

The Impact of COVID-19 on the Tourism Sector in Sierra Leone

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Prepared by :

**MINISTRY OF FINANCE
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Preface

The COVID-19 pandemic has impacted every facet of the Sierra Leone economy. It has left a devastating impact on the tourism sector in Sierra Leone, with major consequences for jobs and livelihoods, the sustainability of businesses, government proceeds, and even the informal economy. Global and domestic containment measures taken to address the pandemic such as the closure of international borders, reduction and in some instances prolonged cessation of flights, inter-district travel restrictions, social distancing and limits to public gatherings, and night curfews, have all exacerbated the impact on businesses, especially those in the tourism sector.

To provide a better understanding of the impact of the pandemic on tourism businesses in Sierra Leone, the Research and Delivery Division (RDD) conducted a survey to provide an assessment of the situation and implications for the near term. The study provides a perspective on how the pandemic has impacted the operations of tourism businesses, the mitigating measures taken and the actions proposed to the Government, financial institutions, the private sector, development partners, and other stakeholders.

This research report was authorised by the leadership of the Ministry of Finance, and prepared and developed under the supervision of Alimamy Bangura, the Chief Economist, and Dr. Yakama Manty Jones, Director of the RDD. The report received worthy contributions from Madleen Madina Frazer, Assistant Director, RDD, and Sripriya Ivengar Srivatsa, Fellow from the Overseas Development Institute (ODI).

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We wish to extend our sincere appreciation to the Ministry of Tourism and Cultural Affairs (MTCA), the National Tourist Board (NTB), and the National Civil Aviation Authority (NCAA) for providing contact details for the tourism businesses that participated in the survey. We also recognise the 369 businesses that took their precious time to accommodate our enumerators and respond to the survey.

The authors are hopeful that the findings from this study will be used to inform the efforts, recovery plans and intervention strategies of the Government of Sierra Leone, Development Partners, the private sector, and also tourism establishments that have been severely distressed by COVID-19.

This study was undertaken by the Ministry of Finance with support from the African Development Bank (AfDB), through the Enhancing Policy Development: Research and Capacity Building Project (ENPODEV).

Alhaji Abu Komeh ¹

Foday Kamara ²

Mohamed Simbie Sesay ³

¹ Deputy Director at the Research and Delivery Division, Ministry of Finance, Freetown, Sierra Leone.

² Senior Economist at the Research and Delivery Division, Ministry of Finance, Freetown, Sierra Leone.

³ Economist at the Research and Delivery Division, Ministry of Finance, Freetown, Sierra Leone.

Abbreviations

AfDB	African Development Bank
AUC	African Union Commission
COVID-19	Corona Virus Disease 2019
DFS	Digital Financial Services
ECOWAS	Economic Community of West African States
EU	European Union
EVD	Ebola Virus Disease
FDI	Foreign Direct Investment
FTE	Full-time Equivalent
GDP	Gross Domestic Product
GST	Goods and Services Tax
IFTM	International French Travel Market
ILO	International Labour Organization
IMF	International Monetary Fund
MDAs	Ministries, Departments and Agencies
MoF	Ministry of Finance
MSMEs	Micro, Small and Medium-sized Enterprises
MTCA	Ministry of Tourism and Cultural Affairs
NCAA	National Civil Aviation Authority
NRA	National Revenue Authority
NTB	National Tourist Board
ODI	Overseas Development Institute
OECD	Organization for Economic Cooperation and Development
PAYE	Pay-As-You-Earn
RDD	Research and Delivery Division
SMEs	Small and Medium Enterprises
TTCR	Travel and Tourism Competitiveness Report
UNCTAD	United Nations Conference on Trade and Development
UNWTO	United Nations World Tourism Organization
WB	World Bank
WHO	World Health Organization
WTTC	World Trade and Tourism Council

Key Findings and Recommendations

► Key Findings

Status of business operations before and during COVID-19

- ✓ At the time the survey was conducted, 72 percent of businesses reported that they were partially operational; 15 percent were fully operational, while 13 percent were temporarily closed.
- ✓ Close to 60 percent of the businesses stated that they undertook major changes to their operations as soon as the first COVID-19 case was recorded in the country.

Demand for products/services, revenues and profits

- ✓ The majority of businesses reported that they were severely affected by reduced consumer demand, travel restrictions, precautionary behaviour from customers, the suspension of flights and a reduction in the number of visitors.
- ✓ Eight out of every ten (82 percent) businesses revealed that they were already running a loss compared to the period before COVID-19 while 72 percent reported that their enterprises were profitable.

Access to credit and ability to repay

- ✓ Only 8 percent of the respondents revealed that they had a loan at the time of the survey, and half of this category disclosed that they had a loan from a commercial bank. The remaining 4 percent cited that they had accessed credit through community banks, micro-credit institutions, family and friends.
- ✓ Nearly all the 8 percent of respondents who disclosed having a loan admitted that their ability to repay these liabilities has been affected unfavourably.

Other challenges

- ✓ The majority of the businesses reported that employee wages, payment of utility bills, and different taxes paid had a severe challenge on their operations.
- ✓ Slightly more than half (56 percent) of all businesses surveyed mentioned that meeting tax obligations has been a 'severe burden' during the COVID-19 pandemic. Compared to micro and small businesses, a higher percentage of medium and large businesses reported that paying taxes during the pandemic has been a 'severe burden'.

Measures taken to reduce the impact of the pandemic

- ✓ Fifty eight percent of businesses had laid off some of their workers as a way to alleviate the impact of crisis brought about by COVID-19.
- ✓ In addition, 44 percent and 46 percent of the respondents reported having reduced wages, salaries, and benefits; and reduced work time, respectively.

- ✓ Thirty one percent of businesses asserted that they put a temporary freeze on recruitment/ cancelled planned recruitment.
- ✓ About half (52 percent) of the survey participants disclosed that they offered lower prices, while 35 percent reported that they utilised social media platforms to reach out to customers, and 23 percent accepted payments through mobile money services.

Expectations and major concerns of businesses

- ✓ Tourism businesses are more likely to scale down operations, stay in business with no major modification in terms of services delivered, or close down completely if the pandemic lasts for longer periods and rigid containment measures remain.
- ✓ If the situation continues, the key concerns of the majority of businesses include the payment of employee wages, sluggish demand, the rising cost of operations, rebuilding consumer confidence and safety at the workplace.

Measures proposed by tourism businesses to mitigate the impact of COVID-19

- ✓ Key measures proposed by tourism establishments include tax relief, provision of grants and subsidies, tax deferral, and a micro-credit scheme.
- ✓ Tourism firms also call for a reduction in the cost of tourist visas, temporary waiving of visa fees and a downward adjustment in the charges levied to access touristic sites.

► Recommendations

The Government of Sierra Leone, the private sector, Development Partners and stakeholders may consider the following to support firms in the tourism sector as they deal with the challenges brought about by the COVID-19 pandemic.

Supporting business survival and protecting jobs

- ✓ Embark on initiatives to support businesses such as facilitating access to finance with commercially friendly conditions including guarantees. Increased credit and non-collateral loans and grants would help cushion their liquidity challenges.
- ✓ Provide targeted tax relief and deferrals, and possible reduction in specific tax rates over the short term to provide some leeway for businesses to meet their cash needs.
- ✓ Reduce the commercial tariff on services such as electricity and water to cushion the operational costs on businesses.
- ✓ The Ministry of Tourism and Cultural Affairs and the National Tourist Board could explore the possibility of collaborating with the private sector to retrain and improve the skills of workers through short and refresher courses.

Maintaining health and safety protocols

- ✓ The authorities should continue with their robust crisis engagement and communications. The practices of regular hand-washing, social distancing, mouth-covering when coughing or sneezing should continue to be observed fully.

Reinforcing the governance arrangement in the tourism sector

- ✓ The tourism authorities could consider setting up and constituting a body that will respond to the concerns of businesses and emerging issues, monitor activities in the sector during the pandemic, and also develop short to medium-term recovery strategies for tourism development.

Stimulating economic activity

- ✓ Proactive measures should be taken to allow trade activities to continue, minimise travel restrictions that inhibit the movement of goods and services, and create an enabling environment for and engaging the private sector to participate in the provision of goods and services that support the tourism sector.
- ✓ Support businesses with liquidity to enable them to sustain their local and global supply chains.

Improving business conditions and building competitiveness

- ✓ Explore domestic and regional tourism as a corridor for recovery and demonstrate to the rest of the world that the country is ready for tourism advancement.
- ✓ Provide businesses with zero or low-interest loans and also offer partial credit guarantees as key support measures to help businesses recover and stay competitive.
- ✓ Tourism firms should apply cost-saving measures and control spending as they thrive through the pandemic. They should also expand efforts by providing innovative services to their customers such that the demand for tourism products and services are guaranteed.

Brightening the future for tourism development

- ✓ The Government should partner with the private sector and hold frank discussions around lessons learnt during the pandemic and share vital tourism-related data.
- ✓ The Government through the Ministry of Tourism and Cultural Affairs should also scale up its effort in the development and refurbishment of historical, conservation and cultural sites with touristic potential and value. The Ministry and its partners can use social media platforms, TV commercials, websites, and other channels to educate the public about the importance of domestic and ecotourism.
- ✓ Ensure financial, economic, social and environmental sustainability to support growth in the sector.
- ✓ Support the tourism sector with adequate financing through the national budget, the private sector and Development Partners.



1. Introduction

The ongoing COVID-19 pandemic has brought unprecedented suffering across the world, destabilising the health systems of many countries, and causing major economic and social disturbances. This has seriously undermined global employment and support to livelihoods, disrupted global supply chains and left a dramatic impact on small and medium-sized enterprises (SMEs). These businesses which thrive both in the formal and informal sector have been forced to scale down or halt their operations as a result of the continued shocks from the pandemic, thus leaving them cash-strapped and with limited scope for continued profitable survival.

