities for accommodation service providers. This instrument aims to cover actually experienced fixed costs of natural gas, heat, and electricity, while the second instrument provides subsidies for inbound tour operators. Under this instrument, an organiser of inbound tourism is going to be granted a subsidy of up to 30,000 euros (the amount will depend on the number of invited tourists) for foreign tourists brought to Lithuania (Ministry of the Economy and Innovation, 2022).

The Government also launched smaller and more specific aid projects which also were supposed to support the liquidity and viability of the tourism sector. One of such projects was named "Vocation for medical stuff" and offered 200 euros vouchers for Lithuanian healthcare system personnel (Lithuania Travel, 2020b). The project was implemented in the autumn of 2020 and the main idea was to thank the personnel of the healthcare system for their work during the pandemic period and to maintain the viability of the local tourism market. The project was open to tour operators, travel agents, transport, entertainment, accommodation, and catering service providers. The majority of the vouchers were used for accommodation, health, and SPA services in Lithuanian resorts.

The government, together with the Ministry of the Economy and Innovation and the tourism promotion agency Lithuania Travel, suggested a number of marketing initiatives as aid instruments for the tourism sector. The purpose of such marketing projects was to attract and increase inbound tourist flows, to maintain flights and other tourism infrastructure, and particularly to promote domestic tourism. In addition, the marketing instruments were designed to increase Lithuania's attractiveness in the international context (at least among the neighbouring countries). Following the offered aid concept, the awareness of the state was increased using the special promotional campaigns in target foreign markets and also in Lithuania. Attempts were made to attract potential customers by introducing them to exceptional Lithuanian tourism products, offering special sales, and promotion actions.

One such marketing program was introduced in the summer of 2020 and named the "Baltic travel bubble" when Lithuania, Latvia and Estonia opened their borders to the people of these countries without mandatory self-isolation. Even though the period when the "bubble" was functioning was rather short (it might be also noticed in Fig. 2), it was declared that this aid instrument had greatly helped the accommodation, catering, and other tourism service providers. The program not only allowed businesses to reopen, but also became an example of regional cooperation (Ministry of the Economy and Innovation 2021a; Lithuania Travel 2020c).

In the autumn of 2021, the government suggested another marketing project to help tourism businesses, exclusively dedicated to accommodation providers. The aim of the *Third night* project was to encourage foreign and local travellers to stay in accommodation institutions longer (Ministry of the Economy and Innovation, 2021b). The project offered to cover the cost of the third night up to 65 euros. It was initially an internationally promoted marketing project; therefore, it received some attention from foreign media and travellers. More than 150 articles about the campaign were published in foreign media and travel portals, but the results of this instrument were criticised in Lithuanian media (Brimeris, 2021).

The Ministry of the Economy and Innovation also initiated the *Tourism innovations* aid instrument, the aim of which was to transform the tourism sector by encouraging the introduction of innovations and digital technologies in order to stay competitive during the COVID-19 pandemic, and to offer new experiences afterwards (Minister of the Economy and Innovation, 2021a). A great range of tourism business entities (associations, tourism information centres, tour operators, accommodation providers, and others involved in the tourism business) were able to submit project proposals. With the help of this instrument, new tourism products and services were developed, such as self-service terminals allowing guests to independently check in, thus saving energy and providing user-friendly remote room environment management systems, individual/solo tours and routes using the software. New voice-reading, translation, photography, filming, and communication tools were introduced as well. Travel agencies also developed new travel routes around Lithuania, and purchased innovative guide equipment. As the governmental evaluations and further presented results of our survey show, this aid instrument could be indicated as one of most attractive and successful (Ministry of the Economy and Innovation, 2020).

With the release of the Plan in 2020, the government declared that around 1,424.5 million euros would be devoted to help businesses to ensure liquidity and another 1,418 million euros would cover the fourth objective of the Plan intended for stimulating the economy (Government of the Republic of Lithuania, 2020, National Audit Office, 2021). In general, during 2020 there were around 48 million euros appointed from the state budget to the tourism sector. Meanwhile, as the pandemic situation continued into 2021, the government issued additional payoffs and new aid instruments for the tourism sector (Fig. 4). The Ministry of the Economy and Innovation declared that at the beginning of 2021 a budged of approx. 330 million euros was assigned to business enterprises that suffered the most from the pandemic situation, and tourism service providers were among them (Government of the Republic of Lithuania, 2021).

