

**MINISTRY OF FINANCE  
RESEARCH AND DELIVERY DIVISION**

**Policy Brief  
September, 2020  
No. 1**

**The Impact of COVID-19 on Businesses in Sierra Leone: A Synthesis of various Surveys**



**Generating Evidence to Inform Policy Formulation and Implementation**

## Context

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Sierra Leone recorded its index case of the Coronavirus on the 31st of March 2020. Several measures, including the suspension of international flights, closure of borders, partial lockdowns, restrictions on inter-district movements, and a ban on public gatherings were adopted by the Government of Sierra Leone (GoSL). Whilst these measures are meant to save lives, their implementation, the spillover effects from global developments as well as factors such as instability in financial markets, supply chain disruptions, demand-side inefficiencies and a general sense of uncertainty have led to faltering economic activity. As part of measures to respond quickly and effectively to the COVID-19 pandemic, the Government prepared the Quick Action Economic Response Programme (QAERP) to maintain macroeconomic and financial stability as well as mitigate the impact of the disease on households and businesses. This is being complemented by the COVID-19 Health Preparedness and Response Plan. The National COVID-19 Emergency Response Centre (NaCoVERC) leads the implementation of the health response to ensure a whole-of-Government and multi-agency approach in responding to the COVID-19 pandemic at the national and the district level.

This policy brief on the ‘Impact of COVID-19 on Businesses in Sierra Leone’ is the first in a series that will summarise the experience of businesses during this pandemic to guide policymaking. The series will examine the effects of COVID-19 on the income, operations and workforce of micro, small and medium-sized enterprises (MSMEs<sup>1</sup>), as well as information on the support businesses, need from the Government. Given that the pandemic is still in progress, other emerging issues with implications for the welfare of businesses will be addressed as they emerge.

## Key findings

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- Despite the reopening of most businesses in recent weeks, incomes for business owners and wages of employees are significantly lower than before the crisis, and the outlook remains uncertain.
- Knowledge of Government support schemes for businesses has increased. However, access to the current active interventions remains a challenge as most SMEs do not meet the criteria needed to qualify for support.
- Support in the form of grants and small loans are the most requested by businesses to address their key challenges related to cash flow and a lack of access to finance.

## Data Sources

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The findings presented are based on several surveys conducted in recent months by the [International Growth Centre](#)<sup>2</sup>, [SME Forum](#)<sup>3</sup> and [Invest Salone](#)<sup>4</sup>. Subsequent briefs will include detailed findings from the Business Pulse Survey<sup>5</sup> and Statistics Sierra Leone COVID-19 Survey, currently being conducted.

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<sup>1</sup> MSMEs account for 98.5% of businesses, 84% of employment and 70% of GDP (SME Forum, Statistics Sierra Leone)

<sup>2</sup> <https://www.theigc.org/covid-19/sl-dashboard/>

<sup>3</sup> <https://smefor.org/covid-19-response>

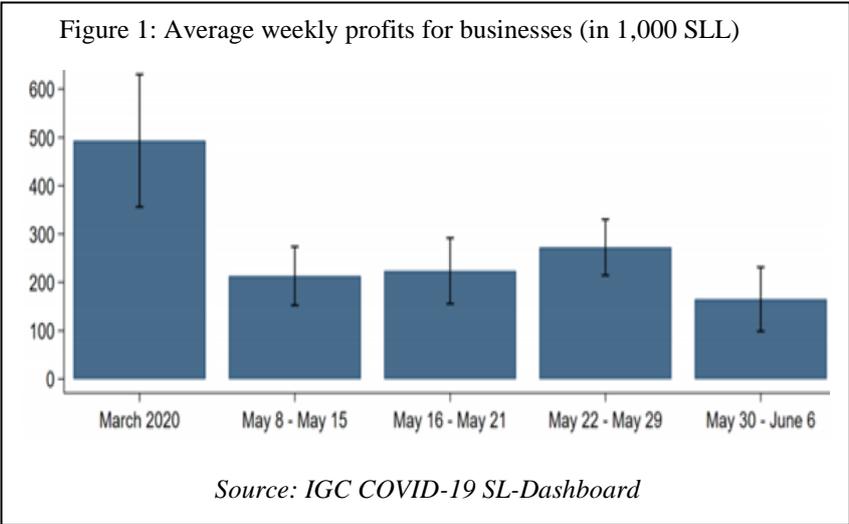
<sup>4</sup> <https://investsalone.com/covid-19/>

<sup>5</sup> The Government’s Business Pulse Survey conducted in collaboration with the World Bank is designed to provide a standardized approach to measure the impact of the COVID-19 pandemic on firm’s revenues, sales, employment, and supply chain disruptions, and help inform policy recommendations