For several countries including Sierra Leone, the tourism sector is among the hardest hit. In this research report, we explore the impact of COVID-19 on tourism establishments, the measures they have taken to reduce the burden on their operations, their expectations and policy proposals regarding what can be done by the Government of Sierra Leone, the private sector and development Partners to support recovery. As a first step, we provide a synopsis on the global context of the pandemic and recent developments in Sierra Leone and later delve into the survey findings.

► 1.1 COVID-19 Global Outlook and Impact on Tourism

The impact of the COVID-19 pandemic on the world economy has been devastating beyond measure. Besides its attack on countries' health systems, for the first time since the Great Depression in the late 1920s and 1930s, many advanced, emerging, and developing economies have been plunged into recession, described to be worse than the Global Financial Crisis. The 2020 April World Economic Outlook of the International Monetary Fund (IMF) projected that global growth in 2020 would fall to -3 percent if the pandemic and related containment measures are heightened in the second quarter of the year 2020, and it subsides in the second half of the year. The IMF's revision of the April forecasts now projects that the recession will be deeper than initially thought, and global growth will fall by 4.9 percent (Gopinath, 2020).

Following the global spread of the virus in 2020, countries that are reliant on trade, tourism, and agriculture have been severely hit, with firms having to cope with the attendant demand and supply shocks brought about by the pandemic. The travel and tourism sector which has proven to be central in driving growth and job creation in many countries over the years has been dealt with a severe blow, after long periods of buoyant performance. The World Travel and Tourism Economic Report 2019 estimates that for 2019 alone, the sector grew by 3.5 percent, provided 330 million jobs, and accounted for 10.3 percent of the world's GDP (WTTC, cited in ILO, 2020).

However, containment measures to deal with the spread of the virus such as border closures, travel restrictions, flight cancellations, lockdowns, and physical distancing imposed in different parts around the globe, have seriously worsened economic conditions. Consequently, the United Nations World Tourism Organization (UNWTO) revealed that international tourist arrivals dropped by 22 percent in the first quarter of 2020. With the uncertainty surrounding the duration of the COVID-19 pandemic, the setback could precipitate a reduction of between 60 and 80 percent in tourist arrivals when compared to performance in 2019 (UNWTO, 2020).



Furthermore, the UNWTO's International Tourism 2020 Scenarios presents a case that low demand in international travel will lead to losses of between 850 million to 1.1 billion international tourists, and losses of US\$910 billion to US\$1.2 trillion in export earnings from tourism. On a similar note, the 2020 External Sector Report of the IMF estimates that assuming that steady reopening occurs in September 2020, the full impact of tourism on trade (imports and exports), and current account balances will induce a fall of around 70 percent in tourism revenues and international tourist arrivals in 2020 (Rebillard, 2020).

► 1.2 The Impact of COVID-19 in Africa

On the 14th of February 2020, the African continent recorded its first COVID-19 case in Egypt and by 13th May 2020, all 54 countries had reported cases, reaching multiple cities, towns, and villages. As of 28th July 2021, Africa has registered 6,533,474 cases and 166,106 total deaths with South Africa alone accounting for 42.3 percent of these fatalities; and combining with Tunisia (11.4 percent), Egypt (9.9 percent), Morocco (5.8 percent), and Ethiopia (2.6 percent), to make the top 5 countries representing 72 percent (119,812) of total deaths in the continent (WHO, 2021).

Before the pandemic reached Africa, economic growth was initially projected to rise from 3.2 percent in 2019 to 3.6 percent in 2020 as economic performance was expected to be strong in non-resource-intensive countries, but slower in about two-thirds of countries in the region (IMF, 2019). Even with this picture, growth prospects were divergent across countries, with some including Rwanda, Cote d'Ivoire, and Ethiopia showing high growth rates beyond 7.5 percent, while Nigeria, Angola, and South Africa witnessed a downtrend (OECD, 2020).

Compared to other parts of the world, Africa's rate of infections and fatalities are much lower but growth in the continent will be more adversely affected by weak trade performance, especially from China, lower foreign direct investment (FDI), weak global demand, and supply shock leading to a slump in intra-Africa trade (OECD, 2020). On a similar note, it is viewed that the pandemic will have significant economic consequences on sub-Saharan Africa arising mainly from economic disruptions due to the domestic health shock, slowdown in global economic activity, and collapse in commodity prices (IMF, 2020).

The impact of this macroeconomic demand and supply shocks on growth cuts across all sectors, and the distress is highly pronounced for the tourism sector that has seen major disruptions in air transport operations, and land and sea border closures, with unfavourable implications for revenues, employment, and incomes. Under a modest COVID-19 scenario, it is estimated that the travel and tourism sector in Africa stands to lose around US\$50 billion in receipts, with countries such as Seychelles, Cabo Verde, Mauritius, and the Gambia all expected to witness a 7 percent fall in growth (AUC, 2020).

▶ 1.3 Recent Macroeconomic Developments in Sierra Leone ⁴

For the past decade, Sierra Leone has witnessed mixed outcomes in terms of economic growth, as the economy continues to be characterised by persistent macroeconomic imbalances including fiscal deficits, unfavourable external balance, and high reliance on foreign assistance. In 2010, real GDP growth was 5.4 percent, and it rose to 15.2 percent in 2012 and 20.7 percent in 2013. However, this buoyant growth performance was obstructed by the outbreak of the Ebola Virus Disease (EVD) and the decline in global prices of iron ore in 2014, subsequently leading to a halt in its production and export in 2015. The mining sector which accounted for about 13 percent of the country's GDP in 2013 contracted significantly in 2014 and 2015, leading to substantial job losses and a shortfall in government revenue (MoF, 2016). According to Davis (2015), in the African Minerals mining company, for example, about 1,400 workers were made redundant and many firms were left with huge liabilities with barely any legal arrangements to have them settled.

In 2016, following the end of Ebola and the resumption of iron ore mining, the economy recovered and witnessed a growth rate of 6.3 percent, but declined to 3.8 percent in 2017 mainly owing to weak recovery of mineral production (particularly iron ore), higher domestic prices of energy and reduced public investment. During this period, revenue underperformed and expenditures exceeded the target. This situation significantly increased the government's stock of arrears and impacted negatively on available financing options. Real GDP slowed down to 3.5 percent in 2018 mainly due to weak performance in the mining and construction sectors, following the closure of Shandong Iron and Steel Co. Ltd., and the Marampa Mines (MoF, 2018). Rutile production was lower than initially projected after several employee strike actions during the period. There was also a lull in public construction activities as a financial and technical audit had been instituted by the new government on all public projects.

The Sierra Leone economy started recovering in 2019 posting real GDP growth of 5.4 percent. This was mainly attributable to improved performance in the agriculture sector; resumption of iron ore mines in the first half of the year and higher rutile and diamond production; revamping of construction activities and growth in the services sector (MoF, 2019). GDP was projected to grow by 4.2 percent in 2020 but with the impact of the COVID-19 pandemic on the real, fiscal and external sectors, GDP growth was revised downwards to an estimate of minus 2.2 percent for 2020.

Several measures that were undertaken by the Government through the National Revenue Authority (NRA) resulted in an improvement in domestic revenue receipts which increased to Le5.4 trillion (14.3 percent of GDP) in 2019 from Le4.42 trillion (13.7 percent of GDP) in 2018 with Income Taxes and Goods and Services Tax (GST) above target. Despite the challenges brought about by the COVID-19 pandemic, domestic revenue increased to Le5.5 trillion in 2020, and this surpassed the revised COVID-19 projection by Le140.3 billion.

Total expenditures and Net Lending were lower than expected in 2019, reaching Le7.74 trillion (21.4 percent of GDP), compared to the budgeted Le7.8 trillion (20.8 percent of GDP). It was also lower for 2018 which recorded Le6.9 trillion (21.4 percent of GDP). In 2020, government expenditures were significantly higher and reached Le10.09 trillion (24.6 percent of GDP) as a result of increased spending on the COVID-19 emergency health response and the implementation of the Quick Action Economic Response Programme (QAERP).

⁴ This sub-section reflects details captured in the 2016, 2018 and 2019 Economic Bulletins published by the Ministry of Finance, and an unpublished briefing of economic performance for 2020.

Total grants in 2019 amounted to Le1.29 trillion (3.4 percent of GDP), of which budget support from the African Development Bank (AfDB) and the European Union (EU) stood at US\$20.7 million and US\$26.6 million, respectively. Similarly, the World Bank disbursed US\$39.7 million. As a result of increased support mainly from the World Bank, the IMF, EU and the AfDB, total grants in 2020 amounted to Le2.3 trillion (5.6 percent of GDP), of which Le1.52 trillion was external budget support.

► 1.4 Government's Response to the COVID-19 Pandemic

After the World Health Organisation (WHO) declared the Coronavirus outbreak as a Public Health Emergency of International Concern (PHEIC) on 30th January 2020, the Government of Sierra Leone through the Directorate of Health Security and Emergencies of the Ministry of Health and Sanitation instituted several precautionary measures in response to the unfolding events around the pandemic. To coordinate the national response and implement these measures, the Emergency Operations Centre (EOC) was set up, and it was renamed National COVID-19 Emergency Response Centre (NaCOVERC).

Consequently, Sierra Leoneans and foreign residents were warned against travelling to countries where the virus had emerged, and passengers arriving at different entry points in the country were required to undergo COVID-19 screening. On the 25th March 2020, the Government of Sierra Leone (GoSL) declared a 12-month public health emergency. The COVID-19 Health Preparedness and Response Plan was developed to promote prevention, detection and response to the coronavirus pandemic. Actions taken in the fight against the coronavirus pandemic include social distancing and limits on social gathering; the closure of airports, land and sea borders; restrictions in internal movement; national lockdowns and night curfews; wearing of face masks, and maintenance of hygiene and sanitation practices.