Additionally, the government allocated more 5 million euros from the Government Reserve fund in the autumn of 2021. The financial aid was directed towards the subjects of domestic tourism and their initiated projects. Firstly, it was aimed to finance public tourism and leisure infrastructure projects. In this case, the initiators of the projects were municipalities and their subordinate institutions (Minister of the Economy and Innovation, 2021b). The winning projects were related to the renovation of manors, parks, chapels, expansion of museums, reconstructions of cultural centres, construction of sport centres, and improvement of tourism infrastructure in general (Ministry of the Economy and Innovation, 2021c). Secondly, because of the previous success, a part of the additionally arranged financial support was used to develop innovative and digital local tourism products and services from domestic tourism service providers. While initiating this instrument, the Ministry of the Economy and Innovation was willing to support the projects introducing new interactive routes, virtual tours, new ways of information presentation about touristic objects or virtual presentations of services (Ministry of the Economy and Innovation, 2021d). Part of the financial support was directed towards managing and advertising these newly proposed products and services in order to encourage Lithuanian residents to travel more actively around the country.

Even though the tourism sector was able to benefit from the state aid packages in 2020 and 2021 (and some instruments are still being implemented), there has remained a major need for continued governmental support and cooperation.

4.1. Critical remarks on the state aid programs

The instruments that were offered by the government to support the tourism industry were crucial and helpful. However, there were several program points that were declared as doubtful, and also the fairness of the distribution of funds was debatable. First of all, the Plan (Government of the Republic of Lithuania, 2020) was criticised due to its inconsistency and lack of information concerning the planning of the expenditures to cover the consequences of the COVID-19 pandemic (National Audit Office, 2021). In this case it was underlined that there was a lack of criteria that could specify why some instruments were included (or not) into the Plan. Also, the Plan was changed several times. Therefore, the lack of accuracy enables one to assume that the Plan was missing a clear vision. Apart from that, major doubts were raised about the recipients of the state-offered financial support. Even though the EU document (European Commission, 2020) clearly underlined that priority should have be given to small tourism enterprises while providing the aid instruments and financial support, the actual data and reports have indicated that the majority of state aid instruments were opened for the major tourism enterprises (National Audit Office, 2021). As a result, two biggest Lithuanian tourism enterprises (trip organisers) Tez Tour and Novaturas received a major portion of all the financial support offered to the tourism sector (Balčiūnaitė, 2021). It has been calculated that more than 80% of all support (approx. 48 million euros) used by tourism enterprises were received by large firms. Meanwhile, travel sales managers, guides, and other small tourism service providers were left out of the funding schemes.

The National Audit Office issued another major complaint against the institutions that were responsible for administration of aid instruments and the distribution of support stressing the problems in evaluation of enterprises that submitted their requests for support (National Audit Office, 2021). The report specified that not enough attention had been paid to launching the criteria for highlighting the enterprises that had already been in difficulty before the pandemic. Following this criticism, it is believed that the part of the tourism industry that applied for the support and received it did not even have to be included in the aid list in the first place. It means that because of negligence of choosing incorrect criteria for evaluating the financial status of applicants enterprises went into bankruptcy or announced restructuring to receive the funding.

The Lithuanian travel business association complained about the offered state aid measures as well (Mačius, 2021). Apart from mentioning the exceptional governmental support for the two biggest Lithuanian tourism enterprises as the main problem (Balčiūnaitė, 2021), the association criticised the Ministry of the Economy and Innovation for the two-month delay in distributing information worldwide that Lithuania welcomed vaccinated tourists in the summer of 2021 (Mačius, 2021). Because of the ‘information vacuum’ the tourism industry lost possible summer tourists in 2021, when the “Baltic travel bubble” was not opened. The vice president of the Lithuanian travel business association underlined that Lithuania was (and still is) missing a vision and substantiated strategy of revitalisation and development of the tourism sector (Mačius, 2021).

The Lithuanian passenger transport association criticised the rules of the aid instrument, which offered subsidies to employers to compensate for salaries of *halt*-time workers (Jakubauskienė, 2021). The association stated that the one-size-fits-all model did not work for this aid instrument. The required 75 workday halt period was unsuitable for passenger carriers because the transport system had to continue its work during the pandemic, but at a slower pace. On average, the employees of passenger transport companies remained at the halt time for approx. 25 days, therefore, in accordance with the instrument’s rules, the companies lost the opportunity to apply for subsidies and cover some losses from the pandemic period.