**What has been the impact of Covid-19 on businesses?**

▪ **Income**

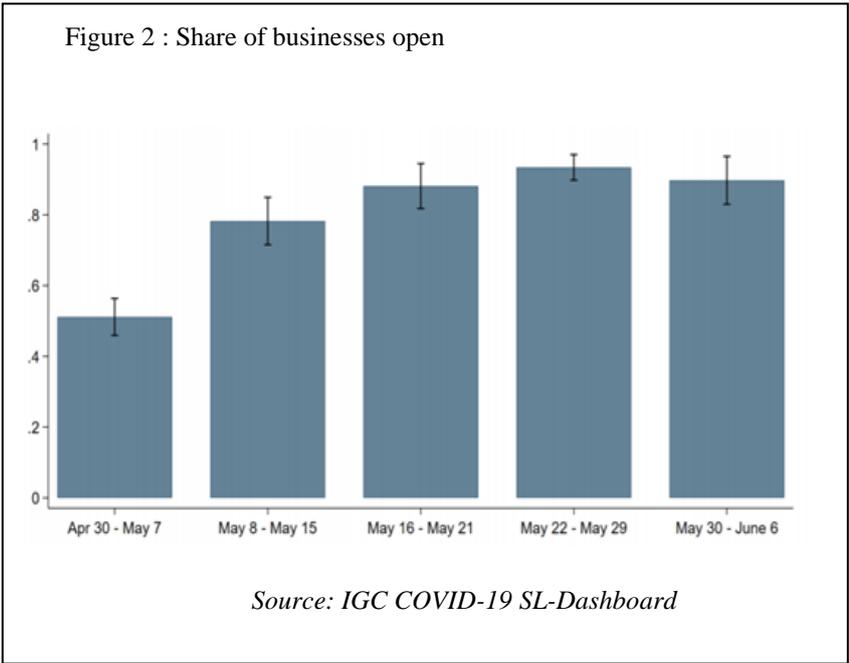
**In mid-May 2020, 68% of business owners reported that their weekly income was lower than in a typical week in March this year.** Average weekly profits for businesses<sup>6</sup> dropped by 60% in May compared to March from (500,000 to 200,000 SLL) and have since remained flat.



▪ **Operations**

**At the end of April 2020, only about 50% of businesses surveyed were open. By the end of May 2020, this had increased significantly, and around 90% of businesses reported that they were open for service.**

Throughout May, around 80% of business owners reported **difficulties accessing customers**, likely due to the initial three days lockdown, the curfew and restrictions on inter-district travel for businesses and citizens.



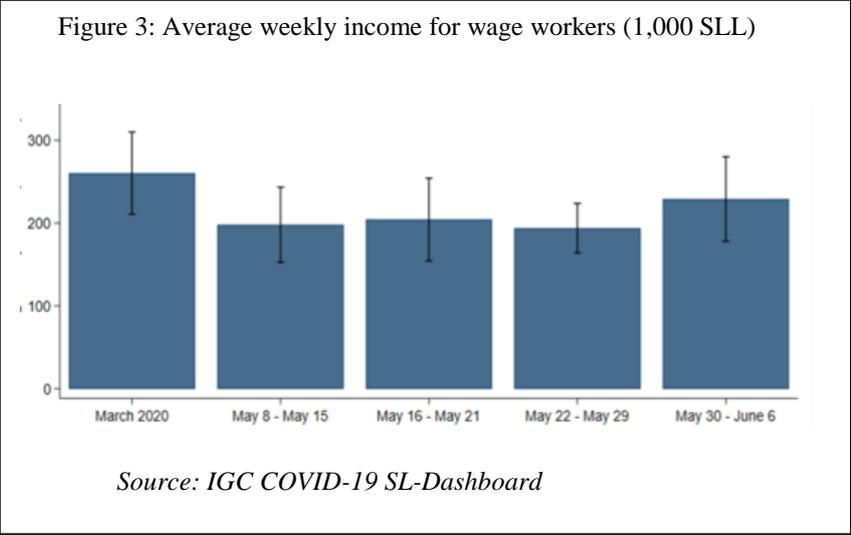
45% of businesses reported **lower demand** for their products at the start of May, but this increased to around 80% by the end of the month. At the start of May, around 50% of businesses reported having **difficulties accessing suppliers**, but this rose to 60-70% in the following weeks. A higher proportion of businesses in **rural areas** are experiencing difficulties accessing customers and suppliers than in Freetown. For example, some businesses reported that they are unable to transport products to Freetown and the Port for export or can do so only with long delays. Over a third (36%) of businesses reported

<sup>6</sup> *Businesses are typically small and informal: 37-45% are petty traders, and 15-30% are processors of agricultural goods*

having challenges with their production. Overall, these disruptions have increased the cost of doing business for those that have remained open.