The Government also developed the QAERP to alleviate the impact of COVID-19 on businesses and households, and to support macroeconomic and financial stability.

► 1.5 Sierra Leone's Tourism Sector

Sierra Leone is naturally endowed with and known for its beautiful beaches, protected forest areas, islands, mountains, national heritage sites, and pulsating nightlife. Its natural forests and mountains play host to amazing wildlife found in several tourist attraction sites. Tacugama, for instance, is home to different species of chimpanzees; the Kangari Hills boasts of wildlife including chimpanzees, monkeys, a small group of residual elephant population; several species of mammals, birds, reptiles, and plants can be found in the Gola and Kambui Hills Forest Reserves. Other tourist destinations include the Western Area Peninsular where beaches such as No. 2 River, Lakka, and Tokeh can be found; several Islands including Banana, Bunce, Turtle, Sherbro, and Tiwai, and many night clubs, bars, and restaurants. After the war officially ended in 2002, huge investments were made in the hotel industry which saw the revamping of Bintumani Hotel, Brookfields Hotel, Radisson Blu, among others, while work to transform Cape Sierra Hotel to Hilton Hotel commenced. Consequently, with the country's eco-tourism potential and relative peace and stability for almost two decades, international tourist arrivals have been increasing.

The MTCA is tasked with the key responsibility to formulate policies, laws, and regulations; coordinate and liaise with other government ministries, departments, and agencies (MDAs) in promoting tourism initiatives; ensure that the country's tourism endowments, products, and services are promoted both locally and internationally, and also create the enabling environment for tourism business to thrive. Since the new Government came into office in April 2018,




efforts have been consciously made to strengthen collaboration with old and new stakeholders in the sector. The Government has promoted trade fairs, cultural events, and the entertainment industry, and rebranded the country through the upgrading of tourism sites and representation at international tourism events. This is consistent with the key targets for the sector in the MTNDP (2019 – 2023) which include to develop and upgrade at least three strategic historical and cultural sites, increase skill competence in the hospitality industry by 25 percent, and boost annual revenue and contribution to GDP by at least 100 percent (GoSL, 2019). In 2019, the Travel and Tourism Competitiveness Report ranked Sierra Leone as the most improved country in Sub-Saharan Africa, in terms of airport transportation, and ground and port infrastructure (WEF, 2019).

In the recent past, the MTCA and the National Tourist Board (NTB) have engaged in promotion and rebranding efforts by participating in the 2019 International French Travel Market (IFTM) in Paris France; the 2019 World Travel Market in London, UK and the 2020 FITUR International Tourism Trade Fair in Madrid, Spain (President Bio, 2019). In 2020, two major events took place in Freetown: the Budapest to Bamako rally which had about 700 participants ended in Freetown, and 300 Danish tourists visited Sierra Leone.

Recent data from the NTB indicate that international tourist arrivals registered a surge of 90.5 percent from 56,500 in 2018, to 107,639 in 2019, with 28.2 percent of tourist arrivals from Europe; 24.1 percent from the Americas; 16.9 percent from Asia and 16.2 percent from Africa. The lower proportion of tourist arrivals were from the Middle East (7.7 percent) and other destinations (6.9 percent) (NTB, 2021). However, the COVID-19 pandemic triggered a massive 77.3 percent drop in tourist arrivals in 2020. Both the tourism and trade sectors combined and contributed 8.4 percent to GDP in 2018 and 9.1 percent in 2019; and the tourism sector is estimated to have grown by 4.0 percent in 2019 (MoF, 2019). The NTB estimates that revenues from the tourism sector declined by 63.9 percent from US\$42.4 million in 2019 to US\$15.3 million in 2020.

Like many other countries in Sub-Saharan Africa including Benin, Mali, Ethiopia, and Madagascar, Sierra Leone is classed in a group of 15 countries with “potential” for tourism, but are still faced with persistent governance, regulatory, resource and institutional challenges to improve on already existing tourism infrastructure and landscape (Christie et al, 2014). Out of a maximum score of 1.0, Sierra Leone scored 0.278 in the Africa Visa Openness Index 2016 and ranked 32nd out of 55 countries, which means that it is still a low performer in terms of visa openness. The trade and tourism sector, which were both projected to grow by 5 percent, was estimated to grow by 2.5 percent in 2020 in the face of travel restrictions and implementation of COVID-19 containment measures.



2. Survey Details and Methodology

The Research and Delivery Division, Ministry of Finance designed a structured questionnaire and conducted a survey of tourism businesses between the 26th and 30th August 2020 across seven districts in the country, four of which are regional headquarter districts. The choice to survey this number of districts was influenced by several factors. The districts chosen were drawn from different regions of the country, and combined, they provide a reasonable estimate and a representative sample of the total population of tourism businesses, sufficient to reveal information on how COVID-19 has impacted tourism in Sierra Leone. The decision to select the districts identified in the study was also based on the fact that tourism activities are particularly pronounced in the various regional headquarter towns in the country. Furthermore, the sample size selection considered the enormous time, effort, and costs involved in surveying all districts in the country.

The contacts (phone numbers) of the businesses were provided by the MTCA, the National Tourist Board of Sierra Leone, and the National Civil Aviation Authority (NCAA). The target sample size was 400 tourism firms that were randomly selected from tourism businesses located in Bo, Bombali, Kenema, Kono, Port Loko, Western Area Rural and Western Area Urban districts. However, 369 responses were received, reflecting a response rate of 92.3 percent. Through a structured questionnaire, the enumerators utilised a cloud-based data storage tool – ‘KoboCollect’, which was installed on android tablets to capture the responses in real-time. This process enhanced easy data collection and entry, minimised transcription errors, and ensured thorough data cleaning and analysis which was done in both Microsoft Excel and Stata. The data collection was carried out using two means. Firstly, to guarantee a timely and high response rate from respondents, face-to-face interviews were conducted by the enumerators hired for the exercise. Secondly, the survey instrument was also sent electronically (via email) to some respondents who were unavailable for a face-to-face interview. A total of 45 questions were administered, covering the following sections:

- i. Profile of tourism business
- ii. Impact of COVID-19 on business operations
- iii. Measures taken to mitigate the impact of COVID-19
- iv. Short-term expectations of tourism businesses
- v. Measures proposed to support early recovery from the COVID-19 pandemic

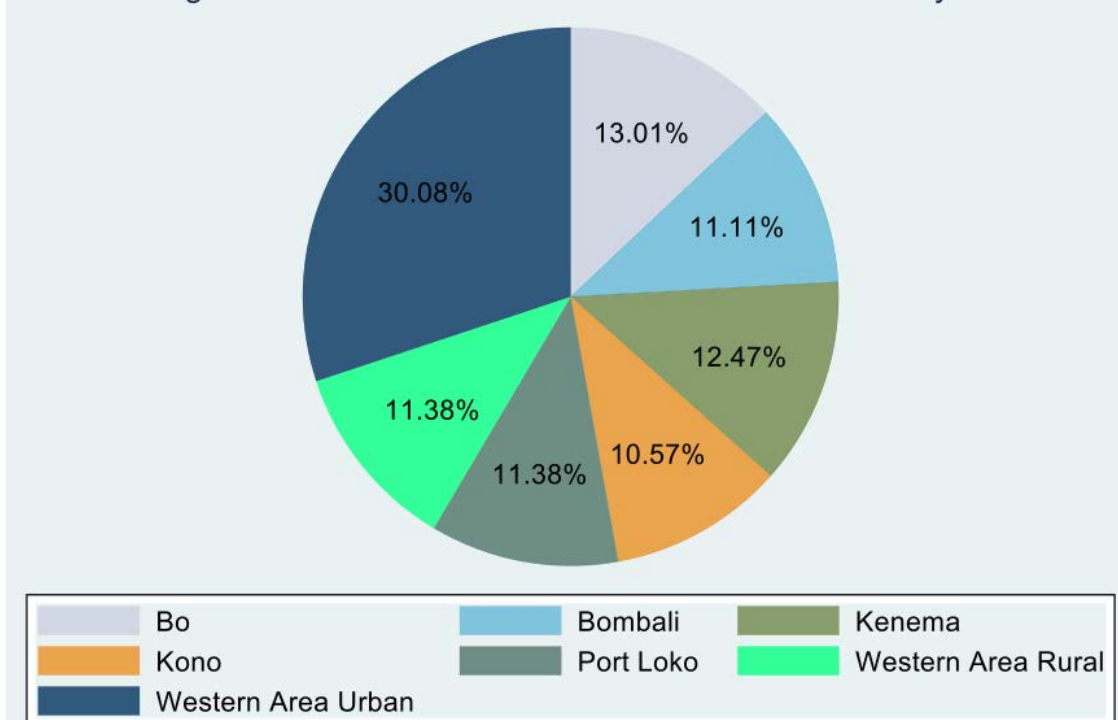
The sample included the various type of businesses in the tourism sector, with restaurants, guest houses, and hotels accounting for 80 percent of the total respondents. The breakdown of tourism firms interviewed is provided in Table 1.