The presented critical remarks regarding the aid instruments underline only the main problems discussed in papers and official documents, whereas a more in-depth analysis of the efficiency of the proposed governmental aid measures is presented in the next section, which discusses our survey results.

Our team can also note that notwithstanding the fact that the impact of the pandemic had clear regional differences inside the country because different sectors of the tourism economy had often very polarised impacts, none of the introduced measures had any regional dimension. The introduced measures also ignored the seasonal character of the business and this theoretically could have created possibilities to falsify some seasonal halt periods as a consequence of the COVID-19 pandemic (for example, usual low season staff reduction could have been replaced by a formal halt time).

5. EFFICIENCY OF THE STATE AID IN PANDEMIC TIMES: THE ATTITUDES OF REPRESENTATIVES OF THE TOURISM SECTOR

This chapter reveals the attitudes of stakeholders in the Lithuanian tourism sector towards the situation of the tourism economy in the turbulent times of the COVID-19 pandemic and government support actions.

5.1. Assessment of the general tourism situation in Lithuania

In order to assess the effectiveness and importance of governmental support measures, it is important to establish how the representatives of the domestic and inbound tourism firms understand the current situation of the tourism sector and the impact of the pandemic. First, the survey aimed to learn the general impact of the pandemic on the way how domestic and inbound tourism services are provided. The survey revealed that almost half (approx. 48.0% (25 answers)) of the surveyed enterprises had completely changed their activities and another 42.3% (22 answers) had changed their ways of doing business partly. Only 9.6% of the representatives indicated that their businesses remained the same, so we can summarise that the pandemic was a major factor bringing changes to almost the entire domestic and inbound tourism economy.

When assessing the general situation of tourism in Lithuania compared to the pre-pandemic period, respondents expressed their opinion widely, distinguishing which areas were more or less affected (Table 1). 38.5% of the respondents thought that the tourism sector had been hit hard and that tourism was almost at a standstill. A very small proportion (around 7.7%) were in favour of the existing situation (especially those working in domestic tourism), and a very small proportion (around 5.8%) thought that the situation remained the same or was difficult to assess, as each area was affected differently.

Inbound tourism was mentioned as the tourism sphere that suffered the most (46.2% of the respondents' opinions). A significant proportion (approx. 28.8%)

believed that the most favourable and the best situation was for domestic tourism. The same argument was presented by experts during the focus group discussion, even naming the pandemic period as a "domestic tourism renaissance" (tourism business actor, focus group with tourism business actors). One might stress that domestic tourism had partly replaced inbound tourism[1]. Only a small proportion of the respondents (around 7.7%) thought that the situation with outbound tourism was very bad, while a slightly higher proportion (11.5%) expressed a different view stating that outbound tourism was only slightly less affected and it would recover faster because other foreign countries were much more attractive than Lithuania (both for locals and foreigners).

Table 1. Assessment of the situation of local and inbound tourism industries in Lithuania comparing the pre-pandemic and post-pandemic periods

Expressed opinion	**Number of mentions in answers (units)**	**Proportion of answers (%)**
Inbound tourism suffered most	24	46.2
The tourism situation deteriorated	20	38.5
The situation of local tourism improved as local tourism replaced inbound tourism	15	28.8
Outbound tourism suffered less and recovering faster	6	11.5
Loss of a large proportion of skilled workers	5	9.6
Too many travel requirements and restrictions	5	9.6
Negative changes in the tourism sector are caused by the lack of a state policy strategy, unclear pandemic management tools, insufficient state support, and a lack of focus on small business	5	9.6
Outbound tourism suffered most	4	7.7
Introduction of innovations for ongoing activities, changed activity direction	4	7.7
The tourism situation improved	4	7.7
People travel more independently, with families, and use less tourism business services	3	5.8
The situation remained similar or it is difficult to assess, as each tourism area is affected differently	3	5.8
Other	5	9.6

Source: authors' own calculations based on a survey of local and inbound tourism industries.

[1] However, some respondents predicted that local tourism demand was likely to decline in 2022 and residents would choose to travel abroad again due to lower restrictions imposed in relation to COVID-19 (opinion from a survey of local and inbound tourism businesses).