- **Employment and wages**

By mid-May 2020, 13% of business employees reported a drop in their income compared to March 2020. The average weekly income of workers<sup>7</sup> dropped by 25% in May compared to March (260,000 to 200,000 SLL), although by early June half of this drop had been recovered.



By mid-May, 57% of workers reported that their employers had to temporarily lay-off people due to the wider economic downturn as a result of COVID-19 and Government restrictions and 11% of employers had to delay wage payments. Daily hours worked for workers, dropped to 4-6 hours during May, compared to 8 hours in March. For business-owners, daily business hours fell from 10 hours in March to 6-8 hours in May.

Reductions in working hours were more pronounced for women, workers aged over 30 and those with a secondary school or higher level of education.

**How have Sierra Leone’s critical sectors been affected?**

- **Agribusiness sector**

The agriculture sector was projected to grow by 4.3 per cent in 2020; however, due to the impact of the pandemic, projections have been revised down to 3.8 per cent. The outbreak of the Covid-19 and corresponding restrictions is likely to result in a reduction or even cessation of private sector investment in agriculture (agriculture and fisheries), as well as ripple effects throughout the agribusiness supply chain. This is affecting all players in agribusiness and more than 70% of the population who are formally or informally connected to the agribusiness industry<sup>8</sup>. However, due to the seasonality of agriculture in the Country, the impact is likely to be most strongly felt in 2021.

- **Tourism**

97% of businesses in the tourism sector have been greatly impacted, and nearly all expect their revenue to fall by over 50% in 2020<sup>9</sup>. 29% have closed temporarily or permanently, 29% are operating a reduced scale, and a further third are operating with reduced staff. 49% of businesses have had to change the way they operate in response to the crisis. All of those businesses with outstanding loans either have already or predict they will miss a payment in the next three months. Similarly, 52% of

<sup>7</sup> The majority (57-64%) of wage workers surveyed are employed by the government and 14-17% in construction  
<sup>8</sup> Data from this section adapted from GoSL’s Quick Action Economic Response Programme document (March 2020)  
<sup>9</sup> From Invest Salone Rapid Surveys for Tourism Sector (July 2020). Sample size is 35; additional investigation is necessary to better gauge the impact across all subsectors.

businesses are behind or are likely to fall behind on rent payments. 29% of businesses also say their energy tariff is the biggest burden they face right now.

- **Transportation**

**This sector is set to be significantly impacted, resulting in GoSL revising growth projections by 50% (from 5.0% growth to 2.5%).** The aviation sub-sector has been badly hit as several airlines have been forced to make significant alterations in their operations. Maritime transport has also been affected, reporting major delays and disruptions at ports of origins<sup>10</sup>. According to a small survey of land transportation companies<sup>11</sup>, 86% reported that Covid-19 has forced them to scale down operations, resulting in 40% laying off workers and 60% reducing wages<sup>12</sup>. However, about half of the laid-off workers were given some form of financial compensation.

Another survey<sup>13</sup> reaching a wider sample of commercial transportation providers revealed that for bus operations, the daily average of round trips dropped from 10 to 7 per day. Revenue targets reduced to 70% and driver's daily earnings from fares fell by 46% even though passenger fares remained unchanged. Most operators attributed this to the social distancing restrictions limiting the number of passengers allowed per trip and compliance with the curfew.

- **Essential commodities**

**This sub-activity within the trading sector does not seem to be at as high risk from secondary impacts of Covid-19.** Recent data shows that GoSL under the QAERP has been able to ensure that importers of essential commodities procure and maintain stocks of essential commodities for cycles of four to five months. According to the 6th July 2020 report from Commodities Trading Company (CTC) Ltd, the largest rice importer, Sierra Leone has a supply of rice and sugar that is sufficient for the local population until November/December 2020. This success is attributed to early interventions – Bank of Sierra Leone loan facility to importers of essential commodities- put in place well before the Country started reporting cases of COVID-19 under the Quick Action Economic Response Programme being led by the Ministry of Finance.

### **How have businesses adapted or coped with the impacts of Covid-19?**

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- **Financing and cash flow**

Among the businesses surveyed, 52% of businesses reported challenges relating to **cash flow**. 51% of businesses reported that their key challenge to exploring alternative business opportunities was **access to finance**. A further 22% said it was **restrictions due to COVID-19**. Businesses reported experiencing long **delays with their financial transactions** (such as interbank transfers) and are also being impacted by their customers experiencing such delays.