Table 1. Category of respondents

Business category	Frequency	Percent of respondents
Airline	2	0.54
Casino	2	0.54
Conservation/protected area	2	0.54
Guest House	108	29.27
Hotel	78	21.14
Music Entertainment	1	0.27
Night club	16	4.34
Other	12	3.25
Restaurant	111	30.08
Snack Bar	21	5.69
Travel Agency	12	3.25
Water Transport/taxi	4	1.08
Total	369	100.00

Source: Research and Delivery Division survey, August 2020

Figure 1: Tourism businesses across districts surveyed



Source: Research and Delivery Division survey, August 2020

3. Profile of Surveyed Enterprises

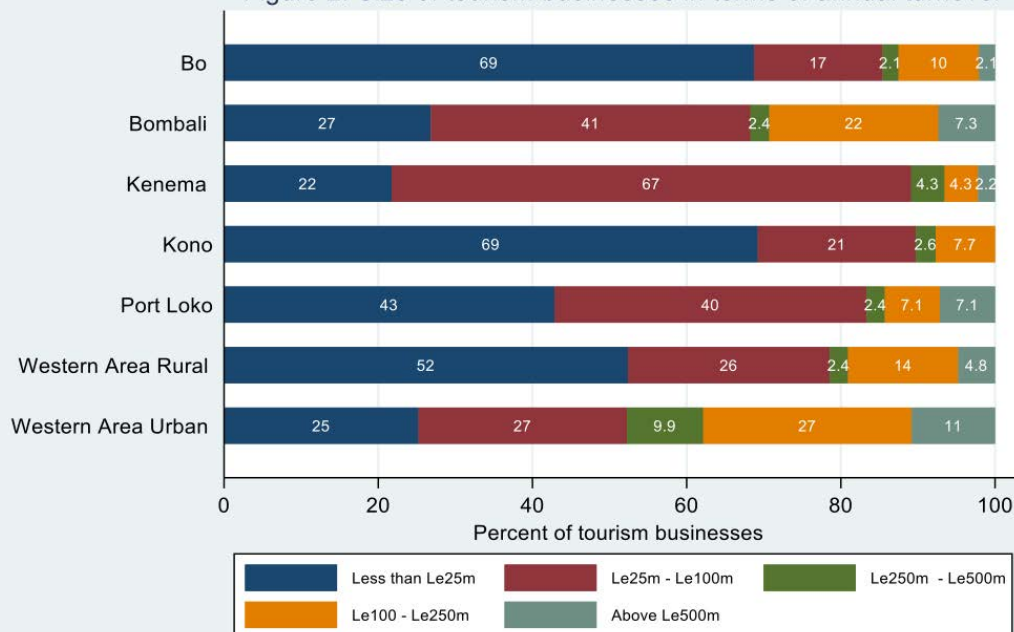
3.1 Size of Firms Based on Number Of Employees ⁵

In terms of the size of businesses based on the number of employees, a little over half (52 percent) of the survey participants were small businesses. Combined with medium-sized ones they jointly accounted for the majority of the businesses interviewed (85 percent). As seen in Figure 1, Bombali and Port Loko had a higher proportion of small businesses, while Kono had more micro-businesses (mini-bars, restaurants, guest houses) compared to other districts. Unsurprisingly, the presence of large businesses was more pronounced in the Western Area Urban and Rural districts, which are hosts to the majority of the country's touristic attractions including large hotels.

3.2 Size of Firms Based on Annual Turnover

Firms with a turnover of less than Le25 million (US\$2,500) were 40 percent, representing the majority of businesses interviewed, while those with a turnover of between Le26 million (US \$2,600) and Le100 million (US\$10,000) accounted for 33 percent of the sample population. Close to two-thirds (73 percent) of firms interviewed have an annual turnover below Le100 million (US\$10,000). Businesses that reported an annual turnover between Le100 million (US\$10,000) and Le250 million (US\$ 25,000), and above Le500 million (US\$50,000) were mostly in Western Area Urban and Bombali compared to other districts. At the national level, businesses that reported an annual turnover between Le250 million (US\$ 25,000) and Le500 million (US \$50,000) were fewer in Bo District when compared to other districts

Figure 2: Size of tourism businesses in terms of annual turnover



Source: Research and Delivery Division survey, August 2020

⁵ For this study, the following business categories were used: micro (0-4 employees), small (5-19 employees), medium (20-49 employees), large (50 and above employees).

Table 2. Comparison of tourism businesses based on annual turnover (percent of tourism businesses)

District	Annual turnover				
	Less than Le25m (US\$2,500)	Le25m (2,500) - Le100m (US\$10,000)	Le100m (US\$10,000) - Le250m (US\$25,000)	Le250m (US\$25,000 - Le500m (US\$50,000)	Above 500m (US\$50,000)
Bo	69	17	10	2.1	2.1
Bombali	27	41	22	2.4	7.3
Kenema	22	67	4.3	4.3	2.2
Kono	69	21	7.7	2.6	-
Port Loko	43	40	7.1	2.4	7.1
Western Area Rural	52	26	14	2.4	4.8
Western Area Urban	25	27	27	9.9	11

Source: Research and Delivery Division survey, August 2020

► 3.3 Gender and Education of Business Heads

From the study sample, almost seven out of every ten (69 percent) firms had business heads who were males, while three out of every ten (31 percent) had females. Bombali and Kono had the highest number of female business heads compared to other districts, while Bo and Western Area Rural recorded the highest number of male-headed tourism-related businesses. Findings from the survey further revealed that at the national level, two-thirds of tourism establishments had business heads with tertiary education. Across districts, Kono and Port Loko recorded the lowest shares of business heads with tertiary education, at 31 percent and 52 percent, respectively. Unsurprisingly, it was found out that at the national level, more male business heads had tertiary education compared to their female counterparts, reflecting the state of gender disparities in education across the country.

► 3.4 Structure of Workforce

Out of the 369 tourism firms interviewed at the time of the survey, only nine owners disclosed that they had no staff, and were operating their businesses solely. The total workforce for all 369 tourism responding firms was 4,635. In terms of the gender composition of this workforce, the data revealed that 59 percent were male employees, while 41 percent were females. Like many other sectors of the economy, the issue of providing employees with formal employment contracts which set out the employment benefits, rights, as well as the responsibilities and duties that is expected of an employee remains a thorny one for the tourism sector. From the survey, at least 45 percent of the businesses reported having employees who are not on an employment contract. Low-skill levels, informality, weak systems and enforcement are usual characteristics of the tourism sector in some countries (Goretti et al, 2021).

Similarly, it emerged strongly from the survey that casual labour⁶ is a common and vital window that supports the workforce of businesses in Sierra Leone. As evident from the survey responses, 39 percent of the firms disclosed that they have casual workers. Even at the global level, casual workers feature prominently as a key source of service for businesses. In Mali and Zimbabwe, for instance, one in three employees is casual and in Australia, where casual work is a given employment category, one out of every four employees is casual (ILO, 2016).

⁶ According to the ILO, casual labour is "an employee who does not have a firm commitment in advance from an employer about how long they will be employed for or the days (hours) they will work and also does not commit to all work an employer might offer".

4. Impact of COVID-19 and Mitigating Measures by Businesses

► 4.1 Status of Business Operations Before and During COVID-19

Before the COVID-19 pandemic, activities in the tourism sector were quite noticeable with liveliness along major beach bars, restaurants, hotels, nightclubs, and even visits to wildlife sanctuaries. In an attempt to understand the full impact of the virus on these businesses, respondents were requested to disclose the stage of growth of their entities, and status in terms of operations and profitability before and during the pandemic. Twenty-two (22) percent of the respondents reported that their businesses were maturing before the outbreak of the pandemic; slightly more than half (54 percent) indicated that they were expanding/growing, and 16 percent asserted that they were start-ups.

Undoubtedly, the domestic health shocks from the virus and measures instituted to control its spread have continued to exert enormous pressure on the operations of businesses in the tourism sector. At the time of the survey, seven out of every ten businesses (72 percent) reported that they were partially operational; 15 percent were fully operational, while 13 percent were temporarily closed. Six out of every 10 (61 percent) female-headed businesses reported that their establishments were partially operational at the time of the survey, thus threatening their livelihoods and economic wellbeing.

More than half of the businesses (59 percent) stated that they undertook major changes to their operations as soon as the first COVID-19 case was recorded; 16 percent and 14 percent adjusted their mode of operations at the announcement of the closure of the airport and the commencement of the country-wide curfew, respectively. In addition, 7 percent of businesses intimated that they made major alterations to their operations after the pronouncement of the inter-district lockdown, whereas the remaining 4 percent, either closed down before the pandemic reached Sierra Leone or had experienced business failure. This sheds light on the fact that the containment actions including land and sea border closures; ban on international flights; the inter-district lockdown and the nation-wide curfew⁷ and the social distancing regulations are all thought to have significantly contributed to the scaling-down of business operations and adversely impacting revenues, employment and profitability.

► 4.2 Demand for Products/Services, Revenues and Profits

Nearly all (98 percent) of the respondents revealed that the impact of the COVID-19 pandemic on the demand for their products and services has been unfavourable, and this is owing to several reasons. For instance, hotels reported that the ban on international flights triggered a massive drop in reservations, and occupancy rates reached a record low. Due to the nationwide curfew and the prohibition of large crowds, nightclubs and bars have had to reduce their operating hours, leading to substantial revenue loss. Even though an empirical study has not been done on consumer spending during the pandemic in Sierra Leone, anecdotal findings seem to suggest that people have either experienced a reduction in disposable incomes or held on to their earnings and suppressed demand for tourism services, while also limiting their movement for fear of contracting the virus.

⁷ The Government of Sierra Leone announced a nation-wide curfew which started on the 12th April 2020 from 9:00 p.m. to 6:00 p.m.