Though attitudes stressing the generally negative impact of the pandemic are obvious, the survey has also revealed some specific negative consequences. Some respondents (approx. 9.6%) emphasised the difficult situation in the tourism sector due to a lack of clear public policy strategies, unclear pandemic management tools, insufficient public support, and neglected small businesses. Such negative changes as the loss of skilled workers (especially guides), the unattractive nature of the tourism sector due to travel requirements, and changing restrictions were highlighted. However, it was also mentioned that there was a lot of innovation and even reorientation. The fact that people travelled more on their own and with their families was negatively assessed because they used less tourism business services. The answers in the questionaries echoed with the experts' opinion presented in the focus group, particularly naming the problematic situation in inbound tourism, a great shortage of communication concerning different levels: the vertical (government and tourism enterprises/associations) and horizontal (tourism enterprises, agencies, and municipalities).

Summarising the results of Table 1, we must state that according to survey results, unsurprisingly, transnational forms of tourism were the main losers of the pandemic restrictions, while domestic tourism could be at least partly so far named as a winner of the turbulent times. Outbound tourism is expected to recover rapidly. The recovery prospects for inbound tourism are less optimistic not only because other countries are more attractive or all pandemic restrictions and travel inconveniences will be lifted, but also because of lost tourists from Russia, Belarus, and Ukraine. The tourism sector is facing new challenges, but the pandemic-related lessons could play a positive role in the future resilience of the sector.

5.2. Evaluation of governmental support for the tourism industry

A separate block of questions was formed for the evaluation of the attitudes of the representatives towards the support provided by the government to the tourism industry during the COVID-19 pandemic. In particular, we aimed to reveal whether local and inbound tourism businesses benefited from the support provided by public authorities during the pandemic period to analyse what support measures were used by business enterprises or if not used, and why. Also, it was aimed to establish what public (governmental or municipal) policy measures were missing, insufficient, and why that was.

The results of the survey revealed that 78.8% of the analysed local and inbound tourism companies (41 of 52 companies) used the support provided by government institutions. The majority of the enterprises that had not received support indicated that tourism was not the only source of their income.[2] For example, one respondent engaged in domestic tourism did not receive any support because additionally he worked as a lecturer and earned an extra income of 280 euros per month, whereas the loss from his tourism activity amounted several thousands euros. Meanwhile, other answers (45.5% of those who did not use governmental support) covered the following reasons: they did not meet the criteria set by the government; they tried but failed; an excessive bureaucratic mechanism for obtaining support was considered to be in place; there was no need for that, etc. In summary, companies were not able to meet the high (exaggerated) requirements set by state authorities. We may state that though the majority of the enterprises have benefited from the government support schemes, a part of the tourism firms (mainly small enterprises) that were severely affected by the COVID-19 pandemic could not benefit from the government support measures. Almost half (48.8%) of the enterprises which received the support were able to use at least two aid packages (Table 2).

Most of the received governmental support was intended to compensate for the halt period or part of it or part of the salaries (mentioned by approx. 46.3% of respondents). Another effective and popular state aid instrument among tourism enterprises was *Tourism Innovation* that was used by a fifth (19.5%) of the enterprises. Other support instruments were also used by tourism enterprises, but their importance for the whole sector was relatively smaller. A tenth of the respondents utilised the deferral for the payment of personal income taxes and various one-off payments or subsidies (the support varied from 250 to 500 euros). A small group of firms benefited from subsidies for renting premises, loan facilities, and financial aid measures offered by INVEGA (Table 2). Apart from that, approx. 36.6% of the respondents that received governmental support named other measures: support for individual activities, reimbursement of expenses, vocation vouchers for medical stuff, etc.

Thus, it could be argued that an absolute majority of the enterprises that applied and received governmental support, benefited even from small assistance, from different support instruments that made life a little easier during the pandemic. We may also notice that at least part of tourism enterprises took the opportunity to use the support not only for compensation of pandemic-related costs but also to innovate and adapt to the new reality and the changing environment.

[2] According to the criteria presented by the government, tourism had to be the main activity of a company/ person in order to apply for support (Minister of the Economy and Innovation 2020a, 2020b, 2020c).