- **Business adjustments**

88% of the MSMEs are **re-thinking** their business models. 47% of all businesses are **considering new business opportunities** due to changes and/or challenges associated with the COVID-19, and 48% of businesses reported **creating new products/services** during this period. A quarter of businesses are **reducing production to cut costs**, and 24% of businesses are **offering price cuts or promotions**.

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<sup>10</sup> Data from this section adapted from GoSL's Quick Action Economic Response Programme document (March 2020)

<sup>11</sup> Transportation Companies, not vehicles licensed for commercial transportation

<sup>12</sup> Source: Invest Salone Rapid Surveys for Transportation Sector (June 2020). Sample size is 8; additional investigation is necessary to better gauge the impact across all subsectors.

<sup>13</sup> Source: Innovations for Poverty Action Sierra Leone, Operation of and Demand for Public Transport during COVID-19: Descriptive Evidence from Sierra Leone

Businesses offering products or services that are essentials or aligned to COVID measures have, in some cases, increased their production to meet market demands. 74% of businesses report that they have **resorted to technology** in their business (including digital marketing, brand promotion, delivery, payments systems). 53% of businesses have contingency arrangements to mitigate the risks of staff illness due to COVID-19.

### **Are Government interventions for businesses relevant and well-communicated?**

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#### ▪ **Current interventions**

**Knowledge of government support was low but might be improving. In early April, 40% of businesses were knowledgeable of government interventions for COVID-19 for the private sector.** Of those aware, 60% were aware of the special loan and credit scheme, and over 10% were aware of stock monitoring and tax deferrals. Even for those businesses aware of government support, there is a demand to expedite the processes for accessing these facilities. However, by late June, over 90% of market women in Freetown were aware of government support programs, especially cash transfers<sup>14</sup>. **Despite increased awareness, 83% of these women had not received any support, and over 90% had not received any business training on how to manage during COVID-19.**

#### ▪ **Desired interventions**

**Up to 90% of businesses report that they need support accessing finance in the form of grants and small loans.** 58% reported that the current special loan and credit scheme is useful and over 22% said the tax deferment scheme is useful. 35% of businesses report also needing technology support and 35% report needing support to access their markets. MSMEs also report needing mentorship support (29%), reduced interest rates and an extended moratorium (22%) and energy support (16%).

#### ▪ **Planned interventions**

The second Pillar of the QAERP focuses on providing support to Small Medium Enterprises (SMEs). The Government is far advanced in designing the National Micro-Finance Programme (Munafa Fund). An amount of Le50 billion is provided in this Supplementary Budget for the National Micro-Finance Programme at concessionary interest rates for SMEs to complement the efforts of the Bank of Sierra Leone. Additionally, a special loan facility is also being designed. The results of the planned Business Pulse Survey will feed into the design of both initiatives. Research on the impact of COVID-19 on the informal sector is being planned to inform any interventions for the sector.

### **What are businesses' future expectations, and what can Government do to support?**

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**There are mixed views on the ability of businesses to survive, depending on how long the challenges of COVID-19 persist.** One survey found that the majority (83%) of businesses believe they will survive this crisis<sup>15</sup>. However, another survey in early April found that just over 50% of businesses said they could survive for less than 3-months without any external support and a further 30% said they could survive for up to 6 months<sup>16</sup>.

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<sup>14</sup> Source: Gap Tracker Survey on Existing COVID-19 Response Gaps for Market Women in Freetown (June 2020)

<sup>15</sup> SME Forum - SMEFOR Survey on the Impact of COVID-19 on SMEs (May 2020)

<sup>16</sup> Invest Salone's Quick Private Sector Survey for COVID-19 Response (April 2020)

## **Suggested policy proposals for consideration**

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- The establishment of a responsive public-private platform and mechanism - which includes periodic surveys, dialogue and joint problem-solving - for identifying and responding to emerging critical gaps brought about by Covid-19 in the business environment. The Private Sector Platform (PSP) in the QAERP represents the beginnings of such a mechanism, and lessons should be drawn from it to inform a full-fledged response mechanism as Sierra Leone enters the Covid-19 recovery phase.
- Targeted wage support schemes for critically impacted sectors, such as tourism and transportation would help relieve short-term pain points and allow businesses some financial space to better pivot their business strategies.
- Expansive and inclusive communications of GOSL's private sector interventions to the business communities that need them, particularly the special loan facility, planned microcredit scheme and tax deferrals scheme to ensure accessibility.

## **Conclusion**

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Overall, the data show that businesses have been severely impacted by the initial phase of Covid-19 (March - July 2020). Targeted and relevant support is critical to get affected businesses back on their feet and prevent long-term damage to the overall business environment and economy. These findings presented here is the beginning of a policy series meant to inform GoSL leadership on key areas of economic response decision-making, and subsequent briefs will provide insight into these targeted interventions.

## Authors

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## Citation

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