Table 3. The effect of various factors on the demand for tourism-related products and services

Factor	Extent of effect (percent of respondents)			
	Severely affected	Moderately affected	Slightly affected	No effect
Reduction in consumer demand	95.12	3.25	1.08	0.54
Supply chain disruptions	60.98	25.20	5.15	8.67
Restriction in movement	91.60	4.34	2.17	1.90
Temporary suspension of flights and reduction in visitors	71.82	15.99	6.50	5.69
Precautionary behaviour of customers due to fear of uncertainty of COVID-19	76.96	16.80	3.52	2.71
Seasonal factors	39.43	37.43	18.00	5.14

Source: Research and Delivery Division survey, August 2020

When asked how the COVID-19 crisis has affected revenues, expectedly, majority (80 percent) of businesses disclosed that their proceeds have decreased significantly, while 5 percent reported that their revenues have decreased marginally. Only 14 percent of businesses had experienced a significant increase in earnings. Consequently, eight out of every ten (82 percent) businesses reported running a loss, compared to the period before COVID-19 when seven out of every ten (72 percent) reported that their enterprises were profitable. For female-headed businesses, 71 percent mentioned that they were already running a loss at the time of the survey.

On the whole, these findings are consistent with concerns from UNCTAD which estimates that assuming that the disruption in international tourism prevails for long periods, loss to the tourism sector at the worldwide level could be as high as US\$2.2 trillion, equivalent to 2.8 percent of the global GDP. The findings did not provide any indication of any notable difference in the profit and operational status across business sizes.

Table 4. Profit Status of tourism businesses

Profit status	Status before COVID-19 (percent of respondents)	Status during COVID-19 (percent of respondents)
Profitable	72.1	3.5
Break-even	17.1	13.6
Loss	10	82.4
Don't know	0.8	0.5
Total	100	100

Source: Research and Delivery Division survey, August 2020

4.3 Access to Credit and Ability to Repay Loans

Among other factors, access to finance is a critical and necessary element for the growth and survival of micro, small, and medium-sized enterprises (MSMEs) in many parts of the world including developing countries. According to Bruhn et al (2017), about 21 percent of MSMEs in Africa consider access to finance as the major challenge in running their businesses. It was therefore not surprising that only 8 percent of the respondents revealed that they had a loan at the time of the survey, and half of these disclosed that they hold a loan from a commercial bank whereas the remaining cited that they had accessed credit through community banks, micro-credit institutions, family and friends.

These survey findings could be attributable to several factors. The financial sector in Sierra Leone is generally characterised by high interest rates and risk premiums, stringent collateral requirements, high transaction costs, and information asymmetry between banks and enterprises. As reported by some respondents, interest rates are charged as high as 25 percent and this creates a barrier for them to seek commercial bank financing. With the brutal impact of the pandemic on business activities, nearly all 8 percent of respondents who disclosed having a loan admitted that their ability to repay these liabilities has been unfavourably impacted. For these entities, the most common response strategy to deal with this challenge was to reschedule payment with creditors, interest rate reduction and a moratorium on payment.

► 4.4 Other Factors

The tourism businesses surveyed were asked to describe the extent of the burden that several other factors have had on their activities. The majority of the businesses reported that employee wages, reduction in consumer demand, utility bills, and different taxes paid have had a severe burden on their operations.

Seven out of every ten (71 percent) respondents highlighted that addressing the issue of workers' compensation has been a 'severe burden' for their businesses and this directly relates to the low revenue out-turn and subsequent losses. This predicament is not different at the global level where more than three-quarters of SMEs have either witnessed or anticipating a decline in revenues in 2020, with about one-third expecting a loss of greater than half of their earnings (ILO, 2020). Sixty-nine percent and 15 percent of respondents mentioned that reduction in consumer demand has been a 'severe burden' and 'high burden', respectively.

Moreover, 58 percent stated that utility bills which include electricity, water, telephone, etc., severely affected their operations. From the survey responses, there is an indication that power outages remain to be a major constraint and significant cost driver, despite the continuous effort from the Government of Sierra Leone to improve electricity distribution and supply to several parts of the country. In some locations, it was reported that there are high frequency and long duration of power outages, thus leaving businesses with no alternative but to resort to using generators. In Kono for instance, it was cited that electricity is supplied between the hours of 10:00 a.m. and 4:00 p.m., and 7:00 p.m. to 12:00 midnight. For other locations that are guaranteed frequent supply, COVID-19 induced factors such as the loss in revenues for businesses due to sluggish demand, slow-down in activities, which have all combined to place a 'severe burden' on firms.

Table 5. The effects of various factors on tourism businesses

Factor	Nature of effect (percent of respondents)			
	Severe burden	High burden	Moderate burden	Minimal burden
Employee wages	70.74	14.81	7.04	7.41
Access to inputs	32.59	20.44	27.41	15.56
Reduction in consumer demand	68.52	14.81	9.26	7.41
Rent	31.48	9.63	8.89	50
Utility bills (electricity, water, telephone)	58.15	18.89	14.07	8.89
Transportation	15.56	20	27.78	36.67
Taxes	55.93	24.81	10.37	8.89
Loan repayment	8.89	3.7	5.56	81.85
Asset loss/depreciation	22.96	13.33	12.22	51.48
COVID supplies (masks, sanitisers, etc.)	20.74	16.3	25.19	37.78

Source: Research and Delivery Division survey, August 2020

In addition, slightly more than half (56 percent) and one-quarter of all businesses surveyed mentioned that meeting tax obligations has been a 'severe burden' and 'high burden', respectively during the COVID-19 pandemic. Compared to micro and small businesses, a higher percentage of medium and large businesses reported that paying taxes during the pandemic has been a 'severe burden'. While the survey did not examine which specific tax payments have proven to be a challenge, there is a general observation that regulatory tax compliance is seen as a major impediment to businesses.

Box 1: Selected Quotes from Tourism Enterprise Owners/Managers on the Impact of COVID-19 on their Businesses ⁸

"COVID-19 has affected my business economically, socially and mentally. The experience is not a pleasant one but a lesson learnt is to focus more on domestic tourism to reduce dependency on foreign visitors as our major source of income. The chances of survival will be limited if the government does not come in to assist employers".

Hotel 1, Western Area Urban

"Our business was closed for almost four months and we are now trying hard to attract people via online reservation channels, offering a lot of discounts and special rate for domestic guests".

Hotel 2, Western Area Urban

"Our chance of survival depends on whether Government gives support to the establishments for at least another six months such as providing small scale grants and tax exemptions. In this way, we can run at a low cost and likewise drop our prices which will encourage people to spend. This pandemic has put our businesses to a halt".

Hotel 3, Western Area Urban

"The impact has been very dire on my business since it survives on the sale of air tickets to travellers but since the port of entries were closed and no airlines were coming into the country, we were virtually on a halt. There is a high chance of the business surviving when airlines start to operate, passengers' confidence is up again and other airports across the world start operating".

Travel Agency 1, Western Area Urban

"The impact has had the worst effect ever than any situation in the history of the travel industry. There is a complete loss of travel demand and anxiety over travel due to COVID-19 in other destinations. I fear that most small businesses will fold up permanently".

Travel Agency 2, Western Area Urban

"COVID-19 has negatively affected my business and staff. We ask that the government supports the sector, otherwise, the unemployment rate would be more alarming. We are thinking of laying-off more workers due to the shock brought about by the pandemic".

Guest House 1, Western Area Urban

"I am pleading with the government to relax some of the restrictions and to help with Micro-credit".

Night Club 1, Bombali

"The impact of COVID-19 on the business has been negative and has affected the lives of the staff and clients who depend on our services. The curfew and state of emergencies have further put pressure on businesses that are aimed at serving communities, and also paying taxes to government. In my opinion, COVID-19 preventive measures should be implemented through public health campaigns aimed at fostering personal hygiene and not halting business operations".

Restaurant 1, Bombali

"The inter-district lockdown affected my business severely as most guests are from Freetown. We will not be able to survive this pandemic if things continue as they are now".

Guest House 1, Kono

"The impact on our business is massive. The government should remove the curfew for my business to survive the pandemic".

Snack Bar 1, Kono

"Our business has been affected negatively as most of our customers/guests are foreigners. If the international borders are open and movement of people not restricted, our chances of survival are great".

Wildlife Conservation, Kenema

⁸ Respondents were asked to use their own words to describe the impact of COVID-19 on their businesses. Some of the quotes reflect the direct responses from the businesses surveyed, while others stated in Krio were transcribed by the enumerators.

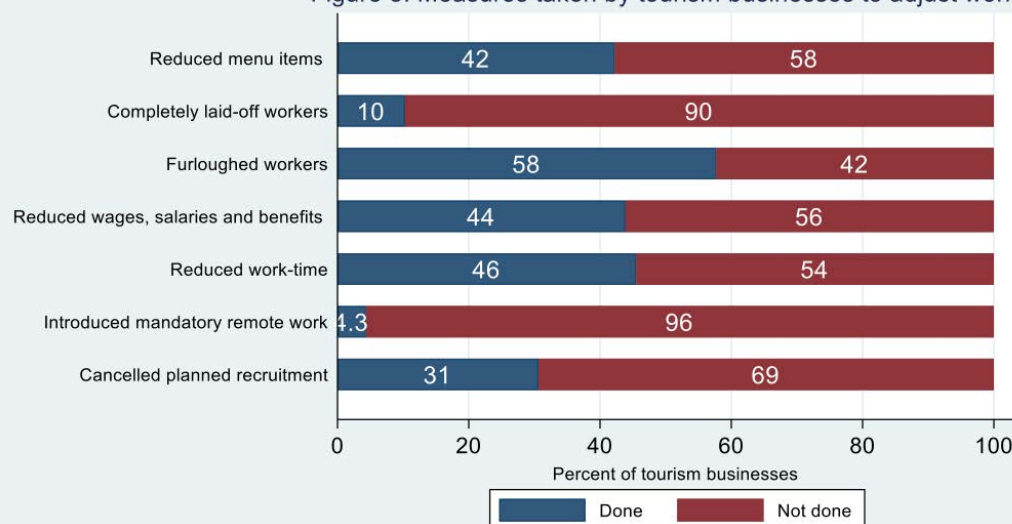
► 4.5 Measures Taken to Mitigate the Impact of COVID-19