Table 2. State aid support used to mitigate the consequences of the pandemic

Number of grants received	**Number of beneficiaries (units)**	**Proportion of beneficiaries (%)**		**Number of non-beneficiaries (units)**	**Proportion of non-beneficiaries (%)**
Received 1 grant	17	41.5		11	21.2
Received 2 or more grants	20	48.8			
Received grant but did not specify which one	4	9.8			
TOTAL	41	7.8		11	21.2
From them:			From them:		
Type of instruments used	Number of recipients (units)	Proportion of recipients (%)	Reasons for not receiving grant	Number of non-beneficiaries (units)	Proportion of non-beneficiaries (%)
Compensation for halt time, reimbursement for full or part salary	19	46.3	Not a core business	6	54.5
Tourism innovation	8	19.5	Did not meet the criteria	1	9.1
One-time payout, subsidy	4	9.8	Tried but failed	1	9.1
Compensation for personal income tax	4	9.8	Bureaucratic mechanism	1	9.1
Subsidy for renting premises	3	7.3	There was no need	1	9.1
Loan relief	3	7.3	Other reasons	5	45.5
INVEGA support measures	3	7.3			
Other	15	36.6			

Source: authors' own calculations based on a survey of local and inbound tourism businesses.

5.2.1. Public policy and its limitations regarding the tourism sector during the pandemic

Another important aspect of the survey was to gather opinions from the respondents on the missing policies and measures which could help mitigate the negative consequences of the pandemic. The results of the survey revealed that a quarter of the respondents (25.0%) felt that there was a lack of a strategy for public policy actions, clarity and precision of support, as well as a *s*hortage of logic of various decisions, and too frequent changes (even every week) (Table 3). Also, the negative aspects (received 11.5% each) such as ignoring small business, a lack of a clear separation and understanding of inbound, local and outbound tourism from the authorities (i.e., a lack of awareness of the different directions of tourism, a lack of awareness of the different areas of tourism), the *s*hortage of aid for inbound tourism, avoidance of the tourism sector (in particular it was underlined that “the impression was created at the state level that the tourism sector did not exist at all in the country”) were mentioned. A few (7.7%) respondents said that there had been a lack of targeted support for tourism and that there was too little care for the sector.

The respondents highlighted a number of other important aspects of the problem. A few answers stressed that there was a lack of cooperation and dialogue between the authorities and the tourism industry;[3] additionally, a lack of specific support for the retention of professional staff (guides, long-term staff) was mentioned. Two respondents expressed dissatisfaction with the shortage of moral assistance and support from the government during the pandemic (for local tourism in particular), a lack of transparency in the granting of support, and a late provision of support. Also, it was indicated that the government was too slow to react to the changing situation. More than a quarter of the respondents indicated that there were other shortcomings in the support policy. The variety of responses shows that the tourism companies had a lot of very specific attitudes towards the possible support measures and indeed it would be difficult for the government in such a short time to organise optimal support schemes which would have fit all the need of very different enterprises. The lack of a clear strategy and some ignorance of small enterprises may be highlighted as the main problems of the governmental support policy. This also suggests that better cooperation between the representatives of tourism businesses may have helped to understand and communicate the problems and the possible solution to government institutions. The collected answers and insights of tourism enterprises go in line with the criticisms that have been presented by official Lithuanian institutions, in this case the National Audit Office (2021).

[3] There were also those who thought that in order to pursue a policy of revitalising the tourism sector, the cooperation should take place involving three parties: state, tourism business representatives, and consumers (customers) (opinion from a survey of local and inbound tourism businesses).

Furthermore, one might underline yet another problem of the tourism policy. Two respondents indicated that the dissolution of the State Department of Tourism under the Ministry of Economy, which occurred in 2019, was a decision that resulted in tourism service providers not being supervised by the State Consumer Rights Protection Service, a mainly public control institution, while the development of tourism is concentrated in the newly established Travel Lithuania state enterprise. These transformations have resulted in reduced government's attention to the tourism sector.

Table 3. Opinions of domestic and inbound tourism enterprises on public policy shortcomings related to the tourism sector during the pandemic

Identified shortcomings	**Number of mentions in answers (units)**	**Proportion of answers (%)**
Lack of public policy action strategy, its clarity/ precision and logic of decisions, and frequent changes in decisions	13	25.0
Ignoring small business	6	11.5
Lack of support for inbound tourism	6	11.5
Avoiding and ignoring the tourism sector	6	11.5
Lack of a clear separation and concept of local, inbound and outbound tourism (public authorities are unable to distinguish between different tourism activities)	6	11.5
Lack of targeted support for the tourism sector	4	7.7
Lack of cooperation and dialogue	3	5.8
Lack of importance of retaining professional staff	3	5.8
Transparency	2	3.9
Late support offer	2	3.9
Lack of quick response to a changing situation	2	3.9
Lack of support for local tourism	2	3.9
Lack of moral support	2	3.9
Other	15	28.8
No opinion/ did not answer	9	17.3

Source: authors' own calculations based on a survey of local and inbound tourism businesses.