4.5.1 Workforce and operational adjustment

Considering the unfavourable impact of the pandemic on the ability of tourism firms to deal with employees and work-related issues, they were asked to provide information regarding what measures they have taken during the period to mitigate the extent of the crisis. Close to six out of every ten businesses (58 percent) had laid off some of its workers as a way to alleviate the burden brought about by COVID-19. With the lull in business activities, many employers were left with no option but to furlough some or most employees by requesting them to stay home until the containment measures are relaxed and business activities pick up. On a similar note, 44 percent and 46 percent of the respondents reported having reduced wages, salaries, and benefits, and reduced work time, respectively. Slightly more than half (52 percent) of the respondents reported that these salary and wage reductions ranged between 26 to 50 percent, while one-third said that these reductions were less than 25 percent. The consequences of these measures could be quite severe for especially those workers – women and youths, who find themselves in the informal sector which is typically characterised by job insecurity, low income and wage conditions and limited protection from labour unions

Three out of every 10 (31 percent) businesses stated that they put a temporary freeze on recruitment/cancelled planned recruitment, while 42 percent chose to reduce menu items as a way to adjust to the predicament presented by the pandemic. Only 4.3 percent of respondents had introduced mandatory remote work and this may not be unconnected with the fact that the nature of activities and job functions in the tourism sector is not well suited to models like 'working from home' as most tasks need to be done at the workplace.

Figure 3: Measures taken by tourism businesses to adjust work



Source: Research and Delivery Division survey, August 2020

4.5.2 Other measures taken to ensure business continuity

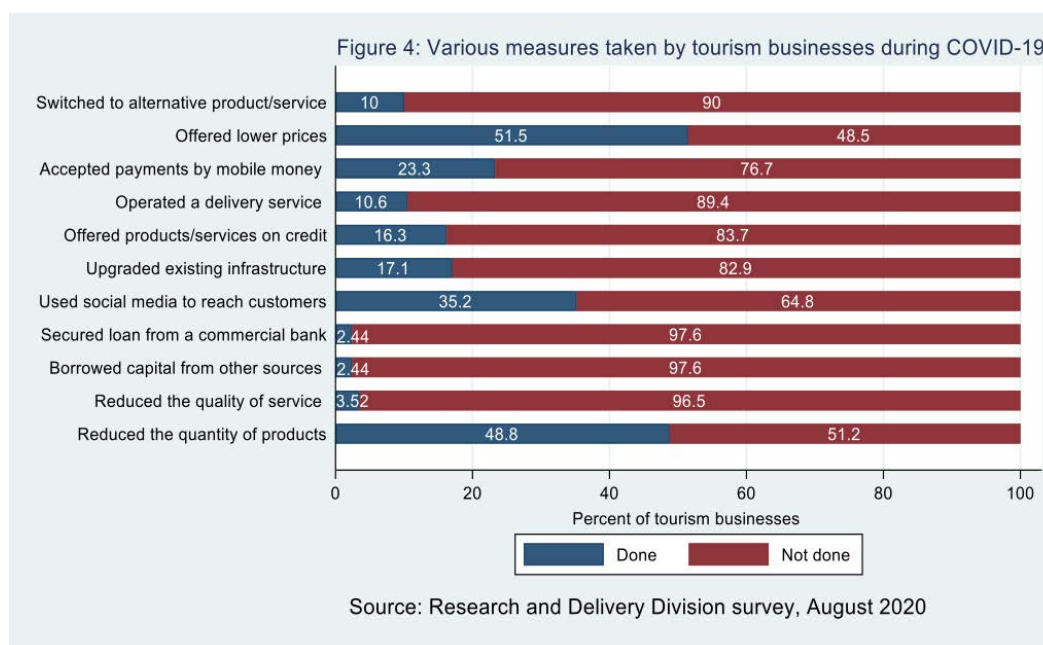
Apart from measures taken by businesses to adjust their workforce and operational strategies, a combination of other approaches was adopted to cushion the effects of the COVID-19 pandemic.

The offering of lower prices and reduction in the number of products: A little over half of the surveyed enterprises (52 percent) offered lower prices to their customers, and close to half (49 percent) reduced the quantity of the products offered to the market. These two actions may be attributable to the general decline in demand for goods and services, supply chain disruptions, and the general slowdown in economic activities.

Use of social media: As the majority of the surveyed businesses reported being partially operational at the time of the survey, it was interesting to find out that 35 percent of them used various social media platforms as a key marketing strategy to reach out to their customers. Survey responses indicated that restrictions in movement, social distancing, and other containment measures led businesses to use social media handles such as WhatsApp and Facebook, as a means of providing information to their customers.

Use of mobile money: Digital Financial Services (DFS) accounts in Sierra Leone have risen from 9 percent in December 2017 to 30 percent by the end of 2019, owing to deepened financial intermediation and collaboration among DFS providers, and the focus on promoting consumer-adaptive business models (Ngwabe et al; 2021). It was therefore not surprising that 23 percent of businesses reported that they accepted payments by mobile money at the time the survey was conducted. Compared to medium and large businesses in the tourism sector, more micro and small businesses reported having accepted payments by mobile money. However, this does not necessarily suggest that tourism businesses have increased the use of mobile money to facilitate financial transactions during the period of the pandemic. More data will need to be collected and analysed to provide evidence about the use of mobile money during COVID-19.

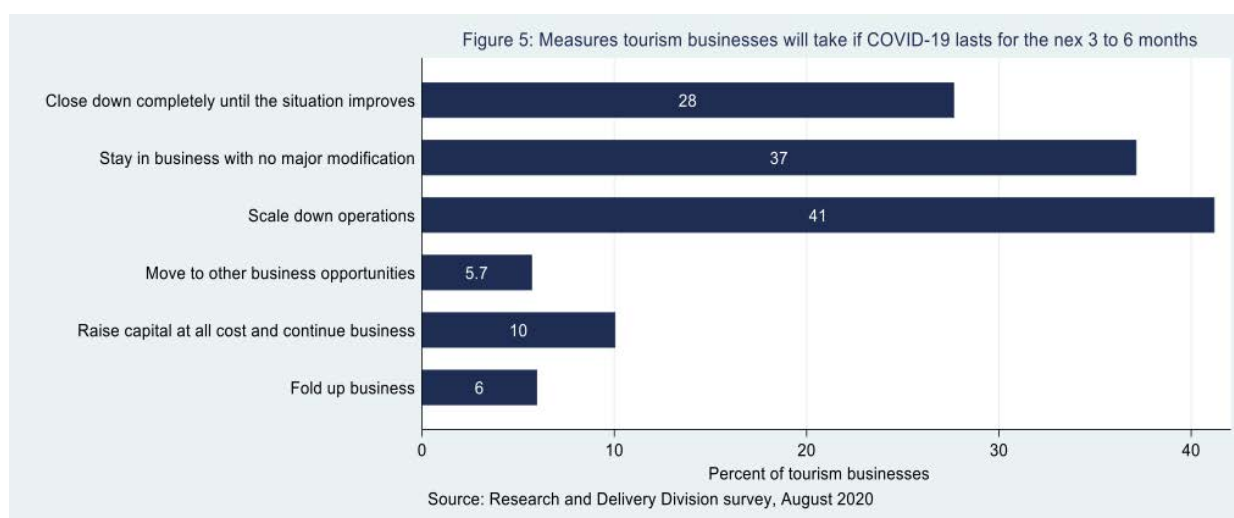
Loan acquisition and raising of capital: The vast majority of the surveyed enterprises (97.6 percent) reported that they had not secured a loan from a commercial bank during the pandemic neither borrowed from other sources to raise capital, suggesting that the appetite to acquire new loans was generally weak. A possible explanation for this is that businesses are hesitant to increase their debt portfolio considering the uncertainty over the time the pandemic will last and how the economy will respond to emerging conditions. Besides, access to finance for SMEs, especially in a developing country like Sierra Leone is a challenge. Stringent collateral requirements and the usually high interest rates on loans may partly be a reason why most businesses may not have accessed credit from commercial banks. Nonetheless, some businesses were reticent to speak when questioned whether they secured loans from commercial banks or other sources. Figure 4 illustrates some of the steps adopted by tourism firms during the pandemic.



4.6 Expectations and Views of Businesses on Government's Response

4.6.1 Likely measures tourism businesses will take if COVID-19 lasts longer

Tourism firms were requested to highlight the possible actions they will take if the pandemic continued beyond the next 3 to 6 months. Considering the uncertainties surrounding its end, the challenges facing the global economy, and the attendant impact on the local economy, views from the survey respondents regarding the next line of action they will take were quite mixed. Assuming that the spread of COVID-19 lasts for longer periods and the containment measures and restrictions remain, tourism businesses are more likely to scale down operations, stay in business with no major modification or close down completely until the situation improves.