5.2.2. Expectations of tourism business towards national and local authorities

The next part of the survey was devoted to identifying the expectations the tourism enterprises had towards national and local authorities. The main matter expected by the representatives of tourism enterprises from government and municipal institutions was financial support. It was estimated that 40.4% of respondents expected to receive financial support[4] or partial reimbursement, loan relief or loss relief. Particular emphasis was placed on financial support for tourism exhibitions, fairs, promotional and advertising campaigns of services, reduction of value-added tax on domestic trips, further compensation for halt time, etc. (Table 4). Some respondents (9.6%) mentioned that they expected more publicity of the activities and cooperation. Other respondents expected clearer strategic planning and planning of public institutions over the next few years, as well as better infrastructure development (e.g., road maintenance, accessibility of the infrastructure for the disabled, and maintenance of places and objects of interest).

Others still were completely disappointed and no longer expected anything from the governing institutions. Only a small group of respondents was positive and expected a further increase in the focus on small and medium businesses. About a fifth of the respondents had other expectations among which we would like to mention the wish for the restoration of the State Department of Tourism. It was explained that the State Department, which consisted experienced experts, would better deal with the underlined difficulties.

The results show that tourism businesses still lack the financial support they expect to receive in the future, as the tourism sector has been hit hard during the pandemic and that small businesses expect more attention.

Table 4. Opinions of domestic and inbound tourism business representatives on the expected assistance from local authorities (state or municipalities)

Mentioned expectations	**Number of mentions in answers (units)**	**Proportion of answers (%)**
Financial support	21	40.4
Assistance and support activities for publicity and cooperation	5	9.6
More developed infrastructure (i.e., adapted infrastructure for the disabled, road maintenance, maintenance of new attractions, new infrastructure)	3	5.8
Clearer strategic planning	3	5.8
Do not expect anything, disappointed	3	5.8
More attention for small and medium-sized businesses	2	3.8
Other	10	19,2
Did not answer, skipped a question	8	15.4

Source: authors' own calculations based on a survey of local and inbound tourism businesses.

[4] Financial support was extensively described and full wish lists had been indicated by the respondents, and it was mentioned in most cases that various tax exemptions (including public utilities) are the priority (opinion from a survey of local and inbound tourism businesses).

Summarising the results of the survey on the support provided by state institutions to the tourism businesses during the pandemic, it can be stated that some general conclusions can be made. First of all, many enterprises have complained about difficulty of receiving the support, which was especially evident in the cases of the small businesses (especially those engaged in individual activities such as guides). We may state that among the recipients of governmental support, the most common were those who received support for halt time and compensation for part (or all) of the salaries. A significant part of enterprises has managed to use the pandemic and available support for innovative decisions, so the pandemic potentially had some positive effects as well. Representatives thought that governmental policy lacked clear implementation strategy and logic of decision-making. In this case, the results of our research go in line with the officially presented criticisms of the government's issue of the Plan to reduce the effects of coronavirus and its instruments, i.e., evaluation criteria (National Audit Office, 2021). Such a situation seems to has resulted from a lack of understanding of the importance of the tourism sector by public authorities and of the different branches of tourism. The liquidation of the State Department of Tourism, which employed a tourism professional, might be named among the main reasons for such a misunderstanding.

5.3. The relationship between local tourism and vitality of a region

Though the main focus of the paper was to define the situation of the whole inbound and domestic tourism economy sector, the statistical data analysis indicated that the impacts of the crisis had a polarised spatial character and tourism plays a very different role in economies of different Lithuanian regions (Ministry of the Interior, 2018). The development of tourism is planned mainly in the regions with natural and recreational potential, where domestic tourism is of major importance. Though tourism specialisation is assigned to 5 of 10 Lithuanian counties, tourism enterprises constitute a great part only in some rural and resort municipalities, where a failure of this sector can have a very negative impact on the whole municipal economy.

The survey sought to reveal the views of domestic and inbound tourism businesses on the potential of domestic tourism to boost regional development and the ways in which this can be done (Table 5). The results of the survey have shown that a large proportion of respondents (84.6%) believe that domestic tourism can boost regional vitality and that there are many ways to do it. It was considered that the development of active and passive leisure activities in nature could be the main factor in boosting the vitality of peripheral regions (about 43.2% of the respondents said so). The organisation of various hiking or cycling trips was specifically mentioned, though it is uncertain how they could initiate wider development trends, while there are almost no services related to such trips. About a fifth (20.5%) thought that the vitality of regions could be affected by the development of cuisine heritage and cuisine tourism, where local cuisine heritage could be tasted and launched in local villages and could contribute to food production and so on. A smaller proportion (15.9%) said that the development of various education opportunities and crafts could contribute to the development of vitality, and in turn they would become more acquainted with the local culture, traditions, crafts, as well as food production. 14.3% of the respondents believe that the viability would be boosted by visits to cultural sites (values) and ethnocultural regions. Some respondents (11.4%) stated that the development and adaptation of appropriate infrastructure would be helpful.

The above-mentioned answers show that there is a potential for more intensive tourism development based on local resources in many Lithuanian regions. Better tourism infrastructure is still needed when it comes not only to the arrangement and adaptation of roads, buildings, and environment (for local and especially foreign tourists), but also to the significant shortage of accommodation and catering facilities. Once these shortcomings are addressed, those places will attract more tourists to the regions.

Table 5. Opinions of domestic and inbound tourism businesses on the potential of local tourism to promote regional viability and suggestions for improvement

Expressed opinion	**Number of mentions in answers (units)**	**Proportion of answers (%)**
Local tourism can boost regional vitality	44	84.6
Local tourism cannot boost regional vitality	0	0.0
Do not know/ No opinion	1	1.9
Did not answer	7	13.5
In Total	52	100.0
Offered suggestions for improvement (Calculated from positive answers (total 44))	Number of mentions in answers (units)	Proportion of answers (%)
To develop active and passive leisure in nature	19	43.2
To develop cuisine heritage, cuisine tourism	9	20.5
To develop education activities and crafts	7	15.9
To improve the quality of cultural objects (values) and develop visits to cultural regions	6	14.3
To develop infrastructure (accommodation, catering, environment, infrastructure adaptation for foreign tourists)	5	11.4
Other	9	20.5
No opinion, hard to say, did not want to name or issue a trade secret	14	31.8

Source: authors' calculations based on a survey of local and inbound tourism businesses.

In summary, there are considerable opportunities for tourism-related development of the nature-rich, non-metropolitan regions, though at the moment these activities quite often remain outside market relations and do not produce new incomes or jobs.

6. CONCLUDING REMARKS

The tourism sector has a significant impact on the economy and social welfare of the country and its regions. Tourism facilitates entrepreneurship, helps develop small and medium-sized enterprises, contributes to the increase of employment, development of infrastructure, encourages the preservation of historical cultural heritage, and it encourages people to search for new creative and innovative technological solutions, which is why the COVID-19 pandemic has threatened not only tourism but all these related fields. The tourism sector creates an added value in major cities and distant regions, but different areas depend on different markets so a pandemic creates different challenges for tourism and other businesses in different parts of all countries.

The growing tourism sector was creating 5 percent of GDP and involved around 55,000 employees at the end of 2019 in Lithuania (Armalis, 2021; Statistics Lithuania, 2022.). The spread of the virus, the announcement of the pandemic situation and the introduced restrictions changed the tourism situation drastically in the spring of 2020. During the pandemic, the prevailing trends in the Lithuanian tourism sector were similar to those in the world but due to its northern geographical position and the surrounding neighbourhood of non-EU countries, international tourism flows in Lithuania did not increase in the second year of the pandemic (unlike in southern Europe) (Word Tourism Barometer, 2022; UNWTO, 2022). The growth of domestic tourism helped the tourism sector to survive the pandemic, but it could not completely replace the inbound tourism especially in the places exceptionally depended on it. Gateway cities where businesses and international tourism is of the highest importance suffered the most and this decline has been prolonged by the war in Ukraine. The universal support schemes such as reduced value-added tax for all accommodation sector covers not only those suffering the consequences of the pandemic and the war but also those benefiting from increased local tourism flows.