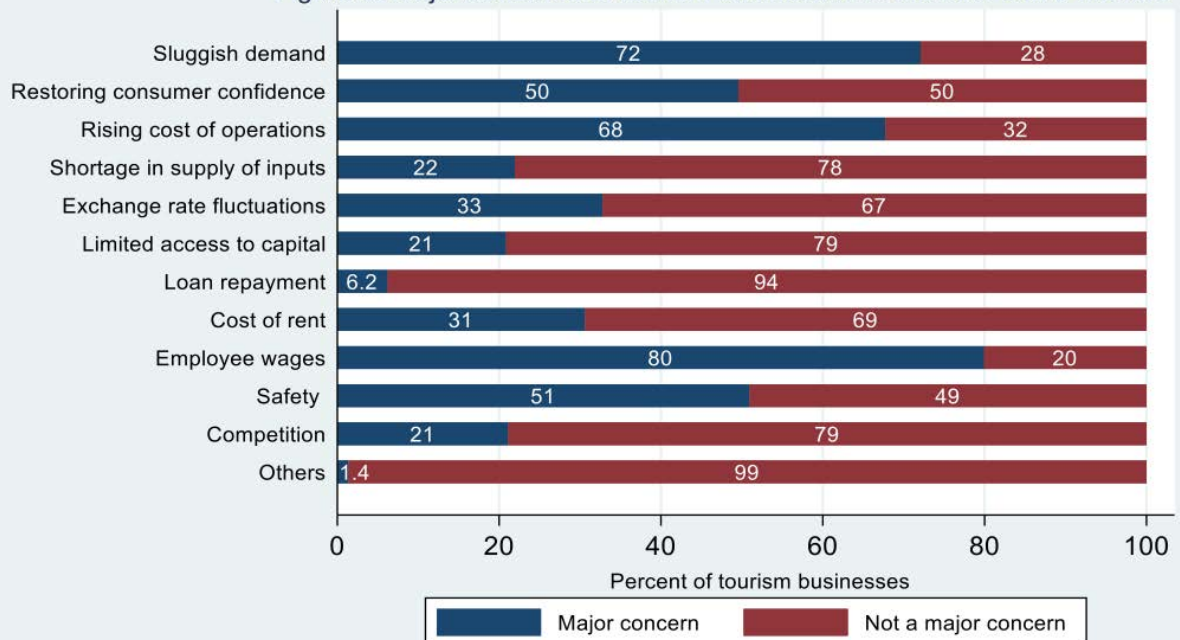


4.6.2 Major concerns for the next 3 to 6 months

The unending spread of the COVID-19 pandemic has undoubtedly created a massive setback for the tourism sector and the accompanying shocks on the operations of businesses generated a lot of concerns among key sector players.

Among the major concerns articulated by tourism businesses if the existing situation at the time of the survey continues for the next 3 to 6 months, payment of employee wages (80 percent), sluggish demand (72 percent), the rising cost of operations (68 percent), restoring consumer confidence (60 percent), and safety at the workplace (51 percent) received the most frequently occurring response. In addition, three out of every ten responding firms mentioned that fluctuations in the exchange rate and the cost of rent were major concerns in the near term, while two of every ten businesses are worried about scarcity in supply of inputs, inadequate access to capital and rivalry between enterprises offering similar products and services.

Figure 6: Major concerns of tourism businesses in the next 3 to 6 months



Source: Research and Delivery Division Survey, August 2020

4.7 Views on Government's Response to the Pandemic

In August 2020, the Government through the Ministry of Finance provided the sum of US\$480,000 to the tourism and hospitality sector to ease the impact of the COVID-19 pandemic and cushion the associated economic burden. The funds were provided as social safety net support to help tourism businesses pay three-month wage compensation to 2,363 workers in the sector. This support package was implemented as part of the QAERP, which has as one of its objectives to provide safety nets to vulnerable groups. The MTCA and the NTB rolled out the payments to the various categories of businesses across the country.

At the time of conducting the survey, nearly 2 out of every 10 (19.5 percent) businesses disclosed that they were not aware of the announcement of any package or measures instituted by the Government of Sierra Leone to aid the tourism sector. The unawareness of the Government's support to the tourism sector was more pronounced in Kono (56.4 percent) and Bo (35.4 percent). The fact that some businesses were not aware does not explain that they did not benefit from Government support. Only one-fifth (20.3 percent) of tourism enterprises confirmed that they had received direct support from the Government to mitigate the impact of the crisis, while the remaining four-fifth (79.6 percent) reported not receiving any support. It is important to note, however, that at the time the tourism survey was conducted, the payment of the wage support to the tourism sector workers was still ongoing in different parts of the country.

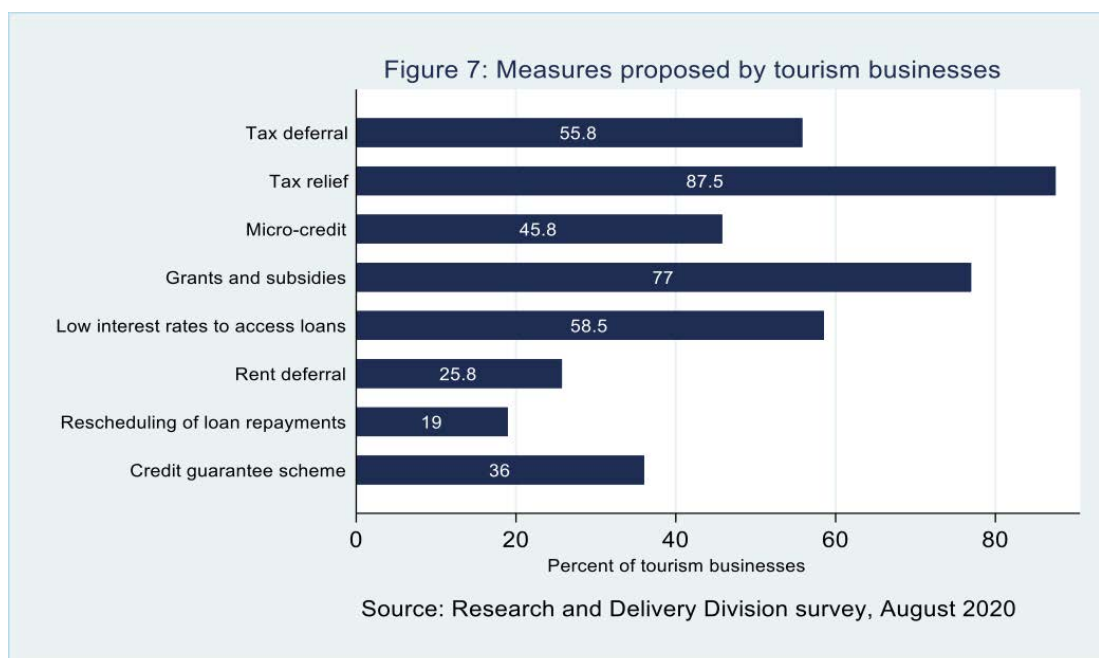
To provide further insights, the surveyed enterprises were requested to provide information as to why they thought that they did not benefit from the Government's wage compensation support to the tourism sector. In response, slightly more than half (51.4 percent) cited that public information about the process to access information was unclear, while 38.8 percent believed that the process of selecting beneficiaries was somewhat unfair, and 32.7 percent were completely unaware of the support scheme to the tourism sector and where support could be accessed. This finding points to the likelihood that the Government's approach in communicating the package to tourism businesses may not have been clear and detailed enough.

► 4.8 Measures Proposed by Tourism Businesses

While profiling the businesses during the survey, an attempt was made to ascertain their responsiveness to various types of taxes collected by the Government. For Pay-As-You-Earn (PAYE) tax, for example, only 37 percent of the respondents alluded that they meet their tax obligation, while 61 percent indicated that they pay property tax, with 73 percent confirming that they pay for a business licence to operate. This finding seems to suggest that even though the Government has taken several measures to improve the tax laws and regulations and broaden the tax base in Sierra Leone over the years, there is still a large number of businesses that are non-tax-compliant and operating outside the tax regime.

In addition, as seen in Figure 7, the survey revealed that the majority (87.5 percent) of the businesses interviewed want tax relief, whereas 77 percent want the Government to provide them grants and subsidies, and 55.8 suggest that the Government should defer tax payments. Considering the need to address the liquidity and cash flow constraints of businesses, 58.5 percent advocate for a reduction in the interest rates on loans charged by commercial banks, while 45.8 percent propose that a micro-credit scheme be set up to help ease their challenges emanating from cash unavailability and dwindling capital.

Furthermore, seven out of every ten (70 percent) surveyed businesses suggested that the Government should reduce the cost of tourist visas once the international borders are opened and airlines begin to operate, while 43 percent propose that tourist visa fees should be waived for the next 6 months. Thirty-six percent recommend that there should be some downward adjustment on the charges levied to access tourist attraction sites to raise the level of activities in the tourism sector and to encourage visitors, both foreign and domestic.



5. Recommendations for policymakers and stakeholders

This research report presents several actionable recommendations which can be implemented by the Government of Sierra Leone, the private sector, Development Partners and other stakeholders to help businesses cope with and recover from the crisis, and prescribes a pathway for future tourism development in the country.

► 5.1 Coping with the Crisis and Alleviating the Impact on Businesses and Workers

As a first step, an instant reaction to the pandemic will be for the Government of Sierra Leone, Development Partners and the private sector to direct attention to the tourism and hospitality sector, to mitigate the extent of the impact on the operations of businesses, the livelihoods of workers, and job opportunities. It is important that as restrictions are relaxed, an enabling condition is created for tourism activities to continue to take place through the following:

5.1.1 Supporting business survival and protecting jobs

- Protecting businesses from total collapse will be critical if tourism activities are to pick up especially in the short term. As more businesses (72 percent) reported being partially closed at the time the survey was conducted, measures to help businesses stay in operations is critical. The World Bank suggests that initiatives to support businesses such as facilitating access to finance on encouraging conditions including guarantees, increased credit and non-collateral loans and grants would help cushion their liquidity challenges.
- Furthermore, considering that 56 percent of businesses claimed that meeting tax obligations is a 'severe burden', the Government could consider the options of providing either targeted tax relief and deferrals, and possible reduction in specific tax rates over the short term to allow businesses to find some space to meet their cash needs such as paying incentives to workers and enhancing business continuity.
- Beyond credit and tax incentive schemes, high electricity and water rates are considered to compound the operational cost of doing business. Thus, the call to reduce rates of these services is favoured mostly by large businesses.
- In addition to the wage subsidy already provided by the Government to tourism sector workers, the Ministry of Tourism and Cultural Affairs and the National Tourist Board could explore the possibility of collaborating with the private sector to retrain and improve the skills of workers through short and refresher courses, especially those that have been temporarily laid-off.