Being aware of the situation, the government issued the special "Plan aimed to promote the economy and reduce the effects of the spread of Coronavirus (COVID-19)" (Government of the Republic of Lithuania, 2020). The government proposed instruments for which tourism enterprises were able to apply. However, even though the financial support was essential and distributed millions of euros, the state aid Plan was criticised due to its unclear evaluation criteria and unfair distribution of funds, and uneven opportunities of large and small enterprises (Balčiūnaitė, 2021; National Audit Office, 2021).

Despite those negative tendencies, some positive examples could still be found. Our survey excluded several domestic tourism enterprises that flourished in 2020 and 2021 because of the restrictions in international travel. Usually, these local tourism enterprises offer outdoor activities and tours. Also, it has been noticed that these successful tourism companies are located in remote and not necessarily major touristic regions, but they offer visits to alternative and unexplored places (such as quarries).

The tourism firms that suffered from the crisis had three strategies: to look for support, to innovate, and change radically the nature or scale of their activities or to shut down altogether. Difficult times create not only problems but also opportunities for change. Many international researchers (e.g., Benjamin *et al.*, 2020, Brauder, 2020; O'Connor and Assaker, 2021) have claim that it is an opportunity to make tourism more sustainable. An active use of the state aid instrument named Tourism innovations (Minister of the Economy and Innovation, 2021a) also indicates that at least some Lithuanian tourism enterprises have tried to adapt to new circumstances and, therefore, can have better prospects in the future. The instrument, introduced during the lockdown period (Lithuania Travel, 2020d) was used to create new services such as virtual museum visits, indoor and outdoor tours, solo trips, romantic dinner in hotel rooms, audio guides, interactive games introducing city history, etc. The new products were in demand and boosted domestic tourism. However, it should be mentioned that the respondents evaluated the Tourism innovations governmental aid instrument as one of the best offers' from the State as it had one of the easiest applications to fill, low administrative control, and prompt distribution of money.

The COVID-19 pandemic was a period of transformations. The positive examples enable one to presume that the tourism enterprises that were open-minded for innovative solutions were able to offer new products and to survive the lockdown period easier or even benefit from it. Therefore, maybe the post-pandemic period might become a time to rethink the tourist values, it could encourage the tourism sector to transform, introduce innovative more sustainable products and services, and thus become less vulnerable to unexpected circumstances. This is especially important as turbulent times are not over in Central and Eastern Europe. Of course, the opportunities for adapting were different for different sectors in different regions and many enterprises related to foreign markets will be suffering in the nearest future so governmental support will still be needed, especially having in mind growing energy prices.

While many tourism enterprises are still recovering from the COVID-19 pandemic, Lithuania has another shock. The war in Ukraine has resulted not only in a weaker business relationship with Belarus and Russia, raising prices or possible economic recession. It extremely reduced tourism trips from these countries, which provided a quarter of all tourists back in 2019. This impact could have been even more severe, but the flow of Russian tourist was under constant decline even before the war in Ukraine. Though the context of the war is not analysed in this article, it should be noted that in addition to tourists from Russia and Belarus, Lithuania is losing tourist flows from Ukraine. The growing political instability is also not a favourable factor for inbound tourism in general. The information about cancelled bookings by Western European tourists in accordance with the aggressive neighbours are already a topic in mass media in Baltic countries (BNS 2022; Alonderyte, 2022). Therefore, the Ministry of Economy and Innovation are preparing an advertising campaigns that would spread the information of safe traveling in Lithuania worldwide; and the main target countries for inbound tourism include Germany, Poland, United Kingdom, and Israel (Juozapaitis, 2022). It is hard to estimate how successful such an effort will be, but we can hardly expect a full revitalisation of inbound tourism until the conflict is over. Having in mind all these circumstances and trends so far it might be forecasted that the recovery of the Lithuanian tourism sector is likely to be slower comparing to other European countries that plan the recovery of the tourism sector in 2022.

The pandemic has made it possible to look more broadly and to design the future of tourism. However, the liquidation of the Tourism Department, which was responsible for the development of the entire tourism sector, may cause additional problems for such a change. It is time to rethink the tourism system, to create premises for rebuilding flight connections, and a diversification of tourism market. It is time to learn from the mistakes of support schemes, which, for example, should not favour bigger businesses, as future challenges will appear. Finally, there are many economic sectors heavily dependent on foreign markets and more strict EU-wide regulations towards local protectionist measures need to be developed.

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