5.1.2 Maintaining health and safety protocols

The current measures instituted by the authorities (Ministry of Health and Sanitation and the National COVID-19 Emergency Response Centre (NaCOVERC) to reduce the spread of the virus and save lives, should be given due importance. Considering that about half (51 percent) of the respondents are concerned about safety, the authorities should continue with their robust crisis engagement and communications, such that the practices of regular hand-washing, social distancing, mouth-covering when coughing or sneezing, e.t.c., are observed fully. Tourism businesses thriving to stay in operations can be given already developed health and safety protocols or guidelines which they can routinely follow, to safeguard both customers and workers.

5.1.3 Reinforcing the governance arrangement in the tourism sector

Improving the governance structures both at the central and local levels during the pandemic is a strongly recommended action. Considering the various concerns from businesses and their calls for Government's intervention, an organised and vibrant leadership from the MTCA and the NTB will ensure that the relevant players in the sector – public institutions, the private sector, businesses, and local authorities to share ideas around tackling the challenges brought about by the pandemic. The tourism authorities could consider setting up and constituting a body that will respond to the concerns of businesses and emerging issues, monitor activities in the sector during the pandemic, and also develop short to medium term recovery strategies for tourism development. According to Constantin, Saxon and Yu (2020), the creation of a tourism 'central nerve centre' which assembles the public, private and semi-private stakeholders is an important crisis management approach to address issues around the protection of workers and tourists; financial support; communication and demand promotion; industry revamp and monitoring.

5.2 Strategies for Recovery

5.2.1 Stimulating economic activity

- At the time of the survey, 95 percent of the businesses stated that the reduction in consumer demand had severely affected their operations, while 72 percent stated that they were partially operational. This essentially means that for the economy to get back on track, proactive measures would need to be taken such as allowing trade activities to continue, eliminating travel restrictions that inhibit the movement of goods and services, and creating an enabling environment for and engaging the private sector to participate in the provision of goods and services that the Government cannot provide, and which support the tourism sector. Steiner and Gurría (2020) add that even when temporary restrictions are used as a measure to control the spread of the virus, this must not hinder trade especially cross-border trade in agricultural goods.
- High-impact MSMEs could also be supported with liquidity to help them survive and sustain their local and global supply chains. The government could embark on active fiscal policy measures such as planned and cautious spending on high-growth sectors which could lead to positive spillovers and induce improved performance in, especially domestic tourism.
- Kampel (2020) suggests that prioritising domestic and regional tourism is a critical step that could be used as a corridor for recovery and a contingency approach that will show the rest of the world that the country is at an appreciable level of preparedness for tourism activities to pick-up.

5.2.2 Improving business conditions and building competitiveness

As many of the respondents cited employee wages, sluggish demand, the rising cost of operations, restoring consumer confidence, and safety at the workplace as key concerns, if the COVID-19 pandemic continues for the next 3 to 6 months, improving business conditions and strengthening the competitiveness of the tourism sector, would be necessary steps for the authorities to take through the following:

- In a report titled 'The Clock is Ticking for Survival of Indonesian Enterprises, Jobs at Risk', the ILO suggests that financial institutions can provide SMEs with zero or low-interest loans and also offer partial credit guarantee as key support measures to help businesses recover and stay competitive. This could be potentially critical if businesses in the tourism sector are considered for such facilities and these actions, if taken, will need to be effectively supervised and monitored by the Bank of Sierra Leone. The Small and Medium Enterprise Development Agency (SMEDA) Sierra Leone could consider directing some resources from the National Micro-Finance Programme (the MUNAFA Fund) to particularly micro and small businesses in the tourism sector that are in dire need of liquidity. The 9 percent interest rate charged on loans under the MUNAFA Fund will significantly reduce the burden on micro and small businesses since this rate is below the average lending rate of 20 percent charged by commercial banks.
- For businesses in the tourism sector to improve their conditions and remain viable, it is recommended that they apply cost-saving measures and control spending. While businesses adapt to the emerging situation that the pandemic presents, they should ensure that their operational budgets reflect the costs of items that are the most relevant in keeping their businesses competitive. The Government on its part should guarantee the provision of essential services such as electricity and water, with the accompanying bills to businesses kept at a reasonable and affordable cost that will not stifle recovery. Owners and managers of tourism establishments should endeavour to institute stricter measures to control spending and the purchasing of items needed to run their operations.
- Tourism establishments should intensify efforts in managing their customers such that demand for tourism products and services are guaranteed. They should take advantage of the low incidence of the COVID-19 infections in the country and embark on massive promotion and marketing of what they offer to tourists to include advertisement in newspapers, magazines and publications; use of social media platforms and hosting of social groups of social gatherings. Such approaches could be a great way to create visibility of touristic attractions and destinations, generate demand, restore the confidence of customers and also withstand competition.
- In a World Bank paper titled 'COVID-19 and Tourism in South Asia: opportunities for sustainable regional outcomes', Twining Ward and McComb (2020) suggest that considering that post-COVID travel rivalry will be extreme, engagements between and among governments, and partnerships involving the private sector can enable frank discussions around lessons learnt and the sharing of vital tourism-related data.
- Furthermore, Signé and Johnson (2018) propose that an effective strategy to gain competitiveness is to attract visitors through destination promotion, create solutions and build a positive country image.

► 5.3 Brightening the Future for Tourism Development

Due to the enormity of the structural challenges facing the tourism sector, creating a sustainable path for success will not happen overnight. National policies will have to be revamped and specific strategies will have to be prioritised to develop a reliable future for tourism development in the country. According to Christie et al (2014), to enhance tourism sustainability, policy direction and strategic decisions should be centred around the following:

- ❖ **The extent of tourism development:** The starting point should be for the Government to decide on whether it wants to pursue the building of large resorts, ecolodges, moderate projects and the like as this will help to establish the volume of investment that needs to be made to trigger tourism development. Therefore, the Government of Sierra Leone must now scale up its effort in the development and refurbishment of historical, conservation and cultural sites with touristic potential and value. The Ministry and its partners can use social media platforms, TV commercials, websites, and other channels to educate the public about the importance of domestic and ecotourism. Major and large-scale projects that have higher chances of success and financial viability should be identified and pursued, consistent with the Key Policy Actions (KPAs) that have been identified in the MTNDP. Such projects should have the characteristics of creating long-term employment for youths and women, and raising taxes from which government can invest into public programmes.
- ❖ **Sustainability of the tourism sector:** Christie et al (2014) articulate that for the tourism sector to flourish, financial, economic, social and environmental sustainability are critical. Firstly, investments and businesses should be financially capable for the long-term; private sector participation in tourism sector development must be ensured; government must provide the required infrastructure to support tourism development, and people and communities should be well-integrated into the arrangements set out to boost tourism. Secondly, investments made in the sector should be able to generate substantial economic returns such as to create jobs, stimulate local demand for goods and services, and present linkages to the informal sector especially for communities that are dependent on eco-tourism endowments such as coastal, highland, forests and wildlife environments.
 - In addition, the social sustainability requirement presents the argument that within the country setting, the tourism space should allow for both local and foreign ownership of tourism establishments especially hotels; proceeds from the sector should advance the lives of people in local areas, and mechanisms like corporate social responsibility can help to deliver basic services including education, agriculture and health projects to communities. On the part of environmental sustainability, Christie et al (2014) advocate for proper management of tourism resources that will mitigate negative impacts such as water pollution, land degradation, and disruption of the ecological environment.

- Going forward, the Government, through collaboration among the Ministry of Lands and Country Planning (MLCP), the Environmental Protection Agency (EPA), the MTCA and the NTB would need to institute measures and regulations to allow for a more planned approach to the construction of buildings along coastal zones and beaches, address sand mining and the indiscriminate encroachment on the tourism environment. The Freetown City Council (FCC) should also work with authorities in the tourism sector to tackle the longstanding problem of improper sewage and solid waste disposal that destroys the beauty of tourist sites. Sites and national parks reserved for wildlife and forest conservation must be protected through regulations and enforcement. The Monuments and Relics Commission (MRC) should be supported fully for it to be able to deliver on its mandate to preserve historical, cultural and natural monuments, particularly those that will generate economic value when used by tourists.

❖ **Financing Tourism:** Tourism development in Sierra Leone would need colossal financial resources from various sources. Christie et al (2014) suggest that the key avenues from which tourism can be financed include the Government budget; the private sector which can invest in tourism facilities and international promotions; contribution from local communities through the provision of land and labour, and support from donors, both local and international. Adequate financing will enhance investment in the maintenance and upgrading of the tourism infrastructure and environment.

Other ways through which the medium to long-term future for tourism development can be enhanced include the following:

- Government of Sierra Leone can collaborate with the private sector and Development Partners to revamp training for workers in the tourism sector across various themes including hotel operations, human resources management; sales, promotion and marketing of tourism products and services; catering, reception, housekeeping, tour handling, and entertainment management; entrepreneurial and business development skills. An innovative Public Private Partnership (PPP) model can be used to establish a modern school of tourism to actualise this agenda.
- While Sierra Leone has made remarkable progress in improving visa procedures in the past five years, moving 11 places upwards on the 2020 Africa Visa Openness Index, the authorities will need to continue to assess and make more tourist-friendly visa policies. The cost of airfares should also be revised to ensure that the country becomes more attractive to visit and competitive relative to other countries on the continent.

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secretariat@economicresearchunit.com / research@mof.gov.sl

or visit

the Research and Delivery Division, Ministry of Finance, 3rd Floor, Treasury Building,
George Street, Freetown

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